

AIRLINE EXPANDS PROGRAM USING NURSE CASE MANAGERS FOR WORKERS COMP / PAGE 3

2012 2013

LOOKING BACK ON 2012; RISK AND BENEFITS OUTLOOK FOR 2013 / PAGES 4 & 6

YEAR IN REVIEW THE YEAR AHEAD

inBrief

2012 disaster losses to reach \$65B: Swiss Re

Insured losses from natural catastrophes and man-made disasters likely will reach about \$65 billion this year, Swiss Re Ltd. said. Despite a benign first half of the year for natural catastrophes, second-half events including Superstorm Sandy and drought in the United States could result in total economic losses of at least \$140 billion. Insured losses for 2012, however, are less than the \$120 billion seen in 2011.

Insurance rates still on the rise: Marsh

Global insurance rates continued to harden during the 2012 fourth quarter, but rates increased at a slower pace than in the third quarter, Marsh Inc. said. The average rate increase was 1.2% for business that renewed during the fourth quarter compared with 1.4% for business that renewed during the third quarter of 2012.

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Market SOURCEBOOK 2012

Business Insurance offers a selection of rankings from the past year, including largest agents and brokers, surplus lines insurers and more. **PAGE 9**

RISK MANAGEMENT



AP PHOTO

The U.S. flag was flown at half staff in Newtown, Conn., and other U.S. locations for the victims of the shooting at Sandy Hook Elementary School.

Sandy Hook tragedy puts focus on safety

U.S. school districts review their security in wake of shootings

By **RODD ZOLKOS**

While the mourning continues for the victims of the Sandy Hook Elementary School shootings in Newtown, Conn., school district officials across the country are reviewing their own safety and security policies with the hope of preventing similar tragedies.

Existing security measures vary depending on the type of school district — with some large, urban districts even having their own police forces — but there are common elements that districts should consider to protect students and reduce the risks of school violence, experts say.

“We’re hearing from school districts that are trying to gather information, mainly from local law enforcement and emergency management,” as they review policies

See **SCHOOLS** page 2

HEALTH CARE BENEFITS

Providing health cover may still be best option

Reform mandates should not deter large firms: Study

By **JERRY GEISEL**

Offering health insurance to employees still will make economic sense for larger employers and those with higher-paid workforces when key parts of the health care reform law take effect in 2014, an analysis concludes.

But for smaller firms and those largely comprising lower-wage employees, dropping coverage could be financially attractive, according to the analysis by researchers at the University of Minnesota and the Center for Studying Health System Change in Washington.

Still, companies that employ the lion’s share of the workforce will continue to have a financial incentive to provide coverage in 2014 and beyond, according to the research conducted for the National Institute for Health Care Reform, which was established by Chrysler Group L.L.C., General Motors Co., Ford Motor Co. and the United Auto Workers.

The findings are largely based on health care expenditure data compiled by the federal Agency for Healthcare Research and Quality.

“The findings indicate establishments employing the vast majority of workers — 81% — currently offering insurance will continue to have an economic incentive to offer coverage,” according to the analysis.

There are several reasons why there would be no financial advantage for employers and employees to drop employer-provided health coverage. Among other issues, employers

81%

81% of the majority of establishments offering insurance will continue to have an economic incentive to offer coverage.

with 50 or more workers would face an annual \$2,000 penalty per full-time employee, or those working at least 30 hours a week, if they did not provide coverage starting in 2014.

In addition, employees would lose a tax break. Currently, employees are not taxed on premiums their employers pay for group coverage. If employers dropped health coverage and boosted employees’ salaries to

See **TERMINATION** page 29

MERGERS & ACQUISITIONS

Markel makes \$3.13 billion bid for Alterra Capital

By **MARK A. HOFMANN**

Other suitors are unlikely to challenge Markel Corp.’s planned

acquisition of Alterra Capital Holdings Ltd. due to Markel’s substantial \$3.13 billion bid for a majority of the specialty insurer and reinsur-

er, industry analysts say.

Other underwriters would be hard-pressed to come up with the same kind of stock deal that Richmond, Va.-based Markel is using to acquire Hamilton, Bermuda-based Alterra, they say.

Under the terms of the agreement announced last week, Markel is to pay about \$3.13 billion for Alterra based on a Dec. 18 closing price of \$486.05 for Markel common stock.

At closing, each Alterra common share would be converted into 0.04315 of a Markel common share, with cash paid for fraction-

al shares as well as a cash payment of \$10. After the merger, Markel’s existing shareholders would own about 69% of the combined company and Alterra’s shareholders would own about 31%.

“Following the close of the transaction, Markel is expected to write annual gross premiums of approximately \$4.4 billion and to have approximately \$6 billion in equity with capital flexibility to support future growth,” the insurers said in a joint statement.

The combined firms would

See **ALTERRA** page 28

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gallery

WOMEN TO WATCH: View a slide show from Business Insurance's 2012 Women to Watch Leadership Workshop and Awards Luncheon, held to honor 25 women professionals in risk and benefits management and insurance. www.BusinessInsurance.com/photos

LAST WEEK'S TOP FEATURES

www.BusinessInsurance.com/BITop10

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2. Newtown schools' comp covered by public entity risk pool
3. Willis goodwill impairment charge in fourth quarter
4. 18 states, D.C. to set up health insurance exchanges
5. Domino's Pizza founder wants contraceptive mandate relief
6. Workers indicted for defrauding employer wellness program
7. Average insurance rates still on the rise: Marsh
8. Best raises asbestos losses estimate for P/C industry
9. 2012 catastrophe, disaster losses to reach \$65B: Swiss Re
10. California courts top 'judicial hellholes' list for 2012

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REINSURANCE TRENDS & ISSUES

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Schools: Sandy Hook tragedy puts focus on planning, safety

CONTINUED FROM PAGE 1

and make any needed revisions or updates, said Ron Allen, executive director of the Athens, Ga.-based Public School Risk Institute.

Scott B. Clark, risk and benefits officer of Miami-Dade County Public Schools, said he didn't anticipate changes in the district's security policies, but said the issue was being discussed.

"This is a reminder that we need to review our processes," he said.

The school district already has extensive security policies in place, and various events throughout the area frequently test those policies. "We kind of go through a drill almost on a daily basis," Mr. Clark said. "We're in a constant mode of testing that methodology, unfortunately."

"We do end up having, on a daily basis, lockdown on our campuses" because of criminal activities taking place in the vicinity of a school. "We have many levels of security, including our own police force," he said.

The situation is similar at Detroit Public Schools, said Douglas M. Gniewek, executive director of the district's office of risk management.

"We are taking the time to review our existing policies, but the Detroit Public Schools had some pretty stringent safety policies in place for some time," Mr. Gniewek said. Every school has a security guard, and it's necessary to pass through a metal detector to enter any school, he said.

"We have our own police force, a very sophisticated police force," Mr. Gniewek said, adding that all the system's schools are

constantly monitored from the district police force's new headquarters. "It's a huge room that has monitors that cover every school in the district," he said.

Connie Telfeyan, risk/safety manager of Omaha Public Schools, said the Nebraska district also is reviewing its safety and security policies. The front doors of school buildings typically are unlocked, but someone is posted there who requires visitors to sign in.

"We will continue that policy," Ms. Telfeyan said. "The public is directed to the front door, where they have to sign in and out."

"School districts right now are looking at how do you strike that balance between keeping campuses safe without turning them into an armed camp, and how do you establish a level of reason about what is done," said Ronald D. Stephens, executive director of the National School Safety Center in Westlake Village, Calif.

At Sandy Hook Elementary, where the Dec. 14 shootings took place, "They did a lot of things right," Mr. Stephens said, including perimeter security, a door buzzer system, and an emergency response plan that had been tested and practiced. "It wasn't a matter of just hoping things worked out all right. They worked their plan," he said.

"It's unrealistic to expect schools to have a perfect zero tolerance of any violence," Mr. Stephens said. "I don't know of any school in the country that's ready for an attack with assault-style weapons."

Acknowledging that "no form of security is absolute," Kevin Wilkes, vice president and security practice leader at Willis North America Inc. in Pittsburgh, said he encour-

AFTERMATH

Among developments in the days after the killing of 20 students and six staff members in the mass shooting at Sandy Hook Elementary School:

- The National Rifle Association went silent on social media and its website except for expressing shock and sadness over Newtown, Conn., events. On Friday, the organization called for placing armed officers in every school in the U.S. and said it would develop its own model plan for securing schools.
- Private equity fund Cerberus Capital Management said it would sell Freedom Group, manufacturer of the Bushmaster AR-15 rifle reportedly used in the Sandy Hook Elementary attack.
- Wal-Mart Stores Inc. removed a listing for the Bushmaster AR-15 from its website.
- Dick's Sporting Goods removed all guns from its store nearest Newtown and suspended sales of "modern sporting rifles" in all stores.
- Michigan Gov. Rick Snyder vetoed a bill that would have allowed gun owners who receive extra training to carry concealed weapons into schools.
- Companies that manufacture armored backpacks intended to shield children reported an upturn in interest for their products.

ages clients to "stop managing security and start managing the risk."

Access control is among the elements that should be common to all school districts' security plans, Mr. Wilkes said. Others include installation of proper surveillance devices and direct alarms that allow appropriate school officials to summon

local law enforcement.

In looking to secure schools, "It really all boils down, in my opinion, to three critical areas," Mr. Wilkes said: planning, prevention and protection.

Planning includes updating emergency action plans, lockdowns and other emergency procedures, he said. School officials also should develop partnerships in advance of an incident with local law enforcement and emergency services providers.

In terms of prevention, schools should test preparedness and response plans at least annually, Mr. Wilkes said. Those tests should involve local law enforcement and emergency services partners because the opportunity for them to become familiar with facilities in advance will allow them to be more effective if a crisis occurs. Prevention also should include routine inspections of physical security devices such as locks and investigating any reports of threats or unusual behavior.

Protection builds on planning and prevention efforts, Mr. Wilkes said. "You really want to remember your response training and put that to use," he said.

After an event such as the Sandy Hook Elementary shootings, there's often pressure in communities to demonstrate some sort of visible school security improvement, Mr. Stephens said.

"I think schools, as a result of these shootings, more and more they're going to be looking at the placement of academy-trained officers on campus," he said.

Mr. Wilkes encouraged school districts considering placing such officers in schools to do due diligence and make risk-based decisions, adding that if they decide to take such an approach, they should make sure officers are properly trained and that the district has policies regarding the use of force and the types of weapons officers are allowed to carry on school grounds.

QUESTIONS & ANSWERS

Chris O'Kane has been CEO of Aspen Insurance Holdings Ltd. since he founded the insurer and reinsurer in Bermuda 10 years ago with a team from Wellington Underwriting P.L.C. The company now has operations in London, Dublin, continental Europe, the United States, Canada, Asia and Australia. Business Insurance Editor Gavin Souter recently spoke with Mr. O'Kane about how Superstorm Sandy will affect the insurance and reinsurance market and the outlook for Aspen. Edited excerpts follow:



How hard will Sandy hit market?

