



DODD BILL TACKLES REGULATORY REFORM / PAGE 3

MARSH BUYS TEXAS AGENCY IN BID TO EXPAND PRESENCE IN MIDDLE MARKET / PAGE 3

NEW YORK SUPERINTENDENT OUTLINES VISION FOR REVAMPED INSURANCE EXCHANGE / PAGE 4

In Brief

Senate bill would boost, extend COBRA subsidy

With hundreds of thousands of laid-off employees soon to lose a federal subsidy of their COBRA health insurance premiums, lawmakers are introducing bills to extend and increase the subsidy. Under S. 2730, the nine-month subsidy would be extended by six months, and the 65% federal subsidy would rise to 75%. Workers who lose their jobs through June 30, 2010, would be eligible. Under current law, employees who lose their jobs after Dec. 31 are ineligible for the subsidy. A somewhat similar bill has been introduced in the House.

Spain fines six insurers for fixing rates

Spain's National Commission for Competition has charged six European insurers and reinsurers with fixing prices on construction

See **IN BRIEF** page 27

P/C INSURERS

Federal pay limits create storm at AIG

Benmosche backs off from threat to quit, but concerns remain

By **COLLEEN MCCARTHY**

NEW YORK—American International Group Inc. Chief Executive Officer Robert H. Benmosche's reported threat to quit last week—and subsequent pledge to continue his work at AIG—set the stage for a battle over pay curbs, while underscoring the enormous challenges AIG still faces, observers say.

Concerns that Mr. Benmosche might step down came after a Wall Street Journal report Wednesday that said he was considering resigning because of executive compensa-

tion constraints imposed by the U.S. government, and particularly the most recent review by Kenneth Feinberg, the Treasury Department's special master for Troubled Asset Relief Program executive compensation.

According to the report, which cited anonymous sources, Mr. Benmosche told directors he was "done" with the job he took in August—becoming AIG's third CEO since its 2008 bailout—because the pay policies hurt his ability to retain top executives.

The report touched off a wave of speculation, and hours later, Mr. Benmosche sought to calm concerns with a memorandum signaling he planned to stay at AIG.

The chief executive told employees he was "totally committed to leading AIG through its challenges," while acknowledging that he has been frustrated by negotiations to devise an executive compensation plan that is "fair." He called the pay issue a "barrier that stands in the way of restoring AIG's value" and repaying its government debt.

Mr. Benmosche told employees he would continue "to fight on your behalf" and said the company is involved in ongoing discussions with Mr. Feinberg.

Last week's development "raises

See **BENMOSCHE** page 26



REUTERS/LANDOV

AIG CEO Robert H. Benmosche reportedly threatened to resign over government-imposed pay caps.

HEALTH CARE REFORM

Focus shifts back to Senate after House passes reforms

Critics hope efforts to compromise will produce moderate final bill

By **JERRY GEISEL**

WASHINGTON—As the crucial stage in the drive to pass sweeping health care reform legislation is about to begin, employer groups are focusing on the U.S. Senate in efforts to shape the direction of the reform legislation.

Senate Majority Leader Harry Reid, D-Nev., is soon expected to

unveil a reform bill he is assembling from measures already approved by the Finance and Health, Education, Labor and Pension committees for full consideration by the full Senate.

Senate debate on the measure, which is expected to last a couple of weeks, comes after House

WORKPLACE RISKS

Soldiers attend a vigil at Fort Hood, Texas, in remembrance of those who were killed and wounded in the recent shooting on the base.

Shootings renew fears over workplace threats

By **JEFF CASALE**

Three recent workplace shootings have again cast a spotlight on violence at work and the steps employers can take to recognize threats and protect employees, particularly in the ways they hire, fire or lay off workers.

"This certainly has been a busy week for us," said Richard Denenberg, co-director of Workplace Solutions Inc., a Red Hook, N.Y.-based nonprofit crisis prevention consultant. "There is a lot to be learned from all of this."

In one high-profile incident, on Nov. 5, in Temple, Texas, Maj. Nidal Malik Hasan, a 39-year-old Army psychiatrist, allegedly went on a shooting rampage at Fort Hood, killing 13 U.S. soldiers and wounding 30 other individuals, most of them soldiers, before being apprehended.

See **SHOOTINGS** page 26



UPI/LANDOV

SPOTLIGHT

READERS CHOICE AWARDS™

Business Insurance's fifth annual award program examining quality in the commercial insurance industry polled readers on which firms provide the best service. Read profiles of the winning companies showing what makes those firms stand out among the many companies serving risk and benefit managers.

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220-215

The House approved reform legislation earlier this month by a narrow 220-215 margin.

approval—on a narrow 220-215 margin with only one affirmative Republican vote—of reform legislation earlier this month.

The House bill has unnerved the employer community.

"Employer reaction has been very negative. There is deep business opposition to it," said Frank McArdle, a consultant with Hewitt Associates Inc. in Washington.

"We are extremely anxious about

it," said Gretchen Young, vp-health policy with the ERISA Industry Committee in Washington.

That anxiety is driven by several provisions in the House legislation. Those provisions would:

- Remove employers' ability to design health care plans with the government telling them what benefits they must offer and the cost-sharing limitations they can impose.

That loss of control could occur through a House bill provision that

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On the Web

BI VIDEO

Captive expert reviews catastrophe funding

As part on BI's ongoing video series on captive insurance, Ravi V. Nathan, senior vp at ACE USA, talks about how risk managers can use a captive to fund their catastrophe risk retention. Other reports in the Captive Markets series include videos on how the financial crisis is affecting captives, and how Solvency II will affect European captives. To view these and other BI video reports go online to www.businessinsurance.com/video.

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Business Insurance (ISSN 0007-6864) Vol. 43, No. 41, is published weekly, except for combined issues the first week of June, the second week of June, the third week of June, the fourth week of June, the first week of July, the second week of July, the fourth week of July, the first week of August, the second week of August, the third week of August, and no issue the fourth week of December, by Crain Communications Inc., 360 N. Michigan Ave., Chicago, Ill. 60601-3806. Periodicals postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to Business Insurance Circulation Department, 1155 Gratiot Ave. Detroit, Mich. 48207-2912. \$5 a copy and \$125 a year in the U.S. \$130 in Canada and Mexico (includes GST). All other countries, \$230 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 40012850, GST No. 136760444, Canadian return address: 4960-2 Walker Road, Windsor, ON N9A6J3. Printed in U.S.A. Copyright © 2009 by Crain Communications Inc.

INTERNATIONAL

West revolutionizes insurance in Eastern Europe

Fall of Berlin Wall saw start of new era for risk management

By MICHAEL BRADFORD

As Germans danced atop the Berlin Wall while sections of the Cold War monument tumbled to the ground 20 years ago, insurers in the West were ready for new opportunities spurred by the collapse of communism.

Insurers helped transform the tightly controlled insurance landscape of Eastern Europe into competitive markets, and they did so quickly.

"It was very fast in every country," said Pavel Nepala, managing partner with Renomia A.S., a Prague, Czech Republic-based brokerage. "Several months after the wall was down, the market was full-



BOSTON GLOBE/LANDOV

The 1989 destruction of the Berlin Wall created opportunities for insurers.

ly open. There was no transition. Western insurers and local insurers were being set up."

Today, insurers are writing coverage and are fattening their portfolios with policies covering moderniza-

tion of the region's infrastructure.

"In the last 10 years, there have been a lot of infrastructure projects in these countries," said Michael Kleiter-Bingel, regional manager for Austria and the central and eastern Europe region for XL Insurance Co. Ltd. in Vienna. That has created a need for coverage of building highways, water supply facilities, energy plants and other facilities, he noted.

"Construction insurance has become one of the most important coverages for these countries," Mr. Kleiter-Bingel said.

Business interruption and liability coverages, which were unheard of in the communist era, now are routine, Mr. Nepala said.

"Buyers started to use the commercial market for natural hazards, then they realized they had liabilities" as their companies expanded into Western markets after the Iron

See **WALL** page 25

FEDERAL LEGISLATION & REGULATION

Financial services bill includes insurer reforms

Surplus lines changes, federal advisory office part of huge overhaul

By MARK A. HOFMANN

WASHINGTON—The inclusion of surplus lines reform in a massive financial services regulatory reform bill released last week was welcomed by insurers and risk managers, although some fear other measures in the bill could have unintended consequences for the insurance industry.



Sen. Christopher Dodd, D-Conn., introduced a massive regulatory reform bill last week.

The draft of the Restoring American Financial Stability Act, unveiled last week by Senate Banking, Housing and Urban Affairs Committee Chairman Christopher Dodd, D-Conn., contains the Nonadmitted and Reinsurance Reform Act, the most recent version of which passed the House in September.

Among other things, the measure would make it easier for risk managers to access the surplus lines market and set a uniform system of allocating and remitting surplus lines

premium taxes. The bill also would simplify reinsurance regulation by eliminating extraterritorial application of state reinsurance laws.

Also included in the Senate bill is a measure to establish an Office of National Insurance within the Treasury Department. The proposed office would act as an adviser to the Treasury Department on various insurance issues. While some insurer groups favor the creation of the office, others are concerned it might weaken the existing state-based regulatory system.

But insurance is only a small part of the 1,136-page bill. Among other things, the measure calls for establishing an Agency for Financial Stability that would monitor systemic risk and have the authority to break up large, complex financial institutions if they threaten the country's financial stability. The measure raised concerns among some observers that insurers would be dragged into a regulatory regime designed primarily for banks.

The inclusion of the surplus lines reform language, however, pleased risk managers and others.

The New York-based Risk & Insurance Management Society Inc. "is extremely pleased that the draft bill circulated by Chairman Dodd includes several of our legislative priorities," said Nikolas Kapatos, chairman of RIMS' external affairs committee and senior vp and enterprise risk manager for Houston-

HISTORY OF INSURANCE ALLIANCE

FOUNDED: 1992 with the merger of four Houston-based agencies: Houston, Woodard & Associates Inc., D.L. Anderson & Co., Danvers, Eason & Gentle Insurance and A.M. Tomforde & Co.

HEADQUARTERS: Houston

ANNUAL REVENUES: \$15 million

EMPLOYEES: 72

SPECIALTIES: Construction, surety, energy and marine, professional services, general property/casualty and employee benefits.

EXECUTIVES: Woody Woodard, chairman; Jim Berger, president; Jim Tomforde, vice chairman and production manager.

AGENTS & BROKERS

Marsh starts buying spree to build agency business

Deal creates first hub for nationwide network

By SALLY ROBERTS

HOUSTON—Thirteen months after its inception, Marsh & McLennan Agency L.L.C. embarked on its growth-by-acquisition strategy last week with the purchase of Houston-based agency Insurance Alliance.

The agency, which has about \$15 million in annual revenues, is the first in a series of acquisitions New York-based Marsh & McLennan Agency plans as it seeks to build out its national platform, it said.

Terms of the deal, announced Nov. 12, were not disclosed.

Observers say even though the deal may not make as big a splash as some expected, it fits well into the "hub and spoke" strategy that the Marsh Inc. unit decided on earlier

this year.

Established in 1992, Insurance Alliance has more than 1,500 commercial middle-market clients in the Southwest, primarily in Texas. Its 72 employees specialize in property/casualty, construction, surety, and energy and marine insurance as well as professional services and employee benefits.

"It's a really good, high-quality organization that's right in the sweet spot of what we were looking for...from a middle-market standpoint," said David Eslick, Marsh & McLennan Agency's chairman and chief executive officer.

"We said our platform has to be \$10 million to launch a region, but more importantly we said it's got to

See **MARSH** page 24

Marsh settles class actions

MMC agrees to pay \$435 million to settle class actions stemming from 2004 Spitzer probe. See story on PAGE 24

See **DODD** page 25

PENSION RETIREMENT BENEFITS

PBGC deficit soars as plan terminations rise in recession

By JERRY GEISEL

WASHINGTON—Hammered by huge losses and lower interest rate assumptions, the Pension Benefit Guaranty Corp.'s fiscal 2009 deficit nearly doubled, jumping to \$22 billion from \$11.2 billion in 2008, the agency said last week.

The fiscal 2009 deficit in the PBGC's insurance program for single-employer plans soared to \$21.1 billion, up from \$10.7 billion the previous year, while the deficit in its insurance program covering multi-employer pension plans climbed to \$869 million, up from \$473 million in 2008.

The deficit is a major reversal from years of improving finances for the PBGC that started in 2005 and

were aided by a strong economy. From 2005, the PBGC's deficit—until the 2009 jump—has declined each year. The biggest deficit—\$23.5 billion—was recorded in 2004.

That run of good fortune came to an abrupt end in fiscal 2009, however. While the PBGC in 2008 didn't incur a single loss even close to \$100 million from a plan termination, it was hit by several in 2009, including its second-biggest loss ever. The agency estimated that this year's takeover of massively underfunded pension plans sponsored by financially ailing auto parts manufacturer Delphi Corp. will cost it nearly \$6.3 billion.

And more losses could be on the way. The PBGC said its potential exposure to future losses from

CHANGE IN FORTUNE

How the PBGC's financial position has taken a turn for the worse.* Deficit by year in billions of dollars.



*For single-employer insurance program
Source: Pension Benefit Guaranty Corp.

financially weak companies was about \$168 billion in fiscal 2009, up from \$47 billion the prior year.

“Exposure to possible future termination means that we could face much higher deficits in the future.”

We won't fail to meet our obligations to retirees, but ultimately we will need a long-term solution to stabilize the insurance program,” Acting Director Vince Snowbarger said in a statement.

Last week, President Obama selected Joshua Gotbaum, an operating partner at New York-based private equity fund Blue Wolf Capital Management L.L.C., to be the PBGC's new director. Senate confirmation is required.

In fiscal 2009, the agency took over 144 pension plans, up from 67 in 2008. Those 2009 plan terminations resulted in an aggregate net loss to the PBGC of \$5.83 billion, a portion of which it already recorded in prior-year financial statements as probable losses.

Questions & Answers

James T. Wrynn, an attorney and former executive director of the New York State Insurance Fund, became New York state's 40th insurance superintendent in August. He succeeded Eric Dinallo, who left to join New York University. In an interview with Business Insurance Associate Editor Zack Phillips, Mr. Wrynn talked about plans to revive the New York Insurance Exchange, broker pay regulations and a medical malpractice initiative.



New regulator picks up insurance reform baton

Q: What attracted you to the New York Insurance Exchange and why do you think it can be successful this time, whereas in 1987 it wasn't?

Two things really attract me to it: No. 1, I think there is a need for a facility that the New York Insurance Exchange would provide...No. 2, especially in view of the financial crisis, I think New York has to think innovatively going forward.

I believe it should be successful for a number of reasons. One, it's a different time. Back when the original exchange existed between 1980 and 1987, the alternative risk market had not developed to the point where it is today. Telecom had not developed to the point where it is today. Capital markets were a little different. Today, I think there is a more of a desire, especially by non-traditional sources of capital, such as hedge funds and private equity firms, to invest in a facility such as the exchange.

Other reasons why it wasn't successful back 25, 30 years ago was that I don't believe it was properly capitalized. It ended up taking on a lot of adverse risk. Also it was a vic-

tim of the soft market. It pretty much was affected (by the soft market) the same way as Lloyd's (of London); it's just that Lloyd's ability to withstand the economic downturn was better because of the capitalization because of its access to capital, its history and, of course, the desire of the members to make it work.

