

# Business Insurance

October 31, 2005

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\$5

## Late News

### Energy firm seeks OK for benefits in captive

Atlanta-based AGL Resources Inc. is asking the Labor Department for permission to fund benefit risks of its employees through the Hawaii branch of its British Virgin Islands-domiciled captive. The natural gas company wants to use a Hawaii branch of Global Energy Resource Insurance Corp. to reinsure long-term disability, life insurance and accidental death and dismemberment policies written through a unit of Hartford Financial Services Group Inc. Hartford would retain 20% of the risks. AGL now uses the British Virgin Islands captive to fund a wide range of property and casualty coverages for itself and affiliated companies, producing more than \$2.1 million in premiums. The benefit risks would generate about \$3 million in premiums.

### Oxley pledges TRIA will be extended

Rep. Michael G. Oxley, R-Ohio, chairman of the House Committee on Financial

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## Inside



### FLU FEARS

Avian flu worries spur contingency planning.

**PAGE 3**

### PENSION PLANS

House panel approves PBGC premium hike.

**PAGE 3**



PHOTO: AFP/GETTY IMAGES

Before pounding Florida, Hurricane Wilma devastated parts of Cancun, Mexico, where insured damages have been estimated at \$1 billion to \$3 billion.

## Wilma losses rise as industry reels

*Florida, Mexico losses combined may reach \$15B*

By **MARK A. HOFMANN**

An already-battered insurance industry can expect to absorb as much as an additional \$12 billion in insured damage in Florida alone, courtesy Hurricane Wilma, according to catastrophe modeling firms.

That's on top of perhaps as much as \$3 billion in damage to the resort areas of Mexico's Yucatan Peninsula, according to one modeler. And risk managers and adjusters point out that the extent of losses in both hard-hit areas may not be known for some time because of severe access problems.

For an insurance industry already staggering from the costliest natural disaster in recent U.S. history—Hurricane Katrina—Wilma couldn't have come at a worse time.

While catastrophe modelers don't agree on the extent of the losses, they do agree that Wilma will rank among the more destructive hurricanes of recent years, even

though Wilma's losses come nowhere near the \$35 billion or so attributed to Katrina.

Newark, Calif.-based Risk Management Solutions Inc. estimated late last week that insured losses stemming from the storm would be between \$8 billion and \$12 billion, including onshore damage from wind and coastal storm surge, business interruption and higher costs for rebuilding materials and services.

Wilma made landfall at 6:30 a.m. EDT Oct. 24 near Cape Romano, Fla., as a Category 3 hurricane. It later weakened but regained its Category 3 status after crossing Florida. It had earlier ravaged Cancun and other resort destinations in south-eastern Mexico.

RMS had initially projected losses of between \$6 billion and \$10 billion but increased its estimate because of "further analysis of the wind speeds in the Miami metropolitan area and along the eastern coastline, which Wilma crossed as a large, Category 2 hurricane," the modeler said in a statement accompanying the new estimate. "High-rise commercial buildings in Miami have...sustained significant damage to windows and cladding, contributing to the insured losses. Widespread power outages continue

See **WILMA**/page 26

## Market climate luring startups to Bermuda

By **JUDY GREENWALD**

Three new reinsurers already are gearing up for operations in the wake of huge hurricane losses, and more startups may follow as other investors seek to take advantage of the rate hikes that are expected to follow the storms.

But many observers say several factors are likely to limit the prospects for new entrants, including a dearth of available reinsurance talent and some investors' perception that investing in existing reinsurers is a safer bet.

In addition, time is quickly running out for new reinsurers to get up and running in time to take advantage of the January renewals.

As a result, most observers say that even if more new reinsurers do materialize, this year's class is unlikely to rival in number the eight created after Hurricane Andrew in 1992 and the 10 formed after the Sept. 11, 2001, terrorist attacks.

Last week saw news of three new reinsurance ventures, all with involvement from familiar names.

Validus Holdings Ltd., the holding company for startup reinsurer Validus Reinsurance Ltd., has been incorporated in Bermuda and is raising funds through a U.S. private placement, market sources said.

Hamilton-based Validus is sponsored by Aquiline Capital Partners L.L.P., a new insurance investment vehicle run by former Marsh & McLennan Cos. Inc. Chairman Jeffrey Greenberg and a private equity firm, sources said.

The reinsurer, which will write property catastrophe and other specialty lines, will be headed by Chairman and Chief

See **STARTUPS**/page 26

## LARA advances to Senate battle

By **MARK A. HOFMANN**

**WASHINGTON**—Legislation to curb what tort reformers regard as abusive litigation has again cleared the House of Representatives, though the measure likely will face another tough battle in the Senate.

The House last week voted 228 to 184—largely along party lines—to approve the Lawsuit Abuse Reduction Act (H.R. 420), which would require federal judges to impose mandatory sanctions on attorneys who file lawsuits that are determined to be frivolous.

The Federal Rules of Civil Procedure required such mandatory sanctions until 1993, when Rule 11 was changed to give judges discretion in imposing penalties. The mandatory sanctions under LARA would also apply to state courts if an action substantially affects interstate com-

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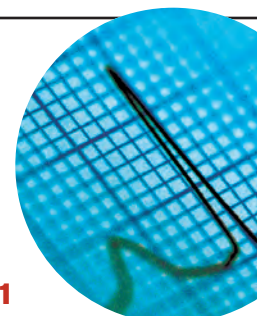
NEWSPAPER

## SPOTLIGHT

### Benefit Technology

Which online tools from the biggest health plans are the most useful?

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## BI RANKS

### Benefit Info Systems

Employeee tops list of vendors to corporate benefit departments.

**PAGE 16**

# AON

## Focus

[www.aon.com/focus](http://www.aon.com/focus)

*Until now, valid and affordable outsourcing and technological solutions for HR departments have not been available to mid-market companies.*

OCTOBER 31, 2005

### Process-driven portals enter the midmarket to drive human resources outsourcing



*Larry Kurzner is a senior vice president of Aon HR Outsourcing. He helps to assess and bring the best human resources outsourcing solutions to clients across the United States. Larry can be reached at [Larry\\_Kurzner@eon.com](mailto:Larry_Kurzner@eon.com).*

Mid-sized companies have traditionally been underrepresented in terms of technology innovation, particularly in the area of human resources (HR) technology. As the economy begins to heat up, however, and mid-market companies continue to work to grow and attract talent, technologies need to be applied that enable them to operate more affordably and effectively. Today, a new technology has emerged that saves money over the long term, creates efficiencies, allows for quality recruitment and retainment of employees, and enables companies in this previously forgotten market to be more agile and competitive. The technology is a process-driven HR portal.

The recent trend for mid-sized companies to outsource human resources technology implementation and management has truly taken hold over the last six to 12 months. As the economy grows, there is once again a greater demand for talented employees. As a result, the visionary leaders of management teams across the country are demanding analytical information to judge, adjust and support performance. We expect that this trend will heat up in 2006 as more service-based jobs are added to the economy and elevate the need for efficient HR management.

The midmarket has been behind in the development and use of process-driven portals because there has not been a valid and affordable solution for the employers at this level. While bits and pieces of offerings have been

available in the market, until now, none have provided a comprehensive solution. And, although some companies have attempted to develop their own solutions, most have found that they don't have the investment dollars or unique knowledge required to implement, upgrade and support a technology-based HR management system and efficient delivery process.

In order to understand how current HR management processes might integrate into a process-driven portal, mid-market companies should conduct a baseline assessment of the value, employee satisfaction and scalability of their current infrastructure, technology and processes, and benchmark that measure against their business and HR objectives. This will help them to build a strong business case. From here, they should determine whether to purchase and manage their own solution (insource), hire someone to bring in and manage the technology (outsource) or execute a combination of both (cosource).

The process-driven HR portal technology by itself is not the end solution for all HR issues. However, it is a key in the infrastructure that is to be put in place to help companies focus on their core business – saving money over the long term; enabling efficient employee recruitment, retention and support; and making the company more agile and competitive.

### DOL clarifies fiduciary duties of directed trustees

Corporate governance scrutiny has led to a focus on the fiduciary duties of directed trustees. The Department of Labor (DOL) has issued guidance on directed trustees' roles and fiduciary liability related to publicly traded securities, such as employer stock. Businesses should note that, in the absence of extraordinary circumstances or knowledge of nonpublic information, a directed trustee may follow the directions of a named fiduciary without additional exposure for the named fiduciary's breach of fiduciary liability. However, the DOL says the direction the trustee follows must be in accordance with the law and not contrary to the Employee Retirement Income Security Act (ERISA). To read the comprehensive article, visit [www.aon.com/focus](http://www.aon.com/focus).

### International organizations seek brokers to improve global risk management

Many multinational corporations are seeking to implement global risk management programs to mitigate risks and capture opportunities worldwide. For these organizations, selecting an effective global insurance broker is paramount to the ongoing success of such a program. Organizations should choose a global broker based on the strength of the broker's local and regional networks, as well as its legal, regulatory and cultural expertise. Strong relationships between the insurance broker's servicing offices and the organization's local subsidiaries and risk managers are a critical component of these programs. For further insights, read the full report at [www.aon.com/focus](http://www.aon.com/focus).

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## Inside

### Wal-Mart looks to whittle health care benefit costs

A leaked memo sheds light on ways Wal-Mart intends to reduce employee benefit expenses. **Page 4**

### Mercer offering integrated retirement benefit services

Citing a growing need for a single resource, Mercer Retirement Solutions launches. **Page 4**

### Will money for startups benefit insurance buyers?

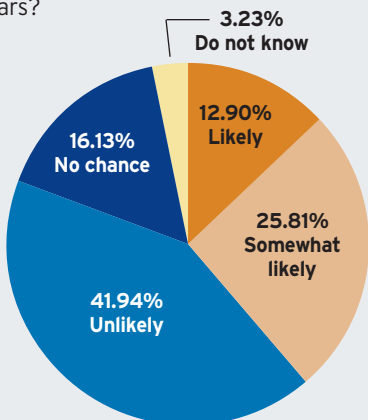
An editorial questions whether a wave of new companies will add market volatility. **Page 8**

### International regulators examine catastrophes

Panel looks at effects of catastrophes, collateral and terrorism coverage. **Page 21**

### Online poll - [ 10/24 - 10/28 ]

In light of recent efforts by international regulators, what are the chances that international solvency standards for insurers will be in place within the next five years?



Participate in BI's online polls at [www.businessinsurance.com](http://www.businessinsurance.com).

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### REPORTING ON CORPORATE RISK AND EMPLOYEE BENEFIT MANAGEMENT NEWS

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# Bird flu threat prompts crisis plans

## European employers concerned about possible outbreak

By CAROLYN ALDRED

As avian influenza continues to spread across the globe, companies are reviewing crisis management and business continuity plans to cope with a possible global human epidemic.

More than 100 million birds have been culled across 11 Asian countries, and more than 60 people have died as a result of a deadly strain of bird flu, known as H5N1. Although H5N1 is not commonly transmitted to people, the World Health Organization has warned that if it combines with a human flu strain, the result could be a devastating pandemic.

In light of the threat, "European risk managers are watching very carefully the development of bird flu," said Thierry van Santen,



Fowl around the world are being vaccinated against avian influenza.

risk manager for the Paris-based food manufacturer Groupe Danone.

"Companies are beginning to test their business continuity plans using a pandemic avian flu scenario," said Richard Waterer, London-based Marsh Ltd. risk consulting vp.

Recent discoveries of affected birds in Europe—including poultry in Turkey, Greece and

Croatia and an imported parrot in the United Kingdom—have raised awareness of the risk among European companies, executives note.

Meanwhile, "there is a significant increase in U.S. and global companies becoming engaged in this issue," said Philadelphia-based Myles Druckman, medical assistant for International SOS, which provides medical and security services for companies.

"One would be foolish not to be concerned about the possible threat of avian flu," said Russell Husband, assistant general inspector for the London-based John Lewis Partnership, one of the United Kingdom's leading retail groups. Mr. Husband, who is responsible for the partnership's business continuity, recently submitted briefing papers on avian flu to the group's senior partners.

"Many companies are scrambling around looking to purchase antiviral medication, but organizations should not rely on antiviral stockpiling as their answer," advised Mr.

See AVIAN FLU/page 24

## Plan to bolster PBGC advances in House

### Premium hike proposed amid reform impasse

By JERRY GEISEL

WASHINGTON—Congress is moving closer to sharply raising the premiums employers with defined benefit plans pay the Pension Benefit Guaranty Corp.

Last week, the House of Representatives' Education and the Workforce Committee approved legislation that would boost, effective next year, the base annual PBGC premium to \$30 per plan participant from the current \$19 level.

While that increase is substantially less than the one agreed to earlier this month by the Senate Health, Education, Labor and Pensions Committee—its bill calls for a hike to \$46.75—the House panel's measure also would give the PBGC the authority to raise premiums by up to 20% per year. Congress would have the right, though, to disapprove such increases in a straight up-or-down vote each year.

Both measures, which are part of broader budget reconciliation bills, also would automatically increase premiums annually to reflect the average increase in wages.

Like the budget bill approved by the Senate HELP Committee, the Education and the Workforce Committee measure would impose a new pension termination fee on companies that file for bankruptcy and, as part of the bankruptcy process, terminate their underfunded pension plans. That annual fee, set at

\$1,250 per plan participant, would be paid by an employer each year for three years after it emerged from bankruptcy.

Both committees' budget bills, though, stipulate that the premium increases would not go into effect if Congress were to pass comprehensive pension funding reform legislation this year. The Education and the Workforce Committee already has passed such a bill, as have two Senate panels.

But action by the full Senate has stalled while legislators try to break a deadlock stemming from a dispute over whether it should strip a provision that would effectively require employers lacking investment-grade credit ratings to funnel additional contributions to their plans. The full House isn't expected to consider reform legislation until the Ways and Means Committee—which shares jurisdiction on pension legislation with the Education and the Workforce Committee—acts on a bill. The Ways and Means Committee is expected to use the Education and the Workforce Committee measure as a starting point in developing its own bill.

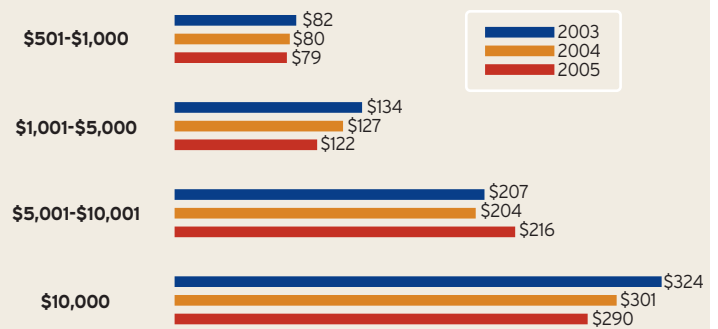
Benefit lobbyists say there still is time to break the congressional deadlock over broader reform legislation, which, among other things, would: speed up the contributions employers have to make to their plans, stop employers with underfunded plans from improving benefits, freeze severely underfunded plans and raise the base PBGC premium to \$30 per plan participant.

Legislators can "still pull it off. If there is the will, there is a

See PBGC/page 24

## U.S. companies buying less liability coverage

Average limits purchased, by revenue classes, in millions



Source: Marsh-Limits of Liability 2005

## Liability limits level even as cost falls, Marsh study finds

By SALLY ROBERTS

While liability insurance coverage costs less today than it did a year ago, risk managers are not necessarily purchasing more coverage, according to a new study by Marsh Inc.

Buyers in the United States, on average, bought \$90 million in liability limits in 2005, virtually unchanged from the average of \$89 million they purchased in 2004, according to Marsh trend data research.

The decision to maintain limits comes as the average price per \$1 million of liability coverage decreased 5% to \$13,537 in the United States and despite a growing motor vehicle liability exposure.

The same trend is occurring on a worldwide basis, the study found, as the average liability limit purchased through the first quarter of 2005 was \$58 million, compared with \$59 million in 2004. The average cost per \$1 mil-

lion of coverage globally fell 9.2%, to \$12,177.

Marsh surveyed the insurance-buying decisions of 6,032 companies around the world—2,864 from the United States—during the 12 months ending March 31 for its 14th annual "Limits of Liability" report released Oct. 31. The U.S. figures refer to 80% of the U.S. companies for which Marsh has three consecutive years of trend data. The average limit purchased for all of the U.S. companies, which include a larger number of smaller companies, was \$75 million in 2005 vs. \$77 million in 2004. And the average price per \$1 million of coverage for all U.S. companies was \$13,222 in 2005 vs. \$13,727 in 2004.

The report provides a range of information to help risk managers decide how much excess liability insurance their companies need.

"I think, in a lot of situations, companies...look at it from a

See MARSH/page 24

# Mercer integrates retirement plan services

*Suite comprises administration, asset management, communication*

By JERRY GEISEL

**NEW YORK**—Mercer HR Services will offer comprehensive retirement savings plan services, including asset management, administration and employee communications, in one package called Mercer Retirement Solutions.