Q: What effect do you see Sandy having on insurance and reinsurance pricing?

The short answer is as yet nobody knows. If we knew how big Sandy was, it would be easier to say what the effect is. And without that knowledge (due to the wide variety in estimates), I think there's going to be a lot of speculation.

On the reinsurance side, there's going to be a lot of discussion of, "What is your loss?" It seems to me that Sandy, without a doubt, removed downward pressure on pricing. We are no longer hearing brokers suggesting that rate reduction could be merited; we are tending to hear that a renewal at expiring price is merited. So, the mood of the market has changed.

Now, some programs are going to be affected by Sandy and others are not, and then I think the impact will be differentiated there and that's how it should be. But if there are clients who have had a severe impact from Sandy, then I expect them to be asked to pay quite a bit more money for their cover.

On the insurance side, if the policies are in the Northeast, then expect some upward pressure on price; but elsewhere, perhaps don't expect that.

Q: What effect will the issue of hurricane deductibles have on Sandy claims?

We had various authorities saying very quickly this is not a hurricane

See **O'KANE** page 28

WORKERS COMPENSATION

American Airlines expands nurse case manager use

Study shows injured workers returned to work more quickly

By **ROBERTO CENICEROS**

After a pilot study proved that automatically assigning workers compensation nurse case managers to all lost-time claims significantly reduced injured workers' time away from the job, American Airlines Inc. is expanding the practice nationwide.

Previously, adjusters managing claims for the Fort Worth, Texas-based airline called on nurse case managers only when they judged that doing so would help a worker's medical condition improve or when client directives instructed them to, such as when workers needed surgery, suffered multiple injuries to the same body part, or suffered from a co-morbid condition affecting their work-injury recovery, said Misty Hambricht, American's workers comp claims manager.

"It was a pretty gray area," with nurses participating in approximately 30% of cases with injured workers off the job, Ms. Hambricht said. "So we significantly increased that."

Now the adjusters, provided by Sedgwick Claims Management Services Inc., immediately call in nurses to assist as soon as they learn a workplace injury resulted in lost work time.

American, which filed voluntary petitions for Chapter 11 bankruptcy reorganization in November 2011, launched its workers comp nurse case management pilot program in May 2011 and measured its results in August of this year, Ms. Hambricht said.

Based on results from the pilot study conducted at two airports in New York and one in New Jersey, American applied the same model on Oct. 1 to all new, lost-time claims filed in Florida and Texas. It expanded the practice to include employees injured in all other locations on Nov. 1.

"We are slowly but surely moving older off-work claims into nurse case management (oversight) in a tiered approach so as not to overwhelm the nurses," Ms. Hambricht said.



AP PHOTO

American Airlines launched its workers comp nurse case management pilot program in May 2011.

Assigning registered nurses to all cases alternatively referred to as indemnity claims, lost-time claims or off-work claims is not an unusual model, said Kimberly George, senior vice president of Sedgwick's managed care practice. But it is most often applied when employers face a shifting environment, such as when they are laying off workers, which can hamper their return-to-work efforts, or when companies downsize internal claims management staff previously dedicated to supporting injured workers, Ms. George said.

American Airlines is expanding the practice based on its pilot results. It saw a 34% reduction in off-work days for injured employees working at Newark Liberty International Airport in New Jersey, a 22% decrease for those at John F. Kennedy International Airport in New York, and an 11% drop for those at LaGuardia Airport in New York.

The percentage reductions are based on calculations using full-time equivalent employee measurements, Ms. Hambricht said.

Other employers who have implemented a similar model also have shown reductions in medical and litigation spending, Ms. George said.

American launched its model to provide injured employees better customer service through expedited care and improved management of their medical treatment, Ms. Hambricht said. New York was selected

as a starting point because the airline felt employees there could use more medical care education and assistance due to state laws prohibiting employers from steering workers to certain medical providers. "You can't even soft channel an employee to a specific provider" in New York, Ms. Hambricht said.

Additionally, with New York having recently adopted new medical treatment guidelines, American believed it would be best for nurses familiar with each claim file to conduct an "embedded" review of the guidelines' application, Ms. Hambricht said.

Having the nurses familiar with an individual case conduct utilization review is more holistic and

See **AMERICAN** page 28

EMERGING RISKS

Webinars focus on changes

Risks arise from new technology, demographics

Demographic and technological shifts have created several new and unexpected risks in the workplace.

During two December *Business Insurance* webinars — "Minimizing Privacy and Security Risks Resulting from Employee Use of Personal Electronic Devices at Work" on Dec. 5 and "Emerging Risks in the Workplace and How to Identify and Manage Them" on Dec. 11 — experts ranging from a risk management consultant to privacy practice leaders presented how technology may be one of the biggest indicators of a changing workforce.

A corporate policy regarding the use of personal devices and technology can be helpful, but many employers do not take action until it is too late.

Issues such as employees using their own personal devices for work can leave many companies vulnerable to cyber risks. While younger employees may be more savvy with such devices, Peter S. Vogel, a partner at Gardere Wynne Sewell L.L.P., presented research detailing how younger employees are more at risk of theft and are less likely to back up data or clear browser history, during the personal electronic devices webinar.

This behavior also can cross over to social media policy. According to a survey by Proskauer Rose L.L.P. discussed in the Dec. 11 webcast, more than three-quarters of employers use social media for business purposes, but 35% had to take disciplinary action against an employee for its misuse.

"Maybe the changing demographics of the workplace doesn't so much affect who's using social media, because many people of all ages are using it, but perhaps the approach as to what is acceptable in the workplace, or acceptable use in the workplace, may vary from group to group," said speaker Marc Mandelman, senior counsel at the firm, during the emerging risks webinar.

The Dec. 5 webinar and the Dec. 11 Zurich Insurance Co. Ltd.-sponsored webinar can be viewed online at BusinessInsurance.com/Webcasts.

— By Anna Gaynor

WORKERS COMPENSATION

Medicare bills waiting on Congress

By **SHEENA HARRISON**

With Congress set to adjourn this month, insurance insiders said they still hoped lawmakers would push through two bills intended to alleviate common Medicare Secondary Payer issues.

Observers said H.R. 1063 and H.R. 5284 would help simplify the process of reimbursing the Centers for Medicare and Medicaid Services, which holds insurers and self-insureds responsible to pay for a Medicare beneficiary's medical treatment related to workers compensation or liability cases.

As fiscal cliff issues dominated much of the legislative discussion, observers remained hopeful that the legislation would be included in an end-of-year bill package.

"Congress hasn't moved very many bills at all (this year), so everybody wants their bills moved, if they can," said Keith Bateman, vice president of workers compensation for the Des Plaines, Ill.-based Property Casualty Insurers Association of America.

H.R. 1063, the Strengthening Medicare and Repaying Taxpayers Act, aims to ease the process

of finding out how much an insurer or self-insured must pay to CMS for Medicare-funded treatment of work- or liability-related injuries.

Currently, CMS does not tell settlement parties how much is owed for Medicare reimbursement until after a settlement has been reached. Observers said that procedure prevents claims from being closed as they await a "final demand" letter from CMS.

"Everybody wants to know what the numbers are so that we can agree on a settlement

See **MSP** page 28

2012

YEAR IN REVIEW

R I S K M A N A G E M E N T

By **MARK A. HOFMANN**

A late-season megastorm and the announcement of changes at the top of two of the world's three largest brokerages helped make 2012 a year to remember in the annals of risk management. It also was the year the federal government exited the majority ownership of American International Group Inc. it had held since 2008, and the year the federal government called to a halt the judicial proceedings against four former General Reinsurance Corp. executives and a former AIG executive for an alleged sham insurance deal.

MARKET FIRMS

But yearlong, 2012 was marked by a slow but steady increase in commercial insurance rates. While short of a hard market, the commercial insurance market firmed, giving no sign of reversing its direction in the foreseeable future.

REPUTATIONAL RISKS CREATE LIABILITIES

Questions about reputational risk played across the liability world as two high-profile controversies played out. First, the conviction of former Pennsylvania State University assistant football coach Jerry Sandusky on more

than 40 counts of child abuse exposed Penn State to tens of millions of dollars in lawsuits, as well as an uncounted amount of lost sports revenue as the school was banned from college football bowl appearances for four years. Later in the year, the Lance Armstrong doping scandal underscored the need for businesses and other organizations to protect their reputations when they are associated with celebrities who fall from grace.

CHANGE OF ADDRESS FOR AON

In January, Aon P.L.C. announced that it would move its headquarters to London from

Chicago. Aon said the move would improve Aon's ability to grow its business globally, particularly in emerging markets. Industry analysts also noted that Aon would benefit from favorable tax treatment stemming from the move.

HARTFORD STREAMLINES OPERATIONS

Hartford Financial Services Group Inc. said in March that it would divest itself of its individual life and annuity businesses, among others, to focus on its property/casualty and group benefits business. The move, which came amid pressure from John Paulson, president of hedge fund manager Paulson & Co. and Hartford's largest shareholder, drew cautious praise from market observers.

LONG-RUNNING LEGAL MATTER ENDS

At the end of March, a retrial was ordered for four former executives at Gen Re and one at AIG convicted in 2008 of having engaged in a

Continued on page 22

2013

THE YEAR AHEAD

R I S K M A N A G E M E N T

By **MIKE TSIKOUKAKIS**

As the new year approaches, the aftermath of Superstorm Sandy, the potential for a hardening insurance market, and rising workers compensation costs top the list of concerns for risk managers in 2013.

Additionally, recent catastrophic events coupled with a fragile economic outlook present risk managers with potential opportunities to directly interact with senior leaders at their organizations in 2013, risk managers and industry experts say.

SUPERSTORMS

The unpredictability of superstorms and their widespread devastation have risk managers re-evaluating their exposures for catastrophe-exposed properties, said Carolyn Snow, director of risk management at Humana Inc. in Louisville, Ky.

"I know I'm going to be asking myself what's the potential impact on our property because we have a big schedule and ... with acquisitions, the schedule gets bigger," she said. "The question that I'm going to be asking internally is, 'Are we making the best use of our property deductible reimbursement

program?' We're going to be re-evaluating what we do in that area."

The size of Superstorm Sandy, which caused tremendous losses in the New York City/New Jersey region, may prompt significant changes in Congress with the introduction of new bills, said Howard Mills, chief adviser at Deloitte L.L.P.'s insurance industry group in New York and a former superintendent of the New York State Insurance Department.

