

REPORTING REQUIREMENTS

While the IRS has yet to issue final versions of the reporting form and filing instructions employers will use in 2015 to track and disclose their health benefits-eligible employees, it has outlined several critical elements of the new reporting requirements under the health care reform law. They include:

- Certification of minimum essential coverage offered to full-time employees and their dependents.
- Full-time employee headcount for each calendar month.
- Months during which minimum essential coverage was available to each eligible employee.

Source: IRS

HEALTH CARE BENEFITS

Firms struggle to comply with reform law rule

IRS offers no guidance on benefits tracking

BY MATT DUNNING

Fall open enrollment for the 2015 group health plan year is being dominated by employer frustration and uncertainty about implementing coverage and IRS reporting requirements under the health care reform law's employer coverage mandate.

"Open enrollment is going to present employers with some huge challenges this year," said Steven Friedman, shareholder and employee benefits practice group co-chair at Littler Mendelson P.C. in New York. "There are quite a few hidden traps in the reform law's mandate that could ensnare

See **ENROLLMENT** page 32

BROKERS & INSURERS

EBOLA SPREAD TRIGGERS INSURANCE CONCERNS

Ace Ltd. issues exclusion for some policies



AP PHOTO

A clinician sanitized his hands during a Centers for Disease Control and Prevention training session earlier this month.

BY DOUGLAS MCLEOD

The possible spread of the Ebola virus in the United States is raising coverage concerns under commercial insurance ranging from general liability to the business interruption protection of property policies.

CDC, medical industry respond to Ebola risk. Page 30

Potential problems — such as whether an Ebola case triggers coverage, or the applicability of pollution and other exclusions — vary among policies. The extent of a company's coverage will depend on the circumstances of a claim and a given policy's wording, legal and insurance experts say.

At least one property/casualty insurer moved last week to limit its Ebola exposure. Ace Ltd. said it will exclude Ebola claims for any "injury, damage, expense, cost, loss" or liability

See **EBOLA** page 30

EBOLA GLOBAL OUTBREAK

- More than 4,800 people have died in West Africa
- At least 18 people have been treated for the deadly virus in the United States and Europe
- One person has died in the U.S. from the virus
- World Health Organization projects number of new cases could reach 10,000 weekly worldwide by December

U.S. RESPONSE

- The U.S. Centers for Disease Control and Prevention issued safety rules for hospital workers nationwide
- The CDC formed specialty teams ready to go immediately assist any U.S. hospital when there's a new Ebola patient
- Five airports — Kennedy International, Washington Dulles International, O'Hare International, Hartsfield-Jackson International and Newark Liberty International — are taking the temperature of travelers arriving from West Africa
- President Barack Obama ordered the deployment of up to 4,000 American military personnel to assist West Africa combat the virus, including helping to build 17 Ebola treatment centers.

Source: WHO, New York Times

CYBER RISK

Insurers fight to bar cyber under CGL cover

Travelers latest to seek ruling denying liability

BY JUDY GREENWALD

Recent legal efforts by insurers to bar cyber coverage under commercial general liability policies signal a new coverage battle between insurers and policyholders as costly data breaches proliferate.

In the latest move, a Travelers Cos. unit earlier this month sought a judicial ruling that it is not obligated to provide indemnity coverage and defense costs under its commercial general liability policy for P.F. Chang's China Bistro Inc. in connection with the restaurant chain's data breach that occurred from October 2013 through June 2014.

The Insurance Services Office Inc.'s recent revisions to its standard commercial general liability policy forms exclude cyber coverage. But it will take some time for these forms to become more widely adopted in the market, and there are numerous older policy forms, at least some of which have ambiguous language, experts say.

Furthermore, many firms still do not have cyber insurance policies, leaving their commercial general liability policies as possibly the only source of coverage for the exorbitant costs associated with a major data breach.

And even for those firms with

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Q&A: ALBERT BENCHIMOL

CEO of Axis Capital Holdings Ltd. talks about the issues facing insurers and reinsurers

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World's largest reinsurance broker ranking; brokerage revenue; scope of service

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REINSURANCE TRENDS & ISSUES

Reinsurance brokers squeezed as softer rates hit reinsurers; more insurers are bundling their reinsurance buys; catastrophe used to cover wider range of perils; life reinsurance remains a stable market.

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partner.

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Berkshire Hathaway
Specialty Insurance

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NEWS

HEALTH CARE REFORM

LOW-COST HEALTH PLANS PASS ONLINE COVERAGE TEST

But consultants warn calculator may be faulty

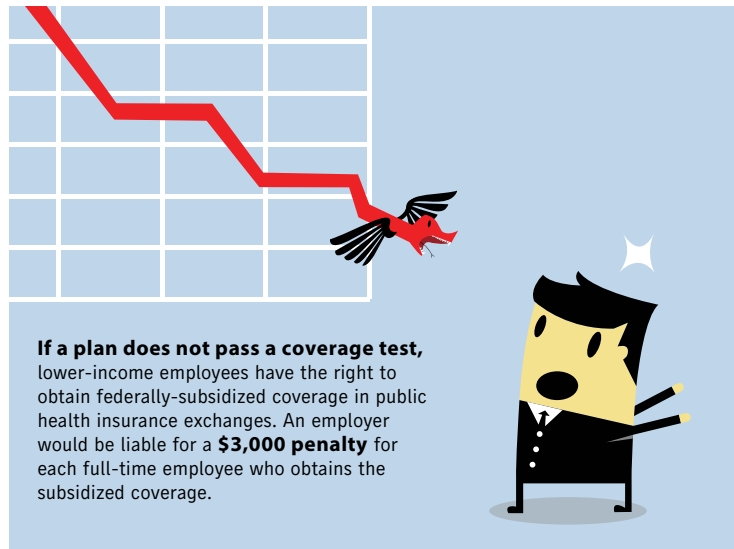
BY JERRY GEISEL

What may be a flaw in the federal government's online calculator to determine if employer-provided health insurance coverage meets the health care reform law's "minimum value" test is allowing employers to offer low-cost basic plans without triggering a big reform law penalty.

If a plan does not pass the test, which broadly requires employer plans to pay for at least 60% of covered services, lower-income employees have the right to obtain federally-subsidized coverage in public health insurance exchanges. In that situation, an employer would be liable, starting in 2015, for a \$3,000 penalty for each full-time employee who obtains the subsidized coverage.

But if a plan passes the minimum value test, employees are not eligible for the subsidy, and employers will not face the penalty.

Benefit experts say health plans some employers intend to offer next year that exclude coverage for hospital care are passing — when using the government calculator — the minimum value test. The appeal to employers of offer-



If a plan does not pass a coverage test, lower-income employees have the right to obtain federally-subsidized coverage in public health insurance exchanges. An employer would be liable for a **\$3,000 penalty** for each full-time employee who obtains the subsidized coverage.

ing such limited plans is basic: By excluding coverage of hospital expenses, the cost of such plans is about half that of more traditional plans, benefits consultants say.

"We've told our customers that if you want to adopt such a plan, do it with your eyes open. There probably is an error in the calculator," said Ed Fensholt, senior vice president and director of compliance services at Lockton Benefit Group in Kansas City, Missouri.

"For certain employers, it appears to be a perfect solution.

These are low-cost plans that meet the 60% test. The employer doesn't have to worry about big hospital claims or about the \$3,000 health care reform law penalty," said Richard Stover, a principal at Buck Consultants at Xerox in Secaucus, New Jersey.

The biggest marketplace interest in plans that do not cover hospital costs is coming from staffing firms and retailers, which may not have offered health insurance or offered

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REGULATION

Insurers prepare for solvency assessments

BY MARK A. HOFMANN

A robust enterprise risk management process can help insurers meet many states' requirements that insurers perform own risk and solvency assessments, or ORSAs, next year, but the requirements also could cause some headaches for insurers.

The solvency assessment, which grew out of the financial crisis of 2008 to allow regulators to better

assess insurers' financial condition, will require insurers to document internal processes for regulators. Some of those processes might contain proprietary information, which raises confidentiality concerns.

An ORSA is an internal process by an insurer or insurer group "to assess the adequacy of its risk management and current and prospective solvency positions under normal and severe stress

scenarios," according to the National Association of Insurance Commissioners, which promulgated a model law that 20 states have adopted in whole or part so far (see map, page 33).

The requirement will apply to any U.S. insurer that writes more than \$500 million direct written and assumed premiums a year, and/or insurance groups that

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CORRECTIONS

- The company name of 40 Under 40 Broker Awards honoree Jennifer Ackerman was misspelled in the Oct. 13 edition. Ms. Ackerman is vice president of The Safeguard Group Inc. in Media, Pennsylvania.
- Also in the same edition, the title of 40 Under 40 Broker Awards honoree Jared Hanner was incorrect. Mr. Hanner is area vice president and western regional director, property practice at Arthur J. Gallagher & Co. in Los Angeles.
- And the title of 40 Under 40 Broker Awards honoree Brian Dunphy was incorrect. Mr. Dunphy is senior managing director, management and professional risk group at Crystal & Company in New York.

P/C INSURANCE

Insurance rates headed south at renewals

Brokers, insurers target cyber, construction

BY GAVIN SOUTER

COLORADO SPRINGS, Colorado — Commercial insurance buyers should anticipate lower rates and wider choice in coverage terms at upcoming renewals as insurance pricing softness accelerates in most lines.

Catastrophe property insurance rates are seeing the greatest declines with double-digit rate decreases, but noncatastrophe property prices and rates in many liability lines also are falling as capacity remains plentiful, brokerage and insurer executives say.

Despite the competitive market, other factors, in particular low interest rates, are preventing insurance prices from going into freefall as insurers seek to main-

The market is softening, "but it's not falling off a cliff by any stretch of the imagination."

Scott Goodreau, Hub International Ltd.

tain underwriting profitability, they say.

As they strive to grow their business in the soft market, brokers and insurers are targeting areas of economic growth, such as the construction sector; areas where liabilities are perceived to be increasing, such as cyber risks; and looking for efficiencies in the placement of middle-market accounts.

Absent a huge catastrophe, the buyers' market should remain intact going into 2015 and beyond, executives said during the Insurance Leadership Forum, sponsored by the Council of Insurance Agents & Brokers and the Council of Insurance Company Executives, held in Colorado Springs, Colorado, earlier this month.

The market is softening, "but it's not falling off a cliff by any stretch of the imagination," said Scott Goodreau, chief sales officer at Hub International Ltd. in Chicago.

The biggest decreases are in catastrophe property lines, where rates have fallen 15% or more, as sharp drops in reinsurance pricing

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ONLINE
FEATURES

INDUSTRY AWARD

Risk Manager of the Year®
nominations now open

Nominations are open for *Business Insurance's* 2015 Risk Manager of the Year® awards.

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VIDEO: IN FOCUS



Exchange plans vs. COBRA

How the ACA affects health cover for those who lose their jobs.

www.BusinessInsurance.com/
InFocus

VIDEO: BROKER BEAT

Woodruff-Sawyer & Co.

Woodruff-Sawyer's Priya Huskins discusses San Francisco-area D&O buyers, big data and regulation.

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DIRECTORY

Risk management schools



Business Insurance's 2014 Directory of Risk Management and Insurance Schools includes information on 36

U.S. schools, along with editorial content, lists and more.

www.BusinessInsurance.com/
SchoolDirectory

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NEWS

AGENTS & BROKERS

WILLIS INVESTMENT ADDS SCALE
TO SMALLER LONDON RIVAL

Miller offers wholesale expertise to bigger broker

BY MATTHEW LERNER

Willis Group Holdings P.L.C.'s plan to take a majority stake in Miller Insurance Services L.L.P. to set up a London-based specialty broker handling wholesale and Lloyd's of London business would take advantage of Willis' scale and Miller's client base.

Under the plan announced last week, Willis and Miller said they were in advanced discussions on a plan in which Willis would take an undisclosed majority interest in Miller, move certain Willis wholesale business to Miller, and move Miller treaty reinsurance and retail-oriented business to Willis.

Miller would continue to operate under its current name with its current staff, the brokerages said in a statement.

Market observers say Dublin-based Willis would benefit from Miller's position and relationships in the London wholesale specialty market, while Miller's reinsurance activities would gain from Willis' scale.

"There has been tremendous consolidation within the wholesale brokerage industry," said Julie Herman, New York-based associate director of insurance rating at Standard & Poor's Corp.

"Specifically, wholesalers are feeling pressure to get that scale and global reach and there's been a lot of significant deals," she said. "The biggest one that is most similar to the Willis-Miller proposed deal is JLT combining with Lloyd & Partners to expand its international reach."

Under the plan announced in August, JLT Specialty Ltd. and Lloyd & Partners Ltd. merged to expand the U.S. specialty business of the unit of Jardine Lloyd Thompson Group P.L.C.

Miller's expertise in wholesale specialty coverage could help invigorate Willis' wholesale activities.

"That may be a segment within Willis that got lost in the mix and didn't get as much attention," said James Auden, Chicago-based managing director of insurance at Fitch Ratings Inc.

"Perhaps that's part of the rationale to partner with somebody else who has that experience and is in that market - it's their lifeblood," said Mr. Auden.

The question is whether Miller can grow the wholesale business and profit from the added scale by combining with Willis, he said.

"Miller's reinsurance business has been under enormous pressure," said Meyer Shields, managing director at Keefe, Bruyette & Woods Inc. in Baltimore. "It's very hard to be a small reinsurance broker when the number of reinsurance dollars is declining pretty rapidly."

"You do have client relationships worth preserving, but if you cannot attach those to one of the leading reinsurance brokers, it's just going to be increasingly hard to compete," he said. "This is one of the areas of opportunity from this arrangement."

"I think it plays to both companies' strengths," said John L. Ward, CEO of Cincinnati Partners L.L.C. in Loveland, Ohio. "Whatever reinsurance business Miller has would probably do much better under the Willis brand."

The move is unlikely, however, to trigger any significant trend by major brokers to re-enter the U.S. wholesale specialty market en masse, analysts said.

Willis, along with Aon P.L.C. and Marsh L.L.C., sold their U.S. wholesale brokerage businesses in 2005 under a cloud as then-New York Attorney General Elliot Spitzer investigated industry practices.

"I don't think it signals that there will be a return of the big three to the U.S.



"It's very hard to be a small reinsurance broker when the number of reinsurance dollars is declining pretty rapidly."

Meyer Shields, Keefe, Bruyette & Woods Inc.



"I don't think it signals that there will be a return of the big three to the U.S. wholesale market."

Tim Cunningham, Optis Partners L.L.C.

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WORKERS COMPENSATION

Report finds
California top
in comp costs

State says reforms not reflected in study

BY SHEENA HARRISON

A biennial ranking showing that workers compensation rates have risen more in California, New York and New Jersey than other states could help drive workers comp reforms nationwide.

California had the highest workers comp rates of any state as of January, according to the 2014 Oregon Workers' Compensation Premium Rate Ranking Summary. The influential report, published earlier this month by the Oregon Department of Consumer and Business Services, shows California's workers comp premiums averaged \$3.48 per \$100 of payroll.

Connecticut came in No. 2 with a premium rate of \$2.87 per \$100 of payroll, while New Jersey was No. 3 with a rate of \$2.82, according to the Oregon study.

Mike Manley, research coordinator at the Oregon agency, said the national median rate of \$1.85 per \$100 of payroll remains relatively flat compared with the department's 2012 study, which showed a median rate of \$1.88. He said 21 states have rates within 10% of the 2014 median, making them relatively on par with national premium rates.

Mr. Manley said the study put Oregon at No. 43 on this year's list, with a premium rate of \$1.37 per \$100 of payroll.

Christine Baker, director of the California Department of Industrial Relations, said Oregon's study doesn't address California workers comp reforms passed in 2012 that are still being implemented and "need time to work." She also said Oregon's ranking doesn't accurately portray the amount of benefits paid to injured workers, which can affect premiums.

The study, initially established in the 1980s to measure the competitiveness of Oregon's workers comp system with neighboring states, has since become a premium measuring stick for states around the country, Mr. Manley said.

It does not, however, measure states' workers comp costs, such as benefits paid to injured workers or return-to-work rates.

"This doesn't express the cost-effectiveness of your system," Mr.

NOMINATIONS OPEN
FOR 2015 INNOVATION AWARDS

Business Insurance is seeking nominations for its 2015 Innovation Awards, which recognize innovation and leadership in products, services and technologies designed for risk managers.

Eligible for nomination are products or services that are designed for and made available to professional risk managers that address one or more of the following risk management functions: risk identification, risk assessment/analysis, risk control or risk financing.

To be considered for the 2015 *Business Insurance* Innovation Awards, the submitted product or service must have been rolled out to risk managers or entered the marketplace between Jan. 1, 2014, and Dec. 22, 2014.

A company may submit up to five entries. An independent panel of risk management professionals will select the award winners, which will be profiled in *Business Insurance*. They also will be honored during the 2015 Risk Management Summit, to be held in March 2015 in New York.

Entries must be completed by Dec. 22, 2014, using the official submission form, which can be downloaded at www.businessinsurance.com/innovationawards. Entry forms also are available for download at the Awards & Events page at www.businessinsurance.com.



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POLITICAL RISK LEADS CONCERNS OF EUROPEAN RISK MANAGERS

Cyber risk remains a lower priority as international tensions rise

BY SARAH VEYSEY

BRUSSELS — Political risks have become the top concern of European risk managers, but cyber risks remain outside of their 10 greatest worries despite the growing threat from hackers.

In addition, many risk managers are unsatisfied with mitigation efforts already in place to address risks that “keep the CEO awake at night,” according to the Federation of European Risk Management Associations’ seventh biennial Risk Management Benchmarking Survey.

Many of the biggest risks companies face are “intangible,” said Cristina Martinez, a FERMA board member and director of corporate risk management at Madrid-based Campofrio Food Group S.A.

The top 10 risks among the 850 risk managers in 21 countries participating in the survey were:

- political, such as government intervention and legal and regulatory changes;
- reputation and brand;
- regulatory and legislative compliance;
- competition;
- economic conditions;
- market strategy and client relationships;
- planning and execution of strategy;
- human resources, such as key people and labor
- quality, such as safety and liability of



FERMA

Cristina Martinez, a FERMA board member and director of corporate risk management at Madrid-based Campofrio Food Group S.A.

- products and services;
- debt and cash flow.

