

Business Insurance

\$100

December 10 & 17, 2012

www.businessinsurance.com

SPECIAL ISSUE

Investing in wellness

DATA POSTER INSIDE

Exclusive survey
shows how and why
employers offer
wellness programs



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NEWSPAPER





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Digging through data sets

Employers sift stats for wellness gold

By **MATT DUNNING**

Among the many things that can undermine employers' efforts to accurately measure the financial return on investment of their wellness programs, perhaps the most common impediment is the statistical complexity of those measurements.

Determining a wellness program's total effect on broader corporate strategies requires examination of a wide breadth of data sets and a thorough understanding of the corollary relationships between them.

Failure in either regard, experts say, would likely threaten an employer's

See **DATA** page 24



Healthy workers need wellness too

Promotion of preventive efforts pays off for employers over the long run

By **RUSS BANHAM**

Most companies have employees confronting chronic medical conditions such as diabetes, high blood pressure and high cholesterol levels.

Certainly, enticing such individuals to improve their health by signing up for the services offered by an in-house wellness program pays off in greater worker productivity, less absenteeism reduced health care costs and healthier, happier employees.

But what about everyone else in the company? Experts in health care and human resources are pushing the idea of wellness programs that target all employees—not just those in urgent need.

3 Wellness plan experts break down workforce populations from a health standpoint into three groups:

1. Those with chronic conditions
2. Those who already show signs of future chronic conditions
3. Those who are healthy at the moment

"Just because someone by virtue of their young age and genetics has not reached the level of a chronic health condition does not mean they won't find themselves on that path someday," said Steven Noeldner, a partner with Mercer L.L.C. in Newport Beach, Calif., and a member of the leadership team for its total health management specialty practice.

"Promoting the health of such individuals on a preventive basis may actually have more value than merely focusing on those who have accumulated significant health risk factors and chronic conditions," he said.

Mr. Noeldner and wellness plan experts break down workforce popula-

tions from a health standpoint into three groups: those with chronic conditions; those who already show signs of future chronic conditions like heart disease, diabetes and depression; and those who are healthy at the moment. The goal of corporate wellness programs is to incentivize individuals in these groups to submit to an overall health assessment by a physician and biometric screening.

The former is akin to an annual exam by a doctor, and it is considered a valuable way to evaluate such lifestyle habits as alcohol intake, drug use, diet and smoking; personal and family medical history; physiological data such as weight, height, cholesterol and blood-pressure metrics; and the employee's willingness to modify their behavior to reduce risks. The latter is

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SPECIAL ISSUE

INVESTING IN WELLNESS

On-site employee wellness programs continue to grow in popularity, but studies show that most employers neglect or struggle to evaluate their program's effect on broader financial and strategic goals.

A September survey conducted by the International Foundation of Employee Benefit Plans revealed that only one in five employers had analyzed their wellness program to determine its financial return on investment. However, among the companies that had conducted such an analysis, more than 84% said their program had produced a net return ranging from 1 cent to \$6 per dollar spent on wellness benefits.

More often than not, the factors that typically limit a wellness program's financial performance are the same as those impeding an employer's ability to accurately measure and communicate the total value of their program.

In this special issue of *Business Insurance*, we examine some of the most common roadblocks that deter employers from achieving and measuring favorable returns on their investments in employee wellness, including unrealistic program goals, poorly designed program offerings, and insufficient data aggregation and correlation.

Additionally, we offer experts' guidance on enhancing the potential cost savings of wellness programming, accurately measuring a program's financial performance and effectively communicating that information to senior leadership.

Also included in this issue is a data poster highlighting the results of *Business Insurance's* November survey of current wellness offerings and evaluation habits among more than 400 public, private, nonprofit and governmental employers, as well as commentaries authored by thought leaders in the employee wellness field (see poster, page 13, and story, page 6).

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Program designs must meet test of U.S. regulation

HIPAA, GINA limit the incentives employers can use

By **JERRY GEISEL**

Employers setting up employee wellness programs need to know how federal law will affect the design of those programs.

The key requirements for wellness plans are laid down by two federal laws—the Health Insurance Portability and Accountability Act of 1996 and the Genetic Information Nondiscrimination Act of 2008.

For example, HIPAA imposes a limit on the rewards or financial incentives employers can offer employees through results-based wellness programs. Examples of such programs would include employees pledging that they do not smoke or striving to attain certain cholesterol levels.

Typically, “these programs are outcomes-oriented,” said Steve Wojcik, vice president of public policy with the National Business Group on Health in Washington.

Under the law, the reward—if a wellness program is offered only

to employees—cannot exceed 20% of the total cost of employee-only coverage. If the program is open to employees’ dependents, then the 20% differential is based on the cost of coverage in the plan in which employees and their dependents are enrolled.

However, that 20% limit will be raised to 30% effective in 2014 under a provision in the Patient Protection and Affordable Care Act of 2010.

That increase in the maximum financial incentive will be welcomed by employers, experts say.

“Some employers already are bumping up against that 20% limit. It will be useful to have a 30% limit,” said Susan Nash, a partner with the McDermott Will & Emery L.L.P. law firm in Chicago.

“That’s good news for employers,” said Alison Schaap, senior vice president of health and benefits consulting in Chicago for Aon Hewitt, referring to the higher permitted premium differential.

However, in wellness programs where the reward or incentive is conditioned on meeting the differential, the reward has to be available to all “similarly situated employees,” with a reasonable

FEDERAL REQUIREMENTS

Besides the 1996 Health Insurance Portability and Accountability Act and the Genetic Information Nondiscrimination Act of 2008, other federal requirements laid down for wellness programs include:

- Employees have to be given the opportunity to qualify for the reward at least once a year.
- The employer must disclose the availability of a reasonable alternative standard.
- The program has to be reasonably designed to promote health or prevent disease.

alternative standard offered.

For example, take the case of a wellness program in which there is a 20% premium differential between smokers and nonsmokers. For that type of program, an employer would have to offer an alternative to employees who cannot pledge that they do not smoke.

“You must give them the ability to qualify for the lower premium,” said Ms. Nash, referring to the employees who cannot pledge that they are nonsmokers.

For example, an acceptable alternative, experts say, would be for the employer to provide the premium credit to employees who participate in smoking-cessation programs that the employer would offer.

“Employers have the flexibility to determine what is a reasonable alternative,” Ms. Schaap said.

However, those nondiscrimination rules do not apply, if a reward is not conditioned on meeting a standard related to a health factor. For example, an employer could

simply give cash payments, say \$100, to employees who complete health risk assessments or reimburse employees for the cost of smoking cessation classes, regardless of whether employees stop smoking after completion of the classes.

The tax status of such incentives depends on the way they are offered. For example, cash payments would be considered taxable income to employees. On the other hand, wellness programs that involve health care premium differentials have no effect on employees’ taxable income, while employer contributions to employees’ flexible spending accounts—for example, for completing a wellness program—would not be taxed.

As a wellness incentive, “cash has been popular because it is so easy to administer, but employers have come to recognize there can be more value through health care premium reductions,” said Alexander Domaszewicz, a principal and senior health and benefits consultant with Mercer L.L.C. in Newport Beach, Calif.

Aside from nondiscrimination and tax issues, employers offering wellness programs must abide by requirements laid down by the Genetic Information Nondiscrimination Act.

For example, under the act, employers can offer employees financial incentives for completing health risk assessments that ask questions about family medical or other genetic information, as long as employers clearly identify those questions that request genetic information and make clear the reward is available whether or not the employees answer the questions, Aon Hewitt’s Ms. Schaap said.

Shortage of data no obstacle

Health care facility finds work-around for lack of metrics

By **MATT DUNNING**

Conventional wisdom says successful wellness program design and evaluation begins with a detailed assessment of an employee population’s costliest and most chronic health risks.

However, it is possible for employers to achieve a return on their investment in well-

ness programming even when ostensibly critical health care expense and risk data isn’t available.

Such is the case at the Houston-based University of Texas MD Anderson Cancer Center, where circumstances forced the organization to take an unusual approach to its wellness program’s design and administration.

“It’s been very hard for us to pull some of the data that other companies use to build their wellness programs,” said William Baun, MD Anderson’s wellness officer, who was chiefly responsible for the program’s design and rollout in 2001. Benefit plans for MD Anderson’s approximately 19,000 employees are coordinated by the University of Texas’ central administration, which to date has not been able to provide the organization with detailed health care costs and claims data.

Instead, Mr. Baun and his team designed MD Anderson’s wellness program to address costs and risk factors that they could evaluate at a statistical level, such as workers compensation and disability claims, lost work time and presenteeism. In 2001, the organization added a workplace injury care unit to its employee health and well-being department, placing an emphasis on expediting recovery times and prevention education.

“I think a lot of companies, because they can’t quite get at health care costs or whatever they’re being told they should be targeting, they just don’t do the programs at all, and that’s crazy,” Mr. Baun said. Six years after adding the injury care unit, MD Anderson saw lost work days among its employees drop by 80% and reduced-duty days drop by 64%. The



Focus on workers’ needs to boost wellness ROI

By **MATT DUNNING**

Many of the specific issues that often undermine employers’ efforts to measure the return-on-investment of their wellness programs can be addressed with the addition of relatively low-cost evaluation processes and initiatives.

Through preliminary and ongoing employee population research, targeted outreach and engagement strategies and nontraditional plan offerings, wellness practitioners and consultants said employers can broaden their wellness program’s potential financial benefits and obtain a more accurate measurement of those benefits.

Fundamentally, improving the accessibility and accuracy of wellness-related return-on-investment metrics requires program design and implementation strategies more closely tailored to employees’ needs and the employer’s capabilities.

“When you’re going through the program design phase, part of the data gathering that you do needs to be focused on understanding your workforce to the extent that you can make sure



HEALTHY TEAMWORK

Companies can use their employees assistance plans to boost a wellness plan’s financial benefit and access valuable data to support a demonstration of that benefit. By tying their wellness and EAP services, employers can correlate instances of workers seeking counseling for stress management, financial issues, legal trouble and other pressures with medical conditions such as migraines, high blood pressure, illnesses related to smoking, drug use and alcohol abuse, and other potentially costly health risks.

that the programs you’re designing are actually going to meet the needs of that population,” said

Mari Ryan, chairperson of the Worksite Wellness Council of Massachusetts and CEO of

Advancing Wellness, L.L.C., both based in Watertown, Mass.

Health risk assessments and biometric screenings are certainly useful in identifying chronic conditions and costly health risk trends among employees, experts said, but those assessments should, whenever possible, be combined with self-reported behavioral information to better inform programming choices.

“Employers sometimes tend to gravitate towards whatever the coolest tool at the time happens to be, but it might not be what your population needs,” said Merry DeMartino, executive vice president of talent development at San Diego-based Event Network Inc., an operator of museum gift stores and the 2012 *Business Insurance* Benefit Manager of the Year®. “Smoking cessation is certainly a hot topic in the wellness field, so you might figure you’ll invest a lot of money in a smoking-cessation program, but find out much later that you don’t have many smokers in your population.”

Traditional wellness testing also needs to be correlated with demo-

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See **CASE STUDY** page 21

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Wellness advantages don't stop at lower costs

Higher productivity, lower absenteeism among benefits

By JOANNE WOJCIK

While most employers that implement wellness programs look for returns on their investment in the form of lower group health costs, far greater benefits may be realized in the form of higher productivity, reduced absenteeism and lower workers compensation and disability-related costs, experts say.

But because most employers do not track these costs in correlation to their wellness programs, they may not be aware of how great an impact such health promotion programs may be having on their employees' overall performance,

experts say.

In fact, oftentimes the productivity effects of wellness occur long before medical cost savings, according to Stephanie Pronk, senior vice president at Aon Hewitt based in Minneapolis.

"In general, you will see the indirect savings before you see the health care cost savings," she said.

The San Francisco-based Integrated Benefits Institute, a non-profit dedicated to helping employers improve their workforce health and productivity, has developed a tool that can help employers measure just how much impact wellness and health promotion programs are having throughout their organizations.

IBI's Full Cost Estimator calculates the total cost of employee health to an employer, said IBI President Tom Parry. This

includes not only group health care costs for employees and dependents, but also costs related to incidental absence or sick leave, short-term disability, long-term disability, workers compensation and even "presenteeism," which is defined as when employees are not working to their full potential because of underlying health issues.

"Just two pieces of information—an employer's industry and number of employees—will give a general estimate of these costs," Mr. Parry said. But when more information is added, such as unplanned absences and disability data, the Full Cost Estimator can be more precise, he said.

Until recently, use of this tool had been slow to catch on because

See **INDIRECT** page 9

GETTING BETTER MEASUREMENTS

"A Pragmatic Approach for Employers to Improve Measurement in Workforce Health and Productivity," published recently in *Population Health Management*, describes the use of the Integrated Benefits Institute's Full Cost Estimator. Among other things, the article advocates that enlightened employers:

- **FOCUS** their measurement efforts using a total-workforce and total-population-health-management lens, rather than focusing on a limited set of disease-specific strategies
- **INCLUDE** health dimensions that cut across all health-related benefits programs, including sick leave, disability and workers compensation
- **INCLUDE** business-relevant monetized outcomes
- **COMMUNICATE** results with sufficient operational metrics to guide action
- **SPECIFY** a limited set of dashboard metrics to provide a broad overview and effectively communicate population health status and trends, both within their organizations and with their external partners.

