

DEAL TERMS

Willis Group Holdings P.L.C. in June proposed a roughly \$18 billion merger with Towers Watson & Co. Under terms as they currently stand:

- Towers Watson shareholders would receive 2,649 Willis shares for each Towers Watson share.
- Towers Watson shareholders would receive a one-time cash dividend of \$10 per share.
- Once merged, Willis would implement a 2,649-for-one reverse stock split and convert that into 0.3775 shares of the combined company.
- Willis would own about 50.1% of the combined company and, Towers Watson would own 49.9%.

Source: U.S. Securities and Exchange Commission filings

MERGERS & ACQUISITIONS

Shareholders giving Willis cold shoulder

Towers Watson takeover gets shaky

BY MARK A. HOFMANN

Whether a bigger one-time dividend is enough to convince Towers Watson & Co. shareholders to vote in favor of merging with Willis Group Holdings P.L.C. remains to be seen, but some already are saying it's not enough.

Following repeated investor calls to increase the price Willis would pay to purchase the consultant, Towers Watson said last week that a one-time dividend to be paid to its shareholders would be increased to \$10 per share from the original \$4.87. The dividend is to be paid to Towers Watson

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RISK MANAGEMENT

PARIS ATTACKS PROVIDE STARK LESSONS

Business must prepare its international travelers



AP PHOTO

The devastating Paris attacks underlined the seriousness of the terrorist threat in Europe and elsewhere.

BY SARAH VEYSEY AND MARK A. HOFMANN

Risk managers are urged to revisit and rehearse their companies' travel risk management plans in the wake of the devastating Paris attacks that left 130 people dead and hundreds injured.

While the attacks took place during Friday leisure activities, they underline the seriousness of the terrorist threat across Europe and elsewhere as well as companies' need to ensure they have robust plans to manage travel risks,

See **PARIS** page 24

TRAVEL RISK MANAGEMENT TIPS

- Practice response plans. Rehearsal is invaluable. Find the weakness in procedures, so nobody gets hurt.
- Look at aggregate people risks – travel, liability and benefits – of teams of people going to the same destination, especially if they are using the same means of travel. Insurance will not bring back key people, however, and travel risk aggregation should be risk-assessed first and followed by establishing and implementing a travel policy.
- Resist pressure from clients and protect employees before any commercial considerations.
- A GPS-supported check-in function can be added to smartphone apps for employees. This will help in a travel interruption or emergency, whether medical or security related.

Source: Travel Risk Management 2015, European Trends, by the Federation of European Risk Management Associations, International SOS and DLA Piper L.L.P.

RISK MANAGEMENT

North American selloff could save broker

Declining Cooper Gay profits force action

BY MATTHEW LERNER

Cooper Gay Swett & Crawford Ltd.'s plan to sell most of its North American business, including wholesale brokerage Swett & Crawford, may be the most prudent move for the company's survival, observers say.

The London-based reinsurance brokerage in mid-November said it had put up for sale Swett & Crawford, with which Cooper Gay merged in 2010, along with Houston-based J.H. Blades & Co. Inc., Toronto-based Creechurch International Underwriters Ltd. and an undisclosed U.S. reinsurance broker.

Cooper Gay said it would keep its Miami hub office, while its Latin American operation will remain part of Cooper Gay's international business.

For the 12-month period ending in June 2015, Cooper Gay posted revenue of \$369 million, down 4.7% from a year earlier, according to credit research by Moody's Investor Service Inc. Cooper Gay said it would use the proceeds to reduce its debt of approximately \$500 million, according to Moody's.

Selling the North American division, which provides some 60% of revenue and 78% of earnings, may be a savvy survival tactic, observers say.

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Q&A: WILLIAM GOLDSTEIN

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UnitedHealth warns it might stop selling individual health plans on the ACA exchanges

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PENSION/RETIREMENT BENEFIT TRENDS

A budget deal congressional leaders and the Obama administration forged included boosting insurance premiums employers must pay the PBGC. Some business groups say that the hike is a gimmick and that funds were sought to help offset the federal budget deficit.

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*Balance sheets as of 12/31/14 for the Berkshire Hathaway National Indemnity group of insurance companies.

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A rebounding industrial real estate sector only emphasizes the need for insurance to cover pollution legal liability, says John J. Heft of New Day Underwriting Managers L.L.C. **13**

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Arizona State University's mascot, Sparky, injured a former Arizona lawmaker by jumping on the man's back during a football game. **26**

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NEWS

AVIATION

BOMBING OF RUSSIAN PLANE TRIGGERS HULL WAR COVERAGE

Aviation market still soft, but underwriting could tighten

BY SARAH VEYSEY

Confirmation that the Russian Airbus A321 that crashed in Egypt was felled by a homemade bomb puts the loss in the hull war insurance market, a segment of the aviation market already reeling from several major losses.

But the October loss is unlikely to turn the soft market for aviation hull war, or greatly affect conditions in the wider aviation hull and liability insurance market, which still has ample capacity, sources say.

A year from now, the situation could be quite different, however.

The vast majority of commercial airline fleets renew their coverage in the final quarter of the year, and plentiful capacity and low overall aviation losses mean that average rates likely will fall about 15%, experts say.

But those airlines that have a record of attritional — or low-level — losses may find greater underwriter scrutiny at this renewal, experts say.

In addition to the Metrojet flight

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AP PHOTO

The Russian Airbus A321 that was felled in Egypt by a homemade bomb in October is unlikely to turn the soft market for aviation hull war.

AVIATION RENEWALS

- Most commercial airlines renew their insurance coverage during the final quarter of the year.
- Overall, rates are likely to decline about 15% due to relatively light insured losses and plentiful capacity.
- Despite the Malaysia Airlines, Germanwings and Metrojet losses, hull war market prices are expected to fall, but next year may be different.
- Underwriters are more closely watching commercial airlines with high attritional losses.
- Ongoing overcapacity is causing some insurers to consider whether they should reduce their underwriting in the segment.

HEALTH CARE BENEFITS

Employers tackle increasing cost of health care

BY SHELBY LIVINGSTON

Employers are adopting high-deductible health plans and keeping a closer eye on rapidly rising prescription drug costs while offering employees wellness programs and tools to keep their health care costs down.

Though still growing faster than general inflation and workers' wages, group health care costs rose a modest 3.8% in 2015 to an average of \$11,635 per employee, according to a Mercer L.L.C. survey released this month. It is the third straight year that overall health costs have increased less than 4.0%.



Large employers' costs showed a higher dollar cost but a smaller percentage increase compared with those of small employers (see chart, page 23).

To limit cost increases, employers have gotten creative.

They "have made a concerted effort to add programs that help people either improve their health status or, at a minimum, maintain it," said Tracy Watts, Mercer's senior partner and national leader of health reform in Washington. "While we have seen people moving into plans that

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CORRECTIONS

■ "PBMs Wed with Promise of Savings," published in the Nov. 9 issue, incorrectly stated the parties involved in an acquisition. The story should have stated that CVS Health Corp. acquired Omnicare Inc.

■ A story in the Nov. 9 issue, "EEOC Proposes Changes to Wellness Rules," incorrectly attributed a partial quote, "welcome guidance for employers who sponsor wellness programs in navigating GINA, which is somewhat of a minefield when it comes to receiving medical information." The correct attribution is Laura Fant, labor and employment associate at Proskauer Rose L.L.P. and co-head of the firm's disability, accommodations and leave management group in New York.

WORKERS COMPENSATION

U.S. lawmakers urge federal comp oversight

Labor Department may not have jurisdiction

BY SHEENA HARRISON

While a group of U.S. congressmen has called for greater federal involvement in workers compensation programs, it will be up to state governments to revise their comp programs to ensure injured workers receive the benefits and medical care they need.

"I think we'll see more regulation on the state level versus any kind of federal oversight," said Christopher Flatt, managing director and leader of Marsh L.L.C.'s Workers' Compensation Center of Excellence in New York.



Presidential candidate Sen. Bernie Sanders, I-Vt., is among the group of Democratic members of Congress calling for greater federal oversight.

A group of Democratic Senate and House of Representative members asked the U.S. Department of Labor last month to increase federal scrutiny of state workers comp programs following reports by National Public Radio and investigative journalism website ProPublica Inc. detailing workers comp benefit cuts nationwide and opt-out programs in Texas and Oklahoma.

The letter said the lawmakers are "concerned about a pattern of detrimental changes to state workers compensation laws and the resulting cost shift to public programs like Social Security disability insurance." The lawmakers also said they believe "changes to workers compensation over the last decade have been pushed by big businesses and insurance companies on the premise that costs are out of control."

"We believe the Department of Labor should take a renewed interest in strengthening oversight of state workers compensation programs by using the agency's expertise and authorities," the letter reads. "In particular, we would welcome a report from the department on how it will reinstitute oversight of state workers com-

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ONLINE FEATURES

AWARDS

2016 Risk Manager of the Year nominations now open

RISK MANAGER OF THE YEAR Nominations are being accepted through Dec. 2. www.BusinessInsurance.com/RMOYNominate

VIDEO



In Focus: Warehouse risks

Reducing hazards at warehouse facilities can prevent steep losses. www.BusinessInsurance.com/InFocus

GALLERY

Costliest terror attacks

A look back at the 10 costliest attacks ranked by insured losses. www.BusinessInsurance.com/TerroristAttacks

DIRECTORY

2015 reinsurance brokers



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www.BusinessInsurance.com/ReinsuranceBrokers

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NEWS

RISK MANAGEMENT

AON TRIES TO PROVIDE PIPELINE TO LLOYD'S SYNDICATES

But not all syndicates will gain access to Aon clients

BY SARAH VEYSEY

Aon P.L.C. has launched two broking initiatives it says will increase retail and wholesale buyers' access to Lloyd's of London, but some are grumbling that the efforts favor some syndicates over others.

Aon said it hopes the facilities improve buyers' ability to access Lloyd's instead of local markets.

Separately, Lloyd's has launched an effort to modernize and simplify the way it does business to improve its competitive position.

Aon introduced its latest effort — a follow-up to a 2013 7.5% quota share facility involving Berkshire Hathaway Inc. that also was criticized — in a Nov. 11 meeting at its London headquarters, where it outlined the proposals for Lloyd's managing agents and Lloyd's CEO Inga Beale.

Aon Carrier Link for Lloyd's, which will launch in the first quarter of 2016, opens a distribution channel allowing syndicates to connect directly with Aon's retail network worldwide, Aon said.

"By effectively exporting the underwriting appetite of Lloyd's syndicates to its local retail bro-



PAVELS RUMME/SHUTTERSTOCK.COM

Aon said it hopes the two broking initiatives will improve buyers' ability to access Lloyd's instead of local markets.

kers around the world, Aon is opening up an additional retail distribution channel that provides more choice for its clients, while increasing the efficiency and effectiveness of the wholesale placement process by focusing that channel on their clients' largest and most complex specialist risks," Aon said.

Aon also announced a treaty-based approach, Aon Client Treaty, that it said is unique and borrows best practices from portfolio broking and underwriting that are common in the reinsur-

ance world and applies them to primary wholesale and retail channels.

This treaty — led by XL Catlin and including several Lloyd's syndicates that will offer a 20% line to Aon's wholesale clients — will offer presecured coinsurance capacity and be available to clients with eligible placements on Jan. 1, Aon said.

"Aon is committed to innovating on behalf of our clients and excited to be working closely with

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Multiyear deals on horizon Page 22

RISK MANAGEMENT

Emerging technologies challenge Asia-Pacific firms

BY GAVIN SOUTER

SINGAPORE — Technological developments are leading to a sharp increase in the potential liabilities that companies face ranging from the so-called Internet of Things to business interruption related to cyber risks.

While company executives and research and development personnel are often eager to implement new technology, risk managers should insert themselves into discussions about the possible unexpected effects of the new products and services, experts say.

And in countries in the Asia-Pacific region, where there are few

laws that specifically address cyber breaches, risk managers should be working with their senior executives to highlight the cyber-related risks they face, they said.

Risk managers need to be proactive to protect their organizations from liabilities arising out of the Internet of Things, an insurance executive said.

With between 10 billion and 20 billion products and devices connected to the Internet, risk managers need to exert influence within their companies to ensure that liability considerations are addressed before digitally connected products are introduced, said

Rudi H. Spaan, president and CEO of AIG Insurance Hong Kong Ltd., a unit of American International Group Inc.

In addition, insurers need to partner with their policyholders to ensure that insurance policies address the rapidly changing risks that arise as a result of the changing technology, he said during a presentation at the Pan-Asia Risk and Insurance Management Association conference in Singapore last week.

The liability landscape is growing more complex as a result of the Internet of Things, Mr. Spaan said.

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DISABILITY

Rules tighten for employers in Ontario

Standards take effect Jan. 1 for workers who need accommodations

BY GLORIA GONZALEZ

Employers with Ontario-based workforces face new mandates designed to break down barriers to hiring the disabled and encourage current employees who have not disclosed disabilities to seek accommodation without fear of reprisals.

While the Accessibility for Ontarians with Disabilities Act passed in 2005, regulatory standards are being rolled out through 2025. They include the province's employment standard, with which large private-sector employers must comply effective Jan. 1, 2016. Organizations with less than 50 employees have until 2017 to comply with the law.

In Ontario, 39.1% of disabled people between 16 and 64 years old were either unemployed or not in the labor force in 2009, which was almost three times the 14.1% rate for Ontarians without disabilities, according to the latest data from the Ontario Ministry of Training, Colleges and Universities.

"There's a highly skilled workforce of people with disabilities that, if given the chance to work, they can," said Edie Forsyth, corporate director of consultant Accessibility Experts Ltd. in Oshawa, Ontario. "It's a mindset of employers, and it's about shifting that mindset about the capabilities of disabled individuals."

The standard includes mandates that begin during recruitment, with employers required to notify internal and external job candidates that accommodations are available — a requirement that can be met with a statement in job advertisements — and work with applicants to determine what accommodations might be needed.

For example, employers can tweak their job postings so blind or visually impaired applicants can access the text via screen readers.

"The process of hiring people has to be accessible," said David MacDonald, president of Ottawa, Ontario-based CanAdapt Solutions Inc., which trains developers on Web content accessibility guidelines. "There are a lot of different

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CONSTRUCTION

Confusing array of insurance regulations tests construction sector's resilience

BY GLORIA GONZALEZ

LAS VEGAS — Ongoing confusion about the reliability of risk transfer agreements and an unskilled and aging workforce are the major risks facing the construction sector, but cyber liability is gaining prominence.

Contractual risk transfer and additional insured agreements for subcontractors are a continuing risk management concern, experts said at the International Risk Management Institute Inc.'s Construction Risk Conference in Las Vegas this month.

General contractors rely heavily on agreements that transfer risks to their subcontractors, but these are "not foolproof," said Michael Campo, senior vice president and team leader, construction and design group, Lockton Cos. L.L.C. in Kansas City, Missouri. The uncertainty arises from the more than 300 additional insured forms providing varying degrees of coverage to general contractors, he said.

"If there was a panacea solution out there, we would have found it by now because someone could make some money on it," Mr. Campo said.

States are passing anti-indemnification and additional insured statutes and are likely to continue, adding to the confusion, experts said. An indemnity agreement promises to shelter the indemni-



The contracts governing construction projects may require subcontractors to purchase insurance naming owners and general contractors as an additional insured.

fied party against existing or future loss, damage or injury liability. In the construction context, that often means the entire risk of loss is transferred to the subcontractor. The contracts governing construction projects may even require subcontractors to purchase insurance naming owners and general contractors as an additional insured. But these clauses are viewed by some stakeholders as onerous, and states

have moved to ban or significantly limit them, experts said.

"If that happens, you're going to have 450 (additional insured) forms," said Douglas Cauti, senior vice president and chief underwriting officer, construction, national insurance, Liberty Mutual Insurance Co. in Boston. "I think it's going to be a while before we solve the whole (additional insured) issue just because of the changes that are out there, and the

anti-indemnification increase in the states is going to have a big impact on that."

Forty states prohibit broad (subcontractor at fault regardless of who is negligent) or intermediate (subcontractor is held wholly responsible though may only be partially at fault) indemnification, while 10 states ban certain parties from requiring additional insured

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SECURITIZATION

Insurance-linked securities market seeks growth outlets

BY MATTHEW LERNER

HAMILTON, Bermuda — As the use and popularity of insurance-linked securities and alternative capital continue to expand, the sector is looking to build more robust practices as it searches for new avenues of growth.

Fund valuations and investor communication and reporting are becoming more vital.

"The asset managers know the investors are demanding more robust governance," said Matthew Ball, director, risk consulting at Towers Watson & Co. in Bermuda.

"There are principles out there,

but nothing set in stone for the ILS space at the moment," said Mr. Ball. "So, we're kind of learning how to build these best practices over time in terms of ILS valuation.

"There are best practices developing in terms of valuation committees and external valuations," said Mr. Ball, taking into account things such as the frequency of reviews and tighter turnaround times at month's end.

The transparency associated with catastrophe bonds as listed securities helps build investor confidence.

"The 144A (the U.S. Securities

and Exchange Commission rule that governs securities) market is crucial to maintain the growth of the sector and maintain the dialogue with institutional investors," said Philipp Kusche, director, insurance-linked-securities, for Swiss Re Capital Markets in Armonk, New York.

"Maintaining such dialogue will be difficult without transparent issuance volumes and transparent pricing information," said Mr. Kusche. "I think without having such information it's incredibly difficult to convince new investors to be interested in the space.

"Without the catastrophe bond

market and the transparency of the 144A market, I think the insurance-linked securities market wouldn't be where it is today," said Mr. Kusche.

