

WELLNESS OFFERINGS



- Among employers offering health care benefits, **98% of large employers** and **73% of small employers** also offer at least one wellness program.
- Among employers with wellness programs, **51% offer a biometric screening**, and **36% reduce workers' premiums or deductibles** for participating.

Source: Kaiser Family Foundation, 2014

WELLNESS

Employers focus on obesity despite threats

Wellness plans continue in face of lawsuits

BY STEPHANIE GOLDBERG

Rising obesity-related health care costs are leading some employers to take a firmer approach to workplace wellness programs despite the potential to violate anti-discrimination laws.

Claims by obese workers with chronic conditions often result in the highest medical costs, "because what travels with obesity are so many other factors," such as diabetes and high blood pressure, said Misty Price, Richardson, Texas-based chief operating officer at workers compensation defense law firm Adelson, Testan, Brundo, Novell & Jimenez.

Ms. Price said more employers are asking, "What's happening on our watch?"

Obesity and its financial effect on

See **OBESITY** page 42

HEALTH CARE BENEFITS

DEPRESSION IN THE WORKPLACE REMAINS COSTLY PROBLEM

Workers seldom use assistance programs offered



BY MATT DUNNING

Depression among workers is costing U.S. employers billions, but few companies have devised strategies for effectively reducing the financial and operational effects of depressive illness.

While depression and other mental illnesses are covered

See **MENTAL HEALTH** page 44

DEPRESSION BY THE NUMBERS

18.8 MILLION

U.S. adults with a depressive illness

4.8

Average workdays lost per quarter by an employee with depression

11.5

Average days of reduced productivity per quarter by an employee with depression

10.8

Percentage of workers in personal care and service occupations with a major depressive episode in the past year — No. 1 among all industries

Source: U.S. Centers for Disease Control and Prevention

REINSURANCE

Bermuda deal may mark start of buyout trend

RenRe's Platinum buy seen as complementary

BY MATTHEW LERNER

RenaissanceRe Holdings Ltd.'s \$1.9 billion agreement to merge with Platinum Underwriters Holdings Ltd. will boost RenaissanceRe's casualty book and may signal more deals among reinsurers with complementary offerings.

Under the definitive merger agreement the Bermuda-based companies announced late last month, RenaissanceRe said the cash-and-stock deal will accelerate its strategy of expanding its casualty and specialty business and result in a combined company with \$2 billion in pro forma written premiums.

Analysts say they expect more Bermuda reinsurers to merge for strategic reasons.

Platinum's operations will carry the RenaissanceRe brand, the companies said in a statement. Platinum had 124 employees, according to its third-quarter earnings statement.

In addition, Platinum President and CEO Michael Price will step down and not join the combined entity, a RenaissanceRe spokeswoman confirmed.

While analysts cited the complementary products offered by the reinsurers as the major driver of the deal rather than achieving economies of scale, RenaissanceRe

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Aon Hewitt's chief innovation officer discusses the slowing rate of health cost increases.

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WOMEN TO WATCH 2014 PROFILES

Business Insurance profiles women doing outstanding work in the insurance sector. More details online at www.BusinessInsurance.com/WomentoWatch2014.

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12/8/14

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Cutting costs for cyber cover



Methodically identifying their companies' cyber strengths and vulnerabilities gives risk managers a

strong hand when buying insurance, says Christopher Brubaker of law firm Clark Hill P.L.C.

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Was Sony breach tit-for tat?

Hackers working on behalf of North Korea are suspects in an attack that shut down computers at Sony Pictures Entertainment.

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NEWS

RISK MANAGEMENT

RISK MANAGEMENT LIMITED AT LATIN AMERICAN COMPANIES

Outside of energy, finance risk culture undeveloped

BY PAUL BOMBERGER

RIO DE JANEIRO — Companies in Brazil and throughout Latin America go out of their way to avoid identifying, acknowledging and insuring their risks, risk management professionals in the region say.

Aside from the banking and energy industries, the predominant corporate culture among firms that monitor operational risks is to take a short-sighted view within a department rather than assessing the broad exposures of the entire enterprise.

The prevailing sentiment among Latin American companies is, "I don't want to face risks," said Javier Mirabal, executive director of Plano, Texas-based Mirabal Risk Management L.L.C. and of Asociación Latinoamericana de Administradores de Riesgos y Seguros, the Latin American risk managers' association.

"We have to develop a risk culture in Latin America," Mr. Mirabal said in late November, speaking to a group of about 70 of the region's risk professionals gathered in Rio de Janeiro for the two-day ALARYS 2014 conference. "We have to learn to understand risks are nothing bad; they exist within companies, whether good or bad. You have to accept that



AP PHOTO

Rio de Janeiro is preparing to take the world stage in 2016 when it will host the Summer Olympics.

risks are there."

The repeated characterization from risk management experts of Brazilian companies' lackluster approach to risk management presents the ultimate irony for foreign visitors who see the city of Rio preparing to take the world stage in 2016 to host the Summer Olympics, an international event requiring a comprehensive risk management plan.

As the preparation continues, hotels, sporting venues and an Olympic Village for athletes remain under construction, along with an overpass that's being

added to a major highway running through the city. Still, there was no discussion or even mention of the risks surrounding planning and hosting the Olympics during the biennial ALARYS conference.

Marcelo D'Alessandro, director of Associação Brasileira de Gerência de Riscos, the Brazilian risk managers' group and a member of the Rio 2016 Organizing Committee of the Olympic and Paralympic games, said after the conference that the committee turned over all risk management responsibility

See ALARYS page 41

CYBER LIABILITY

Verizon probe holds lessons in cyber security

BY JUDY GREENWALD

Companies can glean valuable guidance from the Federal Trade Commission ending its investigation into the security of Verizon Communications Inc.'s routers should they face such a probe.

Legal and insurance industry experts say it is critical for companies to maintain up-to-date cyber security standards as one way to avoid such regulatory scrutiny in the first place.

Experts also advise buyers to make sure their cyber insurance covers regulatory exposures.

The FTC, which investigated whether Verizon engaged in

"unfair or deceptive acts or practices" by continuing to ship routers using an outdated encryption standard, closed its probe with a mid-November letter to the New York-based communications firm's attorney.

Maneesha Mithal, associate director of the FTC's division of privacy and identity protection, cited Verizon's overall data security practices and steps it took to address concerns about its routers' security in ending the investigation.

She added, however, "We continue to emphasize that data security is an ongoing process. As risks, technologies and circumstances

change over time, companies must adjust security practices accordingly."

Verizon said in a statement that customers' "online security is critically important to us." It said its partnerships with groups such as the National Cyber Security Alliance are "raising awareness and helping our customers be safe and secure whenever they are connected."

Meanwhile, the FTC and Wyndham Worldwide Corp. continue their litigation over the Parsippany, New Jersey-based hotel chain's cyber security standards

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WORKERS COMPENSATION

Compounded drugs draw controversy

Express Scripts sued for refusing funding

BY SHEENA HARRISON

A lawsuit filed by several compounding pharmacies against Express Scripts Inc. challenging the nation's largest pharmacy benefits manager's refusal to pay for compounded medications under group health plans could portend future challenges as payers attempt to limit such medications in workers compensation claims.

"That tug of war between the payers on the one hand and the compound pharmacies on the other is conceptually important across (sectors), including workers compensation," said Michael Gavin, president of Duluth, Georgia-based medical cost management company PRIUM, which is not involved in the litigation.

In the suit filed last month in St. Louis federal court, the plaintiffs allege that St. Louis-based Express Scripts unlawfully denied group health plan claims for compounded medications in violation of the Employee Retirement Income Security Act.

The suit seeks a declaratory judgment barring Express Scripts from rejecting already requested compounded medications and that it be ordered to pay for properly requested compounded drugs in the future.

Compounded prescriptions are two or more medications that are combined outside their typical, commercially available form, such as pills. Compounds, which usually are customized for each patient, include topical creams and gels,

See COMPOUNDS page 42

CONDITIONS

According to a lawsuit filed against Express Scripts Inc., common conditions or situations for which compounded medications are used include:

- Bed sores
- Burns
- Diabetic neuropathy
- Hospice care
- Miscarriage avoidance
- Postherpetic neuralgia
- Pressure wounds
- Sciatica
- Pediatric patients with allergies
- Scarring

12/8/14

ONLINE
FEATURES

REGISTER

2015 World Captive Forum
registration open

Registration is now open for the 2015 World Captive Forum, to be held Feb. 2-4 in Boca Raton, Florida.
www.BusinessInsurance.com/CaptiveForum

VIDEO: IN FOCUS



Veterans in insurance

A program helps disabled military veterans transition into careers in the insurance industry.

www.BusinessInsurance.com/InFocus

GALLERY: OFF BEAT

The Best of November

View a photo gallery of the most popular quirky risk management and insurance stories in November.

www.BusinessInsurance.com/BestOffBeats

INNOVATION AWARDS

Nominations open for 2015



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products and services designed for professional risk managers.

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BUSINESS INSURANCE (ISSN 0007-6864)
Vol. 48, No. 25, is published biweekly by Crain Communications Inc., 150 N. Michigan Ave., Chicago, IL 60601-7620. Periodicals postage is paid at Chicago and at additional mailing offices.

POSTMASTER: Email address change to customerservice@businessinsurance.com or mail to Business Insurance Circulation Department, 1155 Gratiot Ave. Detroit, MI 48207-2912. \$10 a copy and \$149 a year in the U.S. \$169 in Canada and Mexico (includes GST). All other countries, \$249 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 USA. Copyright © 2014 by Crain Communications Inc.

NEWS

RISK MANAGEMENT

GROWTH IN CORPORATE SPLITS
OPENS UP LIABILITY CHALLENGES

Caution required to prevent lawsuits, insurance lapses

BY BILL KENEALY

Many publicly traded companies are opting to split in two or spin-off large units in efforts to streamline operations, mollify activist shareholders or cash in on a bullish stock market, but the moves also raise risk management challenges.

Poorly planned or misconceived splits can result in fraud allegations if liabilities are incorrectly apportioned, or other liabilities may arise if the separated entities go on to post differing financial results.

And routine risk management tasks, such as ensuring coverage and expertise is in place for all units, becomes significantly more complex during and after a corporate split.

While risk managers may be familiar with the internal and external risks inherent in mergers and acquisitions, they also need to be aware of the risks involved in getting smaller. Splits can subject a company to disputes over existing insurance contracts as well as lawsuits aimed at directors and officers, experts say.

The trend of corporate divestiture has gained steam recently and is especially pronounced in the technology sector, said John Orr, San Francisco-based managing principal in the management



AP PHOTO

In September, online retailer eBay Inc. said that it would split its auction and payments businesses into two publicly traded companies

risk practice for insurance broker Integro Ltd. "A lot of this is investor-driven as they see greater potential for profitability," Mr. Orr said.

The number of corporate splits has tripled in the past five years (see chart, page 44).

For example, in September online retailer eBay Inc. said that it would split its auction and payments businesses into two publicly traded companies after being publicly pressured to split by activist shareholder Carl Icahn. Likewise,

technology giants Hewlett-Packard Co. and Symantec Corp. each said in October that they would split into two publicly traded companies. In August, media company Gannett Co. announced that it would split its print operations into a separate company from its broadcast and digital operations.

"There is always going to be risk in transactions in which you are splitting large companies," Mr. Orr

See SPLITS page 44

WORKERS COMPENSATION

Appeals court sides with worker in black lung case

BY SHEENA HARRISON

The 6th Circuit U.S. Court of Appeals ruled last week that a doctor's testimony in a black lung benefits case may be disregarded when it disagrees with federal guidelines for the disease.

Abigail P. van Alstyne, a partner at Quinn, Connor, Weaver, Davies & Rouco L.L.P. in Birmingham, Alabama, said the decision is not surprising since the U.S. Department of Labor's Benefits Review Board and federal courts previously have held that physician testimony can be discredited if it contradicts the Black Lung Benefits Act's definition of pneumoconiosis.

But the case notes that the administrative law judge and the Benefits Review Board had "substantial evidence" to determine whether the doctor's testimony should be discounted, said Ms. van Alstyne, who is not involved in the case.



"From the standpoint of lawyers who represent black lung claimants, the decision will probably not change the way we approach cases," she said in a statement to *Business Insurance*. "It has always been our contention that a physician who summarily excludes coal mine dust exposure as a possible cause of or contributor to a miner's legal pneumoconiosis has not offered a well-reasoned or supportable opinion."

In *Sunny Ridge Mining Co. Inc. v. Herbert Keathley et al.*, the suit says Mr. Keathley worked more than 16 years as a coal miner in strip mines. His health deteriorated after he retired from the Ransom, Kentucky-based company and applied for federal benefits.

The law provides indemnity payments and medical benefits to coal miners who are totally disabled from

See BLACK LUNG page 41

LEGISLATION

Advocates see
more chance
of tort reformGrowing Republican
strength in many states
could boost efforts

BY MARK A. HOFMANN

Tort reform advocates say the results of last month's state elections will further their cause.

While stressing that tort reform isn't always a partisan issue, they noted that Republicans, who generally favor tort reform more than their Democratic counterparts, made significant gains at the state level in the November balloting.

Republicans won gubernatorial races in such Democratic bastions as Illinois, Maryland and Massachusetts while gaining control of the New York Senate, both houses in Nevada, the Minnesota House and several other legislative bodies.

"I think the elections will have an impact," said Matt Fullenbaum, director of legislation at the Washington-based American Tort Reform Association. While tort reform is "not a purely partisan issue," Republicans "on average" tend to support civil justice reforms more than Democrats, he said.

A consumer advocate, however, said a philosophical divide among some Republicans could stymie tort reformers' efforts. "There's a concern, but not an overwhelming concern, about the prospect of tort reform passing at the state level," said Joanne Doroshov, executive director of the Center for Justice and Democracy at New York Law School in New York.

The elections "have created a very favorable landscape" for reform, said Harold Kim, executive vice president of the U.S. Chamber Institute for Legal Reform in Washington. "If you look at most significant reforms during the past five or so years, the activity has really been in the states," he said, where at least 15 have enacted some sort of legal reform in the past several years.

As a result of the November balloting, Mr. Fullenbaum said Republicans control 30 state legislatures, and are a majority among governors and state attorneys general.

He pointed to West Virginia in particular, where Republicans won control of both houses.

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U.K. PROPOSES BAN ON INSURANCE COVER FOR RANSOM PAYMENTS TO TERRORISTS

K&R policies already exclude terror payments, industry says

BY SARAH VEYSEY



Insurers say they already do not reimburse ransom that is paid to terrorist organizations to free kidnapping victims and that a proposed U.K. law making it a criminal offense to do so is unnecessary.

The insurance industry was reacting late last month to British Home Secretary Theresa May's proposed Counter-Terrorism and Security Bill that would amend the U.K. Terrorism Act 2000.

Ms. May said the legislation, which would require many organizations to take more active steps to thwart potential terrorism and provide information to the government, is needed "to tackle the increasing threat from international terrorism."

Under the measure, on which British Parliament had taken no action late last week, insurers that pay insurance claims used to finance payments to terrorist groups would face criminal prosecution.

While details of kidnap and ransom insurance largely are kept secret since the coverage is invalidated if the buyer reveals that an individual is covered by K&R insurance, sources say about half of all the K&R insurance purchased globally is underwritten in the London market.

Before publication of the bill, brokers and underwriters expressed concern that any changes to existing practice may make it more difficult to underwrite K&R coverage. They also said existing United Nations and European Union sanctions rules, among other measures, already make it illegal to make payments to terrorist groups. "For some time, the U.N. has prohibited the reimbursement or payment of ransoms to proscribed terrorist organizations and Hiscox, like the rest of the London market, operates under these parameters," Bronek Masojada, CEO of Hamilton, Bermuda-based Hiscox Ltd., a leading underwriter of K&R coverage in the London market, said in a statement.

Most K&R policies already exclude payments to terrorist organizations, said a source from another major K&R underwriter, who asked not to be named.

Despite the legislation, great changes in the way K&R insurance business is conducted in the United Kingdom are unlikely, said Marc Hewitt, vice president of special risks at Marsh Ltd.'s financial and professional practice in Norwich, England. "Also, the legislation would not affect the recoverability of the fees and expenses of a response consultant, who can assist a client with all aspects of an incident involving a terrorist organization," he said. "Cover for such fees is included in all special risks policies, without any limit on the

coverage provided, regardless of the time scale."

Special risk policies also "cover reimbursement of various additional expenses, such as fees paid for psychiatric and/or medical care, legal advice and the salaries of the insureds," he said.

"We will continue to work within the law to ensure our clients understand the environments in which they operate, are able to identify and reduce potential threats to their people, and have the capability to respond to incidents appropriately," said Doug Milne, CEO of the special contingency risks division at Willis Group Holdings P.L.C. in London.

"It is worth noting, however, that the vast majority of kidnappings committed globally every year are not perpetrated by proscribed terrorist organizations," Mr. Milne added.

According to one source, who asked not to be named, only about 2% of all kidnappings worldwide are committed by terrorist groups.

The home secretary estimated that the Islamic State group alone collected some £28 million (\$43.8 million) last year in ransom payments.

Rating Agency A.M. Best Co. Inc. said it did not expect the proposal to drastically affect the insurance market if it becomes law.

K&R COVERAGE

■ Under the U.K. Counter-Terrorism and Security Bill, insurers would be criminally liable if they: made a payment "in respect of money or other property that has been, or is to be, handed over in response to a demand made wholly or partly for the purposes of terrorism and if the insurer or person authorizing the payment on the insurer's behalf knows, or has reasonable cause to suspect, that the money or other property has been, or is to be, handed over in response to such a demand."

■ K&R insurance typically pays ransom demands to free covered individuals; the loss of such monies in transit; accidental death or dismemberment of the coverage individual; legal costs; and expenses such as medical care, public relations expenses and loss of earnings. Such insurance often includes coverage of crisis management consultant fees.

MERGERS & ACQUISITIONS

Crawford acquires GAB Robins in global expansion move

BY BILL KENEALY

Crawford & Co.'s acquisition of London-based claims management firm GAB Robins Holdings U.K. Ltd. marks another step by the Atlanta-based claims management service provider to bolster its global specialty lines services.

In addition to providing a boost to revenue, Crawford's \$73.3 million acquisition of GAB Robins and its United Kingdom-based staff of about 600 that was announced last week significantly expands its U.K. presence, where Crawford already has about 1,000 employees.

"The world's most dynamic insurance market is the U.K.," Crawford CEO and President Jeffrey T. Bowman said. "So we see this transaction as a real opportunity to ser-

vice our clients both in the U.K. and as springboard for improving all of our international operations."

Indeed, a larger London footprint is vital to Crawford's efforts to service claims globally, Mr. Bowman said.

Adam Klauber, Chicago-based analyst at investment banking and asset management firm William Blair & Co. L.L.C., said the deal makes sense. "They are effectively taking out a large competitor in the (claims) adjustment space, adding a lot of revenue and probably getting some good synergies from it," he said.

Mr. Bowman said that in addition to acquiring a wide array of products and technical expertise, there is little overlap between the firms' rosters of clients. "We have complementary client bases," he said,

citing the specialty aviation business of GAB Robins as an area that is primed for growth.

The acquisition came on the heels of Crawford's announcement earlier in November that it has merged its Atlanta-based global technical services claims unit, which focuses on complex claims, with its specialty markets claims unit. The London-based specialty unit was launched in July 2013 to focus on the aviation, energy, marine, forensic accounting and mining markets for Lloyd's of London and international adjusting firms.

Mr. Bowman said Crawford expects to run both businesses separately as they finalize plans for integration in 2015. GAB Robins CEO, Kieran Rigby, will be appointed head of global markets for Crawford, the company said. Current Crawford U.K. and Ireland

CEO Greg Gladwell and GAB Robins Chief Operating Officer Mike Jones will jointly run Crawford's enlarged U.K. business.

