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Business Insurance

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EXCESS AND SURPLUS LINES RATE INCREASES MAY BE SHORT-LIVED / PAGE 3

INSURANCE SECTOR FIRMS RANKED AS BEST EMPLOYERS BY WORKER SURVEY / PAGE 4

inBrief

Excess/umbrella casualty rates rise

Excess/umbrella casualty insurance renewal rates increased an average of 3% during the third quarter of 2012, with large employers experiencing rate hikes more frequently than smaller firms, according to Marsh Inc.

S&P downgrades Mapfre rating

Standard & Poor's Corp. downgraded its long-term rating for Majadahonda, Spain-based Mapfre S.A. insurance group to BBB+ from A-, a day after the ratings firm downgraded the sovereign debt of the Kingdom of Spain to BBB-/A-3 from BBB+/A-2. Meanwhile, Global Aerospace has reorganized its pool in light of pool member Mapfre's downgrade.

See **IN BRIEF** page 21

SPOTLIGHT

QUARTERLY TECHNOLOGY FOCUS:
CLAIMS MANAGEMENT SOLUTIONS

Predictive modeling gaining ground; pros, cons of mobile devices; anti-fraud tools swamp adjusters with data; video fights fraud. PAGE 9

WORKERS COMPENSATION

AP PHOTOS

Officials say a fungus caused a meningitis outbreak linked to a drug compounding firm.

Meningitis outbreak adds to comp worry

Lawmakers criticize lack of oversight for drug compounding

By ROBERTO CENICEROS

The deadly meningitis outbreak in the United States is drawing greater scrutiny of drug compounding, which already is a concern in the workers compensation industry for certain pricing practices.

Managed care companies and pharmacy benefit managers that help treat workers compensation patients have taken precautions, such as reviewing case files to determine whether they need to help notify claimants that may have received tainted, injectable steroids linked to the outbreak that claimed at least 20 lives and caused some 250 confirmed meningitis cases as of last week.

While no formal link had been made that workers comp patients had received potentially contaminated injectable steroids made by

See **COMPOUNDING** page 21

AGENTS & BROKERS

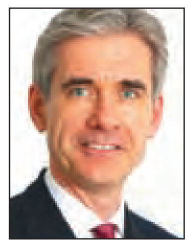
New Willis leader brings outsider's view to broker

Changes expected as McKinsey exec succeeds Plumeri

By MATT DUNNING

The decision by Willis Group Holdings P.L.C. to name a McKinsey & Co. management consultant as its new CEO may signal substantial cultural and strategic changes at the London-based insurance brokerage, analysts say.

Last week's appointment of Dominic Casserley, a senior partner at New York-based McKinsey, also may indicate that Willis' board of directors believes the brokerage needs a different perspective as it emerges from a period of disappointing financial results, they say.



Mr. Casserley

For his part, Mr. Casserley views prioritizing Willis' worldwide resources as a key challenge when he takes over from Joe Plumeri as CEO on Jan. 7, 2013.

While Mr. Casserley is an outsider to Willis and the brokerage industry, his transition may be aided by Steve Hearn, chairman and CEO of Willis Global, who was named deputy CEO of the parent company last week.

Analysts said Mr. Casserley's arrival could lead to significant changes at Willis.

"My guess is that the board feels as though a different culture would be best for the future," said Tom Mitchell, an analyst at New York-based Miller Tabak & Co. L.L.C. "I don't think it's a repudiation of Joe Plumeri's work, but there is a sense that the board decided they needed something different going forward."

Mr. Casserley, 54, joined McKinsey in 1983 and has worked out of the firm's London office since 2000. He is the second McKinsey partner to leave the firm to head a major insurance brokerage in recent years. In 2005, Aon Corp. hired former McKinsey partner Gregory C. Case as president and CEO.

In light of Mr. Case's move to Aon when that brokerage was struggling, analysts said Willis' choice of Mr. Casserley appears at least to be an acknowledgement that there are challenges the brokerage needs to address.

"I think it reflects some recognition of problems that might go a little bit deeper than the one-off items that have been cited in recent (analyst) confer-

See **WILLIS** page 21

PENSIONS

Verizon to offload $7.5 billion in pension liabilities

By JERRY GEISEL

More employers are certain to follow in the footsteps of Verizon Communications Inc., which is purchasing a group annuity to shed billions of dollars in pension plan liabilities, experts said.

Last week, New York-based Verizon became the second major employer in recent months to announce such a pension plan risk-reduction strategy.

Under its arrangement, Verizon will transfer about $7.5 billion in benefit obligations to Prudential Insurance Co. of America by purchasing the annuity. The agreement covers some 41,000 management participants who retired and began receiving benefits before Jan. 1, 2010.

As part of the deal, Verizon will contribute about $2.5 billion to the plan that it froze in 2006.

"The transaction is expected to further Verizon's objective of derisking the pension plan while improving the company's longer-term, financial profile," Verizon said in a statement.

Verizon's action follows that of General Motors Co., which earlier this year said it would purchase a group annuity — also from Prudential — to cover the benefits of tens of thousands of salaried employees who retired before Oct. 1, 1997. GM also gave salaried employees who retired after Oct.

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gallery

DEADLY JOBS: Despite the substantial efforts that many organizations put into safety programs, thousands of workers are killed on the job every year in the United States. The good news is that the number of workplace fatalities is falling. *www.BusinessInsurance.com/Galleries*

LAST WEEK'S TOP FEATURES
www.BusinessInsurance.com/BITop10

1. Photo gallery: Deadly jobs
2. Attracting top candidates poses challenges for industry recruiters
3. New Willis CEO to focus on global risks, opportunities
4. Marsh forms energy team, names group leader
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10. Insurance broker Frank Crystal & Co. rebrands as Crystal & Co.

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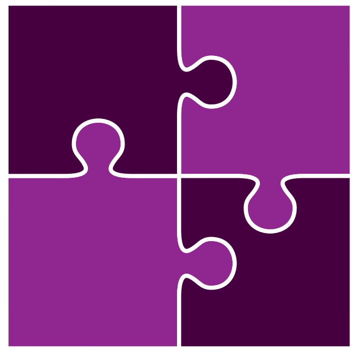

virtual conference

2012 WORKERS COMP VIRTUAL CONFERENCE: This one-day online event Thursday is for executives concerned about controlling their workers compensation costs, and for providers of products and services to manage these risks. Sign up today at *www.BusinessInsurance.com/2012WCConference*

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Verizon: Pension conversion

CONTINUED FROM PAGE 1

1, 1997, but before Dec. 1, 2011, a choice of taking a lump-sum benefit or continuing their monthly payment. Those who continue monthly payments, though, will receive them from Prudential rather than from GM's pension plan.

More employers are certain to adopt such pension risk-reduction efforts in the coming months. In the last few weeks alone, several large companies, including Archer Daniels Midland Co., Equifax Inc. and the New York Times Co., have offered certain plan participants the opportunity to convert their annuity to a lump-sum payment.

The corporate interest in such approaches "is the highest I ever have seen it," said Jason Richards, a senior consultant with Towers Watson & Co. in St. Louis, adding that the interest is coming from employers of all sizes.

Employer interest is "extremely high. The conversations have become much more serious. There will be more activity," said Margaret McDonald, a Prudential senior vice president in Hartford, Conn.

Several factors are driving employer interest in pension risk-reduction strategies, the biggest being that they no longer want to face unpredictable plan contributions because of swings in the equities market and changes in interest rates.

"For many plan sponsors, the volatility associated with managing a pension plan is a distraction from their core business," Ms. McDonald said.

"Corporate America is getting out of the pension business and is focusing on what they know best — running their own businesses," said Sean Brennan, a senior consultant in Mercer L.L.C.'s financial strategies group in New York.

Corporate interest is especially high for companies that, like Verizon, have frozen their pension plans, with plan participants no longer accruing benefits.

In such situations, "Employers look at the high cost of maintaining a plan and see that there is no value in keeping it going," Mr. Richards said.

There are pros and cons to the two principal pension risk-reduction approaches — purchasing an annuity from an insurer and lump-sum benefit offers.

With an annuity, an employer can be absolutely certain of the amount of risk being transferred and eliminated. On the other hand, employers have to pay a premium to the insurer to which they are transferring the benefit obligations through the annuity purchase.

While Verizon hasn't disclosed the premium it will pay Prudential, experts say the premium for annuity purchases involving plan participants already receiving benefits ranges from about 8% to 15% of the benefit obligation.

Verizon chose the annuity approach because it "was the deal that made the most financial sense," a spokesman said in an email. "Also, many of the affected retirees had already been offered the option of a lump sum when they retired."

With lump-sum offers, employers do not have to pay a premium to an outside party. On the other hand, they cannot be certain what percent of plan participants will accept the offer to convert their annuities to a lump-sum benefit.

As a result, "the amount of risk taken off the books is very unpredictable," said Ari Jacobs, a senior vice president with Aon Hewitt in Norwalk, Conn. Aon Hewitt served as Verizon's lead strategy partner in the transaction.

"You make the offer, but you cannot" force the participant to accept the offer, said Jim McHale, a principal at PricewaterhouseCoopers L.L.P. in New York.

In addition, annuity to lump-sum benefit conversion offers require a significant corporate communications effort, Mr. Jacobs said.

Employer tactics cut PBGC premiums, risks

Employers' accelerating moves to reduce their pension plan risk by offering to convert plan participants' monthly annuities to a cash lump sum or transferring the obligations by purchasing a group annuity is a double-edged sword for the federal pension insurance agency, benefit experts say.

On one hand, such actions will reduce the Pension Benefit Guaranty Corp.'s premium income, which helps pay benefits of participants in failed employer plans the agency has taken over.

Employers' base PBGC premium is determined by the number of people in their pension plans. The base premium, $35 per plan participant, is slated to rise to $49 per plan participant in 2014.

Plan participants that convert their monthly annuity to a lump sum are no longer in the pension plan and, thus, no longer are counted when the employer calculates its PBGC premium payment.

Similarly, employers that transfer their benefit obligations by purchasing an annuity from an insurer no longer count affected participants in their PBGC premium calculations.

On the other hand, these risk-reduction approaches reduce the PBGC's exposure to future plan takeovers.

"There is a trade-off: Reduced income vs. a reduction in exposure," said Jason Richards, a senior consultant at Towers Watson & Co. in St. Louis.

PBGC Director Josh Gotbaum acknowledges that "any departure from defined benefit plans reduces PBGC's premium base and weakens PBGC's financial position."

The action Congress should take is to give the PBGC authority to set premiums based on the financial risk that plan sponsors pose to the agency, he said last week during a briefing. That would encourage employers to retain their pension plans, he said.

However, employer benefit lobbying groups, such as the American Benefits Council and the ERISA Industry Committee, have staunchly opposed such a change, arguing, among other things, that the PBGC lacks the expertise to set premiums.

— By Jerry Geisel

WORKERS COMPENSATION

Big comp price hikes for Calif.

Recent reform measures may not curb claims enough for insurers

By ROBERTO CENICEROS

Workers compensation insurers are handing significant price increases to renewing California policyholders, while confusion reigns over whether new reforms will hold down rates, observers said.

California Gov. Jerry Brown signed the reforms into law last month, saying they will reverse a four-year trend of rate increases. News reports followed, relaying the message that employers can expect to see substantial savings generated by the reforms, observers said.

Yet insurers continue to raise their prices for many renewing accounts while also submitting filings with the California Department of Insurance seeking rate increases for 2013.

The official statements and news stories of potential savings delivered while insurers file for rate increases, along with conflicting analytical reports on reform savings, have caused confusion among insurance buyers, sources said.

"I would say overall there is a great deal of confusion because of conflicting messaging being delivered out in the marketplace from a variety of sources," said Mark Zwickel, executive vice president for Lockton Cos. L.L.C. in Los Angeles.

But it's clear that insurers are attempting to offset combined ratios averaging 138% for California workers comp business by raising their renewal prices, sometimes by eliminating scheduled credits they previously gave their policyholders, according to brokers and underwriters.

"The combined ratios are extremely high, and investment income is extremely low, and every carrier is saying they need rate," Mr. Zwickel said.

Liberty Mutual Holding Co., for example, recently filed for a 21% rate increase effective Jan. 1, 2013, for its business units writing workers comp in California.

"We are very supportive of the reforms, and they should help start to fix a troubled market," said Christopher Cunniff, workers comp product manager for Liberty Mutual commercial insurance in Boston.

The California market's troubles include very high costs for legal representation and medical care, Mr. Cunniff said. And given low interest rates, insurers would need to post combined ratios closer to 100% to show profitability, he added.

Provisions of the reforms include an independent review process for medical treatment and billing disputes, fee schedules for home health care, language interpretation and other comp-related services, and fees for current and future lien filings.

4.9%

The San Francisco-based Workers' Compensation Insurance Rating Bureau of California recently estimated that even though reforms will boost permanent disability benefits, they are expected to reduce costs by about 4.9% for 2013.

The goal is to create a more efficient workers comp system and there is hope that costs will stabilize, said Phil Millhollon, executive director of the California Self-Insurers Association in Danville, Calif.

But whether that occurs will depend on employers increasing their involvement in the creation of regulations needed to implement the reforms, Mr. Millhollon said.

The San Francisco-based Workers' Compensation Insurance Rating Bureau of California recently estimated that even though the reforms will boost permanent disability benefits, they are expected to reduce costs by about 4.9% for 2013.

Liberty Mutual concurs with the WCIRB's cost reduction estimate, but given the combined ratios that insurers are experiencing, that amount of savings is not sufficient to make up for insurers' profitability gap, Mr. Cunniff said.

In August, the WCIRB filed for a 12.6% rate increase for renewals beginning in January 2013. But in light of the reforms and continued deterioration in insurance loss expenses, it amended that filing on Oct. 1, saying it would recommend holding rates flat.

It said it was doing so, however, amid "a high level of uncertainty" about how the reforms and accompanying regulations that must still be adopted will affect insurance costs.

News about the WCIRB's amended rate filing and the organization's uncertainty about expected regulations also fueled market confusion about which way rates are headed.

But holding rates flat is an illusion because the California reforms will not address rising medical costs, said John Chino, senior area vice president in Irvine, Calif., for broker Arthur J. Gallagher & Co. It also remains questionable whether the reforms will affect legal expenses to a significant degree, he added.

"Knowing the reality of the situation, we expect that our clients will continue to get rate increases," Mr. Chino said.

Even amid flat rates, insurers in California can continue raising the price policyholders pay for coverage by eliminating scheduled credits, Mr. Chino said.

Scheduled credits are price discounts that underwriters provide clients during profitable times. But throughout the past two years, insurers gradually have eliminated them in California, effectively raising the price of insurance.

"We can have this illusion of no rate increase, but the scheduled credits are going away," Mr. Chino said. "They are going to be very rare."

Additionally, a 2009 change in the way insurers calculate California employers' modification rating factors has allowed insurers to collect additional premiums, Mr. Chino said.

Fortunately for policyholders, plenty of insurers remain willing to underwrite California workers comp business, observers said.

But a review of 230 Lockton clients renewing workers comp policies covering about $9.5 billion in predominantly California payroll shows prices increased 12% on average from September 2011 through September 2012, Mr. Zwickel said.

The increase is inclusive of changes in employers' experience modification factors and varies based on the account's size, loss experience and class of business, he said.

The level of price increases insurers had sought had moderated over several months, but began to accelerate again this month, Mr. Zwickel said.

SURPLUS LINES

Rate increases may slow for surplus lines risks

Market flush with capital seeking profitable business

By BILL KENEALY

ATLANTA — The rate increases witnessed across certain sectors of the excess and surplus lines business likely will not be sustainable in the long term, said attendees of the National Association of Professional Surplus Lines Offices Ltd. annual convention Oct. 8-11 in Atlanta.

"We saw 10% to 15% price increases early in the year due to restricted capacity as people began to recalibrate their portfolios and readjust how they view their catastrophe exposure," said Michael J. Carr, Atlanta-based senior vice president of excess and surplus property for Liberty International Underwriters. "However, what we saw at the end of six months is that prices stabilized."

The National Association of Professional Surplus Lines Offices Ltd. annual convention took place Oct. 8-11 in Atlanta.

Gene Hinman, executive vice president of London-based Pioneer Underwriting Ltd., said that while he has seen 5% to 10% increases in E&S rates for the year to date, the rises have occurred primarily on the property side and were dependent on other variables such as geography. "There really isn't as much a market as much as there is a collection of micro markets," he said.

Alan Jay Kaufman, chairman, president and CEO of Farmington Hills, Mich.-based wholesale broker and underwriting manager Burns & Wilcox, said that while the overall business climate is up slightly for the year from the vantage point of insurance companies, much trepidation remains about the direction of the market.