The majority said their satisfaction was low with mitigation efforts at their companies for political, compliance, competition, economic conditions, market strategy and human resources risks.

Political risk has risen to the top of risk managers’ agenda, Francis Miard, a Paris-based partner at EY Advisory, a unit of Ernst & Young Global Ltd. that had a role in

the study, said during FERMA’s two-day seminar held last week in Brussels.

Two years ago, it was the No. 4 risk most likely to keep CEOs awake at night in FERMA’s study, and likely has become a greater concern due to heightened political tensions in areas close to Europe, he said.

There is “probably some work here for risk managers” to achieve greater satisfaction with the mitigation measures in place for these strategic and external risks, he said.

FERMA President Julia Graham said insurers, brokers and risk managers must find innovative ways to tackle such risks.

“Risk managers need to ask the right questions” of their brokers and insurers and “look for more knowledge” to satisfactorily mitigate such risks, she said.

Additionally, risk managers need to become more strategic partners within their organizations to manage the risks they see as the greatest threats, Ms. Martinez said.

European risk managers also face evolving and emerging risks, most notably cyber and environmental liability exposures, said John Scott, Guildford, England-based chief risk officer at Zurich Global Corporate, an arm of Zurich Insurance Group Ltd.

While 72% of survey participants do not buy cyber insurance, 19% that do buy it have limits of less than €50 million (\$63.8 million), 5% have limits of less than €100 million (\$127.6 million), 2% have limits up to €300 million (\$382.8 million) and just 1% have lim-

its in excess of €300 million.

One reason cyber insurance is purchased less often in Europe than the United States may be that a planned European directive on data protection is not yet in effect, Mr. Scott said. The directive, slated to go into effect next year, is likely to impose mandatory reporting of breaches, large fines and the hiring of data protection officers by companies.

Brokers and insurers must do a better job of educating buyers about cyber risks, the coverage they have and additional insurance that might be needed, said Jochen Koerner, Marsh L.L.P.’s Frankfurt, Germany-based managing director and sales leader for Continental Europe, the Commonwealth of Independent States and Turkey.

Mr. Scott said liability risks will change dramatically as new technology such as drones and driverless vehicles are used.

“The whole liability framework is changing, and it affects all of you personally and all of your companies,” Mr. Scott said.

While such technology may have benefits such as reducing auto accidents by using driverless cars, it also will change the way risk managers purchase certain kinds of insurance, such as commercial auto fleet programs, he said.

RISK MANAGER PROFILE

- The typical risk manager at a European company is male, 45 to 55 years old and earns €100,000 to €120,000 (\$127,600 to \$153,120) a year.
- The typical risk manager works at a very large company, has been in the role three to 10 years and in the sector for more than 10 years.
- Of the 73% of risk managers who are male, 78% are older than 45 and 66% are team leaders.
- Of the 27% of risk managers who are female, 22% are older than 45 and 34% are team leaders.
- “There is room for improvement,” said FERMA President Julia Graham, who has made increasing industry diversity one of her goals.

Source: Federation of European Risk Management Associations

WORKERS COMPENSATION

Pennsylvania joins ranks of states curbing physician dispensing, drug repackaging

BY STEPHANIE GOLDBERG

Pennsylvania is the latest state taking action to limit physician dispensing and drug repackaging to control workers compensation costs and ensure better claimant outcomes.

More than 20 states already limit physician dispensing, cap the price of repackaged drugs or ban the practice. Hawaii, Indiana and North Carolina are among the most recent states to do so.

The workers comp industry has been working hard to curtail costly physician dispensing, targeting states such as Pennsylvania where a high volume of prescription pain medicines for injured workers are sold to them by doctors.

Pennsylvania Gov. Tom Corbett

is expected to sign into law this week H.B. 1846, which would cap reimbursement of repackaged drugs at 110% of the average wholesale price; restrict physicians from dispensing Schedule II controlled substances, such as oxycodone; and prohibit physicians from dispensing more than a 30-day supply of other medications.

The Pennsylvania Senate last week approved and sent to the governor the measure that would go into effect 60 days after signing.

Several Pennsylvania employers have seen costs on individual claims “skyrocket” because of physician-dispensed, repackaged drugs, “so we’re very optimistic that those types of costs will be mitigated,” said Alex Halper, director of government affairs at the

Pennsylvania Chamber of Business and Industry in Harrisburg. “We’re going to see a significant slowing of the growth of the practice.”

The move follows Florida’s passage last year of drug repackaging legislation.

The “big win” in Florida likely led states such as Pennsylvania to follow suit, said Brian Allen, Westerville, Ohio-based vice president of government affairs at Helios, the brand Progressive Medical Inc. and PMSI Inc. adopted in August.

Maryland and Louisiana are still assessing how best to curb the practice, he said.

While he expects some movement in Louisiana in the next 14

months, Maryland has been trying to address physician dispensing for several years.

Maryland also is one four states where Schedule II controlled substances are prescribed most often by physicians to injured workers,

the Cambridge, Massachusetts-based Workers Compensation Research Institute said in a recent analysis. Massachusetts, New Jersey and Pennsylvania are the other three

states. In Pennsylvania, about 25% of workers comp prescriptions written were for Schedule II narcotics for claims where the injuries occurred from Oct. 1, 2009, to Sept. 30, 2010, with prescriptions filled through March 31, 2012.

The Pennsylvania legislation

would remove the “profit motive for a doctor to continue to dispense the medication,” Mr. Allen said. “Hopefully, (physicians will) ... look for other alternatives that might be more beneficial to the injured workers and have less adverse side effects and the propensity for dependence, abuse or diversion.”

Meanwhile, sources say states such as Arizona and California, which cap the price of repackaged drugs, are looking to further curb physician dispensing. States also continue to review rules to ensure “there aren’t loopholes that can be exaggerated somewhat,” said Candy Raphan, director of medical management services at third-party administrator Broadspire Services Inc. in Sunrise, Florida.



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Senators want rules on pension de-risking

■ Chairmen of two Senate committees are asking Treasury Secretary Jacob Lew, Labor Secretary Thomas Perez, Acting Pension Benefit Guaranty Corp. Director Alice Maroni and Consumer Financial Protection Bureau Director Richard Cordray to develop guidance on employer moves to “de-risk” their pension plans. Sen. Ron Wyden, D-Ore., chairman of the Finance Committee, and Sen. Tom Harkin, D-Iowa, chairman of the Health, Education, Labor and Pensions Committee, in a letter said that when pension plan obligations are shifted to insurers, participants lose “vital” pension benefits protection, including insurance coverage provided by the PBGC. In addition, when participants accept offers to convert annuities to lump sums, those individuals “must take on all the risks of investing the money to make it last over their lifetime,” they said. The senators said regulators need to provide guidance to employers on how to disclose such transactions to the government and to plan participants. The senators also said it is “imperative” that regulatory agencies “consider clarifying all of the circumstances and conditions under which de-risking strategies are permissible in the absence of a formal plan termination.”

Allied World profit drops, business units to reorganize

■ Third-quarter net income at Allied World Assurance Co. Holdings A.G. fell 74.8% from the prior-year period to \$30.9 million on catastrophe losses of \$29.8 million from Hurricane Odile in Mexico, Windstorm Ela in Western Europe and storms in the U.S. Midwest. The Zug, Switzerland-based underwriter also said gross written premiums for the quarter increased 21.9% to \$707.9 million. The company posted net realized investment losses of \$35.1 million for the quarter, and the combined ratio deteriorated to 91.7% from 84.2% a year earlier. Allied World also announced a reorganization of its business segments, effective Dec 31, saying it would change from its current U.S. Insurance (U.S. and Canada) and International Insurance (all other regions) arrangement to reporting “across North American Insurance (all North America business, including U.S., Canada, Bermuda) and Global Markets Insurance (all business outside of North America).” Reinsurance is unchanged.

Western World CEO to retire on Validus takeover

■ Thomas Mulligan will retire as president and CEO of Western World Insurance Group Inc. effective Jan. 1, following the completion of the firm’s acquisition by Validus Holdings Ltd.

earlier this month, Western World said in a statement. Mr. Mulligan, who will continue to serve on the Franklin Lakes, New Jersey-based Western World board, will be succeeded by Robert Livingston, the company’s current chief operating officer and chief financial officer. Western World was acquired by Validus in a \$690 million all-cash deal that was announced in late June and closed on Oct. 2. It will continue to operate as a stand-alone business.

Financial institutions identify cyber risk as major concern

■ Around 84% of global financial institutions identified cyber risk as one of their top five concerns in a third-quarter survey by Depository Trust & Clearing Corp., an increase of 25 percentage points from the survey it took earlier this year in March. The company’s latest “Systemic Risk Barometer” survey also found 33% of financial institutions rank cyber attacks as the No. 1 systemic risk to the broader economy, compared with 24% in the earlier survey. Additionally, 76% of respondents said they increased the amount of resources dedicated to identifying, monitoring and mitigating systemic risks over the past year. The New York-based Depository Trust & Clearing Corp., which provides clearing and settlement services for financial markets, surveyed 202 financial services firms.

FERMA, audit group release guide on E.U. company law

■ The Federation of European Risk Management Associations and the European Confederation of Institutes of Internal Auditing have launched a joint best practice guide to help companies respond to E.U. company law. “Audit and Risk Committees: News from E.U. Legislation and Best Practices” examines how risk and audit committees should support their company boards and, in turn, be supported by risk managers and internal auditors, said FERMA and the ECIA, both based in Brussels. The guide identifies responsibilities that should be shared between audit and risk committees and aims, among other things, to avoid overlap or duplication, said ECIA President Thijs Smit.

IRS sets maximum 401(k) plan contribution limits for 2015

■ The Internal Revenue Service said the maximum contribution that can be made to 401(k) plans in 2015 will rise to \$18,000, up from the current \$17,500 limit, while the maximum catch-up contribution employees age 50 and older can make to the plans will increase to \$6,000, up from \$5,500. The IRS also said the amount of employee compensation that can be considered in calculating pension benefits and contribu-

tions to defined contribution plans will rise to \$265,000 from \$260,000. Additionally, the definition of a highly compensated employee for 401(k) plan nondiscrimination testing purposes will be one who earns at least \$120,000 next year, up from \$115,000. The maximum annual benefit that can be funded through a defined benefit plan for a plan participant will remain at \$210,000.

Online form available to employers for health care reinsurance fee

■ The form employers will use to provide the U.S. Department of Health and Human Services the information regulators need to calculate the amount of a “reinsurance” fee mandated by the health care reform law is available online. HHS has set the fee at \$63 per health care plan participant for 2014 and \$44 for 2015. The form employers or plan administrators will use to provide enrollment counts to determine the amount of their 2014 reinsurance fee is available at www.pay.gov, HHS said. Much of the \$25 billion in fees to be paid by health plan sponsors over a three-year period for the Transitional Reinsurance Program will be used to partially reimburse commercial insurers writing policies for individuals with high health care costs. The amount of the 2016 fee has not yet been disclosed.

Number of risk retention groups falls on continuing soft market

■ Affected by the soft market, the number of risk retention groups continues to fall. The number of RRGs declined to 236 in October, down from 240 in September and 250 in January, according to statistics compiled by the Risk Retention Reporter, a Pasadena, California-based newsletter that tracks the RRG industry. The number of RRGs peaked at 262 in 2008. RRG observers attribute the decline to the soft traditional market.

Late-term medical costs lower for older workers comp claimants

■ Workers compensation claimants younger than 60 have higher medical claim costs for medical payments made 20 and 30 years after their initial injury compared with claimants who are age 60 or older, the National Council on Compensation Insurance Inc. said in a report. The average late-term medical cost for claimants born between 1951 and 1970 was \$10,700, according to “The Impact of Claimant Age on Late-Term Medical Costs,” 64% higher than the average annual late-term medical cost of \$6,500 for claimants born between 1920 and 1950. The study was based on medical services provided during 2011 and 2012 for claimants who were injured 20 to 30 years prior.

BI names custom media director

Business Insurance has hired Kimberly “Kimba” Jackson to join its advertising sales team as custom media business development director. Ms. Jackson works with the *BI* sales team to identify custom media opportunities among existing clients and secure new business, and creates custom content programs for clients across print, digital and mobile pub-

lishing platforms. A senior sales executive experienced with technology media brands and custom media, she previously was the director of member relations for the Ad Club of Boston, where she is based. Earlier, she worked as editorial and client strategist for King Fish Media, managing the development of market-

ing and content strategies for clients in the finance, technology, health and nutrition, retail and sports industries; and for Ziff-Davis Publishing, working in sales management for PC Magazine and PC Week. Ms. Jackson earned a bachelor’s degree in French from the University of Massachusetts and a marketing certificate from Cornell University.



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Price of insuring planes possibly to double

Insurers worldwide are going to have to pay up to a record \$800 million to cover the damage done by attacks on airplanes this year, driving prices up and drawing rivals into the market as large airlines and insurers renegotiate annual insurance contracts in coming weeks. The hefty bill dwarfs the \$60 million-\$90 million in income insurers received last year to cover the incidents, which have included the downing of Malaysia Airlines' MH17 passenger jet in Ukraine, and could mean that some could bow out of the market if the price increases are not enough to stay profitable. "Depending on what happens at these renewals, people might reconsider their position (in the market)," Atrium Underwriting CEO Richard Harries told Reuters. "We know the price we want for business, and if it hits that price, we're in, and if it doesn't, we're not," he added, saying he still expected Atrium — which leads the insurance market covering attacks on planes — to remain in it. The price of insuring a plane against attack is likely to more than double, and more than triple in conflict zones such as the Middle East, said Peter Eden, senior vice president at insurance broker Lockton Cos L.L.C.

Reuters

Gonzalo insured damages could reach \$400 million

Hurricane Gonzalo caused estimated insured damages of between \$200 million and \$400 million in Bermuda, catastrophe modeler AIR Worldwide said. The center of the storm came ashore with strongest observed winds at Bermuda International Airport of 93 mph and gusts of 113 mph, according to Boston-based AIR. In its analysis, AIR pointed out that Bermuda's strictly enforced building codes provide building design criteria to withstand sustained wind speeds of up to 110 mph and gusts up to 150 mph. AIR found that most of the newer and well-maintained buildings that meet Bermuda's codes stood up well to Gonzalo's winds, with only minor damage to roof areas that were directly exposed to the oncoming storm. It added that Gonzalo's track also may have mitigated the damage in Bermuda. "Building damage from winds is due to both wind speed and duration," AIR said. "Thus, the damage caused by Gonzalo was not as bad as it potentially could have been because Gonzalo's eye (the calm of the storm) enveloped the entire terri-

tory as it passed directly overhead, thereby reducing the amount of time buildings were exposed to heavy winds."

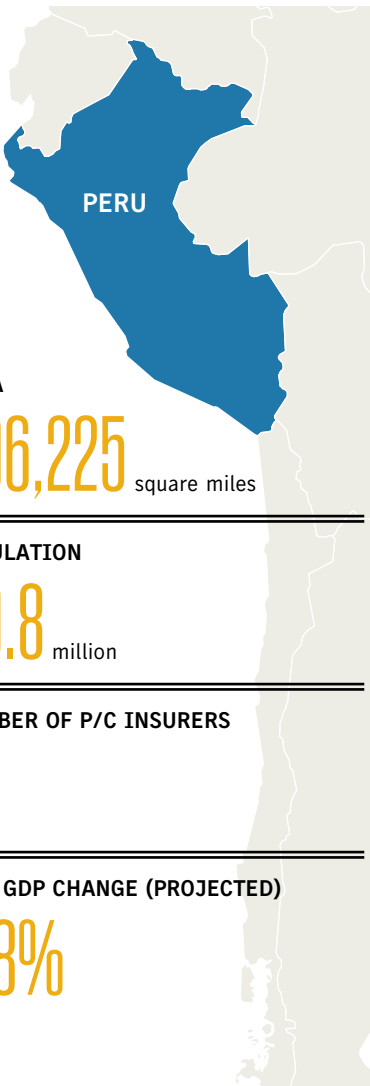
Ironshore entering the agriculture sector

Ironshore International, a unit of Hamilton, Bermuda-based Ironshore Inc., said it plans to enter the agriculture sector and has appointed a divisional director. Ironshore's product coverages initially will include drought, hail and excess moisture exposures. The company said capacity limits of up to \$10 million will be available for Ironshore's scope of multiperil livestock and crop risk exposures. Catherine Besselman has been named divisional director, global head of agriculture, and will be responsible for business develop-

ment, underwriting specialty coverages and exploring sector diversification opportunities within Ironshore's global group platform. She will be based in Ironshore's Los Angeles regional office and will report to Tim Glover, chief underwriting officer of Ironshore International. Most recently, she oversaw development of the agricultural unit of the London-based Novae Group P.L.C.

JLT hires Aon exec to head cyber business

Jardine Lloyd Thompson Group P.L.C. has appointed Sarah Stephens as head of cyber, technology and media errors and omissions in its specialty financial lines group. Ms. Stephens currently is head of cyber and commercial E&O for the Europe, Middle East and



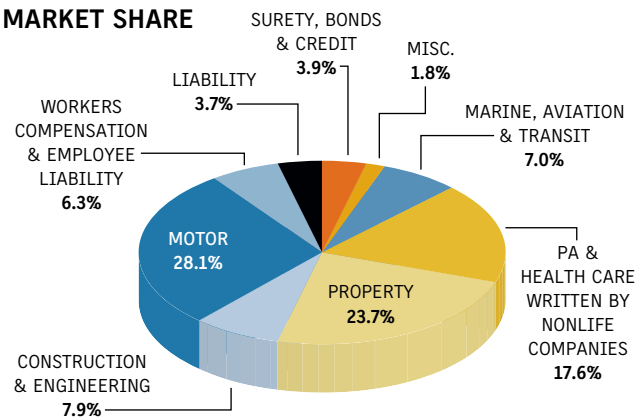
PROFILE: PERU

\$1.9 BILLION

The Peruvian property/casualty insurance market is quite competitive and highly concentrated. Two insurers — Rimac Seguros and Pacifico Seguros — comprise almost two-thirds of the market. After years of declining rates, P/C policy prices began hardening in 2013. The market is profitable for insurers, but margins are thin. However, many new market entrants are expected to put more pressure on prices and profit margins. Insurers are expanding outside Lima.

