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Business Insurance

December 1, 2008

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NEW TREASURY HEAD TIMOTHY GEITHNER SEEN AS GOOD PICK / PAGE 3

HEALTH CARE PARTNERSHIP OUTLINES KEY PRIORITIES FOR IMPROVING CARE / PAGE 3

In Brief

MMC to raise $500M through stock sale

Marsh & McLennan Cos. Inc. plans to raise $500 million through the sale of 22.6 million shares of common stock, with the proceeds to be used for "acquisitions of other businesses, assets or securities," the brokerage said in a Securities and Exchange Commission filing. In the filing, New York-based MMC said that it may "structure business acquisitions in a variety of ways, including acquiring stock."

Finite fraud executives seek lenient sentences

Five former reinsurance executives convicted in a fraud scheme involving General Re Corp. and American International Group Inc. are opposing sentencing guidelines that put them at greater risk of long prison terms. U.S. District Court Judge Christopher Droney ruled

See **IN BRIEF** page 33

WOMEN TO WATCH

Business Insurance's annual feature recognizes women who are doing outstanding work in the areas of insurance, risk management, employee benefits and related fields. This year, *BI* profiles 25 women who are senior executives and innovators at a wide variety of organizations.

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Coke uncaps captive plan

New tack for retiree care

By JERRY GEISEL

ATLANTA—Coca-Cola Co., in a potentially groundbreaking move, plans to seek approval to fund retiree health care benefits through its South Carolina-domiciled captive insurance company.

In a complex transaction, Coca-Cola would use funds now held in a trust, known as a voluntary employee beneficiary association, to purchase insurance accident and health policies from Prudential Insurance Co. of America. Coca-Cola established the VEBA two years ago, contributing assets of $216 million.

In turn, Prudential would reinsure the policies through Red Re Inc., the captive Coca-Cola set up in 2006 in South Carolina. The company now uses Red Re to fund a wide range of risks, including benefit coverages of employees outside the United States.

Coca-Cola risk management and employee benefit executives briefly outlined the retiree benefits plan as part of a broader presentation at the recent World Captive Forum on how the company is expanding its use of captives. In addition to Red Re in South Carolina, Coca-Cola, which is the world's largest beverage company with nearly $29 billion in 2007 revenues, also has captives in Dublin, Ireland.

PAGE 4 AND ONLINE : More coverage from the recent World Captive Forum.

While declining to go into detail prior to filing applications with federal regulators, Coca-Cola executives say the proposed retiree health benefits

See **COKE** page 31

Illegal workers pose comp care challenges

Cultural, administrative issues test case workers

By ROBERTO CENICEROS

Guiding illegal immigrants injured on the job to appropriate medical care requires workers compensation case managers and claims handlers to take on the role of social worker, detective and translator.

Even delivering indemnity checks often presents additional challenges when injured workers reside in the country illegally, the claims and case managers say.

COMP CONCERNS: This is the second article in a two-part series on illegal immigrants and the workers comp system. Read last week's story at *www/business insurance .com/ archives*

Still, experts say, comp claims for illegal immigrants must be managed effectively to ensure that treatment is delivered before medical conditions worsen and drive up claims costs, and before attorneys become involved.

Claims managers say they face numerous hurdles when they try to contact illegal immigrants injured at work. Fraudulent Social Security numbers are common, home addresses are wrong, and the workers and their families often are distrustful and unwilling to provide necessary information, fearing immigration authorities may become involved.

Laws in most states, however, mandate that illegal immigrants injured on the job receive the same care and benefits as legal workers.

One common challenge, say nurse case managers who specialize in helping catastrophically injured workers, occurs when assisting undocumented workers return home from a hos-

See **UNDOCUMENTED** page 33

Curb on CGL coverage creeping into market

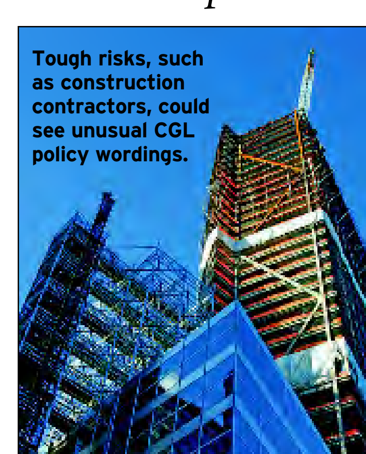
Surplus lines terms seen in admitted policies

By DAVE LENCKUS

Restrictive commercial general liability insurance policies that are moving into the admitted market worry some experts that more policyholders with tough risks—particularly construction contractors—could unexpectedly find themselves with limited CGL coverage.

Experts also are concerned about the coverage the policies provide, because some critical coverage terms are linked to an insurance industry database that is modified periodically and is not directly accessible by risk managers.

Unlike traditional CGL policies, which provide broad coverage for claims arising from a policyholder's operations—except for excluded risks—the restrictive policies contain an endorsement with a "classification limitation" of operations that underwriters will cover.



Tough risks, such as construction contractors, could see unusual CGL policy wordings.

Those endorsements are contained in the declaration pages of policies, which otherwise follow the

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On the Web

WOMEN TO WATCH

BI WOMEN TO WATCH

Read complete profiles online

Business Insurance's annual Women to Watch report features women who are leaders in commercial insurance, risk management and benefits. To read the complete profiles of *BI*'s 25 Women to Watch for 2008, including Web-only questions and answers, go to *www.BusinessInsurance.com/Women2008*.

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Business Insurance®

REPORTING ON CORPORATE RISK AND EMPLOYEE BENEFIT MANAGEMENT NEWS

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Industry welcomes Obama's economic team

Pick to head Treasury played significant role in AIG bailout deal

By MARK A. HOFMANN

WASHINGTON—Insurance industry observers give high marks to President-elect Barack Obama's new economic team.

Treasury Secretary-designate Timothy F. Geithner wins praise for his grasp of international economics and for being a key player in the government's bailout of American International Group Inc. as president of the New York Federal Reserve Bank.

Lawrence Summers, the former Treasury secretary who will head the National Economic Council, is seen as bringing a wealth of experience to the job, although he has had little past involvement with insurance matters.

Observers agree that the new administration is likely to deal with insurance regulatory reform, although how closely the economic team will adhere to the financial services regulatory "blueprint" by the Bush administration remains unknown. That document called for permitting insurers to choose whether they would be regulated by a new federal regulator under an optional federal charter or remain under state regulation.

"I don't think either one is steeped in insurance," said Howard Mills, chief adviser in the insurance industry group of New York-based Deloitte L.L.P. and former New York superintendent of insurance. "But I think it's positive. Everyone feels the president-elect has made some stellar choices. They're people who have a deep understanding of our economy and the market system."

"They seem to be pitch-perfect appointments for a centrist economic policy," said Joel Wood, senior vp at the Council of Insurance Agents & Brokers in Washington. "The anxiety over the financial crisis overwhelms all other sentiments and I don't think there's anything predictable about the way they will respond. But there's a great deal of comfort that Geithner, in particular, has been so heavily engaged that we're not going to see

AP PHOTOS

Treasury Secretary-designate Timothy Geithner has been praised by insurance industry observers.

See **ECONOMICS** page 32

Group calls for action on health care quality

Outlines targets for improvement efforts

By JOANNE WOJCIK

The National Priorities Partnership is calling on all employers, health insurers, medical professionals, labor and government organizations and other interested parties to commit to a core list of six objectives its members believe will improve the quality of health care and lower costs within the next three to five years.

The six goals focus on improvements in patient and family engagement, population health, patient safety, care coordination, palliative and end-of-life care and overuse or misuse of health care resources.

The partnership, which includes 28 groups that collaborated on this initial set of principles, also plans to enlist other powerful organizations to persuade lawmakers and President-elect Barack Obama to include the priorities in any health reform proposal they put forward in the next Congress.

The partnership, which was convened by the National Quality Forum earlier this year, already has received inquiries from Republicans and Democrats in the House and the Senate, according to Janet Corrigan, president and chief executive officer of the Washington-based NQF.

Helen Darling, president of the National Business Group on Health and a member of the partnership, said that the initiative started out of the realization that "all of us are individuals making demands on the health care system to improve and produce better results. What we've all come to realize is that the priorities aren't the same for each individual member. So we all got together to create a uniform list of priorities."

"There's nothing in here that we don't already have. We're just going to push them harder," she said.

The 28 members of the partnership gathered Nov. 17 in Washington to sign a pledge to promote those objectives through such methods as changes in health benefit design and payment or incorporating them into provider performance measures.

"This is a document that represents the collective leadership of the health care community coming together and agreeing that these have got to be the national goals and priorities," said Andrew Webber, president and CEO of the National Business Coalition on Health and a member of the partnership. "It will organize our thinking and hopefully our action on key goals and priorities."

Insurers and self-insured employers participating in the partnership have agreed to include coverage for

See **QUALITY** page 30

NATIONAL PRIORITIES PARTNERSHIP GOALS

1. Engage patients and families in managing their health and making decisions about their care.
2. Improve the health of the population.
3. Improve the safety and reliability of America's health care system.
4. Ensure patients receive well-coordinated care within and across all health care organizations, settings and levels of care.
5. Guarantee appropriate and compassionate care for patients with life-limiting illnesses.
6. Eliminate overuse while ensuring the delivery of appropriate care.

Source: National Priorities Partnership/National Quality Forum

Judge dismisses lawsuit over AIG stock price fall

Hits Starr Foundation suit as 'waste of time'

By SALLY ROBERTS

NEW YORK—A state court judge has dismissed a lawsuit by The Starr Foundation against American International Group Inc. that alleged the insurer had concealed billions of dollars of credit default swap losses, blasting the foundation's complaint as "a waste of time."

The Starr Foundation, a charitable entity headed by former AIG chief Maurice R. Greenberg that at the time of the lawsuit held 15.5 million AIG shares, sued AIG in May alleging that the insurer and former executives Martin J. Sullivan and Steven J. Bensinger misled investors in the second half of 2007 about AIG's exposure to the subprime mortgage crisis and to the risk of losses in its credit default swap portfolio (*BI*, May 12.)

The Starr Foundation, which was in the process of gradually selling off its AIG holdings, suspended selling the stock in October 2007 based on AIG's statements that its exposure to the crisis was minimal, it said.

But after AIG's disclosure in February 2008 of its 2007 unrealized losses—including an $11.5 billion unrealized market valuation loss on its credit default swap portfolio—the insurer's stock price dropped, causing a $300 million drop in the value of the Foundation's AIG holdings, it said.

Concluding a Nov. 17 hearing on the case, New York Supreme Court Judge Charles E. Ramos dismissed the suit after hearing testimony from Starr Foundation President Florence Davis, who took the stand to clarify what the judge said were conflicting sworn statements.

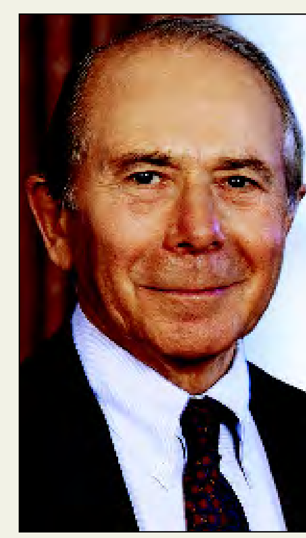
Ms. Davis in one sworn affidavit had said the Foundation suspended selling AIG stock as a result of the company's alleged misleading statements about its subprime exposure, and then later in a separate deposition testified that the Foundation continued to sell AIG shares during that time under its previously executed diversification plan, court papers say.

Ms. Davis attempted to clarify her statements by saying the Foundation stopped selling AIG shares below $65 a share as a result of the 2007 disclosures, but continued to sell shares above $65 a share.

During her testimony, Ms. Davis said that she could not speculate whether the foundation would have sold all of its AIG holdings had AIG revealed its credit default swap losses in August 2007 rather than the following February.

"Now plaintiff, how can I continue this lawsuit?" Judge Ramos

See **AIG** page 32



Mr. Greenberg

SETTLEMENT DISPUTE: Lawyers for New York and Maurice R. Greenberg differ over whether the two sides had agreed to settle a suit filed by the state's attorney general. PAGE 32.

Business Insurance *December 1, 2008* | 4

Regulatory reform efforts progress as crisis continues

NAIC pushes for closer links with federal officials overseeing financial system

'While AIG insurers and their state regulators were not part of the problem, they will be a key part of the solution.'

Sandy Praeger, NAIC

By MEG FLETCHER

Financial market turmoil and calls for more federal oversight of the state-based system of insurance regulation come as state regulators seek closer cooperation with federal authorities to help implement several proposals.

The state proposals include easing U.S. reinsurance collateral rules and establishing an independent nonprofit rating agency. While New York had proposed regulating credit default swaps, the state has put those efforts on hold as federal regulators have stepped in.

State insurance regulators also are asking congressional leaders to encourage stronger, more formal ties among state and federal banking, securities and insurance regulators, said Sandy Praeger, president of the National Assn. of Insurance Commissioners.

"While (American International Group Inc.) insurance businesses and their state regulators were not part of the problem, they will be a key part of the solution," Ms. Praeger said in a recent letter to the U.S. House Committee on Oversight and Government Reform, which held hearings on the causes of the financial crisis.

State insurance regulators helped avert the near-collapse of AIG by safeguarding the capital of the insurance units, said Ms. Praeger, also insurance commissioner of Kansas. The assets were preserved to pay policyholders' claims and the units themselves can be sold to repay AIG's federal debt, she said. State insurance regulators must review and authorize such sales.

As far as efforts to strengthen cooperation, Ms. Praeger suggested that federal agencies consider adopting state standards such as minimum capital requirements and limits on asset categories.

Separately, drafters of an NAIC framework to reduce collateral requirements for eligible reinsurers "are hopeful" members will formally adopt it at the NAIC's winter meeting Dec. 5-8, said Steven Goldman, chair of the Reinsurance Task Force and New Jersey insurance commissioner.

If approved, the NAIC would seek congressional authority "so the optional structure could be adopted uniformly nationwide," although state legislatures "would

See **REGULATION** page 6

Bermuda collaborates on insurer supervision

Domicile moves to comply with E.U. directive

By COLLEEN McCARTHY

HAMILTON, Bermuda—Bermuda's regulatory authority is hosting its first series of meetings of international regulators for the insurance sector to collaborate on assessments of some of the island's largest companies, the domicile's chief regulator said.

The pilot program for the so-called supervisory college is part of Bermuda's initiative to enhance its solvency and disclosure regulations for the insurance sector, said Matthew Elderfield, chief executive officer of the Bermuda Monetary Authority. The move will help ensure that the island achieves equivalence or "mutual recognition" status with the European Union under Europe's Solvency II Directive, he said.

'It's an opportunity to compare notes and share ideas.'

Matthew Elderfield, Bermuda Monetary Authority

The process combines regulatory supervisors—and other interested parties who are involved in regulating a particular entity that conducts cross-border business—in a forum to exchange information and coordinate supervisory action.

Bermuda-based insurance companies must work with regulators from other jurisdictions on an individual basis. And while the BMA cooperates with several regulators to share information about certain companies, the island is working to develop a formal framework for "group supervision," he said.

During the meeting held over the past two weeks, the regulators examined three of the island's "largest, most internationally active wholesale insurance companies," Mr. Elderfield said, declining to identify the firms. The companies selected either have branches, subsidiaries or significant operations in other jurisdictions, he said.

The college included BMA's counterparties from several other domiciles, including the United Kingdom, Malaysia, Switzerland, Canada and Ireland, as well as U.S. state insurance supervisors from New York and Pennsylvania.

"It's an opportunity to compare notes and share ideas," according to Mr. Elderfield.