According to Aon Securities, there was \$23.47 billion outstanding in catastrophe bonds at the end of the second quarter.

These and other speakers were discussing the growth of the convergent capital market at the ILS Bermuda Convergence 2015 conference Nov. 11-12 in Hamilton, Bermuda.

"How do we grow our asset

See BERMUDA page 25

CYBER RISKS

Underwriters address cyber issues

Industry struggles with integrating coverage

BY JUDY GREENWALD

DALLAS — Companies are dealing with a patchwork of different state cyber privacy regulations, while prospects remain dim for national cyber legislation.

Meanwhile, the insurance industry is only starting to consider how traditional property/casualty and cyber coverages might interact.

At the same time, small and mid-size companies' lack of knowledge and resources can threaten not only their own existence, but also pose significant risks to the larger companies with which they deal.

These were among the issues discussed at the Professional Liability Underwriting Society's 2015 annual conference in Dallas earlier this month during several sessions on cyber risk.

Charles J. Clark, a partner with Schulte Roth & Zabel L.L.P. in Washington, said during a session on the changing regulatory environment that he believes the 2016 presidential election makes it unlikely that major cyber legislation will be approved by Congress in the next year.

"Nothing is going to happen because of the political battles, because of the presidential election, particularly when you look at the challenges facing" Rep. Paul Ryan, R-Wis., the recently elected speaker of the House of Representatives, Mr. Clark said. Looking at what regulators are doing is "much more important," he said.

Rob Yellen, New York-based executive vice president of FINEX North America, a unit of Willis Group Holdings P.L.C., pointed to the various privacy and security regulations that exist both nationally and globally. Each jurisdiction and each geographical region is going to have to make decisions that are right for itself, Mr. Yellen said.

"If you're a cross-border business and trying to comply, it's massively difficult. How do you solve for that? I think insurance is one of the solutions," Mr. Yellen said.

A cyber event can affect a variety of insurance coverages, said speakers at another session. For instance, an "all risk" property

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UnitedHealth may exit ACA individual exchanges

■ UnitedHealth Group Inc. warned it might stop selling individual health plans on the federal health care exchanges in 2017, citing weak enrollment and high medical costs for enrollees. UnitedHealth has about 500,000 members with plans authorized by the Affordable Care Act, making it the fourth-largest insurer on the exchanges. The company said it expected these plans to hurt current-quarter profit by \$425 million, or 26 cents per share. As a result, the company said it cut its full-year earnings forecast to \$6 per share from a previous range of \$6.25 to \$6.35. “We cannot sustain these losses,” UnitedHealth CEO Stephen Hemsley said in a conference call with investors. “We can’t really subsidize a marketplace that doesn’t appear at the moment to be sustaining itself.”

Reuters

Risk management reflected in corporate financial results

■ There is a high statistical correlation between strong risk management practices and reduced stock price volatility, says a report issued by Aon P.L.C. and the Wharton School of the University of Pennsylvania. Among other findings, “organizations with more advanced risk practices are more likely to have various and dedicated risk functions collaborate in executive risk-based processes through a defined, jointly executed risk assessment process.” The report also says organizations “exhibiting the greatest understanding of risk formally share the results of risk assessment activities across the organization.” The fourth annual Aon Risk Maturity Index is based on data from more than 300 companies from June 2014 through June 2015.

Marsh & McLennan names independent chairman successor

■ H. Edward Hanway will succeed Lord Ian Lang as independent chairman of Marsh & McLennan Cos. Inc.’s board of directors when Lord Lang retires from the board in May 2016, in accordance with the mandatory retirement age provision in the company’s corporate governance guidelines, Marsh & McLennan announced. Mr. Hanway retired as chairman and CEO of Cigna Corp. in 2009 and is currently chairman of Faith in the Future, an independent foundation focused on strengthening Catholic schools through a partnership with the Archdiocese of Philadelphia. He joined the Marsh & McLennan board in 2010. Lord Lang has served as independent chairman of the Marsh & McLennan Board since 2011. He joined the board in 1997.

EEOC secures bias awards of more than \$525 million

■ The U.S. Equal Employment Opportunity Commission secured more than \$525 million for victims of discrimination in private, state and local government and federal workplaces in fiscal 2015, ended Sept. 30, the agency said in a report. The figure included \$356.6 million for discrimination victims in the private sector and state and local government workplaces through mediation, conciliation and settlements. This is a 20.4% increase from the \$296.1 million reported in the agency’s fiscal 2014 report. The agen-

cy also recovered \$65.3 million for charging parties through litigation and \$105.7 million for federal employees and applicants, according to the “Fiscal Year 2015, Performance and Accountability Report.”

States with fee schedules keep comp cost increases in check

■ Many states without workers compensation fee schedules for professional services saw prices increase more rapidly over the course of six years than states with fee schedules, says a study of 31 states by the Workers Compensation Research Institute. Prices paid for a similar set of professional services were generally lower in the 25 states with workers comp fee schedules, with a median growth rate of 6% for prices paid from 2008 to 2014, Cambridge, Massachusetts-based WCRI said in the seventh edition of its Medical Price Index for Workers’ Compensation. In the six non-fee-schedule states, except New Jersey, the overall increase in prices paid during the same period was between 8% and 28%, with a median growth rate of 17%, the study says. At negative 0.4%, New Jersey had one of the lowest cumulative growth rates in prices paid across all study states, according to the study.

Millennials scoff at careers in insurance industry

■ Insurance does not rank very high among millennials as a career choice, according to a new study by Hartford Financial Services Group Inc. “The Hartford’s 2015 Millennial Leadership Survey” asked millennials to choose the three industries that would appeal most to them as a place to work from a list of 18. Arts and entertainment came in first with a 40% approval rating, while insurance was next to last, with 4% approval rating, beating only wholesale trade and utilities, which tied for last at 3%. When asked why they didn’t want to work in insurance, 73% of the respondents said they thought insurance companies were “boring.” Fifty-one percent said they thought insurers “only care about making money,” and 39% said insurers “don’t provide diverse job/career options.”

7.2% workers comp rate hike approved in Delaware

■ The Delaware Compensation Rating Bureau’s proposed 7.2% increase in voluntary workers compensation rates has been approved by Insurance Commissioner Karen Weldin Stewart. The bureau’s amended rate filing will result in a 7.2% increase in voluntary market loss costs and a 7.09% increase in residual market rates beginning Dec. 1, according to a statement by the Delaware Department of Insurance.

High deductibles, copays drive workers to put off health care

■ As cost shifting among employer-sponsored health plans increases, a quarter of working adults with private health insurance say they can’t afford their health care costs, says an analysis by the New York-based nonprofit Commonwealth Fund. Thirty percent of people with moderate incomes and 53% with low incomes can’t afford their health care costs, the report said, with 43% of all adults surveyed saying

their high deductible, defined as 5% or more of a person’s income, is difficult or impossible to afford. The percentage rose to 51% for low- and moderate-income individuals. Forty percent of people with high deductibles said they had not gone to the doctor when they were sick, had not gotten a preventive care test, skipped a recommended follow-up test, or had not gotten needed specialist care because of their deductible. The fund’s defines moderate income as up to \$46,680 for an individual or \$95,400 for a family of four, and a low income as less than \$23,340 for an individual and \$47,700 for a family of four.

Data-rich insurers prime targets of cyber attacks

■ Cyber insurance has significant growth potential, but there are also challenges to its broad expansion in the market — among them that insurers themselves are prime targets of cyber attacks, says Moody’s Investors Service Inc. The nature of the data stored by insurers “and the fact that insurers frequently access and transfer it in their daily operations, makes them prime targets for cyber attacks.” This risk goes up as insurers increase the amount of information they make available on mobile devices, the report adds.

High court sets briefing schedule in contraceptive challenge

■ The U.S. Supreme Court has set the dates for religious nonprofit organizations challenging the health care reform law’s so-called contraceptive mandate to file briefs. Plaintiffs are to file opening briefs by Jan. 4, and the respondents must file briefs by Feb. 10. The plaintiffs’ reply briefs are due by March 11, according to the order. Earlier this month, the nation’s high court granted the religious nonprofit groups’ request to challenge the health care reform law’s contraceptive rule and consolidated the seven cases.

Whistleblower tips to SEC increase for fiscal 2015

■ The number of whistleblower tips and complaints to the U.S. Securities and Exchange Commission Office of the Whistleblower increased in fiscal year 2015, which ended Sept. 30, though at a lower rate than in the previous year. The number of complaints filed increased 8.4%, to 3,923 from 3,620. This compares with the 11.8% increase posted in fiscal year 2014, according to the SEC’s annual report to Congress. In fiscal year 2015, the SEC paid more than \$37 million out of the Investor Protection Fund to eight whistleblowers.

Maine comp insurer to pay employer dividends

■ Maine employers will receive nearly \$18 million in dividends from workers compensation insurer Maine Employers’ Mutual Insurance Co. amid continued workplace safety improvements. About 17,000 employers in the state will receive an average payout of more than \$1,040 per employer, with the largest check exceeding \$200,000, the Portland, Maine-based insurer said in a statement. The total represents more than 14% of premium paid by policyholders in 2012, the qualifying year, according to the insurer.

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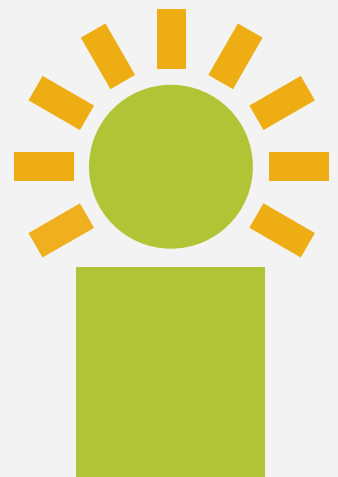
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The winners will be profiled in the March 14, 2016 issue of *Business Insurance* and recognized on March 22, 2016 at the Risk Management Summit in New York City.

Nomination deadline: Monday, December 21 at 11:59 p.m.EDT.

**For more details on rules and eligibility, please visit
businessinsurance.com/InnovationNominate**



Zurich to eliminate 440 jobs in U.K.

Zurich Insurance Group Ltd. said it would cut about 440 jobs in its U.K. general insurance division as part of a plan to reduce costs and simplify the unit's operating structure. Zurich said it is consulting with staff about the job reductions. The insurer said that conditions in the U.K. general insurance marketplace have become more challenging and that it aims to reduce costs by about £40 million (\$60 million) over the next two years. Zurich earlier this month reported a 78.6% decline in third-quarter net income, to \$207 million, caused in part by losses in its U.S. transportation business and from the Tianjin, China, port explosions in August. Zurich announced a review of its business in September after pulling out of talks to buy London-based rival RSA Insurance Group P.L.C.

Flood Re secures \$2 billion in coverage

Flood Re, the U.K. government-insurer backed flood reinsurer, has secured £1.29 billion (\$1.97 billion) of retrocessional coverage per year as part of a three-year program and is now entering into a second phase of a tender process to purchase a further £720 million (\$1.09 billion) of cover. In a statement, London-based Flood Re said the coverage was led by Munich Reinsurance Co. and Swiss Re Ltd., which had contributed "very significant support." Flood Re, which has been approved by U.K. Flooding Minister Rory Stewart, will begin underwriting in April 2016.

Insurance, safety hinder Iranian oil

Even after Western sanctions are lifted, Iran's oil tanker fleet is expected to face more hurdles before many of the vessels can start trading again due to insurance hiccups and tougher requirements over seaworthiness. Iran's main tanker operator, NITC, remains blacklisted by the United States and European Union, meaning it's unable to secure foreign insurance or international classification services that certify ships have met safety and environmental standards necessary to get access to most ports. Iranian media has quoted NITC officials as saying the group was readying its return to international markets and was in talks with Western insurers. Leading tanker broker EA Gibson said a number of NITC's tankers would need "to

PROFILE: COLOMBIA

\$4.6
BILLION

Earthquakes and volcanic eruptions are common with recent significant activity, including a 1999 quake in Armenia and La Niña-induced floods and mudslides in 2007 and 2010-11, taking heavy tolls. Other threats stem from the sometimes volatile mix of drug activity, Marxist guerrillas and militias. Still, relative domestic stability and an increasing international presence make Colombia a growing player in the global insurance market.

← 2014 P/C gross premiums

MARKET SHARE

Line of Business	Market Share (%)
MOTOR	42.9%
PROPERTY	18.9%
CONSTRUCTION & ENGINEERING	6.8%
PA & HEALTH CARE WRITTEN BY NONLIFE COMPANIES	4.7%
MARINE, AVIATION & TRANSIT	3.8%
SURETY, BONDS & CREDIT	10.7%
LIABILITY	8.2%
MISC.	4.1%

Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

COMPULSORY INSURANCE

- Earthquake cover for entities regulated by the Financial Superintendency of Colombia and common elements in apartment buildings
- Liability for producers of goods that can harm the environment
- Fidelity guarantee for insurance brokers
- Professional indemnity for direct and reinsurance brokers
- Third-party liability for public service vehicles, school buses, private security firms and private aviation

NONADMITTED

Unauthorized insurers cannot carry on insurance activity in Colombia, but the law doesn't require that coverage be purchased from locally authorized insurers. This is generally interpreted to mean that insurers can issue any type of policy from abroad, if approached by a buyer or intermediary. The only exceptions are for insurance related to the social security system and mandatory coverage.

INTERMEDIARIES

Under the Financial System Organic Law, brokers have to be authorized to do business in Colombia. They are not permitted to place business with nonadmitted insurers except for international marine, commercial aviation and space risks. Brokers involved in nonadmitted placements do not have to warn buyers that their insurer is not subject to local supervision.

MARKET PRACTICE

Broad trade liberalization since 2011 has not taken significant business away from local insurers. Fronting is used to skirt nonadmitted regulations. Under a 1990 decree, Colombian insurers can set their own rates if relevant statistics and/or reinsurance support them.

AREA
440,831 square miles

POPULATION
48.6 million

GLOBAL P/C MARKET RANKING
38

2015 GDP CHANGE (PROJECTED)
3.5%

MARKET DEVELOPMENTS

UPDATED MAY 2015

- As of January 2015, banks and other credit institutions can distribute certain lines of insurance.
- Minimum capital requirements for 2015 are \$3.58 million for insurance companies and \$14.3 million for reinsurance companies.
- Reserves and reinsurance for earthquake risks, addressed in December 2011, and technical reserves for various covers, addressed in December 2013, are expected to spawn further regulations.
- A flurry of foreign companies have entered the market through acquisitions: Axa S.A. has acquired Colpatría Seguros S.A.; Swiss Re Corporate Solutions Ltd. has taken a majority stake in Confianza Seguros Integrales Ltda.; JMalucelli Travelers Seguros S.A., a joint venture with Travelers Group Inc., has bought a majority stake in Cardinal Corretora de Seguros Ltda.; Zurich Insurance Group Ltd. is opening a direct operation in Colombia along with its reinsurance arm there; Pan-American Life de Colombia Compañía de Seguros S.A. is entering the property/casualty business.

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

meet international standards in terms of class and insurance. Furthermore, many units are likely to require dry docking (repairs). On this basis, the process of 're-entry' will be gradual," Gibson said in a report. Iran's fleet includes 37 to 40 NITC supertankers, each capable of carrying 2 million barrels of oil.
 Reuters

London Market Group names interim CEO

Benedict Reid has been named CEO of the London Market Group and will assume the job Nov. 30 for a six-month period, the London Market Group said in a statement. He is currently a director in the London market insurance practice of EY, formerly Ernst & Young. LMG, which aims to modernize the

London insurance market, announced earlier in the year that the current head of LMG Secretariat, Christopher Croft, will join the London and International Insurance Brokers' Association as its chief executive.

Mercer to acquire Brazilian consultant

Mercer L.L.C. is acquiring Brazilian actuarial consulting and auditing firm GAMA Consultores Associados. Terms of the deal, expected to close before the end of the year, were not disclosed. Mercer said in a statement the purchase will expand its footprint in Brazil beyond its existing offices in Sao Paulo and Rio de Janeiro. GAMA provides actuarial consulting and auditing services for pen-

sion and health plans in Brazil and develops and designs pension plans.
 Pensions & Investments

Study highlights LatAm risk management growth

Latin American companies appreciate the value of risk management and are taking significant steps in developing risk management programs, according to a new study released by the Risk & Insurance Management Society Inc. and Marsh L.L.C. Seventy-seven percent of the participants in the study said they have an employee dedicated to risk management, but results also suggested that the concept of risk appetite is not sufficiently understood in Latin American companies. Data

was collected from 369 Latin America companies in 15 countries and 10 industries from June to September.

Arch promotes exec to president, COO

Marc Grandisson will be promoted to the new position of president and chief operating officer of Arch Capital Group Ltd. effective Jan. 1, Hamilton, Bermuda-based Arch said. He currently is chairman and CEO of Arch Worldwide Reinsurance and Mortgage Groups. In his new role, he will be responsible for the company's operating units, insurance, reinsurance and mortgage, continuing to report to Arch Capital Group Chairman and CEO Dinos Iordanou, Arch said in a statement.

AT INTEGRO, A GROWTH STRATEGY FOCUSED ON FIT, PHILOSOPHY

Q Integro was recently acquired by Odyssey Investment. What does this mean for Integro and its clients?

A We reached our 10-year anniversary. It was a time in which we were looking to find the means to provide liquidity to our shareholders. We found a partner that saw the value in a business like Integro that is very focused on large, complex, as well as various specialty lines of businesses and risks. From an Integro colleague perspective, it's a partner that believes in the strategy and vision that management has articulated, building out a specialty business and platform of scale. For our clients it is to continue to focus on them while providing top notch expertise and talent in the specialty areas and arenas.

