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NEW YORK'S TORT SYSTEM COMPLETELY 'UNFAIR,' GIULIANI SAYS / PAGE 4

LIABILITY & LITIGATION

Meningitis suits target physicians

Safety flaws found at compounding firm that made steroids

By JUDY GREENWALD

More doctors, clinics and other health care providers are likely to be sued in the deadly meningitis outbreak linked to fungus-contaminated steroids as plaintiffs attorneys search for deep pockets, legal experts say.

While most legal observers say such defendants are unlikely to be found liable, some say liability might be established to the extent that the physicians were aware that steroids distributed by the New England Compounding Center violated regulations by preparing the drug in bulk rather than on a patient-specific basis with a prescription.

While numerous lawsuits have been filed, the situation still is developing.

"The facts are just starting to come out," said defense attorney Charles E. Joern Jr. of the Oak Brook, Ill.-based Joern Law Firm.

About 14,000 patients may have received injections of a steroid compounded and distributed by the Framingham, Mass.-based New England Compounding Pharmacy Inc.

As of last week, more than 300 cases of meningitis, including two dozen deaths, had been reported in 18 states as a result of fungal infections linked to injection of the steroid, according to the U.S. Centers for Disease Control and Prevention.

Separately, the Massachusetts Department of Public Health issued a report last week saying the compounding facility, which has been shut down, failed to await the results of sterility testing

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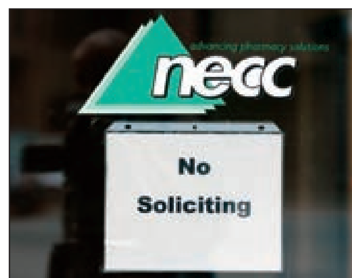

AP PHOTO

Tainted drugs led to the closure of New England Compounding Center.

RISK MANAGEMENT

AP PHOTO

The doping scandal surrounding cyclist Lance Armstrong highlights the risks organizations take on when they link with celebrity endorsers.

Endorsement deals put reputations at risk

Strong due diligence, contract essential

By RODD ZOLKOS

The fallout from the Lance Armstrong doping scandal for businesses aligned with him through endorsement or sponsorship deals — and for the Livestrong organization Mr. Armstrong formed in 1997 as the Lance Armstrong Foundation — is the latest example of the reputation and brand risks present when such relationships with celebrities go wrong.

But, according to many experts, the Armstrong case should raise additional awareness of the risk management steps businesses can take as they associate themselves with celebrity spokespeople, as well as show how philanthropic organizations can minimize risks they might face from any misbehavior of celebrity supporters.

See **ARMSTRONG** page 22

inBrief

Van Gilder CEO indicted for insider trading

Van Gilder Insurance Co. CEO Michael Van Gilder was indicted by a federal grand jury in Denver on five counts of insider trading last week. The U.S. attorney's office in Denver said Mr. Van Gilder "allegedly traded based on inside information regarding a Denver oil and natural gas company called Delta Petroleum Corp." It said Mr. Van Gilder surrendered to the FBI Friday morning. A U.S. Securities and Exchange Commission statement said Mr. Van Gilder made about $109,000 in illegal profits from stock and options trades, and others he tipped made about $52,000. Van Gilder Insurance said Mr. Van Gilder had stepped down as CEO and had been replaced by Donald Woods, the brokerage's president.

See **IN BRIEF** page 25

SPOTLIGHT

REINSURANCE: TRENDS & ISSUES

Hedge fund owners manage both sides of balance sheet; inflation a potential threat; listing may speed cat bond trades; barriers remain in Brazil. **PAGE 11**

WORKERS COMPENSATION

Employer demand drives claims data integration

By SHEENA HARRISON

A growing demand among employers for integrated disability and absence management is one of the driving forces in a new collaboration between Aetna Inc. and three workers compensation third-party administrators.

Hartford, Conn.-based Aetna announced this month that it will work with three TPAs to offer a combined filing process for workers comp and nonoccupational disability claims. Aetna's partners include Atlanta-based Broadspire Services Inc., Philadelphia-based ESIS Inc. and Itasca, Ill.-based Gallagher Bassett Services Inc.

Experts say the move by Aetna reflects an emerging movement among employers to use service providers that can combine disability and workers comp data and offer consolidated services.

"It's been a challenge for years for employers to get that data, especially on the health care side," said Marcia Carruthers, CEO and president of the Disability Management Employers Coalition in San Diego. "So I think it's very encouraging to see this type of activity going on."

Aetna will share certain data with each of its TPA partners for the integrated claims filing program, though the TPAs will not work with each other for the initiative. Keith Nelson, Plantation, Fla.-based head of disability benefits systems for Aetna, said the companies initially will launch the integrated program with

See **AETNA** page 23

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Business Insurance

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video

IN FOCUS: In this latest In FOCUS video, *Business Insurance* examines the methodology behind the 2012 Best Places to Work in Insurance program and takes a look at this year's awards luncheon in Chicago. *www.BusinessInsurance.com/video*

LAST WEEK'S TOP FEATURES

www.BusinessInsurance.com/BITop10

1. 2012 Best Places to Work in Insurance
2. *BI* releases list of 2012 Best Places to Work honorees
3. GALLERY: 2012 Best Places to Work in Insurance Awards Lunch
4. A.M. Best places Meadowbrook Insurance Group under review
5. Hurricane Sandy could do more damage than Irene: Experts
6. GALLERY: Top 10 lowest workers comp premium rates
7. *Business Insurance* IN FOCUS Video: 2012 Best Places to Work
8. Italian scientists convicted over earthquake warning
9. Monster Beverage tumbles on suit about girl's death
10. Dominic Casserley to succeed Joe Plumeri as Willis CEO

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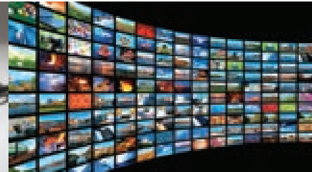

GALLERY: Top 10 highest workers compensation rates. *www.BusinessInsurance.com/ photos*

WHITE PAPER: How to tackle obesity in the workplace. *www.BusinessInsurance.com/ whitepapers*

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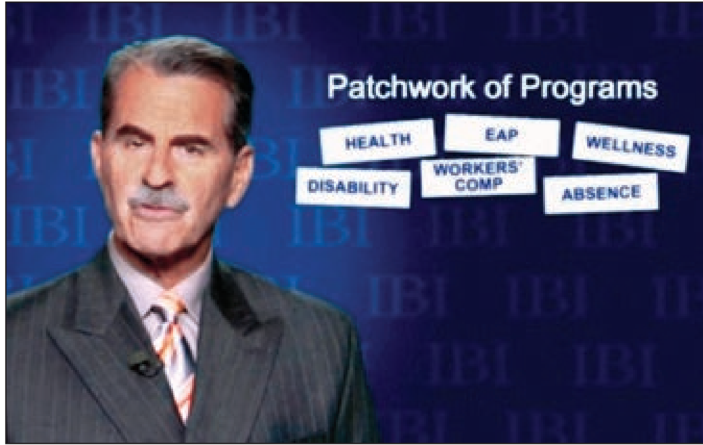
BENEFITS MANAGEMENT



COURTESY OF INTEGRATED BENEFITS INSTITUTE

A DVD produced by the Integrated Benefits Institute offers employers advice on adopting an integrated approach to manage benefits.

Firms strive to unite benefits services

Disparate programs can waste resources through overlaps

By ROBERTO CENICEROS

Employers must take charge to realize an optimal return on investment from the wide array of employee health, absence management and disability programs they fund, according to a prominent benefits manager.

Otherwise, employees seeking help from the companies providing them with group health plans, pharmacy services, disease management, employee assistance programs, disability coverage, workers compensation benefits, and many other employer-sponsored health and productivity programs face uncoordinated, fragmented care that can fail to detect or treat their health problems.

In such a scenario, not only do employees suffer a negative experience, but the return on investment employers obtain from the programs they pay for diminishes, said Chris McSwain, vice president of U.S. benefits at Wal-Mart Stores Inc.

"Employers invest incredible amounts of money in paying their suppliers only to find out the suppliers have overlap," said Mr. McSwain, who also is board chairman of the San Francisco-based Integrated Benefits Institute.

But an effective supplier-management strategy that analyzes the supply chain of services that employers contract for can help deliver better care to employees, increase their engagement and help employers by removing wasteful duplications in services, Mr. McSwain said.

Overlaps occur, for example, when an employer pays for an employee assistance program, lifestyle management, disease management and perhaps a pharmacy benefit management service, all of which may provide help for an employee suffering from depression. Yet neither the employer nor those various service providers may know

See BENEFITS page 25

HEALTH CARE REFORM

State's health reform suit poses big threat: Experts

Oklahoma challenge of subsidy payments puts reforms at risk

By JERRY GEISEL

The heart of the health care reform law — extending federal premium subsidies to millions of lower-income uninsured U.S. residents to buy coverage in insurance exchanges — could be destroyed if a suit filed last month by the Oklahoma attorney general is successful, observers say.

However, should the courts accept Oklahoma Attorney General Scott Pruitt's arguments that the premium subsidies can only be used to obtain coverage in state exchanges, the likelihood that employers would face financial penalties laid down by the Patient Protection and Affordable Care Act for not offering coverage or "affordable" care would be reduced dramatically.

A successful legal challenge "would be devastating. Millions of Americans would be deprived of coverage which Congress intended to provide," said health care legal scholar Timothy Jost, a professor at Washington and Lee University School of Law in Lexington, Va.

While the ramifications of the suit pending in the U.S. District Court in Muskogee, Okla., are huge, the challenge brought last month has gotten little attention.

The suit challenges a key part of health care reform law regulations issued in May by the Internal Revenue Service. The regulations say eligible individuals will be able to use the subsidies to obtain coverage from state insurance exchanges or federal exchanges the federal government will set up in states that decline to do so.

So far, about 15 states have indicated they will set up exchanges, while most have not yet announced their decisions. States that have said that they will not establish exchanges include Florida, Louisiana, Texas and South

Oklahoma Attorney General Scott Pruitt

Carolina, according to the Kaiser Family Foundation. States have until Nov. 16 to let federal regulators know if they intend to set up exchanges.

In the suit, Mr. Pruitt says there is nothing in the health reform law that authorizes premium subsidies for individuals obtaining coverage in federally established exchanges. Under the reform law, the U.S. Department of Health and Human Services is given the authority to establish exchanges in states that don't.

The health care reform law "leaves this policy judgment to each state and provides a mechanism for each state to choose the alternative it thinks better for its people," according to the suit. "The final rule upsets this balance by providing, contrary to the act, that qualifying taxpayers" are eligible for subsidies if they enroll in an exchange "regardless of whether it is a state established exchange or an HHS-established exchange," he said.

Some say the lawsuit is on target.

PPACA "is clear. It explicitly and repeatedly restricts" premium subsidies to exchanges established by states, said Michael Cannon, director of health policy studies at the Cato Institute, a libertarian think tank in Washington. The law "contains no language whatsoever authorizing tax credits through exchanges established by the federal government."

Others disagree.

During a Cato Institute panel discussion in Washington this month, Mr. Jost said no one has found any statement by a member of Congress suggesting that the premium subsidies would be available only in state exchanges.

"A fair-minded judge, looking at the entire statute, its structure and legislative history will reach the same result" as the IRS in concluding that the law authorizes premium subsidies to be used for coverage purchased in federal exchanges, Mr. Jost said.

While the health care reform law is not a model of clarity, Oklahoma

See EXCHANGES page 25

CATASTROPHES

New York City braces for hurricane

By MATT DUNNING

New York officials were on high alert Friday as Hurricane Sandy tracked north and was expected to be within striking distance of the city early this week.

Though it was unclear how close to New York the storm would come, New York Mayor Michael Bloomberg said at least some impact was expected.

"Whenever or wherever it comes ashore, our city is likely to feel its effects in form of high tides, high winds and heavy rainfall lasting for several days," Mr. Bloomberg said during a news conference. As a precaution, the city suspended high-rise construction and maintenance work after 5 p.m. Friday.

As of 11 a.m. EDT Friday, the National Hurricane Center predicted Sandy would make landfall in southern New Jersey on Tuesday with sustained winds of 74 mph to 110 mph. Up to four inches of rain was forecast for the greater New York area between Monday and Wednesday.

Sandy last week caused at least three dozen deaths and several hundred million dollars in insured losses in the Caribbean, according to the Boston-based catastrophe modeler AIR Worldwide Inc.

Losses were expected to be greatest in Cuba, where the storm caused up to $2 billion in both insured and uninsured losses.

Insured losses were estimated to be less than $300 million in Jamaica and less than $100 million in the Bahamas, according to AIR Worldwide.

Though Sandy's impact on New York and its surrounding suburbs could be substantial, officials said it was not predicted to be as devastating as Hurricane Irene, which forced evacuation of more than 373,000 residents and a total shutdown of the city's public transportation systems in August 2011.

Irene inflicted an estimated $4.3 billion in insured losses in the United States, including $915 million in New Jersey, according to a November report by Insurance Services Offices Inc.

AP PHOTO

Heavy rains brought by Hurricane Sandy flooded homes in Port-au-Prince, Haiti, last week. Landfall on the East Coast is expected by Tuesday.

LIABILITY & LITIGATION

Former New York mayor calls for tort reform

Current system costs New York millions; led to 'brain drain'

By MARK A HOFMANN

WASHINGTON — A series of tort reforms could have saved New York City more than $100 million a year, but never received state legislative approval, according to the city's former mayor.

"Our legal system needs checks and balances" to assure fairness, Rudolph Giuliani told a luncheon at the U.S. Chamber Institute for Legal Reform's 13th annual Legal Reform Summit in Washington last week.

But Mr. Giuliani, who now serves as chairman and CEO of New York-based consultant Giuliani Partners L.L.C., called New York's tort system completely "unfair."

"I worked tirelessly for tort reform" while mayor of New York, said Mr. Giuliani, who held the job from 1994 through 2001.

He said that New York City Health and Hospitals Corp. is the second-largest hospital system in the country, for which it self-insures liability. Mr. Giuliani said that during his tenure as mayor, the tort bill for the hospital system ran about $300 million, or half of the city's total annual tort costs of approximately $600 million.

But he said half of the hospital system's tort costs stemmed from "phony claims." That resulted in an "incredible" of amount of what Mr. Giuliani called "wasted money" that could have been used to improve schools or other public services.

AP PHOTO

Mr. Giuliani

The tort problems were far from confined to the hospital system, he said.

As an example, Mr. Giuliani told the story of a man running down the street who tripped because of a pothole. The man was paralyzed. A jury awarded the man $70 million — later reduced to $4 million — from the city, Mr. Giuliani said.

