

# Business Insurance

December 8, 2008

www.businessinsurance.com



**THIERRY VAN SANTEN HONORED FOR WORK IN RISK FIELD / PAGE 3**

**EX-MARSH EXECS ON TRIAL OVER CHARGES THEY AIDED BID-RIG SCHEME / PAGE 3**



**SMOKING SUIT MAY BRING NEW HIGH COURT GUIDANCE ON PUNITIVES / PAGE 3**

## In Brief

**Hartford shares soar on earnings guidance**

Shares of Hartford Financial Services Group Inc. rose significantly Friday after the insurer said it expects its 2008 core earnings per diluted share to be between \$4.70 and \$4.90, up from its earlier range of \$4.30 to \$4.50. Hartford said its current estimate reflects fourth-quarter prior-period reserve releases in its property/casualty operations as well as the current market environment. Hartford's shares more than doubled in value last Friday, closing at \$14.59, up from \$7.21 at the previous close.

**Aon planning job cuts on Benfield integration**

Following its acquisition of Benfield Group Ltd., Aon Corp.

See **IN BRIEF** page 22

## BENEFITS MANAGEMENT

### DENTAL & VISION BENEFITS

Employers continue to offer dental benefits but shift

more costs to workers; efforts to reform health care could alter

dental offerings; due to low cost of vision plans, little change seen in number of employers providing the benefit; range of options available for vision plans gives employers more control over costs. **PAGE 10**



The Taj Mahal Palace & Tower hotel, one of the main sites of the recent terrorist attacks in Mumbai, India, was damaged by several explosions and fires.

## Attacks may hike terror cover rates

*Big impact in India, but effects modest elsewhere*

By **ZACK PHILLIPS**

**MUMBAI, India**—The recent terrorist attacks in Mumbai, India, may provoke modest hardening in prices for terrorism coverage from international insurers, but a more dramatic rise is possible among India-based insurers, observers say.

Terrorists armed with automatic weapons and explosives attacked sites across India's financial capital, including the Oberoi Hotel and the Taj Mahal Palace & Tower hotel, killing more than 160 people and injuring several hundred more in late November.

Ben Tucker, a senior vp who heads the terrorism risk insurance practice at New York-based Marsh Inc., said, "I think you could see a very strong hardening of rates, possibly up to a doubling of rates, in the Indian terrorism market."

India has a terrorism reinsurance pool managed by the state-run General Insurance Corp. of India. Some reports suggested the Mumbai attacks may exhaust the pool, though General Insurance officials have denied that will happen.

But brokers say they expect a more modest effect, if any, in the international market for terrorism insurance. After rates fell during recent low-loss years, pricing had begun to level off even before the Mumbai attacks, and the attacks may speed that adjustment, said Tim Davies, divisional director of terrorism for Arthur J. Gallagher (UK) Ltd.

Upcoming reinsurance renewals could complicate matters. India's terrorism insurance pool is reinsured, and reinsurance syndicates at Lloyd's of London sustained

See **TERRORISM** page 21

**SECURITY TIGHTENS:** Hospitality industry expected to increase already stringent security measures in wake of terror attacks. **PAGE 21.**

## Automakers get break on retiree health trust

*Union OKs tune-up for VEBA funding schedule*

By **JERRY GEISEL**

**DETROIT**—Last year's agreement between the United Auto Workers union and the Big Three Detroit automakers to offload tens of billions of dollars in retiree health care obligations may be retooled.

Experts cited the 2007 agreement as a model for other financially distressed companies looking to shed accumulated and future retiree health care obligations they no longer could afford while providing a secure source of funds to pay retiree health care benefits for decades



UAW President Ron Gettelfinger testifies at a Senate hearing in Washington.

to come.

Under that model, General Motors Corp. Ford Motor Co. and Chrysler L.L.C. agreed to contribute more than \$50 billion to a special trust, a voluntary employees' beneficiary association, that the UAW would control. Afterward, the automakers no longer would have to provide health care benefits to retirees and the UAW would be responsible for managing the VEBAs and paying retiree health care claims.

The financial advantages of the

See **VEBA** page 21

## Marsh in the market for another big buy?

*Analysts say \$2B deal possible, differ on targets*

By **SALLY ROBERTS**

**NEW YORK**—While Marsh & McLennan Cos. Inc. may be shopping the brokerage marketplace with \$2 billion to spend, analysts' opinions vary about what the New York-based firm may buy.

MMC said late last month that it planned to issue up to \$500 million in stock to fund future acquisitions. That sum and the roughly \$1.5 billion in cash on its balance sheet make a deal in the \$2 billion range possible, analysts say.

While some analysts look favorably on a large deal—especially one that fills out MMC's soon-to-be-launched small-account agency initiative—others say smaller, more strategic deals make better sense.

"We have always said we will opportunistically seek attractively priced acquisitions that complement our existing businesses and

benefit both clients and shareholders," MMC said in a statement after its Nov. 21 shelf registration with the U.S. Securities and Exchange Commission to issue roughly 22.6 million shares in the event of an acquisition. "This shelf registration provides us with additional flexibility to take advantage of such an opportunity should it arise."

The company would not comment on any specific plans.

"There is no question the company has an appetite to acquire," Keith F. Walsh, an analyst with Citigroup Research in New York, said in a research note. He cited the recent competition between MMC and Aon Corp. to buy Benfield Group Ltd. Aon eventually won out, paying \$1.43 billion in cash late last month for the London-based reinsurance broker.

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## On the Web



### WOMEN TO WATCH

#### Online package features luncheon photos, video

*Business Insurance's* first Women to Watch luncheon honoring female leaders in commercial insurance, risk management and benefits was attended by more than 200 people in New York last week. A slideshow of photos and a video featuring keynote speaker Terri Austin, chief diversity officer at American International Group Inc., are available online. Go to [www.BusinessInsurance.com/Women2008](http://www.BusinessInsurance.com/Women2008) to see these features as well as profiles of the 2008 Women to Watch honorees.

### BI DIRECTORIES

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## Business Insurance®

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

*Business Insurance* (ISSN 0007-6864) Vol. 42, No. 49, is published weekly by Crain Communications Inc., 360 N. Michigan Ave., Chicago, Ill. 60601-3806. Periodicals postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance* Circulation Department, 1155 Gratiot Ave. Detroit, Mich. 48207-2912. \$5 a copy and \$97 a year in the U.S. \$130 in Canada and Mexico (includes GST). All other countries, \$230 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 40012850, GST No. 136760444, Canadian return address: 4960-2 Walker Road, Windsor, ON N9A6J3. Printed in U.S.A. Copyright © 2008 by Crain Communications Inc.

# Second Marsh bid-rigging trial gets under way

Former broker execs allegedly had key role in steering scheme

By COLLEEN MCCARTHY

**NEW YORK**—New York prosecutors last week accused three former Marsh Inc. executives of playing a "specific role" in a conspiracy to steer clients to favored insurers in a bid-rigging scheme for excess casualty business.

Prosecutors said the defendants—Joseph Peiser, former managing director and head of Marsh's Global Broking excess casualty unit; Greg J. Doherty, former Marsh senior vp and ACE USA local broking coordinator team leader; and Kathleen M. Drake, former Marsh managing

director and local broking coordinator team leader—defrauded Marsh clients by arranging and conveying noncompetitive bids to clients under false pretenses.

The defendants, along with five other Marsh executives, were named in a September 2005 indictment by then-New York Attorney General Eliot Spitzer and former State Insurance Superintendent Howard Mills.

The indictment accused the brokers of colluding with executives at several insurers—American International Group Inc., Zurich American Insurance Co., ACE USA, Liberty International Insurance Co. and others—to rig the market for excess casualty coverage.

In February, two former Marsh managing directors, William Gilman and Edward J. McNenney,

were found guilty of violating New York's antitrust law but acquitted on 20 other counts of fraud and larceny. Prosecutors had called Mr. Gilman the "architect" and Mr. McNenney the "enforcer" in the scheme that ran from November 1998 through September 2004.

### Instrumental roles

Although Mr. Gilman devised the scheme, the co-conspirators were essential in maintaining and executing it, Assistant Attorney General Evelyn Baez said last week in opening statements.

"Each one of these defendants was instrumental in their role," Ms Baez said. "All of them were supervisors at some point during this time frame, and this authority gave them the power to control the operation."

But defense lawyers told New York County Supreme Court Judge James A. Yates that their clients were not among the so-called "Gilman followers."

"Mr. Peiser was brought into the company to play the role of the reformer and, in fact, he was the antithesis of William Gilman," said Jerry Bernstein, Mr. Peiser's attorney and a partner at New York law firm Blank Rome L.L.P. "Nobody worked harder to promote competition and radically reform" Marsh's use of placement service agreements, Mr. Bernstein said, referring to the contingent commission structure in place in 2001 when Mr. Peiser joined the Global Broking unit as head of excess casualty.

Maranda Fritz, a partner at Hin-

See **TRIAL** page 22



AP PHOTOS

Mayola Williams, the widow of a smoker, was awarded \$79.5 million in punitive damages from Philip Morris. The tobacco firm continues to challenge the award.

## High Court to rule again in Oregon punitives case

Decision could set bar on excessive damages

By MARK A. HOFMANN

**WASHINGTON**—The U.S. Supreme Court may use an Oregon case it's already ruled on twice to provide more guidance on when punitive damage awards violate the Constitution's due process provision, Chief Justice John Roberts indicated last week.

Before the high court examines where a punitive damage award becomes so out of line with compensatory damages that it is excessive, justices must decide how much leeway a state court has to ignore a Supreme Court order.

The chief justice's comments came after the court heard oral arguments in *Philip Morris USA vs. Mayola Williams*. The case involves an Oregon court's award of \$79.5 million in punitive damages to the widow of a longtime smoker. The punitive award came atop compensatory damages of less than \$522,000.

Philip Morris appealed and the

U.S. Supreme Court ruled in 2003 that the Oregon Supreme Court should review the punitive award under standards it set in *State Farm Mutual Automobile Insurance Co. vs. Curtis Campbell et al.*, in which it said punitive damages that exceed single-digit multiples of compensatory damages are generally unacceptable. The Oregon high court upheld the punitive award, leading to another appeal and a U.S. Supreme Court directive to review the award in light of the due process protections.

The Oregon Supreme Court, however, decided it did not have to follow the federal standard because Philip Morris allegedly proposed a flawed jury instruction at the original trial. By doing so, Philip Morris forfeited its federal claim, the state high court ruled.

Philip Morris appealed again to the U.S. Supreme Court, seeking review of the Oregon court's ability

See **PUNITIVES** page 22

## Risk management honor for Thierry van Santen

Named *BIE's* 2008 Risk Manager of the Year

By MICHAEL BRADFORD

**PARIS**—A career defined by vision and innovation has earned Thierry van Santen the 2008 *Business Insurance Europe* Risk Manager of the Year™ award.

The honor by the sister publication of *Business Insurance* will serve as a kind of capstone for this stage of Mr. van Santen's career in risk management. Accepting the award at a ceremony last week in Paris, he announced that he would step down from his role as executive vp of business risk management at Paris-based Groupe DANONE and would quit the risk management profession early next year.

After establishing an enterprise risk management executive board at DANONE in recent weeks, Mr. van Santen, 52, said he now wants take on a new challenge and that he would soon give details of his future plans.

Mr. van Santen's career in the insurance world began in 1978, when he took a position as an account representative at Factory Mutual International in Paris, which now does business as FM Global.

He left the insurer five years later as a senior account executive and joined Valeo Management Services, a Paris-based automobile supplier, as director of its risk and insurance department.

In 1993, DANONE hired Mr. van Santen. Since then, he has imple-



BIE/RICHARD COOKE

Thierry van Santen, vp of business risk management of Groupe DANONE, is *Business Insurance Europe's* 2008 Risk Manager of the Year.

**HONOR ROLL MEMBERS:** DLA Piper's Julia Graham and Siemens AG's Stefan Sigulla honored by *BIE*. Page 18.

*BI* extends deadline for Risk Manager of the Year nominations. Page 18

mented an enterprise risk management program, assumed insurance-buying responsibilities, led safety and loss control efforts, and steered the course of the food manufacturer's captive insurer.

See **AWARD** page 18

# Some employers halt 401(k) matches as recession hits

*Cost-cutting efforts seen as temporary fix for hard times*

By JOANNE WOJCIK

Faced with increasing economic uncertainty, a Las Vegas gaming company and one of Utah's largest employers have become the latest companies to suspend their 401(k) matching contributions as a cost-cutting move.

Station Casinos Inc. and the Salt Lake City-based Intermountain Health Care System last week joined carmakers General Motors Corp. and Ford Motor Co., real estate firm Cushman & Wakefield and Frontier

Airlines, which had announced in November they would temporarily halt their matching contributions to their companies' 401(k) plans.

While the vast majority of employers likely will resume their corporate matches when the economy improves, some, like Dearborn, Mich.-based Ford, may do so with lower contributions, benefit consultants say.

In 1994, Ford's match was 60 cents per \$1 contributed by employees up to 10% of base salary, but in 2004, after a two-and-a-half-year suspension, the match dropped to 60 cents per \$1 contribution up to 5% of base salary, a company spokeswoman said.

When the boom of the late 1990s faded the average employer match

fell from from 3.3% of earnings in 1999 to 2.5% in 2001, according to the Center for Retirement Research at Boston College.

Today the average employer match is 3% of earnings, according to David Wray, president of the Profit Sharing/401(k) Council of America in Chicago. Although employers are not obligated to make contributions to 401(k) plans, 80% match employee contributions, while 75% of the other 20% make some other contribution, such as company stock, he added.

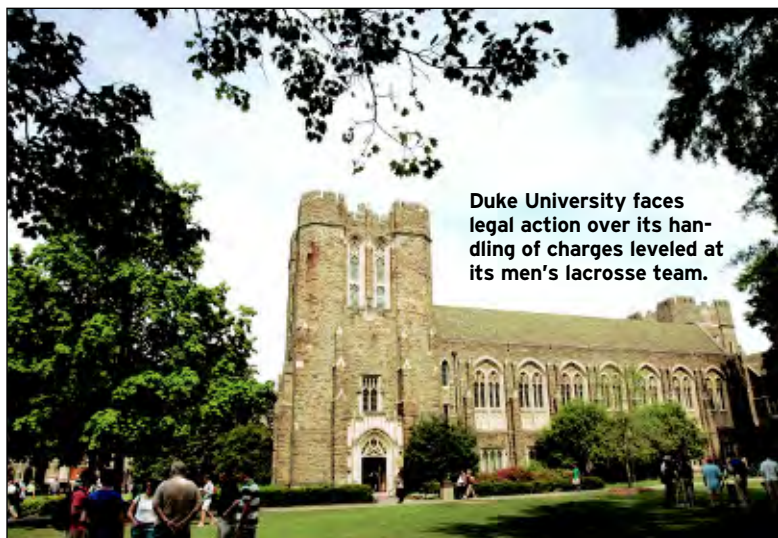
But the reduction or suspension of a company match, coming at a time when average 401(k) balances already are being hammered by

See **401(k)** page 19



REUTERS

General Motors World Headquarters is seen along the Detroit River. General Motors Corp. joins several companies suspending their 401(k) contributions.