Mercer executives say employers increasingly are looking to obtain a full suite of retirement plan services from a single provider rather than having to manage multiple providers. Aside from the convenience to employers, a single source of integrated retirement plan administration, communication and invest-

ment management services reduces the possibility of something slipping through the cracks, a problem that Mercer says is more likely when multiple service providers are used.

Additionally, as part of the new product, Mercer will select the investment managers for an employer's retirement plans, which Mercer says that has not been part of a bundled package of outsourcing services until now.

That service should appeal to employers that don't want potential

fiduciary liability exposure if their selection of an investment manager proves to be a poor one.

"By acting as a fiduciary partner in investment manager selections, we help reduce the risk and disruption associated with hiring and replacement of individual investment managers," said Chris Herman, Americas' Business Leader in Mercer's Norwood, Mass., office.

Mercer's new product comes at a time when employers increasingly want to outsource all retirement

plan functions, allowing companies to concentrate on their core businesses.

For example, Mercer says studies have projected that the market for total retirement plan outsourcing will grow at a 15% to 20% annually compared to single-digit growth for services provided on a stand-alone basis.

Mr. Herman says Mercer currently is talking to about 30 large employers who are interested in the new product.



An internal Wal-Mart memo suggested that all jobs at the chain include 'some physical activity' to 'dissuade unhealthy people from coming to work at Wal-Mart.'

## Wal-Mart cost strategy sparks healthy debate

By JOANNE WOJCIK

**BENTONVILLE, Ark.**—A controversial internal memo on benefit strategy revealed last week by Wal-Mart Stores Inc. may have sparked even more criticism of the company, but it also cast light on an issue of growing importance to virtually all employers—the struggle against rising health care costs.

The memo to Wal-Mart's board, coming on the heels of landmark concessions by the United Auto Workers union to reduce General Motors Corp.'s retiree health care liabilities, further demonstrates how the issue of health care cost inflation is being elevated to the executive suite at many U.S. corporations.

But some advocates of consumer-driven health plans are concerned that Wal-Mart may begin using CDHPs, which were designed to encourage plan members to be more conscientious consumers, in a more Darwinistic way to weed out unhealthy workers.

The memo, written by Susan Chambers, Wal-Mart's executive vp of risk management, benefits and administration, suggests that all jobs at the retail giant be required "to include some physical activity" to "dissuade unhealthy people from coming to work at Wal-Mart." She also recommended that all employees be moved to "progressively designed" consumer-driven health plans with high deductibles and health savings accounts, "because these plans are more attractive to healthier associates," the term by which Wal-Mart refers to its employees.

"A healthier workforce will lead to low-

er health insurance costs, lower absenteeism through fewer sick days and higher productivity," Ms. Chambers wrote. "It will be far easier to attract and retain a healthier workforce than it will be to change behaviors in an existing one."

The final version of the memo—a draft version of which had been leaked to The New York Times—last week was posted on the paper's Web site. Ms. Chambers declined to be interviewed by *Business Insurance*.

### Elevating a key issue

Most industry observers say the memo brought into the public domain one of the most pressing issues corporate America faces: how escalating health care costs are eroding their profitability and competitiveness in the world economy.

"Wal-Mart is a lightning rod for criticism, but benefits managers everywhere are silently thanking Wal-Mart today for igniting this public debate," said Craig Weber, senior analyst at Celent L.L.C., a Boston-based research and consulting company.

"The focus so far has been on Wal-Mart and the way potential benefit program changes will impact its employees," he said. "But the story is really about finding solutions to a critical problem that all U.S. businesses face. Without significant changes, all signs point to health care costs rising far faster than inflation, which will continue to erode profitability and constrain busi-

See WAL-MART/page 25

## Buyer, insurer puzzled by feds' reluctance to offer terrorism data

By MICHAEL BRADFORD

**CHARLOTTE, N.C.**—The federal government is showing an odd aversion to terrorism risk management, even though it claims to be armed with plenty of information about the threat.

So said a risk manager and insurer who have a stake in the extension of the Terrorism Risk Insurance Act. They agreed during a session at the Self-Insurance Institute of America's annual conference in Charlotte, N.C., that even though the government's help in assessing and covering the terrorism threat is sorely needed, it is strangely reluctant to provide it.

Stan Smith, corporate director of risk management at Boyd Gaming Corp. in Las Vegas, said that he believes lawmakers will extend TRIA for two years. Beyond that temporary extension, Congress will have to decide

whether to keep the law in place.

Even with the extension, though, indications are that "the federal government does not want to be in the insurance business, writing terrorism," Mr. Smith said. That's puzzling, he

added, because "they understand the whole issue of terrorism" yet remain uncomfortable with the risk.

"Something's telling me the public is not getting the true answer from the government as far as what's really going on with terrorism," said Mr. Smith. "Is there a hidden agenda somewhere, where the government is not telling the whole story?"

The government should be making more information available on the threat, said Mark A. Wilhelm, executive vp at Safety National Casualty Corp., an excess workers compensation insurer in St. Louis.

He pointed out that the federal

government forces workers compensation insurers under TRIA to provide terrorism coverage, "yet the government has the best information for underwriting the risk and they don't provide it."

In fact, "you can make the argument that terrorism is an outgrowth of our defense and foreign policy, yet we are being forced to provide a coverage for that," said Mr. Wilhelm. "So we think it makes only logical sense for the government to play some role."

If the government ends its involvement in the terrorism market by not extending TRIA, Safety National will have to pare its book of business to ease the risk, Mr. Wilhelm said. For example, the company writes a lot of coverage in Las Vegas, a city that is seen as a prime terrorist target, he said.

"We would have to begin mitigating that exposure and do it soon," if the act expires, said Mr. Wilhelm. Individual risks would be analyzed to see which have

See TRIA/page 27

## Storms present surprise challenges for employers self-funding benefits

By MICHAEL BRADFORD

**CHARLOTTE, N.C.**—Hurricane Katrina has left some self-insured employers with unexpected problems.

As employers and third-party administrators recover from the storm, they are dealing with issues no one expected to encounter before the bad weather devastated a large part of the Gulf Coast in late August.

Many of those with self-funded health plans, for example, may not be able to fund their claims, and others can't find workers who evacuated to other areas to let them know how claims and coverage are being handled under the Consolidated Omnibus Budget Reconciliation Act, a panel of experts pointed out at the Self-Insurance Institute of America Inc.'s 25th Annual National Educational Conference & Expo, held Oct.

18-21 in Charlotte, N.C.

The panelists acknowledged that many of the questions don't yet have answers.

Among TPAs' biggest concerns regarding employers affected by the storm is whether a client can fund its obligations, said Ronald K. Dewsnup, president of Allegiance Benefit Plan Management Inc. in Missoula, Mont. Many companies in the storm-wracked region "have not been able to put their businesses back in order," he noted.

"Even assuming a plan termination of the date of the catastrophe, they still have to have reserves" to handle claims incurred but not reported, Mr. Dewsnup pointed out, and many employers don't have enough set aside to account for long-term interruptions in income. While his firm does not have clients affected by Katrina, Mr. Dewsnup said

that "even if we had claims submitted, I don't know how they would be funded by some of the employers whose businesses are now a slab."

And while employers are being given some relief by the government from COBRA timing requirements, "where in the world do you send a COBRA notice to some of these folks?" Mr. Dewsnup asked. "Certainly you can send it out to the last known address, but that's going to come back."

Many employees are staying out of the area until its safe to return, noted Arthur E. Ambrozewski, marketing consultant with Mednet Connect Inc. in Irving, Texas. "I have friends living two weeks here, two weeks there" who are waiting to see whether the levees in New Or-

See KATRINA/page 27

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SOME SAY IT'S THE HEART OF THE REGION.  
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Executives anywhere in the world who are involved in risk management for a corporation, not-for-profit institution or government entity can be nominated.

The nominations will be judged by a panel of executives representing all aspects of risk management and the commercial insurance industry.

Honorees are announced and profiled in the annual Risk Manager of the Year feature published by *Business Insurance* which is distributed at the RIMS annual Conference and Exhibition each spring. Awards will be presented at a special luncheon honoring these risk managers.

**DEADLINE FOR NOMINATIONS:  
November 22, 2005**

For nominating forms and instructions, call 312-649-5319 or e-mail: [ktucker@BusinessInsurance.com](mailto:ktucker@BusinessInsurance.com) or visit

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## Contingent pay controversy divides industry: Duperreault

By GLORIA GONZALEZ

**NEW YORK**—The controversy regarding contingent commissions has highlighted the need for reforms of insurance industry business practices, but there is lack of agreement on what changes should be made, according to the chairman of ACE Ltd.

"The existence of contingent commissions has placed a negative cloud over underwriters and brokers, because every action is seen through the lens of conflicts of interest," said ACE Chairman Brian Duperreault. "In general, brokers should not be compensated by insurers, because they don't work for them. They work with them, but they work for the insured."

ACE eliminated contingent commissions in the United States, an action that has led to a constant argument with brokers that still accept them, Mr. Duperreault told attendees of a conference on business ethics sponsored by the School of Risk Management, Insurance and Actuarial Science at St. John's University in New York. The decision has not cost ACE any business, though, because the in-

surer does not have a lot of business coming in from small producers, he noted.

For the industry in general, though, the rules are still clouded in ambiguity, and there is no consensus on how they should change, Mr. Duperreault said. He cited a recently commissioned and soon-to-be-released study by ACE that polled about 950 risk managers and brokers in the United States and Europe.

The survey asked participants whether they agreed that brokers should be fairly compensated by their clients, not by insurers. Among U.S. risk managers, 79% either agreed or strongly agreed with this statement, while 69% of their European counterparts felt the same.

However, only 50% of U.S. brokers and 33% of European brokers agreed or strongly agreed with the statement, while 21% of U.S. brokers and 43% of European brokers disagreed or strongly disagreed, which Mr. Duperreault said reflects a fundamental problem. "You have to have a conflict of interest if you're paid by someone else," he said.

## LARA: Still faces battle in Senate

Continued from page 1  
merce.

Attorneys found in violation of the prohibition on filing frivolous actions in a particular federal court would be barred from practice in that court for at least one year. Attorneys would have the right to appeal, and any suspension would be stayed until the appeal had been decided.

LARA is also designed to curb so-called "forum shopping"—plaintiffs attorneys' practice of seeking out the most plaintiff-friendly jurisdictions in which to file personal injury lawsuits, even if the connection between the court and the parties involved is extremely tenuous. Under LARA, a personal injury suit could be filed only in the jurisdiction in which the plaintiff lives, the alleged injury occurred or the defendant has its principal place of business.

The House approved similar legislation last year, but the Senate failed to follow suit. No companion legislation to LARA has been introduced in the Senate thus far this session.

Tort reform supporters admit that the battle in the Senate will not be an easy one.

"Obviously, we're pleased that the House passed the proposal—it gives us an opportunity to take the issue to the Senate," said Sherman Joyce, president of the Washington-based American Tort Reform Assn. and chairman of the Lawsuit Abuse Reform Coalition.

"The Senate's going to be a challenge, but we believe that there is strong bipartisan support for addressing frivolous litigation and fo-

rum shopping. These are two of the worst abuses in our civil justice system, and LARA addresses them head on."

"We're hoping to get a (Senate) bill introduced soon," said Lawrence Fineran, vp-regulatory and competition policy with the National Assn. of Manufacturers in Washington. "We need to talk to Senate supporters about the best way to deal with it."


"There have been a lot of measures over the years that received their momentum from repeated votes in the House," noted Joel Wood, senior vp-government affairs for the Council of Insurance Agents & Brokers in Washington. "The divide is closer in the Senate, and I don't think anybody is holding their breath that we're going to have a Rose Garden signing ceremony this year. It's the next logical step in the legal reform agenda, and, clearly, it's a desperately needed measure," said Mr. Wood.

The nation's largest plaintiffs attorney group blasted the House action as unjustified.

"This bill is unnecessary—all 50 states already have laws that allow judges to throw out a frivolous suit and sanction the attorney who filed it—but Congress has shown once again it places a higher priority on protecting negligent corporations than the rights of ordinary Americans to seek justice," Ken Suggs—president of the Assn. of Trial Lawyers of America in Washington and principal of the Columbia, S.C., office of the Baltimore law firm Janet Jenner & Suggs L.L.C.—said in a statement issued after the House vote.

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## Editorial

# Will string of startups truly benefit buyers?

ALMOST AS IF ON CUE, major catastrophe losses again have triggered interest in startup companies. We can't help but wonder, though, whether this will truly benefit insurance buyers.

In the past eight weeks, insurers and reinsurers have raised more than \$5 billion in capital, largely in response to losses from Hurricanes Katrina and Rita. Wilma, according to the latest loss estimates of up to \$12 billion, could well enter the record books as the third-costliest insured windstorm in history. As we report on page 1, several new companies are forming in Bermuda, and we hear that more are in the works.

Bermuda's record of attracting new companies and capital is impressive. After the Sept. 11, 2001, terrorist attacks, \$25 billion of capital entered Bermuda, creating a string of successful insurers and reinsurers dubbed the "Class of 2001." Similarly, investments after Hurricane Andrew in 1992 launched a group of new property catastrophe reinsurers.

After the string of big losses this year, new capital is clearly needed. At the low end of recent estimates, Katrina, Rita and Wilma by themselves will cost insurers at

least \$44 billion and possibly much more.

The Class of 2001 proved that money can be made, but those startups also faced the twin blessings of hard market conditions and a relatively benign loss environment that lasted for four years. We think the current market outlook is not as favorable, and insurers generally have an abysmal record of underwriting losses. In fact, 2004 marked the first time in 26 years that U.S. property/casualty companies made an underwriting profit.

Katrina's description as "a market-changing event" has almost become a mantra, but it's not clear whether that applies across most lines. So far, rate decreases are still happening on casualty business.

Our fear is that opportunistic capital will add undue competitive pressure and then withdraw, increasing volatility in the market.

Risk managers have a hard enough time trying to explain and budget for market cycles. We hope that capital enters the industry to replace what was lost, not to naively chase high returns and exit when those don't materialize.

## Schillerstrom



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# Congress needs to meet challenge of pension reform

HOW DIFFICULT CAN IT BE for Congress to come to an agreement on comprehensive pension funding reform legislation?

That's a question that has to be asked in the wake of a decision by Senate leaders to pull a bill—one with broad bipartisan support—from consideration by the full Senate after a controversy erupted over an amendment that two senators wanted to offer.

That amendment, proposed by Sens. Mike DeWine, R-Ohio, and Barbara Mikulski, D-Md., would, among other things, eliminate a provision in the broader bill that would have the effect of requiring employers that lack investment-grade credit ratings to funnel additional contributions into their plans.

We understand the credit rating issue and several others are difficult matters to resolve. But resolving difficult issues is, after all, why we elect senators and representatives.

It seems, though, that legislators don't want to do that. For example, Senate Finance Committee Chairman Charles Grassley, R-Iowa, said after the bill was pulled from floor consideration that pension plan participants might be better off under current law compared to what Sens. DeWine and Mikulski were proposing.

We understand the frustration of Sen. Grassley, who, along with other senators, has worked long and hard to fashion legislation that would shore up the nation's em-

ployer-sponsored pension plan system. But this isn't the time to give up. Compromises—acceptable ones, we believe—can be found if the effort is made.

The current law hasn't worked; simply put, it is riddled with so many loopholes that companies don't have to come even close to funding the benefits they have promised. Then, when such companies fail, their pension plans are often massively underfunded, with the liabilities transferred to the U.S. Pension Benefit Guaranty Corp.

In turn, to prevent that federal agency from going broke, employers are assessed ever-higher PBGC premiums.

Obviously, this kind of situation can't

continue indefinitely. Rather than pay sky-high PBGC premiums, employers with well-funded plans will move away from those plans and offer only defined contribution plans, which are not covered by the PBGC.

That is a scenario that doesn't have to happen. The charge for Congress is to work hard to finish and pass a bill that closes funding loopholes and encourages employers to offer defined benefit plans, not phase them out.

We believe legislators can rise to the occasion and pass a fair and effective reform bill. Legislators should need no reminder that the failure to do so would have disastrous retirement policy consequences.

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## Perspectives

Ask a Casualty Actuary

# Don't rely on CPI to predict claim costs

**Q**: Is the medical consumer price index a good measure of medical inflation for workers compensation claims?

**A**: Definitely not. The CPI is a consumer price index. By and large, workers comp costs are excluded from the medical CPI. They are an employer obligation.

Additionally, the medical CPI tracks changes in prices for a comparatively unchanging basket of services, while workers comp covers the total cost of a growing and shifting mix of services. There is a major disconnect between the two. Surprisingly, many insurance professionals implicitly assume that changes in the medical CPI are a reasonable indicator of workers comp medical cost escalation rates.

Workers comp medical claim costs have been rising much more quickly than the medical CPI. From 1996 to 2003, annual average workers comp medical care costs increased 9.3%, compared with 3.9% for the medical CPI over the same seven-year period, according to the Insurance Information Institute. This kind of dramatic difference has persisted for decades.