Q Integro has made several acquisitions this year. Do you see more acquisition activity in the near future, and what makes an attractive target for Integro? Or are you trying to expand expertise in particular areas? Is there a particular focus or is this just a means to provide broader products

Q&A

and services for your customers?

A We have been acquisitive. We'll continue to be acquisitive, but we're really focusing on those partners that bring either a product expertise or an industry specialization that deepens our platform or provides us with a new capability. We're acquisitive, but we're not acquiring just for size. We're acquiring to add specialties and capabilities that we don't have and for us, the first and foremost is the cultural fit of those folks that join Integro, because culture is key. We're very collaborative with our colleagues and our clients, and we want to have new partners in

the business fit with us culturally, but also we want to find folks that are specialists and help us build out businesses and specialties within Integro.

Q Have you gotten into the benefits area?

A Yes. We have expanded our benefits practice with several recent acquisitions, which essentially doubled (the practice) in size in the past two years. We look to build out our capabilities in that area.

Q What are your target markets, and has this changed since Integro was launched 10 years ago?

A We continue to evolve. We have been and continue to be focused on complex risks, whether big or small, and we're really trying to build out the specialty platform and nature of our business. We've diversified our business to add real growing platforms and capabilities in areas such as health care and entertainment and financial institutions. And while some of our clients are really big and some are



WILLIAM GOLDSTEIN

INTEGRO LTD.

company sees growth opportunities. Edited excerpts follow.

New York-based broker Integro Ltd. recently marked its 10th anniversary. Last month, it was acquired by Odyssey Investment Partners L.L.C. Presiding over these events was William Goldstein, president of Integro since 2014. In an interview with *Business Insurance* Senior Editor Mark A. Hofmann, Mr. Goldstein discussed what the Odyssey transaction means, Integro's acquisition philosophy and where the

quite small, they all tend to have a unique industry focus and specialty that differentiates them.

Q What are Integro's goals?

A First and foremost, to continue to grow organically and to continue to achieve high 90s client retention rates. Size is obviously something that people measure in tables, but we're most focused on continuing to drive strong client service. Repeat client business is critical. Low employee turnover rate is critical. We think through

all those measures and metrics, in the next three to five years, we have a real good chance to double the size of the firm and increase our margin along the way.

Q Where do you see Integro five or 10 years from now?

A We would expect to be in a handful of different industry groups than we're currently in and to deepen capabilities across our existing geographic platform and look to potentially add other geographies that we can explore over time.

COMINGS & GOINGS

UP CLOSE: SAM MAYNE

BRISBANE, AUSTRALIA-BASED DIRECTOR, WHOLESALE AND FACILITIES

BMS Risk Solutions Pty Ltd.

PREVIOUS POSITION: Sydney, Australia-based head of Wholesale Cooper Gay (Australia) Pty Ltd.

LOOKING FORWARD TO: Working from BMS' new Brisbane office to complement our Australian operations in Sydney and contributing to BMS' reputation for providing specialist brokerage expertise to new and existing clients throughout the region.

GOALS FOR NEW POSITION: To find the best possible solutions for prospective and existing clients, helping them grow their businesses profitably and provide niche tailored product lines by accessing the worldwide insurance markets.

FIRST INDUSTRY JOB: Junior broker at Denis M. Clayton & Co. Ltd., now JTL Re (a unit of Jardine Lloyd Thompson Group P.L.C.)

WHAT SURPRISED ME: The breadth of sectors and professions that working in insurance gives you insights across.



INDUSTRY OUTLOOK: There is a lot of talk of when current market conditions will harden and stabilize. The future of the insurance industry will not be defined by a soft or hard market but by digital innovation.

ADVICE: Never give up and always follow your dreams.

DREAM JOB: International cricket commentator.

HOBBIES: All sports, especially rugby, cricket and golf.

THING MOST PEOPLE DON'T KNOW ABOUT ME: I opened the batting with Andrew Strauss for two seasons at Shardeloes' (Amersham) Cricket Club (in England).

WHEN I RETIRE: I'll travel the world.

FAVORITE MEAL: Sunday roast.

FAVORITE BOOK: "To Kill a Mockingbird" by Harper Lee.

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EDITORIAL

DESPERATELY SEEKING EXIT RAMP

The Financial Stability Board's recent decision to remove Italian insurer Assicurazioni Generali S.p.A. from its list of global systemically important insurers raises more questions than it answers. For one, the announcement that Generali would be dropped from the list of global systemically important insurers, which are subject to heightened regulatory scrutiny than their counterparts, didn't spell out what Generali did to get out from under the systemically important designation. And, while dropping Generali, the Basel, Switzerland-based FSB added Dutch insurer Aegon N.V. to the list, which also includes U.S. insurers American International Group Inc., MetLife Inc. and Prudential Insurance Co. of America — again, a move without a detailed explanation.

One of the property/casualty insurance industry's main concerns with burdening insurers with a systemically important designation has been that the process isn't sufficiently transparent. That concern isn't confined to the FSB, either. The U.S. Financial Stability Oversight Council, which has the power to designate insurers as systemically important financial institutions, has also drawn concern over opacity. FSOC has designated the same three U.S. insurers as being systemically important that FSB has.

Insurers' concerns aren't trivial. Being designated systemically important means that an underwriter has to meet heightened capital and reporting requirements. No matter how one looks at it, more requirements mean higher costs that get absorbed by the insurer or passed on to the buyer.

So it's understandable that property/casualty insurers have argued that the very nature of their business means that they do not present a systemic threat to the domestic or international financial systems. And it's understandable that insurers are concerned there isn't a clear "exit ramp" they can take to be removed from the systemically important list.

FSB's move on Generali indicates that there is an exit ramp. The question remains over what an insurer needs to do to be permitted to use it.

LETTERS

IT MAY NOT BE COOL, BUT IT SURE PAYS THE BILLS

I found it ironic that your editorial "Paying Upfront for Resiliency" (Oct. 26 issue), cataloguing a lack of preparation and foresight in catastrophe response, appeared alongside another editorial on the often-talked-about looming talent crisis and impending insurance professional exodus.

It is time to stop pretending that the industry can dress itself in trendy clothes and pretend it is the cool kid on the block in order to

See **LETTER** page 22

SCHILLERSTROM



COMMENTARY

PERSONAL RISK MANAGEMENT IN UNCERTAIN TIMES

Some of the attendees at the Professional Liability Underwriting Society's annual conference in Dallas found themselves unexpectedly — and somewhat unpleasantly — participating in a risk management prevention program this month.

At about 2 a.m., loud sirens rang out in our hotel rooms, along with instructions to leave the hotel right away and not use the elevators.

Groggily, dozens of us — including me, barefoot and in the urgency of the moment even forgetting my usually unremovable appendage, my computer — made our way down steps and escalators and exited the hotel, or stayed near the lobby doors rather than venturing out into a cold night.

It turned out, though, to be only a false alarm, and shortly afterward we gradually made our way back to our rooms to resume our interrupted night's sleep. Hilton Hotel employees were polite, efficient — and sympathetic — throughout the episode.

And the hotel guests, perhaps because many, if not all, of us were participants in an insurance conference, handled the incident with equanimity and good cheer.

As it turned out, apparently only guests in one part of the massive hotel and been awakened. Furthermore, discussions the next morning revealed that at least a couple of people who had heard the alarm calculated — correctly as it turned out — that it was only a false alarm, and went back to sleep.

Certainly the hotel deserves praise for acting as efficiently as it did, and for effectively executing



JUDY GREENWALD
SENIOR EDITOR

the risk management program it has in place, even if did turn out to be a false alarm.

But, putting 20-20 hindsight aside, the question remains: Who made the right choice? The people who accurately predicted it was a false alarm for which it was not worth getting out of bed and who got a good night's sleep?

Or those of us, perhaps like me with visions of the 1980 MGM Grand Hotel fire in Las Vegas that killed 85 people, who left their rooms as rapidly as possible?

Then again, it almost certainly never occurred to the hundreds killed or injured during the terrible tragedy in Paris that they were facing any risk when they went out that Friday night to dine or enjoy a concert, which, I suppose, illustrates how little control any of us ultimately have over our lives.

Perhaps, given these uncertain times, all we can do is keep somewhere in the back of our minds our own risk management program of what to do in an emergency, whether it occurs while staying in a big hotel or going to the store for a quart of milk.

At least in my case, that will mean throwing a pair of slippers into my suitcase before I go off on my next business trip.

Keep real estate deals clean with pollution legal liability cover

A rebounding industrial real estate sector only emphasizes the need for insurance to cover pollution legal liability, even the hint of which can derail a property sale. John J. Heft, a senior vice president and the director of the real estate practice at New Day Underwriting Managers L.L.C., discusses the state of the coverage and its future.

Despite fluctuations, there was steady growth in the American industrial real estate sector in the first quarter of 2015, several studies show.

According to the Realtors Commercial Real Estate Market Survey, 60% percent of commercial real estate agents have closed a sale in the second quarter, a 9% increase in volume from a year earlier.

In addition, the National Council of Real Estate Investment recently noted that “based on strengthening economic growth, solid job creation, low interest rates, declining vacancy rates, rising rents ... 2015 would mark the sixth year of positive CRE performance after the Great Recession.”

Even with this brighter picture, it's important to note potential pitfalls. Among them are on-site environmental issues, even suspicions of which can derail commercial real estate deals. This is especially true for the industrial marketplace given the nature of its businesses and their propensity to produce, store, ship and discard hazardous and/or dangerous materials.

So, over the years, pollution legal liability, or PLL, insurance has developed to cover specific businesses classes including manufacturing, commercial and habitational real estate, education, health care and hospitality.

Over the past several years, PLL cover has broadened to include the cleanup of viruses and bacteria, biological hazards and contingent business interruption coverage.

However, the heart of PLL insurance remains:

- On- and off-site clean-up/remediation expenses
- Third-party bodily injury, property damages
- Defense expenses

Pollution legal liability trends

Some 25 insurers offer various forms of PLL coverage. This represents a capacity of more than \$350 million and up to \$50 million in limits.

Terms for transactional policies, which can provide an extra measure of assurance in a real estate deal, have varied between five and 10 years. However, the number of insurers offering 10-year policies has declined in the last year and a half.

This is also true for insurers offering prospective, or ongoing, coverage for more than three years. If the business has manufacturing expo-

sure, the maximum term is three years; five-year terms are common health care, hospitality, habitational and education risks with 10 years still available for high-end, or Class A, office buildings.

Several insurers offering 10-year transactional policies are requiring a \$100,000 minimum premium.

PLL underwriting trends

Underwriting scrutiny will continue to increase for redevelopment deals. Exposures for redevelopment projects can involve urban fill, or material brought in from other locations, and lack of due diligence, especially at industrial sites.

Overall, competition remains robust in the PLL marketplace. Prospective/ongoing coverages are anticipated to stay in the five-year range, with a maximum of 10 years still available.



The recent Legionnaires' disease outbreak in New York City that affected more than 100 people and killed 12 and the various Ebola outbreaks at the end of last year put the underwriting spotlight on habitational real estate and health care risks.

Why buy PLL?

The drivers to purchase PLL insurance fall into four categories: regulatory, contractual, lender requirement and risk management. These apply to companies that face federal and state regulations for underground storage tanks and hazardous waste units, as well as those looking to ease a real estate transaction with environmental indemnity backing.

For companies successfully refinancing or acquiring properties in 2015, lenders often required that the lender be listed as an additional insured/mortgagee on the PLL policy.

Coverage enhancements continue to evolve in the following areas:

- Occurrence transportation and non-owned disposal sites coverage
- Contingent business interruption — coverage applies to an insured affected by off-site pollution
- Methamphetamine (meth) labs, bacteria and electromagnetic fields included in the definition of pollution conditions
- Green remediation/green building materials — supplemental coverage for using environmentally sustainable/energy efficient materials and remediation technologies
- Crisis/strategic management/response — coverage provided for expenses associated with public relations, media management, etc.
- First-party diminution of property value

The future of the PLL market

Overall, competition remains robust in the PLL marketplace. Prospective/ongoing coverages are anticipated to stay in the five-year range, with a maximum of 10 years still available.

In addition, coverage terms and conditions tightened substantially during the latter part of 2014 and into 2015 as underwriting scrutiny of redevelopment sites and transactions rose.

On the flip side, “updated or enhanced” PLL coverage forms have been released during 2015 by Beazley Environmental Liability, a specialty unit of Beazley P.L.C., and AIG Environmental, a subsidiary of AIG Commercial Insurance Group Inc., with emphasis on real estate portfolios. Other insurers are poised to release new or updated PLL forms during 2016.

As the economy continues to recover, merger and acquisition/transactional activity is expected to continue to increase during 2016, driving the need for transactional PLL policies.

Overall, PLL premiums during 2016 are expected to grow modestly, though there is no sign of a hardening of the PLL market in 2016 or beyond.



John J. Heft is a senior vice president and the director of the real estate practice at New Day Underwriting Managers L.L.C. of Hamilton, New Jersey, where he specializes in construction-related professional liability and environmental liability insurance. Mr. Heft can be reached at john.heft@newdayunderwriting.com or 609-298-3516, ext. 105.

SPECIAL REPORT

Pension/Retirement

Benefit Trends

Employers help lift weight of student loans off millennials

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Teamsters take step toward saving multiemployer plans

PAGE 17

Pensions, 401(k) plans and attitudes that shape them

PAGE 18



Premium hikes raise questions of motives, PBGC's future

Shortfall in pension fund failsafe smaller even without new fees

BY JERRY GEISEL

Deborah Forbes was stunned when she learned that a budget deal congressional leaders and the Obama administration hammered out included provisions that again boost insurance premiums employers must pay the Pension Benefit Guaranty Corp.

"Those increases come on top of \$17 billion in PBGC premium hikes approved by Congress in 2012 and 2013, and at a time when the PBGC, by its own estimates, is getting healthier every year," said Ms. Forbes, executive director of the Bethesda, Maryland-based Committee on Investment of Employee Benefit Assets, which represents large pension plan sponsors.

Other business groups say the third PBGC premium hike since 2012 is a budget gimmick, saying the additional funds were sought as a way to help offset the federal budget deficit rather than meet a new revenue need of the PBGC, which recently projected that its deficit will sharply decline from \$19.3 billion in 2014 to \$4.9 billion in 2024.

However, the PBGC last week reported that its deficit jumped nearly 24% in fiscal 2015, to a record high of \$76.4 billion, an increase driven largely by interest rates.

"Increasing PBGC premiums is considered by policymakers as an easy way to raise money. It was revenue-, not policy-driven, as there was no call by the PBGC for increased premiums," said Annette Guarisco Fildes, president and CEO of the ERISA Industry Committee in Washington.

RATES VS. PARTICIPANTS

As PBGC premium rates have risen, the numbers of both defined benefit pension plans and participants in those plans have fallen.

Year	Flat-rate per-participant premium	PBGC -insured plans	Participants
2005	\$19	29,605	34,232,000
2006	\$30	28,923	33,933,000
2007	\$31	29,255	33,892,000
2008	\$33	28,876	33,888,000
2009	\$34	27,797	33,833,000
2010	\$35	26,377	33,447,000
2011	\$35	25,607	33,388,000
2012	\$35	24,215	32,516,000
2013	\$42	23,399	31,900,000
2014	\$49	22,344	30,926,000

Source: Pension Benefit Guaranty Corp.

"Increasing PBGC premiums is considered by policymakers as an easy way to raise money. It was revenue-, not policy-driven, as there was no call by the PBGC for increased premiums."

Annette Guarisco Fildes, ERISA Industry Committee

Some also say the higher charges will result in more employers de-risking their pension plan obligations or accelerate the move of employers to freeze or terminate their pension plans.

“This was a heedless action,” said Lynn Dudley, senior vice president of global retirement and compensation policy at the American Benefits Council in Washington. “It is heedless because it was done without regard to the potential negative consequences. Premium increases are unnecessary and threaten the long-term viability of both the defined benefit pension system and the PBGC’s plan termination insurance program by further driving away employers concerned about the unpredictability of premium increases.”

Whether needed or not, the legislation President Barack Obama signed into law earlier this month mandates a several-step increase in PBGC premiums paid by employers that sponsor the more than 22,000 defined benefit plans covered by the PBGC’s insurance program. That program protects participants’ benefits in underfunded pension plans the PBGC takes over from financially troubled or failed employers.

The current flat rate, a \$57-per-participant premium that all plan sponsors pay, was to increase to \$64 in 2016. Under the recent change, it will increase incrementally over a three-year period until it hits \$80 in 2019 — a 40% jump from the current rate.

In addition, the variable-rate premium paid only by employers with underfunded plans will increase from \$24 per \$1,000 of plan underfunding now to \$41 in 2019 — a 71% jump from the current rate (see chart, page 14).

According to the Congressional Budget Office, the higher charges will result in employers paying more than \$4 billion in additional PBGC premiums from 2016 through 2025. Last year, employers paid the PBGC about \$3.8 billion in premiums.

Whether the PBGC, in fact, collects that \$4 billion in additional premium that the new law is supposed to generate is, experts say, far from certain. There is little doubt, they add, that the latest premium increases will add fuel to the biggest pension plan trend of the past several years: de-risking.

Under the most common de-risking approach, employers typically offer to convert a future annuity into a cash lump sum, often for former employees who have vested but are not collecting a benefit.

Hundreds of employers have done so in recent years, including Ford Motor Co., Archer Daniels Midland Co. and Hartford Financial Services Group Inc.

In another de-risking approach, employers shift the liability of paying benefits to insurers by pur-

chasing a group annuity — a step more than two dozen major employers have taken in recent years — that transfers billions of dollars in plan benefits to insurers.