◀ 2013 P/C gross premiums

MARKET SHARE



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

COMPULSORY INSURANCE

- Workers compensation
- Aviation liability
- Professional indemnity for insurance brokers, loss adjusters
- Third-party liability for public transport vehicles
- Shipowners liability

NONADMITTED

Peru has a contradictory regulatory position on placing insurance issued abroad. Unauthorized foreign insurers are not supposed to conduct insurance business in the country. At the same time, Peruvian law permits residents to place personal and commercial insurance abroad. This means insurers can issue coverage from abroad, if approached by a buyer.

INTERMEDIARIES

Agents and brokers have to be licensed to sell insurance in the nation. Intermediaries are not allowed to place business with nonadmitted insurers. If brokers seek to make a nonadmitted placement, they must get permission from the insurance regulator.

MARKET PRACTICE

Despite Peru's awkward insurance placement law, there are no difficulties with abuse of the statute. Fronting coverage by foreign insurers also is not common in the country. Insurance law violators can be fined up to 200 annual tax units. One tax unit is \$1,390.

Information provided by Axco Insurance Information Services.
www.axcoinfo.com

MARKET DEVELOPMENTS

UPDATED
OCTOBER 2014

- In July 2014, the nation amended investment regulations for insurers, revising certain minimum requirements for risk classification.
- In May 2014, regulators modified capital and investment regulations to take credit risk into account.
- In March 2014, regulators established criteria and calculations to measure concentration risk for insurers.
- In November 2013, regulators approved rules for registration of insurance policy wordings.
- In July 2013, regulators approved the regulation framework for handling claims reserves.

Swiss Re unit to cover product contamination

■ Swiss Re Corporate Solutions will offer contaminated products insurance to manufacturers, retailers and distributors in the food and drink industries in the United Kingdom, Ireland and Italy. Offering both primary and excess coverage, the contaminated products coverage mitigates the risks of product contamination or failure, the Swiss Re Ltd. unit said in a statement. Around-the-clock crisis management support will be provided by RQA Group, a consulting and training firm that specializes in crisis management, product recall, product liability and business continuity planning, according to the statement. "Through this partnership, Swiss Re Corporate Solutions' clients will get immediate support in situations involving accidental product contamination, governmental recall, product extortion and malicious product-tampering," Vince Shiers, managing director of RQA Group, said in the statement. "Our main focus, however, is on lowering the occurrence of such incidents."

Swiss Re to sell U.S. life unit Aurora

■ Swiss Re Ltd. said it is selling its U.S. life insurance arm, Aurora National Life Assurance Co., to Reinsurance Group of America Inc. for an undisclosed price. The Swiss reinsurer had said previously that it was considering all options for Aurora, part of the portfolio it retained for its U.S. Admin Re business after selling most of it to Jackson National Life Insurance Co. in September 2012. The sale involves approximately 82,000 policies in force and \$2.7 billion in policyholder liabilities. It is expected to close in early 2015 and is subject to approval by the relevant regulators, Swiss Re said in a statement. Media reports this summer had put the value of a possible deal at \$400 million to \$500 million. A spokeswoman declined to comment on the value of the transaction.

Reuters

Platinum's profit down in third quarter

■ Third-quarter net income declined 23.9% to \$29.1 million at Platinum Underwriters Holdings, Ltd. as net premiums written dropped and net losses and loss adjustment expenses soared for the quarter, the Hamilton, Bermuda-based company said. Revenue for the three months ended Sept.

30 dropped 2.6% to \$150.2 million as net premiums written slid 10.2% to \$123.8 million and net investment income slipped 1.3% to \$17.5 million. Net losses and loss expenses for the quarter jumped 49.9% to \$66.2 million, while the company's combined ratio deteriorated to 82.8% from 65.5% in the year-ago period.

"Our results reflect favorable prior-period development, investment results on a total return basis, and active capital manage-

ment, as well as the impact of tornado and hail activity in North America, which affected certain regional catastrophe covers and crop/hail programs," Michael D. Price, Platinum's CEO, said in the statement. For the nine months ended Sept. 30, revenue was down 9.6% to \$437.9 million and net income was off 26.1% to \$129.0 million.

Nine-month net premium written dropped 9.3% to \$379.9 million and investment income slipped

2.3% to \$52.8 million. The company's nine-month combined ratio was 70.1% compared with 62.3% in the year-ago period.

Private equity firm buys York for \$1.3 billion

■ Toronto-based private equity firm Onex Corp. has closed on a deal to acquire third-party administrator York Risk Services Group

Inc. for \$1.325 billion, York Risk said in a statement. Parsippany, New Jersey-based York said the deal "will help York continue to grow and expand the superior service and products they provide to customers in the specific markets they serve." York Risk Services provides claims management for workers compensation policies and other commercial insurance lines, as well as managed care, risk management and specialized loss adjusting services.

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¹Financial Wellness Index Research, April 2014. ²American Payroll Association, Getting Paid in America Survey, 2012.

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AXIS CAPITAL CEO URGES REGULATORY CONSISTENCY

Q What are the greatest challenges to both the insurance and reinsurance businesses in 2014?

A I actually think the insurance business is doing very well. We've had generally close to three years of pricing improvements, and based on the various metrics that I look at in terms of renewal pricing, I would say that a little less than half of them are still showing some pricing improvement, a handful are flat, and the rest are starting to come down. In those areas where pricing is inadequate, we are demonstrating the necessary discipline.

On the reinsurance side, it's a little bit different. The significant amount of excess capacity is such that many of our competitors are using price to sustain their relevance as opposed to focusing on the true differentiators of adding value to clients.

Given the price competition in select areas, we've been unable to continue support for certain lines, and while that's unfortunate, it's just the reality of the business we're in.

Q&A

Q How are regulatory issues affecting the insurance and reinsurance sectors?

A I think there's both a political element and a pure regulatory component at work here. The political component is that the distinction between banking and insurance isn't always understood by legislators, who under this pretext put pressure on regulators to enact new and expanded rules in the financial services sector.

On the pure regulatory side, I'm all in favor of transparency, but let's make sure we have consistent

demands from the regulators so we don't have to supply different types of reports and data to different regulators. We'd like to see global consistency in the demand for information and how it's reported.

Finally, we would like a reduction in local protectionism, so that we can insure that good products and services are made available to all markets. Those would be my messages to regulators.

Q How does the pressure of alternative capital bear upon the reinsurance space?

A Clearly the excess capacity in the industry is leading to increased competition. Primary companies are buying less reinsurance, so you've got a situation where there is significant growth in capital coupled with declining demand for the product, and that's creating some price pressure. One way we're dealing with it is by looking to compete in areas where there is less of this commodity-type capacity, as with our initiatives in the global agriculture reinsurance business and the weath-



ALBERT BENCHIMOL

AXIS CAPITAL HOLDINGS LIMITED

through September 2010. In a recent interview with Associate Editor Matthew Lerner, Mr. Benchimol talked about the critical issues facing insurers and reinsurers this year.

Albert Benchimol was named president and CEO of Bermuda-based Axis Capital Holdings Ltd. in May 2012 and has been a company director since January 2012. He joined Axis Capital as executive vice president and chief financial officer in January 2011. Previously, he had been executive vice president and CFO of PartnerRe Ltd., from April 2000 through September 2010, and CEO of the company's Capital Markets Group unit from June 2007

er and commodities risk area.

Q What are your views on consolidation? Would Axis participate?

A Put me in the camp of those who think there will be fewer reinsurers going forward, and in particular, smaller reinsurers whose value proposition is generally limited to providing complementary

capacity are those that are most threatened in this environment. In terms of Axis, I see little value in acquiring one of these smaller reinsurers that only provides capacity.

On the primary side, we would actually look at a number of acquisitions, particularly bolt-on acquisitions probably accident and health being uppermost in my mind.

COMINGS & GOINGS

UP CLOSE: RACHELLE TUCKER

QUINCY, MASSACHUSETTS-BASED SENIOR PROPERTY AND CASUALTY BROKER

Ames & Gough

PREVIOUS POSITION: Boston-based account manager for large property and casualty risks at Knapp Schenck Insurance Services.

LOOKING FORWARD TO: Growing with Ames & Gough and having the opportunity to continue to expand the firm's capabilities in property/casualty insurance. This gives us the ability to address a wider range of risk issues facing our clients today.

GOALS FOR NEW POSITION: To help Ames & Gough grow the property/casualty side of the business and to help Ames & Gough become more automated internally.

INDUSTRY CHALLENGES: We need to understand our clients' needs and work with insurance companies to meet those needs. We add value every day to our client relationships when we review their potential exposures and advise them on how to minimize their risks going forward. We discuss alternative ways to insure a client's new location or new operations. We help them with contract reviews in the context of their insurance



programs. With the clients' demands steadily increasing, there is a sense of urgency for Ames & Gough to satisfy their needs.

BEST THING ABOUT A BAD ECONOMY:

A bad economy gives us all a chance to change. Having less in bank accounts, investments funds, etc., mean individuals must cut back on materialistic things they once thought were necessary. Giving up shopping trips, gourmet dinners or even manicures frees up individuals' time. More

time equals less stress. People can also take this pitfall to readdress their own career paths. Maybe a change in industry is necessary; maybe it's time to go back to school. We all get a chance to reassess our priorities in life.

INDUSTRY OUTLOOK: It's likely rates will remain low in the coming year, which will ultimately force carriers to utilize flexible underwriting guidelines to still achieve profitability goals. Perhaps we will see many more upsell opportunities at reasonable rates, which will enhance our clients' insurance portfolio and increase revenue at the same time.

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EDITORIAL

GRAYING INDUSTRY NEEDS YOUTH

There's no way around it — the insurance industry hasn't done as well as it should in recruiting new talent. That's why a new collaborative effort called MyPath to encourage millennials to consider careers in insurance and risk management is most welcome. The initiative, which is being coordinated by The Institutes — the operating name of the Insurance Institute of America and the American Institute for Chartered Property Casualty Underwriters — comes at a time when the insurance industry is facing a potential tsunami of retirements, with estimates running into the hundreds of thousands during the next decade.

Those jobs will have to be filled. But as Institutes President and CEO Peter Miller pointed out at the formal launch of MyPath last week, millennials “really don't know much about this industry.” The second part of the initiative's title — “Insurance: It's Limitless” — should help fill some of that knowledge void.

College students and others seeking jobs may not consider insurance as a first, second or even third career choice. That's because compared to some other professions like finance, insurance simply isn't sexy. Say “insurance” to a student, and odds are the first thing that comes to mind is the caricature of a life insurance salesman hawking policies, if anything at all pops to mind.

The MyPath initiative hopes to help change that perception with its website, featuring such things as available internships, and a planned advertising campaign.

The trick is to get a new generation to think of insurance in a more positive way. Most careers in insurance involve problem solving in some form, whether it be underwriting an account, providing the most appropriate coverage for a client or finding a solution to a complex risk management challenge.

Risk and insurance management departments at colleges and universities across the country are providing a way for students to learn about the discipline. MyPath can build upon that, even as it joins other industry and company initiatives to attract top talent to insurance.

MyPath is drawing support from across the insurance industry, and deservedly so. It's a promising effort that should help convince students that insurance and risk management can indeed become their career path.

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SCHILLERSTROM



COMMENTARY

DELINEATE BETWEEN RISK AND PANIC WITH EBOLA THREAT

It seems that under some circumstances, risk — like beauty — is in the eye of the beholder. Perhaps the mind of the beholder is more appropriate.

That's been evident in public reaction to the news that there have been a handful of confirmed Ebola cases, at least one fatal, in the United States. The reaction isn't widespread panic, but more like considerable apprehension.

Heightened apprehension is understandable — to a point. Ebola inflicts a particularly nasty death. But as the number of cases in West Africa and elsewhere continues to mount, expect apprehension to grow into something approaching panic.

Every time there's a new development in the Ebola outbreak, both public and political outcry for action, any action, increases. Authorities already have instituted special screening processes at five U.S. airports for travelers arriving from the three countries hit the hardest — Liberia, Guinea and Sierra Leone.

That hasn't been enough for some politicians and private observers, a growing number of whom called for a halt to all air travel from those countries from entering the United States.

The truth of the matter is that the odds of a major Ebola outbreak in the United States are minuscule, according to federal authorities.

Even though the outbreak in West Africa is the worst on record and likely to get worse, its effect in the United States in compromised health should be less than minimal.

Ironically, the outbreak's result in the United States may actually be in reducing exposure to the infection.



MARK A. HOFMANN
SENIOR EDITOR

The isolated cases of Ebola have led public health officials and hospitals to re-examine procedures and protocols for dealing with Ebola, even to the point of having the medical equivalent of SWAT teams available to respond quickly to any reported case of the disease anywhere in the country. That type of disease risk management can be applied to future outbreaks of other

diseases, if deemed appropriate and necessary.

Still, the fact remains that a major Ebola outbreak in North America is highly unlikely. What is likely, though, is thousands of people will die in the next few months of influenza or other diseases for which vaccines and treatments are readily available. While a disease like Ebola, which is about as common as the bubonic plague in North America, can breed near-panic, the real risk of contracting influenza is met too often with complacency.

Washington Post columnist Ruth Marcus put it succinctly earlier this month.

“If you are worried about contracting Ebola, I have two suggestions,” she wrote.

“First, stop. Second, get a flu shot.”

That's a much more reasonable reaction than panicking over a disease unlikely to affect you directly. More importantly, it may actually save your life.

Greater storm threats require collaborative risk forecasting

Effective disaster risk management requires a partnership of community, state and federal leaders, private-sector businesses and the insurance industry, says Holly Bamford, Ph.D., National Oceanic and Atmospheric Administration's acting assistant secretary for conservation and management. For example, Since Sandy, NOAA has been working with a coalition on storm surge tools for New York City and other areas.

On Oct. 29, 2012, post-tropical cyclone Sandy made landfall just northeast of Atlantic City, New Jersey. Because of the tidal conditions during landfall and its tremendous size, Sandy drove a catastrophic storm surge into the New Jersey and New York coastlines.

In New York City alone, the storm caused 43 deaths and roughly \$19 billion in overall damages, while bringing much of the city's transportation and telecommunications services to a halt. In a 2013 post-Sandy New York City report, officials called Sandy a "cruel reminder of how destructive coastal storms can be in our dense urban environment — storms that, with climate change, are expected to increase in intensity."

Since Sandy, New York City has taken a leadership role in attempting to mitigate threats of storm surge in a high-risk area, both through infrastructure changes and risk securitization. The city and partners are using data, tools, and services from the National Oceanic and Atmospheric Administration to advance New York City's resilience. As a result of a partnership, in which NOAA provides critical information to planners and managers, New York City hopes to be better prepared for the next hurricane — in terms of protection, planning for recovery, forecasting damages, and minimizing loss of life and property.

In total, Sandy caused 72 deaths, cost \$50 billion in total damages, and \$25 billion in insured losses across 15 states. We've seen many other extreme events across the U.S., including devastating storm surges, drought, tornadoes, and flooding. Since 1980, the U.S. has experienced 144 extreme events, in which overall damages reached or exceeded \$1 billion each, resulting in more than \$1 trillion in combined damages. In 2005, Hurricane Katrina caused 1,200 deaths and \$108 billion in damage, from which Louisiana and Mississippi are still recovering. In 2008, Hurricane Ike struck Texas, causing \$29.5 billion in damages.

The number and severity of effects of extreme weather, climate, and water events in the U.S. has risen since 1980, and both are projected to continue rising this century. As Mayor Michael Bloomberg said in the introduction of New York City's long-term sustainability plan: "While Sandy caused about \$19 billion in losses for our city, rising sea levels and ocean temperatures mean that by the 2050s, a storm like Sandy could cause an

estimated \$90 billion in losses (in current dollars) — almost five times as much."

One important issue facing New York City after Sandy was obtaining insurance for its subway system, administered by the Metropolitan Transportation Authority. Faced with unaffordable premiums to insure the entire subway system, MTA developed a new strategy to affordably insure a flood-prone segment of its rail system by using a catastrophe bond.

To implement this strategy, the MTA worked with the global catastrophe modeling company Risk Management Solutions to determine the probability of future flooding, and then developed a catastrophe bond that pays out, or "triggers," based on local water level data provided by NOAA

Since 1980, the U.S. has experienced 144 extreme events, in which overall damages reached or exceeded \$1 billion each, resulting in more than \$1 trillion in combined damages. In 2005, Hurricane Katrina caused 1,200 deaths and \$108 billion in damage, from which Louisiana and Mississippi are still recovering.

and the U.S. Geological Survey. In this case, when the water level during a storm measures 8.5 feet above the reference water level at the New York Battery NOAA Water Level Station, the bond is triggered, and MTA is able to take possession of the bond proceeds and use them to repair and rebuild the facility.

Providing accurate, long-term, and reliable data is key for effective risk securitization in a changing environment, and this method also provides New York City with surge hazard level — up to 8.5 feet above the reference water level — for which the city must plan protection. Through this approach, the city is able to provide incentive to its partners to mitigate moderate flooding risks, as the catastrophe bond only pays out in an extreme circumstance.

The water level information being used by New

York City is measured by NOAA's National Water Level Observation Network and is only one example of the coastal and ocean data available for public use to inform storm surge risk mitigation. This type of information is also incorporated into NOAA tools, products, and services analyzing long-term issues like sea level rise. These surge and sea level rise tools are available on NOAA's Digital Coast website, and they can be used to plan for and mitigate risk.

Following Sandy, NOAA partnered with the Federal Emergency Management Agency, the U.S. Army Corps of Engineers, and the U.S. Global Change Research Program to create a Sea Level Rise Tool specifically for Sandy recovery, looking a step beyond storm surge risk alone. Steps are being taken to expand this New York/New Jersey region pilot into other areas. Coastal states and businesses expecting further losses and increased exposure due to catastrophic events and rising seas are encouraged to work with NOAA to incorporate these products into their planning to help mitigate both current and future risk to coastal communities and jobs.

Better disaster-assessment tools

To help communities like New York City be better prepared for the next hurricane that makes landfall, NOAA is improving storm surge warning capabilities and products. Recent upgrades to forecast models have focused on predicting the total water level of coastal floods, by including the effects of surge and tides and combining them with near-shore wave predictions. NOAA is also improving communication and dissemination of surge forecasts through a new experimental map depicting potential surge heights for communities. As a hurricane approaches shore, NOAA's Hurricane Center will display this map on its website to enable communities that are in the potential path of the hurricane to prepare for the effects and evacuations.