"So all this could affect the pricing and the availability of types of coverages that are available to be purchased," Mr. Mills said. "This could also lead to finally a bit of hardening in the market. I think the pricing is going to be impacted" across property/casualty commercial and personal lines but "obviously more

Continued on page 22



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2012 YEAR IN REVIEW

BENEFITS MANAGEMENT

By **JERRY GEISEL**

Capped by a Supreme Court ruling, health care reform law-related developments dominated employee benefit issues in 2012. Ending months of waiting and speculation, the high court in a 5-4 decision handed down in late June at the very end of the 2011-2012 term, upheld the Patient Protection and Affordable Care Act's individual mandate, ruling that lawmakers have the power to impose penalties on those who do not have health insurance. While the decision was pivotal in assuring the continuation of the law, it was only one of several reform law developments, largely on the regulatory front. For example, regulators during 2012 issued rules ending numerous questions about reform law provisions. Among other things, regulators resolved issues related to the 2013 implementation of a \$2,500 cap on employees' contributions to flexible spending accounts, as well as the size of a fee that will have to be paid by self-funded employers and other plan sponsors to partially reimburse insurers writing coverage for individuals with high health care costs.

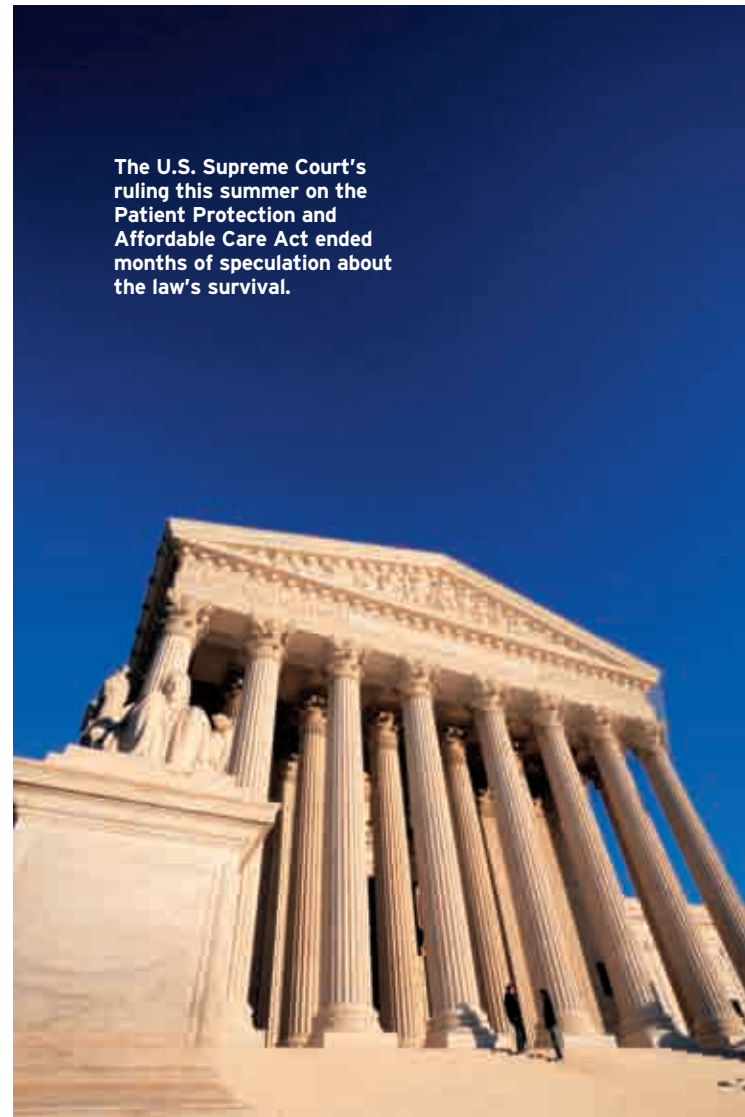
PENSION PLAN CONTRIBUTIONS

With pension plan liabilities soaring, employers had to shovel a lot more money into their plans. In January, Mercer L.L.C. released an analysis finding that the average funding level of plans sponsored by companies in the S&P

1500 fell to 75% as of the end of 2011, down from 81% at the close of 2010. That steep drop in plan funding, which continued through 2012, translated into a more than doubling of plan contributions compared with what employers pumped in during 2010, according to Towers Watson & Co. projections.

AMERICAN AIRLINES PENSION PLANS

Ending months of speculation, American Airlines Inc. announced in late January that it would terminate four massively underfunded pension plans. But it received pressure from the Pension Benefit Guaranty Corp., which faced its



The U.S. Supreme Court's ruling this summer on the Patient Protection and Affordable Care Act ended months of speculation about the law's survival.

biggest loss at \$8.7 billion if it had to pay the plans' promised but unfunded benefits. American reversed course in March and said it would freeze the plans, which it did on Nov. 1.

PENSION PLAN DE-RISKING

A growing number of employers tried new approaches to reduce

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2013 THE YEAR AHEAD

BENEFITS MANAGEMENT

By **JERRY GEISEL**

2013 is shaping up to become the year of health care reform regulations. With many key provisions of the Patient Protection and Affordable Care Act set to go into effect on Jan. 1, 2014, a slew of regulations intended to help employers comply with the law aren't far down the road.

The most important employer-related regulation that is expected to be issued soon involves what the law calls "shared responsibility" — the requirement that employers either offer coverage to full-time employees or pay a stiff financial assessment.

"Everyone's focus is on shared responsibility. That is the Big Kahuna," said Gretchen Young, senior vice president for health care policy with the ERISA Industry Committee in Washington.

"This one is critical," added Rich Stover, a principal with Buck Consultants L.L.C. in Secaucus, N.J.

It is easy to understand the interest of employers in the upcoming regulation. Under the

law, starting in 2014, employers are liable for a \$2,000-per-full-time-employee penalty if:

Just one of their lower-paid employees is not offered coverage.

The employee is eligible for a federal premium subsidy and;

The employee uses the premium subsidy to purchase coverage at a public insurance exchange.

Experts have warned that without regulatory flexibility, there could be situations in which an employer could face the full force of the assessment even though it offered coverage to all, or nearly all, of its full-time employee.

One common situation involves employers that do not

CONTINUED ON PAGE 26



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Opinions

EDITORIAL

Risks abound in volatile times

As we close the book on another year, a look back on 2012 shows that one of the main constants that risk managers and benefit managers face is dealing with the unpredictable.

Addressing catastrophes has always been a given for risk managers and security experts, but the horrific shootings in Newtown, Conn., this month and in Aurora, Colo., in July go well beyond what most would expect to address. But now, assessing how to prevent and mitigate such brutal outbreaks must be major concern for any organization, especially those that must maintain an open environment.

Superstorm Sandy too had unpredictable consequences. Risk managers in the Southeast and Gulf Coast have long been used to the threat of hurricanes, but the densely populated Northeast has largely been spared from natural catastrophes in the past few years. While Hurricane Irene in 2011 put the region on notice that changing weather patterns could result in significant storms making landfall much farther north than is usually expected, the devastating losses caused by a relatively low-grade hurricane were largely unforeseen. A new look at building standards, hurricane preparedness and higher property insurance prices seem inevitable.

On the health care side, benefit managers too had to deal with the unpredictable in 2012. The historic health care reform law ruling by the Supreme Court, with the surprise inclusion of Chief Justice John Roberts in the mix of otherwise more liberal justices upholding the controversial statute, ended a long period of uncertainty over whether much of the law would pass legal muster. Despite that ruling, however, much uncertainty remains, with many key regulations needed to aid employers in complying with the law yet to be issued or finalized. With federal lawmakers passing the Patient Protection and Affordable Care Act nearly three years ago, a speedier regulatory action would have reduced the uncertainties employers and benefit managers continue to face as they try to develop compliance strategies.

Moving into 2013, we hope for a more predictable and tranquil time ahead but, of course, we must be prepared for whatever the year brings.

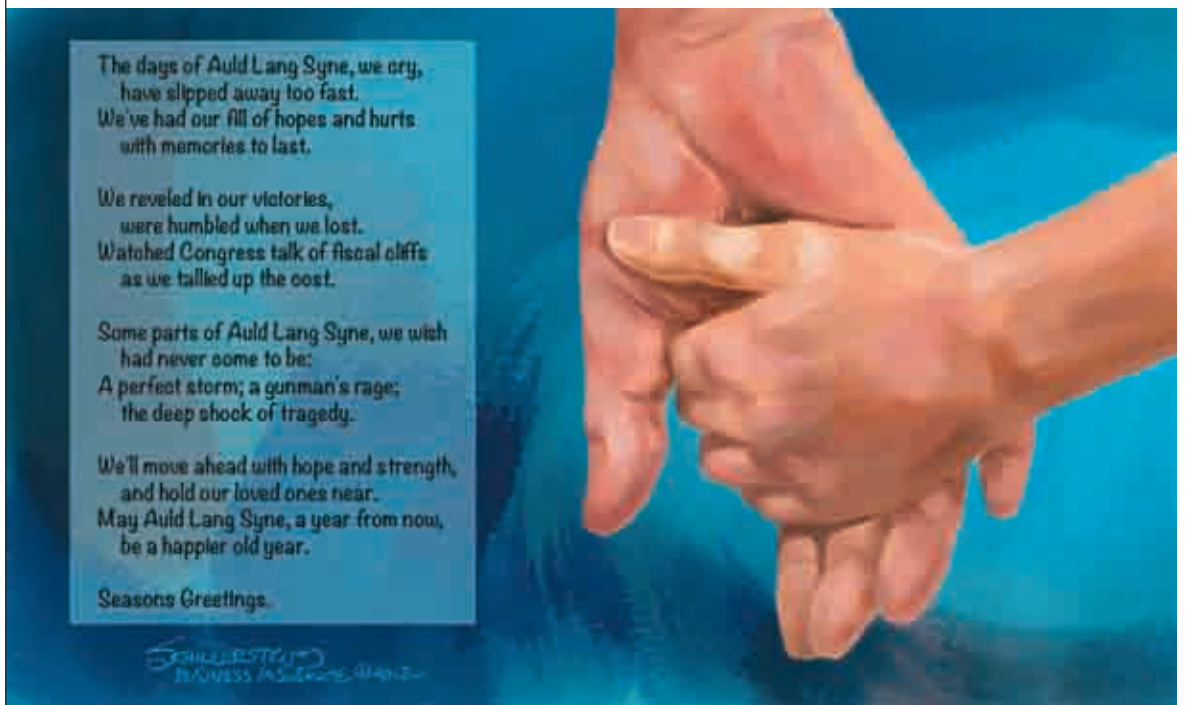
LETTERS

Key effort overlooked

TO THE EDITOR: As executives of an organization dedicated to the professional development of the risk management and insurance industry, the Oct. 15 issue of *Business Insurance* on developing and attracting talent particularly resonated with us and our colleagues. However, there was a key effort that was overlooked and worth mentioning: the industry-wide Engaging the Next Generation initiative, which the industry selected The Institutes and the Griffith Insurance Education Foundation to lead.

Continued on page 24

SCHILLERSTROM



COMMENTARY

Here's to a better year in 2013

It's a good bet that we'll see many columns within the next couple weeks predicting events and trends we're likely to see in the coming year.

Such columns are a journalistic staple at the beginning of the year, as are the various lists and rankings common at year's end.