Through either approach, an employer’s pension plan gets smaller, as does the employer’s PBGC premium tab. For example, reducing a pension plan to 10,000 participants from 30,000 would reduce an employer’s cost by \$1.6 million in 2019 just for the flat-rate premium.

The cost increases are “adding fuel to employers’ drive to de-risk their pension plans,” said Alan Glickstein, a senior retirement consultant at Towers Watson & Co. in Dallas.

That may cause employers to “rethink” whether the pension plans are worth the cost, said Stuart Schulman, a principal at Buck Consultants at Xerox in New York.

Matt McDaniel, a partner at Mercer L.L.C. in Philadelphia, said this could result in a “vicious circle”

with the PBGC needing higher rates to compensate for lower premium revenue, triggering more employers to de-risk their plans.

That is a potential “death spiral” for the PBGC insurance program, said Rick Jones, a senior partner at Aon Hewitt in Lincolnshire, Illinois.

That could “force plan sponsors to once again ask themselves if this whole DB thing is really such a good idea at all,” Bob Collie, chief research strategist of Americas

institutional at Russell Investments, said about defined benefits in a blog post.

Still, some employers will stick with their defined benefit plans.

“There is a core of employers who have the plans and remain committed to the plans,” said Brad Smith, an Atlanta-based partner at investment consultant NEPC L.L.C., adding that some employers continue to believe that defined benefit plans aid in attracting and retaining employees.



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AS MILLENNIALS DOMINATE THE WORKFORCE, BENEFIT FOCUS SHIFTS TO STUDENT LOANS

Employers see crushing debt burden hurting productivity, workers' prospects

BY SHELBY LIVINGSTON

As millennials have become the majority in the U.S. workforce, some employers are trying to keep student debt from threatening the work environment by helping their millennial workers learn to balance loan payments with saving for the future.

Student loan debt adds to financial stress that can plague employees' productivity and lead to health issues and higher medical costs for employers, experts say. It also makes it harder for workers to contribute to the company retirement plan, potentially delaying their retirement.

"It's definitely an employer issue," said Heather Tredup, Chicago-based partner of retirement communications at Aon Hewitt. "Employers spend a lot of money to provide benefits to their employees ... but when there is a barrier to saving, such as credit card (debt) or debt management, that means that employees may not be getting the full advantage of the benefit that is available to them."

Outstanding student loans total more than \$1.2 trillion. About 70% of 2014 college graduates had student loan debt, with an average of \$28,950 per borrower, according to the nonprofit Institute for College Access and Success.

The issue looks to grow, as millennials surpassed Generation X in the first quarter of this year to become the largest cohort in the U.S. workforce, according to the Pew Research Center.

Still, only 3% of employers help pay their employees' student loan debt, according to the Society for Human Resource Management.

Some employers are tackling the problem aggressively.

New York-based professional services firm PricewaterhouseCoopers L.L.P. said in September that it will contribute \$1,200 a year for up to six years toward employees' student loans. Others are helping employees refinance the loans or providing tuition subsidies to those in school.

Sensing a lucrative market, benefit startups aimed at helping employers alleviate millennials' financial burdens are appearing.

Gradifi Inc., a Boston-based firm partnering with PwC, helps employers make contributions toward workers' student loan debt, as does Santa Monica, California-based Tuition.io Inc. San Francisco-based startup Social Finance Inc. partners with employers to provide student loan refinancing to employees.

But benefits experts say less expensive methods can be just as effective.

Most often, employers offer financial education through videos, webinars and financial planner meetings to address issues millennials might face, such as budgeting, Ms. Tredup said.

"The focus tends to be on how do you create a budget, how do you live within your budget, and if you're living beyond your budget — so maybe you're experiencing more debt issues today — how do you start to address those?" she said.

At Armonk, New York-based IBM, employees are offered free one-on-one counseling on whatever financial issues they face. The

MILLENNIALS MOVE UP

■ Millennials, defined as those born from 1981 to 1997, this year became the largest age group in the U.S. workforce.

■ Millennials' 53.5 million workers surpassed Generation X's 52.7 million people in the workforce during the first quarter.

■ Generation X, those born from 1965 to 1980, overtook the baby boom generation, those born from 1946 to 1964, as the dominant workforce age group in 2012.

■ Millennials' dominance of the U.S. labor force is expected to grow, as more than half of immigrant workers in the past five years have been millennials.

Source: Pew Research Center analysis of U.S. Census Bureau data

subject "can range anywhere from your health care plan, looking at how much should I be contributing to my 401(k), what should my investment strategy look like in that plan, looking at student loan debt and consolidation," said Kori Weber-Parker, Franklin, Wisconsin-based director of benefits at IBM.

IBM also helps employees consolidate their student loans through a third party at a small discount, she said. "When you have a stressful environment at home, you then carry that in over to your work, and it does impact productivity," Ms. Weber-Parker said. "So if we can help our employees relieve some of that stress around their financials and improve the financial wellness position of each employee, we feel that that will help them on the job."

The shift in focus to workers' current financial issues versus those of later years comes as employers and consultants realize millennials' sense of retirement can be very different than that of prior generations, Ms. Tredup said.

An October study by personal finance firm NerdWallet Inc. pinpoints the retirement age of 2015 college graduates at 75 because of increasing student loan debt and rent. Today, the average retirement age is 62.

For the baby boomers who are at or near retirement age, "we're finding that people aren't ready to retire, so they're staying on longer with their employer," said Ted Goldman, managing director and U.S. retirement leader in the wealth practice at Buck Consultants at Xerox in Washington.

That has come as many employers have replaced traditional pensions with defined contribution plans that put more responsibility on workers' shoulders.

In those cases "the employer now has a workforce that's starting to bottle up oppor-

tunities for junior people," Mr. Goldman said, and results "in higher health care costs because they have an older working population."

Buck Consultants has developed a tool that automatically enrolls workers in the company retirement plan at a contribution level based on factors such as the worker's age, salary and amount they have in their 401(k) account, Mr. Goldman said.

"Doing that every year throughout your working lifetime, if you let it work, you will always be on a path toward a secure retirement," he said.

In addition to retirement, debt-saddled millennials are putting off other big purchases such as "buying a house (or) buying a car," said Meghan Murphy, director of thought leadership at Fidelity Investments in Boston.

So the investment firm advises workers to spend 50% of a paycheck on essential expenses, such as housing, food and health care, while saving 15% for retirement and 5% for an emergency fund.

It's easier said than done, but millennials welcome help at work. According to an October study by Aon Hewitt, 46% of millennials said they want information on debt management from their employer.

While millennials "know they should be saving" for the future, "what we often hear in conjunction with that, though, is the guilt of not being able to do it or not feeling like they're saving enough," Ms. Murphy said.

PRICEWATERHOUSECOOPERS GETS OUT THE CHECKBOOK TO HELP RECENT GRADS PAY OFF THEIR EDUCATIONS

PricewaterhouseCoopers L.L.P. next year will begin an aggressive approach to helping its workers deal with student loan debt: The financial services firm will help pay that debt off.

New York-based PwC in late September launched an employee benefit that PwC said may reduce loan obligations by up to \$10,000 and shorten the payoff period by up to three years.

The benefit will be available to about 22,000 PwC employees.

"This is an issue that's really critical to our people," said Tom Codd, New York-based human capital leader at PwC, where millennials make up about 75% of the firm's workforce and the average age is 29.

"We know it's an area of stress," Mr. Codd said of student loan debt. "We thought it just made sense as a benefit."

Aside from relieving stress, Mr. Codd said he expects the benefit to help PwC attract and retain talent; the company plans to hire 11,000 employees directly from college campuses this year.

Gabriela Gutierrez, a McLean, Virginia-based PwC associate hired in August, plans to enroll in the student loan payback program.

Ms. Gutierrez said it will help her "be more flexible with my budget."

"I'm currently living with my parents in order to pay off the student loans and trying to save up some money," said Ms. Gutierrez, who recently graduated from Virginia Polytechnic Institute and State University in Blacksburg, Virginia.

"This is obviously going to help me pay off the loans quicker and maybe even save up enough to move out and not live on such a tight budget," she said.

PwC has partnered with Boston-based Gradifi Inc., which will send the funds directly to qualified student loan providers.

"We thought it was important to be on the forefront of this," Mr. Codd said. "It will be interesting to see what other employers do."

By Shelby Livingston

"This is obviously going to help me pay off the loans quicker and maybe even save up enough to move out and not live on such a tight budget."

Gabriela Gutierrez,
PricewaterhouseCoopers
L.L.P.

TEAMSTERS' MOVE TO CUT BENEFITS OFFERS HOPE FOR FLAGGING MULTIEMPLOYER PENSIONS

BY JERRY GEISEL

The Central States Teamsters pension plan, the first to tap a relatively new federal law that allows financially troubled multiemployer plans to cut participants' benefits, is breaking ground that other plans are expected to follow.

The Central States proposal comes as lawmakers continue work on ways to aid multiemployer plans, which had a funding shortfall of \$125 billion as of June 30, a Milliman Inc. analysis of nearly 1,300 plans found.

Under the Central States, Southeast and Southwest Areas Pension Fund's proposal, filed in September with the U.S. Treasury Department, many of the plan's more than 400,000 participants would have their benefits reduced under the Kline-Miller Multiemployer Pension Reform Act of 2014.

Benefit cuts would vary depending on participants' status. For example, those who worked for employers who left the plan without making required withdrawal liability payments would see their promised benefits cut to 110% of the maximum guaranteed by the Pension Benefit Guaranty Corp. For 2016, that maximum annual guarantee is \$12,870.

Active plan participants would see future benefit accruals cut to 0.75% of contributions made by their employers, down from the current 1% credit, thus reducing their pension payments.

Still, benefits for retirees 80 and older will not be reduced, while benefits paid to retirees age 75 to 79 are partially protected from cuts under the 2014 law.

Central States, one of the nation's largest and most financially troubled multiemployer plans, said unless participants' benefits are cut, it is projected to become insolvent in just over a decade. It had \$35 billion in liabilities and \$17.8 billion in assets at the end of 2014.

Other financially troubled multiemployer plans also are expected to seek Kline-Miller protection.

"I expect there will be more," said Josh Shapiro, a senior actuarial adviser at Groom Law Group Chtd. in Washington. "Some plans are waiting for final regulations before proceeding, and others are waiting to see how the Treasury Department reacts" to the Central States' proposal.

The 2014 law was sparked in part by a U.S. Government Accountability Office projection that the PBGC's multiemployer pension

plan insurance program would go broke in 10 to 15 years without congressional action.

While last year's law allows plans to cut participants' benefits to stay solvent, it does not address another huge and related problem: the inability of many plans to attract new employers.

A huge deterrent for employers is a provision in a 1980 law that requires employers withdrawing from underfunded multiemployer plans to pay their share of the plans' promised but unfunded benefits, a withdrawal liability tab that can easily exceed an employer's net worth.

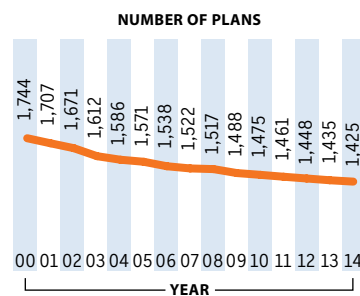
Withdrawal liability "is an obstacle to keeping employers in the plans and attracting new employers," said Diane Gleave, senior vice president and regional manager at The Segal Co. in New York.

Multiemployer pension legislation being developed would eliminate that withdrawal liability for benefits earned under a new plan design.

While the details of the legislation continue to be hammered out, observers say the proposal will be based on recommendations by a panel of the National Coordinating Committee for Multiemployer Plans, which represents many of

MULTIEMPLOYER PLANS

The number of multiemployer pension plans has fallen steadily since 2000.



Source: Pension Benefit Guaranty Corp.

the nation's 1,400 multiemployer plans.

The panel recommended a new multiemployer plan design that would eliminate withdrawal liability for future benefits. Plans that fell below a funding level of 120% could reduce participants' benefits and increase employer contributions. Withdrawal liability would still apply to benefits already earned.

"The risk no longer would be all on the employer," said Dana Thompson, assistant director of legislative affairs with Sheet Metal and Air Conditioning Contractors' National Association in Chantilly, Virginia.

"Employers could provide

employees with lifetime income — in an affordable way — and without taking on the financial exposure of withdrawal liability," Mr. Shapiro said.

When the new legislation will emerge is not clear. "There have been a lot of distractions" for lawmakers, Mr. Shapiro said, including the drafting and passage of budget legislation to maintain government's borrowing authority.

Still, Mr. Shapiro said, the proposal is "alive and kicking and has the interest of many lawmakers."

The proposal "is far from forgotten," said Randy DeFrehn, executive director of the National Coordinating Committee for Multiemployer Plans in Washington.

Still, Mr. DeFrehn acknowledges, winning congressional attention, let alone approval, is a significant challenge.

"There is a lot of turnover on Capitol Hill, so you have to do a lot of educating," he said.

Some are optimistic that lawmakers eventually will approve the multiemployer plan changes.

"There is a headwind for a legislative fix," Segal's Ms. Gleave said. Like the multiemployer legislation Congress passed last year, such a proposal could be attached to a broader "must-pass bill," she said.



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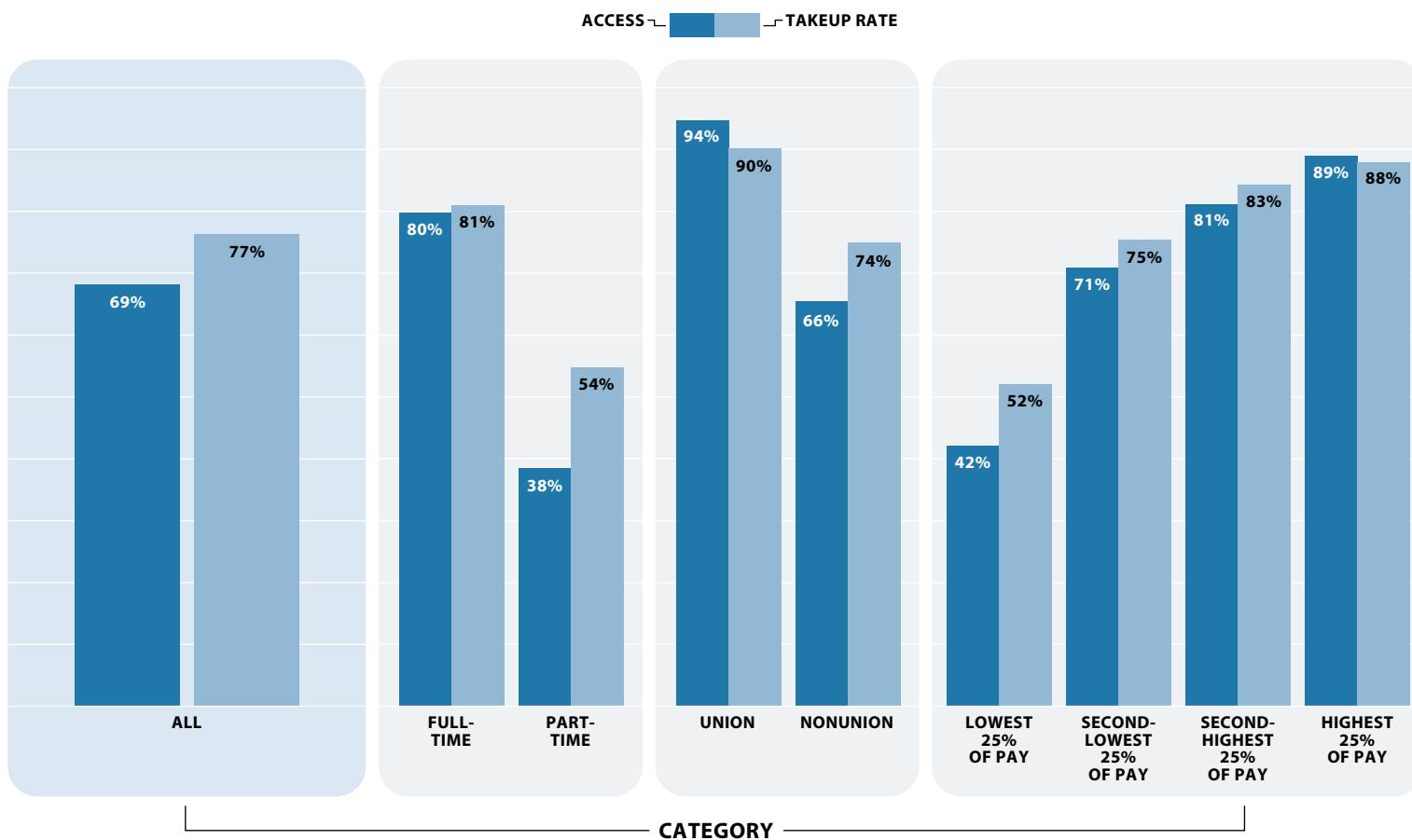
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RETIREMENT BENEFITS

Sixty-nine percent of the U.S. civilian¹ workforce had access to retirement benefits, but availability and takeup rate varied greatly by salary level, work status and union status.²



¹ Includes private nonfarm workers except private households, and public-sector workers except federal government. ² As of March 30, 2015

Source: U.S. Bureau of Labor Statistics

EMPLOYER ATTITUDES

As employers continue to recover from the Great Recession and a series of lesser economic shocks since then, fewer are cutting costs and the “vast majority” offer retirement benefits, according to the Transamerica Center for Retirement Studies. Seventy-one percent of employers feel responsible for helping employees have a financially secure retirement – large companies more likely than small companies.*

98% of employers say health insurance is somewhat or very important to employees, and more than 80% believe health insurance, a 401(k)-type plan and disability insurance are important to employees.