These tools were developed for community decision-makers and emergency and natural resource managers. However, when combined with the insurance industry's existing risk management and underwriting tools, they provide insurance agents, brokers, and underwriters risk insights that are not available elsewhere.

The improvements and upgrades described highlight NOAA's core mission, to bring together the best people, science, and technology to save lives and to help communities both understand risk and to develop the necessary adaptation and resilience strategies.

Effective risk management requires a broad coalition of vested and knowledgeable federal, state, non-governmental organizations, and industry partners. It is critical that these sectors continue to engage and build partnerships to better manage risk moving forward. The time is now to forge sustainable partnerships.



Holly Bamford, Ph.D., is NOAA's acting assistant secretary for conservation and management. She can be reached at Holly.Bamford@noaa.gov and 202-482-6255.

SPECIAL REPORT

Reinsurance

Trends & Issues

More insurers bundling their reinsurance buys

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Catastrophe bonds cover wider range of perils

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Life reinsurance remains a stable, reliable market

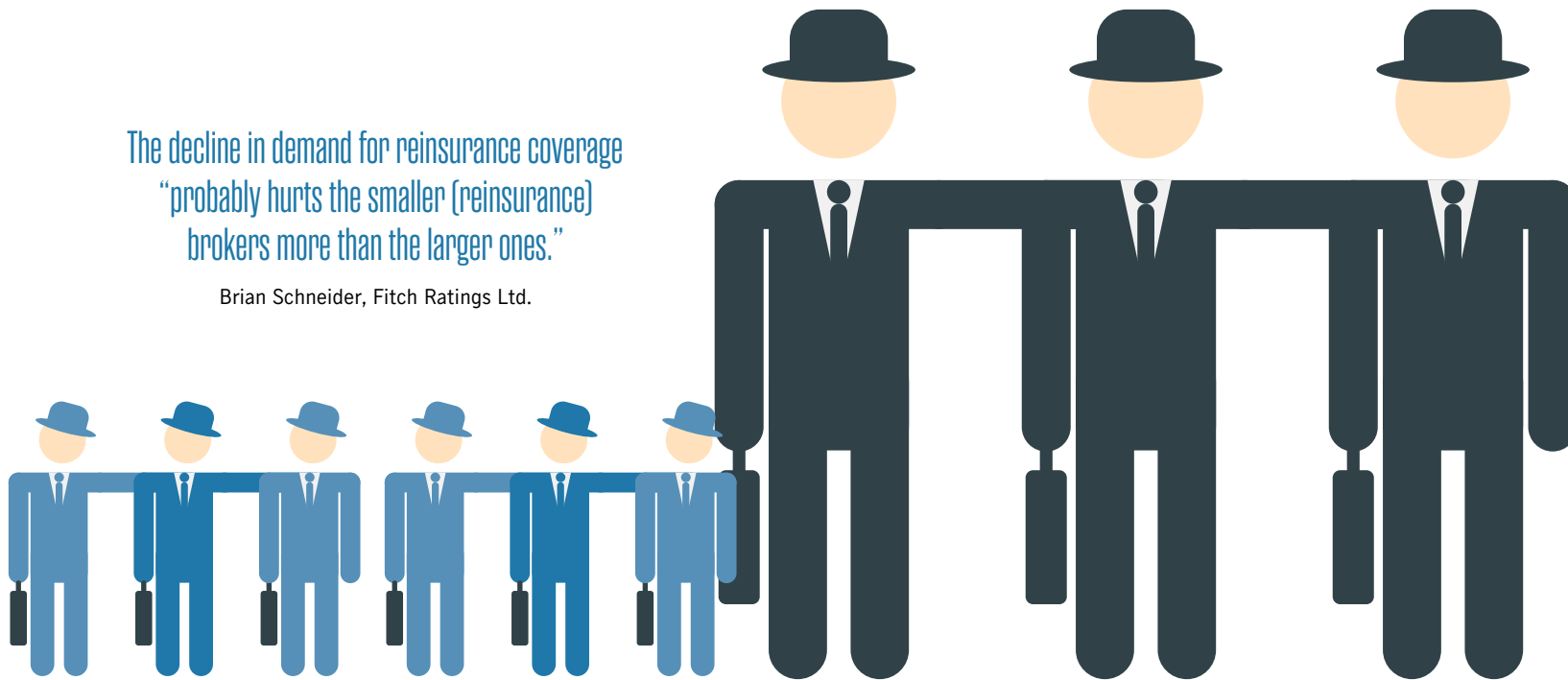
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Largest global reinsurance brokers

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The decline in demand for reinsurance coverage “probably hurts the smaller (reinsurance) brokers more than the larger ones.”

Brian Schneider, Fitch Ratings Ltd.



Reinsurance brokers squeezed

JLT Reinsurance deal boosts sector revenue, but changing market dynamics challenging

BY SARAH VEYSEY

The world’s 10 largest reinsurance brokerages increased their collective gross revenue by 7.4% in 2013, the largest gain in at least a decade, despite softer reinsurance pricing. Much of the increase can be attributed to JLT Reinsurance Brokers Ltd. and its late 2013 acquisition of the reinsurance brokerage operations of Towers Watson & Co.

The reinsurance market is seeing softer rates in many lines. In addition, many large global insurers, or cedents, are buying less reinsurance and changing their program structure. The result “is clearly going to have an impact on the intermediaries,” said Dennis Sugrue, a credit analyst at Standard & Poor’s Corp. in London.

“There was a lot of talk in Monte Carlo (at the Rendez-Vous de Septembre reinsurance gathering) and in subsequent discussions with cedents about reducing the frictional costs” involved in risk transfer, which challenges reinsurance brokerages to prove the value they provide for fees and commissions, Mr. Sugrue said.

The decline in demand for reinsurance coverage “probably hurts the smaller (reinsurance) brokers more than the larger ones,” said Brian Schneider, a senior director, insurance, at Fitch Ratings Ltd. in Chicago.

“The increasing sophistication of primary companies’

modeling means that they are buying less reinsurance and so, perhaps, do not rely on brokers as much as in the past,” he said. Still reinsurance remains a “broker-driven market,” he said.

Reinsurance brokerages are, in some senses, like swans that look serene on the surface but are “pedaling like fury” below it, said Eamonn Flanagan, a director at Shore Capital Group Ltd. in Liverpool, England.

The current dynamics of the reinsurance industry mean that revenue growth is most likely to come through acquisition rather than organically, said Toby Esser, CEO of Cooper Gay Swett & Crawford Ltd., the No. 5 reinsurance brokerage in *Business Insurance’s* 2014 reinsurance brokerage ranking with \$158.5 million in 2013 gross brokerage revenue, a 15% increase over 2012.

The various factors mean that if brokerages want substantial growth, they likely will have to be sold.

“It is a very tough environment” for reinsurance brokers, Mr. Flanagan said.

The world’s largest reinsurance brokerage, Aon Benfield, a unit of London-based Aon P.L.C., reported flat gross reinsurance brokerage revenue at \$1.51 billion for 2013.

Guy Carpenter & Co. L.L.C., the reinsurance brokerage arm of Marsh McLennan Cos., posted a 4.8%

increase in gross 2013 brokerage revenue with \$1.13 billion.

Willis Re, the reinsurance arm of London-based Willis Group Holdings P.L.C., posted a 2.7% increase with reinsurance brokerage revenue increasing to \$860.0 million.

While the Towers Watson reinsurance brokerage acquisition boosted JLT Re’s standing among the world’s largest reinsurance brokers, it already was “becoming a nuisance” to the big three reinsurance brokerages and already had a great deal of support from primary clients looking for an alternative to those three firms, Mr. Flanagan said.

The business, which rebranded as JLT Re in September, posted reinsurance brokerage revenue of \$375.9 million for 2013, up 90.2% from 2012.

Aside from adding scale, JLT’s purchase of the Towers Watson business probably boosted JLT to the top or No. 2 spot for analytics, which are vital to reinsurance brokers but can be a hidden cost, he said.

Many cedents were frustrated by a perceived lack of choice of reinsurance brokerages, Mr. Flanagan said.

“Bringing the two businesses together has given us opportunities,” said Mike Reynolds, global CEO of JLT Re. “We have a seat at the table with big clients.”

The market was looking for alternatives to the big three reinsurance brokerages, Mr. Reynolds said.

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BUNDLED BUYING ACCELERATES AS DO MULTIYEAR REINSURANCE DEALS

Cedents moving toward using fewer reinsurers, forging a two-tiered market

BY MATTHEW LERNER

Structural changes are taking place in the way some companies purchase reinsurance, including consolidating coverage across geography or business lines and paring the number of their reinsurers.

“The large companies are buying reinsurance on a bundled basis, without a doubt, and on a centralized basis,” said Greg Mader, Princeton, New Jersey-based senior vice president of client management for the reinsurance division at Munich Reinsurance America Inc. “Definitely we see the larger companies centralizing their

buying approach.”

The change is affecting the property and casualty markets, he said.

“Within casualty, cedents bundle peak exposures and cede them to reinsurers,” Mr. Mader said. “If you’re talking about property, some buyers, for example, are aggregating property exposures for all of Latin America, as opposed to for individual countries.”

While the reinsurance market also has been seeing multiyear property deals over the past two or three years, multiyear discussions have just begun in the past year for casualty placements, he said.

“The trend is accelerating,” said

Kevin Lee, New York-based vice president and senior credit officer at Moody’s Investors Service Inc. “We think we’re seeing it for multinational insurers. We’ve seen companies like (American International Group Inc.) and (Ace Ltd.) accelerate consolidation or centralization of reinsurance purchases.”

In global casualty markets, “we’ve seen a continued movement towards consolidation ... as companies take advantage of economies of scale, the strength of their balance sheets and the reduced reinsurance risk charges created by combining noncorrelated risk profiles,” said Jim Brad-

shaw, New York-based CEO of Willis Re North America. “These covers can bring together multiple lines of business from the same or different geographies, with the critical mass generated by the increased subject premium base providing (cedents) with a multitude of structure options.”

Some programs are being bought on a “whole-account basis, rather than peril-by-peril or location-by-location,” said Tom Bolt, London-based director of performance management at Lloyd’s of London.

Large insurers, which are managing their risks more effectively, are driving the trend, he said.

Primary insurers’ increased

sophistication in their own modeling and risk management capabilities allow more efficient reinsurance purchasing, helping to bolster the trend of consolidated reinsurance buying, said Brian Schneider, Chicago-based senior director of insurance at Fitch Ratings Inc.

“I think they’ve become more sophisticated in understanding their risk around the globe and are able to utilize that knowledge to better negotiate and consolidate their purchasing with the reinsurers,” he said.

This helps, for instance, with the geographical consolidation of

See **BUYING** page 20



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INSURERS RETAINING LARGER SHARE OF RISKS THEY UNDERWRITE

Some insurers are keeping more risk on their own balance sheets in the absence of new opportunities.

"They are incentivized to retain more business because it's a way of growing their net premiums without really having to find new business to write," said Albert Benchimol, president and CEO of Axis Capital Holdings Ltd. in Pembroke, Bermuda.

"They've been able to take advantage of keeping those profits in-house, which is actually ben-

eficial given that the investment environment is so difficult they are looking for places where they can gain some additional returns," said Brian Schneider, Chicago-based senior director of insurance at Fitch Ratings Inc. "Not trading away your profits to reinsurers is at least one way to potentially do that on an overall basis."

"We've seen increased interest in internal reinsurance vehicles as a means of managing risk and reducing the reliance on third-party reinsurers," said Jim Bradshaw, CEO of Willis

Re North America.

Another way to deploy capital is acquisitions, as Validus Holdings Ltd. did in its June purchase of Western World Insurance Group for \$690 million in cash. "That's all excess capital that's earning next to nothing in our investment portfolio, so putting it to work in Western World is a good use of cash right out of the gate," Ed Noonan, CEO of Pembroke, Bermuda-based Validus said when the deal closed.

By Matthew Lerner

BUYING

Continued from page 18

reinsurance purchases through improved modeling, he said.

"Companies are better able to quantify their risk and have a more accurate view of how much capital and how much reinsurance protection they really need to support their risks," Moody's Mr. Lee said.

"There's a deeper level of sophistication on the buyer's part across most companies," said Phil Campbell, Edina, Minnesota-based executive vice president of BMS Intermediaries Inc. "They appreciate the fact they don't need to buy the same type of products over different divisions."

For example, entities with similar risks could be reinsured under one contract rather than individual contracts, Mr. Campbell said.

As reinsurance buyers consolidate purchases, they often choose the most financially robust counterparties with the greatest reach and offerings.

"Companies are better able to quantify their risk and have a more accurate view of how much capital and how much reinsurance protection they really need to support their risks."

Kevin Lee,
Moody's Investors Service Inc.

"Larger cedents are tiering their reinsurers in consideration of financial strength and size and, in the case of global carriers, tiering their reinsurers based on global reach," Munich Re's Mr. Mader said.

"I think the trend of consolidating reinsurance purchases is leading to a tiering of the market in which the top-tier reinsurers will benefit to some degree while the bottom-tier reinsurers will be increasingly squeezed out of programs," Moody's Mr. Lee said.

"Cedents are definitely moving towards having fewer reinsurers on their panel, and they are favoring global reinsurers with a broad product offering," said Albert Benchimol, president and CEO of Axis Capital Holdings Ltd. in Bermuda, a buyer and seller of reinsurance.

"When we talk about consolidation, it doesn't mean mergers and acquisitions; it means that the business will end up in a smaller number of hands," Mr. Benchimol said.

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Insurance-linked securities covering wider range of perils

BY MATTHEW LERNER

As alternative capital continues to pour into the reinsurance space, insurance-linked securities markets are finding novel ways to deploy the capital to maintain the sector's momentum.

Covering non-U.S. perils and indemnity-based triggers are some ways these markets are tapping the plentiful capacity brought by pension funds, endowments, and other investors.

One way the market is diversifying is bundling more than one

exposure into a single transaction.

"Bundling of risks is really a great way to get new perils into the market and to get over some of the capital constraints for these additional perils," said Bill Dubinsky, head of ILS at Willis Capital Markets & Advisory in New York,

a unit of Willis Group Holdings P.L.C.

Bundling is a cost- and time-effective way to market additional perils, he said.

"The marginal cost of adding Colombian earthquake or Canadian earthquake into a transaction

which already has U.S risks or already has Canadian risk is much smaller than the stand-alone cost of doing that same deal," Mr. Dubinsky said.

One catastrophe bond issued in the second quarter, Residential Reinsurance 2014 Ltd. on behalf of the San Antonio-based United States Automobile Association, combined U.S. hurricane, earthquake, severe thunderstorm, winter storm and wildfire risks.

Another shift in the market is growth in indemnity-based triggers, which pay out based on losses, as opposed to parametric triggers that rely on specific events, such as an earthquake of specified magnitude and location to trigger a payout.

"If you look at the percentage of

See ILS page 24

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UNUSUAL CAT BONDS

Catastrophe bonds, which typically cover U.S. hurricane risks, are expanding into other areas. Unusual cat bonds that utilized indemnity triggers during the first half of this year included, in millions of dollars:

Beneficiary (Issuer)
Chubb Group (East Lane Re VI Ltd.)

Size*
\$270

Perils covered
Northeast U.S. hurricanes, earthquakes, severe thunderstorms, winter storms

Beneficiary (Issuer)
Assicurazioni Generali S.p.A. (Lion I Re Ltd.)

Size*
\$263

Perils covered
European wind

Beneficiary (Issuer)
Tokio Marine & Nichido Fire Insurance Co. Ltd. (Kizuna Re II Ltd.)

Size*
\$245

Perils covered
Japan earthquakes

Beneficiary (Issuer)
United Services Automobile Association (Residential Reinsurance 2014 Ltd.)

Size*
\$130

Perils covered
U.S. hurricanes, earthquakes, severe thunderstorms, winter storms, wildfires

Beneficiary (Issuer)
Sompo Japan and Nipponkoa Insurance Inc. (Aozora Re Ltd.)

Size*
\$99.5

Perils covered
Japan typhoon

*As of September

Source: Aon Benfield Securities Inc.

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ILS

Continued from page 22

indemnity triggers vs. parametric triggers, that percentage keeps rising,” said Paul Schultz, CEO of Aon Benfield Securities in Chicago, a unit of Aon P.L.C.

“There has been an increasing trend this year toward the use of indemnity triggers as opposed to parametric triggers or index-based triggers,” said Aileen Meehan, a New York-based partner at law firm Edwards Wildman Palmer L.L.P., which advises clients on cat bonds.

“I think to compete against the

QUAKE MODEL COMFORTS INVESTORS

Successful catastrophe modeling relies on factors that include frequency of occurrence and reliable data from past events to produce accurate damage curves, leading insurance-linked securities investors to place their bets on the more well-understood events.

There is a high degree of comfort with earthquake models since they have been around almost as long as U.S. hurricane models and have been updated frequently, said Sherry Thomas, head of catastrophe management in the Americas, at Guy Carpenter & Co. L.L.C. in New York, a unit of Marsh & McLennan Cos. Inc.

Some insurance-linked securities investors are utilizing the industry’s newest generation of modeling platforms as they push further into the insurance industry, said Karen Clark, president and CEO of Karen Clark & Co. in Boston.

“They are using the tools. We have ILS investors using Risk Insight,” Ms. Clark said of the company’s newest modeling platform, which allows users to customize their model assumptions.

While terrorism and such threats garner attention and headlines, terrorism is “very difficult to model,” Ms. Thomas said.

That is due to the random nature of any event, the evolving nature of threats not resembling previous attack scenarios and relatively little data in the private sector to build models, she said.

By Matthew Lerner

traditional reinsurance product, ILS funds, namely cat bonds, have had to include and move toward indemnity triggers, which require a higher level of underwriting analyses,” said Romulo Braga, New York-based CEO of BMS Capital Advisory, a unit of BMS Intermediaries Inc.

“The investors have been showing a lot more sophistication and appetite to underwrite indemnity deals because they understand that that’s going to be the most effective way to compete against the traditional product,” he said.

Still, the insurance-linked securities market remains heavily weighted toward U.S. wind exposures, primarily hurricanes.