Q: In your conversations with industry leaders so far, do you get a sense that this is something that they'd be interested in, especially when there are a lot of financial pressures on companies? I wonder what companies' feelings would be about putting their capital toward kind of a new, upstart project.

With respect to nontraditional sources (of capital), this provides another vehicle. Right now, these groups don't really get involved in the insurance world because of the time commitment involved. (Through the exchange), they'd be able to get in and out much quicker than they would if they invested in a traditional insurance (source).

See **WRYNN** page 23

INTERNATIONAL

Court backs Equitas in claims fight

By ADRIAN LADBURY

LONDON—Actuarial models can be used to calculate payments due on complex reinsurance claims related to the Exxon Valdez oil spill and aviation losses from the first Gulf War, a U.K. court has ruled.

In a case focused on the so-called London market excess of loss spiral, the English Commercial Court in London ruled last week in *Equitas Ltd. vs. R&Q Reinsurance Co. U.K. Ltd.* that Equitas could use actuarial models to calculate its reinsurance recovery for claims that were incorrectly aggregated by the London insurance market, rather than try to establish the actual liability for each contract.

The case pitted Equitas, the entity created to absorb the pre-1992 liabilities of Lloyd's of London syndicates, against R&Q (U.K.), the company that manages the runoff of Brandy-



LANDOV

Actuarial models can be used to determine reinsurance payments for losses from the 1989 Exxon Valdez oil spill and other events, a London court ruled.

wine Reinsurance Co., the entity that absorbed the old liabilities of CIGNA Corp.'s property/casualty

business after it was sold to ACE Ltd.

See **MODELS** page 24

CAPTIVES

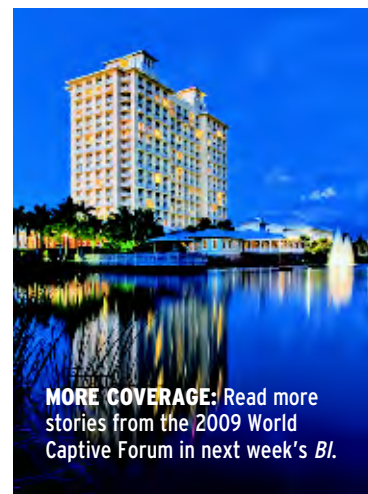
Fronting vital for benefits captives

But few options available for firms selecting insurers

By JERRY GEISEL

BONITA SPRINGS, Fla.—Selecting a fronting insurer to issue policies and provide services is an essential component of funding employee benefit risks through captive insurance companies, a panel of experts says.

For regulatory reasons, employer requirements include using a fronting insurer, which typically reinsures all or most of the risk with the employer's captive. Under procedures adopted nearly a decade ago, the Labor Department requires



MORE COVERAGE: Read more stories from the 2009 World Captive Forum in next week's *BI*.

the employer to select an insurer with a rating of least A from A.M. Best Co. Inc. to win its approval of

their captive benefit funding applications.

Not only is selection of a fronting insurer a regulatory requirement, it also is practical, says Suzanne Gallie, senior risk manager in the corporate risk management department at Sun Microsystems Inc. in Broomfield, Colo. Speaking last week at the 19th annual World Captive Forum in Bonita Springs, Fla., Ms. Gallie said fronting insurers used for benefit captives perform vital functions such as underwriting, collecting data, and administering and paying claims. Sun uses a Vermont branch of its Bermuda captive insurer to fund life insurance risks.

See **FRONTING** page 23



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PENSION & RETIREMENT BENEFITS

IRS readies interest rate regulations

Rules to focus on market rate of return for cash balance plans

By JERRY GEISEL

WASHINGTON—The Internal Revenue Service says it will issue regulations soon on the interest rates employers can use to calculate amounts credited to the account balances of cash balance pension plan participants, ending years of uncertainty.

In Announcement 2009-82 released last week, the IRS said it expects to issue regulations “in the near future” and affected employers will have until 2011 to comply with the new requirements.

The issue involves a provision in a 2006 pension funding reform law

that mandates that interest credited to cash balance pension plan accounts not exceed a market rate of return.

While the IRS issued proposed rules in late 2007, they did not provide definitive guidance and never were finalized. In last week’s announcement, the IRS said rules on when an interest rate would exceed a market rate of return would be effective no sooner than Jan. 1, 2011.

However, concerned that the interest rate they use may exceed a market rate of return, employers that want to reduce the interest rate can do so without providing the normal 45-day notice to participants of a plan amendment that will reduce benefits, the IRS said in last week’s announcement. Employers could make such a change, effective for plan years beginning Jan. 1, 2010, and notify participants no lat-

er than 30 days after the effective date of the amendment.

It was not known how many employers will have to amend their cash balance plans to reduce the interest-crediting rate. In the previously proposed rules, though, the IRS said certain widely used interest rate formulas, such as one in which account balances are credited with interest that matches the rate of 30-year U.S. Treasury bonds, automatically would pass muster.

It isn’t known why it has taken the IRS so long to develop rules, though a benefit consultant noted the issue of defining when an interest rate exceeds a market rate of return is a difficult one.

“It is a tough job drawing a line in the sand” that will be fair and reasonable, said Alan Glickstein, a senior consultant in the Dallas office of Watson Wyatt Worldwide.

Calif.’s Poizner rejects workers comp hike

By ROBERTO CENICEROS

SACRAMENTO, Calif.—California Insurance Commissioner Steve Poizner has rejected another Workers’ Compensation Insurance Rating Bureau request to increase workers compensation rates.

In a statement, the commissioner said he refuses to approve a 22.8% rate increase when insurers have not implemented reform cost control measures while self-insured employers have.



Mr. Poizner

“These increases requested by the WCIRB give insurers an excuse to raise rates in concert without fully utilizing all of their cost-containment tools or increasing efficiency.” Mr. Poizner said in the statement. “I will not consider an increase in the claims cost benchmark until I see substantial efforts being made by insurers to use all available tools to constrain costs and improve efficiency.”

In July, the insurance commissioner also rejected a WCIRB request to raise rates nearly 24%.

Commentary

Lay risk responsibility right where it belongs

Americans like to supersize things, particularly when it comes to fast-food.

Lawmakers like to supersize things as well. The recently unveiled financial services regulatory reform discussion draft bill unveiled by Senate Democrats stands as an example. It runs 1,136 pages, which is considerably longer than the U.S. Constitution and Declaration of Independence combined.

Supersized meals contain a lot of empty calories, and supersized pieces of legislation contain a lot of what reasonable observers might consider empty verbiage. But the Senate proposal also has its share of quite substantive, if little-noticed, provisions, one of which relates directly to risk management.

Within the section establishing an Agency for Financial Stability, a proposed body that would oversee financial services companies, the draft says the agency “shall require each specified financial company that is a publicly traded company to establish a risk committee.” The committee would “be responsible for the oversight of the enterprise-wide risk management practices” of the company. Furthermore, the committee would have to include “at least one risk management expert having experience in identifying, assessing and managing risk exposures of large, complex firms.”

It’s worth remembering that only a few weeks ago, the Risk & Insurance Management Society Inc. sent a letter to members of the House Financial Services Committee endorsing the idea that all publicly traded companies of a certain size establish risk committees. The idea wasn’t unique to RIMS, but RIMS improved upon it by saying that at least one member of the risk committee be an expert in risk management.

I endorsed the idea in the blog that I share with *Business Insurance* Editor-at-Large Jerry Geisel, and I’m more than happy to see that the idea is included in the Senate financial services regulatory reform package. While I think RIMS has it right to call for having a risk management expert sit on the risk committee of all specified publicly traded companies rather than just financial companies, the discussion draft is a good place to kick off a serious political discussion about the role of risk management professionals in corporate governance.

Quite understandably, the debate on Capitol Hill has focused on how to ensure our financial system doesn’t again fall into the kind of chaos it did more than a year ago. Lawmak-



MARK A. HOFMANN

Senior Editor Mark A. Hofmann can be reached at: mhofmann@businessinsurance.com

ers being lawmakers, much of the debate over what to do has involved imposing new and improved regulations on various economic sectors.

Of course, requiring the establishment of risk committees that number at least one risk management expert among their members represents regulation, pure and simple. But it also lays the responsibility for recognizing and mitigating risk on the companies themselves.

Some financial services companies more or less dared the government to rein them in when the bubble burst.

That sense of responsibility was missing in all too many companies leading up to last year’s near-meltdown of American International Group Inc. among other financial institutions. Risks were ignored and risky behavior rewarded, and the American people ended up paying in government bailouts, lost jobs and other unpleasant ways.

By their very behavior, some financial services companies more or less dared the government to rein them in when the bubble that few would acknowledge burst. And this administration and Congress have obliged them all too willingly, getting involved in such matters as salary and bonus policy even at firms that did nothing to bring about the economic woes.

Companies shouldn’t have to be told to establish risk committees and include people who understand risk and deal with it as a profession. Executives and directors who ignored risk can’t be trusted to recognize risk on their own even when it’s staring them in the face. Requiring the presence of risk management experts on risk committees should help assure that no significant risk goes unrecognized.

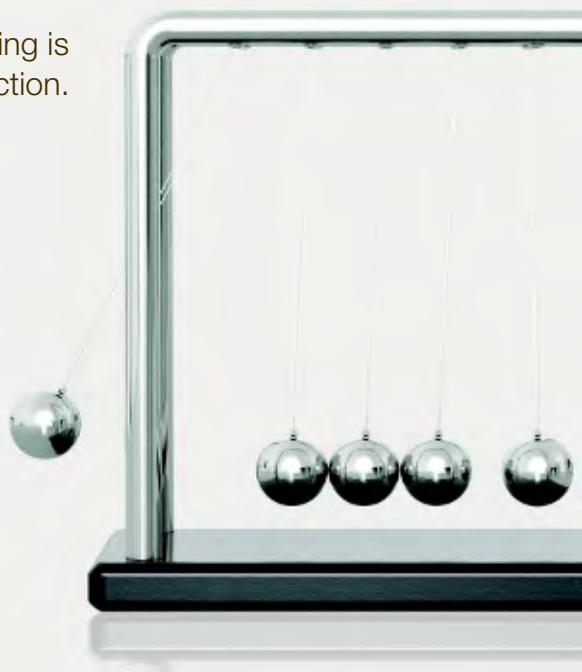
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Business Insurance OPINIONS

2 important proposals should become law

FEW PIECES OF legislation become law in the same form in which they were introduced.

And that's sure to be the case with the Restoring American Financial Stability Act of 2009. As we report on page 3, the measure touches on virtually every aspect of the financial services industry.

Given the complexity of the bill, it's almost inevitable that the final reform bill will look a lot different from anything before Congress today.

We hope at least two provisions contained in the Senate draft remain in the final bill or are approved on their own merits.

One is the Nonadmitted and Reinsurance Reform Act, which passed the House in September and has been included in the Senate proposal. The measure faces no significant opposition. It would streamline the regulation of surplus lines insurers and allow risk managers to access the surplus lines market considerably more easily than they can today. If the comprehensive bill founders, the surplus lines provisions should be considered as separate legislation.

Another provision that makes a lot of sense is buried within a section that would create a new Agency for Financial Stability. The provision says certain financial institutions would have to create risk committees that would include at least one risk management expert.

The Risk & Insurance Management Society Inc. has called for such a requirement for all publicly traded companies of a certain size regardless of the nature of their business. But for the time being, requiring certain financial institutions to take that step would be a good first step to implementing enterprise risk management.

The comprehensive reform bill isn't going to look like the draft. But we firmly believe these two provisions deserve to be either part of it, or enacted on their own. They merit nothing less.

Unreasonable rules will hinder AIG's business

AMERICAN INTERNATIONAL GROUP'S reported objection to government-imposed pay cuts for its highest-paid executives may signal a turning point for the embattled company.

As we report on page 1, President and Chief Executive Officer Robert Benmosche reportedly threatened to quit over what he viewed as unreasonable demands that would make it harder to retain AIG's leaders. Mr. Benmosche issued a statement last week indicating he will stay, but he has a valid argument.

AIG has lost several high-profile executives from its insurance operations since the company's near-failure and subsequent Treasury Department rescue in September 2008. If AIG is going to pay back U.S. taxpayers, it must be allowed to run its business without unreasonable government-imposed caps.

Competitors' assertions that AIG has used federal monies to underprice insurance business have not been proven, and a congressional inquiry earlier this year found no evidence that AIG received a competitive advantage over other insurance companies.

If AIG is going to succeed in the future, its best opportunity is to retain talented executives who helped make the company successful. For its part, Chartis Inc.—AIG's rebranded property/casualty operations—contended that pay cuts would not trigger an exodus of its employees.

The bailout of AIG came with conditions, of course, but the government ought to consider carefully whether its pay-cut plans would hamstring AIG's ability to regain its fiscal health.

We hope at least two provisions remain in the final bill or are approved on their own merits.



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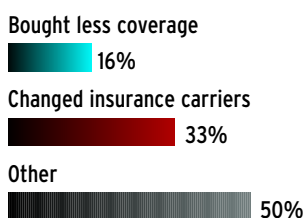
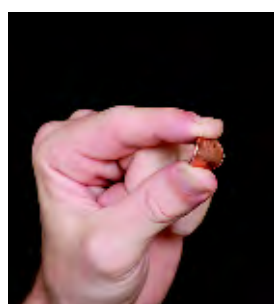
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THIS WEEK'S RESULTS

Q What has your company done in 2009 to reduce insurance costs?



NEXT WEEK'S QUESTION

Q: What do you think of the government's \$500,000 cap on executive pay at bailed-out companies?

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Perspectives and expert analysis online at
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Construction industry highly risky, volatile

The construction industry is second only to restaurants when it comes to risk and volatility. With the financial industry in shambles and some of the largest insurers at risk, buyers have to reconsider how best to protect their company, says Michael S. Culnen, president of C&H Agency in Totowa, N.J. He suggests ways to evaluate insurers and manage renewals and a proactive insurance negotiation process to get the best coverage for construction-related risks.

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ADVERTISING: Boston: 617-292-4856;

Chicago: 312-649-5286; Denver: 303-898-4043;

London: 44-207-457-1412; New York: 212-210-0133

SUBSCRIPTIONS: Detroit: 888-446-1422

Business Insurance is published by

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Published weekly at 360 N. Michigan Ave., Chicago, Ill.

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711 Third Ave., New York, N.Y. 10017-5806, Fax: 212-210-0704;

Suite 814, National Press Building, Washington, D.C. 20045-

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Fax: 212-210-0704. \$5 a copy and \$97 a year in the U.S., \$130

in Canada and Mexico (includes GST). All other countries,

\$230 a year (includes expedited air delivery). Four weeks'

notice required for change of address. Send subscription

correspondence to Circulation Department, *Business*

Insurance, 711 Third Ave., New York, N.Y. 10017-5806.

Microfilm copies available: University Microfilms, 300 Zeeb

Road, Ann Arbor, Mich. 48103. Microfiche copies: Bell &

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Products & Services

Zurich introduces contractor products

SCHAUMBURG, Ill.—Zurich Integrated Products, a unit of Zurich North America Commercial, has introduced two environmental products for contractors.

Zurich's Environmental Services Package combines occurrence-based commercial general liability coverage with contractor pollution liability

for third-party claims due to a pollution event arising from covered operations, the company said.

In addition, professional liability coverage can be added to the policy, Zurich said.

There are no exclusions for asbestos, lead, underground storage tanks, Superfund materials or radioactive matter. The form is available for contractors with annual or project-specific revenues up to \$10 million.