58% believe potential employees would rather have a job with higher pay but poorer retirement benefits.

89% say offering a 401(k) or similar plan is important to attracting and retaining talent.

49% offer a 401(k) or similar plan to part-time workers, with large companies twice as likely to do so.

15% offer a company-funded defined benefit plan to employees.

62% accommodate flexible work schedules, and nearly half allow reduced hours to help employees 50 and older transition into retirement, but only 37% allow transition to a less stressful job.

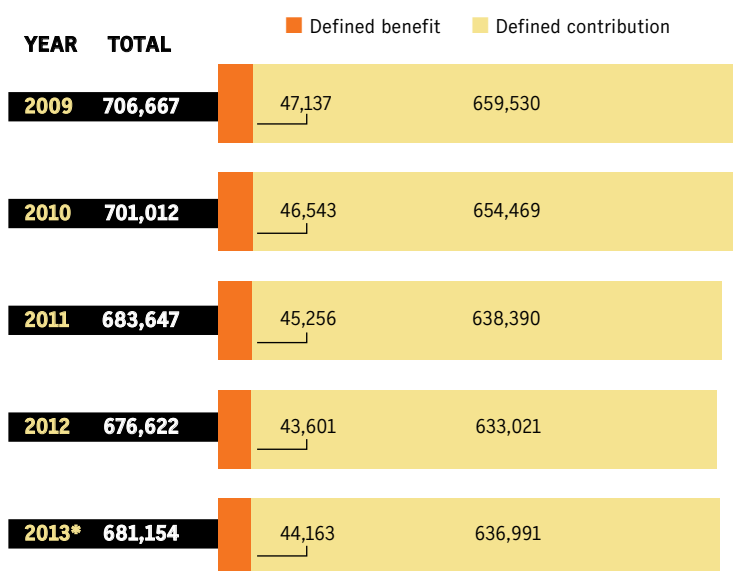
88% support employees working past age 65, and more than 80% say they are a valuable training and mentoring resource, a source of institutional knowledge and offer knowledge, wisdom and life experience.

*Large companies defined as more than 500 employees, small companies as less than 500.

Source: 15th Annual Transamerica Retirement Survey, Nielsen & The Harris Poll for Transamerica Center for Retirement Studies, April 2015.

PENSION PLANS

The total number of pension plans, including defined benefit and defined contribution plans, peaked at more than 735,000 in 2000. Defined benefit plans peaked at more than 175,000 in 1983, while defined contribution plans topped out at nearly 687,000 in 2000.

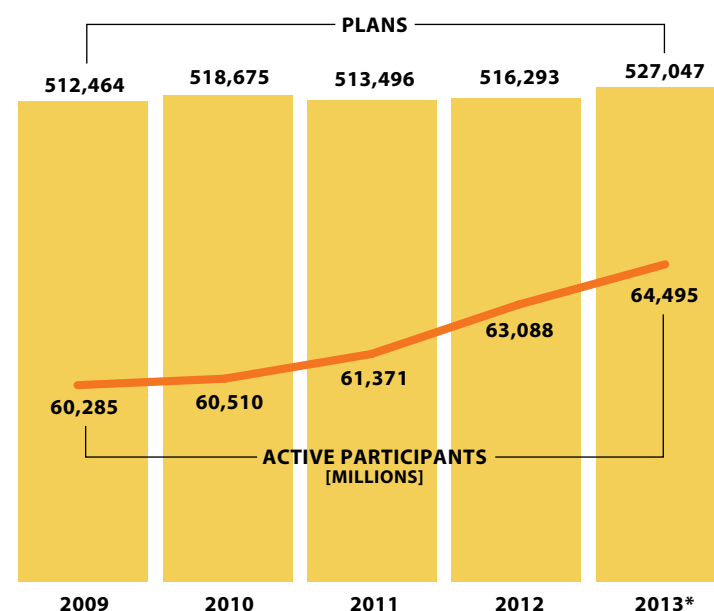


*Latest data available

Source: U.S. Department of Labor's Employee Benefits Security Administration

401(k) PLANS

The number of 401(k)-type retirement plans has grown steadily for the past 30 years, while the number of active participants also has grown steadily, with the exception of 1991.



PRE-MEDICARE RETIREES

78% of employers provided health benefits to pre-Medicare and Medicare-eligible retirees in 2015.

61% made plan design changes, which “has become the most traditional cost-cutting-lever” for employers trying to avoid what would have been a 5.5% increase for pre-Medicare retirees.

42% added a high-deductible plan linked to a health savings account for 2015, and 8% are considering doing so in the next two years for pre-Medicare retirees.

7% eliminated traditional group coverage in 2015 for pre-Medicare retirees, and 26% are considering doing so in the next two years.

Source: 2015 Survey on Retiree Health Care Strategies, Towers Watson & Co.

EMPLOYEE ATTITUDES

“The desire for retirement benefits certainty is stronger than the desire for bigger paychecks among all age groups,” according to a Towers Watson & Co. survey that gauged the effect of several economic shocks on employee attitudes. Seventy-four percent of workers say their company's program is the primary way they save for retirement.

58% of full-time workers would have more taken out of their paycheck for more generous retirement benefits, and 62% would do so for a program with guaranteed retirement.

27% would have more taken out of their check for more generous health benefits, and 34% would do so for a plan with predictable medical costs.

42% of employees were willing to have more withheld from their paycheck for access to health benefits after retirement but before Medicare.

49% of employees 50 and older would pay more for post-retirement but pre-Medicare health benefits; those 40-49 years old, 44%; younger than 40, 35%.

Source: 2013/2014 Global Benefits Attitudes Survey, Towers Watson & Co.

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Nomination deadline: Monday, December 2 at 11:59 p.m. EDT.

**For more details on rules and eligibility, please visit
businessinsurance.com/RMOYnominate**

Insurer to launch railroad business line

Aspen U.S. Insurance, a unit of Hamilton, Bermuda-based Aspen Insurance Holdings Ltd., will launch a railroad division at the end of November.

David Adamczyk, based in New York, will be executive vice president for rail. Previously, Mr. Adamczyk was president of the railroad department at Liberty International Underwriters.

“Dave has more than 30 years of experience in this specialty railroad market. His expertise is an excellent fit for Aspen’s strategy and approach to the market, where deep knowledge is a foundational component to our underwriting,” Bob Rheel, president of Aspen U.S. Insurance, said in a statement.

Aspen U.S. Insurance declined to comment on the details of the railroad division.

MGA introduces whole-turnover policy

Managing general agent Equinox Global Ltd. has launched Equinox Complete, a whole-turnover credit insurance policy.

Equinox Complete provides the traditional services of a whole-turnover credit insurance policy with noncancellable limits for up to 12 months. The policy includes coverage of insolvency and protracted default and up to 90% indemnity for a period up to 24 months, London-based Equinox Global said in a statement.

According to Equinox Global, the policy was created as a response “to customer demand for increased certainty, transparency and a policy structure with no deductible.”

Firm offers PBM analysis for self-insured employers

Wonderbox Technologies L.L.C., doing business as Skygen USA, has launched a data analytics company, Hylis Pharmacy Solutions, to address costs associated with nontransparent pharmacy benefit contracts for self-insured employers.

By analyzing past claims data, Mequon, Wisconsin-based Hylis provides self-insured employers with the actual cost of delivering pharmacy benefits to their employees, looks for reasons the employer may be paying too much and offers recommendations on how to reduce and control group prescription drug benefit costs, according to a company statement.

The firm claims to be able to deliver 15% to 25% savings, Hylis said in the statement.

PBMs administer prescription drug programs for employers and negotiate with pharmacies to achieve better pricing, Hylis said. They also often work to reduce the cost of group prescription drug programs by developing formularies and encouraging the use of generic drugs over brand name pharmaceuticals, Hylis said.

But there is often little transparency in how PBMs make their money, according to the statement.

Hylis will analyze a plan sponsor’s pre-

PRODUCTS & SERVICES

Product protects against patent litigation costs

***** RPX Corp. has launched Volatility Risk Coverage, which provides insurance for companies that have rising patent litigation costs due to nonpracticing entities or patent trolls.

According to RPX, companies have difficulty planning and budgeting for patent litigation, which varies annually in frequency and cost. Volatility Risk Coverage helps with the costs when a company faces a year with increased litigation activity or unexpected jumps in associated costs. “Companies can now inexpensively transfer patent risk to a trusted partner, saving time and distraction,” John A. Amster, CEO and co-founder of RPX, said in a statement.

The product is offered by RPX and insurance brokers such as Crystal and Company, who partner with them, according to an RPX spokeswoman.

Paul E. Scola, senior vice president for RPX Insurance Services, said in the statement: “Our unique position in the patent market, having resolved more than 140 litigations and avoided more than 3,500 for our clients, allows us to understand the size and scope of a company’s potential exposure and how to best mitigate and insure against it.”

scription drug spending for free and will charge a percentage of the realized savings from changes to the pharmacy benefit program, according to the statement.

Hylis said it will monitor data to ensure savings are maintained.

“While the industry is focused on savings, the complexity of the transactions and the lack of transparency make it difficult for plan sponsors to determine whether those savings are being maximized,” Hylis CEO Greg Borca said in the statement. “Hylis Pharmacy Solutions can pull back the veil.”

Employment cover targets international regulation

Marsh L.L.C. has launched Marsh Delta Employment Practices Liability Insurance.

Marsh Delta Employment Practices Liability Insurance was created in response to international and European

employment related regulation, Marsh said in a statement.

The policy is open globally to public and private companies based outside the U.S. Features include coverage for employment-related claims against individuals and the company, investigation costs, mitigation costs and claims of harassment or discrimination, according to the statement.

“Employment practice regulations imply a number of significant risks for companies. ... Marsh Delta EPLI is part of Marsh’s ongoing effort to help clients manage these risk exposures,” John Wylde, claims advocate leader in Marsh’s FINPRO Practice, said in the statement.

North America logistics, transportation unit set

Allianz Global Corporate & Specialty, Allianz S.E.’s specialist corporate insurer, has launched a transportation and logistics unit in North America.

The New York-based operation will offer rail, motor truck cargo, warehouse and related property coverage. It will be part of the Inland Marine division, which serves clients from local haulers and warehouse operations to logistics firms and large international carriers, Allianz Global said in a statement.

The division will be led by Helen Leonard, who will remain inland marine global product leader. Samuel Rizzitelli will be transportation product lead. Previously, Mr. Rizzitelli was vice president/director of inland marine transportation for The Travelers Cos. Inc., according to the statement.

“As a leader in the inland marine space, AGCS understands the spectrum of challenges faced by transportation and logistics companies, and our underwriters and claims professionals will focus on delivering real-time solutions needed to perform in this rapidly growing sector,” Ms. Leonard said in the statement.

MetLife introduces dental insurance product

MetLife Inc. said it will launch its MetLife TakeAlong Dental insurance coverage in 2016.

MetLife TakeAlong Dental allows businesses to provide dental coverage to employees who may not be covered in traditional plans because of administration restrictions or cost. Such employees include part-time or retired workers, MetLife said in a statement.

MetLife TakeAlong Dental has been approved in Georgia, Indiana, Illinois, Louisiana, Michigan, Nevada and West Virginia, MetLife said in the statement.

“With the number of part-time workers and pre-retirees growing in today’s workforce, the need for a voluntary dental solution has never been greater,” Matthew Gallina, New York-based vice president of growth strategies with MetLife, said in the statement. “Employers and brokers who have been unable to find a dental insurance solution to fit the unique needs of their diverse workforce will appreciate TakeAlong Dental.”

DEALS & MOVES

Ryan Specialty Group acquires London managing general agency

Chicago-based Ryan Specialty Group L.L.C. has acquired Hunter George & Partners Ltd.

Terms of the transaction were not disclosed.

Hunter George & Partners is a London-based specialist managing general agent that focuses on mergers and acquisitions insurance.

“Hunter George is a great fit for our portfolio and will significantly broaden our range of high-demand specialty products,” Peter McKenna, who leads RSG’s MGA strategy in EMEA, said in a statement. “With Hunter George we gain exceptional underwriting talent, extensive contacts and an excellent reputation in the M&A segment, with particular emphasis on the E.U. markets.”

Brown & Brown purchases portion of Florida agency

Brown & Brown Inc. has acquired certain assets of insurance counseling firm BenTrust Insurance Group, which provides retail insurance products and services to clients throughout Florida.

Terms of the transaction were not disclosed.

The BenTrust team will remain in its current Miami location as a branch of Brown & Brown.

“This partnership with Brown & Brown is a win for our clients and our employees. BenTrust looks forward to continuing its tradition of providing high-quality, objective-driven service to its customers, but will now do so with the enhanced strength and resources of a large, national organization,” Vince Castro, BenTrust’s chief marketing officer, said in a statement.

Zurich expands political risk operations in Australia

Zurich Insurance Group Ltd. has launched credit and political risk operations in Melbourne, Australia. Zurich’s credit and political risk insurance unit provides trade credit insurance and political risk insurance products for financial institutions, multinational corporations, investors, exporters, contractors and infrastructure developers, Zurich said in a statement. “The threat of political risk to firms has rarely been greater than it is today. Major political change is happening with more frequency and severity, and it is no longer confined to a few regions of the globe,” Jim Thomas, head of the credit and political risk group, said in the statement.

Mutual insurer purchases medical malpractice provider

Norcal Mutual Insurance Co. has signed an agreement to acquire FD Insurance.

FD Insurance is a Jacksonville, Florida-based medical malpractice provider for physicians and surgeons in Florida and Georgia. According to Norcal Mutual, “the boards of each have approved FD’s sale to Norcal of 100% ownership of FD in an all-cash transaction, which is subject to customary closing conditions and regulatory approvals and is expected to close in December 2015.”

FD will remain in Jacksonville and operate under the Norcal brand, Norcal said in a statement.

PUBLIC NOTICES

LEGAL NOTICE

**IN THE CIRCUIT COURT OF COOK COUNTY,
 ILLINOIS COUNTY DEPARTMENT, CHANCERY DIVISION**
IN THE MATTER OF THE LIQUIDATION OF)
LUMBERMENS MUTUAL CASUALTY COMPANY) No. 12 CH 24227

NOTICE

PLEASE TAKE NOTICE, that pursuant to an order entered on November 2, 2015, by the Circuit Court of Cook County, Illinois, the final date by which insureds may submit evidence to the Liquidator of the liquidation by payment of their timely filed contingent claims has been extended from November 10, 2015 to November 10, 2016 at 4:30 p.m. C.S.T. No such contingent claim shall be allowed for purposes of participating in any distribution(s) of estate assets that may be made at the fourth priority level, 215 ILCS 5/205(1)(d), unless such claim has been liquidated by payment and the insured claimant has presented to and filed with the Liquidator evidence of payment of such claim on or before the contingent claim date of November 10, 2016 at 4:30 p.m. C.S.T.

TAKE FURTHER NOTICE, that any insured's contingent claim for which a proof of claim was received by the claim filing deadline of November 10, 2014, at 4:30 p.m. C.S.T., but which is not liquidated by November 10, 2016 at 4:30 p.m. C.S.T. may be estimated pursuant to Section 209(4)(b) of the Code, 215 ILCS 5/209(4)(b) for purposes of participating in any distribution(s) of estate assets that may be made at the fifth priority level, 215 ILCS 5/205(1)(e), unless otherwise directed by the court.

TAKE FURTHER NOTICE, that any insured under an insurance policy issued by the Lumbermens Companies shall have the right to present and file with the Liquidator a proof of claim setting forth a contingent claim on or before November 10, 2014 at 4:30 p.m. C.S.T. No such contingent claim shall be allowed for purposes of participating in any distribution(s) of estate assets that may be made at the fourth priority level, 215 ILCS 5/205(1)(d), unless such claim has been liquidated and the insured claimant has presented to and filed with the Liquidator evidence of payment of such claim on or before the contingent claim date of November 10, 2015 at 4:30 p.m. C.S.T. Any insured's contingent claim for which a proof of claim was received by the claim filing deadline of November 10, 2014, at 4:30 p.m. C.S.T., but which is not liquidated by November 10, 2016 at 4:30 p.m. C.S.T. may be estimated pursuant to Section 209(4)(b) of the Code, 215 ILCS 5/209(4)(b) for purposes of participating in any distribution(s) of estate assets that may be made at the fifth priority level, 215 ILCS 5/205(1)(e), unless otherwise directed by the court.

TAKE FURTHER NOTICE, in order for an insured's evidence of the liquidation by payment of their contingent claim to be considered by the Liquidator, the Liquidator must have physical possession of the evidence on or before November 10, 2016 at 4:30 p.m. C.S.T., or the evidence must have been delivered to the United States Postal service for delivery to the Liquidator and postmarked on or before November 10, 2016 at 4:30 p.m. C.S.T. with full postage pre-paid, or the evidence must have been delivered to a private mail courier, for delivery to the Liquidator, on or before November 10, 2016 at 4:30 p.m. C.S.T. with delivery charges fully paid.

J. Kevin Baldwin
 General Counsel and Director of Receivership Operations

LEGAL NOTICE

IN THE HIGH COURT OF JUSTICE, CHANCERY DIVISION, COMPANIES COURT
Action No: CR-2015-008880

IN THE MATTER OF DOWA INSURANCE COMPANY (EUROPE) LIMITED
AND IN THE MATTER OF THE COMPANIES ACT 2006

SCHEME OF ARRANGEMENT between DOWA INSURANCE COMPANY (EUROPE) LIMITED (Company No. 01235550) and its SCHEME CREDITORS (as defined in the Scheme of Arrangement referred to below)

NOTICE IS HEREBY GIVEN that by an Order dated 17 November 2015 ("the Court Order") in the above matter, the High Court of Justice of England and Wales has directed that a meeting ("the Scheme Meeting") of the Scheme Creditors (as defined in the Scheme) of Dowa Insurance Company (Europe) Limited ("the Company"), be held on **Thursday 28 January 2016** at the offices of FTI Consulting LLP, 200 Aldersgate, Aldersgate Street, London EC1A 4HD commencing at **11am** (London time).