Duke University faces legal action over its handling of charges leveled at its men's lacrosse team.

AP PHOTOS

## Duke sues D&O insurer for defense costs cover

*Response to sports team charges sparks claim*

By DAVE LENCKUS

**DURHAM, N.C.**—Duke University has sued executive management insurer National Union Fire Insurance Co. of Pittsburgh, Pa., for allegedly failing to cover the defense and settlement of claims Duke has faced over its response to criminal charges once leveled against players on its men's lacrosse team.

A stripper in March 2006 accused members of the team of sexually assaulting her, and a prosecutor eventually indicted three teammates. Duke forced team coach Mike Pressler to resign in April of that year and canceled the remainder of the team's season.

But the North Carolina attorney general in 2007 dropped the charges, calling the defendants innocent victims of a "tragic rush to accuse." The prosecutor, former Durham County District Attorney Mike Nifong, was forced to resign and ultimately was disbarred because of his misconduct in pressing the case.

The three teammates later sued Duke over how it handled the case,

and the school reached an undisclosed settlement with them.

Ultimately, 42 unindicted players and Mr. Pressler also sued Duke. Those cases are pending.

In correspondence with Duke, National Union has stated the school appears to have a covered claim, Duke asserts in its lawsuit, filed Nov. 24 in U.S. district court in Durham, N.C.

However, National Union, a subsidiary of American International Group Inc. of New York, has not covered any of Duke's defense or settlement costs, the university alleges.

Besides defense and settlement costs, Duke seeks punitive and treble damages because of National Union's alleged unfair and deceptive practices.

National Union wrote two one-year claims-made directors and officers liability insurance policies for the school from December 2005 through December 2007, according to court papers. Defense costs were included within policy limits.

An AIG spokesman said the company does not comment on pending litigation.

## AIG sells bank, energy unit stake

*Insurer attempts to mitigate liquidity issues with new financing entity*

By JUDY GREENWALD

**NEW YORK**—American International Group Inc. says it has agreed to sell its Swiss-based private bank and its interest in a Nebraska-based energy company while launching a financing entity intended to mitigate its liquidity issues.

In a series of announcements last week, AIG said it had agreed to sell Zurich, Switzerland-based AIG Private Bank Ltd. to an Abu Dhabi investment company, Aabar Investments P.J.S.C., for \$254 million, subject to a post-closing adjustment based on the bank's net asset value and assets under management.

An AIG spokesman said the bank now has about \$14 billion in assets

under management, although that total is subject to change depending upon the financial markets' performance.

Aabar, which said the deal also needs approval from the Swiss Federal Banking Commission, also will assume up to \$83 million in outstanding loans.

AIG Private Bank focuses its activities on asset management for private clients and institutions in Switzerland, Eastern Europe and Asia, according to AIG. The bank will become an independent finan-



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cial institution under its new ownership and will take a new name while retaining senior management, according to the companies.

AIG Private Bank was among AIG assets expected to be sold when the insurer said it planned to sell its noncore assets in order to retire its federal bailout loan.

AIG has reported \$37.63 billion in losses through the first nine months of this year.

See **AIG** page 6

## P/C rates may begin to firm in '09

*Poor results seen as possible driver for moderate rate increases*

By JUDY GREENWALD

Commercial property/casualty insurers, reeling from the double whammy of investment and catastrophe losses in the midst of a soft market, may begin to firm up overall rates next year, some observers say.

The market firming, though, is likely to be moderate, with no dramatic rise in rates expected, observers say.

A dozen major U.S. commercial property/casualty insurers reported a \$34.06 billion loss for the nine months that ended Sept. 30, according to a *Business Insurance* survey.

Even excluding American International Group Inc.'s \$37.63 billion loss, the remaining insurers reported a 73.2% drop in net income, to \$3.57 billion, compared with the year-earlier period. Two other insurers also reported losses while the remaining nine all reported double-digit declines in net income (see

chart, page 20).

Among other survey results:

- Net premiums written by the group increased 2.9%, to \$110.36 billion.

- The insurers reported a 98.1% combined ratio vs. a 90% combined ratio for the comparable period in 2007.

- Policyholder surplus for the 10 insurers reporting that data decreased 7.7%, to \$84.88 billion.

Observers point to the financial market crisis as a major factor driving nine-month results. They say property/casualty insurers' investment results have been hurt, although they have been not hit as hard as other segments of the financial services industry including life insurers.

"We were certainly not anticipating the level of declines in the equity and fixed-income markets that we saw in September and continuing into October, November, so that certainly has had an adverse effect

on the financial strength on balance sheets," said John Iten, a director at Standard & Poor's Corp. in New York.

With the exception of AIG, said James B. Auden, Chicago-based senior director at Fitch Ratings, commercial property/casualty insurers were not affected by subprime mortgage issues, but they did have exposure to Freddie Mac and Fannie Mae. An even bigger issue "was the decline in equity markets and the widening of spreads in corporate and municipal bonds," he said.

John L. Ward, chief executive officer of Cincinnati-based Cincinnati Partners L.L.C., said, "The industry has a reasonable exposure to equities, but it's not excessive by any means," and equities accounted for about 14% of invested assets as of year-end 2007.

Insurers tend to have a large por-

See **RESULTS** page 20

## A MINOR RENOVATION TO THE FACTORY AVOIDED A MAJOR OPERATION ON THE EMPLOYEE.

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# Judge allows breach of duty suit as AIG, Greenberg fight over shares

By JUDY GREENWALD

**NEW YORK**—A state judge last week refused to dismiss charges, including breach of fiduciary duty, against former American International Group Inc. chairman Maurice R. Greenberg and others in a battle with AIG for control over shares of the insurer.

The focus of the dispute is a special block of AIG shares that was worth about \$20 billion in 2005. Those shares had been used to fund an incentive compensation plan for AIG employees and had been held by Starr International Co. Inc., which is now controlled by Mr. Greenberg.

Supreme Court Justice Charles E. Ramos refused a motion to dismiss several claims brought by AIG in

the dispute, including breach of fiduciary duty claims against Mr. Greenberg and former AIG chief financial officer Howard I. Smith.

"Ultimately, whether Greenberg and Smith properly discharged their duties of loyalty to AIG while simultaneously serving as SICO directors will require a fact-intensive assessment of their conduct, not properly disposed of at the pre-answer stage," Judge Ramos said in the decision.

He also refused to dismiss a charge of breach of fiduciary duty against all defendants and a claim of aiding and abetting breach of fiduciary duty, among other charges. The judge held that AIG had sufficiently presented its claims to allow them to proceed.

In June, in a parallel federal case, U.S. District Court Judge Barbara S.

Jones granted Starr's motion to dismiss four of AIG's charges, including breach of contract, but denied its bid to dismiss three others, including breach of fiduciary duty and trust.

On Nov. 6, Judge Ramos had denied motions to stay the state action pending resolution of the federal case.

An AIG spokesman said, "We are pleased with the court's decision."

Mr. Greenberg's attorney, Chris Duffy of Boies, Schiller & Flexner L.L.P. in New York, said in a statement: "In light of the economy and AIG's health as a company, it's curious that AIG is using litigation to try to expand the bonus pool for its top executives....Today's decision is purely procedural and made no final findings."

## AIG: Insurer sells bank, energy unit stake

CONTINUED FROM PAGE 4

AIG also said last week it has reached agreement to sell its interest in Omaha, Neb.-based Tenaska Inc. back to the energy producer as part of AIG's restructuring process. AIG Financial Products Corp. acquired 50% of Tenaska Marketing Ventures, Tenaska Gas Storage and Tenaska Marketing Canada in April 2007.

Terms of the deal, which is expected to close Jan. 2, 2009, were not disclosed.

According to an AIG spokesman, the sale price was not revealed at the request of Tenaska, which is a privately held company.

The spokesman also said, "For AIG, it's a relatively small transaction."

In addition, AIG said last week that it has launched a previously

announced financing entity established by the Federal Reserve Bank of New York that is designed to purchase collateralized debt obligations on which AIG Financial Products has written credit default swaps.

AIG said the new entity had so far entered into agreements with AIG Financial Products' CDO counterparties to purchase CDOs with a principal amount of about \$53.5 billion.

## Commentary

# Hardening market comes at painful time

The global property/casualty insurance market is hardening at the very time that many of its commercial customers can least afford it.

While the timing of a hard market is never convenient for buyers, it is especially painful at this juncture, when businesses are facing their own financial crises. Companies are facing sharp declines in revenue and profits as a result of the global recession—and those are the lucky ones. The news is full of almost daily headlines about the less fortunate: corporations that are slashing staff, companies shuttering or selling off operations, and some that are threatening to fail completely, including giants such as General Motors Corp. or American International Group Inc.

It's not like the insurance industry has much choice: After a few years of soft market conditions, this year has seen an increase in catastrophe losses, a collapse of liquidity and the disappearance of excess capital. In addition, with giants like AIG in trouble, and many other insurers in a weakened position due to catastrophic investment losses, the demand for highly rated, secure insurers outstrips supply. Recent recessions all have been marked by increased premium volume, industry statistics show.

Insurers, therefore, need to raise rates to refill their coffers. I understand the reasons why; it's just unfortunate that it will exacerbate an already gravely burdened global economy. It's like being in a car that has spun out of control on an icy road: You know you are going to crash; the only question is how severe the damage will be.

If the economy were not in crisis, it might be possible for companies to form alternative insurance mechanisms to more affordably provide coverage. But there is little spare capital to invest in a new ACE or XL, as large corporations did in response to the excess liability crisis of the '80s.

Nor are there capital market alternatives to turn to as a risk financing option; capital markets are hardly a more affordable option at the moment.

Many companies will seek to offset the effect of higher insurance rates by taking larger retentions, either by self-insuring or placing more risks in a captive. That's a fine approach when preceded by analysis of a company's tolerance or ability to bear more risk. There is probably room at many companies for a little belt tightening and prayer, but in the absence of excess capital or cred-



**PAUL WINSTON**

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it, I suspect any move to increase retentions will be one of desperation rather than careful analysis.

As a consequence, some of these companies increasing their retentions will find themselves incurring greater losses they cannot afford. Of course, with a professional risk management pro-

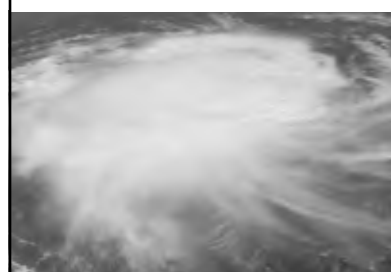
**Now is the time for risk managers to shine.**

gram in place to minimize and prevent losses, companies might escape unharmed.

This brings me, unhappily, to another potential consequence of rising insurance costs: risk management staff being let go to save money.

Indeed, there is anecdotal evidence that some companies already are looking to trim expenses by cutting their risk management and insurance buying staff, taking the short-term view that it would be cheaper to outsource the role to a broker. (I would presume those companies' rates would get even higher, given that the embodiment of in-house knowledge about risk controls, loss prevention and more was just shown the door.) I should note that the person who informed me of this occurrence is the CEO of a broker, yet one who regards this as anything but a windfall for his firm.

There's no telling how long the recession will last or if it will descend into a depression. Amid such uncertainty, now is the time for risk managers to shine and to be at their best to shield their companies from loss to the best of their ability. Woe to the companies that eliminate them and the protections and advice they can offer to help protect beleaguered finances and assets in this awful economy.



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# Business Insurance OPINIONS

## Automakers, unions pay for past promises

WHILE A PICTURE is worth a thousand words, according to the old saying, a couple of pictures from last week probably are worth an entire book.

One picture was of General Motors Corp. Chief Executive Officer Rick Wagoner being driven to Washington in a Chevrolet Malibu hybrid to plead with Congress for billions of dollars in federal bailout money. The other picture was of United Auto Workers President Ron Gettelfinger embracing the concept of union benefit concessions at a news conference.

In an industry once characterized by lavish corporate spending and strong union demands, Mr. Wagoner's trip to Washington in a modest Malibu rather than a corporate jet and Mr. Gettelfinger's acceptance of concessions do indeed speak volumes.

There is no denying that the U.S. automobile industry is in dire straits. Consumers, due to the slumping economy and credit crunch, are holding off buying cars and the industry is burning through its cash at an alarming rate.

One can debate the causes of the auto industry's financial problems. One argument—that the Big Three don't make cars equal in quality to foreign manufacturers—is beyond our realm of expertise.

But we do know that the Big Three and the UAW both are guilty in failing to recognize years ago that the rich benefits promised to employees and retirees simply would not be affordable in the face of stiff and growing competition.

Therein lies a cautionary tale for employers and unions: Think ahead. Contracts that provide ultra-rich benefits may sow the seeds of disaster in the future.

Said another way, the Big Three and the UAW were blind not to see how the industry was changing. They began to see the light as contracts in recent years began to pare benefits, but that enlightenment may be too late. We hope that won't be the case for other employers and the unions that represent their employees.

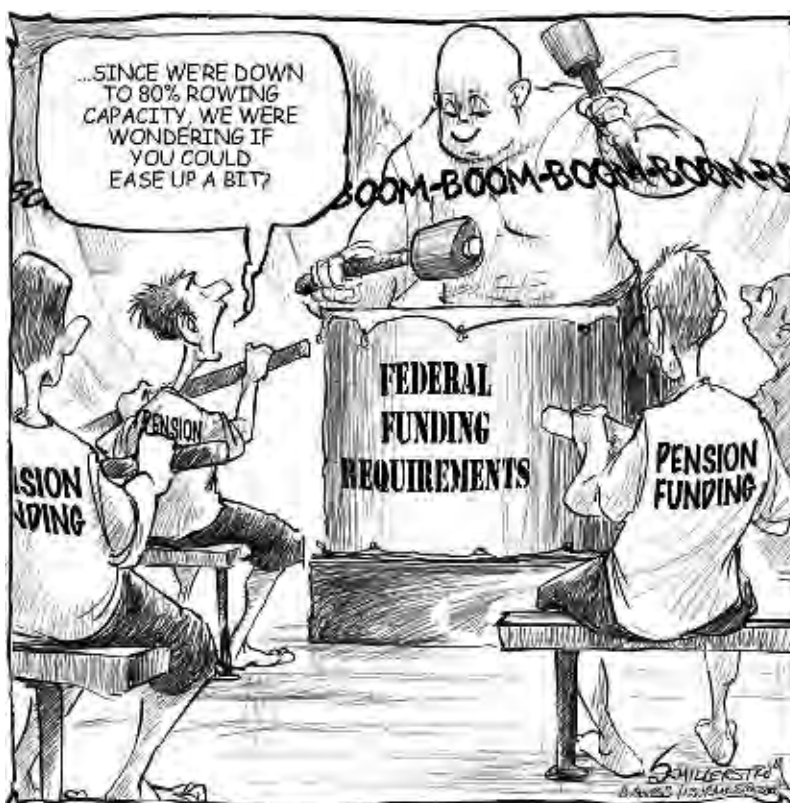
## Questions on punitives need to be settled soon

THE SUPREME COURT may have another opportunity to clarify when punitive damages are so disproportionate to underlying compensatory damages as to be unconstitutional. But before the high court even considers making the most of that opportunity, we believe it should make clear that its word is indeed the law of the land.