Of course, the view is always clearer looking back than ahead. And looking back always makes it plain just how many events are impossible to predict.

The year drawing to a close saw any number of such events, some surprising, some tragic and some that were simply unpredictable.

The year started off with a surprise in January when iconic Chicago business (to those of us connected to the commercial insurance world, at least) Aon announced its plans to move its headquarters to London. I, for one, am still getting used to putting P.L.C. rather than Corp. after Aon.

While maritime disasters occur often enough that they can't be considered surprises, who might have predicted the circumstances of the Costa Concordia's running aground and capsizing off the Italian coast in January? Breaking from a computer-programmed course for a nighttime near shore salute seems a maneuver more suited to a "Top Gun" fighter jock than a cruise ship captain.

And how about that June Supreme Court ruling upholding the constitutionality of President Barack Obama's health care reform law? Who would've predicted that from this court?

The weather offered its share of surprises in 2012. While tornadoes are expected in much of the United States, 2012 saw an unusually early and violent start to the tornado season with severe storms hitting numerous states in February and March.

Then there was the freakishly warm and snow-free Midwest winter. As the year began, I certainly wouldn't have predicted wearing shorts on St. Patrick's Day in Chicago.

Of course that warm, dry winter was followed by a drought that persists in much of the U.S. By some estimates, the 2012 drought may rival Superstorm Sandy as this year's most costly U.S. natural disaster.

Then there's Sandy itself. While some have long cited the potential for that sort of storm to hit the Northeast, many were surprised by the damage it brought to New Jersey and New York in late October.

Sadly, some events in 2012 left us surprised not so much by their occurrence — we've gotten all too accustomed in the U.S. to this sort of thing — but by their horror: the shootings in such places as a Colorado movie theater, a Sikh temple in Wisconsin, an Oregon shopping mall and, most recently, an elementary school in Connecticut. If only it was possible to predict that there'd be no such events in the year ahead.

Whatever 2013 might hold, we'll hope for better things. I wish you every happiness and success in the New Year.

Contact: rzolkos@businessinsurance.com



RODD
ZOLKOS
SENIOR EDITOR

Market SOURCEBOOK 2013

In this Market Sourcebook section of *Business Insurance*, we present much of the exclusive data and research that we publish in the magazine throughout the year. Ranging from our research on the surplus lines market to our widely recognized rankings of insurance brokers, the Market Sourcebook provides key data and information for buyers, insurers, brokers and other service providers.

In addition to the rankings published here, *Business Insurance* makes available for purchase as either PDF or Excel files full directories and more categories of companies. For more information or to order, visit www.BusinessInsurance.com/research.

To obtain additional copies of the Market Sourcebook, call *Business Insurance* single copy sales at 877-812-1587 in the U.S. and Canada, or at 313-446-0450 in all other locations.

For more information about our rankings and directories, email Angelina Villarreal, director of research, at avillarreal@businessinsurance.com.

LARGEST U.S.-BASED SURPLUS LINES INSURERS

Ranked by 2011 nonadmitted direct written premiums

RANK	Company/address	Parent	Phone/website	2011 nonadmitted direct written premiums	% change	2011 gross premiums	% change	2011 net written volume	2011 net income (loss)	Principal officer
1	Lexington Insurance Co. ¹ 100 Summer St., Boston, Mass. 02110	American International Group Inc.	617-330-1100 www.lexingtoninsurance.com	\$4,584,874,510	(0.5%)	\$6,146,725,240	(19.0)	\$3,432,019,633	\$325,630,448	David J. Bresnahan, president
2	Scottsdale Insurance Co. ¹ 8877 N. Gainey Center Drive, Scottsdale, Ariz. 85258	Nationwide Mutual Insurance Co.	480-365-4000 www.scottsdaleins.com	\$1,087,239,649	8.3%	\$2,683,400,948	9.8%	\$572,431,552	(\$11,584,774)	Michael D. Miller, president/COO
3	Steadfast Insurance Co. ¹ 1400 American Lane, Schaumburg, Ill. 60196	Zurich Insurance Co. Ltd.	847-605-6000 www.zurichna.com	\$946,251,084	(11.9%)	\$1,151,070,573	(8.8%)	N/A	N/A	Nancy D. Mueller, president
4	Chartis Specialty Insurance Co. 175 Water St., 18th Floor, New York, N.Y. 10038	American International Group Inc.	212-770-7000 www.chartisinsurance.com	\$798,434,908	1.7%	\$1,413,770,179	(24.9%)	\$490,288,521	\$8,592,693	John Q. Doyle chairman
5	Columbia Casualty Co. CNA Center, 333 S. Wabash, Chicago, Ill. 60604	CNA Financial Corp.	312-822-5000 www.cna.com	\$750,476,544	4.5%	\$751,743,192	4.6%	N/A	\$7,408,950	Thomas F. Motamed, chairman/CEO/president
6	Illinois Union Insurance Co. 436 Walnut St., Philadelphia, Pa. 19106	Ace Ltd.	215-640-1000 www.aceusa.com	\$543,205,080 ²	2.0%	\$542,118,590 ²	1.9%	N/A	N/A	Brian E. Dowd chairman
7	Landmark American Insurance Co. 945 E. Paces Ferry Road, Suite 1800, Atlanta, Ga. 30326	Alleghany Corp.	404-231-2366 www.rsui.com	\$533,173,503	4.7%	\$543,025,813	4.6%	\$46,908,733	\$14,144,552	David E. Leonard, chairman/CEO
8	Nautilus Insurance Co. 7233 E. Butherus Drive Scottsdale, Ariz. 85260	W.R. Berkley Corp.	480-951-0905 www.nautilusgroup.com	\$430,531,252	17.0%	\$603,342,022	21.6%	\$490,741,050	\$86,134,743	Thomas M. Kuzma, president/CEO
9	Westchester Surplus Lines Insurance Co. 436 Walnut St., Philadelphia, Pa. 19106	Ace Ltd.	215-640-1000 www.aceusa.com	\$417,637,980 ²	2.0%	\$421,814,270 ²	2.0%	N/A	N/A	Brian E. Dowd, chairman
10	Arch Specialty Insurance Co. 300 Plaza Three, Jersey City, N.J. 07311	Arch Capital Group Ltd.	201-743-4000 www.archinsurance.com	\$412,775,805	2.5%	\$424,078,582	1.4%	(\$9,784)	(\$6,608,248)	David H. McElroy, chairman/CEO

¹ Figures reported on a pooling basis. N/A = Not available. ² BI estimate.

LOWEST COMBINED RATIO

Lowest combined ratio among surplus lines insurers participating in the BI survey

RANK	COMPANY	2011 COMBINED RATIO
1	Mount Hawley Insurance Co.	58.5%
2	General Star Indemnity Co.	71.8%
3	James River Insurance Co.	73.3%
4	Landmark American Insurance Co.	73.4%
5	United National Insurance Co.	79.7%
6	RSUI Indemnity Co.	81.9%
7	Nautilus Insurance Co.	85.1%
8	Evanston Insurance Co.	85.6%
9	Adriatic Insurance Co.	92.7%
10	Admiral Insurance Co.	93.3%

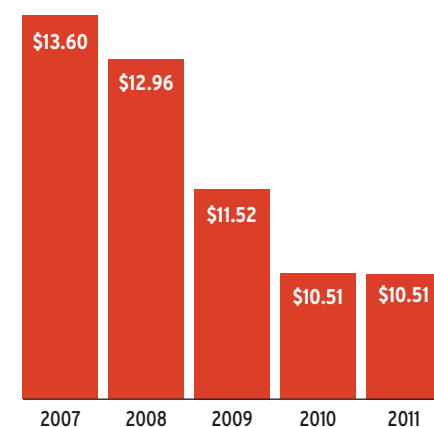
HIGHEST COMBINED RATIO

Highest combined ratio among surplus lines insurers participating in the BI survey

RANK	COMPANY	2011 COMBINED RATIO
1	General Star National Insurance Co.	129.3%
2	Penn-America Insurance Co.	117.9%
3	Lexington Insurance Co.	115.6%
3	Chartis Select Insurance Co.	115.6%
5	Chartis Specialty Insurance Co.	115.0%
6	Penn-Star Insurance Co.	114.2%
7	National Fire & Marine Insurance Co.	107.7%
8	Western World Insurance Co.	107.4%
8	Tudor Insurance Co.	107.4%
10	Safety National Casualty Corp.	102.0%

PREMIUMS FLATTEN

Nonadmitted direct written premiums of the top 10 surplus lines insurers, in billions of dollars, were essentially the same in 2011 as 2010.



Source: BI survey. Researched by Angelina Villarreal

LARGEST MGAs/UNDERWRITING MANAGERS

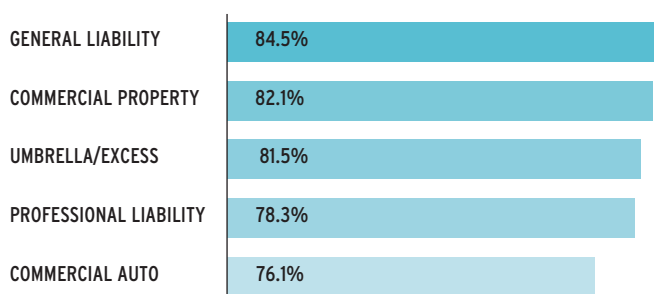
Ranked by 2011 wholesale premium volume from property/casualty placements*