Workers comp medical cost escalation rates measure changes in the total cost of a shifting mix of drugs and services, further complicated by changing rates of utilization.

In general, the U.S. Bureau of Labor Statistics strives to construct the medical index by making cost comparisons over time of a "fixed" collection of goods and/or services—when such comparisons can be made. As such, it is inherently not well suited to handle technology-intensive fields such as medicine. An ideal cost comparison for the index is an unchanging basket of goods such as a gallon of milk or a loaf of bread. Technological advances in medicine and the development of new drugs make cost comparisons problematic.

Due to changes in medical technology and pharmaceutical research, standards of care keep advancing and costs keep escalating.

Only a portion of these cost increases is reflected in the medical CPI. For example, suppose a new drug or a new test is available at the doctor's office. This new treatment may become required as the standard of care and significantly increase costs, yet it would typically not be reflected in the CPI index. Ordinarily, it would be specifically excluded because no prior cost comparison can be made. Therefore, the increased cost of treatment in this case, vs. that of the old standard of care, would not be reflected in the CPI.

The medical CPI isn't as simple as this, though. There are instances in which the increased costs of tech-

nological advances are included in the index. The BLS handles each drug and service on a case-by-case basis. For example, the cost of a day in the hospital is included in the index, and parts of that cost include complex technological advances where the nature and mix of services is evolving. They do that because it is basically impossible to make exact comparisons of each of the components of the cost of a day

turn to work sooner.

The practical implications of the persistent gap between workers comp medical cost escalation rates and the medical CPI are quite significant. If you believe that workers comp medical costs will grow at only 4% a year, then you could potentially justify the implicit discounting of medical reserves for permanent disability claims. You might set aside an amount just

**Surprisingly, many insurance professionals assume that changes in the medical consumer price index are a reasonable indicator of workers comp medical cost escalation rates.**

in the hospital.

The gap is also due to marked differences in the treatment of changes in utilization. The medical CPI basically excludes the effects of increasing utilization in raising total medical costs.

In contrast, utilization rates for services covered by workers comp tend to increase noticeably over time because:

- There are no deductibles or co-pays that might cause the worker to decide not to receive the service or drug.
- The insurance company will often opt for more expensive treatments to help the claimant to re-

equal to current annual medical costs times the claimant's life expectancy; after all, there is a good chance that an average investment yield of 4% could be earned on the reserves. If future medical inflation were 9% a year, though, and one sets aside this kind of discounted reserve, that reserve, plus interest at 4% a year, would be depleted long before the claimant dies. If the claimant's life expectancy is 40 years, the insurer's reserve, plus future investment earnings, would be exhausted after only 23 years.

Unfortunately, even the 9% estimate may be low. First, if the claimant becomes elderly, his or her

required level of care could increase dramatically. Second, life expectancies are expected to continue to rise because of advances in medical technology. These factors, as well as technical issues regarding scenarios in which the claimant exceeds his or her life expectancy, are detailed in the paper "Estimating the Workers' Compensation Tail," which can be downloaded from [www.richardsherman.com](http://www.richardsherman.com).

It should be expected that workers comp medical cost escalation rates will be noticeably higher than changes in the medical CPI.

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*This month's column on actuarial issues in the casualty field is written by Richard E. Sherman, president of Richard E. Sherman & Associates Inc. in Ashland, Ore. Address your questions to ASK, Business Insurance, 360 N. Michigan Ave., Chicago, Ill. 60601. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.*

## Worker's ski injury during break ruled compensable

Injuries sustained by a ski-lift operator while skiing on a scheduled work break arose out of and in the course of employment, according to the Supreme Court of South Dakota.

Robert Bender was employed as a lift operator for Dakota Resorts Management Group Inc. It was the employer's policy that operators would receive one 15-minute break in the morning, one half-hour for lunch and one 15-minute break in the afternoon. Because lift operators work outside on the ski slope, they were not required to "clock out" during their breaks. It was common for lift operators, as well as other employees, to take ski runs on their breaks. One day in December 2002, Mr. Bender asked his supervisor if he could take a ski run during his afternoon break; the supervisor consented. While skiing, Mr. Bender fell, injuring his shoulder, and he sought compensation. The trial court held that the injury did not arise out of and in the course of his employment; Mr. Bender appealed.

The appellate court said that, because the employer allowed employees to ski during their breaks and the ability to do so was considered by the employees a benefit of working there, this activity was implicitly authorized by the nature of

the employment. Furthermore, the court said that the employer derived a substantial direct benefit from the activity, in that the opportunity to ski during work breaks was an inducement to attract employees. Therefore, the court concluded that the injuries Mr. Bender sustained while skiing on his scheduled work break arose out of and in the course of his employment. The trial court decision was reversed.

*Bender vs. Dakota Resorts Management Group Inc., Supreme Court of South Dakota, June 29, 2005 (BI/05/D.-\$10)*

### Union claim of breach not pre-empted by ERISA

The Employee Retirement Income Security Act pre-empted a labor union's state law fraud claim but not a claim for breach of a collective bargaining agreement, according to the 6th U.S. Circuit Court of Appeals.

Local No. 1654 of the International Brotherhood of Electrical Workers brought a breach of collective bargaining agreement and a state law claim of fraud against L.G. Philips Display Components Co. Philips operated a 1,400-employee manufacturing plant. It announced its intention to close the plant and

### Legal Briefs

move its operation to Mexico. The union and Philips thereafter negotiated the final agreement to govern the period until the plant closed. The parties agreed to allow employees to receive their retirement benefits in a lump sum at the time of the closing.

Subsequently, Philips provided the union with a table of factors that would be used to compute the lump-sum retirement benefits. The union then filed this suit alleging a breach of the agreement, contending that Philips knew it had relied on a table of factors previously provided to it that resulted in much larger lump-sum benefits. The union also filed a claim of fraud after learning that Philips had the correct table of factors during the negotiation but had not furnished it to the union. The trial court ruled for Philips. The union appealed.

The appellate court said that an action governed by the Labor Management Relations Act is not superseded by ERISA. However, the court also said that the union's claim for breach of a collective bargaining agreement was not superseded by ERISA. The trial court decision was reversed and the case sent back for

further proceedings.

*IBEW Local No. 1654 vs. L.G. Philips Display Components Co., 6th U.S. Circuit Court of Appeals, June 7, 2005 (BI/03/D.-\$10)*

### Settlement bars recovery from excess coverage

A policyholder's settlement for less than the full limits of its claims against its primary insurer to provide indemnity for the insured's liability for environmental cleanup barred the insured from looking to its excess insurers, according to the 6th U.S. Circuit Court of Appeals.

GenCorp Inc. manufactures, sells and distributes automotive, latex and polymer products. At various times in the early 1990s, GenCorp was identified by various parties and government entities as a potentially responsible party in environmental contamination at six sites in Connecticut, Michigan, New Hampshire and Ohio.

In light of its actual and potential liabilities, GenCorp initiated litigation against dozens of its insurers seeking coverage. GenCorp settled with its primary and umbrella insurers early in the process and then sought to recover from its excess insurers amounts in excess of those settlements for which it may be-

come liable. The trial court ruled for the excess insurers, and GenCorp appealed.

On appeal, GenCorp argued that, because it could no longer look to its primary insurers for coverage because of the settlements, it had exhausted that coverage and, pursuant to an Ohio Supreme Court decision, was allowed to look to one or more excess policies to cover the rest of its liabilities. But the appellate court agreed with the trial court that, by settling with its primary and umbrella insurers, GenCorp had made the choice to allocate its liability as broadly as possible.

Thus, the court said, GenCorp had to demonstrate—which it had not—that its liabilities would exceed the cumulative limits of all primary and umbrella policies before it could trigger the excess policies. The trial court decision was affirmed.

*GenCorp Inc. vs. AIU Insurance Co., 6th U.S. Circuit Court of Appeals, July 7, 2005 (BI/01/D.-\$10)*

*These abstracts were prepared by Mayo H. Stiegler. Copies are available, at \$10 each, by sending a check payable to Mayo H. Stiegler, to Business Insurance, 360 N. Michigan Ave., Chicago, Ill. 60601-3806. Please provide the listed number for each opinion ordered.*



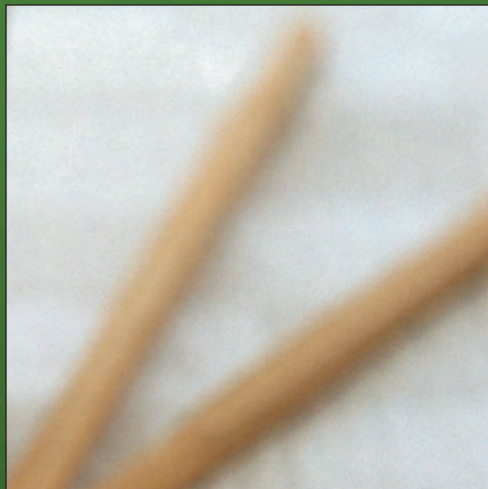
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# BENEFITS MANAGEMENT

## Technology & Online Solutions

**Pilot projects put 'telehealth' to the test**  
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**Analyzing warehoused data helps lower health care costs**  
Page 18

# Health insurers' info offerings vary

By GLORIA GONZALEZ and JOANNE WOJCIK

## Promoting wellness on the Web: how the major companies compare

As part of the consumer-driven health care movement, the major health insurers are constantly re-vamping their Web sites to provide online tools designed to facilitate consumerism and good health management by their enrollees.

These Web sites tend to have basic features in common, such as online provider directories and medical and prescription drug cost estimators. There are distinct differences, though, in the depth of the information provided on these Web sites and their levels of interactivity.

For example, Minnetonka, Minn.-based UnitedHealth Group Inc.'s Web site has a medical cost calculator that allows members to receive detailed pricing information within particular ZIP codes. The tool gives the average price for in-network care vs. out-of-network care within the ZIP code, as well as the average price of the member's out-of-pocket costs and the amount paid by the plan.

Philadelphia-based CIGNA Corp.'s Web site provides average cost estimates for certain medical procedures on a state-by-state basis. This could be problematic for plan members who live in states in which health care costs vary significantly by region, such as in Colorado, where the cost for health care in the Denver metropolitan area is much higher than it is in the largely rural southern half of the state.

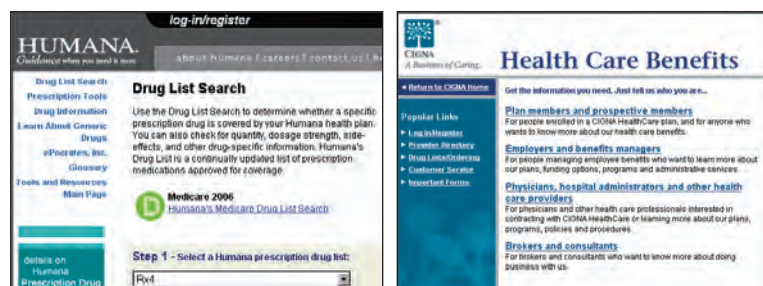
Also in keeping with the consumerism push, all the Web sites have prescription drug cost estimators, but some are more robust than others.

Hartford, Conn.-based Aetna Inc.'s Aetna Navigator tool comes with a step-by-step instructional video that teaches members exactly how to use the tool to estimate the cost of their medications and to view lower-cost alternatives.

Louisville, Ky.-based Humana's site also includes a pharmacy calculator into which plan members can enter all of their prescribed medications on a list and calculate the total costs for a year, which could come in handy when figuring out how much to put in a flexible spending account or health savings account.

	When launched	Content providers	Number of members with access	Online enrollment	Online self-reported status changes	Online drug refills	Online nurse consultation	Level of interactivity
<b>Aetna</b> www.aetna.com	2000; generally available to members 2001	Healthwise, HealthShare, Aetna IntelliHealth, Plan for Your Health	8.2 million	No	No	Yes	No	Eligibility information, claims status, decision support
<b>CIGNA</b> MyCIGNA.com	2002	Healthwise, Web MD, Argus, Select Quality Care	9 million; 2.5 million registered	Only at employer request	No	Yes	No	Change primary care physician, access claims status
<b>Humana</b> MyHumana.com	N/A	Healthwise, Healthshare, Staywell, Wired MD, First Databank American WholeHealth	N/A	Yes	Yes	No	No	Coverage questions, personal health records
<b>UnitedHealth</b> myuhc.com	2000	Healthwise, Web MD, Optum, Best Treatments, Staywell, Ingenix, HealthShare	4 million	No	No	Yes	Yes	Coverage research, nurse chat 24 hours a day, check health spending account balances
<b>WellPoint</b> anthem.com www.bluecross.com	October 2005	Web MD, Healthwise, Subimo	28.8 million	No	No	Yes	Yes	Research health conditions, assess personal health

Note: All five plans' sites offer provider directories, access to health-related articles, online health risk appraisals, hospital and/or provider report cards, prescription drug comparisons and medical cost estimators.



Sites of Humana, above left, and CIGNA offer a variety of online tools for health plan members, including information on prescription drugs.

As part of its plan comparison tool used prior to enrollment, the site also estimates how much Humana would pay vs. how much the plan member would pay for pharmaceuticals under the various benefit plans. The calculator also provides estimated retail prices for medications and possible lower-cost alternatives, including generic equivalents, if they are available, recalculating the plan and member costs. For members uncertain about the exact spelling of the names of medications, an alphabetical listing is available.

CIGNA's pharmacy tools are somewhat limited. They include a chart of drugs showing lower-cost

alternatives and generics with either a "Y" if covered or an "N" if not. No pricing information is available in that part of the Web site, though, which could prove confusing if a health plan provides differing co-payments for retail prescription drugs than for mail order. The site also lacks an alphabetical list of the drugs in its database, so those who don't know the correct spelling of a given medication or the particular drug class in which it falls will have a hard time finding the drug online to see if it is covered by their plans.

Both CIGNA and Humana use the same tool for comparing hospital quality: Select Quality Care. A

user selects a condition or body part from one list and a procedure or diagnosis from a second list and then inputs his or her ZIP code to find the nearest hospitals' scores for handling those particular conditions or procedures, including how often they are encountered and information on the cost and the rate of complications.

While Humana's tool worked fine, we were unable to make CIGNA's tool function properly due to some technical difficulties. A CIGNA spokesman suggested it might have been because of the limitations of the browser that was being used, though the browser did not prove to be an obstacle on Humana's site. This experience should serve as a warning to benefit managers that employees may have difficulty accessing some parts of health plan Web sites if their browsers are not compatible.

All of the Web sites include quizzes on various health topics, but UnitedHealth's multiple-choice quizzes give members instant feedback after they select an answer.

See SITES/page 12

## BI logged on to evaluate plan sites

To help benefit managers determine just how well the Web sites of the nation's leading health plans perform in real-world applications and what the sites offer, Senior Editor Joanne Wojcik and Associate Editor Gloria Gonzalez reviewed the sites earlier this month.

The research required the reviewers to use the sites as though they were plan members.

The health plans provided access to their sites purely for review purposes, and any member information remained confidential.

Oakland, Calif.-based Kaiser Permanente, the nation's largest nonprofit health plan, declined to participate.

The above chart and accompanying overview article compare the Web sites' basic contents.

## Sites: Wellness on the Web

Continued from page 11

For example, the first question in UHC's asthma IQ quiz asks the member to respond "true" or "false" to the question of whether asthma is rarely a fatal illness. Once the member selects an option, the correct answer automatically appears in a box directly below the question with a detailed explanation.

Humana's multiple-choice quiz on exercise is similarly interactive, requiring a member to enter his or her height and weight to calculate body mass index before it will score the results.

To encourage plan members to take charge of their own health,

Aetna provides a list of recommended health screenings by age group. For example, the company recommends that women in the 18-to-29 age group get blood pressure tests every two years, clinical breast exams every year and frequent cholesterol checks beginning at age 20 if they smoke, have diabetes or a family history of heart disease.

Humana plan members can construct their personal health records, including details of the prescription medications they are taking or previously took; their drug and nondrug allergies; the pharmacies they generally use; the conditions they have or previously had, the names of the

providers who made their diagnoses and when they were made; information on medical procedures they had performed, including the names of the doctors who performed them and when they were performed; and their family medical histories.

UnitedHealth and Indianapolis-based WellPoint Inc. also have personal health manager tools that perform similar functions and allow members to track health factors such as blood pressure, heart rate and weight over time in a chart. The tool also allows members to keep track of other wellness factors, such as how many cigarettes they smoke and how many hours of sleep they get per night.

Aetna has a comprehensive pregnancy handbook in portable docu-

ment format that contains detailed information on what to expect during each trimester of the pregnancy, warning signs of potential problems, nutritional tips and the symptoms of depression for expectant mothers.

WellPoint's Lumenos unit helps its members prepare for certain surgical procedures, such as hip replacements and Caesarean section deliveries, by providing animated videos of the operations and explanations of possible complications.

Humana's Web site has videos on numerous health conditions that can be accessed with several different media players in two speeds, so they can be viewed by plan members with either dial-up or high-speed Internet access.

