

**Internal probe at ERC
finds bid rigging / 3**

**TRIA extension bid
faces obstacles / 3**

Business Insurance

www.businessinsurance.com

November 29, 2004

Entire contents copyright © 2004 by Crain Communications Inc. All rights reserved.

\$5

Marsh's pain is rivals' gain

Several execs join competitors in wake of Spitzer charges

By **DOUGLAS MCLEOD**

NEW YORK—New York Attorney General Eliot Spitzer's fraud and antitrust charges against Marsh Inc. are prompting a wave of staff defections and job-hunting efforts by Marsh employees, brokerage sources report.

Several regional Marsh executives have jumped to rival brokers since Mr. Spitzer filed his suit Oct. 14, and many more are testing the job market, competitors say.

"The number of resumes and the number of calls we're getting is unbelievable," said an official of one competing broker who asked not to be named. "We are not soliciting these people. They're coming at us

fast and furious with resumes."

Some of these new hires have noncompete agreements, but the effect of the agreements may be limited in their new roles, some brokers contend.

Willis Group Holdings Ltd. last week announced that it has hired Arlene Corsetti, a 21-year Marsh veteran who had been a managing director and head of Marsh's Midwest operations, overseeing 17 Marsh offices in 10 states. At Willis, she has been named an executive vp and San Francisco-based regional executive officer of Willis' Western region. She will also serve as North American health care practice leader.

Ms. Corsetti had a noncompete

agreement with Marsh, but it applies to the recruitment of clients and co-workers in the Midwest region, according to a Willis spokesman.

Earlier this month, Willis hired Brian Morgan as chief executive officer of its Nashville office. Mr. Morgan had been with Marsh for 10 years, most recently helping to develop the broker's marketing efforts in Tennessee, Arkansas and Mississippi, Willis reported.

Willis has since hired three of Mr. Morgan's former Memphis-based Marsh colleagues, and the new hires will help Willis start up a new Memphis office, the Willis spokesman said.

See **MARSH**/page 27



Ms. Corsetti

Late News

Judge OKs MRM suit against Hancock

Mutual Risk Management Ltd. will pursue claims against John Hancock Life Insurance Co. related to workers compensation carve-out business after a federal judge denied Hancock's motion to dismiss an MRM lawsuit. U.S. District Judge Norma L. Shapiro in Philadelphia recently rejected Hancock's argument that the suit should be dismissed on statute-of-limitations grounds. In



June, Judge Shapiro denied another Hancock motion to dismiss the case on a variety of other grounds. Bermuda-based MRM sued the insurer in January for tortious interference with its business relationships. MRM charges that Hancock's refusal to pay workers comp reinsurance claims to MRM's Legion Insurance Co. unit caused MRM to default on its bank debt and forced MRM to reorganize its operations. A Pennsylvania court ordered Legion and a sister company, Villanova Insurance Co., into liquidation last year. A Hancock spokesperson could not be reached.

New York department delays Marsh hearing

The New York Insurance Department postponed a scheduled Nov. 24 hearing on alleged fraud and antitrust violations by Marsh Inc. until Jan. 18, 2005, citing the ongoing investigation by New York Attorney General Eliot Spitzer and New York department regulators. The department cited Marsh for possible violations of state insurance law after Mr. Spitzer filed suit against the brokerage Oct. 14.

401(k)s lagged DB plans in last bear market

Rates of return for traditional defined benefit pension plans outpaced those for employee-directed 401(k) plans in 2000 through 2002, the nation's most recent bear market, a study concludes. The trend for those years marked a reverse from the prior three years, when 401(k)

See **LATE NEWS**/page 27

Buyers see conflict; many brokers don't

Views differ on contingent pay

By **MARK A. HOFMANN**

Three-quarters of insurance buyers view bonus or loyalty compensation paid by insurers to brokers or agents for volumes of business placed with them as a conflict of interest, according to a survey released today.

But despite recent controversy over broker compensation and the consequent decision of some major brokerages to discontinue accepting contingent commissions from insurers, the majority of the broker and agent respondents did not share buyers' views, according to the survey, which was conducted jointly by *Business Insurance* and The Na-

tional Alliance Research Academy. In fact, 62% of the broker and agent respondents disagreed or strongly disagreed that accepting such commissions represented a conflict of interest that "can adversely affect the choice of insurers for the insurance customer," according to the survey.

The compensation crisis, which has been growing since New York Attorney General Eliot Spitzer sued Marsh & McLennan Cos. Inc. over alleged bid rigging and self-dealing, has led to calls for greater disclosure of the sources of broker compensation. A majority of the buyers for commercial entities that re-

See **SURVEY**/page 26

AIG offers to pay \$126 million to settle probes

By **GAVIN SOUTER**

NEW YORK—American International Group Inc. plans to pay \$126 million in penalties and disgorgement payments to settle charges by regulators and prosecutors over financial transactions between AIG units and PNC Financial Services and Brightpoint Inc.

Under the proposed settlement, which was announced last week, AIG would pay an \$80 million penalty to the U.S. Department of Justice over the PNC and Brightpoint transactions and \$46 million into a Securities and Exchange Commission disgorgement fund related to the PNC deals. New York-

based AIG will not admit to any wrongdoing under the settlement.

In addition to the financial settlement, AIG will agree to the appointment of an independent consultant to review certain transactions from between 2000 and 2004 to determine whether they were used to violate accounting rules or to manipulate financial results. AIG will also establish a "transaction review committee," the New York-based insurer said in a statement.

AIG had previously announced that units of the insurer were the subject of investigations by the SEC and the Department of Justice. Those probes were examining cer-

See **AIG**/page 27

Spotlight report

2004 BEST OF THE WEB

Begins on page 10



Internal probe at ERC finds some bid rigging

By DOUGLAS MCLEOD

KANSAS CITY, Mo.—An internal investigation by Employers Reinsurance Corp. has found several cases in which two ERC employees agreed with Marsh Inc. employees to rig bids on excess workers compensation insurance placements, ERC disclosed.

In about 10 cases over the last four years, underwriters at ERC, a unit of GE Insurance Solutions, submitted excess workers comp quotes to Marsh and were asked by Marsh executives to resubmit higher quotes, an ERC spokesman said. The ERC underwriters provided the higher quotes knowing that Marsh would not award it the business,

the spokesman said.

One of the employees involved in the incidents left ERC three years ago, while another has been suspended since the investigation started, the spokesman said. Premiums quoted in all 10 incidents combined amounted to less than \$1 million, he said.

ERC, which received a subpoena from New York Attorney General Eliot Spitzer last week, has provided the results of its investigation to Mr. Spitzer and to the Missouri Insurance Department, according to the spokesman, who said the internal investigation is continuing.

"This is a violation of our integrity policy," the spokesman said of the bid-rigging incidents, which he

described as "isolated."

Mr. Spitzer sued Marsh last month, charging the broker with steering clients to insurers paying it the highest contingent commissions and soliciting inflated quotes to rig placements in favor of insurers it selected. Several insurers agreed to participate in the alleged scheme knowing that they would win a share of Marsh's business for their cooperation, Mr. Spitzer charged.

Among those his suit cited as participating in the bid-rigging schemes were American International Group Inc., ACE Ltd., Hartford Financial Services Group Inc. and Munich-American RiskPartners.

16th Annual Executive Conference for the Property/Casualty Industry

TRIA extension efforts face key obstacles: Execs

By GLORIA GONZALEZ

NEW YORK—The Terrorism Risk Insurance Act must be extended, because the insurance industry alone can not bear the cost of another major terrorist attack on U.S. soil, according to insurance executives.

The extension of TRIA, though, will require the insurance industry to overcome several obstacles. These include the perception on the part of some lawmakers that TRIA is a "handout" as well as the damage to the industry's reputation caused by the controversy over contingent commission arrangements, two prominent insurer executives said during the 16th Annual Executive Conference for the Property/Casualty Industry, held Nov. 18-19

in New York.

TRIA, which was enacted in late 2002 and is set to expire Dec. 31, 2005, creates a federal backstop for insurers facing losses from future catastrophic terrorist events. It was designed to both restore stability to the property/casualty market, which was severely shaken by the terrorist attacks of Sept. 11, 2001, and to give insurers time to develop a private market for terrorism coverage.

Executive conference coverage continues on page 22

While the private insurance industry has made some progress in meeting such goals, extending TRIA is critical because the industry alone could not absorb the projected losses related to another major terrorist attack, such as the detonation of a suitcase-carried nuclear bomb in downtown New York, said Ramani Ayer, chairman and chief executive officer of the Hartford Financial Services Group Inc. in Hartford, Conn.

"It's clear by now that the private insurance market, by itself, cannot fully accommodate the risks arising from catastrophic terrorism," Mr. Ayer said.

"Extending TRIA and creating a long-term, public-private backstop is a necessary part of any sensible approach toward minimizing the

See TRIA/page 22



More employers are seeing value in sponsoring in events that are entertaining but not insulting for their employees.

'Clean' comics offer offense-free entertainment at company events

By RUPAL PAREKH

As year end approaches and employers gear up for annual holiday parties, some companies are taking extra measures to ensure that the events are causes of celebration rather than regret.

Human resources directors and event planners who organize these events must cater to diverse audiences of varying age groups and backgrounds, which can make particularly tricky the task of hiring entertainment.

In the wake of mounting employment practices liability claims in recent years, businesses looking to avoid discrimination and harassment charges—

and the pricey litigation that sometimes follows—can find some protection, though, in the form of a growing breed of corporate entertainment providers offering strictly inoffensive entertainment.

John Hakel, vp of government relations for the 1,450-member Los Angeles branch of the Associated General Contractors of America, knows the value of putting on an employee event that is amusing but not insulting. He still recalls wriggling in his seat uncomfortably through entertainment he helped stage years ago.

"Most contractors are fairly conservative," explained Mr. See ENTERTAINMENT/page 6

Inside Business Insurance

Good performance seen despite hurricanes

Although the property/casualty market has probably peaked, insurers are likely to continue to report strong results this year. **Page 4**

Chinese jet crash insured at Lloyd's

Underwriters at Lloyd's of London led the \$24 million hull coverage of a fatal accident in China. **Page 4**

Buyers and brokers need to have a talk

A poll shows that risk managers and brokers are far apart on some key topics, one of this week's editorials points out. **Page 8**

U.K. risk managers facing tough job in 2005

Industry probes and market changes are among the challenges facing U.K. risk managers. **Page 21**



U.K. to mull changes to corporate killing law

Queen Elizabeth II, speaking to Parliament, has outlined proposed changes to liability for fatal accidents. **Page 21**

Online

• *Business Insurance* has compiled past *BI* articles and other resources on the **insurance industry compensation crisis**.

• Searchable **directories** provide access to all the listings of industry vendors found in *BI's* Market Sourcebook.

• New **Opinion Poll** for readers: Would a federal insurance regulatory system benefit insurance buyers?

Departments

Advertiser Index	26
Between the Lines	20
Business Resources	20
International	21
Letters	8
Opinions	8
Products & Services	19
Professional MarketPlace	22
Ticker	27
World Updates	21

REPORTING ON CORPORATE RISK AND EMPLOYEE BENEFIT MANAGEMENT NEWS

Good performance reported despite storms

BI survey finds profits up 70.7%, combined ratio at 98.9%

By JUDY GREENWALD

Although the commercial property/casualty market probably peaked earlier this year and rates continue to soften, insurers are likely to continue reporting strong results this year.

Even a challenging third quarter—in which four major hurricanes struck Florida and Eliot Spitzer brewed a storm of his own—and the prospect of year-end reserve additions are not expected to derail insurers' favorable results for the

year, analysts say.

Through Sept. 30, the 14 major property/casualty insurers surveyed by *Business Insurance* reported a 70.7% increase in net income to

P/C Insurers Nine-month RESULTS

\$14.08 billion for the first nine months of the year, compared with the year-earlier period.

The quarter "was highlighted by hurricanes, and then it seemed like it was dealing with regulators rather than what was going on in the underwriting cycle. But the results, stripping out all of the catastrophes, actually were pretty good in the quarter," said Gary Ransom, managing director at Fox-Pitt, Kelton Inc. in Hartford, Conn. "They were generally running at the same kinds

See RESULTS/page 25



Four hurricanes and an ongoing probe of insurance industry practices led by New York Attorney General Eliot Spitzer were significant developments for insurers in this year's third quarter.



A commuter plane crash in Inner Mongolia claimed 53 lives.

Lloyd's leads coverage for crashed Chinese jet

BAOTOU, China—A Chinese passenger jet that crashed last week in Northern China was insured for \$24 million, with coverage led at Lloyd's of London.

The China Eastern Airlines Corp. Ltd. Bombardier CRJ-200, which was en route from Baotou, China, to Shanghai, caught fire and crashed shortly after takeoff on Nov. 21. There were no survivors among the 53 passengers and crew, and the crash also killed one person on the ground.

The Chinese government has grounded all aircraft of the same model while the cause of the crash is being investigated.

Coverage for Shanghai-based CEA is placed jointly with several other airlines on a Civil Aviation Administration of China hull and liability program that renews on Dec. 1. The program, currently led by Lloyd's of London insurer Amlin P.L.C., values the hull at up to \$24 million.

—By Peta Miller

14th World Captive Forum

Feasibility study of captive use for benefits reaps own reward

By PAUL WINSTON

AVENTURA, Fla.—While using a captive to fund benefit programs is not for everyone, employers say that the process of evaluating such an approach itself can be beneficial.

Using captives to fund employee benefit plans can offer employers a variety of advantages, they say, from favorable tax treatment of captive premiums to lower benefit costs, better coordination of benefit programs and closer ties between benefit managers and risk managers.

Yet despite identifying such positives, not all employers will choose to use a captive, according to a panel discussion on employer opportunities and challenges during the 14th World Captive Forum in Aventura, Fla., earlier this month.

After a lengthy analysis, Corning Inc. concluded that the advantages of using a captive to fund various benefit programs would be limited, said Deborah G. Lauper, director of compensation, integrated health and employee benefits for the Corning, N.Y.-based technology company.

The idea was first suggested by Corning's risk manager, she said.

Eager to explore any potential for greater cost efficiencies, she agreed to collaborate with the risk manager on the project. They formed a multidisciplinary team from various areas of the company, including benefits, risk management, tax, accounting, treasury and legal.

"The assumption was that a lot of money was being spent on benefits in an inefficient manner," she said. But an analysis showed that was not necessarily the case.

"We decided we would achieve some small savings in some programs," particularly group life and multinational pooling, she said. But for other benefit plans, the advantages of using a captive were slight, she added.

Once the focus narrowed, "we determined that potential savings would be offset by costs. We decided to put it on a back burner and re-evaluate annually," Ms. Lauper said of Corning's decision.

Sun Microsystems Inc. also has been studying the concept and is coming to an opposite conclusion.

It first considered the approach in 2002 for international benefit programs but "didn't see much upside," said Suzanne L. Gallie, global risk manager, corporate risk management for Sun in Broomfield, Colo. In 2003, the company again picked up the proposal, this time for domestic benefit programs, and felt that it would qualify for the Department of Labor's fast-track approval process. "We then started talking to HR and exploring the benefits to Sun of such an approach," she said.

"In the HR world, costs are constantly increasing and there's only so much you can do to keep them down, so the timing of risk management's proposal was excellent," said Anne Duggan, benefit program manager for Sun in Santa Clara, Calif.

"We at least wanted to break even, so we undertook a feasibility study" in early 2004 to weigh the costs and benefits of funding benefits through a captive, said Ms. Gallie, who noted that it is close to concluding its feasibility study.

See BENEFITS/page 23

World Captive Forum coverage continues on page 23

14th World Captive Forum

Leverage not only advantage captives offer buyers

By JERRY GEISEL

AVENTURA, Fla.—Just establishing a captive insurance company can generate premium savings, but in a different way from what one might expect, according to a veteran risk manager.

When commercial insurers learn that an employer intends to use a captive to fund a risk they previously had been insuring, their premium pricing strategies can change dramatically, said Sheila Small, assistant treasurer-risk management

and insurance at Verizon Communications Inc. in New York.

Speaking earlier this month at the 14th World Captive Forum in Aventura, Fla., Ms. Small recounted an example that illustrates the power an employer's captive insurance program can wield over insurers.

Two years ago, Verizon's underwriters on an errors and omissions patent infringement policy told Ms. Small that they intended to significantly increase premiums. So Ms. Small convinced Verizon's top management to fund more of the

risk through one of the company's captives. She then informed Verizon's broker of the decision.

When the insurer's underwriters heard the plan, they "almost fell off their chairs," Ms. Small recalled. Not giving up, the underwriters sent in new, lower quotes, which did not sway Ms. Small.

Ms. Small told them, "I'm not buying it," which was also the position of Verizon's top management. Still, when the insurers persisted, Ms. Small relented and said, "This is what I am willing to pay" for the

coverage.

In a huge turnaround from their initial position, the underwriters accepted the premium Ms. Small was willing to pay.

"It shows what power you have" if you can present an alternative market potential to the carrier, Ms. Small said.

In fact, Verizon uses its two captives—both of which rank among the largest single-parent captives domiciled in Vermont, to fund a wide variety of risks.

"We do more than plain-vanilla

stuff," said Ms. Small, whose captive and risk management accomplishments were recognized in 2003 when she was named Risk Manager of the Year in *Business Insurance's* annual competition.

Indeed, Ms. Small describes captives as a vital risk management tool, which, in the case of Verizon, has accomplished numerous objectives, including reducing coverage costs, offering direct access to the reinsurance market, providing coverage for risks that are sometimes

See CAPTIVE/page 23

Entertainment: Offensive comedy no laughing matter

Continued from page 3

Hakel, and "this comedian got up there, and within the first minute and a half, he had offended just about every person in the room."