As we report on page 3, the Supreme Court of Oregon used a state procedural rule involving jury instructions to circumvent the U.S. Supreme Court's instructions in *Philip Morris USA vs. Mayola Williams*, a punitive damages case. The U.S. Supreme Court, which has considered that case twice before, dealt with it a third time last week. Toward the end of a very technical argument, Chief Justice John Roberts suggested that the Supreme Court might want to revisit what should be the core issue in the case—whether a \$79.5 million punitive damage award atop compensatory damages of \$522,000 is constitutional.

We would certainly welcome such an action. The court has been moving to clarify the constitutionally acceptable relationship between punitive and compensatory damages for more than a decade. Each decision has brought a bit more certainty. But much of that certainty could be for naught if the high court doesn't make clear that when it comes to punitive damages, it has the final word.

*The Big Three and the UAW were blind not to see how the industry was changing.*



### WRITE

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

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#### THIS WEEK'S RESULTS

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



#### NEXT WEEK'S QUESTION

How do you expect your company will alter its 401(k) match?

*BI* Online Poll tool is sponsored by Wausau Insurance Cos.

### LETTERS

#### Endorsement stance, usual mantra clash

TO THE EDITOR: Excellent article ("Curb on CGL Coverage Creeping into Market," *BI*, Dec. 1) on an issue that has been problematic for some time now. Classification limitation (endorsements) have been around for over 25 years and are used almost exclusively by nonadmitted (surplus lines) CGL insurers. The problem, as clearly pointed out, is that it is very uncertain as to the meaning and scope of the classification and thus substantial uncertainty regarding the breadth of coverage is introduced by the insurer. Pointing policyholders to a database that they cannot access is of no value. And often insurers don't even know what is included in a classification. It is curious indeed that the insurers are suggesting that extrinsic evidence (the database) is to be taken into consideration in coverage determination when the usual mantra is "the policy speaks for itself."

**Craig F. Stanovich**  
Principal Consultant  
Austin & Stanovich Risk Managers  
Douglas, Mass.

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SUBSCRIPTIONS: Detroit: 888-446-1422

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

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809, Boston, Mass. 02110-1510, Fax: 212-210-0704. \$5 a copy

and \$97 a year in the U.S., \$130 in Canada and Mexico

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expedited air delivery). Four weeks' notice required for

change of address. Send subscription correspondence to

Circulation Department, *Business Insurance*, 711 Third

Avenue, New York, N.Y. 10017-5806. Microfilm copies

available: University Microfilms, 300 Zeeb Road, Ann

Arbor, Mich. 48103. Microfiche copies: Bell & Howell, Micro

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## DENTAL & VISION BENEFITS

Industry groups: Health care reform should protect, expand dental benefits / **Page 13**

Vision care often provides insight into greater, more costly medical problems / **Page 14**

Employers looking to offer eye care to workers weigh various design options / **Page 15**

# BENEFITS MANAGEMENT



## Firms shift more dental plan costs to workers

*Some employers reduce premium contributions while others convert coverage to a voluntary benefit*

By **LOUISE KERTESZ**

Most U.S. employers that offer group health coverage also offer dental plans, but many are capping their costs by having employees pay a greater share of the premium or the entire premium as a voluntary benefit, experts say.

With rare exceptions, employers are not dropping dental benefits. However the economic crisis has not yet fully shown up in benefit changes.

"We would argue that dental insurance should be part of good medical care," said Helen Darling, president of the National Business Group on Health in Washington. Large employers especially "have been eager" to offer the "very popular" benefit, she said.

"Maybe, as times were tough, they adjusted their contribution," Ms. Darling said. "But in the last couple of months, all bets are off as to what will happen in 2010—the news is so incredibly grim."

Jon Seltenheim, senior vp of customer ser-

vice operations at dental insurer United Concordia Cos. Inc. in Harrisburg, Pa., said there have been no dramatic changes for Jan. 1, 2009, "but we do expect the current economic conditions will have an impact on (employer) decisions for later 2009 and 2010."

Evelyn Ireland, executive director of the National Assn. of Dental Plans in Dallas, said its Group Purchaser Behavior Study showed 62% of employers considered the benefit "essential" this year compared with 53% in 2005.

The good news is "the message of the correlation between dental health and overall health is getting through," Ms. Ireland said.

Many employers who have renewed for 2009 are offering more comprehensive dental coverage under new benefit designs.

"Right now, employers are looking to control medical costs by being comprehensive in dental programs....Carriers and employers are enhancing, not reducing, benefits," said Jeff Album, San Francisco-based director of public

affairs for Delta Dental of California, New York, Pennsylvania & Affiliates.

"Carriers have responded to the employer desire to make dental care integral to medical care," Mr. Album said.

Insurers including Delta Dental, United Concordia and Guardian Life Insurance Co. of America offer plans that no longer count preventive services toward the annual maximum.

### Whole-body effects

Because periodontal disease may be a contributing factor in premature births, insurers also may cover additional cleanings for pregnant women.

United Concordia is among insurers offering richer periodontal benefits for individuals who may be diabetic or have coronary artery disease because there is evidence that controlling periodontal disease "does help in terms of managing some of these other conditions," Mr. Seltenheim said.

New York-based Guardian offers an oral care package designed "for the employers trying to promote the connection between oral health and general health," which includes enhanced periodontal coverage, adult fluoride treatments and cleanings after the maximum has been reached, said Chris Swanker, vp of group dental and vision in Bethlehem, Pa.

That connection is reaching the general public, according to an American Dental Assn. study released in October. About 80% of U.S. residents say having healthy teeth and gums is absolutely needed but only one-third say they have excellent oral care habits, according to the San Antonio-based group.

Some employers are attempting to cut their dental benefit costs by reducing their contribution to premiums, and some are making the coverage voluntary.

"Because of the annual coverage maxi-

See **DENTAL** page 12

**LARGEST VISION PLAN PROVIDERS /**  
**Page 12**

**LARGEST DENTAL PLAN PROVIDERS /**  
**Page 14**

**NEXT BENEFITS MANAGEMENT SECTION**  
**Jan. 19, 2009: Work & Life Benefits**



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# Largest vision plan providers

Ranked by total number of participants in plans

Rank	Company/Address	Phone/Web site	Total participants	Total clients	Total staff	Optometrists	Officers
1	EyeMed Vision Care 4000 Luxottica Place, Mason, Ohio 45040	888-439-4644 <a href="http://www.eyemedvisioncare.com">www.eyemedvisioncare.com</a>	159,000,000	5,000	430	36,972	Liz DiGiandomenico, president/general manager
2	VSP Vision Care 3333 Quality Drive, Rancho Cordova, Calif. 95670	800-852-7600 <a href="http://www.vsp.com">www.vsp.com</a>	54,767,676 <sup>1</sup>	29,180	2,294	25,369	Gary Brooks, president
3	Davis Vision Inc. 159 Express St., Plainview, N.Y. 11803	516-932-9500 <a href="http://www.davisvision.com">www.davisvision.com</a>	50,000,000	10,000	1,900	30,000	Steven Holden, president
4	OptumHealth Vision & UnitedHealthcare Vision 6220 Old Dobbin Lane, Liberty 6, Suite 200, Columbia, Md. 21045	800-638-3895 <a href="http://www.uhcspecialtybenefits.com">www.uhcspecialtybenefits.com</a>	17,683,369	11,993	600	26,607	Diane Soza, president
5	CIGNA Corp. 900 Cottage Grove Road, Hartford, Conn. 06152	860-226-6000 <a href="http://www.cigna.com">www.cigna.com</a>	3,266,690	N/A	N/A	34,790	Karen Rohan, president-CIGNA Group Insurance and CIGNA Specialty Products
6	WellPoint Inc. 120 Monument Circle, Indianapolis, Ind. 46204	317-532-6000 <a href="http://www.wellpoint.com">www.wellpoint.com</a>	2,444,000	N/A	N/A	N/A	Dennis Casey, senior vp/president-specialty products
7	Advantica Eyecare Inc. Arbor Shoreline Office Park, 19321-C U.S. Highway 19 N., Suite 320, Clearwater, Fla. 33764	866-354-2020 <a href="http://www.advanticaeyecare.com">www.advanticaeyecare.com</a>	2,000,000	1,000	40	10,000	Richard Sanchez, president/CEO
8	Guardian Life Insurance Co. of America 7 Hanover Square, H-26-E, New York, N.Y. 10004	212-598-8000 <a href="http://www.glic.com">www.glic.com</a>	1,220,000	11,326	1,110	36,576	Chris Swanker, vp-group dental
9	Ameritas Group 475 Fallbrook Blvd., Lincoln, Neb. 68521	800-776-9446 <a href="http://www.ameritasgroup.com">www.ameritasgroup.com</a>	985,685	3,887	120	N/A	Ken VanCleave, president-group division
10	Principal Financial Group 711 High St., Des Moines, Iowa 50392-0001	800-986-3343 <a href="http://www.principal.com">www.principal.com</a>	191,782	2,755	N/A	N/A	Theresa McConeghey, dental and vision director

<sup>1</sup> Fully funded. N/A=not available

Source: BI survey

Researched by Kevin Edison and Karen Tucker

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## Dental: Firms reduce plan expenses by shifting more costs to workers

CONTINUED FROM PAGE 10

mums, the employer liability is capped. So you don't have the runaway large claims that you do in medical," said Mike Clarke, a principal at consultant Hewitt Associates in Lincolnshire, Ill.

Richard Claussen, a Lincoln, Neb.-based partner with marketing and communications company Bailey Lauerman & Associates, said predictability makes dental coverage appealing.

"One of the things that pleases us is the predictability of the insurance, unlike our major medical insurance, which is incredibly unpredictable," Mr. Claussen said of the coverage his company offers its employees. "For the foreseeable future, we continue to expect" smaller cost increases for dental coverage than medical coverage, Mr. Clarke said.

Since 2002, when medical premiums were rising at a double-digit rate, dental premiums rose at a far slower rate, according to the NADP. This year, however, dental premiums for individuals rose 7.4%—faster than medical premiums—even though family dental premi-

um rose only 1.7%. Dental premium increases are driven primarily by increasing dental fees, Mr. Album said.

For 2009, dental premium increases are expected to range between 3.1% for dental health maintenance organizations to 9.4% for indemnity, or traditional coverage, which allows an employee to see any dentist, according to NADP.

Bailey Lauerman provides its 82 employees with fully insured group coverage from Ameritas Group, a Lincoln, Neb.-based division of UNIFI Cos., something it has done for a dozen years, Mr. Claussen said. "Ameritas educated us: Good oral health really helps overall health. It would be penny-wise and pound-foolish to cut dental benefits," he said.

Elsewhere, Georgia offers voluntary dental coverage to 125,000 state employees and their families, said Raymond Haywood, program director—state personnel administration in Atlanta.

With "health care costs skyrocketing" this year, Georgia did not want dental enrollment to decline, so it renegotiated in July with its nine dental carriers to enhance ben-

efits and reduce premiums, Mr. Haywood said.

The result was two-year contracts with reduced rates that allowed the state to reimburse employees a total of \$14.5 million in premium overpayments. In addition, a newer plan design offered by many carriers no

**'One of the things that pleases us is the predictability of (dental) insurance,' unlike 'incredibly unpredictable' medical insurance.**

Richard Claussen,  
Bailey Lauerman & Associates

longer counts preventive services toward the annual maximum of \$1,000, he said.

"For 2008, when we finally count things up, we're going to see another increase in enrollment across the Delta Dental companies," said Tom Dolatowski, vp of marketing and communications for the Delta Den-

tal Plans Assn. in Oak Brook, Ill. "But we're seeing a definite trend" in which employees are paying a greater share of the premium, he said.

"Employers are starting to cut back on their subsidy," agreed Hewitt's Mr. Clarke. Employees also are paying a higher deductible and coinsurance for out-of-network services, he said.

Some employers are converting to a voluntary benefit and "the majority of new group sales are voluntary plans," Mr. Dolatowski said. The smaller the employer, the more likely it will offer voluntary benefits, Mr. Swanker added.

HealthPass, a purchasing cooperative for small businesses in New York, offers about 2,600 small companies a voluntary dental HMO and preferred provider organization plan from Guardian, said Vince Ashton, executive director, in New York. "Because it's voluntary, it's easier for employers to offer" the coverage, which has seen 2% to 3% premium increases in recent years, he said.

Guardian is seeing an expansion of its HMO prepaid plans, Mr. Swanker said.

A significant trend among very large industrial employers is "to get out of dental, but they still want to facilitate their retirees having access to dental," Mr. Dolatowski said. Some employers are contributing to health reimbursement arrangements and working with insurers to go directly to retirees to offer a dental plan, he said.

Among new plan designs is a dental/eye care "fusion product" from Ameritas, which is issued in one certificate, said Karen Gustin, vp—group marketing and managed care. The employer can offer a number of dental and eye exams with combined deductibles that employees can choose as needed. "It's a popular product to employers who value consumer choice," Ms. Gustin said.

Another change is that insurers "have greatly expanded coverage for sealants" the NADP's Ms. Ireland said, because sealants have been shown to be the most effective method of halting childhood tooth decay.

Ameritas and Guardian are among insurers offering plans that allow employees to roll over a portion of their unused annual benefit maximum to the next year.

# Health reform may affect dental benefits

By LOUISE KERTESZ

The National Assn. of Dental Plans and the Delta Dental Plans Assn., the U.S. industry's two trade associations, are closely watching health care reform efforts and how they may affect dental benefits, officials at both groups said.

The groups are particularly concerned about changes that would remove employers' ability to deduct such premiums from their taxes and counting dental benefits as taxable income for employees.

"Over 96% of all dental benefits are provided through employment or other private and public groups," said Evelyn Ireland, Dallas-based executive director of the NADP. "Changes in employer-based coverage could significantly erode current dental coverage and thereby reduce the oral health of Americans."

"Because we are an elective or ancillary benefit, this special tax treatment becomes critical for preserving dental benefits for the 170 million who already have them,"

**'The issue of why dental insurance is important is at an all-time high in the country and in Congress.'**

Jeff Album, Delta Dental

said Jeff Album, San Francisco-based director of public affairs at Delta Dental of California, New York, Pennsylvania and Affiliates who also is active in public policy for DDPA.

Regardless of the shape health care reform takes, it should not undermine dental coverage for those who have it and ways should be found to extend the benefit to some 130 million U.S. residents who have no dental coverage, he said.

The industry is making efforts to provide "a united voice and clear set of principles as to how (dental benefits) should fit into health reform," Mr. Album said.

The DDPA and NADP have issued similar sets of principles and white papers stressing the importance of dental benefits to overall health and the need to preserve affordable, employer-based dental plans administered by dental carriers with appropriate expertise.