Aetna's Web site excels at providing information on a topic that many people might not pay much attention to: oral hygiene. Its dental care section is highly interactive, offering a tool called Solution Sleuth that examines the possible causes of various dental conditions, treatment options and the consequences of failing to treat the condition. For anybody who has been disturbed by graphic photos of decaying teeth while sitting in a chair waiting for a dentist to perform an exam, Aetna's Web site provides illustrations of the same oral health conditions, minus the scare tactics.

An interesting and informative video shows Aetna members how to carefully check their mouths for signs of oral cancer. An animated demonstration illustrates proper brushing and flossing techniques. In addition, the section offers diagrams and advice on dental health care for babies and children. And Aetna also provides a vocabulary guide to help make sense of dentists' terminology. While the other insurers provide certain information about dental conditions, none has the extensive, interactive section that Aetna does.

As part of their efforts to reach members whose primary language is Spanish, the health insurers are offering various tools and information in Spanish. WellPoint offers its hospital comparison tool in Spanish, while UnitedHealth plans to launch its provider lookup tool in Spanish by the end of the year. Aetna, Humana and CIGNA already have full information on numerous health conditions in Spanish. Aetna members also have the ability to submit online inquiries in Spanish to member services and receive replies in Spanish. None of these capabilities, though, is available in other languages.

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### Life and breath

Web sites of the five reviewed health plans devote significant attention to a key chronic condition: asthma, which affects more than 20 million people in the United States.

Among the information all the sites offer are:

- Common asthma triggers.
- How to alleviate symptoms.
- Guidance on when to seek immediate medical attention.
- Articles by medical professionals on related issues, such as the link between asthma and allergies.
- Key questions on asthma to discuss with a doctor.

While the sites all acknowledge problems caused by incorrect use of inhalers, UnitedHealth Group offers written instructions, and Aetna Inc. provides an educational video that explains how to use an inhaler as well as a peak flow meter and a spacer, which are used to measure and treat asthma. Humana Inc.'s online tools include a peak flow calculator, an asthma environmental triggers assessment and a severity assessment. It also provides links to the American Academy of Asthma, Allergy & Immunology.

A tool licensed by Subimo L.L.C. and offered on WellPoint Inc.'s site also offers a list of questions to ask insurers, including whether they pay for inhalers, peak flow meters and spacers.

—By Gloria Gonzalez

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When people understand what things really cost, they can make smarter choices. That's the idea behind Aetna's Estimate the Cost of Care, an online tool that helps your employees plan for and manage health care expenses. They'll get estimated cost information, based on their zip code, for 200 medical and dental procedures, office visits, and medical tests, as well as over 7,000 different prescription drugs. This information can also help them predict the annual cost of treatment for a wide range of conditions depending on the level of severity. To see how our information can help your employees make better informed health care decisions, call your broker, Aetna representative, or visit us today at [aetna.com](http://aetna.com).

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# 'Telehealth' users increasing, but some warn of downsides

By KAREN PALLARITO

What if employees could take care of simple medical problems with a click of a mouse instead of a trip to the doctor? Consult a doctor—anytime, anywhere—by phone? Get better, evidence-based care online?

Such services are becoming available through the expansion of "telehealth," the use of electronic information and telecommunications technologies to support long-distance health care delivery and health education. Telehealth advocates say it can improve quality, enhance efficiency and reduce costs. But will it deliver? In small pilot projects and fledgling initiatives, purchasers and payers are putting digital medicine to the test.

A Blue Cross & Blue Shield of Massachusetts spokesman said "it's worth looking at and exploring ways that technology can enhance the health care delivery system."

The Boston-based health insurer is one of several plans that pay doctors to consult with patients via e-mail. In many of these experiments, reimbursements range from \$20 to \$25 per consultation, and patients often have a smaller copayment than for an office visit. In Massachusetts, Blue Cross typically pays \$24 for an e-mail "Web visit." The member typically pays \$5.

Patients and doctors have used e-mail sporadically for years, "but it's only been in the last five years that some private payers are starting to reimburse," said Jonathan D. Linkous, executive director of the Washington-based American Telemedicine Assn., which promotes use of technology to boost access to care.

Such communication offers convenience and privacy. It's particularly useful for workers in cubicles or call centers, said Joanna Fry, senior project manager for health solutions at Denver-based Anthem Blue Cross & Blue Shield of Colorado. Before e-mail, "if I needed to call and make an appointment for some horrible rash I have, I have to announce that to the world or step out in the hallway," she said. "It really allows people...a secure, confidential and silent form of communication with their doctor."

Still, many physicians are reluctant. Just 8% of U.S. adults in a recent poll by Rochester, N.Y.-based Harris Interactive Inc. said their doctors have communicated with them or a family member by e-mail.

Fewer than 200 doctors took part in the Massachusetts Blues' pilot last year. The Blues hoped to boost that to 800 this year. Anthem Colorado's project involves about 100 doctors in a single multispecialty practice. Even a pilot by San Francisco-based Blue Shield of California, the first and largest of its kind, has just 1,000 physicians enrolled.

"The physicians I've talked to, they're really concerned about the time it's going to take" to answer e-mails and ensure "it's the real person at the other end," noted Larry D. Boress, vp of the Midwest Business Group on Health in Chicago.

Ms. Fry, too, has noticed growing interest. Many national and large employer groups, in the "request for information" documents they send to health insurers, are asking whether this is a service that health plans offer or pay for, she said.

E-mail consultations work best when the patient has a relationship with a physician and access to a computer, payers say. Some cases, though, call for phone services.

Dallas-based TelaDoc, for example, requires an electronic medical history when a member registers. After seeking a medical consultation, the patient gets a call from a licensed physician. The doctor reviews the member's history, asks about any changes in the patient's condition, assesses symptoms and may make a diagnosis and recommend treatment. In some cases, the doctor may write a prescription.

TelaDoc Chief Executive Officer

Michael Gorton said such a visit is cost-effective when a patient lacks access to a regular doctor but doesn't require emergency care. Large corporations typically pay about \$2.50 a month per employee for the service. Members pay \$35 each time they use the service.

Mosaic, a private outsourcing company in Irving, Texas, that provides sales and marketing services, enrolled its 500 benefit-eligible employees Aug. 1. "It gives employees a great convenience," said Nicole Stegemann, human resources service manager.

But not everyone is keen on the concept. The American Medical Assn. opposes making clinical diagnoses or prescribing medications via phone consultations, noting those are done without "a physician examination or even a face-to-face meeting with the caller. Critical medical data may be unavailable to the physician." Physicians who engage in such consultations, the AMA adds, should tell patients of the limitations of the service and should never prescribe medication.

The use of phone and Internet also raises concerns that physicians might practice medicine outside the states in which they are licensed. In response, the Federation of State Medical Boards developed model legislation that creates an abbreviated licensure process for physicians who provide services electronically. Nine states have adopted similar legislation, by the FSMB's count.

In a less controversial use of telehealth, MedEncentive of Oklahoma City is using the Web to boost physician compliance with evidence-based treatment guidelines, said Jim Dempster, executive director. Doctors treating employees and retirees of the city of Duncan, Okla., earn a 20% higher fee per office visit when they review and follow treatment guidelines, prescribe "information therapy" and rate the patient's compliance with the given guidelines. A patient who completes an online questionnaire—including a question about his or her own doctor's compliance—can receive a \$25 rebate on a \$25 copay.

"As a direct result of this program, our medical claims for the year have been reduced by approximately 20% (to \$1.1 million)," City Manager Clyde Shaw said. The city may use part of those savings to provide a wellness benefit, he said.

The program has had less traction among doctors and patients in the city of Durant, Okla. MedEncentive is trying to work through the problems with that test group, said Mr. Dempster, who insists the company's approach to improving health care delivery is solid. "There's nothing," he said, "like a doctor telling a patient, 'I'm going to prescribe this to you; I want you to read about it and answer those questions, and I'm going to look for your answers coming back to me and we're going to manage this disease and condition.'"

# 100,000

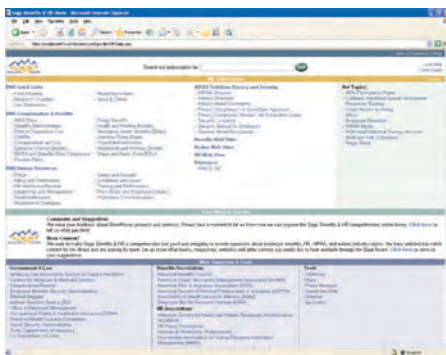
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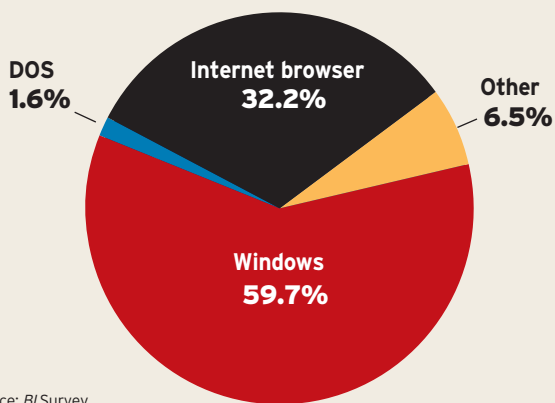
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**BI RANKS**

**Computer requirements**



Source: BI Survey

**Largest benefit system vendors by clients**

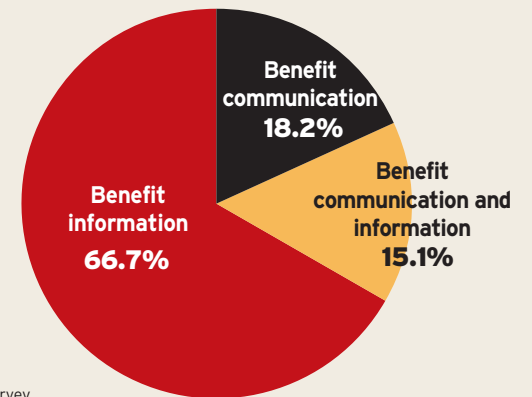
Ranked by number of employee benefit department clients

Company	Number of benefit department clients
HR Consulting Group Inc.	5,793
Benefit Software Inc.	4,020
Employease Inc.	1,000
Travis Software Corp.	957
Benetrac	736

Source: BI Survey

**Type of system**

Based on the system's primary purpose.



Source: BI Survey

# Largest employee benefit information systems

## Ranked by number of installations in corporate benefit departments

Rank	Company/Address	Software name	Phone/Fax/Web site	Number of installations	Price	First installation	Principal officer
<b>1</b>	Employease Inc. 3295 River Exchange Drive, Suite 500 Norcross, Ga. 30092	Employease Network	888-327-3638 Fax: 770-325-7702 <a href="http://www.employease.com">www.employease.com</a>	1,000	NA	1997	Phil Fauver, CEO
<b>2</b>	BeneTrac 2251 San Diego Ave., Suite A-150 San Diego, Calif. 92110	BeneTrac	877-645-4342 Fax: 877-886-9993 <a href="http://www.benetrac.com">www.benetrac.com</a>	656	NA	2000	Jerry Hawthorne, CEO
<b>3</b>	Travis Software Corp. P.O. Box 820469 Houston, Texas 77282-0469	TravisBilling (TBILL)	281-496-3737 Fax: 281-496-4022 <a href="http://www.travisoft.com">www.travisoft.com</a>	654	\$2,295 to \$5,995	1988	Alan H. Williams, president
<b>4</b>	Travis Software Corp. P.O. Box 820469 Houston, Texas 77282-0469	TravisCobra	281-496-3737 Fax: 281-496-4022 <a href="http://www.travisoft.com">www.travisoft.com</a>	642	\$2,295 to \$5,995	1986	Alan H. Williams, president
<b>5</b>	UnicornHRO 25 B New Hanover Road Florham Park, N.J. 07932	GenevaPlus	973-360-0688 Fax: 973-360-0699 <a href="http://www.unicornhro.com">www.unicornhro.com</a>	550	\$50,000	1982	Frank Diassi, chairman/CEO
<b>6</b>	P+W Software 5655 Lindero Cyn Road, Suite 403 Westlake Village, Calif. 91362	POWERPLUS	818-707-7690 Fax: 818-707-9097 <a href="http://www.pwsoftware.com">www.pwsoftware.com</a>	430	\$8,000 to \$40,000	1987	Tom Philipp, president
<b>7</b>	Travis Software Corp. P.O. Box 820469 Houston, Texas 77282-0469	TravisFlex	281-496-3737 Fax: 281-496-4022 <a href="http://www.travisoft.com">www.travisoft.com</a>	272	\$2,295 to \$5,995	1987	Alan H. Williams, president
<b>8</b>	FACTS Services Inc. 1575 San Ignacio Ave., Suite 406 Coral Gables, Fla. 33146	FACTS	305-284-7400 Fax: 305-661-6710 <a href="http://www.factsservices.com">www.factsservices.com</a>	221	\$25,000 and up	1981	Robert S. Graham, president
<b>9</b>	NuView Systems Inc. 155 West St., Suite 8 Wilmington, Mass. 01887	NuViewHR Product Suite	978-988-7884 Fax: 978-988-1263 <a href="http://www.nuviewhr.com">www.nuviewhr.com</a>	200	\$50,000 and up	1995	Shafiq Lokhandwala, president/CEO
<b>10</b>	BEMAS Software Inc. 7 The Pines Court, Suite B St. Louis, Mo. 63141	PayDirect Software	314-439-5300 Fax: 314-439-5303 <a href="http://www.bemassoftware.com">www.bemassoftware.com</a>	180	\$2,500 to \$70,000	1996	Steven K. Pownall, president

NA-Not available  
Source: BI survey

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# Wealth of data helping employers control costs

By LOUISE KERTESZ

Through technology that stores, integrates and analyzes data from medical, pharmaceutical and other service claims, insurers and employers are gaining unprecedented access to aggregated information they're using to control health care costs.

Only the largest employers have the resources to maintain health care data warehouses. And, increasingly, "employers are getting out of data warehousing," according to Dr. Phillip Polakoff, a principal at New York-based Buck Consultants Inc. "Most employers are downsizing their health benefits department," Dr. Polakoff said, "so they don't have the capacity to have independent analysts in house."

Conversely, many employers now have access to vast amounts of data and analysis through their health insurers, employee benefit consultants, third-party administrators or group purchasing associations. These firms maintain data warehouses or contract with warehousing

vendors such as Ann Arbor, Mich.-based Medstat and apply powerful new analytic tools from companies such as Boston-based DxCG Inc.; San Jose, Calif.-based Resolution Health Inc.; and Orlando, Fla.-based MEDai Inc.

The new tools, through retrospective analysis or predictive modeling, turn employers' raw health care data into information they can use to control costs.

San Francisco-based bank holding company Wells Fargo & Co. has worked with Medstat for 20 years for data warehousing and analysis, according to Sally Welborn, vp of corporate benefits at Wells Fargo. The company also has partnered with Hewitt Associates of Lincolnshire, Ill., which has a license to run the bank's pharmaceutical data through a DxCG modeler. "We're looking for trends (and for) which conditions appear most often in our population so we can focus communication, disease management programs and wellness initiatives," she said.

In the past, much data analysis

was done using "the blunt instrument of age and sex," she said. The DxCG tool more accurately defines the risk of the populations enrolled in Wells Fargo's several health plans. "If an employer is not looking at the risk a plan is carrying, that could negatively impact the way employee contributions are set, and it may drive people away from an efficient plan," she said.

Ms. Welborn conceded that warehousing data for 150,000 employees is expensive, but she noted that the new analytic tools like DxCG's are "surprisingly inexpensive."

George Crowling, director of health care management for New York-based Verizon Communications Inc., agreed that the company's "low six-figure investment" to get the data and analysis it uses for risk adjustment is "peanuts, relative to what we're spending on health care." About 70% of the company's 750,000 employees are in self-funded plans.

Verizon works with Cheyenne, Wyo.-based Options & Choices Inc.,

which gathers and analyzes Verizon's claims data, through a contract with DxCG. Verizon gets aggregated comprehensive data for each of its health plan members, even including claims from carve-out services such as vision and behavioral health.

Verizon is then able to compare the efficiency of the several hundred local health plans it offers across the country.

The proof is in the pudding. "Our trend (for health care cost increases) for employees was 18% in 2003, 13.5% in 2003, and 8.5% in 2004. We still have high health care costs, but the trend is going in a different direction, and we're not doing it by cost shifting, taking benefits out or with exotic plans that aren't going to work in the long run," Mr. Crowling said.

The Montana Assn. of Health Care Purchasers, a Missoula, Mont.-based organization of private and public self-funded groups, maintains a common database for the four health plans it offers. It contracts with DxCG "at a very favorable rate" for its Risk Smart tool to analyze the data, said Paul Bogumill, director of the medical management section of the Montana Employee Health Plan, a member of the association.

Besides allowing employers to promote the most efficient plans, the tool identifies employees who need disease management and which programs are working. It also allowed Mr. Bogumill to eliminate certain tests in health screening that were shown to be of little value.