“If you look at peril breakdown for outstanding catastrophe bonds, U.S. hurricane accounts for 52%,” Mr. Schultz said, with U.S. earthquake being No. 2 at 18%.

The cat bond market has concentrated on U.S. hurricane risk due to its high margins for investors, Mr. Schultz said.

But that is changing, Mr. Dubinsky said.

“As the capital markets become more competitive, relatively more perils are brought into the scope of the economically viable,” he said.

The changing market “has led investors to consider accepting not only the named perils, especially in the U.S., but also risks that have not been modeled particularly well in the past,” Mr. Braga said.

Another reason the majority of cat bonds have covered U.S. hurricanes is because the exposure is well-modeled, said Sherry Thomas, head of catastrophe management in the Americas at Guy Carpenter & Co. L.L.C. in New York.

The geographic weighting of the market toward U.S. risk, which Mr. Schultz said is 72% of the global market, also is changing.

The second quarter saw several cat bond issues for foreign perils such as Japanese earthquake and European wind risk. One bond, Aozora Re Ltd. covering Japanese typhoon risks, was issued in yen, a departure from the typically dollar-denominated instruments, Ms. Meehan said.

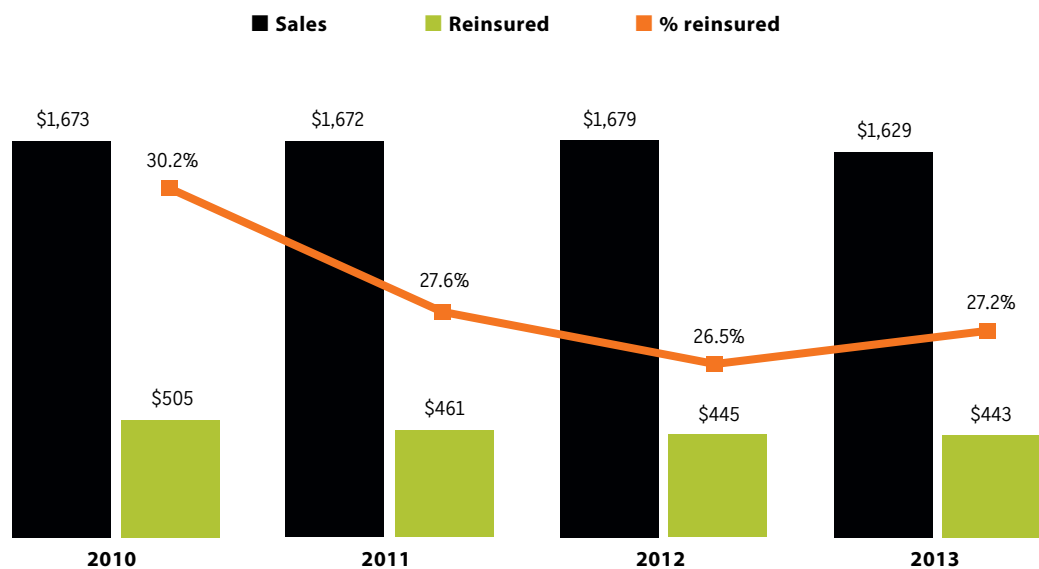
The market has also branched out in other directions, too.

In September, a \$250 million bond was placed for the California State Compensation Insurance Fund to provide workers compensation coverage against earthquake risks through 2018, a departure in coverage and duration.

In addition, the World Bank issued a \$30 million cat bond in July to reinsure the Caribbean Catastrophe Risk Insurance Facility, a risk-pooling facility for catastrophic earthquakes and hurricanes affecting 16 Caribbean member governments.

REINSURED LIFE INSURANCE

The percentage of U.S. ordinary life insurance sales that are reinsured has slightly declined since 2010, in billions of dollars.



Source: Munich Re

Life reinsurers trade commitment for market's stability

Sector less volatile than P/C, but less profitable, too

BY MARK A. HOFMANN

“To some degree, life reinsurance is a bit easier to underwrite,” than property/casualty risk. “It’s a well-understood risk class” and “risk is spread out globally — there’s not a huge concentration of risk.”

Ferris Joanis,
Standard & Poor’s Rating
Services

The players may be largely the same, but the business of life reinsurance looks very different than property/casualty reinsurance.

Perhaps the biggest difference is the nature of the reinsurer’s commitment, experts say. Whereas a property/casualty reinsurance treaty may last only a year, a life reinsurance contract could last decades.

The nature of the risk varies considerably, too. Life reinsurance involves human mortality, which can be easier to underwrite. Property/casualty reinsurance involves more unknowns, where a single hurricane can have a major effect throughout the market.

Where the two industries bear some resemblance is in the identity of the major underwriters, said Bill Pargeans, assistant vice president in the life/health rating division of A.M. Best Co. Inc. in Oldwick, New Jersey.

In North America, the five largest life underwriters are Swiss Re Life & Health Inc., Munich American Reassurance Co., Scor Global Life Americas, Reinsurance Group of America Inc. and Hannover Life Reassurance Co. of America, he said.

Of those five, only St. Louis-based Reinsurance Group of America is not involved in the property/casualty reinsurance arena, he said.

“Once you get past that, market share really drops off,” he said.

According to a survey earlier this year by Munich Re on behalf of the

Schaumburg, Illinois-based Society of Actuaries, the five underwriters accounted for 93% of the U.S. life reinsurance market.

Ferris Joanis, an associate director at Standard & Poor’s Rating Services in New York, said for property/casualty reinsurers, the life insurance business “adds a certain measure of stability.”

“To some degree, life reinsurance is a bit easier to underwrite,” than property/casualty risk, Mr. Joanis said. “It’s a well-understood risk class” and “risk is spread out globally — there’s not a huge concentration of risk.”

Mr. Joanis also pointed out there has been a considerable amount of merger and acquisition activity in recent years in the life reinsurance market. For example, the Munich Re survey said that Scor acquired Generali US Life Re Generali U.S. Holdings Inc. in October 2013, increasing its 2013 U.S. market share to 28.2% from 17.2% a year earlier.

Neil Sprackling, Swiss Re head of life and health for North America in Armonk, New York, said life reinsurance is not experiencing the flood of hedge fund and private equity players that have entered the property/casualty reinsurance market.

“A lot of entrants on the P/C side are coming with a view to making some short-term gains,” Mr. Sprackling said. But new players in the life reinsurance market would tie up capital possibly for decades. “Once you sign up to deal, you’re in,” he said.

Mike Taht, senior vice president of life reinsurance at Munich American Reassurance in Atlanta, also stressed that the life reinsurance contract is a long-term deal.

"Therefore, the life reinsurance contract is one where we're on the risk for the life of the policy," Mr. Taht said.

"The property/casualty market has a pretty well-defined pricing cycle, whereas that type of cyclical nature of the life reinsurance market is not really there," he said. "We're on a long-term contract. Experience emerges over time."

The risk concentration in the two reinsurance sectors is different, said Howard Mills, director and chief adviser in the insurance industry group at Deloitte L.L.P. in New York.

On the property/casualty side, risk concentration is a "huge issue — one single storm can bankrupt a property/casualty insurer or reinsurer," he said. On the life side, concentration is much smaller, and the risks are long-tail.

Payouts are predictable, too. If someone buys an individual life policy with a \$1 million value, that person's beneficiaries will get \$1 million, Mr. Mills said. On the property/casualty side, the payout is unknown until the event triggering damage has occurred.

But a pandemic could wreak havoc with the life side risk concentration for both life insurers and reinsurers, Mr. Mills said.

Overreliance on antibiotics could lead to the emergence of antibiotic-resistant strains of infection and "that could be a game changer," he said.

Changes in longevity have affected the life reinsurance business, said Joe Gilmour, CEO of Scor Global Life Americas in Charlotte, North Carolina.

"To be competitive in pricing, you have to assume something about future mortality," he said. "If it's better, you have upside; and if it's not, you have downside in what you put in your original pricing."

The market itself is "highly competitive," Swiss Re's Mr. Sprackling said. That's due in part to a "trend for close to a decade of life insurers to hold more of the risk on their own balance sheet." He said the cession rate from primary insurers has dropped in recent years, albeit from "all-time highs that were not sustainable."

The Munich Re survey results support that. The life reinsured rate in 2001 was 59.2%, which dropped to 27.2% by 2013, according to the survey.

Despite the drop, Mr. Sprackling said "we're cautiously optimistic about the future."

"The life insurance business is certainly important to our clients," Scor's Mr. Gilmour said. He said traditional life insurance became less attractive to primary life

insurers for a while because annuities appeared more attractive.

"Now a lot of clients are moving back to protection," he said. "There's more spending on doing more life insurance sales." Nevertheless, "some of our clients effectively become our biggest competitors because they keep more of the risk if they like it."

Still, "I'm quite bullish on where life reinsurance goes," Mr. Gilmour said.



"We're on a long-term contract. Experience emerges over time."

Mike Taht,
Munich American
Reassurance



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WORLD'S LARGEST REINSURANCE BROKERS

Ranked by 2013 gross revenue from reinsurance brokerage and related services*

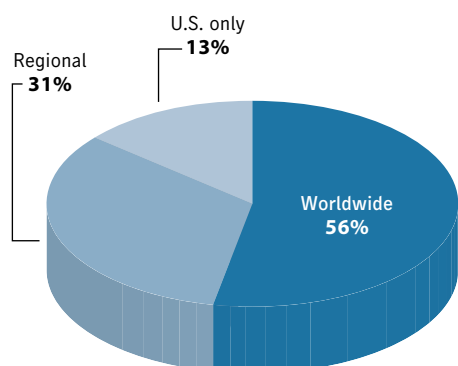
Rank	Company, address	Phone, website	2013 reinsurance gross revenue	2012 reinsurance gross revenue	% increase (decrease)	2013 employees	Officers
1	Aon Benfield 55 Bishopsgate, London, England EC2N 3BD	44-207-088-0044 www.aonbenfield.com	\$1,505,000,000	\$1,505,000,000	0.0%	3,200	Eric Andersen, CEO
2	Guy Carpenter & Co. L.L.C. 1166 Avenue of the Americas, New York, NY 10036-2708	917-937-3000 www.guycarp.com	\$1,131,267,000 ¹	\$1,079,313,000 ¹	4.8%	2,357	Alex Moczarski, CEO
3	Willis Re 51 Lime St., London, England EC3M 7DQ	44-203-124-6000 www.willisre.com	\$860,000,000	\$837,000,000	2.7%	1,600	Peter Hearn, Chairman-Willis Re; John Cavanagh, CEO-Willis Re
4	JLT Reinsurance Brokers Ltd. Botolph Building, London, England EC3A 7AW	44-207-466-1300 www.jlttowersre.com	\$375,869,460 ²	\$197,598,973 ³	90.2%	N/A	Ross Howard, chairman and co-chief executive
5	Cooper Gay Swett & Crawford Ltd. 52 Leadenhall St., London, England EC3A 2EB	44-207-480 7322 www.cg-sc.com	\$158,466,000	\$137,825,000	15.0%	694	Toby Esser, CEO
6	Miller Insurance Services L.L.P. Dawson House, 5 Jewry St., London, England EC3N 2PJ	44-207-488-2345 www.miller-insurance.com	\$93,528,000 ^{4,5}	\$85,186,270 ^{4,6}	9.8%	581	James Geffen, head of reinsurance
7	UIB Holdings (U.K.) Ltd. 69 Mansell St., London, England E1 8AN	44-207-488-0551 www.uibgroup.com	\$67,463,114 ¹	\$60,864,760	10.8%	340	Bassem Kabban, chairman
8	THB Group Ltd. 107 Leadenhall St., London, England EC3A 4AF	44-207-469-0100 www.thbgroup.com	\$58,094,136	\$55,000,000	5.6%	530	Frank Murphy, CEO
9	BMS Group Ltd. One America Square, London, England EC3N 2LS	44-207-480-7288 www.bmsgroup.com	\$54,300,000	\$56,300,000 ⁷	(3.6%)	134	Dane Douetil, group CEO-Minova Insurance Holdings Ltd.; Nick Cook, CEO-BMS Group Ltd. (U.K.); Andrew Bustillo, CEO-BMS Intermediaries Inc. (U.S.)
10	Lockton Re 138 Houndsditch, London, England EC3A 7AG	44-207-933-0000 www.locktonre.com	\$46,028,536 ⁴	\$39,016,929 ⁴	18.0%	N/A	George Carrington, managing director-Lockton Re, London; Brian Cole, managing director-Lockton Re, New York

*Includes all reinsurance revenue reported through holding and/or subsidiary companies. N/A=Not available. 1 Includes aviation reinsurance business placed by Marsh L.L.C. 2 British pound 2013=\$1.6529. 3 British pound 2012=\$1.6274. 4 Fiscal year ending April 30. 5 British pound April 30, 2014=\$1.6529. 6 British pound April 30, 2013=\$1.5533. 7 2012 restated.

Source: BI survey. Research by Angelina Villarreal

GEOGRAPHIC SCOPE OF SERVICES

Includes all reinsurance brokers participating in the BI survey



REINSURANCE BROKERAGE REVENUE

Revenue of the 10 largest global reinsurance brokers, in billions of dollars



¹ Restated
Source: BI survey

OTHER SERVICES REINSURANCE BROKERS PROVIDE

Companies that offer services other than reinsurance broking, based on all reinsurance broker participants in the BI survey.

Catastrophe exposure modeling

59%

Actuarial consulting

53%

Catastrophe management consulting

47%

Reinsurance financial modeling

41%

Runoff services


29%

Risk securitization consulting

29%

Source: BI survey

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LEGAL NOTICE

NOTICE OF AMENDING SCHEME MEETINGS
IN THE HIGH COURT OF JUSTICE (IN ENGLAND AND WALES) Claim Nos. 5812 and 5813 of 2014
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTERS OF
OIC RUN-OFF LIMITED
(formerly Ralli Brothers Insurance Company Limited
and The Orion Insurance Company plc)
- and -
THE LONDON AND OVERSEAS INSURANCE COMPANY LIMITED
(formerly Hull Underwriters' Association Limited
and The London and Overseas Insurance Company plc)
(both subject to a scheme of arrangement)

- and -
IN THE MATTER OF THE COMPANIES ACT 2006
PROPOSED AMENDING SCHEME OF ARRANGEMENT

NOTICE IS HEREBY GIVEN that, by an order dated 8 October 2014 made in the above matters, the High Court of Justice of England and Wales (the "Court") has directed that meetings (the "Amending Scheme Meetings") be convened of the Scheme Creditors (as defined in the Original Scheme referred to below) of the above companies (the "Companies") at 10.30am (English time), on 11 December 2014 at PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH, United Kingdom for the purpose of considering and, if thought fit, approving (with or without modification) the amending scheme of arrangement proposed to be made between the Companies and their respective Scheme Creditors pursuant to Part 26 of the Companies Act 2006 (the "Amending Scheme"), amending certain terms and provisions of the scheme of arrangement dated 20 November 1996 which became effective on 7 March 1997 between the Companies and their Scheme Creditors (the "Original Scheme").

The Court has ordered that each Company should convene three meetings of Scheme Creditors to vote on their respective Amending Scheme as follows:

- (a) for Scheme Creditors who are Policyholders (other than Qualifying ILU Policyholders) with IBNR Liabilities and Notified Outstanding Liabilities;
- (b) for Scheme Creditors who are Policyholders (other than Qualifying ILU Policyholders) with Scheme Liabilities (other than IBNR Liabilities and Notified Outstanding Liabilities), Dual Scheme Creditors and Ordinary Creditors; and
- (c) for Scheme Creditors who are Qualifying ILU Policyholders,

(the terms "Policyholders", "Qualifying ILU Policyholders", "IBNR Liabilities", "Notified Outstanding Liabilities", "Scheme Liabilities", "Dual Scheme Creditors", "Pre-1969 L&O Policyholders", "Ordinary Creditors" each being as more particularly described in the Amending Explanatory Statement referred to below).

Depending on the type of its claim(s), a Scheme Creditor may be entitled to attend and vote at more than one of the Amending Scheme Meetings.

All Scheme Creditors are requested to attend the relevant Amending Scheme Meeting(s) at such time and place either in person or by proxy. Each Scheme Creditor will be required to register its attendance at the Amending Scheme Meetings. Registration will commence at 9.30am and Scheme Creditors are requested to arrive no later than 10.00am in order to register. The Chairman of the Amending Scheme Meetings will address Scheme Creditors generally on the Amending Scheme and on issues relevant to voting on the Amending Scheme at the commencement of the Amending Scheme Meetings.

Scheme Creditors may attend and vote in person (or, if a corporation, by a duly authorised representative) at the relevant Amending Scheme Meeting(s). Alternatively they may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their place.

Copies of the proposed Amending Scheme, the explanatory statement required to be provided pursuant to section 897 of the Companies Act 2006 (the "Amending Explanatory Statement") and the voting and proxy forms for use at the Amending Scheme Meetings (each a "Voting Form" and together, the "Voting Forms") can be downloaded from www.oicrun-offtd.com. Alternatively, hard copies can be obtained, free of charge, by sending a request to the run-off manager of the Companies, Armour Risk Management Limited ("Armour") marked for the attention of Andrew Jones.

Armour's contact details are as follows:
By post: Armour Risk Management Limited, 4th Floor, 20 Old Broad Street, London, EC2N 1DP United Kingdom
By email: Oicclosurehelpdesk@armourrisk.com
By fax: +44 (0) 20 7382 2001
By phone: +44 (0) 20 7382 2020

Scheme Creditors are requested to return their completed and signed Voting Forms to Armour by post, email or fax at the above contact details by noon (English time) on 10 December 2014. Alternatively Scheme Creditors may hand their respective Voting Forms in at the registration desk prior to the Amending Scheme Meetings if attending in person or by proxy. However Scheme Creditors are urged to return the completed Voting Forms in advance of the Amending Scheme Meetings. Any Voting Form sent by fax or by email will not be accepted unless legible and the signed original Voting Form is subsequently received by Armour (marked for the attention of Andrew Jones) no later than 7 days after the Amending Scheme Meetings.

By the said order, the Court has appointed Dan Schwarzmann or, failing him, Paul Evans or such other independent person as the Scheme Administrators of the Companies may nominate, to act as Chairman of the Amending Scheme Meetings and has directed the Chairman to report the results of the Amending Scheme Meetings to the Court.