RANK	Company/address	Phone, website	2011 premium volume	% change	2011 gross revenues	% change	% surplus lines	Underwriting manager	MGA	Wholesale broker	Lloyd's of London coverholder	Principal officer
1	Risk Placement Services Inc. 2 Pierce Place, 25th Floor Itasca, Ill. 60143	630-285-4303 www.rpsins.com	\$1,800,000,000	11.8%	\$147,000,000	5.8%	60.0%	0%	51.0%	42.0%	7.0%	Dave McGurn, chairman
2	Burns & Wilcox Ltd. 220 Kaufman Financial Center 30833 Northwestern Highway Farmington Hills, Mich. 48334	800-521-1918 www.burnsandwilcox.com	\$720,000,000	9.1%	\$185,000,000	8.8%	80.0%	0%	55.0%	30.0%	15.0%	Alan J. Kaufman, chairman/president/CEO
3	The Schinnerer Group 2 Wisconsin Circle Chevy Chase, Md. 20815	301-961-9800 www.schinnerer.com	\$665,000,000	(7.0%)	\$72,900,000	(1.1%)	5.0%	95.0%	0%	5.0%	0%	Rob Byler, CEO
4	AmRisc L.P. 20405 State Highway 249 Suite 430 Houston, Texas 77070	281-257-6700 www.amrisc.com	\$596,000,000	2.1%	\$94,000,000	32.4%	61.0%	39.0%	47.0%	0%	14.0%	Dan Peed, CEO/president
5	Appalachian Underwriters Inc. 800 Oak Ridge Turnpike, A-1000 Oak Ridge, Tenn. 37830	888-376-9633 www.appund.com	\$414,000,000	3.0%	\$39,500,000	4.0%	10.0%	20.0%	75.0%	5.0%	0%	Bob Arowood, principal/president
6	Gresham & Associates Inc. 1 Gresham Landing P.O. Box 927 Stockbridge, Ga. 30281	770-389-1600 www.gresham-inc.com	\$299,550,000	11.8%	\$31,850,000	8.8%	50.0%	0%	45.0%	45.0%	10.0%	James V. Gresham, chairman/CEO
7	Markel Midwest Inc. 10 Parkway N. Deerfield, Ill. 60015	847-572-6000 www.markelcorp.com	\$285,833,999	(1.7%)	\$33,819,403	(27.2%)	92.0%	100%	0%	0%	0%	Susan J. Swanson, regional president
8	Program Brokerage Corp. 1065 Ave. of the Americas New York, N.Y. 10018	866-607-8370 www.programbrokerage.com	\$239,571,323	9.0%	\$24,506,807	5.3%	18.0%	0%	70.0%	30.0%	0%	Scott Bell, Gary Shapiro, senior vice presidents-program division
9	Eastern America Insurance Agency Inc. Metro Office Park, Street One, Lot 10 P.O. Box 193900 San Juan, Puerto Rico 00919	787-273-1288 www.universalpr.com	\$221,839,520	1.4%	\$12,859,456	18.8%	13.0%	0%	100%	0%	0%	Monique Miranda, CEO
10	K&K Insurance Group Inc. 1712 Magnavox Way Fort Wayne, Ind. 46804	260-459-5000 www.kandkinsurance.com	\$206,596,000	10.0%	\$45,124,000	5.3%	5.0%	0%	96.0%	4.0%	0%	Todd Bixler, president/CEO

* Companies deriving more than 50% of their wholesale premium volume from acting as a managing general agent, underwriting manager or Lloyd's of London coverholder (authority to bind risks for Lloyd's syndicates, similar to an MGA)

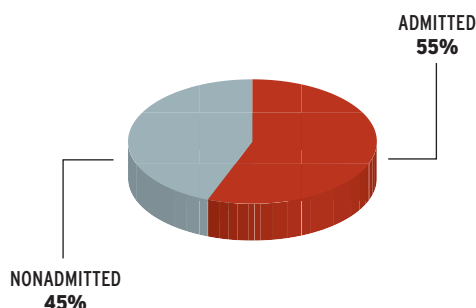
MOST COMMON CLASSES OF BUSINESS PROVIDED

Percentage of MGA/underwriting managers providing coverage



ADMITTED VS. NONADMITTED

Business performed by all MGA/underwriting managers



PREMIUM VOLUME

Written premiums of the top 10 MGAs/underwriting managers, in billions of dollars



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WORLD'S 10 LARGEST INSURANCE BROKERS

Ranked by 2011 brokerage revenues

RANK	Company/address	Phone/website	Chief executive	2011 brokerage revenues	% change	2011 employees	2011 offices	PERCENTAGE OF REVENUES*							
								Commercial retail	Wholesale	Reinsurance	Employee benefits	Personal lines	Services	Investments	Other
1	Marsh & McLennan Cos. Inc. 1166 Ave. of the Americas, New York, N.Y. 10036	212-345-6000 www.mmc.com	Brian Duperreault, president/CEO	\$11,519,000,000	8.7%	52,000	N/A	45.1%	N/M	9.0%	32.7%	N/M	12.8%	0.7%	(0.3%)
2	Aon P.L.C. 8 Devonshire Square London, EC2M 4PL England	44-207-623-5500 www.aon.com	Gregory C. Case, president/CEO	\$11,228,000,000	5.9%	62,000	500	47.0%	N/M	13.0%	20.0%	N/M	19.7%	0.5%	N/M
3	Willis Group Holdings P.L.C. 51 Lime St., London, EC3M 7DQ England	44-203-124-6000 www.willis.com	Joe Plumeri, chairman/CEO	\$3,414,000,000	3.5%	17,000	400	54.2%	4.3%	22.1%	13.9%	2.3%	2.3%	0.9%	0.1%
4	Arthur J. Gallagher & Co. The Gallagher Centre, 2 Pierce Place, Itasca, Ill. 60143-3141	630-773-3800 www.ajg.com	J. Patrick Gallagher Jr., chairman/president/CEO	\$2,091,700,000	16.9%	12,383	300	38.4%	13.0%	N/M	18.9%	2.2%	25.6%	2.0%	N/M
5	Wells Fargo Insurance Services USA Inc. 150 N. Michigan Ave., Suite 3900, Chicago, Ill. 60601	312-423-2500 wfis.wellsfargo.com	Neal R. Aton, president/CEO	\$1,626,869,000	(1.4%)	7,525	160	60.4%	0.3%	N/M	14.2%	10.7%	2.2%	1.7%	10.5%
6	Jardine Lloyd Thompson Group P.L.C. ¹ 6 Crutched Friars, London, EC3N 2PH England	44-207-528-4444 www.jltgroup.com	Dominic Burke, group chief executive	\$1,266,671,620	11.3%	6,722	78	52.1%	8.1%	12.4%	16.7%	1.0%	8.0%	1.2%	0.6%
7	Brown & Brown Inc. 220 S. Ridgewood Ave., Daytona Beach, Fla. 32114	386-252-9601 www.bbinsurance.com	J. Powell Brown, president/CEO	\$1,112,104,659	15.0%	6,061	145	51.9%	13.9%	1.6%	17.2%	6.6%	8.3%	0.1%	0.6%
8	BB&T Insurance Services Inc. P.O. Box 31128, Raleigh, N.C. 27622	919-716-9777 www.bbt.com	H. Wade Reece, chairman/CEO	\$1,104,126,900	2.4%	4,565	118	48.9%	26.3%	N/M	10.9%	8.5%	N/M	0.7%	4.6%
9	Lockton Cos. L.L.C. ² 444 W. 47th St., Suite 900, Kansas City, Mo. 64112-1906	816-960-9000 www.lockton.com	John M. Lumelleau, president/CEO	\$904,403,000	9.4%	4,450	60	65.7%	5.0%	2.1%	25.7%	0.4%	N/M	1.1%	N/M
10	Hub International Ltd. 55 E. Jackson Blvd., Floor 14A, Chicago, Ill. 60604-4187	312-279-4882 www.hubinternational.com	Martin P. Hughes, chairman/CEO	\$878,321,552,00	15.3%	5,678	275	56.9%	5.5%	0.3%	15%	21.4%	0.9%	0.1%	N/M

*Percentage of revenue may not total 100% due to rounding. N/M=Not meaningful. N/A=Not available. 1 British pound=\$1.5698. 2 Fiscal year ending April 30.

A DECADE OF GROWTH

As a group, the 10 largest brokers' revenues have risen in most years in the past decade, in billions of dollars.



Source: BI survey
Researched by Angelina Villarreal



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100 LARGEST BROKERS OF U.S. BUSINESS*

Ranked by 2011 brokerage revenues generated by U.S.-based clients

2012 rank	2011 rank	Company	2011 U.S. revenue	% change
1	1	Marsh & McLennan Cos. Inc.	\$5,068,360,000	8.7%
2	2	Aon P.L.C.	\$5,052,600,000	19.1%
3	5	Arthur J. Gallagher & Co.	\$1,694,277,000	8.8%
4	4	Wells Fargo Insurance Services USA Inc.	\$1,626,869,000	(1.4%)
5	3	Willis Group Holdings P.L.C.	\$1,604,580,000	(2.8%)
6	7	Brown & Brown Inc.	\$1,107,656,240	14.9%
7	6	BB&T Insurance Services Inc.	\$1,104,126,900	2.4%
8	NEW	National Financial Partners Corp.	\$692,986,754	(2.2%)
9	8	USI Holdings Corp.	\$659,276,000	4.3%
10	9	Lockton Cos. L.L.C. ¹	\$633,082,100	9.4%
11	10	Hub International Ltd.	\$570,909,001	11.9%
12	11	Alliant Insurance Services Inc.	\$460,193,546	28.8%
13	NEW	Towers Watson & Co. ²	\$360,238,608	2.1%
14	12	Leavitt Group	\$188,245,000	2.5%
15	NEW	AssuredPartners Inc.	\$172,316,140	5.9%
16	13	Jardine Lloyd Thompson Group P.L.C. ³	\$164,667,311	3.4%
17	14	CBIZ Benefits & Insurance Services Inc.	\$159,900,000	1.3%
18	NEW	Keenan & Associates	\$144,148,000	3.5%
19	NEW	Meadowbrook Insurance Group Inc.	\$134,552,000	0.0%
20	15	Frank Crystal & Co. Inc.	\$131,740,000	0.0%
21	16	Hays Group Inc., dba Hays Cos.	\$127,800,000	9.0%
22	17	Bollinger Inc.	\$117,791,000	1.2%
23	18	J. Smith Lanier & Co.	\$107,929,729	2.8%
24	19	Regions Insurance Group Inc.	\$101,892,006	2.4%
25	20	John L. Wortham & Son L.P.	\$99,976,140	3.5%
26	22	Holmes Murphy & Associates Inc.	\$97,450,857	5.4%
27	21	Beecher Carlson Holdings Inc.	\$94,981,468	2.4%
28	30	Paychex Insurance Agency Inc. ⁴	\$92,300,000	24.1%
29	23	Mesirow Insurance Services Inc. ⁵	\$91,741,286	4.9%
30	25	Hylant Group Inc.	\$91,109,789	6.5%
31	27	Insurance Office of America Inc.	\$89,685,193	11.0%
32	26	BancorpSouth Insurance Services Inc.	\$89,046,870	9.1%
33	28	The IMA Financial Group Inc.	\$85,690,829	9.6%
34	29	Barney & Barney L.L.C.	\$85,166,548	11.8%
35	31	Integro USA Inc.	\$84,066,700	15.8%
36	37	Higginbotham & Associates	\$79,659,000	30.4%
37	34	Ascension Insurance Inc.	\$75,430,000	9.9%
38	32	Heffernan Group	\$74,282,000	3.9%
39	33	Conner Strong & Buckelew Cos. Inc.	\$71,520,400	2.9%
40	36	Cottingham & Butler Inc.	\$69,767,000	11.0%
41	35	Woodruff-Sawyer & Co.	\$69,498,000	7.6%
42	38	Capacity Group of Cos.	\$65,594,355	9.0%
43	47	First Niagara Risk Management Inc.	\$63,691,259	40.0%
44	53	INSURICA Insurance Management Network	\$61,758,630	49.2%
45	NEW	TD Insurance Inc. ⁶	\$59,667,211	11.4%
46	41	Frenkel & Co.	\$58,461,915	6.7%
47	42	Edgewood Partners Insurance Center	\$58,271,780	10.8%
48	39	Huntington Insurance Inc.	\$57,145,770	(2.6%)
49	40	Eastern Insurance Group L.L.C.	\$56,745,763	1.7%
50	43	Associated Financial Group L.L.C.	\$54,132,824	5.6%