The catch was the man was fleeing from a subway station where he had just assaulted a man and stolen his wallet. The paralyzed man was sentenced to prison. He was, however, allowed to keep the $4 million award, said Mr. Giuliani, who added that the man was now the richest inmate in Sing Sing Correctional Facility.

Mr. Giuliani said that as mayor of New York, he sought to have comprehensive tort reform, including limits on pain and suffering and punitive damages, approved by the state legislature.

"That would have probably saved us $150 million a year," he said.

But the legislature refused to pass tort reforms, he said.

As a result, New York City has had problems retaining physicians who earn their medical degrees at New York universities. Concerns about medical malpractice liability lead those physicians to practice elsewhere, such as Texas, where medical malpractice reforms have been in place for years, he said.

The lack of tort reform thus presents a "brain drain" problem for New York, Mr. Giuliani said.

RISK MANAGEMENT

Risk manager advice essential in mergers

Early input needed to avoid problems: Anderson Kill

By MATT DUNNING

NEW YORK—Risk managers should be included in their organization's merger and acquisition discussions far earlier than is usually the case, a group of experts said.

Issues such as the long-tail liabilities of a takeover target, inherited insurance programs and third-party insurance obligations should all be reviewed and discussed long before a deal is agreed on, they said during a presentation last week at Anderson Kill & Olick L.L.P.'s 13th annual Policyholder's Conference in New York.

Too often, however, corporate transition teams focus too much on the more glamorous aspects of a deal, such as pricing and integration of assets, and bring risk managers into the discussions only at the end of negotiations or after a deal is sealed, they said.

"As we've learned through experience, dealmakers often talk about liabilities in a vacuum, meaning it's often not easy for them to identify what the risks actually are and how insurance might come into play to cover them," said Diana Shafter-

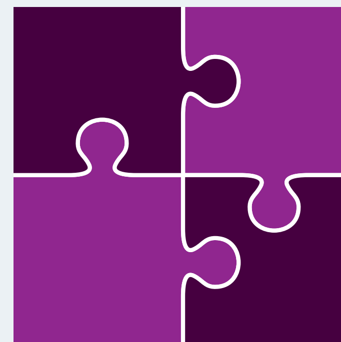
See **M&As** page 24

WORKERS COMPENSATION

Predictive modeling pros and cons

Training essential to properly interpret data, speakers say

By ANNA GAYNOR



VIRTUAL CONFERENCE

To access all the information, data and speakers who participated in *Business Insurance*'s 2012 Workers Compensation Virtual Conference, go online to *www.BusinessInsurance.com/CompCosts.*

The challenges and benefits of predictive modeling were the focus of one presentation during *Business Insurance*'s 2012 Worker's Compensation Virtual Conference on Oct. 25.

"We want to predict the future so we can change it," said Gary Anderberg, practice leader for analytics and outcomes at Broadspire Services Inc. "If it looks like a claim is going to have a high dollar potential, we want to do something about that."

Mr. Anderberg, who is responsible for the company's proprietary predictive modeling system, e-Triage, spoke about how a system can help adjusters not only identify which incoming claims need additional attention and resources, but also the best way to intervene.

His goal is to make the process as specific as possible by

See **MODELING** page 24

Workers comp price hikes likely to continue in 2013

By ROBERTO CENICEROS

An "enormous amount" of insurable workers compensation payroll exposure will be unlocked as the economy creates more jobs, said Robert Hartwig, president of the Insurance Information Institute Inc.

While 4.7 million private sector jobs have been created since early 2010, that growth still is not sufficient to help millions of unemployed workers find a job, Mr. Hartwig said when discussing workers compensation insurance's link to the economy as well as ongoing insurance price increases.

The number of people on payrolls, which is workers comp's exposure base, dropped precipitously during the Great Recession. But 2011 marked the first year since 2005 that experts saw growth in premiums written, Mr. Hartwig said last week during a keynote address for *Business Insurance*'s Workers Compensation 2012 Virtual Conference.

Mr. Hartwig

"That is absolutely fantastic

See **HARTWIG** page 24

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

Keeping workers safe abroad

Midmarket companies should monitor hazards of traveling worldwide

By JOANNE WOJCIK

Anti-U.S. sentiment throughout the world poses considerable risks for employees of middle-market companies traveling outside of the United States on business.

Take the 2011 kidnapping of Warren Weinstein, a 71-year-old American aid worker from Rockville, Md., by a group claiming ties to al-Qaida. Mr. Weinstein, the Pakistan country director of J.E. Austin Associates Inc., a midsize development contractor based in Arlington, Va., reportedly was taken hostage by gunmen who broke into his home.

A spokesman for the company declined to comment on the situation, or on whether Mr. Weinstein eventually was released, which is not unusual. Most kidnappings go unreported.

In fact, companies that purchase kidnap and ransom insurance coverage cannot divulge the existence of such policies, even to their own employees, as a condition of coverage. Moreover, if word gets out to potential perpetrators that a company has K&R coverage, it could invite such nefarious activities, experts say.

"Very few people in a company should know about the existence of coverage, because it starts to get people to act in ways that they wouldn't normally act if they didn't have the coverage," said Jeremy Lang, New York-based senior vice president and manager of U.S. kidnap and ransom at Hiscox USA.

But corporate purchases of K&R insurance have been growing in recent years in response to the fact that kidnap for ransom and extortion have become global phenomena, affecting companies of all sizes operating in nearly all countries, experts say. While sometimes kidnappers have political motives — as in the Warren Weinstein case, where the group holding him demanded that convicted terrorists held in the United States be freed in exchange for his release — most abductions are financially motivated, K&R experts say.

"A lot of the time, the groups who grab people will say they're doing it for political purposes. But really, they're looking for money," said Sarah Katz, assistant vice president of the kidnap, ransom and extortion department at Victor O. Schinnerer & Co. Inc. in Chevy Chase, Md. In some cases, "one group might kidnap someone and then turn around and sell them to another group," she said.

"The vast majority of kidnaps have a financial objective," said Jeroen Meijer, Washington-based vice president and director of crisis and security for the Americas at Control Risks Group Holdings Ltd., a global security firm that is hired by insurers to help companies negotiate the release of kidnapped employees.

"The key reason kidnap becomes a popular crime is the risk-reward balance," he said. "The reason such incidents are less frequent in the United States and Western Europe is because law enforcement agencies there are stronger. However, kidnappers have more impunity to act if there is limited chance of being caught, prosecuted and imprisoned."

Control Risks also works with companies that are threatened with extortion, another crime that has been increasing in frequency as more U.S. companies expand internationally, according to Mr. Meijer.

"It's a growing problem in Latin America and Mexico, where companies get shakedowns from local criminal gangs," said Ms. Katz, adding that "more than 40% of the incidents responded to under our policies are actually extortions."

Another type of criminal activity that has become common in parts of Latin America is "express kidnaps," a form of extended carjacking that usually lasts less than 24 hours, according to Mr. Lang. In most cases, a victim is taken at gunpoint and driven "around to a whole bunch of ATMs and forced to withdraw as much money as they can, but the kidnapper never makes a call or a demand for money for the employee," he said.

While traditional kidnaps for ransom are believed to occur about once a week worldwide, "these express kidnaps happen daily, but a lot go unreported," Mr. Lang said. "It's a black statistic. The victims could be anybody. It's a crime of opportunity."

Wrongful detention situations, where employees are arrested and imprisoned by local authorities, is another risk that companies may face, particularly in regions antagonistic to the United States, according to Thomas Dunlap, Dallas-based assistant vice president and regional manager for global crisis management in Liberty International Underwriters' Southeast and Southwest regions.

"Say someone travels to a country where there are political disagreements, like Syria or Libya, and it is perceived that they are an unwelcome influence on the population. So the government trumps up some criminal charges and puts them in jail," he said.

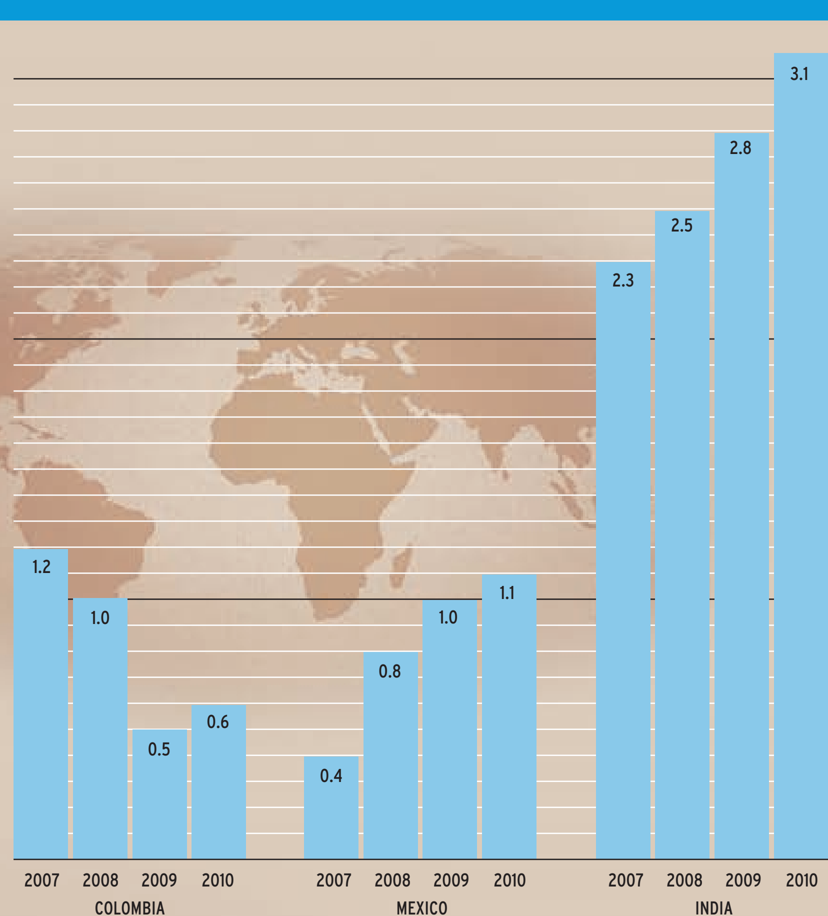
Many companies operating for many years in the Middle East were caught off guard by the political upheaval there starting in December 2010, forcing many of them to evacuate employees traveling or living in Tunisia, Egypt, Libya and Yemen, according to Andres Franzetti, engagement manager for partner solutions at Clements Worldwide, a Washington-based managing general agency that provides insurance solutions to expatriates and international organizations.

"We insure the vast majority of international schools operating overseas. Some of those based in Tripoli had this feeling (that) with the regime in place they would be safe," Mr. Franzetti said of the schools' sentiments before rebels seized Tripoli in August 2011 and Muammar Gaddafi's regime fell. "We had conversations with them, and they discounted them. Now people have learned a lesson."

"People have become complacent and believe certain things are not going to happen to them. Companies should evaluate all the potential threats at the risk management and C-suite level," he said.

TROUBLE SPOTS

National police-recorded kidnappings in certain countries, rate per 100,000 population



Source: United Nations Office on Drugs and Crime

Power of suggestion a woman's best defense?

What three items should women traveling solo internationally always be sure to include in their luggage?

A rubber doorstop, a wedding band and a pair of men's boxer shorts, said David Mair, managing partner at Champlin, Minn.-based Soter Healthcare Inc., who also consults on security assistance for corporate, scholastic and leisure travelers.

Putting a rubber doorstop under the inside of a hotel room's door will keep the door closed and an attacker out of the room even if the lock is picked, said Mr. Mair, who served as director of risk management for the U.S. Olympic Committee for 15 years before going into consulting. He also was president of the Risk & Insurance Management Society Inc. from 2001-2002.

Regardless of whether she is married, the woman traveler should wear the wedding ring to suggest she is married, which can be especially helpful in Arab countries where the culture discourages women from traveling alone, Mr. Mair said.

As for the boxer shorts, "Say someone enters her room while she's in the shower and he sees the boxer shorts lying on her bed. That suggests she is not alone," Mr. Mair said.

"Most companies have not done a good job of preparing their employees for foreign business travel," he said. As such, employees need to personally "assess the risk of where they are or where they are going."

— By Joanne Wojcik

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Opinions

EDITORIAL

Lawsuits signal need for change

Apparently innocent parties in the deadly meningitis outbreak are likely to be hit with lawsuits simply because they are perceived as deep pockets.

The tragic situation involving fungus-tainted injections of a steroid prepared and distributed by the New England Compounding Center already has led to some two dozen deaths.

As usual, plaintiffs attorneys are scrambling to file lawsuits.

Clearly, there were significant problems with the compounding center. A report issued last week by the Massachusetts Department of Public Health said the compounding facility, which is now shuttered, failed to await the results of sterility testing before distributing the steroid.

The report said black particulate matter was visible in several sealed vials of the recalled steroid. It also said that a leaking boiler near the required clean room at the Massachusetts facility created an environment that was susceptible to growing contaminants, among other problems.

But with the compounding center shut down and potentially limited insurance to cover any claims, possible compensation for the victims is likely to be limited. So in apparent desperation, these attorneys are beginning to sue the physicians and clinics that administer the injections that led to the meningitis.

Many predict the flood of litigation has only begun.

There may be some question as to whether the doctors should have been aware the compounding center was reportedly manufacturing the steroid in bulk, rather than on a per-prescription basis. But we don't really believe these doctors were acting with reckless abandon when they administered the steroid. Their only liability stemmed from a desire to relieve their patients' suffering.

Furthermore, most legal experts say cases filed against these health care providers are unlikely to be successful based on established case law.

But that does not mean some defendants and their insurers won't feel forced to settle lawsuits rather than spending enormous amounts of money to defend them.

It is a scenario that, with variations, has played itself out many times before. There has to be a better way. Perhaps the federal government, which has failed to date to introduce effective regulation of compounding pharmacies, should step in to compensate these victims.

LETTERS

RMI courses offer opportunities

TO THE EDITOR: I was recently handed a copy of the Oct. 15 issue of *Business Insurance* and was intrigued by the theme issue regarding talent and recruiting in the insurance industry. After reading Mark A. Hofmann's commentary on insurance being a college student career choice, I was prompted to email you (something I have never done when reading a business article). Your comments regarding not only the few students you knew who were pursuing

Continued on next page

SCHILLERSTROM

COMMENTARY

Risk management for the road

An employee's first business trip abroad can be daunting, especially if he or she doesn't have a lot of international travel experience.