The principles highlight the differences between medical and dental benefits, because dental insurers do not want to be "swept into legislation that says 'all providers or all health plans.' We are a separate industry," Mr. Album said.

According to the NADP Position Statement on Health Reform, "The organization and delivery of dental care differs from the medical care model. Dental disease is largely preventable. It is limited to well-established conditions—tooth decay and gum disease—that rarely require hospitalization. As a result, 85% of dental care is provided in a primary

care setting by general dentists, which is markedly different from the medical care model. The provider systems also are dissimilar. Almost 80% of dentists are in solo practice, compared with less than 10% of physicians. Given the distinct nature of dental care and delivery, effectively organizing dental networks requires an expertise that differs from medical plan management."

"We're developing strategies and tactics to communicate our vision to the (President-elect) Obama transition team," Mr. Album said. "What we're telling them is that dental care is absolutely integral to

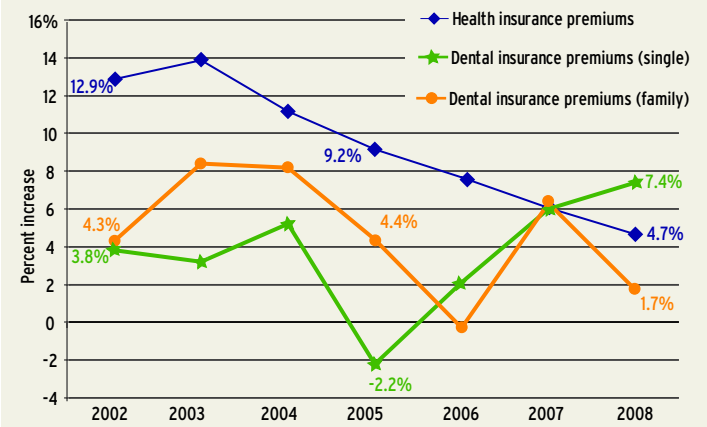
health care...and showing them recent findings that support the important correlation" between periodontal disease and cardiovascular problems, respiratory disease and diabetes, he said.

"The issue of why dental insurance is important is at an all-time high in the country and in Congress," Mr. Album said.

He said industry representatives are working with the staffs of Sen. Edward Kennedy, D-Mass., who is expected to introduce health reform legislation, and Sen. Jeff Bingaman, D-N.M., a champion of improving dental care for the uninsured and children on Medicaid.

## DENTAL PREMIUMS RISE

Increases in dental vs. health premiums



Source: National Assn. of Dental Plans

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# Health reform may affect dental benefits

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The groups are particularly concerned about changes that would remove employers' ability to deduct such premiums from their taxes and counting dental benefits as taxable income for employees.

"Over 96% of all dental benefits are provided through employment or other private and public groups," said Evelyn Ireland, Dallas-based executive director of the NADP. "Changes in employer-based coverage could significantly erode current dental coverage and thereby reduce the oral health of Americans."

"Because we are an elective or ancillary benefit, this special tax treatment becomes critical for preserving dental benefits for the 170 million who already have them,"

**'The issue of why dental insurance is important is at an all-time high in the country and in Congress.'**

Jeff Album, Delta Dental

said Jeff Album, San Francisco-based director of public affairs at Delta Dental of California, New York, Pennsylvania and Affiliates who also is active in public policy for DDPA.

Regardless of the shape health care reform takes, it should not undermine dental coverage for those who have it and ways should be found to extend the benefit to some 130 million U.S. residents who have no dental coverage, he said.

The industry is making efforts to provide "a united voice and clear set of principles as to how (dental benefits) should fit into health reform," Mr. Album said.

The DDPA and NADP have issued similar sets of principles and white papers stressing the importance of dental benefits to overall health and the need to preserve affordable, employer-based dental plans administered by dental carriers with appropriate expertise.

The principles highlight the differences between medical and dental benefits, because dental insurers do not want to be "swept into legislation that says 'all providers or all health plans.' We are a separate industry," Mr. Album said.

According to the NADP Position Statement on Health Reform, "The organization and delivery of dental care differs from the medical care model. Dental disease is largely preventable. It is limited to well-established conditions—tooth decay and gum disease—that rarely require hospitalization. As a result, 85% of dental care is provided in a primary

care setting by general dentists, which is markedly different from the medical care model. The provider systems also are dissimilar. Almost 80% of dentists are in solo practice, compared with less than 10% of physicians. Given the distinct nature of dental care and delivery, effectively organizing dental networks requires an expertise that differs from medical plan management."

"We're developing strategies and tactics to communicate our vision to the (President-elect) Obama transition team," Mr. Album said. "What we're telling them is that dental care is absolutely integral to

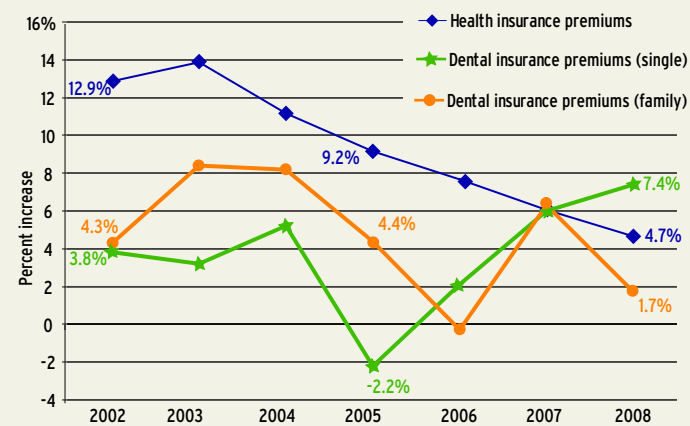
health care...and showing them recent findings that support the important correlation" between periodontal disease and cardiovascular problems, respiratory disease and diabetes, he said.

"The issue of why dental insurance is important is at an all-time high in the country and in Congress," Mr. Album said.

He said industry representatives are working with the staffs of Sen. Edward Kennedy, D-Mass., who is expected to introduce health reform legislation, and Sen. Jeff Bingaman, D-N.M., a champion of improving dental care for the uninsured and children on Medicaid.

## DENTAL PREMIUMS RISE

Increases in dental vs. health premiums



Source: National Assn. of Dental Plans

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# Largest dental plan providers

Ranked by number of participants in plans

Rank	Company/Address	Phone/Web site	Total participants	Total clients	Total staff	Dentists in network	Dental claims processed	Principal officer
1	Delta Dental Plans Assn. 1515 W. 22nd St., Suite 450, Oak Brook, Ill. 60523	630-574-6001 <a href="http://www.deltadental.com">www.deltadental.com</a>	51,000,000	93,000	6,500	125,000	76,000,000	Kim Volk, president/CEO
2	MetLife Inc. 200 Park Ave., New York, N.Y. 10166	877-638-2862 <a href="http://www.metlife.com">www.metlife.com</a>	22,563,966	111,236	N/A	115,510	31,000,000	Michael H. Schwartz, vp-dental product management
3	Aetna Inc. 151 Farmington Ave., Hartford, Conn. 06156	877-238-6200 <a href="http://www.aetna.com">www.aetna.com</a>	14,100,000	29,638	N/A	110,090	20,563,504	Alan S. Hirschberg, head-dental products and services
4	CIGNA Dental 1571 Sawgrass Corporate Parkway, Suite 140, Sunrise, Fla. 33323	800-257-5800 <a href="http://www.cigna.com">www.cigna.com</a>	10,800,000	3,400	670	151,960	18,400,000	Karen Rohan, president-CIGNA Group Insurance and CIGNA Specialty Products
5	United Concordia Cos. Inc. 4401 Deer Path Road, Harrisburg, Pa. 17110	888-884-8224 <a href="http://www.unitedconcordia.com">www.unitedconcordia.com</a>	7,700,000	30,000	1,200	67,000 <sup>1</sup>	12,900,000	Daniel Lebish, president/CEO
6	Guardian Life Insurance Co. of America 7 Hanover Square, H-26-E, New York, N.Y. 10004	212-598-8000 <a href="http://www.glic.com">www.glic.com</a>	6,400,000	68,000	1,212	113,000	11,300,000	Christopher Swanker, vp-group dental
7	WellPoint Inc. 120 Monument Circle, Indianapolis, Ind. 46204	317-532-6000 <a href="http://www.wellpoint.com">www.wellpoint.com</a>	4,618,000	N/A	166	81,541	N/A	Dennis Casey, senior vp/ president-specialty products
8	Ameritas Group Dental & Eye Care 475 Fallbrook Blvd., Lincoln, Neb. 68521	800-776-9446 <a href="http://www.ameritasgroup.com">www.ameritasgroup.com</a>	3,240,268	50,022	675	88,290	3,775,266	Ken VanCleave, president-group division
9	Principal Financial Group 711 High St., Des Moines, Iowa 50392-0001	800-986-3343 <a href="http://www.principal.com">www.principal.com</a>	1,475,721	30,949	N/A	97,318	2,711,197	Theresa McConeghey, dental and vision director
10	Assurant Employee Benefits 2323 Grand Blvd., Kansas City, Mo. 64108	816-474-2345 <a href="http://www.assurantemployeebenefits.com">www.assurantemployeebenefits.com</a>	1,051,129	64,880	303	95,000	2,110,179	James Gimarelli, vp-dental

<sup>1</sup> Advantage Plus PPO only. N/A=not available

Source: BI survey. Researched by Kevin Edison and Karen Tucker

Visit [www.businessinsurance.com/directories](http://www.businessinsurance.com/directories) for more information and to access the full searchable Directory of Dental Plan Providers. Business Insurance now offers the option to purchase the entire online directory as an Excel file or as a PDF.

## Few employers drop vision plans despite benefits squeeze

Low coverage costs save eye care plans from cutbacks

By NICK WHITFIELD

Many employers have altered their health care plans to cope with rising costs, but the effect on vision plans has been less pronounced, due largely to their relatively low cost and far lower cost increases.

According to the Menlo Park, Calif.-based Kaiser Family Foundation and Chicago-based Health Research & Educational Trust's 2008 employer health benefits survey, the past year has seen little change in the number of employers offering a vision benefit. Seventeen percent of U.S. employers offering health care also offered a vision benefit this year vs. 20% in 2006, the last time the survey asked about vision benefits.

Large employers with 200 or more employees were far more likely to offer vision care than small employers, according to the survey. Forty-nine percent of large employers offered vision care vs. 15% of small employers.

"I don't see a lot of changes," said

Tom Billet, senior consultant for Watson Wyatt Worldwide in Stamford, Conn. "In most, but not all, cases, vision is an employee-pay-all benefit. The employer isn't subsidizing, so there's no reason to cut back.

"Where employers do subsidize, I haven't seen a move to cut," he said. "The dollars are so small that it's more of an irritant; and to add that to the other bad news they might have to give out about benefit cuts, it's usually not worth the trouble."

Along with the ability to shift costs to employees, the relatively low cost has helped to preserve vision benefits through tough times.

"It doesn't drive that significant a cost," said Manny Menendez, principle benefits consultant-health management practice with Lincolnshire, Ill.-based Hewitt Associates Inc. "The average employer is going to have vision as less than 5% of health and welfare expenditures."

While employers generally are not dropping vision benefits, some are looking for ways to cut their costs but keep a similar breadth of coverage.

"Today if an employer is subsidizing that benefit at 100%, we might see a movement to only subsidize at 50% or to make it 100% voluntary,"

Mr. Menendez said. "We're not seeing a move to eliminate the benefit, but a move to change the level of subsidy."

Vision Service Plan, a Rancho Cordova, Calif.-based benefit provider, has noticed a similar trend in the past year, said Terri Wilson, VSP's vp-strategic accounts and operations.

"We're not seeing (employers) cutting vision benefits," Ms. Wilson said. "We're seeing a shift in the products they're offering—a shift toward voluntary benefits, where the employee is sharing the cost."

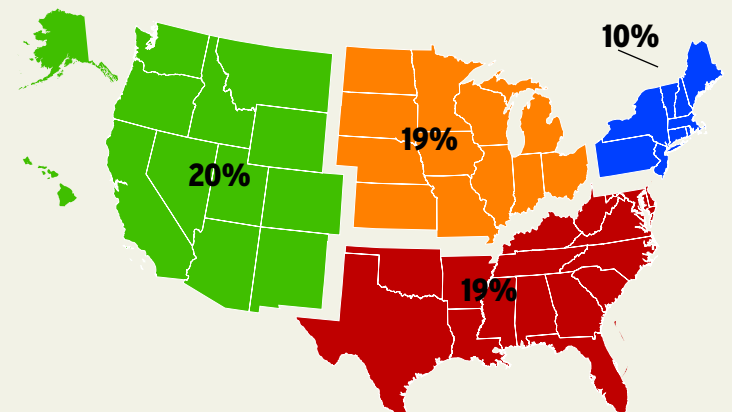
Some employers are using another strategy: cutting costs but keeping the core vision benefit by redirecting their spending, experts say.

"A lot of the recent activity we've seen is toward covering exams 100%, while making materials (coverage to purchase eyeglasses and lenses) 100% voluntary. The employee, at their own discretion, can buy the materials benefit if they desire," Hewitt's Mr. Menendez said.

"If you break out the costs of coverage, exams are about 10% of spending, while it's 90% materials. There is obviously a significant cost saving there, and exams are preventative, so it lines up nicely with

### FIRMS OFFERING VISION BENEFITS

Percentage of firms offering vision benefits in addition to health care by region.



Source: Kaiser Family Foundation/Health Research & Educational Trust Survey of Employer-Sponsored Health Benefits.

what employers are doing with wellness," Mr. Menendez said.

VSP has used a similar program to try to integrate vision care into general wellness while cutting costs. "We're encouraging employers to cover the exam, to try to get all of their employees to come out for an annual exam, and give members the opportunity to voluntarily pay for the materials portion," Ms. Wil-

son said.

Vision health is closely related to general health issues, including diabetes and hypertension, making vision an attractive way to potentially cut costs while strengthening wellness programs.

An eye exam is "a significant way of showing early signs of diabetes,

See **PLAN** on next page

# Employers eye range of options with vision benefit plans

By NICK WHITFIELD

With a range of vision benefit programs available to them, employers can offer employees choices while controlling the cost of the benefit even as general health care costs continue to rise.

"If you look at the major providers, I see a lot of 'high-medium-low' designs similar to what an employee might see in a medical offering," said Manny Menendez, principle benefits consultant-health management practice with Lincolnshire, Ill.-based Hewitt Associates Inc.

By offering a range of copay levels, employers hope to keep the benefit attractive for those employees who need it most—particularly older workers and those with chronic vision problems and other illnesses—while keeping costs down for others.

The average employer spends less than 5% of total health care-related spending on employee vision care, he said.

Plans "can also differentiate based on frequency of care, such as a 12-month, 12-month, 12-month plan," Mr. Menendez said, referring to how often members can get eye exams, frames and lenses under the plan, "or a 12-month, 24-month, 24-month plan. It's not new to the market, but among those employers that have offered vision benefits, some are offering more employee choice."