See **NAPSLO** page 20

QUESTIONS & ANSWERS

Dan Riordan last month was named CEO of Zurich Insurance Co. Ltd.'s global corporate in North America business, which writes the Swiss insurer's large-account business in the region. Mr. Riordan has held a variety of roles at Zurich since he joined in 1997. Most recently, he was president of Zurich's North America commercial specialty products business unit. Mr. Riordan recently spoke with Business Insurance Editor Gavin Souter about his new role.

Zurich exec looks to grow in new role

Q: The economy is still struggling and insurers' growth is often linked to the economy. How do you see your sector growing in these still-difficult economic times?

A lot of companies globally are managing through the global economic crisis. Within North America, we have different segments of companies that are actually growing so there are different segments that offer opportunity. Companies are also managing their expense load; they're managing through the challenges that they have. The most important thing we can do is to provide them with the products that they need when they need them and provide them with cutting-edge product areas, providing them with the most efficient delivery of those products, so that we can better support them as they are looking to manage through an economically challenging time.

And then also look for pockets for growth. We think of some of the areas that we have highlighted and developed over the years; supply chain risk is one. So companies that are global companies are managing different vendor relationships that they have globally. They see what happened to companies who had vendors who were impacted by the tsunami in Japan or the floods in Thailand, or the impact of the Arab Spring in different regions of the world.

Those large, global companies want our insight. They tell us repeatedly that they are looking for more insight from us as a carrier to help their risk management capabilities.

Q: What new things can insurers bring to the table to help companies with supply chain risks?

Our own supply chain risk policy is very much focused on the plethora of risks that are present when there are major catastrophic events, acts of God, things that will

See **RIORDAN** page 5

Insurance industry firms ranked as employers

Engagement survey shows what's valued by workers in sector

A record 65 insurance industry companies are recognized in this year's *Business Insurance* Best Places to Work in Insurance program.

Best Places to Work is a joint effort of *Business Insurance* and the Harrisburg, Pa.-based Best Companies Group. The competition, which involves months of in-depth evaluation, is open to all publicly or privately held property/casualty insurers, group life/health insurers, retail agents and brokers, wholesale brokers/managing general agents, reinsurers, reinsurance brokers, benefits brokers and advisers, and claims managers serving the commercial insurance market with at least 25 employees in the United States.

What earns a company a place on the list of Best Places to Work in Insurance? A company has to create a work environment in which employees can thrive and enjoy doing so.

As we detail in profiles beginning on page 12, companies recognized this year offer traditional benefits such as bonuses and mentoring programs, and go the extra step to provide employees with less traditional benefits. Some recurrent themes are flexible hours and paternity leave. But these companies go beyond the expected, and offer such opportunities as biggest loser weight-loss challenges, raffles for charity and even on-site happy hours.

This is the fourth year for the Best Places to Work in Insurance program. Companies recognized this year range in size from 26 to 8,445 employees.

Best Companies Group, an independent workplace excellence research firm that manages other industry and regional programs in the United States and Canada, managed the registration process, conducted the surveys, evaluated the data and selected the firms chosen as Best Places to Work in Insurance.

The assessment involved a two-part process. One part, responsible for 75% of a company's score, involved a confidential employee engagement and satisfaction survey, which was used to evaluate employees' workplace experience and the company's culture. The other part, which was responsible for the remaining 25%, consisted of an employer questionnaire, which collected information about each company's benefit programs, policies, practices and other general information.

Best Companies Group experts use the data to conduct an in-depth analysis of the strengths and opportunities at each company. Each company has to demonstrate a minimum standard of excellence to earn a spot on the list of Best Places to Work in Insurance. There is no automatic in: Even if a company is the only one registered in its category, it must meet the criteria. Best Companies Group's work also involves comparative analysis of the companies on the list.

Participation in the program is free, although participating companies can buy the BCG Employee Feedback Report summarizing the data collected in the employee survey process. In addition to the employee opinion, the report includes transcribed employee written comments, as well as the industry benchmarking data — which compares companies of similar size — from the participating companies.

RISK MANAGEMENT

Med mal claims data raises fears

By MATT DUNNING

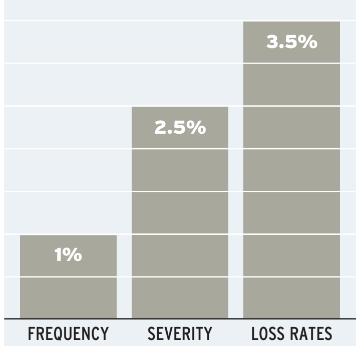
NATIONAL HARBOR, Md. — Reduced health care utilization, state-level tort reforms and broad economic factors have held market conditions for medical malpractice insurance largely in check during the past few years, but panel discussions and industry reports distributed recently at the American Society for Healthcare Risk Management's 2012 conference in National Harbor, Md., warned that those trends could be on the verge of reversing themselves.

Medical malpractice claim severity and frequency for hospitals and employed physicians nationwide are projected to have grown by 2.5% and 1% respectively by the year's end, according to the 2012 Hospital and Physician Professional Liability Benchmarking Analysis released by ASHRM and Aon Risk Solutions during the conference. The report also noted loss rates for hospitals and physicians have been mostly stable since 2009, and are projected to have grown in both segments by 3.5% nationally by 2013.

Overall, earned rates and direct written premium pricing for medical professional liability coverage has been flat to down 5% since 2007, according to a presentation at the conference by managers with New York-based PricewaterhouseCoopers L.L.P. The relative stability in the medical malpractice marketplace is due partially to the rising number of physicians closing their private practices for positions with self-insured hospitals, which has reduced loss experiences for commercial malpractice insurers, said David Kaye, a Philadelphia-based assurance manager at PwC.

GROWTH RATES

Projected annual growth rates of medical malpractice claims for 2012.



Source: Aon Risk Solutions/American Society for Healthcare Risk Management

Eighty percent of hospital risk managers surveyed in the ASHRM/Aon study indicated their facility self-insures its physicians against medical malpractice exposures. Only 7% said most of their facilities' doctors are insured through the commercial market, and 13% said they use a combination of self-funded and externally purchased coverage.

"That tends to decrease the amount of premium need from insurance companies, because now you have a lot of those physicians and physician practices buying their (medical malpractice) coverage from the hospital system as opposed to the market," Mr. Kaye said.

Reduced health care utilization — primarily as a condition of stubborn unemployment rates — and state-level reforms on malpractice litigation also have contributed to buyer-friendly conditions in the

See **ASHRM** page 20

PROPERTY/CASUALTY INSURANCE

Insurers urged to innovate more

Policyholders need creative approach to design, delivery

By MIKE TSIKOUDAKIS

CHICAGO — While it's been said that the insurance industry is not as innovative as other financial service sectors, it has devised products and services that help risk managers refine processes and better understand their risks, a panel of experts said last week.

Industry innovation, through products and services among other strategies, also helps insurers and brokers understand their customers' needs, allowing them to provide tangible solutions, panelists said during the 22nd annual Insurance Executive Forum presented by the Katie School of Insurance and Financial Services of Illinois State University in Normal, Ill.

"Innovation allows us to come up with new and creative ways to demonstrate our value to the world, and to our customers and to your clients," said Kathleen M. Ireland, director of global risk and insurance management for IBM Corp. in Armonk, N.Y. "It also allows people to be re-energized when you think of ways that you can improve your process or your company."

But Ms. Ireland also said the industry needs to better synthesize information and data "so insurers have a real-time view of what the losses are that are being underwritten in relation to the premiums being collected."

Jonathan E. Michael, chairman and CEO of RLI Corp. in Peoria, Ill., said that while the insurance industry does a "good job" of coming up with innovative solutions to insurance problems, it fails when providing those solutions to the marketplace.

"I don't think we do such a good job in delivering innovative solutions," Mr. Michael said. "Our delivery system for a long time has had challenges. Our processes as insurance companies have had challenges as well, and we have been far behind the rest of the financial services industries in that regard."

The insurance industries' lag in

See **FORUM** page 19

Be prepared to prevent data breach

An effective data security strategy may take more than just a good information technology employee.

During an Oct. 16 *Business Insurance* webinar sponsored by OneBeacon Professional Insurance, three experts discussed what companies need to keep in mind when trying to prevent and prepare for a data breach.

"When we review an organization, we look at it as not only an IT problem, not looking at only their network's security issues, but it's really getting into the company itself," said David J. Molitano, vice president and division manager of content, technology and services division at OneBeacon Professional Insurance.

The other speakers, Ethan Harrington, manager, insurance and risk management at H&R Block, and Nithan Sannappa, attorney for the Federal Trade Commission in the division of privacy and identity protection, also agreed that a company's response to a data breach is more about what happens before any information is compromised.

"There's no stand-alone guide that everyone can adhere to," Mr. Molitano said.

Mr. Harrington said anyone who could identify potential gaps in security should be involved with the preparation process, including risk managers, chief information officers and legal counsel.

When buying cyber insurance, a company can figure the amount needed by analyzing its risks, comparing itself against competitors, and looking at industry trends, he said.

While businesses may have different needs as far as preparedness goes, the FTC has some guides of its own.

Mr. Sannappa detailed the regulations set in place by the Gramm-Leach-Bliley Act, Fair Credit Reporting Act and Children's Online Privacy Protection Act, among others. He also described several real-world examples of companies violating federal law.

While some of the companies found in violation had suffered a data breach, many others had not. One 2009 example came from CVS Caremark, a pharmacy organization that was throwing out materials with personal information, such as pill bottles with patient names, addresses and prescribing physician's names, in an unsecured dumpster. Not only was it in violation of FTC guidelines, it also violated the Health Insurance Portability and Accountability Act, which led to a $2.25 million fine.

Moderated by *Business Insurance* Managing Editor Paul Bomberger, the free, 60-minute webinar can be viewed on demand at *www.BusinessInsurance.com*.

Riordan: New role for Zurich executive

CONTINUED FROM PAGE 3

impact the ability for companies — it could be political risk, it could be trade, credit, it could be financial risk — to operate on a global platform. And again, we saw those most prominently with the tsunami, with the impact on suppliers, or the companies that were relying on supplies from Japan or Thailand, and I think it was a wake-up call.

What we do is provide companies with a comprehensive policy that allows them to cover that risk and to also look at the impact on business interruption, what that interruption will mean for their ability to provide their products and how it will impact their brand going forward.

Q: How far down the supply chain do you go when you provide this coverage?

It goes deep. Obviously, we want to underwrite it. We're not providing an open-ended guarantee, so we want to understand the relationships that they have, who those vendors are, what has been their experience with those vendors. We will underwrite really the risk of those individual vendors much the way we do with credit insurance, where we're looking at the credit worthiness of vendors or buyers in a trading relationship.

Q: What do you see as the challenges as you start this new job?

We have deep relationships with many of our customers and we're looking at a period where we have challenging market conditions. We want to hold on to the relationships we have. We want to grow them. We want to enrich them. We are certainly always looking for growth as well, so we're looking for growth in those relationships.

How do we bring the best of the holistic approach to our customers? We do rely very, very much on global relationships that we have with our customers, and we have global relationship leaders. So my interest in coming into this position is actually to learn and listen quite a bit from my colleagues in the area of global corporate, to also learn quite a bit from our global relationship leaders and the insight that they provide on our customer relationships, and what our customers are asking for and what our customers are looking to accomplish with Zurich, and expand their relationships with us.

Mid-Market EXECUTIVE Helping C-level executives at midsize firms overcome critical risk and benefits challenges

Food recalls create supply chain risks

Middle-market businesses can be hit with liabilities

By BILL KENEALY

The recent highly publicized recalls of products containing salmonella-tainted peanut butter and E. coli-tainted beef underscore the liability challenges middle-market firms face as part of complex supply chains.

The travails of Portales, N.M.-based Sunland Inc., which manufactured a variety of recalled peanut butter products under its own brand and for grocery store chains such as Trader Joe's, exemplify the outsized liabilities that midsize firms can face.

William Harrison, Princeton, N.J.-based managing director and product recall practice leader for Marsh Inc., said the scope of losses being incurred by companies that used Sunland's peanut butter may well exceed the limits of any third-party liability insurance Sunland may have.

"Many companies assume that their suppliers will be able to indemnify them for the losses," he said. "This is a perfect example where it is pretty unlikely."

Almost any midsize company would be unable to afford the level of recall liability insurance limits that would be necessary to protect them from losses of such magnitude, Mr. Harrison said, noting a tainted ingredient can cause economic losses to an entire product line, not just the product or products that contained the tainted ingredient.

"With the organism found in an area that produces multiple products, there is a chance for all sorts of things being contaminated," said Charles Czuprynski, a professor in the Department of Pathobiological Sciences at the University of Wisconsin-Madison. "The problem with salmonella in something like peanut butter is that it is a very hardy organism. A few cells of the organism can become resistant, so it's tough to say that they are not there.

"Companies involved in contract manufacturing are finding out that when they are making things for other people that their potential liability can be much greater than the total revenue derived from the contract," he said. "The liability you are taking on is very different than it was 10 or 20 years ago."

Ian Harrison, London-based executive director of Lockton Cos. L.L.P., agreed that as the scope of product recalls expands, the financial ramifications of product recalls are becoming especially onerous for smaller and middle-market firms. For example, a large company such as Kellogg Co., which this month announced a voluntary recall of certain Kellogg's Mini-Wheats cereals due to concern about metal debris contamination from the manufacturing process, likely would have a sufficient amount of recall coverage in place. Conversely, smaller firms would face a material threat to their business in similar circumstances.

"The relative cost to smaller players is much more significant," Mr. Harrison said.

In addition to the increasing severity of product recall claims, they are happening with greater frequency as diagnostic techniques to detect food-borne pathogens improve, Mr. Harrison said. "The more accurate ability to detect more minute traces means that there's a lot more claim activity," he said. "If you go back 20 years, there probably was a lot more contamination in the system but it went undetected."

Florian Beerli, senior vice president for Ace USA subsidiary Ace Westchester's product recall underwriting unit, said that there were more than 3,000 product recalls initiated by the U.S. Food and Drug Administration last year. "You only see the big ones in the press," he said.

The prospects for food recall are more likely given that the FDA Food Safety Modernization Act, which was signed into law by President Barack Obama on Jan. 4, 2011, gives the FDA the authority to order recalls, as opposed to recommending them.

Mr. Czuprynski said the law will bring greater scrutiny to food manufacturers and to the private companies manufacturers employ for safety inspections. "The FSMA is going to place a greater emphasis on auditing and auditing organizations," he said.

Given these circumstances, the market for product recall liability insurance and, more specifically, contaminated products insurance is burgeoning, Lockton's Mr. Harrison said. "We do see spikes of interest when well-publicized contamination events come along," he said. "So, there's growing interest from both the buyers' segment, but also growing interest from the seller market.

"The market is much more robust now than it was 10 years ago, when it was down to two to three" major insurers, he said.

Headed by Mr. Beerli, Ace Westchester opened its specialty product recall underwriting unit in June.

"It is a challenging product to underwrite because there are so many variables and influencing factors within a supply chain that we have to take into consideration," Mr. Beerli said. "A company may be well in control of what is happening within their plant, but how much can you control your suppliers?"

Thus, Ace Westchester's product recall policies were meant to complement traditional product liability, property and errors and omissions policies, Mr. Beerli said. "It closes the gap," he said. "It's a balance sheet, brand-name protection."

The product recall policy offers baseline wording that covers recall and consulting costs, he said, adding that endorsements for adverse publicity as well as governmental recall are available as options.

"The difference between recall and liability is that you need to have an actual bodily injury or property damage for liability. On the recall side, just knowing that if you would eat the product you would get sick triggers the policy," he said.

Lockton's Mr. Harrison said that as the demand for product recall coverage rises, the market is becoming more sophisticated. Whereas the coverage was once crafted primarily for food and beverage companies, there are now insurers specializing in product recall coverage for toys, automobile manufacturing and auto parts.

"Not only is it growing, but there are more segments," he said. "There's a (recall insurance) product development going on, because more people are selling this product."

Mr. Harrison of Marsh said this diversity in recall product insurance is especially important to companies operating in the food industry.

"Depending on whether you are an ingredient supplier, contract manufacturer, supermarket chain, restaurant or distributor, they all have risks that need to be addressed by a policy created specifically for their risks," he said.

Yet, insurance alone will not keep manufacturers safe. Mr. Harrison said companies should perform due diligence on the quality control measures of business partners, including their financials and insurance policy limits.

"One of the lessons learned is to be careful who you buy ingredients from," he said. "The second thing is that at the end of the day, your reputation and business interruption is your responsibility. It's better to protect yourself than rely on somebody else."

10 QUESTIONS

Questions middle-market manufacturers should ask themselves about their readiness for product recalls

1. Does the company have a quality control manual?
2. Are solid manufacturing practices in place?
3. Has the company adopted standard operating procedures?
4. Is a there a supplier approval process in place?
5. If a product gets contaminated due to an ingredient, can a company subrogate against that supplier?
6. Are suppliers required to have adequate insurance in place?
7. What are the company's critical control points?
8. What kind of testing is conducted to evaluate those control points?
9. Can product be traced when it leaves the company's facilities?
10. Can everything be documented?