Few employers focus on savings

Participation rate key success measure

By MATT DUNNING

Although a majority of employers offer some form of employee wellness program, far fewer employers are using their programs to generate a financial return on their company's investment, according to a *Business Insurance* survey.

Seventy-six percent of the 407 human resources and benefits decision-makers surveyed in November offer an employee wellness program. However, only 48% indicated that the extent to which their wellness program has reduced overall health insurance costs is factored into their assess-

ment of their program's success.

Eighty-one percent of the 309 firms offering employee wellness programs primarily use participation rates to determine their program's success, while 68% do so based on the amount of positive feedback they receive from employees.

Even fewer employers—about 28%—indicated that reducing health care costs was their program's foremost objective, compared with 59% that said their programs were designed mainly to improve the overall health of their employees.

Throughout the articles in this issue, experts say employers can greatly improve their ability to secure and sustain financial investment in their wellness pro-

grams by measuring their programs' impact on direct and indirect costs over time.

While half of employers across the public, private, nonprofit and governmental categories said they expect to offer similar wellness programs in the next two years, a significant percentage indicated plans to reduce their wellness offerings over the same time period. Five percent of nonprofit employers, 6% of public employers, 9% of private employers and 21% of governmental employers responding to the survey said they expect to offer less comprehensive wellness programs in the next two years.

In addition to a lack of focus on programs' financial performance,

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Plan expenses can add up quickly

By MATT DUNNING

Obtaining a clear view of the costs associated with implementing and managing a wellness program is a crucial step in determining the program's true value, according to several wellness experts and observers.

However, it is a step that employers overlook with surprising frequency.

Apart from service fees for vendors and investment in financial incentives, certain promotional materials and on-site wellness equipment, there are a range of costs associated with comprehensive wellness and health management programming that often are not obvious to employers and, in some cases, may never reveal themselves as line-item expenses, experts said.

"The direct costs are the easy

COSTS OVERLOOKED

When creating expense estimates for wellness plans, employers frequently overlook some important cost drivers, such as:

- Labor-related costs associated with the planning, implementation and management of a wellness program
- Expenses associated with ensuring regulatory compliance
- In-house IT costs associated with Web accessibility, population research and data analytics fees
- Redundancies in program planning and support structures

ones, but the indirect costs like staff time and program communications tend to be more difficult,"

said Laurel Pickering, president and CEO of the New York-based Northeast Business Group on Health. "Everything that supports the wellness program—those are the costs that usually get left out."

When support expenses go unaccounted for in employers' baseline cost estimates for their wellness programs, any demonstration of a net financial benefit generated likely would be skewed by inaccurate or incomplete program price assumptions, even if employers are able to illustrate their programs' positive effects on medical claims, lost productivity and other recurring cost drivers.

Primarily, experts said employers fail to account for the variety of labor-related costs associated with the planning, implementation and management of a well-

See **COSTS** page 20

IT TAKES TIME

Experts say it takes about three years to realize financial benefits of wellness programs. Benefit managers should do these things during those three years:

- Ensure the company's executives are willing to accommodate the level of strategic flexibility necessary to realize a sustained financial benefit
- Factor the need to justify the company's investment to directors and shareholders into their wellness program's design and reporting structures
- Alert senior executives that the program will need to be tweaked and adjusted along the way, which could drive up the total cost of the program well before its value potential is fully realized

Wellness plan investment, costs require balancing act

By MATT DUNNING

Achieving and measuring positive returns on an investment made in a wellness program requires a delicate balancing act, benefit managers and wellness experts said.

During the planning stages and periodically over the life of a wellness program, benefit managers must ensure their senior-level executives understand and are willing to accommodate the level of strategic flexibility necessary to realize a sustained financial benefit from a wellness program.

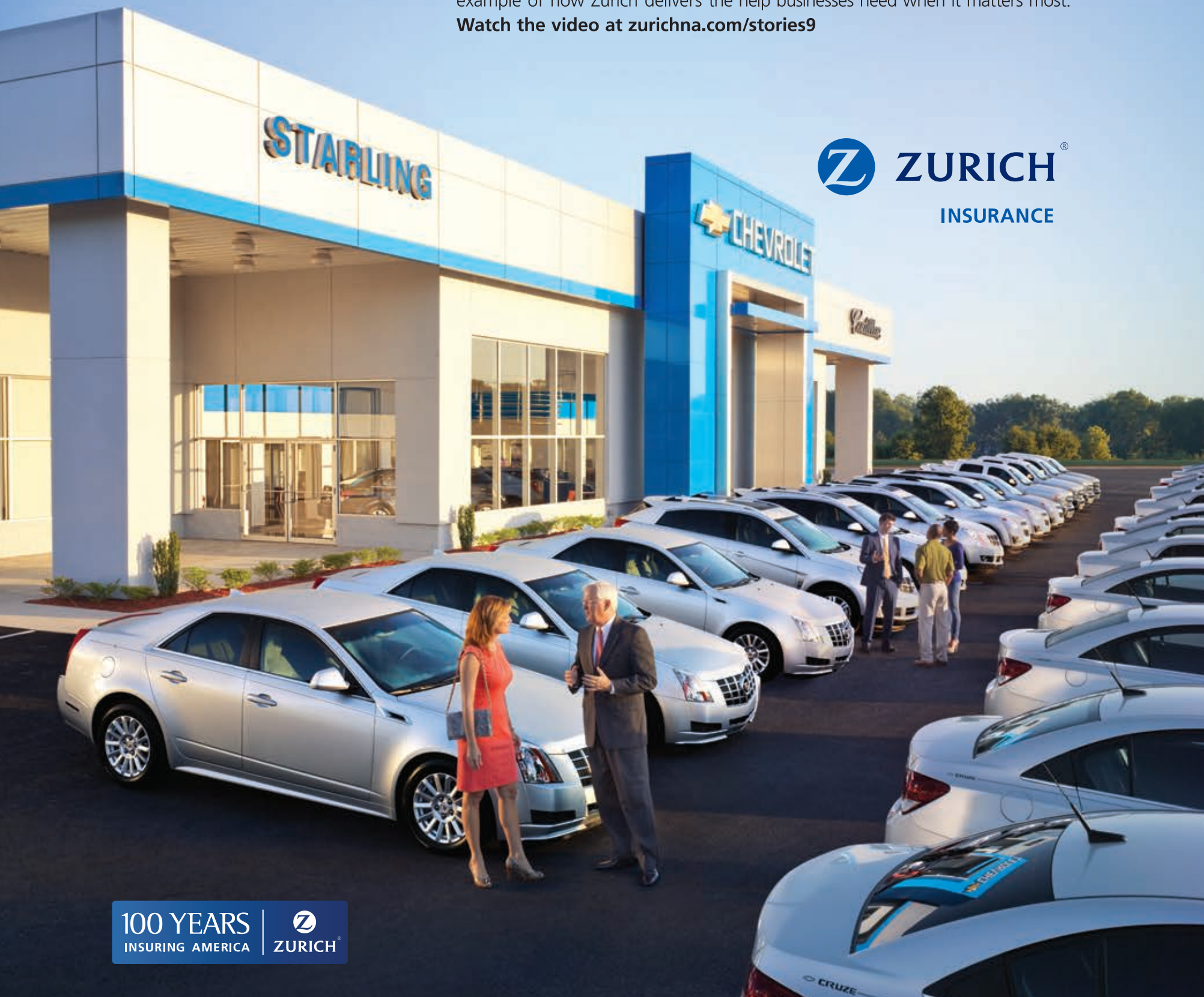
At the same time, benefit managers also must factor their financial officers' need to justify the company's investment to directors and shareholders—often on an annual basis—into their wellness program's design and reporting structures.

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Alan Starling, President & CEO
Starling Automotive Group

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Opinions

EDITORIAL

Wellness needs collaboration

Conventional wisdom on employee wellness programs tells us that benefits and human resources managers must secure senior-level support in order for their programs to achieve measurable positive results, financial or otherwise.

While the support of senior executives is critical, we have found in the course of our reporting for this special issue of *Business Insurance* that sustaining a successful wellness program—regardless of how employers choose to define that success—requires a collaborative effort at every level of the corporate structure, throughout the design stage and consistently over the life of the program.

Even wellness programs designed solely to address chronic health risks identified through employee health assessments and biometric screenings need to be tailored to employees' needs and interests to maximize the impact on health outcomes and, by extension, health care costs. The process should be informed by employees' participation in focus groups, surveys and other attitudinal studies long before any actual program offerings or incentives are rolled out.

Creating a sense of ownership of a wellness program among middle managers can be just as vital to wellness success, especially among employers that expect their programs to generate cost savings in areas other than health care, such as workers compensation and disability claims, presenteeism and employee retention.

Benefits and human resources managers also should recognize the key role that external stakeholders can play in wellness programming, particularly health insurers. Employers should take every opportunity to negotiate with their insurers for premium discounts based on wellness benchmarks, as well as plan coverage for any specialists they intend to incorporate in their wellness programs.

While wellness programs have become the norm among employers, data on their effectiveness often remains elusive. Coordinated data sharing among insurers and program administrators is crucial to achieving a thorough analysis of a wellness program's success, even if that success is not necessarily defined in financial terms.

LETTERS

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COMMENTARY

Wellness is a win-win proposition

If there is a constant in the employee benefits arena, it is that group health care plan costs will go up, usually by a lot more than overall inflation.

There are many reasons for this, and some of those reasons — the ever-increasing concentration of health care providers, which dampens competition, and an aging population — are truly beyond the control of employers.

But there is plenty employers can do to hold down costs, and helping improve employees' health is key, as this special issue of *Business Insurance* shows.

Improving employees' wellness is such a basic and logical weapon to hold down costs. Yet, until recently, there has been more talk than action.

That has started to change. For example, nearly half of large employers with wellness programs surveyed by Mercer L.L.C. now provide financial incentives or penalties to encourage employee participation in those programs.

That is a huge change in just one year: In 2011, only one-third of employers with wellness programs included financial incentives or penalties.

Why have so many employers, at least until recently, held off on implementing wellness programs? There probably are plenty of reasons, but a big one, no doubt, has been the difficulty of measuring the return on investments of such programs.

That's understandable. Giving employees financial incentives, say a couple hundred dollars, to take a health risk assessment may not yield immediate savings.

But over time, such incentives will pay off. That's

just common sense. As medical problems such as high blood pressure are detected through such assessments and treated with the appropriate medications, big-time costs savings are the inevitable results.

The same goes for many other components of wellness programs. Give employees financial incentives to lose weight, for example, and many will do just that. And that will reduce costs, given the link to obesity and health care problems.

And there are plenty of low-cost and easily implemented wellness programs that are bound to lead to healthier employees and, with that, lower health care plan costs.

In that category are on-site health care screenings and exercise classes, healthier foods in company cafeterias, company subsidies of gym memberships and smoking-cessation programs.

I'd be the last to say wellness programs are the magic wand that will lead to smaller health care cost increases. But they can help, and potential cost savings is something no employer can afford to overlook.

And with that, the doom and gloom attitude so many employers have taken for years on the health care cost control front should be replaced by one of optimism and action.

To be sure, wellness programs are not a silver bullet that will dramatically reduce health care cost increases. But they will help on the cost control front, while also improving employees' health. And that is a win-win for all.

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JERRY GEISEL
EDITOR-AT-LARGE

Indirect: Benefits beyond cost savings

CONTINUED FROM PAGE 6

all too often “employers are still siloed in the way they structure their programs,” Mr. Parry said. “Individuals responsible for wellness or group health or workers comp may not know what other data is available or even who the other people are.”

But now that so many company chief financial officers are asking questions about how employee health may affect a company’s profitability, employers are becoming more interested in using IBI’s Full Cost Estimator “to facilitate that conversation and demonstrate how improvements in employee health could actually enhance business performance,” Mr. Parry said.

Demand for copies of an article describing the use of the tool that was published recently in Population Health Management is indicative of this trend, said Mr. Parry, who co-wrote the study with Bruce Sherman, medical director at Bentonville, Ark.-based Wal-Mart Stores Inc.

“We received over 550 requests for that article,” which is titled “A Pragmatic Approach for Employers to Improve Measurement in Workforce Health and Productivity,” Mr. Parry said. “What that tells me is the issue of measurement is becoming a big deal.”

The Nashville, Tenn.-based Health Enhancement Research Organization also has studied the correlation between wellness and business performance, finding that employees with an unhealthy diet were 66% more likely to report having experienced a loss in productivity than those who regularly ate whole grains, fruits and vegetables.

HERO’s study, a collaboration with researchers from Brigham Young University and the Center for Health Research at disease management provider Healthways, also found that employees who exercised only occasionally were 50% more likely to report having lower levels of productivity than employees who were regular exercisers. The report, to be published in the October issue of Population Health Management, also found that smokers were 28% more likely to report suffering from a drop in productivity than nonsmokers, according to HERO.

Another study, “Health and Productivity as a Business Strategy: A Multiemployer Study,” published in 2009 in the Journal of Occupational and Environmental Medicine, found that presenteeism actually creates a greater drain on company productivity than employee absence. That study combined medical and pharmacy claims data with self-reported health-related employee absenteeism and presenteeism data collected using the Health and Work Performance Questionnaire, a tool developed by Harvard University researcher Ronald Kessler and the World Health Organization.