The second offering is Zurich's Z Link, which integrates commercial general liability, site-specific pollution and other liability coverage, such as products pollution, into a single policy form, the company said.

Other coverage options include incidental contractor pollution liability, first-party onsite cleanup, fines, penalties and product recall. Z Link is offered to companies with up to \$25 million in revenue, except chemical manufacturers and waste transfer, storage and disposal sites.

For more information, contact Victor Maroukian, regional underwriting manager, at victor.maroukian@zurichna.com or visit <http://zip.zurichna.com>.

Hartford offers voluntary benefits for large employers

SIMSBURY, Conn.—Hartford Financial Services Group Inc. has introduced a voluntary benefits program for employers with more than 1,000

employees.

The program, which includes group life and disability insurance, was established in response to growing demand for voluntary benefits, the company said in a statement.

The program manages benefit eligibility data and features a technology platform that can be integrated with other systems or data formats, including payroll and third-party providers.

In addition, the program offers integrated enrollment services, including evidence of insurability and beneficiary designation.

Hartford also said it will help organizations develop customized Web sites to connect the company's benefit information with Hartford's online tools.

For more information, contact Jefferson Moore, director of enrollment services, group benefits division, at jefferson.moore@hartfordlife.com.

Aon offers pandemic closure protection

LONDON—Aon Ltd. is offering insurance to help companies protect against losses related to pandemic-related building closures.

The stand-alone policy is designed to complement standard business interruption insurance coverage and provides reimbursement for wages, fixed costs and extra expenses if a company is unable to operate due to government-ordered closure of their building or one in the vicinity due to a pandemic, Aon's London office said.

Additional expenses include decontamination costs and resources to help operations resume once the official closure is lifted. The coverage can be adapted to a global, regional or single-territory basis. Companies also receive a business continuity management guide.

In a release, Aon said it believes its product is the "first available to all industry groups, rather than solely focusing on hospitals and the health care industry."

For more information, contact Matthew Harvey, senior wordings technician/broker for Aon Ltd.'s property team in London, at matthew.harvey@aon.co.uk.

XL Insurance rolls out cyber liability policy

EXTON, Pa.—XL Insurance, the global insurance operations of XL Capital Ltd., has introduced a cyber liability policy to help nontechnology companies address privacy and security risks.

XL Eclipse provides a range of coverages under one policy, including network security liability, media content services liability, privacy liability as well as protection against business interruption losses, credit monitoring costs, privacy notification costs and regulatory fines.

Coverage can be tailored to address specific technology exposures for a variety of sectors including legal, real estate, insurance and medical offices, the company said.

XL's cyber liability policy for technology companies, XL EclipsePro, also has been enhanced. It now includes errors and omissions coverage to meet the professional liability needs of technology products and service providers, the company said.

XL Eclipse and XL EclipsePro are underwritten by Indian Harbor Insurance Co., a Stamford, Conn.-based unit of XL, with limits up to \$10 million.

For more information, contact Scott Schleicher, technology products manager, XL Select Professional, at 301-529-2148 or scott.schleicher@xlgroup.com.

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Readers Choice Awards™

Business Insurance's 2009 Readers Choice Awards recognize the best overall commercial insurance industry companies in 18 different categories, reflecting key partners and service providers for risk managers, benefit managers and insurance organizations.

2009 marks the fifth year of this annual award program. *BI* launched the Readers Choice Awards in 2005 to let readers vote for the companies that they believe offer the best combination of service, value, quality and innovation.

The categories are:

- Best admitted commercial property insurer.
- Best admitted liability insurer, including professional liability and general liability lines.
- Best workers compensation insurer.
- Best employee assistance program provider.
- Best employee benefit consulting firm.
- Best insurance wholesaler.
- Best health plan provider.
- Best property/casualty reinsurer.
- Best reinsurance intermediary.
- Best retail brokerage, in four different revenue subcategories.
- Best risk management consulting firm.
- Best surplus lines insurer.
- Best third-party administrator of employee benefit claims.
- Best third-party administrator of property/casualty claims.
- Best captive manager.

BI invited readers of the newsmagazine as well as *BusinessInsurance.com* to cast their votes through confidential electronic ballots. Balloting closed Aug. 31, and the results were tabulated and analyzed to determine the winners as well as members of the Silver Circle for runners-up.

Profiles of the winning companies begin on page 12. The profiles also can be viewed online at www.BusinessInsurance.com.

Readers Choice Awards™

SPOTLIGHT

ON THE WEB

PROFILES of the winning companies in the *Business Insurance* 2009 Readers Choice Awards, as well as previous years' winning companies, can be viewed online at:

www.BusinessInsurance.com



ZURICH FINANCIAL SERVICES GROUP

2008 NET INCOME: \$3 billion
EMPLOYEES: 60,000

Global capability, combined with a local focus and an understanding of

individual risks, makes Zurich Financial Services Group a very capable property insurer, said Mike Foley, chief executive officer in Schaumburg, Ill., for Zurich's North America commercial unit.

Selected as the best overall commercial property insurer in the *Business Insurance* 2009 Readers Choice Awards, Mr. Foley said he suspects the recognition comes from Zurich's many years of work to increase its response to customer needs.

Being a global institution also helps, he said. Zurich has offices in 50 countries and delivers its products and services in 170 countries.

Zurich can provide coverage for complex, highly protected risks; participate in a large, layered property programs; or insure middle-

market risks, including those at the lower end of the middle market.

About a year ago, Zurich unveiled its Property Portfolio Protection program for middle-market accounts with premiums between \$15 million and \$400 million, Mr. Foley said. P3 coverage aims to eliminate buyer worries about policy specifics by eliminating exclusions, adding coverage based on policyholder input, and allowing flexible terms, he said.

"That lets us be pretty flexible in designing what they need in terms of exposure and limits to help them manage their risks as efficiently and effectively as possible," Mr. Foley said.

Zurich also insures large companies. "We insure the majority of Fortune 100 companies in some

capacity," Mr. Foley said.

While Zurich is an admired property insurer, it provides a full range of other coverages and has strengthened its ability to do so by working to understand each industry's needs, Mr. Foley said.

"That allows us to build deep, strong relations with our clients that are often across multiple lines of business," he said.

—By Roberto Ceniceros



SILVER CIRCLE AWARD CHUBB CORP.

2008 NET INCOME: \$1.8 billion
EMPLOYEES: 10,400

www.chubb.com



ACE LTD.

2008 GROSS WRITTEN PREMIUMS: \$19.24 billion

EMPLOYEES: 15,000

ACE Ltd.'s broad risk appetite, creative underwriting and global network are among the factors that distinguish it as a liability insurer, ACE executives say.

Business Insurance readers voted Zurich, Switzerland-based ACE as the best liability insurer in the 2009 Readers Choice Awards. Last year, ACE was ranked No. 2 in the category, which includes professional liability and general liability lines.

ACE's professional risk division offers a broad range of products, including directors and officers liability insurance for public, private and nonprofit institutions. ACE offers errors and omissions coverage for more than 100 classes of professionals in industries from technology to education to public officials. Products also include employment practices liability, fiduciary, fidelity, and kidnap and ransom insurance.

"We don't limit ourselves. Our focus is really on understanding and underwriting to the individual risk and the characteristics of the individual company," said Timothy O'Donnell, New York-based president of ACE Professional Risk.

Clients also appreciate the ACE brand and financial strength the insurer offers. "We can bring in resources and coordinate capacity and products from across the entire organization," Mr. O'Donnell said.

ACE aims to be innovative and responsive to help clients manage the evolving liability landscape, ACE executives say. For example, ACE enhanced its offerings for private companies and nonprofit organizations including hospitals and educational institutions with a "modular policy" format that allows multiple coverages to be bundled together and delivered on an upgraded technology platform.

ACE's general liability product offerings include customized coverage for nearly every industry.

ACE's underwriting structure includes dedicated teams segmented by industry and customer size, said Chris Maleno, New York-based president of ACE Casualty Risk. "Clients benefit by working with underwriters that are dedicated to that type of buyer, and it allows us to really customize solutions," he said.

—By Colleen McCarthy



SILVER CIRCLE AWARD ZURICH FINANCIAL SERVICES GROUP

2008 NET INCOME: \$3 billion
EMPLOYEES: 60,000

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ZURICH FINANCIAL SERVICES GROUP

2008 NET INCOME: \$3 billion
EMPLOYEES: 60,000

Product breadth, service and flexibility make Zurich Financial Ser-

vices Group a standout provider of workers compensation coverage, says Mike Kerner, chief executive officer for Zurich Global Corporate in North America.

"One of the keys here is our flexibility and the fact that we are prepared to offer a wide range of services, depending on what our customers' needs are," Mr. Kerner said. "We are not a one-size-fits-all shop. We are very much focused on the customer and tailoring the offering. I think it's that flexibility that readers are recognizing."

The global company, voted best overall workers compensation insurer in the *Business Insurance* 2009 Readers Choice Awards, provides workers comp risk engineering and claims management ser-

vices, including a full spectrum of return-to-work services along with its risk-transfer products. In addition, Zurich can provide claims management services for a large-retention program or a captive facility, Mr. Kerner said. Zurich also can work with an insurance purchaser's own third-party administrator if the customer prefers.

The insurer recently surveyed its customers, who gave it a 92% satisfaction rating, he said.

"We do think our customers are satisfied with the claims service we are providing and we continue to invest to make it the claim capability we want it to be," he said.

For preloss services, Zurich employs risk engineers who help customers with safety programs

that eliminate worker injuries and reduce the client's risk costs.

Add Zurich's financial strength to its promise to deliver solid service, and you can understand why readers appreciate the insurer, he said.

"I think the quality of the financial-strength backing that promise is extremely important," he said.

—By Roberto Cenicerros



**SILVER CIRCLE AWARD
LIBERTY MUTUAL GROUP INC.**

2008 NET INCOME: \$1.1 billion
EMPLOYEES: 45,000
www.libertymutual.com



UNITEDHEALTHCARE

2008 NET INCOME: \$2.97 billion
EMPLOYEES: 75,000

While Congress debates how to fix the nation's health care system, Minnetonka, Minn.-based UnitedHealthcare has been trying out a few ideas of its own.

Among other things, the insurer joined forces earlier this year with San Jose, Calif.-based Cisco Systems Inc. to develop mobile medical units to bring much-needed health care services to underserved rural and remote communities utilizing Cisco's teleconferencing technology.

As a longtime supporter of the basic tenets of consumer-driven health care, the insurer also introduced a diabetes health plan this year to help employers address the escalating expense of diabetes care by providing patients with financial rewards for getting recommended preventive care, such as having regular blood sugar checks, routine

'We have a very serious commitment to service.'

Austin Pittman, UnitedHealth Group

exams and preventive screenings. Last summer, UnitedHealth launched Health Heroes, a health literacy program that awards grants to elementary schools to fund programs to combat the growing epidemic of childhood obesity.

And since the beginning of this year, UnitedHealth has collaborated with Armonk, N.Y.-based IBM Corp. in Arizona to test a new care coordination and reimbursement model, called the Patient-Centered Medical Home, advocated by many health care reformers.

Because of its ongoing investments in innovation and dedication to customer service, UnitedHealth was selected the best health plan provider in *Business Insurance's* 2009 Readers Choice Awards.

"What we are creating is a culture of innovation that's really focused on taking the power of information to help employers, doctors and individuals make better health care decisions," said Austin Pittman, UnitedHealth's chief growth officer. "We have a very serious commitment to service."

—By Joanne Wojcik



**SILVER CIRCLE AWARD
AETNA INC.**

2008 NET INCOME: \$1.38 billion
EMPLOYEES: 35,500
www.aetna.com



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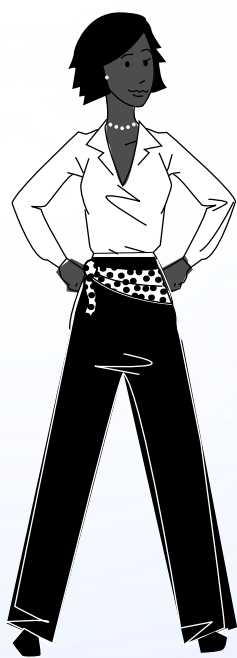
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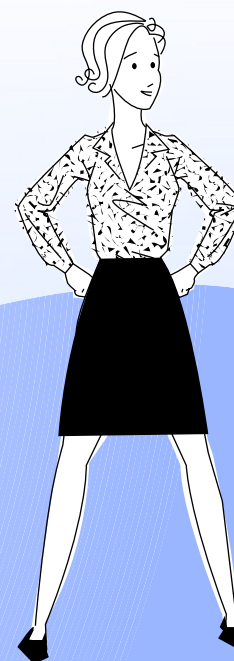
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**LEXINGTON INSURANCE CO.**

2008 NET WRITTEN PREMIUMS:
\$7.08 billion

EMPLOYEES: 1,400

Lexington Insurance Co. has distanced itself from parent company American International Group Inc.

in the past year, and then distanced itself from its competition.

While AIG has had its struggles since its near-collapse in 2008, Boston-based Lexington has thrived despite a soft surplus lines insurance market. Now a subsidiary of Chartis Inc., Lexington continues to provide policyholders with the same service and product innovation it has in the past, which is why it was voted the best overall surplus lines insurer in the *Business Insurance* 2009 Readers Choice Awards for the fifth consecutive year.

"We've spent a lot of time over the past year communicating to customers and business partners that we are in good financial shape," said Peter J. Eastwood, president and chief executive officer of

Lexington. "That said, we have also worked hard to maintain long-standing relationships with customers and continue to innovate with new products to remain relevant. Our success is attributable to a culture that encourages our people to find ways to say 'Yes' to brokers and customers and to get things done."

Mr. Eastwood took the reins at Lexington in December 2008, after longtime Chairman and CEO Kevin H. Kelley left to become CEO of Ironshore Ltd. in the wake of AIG's near-collapse and federal bailout.

But Mr. Eastwood said Lexington kept its focus on product lines, customers and innovative thinking—keys to its continued success despite challenges stemming from AIG, the

economy and a soft market.

"We are well-positioned in the marketplace with a talented team in place and demonstrated financial strength," he said.

He said Lexington's client advisory board allows it to institute products and services that help it serve current and potential customers.

—By Jeff Casale

**SILVER CIRCLE AWARD
WESTCHESTER SURPLUS
LINES INSURANCE CO.**

2008 NET WRITTEN PREMIUMS:
\$523.3 million

www.aceusa.com

**LLOYD'S OF LONDON**

NET WRITTEN PREMIUMS:
\$8.58 billion

Lloyd's of London's prominence as a leading provider of reinsurance and insurance is supported by three qualities that distinguish it among its global competitors, the executive in charge of monitoring franchisees at the centuries-old marketplace says.

"Flexibility, security and capacity" are what makes Lloyd's the respected marketplace it has become during more than 300 years of operation, says Rolf Tolle, who has served as the franchise performance director at Lloyd's since 2003.

The respect Lloyd's has earned for the quality of its service, value and innovation led voters to choose it as the best overall reinsurer in this year's *Business Insurance* Readers Choice Awards. The market, from its beginnings in 1688, has grown to comprise around 80 individual syndicates that together make up one of the world's largest providers of insurance and reinsurance.

International reinsurance at Lloyd's in 2008 totaled £6.30 billion (\$10.46 billion) in gross premiums, about 35% of Lloyd's total business.