Any Scheme Creditor who is unclear about or has any question concerning the action it is required to take in order to vote on the Amending Scheme or who would like to discuss the way in which its claims data is likely to be evaluated under the Amending Scheme process, should contact Armour using the contact details set out above.

If approved by the requisite majorities of Scheme Creditors, the Amending Scheme will be subject to the subsequent approval of the Court.

Dated: 8 October 2014
Hogan Lovells International LLP, Atlantic House, 50 Holborn Viaduct, London, EC1A 2FG United Kingdom
Tel: +44 (0) 20 7296 2000 Fax: +44 (0) 20 7296 2001
www.hoganlovells.com
Ref: Joe Bannister/Will Beck
Solicitors to the Scheme Administrators

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BUSINESS INSURANCE

Ebola-related cover aims at health care providers

London-based brokerage Miller Insurance Services L.L.P. and Boston-based brokerage William Gallagher Associates Insurance Brokers Inc. have launched a pandemic disease business interruption insurance coverage intended to respond to loss of income arising from the closure of health care facilities and reduced revenues in the aftermath of quarantine caused by Ebola or other highly infectious diseases.

The brokerages launched the product, which will be underwritten by Ark Syndicate Management Ltd.'s syndicate 4020 at Lloyd's of London. Details of limits and coverage terms were not available.

"The need for this coverage is acute at a time where Ebola and the enterovirus threaten the operating capacity of global health care facilities," Mark Sleet, professional risks broker at Miller, said in a statement.

AIG expands excess casualty limits for railroads

With increased rail traffic and more cars carrying potentially hazardous materials, such as crude oil, American International Group Inc. has expanded its excess casualty liability limits for Class 1 railroads in the United States and Canada.

AIG has expanded excess casualty liability limits to \$1 billion per occurrence, in excess of \$1.5 billion in underlying limits, the insurer said in a statement.

Lexington Insurance Co., among other AIG companies, will provide the excess coverage, according to the statement.

Tool measures cyber readiness for smaller firms

Information technology solutions provider eManagement Inc. has developed a tool to help small and midsize businesses measure their readiness to respond to and recover from cyber security attacks.

CyberRx is designed to perform a risk assessment of all aspects of an organization's operations and internal processes, including human factors, to determine the likelihood of a cyber security event such as a breach and gauge the financial effect it would have on the organization, Ola Sage, founder and CEO of Silver Spring, Maryland-based eManagement, said in a statement.

Among other things, the tool enables small and midsize business leaders to become more knowledgeable about the cyber risks that threaten their organizations and determine where best to invest and deploy cyber security resources, as well as conduct audits, compliance reviews and other assessments, Ms. Sage said.

"Ultimately the goal of CyberRx is to help small and medium-sized businesses reduce and better manage cyber security risks," she said. CyberRx will be demonstrated at the CyberMaryland Conference being held Oct. 29-30 at the Baltimore Convention Center.



MyPath touts industry to young workers

* The insurance industry has launched an initiative to attract millennials to the profession.

Called MyPath, the effort was unveiled last week by the The Institutes, the operating name of the Malvern, Pennsylvania-based Insurance Institute of America and the American Institute for Chartered Property Casualty Underwriters. It is a collaborative insurance and risk management initiative coordinated by The Institutes that "is dedicated to educating students and young professionals about the insurance industry and its limitless career opportunities," according to an information sheet.

"Attracting talent to this industry has been a common concern," said Peter Miller, president and CEO of The Institutes, noting that the insurance industry will be hit by a wave of retirements in the next decade.

But the millennials "really don't know much about this industry," he said. As a result, MyPath includes a website that contains information about the industry and also about internships with industry practitioners.

The effort also will feature an advertising campaign to attract new talent, Mr. Miller said.

Pembroke expands space cover to add launch delay

Ironshore International said its Hamilton, Bermuda-based Pembroke Managing Agency Ltd. unit is broadening insurance coverage for the space sector by launching products that cover contractual exposure rather than physical loss or damages.

Pembroke's space unit will offer satellite operators, manufacturers and launch service providers six contingent products of varying capacity limits to cover contractual liabilities and financial exposures that the parties incur through launch delays, the company said in a statement.

Genius Avenue starts employers' exchange

DirectWeb Administrative Services L.L.C., d/b/a Genius Avenue, has

launched an employer version of Genius Benefits, its individual private exchange previously available only to associations and other member-based organizations.

With Genius Benefits, employers can offer an alternative to public exchanges for their part-time and non-benefit-eligible employees, the developer of online benefits marketplace technology said in a statement.

Genius Benefits offers part-time and non-benefit-eligible employees the same subsidy-eligible individual health insurance plans available on the federal exchange with access to major insurers such as Cigna Corp., Aetna Inc., Humana Inc. and UnitedHealthcare, the statement said.

It also includes voluntary benefits such as dental and vision, supplemental insurance coverages, identity theft protection, telemedicine, pet insurance, and discount and savings programs.

Chertoff Group expands travel risk consulting

The Chertoff Group, a security and risk management firm, has expanded its travel risk management services to include strategic advisory support and protective medicine solutions for multinational companies and their employees.

The addition of protective medicine and corporate medical advisory services comes in response to global concerns about the ongoing Ebola outbreak, the company said in a statement.

Chertoff is offering services to multinational corporations — especially those with operations in affected regions of West Africa, or for employees who might transit those areas or points of entry into affected areas — that could benefit from strategic advice, guidance and operational medical support to enhance employee and traveler health and safety, the statement said.

All Risks offers program for assisted-living facilities

Insurance wholesaler All Risks Ltd. has introduced an A-rated insurer to its assisted living facilities program, the company said in a statement.

Products are available nationwide through All Risks' national specialty program unit, targeting small to midsize assisted living facilities. Larger, more complex risks can be considered with the assistance of an All Risks health care broker.

This program accepts low and mid-level Alzheimer's patients, as well as nonambulatory patients, provided they are not bedridden residents, the statement said.

Coverages offered through the All Risks assisted-living facilities program include general liability and professional liability, as well as optional coverage such as physical/sexual abuse, hired/nonowned auto, and employee benefits liability.

Property coverage encompasses building, business personal property, business income, equipment breakdown, and tenant improvements, the statement said.

DEALS & MOVES

Willis, Miller in talks to start wholesale brokerage at Lloyd's

Willis Group Holdings P.L.C. and Miller Insurance Services L.L.P. are in talks to create a London wholesale specialist broking firm combining the companies' wholesale businesses under the Miller brand as a stand-alone entity and separate Lloyd's broker.

According to a statement issued by Willis, the companies call the talks "advanced," but cautioned no deal had been set and that they would not comment on the matter further unless and until a transaction is agreed. Willis would take a majority interest in Miller as a range of wholesale business moved to Miller from Willis, while Miller treaty reinsurance and retail-oriented business would move to Willis, according to the statement. Miller would continue to operate under its own name and out of its London headquarters under the arrangement.

Hub International acquires mid-market broker FieldEddy

Hub International Ltd. has acquired the assets of mid-market broker FieldEddy Inc. and its Your Choice Insurance Agency Inc. subsidiary.

Terms of the deal were not disclosed.

East Longmeadow, Massachusetts-based FieldEddy, a property/casualty, personal lines and employee benefits brokerage, will become part of Hub International New England, Chicago-based Hub said in a statement. FieldEddy President Timm Marini and CEO Samuel Hanmer will join Hub New England's executive leadership team and report to Charles Brophy, president and CEO of Hub New England.

Hub New England now has 22 offices and nearly 500 employees throughout Massachusetts, New Hampshire and Rhode Island, according to the statement.

Capsicum absorbs AJG Re brokerage team, business

The London-based reinsurance brokerage team of Arthur J. Gallagher & Co. has transferred to Capsicum Reinsurance Brokers L.L.P., the reinsurance brokerage set up earlier this year as a joint venture between Gallagher and Capsicum Private Office L.L.P., the family trust of former Aon Benfield Group Ltd. Chairman Grahame Chilton.

The transfer, effective immediately, sees a team of 14 brokers, led by Matt Fitzgerald, managing director of AJG Re, and all current and future reinsurance business handled by that entity, move to Capsicum Re.

Marsh to acquire flood insurance specialist Torrent Technologies

Marsh L.L.C. has signed a definitive agreement to acquire Torrent Technologies Inc. Terms of the transaction were not disclosed.

Torrent Technologies is a Kalispell, Montana-based service provider to insurers that participate in the National Flood Insurance Program's Write Your Own insurance program. Torrent's employees will remain in Kalispell and will combine with Marsh's flood insurance specialists to create a "Flood Center of Excellence," Marsh said in a statement.

push into the insurance market, said Ben Walter, CEO of Hiscox USA in New York.

But the aviation market, where insurers have seen significant losses, is seeing flat renewals, which may signal further softening in other areas, said Matt Keeping, chief placement officer at Willis North America Inc.

Some liability lines, such as workers compensation in certain states, are still seeing increases. “But even there, we saw high single-digit increases a year ago, and now they are in the low single digits,” he said.

Some general liability accounts, directors and officers liability coverage and other specialty liability lines also are seeing some modest increases, but for the most part prices are dropping, brokers and insurers say.

“We are still getting rate on D&O ... and in some areas we are seeing increases on workers comp,” said Hiscox’s Mr. Walter. While the claims experience on both lines has been poor at times, “on medical we’ve seen decreases because the exposure has reduced due to various reforms.”

“Everyone seems to be acknowledging that the soft market is here. The question is: How far does it go? No one is predicting that interest rates will go up soon, and underwriting discipline is being maintained pretty well, but we are starting to feel that there’s a hunger in the market to retain business, and we are not seeing anyone pull out of classes,” Mr. Keeping said.

In addition to reducing rates, insurers are more willing to offer multiyear deals, but it’s too early to label it a trend. Buyers also are looking to reduce self-insured retentions, several brokers said.

To grow business, brokers and insurers are targeting economic sectors where activity is growing, such as construction.

“When the economy was in the doldrums, we invested in construction assets — brokers and other staff — and we’ve seen that grow” tenfold, said Ralph Hurst, president of the national brokerage group at Alliant Insurance Services Inc. in Newport Beach, California.

Construction-related business has been a significant area of growth for Miller as well, said John Eltham, head of North American broker business at Miller Insurance Services L.L.P. in London, which has increased its architects and engineers professional liability business. With a significant increase in architectural firms taking on design/build projects, their liability exposures are increasing for poor building work, he said.

Brokers and insurers also are seeking to drive efficiencies in placing middle market business, with several looking at centralized

placement mechanisms. All, however, say they are taking care to avoid the problems surrounding contingent commissions that arose with some previous attempts to establish central placement hubs and accusations that brokers used them primarily to maximize their revenue.

“The frictional costs of insurance are still too high,” said Michael Kerner, CEO of general insurance at Zurich Insurance Group Ltd. in Zurich. “If a broker is handling a piece of the transaction, we should not be doing it as well and vice versa.”

Zurich will work with brokers that are building centralized placement facilities, but “the key is to

make sure that there is no conflict” of interest, he said.

Hub is building more regional expertise to allow its clients to access specialist brokers, Hub’s Mr. Goodreau said. “Clients want the best coverage at the best price and access to the right resources regionally.”

Alliant also is targeting more middle-market business, said Thomas W. Corbett, chairman and CEO of the brokerage, through its Alliant Americas unit. The brokerage aims to offer midsize clients access to the specialty capabilities offered by the main brokerage. “Plain vanilla coverage has always been avail-



Michael Kerner, Zurich Insurance Group Ltd.

“The frictional costs of insurance are still too high. If a broker is handling a piece of the transaction, we should not be doing it as well and vice versa.”

management solutions on cyber risk, and the breaches have brought the attention of the C-suite,” said Mr. Kerner. “The products in the market don’t solve all the problems, but we and the market will develop solutions ... The demand is there and the need is there.”

Specialty cyber products are emerging, said Miller’s Mr. Eltham

Miller, he said, recently bound coverage for a large North American utility, which he declined to identify. The policy provided \$100 million in limits and covers physical damage, business interruption and third-party liabilities.

able to them, but now maybe they can get vanilla with chocolate sauce,” he said.

Cyber risk is another area where brokers and insurers expect more business.

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MINIMUM

Continued from page 3

very limited plans and would face higher costs if they offered more traditional plans or big financial penalties if they did not.

“For a segment of the workforce, these plans may be appropriate. Compared to mini-med plans, these plans may be a step up,” said Alden Bianchi, a member of Boston-based law firm Mintz Levin Cohn Ferris Glovsky & Popeo P.C. Mini-med plans, which didn’t pass muster under the health care reform law, were designed to provide a flat dollar annual amount, such as \$25,000, for coverage of health care services.

On the other hand, such plans have no interest for many employers. “This is not something our members are doing. They do not want employees exposed to enormous bills,” said Gretchen Young, senior vice president for health care at the ERISA Industry Committee, a Washington-based benefits lobbying group primarily made up of very large employers.

At the same time, experts are warning that regulators may intervene to make clear that plans

“For a segment of the workforce, these plans may be appropriate. Compared to mini-med plans, these plans may be a step up.”

Alden Bianchi,
Mintz Levin Cohn Ferris
Glovsky & Popeo P.C.

excluding coverage of hospital expenses do not pass the minimum value test.

“We’ve told our customers that if you want to adopt such a plan, do it with your eyes open. There probably is an error in the calculator” used to determine minimum value, Lockton’s Mr. Fensholt said.

Both the Treasury Department and the Department of Health and Human Services declined to comment. However, a government source said the Treasury Department is looking into the issue.

Some experts expect federal regulators to provide additional guidance on the issue, but no one knows when that might happen.

“It is a real mess. There is no question that regulators will address this. The question, though, is when will that happen,” Mr. Fensholt said.

“Regulators are aware of the issue. It is getting more and more visibility,” Buck Consultants’ Mr. Stover said.

Should regulators change the online minimum value calculator, an additional issue is what kind of transitional relief would be given to employers that relied on the government calculator and put in plans excluding coverage for hospital services, experts say.

EBOLA

Continued from page 1

related to the Ebola virus via an endorsement for new and renewing general liability insurance for companies exposed to certain African countries, where the pandemic began and the death toll neared 5,000 as of Friday.

Companies need to understand where they have coverage and where they might not, and make decisions based on that understanding, said Logan Payne, senior account manager of global client services with Lockton Cos. L.L.C. in Kansas City, Missouri.

“Most clients at this point are asking questions to try to assess steps to minimize” risk and judge how liability policies might respond, said John Denton, senior vice president of the national casualty practice of Marsh USA Inc. in New York.

In the U.S., the first person diagnosed with the deadly virus, a Liberian, died on Oct. 8 at a Dallas hospital. Two nurses who treated him subsequently contracted the disease, stoking national fear. On Thursday, the disease reached New York City, where a doctor who recently returned from treating Ebola patients in West Africa tested positive for the virus.

While hospitals and other health care facilities are on the front lines of Ebola risk, agriculture, mining and energy companies actually operating in West Africa and travel, hospitality, entertainment and sports event companies that move or host large numbers of people also have significant exposures.

“You can imagine that if this becomes a pandemic, all these industries could face huge liabilities,” said Joseph F. Bermudez, a partner at Wilson Elser Moskowitz Edelman & Dicker L.L.P. in Denver.

People contracting Ebola on an airliner or at a hotel or sports venue might sue companies involved, alleging negligence for failing to prevent their exposure. A company would expect its general liability insurers to respond, but there could be coverage disputes, experts say.

One could involve general liability policies’ pollution exclusion, which typically bars claims arising from any “solid, liquid, gaseous or thermal irritant or contaminant,” including waste.

Courts have been divided on the pollution exclusion in previous cases of viral and bacterial contamination, said Michael H. Sampson, a partner at Reed Smith L.L.P. in Pittsburgh. In one case, a Florida federal judge ruled in 2009 that the exclusion barred coverage of claims arising from a swimming pool contaminated with coxsackievirus. In a separate 2011 case, another Florida federal judge ruled the exclusion does not apply in a case of contamination by the bacteria that causes Legionnaire’s disease, he said.

“It depends on the case law, and

Safety rules tightened at hospitals for Ebola patients

BY STEPHANIE GOLDBERG

The U.S. Centers for Disease Control and Prevention tightened safety rules nationwide for all hospitals that treat patients with Ebola after two nurses contracted the infectious disease when treating a Dallas hospital patient who died earlier this month from the virus.

In addition, the CDC said it will send a rapid-response team to assist any hospital in the country that diagnoses another Ebola patient.

Even before the CDC took action last week to quell the national panic, officials at Texas Health Presbyterian Hospital Dallas admitted mistakes were made and said the facility changed its procedures on handling patients with diseases such as Ebola.

The two nurses contracted the virus after treating Thomas Eric Duncan, who was exposed to Ebola in Liberia and died from the disease earlier this month at the Dallas hospital.

While Texas allows employers to opt out of its workers compensation system, a spokesman for Texas Health Presbyterian said the hospital does have workers comp insurance. The spokesman said the hospital is covering the cost of medical treatment and other expenses for the two nurses, who were moved to two of the five U.S. hospitals specially trained and equipped to treat patients with Ebola.

However, the hospital spokesman would not disclose which insurer or insurers provide its workers comp coverage, or whether the hospital expected the coverage to pay for the nurses’ medical treatment.

Ebola would be compensable under workers compensation like other illnesses and injuries that can occur within the course and scope of a health care worker’s employment, workers comp industry experts say.

Because of its spread through bodily fluids and its 21-day incubation period, it’s significantly easier to prove Ebola was contracted on the job than other infectious diseases to which health care workers are exposed.

“Unlike the flu, which you can get anywhere, it’s highly unlikely that a caregiver is going to get Ebola outside of his or her work,” said Joe Paduda, principal of Madison, Connecticut-based Health Strategy Associates. “I don’t think any insurance company or any judge would say, ‘Oh, you can’t prove that came about because that nurse wasn’t working in the (emergency room).’”

Workers comp insurers including Chubb Corp., The Hartford Financial Services Group Inc., Liberty Mutual Insurance Co. and Travelers Cos. Inc. declined comment.

“There’s likely only going to be a small number of cases, but each one of those cases could have a significant financial impact” and negatively affect an employer’s workers comp experience rating, said David C. Kurtz, Boston-based partner at Constangy, Brooks & Smith L.L.P. “You’re talking about such catastrophic claims and ... such expensive treatment that you may in fact hit those limits and move into the reinsurance realm.”

can cut both ways,” Mr. Payne said.