SALMONELLA OUTBREAKS

Multistate food-related outbreaks of salmonella are a frequent occurrence, which experts say is due in part to improving testing mechanisms. Recent outbreaks leading to recalls include:

DATE	PRODUCT, COMPANY	STATES	CASES
September	Peanut butter, peanuts sold at Trader Joe's made by Sunland Inc. in New Mexico	19	35
August	Cantaloupe linked to Chamberlain Farms Produce Inc. in Indiana	24	261
April	Frozen raw yellowfin tuna sold by Moon Marine USA Corp.	28	425

Source: Centers for Disease Control and Prevention

Products&Services

Credit insurance facility boosts capacity by 30%

Equinox Global Ltd. is raising its available underwriting capacity by more than 30%, the Lloyd's of London coverholder announced.

The company's insurer panel consists of Aspen syndicate 4711, Beazley syndicate AFB 2623/623 and Pembroke syndicate 4000, providing $30 million capacity collectively.

An increased demand for Equinox's alternative credit insurance products led to the decision.

"Businesses need trade credit insurance that they can rely on and that they can be confident will always be able to support them," said CEO Mike Holley in a statement. "We are very pleased that our carriers have increased their backing of Equinox Global, enabling us to provide all our clients with the highest levels of strength and security that the Lloyd's market can offer."

Roundstone, Nationwide focus on group captives

Roundstone Management Ltd. and Nationwide Life Insurance Co. have announced a new managing general underwriter agreement focusing on group captive insurers, Roundstone announced.

With services directed toward middle-market medical companies, the two organizations plan to offer medical stop-loss for self-funded plans through a single-stop, turnkey group captive underwriting facility.

"We look forward to working with Nationwide as we strive to improve upon our stop loss captive offerings," said Michael Schroeder, president of Roundstone, in a statement.

"Our customers will benefit through our ability to deliver a complete underwriting solution in the most time and expense efficient manner in the market. Stop-loss group captive growth and successful outcomes are greatly enhanced with Nationwide on our side."

OneBeacon launches lawyers liability product

OneBeacon Professional Insurance has launched a nonadmitted lawyers professional liability product for firms.

The service covers risks associated with plaintiffs firms; bankruptcy, collection and foreclosure firms; real estate firms; and estate, probate and trust firms among others, the OneBeacon Insurance Group Ltd. unit announced.

"This new, nonadmitted product gives brokers the flexibility to consider a wide variety of options when presented with difficult law firm risk protection issues," said Kim Noble, senior vice president for the lawyers' professional liability division, in a statement. "We can tailor coverage to provide solutions to an expanded range of unique and complex situations, allowing brokers to react quickly to changes and opportunities in the marketplace."

Available limits are $1 million, $1 million up to $5 million, and $5 million.

For more information, contact Ms. Noble at *knoble@onebeaconpro.com*.

Secure Legal Title offers cover via Lloyd's

Secure Legal Title Ltd. is offering legal indemnity and title insurance for commercial and industrial property in the United Kingdom and much of Europe.

Called secure legal title cover, the program is underwritten through Lloyd's of London and Catlin syndicate 2003, the company said in a statement.

Aimed toward larger commercial transactions, the program covers the legal risks associated with real estate acquisitions and mortgage finance. Excluded is coverage for future events such as political or credit risk, said Joel Peck, CEO of Secure Legal Title.

Premiums are underwritten individually and vary based on property risk. For more information, contact Mr. Peck at *joel.peck@securelegaltitle.com*.

Aon establishes risk pooling practice

Aon Risk Solutions announced it has formed a risk pooling practice for public and private entities.

The risk pooling practice will provide property/casualty and employee benefits pooling services for organizations that make group purchasing decisions and will address pool administration and risk transfer options, the risk management brokerage arm of London-based Aon P.L.C. said in a statement.

"Risk pooling is an increasingly important strategy to help clients achieve long-term continuity," said Tom Fitzgerald, CEO of Aon Risk Solutions' U.S. retail operations, in the statement.

The practice, which also will offer data analysis to identify each pool's specific risks, will focus on government agencies, higher institutions, professional groups and school districts, among others.

Based in Washington, the risk pooling practice is led by William Becker, Aon Risk Solutions' public sector practice leader.

Opinions

EDITORIAL

Rethink needed on reform law

A provision in the health care reform law that should be repealed is one that will sock employers that self-fund their health care plans with billions of dollars in assessments for which they will receive no direct benefit.

Starting in 2014, that Patient Protection and Affordable Care Act provision creates what the law calls the Transitional Reinsurance Program. Self-insured employers will be assessed a per-participant fee — likely in the $60 to $90 range — to help fund the $25 billion program. For a big self-funded employer, with say 100,000 people enrolled in its health care plans, its first-year tab for the three-year program could be about $10 million.

And where will all that money go? The beneficiaries will be commercial insurers who will receive the money as partial reimbursement for writing coverage for those in the personal lines market with the highest health care costs.

It is hard to find the logic or fairness here. These are employers who voluntarily agree to provide coverage for their employees and dependents and they get hit with a whopping fee to offset coverage costs to individuals for whom they have no connection.

If lawmakers wanted to give employers a disincentive to offer coverage, they certainly achieved that in authorizing these fees.

Equity and fairness aside, there are plenty of practical problems with the program. For example, the fee assessment is based on the number of plan participants. Does that include COBRA beneficiaries or those in retiree health care plans? No one knows because the law just isn't clear on those points as well as numerous others.

A broader question is how this provision got inserted while the legislation was working its way through Congress and why there never was any discussion of it. Our best guess is that this is yet another example of how attention to detail is overlooked by lawmakers and their staffs on both sides of the aisle, with disastrous results.

That, unfortunately, is history. So, for now, we strongly believe the best course of action for lawmakers is to repeal of the Transitional Reinsurance Program as soon as the next congressional session begins.

SCHILLERSTROM

COMMENTARY

Comp as an economic indicator

Presidential candidates and their detractors have argued over what recent job numbers say about the U.S. economy's health.

With the economy's condition holding implications for the November elections, the debate over jobs intensified this month after the U.S. Department of Labor reported that the unemployment rate dropped to 7.8% in September. That was down from 8.1% in August, as total employment rose by 875,000.

The Labor Department report set off arguments over the validity of the government's employment numbers. Most notable was former General Electric Co. CEO Jack Welch's assertion that the government manipulated the numbers to help President Barack Obama's re-election bid.

ROBERTO **CENICEROS**
SENIOR EDITOR

The Labor Department report and the ensuing argument about its legitimacy made me wonder how the volume of workers comp claims is trending. I've always heard claims typically spike when workers find their way to new jobs, although there is typically a lag.

What I found by asking insurers and third-party administrators is that the claims have recently trended down or flattened.

Sedgwick Claims Management Services Inc., for example, had seen workers comp claims increasing month over month this year.

But then preliminary September numbers fell. Because of the unexpected decrease in September claims activity, it now looks like claims volume is flat to down one point for the year, according to Scott Rogers, executive vice president of casualty operations in Boston for Sedgwick.

This would be good information if you were Gov. Mitt Romney and you cared to use workers comp data to make your point that that the economy is a mess because of President Obama's policies.

If you were President Obama, however, you might care to spin things a bit differently.

You would want to look past claims trends and talk about the workers comp exposure base. Insurers have reported seeing a rise in payrolls, a measure of workers comp exposure.

That should lead to an eventual increase in claims.

Of course, only in my fantasy world would presidential candidates use workers comp data to boost their standings.

But that is how it goes with me. I look at most economic news and wonder about the implications for the workers comp sector.

Doing that, I have seen some positive trends.

The U.S. Department of Commerce reported a 1.1% increase in retail sales volume for September, which beat growth forecasts, while housing starts surged 15% in September, reaching the highest level in four years.

That also bodes well for future claims activity.

It always seems odd to hope that claims trend upward, as claims derive from injuries. But strictly as measure of economic activity, I do hope to see more claims.

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LETTERS

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Predictive modeling gaining ground

More businesses embrace tech tool to manage claims

By BILL KENEALY

Using predictive modeling to augment claims management systems is expanding beyond insurers and third-party administrators, those familiar with the technology say.

By helping claims professionals get a better sense of the potential severity of a claim and the probabilities of subrogation and litigation, the potential for analytics to reshape the claims process for the better is profound.

Jane Tutoki, New York-based global head of claims operations at Chartis Inc., said using predictive analytics is the key to keeping the costs of claims as low as possible.

"You can use analytics for all aspects of claims — it's not just for first notice of loss," Ms. Tutoki said. "Whether it's subrogation or triaging of claims or recognizing fraud, analytics is the name of the game."

"The key to using claims analytics is to make sure that you are supplementing the experience of the examiner," said Keith M. Higdon, senior vice president of decision support services at Memphis, Tenn.-based Sedgwick Claims Management Services Inc. "You're not trying to replace it."

The ultimate goal of analytics in the claims process is to make the best use of examiners' time and identify opportunities to achieve better outcomes, he added. "You can build the world's greatest model, but unless you have a mechanism to deploy it and an intervention that can accurately leverage that information, the model does you no good," Mr. Higdon said.

Accordingly, when to use analytics is an important consideration. While improvements in the underlying computer processing power and systems architectures have enabled even computationally dense predictive models to be run in nearly real time, faster is not always better, Mr. Higdon said.

Because the specifics of a claim likely will vary during its life cycle, it is important that that analytics functions evolve while the data is changing, he said.

"Intake is not always the best snapshot of what a claim will eventually look like," Mr. Higdon said. "Waiting until a more thorough claims investigation is done can sometimes improve the output."

Timely and adaptive analytics is hugely important, said Scott Robinson, Los Angeles-based principal of analytics at CS Stars L.L.C., a Marsh Inc. unit that serves the technology needs of risk managers.

"Scoring a claim is not a one-time event," Mr. Robinson said. "There are multiple points in the life cycle of a claim where you may be looking for different answers."

Mr. Robinson said he sees a broader group of users who are interested in applying analytics to the claims process.

"Claims predictive analytics is fairly well established among third-party administrators and insurance companies, but what we are working on is moving that down to the individual company level," he said.

A September report by Boston-based insurance advisory firm Strategy Meets Action found that 52% of commercial property/casualty insurers have invested in data and analytics for the claims process, second only to the 73% that have made such investments for underwriting coverage.

One potential constraint on greater use of analytics is the relative scarcity of people to formulate predictive models. While these skill sets may be prevalent at insurance companies, chief financial officers and risk managers at smaller firms may struggle to find and afford the internal talent to build such models.

"Model creation is still the realm of actuaries, data scientists and modeling professionals," Mr. Robinson said. "If you don't apply the rigor of creating models properly, you run the risk of bad results."

Another possible challenge for smaller entities looking to use analytics in the claims process is a lack of data. One solution is to pool anonymous data from several entities.

Mr. Robinson said CS Stars has data from 14 million claims on its software for benchmarking and building generic models that can help clients better predict the outcome of claims.

"If a client has some claims, but isn't quite over the threshold of data needed to build an effective model, we can help fill in those gaps," Mr. Robinson said.

Likewise, Denver-based Valen Technologies Inc., a data and analytics provider for property/casualty insurers, pools data from consenting, similar clients to help to ensure that there is sufficient data for each to feed its predictive models.

Valen President and CEO Dax Craig said he expects businesses' use of analytics in the claims process to follow a similar adoption curve as in insurance underwriting, where the use of analytics has become pervasive after years of sporadic adoption.

Mr. Craig said analytics is especially promising in areas such as medical management claims fraud and workers compensation. Here, armed with knowledge of a how a medical provider's treatment patterns deviate from a statistical norm, an adjuster may better spot overbilling for a given treatment.

"When it comes to medical claims, an adjuster is often up against a physician without the depth of knowledge about the particulars of that claim," Mr. Craig said. "Predictive analytics changes that asymmetry of information."

Data mining transforms information collection

The data used to populate predictive models can come from either internal or external sources, and in either structured or unstructured formats.

While predictive models used by claims professionals have long relied more on internal, structured data, this is beginning to change, experts say.

Marty Ellingsworth, president of ISO Innovative Analytics, a unit of Jersey City, N.J.-based Insurance Services Office Inc., said advances in data mining methodologies have helped modelers glean new insights from unstructured data, such as the notes taken by a claims adjuster at the site of a claim.

"We've made a lot advances in the past three years, with new graph mining and text mining techniques," Mr. Ellingsworth said. "Most of the best data is in adjuster's notes."

These advances have radically altered the mix and amount of data that can go into claims models compared with just two or three years ago, Mr. Ellingsworth said.

For example, a claims modeler could pair these new insights from unstructured data with external financial information and mapping data in a novel manner to uncover a claims fraud ring operating in a given geography, Mr. Ellingsworth said.

"Claims that are suspicious may tend to cluster over time," he said.

"Emerging fraud situations tend to generate cash flows, and we can now track how money and claims are pouring into these collusion networks at a faster rate than may be believable for a normal, growing business," Mr. Ellingsworth said.

— By Bill Kenealy

Quarterly Technology Focus: Claims Management Solutions

SPOTLIGHT

MOBILE DEVICES ADD FLEXIBILITY, POSE CHALLENGES
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ANTI-FRAUD TOOLS SWAMP ADJUSTERS WITH CLAIMS DATA
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VIDEO EVIDENCE USED TO FIGHT BOGUS CLAIMS
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New tools complicate data collection

Range of sources change sharing of claims details

By BILL KENEALY

As the digital universe expands and evolves, makers and users of claims management systems will need to adjust to an increasingly heterogeneous mix of claims data, experts say.

Just as Web- and mobile-based technologies added distribution channels and altered the manner in which insurance is sold and policies are processed, the technologies eventually will alter the mix of formats in which insurance companies receive information about claims.

Ben Brantley, chief technology officer for Foster City, Calif.-based Guidewire Software Inc., a maker of core system software for the property/casualty insurance industry, said his company has been working to expand the capabilities of its product line to handle mobile technologies.

"The challenge for us is to give insurance companies mobile ability without burdening them with a second system with new business logic that has to be managed," he said. "CIOs have already gone through a lot of effort to get their processes nailed down."

Karlyn Carnahan, principal at New York-based insurance advisory firm Novarica, a unit of Novantas L.L.C., agrees that mobile- and Web-based claims reporting present a challenge to many members of the insurance industry.

"Many carriers have a certain way of receiving claims that really works," Ms. Carnahan said. "While they would like to ensure that other avenues are available, it's not always easy for them."

Even some insurers that give the outward appearance of enabling Web- and mobile-based claims reporting are in fact offering a cyberspace version of a Potemkin Village facade.

"Many insurers have a Web-based intake, but it's often just smoke and mirrors," she said. "The input turns into an email that is still handled by the claims department in the old-fashioned way."

Mr. Brantley said his company had worked to make products such as its Web-based claims management system, ClaimCenter, highly configurable on the back end so that users could add new information input channels without having to tinker with the coding of the software. "The ability to adjust is probably more important than any individual capability," he said. "We try to put our emphasis on the building blocks."

Even with the proper technology infrastructure and systems in place, insurance companies will face other hurdles resulting from the influx of Web and mobile technologies into the claims process.

One problem will be with delivering a consistent experience for claimants. Insurers that have invested heavily in call center technology may be hard-pressed to recreate the same quality of interaction if the first notice of loss is delivered through a mobile app.

"When you are talking about mobile channels and insurers, the challenge is not so much can I take in the data, but whether you can ensure that the information and experience going back to the claimant is at the same level of customer service," Ms. Carnahan said.

Yet mobile technologies ultimately offer the prospect of improved customer service in claims, said Michael A. Costonis, executive director of the insurance practice for North America for Dublin-based Accenture P.L.C. The cameras, GPS and date-stamping abilities of mobile devices make claims adjusters more efficient, he said. Even cellphones give insureds and adjusters the ability to record video and submit it with ease, he said, adding that the once clear demarcation between mobile and desktop technologies is blurring.

"The notion of separating computer from mobile may go away because of the way applications are now being built," he said. "We are also seeing radical changes in the potential (utility) for mobile technology because devices are improving so quickly."

K.C. Agrelius, assistant vice president of Orem, Utah-based Xactware Solutions Inc., said mobile capabilities have improved the claims management tool he oversees, XactAnalysis. The sooner an estimator can inspect the site and return an accurate estimate, the better, Mr. Agrelius said.

"Tying claims management to the use of mobile technology further streamlines the process by reducing or eliminating delays between sending and receiving assignments, contacting policyholders, inspecting losses and returning estimate reports," he said. "Mobile technology can also have a positive effect on productivity by allowing estimators to complete more assignments in less amount of time."

Analytics, big data projects may require tech upgrades

In addition to readying their core offerings to accommodate different types of data inputs, claims technology providers also know that the use of analytics has become more common in the claims process.