“Obesity and Workers Comp-

‘If you’ve got two people and they’re both being admitted for a workers comp-related illness or injury, you would expect the person engaged in wellness to have better outcomes.’

Alan Pollard, Vitality Group Inc.

sation,” a study published in 2007 by Duke University, found that employees who managed their weight to achieve a lower body mass index experienced fewer

occupational injuries.

“That is why we try to integrate traditional wellness with existing safety programs,” said Brent Hartman, health risk management

practice leader at broker IMA Inc. in Denver.

Incorporating wellness into safety programs is having an even greater impact with the aging population, according to Joseph O’Brien, president and CEO of Interactive Health Solutions, a wellness program vendor based in Schaumburg, Ill.

“As we get older, a lot of the medical claims are showing up in workers comp and disability,” he said. “If I’m an uncontrolled diabetic and get hurt on the job, I could have gotten hurt because I’m dizzy or not concentrating. And if it’s a wound issue, being a diabetic complicates things. The wounds will heal slower.”

In researching the impact of

wellness on work comp and short-term disability claims, IHS found that workers participating in wellness programs reported fewer work-related incidents and the injuries sustained were generally less severe, resulting in less time off.

“The same health risks that generated health benefit costs all have an impact on absenteeism, presenteeism, workers comp and long-term disability,” said Alan Pollard, New York-based CEO of the Vitality Group Inc. Therefore, “if you’ve got two people and they’re both being admitted for a workers comp-related illness or injury, you would expect the person engaged in wellness to have better outcomes.”

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Perspectives

While expectations for the return on investment for wellness programs should be high, employers need to temper those expectations with a dose of realism. LuAnn Heinen, vice president of the National Business Group on Health, outlines the challenges facing those who want to implement these programs and offers advice on how to plan for them.

Take measured approach to plan ROI expectations

By LuAnn Heinen

Large companies with comprehensive wellness offerings often spend in the range of \$200 to \$300 per employee per year or around 2% of total claim costs on wellness programs. Increasingly, spouses and domestic partners are eligible for wellness program activities and incentives as well.

Evidence for a positive return on investment on wellness programs is growing in the peer-reviewed literature.

Key review articles summarizing high-quality published return-on-investment studies conclude that strong employer-sponsored wellness programs improve health, save money and should be encouraged as a strategy to slow health cost increases not just in the private sector but also in Medicare.

However, most chief financial officers don't read this literature. Even if they did, the data is old and refers to other, often unidentified, companies.

Instead, CFOs want to see a return on investment for the specific programs offered to their own employees. And they want it yesterday.

Complexity, challenges

Unfortunately there is no roadmap for ROI analysis, and the lack of an industry standard for measuring financial impact means each attempt is custom-designed and may or may not produce valid results. Executing an ROI analysis requires careful answers to many (not entirely straightforward) questions such as:

- Which program components will be included — health assessments/biometric testing, health coaching, corporate fitness challenges, Weight Watchers at Work, subsidized healthy lunches, use of on-site fitness facilities, stress management interventions, premium discounts for tobacco cessation, or other? Comprehensive programs by definition are multi-component, and it is difficult to



Ms. Heinen

CFOs want to see a return on investment for the specific programs offered to their own employees. And they want it yesterday.

attribute behavior change or improved health to a single activity; typically evaluations cover many or most of these.

- What is the timeline for data collection? While employers can expect to see behavior change in Year 1, program startup costs are likely to be high while health care savings lag, resulting in a negative ROI. Reduced medical claims may appear as early as Year 2, and more commonly in Year 3, which is when most companies expect to see a positive ROI.

- What can change over the two- to three-year evaluation timeframe, and how might this impact the conclusions? Plan design changes, new vendors with different approaches and data definitions, poor program execution, external events that influence key outcome measures, and other hard-to-predict factors need to be considered when

interpreting the findings.

- How will employee/dependent participation in the wellness program be defined (e.g., health assessment/biometrics plus at least one additional activity)? While participating in a health assessment or biometric screening is a one-time event, more meaningful engagement is needed to produce outcomes for on-site fitness centers or weight management coaching. For example, participation in a physical activity program might be defined as two times per week for 10 of 12 continuous weeks, while coaching programs usually require at least four sessions to produce outcomes.

- How long do employees need to stay with the company and participate in the program to be included in the analysis? In order to capture potential cost savings, the study population should be restricted to participants and non-participants who are continuously employed over the course of the evaluation.

- What results will be measured in addition to health cost impact? What additional bottom-line impacts are important — e.g., absenteeism, presenteeism, disability costs and workers compensation costs — and are the data to measure them available? Leaders in health and productivity analysis with access to integrated data have shown that these costs (and potential savings) appear to be even more significant than medical and pharmaceutical costs.

- What about non-financial effects such as change in health risks? We know today's health risks are tomorrow's claims, so it is desirable to include the impact of wellness programs on people who may not yet be generating medical claims.

- Is there complete data on a sample size that is large enough to detect differences between the comparison groups (e.g., participants and matched non-participant controls) for the chosen measures? This question must be answered by a statistician based on the research design; overall

sample size is not usually the problem, but having an adequate sample to look at subsets (e.g. by gender, age, work location, job category or other segmentation) often is.

- Is there added value in measuring health care utilization differences and then attributing costs to these differences for physician visits, hospital/ER use or number of prescriptions? Yes, because medical claim costs can be distorted by network discounts and other confounders.

- How can selection bias be avoided? Simply comparing participants to non-participants will be flawed if employees who sign up for the wellness program are systematically different from non-participants (e.g. with respect to age, BMI, health risks/costs). Statistical techniques are commonly used to minimize this problem.

- Are wellness program costs fully captured? An incomplete "I" tally will make any "R" look bigger.

Planning ahead

One of the most common pitfalls in designing an evaluation is failing to set evaluation parameters in advance. It is not appropriate to decide which employees will be included in the study (e.g., the Omaha office) or counted as participants once the wellness program is under way and relevant outcomes such as weight loss or increased physical activity become apparent. This means that the plan for ROI analysis must be developed simultaneously with the plan to launch a wellness initiative — and pretty clearly this is not the usual course of events.

Most employers will outsource ROI analysis because it is complex, and key choices will determine the validity of the final product. National employee benefit consultants and actuaries, data warehouses, and certain private and university-based research groups do valuable work in this area. Health plans and wellness suppliers also may have the capability and can typically provide estimated savings from their own "book of business" results. If following this path, employers should understand the supplier's approach to calculating ROI and may wish to retain a third party to review the method and results.

Continued on next page

Continued from previous page

The cost of an evaluation depends on its scope and rigor, which are influenced by what key stakeholders want to know. Because budgets are typically limited, discussion about which outcomes are most important and feasible to measure should occur before the evaluation begins. The more outcomes to be tested, the more expensive the evaluation will be. A statistically rigorous comparison study (comparing program participants carefully matched to nonparticipants with similar demographics and risk factors) is likely to run \$200,000 or more.

Real-world approaches

Most companies don't have the time, budget or inclination to conduct a full-blown ROI analysis. Representative examples from the wide range of approaches used by large employers follow:

- Employer A calculates wellness ROI by comparing the change in population health risks for a cohort of wellness participants measured over two or more years compared with a reference population of nonparticipants. The per-person savings from reducing certain health risks — 200 fewer smokers, 300 moving from inactive to physically active — multiplied by the number of people amounts to the ROI. Per-person savings is based on costs associated with each health risk from published literature.

- At Employer B, ROI estimates are based on published research showing expected savings for the types of health and productivity programs implemented at this employer. Savings estimates factor in engagement rates as well as the full cost of the programs, incentives and communications.

- A third-party expert was retained by Company C to define the method of ROI analysis and review the output. The vendor analysis compares participant to nonparticipant outcomes before and after program implementation. All claims except uncontrollable (e.g., maternity) are included for those eligible for the program and continuously employed.

- Company D uses a disability dashboard to show the number of disability, light duty and paid workers compensation cases, the number of days absent per 100 employees and the dollars spent per 100 employees on absence and disability claims. Success of health and welfare programs is based on this scorecard and on reduction in claim costs for preventable diseases.

- Company E internally calculates its ROI on key programs by taking total savings and dividing it by the total cost of providing the service. In addition, it calculates cost avoidance by comparing the health condition prevalence — diabetes, smoking, high blood pressure — for its population with national averages and applying published costs for each condition.

- Company F takes the total

validated monthly savings from its vendor-administered wellness program divided by the total fees paid to the vendor to calculate ROI. An independent third-party expert reviews the savings method to ensure accuracy.

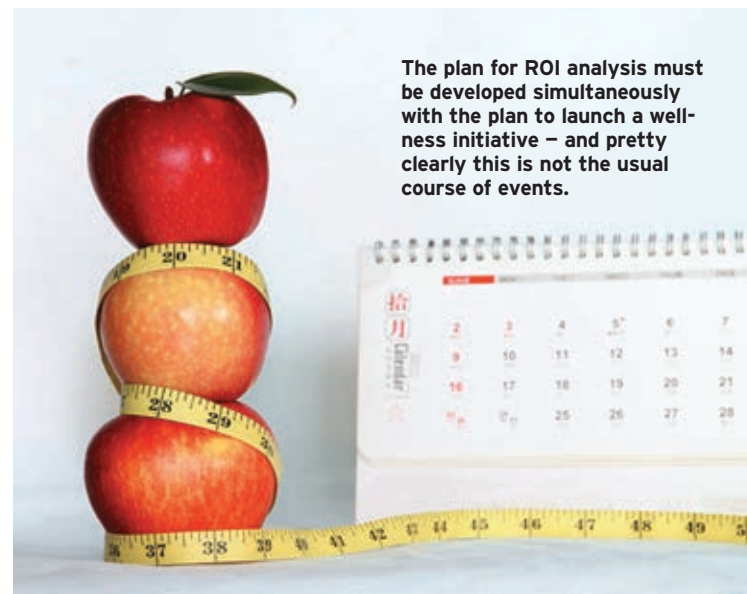
Perspective on expectations

ROI studies are difficult. And once a financial ROI is derived — even if it is 3:1 — it doesn't capture everything that is important. Employee wellness programs have a largely unmeasured impact on recruitment, retention and organizational culture. Employee trust in management, willingness to recommend the company as an employer, and voluntary turnover rates all can be impacted.

While employer expectations for an ROI analysis need to be realistic given the challenges and complexities described above, expectations for the wellness program itself should remain high.

Reasonable expectations include increased employee/family awareness and engagement around their own responsibility, a better performing workforce through reduced absence and increased productivity at work, and financial benefits from both medical and productivity cost savings at least in excess of the dollars spent.

LuAnn Heinen is vice president of the National Business Group on Health in Washington. She can be reached at heinen@businessgrouphealth.org.



The plan for ROI analysis must be developed simultaneously with the plan to launch a wellness initiative — and pretty clearly this is not the usual course of events.



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MAKE YOUR WORLD GO

Perspectives

Wellness offers more to a company and its employees than simple cost reductions and better return on investment. Jake Flaitz, director of benefits for Paychex Inc., describes his company's efforts to improve the wellness of its workforce and enhance their work environment and the company's bottom line.

Embrace value of wellness plan

By **Jake Flaitz**

In recent years, employers have increasingly turned their attention to improving the overall health status of their employees as one strategy to stem escalating health care costs.

The goal of this strategy has, typically, been to positively impact the direct spend incurred by the company and employees by reducing the demand for health care services. The ability of wellness programs and initiatives to impact the direct spend, including calculating the return on investment, has been widely studied.

In addition to trying to identify the wellness programs' impact on direct expenditures, many employers also have tried to understand what impact health improvement can have on indirect medical costs such as absenteeism and presenteeism. In broad terms, this impact on productivity also has been the subject of studies, with many concluding that the ROI is equal to or greater than the return generated on the direct medical spend.

Less discussed and studied has been the impact that wellness programs can have on employee morale. The key question here is not just whether employee wellness can positively affect employee morale, but whether a company's investment in employee health can actually enhance employee engagement.

Of course, determining how to measure the value of investing in employee health is an individual company decision based in part on the organization's culture. In this article, I would like to share how we've approached evaluating the impact that our investment in employee well-being has had at Paychex Inc.

From a pragmatic viewpoint, we do not believe that there is any single measure that is

an absolute indicator of success. As a result, we have looked at a number of different metrics to see if commonality in direction exists. At a high level, this means that we are trying to understand the impact we are having on health risks, our financial spend, and the commitment that employees feel to the organization.

In 2007, we announced that we would be taking a significant evolutionary step in the Paychex wellness program by integrating it with our medical benefit offerings. We historically made on-site biometric screenings available to employees at no cost to them, financially incented the use of a health risk assessment, and had instituted a premium differential for non-tobacco users. We saw moderate success

with this approach: Approximately 40% of our employees participated in the annual biometric screening, and 20% completed an HRA.

However, we made the determination that in order to continue to offer a rich medical benefit that our employees valued highly, we would have to take our wellness program (and our employees' health) to the next level. In 2008, the Paychex Active Health initiative began. Employees were given the choice to actively become engaged in either managing their health or their health care costs. In order to keep the medical option that they were in (at the time either a \$100 individual deductible plan or a \$150 individual plan with 10% coinsurance) and higher premium contributions.