As part of the process, the insurers each are required to present to the group of regulators an overview of their operations, including the impact of the subprime crisis on their business, their approach to enterprise risk management, company strategy, and other financial information.

The BMA, as the lead regulator, then shares the results of its assessment of the firm with the other regulators participating. This profile is based on "on-site reviews" with the company, he said. After this is a roundtable discussion takes place with all the regulators exchanging views to discuss issues and "see how we can coordinate our regulatory approach," he said.

See **BERMUDA** page 30

Financial crisis to hit some captives

Extra capital may be required to shore up shrinking surpluses: Expert

By ROBERTO CENICEROS

INDIAN WELLS, Calif.—Some captives could require an infusion of capital to offset recent losses in the stock market, a consultant told the World Captive Forum.

But an ongoing strategy of accumulating surplus capital along with an established practice of investing in patient safety will help his company weather the market volatility, said Michael C. Campbell, director of financial analysis and investments for Risk Management Foundation of the Harvard Medical Institutions Inc., a group captive that operates as CRICO/RMF and insures medical malpractice and other coverages for its participants.

However, captive insurers along with the overall property/casualty industry are in for financial challenges because of the ongoing economic crisis, Matthew Hamer, a Towers Perrin senior consultant in Weatogue, Conn., told a WCF session on medical professional liability coverage.

Towers Perrin projects that by year-end the property/casualty industry could lose about 15% of its surplus, or $80 billion, because of unrealized losses due in part to falling equity prices and credit-related losses.

Medical malpractice insurers will fare similarly in losing surplus, Mr. Hamer said. Their share of surplus declines due to unrealized losses could reach $1.5 billion by year- end.

"It's a sizable amount," Mr. Hamer said. Some captives already have suffered such losses and will need new capital to remain financially healthy, he said.

While some captive experts warn

See **CAPTIVES** page 31

Health reform must add value: NBCH

Universal cover not enough; quality should be measured, rewarded

By JOANNE WOJCIK

WASHINGTON—Value-based purchasing should be an integral component of any health reforms the nation implements, according to the National Business Coalition on Health.

NBCH

'We need a strategy of measuring, reporting and rewarding quality health care.'

Andrew Webber, NBCH

"The definition of health reform is not simply universal coverage. It has to be the transformation of the health care delivery system, and the only way to get to that 21st Century delivery system is through value-based purchasing," said Andrew Webber, president and chief executive officer of the NBCH, a coalition of employer groups based in Washington.

During the organization's 13th annual meeting Nov. 9-11 in Washington, Mr. Webber appealed to "all of the purchasers of health care—the business community, union trusts, individual consumers, big government programs—to embrace this common agenda. We need a strategy of measuring, reporting and rewarding quality health care in this country, and the purchaser community needs to take ownership of driving that strategy forward."

The concept of value-based purchasing, which dates back to the mid-1990s, is based on four basic pillars: transparency, standardized measurement, consumer engagement and pay for performance.

"The way that we look at VBP is that it is reform in and of itself," said Cristie Upshaw Travis, chief executive officer of the Memphis Business Group on Health, during a post-conference interview.

"Certainly there are other pieces to reform that are important. It's a way to achieve reform and transform how care is delivered. It's a critical component to any reform," she said.

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Regulation: Reform efforts move forward

CONTINUED FROM PAGE 4

administer any insurance department's participation in the program," Mr. Goldman said.

The measure would establish a framework to allow a qualified state to be the sole U.S. regulator of a reinsurer writing assumed business in the United States. All reinsurers would have the option of either applying under the new system, which would have a sliding scale of relaxed collateral for highly rated companies, or operating under the current system, which requires non-U.S.-based reinsurers to post 100% collateral for their U.S. claims liabilities.

Task force members rejected postponing action due to the financial crisis, saying the reinsurance plan would take up to 10 years to implement, he said.

By then, "we will be back to a more normal state of affairs," Mr. Goldman said. "The lessons learned (from the crisis) will obviously play a role in the ultimate proposal that is adopted."

Two London reinsurer groups strongly urge the NAIC to adopt the plan.

"The current crisis in the financial markets provides even more reason to move to credit for reinsurance rules, which are based on a more sophisticated assessment of the credit risk of each individual reinsurer," David Matcham, chief executive of the International Underwriting Assn., said in an e-mail.

"Now is absolutely the right time to adopt this framework," Sean McGovern, general counsel of Lloyd's of London, said in an e-mail. "The proposal strengthens the regulation of all reinsurers through the assessment of overseas regulatory regimes and ensuring that collateral requirements are more risk-sensitive."

But two trade groups that include ceding companies still oppose the plan.

The Des Plaines, Ill.-based Property Casualty Insurers Assn. of America opposes it because it does not provide protection equal to what ceding companies have under existing laws, said Stephen Broadie, vp-financial legislation and regulation. While it assumes a reinsurer in financial trouble could post more collateral, "We've just seen several major field tests of this theory in the broader economy and it doesn't seem to work so well," he said.

"It is ill-advised to modify the current collateral rules during this period of financial stress…because it unnecessarily risks the solvency of U.S. insurers," said Steven Bennett, assistant general counsel of the Washington-based American Insurance Assn.

Insurance regulators in Florida and New York have proposed somewhat similar reinsurance modernization measures in their respective states.

Florida's credit for reinsurance rule went into effect Oct. 29 while New York's is pending before a governor's review committee.

"We expect reinsurers to register under the new Florida regime," said Mr. Matcham of the London-based IUA, although both reinsurers' spokesmen cited limitations of single-state action.

"The key difficulty remains the interplay of state rules, which means that meaningful funding relief will not be achieved through the actions of one or two states," Mr. McGovern said.

'It would not be effective or efficient for New York to regulate some transactions ...while other transactions are either not regulated or regulated under some other law.'

Eric Dinallo,
New York State Insurance Department

Such a change would apply only to ceding insurers domiciled in that state and the PCI opposes the idea, Mr. Broadie said.

Late last month, New York Insurance Superintendent Eric Dinallo submitted testimony to the U.S. House Agriculture Committee saying he had postponed indefinitely his September plans to regulate part of the credit default swap market and treat swaps like insurance starting in January 2009.

"It would not be effective or efficient for New York to regulate some transactions under the insurance law, while other transactions are either not regulated or regulated under some other law," Mr. Dinallo said.

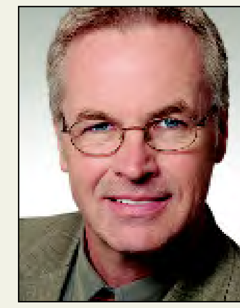
On another front, the NAIC is considering establishing a nonprofit, independent rating agency to avoid any appearance of conflict of interest.

"Given the events in the financial markets over the past year, the NAIC believes now is a good opportunity to lessen our dependence on existing rating agencies," according to an NAIC statement.

By law, such an entity must be approved by the U.S. Securities and Exchange Commission.

Commentary

Give the gift of ERM for everyday wisdom



DAVE LENCKUS

Senior Editor Dave Lenckus can be reached at: dlenckus@businessinsurance.com

Oh, for the days when all I wanted for Christmas was two my front teeth or some boxes wrapped in festive paper that I could tear away.

Nowadays, I'm not wanting for teeth—a good thing at my age—and I've evolved past the stage where colorful wrapping paper delights me. Of course, at my age, I might be heading back to those days.

For now, my wants are more complex and difficult to obtain. I would like corporate America to really focus on enterprise risk management.

That would be a tremendous gift for all of us, because business' poor risk decisions have tanked our economy.

With this being the holiday season, however, I don't want to whine about our troubles. Instead, I offer a cheery holiday poem.

Holiday verse is not new to me. You might have heard holiday standards such as "Grandma Got Run Over by a Reindeer" and "Santa Baby." I didn't write those, but I could have.

So, with apologies to Clement Clarke Moore, here is a little ditty titled "Happy Holidays to All."

'Twas the holiday season
And 'cross this great land
We sat in bewilderment,
Each woman and man.
Our retirement plans that
We'd set up with care
Had withered to near nothing.
It just wasn't fair.

So dismal seemed the future
We just couldn't sleep
'Cause into our dreams did
Low home values creep.
So mamma with her whiskey
And I with my wine
Sat up the whole night, and we
Dissected this crime.

'Twasn't a bad idea
The government had
To expand home ownership.
It made renters glad.
But banks fooled even
Greenspan,
The Fed Reserve chief
Who said he never once
thought
Banks would cause such grief.

Loans flew out of banks but
with
Risk paid zero heed.
'Cause this pyramid scheme
quenched
Everyone's greed—
The lenders and loan brokers
Home investors, too.
Subprime risks signed deals that
were
Too good to be true.

Then AIG thought this risk
A moneymaker.
Guarantee risky bank loans—
How could this break her?
Subprime borrowers are safe,
Our home values rise,
So dash away, dash away
Thoughts of being wise.

But bait-and-switch loan terms
caused
Defaults to clatter.
We then saw risk management
Really does matter.
Now banks and AIG ask
For a bailout plan.
Add tough regs and ERM
And we'll give you a hand.

This mess has now spread
throughout
The economy.
Consumers are not spending
Now what do we see?
With a twinkle in their eyes
And bailouts in mind
Gas-guzzling autos' makers
Think that we are blind.

They want billions to survive.
After all, they say,
As go the automakers,
We'll all go that way.
But they don't want to show us
A new business plan.
Just fork over the money
And don't tie their hands.

Tell them do it and like it.
We're saving their cans.
It's not like they ever had
Astute business plans.
Risk studies of embargo
Of '73
Would say go to green autos.
How could they not see?

I'm not a Pollyanna
But this I believe;
We all will muddle through this
Eventually.
But, I say, business wise up
And get a risk clue
Or face the strong prospect that
The Fed will own you.

Business Insurance OPINIONS

Systemic risk demands national solution

PERHAPS THE ONLY certainty facing the incoming Obama administration's economic team is that it will face challenges the likes of which haven't been seen for decades.

That's certainly true in the area of insurance. The federal government has effectively nationalized American International Group Inc. Other insurers are ready to tap the federal Capital Purchase Program. Questions remain unanswered about the efficacy of regulation that allowed the meltdown to happen.

Fortunately, the team assembled by the president-elect appears to be up to the task. Treasury Secretary-designate Timothy F. Geithner served as president of the Federal Reserve Bank of New York as that institution dealt with the AIG rescue. Lawrence Summers, the nominee for chairman of the National Economic Council, has served as Treasury secretary and, although he has little background in insurance matters, is among the most respected economists in the nation.

Fortunately, the team assembled by the president-elect appears to be up to the task.

We know, particularly given the trying economic circumstances as well as electoral results widely viewed as a mandate for change, that the new team will have its own approach to insurance issues. We think, though, that it should consider some of the reforms outlined in the current Treasury blueprint for financial services reform. In particular, we believe the recommendation that insurers and producers be granted the option to choose to be federally regulated rather than state regulated merits close consideration.

Dealing with systemic risk seems almost certain to be a central focus of the nation's top economic officials in the months ahead. As we've learned from the current turmoil, systemic risk recognizes neither state nor national boundaries. It's a problem that demands a national solution. We hope—and believe—that the new economic team is up to providing that solution.

Moves highlight need to check policy terms

RISK MANAGERS buying commercial general liability coverage for construction projects should make doubly sure of their coverage terms, regardless of whether the policies are written by admitted or nonadmitted insurers.

As we report on page 1, some insurers are adding restrictions through endorsements on admitted coverage as they try to limit their exposure to the potential for coverage expanding as policyholders' operations change during the policy term.

The insurers are making business decisions based on their own appetite for risk, which is fine.

But often they are applying the restrictions without alerting policyholders to the changes via endorsements, which may be within their rights but is a trend that should worry risk managers.

The insurers assert that there is nothing wrong with what they are doing and that buyers should review all their policy language as a matter of course. Then, if they are not happy with the coverage, they can take whatever action they think is necessary.

But that doesn't take in to account common market practice in which brokers and policyholders are on the alert for such restrictions if the coverage is bought in the surplus lines market, but expect standardized terms from the admitted market.

While it would be nice to think that insurers would alert their policyholders of changes in coverage terms, risk managers should read the fine print no matter where they buy their coverage.

WRITE

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in the *BI* Online Poll at *www.businessinsurance.com*

THIS WEEK'S RESULTS

Q Should undocumented workers be eligible for workers comp benefits?

Yes 56%

No 44%

NEXT WEEK'S QUESTION

Q: Should insurers be allowed to buy banks to access bailout funds?

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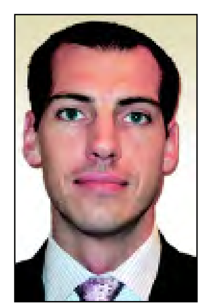

Take seven steps to speed natural disaster recovery

Following simple guidelines can help an organization that is confronting loss issues navigate the claims process and maximize the company's recoveries, say John Cadarette and Jake Parsons, who are executives with Chicago-based consultant Claro Group L.L.C.

With 72 declared disasters so far this year in the United States, the consultants say there are seven steps that an organization can take to maximize insurance recoveries and quickly resume operations after a disaster. The steps include making filing claims a top priority.

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Inside

Business Insurance's Women to Watch feature is our attempt to identify some of the women who do outstanding work in commercial insurance, risk management, employee benefits and related fields.

This year, 25 women are profiled, beginning on page 12. They represent senior executives and innovators at organizations serving buyers of commercial insurance, reinsurance, risk management and benefits. The list was compiled from hundreds of nominations by readers and was selected by a panel of senior *BI* editors, comprising women and men.

BI's Women to Watch is an annual feature that highlights a new set of women leaders each year. We consider it a starting point, not an end, for discussions on the importance of women in an industry that serves a diverse group of clients.

In general, the women on our list are in client-facing roles that directly affect risk managers, benefit managers or commercial insurers. Women involved behind the scenes in administrative roles are no less important, but our focus is on direct impact on buyers.

Complete profiles of the 2008 Women to Watch can be viewed at *www.BusinessInsurance.com/Women2008.*

The full Q&As can be found at *www.businessinsurance.com/Women2008*

Rebecca C. Amoroso

Vice Chairman, U.S. Insurance Leader
Deloitte L.L.P.
Parsippany, N.J.
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Rebecca C. Amoroso is responsible for Deloitte's overall strategy and execution across tax, audit, consulting and financial advisory services, including client relations, service delivery, new business and ensuring Deloitte service offerings meet clients' needs. Ms. Amoroso has led the insurance practice's efforts to educate clients and ensure they operate effectively by forming a CFO peer exchange to aid client senior executives in understanding issues critical to their businesses and customers and by launching Deloitte's "NAIC Update," an online news publication geared toward keeping the industry informed. She was named Woman of the Year by the Assn. of Professional Insurance Women in 2008, and is a frequent speaker within the industry on diversity in the workplace, intergenerational issues, work environments that support different work and learning styles, and setting and achieving personal goals.

HOW DID YOU GET INTO THE INDUSTRY: I guess I have my husband to thank for getting me into the insurance industry. I was a math major in college and was thinking about going into teaching. My husband, who was my boyfriend at the time, was already in the insurance industry. He was an insurance broker. He had suggested I look into the actuarial profession because at the time we didn't have schools with actuarial majors. The actuarial profession uses a lot of math majors. I looked into the profession and I actually studied for my first exam while I was in college. And then I started working as an actuary in the industry when I graduated.

THE BEST ADVICE YOU'VE EVER RECEIVED: Don't wait to be recognized. I grew up thinking you work hard, you do a great job, and people will notice. And while that is not false, it is important to not be afraid to speak up and let people know what your aspirations are, let people know what you'd like to achieve if you have some goal in mind, and ask for their help.