Lloyd's structure makes it a flexible place in which to do business, Mr. Tolle explained. "Because it is a subscription market, there are a lot of very professional people that can meet your needs."

In fact, the flexible nature of the way business is conducted is a distinguishing feature at Lloyd's, Mr. Tolle said. "One of the biggest differentiators is that it is a subscription market. With other reinsurers, you get one line. Here, you can go into a room and choose from a lot of people. You can choose a lead if you want and there are others who will follow."

The subscription market arrangement also means Lloyd's can provide substantial capacity, he noted.

Lloyd's reputation as a secure market also has kept it in good stead with clients, Mr. Tolle noted. As some of its competitors have suffered to near-collapse in recent months, Lloyd's has remained a solid marketplace, he said.

"People say that's what makes Lloyd's a great marketplace," he said of its reputation as a secure place to do business.

—By Michael Bradford

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**SILVER CIRCLE AWARD
SWISS REINSURANCE CO.**

NET WRITTEN PREMIUMS:
\$23.72 billion

EMPLOYEES: 11,560

www.swissre.com

**AON BENFIELD****2008 REVENUE:** \$1.57 billion**EMPLOYEES:** 4,150

Aon Benfield's intellectual capital, innovation, ideas and tools all are factors that distinguish it from other reinsurance intermediaries, says Andrew M. Appel, chief executive officer of the Chicago-based Aon Corp. unit.

"We have 450-plus people in (Aon Benfield) analytics, which is probably the largest group of people focused on the impact of the insurance market and how it performs and how insurance products behave, and how insurance companies ought to think about risk," said Mr. Appel.

Aon Benfield was named best reinsurance intermediary in the *BI* Readers Choice Awards. Predecessor Aon Re Global was named best in the three prior years.

"We have the deepest portfolio of the largest leading brokers and practitioners," beginning with Executive Chairman Michael D. O'Halleran and including "many other hundreds of leading professionals with 20-plus years in the business," Mr. Appel said.

Also significant, he said, is Aon Benfield's "unparalleled access to other reinsurance markets all over the world. We are, at this point, the only truly global reinsurance broker, with our international business two or three times the size" of the next-largest, which "gives us an unprecedented network of professionals to serve our clients."

He said a highlight of the past year was the successful integration of Aon Re and Aon's \$1.75 billion acquisition of Benfield Group Ltd.

"We have enjoyed many successes as a company in 2009, and we are extremely pleased at the way we are positioned as we move towards 2010," Mr. O'Halleran said in a statement.

"This year has seen us launch more than 20 new innovative solutions and research reports that are redefining both the industry and our clients' expectations. In 2009, we continued to provide access to the most appropriate and effective risk transfer solutions to help our clients optimize their use of capital, in order that they can react to any new business opportunities that come their way," he said.

—By Judy Greenwald

SILVER CIRCLE AWARD**GUY CARPENTER & CO. L.L.C.****2008 REVENUE:** \$826 million**EMPLOYEES:** 2,224www.guycarp.com**AON CORP.****2008 BROKERAGE REVENUES:** \$7.63 billion**EMPLOYEES:** 37,700

A culture based on client service, understanding client needs, and a commitment to innovation are key factors that distinguish Aon Corp. in the retail brokerage marketplace, a top Aon executive says.

"Throughout the entire organization, there is a culture around serving clients; and not only serving clients, but helping colleagues serve clients," said Stephen P. McGill, chairman and chief executive officer of Aon Risk Services, Aon's global platform for advising clients and placing their risks.

Aon was voted the top retail bro-



kerage with revenues of more than \$250 million in this year's *Business Insurance* Readers Choice Awards.

Mr. McGill cited two recent developments as particularly significant to Aon's client service efforts.

One is the Aon Client Promise, through which clients can evaluate

the broker on 10 key elements. Aon Client Promise allows the broker to describe Aon's value proposition to clients and accurately measure its success at delivering it, he said.

Meanwhile, Aon's Global Risk Insight Platform—a broking and information platform rolled out in 2008 and used in 19 countries—provides information about insurance placements by industry, geography and local insurance market.

GRIP provides Aon benchmarking data in real time as well as information insurer partners can use. "We're at the early stages of really understanding the impact and the value that GRIP has," he said.

"Both Client Promise and GRIP came from trying to understand the needs of our clients," Mr. McGill

said. "There's a lot of excitement among our clients."

"We're absolutely honored to have won this award for the fourth year running," Mr. McGill said. "We're on a journey to realize the potential of the firm and to continue to deliver the world-class products and solutions that our clients need."

—By Rodd Zolkos

**SILVER CIRCLE AWARD****MARSH & MCLENNAN COS. INC.****2008 BROKERAGE REVENUES:** \$11.51 billion**EMPLOYEES:** 54,400www.marsh.com

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INTEGRO LTD.

2008 BROKERAGE REVENUE:
\$57.2 million
EMPLOYEES: 280

A highly skilled and experienced staff that focuses on personal service is the key to Integro Ltd.'s success, its top executive says.

"Our people just really desire to please clients; and they have the skills, the knowledge and the experience to be able to do that. That's the bottom line," said Peter F. Garvey, a co-founder and chief executive officer of the New York-based large-account specialty brokerage.

Integro was named co-winner as the best retail brokerage among firms

with revenues of \$50 million to \$250 million in this year's *Business Insurance* Readers Choice Awards, reflecting a combination of quality, value, service and innovation.

"That's how we want to be known," Mr. Garvey said of the balloting criteria.

Despite its much smaller size, Integro competes with the world's largest insurance brokers on complex risk management accounts.

Being a smaller, less hierarchical firm has its advantages, Mr. Garvey said, especially when it comes to client service.

"As a professional services firm, we believe everybody ought to be involved in delivery of those professional services regardless of position, and that's not true of our competitors," Mr. Garvey said. "Now they are a lot bigger and maybe that's a necessity, but maybe it's also an indication that you can be too big at some point to be a useful provider of professional services."

While many of Integro's larger competitors are having a difficult time generating organic growth in North America given the difficult insurance and economic environment, "we've consistently enjoyed double-digit organic growth



'Our people just really desire to please clients; and they have the skills, the knowledge and the experience to be able to do that. That's the bottom line.'

Peter F. Garvey, Integro Ltd.

throughout the year," Mr. Garvey said. "I think that's a strong reflection of client satisfaction."

—By Sally Roberts

BEECHER CARLSON HOLDINGS INC.

2008 BROKERAGE REVENUE:
\$83.2 million
EMPLOYEES: 478

Beecher Carlson's business model, which includes a segmented approach to service, is what sets the Atlanta-based broker apart from its competitors and keeps clients coming back, said Tom Golub, president and chief executive officer.

"It's not very sexy. It's just lots and lots of work and having people who are very good at what they do specializing in particular industry verticals," Mr. Golub said.

By organizing its business and people around the hospitality, health care and real estate industries, among others, "we know risks in a very intimate way," he said.

At the same time, Beecher Carlson runs its business as a single profit and loss center, which enables the broker to better deliver specialized services to clients, he said.

"Most brokers are run by geographic profit and loss centers," so if a producer Boston needs to use resources in the firm's Atlanta office, there has to be a discussion around how expenses are shared, he said. With a single profit and loss center, "it's very fluid for us to have people from four or five offices" involved on a specific account.

"Our effort is to make that seamless to the customer, and the feedback we get is that it works," he said of the firm, named co-winner as the best retail brokerage among firms with revenues of \$50 million to



Tom Golub, president and CEO, says the way Beecher Carlson is organized enables it to know clients' risks "in a very intimate way."

\$250 million in this year's *Business Insurance* Readers Choice Awards.

Another indicator that Beecher Carlson is getting it right is the fact that its corporate account unit—which makes up 60% of its revenues—has registered 15% organic growth in 2009, Mr. Golub said.

He noted that most of the broker's new business this year has come from referrals from existing clients.

—By Sally Roberts

SILVER CIRCLE AWARD HAYS GROUP INC.

2008 BROKERAGE REVENUE:
\$103.4 million
EMPLOYEES: 540
www.hayscompanies.com

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WILLIAM GALLAGHER ASSOCIATES INSURANCE BROKERS INC.

2008 BROKERAGE REVENUE:
\$47.6 million
EMPLOYEES: 200

Strong technical expertise and the ability to deliver innovative services to niche companies are two key qualities that distinguish William Gallagher Associates Insurance Brokers Inc., the firm's chairman and chief executive officer says.

For the second consecutive year, WGA was voted the best retail brokerage among firms with revenues between \$25 million and \$50 million for *Business Insurance's* 2009 Readers Choice Awards.

The Boston-based firm provides brokerage services to "vertical industries" that include renewable energy, information technology, health care, biotechnology and manufacturing.

"Our clients are innovators and oftentimes they are growing faster than the rest of the economy. That creates very specialized needs," said

Philip Edmundson, chairman and CEO. "It's our goal to provide the intense and urgent level of service they require."

To respond effectively, WGA devises products to help its clients address emerging risks. The firm also uses a "service team" approach in an effort to provide outstanding customer service, he said.

While the brokerage enjoys helping its clients, it also benefits from the unique relationships, Mr. Edmundson said. For example, one of the firm's renewable energy clients pushed the broker to deliver paperless policies. The broker complied, and now offers the same technology and service to other clients.

The broker may pursue some "small and strategic" acquisitions to achieve growth and additional expertise in the next few years, he said. In October, WGA completed its first-ever acquisition when it purchased Medfield, Mass.-based RPG Insurance Administrators Inc.

—By Colleen McCarthy

SILVER CIRCLE AWARD DeWITT STERN GROUP INC.

2008 BROKERAGE REVENUE:
\$43.9 million
EMPLOYEES: 190
www.dewittstern.com

ASSURANCE AGENCY LTD.

2008 BROKERAGE REVENUE:
\$39.2 million
EMPLOYEES: 192
www.assuranceagency.com

**ALPER SERVICES INC.**

2008 BROKERAGE REVENUE:
\$7.5 million

EMPLOYEES: 58

When Howard C. Alper founded Alper Services L.L.C. in 1966, he knew he wanted something different.

In addition to offering a full spectrum of property/casualty, employee benefits and financial services to clients, he also wanted to offer specialized expertise and individualized services that helped clients reduce their total cost of risk.

One of the first services Alper began offering clients was a cost-reduction audit in which the broker analyzes clients' prior-year premiums to find any overpayments.

If the audit uncovers errors, Alper will try to recover overcharges for its clients from insurers.

The Chicago-based broker also began offering a workers compensation reserve-reduction program about 20 years ago when it hired its first full-time registered nurse.

The nurse not only assists clients with monitoring and minimizing their workers compensation claims, but also works with insurance adjusters to negotiate reserve reductions where appropriate, resulting in lower premiums for clients.

Customers seem to appreciate these services, as Alper Services was voted best retail brokerage with less than \$25 million in revenues in the *Business Insurance* 2009 Readers Choice Awards.

It is the firm's "team of experts" that really sets it apart, Mr. Alper said.

"It's not that an individual can check an audit and make sure it's right or guide in the monitoring of a workers comp loss reserve, it's that we have people who that's all that they do and they have the background expertise," Mr. Alper said.

In addition to a registered nurse/occupational health consultant, Alper's team includes a claims management attorney, premium auditors, loss control engineers and risk management consultants.

"All of these people are working for the client in disciplines that are not normally handled or provided to clients in our size range," Mr. Alper said, noting that the firm's average client has between 100 and 1,000 employees.

—By Sally Roberts

PRINCIPAL FINANCIAL GROUP INC.

2008 GROSS REVENUE:
\$143.1 million

EMPLOYEES: 1,362

Principal Financial Group Inc.'s customers are so loyal that more than half of them purchased an additional product from the Des Moines, Iowa-based third-party benefits administrator during 2009, executives said.

"We had just another very good year of delivering on the promises we've made to our customers," said Renee Schaaf, vp of national accounts. "That's led to an environment where our clients are very willing to be repeat purchasers from us."



It also led to Principal Financial Group's selection as the best benefits third-party administrator in *Business Insurance's* 2009 Readers Choice Awards.

Principal Financial Group also provides health improvement pro-

grams through its Principal Wellness Co. subsidiary designed to reach every member of an employer plan, regardless of health status.

The TPA also provides extensive reporting and analysis that incorporates clinical results into claims experience to identify cost drivers so programs can be directed to the plan members who need them the most.

"For those who are healthy, we try to keep them well. For those with acute health issues, we have case management and disease management," Ms. Schaaf said.

Similarly, Principal Financial Group uses a client-centric approach to deliver service to its self-funded employer customers.

"Every client has a dedicated account manager who knows their

plan inside out and works directly with the employer or group," Ms. Schaaf said.

Principal Financial Group, which has been serving the self-funded employer market for more than 30 years, also provides COBRA and flexible spending account administration, retirement plan administration and voluntary benefits.

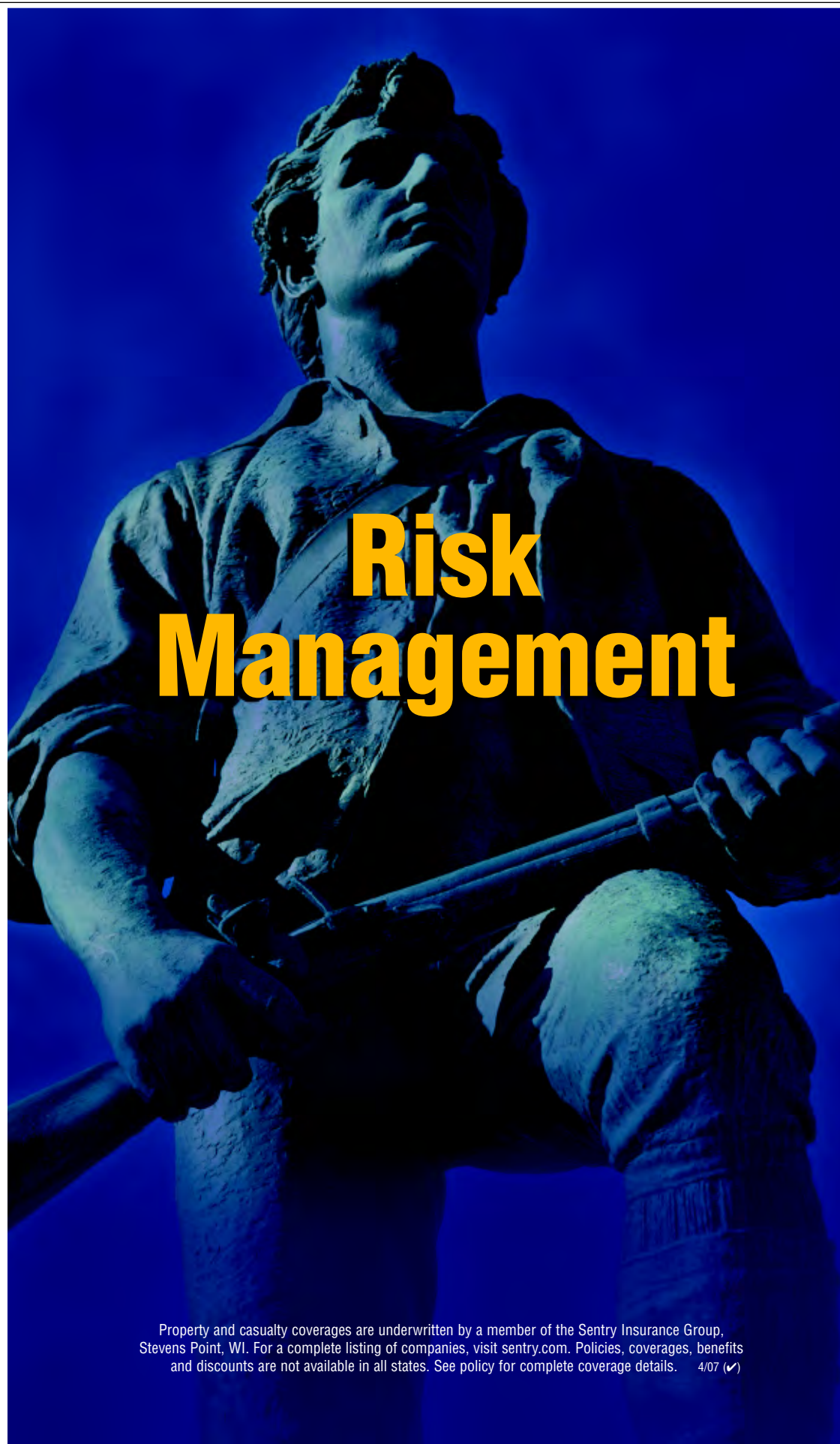
—By Joanne Wojcik

SILVER CIRCLE AWARD
CORESOURCE INC.