2012 rank	2011 rank	Company	2011 U.S. revenue	% change
51	48	Assurance Agency Ltd.	\$52,104,078	16.3%
52	44	Western States Insurance	\$51,662,209	2.1%
53	45	Marshall & Sterling Enterprises Inc.	\$49,243,812	4.1%
54	49	Propel Insurance	\$46,400,000	5.0%
55	54	Oswald Cos.	\$46,317,150	12.0%
56	46	Horton Group Inc.	\$45,921,534	(0.6%)
57	50	Lawley Service Inc.	\$45,904,375	5.8%
58	51	McQueary Henry Bowles Troy L.L.P.	\$44,725,000	4.4%
59	52	William Gallagher Associates Insurance Brokers Inc.	\$44,153,733	5.1%
60	56	InterWest Insurance Services Inc.	\$41,271,510	0.5%
61	62	Risk Strategies Co.	\$40,859,000	14.2%
62	61	Bowen, Miclette & Britt Inc.	\$39,957,368	11.6%
63	57	Riggs, Counselman, Michaels & Downes Inc.	\$39,065,500	(3.0%)
64	55	Mahoney Group	\$38,087,811	(7.4%)
65	NEW	M&T Insurance Agency	\$37,666,000	5.7%
66	60	Corporate Synergies Group L.L.C.	\$37,000,000	2.8%
67	63	Old National Insurance	\$36,199,157	1.3%
68	70	Frost Insurance Agency Inc.	\$35,999,250	4.1%
69	65	Moreton & Co.	\$35,718,000	1.8%
70	66	Andreini & Co.	\$35,600,000	1.7%
71	71	Scott Insurance	\$35,239,000	2.9%
72	74	M3 Insurance Solutions Inc.	\$35,215,200	11.0%
73	73	SilverStone Group Inc.	\$34,581,000	6.9%
74	69	Payne Financial Group Inc.	\$33,984,497	(2.4%)
75	75	Starkweather & Shepley Insurance Brokerage Inc.	\$32,990,000	4.1%
76	64	The Loomis Co.	\$32,046,000	(9.0%)
77	80	Robertson Ryan & Associates Inc.	\$30,090,494	9.8%
78	77	People's United Insurance Agency Inc.	\$29,648,000	(3.4%)
79	NEW	LMC Insurance & Risk Management Inc.	\$29,279,779	24.2%
80	76	SullivanCurtisMonroe Insurance Services L.L.C.	\$28,515,000	(8.3%)
81	79	Roger Bouchard Insurance Inc.	\$27,741,884	0.1%
82	NEW	Charles L. Crane Agency Co.	\$27,000,000	0.0%
83	81	Haylor, Freyer & Coon Inc. ⁷	\$26,629,716	1.6%
84	82	Cobbs, Allen & Hall Inc.	\$26,429,841	5.5%
85	90	Bankers Insurance L.L.C.	\$25,895,357	12.5%
86	83	Lovitt & Touche Inc.	\$25,844,739	4.8%
87	86	J.W. Terrill Inc.	\$24,700,406	2.0%
88	NEW	The Underwriters Group	\$24,255,000	5.0%
89	89	Brower Insurance Agency L.L.C.	\$23,352,000	0.5%
90	91	The Daniel & Henry Co.	\$21,982,000	(2.3%)
91	99	AH&T Insurance	\$21,779,038	14.5%
92	93	PSA Insurance & Financial Services ³	\$21,410,100	0.2%
93	97	Bolton & Co. Insurance Brokers	\$20,856,691	3.2%
94	96	Van Gilder Insurance Corp.	\$20,421,263	(2.8%)
95	100	Benefit Controls Cos.	\$20,050,000	6.4%
96	NEW	Ansary & Associates L.L.C.	\$19,754,000	14.0%
97	98	FBMC Benefits Management	\$19,286,340	(4.2%)
98	NEW	Rich & Cartmill Inc.	\$19,145,478	5.2%
99	NEW	Kapnick Insurance Group	\$19,074,330	11.3%
100	NEW	Cook, Hall & Hyde Inc.	\$17,858,000	0.5%

*Companies that derive more than 49% of their gross revenue from personal lines business are not ranked. 1 Fiscal year ending April 30. 2 Fiscal year ending June 30. 3 British pound=\$1.5698 in 2011, \$1.5452 in 2010. 4 Fiscal year ending May 31. 5 Fiscal year ending March 31. 6 Fiscal year ending Oct. 31. 7 Fiscal year ending Aug. 31.

Source: BI survey
Researched by Angelina Villarreal



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LARGEST THIRD-PARTY CLAIMS ADMINISTRATORS

Ranked by 2011 revenues from claims handled for self-insured clients.

RANK	Company/address	Phone/website	2011 revenues from self-insured clients	2011 claims paid to self-insurers	Total clients	Claims staff	Principal officer
1	Sedgwick Claims Management Services Inc. ¹ 1100 Ridgeway Loop Memphis, Tenn. 38120	901-415-7400 www.sedgwick.com	\$855,482,705	\$10,598,575,421	1,968	9,254	David A. North, president/CEO
2	Gallagher Bassett Services Inc. The Gallagher Centre 2 Pierce Place Itasca, Ill. 60143-3141	630-773-3800 www.gallagherbassett.com	\$463,759,000	\$7,700,000,000	4,291	2,754	Scott Hudson, president/CEO
3	UMR Inc. 11 Scott St., Suite 100 Wausau, Wis. 54403	866-881-0800 www.umar.com	\$445,705,731	N/A	1,609	N/A	Jay M. Anliker, CEO
4	Broadspire Services Inc., a Crawford Co. 1001 Summit Blvd. Atlanta, Ga. 30319	866-625-1662 www.choosebroadspire.com	\$228,492,000	\$2,333,000,000	825	1,596	Danielle Lisenbey, CEO
5	ESIS Inc. 436 Walnut St. Philadelphia, Pa. 19106	215-640-1000 www.esis.com	\$200,000,000	\$2,440,000,000	850	1,200	David Patterson, president
6	Meritain Health 300 Corporate Parkway Buffalo, N.Y. 14226	800-242-6226 www.meritain.com	\$196,000,000	\$2,310,268,458	2,348	N/A	Mark Schmidt, head
7	York Risk Services Group Inc. ² 99 Cherry Hill Road Parsippany, N.J. 07054-0253	877-927-2255 www.yorkrsg.com	\$171,349,000	\$4,026,528,000	6,506	1,751	Tony Galioto, president/CEO
8	HealthSmart Holdings Inc. ³ 222 W. Las Colinas Blvd., Suite 600 N. Irving, Texas 75039	214-574-3546 www.healthsmart.com	\$93,100,000	\$1,977,712,054	306	526	James M. Pennington, president
9	CoreSource Inc. 400 Field Drive Lake Forest, Ill. 60045	800-832-3332 www.coresource.com	\$88,000,000	\$2,390,848,586	631	339	Nancy Eckrich, president
10	Cannon Cochran Management Services Inc., dba CCMS 12 E. Main St., Suite 208 Danville, Ill. 61832	800-252-5059 www.ccmsi.com	\$75,650,000	\$1,060,500,968	540	770	G. Bryan Thomas, president/CEO

¹ Purchased Cambridge Integrated Service Group Inc. and Selective Settlements International Inc. in May 2011 and Nationwide Better Health's productivity solutions division in June 2011. ² Purchased Avizent, the marketing name of Frank Gates Service Co./Attenta, and JI Cos. in December 2011. ³ Purchased Wells Fargo Third Party Administrators Inc. in December 2011.

LARGEST PROPERTY/CASUALTY TPAs

TPAs that specialize in property/casualty claims administration, ranked by 2011 revenues from self-insured clients.

RANK 1 Company	GALLAGHER BASSETT SERVICES INC.
Revenues	\$463,759,000
RANK 2 Company	BROADSPIRE SERVICES INC., A CRAWFORD CO.
Revenues	\$228,492,000
RANK 3 Company	ESIS INC.
Revenues	\$200,000,000
RANK 4 Company	YORK RISK SERVICES GROUP INC.
Revenues	\$171,349,000
RANK 5 Company	CANNON COCHRAN MANAGEMENT SERVICES INC., DBA CCMSI
Revenues	\$75,650,000

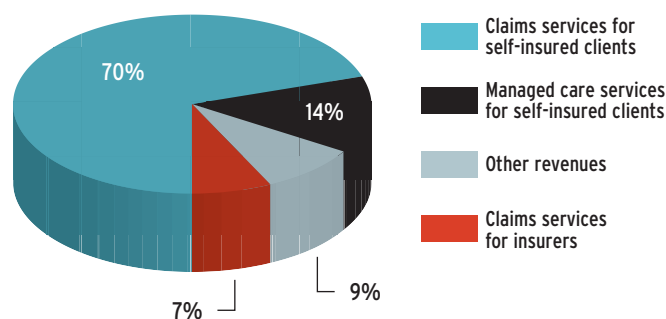
LARGEST TPAs BY CLIENTS

Ranked by number of clients in 2011.

RANK 1 Company	YORK RISK SERVICES GROUP INC.
Clients	6,506
RANK 2 Company	GALLAGHER BASSETT SERVICES INC.
Clients	4,291
RANK 3 Company	BERKLEY RISK ADMINISTRATORS CO. L.L.C.
Clients	2,358
RANK 4 Company	MERITAIN HEALTH
Clients	2,348
RANK 5 Company	SEDGWICK CLAIMS MANAGEMENT SERVICES INC.
Clients	1,968

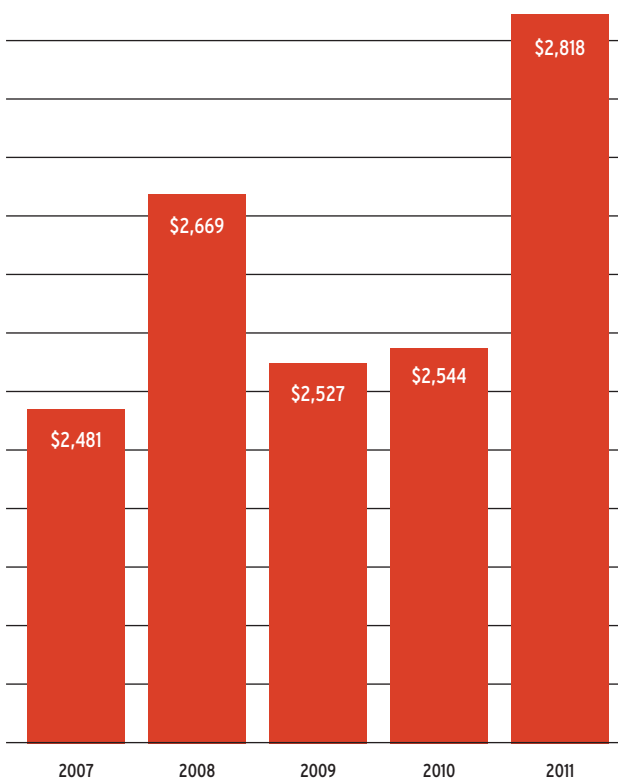
BREAKDOWN OF REVENUE FOR TPAs

Revenues for all companies listed in the Business Insurance directory.