I still remember the anxiety I felt over accessing the health care system in Singapore when I tripped and sprained my ankle there while attending a conference nearly 20 years ago. It was the first time I traveled out of the country on business, so being a bit embarrassed about my predicament, I didn't contact my employer back home. I also was concerned about the quality of health care I might receive in a foreign country, so I decided instead to seek treatment from the massage therapist in the hotel spa who wrapped my swollen ankle with an Ace bandage.

However, had I had any international travel savvy back then, I would have purchased a business travel and accident insurance policy prior to my departure that not only would have covered the medical expenses, but would have provided a toll-free phone number for an emergency response center that would have directed me to local medical treatment options.

JOANNE **WOJCIK**
SENIOR EDITOR

Employees face exposure to numerous health and safety risks while traveling internationally, ranging from the benign, like my sprained ankle, to the extreme, like kidnapping. It used to be that only the rich and famous were kidnap targets. But today, even the lowest-level functionary is vulnerable when traveling internationally, especially in developing countries. Global security specialist red24 estimates that these incidents occur more than 30,000 times a year worldwide.

In fact, a specific form of kidnapping is becoming increasingly common among international travelers, especially in Latin American countries: "express kidnapping," where kidnappers disguised as taxi drivers drive victims around to automatic teller machines at gunpoint, demanding that they make withdrawals. Sometimes victims are held for several days, because banks place daily limits on the amounts that can be withdrawn from ATMs. These crimes often are violent, with perpetrators abandoning their victims by the side of the road after they've roughed them up. Beware all gullible travelers: Don't hail a cab from a street corner in Colombia.

While most large companies typically direct substantial resources toward preparing expatriates for deployments overseas, they do little to brief employees who travel only occasionally outside of the United States. Middle-market companies, especially those that are expanding internationally for the first time, are even less likely to commit the resources necessary to adequately prepare their employees for the perils inherent in some international assignments.

But employers owe a duty of care to protect all of their employees while traveling on business. Business travel accident and kidnap and ransom insurance policies can help business travelers feel more secure, but a little travel risk management education will ensure even greater peace of mind.

Contact: *jwojcik@businessinsurance.com*

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CONTINUED FROM PREVIOUS PAGE

such a career path, as well as thoughts on trends in the industry regarding enterprise risk management and RMI being a "best kept secret," are the very reasons that led me to join the industry.

A little background on me: I would probably be considered one of those "rare" people you mentioned who majored in risk management and insurance in college, and had zero family relation to anyone in the industry. I graduated just this past May and am beginning week 4 of an intriguing new career with Willis North America Inc.'s national construction practice. I was working as a personal banker at a retail bank in college, leaning toward a degree in finance, when I was exposed to an introduction to risk management class with an inspiring professor named Debra Richardson, who sparked my interest in risk management. To say the least, my mind had not been made up immediately, but after further research that following semester, backed by perfect timing of the University of North Texas' skyrocketing RMI program — and (most importantly) UNT's 100% job placement percentage with their risk management majors — I became hooked.

Through a series of events, I took my last semester off work and dove headfirst into the risk management program at the college. I was awarded scholarships to attend conferences and symposiums, as well as being privileged to be a charter member for the start of the UNT chapter of Gamma Iota Sigma, an international RMI business fraternity.

What I really wanted to get at though, was my experiences in breaking into the insurance industry and some of the things I was exposed to during that process.

Like any college student, I — as you said — initially saw the insurance industry as a slow business that provided little excitement. It felt as though it were full of positions that would greatly improve my skills at using the "Approved" and "Denied" rubber stamps and require someone who either wanted to strictly sell or had an overwhelming love for filing papers. Through two great UNT professors, Enya He and the above-mentioned Debra Richardson, my world was opened up to an arena of opportunities that resembled nothing of what I thought insurance was like before.

Being a soon-to-be graduate with more than four years of banking experience, you would not believe how many times during an interview I would be asked by a potential employer, "What made you leave the banking industry?" or "Why would you study insurance?" I even had an executive look me in the eye and say, "No one I know ever studies to pursue a career in insurance, they all just stumble into the field — so I asked you here today to investigate and see if you're sane or not!" Now clearly, he was joking, but the points he made about everyone just falling into their insurance job holds true to what 99% of the "insurance people" I met said.

At a recent cocktail event, I did meet a fellow RMI graduate who felt the same why I did about the insurance sector being the best-kept secret when it came to jobs — especially with the statistic I kept hearing that 70% of the insurance industry is retiring in the next 10 years. If you think about that for a minute, you can begin to see the leadership vacuum that will be taking place soon, and I forecast a huge opportunity soon to be made available to those who are in the right place at the right time.

Long story short, I am now working for a great brokerage firm, privileged to do a job I would have not thought attainable in the beginning. But I do look back with full confidence and say I am more than happy that I discovered the "secret" and jumped in headfirst.

Thank you for the spotlight on students and recruiting talent in the insurance industry. Seeing as how this issue was specifically brought to my attention by having been a RMI student myself, the rarity of being one is still there. With firms recognizing this and beginning to focus time and resources in that direction, hopefully we will see it become more of the norm in the future.

Matt Summers
Assistant Client Service Specialist,
National Construction Practice
Willis Group Holdings P.L.C.
Addison, Texas

Great students, bright future

TO THE EDITOR: I applaud *Business Insurance* for dedicating an entire issue to talent with a focus on the attraction of young talent into our industry.

As a member of the board of trustees of Gamma Iota Sigma, *www.gammaiotasigma.org*, I've had the opportunity to engage with college students focused on a career in the insurance industry as well as industry leaders doing their part to champion our industry.

We recently held our national conference in Chicago, where 350 very impressive college students attended from around the country, and the amount of industry support was outstanding.

The industry support of organizations such as the Spencer Foundation and Gamma Iota Sigma, coupled with *Business Insurance* putting the spotlight on attracting young talent, bodes well for the future of our industry.

John F. Hammond
President, Great Lakes Region
American International Group Inc.
Cleveland

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MarketMoves

Allied World, Venture offer contractors program

Allied World U.S. has partnered with Venture Underwriters Inc. to offer a general liability program for commercial contractors.

With a focus on California, Arizona, Washington and Oregon, the service targets specialty trade contractors and small general contractors in the western U.S., Allied World Assurance Co. Holdings A.G. said in a statement.

The policy includes maximum limits of $1 million each occurrence, $2 million general aggregate and $2 million products-completed operations hazard aggregate. Claims are administered by National Claims Services Inc.

For more information, contact Peter Bishop at pbishop@ventureund.com.

Nexus acquires CIFS, forms new MGA

Nexus Underwriting Management Ltd. has acquired Credit Indemnity & Financial Services, a division of Novae Syndicates Ltd.

Nexus announced it would form a new managing general agency that will continue under the CIFS name. CIFS offers insurance programs across industrial and commercial sectors. The company also provides coverage for nonpayment of debts by insured customers for business and trade associations.

Programs are underwritten by Novae syndicate 2007 and other Lloyd's syndicates.

Terms of the transaction were not disclosed.

Seyfarth Shaw forms energy, clean tech group

Seyfarth Shaw L.L.P., based in Chicago, has launched an energy and clean technologies practice group.

The group is largely focused on transactional and regulatory work. It deals with the law firm's clients nationwide, including traditional oil and gas companies, renewable power and fuel producers, and clean technology and energy efficiency startups.

Chicago-based attorney Robert Winner and New York-based attorney Don Lepore will be co-chairing the new practice group.

Digital Insurance acquires Philadelphia benefits firm

Digital Insurance Inc. has acquired Philadelphia-based Montgomery Benefits Group.

The firm will operate as a part of Digital Benefit Advisors, a division of Digital Insurance. Montgomery primarily operates in the Philadelphia metropolitan area and the southern New Jersey market, representing small and midsize businesses, with a focus in service industries, including law firms, property managers and nonprofits.

Michael Steinberg, principal, will join Digital Benefit Advisors, along with the rest of Montgomery staff.

"Bringing Montgomery into our fold bolsters Digital's growing stronghold in the small- to medium-sized business sector in the Eastern United States," said Mike Sullivan, executive vice president and chief marketing officer of Digital Insurance, in a statement. "Michael and his team are known for their strategic consultative approach that helps clients meet business objectives. We are fortunate to add their considerable skills to our organization."

Markel buys classic car, vintage boat insurer

Markel Corp. has announced plans to acquire Essentia Insurance Co. from OneBeacon Insurance Group L.L.C.

Essentia will continue underwriting insurance exclusively for Hagerty Insurance Agency L.L.C. and Hagerty Classic Marine Insurance Agency L.L.C. The companies provide coverage for classic cars, vintage boats, motorcycles and other automotive collectibles.

"Our new relationship with Markel is a natural fit because we are both exclusively focused on specialty and niche insurance markets and are dedicated to providing the best protection to all types of collector vehicles," said McKeel Hagerty, CEO of Hagerty Insurance, in a statement. "This new relationship will allow us to continue to grow and develop new efficiencies to benefit our clients."

The transaction is subject to closing conditions, including regulatory approval of the change of control of Essentia. The deal is expected to close in January 2013.

TO SUBMIT ITEMS

BI's Products & Services column reports on new product offerings. Please send Products & Services news to Anna Gaynor, 150 N. Michigan Ave., Chicago, Ill. 60601 or email *agaynor@businessinsurance.com.*

BI's Market Moves column reports on activities by insurance industry companies and related entities. Please send news of Market Moves to Anna Gaynor, 150 N. Michigan Ave., Chicago, Ill. 60601 or email *agaynor@businessinsurance.com.*

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BOLD & BALANCED

New hedge fund-backed reinsurers aggressively manage both sides of business

By JONATHAN KENT

The 2012 hedge fund-backed entrants into the reinsurance market are benefiting from the track record of Greenlight Capital Re Ltd. as they look to convince buyers that their aggressive investment strategies will not disrupt their ability to meet their obligations.

While the reinsurers formed with hedge fund money this year are still seeking to establish themselves in the market, the track record of Greenlight Re makes their task easier, says John Berger, CEO of Third Point Reinsurance Ltd., one of this year's Bermuda start-up reinsurers.

"People are curious about the asset strategy, but I wouldn't say they're overly concerned," said Mr. Berger, whose company is backed by hedge fund manager Daniel Loeb's Third Point L.L.C. fund.

"We're the beneficiary of Greenlight Re, which has been around about seven years. They were the new model at the time. Now we can tell people, 'It's the Greenlight Re strategy,' and they know what that is," he said.

Greenlight Re was set up in the Cayman Islands in 2004 by hedge fund manager David Einhorn's Greenlight Capital fund and writes a broad range of property/casualty and specialty reinsurance business.

The company's financial strength rating of A was affirmed this month by A.M Best Co. Inc., which noted Greenlight Re's "exceptional enterprise risk management as it aggressively manages risks on both sides of the balance sheet."

Brian Schneider, Chicago-based senior director of insurance for Fitch Ratings, said Greenlight Re's underwriting performance had been largely as expected so far.

"At the same time, from what we can tell, they've taken more of the Florida-type risk," Mr. Schneider added. "If you'd invested in Florida

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Reinsurance: Trends & Issues

SPOTLIGHT

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PERSPECTIVE: WILL INSURERS AVOID LIBOR DISASTER?
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DATA snapshot

REINSURANCE BROKERS

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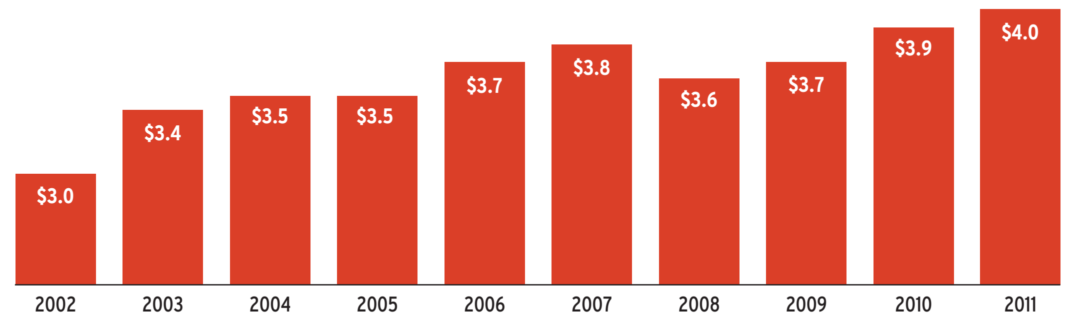
WWW.BUSINESSINSURANCE.COM/DIRECTORIES

REINSURANCE BROKERAGE REVENUES

Revenues of the world's 10 largest insurance brokers, in billions of dollars, increased in 2011 for the fourth consecutive year.