Ben Brantley, chief technology officer at Guidewire Software Inc., said the Foster City, Calif., company is developing a central repository that aggregates the claims data from its property/casualty customers to allow them to use it for benchmarking and analytics.

"A major area of investment for us is being able to take advantage of the fire hose of data streaming out of these (core processing) systems," Mr. Brantley said.

Another area of investment is readying their product for the era of big data, which involves data volumes that would overwhelm conventional technology architectures.

Mr. Brantley said the company was working to reconcile its technology with emerging distributed computation frameworks, such as Apache Hadoop, that are designed to handle big data volumes.

"It is incumbent on us as technologists to take on this task," Mr. Brantley said. "It's a little unrealistic to ask every insurance company to set up a data science team that has expertise on cutting-edge software libraries and frameworks and then weave it together with data."

— By Bill Kenealy

Tech advances aid workers comp fraud detection

But wealth of information available can overwhelm claims handlers flooded with data

By SHEENA HARRISON

Technology used by insurers and service providers to collect claims information has become more advanced in pinpointing data that shows potential for insurance fraud, sources say.

But while the information can make it easier for claims adjusters to spot and intervene in problematic cases, it also can be difficult for claims handlers to sort through various warnings raised by increasingly sophisticated software, said Paul Braun, managing director of casualty claims for Aon Global Risk Consulting in Los Angeles.

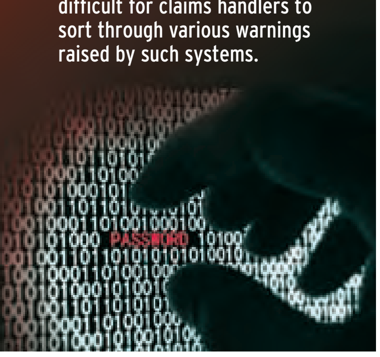
"Technology is good if it's used properly, but it also can overwhelm people," Mr. Braun said.

Workers compensation claims, in particular, provide a wealth of data about claimants that can be analyzed based on their potential for insurance fraud, said Claude Yoder, New York-based director of global analytics for Marsh Inc. That information includes "structured" data, such as a claimant's age and occupation, and "unstructured" data, which includes notes about a claimant from claims examiners or physicians.

FIGHTING FRAUD

Technology tools aid insurers' efforts to battle fraud, but the human element remains a factor.

- Claims are a rich source of information that can be used to identify insurance fraud. This includes "structured" data, such as the claimant's age and occupation," and "unstructured" data, such as interviews with medical providers.
- Insurers and service providers are developing predictive models and other technology that can mine claims data for clues in potential fraud cases.
- While technology is helping flag fraud, experts say it can be difficult for claims handlers to sort through various warnings raised by such systems.



"The claim is typically the most robust source of information you have," Mr. Yoder said.

By comparing a claimant's information with historical claims that have turned out to be fraudulent, companies can find claims that have a "statistically significant" chance of being illegitimate, Mr. Yoder said. And he says insurers and service providers are developing technology that is increasingly accurate at identifying such cases.

Aon's Mr. Braun said such claims data is being electronically filed by insurers and claims handlers into an index operated by Jersey City, N.J.-based Insurance Services Office Inc. While companies previously submitted paperwork for the database, Mr. Braun said there has been a push among insurers and service providers in recent years for claims data to be filed electronically.

It has become easier for insurers and adjusters to be notified of potential fraud as the database has become increasingly digitized, Mr. Braun said. For instance, adjusters can receive almost instant notification if a person has filed more than one claim for a single accident.

"Technology made (the index) a more effective product," Mr. Braun said.

The development of better fraud detection technology has been helpful particularly in dealing with organized crime groups that specialize in commercial insurance fraud, said Chris Story, Austin, Texas-based claims services manager with Computer Sciences Corp.

"As far as your major crime rings ... that do fraudulent activity for a living, they do know which companies use technology in some ways and which ones do not, and they're going to put their efforts toward the ones that do not," said Mr. Story, whose company developed a Fraud Analytics Suite used by commercial and personal insurance companies.

Despite advances in claims fraud identification, experts say there are disadvantages to processing and reviewing claims that have a wealth of information.

While predictive models are beneficial for guiding the data collection process, such systems still need experienced claims handlers to sort through the information and decide how best to intervene, said Richard Pankhurst, an Austin, Texas-based director in the insurance advisory practice with PricewaterhouseCoopers L.L.P.

"Predictive analytics are only as good as the data that's fed into them," Mr. Pankhurst said.

Claims software should guide claims adjusters to ask targeted questions that provide specific information for fraud identification, Mr. Pankhurst said.

Mr. Braun said models that flag potential fraud run the risk of inundating claims adjusters with warnings that eventually could end up being ignored.

"If you see the same thing 15 times and then you find out it's sort of a false alarm, you tend to not respond to it," Mr. Braun said.

Still, Marsh's Mr. Yoder believes newer technology is helpful in allowing adjusters and examiners to concentrate their efforts on a select number of troublesome claims.

"The focus that comes through that predictive analytics exercise ... helps create a more efficient way to use limited resources," Mr. Yoder said.

Worksite surveillance cameras help cut comp fraud

By SHEENA HARRISON

Security cameras can help employers stave off fraudulent workers compensation claims, but experts say companies should consider the risks of conducting internal surveillance throughout their facilities.

Cameras have been part of an overall effort to reduce workers comp and liability costs for Irving, Texas-based CEC Entertainment Inc., which operates Chuck E. Cheese's restaurants and has more than 17,000 employees nationwide. Jeff Strege, the company's director of risk management, described the company's strategy during the California Workers' Compensation & Risk Conference in Dana Point, Calif., last month.

Chuck E. Cheese's has reduced claims costs by about $600,000 during the past four years by implementing several claims management procedures, such as billing claims to individual stores to increase accountability. From 2009 to 2010, the company also installed security cameras throughout each of its 510 company-owned stores.

During last month's conference, Mr. Strege said the camera footage has been effective at reducing fraudulent comp and liability claims against Chuck E. Cheese's.

"We've made a number of claims literally vanish once we produce the video footage to show that what the claimant says, whether it's an employee or a guest, ... didn't really happen," Mr. Strege said.

Workers comp experts say cameras can be effective in preventing fraud. Rebecca Shafer, president of Amaxx Risk Solutions Inc. in Hartford, Conn., said major retailers such as the Great Atlantic & Pacific Tea Co. Inc. have used security footage to help investigate comp and liability claims.

"I think it just makes everybody a lot more aware that the actual nature of the injury can be substantiated," said Ms. Shafer, who has noticed companies starting to use cameras outside of the retail sector.

Marsh Inc. recommends cameras for certain industries to monitor workplace safety, said Christopher Flatt, New York-based leader of Marsh's Workers' Compensation Center of Excellence. Those include retail, manufacturing, transportation and financial institutions.

Video footage is an added safeguard for employers that are trying to keep comp costs down, Mr. Flatt said. "The added benefit is of having tape of potential injuries or claimed injuries and being able to validate them," he said.

Cameras are part of several technologies used by employers to monitor claims activity and potential insurance fraud, said Paul Braun, managing director of casualty claims for Aon Global Risk Consulting in Los Angeles.

"The privacy issue is a little different than it was years ago," Mr. Braun said. "So if somebody is in a situation where they're claiming an injury that really didn't occur or wouldn't have occurred, there's usually some way that technology has either recorded it (or) helps identify the result of it."

Employees who know they're being filmed also can be less likely to file bogus claims, Mr. Braun said. "Rarely is it ever something, in my opinion, that the employee doesn't know is going on," he said of companies that use video surveillance.

Thomas Martin, CEO of Martin Investigations & Security Services in Lima, Ohio, has seen more requests for security camera installation among small businesses and large employers in his area.

Companies that install such systems have to be mindful of privacy laws that affect where employees and patrons can be filmed, Mr. Martin said. For instance, cameras aren't allowed to film inside of restrooms, and companies can be required to post signs informing employees and patrons that they are under video surveillance.

"Where your eyes are allowed to see, the cameras are allowed to see," Mr. Martin said.

Although cameras can't film all areas of a company, Mr. Martin said employers could choose to look closely at workers comp or liability claims that happen outside of the cameras' view.

"If you have pretty much 75% coverage, and they happen to fall and claim an injury in the other 25%, it becomes very suspicious that (the injury) wasn't recorded," Mr. Martin said.

While cameras can be used to fight fraud, sources note that video footage also can prove an employer's culpability in legitimate workers comp claims. Mr. Strege said Chuck E. Cheese would consider settling any case in which camera footage showed the company was liable for an injury. The company also provides additional safety training at facilities where accidents occur.

"What's really important with cameras ... is to make sure that you don't just cherry-pick the cases that you pull camera footage on," Mr. Strege said

Despite the potential for video footage to work against a company, experts agree the cost of such systems can be worth it to prevent the payment of illegitimate claims.

"In the long run, especially if a company has a lot of employees, I think it would pay for itself," Mr. Martin said.

Business Insurance BEST places to work

BEST PLACES TO WORK IN INSURANCE, a joint effort of *Business Insurance* and Harrisburg, Pa.-based Best Companies Group, recognizes an elite group of employers that have established high-quality workplaces that encourage employees to thrive in a work environment they enjoy. The competition is open to most insurance industry organizations that have at least 25 employees. Profiles of the 65 honorees for 2012 begin on this page.

BEST PLACES TO WORK IN INSURANCE 2012 HONOREES

COMPANY	LOCATION	INDUSTRY CATEGORY
Accident Fund Insurance Co. of America	Lansing, Mich.	Property/Casualty Insurers
AdvoCare Group	Cleveland	Group Life/Health Insurers
AH&T Insurance	Leesburg, Va.	Retail Agents/Brokers
American Integrity Insurance Group	Tampa, Fla.	Property/Casualty Insurers
American Safety Insurance Services Inc.	Atlanta	Property/Casualty Insurers
Amerisure Mutual Insurance Co.	Farmington Hills, Mich.	Property/Casualty Insurers
ARAG Insurance Co.	Des Moines, Iowa	Property/Casualty Insurers
Associated Agencies Inc.	Rolling Meadows, Ill.	Retail Agents/Brokers
Assurance Agency Ltd.	Schaumburg, Ill.	Retail Agents/Brokers
Avalon Risk Management	Elk Grove Village, Ill.	Retail Agents/Brokers
Berkley Mid-Atlantic Group L.L.C.	Glen Allen, Va.	Property/Casualty Insurers
BMS Intermediaries Inc./JHIS	Edina, Minn.	Reinsurance Brokers
Business Benefits Group	Fairfax, Va.	Benefits Brokers and Advisers
Capitol Insurance Cos.	Middleton, Wis.	Property/Casualty Insurers
Chubb Corp.	Warren, N.J.	Property/Casualty Insurers
Daly Merritt Insurance	Wyandotte, Mich.	Retail Agents/Brokers
Discovery Benefits Inc.	Fargo, N.D.	Claims Services
Dubraski & Associates Insurance Services L.L.C.	San Diego	Retail Agents/Brokers
Edgewood Partners Insurance Center Inc.	San Francisco	Retail Agents/Brokers
Equitable Life & Casualty Insurance Co.	Salt Lake City	Group Life/Health Insurers
Falvey Insurance Group Ltd.	North Kingstown, R.I.	Wholesale Brokers/Managing General Agents
Financial American Insurance Group	Miami	Group Life/Health Insurers
GFI Insurance Services Inc.	New York	Retail Agents/Brokers
Gilsbar Inc.	Covington, La.	Group Life/Health Insurers
GNW-Evergreen Insurance Services L.L.C.	Encino, Calif.	Retail Agents/Brokers
GoHealth L.L.C.	Chicago	Retail Agents/Brokers
Gunn Mowery L.L.C.	Lemoyne, Pa.	Retail Agents/Brokers
Hoffman Brown Co.	Sherman Oaks, Calif.	Retail Agents/Brokers
Holmes Murphy & Associates	West Des Moines, Iowa	Retail Agents/Brokers
Hylant Group Inc.	Toledo, Ohio	Retail Agents/Brokers
The Insurance Exchange Inc.	Rockville, Md.	Retail Agents/Brokers
Insurance Office of America	Longwood, Fla.	Retail Agents/Brokers
Insurance Program Managers Group IPMG	St. Charles, Ill.	Wholesale Brokers/Managing General Agents
J. Smith Lanier & Co.	West Point, Ga.	Retail Agents/Brokers
Kapnick Insurance Group	Adrian, Mich.	Retail Agents/Brokers
Kentucky Employers' Mutual Insurance	Lexington, Ky.	Property/Casualty Insurers
Liazon Corp.	Buffalo, N.Y.	Benefits Brokers and Advisers
Lockton Cos. L.L.C.	Kansas City, Mo.	Retail Agents/Brokers
M3 Insurance Solutions Inc.	Madison, Wis.	Retail Agents/Brokers
Maiden Reinsurance Co.	Mount Laurel, N.J.	Reinsurers
MarketScout	Dallas	Wholesale Brokers/Managing General Agents
McGraw Wentworth	Troy, Mich.	Benefits Brokers and Advisors
The MGIS Cos. Inc.	Salt Lake City	Wholesale Brokers/Managing General Agents
MHBT Inc.	Dallas	Retail Agents/Brokers
myMatrixx L.L.C.	Tampa, Fla.	Claims Services
The Odell Studner Group	Radnor, Pa.	Retail Agents/Brokers
Partners Rx Management L.L.C.	Scottsdale, Ariz.	Claims Services
Penn National Insurance	Harrisburg, Pa.	Property/Casualty Insurers
Philadelphia Insurance Cos.	Bala Cynwyd, Pa.	Property/Casualty Insurers
The Plexus Groupe L.L.C.	Deer Park, Ill.	Retail Agents/Brokers
Poms & Associates Insurance Brokers Inc.	Woodland Hills, Calif.	Retail Agents/Brokers
Precept Insurance Solutions L.L.C.	Irvine, Calif.	Benefits Brokers and Advisers
Pritchard & Jerden Inc.	Atlanta	Retail Agents/Brokers
Propel Insurance	Tacoma, Wash.	Retail Agents/Brokers
R&R Insurance Services Inc.	Waukesha, Wis.	Retail Agents/Brokers
Ross & Yerger Insurance Inc.	Jackson, Miss.	Retail Agents/Brokers
Scirocco Group	Hasbrouck Heights, N.J.	Retail Agents/Brokers
ScripNet Inc.	Las Vegas	Claims Services
Seubert & Associates Inc.	Pittsburgh	Retail Agents/Brokers
SilverStone Group	Omaha, Neb.	Retail Agents/Brokers
Swingle Collins & Associates	Dallas	Retail Agents/Brokers
United Heartland	New Berlin, Wis.	Property/Casualty Insurers
Unum Group	Chattanooga, Tenn.	Group Life/Health Insurers
West Bend Mutual Insurance Co.	West Bend, Wis.	Property/Casualty Insurers
Wine Sergi & Co. L.L.C.	St. Charles, Ill.	Retail Agents/Brokers

RETAIL BROKERS SMALL EMPLOYER

1 RANK — ASSURANCE AGENCY LTD.
SCHAUMBURG, ILL.
EMPLOYEES: 246

Assurance is one of the largest independent insurance brokerages in the country, providing clients with advice and support in the areas of business and personal insurance, employee and executive benefits programs, surety bond placement, safety consulting, claims advocacy and retirement advisory services.

Each summer, Assurance holds an Employee Appreciation Day. The brokerage shuts its doors for a day and takes time for an all-out celebration. Past events have included renting out Wrigley Field, a private performance at Chicago's Second City, and a Lake Michigan boat cruise.

It also recognizes "employees of the year" at its December employee holiday party. Each of the two winners receives a $2,500 cash bonus and a crystal award, and has his or her name engraved on Assurance's permanent trophy.

2 DUBRASKI & ASSOCIATES INSURANCE SERVICES L.L.C.
SAN DIEGO
EMPLOYEES: 26

Dubraski & Associates Insurance Services L.L.C. is a privately held, independent insurance brokerage and consulting firm that specializes in providing "unbiased" solutions to the health care industry across all lines of business.

A small firm, Dubraski & Associates offers employees the opportunity to work from home, and provides flexible work hours for doctor's appointments and family activities. Working with such organizations as Rady Children's at Sharp Grossmont Hospital and the Brooklyn Hospital Foundation, the company gives workers time off for community involvement.

To help celebrate employees, it also provides gift cards for birthdays, anniversaries and special occasions, which may include advancements and accolades. In a time of skyrocketing health insurance costs, employees enjoy a benefits program where between 75% and 100% of premiums for health and life insurance are paid by the employer.

3 SILVERSTONE GROUP
OMAHA, NEB.
EMPLOYEES: 196

Boasting a long list of specialties, SilverStone Group is a financial services and resource management firm that provides actuarial consulting, administration and communications services, business interruption planning, employee benefits consulting and executive benefits plan design. Its human capital consulting offerings include mentoring, job description design and analysis, succession planning, team coaching and training. The company also offers loss/safety control, property/casualty insurance and risk management consulting.