Despite taking swift action to send members an apology letter and mitigate any potential complaints, Mr. Hakel said that event "has stuck" in the association's history. Now the association is careful that hired talent never "defames a person, nationality or religion to get a laugh," he said. "Maybe we're overcautious now, but we'd rather be overcautious than anything else."

For the past seven years, Mr. Hakel's group has avoided a repeat event by working with La Mirada, Calif.-based Clean Comedians.

Adam Christing, president of the comedy group, said there is a reason companies seek out comedic acts to entertain their employees; "laughing relieves tension and rejuvenates," he said. But when it comes to humor, Mr. Christing is also aware that problems can arise.

"We get these horror stories from

people who say, 'Last year we brought in this guy and we thought he'd be great...but suddenly we found ourselves in trouble.'"

"Most corporate groups can't take the risk of bringing in the comedy club act," he said. "If you go into a comedy club, literally 50% of the routine is sex jokes." In contrast, since Clean Comedians began in 1990, the troupe has had a policy

'In the corporate world, comedy not only raises red flags, it raises legality issues. You can get sued.'

Steve Matuszak
Chicago Comedy Co.

prohibiting swearing, gender-bashing, racially insensitive humor or sexually explicit material. The company's independent contract agreement with their comedians contains a list of banned words.

"It doesn't have to be filthy to be

funny. We've developed a brand," said Mr. Christing. Serving businesses in North America and Canada, Clean Comedians has provided entertainment at award dinners and incentive meetings for several Fortune 500 companies, including Burbank, Calif.-based Walt Disney Co. and Redmond, Wash.-based Microsoft Corp. Clean Comedians is so confident that its performers are funny that it offers event coordinators a guarantee: "If it isn't funny, you'll get back your money."

Another "clean" entertainment company, San Francisco-based White Collar Comedy, was created by comedian Frank King, who has written acts for the likes of television comedians Jay Leno and Dennis Miller. Mr. King eliminates some uncertainty from the corporate event-planning process through his company's Web site, where video and audio clips give customers a preview of the entertainment, and a preprogram questionnaire lets HR and event planners tailor corporate events. For example, the site asks clients to

describe the audience makeup and identify individuals within the client organization who are "good sports" and would be willing audience participants as part of a show.

'The question becomes, "What did management do on the front end about how potentially abusive the speaker could be?"'

Michael Maloney
Chubb Corp.

"In the corporate world, comedy not only raises red flags, it raises legality issues. You can get sued," said Steve Matuszak, founder and owner of the Chicago Comedy Co., based in Chicago. The traveling company provides inoffensive humor for corporate events.

"A lot of artists out there don't have the sensitivity to what a company needs," he said, which is "to recognize the little inappropriate things." For example, said Mr. Matuszak, not only are employees' varying beliefs and backgrounds of concern but it is also imperative to ensure that a comedic act does not let slip a customer's proprietary information.

To develop their acts, Chicago Comedy Co. comedians typically engage in a four- to five-week process with the client organizations to gather information about the industry and office culture "to figure out how to turn it into funny" in the safest manner, he said.

Michael Maloney, senior vp and worldwide employment practices liability product manager for Warren, N.J.-based Chubb Corp., assert-

ed, "There are a lot of employers who don't know the laws and the exposures they face."

"Every state has their own statute that talks about discrimination," Mr. Maloney said. Many of those laws differ from the various anti-discriminatory laws in place at the federal level, making companies' exposures to employment claims a complex, layered matter. Title VII of the Civil Rights Act of 1964, the federal statute barring workplace discrimination on the basis of race, color, religion, sex and national origin, does not, for instance, address bias based upon sexual orientation, even though some states have amended discrimination laws to include this provision.

Employment practices liability insurance, which responds to claims of discrimination and harassment, among others, and for which Chubb in 1992 was one of the first underwriters, is becoming increasingly costly to carry. "The deductibles have gone up, and the pricing has gone up," said Mr. Maloney. Companies, in turn, are being forced to scrutinize their budgets to decide whether or not they "have the money to pay for this new coverage we never had before," he said, making risk prevention more important.

While "one off-color joke is probably not going to rise to the level that will award an employee damages," Mr. Maloney said, "the question becomes, 'What did management do on the front end about how potentially offensive the speaker could be?'"

"A lot of times, companies say they came to us because we stress and deliver decency," said Chicago Comedy's Mr. Matuszak. In the end, though, "it's not just legality; it's also integrity," he said. "Why not take the high road?"

Results

iVOS— browser-based claims management software from Valley Oak Systems gives you the tools for delivering results that count.

Move beyond.
Remove the limits of time and place.

- Maximum efficiency — streamlined work flow
- Faster time to results — improved outcomes
- Effective cost control — immediate access to critical information
- Ultimate flexibility — work when you want, where you want

Real results. Call today for a demonstration of the power of *iVOS*.



Powering claims management

Valley Oak Systems
www.valleyoak.com
925-242-4600

Scroggins promoted to news editor post

CHICAGO—Business Insurance has promoted a member of its Chicago editorial staff.

Matthew Scroggins has been promoted to news editor, a role in which he will coordinate the news reporting and story assignments for the weekly magazine as well as *BI*'s online products. He takes over assigning duties from Gavin Souter, who was recently promoted to managing editor.

Mr. Scroggins previously was copy desk chief, helping coordinate the editorial production of the magazine and daily news posted on *BI*'s Web site.

Mr. Scroggins joined the magazine in 1997 as assistant director,

moving to the copy desk in 1999 as an assistant copy editor before his promotion to copy editor and then copy desk chief in 2000.

Previously, he worked as an assistant in the human resources department of Crain Communications Inc. and before that as a part-time researcher for *BI* and its sister publication Advertising Age.

He graduated summa cum laude from Millikin University in Decatur, Ill., with a bachelor of arts degree in philosophy.

Mr. Scroggins can be reached at 312-649-5483 and msscroggins@businessinsurance.com.



Mr. Scroggins

Business Insurance

Vice President/Publisher: Martin J. Ross III (New York)
Editorial Director: Paul D. Winston (Chicago)
Editor: Regis J. Coccia (Chicago)
Editor-at-Large: Jerry Geisel (Washington)
Managing Editor: Gavin Souter (New York)
Assistant Managing Editor - Graphics: Kathy L. Barnes (Chicago)
News Editor: Matt Scroggins (Chicago)
Senior Editors: Michael Bradford (New Orleans); Meg Fletcher, A.R.M. (Chicago); Judy Greenwald (San Jose); Mark A. Hofmann (Washington); Dave Lenckus (Tucson); Douglas McLeod (New York); Sally Roberts (Denver); Joanne Wojcik (Denver); Rodd Zolikos-Industry Focus (Chicago)
Bureau Chiefs: Roberto Cenicerros (Los Angeles); Sarah Veysey (London)
Associate Editors: Gloria Gonzalez (New York); Peta Miller (London)
Staff Reporter: Rupal Parekh (New York)
Correspondents: Carolyn Aldred (England); Elizabeth Fry (Australia)
Copy Editors: Mary B. Nick (Chicago); Joe Walker (Chicago)
Directory Editor: Kevin P. Edison (Chicago)
Assistant Directory Editor: Carrie A. Peinado (Chicago)
Online Producer: Amy R. Kepka (Overland Park)
Executive Assistant/Reprint Manager: Karen Brown Tucker (Chicago)
Editorial Cartoonist: Roger Schillerstrom (Chicago)
Advertising Director: Kenneth F. Luker Jr. (New York)
Director - Business Development: Robert L. Niesse (Chicago)
Interactive Sales Manager: Chris Crain (New York)
District Managers: Laura Booth (Irvine); Ron Kolgraf (Boston); William J. McGuire (Chicago); Robert B. Murray (New York); John L. Phillips (Chicago)
Classified Advertising Manager: Tina Vasilakis (Chicago)
Assistant to the Publisher: Pat Ghazvini (New York)
Advertising Traffic: Monique Murray (New York)
Production Manager: J. Thomas Janka (Chicago)
Circulation Manager: Rudolf Von Bartsch (New York)
Circulation Coordinator: Craig Bowman (Detroit)
Director of Communications: Ronnie I. Drachman (New York)
Promotion Manager: Michael Ambrosio (New York)
Promotion Coordinator: Barbara O'Brien (New York)

EDITORIAL: Chicago: 312-649-5200; Denver: 303-282-4260; London: 44-207-457-1400; Los Angeles: 323-370-2455; New Orleans: 985-871-1090; New York: 212-210-0100; San Jose: 408-774-1500; Tucson: 520-579-1937; Washington: 202-662-7200
ADVERTISING: Boston: 617-292-4856; Chicago: 312-649-5276; Irvine CA: 949-255-5355; New York: 212-210-0133
SUBSCRIPTIONS: Detroit: 888-446-1422

Business Insurance is published by Crain Communications Inc.
Chairman: Keith E. Crain
President: Rance Crain
Secretary: Merrilee Crain
Treasurer: Mary Kay Crain
Executive Vice President/Operations: William A. Morrow
Senior Vice President/Group Publisher: Gloria Scoby
Group Vice President/Technology, Circulation, Manufacturing: Robert C. Adams
Corporate Director/Production & Manufacturing: Dave Kamis

G.D. Crain Jr. Founder (1885-1973)
Mrs. G.D. Crain Jr. Chairman (1911-1996)
S.R. Bernstein Chairman-executive committee (1907-1993)

Published weekly at 360 N. Michigan Ave., Chicago, Ill. 60601-3806. Fax: 312-280-3174. biweb@crain.com. Offices: 711 Third Ave., New York, N.Y. 10017-5806, Fax: 212-210-0704; 71121 Minkler St., Abita Springs, La. 70420; Fax: 985-871-4006; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax: 202-638-3155; 6500 Wilshire Blvd., Suite 2300, Los Angeles, Calif. 90048-4947, Fax: 323-655-8157; 967 Bermuda Court, Sunnyvale, Calif. 94086-6750, Fax: 408-774-1155; 34 Southwark Bridge Road, London SE1 9EU, Fax: +44-(0)20-7457-1440; 8157 N. Torrey Place, Tucson, Ariz. 85743, Fax: 520-579-3476; 777 E. Speer Blvd., Denver, Colo. 80203-4214; Fax: 303-733-2244; 1133 W. 108th St., Overland Park, Kan. 66210, Fax: 312-280-3174; 77 Franklin St., Suite 809, Boston, Mass. 02110-1510; Fax: 212-210-0704. 4 Executive Circle, Suite 185, Irvine, CA 92614-6791. \$5 a copy and \$97 a year in the U.S., \$130 in Canada and Mexico (includes GST). All other countries, \$230 a year (includes expedited air delivery). Rudolf Von Bartsch, circulation manager. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, *Business Insurance*, 711 Third Avenue, New York, N.Y. 10017-5806. Microfilm copies available: University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For reprints or reprint permission: Karen Brown Tucker, *Business Insurance*, 360 N. Michigan Ave., Chicago, Ill. 60601-3806, 312-649-5319, Fax: 312-280-3174.

Editorial

Dialogue on fees crucial

A CONFLICT OF INTEREST, like beauty, rests in the eye of the beholder.

That's one of the conclusions that can be drawn from a survey undertaken jointly by *Business Insurance* and the National Alliance Research Academy. As we report on page 1, a significant majority of risk managers believes that commissions paid to brokers by insurers for placing volumes of business with them can constitute a conflict of interest. Perhaps not surprisingly, a significant majority of the agent and broker respondents disagreed.

Divergence on this—and other areas evident in responses to some other questions in the survey—underscores a lack of trust between the parties involved in a relationship that must be based on trust.

That trust had already been shaken by New York Attorney General Eliot Spitzer's investigations into bid rig-

ging and other unsavory activities among a handful of producers. And with officials in other states launching their own investigations into possible broker and insurer malfeasance, the sense of trust may well be further strained. That's unfortunate, because there's no evidence so far that any but a minuscule number of service providers have breached the trust that risk managers put in them when giving them their business.

We believe that the survey results demonstrate yet again the need for both sides in the relationship to maintain clear, open and honest channels of communication concerning compensation and the placement of business.

The damage done by the findings of Mr. Spitzer and others will not be repaired quickly. The failure to improve communication on those and other issues will only increase the chances that the damage won't be repaired at all.

Consider captive benefits

A GROWING NUMBER of employers recognize that using a captive insurer to fund employee benefits can gain the parent more than just favorable tax treatment.

For some employers, the tax benefit alone is a powerful reason to pursue adding benefits to a captive's coverages. Courts have ruled that an employer can deduct the premiums paid to its captives if a significant portion of the captive's business—about 30%—comes from insuring risks other than those of the parent. Employee benefits are treated as third-party business for this purpose.

But other employers say that more advantages are needed before undertaking the hard work and long process needed to fund benefit risks through a captive. For these more skeptical employers, there is a growing body of evidence to help them with their decision, as was evident in several sessions on the subject during the World Captive Forum (see stories, page 4).

Beyond tax issues, other potential benefits of captive benefits funding include reduced costs, particularly in instances when a patchwork of diverse insurers, benefit

vendors and plan designs across an organization is replaced with a more streamlined captive program. At a time when employers are turning to a variety of methods to control cost inflation, this consideration warrants a look.

Another bonus is the ability to enhance the benefits offered to the workforce. Winning fast-track approval from the Labor Department requires that employers offer improved benefits to U.S. plan participants, use independent fiduciaries and work with only the most financially secure fronting insurers. All those conditions result in stronger benefits programs.

Yet another plus is the ability to pull together better data on benefit exposures worldwide in preparation for restructuring how these plans are funded. Gathering such comprehensive data is essential to placing this business in a captive, but it also can lead to much better analysis and management of exposures.

Employer interest in using captives to fund employee benefit plans is likely to increase. And as it does, we think employers will be pleasantly surprised at the returns of such an investment.

Schillerstrom



Letters to the Editor

Spitzer should be mindful of appearances, too

To the editor: New York Attorney General Eliot Spitzer's investigations into possible anti-competitive practices have rocked the property/casualty world. Most of us associated with this industry are appalled by apparent bid rigging. But we view contingent commissions differently than Mr. Spitzer. Additional compensation based on premium volume, renewal rates and profitability have been around a long time. The Risk & Insurance Management Society Inc., which speaks for the buyer side, has known about contingent commissions for years and has asked for—and receives from most professional brokers—full disclosure of these additional forms of compensation often associated with additional work on the part of the broker.

But without due process Mr. Spitzer has turned this industry on its head. There have been no court hearings, no testimony in front of appropriate agencies, yet market values of public brokers have plummeted, and thousands will likely lose their jobs. All due to the "appearance of impropriety."

Speaking of "appearances," how about Mr. Spitzer's tennis pal, campaign contributor and former boss securing a 19% sweeter, all-cash deal for his company from Marsh & McLennan Cos. Inc., after Mr. Spitzer hit Marsh with a tsunami of subpoenas. Then, Mr. Spitzer's tennis buddy ends up as CEO after Mr. Spitzer says he "can't deal" with the current Marsh CEO. Later, Mr. Spitzer says it's OK for his tennis pal, now Marsh's CEO, to pay any potential fines from their contingent commissions, which Mr. Spitzer earlier alleged were ill gotten. Isn't this like the DA indicting someone for burglary and saying they can use the proceeds to cover any fines? Yeah, "appearances" do matter, Eliot, and this does not look good.

Tom Harvey
Columbia, Ohio

Editor's note: Mr. Harvey is the former chief executive officer of international brokerage network Assurex Global.

Letter misstated insurer's stance on med mal caps

To the editor: In reference to a letter to the editor in the Nov. 22 issue, "Damage Caps Won't Help Reduce Med Mal Rates," The Medical Protective Co. wants to make it clear that we believe caps on noneconomic damages will help control medical malpractice insurance over time.

We strongly support caps as an important element of medical malpractice reform. Recent claims about Medical Protective's position on caps ignore both the context of our statements and the actions we have taken.

See **LETTERS**/page 20

BPA To subscribe, call 888-446-1422, or 313-446-0450 outside the United States. www.businessinsurance.com

Business Insurance welcomes letters to the editor. The section is intended to be a forum for readers' opinions and comments. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Please send your letters to: Letters to the Editor, *Business Insurance*, 360 N. Michigan Ave., Chicago, Ill. 60601-3806; fax: 312-280-3174; e-mail: rcoccia@businessinsurance.com



Sites for insurance buyers offer variety of resources

Now in its fourth year, *Business Insurance's* Best of the Web report offers readers a host of informative Internet sites that cater to the interests of commercial insurance buyers.

As in 2003, *Business Insurance* editors researched Web sites in more than a dozen categories to identify sites that they regarded as interesting, informative and innovative. In each category, one or two sites were named Best of the Web, and their features were summarized in a profile. Other useful sites were listed as "Notable Sites."

If editors did not find new sites in a category, or the existing sites did not provide any substantially new information or tools, *BI* chose not to profile them. This year, for example, there was little new

to report in the areas of claims management and work/life benefits. Lists of sites relating to those areas are available, however, at www.businessinsurance.com.

To be eligible for consideration, a Web site must provide relevant information or services to *Business Insurance's* audience of commercial risk management and benefits management professionals. The site must also be open to the public and freely accessible on the World Wide Web. A site may have restricted areas, but those features will not be reviewed.

An index of the categories in the 2004 Best of the Web feature and the winning and notable sites follow.