The much slower cost inflation for vision care compared with general health care also has allowed providers to offer more attractive terms than they might for other employee benefits.

"We've seen about a 1% trend for vision, compared to 10%, 12% or even 15% on the medical side," said Terri Wilson, vp-strategic accounts and operations for Vision Service Plan, a Rancho Cordova, Calif.-based

service provider. "We've been able to manage inflation pretty well over the last few years."

Vision care costs in the second half of this year were growing at a weighted annual rate of 1.5%, according to the 2008 National Health Care Trend Survey by Stamford, Conn.-based Buck Consultants L.L.C. In comparison, the survey

found that reasonable and customary dental costs were growing at a 6.7% weighted annual rate, and medical health maintenance organization and preferred provider organization costs both were increasing at an 11.1% rate.

Ms. Wilson said even though inflation has forced employers to be primarily cost-driven in choosing

their general health benefits, vision costs remain low enough that the main decision to be made is one of quality, not whether to offer the benefit.

"If you're going to get people to enroll, it's still important to add consumer value to vision plans," Ms. Wilson said.

Some employers are able to essen-

tially freeze out-of-pocket vision costs for their employees—an offer that few employers would even consider for general health care, Mr. Menendez said.

"Some employers are putting vision plans in with a five-year rate guarantee," Mr. Menendez said. "There's just not as much cost scrutiny on the program."

A leader always looks forward and never neglects to give back.



## Plan: Efforts to save costs

CONTINUED FROM PREVIOUS PAGE

as well as hypertension and other health risks," Ms. Wilson said.

"When you look at diabetes incidents—about 24 million diabetics and 54 million pre-diabetics in the country—one of the most important things a diabetic can do is have an annual eye exam," Mr. Menendez said.

Vision care has been spared much of the cost inflation of general health care in recent years, making it an attractive place for employers to try to leverage further health care savings.

According to New York-based Buck Consultants L.L.C.'s 2008 National Health Care Trend Survey, reasonable and customary vision care has grown at a 1.5% annual rate for the second half of this year, compared with 11.1% trends for medical preferred provider organization and health maintenance organization programs.

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# PROFESSIONAL MARKETPLACE

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## REQUEST FOR PROPOSALS

**REAL ESTATE INSURANCE  
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The California State Teachers' Retirement System (CalSTRS) is seeking proposals from qualified firm(s) with a minimum of five years real estate insurance consulting experience. This RFP will be used to identify a consultant of real estate insurance for future use.

Detailed in the Request for Proposal (RFP) are the services to be provided and minimum qualifications. To obtain a copy of the RFP, please write to:

**CalSTRS - RFP 2P200809**  
**CalSTRS Contracts Office**  
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**Sacramento, CA 95826**  
**(916) 229-3855**  
**Email: [contractservices@calstrs.com](mailto:contractservices@calstrs.com)**  
 or download from: **[www.calstrs.com](http://www.calstrs.com)**

Proposers are urged to access the website to obtain the RFP

## REQUEST FOR PROPOSALS

## REQUEST FOR PROPOSALS

### NEW YORK CITY HOUSING AUTHORITY INVITATION FOR BID POLLUTION LEGAL LIABILITY & CONTRACTORS' POLLUTION LIABILITY INSURANCE

The New York City Housing Authority ("NYCHA") requests proposals from qualified **INSURANCE COMPANIES** for Pollution Legal Liability and Contractors' Pollution Liability Insurance Coverage. Insurance companies must be licensed in N.Y. State with "A.M. Best" rating of at least "A minus, X". Coverage is to become effective April 3, 2009.

Proposals shall be made in the format included in the Invitation for Bid (IFB) package containing instructions, specifications and detailed submission requirements. IFB packets may be obtained by calling NYCHA's **Environmental Liability Insurance Broker: Towers Perrin, One Stamford Plaza, 263 Tresser Boulevard, Stamford, CT 06901-3226 at (203) 363-1962**. In order to be eligible, completed bid proposals must be received by 3:00 P.M. on Monday, February 2, 2009.



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

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## LEGAL NOTICE

### NOTICE OF TERMINATION OF SCHEME OF ARRANGEMENT IN THE HIGH COURT OF JUSTICE (IN ENGLAND AND WALES)

8622 of 2006

CHANCERY DIVISION  
COMPANIES COURT  
IN THE MATTER OF  
**EUROPÄISCHE  
RÜCKVERSICHERUNGS-  
GESELLSCHAFT IN ZÜRICH  
(EUROPEAN REINSURANCE  
COMPANY OF ZÜRICH)**

and  
SCHEME CREDITORS  
(as defined in the Scheme)

IN THE MATTER OF THE COMPANIES ACT 1985  
NOTICE IS HEREBY GIVEN in the matter of European Reinsurance Company of Zurich that, following the implementation of the Company's Scheme of Arrangement (the "Scheme") on 15th January 2007 and the subsequent payment of all Scheme Creditors' Claims (as defined in the Scheme), the Scheme was finally implemented on 19th November 2008. All Scheme Creditors' cheques and payments by PRO Insurance Solutions Limited have been despatched. The Scheme has been implemented in accordance with its terms and, accordingly, it has been terminated and no further payments shall be made to Scheme Creditors by the Company in respect of Scheme Claims except in relation to payment of any "Unpaid Agreed Balances". Should you have any questions regarding this Notice, please address them to Adam Watts or Alison Bates at: **PRO INSURANCE SOLUTIONS LIMITED**, Bruton Court, Bruton Way, Gloucester GL1 1DA. Telephone: +44 (0)1452 782580 and +44 (0)1452 782620. Facsimile: +44 (0)1452 782582. Dated this 19th day of November 2008.

## Market Moves

### 10 British brokers join Willis network

**LONDON**—Willis Group Holdings Ltd. said 10 British brokers have joined the Willis Commercial Network, a partnership between the London-based broker and 79 independent brokers.

The newest members are KL Plester Insurance Services Ltd., John Henshall Ltd., Wilkins Kennedy Insurance Group, Rowlands and Hames Insurance Brokers Ltd., Munro Greenhalgh Ltd., H&R Insurance Services, Bradshaw Bennett Ltd., Ross Lloyd Ltd., C. Tarleton Hodgson & Son Ltd. and David C. Jones Insurance Services Ltd.

The network gives brokers placing between £4 million and £8 million (\$6.2 million to \$12.3 million) in annual premiums access to London-based Willis' training and specialty programs and other resources, according to a statement from Willis.

Separately, Willis and London-based Sequel Business Solutions Ltd. have partnered to implement Eclipse, the insurance software company's broking software, for more than 1,000 Willis associates.

According to Willis, the application speeds issuing policies and processing claims.

The broker also has created an operations center in Shanghai. The center will provide various processing services, such as handling claims, allowing other Willis branches to focus on business development and client services. It is the first such center for an insurance broker in China, according to a Willis statement.

### Illinois agency joins Horton Group

**LISLE, Ill.**—Lisle, Ill.-based insurance agency Medical Arts Insurance Affiliates Ltd. has become a member of the Horton Group, an Orland Park, Ill.-based insurance agency.

Horton's new medical practice group will operate under the Medical Arts brand name in Lisle. Medical Arts provides professional liability and employee benefits to physicians, physician groups and other medical organizations. The Horton Group offers insurance and employee benefits, as well as risk management consulting, to businesses and individuals.

### HCC Insurance to acquire Surety Co. of the Pacific

**ENCINO, Calif.**—Houston-based HCC Insurance Holdings Inc. is set to acquire Surety Co. of the Pacific, pending regulatory approval. Terms of the deal were not disclosed.

HCC plans to merge the Encino, Calif.-based company with the HCC subsidiary American Contractors Indemnity Company, according to a statement. The acquisition, expected to close during the first quarter of 2009, is subject to the approval of the California Department of Insurance.

Surety writes license and permit bonds for contractors, and its acquisition would help HCC, a specialty insurer, expand its low-limit license and permit business in California, the statement said. The deal would add about \$20 million in premiums to ACIC in 2009, according to the release.

### American Healthcare to combine exchanges

**PHILADELPHIA**—American Healthcare Providers Insurance Services Co. L.L.C. has received regulatory approval to combine its exchanges in Maryland, New Jersey and Pennsylvania.

The New Jersey Healthcare Providers Insurance Exchange, the Maryland Healthcare Providers Insurance Exchange and the Pennsylvania Healthcare Providers Insurance Exchange sell liability insurance to physicians and related entities in their respective states. They operated as standalone exchanges with their own asset pools and surpluses and were managed by American Healthcare. They now will operate under the banner of Healthcare Providers Insurance Exchange, after receiving approval from the New Jersey and Maryland insurance departments, the company said in a statement.

The firm received approval for the name change from the Pennsylvania Insurance Department earlier this year.

The company also sells liability insurance in Delaware.

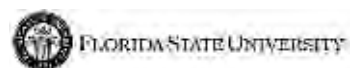
According to the company, the combined exchange would have an estimated policyholder surplus of \$30 million.

## TO SUBMIT ITEMS

Please send Market Moves news to: **Zack Phillips, Business Insurance, 711 Third Avenue, New York, NY 10017** or e-mailed to **[zphillips@businessinsurance.com](mailto:zphillips@businessinsurance.com)**.

# BUSINESS RESOURCES

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New York, NY 10017-4036.**

## D&O Directory deadline nears

*Business Insurance* will publish its first Directory of Directors and Officers Liability Insurance Providers in conjunction with the Feb. 2, 2009, issue. The issue will include a Spotlight Report on directors and officers risks.

The directors and officers

insurance directory will list insurance carriers that provide D&O insurance on either an admitted or nonadmitted basis.

If you have a D&O insurance practice and are interested in being included, please contact Kevin Edison at [kedison@businessinsurance.com](mailto:kedison@businessinsurance.com).

Advertisements appearing in this section also appear online at  
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## Award: European risk manager honored

CONTINUED FROM PAGE 3

Outside his office, Mr. van Santen has been an active supporter of risk management, most notably through his efforts that have helped reshape the Assn. pour le Management des Risques et des Assurance de l'Entreprise—the French risk management association—and the Federation of European Risk Management Assns.

Among the qualities that make Mr. van Santen well-suited to risk management are a clear vision of what needs to be done and loyalty to his business partners, said Shereen Akad, who has worked with Mr. van Santen for seven years as his broker at Aon France.

"He saw that the market would change in 2001," even before the terrorist attacks in the United States that year caused a hardening in

some lines, said Ms. Akad.

"Because he had that feeling, he built three-year programs for his main insurance contracts," she said. "When the crisis happened, he was protected."

"What characterizes him is a lot of charisma and vision," said Marie-Astrid van Buuren, managing director at Marsh France S.A., another DANONE broker. "He is always innovating."

Mr. van Santen showed his innovative nature by arranging risk securitization deals years before they became popular, said Ms. van Buuren. He put together unusual coverage programs such as six-year policies to cover political risk exposures and was among the first to

**'What characterizes him is a lot of charisma and vision. He is always innovating.'**

Marie-Astrid van Buuren,  
Marsh France S.A.

have insurers use policy wording that specified coverage for trade brands, good will and other such hard-to-identify risks, she said.

Carine Hebay-Bony, the corporate insurance manager at DANONE who works closely with Mr. van Santen, agreed that his vision is a big part of his success in risk management.

"He really anticipates and identifies problems," she said. "He is very proactive, a good organizer and obtains the support he needs from the chief executive officer of the group."

Mr. van Santen sums up his approach to risk management in the final line of his resume, where he likens himself to an entrepreneur, a builder of programs and processes who is motivated more by the challenge that comes from the protection of his company's assets than by the routine duties of day-to-day management.

## B/E adds Graham, Sigulla to Risk Management Honor Roll



**Julia Graham**  
Chief Risk Officer  
DLA Piper L.L.P.  
London

Law firms are not widely recognized as organizations that stress risk management internally, but Julia Graham has spent a lot of time trying to change that. Ms. Graham, who is chief risk officer at DLA Piper L.L.P., has not only implemented an enterprise risk management program for the law firm and its global units, she also has promoted the value of that concept to other attorneys. Those efforts and other accomplishments in her role at DLA Piper have earned Ms. Graham membership in *Business Insurance Europe's* Risk Management Honor Roll.

—Michael Bradford



**Stefan Sigulla**  
Managing Director-Insurance  
Siemens A.G.  
Munich, Germany

Stefan Sigulla has a mix of credentials that serve him well as managing director of insurance at electronics firm Siemens A.G.. Not only does he have a dozen years' experience in the role, Mr. Sigulla also is a lawyer who is trained in international and insurance law, which adds a unique dimension to his ability to manage the risks of a company operating in 190 countries. Mr. Sigulla's accomplishments make him stand out among his peers and have earned him membership in *Business Insurance Europe's* Risk Manager Honor Roll.

—Michael Bradford

READ THE FULL COVERAGE OF THE WINNERS AT  
[WWW.BIEUROPE.COM/RMOY2008](http://WWW.BIEUROPE.COM/RMOY2008)

## BI extends nomination deadline to Dec. 15 for honor as Risk Manager of the Year

*Business Insurance* invites its readers to nominate candidates for the magazine's annual Risk Manager of the Year award and Risk Management Honor Roll by the extended deadline of Dec. 15.

BI and the Risk & Insurance Management Society Inc. are collaborating on the annual honors.

Anyone involved in risk management for a corporation, financial institution, nonprofit organization or governmental entity can be nominated. Candidates need not practice risk management full time but must be a full-time employee of the organization for which he or she man-

ages risk.

A simplified, two-part process for nominating candidates has been implemented for the awards.

Part I of the process requires a summary that is not more than 600 words in length of a candidate's most recent accomplishments and factors that make him or her worthy of the award.

An independent panel of former award winners and risk management professionals will screen the Part I nominations.

If selected as a finalist, the more detailed Part II Risk Manag-

er of the Year nomination form will be required and reviewed by a panel of independent judges, including executives from leading industry companies, the president of RIMS as well as the immediate past winners of the awards.

Winners will be profiled in the April 20, 2009, issue of *Business Insurance*, and the 2009 Risk Manager of the Year will be the 32nd person so honored.

To download nomination forms as well as instructions for completing the forms, please visit [www.BusinessInsurance.com/RMOY](http://www.BusinessInsurance.com/RMOY).

## UP CLOSE



### STEVE MORGAN

**NEW JOB TITLE:** Senior vp, commercial lines department, J. Rolfe Davis Insurance in Maitland, Fla.

**PREVIOUS POSITION:** Vp, commercial lines department

**VITAL STATISTICS:** I've got an unusual background. I started in (the insurance industry in) 1975, I left in 1990 and now I've been back in the industry for almost seven years. I've got about 23 years of insurance industry experience. I left from 1990 to February 2002 (to do) church work.

**GOALS FOR NEW POSITION:** First and foremost, I want to continue to grow in my professional and educational knowledge of our industry. It's my hope to become a better or wiser insurance broker, to be seen by my clients as a valued business partner. Sometimes our clients don't fully appreciate our work and our partnership in their business enterprise. I want to be a better and wiser broker so they see the value of our partnership.