The participation metrics exceeded our goals. In the first year, 92% of employees enrolled in a Paychex medical plan completed the Active Health Requirements, and in subsequent years the participation remained above 92%. In addition to measuring participation, we are also interested in understanding if we are reducing health risk factors. Our ability to measure this has been complicated by the fact that we have used three different HRAs from three different vendors in five years. We also have analyzed



Mr. Flaitz

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See **FLAITZ** page 17



EMPLOYEE WELLNESS PROGRAMS



Success Seen, Likely to Continue and Grow

A *Business Insurance* survey looks at the rationale behind these programs, how companies evaluate them and the services they currently offer.

Insights
to
Solutions

EMPLOYEE WELLNESS PROGRAMS

Success Seen, Likely to Continue and Grow

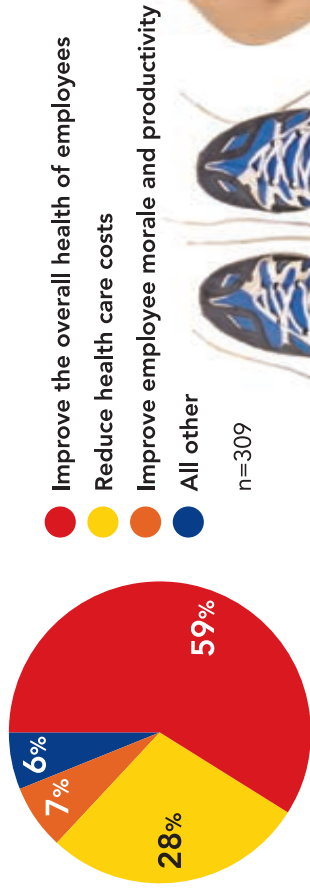
Business Insurance conducted a survey of 407 human resources and benefits decision-makers across a variety of industries and types of businesses in November 2012. A total of 76% of these companies currently offer employee wellness programs. The purpose of this survey was to understand the rationale behind these programs, how companies evaluate these programs and the services currently offered.



Employee Wellness Programs

KEY REASONS FOR OFFERING EMPLOYEE WELLNESS PROGRAMS

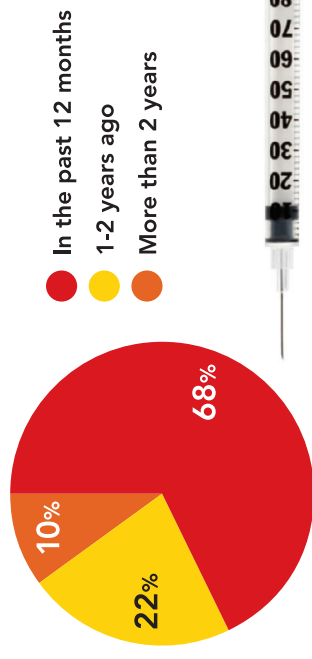
Almost 60% of companies indicated that improving the overall health of employees is the most important reason for offering EWP.



Employee Wellness Program Evaluation

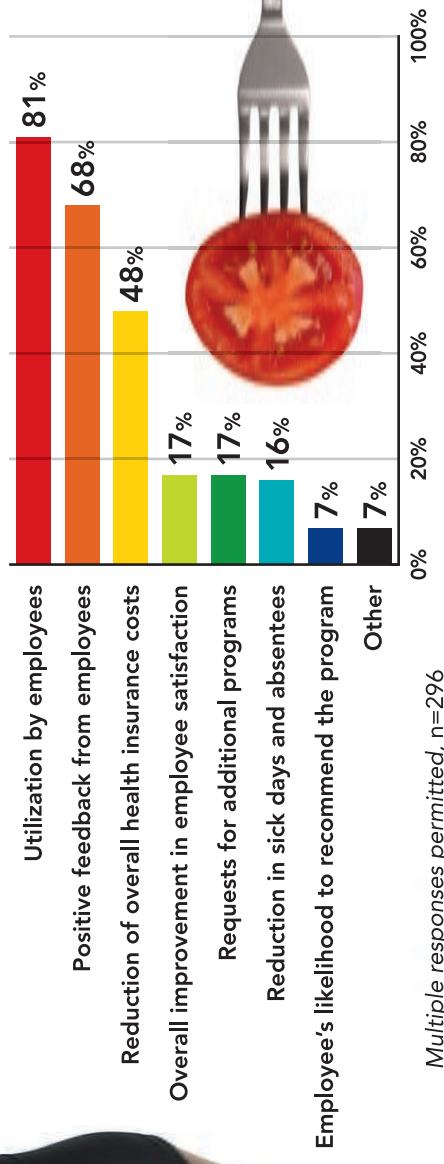
EVALUATION FREQUENCY

Recent adopters of EWP are more likely to have evaluated the program within the past 12 months than non-recent adopters (program adopted five years ago or more).



EMPLOYEE WELLNESS PROGRAM SUCCESS MEASUREMENTS

For most companies, the success of EWP is determined by the number of employees enrolled in the program. This measure is significantly more important among large companies (\$500 million or more in revenues in 2011) than among companies with lower annual revenues.



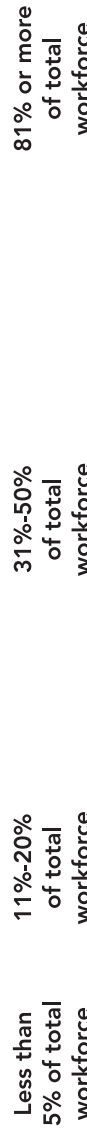
EMPLOYEE WELLNESS PROGRAM TENURE

Recent adopters tend to be private companies or nonprofit organizations.



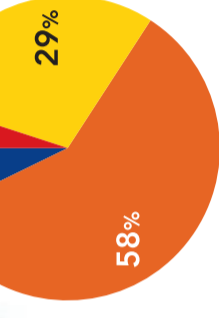
EMPLOYEE WELLNESS PROGRAM PARTICIPATION IN 2011

Enrollment is lower among government entities (only 30% had a 50% or higher enrollment) than among other types of organizations.



OVERALL PROGRAM EVALUATION

In general, larger companies (\$500 million or more in revenues in 2011) are more optimistic about the success of their EWP than other companies.



Employee Wellness Programs: Services and Incentives Offered, Future Outlook

MOST COMMONLY OFFERED PROGRAMS BY COMPANY TYPE

On-site health screening and immunizations are the most common EWP offered across companies of all types and all sizes, followed by weight-loss programs.

Which of the following are currently offered as part of your company's EWP?

	Public	Private	Nonprofit	Government entities
On-site health screenings/assessments	85%	69%	93%	71%
On-site immunizations	85%	68%	83%	79%
Weight-loss programs	79%	65%	88%	79%
Smoking cessation program	70%	72%	73%	82%
Personal health coaching	55%	59%	60%	53%
Wellness newsletter	49%	57%	53%	58%
Ergonomic resources such as ergonomic keyboards or ergonomic chairs	58%	47%	63%	63%
Gym membership discount	49%	57%	53%	58%
Workplace safety evaluations	51%	52%	55%	55%
Nutrition and healthy living "live" classes	40%	34%	70%	74%
Managing stress "live" classes or Web-based classes	41%	30%	58%	63%
Nutrition and healthy living Web-based classes and other resources	55%	34%	43%	53%

Multiple responses permitted, n=309

MOST POPULAR WELLNESS PROGRAMS BY COMPANY TYPE

On-site immunizations are significantly more popular among employees of public companies, while weight-loss programs are more popular among employees of nonprofit organizations.

Which of the programs offered by your company's EWP have the highest enrollment/participation among your employees?

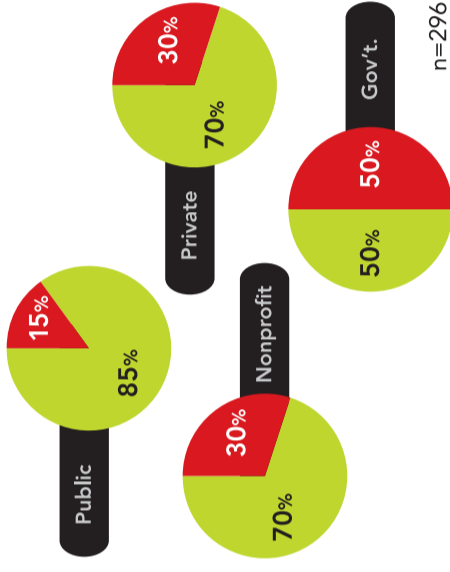
	Public	Private	Nonprofit	Government entities
On-site immunizations	62%	45%	43%	47%
On-site health screenings/assessments	49%	45%	43%	47%
Weight-loss programs	30%	34%	58%	42%

Multiple responses permitted, n=309

INCENTIVES

Are incentives offered to employees participating in EWP?

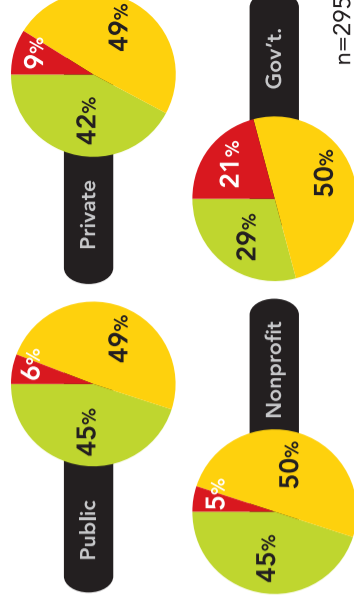
- No incentives of any type are offered
- Yes, incentives (monetary and/or nonmonetary) are offered



FUTURE OF EMPLOYEE WELLNESS PROGRAMS

Do you think in the next 2 years your company ...

- Will offer a reduced version/less comprehensive wellness program
- Will continue offering a program similar to current wellness programs
- Will offer a more extensive/comprehensive program



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Flaitz: Embrace value of wellness plan

CONTINUED FROM PAGE 12

aggregate data generated by the biometric screens.

From a measurement standpoint we have seen stabilization in risk factors (blood pressure, BMI, glucose) within our employee population. As University of Michigan health and lifestyles research scientist Dee Edington has said, sometimes you do better by not doing worse. We've taken a cautious approach to measuring the impact on our direct medical spend, waiting for four years in order to avoid the chance of prematurely declaring victory. With the assistance of the benefit actuarial firm that we use, Harbridge Consulting Group L.L.C., a financial evaluation was conducted this year, and it is readily apparent that we have been able to flatten our medical trend and have achieved a 4.5:1 return on investment.

Measuring the financial impact of our Active Health initiative on our non-direct medical spend has proven to be more challenging. For example, during the course of any given year there are numerous actions that we take as an organization to improve productivity. We've concluded, at this time, that it is not possible to isolate the specific impact that health status has — independent of other activities — on enhancing employee productivity. Instead we have taken a more pragmatic approach to this evaluation. One of our overarching objectives is to have healthy employees productively at work. Employees who are not healthy are often not at work, and when they are at work we believe that the quality and quantity of their work is compromised relative to their healthy colleagues.

In addition to reducing the company's and our employees' direct medical spend and positively impacting productivity, another equally important reason why we have made improving the health status and the overall well-being of our employees a strategic priority is because we believe that it can make Paychex an even greater place to work. In a recent employee engagement survey, we asked employees if "our Active Health employee wellness initiative strengthened their commitment to Paychex." We were pleased to learn that nearly 60% of our employees agreed that it did.

In fact, many of our wellness activities take place at the worksite or involve social components that get people working together in a way that enhances camaraderie. For example, wellness champions at each of our 100-plus locations nationwide often organize team-based fitness events such as charity races and lunchtime walking groups. And activities like our eight-week healthy eating and activity challenge have teams of employees working together to log their intake of healthy foods

Measuring the financial impact of our Active Health initiative on our non-direct medical spend has proven to be more challenging. For example, during the course of any given year there are numerous actions that we take as an organization to improve productivity.

and their physical activity as they compete against other teams. While difficult to quantifiably

measure, we believe that our wellness program has enhanced the work-life experience of our

employees, making Paychex a better place to work.

Measuring the total return that wellness programs generate is a complicated and challenging endeavor. It is, however, an important challenge to meet. There is a lot at stake: the significant financial commitment that companies are making and the evidence and confidence that the investment is making a difference. It is interesting to note that much less attention has been given to an area where the spend is considerably more — the ROI derived from the various procedures, tests and treatments that we cover in our medical and pharmacy benefit plans. From a plan sponsor perspective, the

ROI that is important here is the improvement in employees' (and their dependents') health status. Perhaps it's time that we start to evaluate that ROI.

At Paychex, we believe that our investment in our health and wellness program positively impacts our employees. It has produced a positive financial ROI on our direct medical spend, it contributes to productivity improvements, it enhances employee engagement and contributes to making Paychex a great place to work.

Jake Flaitz is director of benefits for Rochester, N.Y.-based Paychex Inc. He can be reached at 585-383-3105 or jflaitz@paychex.com.

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EXTERNAL COST DRIVERS

Some external factors that can play significant roles in determining the relative effectiveness of wellness initiatives:

- Workforce's cultural and socioeconomic makeup
- Availability of local health and wellness resources
- Level of cooperation of benefits providers

Outside forces hamper wellness plans

Employers should make adjustments to reflect economic circumstances

By **MATT DUNNING**

As their wellness programs mature, employers often find that many of the elements impeding their ability to realize a return on their investment exist beyond the walls of their worksite.