Inside:

Education / 12
www.ceu.com

Health Care Resources / 13
www.empireblue.com
www.hhs.gov/flu

Health Insurance Plans / 13
www.bcbshealthissues.com
www.benefitslink.com

International Resources / 15
www.oecd.org

Legislative/Regulatory Affairs / 15
www.nam.org

Property/Casualty Insurance / 16
www.libertymutual.com

Reinsurance / 16
www.amre.com

Retirement Benefits / 16
www.americanbenefitscouncil.org

Risk Management Information / 17
www.rims.org
www.captive.com

Safety/Loss Control Services / 18
www.workerscompinsider.com



Civil Justice Reform

www.pointoflaw.com
Manhattan Institute

www.pointoflaw.com is a newcomer among civil justice reform Web sites, and a welcome one at that. Like www.overlawyered.com, which was recognized as one of the best in its class last year, Pointoflaw.com offers a wealth of information in a Web magazine format. That's hardly surprising, though, given that Walter Olson serves as editor for both sites. Mr. Olson, a senior fellow of the Manhattan Institute, a New York-based think tank, has written several books on tort issues.

Pointoflaw.com offers an almost unimaginable array of information, starting with straightforward postings dealing with broad areas of tort law, such as asbestos, loser pays and products liability. The site also features a discussion of some tort-related topic each month. This can involve experts reviewing other experts' papers or, as was the case before the election, a back and forth among supporters of the presidential candidates regarding their positions on tort reform.

The centerpiece is a forum, updated several times a day, containing tort-related news stories and commentary. The participants do an outstanding job of ferreting out stories oriented to civil justice con-

cerns that a risk manager or benefits manager might lack both the time and resources to pursue.

Like any Web site worth its salt, Pointoflaw.com boasts an impressive array of links and access to Web blogs. The value of the blogs varies greatly—some are more amusing than informative and can leave a first-time visitor with the feeling that he or she is going deeper and deeper into Alice in Wonderland's rabbit hole.

But that's part of the beauty of a first-rate Web site—a chance to experience the unexpected—and Pointoflaw.com surely falls into the first-rate category.

—By Mark A. Hofmann

Notable sites

Civil Justice Reform

American Tort Reform Assn.
www.atra.org

The Overlawyered Group
www.overlawyered.com

Common Good
www.ourcommongood.org

Health Coalition on Liability & Access
www.hcla.org

RAND Institute for Civil Justice
www.rand.org/icj

U.S. Chamber Institute for Legal Reform
www.legalreformnow.com



Crisis Management

www.epa.gov
U.S. Environmental Protection Agency

Every property owner is at risk for some type of calamity, whether the problem is as common as mold or as rare as a volcanic eruption.

With its well-designed, easy-to-navigate Web site, the U.S. Environmental Protection Agency offers risk managers a vast storehouse of information designed to help them prepare for and deal with an array of hazards.

The EPA's eye-catching site, www.epa.gov, is set up with a Quick Finder list of natural and man-made hazards at the top of the home page. At the left of the page, users tap into a separate set of resources, such as environmental laws and regulations, both passed and proposed.

A recent check brought up 61

proposed regulations, ranging in topic from air quality standards in Arizona to hazardous waste programs in Delaware and nationwide pesticide tolerances in food. This can be a valuable tool for risk managers who want to keep on top of issues affecting their industries and make sure their senior management is informed of such matters.

The same section of the site leads to all the nonbinding guidance documents that EPA headquarters has issued since 1999, which are accompanied by explanations of how those guidelines can be met.

The Quick Finder tool is the real mother lode of information at the site. Clicking on any of the hazard-related topics brings up a separate, well-maintained page on the topic. Choose mold, for example, and the resources include a downloadable copy of the EPA's "Mold Remediation in Schools & Commercial Buildings," which offers guidelines for preventing and cleaning up mold.

There's lots of crisis management information, too.

For example, with the recent activity at Mount St. Helens, property owners in Washington state could benefit from the information on

Continued on page 12

The profiles of the 2004 Best of the Web and links to other notable sites can be accessed online at www.businessinsurance.com

volcanoes at the EPA site. A number of sources for dealing with ashfall are provided and give details on preparing for and recovering from an eruption.

While some of the information is written for homeowners, it is equally useful to commercial operations, with advice on protecting machinery, vehicles and other equipment. Discussions of how to protect against the health consequences of airborne ash could benefit employees, as well.

The EPA may not always seem like an employer's best friend, but its Web site provides ample advice to businesses on avoiding or recovering from natural and regulatory disasters.

—By Michael Bradford

Notable sites

Crisis Management

DisasterHelp
www.disasterhelp.gov

Institute for Business & Home Safety
www.ibhs.org

U.S. Centers for Disease Control and Prevention
www.bt.cdc.gov

Links to the Best of the Web profiles and the related notable sites are available on www.businessinsurance.com.



Education

www.ceu.com
Continuing Education University

For insurance professionals seeking an alternative to the traditional classroom, the Web site of the Continuing Education University offers a paperless way to comply with continuing education requirements—through the use of clear

and coherent multimedia tools.

CEU.com's curriculum, which is solely insurance courses, has been approved by all 50 state insurance departments and the District of Columbia for credits toward maintaining property/casualty and life/health insurance licenses. The selection of online courses is extensive, covering such topics as "Terrorism and its Impact on Insurance," "Toxic Mold and Homeowners Insurance" and "Ethics and the Insurance Industry."

Prospective students will appreciate the site's comprehensive Frequently Asked Questions section, as well as the chance to try several sample courses, available in areas such as workers compensation, commercial property insurance and

managed care and group health.

A combination of simple designs and bright colors are used to craft *CEU.com's* easy-to-use interface, which presents coursework in a slideshow format that is enhanced by whimsical graphics and audio lectures. Each online module makes an effort to bullet-point key data and important terms and their definitions, to help improve the retention of course material.

Students can access classes using either Netscape Navigator or Internet Explorer. While the coursework is intended to be paperwork-free, all course materials are provided in a printable format. In addition, toll-free telephone assistance is available for anyone experiencing difficulty using the online tools. Final exam test results are sent to students almost immediately via e-mail, and, in the event an individual does not pass, he or she has the option of retaking the test for free.

Insurance agencies and brokerages can benefit from *CEU.com's* corporate program, which enables a business to purchase for its licensed employees yearly subscriptions to all *CEU.com* insurance courses. Flat rates for companies range between \$65 and \$120 per employee. As part of its corporate program, the site also offers a compliance tracking tool, free of charge, so that management can monitor the number and type of CE courses its employees have completed. Both employers and insurance professionals will value the flexible advantage of "the electronic classroom," along with faster license compliance; *CEU.com* reports earned credits to state insurance bureaus and companies on behalf of students upon course completion.

—By Rupal Parekh



GE Commercial Insurance



GE CyberComp



GE ERC



GE ERC Healthcare



GE Frankona Re



GE Global Asset Protection Services



GE Global Life & Health



GE Global Property & Casualty



GE Industrial Risk Insurers



GE Medical Protective



GE Reinsurance



GE Westport



GE Insurance Solutions

Introducing GE Insurance Solutions – all the strength, security and products you've come to know and trust for years are now unified under one GE name. GE Insurance Solutions. Dedicated to being the leading provider of commercial insurance, reinsurance and risk management services worldwide. Whatever you need, it's all in one place.

geinsurancesolutions.com



imagination at work

© 2004 Employers Reinsurance Corporation. Primary insurance products underwritten by Coregis Insurance Company, Employers Reinsurance Corporation, First Specialty Insurance Corporation, The Medical Protective Company, Westport Insurance Corporation.

Notable sites

Education

The Insurance Education Foundation
www.ief.org

American Institute for CPCU and Insurance Institute of America
www.aicpcu.org

America's Health Insurance Plans Insurance Education Program
www.insuranceeducation.org

Public Risk Management Assn.
www.primacentral.org

WebCE Continuing Education
www.webce.com

eMind L.L.C. Web Services
www.emind.com

Aon Graduate Training Program
www.aon.com/uk/en/about/Careers/graduates

Florida Insurance School
www.floridainsuranceschool.com

Insurance Regulatory Examiners Society Accreditation Program
www.go-ires.org/accreditation/index.shtml

The National Alliance for Insurance Education & Research
www.scic.com

Continued on next page

Continued from previous page



Health Care Resources

www.empireblue.com
Hospital IQ by Empire
Blue Cross & Blue Shield

Choosing a good hospital can be a daunting task, but Empire Blue Cross & Blue Shield aims to help patients by allowing them to compare hospitals based on their success and experience in treating more than 170 conditions. New York-based Empire has developed Hospital IQ, a Web link where comparisons can be made based on the number of patients treated at each hospital per year, the percentage of patients who developed problems and the average number of days people stayed in the hospital for treatment.

For example, a person with a heart condition could go to Empire's Web site, www.empireblue.com, click on the Hospital IQ hyperlink and select Angioplasty from the drop-down list of medical procedures. The user would then enter a town name or zip code, select an appropriate travel distance and hit Continue to retrieve a list of hospitals within the selected radius. The patient could then choose the hospitals he or she wants to check out and retrieve a side-by-side comparison of the selected hospitals. The report will show how many angioplasty procedures each hospital performed in 2002 and the average length of stay associated with the procedure at each hospital.

Patients can use this information to determine which hospitals can provide the best care for them while helping their employers reduce health care costs by choosing hospitals that successfully treat and quickly release patients.

The drawback to this Web site is that, because of varying state reporting requirements, the information provided for some hospitals can be incomplete. Still, Hospital IQ provides a good starting point for comparing facilities.

—By Gloria Gonzalez

Human Services' Flu Information Web pages provide just such a place.

One page featured on the site compares the symptoms of the common cold to those of the flu, so that an individual can more accurately determine whether he or she has picked up the flu bug. Users can also find the latest HHS press releases on the topic, which detail the agency's efforts to deal with the vaccine shortage.

Most of the hot links on the page will direct users to the Web site of the U.S. Centers for Disease Control and Prevention, an agency of the department. On this Web site, users can find information on who is most susceptible to the flu and should be vaccinated. Users will

also find helpful tips on how to avoid spreading the disease.

If employees follow the tips listed in the section that describe how to prevent the spread of the disease at work, it may help reduce the number of sick days lost to the flu. Still, one is inclined to wonder if individuals who already know they should wash their hands can be convinced of the increased importance of hand washing in light of the flu vaccine shortage.

The HHS Web site also features a link to the American Lung Assn.'s Web site, where a user can enter a ZIP code to find clinics providing flu shots. But multiple attempts to access this feature failed to list any clinics providing flu shots.

—By Gloria Gonzalez

Notable sites

Health Care Resources

Caremark Inc.
www.caremark.com,
www.advancrx.com

Colorado Health Guide
www.coloradohealthguide.org

Drugstore.com
www.drugstore.com

Healthfinder
www.healthfinder.gov

National Institute of Mental Health
www.nimh.nih.gov



Health Insurance Plans

www.bcbshealthissues.com
Blue Cross & Blue
Shield Assn.

While access to most health insurer Web sites is often restricted to members and/or plan sponsors, the Blue Cross & Blue Shield Assn. has developed a Web site to share a

Continued on next page

BUSINESS NEEDS CHAMPIONS

Clear winner

Lord Bissell & Brook scored a clean sweep in *Reactions'* 2004 survey of in-house counsel. By taking first place in all six categories of U.S. work—regulatory, litigation and dispute management, insolvency, corporate contracts, policy drafting and reinsurance—our insurance and reinsurance groups stand out as the clear choice of industry executives worldwide.

We champion their causes. Let us champion yours.

LORD BISSELL & BROOK LLP
 ATTORNEYS AT LAW

www.lordbissell.com



www.hhs.gov/flu
U.S. Department of Health
and Human Services
Flu Information

In light of the influenza vaccine shortage, employers should consider directing their employees to Web sites that provide information on the shortage and its ramifications. The U.S. Department of Health and

Continued from previous page

wealth of information on health care issues with the Internet-surfing public.

In addition to providing the usual listing of member plans with hypertext links to their Web sites, a provider search directory and access to contracting information, the site has some special features. For example, the site links to BCBS's Healthy Competition program, which provides education on performance-enhancing drugs, as well as tips on detecting health insurance fraud and information on national health care issues.

Benefit managers interested in the latest research on health care cost trends, determining which issues related to health care are being debated in Washington or learning more about prescription drug reimportation can find all of that and more at www.bcbshealthissues.com, which is accessible directly using the aforementioned URL or via www.bcbs.com or www.bcbs.org.

The HealthIssues portion of the BCBS Web site also includes editorials presenting a variety of viewpoints on such contentious issues as medical malpractice liability reform, the direct-to-consumer advertising of prescription drugs and the problem of the uninsured in America.

There is one drawback to linking to HealthIssues directly, though; those who do so cannot use the back button on browser software to return to the BCBS home page. They'll have to re-enter the URL if they want to get back to the place where they started.

Despite this flaw, the Web site is jam-packed with the kind of information that benefit managers can use to keep on top of issues relevant to health care treatment and cost trends, health insurance and financing and health policy.

—By Joanne Wojcik



Health Insurance Plans

www.benefitslink.com
BenefitsLink.com Inc.

Have a technical question on employee benefits that you just can't find the answer to trolling the Internet with general search engines such as Google?

BenefitsLink.com was launched

in 1995 by Dave Baker, a benefits lawyer and self-proclaimed "computer geek," to provide free compliance information and tools for "the people who design and run employee benefit plans in the United States, whether sponsored by private or governmental employers."

The site isn't pretty—but then the ones that are the most useful often aren't. BenefitsLink does, though, have rich content in an easy-to-use format. And when information being sought isn't on the site, BenefitsLink.com provides tips on how to search the rest of the Internet for more-extensive benefits-related information, often leading readers to other applicable Web sites via hypertext links.

Let's say you just heard about a new survey on trends in the pricing of generic drugs but you aren't sure where it was published or who conducted the survey.

BenefitsLink.com's Benefits Buzz section has a list of recent headlines, and if you're still not sure if it's the study you're looking for, the list can be expanded with a simple click of the mouse to include excerpts. If the study is more than a few months old, you can scroll older headlines.

BenefitsLink's page on searching the Internet for employee benefit research, compiled by Mr. Baker himself, provides hypertext links to relevant Web sites. For example, you can link to the latest private letter rulings from the Internal Revenue

Service, Department of Labor documents, the Federal Register, or even court opinions.

If you have a question about COBRA or HIPAA or any other amalgam of the alphabet soup of benefits acronyms, guest experts will provide answers in a Dear Abby format.

Visitors to the Web site can also look for conferences to meet continuing education requirements, purchase books and software and search for jobs. The site is free to benefit professionals, funded by advertisers and commissions on software and publications sold through its online bookstore and help-wanted postings.

—By Joanne Wojcik

Continued on next page



Notable sites

Health Insurance Plans

American Benefits Council
www.appwp.org

America's Health Insurance Plans
www.ahip.org

Consumer Driven Health
Care Assn.
www.cdhca.org

Employee Benefit
Research Institute
www.ebri.org

International Foundation of
Employee Benefit Plans
www.ifebp.org, www.iscebs.org

National Business Coalition
on Health
www.nbch.org

National Business Group on Health
www.wbgh.com

National Committee for
Quality Assurance
www.ncqa.org

Society for Human
Resource Management
www.shrm.org

Continued from previous page



International Resources

www.oecd.org
Organization for Economic Cooperation & Development

The Web may be worldwide, but

finding risk management- and benefits-related sites that are truly global is surprisingly difficult. The Web site of the Organization for Economic Cooperation & Development, www.oecd.org, is a useful information source, though, for risk managers of multinational companies seeking information on the countries in which their organizations operate.

Under the site's Topics section, visitors click on headings including Ageing Society, Corporate Governance, Insurance and Pensions, Employment and Regulatory Reform. Within each of those categories are links to publications and research papers, as well as statistics on the various topics.

Users also can search for informa-

tion on all of the OECD's 30 member countries—which include Australia, the Czech Republic, France, Germany, Italy, Japan, Mexico and the United Kingdom—as well as other markets, such as China, that are not member countries of the or-

ganization.

A user also can set up a customized home page, so that on subsequent visits, only those items of particular interest to that user are shown.

The site also includes studies and reports on such topics as the role of private health insurance in OECD member countries, as well as information on conferences and events organized by the OECD.

In addition, the site features OECD guidelines on issues such as occupational pensions, which may be of interest to benefits managers of companies looking to expand overseas.

Most of the information on the site is in English, with some also translated into French.

Visitors to the site may be a little disappointed to find that some of the information in certain categories is somewhat old, but most is fairly up to date.

—By Peta Miller
 and Sarah Veysey

Notable sites

International Resources

U.S.-E.U. Cooperation on Workplace Safety & Health
www.useuosh.org

EUROPA
www.europa.eu.int/index_en.htm



Legislative/Regulatory Affairs

www.nam.org
National Assn. of Manufacturers

While the National Assn. of Manufacturers' Web site provides varied industry information for members and the general public, its thrust is keeping tabs on the legislative and regulatory issues that affect NAM members, and it does a fine job.

The Policy Issue Information link on the site's main page takes visitors to a list of public policy issues that ranges from human resources policy to tax and corporate finance matters. Issue summaries on dozens of topics outline NAM's position and provide links to key documents—including the text of bills, federal regulations, position papers and NAM correspondence. The topic pages also provide links to the Web sites of industry groups, think tanks, federal agencies and other organizations involved in a given issue.

While the Policy Issue Information section of NAM's site is mainly concerned with federal government issues, a separate page listing NAM's state association groups provides links to each state affiliate. The state affiliate sites offer information about state legislative and regulatory issues and feature search engines to track bills in state legislatures.

Both the NAM site and the state association sites provide links that identify the legislators backing a given bill or representing a particular district; the sites then allow users to write or e-mail those legislators.

The NAM site is somewhat stodgy-looking, with little in the way of eye-catching graphics, and some of its content is also available only to members. Overall, though, the site is an informative and easily navigated resource.

—By Douglas McLeod

If people enjoyed bureaucracy, they'd renew their drivers' licenses every six months.