**ONE THING YOU WOULD CHANGE ABOUT THE INDUSTRY:** I think we need to continue to grow and improve in our professional and educational intellectual capacity for our industry.

We need to be very good students of our industry. I believe personal educational growth is very important, and I believe it is sorely needed in our industry—both on the carrier side and the brokerage side.

**FIRST EXPERIENCE IN THE INDUSTRY JOB MARKET:** I started as a direct writer for Wausau Insurance Cos. (now a unit of Liberty Mutual Group). My initial impressions of the industry were very favorable, because for the first six months I was in a classroom and it was all about learning our product. When I came out, I had a very broad understanding and knowledge of what it was we sold and why it was important. I was very fortunate to have such a beginning.

**OUTSIDE THE INDUSTRY, A DREAM JOB:** To once again be a country minister—a minister at a country church. I had the pleasure of starting a church north of Atlanta...We were kind of a city church in the country. It really was a delight for all of us to live among the people and help your neighbor. I could retire to be a country parson once again and be among the faith community.

**PASSIONS:** My passions are my Christian faith, my family and my work. I am a very passionate person about all three.

## Comings & Goings

# ONLINE

**VISIT** [www.businessinsurance.com/ComingsandGoings](http://www.businessinsurance.com/ComingsandGoings) for a full list of this week's personnel moves and promotions. Check our Web site daily for additional postings, and sign up for the weekly e-mail.

### 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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### POSTING THIS WEEK

#### INSURERS:

- ACE Ltd.
- Markel Corp.
- The Navigator's Group Inc.

#### BROKERS:

- Barney & Barney L.L.C.
- Wells Fargo Insurance Services Inc.
- Bridge Strategy Group L.L.C.
- Assurance Agency Ltd.

#### MANAGED CARE:

- PMSI

#### OTHER PROVIDERS:

- Buck Consultants L.L.C.
- Aon Consulting Worldwide
- Burns & Wilcox Ltd.

#### ASSOCIATIONS:

- National Conference of Insurance Legislators

# 401(k): Some employers halt contributions to retirement saving plans

CONTINUED FROM PAGE 4

stock market declines, could discourage workers from continuing to make their own contributions, retirement plan experts warn.

And if too many employees at the lower end of the pay scale stop making 401(k) contributions, the plan could fail Internal Revenue Service nondiscrimination tests, retirement plan experts point out. Those tests are run to determine that contributions by highly compensated employees don't exceed contributions by rank-and-file employees by an amount set by law. Highly compensated employees are defined as those who earn \$105,000 or more annually.

**'It's not like there's a groundswell, but some employers are...cutting back.'**

Robyn Credico, Watson Wyatt Worldwide

To prevent such a scenario, experts urge employers that suspend their 401(k) matches to continue and perhaps even increase benefit communications and education to encourage employees to save so they are financially prepared for retirement.

According to a survey of 248 employers Watson Wyatt Worldwide conducted in October, 2% said they either had reduced or suspended their 401(k) and 403(b) matching contributions, while 4% said they planned to make similar moves in the next 12 months.

"It's not like there's a groundswell, but some employers are either cutting back or suspending their 401(k) matches," reported Robyn Credico, national director of defined contribution consulting for Watson Wyatt in Arlington, Va.

"Literally, in the last couple of weeks, we have seen more plan sponsors inquire about the implications of cutting or eliminating their

match," said Eric Levy, worldwide partner and retirement business leader for Mercer L.L.C.'s outsourcing business based in Norwood, Mass.

The topic of scaling back 401(k) matches usually arises during discussions about reining in overall human resource costs, according to Marina Edwards, a senior consultant at Towers Perrin, based in Madison, Wis.

Employer response was similar during the recession that occurred at the beginning of the decade, according to Pamela Hess, director of retirement research at Hewitt Associates Inc. in Lincolnshire, Ill.

She estimated that 5% of employers sponsoring 401(k) plans suspended their corporate matches for anywhere from six months to two years between 2001 and 2003.

While, for many employers, cutting the 401(k) match may be necessary to avoid layoffs or stay in business, "one of the potential dangers of cutting the match is employees might stop participating," warned Julie Stich, senior information/research specialist at the International Foundation of Employee Benefit Plans in Brookfield, Wis.

Already, 4% of U.S. workers have stopped contributing to their 401(k)

plans in response to recent market losses, according to Hewitt.

"The changes started in October," when the average 401(k) balance slipped 14% to \$68,000 from \$79,000 at the end of 2007, according to Ms. Hess. "While it's not a huge move, it's a lot for one month."

Because lower-paid workers are more likely than those who are highly compensated to stop making 401(k) contributions, some plans may fail nondiscrimination tests, forcing employers to return contributions to the highly compensated, "which can be administratively difficult," Ms. Stich pointed out.

Wyatt's Ms. Credico said she recommends employers considering suspending their match do modeling first to avoid losing a so-called safe harbor. To qualify for the safe harbor, which, if met, exempts plans from the nondiscrimination tests, employers have to offer very generous matching contributions. So far, at least one employer has found a creative solution to the problem.

"We just had a client ask about taking away the match from just the highly compensated," she said. "They'll be sure to pass the nondiscrimination tests if they do that."



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# Marsh: Speculation grows that brokerage is ready to make a big buy

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In an interview last week, Mr. Walsh said he thinks MMC will use the capital to build out its small-agency platform, Marsh & McLennan Agency L.L.C., which Marsh Inc. plans to launch in the first quarter of 2009 to serve U.S.-based companies generating less than \$75 million in annual revenue.

"The small-agency platform is clearly where they are headed with this, I think," Mr. Walsh said.

While Marsh may use its capital to buy "dozens and dozens" of smaller agencies to build out this platform, a large-scale acquisition is not out of the question, he said.

He said such firms as BB&T Insurance Services Inc., Jardine Lloyd Thompson Group P.L.C. and Arthur J. Gallagher & Co. "make sense" for MMC. "I also think the private equity firms of

USI (Holdings Corp.) and Hub (International Ltd.) make sense based on the fact they are decent-sized properties and the private equity firms that bought them may want to cash out and use the money to redeploy elsewhere."

Such a deal would "fit well with what Marsh wants to do as well with what the private equity firms might want to do," Mr. Walsh said.

In 2007, GS Capital Partners, a private equity affiliate of Goldman, Sachs & Co., purchased USI for \$1.4 billion, and private equity group Apax Partners and Morgan Stanley Principal Investments bought Chicago-based Hub International Ltd. for about \$1.8 billion.

Representatives for BB&T, Gallagher and Hub declined to comment. Representatives from JLT and USI could not be reached for comment.

Meyer Shields, an analyst with Stifel, Nicolaus & Co. Inc. in Baltimore, said he sees two potential categories of potential acquisitions for MMC.

**'It would not surprise me if (MMC) saw the right opportunity they were willing to strike.'**

Cliff Gallant, Keefe, Bruyette & Woods Inc.

"The first would be broadening out their international footprint. Right now, on a proportional basis, they've got more U.S. and Western Europe and less developing

economies than (Willis Group Holdings Ltd.) and Aon as a percent of revenue. So, certainly that's one alternative," he said.

"The second place where they are underrepresented is in the small and middle market in the U.S. There they would have to do a pretty sizable acquisition to actually make a difference."

"Gallagher, I think, is a pretty good cultural fit in terms of how they treat employees and how they treat clients," he said, noting that while the brokerage could improve its margins, it has been consistently profitable.

While several observers expect MMC to expand through acquisition, not everyone thinks a large-scale deal is in MMC's best interests right now.

"I think a large deal would be a challenge to integrate given the challenges and the management

changes they've had in the U.S.," said Mark Lane, a principal and research analyst with William Blair & Co. in Chicago. "Their cost structure is still out of whack in the U.S. and I don't know if an acquisition is the best way to drive another round of restructuring."

"Bolt-on deals and other smaller strategic deals is probably the most likely scenario," Mr. Lane said.

But Cliff Gallant, an analyst with Keefe, Bruyette & Woods Inc. in New York, noted that while MMC is indeed internally focused, a large deal could happen, given the history of MMC Chief Executive Officer Brian Duperreault, whom he described as "aggressive" on the merger and acquisition front while CEO of ACE Ltd.

"It would not surprise me if (MMC) saw the right opportunity they were willing to strike," Mr. Gallant said.

# Results: Cat losses plus investment results could lead to hard market

CONTINUED FROM PAGE 4

tion of their investments in fixed-income securities and are heavily invested in corporate debt instruments and municipal bond securities, "and both of those securities have dropped in value in recent months because of a flight to safety" in moving to U.S. Treasury notes, Mr. Ward said.

Insurer underwriting results also have been affected by catastrophe losses, observers say.

It was a "remarkably miserable storm year," said Jeffrey Berg, an analyst with rating agency Moody's Investors Service in New York. With the "financial storm losses, people have forgotten the extent of how bad" the natural catastrophe losses were this year, Mr. Berg said

The Jersey City, N.J.-based Insurance Services Office Inc.'s Property Claims Services unit estimates that insured U.S. catastrophe losses totaled \$22.1 billion for the first nine months of this year vs. \$4.8 billion for the same period in 2007.

Mr. Ward noted that releasing reserve redundancies has cushioned insurers' results, but reserves are running out and "the relief provided by that source of earnings will be short-lived."

Jeanne M. Hollister, Hartford, Conn.-based managing principal of Towers Perrin's Americas property/casualty insurance practice, said, "I don't think that we've yet seen the deterioration in (directors and officers) results that we think ultimately will manifest itself."

She said more than 100 D&O-

related class action lawsuits have been filed, "but I think the effects of that are more likely to be apparent in fourth-quarter results than they were in the third quarter."

Some observers say the market is poised for firming rates.

"I believe there will be a turn to the hard market in the short-term," driven by catastrophe losses coupled with the investment results, both of which are "likely to get worse before it gets better," Mr. Ward said. "The combination of those forces will lead us to a hard market" in 2009.

"There will be a flight to quality," Mr. Ward said. "I think policyholders and risk managers are concerned about the outlook" for the market. "There's somewhat of a sense of panic and I believe that will lead

(buyers) to carriers that are highly rated and, in their view, the safest path," which will support "the underpinning of a shift to the hard market going forward."

With "the attenuation in the pricing declines and the early noise of potential hardening or firming up, we see the possibility of rates climbing in the medium term," Mr. Berg said.

"I have to imagine companies are going to feel more capital-constrained," said Ms. Hollister. Sustained demand with decreased capacity "is likely to result in increased prices." There will be more of a "general firming," though, as opposed to a big rise in prices next year, she said.

Through Sept. 30, the property/casualty industry's surplus

declined an estimated 8% to 10% since the beginning of the year, Mr. Ward said.

"There is much hope that at the Jan. 1 renewals, we will see higher insurance prices, particularly in specialty commercial lines like D&O, large-account commercial and property reinsurance," said Paul Newsome, an analyst with Sandler O'Neill & Partners L.P. in Chicago.

"If it happens, it's clearly a firming of the market. It's not the broad, hard market that we saw after the World Trade Center disaster, but it's a cycle turn, we hope," Mr. Newsome said.

If property/casualty prices do not harden at the January renewals, "you could very well talk about something that's more midyear next year, when companies finally get their statutory filings, and rating agencies look at the numbers and start telling companies they must...raise capital to maintain their ratings," Mr. Newsome said.

However, Mr. Auden said, "We've seen a modest change in the level of rate declines in pricing, but broadly, rates are still going down." While the market's capital reduction could help in leading to rate changes, "there's still a ways to go" before that happens. "We think, at best, you'll see a stabilization in rates" next year, but it is very unlikely there will be a hard market.

"There may be a few segments of the market where you see better rates, like catastrophe markets given the high level of cat losses this year," and professional liability coverage for financial institutions, Mr. Auden said.

Meanwhile, observers note the state of the overall economy can affect commercial property/casualty insurers and point out that the economic environment has worsened since Sept. 30.

A prolonged recession "can have dampening effect on revenues," Ms. Hollister said. For example, employment payrolls are used as the base to determine workers compensation premiums, so fewer workers means less revenue even if rates do increase.

## PROPERTY/CASUALTY INSURERS' NINE-MONTH 2008 RESULTS

Major U.S. P/C insurers ranked by net income. All amounts are in thousands of dollars.

Companies	Corporate			Property/Casualty operations					
	Net income	Percent increase 2008-2007 (decline)	Consolidated revenues 2008	Combined ratio 2008 <sup>1</sup>	Combined ratio 2007 <sup>1</sup>	Premiums written 2008	Percent increase 2008-2007 (decrease)	Policyholder surplus 2008	Percent increase 2008-2007 (decrease)
Travelers Cos. Inc.	\$2,123,000	(40.0)%	\$18,672,000	94.0%	87.1%	\$16,298,000	0.3%	\$21,929,000	(1.3)%
Chubb Corp.	1,397,000	(35.2)	10,146,000	90.2	82.6	8,883,000	0.2	12,750,000	0
ACE Ltd.	1,177,000	(41.3)	10,529,000	90.4	87.8	10,028,000	12.9	15,356,000	(4.2)
Liberty Mutual Insurance Co.	666,000	(39.1)	20,704,000	102.0	100.1	19,081,000	12.5	11,331,000	(16.9)
Cincinnati Financial Corp.	268,000	(60.0)	2,806,000	101.1	91.8	2,292,000	(4.2)	3,687,000	(22.9)
American Financial Group Inc.	157,200	(46.4)	3,188,900	87.7	86.5	2,278,600	6.7	1,950,800	(14.6)
RLI Corp.	72,695	(49.5)	445,421	85.2	68.0	394,511	(5.4)	718,858	(12.4)
Argo Group International Holdings Ltd.	51,100	(57.5)	908,700	101.1	100.9	883,000	37.1	N/A	N/A
CNA Financial Corp.	37,000	(94.6)	6,262,000	100.9	93.8	4,925,000	(4.2)	7,967,000	(5.6)
Old Republic International Corp.	(431,856)	N/M	2,401,659	97.0 <sup>2</sup>	91.0 <sup>2</sup>	1,512,181 <sup>2</sup>	(5.5)	2,292,286	(8.4)
Hartford Financial Services Group Inc.	(1,943,000)	N/M	8,654,000	95.1	90.7	7,759,000	(2.1)	6,900,000	(18.8)
American International Group Inc.	(37,630,000)	N/M	34,862,000	102.7	88.3	36,026,000	(0.1)	N/A	N/A
<b>Cumulative</b>	<b>(\$34,055,861)</b>	<b>N/M</b>	<b>\$119,579,680</b>	<b>98.1%</b>	<b>90.0%</b>	<b>\$110,360,292</b>	<b>2.9%</b>	<b>\$84,881,944</b>	<b>(7.7)%</b>

(1) Includes dividends. (2) Statutory. N/M—Not meaningful. N/A—Not available.  
Source: BI survey, company reports

# Terrorism: Attacks may hike premiums

CONTINUED FROM PAGE 1

losses from the Mumbai attacks, Mr. Davies said. If those losses affect Jan. 1, 2009, reinsurance treaty renewals, that could contribute to higher rates for terrorism cover, he said.