External factors such as the cultural and socioeconomic makeup of an employer's workforce, the availability of local health and wellness resources, and the level of cooperation of benefits providers can play significant roles in determining the relative

effectiveness of wellness initiatives, wellness experts said.

Some external barriers to wellness success can be addressed during the planning and design stages of a program's adoption, experts said. One critical issue employers should make an effort to address up front is the extent to which their health insurance providers are folded into the program's financial and philosophical structure.

Ann Clark, founder and CEO of San Diego-based ACI Specialty Benefits Corp., said many employ-

ers neglect to negotiate with insurers for considerations such as premium discounts based on wellness benchmarks, plan coverage for any specialists they intend to incorporate in their wellness program, and third-party access to claims and costs data.

"What happens a lot is that the employer goes to the insurer after the fact and asks for a discount or some other consideration, but it's too late then," Ms. Clark said. "Part of the whole 'executive buy-in' concept needs to be bringing in your broker and

a financially strong-minded executive like the CFO to negotiate with the insurance company. It's like any other hard-nosed business transaction. You have to negotiate your percentages and agreements up front."

Other peripheral impediments are likely to be revealed a year or two after a program's implementation, most commonly in the form of gaps in participation or sluggish performance in the reduction of costs. More often than not, experts said, these issues reflect an overly broad approach

'Without participation you're not going to be able to generate any of the outcomes you're looking for.'

Mari Ryan, Worksite Wellness Council of Massachusetts

to a program's delivery of wellness resources and communications that fail to account for cultural disparities and socioeconomic limitations among employee subgroups.

"There's the first generation of what employers are doing around wellness, which is to do the health risk appraisal to measure the predominant risks of your population, do your biometric screenings, build your intervention programs and then measure your outcomes," said Laurel Pickering, president and CEO of the New York-based Northeast Business Group on Health. "The next generation is one in which employers become even more targeted in meeting the needs of their populations."

For example, many employers' wellness and health promotion programs rely heavily on Web-based portals as an inexpensive, easy-to-manage central point of contact for employees, as well as the program's primary means of gathering participation and performance data and assessing health outcomes.

"They're fabulous tools, but if you've got a workforce that doesn't have regular access to a computer, or doesn't have the necessary computer skills to use these tools, they're not going to participate in the program," said Mari Ryan, chair of the Worksite Wellness Council of Massachusetts and CEO of Advancing Wellness L.L.C., both based in Watertown, Mass.

Poor performance in participation and health outcomes also often reflects a lack of accessible wellness resources outside the workplace, including primary physicians, specialist services and urgent care facilities, as well as healthy food sources, gyms and outdoor fitness centers, experts said.

An examination of the demographics of an employee subgroup with low participation rates, coupled with focus groups of voluntary surveys, can help an employer determine how its program can be modified to account for gaps in the availability of wellness resources outside of the workplace.

"There's a variety of different aspects that can influence participation, and without participation you're not going to be able to generate any of the outcomes you're looking for," Ms. Ryan said. "The issue is whether or not those elements are predominant enough that you would need to make modifications or accommodations within the program."

Balance: Wellness plan investment, costs require balancing act over time

CONTINUED FROM PAGE 6

"Too often, you have companies saying yea or nay after only a year, when it really is a three-year-plus investment if you want to see any real financial benefits," said Merry DeMartino, executive vice president of talent development at San Diego-based Event Network Inc., an operator of museum gift stores.

In the first place, experts said benefit managers should take care to temper expectations when advocating for an investment in wellness programming based on its potential to generate financial value for the company. Specifically, benefit managers must be clear with senior executives about the time it takes—three to five years in most cases, experts said—to effect meaningful changes in an employee population's health outcomes or behavior.

Additionally, experts said, senior executives should know from the outset that the program will need to be tweaked and adjusted along the way to better

'When a company makes an investment in wellness, there's always that pressure to demonstrate an immediate return on investment in order to justify the investment.'

Bruce Elliott, Society for Human Resources Management

suit the unique needs of an employer's individual workforce, which could drive up the total cost of the program well before its value potential is fully realized.

Absent that level of clarity, and given the considerable amount of money companies often invest in comprehensive wellness programming, experts said it is not uncommon for benefit managers to find themselves under immense pressure to provide evidence of a demonstrable effect on their company's bottom line.

"You need to think of yourself as a strategic partner in helping the company manage a major cost," said Bruce Elliott, compensation and benefits manager for the Alexandria, Va.-based Society for Human Resources Management. "When a company makes an investment in wellness, there's always that pressure to demonstrate an immediate return on investment in order to justify the investment. The finance guys are going to say, 'We'll give you \$10,000 for this program, what are we going to get back?' If all you can say is, 'A

healthier workforce,' they're going to say, 'So what?'"

One way benefit managers can bridge the gap between the onset of a wellness program and the point at which the program begins to generate a measurable impact on their company's health care costs, experts said, is to establish intermediate benchmarks using employee engagement surveys conducted at the beginning of each program year.

"Success and return on investment can be defined a lot

of different ways, depending on the specific company," said Laurel Pickering, president and CEO of the New York-based Northeast Business Group on Health. With the right program design, benefit managers should be able to demonstrate year-over-year improvements on indirect cost drivers such as employee turnover, absenteeism and disputes between co-workers, she said.

"Obviously, there are hard-dollar measurements tied to

employee health outcomes, which are hard to measure, but it can be done over time," Ms. Pickering said. "But some companies might feel like they've gotten a return on their investment in the first couple of years if morale is better, job satisfaction increases, or even if they got good participation results."

After the initial rollout, benefit managers can further expand their ability to meet their financial officer's needs for proof of its value by correlating engagement data with business-relevant production and/or operational metrics highlighting direct and indirect effects on the company's overall profitability. In doing so, experts said, benefit managers can obtain a

greater working knowledge of their company's strategic goals, increasing their wellness program's chances of sustaining executive-level commitment as well as its ability to assist in the pursuit of broader corporate objectives.

Designing a wellness program that focuses not only on improving health outcomes but also productivity outcomes, Mr. Elliott, of the human resources management trade group, said, "forces the benefits executive and the HR executive to really understand the business and understand what makes the business tick. It's another way for you to transition yourself from being a transactional partner to being a strategic partner."



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Costs: Key plan costs overlooked

CONTINUED FROM PAGE 6

ness program. While third-party wellness vendors typically are responsible for a program's day-to-day administration, experts said successful wellness programs typically require months of strategic preparation in the form of steering committees and employee focus groups prior to implementation, as well as significant time commitments from department managers and senior-level executives designated to drive support and engagement in the program.

"People don't realize how much effort it takes," said Merry DeMartino, executive vice president of talent development at San Diego-based Event Network Inc. "You can't just roll out a new program without having people in place to champion it, to train other employees and develop a culture around the program. There's a cost tied to all of that, but it doesn't often get factored in."

Employers' baseline wellness cost estimates also frequently

omit expenses associated with ensuring regulatory compliance, which can inflate dramatically depending on a program's structure and targeted outcomes, experts said. For example, wellness programs designed in part to reduce costs associated with employee turnover often incorporate initiatives tied to an

'You can't just roll out a new program without having people in place to champion it, to train other employees and develop a culture around the program. There's a cost tied to all of that, but it doesn't often get factored in.'

Merry DeMartino,
Event Network Inc.

employer's recruiting and hiring practices, potentially increasing an employer's exposure to labor violations.

Even employers whose pro-

grams are focused entirely on reducing medical costs are likely to incur significant and recurring compliance expenses if their program includes incentives or penalties tied to employees' health statuses or outcomes, experts said.

"There could be legal implications with those strategies, so legal review for compliance for your wellness program is definitely going to have to be factored in, because involving risk managers or compliance officers is going to have a cost attached to it," said Leah Malof, a Cincinnati-based health and productivity principal at Buck Consultants L.L.C.

Other wellness cost drivers employers often overlook include in-house IT costs associated with Web accessibility, population research and data analytics fees and—particularly among large employers spread out over multiple locations—redundancies in program planning and support structures, experts say.

"They don't realize that there may be grass-roots or localized wellness efforts already in place," Ms. Malof said.

"Adding a corporate initiative that could duplicate those efforts, or add complexities in terms of administration and integration, is likely going to affect the total return-on-investment of a program," she said.

Survey: Few employers focus on cost savings

CONTINUED FROM PAGE 6

the survey results indicated a prevalence of many tendencies that experts say often impede employers' ability to achieve positive returns on their investment. The most common types of wellness offerings identified in the survey indicate employers' strong preference for broadly targeted initiatives, such as on-site health screenings and immunizations, and weight-loss and smoking cessation programs.

Meanwhile, significantly smaller percentages of employers said their wellness programs include offerings designed to improve health management at an individualized level, including personal health coaching, ergonomic resources, workplace safety evaluations, stress management and nutrition classes, and wellness newsletters.

Another tendency experts often point out as an impediment to generating positive ROI is infrequent program evaluation. Most experts recommend that employers evaluate their wellness programs at least once a year. However, according to *BI's* survey—conducted by Cliffside, N.J.-based Signet Research Inc.—only 68% of

employers surveyed said they've conducted a formal evaluation of their wellness program in the past 12 months. Twenty-two percent said it had been one to two years since they last measured their program's participation or performance results, while 10% said it had been more than two years.

Interestingly, employers' diligence in evaluating their wellness programs appears to wane over time, as recent adopters of wellness programs were more likely to have evaluated their program within the past 12 months than employers whose programs were implemented more than five years ago.

Overall, 58% of employers reported that their programs had been somewhat successful, while 29% said their programs had been very successful and 5% said their programs had been extremely successful. Only 7% said their programs were not successful.

The survey also found an overwhelming preference for participation-based incentives. Eighty-five percent of publicly owned employers said they offer monetary or nonmonetary incentives linked to participation in their wellness program, as did 70% of privately owned and nonprofit employers.

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Case study: Poor data no obstacle

CONTINUED FROM PAGE 4

reduction in lost work time saved the cancer center an estimated \$1.5 million during that six-year period, while its workers comp insurance premiums declined by 50%, Mr. Baun said.

"If you take the measures that you do have control of, and use them well to drive support among your employees, your middle management and your senior management, you can still have a great deal of success in wellness," he said. He added that the reduction in lost work time factored greatly in driving "ownership" of the program among department managers and supervisors, a crucial element to sustaining wellness participation.

"When you talk to middle management and try to get them to take an ownership in the program, they're not going to feel costs tied to health care," Mr. Baun said. "What they do feel is the absenteeism and presenteeism, and the costs associated with those kinds of issues."

The design of MD Anderson's

wellness program also relied heavily on employee surveys and interviews, which Mr. Baun said were used to gauge specific needs and interests among the organization's multitude of individual departments, spread out over 77 buildings within the Texas Medical Center campus in Houston. Early on, Mr. Baun said he and his team were able to identify key wellness infrastructure needs, such as lactation rooms,

80%

Six years after adding an injury care unit, MD Anderson saw lost work days among its employees drop by 80% and reduced-duty days drop by 64%. The reduction in lost work time saved the cancer center an estimated \$1.5 million during that six-year period, while its workers comp insurance premiums declined by 50%.

on-site fitness equipment and stress-relief stations.

"What really drives a wellness program to be successful are the interests and needs of your employees," he said. "It doesn't really matter what the financial goals of a program are. If they don't mix on some level with the interests and needs of your group, it's not going to work."

In particular, Mr. Baun said early efforts to build lactation rooms for working mothers of newborns proved to be a critical step in building interest and support for wellness and health management among employees. Mr. Baun said he was able to secure funding for the first lactation room by inserting a female employee directly into the conversation with MD Anderson's senior executives.

"What that did up front was it built a phenomenal momentum among the women at MD Anderson who wanted to understand what workplace wellness was all about," he said. "That made it easier for us to build out some of the other environmental elements that have become part of the core of our program."

Today, MD Anderson's environmental wellness offerings include 14 lactation rooms, a 20,000-square-foot on-campus fitness center, a bicycle parking garage and shower facility, and more than a dozen "stress buster" stations. Mr. Baun also successfully lobbied for the creation of three full-time positions specifically in service of the wellness program, including a statistician, physiologist and wellness educator.

"It's been a phenomenal journey to watch MD Anderson go from having nothing to building a first-class foundation of a wellness culture," Mr. Baun said.

Design: Make participation simple, easy

CONTINUED FROM PAGE 4

graphic studies and internal attitudinal surveys conducted during the initial planning stages and periodically throughout the course of the program, in order to address specific impediments to both participation and health outcome improvements, experts said.

"One of the things that you need to uncover, in terms of both program designs and the behavioral changes that go on at the individual level, are the barriers that get in your employees' way that keep them from adopting healthy lifestyles," Ms. Ryan said. "The number one thing we hear when we survey employee populations about that issue is a lack of time. You have to build programs that are going to make it easy for people to work around those barriers."

Experts said another common issue employers cite as a chief impediment to their wellness program's ability to generate a positive return-on-investment and, by extension, their ability to accurately measure that return is low

participation rates. This can be addressed using either systemic or targeted approaches, or a combination of both. Perhaps most attractively, particularly to smaller employers, neither approach necessitates the addition of costly participation-based incentives, experts said.