Diane Askwyth

Senior Director of Risk Management and Insurance
Schering-Plough Corp.
Kenilworth, N.J.

Diane Askwyth was named senior director of risk management and insurance at Schering-Plough in 2005, bringing more than 25 years of risk management, brokerage, profit center management and risk consulting experience to her role. Previously, she was director of risk management for Avaya Inc. in Basking Ridge, N.J., and before that, a senior risk management consultant for PricewaterhouseCoopers L.L.P. In addition, she spent many years on the insurance brokerage side with Marsh Inc., Johnson & Higgins and Willis Group Holdings Ltd. Ms. Askwyth is a member and past president of the Assn. of Professional Insurance Women, an organization dedicated to the advancement of women in the insurance industry. She is also on the board of the New York chapter of the Risk & Insurance Management Society Inc., and is its vp of programs. She is also an active participant in the Risk Managers Roundtable and the Drug Industry Group.

DOUG GOODMAM

THE BEST ADVICE YOU'VE EVER RECEIVED: I grew up when women didn't have as many opportunities as they do today, so I was told to walk into a room like you belong there and people will think you do. Take risks and seek out opportunities. Accept challenging opportunities. Keep learning and never stop building and nurturing your network. I've taken all that advice to heart. It's all been used and reused.

WHAT YOU WANTED TO BE PROFESSIONALLY WHILE GROWING UP: I was very artistic. I loved to paint, draw, sculpt and experiment with different media. I attended a magnet school. I intended to major in graphic arts. Then I decided I wanted to be a rich capitalist instead of a starving artist and transferred to a public school in high school. No regrets on that.

Bonnie Boone

Senior Vp and Practice Leader
Alliant Health Care Solutions,
Alliant Insurance Services Inc.
Chicago

Bonnie Boone, who has more than 30 years of industry experience, leads teams of professionals in Chicago and New York that act as brokers and consultants on medical malpractice insurance and other commercial lines for the health care industry. Ms. Boone specializes in developing and placing reinsurance for captive programs for large health care systems, physician groups, long-term care organizations and managed care companies. Additionally, she has trained and been a mentor to numerous well-respected health care executives and is an author and lecturer. She has spoken about numerous health care topics at industry meetings for organizations such as the American Society for Healthcare Risk Management, the Risk & Insurance Management Society Inc., and the Institute for International Research.

HOW DID YOU GET INTO THE INDUSTRY: I was in college, and an insurance company came on our campus to recruit students. It sounded interesting. I had wanted to be a pediatrician, and I've always had a fetish for finance. I needed a job and I could combine finance with health care.

THE BEST ADVICE YOU'VE EVER RECEIVED: I've been advised to always do business with integrity; that a broker has to be fast on his or her feet; and to always be technically competent—knowing your contract language and policy forms. Understand what you sell from a brokerage perspective. From an underwriting perspective, you need to understand the industry you underwrite.

Alison Borland

Retirement Outsourcing
Strategy Leader
Hewitt Associates Inc.
Nashville, Tenn.
35

During Alison Borland's eight-year tenure at Hewitt Associates Inc., she has helped large organizations navigate the challenges and risks associated with retirement income and postretirement welfare programs, with a focus on defined benefit and defined contribution strategy and design. She leads the strategy for the retirement outsourcing business for Hewitt. Previously, Ms. Borland co-founded and led Hewitt's U.S. Defined Contribution Consulting practice. She has played a significant role in leading Hewitt's efforts to study employee diversity and its effect on retirement saving and investing behaviors. She is spearheading a study with Ariel Investments L.L.C., sponsored by a grant by the Rockefeller Foundation, to study the savings behaviors of minorities. Ms. Borland is a member of Hewitt's Women in Leadership group, which promotes women's professional contributions while creating an environment that allows them to achieve their full potential as leaders.

THE BEST ADVICE YOU'VE EVER RECEIVED: Nobody is going to give you what you want unless you ask for it. You can't expect others to know what you want or know what you're asking for unless you tell them directly. It doesn't sound very profound, but it leads to much less disappointment and much quicker results. Another piece of advice someone gave me was it's just as important to identify what you're not going to do as it is what you are going to do. Always keep your business and outside priorities straight. You'll always be more successful if you have your priorities in line. In other words, family always comes first.

WHAT YOU WANTED TO BE PROFESSIONALLY WHILE GROWING UP: I wanted to be neurosurgeon and marine biologist. I was going to be one or the other. (I wanted to be a) neurosurgeon because I was always fascinated with how the brain works and how the neurological system works and being able to better understand it and help actually repair it. Marine biology came from a passion for marine life, but I basically just wanted to be scuba diving for a job. I decided that could be more of a hobby than a profession, especially when I learned marine biologists actually don't just scuba dive all the time for their job.

Catherine Corrie

Member of Japan Production
and Marketing Team
Benfield Group Ltd.
London
38

Catherine Corrie is a member of Benfield's London-based Japan production and marketing team. Ms. Corrie places complex, multi-billion-dollar reinsurance programs. She also has played a key role in the steady expansion of the Japan team by cultivating new customers for the reinsurance market and by working with existing ones to supply their reinsurance needs. She helps recruit and develop talent to the division, mentoring a number of junior brokers at the company and always looking for talented professionals. Ms. Corrie is one of 20 Benfield employees selected to serve on the company's so-called Footprint Group, a team established to help solve some of the fundamental strategic issues the company faces.

HOW DID YOU GET INTO THE INDUSTRY: I studied mainly math and science at school and then I went on to read Japanese at university. So I guess I was looking for a combination of a numerate sort of finance-type job, but also one that would allow me to use linguistic and cultural skills. Really importantly, particularly at that age, I just wanted a job that would give opportunities to travel. So then I got to hear about reinsurance, which was actually poorly represented in British universities at the time. I had to do my own research into individual companies. I figured out broking suited my personality more than underwriting. I chose Benfield purely because of the people I met there.

WHAT YOU WANTED TO BE PROFESSIONALLY WHILE GROWING UP: I wanted to be and trained to be a professional singer. I had an aptitude for it. It's always rewarding to do something you feel you do well. It was pure enjoyment.

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Susan Cross

Executive Vp and Global Chief Actuary
XL Capital Ltd.
Hamilton, Bermuda
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Susan Cross oversees all actuarial functions for XL Capital worldwide. She has served in multiple roles at XL, including senior vp and chief actuary of XL America Inc., and senior vp and chief actuarial officer of XL's reinsurance operations. Ms. Cross has served as an editor of the Casualty Actuarial Society's publication "Variance." She is a fellow of the Arlington, Va.-based Casualty Actuarial Society, a member of the Washington-based American Academy of Actuaries and an associate of the Schaumburg, Ill.-based Society of Actuaries.

THE BEST ADVICE YOU'VE EVER RECEIVED: For me, I think it was to get through my professional credentials, to continue with my actuarial exams, to get my fellowship and my full qualifications. Once you have a professional designation, whether it's actuarial or something legal or underwriting with a CPCU or something along those lines, it shows that level of commitment beyond coming out of university and gives you that solid foundation for your career.

ADVICE FOR THOSE STARTING IN THE INDUSTRY: While it's important to have a solid technical background, your people skills, your communication skills are just as important, if not more so. You need to be able to communicate and present yourself and your ideas in an effective way. Don't overlook the importance of that. How you interact with people is very important and will be very important to any individual's success in the industry.

The full Q&As can be found at
www.businessinsurance.com/Women2008

Sarah Dalgarno

Chief Risk Officer
Arthur J. Gallagher (UK) Ltd.
London
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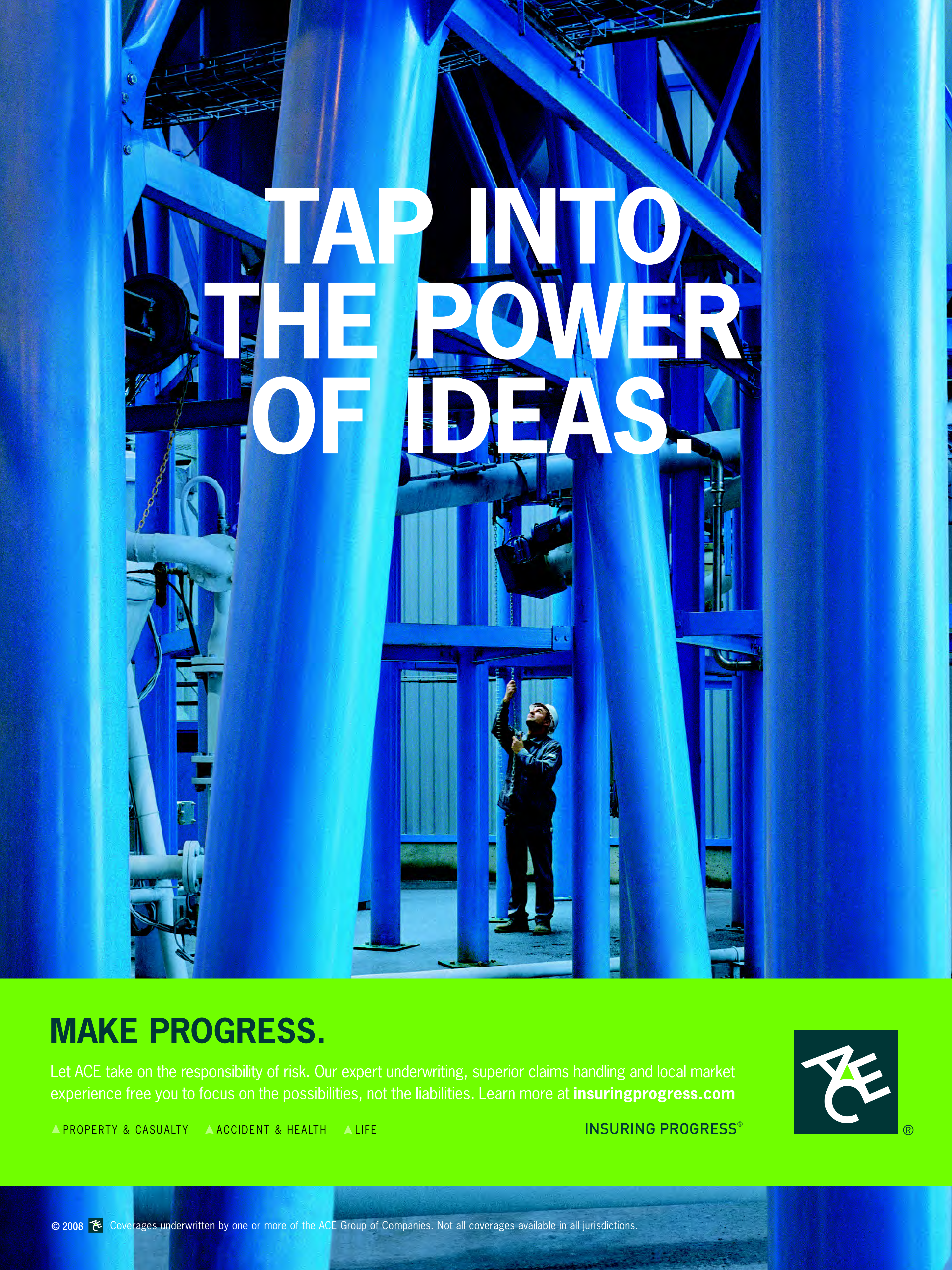
Sarah Dalgarno plays a significant role in implementing Arthur J. Gallagher U.K.'s international strategy and development plans. She is responsible for regulatory matters, compliance and governance of the company's U.K.-regulated businesses, as well as its expanding international operations. With more than 20 years of insurance market experience, much of her early career was spent working on aviation and property claims. In 2001 and 2002, while at the U.K. Financial Services Authority, she worked on the so-called Tiner Project under former FSA leader John Tiner, which has been credited with significant reforms and strengthening the way insurers are supervised in the United Kingdom. Ms. Dalgarno, who joined Gallagher in 2006, is an associate of the London-based Chartered Insurance Institute and is a regular commentator on regulatory developments and market reform.

HOW DID YOU GET INTO THE INDUSTRY: I wasn't really settled on my intent of any one particular course of careers, and I was pretty open-minded. I saw an advertisement for an (insurance company) that was looking for a new intake of staff. I went to sit in on an entrance test. I did that and was invited in for an interview. Once I started talking to some of the people recruiting, it sounded like an interesting industry. What grabbed my imagination was the idea of working in claims. I liked the idea that your day was quite unpredictable.

THE BEST ADVICE YOU'VE EVER RECEIVED: It's essential to learn how to keep more than one ball in the air at a time. I think that's true in our industry and many industries. You don't come into work and tend to one thing at a time. Learning those skills early in your career is very important. You also have to be able to respect and trust the people you work with. If you don't fully trust and respect the people you work with, you need to do something about it. You're never going to work successfully as a team if you don't trust one another. A lack of trust becomes quite destructive.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Christa Davies

Chief Financial Officer
Aon Corp.
Chicago
37

The company's first female chief financial officer, Christa Davies is responsible for helping Aon's president and chief executive officer drive strategic business decisions and working with the heads of Aon's global business units to improve the quality and effectiveness of financial management information and compliance. Formerly the CFO of Microsoft Corp.'s platform and services division, Ms. Davies managed three publicly reported segments of business with annual revenues of $28.6 billion during fiscal year 2007. She also has held positions at Rolls-Royce Group P.L.C. and McKinsey & Co.

THE BEST ADVICE YOU'VE EVER RECEIVED: In taking on roles, focus on who you work for and with, rather than what the role is itself. What I've observed is working with great people allows you to learn a lot more and that is how I have managed my career.

WHAT YOU WANTED TO BE PROFESSIONALLY WHILE GROWING UP: I did not know what I wanted to do while growing up, and I've changed professions quite a few times. I did a degree as an aerospace engineer and at one stage wanted to go work for NASA. I've worked in management consulting. I worked in technology for a very long time with Microsoft, having run a sales team and being a CFO and running a product development team. I've done lots of different things. I've never quite known what I wanted to be, but I've loved being a CFO and I can imagine being that for a very a long time.

Judy Gonsalves

Senior Vp, Excess Liability Division
ACE Bermuda Insurance Ltd.
Hamilton, Bermuda
42

Charged with managing ACE Bermuda's excess liability division since 2004, Judy Gonsalves was the first Bermudian woman to reach that level in the company's Bermuda-based insurance operations. She started her career with ACE 16 years ago as an underwriting assistant in the same division. To ensure the advancement of other employees, Ms. Gonsalves has been responsible for the management and coordination of the underwriter trainee program at ACE. She cultivates a learning culture through benchmarking, team building, strategic planning, learning exchanges, process improvement, and coaching. She serves on the ACE USA Learning Council and the Liability Product Board and was a member of the original steering committee for the ACE Women's Forum. She is actively involved in the ACE Women's Forum Networking Committee in Bermuda.