The purpose of the Scheme Meeting will be to consider and, if thought fit, to approve (with or without modification) a scheme of arrangement proposed to be made and binding between the Company and its Scheme Creditors pursuant to Part 26 of the Companies Act 2006.

Scheme Creditors are creditors with a valid claim against the Company in respect of a liability of the Company under or in relation to a reinsurance contract effected or assumed by or on behalf of the Company. The Meeting is called in respect of all actual and potential Scheme Creditors.

All such Scheme Creditors are requested to attend at the place and time referred to above. Scheme Creditors may vote in person at the Scheme Meeting or they may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their place. Voting forms and proxy forms for use at the Scheme Meetings have been sent to all known policyholders and potential Scheme Creditors together with the Notice of the Scheme Meeting.

Downloadable files of the proposed Scheme Document (together with Explanatory Statement and Appendices, including the forms of voting and proxy) and the proposed Court Order are available on the Scheme website: www.pro-global.com/outsourcing/scheme-management/dowa-insurance-company-europe-limited-scheme-under-management. If you require printed copies of these documents, please send your request to **Toby Woolldridge** at PRO Global Insurance Solutions plc, Southgate House, Southgate Street, Gloucester GL1 1UB, United Kingdom. Email: toby.woolldridge@pro-global.com; Tel +44 (0) 20 1452 782 641 and copies will be sent to you free of charge.

It is requested that proxies and voting forms be returned by Post to **DOWA INSURANCE COMPANY (EUROPE) LIMITED**, 5th Floor, 11 Old Jewry, London EC2R 8DU, United Kingdom alternatively by Email (PDF format) for the attention of Celia Stuart at celia.stuart@aioinissaydowa.eu Tel +44 (0) 20 7367 1016, as soon as possible to arrive no later than 4pm (London time) on 26 January 2016 two business days before meeting. A scanned copy sent in Portable Document Format (PDF) by email (address: celia.stuart@aioinissaydowa.eu) will be accepted if legible (and in the case of forms returned by email) if they are received in the mailbox of the addressee and can be opened and printed by the recipient. Scheme Creditors are requested to return their completed proxies and voting forms in advance of the Scheme Meeting, although they may be handed in at the registration desk for the Scheme Meeting, provided that they are received at least one hour prior to the scheduled commencement of the Scheme Meeting.

The Court has directed that **Frank Attwood** of 21 Woodside Road, New Malden, Surrey KT3 3AW or, failing him **Ian Marshall** of FTI Consulting LLP, 200 Aldersgate, Aldersgate Street, London EC1A 4HD be appointed to act as Chairman of the Scheme Meeting and has directed the Chairman to report the result of the Scheme Meeting to the Court. The Court has appointed Mr Gary Wells of the firm of Milliman (actuaries) to act as independent vote valuer for the purposes of reviewing and providing a final determination on the values to be placed on Scheme Claims (as defined in the Scheme) for voting purposes, if agreement cannot be reached with the Chairman.

In the event that the Scheme Creditors vote in favour of the Scheme by the requisite majority, the Scheme will be subject to the subsequent approval of the Court.

Any Scheme Creditor that is unclear about the action he is required to take should contact **Toby Woolldridge** at PRO Global Insurance Solutions plc, Southgate House, Southgate Street, Gloucester GL1 1UB, United Kingdom, Tel +44 (0) 1452 782 641; Email: toby.woolldridge@pro-global.com.

Dated 18 November 2015

CityNet Law, Solicitors, Gallery 4, 12 Leadenhall Street, London EC3V 1LP
 Solicitors for the Company

LEGAL NOTICE

IN THE HIGH COURT OF JUSTICE, CHANCERY DIVISION, COMPANIES COURT
Action No: CR-2015-008882

IN THE MATTER OF A JOINT APPLICATION
BY DOWA INSURANCE COMPANY (EUROPE) LIMITED (Company No 01235550)
AND AIOI NISSAY DOWA INSURANCE COMPANY OF EUROPE LIMITED
(Company No 05046406)
AND IN THE MATTER OF: THE FINANCIAL SERVICES AND MARKETS ACT 2000

NOTICE of joint application pursuant to section 107 (1) of the Financial Services and Markets Act 2000

Transfer of Insurance Business

NOTICE IS HEREBY GIVEN that Aioi Nissay Dowa Insurance Company of Europe Limited ("ANDIE") and Dowa Insurance Company (Europe) Limited ("DICE") jointly applied to the High Court of England and Wales on 17 November 2015, pursuant to section 107 (1) of the Financial Services and Markets Act 2000 ("FSMA"), for an Order sanctioning the transfer to ANDIE of the entirety of the insurance and reinsurance business written, assumed or acquired by DICE and for the subsequent dissolution without winding up of DICE. It is also intended that any reinsurance protections and guarantees attached to the business will also be transferred, pursuant to section 112 of FSMA.

The business to be transferred represents all of DICE's insurance and reinsurance business (all categories) including all the contracts of insurance and reinsurance policies underwritten, assumed or otherwise acquired by DICE. DICE was incorporated on 28 November 1975 under the name of Dowa Insurance Company (U.K.) Limited and is registered with company number 1235550 and FCA registration number 202115. DICE changed its name once with effect from 7 July 1992. For many years DICE operated from a registered office at 9-13 Fenchurch Buildings, London EC3M 5HR. The registered office was changed to its current address at 5th Floor, 11 Old Jewry, London EC2R 8DU with effect from 27 August 2010.

The business to be transferred will include DICE's London Market Reinsurance Business which is the subject of a proposed Scheme of Arrangement under Part 26 Companies Act 2006 in respect of which notice is being given this day that the High Court of Justice of England and Wales has directed that a Scheme Creditors Meeting of DICE be held on 28th day January 2016 at the offices of FTI Consulting LLP, 200 Aldersgate, Aldersgate Street London EC1A 4HD commencing at 11 am (London time) to consider and, if thought fit, to approve (with or without modification) the proposed Scheme of Arrangement with its Scheme Creditors. Whilst the Scheme of Arrangement will be promoted in parallel to the insurance business transfer and it is intended that they will be heard together by the Court, they are not interdependent. DICE's London Market Reinsurance Business will be transferred to ANDIE (assuming the transfer scheme to be sanctioned) whether or not the Scheme of Arrangement is sanctioned.

A Scheme Report on the proposed transfer scheme has been prepared by Mr Derek Newton, a Fellow of the Institute of Actuaries with over 26 years' experience and currently with the firm of actuaries Milliman. The report concludes that no policyholder will be materially adversely affected by the transfer. A copy of the full Scheme Report and a statement setting out the terms of the Transfer Scheme and containing a summary of the Scheme Report can be obtained free of charge from the Aioi web site linked from: www.aioinissaydowa.eu/en/home or, alternatively, from Toby Woolldridge at PRO Global Insurance Solutions plc, Southgate House, Southgate Street, Gloucester GL1 1UB, United Kingdom, toby.woolldridge@pro-global.com

The proposed transfer will secure the continuation by or against ANDIE of any legal proceedings (pending or threatened now or in the future) by or against DICE that relate to the transferred business. All claims currently being dealt with by or on behalf of DICE would, after the proposed transfer, be handled by or on behalf of ANDIE including the administration of the Scheme Claims which are the subject of the proposed Scheme of Arrangement. Future claims arising under the transferred policies would be similarly dealt with by or on behalf of ANDIE.

After the proposed transfer, it is proposed that DICE will be dissolved by and subject to Order of the Court.

A helpline procedure has been established for any questions in connection with the proposals, please contact Celia Stuart, Head of Compliance, T: + 44 (0) 20 7367 1016, E: celia.stuart@aioinissaydowa.eu

Any person who considers that he would be adversely affected by the carrying out of the scheme is entitled to make representations and also to be heard by the Court pursuant to section 110 (b) of the Financial Services and Markets Act 2000.

Written representations to the Company should be made either directly to DICE or ANDIE at their registered office 5th Floor, 11 Old Jewry, London EC2R 8DU (FAO: Managing Director) or to DICE's solicitors named below. Oral representations may be made to the Company via the helpline number given above and will be logged.

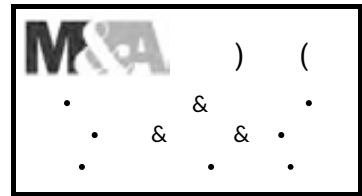
Representations to the Court may be made in writing, by a legal representative with standing to be heard by the Court or by attending in person. Representations sent to DICE or ANDIE or the Solicitors will be communicated to the Court.

The application will be heard at **10.30 am on 16 March 2016** in the Companies Court, Royal Courts of Justice, Strand, London WC2A 2LL.

Dated 18 November 2015

CityNet Law, Solicitors, Gallery 4, 12 Leadenhall Street, London EC3V 1LP
 Solicitors for DICE

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Lloyd's," Steve McGill, group president of Aon, said in a statement.

"Aon Carrier Link for Lloyd's benefits our clients by exporting the underwriting expertise of Lloyd's underwriters directly to our global retail network, while our first Aon Client Treaty strengthens the subscription market in London and further reinforces Lloyd's as a destination for our clients' largest and most complex risks," he said.

Sources said syndicates that are not part of the initiatives were unhappy about the portfolio underwriting facility that effectively will enable a select number of Lloyd's insurers — about six in all — to offer a 20% line to Aon's wholesale clients.

The moves, however, are likely to increase efficiency and reduce costs associated with underwriting subscription market business, sources said.

Nondisclosure agreements prevent participants from revealing details of their involvement, sources said.

The latest Aon facility effort follows Berkshire Hathaway's withdrawal earlier this year from Aon's 7.5% quota share sidecar, according to sources, and Willis Group Holdings P.L.C.'s Global 360 facility, also launched in 2013.

Such facilities drew criticism from some sources who said they represented "blind underwriting" and risked squeezing smaller syndicates off underwriting slips.

RULES CHANGE ALLOWING MULTIYEAR DEALS TO KEEP LLOYD'S COMPETITIVE

Changes that allow Lloyd's of London underwriters to bind multiyear insurance agreements will improve efficiency in the marketplace as well as Lloyd's competitive position.

In the latest stage of a modernization project intended to develop a simpler way to do business in the London market — the target operating model or TOM, Lloyd's recently said syndicates will be allowed to underwrite binding authority contracts for up to 36 months starting Jan. 1, 2016.

Under the terms of binding authority agreements at Lloyd's, a managing agent delegates its authority to a coverholder — a company or partnership — to enter into a contract of insurance with a syndicate managed by that managing agency.

Currently, Lloyd's syndicates are limited to a maximum of 18 months, and most are restricted to 12 months, according to the London Market Group, a cross-market group representing underwriters and brokers in the Lloyd's and London company market aimed at improving London's competitive position.

A recent study by the LMG, "London Matters," found that London was only tracking

growth in commercial insurance and was losing share in the reinsurance market as buyers tended to look to local markets.

Because Lloyd's syndicates have three-year accounting systems, developing a system to allow binding authority to stretch over several years while properly allocating that coverage to the appropriate year has been among challenges in instituting the system, according to the LMG.

The group coordinated a project with Lloyd's market practitioners and legal counsel to create model wordings for multiyear binding authority contracts.

"Our coverholders have told us that the ability to write multiyear binders at Lloyd's will make it easier to do business, and we are delighted to have come up with a process that delivers this requirement," Shirine Khoury-Haq, director of operations at Lloyd's and LMG sponsor for TOM, said in a statement.

Gary Clark, head of programs at Miller Insurance Services L.L.P. in London, said Lloyd's syndicates' inability to write multiyear binding authorities put the market at a competitive disadvantage compared with U.S. and other markets where

longer-term contracts are available.

"I am aware of a number of our businesses that considered the restriction to 12-month contracts as a barrier to doing business with Lloyd's," said Jane Comerford, general manager of the London-based Managing General Agents' Association. "I am sure this decision is both good news for our members, but also may open up new opportunities for syndicates."

The Philadelphia-based American Association of Managing General Agents also welcomed the changes.

"We have been watching the development of the target operating model initiative with great interest, and the delivery of multiyear binders represents a huge step forward in the drive towards making it easier to do business with London," Bernie Heinze, executive director of the AAMGA, said in a statement.

"We look forward to working with Lloyd's on further initiatives examining the various segments of TOM and the benefits they can provide to making delegated binding authority transactions into the market more seamless and expedient," said Roger Ware, president of the AAMGA.

By Sarah Veysey

things we can do without a lot of expense."

All large employers must enact a written process to develop documented individual accommodation plans for disabled employees, including information about the accommodations and how disabled employees can collaborate in developing them, experts say.

For example, an employee with hearing difficulties can request accommodation with a microphone or hearing assistance system.

For current employees with an undisclosed disability, the standard represents an opportunity to seek accommodation, as employers can face major fines for discriminating or retaliating against disabled workers under the accessibility law and Ontario's Human Rights Code.

"There are a lot of protections under the law," said Ellen Waxman, a Toronto-based strategic management consultant, leadership coach and accessibility expert at Ellen Waxman Consulting Inc. "Having said that, people feel they don't want to disclose because they are worried."

Directors and officers should be aware of the requirements because they have a legal duty to ensure their organizations do not violate the law and individuals can be held responsible for violations, particularly if a corporation is in financial distress, said Eric Kay, a Toronto-based partner at Dickinson Wright P.L.L.C.

Given the challenges of tracking every employee to ensure compliance, a D&O policy would be attractive, although some policies may exclude fines, he said.

The fines for noncompliance can be punitive — up to \$100,000 per day for corporations and \$50,000 for an individual, although the violation would have to be "pretty egregious" for the maximum fines to be levied on individuals, he said. "If they're cavalier about it or become repeat offenders, the penalties will start to rise to reflect that they are not taking it seriously."

Manitoba has followed Ontario's lead by passing similar legislation in 2013, with the first of five standards — the customer service accessibility standard — that went into effect Nov. 1.

The momentum already underway may be accelerated due to the Liberal Party of Canada's landslide victory in last month's federal elections, experts say.

"We think it's going to go right across to be Canadawide," Ms. Forsyth said.

LETTERS

Continued from page 12

attract millennials. At a time when unemployment is extremely high, wages are stagnant and stability is scare, the insurance industry needs to step up and say, "We're hiring, we have benefits, and we pay well."

The practice of labeling everyone as a trainee despite their college degree or years of experience in whatever field they came from must stop. A trainee is a term that should be reserved for high school students getting a summer job or an internship. The insurance industry should be hiring professionals. Billboards should read, "Do you want a good job with good benefits where you can support your family and grow your career? Apply here."

We need to highlight the realities of the industry and not pretend to be something we are not. The industry offers stability to its customers as well as to its workforce. The last paragraph of your editorial on catastrophes needs to be applied to the talent crisis.

Jimmy Rumney
Multilines claims adjuster
Catholic Mutual Group
New Orleans

PARIMA

Continued from page 4

In one scenario, for example, an industrial machine manufacturer might send out an update to a customer operating the machine over the Internet. If the update is not received, the machine may malfunction and cause property damage. The operator may say that it did not receive the update, and the manufacturer may say that its own Internet was connection was faulty and failed to deliver the update. "Everybody is going to point fingers at each other and at this moment, because it is such a new exposure, it is not always clear who is liable," he said.

To address these issues, risk managers should engage with their research and development departments before the products are manufactured, he said.

"You as risk managers need to know very quickly what's cooking in the kitchen so that you can interact and play with it right then and there as opposed to being on the reaction side. And the more lead time you give to your brokers and insurers, the better our products can be to help

you out," he said.

Insurance products that specifically address cyber risks are rarely purchased in Asia-Pacific as there are few, if any, laws in Asian countries that specifically address cyber breaches and impose breach response requirements on companies.

Although there is about \$2 billion in cyber risk premium written by insurers worldwide, most of it is written in North America, followed by Europe, said Mark T. Lingafelter, managing director at QBE Asia Pacific in Singapore, a unit of QBE Insurance Group Ltd. Only about \$5 million of QBE's premium comes from cyber risk policies written in Asia, he said.

AIG, which writes about \$200 million in cyber risk premium globally, only writes about \$20 million in Asia, said Mr. Spaan.

Cyber insurance is in its infancy in Australia too, said Jason Disborough, CEO for multinational clients at Aon Risk Solutions in Brisbane, Australia.

Aon places about \$2.3 billion in property/casualty insurance premiums in Australia, but only about \$15 million of that premium is related to cyber insurance, he said.

However, it is a fast-growing

line of business, and company boards in Australia are more frequently directing companies to look into buying cyber insurance coverage.

And risk managers have much more to be concerned about than specific breach-related costs.

Business interruption

Nonphysical damage business interruption risks are major threats to companies, said Peter Hacker, a global advisory executive at Distinction Global, a unit of Cybercrime Research Institute GmbH in Cologne, Germany.

Traditional business interruption policies respond only to disruption caused by physical damages to property. However, hacking incidents can lead to significant disruptions in business, he said.

In relation to cyber risks, "we used to think about privacy, but now we have to think about loss of revenue. The CEO and CFO's major concern is reputation and loss or revenue," Mr. Hacker said.

"Boards are more and more asking about what risk management and insurance can do. They want to know how it's relevant to their needs," he said.