WORLD'S LARGEST REINSURANCE BROKERS

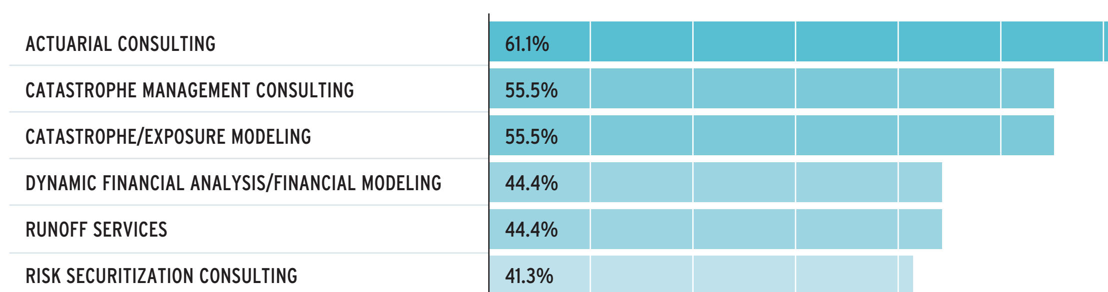
*Ranked by 2011 gross revenues from reinsurance brokerage and related services**

RANK	Company, address	Phone, website	2011 reinsurance gross revenues	2010 reinsurance gross revenues	% change	2011 employees	Officers
1	Aon Benfield 11 Devonshire Square, Fifth Floor London, England EC2M 4YR	44-207-088-0044 *www.aonbenfield.com*	$1,463,000,000	$1,444,000,000	1.3%	3,000	Michael Bungert, Dominic Christian, co-CEOs
2	Guy Carpenter & Co. L.L.C. 1166 Avenue of the Americas New York, N.Y. 10036-2708	917-937-3000 *www.guycarp.com*	$1,040,787,000[1]	$975,301,000[1]	6.7%	2,154	Alex Moczarski, CEO
3	Willis Re 51 Lime St. London, England EC3M 7DQ	44-203-124-6000 *www.willisre.com*	$763,000,000	$664,000,000	14.9%	1,478	John Cavanagh, CEO
4	Towers Watson & Co. Centre Square East, 1500 Market St. Philadelphia, Pa. 19102-4790	215-246-1600 *www.towerswatson.com*	$180,131,000	$172,289,000	4.6%	382	William H. Eyre Jr., managing director
5	JLT Reinsurance Brokers Ltd. 6 Crutched Friars London, England EC3N 2PH	44-207-466-1300 *www.jltre.com*	$165,330,600[2]	$147,221,160[3,8]	12.3%	N/A	Alan Griffin, executive chairman
6	Cooper Gay Swett & Crawford Ltd. 52 Leadenhall St. London, England EC3A 2EB	44-207-480-7322 *www.cg-sc.com*	$132,690,000[4]	$120,400,000[4]	10.2%	1,400	Toby Esser, CEO
7	BMS Group Ltd. 1 America Square London, England EC3N 2LS	44-207-480-7288 *www.bmsgroup.com*	$84,600,000[2]	$83,300,000[3]	1.6%	291	Carl Beardmore, group CEO
8	Miller Insurance Services L.L.P. Dawson House, 5 Jewry St. London, England EC3N 2PJ	44-207-488-2345 *www.miller-insurance.com*	$82,241,451[5,6]	$69,052,551[5,7]	19.1%	515	James Geffen, head-reinsurance
9	UIB Holdings Ltd. 69 Mansell St. London, England E1 8AN	44-207-488-0551 *www.uib.co.uk*	$53,402,560[2]	$49,958,400[3]	6.9%	317	Bassem Kabban, chairman-United Insurance Brokers Ltd./CEO-UIB Holdings Ltd.
10	Lockton Cos. L.L.P. 138 Houndsditch London, England EC3A 7AG	44-207-933-0000 *www.lockton.com*	$40,556,000[5]	$35,556,000[5]	14.1%	95	John Daum, executive director-Lockton Re

**Includes all reinsurance revenue reported through holding and/or subsidiary companies. 1 Includes aviation reinsurance business placed by Marsh Inc. 2 British pound = $1.5555 (2011) fiscal year ending Dec. 31. 3 British pound = $1.5452 (2010) fiscal year ending Dec. 31. 4 Revenue reflects Cooper Gay Swett & Crawford Ltd. reinsurance business only. 5 Fiscal year ending April 30. 6 British pound = $1.6238 (2012) fiscal year ending April 30. 7 British pound = $1.6691 (2011) fiscal year ending April 30. 8 Restated. N/A Not available.*

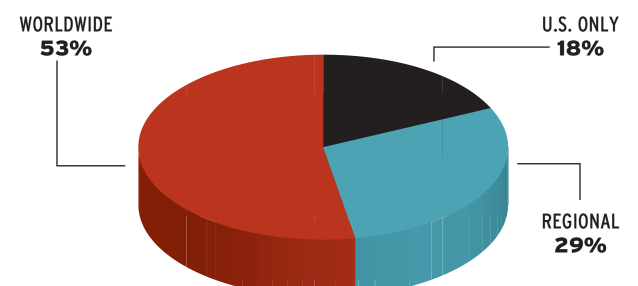
SERVICES PROVIDED BY REINSURANCE BROKERS

Based on percentage of companies offering services other than reinsurance brokering for all BI survey participants



GEOGRAPHIC SCOPE OF SERVICES

Includes all reinsurance brokers participating in the BI survey



Source: BI survey. Researched by Angelina Villarreal

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Hedge: Hedge fund-backed reinsurers' balancing act

CONTINUED FROM PAGE 11

underwriting for the past six years, you'd expect to have pretty good results. So it would be difficult to tell with those guys if they are overexposed on the underwriting side. Based on the models they've put in place, the balance of the risk should be on the investment side."

The same is true of the 2012 hedge fund-backed Bermuda startups, which include SAC Re Ltd., backed by Steven Cohen's SAC Capital Advisors Group Inc., and PaCRe Ltd., a joint venture between Bermuda reinsurer Validus Reinsurance Ltd. and Paulson & Co. Inc., run by John Paulson. These two, as well as Third Point Re, all have A- ratings from A.M. Best and have their assets managed by their hedge fund backers.

Different asset managers bring varying levels of volatility to the portfolio. Take Mr. Cohen, who returned 8% in 2011 and was up 8% through August this year, according to Forbes magazine. Compare that with Mr. Paulson, whose Advantage Plus fund gained 17% in 2010, then lost 50% in 2011, according to Bloomberg L.P. reports.

Where the reinsurers also differ is in their underwriting strategies. SAC Re will write a mix of property catastrophe reinsurance and long-tail liability business, while Third Point Re steers clear of catastrophe business and has started by writing multiperil crop reinsurance, nonstandard auto, standard auto and workers compensation. PaCRe also will underwrite some catastrophe risk, focusing on the top layers.

Mr. Berger acknowledged that it is a tough time to enter the market. "It's a very competitive marketplace, and we're a new, relatively small reinsurer," he said. Third Point Re has $750 million in capital.

"In addition, because of our asset strategy, we're not going to be a property catastrophe player, which is the biggest and the best part of being a reinsurance company.

"Given all that, I think the reception we've had is quite good. We know a lot of people who have gone out of their way to give us a look at business — not just brokers, but also other reinsurance companies."

For brokers, the extra capital coming to market is welcome. Charles Withers-Clarke, executive vice president of Willis Re Bermuda Ltd., said the variety of approaches from the new players also is helpful to the market.

"Each of the companies has differing strategies with varied, targeted lines of business, and this added diversity to the existing market provides value to our clients around the world," Mr. Withers-Clarke said.

He also said he is hopeful that the newcomers will be long-term market players, compared with hedge funds that have invested in temporary reinsurance vehicles such as sidecars.

> 'Each of the companies has differing strategies with varied, targeted lines of business, and this added diversity to the existing market provides value to our clients around the world.'
>
> Charles Withers-Clarke, Willis Re Bermuda Ltd.

"Through them seeking their own A.M. Best ratings, we obtain a better transparency than we would from third-party capital acting behind existing players and this provides us with increased confidence of stability of capacity for the future," he said.

The hedge-fund backers of the new companies are focused on the investment strategy, rather than the underwriting strategy. A Bermuda reinsurer creates an efficient asset-management platform for them, in that tax treatment of returns is beneficial and also investors cannot easily pull out their money, providing protection for the fund managers from mass redemptions during times of market weakness.

While the hedge fund-backed players' emphasis clearly is on investments, some believe they eventually could have a significant impact on reinsurance rates.

In a September bulletin, Fitch Ratings suggested that in years of high investment returns, reinsurance prices "could drop below their sustainable level." In such a scenario, traditional reinsurers making single-digit investment returns "would struggle to remain profitable."

Some existing reinsurers are embracing the hedge funds' entrance. Hiscox Ltd. has joined Third Point Re in a joint venture to establish a catastrophe reinsurance funds management business. Allied World Assurance Co. Ltd. acquired a minority interest in private-equity and hedge fund firm MatlinPatterson Global Advisers L.L.C., who eventually will manage $500 million of the insurer's assets.

The convergence between the capital markets and reinsurance looks set to continue.

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Fears over inflation raise questions about bond investment strategies

By JONATHAN KENT

The extreme aversion that most reinsurers have for investment risk is leaving them vulnerable to the potential effects of a bursting bond bubble, say some experts.

David Flandro, New York-based global head of business intelligence for reinsurance broker Guy Carpenter & Co., said reinsurers' balance sheets were highly susceptible to interest rate increases given the heavy weighting of highly rated, low-yielding government bonds in their portfolios.

A 1.5% increase in inflation added to a similar rise in U.S. Treasury yields would have a multibillion-dollar negative impact on reinsurers, according to research by Mr. Flandro and his team.

The highest-rated sovereign bonds that dominate reinsurance firms' investment portfolios would lose value as interest rates climbed, shrinking balance sheets. At the same time, inflation would bring higher claims.

With the global economy afflicted by anemic growth and the U.S. Federal Reserve having vowed to keep rates at historically low levels into 2015, inflation is not widely seen as an immediate concern. However, many industry observers believe price increases are inevitable in the coming years, given the vast scale of central banks' quantitative easing around the world.

Mr. Flandro says a high-grade, fixed-income securities bubble is inflating, and that economists working for most of the biggest reinsurers are well aware of the risks this poses.

"Virtually all of the reinsurance sector owns one of a few asset classes in the majority — German bonds, Swiss government bonds, U.S. Treasuries, British gilts or Japanese government bonds," Mr. Flandro said. "The corporate bond portfolios of reinsurers have also become more conservative in the last two years. The equity gearing of reinsurance companies' portfolios is at an all-time low as far back as we can measure it. This means that the sector is very susceptible to interest rates.

"As interest rates go up, bond prices go down, causing mark-to-market losses and directly impacting reinsurers' balance sheets," Mr. Flandro said.

While low interest rates have reduced reinsurers' investment income to a trickle, they have effectively boosted the industry's capital through the increase in bond valuations as interest rates fell.

"If 2011 was such a big catastrophe year, how was the reinsurance sector able to increase its capital?" Mr. Flandro said. "The answers are unrealized gains and reserve releases — it certainly did not come from underwriting. The question the reinsurance sector is rightly asking is: How much of those gains are truly tangible, and do we lose some of that capital if interest rates go up?"

Cliff Corso, CEO of New York-based Cutwater Asset Management, which has $32 billion of fixed-income assets under management, believes a more immediate concern for reinsurers should be a fall in bond values as investor appetite grows for riskier assets, though he appreciates the inflation risk is real.

"We're sitting on a powder keg of unignited liquidity," Mr. Corso said. "The Fed's balance sheet is a very significant component of (gross domestic product) and of stock market capitalization. There's not a lot of velocity in this capital, but the potential does exist for unleashing that liquidity through the system, as and when velocity begins to pick up.

"The flight to quality poses the greater risk, in our view."

The risk markets had been "on a tear" in 2012, he said, with strong gains in stocks and lower-rated bonds. Logically, this should have been accompanied by a rise in Treasury yields as investors veered toward risk assets. Instead, Treasury yields fell.

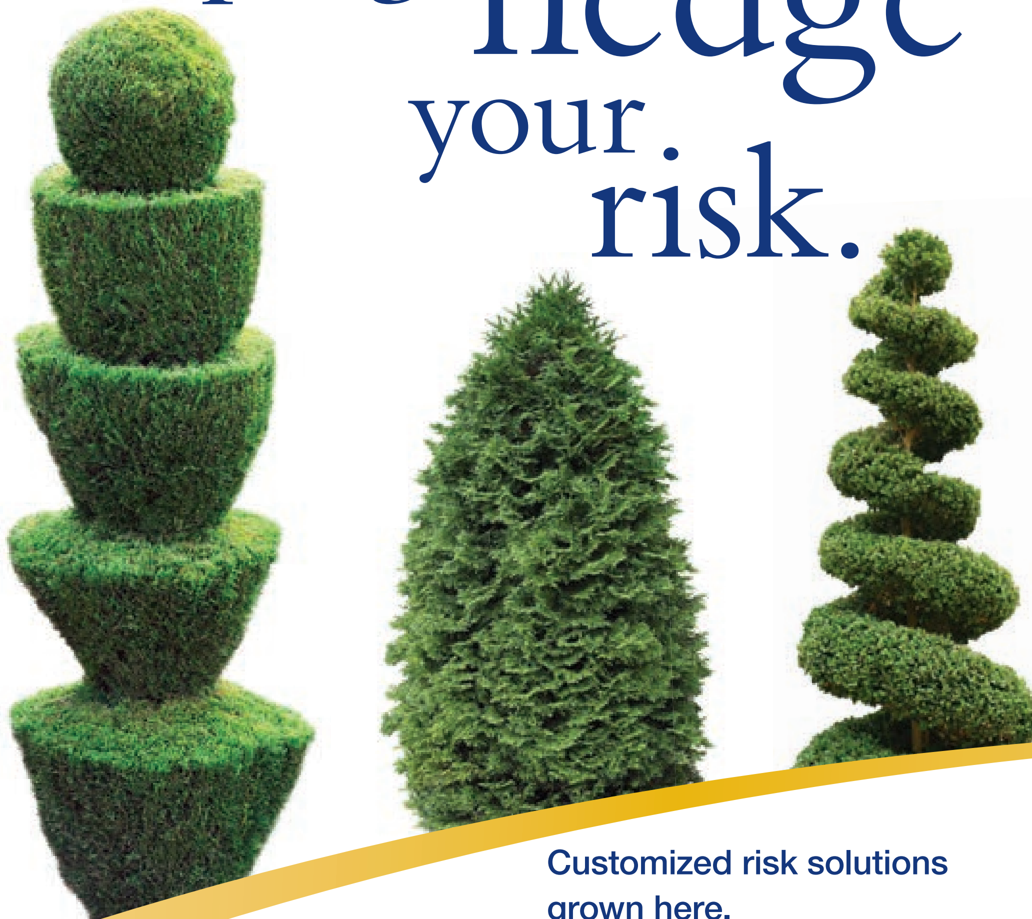
"If we're right in our view that tail risk continues to be reduced throughout the globe over the next year and beyond, then we should expect the Treasury market to sell off," Mr. Corso said.

"We shouldn't be surprised to see rates go 100 basis points higher. But I don't think the bubble will pop, because there are still tail risks and there's still a lot of debt to be (deleveraged) over the next few years. That will keep a bit of a lid on this Treasury market."

Mr. Corso said tools for mitigating sovereign bond bubble risk included adjustment of duration and credit risk level within the portfolio, the sacrificing of liquidity for yield and the use of floating-rate instruments like collateralized loan obligations.

Arthur Wightman, Hamilton-based Bermuda insurance leader for PricewaterhouseCoopers L.L.P., said interest rate sensitivity and inflation had featured in reinsurance executive surveys by his firm.

"Owing to relatively conservative fixed income portfolios, reinsurers tended to weather the financial crisis a lot better than the broader financial sector, so it's interesting to see an environment evolve where strategies designed to reduce risk are manifestly creating increasing risk profiles for those reinsurers," he said.



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Cat bond listing shows potential for secondary market

Surge in ILS issuance cushions cedents from pricing swings

By BILL KENEALY

Greater issuance of insurance-linked securities in general and catastrophe bonds in particular have helped define the reinsurance market in 2012.

According to a July report by Aon P.L.C.'s Aon Benfield Securities unit, catastrophe bond issuance during the first half of 2012 stood at $3.6 billion, which was just short of the all-time record of $3.8 billion achieved during the same period in 2007.