Most of the data for Oak Brook, Ill.-based food service retailer McDonald's Corp. is stored at its claims payer, Downers Grove, Ill.-based First Health Group Corp. Together, they work with McLean, Va.-based analytic firm VitalSpring Technologies Inc., which has teamed up with Johns Hopkins University to develop software that assigns McDonald's employees into five resource utilization bands. Group 5 comprises those with the most severe chronic illnesses.

Nurses at First Health contact those who would benefit from "health management," McDonald's preferred term, to "make sure they get the appropriate treatment," according to Bob Wittcoff, McDonald's senior director-human resources. The process "takes management programs from the generic to targeted efforts that can really make an impact on people's lives," Mr. Wittcoff said.

HealthSCOPE Benefits Inc.—a managed care organization and third-party administrator based in Little Rock, Ark.—uses MEDai's predictive modeling tool to identify members of employer health plans who have low utilization levels but are likely to incur high costs in one or two years. HealthSCOPE then focuses on getting those members into disease management programs. "A lot of members in disease management are already high cost. Our model catches them before they peak," said Swati Abbott, MEDai's vp of business development.

"That results in huge savings

down the line, when the catastrophic doesn't happen," said Philip Nikolai, HealthSCOPE manager of data analysis and reporting.

San Mateo, Calif.-based Benu Inc. is "an aggregator, a market maker" for midsize employers, said Dr. Michael Mellenthin, vp of finance and risk adjustment. The company, which operates as a health plan, uses the DxCG tool to risk adjust premiums among products offered by participating insurers, thus shielding them from adverse selection. That allows midsize employers to offer the health plan choices typically found in large companies.

The Pacific Business Group on Health, a San Francisco-based business coalition of 50 purchasers, also uses DxCG to risk adjust premiums across plans in their small and large group purchasing pools, said Emma Hoo, director of value-based purchasing. PBGH hosts user groups "to help educate employers on the availability of such tools," Ms. Hoo said. More and more employers see these tools as "absolutely critical" in analyzing health care data and are pressing their insurers to use them, she said.

Many employers turn to Louisville, Ky.-based Humana Inc., whose new Web-based Verisight tool analyzes their data and generates highly visual reports that employers can "translate into specific actions," including offering the type of wellness programs that will make a difference to their populations, said Dr. Melissa L. Weaver, vp of health systems support at Humana. The insurer's huge data warehouse is updated monthly.

Verisight was developed internally at Humana and generates detailed reports for employers. For example, a single screen can display medical and pharmacy claims over a 36-month period, relative to points such as clinical conditions, place of treatment and utilization information. Depending on the employer's comfort level, Humana "translates" Verisight's information or shows them the actual screen.

The tool also is used to support underwriting and answers employers' questions about why their premiums are increasing.

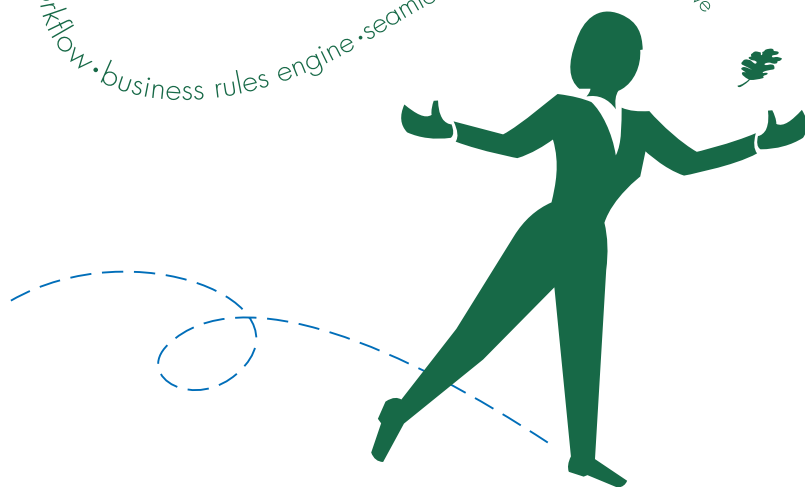
Aetna Integrated Informatics Inc., a subsidiary of Hartford, Conn.-based Aetna Inc., runs all of the insurer's more than 14 million covered lives through its Predicted Utilization by Statistical Evaluation model, or PULSE, every month, according to Tina Brown-Stevenson, the subsidiary's president.

PULSE produces a predictive score of 0 to 15. "A score of 10 means that the person will spend \$26,500 in medical costs over the next 12 months, and it's correct 60% of the time for conditions that are predictable," that is, for existing conditions that will exacerbate.

Consultants at Aetna Integrated Informatics show employers and their consultants where changes in benefit design could result in lower health care costs, Ms. Brown-Stevenson said. For example, a tightly controlled pharmacy program could be preventing employees from accessing preventive medications.

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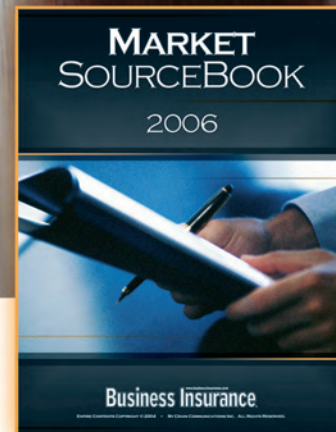
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## Between the Lines

Compiled by Joanne Wojcik

### 'You're covered' to 'You're hired'?

Can "The Apprentice" candidate Adam parlay his risk management education into a job working for Donald Trump?

The 22-year-old candidate, who graduated from Georgia State University with a bachelor's degree in risk management and insurance, is still in the running as a member of the Excel team, which has dominated the challenges The Donald's reality show has thrown at them.

But even if Adam is among the candidates who don't make the cut, he still appears to have a promising future. Beginning his career in the insurance industry at Marsh & McLennan Cos. Inc. at just 19, Adam was managing a book of business valued at more than \$3 million by the time he was 20. He currently advises Fortune 500 companies on risk management strategies at a Big 4 accounting firm in New York, according to his bio on the show's Web site.



Will Donald Trump retain a risk management grad on "The Apprentice"?

### Risk-takers share reward

It's said that the odds of getting struck by lightning are better than that of winning the lottery, but that didn't stop 17 employees of Erie Insurance Co. from taking a chance on the record Powerball jackpot earlier this month.

Though they didn't take home the grand prize of \$340 million—it went to an unidentified Oregon ticket holder—the insurance industry group was among the 47 winners that had matched all but one of the winning numbers, and so they will split \$853,492.

The employees, who were mostly from Erie's Financial Reporting and Compliance department, started pooling money to play the Pennsylvania Powerball lottery after the jackpot reached \$120 million several weeks ago. Twice each week, reinsurance accountant Jim Fetznar collected \$5 from each participant and walked two blocks to Al DeLuca's Variety Store to buy tickets.

Because each of the 17 will get only about \$35,000 after taxes, none has opted to retire. But they are all making plans for spending their unexpected bonuses.

Stephan Milewski, supervisor in investment accounting and reporting, said he was going to put the money into a college fund for his two young children. Catherine Hogg, reinsurance accountant, plans to pay off some bills and then treat her family to a vacation. Ron Lindsey, senior financial accountant, plans to use the money to finance his three daughters' weddings.

### Stranger than fiction

The Pharmaceutical Research & Manufacturers of America may vigorously oppose reimportation of prescription drugs, but it did not go so far as to commission pulp fiction to further its cause, asserts Ken Johnson, vp of the Washington-based industry trade group.

"We have credible research opposing reimportation of prescription drugs. We don't have to resort to pulp fiction and Looney Tunes," he said.

But he acknowledged an outside consultant for the Washington-based trade group has already used some of his fees to pay a Hollywood ghostwriter to begin work on "The Spivak Conspiracy," a fictional account of a Croatian terrorist cell that uses Canadian Web sites to prey on Americans looking for cheap prescription drugs online.

"An outside consultant brought the idea to a lower-level employee with some budget authority at PhRMA, who pursued the idea," Mr. Johnson said. But when managers learned about the "idiotic idea," PhRMA put controls in place to prevent such discretionary spending in the future, he said.

Tips and feedback from readers are welcome. Please send information to [jwojcik@businessinsurance.com](mailto:jwojcik@businessinsurance.com).

## COMINGS & GOINGS - INDUSTRY

### Brokers:

**Mark Hardinge** is the new chief executive of Heath Lambert Group's financial and professional risks operation. Previously, he was a managing director in the professional risks division at Aon Corp.

Irvine, Calif.-based SullivanCurtisMonroe Insurance Services L.L.C. has named **Igor Vido** senior vp and managing director of its new San Diego office. Previously, Mr. Vido was vp at Calco Insurance Brokers & Agents.

Aon Risk Services of New Jersey in Parsippany has promoted **Matthew T. Schneider** to resident managing director from senior vp and relationship management unit leader in the New York office.

Aon Corp. has named two senior executives to its national health care practice:

• **Kymerlee Keefe**, who will be based in Atlanta, has been named senior vp and national practice leader for Aon Healthcare's long-term care practice. Previously, she was senior vp of SavaSenior Care Administrative Services.

• **Roger Francoline** joins Aon Healthcare as senior vp of product development in Greenwich, Conn. Before joining Aon, he was a senior vp of HealthMarket Consumer Driven Health Plans.

**Henry Van Dellen** has joined Aon Consulting as senior vp and Minneapolis health and welfare practice leader. Previously, he

was an employee benefits practice leader for Willis Group Holdings Ltd.

Toronto-based Integro (Canada) Ltd. has hired **David Spratt** as chief financial officer. Mr. Spratt most recently was global CFO for Marsh Management Services Ltd. in Bermuda.

Three other new hires at Integro (Canada) Ltd. were recently announced:

• **Chris McMullan** has been named principal, financial institutions and private equity. Previously, he was director, international business development, for Marsh Canada Ltd.

• **Mark E. Rankin** will serve as principal, client development. He also joins Integro from Marsh Canada Ltd., where he was risk management practice leader.

• **Brenda Nyberg**, formerly vp, national program coordinator for Marsh Canada Ltd., has been named senior associate, business information and technology.

Boston-based William Gallagher Associates has named **Doug Bixby** senior vp. Previously, he was a vp in WGA's property and casualty practice.

Minneapolis-based Cooper Gay & Cashman has named two new senior vps:

• **Bridget Rodningen Wortman** was formerly a senior vp at Aon Re Worldwide.

• **Beth Trautman** was formerly a senior vp on the professional lia-

bility team at Benfield Inc.

Willis Group Holdings Ltd. has hired three senior executives in its Denver construction practice:

• **Terry Doherty**, previously a senior vp and construction practice leader at Lockton Cos. of Colorado Inc., has been named executive vp.

• **John Flocco**, a former Lockton vp, and **George Bowdouris**, a former bond manager for Lockton, both have been appointed senior vps.

### Insurers:

American International Group Inc. has named **Nicholas C. Walsh** executive vp, foreign general insurance. He will continue to serve as president and chief executive officer of American International Underwriters.

### Other providers:

**James W. Schacht**, the former Illinois director of insurance and special deputy receiver, has joined Chicago-based Navigant Consulting Inc. as a managing director in the financial services practice.

**Robert J. Morrow** has become a partner in the New York-based insurance and reinsurance litigation practice of law firm Hunton & Williams L.L.P. Previously, he was an attorney at Dewey Ballantine L.L.P.

Buck Consultants Inc. has named **Barry Hall** principal and office manager in Boston. Before joining Buck, Mr. Hall was head of the Boston office of Chicago Consulting Actuaries.

# Business Resources

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# Reinsurers mull impact of storms

*At Baden-Baden, talk focuses on hurricanes, floods, cost of capital*

By SARAH VEYSEY

**BADEN-BADEN, Germany**—It wasn't business as usual at this year's Baden-Baden reinsurance meeting, as attendees were still sorting out the impact on the market of the unusually active and costly Atlantic hurricane season.

The annual gathering of reinsurers and brokers in the German spa town traditionally is the backdrop for serious discussions on European renewals, and typically some contracts are signed. But this year, attendees said, the uncertainty surrounding reinsurance losses from the U.S. hurricanes meant discussions were more general in nature.

Many also said the renewal season likely will run late as underwriters seek to fully assess the impact of the U.S. storms.

"It will be a long and late renewal," said Frank Rieder, vp at Cooper Gay Steele & Co. Ltd., a division of London-based broker Cooper Gay Group in New York.

Reinsurers are waiting to see what

will happen in the retrocessional market, and this likely will hold up renewals for certain lines of business, particularly catastrophe business, noted Frank Schaar, executive vp and member of the global executive committee of Converium Hold-

**"Reinsurers are not going to drive their clients away to other markets."**

Adam Fox  
Glencairn Ltd.

ing A.G. in Cologne, Germany.

Many attendees said European reinsurance buyers should not expect to have to pay more for their reinsurance programs on Jan. 1 because of catastrophe losses in the United States. Others, though, noted that the global nature of the reinsurance business—and the effect the losses will have on pricing for retrocessional business—will mean that European reinsurance buyers also will feel the impact of the storms in their rates.

Most agreed, though, that it is still too early in the process to say what the extent of such increases will be.

In addition, losses from windstorms and flooding in parts of Europe this year also will be factored into prices, they said.

Rate increases will be "very localized," said Adam Fox, a senior partner in the reinsurance division of broker Glencairn Ltd. in London.

Any cedents with exposures in the Gulf of Mexico or the southern U.S. states clearly will be expecting to pay more for their reinsurance cover, and their rate increases will be "substantial," Mr. Fox said.

But in other geographical areas, cedents who have "not given their reinsurers losses" should not expect to pay more for their reinsurance program at the Jan. 1 renewal, he said.

While the cost of retrocessional cover is expected to rise significant-

ly, competition concerns will likely deter reinsurers from hiking their rates too dramatically for loss-free business, he said.

"Reinsurers are not going to drive their clients away to other markets," Mr. Fox said.

Jean-Michel Lewis, a director in the reinsurance department of London-based broker Heath Lambert Group, said "On the whole, I don't think reinsurers will overreact" to Hurricane Katrina losses by imposing huge rate hikes. "Anyone who does overreact will lose business," he said, particularly among European buyers.

Reinsurance buyers in Central and Eastern Europe will "feel very strongly" that they should not pay for losses that occurred in other regions, noted Guy Hudson, executive director of Willis Re, a division of Willis Group Holdings Ltd. in London.

Mr. Hudson, who is responsible for the Central and Eastern Europe regions for Willis Re, said that prices are generally competitive in the region.

Converium's Mr. Schaar, who is responsible for standard lines in

See **BADEN-BADEN**/page 22

## Equitas settles GM's claims against Lloyd's

**LONDON**—Equitas Ltd. and General Motors Corp. have agreed to settle all of the automaker's claims against Lloyd's of London underwriters reinsured by Equitas.

A spokesman for London-based Equitas, the runoff reinsurer for the pre-1993 liabilities of Lloyd's syndicates, was unable to comment on the deal's size.

The agreement settles all claims by Detroit-based GM, including North American third-party asbestos and pollution-related liabilities, Equitas said in a statement.

GM said in the statement that it would proceed with a pending coverage suit over asbestos and other third-party liabilities against its primary insurer, Royal Indemnity Insurance, a unit of London-based Royal & Sun Alliance Insurance Group P.L.C.

Simon Wright, head of direct claims at Equitas, said Equitas was pleased to reach agreement with GM without litigation.

Equitas recently has reached several other settlements deals with U.S. policyholders, including a \$575 million settlement with Houston-based Halliburton Co. in 2004, and a \$415 million deal with The Babcock & Wilcox Co., a subsidiary of Houston-based McDermott International Inc., in March of this year.

—By Sarah Veysey

## Natural cat rates likely to jump

*Panel weighs how to cover record number of disasters*

By RICK MILLER

**VIENNA, Austria**—The growing frequency and intensity of hurricanes and other weather-related calamities is expected to drive up premiums for natural catastrophe insurance anywhere from 50% to 70% in the coming years, according to an estimate by Germany's Munich Reinsurance Co.

Risk models used by commercial consultants are currently not pricing in the impact of global warming and a presumed natural cycle of increased hurricane activity, said Peter Höpfe, head of the department of geo risks research and environmental management at Munich Re.

"We will see a new generation of models during the next year and the following years, and they certainly will result in the outcome that prices have to be higher to compensate for the increase in risk," said Mr. Höpfe, speaking earlier this month at the annual conference of the Basel, Switzerland-based International Assn. of Insurance Supervisors held in Vienna, Austria.

In the "Natural and Manmade Catastrophes—To Cover or Not to Cover?" session, panelist Rudolf Enz, deputy head of economics research at Swiss Reinsurance Co. in Zurich, Switzerland, said the question posed would be more aptly phrased "how to cover natural catastrophes."

Insurers can cover the predicted huge losses from such disasters, Mr. Enz said, provided the risk is shared among policyholders, domestic insurers, global reinsurers, the capital

markets and government. "All have to play a role in this game," he said.