HOW DID YOU GET INTO THE INDUSTRY: (After acquiring multiple degrees in economics and psychology) I had plans to take a year off (from studying) and then go back to graduate school. I figured I'd come back to Bermuda and work for a year and make some money. Within a couple of days I had about 10 interviews and they were all with insurance companies. I didn't know anything about the industry and what careers were available. I started in the (American International Group Inc.) captive fronting division. I did an in-house training program with (the company) and then started my insurance qualifications. After a while, I thought, "I'm making money and I'm liking insurance from the learning and studying perspective, so I'll stick this out and put grad school on hold." Then, after three years with AIG, I got a call

Continued on page 20

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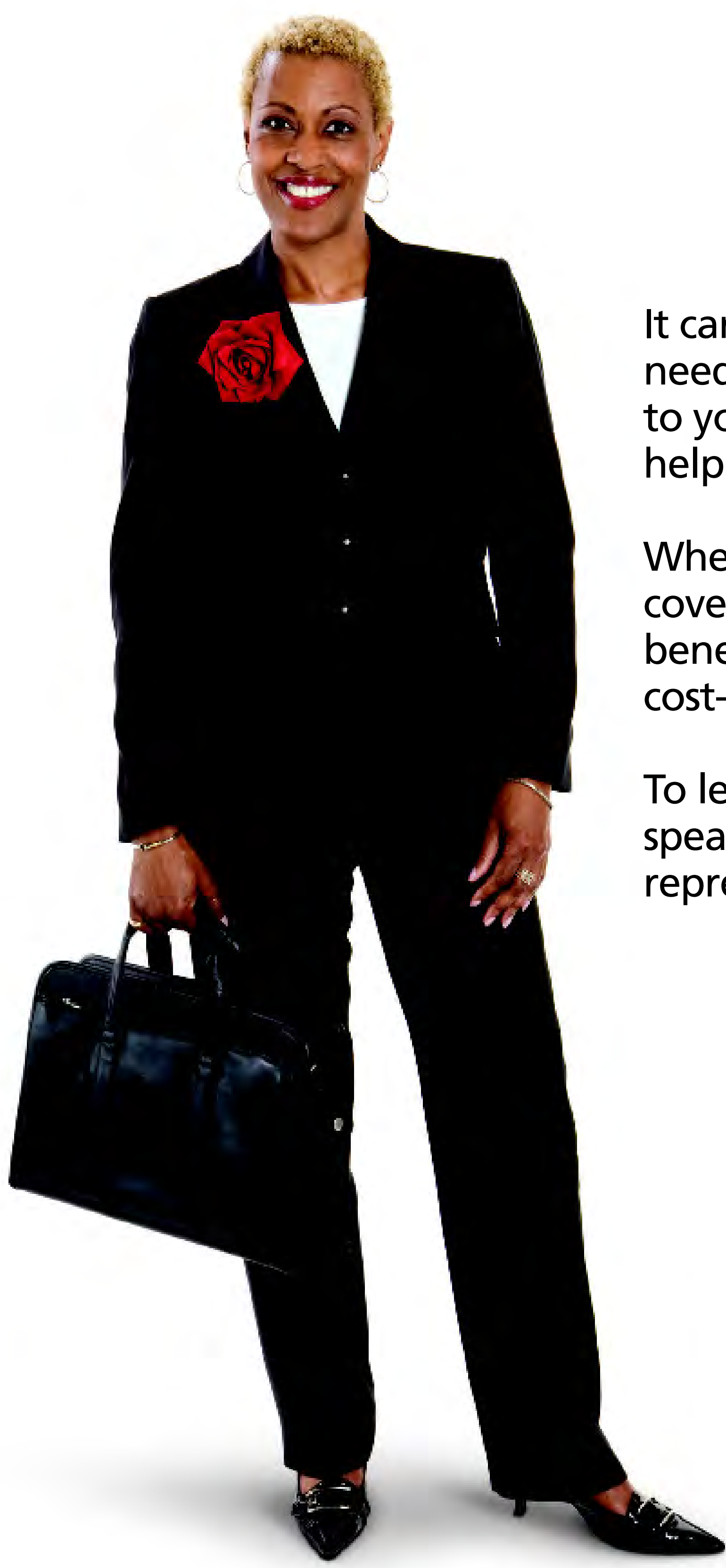

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CONTINUED FROM PAGE 18

from ACE looking for an assistant underwriter in the excess liability division. I interviewed with them, got the job, and the rest is all history.

THE BEST ADVICE YOU'VE EVER RECEIVED: The best quality in an underwriter is to be curious. I thought that was a great piece of advice. If you're curious about things and you want to learn about things, you're going to ask questions and you're going to learn more. Don't ever let your fear of failing prevent you from trying something or limit what you're going to accomplish. Don't let that fear of failing keep you from pushing yourself.

Patricia Hemingway Hall

Chief Executive Officer and President
Health Care Service Corp.
Chicago
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Patricia Hemingway Hall became chief executive officer of Health Care Service Corp. in November after serving as president and chief operating officer. Before that, she was the executive vp of internal operations, overseeing the company's finance, claims and customer service, information technology, tax and actuarial divisions. She also served as president of Health Care Service Corp.'s Blue Cross Blue Shield of Texas plan from 2001 to 2006. Her first experience in health care was as an ICU nurse, which fueled her desire to lead a company that helps people with issues crucial to their health and financial well-being.

HOW DID YOU GET INTO THE INDUSTRY: If you go way back in my career, I started out as a critical care nurse. My experience as a nurse has really been critical in what I've done since then. I have real respect for anyone that stays in the health care profession. While I didn't stay there, I wouldn't trade those experiences for anything because it's been foundational to where I am today. There wasn't a clear path beyond having my clinical experience and deciding I wanted to do something beyond that. That experience opened a lot of avenues for me.

THE BEST ADVICE YOU'VE EVER RECEIVED: The best advice I ever received was to always have the best and brightest people working with you. It's the most important thing I learned in grad school and has been key to my success since then.

Ruth A. Hunt

Principal, Communication and National Health Care Communication Strategy Leader
Buck Consultants L.L.C.
Minneapolis

Ruth Hunt is a principal and national thought leader for organizational and change communications with Buck Consultants. With more than 27 years experience, Ms. Hunt specializes in strategic planning to address issues involving human resources, benefits, compensation and organizational change. She also is a national expert in health care consumerism and wellness. She is a member of the International Assn. of Business Communicators and winner of several IABC awards. Ms. Hunt is a frequent presenter and author on change communications and health and wellness topics. She contributed to methodologies described in the book, "Five Frogs on a Log: A CEO's Guide to Accelerating the Transition in Mergers, Acquisitions And Gut Wrenching Change," by Mark L. Feldman and Michael F. Spratt. She also is featured in the college text, "Effective Small Group Communication in Theory and Practice."

HOW DID YOU GET INTO THE INDUSTRY: After receiving a master's degree in communication organization, I learned of this field of internal and organizational communication. I decided it was exactly what I wanted to do. I wanted to solve businesses' problems and help make a business run more smoothly. I could combine my skill sets and interests to make a real difference.

ADVICE FOR THOSE STARTING IN THE INDUSTRY: You need to realize you're going to have to reinvent yourself many times over during your career. Be proactive. Listen to what's going on in the marketplace and industry and understand how that impacts you. You need to reskill and change, and that's how you're going to stay ahead.

Patricia Kagerer

Vp-Risk Management and Safety
C.F. Jordan L.P.
El Paso, Texas
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Patricia Kagerer directs C.F. Jordan's risk management functions, including safety management systems, wellness initiatives, insurance and litigation. Her specialty is safety management system implementations that affect corporate culture, insurance procurement and corporate performance. Ms. Kagerer has received numerous awards, including the Dallas-Fort Associated General Contractors of America's Safety Director of the Year in 2007, a scholarship in 2007 from the Risk & Insurance Management Society Inc.'s Spencer Educational Foundation and the American Society of Safety Engineers' National Risk Management Practice Specialty Safety Professional of the Year. She is completing a master's degree in dispute resolution at Southern Methodist University.

HOW DID YOU GET INTO THE INDUSTRY: I started out as a workers compensation claims adjuster right out of college. I was looking for something I could make a career out of. I thought it would be something interesting and I thought it was something that offered a career path within the industry. It sounded interesting, so I thought I'd give it a shot. After doing that for about three years, I was asked to take over safety and claims and establish a risk management department at a stone-washed denim manufacturing company. What I realized with claims is you can only do so much because the incident has already occurred. With safety, you can actually prevent things from happening. By learning and growing in that position and by establishing a risk management department at that company, then that is what Jordan construction hired me to do as well.

WHAT DID YOU WANT TO BE PROFESSIONALLY WHILE GROWING UP: I wanted to be a lawyer when I was growing up. My cousin was an attorney, and I always thought that would be something interesting where I could debate and fight for the common good.

Jacqueline Kosecoff

Chief Executive Officer
Prescription Solutions, a unit of UnitedHealth Group Inc.
Cypress, Calif.
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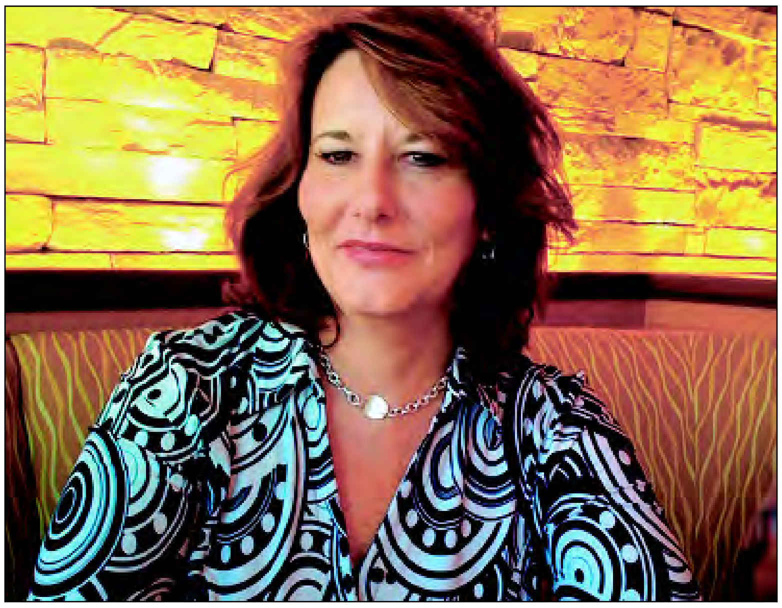
Jacqueline Kosecoff has led Prescription Solutions' growth since joining the company in 2002 as executive vp. Then, it was a unit of PacifiCare Health Systems Inc., which UnitedHealth Group acquired in 2005. Previously, Ms. Kosecoff founded and was president of Protocare Inc., a Santa Monica, Calif.-based clinical development and health services consulting firm, for four years; founded and was co-CEO and president of Value Health Sciences, a Santa Monica-based specialty managed care provider and unit of Value Health Inc., for 10 years; and the chief executive of two health services consulting firms in Santa Monica, Chassin & Kosecoff Medical Systems and Fink & Kosecoff Associates. Ms. Kosecoff is a board member of the Alliance for Aging Research and the Pharmaceutical Care Management Assn. She also is a member of the Dean's Advisory Board of the UCLA School of Public Health.

ADVICE FOR THOSE STARTING IN THE INDUSTRY: I would tell them to continually ask themselves where they want to go and what they want to do in the industry. What skill sets, what experiences do they need to acquire to get there and do that? Very seriously, ask yourself once a year, "Is this where I want to be and what do I need to do to earn that opportunity?" and then go do it.

WHAT YOU WANTED TO BE PROFESSIONALLY WHILE GROWING UP: Like many young girls of my generation, I don't think I gave myself permission to think I could be whatever I wanted to be. I thought I could be a nurse and teacher. Girls today have many more options that they're aware of, and I think that is fantastic.

The full Q&As can be found at *www.businessinsurance.com/Women2008*



Diane Larrivee

Corporate Risk Manager
S&B Engineers & Constructors Ltd.
Houston
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Diane Larrivee is responsible for the procurement of all property/casualty and specialty lines of insurance as well as benefit programs at S&B. Within the organization, she advises the general counsel, assistant general counsel and other directors and managers on all risk management, coverage and claims issues. Ms. Larrivee also has given back to her community by providing risk management services to the Cy-Fair Volunteer Fire Department in Harris County, Texas, for more than 10 years. She also is a lifetime member of the organization's auxiliary and served as its president for four years. She also works with women in developing effective communication skills in creating relationships that work personally and professionally.

HOW DID YOU GET INTO THE INDUSTRY: My father owned an insurance agency in Port Angeles, Wash., and I worked for him in high school. I worked for him for about five years, then I ended up buying the agency and running it with my sister for another five years. I then got married and moved to Seattle and worked for a commercial brokerage there for about two and a half years. Then I moved to Texas and worked on the S&B account, and S&B offered me the position as risk manager. That was 19 years ago.

ADVICE FOR THOSE STARTING IN THE INDUSTRY: Straight authentic communication absolutely works. People can handle the truth, so just be straight with them. Don't be afraid to admit when you're wrong. That's how we learn. When you're honest and forthcoming like that, it allows them to be the same and really furthers your relationship.

Ann Longmore

Executive Vp
Willis Group Holdings Ltd.
New York
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An authority on management liability and developing corporate risk and insurance, Ann Longmore is a global resource for insurers, clients and colleagues on the topics of directors and officers liability, fiduciary liability and employment practices in the Willis Executive Risks Practice Group. Before joining Willis, Ms. Longmore spent 10 years at American International Group Inc. In her last position there, she oversaw risks relating to corporate, nonprofit, multiemployer and public plans while consulting on international exposures and mergers and acquisitions. Ms. Longmore's legal experience includes positions at the Department of Labor's ERISA Enforcement Division, the New York Stock Exchange and the Bankruptcy Court in the Eastern District of New York. She holds a law degree and master's degrees in finance and economics.

THE BEST ADVICE YOU'VE EVER RECEIVED: The best advice I ever received was never be afraid to ask a question. There isn't a bad question to ask. I've seen in my own career and in business that not asking a question can be a fatal error.

ADVICE FOR THOSE STARTING IN THE INDUSTRY: Insurance is a wonderful world and never be afraid to spread your wings and try new things. You can find myriad different aspects of insurance. Never be afraid to find something new. It can be endlessly interesting when you're on the inside.

The full Q&A's can be found at *www.businessinsurance.com/Women2008*

DOUG GOODMAN

LoriAnn Lowery

President, North America
Lloyd's America Inc.
New York
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LoriAnn Lowery has spent approximately six months in her position as president, North America of Lloyd's America Inc. She is responsible for North American business operations, including business development and distribution, communications and marketing functions. She has more than 20 years experience. Most recently, she served as managing director and national practice leader for risk management and financial products for Wells Fargo Insurance Services Inc.

HOW DID YOU GET INTO THE INDUSTRY: Basically by accident. I had gone to a university on a musical scholarship. I thought I was going to be a fantastically wonderful musician. My father said, "I really appreciate the fact that you are a musician and want to be a singer but the reality of the world is that is probably not going to be the case so why don't we find a fallback position." I started taking finance classes and then when I got out of school, I went into…the finance side and investment banking side, working on structured financial products, and those products needed insurance. Then I thought, well, how easy would that be, so I jumped on the insurance side of that and really ended up falling in love with the insurance side, which was actually more difficult than I had anticipated in terms of finding capacity and partners. I realized there was a real need in the insurance market for creative, out-of-the-box thinkers.

ADVICE FOR THOSE STARTING IN THE INDUSTRY: My father used to always say two things that I've kept in my heart and one is to remember you're not better than anyone else and no one is better than you, and to always remember where you come from. Secondly, when difficulties arise, remember gold is refined by fire and if you want to continue to grow, there is always some refining that has to be done.

Holly Meidl

Managing Director and National Health Care Practice Leader
Marsh Inc.
Nashville, Tenn.
46

Holly Meidl is responsible for directing 550 Marsh colleagues who provide daily service to more than 1,900 health care clients. With more than 20 years of brokerage experience, she focuses on helping clients identify key industry issues and then works with colleagues to develop solutions to address those risks. Ms. Meidl earned her Associate in Risk Management professional designation and is a candidate for the Chartered Property and Casualty Underwriter designation. She is a member of the Vanderbilt Owen School of Management Healthcare MBA program advisory board, the American Society of Hospital Risk Management and the Healthcare Financial Managers Assn.