Simplify. Simplify. Simplify. That's the ongoing mission of St. Paul Travelers. From the most basic policy to the most comprehensive, we provide streamlined quoting and claims processes. We make renewals much easier. We even empower our people in the field to help expedite decisions. In short, we do everything possible to make insurance a lot less bureaucratic and a lot more, well, human.

ST PAUL TRAVELERS

stpaultravelers.com

Notable sites

Legislative/Regulatory Affairs

Library of Congress
<http://thomas.loc.gov>

National Conference of State Legislatures
www.ncsl.org

Continued on next page

Continued from previous page



Property/Casualty Insurance

www.libertymutual.com
Liberty Mutual Group Inc.

Anyone who's seen any of Liberty Mutual Group Inc.'s print or televi-

sion advertising knows the insurer takes pride in its emphasis on safety and loss control research and puts that at the heart of its brand identity.

It probably shouldn't be a surprise, then, that visitors to Liberty's Web site, www.libertymutual.com, will find that emphasis repeated there.

The surprise, probably, is the difference between Liberty's site and those offered by some other property/casualty insurers, which consist of little more than "brochureware" with up-to-date company stock prices. Liberty's site, though, goes far beyond simply listing the insurer's products and services, providing other useful information and a couple of helpful tools.

While the Boston-based insurer's site does include information on the various products and services it offers, its Insurance for Businesses section is nicely divided into information relevant to large, midsized and small businesses.

The Loss Prevention/Workplace Safety section of the Insurance for Business area features a useful Incidence Calculator, which allows a user to compare his or her company's lost-workday experience to that of other companies in the same Standard Industrial Classification group.

The site also provides links to the insurer's Liberty Mutual Research Institute for Safety. There, site visitors can get information about the institute itself, access to its From Re-

search to Reality newsletter, a look at the most recent Liberty Mutual Workplace Safety Index, information about the institute's safety and injury research and listings of research papers with information about obtaining reprints.

The omnipresent orange color on the Research Institute for Safety pages might get to be a bit much, but, generally, the information on Liberty's Web site is presented in an attractive fashion. Other useful items on the site include fraud prevention tips and a link from the site's Insurance for Businesses section to online versions of current and past issues of the insurer's LibertyDirections magazine.

—By Rodd Zolkos

tion of the site, professionals from AmRe and Munich Reinsurance Co.—which, like AmRe, is a member of Germany's Munich Re Group—offer articles on a wide range of topics, such as financial rating services and e-commerce liability issues.

But that is not all. The Reference Library on AmRe's Web site offers an exhaustive list of additional articles, reports and links related to topics ranging from actuarial issues to workers compensation.

Its workers compensation data, for instance, includes profiles on five states' workers compensation business and dozens of links to various state workers compensation and other relevant Web sites. Readers can also request a copy of a publication on workers compensation claim settlements. New publications, such as a 2004 review of environmental case law, are highlighted as well.

Visitors can also access information on AmRe's direct treaty, direct facultative, alternative market and health care businesses on this easy-to-navigate Web site. The site describes the focus of each category and lists products and specialized services offered and the name, title and phone number of the relevant company contacts.

Information is provided separately as well on the services AmRe offers, including claims, brokerage services, actuarial, catastrophe risk management and underwriting and operational reviews.

—By Judy Greenwald

**Began as a claims rep.
Earned CPCU designation.
Built professional credibility.
Accelerated his career.**



Martin D. Feinstein, CPCU, CLU, GCA, AIC
Chairman of the Board, President & Chief Executive Officer
Farmers Group, Inc.

"You have to earn credibility; no one will give it to you. And one way to earn it is through education. When I started in claims, I dealt with doctors, lawyers, and others with advanced educations. Earning the CPCU designation was a way for me to set myself apart as a competent and credible insurance professional."

CPCU: Credibility, Knowledge, Success. The Chartered Property Casualty Underwriter (CPCU®) professional designation is the industry's most prestigious credential. Earning the CPCU designation helped Marty Feinstein create and maintain a reputation for professional integrity among peers and clients.

It can do the same for you.

There's never been a better time to become a CPCU. Call us today and we'll help you get started.

American Institute for CPCU • Insurance Institute of America
www.aicpcu.org • (800) 644-2101 • cserv@aicpcu.org

AICPCU Succeeding
together.
EDUCATION • RESEARCH • ETHICS

© 2004 AICPCU/IIA

Notable sites

Property/Casualty Insurance

Allianz A.G. Holding
www.allianz.com

American International Group Inc.
www.aig.com

Chubb Corp.
www.chubb.com

Employers Insurance Co. of Wausau
www.wausau.com

Endurance Specialty Holdings Ltd.
www.endurance.bm

Factory Mutual Insurance Co.
www.fmglobal.com

Fireman's Fund Insurance Co.
www.firemansfund.com

St. Paul Travelers Cos. Inc.
www.stpaultravelers.com

Zurich North America
www.zurichna.com



Reinsurance

www.amre.com
American Re-Insurance Co.

The hardest part about exploring American Re-Insurance Co.'s Web site is pulling yourself away.

Site users will find hours of good reading just by visiting the colorful home page, which features headlines of articles on relevant industry news from various sources and provides links to the full articles. There are also links to other features on the home page; a recent edition included a piece on the state of Georgia's insurance market, an article on the leveraging of the hard market, information on AmRe's latest financial results and an article on personal lines auto coverage in New Jersey. Under the Industry Watch sec-

Notable sites

Reinsurance

Alea Group Holdings (Bermuda) Ltd.
www.aleagroup.com

John B. Collins Associates Inc.
www.jbcollins.com

Folksamerica Reinsurance Co.
www.folksamerica.com

Guy Carpenter & Co. Inc.
www.guycarp.com

IPCR Ltd.
www.ipcre.bm

Platinum Underwriters Holdings Ltd.
www.platinumre.com



Retirement Benefits

www.americanbenefits-council.org
American Benefits Council

How does one stay on top of the dozens of congressional and regulatory developments affecting employee benefit plans?

Continued on next page

November 29, 2004

Continued from previous page

One way is through the Web site of the American Benefits Council—a Washington-based employer benefits lobbying organization—at www.americanbenefitscouncil.org.

The Web site of ABC, as the group is often referred to, is a refreshing change from those of the many other lobbying groups whose sites are heavy on policy statements but light on truly valuable information.

Indeed, one section of ABC's Web site—called Issues—is a treasure trove of benefit information. Are you looking, for example, to get updated on cash balance pension plan issues? By clicking on Cash Balance Plans in the Issues section, you can get access to original source material such as the latest court rulings involving cash balance plans, legislative proposals and alerts on legislative developments on Capitol Hill.

While the site includes many papers prepared by the ABC staff, information also is available from outside experts. For example, site visitors can download a paper prepared by the Chicago law firm of Gardner, Carton & Douglas on the implications of the Medicare prescription drug law for employers with retiree health care plans.

The ABC site, reflecting its status as a lobbying organization representing employers on benefit issues, provides Action Alerts, which are prewritten letters on particular issues. For example, the site includes a letter to Treasury Secretary John Snow that asks the Treasury to modify its "use-it-or-lose-it rule," which now requires flexible spending accounts participants to forfeit unused account balance plans at the end of a plan year. A user can simply print out the ABC-written letter, sign it and send it in to Treasury.

In short, for visitors looking for a one place to get updated on benefit issues and to get access to original legal documents—this is the place to be.

—By Jerry Geisel

Business Insurance®

www.businessinsurance.com

ARTICLE RESEARCH AND ARTICLE PHOTOCOPIES

To request a comprehensive search of past articles on a topic in *Business Insurance* or to conduct other in-depth research, the Crain Information Center is available to help. Rates for basic services are as follows: bibliographies of articles on a single topic are available for a minimum charge of \$37.50 and up, depending on the complexity of the search; research in *Business Insurance* and other Crain publications is \$150 per hour; document delivery is a minimum of \$10.

Article photocopies sent via fax or mail are available through the Crain Information Center. Each article or chart is \$10 per page and delivered either via fax or by mail.

For more information or to order photocopies, contact the Crain Information Center by mail at 360 N. Michigan Ave., Chicago, Ill. 60601-3806 or by telephone at 312-649-5476 or 312-649-5329.



Risk Management Information

www.rims.org
Risk & Insurance Management Society Inc.

With its wide variety of useful information for risk managers, the

Risk & Insurance Management Society Inc.'s Web site outpaces other risk management information sites.

The site, www.rims.org, is colorful and more attractive than many other sites, allowing users to quickly find their areas of interest without experiencing sensory overload.

While some sections of the site are available only to RIMS members, much of it is wide open to all.

Among those open portions is the RISKWIRE area, where site visitors will find plenty of risk management-related news stories from numerous media outlets.

The RISKWIRE feature would be even more effective if it were displayed a little more prominently

and if the user could move directly to a particular story from the home page. Currently, clicking on one of the scrolling headline links brings the user to a page containing RISKWIRE's full complement of stories for the day but not directly to the selected item.

Also available are various organizations' news releases on particular topics, such as the contingent commission scandal.

The RIMS site, though, is more than a news center for risk managers.

The site offers RIMS members and nonmembers opportunities to review and participate in various benchmarking surveys, though nonmembers face higher participation fees.

The site also can be used as a networking tool. Risk managers will find links to RIMS chapters located throughout not only the United States but also in Canada and Mexico.

Risk managers can use the site to plan their continuing education, through both classroom and on-line courses.

The Career Center section of the site is partially restricted. Only RIMS members and subscribers to the Web site's job bank can view job postings that are less than 30 days old. Still, all Web site visitors can review all other job postings, as well as a list of recruiters.

—By Dave Lenckus

Continued on next page



Innovative and practical solutions for today's insurers

Navigant Consulting offers a full range of services to assist the insurance market. Our professionals have experience and in-depth market knowledge of the U.S. and international markets. Services include:

- » Risk and regulatory compliance
- » Operational consulting and outsourcing
- » Business divestiture and acquisition services
- » Dispute resolution and litigation support
- » Claims management
- » Technology consulting

Navigant Consulting – turn to us for direction[s].

Contact » Kristine Johnson, 312.583.5713, www.navigantconsulting.com

©2004 Navigant Consulting, Inc. All rights reserved. "NAVIGANT" is a service mark of Navigant International, Inc. Navigant Consulting, Inc. (NCI) is not affiliated, associated, or in any way connected with Navigant International, Inc. and NCI's use of "NAVIGANT" is made under license from Navigant International, Inc.

NAVIGANT
CONSULTING

Continued from previous page



Risk Management Information

www.captive.com
Captive.com L.L.C.

For a risk manager contemplating moving into alternative risk financing by establishing a captive insurer, the Web site offered by Captive.com L.L.C. would be a worthwhile starting point.

Much of the Web site's opening page is devoted to press releases and other items on specific captives or captive domiciles. The far more valuable resources for risk managers are found by clicking on links stacked in the left margin of the site, www.captive.com.

Through those links, the site provides some basic and advanced information about captives, as well as links to profiles on more than two dozen captive domiciles worldwide.

Risk managers also can pose questions to captive experts, as well as review responses to frequently asked questions.

In addition, captive experts' PowerPoint presentations on various topics can be reviewed and downloaded.

Site visitors also can sign up for a variety of captive educational courses.

—By Dave Lenckus



Safety/Loss Control Services

www.workerscomp-insider.com
LynchRyan Inc.

A Web log provided by Wellesley, Mass.-based cost control consultant LynchRyan Inc. can help risk managers tap information useful for responding to traditional safety and loss prevention challenges, as well as current events in the workers compensation realm.

LynchRyan employees update the site at www.workerscomp-insider.com several times a week with news stories, links to recent court decisions, advice on managing cost drivers and a variety of safety and loss prevention tools and discussions.

One such posting, for example, appeared during the recent baseball playoffs. It discussed simple measures to prevent fatigued employees from causing work accidents after staying up late to catch the extra innings.

True to the blog format, each story or item posted on LynchRyan's site contains links to other related blogs or Web sites where more information is available, such as government agency Web sites, additional media sto-

ries, reports by industry associations and university research findings.

Want to understand organized labor's mindset on workplace safety? Then scroll through the links for related weblogs. One blog called Confined Space is loaded with left-wing labor politics but also has links to a number of serious labor union safety programs.

One of the good things earning LynchRyan's blog a spot among *Business Insurance's* Best of the Web for 2004 is an absence of advertising. LynchRyan employees may post some opinions or advice on the blog, but they don't push the company's services there. A separate Web site promotes the corporation's workers compensation consulting business.

The blog also has decent search capabilities. Type "safety" into a search field and several postings pop up. They include recent stories on preparations for the flu season, the potential for some incentive-based compensation programs to backfire and the rise in workplace deaths during 2003.

The site is easy to use, with various archives accessible by date or category, including Best Practices, Insurance & Insurers, Safety & Health and State News. Posting your own comments and responding to others is also encouraged.

—By Roberto Cenicerros



"Be sure that you return it."

If you're racing through this issue of *Business Insurance* because you "borrowed" it from a colleague, you should have your own subscription.

Then you'll be first on the list. You can take as much time as you like with all of *Business Insurance's* exclusive worldwide news of corporate risk, employee benefit and managed health care every week.

To subscribe, use the card in this issue or call 888-446-1422 toll free.

Subscription rates in U.S. dollars for 1 year, 52 issues.

U.S.	\$97
Canada*/Mexico	\$130
All other countries by expedited air	\$230

* Price includes Canadian GST.

Ask about our special 20%-off group rate for five or more subscriptions.

Business Insurance
www.businessinsurance.com

Subscription Dept.
1155 Gratiot Ave,
Detroit, Mich. 48207-2912
Outside the United States,
call 313-446-1662

Notable sites

Risk Management Information

Assn. of Insurance & Risk Managers
www.airmic.com

Committee of Sponsoring Organizations of the Treadway Commission
www.coso.org

Insurance Information Institute
www.iii.org

MultiTech Communications Inc.,
Insurance Translation.com
www.insurancetranslation.com/Glossary_Agent/risk.htm

National Assn. of Insurance Commissioners
www.naic.org

Nonprofit Risk Management Center
www.nonprofitrisk.org

Public Entity Risk Institute
www.riskinstitute.org

ABA Professional Development Solutions

Attend the only insurance risk management event designed specifically for financial services professionals

- Updates on the changing state of the market and successfully handling pricing and relationships
- Analysis of the state of the insurance industry
- Sharing best practices and lessons learned
- Saving money through meeting your industry contacts in one place

ABA Insurance Risk Management Annual Conference & Meetings for the Financial Services Industry

January 30 – February 2, 2005
Renaissance Vinoy Resort & Golf Club
St. Petersburg, FL

The showplace of St. Petersburg's scenic waterfront

Call 1-800-BANKERS or visit www.aba.com

Satisfaction Guaranteed or Your Money Back

Notable sites

Safety/Loss Control Services

Canadian Centre for Occupational Health & Safety
www.ccohs.ca

Center to Protect Workers' Rights
www.cpw.com

Ergoweb Inc.
www.ergoweb.com/index.cfm

International Safety Equipment Assn.
www.safetysafetyequipment.org

National Institute for Occupational Safety and Health
www.cdc.gov/niosh/homepage.html

National Safety Council
www.nsc.org

Occupational Safety and Health Administration
www.osha.gov

U.S. Department of Labor, Office of Disability Employment Policy
www.jan.wvu.edu

U.S. Department of Labor, Drug-Free Workplace Advisor
www.dol.gov/elaws/drugfree.htm

WorkCare
www.osh.net

Products & Services

Humana offers small employers new options

LOUISVILLE, Ky.—Humana Inc. is offering a family of health plans for employers with two to 299 employees.

The program, SmartExpress, intends to help employers better control costs and expand their employee benefits. It includes three plan options, with a choice of two preferred provider organization health plans, which includes one with a deductible and the other with co-payments. Along with the PPOs, a personal care account, which is a prepaid savings account that employers fund, is optional. It is paired with a high-deductible PPO and allows employees to use the HumanaAccess Visa card to pay their deductibles. The unused PCA funds can be rolled over to the next year, but only if the employee chooses to remain in a similar Humana PCA plan. SmartExpress also offers various levels of prescription drug coverage.

For more information, visit the Louisville, Ky.-based Humana's Web site at www.humana.com.

Watson Wyatt, NBCH to evaluate health plans

WASHINGTON—Watson Wyatt Worldwide and the National Business Coalition on Health have formed a partnership to evaluate health plans to provide employers with data to help them make better health plan decisions for their employees.

The organizations will conduct a joint national health plan survey in December. The information will be collected using the Washington-based NBCH's eValue8 tool. It gathers information on issues such as provider performance, pharmacy benefit management, member and provider communications, disease management and patient safety. Benchmarks will be created at the local and national level. The results will be available to Watson Wyatt's clients and NBCH's employer-based health coalitions in 2005.

For more information, visit Washington-based Watson Wyatt's Web site at www.watsonwyatt.com or NBCH's Web site at www.nbch.org.

XL Insurance expands D&O policy

HAMILTON, Bermuda—XL Insurance (Bermuda) Ltd., a subsidiary of XL Capital Ltd., has expanded its directors and officers liability offerings through the company's professional lines insurance operation.

The expanded policy, A PLUS D&O, adds fiduciary liability coverage to its D&O program. The new policy replaces the Bermuda-based XL's Independent Directors & Officers Liability policy. The A PLUS D&O policy provides excess difference-in-conditions coverage above an existing D&O liability policy and fiduciary liability.

Capacity of up to \$50 million is available.

For more information, contact Sherron Williams, chief underwriting officer for XL Professional Lines, at 441-292-8515.

Venture Programs expands banking coverage option

WEST CHESTER, Pa.—Venture Programs Inc. has expanded its banking program by offering a new package of products.