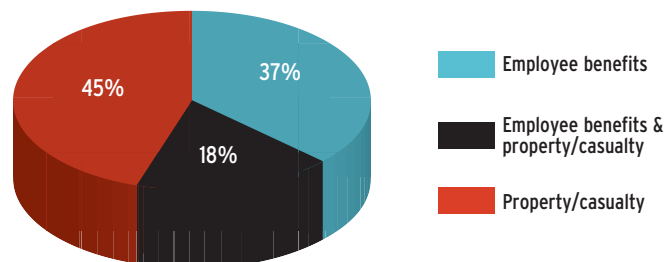
TPAs' REVENUES SINCE 2007

The 10 largest TPAs' revenue from self-insured clients in 2011.



TYPES OF CLAIMS ADMINISTERED

Types of claims handled by all companies listed in the Business Insurance directory.



LARGEST EMPLOYEE BENEFIT TPAs

TPAs that specialize in employee benefit claims administration, ranked by 2011 revenues from self-insured clients.

RANK 1 Company	UMR INC.
Revenues	\$445,705,731
RANK 2 Company	MERITAIN HEALTH
Revenues	\$196,000,000
RANK 3 Company	HEALTHSMART HOLDINGS INC.
Revenues	\$93,100,000
RANK 4 Company	CORESOURCE INC.
Revenues	\$88,000,000
RANK 5 Company	HEALTHSCOPE BENEFITS
Revenues	\$69,811,000

Source: BI survey. Researched by Angelina Villarreal



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TOP 10 PROPERTY LOSS CONTROL CONSULTANTS

Ranked by 2011 gross revenues from unbundled property loss control consulting

RANK	Company/Address	Phone/website	Unbundled property loss control consulting revenues	% of property loss control revenue from unbundled services	Total property loss control staff	Unbundled clients	Principal officer
1	ABSG Consulting Inc. 16855 Northchase Drive, Houston, Texas 77060	281-673-2800 www.absconsulting.com	\$207,300,000	100%	1,700	1,800	David Weinstein, president/CEO-ABS Group
2	Aon Global Risk Consulting 200 E. Randolph St., Chicago, Ill. 60601	312-381-5063 www.aon.com	\$64,000,000	80%	535	1,750	Neil Harrison, group managing director
3	Arup 560 Mission St., Seventh Floor, San Francisco, Calif. 94105	415-957-9445 www.arup.com	\$63,020,000	100%	430	980	Andy Thompson, associate principal
4	Global Risk Consultants Corp. 100 Walnut Ave., Suite 501, Clark, N.J. 07066-1247	732-827-4400 www.globalriskconsultants.com	\$60,907,000	100%	368	1,170	James Marsh, CEO; Chris Heaton, president
5	Marsh Risk Consulting 1166 Avenue of the Americas, New York, N.Y. 10036	866-928-7475 www.marshriskconsulting.com www.marsh.com	\$45,000,000	68%	260	1,500	Michael Cormier, managing director/CEO of Marsh Risk Solutions; Jeffery Colburn, managing director/USA MRC leader
6	XL Global Asset Protection Services L.L.C. 100 Constitution Plaza, 12th Floor, Hartford, Conn. 06103	860-293-7901 www.xlgaps.com	\$29,000,000	70%	183	235	Timothy Heinze, business leader; Scott Ewing, North American engineering leader
7	AXA MATRIX Risk Consultants 3130 S. Tech Blvd., Miamisburg, Ohio 45342	937-886-0000 www.axa-matrixrc.com	\$20,820,000	75%	151	180	Walter P. Luker, CEO; Alan J. Rodeck, Torsten Leske, senior vice presidents
8	EFI Global Inc. 8811 FM 1960 Bypass Road W., Suite 400, Humble, Texas 77338	281-358-4441 www.efiglobal.com	\$13,200,000	100%	280	60	Ron G. Holt, president and CEO; Ted Cleveland, vice president operations
9	Regional Reporting Inc. 90 John St., New York, N.Y. 10038	212-964-5973 www.regionalreporting.com	\$7,500,000	100%	250	300	Martin Myers, CEO; Louis Siegel, president
10	Paragon Risk Engineering, P.O. Box 648, Allenwood, N.J. 08720	732-785-0746 www.paragonconsults.com	\$6,850,000	100%	36	65	Robert McMullen, president; Tom Farrell, vice president

LARGEST BY TOTAL STAFF

Ranked by number of staff assigned to property loss control

COMPANY	TOTAL STAFF
ABSG Consulting Inc.	1,700
Aon Global Risk Consulting	535
Arup	430
Global Risk Consultants Corp.	368
EFI Global Inc.	280
Marsh Risk Consulting	260
Regional Reporting Inc.	250
XL Global Asset Protection Services L.L.C.	183
Zurich Services Corp.	180
AXA MATRIX Risk Consultants	151

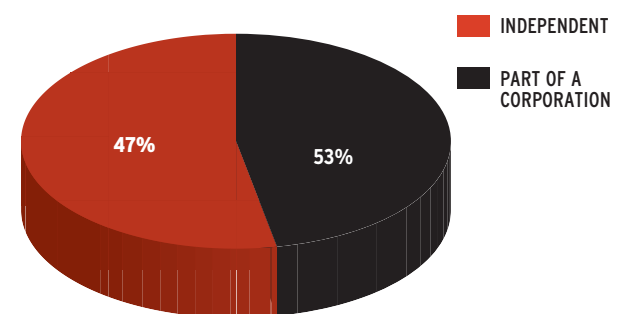
LARGEST BY UNBUNDLED CLIENTS

Ranked by number of unbundled clients

COMPANY	UNBUNDLED CLIENTS
ABSG Consulting Inc.	1,800
Aon Global Risk Consulting	1,750
Marsh Risk Consulting	1,500
Global Risk Consultants Corp.	1,170
Arup	980
Regional Reporting Inc.	300
XL Global Asset Protection Services L.L.C.	235
AXA MATRIX Risk Consultants	180
Zurich Services Corp.	100
Risk Logic Inc.	75

INDEPENDENT VS. PARENT COMPANY

Among property loss control consultants participating in the survey



Source: BI survey. Researched by Angelina Villarreal

Editor's note: Hughes Associates Inc. and Gallagher Bassett Services Inc. declined to participate in the survey.

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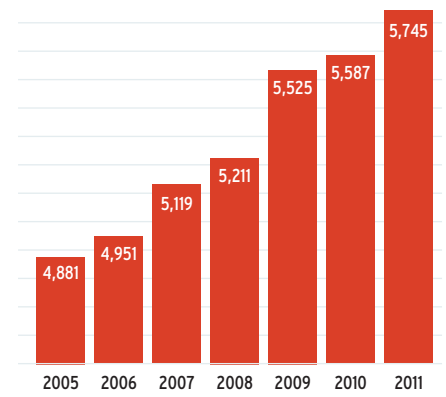
TOP 10 CAPTIVE MANAGERS

Ranked by captives managed worldwide in 2011*

RANK	Company/address	Phone/website	2011 total captives	2011 captive premium volume	Domiciles	Captives formed in 2011	Total staff	Principal officers
1	Marsh Captive Solutions 1166 Ave. of the Americas, 39th Floor New York, N.Y. 10036	212-345-7769 www.marshcaptive.com	1,231	\$38,217,301,722	36	N/A	450	Jill Husbands, Julie Boucher, Ian Clancy, managing directors
2	Aon Captive & Insurance Management St. George Court, Upper Church St., Third Floor Douglas, 1M1 1EE Isle of Man	44-1624-692-400 www.aon.com	1,192	\$20,953,256,846	28	47	498	Peter Mullen, CEO
3	Willis Global Captive Management The Willis Building, 13th floor, 51 Lime St. London, EC3M 7DQ England	44-203-124-6000 www.willis.com	323	N/A	28	22	159	Tom Coughlin, CEO
4	Kane Group Ltd. Natwest House, Third Floor, Le Truchot St. Peter Port, GY1 1WD Guernsey	44-1481-717-803 www.kane-group.com	233 ¹	N/A	11	N/A	110 ¹	Clive James, group chief operating officer
5	USA Risk Group P.O. Box 306 Montpelier, Vt. 05601	800-872-7475 www.usarisk.com	202	\$2,373,049,711	19	12	67	Gary Osborne, president
6	Strategic Risk Solutions 2352 Main St. Concord, Mass. 01742	781-487-9800 www.strategicrisks.com	141	\$1,903,000,000	11	12	48	Brady Young, president
7	Alta Holdings L.L.C. 2010 Main St., Suite 650 Irvine, Calif. 92614-7492	949-269-1400 www.altaholdings.com	110	\$500,000,000	10	N/A	18	Bruce Molnar, CEO
8	R&Q Quest Management F.B. Perry Building, 40 Church St., P.O. Box HM 2062 Hamilton, HM HX Bermuda	441-295-2185 www.rqih.com	101	N/A	10	4	44	Nicholas M. Frost, president
9	Beecher Carlson Insurance Services L.L.C. 8390 E. Crescent Parkway, Suite 200 Denver, Colo. 80111	303-996-5408 www.beechercarlson.com	84	\$3,555,468,000	11	5	29	Jason Flaxbeard, senior managing director
10	Chartis Insurance Management Services 30 Main St., Suite 330 Burlington, Vt. 05401	802-658-9405 www.chartisinsurance.com	78	\$1,060,482,328	15	2	42	Robert Gagliardi, senior vice president/ worldwide director

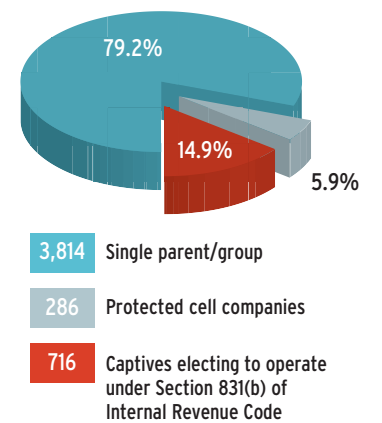
*Captives electing to operate under Section 831(b) of Internal Revenue Code are not included. 1 BI estimate. N/A=not available.