Despite accounting for less than 10% of overall reinsurance capacity, the influx of capacity provided by insurance-linked securities has helped cushion the market from rapid price and capacity swings in the wake of natural catastrophes, said William Dubinsky, New York-based managing director of Willis Capital Markets & Advisory, a unit of London-based Willis Group Holdings P.L.C. "While the overall capacity of the ILS market remains very much a minority of the volume provided by traditional reinsurance, it plays a very important role in dampening the cycle."

One factor aiding ILS growth has been an increase in demand from investors in the wake of the financial crisis. As a risk uncorrelated to the financial markets, ILS represent a hedge against uncertainty in the financial world, said Mark Helyar, managing partner of Bedell Cristin Guernsey Partnership, a law firm based in St. Peter Port, Guernsey, that helps companies structure ILS deals.

In addition to providing diversification for the portfolios of institutional investors, ILS may outperform other asset classes, Mr. Helyar added. "There are good returns to be had in this if you have the proper spread of risk," he said. "For a sophisticated investor, it is a suitable alternative for quick return, but it's very high risk."

While traditional asset managers and multi-strategy hedge funds invest in insurance-linked securities, most of the money comes from specialist funds dedicated to investing in insurance-linked securities.

"One of the things the ILS market has done is try to isolate for investors the catastrophe risk and take all the other moving parts out of the picture," Mr. Dubinsky said.

Another indication of the evolution of the catastrophe bond market is the emergence of a secondary market to trade ILS.

"For a subsector of ILS, cat bonds, we do already have a fair amount of trading that goes on," Mr. Dubinsky said. While traditional reinsurance products are illiquid, the new issue and secondary cat bond market affords investors additional flexibility. "I think it is very important for investors to get secondary market indications based on actual trading and, if necessary, revalue their positions."

Mr. Helyar said the law firm recently helped arrange the first listing of a private catastrophe bond on a public exchange. In October, Solidum Re Eiger IC Ltd., a Guernsey-based incorporated cell of Zurich-based Solidum Re ICC Ltd., listed $52.5 million in notes from a private reinsurance treaty between Solidum and the California Earthquake Authority on the Channel Islands Stock Exchange.

"One of the main reasons for doing this is transparency so that a prospective investor knows exactly what they are buying," Mr. Helyar said. "They are not buying bonds in a general reinsurer; they are buying a slice of a specific insurance treaty."

Another reason to list private deals on a public exchange is that private ILS trades may violate internal governance standards of certain investors, such as pension funds.

Paul Schultz, CEO of Aon Benfield Securities, said the public listing coincides with the larger trends of greater transparency and greater liquidity shaping the ILS market. However, he noted that the listing of ILS on public exchanges does not immediately equate to trading, at least in the short term.

"This is still a more privately traded market and it has not gotten to the point of widespread trading on exchanges, but it doesn't mean that we won't get there at some point," Mr. Schultz said.

$3.6B

According to a July report by Aon Benfield Securities , catastrophe bond issuance during the first half of 2012 stood at $3.6 billion, which was just short of the all-time record of $3.8 billion achieved during the same period in 2007.

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Growing more business in Brazil

Reinsurers optimistic on long-term results despite challenges

By STUART COLLINS

The first years of the newly liberalized Brazilian reinsurance market were marked by a fiercely competitive and soft market, as well as some unwelcome protectionist measures from the country's regulator.

But despite the bumpy start, foreign reinsurers remain optimistic about the long-term prospects for Brazil, with its booming oil sector, massive infrastructure investments and an expanding middle class.

From 1939 until market liberalization in 2008, the Brazilian reinsurance market was dominated by a government-owned reinsurance monopoly, the Instituto de Resseguros do Brasil, more commonly known as IRB Brasil Re. But legislation passed in 2007, known as Complementary Law 126, opened the market to domestic and foreign players, changing the cost, type and scope of reinsurance purchased by many Brazilian insurers, experts say.

BRAZIL PREMIUMS GROWING

A growing middle class, abundant natural resources and infrastructure projects are boosting Brazil's insurance market. There were 112 active insurers companies in Brazil as of February.

2011 PREMIUMS

Total	$56.0 billion
Nonlife	$25.3 billion
Reinsurance	$3.01 billion

Source: A.M. Best Co. Inc. analysis of data from Brazilian regulator Superintêndencia de Seguros Privados

Brazil is a very challenging market for reinsurers, said Margo Black, head of reinsurance for Latin America South and president of Swiss Re Brasil Resseguros S.A., the Brazilian subsidiary of Swiss Re Ltd. formed in June. More than 100 reinsurers have entered the market in the past four years, adding capacity and putting pressure on rates, she said.

Reinsurance demand is mostly in industrial lines such as property, engineering, construction and marine, with little demand in personal lines, said Kurt Müller, president of Munich Re do Brasil Resseguradora S.A. in São Paulo.

There also is potential demand from some property and motor insurers for reinsurance products, such as quota share, that provide capital relief, said Mr. Müller, as the Brazilian regulator in 2011 embarked on a five-year plan to introduce stricter solvency rules that could require some insurers to bolster their capital bases.

But because of the excess capacity, rates have dropped in every line of business, Mr. Müller said. For example, rates in engineering lines fell 25% last year and are expected to fall a similar amount again in 2012. "It is a similar story in property," he said.

The situation is becoming increasingly difficult for reinsurers, said Ms. Black. "Some reinsurers may have been lenient on rates to get a foot in the door but this approach is not sustainable over the long term. Some are writing at terms and at rates that are not adequate, and this may have to change."

Some foreign reinsurers have tried to raise property rates, said Fernando Prado, chief executive of Cooper Gay Do Brasil Corretora de Resseguros Ltda. in São Paulo. But if a reinsurer requests an increase they will likely lose the business and be replaced by another reinsurer offering lower rates, he said.

"The market is still young, and it is proving difficult for international reinsurers to apply their own global guidelines and approaches to underwriting," said Mr. Prado.

Brazil's insurers have had to quickly adjust to a very different market to that under the IRB Brazil Re monopoly, experts say.

The opening of the reinsurance market brought competition and new products to the Brazilian reinsurance market, said Nicolau Daudt, Rio De Janeiro-based CEO of JLT Re Brasil, a unit of London-based Jardine Lloyd Thompson Group P.L.C.

As a result, the learning curve for Brazilian insurers has been steep since the reinsurance market opened, said Ms. Black. The market is becoming more sophisticated, with insurers increasingly using excess-of-loss and stop-loss covers, as well as accepting sublimits in treaties, she said.

One victim of the market upheaval has been facultative reinsurance, which is typically used to reinsure commercial and specialty risks.

Demand for facultative reinsurance has reduced as Brazilian insurers increasingly co-insure and buy more substantial reinsurance treaties, said Ms. Black. "Middle-market facultative reinsurance has given way to co-insurance and adequate treaties," she said.

Since the market opened, there has been a significant change in the profile of reinsurance business, with a clear move away from facultative cover in favor of treaty, said Marco Castro, Lloyd's representative in Brazil. In 2007 Lloyd's Brazil business was 92% facultative reinsurance, but this proportion

Continued on next page

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CATLIN SEAVIEW™ SURVEY

Lloyd's of London syndicates with offices in Brazil see rise in premiums

Lloyd's of London syndicates that have established operations in Brazil under a Lloyd's admitted insurer license have seen premiums rise faster than the rest of the market.

Lloyd's premiums have tripled from the $100 million written in 2008 to $300 million in 2011, making the market the largest reinsurer in Brazil behind the state-owned Instituto de Resseguros do Brasil, said Marco Castro, Rio de Janeiro-based Lloyd's representative.

Premiums are expected to increase again in 2012 — the market has already seen premiums increase by 67% in the first half of 2012 when compared with the same period in 2011, said Mr. Marco.

As an admitted insurer, Lloyd's underwrites Brazilian business in London, but the local presence gives some syndicates an edge, according to Mr. Castro. Syndicates with local offices saw their Brazil reinsurance premiums grow by an average 184% between 2008 and 2011, compared with 103% for the market as a whole, he said.

Lloyd's has eight syndicates with offices in Brazil, with six of those co-located in Lloyd's Rio office. Lloyd's Brazil office is a "plug-and-play" model for Lloyd's syndicates, which makes it simpler and more cost-efficient for insurers to join without having to set up local legal entities. And, just like in London, brokers can come in and see all the syndicates in the same place, said Mr. Castro.

Lloyd's platform in Brazil is a low-cost way to access the market, said Florian Kummer, manager of the Latin America operations at Liberty Syndicate Management Ltd., the Lloyd's arm of Liberty Mutual Holding Co. "Local licensed reinsurers have a high fixed cost of business while admitted status gives added flexibility," he said.

Syndicates with an office in Brazil have first access to business and have a better understanding of the business culture.

They also have a better understanding of the quality of risks, which has contributed to Lloyd's improving loss ratio in Brazil, said Mr. Castro. The loss ratio has improved from 89% in 2008 to 44% in 2011, he said.

— By Stuart Collins

CONTINUED FROM PREVIOUS PAGE

has shrunk to 75% in 2010, Mr. Castro said.

Lloyd's operates as a licensed admitted reinsurer in Brazil, although it operates an umbrella office that covers eight Lloyd's syndicates (see related story).

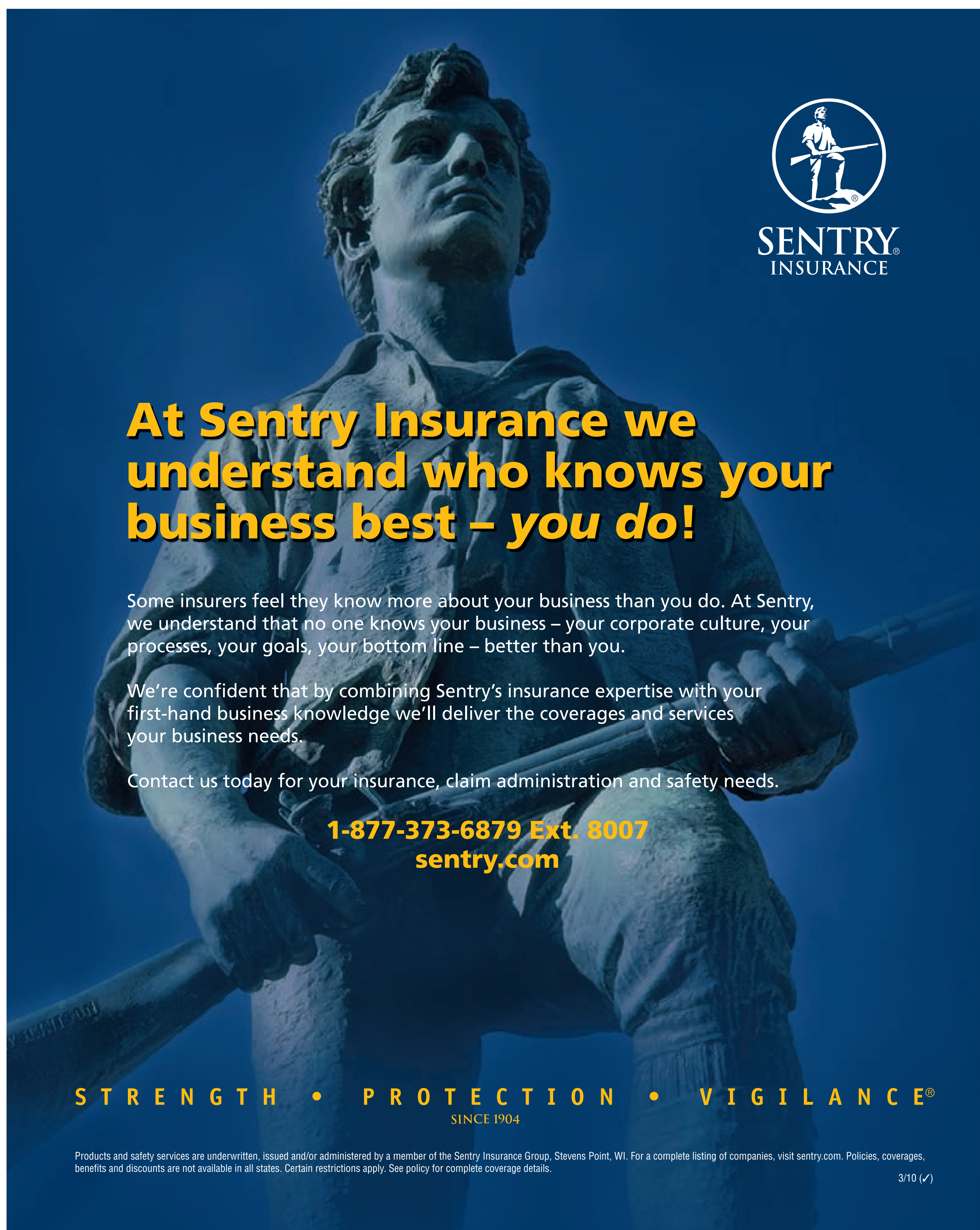
Brazilian insurers are becoming better capitalized and buy larger reinsurance treaties as pro-rata reinsurance capacity has grown, said Mike Hughes, Miami-based chief executive of Latin America at Aon Benfield, a unit of London-based Aon P.L.C. Insurers are therefore increasingly able to write net lines and are therefore more willing to write large risks on a co-insurance basis, he said.

Regulatory risk has increased in Brazil since the market opened, said Florian Kummer, manager of the Latin America Operation at Liberty Syndicate Management Ltd., the Lloyd's arm of Liberty Mutual Holding Co. There have been three major regulatory changes in recent years, all of which restricted the foreign reinsurance industry in an effort to protect state-owned IRB Brasil Re, he said.

According to Mr. Kummer, the changes included 2010 Resolution No. 225 that requires at least 40% of each reinsurance cession to be placed with local licensed reinsurers — IRB Brazil Re and the foreign-owned local licensed reinsurers like Munich Re and Swiss Re. Also in 2010, Resolution No. 224 placed a 20% limit of inter-company reinsurance cessions, while this year saw the creation of Agência Brasileira Gestora de Fundos e Garantias S.A., a state-owned insurer to write boom lines such as energy and construction.

The Brazilian reinsurance market is still not really open, said Mr. Müller. "It was never the intention of the government to totally liberalize the reinsurance market in Brazil. It wanted to protect local reinsurers but give foreign reinsurers a chance to compete in the market on the same terms as IRB Brazil Re," he said.

Brazil is still an attractive market for international investors and corporations across all sectors, said Ms. Black. Foreign firms are required to buy cover locally, which generates demand for international insurers and reinsurers in Brazil, she said.



Perspectives

Although the Libor scandal may have caused some financial institution insurers to fear the worst, so far it appears the consequences for claims may not be as bad as they at first feared, argue Bernadette Dono of Everest Specialty Underwriters and Kevin M. Mattessich of Kaufman Dolowich Voluck & Gonzo L.L.P.