The program is now available to insurance companies with less than \$2 billion in written premiums, banks and credit unions with less

than \$2 billion in assets, and investment firms with less than \$2 billion in assets under management. Previously, the program was available only to commercial banks with less than \$1 billion in assets.

The coverage offered includes broad standard commercial lines coverage, including property, general liability, workers compensation and umbrella liability, among others. The program also includes industry-specific coverage, including trust and foreclosure coverage.

The available umbrella capacity is up to \$15 million for middle-market financial institutions, which includes those with close to \$2 billion in assets.

For more information, contact David Russo, manager of Venture Banking, at 800-282-6247, ext. 255, or visit the West Chester, Pa.-based company's Web site at www.ventureprograms.com.

NIF offers D&O program for middle market

MANHASSET, N.Y.—NIF Group Inc. has introduced a middle-market directors and officers program for publicly and privately held U.S.-domiciled companies.

The new middle-market D&O program is available nationwide and provides directors and officers liability to those companies with assets totaling \$100 million or less for primary placements and totaling

\$300 million or less for excess placements.

The aggregate limit available is \$5 million, with minimum retentions of \$25,000 for private companies and \$50,000 for public companies. Premiums begin at \$15,000 for a \$1 million primary limit and \$5,000 per \$1 million for excess coverage.

The Manhasset, N.Y.-based NIF Group's NIF Professional Liability Risk Solutions will administer the program.

For more information, contact Ed Velasquez, executive vp of Professional Liability Risk Solutions, at 908-508-9696, ext. 16, or at edvelasquez@nifgroup.com. More information can also be found by visiting the company's Web site, www.nifgroup.com.

Insolvency Update

Recent transactions:

A Leading Petrochemical Firm

has sold

\$150,000,000

of asbestos claims against

Insolvent London Market Insurers

October 2004

A Major Engineering and Manufacturing Company

has sold

\$100,000,000

of asbestos claims against

Insolvent London Market Insurers

September 2004

A Major Equipment Manufacturer

has sold

\$44,000,000

of asbestos claims against

Insolvent London Market Insurers

September 2004

A Petrochemical Engineering & Construction Firm

has sold

\$12,000,000

of asbestos claims against

Insolvent London Market Insurers

September 2004

Global Risk Capital

Finality, Certainty, Liquidity.

London
Gary Wakinshaw
+44 (0)20 7618 2900
Global Risk Strategies (UK) Ltd.

Zurich
Richard Voegeli
+41 (1) 384 9310
Global Risk Capital Ltd.

Washington, D.C.
John Osborne
+1 202 585 1306
Global Risk Capital LLC

Bermuda
Colin Barnes
+1 441 296 2323
Global Risk Capital Ltd.

Final Bar Date:

All claims against Integrity Insurance must be submitted by Dec. 31, 2004

For more information visit www.g-risk.com/integrity

Global Risk Capital is a private equity firm specializing in the purchase of insurance assets arising from asbestos, environmental and other problematic, long-tail risks.

Since 2001, we have purchased over \$600 million in claims against 100 solvent and insolvent insurers around the world. We bring finality, certainty and liquidity to policyholders facing protracted and uncertain situations.

Visit us online at www.g-risk.com



Between the Lines

Compiled by Joanne Wojcik



Extreme health insurance?

What do health insurance and extreme skiing have in common?

Well, Blue Cross of California is hoping young adults aged 19 to 29 will draw a connection after they see the new Warren Miller film "IMPACT," which it is sponsoring as part of a marketing blitz for its new health plans tailored to the so-called "young invincibles."

This group of people has the highest rate of being uninsured—Blue Cross estimates between 30% and 40%—primarily because they are young and healthy and don't think they need coverage. Yet just one sports injury could leave them strapped for cash, with an ambulance ride averaging \$607, the cost of a day in the hospital averaging \$7,175 and knee surgery averaging \$48,302, Blue Cross estimates.

"Young adults think of insurance like broccoli," said Steve Synott, general manager of individual services at Thousand Oaks-based Blue Cross of California. "They know it's good for them, but they don't have a taste for it yet."

But Blue Cross is hoping its funky Internet-based ad campaign will help cultivate this group's appetite for health insurance. Its new Tonik health plans, which range in price from \$64 to \$123 a month, were designed to address the needs and wants of young adults and offer a limited number of covered doctor visits per year and deductibles ranging from \$1,500 to \$5,000. The plans also offer dental and vision coverage. To check out the new plans, visit www.tonikhealth.com.



Thoroughly modern CIGNA

As 2004 comes to a close, CIGNA Corp. is doing a little more housecleaning—literally.

The Philadelphia-based health insurer is donating its extensive collection of historical artifacts—including antique ship models, maritime paintings and early fire-fighting equipment dating from when a predecessor company sold fire insurance—to museums and institutions in Philadelphia; Hartford, Conn., and elsewhere.

CIGNA also plans to auction off its collection of late 19th- and early 20th-century paintings at Sotheby's, using proceeds from the sale to purchase new art by emerging artists.

The collection, the value of which is unknown, includes more than 5,000 works of art and artifacts and a Reaney & Neafie Co. fire engine, considered to be the oldest steam fire engine in America.

"We are no longer the company of several decades ago, and the holdings no longer fit the new direction of CIGNA as a more streamlined employee benefits company," a CIGNA spokesman said.



An antique fire engine that CIGNA is looking to sell

Not playing around

The Consumer Product Safety Commission is asking ordinary people to act as risk managers this holiday season and spread the word about unsafe toys as part of its Neighborhood Safety Network program.

The program aims to "get important safety information to older Americans, urban and rural low-income families, new parents and minority groups," CPSC Chairman Hal Stratton said at a press conference, where he also announced this year's list of the most hazardous toys.

Among them: Nerf Big Play Football, which contains a hard plastic interior frame that poses a risk of facial cuts if a child is hit during play; Children's Mirror Books distributed by Kids II Inc., which can cause cuts if they crack or break; radio-controlled toy trucks distributed by Nikko America, which may catch fire if their circuit boards overheat; and Mattel Inc.'s BATMAN BATMOBILE, whose plastic rear tail wings can cause puncture wounds, according to the CPSC.

The CPSC reports that last year, 11 children under the age of 15 were killed by unsafe toys and another 155,400 were injured seriously enough to be treated in hospital emergency rooms.

Tips and feedback from readers are welcomed. Please send information to jwojcik@businessinsurance.com.

Letters to the Editor

Continued from page 8

In 2003, the Texas Legislature enacted caps on noneconomic damages, a measure approved by a statewide vote later that year. In late 2003, the Texas Department of Insurance ordered Medical Protective to file new rates for 2004 reflecting assumed immediate savings from the legislation that had just taken effect.

The actuarial study submitted with that filing demonstrated a needed rate increase in excess of 25%; however, in that same filing, the company proposed instead a 19% increase, reflecting optimism that these measures could mitigate losses.

A fair examination of this 2003 filing and the actions we have taken clearly demonstrates that we have consistently expressed confidence that medical liability reform measures, including caps on noneconomic damages, will, over time, produce positive results for physicians in the state of Texas.

We stand shoulder to shoulder with doctors, fighting for medical malpractice reforms, because we believe such measures will help stem

the costs associated with medical professional liability.

Trent Heinemeyer

Lead Attorney
The Medical Protective Co.
Fort Wayne, Ind.

Lloyd's on course to meet new rules

To the editor: The Nov. 15 article, "Many Insurers Unready for U.K. Capital Rules," which refers to comments made by Nigel Gillott at the Assn. of Lloyd's Members conference, is misleading and does not reflect the fact that Lloyd's currently meets all statutory capital requirements, including the Financial Services Authority's enhanced capital requirement.

The FSA is introducing a marketwide requirement that firms should assess their own capital needs using a risk-based approach, and the ECR is at present a "soft test" benchmark for these self-assessments. Overall, Lloyd's existing capital would be sufficient to meet (and exceed) the ECR if it were a capital requirement. In the future, the FSA will also require syndicates to assess their capital requirements.

We have a timetable in place to obtain syndicate self-assessments and have already received a number of these; the remainder will be completed by the end of the year.

Lloyd's current processes are ahead of existing company requirements and will meet the more demanding process standards as they are introduced. In contrast to many other insurers, we have been using risk-based capital measures since 1996.

Far from "doing nothing," as Mr. Gillott is quoted as saying, we are in fact on course to meet the FSA's new requirements.

Henry Johnson

Head of Market Risk
& Reserving Unit
and Lloyd's Actuary
Lloyd's of London
London

Business Insurance welcomes letters to the editor. The section is intended to be a forum for readers' opinions and comments. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters.

Please send your letters to: Letters to the Editor, Business Insurance, 360 N. Michigan Ave., Chicago, Ill. 60601-3806; fax: 312-280-3174; rocchia@businessinsurance.com

"Be sure that you return it."

If you're racing through this issue of *Business Insurance* because you "borrowed" it from a colleague, you should have your own subscription. Then you'll be first on the list. You can take as much time as you like with all of *Business Insurance's* exclusive worldwide news of corporate risk, employee benefit and managed health care every week.

To subscribe, use the card in this issue or call 1-888-446-1422 toll free.

Subscription rates in U.S. dollars for 1 year, 52 issues.

Ask about our special 20% off group rate for five or more subscriptions.

U.S.	\$97
Canada*/Mexico	\$130
All other countries by expedited air	\$230

* Price includes Canadian GST.

Business Insurance
www.businessinsurance.com

Subscription Dept.
1155 Gratiot Avenue,
Detroit MI 48207-2912
Outside the U.S., call (313) 446-1662

Business Resources

To place your ad, contact **Tina Vasilakis** at (312) 649-5340 / fax: (312) 649-7937 / E-mail: tvasilakis@BusinessInsurance.com
Business Insurance, Business Resources, 360 N. Michigan Ave., Chicago, IL 60601-3806.

THOMAS GEORGE ASSOCIATES, LTD.

Insurance Recovery Services Division
Collection Specialists Since 1970
Our expertise is in the collection of delinquent debts for the insurance industry worldwide
1-800-443-8338
www.TGALTD.com

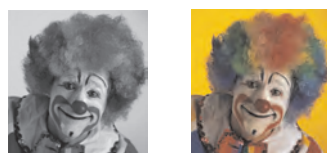
CPCU®

AIC, ARM, IIA, CLU/ChFC, and CIC candidates

You'll pass. You'll learn more faster. And, you'll love The Burnham System or your money back. Guaranteed!
Call 1-888-BURNHAM Now!
www.BurnhamSystem.com
19 Everett St., Southbridge, MA 01550

For 2005 BI Rates or Editorial Calendar

tvasilakis@BusinessInsurance.com



Some things just work better in color.

Like your BUSINESS RESOURCES ad in *Business Insurance*. Contact Tina Vasilakis at 312-649-5340.

Business Resources is the Place to Reach Key Decision-Makers!

MAKE A STATEMENT IN THIS UPCOMING ISSUE:

DECEMBER 27

Year in Review: Employee Benefits
Ad Closing: December 17

Call (312) 649-5340 to place your ad.

Business Insurance

TRIA: Extension bid faces obstacles, insurer execs say

Continued from page 3

effects of a major terrorism event in the United States," he said.

Congress has debated extending TRIA, but no agreement was reached during the recently concluded lame-duck session.

The insurance industry will have to work to get TRIA extension back on the agenda in 2005, said Maurice R. Greenberg, chairman and chief executive officer of American International Group Inc. in New York.

"I think (TRIA renewal) will happen, but it's going to take a big effort, and it's going to happen later in the year," he said.

In addition, the length of such an extension remains uncertain, as policymakers considered both six-month and two-year extensions during the last session.

"I don't think you'll get Congress to write a law that will be a five- or 10-year duration," Mr. Greenberg said. "You might get it for two or three years; it won't be a long-term

solution."

The insurance industry, however, must confront some challenges before members of Congress are likely to extend TRIA, the executives said.

Some policymakers see TRIA as a "handout" and do not believe the government should subsidize private industry, Mr. Ayer said. However, he pointed out, the government already participates in TRIA-like programs in industries such as banking, where the Federal Deposit Insurance Corp. guarantees deposits

up to a certain level.

In addition, some policymakers believe the private insurance industry will return to the marketplace to cover catastrophic terrorist attacks, given enough time and opportunity, he said. Without this public-private partnership, however, insurers will adopt terrorism exclusions or other coverage limitations where permitted by state regulators, or will begin to exit certain locations or lines of business, Mr. Ayer said.

The recent controversy surround-

ing contingent commissions may also impact the ability to get TRIA renewed, Mr. Greenberg suggested. "Unfortunately, the insurance industry's reputation at the moment is not exactly sterling, right or wrong," he said.

"To get Congress to support TRIA, you have to overcome that issue," he said.

If Congress does extend TRIA, the industry's retention of terrorism losses will rise, Mr. Greenberg added.

16th Annual Executive Conference for the Property/Casualty Industry

Spitzer probe to boost transparency of placements

By RUPAL PAREKH

NEW YORK—New York Attorney General Eliot Spitzer's fraud and antitrust lawsuit against Marsh & McLennan Cos. Inc. initiated a period of change for the U.S. insurance industry.

"The reality is, Mr. Spitzer found some really terrible things going on in this industry," said William R. Berkley, chairman and chief executive officer of Greenwich, Conn.-based W.R. Berkley Corp.

Insurance buyers, who had trusted their advisors, discovered that some of those advisors had violated that trust, he said at a session during the 16th Annual Executive Conference for the Property/Casualty Industry, held earlier this

month in New York.

Mr. Berkley said that in the future, the relationships between insurers and brokers would have to revolve around "transparency for the customer," with full disclosure of all aspects of transactions.

As part of that, agents and brokers soon will likely require customers to sign a release, acknowledging that the intermediaries have revealed "who's getting paid what," Mr. Berkley said.

Changes in insurance industry practices will have an impact on the profitability of brokers, said Vincent J. Dowling Jr., managing member at Hartford, Conn.-based Dowling & Partners Securities L.L.C., a property/casualty stock brokerage.

The greatest margin of financial

pressure will be imposed on those brokerages that handle large-account business, as they see revenues

'The reality is, Mr. Spitzer found some really terrible things going on in this industry.'

William R. Berkley
W.R. Berkley Corp.

diminish with changes in compensation arrangements. The profit margins of brokers involved in middle-market business, however, will not be as significantly impacted by the loss of the commissions, according to Mr. Dowling.

Both Messrs. Berkley and Dowling agreed that increased compliance and reporting expenses will impose additional costs on brokers and insurers, just as complying with Sarbanes-Oxley governance rules has boosted costs. Mr. Berkley estimated that the federal corporate governance law had cost his company a total of 24,000 additional work hours, \$2.8 million in external consulting services and rental charges for storage space to hold all Sarbanes-Oxley-related paperwork.

The executives stated that smaller insurance brokers, however, might be protected from certain consequences of the industry scandal.

"The small, local agencies will still have the trust of their customers," Mr. Berkley said.

But whether or not the scandal will actually spur a proliferation of smaller brokers remains to be seen and will depend upon the outcome of the investigations by prosecutors and regulators, Mr. Dowling said.

In addition, brokers may spin off part of their operations to avoid any appearance of a conflict of interest, Mr. Berkeley said.

"I think there's some fair likelihood that direct brokers will not be reinsurance brokers" in the future, he said.

Still, he remained optimistic, stating his belief that "turnover and change in the marketplace is always good."

"We have a very long way to go," Mr. Berkley said, but "transparency is going to be the end result."

Professional MarketPlace

To place your ad, contact **Tina Vasilakis** at (312) 649-5340 / fax: (312) 649-7937 / E-mail: tvasilakis@BusinessInsurance.com
Business Insurance, Classified Department, 360 N. Michigan Ave., Chicago, IL 60601-3806. Call for details on blind box and internet advertising

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK
IN RE PETITION
MALCOLM L. BUTTERFIELD AND
ANTHONY J. MCMAHON,
AS JOINT PROVISIONAL LIQUIDATORS OF
BELVEDERE INSURANCE
COMPANY LIMITED,
DEBTOR IN A FOREIGN PROCEEDING
CASE NO. 98-B-47660 (REG)

NOTICE IS HEREBY GIVEN THAT ON NOVEMBER 17, 2004, THE BANKRUPTCY COURT ENTERED AN ORDER (THE "ORDER") CONTINUING THE PRELIMINARY INJUNCTION ORDER PURSUANT TO 11 U.S.C. § 304 ORIGINALLY ENTERED IN THIS CASE ON NOVEMBER 4, 1998. THE ORDER SHALL REMAIN IN EFFECT PENDING A HEARING TO CONSIDER WHETHER IT SHALL BE CONTINUED, WHICH HEARING IS SCHEDULED TO BE HELD ON MAY 18, 2005 AT 9:45 A.M. (THE "RETURN DATE") BEFORE THE HONORABLE ROBERT E. GERBER, IN ROOM 620 OF THE ALEXANDER HAMILTON CUSTOM HOUSE, ONE BOWLING GREEN, NEW YORK, NEW YORK. ALL PAPERS SUBMITTED FOR THE PURPOSE OF OPPOSING CONTINUATION OF THE ORDER AFTER THE RETURN DATE SHALL BE FILED WITH THE COURT, WITH A COPY TO THE CHAMBERS OF THE HONORABLE ROBERT E. GERBER AND SERVED ON COUNSEL FOR THE PETITIONERS LISTED BELOW, SO AS TO BE RECEIVED AT LEAST FOURTEEN (14) DAYS PRIOR TO THE RETURN DATE. ANY PERSON WISHING TO OBTAIN A COPY OF THE ORDER SHOULD CONTACT COUNSEL TO THE PETITIONERS.