2008 GROSS REVENUE:
\$157.0 million

EMPLOYEES: 1,123

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2008 BROKERAGE REVENUE:
\$4.4 million

EMPLOYEES: 12

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LEGAL NOTICE

NOTICE OF CLAIM DATE FOR CLAIMS AGAINST FRONTIER INSURANCE COMPANY ON DIRECT POLICIES ISSUED THROUGH TERRAMAR AGENCIES ("NOTICE")

By order dated October 10, 2001, the Supreme Court of the State of New York, County of New York, placed Frontier Insurance Company ("Frontier") into rehabilitation and appointed as rehabilitator of Frontier ("Rehabilitator") the then-Superintendent of Insurance of the State of New York, Gregory V. Serio (and his successors in office) ("Rehabilitation Order"). Pursuant to the New York Insurance Law ("Insurance Law") and the Rehabilitation Order, the Rehabilitator was given the responsibility of, among other things, marshalling Frontier's assets and adjudicating claims consistent with Article 74 of the Insurance Law.

PLEASE TAKE NOTICE that the Supreme Court of the State of New York, County of Albany, has issued an order, dated October 29, 2009, establishing March 12, 2010 ("Terramar Notice Date") as the last date on which a person may submit a notice ("Terramar Notice") with respect to any insurance policy or insurance or reinsurance contract issued by Terramar Insurance Company, Terramar Insurance Agency, Advanced Risk International, Ltd. or Terramar General Agency ("Terramar Policy") so as to preserve any obligation of Frontier pursuant to such Terramar Policy. The Order further provides as follows:

1. The Terramar Notice shall accurately and sufficiently set forth the required information identifying (a) the Terramar Policy pursuant to which Frontier has or may have an obligation ("Identified Terramar Policy"), (b) the policyholder(s) of such Identified Terramar Policy, (c) the person(s) with an interest in the Terramar Policy who, by submitting a Terramar Notice, seeks to preserve such person's interest in the Identified Terramar Policy ("Submitting Terramar Policy Interest Holder"), and (d) any claim under such Identified Terramar Policy where the Submitting Terramar Policy Interest Holder has knowledge of the event, accident or occurrence giving rise to the claim, the person or property allegedly injured or damaged, and the nature of the alleged injury or damage, prior to the Terramar Notice Date;

2. All claims against Frontier pursuant to any Terramar Policy will be barred unless the Terramar Policy, the policyholder(s) of such Terramar Policy and all other information required in Paragraph 1 of this Notice have been accurately and sufficiently identified in a Terramar Notice submitted by the Terramar Notice Date;

3. Any claim against Frontier pursuant to any Terramar Policy will be barred where the Submitting Terramar Policy Interest Holder had knowledge of the event, accident or occurrence giving rise to the claim, the person or property allegedly injured or damaged, and the nature of the alleged injury or damage, prior to the Terramar Notice Date and did not submit a timely Terramar Notice setting forth such information concerning the claim;

4. All persons will be barred from asserting claims against Frontier pursuant to any Terramar Policy other than Submitting Terramar Policy Interest Holders who submit a timely, accurate and sufficient Terramar Notice in connection with such Terramar Policy by the Terramar Notice Date; and

5. All Terramar Notices must be made in writing and sent to the Rehabilitator by first class mail, postage paid and postmarked on or before the Terramar Notice Date, or by overnight courier, fees paid and written acknowledgement of receipt by such courier on or before the Terramar Notice Date, to the following address:

Frontier Insurance Company in Rehabilitation
Attn: Legal Department
195 Lake Louise Marie Road
Rock Hill, N.Y. 12775-8000

Copies of Terramar Notice forms and instructions have been posted on the internet site maintained by the New York Liquidation Bureau at <http://www.nylb.org> or may be requested by calling 845-807-5047.

JAMES J. WRVNN
Superintendent of Insurance
of the State of New York as Rehabilitator
of Frontier Insurance Company

LEGAL NOTICE

NOTICE OF BAR DATE FOR CLAIMS AGAINST FRONTIER INSURANCE COMPANY AND TERMINATION OF FUTURE LIABILITY ON BONDS ("NOTICE")

On October 10, 2001, the Supreme Court of the State of New York, County of New York, placed Frontier Insurance Company ("Frontier") into rehabilitation and appointed as rehabilitator of Frontier ("Rehabilitator") the then-Superintendent of Insurance of the State of New York, Gregory V. Serio (and his successors in office) ("Rehabilitation Order"). Pursuant to the New York Insurance Law ("Insurance Law") and the Rehabilitation Order, the Rehabilitator was given the responsibility of, among other things, marshalling Frontier's assets and adjudicating claims consistent with Article 74 of the Insurance Law.

PLEASE TAKE NOTICE that the Supreme Court of the State of New York, County of Albany, has issued an order, dated October 29, 2009, establishing March 12, 2010 ("Bond Bar Date") as the last date on which a notice ("Bond Notice") regarding any bond issued by Frontier, including any surety bond or other bond or guaranty identified in New York Insurance Law Sections 113(16) or 6801 ("Bond"), may be filed with the Rehabilitator so as to preserve any obligation of Frontier pursuant to such Bond. The Order further provides as follows:

1. The Bond Notice shall identify (a) the Bond pursuant to which it is alleged that Frontier has an obligation, (b) the default, event, accident, or occurrence allegedly giving rise to a claim pursuant to such Bond ("Triggering Event"), (c) the date of the Triggering Event, (d) the alleged injury, loss or damage caused by the Triggering Event, (e) the dollar amount of the claim alleged as a result of the Triggering Event, and (f) the obligee or principal under such Bond who, by submitting a Bond Notice, seeks to preserve such person's rights under the Bond ("Submitting Bond Interest Holder");

2. Any claim against Frontier pursuant to any Bond shall be barred unless a timely Bond Notice has been submitted that accurately and sufficiently identifies the Bond, the claim alleged pursuant to such Bond, and all other information required in Paragraph 1 of this Notice;

3. Any claim under any Bond in which the Triggering Event occurs after January 11, 2010 ("Bond Cutoff Date") shall be barred;

4. All persons will be barred from asserting claims against Frontier pursuant to any Bond other than Submitting Bond Interest Holders who submit a timely, accurate and sufficient Bond Notice in connection with such Bond by the Bond Bar Date; and

5. All Bond Notices must be made in writing and sent to the Rehabilitator by first class mail, postage paid and postmarked on or before the Bond Bar Date, or by overnight courier, fees paid and written acknowledgement of receipt by such courier on or before the Bond Bar Date, to the following address:

Frontier Insurance Company in Rehabilitation
Attn: Legal Department
195 Lake Louise Marie Road
Rock Hill, N.Y. 12775-8000

Copies of Bond Notice forms and instructions have been posted on the internet site maintained by the New York Liquidation Bureau at <http://www.nylb.org> or may be requested by calling 845-807-5045.

JAMES J. WRVNN
Superintendent of Insurance
of the State of New York as Rehabilitator
of Frontier Insurance Company

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Market SourceBook 2010

Publishing: December 21
Ad Close: November 24

Need to Publish a Legal Notice, Announcement or RFP



Contact Monique Murray at 212-210-0129



GALLAGHER BASSETT SERVICES INC.

2008 GROSS REVENUE: \$465.0 million

EMPLOYEES: 3,980

Innovation is one reason Gallagher Bassett Services Inc. stands out among property/casualty third-party claims administrators, says Executive Vp Emil Bravo.

"We're first to the marketplace on

a lot of new products," said Mr. Bravo of the Itasca, Ill.-based company voted the best property/casualty TPA in the *Business Insurance* 2009 Readers Choice Awards.

In recent months, Gallagher Bassett tested an outcome-based physician provider network as an alternative to preferred provider organization networks. Gallagher Bassett provides a list of doctors it believes achieve the best outcomes, regardless of their PPO status.

Mr. Bravo said a two-year pilot with one client went "very well" and Gallagher plans to offer the outcome-based networks to other clients as a health care coverage plan alternative starting next year.

Gallagher also was among early adopters of predictive modeling as well as an early intervention model that is integrated from the point of the initial claim to billing, he said.

In the past two years, Gallagher

Bassett has expanded the functionality of its software package. Users can get reports in multiple formats and receive e-mails with periodic reports, he said.

Another advantage is its management stability, Mr. Bravo said. "There's very little turnover on our senior management team," he said.

About 95% of respondents to an annual customer survey graded Gallagher Bassett's service as "good" or "excellent," Mr. Bravo said.

—By Zack Phillips

SILVER CIRCLE AWARD SEDGWICK CLAIMS MANAGEMENT SERVICES INC.

2008 GROSS REVENUE: \$691.3 million

EMPLOYEES: 6,383

www.sedgwickcms.com



SWETT & CRAWFORD GROUP INC.

2008 GROSS REVENUE: \$198.4 million

EMPLOYEES: 850

Atlanta-based Swett & Crawford Group Inc. has been voted by *Business Insurance* readers as the best insurance wholesale company five

consecutive years, something that J. Neal Abernathy, Swett & Crawford's president and chief executive officer, said speaks for itself about the kind of service it provides to its clients.

"When you work with us, you're not just getting one person, you're getting the whole company," he said.

Organized into six practice groups—property, casualty, energy, professional services, transportation and underwriting—Swett & Crawford has evolved with the times, Mr. Abernathy said.

He said IntraSwett, Swett & Crawford's intranet that allows groups and colleagues to exchange information and ideas, reinforces the collaborative environment and culture.

"We work with more than 200 producers within each practice group and when a retail agent approaches us, they know what they're getting," said Steve Sadler,

chief operating officer.

Mr. Sadler said another strength of the wholesaler is its P/C specialization and market familiarity, allowing it to identify opportunities in the health care and energy arenas.

Messrs. Abernathy and Sadler said Swett & Crawford is up to the challenges of the coming year. "We have to be ready for those challenges. It's not that the outlook is gloomy, it's just a challenge," Mr. Abernathy said.

—By Jeff Casale

SILVER CIRCLE AWARD COLEMONT CORP.

2008 GROSS REVENUE: \$105.5 million

EMPLOYEES: 707

www.colemont.com

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Readers Choice Awards™



AON GLOBAL INSURANCE MANAGERS

2008 NUMBER OF CAPTIVES:
1,269
EMPLOYEES: 500

For Aon Global Insurance Managers, recognizing, addressing and anticipating change are key factors in its ongoing effort to deliver high-quality service to its captive insurance company clients.

"Our approach to client service is based on three fundamental principles," said Nancy Gray, Burlington, Vt.-based regional managing director at AGIM.

"First I think, is to be proactive, recognizing that we're operating in a rapidly changing and challenging environment," Ms. Gray said. "The second is being responsive to change, offering our clients insightful advice and solutions that have impact to their insurance programs. And third, but just as important, is delivering on the service that has meaningful impact to our client operations."

"In the captive space, certainly

we've seen a lot of changes, not just in the past year but in the past 10 years," Ms. Gray said. "And we have to be responsive to that and come up with solutions, proactive solutions, to the complex risks encountered by our clients as well as the changing needs in the marketplace."

As part of its effort, Aon Global Insurance Managers, the captive management division of Chicago-based Aon Corp., in August restructured its leadership around hubs in the Americas and the Caribbean; Europe, the Middle East and Africa; and the Asia Pacific region.

"That was recognizing that the marketplace has changed and we needed to change the structure of Aon Global Insurance Managers," Ms. Gray said. "And basically, it became a more regional focus, understanding that there were more

regional-type issues that needed to be addressed."

The global scope of Aon's captive management operations is another advantage when addressing the changes affecting clients, Ms. Gray said. "We're a global operation, so, as such, we're able to meet our client needs on a global basis," she said. "If there are any developing new domiciles we feel better serve our client needs, we'll be there."

—By Rodd Zolkos

SILVER CIRCLE AWARD MARSH CAPTIVE SOLUTIONS

2008 NUMBER OF CAPTIVES: 1,120
EMPLOYEES: 444
www.marsh.com



CIGNA BEHAVIORAL HEALTH

2008 GROSS REVENUE:
\$547.0 million
EMPLOYEES:
150 (assigned to EAP services)

Continuously monitoring employers' needs and trying to stay ahead of emerging challenges is one way CIGNA Behavioral Health Inc. distinguishes itself among employee assistance program providers, said Jodi Prohofsky, senior vp of health management operations.

"As an employer ourselves and employees of a large company, we clearly understand there are pressures from the economy and from within a company for continued improvement in productivity and better outcome," she said.

CIGNA was named best EAP provider in the *Business Insurance* 2009 Readers Choice Awards, the fifth consecutive year it has won the honor. Among the many EAP programs that CIGNA offers to employer clients is counseling for employees trying to deal with the challenges arising from the recession, she said.

Employees can get counseling for

stress, financial planning, parenting advice, elderly care and other issues from licensed clinicians.

Workers also have access to "critical incident stress debriefing" for those who are dealing with layoffs to anything the employee defines as a "crisis," Ms. Prohofsky said.

With many companies looking to cut costs, she said CIGNA tries to persuade employers of the value of an EAP through annual employee surveys. The average employee who uses the EAP reports that the program saves about 6.5 hours of work per service, according to that survey. For example, a worker who needs to find a new day-care provider can call the EAP to get referrals based on their criteria and budget.

"So when they go on their lunch hour to look at day-care (providers), they can look at three that are ready to take their children, as opposed to spending all that time on the Inter-

net," Ms. Prohofsky said.

Meanwhile, in its annual survey of clients and their employees, 98.7% of respondents said they are very satisfied with CIGNA, Ms. Prohofsky said. That has been within one percentage point of that score for each of the past 10 years, she said.

"One of our philosophies has always been, no matter how high that number is, we should always be asking ourselves how we can do better," she said.

—By Zack Phillips

SILVER CIRCLE AWARD MAGELLAN HEALTH SERVICES INC.

2008 GROSS REVENUE:
\$2.6 billion
EMPLOYEES: 5,600
www.magellanhealth.com



AON CONSULTING WORLDWIDE

2008 TOTAL REVENUE:
\$1.35 billion
EMPLOYEES: 6,300

At Aon Consulting Worldwide, it's all about its clients.