Natural catastrophes are "increasing dramatically in number and magnitude," said Mr. Höpfe, who links the phenomenon to global climate change. Recent floods and heat waves in Europe,

**"It seems to me that a more rational and prudent thing would be to encourage the appropriate building codes upfront and consumers to act in a rational behavior, as opposed to post-event funding."**

Kevin McCarty  
Florida Office of Insurance Regulation

this year's record number of tropical storms in the North Atlantic basin, and a record 10 typhoons making landfall in Japan last year, is evidence that "the loss potential...has reached new dimensions," he said.

Coincidentally, the panel discussion got under way just as Hurricane Wilma began bearing down on the Yucatan Peninsula before striking Florida last week.

Florida Office of Insurance Regu-

lation Commissioner Kevin McCarty—who discounted before leaving for Vienna the possibility that a small tropical storm in the Caribbean could turn into the strongest recorded hurricane in the Atlantic basin—cited the need for more private-public partnerships, similar to the Florida Hurricane Catastrophe Fund. Created after Hurricane Andrew in 1992, the fund provides a reinsurance mechanism that was widely responsible for the re-establishment of stability in the Florida insurance market, he said.

Such programs should be designed to be "proactive rather than reactive," he said. Mr. McCarty noted that Congress recently approved \$62 billion in relief to help rebuild areas of the Gulf states hit by Hurricane Katrina. "It seems to me that a more rational and prudent thing would be to encourage the appropriate building codes upfront and consumers to act in a rational behavior, as opposed to post-event funding," he said.

Among his suggestions was the adoption of a catastrophe reserve model that allows insurance companies to accumulate capital on a tax-deferred basis to increase capacity for catastrophes. He recommended the creation of personal savings accounts that encourage consumers to save for higher deductibles, as well as the availability of low-cost loans so current housing stock can be retrofitted to mitigate future losses.

In addition, considering the "crit-

See **IAIS**/page 24

## Updates

### HCC to purchase Lloyd's operation

HCC Insurance Holdings Inc. has agreed to buy Illium Insurance Group Ltd., which operates the managing agency for Lloyd's of London syndicate 4040, Houston-based HCC Insurance Holdings said in a statement. Syndicate 4040 specializes in U.K. third-party and employers liability insurance and has capacity of about £70 million (\$123.8 million). HCC Insurance Holdings is purchasing the remaining 80% of the outstanding shares that it does not already own in Illium for an undisclosed amount.

### FERMA appoints two executives

The Federation of European Risk Management Assns. has appointed two vps for the period of 2005 to 2007. José Manuel Dias da Fonseca, president of the Portuguese risk management association Associação Portuguesa de Gestão de Riscos e Seguros, and Hans Gorree, president of the Dutch association Nederlandse Associatie van Risken Insurance Managers, will work with Marie-Gemma Dequae, who began a two-year term as FERMA president earlier this month at the federation's biennial meeting in Lisbon, Portugal.

### LMA restructures aviation, marine unit

The Lloyd's Market Assn. has restructured its technical aviation and marine division to form a marine aviation and transport team to provide technical services to the marine and aviation sectors of the Lloyd's market, including energy and space business. The marine aviation and transport team will be led by Neil Smith, the London-based LMA marine aviation and transport manager.

### AIG leads hull cover for Nigerian jet

Insurance coverage for the passenger jet involved in the Oct. 22 fatal crash in Lagos, Nigeria, was led by American International Group Europe (UK) Ltd., sources said. The Boeing 737 Bellview Airlines jet was built in 1981, according to insurance sources, and crashed in stormy weather just after takeoff from Lagos airport en route to the Nigerian capital of Abuja, killing all 111 passengers and six crew members. AIG Europe (UK) Ltd. led the hull and liability coverage for the jet, sources said. The value of the hull was between \$1.5 million and \$3 million, and Aon Ltd., the London-based arm of Aon Corp., placed the policy, sources said.

# Baden-Baden: Reinsurers mull market impact of storms

Continued from page 22

Central and Eastern Europe and the Middle East, said that "these are independent markets and independent regions, and you have to treat these markets in different ways."

There likely will be rate increases for clients who had losses from European Windstorm Erwin in January, for example, he said, but any increases will be "on a client-by-client basis."

Converium, he said, seeks to charge the "technical price" for risks, and "will not load price(s) just to make up for the losses in North America."

## Broad increases possible

While buyers with U.S. exposures are likely prepared to pay more for

certain reinsurance covers, "international buyers don't see why they should pay more" for their reinsurance because of the hurricanes, said

**"It is not fair to say to European clients that they should have to pay for the U.S. storms."**

**Michael Pickel**  
Hannover Re Group

Hugh Price, chairman of London-based broker Alwen Hough Johnson Ltd. in London.

"It is not fair to say to European clients that they should have to pay for the U.S. storms," said Michael Pickel, a member of the executive board at Hannover Re Group in

Hannover, Germany.

But, he said, reinsurers will have to allocate more capital to cover natural perils in the future and make amendments to covers offered for storm risks.

Blanket rate increases are not to be expected, he said, but some European cedents will see the price of their reinsurance cover go up, while others may see prices remain stable.

The extent to which international buyers are affected will depend on the retrocessional market and how much prices increase for that coverage, Baden-Baden attendees said.

If you are a buyer in, say, Germany, who has not had any losses, then you will ask "why should I pay for losses in the Gulf of Mexico?" said Cooper Gay's Mr. Rieder.

However, the cost of capital for reinsurers likely will increase as a result of the losses, and the price of retrocessional cover also will rise, which could lead to higher reinsurance pricing generally, he said. "We cannot be more precise at the moment."

And while U.S. loss-exposed business certainly will see rate increases as a result of the storms, buyers in other areas may see terms and conditions or rates alter as an indirect consequence, he noted.

The hurricanes "will have an impact (on European cedents), particularly on catastrophe business," said Adrian Clark, head of European operations at London-based broker Benfield Group Ltd.

The cost of catastrophe reinsurance will increase, he said, "but by

what percentage, we do not know at the moment."

Recent flooding in Europe would not likely by itself have boosted catastrophe reinsurance pricing by any great degree, except for those accounts with losses, Mr. Clark noted. But the flooding, coupled with that in the United States related to the hurricanes, is prompting reinsurers to revisit how they underwrite and price flood risk, he said.

Although much of the damage from Windstorm Erwin was uninsured, parts of Sweden that previously were not thought to be windstorm-exposed suffered damage, said Søren Vasehus Madsen, general manager and chief executive officer for GE Frankona Reinsurance A/S, a

See **BADEN-BADEN**/page 23

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### ENGLISH & AMERICAN INSURANCE COMPANY LIMITED NOTICE OF ANNUAL MEETING OF SCHEME CREDITORS

A meeting of the Scheme Creditors of the Company has been convened by the Scheme Administrators, pursuant to Clause 8.1 of the Scheme of Arrangement between the Company and the Scheme Creditors for the purposes set out below.

The meeting will be held at KPMG's offices, 1-2 Dorset Rise, London EC4Y 8EN on Thursday 1 December 2005 at 10.00am. A report concerning the progress made in implementing the Scheme and the conduct of the Company's affairs generally since the last such report was prepared will be laid before the meeting pursuant to Clause 8.1.2. Scheme Creditors will have the opportunity to address questions to the Scheme Administrators concerning the report at the meeting.

A copy of the report is being sent to the last known addresses of all known creditors, potential creditors and brokers of the Company. Any person entitled to attend the meeting who has not received the report by 15 November 2005 can obtain a copy free of charge from the Scheme Administrators of the Company at KPMG LLP, 8 Salisbury Square, London EC4Y 8BB.

Queries regarding Scheme Creditors' claims should be directed to the helpline on +44 (0) 1452 782 600.

T. A. Riddell, Joint Scheme Administrator

## LEGAL NOTICE

## LEGAL NOTICE

### NOTICE OF BANKRUPTCY OF LLOYD'S NAME

On August 29, 2005, James Robert Phillips, a former Name in Lloyd's Syndicate Nos. 48, 65, 97, 104, 105, 109, 112, 126, 210, 218, 270, 293, 483, 484, 488, 529, 544, 566, 597, 601, 657, 684, 697, 732, 740, 741, 839, 923, 945, 947, 957, 963, 979, 1001, & 1036 filed Chapter 7 bankruptcy case no. 05-33502 in the United States Bankruptcy Court for the Western District of North Carolina, PO Box 34189, Charlotte, North Carolina 28234-4189. Policyholders and other beneficiaries of policies insured or reinsured by these syndicates may have claims against Mr. Phillips and should consult an attorney. You may obtain additional information from Mr. Phillips' attorney, Joseph M. Grier, III, Grier Furr & Crisp, PA, 101 N. Tryon St., Suite 1240, Charlotte, NC 28246 (telephone 704-375-3720, email [jgrier@grierlaw.com](mailto:jgrier@grierlaw.com)) or you may view the Bankruptcy Court's website at <http://www.ncwb.uscourts.gov>. The Bankruptcy Court has set a deadline of December 27, 2005 for the filing of Proofs of Claim on the official court form. Failure to file a timely claim may lead to the claim being disallowed and to the discharge of any liability on the claim. Complaints to determine dischargeability of certain debts must be filed on or before November 28, 2005.

## REQUEST FOR PROPOSALS

## REQUEST FOR PROPOSALS

### REQUEST FOR PROPOSALS LONG ISLAND RAIL ROAD/METRO-NORTH RAILROAD OWNER CONTROLLED INSURANCE PROGRAM 2005 - 2009 Capital Program


The Metropolitan Transportation Authority's Risk and Insurance Management Department is soliciting Requests for Proposals (RFPs) from qualified brokers/agents to provide Program Administrative and Insurance Marketing Services for a Long Island Rail Road/Metro-North Railroad Owner Controlled Insurance Program (OCIP) for the 2005 - 2009 Capital Program.

Brokers/Agents must demonstrate:

- a clear understanding of the objectives and constraints of an OCIP;
- experience as Broker of Record handling OCIPs in the transportation industry, with construction values of at least \$250 Million for an individual OCIP program;
- that principal staffing is in a location readily and easily accessible to MTA Service Area and;
- commitment, capability and experience of key personnel proposed to manage these programs.

The OCIP will require an MBE/WBE goal participation. The MBE/WBE goal is yet to be determined.

The contract term of the OCIP is eight years. Information concerning the projects to be included in this OCIP will be available on or about November 7, 2005. Please fax request for an RFP to 212-878-1203. Responses to the RFP are due by 5:00 p.m. on Thursday, December 22, 2005. Please submit ten (10) copies to Ms. Laureen Coyne, Director, MTA Risk and Insurance Management Department, 347 Madison Avenue (341/18), New York, New York 10017.

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## LEGAL NOTICE

### NEW YORK CITY HOUSING AUTHORITY PUBLIC NOTICE - INVITATION FOR BID

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The New York City Housing Authority ("NYCHA") requests Proposals from qualified **INSURANCE CARRIERS** for Pollution Legal Liability and Contractor's Pollution Liability Insurance Coverage. Carriers must be licensed in N.Y. State with "A.M. Best" rating of at least "A minus, X". Coverage is to become effective **January 3, 2006**.

Proposals shall be made in the format included in the Invitation for Bid (IFB) package containing instructions, specifications and detailed submission requirements. IFB packets may be obtained by calling NYCHA's **Liability Insurance Broker: Towers Perrin Consultative Placement, One Stamford Plaza, 263 Tresser Boulevard, Stamford, CT 06901 at (203) 363-1962**. In order to be eligible, completed bid proposals **must be received by 3:00 P.M. on Monday, November 14, 2005**.

Direct inquiries for additional information to **William M. Mollica, Vice President**, at the aforementioned address, telephone or e-mail to: [William.Mollica@towersperrin.com](mailto:William.Mollica@towersperrin.com).

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## Baden-Baden: Natural cat rates likely to jump

Continued from page 22

division of GE Insurance Solutions in Copenhagen, Denmark.

As a result, reinsurers will revisit the terms and conditions and pricing for such business, he said.

It is "broadly accepted that the increased frequency of storm activity will have to have an influence on terms and conditions" for most catastrophe reinsurance covers, said Franz Hertl, chief executive manager for the German market at Munich, Germany-based Munich Reinsurance Co. The extent of changes, though, will differ from client to client, he said.

He noted, though, that Europe also saw storms and floods this year, and "this has to be transferred to the price, and terms and conditions, and models."

"The business is a global business, it is an international business," and if reinsurers' cost of capital increases, then reinsurance prices will also increase, Mr. Hertl said.

Michel Liès, executive board member and head of client markets at Swiss Reinsurance Co. in Zurich, said that "considering that we are witnessing increasing natural catastrophe events across the globe, affecting economies and societies with a higher frequency and severity, natural catastrophe price levels in the upcoming renewals must be adjusted to reflect these developments."

## Presentations explore industry's future

By SARAH VEYSEY

**BADEN-BADEN, Germany**—The reinsurance and insurance industry must make significant changes in order to address future challenges, a panel of experts said.

At the "2010—Reinsurance in the Future" symposium sponsored in Baden-Baden, Germany, last week by XL Re Europe, a division of XL Capital Ltd., panelists discussed how the industry might change in the years to come.

Huge challenges face the chief executive officers of reinsurance companies as they look to the future, according to Stephen Searby, rating advisory director at Société Générale in London. Investors want to see the growth of companies and profitability and to get their money back, he said, but top-line growth and profit "have not been frequent bedfellows in our industry."

Reinsurers are also facing competitive pressures, Mr. Searby said, and he noted that ceding can retain their reinsurance risks if they so wish, creat-

ing another form of competition for reinsurers.

The recent storms in the United States have illustrated "that we have what appears to be an increase in volatility" of natural catastrophes, he said.

The recent hurricanes have shown that catastrophe modeling "is not a perfect science" and that underwriters must still exercise judgment and not blindly follow models, noted panel moderator Charles-Werner Skrzynski, CEO of XL Re Europe in Le Mans, France. "More than ever, underwriters are under pressure to add value to models," Mr. Skrzynski said.

Increased regulation of reinsurance may add to reinsurers' costs in future, Mr. Searby noted. And managing the underwriting cycle is another huge challenge for the industry, he said.

These challenges will lead to the reinsurance industry seeking to improve efficiency, Mr. Searby predicted. Some reinsurers may question their size, Mr. Searby said, because "there are some diseconomies of scale that cannot be offset by diversifica-

tion." Several large reinsurers have already stated their intention to reduce premium volume, he noted.

Widespread merger and acquisition activity is unlikely, Mr. Searby said, although there will likely be some consolidation among smaller players. The financial strength of reinsurers "will remain a key differentiator," he said.

In a presentation entitled "Insurance Industry: Where are We Going?" Alan Punter, CEO of Aon Capital Services Ltd. in London, a division of Aon Corp., urged the insurance industry to address some of the risks faced by buyers that previously have been considered "uninsurable."

Mr. Punter said studies by Aon had found that insurance buyers consistently rank risks such as reputation risk as their top priorities but that such risks are not currently insured. Typically, he said, "when the insurance industry comes across a risk that is difficult, it excludes it."

Alongside this, he noted, is a growth in self-insured reten-

tions and greater use of captive insurance companies among buyers. If the insurance industry excludes a risk, "it doesn't go away," Mr. Punter said, "the client has still got it." The result is that the premium—and perhaps the client—go away, he said.

In addition, Mr. Punter told attendees, one of the reasons that companies buy insurance is to reduce volatility by replacing variable and unknown future losses with known premium costs. "But how much stability do we give when the cost of insurance is so volatile?" he asked.

The insurance industry and governments should work more closely together to ensure that certain risks are insurable, Mr. Punter added. For example, in some cases, pooling mechanisms for natural catastrophe risks might help to ensure that such risks could be insured in the future, he said.

Carl Christian von Weizsäcker, a senior research fellow on collective goods at the Max Planck Institute für Informatik in Bonn, Germany, also contributed to the panel.



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## Avian flu: European employers examining threat

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Druckman. At the moment, there is limited supply of Tamiflu. Governments have large orders for the antiviral drug, which they likely will reserve for essential workers, he said. Meanwhile, pharmaceutical companies have warned that it will take several months after a human-to-human strain of the disease emerges to develop an effective vaccine.

### Lack of staff

"Business continuity planning provides a framework and a tool bag for different risks a company may face and should be ready to react to a pandemic risk," said Steve Yates, Woking, England-based group business continuity and emergency planning manager for U.K. cable company Telewest Communications Ltd.

Mr. Yates is re-examining his company's plans to cope with bird flu. At the same time, he is testing the company's plans to cope with severe winter weather, which has been predicted for the United Kingdom this year. "I see both these risks producing similar problems initially for the business, most notably a shortfall in employees able or willing to get to work," he said.

"Organizations need to recognize that the outbreak of a flu pandemic is a very real risk that will impact their business in many ways and that they need to have contingency plans in place," said Hugh Leighton, Birmingham, England-based director of Aon Ltd.'s Risk Control Consultants.