"One of the more systemic approaches we've seen to driving participation is to subtly incorporate wellness sign-ups into your open-enrollment period," said Luann Heinen, vice president of the Washington-based National Business Group on Health. "Another method...is having new hires meet with the group wellness coordinator as part of their orientation."

To drive participation in a more targeted manner, Ms. Heinen said many employers also are turning to affinity groups within their workforces. The groups are often based on different ethnicities, cultural backgrounds, geography or life stage. Employers have begun targeting their communications based on the level of interest they see among particular segments within their workforce, she said, with the least-motivated or enthusiastic employees receiving the most extensive and focused communications. "By working with those groups, you can develop and push programs that are more likely to appeal to a specific demographic," Ms. Heinen said.



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Scope: Wellness for healthy workers

CONTINUED FROM PAGE 3

a measurement of individual physical characteristics such as height, weight, body mass index, blood pressure, cholesterol and blood glucose, among other health indices.

"Right now roughly 20% of employees account for 80% of health care costs, but that other 80% percent of the population is in waiting to become that 20% in the future, unless something is done now to maintain their good health," Mr. Noeldner said.

Several organizations, such as Cardinal Health Inc., Bryant Uni-

versity and AstraZeneca Pharmaceuticals, are taking the whole population approach to improving their employees' health and well-being.

"To truly realize the benefits for employees and corporations alike, a well-designed wellness program must address the needs of all employees," said Jeff Henderson, chief financial officer of Cardinal Health, a Columbus, Ohio-based health care services provider, whose wellness program is called "Healthy Lifestyles."

At most of the company's offices across the country, employees can utilize an on-site

fitness center, pharmacy and medical clinic. Where such facilities are not available, AstraZeneca provides free health club memberships and access to nearby pharmacies and clinics. Lately, it has renewed its efforts to get younger employees to take advantage of these opportunities.

"Effective health habits often begin at the early stages of employee lifecycles, before signs of 'high risk' ever materialize," Mr. Henderson said.

He is not alone in this view. "The over-arching goal of a wellness program should be a tiered approach to the employee

population, first and foremost getting to the 'ticking bombs,' so to speak, those who have diabetes or cardio problems or are closely on their way to such problems," said Lenny Sanicola, senior benefits practice leader at WorldatWork, a Scottsdale, Ariz.-based professional membership organization of human resources professionals focused on work-life initiatives. "By the same token, you also should identify employees that have risk factors that may eventually lead them in this direction. They're healthy now and the objective is to keep them that way."

Jay Merenda is such a person. The procurement technology leader at Wilmington, Del.-based

AstraZeneca is 37 years old and used to be the picture of health, exercising regularly and sticking to a healthy diet. Then, he got married, had children and experienced more stress at work as his career blossomed. "It's probably six or seven years since I took my health seriously," Mr. Merenda said. "I just let it all go."

Three months ago, he went to the company's wellness center and underwent a health assessment and biometric screening, learning that his once-commendable health had deteriorated. "My body composition was in the high percentile on the body mass index, I was 30 pounds over-

Continued on next page

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LEGAL NOTICE

IN THE MATTER OF THE COMPANIES ACT 1981 (THE "ACT") AND IN THE MATTER OF THE AMALGAMATION OF THE STANLEY WORKS (BERMUDA) LTD. AND SBD INSURANCE, INC.

NOTICE IS HEREBY GIVEN that The Stanley Works (Bermuda) Ltd., a Bermuda exempted company and SBD Insurance, Inc., a Connecticut corporation, intend to amalgamate to an appointed foreign jurisdiction, namely Connecticut, USA, pursuant to the provisions of Section 104B of the Act, and continue as SBD Insurance, Inc. a Connecticut corporation.

Edwards Wildman Palmer LLP
Attorneys for the Applicant

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Contact Monique Murray at 212-210-0129

LEGAL NOTICE

IN THE MATTER OF THE REHABILITATION OF PROFESSIONAL LIABILITY INSURANCE COMPANY OF AMERICA
Supreme Court of the State of New York, County of New York/ Index No. 400986/2010

Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York ("Superintendent") hereby gives notice that he has applied to the Court by order to show cause ("Order to Show Cause") for an order: (1) converting the estant rehabilitation proceeding ("Rehabilitation") pertaining to Professional Liability Insurance Company of America ("PLICA") to a liquidation proceeding; (2) appointing the Superintendent and his successors in office as liquidator of PLICA ("Liquidator"); (3) vesting title to all of PLICA's property, contracts and rights of action with the Liquidator; (4) making a declaration that PLICA is insolvent pursuant to Insurance Law § 7432(a); (5) continuing and granting the injunctions provided for by this Court's order, dated April 28, 2010 and entered April 30, 2010, ("Rehabilitation Order"); (6) granting injunctions, in addition to the aforementioned injunctions previously granted in the Rehabilitation Order, permanently enjoining and restraining all parties from commencing or prosecuting any actions or proceedings, or efforts to collect on debts or judgments, against PLICA, the Liquidator or the New York Liquidation Bureau ("NYLB"), the Liquidator's or the NYLB's present or former employees, attorneys, or agents with respect to this proceeding or the discharge of their duties under Insurance Law Article 74; (7) staying further proceedings in any pending claims adjudication proceedings that were, or could have been, brought pursuant to this Court's Order Approving the Procedure for the Rehabilitation's Adjudication of Claims, filed August 17, 2011; (8) vesting all rights in PLICA's contracts and agreements, including all leases, tax agreements, insurance policies and employment contracts, however described, with the Liquidator, unless the Liquidator expressly terminates such contracts or agreements, in which case all liability under such contracts or agreements shall cease and be fixed as of the date of termination; (9) requiring that any bank, savings and loan association, other financial institution or any other entity or person, which has on deposit or in its possession, custody or control any of PLICA's funds, accounts or assets shall immediately, upon the Liquidator's request and direction: (a) turn over custody and control of such funds, accounts or assets to the Liquidator or his designees; (b) transfer title of such funds, accounts or assets to the Liquidator or his designees; (c) change the name of such accounts to the name of the Liquidator; (d) transfer funds from such bank, savings and loan association or other financial institution to a bank, savings and loan association or other financial institution designated by the Liquidator; and/or (e) take any other action necessary for the proper conduct of the liquidation proceeding; (10) requiring that all persons and entities having any property and/or information, including, but not limited to, insurance policies, claims files (electronic or paper), software programs and/or bank records owned by, belonging to or relating to PLICA shall preserve such property and/or information and immediately, upon the Liquidator's request and direction, assign, transfer, turn over and deliver such property and/or information to the Liquidator; (11) requiring that all persons and entities providing claims processing services, data processing services, electronic records retention services or other information technology services to PLICA shall maintain and preserve all information relating in any way to PLICA, wherever located, including, but not limited to, all documents, data, electronic files and records, computer equipment (e.g., servers and printers), software programs and software licenses owned by PLICA ("Information"), and are directed, upon the Liquidator's request, to promptly submit all such information to the Liquidator or his designees for examination and copying; (12) authorizing, permitting and allowing the Liquidator to sell, assign or transfer any and all stocks, bonds, or other securities, and any real or other property of PLICA at market price or at the best price obtainable at private sale, at such times and upon such terms and conditions as, in his discretion, he deems is in the best interest of the creditors of PLICA, and to take such steps as may be necessary to effect and carry out such sales, transfers and assignments; (13) authorizing the Liquidator to pay the actual and necessary administrative costs and expenses of PLICA out of the assets of PLICA; and (14) granting such other and further relief as the Court may deem just and proper.

The Order to Show Cause recognizes that the permanent injunctions provided for in the Rehabilitation Order remain in effect, including the injunctive provision enjoining and restraining all persons from commencing or prosecuting any actions, lawsuits, or proceedings against PLICA, the Rehabilitator, or the NYLB, its employees, attorneys or agents.

A submission date is scheduled on the Order to Show Cause at the Motion Submission Part on the 5th day of February, 2013 ("Return Date") at the courthouse located at 60 Centre Street, Room 130, in the County, City and State of New York.

If you wish to object to the petition, you must serve your objections and all supporting documentation ("Answering Papers") upon the Superintendent so as to be received by the Superintendent at least twenty-one (21) days prior to the Return Date, and by submitting copies of the Answering Papers, with affidavits of service on the Superintendent, to the Court, at the courthouse located at 60 Centre Street, Room 130, in the County, City and State of New York, twenty-one (21) days prior to the Return Date. Service of Answering Papers on the Superintendent shall be made by hand delivery, overnight mail or first class mail at the following addresses:

Superintendent of Financial Services of the State of New York, c/o Attorney General Eric T. Schneiderman
Office of the Attorney General, 120 Broadway, New York, NY 10271-0332
Attn: David Holgado, Assistant Attorney General

New York Liquidation Bureau, 110 William Street, New York, NY 10038, Attn.: General Counsel

This Notice, the Order to Show Cause and the papers upon which the Order to Show Cause has been granted is posted on the internet web page maintained by the NYLB at <http://www.nylb.org>. Requests for further information should be directed to the NYLB at 212-341-6560.

Dated: New York, New York November 28, 2012 Benjamin M. Lawsky Superintendent of Financial Services of the State of New York

LEGAL NOTICE

To all persons or entities interested in the affairs of FRONTIER INSURANCE COMPANY

Notice is Hereby Given:

I. Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York ("Superintendent"), has been appointed by order of the Supreme Court of the State of New York, Albany County ("Court"), entered November 16, 2012 (the "Liquidation Order"), as the liquidator (the "Liquidator") of Frontier Insurance Company ("Frontier") and, as such, has been: (i) vested with all powers and authority expressed or implied under New York Insurance Law ("Insurance Law") Article 74, in addition to the powers and authority set forth in the Liquidation Order; (ii) vested with title to all of Frontier's property, contracts and rights of action as of the date of entry of the Liquidation Order; and (iii) directed to liquidate Frontier's business and affairs in accordance with Insurance Law Article 74. The Liquidator has, under Insurance Law Article 74, appointed Michael J. Casey, Acting Special Deputy Superintendent (the "Acting Special Deputy") as his agent to liquidate the business of Frontier. The Acting Special Deputy carries out his duties through the New York Liquidation Bureau, 110 William Street, New York, New York 10038.

II. The Liquidator may deal with the property and business of Frontier in its name or in the name of the Liquidator.

III. All persons are permanently enjoined and restrained from: (i) transacting Frontier's business; (ii) wasting or disposing of Frontier's property; (iii) interfering with the Superintendent as Liquidator in the possession, control or management of Frontier's property or in the discharge of his duties; (iv) commencing or prosecuting any actions, lawsuits, or proceedings against Frontier or the Superintendent as Liquidator; and (v) obtaining preferences, judgments, attachments or other liens or making levy against Frontier's property or any part thereof.

IV. All parties are permanently enjoined and restrained from commencing or prosecuting any actions or proceedings, or efforts to collect on debts or judgments, against Frontier, the Liquidator or the New York Liquidation Bureau, their present or former employees or attorneys, with respect to this proceeding or the discharge of their duties under Insurance Law Article 74 in relation to Frontier or this proceeding.

V. The injunctions and restraints set forth in paragraphs 5 and 6 of the Liquidation Order shall not apply to applications brought before this Court or actions or proceedings commenced or prosecuted with the prior approval of this Court.

VI. All parties to actions, lawsuits and special or other proceedings in which Frontier is obligated to defend a party pursuant to an insurance policy, bond, contract or otherwise are enjoined and restrained from proceeding with any applications for judgment or proceedings on settlement or judgment and the making of all liens, levies or other efforts to execute or collect on debts or judgments for a period of 90 days from the date of entry of the Liquidation Order.

VII. All persons who have first-party or New York Comprehensive Automobile Insurance Replacement Act (No Fault) policyholder loss claims against Frontier are enjoined and restrained from presenting and filing claims with the Liquidator for a period of 90 days from the date of entry of the Liquidation Order.

VIII. The Liquidator is vested with all of Frontier's rights under all its contracts and agreements, including all leases, tax agreements, insurance policies and employment contracts, however described, unless the Liquidator expressly terminates such contracts or agreements, in which case all liability under such contracts or agreements shall cease and be fixed as of the date of termination.

IX. Any bank, savings and loan association, other financial institution or any other entity or person, which has on deposit or in its possession, custody or control of any of Frontier's funds, accounts or assets shall immediately, upon the Liquidator's request and direction: (i) turn over custody and control of such funds, accounts or assets to the Liquidator; (ii) transfer title of such funds, accounts or assets to the Liquidator; (iii) change the name of such accounts to the name of the Liquidator; (iv) transfer funds from such bank, savings and loan association or other financial institution to a bank, savings and loan association or other financial institution designated by the Liquidator; or (v) take any other action necessary for the proper conduct of the liquidation proceeding.

X. All persons or entities having any property and/or information, including, but not limited to, insurance policies, claims files (electronic or paper), software programs and/or bank records owned by, belonging to or relating to Frontier, shall preserve such property and/or information and immediately, upon the Liquidator's request and direction, assign, transfer, turn over and deliver such property and/or information to the Liquidator.