"Ingrained in the entire Aon organization is the understanding that the client comes first," said Co-Chief Executive Officer Baljit Dail.

That focus on client needs is a key reason Aon Consulting has topped the benefits consulting category in *Business Insurance's* 2009 Readers Choice Awards for the fourth consecutive year, executives said.

"We are focused...on proving value to clients in ways that best meets their needs. We talk about their issues and then come up with real solutions," said Co-CEO Kathryn Hayley.

For example, when Aon consultants meet with clients, they "don't go in with a perceived notion to what the solution is. They listen to

what the issue is and figure out how best they can help the client," said Mr. Dail, who is based in Chicago and New Jersey.

At the same time, Aon Consulting has made big investments during the past few years in hiring "incredible" consultants while retaining top talent, said Ms. Haley, who is based in Chicago.

"It is not just about hiring new talent. It is about retention of talent. We have committed, very dedicated, highly qualified people," Ms. Hayley said.

Aon Consulting also has a geographic reach few consultants can match, its top executives said. With 114 offices around the world, "We truly have a global presence," Mr. Dail said.

Aon Consulting can provide services to clients who want solutions "in all corners of the earth," Ms. Hayley said.

Its range of services includes health care consulting, benefits administration, pension plan restructuring, compensation consulting and talent assessment, she said.

—By Jerry Geisel

SILVER CIRCLE AWARD GALLAGHER BENEFIT SERVICES

2008 TOTAL REVENUE:
\$298.5 million
EMPLOYEES: 1,438
www.ajg.com



RMI CONSULTING INC.

2008 RISK MANAGEMENT CONSULTING REVENUE:
\$12.2 million
EMPLOYEES: 43

While RMI Consulting Inc. performs all the traditional duties of a risk management consulting firm, the Port Washington, N.Y., company goes beyond policy coverages and terms and conditions, says the president of the privately run business.

"We are more recognized as an in-house risk manager on a part-time basis for our clients," said MaryAnn Sackman. "We're more hands-on with our clients on their day-to-day operations." This could involve safety and loss control, disaster planning, crisis management, and claims review and handling, she said.

RMI's effectiveness is why it has been named best risk management consulting firm in *BI's* Readers Choice Awards four straight years.

The 40-person firm founded in 1980 includes Ms. Sackman's husband, Warren, director of program business, and her brother-in-law, James Barber, a senior consultant.

RMI's base of 180 to 200 clients are small to medium-size businesses, with annual premiums ranging from about \$200,000 to several million dollars. Many are involved in the retail food business, including supermarkets, grocery stores and restaurants, or are food distributors, although RMI also works with construction and pharmaceutical firms, metal recyclers, and professions such as lawyers and accountants, among others, Ms. Sackman said.

As with many other firms, coping with the economy has been a major challenge during the past year.

"We have found that, just like we did with our own business, you have to look at all the expenses and see where you can help (clients) save money," Ms. Sackman said.

RMI has been working with clients "to help them handle their costs more effectively as it pertains to insurance," she said. This could range from analyzing whether clients could make do with fewer vehicles, to encouraging clients to buy employment practices liability and directors and officers liability insurance to protect against possible lawsuits from workers that have been let go, said Ms. Sackman.

—By Judy Greenwald

SILVER CIRCLE AWARD RISK INTERNATIONAL SERVICES INC.

2008 RISK MANAGEMENT CONSULTING REVENUE:
\$4.3 million
EMPLOYEES: 34
www.riskinternational.com

Fronting: Insurer essential for captives

CONTINUED FROM PAGE 4

Employers, though, have about a dozen insurers from which to choose in the captive benefits market.

"Recognize that this is not a large pool," said Jeffrey Fitzgerald, an associate director in the Charleston, S.C., office of captive manager and consultant Strategic Risk Solutions.

A key reason why more insurers have not entered the captive benefits market is that profits are modest. In such arrangements, the captive reaps underwriting profits and investment gains, while the fronting insurer is paid a fee that may be far short of what it could earn by taking on the risk, insurers say.

Still, some of the biggest names in the commercial insurance industry, including units of American International Group Inc., Aetna Inc., CIGNA Corp., Hartford Insurance Group, Liberty Mutual Insurance Co., MetLife Inc., Minnesota Life Insurance Co., Prudential Insurance Co. of America and Unum Group, have fronted captive benefit funding programs.

While the profits may be modest, insurers are attracted because the business can build a long-term relationship with an employer that can lead to the insurer providing coverage in other lines, said David Brooker, vp-advanced markets in Prudential's Silver Spring, Md., office.

Just as few insurers front captive benefit programs, only about 15 employers are using captives to fund benefit risks of their U.S. employees.

One reason more employers are not using captives to fund benefit risks is a lack of understanding by corporate benefit and human resources departments of how cap-



REUTERS/LANDOV

DHL GBS Ltd., a unit of Deutsche Post A.G., has been funding benefits of tens of thousands of non-U.S. employees through captives for about a decade.

tives operate.

"It takes time to educate HR on captives. Many don't understand captives and it will take awhile for HR to develop a comfort level," Ms. Gallie said.

"There is a fear of loss of control on the part of HR. Unless risk management steps in and takes the lead," captive benefits funding "will not happen," said Bill Fitzpatrick, vp-corporate risk benefits, insurance and risk management in London with DHL GBS Ltd., a unit of Germany-based delivery giant Deutsche Post A.G.

DHL has been funding benefits of tens of thousands of non-U.S. employees through captives for about a decade and received Labor Department approval last year to fund long-term disability coverage for U.S. employees.

At times, HR managers will argue that there are no funds to pay for a

captive benefits funding feasibility study. Ms. Gallie suggests a simple solution: Have the captive pay for the study.

Overcoming those hurdles can be worth it. Funding benefits through captives can generate annual savings between 5% and 15% a year compared with buying coverage from commercial insurers, said Kathleen Waslov, a consultant with Towers Perrin in Boston.

There are other savings as well, said Jim Long, worldwide multinational director with Alico Global Benefits Network in New York.

For example, because the Internal Revenue Service under a 1992 ruling considers employee benefits risks to be unrelated business, a captive could have enough third-party business for the parent to be allowed take a tax deduction for the property/casualty insurance premiums paid to the captive.

Wrynn: Leader hopeful about exchange

CONTINUED FROM PAGE 4

Q: Department officials have talked about getting some kind of tax advantage or competitive tax treatment for the exchange. Is that a prerequisite or could the exchange work without it?

I don't believe it's a prerequisite at all, but it is something we're very seriously considering and pursuing.

Q: So is this something that you're looking to have in operation in 2010?

We're working on it continuously and we'll just see how it develops. Again, we're conducting our due diligence to make sure it's fully evaluated and that, when we do move forward, we do so at the right time and in the right manner. We don't want to rush it through to say we did it for the sake of doing it. We want to make this work going forward.

Q: What is the status of the department's producer compensation regulation?

The producer comp regulation is up with the Governor's Office of Regulatory Reform for consideration. I'd assume they'd be making a decision

relatively soon.

Notwithstanding the fact that it's there, we've still been meeting with people and listening to concerns even though we have heard most of the concerns because we've met with almost all of the stakeholders at this point. I haven't personally...but certainly people in the department who've been working on this for the last year have met with them.

One of the things I want to do as superintendent is have an open dialogue. And to the extent (this regulation) hasn't been signed off on, we're going to continue to (meet with stakeholders).

Q: When you expect to make a decision on the settlement agreements with Marsh, Aon and Willis?

That's something we're also very seriously looking into. We do want a level playing field for all of the players in the New York market and we are strong advocates of disclosure for the consumer. So with those considerations in mind, we are taking a look at this to see what, if anything, should be done.

Q: What are you doing about medical malpractice reform?

Right now, I have a medical malpractice proposal that I'm meeting with each of the stakeholders on to just get some preliminary input from them on whether or not they would support such an initiative. The preliminary response has been very positive, but I'm reluctant to give the specifics until everyone's been contacted. I don't want anyone to feel blindsided. Generally, medical malpractice reform is a top priority of the governor's.

Q: What else are you and the department are working on?

To help consumers, make sure coverage is available and affordable; for agents and brokers, to be as much if not more a facilitator than regulator; and even (for) insurance companies, which are a very big part of New York's economy, to do what we can in these trying times to make it easy to do business in New York—streamline the rate and form-filing process, that's a major initiative we're undertaking. That's something within our ability that shouldn't require an additional expenditure of money, which would be difficult to justify in these times.

UP Comings & Goings CLOSE



WARD MORSE

NEW JOB TITLE: Atlanta-based vp and producer with Willis Group Holdings Ltd.'s Georgia employee benefits practice.

PREVIOUS POSITION: Atlanta-based enterprise practice leader with Mercer L.L.C.

GOALS FOR NEW POSITION: My goals are to produce, sell and service employee benefits (and) broker services for companies in Atlanta and the surrounding metropolitan area.

INDUSTRY OUTLOOK: There is a specific need for not only the administration of whatever new (health care reform) laws (require), but also the interpretation of those programs and how best to place an employer and various different companies so that they are still able to offer sound benefits to their employees.

INDUSTRY CHALLENGES: A lot of times, we deal with either the (chief financial officer) or the (human resources) director; and when you are dealing with an HR department, a lot of times a larger portion of leadership

simply look at HR as a cost center rather than a revenue-driving department. So one of the big challenges is making sure that we can connect the dots for that HR director, to show value in terms of the amount of savings that we can bring together as a team, in terms of the employee benefits program.

FIRST MARKET EXPERIENCE: My career started in the financial segment of the underwriting department of a major carrier, which was Prudential Insurance Co.

WANTED TO BE: An NFL football player or a fighter pilot...with the Navy.

HOBBIES: Coaching kids in basketball, actually coaching both my kids in their sports. Golf and yoga.

CAN'T-MISS TV SHOW: "The Office," "Curb Your Enthusiasm" and "Entourage."

E-MAIL OR PHONE?: Phone. Interpretation of the message in e-mail can be perceived as cold and absolute, which is...seldom the intention.

Comings & Goings

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- Dempsey Partners L.L.C.

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- New York Insurance Association Inc.

MMC to pay \$435M to settle suits

Settlement means
MMC will save \$40M
in annual legal fees

By SALLY ROBERTS

NEW YORK—Marsh & McLennan Cos. Inc. last week said it will pay \$435 million—more than half of which will be covered by insurance—to settle securities and class actions filed against the company in 2004.

Analysts say the settlement will have a limited effect on the company's financial condition and will eliminate costly legal fees associated with the litigation.

The suits were filed against New York-based MMC after its stock fell from \$45 to about \$23 after fraud and bid-rigging charges by then-New York Attorney General Eliot Spitzer against the company and its Marsh Inc. brokerage unit. MMC paid \$850 million to settle the New York state charges in early 2005.

The latest settlements, which are subject to court approval, resolve all claims against MMC, Marsh and named individuals resulting from the securities and Employee Retirement

Income Security Act suits, according to an MMC statement. Former MMC executives Jeffrey Greenberg and Roger Egan were named in the securities suit, an MMC spokeswoman confirmed.

Under the terms of the securities settlement, MMC will pay \$400 million to settle a class action suit brought by Ohio and New Jersey on behalf of public pension plans in those states. Insurance covers \$205 million of the amount, MMC said.

MMC's primary and excess directors and officers liability coverage is led by Chartis Inc. and ACE Ltd., respectively.

Separately, MMC said it will pay \$35 million to settle an ERISA class action brought by participants and beneficiaries of an MMC retirement plan. The amount covered by insurance is \$25 million, MMC said.

In a statement, MMC, which admitted no wrongdoing, said, "The resolution of these matters puts the litigation arising from the events of 2004 largely behind us and reduces the company's ongoing legal costs."

Analysts say the settlements will have limited effect on MMC.

"The absolute number on the class action settlement looks some-

what large at first glance, but they have the financial flexibility to take care of it without any disruption and the economic impact is pretty minimal," said Mark Lane, a principal with William Blair & Co. L.L.C. in Chicago.

Analysts note that, in addition to \$230 million in insurance recoveries, a \$125 million to \$130 million tax credit expected next year associated with MMC's sale of Putnam Investments, would further reduce the company's remaining liability to less than \$100 million.

MMC said it will use cash on hand to fund the rest of the settlement.

Meyer Shields, a principal in equity research for Stifel, Nicolaus and Co. Inc., noted that MMC had \$1.8 billion in cash on its balance sheet as of the end of the third quarter and that typically builds in the fourth quarter.

Not only does the settlement largely end "a tough period in the company's history," but MMC "has been spending \$40 million to \$50 million in annual legal fees related to these suits since 2005, which will go away," Keith F. Walsh, an analyst with Citi Investment Research in New York, wrote in a client brief.



TIME LIFE PICTURES/GETTY IMAGES

Kuwait Airlines planes sit on the tarmac at temporary headquarters after half of the fleet escaped Kuwait before Iraqi seizure in the 1990 invasion.

Models: Court sides with Equitas in claims fight

CONTINUED FROM PAGE 4

The dispute involved reinsurance claims generated by the 1989 Exxon Valdez oil spill off the coast of Alaska and claims caused by the 1990 destruction of aircraft at an airport in Kuwait during the first Gulf War. Market experts say it is impossible to assess the exact and final value of the claims, but say they likely run to hundreds of millions of dollars.

The claims are difficult to assess because insurers wrongly aggregated the claims in an attempt to maximize reinsurance recoveries, courts ruled in 1996 and 1999 in the cases. In addition, the claims were complicated by the fact that they were insured and reinsured in the LMX spiral, whereby Lloyd's syndicates and other London market insurers reinsured and retroceded risks several times over, often with syndicates reinsuring the same risk multiple times.

The Kuwait case was further complicated by the involvement of \$139 million of refunds paid to Equitas, which now is managed by Resolute Management Services Ltd., which is owned by Berkshire Hathaway Inc., on behalf of Iraq through the U.N. Compensation Commission.

The reinsurers said they could not settle the claims until the exact liability was established for each contract, but Resolute Management Services argued that models could be used to determine the claims' value.

The Commercial Court agreed models could be used, paving the way for Equitas to finally settle the claims. According to the court, Equitas' reinsurance recovery rate should be 86% for the Kuwait

claims and 75% for the Exxon Valdez claims, said Howard Kaye, group general counsel of Resolute Management Services, who welcomed the ruling.

"This case was brought to enable the LMX spiral to recommence turning. The case has particularly wide market implications since the stopped spiral had prevented other losses being paid," Mr. Kaye said.

In a statement, R&Q said it is considering "a counterclaim to apply a discount to substantial sums previously paid to Equitas and is considering whether the judgment gives appropriate grounds for an appeal in whole or in part."

Marsh: Buying spree to build agency

CONTINUED FROM PAGE 3

have the right leadership and leadership we can leverage and (Insurance Alliance has) got that," he said.

Insurance Alliance will be Marsh & McLennan Agency's Southwest regional hub and will identify fold-in acquisitions to grow in the region.

Woody Woodard, Insurance Alliance's chairman, has been named CEO of the new Southwest operation, and Insurance Alliance executives Jim Berger and Jim Tomforde have been named chief operating officer and vp-sales of the operation, respectively.

The deal came more than a year after Marsh said it would launch the agency nationwide to serve the property/casualty, risk management and employee benefit needs of companies that generally have less than \$100 million in revenue.

"We've stayed disciplined," Mr. Eslick said, commenting on the length of time it took to complete a deal. "We want to make sure we build the foundation first before we start to put the house on top of something."