Will insurers avoid Libor disaster?

By Bernadette Dono and Kevin M. Mattessich

Several months have passed since the Libor acronym entered the lexicon of alleged bank scandals. And despite some dire early predictions for directors and officers liability and errors and omissions markets, it seems possible Libor-related claims may not be a cataclysmic event for insurers after all.

The involved banks face real liabilities. One already paid $450 million to regulators, and total damage estimates range into the many billions of dollars. In the U.S. and abroad, criminal and regulatory actions are proceeding, and civil actions are under way.

Yet, the bad news is tempered. Many of the involved banks are not traded on American stock exchanges, somewhat blunting the typical rush to file under U.S. securities laws. Libor was influenced by a limited number of banks. With only those banks as the presently disclosed targets of investigations and litigation, it is difficult to see how uninvolved financial institutions without knowledge of alleged improprieties (e.g., hedge funds, brokers, financial advisers, etc.) could be drawn into these proceedings. And, at present, most proceedings target bank entities, not their directors, officers or employees.

Ms. Dono

Mr. Mattessich

Moreover, despite the huge numbers bandied about, it is simply unclear in some cases what potential damages resulted from the purportedly artificial depression of the Libor rates. Experts will likely debate for years over issues such as the net profit and loss effect of allegedly manipulated rates to plaintiff institutions who used Libor in their roles as borrowers, on the one hand, and as investors/lenders, on the other. And, if expert debates drag on too long, it is even possible plaintiffs' counsel could lose interest in Libor cases or have their attention diverted to another potential, and possibly more easily resolved, catastrophic loss.

Beyond the uncertain ultimate effect to financial institutions, the insurance market might breathe a sigh of relief in view of the nature of the allegations raised to date and the content of major financial institutions' insurance programs. Even if a few banks face liabilities, insurers might not.

As it did across the board for purchasers of D&O and E&O insurance policies, financial institution coverage evolved during the past decade's onslaught of litigation. Banks purchase professional liability coverage and management liability products on different terms than before. This development, and the nature of the allegations now raised with Libor, may mean some different results for insurers than they saw during other recent financial fiascos such as the initial public offering/laddering, credit crunch and Enron Corp./WorldCom Inc. episodes.

One difference may be found in the limit and retention components of E&O and D&O programs. Without threatening their capital base, some large banks maintain extremely high self-insured retentions and less gargantuan limit towers. Thus, insurers are less likely to have to contribute toward the defense of Libor exposures, and plaintiff settlement demands may be tempered where indemnity payments cannot simply be pushed to insurers.

Libor claims might not qualify for professional liability insurance coverage where current litigations do not allege "professional service" breaches as typically defined in E&O policies. At a threshold

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level, E&O insurance addresses customer claims but not, as here, claims of noncustomers complaining they paid more or received less in a Libor-based transaction. At the same time, D&O coverage usually does not conceptually extend to — and expressly excludes — professional liability exposures.

As for D&O coverage, many banks only purchase Side A policies, covering bank directors and officers, as opposed to the bank entity. Coverage under these policies is triggered only when insured individuals are sued and their bank employers can't indemnify them because, for instance, the bank is insolvent or a statute prohibits indemnification. Here, almost all lawsuits in the current Libor landscape name institutions, not individuals. Of course, this scenario could change, particularly as criminal and regulatory investigations progress. But for now, there is no identified cadre of alleged bogeymen bearing the brunt of investigations. Also, election rhetoric aside, it seems very unlikely any targeted bank will become insolvent or otherwise unable to defend their directors and officers.

An exception to this conclusion, however, and a potential Side A exposure, might lie with derivative actions, i.e. shareholder actions alleging individual directors and officers acted dishonestly or otherwise failed their management responsibilities. Corporate law allows entities to defend such accused individuals but may not allow indemnity, particularly in the face of intentional, dishonest conduct. Right now, however, it is not clear whether such derivative suits are or will be seriously pursued against Libor bank directors or officers, and with the minimal number of U.S.-domiciled or exchange-traded banks (those subject to our corporate and securities laws), the potential for Libor-related derivative suits may not be nearly as great as it was where past scandals touched a larger number of banks.

That leaves the issue of whether Side B and Side C coverage might be implicated in Libor cases. These coverages will generally indemnify a corporation that properly reimbursed a director or officer (Side B) or the company for its own exposure (Side C), but usually only in claims regarding the securities of the insured bank, for example a shareholder class action alleging stock price drop due to misrepresentations regarding Libor manipulations or exposure to the bank to claims arising therefrom.

Literally and figuratively, the jury will be out for quite a while before coverage under these provisions will be determined, but a few observations may now be in order.

First, there is the nature of the alleged wrongful acts. Libor lawsuits allege traders convinced bank colleagues responsible for providing interest rate information for use in the rate-setting process to skew matters in order to benefit bank trades; that similar requests were passed between banks; and that bank management instructed false Libor reporting in order to bolster results during the burgeoning financial crisis. These accusations give rise to allegations the banks violated antitrust and anti-restraint of trade laws. However serious, claims of this nature would not fall within the Side B or C definitions of securities claims, therefore no coverage for the entities/banks would be available. Moreover, if it were ever established that bank management knowingly sought to illegally influence rates, such intentional conduct would not be covered as a matter of law or public policy. At the same time, intentionally wrongful conduct and conduct known to bank management is excluded by express policy provisions.

Another question involves the type of proceeding at issue. Criminal or regulatory investigations, for instance, do not always constitute a defined policy claim. Fines and penalties imposed by regulators may not be covered by D&O or E&O policies; similarly, fines, penalties and awards of special damages based upon the nature of the acts alleged in civil lawsuits also may not be covered. Moreover, restitution or disgorgement-type damages — awards giving back to a claimant what was wrongfully taken — may not be covered, either under the policy definition of loss or by virtue of express exclusions or under common law.

The Libor scandal also has raised the uncomfortable allegation that managers within one or more banks, as well as senior regulators, may have known of improper manipulation practices as early as 2006. If accurate, such allegations might implicate "known wrongful acts" or "prior acts" and "prior claims" exclusions, where at least insofar as the persons or entities that knew (or are imputed to know) such information is concerned, coverage would be excluded. At the same time, such allegations raise questions as to the extent to which coverage attached under policies, if indeed questionable and wrongful practices were known to management and regulators before coverage was placed.

Time will tell how matters play out as the investigations and lawsuits proceed along their way. For the time being, however, it does not appear the Libor situation will be the fiasco for insurers that many initially feared.

Bernadette Dono is an attorney and claims manager at Everest Specialty Underwriters in New York. She can be reached at 646-746-1961 or bernadette.dono@everestnational.com. Kevin M. Mattessich is managing partner of Kaufman Dolowich Voluck & Gonzo L.L.P.'s New York office. He can be reached at 646-599-9419 or kmattessich@kdvglaw.com.

External factors driving risk management in Europe

By RODD ZOLKOS

Legal, regulatory or compliance risks remain the main external factor that drives risk management efforts at European companies, according to a survey of European risk managers, though catastrophic events have been replaced by shareholder requirements as the second leading factor.

The 2012 Risk Management Benchmarking Survey from the Federation of European Risk Management Associations showed 61% of risk managers surveyed citing legal, regulatory or compliance requirements as the main external risk management driver at their companies, down from 70% in FERMA's 2010 survey.

Shareholder requirements were cited by 33%, down from 39% in 2010, while corporate social responsibility was mentioned by 31% of those surveyed, down from 34% in 2010.

While the 2010 survey showed 45% of those responding citing catastrophic events as a main external risk management driver, this year's survey showed only 26% mentioning catastrophic events as a primary risk management trigger.

The survey showed that 79% of E.U. companies regularly perform risk mapping and that, in terms of assessing and quantifying risks, 60% are using risk assessment workshops and 44% are using internal or external databases.

The survey also showed, however, that most companies do not integrate risk management with strategic decision-making, with 66% of the companies surveyed reporting that they don't perform a systematic risk analysis before making major corporate decisions.

The survey showed a clear link between risk management maturity and company performance, with those with advanced risk management practices showing stronger growth in earnings before interest, taxes, depreciation and amortization and revenue.

61%

61% of risk managers surveyed cited legal, regulatory or compliance requirements as the main external risk management driver at their companies, down from 70% in FERMA's 2010 survey.

At companies with advanced risk management practices, 28% reported EBITDA growth of more than 10% compared with 22% where risk management was classified as mature, 15% for companies with moderate risk management practices, and 16% who said their risk management practices are emerging.

In terms of revenue, 29% with advanced risk management practices had revenue growth of more than 10% compared with 21% of those with either mature or moderate risk management practices and 18% of those who classified their risk management practices as emerging.

The results of the survey, which was conducted by FERMA in collaboration with Axa Corporate Solutions and Ernst & Young, were announced last week at the FERMA Seminar in Versailles, France.

The online survey was conducted between April 20 and June 17 and received responses from 809 members of FERMA member organizations and other approved risk and insurance managers.

Brussels-based FERMA brings together the national risk management association of 20 European countries and has 4,500 individual members.

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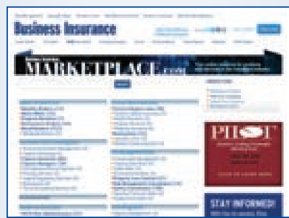

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ED FLANAGAN

NEW JOB TITLE: Boston-based executive vice president for William Gallagher Associates Insurance Brokers Inc.

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GOALS FOR NEW POSITION: To recruit, train and develop new client executives. I am looking for people who have been out of college for six to 10 years who want to make a career.

INDUSTRY CHALLENGES: The challenge any broker is facing is there is a perception that there is saturation in the market. So the challenge for brokers is to differentiate themselves. Finding talented people is another challenge.

BEST THING ABOUT A BAD ECONOMY: The good thing about the insurance industry is it is counter-cyclical in relation to the economy. As the other industries tumble, people will need more insurance. A bad economy can translate into more business for a good broker. A good broker can do well in a bad economy.

FIRST EXPERIENCE IN JOB MARKET: I started with a family insurance agency, my dad's, Flanagan Insurance Agency Inc. in Lexington, Mass. I saw how complicated some of the information could be. I majored in communications in college and one thing I know is how to communicate complicated material.

ADVICE: Focus on a niche and become an expert in that area.

OUTSIDE THE INDUSTRY, A DREAM JOB: Being a film producer or director.

HOBBIES: Sports, video production, writing and golf.

CAN'T-MISS TELEVISION SHOW: "Homeland." It's current and it's scary.

FAVORITE MEAL: Thanksgiving turkey.

ON A SATURDAY AFTERNOON: Watching my children's soccer game and then doing yard work.

EMAIL OR PHONE, AND WHY: Phone. It's much easier to make a connection with someone over the phone than over email.

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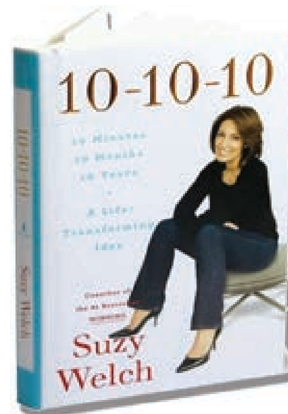

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Armstrong: Scandal puts firms' reputations at risk

CONTINUED FROM PAGE 1

After the U.S. Anti-Doping Agency released a report this month outlining details of alleged widespread doping by the cyclist and his team, companies associated with Mr. Armstrong began ending relationships with him, and Mr. Armstrong stepped down as Livestrong's chairman, though he remains on the organization's board.

The winner of seven Tour de France titles from 1999 to 2005, Mr. Armstrong saw those victories vacated and was banned for life from the sport by the International Cycling Union.

"Due to the seemingly insurmountable evidence that Lance Armstrong participated in doping and misled Nike for more than a decade, it is with great sadness that we have terminated our contract with him," Nike Inc. said in an Oct. 17 statement while indicating it would continue to support Livestrong's efforts to support cancer victims.

Brewer Anheuser-Busch Cos. Inc. took a similar approach announcing it wouldn't renew its relationship with Mr. Armstrong when its contract expires at the end of the year.

Any time a company aligns itself with a celebrity endorser, there's a risk that the person might engage in an activity that damages their reputation and that of the brand, said Lori Shaw, executive director, global entertainment group, at Aon Risk Solutions in Charlotte, N.C.

Mr. Armstrong is "probably the most notable sportsperson who's fallen this far that fast," and, as such, his story is likely to have an effect on companies' future consideration of using athletes in their marketing efforts, said Paul Swangard, managing director of the James H. Warsaw Sports Marketing Center in the Lundquist College of Business of the University of Oregon in Eugene, Ore.

"What it speaks to is it's a risk/reward business," Mr. Swangard said. "When done well with the right athlete and the right personality, people will favor your products. The risk of that is if that person turns out to be someone like Lance, that hurts your product."

"If you are a company that wanted to sponsor Lance Armstrong, you had to know that these doping allegations were out there and that there was the risk that they might be proved true or at least might not be refuted by Armstrong," said Brian Socolow, a partner at law firm Loeb & Loeb L.L.P. in New York, whose practice includes sports law. "They were putting dollars at risk. In my view, you need to take that into consideration."

"Really, the next step to that is not only do you do your due diligence, but you need to structure a contract as the company paying the endorsement money that protects you," he said.

Mr. Swangard said he thinks the Lance Armstrong scandal likely will lead more companies to "tie the contractual obligations to meeting specific business objectives."

"I think the athletes are losing some of their leverage, that Lance is one of those catalyst moments that shifts the controls back to the brands to say, 'Here are the rules you have to live by,'" Mr. Swangard said. "I think that's a good thing for the industry," he said. "I think that's a market correction that needed to be made."

Aon's Ms. Shaw said events like the Lance Armstrong scandal raise companies' awareness of the risks of celebrity endorsement deals. "These marketing campaigns that maybe people didn't think about or didn't hit the risk manager's sweet spot, now they're seeing what kind of impact they can have on a company's bottom line," she said.

Historically, there has been insurance available to transfer some of the risk associated with employing celebrities in marketing campaigns, she said. "If that person would unexpectedly die, become disabled or they did something that was disgraceful, there was insurance you could buy that would cover the cost of that campaign."

The Tiger Woods sex scandal that emerged in 2009 and its impact on companies that had marketing relationships with the golfer made businesses aware of additional risks, such as decreases in future income or devalued stock prices when a relationship with a celebrity endorser goes wrong, she said.

Randy Nornes, executive vice president at Aon Risk Solutions in Chicago, said several insurance products have emerged recently to try to address some of those exposures. Generally, those products place considerable emphasis on front-end risk management such as table-top exercises and other sorts of examinations of "what-if" scenarios, he said.