XI. The Liquidator is authorized, permitted and allowed to sell, assign or transfer any and all stocks, bonds or other securities, and any other personal property of Frontier at market price or at the best price obtainable at private sale, at such times and upon such terms and conditions as, in his discretion, he deems is in the best interest of the creditors of Frontier, and to take such steps as may be necessary to effect and carry out such sales, transfers and assignments.

XII. In the event that the Liquidator shall seek to sell, assign or transfer any real property of Frontier, enter into any agreement with either of Frontier Insurance Group, LLC or Lancer Financial Group, Inc. and/or otherwise sell or dispose of assets for Frontier exceeding \$2,500.00 in value, such sale, assignment, disposition, transfer, or the effectiveness of such agreement shall be subject to the approval of the Court; such approval shall be sought by motion of the Liquidator to the Court upon notice to counsel for those individuals and entities that submitted answering papers pursuant to the Order to Show Cause.

XIII. As set forth in Insurance Law Section 7433(b)(2), the Liquidator shall, within thirty days after the last day set for filing claims, make a list of all persons whose name appears on the books and records of the company as policyholders or claimants; each person whose name appears upon such list shall be deemed to have duly filed a proof of claim prior to the last day set for the filing of claims.

XIV. Subject to the provision of Insurance Law Section 7433(b)(2) referred to above, in accordance with Insurance Law Section 7432(b), all persons who may have claims against Frontier shall present the same to the Liquidator at the offices of the New York Liquidation Bureau, 110 William Street, New York, New York, 10038, Attn.: Creditor and Ancillary Operations Division, within four months of the date of entry of the Liquidation Order, and proofs of claim (as described in Insurance Law Section 7433(a)(1)) may be filed subsequent to the date specified in Insurance Law Section 7432(b), but, no such claim shall share in the distribution of the assets until all allowed claims, proofs of which were filed (or deemed filed pursuant to Insurance Law Section 7433(b)(2)) before such specified date, have been paid in full with interest.

XV. The Liquidator is authorized to pay actual and necessary administrative costs and expenses of Frontier over the assets of Frontier.

XVI. If, within the rehabilitation proceeding that has been converted into a liquidation proceeding, a claim was previously adjudicated and allowed, such claim shall be an allowed claim for the purposes of the liquidation proceeding without further filing or proceeding.

XVII. The Interim Procedure Order and all appointments made thereunder shall remain in effect.

XVIII. Any person who has a cause of action against an insured of Frontier under a liability insurance policy issued by Frontier, shall have the right to file a claim in the proceeding, even though the claim is contingent, and such claim may be allowed in accordance with Article 74 of the Insurance Law.

XIX. Under the direction of the Court any distribution of assets, including payment in respect of claims, shall be in accordance with the priorities set forth in Insurance Law Article 74.

XX. The Liquidator may at any time make further application to the Court for such further and different relief as he sees fit. XXI. The Court shall retain jurisdiction over this matter for all purposes.

XXII. All communications relating to Frontier and to the liquidation thereof should be addressed to: New York Liquidation Bureau, 110 William Street, New York, New York 10038, Attn.: Creditor and Ancillary Operations Division, (212) 341-6560

BENJAMIN M. LAWSKY Superintendent of Financial Services of the State of New York as Liquidator of Frontier Insurance Company

MICHAEL J. CASEY Acting Special Deputy Superintendent and Agent for the Superintendent as Liquidator of Frontier Insurance Company

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LEGAL NOTICE

NEW YORK LIQUIDATION BUREAU
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(212) 341-6755
To all persons or entities interested in the affairs of FIRST SEALORD SURETY, INC.
Notice is Hereby Given:

I. Benjamin M. Lawsky, Superintendent of Financial Services of the State of New York, has been appointed by an order (the "Order"), of the Supreme Court of the State of New York, Albany County ("Court"), entered November 14, 2012, as the ancillary receiver (the "Ancillary Receiver") of First Sealord Surety, Inc. ("First Sealord") and, as such, has been: (i) authorized and directed to immediately take possession of First Sealord's property and recover such other assets of First Sealord that are located in the State of New York; (ii) vested with all powers and authority expressed or implied under Insurance Law Article 74, in addition to the powers and authority set forth in this Order; and (iii) authorized to pay such claims against First Sealord, or its policyholders, that are covered by the New York Property/Casualty Insurance Security Fund. The Ancillary Receiver has, pursuant to Insurance Law Article 74, appointed Michael J. Casey, Acting Special Deputy Superintendent of Insurance (the "Acting Special Deputy") as his agent to carry out his duties as Ancillary Receiver. The Acting Special Deputy carries out his duties through the New York Liquidation Bureau, 110 William Street, New York, New York 10038.

II. The officers, directors, shareholders, trustees, depositories, policyholders, agents, servants, attorneys, managers and employees of First Sealord and all other persons are permanently enjoined and restrained from: (i) transacting First Sealord's business; (ii) wasting or disposing of the property or assets of First Sealord that are located in the State of New York; (iii) interfering with the Ancillary Receiver in the possession, control or management of First Sealord's property or in the discharge of his duties.

III. The Ancillary Receiver may deal with the property and business of First Sealord in its name or in the name of the Ancillary Receiver.

IV. All persons are permanently enjoined and restrained from commencing or prosecuting any actions, lawsuits or proceedings against First Sealord, the Ancillary Receiver or the New York Liquidation Bureau, its employees, attorneys or agents, with respect to this proceeding or in the discharge of their duties under Insurance Law Article 74.

V. All persons are permanently enjoined and restrained from obtaining preferences, judgments, attachments or other liens, or making any levy against First Sealord's property located in the State of New York or any part thereof.

VI. All parties to actions, lawsuits and special or other proceedings, which First Sealord, its policyholders or insureds, are obligated to defend a party or to provide a defense of any matter against an insured pursuant to an insurance policy, bond, contract or otherwise, are enjoined and restrained from proceeding with any discovery, court proceedings or other litigation tasks or procedures, including, but not limited to, conferences, trials, applications for judgment or proceedings on settlement or judgment, for a period of 180 days from the date of entry of the Order.

VII. All persons or entities having property and/or information belonging or relating to First Sealord that are located in the State of New York, including, but not limited to, insurance policies, underwriting data, claims files (electronic or paper) and/or software programs owned by, belonging to or relating to First Sealord shall preserve them and, upon the Ancillary Receiver's request, are directed to immediately assign, transfer, turn over and deliver such property and/or information to the Ancillary Receiver.

VIII. Immunity is extended to the Superintendent as Ancillary Receiver of First Sealord and his successors in office and their agents and employees for any cause of action of any nature against them, individually or jointly, for any act or omission when acting in good faith, in accordance with the orders of this Court, or in the performance of their duties pursuant to Article 74.

IX. First Sealord's license to do business in the State of New York is hereby revoked.

X. The Ancillary Receiver may at any time make further application to the Court for such further and different relief as he sees fit.

XI. All communications relating to First Sealord and to the Ancillary Receivership Proceeding thereof should be addressed to:

New York Liquidation Bureau
110 William Street, 15th Floor
New York, New York 10038
Attn: William Schmidt - WSchmidt@nylb.org

BENJAMIN M. LAWSKY
Superintendent of Financial Services of the State of New York as Ancillary Receiver of First Sealord Surety, Inc.

MICHAEL J. CASEY
Acting Special Deputy Superintendent and Agent for the Superintendent as Ancillary Receiver of First Sealord Surety, Inc.

CONTINUED FROM PREVIOUS PAGE

weight and close to the obese level, and my blood glucose was at a level of high concern, indicating possible diabetes," Mr. Merenda said. "It was certainly an eye-opener."

Since learning the results, he now attends the company's gym three times a week to improve his cardiovascular system and has changed his diet, trimming 11 pounds.

"My pants fit again," he said. "Had the company not added the biometric screening, I would have been too busy to learn any of this."

"We had been doing an overall health assessment for the past six years, and as an incentive for taking the assessment provided employees a premium discount on their part of our overall health care (insurance) coverages," said Kristine Freind, AstraZeneca senior director of employee performance and engagement. "This year, we added a biometric screening, as we felt it would be important for employees to know their real risks and real numbers to determine the right actions. We had hoped for 60% percent of our employees to take the test, as the industry rate is below 50%, and got an 82% response rate, which was incredible."

She added, "We are really reaching all employees, not just those concerned over their health."

Once an employee like Mr. Merenda submits to the health assessment and biometric screening, the findings are printed out in a report card that is then provided to a wellness coach. AstraZeneca contracts with Wellness Coaches USA to administer its program.

"We assign wellness coaches directly to the workplace to coach employees, face to face, one on one, personally, privately and continuously," said Matthew R. Pearson, operations manager at the Philadelphia-based company, who works closely with Ms. Freind on wellness strategy. "Nothing we do is cookie-cutter. We understand the company's goals and then work with employees on what their health findings indicate and what they themselves want to work on. Some may know what they need to do, but need an extra kick in the pants to do it."

Doing this kicking at

AstraZeneca, among other companies, is Tom German, senior wellness coach at Wellness Coaches USA. Asked about wellness programs aimed at the entire workforce, Mr. German confided the story of a recent AstraZeneca employee.

"She used to train for the Ironman triathlon, but then had a child and a different work role creating more stress, and the training just got away from her," he said. "She recognized that she was slipping away and wanted help getting back on track. Just today, she came in to talk about her nutritional needs. This weekend she is running a 22-mile race."

Smithfield, R.I.-based Bryant University also recognizes the

importance of targeting the entire workforce. Bryant offers the typical range of nutrition, smoking cessation, chronic diabetes and asthma management and exercise classes; free blood pressure and other biometric screenings at an on-site wellness clinic; and sponsored walkathons. Recently, it altered its wellness program to focus not just on the physical health of employees, but their mental health, too.

"We've learned that employees are confronted with emotional and psychological challenges brought about by aging parents they care for, financial problems because of the economy, retirement concerns and just the usual stressors of life, all of which have

an impact on their health and productivity," said Linda S. Lulli, the university's associate vice president of human resources. "We now have what we call a 'whole person' strategy, which we see as having more long-term, meaningful impact on our medical expenses and employee productivity."

The school's wellness program now offers counseling on how to become retirement-ready or handle one's finances, in addition to stress management classes, she said. "So far, we have found that our absenteeism rates are down 8% year over year," Ms. Lulli said.

Metrics at the other companies also are positive. Ms. Freind estimated that employee productivity increases at AstraZeneca should

account for \$9 million to \$10 million in additional revenues this year. "We also expect to lower our health care costs trends by 1% to 2%," she said.

Of course, no wellness program can succeed if employees fail to show up for their health assessment and biometric screening appointments. The incentives to boost the turnout run the gamut from lowering the portion of health insurance premiums paid by employees to an idea of Mr. Sanicola's—a fitness competition, which has proven merit for those young, currently healthy workers who find no need to take the tests. "The winner gets cash, always a good incentive for anyone," he said.

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Data: Employers sift stats to discover wellness gold

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ability to generate any long-term financial benefits through wellness programming, let alone measure those changes.

"The fact is that you've really got to have so many different kinds of data to look at in order to get a truly meaningful return-on-investment calculation," said Mari Ryan, chairperson of the Worksite Wellness Council of Massachusetts and CEO of Advancing Wellness L.L.C., both based in Watertown, Mass. "It's only when you get to the detailed level that you begin to understand whether there's a cause-and-effect relationship between the programs you're offering and a reduction of risks."

In many cases, experts say, the underlying deficiency in an employer's wellness methodology to monitor financial return lies in the accumulation of the data itself, both at the onset of a program and at regular intervals after implementation. As a result, employers' evaluations of their programs often are too superficial or too narrowly focused to offer a complete view of a wellness program's total financial value, experts said.

For example, many employers use health risk assessments and biometric screenings, which can be useful as means of tracking improvements in health outcomes over time. But they often do not correlate those improve-

ments with actual medical claims costs—or, for fully insured employers, premium rate increases resulting from claims filed—during the same period of time.

"Ideally, you want to be able to look at claims on the individual level to be able to map over time whether there's been any change or reduction in claim experience," Ms. Ryan said "But that's often very difficult to get."

Another common deficiency in most employers' wellness financial assessments, experts say, is the omission of indirect cost drivers. Aside from effects on physical productivity, which experts acknowledge is likely to be more difficult to measure for employers in professional fields, they say employers frequently neglect the possibility of wellness programs affecting costs associated with employee turnover, presenteeism, disputes between co-workers and other metrics.

"I don't see enough benefits professionals actually taking the time to show those cause-and-effect relationships," said Bruce Elliott, compensation and benefits manager for the Alexandria, Va.-based Society for Human Resource Management. "It's a lot of mind-numbing data mining, but if you really want to get at the success or failure of a program so that you can start making tweaks to your strategy, you've got to be willing to do the work up front."

In the absence of such detail,

experts say, many employers often highlight reductions in popular wellness metrics, such as program participation and absenteeism, as simpler measures of return on a financial investment. However, experts warn that those metrics by themselves are of little use in identifying an effect on bottom-line finances.

"Participation is a very good measure of whether or not your program is attractive to your employees, and that's certainly a level of success, but it's not a process measurement," said Laurel Pickering, president and CEO of the New York-based Northeast Business Group on Health. "A number of wellness programs try to get by on participation measures as proof that the program is working, but the more accurate measure is the clinical data."