Some experts give policyholders good odds of overcoming pollution exclusions that don’t specifically deal with viruses. While court interpretations of the pollution exclusion have differed, “insurers,

I think, would have a hard time arguing that it applies,” said Katie Pfeifer, partner at Dorsey & Whitney L.L.P. in Minneapolis. “Which doesn’t mean they won’t try.”

Liability policies also may have mold and bacteria exclusions, though experts question whether

Given how workers comp is priced, with many programs being loss-sensitive, premiums could increase if employers file Ebola-related claims, said Robert Hartwig, president of the New York-based Insurance Information Institute Inc. However, that might not be the case if insurers think employers have taken steps to curtail risks from Ebola.

“Let’s say an employer has a poor year with respect to its workers compensation losses because of slip-and-fall injuries or motor vehicle accidents employees are involved in,” Mr. Hartwig said. “The insurer might have good reason to believe there’s a serious issue here and it’s going to take time to resolve. Whereas something like an employee or two infected by Ebola, it may be the case that the health care facility has adopted new treatment protocols and it may be viewed that the risk of an additional exposure is minimal.”

It costs thousands of dollars a day to treat one patient with Ebola, experts say. It can cost an estimated \$1,000 an hour alone to maintain the isolation treatment rooms, said JoAnn Sullivan, San Jose, California-based senior vice president and managing consultant at Marsh Risk Consulting’s workforce strategies practice. That’s in addition to the cost of ancillary services, medications, disinfecting and cleaning, and — in the case of the Texas Health Presbyterian nurses — airlifting and transporting them to hospitals that are specially trained to treat patients with Ebola, Ms. Sullivan said.

Other workplace safety lessons learned from the Ebola cases at Texas Health Presbyterian include the need to have proper equipment available at every access point and the importance of taking a hands-on approach to training, Ms. Sullivan said.

“You cannot do this type of training by reading a sheet,” said Tom Fuller, assistant professor and safety program director at Illinois State University in Normal, Illinois.

Most nurses treating Ebola patients have not been taught how to properly use personal protective gear without cross-contaminating themselves or the floor, said Mr. Fuller, who’s also a health care working group member of the Falls Church, Virginia-based American Industrial Hygiene Association. “And you might have to practice it a few times before you get it down.”

Included in the CDC’s safety rules for hospitals issued last week are step-by-step instructions about properly putting on and removing personal protective equipment to avoid health care workers contracting the disease.

Dr. Daniel Varga, chief clinical officer and senior executive vice president at Texas Health Resources, the parent company of the Dallas hospital, said in a statement to the media last week that Texas Health Presbyterian is taking a more “proactive, intensive and focused” approach to train hospital workers based upon the best available information to treat patients who contract Ebola.

“Where we fell short initially was in our ability to detect and diagnose (the disease),” Dr. Varga said.

they would affect Ebola claims. Viruses, Mr. Payne said, are very different types of organisms.

“I don’t see that as much of an exclusion, either,” Ms. Pfeifer said.

Some companies, particularly in the health care and food industries, have policy endorsements

specifically barring claims related to biological agents such as viruses, Mr. Bermudez said.

Businesses failing to take steps to protect clients and customers from Ebola also could find insurers citing the “expected or intended” language of general liability policies to deny claims, experts say.

Insurers may argue that if a policyholder is aware of the risk and exposes third parties despite it, they could have “expected” the resulting losses, Lockton’s Mr. Payne said in an August white paper on the subject.

Some, though, see this as another tough argument for insurers to win. The “expected or intended” defense “is usually a very high threshold for carriers to get over to avoid coverage,” Marsh’s Mr. Denton said. “I don’t think it’s a particularly strong defense in cases where employers are trying to limit the spread of the disease.”

Ebola contamination of a company’s facilities or those of its suppliers could result in business interruption losses, which experts say opens another set of coverage questions.

Traditional business interruption coverage is triggered by direct physical loss or damage to insured property, and contamination likely doesn’t qualify despite its resulting losses, experts say. Coverage

for closures ordered by a civil authority or for lack of ingress/egress similarly requires physical damage to surrounding property.

“Physical damage and contamination may be the same thing (from a policyholder’s perspective), but I can tell you that insurers will not see it that way,” said Duncan Ellis, U.S. property practice leader at Marsh USA Inc. in New York.

Many health care companies have bought extensions to traditional business interruption policies that cover lost income caused by spread of communicable diseases, Mr. Ellis said.

A hospital, for example, would be insured for lost income and “rea-

sonable” cleanup costs if government authorities ordered it to shut down to decontaminate its emergency room, he said.

Before the latest Ebola outbreak, the coverage extension received relatively little thought, much as contingent business interruption coverage before the 2011 Thai floods, Mr. Ellis said.

“This has now become an ‘aha’ moment for a lot of people,” he said.

Similar types of nondamage business interruption coverage may become a solution for some companies. Lockton recently introduced a program for gaming, entertainment and sports clients that covers income lost for reasons that

include voluntary closure of a facility due to circumstances beyond an insured’s control and — with a sublimit — losses caused by communicable diseases.

Meanwhile, Ebola also exposed a gap in companies’ travel accident and health programs. Travel accident policies typically cover medical evacuation and repatriation of sick or injured employees overseas. Voluntary evacuation of employees threatened by Ebola but not actually ill would not be covered, though.

Insurers also may be prevented from delivering services if an Ebola-infected employee can’t be repatriated because a government bars re-entry, according to the

Lockton white paper.

In general, any insurer’s addition of a specific exclusion of Ebola claims suggests there may be coverage under existing policies, lawyers say. Likewise, the availability of new policies that would cover Ebola claims doesn’t mean existing policies don’t apply.

“It’s often the case that insurance companies, to their credit, will come up with a form of coverage that covers something,” said Jerold Oshinsky, a partner with Kasowitz, Benson, Torres & Friedman L.L.P. in Los Angeles. “But they shouldn’t then be allowed to argue that the existing coverage doesn’t apply because you had to buy the new coverage.”

PREPARE FOR SHAREHOLDER CLAIMS

Public companies could face shareholder litigation over Ebola-related losses if the U.S. outbreak becomes a wider pandemic, insurance and legal sources warn.

Companies in the health care, hospitality, entertainment and other industries are vulnerable to shareholder claims if they don’t take adequate steps to minimize risks and respond to any Ebola-related event, experts say.

The key questions are whether a company has a pandemic plan and whether it has a public relations plan in case an outbreak threatens the company’s brand, said Joseph F. Bermudez, a partner at Wilson Elser Moskowitz Edelman & Dickler L.L.P. in Denver.

Planning and active involvement in efforts to avoid losses are key to heading off shareholder claims, said Logan Payne, senior account manager for global client services at Lockton Cos. L.L.C. in Kansas City, Missouri.

“It’s not just something on paper that you put in a binder and put on a shelf, but something that’s actually followed through on,” Mr. Payne said of a pandemic plan.

Directors and officers liability insurance likely would cover any Ebola-related shareholder litigation, experts say. While D&O policies exclude coverage of bodily injury, they would not exclude shareholder economic losses traceable to an Ebola outbreak.

By Douglas McLeod

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BREACHES

Continued from page 1

cyber policies, general liability policies, unlike their cyber counterparts, provide broader coverage, including offering defense costs that are outside the policy limits, experts say.

Policyholders' success in obtaining cyber-related coverage under their general liability policies has been mixed. In February, for instance, a New York judge held that Zurich America Insurance Co. is not obligated to cover Sony Corp. of America for litigation related to the 2011 hacking of its PlayStation Network under Sony's general liability policy.

Travelers asserts in its court filing that the "property damage" covered in its commercial general liability policy does not include loss or damage to "electronic media and records." In August, P.F. Chang's disclosed that customer data from credit and debit cards used at 33 of its 211 P.F. Chang's eateries were pilfered.

"The track record of companies trying to get coverage under a CGL policy has not worked out too well," said Scott L. Vernick, a policyholder attorney and a partner with Fox Rothschild L.L.P. in Philadelphia. "The Sony decision was a very troubling decision in this area."

Insurers' position that cyber risks are not covered under general liability policies is based on policy language, as well as their contention it was never their intent to provide the coverage.

The Travelers case is a "clear sign that the CGL carriers are extremely protective of their policy trigger," said Adam Cottini, managing director, insurance and risk management in North America at Arthur J. Gallagher & Co. in New York.

General liability insurers generally are not interested in suing their customers, but "this is one of those moments where it's large enough of an issue where Travelers is willing to obviously accept the negative connotation of using their own insured" for the purposes of a larger issue, Mr. Cottini said.

"I don't think we're going to see a lot of these cases," but it is important for insurers to set a precedent on this issue so both clients and policyholders "know where the coverage resides and where it

doesn't," said John Coletti, New York-based chief underwriting officer for cyber and technology at XL Group P.L.C., who stated insurers never intended for commercial general liability policies to cover cyber events.

"Obviously, the carriers are going to continue to fight hard to deny coverage under the CGL policies, claiming there's no property damage liability in these types of situations, so it's going to be battleground and a fight, but it's still an important issue that needs to be looked at," said David E. Weiss, a policyholder attorney with Reed Smith L.L.P. in San Francisco.

Mr. Weiss said policyholders' success in obtaining coverage under their general liability policies is going "depend a lot on the facts of individual cases," whether they can claim there was physical

injury to property or loss of use of property.

Joshua Gold, a shareholder with policyholder law firm Anderson Kill P.C. in New York, said, "I don't think it's terribly ambiguous to begin with, which is I think most policyholders should have personal injury coverage for a violation of privacy complaint, unless the policy has an express exclusion for a computer hacking incident."

ISO's recent publication of a cyber exclusion "is an indication that the policies are supposed to be read to cover those, otherwise what's the point of the exclusion?" he asked.

William Boeck, senior vice president, insurance and claims counsel, for the Lockton Cos., in Kansas City, Missouri, said he advises his clients never to rely on commercial general liability policies for



HEAR INTERVIEW

Access Business Insurance's interactive digital

edition to hear Scott L. Vernick, a partner with Fox Rothschild L.L.P., discuss policyholders' track record in obtaining coverage for data breaches under their commercial general liability policies, with Business Insurance Senior Editor Judy Greenwald.

NOTABLE CYBER COVERAGE DISPUTES

Several recent legal cases have addressed whether costs and liabilities arising from cyber breaches are covered under commercial general liability policies, including:

■ A Travelers Cos. unit, the Travelers Indemnity Company of Connecticut, filed suit against restaurant chain P.F. Chang's China Bistro Inc. earlier this month, seeking a judicial declaration that it is not obligated under its commercial general liability policies to provide indemnity coverage to the Scottsdale, Arizona-based chain in connection with a data breach.

■ A New York State Supreme Court judge held in a bench ruling in February that Zurich America Insurance Co. does not have to cover New York-based Sony Corp. of America for litigation related to the 2011 hacking of its PlayStation Network. Sony is appealing the ruling.

■ Liberty Mutual Insurance Co. filed suit against St. Louis-based Schnuck Markets Inc., in August 2013 in federal district court in St. Louis, seeking a declaratory judgment it was not obligated to indemnify the supermarket chain under its excess commercial general liability policy for a data breach, which occurred between December 2012 and March 2013. Liberty and Schnuck settled case.

■ New York-based Arch Insurance Co. filed suit in federal District Court in Chicago in February 2012 seeking a declaration it was not required to defend or indemnify Irving, Texas-based Michaels Stores Inc. under its commercial general liability policies in connection with a security breach. The litigation was withdrawn by agreement of both parties in September 2012.

By Judy Greenwald

coverage of cyber risks.

"I would always prefer that clients have certainty on this issue, and if they rely on their general liability policy to cover cyber risks, the only thing certain is they will have a fight with their insurer over coverage," he said. He said more policyholders are buying cyber policies "so they have certainty on the issue."

A prudent policyholder should not "just pick one policy and put all their eggs in one basket," said Kevin Kalinich, Chicago-based global practice leader of cyber risk insurance at Aon Risk Solutions.

Policyholders should seek cyber coverage under any applicable policy, which could include property, crime, kidnap and ransom, and professional liability, as well as a specific cyber policy, he said.

He added in these cases an issue may arise under the "other insurance clause" on many policies, which states that the particular policy is excess of any other policy in covering the same issue.

ENROLLMENT

Continued from page 1

employers."

The mandate requires employers with 50 or more employees to offer health care benefits to 70% of their full-time workers — defined as any employee who works an average of 30 or more hours a week — beginning in January, and 95% of full-time workers in 2016.

Experts say much of benefit managers' concern has been focused on the Patient Protection and Affordable Care Act's rules requiring most employers to certify that benefits-eligible employees and their dependents have been offered minimum essential coverage, and that employees' premium contributions fall within cost-sharing limits established under the law.

"The reporting requirements under ACA are probably the No. 1 issue that we're dealing with right now," said Adam Solander, a Washington-based associate at Epstein Becker & Green P.C.

Starting in January, employers will need to track benefits eligibility of their full-time employees and submit annual reports to the IRS to document their group plans'

compliance with the law. The first reports are due in early 2016 for employers with at least 100 employees.

Unfortunately, experts said, the IRS has yet to finalize the reporting forms and filing instructions employers must use, and has

HEALTH CARE REPORTING DATES

Employers face several dates to comply with health care coverage and reporting requirements of the health care reform law. Key dates include:

Jan 1, 2015: First reporting period begins for all employers with 50 or more full-time employees.

March 1, 2016: First annual information returns due to IRS for employers with 100 or more full-time employees.*

March 1, 2017: First annual information returns due to IRS for employers with 50 to 99 full-time employees.

*The IRS said it will not enforce noncompliance penalties on employers that submit incorrect or incomplete returns for the 2015 plan year if a good-faith effort has been made to adhere to the reporting requirements.

issued little practical guidance for benefit managers and/or third-party administrators tasked with collecting and maintaining the information necessary to fulfill the requirement.

In the absence of more complete federal guidance, employers "appear to be all over the map" in their readiness to capture and organize the required information, said Sarah Bassler Millar, a partner at Drinker Biddle & Reath L.L.P. in Chicago.

"One of our clients engaged their payroll provider to establish a really robust tracking system for the purpose of gathering all of this information, but that was a project that kicked off a good six or eight months ago, and it was a really expensive undertaking," she said. "I would say that the vast majority of employers probably don't have the time or resources to put something like that together right now."

Many employers appear content to postpone developing a concrete reporting strategy, at least until regulators finalize the reporting forms and instructions.

"I'm waiting on final guidance from the agencies as to what it is they're actually looking for and in what form," said Bruce Elliott, compensation and benefits manager for the Alexandria, Virginia-based Society for Human Resource Management, which has about 340 full-time employees. "I'm putting things in place now that at least let us track enrollees and the levels of

coverage we offer to make sure it meets the affordability threshold. But in terms of actually reporting on all of this, we really don't know what to do yet."

Experts also say they have cautioned clients about legal risks associated with efforts to reduce their exposure to the law's rules on providing coverage to their full-time employees.

For example, more than 20% of more than 1,200 employers polled earlier this year by New York-based benefits consultant PricewaterhouseCoopers L.L.P. said they were considering reducing employees' hours or cutting full-time staff to avoid an influx of newly eligible workers.

That could open employers to civil litigation and regulatory action under the Employee Retirement Income Security Act that bars companies from changing an employee's job status solely to reduce or terminate their eligibility for benefits. But experts also say an employer may escape ERISA liability by demonstrating a legitimate business reason to reduce employees' hours apart from shrinking its medical costs.

"I don't think you can answer this question in a vacuum," said Adrienne Publicover, a San Francisco-based partner at Wilson

Elser Moskowitz Edelman & Dickler L.L.P. "I think the bigger point is that employers need to be thinking about these issues now, not in January."

Another cost-cutting measure experts say they have warned their clients against includes the continued use of employer payment plans, wherein employers provide cash reimbursements to employees for some or all of the health care premium cost for coverage they purchase in the individual markets.

In September 2013, the IRS declared that employer payment plans are subject to the same requirements as other group health care plans, and cannot be integrated with individual policies to satisfy those requirements.

"That's something that we've come across quite a bit, more than I wish was the case," Epstein Becker's Mr. Solander said.

Tax penalties for offering an employer payment plan in lieu of a compliant group health plan can be as high as \$36,500 per benefits-eligible employee per year.

"Some companies have been marketing these to smaller employers as a way to get around the ACA, but the IRS is very tuned into this and is ready to enforce it," he said.

ORSA

Continued from page 3

collectively write more than \$1 billion in direct written and assumed premiums annually, the NAIC said on its website.

The ORSA will require those insurers to “analyze all reasonably foreseeable and relevant material risks,” such as underwriting, credit, market, operational and liquidity risks, and report its results to state regulators, the NAIC said.

“This is a concept that PCI and the rest of the industry worked with NAIC in adopting and drafting the model law,” said Steve Broadie, vice president of financial policy at the Chicago-based Property Casualty Insurers Association of America. “We think it’s a positive product.”

A regulator involved with pilot ORSAs said insurers are stepping up to the plate.

“My sense is there has been a lot of positive feedback and there’s good momentum going forward,” said Danny Saenz, senior associate commissioner of the Texas Department of Insurance and head of the NAIC’s ORSA (E) subgroup. There were “noticeable improvements” in reports delivered to regulators in the 2013 pilot program compared with those of a year earlier, he said.

“We know it’s an evolutionary process,” Mr. Saenz said. “We hope through dialogue between the regulators and the industry, we’ll be able to work with them on improving the processes and

the reports themselves.”

On its website, the NAIC stresses that an ORSA is not a “one-off exercise” but rather a “continuous evolving process” and should be a component of an insurer’s ERM framework. It said the results and content of an ORSA report will vary from company to company and “demonstrate the results of management’s self-assessment.”

“The fact that we have an ERM program that’s very robust includes many of the requirements of the ORSA risk management requirements,” said Teri Molloy, vice president and controller of Johnston, Rhode Island-based insurer FM Global. “The challenges are really going through all of your existing policies and procedures and documenting them.”

She said the insurer is still in the documentation phase, “but because we have that strong ERM program, we’re in good shape.”