The combined business will benefit from Crawford's previous investments in people as well as technology, Mr. Bowman said.

"As an organization, we've spent well over \$100 million on technology just in the past three or four years to be better able to play in a global environment," Mr. Bowman said. "So we think we can bring a lot of technology advances to the GAB organization."

Likewise, Mr. Rigby said the two firms would mesh well.

"By joining with Crawford, we combine our strengths to create a compelling loss adjusting and claims management option for clients across the globe," Mr. Rigby said in a statement.

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Congress close to compromise on terrorism insurance backstop

■ A compromise measure that would extend the federal government's terrorism insurance backstop program beyond its slated Dec. 31 sunset could be unveiled shortly. Late Friday, sources familiar with negotiations between representatives of the House of Representatives and Senate said the measure would call for extending the program for six years and raising the minimum damage required to trigger the program to \$200 million from the current \$100 million. The measure may also include a provision that would create a National Association of Registered Agents and Brokers to streamline interstate producer licensing. The backstop program, created by the Terrorism Risk Insurance Act of 2002, was previously extended in 2005 and 2007. The Senate approved a bill earlier this year that would extend the program for seven years; the House Financial Services Committee approved its own bill that would extend the program for five years and gradually increase the trigger to \$500 million. Both bills would require insurers to shoulder a greater share of losses stemming from catastrophic terrorist attacks.

Property/casualty insurance rates increase 1% in November

■ Commercial property/casualty insurance rates in November rose an average of only 1% compared with those of the same month in 2013, MarketScout reported. While no line of coverage monitored by the Dallas-based electronic insurance exchange posted a decline, surety remained flat compared with a year earlier. Commercial automobile reported the largest increase at 3%. Among industry classes, manufacturing, habitation and public entity each reported the smallest increases at 1%, while transportation accounts experienced an average 3% increase. Small and medium-sized accounts experienced the largest increases at 2%, while jumbo accounts reported no increase.

Large public companies' pension funding falls in November

■ The funded status of very large pension plans sponsored by public companies slipped in November as falling interest rates, which increased the value of plan liabilities, more than offset investment gains, according to a Milliman Inc. survey. Defined benefit plans offered by U.S. employers with the 100 largest pension programs were an average of 84.6% funded as of Nov. 30, down 84.8% as of Oct. 31. At the end of November, the plans had \$1.485 trillion in assets and \$1.756 trillion in liabilities, resulting in a funding deficit of \$271 billion, up from \$263 billion at the end of October.

More than 765,000 enroll in federal health exchange

■ Just over 765,000 individuals signed up for health insurance plans through the federal exchange during the first two weeks of enrollment, the Department of Health and Human Services reported. Those opting for coverage in the 35 states in which HHS operates the exchanges were closely divided between those selecting an exchange plan for the first time — 48% — and those that renewed coverage — 52%.

The selection of plans by 765,135 individuals through Nov. 28 contrasts sharply with last year's enrollment; at the end of November 2013, just 137,204 individuals had secured coverage through the federal exchange. CMS also reported that its call center received more than 1.5 million calls from Nov. 15 through Nov. 28, with an average wait time of 2 minutes, 7 seconds.

Gordon Stewart dies, formerly the Ill president

■ Gordon C. Stewart, former president of the Insurance Information Institute Inc., died Nov. 26 at the age of 75 in Garrison, New York, the New York-based organization said. According to Cold Spring, New York-based news website Philipstown.info, which Mr. Stewart founded in 2010, Mr. Stewart had suffered from emphysema. Mr. Stewart joined III in 1989 as executive vice president and became its president in 1991. He served as president until retiring in 2006. "It is impossible to sum up the impact that Gordon had on this organization," Robert Hartwig, the president of III who succeeded Mr. Stewart, said in a statement. "He was an extraordinary man who greatly influenced not only the institute but the insurance industry as a whole on an international scale." Mr. Stewart, a Chicago native, is survived by his wife, Zanne, and daughter, Katy.

ACORD leader Gregory Maciag to retire in 2016

■ Gregory Maciag will retire as president and CEO of ACORD Corp. on Jan. 15, 2016, the Pearl River, New York-based nonprofit insurance industry standards organization announced. He will continue serving as an adviser for one additional year through Jan. 15, 2017, which will mark his 40th anniversary with the group, ACORD said in a statement. The ACORD board will organize a five-member selection committee with three outside industry executives to identify and recommend Mr. Maciag's successor during the coming year, Mr. Leonard said in the statement.

Large companies pay most international bribes

■ Most international bribes are paid by large companies, often with the knowledge of senior management, according to a report issued by the Paris-based Organization for Economic Co-operation and Development. Based on an analysis of 400 cases from 41 countries that took place between February 1999 and June 2014, the report said bribes equaled 10.9% of the total transaction value, on average, and 34.5% of the profit, or the equivalent of \$13.8 million per bribe. Bribes were promised, offered or given most frequently — 27% of the time — to employees of state-owned enterprises, followed by customs officials at 11%, health officials at 7%, and defense officials at 6%. Heads of state and ministers were bribed in 5% of cases but received 11% of total bribes, according to the analysis, the OECD said in a statement. In 57% of the cases, bribes were paid to obtain public procurement contracts. In 41% of cases, management-level employees paid or authorized the bribe, while the company CEO was involved in 12% of cases. Intermediaries were involved in three out of four foreign bribery cases, the OECD said. These intermediaries were agents, such local sales and marketing agents, distrib-

utors and brokers in 41% of cases; while another 35% were corporate vehicles, such as subsidiary companies, companies located in offshore financial centers or tax havens, or companies established under the beneficial ownership of the public official who received the bribes, according to the analysis.

Washington comp rates to increase 0.8% in 2015

■ Workers compensation advisory rates for Washington state businesses will increase 0.8% in 2015, according to the state Department of Labor & Industries, which is the monopoly workers comp insurer for Washington. The department said in a statement that it had been considering a 1.8% increase in advisory workers comp rates for next year, but approved a smaller rate hike based on positive financial results for the state workers comp system during the third quarter of this year. "We're doing our best to keep rates steady and predictable, while making sure the workers' compensation system stays strong," Labor & Industries Director Joel Sacks said, in a statement. Labor & Industries insures more than 160,000 employers and 2.4 million workers in Washington state, according to the department.

U.S. reinsurer premiums up, combined ratio deteriorates

■ Premiums increased but the combined ratio worsened for the 18 property/casualty reinsurers included in the Reinsurance Association of America's nine-month underwriting results survey. Net written premiums totaled \$38.5 billion in the first nine months of 2014, up 86.0% from the same period last year. The jump was due to a large increase in premiums generated by Berkshire Hathaway Corp.'s Omaha, Nebraska-based National Indemnity Co., which entered into a multibillion-dollar retroactive reinsurance transaction with Liberty Mutual Insurance Co. in July to cover asbestos-related and other long-term liabilities, according to the Washington-based RAA. The group's combined ratio deteriorated to 91.7% from 85.9% in the year-ago period. The combined ratio is attributable to a 71.4% loss ratio and an expense ratio of 20.4%, according to RAA. The policyholder's surplus of \$141.1 billion was down 1.3% from the second quarter.

Aetna taps Karen Rohan as president

■ Health insurer Aetna Inc. has promoted Karen Rohan to president, giving CEO Mark Bertolini a true second-in-command. Ms. Rohan, 51, will start her role Jan. 1. She serves as Aetna's executive vice president of local and regional businesses and will retain that role. She will also oversee Aetna's national, government and specialty segments. She made more than \$3.4 million in 2013. Ms. Rohan has been with Aetna since 2012, previously holding executive roles with Cigna Corp. and Magellan Health. "I am pleased that Karen will take this enhanced role in helping direct our operations as we continue to grow and meet the evolving needs of our customers," Mr. Bertolini said in a news release. Joseph Zubretsky, who is Aetna's senior executive vice president of the national business, will now head Healthagen, Aetna's population health division.

Modern Healthcare

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Asia-Pacific attracts mixed M&A activity

■ The Asia-Pacific region is experiencing mixed merger and acquisition trends in the insurance sector as buyers from “diversified backgrounds seek deals for a variety of purposes,” according to a report issued by Oldwick, New Jersey-based A.M. Best Co. Inc. “Asia-Pacific M&A Seen as More Balanced, Driven by Value Creation” says the region has been a “popular destination for merger and acquisition activity, driven by top-line growth prospects for many still-developing markets with low insurance penetration.” But some insurers in the region’s advanced markets have looked outside the Asia-Pacific area in an effort to achieve diversification. Some of the biggest global deals have involved Asian buyers entering mature Western markets, the report says. In addition, emerging markets such as Indonesia, Malaysia and Thailand have attracted both Asian and Western buyers.

Gallagher acquires Australian broker

■ Arthur J. Gallagher & Co. has acquired Clayton North, Australia-based Instrat Insurance Brokers Pty Ltd. A spokeswoman for Gallagher would not comment on the terms of the deal, which were not disclosed. Instrat provides retail property/casualty insurance for small to middle-market commercial and individual clients, specializing in group programs for franchisees, licensees, associations, tradespeople, medical professionals, martial artists and sporting clubs, Gallagher said in a statement. Instrat principals Peter Johnston and Jim Santamaria and their associates, totaling approximately 45 employees, will continue in their current location under Andrew Godden, head of Gallagher’s Australian brokerage operation. “The Instrat team is well-regarded for its depth of insurance knowledge and strong market relationships,” said Gallagher Chairman, President and CEO J. Patrick Gallagher Jr. in the statement. “Their strong niche expertise and geographic presence will be an excellent complement to our Australian operations.”

India moves closer to insurance reforms

■ India’s main opposition Congress party has signaled it could support government legislation to liberalize the insurance

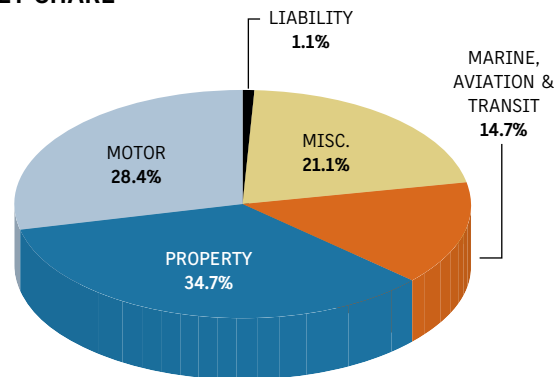
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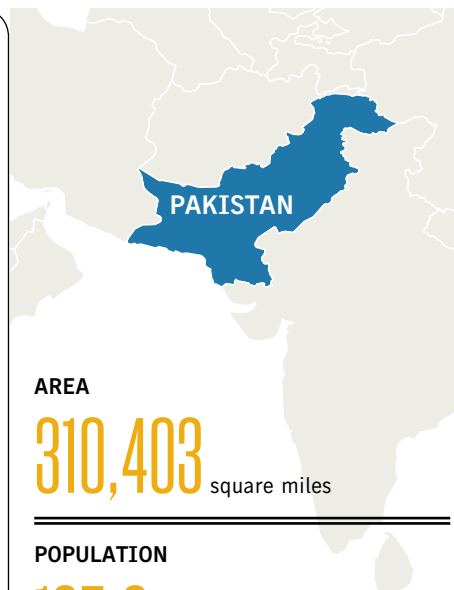
The property/casualty insurance market in Pakistan grew in 2013, and premium rates remained relatively stable. New rules affecting takaful insurance, coverage that complies with Islamic law, introduced two years ago are expected to spur growth in the takaful market long term. While terrorism coverage is a key concern in Pakistan, discussions on the establishment of a terrorism insurance pool have not progressed due in part to plentiful international reinsurance capacity.

◀ 2013 P/C gross premiums

MARKET SHARE



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies



AREA
310,403 square miles

POPULATION
185.8 million

PROPERTY/CASUALTY INSURERS
28

2014 GDP CHANGE (PROJECTED)
5.4%

MARKET DEVELOPMENTS

UPDATED NOVEMBER 2014

- In May, the conventional insurance market agreed to separately capitalize its takaful operations with a minimum of \$510,100. Such a provision was not included in the original legislation governing takaful insurance issued in 2012.
- Legislation is expected that would mandate crop coverage under a nationwide program. Indemnity would be based on per-acre input cost estimates and the estimated cost of cultivation.
- The Securities and Exchange Commission of Pakistan has begun work on a review of insurance broker regulations. The review is expected to focus on revised capital requirements and introduce reinsurance broker licensing requirements.
- In June 2013, general sales tax was increased to 17% from 16%.
- In June 2014, there was a large air cargo loss when terrorists attacked Karachi International Airport. Insured losses are expected to be between \$40 million and \$50 million.

COMPULSORY INSURANCE

- Auto third-party liability
- Professional liability for insurance brokers and loss adjusters
- Third-party liability and passenger legal liability for airlines
- Shipowners liability against marine oil pollution

NONADMITTED

Nonadmitted insurance is not permitted in Pakistan because the law provides that insurance must be purchased from locally authorized insurers, unless insurance coverage for the risk is not available in Pakistan or where the government grants exemption when there are deemed to be exceptional reasons.

INTERMEDIARIES

Local brokers are required to be registered with Pakistan’s insurance regulator. Agents are not required to be licensed, but they must be included in the registration of their principal company. Brokers are not permitted to place business with nonadmitted insurers, except when allowed under specific exceptions.

MARKET PRACTICE

Market sources indicate that there is compliance with the rules governing nonadmitted placements. However, fronting by way of facultative reinsurance is a relatively common practice.

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

industry, a long-delayed reform expected to help improve investor confidence. Prime Minister Narendra Modi proposed in August to lift the cap on foreign investment in insurance ventures from 26% to 49%, but the opposition blocked the move in the upper house of parliament, where he lacks a majority. However, Congress recently appeared to soften its stand on insurance reform and a constitutional amendment for a national goods and services tax that the government planned to seek in a parliamentary session. “Both the bills are our babies, we will see the nitty gritty. If our concerns are met, we have no reason to oppose them,” Congress spokesman Abhishek Manu Sanghvi told reporters. A previous Congress government had itself sought to open up the insurance sector to inject more funds into the world’s 10th-largest market, where fewer than 4% of Indians have coverage. But it failed to push through any

reform because of a lack of support in parliament, including from Mr. Modi’s Bharatiya Janata Party then in opposition.

Reuters

U.K. regulators approve Africa-focused reinsurer

■ One Re Ltd., a nonlife Africa-focused reinsurer has been approved by U.K. regulators to do business in the United Kingdom. Based in London, One Re is solely focused on Africa, and most of the executive management are African and have worked in Africa’s insurance industry for over two decades, One Re CEO and co-founder Andrew Lewis said in a statement. The company is backed by an initial investment of \$50 million from the co-founders. “There is undoubtedly a return in global risk appetite. Sub-Saharan African markets have benefitted

from renewed investor interest, which has provided an increase in demand for insurance and reinsurance in Africa,” Mr. Lewis, said in the statement. Training and building local insurance knowledge and skills in African markets will be a priority for One Re, Mr. Lewis said.

ArgoGlobal names risk management chief

■ Georgia Tsiakki has been appointed head of risk management at ArgoGlobal, the Lloyd’s of London arm of Hamilton, Bermuda-based Argo Group International Holdings Ltd. She replaces Wise Chigudu, who is relocating to South Africa. Ms. Tsiakki takes up the position with immediate effect, reporting to Jack Buckley, chief actuary and director of risk, Argo said in a statement. Ms. Tsiakki previously was risk governance manager at London-based insurer

and reinsurer Amlin P.L.C.

U.K. terror backstop changes welcomed

■ Airmic Ltd., the U.K. risk management association, has welcomed a vote by the members of Pool Reinsurance Co. Ltd., the United Kingdom’s government-guaranteed terrorism backstop, to implement changes that it believes will make Pool Re more attractive to insurance buyers. At an extraordinary general meeting, Pool Re members voted unanimously in favor of changes to the pool. The U.K. Treasury had proposed a hike in the retrocession premium it charges the pool, which is funded by levies charged to insurers offering terrorism coverage, in return for continuing its guarantee to pay claims if they exceed Pool Re’s funds. Pool Re said in a statement that members had voted to agree

to that change as well as several other modernization measures proposed by Pool Re's board. Those proposals include a reflection of retentions in the rates charged to buyers and a proposal to allow Pool Re to seek retrocession coverage from the commercial markets, among other things. London-based Airmic said in a statement that it believes the proposed changes will make Pool Re more attractive to insurance buyers. "We wholeheartedly welcome Pool Re's new approach," Airmic CEO John Hurrell said in the statement. "It's a big step forward ... It will make the scheme an even more valued protection against the threat of terrorism to U.K. business and also to many public-sector organizations."

Talbot Underwriting opens Sydney office

■ Talbot Underwriting Ltd., a wholly owned subsidiary of Validus Holdings Ltd., is opening an office in Sydney, the company announced. The office will be

headed by Adam Matteson and offer products available from Talbot's managed syndicate 1183 at Lloyd's of London, Talbot said in a statement. Mr. Matteson joins Talbot from Arch Underwriting at Lloyd's (Australia) Pte Ltd., where he served as regional director. "This new initiative will allow us to better serve our existing and expanding client base and shows the importance of and commitment to the region," John Ewington, CEO of Talbot Asia Pacific, said in the statement.

Cooper Gay launches LatAm energy practice

■ Cooper Gay Miami, the Latin American headquarters of London-based reinsurance broker Cooper Gay Swett & Crawford Ltd., has created a Latin American energy practice to provide facultative and treaty reinsurance for regional businesses in the oil and gas exploration and power-generation sectors. The Latin America energy practice group will operate across Cooper Gay's nine Latin

American offices, including Miami, Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru and Uruguay, Cooper Gay said in a statement. Santiago, Chile-based Luc Van Eyghen, the country manager of Cooper Gay Chile, will lead the practice, reporting directly to the Miami-based headquarters, according to the statement. As one of the world's largest consumers of energy with requirements expected to grow considerably, Latin America is "exploring new ways to meet demand including importing liquid natural gas from the United States, tapping into shale gas deposits and seeking sources of renewable energy with low environmental impact," Cooper Gay said in the statement.

E.U. watchdog expects action from stress tests

■ The European Union's insurance watchdog said it expects rapid action from insurers and supervisors to address weaknesses in capital and business models it had identified in a series of

stress tests. In recently released findings, the independent body said nearly one in four European insurers could have trouble meeting obligations to policyholders in coming years if the era of wafer-thin interest rates continues. "From now until the end of next year, we are going to see a flow of actions — possibly capital in some situations — but also other types of balance sheet management," Gabriel Bernardino, chairman of the European Insurance and Occupational Pensions Authority, told a news conference. Unlike the European Central Bank's stress tests for the banking sector, completed in October and prompting capital raisings by lenders, EIOPA did not release the names of individual companies that fell short.

Reuters

Austbrokers grows with New Zealand deals

■ Australian brokerage network Austbrokers Holdings Ltd. acquired Auckland, New Zealand-based BrokerWeb Management

Ltd., along with a 50% stake in BrokerWeb Risk Services Ltd., Austbrokers announced late last month.

The combined entity will have more than 120,000 clients and handle gross written premiums of about 350 million New Zealand dollars (\$276.0 million), Austbrokers said in a statement. Terms of the deal were not disclosed.

"We are very excited about our future and furthering our planned expansion with the support and partnership that Austbrokers brings," David Archer, CEO of BrokerWeb Risk Services, said in a statement.

Mr. Archer and BrokerWeb Management CEO Jim Harris will remain in their current roles, according to the statement.

Huntsville, Australia-based Austbrokers places commercial lines and personal lines insurance products including property, liability, auto fleet and professional indemnity.

BrokerWeb handles business interruption, general liability, directors and officers liability, and engineering insurance, among other things.