HEALTH PLAN COSTS

Employer-provided health insurance costs increased in 2015 to an average of \$11,635 per participant. The average cost for a health maintenance organization plan was \$11,248; for a preferred provider organization plan, \$11,212; and for a high-deductible plan linked to a health savings account, \$9,228.

Employer size	Cost per employee	% change
All employers	\$11,635	3.8%
Small employers*	\$11,012	5.9%
Large employers**	\$11,973	2.9%

*10-499 employees. **500 or more employees
Source: Mercer L.L.C.



HEALTH

Continued from page 3

require more cost-shifting, there are many more tools available today to help people take care of themselves and to help them shop more effectively for the care that they need.”

Helping to stem health care cost growth, experts say, is the increasing enrollment in high-deductible consumer-directed health plans, which rose to 25% of all health plan types this year compared with 23% last year.

That shift toward consumer-directed plans is “definitely having a dampening impact on the trend,” in part because they cost so much less, said Beth Umland, Mercer’s New York-based director of research for health and benefits.

The medical plan cost per employee enrolled in CDHPs linked to health savings accounts averages \$9,228 versus \$11,212 for preferred provider organization plans and \$11,248 for health maintenance organization plans.

Tamarac, Florida-based City Furniture Inc., which saw a 3.5% increase in group health costs this year, has offered a health reimbursement arrangement plan for years. Now 80% of its 1,300 employees are enrolled, said Janet Wincko, the retailer’s vice president of human resources.

To manage rising health plan costs, City Furniture concentrates on helping workers stretch their HRA dollars further and uses a free on-site medical clinic to do so.

“Most of our employees rely on our clinic,” Ms. Wincko said. “When I talk to our nurse practitioner who runs the clinic, her phone can ring all day long, and it’s people calling her from locations all across the company.”

Such “care extenders” can have a “significant impact because they have a lower cost of care and are good front lines to directing people to the right kind of care and keeping them out of the emergency room,” said Sandy Ageloff, U.S. West leader of Towers Watson & Co.’s health and group benefits practice in Los Angeles.

As HDHP usage grows, sources say they are most effective when paired with tools to help employees navigate the health care system without draining their savings.

“We are entering consumerism 2.0,” Ms. Umland said, as employers offer more tools such as those to compare costs, and care options

that include telemedicine.

For some employers, the focus remains on wellness.

“Ultimately, health costs are going to be lower if your employees are healthier,” said Mike Morrow, Denver-based senior vice president at Aon Hewitt. Though improvements are not immediate, “employers who are investing in long-term programs that help build good habits for their employees are going to have lower costs down the road.”

Cost increases for pharmaceuticals are growing faster than for medical costs, so some employers are putting their focus there to manage spending, Ms. Ageloff said.

“Pharmacy is the component of employee benefit plans that has the highest rate of increase right now,” Ms. Ageloff said of drug costs that today can account for at least 20% to 25% of employers’ total medical spending versus the historical 15%.

While health care costs increased about 6% this year at Chicago-based public relations firm Edelman Inc., prescription drug costs jumped more than 15%, said Laura Pietraszek, the company’s executive vice president of U.S. benefits.

“We’ve tended to be a little more flexible with our drug plan, where now we actually need to put those drug management programs in place,” she said, referring to prior authorization, step therapy and drug quantity management programs.

But even as employers are learning to better curb health care cost growth, benefits experts caution that a 3.8% increase in overall health care spending still trumps inflation rates and wage growth. According to the U.S. Bureau of Labor Statistics, the overall U.S. consumer price index increased 0.2% for the 12 months ending in October, while the CPI for medical care services rose 3.0%. Wages and salaries increased 2.1% for the 12-month period ending in September, BLS data shows.

The gap between general inflation and medical cost increases, along with stagnant wage growth, means the impact of cost-shifting on employees is greater than in previous years, said Dave Ratcliffe, Washington-based principal at Buck Consultants at Xerox.

“Employees are having to face these very large out-of-pocket amounts and contribution increases in a time that the wages aren’t really moving,” he said.

COMP

Continued from page 3

pensation programs, what areas it intends to address and whether added authorities are needed to better ensure ... that the interests of injured workers and taxpayers are protected.”

Democratic presidential candidate Sen. Bernie Sanders, I-Vt.; Rep. Bobby Scott, D-Va.; Sen. Patty Murray, D-Wash.; Rep. Chris Van Hollen, D-Md.; Sen. Ron Wyden, D-Ore.; Rep. Sander Levin, D-Mich.; Sen. Al Franken, D-Minn.; Rep. Frederica S. Wilson, D-Fla.; Sen. Sherrod Brown, D-Ohio; and Rep. Xavier Becerra, D-Calif., all signed the letter.

Workers comp experts say they don’t believe the Labor Department has jurisdiction over state comp programs, though it does oversee some federal programs for injured workers. These include the Longshore and Harbor Workers’ Compensation Act, which covers maritime workers, and Black Lung Benefits Act, which covers coal miners.

Implementing uniform workers comp regulations across states likely would be difficult because it would require buy-in from numerous stakeholder groups, said Pam Ferrandino, New York-based executive vice president and casualty practice leader at Willis North America Inc.

“In a perfect rational world, maybe national standards would make sense,” Ms. Ferrandino said.

“But the reality is there is so much special interest into the process at the state level — whether it’s attorneys, lobbyists, regulators, workers comp boards and maybe even insurance companies — that like workers comp to be managed on a state-by-state basis.”

Cost-prohibitive?

Keith Bateman, vice president of workers compensation at the Chicago-based Property Casualty Insurers Association of America, believes that it would be difficult for the federal government to oversee workers comp programs for each state since it would be costly.

“The federal government has trouble overseeing its own programs, much less the programs of 50 states,” Mr. Bateman said.

He noted that a federal commission was convened back in 1972 to determine a series of recommendations to improve state workers comp programs.

Many states adopted recommendations made by the National Commission on State Workmen’s Compensation Laws, such as mandating employers of all sizes to provide comp insurance and requiring coverage for occupational diseases. But Mr. Bateman believes that the current national political climate would prevent a similar commission from having much impact today.

“That was the sort of the high-water mark of the national standards effort,” he said.

Marsh’s Mr. Flatt said the Pro-

Publica and NPR reports highlighted workers comp cases that raise questions of whether injured workers are being treated fairly. In light of the reports, he believes states might look at reform efforts that would help reduce administrative costs while bolstering benefits.

He pointed to 2012 California reforms as a possible template for state law changes that could happen in light of recent criticism. The California reforms increased benefits for injured workers and cut costs through measures such as independent medical reviews and fee schedules for workers comp-related services.

“I think making attempts to drive out unnecessary costs in the system, while at the same time creating a better way to treat employees or make sure they’re getting the best care, that’s the kind of legislation ideally we’d want to see, and I think we will see it,” Mr. Flatt said.

Ultimately, state legislators may be best equipped to work with employers, insurers and labor unions to determine how best to represent the needs of those stakeholders, said Joe DiGiovanni, senior vice president of state affairs with the American Insurance Association in Washington.

“There’s no reason why reasonable minds shouldn’t be able to sit down and promote something without putting a layer of federal standards over what’s probably best dealt with locally,” Mr. DiGiovanni said.

AVIATION

Continued from page 3

that Russian authorities last week said was indeed brought down Oct. 31 in the Sinai Desert by a homemade bomb, the aviation hull war market suffered losses from the Malaysia Airlines flight MH17 that crashed in July 2014 in the Ukraine as well as the March 2015 crash of a Germanwings GmbH jet in the French Alps that a co-pilot deliberately crashed. Nearly 700 people died in the three crashes, which killed all aboard.

Moscow-based Ingosstrak Insurance Co. insured the Russian jet and Allianz Global Corporate & Specialty S.E., a unit of Allianz S.E., led its reinsurance program. Lloyd’s of London led the Malaysia Airlines and Germanwings hull war coverage.

The insured hull loss for the Russian plane is likely to be about £24 million (\$36.6 million), sources said.

While the hull war market is “feeling the impact” of the recent losses, average rates still will fall during the current renewal period, said Nigel Weyman, CEO of aerospace at JLT Specialty Ltd., a unit of Jardine Lloyd Thompson Group P.L.C. in London.

There may be some hardening in that segment of the market in 2016, he said.

Until the recent losses, the hull war market had about nine years of relatively low losses, said Simon Harker, chairman and CEO of the global aviation and aerospace division practice at Marsh L.L.C. in London.

According to one market source, aviation hull war underwriters attempted to increase rates after the Malaysia Airlines loss, but that lasted only about a month.

There is still ample capacity for aviation hull war business, said Steven Schmidt, senior underwriter of aviation facultative at Munich Reinsurance Co. in Germany.

And although the hull loss will fall on the war market, liability losses likely will be much larger and will fall to the liability market. While significant, the losses likely will “not be market-changing,” Mr. Weyman said.

While average renewal rates are expected to fall about 15%, declines will vary from insurer to insurer, he said. Many well-established “flag carriers” already pay extremely low rates and likely will see smaller decreases than newer fleets that are expanding with new aircraft and may see larger “recalibrations” of their

rates, he said.

While rates continue to decline, underwriters’ margins are becoming extremely squeezed, and it may not be sustainable for some insurers to continue underwriting the business, said John Rooley, head of aerospace at Willis Group Holdings P.L.C. in London.

While overcapacity has been a factor in rate reductions, some underwriters are “beginning to rethink their participation,” Mr. Weyman said.

Though there has not been any significant withdrawal of capacity, aviation underwriters are taking a closer look at buyers with high attritional losses.

Where insurers are trying to “underwrite through the cycle,” buyers with high attritional losses will come under “greater scrutiny,” Mr. Harker said.

And where clients “have a track record of attritional losses such as hard landings or hangar rash,” which are minor accidents, coverage is becoming harder to place, said Mr. Rooley.

But he noted that in some cases where airlines’ loss record is pretty good, underwriters will take the business even at levels that are not hugely profitable to secure a position on a program once the aviation market does turn.



AP PHOTO

A French soldier stands guard at the Eiffel Tower, which was closed after the Paris bombings earlier this month.

PARIS

Continued from page 1

experts say.

“Business travel and human resources departments should rehearse and check their emergency staff location and alert systems in order to inform staff of developments, or to check their status during and after incidents,” said Tim Holt, London-based head of Inform Alert: 24, which is part of Willis Group Holdings P.L.C.’s Special Contingency Risk Ltd. kidnap and ransom specialty unit.

“Based on the national threat assessment for each country, travelers or expatriates may wish to adopt some of the approaches they would apply to hotels, restaurants and local travel in more traditionally exposed countries,” Mr. Holt said. “For example: Are there adequate security guards? Where are the viable exits?” are among questions travelers may want to ask, he said.

While the attacks were deadly and destructive, industry experts anticipate insured losses will be limited.

Since the Nov. 13 attacks at several locations for which the Islamic State group took credit, clients have been reviewing their travel risk management and assessing whether to send employees to Paris, said Rob Walker, a security

analyst at International SOS in London.

“A travel (risk) policy is not set in stone; it needs to adapt as situations change,” Mr. Walker said.

“First of all, we reached out to all of the students that we had studying in France and made sure they were OK and gave them instructions to shelter in place and stay safe,” said Gary Langsdale, risk officer at Pennsylvania State University in State College, Pennsylvania.

After initially just modifying itineraries for trips scheduled for Thanksgiving week, “PSU has exercised its discretion and changed our minds about university-related trips to Paris — we’ve canceled them,” Mr. Langsdale said. “We are also closely scrutinizing group travel to New York and Washington from now through the end of the calendar year based on the perceived increase in threat.”

At East Carolina University, “we did the usual things” in response to news of the Paris attacks, said Tim Wiseman, chief risk officer and assistant vice chancellor of enterprise risk management at the Greenville, North Carolina-based university.

It checked to see whether it has any faculty or students in Paris who could have been affected by the attacks and checked their status, he said. It also checked to see whether it had any French stu-

dents or faculty whose families may have been affected by the attacks or who needed help getting to France. The university didn’t turn up anyone.

In concert with the rest of the University of North Carolina system, the school’s general administration and the State Department, “we’re updating evaluation of proposals for future trips where the threat is increasing,” Mr. Wiseman said.

He said the school’s main source of information is U.S. State Department travel advisories and warnings.

While the attacks occurred outside of business hours, companies must be aware of the rise in so-called “bleisure” travel — employees who are sent on assignment and add days to their trip as vacation, Mr. Walker said.

Though the business portion of an employee’s trip may be over, companies need to be able to contact them if there is an emergency to ensure they are aware of any help that might be available.

Terrorism is just one of the risks travelers face, Mr. Walker said, and employees should educate themselves about the place they are visiting ahead of time and ensure appropriate security is in place.

It is vital that companies communicate effectively with employees in the event of a disaster and make sure that technology is easy to use and not overly intrusive for staff, Mr. Walker said.

If employees do become stranded abroad, a communication schedule should be agreed upon and they should be told of local colleagues or commercial contacts who can help them, he said.

“For U.S. companies, I would pay very close attention to Department of State travel advisories and that would go to the security situation in a particular country,” said Tom Blank, a former acting deputy administrator of the Transportation Security Administration in Washington and now executive vice president of Washington-based consultant Gephardt Government Affairs.

He said any company that needs to send personnel to the Middle

East should consider hiring a security analyst and risk assessment firms.

He said the use of security facilitation firms also should be considered.

“Using such firms means that there will be somebody who will take charge of your personnel when they hit the ground. They’ll transport them, vet their lodging and be responsible for their in-country transportation,” Mr. Blank said.

The French risk managers association, l’AMRAE, last week expressed its condolences to mem-

bers who lost family, friends and colleagues in the attacks.

“The risk manager is at the heart of enterprise resilience. Entrusted with identification of the risks facing the organization, he or she brings their expertise to the management of crises, the security of people and property and the planning for catastrophe scenarios,” AMRAE President Brigitte Bouquot said in a statement.

“We will keep you informed of the actions and information that we put in place. Do not hesitate to let us know your needs and suggestions,” Ms. Bouquot added.

INSURED LOSSES EXPECTED TO BE LIMITED

Insured property losses from the series of terrorist attacks in Paris are not expected to be large and likely will be borne by the government-backed pool, Paris-based Gestion de l’Assurance et de la Reassurance des Risques Attentats et Actes de Terrorisme.

There likely will be contingency losses stemming from sporting matches, concerts and others events cancelled in the wake of the attacks, London market sources said, but the size of the losses was not yet known.

There also likely will be some business interruption and personal accident claims, the size of which also was not yet known, sources said.

Compensation for victims of the attacks — whether or not they are French citizens — will be provided by Le Fonds de Garantie des Victimes des Actes de Terrorismes et d’Autres Infractions, according to the French insurer association, Paris-based Federation Francaise des Societes d’Assurances. The terrorism victim guarantee fund was established in 1986.

While they caused tragic loss of life, the Nov. 13 attacks did not cause widespread

insured property damage, said Richard Halstead, London-based terrorism line underwriter at Hiscox Ltd., which does not have exposure to any terrorism losses in the Paris attacks.

They do, however, underline the understanding that no country is completely safe from terrorism threats, he said.

In a statement, Pool Reinsurance Co. Ltd., the U.K. government-backed terrorism pool, said it had written to the Paris pool to express sympathy and offer support.

“Two weeks ago, terrorism reinsurance pools from around the world met in London to discuss ways of collaborating and learning from each other’s experiences. None of us would have expected to have been faced with such terrible events so soon afterwards,” it said.

“We will continue our efforts to encourage resilience at crowded places in this country” by encouraging underwriters to apply discounted terrorism insurance rates for buyers that comply with a U.K. Home Office protective security improvement program, Pool Re said.

By Sarah Veysey

WILLIS

Continued from page 1

shareholders of record three days before the close of the deal, which initially was announced in June.

Following published reports that Towers Watson lacked enough votes to approve the deal, originally valued at \$18 billion, Towers Watson also delayed a vote on the merger that was to be held last week. Now it will be held Dec. 11, Towers Watson said.

“Under the revised terms, Towers Watson stockholders will realize increased near-term value while maintaining the full long-term benefits of the transaction,

which is expected to create approximately \$4.7 billion in total incremental value by bringing together these two highly complementary businesses,” Towers Watson Chairman and CEO John Haley said in a statement.

However, Chicago-based Towers Watson shareholder Driehaus Capital Management L.L.C., which was among the most vocal critics of the deal, said the one-time dividend should be increased to \$17.72.

“The increased consideration offered to Towers Watson shareholders today is an acknowledgment that the deal’s initial terms were inadequate,” Driehaus said Thursday in an open letter to Towers Watson shareholders. “This is a step in the right direction, but the

offer is still too low and closes neither the valuation gap nor the merger-of-equals price gap. A true merger of equals would dictate a special dividend of \$17.72. In the interests of all involved, we urge Willis Group Holdings to put its best and final offer on the table.”

The agreement as it currently stands calls for Towers Watson to pay Willis a \$60 million breakup fee to defray Willis’ costs should Towers Watson shareholders reject the deal. However, an amendment to the agreement eliminates Willis’ obligation to reimburse Towers Watson up to \$45 million in expenses should Willis shareholders reject the deal.

Market observers said the move making the deal more favorable to

Towers Watson shareholders was not surprising.

“I’m not surprised that they needed to revise the terms,” said Mark Dwelle, an analyst at RBC Capital Markets L.L.C. in Richmond, Virginia. “What is less clear is whether this will be sufficient.”

“Regarding the value, we know Willis’ shareholders should receive a premium associated with its Irish-domiciled tax status (and) Tower’s shareholders, a premium for their deep strength in the benefits space; and both parties should share in synergistic value created in the combined business,” said John Wicher, principal of John Wicher & Associates Inc. in San Francisco, in an email.