HOW DID YOU GET INTO THE INDUSTRY: I actually chose this as a major in college. I received my risk management and insurance bachelor's from the University of Georgia, and then I went on to get a master's in corporate banking and finance (from Golden Gate University in San Francisco). (Initially) I was a general business major and I took an insurance course as an elective. I had wanted to go to law school, but when I took that course I found it was a marriage between legal issues as well as financing, so for me it was kind of a perfect fit.

THE BEST ADVICE YOU'VE EVER RECEIVED: Keep your head down and work really hard. Everything you're hoping to achieve will eventually come to you if you do that.

Martha Oakes

Senior Executive, Commercial Lines
Westfield Insurance Co.
Westfield Center, Ohio
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Starting at Westfield right out of college, Martha Oakes has held numerous positions with the company. She is responsible for setting the strategy for the 130 people who sell and underwrite nearly $420 million in middle market commercial business in 17 states. Before she moved into management roles, Ms. Oakes held field underwriting and senior underwriting positions in commercial lines. In 2003, she created and was responsible for a separate department at Westfield to handle all its small commercial business. Ms. Oakes also is actively involved in Westfield's Emerging Leader Council, a cross-functional group of senior executives charged with identifying and developing the company's potential leaders. She is on the executive committee of the Ohio Insurance Institute, a nonprofit organization representing the property/casualty insurance industry. In 2007, Ms. Oakes received the YWCA Women of Professional Excellence Award for her commitment to helping other women achieve.

THE BEST ADVICE YOU'VE EVER RECEIVED: My dad always said if you fail to plan, you plan to fail. It's important to spend time on business planning, thinking about the big picture and figuring out where you need to go and how to get there.

ADVICE FOR THOSE STARTING IN THE INDUSTRY: Never turn down an opportunity to help someone else because you will always get more out of it than you end up giving. It's critically important that all of us nurture talent in the industry and develop people. In order to do that, you have to help people. I've come to view my job as preparing people for the next opportunity that comes their way. That's what we all owe the people we work with.

Jodi Prohofsky

Senior Vp Operations
CIGNA Corp.
Eden Prairie, Minn.
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Jodi Prohofsky oversees all operational aspects of CIGNA's strategic health service businesses, including behavioral health, employee assistance programs, health advocacy and lifestyle management programs, as well as case management and disease management. Under her leadership, CIGNA has earned the Business Insurance Readers Choice Award for best EAP for the past four years. The business unit has experienced growth under Ms. Prohofsky's guidance, expanding from about 16.4 million members at the end of 2006 to approximately 18.6 million members at mid-year 2008. Most recently, she was responsible for merging CIGNA Behavioral Health and CareAllies, CIGNA's behavioral health and advocacy business, into a single operational unit. Within her community, Ms. Prohofsky has been recognized with the Women in Business award from the Minneapolis St. Paul Business Journal and the Elaine McCormick-Wray award from the Working Family Resource Center of St. Paul for her support of work/life parent education programs in the Twin Cities.

HOW DID YOU GET INTO THE INDUSTRY: I got into it by accident of all things. I started back with CIGNA in 1992. At that time, we were deliverers of service. I had just finished my Ph.D. and I was going to storm the academic world but I was off the academic calendar cycle. A friend of mine called and said 'Do you want a part-time job in my practice?' I started working for the company and about three days later I learned I was working for an insurance company. And…from there, I really started to enjoy the business part of it more and more.

ADVICE FOR THOSE STARTING IN THE INDUSTRY: Really know where your passions lie. Know where your talents lie. Don't try to over-engineer your career path. You really have to be open to any opportunities because you never know where they may take you.

DOUG GOODMAN

Sharon Ritchey

Executive Vp and Director, Global Operations and Technology
Hartford Life Inc., a subsidiary of Hartford Financial Services Group Inc.,
Simsbury, Conn.
49

Sharon Ritchey is the highest-ranking female executive at Hartford Life. Appointed in May, she oversees the global operations and technology organization for the company. Prior to joining Hartford Life in 2007 as senior vp and chief operating officer for its U.S. wealth management group, she was senior vp of property/casualty operations for Hartford Financial Services Group Inc. She joined Hartford in April 1999 as the chief operating officer for the affinity unit in personal lines. Before that, Ms. Ritchey, who has 20 years of operations management experience in the financial services industry, worked at GE Capital and Citibank.

HOW DID YOU GET INTO THE INDUSTRY: I spent (the) majority of my career in financial services. Hartford approached me about nine years ago. The beauty about being an operations person is it's very transferable and marketable across industries. The challenge is what intrigued me about joining Hartford. From a comparison perspective, the insurance industry has always been behind financial services, relative to operational performance. When (the company) contacted me, it wanted me to come in and transform where they were to where they wanted to be. They saw an opportunity in looking outside the industry to someone with years of experience who could come in and apply those same skills from another industry within the insurance industry.

WHAT YOU WANTED TO BE PROFESSIONALLY WHILE GROWING UP: I grew up with eight other siblings and we were a pretty competitive family. The one thing I always knew I wanted to be was a winner. The question was all about how to win.

Chelley Schaper

Senior Vp and Client Service Executive
Lockton Cos L.L.C.
Denver
36

Chelley Schaper has spent nine of her 14 years in the insurance industry at Lockton. She was one of the youngest employees to be named a senior vp in Lockton's history, earning the title at age 32. She is a leader and contributor to two of Lockton's global practice groups, the global property practice and the risk management group, where she places complex insurance programs for large national and international firms. Ms. Schaper also has been heavily involved in recruiting and training other young, talented women for Lockton Inc.

HOW DID YOU GET INTO THE INDUSTRY: It was actually by happenstance. I went to the University of Georgia. All general business students are required to take introduction to risk management. I thought it would be good preparation for me for law school, so I changed my major from general business to risk management in insurance. I thought it was interesting. It was a field where you got to learn about many different industries instead of just your own.

WHAT YOU WANTED TO BE PROFESSIONALLY WHILE GROWING UP: I wanted to be a brain surgeon. I left that dream behind in grade school. All of high school and college I really did want to be a lawyer.

Mary Sklarski

Chief Operating Officer
Woodruff-Sawyer & Co.
San Francisco
49

Mary Sklarski is the first female chief operating officer of insurance brokerage and consulting firm Woodruff-Sawyer. She is responsible for overseeing operations concerning growth and retention of clients. Additionally, she leads strategic programs and supports all practice groups in providing innovative products to clients.

HOW DID YOU GET INTO THE INDUSTRY: My father was in the industry, so I grew up around it and saw the people he worked with. When I was a senior in college, my dad invited me to go to the CPCU (Society) meeting in Hawaii. I saw the whole society and the quality of people there and the camaraderie they had.

ADVICE FOR THOSE STARTING IN THE INDUSTRY: Choose to work for a quality organization that attracts people with integrity. Don't focus on the promotion; focus on the skills and tools you can acquire to make you a better business professional. Look for mentors both in and out of the industry that will challenge your thinking and broaden your perspective. Our industry continues to provide excellent opportunities for people of all skill sets.

Katherine Smith-Dedrick

Partner with Childress Duffy Goldblatt Ltd. and Founding Member of Risk Assessment & Transfer International
Chicago
51

Katherine Smith-Dedrick specializes in insurance protection and recovery for policyholders on a national level as a partner at Childress Duffy Goldblatt. She also is a founding member of Risk Assessment & Transfer International, a risk consulting company dedicated to bringing risk and insurance expertise to the table exclusively for corporate and sophisticated policyholders. In 1996, she founded and served as the inaugural chairwoman for Women for Achievement, which provides career mentoring and scholarships for female high school seniors. She has received the Mercedes Mentor Award from Mercedes Benz, Chicago Magazine and the Chicago Junior Women's League, and the Women with Vision award from the Women's Bar Assn. for her promotion of women in business.

MICHAEL MARCOTTE

HOW DID YOU GET INTO THE INDUSTRY: I am a lawyer and I do the consulting piece as well. Years ago, I joined a firm and they asked if I was interested in insurance coverage work. I started doing the work and then I met a gentleman just starting out as a claims handler for insurance companies and he asked me to explain some losses. I ended up educating him while (essentially) locked in a conference room for 10 hours. We were discussing environmental waste law because they were starting to get claims. As he rose within his organization, he chose to take me as national counsel. From there I just loved it. Policyholders started asking me to look into situations where they were getting into coverage issues. I had good ties with the insurance industry, so I could usually get it solved. For the past 10 years, I've worked exclusively for corporations and policyholders.

ADVICE FOR THOSE STARTING IN THE INDUSTRY: Stay current on changing events. Stay current on the way the fabric of society is starting to shift on regulator and legal changes. All those things put together are a precursor for the type of risks they are going to need to watch out for on the horizon. If they can do that in advance, they are going to be of great service for whomever they work for.

Sheila Small

Assistant Treasurer
Risk Management and Insurance
Verizon Communications Inc.
Basking Ridge, N.J.

Sheila Small leads a team of 19 professionals in developing and implementing the worldwide corporate risk management programs at Verizon. Ms. Small is the president of two captive insurance companies, which she uses to place hard-to-insure risks, manage the commercial market process and develop customized solutions for individual client needs. She oversees the actuarial analysis and audit process, develops investment strategies, establishes measurement criteria, selects investment management firms and monitors performance to ensure the captives' profitability and attainment of investment objectives. Ms. Small often is sought after to participate in advisory boards and speak at conferences.

HOW DID YOU GET INTO THE INDUSTRY: I actually worked for Bell Atlantic Corp. I was out for my fourth maternity leave. I was a finance type before this and basically when I was due to come back, my job had been restructured out, so I interviewed for other positions within the company and this one came up. I told the interviewer "I'm not so sure I know anything about risk management," and his response to me was, "If you know the company well and you know finance really well, you'll learn the risk management side."

ADVICE FOR THOSE STARTING IN THE INDUSTRY: It comes down to being ethical, the idea of respect and also to listen to people. I always considered myself someone who was constantly learning. There was so much knowledge in the people I met. I always felt there was something to learn from people that made you a better…risk manager and made you more effective. You should always be the best you can be. For me, it was a matter of furthering the education process in risk management. I came in at a director level with no experience in risk management and I had to trust my people who knew so much more than I did. So I listened to them. I tried to learn from them, but I also felt it was incumbent upon me to try to get up to speed as quickly as possible. I went for my certifications. I have my ARM; I have my CPCU. Once again, this idea of trying to be the best you can be: It's a matter of going to classes, taking certifications and trying to educate yourself from the people around you.

Peg Warner

Partner
McDermott, Will & Emery L.L.P.
Washington
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An accomplished trial attorney, Peg Warner litigates cases for large insurance-related companies such as Allianz Global Risks US, Travelers Cos. Inc. and Aon Corp. Ms. Warner tries cases in courts throughout the country or in international arbitration tribunals. She focuses on strategic corporate exposure created by public policy and risk transfer. She also is a strategic adviser representing a wide band of participants in the international insurance markets on issues at the convergence of public policy and risk transfer. She has been recognized by Chambers USA, a publication that ranks attorneys and firms considered leaders in their field, as a leading insurance lawyer.

HOW DID YOU GET INTO THE INDUSTRY: I was a first-year associate at a law firm. A senior partner called me into his office and said he needed me to go down to the D.C. circuit court and pick up an important decision that had just been handed down. I went up to the chambers of Judge David L. Bazelon, a legendary jurist, (expecting to pick up the decision from an assistant). Judge Bazelon walks in his chambers, though, and I said, "I'm here to get the *Keene* decision," and he said, "I knew there would be a lot of you coming for this one." It was the seminal decision in insurance coverage law. It set the tone for cases that subsequently followed. It had to do with insurance coverage from latent diseases. As a result of the *Keene* decision a large number of insurance coverage cases were filed in the federal courts of Washington and I started working on them.

WHAT YOU WANTED TO BE PROFESSIONALLY WHILE GROWING UP: I wanted to be a lawyer, always. I wanted to be a lawyer that goes in court. I never had an identity crisis. I think the fun thing about being the kind of lawyer I am is I'm asked to understand really complex things and I'm asked to be able to explain them to executives, adversaries, judges and juries in a way that makes them understandable and hopefully be persuasive. You get to become a mini expert in many subjects. It's fun to take the complex and be persuasive and understandable when you project your client's position.

PROFESSIONAL MARKETPLACE

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HELP WANTED

Director of Risk Management

Wayne State University is a public, urban, research university with an enrollment of more than 30,000 students. It is located in Detroit, Michigan.

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Comings & Goings

RICHARD SARNIE

NEW JOB TITLE: Senior vp and chief operating officer of ALS Group, Upper Saddle River, N.J.

PREVIOUS POSITION: Director of risk management, Global Crossing Ltd.

VITAL STATISTICS: I've been in the industry for 23 years. I am a board-certified safety professional; a licensed professional engineer (with a) designation in safety, and my license is in Massachusetts.

GOALS FOR NEW POSITION: We're looking to broaden the suite of services and products that we can offer to our clients, as well as to expand our footprint beyond just the Northeast. Being that I have global experience, and there really is no risk out there that I have not encountered before and have not designed a risk management strategy for, we're really looking to not only expand but to improve the depth and breadth of services that we can provide our clients. That's why I was brought on—to expand the breadth and depth.

CHALLENGES FACING THE INDUSTRY: The economic downturn that's hitting all businesses really has impacted our business, but I look at it as an opportunity. One of the things we're finding clients are doing is that they're actually cutting back their in-house staff that is handling risk management.

ADVICE TO OTHERS IN THE INDUSTRY: My advice to the risk management community or any company is don't just buy insurance and think you've managed risk. The risk today is beyond insurance. If you're going to rely on your insurance broker to manage risk, you will be in trouble. You really need a professional risk manager looking at your business risk and designing a strategy to manage your risk.

OUTSIDE THE INDUSTRY, A DREAM JOB: If I got the opportunity to own or become general manager for either the Patriots or Red Sox, that would be a dream job because I'm a die-hard Boston fan.

PASSIONS: My passion is my family—my wife and two children. I've been married for 20 years and I have two beautiful kids, and they're my strength.

Comings & Goings ONLINE

VISIT *www.BusinessInsurance.com/ComingsandGoings* for a full list of this week's personnel moves and promotions. While at the site, sign up for a weekly email of comings and goings. Check our Web site daily for additional postings.

POSTINGS THIS WEEK

INSURERS:
- HCC Insurance Holdings Inc.
- Eastern Insurance Holdings Inc.

BROKERS:
- J. Rolfe Davis Insurance

OTHER PROVIDERS:
- Cambridge Solutions Ltd.

TO SUBMIT ITEMS

Business Insurance would like to report on senior-level changes at commercial insurance companies and service providers. Please send news and photos of recently promoted, hired or appointed senior-level executives to:

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International NEWS

U.K. to assess pension plan risks

Proposal would set levy on employers based on investment profile

By JONATHAN GARDNER

U.K. employers with defined benefit pension plans may be taxed for making risky investments and posing a longer-term danger of making large claims on a government guaranty fund used to bail out insolvent plans.

The Pension Protection Fund's mid-November proposals aim to add pension plans' investment risk to the formula used to calculate company contributions. The formula already assesses higher rates on plans whose parent companies are at a greater risk of insolvency, according to PPF documents.

In addition, the PPF proposed taxing companies based on longer-term, or five-year, risk of insolvency and underfunding in addition to their short-term, or one-year, risk.

Employee benefit consultant Watson Wyatt Worldwide estimates the proposals may end up adding £79 million ($116.8 million) to the annual levy paid by the 100 largest pension plans.