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ECONOMY, PLAN CHANGES KEEP LID ON HEALTH CARE COSTS

Q Numerous surveys, including one by Aon Hewitt, have reported that group health care plan cost increases in 2014 have been relatively modest, roughly half of the 6% to 7% annual increases that were the norm just a few years ago. To what do you attribute the easing of health care cost increases?

A The overall economic situation has helped to dampen consumer spending in all categories, including health care. To the extent consumers could put off having certain medical procedures done because of the cost, they have done that.

Somewhat related, we have seen an increase in higher-deductible and other consumer-driven health care plans. Those plans have helped to empower people to make better decisions on how to use the health care system. Individuals using generic drugs instead of brand-name drugs, or urgent care centers instead of hospital emergency rooms, is often attributed to people having more cost exposure.

And as more people are covered in public exchanges — and before

Q & A

that, mandating coverage of employees' children up to age 26 — we are slowly taking the cost of uncompensated care out of the health care system.

Q On the employer side, what actions have employers taken that are particularly effective in holding down health care cost increases?

A First, employers have been very smart about who they cover. So employers have put in place dependent eligibility audits to make sure they are not covering

people that they shouldn't, like a child who has aged out of the plan.

Second, we have seen changes in how employers subsidize dependent coverage. We have seen that increases in things like surcharges for working spouses, or lower employer subsidies for dependents, has led to a drop in the number of covered dependents as those individuals have gotten coverage from their own employers.

Third, there has been better health engagement. So, for example, an employer might link a better benefit option than the base plan with completion of a health risk assessment.

Q Are you optimistic that health care cost increases will remain at relatively modest levels?

A I would put myself in the cautiously optimistic camp, ... though, we are facing a couple of headwinds. First, there has been a rise in the prevalence of expensive specialty medications, such as those for treatment of hepatitis C.

In addition, as the economy improves, there will be a return of more discretionary spending on



JIM WINKLER
AON HEWITT

One of the most encouraging developments in the employee benefits arena is the easing of group health care plan cost increases. In an interview with *Business Insurance* Editor-at-Large Jerry Geisel, Jim Winkler, Norwalk, Connecticut-based chief innovation officer for benefit consultant Aon Hewitt, discusses the reasons for that slowdown and the likelihood of whether it will continue. Edited excerpts follow.

health care.

In addition, there is aggregation going on in the health care system — hospital systems, for example, coming together, and hospitals buying up physician groups, all of which creates the potential for short-term increases.

Q One of the biggest developments in the market has been the establishment of private health insurance exchanges. What is the appeal of exchanges to employers?

A There is a belief that the creation of a true competitive mar-

ketplace, where insurers are competing for consumers, has seen very different behavior on the part of insurers in how they set their rates, and how they scrutinize their own programs in terms of what favorably impacts costs.

In addition, there is an awareness on the part of employers that in an environment in which they are cost-challenged and having an increasingly dynamic and diverse workforce, being able to offer employees a wider array of choice than any one employer would want to manage on its own is compelling.

COMINGS & GOINGS

UP CLOSE: DONNA NADEAU

NEW YORK-BASED CHIEF OPERATING OFFICER
XL Group P.L.C.'s North America property/casualty division

PREVIOUS POSITION: New York-based chief actuary for XL's North America property/casualty division.

LOOKING FORWARD TO: Doing something new. Be pushed outside of my comfort zone. I have been an actuary for my whole career.

CHALLENGES FACING INDUSTRY: How do we reach the customer base in new ways with the changing technology?

INDUSTRY OUTLOOK: I am more optimistic than some other folks. It's a matter of knowing your customers and knowing what's important to them.

FIRST INDUSTRY JOB: An actuary for Liberty Mutual Insurance Co. in Boston.

WHAT SURPRISED ME: How formal it was. I am dating myself here but I remember the first time I wore pants to a meeting. It was always a skirt, a jacket and pantyhose.

ADVICE: Be willing to take risks and challenge yourself. And whatever you are doing, try to have fun.



OUTSIDE THE INDUSTRY, A DREAM JOB: Something that would challenge me more creatively. Design houses, wardrobes ... something like that.

HOBBIES: I love being that mom on the sidelines. My free time is all about my children. Pick a season: I'm either a soccer mom, a baseball mom, a basketball mom. The other hobby is watching Boston sports.

THING MOST PEOPLE DON'T KNOW

ABOUT ME: That I wanted to teach kindergarten when I started college.

WHEN I RETIRE: Have fun and spend a lot of time outside in activities.

CAN'T-MISS TELEVISION SHOW: New England Patriots on a Sunday afternoon. I am serious about my Boston roots.

FAVORITE BOOK: Anything by David Baldacci or James Patterson.

FAVORITE MEAL: Any sort of comfort food.

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EDITORIAL

DEPRESSION AN ONGOING PROBLEM

Six years after meaningful mental health parity legislation was signed into law, depression in the workplace remains an unresolved problem for many employers and employees. While the Mental Health Parity and Addiction Equity Act of 2008 requires employers to provide the same coverage for mental health and substance abuse disorders as they do for other medical conditions in their group health care plans, many employees are reluctant to tap health care resources, other than taking medication, to address mental health conditions. That is even though many employers offer free or affordable access to employee assistance programs to provide counseling and other services.

As we report on page 1, despite the federal parity law, employees often are reluctant to seek help when they are struggling with depression in part because of the stigma that surrounds mental illness.

And the annual cost to employers of workers untreated mental illness is estimated in the tens of billions of dollars in lost productivity and other costs.

Addressing the problem of depression in the workplace, however, is difficult. Privacy rules and the reluctance of employees to admit they need help limit what an employer can do. The first step in trying to address the problem should be to clearly communicate that help is available. That communication should extend beyond distributing information about the availability of assistance programs, to include training of line managers to be aware of the issue and how to address the topic if a depressed employee confides in them.

From there, employers need to be prepared to make accommodations — such as modified work schedules — to help employees deal with depression. Only by taking such steps can employers hope to make progress addressing depression in the workplace and curb related productivity losses.

As is often the case with providing health care, it's not only the right thing to do; it makes good business sense, too.

LETTERS

TWO TERRORISM BACKSTOP BILLS, BUT ONLY ONE REAL CHOICE

Dear Editor,

The Terrorism Risk Insurance Act program reauthorization debate presents Congress with a blunt choice. Either it will adopt 1) a precipitous sea change in the private insurers' share of this risk, threatening program integrity and solvency, but without neutral marketplace data to support it (H.R. 4871); or 2) a measured marketplace data-based and slight midcourse correction, prudently raising that risk share while assuring the program's continued viability and scope (S. 2244).

When compared with the Senate bill, two provisions of the House

See **LETTERS** page 43

SCHILLERSTROM



COMMENTARY

STRETCH ASSIGNMENT LEADS TO NEW CHALLENGE

When Brian Duperreault, CEO of Hamilton Insurance Group Inc., suggested in his keynote speech at the Bermuda Captive Conference earlier this year that women need to take “stretch assignments” to move up the corporate ladder, it reminded me of all those “extra credit” assignments I completed back in high school. Teachers promised those assignments could help boost my grade point average to ensure I’d make the honor roll and get into college.

Similarly, in the business world, “stretch assignments” are an important part of performance appraisals and can make a difference in determining who qualifies for a promotion, according to Mr. Duperreault. They might include working in an overseas office, leading a team or overseeing a special project, providing exposure to a company’s revenue sources, strategic markets or key products, he explained.

Until I read Mr. Duperreault’s speech, I hadn’t really thought about the *Business Insurance* Women to Watch Leadership Conference as one of those “stretch assignments.” Four years ago, I jumped at the chance to develop content for the conference because I was personally interested in the subject matter. But now I am reaping the rewards of my labor. Thanks to the success of Women to Watch, on Jan. 1, I will become *Business Insurance*’s director of conference programming, a newly created position.

During my 29-year tenure at this magazine, I’ve covered the commercial insurance industry from virtually every angle. As a reporter, I interviewed risk



JOANNE WOJCIK

SENIOR EDITOR

managers, benefit managers, brokers, consultants, underwriters, attorneys — you name it. As a bureau chief, I hired and mentored other reporters. And most recently as a senior editor, I’ve developed more complex enterprise stories.

I often joke that the longest and most successful relationship I’ve had is with my job. *Business Insurance* has been there for me through-

out many personal struggles, often serving as a second family. I have made lifelong friends with fellow staff members and with many of my sources, to whom I owe a debt of gratitude for all that they have taught me over the years. I am looking forward to deepening those relationships as I begin my next chapter at *BI*, helping to grow its conference and events business.

I also welcome feedback from you, our readers, without whom there would have been no stories for me to write. I invite your suggestions for how we can improve the events we currently offer, as well as any ideas you may have for introducing new educational programming, both in-person and virtual. It is my mission to help all of you — both women and men — to achieve greater heights in your careers, just as you have helped to send mine in this exciting new direction.

Better risk management results in cheaper cyber cover

Applying a methodical approach to identifying cyber strengths and vulnerabilities at all levels of a company — from administrative to technical — will give a risk manager a strong hand when the time comes to purchase cyber insurance, an increasingly complex endeavor, says attorney Christopher Brubaker of Clark Hill P.L.C.

Now more than ever, risk management is a key component of any successful business. Diligence and attention to detail have always been key aspects of a successful risk management program. When it comes to cyber risk, these attributes have the potential to save you hundreds of millions of dollars.

Cyber risk is a complex and multifaceted threat that goes beyond compliance, which can be challenging enough in its own right. It encompasses a variety of internal and external threats that can be combined either by design or bad fortune. Organized gangs of cyber criminals are actively probing and attacking computer systems, exploiting any weakness they can find and constantly adapting to circumvent the latest technology. Your company may also be in the crosshairs of a foreign government and all of the resources a country can throw at defeating your cyber defenses.

Proactive risk management is the key to keeping these threats in check.

What is known to date about last year's Target Corp. breach illustrates the importance of risk management as it relates to cyber risk for policyholders and insurers alike. Several months before the breach, Target installed a security system that provided a virtual environment for programs and processes to run before they were allowed on the main system. This provides the opportunity to identify and eliminate threats before they reach breach status.

The system reportedly did detect the malware that was used in the attack and issued warnings before data began leaving the system. However, the warnings were not acted on before the incident escalated and became a breach.

What is unclear at this time is exactly what the breakdown was with the risk management process that had been put in place. Target had clearly been proactive in trying to thwart the very risk that it fell victim to and yet still managed to succumb to this attack. Target's experience demonstrates both the benefits and limitations of risk management.

The Home Depot Inc. and Target data breaches also show the potential magnitude of losses related to a data breach. The types of loss are varied, numerous and can quickly escalate. There are a number of different figures being reported for the cost of the Target breach to date. Some reports put estimated losses at \$148 million, with \$38 million of that recoverable from insurance. Other reports

put the total at \$235 million, with \$90 million paid by Target's cyber insurance. Reading these together suggests that Target has exhausted its cyber cover and been able to recoup some costs from other insurance, leaving it with a net loss of at least \$110 million.

Home Depot's data breach (56 million payment cards) is significantly larger than Target's (40 million payment cards). Home Depot reportedly has \$100 million in cyber coverage on top of a \$7.5 million retention. If Home Depot's cost ratio is the same as in the Target breach, then Home Depot could be facing a net loss over \$200 million.

Cyber insurance is here, and it is growing fast. A recent report estimated that \$2 billion will be spent on premiums for cyber insurance in 2014, up 67% from 2013. Combine that with surveys indicating that only 26% of companies have cyber insurance, and those figures will only continue to rise. In many ways, this increase in demand is occurring at an opportune time with casualty and property policyholder surplus recently hitting all-time

After implementing the plan, it is time to monitor, monitor, monitor. Stay vigilant, as threats will change, often quickly, over time. Respond to any and all anomalies that are detected.



highs. However, risk management will be critical as this coverage continues to evolve — not only because of the lack of prolonged loss history and the potential magnitude of losses, but also because of the ever-changing nature of the risk.

With a large breach carrying costs that can easily exceed \$200 million, how much cyber coverage is enough for your company, and will you be able to afford it? The amount of coverage needed will obviously vary greatly from company to company based on a number of factors. However, both the rate for the coverage and the limits available, whether for \$20 million, \$50 million or \$200 million, will likely depend primarily on risk management.

When it comes to underwriting for cyber insurance, risk management is the name of the game. Applications are in the nature of information technology risk management audits.

Illustrating this is the recent announcement of a new cyber insurance product in a partnership between Guy Carpenter & Co. L.L.C. and Ridge Insurance Services, led by Tom Ridge, former U.S. secretary of Homeland Security and governor of Pennsylvania. The product is aimed at small and medium businesses with limits up to \$50 million and is being underwritten by a number of cyber-focused syndicates at Lloyd's of London. According to the Guy Carpenter news release, one of the key features is an initial on-site assessment of existing cyber security capabilities to be performed by Ridge Insurance Services. The assessment will include recommendations for improving security. How well those recommendations are followed will directly affect premiums.

Need more incentive to upgrade your cyber risk management? The results of a Ponemon Institute L.L.C. study show the average cost of a data breach at \$201 per record. This cost can be reduced by \$10 per record by having a chief information security officer and up to another \$17 per record by having incident response plans in place prior to the breach, the study shows.

A final point to keep in mind is that cyber security protocols are essentially a risk management process. Most standards follow similar patterns. First, identify your cyber assets and their vulnerabilities. What data, systems and/or operations do you have that are part of your business process? How valuable or important are they to your business? What risks do these assets face?

Next, identify the processes, safeguards and controls that are in place or available. Remember to look at all methods: administrative, organizational, physical and technical. Subsequently, a cost-benefit analysis is in order to develop the plan that is right for you.

After implementing the plan, it is time to monitor, monitor, monitor. Stay vigilant, as threats will change, often quickly, over time. Respond to any and all anomalies that are detected. Remain flexible and always look for ways to improve.

Remember that the cyber-criminals are waiting for you to make a mistake.



Christopher Brubaker is an attorney with national law firm Clark Hill P.L.C. He has more than 15 years of experience in complex commercial and general litigation. He advises clients on insurance and reinsurance coverage, class action securities fraud, contract matters, business dissolution and insurance defense. He can be reached at cbrubaker@clarkhill.com and 215-640-8516.



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Beth Bombara P20
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2014 BUSINESS INSURANCE®

WOMEN to WATCH



Business Insurance's annual Women to Watch feature recognizes women who are doing outstanding work in commercial insurance, risk and benefits management, and related fields, including consulting and law. The program was introduced in 2006 to serve as a springboard to encourage more women to break through the glass ceiling in an industry that has been largely male-dominated.

Each year, 25 women are identified as Women to Watch by a panel of *Business Insurance* editors based on honorees' recent professional achievements; their impact on their companies, clients or the commercial insurance industry as a whole; their contributions to the advancement of women; and their potential career trajectories.

The program is open to women leaders worldwide who are connected to the commercial insurance industry.

While it always has been difficult for the *Business Insurance* editors to narrow the field of candidates down from the hundreds who are nominated, this year has been especially challenging given the exceptional caliber of the women, more and more of whom are advancing into higher leadership positions.

We will celebrate these women's achievements during a Dec. 8 awards ceremony in New York.



READ MORE DETAILS ONLINE

In addition to the profiles, a slideshow of Q&A interviews with all the 2014 Women to Watch honorees is available online at www.BusinessInsurance.com/WomentoWatch2014.

ZURICH SALUTES 2014'S BUSINESS INSURANCE WOMEN TO WATCH.

Zurich congratulates the 2014 Business Insurance Women to Watch in recognition of their professional achievements, marketplace influence and contributions to the advancement of women in business. Your commitment to excellence is an inspiration to the women who will help lead the risk management industry of the future.

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SHOWING WOMEN THE VIEW FROM THE TOP

Female executives reinforce gender diversity as role models

BY JOANNE WOJCIK

Gender diversity in the executive ranks is good for business, research shows.

Companies with the highest number of female executives outperform those with the lowest number by 26% in return on invested capital and by 16% on sales, according to Catalyst Inc., a New York-based nonprofit focused on women's advancement in business.

Despite those 2011 findings, just 26% of women view the commercial insurance industry as embracing women as leaders, according to a survey earlier this year of more than 800 insurance industry members by the Walnut Creek, California-based Insurance Industry Charitable Foundation.

In fact, just over 1% of the CEOs in the financial services and insurance industries are women, compared with 5.2% of Fortune 1000 companies, according to other research Catalyst published in October.

According to a *Business Insurance* survey of more than 1,700 members of the insurance industry, about half of companies say they have a diversity program and one-third of employees say their companies are more diverse today (see poster, page 24).

Perhaps one of the biggest obstacles to women's advancement is middle management, according to research presented at a Womenetics' Global Women's Initiative conference earlier this month in

Chicago. Women often get "stuck" in midlevel roles because their managers view them as essential and reliable and don't want to lose them, according to the Bain & Co. research. But this is precisely the time such women should be advancing, because they have mastered their current positions and need to take on new challenges so they can expand their competencies, according to the Boston-based management consultant's survey.

Women have greater aspirations to ascend to top management than

whether they resonated with the ideal worker in their organization, whether their supervisors talked to them about their goals and aspirations, and whether there were people in their organizations who emulate their values."

In other words, woman's aspirations rest on whether there were female role models in their organization's leadership.

"Front-line managers need to be aware of their role in cultivating talent," Ms. Coffman said. Unfortunately, "whatever is happening in the conference room reinforces

diversity through speech and actions.

Since *Business Insurance* introduced its Women to Watch recognition program in 2006, many honorees have risen into top leadership in this industry — such as Inga Beale, a 2006 honoree who last year was named the first female CEO of Lloyd's of London, the world's oldest insurance market that historically has been male-dominated. Some took nontraditional paths to leadership, such as Laura Greifenkamp, a 2013 honoree who became the chief financial officer at broker Gallagher Bassett Services Inc. after taking a break to help her husband establish his own business.

Other honorees who faced similar professional and personal hurdles on their roads to success now serve as role models other ambitious women in the commercial insurance industry can emulate. This year, *Business Insurance* received nearly 400 nominations for Women to Watch, demonstrating the field of outstanding women is growing, and that the advances made by prior years' honorees are paying dividends for those who follow in their footsteps.

Coincidentally, four organizations affiliated with the commercial insurance industry are spotlighted in the McKinsey research, which was sponsored by the U.S. Chamber of Commerce's Center for Women in Business. Of 581 companies for which this data was available, 78 were identified as

best performers in gender diversity. Among the dozen companies that agreed to go under the microscope for the report were Aetna Inc., MetLife Inc., Travelers Cos. Inc. and Wells Fargo & Co.

While Aetna and MetLife were identified as "advantaged" because of the large proportion of female employees, Travelers and Wells Fargo had disadvantages that could have inhibited their diversity efforts that they were able to overcome, the report noted.

That is because these companies paid attention long ago to five elements that McKinsey found can help companies become leaders in gender diversity: hands-on leadership, including leaders who are personally invested in diversity; pervasive sponsorship, where creating opportunities for all talent is a leadership norm; stepped-up talent management that accelerates women's advancement, such as recruiting, talent development and succession planning; strong accountability supported by fact, where progress, or the lack of it, is measured, reported and discussed at all levels of the organization; and diversity leadership with clout, where a specialized function, top team or both are responsible for acknowledging and discussing diversity issues.

"Companies that committed to gender diversity more than 30 years ago are performing well on diversity today," the report said. "Success begets success over time."

26% of women view the commercial insurance industry as embracing women as leaders, according to a survey earlier this year of more than 800 insurance industry members by the Walnut Creek, California-based Insurance Industry Charitable Foundation.

their male counterparts in the first two years of their careers, said Julie Coffman, chair of Bain's Global Women's Leadership Council, who presented the research at the Womenetics conference. But by midcareer, their aspirations wane, she said.

Bain's study, derived from a March survey of 1,009 people in a variety of positions and industries, found that 43% of women aspire to top management in their first two years on the job vs. 34% of men. But among experienced employees, just 16% of women are aiming for the top vs. men's steady 34%.