Companies involved with celebrity endorsers are increasingly recognizing the value of such risk management exercises, Mr. Nornes said. "Most companies are realizing they have to think these things through before something happens," he said.

Livestrong offers lesson in mitigating celebrity risks

While Austin, Texas-based Livestrong faces challenges as it navigates its relationship with Lance Armstrong, steps it's taken over the past several years ultimately might demonstrate how a nonprofit can manage risks associated with a celebrity benefactor, experts say.

"Livestrong has been separating itself from Lance Armstrong for more than a decade," including its rebranding as Livestrong in 2003, said Leslie Lenkowsky, clinical professor of public affairs and philanthropic studies in the School of Public & Environmental Affairs of Indiana University in Bloomington, Ind.

Over the past decade, the organization that started in 1997 also has built an expert staff, created a nationally known board independent of Mr. Armstrong, formed partnerships with leading anti-cancer organizations, and established many local chapters.

"Most important of all at this time is they have a very diversified revenue stream," Mr. Lenkowsky said.

"Livestrong is the exception," Mr. Lenkowsky said. "The truth of the matter is most celebrity philanthropies will not have done what Livestrong has done."

"It's always hardest when the charity has been driven more by celebrity interests," said Katherina M. Rosqueta, executive director of the Center for High Impact Philanthropy in the School of Social Policy & Practice at the University of Pennsylvania in Philadelphia. "Celebrities can raise the public profile of an issue or an organization but when it actually comes to bringing resources to support an organization's work it often comes from peers supporting one another."

To survive a celebrity benefactor's "fall from grace," a charitable organization needs a network of board members, volunteers and community spokespeople who can help make the case for the issues the organization is addressing, the progress it's made and the people it's helped, she said. Creating such a network has a two-fold benefit, Ms. Rosqueta said.

"It not only puts them in a position to better deliver on their mission, it's a great risk management strategy," she said.

— By Rodd Zolkos

Meningitis: Lawsuits target physicians

CONTINUED FROM PAGE 1

before distributing the steroid; there was visible black particulate matter in several sealed recalled vials of the steroid; and a leaking boiler adjacent to the requisite clean room created an environment susceptible to contaminant growth, among other problems.

A lawsuit filed Oct. 16 in New Jersey Superior Court in Bridgeton, *Jennifer L. Marko and Robert Marko v. New England Compounding Pharmacy Inc. et al.*, also named as defendants Vineland, N.J.-based Premier Orthopedic and Sports Medicine Associates of Southern New Jersey L.L.C., its surgical center and staff doctor Dr. Kimberly Yvette Smith.

Ms. Marko, who is suffering symptoms including severe headaches and slurred speech, is at increased risk of contracting meningitis from a steroid injection she received in September or October, according to the lawsuit.

A Premier spokesman could not be reached.

The compounding pharmacy "probably has limited insurance even if they have an excess policy, so what the lawyers are going to do is look for other deep pockets who may be responsible," said plaintiff attorney David Jaroslawicz a principal partner at Jaroslawicz & Jaros L.L.C. in New York, who said his firm was exploring whether to file litigation in the matter.

> **'I have to assume, because of the quantities involved, that physicians may very well have known, or should have known, what was going on.'**
>
> George F. Indest III,
> The Health Law Firm

Observers generally say, however, that suits against doctors, clinics and other medical providers are unlikely to be successful.

Assuming medical providers had no advance knowledge of the contamination, "the prospects of ultimate liability would be fairly small," said defense attorney James M. Beck, of counsel at Reed Smith L.L.P. in Philadelphia.

"If they're prescribing or filling prescriptions and have no knowledge of the contamination, they would have pretty good defenses," said defense attorney Kenneth M. Argentieri, a partner at Duane Morris L.L.P. in Pittsburgh. "But obviously it would depend on what the facts are in the individual cases."

If the physicians "have no reason to believe the medicine they are giving their patients is contaminated, it probably absolves them of liability," said plaintiff attorney Derek Merman of Houston-based Merman Law Firm P.C.

Grounds on which lawsuits could be filed against medical providers include medical malpractice and product liability.

Defense attorney George R. Talarico, a partner at Edwards, Wildman, Palmer L.L.P. in Madison, N.J., said to meet a strict product liability standard, plaintiffs would have to prove the product was defective, and that the defendant "engaged in the business of selling that product."

However, most courts have held that physicians and clinics are "not product sellers, that they're providing services," Mr. Talarico said. It would be even more difficult to establish there was medical negligence, where it must be proved the provider's actions were below the accepted standard of care, he said.

"I think that the plaintiffs may find themselves having a very, very difficult time sustaining any claims" other than those related to the compounding pharmacy, said defense attorney Anne R. Myers, a partner at Kaufman Dolowich Voluck & Gonzo L.L.P. in Blue Bell, Pa. This has been the case in analogous lawsuits, such as those involving tainted blood, she said.

However, defense attorney George F. Indest III, president and managing partner of Altamonte Springs, Fla.-based The Health Law Firm, said there could be a viable cause of action if the physicians knew the compounding pharmacy was not filling prescriptions individually, but distributing the steroid in mass quantities.

"I have to assume, because of the quantities involved, that physicians may very well have known, or should have known, what was going on," Mr. Indest said.

Anne Andrews, a plaintiffs attorney at Irvine, Calif.-based Andrews & Thornton, said medical providers that received shipment of the steroid reportedly filed prescriptions and other paperwork after the fact. But she also said she "wouldn't want to leap to any conclusions at this point." There are "some gray areas," pertaining to the law concerning compounding pharmacies, she said.

David A. Oliver, a partner at Vorys, Sater, Seymour & Pease L.L.P. in Houston, said he would not be surprised to see health care providers charged with simple negligence on the basis they "knew or should have known that such products are often contaminated."

"It's going to be tough," the defense attorney said.

Aetna: Employers drive data integration

CONTINUED FROM PAGE 1

mutual clients of Aetna and the TPA partners.

Details of the program are being discussed among Aetna and the TPAs, participants say. The initiative includes a single dial-in number where employees can report work-related and nonoccupational absences and be directed to the proper resources.

"That makes it easier for the member, the employee, because they may or may not have experience with what type of claim this is," Mr. Nelson said.

Mr. Nelson said the partnership was driven by an increasing number of clients in recent years seeking combined claims filing and absence management for disability and comp claims.

"We're seeing a trend in the marketplace that employers really want their vendor partners to coordinate and to integrate," he said.

Broadspire CEO Danielle Lisenbey said the company's partnership with Aetna is an expansion of a long-standing working relationship between the two firms.

"We're very tuned in to their services. They're tuned in to our services," Ms. Lisenbey said.

Emil Bravo, Itasca, Ill.-based executive vice president with Gallagher Bassett, said the integrated claims partnership will allow his company and Aetna to cross-sell their services to companies seeking integrated claims capabilities.

Gallagher Bassett handles workers comp claims, while Aetna manages short-term and long-term disability leave and Family and Medical Leave Act leaves. The companies' ability to complement each other, Mr. Bravo says, will help with attracting new business and retaining current customers.

"We believe once you do the cross-sell, we have a greater opportunity of not losing the customer in the long run," said Mr. Bravo, who said Gallagher Bassett has similar relationships with Chattanooga, Tenn.-based Unum Group and Hartford, Conn.-based Hartford Financial Services Group Inc.

Thomas Parry, president of the San Francisco-based Integrated Benefits Institute, said Aetna's partnership marks a shift among employers in recent years to better manage their disability and comp claims. In particular, he said the economic downturn left companies with leaner workforces, and companies are working harder to keep people on the job rather than on leave.

> 'We're seeing a trend in the marketplace that employers really want their vendor partners to coordinate and to integrate.'
>
> Keith Nelson, Aetna Inc.

"What's different today is the CFO and even the CEO in the employer organization is paying attention to these issues in a way that they didn't five years ago," Mr. Parry said.

DMEC's Ms. Carruthers said insurers and service providers are likely to start offering more integrated benefits models as employers push their providers for such support.

"I certainly applaud those companies that are willing to take the initiative and try these experiments because there is a certain risk involved with sticking your neck out," Ms. Carruthers said. "But it is something employers want."

Ms. Carruthers and Mr. Parry note that data sharing has been a key sticking point among companies that have considered offering integrated models in the past. However, they say service providers have been willing to push that reluctance aside to gain or retain customers that want claims data to be combined.

"You can't do anything without the right data and the employer knows it today," Mr. Parry said.

Parties in Aetna's integrated claims partnership said the data they share is limited to comply with the Health Insurance Portability and Accountability Act.

IBI's Mr. Parry said he believes integration of nonoccupational disability and workers comp claims is likely to continue as companies look to improve return-to-work times and medical outcomes in both areas.

"I think it's being trumped by the overarching need for the health of the workforce to be looked at in a new way and to be understood as part of the business strategy of the employer," Mr. Parry said.

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Thank you!

These outstanding companies are helping Conquer Childhood Cancers

Justin, 9, one of five St. Baldrick's Foundation 2012 Ambassador Kids

A community of donors, shavees and volunteers in the insurance and reinsurance industries have enabled the St. Baldrick's Foundation to fund more in childhood cancer research grants than any organization, except the U.S. government. Such generosity has helped position St. Baldrick's as a leading force in the fight against childhood cancers.

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To join these companies in the mission to Conquer Childhood Cancers, contact Partnerships@StBaldricks.org.

STBALDRICKS.ORG 888.899.BALD

M&As: Include risk managers early on

CONTINUED FROM PAGE 4

Gliedman, a shareholder in Anderson Kill's insurance recovery and environmental law practices. "That's where your risk professionals become so crucial, because they can appreciate the risks of certain activities and how they might threaten, or at least significantly implicate, a potential merger or acquisition."

Incorporating risk managers, brokers, forensic accountants and other liability experts at the onset of a proposed acquisition greatly increases the chances of identifying potential sources of liability, particularly if it involves business units or subsidiaries spread across a range of industries, the presenters said.

A company with a superficially low risk profile still could pose a significant liability risk to its purchaser if its assets include firms in high-risk industries such as energy, pharmaceuticals, technology and hospitality, said Robert Horkovich, also a shareholder in Anderson Kill's insurance recovery and environmental law practices.

"The lag time on risks like asbestos exposure can be upwards of three to four years," Mr. Horkovich said, adding that liabilities from an acquired company's subsidiaries can take years to emerge. "If you're buying a multifaceted company with a lot of tentacles reaching into different industries, you really need to understand the exposures that can open up."

Equally valuable to the negotiations is a risk manager's ability to spot insurance program complications on both sides of the transaction.

Frequently, purchasing companies struggle to obtain a clear sense of an acquisition target's insurance assets, as well as the scope of claims made against them, Mr. Horkovich said.

"They may have a piece of paper that says you've got coverage (after the purchase is completed), but really all you've got is a license to litigate," he said.

Risk managers also will likely be able to identify risk transfer mechanisms that could have serious implications for the true value of an acquisition target's insurance program, including retroactive premiums, fronting arrangements and high-deductible policies.

Another common sticking point in many negotiations, Ms. Shafter-Gliedman said, is the degree to which individuals and entities associated with an acquisition target can access insurance held by the purchasing firm, and vice versa.

In particular, issues over coverage for additional insureds easily can delay or derail a proposed purchase or merger. Some insurance policies spell out specifically which entities are covered, but many do not, leaving open the possibility that any of the acquisition target's executives, subsidiaries or third-party relationships could access the purchaser's coverage, Ms. Shafter-Gliedman said.

Conversely, risk managers could discover that the acquisition target itself is named as an additional insured in a third-party's coverage program, thus providing the purchasing company with an added layer of insurance.

"The issue of additional insured coverage can either be a lottery ticket or a land mine," Ms. Shafter-Gliedman said. "Either way, you've got to know what's out there."

Even if companies are only in the theoretical stages of planning a merger or acquisition, risk managers still should be included in the conversation, said audience member Lori Seidenberg, senior vice president of enterprise risk management at the New York-based Centerline Capital Group.

"Your risk manager may be working on your renewal, and the renewal application usually has specific questions about whether or not mergers and acquisitions are going to occur," Ms. Seidenberg said.

"Even if you're just contemplating a merger, you have to understand that not all risk managers have a seat at the table, and they may not be a part of discussions that are happening at the C-level," she said.

RISK MANAGER BACKSTOP

By including risk managers in the planning and execution of an acquisition, purchasing companies can substantially reduce the likelihood of common insurance complications, including disputes over:

- Acquired liability exposures, including claims incurred but not reported.
- Structure and valuation of acquired insurance policies.
- Claim history against acquired coverage, including settlements and commutations.
- Allocation of premiums among acquired business units.
- Coverage for additional insured parties, including subsidiaries and third-party relationships.
- Indemnification provisions in third-party contracts.

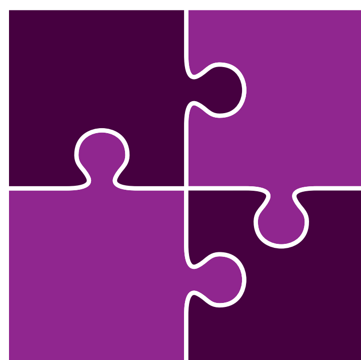
Modeling: Answers found in correlation of data

CONTINUED FROM PAGE 4

looking at age, gender and jurisdiction, but much of this information gets lost in the information gathering process.

"So many important aspects of what make the claim perform the way it performs in a typical claims system are entombed in narrative or text boxes," Mr. Anderberg said. "I refer to text boxes as where valuable data goes to die."

The two other speakers for this webinar were Michael Gavin, chief strategy officer at Prium; and Carol Ungaretti, director of risk control, claims and engineering at Aon Global Risk Consulting.



Both speakers laid out some of the continued drawbacks with predictive modeling.

"A lot of the predictive modeling we see today is highly specific and, as a result of that, it is precisely inaccurate — and that's OK as long as the claims handlers are properly trained in terms of the context and the interpretation of the output of predictive modeling," Mr. Gavin said.

He said he had found that many adjusters rely too heavily on these tools, while others do not trust them enough.

Ms. Ungaretti brought up the point again, encouraging adjusters to use the data in the context of their own companies. Her suggestion is that adjusters evaluate their own risk characteristics and build their solutions around their own needs.

"Both an organization and an adjuster — and the carrier and TPA tied to that adjuster — really need to look at what the correlation is between, perhaps, an organization and its idiosyncrasies and those predictors," Ms. Ungaretti said.

Later, in a question-and-answer session moderated by Sheena Harrison, associate editor at *Business Insurance*, all three panelists agreed on one more drawback: determining return on investment for the predictive modeling systems themselves. While Mr. Anderberg said he has found that Broadspire's E-Triage system shows about 10% to 15% cost differential, he said it's difficult to put a return on a diagnostic tool.