"In principle, I think it's a sensible decision that they addressed the weaknesses in the current financing," said Deborah Cooper, a London-based principal for consultant Mercer L.L.C. "The devil's in the details. How it's going to work in practice is going to be more problematic."

PPF officials said the changes are designed to refine the system for financing the fund, which was established by a 2004 law to provide pensions to participants of defined benefit plans whose companies had gone bankrupt.

Pension fund officials said they believe that they have collected enough data from funds to assess the risk of their longer-term insolvency as well as their investment strategy.

A more refined risk assessment will eliminate cross-subsidization of more poorly funded, poorly managed funds by well-funded, well-managed plans, officials said.

"Our levy payers have given us a strong message that the current system does not differentiate enough between schemes and that levy bills should be less volatile," Chief Executive Partha Dasgupta said in a news release. "The proposals will change the distribution of the levy among schemes to more accurately reflect the risks that we face. There are a similar number of schemes that will pay more as will pay less."

'The proposals will change the distribution of the levy among schemes to more accurately reflect the risks that we face.'

Partha Dasgupta,
Pension Protection Fund

Officials from the London-based National Assn. of Pension Funds agreed with the principles outlined by PPF officials, saying they would help plans' levies more accurately reflect the risk they pose to fund assets and eliminate cross-subsidization.

"In our discussions with the PPF, we have always stressed the importance of linking the levy more closely with the risk actually posed," association Chief Executive Joanne Segars said. "We are pleased, therefore, that the PPF is focusing on this issue."

Through its levy, the PPF plans to raise a total of £700 million ($1.04 billion) in the 2009-2010 fiscal year. The levy is two parts: 20% is based on liabilities and 80% is based on risks of underfunding and insolvency.

The fund pays up to 100% of the expected pension of participants in insolvent defined benefit plans who had reached the pension age, had retired for health reasons or were married to a plan member who died. For those who have retired but not yet reached pension age, the fund pays up to 90% of expected benefits, with an annual cap of £27,770 ($41,066) for those age 65 in 2008-09.

Beginning in 2011, the new levy proposals would add a five-year insolvency and underfunding score to reflect plans' contribution to unexpected long-term claims on fund revenues. A component of the proposed formula would assess the extent to which plans' investment portfolios might contribute to one-year and five-year underfunding, according to the PPF proposal.

The PPF document said fund officials estimate that the new formula will redistribute about 10% of the levy.

However, pension consultants said there is a danger that the formula could become a blunt instrument.

"It's easy to say that equity is risky and bonds are not risky," said David Robbins, public policy adviser with Watson Wyatt.

"If your liability is over 20 years and inflation-linked, but your bonds are over five years and not inflation-linked, that's risky, too," he said.

AP PHOTOS

Severe storms last month in southeast Queensland, Australia, resulted in flooding which generated 28,000 property damage claims totaling.

Australian storm losses could hit $161 million

Insurers take toll after deadly catastrophe

By ROBERTO CENICEROS

BRISBANE, Australia—Severe storms that swept through southeast Queensland, Australia, during several days in November generated 28,000 property damage claims totaling $256 million Australian ($161.4 million), the Insurance Council of Australia said last week.

Whether insurers will tap their reinsurance coverage remains to be determined, they said.

The wind and rain also contributed to two deaths and damaged mainly residential properties and automobiles in and around Brisbane, Queensland's capital.

Some commercial establishments, however, suffered damage in the Nov. 16-19 storms, insurers said.

Schools, roads and utilities also were damaged, according to the office of Queensland Premier Anna Bligh.

A Suncorp Group spokesman said that the Brisbane-based insurer, which operates under several brands, received more than 13,000 claims totaling more than $150 million Australian ($94.5 million).

Suncorp "is very well-protected," the spokesman said. After significant storms in 2007, Suncorp increased its reserves for such events by $40 million Australian ($25.2 million) to $240 million Australian ($151.3 million) this year.

The insurer also purchased additional reinsurance for this year, lowering its retention to $150 million Australian from $200 million, Australian ($126.1 million) the Suncorp spokesman said. It has an aggregate reinsurance cover of $250 million Australian ($157.5 million) for weather-related events occurring during its fiscal year.

While the company estimates its claims costs will exceed $150 million Australian, it remains to be determined whether it will tap its reinsurance, the spokesman said. Obtaining reinsurance proceeds will depend on whether the damage is determined to derive from a single storm system.

Other insurers also reported thousands of claims from the storms.

Insurance Australia Group Ltd. said it received about 6,000 claims and expects to pay out between $60 million Australian ($37.8 million) and $70 million Australian ($44.1 million).

In a statement, Sydney-based IAG said it budgeted $314 million Australian ($197.9) for storm damage for fiscal year 2009 while its reinsurance retention for a single event is set at $118 million Australian ($74.4 million). It also has an aggregate reinsurance cover of $150 million

Storms that caused $71 million ($44.7 million) in damage during February and April can be counted toward the aggregate, the insurer added.

Australian risk manager honored

David Husdon of Leighton Holdings wins RMIA annual award

By MICHAEL BRADFORD

PERTH, Australia—David Hudson, executive general manager, risk management for Leighton Holdings Ltd., was named the 2008 Risk Manager of the Year by the Risk Management Institution of Australasia.

Mr. Hudson was presented with the award at RMIA's recent conference in Perth, Australia.

Leighton Holdings is a contracting and project development company based in St. Leonards, New South Wales. The company has about 30,000 employees at operations throughout the Asia-Pacific region.

Grant Whitehorn, outgoing president of RMIA, said in presenting the award that Mr. Hudson demonstrated that he "champions effective risk management," through his leadership, technical expertise, ethical standards and other behavior.

The RMIA judging panel selected Mr. Hudson as this year's award winner in acknowledgement of the leadership, technical management and expertise he and his team have demonstrated, the organization said in a statement.

Among other things, Mr. Hudson has driven initiatives that helped Leighton achieve more consistent project outcomes and improved profitability, a reduced financial risk profile, competitive advantages and a trend of lower insurance premiums.

He also helped introduce new guidelines to identify business and strategic risks and opportunities to the company's chief executive officer and group executive management. In addition, he established a risk management working group to promote professional development within Leighton and to benchmark and influence use of best practices in the risk discipline of the company. Mr. Leighton has had representation on, and presented to, professional bodies, including involvement in RMIA's risk leadership perspectives breakfast seminar series.

Sarah Veysey contributed to this story.

Value: Health reform drive should include quality

CONTINUED FROM PAGE 4

NBCH has been working to advance the concept of value-based purchasing since its inception.

For example, NBCH member coalitions have been collecting and publicly reporting data on outcomes and patient experiences to their members, she said.

So that the information being collected can be easily interpreted and serve as a benchmarking tool, NBCH has been using standardized quality measures endorsed by the National Quality Forum, a Washington-based nonprofit membership organization that was formed chiefly to develop and implement a national strategy for health care quality measurement and reporting.

Consumer engagement is another critical component to VBP, but getting individuals to understand their roles and act accordingly hasn't been easy, so this aspect is a work in progress, according to Ms. Travis.

"We want individuals to understand that they play a role in their own health status, and that there are certain things they need to do to stay healthy or keep their disease from progressing," she said. "How do we motivate people to manage their own health and at the same time select providers that are the high-performing providers?"

Payment reform

The final pillar is payment reform, something the private sector and government have been working on through pay-for-performance initiatives and the development of the medical home, which rewards doctors financially for serving as coordinators of their patients' care.

"Right now, we really are paying for services based purely on fee-for-service basis. It has no connection to outcomes or evidence-based care. We are working on how to redesign the payment system so that it is aligned with outcomes and patient experience of care so we don't unintentionally reward poor care," Mr. Travis said.

Ex-GM exec honored

WASHINGTON—Bruce Bradley, retired director of health care strategy and public policy for Detroit-based General Motors Corp., received the Lifetime Achievement Award from the National Business Coalition on Health.

The NBCH presented the honor for the first time at the organization's 13th annual conference held Nov. 9-11 in Washington.

The meeting attracted approximately 500 members of business and health care coalitions, employers and health care industry executives from across the United States.

NBCH's 14th annual conference will be held Nov. 8-10, 2009, in Phoenix.

For information about this and other NBCH-sponsored events, visit *www.nbch.org.*

—Joanne Wojcik

Quality: Group lists improvement targets

CONTINUED FROM PAGE 3

palliative and end-of-life care in their health benefit plans to encourage its use by individuals facing life-limiting illnesses, according to Ms. Corrigan.

Unfortunately, "benefit design often doesn't support this," Ms. Darling said.

"We are spending much more money at the end of life than is necessary," Mr. Webber said.

But palliative care, such as home hospice, can reduce the cost of treating an individual in the last stages of terminal illness by as much as 45% through reduced utilization of expensive intensive care units, emergency room visits and nursing homes, according to a report the partnership released at its Nov. 17 meeting.

Ms. Darling said the NBGH already has begun working on several initiatives closely aligned with the partnership's priority list.

The NBGH's National Leadership Committee of Employer and Health Plan Solutions is in the process of implementing a policy of nonpayment for so-called "never events" or hospital-acquired conditions, such as infections, that meets the partnership's patient safety goals.

Another NBGH committee is working on changing payment policies to support primary care, boosting compensation for doctors who serve as "medical homes" by coordinating the patient care.

To promote patient and family engagement in health care decision-making, the NBGH has developed a toolkit in coordination with the California Healthcare Foundation that is designed to help patients and their families better understand evidence-based medical protocols. The toolkit is publicly accessible on the organization's Web site at *www.wbgh.org*.

"Employees need to have this information at the time they're making (health care) decisions," Ms. Darling said.

NBGH's National Committee on Evidence-Based Benefit Design is focusing on the issue of overuse, targeting such areas as lumbar spine MRIs, the frequency of which has risen nearly 87% since 1999, according to Thomson Reuters, which conducted an analysis of the cost and use of medical procedures that, according to the partnership, may be administered unnecessarily.

The NBCH is in the process of incorporating the partnership's six priorities into its eValue8 tool, which is used by employers to review health plans as part of the request for proposal process.

"We will ask every health plan to tell us what they are doing to advance these priorities and goals," Mr. Webber said.

The responses are expected to be completed in early 2009 so employers can use them in benefits planning beginning in 2010, he said.

Products & Services

Zurich offering green endorsement

SCHAUMBURG, Ill.—Zurich North America is offering an endorsement for builders and contractors to address loss exposures and expenses related to green building construction and renovation projects.

Better Green provides coverage for projects that incorporate products, building features, or building techniques approved by either the U.S. Green Building Council's Leadership in Energy & Environmental Design system or Green Globe Assessment and Rating System.

The policy is available for North America policyholders and includes payment of expenses associated with air quality management, consulting with a LEED-accredited professional, payment of recertification fees, building commissioning and debris recycling.

Better Green is the first in a series of green building-related coverage products in development at the Schaumburg, Ill.-based insurer, Zurich said.

For more information, contact Bruce Bitler, property field vp, at 214-866-1251 or by e-mail at *bruce.bitler@zurichna.com*.

Aetna introduces voluntary benefits

HARTFORD, Conn.—Aetna Inc. has introduced a platform of voluntary benefits for employers interested in offering voluntary coverage for life, dental, accident and disability insurance.

i.Choose is a personal benefits option which offers group rates and a choice of plans and can support contributions of any level, unlike voluntary plans where employees traditionally pay at least 50% of the total premium, Aetna said.

The program features online enrollment capabilities, online billing and on-demand reporting of employee and benefit information. Members also have access to the programs' cost estimator tools and other resources for assistance with benefit decisions.

For more information, contact Barbara Howe, head of voluntary products and services, at 860-273-1081.

Lincoln National creates online dental site

PHILADELPHIA—Lincoln National Corp. has introduced an online dental tool that features access to the company's expanded list of dental providers.

Lincoln DentalConnect is available to group dental insurance policyholders and brokers, and features a listing of more than 50,000 dentists nationwide. The program allows users to obtain quotes for groups of employees rated in the same class. Quotes do not limit the number of employees an organization may enroll.

According to the company, the plan offers brokers the ability to quote, enroll and implement new dental policyholders with flexible benefit options and online capabilities.

The site can be accessed at *www.lincolnfinancial.com*. For more information, contact Dave Swanson, vp of product development, at *david.swanson@lfg.com*.

AIR model assesses U.K. flood risks

BOSTON—AIR Worldwide Corp. has introduced an inland flood model to help U.K. companies assess flood risks and related property exposures.

The AIR Inland Flood Model for Great Britain is a probabilistic model that covers residential and commercial lines of business in England, Wales and Scotland. The program incorporates risks on and off flood plains and includes assessments for business interruption losses and alternative living expenses.

The model was developed in response to the record-breaking insured losses caused by the summer floods which struck the United Kingdom in 2007, much of which occurred away from flood plains in highly exposed urban areas, according to AIR. The inland flood model accounts for elevation, runoff and the impact of drainage backups, aging facilities and other risks at each modeled location.

For more information, contact Milan Simic, managing director, at *msimic@air-worldwide.com* or visit *www.air-worldwide.com*.

Send details on new product offerings to Colleen McCarthy at cmccarthy@businessinsurance.com.

Bermuda: Domicile collaborates with other insurance regulators

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According to Mr. Elderfield, much of the discussion between jurisdictions thus far has focused on the financial crisis, and the impact it is having on Bermuda-based firms.

There also is a lot of discussion about potential underwriting exposure for some firms due to the expected increase in directors and officers liability and errors and omissions claims related to the financial crisis, he said.

The regulators also are discussing what enterprise risk management initiatives firms need to take in the wake of the financial crisis, Mr. Elderfield said.

Group supervision will go a long way toward greater efficiency, especially for companies doing business in the United States, said Don Kramer, chairman and CEO of Ariel Reinsurance Co. Ltd. and a longtime reinsurance executive in Bermuda.

When you consider all the jurisdictions, "the regulatory process can be quite cumbersome," he said.

Mr. Kramer also noted that taking a more "holistic approach" in assessing an entity's international operations will be an effective way to understand a company's full range of exposures.

"I'm not in favor of more regulation, but intelligent regulation is good news and I support that," he said.

Better informed

The outcome of the college could take a variety of forms. At the minimum, the participants will be more informed about a company's international operations, and their risk profiles, he said. However, the meeting could result in regulatory follow-up by an individual regulator, or even joint or "coordinated action" between jurisdictions. The latter will be a process that will take some time to evolve, according to Mr. Kramer.

Mr. Elderfield said the tone of the supervisory colleges is positive, and feedback has been very constructive. The financial crisis has resulted in a call for more international cooperation between authorities. Leaders of the G20 nations meeting in Washington recently called for the creation of a college of supervisors to review major financial institutions.

"I think we are ahead of the curve in that respect," he said.

Additional supervisory colleges will be conducted throughout next year, and companies will be selected on a rotating basis. The BMA plans to publish a discussion paper on group supervision next month, and a consultation paper in January 2010. Meanwhile, the goal for group supervision implementation by the BMA is scheduled for the fourth quarter of 2010.

Captives: Financial crisis presents capital concerns

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against accumulating too much capital in a facility, "we make the case for the opposite point of view," CRICO/RMF's Mr. Campbell said.

Retaining abundant capital benefits CRICO/RMF shareholders because it reduces volatility during insurance pricing cycles. It also helps avoid calling on its insureds to provide more capital when economic conditions are difficult and may be adversely affecting their operations.

> **The 'load on premium for overhead expenses' that captives collect should easily allow spending on safety.**
>
> Matthew Hamer, Towers Perrin

Cambridge, Mass.-based CRICO/RMF had total surplus of $344 million at end of 2007, based on the combined surplus of operations in Vermont and the Cayman Islands, Mr. Campbell said.