Toward that end, the agency has identified nine or 10 regions in which it would like to acquire agencies to act as a regional foundation or hub. Once the hub is established, smaller fold-in acquisitions will be made within the region.

Mr. Eslick said more hub acquisitions will be announced before

year-end and that it has a "pipeline" of "spoke" acquisitions ready to join once the regional hubs are established.

"Going into 2010, on a stand-alone basis, we will be a very sizable operation," Mr. Eslick said.

Observers say, although the deal may not have been as big as expected for the agency's launch, it's a good start.

"Insurance Alliance is a quality middle-market and small commercial insurance broker with a solid reputation" and it fits the profile of what Marsh & McLennan Agency aspires to be, said Kevin P. Donoghue, managing director of Mystic Capital Advisors Group L.L.C. in New York.

"Although expectations may have been to launch with a larger hub announcement, this shows discipline to not let headline desires get in the way of the larger

goal of building a major middle-market broker. You buy the right puzzle pieces when they become available," he said.

"It's a good start after a seemingly pensive ramp-up period," agreed Timothy J. Cunningham, a principal with OPTIS Partners L.L.C. in Chicago. "A hub-and-spoke strategy is prudent and Dave Eslick is an experienced dealmaker. But the devil is in the execution of an apparent aggressive acquisition strategy followed by the execution of the requisite integration strategy to mold the acquired firms into a

cohesive unit."

"I believe the success or failure of this...will clearly be dependent on the integration of disparate acquired firms into an entity with a common culture and vision," Mr. Cunningham said.

Robert J. Lieblein, managing partner at Hales & Co. in Harrisburg, Pa., said that the success of Marsh & McLennan Agency will depend on it acquiring the right hubs, with the right leadership within the hubs, and attracting the fold-in acquisitions.

Meyer Shields, an analyst with Stifel, Nicolaus & Co. Inc. in Baltimore, said he's optimistic about the agency's chances of success.

Smaller agencies that are struggling for growth in today's weak economic and soft insurance environments will find Marsh an attractive alternative, he said. They may be thinking, "If I have the influence Marsh has with insurance companies, then I can offer better terms and conditions than the guy down the street," and that's going to be a key advantage in terms of competition right now," Mr. Shields said.

From Marsh's perspective, while the brokerage has done a "great job in terms of boosting margins," the smaller agency business has "fundamentally higher margins and, if you run that through Marsh's placement system," then even higher margins should ensue, Mr. Shields said.

Nearly \$2 billion in cash "sitting on Marsh's balance sheet is not earning an enormous return right now," he said, so "they might as well use it for this deployment."



David Eslick, Marsh & McLennan Agency's chairman and chief executive officer

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Wall: West revolutionizes Eastern Europe insurance

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Curtain fell, he said. While business interruption meant little for a state-owned business insured by a state-owned insurer, today "we consider it a standard," Mr. Nepala said.

Risk management has developed in tandem with the insurance boom, sources say, as insurers and brokers spread their expertise and products throughout the former communist nations.

As privatization took hold, the state-owned monopolistic insurance companies were sold and Western insurers that bought them used business models that had proved successful in democratic societies.

Allianz S.E. was among early purchasers of state-owned companies, buying Hungary's insurer in 1989 and East Germany's Staatliche Versicherung der D.D.R. in 1990. Like others entering Eastern Europe, Allianz found it had its work cut out.

When Allianz acquired Staatliche Versicherung der D.D.R., it had a bloated, aging infrastructure, 220 offices, and no central data processing, an Allianz spokesman said. Salesmen sold personal lines coverages door to door.

Today, it has two offices, in Berlin and Leipzig. Munich, Germany-based Allianz also has expanded throughout Eastern Europe, writing €4.19 billion (\$6.22 billion) in 2008 gross premiums in the region.

Establishing insurance operations in the former East Germany was

more than a smart business move for many life insurers in the former West Germany, said Johannes Lörper, a board member at Ergo Insurance Group units Hamburger-Mannheimer and Victoria. "For many of the older senior managers, it was an emotional exercise, not just a business exercise, to go there" after Germany was reunited, he said.

Insurance buyers, meanwhile, needed help with free-market challenges.

There was little in the way of an insurance distribution system before communism collapsed, said Sven Erichsen, chief broking officer at Aon Jauch & Hübener Holdings GmbH in Hamburg, Germany. There were some agents, but they were state-owned in the same way as insurers, he said.

That made for nice opportunities for brokers when Eastern Europe opened to Western markets. "Those were golden times," said Mr. Erichsen.

When he joined Jauch & Hübener KgaA as a liability expert in Mülheim an der Ruhr, Germany, in 1992, colleagues told stories of traveling bad roads and staying in cheap hotels to win accounts in Eastern Europe. "They were extremely successful," Mr. Erichsen recalled.

When they arrived, brokers brought valuable help for companies in dire need of risk management.

Commercial enterprises previously under state control suddenly needed advice on managing and



REUTERS/LANDOV

A demonstrator helps destroy the Berlin Wall as East Berlin border guards look on from above the Brandenburg Gate on Nov. 11, 1989.

insuring their risks, and privatization set off a new-business rush that had those same needs, he said.

Brokers were valuable to buyers and insurers in the fledgling marketplace, said Konstantin Alexejenko, member of the management board and a director with Kooperativa, a

Prague-based insurer that is part of the Vienna Insurance Group.

"Brokers helped tremendously," he said, as insurers new to the region worked out pricing and other issues.

Before the Berlin Wall was knocked down, risk management was not widely embraced, and fire

protection and worker safety were not given a high priority, Mr. Alexejenko said.

Today, "risk management is very much improved" among insurers and their clients, said Mr. Alexejenko, whose company employs 25 risk managers who help determine terms on commercial policies.

Mr. Kleiter-Bingel cited this year's *Business Insurance* European Risk Manager of the Year award to Moscow-based OAO LUKOIL's risk manager, Andrey Elokhin, as proof that risk management in Eastern Europe is on par with the West.

Further proof shows up in coverage submissions from brokers in the Russian market, particularly on construction risks, said Erich Bentz, Vienna-based business development manager, Russia/Commonwealth of Independent States for XL. "They're as good, if not better, than those in Western countries," he said of the submissions.

Others say room for improvement remains.

"I do know of people in Central and Eastern Europe who are good risk managers," said D. Jeffrey Manners, chief executive officer of MAI Insurance Group in Budapest, Hungary. "What is difficult is measuring how widespread good risk management practices are as a whole across the region. My gut feeling is that not all businesses have taken it on board yet."

While risk awareness has come a long way, some Eastern European companies have some catching up to do. "Some don't have specialized risk management positions. The finance or legal departments look after insurance and risk, and they usually outsource to brokers," Mr. Nepala said.

Dodd: Financial services bill includes insurance reform measures

CONTINUED FROM PAGE 3

based Sterling Bancshares Inc. "Chief among those would be a bill addressing the surplus lines insurance market."

Inclusion of the measure within the larger reform bill increases the chances of surplus lines reform being passed into law, he said.

"The Senate Banking Committee's action is a giant step toward realizing the goal of a more efficient process for transacting surplus lines business for both consumers and insurance professionals," Marshall Kath, president of the Kansas City, Mo.-based National Assn. of Professional Surplus Lines Offices Ltd. and chairman and chief executive officer of Dallas-based Colemont Brokerage Group Inc., said in a statement.

Although the larger bill likely will

KEY ISSUES

Among its many provisions, the bill includes proposals to:

- Ease access to the surplus lines market.
- Simplify reinsurance regulation.
- Establish an Office of National Insurance within the Treasury Department.
- Require certain financial institutions to create risk committees that include at least one risk management expert.

take months to work through, "we think the chairman has struck the right notes on insurance regulation," said Joel Wood, senior vp at the Washington-based Council of Insurance Agents & Brokers.

Mr. Kapatoss said RIMS also supports inclusion of the federal insurance office concept in the bill, which RIMS views as a precursor to an optional federal charter for commercial property/casualty insurers. In addition, RIMS supports a provision in the bill that would require certain financial institutions to create risk committees that must include at least one risk management expert.

While welcoming the surplus lines reform language, a representative of one insurer trade group raised questions about other parts of the measure.

"We do have concerns with several other areas of the legislation," said Jimi Grande, senior vp in the National Assn. of Mutual Insurance Cos.' Washington office. "When it comes to systemic risk, we continue

to believe that nearly every examination of financial crises concludes that insurance played no significant role in the crisis."

In addition, NAMIC is concerned that the creation of an Office of National Insurance might lead to "duplicative regulatory requirements."

"We understand that Sen. Dodd is not trying to create a new federal regulator for insurance," he said. "However, in any legislation this sweeping, it's the unintended consequences that insurers must be concerned with."

Measures to control systemic risk also run the risk of being "bank-centric," said Stef Zielezienski, senior vp and general counsel at the American Insurance Assn. in Washington.

"We're working pretty hard to come up with some amendment to

recognize that property/casualty insurers that are engaged in traditional insurance activities don't get regulated like banks," he said.

In addition, insurers may have to cover some of the costs of any regulator-imposed breakup under the bill, which proposes that costs be spread across all financial institutions, even though insurers already pay into guaranty funds, he said.

But the discussion draft wasn't the end of the debate, noted another observer.

"We all know that bills always change when they move through the process," said Ben McKay, senior vp in the Property Casualty Insurers Assn. of America's Washington office. "In an 1,100-page bill there's bound to be an unintended consequence, but it's the job of the process to ferret that out."



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Shootings: Workplace violence difficult to predict

CONTINUED FROM PAGE 1

One day later, Jason Rodriguez, 40, entered the Orlando, Fla., office of Reynolds, Smith & Hills Inc., an engineering firm from which he had been fired two years earlier, and fired several shots at employees, killing one and injuring five others.

And most recently, on Nov. 10 in Portland, Ore., the husband of an employee at a drug testing lab entered the building and shot and killed his wife before killing himself, reportedly after his wife had filed for divorce. Two other employees were wounded.

"It's very difficult to predict these types of events," said John Durkin, area chairman for Arthur J. Gallagher & Co.'s Chicago-based risk management services and critical incident prevention management division. "Who would have thought a military base would be a target? I certainly didn't. People have to become more aware that these incidents happen, and you just don't know when it will."

From 1997 to 2007, there were more than 7,000 occupational homicides nationwide, according to the U.S. Bureau of Labor Statistics. Most of those incidents involved robberies; more than 1,000 involved work associates, according to the BLS. In 2008, it recorded 517 workplace homicides, a 52% decline from the high of 1,080 in 1994.

Tom Tripp, professor of management and operations at Washington State University in Vancouver and co-author of "Getting Even: The Truth About Workplace Revenge—and How to Stop It," said that while the odds of a violent act

taking place in the workplace are low, factors such as the economy, personal financial stresses, and job stability all play a role in increasing the threat of an outburst. In addition, he said, the shortage of case studies on such incidents makes it difficult to predict who will turn violent.

"Revenge and a sense of injustice is usually the cause for such incidents," Mr. Tripp said, adding that employers forced to make job cuts due to economic conditions need to take caution when breaking bad news and be sure they tell employees the "right way." That includes being open about possible layoffs and regularly communicating with poorly performing employees, making layoffs or terminations less of a surprise. An employer should provide reasons why an individual was fired, he said, making the employee "less likely to create a motive for revenge."

"Employees that become aggressive see it as a way of getting even for something," Mr. Tripp said. "They feel they've been unjustly treated by the organization and they want to find a way to make it right."

In Mr. Rodriguez's case, he was reportedly let go from his position at Reynolds, Smith & Hills for poor performance two years ago. He then endured financial strain after not being able to find a job with similar pay and ended up taking a job at a Subway sandwich shop.

RS&H declined to comment.

Mr. Rodriguez reportedly told authorities after his arrest that the engineering firm "left him to rot" and made it difficult for him to obtain unemployment benefits, which is why, two years later, he

517

The U.S. Bureau of Labor Statistics recorded 517 workplace homicides in 2008, a 52% drop from the high of 1,080 in 1994.



President Obama spoke at a memorial service last week for 13 people shot and killed at Fort Hood in Texas, allegedly by a U.S. Army major.

WARNING SIGNS

Workplace violence can occur at any time, but it's rare that employees just "snap," experts say. If recognized, some indicators of potentially violent behavior can be managed, treated and controlled to help decrease the risk of violence. Not all behaviors listed below are proof of violent tendencies.

- Increased use of alcohol and/or illegal drugs
- Unexplained increase in absenteeism; vague physical complaints
- Noticeable decrease in attention to appearance and hygiene
- Depression/withdrawal
- Resistance, overreaction to changes in policies and procedures
- Repeated violations of company policies
- Increased severe mood swings
- Noticeably unstable, emotional responses
- Unprovoked outbursts of anger or rage
- Suicidal; comments about "putting things in order"
- Behavior that suggests paranoia
- Bringing domestic, financial problems into the workplace
- Talk of previous violent incidents; empathy with violent individuals
- Increased comments about firearms, other weapons and violent crimes

Source: Threat Management & Protection Inc.

stormed the premises with a gun. In an incident on Sept. 17, Mr. Rodriguez drove his SUV into the

side of the Subway where he worked, one day after he was sent home for being verbally abusive,

according to an Associated Press report.

R.J. Kirschner, chief executive officer and president of Huntington, Calif.-based security consultant Threat Management & Protection Inc., and his colleague, Chief Operating Officer Paul French, said employers can identify troubled employees a variety of ways, starting with hiring.

"It starts with the hiring process and doing a real thorough background check by getting all the necessary documents pulled and checked for accuracy and content," Mr. French said. "Depending on the state, it is possible an employer can go back and look at records from seven to 10 years ago."

Several experts also said employers need to train employees to be aware and identify potential violent behavior (see box), and to have a communication plan in place.

Communications during a shooting could be made using internal phones, Mr. French said, adding that employers should have an area designated as a "safe haven" and an evacuation plan. He also suggested employees could call 911 from a speakerphone and leave it on, so police can hear what's happening in the building.

Further, experts add that employers must have—and enforce—a zero-tolerance violence policy, which includes not allowing firearms to be carried on the premises.

As for how insurers view workplace violence events, Mr. Durkin said underwriters generally will "look favorably" on employers who have invested in educating employees on how to identify and handle a violent situation and if they have a critical incident plan should an event occur.

"As an employer, you have to be alert to possible triggers of violence and to remember to always keep your guard up," Mr. Denenberg said. "You have to be aware—sometimes it may be years later—that someone out there may want revenge."

Benmosche: Still riled about pay cap, AIG leader backs off threat to quit

CONTINUED FROM PAGE 1

the stakes," said Bill Bergman, an analyst with Morningstar Inc. in Chicago. "AIG has made their case public, and it's clear they intend to fight this issue."

Mr. Benmosche's reported threat to step down might have "simply been the result of emotions boiling over," but it could signal that the former MetLife Inc. CEO is "under even more pressure than he anticipated when he took the job," said Mark Lane, a research analyst with William Blair & Co. in Chicago.

Last month, Mr. Feinberg ordered pay cuts averaging 50% for the top 25 executives at seven companies that had received Treasury funding, including AIG, among other changes (BI, Oct. 25). The rules applied for the rest of 2009, but were expected to be used as the basis for a compensation program for 2010, Mr. Feinberg said. In addition, he is expected to rule on pay structures for the next 75 highest-paid employees by year-end.