"Most firms will have to modify their contingency plans, because the planning assumptions today are based on loss of infrastructure rather than people," said Pat McConnell, a risk consultant with Risk Trading Technology and visiting fellow at the Applied Finance Center at Macquarie University Sydney in Australia. "People present a whole new set of...issues that infrastructure disaster recovery planning rarely encounters," he said.

"An avian flu epidemic has very different characteristics to most risks companies have planned for. It has the potential to be universal—affecting all business sectors and all countries over a period of time," said Marsh's Mr. Waterer.

Companies with operations or

business in Asia modified plans when an outbreak of severe acute respiratory syndrome considerably disrupted business and travel in 2003.

"Those firms that developed contingency plans relating to the SARS epidemic are dusting those off as a starting point. However, while such plans have relevance, avian flu will present much bigger problems than SARS," said Mr. McConnell. The planning assumptions for avian flu, "especially as regards impact on staff, are much broader," he said.

### Widespread problems

The U.K. government, for example, has estimated that up to 25% of the workforce would be absent for five to eight days over a three-month period. "Service industries will be particularly hard hit, as they rely primarily on people to conduct business," noted Mr. McConnell.

Additional absentees will include those who need to care for others, Mr. Husband said. Moreover, he noted, well employees may be unwilling to travel on public transportation.

Some facilities may be forced to close, due to lack of staff or as a result of quarantine procedures, and security arrangements for premises that may have to be closed should be examined, experts said.

Companies should consider whether work could be moved to other locations, but the plans should recognize that personnel may be unwilling or unable to move, experts note. Government contingency plans include restricting movement of people and shutting down places and events where crowds assemble.

If working from home is possible, companies need to check whether their networks and technology can accommodate widespread remote working, Mr. Leighton noted in a recent Aon report on pandemic flu.

Meanwhile, he said employers need to examine legal issues on home working and instruct staff on using information technology and data protection safeguards.

Companies also can ensure they have a hygiene protocol—which includes hand washing and cleaning of communal areas—to help reduce contagion, said Neil Nerwich, London-based deputy group medical director for Europe, the Middle East and Africa for International SOS.

Employees need to be educated

about the disease and its symptoms, and reporting procedures should be introduced for workers who may have the disease or been in contact with someone who has, he added.

Companies also should assign someone to monitor the progress of the disease globally and keep key staff informed, experts note.

Policies for the content and delivery of external and internal communications on all matters relating to the impact of the pandemic should be developed, according to Mr. McConnell. "Effective telecommunications will be critical to minimizing the potential disruption resulting from a pandemic," he said.

For many companies, the volume of calls and Web site usage may rise as customers and employees stay home. Companies should ensure their telecommunications systems, including their interactive voice response and Web site capabilities, are adequate, Mr. McConnell said.

Companies will need to develop policies on teleconferencing, risk-reduction measures for essential travel—such as encouraging workers to stay out of crowds—and quarantine arrangements for employees who return from affected areas.

### Economic risks

Companies also need to examine how long they can sustain reduced customer demand and lack of supplies, noted Mr. Waterer.

Risk executives advise companies to examine how they can diversify or expand their customer bases and consider other distribution channels, such as online purchasing.

Another impact of a pandemic will be supply chain disruption.

"Manufacturing industries will be hardest hit if they have long supply chains and just-in-time inventory systems," predicted Mr. McConnell.

"What if key products or components which the business (or even its most critical supplier) rely on are stuck on a ship quarantined in China?" asked Mr. Leighton.

Companies should review supply chains to assess their dependence on individual suppliers and look into ways of diversifying suppliers and ensuring that suppliers regard them as priority customers. Companies should also check whether suppliers have their own business continuity plans, consultants say.

## Marsh: Liability limits dropping

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price situation and buy what they can afford and not necessarily what they need," said George C. Pallis, a managing director of Marsh's national casualty practice in Morristown, N.J.

Buyers, for instance, need to consider inflation and recognize they are purchasing coverage to cover losses they might not have to pay for five or 10 years, Mr. Pallis said. With rising inflation and medical expenses, \$90 million in limits is not going to pay for as much 10 years down the road, he noted.

At the same time, risk managers often perceive that their limits are adequate, and "that's where the danger lies with benchmarking," he said. While it's great to compare, the numbers don't say what went into the companies' decisions to buy those limits. They may be constrained by budgets and that's all they could afford, or others may not perceive the exposure, "and that is something I think companies need to take a real hard look at," he said.

Indeed, loss experience plays a big role in how much coverage a company buys. According to the study, companies with a loss of \$5 million or more within the past five years bought, on average, \$199 million in limits vs. just \$64 million purchased by companies that had not experienced a large loss.

"Those companies that have had a large loss have recognized the potential of what that (loss) can do to the company and are willing to spend the insurance dollars to protect the company's assets," Mr. Pallis said.

One exposure risk managers need to look at is auto liability, which, along with workers compensation and general liability, are the key drivers of overall casualty cost of risk, the study said. Of the top 100 jury verdicts in 2004, as compiled by The National Law Journal, 14% involved motor vehicles, up from just 4% in 2003.

"The jump in major verdicts for motor vehicle cases reinforces the special emphasis that risk managers

and other key executives must place on auto liability," Marsh said in the report.

The top motor vehicle award in 2004 was for \$38.3 million. The size is significant given that the number of victims was relatively low—one person died and three were severely injured, the study said.

"Just about every company out there, whether it be owned vehicles, nonowned vehicles or leased vehicles...has some form of motor vehicle exposure," Mr. Pallis said. And while the biggest award in 2004 involved relatively few injuries, multiply that by a number of lives "and you're talking potentially about a couple of hundred million dollars in damages," he said.

Indeed, Mr. Pallis noted that the median award in wrongful death suits continues to rise for both men and women. Citing statistics from Horsham, Pa.-based Jury Verdict Research, the median award for the wrongful death of an adult male rose 28.4% in 2003, to \$1.72 million, while the median award for the wrongful death of an adult female rose 50%, to \$1.51 million, the study said.

While the number of motor vehicle verdicts is up, the overall median verdict among the NLJ's top 100 verdicts continues to decline, according to the study. In 2004, the median verdict was \$34 million, compared with \$36 million in 2003 and \$51 million in 2002.

Likewise, punitive damage awards dropped in 2004 from previous years, the study said. The median ratio of punitive-to-compensatory damage awards in the NLJ's top 50 verdicts was 0.7-to-1 in 2004, compared with 1.6-to-1 in 2003 and 4.4-to-1 in 2002.

Marsh notes that, given the often extreme swings in jury verdicts from year to year, it is too soon to say if 2004's drop in the ratios represents the beginning of a trend.

*Copies of Marsh's "Limits of Liability 2005" report are available through local Marsh offices or by calling Donna Mohan at 212-345-5343.*

## PBGC: House advances proposal

Continued from page 3

way," said Lynn Dudley, vp and senior counsel for the American Benefits Council in Washington.

While he expressed confidence that an agreement could be reached, Education and the Workforce Committee Chairman John Boehner, R-Ohio, said the PBGC needs financial help now. The agency currently has a \$23.3 billion deficit.

"It is important to recognize that the financial condition of the PBGC must be strengthened, and today's proposal provides some financial help in the short term," he said.

Raising premiums "is the prudent thing to do," concurred ranking minority member Rep. George Miller, D-Calif.

Of the two measures, some business groups and consultants say the House approach, setting a lower initial premium, is a better one.

The House "keeps it at \$30 and Congress maintains control" of the premium, said Aliya Wong, director of pension policy at the U.S. Chamber of Commerce in Washington.

Indeed, "starting at \$30 is better than starting at \$46.75," said Kyle Brown, an attorney with Watson Wyatt Worldwide in Arlington, Va.

Still, employer groups say they want Congress to break the deadlock over the comprehensive funding reform legislation and pass a reform bill this year.

"We would rather not have premium increases outside of fundamental reform," said Bob Shepler, director of corporate finance and tax at the National Assn. of Manufacturers in Washington. But Mr. Shepler acknowledged that, at present, the prospects of legislators reaching an agreement on a reform package this year are dim.

## IAIS: Panel discusses collateral, terrorism issues

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ical role" reinsurance plays in "ensuring the viability of the private marketplace," Mr. McCarty said he "would like to encourage the United States to evaluate or examine the collateralization requirement that we impose on non-U.S. insurers, because I think that is an important aspect of increasing capacity."

Mr. McCarty said he favors the National Assn. of Insurance Commissioners re-examining the controversial issue.

Panel moderator Andreas Grünbichler, head of group risk management for Zurich Financial Services in Zurich, Switzerland, called Mr.

McCarty's comment on waiving collateral requirements "good news" for the industry.

Concerning coverage against terrorism attacks, the supply of insurance is much broader and prices have come down in the four years since the Sept. 11, 2001, terrorist attacks, according to Cécile Vignial, a senior economist in the financial affairs division of the Organization for Economic Cooperation & Development in Paris. Ms. Vignial noted, though, that take-up rates remain low in various countries; for example, she said, in the United States, only about half of companies were insured against terrorism at the end

of last year.

"Under these conditions, the economic and social impact of a new large-scale attack could be greater now than in 2001 if entities at risk have not opted for alternative coverage solutions," she said.

Meanwhile, the OECD is launching an international network on the financial management of large-scale disasters, Ms. Vignial said. The network, involving the 30 OECD countries and others, will serve partly as a forum to exchange information on the financial management of disasters, as well as to analyze related tools and systems implemented in OECD and non-OECD countries, she said.

## Wal-Mart: Benefit memo

Continued from page 4  
growth.”

“We so often hear about the fact that in normal times, the CEO level of large companies does not focus on health care,” said Paul Ginsberg, president of the Center for Studying Health System Change, a Washington-based health policy research organization. “This shows that at Wal-Mart, it got elevated to the C suite. And the fact that they hired (McKinsey & Co.) rather than a benefits consulting firm to do this review is also interesting. McKinsey is a strategy consultant.”

The memo “is further evidence that health care costs are out of control, employers have to take every possible step to try to control them, and everybody needs to control the drivers of cost, including the 50% to 80% of problems driven by individual choices—sedentary lifestyles, calorie-dense and large amounts of food, smoking, not using seatbelts, etc.,” said Helen Darling, president of the National Business Group on Health, a Washington-based employer coalition of which Wal-Mart is a member.

“I think this is the most comprehensive memorandum about benefit strategy that I’ve ever seen, and I’ve been doing this a very, very long time,” said Joe Martingale, an independent benefit consultant in New York who began his career as a benefit manager in the retail industry in the mid-1970s.

### CDHP concerns

In the wake of the memo’s publication, advocates of consumer-driven care expressed concerns about Wal-Mart’s use of the plans designed to encourage people to be more judicious about health care.

In her memo, Ms. Chambers acknowledged that moving all Wal-Mart employees to CDHPs could lead to fewer covered individuals, which could spark further criticism. It also is unlikely to help the estimated 5% of Wal-Mart employees—and their dependents—who are on Medicaid, she wrote.

Wal-Mart last week announced a new health savings account-linked plan (see related story).

While most national employers enroll 68% of eligible employees in their health benefit plans, just 48% of Wal-Mart employees participate in company-sponsored coverage, the memo notes. Wal-Mart has more than 1.6 million employees.

“You rarely have total replacement with a (CDHP), but where you do, it could be part of a selection strategy to select healthy workers who are going to have not only lower health costs but also lower lost time from work and the like,” said Mr. Ginsberg. “The social implications of this are really scary. If employers get much more aggressive about trying to select younger, healthier people, what does this mean for those...not so blessed?”

Greg Scandlen, founder of Consumers for Health Care Choices in Hagerstown, Md., supports Wal-Mart’s use of CDHPs for low-income workers, provided it provides sufficient seed money for the HSAs.

“Wal-Mart is very clear that it ex-

pects the savings to come from reduced trend, not cost-shifting,” he said. “This is another key issue for employers. They should not get into this expecting immediate first-year savings. Savings on premium should go into the employees’ HSAs.”

“Every business in America is facing the harsh reality of skyrocketing health care costs,” Wal-Mart said in a statement responding to the memo’s release. “We at Wal-Mart are working hard to answer that question—because we believe we have an opportunity not just to improve the benefits we offer our own associates, but to be a leader and a driver of change.”

## Wal-Mart offers HSA at a low price

**BENTONVILLE, Ark.**—Wal-Mart Stores Inc. is offering its employees the opportunity to purchase a high-deductible health plan with a health savings account for as little as \$11 per month.

However, the \$11 plan is available only to Wal-Mart workers who agree to use high-performance provider networks the company is piloting in the South-Central and Southeastern regions of the country, said a spokesman. Most other Wal-Mart workers who select the high-deductible HSA

plan would pay about \$25 per month for individual coverage, \$37 per month for single parents, regardless of the number of children, and \$65 per month for family coverage, the spokesman said.

The plan is being offered in addition to Wal-Mart’s other 18 health plans, all of which are self-insured.

Under the high-deductible plan, which is being administered by a Blue Cross & Blue Shield affiliate, up to three doctor office visits would be covered outside the de-

ductible amount. However, employees would be required to pay for any preventive care services out of their HSA. The cost of preventive services also would not be applied toward the deductible, the spokesman said.

Employees have a choice of two deductible levels: \$1,250 or \$3,000 for single coverage and \$2,500 or \$6,000 for family coverage. Wal-Mart is matching employee contributions into the HSAs, up to the plan deductible amounts.

—By Joanne Wojcik

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# Wilma: Industry losses may hit \$12 billion

Continued from page 1

throughout the metropolitan area, as well as in parts of Naples and surrounding communities, which will likely propagate business interruption claims," said RMS.

Boston-based AIR Worldwide Corp. last week projected Wilma will cause \$6 billion to \$9 billion in insured losses in Florida.

"The largest driver of losses will be the concentration of properties on Florida's east coast between West Palm Beach and Miami. AIR estimates that there is more than \$500 million of insured properties in Miami-Dade and Broward counties alone," Jayanta Guin, AIR's vp-research and modeling, said in a statement released with the estimate.

And Oakland, Calif.-based loss modeler EQECAT Inc. last week estimated insured losses in Florida at \$4 billion to \$8 billion. In addition, EQECAT estimates that Wilma's earlier landfall on Mexico's Yucatan Peninsula could cause insured losses of \$1 billion to \$3 billion. EQECAT's estimates include wind damage, business interruption and increased costs for materials and services. Its estimates do not include insured losses related to commercial flooding, private or commercial automobiles, offshore platforms or marine assets such as boats.

Wilma "hit Cancun as a pretty serious Category 4—so the estimate of \$3 billion" appears reasonable, said Tom Crawford, president and chief executive officer of adjuster Crawford & Co. in Atlanta. "Our international catastrophe teams have been inundated with requests from our clients to help them with claim ser-

vices in the Yucatan," he said.

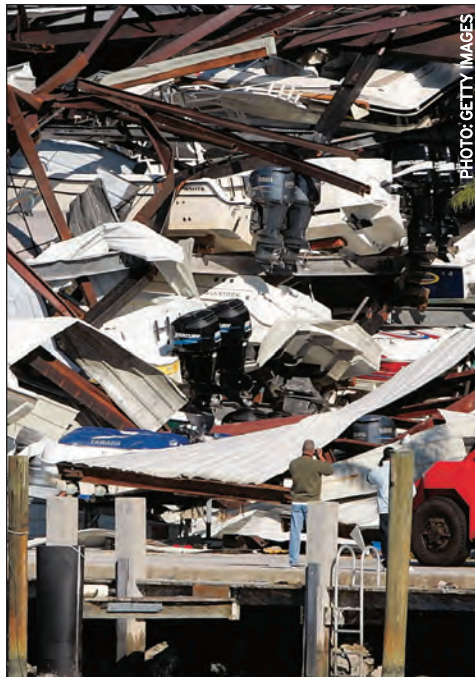
About the only positive aspect of Wilma was it could've been worse.

"Wilma, at about \$6 billion to \$7 billion in insured losses, will have nowhere near the impact of Katrina, but nevertheless adds pressure to a market already under significant pressure," said Robert P. Hartwig, senior vp and chief economist for the Insurance Information Institute in New York. "The pressure is focused on homeowners, commercial property and property catastrophe reinsurance for areas affected by tropical cyclone risks."

He said "Wilma in and of itself will not have a lasting impact," though it may rank high on the list of costliest catastrophes. "It is Wilma in conjunction with the many other storms to strike this year and last, and the prospect for more of the same in the years ahead, is what's important." Estimates show "we're already at \$55.7 billion in insured catastrophe losses for 2005, shattering the 2004 record of \$27.5 billion" by a factor of two.

If Wilma, along with Katrina and Rita, leads to a 15% loss of the industry's capital base, "the reality is that all companies in all lines of business will be affected to various degrees," said William H. Eyre Jr., managing director and CEO of Towers Perrin Reinsurance in Philadelphia.

Wilma "adds to the hurricane worry that exists in the industry," said Patrick J. Denzer, president and CEO of reinsurance broker John B. Collins Associates Inc. in Minneapolis. The series of storms "just continues to wear people down."