Absenteeism could be even less reliable as a measurement of a program's financial benefit, experts say. Even if employers are able to isolate sickness-related absences taken by employees in a given year—an increasingly difficult prospect, experts said, given the number of companies migrating to paid-time-off models—the mere fact of an employee's absence from work due to illness reveals nothing about the cause of the illness, let alone the total cost of its treatment.

"I'm always very suspicious of that kind of calculation," Mr. Elliott said. "Without correlating that back to the health plan or some other health-related measurement, you'll start showing a false ROI because you really don't know what's influencing that time off."

FALLING SHORT

Employers' evaluations of their wellness programs often are too superficial or too narrowly focused to offer a complete view of a wellness program's total financial value. Some common deficiencies employers should watch out for include:

- Health risk assessments and biometric screenings that do not correlate improvements with actual medical claims costs during the same period of time.
- Omission of indirect cost drivers.
- Highlighting reductions in popular wellness metrics, which by themselves are of little use in identifying an effect on bottom-line finances.
- Isolating sickness-related absences taken by employees in a given year without correlating that data back to the company's health care plan or some other health-related measurement. Failure to do so could result in false ROI results.

Business Insurance

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Business Insurance is published by

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Move away from claims data silos

Employers struggle with efforts to learn from claims trends

By SHEENA HARRISON

Claims data analysis can be a critical tool in proving the business case for wellness programs to senior executives.

Group health, pharmacy, workers compensation and disability plan providers can supply data that helps companies measure savings from their wellness and disease management initiatives. However, sources said it can be tricky to coordinate information between various vendors that manage such claims.

"It's not easy," said Gary Anderberg, Philadelphia-based practice leader for analytics and outcomes with third-party administrator Broadspire Services Inc. "It requires moving away from traditional silos."

Claims information can help quantify how much money is being saved by improving employee health, said Dr. Dennis Richling, Lake Forest, Ill.-based chief medical and wellness officer for HealthFitness, a subsidiary of Trustmark Cos. that provides wellness programs.

To measure return on investment, HealthFitness analyzes medical and pharmacy data for its clients' wellness program participants. That information is compared with claims data for similar client employees who do not participate in wellness initiatives.

While claims generally have risen for clients in recent years, HealthFitness has been able to demonstrate lower claim utilization among wellness program participants. The return on investment, Dr. Richling said, can stretch from 120% in a program's first year up to 200% in the second year and beyond. These returns include program costs plus annual savings.

"The message that we're using is developed to be the type of ammunition that you can take in front of the CEO and CFO," Dr. Richling said.

In addition to measuring savings, claims analysis can be used to help offer wellness initiatives to

injured or unhealthy workers, said Kimberly George, Chicago-based senior vice president of the managed care practice and client services for Sedgwick Claims Management Services Inc.

"It could be we identify a smoking cessation opportunity because it would improve (a worker's) back surgery healing and post-op care of the patient," said Ms. George, whose company coordinates its workers comp, disability and leave-of-absence claim data with client wellness programs.

Sources agree that claims analysis is helpful for employers. But they say it's sometimes challenging to aggregate claims data from different sources.

Atlanta-based Broadspire is working with an unidentified employer to coordinate its workers comp data with the employer's group health, pharmacy and disability data. The employer, which has about 28,000 employees, is using the information to tweak its wellness and data analysis procedures, Mr. Anderberg said.

Three claims providers are coordinating to provide information for the employer, Mr. Anderberg said. While the vendors have worked together well, he said provider coordination is a sticking point for many other employers that hope to collect and study their claims.

"The hardest part really is bringing all of those pieces together," he said.

Randy Jefferson, Wausau, Wis.-based director of data analytics for third-party administrator UMR Inc., said claims analysis can be an inexact science when it comes to measuring wellness program return on investment.

While such models can help show wellness program savings, Mr. Jefferson said they provide limited insight on employee risk factors and conditions that could affect future claims.

"There are so many things that can impact what somebody's health is going to be, and consequently, what their use of services and what their costs are going to be," he said.

Mr. Jefferson recommends companies measure clinical outcomes and employee engagement in wellness programs, in addition to claims data.

inBrief

Welch gives keynote at Women to Watch event

Author Suzy Welch was the keynote speaker at *Business Insurance's* 2012 Women to Watch Leadership Workshop and Awards Luncheon in New York last week. She spoke about the concept behind her book, "10-10-10: A Life



DOUG GOODMAN

Ms. Welch

Transforming Idea." Twenty-five women professionals in risk management, benefit management and insurance were honored at the event. For full coverage, go to www.BusinessInsurance.com/Women2012.

P/C rates up 5% in November

Commercial property/casualty insurance rates rose 5% in November compared with a year ago, MarketScout reported. Commercial property, excess liability, general liability and workers compensation rates all increased by 5%. Surety increased the least, at 1%. Among industry classes, manufacturing and transportation increased the most with rates rising 6%. Public entities reported the smallest increase at 4%.

AIG estimates losses from Sandy at \$1.3B

American International Group Inc. said its preliminary estimate of AIG's aftertax losses related to Superstorm Sandy, net of reinsurance, will total

approximately \$1.3 billion. AIG said the estimate reflects a pretax loss estimate, net of reinsurance, totaling approximately \$2.0 billion. "AIG expects to make a capital contribution to its U.S. property/casualty insurance subsidiaries of \$1 billion from existing, readily available funds," it said in a statement.

Bermuda market could set premium growth record

The Bermuda insurance market is on track to register record premium growth in 2012, according to A.M. Best Co. Inc., which said the Bermuda market posted \$40.3 billion in net written premiums through Sept. 30 of this year compared with \$49.0 billion for the whole of last year. Although return on equity this year has been "relatively favorable," the market is "delivering returns at nearly half the peak level reached a few years ago, and the intermediate-term outlook will be challenging given current investment yields," the report said.

Fewer Texas employers opting out of comp system

Fewer Texas employers are opting to leave the state's workers compensation system, according to a biennial report released by the Texas Department of Insurance. Texas is the only jurisdiction in the nation that allows employers to opt out of the state's workers compensation system. But employer "nonsubscribers" that opt out lose workers comp system protections. They can, for example, be sued by employees. "The percentage of Texas employers that are nonsubscribers to the workers compensation system decreased to 33% in 2012 – the second-lowest percentage since 1993," according to the report.

NAIC names 2013 officers

Louisiana Insurance Commissioner Jim Donelon was elected president of the National Association of Insurance Commissioners for 2013, succeeding Florida Insurance Commissioner Kevin McCarty as NAIC president. In addition, the NAIC elected North Dakota Insurance Commissioner Adam Hamm as president-elect, Montana State Auditor and Commissioner of Securities and Insurance Monica J. Lindeen as

vice president, and Pennsylvania Insurance Commissioner Michael F. Considine as secretary-treasurer. The new officers will assume their duties Jan. 1.

EPLI rates up 4.5% in third quarter

Rates for employment practices liability insurance increased 4.5% for the third quarter vs. the same period a year ago, driven largely by increases in the smaller employer segment, according to a survey by Aon P.L.C. However, employers still are paying only 93 cents on the dollar compared with the premiums they were paying in the base year of 2001.

SEC to charge affiliates of 5 accounting firms

The U.S. Securities and Exchange Commission said it is beginning administrative proceedings charging the Chinese affiliates of five major accounting firms with violating the Securities Exchange Act and the Sarbanes-Oxley Act for refusing to produce documents related to China-based companies under investigation by the agency for potential fraud against U.S. investors. Some of the accounting firms have responded by saying their failure to cooperate reflects conflicting U.S. and Chinese laws.

Pension funding gap may be largest on record

Pension funding levels among large employers rebounded slightly in November, though analysts predict year-end funding gaps could be the largest ever recorded, according to Mercer L.L.C. The aggregate funding deficit in pension plans sponsored by S&P 1500 employers narrowed to \$607 billion in November, down \$12 billion from the \$619 billion deficit recorded in October.

2.8% comp rate increase urged for California

California Insurance Commissioner Dave Jones recommended workers compensation insurers raise their pure premium rates by an average of 2.8% beginning Jan. 1. The commissioner warned that it would be folly to overestimate savings potentially derived from recently adopted reform legislation, especially when insurers are paying out 116% more in claims than they are collecting in premiums.



SPECIAL REPORT ON SPECIALTY RISKS INSURANCE MARKET

This 36-page special report on the excess & surplus lines insurance market includes the complete *Business Insurance* special report on the surplus lines market, the primary market for specialty risks coverages, originally published Oct. 8, 2012. In addition, the report includes charts and rankings from the report, including the largest surplus lines insurers, largest MGAs, underwriting managers and the top wholesale brokers. The premium report also includes complete directories of surplus lines insurers, MGAs/underwriting managers and wholesale brokers containing comprehensive financial, operational and contact information for these companies. Plus, our annual report of state surplus lines premium taxes.

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RABBI TAKES TRIP TO JAIL FOR BAGGAGE FRAUD

Police in South Florida have arrested a local rabbi, saying a string of insurance claims he made regarding lost luggage were not kosher.

Miami-Dade Police arrested Barry William Kallenberg at Miami International Airport on last week, charging him on 73 counts each of grand theft, false insurance claims and false supporting insurance documents.

Authorities say Mr. Kallenberg committed 73 fraudulent transactions where he falsely reported his luggage stolen in order to collect on traveler's insurance policies he held with companies such as American Express and Allianz Global Assistance. According to the affidavit, Mr. Kallenberg was caught on surveillance video picking up his luggage at the airport before returning to claim that the luggage had not arrived.

According to published reports, Mr. Kallenberg remains in jail after a court set his bond at \$110,000.

CONTRIBUTING: Matt Dunning, Judy Greenwald, Sheena Harrison, Bill Kenealy

End Page



Bride collects damages over zipper malfunction

The bride was in stitches, but it was no laughing matter, according to a Long Island, N.Y., small claims judge.

Nassau County District Judge Gary Knobel recently ordered seamstress Dalia Cohen to pay one of her bridal clients \$1,500 in restitution after the zipper that she installed on the woman's ivory wedding dress split down its seam less than an hour before she was to walk down the aisle.

According to court documents, Samantha Shea had to have two concierge workers spend an hour and half sewing her into her dress, a job for which she paid the workers \$200 collected from wedding gifts. Ms. Shea testified at

trial that the 90-minute delay forced her to miss her own cocktail reception and incur a \$100 overtime charge from the minister hired to perform the ceremony.

Ms. Shea's "nightmare" continued at the end of the evening, according to court documents, when her family was forced to rip the dress apart to get her out of it.

In his decision, Judge Knobel ruled that Ms. Cohen's apparently shoddy stitching amounted to a breach of her oral agreement with Ms. Shea to properly alter the dress, and that she was accordingly liable for the monetary damages Ms. Shea incurred as a result of the breach.



AP PHOTO

A letter from an insurance company had a man feeling eerily like Bruce Willis' character in "The Sixth Sense."

Alive and well policyholder says insurer is dead wrong

At the end of the movie "The Sixth Sense," Bruce Willis' character learns to his surprise that he's dead.

Something similar has happened to George Johannesen, except in his case he's very much alive — at least to everyone but his insurance company.

According to the Toronto Sun, 59-year-old Mr. Johannesen was puzzled to receive a recent letter from the Winnipeg-based Manitoba Public Insurance Corp. addressed to "The Estate of George Johannesen" informing him that he had died sometime in October.

That was certainly news to him. "I can't figure it out," he said.

Unfortunately, the whole situation has led to complications for Mr. Johannesen. The insurance company told him his driver's license had been canceled the previous month, and he is worried all this may result in other complications, including cancellation of his pension and other government benefits.

The insurance company spokesman said the mix-up is unrelated to the company, but for confidentiality reasons could not shed light on how the mistake occurred.

Meanwhile, Mr. Johannesen said he has spent several hours at his insurance broker this week trying to straighten the mess out. While his pension checks have arrived as expected so far, he still is concerned future ones may not.

"I don't know what could happen now," he said.



DEAL TO BUY MANSION GOES UP IN SMOKE

A Pennsylvania man is suing the would-be buyers of his \$5.2 million mansion after he says they moved in and burned the 24,000-square-foot property to the ground for the insurance money.

In a complaint filed last month in U.S. District Court in Philadelphia, Jerald Batoff claims Dean Topolinski and Julie Charbonneau signed a purchase agreement and paid deposits on the "Trumbauer Residence and Estate" but never intended to complete the transaction.

Instead, Mr. Batoff said the defendants signed a lease agreement to move into the residence and obtained \$5 million in personal insurance policies. Then, he claims Mr. Topolinski and Ms. Charbonneau set the mansion on fire in April 2012 to collect on a \$22 million insurance policy that Mr. Batoff held on the home.

The suit claims the defendants took several steps to prevent their alleged scheme from being detected, such as firing the home's caretakers and disabling a security system at the mansion just before the fire.

Mr. Topolinski and Ms. Charbonneau have sued Mr. Batoff for \$35 million in insurance proceeds that he received after the fire, the lawsuit says. The FBI would not confirm or deny whether it is investigating Mr. Topolinski or Ms. Charbonneau, according to a report from the Philadelphia Enquirer.

Mr. Batoff is accusing the defendants of committing insurance fraud and violating the Racketeer Influenced and Corrupt Organizations Act, among other claims. He is seeking damages of at least \$8 million in the case.

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Matt Merna
Division President, ACE Risk Management

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