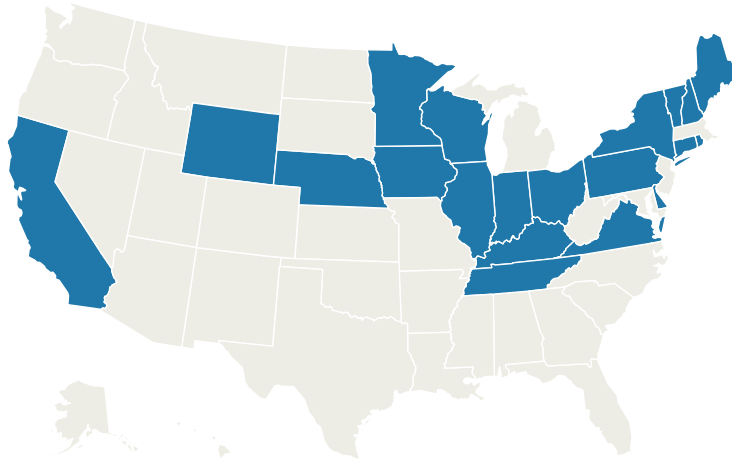
However, even insurers with advanced ERM processes are concerned about some aspects of an ORSA, notably providing acceptable documentation and protecting the confidentiality of sensitive information provided to regulators. There also is some concern about regulators using the ORSA as a prescriptive exercise in which regulators would dictate the risk assessment.

“Most companies and our members already have some sort of risk management process in place,” said Phil Carson, assistant general counsel of the American Insurance Association in Washington. “They’re used to evaluating their system on a regular basis and

ORSA REPORTING

Twenty states have adopted the own risk and solvency assessment requirements under the National Association of Insurance Commissioners’ Risk Management and Own Risk and Solvency Assessment Model Act. Insurers must begin ORSA reporting in 2015.

States that have adopted the NAIC requirements are California, Connecticut, Delaware, Iowa, Illinois, Indiana, Kentucky, Maine, Minnesota, Nebraska, New Hampshire, New York, Ohio, Pennsylvania, Rhode Island, Tennessee, Virginia, Vermont, Wisconsin and Wyoming.



Source: National Association of Insurance Commissioners

reporting to the management and board. Now you’re talking about taking confidential business decisions and releasing it to someone else.”

“One of the things we’ve been concerned about is that the ‘O’ remains in ORSA, that this remains an insurer’s own risk assessment,” said PCI’s Mr. Broadie. “We’re going to have to continue to watch to make sure this continues to be based on what the insurer is doing itself and not a prescribed check-the-box

approach.”

“Many well-prepared insurers have either completed dry runs or they participated in one of the pilots,” said Carl Groth, a managing director in KPMG L.L.P.’s actuarial and insurance risk practice in New York. “On the other hand, some companies don’t have multi-year time horizons for business planning purposes, which is required or at least implied by ORSA. That’s making companies change or improve underlying business process.”

Some companies have struggled “with deciding upon a capital framework and developing a view on how their risk and capital assessments should be used to influence targets and performance management,” he said.

“Group solvency and prospective solvency requirements of ORSA may pose challenges for many insurers,” said Tom McIntyre, a principal in KPMG’s actuarial and insurance risk practice in Tyson’s Corner, Virginia. “Communicating results from complex new models is often difficult.”

“ORSA is an admission by external stakeholders that we only have a limited view of companies of what they’re doing from the outside,” said Sridhar Manyem, a credit analyst at Standard & Poor’s Corp. in Hightstown, New Jersey. The assessment puts an “onus on insurers to show, ‘I know the risk I’m taking, and here are the steps I’m taking to manage those risks, especially prospectively.’”

Documentation presents a challenge, since insurers must anticipate what regulators want, he said.

Mr. Manyem said insurers will have to reveal some of their future strategic plans to regulators as part of the process.

“Confidentiality of the information that we give is on the forefront of our minds,” said FM Global’s Ms. Molloy. “If it got into the wrong hands, that wouldn’t be good for any insurance company. The regulators are used to confidential information, so I have to believe that they have protections in place.”

RATES

Continued from page 4

Manley said. “You have to be determining whether your system is meeting other goals, like getting people effective medical treatment, getting people back to work ... minimizing injuries and resolving disputes.”

Paul Braun, managing director of casualty claims at Aon Global Risk Consulting in Los Angeles, said the Oregon study’s rankings fall in line with factors that are driving up workers comp costs in various states. The factors include increasing workers comp medical costs and higher unemployment rates in some states, which usually are linked to an uptick in claim frequency.

“The workers comp system is a challenge, which then gets right back to premiums,” Mr. Braun said of states such as California, New York and New Jersey.

States that ranked highly on Oregon’s premium study could see a push for reforms to make them more attractive to businesses, Mr. Braun said.

“One of the challenges in states that have a lot of complicated work comp laws is it tends to push the employers to other states,” said

Mr. Braun, who doubted any reform efforts would begin until after the midterm elections.

States such as Illinois, Oklahoma and Tennessee have cited the Oregon study as they sought workers comp reforms in previous years, said Peter Burton, Wayne, Pennsylvania-based senior division executive for state relations at the

TOP COMP RATES

The median workers compensation premium rate nationwide was \$1.85 per \$100 of payroll in 2014, down slightly from \$1.88 in 2012. The five states paying the highest comp rates are:

Rank	State	Rate 2014*	Rate 2012*
1	California	\$3.48	\$2.92
2	Connecticut	\$2.87	\$2.99
3	New Jersey	\$2.82	\$2.74
4	New York	\$2.75	\$2.82
5	Alaska	\$2.68	\$3.01

*Per \$100 of payroll

Source: Oregon Department of Consumer and Business Services

National Council on Compensation Insurance Inc.

“They’ve used it as one more example of the economy not working well in a given state, and they’ve used it to push reform efforts,” Mr. Burton said.

For instance, Illinois, which was ranked the No. 3 costliest workers

comp state in 2010, passed a series of workers comp reforms in 2011, including a 30% reduction in the state’s workers comp medical fee schedule, establishing workers comp-specific medical provider networks and requiring medical utilization reviews.

Michael Latz, chairman of the Chicago-based Illinois Workers’ Compensation Commission, said the Oregon study “demonstrates that Illinois workers compensation costs have decreased since 2011.”

“The Oregon study compares insurance premium across states; insurance premium does not necessarily reflect workers compensation cost savings,” Mr. Latz said in a statement to *Business Insurance*. “Illinois is reducing workers compensation costs. The fact is that workers compensation costs are falling faster than insurance premiums.”

Not all states see the Oregon rankings as a barometer of how their workers comp systems are performing.

States such as California, New York and Connecticut have said “(Oregon’s) methodologies are askew, and they’re not accurate,” said NCCI’s Mr. Burton, who said NCCI does not have an opinion on Oregon’s workers comp study.

“There is nothing in the Oregon study to compare the differential

coverage and benefits and medical-legal appeals system that each state offers,” Christine Baker, director of the California Department of Industrial Relations said in a statement to *Business Insurance*. “At the extreme, a state could drastically reduce its scope and level of benefits in order to reduce costs and do ‘better’ in the Oregon comparison.”

Oregon’s Mr. Manley said payroll distribution comparisons made in the state’s study are similar to payroll comparisons made by NCCI when the ratemaking agency files for workers comp advisory rate changes in dozens of states each year.

“It is different state to state, (but) it’s not substantially different,” Mr. Manley said. “So I think we can make that distinction with a fair amount of confidence.”

While Mr. Manley said he believes the Oregon workers comp study is fair to other states and knows it is used in political discussions, he said the ranking provides just one snapshot of the national workers comp landscape.

“We’re always trying to tell other states ... that we’re describing you, we’re not evaluating you,” Mr. Manley said. “We’re not saying you’re doing well (or) you’re doing poorly. It’s a description of one aspect of your system.”

WHOLESALE

Continued from page 4

wholesale market,” said Tim Cunningham, managing director at Chicago-based investment banking and consulting firm Optis Partners L.L.C. “There’s been so much consolidation in that business if you don’t have a lot of scale it’s pretty hard to make it, and there would be very few acquisition opportunities with enough scale.”

Mr. Shields said he has asked Marsh and Aon “whether they’re interested in purchasing what is an explicit domestic wholesale broker and so far they’ve said, ‘No.’ I don’t know that this will change their minds.”

“Anytime you have a major large player like Willis looking into a deal like this, I’m sure it is among the discussions at other companies,” said Ms. Herman. “Clearly, other companies have to look at what their peers and what the other players in the market are doing and evaluate how it changes things for themselves.”

“The big brokers have a lot of capital and you never know what move one of them is going to make,” said Mr. Ward. “It’s well worth watching what the next move is.”



MARK SKALNY/SHUTTERSTOCK.COM

Rocker uneasy with 'Henley' shirts

One thing corporations should know about members of soft rockers The Eagles is that they are unlikely to "take it easy" if they think that their image or intellectual property rights have been infringed.

The band famously never has allowed its name or image — or that of its members — to be used to promote a product.

But Belleville, Wisconsin-based clothing company Duluth Holdings Inc. has run afoul of Eagles co-founder Don Henley, who alleges that the company infringed his copyright in a pun-tastic email marketing campaign advertising its "Henley" shirts.

Mr. Henley has objected to the tag line, "Don A Henley and Take it Easy" — a seeming reference to the band's breakthrough hit "Take it Easy" — and filed suit against the clothing company in U.S. District Court, Central District of California.

Duluth Trading declined to comment on the case. It remains to be seen whether both sides "Take It to the Limit" or reach some form of settlement.

Van driver hits own parked car

In most cases, a city might willingly cover the cost of damage caused by city workers to private property.

But if the property belongs to the employee who caused the damage — well, that's another story.

Megan Campbell, an employee of the St. Paul, Minnesota, Parks and Recreation Department, has filed a claim against the city seeking \$1,600 to \$1,900 for damage caused to her personal vehicle by a city worker — herself.

According to a news report, the accident occurred while Ms. Campbell was driving a supply van back from a city storage building. After turning a corner, she crashed into a parked 2001 Nissan Pathfinder that she herself owned. "Because I was working for the city and driving the city vehicle, I feel they are responsible for paying for the damage to my car," the city worker wrote in a "notice of claim" form sent to the city clerk's office.

Ms. Campbell, a 2014 college graduate, has worked for the Parks and Recreation Department since May, the report said.

If an investigation by the city's accident review board determines that Ms. Campbell was negligent in any way, she could face disciplinary measures.

ART'S VALUE IN EYES OF THE BEHOLDER



AP PHOTOS

Ever wonder who is worth more — the world's most famous portrait or one of the showbiz world's power couples? The "Mona Lisa," which hangs in Paris' Louvre gallery, reportedly was insured for a cool \$100 million in 1962, making its insured value about \$787 million in today's money, according to the International Business Times.

That, according to the "Guinness Book of World Records," makes the painting the work of art with the greatest insured value ever.

But the value of Leonardo da Vinci's enigmatic portrait dims in comparison to the wealth of two recent visitors to the gallery, the IBT reports.

Music stars Jay-Z and Beyonce took their daughter Blue Ivy for a private viewing of the picture — surely one of the most famous "Single Ladies" in the world, as well as some of the Louvre's other treasures, during a recent trip to Paris.

They recorded their visit for posterity by posting photographs of themselves with La Gioconda on Instagram.

But while the "Mona Lisa" may be valued at about three-quarters of a billion dollars, Jay-Z and Beyonce's combined wealth exceeds \$1 billion, the IBT estimates.

There is no information on the insured value of the Instagram snap.

Business Insurance isn't all business all the time, and we know you're not either. So visit www.businessinsurance.com for more Off Beat stories and monthly photo galleries featuring the best of the weirdest news about insurance, fraud, liability issues and related topics that make people and companies do funny, silly and strange things.

N.J. township's motto lost in translation

If you're going to emblazon a public building with a Latin inscription celebrating your pursuit of accuracy, the last place you want to be seen failing in that pursuit is that inscription's translation.

Township officials in Moorestown, New Jersey, say the decorative medallion recently installed in the newly built Moorestown Township Library is to be replaced at the architect's expense after residents noticed an ironic error in the medallion's inscription, according to a CBS Philadelphia report.

Township officials had intended the medallion to proclaim "We Confirm All Things Twice" in Latin.

Several days after the medallion was installed, it was brought to the township's attention that the Latin phrase etched in to the medallion, "Nos Secundus Coniecto Omnia," translates literally to "We Second Guess All," according to CBS Philadelphia.

Perhaps a more appropriate choice for the building's motto would have been the Latin translation for "Measure twice, cut once."



House built on a lot of trouble

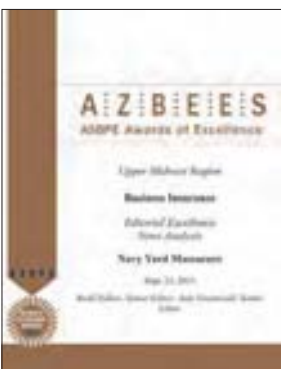
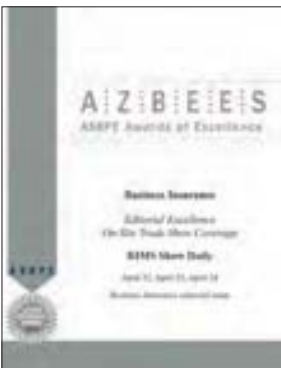
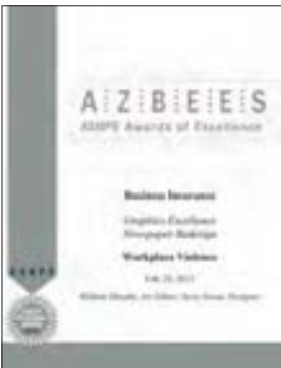
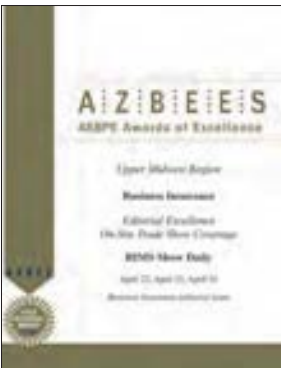
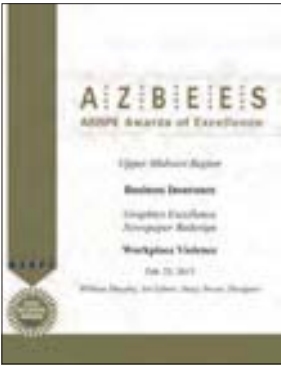
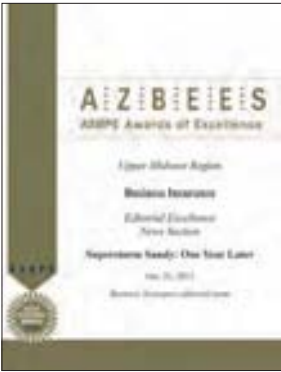
A house is only as good as the lot it sits on. And when that lot belongs to the neighbors, it's not much good.

Six months after their custom 5,000-square-foot, three-story vacation rental was built, with an estimated construction value of \$680,000, Missouri couple Mark and Brenda Voss learned that it actually sits on the lot next to the one they own in Palm Coast, Florida, according to The Daytona Beach News-Journal.

The builder, Ormond Beach, Florida-based Keystone Homes, is reportedly trying to negotiate a settlement between the Vosses and the North Carolina couple that owns the other lot, as well as other parties.

"The buck stops with the builder. We know that," Robbie Richmond, vice president of Keystone Homes, told the News-Journal. "We are in the process of trying to schedule a conference call and find a fair resolution without the lawyers. I have built about 600 homes in Flagler County, and this has never happened to me before. It does happen, but it's rare."

Keystone Homes and the Vosses both told the News-Journal that misplaced surveyor's stakes in 2013 led to the error.



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Insurance-linked securities covering wider range of perils

BY MATTHEW LERNER

As alternative capital continues to pour into the reinsurance space, insurance-linked securities markets are finding novel ways to deploy the capital to maintain the sector's momentum.

Covering non-U.S. perils and indemnity-based triggers are some ways these markets are tapping the plentiful capacity brought by pension funds, endowments, and other investors.

One way the market is diversifying is bundling more than one

exposure into a single transaction.

"Bundling of risks is really a great way to get new perils into the market and to get over some of the capital constraints for these additional perils," said Bill Dubinsky, head of ILS at Willis Capital Markets & Advisory in New York,

a unit of Willis Group Holdings P.L.C.

Bundling is a cost- and time-effective way to market additional perils, he said.

"The marginal cost of adding Colombian earthquake or Canadian earthquake into a transaction

which already has U.S. risks or already has Canadian risk is much smaller than the stand-alone cost of doing that same deal," Mr. Dubinsky said.

One catastrophe bond issued in the second quarter, Residential Reinsurance 2014 Ltd. on behalf of the San Antonio-based United States Automobile Association, combined U.S. hurricane, earthquake, severe thunderstorm, winter storm and wildfire risks.

Another shift in the market is growth in indemnity-based triggers, which pay out based on losses, as opposed to parametric triggers that rely on specific events, such as an earthquake of specified magnitude and location to trigger a payout.

"If you look at the percentage of

See ILS page 24

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UNUSUAL CAT BONDS

Catastrophe bonds, which typically cover U.S. hurricane risks, are expanding into other areas. Unusual cat bonds that utilized indemnity triggers during the first half of this year included, in millions of dollars:

Beneficiary (Issuer)
Chubb Group (East Lane Re VI Ltd.)

Size*
\$270

Perils covered
Northeast U.S. hurricanes, earthquakes, severe thunderstorms, winter storms

Beneficiary (Issuer)
Assicurazioni Generali S.p.A. (Lion I Re Ltd.)

Size*
\$263

Perils covered
European wind

Beneficiary (Issuer)
Tokio Marine & Nichido Fire Insurance Co. Ltd. (Kizuna Re II Ltd.)

Size*
\$245

Perils covered
Japan earthquakes

Beneficiary (Issuer)
United Services Automobile Association (Residential Reinsurance 2014 Ltd.)

Size*
\$130

Perils covered
U.S. hurricanes, earthquakes, severe thunderstorms, winter storms, wildfires

Beneficiary (Issuer)
Sompo Japan and Nipponkoa Insurance Inc. (Aozora Re Ltd.)

Size*
\$99.5

Perils covered
Japan typhoon

*As of September

Source: Aon Benfield Securities Inc.