Wendy A. Peters, a senior vp in the terrorism practice of broker Willis North America-London in Radnor, Pa., agreed that reinsurance renewals could affect the primary market but cautioned that it is too early to determine the full impact of the attacks. She said it will take years to know the extent of liability losses from the attacks.

Still, she also said she expects

some hardening in pricing for international stand-alone terrorism coverages.

"Any time there's a major event, there's always going to be some sort of residual hardening," she said.

But prices for property policies with terror cover in the U.S. would increase only if "there were major increased fears of terrorist attacks in the U.S. as a result of events like this abroad," said Sean Mooney, chief economist at Guy Carpenter & Co. Inc. in New York.

## Risks for hotels

Messrs. Davies and Tucker said the attacks may boost rates for hotels, which have long paid

higher prices for terrorism cover than other types of business, particularly U.S.-based and Western brands.

Security experts and hospitality industry representatives acknowledge that luxury hotels make attractive targets for terrorists. Hotels operate at all hours, typically reside in the center of a city and are open to the public.

The tourism industry is very sensitive to security concerns, so attacking hotels can damage that country's economy, said Brian Jenkins, a senior adviser and terrorism expert at the Santa Monica, Calif.-based Rand Corp.

"It's a way in which a terrorist can get international attention," Mr. Jenkins said. "It is an opportunity to attack foreigners."

"Particularly in developing parts of the world, hotels are not simply meeting places for foreigners but are the watering holes for the local elite," he said.

But security experts say despite the November attacks in Mumbai and the September bombing of a Marriott hotel in Islamabad, Pakistan, there is no evidence that terrorists are targeting hotels more now than in the past.

Mr. Jenkins studied terrorist attacks against luxury hotels from 1968 through mid-2005 and has monitored such attacks since 2005. He said terrorists have not targeted hotels more in recent years than previously, beyond a spike in hotel bombings in Iraq during the war. He said attacks on hotels have grown more frequent and lethal during the past two decades, although terrorism generally has increased worldwide as well.

In all, there were 269 attacks against hotels that caused 413 deaths during the period of the study, which Mr. Jenkins said produced an average of about eight deaths a year from attacks against hotels.

Police in Mumbai late last week reportedly linked two of the attackers to a Pakistani guerrilla group with ties to that country's intelligence services. Rising tension between India and Pakistan since the terrorist attacks could fuel interest in political violence insurance, which covers a broader list of perils than terrorism insurance, Marsh's Mr. Tucker said.

"I think it'd be a fair assumption that rates for political violence coverage in India and Pakistan will be increasing and capacity shrinking," he said.

## Outsourcing

Mr. Tucker also said insurers and policyholders are talking about how U.S.-based corporations with some operations outsourced to India will be affected.

Typically, he said these contingent exposures would not be covered by a company's global property program if a terrorist attack were to cause damage or interrupt business operations. The firm likely would need to buy stand-alone terrorism insurance for contingent exposures, which costs more and which U.S.-based corporations typically do not have, he said.

November attacks.

"What the attacks highlight is a lot of businesses...have no command-and-control in place to deal with a crisis like this," said Steve Wilford, country manager for the India division of risk consultant Control Risks Group Ltd.

"I drove past the Marriott on Juhu Beach (recently) and they've placed vehicles behind padlocked gates to avoid ramming by vehicles, and they have police with machine guns placed outside the front gates," Mr. Wilford said. "So the security regimes in the places where our traveling clients are going to stay has improved drastically."

"In all the hotels even well before this incident, you cannot drive into the portico without having your hood opened, your trunk opened, the underside of your car examined by mirror," said Ron Somers, president of the Washington-based U.S.-India Business Council, which represents 280 of the largest U.S. companies doing business in India. "Trucks are not allowed to deliver to the portico."

Many observers wonder what security measures would repel the kind of attacks mounted by terrorists in Mumbai. More than a dozen individuals used automatic weapons and explosives to lay siege to the Oberoi Hotel and the Taj Mahal Palace & Tower Hotel.

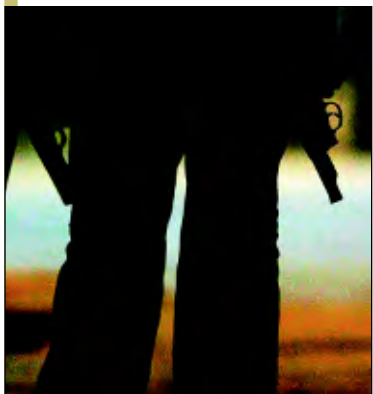
"Very few hotels are prepared to deal with the kind of armed assault we saw in Mumbai," Mr. Jenkins said.

He said the other type of attack that presents the most formidable challenge is detonating a large-scale explosive beyond the hotel's security perimeter. That is what occurred Sept. 20 in Islamabad, Pakistan, when a truck bomb outside the security gate at the Marriott hotel killed at least 54.

## Hotels expected to upgrade already stringent security

By ZACK PHILLIPS

**MUMBAI, India**—Terrorist attacks at two luxury hotels among other locations in Mumbai, India, will prompt the hospitality industry to review and increase already stringent security regimes, risk managers and security experts say.



AP PHOTOS

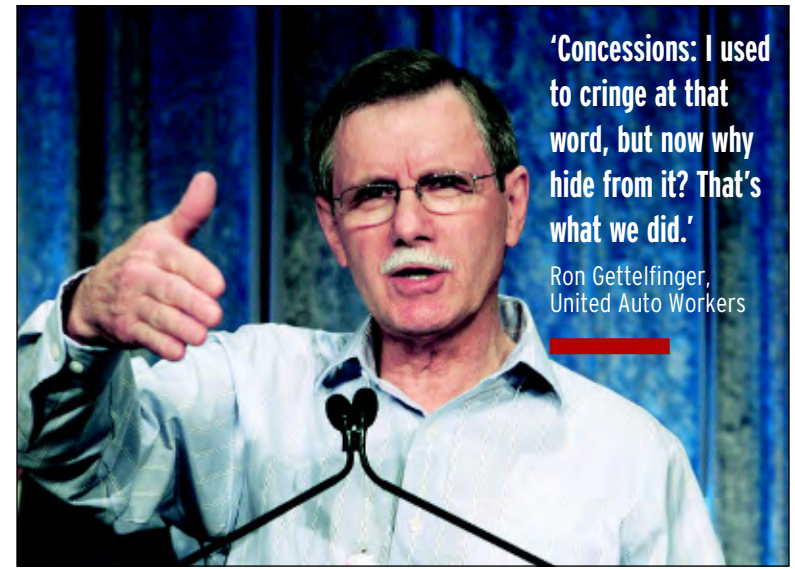
Armed guards already are used at some hotels in Mumbai, India, the site of terrorist attacks.

Hotels may use bomb-sniffing dogs and explosive detection technology to scan luggage, increase the number of armed guards and surveillance cameras, and establish security checkpoints for those entering the facilities, experts say.

The first task for a hotel risk manager is keeping explosives and weapons outside the building, said Brian Jenkins, a senior adviser and terrorism expert at the Santa Monica, Calif.-based Rand Corp. who has studied hotel bombings. The location of a detonation is a factor in the number of fatalities in hotel bombings, he said.

Building a relationship with local police and developing an emergency response plan before a crisis also are important, risk managers say.

Security experts note that many hotels in India already had fairly stringent security measures before the late



'Concessions: I used to cringe at that word, but now why hide from it? That's what we did.'

Ron Gettelfinger, United Auto Workers

AP PHOTOS

## VEBA: Auto companies get break on retiree health trust

CONTINUED FROM PAGE 1

arrangement for automakers were significant: The amounts they agreed to contribute to the trusts were far less than the actual value of the benefits. For example, GM agreed to contribute about \$30 billion to a VEBA, which included funds from a current trust that GM administers. In exchange, GM was absolved of responsibility for nearly \$50 billion in accumulated retiree health care obligations.

In turn, the UAW got a commitment from the automakers to provide secure financial assets to pay for retiree health care for members.

**'While the promises were made in good faith and when cars were selling, in this world there are no guarantees.'**

Cara Jareb, Watson Wyatt Worldwide

If the automakers later failed, creditors could not touch the assets in the VEBA.

But recognizing the huge financial difficulties currently facing the automakers, UAW President Ron Gettelfinger last week said the union would allow the Big Three to defer payments to the VEBAs.

"Concessions: I used to cringe at that word, but now why hide from it? That's what we did," Mr. Gettelfinger said at a news conference last week.

Delaying the VEBA contributions would allow the automakers to conserve cash at a time of grave financial difficulty. GM, for example, is due to contribute about \$7 billion to the VEBA by 2010 under its contract with the union. GM also would transfer assets—which as of Sept. 1 were worth \$13.4 billion—from the existing trust to the new VEBA.

Benefit experts say they aren't surprised that the UAW agreed to delay the VEBA payments given automakers' dire straits, and say

they expect more concessions in the future.

"The UAW is recognizing that these are extraordinary times and that extraordinary measures will be required," said Cara Jareb, director of retiree medical consulting for Watson Wyatt Worldwide in Arlington, Va.

"This strikes me as the opening salvo," said Stephen Parahus, a senior consultant with Towers Perrin in New York.

Some say the UAW eventually will agree to reduce the amount of money the automakers will be required to contribute to the VEBA.

"The structure could remain with reduced funding levels," said Steve Ferruggia, a principal with Buck Consultants L.L.C. in Secaucus, N.J.

If that scenario develops, the result would be reduced benefits provided to retirees, less time before the VEBAs run out of money or both. Mr. Gettelfinger said last year that the GM trust would have sufficient assets to be able to pay retiree health care benefits for the next 80 years or so.

"While the promises were made in good faith and when cars were selling, in this world there are no guarantees," Ms. Jareb said.

While the automakers' VEBA accords may be retooled, benefit experts say the concept, which also attracted significant corporate interest, is still a sound one.

From a corporate perspective, they are disposing of a liability at a discount and moving it to a third party, said Michael Morfe, a senior vp with Aon Consulting in Somerset, N.J.

At the same time, retirees "have a bird in the hand," Mr. Morfe said, referring to VEBA assets dedicated to retiree health care benefits.

"The potential advantages to employers and participants remain," Mr. Ferruggia said.

While the automakers' VEBA arrangements were by far the biggest of their kind, they were not the first. In January 2007, Goodyear Tire & Rubber Co. in Akron, Ohio, agreed to pay \$1 billion to a VEBA and have no further obligation to provide retiree health care benefits, which are valued at about \$1.2 billion, as part of a contract with the United Steel Workers union.

## News In Brief

CONTINUED FROM PAGE 1

has announced a restructuring plan that will eliminate hundreds of jobs. The restructuring plan—which includes 500 to 700 job losses—is expected to result in cost savings of about \$185 million over a three-year period, Aon said. The merged reinsurance brokerage arm will be headed by Andrew Appel as chief executive officer and Michael O'Halleran as executive chairman. The company has also launched Aon Specialty, a \$1 billion revenue unit that brings together Aon's specialty brokerage businesses with Benfield Corporate Risk under one global unit. Grahame Chilton, Benfield's former chief executive, has been named chairman of Aon Specialty and vice chairman of Aon Group.

### Reinsurers see rise in combined ratio

Twenty U.S. reinsurers surveyed by the Reinsurance Assn. of America reported a 104.2% combined ratio for the first nine months of 2008, compared with 94.1% reported by a comparable group for the same period a year ago. The 2008 combined ratio reflects a 75% loss ratio and a 29.2% expense ratio, according to the Washington-based RAA. The reinsurers wrote \$19.01 billion of net premiums for the nine months, a 6% increase from the total reported by the comparable group a year earlier. The 2008 policyholder surplus was \$72.07 billion.

### Hiscox plans U.S. expansion

Hiscox Ltd. said it is expanding its U.S. business with 10 "key appointments" and plans to add five U.S. offices next year, which will be located in Los Angeles; Miami; Lexington, Ky.; Boston; and Kansas City, Mo. The Hamilton, Bermuda-based insurer said the move will help it take advantage of recent market conditions. Hiscox said the appointments will join the insurer's terrorism, media and technology, small-ticket directors and officers, and equine teams in the United States. It also plans to set up new lines in property, construction and inland marine insurance, and form a new kidnap and ransom insurance team in Miami.

### Adviser can't sue on behalf of clients

An investment adviser assigned power-of-attorney rights by numerous institutional investor clients has no legal standing to step in as a plaintiff on behalf of its clients in a securities fraud lawsuit, a federal appeals court has ruled. The 3-0 decision by the 2nd U.S. Circuit Court of Appeals on Dec. 3 in *W.R. Huff Asset Management Co. L.L.C. vs. Deloitte & Touche L.L.P. et al.*,

overturns a U.S. District Court's decision. In the case, Huff is suing numerous auditors, banks and securities firms for securities fraud because of their activities that allegedly played a role in the 2002 bankruptcy of telecommunications giant Adelphia Communications Corp.

### Livery firm can be sued for client's later crash

A commercial livery service and its driver can be held liable for death or personal injuries caused by an intoxicated passenger who later causes a drunk-driving accident, the Massachusetts Supreme Judicial Court ruled. The case, *Commerce Insurance Co. vs. Ultimate Livery Service Inc. et al.*, focused on the alleged negligence of a driver, who was hired by a group of men to take them from a sports bar in Boston to bachelor party at a strip club in Rhode Island and then back to the sports bar. After being dropped off at the bar, one of the men was involved in a fatal driving accident. The negligence claims will now go to trial.

### Railroads to get immunity from state tort actions

Railroad companies later this month will be immune from state tort lawsuits under a so-called "midnight regulation" that the Transportation Safety Administration has adopted. The new regulation is included in the final rule of the rail transportation security measure that the TSA, which is part of the U.S. Department of Homeland Security, published in the Nov. 26 Federal Register. The rule will take effect on Dec. 26.

### Rule seeks to help identify unfit truckers

The Federal Motor Carrier Safety Administration has issued a rule aimed at getting unfit commercial truck and bus drivers off the road. The FMCSA said it will merge the commercial driver's license and the driver's medical examination certificate into a single electronic record. The move is intended to streamline the process by which states determine whether drivers are healthy enough to operate commercial vehicles.

### Noted

**Aon Ltd.** must reimburse United National Group \$24 million—the amount of reinsurance that the insurer lost and the expenses it incurred as a result of an arbitration hearing with one of its reinsurers—a jury has ruled. In the mid-1990s, United National was the policy-issuing company for London-based Aon Ltd.'s Alexander Howden Contractors and Allied Trades Insurance Program, which provided insurance to residential and commercial construction contractors in the United States. An Aon spokesman said the broker plans to appeal the jury award...  
**Property/casualty insurance rates** dropped by an average of 9% in November compared with rates of a year earlier, MarketScout reported last week.

## Trial: Former Marsh execs accused of rigging bids

CONTINUED FROM PAGE 3

shaw & Culbertson L.L.P. in New York and the lawyer for Mr. Doherty, argued that Mr. Doherty also "did not go along with the program."