Its reserves-to-surplus ratio stood at 1.7 at the end of 2007, meaning that for every $1 of surplus, it had $1.67 in reserves, the company calculated.

In 2007, CRICO/RMF generated $135 million in net premiums and calculates its combined ratio for the year was 72%.

CRICO/RMF is owned by the Harvard medical community and insures 23 hospitals and more than 11,000 physicians. They generate more than 200 claims annually, which Mr. Campbell characterized as "pretty low."

In 1976, it launched the first medical malpractice captive, Controlled Risk Insurance Co. Ltd., formed by a health care organization in the Cayman Islands. In 1995, CRICO/RMF licensed a Vermont facility, Controlled Risk Insurance Co. of Vermont Inc., a risk retention group.

Capital accumulation is a key component of CRICO/RMF's strategy because it allows the organization to fund risk management and patient safety initiatives that reduce losses and help stabilize premiums, Mr. Campbell said.

CRICO/RMF will invest more than $3.5 million in patient safety initiatives this year, a nearly 6% increase from last year.

Patient safety investments have included simulator training for doctors in areas such as obstetrics/gynecology and anesthesiology, Mr. Campbell said. The mannequin-based training addresses issues that have generated claims and produces a positive return on investment, according to CRICO/RMF.

CRICO/RMF provides premium credits as incentives for doctors to participate in the simulator training. Actuarial analysis has shown that doctors not completing or not participating in the training should pay a 25% higher rate than those who participate, Mr. Campbell said.

Safety grants

CRICO/RMF also provides grants to participating doctors to study measures to improve patient safety and will award $350,000 in grants this year.

One doctor recently received a grant to study ways to eliminate "foreign bodies," such as sponges used during surgery, that sometimes are mistakenly left in patients. The doctor will attempt to code and track instruments used during medical procedures, Mr. Campbell said.

Despite the loss of surplus that insurers and captives are experiencing because of the negative investment environment, Mr. Hamer said he does not expect medical malpractice captives to reduce funding for safety programs.

The "load on premium for overhead expenses" that captives collect should easily allow spending on safety, Mr. Hamer said. Additionally, history has taught medical malpractice insurers that it always is important to reduce losses.

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Coke: New tack on benefits funding

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funding program follows the company's strategy of expanding the use of its captives.

"There are efficiencies that" can be achieved through captive benefits funding, Stacy Apter, Coca-Cola's senior global benefits consultant in Atlanta, said at the WCF meeting.

Referring to captive benefits funding in general, Ms. Apter said the approach can reduce administrative costs while improving access to claims data.

"You get a lot of detailed information in a very timely manner," she said. That allows claims trends to be spotted that, in turn, can spark initiatives—such as designing and implementing wellness programs—to reduce claims costs.

Outside experts say there are other special advantages to linking a VEBA to a captive. Under federal law, assets contributed to a VEBA must be used either to pay benefits or purchase insurance policies that provide benefits. Employers cannot remove VEBA assets for other purposes, even when a benefit program is being wound down.

By contrast, using a captive to fund benefits gives a company greater financial flexibility. For example, investment gains on contributions made to the captive can be paid out as dividends to the parent.

"You have much greater use of capital," said Mitch Cole, a principal with Towers Perrin in Stamford, Conn.

"The money is not locked in," added George O'Donnell, a senior vp with Aon Consulting in Somerset, N.J.

Whatever the advantages, Coca-Cola's plan still faces hurdles. It will need approval from the Labor Department, which regulates the use of captives to fund employee benefit risks. Additionally, Coca-Cola is expected to seek a private letter ruling from the Internal Revenue Service concerning its plan to use the VEBA. A private letter ruling provides the IRS' position on an issue.

There is little precedent in this area.

Since the Labor Department in 1999 made captive benefits funding a practical approach by easing certain prior restrictions—such as a requirement that at least 50% of a captive's business be unrelated to its parent—only one other employer has sought Labor Department permission to fund retiree health care benefits through a captive.

That employer, major appliance manufacturer Whirlpool Corp. of Benton Harbor, Mich.—using an approach that differed somewhat from Coca-Cola's—withdrew its application in late 2004 after the Labor Department declined to consider the proposal under a special expedited review process. Under that process, federal regulators will make a tentative decision within 45 days of receiving an application, as long as certain conditions are met.

One of those conditions is to prove that the arrangement is "substantially similar" to two other so-called prohibited transaction exemption requests approved by the Labor Department. A standard review typically takes several months to a year.

Coca-Cola's retiree health care funding proposal comes at a time of increased employer interest in using captives to fund employee benefit risks. So far this year, a record nine employers, including some corporate giants, have received preliminary or final approval to fund benefits through their captives (see box), including several corporations that added benefit lines.

Observers cite several reasons for the growing corporate interest in captive benefit funding.

"You can save money and improve cash flow. There are pluses all the way around," said Karin Landy, a managing partner with Spring Consulting Group L.L.C. in Boston.

"There is a lot more comfort with this approach and the advantages that can result. We expect considerably more activity in this area," Aon Consulting's Mr. O'Donnell said.

CAPTIVE REQUESTS

Employers that applied for the first time and received Labor Department approval in 2008 to fund benefits through their captives. Benefits funded include life, accidental death and dismemberment, and long-term disability.

Employer	Benefits funded	Captive domicile
CEPHALON INC.	Life, AD&D, LTD	Vermont
CONAGRA FOODS INC.	Life, AD&D	Arizona
DHL EXPRESS*	LTD	Vermont branch of Bermuda captive**
MEMORIAL SLOAN -KETTERING CANCER CENTER	Life, LTD	Vermont**
UNITED TECHNOLOGIES CORP.	Life, AD&D, LTD	Vermont**
YKK CORP.	Life, AD&D	Vermont

**And other U.S. affiliates of Deutsche Post A.G., **Tentative authorization*
Source: Labor Department filings

WCF draws 275 to California

INDIAN WELLS, Calif.—About 275 people from around the world attended the 18th annual World Captive Forum held Nov. 17-19 at the Renaissance Esmeralda Resort and Spa in Indian Wells, Calif.

The annual conference is produced jointly by *Business Insurance*, the Bermuda-based captive manager Quest Group of Cos. and Stamford, Conn.-based consultant Towers Perrin.

Conference sessions included funding employee benefit risks through captives, how to structure and run group captives, tax issues facing captive sponsors and working with fronting insurers.

Next year's conference will be held Nov. 9-11, 2009, at the Hyatt Regency Coconut Point Resort & Spa in Bonita Springs, Fla.

For more information, contact the World Captive Forum by phone at 952-928-4659 or by e-mail at *info@worldcaptiveforum.com.*

—By Jerry Geisel

Restrictions: Tight rules on CGLs causing worry

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traditional CGL policy language developed by the Insurance Services Office Inc. of Jersey City, N.J. However, ISO did not develop the classification endorsement, a spokeswoman said.

Under the policies, if a policyholder adds operations without notifying its underwriter, or if the policyholder's current operations do not fit squarely within the classification limitations, then related losses would not be covered, experts said.

Policyholders also could not expect insurers to provide a defense against those claims, noted Joe Underwood, a senior consultant with Albert Risk Management Consultants in Needham, Mass.

Such policies are common in the surplus lines market but have now begun to creep into admitted coverage, potentially leaving some buyers with less coverage than they thought they had, experts say.

Nonadmitted insurers have been writing the restrictive CGL coverage for construction risks for a few years, said Bruce MacDonald, also a senior consultant with Albert Risk Management.

And John DiBiasi, president, excess and surplus lines for XL America Inc. in Exton, Pa., said XL America writes the restrictive coverage for many other tough risks, including real estate ventures.

But policyholder attorney Kevin Connolly, a partner with Anderson Kill & Olick P.C. in New York, said he first saw policies from more than one insurer with the endorsements in the past few months and that the policies have not "carried the stamp of a nonadmitted carrier."

An XL America standard lines market subsidiary, Greenwich Insurance Co. in Stamford, Conn., writes CGL policies with the restrictive coverage, according to documents that *Business Insurance* obtained. Greenwich is admitted in all 50 states.

An XL America spokeswoman did not know how long Greenwich had been writing the coverage.

But several brokers at major brokerages said they had seen the restrictive coverage only in the surplus lines market.

Major change

The classification endorsement "turns the CGL policy upside down," Mr. Connolly asserted.

A CGL policy "should be covering everything you do, unless there's fraud in the policy application," said John Lubatti, an Atlanta-based senior vp in the casualty practice at Willis HRH, a unit of Willis Group Holdings Ltd.

XL America's Mr. DiBiasi disagreed. The classification limitations include all of the typical operations in which a policyholder would be involved, he said. But the limitations protect an insurer from being drawn into covering operations it never wanted to insure, he said.

Mr. Connolly said the endorsement is so unusual that policyholders were unaware of it until after he had conducted routine policy reviews at the outset of construction projects.

"That's 100% true," Mr. MacDonald said. "That's the principal part of the concern of this type of endorsement." He said he has encountered the endorsement when construction project owners have retained him to review contractors' coverage that would name the owners as additional insureds. Contractors often did not realize their coverage was restricted, he said.

Buyers of surplus lines coverage typically have their "antennae up" for unusual endorsements, but risk managers do not expect such coverage limitations from admitted market insurers, Willis HRH's Mr. Lubatti said.

XL America's Mr. DiBiasi asserted that buyers should either carefully read all of their policies or hold their brokers accountable for explaining their coverage.

Experts say another problem with the restrictive policies is that they do not give policyholders the flexibility to adjust their insurance to cover all operations.

With traditional CGL policies, an insurer typically conducts a premium audit and then requires a policyholder that adds operations during its policy period to pay additional premium to cover those operations, risk experts say.

Under the more restrictive policies, however, a policyholder with operations not covered by its policy is not given that opportunity, Mr. DiBiasi and other experts explained.

Mr. DiBiasi said the premium audit process should not force insurers to cover any risk.

But understanding what operations are and are not covered is somewhat challenging for policyholders, experts said. The policies do not clearly spell out which operations are covered in the "classification limitation," they said.

Instead, the policies refer policyholders to an ISO database for additional information, but that database is not open to policyholders. Policyholders could ask their brokers for that information, because brokers have access to the database, experts noted.

Still, experts raised concerns about insurers linking policyholder coverage to a database in which definitions of covered operations could be modified between a policy's inception date and the time a claim is filed. A modification could leave a policyholder with no coverage for operations that originally were covered, they said.

"We have to trust the insurance company to do the right thing when a claim comes in," said Mr. Connolly, the policyholder attorney.

XL America's Mr. DiBiasi said, "The policy stands as it was issued and will be handled for claims on the basis as it was issued even years after the fact."

He added that "ISO changes apply only to policies going forward and only if a specific company adopts the change."

Economics: Industry lauds nominees

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a disruption."

Mr. Geithner "has been really involved" since the economic crisis unfolded, "so there will be continuity," Mr. Mills said. "I think the insurance sector can take heart. Let's face it, insurance is such an important underpinning to the economic foundation of this country. I think they will take the needs of the industry into account. Hopefully, that will lead to some prudent and careful consideration as we go into this period of re-regulation of the insurance industry."

"We're very encouraged that with Geithner, you have an individual with a lot of experience, particularly in the international area, and clearly his comments recognize the interconnected markets," said Leigh Ann Pusey, chief operating officer of the Washington-based American Insurance Assn. "Insurance is an essential cog in the financial markets wheel and he understands that."

Mr. Geithner's international experience is "very critical" because any new regulation is going to look at systemic risk on a global scale, Mr. Mills said.

The extent to which Mr. Geithner's involvement with the AIG bailout will affect his approach to insurance issues remains unknown, but "clearly, he is very aware of the critical role the insurance sector plays, so that can only be a positive thing," Mr. Mills said.

"I think to the extent that there will be an Obama administration-led proposal for systemic risk regulation, Geithner will ensure that insurance is treated very carefully," said Mr. Wood.

How the team will treat the regulatory blueprint also remains unknown.

"It's probably too early to tell for sure. However, we do know he's been involved with (Treasury Secretary Henry) Paulson, particularly as regards to the blueprint. So we can expect a certain amount of continuity," said Ben McKay, senior vp in the Property Casualty Insurers Assn. of America's Washington office.

"The blueprint obviously has OFC in it as an interim step," he said. "However, the final phase of the blueprint is probably a world beyond the OFC. Now the debate has shifted from state vs. federal to what type of federal regulation are you going to have and federal vs. global."

"What they're faced with is unlike anything we've been faced with before," said Jimi Grande, vp in the Washington office of the National Assn. of Mutual Insurance Cos. "I think most of our problems are coming from the banking and securities side. From NAMIC's perceptive, I think it will be helpful to have a new perspective coming out of Treasury because we didn't like the blueprint that came out last spring."

Mr. Grande said he hoped Mr. Geithner's AIG experience showed that state regulation worked "admirably" where federal regulation had failed.

"I suspect they'll want to make their own mark," said AIA's Ms. Pusey. But she said much work went into the blueprint, and "it's hard to imagine" that it would be dismissed entirely.

PCI's Mr. McKay called the economic team "excellent" but said he's worried insurers will end up like the dutiful brother in the parable about the prodigal son. "We're the brother who does everything right," he said.

"Most insurers have been very responsible, but all these other guys who for one reason or another aren't doing as well are having access to the (Troubled Asset Relief Program), whereas insurers do not. We have to buy a holding company if we want to get help," Mr. McKay said.

AIG: Judge tosses Starr Foundation suit

CONTINUED FROM PAGE 3

asked, according to a court transcript. "Your own witness admits she'd have to speculate. I'm not going to speculate. I can't let a jury speculate."

He noted that as a shareholder, if stock losses were due to management responsibilities, the Foundation has the right to avail itself through derivative litigation.

"But you're seeking to obtain recovery not for a loss but for lost profit in a situation where you're not a purchaser; you're a holder. And I haven't found one case that sustains this cause of action," Judge Ramos said.

In dismissing the lawsuit, Judge Ramos said he was "insulted" by the litigation and that the suit was "a waste of time."

An AIG spokesman declined to comment, citing corporate policy against commenting on litigation.

The Starr Foundation would not comment on the judge's ruling and had yet to decide whether to appeal.

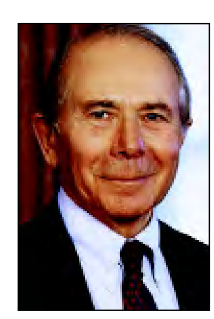
Attorneys disagree on whether settlement reached, then scuttled after AIG meltdown

NEW YORK—Attorneys for Maurice R. Greenberg verbally agreed to a settlement of New York state's civil lawsuit against the former American International Group Inc. chief executive officer before backing away after the insurance giant's near-failure, a lawyer for the New York attorney general said in court last week.

The two sides came to a verbal agreement on the Friday before AIG's dramatic near-collapse, but Mr. Greenberg's attorneys backed away from the deal on the following Monday, said David Ellenhorn, special trial counsel for New York Attorney General Andrew M. Cuomo, during arguments Nov. 24 in New York Supreme Court.

"I'm not saying anyone reneged," Mr. Ellenhorn said, according to a court transcript.

"I'm saying we reached an oral agreement…on Friday, and on Monday we were going to come in and put it on the record here in this room or up in my office. And that was the weekend when AIG crashed and defendants—they had every right to do it—backed away."



An attorney for former AIG chief Maurice Greenberg denies a settlement was reached on New York fraud allegations.

An attorney for Mr. Greenberg denied a settlement agreement had been reached.