The company's comprehensive wellness program allows workers to focus on health without leaving the office. SilverStone offers free healthy snacks every day and free healthy meals — breakfast and lunch — on Wednesdays. Employees can save time and calories by shopping for fresh produce at the weekly farmers market, held in the company parking lot during the summer months, and receive subsidized prices on produce.

To encourage exercise, workers don't have to leave the building for a good workout: "We sponsor on-site after-work exercise programs in all offices, for example, kettlebells and yoga."

4 DALY MERRITT INSURANCE
WYANDOTTE, MICH.
EMPLOYEES: 45

Daly Merritt Insurance has provided services to businesses, residents and government and public entities since 1928. It provides property/casualty, life and benefits solutions to thousands of clients in more than 20 states. With its wide platform of business, the company says it seeks the best employees and continues to nurture existing employees who seek professional growth.

In addition to mentoring programs, Daly Merritt covers costs for education, workshops and schooling for its employees. Workers lining up for certifications with designations can study during work hours. The company prides itself on seeking the most qualified employees, regardless of race, disability or age, and boasts that it recently hired a 70-year-old because "he was the right man for the job."

"DMI is committed to building, supporting and empowering our employees of all ages. Several DMI employees are in their 60s and 70s and not only do we respect and value them, but we are also well aware that their experiences and perspectives are key to what we do."

Continued on page 14

Business Insurance BEST places to work

CONTINUED FROM PAGE 12

5 M3 INSURANCE SOLUTIONS INC.

MADISON, WIS.

EMPLOYEES: 186

As one of Wisconsin's largest privately held commercial insurance agencies, M3 Insurance Solutions Inc. provides employee benefits, property/casualty insurance, executive benefits, employer-sponsored retirement plans and personal lines coverage. It serves clients across the country from five Wisconsin offices.

Among its benefits offerings to employees are quarterly campaigns that zero in on fitness, financial wellness, healthy living and stress management.

Each of its locations feature a "rejuvenation room," available for fitness activities and personal breaks.

It rewards employees who strive to be healthy: "Each year we provide a free health risk assessment to all employees and spouses. Based on the HRA results, employees and spouses are eligible for a reduction in their health insurance premium or money that may be used for wellness expenses."

6 SEUBERT & ASSOCIATES INC.

PITTSBURGH

EMPLOYEES: 78

A small, full-service insurance agency, Seubert & Associates Inc.'s 78 insurance professionals generate premiums in excess of $150 million annually. Its products include commercial property/casualty insurance, employee benefits, surety bonds, personal property/casualty and life insurance. It also provides risk management consultation, loss prevention, claims management and alternative risk management. The company's niche industries include construction, contractors, trucking, social services, health care practices and energy.

For employees, it tends to lean heavily on workplace incentives including all-expenses-paid trips to the Caribbean and generous stock options. And to foster team spirit and ownership among its employees, the firm sets an annual, companywide new business goal.

"If we meet the goal, employees receive the incentive."

For example, the new goal for 2012 is to bring in $2.2 million in new business. "If we achieve this goal, each employee will be rewarded with $2,200.

7 ROSS & YERGER INSURANCE INC.

JACKSON, MISS.

EMPLOYEES: 92

Ross & Yerger Insurance Inc. is a full-lines insurance agency that offers employee benefits, commercial property/casualty insurance, personal lines insurance, bonding, financial institutions specialty insurance and risk management consulting.

Its worker benefits include medical insurance, comprehensive incentives-based wellness plans and 401(k) matches. But for those who are working hard and need a break, the company leans toward the generous side with above-average time off.

In addition to standard paid holiday, vacation and sick days for employees, Ross & Yeager gives workers extra hours off to shop for holiday gifts, on Fridays during the summer months, to exercise during the week and to celebrate financial goals. And sometimes, just as a surprise, Ross & Yerger closes the office at 3 p.m. Friday "if something significant deserves a celebration."

8 MHBT INC.

DALLAS

EMPLOYEES: 228

After nearly a century of experience and growth, MHBT Inc. has become one of the largest independent insurance firms in Texas. It is ranked among the top 50 independent brokers in the nation, serving clients from four offices across Texas.

The company says it prides itself on empowering employees. It does so with such incentives as flexible work hours, telecommuting, bonuses for all, free leadership workshops and promotions.

"We have been growing our own next generation of commercial account managers, personal lines account managers and employee benefit account managers for several years. We like to promote from within."

But it's not all business at MHBT: employees enjoy free chair massages and free breakfast every Wednesday morning.

9 ASSOCIATED AGENCIES INC.

ROLLING MEADOWS, ILL.

EMPLOYEES: 69

Founded in 1890, Associated Agencies Inc. is a full-service brokerage firm that assists individuals and businesses with their property/casualty insurance, employee benefits and individual benefits needs.

The company perks include seven-hour work days; flexible hours to attend family events; half days on Fridays in the summer; free and discounted tickets to attend local events; free financial, personal development and stress management workshops; and, with a spotlight on fitness, reimbursed membership dues for an on-site health facility.

The firm offers "wellness activities and competitions, (such as) stair-climbing club, team competition with prizes, (and) company-coordinated walks and runs through the adjacent woods."

10 HOFFMAN BROWN CO.

SHERMAN OAKS, CALIF.

EMPLOYEES: 50

Providing large and small companies and individuals with insurance programs, Hoffman Brown Co.'s small team offers clients commercial, personal, life, group/individual medical, long-term care and disability insurance products.

For its employees, Hoffman focuses on getting lean and staying healthy.

In addition to providing healthy snacks in the workplace and enlisting a "fitness committee" to promote wellness, the company provides lunchtime speakers to cover a variety of health-related topics, ranging from chair exercise and yoga to nutrition and the mind/body benefits of essential oils.

It also enlists its own employee-led "sunshine committee" to promote happiness.

"This group of people is dedicated and committed to finding ways to alleviate stress and promote fun. They don't miss a holiday: Valentine's Day, St. Patrick's, Cinco de Mayo. (They are) famous for potluck lunches."

11 THE INSURANCE EXCHANGE INC.

ROCKVILLE, MD.

EMPLOYEES: 36

The Insurance Exchange Inc. provides an array of products including auto, home, boat and umbrella insurance policies. It offers a full range of employee benefits such as health, dental, life, disability, long-term care, vision, high-deductible plans and cafeteria plans. Financial services include 401(k), pension and profit-sharing plans, deferred compensation, and wealth and investment consulting.

For its own small team of workers, the firm is generous with bonuses, which are doled out regularly. For some, the incentives can make up as much as 7% of one's salary, the company states.

"Merit bonuses are given every six months (and) all service and support staff are eligible. Each manager is given a pool of money and distributes it among staff at their discretion."

12 AVALON RISK MANAGEMENT

ELK GROVE VILLAGE, ILL.

EMPLOYEES: 118

An inclusive atmosphere, generous bonus system and commitment to giving back make Avalon Risk Management one of the best places to work in insurance.

The Elk Grove Village, Ill.-based company recognizes its 118 employees monthly with an employee appreciation day hosted by the company's president. The event is intended to provide company updates, celebrate employee milestones and accomplishments, and remind employees that their efforts are appreciated.

The company also reinforces this concept through its bonus system, for which every Avalon employee is eligible. The bonus can range from 5% to 50% of the employee's base salary depending on profit margin and individual/goal performance, as well as the employee's position and tenure.

13 POMS & ASSOCIATES INSURANCE BROKERS INC.

WOODLAND HILLS, CALIF.

EMPLOYEES: 131

A focus on employee well-being defines Poms & Associates Insurance Brokers Inc. To keep its 131 employees in top shape, the Woodland Hills, Calif.-based full-service brokerage offers a comprehensive wellness program that includes free daily on-site exercise classes and fresh fruit delivered to the office twice a week.

Elsewhere, Poms actively works to retain its aging workforce by offering them the same opportunities for training and development that it does younger employees. In addition, the company offers a generous benefits package and bonuses for sales and nonsales staff.

14 GNW-EVERGREEN INSURANCE SERVICES L.L.C.

ENCINO, CALIF.

EMPLOYEES: 95

Employees at GNW-Evergreen Insurance Services L.L.C. say the fact that their opinions and concerns are listened to is a good indication that the owners of the Encino, Calif.-based firm really care about their 95 employees.

In addition to perks like on-site chair massage and free exercise classes, the company likes to party. GNW-EG hosts an Easter egg hunt, spring party, Cinco de Mayo fiesta, chili cook-off and themed holiday party, among other events.

The company's incentive compensation program acknowledges group and individual efforts and rewards sales and nonsales employees.

The company also encourages charity, donating $15,000 to local and national charities during the holiday season.

15 KAPNICK INSURANCE GROUP

ADRIAN, MICH.

EMPLOYEES: 125

The biweekly on-site chair massages offered at Kapnick Insurance Group are indicative of the Adrian, Mich.-based firm's relaxed work environment.

The company offers its 125 employees an allotment of paid time off and accommodating flexible-work arrangements. Kapnick also takes employee health seriously by offering employees a benefits and wellness regimen that includes a biometric health screening.

The company rewards hard work by hosting career account celebrations. When certain goals are reached, every employee, not just the individual responsible, gets to celebrate. The company says that four career account goals have been reached in 2012.

16 PROPEL INSURANCE

TACOMA, WASH.

EMPLOYEES: 233

Scale and a commitment to public service define Tacoma, Wash.-based Propel Insurance. All 233 employees at the privately owned insurance agency are eligible for annual performance bonuses in addition to spot and merit bonuses.

To maintain a diverse workforce, Propel posts all available positions on public sites. Outside the office, the company emphasizes charitable events within its community.

The company provides financial sponsorship and support to the American Cancer Society, and presents an annual charity golf tournament that benefits two different local charity/community programs. Last year, donations from the event totaled $35,000.

17 SWINGLE COLLINS & ASSOCIATES

DALLAS

EMPLOYEES: 56

Placing insurance for families and businesses since 1982, Swingle Collins & Associates employees enjoy such benefits as twice-yearly bonuses, holiday gifts, a jeans Friday program for charity and pizza days. Regular community service initiatives at the company include support of a cystic fibrosis golf tournament, the Salesmanship Club of Dallas and a troop holiday mail-out.

As a small company, management is readily available to employees, and employees enjoy flexible hours for such purposes as attending children's school events, family members' medical appointments, and more. In an effort to maintain employees' work/life balance, overtime is kept to a minimum, and meetings and staff-only events are limited to work hours.

18 AH&T INSURANCE

LEESBURG, VA.

EMPLOYEES: 121

AH&T Insurance is employee-owned, and the people who work there see the company's employee stock ownership plan as one of its most appealing benefits.

AH&T employees also value the social events their employer provides, telecommuting opportunities and the company's support and sponsorship of employee teams for various events. Employees earn bonuses for achieving certain insurance industry professional designations, and AH&T periodically gives employees additional performance-based bonuses.

AH&T's involvement in its communities includes annual charity golf tournaments, an annual college scholarship for a local Leesburg, Va., student and periodically collecting clothing, canned goods and monetary donations for local charities.

19 GUNN MOWERY L.L.C.

LEMOYNE, PA.

EMPLOYEES: 58

Benefits valued by employees of independent insurance broker Gunn Mowery L.L.C. include a fully equipped on-site gymnasium available to all employees and their families, a holiday party, an employee wellness committee and program, and a business casual dress code.

The company has a philosophy of having no age ceiling and works with retirement-age employees and producers to allow them to work fewer hours while still providing full office space and support.

Company trips earned from insurers with which the broker works are awarded to employees based on their performance, and employees are eligible for new business and new hire referral bonuses, as well as bonuses on milestone anniversaries.

20 GFI INSURANCE SERVICES INC.

NEW YORK

EMPLOYEES: 34

Employees of GFI Insurance Services Inc. enjoy such benefits as summer hours, a summer outing, a holiday party, pizza Fridays and Super Bowl parties.

The broker's profit-sharing program is open to all employees, not just those in sales. On the sales side, the company has quarterly sales contests, with monetary awards based on closing certain percentages of business.

Among the community and charitable activities supported by GFI are the Hebrew Academy for Special Children, which provides assistance for those with developmental disabilities; the Ohr Naava Women's Torah Center supporting troubled teens; and the Charity of the Heart program, which provides food for the needy during the holidays.

21 R&R INSURANCE SERVICES INC.

WAUKESHA, WIS.

EMPLOYEES: 153

A floral arrangement sent to the homes of new hires before they start work at R&R Insurance Services Inc. is just the first of many benefits the company's employees find valuable. Others include a flex Fridays program with work ending at 12:30 p.m. every other Friday, a profit-sharing program, a scholarship award program for employees' children, and a Recruit for Rewards program, which sees employees turning to social media to recruit others to the company.

As employees near retirement age, R&R offers them flexible work schedules to help ease the transition; and, upon retirement, many new retirees are retained as paid consultants.

22 PRITCHARD & JERDEN INC.

ATLANTA

EMPLOYEES: 70

Pritchard & Jerden Inc. is a risk management and insurance services company that focuses on commercial property/casualty insurance, employee benefits, executive planning and personal insurance.

Employees at the company enjoy such programs as telecommuting, summer flexible scheduling and holiday bonuses.

Employee incentive programs include an annual bonus pool for staff based on company and individual performance, and an all-expenses-paid trip for workers who meet or exceed new business goals that include spouses and agency leaders.

Among programs to promote a healthy work/life balance, Pritchard & Jerden offers an employer-sponsored employee assistance program that provides counseling for marital and financial problems and substance abuse, among other issues.

23 PLEXUS GROUPE L.L.C.

DEER PARK, ILL.

EMPLOYEES: 76

Plexus Groupe L.L.C. is an independent, privately owned insurance brokerage that provides risk management consulting services.

The company focuses a large part of its bonus program on employee performance. All Plexus Groupe employees are eligible for the program, where each department is subject to a formula that awards peer performance.

"Solid performers are recognized with higher bonuses," the company said.

The company also offers a client referral incentive program in which employees may receive 15% to 20% of the first-year revenue, subject to a $5,000 minimum.

When the weather is cold, employees can walk and work at the same time at a walking station treadmill that has computer, Internet and phone access.

24 SCIROCCO GROUP

HASBROUCK HEIGHTS, N.J.

EMPLOYEES: 115

Scirocco Group is an independent property/casualty agency with insurance expertise in construction, real estate, manufacturing, public entities, and risk analysis and management, among others.

The company is especially aware of and attuned to its employees' needs in the difficult economic climate, and hosts a variety of annual events to help employees keep "in touch" with each other. In addition, managers are always available "professionally and personally."

Other activities hosted by Scirocco Group's events and morale team for employees include a chair massage, denim days and a fitness program that encourages walking or other healthy movement during lunchtime.

25 GOHEALTH L.L.C.

CHICAGO

EMPLOYEES: 127

GoHealth L.L.C., founded in 2001, is a health insurance technology platform that works with more than 100 health insurers and 10,000 agents in the United States.

Employees are provided summer hours and flexible Fridays, an unlimited vacation policy and all-company monthly meetings.

In efforts to promote employee benefits and wellness, GoHealth offers workers daily fruit service and gym reimbursement.

The company also partners with third-party vendors to provide employees free flu shots and health evaluations annually.

To relieve workplace stress and promote fun, workers can engage each other in Nerf-gun battles, meet for drinks during in-office happy hours, or play with electronic gaming systems in the company's lounge and rest areas.

26 THE ODELL STUDNER GROUP

RADNOR, PA.

EMPLOYEES: 43

The Odell Studner Group is an insurance agency that focuses on commercial property/casualty insurance, employee benefits and personal insurance, specializing in numerous industry classes.

The company features an "On the Spot" program for employees who go above and beyond their specific duties, with typical awards going from $100 to $500.

Employees also complete a scorecard for the year and are evaluated for additional bonus opportunities.

The company offers its workers holiday and summer Friday hours, where they can leave early, along with "flexible work hours in the office to put family first."

To nurture career development, the company holds on-site classes for the Chartered Property Casualty Underwriter designation and supports other professional designations such as the Associate in Risk Management.

27 WINE SERGI & CO. L.L.C.

ST. CHARLES, ILL.

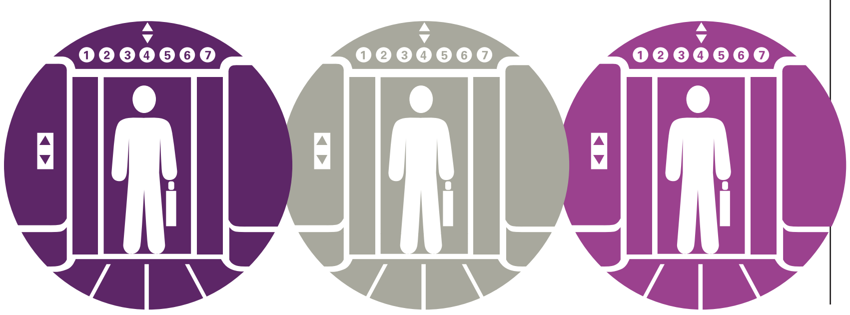
EMPLOYEES: 34

Wine Sergi & Co. L.L.C. is an insurance agency dedicated to specific industries, working with more than 50 national and regional insurers.