"This is not due to getting married and having kids," Ms. Coffman said. "It had to do with

men's aspirations while eroding women's. We have to celebrate a variety of heroes in our organizations, people who took different pathways."

Separate research by McKinsey & Co. also presented at the conference identified three key attributes shared by organizations that have made significant progress in achieving gender diversity: Companies with more women on the board in 2007 had more women in top leadership positions in 2011; industries that attract more women workers are more likely to have more women in top leadership positions; and the CEO demonstrates a personal interest in cultivating gender

2014 WOMEN TO WATCH PROFILES

Jennifer Barton

CHIEF OPERATING OFFICER FOR HUMAN CAPITAL PRACTICE

Willis North America Inc., Chicago
Age: 41

Jennifer Barton has never let the scale of a challenge presenting itself stop her.

Whether it's hiking the Grand Canyon from rim to rim in a single day or building a human resources consulting practice for Willis North America Inc. from scratch, Ms. Barton has displayed an innate ability to blaze a trail.

After interacting with the brokerage frequently as director of

human resources for a Willis client, she was recruited to join Willis 12 years ago. She quickly grew the consulting arm into an integral part of Willis' human capital practice. Ms. Barton said her experience as an HR director paid dividends. "In my previous job I went through a lot of mergers and acquisitions and managed a lot of locations, so I faced many of the same challenges that all organiza-

tions go through today," she said.

Ms. Barton ran the consulting practice for nine years but was then tapped to take her current role at Willis. "Handing off the consulting practice and moving into a more operational role was a huge decision for me," she said. "I had to move outside my comfort zone, but it has been a great move."

Jim Blaney, CEO of Willis' human capital practice, couldn't



agree more. He said her ability to think strategically while at the same time effectively managing operations sets her apart.

"Jennifer is a former HR director,

so she brings in the thought process of the end user," he said. "She's also ... understands what we need to do operationally to empower those clients."

Ms. Barton expects her role at Willis to become increasingly global: "I've previously worked for Willis in London, and as I look around I see more work abroad in my future, as we know that globally people are now faced with many of the same types of risks."

Mr. Blaney agreed she will be instrumental in the charting the way Willis operates globally, but said her impact on the company is already evident. "She has informally created a great example to other women at Willis of what can be accomplished," he said.

By Bill Kenealy



\$100M
Average property casualty claims
paid each business day in 2013



18M+
Americans helped by
AIG retirement solutions



\$1.5B
Global Property
per risk capacity

What's behind AIG's numbers?

90+
Years helping insure
brighter tomorrows



one
World Trade Center
rebuilding as lead insurer

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Women to Watch

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Leah Binder

PRESIDENT AND CEO

The Leapfrog Group, Washington
Age: 52

Leah Binder's entry into the health care field was, as she recalls, "accidental." She was interested in working for a non-profit organization. After seeing an ad, she interviewed for and landed a position with the National League for Nursing, a nursing accreditation organization.

That job, where she handled policy and communications issues for

six years, was a springboard to other positions in the health care field, including serving as a senior health policy adviser for then-New York City Mayor Rudolph Giuliani, working for eight years as vice president of a rural hospital network in Farmington, Maine, and since 2008 as the president and CEO of the Washington-based Leapfrog Group, which is dedicat-



ed to improving hospital care.

Many years have passed since she entered the field, but her pas-

sion for improving quality of care has not ebbed. "I really enjoy seeing the changing health care market," she said. For example, with the growth of consumer-driven health plans, individuals have become more aware of costs and have become better consumers of health services, she said.

And under Ms. Binder's direction, Leapfrog is helping consumers make better informed provider choices. In 2012, it published a report assigning letter grades to hospitals on their safety records. "It is a letter grade on how safe hospitals are for patients," she said. Producing such a report was risky, she said: "Nothing like this had ever been done."

That passion has not gone unnoticed. "As a former hospital leader, she knows full well that within the health care industry, it is widely known which physicians and hospitals are the best and which ones are to be avoided. Her work through Leapfrog is about making the same information available to everyone," said Cristie Upshaw Travis, CEO of the Memphis Business Group on Health.

Her success is due to "vision coupled with persistence. She knows she is on the right side of patient safety," said Robert Moroni, senior vice president and benefits consultant with The Segal Group Inc. in Bloomfield Hills, Michigan.

By Jerry Geisel

Beth Bombara

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

The Hartford Financial Services Group Inc., Hartford, Connecticut
Age: 47

For Beth Bombara, chief financial officer of The Hartford Financial Services Group Inc., teamwork is key.

She oversaw the runoff of Hartford's legacy annuity liabilities, creating teams to carry out the work, which involved very compli-

cated transactions — something about which she feels "very good."

Ms. Bombara was named Hartford's CFO earlier this year. She joined the company in 2004 after working as a certified public accountant, and many clients were involved in insurance, she said.



"As my career progressed, I gravitated toward the industry for

a variety of reasons," she says. "First of all, I think it's an industry that continues to grow and to innovate. There's always opportunity to do things differently. We feel tremendous pride in the service we provide to our clients."

At Hartford, where Ms. Bombara was appointed president of the company's Talcott Resolution runoff operation in 2012, she oversaw expanding the Japanese variable annuity hedging program, which contributed to the company's announcement last year that Talcott Resolution was capital self-sufficient. Earlier this year, Hartford sold both its Japanese and U.K. variable annuity businesses,

bringing the company considerably closer to the strategic objectives to focus on core businesses that it set out in 2012.

"Beth's leadership is defined by effective and informed decision-making," said Hartford CEO Christopher Swift in an email. "She collaborates with others to understand options and moves quickly to identify and execute on solutions."

"It comes down to people first and foremost," said Ms. Bombara. "I really enjoy the people I work with — I think we are a tremendous team ... The power of many cannot be underestimated."

By Mark A. Hofmann

Jacqueline Day

MANAGING DIRECTOR, CRISIS AND SECURITY CONSULTING, AMERICAS REGION

Control Risks Group Holdings Ltd., Washington
Age: 36

Jacqueline Day developed a global perspective early in life that has led to her current position as managing director for crisis and security consulting in the Americas region for Washington-based Control Risks Group Holdings Ltd.

"I was born abroad in Japan and

traveled a lot internationally from a very young age. So I would say that's the first driver — early exposure to foreign cultures and places — that really got me interested in international affairs and security issues," Ms. Day said.

Her sensibilities grew while an undergraduate at Georgetown

University and while she got an M.A. in law and diplomacy from The Fletcher School at Tufts University. She worked at the Pentagon and was across the street in a meeting when it was attacked by terrorists on Sept. 11, 2001. "For me it was and still is a very powerful motivator to remain involved in



the field of international security and risk management," she said.

One career highlight was serving as project director for Control Risks at the recent World Cup in Brazil. Another is being mother of a 2-year-old boy born in Brazil.

Ms. Day mentors women and men through Control Risks' mentoring program. "She has a dedication to perfection," said Jim Brooks, CEO and president for the Americas at Control Risks. And her "strong leadership and interpersonal skills combined with technical knowledge" impress Jim Fairbaugh, head of global security and safety, Americas region and global data centers, for Yahoo Inc., Sunnyvale, California.

By Matthew Lerner

Marialuisa Gallozzi

PARTNER

Covington & Burling L.L.P., Washington
Age: 52

Marialuisa Gallozzi, a partner at law firm Covington & Burling L.L.P. in Washington who works on behalf of policyholders in the firm's insurance coverage practice, says she would have been surprised if she had been told years ago she would end up working in the insurance sector.

Ms. Gallozzi attended New York University School of Law after graduating from Harvard University and working as a paralegal. She said she was fortunate, after serving in a clerkship, to get a job at Covington. There were "different areas that you tried out, and at the time insurance litigation was a

big part of our practice, as it has been for quite some time," she said. "I started working in insurance litigation and gravitated more to settlement of insurance disputes and advisory work over time," as well as transaction work.

"I really enjoy working with clients and getting to know their



business, and am satisfied when it's possible to resolve the problem

efficiently and also to work with junior lawyers and the incredibly talented people that I've been exposed to both inside and outside the firm," she said.

"As a counselor and negotiator, Marialuisa brings a lot of credibility to the table and has a unique ability to help resolve difficult coverage disputes," said Mitchell Dolin, a partner at Covington & Burling in Washington.

"Her ability to be quite resolute in representing her clients but at the same time have a really positive, constructive bridge-building success with adversaries" is a big part of her success, Mr. Dolin said.

By Judy Greenwald

THE NEW STANDARD FOR HEALTHCARE EXCELLENCE

In an unpredictable healthcare climate, Donna Hodges has set a new standard for excellence.

- She has reduced clients' healthcare costs with innovative strategies.
- She has established valuable new partnerships and alliances.
- She has developed a successful new exchange product offering.
- She has won new business and grown revenue.
- She has mentored, elevated, and championed her female colleagues.

For these outstanding achievements and so many more, Alliant congratulates Donna on being one of 2014's Women to Watch.



Donna Hodges

“Dorothy is tenacious. If she believes in what she’s doing, she doesn’t give up. It’s hard to shake her off task.”

Marshall Davies,
Public Risk Management
Association



Dorothy Gjerdrum

SENIOR MANAGING DIRECTOR, PUBLIC SECTOR

Arthur J. Gallagher & Co.
St. Paul, Minnesota
Age: 57

Dorothy Gjerdrum says her early background as a college art major has helped inform some of the ways in which she advises public-sector and higher

education clients at Arthur J. Gallagher & Co.

Ms. Gjerdrum was led to the insurance industry after graduating from St. Catherine University

in St. Paul, Minnesota, with a bachelor’s degree in visual arts. From there, she went on to become an editor with the New Mexico State Legislature’s Legislative Insurance Committee, and later became a risk manager for the New Mexico Association of Counties.

“I really give credit to my liberal arts education,” she said of her success in public-sector risk management work. “That really taught me how to think. It taught me how to ask questions and link things together.”

Ms. Gjerdrum joined Gallagher in 1999 and currently leads a 300-person team that provides risk management and insurance services for public-sector and higher education clients.

She also is a leading expert in enterprise risk management, advising government risk managers on how to use the ISO 31000 standard to implement ERM in their organizations.

Released by the International Organization for Standardization in 2009, ISO 31000 offers principles, a framework and a process for managing risk.

Marshall Davies, executive director of the Public Risk Management Association in Alexandria, Virginia, said Ms. Gjerdrum has “done an outstanding job” in helping to create an ISO training program for his organization.

“Dorothy is tenacious,” Mr. Davies said. “If she believes in what she’s doing, she doesn’t give up. It’s hard to shake her off task.”

International expert

Ms. Gjerdrum is recognized internationally for her enterprise risk management knowledge, and is chairwoman of the U.S. Technical Advisory Group for ISO 31000 risk management standards.

The road to success hasn’t always been easy for Ms. Gjerdrum. She said she changed companies twice in her career after being passed over for promotions that she had worked for — including one situation that included “pretty blatant sexism,” she said. Based on her experiences, Ms. Gjerdrum has worked to support women and promote diversity in leadership positions through her work at Gallagher.

“It’s hard to be treated unfairly,” she said. “But sometimes, I think things happen for a reason, and good will come of it if you keep your head straight ... and keep moving forward.”

By Sheena Harrison

Your insights

Our strengths and expertise

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Swiss Re Corporate Solutions

You know your business inside out. You know your markets, your customers, your competitors. Above all, you know the risks facing your business. At Swiss Re Corporate Solutions, we have the capabilities and the financial strength to meet the risk transfer needs of businesses worldwide. But that’s only half the story. Whether your risk is basic or complex, whether the solution is off-the-shelf or highly customised, we believe that there’s only one way to arrive at the right solution. And that’s to work together and combine your experience with our expertise and your strengths with our skills. Long-term relationships bring long-term benefits. **We’re smarter together.**

We extend a special congratulations to Nicola Parton, Head of Swiss Re Corporate Solutions Claims, honored as one of the 2014 Women to Watch, and salute all of this year’s winners for their exceptional achievements.

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BUSINESS INSURANCE®

DIVERSITY



**THE INSURANCE INDUSTRY
IS MAKING PROGRESS
TOWARD GREATER INCLUSION
AND DIVERSITY**



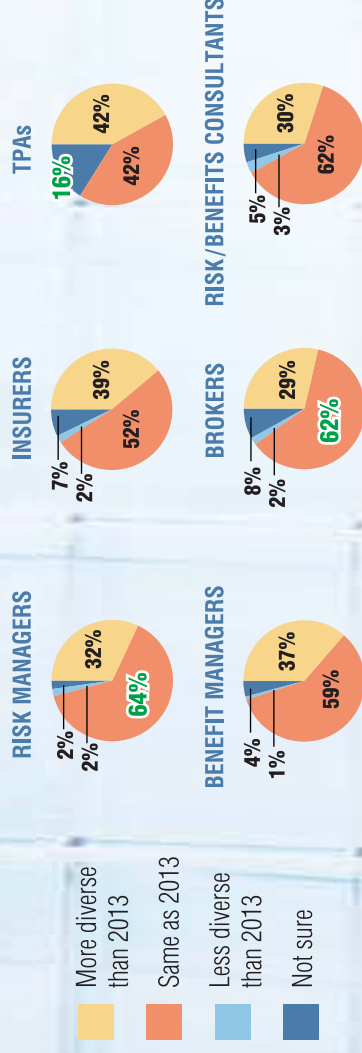
MARSH

DIVERSITY

WITHIN THE INSURANCE INDUSTRY

- One in three workers say their companies are more diverse today.

With respect to diversity/inclusion, is your organization today ...?



GREEN = Statistically significantly higher than other groups

- Recruiting diverse talent.

When it comes to recruitment of a diverse workforce, where does your organization find talent?

	Risk Managers	Benefit Managers	Insurers	Brokers	TPAs	Risk/Benefits Consultants
Employee referrals	71%	84%	73%	70%	79%	71%
Univ./grad. school programs	57%	63%	55%	58%	64%	56%
Company's website (careers)	62%	66%	60%	52%	79%	46%
Word-of-mouth	61%	47%	45%	62%	43%	49%
Websites (e.g., Monster.com)	53%	56%	48%	36%	57%	34%

GREEN = Statistically significantly higher than other groups

RED = Statistically significantly lower than other groups

Progress is reported across industry groups but it is less evident among brokers.

In September and October 2014, Business Insurance conducted an online survey of readers about diversity practices in the insurance industry. A total of 1,723 individuals participated:

34% commercial brokers, 25% commercial insurers, 3% TPAs, 17% risk or benefits consultants, 15% risk managers and 6% benefits managers. Participants were asked about diversity programs within their organizations and asked to evaluate their companies' diversity practices.

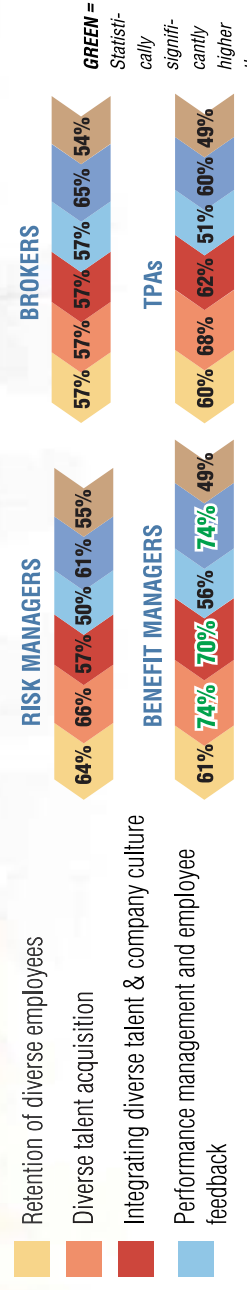
- About half of the companies in the industry have diversity programs.

Top 5 diversity practices/programs currently offered by a company



- Companies get 60% approval rate from their own employees.

With respect to diversity/inclusion, how do you evaluate your company in terms of ...? Very Good/Good (Net)



Black History Month, Hispanic Heritage Month)
 Career development opportunities designed to increase diversity at higher-level positions



Statistically significantly lower than other groups

• Gender and age diversity efforts seem well-developed.

How do you evaluate your company's diversity efforts with respect to: **Very Good/Good (Net)**

	Risk Mgrs.	Ben. Mgrs.	Insurers	Brokers	TPAs	Risk/Ben. Consultants
Gender	80%	81%	81%	84%	79%	76%
Age	92%	76%	77%	76%	76%	80%
Ethnicity	77%	67%	73%	74%	79%	76%
Religion	55%	63%	63%	61%	62%	70%
Veteran Status	67%	54%	59%	55%	70%	74%
Sexual Orient.	56%	56%	58%	59%	54%	70%
Disability	59%	57%	57%	55%	59%	61%

GREEN = Statistically higher than other groups

RED = Statistically significantly lower than other groups

• Diversity training is common practice in the industry.

Have you been personally trained on diversity/inclusion issues (within the past three years)?

	RISK MANAGERS	BENEFIT MANAGERS	INSURERS	BROKERS	TPAs	RISK/BENEFITS CONSULTANTS
Yes	78%	90%	84%	80%	89%	81%
No	22%	10%	16%	20%	11%	19%

• Diversity perceptions: The workplace.

Perceptions of diversity/inclusion at work: **Strongly Agree/Agree (Net)**

- Getting to know people with backgrounds different from my own has been very easy at this company.
- There is diversity among the job candidates I meet/see at their first visit.
- My experiences since coming to this company have led me to become more understanding of differences at work.



RED = Statistically significantly lower than other groups

• Diversity perceptions: Company efforts and management.

Perceptions of diversity: **Company and management - Strongly Agree/Agree (Net)**

	Risk Mgrs.	Benefit Mgrs.	Insurers	Brokers	TPAs	Risk/Benefit Consultants
This company is very committed to diversity	76%	81%	75%	62%	80%	69%
This company has done a very good job providing diversity training.	58%	54%	63%	44%	54%	52%
This company has made significant progress with diversity initiatives.	62%	65%	62%	48%	70%	54%
The leadership strongly encourages diversity.	73%	75%	75%	67%	82%	69%
Management shows diversity is important through its actions.	72%	77%	74%	64%	76%	68%
Diversity/inclusion is no longer a program in my organization, it defines who we are.	49%	44%	44%	45%	38%	45%

RED = Statistically significantly lower than other groups

• Diversity and retention success measures.

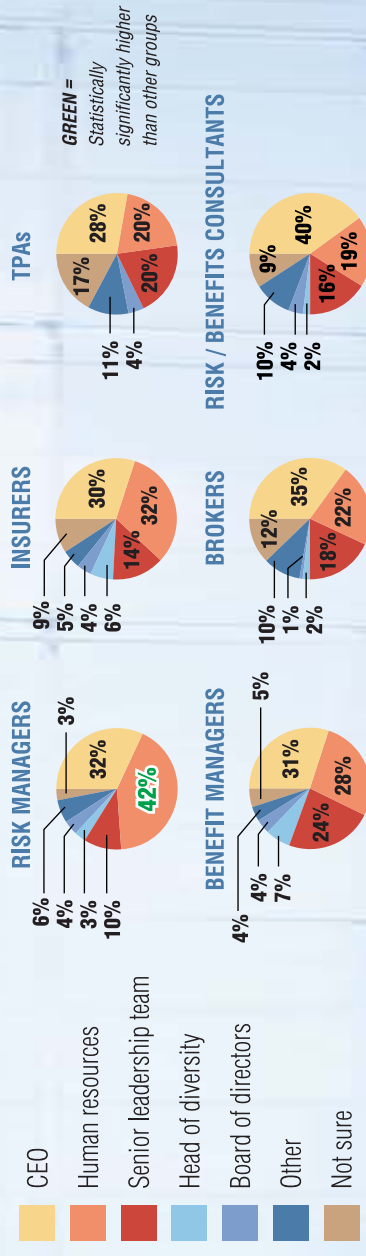
Measures used to determine the impact/success of diversity practices

	Risk Managers	Benefit Managers	Insurers	Brokers	TPAs	Risk/Benefit Consultants
Diversity evident at all levels of the workforce	65%	50%	87%	64%	75%	60%
Number of diverse employees recruited	63%	72%	78%	51%	50%	37%
Number of diverse employees retained	45%	67%	65%	51%	50%	37%
Employee opinion surveys/diversity audits	43%	44%	62%	57%	50%	37%
Improved corporate culture					75%	46%

GREEN = Statistically significantly higher than other groups **RED =** Statistically significantly lower than other groups

• CEOs and human resources responsible for diversity success.