"I told the judge on the record the case was not settled at that time," Nicholas A Gravante Jr., a partner with Boies, Schiller & Flexner L.L.P. in New York, said in an interview.

"If it was, we wouldn't be before the court now," said Mr. Gravante, declining to comment further.

Mr. Cuomo's office is pressing a lawsuit alleging that Mr. Greenberg committed fraud in an effort to manipulate the insurer's results. AIG paid more than $1 billion in the settlement of a related case.

Mr. Greenberg has denied any wrongdoing.

Mr. Ellenhorn said in court that he still hoped a settlement could be reached in the case.

Judge Charles E. Ramos ruled last week that the sides must complete all depositions by April 30, 2009.

—By Zack Phillips

News In Brief

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in October that AIG shareholders lost as much as $597 million as a result of a bogus 2000 loss portfolio transfer deal involving four former Gen Re execs and one former AIG official. The amount of loss is the largest single factor in setting sentence recommendations under federal sentencing guidelines, and Judge Droney's findings produce guideline recommendations of life in prison for all five defendants, but he can depart from the guidelines. In court documents, the lawyer for one defendant, former Gen Re Chief Executive Officer Ronald Ferguson, argued that Mr. Ferguson's sentence should be less than what the guidelines stipulate, in part because he was not personally enriched by the 2000 sham reinsurance deal. In addition, Mr. Ferguson's lawyer, Cliff Shoenberg of Cadwalader, Wickersham & Taft L.L.P in New York, opposed what prosecutors called the former Gen Re chief's "aggravating"–or leading–role in the deal, which could result in harsher sentencing. The four other defendants filed similar documents requesting lenient sentences far below guidelines. Mr. Ferguson is scheduled to be sentenced Dec. 16. Sentencing dates have not been set for the others.

AIG puts limits on execs' pay

American International Group Inc. adopted voluntary executive compensation limits after its Treasury bailout. Under the restrictions, AIG Chairman and Chief Executive Officer Edward Liddy will receive an annual base salary of $1 for 2008 and 2009. "His initial compensation will consist entirely of equity grants, showing his confidence in AIG and its team," AIG said in a statement. Mr. Liddy will not receive an annual bonus this year or next, said AIG, which also noted he won't be eligible for severance pay. In addition, other key members of the insurer's Leadership Group will not receive annual bonuses for 2008 or salary increases through 2009. AIG's senior partners also will not earn long-term performance awards in 2008 and will not get salary increases in 2009, said AIG. The announcement came after a Nov. 18 letter from the New York attorney general asking about AIG's intentions with respect to bonuses and pay raises for executives.

Deloitte pays $40M in pact over Reliance

Chicago-based Deloitte & Touche L.L.P. agreed to pay the Pennsylvania Insurance Department $40 million for the accounting firm's role as an outside auditor of the failed Reliance Insurance Co., now in liquidation. The settlement comes after negotiations between Deloitte and the Pennsylvania Insurance Department, the statutory liquidator for Philadelphia-based Reliance.

Undocumented: Workers pose comp care challenges

CONTINUED FROM PAGE 1

pital stay.

"You are trying to work on discharge to a particular address and it doesn't exist or it's not the address they are actually living at," said Marlys Severson, president of SCM Associates Inc. and a network manager for Paradigm Management Services L.L.C., a Concord, Calif.-based catastrophic case management company.

"It makes it really tough to try to pull everything together to make for a smooth transition and good medical care," Ms. Severson said.

Impoverished living conditions can make returning patients home medically impossible, said Mary Hawkins, a bilingual catastrophic nurse case manager in Atlanta for Intracorp, a unit of Philadelphia-based unit of CIGNA Corp.

"If they have been living 12 (people) to an apartment, sleeping in shifts on the floor, you can't send someone home with an infection and an open wound," she said. "You can't send someone home who is a new paraplegic (under those conditions.) You can't send someone home who is an amputee."

Catastrophic nurse case managers' responsibilities include visiting the residences of injured workers to verify their home accommodations will be safe for recuperation after leaving treatment.

"I've had instances where I've gone to the house and there are 15 to 20 people who happen to be living with no furniture and you have an injured worker who's laying on the floor on a blanket," Ms. Severson said. And the workers don't have access to social resources available to legal workers.

Living conditions may impede healing and require medical case managers to spend more time educating patients about caring for themselves, said Adolfo Arsuaga, branch manager in Reston, Va., for the Hispanic Resource Center, a unit of Genex Services Inc., a disability management company.

"They do require a little bit more handholding," Mr. Adolfo said.

Providing illegal immigrants with disability payments can present challenges because they don't have appropriate documentation to open a checking account, he said.

In some cases where injured workers' accommodation is not appropriate for their medical condition, insurers pay to rent a new apartment. But finding one can be difficult because some apartment owners demand proof that the injured worker is in the country legally, case managers say.

"Half the time you end up literally having to put them in a hotel room (with accommodations for disabled guests) month after month because they can't sign a lease," Ms. Hawkins said.

Workers comp insurers say they do not ask whether someone is undocumented and claim forms don't require such information. But case managers and claims managers say there are several clues.

The use of multiple Social Security numbers for a single claimant is one tipoff for claims examiners, said Darrell Brown, workers comp practice lead for Sedgwick Claims Management Services Inc. in Long Beach, Calif.

Others agree that multiple Social Security numbers are common.

"We have seen undocumented workers having multiple (Social Security numbers). One for the job, one for the third-party administrator, and one for the health care facility," said Thomas Newman, marketing analyst in Nashville, Tenn. for Alternative Service Concepts L.L.C., a claims management company.

> **'We have seen undocumented workers having multiple (Social Security numbers). One for the job, one for the third-party administrator and one for the health care facility.'**
>
> Thomas Newman,
> Alternative Service Concepts L.L.C.

Establishing addresses also can prove challenging for case managers. Financial instability often forces undocumented workers to move frequently. Or they provide false addresses because of their fear of immigration authorities.

Illegal immigrants change telephone numbers frequently, or they may not have a telephone, so case managers visit their homes more regularly to ensure they follow through with treatment.

"There (are) a lot of scenarios involved, but it just makes it really difficult for (health care) coordination (and) getting them to and from their therapy, being able to get them to and from their doctor's appointments, being able to provide them adequate care," said Ms. Severson.

The additional hurdles to providing care to illegal immigrants increases the likelihood that their medical outcomes will not be as successful, claims managers say.

Sometimes the outcomes are heart-wrenching, nurse case managers said.

One worker returned home to Mexico rather than stay in the United States and undergo surgeries that could have restored the sight he lost in one eye, Ms. Severson said.

Distrust and a desire to return home when injured is common, she added. Some undocumented immigrants fear that flying across state lines to medical centers of excellence could expose them to immigration officials so they choose to forgo the specialized care, Ms. Severson said.

Ultimately, resolving claims filed by illegal immigrants requires that claims examiners and others build a trusting relationship with them, said Kimberly George, vp and managed care practice lead for Sedgwick in Chicago.

But earning trust and building a relationship can take "a lot more time, energy, effort and teamwork in order to provide good care for them," Ms. Hawkins said.

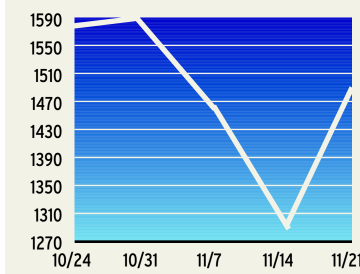
"You have to be an investigator, a social worker, a spiritual adviser, a medical coordinator and a translator," said Ms. Hawkins of Intracorp. "You have to speak English, Spanish and medical."

Stock Index

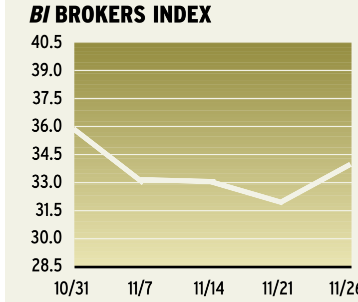
[11/24-11/26]

Up-to-the-minute data for all 82 companies that comprise the BI Stock Index can be found at www.IndustryFocus.com.

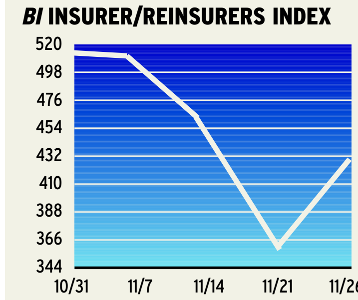
BI STOCK INDEX



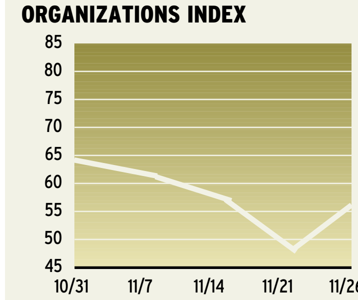
BI BROKERS INDEX



BI INSURER/REINSURERS INDEX



BI MANAGED CARE ORGANIZATIONS INDEX



Percentage change of BI Stock Index vs. key indicators

BI STOCK INDEX	1487.42	▲ 19.10%
DOW JONES	8726.61	▲ 9.12%
S&P 500	887.68	▲ 10.05%

LARGEST GAINS

Ambac Financial Group 86.84%
Lincoln National Corp. 58.41%
MBIA Inc. 52.77%
United Fire & Casualty...... 39.23%
MetLife Inc. 39.00%

LARGEST LOSSES

CNA Surety Corp............ -1.34%
Willis Group Holdings Ltd..... -0.47%

Source: Financial Content Inc. http://financialcontent.com

Business Insurance END PAGE

Greenberg considers another run at Stowe

American International Group Inc., which has gotten in hot water for holding events at pricey resorts, now may be trying to sell a resort that's also famous among skiers.

Critics and members of Congress chastised the insurance giant for spending money on what they termed unnecessary extravagances after the company recently accepted billions of dollars of federal money to stay afloat. The bailout is intended to give AIG time to sell off various assets to repay those loans.

Among AIG's holdings is Mt. Mansfield Co., which is the corporate name of Vermont's famous Stowe Mountain Resort.

According to published reports, a possible buyer for Stowe is none other than Maurice R. Greenberg, former chairman and chief executive officer of AIG and a skiing enthusiast.

"I have an emotional attachment to the place. If I can play a role in putting a group together to buy it, I would consider it," Mr. Greenberg told a reporter for Forbes.

AIG's relationship with Stowe goes back nearly 60 years, when Mr. Greenberg's predecessor—C.V. Starr—bought the resort. Throughout the years, the insurer has used the resort as the site of company events.

But those days have passed, and current AIG Chairman and CEO Edward Liddy has promised to sell off assets to pay back the feds, who now own nearly 80% of AIG. The sale of a resort—whether to Mr. Greenberg or someone else—ultimately may help AIG pay back what it has borrowed from its new owners, the taxpayers.

Contributing: Jeff Casale, Mark A. Hofmann, Mike Tsikoudakis

NYT PHOTOS

Lost phone yields McSteamy photos

One Arkansas couple is not "Lovin' it."

Philip and Tina Sherman filed a lawsuit against Oak Brook, Ill.-based McDonald's Corp. and others when nude pictures of Ms. Sherman surfaced on a Web site after her husband forgot his cell phone at a northwest Arkansas franchise in July.

According to the suit, employees promised to keep the cell phone secure until Mr. Sherman returned. But along with the steamy photos, Ms. Sherman's name, address and telephone number all made their way online.

The couple claim the revealing pictures caused severe mental and emotional distress, pain and suffering, embarrassment, damage to their reputations and even caused them to move to a new house.

Aaron Brummley, the store manager, declined to comment.

"I would strongly caution anyone from jumping to conclusions without having all the facts. I believe this act was perpetrated by individuals who do not represent my organization," McDonald's franchisee Bill Mathews said in a published report.

The Shermans filed the suit in mid-November seeking $3 million in damages.

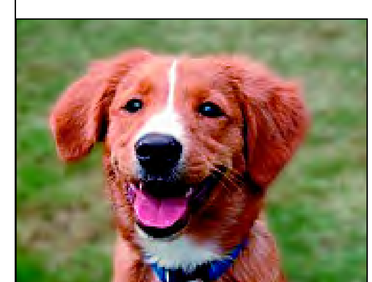
Progressive's pet pageant proves popular with public

Progressive Group of Insurance Cos. had a winning idea last year when it became the first auto insurer to offer free pet injury coverage to its policyholders to pay up to $500 in veterinary bills for their dogs and cats hurt in car accidents.

Now the Mayfield Village, Ohio-based insurer has set up an Internet photo gallery where participants pick the people's choice Pet of the Week.

Owners upload pictures of their four-footed best friends at *www.progressive.com*, visitors vote for their favorites and the critter with the most votes wins.

The winning animal's picture is "featured prominently" for one week, according to a statement issued by the insurer last week.



Pet enthusiasts can vote for their favorite photo at *www.progressive.com*.

"We started offering pet injury coverage because we know most people think of their pets as an important part of the family and want them to be protected in case of an accident," Matt Lehman, Progressive's Web experience director, said in the statement. "We thought the pet photo gallery would be a fun way for our customers to express their affection for their pets and share pictures of their pets with a large audience."

But of course, pet owners can be a competitive bunch, as anyone who's watched a dog show knows. If Pet of the Week catches on, don't be surprised if some winners' owners start lobbying for a Pet of the Year contest as well.

Beatty's battle over comic book gets serious

"Calling Dick Tracy! Calling Dick Tracy!" Actor Warren Beatty, who played the yellow trench coat-wearing detective in the 1990 movie "Dick Tracy," has filed a lawsuit against a unit of Tribune Co. over the rights to the comic book character.

Mr. Beatty claims the Chicago-based media conglomerate is trying to pry away from him the character's movie and TV rights that he's owned since 1985. The comic strip by the late Chester Gould debuted in the Chicago Tribune in 1931.

The agreement between Mr. Beatty and Tribune Co. says the Tribune could take back the rights to the character—the so-called "Tracy Rights"—provided that a certain period of time had lapsed without Mr. Beatty having produced Dick Tracy programming for TV or film, according to court documents.

Tribune Co. sent Mr. Beatty a letter on Nov. 17, 2006, that gave him two years to start producing Dick Tracy programming.

On Nov. 8 of this year, Mr. Beatty began filming a Dick Tracy TV special, according to court documents. Mr. Beatty said he notified Tribune Co. of this with a letter.

Tribune Co., however, said it still planned to retake the rights to the character, prompting Mr. Beatty to file the suit Nov. 20 in U.S. District Court for the Central District of California.

Mr. Beatty is trying to prove that by starting production on the TV special, Tribune Co.'s ability to take the rights back were trumped.

Tribune Co. declined comment on the suit.

No word on whether Flattop or Big Boy are in on the deal.

MAIDEN RE

Greater than the sum of its parts.

GMAC RE and Maiden Insurance have combined forces to provide a new level of strength and security in the reinsurance market.

After 25 years of operations in the domestic reinsurance market, GMAC RE is uniting with Maiden Insurance to form Maiden Re North America. The new entity will retain GMAC RE's experienced staff, services, and strong customer focus. Maiden Re is dedicated to providing innovative reinsurance solutions designed to help your business grow and prosper. Most important, Maiden Re will continue in the tradition of GMAC RE by offering its qualifying clients the unparalleled security of The Dedicated Financial Trust – which provides each cedant with their own individually – segregated trust account with no commingling of funds.

With proven underwriting expertise, exemplary claims handling, and an unwavering commitment to your long-term success, what was strong has become even stronger.

The Dedicated Financial Trust

Your security preserved.
Your collateral protected.

For more information, please call your broker, contact us at **800-380-4055,** or visit **maidenre.com.**

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