Employees have fruit delivered weekly as part of the company's wellness program. Soda in vending machines also has been replaced with water and energy and health drinks.

Wine Sergi pays for professional certifications along with training courses relevant to the employee's job, and is "developing a continuing education team that will provide monthly courses to employees, including Excel training."

Employees also can earn up to $1,000 as part of the company's employee referral program. Client referrals and producer bonuses can amount to 20% and 30% of commissions, respectively.



RETAIL BROKERS MEDIUM EMPLOYER

1 RANK EDGEWOOD PARTNERS INSURANCE CENTER INC.

SAN FRANCISCO

EMPLOYEES: 284

Founded in 2007, Edgewood Partners Insurance Center Inc. is a California-based retail property/casualty and employee benefits insurance brokerage and consulting firm. According to EPIC, "we have created a values-based people-first culture that attracts and retains top talent, fosters employee satisfaction, success and loyalty, and drives a very high level of client service excellence."

The company offers its employees a generous paid-time-off package and such other benefits as a 401(k) match and a wellness program. EPIC promotes a community-oriented culture, encouraging participation in charitable events such as Susan G. Komen for the Cure events to combat breast cancer.

It also provides its employees with an annual employee appreciation day, which they can take off whenever they choose.

2 HOLMES MURPHY & ASSOCIATES

WEST DES MOINES, IOWA

EMPLOYEES: 520

Holmes Murphy & Associates recently celebrated its 80th anniversary by bringing its 500-plus employees to West Des Moines, Iowa, for three days of meetings and celebration in July.

In addition to providing property/casualty insurance and employee benefits, the privately held broker also has a captive consulting company, serving customers in all 50 states through 12 broker partners, a third-party administration company offering property and casualty claims administration and loss control support.

Naming itself as an "innovative, energetic and family-friendly employer," Holmes Murphy & Associates strives to keep its employees happy with flexible hours, open forums between management and subordinates, and opportunities to move up with designations and certifications. "Our company has a robust incentive/bonus program for employees that seek and successfully receive industry and job-related certifications and designations."

3 HYLANT GROUP INC.

TOLEDO, OHIO

EMPLOYEES: 557

With 14 offices in six states, Hylant Group Inc. offers comprehensive risk management services, employee benefits consultation, strategic wellness programs, loss control, health care management and insurance solutions for businesses and individuals.

Workers who want to see more dollars in their paychecks can do so with the company's rewards program, which offers top performers a bonus equal to as much as one month's salary annually. The firm also provides financial incentives for those who enroll in a wellness program, rewards that come either in the form of a Visa gift card or a reduced rate in the shared cost of health insurance premiums.

For example, an "employee's health insurance contributions can be decreased up to 20% if the employee meets desired blood pressure and cholesterol levels."

4 J. SMITH LANIER & CO.

WEST POINT, GA.

EMPLOYEES: 539

Founded in 1868, J. Smith Lanier & Co. is an employee-owned company that has grown from a three-employee local agency to a major regional firm employing more than 500 employees in eight divisions and 18 branch offices. The company offers commercial and personal lines insurance, employee benefits, surety and risk control products.

In addition to an employee stock ownership program, the company also offers a restricted stock plan that is available to employees working as vice presidents and above. It is "based upon annual growth in accounts handled and rewarded annually based upon the review of an executive committee" and has a range between $10,000 and $60,000 of value. Every employee can earn more than their standard paycheck: "(We) provide a bonus of $1,000 per non-incentive-based employee if the company meets internal performance goals."

5 INSURANCE OFFICE OF AMERICA

LONGWOOD, FLA.

EMPLOYEES: 371

Insurance Office of America handles an assortment of insurance lines including commercial lines, personal lines, bonds, and life and health.

It reward employees with holiday and birthday parties, discounted recreational tickets, continental breakfast every Tuesday, and raffle drawings for charity. With a focus on health, it provides workers with "lunch and learn" fitness and nutrition seminars, opportunities to train for a 5K run/walk for charity, and a reduced-membership fee to an on-site health club.

For those who just want to have fun, a special employee-led team has them covered. "The largest department at headquarters has a fun committee, (and) members of the committee are responsible for different events."

Business Insurance BEST places to work 2012

RETAIL BROKERS LARGE EMPLOYER

1 RANK LOCKTON COS. L.L.C.
KANSAS CITY, MO.
EMPLOYEES: 4,450

Lockton has grown from a one-man brokerage to become the world's largest privately held insurance broker and the ninth-largest broker overall, according to *Business Insurance*. Lockton serves more than 175 Fortune 1000 firms as well as an array of firms in nearly every industry.

Lockton says high growth creates opportunities for personal and professional growth. Among the benefits enjoyed by its employees are Rolex watches as a 10th work anniversary gift, Beer Fridays and weekly visits to the office by a massage therapist.

"Lockton has actively supported Bring Your Children to Work Day for many years," according to Lockton. "Children of Lockton associates participate in a half-day program giving them insight into the work world and the insurance industry. Then they can spend the afternoon shadowing their parents."

PROPERTY/CASUALTY INSURERS SMALL EMPLOYER

1 RANK ARAG INSURANCE CO.
DES MOINES, IOWA
EMPLOYEES: 138

ARAG Insurance Co. is a global provider of legal solutions that protect employees' well-being and workplace productivity through group legal insurance benefits. From free educational resources to do-it-yourself legal documents and legal insurance, the company offers relief for legal and financial issues.

ARAG provides a broad array of benefits and extras, including access to leadership and executives. It describes itself as having a "family-oriented, fun, flexible culture focused on the people first."

"Our Wall of Fame recognizes team members who have persevered through multiple challenges to successfully launch new products, processes or programs," said ARAG. "Nominations are reviewed and awarded quarterly by the Executive Committee."

2 KENTUCKY EMPLOYERS' MUTUAL INSURANCE
LEXINGTON, KY.
EMPLOYEES: 198

Management's philosophy at Kentucky Employers' Mutual Insurance, Kentucky's largest workers compensation insurer, is that employees' priorities should be faith, family and career, in that order. Employees can work flexible hours, which allows them to balance their work and family life.

The company does not have an attendance policy, and instead encourages its employees to stay home when they or family members are sick, although overall performance and reasons for absences are monitored.

The insurer periodically rents a downtown theater a few blocks from its office so employees can take a break from work and watch a movie with colleagues.

3 AMERICAN INTEGRITY INSURANCE GROUP
TAMPA, FLA.
EMPLOYEES: 55

American Integrity Insurance Group is a Florida-only residential property insurance company.

Programs it offers to its employees include surprise company-provided breakfasts and lunches, personalized birthday and anniversary celebrations and ice cream socials.

It also sponsors a Bring Your Child to Work Day and has annual company picnics.

The insurer offers its employees an on-site gym, with membership provided at no cost to workers. It also is active in local charitable events, including Feeding America Tampa Bay, Step Up for Students and the St. Joseph's Children's Hospital Christmas in July.

4 CAPITOL INSURANCE COS.
MIDDLETON, WIS.
EMPLOYEES: 248

Capitol Insurance Cos., which was founded in 1959, underwrites admitted and nonadmitted specialty insurance products in niche areas of the commercial property/casualty, fidelity and surety, and professional lines market segments.

Capitol has a profit-share program for all nonmanagers based on the combined ratio and the individual's goals and objectives, as well as a discretionary bonus plan under which managers can award bonuses to their employees or team members. The company also has a management incentive program that is based on the firm's underwriting profit and the manager's individual goals. An active wellness committee promotes and coordinates events.

5 AMERICAN SAFETY INSURANCE SERVICES INC.
ATLANTA
EMPLOYEES: 218

American Safety Insurance Services Inc. is a specialty insurer that provides customized insurance products and solutions for businesses that are underserved by the standard insurance market.

Programs for employees include an annual incentive compensation program that is based on individual team and corporate performance as a percentage of the individual's salary. All employees are eligible, and the percentage is open, based on individual achievement and performance.

Other perks offered by the insurer include closing the office a half day before every holiday to allow employees the opportunity to get a jump-start on the holiday.

PROPERTY/CASUALTY INSURERS MEDIUM EMPLOYER

1 RANK ACCIDENT FUND INSURANCE CO. OF AMERICA
LANSING, MICH.
EMPLOYEES: 612

Accident Fund Insurance Co. of America has provided workers compensation insurance coverage to businesses since 1912. As "The WorkSafe People, the company partners with independent agents to provide small- to midsize businesses with the tools they need to help keep their employees safe." Accident Fund provides access to loss control services, including online safety training, low-cost safety videos, and WorkSafe Solutions.

Accident Fund provides a comprehensive benefits package to its employees, including flex hours/alternative schedule, employer 401(k) match, a defined benefit pension program, maternity and paternity leave, tuition assistance and an on-site athletic club.

In addition, all employees are eligible to receive service recognition awards. "On average, 40% of our employees receive this award ranging from $100 to $5,000 net."

2 UNITED HEARTLAND
NEW BERLIN, WIS.
EMPLOYEES: 250

United Heartland considers itself an expert in workers compensation insurance, but also specializes in a number of industry segments including health care, nursing homes, nonprofits/social services, manufacturing, transportation, schools and wholesale/retail.

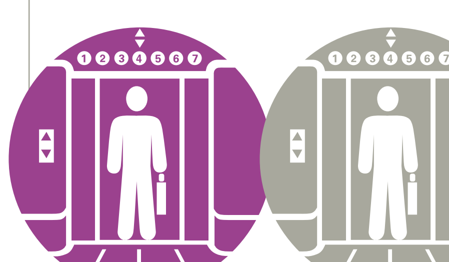
It gets the job done by maintaining a workplace culture providing "a friendly, fair, fun, respectful, professional team work environment where employees work together with all levels of leadership and hear from (leaders) on a daily basis."

That culture includes "Breakfast with the Prez," an up-close meeting with the company president, designed to help employees better understand the company and to provide feedback; and a volunteer employee entertainment committee, which creates fun activities for employees during the workday.

3 AMERISURE MUTUAL INSURANCE CO.
FARMINGTON HILLS, MICH.
EMPLOYEES: 669

A property/casualty insurance firm, Amerisure Mutual Insurance Co. says its strength lies in its commitment to a "partnership-based business strategy that emphasizes massive differentiation and a team-oriented approach to serving the customer."

In more ways than one, the company tends to focus on pay for performance: "Performance pay is a discretionary lump-sum payment designed to reward an employee's performance against strategically aligned objectives and/or improvement in performance." Those in vice president roles and up are eligible for long-term incentive plans based on performance. Even good client reviews can help boost an employee's standing "Employees are recognized in our Dare to Be Extraordinaire Program, which enables internal/external customers to recognize those employees who demonstrate extraordinary customer service."



PROPERTY/CASUALTY INSURERS LARGE EMPLOYER

1 RANK

WEST BEND MUTUAL INSURANCE CO.

WEST BEND, WIS.

EMPLOYEES: 1,056

West Bend Mutual Insurance Co. offers a variety of products in the Midwest, including commercial automobile, workers compensation, metal workers custom policies, contractor owner custom policies and personal lines. It also focuses on hard-to-place coverages through its National Specialty Insurance division.

West Bend's workers enjoy what the company calls an "awesome facility and grounds: 160 acres of prairie, walking trails, waterfall and pond by outside patio."

West Bend has a free fitness center for associates and immediate family members age 16 and older, with fitness classes and personal trainers.

The company also provides membership cards for a local zoo that include one parking pass and entry for up to eight guests.

2 CHUBB CORP.

WARREN, N.J.

EMPLOYEES: 7,501

Among the big players in the industry, Chubb Corp. delivers property/casualty insurance products and services to businesses and individuals around the world, offering more than 170 commercial products including accident and health insurance products and construction and commercial surety bonds.

In addition to the everyday wellness, incentives and career-growth programs, Chubb rewards those who give back by giving more to an employee's charity of choice. "A core component of our corporate philanthropy program is Chubb's Matching Gifts Program, through which we match employee donations of $50 or more on a dollar-for-dollar basis ... to most tax-exempt charitable organizations."

To encourage that same spirit of helping others, Chubb also offers employees paid time off to volunteer.

3 PHILADELPHIA INSURANCE COS.

BALA CYNWYD, PA.

EMPLOYEES: 1,539

Philadelphia Insurance Cos. designs, markets and underwrites commercial property/casualty and management and professional liability insurance products.

A rundown of employee benefits highlight a focus on wellness, from subsidies for gym membership dues to group exercise classes. Employees can earn more money by taking on athletic events: The insurer "provides cash incentives to employees who participate in sanctioned athletic events like walks, 5K (races), marathons and triathlons." The company reports that in 2011, 230 employees received incentives through the program by participating in 400 events.

Its corporate headquarters is home to a state-of-the art facility offering personal and group training, massage therapy, group exercise classes, modern cardio and strength training equipment, and fitness screenings.

4 PENN NATIONAL INSURANCE

HARRISBURG, PA.

EMPLOYEES: 829

Selling through 750 independent insurance agencies, Penn National Insurance provides property/casualty insurance — business insurance, personal auto, homeowners, umbrella — and surety bonds through independent agents in nine states.

It prides itself on an incentives-based wellness program, flexible schedules and in-house training for employees seeking advancement.

Most notably, the company is making strides with its older workers: "Our company has an aging workforce where an estimated 20% of our employee population is at eligible retirement age. We have put in place the ability for employees to move to a part-time employment basis as a transition method to retirement, rather than needing to immediately retire. We also actively recruit our retirees to return to work for us, in temporary or part-time capacities, so they can also continue to receive pension benefits."

5 BERKLEY MID-ATLANTIC GROUP L.L.C.

GLEN ALLEN, VA.

EMPLOYEES: 251

A regional carrier offering innovative commercial property/casualty products throughout the Mid-Atlantic region, Berkley Mid-Atlantic Group L.L.C.'s mantra is: "Good is not good enough."

In addition to a focus on customer service through the expansion of products and enhancements of services, the firm seeks to provide "a challenging and energizing environment" for employees through innovative human resource practices that include a unique on-boarding process, assigning "buddies" to new hires and providing a two-day orientation program that includes an afternoon with the president and meeting with department heads.

Berkley also offers its employees wellness programs, educational benefits, leadership development, flexible scheduling, and rewards and recognition.

1 RANK

REINSURANCE COMPANIES SMALL EMPLOYER

MAIDEN REINSURANCE CO.

MOUNT LAUREL, N.J.

EMPLOYEES: 141

Maiden Reinsurance Co. was formed in 2008 through the acquisition of GMAC Re by Maiden Holdings Ltd. It has structured into multidisciplinary teams that are dedicated to individual clients.

"This allows us to do business one client at a time, ensuring truly personalized and responsive service, creative reinsurance solutions and stable pricing," according to the company.

Maiden Re allows employees to carry over all accrued unused PTO into the next year.

It closes its U.S. offices early before major holidays, with a list of holidays provided to employees ahead of time.

Maiden Re holds a company softball game where ballpark food is served. Another culinary benefit is that Maiden Re buys lunch for all employees on days when it snows heavily.

1 RANK

REINSURANCE BROKERS SMALL EMPLOYER

BMS INTERMEDIARIES INC./JHIS

EDINA, MINN.

EMPLOYEES: 87

BMS Intermediaries Inc./JHIS is part of BMS Group, a specialist insurance group built around teams of experts in the fields of reinsurance, wholesale and direct insurance and two managing general agencies.

"Our vision is to double in size in the next four years and become the acknowledged broker of choice in the market," according to BMS. "Our people are what make us a great company to do business with."

BMS provides monthly breakfasts to employees as a thank-you. In addition, leaders often provide breakfast at other times during the month.

BMS also holds regular socials when new business is won. It closes its offices two hours early the day before a holiday, unless business demands differently, to allow employees the opportunity to enjoy a full holiday.

BENEFIT BROKERS & ADVISERS SMALL EMPLOYER

1 RANK

MCGRAW WENTWORTH

TROY, MICH.

EMPLOYEES: 72

McGraw Wentworth is the largest group benefits broker/consultant in Michigan, according to McGraw Wentworth. "Our sole focus is to help Michigan's midsize organizations (100 to 10,000 workers) design, implement and manage a group benefit program that meets organizational objectives, satisfies the needs of team members, controls cost effectively and complies with governing regulations."

Among the things McGraw Wentworth offers its employees is a work-from-home program including remote computer access to company files and email. It also provides employee longevity bonuses distributed annually with a total value of $150,000.