Who in your organization is responsible for the success of diversity/inclusion programs & initiatives?



GREEN = Statistically significantly higher than other groups





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That is why we are fully committed to investing in ideas that originate from around the world to help our clients achieve their objectives. Building a workforce as diverse and talented as our global customers is a business imperative. That is why every colleague's voice is heard, understood and respected for the value they bring to the organization.

Inclusion and Diversity is at the center of our core values and business strategy, and our efforts center around our commitment to our employees, to our clients and to the communities in which we work.

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Cary Grace

CEO OF AON EXCHANGE SOLUTIONS AND
PRESIDENT OF CLIENT SOLUTIONS AND STRATEGY

Aon Hewitt
Lincolnshire, Illinois
Age: 46

Cary Grace knows how to spot an opportunity. Ms. Grace was working at Bank of America when she realized the skills she honed while holding several leadership positions at the bank would serve her well as insurance brokerages looked to establish exchanges for employee health and retirement benefits.

In 2012, Ms. Grace joined Aon Hewitt, where she currently serves as CEO of Aon Exchange Solutions and as Aon Hewitt's president of client solutions and strategy.

"Running institutional and consumer businesses in banking positioned me as well as anything to come into my current role," she said. "What excited me about Aon is that when I looked at the changes that were happening in the industry and the changes that some employers were going through, Aon had all the component parts in a scaled way in order to guide their clients."

Ms. Grace oversees Aon's private health exchange for active employees, Aon Active Health Exchange, as well as the company's retirement benefits exchange, Aon Retiree Exchange. Both exchanges have flourished under her watch, with the Aon Active Health Exchange now claiming 18 large employers and 600,000 covered U.S. employees and their families.

Nonetheless, she is quick to share credit, saying the company's existing people, technology and clients all played a part in the success of the exchanges.

"Employers are trying to find the right balance between offering robust benefits and at the same time getting employees more engaged in benefit decisions," Ms. Grace said. "I am really interested in enabling a set of solutions in the marketplace that lead to sustainably better outcomes."

Matt Levin, executive vice president and head of global strategy for Aon P.L.C., said Ms. Grace's knowledge and leadership have been instrumental to the success of Aon's private health exchange.

"Cary has helped us design a consumer-oriented approach to helping individuals choose their health benefits that is well-received by our clients and their employees and retirees," Mr. Levin said.

For women looking to her for advice, Ms. Grace advises a healthy dose of optimism.

"Don't be so hard on yourself,"

she said. "Sometimes people — men, too, but especially women — will look at the bar and think, 'It's too high, so why even try?' But

chances are you will be able to raise the bar a lot higher than you thought you would be able to."

By Bill Kenealy



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Matt Levin, Aon P.L.C.

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Cary Grace

CEO OF AON EXCHANGE SOLUTIONS AND
PRESIDENT OF CLIENT SOLUTIONS AND STRATEGY

Aon Hewitt
Lincolnshire, Illinois
Age: 46

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Tracie Grella

GLOBAL HEAD OF PROFESSIONAL LIABILITY, FINANCIAL LINES

American International Group Inc., New York
Age: 41

Tracie Grella was drawn to American International Group Inc. after interning with the company during school as a high school senior and during college.

"I liked the environment, the dynamic organization, and really enjoyed the people I worked with here," said Ms. Grella, who has risen to become global head of pro-

fessional liability, financial lines for AIG.

She began her career at the insurer in 1995 after earning a degree in finance from Rutgers University and after working at CNA Financial Corp. for a short time before she returned to AIG in 2001 to lead the professional liability national accounts team.



She rose through the ranks, becoming chief underwriting officer for professional liability in

2006; head of professional liability for the U.S. and Canada in 2009; and global head of professional liability, financial lines in 2012.

She has made cyber protection a priority. She developed AIG's CyberEdge PC cyber insurance product, launched in April 2014, as well as others.

"I'm in this great space right now where I'm running cyber liability, and this is a significant focus within the insurance industry. There's great potential here, and there's great opportunity to grow," she said. Clients, she added, want "so much information about this."

Another priority for Ms. Grella has been counseling other women within the insurance industry.

"I have helped give other women

career guidance and shared with them the things with which I have struggled," she said, letting other women know that such challenges can indeed be overcome.

"Tracie is an integral member of AIG's leadership team," said James Shea, president, financial lines, for AIG, in an email. "She has proven herself to be a dedicated and collaborative leader who is fully focused on the needs of customers, especially in the area of cyber security. Tracie has played a pivotal role in raising the level of cyber security risk awareness as the result of her close partnership with various industry, government, financial, and mainstream organizations."

By Matthew Lerner

Donna Hodges

EXECUTIVE VICE PRESIDENT FOR EMPLOYEE BENEFITS CONSULTING

Alliant Insurance Services Inc., Alpharetta, Georgia

With a lifelong dedication to healthy living that started with her dive into childhood sports in a household among four brothers, Donna Hodges said working in health care was an appropriate career path.

"I had to survive," she said, laughing. "I still try to be active

and stay healthy."

Currently on the executive leadership team for Alliant Insurance Services Inc.'s national employee benefits consulting practice, Ms. Hodges develops and manages client relationships by implementing national health plans and overseeing health initiatives.

"I have a lifelong passion for helping other people and healthy living," she said. "I enjoy working with people and helping them solve problems. That all comes together for what I do today."

Ms. Hodges studied health education and promotion at James Madison University, and earned



her master's degree in health policy and management at Emory

University. Prior to Alliant, she worked as a health and welfare consultant at Towers Perrin (now Towers Watson & Co.) for 17 years.

"I love partnering with organizations and learning about their objectives and their future plans," she said. "I like to help put together a pathway to meet their needs."

And that she does well. "I think she came to Alliant and hit the ground running," said Kevin Overbey, a Seattle-based senior executive vice president and senior managing director for employee benefits at Alliant. "She has irreplaceable energy and laser focus."

By Louise Esola

Anita Ingram

ASSISTANT VICE PRESIDENT AND CHIEF RISK OFFICER

University of Cincinnati, Cincinnati
Age: 52

Anita Ingram estimates that 15% of educational institutions have implemented enterprise risk management.

In her 18 years at Southern Methodist University in Dallas, Ms. Ingram was instrumental in introducing ERM to that institution and today, in her two months

as chief risk officer for the University of Cincinnati, she hopes to do the same and then some.

She is unafraid of the work that goes into formulating a risk management strategy that looks at an institution's risk from the bottom up and then top-down.

"Enterprise risk management



has not been implemented broadly in the higher education institu-

tions, and we implemented it at Southern Methodist with mild success and more work to do," she said. "I'm excited to do it here differently."

She started her new role at the University of Cincinnati in October, yet for Ms. Ingram, it's a familiar place. She received her bachelor's degree in business administration from the university and her master's degree in business administration from nearby Xavier University.

She said she loves risk management for the diverse workload — "every day is different" — and the understanding that she is helping others. "It's a great career."

Since 2008, Ms. Ingram has held multiple leadership roles at the University Risk Management and Insurance Association and was its president from 2013 to 2014.

Jenny Whittington, executive director of the association, said Ms. Ingram is widely respected. "She truly is a woman I've watched and admired for years," she said. "Anita's leadership is shown in her ability to analyze complex situations with various stakeholders, and by listening and asking the right questions she reaches good conclusions quickly. She also has a positive outlook, which is contagious."

By Louise Esola

Amy Kessler

SENIOR VICE PRESIDENT AND HEAD OF LONGEVITY REINSURANCE

Prudential Retirement, Woodbridge, New Jersey
Age: 47

For Amy Kessler, the most interesting and fun part of her job is teaching others, something that she has been able to do in her role in working out pension plan risk transfer arrangements.

"I love to teach, and I want to be a professor later in life," she said. "Since my job involves transform-

ing the pension risk transfer industry and talking to people about pension risk and how to manage or transfer it, I have the opportunity to teach all the time. I am passionate about teaching this because the retirement security of real people depends on getting this right."

At Prudential Retirement, Ms.

Kessler has been part of a team that has worked out deals in which such well-known corporations as General Motors Co., Verizon Communications Inc., Motorola Solutions Inc. and, most recently, Bristol-Myers Squibb Co., shifted billions of dollars in pension plan liabilities to Prudential through the



purchase of giant group annuities from the insurer. Designing those

de-risking deals, Ms. Kessler said, has been immensely satisfying.

"Our work increases the retirement security of the pensioners whose liabilities we cover. We are here to pay their pension benefits for as long as they live, no matter how long that may be," she said.

Ms. Kessler has a "real dedicated focus and passion to really dig in and do things brightly and thoroughly. She is fluent in so many technical techniques and has great communications skills," said Phil Waldeck, senior vice president and head of pension and structured solutions at Prudential Retirement in Hartford, Connecticut.

By Jerry Geisel



CELEBRATING OUR INDUSTRY'S TOP WOMEN ACHIEVERS

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Joann M. Lytle

PARTNER

McCarter & English L.L.P.
Philadelphia
Age: 52

When Joann M. Lytle began her career in law more than 30 years ago, she did so far removed from the courthouses and corporate boardrooms that she occupies today as a Philadelphia-based partner at McCarter & English L.L.P.

“I had sort of a circuitous route to law school,” said Ms. Lytle. “I didn’t go to college right away after high school, and instead I started working as a legal secretary at Swartz Campbell & Detweiler (now Swartz Campbell L.L.C.)”

Since obtaining her degree from Harvard Law School in 1990, Ms. Lytle has been recognized on several occasions as one of the country’s premier insurance and reinsurance coverage attorneys, with a client base of large and midsize corporate policyholders spanning multiple industries and insurance disciplines.

“If you had told me when I was in law school that I was going to spend my days reading insurance policies, I would have run screaming in the other direction,” Ms. Lytle said. “I started out doing general commercial litigation, and a partner that I worked with on occasion asked me to help with an insurance coverage matter. After that, I was hooked, and now it’s almost exclusively all I do.”

In addition to her reputation as a top-tier coverage attorney, Ms. Lytle has established herself within her firm as an advocate for female attorneys, according to her clients.

“She’s been an excellent role model for women, not only within her firm but within the legal industry as a whole,” said Debra Rodgers, senior vice president of global risk management at Philadelphia-based Aramark Inc. “She’s done a terrific job of promoting other women, par-

ticularly when she does speaking engagements. She always tries to highlight another woman at those events, so that person has a chance to get some recognition.”

Shortly after joining McCarter & English in 2003, Ms. Lytle co-founded the firm’s Women’s Business and Professional Development Committee with the hopes of paying forward the flexibility and good fortune that has allowed her to pursue and grow her own career in the legal industry.

“When I joined McCarter & English, the firm really didn’t have a part-time policy for lawyers,” Ms. Lytle said. “Through the committee, we’ve been able to do that, as well as establish a balanced hours and flexible schedule policy. We’re trying to make it easier for women to stay with the firm and stay in private practice.”

By Matt Dunning

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Joann M. Lytle,
McCarter & English L.L.P.

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Carmen Ortiz-McGhee

SENIOR VICE PRESIDENT AND RESIDENT SALES DIRECTOR

Aon Risk Solutions, Washington
Age: 40

Carmen Ortiz-McGhee left the nonprofit sector and a passion-driven career advocating for women and minorities when she began working in financial services, eventually landing a role in insurance and risk consulting with Aon Risk Solutions. But she never left the spirit of helping others.

Previously a key member of Aon Cornerstone, which sources part-

nerships with high-performance minority- and women-owned businesses that specialize in risk management and human resources consulting, Ms. Ortiz-McGhee now works as the senior vice president and resident sales director for The Capital office of Aon Risk Solutions, where her passion for helping others continues to thrive.

"I was first drawn to Aon as a

firm (in 2011) because of its genuinely innovative culture — not just in the creation of product solutions, but in the way the organization seeks to expand boundaries meaningful to society as a whole," she said. "No other professional services firm had in place a model like Aon Cornerstone."

Ms. Ortiz-McGhee's most recent role in the nonprofit sector was as



president of The Marathon Club, now known as the Marathon Foundation, which prides itself as a

highly inclusive diverse network of deal-focused professionals.

"Having spent the bulk of my career advocating for women and minority-owned businesses, I envisioned the impact that a program like this could have on the growth to this underrepresented sector, and I was sold," she said.

John Peterson, Chicago-based managing director for Aon Risk Solutions, said Ms. Ortiz-McGhee's persona is what makes her stand out. "Carmen's energy and personality are contagious from the second you meet her," he said. "Carmen is a leader and a role model to many."

By Louise Esola

Nicola Parton

MANAGING DIRECTOR AND GLOBAL HEAD OF CLAIMS

Swiss Re Corporate Solutions Ltd., London
Age: 41

New Zealand-born Nicola Parton says interpersonal relationships have been key to her success and are vital to the insurance and reinsurance business.

Ms. Parton, who trained as a lawyer in New Zealand and then worked for a law firm specializing in insurance law, says she was

attracted to the industry by the variety of the work.

In 2000, she joined an underwriting business at Lloyd's of London, which gave her an "end to end" understanding of the insurance business, she said. She then joined Swiss Re Ltd. in 2003 and became head of claims for its Swiss Re Cor-



porate Solutions Ltd. unit in 2011. Ms. Parton now leads a team of

more than 200 claims professionals across the world and has global oversight for claims. In addition, she supports the business as a director, which has seen her become involved in acquisitions.

Ms. Parton said she has "the best job in the company, because every claim that comes across my desk is an opportunity to learn" about a product or type of business.

And her role as a director of Swiss Re Corporate Solutions means she is involved when teams are looking to underwrite new business in new territories.

"It is super-interesting, and the very joined-up approach we have at Swiss Re means I am absolute-

ly engaged all the way through" the insurance process, she said.

Ms. Parton says the most important lesson she has learned is that "business at its best is about human connections."

"You should enjoy the people you meet and really connect with them," she said.

Showing some vulnerability can result in reciprocal benefits and help get problems solved, she said. "That is what makes work life, not life work," she said. "If you take the time to share something of yourself, to be authentic, you actually become more powerful in the process."

By Sarah Veysey

Kathleen Reardon

CEO

Hamilton Re Ltd., Hamilton, Bermuda
Age: 41

Of all her responsibilities as CEO of Hamilton Re Ltd., a unit of Hamilton Insurance Group Ltd., Kathleen Reardon said mentoring her staff and other women in reinsurance is one of her favorites.

A founding member of the management team for Hamilton,

Bermuda-based Hamilton Re, Ms. Reardon said she's always been interested "in sharing experiences with others (and) getting them to strive for goals they might not otherwise think are possible." About seven years ago, she co-founded a group for Women in Reinsurance in Bermuda, which is referred to as

WiRe by its 150 members.

"It's a great source of satisfaction for me to be able to give back to the industry and mentor these young women," Ms. Reardon said.

Tim Duffin, chief underwriting officer of property for Hamilton Re, said Ms. Reardon "leads from the front," making her a natural



mentor. "She rolls up her sleeves and gets involved in everything

we do, which is positive in a leader," Mr. Duffin said.

Ms. Reardon oversees all aspects of Hamilton Re's business plan; manages the company's financial, underwriting and administrative staff in Bermuda; and works with underwriters to cultivate relationships with clients and identify new business opportunities.

Being named CEO of Hamilton Re is "a reflection of what I really believe in, which is a lot of hard work, doing your best consistently, putting your hand up for new opportunities. Those are really the keys to success."

By Stephanie Goldberg

Lindsay Rios

SENIOR VICE PRESIDENT OF OPERATIONS

Matrix Healthcare Services Inc., dba myMatrixx, Tampa, Florida
Age: 37

Lindsay Rios was the first employee to work for Matrix Healthcare Services Inc., and has advanced in the last 13 years from call center representative to become one of the top executives for the workers compensation pharmacy benefit manager.

As senior vice president of oper-

ations for Matrix, which operates under the name myMatrixx, Ms. Rios oversees several company departments, including pharmacy services, e-commerce functions and provider relations. She also played a key role in managing the in-house development of myMatrixx 360, a Web-based claims por-



tal for myMatrixx clients, including the myMatrixx 360 Mobile app

that launched in April 2013; and spearheaded the development of myMatrixx University, a continuing education program for myMatrixx employees that includes topics such as business etiquette, customer service protocols and an introduction to "what is a PBM."

Ms. Rios' favorite part of her job is "teaching others, sharing knowledge and seeing them grow and advance within the organization," she said. "Even if they decide to go (work) somewhere else, seeing them continue to succeed (is) definitely the best part for me."

That includes mentoring women that comprise about 50% of her direct team at myMatrixx, such as

through having one-on-one discussions about myMatrixx-related topics and overall career advancement. "I try to do for them what was done for me, not knowing anything about the industry (and) not knowing anything about how to advance myself in the career," Ms. Rios said of her approach to coaching or assisting other women.

"Not many people I have encountered have the ability and fortitude to adapt so well and so often," said Steven MacDonald, founder, chairman and CEO of myMatrixx, who hired her in 2001. "I definitely think she has an even more amazing future."

By Sheena Harrison

Tracy A. Ryan

EXECUTIVE VICE PRESIDENT AND CHIEF PRODUCT OFFICER

Liberty Mutual Holding Co. Inc., Boston
Age: 44

In 2010, Tracy A. Ryan was named chief product officer of Liberty Mutual Insurance Co.'s new commercial market middle, national and specialty business segments and, she says, "given a blank slate in how to do it."

Two years later, she assumed her current position, which added the small segment to the existing ones. The commercial insurance

product organization now has more than 500 employees.

Ms. Ryan credits those who work with her for the organization's performance. She said the organization has drawn "some amazingly talented people. The people we were able to hire into this organization is what has really made it a success."

Ms. Ryan joined Liberty Mutual

in 1994 and has been there since, starting in the actuarial operation. "Within the actuarial profession I really loved the fact that I would continue to be a student," she said.

In her role as chief product officer, Ms. Ryan has a lead person for each of the product lines. "It's me in union with my leads to assure we have the right strategy around growth and pricing and what mar-



kets we want to grow and the strategy to achieve that."

That requires thinking ahead for

the next three to five years about "where we want to spend our time and our focus," she said. Ms. Ryan noted that the organization she heads is also responsible for Liberty Mutual's agency quoting platform, eCLIQ.

"Like many strong leaders, Tracy sets challenging strategic goals, and what helps her achieve them is her strong relationships and her ability to collaborate effectively across all areas of our organization" said J. Paul Condren, president of Liberty Mutual commercial insurance, in an email. "She also exhibits a sense of energy and personal commitment to everything she does that is inspirational to her team and peers."

By Mark A. Hofmann

Deborah Giss Stalker

EXECUTIVE VICE PRESIDENT AND DEPUTY GENERAL COUNSEL, NORTH AMERICA

Ace Ltd., Philadelphia
Age: 50

Beyond awards and career designations, Deborah Giss Stalker lists "becoming a better listener and a more empathetic leader" as her top accomplishment.

In her current position as executive vice president and deputy general counsel for Ace Ltd. in North America, Ms. Stalker's

responsibilities include oversight and management of Ace's global property, marine, aviation, aerospace, construction, product recall, public entity, medical risk and multinational lines of business within North America. But it's her role as president of the Ace Women's Forum, a networking ini-

tiative she co-founded, that she names among the most interesting aspects of her work.