Ms. Ungaretti compared it with trying to implement a health or wellness program at companies.

You can view the event online at *BusinessInsurance.com/CompCosts.*

Hartwig: Higher prices last into 2013

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news and comp has actually gone from the fastest-shrinking line, (to) now in 2012, most likely to the fastest-growing of all commercial lines," Mr. Hartwig said. "So things are turning around (for insurers') top line. Things now need to turn around on the bottom line."

Insurers' bottom line is reflected by high combined ratios, which are driving underwriters to remedy the situation by obtaining higher prices for their products, Mr. Hartwig said.

"What we see is the poor results of workers compensation (with) the combined ratio being in the 116% to 117% range," Mr. Hartwig said.

"It is pushing rates upwards and what we see is that workers comp's most recent renewals in mid-2012 were up about 8%. Earlier in the year and late in 2011 (they were) up about 7.5%," he said.

The price increase trend is likely to continue into 2013 because increases are needed to turn around insurers' poor underwriting results, he said.

In discussing how the low interest rate environment is affecting insurers, he said workers comp underwriters are particularly sensitive to low interest rates because of the long-tail nature of claims.

Investment income is about 10% below its level before the financial crisis began, Mr. Hartwig said.

"In workers compensation, to offset a 1% decline in investment yield … the insurer needs to improve its underwriting results in workers comp by 5.7 points," Mr. Hartwig said. "In other words, it needs to reduce the combined ratio by 5.7 points."

Regarding the overall economy, Mr. Hartwig said that wage growth in general along with slow but steady job growth in several sectors have helped drive an increase in the workers comp exposure base.

But "it's going to take us another couple of years to completely heal the wounds from the Great Recession," Mr. Hartwig said.

To access the virtual conference, go to *www.BusinessInsurance.com/CompCosts.*

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Benefits: Firms strive to unite benefits services

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which supplier the employee should work most directly with to get the best help for their particular situation, Mr. McSwain added.

Increasingly, employers are concerned about coordinating the care provided by a wide range of benefit-related companies they contract with, said Thomas Parry, IBI president.

They want to eliminate the service duplications that occur when so many health and productivity providers overlap, Mr. Parry said. They also want to prevent employees from receiving confusing or conflicting messages that can result when there is a potential for workers seeking help to interact with so many different providers.

To help employers learn how to do that, Mr. McSwain and the IBI created a DVD containing how-to instructions for adopting an integrated approach to managing a typical patchwork of benefit program suppliers.

Along with other advice, the DVD provides a checklist for getting started and tools to help employers marshal their suppliers to share information about the range of programs provided for employees.

Silos among providers often prevent the sharing of program data and coordination of benefits delivery, according to the DVD, titled "Winning Together, Turning Vendors into Partners to Improve Workforce Health and Productivity."

"Whenever we have a lot of silos, we find as employers that it produces a considerable amount of waste," Mr. McSwain says in the DVD, which the IBI provides to employers free of charge.

That is why employers need to adopt a mindset that, as payers, they can drive service improvement by pushing their suppliers to coordinate with each other, Mr. McSwain said in an interview.

> 'Don't underestimate your ability to create improvement. Ultimately you are responsible because you are the payer. They are not going to do it unless they have someone that is pulling them forward.'
>
> Chris McSwain,
> Wal-Mart Stores Inc.

"Don't underestimate your ability to create improvement," Mr. McSwain advised other employers. "Ultimately you are responsible because you are the payer. They are not going to do it unless they have someone that is pulling them forward. That is why you have to have a vision and point of view about why you are doing it, and that is why we make the tools available."

While Mr. McSwain now works for Wal-Mart, where he implements such practices, material for the DVD arose from practices he implemented while working at previous employers such Whirlpool Corp.

In one scene, the DVD shows what resulted from a yarn exercise conducted during a "supplier summit." The exercise included a person standing in the middle of several suppliers with strings of yarn running from the hands of those receiving data to the hands of those sending the data.

The DVD shows a convoluted crisscross of yarn strings.

"We had made our point to all the suppliers in the room about how complicated this is and what critical roles they play and how they have to come out of their silo to truly have terrific employee experience and reduce waste," Mr. McSwain states in the DVD.

Apart from improving the employee's experience and eliminating waste, Mr. McSwain's supplier management strategy emphasizes helping transition providers along a service improvement continuum that ranks them as either vendors, suppliers or partners.

The more they improve their involvement, flexibility and outcomes focus, the more they move toward partner status.

"Employers, it's safe to say, have rarely used their leverage to create a real business partner that supplies benefit services," the IBI's Mr. Parry said. "And I think that is what Chris talks about. The message is, 'Look, if you are going to do business with me as an employer, then I want you to be a partner. But to be a partner, you have got to do these things.'"

Exchanges: State's suit threatens health reform

CONTINUED FROM PAGE 3

faces an uphill battle as courts generally give deference to federal agencies in their interpretation of law, said Paul Dennett, senior vice president-health care reform with the American Benefits Council in Washington.

What is clear is that the outcome of the lawsuit could be crucial for the future of the health care reform law, observers said.

If premium subsidies are not available in federally established exchanges, "No one would go to those exchanges. The whole structure created by the health care reform law starts to fall apart," said Gretchen Young, senior vice president-health policy at the ERISA Industry Committee in Washington.

"The health care reform law would become a meaningless law," added Chantel Sheaks, a principal with Buck Consultants L.L.C. in Washington.

Under the law, penalties against employers that do not offer coverage or do not offer affordable coverage would begin in 2014 only if an employee eligible for a premium subsidy through an exchange actually uses it.

But should the courts uphold Oklahoma's lawsuit, such employers would not face such penalties if their employees live in states that do not set up exchanges.

Under the law, employers are liable for a $2,000 per full-time employee penalty if they do not offer coverage. If employee premiums for individual coverage exceed 9.5% of their wages, the employer is liable for a $3,000 penalty for that employee.

inBrief

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P/C industry first half 'improved substantially'

The U.S. property/casualty insurance industry's underwriting and operating performance "improved substantially" during the first half of this year, according to A.M. Best Co. Inc. The insurance industry's net income rose 191.4% from the first half of 2011 to $20.4 billion in the first six months of this year. The industry registered a combined ratio of 101% during the first six months of this year, an improvement from 109.5% a year earlier.

Employers to continue offering health benefits

Most employers are planning to continue offering health benefits for their employees even as the Patient Protection and Affordable Care Act is fully implemented over the next five years, according to the Midwest Business Group on Health. Out of 111 Midwestern employers surveyed in August, only 8% said they intend to drop health care coverage for active employees in 2018.

Florida to increase comp rate to 6.1%

Florida Insurance Commissioner Kevin McCarty announced that he intends to approve a 6.1% workers compensation rate increase effective Jan. 1. The commissioner said his decision was based on information submitted in a National Council on Compensation Insurance rate filing and testimony provided during a rate hearing.

FERMA to roll out certification project

The Federation of European Risk Management Associations said it will announce a plan for European certification of risk managers at the FERMA Risk Management Forum beginning Sept. 29, 2013, in Maastricht, Netherlands. FERMA indicated last year it was considering a certification project, and it now will have a working group discuss the concept with its 22 member associations and possibly educators and project managers as it prepares a certification plan in time for the next forum.

Transactional risk insurance demand up

Demand for transactional risk insurance has increased 35% in the first half of 2012 compared with the first half of 2011, Marsh Inc. said. Total policy limits placed for the first half of this year were $2.3 billion, with 60% of the policies underwritten worldwide for corporate buyers or sellers, Marsh said.

Insurers plan to increase IT system spending

Insurance companies expect to spend slightly more on information technology in 2013 than they did this year, a report by Novarica found. The report was based on a survey conducted in September of 102 insurance company chief information officers. It said 29% of large property/casualty insurance companies and 40% of small/midsize property/casualty insurers expect their IT budgets to rise slightly in 2013, while 19% of each group expect their IT budgets to be much higher.

Few CIOs confident about cyber threats

Only 24% of state chief information officers feel very confident about their ability to protect their state's assets against external threats, while just 32% feel that their staffs have the required cyber security competency, according to Deloitte & Touche L.L.P. and the National Association of State Chief Information Officers.

Validus announces management changes

Validus Holdings Ltd. announced a series of pending executive management changes. The Bermuda insurer and reinsurer said Jeff Sangster will assume the position of executive vice president and chief financial officer effective Feb. 16. He will replace Jeff Consolino, who will leave Validus effective Feb. 15 to join another financial services company. John Hendrickson, a director of Validus, will join the company as director of strategy, risk management and corporate development, effective Feb. 16.

PUBLIC INFRASTRUCTURE PROJECTS: *PROTECTING INNOVATIVE CONSTRUCTION PROJECTS FROM NEW RISKS*

Join us Oct. 30 at 2 pm EDT for this Business Insurance webinar on how the surety market and risk managers are responding to the unique risks of public-private partnerships, also known as P3 projects. This **FREE** webinar, sponsored by Zurich Insurance, will present experts in the construction risk and surety bonding fields who will explore the many complexities of P3 projects.

To learn about speakers and register today for this event to attend live or after Oct. 31 on-demand, ***visit www.businessinsurance.com/webinars.***

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DRIVER UPS INSURANCE COVERAGE AFTER WRECK

A 23-year-old Philadelphia woman has been charged with insurance fraud after purchasing a collision policy for her car while on her way to the hospital immediately after an accident.

Regina Whitehead did not have comprehensive or collision insurance for her car when she was involved in four-vehicle crash in October 2011, according to a statement from the Pennsylvania attorney general. While riding in an ambulance after the wreck, Ms. Whitehead called to purchase an insurance policy for her damaged car.

Ms. Whitehead later reported the accident to her insurer, but lied by claiming that the crash happened after she purchased insurance coverage, according to the attorney general's office.

Ms. Whitehead faces one count of insurance fraud and one count of criminal attempt to commit theft by deception.

CONTRIBUTING: Roberto Ceniceros, Sheena Harrison, Bill Kenealy

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Is cellphone insurer being monkeyed around?

Animals are a frequent source of mobile phone mishaps in Britain, according to a company that sells cellphone insurance in the United Kingdom.

Mobileinsurance.co.uk compiled a list of the top 10 strangest claims submitted by its customers. The top contender was a farmer who lost his iPhone inside the "back end" of his cow while using its light during a calf birth, according to reports. Other claims included people whose phones were snatched by a seagull and a monkey.

Also in the top 10 were a couple who dropped their phone from a cruise ship while re-enacting scenes from "Titanic," a pyrotechnician who accidentally blew up his phone with fireworks, and a woman who baked her phone inside of a cake, reports said.

A spokeswoman for Mobileinsurance.co.uk told the Daily Telegraph that the claims were "fully and rigorously investigated."

"Judging by these claims, you really never know what you might need to claim for," the company's managing director, John Lamerton, told the newspaper. "My advice would be to just use the phone as a phone."

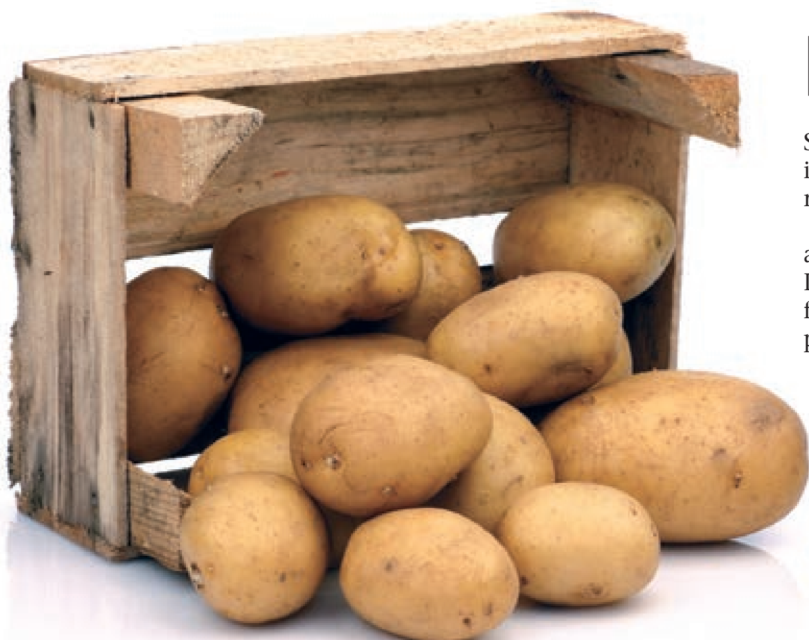
WOMAN CLAIMS MACY'S BROKE GOLDEN RULE

Macy's Inc. has been sued in federal court by a customer who says that earrings she purchased at the store are insufficiently golden.

Natalya Barsukova filed suit in the U.S. District Court, District of Massachusetts, on Oct. 10, alleging that earrings she purchased for $129 in April 2010 from a Macy's store in Burlington, Mass., were not "fine gold." According to the suit, the earrings were labeled "fine gold" but were instead sterling silver covered with a fine layer of gold or gold alloy. The complaint says Ms. Barsukova took the earrings to a jeweler after they became tarnished and was informed that the gold coating on the jewelry had worn off.

The plaintiff's attorneys, who are seeking class action status for the suit, note that the Federal Trade Commission prohibits the use of the word "gold" in advertising unless the product is composed entirely of gold or a gold alloy or if an adequate qualification such as "gold-plated' is used in the product description.

In addition to full refunds for customers who "purchased jewelry from Macy's labeled and sold as 'gold' or 'fine gold' that was in fact gold-plated silver or sterling silver," the lawsuit seeks punitive damages and attorney fees.



FARMERS IN HOT WATER OVER POTATO FRAUD

Several Washington potato farmers accused of insurance fraud will have to wait to see just how much hot water they might find themselves in.

The four farmers and an insurance agent are accused of conspiring to defraud the Federal Crop Insurance Corp. of nearly $10 million by filing false claims to generate revenue, according to a published report.

Their alleged conspiracy reportedly involved contracts to sell spuds to processors who would process them into potato products rather than sell them whole in grocery stores. The contracts, which were insured, required the potatoes to have a high starch content and be mostly bruise-free.

But the farmers, who have entered not guilty pleas, grew Norkotah Russet potatoes, which are not typically sold for processing. Norkotahs are considered fresh-market produce known for their baking and boiling qualities.

Over several years, the spuds failed to meet the contract requirements, forcing the farmers to sell them elsewhere for a lesser amount. Then they allegedly submitted insurance claims to recoup money for selling them at a loss.

The defendants are alleged to have shared the insurance proceeds with the insurance agent, who is accused of helping them file false claims.

The case will go to trial in the spring.

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