"There is likely a lot of push and pull going on, and it's possible that the solutions being offered by the government are even more severe than anticipated," said John A. Challenger, CEO of executive recruiter Challenger, Gray & Christmas Inc. in Chicago.

Observers said there are strong pay arguments on both sides.

"On one hand, there is a lot of political pressure; but on the other hand, the restrictions mean AIG is at a serious competitive disadvantage," Mr. Lane said.

The issue of executive compensation has become even more acute as the economy begins to recover and other opportunities emerge for staff, observers say.

"I think there will continue to be an exodus of talent," Mr. Lane said.

"I don't think you will see a hundred employees walk out the door, but there will be some departures, and it will likely be the key players who decide to leave," said Richard V. Smith, senior vp at Sibson Con-

sulting in New York. "These are the exact people you need on your team to rebuild the company," he said.

Beyond any short-term financial incentives, "employees are going to have to believe they have a future in the company," said Morningstar's Mr. Bergman. And AIG still faces the massive challenge of rebuilding its franchise and "inspiring confidence" in its future, he added.

AIG is working to sell assets, streamline its operations and improve profitability in an effort to repay the government after it received a 2008 bailout package of up to about \$180 billion, in which the government took a roughly 80% stake in the company.

Mr. Benmosche, who came out of retirement to take the top job at AIG, is a "very driven CEO, and he does want to succeed," said John Wicher of John Wicher & Associates Inc. in San Francisco. But from the beginning, the new CEO "made it pretty clear he was going to do things his way," Mr. Wicher said.

For example, Mr. Benmosche disagreed with previous CEO Edward Liddy's approach to asset sales and, instead, implemented a slower approach to restructuring, believing it would generate more money.

In addition, AIG has rebranded its property/casualty business, formerly AIU Holdings, as Chartis Inc., in an attempt to separate and ultimately spin off the unit.

Improvements seen

While observers say it's too soon to judge Mr. Benmosche's performance, they note that the company is showing signs of stability.

AIG earlier this month posted its second straight quarterly profit. A recovery in the value of its investments helped, although its underlying insurance operations reported lower revenues. Following the results, New York-based Moody's Investors Service said in a statement that the insurer has made progress on its restructuring plan and "will likely be able to repay the govern-

ment loan."

Had Mr. Benmosche quit, the move likely would have had a destabilizing effect on the organization, observers say.

"It is in the board's best interest to keep him in there. They do not want to go through this process all over again," Mr. Lane said.

At the same time, "his willingness to fight demonstrates he is not just going to roll over, and that might actually boost morale," Mr. Wicher said.

Meanwhile, AIG Vice Chairman Jacob A. Frenkel retired last week.

In a Nov. 10 memo, Mr. Benmosche wrote that although Mr. Frenkel, who joined AIG in 2004, "had been contemplating this change for some time, Jacob had agreed to stay on to help AIG through its challenges. Now that AIG has stabilized, Jacob has decided to move ahead with his retirement."

Senior Editor Mark A. Hofmann contributed to this report.

News In Brief

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defect coverage and fined them a total of €120.7 million (\$179.2 million). The commission said the companies met and set minimum prices from 2002 to 2007 on decennial insurance, which is coverage that pays losses from flaws or defects in new residential construction. The companies are ASEFA S.A.; Caja de Seguros Reunidos, Compañia de Seguros y Reaseguros S.A.; MAPFRE Empresas Compañia de Seguros y Reaseguros S.A.; Munich Reinsurance Co.; Swiss Reinsurance Co.; and SCOR Global P&C S.E. There is evidence that members of the alleged cartel pressured and boycotted companies that indicated a willingness to stray from the prices set by the group, the commission said, in some cases by breaking off agreements already reached. Some of the companies said they are considering an appeal.

Brit forms Netherlands holding company

Brit Insurance Holdings P.L.C. said it has completed a key step in its plan to relocate its holding company by forming Netherlands-based Brit Insurance Holdings N.V. London-based Brit, one of the biggest underwriting groups at Lloyd's of London, said it expects to complete its redomestication to the Netherlands by year-end. Brit still would be listed on the London Stock Exchange after the move, which requires shareholder approval. Brit said having a Dutch base will improve its tax position and give it wider access to capital.

Reinsurance outlook stable, Fitch says

Fitch Ratings revised its outlook on the global reinsurance industry to stable from negative. Fitch said relative improvements in the capital markets, macroeconomic conditions and reinsurers' recent financial performance prompted its improved outlook. Fitch said it believes the reinsurance sector's credit quality is less sensitive to macroeconomic factors than other financial services sectors. Despite the upbeat message, Fitch also said the reinsurance sector's profitability and capital formation are "susceptible to

downward pressure on premium rates and less favorable reserve development trends," which it also said are "within normal cyclical expectations."

Swiss pay rules apply to insurers

Large Swiss insurers' compensation plans must be designed, implemented and disclosed according to financial institution regulations that the Swiss Financial Market Supervisory Authority issued. In a circular, FINMA said compensation should be structured so that it does not encourage unacceptable risk-taking. "Remuneration creates incentives. Such incentives must not serve to incite the taking of inappropriate risks, the infringing of applicable law or regulations, internal rules, or the violation of agreements," FINMA said. The rules that go into effect Jan. 1, 2011, apply to banks and other financial services institutions that include insurers with equity capital of at least 2 billion Swiss francs (\$1.97 billion). The Swiss Insurance Assn. said it is pleased that small and medium-size insurers will be exempt, but expressed concern about treating affected insurers just like banks.

Challenges remain for Bermuda: Moody's

Bermuda insurers and reinsurers are posting strong 2009 profits, but challenges remain in the aftermath of the credit crisis, Moody's Investors Service says. In a report, Moody's said Bermuda's insurers and reinsurers face a wide range of challenges including a soft market, U.S. legislative initiatives and volatility in capital markets that can make them vulnerable to loss cost trends in the coming months. Moody's acknowledged Bermuda insurer and reinsurer profitability, noting they have been free of large catastrophes this year. However, the rating agency said it is "concerned" that effects of the credit crisis are likely to continue. Moody's said continued capital market volatility would cramp the Bermuda-based companies' financial flexibility, and professional liability claims likely will surge in the coming years.

AIR issues ranking of catastrophes

A hurricane that hit Miami in 1926 would cause an estimated \$101 billion insured damage today and be the No. 1 hurricane in insured losses, according to an analysis by catastrophe modeler AIR Worldwide Corp.

Reform: Focus shifts back to Senate

CONTINUED FROM PAGE 1

would establish a new commission charged with developing recommendations on benefits to be covered and health plan enrollee cost-sharing that could be required. The Department of Health and Human Services secretary would have the authority to adopt and impose commission recommendations.

"This would be extremely disconcerting to employers, who provide generous benefits and could lose control," Mr. McArdle said.

- Barring employers offering health care plans to retirees from reducing benefits unless they make comparable reductions for active employees. Such a requirement could force employers to maintain retiree health care plan designs that they need to change or lead them to eliminate retiree health benefits before such a requirement would kick in.

- Impose fines on employers offering generous health care plans for failing to extend coverage immediately to new employees, an approach used by many organizations in high-turnover industries.

- Establish a public option, or government-run health insurance plan, that would be available to those purchasing coverage through state insurance exchanges, which the legislation would set up.

Employers fear the government-run plan would enjoy competitive advantages, drive out commercial insurers and lead to a single-payer system.

Whether these and other House provisions that employers find objectionable are incorporated into the Senate bill—either because Sen. Reid includes them or through amendments on the Senate floor—isn't yet known.

Noting the intense employer opposition, some observers say it is likely that most of these provisions will not make it into a final Senate bill.

"In the end, health care reform cannot pass without at least the tacit support of the business community. If employers are united against it, it will fail," Mr. McArdle said.

"We are hoping that the Senate will hear the voice of reason," said Chantel Sheaks, a principal with Buck Consultants L.L.C. in Washington.

If those provisions don't make it into the Senate bill, their fate then would have to be decided by a Senate-House conference committee



Senate Majority Leader Harry Reid, D-Nev., soon is expected to unveil a reform bill assembled from measures already approved by the Finance and Health, Education, Labor and Pension committees for full Senate consideration.

AP PHOTO

'In the end, health care reform cannot pass without at least the tacit support of the business community. If employers are united against it, it will fail.'

Frank McArdle,
Hewitt Associates Inc.

which would work out differences between the House- and Senate-passed measures.

Some say it is likely the House would bend for a very practical reason: Something similar to the House bill would not be able to win the 60 votes needed to pass the Senate.

"The House knows if they don't

bend, (final passage) won't happen," Ms. Sheaks said.

Others see compromises by the House and Senate.

"There will be bending on both sides, but we are confident that the final bill" will be a lot closer to what the Senate passes compared to the House bill, said Paul Dennett, senior vp-health care reform with the American Benefits Council in Washington.

While much wheeling and dealing remains ahead, Washington observers say final passage of reform legislation is likely.

"This is the signature domestic issue of President Obama. There is a growing realization that legislation will pass, perhaps in early 2010, and employers need to start considering what will be the implications for their health care programs," Mr. Dennett said.

Perhaps the biggest issue needing resolution will be how the core of the reform legislation—providing federal health insurance premium subsidies to the lower-income uninsured—will be funded. House-passed legislation relies heavily on boosting taxes on higher-income individuals, while the bill passed by the Senate Finance Committee includes a 40% excise tax on expensive health insurance plans.

However, observers say it appears likely the House and Senate will reach an agreement to cap the maximum pretax annual contribution that employees can make to health care flexible spending accounts. Bills passed by the Senate Finance Committee and the House would impose a \$2,500 limit. Currently, there is no limit on FSA contributions.



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Sour over loss, song author appeals ruling for Bon Jovi

If you thought Dr. Evil from the movie "Austin Powers: International Man of Mystery" was nuts for demanding a world ransom of \$100 billion, check out Samuel Bartley Steele from Boston.

Mr. Steele is suing Jon Bon Jovi, the Boston Red Sox, Time Warner Inc. and Major League Baseball for \$400 billion for allegedly ripping off his song about the Boston Red Sox, "Man I Love This Team," a song released by his band, the Bart Steele Band, in October 2004.

That's not a typo. He's really seeking \$400 billion.

Mr. Steele filed a notice of appeal to the U.S. Court of Appeals for the 1st Circuit last week. He filed the original lawsuit last year.

According to court documents, Mr. Steele handed out copies of his song to Red Sox executives, sent copies of the song to players and sent a copy to MLB hoping executives would love the idea of a country song to help market baseball. It appears that they did—just not his version.

In 2007, Bon Jovi released a song "I Love This Town," which was used by MLB to promote playoff baseball on Time Warner's TBS cable station.

Mr. Steele asserted that Mr. Bon Jovi must have heard the song and wrote a similar tune, which was now being used by MLB and TBS.

"The easiest way to understand what they did is to watch the commercial, with my song substituted for the Bon Jovi audio, and see how well it matches up," Mr. Steele wrote on his MySpace blog. "At the exact time I am singing 'Yawkey Way,' the video shows a Yawkey Way street sign, and Bon Jovi is singing 'this street.' At the exact same time I sing 'Tigers,' the video shows a Detroit Tigers player."

This is all true. However, according to media reports, Mr. Steele's own musicologist previously testified that the songs weren't very similar. The district judge presiding over the case ruled that no reasonable jury could conclude there was substantial similarity between the songs and dismissed the suit.

Mr. Steele wrote on his MySpace blog. "At the exact time I am singing 'Yawkey Way,' the video shows a Yawkey Way street sign, and Bon Jovi is singing 'this street.' At the exact same time I sing 'Tigers,' the video shows a Detroit Tigers player."



AP PHOTO

A Boston man is appealing a ruling that threw out his lawsuit alleging that Jon Bon Jovi stole his Red Sox song.

Business Insurance END PAGE

Contributing: Jeff Casale, Roberto Cenicerros, Mark A. Hofmann



Iowa Republican Steve King skipped his son's wedding so he could be in Washington to vote against health care legislation in the U.S. House.

Rep. won't break vow on health vote

Rep. Steve King, R-Iowa, is a family-values kind of guy.

In fact, the conservative Family Research Council last year recognized him as a "true blue" member of Congress for his votes against human cloning and abortion funding.

So it might seem strange that Rep. King missed his son's wedding in Iowa to spend the weekend in Washington, according to the Capitol Hill newspaper Roll Call.

But Rep. King said he did so for the best reason—to vote against the House Democratic leadership's health care

reform bill.

"Not being here to cast a vote against this health care bill was never an option," Rep. King told Roll Call. "I couldn't live with myself if the bill passed by just one vote, and I wasn't present."

He also told the newspaper that voting against the bill was "the best gift I could give my son."

Even though the bill would have passed without Rep. King's dissenting vote, one can hope his son and new daughter-in-law view his commitment to his legislative duties as a superior gift to say, a nice Crock-Pot.



Mutual of Omaha's ads focus on so-called "aha moments."

In spat over slogan, Oprah tells insurer: You get a lawsuit!

"Aha moments" are not for everyone.

At least the commercial use of aha moments shouldn't be available to just anyone. That seems to be what Oprah Winfrey's company, Harpo Productions Inc., reportedly insisted when it asked Mutual of Omaha Insurance Co. to stop using the advertising slogan "proud sponsor of life's aha moments."

The insurer—known for its 46-year sponsorship of Mutual of Omaha's "Wild Kingdom" television program—ran afoul of Ms. Winfrey's media kingdom by launching a national ad campaign earlier this year featuring everyday people sharing their aha moments.

The campaign consists of 10 top aha moment videos, the result of a Mutual of Omaha national tour and selected in an online survey, being made into the spots. There also is aha times, monthly newsletter featuring "inspirational stories of real people that have acted on their aha moments."

The problem, as Harpo Productions reportedly saw things, is that "Oprah" regularly features rich, famous and beautiful guests explaining a point in their lives when they were inspired enough to say, "Aha," and wanted no confusion with the insurer.

When Harpo Productions asked Mutual of Omaha to stop using the aha slogan, the insurer reportedly filed a lawsuit saying it already had a preliminary approval for trademark rights.

Reports last week said that in a "flash of understanding," Harpo Productions and the insurer settled the lawsuit amicably, although details were not available. But Mutual of Omaha's aha campaign continues, perhaps proving that even "real" people can have an aha moment.



Warren Beatty calls company to court over Dick Tracy

Warren Beatty's wrist radio must have crackled with the news that a federal bankruptcy judge, no Mumbles to be sure, clearly stated that the actor can sue over rights to Dick Tracy.

The jut-jawed actor bought rights to comic-strip police detective hero Dick Tracy from Tribune Media Services in 1985 and reportedly has expressed an interest in following up on his 1990 Dick Tracy pulp film with a television special.

Last week, a bankruptcy judge in Delaware lifted a stay that kept Mr. Beatty from suing

Tribune in a dispute over the rights to Dick Tracy, who first battled 1930s-era villains with futuristic gadgets.

Tribune has claimed that, under its contract, rights to Dick Tracy reverted back to the media group because Mr. Beatty did not make use of the comic-strip detective for more than 10 years. So Mr. Beatty reportedly sued last year, arguing he was in the process of creating a television special featuring the famed detective who takes on

insidious villains with names like Pruneface, Flattop Jones and Mumbles.

After Mr. Beatty sued, Tribune filed for Chapter 11 bankruptcy protection and later argued that Mr. Beatty started work on the TV special just to preserve his rights.

So now both parties can pursue their claims, meaning the rights to Dick Tracy remain a whowonit case.

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