The Ace Women's Forum Mentoring Program, the company-sponsored women's networking and mentoring initiative, launched seven years ago with a training event for 65 women executives.



The first mentoring program within Ace worldwide, it is now in more

than 23 offices in the United States, Canada, and Bermuda.

Ms. Stalker refers to this as a life mission, one that she has been on since beginning her career as a first-year associate with the corporate insurance group at the law firm Lord Bissell & Brook in Chicago as a first-year associate.

Kevin Rampe, general counsel of North America for Ace, calls Ms. Stalker an "excellent role model." She "has not only fulfilled the responsibilities of her job with professionalism and enormous dedication, but she extends herself in providing expert mentoring for women executives at Ace."

By Louise Esola

Kathryn Tazic

SENIOR VICE PRESIDENT OF CLIENT SERVICES

Sedgwick Claims Management Services Inc., Chicago
Age: 48

By closely following the workers compensation and general liability claims experience affecting the U.S. retail industry, Kathryn Tazic, senior vice president of client services with Sedgwick Claims Management Services Inc., has built a reputation as a trend spotter.

"Every month, we're always looking at all the retailers' data to say, 'Here's what we see.' We measure hundreds of different metrics, and if we see a trend, we communicate that out to all the retailers, which gives them the opportunity to not just react but to be ahead of the trend," she said.



For example, through her research, she has found that

increasing ethnic diversity and the fact that today's workforce encompasses four generations are affecting the types and duration of occupational injury claims being filed by retail industry employees, Ms. Tazic said.

"I've always leaned on Kathy," said Dave Haffield, vice president of risk management at Hoffman Estates, Illinois-based Sears Holdings Inc., who has relied on Ms. Tazic's vast retail industry knowledge since 2006. "She sees trends before people are even writing about them."

Also in her role as senior vice president of client services, Ms. Tazic is responsible for the profes-

sional development and performance of 30 members of Sedgwick's client services team, overseeing Sedgwick's retail book of business, which represents more than \$250 million in annual revenues to the third-party administrator.

In that leadership role, Ms. Tazic, who joined Sedgwick in 1991, personifies the firm's "can do" culture, according to Chief Operating Officer Steve Penman. "Her passion is unparalleled. She is very dedicated ... a true leader," he said. "She takes the performance of our company very personally. She truly lives and breathes Sedgwick."

By Joanne Wojcik

Iris Teo

CEO

Marsh (Singapore) Pte. Ltd., Singapore
Age: 53

Iris Teo is the first female CEO of Marsh (Singapore) Pte. Ltd., a unit of Marsh L.L.C., and the first female CEO for the company in the Asia region.

Throughout a distinguished insurance broking career, the variety of work and understanding clients' risk concerns has kept her

invigorated and interested. "I get to see so many diverse industries, it is never boring," she said.

Ms. Teo began her career in broking as an accounts trainee in a Singapore-based brokerage company run by her uncle, gaining experience in claims servicing and business development. But a



desire for experience with international insurance programs result-

ed in her leaving the company to join Alexander & Alexander and take a pay cut — a decision she said was one of the most stressful of her career but never regretted.

While in the short term she was paid less in the new role, "my career really took off from that point," she said — with two promotions within five years. "I learned it is OK to take a step back in order to take a step forward," she said.

Ms. Teo joined Marsh eight years ago and was promoted to CEO of the company's Singapore operations in January 2014. She considers this appointment in an industry still dominated by men, particularly in Singapore, as one of her

greatest career achievements. She said Marsh promotes diversity, and now 50% of the company's senior vice presidents in Singapore are female.

Ms. Teo is engaged in both formal and informal mentoring of female colleagues, helping them to advance their careers and achieve good work/life balance.

Helen Chong, a senior vice president and adviser for legal with Singapore Petroleum Co. Ltd., said Ms. Teo's ability to understand risks and manage clients with "a deft female aplomb" are among the qualities that have helped her achieve her CEO position.

By Sarah Veysey

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Sherry Thomas

MANAGING DIRECTOR AND HEAD OF CATASTROPHE MANAGEMENT FOR THE AMERICAS

Guy Carpenter & Co. L.L.C.
Minneapolis
Age: 45

Sherry Thomas says one of the most rewarding parts of her job is developing relationships with clients.

Getting to a place with a client where “they treat you as a member of their own team” means they value you and “that you’ve done a great job for them,” said Ms. Thomas, Minneapolis-based managing director and head of catastrophe management for the Americas at Guy Carpenter & Co. L.L.C.

But it’s not just Ms. Thomas’ contributions to her clients’ teams that have earned her praise from co-workers.

“Sherry is a great sounding board to me and for our colleagues here, but also our clients,” said Kathleen McCann, Boston-based managing director for Guy Carpenter. “She very clear-

“Sherry is a great sounding board to me and for our colleagues here, but also our clients. She brings purpose and meaning to everything she does.”

Kathleen McCann, Guy Carpenter & Co. L.L.C.

ly enjoys inspiring others to achieve their goals and objectives, both personally and professionally. She brings purpose and meaning to everything she does.”

In Ms. Thomas’ current role, she provides catastrophe modeling, catastrophe event

response, and portfolio management advice and solutions to clients. She said her team of more than 70 people often becomes an “ingrained part of a clients’ analytics team,” helping clients grow their business and find new ways to improve profitability.

Ms. Thomas said hard work and taking “some calculated chances” has helped her get to where she is today. There have been times, she said, where she’s known she could do something but wasn’t the “person that everybody expected to step up to the plate.”

One of those chances was joining Guy Carpenter in 2009 after spending 12 years at Aon Benfield Group Ltd.

Ms. Thomas is also involved with Guy Carpenter’s Women’s Employee Resource Group.

Some women might think, “Maybe it’s not my place to speak up right now,” she said. So it’s important to encourage them “to present their own work and take chances ... I don’t have to be present in the room to help them make an impact. I just have to give them the confidence and give them a few things that I think are going to help them with the conversations.”

The advice Ms. Thomas said she gives to her team is, “Hard work definitely pays off — sometimes years down the road.”

By Stephanie Goldberg

Karen Vines

VICE PRESIDENT AND DIRECTOR OF EMPLOYEE BENEFITS

IMA Inc.
Wichita, Kansas
Age: 54

Shortly after the passage of health care reform, Karen Vines, vice president and director of employee benefits at IMA Inc., realized that the broker’s clients would need help deciding whether to continue to provide health benefits to their employees or pay a fine and send them to the insurance exchanges to obtain coverage on their own.

So she and her team developed the Play or Pay Analyzer to not only measure the financial impact of such a decision, but also to evaluate how dropping coverage might affect each organization’s unique corporate culture.

“We purposely structured the tool to not only look at what happens if you engage in pay — in other words, exit strategy — it also looks at the dynamics of playing, because playing can also have exposures,” she said. “It’s been so interesting watching the employer perspective. When you’re looking at changing the dynamic of decades of positioning benefits as part of compensation, your population has an expectation. That expectation leads into that cultural interaction between employer and employee.”

After performing more than 200 analyses, only one employer has decided to drop coverage after realizing how not providing coverage might affect employees financially, as well as their company’s ability to attract and retain talent, Ms. Vines said.

Strategic business-maker

This tool, one of the few Patient Protection and Affordable Care Act analytics tools that has been granted a copyright by the U.S. Copyright Office, not only has helped IMA’s current clients better navigate the post-health care reform waters, it also has served as a way for IMA to gain new business opportunities, according to John Kirke, IMA’s Denver-based president.

“It’s been a strategic business-maker,” he said. “We’ve retained business we needed, but also built business over the last three years,” in large part because of the tool.



“When this legislation hit, it was like a lightning strike,” Mr. Kirke recalled. “Without being asked, without being directed, Karen took this on herself, recognizing that while employers were getting legal advice, they weren’t getting advice on business strategy.”

In fact, the employee benefits governance and compliance practice that Ms. Vines leads from Wichita, Kansas, “isn’t staffed by attorneys but with people who have decades of benefits experience,” she said. Ms. Vines herself has worked in benefits for 29 years. Though she began in sales, she gravitated toward compliance when she learned the many issues her clients faced.

As word has spread about Ms. Vines’ expertise in health care reform compliance, she is now out on the speaking circuit, sharing her expertise at benefits conferences, where she helps both employers and other industry partners, such as third-party administrators that serve the self-insured employer community realign their business strategy in response to health care reform.

By Joanne Wojcik

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Donna Vobornik

PARTNER

Dentons US L.L.P., Chicago
Age: 52

As a self-professed lifelong insurance lawyer who loves what she does as well as the “rigor and challenge” of having to understand many sectors of business, Donna Vobornik has seen it all — and hopes to see more.

“By virtue of working in insurance as a litigator, my career has provided me with a glimpse into different industries I wouldn’t otherwise see: oil processing, grain elevators, hog production, automobile,” she said.

Currently, Ms. Vobornik is head of Dentons US L.L.P.’s legacy

insurance litigation practice and a member of the firm’s U.S. policy and planning board. A general litigator with extensive experience in complex insurance coverage litigation, she has represented insurance clients in about 80 environmental coverage cases in state and federal courts.

She also litigates other types of toxic tort coverage claims, including asbestos, Chinese drywall and diacetyl, a food flavoring. She represents insurers in bankruptcy proceedings and in major subrogation matters, and has extensive

experience representing insurers in personal lines class action cases.

While most of the specifics of her cases remain confidential, winning is among the most exciting aspects of her job, she said. “It’s exhilarating ... when you are working toward a major court argument or a beneficial settlement and accomplishing that win,” she said.

Robert C. Johnson, partner and Chicago head of litigation for Dentons, said Ms. Vobornik’s experience and talent for understanding complex cases makes her a go-to litigator with an “encyclopedic



“Donna has won many cases over the years because of her dogged pursuit of the facts and her persuasive abilities once she gets into court.”

Robert C. Johnson,
Dentons US L.L.P.

knowledge of the law” in certain areas. “Donna has won many cases over the years because of her dogged pursuit of the facts and her persuasive abilities once she gets into court,” Mr. Johnson said.

Outside of her regular and vast responsibilities, she speaks often at insurance law seminars and is

well-known for mentoring young attorneys. For women, specifically, she’s been supportive of others coming up the ranks and those seeking to balance career and family life. “I’ve tried to be a mentor to those people, both men and women,” Ms. Vobornik said.

By Louise Esola

Kim Wilkerson

SENIOR VICE PRESIDENT AND GENERAL COUNSEL

XL Insurance (Bermuda) Ltd., Hamilton, Bermuda
Age: 52

An insurance company’s in-house counsel is often thought of as a purely defensive entity, but Kim Wilkerson views her role as the senior vice president and general counsel at XL Insurance (Bermuda) Ltd., a unit of XL Group P.L.C., in more constructive terms.

“Legal can be a kind of black hole from the client’s perspective, where there’s no face or name associated with the people who are often saying ‘no,’” Ms. Wilkerson said. “I like to have conversations with our clients directly.”

After 15 years as a commercial

insurance broker for Sedgwick Global Broking Ltd. and, later, Marsh Global Broking, Ms. Wilkerson said the time came in 1997 for her to pursue her childhood dream of practicing law. “I’d always had an interest in law, but the combining of insurance and law only came later in my career,” she said. “It wasn’t until my mid-30s that I decided that I’d better get my law degree before I get to 65 and regret that I never did.”

Admitted as a barrister and attorney in England and Wales in 2002 and Bermuda in 2003, Ms.

Wilkerson spent the next several years in private practice with the Hamilton, Bermuda-based insurance and reinsurance specialty law firm of Attride-Stirling & Woloniecki before joining XL Insurance in 2007.

Patrick Tannock, president of XL Insurance (Bermuda) Ltd., said Ms. Wilkerson’s aptitude for insurance law and her extensive brokerage experience are just part of what makes her a unique operational and strategic asset to the company. “She’s definitely a differentiator for us,” Mr. Tannock said.



“She’s definitely a differentiator for us. Kim’s background as a broker allows her to see things from both (client and insurer) perspectives.”

Patrick Tannock,
XL Insurance (Bermuda) Ltd.

“Kim’s background as a broker allows her to see things from both (client and insurer) perspectives. She can relate to them and help us frame our responses to the brokerage community.”

A firm believer of “letting relationships reign,” Ms. Wilkerson dedicates substantial time and

energy to advancing the careers of XL Insurance’s young professionals, and is particularly active in mentoring young women.

“I think you learn so much from helping other people and learning about who they are and where they are in their career,” she said.

By Matt Dunning

Tracy D. Williams

PARTNER

Sidley Austin L.L.P., Chicago
Age: 44

The response when you tell someone you specialize in insurance taxation may well be glazed-over eyes, acknowledges Tracy C. Williams, a partner with law firm Sidley Austin L.L.P. in Chicago whose practice focuses on federal, international and state taxation of insurers and insurance-related transactions.

But that is precisely why the subject appeals to her, she says. “It is the challenge of understanding it and explaining it to the people who don’t particularly love to think

about these types of questions,” said Ms. Williams. Specializing in it “gives you the presumption of competence,” she said.

Another reason Ms. Williams was drawn to this specialty, she said, is the people with whom she gets to work. They are “exceptionally smart.”

“My partners are amazing advocates for their clients,” she said. They are always “pushing, trying to innovate, trying to be creative, and I feel like that sort of give-and-take, that teamwork, is what

makes us so special.”

Ms. Williams’ responsibilities include all of the transactional work conducted by the law firm’s insurance industry practice group. In addition, says Ms. Williams, she oversees the insurance tax controversy practice, representing companies on tax issues in disputes with government agencies.

What is fun about her job, she said, is “sitting down and working with a problem until someone says, ‘I have an idea.’” She also enjoys mentoring young women



“My partners are amazing advocates for their clients. They are always ‘pushing, trying to innovate, trying to be creative, and I feel like that sort of give-and-take, that teamwork, is what makes us so special.’”

Tracy D. Williams,
Sidley Austin L.L.P.

attorneys, “some of whom have stayed in taxes, and some of whom have moved into other areas, quite successfully.”

Ms. Williams receives high marks from client Richard J. Burness, senior vice president and

global head of tax for Pembroke, Bermuda-based Athene Holding Ltd., who said she’s one of a handful of people that, if I needed to do battle, I want on my side, not anyone else’s.”

By Judy Greenwald

Willis Re model targets Japan tsunami risks

Willis Re Inc., the North American reinsurance business of Willis Group Holdings P.L.C., has released a model intended to help determine the risk of tsunami losses in Japan.

The brokerage said the Japan Tsunami Model combines tsunami loss information with earthquake shaking damage output to quantify and manage risk related to tsunamis.

“The tragedies of the Indian Ocean tsunami in 2004 and the tsunami that followed the Tohoku earthquake in 2011 plainly illustrated how damaging these catastrophes can be,” William Thompson, regional director for Willis Re Japan K.K., said in a statement. “Japan earthquake risk has been rigorously investigated and modeled, but the complexity of modeling tsunamis has led to a significant gap in the industry’s ability to quantify risk for severe earthquake events.”

The Japan Tsunami Model was developed alongside the Willis Research Network, a partnership with public institutions and universities aimed at integrating science into reinsurance decision-making, Willis said.

Liberty Mutual expands commercial cyber cover

Liberty Mutual Insurance Co. is offering cyber coverage to users of its commercial package products and monoline general liability policies for small and midsize businesses.

The data security endorsement consists of four optional coverages with separate aggregate limits of up to \$1 million, and separate varying deductibles of \$2,500 to \$10,000 per coverage, Boston-based Liberty Mutual said in a statement.

The data compromise response expense coverage aims to protect against losses incurred from a data breach, including customer notification, legal review, forensic information technology review, and regulatory and payment card industry fines.

The data compromise defense and liability coverage offers third-party liability and legal defense of a lawsuit resulting from a data breach of personal information.

The attack and extortion coverage addresses expenses related to repairing, creating and restoring data and systems after a breach, and the cost to hire a negotiator when responding to an extortion threat.

Finally, the network security liability coverage aims to defend against losses from a breach of confidential third-party business data, as well as the unintentional forwarding of malware, according to the statement.

Skuld offers London full marine coverages

Protection and indemnity club Assurancforeningen Skuld has extended its full roster of marine insurance products to the firm’s London office.

PRODUCTS & SERVICES

Program ties 401(k) credits to financial savvy

***** Buck Consultants at Xerox Corp. has launched SavIncent, a so-called financial wellness program designed to improve employees’ financial knowledge and promote retirement readiness.

SavIncent creates incentives for financial education and improvement by rewarding workers’ retirement savings plans with employer contributions, New York-based Buck said in a statement.

“SavIncent reflects our philosophy that when employees better understand how to reach their health, wealth and career goals, employers achieve better results,” Buck principal and engagement consultant Lori Block said in the statement. “With SavIncent, not only can employees earn 401(k) contributions, the activities they complete will help them become more financially savvy and sound, which in turn may enable them to increase their long-term savings in the future.”

SavIncent works by encouraging employees to partake in various activities, including completing a financial health or risk profile, enrolling in a 401(k) plan or signing up for auto-escalation, meeting with a financial adviser and establishing a will, according to the statement. In exchange for a completed activity, employers contribute to workers’ 401(k) accounts via direct deposit.

Skuld’s P&I products, previously offered in all of Oslo, Norway-based Skuld’s 10 global offices except London, include owners mutual P&I and freight defense and demurrage, which provides legal expense cover, as well as charterers P&I and FDD, said Keith Parker, head of Skuld’s U.K. operations. Both products offer limits of up to \$1 billion, Mr. Parker said.

“We’re trying to get to the point where all of our offices can offer all products, and so that way we can get distribution of each of those products closer to the buyer,” Mr. Parker said.

Matthew Burton, vice president of offshore operations, will lead Skuld’s local P&I activity in London while continuing in his current role, Skuld said in a statement. Previously, Skuld’s London P&I capabilities extended to only yacht P&I

and fixed P&I, Mr. Parker said in an interview.

Bowring Marsh launches terrorism insurance facility

Bowring Marsh, the specialist international placement arm of Marsh L.L.C., has launched a U.K. terrorism insurance facility.

The coverage will be jointly led by Catlin Group Ltd.’s Lloyd’s of London syndicate 2003 and Talbot Underwriting Ltd. syndicate 1183.

Mark Weil, CEO of Marsh for the United Kingdom and Ireland, said the facility will offer limits of £150 million (\$234.9 million) per policyholder, policy periods of up to 18 months, and coverage extensions for strikes, civil commotion and riots, and business interruption, among other things. The facility could be both complementary to and an alternative to Pool Reinsurance Co. Ltd., the U.K. government-guaranteed terrorism reinsurance backstop, he said.

Consumer class actions see settlement insurance

Marsh L.L.C. has launched a consumer class action settlement insurance product that transfers the settling company’s ultimate payout in a class action lawsuit to the insurer.

The consumer class action settlement insurance offers up to \$100 million in coverage, Marsh said in a statement. A spokesman for the company declined to disclose the A-rated insurer.

With the coverage, a company pays a fixed premium once a class action settlement is reached, and that settlement is transferred to the insurer, according to the statement. It may be purchased when the lawsuit is filed or when a settlement is reached, Marsh said.

“Most companies that have purchased (the coverage) pay for it contemporaneously with settling the agreement,” said Matt Schott, senior vice president of financial and professional liability for Marsh. “In this way, they have certainty” as to the cost of the settlement.

The consumer class action settlement insurance applies only to settlement costs and does not cover legal expenses, nonmonetary damages or class representative fees, Marsh said on its website.

Technical Risk, RLI partner on builders coverage

Technical Risk Underwriters, a specialty property and construction risk underwriting unit of RSG Underwriting Managers L.L.C., said it is joining with RLI Insurance Co. to expand its builders risk underwriting capabilities.