“The issue is that ‘fair’ is a rela-

tive term depending on where one is sitting,” he said. “Will a one-time cash dividend of \$10 a share, compared with \$4.87 under the previous offer, be judged as ‘fair’? We’ll see.”

John L. Ward, CEO of Cincinnati Partners L.L.C. in Loveland, Ohio, was a bit more optimistic that the deal will be approved ultimately.

“When this deal was announced, it was well-documented that it appeared to be more favorable for Willis shareholders than Towers Watson” shareholders, he said.

“The revised terms in effect shift \$350 million in value from Willis to Tower Watson,” Mr. Ward said. “I believe with the revised terms, the deal will go through.”

PLUS

Continued from page 6

policy is likely to cover a cyber event so long as there is no cyber exclusion in the policy, said Scott N. Kannry, CEO of Axio Global L.L.C., a cyber security consulting firm.

On the other side of the spectrum, especially in the terrorism market, there are very broadly worded cyber exclusions that can be put on property policies, he said.

But cyber events can cause property damage, said Mr. Kannry. "It's a realistic concern." And the underwriting community is starting to embrace cyber as a peril, he said.

However, "it really raises bigger issues about long-term insurance industry treatment" of risks, he said, asking whether it would be better to exclude them from traditional policies and set up cyber-related policies. That "would be favorable to the insurance industry" because it can track the risk, he said.

But, if a large facility has an incident that results in a "hole in the ground" and there is enough suspicion it was triggered by a cyber incident, the property coverage tower would refuse to cover it, while cyber insurers would demand proof it was caused by a cyber incident. "We've only scratched the surface as an industry as to where (this issue) has to go," he said.

"This is an intersection without any traffic lights," said Darin J. McMullen, a shareholder with law firm Anderson Kill P.C. in Philadelphia, when asked to comment on casualty coverage in a theoretical scenario where people become ill because of a cyber hack.

Meanwhile, when dealing with the cyber risks faced by small and medium-sized businesses,

"one of the big challenges we have to think about" is that these firms direct their limited resources toward making money, and information risk "in a lot of cases is what gets put on the back burner" said Sarah Stephens, a London-based partner with JLT Specialty Ltd.'s financial lines group.

Ways to deal with cyber attacks, which were discussed during a session on responding to cross-border data breaches, include having an incident response plan.

"We all know" cyber attacks are likely to happen late on Friday when "it's not that easy" to pull people together and coordinate, said Max Perkins, London-based senior vice president of

"We all know" cyber attacks are likely to happen late on Friday when "it's not that easy" to pull people together and coordinate.

Max Perkins,
Lockton Cos. L.L.P.

global professional risk solutions for Lockton Cos. L.L.P. "One can't preach enough about practicing a response plan in real-life situations," he said.

Incident response plans should not be too prescriptive, though, said Theodore J. Kobus III, a partner with Baker & Hostetler L.L.P. in New York. Having a script to read from "is a huge mistake," he said. "You need flexibility during a response, and painting yourself into a corner is really the worst thing you can do."

More than 1,800 people attended this year's PLUS conference. Next year's conference is scheduled for Nov. 9-11 in Chicago.

IRMI

Continued from page 6

coverage, according to a January report by Hartford, Wisconsin-based law firm Matthiesen, Wickert & Lehrer S.C.

Shifting to wrap-up coverage — commercial liability policies designed to protect the developer, general contractor and subcontractors for specific projects — could be an option, because they provide certainty of coverage for a prescribed period of time for the sponsors and do not rely on the subcontractor's insurance policy, Mr. Campo said.

The construction industry also lost much of its talented labor pool during the recession, and these workers have not returned, which is creating challenges as new construction starts in the United

States increase post-recession and unskilled workers raise the possibility of more frequent injury.

"I would submit that it's not a risk — that it may actually meet the definition of a hazard," Mr. Campo said.

Gary Kaplan, president-construction and managing director XL Catlin in Chicago, said it will be critical for the construction industry to take advantage of the expertise of its aging workforce, with some contractors taking older employees out of the field to teach younger employees, which has the added benefit of removing older employees from hazardous environments, he said.

Cyber risk is still developing for the construction industry, but contractors possess a significant amount of information that needs to be protected and should consider cyber coverage, experts said.

"Basically, the uptake was pret-

ty low," Mr. Kaplan said. "Now we're seeing there's not enough time for people on the cyber side to take in all the submissions. If you haven't worked with your broker yet to try to address the cyber issue, you need to get in line quickly because it's starting to really take off. We will eventually figure out what it should cost."

The development of cyber risk is similar to the trajectory of employment practices liability, a product that had low uptake until claims began to emerge and people realized the extent of the exposure. It became "a part of everybody's standard program," said IRMI President and CEO Jack Gibson.

"Nobody's infallible, particularly when you have the Russians and the Chinese and every crook around in those countries and outside of them trying to penetrate all our systems constantly," he said.

BERMUDA

Continued from page 6

class?" said Andre Perez, founder and CEO of Horseshoe Group, Hamilton, Bermuda.

"Part of the growing up is going to have to come up with effective corporate governance, an acceptable framework or at least acceptable standards of what valuation should be," said Mr. Perez. "There's not one universal answer, but this is something I believe is the only way we're going to get the legitimate label of a real asset class."

"It's pretty impressive to see all of the development over the last few years," said Phil Kane, director of global transaction banking at Deutsche Bank in London. "The credibility that's now attached to the catastrophe modelers — there's nothing like it in any of the other insurance spaces, where the confidence that the industry

has and investors have in the modelers is truly spectacular."

Growth and expansion in the sector will likely come from risks that can be modeled.

"A lot of the money coming in right now is on the model-based side, the property/catastrophe, short-tail risk side," said Gary Martucci, director with Standard & Poor's Ratings Services in New York.

"Catastrophe models actually do a very good job of quantifying risk," said Lixin Zeng, CEO of AlphaCat Managers Ltd. in Pembroke, Bermuda.

Mr. Martucci, Mr. Zeng and others discussed alternative capital sector growth at the 2015 Standard & Poor's/PricewaterhouseCoopers Bermuda Reinsurance Conference, Reinsurance Reshaped, in Hamilton Nov. 10.

Geographical diversity among investors will bolster sector growth.

"You do have some more investors coming in — I think it's

broadening geographically," said John Seo, managing principal, Fermat Capital Management L.L.C., Westport, Connecticut, who added that he has clients on every continent.

Mr. Seo cited Asia, Australia and New Zealand as examples of where investor interest is rising.

"They all have invested in the asset class for years, but I think you'll see more from them," said Mr. Seo.

Geographical diversification of perils will also help the sector grow.

"I expect that we'll be looking for other diversifying perils in other regions of the world, because the modelers do have models that cover earthquakes in Chile and typhoons in the Pacific," said Mr. Martucci.

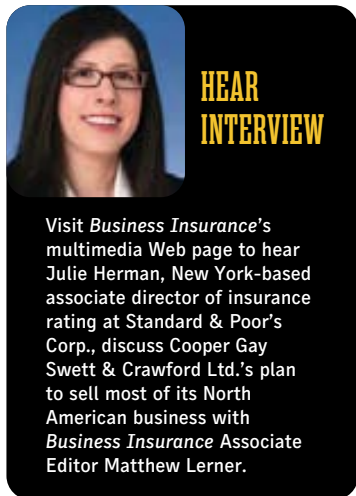
Due to the maturation of the market, "we have a far more sophisticated end investor now," said Craig Wenzel, senior vice president, capital markets, for XL Group P.L.C. in New York.

CGSC

Continued from page 1

"Selling your most valuable asset makes sense if it improves the balance sheet to the point that the entire enterprise will survive," said Timothy J. Cunningham, managing director at Chicago-based investment banking and consulting firm Optis Partners L.L.C. "You might be selling the jewel in the crown, but better to sell the jewel and survive as an entity than let the whole ship go down."

"Clearly, this is a big move for them because the North American business is their moneymaker," said Julie Herman, New York-based associate director of insurance rating at Standard & Poor's Corp. "The North American division is the one that probably has the most value in ... terms of the market valuation it could get."



Visit *Business Insurance's* multimedia Web page to hear Julie Herman, New York-based associate director of insurance rating at Standard & Poor's Corp., discuss Cooper Gay Swett & Crawford Ltd.'s plan to sell most of its North American business with *Business Insurance* Associate Editor Matthew Lerner.

"There's plenty of buyers out there, and it's one way to raise cash," said Gretchen Roetzer, director and group operations head at Fitch Ratings Inc. in Chicago.

Ms. Roetzer and Ms. Herman said the appetite for U.S. acquisitions has been strong.

"Firms are trading at record-high

multiples, and there are plentiful, likely private equity-backed ventures," said Mr. Cunningham. "You've got a well-capitalized stable of potential buyers, and record-high valuation multiples, so you kind of be opportunistic and take advantage of that right now."

"Tangentially, part of the well-capitalized buy-side group is also impacted by relatively inexpensive debt capital, and interest rates are only going to creep up if the Federal Reserve does something the next time they meet," said Mr. Cunningham. "Debt capital is very plentiful and fairly inexpensive."

"The cost of debt is still historically low," said Ms. Roetzer.

"A sale would facilitate paying down a chunk of the debt and leave the residual with a better chance" to survive and thrive, said Eamonn Flanagan, head of the Liverpool office for Shore Capital Group Ltd. "This sounds like the company putting a positive gloss

on a very tricky situation. However, it is correct in saying that a breakup is the best option for survival given the debt," said Mr. Flanagan.

"If the company uses the proceeds of the sale to reduce or eliminate company debt, you largely fix the leverage overhang, and I think that will free up the company focus to better attract producers and new business," said Ms. Herman.

"This sale will substantially shrink Cooper Gay and allow the company to pay off most or all of its debt," said Bruce Ballentine, vice president and senior credit officer at Moody's Investors Service Inc. in New York. "We believe their goal is to go forward with an international operation with little or no debt."

Both S&P and Moody's said they will review Cooper Gay's credit rating for potential revisions depending on the outcome of the

sale process, something Cooper Gay said it welcomes.

"We have a very open dialogue with the rating agencies and were happy to see the recent comments from S&P and Moody's responding to our proposed sale of the group's North American business," Phil Rock, Cooper Gay's London-based chief financial officer, said in an email. "S&P's decision to place us on CreditWatch developing from a negative outlook is welcome, as is their acknowledgment that they would consider raising the rating if the company's credit profile shows material improvement resulting from the proceeds from a potential transaction going toward material debt repayment — which is our expectation."

"Moody's confirms our own view that a favorable sale would allow CGSC to repay most or all of its facilities, and they would expect to withdraw ratings after that event," he said.



Bus may be ride to better health

Employers might consider asking workers to drop their car keys and lock up their bikes in exchange for a bus pass and better health.

Japanese researchers found that public transportation commuters were less likely than drivers, bikers and walkers to be overweight, have high blood pressure and have diabetes.

While people who took public transportation were 44% less likely to be overweight, 27% less likely to have high blood pressure and 34% less likely to have diabetes, “it is unclear whether these risk factors for heart disease and stroke are affected by how you get to work,” the American Heart Association Inc. said in a statement.

According to researchers, public transportation commuters might actually walk farther to and from train or bus stations than walkers and bikers do while traveling to and from work.

Study participants included 5,908 Japanese adults who answered questions about how they got to work in 2012.

Old-school ID thief caught after spree

Catch him if you can — and for a while they couldn’t. Queens County, New York, District Attorney Richard Brown announced the arrest of a homeless man who allegedly stole the identities of more than 20 workers comp claimants and used that information to make online purchases and reserve hotel rooms.

Rafal Bogun, 33, was working for a temporary staffing company between February 2013 and July 2013, during which time he was assigned to an unidentified workers comp law firm, according to a statement issued by the district attorney’s office last week. Mr. Bogun had access to the personal information of hundreds of individuals and used the information of more than 20 people with pending workers comp claims to open online credit cards, according to the statement.

The attorney general compared Mr. Bogun’s alleged schemes to the plot of the 2002 movie “Catch Me If You Can,” which itself was based on the old-fashioned capers of Frank Abagnale Jr., who successfully performed cons by posing as an airline pilot, a doctor and a prosecutor in the 1960s and forging checks valued at \$2.5 million.



MASCOT FLAGGED FOR UNNECESSARY ROUGHNESS



AP PHOTO

Sparky the Sun Devil reportedly jumped on the back of a football spectator two months after the man underwent back surgery.

Arizona State University reportedly could pay a devil of a settlement to a former Arizona lawmaker after the school’s mascot injured the man’s back during a football game. Sparky the Sun Devil reportedly jumped on the back of David Schapira, who was standing on the school’s sidelines in Tempe, Arizona, during a football game against the University of New Mexico in September, according to the Arizona Republic newspaper.

Mr. Schapira, who served in the Arizona Senate from 2011 to 2013, said on his Twitter account in September that the incident happened two months after he underwent back surgery. A meme posted to his account says he felt a “pop” in his back during the incident, and he told the mascot to “get off” of him.

Mr. Schapira went to a local emergency room soon after Sparky jumped on him, he said via Twitter. Pictures of the accident tweeted by Mr. Schapira show Sparky consoling him while he was doubled over in pain.

The Republic says Mr. Schapira suffered a muscle tear that could take up to six months to heal. He is now reportedly seeking about \$120,000 in damages from Arizona State in relation to the accident.

“There has been no contention behind the scenes whatsoever. They’ve been extremely helpful,” Mr. Schapira told the Republic about Arizona State’s cooperation in his recovery.

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Grandkids emerge as retirement risk

Grandchildren, once thought to be harmless, have emerged as a potentially devastating threat to pension plans everywhere, a new study found.

According to the study by financial services firm LV=, 2.4 million grandparents in the United Kingdom have helped their grandchildren financially by taking funds from their pensions or plan to in the future.



A quarter of U.K. grandparents who have already given money to their grandchildren have taken the funds from their pension, while 16% plan to once they reach retirement age.

By dipping into the pension, savings and wages, the average grandparent has given £1,633 (\$2,458) to grandchildren and plans to give away £2,938 (\$4,421) more in the future.

Twenty-one percent of charitable grandparents use their pension funds to help grandchildren with housing payments, 20% fund university fees, 17% pay for cars, 21% help out with bills and 19% pay for grandchildren’s hobbies, according to the study.

“With one in five (grandparents) using their pension to help out, it’s important these kind individuals plan for their retirement and have enough money left for themselves, as well as the flexibility to access it, as even smaller outgoings like bills can become harder to meet later in life,” John Perks, managing director of retirement solutions at LV=, said in the statement.



AP PHOTO

The 2015 Rolls-Royce Ghost

Rolls-Royce recall could be a record

From faulty ignition switches to injury-causing air bags and everything in between, it seems that no carmaker has been immune to the rash of recalls.

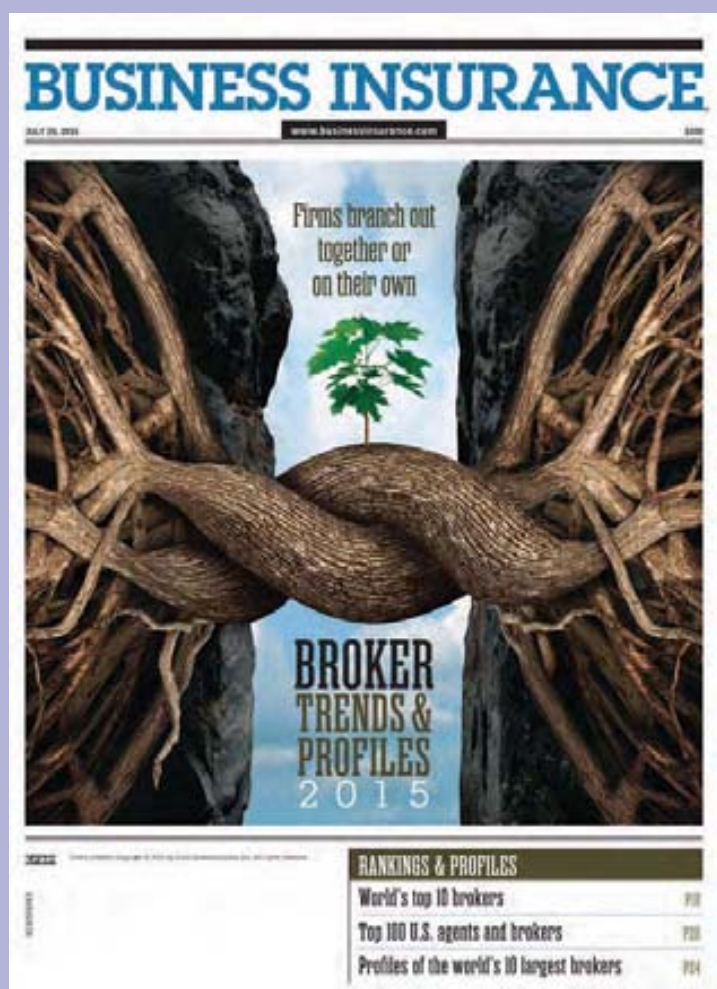
And now, even iconic luxury brand Rolls-Royce has joined the hoi polloi with its recall of a car. Just *one*.

According to media reports, Rolls’ parent company BMW of America L.L.C. and the National Highway Transportation Safety Administration issued the notice to recall a 2015 Rolls-Royce Ghost, with a base price of \$289,000 the automaker’s entry level car, built on Jan. 23, 2014.

“The affected vehicle has thorax air bags fitted to both front seats that may fail to meet the side-impact performance requirements for the front seat occupants,” according to the agency’s notice.

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