CHADBOURNE & PARKE LLP
ATTORNEYS FOR THE PETITIONERS
30 ROCKEFELLER PLAZA
NEW YORK, NEW YORK 10112
(212) 408-5100
ATTN: HOWARD SEIFE, ESQ.

HELP WANTED

INSURANCE SERVICES MANAGER

RESPONSIBILITIES:
• Evaluates insurance exposures and helps determine the appropriate risk financing options.

• Manages the renewal of group insurance programs and negotiates insurance coverage and premiums.

• Oversees the administration of all major claims and works with loss control and safety programs.

REQUIREMENTS:

• A college degree and 8 years experience in insurance and risk management. Prefer an MBA.

• Ability to obtain Property-Casualty Agents Licenses in Illinois.

• CPCU, ARM or other professional insurance designation.

• Proven analytical abilities or experience with statistical models.

GROWMARK, Human Resources
Bloomington, IL
FAX: (309) 557-7129

E-MAIL: employ@growmark.com
AN EQUAL OPPORTUNITY EMPLOYER

HELP WANTED

HYLANT GROUP seeks:

- **Property Broker:**
10+ years experience
- **Executive Risk Broker:**
10+ years experience
- **Commercial Insurance Producers:**
5+ years experience
- **Employee Benefit Producers:**
5+ years experience

Toledo, Cleveland, Columbus,
Cincinnati, Indianapolis, Ft. Wayne,
Detroit, Ann Arbor, Bloomington,
Pittsburgh & Chicago

Next day response - No search firms please

Please visit
www.hylant.com/careers.htm
for more information



EDUCATION

Florida State University

offers an online master's degree in Risk Management and Insurance (concentrations in Property & Liability or Financial Services). This affordable and flexible program can be completed via Internet access from any location. For more information on the May 2005 sequence, visit www.cob.fsu.edu/grad

For 2005 BI Rates or Editorial Calendar

e-mail
tvasilakis@BusinessInsurance.com

Business Insurance Classifieds

- For Sale
- Education
- Help Wanted
- Web Services
- Legal Notices
- Announcements
- Position Wanted
- Situation Wanted
- Request For Proposals
- Business Opportunities

Whatever your needs in the Corporate Risk, Employee Benefit or Managed Health Care arenas, advertising in **BI** can help you fulfill them.

Call Tina Vasilakis
at (312) 649-5340
tvasilakis@BusinessInsurance.com

Business Insurance

Captives: Programs can accomplish varied objectives

Continued from page 4

uninsurable in the traditional market and improving cash flow.

More and more organizations are discovering the risk financing and other advantages captives can bring. "The (captive) market is hot. People really are starting to use the vehicles," Ms. Small said, noting that a big driver of interest is buyers looking for more stable sources of coverage.

In the traditional market, she noted, coverage can be available one day and gone the next. By contrast, with a captive, an employer has much more control over its insurance program, she said.

Still, while captives are at the core of Verizon's insurance programs, the decision on whether or not to fund a risk through a captive is very much made on a case-by-case basis.

"We write coverage (through the captive) where it makes sense. We look at every renewal" and ask

whether it makes sense to fund the risk through the captive or purchase coverage in the commercial market, Ms. Small said.

Unlike many captives that are used to fund only the risks of the parent, Verizon's captive program does a big block of third-party business. Among other things, the captives provide cell phone insurance to the communication giant's wireless customers who purchase the units. Additionally, the captive program reinsures certain voluntary employee benefits that allow Verizon employees and retirees to purchase automobile and homeowners insurance at discounted rates from a selection of insurers and pay their premiums through payroll or pension deductions.

By taking on so much third-party business—about 60% of the captives' business is unrelated to Verizon—the company can deduct the property/casualty premiums that

flow into the captives, Ms. Small said. Courts have ruled that employers can deduct premiums paid to their captives if a significant portion of the captive's business—about 30%—is third party.



'I hope (brokers) don't come back to me and say, "We need more from you."...They are not getting another (additional) penny from me.'

Sheila Small
Verizon Communications Inc.

able the parent to deduct property/casualty premiums paid to the captive—isn't relevant for Verizon, Ms. Small said.

In fact, Ms. Small, while noting that she is very receptive to new ideas, said she has not received a good answer from outside consultants on the potential advantages Verizon would reap by funding employee benefits through its captives.

"The HR people say there would not be a lot of frictional costs" saved through a captive benefits funding arrangement, she said.

Turning to another area—the still-unfolding scandal involving the alleged rigging of bids and steering of business by brokers to certain

insurers to maximize contingent commission revenue—Ms. Small said brokers would be unwise to now try to jack up fees.

"I hope they don't come back to me and say, 'We need more from you.'...They are not getting another (additional) penny from me," she said.

Over the years, in fact, Ms. Small said Verizon has cut back on the use of what she described as the "intellectual services" offered by brokers. In that time, Verizon's risk management staff has expanded its expertise, which, she said, in some cases exceeds that of brokers.

And if brokers were to cut back on their services, others undoubtedly would move in to fill that void, Ms. Small said. "A cottage industry may take their place," she said.

P. Richard Hackenburg, vp-insurance and risk control services at FJOP Service Corp. in New York, moderated the session.

Benefits: Value seen in feasibility studies

Continued from page 4

Employers have differing goals for using a captive to fund benefit programs that go beyond tax advantages, the panelists said.

For Sun, the short-term goal was cost savings in its benefit programs, "but long-term we would look at the tax benefits" of putting more unrelated premiums into its captive, Ms. Gallie said. "This process takes so long to set up that you have to look at it as a long-term venture, not something you jump in and out of."

For Svenska Cellulosa A.B., which is currently using its captive to fund benefits, "the main trigger...was the idea of expanding the use of the captive to other areas and to balance our exposures beyond property risk," said Per R. Larsson, group risk manager for SCA, a Stockholm, Sweden-based paper products company.

Using a captive also helped SCA to standardize the benefits it offered to employees in different countries, he said. Cost savings is also a benefit, he said, but, "at the end of the day, it depends on the claims," he added.

At Corning, even though it has decided against using its captive for

benefits, "this analysis gave us a better understanding between risk management and employee benefits," said Ms. Lauper.

A member of the audience echoed that finding.

"I saw it as a great opportunity to build bridges between risk management and employee benefits," said Randall Moon, vp of compensation and benefits for Archer Daniels Midland Co. in Decatur, Ill. ADM uses its captive to fund benefits.

"This is crucial for the long-term goal of integrated disability management. You can't just start an IDM program without those bridges and relationships," Mr. Moon said.

Using a captive to centralize benefit funding also creates a mechanism for building closer ties with a company's local operations around the world, Mr. Moon said. "This project helped gather local (benefits) data around a specific project, rather than just a request from corporate for information," he added.

The session was jointly moderated by Jerry Geisel, editor-at-large of *Business Insurance* in Washington, and Jim Waters, retired head of employee benefit services for Towers Perrin in New York.

14th World Captive Forum

Creative uses found for RRGs

By MICHAEL BRADFORD

AVENTURA, Fla.—As the popularity of risk retention groups grows, there is a need for even broader use of these alternative risk-financing mechanisms, an industry expert claims.

Although the federal Liability Risk Retention Act of 1986 didn't spark an immediate rush to the new risk-financing alternative, "I'm pleased to see what's happening now; I think there's close to 200 active risk retention groups," said J. Brady Young, managing director at Strategic Risk Solutions, a captive management company in Waltham, Mass.

The use of risk retention groups is "much deeper and wider than it has been," Mr. Young told attendees at a session during the 14th World Captive Forum, held earlier this month in Aventura, Fla.

For example, corporations are increasingly forming risk retention groups with either multiple shareholders or subsidiaries as the owners, Mr. Young noted.

In using the groups for such purposes, he said, "obviously, one of the drivers is the ability to issue policies on a direct basis and to be free of some of the capital-raising and state insurance regulations."

James R. Cameron, a partner with Baker & McKenzie L.L.P. in New York and a speaker at the conference session, agreed that the popularity of risk retention groups is on the rise.

"That's becoming a more-mature market, and I think we will see more group captives out there," Mr. Cameron said of risk retention groups. "I think we will continue to see strong growth in that field."

While many of the groups have been formed to cover bodily injury or direct liability exposures, "we're seeing some creative uses," such as risk retention groups formed to cov-

er "property damage liability risks," Mr. Young said.

And there is room for other coverages to be written by the groups if the federal Risk Retention Act can be expanded, he said. Supporters, though, may have let a chance to seek such a change slip by, according to Mr. Young.

"We hope we didn't miss the opportunity to make the case for broadening the Act," he said. A good time to press for that expansion would have been at the "height of the hard market," when the groups could have been touted as legitimate alternatives to a tight traditional insurance market, Mr. Young explained.

'We hope we don't miss the opportunity to make the case for broadening the (federal Risk Retention) Act.'

J. Brady Young
Strategic Risk Solutions

Workers compensation and property risks are among those well suited for risk retention groups if legislation were changed to allow them to be written, he said.

Given the scarcity of fronting services that are required for traditional captives but not for risk retention groups, "it is a critical need" to expand risk retention groups' underwriting abilities, said Mr. Young.

"I think it's unfortunate that the efforts of the captive industry haven't been more cohesive to try and get this done," he said.

An interesting trend in the risk retention arena is the appearance of what Mr. Young described as "angel capital, which is someone with deep pockets that's related to the group helping to get it off the ground."

Such "angels," in some cases, are members of the newly forming insurer, or they may be outsiders with an interest in seeing the risk retention groups succeed, Mr. Young noted.

"A good example would be a large hospital with a group of docs," he said. "The docs have a problem with med mal, and the hospital wants to help solve that problem. So the hospital puts up the capital with the intent...that over time, as the capital and surplus grows, to extract the seed money that they put up to get it started."

Other sources of "angel capital" could cause problems for a risk retention group, Mr. Young warned. If startup money were to come from a party that lacks some tie to the insurer, that relationship could run afoul of risk retention act regulations or the intent of the legislation, he said.

There are some "clouds on the horizon" for risk retention groups, according to Mr. Young.

"I think most of you are aware that the General Accounting Office is looking hard at risk retention groups," Mr. Young said, referring to the federal agency that was recently renamed the Government Accountability Office. "They've been interviewing all the regulators around the country. I think they have some concerns with some of the structures and the parties involved in some of the risk retention groups."

Mr. Young said he hopes that those who are "stretching the act" to use it in ways for which it was not intended "are not going to ruin it for those making legitimate use" of the legislation.

Also on the panel was J. Scott Bradley, president of Quanta Reinsurance U.S. Ltd. in Bermuda. Hugh D. Rosenbaum, a principal with Tillinghast-Towers Perrin in London, moderated the panel.

Over 330 attend conference

AVENTURA, Fla.—The 14th annual World Captive Forum attracted more than 330 attendees from around the world to the Fairmont Turnberry Isle Resort in Aventura, Fla., Nov. 15-17.

The annual conference is jointly produced by *Business Insurance*, Quest Insurance Solutions Ltd. and Tillinghast-Towers Perrin. This year's meeting featured a new program track devoted

to using captives for benefit programs. The other program tracks are organized around basic and advanced captive insurance topics.

Next year's conference is scheduled for Nov. 7-9 at the Fairmont Turnberry Isle Resort. For more information, contact the World Captive Forum, 4248 Park Glen Road, Minneapolis, Minn. 55416; 952-928-4659.

14th World Captive Forum

Good fronts vital to benefits funding

By ROBERTO CENICEROS

AVENTURA, Fla.—Selecting appropriate fronting arrangements is the key to successfully funding multinational and U.S. employee benefit programs through captives, risk managers told the 14th World Captive Forum.

Bonn, Germany-based Deutsche Post World Net, the parent company of DHL Express, has 380,000 employees worldwide. Its Bermuda-based captive provides group life, short- and long-term disability, medical care and accident coverage for workers in 86 countries, said Hugh O'Neil, Deutsche's director-corporate insurance and risk management.

Mr. O'Neil joined other panelists at the forum, held earlier this month in Aventura, Fla., to discuss captive fronting and reinsurance.

To effectively manage its captive benefits program in so many countries, Deutsche relies on as few fronting insurers as possible, Mr. O'Neil said. To do that, it divides its benefit programs in those 86 countries among two pools.

A network assembled by a unit of

Generali Worldwide Group in Brussels provides accounting, operational and other fronting services for benefit programs throughout Europe. New York-based American International Group Inc. does the same for programs elsewhere, Mr. O'Neil said.

The fronting insurers cede 100% of the risk to Deutsche's Bermuda-based captive, Marias Falls Insurance Co. The captive, though, reinsures for losses that exceed its "fairly high" risk tolerance. For example, a Hannover Life Re unit in Paris provides excess-of-loss coverage for certain risks, Mr. O'Neil explained.

Local human resource departments design benefit programs appropriate for their operations. Deutsche's risk management department then partners with them at the back end, designing the financial arrangements necessary to cover the programs through the captive.

The price of fronting and administration services played a role in selecting insurers, although it was not the primary criterion, Mr. O'Neil said. The insurers' ability to deliver quality service to Deutsche local

units across numerous countries was vital, he said.

"If you are going to make promises about cost savings, there is no use doing it if there are a whole lot of operational problems," such as medical claims not getting paid, he said.

Deutsche looked for insurers with brands that had strong visibility in the countries in which it operates. The company also wanted insurers with centralized operations control, capable of meeting its data collection requirements, Mr. O'Neil said.

Deutsche, which began funding benefits through its captive in 1996, has seen such efforts pay off.

The company's benefit risks, for example, are more stable than its property/casualty exposures. So insuring employee benefits helps stabilize the entire captive's risk profile, Mr. O'Neil said.

Deutsche is now investigating the potential of obtaining U.S. Labor Department approval to use a captive to fund employee benefits for its U.S. workers.

Fort Worth, Texas-based Alcon Laboratories Inc., a subsidiary of

Hunenberg, Switzerland-based eye care pharmaceutical giant Alcon Inc., is the fifth and latest employer to obtain such approval, said Dave J. Spence, Alcon's director of global risk management.

Obtaining the approval to use a Vermont-based captive to reinsure long-term disability and life insurance policies was a natural move, Mr. Spence said. Alcon already successfully funded employee benefits for workers in 30 other countries through a Bermuda-based captive, Trinity River Insurance Co.

Alcon pools benefits for employees in Europe, the Far East, Latin America and Canada, using Generali for fronting and administration. It then reinsures 100% of the risk through the Bermuda facility.

For its U.S. employee benefits program, though, Alcon selected Hartford, Conn.-based Aetna Life Insurance Co. as a fronting insurer and will reinsure 100% of the risk through Vermont-based Trinity River Insurance Co. (USA) Inc.

The employer eventually plans to cede the risks from the Vermont captive to its Bermuda facility, Mr. Spence said.

Alcon selected Aetna from among three insurers willing to cede 100% of the reinsurance to its captive, Mr. Spence said. Other insurers were unwilling to reinsure to the captive or would cede only a portion of the risk.

Aetna also agreed to provide its fronting and administrative services for about 15% of the annual premium paid into the captive. The insurer guaranteed its rate for three years, Mr. Spence said.

The other two insurers willing to cede 100% of the risk to Alcon's captive would have provided fronting services only if they could have received about 20% to 30% of the annual premiums paid into the facility, Mr. Spence said.

When looking to self-fund benefits through a captive, start the search for fronting services by considering the incumbent insurer, advised Arthur G. Koritzinsky, managing director-advanced risk solutions for Marsh Inc. in New York.

Not all insurers, though, have the administrative capabilities necessary to provide fronting services, Mr. Koritzinsky said, so captive parents may not be able to use the incumbent company.

Mike Ponical, managing director for Towers Perrin in Southfield, Mich., moderated the panel discussion.

14th World Captive Forum

Fronts focus on captives' collateral, business plan

By MICHAEL BRADFORD

AVENTURA, Fla.—When captives and fronting companies are hashing out the details of their relationships, they have to tackle the sticky issue of collateral before the arrangements can go very far.

Collateral is "the biggest area of concern" between a captive and its fronting company, said William T. Torpey, senior vp at Old Republic Risk Management Inc., a Saddle Brook, N.J.-based provider of fronting services. Captives want to know why they need to post collateral as well as the justification for the amounts they are asked to provide, he explained.

Speaking at the 14th World Captive Forum in Aventura, Fla., earlier

this month, Mr. Torpey said the simple answer to questions about the need for collateral requirements is that "it's good business practice."

"If we're going to assume liabilities," security needs to be in place to ensure that claims will be paid, he added.

Forms of collateral provided by captives generally are letters of credit or trust agreements that name the fronting company as the beneficiary, Mr. Torpey said.

If collateral or other security isn't a concern for the fronting companies, reinsurance probably will be, according to another speaker at the conference session.

C. Jeffery Triplette, vp-continuity, insurance and security services at Duke Energy Corp. in Charlotte,

N.C., which owns three captives, said that fronts "usually don't have a challenge with our reserves, it's mostly who our reinsurers are" that concerns them. "They're looking at my reinsurers to make sure that there's money there."

As for the cost of fronting, there is no average or guideline to offer, Mr. Torpey said. "That is an unanswerable question. Every situation is unique."

Each captive is different, and the factors that go into calculating fronting costs vary so widely that coming up with an expected cost without actuarial analysis is "not a question that you can answer easily," Mr. Torpey said. "There is no fee schedule."

Prospective captive owners will

find that they have to answer a lot of questions before price can be calculated.

When a group captive organizer or a potential parent approaches Old Republic about putting an insurer together, the financial condition of the owner or owners is "the first thing we look at," Mr. Torpey remarked. "It has to meet our credit standards before we go forward. We need to know that the client will not only have the ability to post collateral and security for the current obligations, it has to develop a comfort level and confidence that it can meet future obligations."