The partnership combines Austin, Texas-based Technical Risk Underwriters’ builders risk underwriting facilities with Peoria, Illinois-based RLI’s catastrophe underwriting, Technical Risk Underwriters said in a statement. RLI nonadmitted surplus lines insurer Mt. Hawley Insurance Co. will write the coverage.

DEALS & MOVES

Hub International acquires California broker Bronson

Hub International Ltd. has acquired Sacramento, California-based property/casualty, personal and employee benefits broker John O. Bronson Co.

A spokeswoman for Chicago-based Hub declined to disclose the terms of the deal.

Bronson will become part of the California operations of Hub International Insurance Services, known as Hub California, Hub said in a statement. Bronson will retain its name and continue to operate out of its California offices, including Sacramento, Monterey and Rancho Cucamonga, the spokeswoman said.

Insurance law firms Locke Lord, Edwards Wildman Palmer to merge

Insurance defense firms Locke Lord L.L.P. and Edwards Wildman Palmer L.L.P. have announced they plan to merge effective Jan. 10.

The combined firm will be named Locke Lord Edwards L.L.P. Terms were not disclosed.

The deal will result in the creation of a 1,000-lawyer law firm with 23 offices and will result in a significant increase in the depth of its insurance and reinsurance teams, among other industry sectors, the firms said in statement.

Lord Locke was established in 1891, while Edward Wildman traces its roots back to 1880, according to the statement.

Sedgwick buys software developer offering compliance services

Sedgwick Claims Management Services Inc. has acquired Chattanooga, Tennessee-based software developer Absentys L.L.C.

A spokeswoman for Memphis, Tennessee-based Sedgwick declined to disclose the terms of the deal.

Absentys builds software applications that aim to help employers self-administer or co-source leaves of absence and accommodation requests while ensuring compliance with federal and state leave and accommodation regulations, while Absentys provides services for more than 500 nationwide organizations and 3 million workers, Sedgwick said in a statement.

Schinnerer acquiring MGU for auto dealers, repair shops

Managing general underwriter Victor O. Schinnerer & Co. Inc. is set to acquire Overland Park, Kansas-based MGU SeaFire Insurance Services L.L.C. from Preferred Concepts Holdings L.L.C.

The deal is expected to close by the end of the year and is subject to customary closing conditions, Chevy Chase, Maryland-based Schinnerer said in a statement.

A spokeswoman for Schinnerer declined to comment on the terms of the deal.

SeaFire underwrites property/casualty insurance for auto dealerships and repair shops, including garage liability, property, pollution, auto physical damage and umbrella liability, Schinnerer said in the statement. The acquisition expands Schinnerer’s property/casualty portfolio, which includes products for oil and gas contractors, loggers and public entities, according to the statement.

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FTC

Continued from page 3

as a result of three data breaches. Unlike Wyndham, there were no reported data breaches involving Verizon.

In the Verizon case, the FTC's emphasis on data security being an ongoing process shows that "you can't simply put something in place and call it a day," said Michael P. Hindelang, a partner at law firm Honigman Miller Schwartz & Cohn L.L.P. in Detroit.

"The message here is that companies don't exist in a vacuum as it relates to privacy and data

security, and they need to be paying attention to what's going on in the environment," said S. Gregory Boyd, a partner at Frankfurt Kurnit Klein & Selz P.C. in New York.

If there is an investigation, "having a good, overall security practice is going to help even if there are some issues with the specific network security practice," said Michael Born, Kansas City, Missouri-based vice president and account executive of the global technology and privacy practice at Lockton Cos. L.L.C.

"Being proactive is not a panacea, but it goes a long way towards demonstrating a company's recognition of, and willing-

ness to face, a growing problem," said Richard J. Bortnick, senior counsel at law firm Traub Lieberman Straus & Shrewsbury L.L.P. in Red Bank, New Jersey.

A breach avoidance program should include top management as well as representatives of the risk management, legal and human resources departments, he said.

"You need to have a story to tell the regulatory agency," saying that "despite your best and reasonable efforts, a problem occurred, and ... look at all the efforts that we made to mitigate or prevent further damage," said Randall Krause, CEO of Fresno, California-based consultant ePlace Solutions Inc.

"The FTC was in some ways pushing the limits by saying Verizon had engaged in an unfair trade practice" by simply not having state-of-the-art security, said Robert E. Cattanach, a partner at Dorsey & Whitney L.L.P. in Minneapolis.

"There's always a tension if you sense the FTC is out there a bit. Do you call them out on it" or cooperate? Verizon "obviously chose the latter path," which paid off, he said.

"The things Verizon did to avoid this issue and avoid a consent decree was probably far less costly than having to comply with some of the consent decrees I've seen, which were relatively egregious," Mr. Born said.

Should regulators launch an investigation despite a company's best efforts, "bow and scrape," quipped Paul Rosenzweig, founder of Washington-based Red Branch Consulting P.L.L.C. and a former deputy assistant secretary for planning at the Department of Homeland Security.

"You need to take very seriously what the government says to do, and fight with them only on very, very rare occasions," he said.



BLACK LUNG

Continued from page 4

pneumoconiosis caused by their employment. Mr. Keathley argued that he met the law's "15-year presumption" of working more than that number of years in underground mines and said he was totally disabled because of his respiratory disease.

Sunny Ridge, however, rebutted Mr. Keathley's assertion with testimony of a doctor. While the doctor testified that "coal dust may have contributed" to the man's impairment, the doctor also said it was "more likely" caused by "obstructive airways disease from cigarette smoking and some predisposition to asthma or bronchospasm," according to court records.

The doctor also testified that "bronchitis associated with coal dust exposure usually ceases with

cessation of exposure."

An administrative law judge approved black lung benefits for Mr. Keathley in January 2013, which the federal Black Lung Benefits Review Board affirmed in November 2013.

In its appeal to the 6th U.S. Circuit Court of Appeals, Sunny Ridge argued that the judge and board incorrectly discredited the doctor's testimony since his opinion was "inconsistent with the regulatory definition of pneumoconiosis" as a "latent and progressive disease that may first become detectable only after the cessation of coal mine dust exposure."

But in its unanimous ruling last week, a three-judge panel of the 6th Circuit upheld Mr. Keathley's benefit award and said the administrative law judge correctly discounted the doctor's testimony for contradicting federal regulations on whether pneumoconiosis can be presumed to be caused by a miner's work.

FEDERAL MEDIATOR NAMED FOR WYNDHAM BREACH CASE

In ongoing litigation involving the Federal Trade Commission and Wyndham Worldwide Corp., a federal mediator has been named in the cyber breach lawsuit.

The case, which experts have said exemplifies the FTC's aggressive approach in dealing with data breaches, began with the FTC accusing the Parsippany, N.J.-based hotel chain of failing "to provide reasonable and appropriate security for the personal information collected and maintained" by its hotels.

The breaches that occurred between April 2008 and January 2010 allegedly permitted intruders to gain unauthorized access to Wyndham's computer network three times.

Following a Newark, New Jersey, federal judge's refusal

in April to dismiss the FTC suit, Wyndham appealed to the 3rd U.S. Circuit Court of Appeals in Philadelphia.

Court records show a federal judge named a mediator in the case on Nov. 18.

Separately, Wyndham won a victory in October, when a Trenton, New Jersey, federal judge dismissed a derivative lawsuit, *Dennis Palkon v. Stephen P. Holmes et al. and Wyndham Worldwide Corp.*, brought by a stockholder against Wyndham's directors and officers, including Mr. Holmes, its chairman and CEO, as well as the company.

In his ruling, U.S. District Judge Stanley R. Chesler cited efforts Wyndham's board had made to address the data breaches for dismissing in dismissing the suit.

Judy Greenwald

ALARYS

Continued from page 3

ties for the upcoming sporting games to the International Olympic Committee for budgetary reasons.

"There is always a fear of talking about the Olympic Games in Rio de Janeiro ... especially in relation to risk management and insurance coverage," said Mr. D'Alessandro, who also helped plan the agenda for last month's ALARYS event. Because of a confidentiality agreement with the IOC, risk management issues related to the 2016 Olympics were not discussed during the event, he said.

In his remarks during the conference, Mr. D'Alessandro said most Brazilian firms don't yet understand the concept of enterprise risk management and therefore have no such program in place.

Risk managers who work for large logistics and health insurance companies, respectively, in

Europe and the U.S. said that developing an enterprise risk management program throughout an entire corporation takes many years, with collaborative efforts of many employees.

Despite sophisticated risk management practices, European and U.S. businesses sometimes struggle to understand the magnitude of their expanding risks, they said.

"We, as large companies, have a duty to educate the smaller companies, which often are our suppliers," said Carl Leeman, chief risk officer at Katoen Natie International S.A. and a director on the board of the Federation of European Risk Management Associations. "In fact, we need to go one step further and give them risk solutions."

Katoen Natie is an Antwerp, Belgium-based logistics services company with operations in 28 countries and 11,000 employees. Each entity is responsible for its own risk management plan.

Uncovering the hard-to-identify risks often requires a risk manag-

er to take colleagues out of the office to talk in a relaxed social setting, Mr. Leeman said. This has become part of the risk assessment protocols at Katoen Natie.

"You have to go out with people to find out about certain risks," he said. "After three or four beers, you get much more information."

Carolyn Snow, director of risk management at Louisville, Kentucky-based health insurer Humana Inc. and the 2014 president of the Risk and Insurance Management Society Inc., said the path to an efficient enterprise risk management program at Humana has been a 15-year journey — and continues. Across the corporation with 52,000 employees, there are plenty of risks. As a government contractor providing Medicaid and Medicare health care plans, compliance is the No. 1 risk for the publicly owned company with \$50 billion in revenue projected in 2014.

"As a government contractor, if we violate compliance rules, they can shut us down," Ms. Snow said. "If the government would shut us

down, 60% to 70% of our annual revenue would be gone."

Brazil comprises about half of the property/casualty insurance market in Latin America, but many firms still don't insure all of their key risks.

"CEOs will say, 'We don't do

"You have to go out with people to find out about certain risks. After three or four beers, you get much more information."

Carl Leeman,
Katoen Natie International S.A.

insurance," Mr. D'Alessandro said.

Since 2010, Brazil's economy has sputtered, and it's only expected to grow by 1.5% in 2015. Corporate capital investments and consumer spending are way down, the nation's currency has softened compared with the U.S. dollar, and

inflation stands at 4.5%.

Daniel Nobre, Brazil country manager at Madrid-based credit insurance firm Credito y Caucion, said the steady economic growth that the world's fifth-largest nation — and the biggest in Latin America — enjoyed from 2002 to 2010 has withered away.

"Today, everything has changed. All of the favorable economic conditions in Brazil don't exist anymore," Mr. Nobre said.

Despite the anemic economy, Brazil's \$11 billion property/casualty insurance market has been growing. Helio Novaes, CEO of insurance brokerage MDS Brazil in Sao Paulo, an arm of Porto, Portugal-based MDS, said the insurance market is projected to grow another 9% in 2014. With an insurance penetration of only 1.8%, the property/casualty market in Brazil has plenty of upside.

"Risk managers should view their companies as a whole and figure out the best ways to mitigate and transfer their risks" via insurance, Mr. Novaes said.

MERGER

Continued from page 1

did say it expects to achieve \$30 million in “run-rate annual cost savings” and “meaningful capital efficiencies” in the combined entity.

“There’s more of a strategic aspect in this case,” said analyst Brett Shirreffs, New York-based vice president at Keefe Bruyette & Woods Inc. “RenaissanceRe has discussed interest in growing their casualty reinsurance book” of business.

“What Platinum does for RenaissanceRe is accelerate the specialties strategy that RenRe already had in place,” said Jason Porter, director and credit analyst at Standard & Poor’s Corp. in New York. “This transaction ... brings that strategy ahead much faster than they could do it organically.”

“I think (Platinum has) done a good job in the casualty space,” said Brian Schneider, Chicago-based senior director of insurance at Fitch Ratings Inc.

“This transaction will certainly increase the likelihood that you could see additional mergers and acquisitions,” Mr. Schneider said. Acquisition targets are more likely to be smaller reinsurers with less than \$3 billion in capital because they are more easily integrated, he said.

“These two companies are a good fit and I do think this could be the start of something bigger” in the next six to 18 months, said John L. Ward, CEO of Cincinnati Partners L.L.C. in Loveland, Ohio.

“We’ve had a view for the last three years that we expect to see more consolidation not just in the Bermuda market but in all the entire reinsurance market,” said Bryon Ehrhart, CEO of Aon Benfield Americas in Chicago. “The dynamics of the reinsurance market that would call on management and boards to consolidate are present and have been for some

2014 HURRICANE SEASON ENDS WITH LITTLE HARM DONE

The 2014 hurricane season ended Nov. 30 in line with forecasts for a quiet season, according to the National Oceanic and Atmospheric Administration.

This year’s hurricane season had eight named storms, six of which were hurricanes and two of which were major hurricanes, according to NOAA. One made U.S. landfall on the East Coast.

That compares with long-term seasonal averages of six hurricanes and two to three major hurricanes, said Gerry Bell, lead hurricane forecaster at NOAA’s Climate Prediction Center in College Park, Maryland.

“A relatively quiet season is exactly what we saw,” Mr. Bell said.

The U.S. hurricane season is closely watched by the insurance and reinsurance sectors.

Roughly 50% of global insured catastrophe risk is in

the United States, said Karen Clark, president and CEO of Boston-based catastrophe modeling firm Karen Clark & Co. The East Coast alone accounts for about 25% of total global insured catastrophe loss potential, she said.

While the U.S. saw a quiet storm season, the story was quite different elsewhere.

In the eastern Pacific storm basin, there were 22 named storms and six Category 4 storms, or those with sustained winds of 130-156 mph on the Saffir-Simpson scale, said Tom Larsen, the chief product architect at CoreLogic-Eqecat in Oakland, California.

The region also saw its highest accumulated cyclonic energy, a measure of storm intensity, since 1971, Mr. Larsen said.

Insured losses for the year were still being calculated, officials said.

By Matthew Lerner

time.”

Mr. Shirreffs was more cautious. “I think going forward there will continue to be strategically driven deals, but it’s not clear yet if that will become more prevalent in the near term,” Mr. Shirreffs said. “There aren’t really any distressed sellers out there right now and that will be one thing that prevents a wave.”

The deal, which the companies said is expected to close in the first half of 2015, is subject to regulatory and Platinum shareholder approvals, the reinsurers said.

Observers agreed that while a rival bidder emerging is possible, it is less likely given the friendly nature of the deal and the generous premium being offered: The \$1.9 billion purchase is equivalent

to \$76 per Platinum share, a 24% premium over the stock’s Nov. 21 closing price.

A rival bidder is “always possible” said Fitch’s Mr. Schneider. However, “it seems like the fit with RenRe and Platinum is probably better than it would be with other buyers and “seems large enough to discourage other investors from coming onboard.”

“The offer valuation is slightly above peer multiples, but I think the offer price does leave room for a rival bidder to emerge without being considered an excessive price,” said Mr. Shirreffs.

“The fact that this is a friendly transaction reduces the odds or likelihood of another bidder emerging, but it doesn’t eliminate the possibility,” said Mr. Ward.

tiatives or tightening existing programs, despite the potential for complaints or lawsuits, said the Austin, Texas-based senior manager of employee services at Texas Mutual Insurance Co.

Complaints alone prompted the U.S. Centers for Disease Control and Prevention to pull its 5-year-old Lean Works! workplace obesity prevention and control campaign offline in early November. Several groups complained it could result in workplace discrimination, a CDC spokeswoman said. The program, which included an obesity cost calculator employers could use, is currently “under review,” the spokeswoman said.

At the same time, the U.S. Equal Employment Opportunity Commission has sued several companies, including Honeywell International Inc., on grounds that offering workers incentives to participate in wellness programs or

required biometric screenings violate the Americans with Disabilities Act and the Genetic Information Nondiscrimination Act.

The EEOC earlier this year proposed a rule that would address how or if financial inducements and penalties could be incorporated into employer wellness programs, but further action is not expected until next year.

“The ADA issue ... has certainly created challenges for employers. There’s no doubt about it,” said Tom Parry, president of the Integrated Benefits Institute in San Francisco. “At the same time, I don’t see employers giving up because of the challenges of the ADA. They recognize that this is a significant issue that they absolutely have to deal with.”

Texas Mutual has had a wellness program since 2001 to help improve employee health and control costs associated with risks

COMPOUNDS

Continued from page 3

injections and oral liquids, anesthetics, anticonvulsants, analgesic painkillers and muscle relaxants.

Pharmacy dispensers of compounded drugs typically bill insurers and employers for each ingredient in a prescription.

Plaintiffs in the Express Scripts lawsuit include Grasso Enterprises L.L.C., a Boerne, Texas-based compounding pharmacy that operates under the name Annie’s Apothecary; Houston-based compounding NERxD L.L.C., which does business as Cypress Compounding Pharmacy; and West Monroe, Louisiana-based Wiley’s Pharmacy & Compounding Services Inc., which does business as Mason’s Pharmacy.

The complaint alleges that Express Scripts “recently embarked upon a scheme to deny all claims under health plans seeking payment for ‘compound’ pharmaceutical medications” and that an internal Express Scripts document in June showed it plans “to cut spending on compound pharmaceuticals by 95%.”

“The scheme is forcing patients to go without treatment, jeopardizing their health and causing bodily harm, or forcing them to pay out-of-pocket sums that they may or may not be able to afford for basic health care needs that have been prescribed by their doctors,” according to the complaint, which cites conditions for which compounded medications are used.

Express Scripts declined comment on the pending litigation.

The PBM, which handles workers comp and group health claims, said previously that the use of compounded medications and their costs have been on the rise. According to an April Express Scripts report, compounded medication use among workers comp clients increased 71.9% in 2013 over 2012, and the average cost per prescription rose 29.8% to \$1,299.

Plaintiff attorney Richard J. Quadrino, the founder and CEO of Quadrino Law Group P.C. in Melville, New York, said Express Scripts’ efforts to cut back payments for compounded drugs have had “negative impacts upon patients and the pharmacies.” He said his clients have seen efforts by other PBMs to limit compounded medication claim payments under group health plans.

“The other major pharmacy benefits managers have not implemented the same type of scheme as Express Scripts, but they are engaged in other inappropriate efforts to curtail costs,” Mr. Quadrino said in a statement to *Business Insurance*.

Phil Walls, chief clinical and compliance officer at Tampa, Fla.-based PBM Matrix Healthcare Services Inc., said his company has had success in reducing the use of compound drugs by reviewing all compound prescriptions that come in for comp claims and working with doctors to prescribe traditional, less costly drugs when possible.

“We’re trying to get an understanding of why he or she was prescribing a compound because we at least want to acknowledge that there are a few valid reasons for using a compound,” Mr. Walls said. “But in the vast majority of cases, it simply doesn’t exist.”

Prium’s Mr. Gavin said workers comp payers should pay attention to the Express Scripts case, as it represents “the extreme growth and profitability of the compounding (pharmaceutical) space.” He said he believes state regulations that allow workers comp payers to review claimant prescriptions and medical treatment would prevent compounding pharmacies from filing a similar lawsuit against PBMs for denying compounded drugs in workers comp claims.

By collaborating with physicians, rather than denying compound prescriptions outright, Mr. Walls said he believes workers comp payers can limit potential push-back from compounding pharmacies or workers comp claimants.

OBESITY

Continued from page 1

the economy — and on employers in particular — is expanding, according to two new studies.

In one November study, consulting firm McKinsey & Co. estimated that obesity costs the global economy \$2 trillion a year.

In a separate study published in November in the *Journal of Occupational and Environmental Medicine*, researchers at Yale University said obesity-related work absences alone cost the U.S. economy \$8.65 billion a year — a figure that the researchers and the Integrated Benefits Institute said is increasing with the number of obese adults.

With cost a factor, many employers that Ed Coates works with are moving to implement wellness ini-

such as obesity or diabetes, Mr. Coates said. The outcomes-based incentive effort incorporates federal guidance for the Health Insurance Portability and Accountability Act and the Patient Protection and Affordable Care Act, he said.