During the December holiday season, "we are particularly festive as it coincides with the close of our busy fourth quarter. We give every employee a $100 gift card and choice of box of gourmet chocolates or five jeans days, plus an off-site holiday party."

2 BUSINESS BENEFITS GROUP

FAIRFAX, VA.

EMPLOYEES: 34

Business Benefits Group is a large, full-service insurance brokerage and consulting firm that also provides human resource and compliance services, retirement plan resources, health advocacy and benefits technology.

Employees like working there because the company offers generous vacation and leave benefits, and recognizes high performers with above-market salary increases averaging between 5% and 10% of pay.

Business Benefits Group acknowledges employees' birthdays with monthly birthday cakes and pizza parties. It also hosts annual summer picnics and holiday parties where each employee is recognized for his or her contributions.

The broker supports its local community by holding car shows in conjunction with local charities.

3 LIAZON CORP.

BUFFALO, N.Y.

EMPLOYEES: 73

Buffalo, N.Y.-based Liazon Corp. is helping reinvent the employee benefits model by providing technology for private insurance exchanges to employers nationwide.

The company even provides its own Bright Choices Exchange, where employees buy benefits online using money allocated by their employer.

Formed just five years ago, Liazon seeks "employees who want to be part of the adventure of building something different," says the company.

It does this by offering employees free snacks, paid time off to perform community service, a walking club, a monthly game day, and uncapped and unlimited vacation time.

The company also has very little hierarchy and an employee handbook "based on common sense."

4 PRECEPT INSURANCE SOLUTIONS L.L.C.

IRVINE, CALIF.

EMPLOYEES: 128

Recently acquired by BB&T Insurance Services Inc., Precept Insurance Solutions L.L.C. is a national provider of employee benefits consulting and administration outsourcing services to the middle market. And though best known for its health management and cost containment programs, it also offers retirement plan services.

Employees like working at Precept because the company encourages work/life balance and offers on-site wellness screenings and flu shots, weekly healthy breakfasts and quarterly financial rewards for outstanding performance.

Precept employees are committed to the "higher cause" of improving the health of the U.S. population, the company says.

Employees also have considerably autonomy in their work styles.

"We don't micromanage, but we do hold people accountable."

GROUP HEALTH/LIFE INSURERS MEDIUM EMPLOYER

1 RANK

GILSBAR INC.

COVINGTON, LA.

EMPLOYEES: 311

Gilsbar Inc. is one of the nation's largest and fastest-growing privately held health and benefits management organizations. The company provides TPA services, medical management services and wellness solutions, member advocacy, group insurance benefits and professional liability.

When it comes to employees, Gilsbar offers a free comprehensive wellness program to all employees. It also provides free, disposable toothbrushes in the bathrooms.

"We have a quarterly employee recognition program," according to the company. "Each quarter, managers and supervisors nominate and choose an employee from his/her area to recognize at our quarterly company meeting and with a small bonus and a pair of movie tickets."

It also holds special dress days to celebrate big Louisiana State University and New Orleans Saints football games, when employees may wear jeans and sport their team colors.

Business Insurance BEST places to work

WHOLESALE BROKERS, MANAGING GENERAL AGENTS SMALL EMPLOYER

1 RANK INSURANCE PROGRAM MANAGERS GROUP IPMG

ST. CHARLES, ILL.

EMPLOYEES: 88

Insurance Program Managers Group IPMG provides a wide array of brokerage services to its clients, including developing self-funded programs for specific industries such as public entities and senior care services, employee benefits TPA services, and access to leading admitted and excess/surplus lines carriers for all lines of coverage. The company takes pride in being open and fair with all employees, and showing genuine care and concern for families. Among other things, it provides work/life balance and summer hours.

"We have an employee of the year award that measures the 'whole person' to include what they contribute inside the organization and also outside the organization," according to the company. Winners get $2,000 cash and $500 to give to their favorite charity. In addition, an on-the-spot recognition is provided in the form of $100 gift cards for employees going above and beyond expectations.

2 MARKETSCOUT

DALLAS

EMPLOYEES: 38

Based in Dallas, MarketScout is a wholesale insurance exchange with well over 30,000 users, making it the largest consolidation of independent insurance agents in the United States. Agents use the MarketScout Exchange to access insurers determined by the company to be "best-in-class" across hundreds of industries and coverage products.

MarketScout's commitment to its employees' continuing education is one of its standout features, the company says.

"We feel an individual who possesses a desire to continue their education, in addition to performing their full-time job, shows a commitment to improving themselves and their position within the company. To encourage and reward this, MarketScout offers an education assistance benefit up to a maximum of $1,000 per year."

3 FALVEY INSURANCE GROUP LTD.

NORTH KINGSTOWN, R.I.

EMPLOYEES: 41

Falvey Insurance Group Ltd. specializes in full-service cargo insurance underwriting with a focus on high technology, life science and general cargo accounts. Through its subsidiaries, the company also offers coverage for the yachting industry, exhibitions and trade fairs, temporary storage, warehouse coverage, off-site customer trials and demonstrations, installations, spoilage and deterioration due to delay, and terrorism.

Falvey prides itself on maintaining open lines of communication between employees and senior-level management that support career development and operational improvements. The company "has an 'open-door' policy — employees are free to bring any issues or questions to management. Communication between management and employees is paramount."

4 THE MGIS COS. INC.

SALT LAKE CITY

EMPLOYEES: 62

The MGIS Cos. Inc. provides specialized benefits and liability coverage products for physicians and physician groups. The MGIS group disability policies are backed by Sun Life Financial Inc. The company has serviced more than 8,000 physician groups, 800,000 group members and 135,000 physicians nationwide since 1969.

Aside from its ever-popular "every other Friday off" scheduling, MGIS said its employee incentive programs are what make the company a great place to work in the insurance industry.

"MGIS gives employees units in a bonus program called PACE where they share in company profits. This has fostered a sense of ownership among employees and they have come up with creative ideas to become more efficient and profitable."

CLAIMS SERVICES PROVIDERS SMALL EMPLOYER

1 RANK SCRIPNET INC.

LAS VEGAS

EMPLOYEES: 82

ScripNet is a national workers compensation-specific pharmacy benefit management company developed to serve the unique needs of injured workers and those responsible for managing their care. Some of ScripNet's features include drug utilization review, e-billing, formulary development, a live help desk 24/7/365, physician prescription utilization management, retrospective bill review and transparent pricing.

ScripNet is mindful of its employees' health and welfare by taking such steps as providing slippers and sweaters for all employees for cold office days and providing a reimbursement of $30 per month for gyms or other healthy programs.

It provides eight additional hours of PTO every six months for employees who do not take any unscheduled days off and involves the staff in charity drives, which include games, potlucks and contests.

2 ADVOCARE GROUP

CLEVELAND

EMPLOYEES: 96

AdvoCare Group employees who need some rest and relaxation can take advantage of full-body massages offered on-site by professional massage therapists. The workers compensation case management firm also offers flexible schedules and work-from-home options for employees who need nontraditional accommodations.

Work and play often coincide for Cleveland-based AdvoCare. The company closed for a day last year to treat staff members and their families to a free day at a nearby amusement park. Employees can play bocce ball or take Zumba classes at AdvoCare's offices, while those needing more quiet time can read inside the company's on-site library.

3 MYMATRIXX L.L.C.

TAMPA, FLA.

EMPLOYEES: 123

MyMatrixx L.L.C. strives to hire and retain a diverse staff, using job boards, social media sites, local colleges and other methods to cast a wide net for employees of various ethnicities, cultures, ages and physical abilities. The pharmacy benefits manager provides flexible work schedules to accommodate the needs of all of its staff members.

Tampa, Fla.-based myMatrixx offers an "open-door" policy in which employees have the ability to speak with managers at any time of day. Top employees are rewarded with gift cards or sports tickets, and many are selected by myMatrixx to receive management training through an outside organization.

4 PARTNERS RX MANAGEMENT L.L.C.

SCOTTSDALE, ARIZ.

EMPLOYEES: 69

Team-building is a key focus for Partners Rx Management L.L.C., which provides many sports-themed opportunities for its employees to have some fun. The company has taken all of its staff members to an Arizona Diamondbacks baseball game, hosted a Super Bowl chili cook-off, and allowed employees to participate in casual Mondays when the Arizona Cardinals win football games.

The Scottsdale, Ariz.-based pharmacy benefits manager offers a compressed work week that lets employees work a half day every Friday. Additionally, the company reimburses employees 50% for the cost of bus passes and it encourages staff members to volunteer time and money to charities in the Scottsdale area.

CLAIMS SERVICES PROVIDERS MEDIUM EMPLOYER

1 RANK DISCOVERY BENEFITS INC.

FARGO, N.D.

EMPLOYEES: 266

Discovery Benefits Inc. is an employee benefits administrator with a presence in every state. It began offering COBRA administration in 1994, and added transportation fringe benefit plans in 2003. It also offers health reimbursement arrangements and health savings accounts, among other things.

The company has implemented employee-generated policies such as a jeans dress code and summer hours. It provides expectant-mother parking in front of the building and private nursing rooms.

The company prides itself on listening to its employees. "Our open-door policy is reiterated often and taken very seriously," according to Discovery. "Employees are empowered and encouraged to bring ideas or concerns to any level of management."

GROUP HEALTH/LIFE INSURERS SMALL EMPLOYER

1 RANK EQUITABLE LIFE & CASUALTY INSURANCE CO.

SALT LAKE CITY

EMPLOYEES: 142

Equitable Life & Casualty Insurance Co. officially commemorated 77 years as a Utah-domiciled life and health insurance company on June 6, 2012. It is a closely held life, accident and health insurance company that provides life and health insurance products to a growing senior market.

It also provides an employee-friendly environment with an emphasis on community. "Every other Friday, we touch a different charity by providing a Jeans for a Cause Day where employees can wear jeans and are encouraged to donate a dollar," with the company matching all donations.

In addition, "we have made it a tradition to close the office one hour early (and pay employees for that hour) the workday before a three-day holiday weekend. This allows employees to spend time with their families and get a jump-start on the holiday weekend."

2 FINANCIAL AMERICAN INSURANCE GROUP

MIAMI

EMPLOYEES: 38

Established in 2004, Financial American Insurance Group is a leading insurer and administrator of credit life, credit disability, credit property/casualty insurance and related products targeting the automotive dealership community.

Financial American is committed to its employees' health and wellness. The company pays 100% of all employee medical and dental premiums and encourages team-oriented, intradepartmental wellness activities.

"Our claims department takes several daily stretch breaks together, and one of our credit admin employees makes Cuban cafecito (strong espresso coffee in little cups) for everyone, every day at 3 p.m.," according to the company. "Everyone loves it, and most take two!"

1
RANK

GROUP HEALTH/ LIFE INSURERS LARGE EMPLOYER

UNUM GROUP
CHATTANOOGA, TENN.
EMPLOYEES: 8,445

Unum Group is one of the world's leading employee benefits providers, covering more than 25 million working people and their families in the event of illness or injury.

"We offer comprehensive insurance solutions to help protect against the financial effects of accident, illness or death for 37% of today's Fortune 500," according to Unum.

As befits a health insurer, Unum stresses a fitness program for its employees. This includes on-site fitness centers at major locations as well as extras such as walking paths, volleyball courts and a rooftop track in some locations.

Unum's commitment to its employees doesn't stop with fitness and health benefits. The company allows paid volunteer time during the workday. It also provides additional paid days off when employees go "above and beyond."

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Issue of October 22

Forum: Industry needs more innovation

CONTINUED FROM PAGE 4

providing innovative solutions may be rooted in its reticence to invest capital in technology, Scott M. Wick, Chicago-based executive vice president and chief sales officer for Hub International Midwest Ltd., said during the forum.

Some insurers take the stance of letting competitors or companies in other industries spend resources on research and development, he said.

"I do think that as an industry, as a rule of thumb, we've been somewhat slow to adapt because we've always been No. 2, or taking that position of, 'We'll let someone else go out and be in front of us,'" Mr. Wick said.

While new companies with plenty of capital can enter the insurance marketplace relatively easily, technological innovation can "level the playing field" for other entrants, said John Goldwater, president and CEO of Berkley Net Underwriters L.L.C., a unit of W.R. Berkley Corp. in Woodbridge, Va.

"The opportunity is through differentiation and people to truly create the advantage," he said. "If you don't innovate in this economy that we're in, you're going to get left on the sidelines."

Still, risk managers benefit from product innovations that improve processes and help identify risks, the panelists said.

"The insurance industry helps us grow our business by understanding what the risk profiles are," IBM's Ms. Ireland said. "I think as an industry, we have a long way to go, but there are already incredible pockets of creativity that are happening."

For example, with 34,000 vehicles insured around the world, IBM's global auto insurer offers applications that permit drivers to report claim details and send pictures right at the accident site from a cellphone, recording critical, real-time details helpful in determining the cause of the accident, Ms. Ireland said.

Also, a product from IBM's global insurer allows customers to see what types of policies have been issued and the premiums that have been paid around the world. And one of IBM's global property insurers is using tablets in the field as the insurer's underwriters perform facility inspections, which will dramatically speed the release of its engineering reports to customers, she said.

The forum, which was moderated by *Business Insurance* Senior Editor Rodd Zolkos, was held at the Union League Club of Chicago.

UP CLOSE
COMINGS & GOINGS

BRYAN SALVATORE

NEW JOB TITLE: New York-based president of specialty products for Zurich North America Commercial.

PREVIOUS POSITION: New York-based head of accident and health for Zurich North America Commercial.

INDUSTRY OUTLOOK: Obviously given the economic environment, the critical thing is for us to remain disciplined from an underwriting and pricing perspective.

COLLEGE MAJOR: Economics for (undergraduate). Marketing for graduate school.

ADVICE: It is important to remember, even in a time like this when technical skills are so important, that this remains a relationship industry. It's important to treat people you work with both as colleagues and as brokers that work with us.

OUTSIDE THE INDUSTRY, A DREAM JOB: I like what I do very much, (but) I do joke around with my wife that I would be ... living in Colorado and teaching skiing.

HOBBIES: Definitely skiing. I spend a significant amount of time with my family. I spend a lot of my free time with my kids, sports, teaching my daughter guitar. I get a lot of joy being with my family.

FAVORITE BOOK: "The Godfather" by Mario Puzo. I think it's a beautifully written book. There are so many things going on and that come together in the end.

FAVORITE MEAL: It goes with the last name, too. Linguini with clam sauce.

EMAIL OR PHONE, AND WHY: I prefer phone. I think that email is efficient and it is very helpful. But phone allows people to really communicate and understand what is being conveyed. I don't think email is the best for that.

ASHRM: Med mal claims data raises rate hike fears

CONTINUED FROM PAGE 4

medical professional liability market, he added.

Those conditions are not expected to last, the PwC panelists said. Medical malpractice coverage costs are expected to experience modest increases in the short term, driven upward primarily by the combination of continued consolidation among providers and projected increases in health care utilization.

"We certainly don't expect the supply of health care providers to increase as fast as the demand for care," said Mark Proska, a Philadelphia-based assurance director at PwC.

With fewer doctors on hand, Mr. Proska said the sustained increase in the demand for medical care among aging baby boomers likely will lead to a rise in medical malpractice claims.

"We're anticipating anywhere from a 7% to 10% increase in the number of physicians from 2010 to 2020, compared to a much steeper increase in the anticipated growth in the percentage (36%) of people over 65 in the U.S. over the same timeframe," he said.

Additionally, risk consultants at Aon warned providers of the considerable challenges associated with self-funding an employed physician's professional liability exposures, including providing transitional or "tail" coverage, as well as coverage for prior acts of doctors while associated with their former employers.

Challenges to tort reforms and changes to the health care industry at large resulting from the Patient Protection and Affordable Care Act could lead to rate and premium firming in the medical professional liability market, the PwC panelists said.

In the past decade, limitations on malpractice litigation, including caps on economic and noneconomic damages, shortened statutes of limitations for filing lawsuits and caps on attorneys' fees have contributed substantially to controlling medical malpractice cost inflation, Mr. Proska said.

"Trial attorneys today are not terribly enthusiastic about taking on malpractice cases. In fact, they're largely going away from it," Mr. Proska said. However, he noted, seven states — including Massachusetts, Mississippi, West Virginia and Nevada — have recently overturned or rolled back previous caps on maximum jury awards for damages, and further rollbacks of existing reforms could accelerate growth in coverage rates and premium pricing.

Mr. Proska also said several tenets of the PPACA could significantly affect short- and long-term cost trends for medical malpractice insurance, including new federal standards for accountable care organizations and other provisions designed to push the industry toward value-based health care delivery and reimbursement models, federal funding for state tort reform alternatives, and the formation of an independent Patient-Centered Outcomes Research Institute, a nonprofit entity designed to provide health care providers greater access to unbiased medical research.