"Greg's job was to challenge the incumbents, and he successfully grew the ACE business to become an alternative carrier to AIG," Ms. Fritz said. For his efforts, Mr. Doherty took considerable internal heat from "the people who believed in the fake, or so-called B quotes" used in the scheme, she said.

Kathryn Winter, a former Marsh managing director and broker in the excess casualty operations of the Global Broking unit, was the first witness called to testify in the trial. She pleaded guilty in February 2005 in the case and agreed to cooperate with the attorney general's office.

Ms. Winter testified about her practice of "deliberately obtaining losing quotes from insurance carriers" to "honor the incumbent" insurer—mainly AIG—and prevent the incumbent from losing a renewal contract.

The trial continues this week.

Prosecutors said they expect to call Joshua Bewlay, a former Marsh managing director who also pleaded guilty in the case, as well corporate risk managers and underwriters to testify during the trial.

"These proceedings are not against Marsh. Marsh is focused on the future," the brokerage said in an e-mail. Marsh also noted that it and its parent company, Marsh & McLennan Cos. Inc., have "resolved all civil claims asserted by the New York state attorney general and superintendent of insurance."

While Marsh and MMC never faced any criminal sanctions in the bid-rigging scandal, the broker in 2005 agreed to pay \$850 million in policyholder restitution and to halt collection of contingent commissions.

Meanwhile, Messrs. Gilman and McNenney have appealed their convictions, their attorneys said. Judge Yates in April sentenced both to 16 weekends in jail but stayed the sentences pending appeals.

The remaining defendants, former Marsh Senior Vps William L. McBurnie and Thomas T. Green Jr., are awaiting trial.

## Punitives: Supreme Court to rule in Oregon case

CONTINUED FROM PAGE 3

to avoid the federal standard and whether the punitive award was so excessive as to be unconstitutional. The high court agreed to review only whether Oregon could trump a federal standard by applying the state jury instruction rule.

But after nearly an hour of often arcane arguments last week, Chief Justice Roberts suggested the high court might be willing to address the question of excessiveness as well as the state vs. federal standard question.

Advocates of limiting punitive damage awards say the high court could curtail its influence if it allows Oregon to block a federal directive.

"If the court rules that the Supreme Court of Oregon had an adequate ground under federal criteria for state procedural law, that will send a signal to all state supreme courts who do not like (U.S.) Supreme Court intervention in punitive damage cases that they can avoid these Supreme Court decisions by a bevy of state procedural escape routes," said Victor Schwartz, general counsel of the American Tort Reform Assn. in Washington. "To some degree, the original decisions become closer to meaningless than they would be without such a decision by the Supreme Court."

An opinion upholding Oregon's position would "absolutely" send a "signal to every other rogue jurisdiction that you can always find a way to get around a Supreme Court mandate," said Robin Conrad, executive vp of the National Chamber

Litigation Center Inc. in Washington. "We've been making significant progress in getting the court to recognize the problems of runaway punitive damages only to have the court's own directives turn into empty words," she said.

Even if the high court decides to review the award on the basis of excessiveness, Ms. Conrad said she doesn't know how that would affect the question of state procedure vs. U.S. Supreme Court instructions.

That "question becomes all the more important in light of (last week's) argument, particularly when Justice (David) Souter summarizes the issue as how do we guard against making constitutional decisions which are simply going to be nullified by some clever device raising a procedural issue or an issue of state law when the case goes back," Ms. Conrad said.

"On the other hand, if the court reverses the Supreme Court of Oregon, it's a signal to the state courts that, 'We mean what we say,'" Mr. Schwartz said.

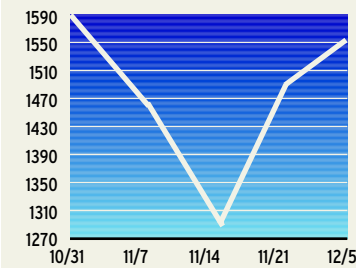
Robert Peck, the attorney who presented Mrs. Williams' arguments last week and president of the Center for Constitutional Litigation P.C. in Washington, said he found it "very odd" that the justices "would go ahead and accept the second question they had rejected." He said the chief justice may have been signaling his colleagues that "maybe we've gotten into a morass on these procedural issues and that's not where we want to be and maybe when we need to focus on the excessiveness issue" in the future.

## Stock Index

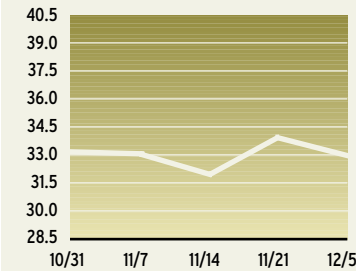
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Up-to-the-minute data for all 82 companies that comprise the BI Stock Index can be found at [www.IndustryFocus.com](http://www.IndustryFocus.com).

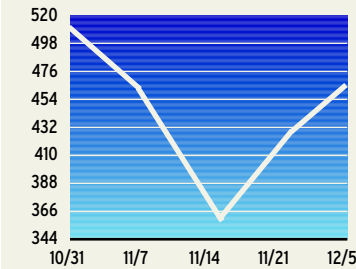
### BI STOCK INDEX



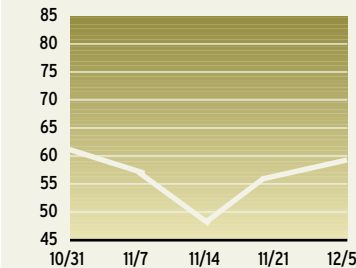
### BI BROKERS INDEX



### BI INSURER/REINSURERS INDEX



### BI MANAGED CARE ORGANIZATIONS INDEX



Percentage change of BI Stock Index vs. key indicators

<b>BI STOCK INDEX</b>	1551.22	▲ 0.97%
<b>DOW JONES</b>	8635.42	▼ -2.19%
<b>S&amp;P 500</b>	876.07	▼ -2.25%

### LARGEST GAINS

Hartford Financial Services	72.66%
Lincoln National Corp.	26.44%
XL Capital Ltd.	20.28%
CNA Surety Corp.	20.23%
CIGNA Corp.	16.76%

### LARGEST LOSSES

Gainsco Inc.	-10.64%
PMA Capital Corp.	-9.40%
Zenith National	-9.00%
ProAssurance Corp.	-8.65%
Tower Group Inc.	-8.29%

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



## Court rules woman's health care cover claim a bust

A court in west-central Germany declared extremely large breasts are not an illness.

The case was of a 38-year-old woman who suffered back pain and other physical problems because of the weight of her breasts, reported BILD.com.

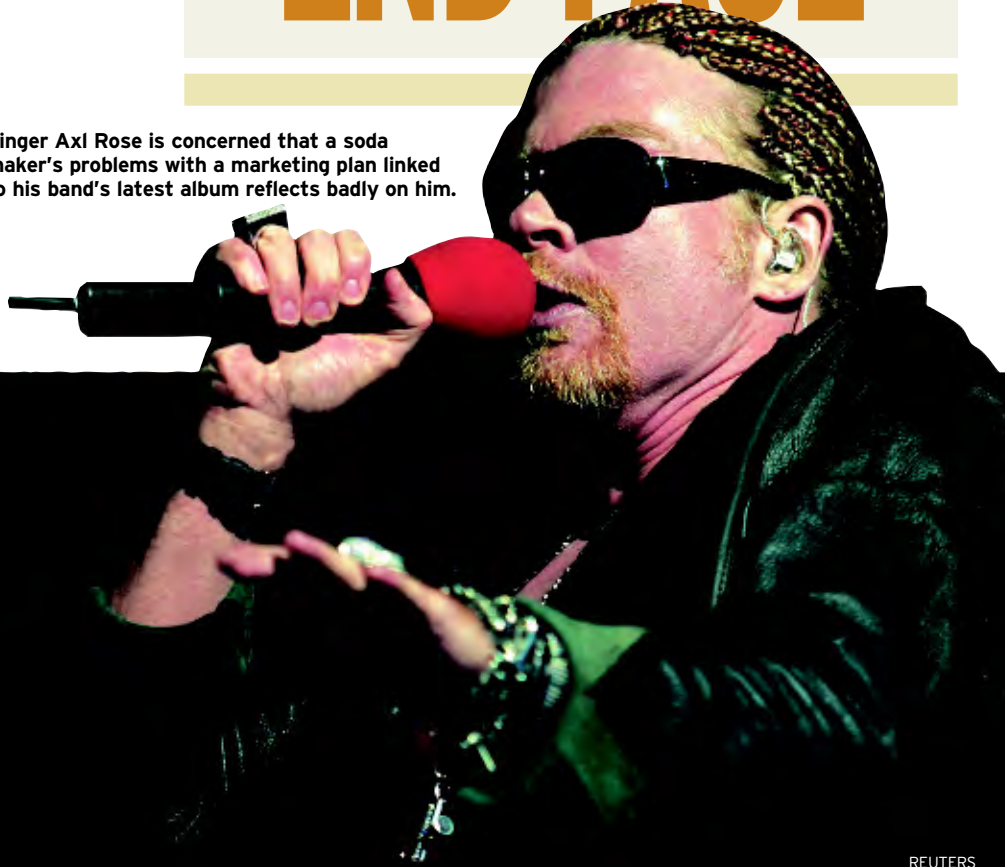
Although doctors recommended breast reduction surgery, the insurance company didn't see it that way, claiming her physical discomforts would be alleviated with a healthier diet and a workout regimen.

The court, in the German state of Hesse, rejected the claim and ruled that insurance companies do not need to pay for breast reductions except in cases to correct deformity.

The same court denied a woman seeking breast implants, claiming she was physically harassed because of her modest bust size, two and a half years earlier. At that time the court declared small breasts are not an illness.

# Business Insurance END PAGE

Singer Axl Rose is concerned that a soda maker's problems with a marketing plan linked to his band's latest album reflects badly on him.



REUTERS

## Guns N' Roses battles over pop promotion

A promotion caused Guns N' Roses' lawyers to lash out at Dr Pepper Snapple Group Inc.

In March, the Plano, Texas-based soft drink company challenged the rock band in a marketing campaign, promising a free soda for everyone in the U.S. under one condition: The band must finally release their 17-years-in-the-making album, "Chinese Democracy" in 2008.

"We are surprised and very happy to have the support of Dr Pepper with our album," wrote Axl Rose, lead singer and frontman for Guns N' Roses, in a statement posted on the band's official Web site in March.

The album dropped on Nov. 23 and Dr Pepper followed through on its promise, posting a printable coupon on its Web site for a 20-ounce bottle of soda for a 24-hour time period.

But so many fans tried to get the voucher

they clogged and crashed the site.

Some fans blamed the rock band. "When you go on the blogs and you read the responses from the fans, they associate Axl with this promotion...and blame him for the fact that they didn't get their free soda," Guns N' Roses lawyer Laurie Soriano told CNN.

"For us, this was a fun giveaway that has always been about the fans, and we've taken great steps to fulfill it," Dr Pepper said in a statement. The company extended the promotion from 24 to 48 hours, and set up a toll-free hot line to receive coupon requests.

Still, the band wants an apology and may take immediate legal remedies. "The door to a lawsuit being filed is always open until the fans are taken care of and Dr Pepper has done the right thing," Ms. Soriano said.

## Spitzer set to reform image with column on reform

Eliot Spitzer has a new gig.

As you recall, Mr. Spitzer, who made his name as New York attorney general as the nemesis of the insurance industry, suddenly gave up his job as governor of the Empire State earlier this year when he admitted to having paid for the services of prostitutes. Since then, he's kept a relatively low profile although he recently wrote an op-ed in the Washington Post calling for a complete overhaul of the financial regulatory system.

That apparently caught the eye of some honchos at the online magazine Slate.com., who offered Mr. Spitzer a regular column in the publication. Mr. Spitzer agreed, and his first column appeared last week.

In it, Mr. Spitzer argues against bailing out gigantic financial institutions. "The better policy is to return to an era of vibrant competition among multiple, smaller entities—none so essential to the entire structure that it is indispensable," he writes.

Mr. Spitzer's column will appear every other week. It looks as though he's going to concentrate on issues of national importance such as the governance and the economy—issues he knows well.

Given his history, though, there's probably little chance that he'll stray into offering advice to the lovelorn—or love-worn—any time soon.



## Hungarian Web site provides daily updates for the ghoulish

If you don't already have enough to worry about, the AlertMap Web site might be worth a visit.

The Web site, which is maintained by the Budapest, Hungary-based National Assn. of Radio-Distress Signalling and Infocommunications, provides real-time information on disasters across the globe. The map pulsates with various icons that symbolize categories of disasters.

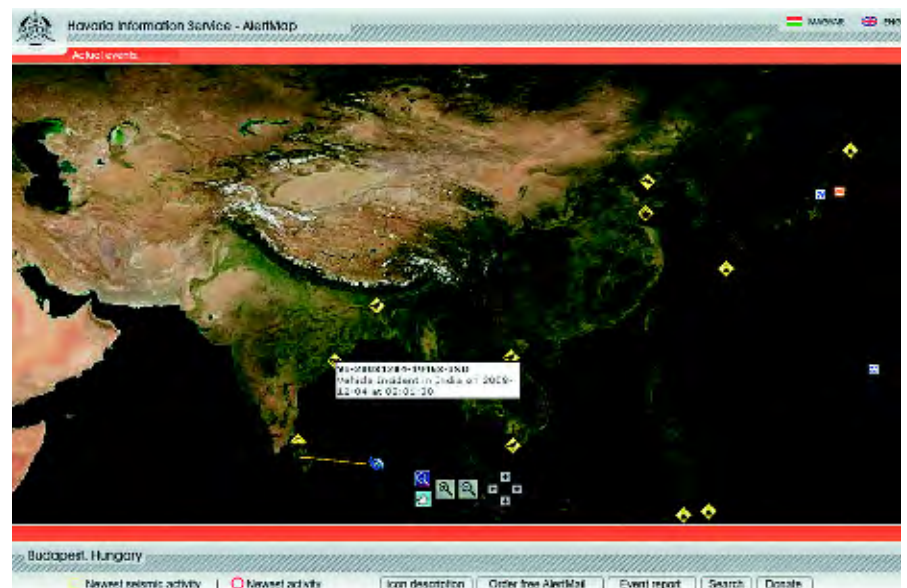
For example, a visitor to the site last Thursday morning would have been informed of 13 disasters so far that day. These ranged from a volcanic eruption in Montserrat and a tornado in Western Australia to vehicle accidents in Illinois, Quebec, China and India. The site also lists

events that had taken in place in previous days.

The association, which was established in 1982, says its main activity is establishing and operating river information and emergency call systems. But its Havaría Information Service, which includes the AlertMap, has the task of "monitoring and documenting all the events on the Earth which may cause disaster or emergency. The main objective is to manage information about events endangering the safety of our own country."

And judging from the available icons, few events are too small to note. In fact, the second icon listed shows the location of an "attack by bee."

The map can be found at <http://vizs.rsoe.hu/alertmap/index.php>



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