Employers “are going ahead and taking more aggressive action, and not taking the wait-and-see approach,” Mr. Coates said. “Compared to where it was five years ago, there are a lot more employers doing outcomes-based wellness incentives and also investing in wellness programs in general.”

Aside from standard health care, the return on investment in wellness programs also can be seen in disability and workers comp programs, Ms. Price said. “High-risk cultures are more likely to take some proactive measure,” she said. “Beyond health and wellness, are you willing to offer things like (weight loss) surgeries as a part of

your health plan or your workers compensation plan? If you’re a low-risk culture and ... you don’t want to go down that path,” think about what kinds of snacks are in break room vending machines. “Have you made healthy options available to (workers)?”

Elsewhere, the School District of Palm Beach County, Florida, is shifting to an outcomes-based wellness program in 2015, said Kim Sandmaier, wellness coordinator for risk and benefits management.

The revised program gives employees the option to complete a health risk assessment and a biometric screening “and either meet targets for those biometrics or complete a reasonable alternative,” such as an over-the-phone coaching program, she said.

“Our data specifically (showed) diabetes was a concern, so we’re continuing to focus on that,” Ms. Sandmaier said.

TORT

Continued from page 4

“Lawsuit abuse is near the top of the agenda, and we would expect an aggressive push for reform” next year in the state, which often has been cited as one of the more hostile to tort reform, he said.

Mr. Fullenbaum also said concerns about medical liability in Arkansas could lead state lawmakers to examine the issue next year.

“Another state that comes to mind is Minnesota, where the House flipped” to Republican control, he said. “I would expect we

would be able to stop” some potentially negative tort reform legislation there.

Mr. Kim pointed to Republican Gov. Rick Scott’s re-election in Florida as particularly critical, where he faced Charlie Crist, the state’s former governor and Republican-turned-Democrat.

Gov. Scott’s victory means Florida will be led by a pro-legal reform chief executive for the next four years. That is “in sharp contrast to Charlie Crist, who is a plaintiffs’ lawyer,” Mr. Kim said.

Mr. Fullenbaum also cited the victory of Republican Larry Hogan as Maryland’s governor as a plus, if largely for defensive reasons. Gov.-elect Hogan “can serve as a

“There are Republicans interested in protecting corporate misconduct and other types of wrongdoing. And there are other Republicans who are more interested in protecting the Constitution from the government.”

Joanne Doroshow, Center for Justice and Democracy

backstop if the (Democrat-dominated) legislature passes some bad things,” he said.

Partisan vs. bipartisan

Mr. Kim cautioned reform advocates, however, to avoid viewing legal reform through a partisan

prism.

“It shouldn’t be that way. Legal reform should be a bipartisan issue,” Mr. Kim said. “If you look at California, you have assembly members who are Democratic who are strong legal reform proponents.”

Tort reform opponent Ms.

Doroshow said the issue does tend to be partisan, but also said there is a split among Republicans.

“There are Republicans interested in protecting corporate misconduct and other types of wrongdoing,” she said. “And there are other Republicans who are more interested in protecting the Constitution from the government.”

For example, Ms. Doroshow said, the right to trial by jury is “entrenched in every state constitution,” although some tort reform proponents want to subject some matters to arbitration.

“I think anybody who respects the power and authority of juries is not going to support tort reform,” Ms. Doroshow said.

LETTERS

Continued from page 14

bill prematurely propose fivefold increases in the amount of: 1) the loss that must occur before the federal government contributes to coverage (“event minimum” or “trigger”) and 2) the federal government’s formula to, over time, recover its share of catastrophic loss payments from insurers (“federal recoupment”). Insurers who cannot accept these increases will find the historically rejected “opt-out” provision is now resurrected to permit resigning from the program. Small, medium and regional “Main Street America” carriers will choose either to abandon the program and their insureds, or accept the threat of insolvency. “Opt-outs” will result in either unacceptable loss concentrations in a few remaining carriers or leave Main Street America businesses uninsured.

None of these provisions are in the Senate bill. The Senate bill’s increases in insurer risk share are minimal and marketplace-driven. No “opt-out” escape hatch is needed. The Senate’s approach protects our national security by insuring Main Street America’s small, medium and regional entrepreneurs. The marketplace may well be able, over time, to evolve to accept the levels of loss and risk envisioned by the House bill, but that time is not now nor in the next seven years.

Neither the House bill’s risk share increases nor its “opt-out” provision should remain in the joint bill to be reported out by the conference committee process.

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2015 EDITORIAL CALENDAR AT A GLANCE

SPECIAL REPORTS KEY ■ Risk management ■ Benefits management ■ Workers comp ■ Other

ISSUE DATE	PRINT AD CLOSE	SPECIAL REPORTS BUSINESS INSURANCE EVENT	Video	BI Events	BI Print Bonus Distribution	Webinars	White Papers	Research & Data
1/5	12/19	WORKPLACE SAFETY TRENDS Property/Casualty Insurance Joint Industry Forum- Jan 15	●		●			
1/19	1/2	HEALTH CARE REFORM UPDATE	●			●	●	●
2/2	1/16	MANAGEMENT LIABILITY	●					●
		WORLD CAPTIVE FORUM- FEB 2-4 Plus D&O Symposium- Feb 4-5	●	●				
		CIAB Legislative Leadership Summit- Feb 9-12			●			
2/16	1/30	PRESCRIPTION DRUG MANAGEMENT	●					
		NAPSLO Mid Year Forum- Feb 23-26			●			
3/2	2/13	CYBER RISK: INSURANCE/LIABILITY INNOVATION AWARDS	●					
		NBGH- March 4-6			●			
		CICA International Conference- March 8-10			●			
		RISK MANAGEMENT SUMMIT	●	●				
3/16	2/27	CAPTIVES REPORT	●					●
		AAMGA Automation & Technology- March 21-24			●			
		World Healthcare Congress - March 22-25			●			
3/30	3/13	CLAIMS MANAGEMENT CBO SPRING	●					●

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MENTAL HEALTH

Continued from page 1

under the vast majority of corporate health care plans, the stigma associated with the conditions deters many employees from seeking help because they fear losing their jobs. Employers can take proactive steps to reassure employees that help is available if they need it, but they must also be wary of potential discrimination litigation that can arise when employees seek special accommodations for depression or other mental disorders.

Employers incur an estimated \$100 billion annually in direct and indirect costs associated with depression, including as much as \$44 billion lost to employee absences and lower productivity, according to a survey published last month by Employers Health Coalition Inc., a Canton, Ohio-based not-for-profit health benefits service provider. "It's one of those situations where there's been a lot of talk about how no one's talking about it," said Marcas Miles, a Canton-based senior director at Employers Health Coalition. "Employers recognize and will admit it's an important topic, but it's only recently that they've begun to step up and decide that it's time for them to take action."

Most employers already provide coverage for mental health care under their group benefit plans, as well as access to professional counseling and other resources through employee assistance programs. However, recent studies indicate that — with the exception of prescription anti-depressant medications — benefits and services aimed at preventing or reducing depression in the workplace are underutilized by employ-

KENT STATE TRIES TO GET THE WORD OUT ON DEPRESSION-RELATED BENEFITS

Employers are unlikely to succeed in reducing the prevalence of depression and other mental disorders in the workplace without changing employee attitudes on the conditions themselves and the available treatments, experts say.

"With depression and mental illness, it's a little more challenging to get at because there is some stigma attached with some of those conditions," said Mark McLeod, university benefits manager at Kent State University.

The university — based in Kent, Ohio, with eight campuses in the northeastern part of the state — incurs about \$2 million a year in depression-related medical and pharmacy benefits costs, or roughly 4% of its total health care costs, Mr. McLeod said.

Research shows "that the indirect costs related to productivity, absenteeism and presenteeism could be as much as four times what we're facing in direct costs," he said.

To improve employees' understanding of depressive illnesses and the treatment, counseling and other mental health benefits that are available, the university and its employee assistance program provider — Cleveland-based behavioral health consultant Impact Solutions Inc. — partnered with Right Direction, a free depression resource portal the Partnership for Workplace Mental Health and Employers Health

Coalition Inc. rolled out in 2013.

The program "not only increases employees' awareness and helps them utilize some of the tools that are available through Right Direction, but also creates some form of treatment linkage for people who feel that they may need professional counseling," Mr. McLeod said.

Set against the backdrop of an evergreen forest to underscore the idea that depression can feel quite like being "lost in the woods," the Right Direction portal includes an interactive map, downloadable quiz and perspective comparison chart designed to help managers and employees identify symptoms of depression. For employers, the portal also features a library of free educational and promotional materials, as well as links to external depression management resources.

Though it is too early to know the program's result, Mr. McLeod said the university will be glad to exchange a short-term bump in medical and pharmaceutical utilization rates due to depression if it reduces long-term costs.

"As employees become more aware and more open to the idea of getting treatment, we know that the utilization might go up in the near term," Mr. McLeod said. "What we're really trying to do is reduce the long-term costs and effects associated with those conditions."

By Matt Dunning

ees, which experts say is typically due to a prevailing stigmatization of mental illness in the U.S. that discourages employees from admitting struggles.

"Fundamentally, I think a lot of people still don't want someone with depression or any other mental disorder working next to them," Mr. Miles said. "They don't know how to interact with it."

Another reason for employees' reluctance to take advantage of the counseling and other mental health services provided through benefits programs — often at no charge to the employee — is the

fear that using those services will ultimately harm their career, even though employers are legally barred from adverse actions against workers based on personal health or genetic information.

"It's not unusual for me to have employees resist openness in dealing with mental health issues, because they see it possibly as something that could inhibit their professional development or even negatively impact their ability to retain security clearances," said Violet Vernon, employee benefits manager at Aerojet Rocketdyne Inc., a Sacramento, California-

based aerospace and defense manufacturer. "We put a lot of effort into making sure our employees are assured that the program communications are between them and the providers, and that the information never gets back to us."

When employees do reveal to employers that they are facing mental health issues, employers must act with care if employees seek special considerations due to the disorders. Under the Americans with Disabilities Act and comparable state laws, employees claiming to suffer from depression and other mental illnesses would

MENTAL HEALTH BENEFITS

The percentage of employers offering insurance for mental health care increased slightly in recent years, while the percentage of firms providing employee assistance programs has remained mostly flat.

Year	Mental health	EAP
2014	87%	74%
2013	89%	77%
2012	85%	78%
2011	82%	75%
2010	82%	75%

Source: Society for Human Resource Management

likely qualify for nondiscrimination protection and reasonable accommodations if the condition has been verified by a physician.

Unfortunately, experts say many employers view the laws' lack of rigid protection qualifications for mental illnesses as an invitation for abuse on the part of employees, particularly if they might otherwise be subjected to disciplinary action. That tension, experts say, has helped fuel a 56% rise in depression-based workplace discrimination claims filed with U.S. Equal Employment Opportunity Commission from 2003 to 2013.

"The risk of litigation is certainly greater today than it was 10 years ago, so it's important that employers get this right," said Ellen McLaughlin, Chicago-based partner at Seyfarth Shaw L.L.P.

"One of the biggest things you can do is provide opportunities for discussion and protocol training for human resources professionals and the front-line managers," said Dean Rocco, a Los Angeles-based partner at Wilson Elser Moskowitz Edelman & Dicker L.L.P. "That way there's a clear and proper response when an employee lets a supervisor know that they're having an issue with depression or mental health."

SPLITS

Continued from page 4

said, adding that newly independent companies face operational risk because they lack the "safety net" of being part of a larger conglomerate that can offset poor performance in one division with profits from another division.

Steven Boughal, New York-based vice president, chief underwriting officer at Hartford Financial Products at The Hartford Financial Services Group Inc., said underwriters will closely scrutinize the manner in which a spinoff is being transacted.

"After a major transaction such as a spinoff, we need to know that the new companies will have the abilities to manage themselves on a day-to-day basis," he said.

Companies contemplating a split will need to make sure that the division of assets and liabilities is equitable, said Will Fahey, Chappaqua, New York-based senior vice president in Zurich North



HEAR INTERVIEW

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edition to hear RIMS' Carol Fox discuss the challenges risk managers face when their companies split operations with Business Insurance Associate Editor Bill Kenealy.

America's management liability group. "If one company was saddled with all the pension liabilities and set up to fail, you could get fraudulence and conveyance claims," he said.

A legal settlement announced earlier this year showed how expensive corporate splits can be if liabilities are loaded into one entity, said Kevin LaCroix, an attorney and executive vice president at RT ProExec, a division of R-T Specialty L.L.C., in Beachwood, Ohio.

In April, Anadarko Corp. paid \$5.15 billion to settle a fraud lawsuit that was triggered by the way in which a company Anadarko acquired, Kerr-McGee Corp., had overwhelmingly allotted environmental liabilities to a spinoff business, Tronox Ltd., in 2006. A bankruptcy judge ruled that Kerr-McGee had acted improperly when spinning off Tronox, which filed for bankruptcy in 2009 due to environmental cleanup costs.

"Where you will see problems is when a split causes a good company/bad company structure," Mr. LaCroix said.

Jeffrey Schulman, a New York-based partner in the insurance practice at Dickstein Shapiro L.L.P. said that companies can insert clauses into the contract language to help protect directors and officers from lawsuits.

"When it comes to mergers and acquisitions or a spinoff, most of these transactions will provide for a continuation of the discovery period under the existing insurance policy for up to a six year period," Mr. Schulman said. "The

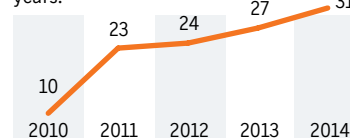
idea behind this is to indemnify the directors and officers for actions take place prior to the transaction."

In addition to existing liability issues, risk managers involved in corporate splits and spinoffs need to be especially attuned to how insurance policies are apportioned, said Carol Fox, Cincinnati, Ohio-based director, strategic and enterprise risk practice at the Risk & Insurance Management Society Inc. For example, if the named insured on a policy is the name of the unit being spun off, the remaining entity, even if it was the unit that bought the coverage, may find itself with insurance, she said.

"From an insurance perspective,

CORPORATE SPLITS

The number of annual corporate divestitures has increased the past four years.



Source: www.stockspinoffs.com

you really have to look at which insurance asset belongs to which entity," Ms. Fox said.

Brad Wood, senior vice president-risk management for Marriott International Inc. in Bethesda, Maryland, agreed that divestitures present a unique challenge to risk managers. Marriott has been through several divestitures as well as acquisitions over the past several years, including a deal to spin-off its timeshare unit, Marriott Vacations Worldwide, in 2011. Mr. Wood said that a "close and methodical review and analysis" of assets and liabilities is critical to the success of the transaction and assembling a diverse team is key.

After a risk manager of a company undergoing a split assesses future insurance needs, he or she might be in for some sticker shock, said Brian Cochrane, Chicago-based executive vice president and global leader of Aon Risk Solutions' M&A practice. "The cost of two insurance programs for stand-alone businesses will without a doubt be more expensive than for a single large entity," he said.

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Sony Pictures Entertainment's "The Interview" may poke fun at the wrong guy.

Was Sony breach a tit-for-tat?

Although cyber breach can seem like an impersonal crime, investigators are now probing the possibility that a Sony Corp. unit was hacked as a result of some hurt feelings.

According to Reuters, hackers working on behalf of North Korea have emerged as suspects in an attack that shut down computers at Sony Pictures Entertainment for a week. Perhaps not coincidentally, the studio is set to release a comedy, "The Interview," in which the CIA enlists a journalist to kill North Korea's Supreme Leader Kim Jong-un.

In June, a spokesperson for North Korea called the film, which stars James Franco and Seth Rogen, a "most blatant act of terrorism and war" and vowed a "merciless counter-measure" in response.

Whether or not North Korea is ultimately fingered as the source of the breach, companies may want to remember that when it comes to cyber defense, despots have feelings, too.

Novocain eases pain of buying health cover

With all the news and chatter about Black Friday, Cyber Monday and the like, one might think America's national pastime was shopping, not baseball — except when it comes to buying health insurance.

That piece of business is likened by most Americans to onerous tasks like doing one's own taxes or visiting the dentist.

Fully 82% of Americans who recently shopped for health insurance said it was worse than doing their own taxes, according to a new poll by Bankrate.com that was conducted by Princeton Survey Research Associates International.

The survey also showed that 75% of Americans see shopping for health insurance as the same or worse than getting the middle seat on a crowded airplane.

As for the dentist — perhaps the gold standard for judging misery — fully 23% of those who recently shopped for health insurance said it was less enjoyable than facing the dentist's drill, while 45% say it's just as bad. There were no figures available on comparisons with flossing.



HOME-SHARING FIRM OFFERS COVERAGE FOR GUESTS' PECCADILLOS



The possibility of coming home to "meth pipes" or the aftermath of an "XXX freak fest" might deter some people from renting out their living space through Airbnb, but the apartment-sharing service is hoping to set the minds of U.S. hosts at ease by offering an additional liability insurance program.

Airbnb's new host protection insurance program, which is expected to take effect on Jan. 15, covers up to \$1 million in liability for renters and homeowners that host travelers through the service, the San Francisco-based company said this week.

And if a guest is injured in a listing or on the building property during his or her stay, liability insurance provides coverage for hosts and, where applicable, landlords and homeowners associations, according to Airbnb.com.

More widely reported "accidents" include a "XXX freak fest" that Airbnb host Ari Teman said took place when he rented out his New York apartment in March.

"Aside from the illegal orgy destroying my apartment, it was a lovely weekend," Mr. Teman tweeted.

Another Airbnb host, Troy Dayton, wrote in the comment section of a techcrunch.com story that he came home to find "meth pipes" everywhere after renting out his apartment in 2011.

However, the host protection insurance program doesn't cover liability that arises out of intentional acts by the host; nonphysical injuries, such as slander or emotional distress; and injuries caused by drywall problems or bed bugs.

Business Insurance isn't all business all the time, and we know you're not either. So visit www.businessinsurance.com for more Off Beat stories and monthly photo galleries featuring the best of the weirdest news about insurance, fraud, liability issues and related topics that make people and companies do funny, silly and strange things.

Patience is a virtue for Romanian hacker

As cyber attacks become increasingly common and sophisticated, it's easy to imagine James Bond-style supervillains running megacomputers in labyrinthine underground fortresses gleefully attacking our favorite politicians, retailers and sandwich shops.

But if one recently jailed European hacker is to be believed, the process is far less complicated and glamorous.

The New York Times recently reported on Romanian hacker Marcel-Lehel Lazar, an unemployed 43-year-old Transylvanian who went by the online handle Guccifer.



Mr. Lazar is serving a seven-year sentence in a Romanian prison after a two-year spree where he is credited with such acts as hacking the flirty emails of a bikini-wearing Romanian politician sent to former Secretary of State Colin Powell, whom he also hacked, the newspaper said.

Another Internet exploit revealed private self-portraits painted by President George W. Bush.

Mr. Lazar told the Times that in addition to using a lot of time and patience to obtain passwords, in the end, Guccifer's methods were simple — he guessed.



LIVE LEAK

Russian passengers pushing their airliner to the runway.

Air passengers pushed to the limit

Air travel risks are well known, but a group of Russian passengers learned a new twist when they ended up pushing their airliner to the runway.

The plane was trying to depart the frigid outpost of Igarka in north central Russia with 74 oil workers and seven crew members when its pushback tractor began slipping on ice after the plane's wheels froze to the ground in the minus 61-degree conditions, according to media reports.

With passengers eager to get on with their trip 800 miles south to Krasnoyarsk, Russia, several were shown in an amateur video pushing on the plane's wings to move it into place, but a tow bar shown on the landing gear belies how much the eager passengers may have helped.

Russian authorities reportedly are investigating for safety protocol violations, but no information was available on whether the passengers were offered free drink coupons for their inconvenience.

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