"We have to buy into your business plan, is what it comes down to," Mr. Torpey said.

He reminded captive owners

that, although they have entered a less regulated environment in many ways, their fronting companies are under regulatory pressure to make sure the fronts are providing services to secure operations.

"We are subject to market conduct examinations by the various states" and are obligated to make sure fair-claims laws are obeyed in states where they apply, Mr. Torpey noted. The fronts also operate knowing that rating agencies base their assessments of the companies partly on the arrangements they have with the captives they serve, he added.

Martin G. Ellis, first vp in the international finance department at Comerica Bank in Detroit, served as the session's moderator.

14th World Captive Forum

Interest in segregated-cell captives rising

By ROBERTO CENICEROS

AVENTURA, Fla.—The versatility of segregated-cell captives continues to drive their popularity, according to industry experts.

Each segregated-cell captive constitutes a single legal entity, yet the assets and liabilities of its individual cells are shielded from each other. "This ability to segregate and build a ramp around the protected cell, obviously, is one of the great attractions in comparison with other rent-a-captive facilities," said Richard G. Turner, captive services managing director-sales for Liberty Mutual Group Inc. in Bala Cynwyd, Pa. Mr. Turner was one of three

panelists discussing segregated-cell facilities at the recent 14th World Captive Forum in Aventura, Fla.

Segregated-cell captives often are cost-effective alternatives to stand-alone facilities, and they are especially suitable for small or medium-sized organizations, said Talman P. Morgan, chief executive of the St. Peter Port-based Guernsey Promotional Agency, which serves as an advocate for the island's financial businesses.

The risks of a variety of insureds can be separated within a single captive, or a single-parent company can segregate a variety of client exposures within such a facility, the speakers said. For example, health

care organizations have been launching single-parent segregated-cell captives in Cayman.

For now, few of the owners of those so-called "segregated-portfolio companies" are segregating the risks in their facilities, said Luis Filipe, vp of Grand Cayman-based captive manager IAS (Cayman) Ltd. Instead, most are managing the facilities as if they were traditional captives, insuring risks such as professional liability coverage for their hospitals. But they are looking toward the time when they can insure doctor groups, other regional hospitals and other business units such as nursing homes, he said.

Organizations that are too small

to tap reinsurance markets directly find SPCs useful, Mr. Filipe added. Creating such facilities allows them to band together to purchase reinsurance and provides them with leverage in their negotiations.

There are now 89 SPCs in Cayman, constituting 13% of the domicile's captive total, Mr. Filipe said.

"But the biggest growth is that there are 384 cells in those 89 SPCs," Mr. Filipe said. "That is over 40% of the risk-bearing business in Cayman right now, and that is a phenomenal number."

There are now more than 20 domiciles, including several in the United States, with laws that allow the formation of segregated-cell

captives, although only 10 are actually players, Mr. Turner added. Vermont and South Carolina each, for example, have several segregated-cell captives domiciled within their borders.

Guernsey now has 62 protected-cell companies, with 226 cells, Mr. Morgan said. That compares with only six PCCs with 14 cells in 1997.

Some owners of stand-alone captives are even converting their facilities to PCCs. That can help streamline risk management efforts and reduce costs when, for example, they acquire other entities that also own captives, Mr. Morgan said.

In that scenario, the risks in the acquired captives could be moved into the segregated-cell captive.

Brian R. Hanuschak, president of Discover Re Specialty Marketing Group in Farmington, Conn., moderated the session.

Property/casualty insurers' 2004 nine-month results

Ranked by net income. All amounts are in thousands of dollars.

	Net income	Corporate Percent increase (decrease) 2003-2004	Consolidated revenues 2004	Combined ratio 2004 ¹	Combined ratio 2003 ¹	Property/casualty operations Net premiums written 2004	Percent increase (decrease) 2003-2004	Policyholder surplus 2004	Percent increase (decrease) 2003-2004
American International Group	\$8,030,000	22.3%	\$72,857,000	95.3% ²	92.8% ²	\$31,323,000 ²	20.2%	N/A	N/A
Hartford Financial Services Group Inc.	1,495,000	N/M ³	16,592,000	97.1	97.1	7,531,000 ²	12.5	\$5,900,000	-
ACE Ltd.	857,214	(11.9)	9,035,386	93.8	91.3	8,873,647	16.1	9,479,573	13.6%
Chubb Corp.	736,500	342.9	9,729,600	95.8	108.7	8,137,500	22.9	7,350,000	18.6
Liberty Mutual Insurance Co.	680,000	63.5	14,367,000	106.5 ²	107.4 ²	10,068,000 ²	13.0	7,904,000	31.6
The St. Paul Travelers Cos. Inc.	652,000	(46.0)	16,569,000	108.0	96.4	13,782,000	40.5	14,379,000	75.4
Cincinnati Financial Corp.	391,575	60.1	2,672,186	92.3	96.7	2,273,695	6.5	4,516,851	62.5
SAFECO Corp.	382,600	121.2	4,621,000	92.4	102.7	4,297,400	12.0	3,178,300	24.0
Old Republic International	334,565	(3.3)	2,569,851	90.5	93.6	1,276,116 ²	15.9	1,947,176	7.4
American Financial Group	267,300	275.0	2,929,200	96.2	99.5	1,690,900	8.3	1,955,700	27.3
CNA Financial Corp.	136,000	N/M ³	7,250,000	107.8 ²	173.5 ²	5,390,000 ²	3.5	6,600,000	26.7
Ohio Casualty Corp.	71,500	48.6	1,231,700	99.5 ²	106.6 ²	1,111,400 ²	1.0	931,100	14.4
RLI Corp.	43,567	(21.1)	429,349	96.0	92.5	390,306	11.5	587,609	6.0
Argonaut Group Inc.	2,800	(97.5)	517,700	101.6	106.2	506,600	12.8	574,500	6.5
Cumulative	\$14,080,621	70.7%	\$161,370,972	98.9%	102.5%	\$96,651,564	16.7%	\$65,303,809	29.4%

(1) Includes dividends. (2) Statutory. (3) Comparison not meaningful due to 2003 loss. N/A Company did not provide data. Source: BI survey

Results: Good performance reported despite storms

Continued from page 1

of excellent levels of the first half of the year," he said.

Key results during the nine-month period from the BI survey include:

- Insurers reported a 98.9% combined ratio, vs. 102.5% for the comparable period a year ago. This compares with a combined ratio of 96.3% for the first six months of 2004.

- Net premiums written increased 16.7%, to \$96.65 billion.

- Policyholder surplus for the 13 insurers reporting that data increased 29.4%, to \$65.3 billion.

"Absent the storms, which of course is the big story, the results were as good, or better, than we expected," said James Inglis, managing director at Philo Smith & Co., a Stamford, Conn.-based boutique investment bank that specializes in the insurance industry.

"The underlying trend was good," while the storm losses mean there will be less pressure on insurers to reduce property insurance rates, said Mr. Inglis.

The four hurricanes—Charley, Frances, Ivan and Jeanne—are estimated to have caused more than \$20 billion in insured losses, with much of that falling on personal lines insurers and on reinsurers.

"While we are talking about large amounts of dollars, the industry seems to have...fared a lot better this time around than it did 10 years ago" with Hurricane Andrew, noted Jeff Berg, a senior analyst with Moody's Investors Service in New York. "It's a positive sign that

companies are doing appropriate risk management," taking the time to understand their risk portfolios and managing them better, he said.

Jay Cohen, an analyst with Merrill Lynch & Co. in New York, said the results "simply reflect the continued favorable pricing environment over the past several years."

'We're well past the time the easy money's been made in this business, and we're looking at a bit more of a sobering outlook for 2006 and 2007.'

Stephan Petersen
Cochran, Caronia & Co.

Also helping insurer results is "the growth in paid claims clearly lags the growth in earned premiums," he said.

Insurer revenues "continue to slow down, but that's to be expected as the market softens up a bit. But it looks like underwriting margins remain fairly robust, at least so far this year," said Stephan Petersen, an analyst with Cochran, Caronia & Co. in Chicago.

Most analysts do not expect the ongoing insurance industry investigation by Mr. Spitzer, New York's attorney general, to have a material impact on insurers' financial results.

"It kind of turned out to be sort of a lost quarter, because it was so overshadowed by the new attorney

general investigation that I don't think investors paid much heed to individual earnings reports in the quarter," said Mr. Petersen.

"It seems to have very little real economic impact on the insurers," said Mr. Ransom. "In fact, if they don't have to pay contingent commissions they might be better off, if you look at it in some ways."

Another analyst dismissed any potential upside to insurers from the elimination of the commissions.

"I don't think there'll be any significant expense savings for insurers in what they're paying brokers," said James B. Auden, senior director at Fitch Ratings in Chicago. "It's a very competitive market, so any reduction in commission expense long term will probably be offset by lower premiums."

Another focus of Mr. Spitzer—alleged bid rigging—is another issue, said Mr. Ransom. "If this whole bid-rigging issue was as widespread as Spitzer want us to believe, then if that goes away," it could make competition more severe, he said.

Meanwhile, some analysts expect insurers to address reserve deficiencies in the fourth quarter.

"We would expect to see more meaningful reserve adjustments, although with a couple of obvious exceptions, we're not looking for anything that dramatic," Mr. Cohen said. Those exceptions are St. Paul Travelers Cos. Inc. and ACE Ltd., which Mr. Cohen said are expected to report asbestos-related reserve charges in the fourth quarter.

Companies have "done a better

job of shoring up their balance sheets, but that doesn't mean we're over the hump," said Mr. Berg of Moody's. "We still think that companies are light on reserves," he said. "We do expect ongoing reserve increases in the near and medium term as companies continue to strengthen that balance sheet."

'The outlook is relatively good for the industry, though probably not as good as the last 12 to 18 months have been.'

John Ward
Ward Group

Mr. Petersen said, though, that while the fourth quarter is the traditional period for tuning up reserves, "I suspect that the hurricanes may have provided a bit of cover for insurance companies" to increase their reserves already in the third quarter.

Regardless, analysts say the industry's forecast remains good.

"We're still projecting the industry to produce a combined (ratio) of under 100 for the year," which will be the first time in about 25 years that has happened, said Mr. Auden. Next year—assuming that catastrophe losses are average—"will be moderately worse than '04 in terms of underwriting performance of the whole industry," he predicted.

"We're fairly neutral right now in terms of the overall outlook," said Mr. Petersen. "We're well past the time the easy time money's been

made in this business, and we're looking at a little bit more of a sobering outlook for 2006 and 2007."

Chris Winans, senior property/casualty analyst with Lehman Brothers in New York, said that in 2005, "the loss ratios will be good, but I think the expense ratios will start to tick up and the combined will suffer because of it. It will be an OK year, but I'm not sure the fundamentals will be good for '06."

John Ward, chairman of the Cincinnati-based Ward Group, said: "I'm still pretty positive about the fundamentals of the segment, although I would expect to see a bit of a shift between investment results and underwriting results. I think the investment results are going to be more favorable going forward, with probably a strong equities market and increasing interest rates."

On balance, though, "the outlook is relatively good for the industry, though probably not as good as the last 12 to 18 months have been," said Mr. Ward.

Competition remains disciplined, said Mr. Inglis. "Rates are going to sort of continually trend downward, but there's enough margin that insurers could be able to continue to operate profitably."

In addition, "one thing that struck me was the increased focus on monoline results. Insurance companies want every line to be profitable, and...they're less willing to offset losses in one line for profitability in another. There are no loss leaders anymore," he said.

Survey: Buyers see conflict in volume-based bonuses

Continued from page 1

sponded to the survey—52%—disagreed with the statement that their agent or broker “fully discloses all compensation received for the placement of insurance,” a sentiment shared by 38% of the public entity buyers surveyed. Only buyers were surveyed on this question.

Not surprisingly, buyers and producers split on whether they would choose fees for service rather than insurer-paid commissions as the better way to compensate brokers and agents. More than three-quarters—76%—of the buyers representing commercial entities said they preferred fees for service, with 10% disagreeing and the remainder neither agreeing nor disagreeing.

Eighty-two percent of public entity buyers said they preferred fee-for-service arrangements, with only 7%

Not surprisingly, buyers and producers split on whether they would choose fees for service rather than insurer-paid commissions as the best way to compensate brokers and agents.

favoring commissions and the rest neither agreeing nor disagreeing. But 52% of the agents and bro-

kers disagreed that fees for service were preferable to commissions as a means of compensating producers. Fifteen percent of the producers favored fee-for-service commissions, but more than a third—34%—neither agreed nor disagreed that fees for service provided a preferred method of compensation.

Insurer and reinsurer respondents split more evenly on both questions. Half of them said that volume-based bonus commissions could present a conflict that could work against buyers, 32% disagreed and the rest neither agreed nor disagreed. Slightly more than half said they preferred fee-for-service arrangements as a means to compensate producers, while 28% disagreed and the rest neither agreed nor disagreed.

Majorities of the respondents that fell into the survey’s other two categories in the survey—consultants and “other,” which included those respondents who did not specify their jobs—also held that bonus commissions could present a conflict of interest and that fees for service were the better way to compensate producers.

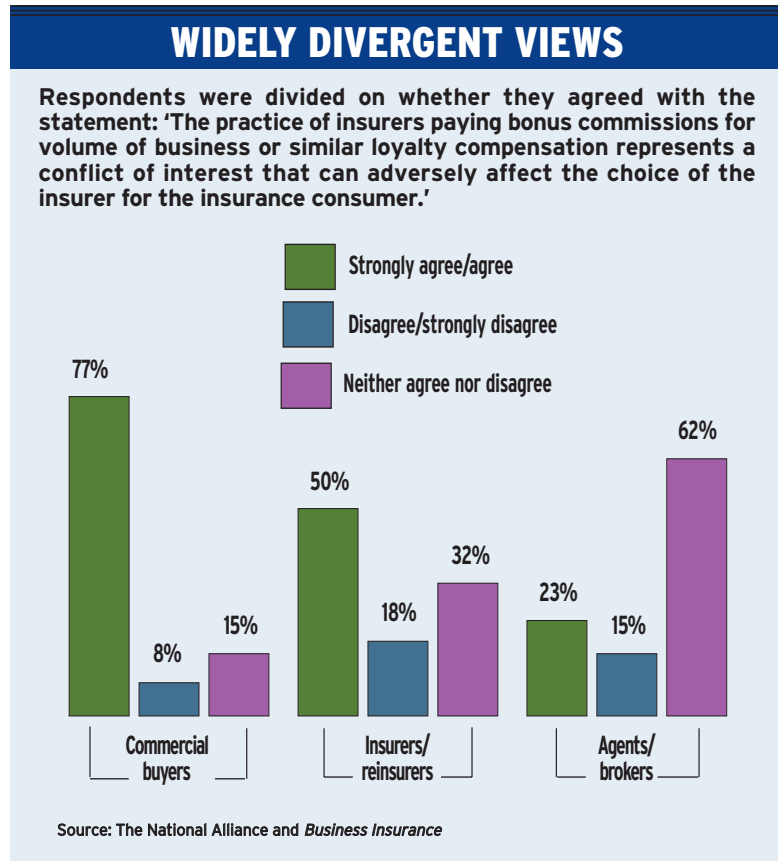
Yet despite the divide between buyers and producers on both the issues of the preferred method of compensation and the possibility of conflicts of interest arising from compensation arrangements, both groups cited the same two items when asked to name the most important criteria when choosing an insurer. Agents and brokers ranked breadth of coverage and financial concerns the first and second most important criteria; buyers ranked financial concerns and breadth of

BUYERS' CRITERIA FOR INSURERS

Corporate insurance buyers ranked factors they use to choose insurers, in descending order of importance

- Financial strength
- Breadth of coverage
- Price
- Flexibility
- Breadth of experience
- Claims service
- Length of time in market
- Other

Source: The National Alliance and Business Insurance



coverage as the first and second most important criteria. Respondents falling into the insurer/reinsurer, consultant and “other” categories also ranked criteria in the same order as buyers. Price never ranked higher than third in any category. Breadth of experience, claim service, flexibility, length of time in the market and “other” all trailed as criteria.

The agreement on important criteria was not matched by agreement on whether the agent or broker “always recommends ‘best insurer’ to fulfill customer needs.” While 97% of the producer respondents said that was the case, only 61% of the commercial buyers and 76% of the public entity buyers agreed.

The survey “offers a timely look at a critical issue for the insurance industry,” said Regis Coccia, editor of *Business Insurance*.

“At a time when many insurance buyers are questioning their agents’ and brokers’ business practices, the poll shows a chasm between buyers and brokers in some key areas,” he said.

“Specifically, 77% of commercial buyer respondents saw bonus commissions as a conflict of interest, but only 23% of agents and brokers did. That indicates a need for both sides to come to the table and discuss their differences,” Mr. Coccia said.

While 97% of the producer respondents said the agent or broker ‘always recommends ‘the best insurer’ to fulfill customer needs,’ only 61% of the commercial buyers and 76% of the public entity buyers agreed.

“The charges leveled against the insurance industry have cast a long shadow—unfairly, to the honest, hard-working people who do put their clients’ interests first—and there’s obviously a great need for risk managers, brokers and insurers to communicate their concerns,” Mr. Coccia said. “We think this survey can be a good starting point for that.”

The Web-based survey was conducted in mid-November. The results were based on the responses of 2,045 agency/brokerage employees, 706 insurer/reinsurer employees, 108 buyers, 81 consultants and 128 individuals who fell into the “other” category.

The Austin, Texas-based National Alliance Research Academy is a unit of the National Alliance for Insurance Education & Research, which creates, develops and administers continuing risk management and insurance education programs.

Complete results of the survey are available online and can be accessed through the Web site of the National Alliance Research Academy, at www.thenationalalliance.com.