3,000 ATTEND ASHRM CONFERENCE

NATIONAL HARBOR, Md. – Some 3,000 people attended the American Society for Healthcare Risk Management's 2012 Annual Conference held Oct. 7-10 in National Harbor, Md.

Topics discussed included reducing on-site patient and employee safety risks, updating cyber security and health record management systems, tracking trends in medical professional liability and adapting risk management strategies to comply with the Patient Protection and Affordable Care Act.

Next year's conference will be held Oct. 27-30 at the Austin Convention Center in Austin, Texas. For more information, go to *www.ashrm.org*.

— By Matt Dunning

NAPSLO: Surplus lines rate increases may slow

CONTINUED FROM PAGE 3

"I think people over-anticipated in 2011 that 2012 was going to be a much stronger year," Mr. Kaufman said. "The good news is that business has not gone down."

Judith A. Patterson, Boston-based head of E&S property for Beazley P.L.C., agreed the market for catastrophe-exposed property in 2012 has not hardened as many expected, and that increases seen over the past six months were insufficient to help insurers recover from the prolonged soft market that preceded the rising rates.

"When this market first started improving, a lot of prognosticators thought that this was going to be a slow, steady and sustainable upswing," she said. "But there's just so much capital in the market that I now hope that we don't swing into the negative."

"We are still able to manage an increase, but the percentage of increase has begun to come back down," Ms. Patterson added. "So it is pretty apparent that without some sort of event we are going to be flat by the end of the year."

Likewise, Ben Walter, CEO of New York-based Hiscox USA, said the speed with which capital can enter the market is likely to dampen rate increases going forward.

"You do have a lot of capacity, and the market is more efficient than ever before," he said. "Market can flow in and flow out of the insurance markets with an efficiency that it never could before. It's been that way in the capital markets for a long time, and insurance is just now catching up to that."

Christopher M. Treanor, president of New York-based underwriting manager and wholesale insurance brokerage Preferred Concepts L.L.C., agreed that the excess of capital in the market made the prospect of long-term rising rates unlikely.

"The market is flat to slightly up," he said. "I don't think we'll see the broad market turn we've seen in the past, because capital flows in and out of the market much too quickly for the market to swing like it used to."

Clifton Hope, Atlanta-based executive vice president and chief property underwriter, U.S. property for Aspen Insurance Holdings Ltd., said the abundance of capital "makes underwriters cringe" because they know their marketplace will remain "super competitive." Mr. Hope said standard lines insurers that normally don't penetrate deeply into the E&S arena or that previously had a small footprint are now expanding into the space, expanding capacity and putting pressure on existing market participants.

"There's a feeling that the market will start to swing back from the slight firming we saw in 2011," Mr. Hope said. "The market has evolved in such a way that firming markets can be exceptionally brief, six months, or if you are lucky, nine, so underwriters are preparing for what the evidence would suggest is a likely slowdown in rating momentum."

NAPSLO MEETING ATTRACTS 3,400

ATLANTA—The National Association of Professional Surplus Lines Offices Ltd. held its annual convention Oct. 8-11 in Atlanta, drawing an estimated 3,400 registered attendees.

While the event is defined by private meetings of surplus lines brokers, underwriters and wholesalers, formal events at the conference included panel discussions covering such topics as lessons learned from the hard market and how to sell during a transitioning market.

Former Florida Gov. Jeb Bush delivered the keynote address and argued for the need for reform in areas such as energy policy, immigration policy, regulatory oversight and education policy to improve economic growth.

NAPSLO's next annual convention will be held Sept. 30-Oct. 3, 2013, in San Diego. For more information, go to *www.napslo.org*.

— By Bill Kenealy

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Willis: New CEO named

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ence calls," said Meyer Shields, a Baltimore-based analyst for Stifel Nicolaus & Co.

While Willis' revenue growth has been steady under Mr. Plumeri, its profitability has varied, particularly in the past year, analysts said.

In 2011, the brokerage's profit fell by more than 50% to $219 million, due largely to several nonrecurring expenses. The brokerage recorded a 179.8% gain in profit for the first half of 2012, rising to $333 million. In addition, Willis' share price has fallen slightly over the past year, compared with a 31.6% gain for *Business Insurance*'s Insurance Brokers index and a 16.9% gain for the S&P 500 index.

"Simply speaking, Willis wasn't investing in its long-term future to the extent that it should, and a lot of the company's efforts recently have been very much focused on cost cutting, on reducing expenses and protecting margins," Mr. Shields said. "Obviously, that's important for shareholders, but it has to be balanced."

Whatever changes Mr. Casserley brings, analysts say it is unlikely the brokerage will experience the same level of integration of risk consulting services witnessed at Aon under Mr. Case's leadership.

"Willis still has more of a focus on small to medium-sized clients and, while I think that base of business probably does want their insurance broker to have a risk analytics capability and to be able to do everything and anything in the most sophisticated way possible, it also wants to make sure that they get the personal attention they feel they need," said Mr. Mitchell of Miller Tabak.

In his 12-year tenure as Willis' leader, Mr. Plumeri — who brought a zeal for dealmaking and sales to what was seen as a staid, London-market broker — took Willis back into public ownership and led it through a tumultuous period when former New York Attorney General Elliot Spitzer investigated the insurance brokerage industry (see timeline).

Under his leadership, Willis recorded 98.6% growth in total revenues from 2002 through 2011.

In October 2008, Mr. Plumeri also negotiated the purchase of Hilb Rogal & Hobbs Co., which greatly added to Willis' revenue, but saddled the company with a sizable debt, due in large part to the credit market collapse just days after the deal was finalized.

Mr. Plumeri will stay on as nonexecutive chairman of Willis' board for the rest of his contract, which expires in July 2013.

Speaking to *Business Insurance* last week during a conference call with Messrs. Plumeri and Hearn, Mr. Casserley said one issue he will need to address immediately is the careful prioritization of Willis' expansion into foreign marketplaces, particularly in emerging markets such as China, Latin America and Africa.

"The world is a more complicated, more globalized and, to some extent, riskier place," Mr. Casserley said. "It's a world of opportunity, and it's a question where we place our bets and where do we focus our resources."

Citing reinsurance industry developments as inspiration, Mr. Hearn said he looks forward to implementing a greater emphasis on analytics, predictive modeling and other technology advances he said would make Willis' brokers more effective in their ability to identify and manage their clients' risks.

"We're big enough to have all the toys and tools necessary to exploit that opportunity, but we're small enough to be able to capitalize on that, far more so than our larger competitors," Mr. Hearn said.

Mr. Plumeri said he was excited to "pass the baton, especially when that baton is being taken by a couple of gentlemen that I have great respect for and who I think will take the company to the next level."

"I couldn't feel better about this transition and about the choices that have been made, and I look forward to watching this company continue to grow," he said.

MAJOR EVENTS DURING JOE PLUMERI'S TENURE

OCTOBER 2000: Named chairman and CEO of Willis Group Holdings

JUNE 2001: Completed IPO, returning company to public ownership

OCTOBER 2004: First CEO among major insurance brokers to reject contingent commissions

APRIL 2005: Sold U.S. wholesale unit, Stewart Smith Group, to American Wholesale Insurance Group Inc.

APRIL 2005: Became outspoken critic of contingent commissions

APRIL 2005: Negotiated $51 million settlement with New York attorney general's office during industrywide contingent commissions investigation

JUNE 2008: Completed $2.1 billion acquisition of Hilb Rogal & Hobbs Co.

APRIL 2009: Sold wholesale arm, Bliss & Glennon Inc., to Fortega Financial Corp. to focus on retail business

FEBRUARY 2012: Reinstated contingent commissions for Willis' employee benefits business

OCTOBER 2012: Announced he would step down as CEO in January 2013

inBrief

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N.Y. court finds DOMA unconstitutional

A federal appeals court has struck down the central provisions of the 1996 Defense of Marriage Act, declaring unconstitutional the law's denial of federal marriage benefits to gay and lesbian couples. In a 2-1 ruling, the court said DOMA's definition of marriage unfairly prevents same-sex spouses from enjoying economic benefits afforded to couples of the opposite sex.

Meadowbrook A- rating placed under review

A.M. Best Co. placed the A- rating of Meadowbrook Insurance Group Inc. under review with negative implications. The move reflects the insurer's announcement that its third quarter results will be hit by an increase in its net ultimate loss estimates.

Compounding: Outbreak ups concerns

CONTINUED FROM PAGE 1

New England Compounding Pharmacy Inc., several observers said it is likely the drugs reached some claimants because they were used to treat injuries that are common in the workplace.

"It would seem that there would be some work comp claimants just by virtue of the fact that people are being treated for back pain," said Jeffrey M. Adelson, a managing partner and workers comp defense attorney in the Santa Ana, Calif., office of Adelson, Testan, Brundo & Jimenez.

Several health care facilities that treat workers comp claimants are on a Centers for Disease Control and Prevention list of 76 sites in 23 states that received the compounded medication linked to the meningitis outbreak.

If a link is established to workers comp claimants, employers and insurers responsible for the original claim would be liable for additional medical expenses to treat the meningitis, Mr. Adelson said. The cost of treating meningitis and paying disability benefits, perhaps over a patient's lifetime, could turn a typical claim into a catastrophic case, although workers comp payers could subrogate under a product liability argument, he said.

Compounding pharmacies prepare drugs to meet unique patient needs, such as when a patient requires a customized dose that is not available commercially.

But New England Compounding Pharmacy, which did business as the New England Compounding Center in Framingham, Mass., may have manufactured large quantities of compounded drugs, reportedly without individual prescriptions. NECC is at the center of state and federal investigations into the meningitis outbreak.

The FDA said that about 14,000 patients may have received injections of implicated drugs tied to NECC. About 97% of those patients have been notified.

In contrast to compounding small amounts for specific patients, manufacturing pharmaceuticals for mass distribution is subject to greater regulation.

"If you are manufacturing, then state and federal regulations are much different than if you are just a compounding" pharmacy, said Jim Andrews, executive vice president of pharmacy services at Healthcare Solutions Inc., a Duluth, Ga.-based pharmacy benefits manager.

Reacting to the meningitis outbreak, at least two federal lawmakers said they will introduce legislation to strengthen the Food and Drug Administration's authority over compounding.

"These pharmacies are intended to create customized versions of medicine for specific patients, not bulk production of medications," U.S. Rep. Rosa DeLauro, D-Conn., said in a statement about legislation she has introduced.

Rep. Edward J. Markey, D-Mass., criticized compounding pharmacies and said he, too, will introduce legislation calling for increased oversight.

But the Missouri City, Texas-based International Academy of Compounding Pharmacists, which represents more than 2,700 pharmacists, technicians and compounding firms, said in a statement that compounding is a valuable part of traditional pharmacy practices regulated by the FDA.

Compounding is necessary because of an ongoing, nationwide shortage of certain drugs, including some to treat work-related injuries, said Brian Carpenter, Tucson, Ariz.-based vice president of pharmacy benefit clinical services at Coventry Workers' Comp Services.

But recent years' growing use of compounded drugs has raised concern in the workers comp industry because of the potential for prescribing providers to increase their revenue by avoiding state fee schedules that often place greater price controls on standard medications, he said. "While (compounding) is controlled by fee schedules, the rules are very, very loose," Mr. Carpenter said.

According to the "2011 Workers' Compensation Drug Trend Report" this year by St. Louis-based Express Scripts Inc., compounded medication costs have posted double-digit increases since 2008, with annual costs per user jumping 13.7% in 2011.

Yet many compounds prescribed to workers comp patients contain ingredients that are available as standard, commercial products, the report states. For example, several strengths of diclofenac, a nonsteroidal inflammatory drug, are available for about $192 per prescription while compounded versions averaged $720 in 2011.

Prescribing compounded topical creams and orally taken drugs is far more common in treating workers comp claimants than injectable products, such as those in the meningitis cases, sources said.

Unfortunately, patients who receive injections or infusions in a doctor's office face contamination fears just as compounding will undergo greater scrutiny, Mr. Andrews said. "There will be a period of public distrust of the products, rightly or wrongly. It's unfortunate, but I think the compounding industry will have to defend itself a bit on this for a while."

Food fight erupts over 'golden nugget'

A legal food fight has broken out over the term "Golden Nugget."

Landry's Inc., owner of Nevada-based casino the Golden Nugget, has sued the owners of the Longhorn Steakhouse franchise, Orlando, Fla.-based Darden Restaurants Inc., for naming a dessert item Golden Nuggets.

The suit, filed in U.S. District Court in Las Vegas, alleges that Golden Nuggets, fried cheesecake chunks served over vanilla ice cream with strawberry sauce, infringes on the trademark of the rather dissimilar but similarly named hotel and casino chain.

No word yet if other Longhorn dessert staples, such as the Caramel Apple Goldrush and Chocolate Stampede, face similar legal jeopardy.

CONTRIBUTING: Judy Greenwald, Bill Kenealy, Mike Tsikoudakis, Rodd Zolkos

End Page

Super battle occurs over Man of Steel

A U.S. District Court judge in Los Angeles has exercised his judicial superpowers and ruled that DC Comics Inc. and its owner, Warner Bros., will retain rights to use the Superman character in books, films, television and other media.

U.S. District Court Judge Otis Wright II ruled last week in favor of DC Comics' claim that the heirs of artist Joe Shuster — who created Superman in 1938 with writer Jerry Siegel — gave up their rights to reclaim Superman copyrights in a 1992 agreement that included annual payments from DC Comics. That agreement, the judge said, superceded all prior copyright agreements between the Shusters and DC.

The Shusters are reported to be planning an appeal of the ruling.

According to a Los Angeles Times report, in 2008 a judge ruled in favor of Mr. Siegel's heirs in a similar case, though under copyright law Warner's 50% interest allows it to continue using the Superman character as it pleases as long as it pays Mr. Siegel's estate half of the profits.

Warner is planning to release a new Superman movie, "Man of Steel," in June 2013.

POSTAL WORKER TO GET WORKOUT OVER COMP CLAIMS

A former postal worker has likely concluded that demonstrating the use of fitness equipment while collecting disability payments is probably not a wise move.

According to reports, a federal jury convicted Darlene M. Altvater, 48, of two counts of filing false disability claims after a five-day trial. Ms. Altvater, a carrier for the U.S. Postal Service at the Mechanicsville, Md., post office, began receiving federal workers compensation benefits in 2001 for an on-the-job head and neck injury.

But there was evidence that from January 2005 through December 2011 Ms. Altvater continued to receive workers comp benefits while she operated a salon, day spa and fitness center, despite having filed forms with the U.S. Postal Service, the U.S. Department of Labor and the Office of Workers Compensation Programs stating she was unable to work because of her disability.

Witnesses testified that in addition to demonstrating the use of fitness equipment, she gave pedicures and massages at the salon.

Ms. Altvater faces a maximum sentence of five years in prison followed by three years of supervised release and a $250,000 fine. Sentencing is scheduled for Jan. 7, 2013.

INSURANCE AGENT RUNS SCAM ON HER OWN CUSTOMER

A Carbondale, Colo., insurance agent was nabbed by police after pocketing thousands of dollars in an insurance scheme.

Karen Iuele was arrested this month on charges of fraud and felony theft after she allegedly took $6,384 from a customer who was under the impression that Ms. Iuele was securing a new insurance policy, according to the Aspen Daily News.

Ms. Iuele, who worked for Aspen, Colo.-based insurance agency Michael Sailor Insurance Inc. during the allegations, helped the victim of her fraud transfer policies from American Republic Insurance Co., which stopped offering policies in Colorado, to Celtic Insurance Co., the Aspen paper reported.

But according to police reports, Ms. Iuele, allegedly beginning in June, solicited "retroactive premium payments" from the victim by having her deposit cash or a cashier's check into a "secure account" held by Michael Sailor Insurance, the report said.

Needless to say, Celtic never received the payments and was not expecting payment until the end of August.

Furthermore, Michael Sailor, owner of the insurance firm, said there was no such account at his agency.

"This is not how we do business," Mr. Sailor told the Aspen paper. "We do not take cash or cashier's checks from customers and never will a client be asked to transfer money to a personal account of an employee of this business."

Mr. Sailor was alerted of the alleged fraud in September and subsequently fired Ms. Iuele.

Ms. Iuele, who was arrested on Oct. 1 and released on a $5,000 bond, will make her first court appearance Monday to answer to the charges, the Aspen paper said.

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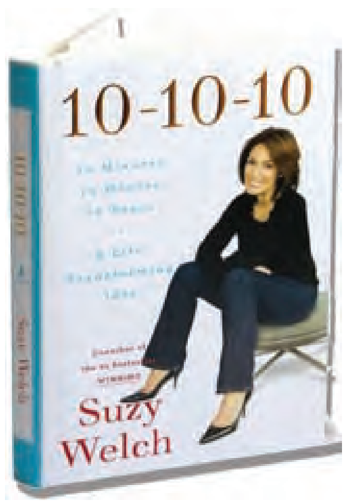

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