Insured losses from Hurricane Wilma, such as this boat storage facility in Sunny Isles Beach, Fla., could reach \$12 billion.

But William J. Adamson, CEO of Carvill America Inc. in Chicago, pointed out that Wilma's impact on reinsurers won't be as severe as Katrina's because it is smaller.

"Expectation of a prolonged period of high catastrophe activity means insurers must re-evaluate their exposure to cat-prone areas," said Mr. Hartwig. "Higher rates are part of the answer, but reducing exposure will be a key element.... Insurers will also support stronger building codes, better land use policies, probably make more use of reinsurance and seek a greater role for state and federal government."

The fact Wilma lingered over Cancun added to its destructive power. Marriott International Corp., for example, said last week its three Cancun-area hotels would stay closed for the rest of the year.

"Unlike (in) Florida, Wilma stayed around for a long time, so the wind caused window and roof damage to most buildings throughout Cancun," said Bradley R. Wood, senior vp-risk management for Bethesda, Md.-based Marriott. "As the storm sat around, water penetrated the building envelopes, causing damage. Access is still an issue."

By contrast, in Florida, "the storm blew through quickly, it was wind damage, and on the Gulf side we saw less damage and more on the Atlantic side. But, all in all, our damage in total was much less severe in Florida than what it was in Cancun," said Mr. Wood.

"Our biggest difficulty right now is communications, not being able to get assessments—not only of our buildings but also of our employees' circumstances," said John R. Phelps, director-risk management for Blue Cross & Blue Shield of Florida Inc. in Jacksonville. The Florida Blues have facilities in Miami, Fort Lauderdale, Fort Myers, Port St. Lucie and West Palm Beach that were in Wilma's path.

"Preliminary indications are that there is no significant building damage and isolated emergency situations for a small number of our employees," said Mr. Phelps, noting some employees' homes were damaged. "Our first responsibility is to stabilize the primary needs of our employees—being food, water and shelter—to the extent we can."

"One of the problems that we're dealing with right now is access to the area. Street lights are not work-

ing; it's very congested. It takes many hours just to move just a few miles. Power's down," he said.

The lack of power is frustrating adjusters and repair crews, noted Hart Hubbard, assistant vp-catastrophe services in the Columbia, S.C., office of GAB Robins North America Inc. Lack of power means many stations can't pump gas, he said. "Stations with electricity have lines several miles long," he said.

"We have adjusters who are down there, but they can't get around because they can't get gas and the damage is so widespread," said Mr. Hubbard. "Hopefully, the weather will hold out so they can restore power as quickly as possible."

But, as of late last week, Miami-based Florida Power & Light Co. reported that about 1.79 million of the about 3.24 million customers initially affected by the hurricane remained without power.

Mr. Crawford said he thought the intensity of Wilma surprised Floridians. "We've got people there, and there's extensive damage there, much more than they ever thought it would be," he said.

"From an impact standpoint, this could rank as the third-most-damaging hurricane in recent history," he said. He said there appears to be a "high volume" of damage to structures such as shingles, downed fences and other miscellaneous damage rather than buildings having been blown away.

"This one is going to be more personal lines damage than commercial on the U.S. side," he said. "In Cancun, it will probably be more commercial than personal."

He said Crawford has a full team of catastrophe people responding to the situation in South Florida.

Senior Editor Judy Greenwald contributed to this report.

## Startups: Capital flowing in

Continued from page 1

Executive Officer Edward J. Noonan, who retired as president and CEO of American Re Corp. in 2002 and most recently as CEO of United America Indemnity Ltd. George P. Reeth Jr., former president of Willis North America Inc., will be the holding company's president, sources said. The reinsurer is expected to start operations in December.

Also in Bermuda, Donald Kramer—the founder of NAC Re Corp. and Tempest Reinsurance Ltd.—is heading an investment group that plans to set up a reinsurer and buy Goshawk Insurance Holdings P.L.C. and its Rosemont Reinsurance Ltd. unit.

In a statement to the London Stock Exchange, the investor group said the new reinsurer will have capital of \$750 million and the group will pay Rosemont Re, now in runoff, \$2.5 million for its existing business and 8% commission payments "based on the renewing Rosemont Re business as it is bound by the new reinsurer in 2006."

Chubb Corp. and Stone Point Capital L.L.C. also are forming a Bermuda-based reinsurer to take on Chubb's reinsurance renewals and other business, Chubb said last week. The property/casualty rein-

surer, called Harbor Point Ltd., is expected to have starting capital of about \$1.5 billion, with Warren, N.J.-based Chubb as lead investor, along with Trident III L.P., a private equity fund managed by Greenwich, Conn.-based Stone Point.

Under terms of the deal, expected to close next month, Chubb will move its reinsurance book and certain related assets—including Jan. 1, 2006, renewal rights—to Harbor Point. Chubb will retain reinsurance liabilities relating to contracts effective prior to Dec. 31, 2005.

The management team of Chubb Re, led by CEO John Berger, will be responsible for overseeing Harbor Point's operations. Chubb Re had net written premiums of \$1.14 billion in 2004, according to Standard & Poor's Corp.'s 2005 "Global Reinsurance Highlights" report.

Some observers say Harbor is only technically a new reinsurer.

"I don't really see Chubb as a new startup. I see it more of a transferring their existing operations to a new entity," said independent Cincinnati-based insurance analyst John L. Ward.

### Opportunities seen

Observers say that investors—

which may include private equity, hedge funds and the public capital markets—may be interested in startup reinsurers now because of the opportunities presented by the rate hikes expected in response to the estimated \$60 billion to \$80 billion in capital lost in the hurricanes.

The situation changed when Katrina was followed by Rita and Wilma, and "it's probably even more likely now than it was a couple of weeks ago that we'll see some startup reinsurers, just given there's been more losses, more catastrophes and, presumably, the reinsurance rates are going to go higher. And that's what's attracting people into these markets," said Mark Rouck, a senior director at Fitch Ratings in Chicago.

"Just based upon history, I think you'll probably get a couple more," said J. Paul Newsome, vp and senior equity analyst with A.G. Edwards & Sons Inc. in St. Louis.

David Platter, managing director at New York-based Sagent Advisors Inc., said, "We've been approached by a handful of parties just thinking about ideas, so I do believe there is going to be continued activity in and around reinsurance markets, and much of that will be centered in Bermuda, obviously."

But, he said, "it is hard to say how many will get off the ground" and whether plans will involve

forming a new business plan and management team or taking an existing shell and expanding it. It is also unclear how much capital is needed—or can be put to work—because the full impact of the hurricanes remains unknown, he said.

The lack of available talent, though, may be an obstacle for others who want to start operations.

"There's only so much expertise to go around" in managing the capital coming into the market, said Tom Upton, managing director with S&P in New York.

Existing companies have already raised billions, and investors may choose to invest more in these operations instead. Established players "already have the infrastructure and the talent, and, in a sense, the track record—the rating is already there," said Robert DeRose, assistant vp at Oldwick, N.J.-based A.M. Best Co.

Investing in existing companies "would be a quicker way for money to get to the market," he said.

It may be harder to form new companies because even some of those formed after Sept. 11 that had experienced management and no legacy issues still "made large mistakes managing cat exposure in the third quarter," said Mark Lane, a principal and research analyst with William Blair & Co. in Chicago.

As a result, "I think some of the newer companies without a

demonstrated track record in those lines might be viewed a little more skeptically," Mr. Lane said.

Mr. DeRose noted that rating agencies are likely to raise their capital requirements.

Furthermore, time is running out if new reinsurers want to take advantage of the higher rates expected with January renewals. "They're running a pretty tight race" to have everything in place, he said.

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## TRIA: More government information needed

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security and loss control measures in place to reduce the chance that terrorists would hurt their operations, he said, because only the best terrorism risks would be written.

Liability insurers "may say they are not going to offer" terrorism insurance if the act is not extended, he said, "and if they do, it may be priced in a way that you won't buy it."

If TRIA is not extended, terrorism coverage may become "like flood insurance," with many who should buy the insurance refusing to spend money on it "because they figure the government will bail them out anyway," Mr. Wilhelm said. Some risk managers may be willing to

"roll the dice and put their companies at risk in the hope that the government will bail the company out," he said.

The terrorism risk is so huge, that insurers are simply unable to cover it without government help, Mr. Wilhelm said. While some scenarios, such as truck bombs, can be assessed and priced, those related to the nuclear, biological and chemical threat are too large to quantify, he argued.

The "NBC threat" could generate losses as high as \$600 billion, well above what the insurance market could handle under current regulations that limit how insurers can reserve for future losses, Mr. Wilhelm said.

To illustrate the widespread impact a terrorist incident could have, Mr. Smith said that an attack on a Las Vegas casino, even a small one, would devastate the city and Nevada.

Apart from deaths and injuries, tourists would stop coming to the city, Mr. Smith said. That would result in "massive layoffs," and the state would be in dire financial straits because so much of its revenue comes from Las Vegas.

"What we need from the government is a mega-event type of coverage," Mr. Wilhelm said. When considering loss scenarios of \$600 billion or more, "the only entity that can talk numbers like that is the government," he added.

## Katrina: Novel challenges

Continued from page 4

leans will be repaired and able to withstand future hurricanes, he said, and that compounds the problem of locating employees.

Meanwhile, employers likely will see a jump in rates for stop-loss insurance due to the storm, according to Ernest Clevenger, president of MyHealthGuide L.L.C. of Brentwood, Tenn.

"Most of the reinsurance behind life and health stop loss is in the P&C area," Mr. Clevenger noted, and those property/casualty reinsurers are reeling from large Katrina losses. And while capital is flowing to the reinsurance market, it comes with pressure to provide investors with a good return, he said, whether that be from writing property/casualty or health-related coverages.

Mark A. Wilhelm, executive vp at Safety National Casualty Corp. in St. Louis, agreed that reinsurers are going to put their money where they can get the best return. If property/casualty business becomes the most rewarding investment, then life insurance and health and accident coverages will not benefit as much from the capital flowing to

## SIIA hosts Mardi Gras party in Charlotte, N.C.

**CHARLOTTE, N.C.**—The Self-Insurance Institute of America found itself in an unexpected setting for its 25th anniversary celebration.

The association planned to hold its National Educational Conference & Expo in New Orleans, but the hotel that was to host the event was damaged by Hurricane Katrina, and city services still were not restored. The group kept its October meeting dates but moved the conference to Charlotte, N.C.

SIIA decided to keep its Mardi Gras theme despite the relocation and held a Carnival-style party

during the conference.

"This wasn't an easy decision by the board," said Paul Moore, chairman of SIIA's board. "Some thought it might be insensitive or disrespectful to victims of the storm," he said of the party.

"But I know something about the Louisiana spirit," noted Mr. Moore, a native and resident of the state. And that means letting the good times roll in the face of challenges, he said.

Next year's meeting will be held Oct. 15-18 in Phoenix. More information is available at [www.siia.org](http://www.siia.org).

the market, he said.

Reinsurers likely will respond with rate tightening around the first of the year that will affect the stop-loss market, Mr. Clevenger said. "I know the verdict is still out," he said. "What I will do is throw out a straw man—that rates will go up in 2006, maybe as early as Jan. 1, since 40% of renewals occur in that month."

Mr. Dewsnup agreed that stop-loss rates will rise. "To what extent, to what level? That's anybody's guess," he said.

Mr. Wilhelm noted that it is estimated that reinsurers will exhaust

around 25% of their reserves responding to claims this hurricane season. "A lot of these companies have already gone out and raised additional capital," he said. "There are probably not going to be any failures in the reinsurance industry because they were in pretty good shape to begin with. If this had hit in the soft trough of the cycle, it could have been devastating."

J. Edward Costner, president of Casualty Actuarial Consultants Inc. in Brentwood, Tenn., was also on the panel. Mr. Ambrozewski was the moderator.

## Late News

Continued from page 1

Services, said last week that "our committee and I are totally committed to extending" the Terrorism Risk Insurance Act beyond its current Dec. 31 sunset. Speaking at the Property Casualty Insurers Assn. of America's meeting in Chicago, Rep. Oxley said he has assurance from U.S. Treasury Secretary John Snow that the Bush administration is committed to working with Congress to ensure an extension is passed before Congress adjourns. "It would be a travesty of enormous proportions for our economy should we not be able to extend TRIA," Rep. Oxley said, though he noted that improvements must be made in the federal coverage backstop program.

### Montpelier dropped to A- by Best

Montpelier Reinsurance Ltd. has been downgraded to A- from A by A.M. Best Co., which cited concerns about the property catastrophe reinsurer's hurricane losses. Hamilton, Bermuda-based Montpelier, which has estimated its losses from Hurricane Katrina at between \$450 million and \$675 million, recently raised \$600 million in a share issue. Best said that "although Montpelier's \$600 million public equity offering that immediately followed Hurricane Katrina was successful, A.M. Best believes that a reduction in the company's risk profile and/or additional capital over the near term will be necessary to stabilize the current ratings."

### GMAC subpoenaed in finite risk probe

General Motors Corp. revealed last week in a U.S. Securities and Exchange Commission filing that its General Motors Acceptance Corp. unit has been subpoenaed as part of investigations into nontraditional insurance products. GM notes in its filing that "SEC and federal grand jury subpoenas have been served on GMAC entities" in connection with broad industry probes into "loss-mitigation insurance products such as finite risk insurance." GM said that it is cooperating with the investigation.

### Few employers adding Roth 401(k) plans: Study

Most employers do not intend to offer a new type of tax-favored 401(k) plan, a survey shows. Created by Congress as part of a 2001 tax law and slated to go into effect on Jan. 1, 2006, Roth 401(k) plans will allow participants to make aftertax contributions. Despite the big tax break for plan participants—especially valuable for young employees—only 17.4% of employers responding to a survey by the Profit Sharing/401(k) Council of America said they are adding a Roth 401(k). Nearly 41% are considering it, while 35.1% are definitely not adding the

arrangement and just over 6% have not thought about it. The biggest deterrent—cited by nearly two-thirds of respondents—was concern about the additional administrative burden.

### Platinum promotes Price to top spot

Platinum Underwriters Holding Ltd. has appointed Michael D. Price as its president and chief executive officer. Having served most recently as the company's chief operating officer—and, before that, as president and chief underwriting officer of Platinum Underwriters Reinsurance Inc.—Mr. Price will succeed Gregory E.A. Morrison, who has been named vice chairman of Platinum's board of directors.

### ABD, CBIZ report Spitzer subpoenas

Redwood City, Calif.-based ABD Insurance & Financial Services and Cleveland-based CBIZ Benefits & Insurance Services Inc. said they recently received subpoenas from New York Attorney General Eliot Spitzer requesting information regarding their compensation practices. In a U.S. Securities and Exchange Commission filing, ABD parent Greater Bay Bancorp said it is its understanding that its subpoena is part of Mr. Spitzer's broad review of the industry and that others have recently received subpoenas as well. CBIZ Inc. noted in a statement that it believes its compensation arrangements are in compliance with all existing insurance industry laws and regulations. Both firms say they intend to cooperate.

### RRG premium growth continues

The volume of business written by risk retention groups continues to grow, though the rate at which premium volume is rising is easing, according to a survey. Risk retention groups, responding to a survey conducted by the Risk Retention Reporter, a Pasadena, Calif.-based newsletter, project 2005 premium volume of about \$2.5 billion, a 13.6% increase over the nearly \$2.2 billion in premiums RRGs actually generated in 2004. Premium volume climbed 26.5% in 2004, 37.4% in 2003 and 34.5% in 2002. Currently, just over 200 RRGs are operating, covering nearly 200,000 policyholders.


## BI Stock Index [ 2/14 - 2/18 ]

Up-to-the-minute data for all 87 companies that comprise the BI Stock Index can be found at [www.businessinsurance.com](http://www.businessinsurance.com).

Percentage change of BI Stock Index vs. key indicators

**BI Stock Index**   
2694.86 **1.65**

**Dow Jones**   
10402.77 **1.84**

**S&P 500**   
1198.41 **1.60**

### Largest gains

Tower Group Inc.	16.39%
W.R. Berkley Corp.	14.18%
Selective Insurance Group Inc.	11.19%
CNA Surety Corp.	9.13%
HCC Insurance Holdings Inc.	8.33%

### Largest losses

Vesta Insurance Group Ltd.	-23.91%
PXRE Group Ltd.	-15.61%
RenaissanceRe Holdings Ltd.	-10.11%
Health Net Inc.	-7.29%
XL Capital Ltd.	-7.29%

### Weekly change by market segment

Brokers	1.04%
Insurers/Reinsurers	1.44%
Managed Care Organizations	-1.76%

Source: FinancialContent Inc. (<http://financialcontent.com>)

### At BusinessInsurance.com

**New Online Poll:** Is your company prepared for the risk of an avian flu outbreak?

Items in the Late News column originally appeared in *BI's Daily News* feature on [www.businessinsurance.com](http://www.businessinsurance.com).

Visit the *BI* Web site to sign up to receive *BI's Daily News* by e-mail.

# AIG

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