Business Insurance

New Subscriptions

You can now subscribe to our publication over the Web. Simply fill out our subscription form and we will get your first issue to you right away.

Moving? Change of address? New job?

If you're leaving your current location, make sure you don't leave behind the late-breaking, agenda-setting news that helps you stay on top of your business. You can change your information with us online, immediately.

Billing or renewal inquiry?

Verify your subscription details or pay an invoice. If you receive a notice from us after you have paid, it is likely due to correspondence crossing in the mail. However, if you receive a second notice after you have paid, contact us and include a copy of both sides of your canceled check. For more information about a subscription, please contact the customer service department at **1-888-446-1422**

www.businessinsurance.com

ADVERTISER INDEX

Issue of November 29

ADVERTISER	PAGE #
Ace Insurance Group	11
Aetna Corporate	7
AIG	28
American Banker	18
American Institute for CPCU	16
Aon Corporation	2
Beecher Carlson	9
Burnham Systems	20
Carvill America Inc.	27
GE Insurance Solutions	12
Global Risk Strategies LLC	19
Lord, Bissell & Brook, LLP	13
Navigant Consulting	17
St. Paul Travelers	14/15
Thomas George Associates, Ltd	20
Valley Oak Systems, Inc.	6
Wausau Insurance Companies	5

Late News

Continued from page 1

plans achieved higher returns than did traditional pension plans, according to an analysis by Watson Wyatt Worldwide. Both defined benefit plans and 401(k) plans sponsored by employers of all sizes performed poorly in each of the three years from 2000 to 2002, due to the declining stock market, the analysis found. While posting overall declines in 2000 through 2002, defined benefit plans outperformed 401(k) plans in all three years studied—by 4.28 percentage points in 2000, 3.48 percentage points in

2001, and 3.83 percentage points in 2002.

Idaho, Iowa changing top regulators

After more than six years as Idaho's insurance director, Mary Hartung will retire Nov. 30. Gov. Dirk Kempthorne named as her replacement Gary Smith, Gov. Kempthorne's longtime senior aide. Mr. Smith will begin his duties Dec. 1. In addition, following more than a decade as Iowa's insurance commissioner, Terri Vaughan is resigning at the end of the year to rejoin the faculty of Drake University in Des Moines. Deputy Commissioner Susan Voss

will serve as acting commissioner beginning Jan. 1, 2005, according to an Iowa Insurance Department spokesman.

Storms claims to top \$20 billion: Swiss Re

An "unusual" 2004 hurricane season was the costliest in U.S. history, with insured losses totaling between \$20 billion and \$25 billion, according to Swiss Reinsurance Co. This year's storm season was extraordinary in that six of the eight hurricanes developed into "intense" storms of Category 3 or greater, the Zurich-based reinsurer said in a report, "Hurricane Season 2004: Unusual

but not Unexpected." Swiss Re said it also was unusual that four of the intense hurricanes made landfall in the same U.S. state, Florida. There are only three other storm seasons on record in which three hurricanes hit Florida—1886, 1896 and 1964—the report notes.

Check out BusinessInsurance.com

Items in the Late News column originally appeared in *BI's* Daily News feature on www.businessinsurance.com. Visit the *BI* Web site to sign up to receive Daily News by e-mail.

AIG: Settlement to cost \$126 million

Continued from page 1

tain structured transactions with Pittsburgh-based PNC and Brightpoint, a Plainfield, Ind.-based mobile phone distributor.

In the PNC investigation, the Department of Justice and SEC were examining deals between AIG Financial Products Corp. and PNC that involved the transfer of \$762 million of volatile, troubled or underperforming loans and venture capital assets to three special-purpose entities in 2001.

Last year, AIG reached a \$10 million settlement with the SEC over charges that it had provided retroactive coverage to Brightpoint that allowed the company to offset losses on its balance sheet without transferring any risk to AIG. In Oc-

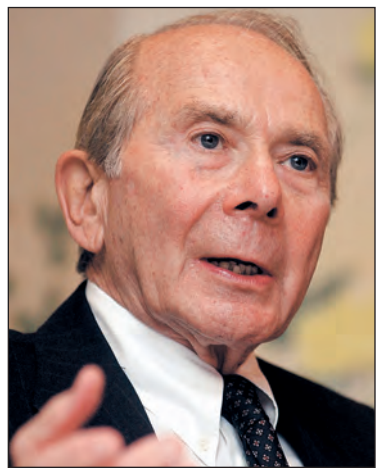


PHOTO: AFP

AIG chief Maurice R. Greenberg last week was reported to be under investigation for possible securities violations.

tober, a federal grand jury launched an investigation of that deal.

The SEC and the Department of Justice must still approve the settlement.

Meanwhile, the Wall Street Journal reported last week that federal prosecutors are investigating Maurice R. Greenberg, chairman and chief executive officer of AIG, for possible violations of securities laws.

The paper, citing unnamed sources, reported that the U.S. attorney's office in Manhattan has been probing whether Mr. Greenberg tried to manipulate AIG's stock price shortly before the insurer closed on its acquisition of insurance company American General Corp. in 2001.

In particular, prosecutors are examining whether Mr. Greenberg tried to contact Richard Grasso, then head of the New York Stock Exchange, seeking help in shoring up AIG's share price, the paper said.

Mr. Greenberg has previously stated that he had contacted Mr. Grasso and his predecessors over concerns about the specialist equities traders employed to execute AIG shares on the NYSE.

An AIG spokesman said that Mr. Greenberg has not been contacted by the U.S. Attorney in Manhattan. He would not comment further on the report.

A representative of the U.S. attorney's office refused to comment on the report.

Marsh: Several execs have joined rivals

Continued from page 1

In all, Willis has added almost 20 former Marsh employees since Mr. Spitzer's lawsuit—including producers, client service executives and management personnel—and is talking to as many as 100 more, said Mario Vitale, chairman and CEO of Willis North America in New York.

Atlanta-based Beecher Carlson Holdings Inc., meanwhile, has hired two senior regional Marsh executives. Beecher Carlson—which received \$88.5 million in private equity capital in August to fund acquisitions and new hiring—earlier this month named Barry Kirkland as an Atlanta-based managing director in charge of

large risk management accounts. Mr. Kirkland had been a Marsh managing director in charge of a client service unit handling Fortune 500 business.

Beecher Carlson has also added Jane Hamilton, a former Atlanta-based Marsh senior vp and specialist in directors and officers liability coverage. Ms. Hamilton will be a senior vp at Beecher Carlson.

The Atlanta broker hasn't drawn all of its new hires exclusively from Marsh. From units of Aon Corp., Beecher Carlson has added Jeffrey Smith and Eric Silverstein. Mr. Smith will be a Beecher Carlson managing director for large account sales, while Mr. Silverstein will be a managing director for ca-

sualty marketing. Beecher Carlson has also hired former Willis Senior Vp Scott Davis as a client service managing director for the Mid-South; and former Lockton Cos. Inc. Senior Vp Brad Darr, who will be a senior vp for large-account property/casualty programs.

While staff movement continues among most brokerages, a larger-than-usual number of job seekers has been coming from Marsh since Mr. Spitzer's suit, according to rival brokers.

Former Marsh employees who have joined Willis may have had other frustrations working at the brokerage, but when the lawsuit was filed and Marsh's stock price fell, "a lot of them asked them-

selves, 'Why are we here?'" Mr. Vitale said.

While Marsh, Aon and Willis employees have accounted for most of the brokerage job seekers in the last three months, "in the last three weeks, 90% are from Marsh," said another brokerage firm executive who requested anonymity.

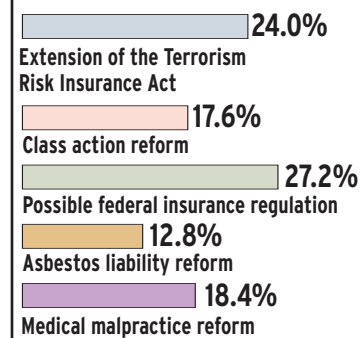
In addition to personnel losses, Marsh has lost one major client in recent weeks: Lincolnshire, Ill.-based Fortune Brands Inc. dropped the brokerage for all policies renewing Jan. 1, 2005, switching to Willis for those placements (*BI*, Nov. 22).

A spokeswoman for Marsh declined to comment for this article.

Online Poll

[11/22-11/24]

Which risk management issue would you like Congress to address first when it convenes in January?

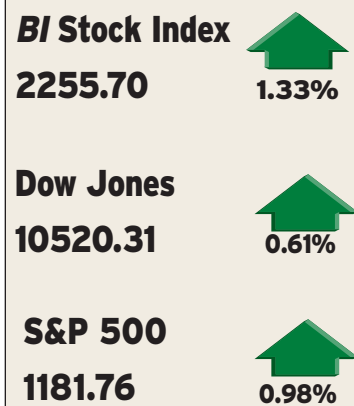


BI Stock Index

[11/22-11/24]

Up-to-the-minute data for all 87 companies that comprise the BI Stock Index can be found at www.businessinsurance.com.

Percentage change of BI Stock Index vs. key indicators



Largest gains

NYMagic Inc.	7.79%
SCPIE Holdings Inc.	7.40%
Harleysville Group	6.47%
Marsh & McLennan	5.24%
Selective Ins. Group	4.93%

Largest losses

Trenwick Group Ltd.	-33.33%
Clark, Inc.	-1.85%
SCOR	-1.63%
Berkshire Hathaway Inc.	-1.29%
Unico America Corp.	-1.11%

Weekly change by market segment

Brokers	15.01%
Insurers/Reinsurers	9.92%
Managed Care Organizations	17.38%

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

Carvill

REINSURANCE INTERMEDIARY
Independence • Integrity • Service

Leadership in Specialty

Atlanta
Bermuda
Chicago
London
Norwalk
1-800-CARVILL
www.carvill.com

November 29, 2004

21

Challenges ahead for risk managers

Probes said to raise job demands

By SARAH VEYSEY

LONDON—A key challenge for risk managers next year will be dealing with the fallout from the expanding investigations of insurance industry practices, speakers said at a recent seminar in London.

Andrew Cornish, head of insurable risk at Centrica P.L.C. in London and chairman of the Assn. of Insurance & Risk Managers, said that confidence in the insurance industry is lower now than it has ever been in his 25 years in the industry. And that loss of confidence has brought the potential for instability, he said.

Speaking at a recent symposium sponsored by London-based brokerage Jardine Lloyd Thompson Group P.L.C. in association with AIRMIC, Mr. Cornish described the probe into brokerage practices by New York Attorney General Eliot Spitzer and others as "a hurricane through our business" that will have repercussions for the whole industry.

AIRMIC has begun discussing the issue with the Financial Services Authority, which assumes regulation of the U.K. brokerage industry in January, he noted. He said that while it is too early to say whether the FSA will launch an investigation similar to Mr. Spitzer's, AIRMIC will work closely with the FSA to "see how they are going to respond to this issue in the U.K."

And while the New York-led investigation is creating instability and uncertainty among U.K. risk managers, Mr. Cornish said he hoped there would be some "silver linings" in the current situation.

One possible positive outcome is an increase in the transparency of the placement process, Mr. Cornish said. "There needs to be a level playing field for all," he noted.

There must be greater transparency not just of contingent commission payments, said Mr. Cornish, but also of the whole process by which coverages are placed.

He said that if brokers remove contingent commission arrangements, as several already have, there could be opportunities for greater cost efficiency in placing insurance.

Risk managers, brokers and insurers must work together to try to improve the industry, Mr. Cornish said, and he noted there may now be an opportunity to eliminate other inefficiencies in the brokering process, such as uncertainties about policy wordings and slow invoicing systems.

Transparency in the industry must increase, agreed Clive Tobin, chief executive of XL Capital Ltd.'s insurance operations in London. But this could mean a great deal of work for risk managers and brokers, he warned. For example, Mr. Tobin said, in some cases, the broker may be obligated to show the risk man-

ager "every quote that comes across his desk."

Mike Hammond, CEO of JLT Risk Solutions in London and chairman of the conference, noted that the insurance industry is currently receiving a great deal of negative press as a result of the Spitzer investigation, and "where it is justified, the industry must respond positively," he said.

In addition to the "cosmic shocks" brought by the Spitzer investigation, risk managers face other challenges, some of them "old favorites," Mr. Cornish said.

A familiar challenge for risk managers will be meeting the expectations of senior management during the soft insurance market. It is difficult, he explained, for those not directly involved in the purchase of insurance to understand the peaks and troughs of pricing.

In addition, climate change will make managing the risks associated with natural catastrophes more tricky, he noted. "Using the past as a predictor for the future becomes more and more difficult," Mr. Cornish said.

Another key challenge for risk managers is dealing with new corporate governance rules.

All companies listed on U.S. stock exchanges must comply with the rules of the Sarbanes-Oxley Act, he said, and even companies that are not listed are increasingly adopting similar models of good corporate practice. This provides risk managers with an opportunity to get more involved in the process of compliance and to make risk management a board-level issue, said Mr. Cornish. But risk managers may find themselves competing with other departments—such as internal auditors or accountants, he said.

According to Mr. Tobin, a further challenge for risk managers and insurers is the rising level of defense costs and the effect this can have on rates for directors and officers liability and errors and omissions liability insurance.

Mr. Tobin said he knows of one company that had to pay \$150 million in defense costs—half the limits of its D&O liability insurance coverage.

Risk managers will need to address the issue of how to best protect the directors and officers of their companies against such a backdrop, Mr. Tobin said. He noted that in some cases—that of large accounting firms, for example—it is now virtually impossible to buy D&O coverage.

Other speakers at the seminar were Kit Jukes, head of market strategy and research in the capital markets arm of RBS Group; Martin Williams, specialist insurance research marketer at HSBC P.L.C. in London; and Joe Simpson, mountaineer and author of "Touching the Void."



PHOTO: PHOTOGRAPHERS SHOWCASE

In her annual address to Parliament, Queen Elizabeth II outlined legislative proposals that would increase corporate liability.

U.K. to consider changes to corporate killing law

LONDON—A draft bill that would make it easier for U.K. prosecutors to convict companies of manslaughter will be introduced in Parliament next year.

The plans were announced Tuesday in the annual "Queen's Speech" to Parliament, in which the government's legislative agenda for the year ahead is set out.

Since the current Labour government was elected in 1997, it has proposed changing the law on corporate manslaughter to make it easier to prosecute companies when a safety failure leads to the death of an employee. Efforts to introduce such a bill last year stalled.

Under current corporate

manslaughter law, prosecutors must prove gross negligence on the part of a "controlling mind" of a company, such as a director. Because of the high standard of proof, there have been just five corporate manslaughter convictions in the past 31 years.

The Confederation of British Industry welcomed the announcement but said it is pleased the government "is taking time over the legislation."

"The grossly negligent must be separated from genuinely responsible employers who do everything possible to ensure safety," John Cridland, deputy general of the London-based CBI, said in a statement.

—By Sarah Veysey

Markel grounding aviation business

LONDON—Markel International Ltd. in London has stopped writing aviation risks, it says, because falling rates and rising capacity have made underwriting profits too difficult to achieve.

The London company market insurer made the announcement Tuesday in a circular to brokers.

Aviation has always been a small but profitable part of Markel's business, at 5% of its \$740 million gross premium in 2003, the circular says.

But opportunities for continuing to make that profit have narrowed because of deteriorating aviation

rates and increasing capacity, it continues.

The announcement follows the departure in the past several weeks of the former joint managing directors of Markel's aviation division, Peter Bilsby and Rod Mearing, who with two other former Markel colleagues have joined XL Capital Ltd.

London-based Brit Insurance Holdings P.L.C. and the former Trenwick Lloyd's of London syndicate 839 made similar announcements of withdrawal from aviation in 2003.

—By Peta Miller

World Updates

Nikko abandons plan to acquire Goshawk

Nikko Principal Investments has scrapped plans to acquire Goshawk Insurance Holdings P.L.C. Nikko, the London-based investment banking subsidiary of Japan's Nikko Cordial Group, said last week that it had been in talks with London-based Goshawk but that the negotiations had been terminated for reasons that were not disclosed. Goshawk, which operates Bermuda-based Rosemont Reinsurance Ltd., last year put its Lloyd's of London syndicate into runoff following large losses. In the first half of 2004, Goshawk posted a profit of \$10 million on gross written premiums of \$61.3 million.

Liberty Syndicates to reduce capacity

Liberty Syndicate Management Ltd. said that capacity for its Lloyd's of London syndicate 4472 will be £716 million (\$1.33 billion) in 2005, compared with £794 million (\$1.42 billion) in 2004. Sean Dalton, managing director of the London-based Liberty Mutual Group Inc. unit, said Liberty Syndicates would review market conditions throughout the year and adjust capacity accordingly. Multiline syndicate 4472 was formed in October by the merger of syndicates 190 and 282 (BI, Nov. 1).

Investment group buying broker SBJ

Private equity group Capital Z Financial Services Partners has agreed to take a 51% stake of London-based insurance brokerage and employee benefits consulting company SBJ Group Ltd. The transaction, which is being carried out via a Bermuda-based special purpose vehicle, is expected to be completed by the end of the year, SBJ said in a statement. SBJ had revenues of £56 million (\$99.9 million) last year.

Briefly noted

The American Steamship Owners Mutual Protection & Indemnity Assn. Inc. is boosting by 10% the base premium it will charge members for the policy year beginning February 2005. The increase, which reflects recent and estimated future claims, compares with a rise of 17.5% last year, the New York-based P&I club said....Uwe Breuer has been appointed chairman of the accident insurance committee of the Comité Européen des Assurances. Mr. Breuer, who is responsible for private accident insurance at Wiesbaden, Germany-based R+V Allgemeine Versicherung A.G., will succeed Jean Royer, a director at Paris-based AXA S.A.