TOTAL CAPTIVES WORLDWIDE



*Restated

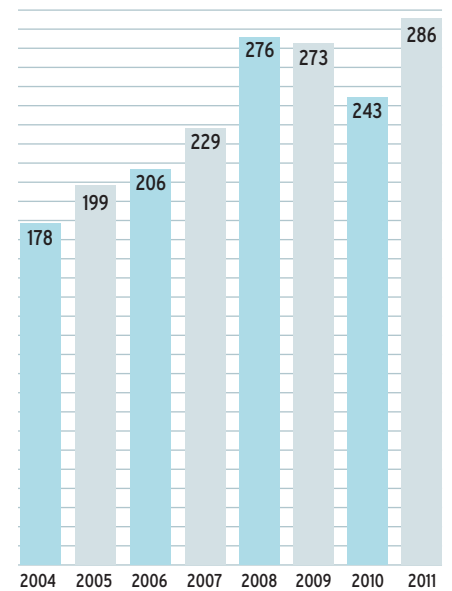
TYPE OF CAPTIVES MANAGED*



*Companies listed in BI Captive Managers directory

PROTECTED CELL COMPANIES

Number of protected cell companies worldwide



LARGEST U.S. CAPTIVE DOMICILES

Ranked by number of captives year-end 2011

	2011	2010
1 VERMONT	590	572
2 UTAH	239	188
3 HAWAII	172	167 ¹
4 SOUTH CAROLINA	159	155
5 DISTRICT OF COLUMBIA	157	139

1 Restated

LARGEST EUROPEAN DOMICILES

Ranked by number of captives year-end 2011

	2011	2010
1 GUERNSEY	343	341
2 LUXEMBOURG	242	244
3 ISLE OF MAN	133	141
4 DUBLIN	101	82
5 SWEDEN	49	49

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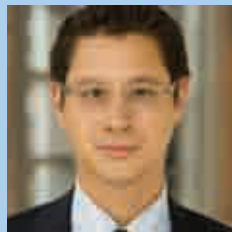
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ARAMARK Corp.**Carolyn Snow,**
Humana Inc.

KEYNOTE SPEAKERS:

**SHAUN REIN**

Shaun Rein, Founder and Managing Director of the China Market Research Group (CMR), the world's leading strategic market intelligence firm focused on China, author of

"The End of Cheap China: Economic and Cultural Trends that will Disrupt the World," and columnist for Bloomberg BusinessWeek on business in China.

**RON INSANA**

Ron Insana is a contributor to CNBC and MSNBC, where he discusses the most pressing economic and market issues of the day. He also delivers The Market Scoreboard Report to

radio stations around the country. He has authored four books on Wall Street and is a highly regarded lecturer on domestic and global economics, financial markets and economic policy issues.

SUMMIT TOPICS INCLUDE:

EMERGING MARKETS

With political upheavals and social unrest in a wide range of countries and continued suppression in others, international and multinational companies face challenges when protecting their investments, assets and people. This session will look at the risks that companies face in situations such as the Arab Spring, rioting in Greece or complying with Chinese government requirements and explore how to address those risks.

CLOUD COMPUTING

Cloud computing offers opportunities for efficiency and cost savings but can introduce a host of risks in areas such as information security, reputation, business interruption, jurisdictional issues and regulation and compliance. This session will focus on the nature of the exposures associated with cloud computing services and how to address the risks looking at such mitigation areas as risk management, contractual issues and insurance coverage options.

REPUTATIONAL RISK

Reputational damage can have a dramatic impact on a company's value, perhaps even threatening its survival, while social media and web-based communications have increased the risks while dramatically reducing the time to respond to reputational threats. This session will examine some of the sources of reputational risk as well as strategies for managing them and best practices for dealing with reputation threatening events when they occur.

MERGERS & ACQUISITIONS

When companies unite the benefits are always highlighted but the risks are often understated, especially in international acquisitions. This session will examine what risk managers need to consider when their company buys or merges with another entity including: inherited liabilities, insurance program restructuring and merging different risk management cultures.

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2012

YEAR IN REVIEW

R I S K M A N A G E M E N T

CONTINUED FROM PAGE 4

sham reinsurance transaction to make AIG more attractive to investors. The government and the defendants entered into settlement negotiations, which ultimately led to a June agreement in which the defendants admitted that some aspects of the deal made in 2000 and 2001 were fraudulent and agreed to pay fines in return for the government dropping all charges 12 months after the settlement, provided that the defendants met certain requirements set out in the agreement.

BIG HIT, THEN PROFIT FOR LLOYD'S

Lloyd's of London announced in late March that catastrophes led it to sustain \$818.8 million in losses in 2011. But Lloyd's and market analysts agreed that losses were well within expectations and that the market was well-positioned to absorb the impact. Lloyd's later reported a \$2.4 billion profit for the first half of 2012. In between, Lloyd's revealed a new growth strategy — Lloyd's 2025 — with an emphasis on emerging markets.

AIG BRAND RETURNS

AIG announced in June that it would rebrand its Chartis Inc. property/casualty operation as AIG as the once-troubled insurer became "close to achieving a complete turnaround," according to



Mr. Benmosche

AIG President and CEO Robert Benmosche. The turnaround continued as AIG continued to repay financial assistance provided by the federal government after the insurer nearly collapsed in September 2008. In September, AIG and the Treasury Department

announced that through pay-backs and stock shares, the government's ownership stake in AIG had been reduced to less than 16% from the nearly 80% it assumed in 2008. Later in the year, AIG also revealed that the federal Financial Stability Oversight Council had contacted it, saying that AIG was under consideration to be designated a systemically important financial institution, thus subject to heightened federal oversight.

TOP-LEVEL BROKER CHANGES

In September, Marsh & McLennan Cos. Inc. announced that MMC Group President and Chief Operating Officer Daniel Glaser would succeed Brian Duperreault as president and CEO of the company on Jan. 1, 2013. Mr. Duperreault led the brokerage's turnaround after it became the center of a bid-rigging scandal sparked by a 2004 lawsuit filed by then-New York Attorney General Eliot Spitzer.

A month later, Willis Group Holdings P.L.C. announced that Dominic Casserley, a senior director at McKinsey & Co., had been



AP PHOTO

A water pump emptied the basement of an art gallery in New York after Superstorm Sandy dumped rainwater on the region.

tapped to succeed CEO Joe Plumeri when Mr. Plumeri retires on Jan. 7, 2013.

SANDY CRIPPLES NEW YORK

Although Superstorm Sandy didn't pack the winds of a major hurricane, the late October storm devastated large areas of the New York metropolitan area and New Jersey shore, leaving thousands homeless and without power into

early December. The storm redrew some of the Jersey shoreline and flooded Lower Manhattan. Estimated insured losses climbed throughout November, reaching as high as \$22 billion.

TREASURY SELLS REST OF AIG STAKE

In December, the Treasury Department said that it was selling off all of its remaining shares of AIG.

2013

THE YEAR AHEAD

R I S K M A N A G E M E N T

CONTINUED FROM PAGE 4

focused on things exposed to catastrophes," he said.

RATE INCREASES

Joe C. Underwood, principal at Albert Risk Management Consultants Inc. in Needham, Mass., also said Superstorm Sandy will be the focus of many risk managers because rates may increase in 2013.

"I was hearing some discussion of a re-softening of property rates, but I think Sandy put an end to that," Mr. Underwood said.

"I think we will see rate increas-

es in 2013 — nothing extreme, but I don't think we're looking at a re-softening any longer," Mr. Underwood said, predicting single-digit increases and greater underwriter scrutiny on flood risks with sublimities potentially being pulled back.

Potential rate increases are an important focus and a potential concern for risk managers in 2013.

"Due to the economy, our business is very sensitive to pricing, and because of that I'm concerned about what I budgeted the prior year (compared with) now, with 2013 costs rolling in," said Patty Grass, senior risk manager at Brunswick Corp. in Lake Forest, Ill.

A combination of the effects of Superstorm Sandy and insurers' adjusting their underwriting practices has caused Ms. Grass to go to market with some of her insurance programs, she said.

"By all means, it's absolutely going to be changing policy form for 2013 on property policies across the board," Ms. Grass said. "Just from my individual experience, I know I've seen a little bit of the hardening in the markets on both casualty and the property side. As a result of that, I know my 2013 budgets are not looking favorable."

While Humana's Ms. Snow has not seen signs of a hardening mar-

ket, she is focusing on workers compensation issues next year, she said.

WORKERS COMP CHALLENGES

And one of the biggest challenges in the insurance industry is workers comp, said Chicago-based Tom Fitzgerald, CEO of Aon Risk Solutions' U.S. retail operations.

"It's certainly claim-driven as a result of a challenging environment around medical costs and the like," he said. "Workers comp seems to be the most challenging line of insurance for virtually the entire market."

"For us, should we be looking at it at a higher workers comp deductible? Is it time for us to do that?" Ms. Snow said, noting that such questions are part of the focus next year for Humana, which has made a number of large acquisitions, increasing its headcount.

RISK MANAGERS' BOARD INTERACTION

Risk managers also are focusing on spending much more time with senior leaders within their

organizations in 2013, where "board interaction with the risk managers is at an all-time high," Mr. Fitzgerald said.

"Those individuals are far more interested today than they have been historically in understanding how their insurance programs work and, ultimately, how losses will be covered," he said.

"This is a byproduct of significant situations that we've seen around the globe," Mr. Fitzgerald said, noting such events as Sandy and last year's floods in Thailand.

Such interactions with senior leaders at their organizations present risk managers with opportunities next year to add value through enterprise and strategic risk management, said San Francisco-based Deborah M. Luthi, enterprise risk manager of the San Francisco Public Utilities Commission and 2012 president of the Risk & Insurance Management Society Inc.

"Organizations are looking to (risk managers) to not only protect the value of the organization ... but to help with the creation of value," Ms. Luthi said. "I think that really is where risk management and risk managers are going."

2012 YEAR IN REVIEW

B E N E F I T S M A N A G E M E N T

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their exposure to risks — such as higher required plan contributions when interest rates slump — associated with pension plan sponsorship. In April, Ford Motor Co. announced it would offer more than 90,000 retirees and former employees the option to convert their monthly annuity into a lump-sum cash payment. Numerous other well-known employers, including Archer Daniels Midland Co., General Motors Co., NCR Corp. and The New York Times Co., followed suit. GM, for a different group of plan participants, as well as Verizon Communications Inc., tried another de-risking approach, transferring billions of dollars in plan obligations through the purchase of group annuities from Prudential Insurance Co. of America.

\$42

The base PBGC premium, now \$35 per plan participant, will rise to \$42 in 2013 and will increase to \$49 in 2014.

PBGC PREMIUMS

Employers with defined benefit plans will pay higher PBGC premiums in 2013 and 2014 under legislation President Barack Obama signed into law in July. The base premium, now \$35 per plan participant, will rise to \$42 in 2013 and will increase to \$49 in 2014. In addition, the assessment of \$9 per \$1,000 of plan underfunding will increase to \$13 in 2014 and to \$18 in 2015. The law also allows employers to use higher interest rates to value plan liabilities, somewhat reducing required contributions.

UNINSURED RATE HOLDS STEADY

Aided by a health care law reform provision extending coverage to employees' adult children, the number of people covered by employer-sponsored plans held nearly steady in 2011, the Census Bureau reported in September. Last year, just over 55% of the population was covered through employer plans, about the same as in 2010. By contrast, until 2011, the percentage of the population covered in employer plans had fallen every year since 2000. Federal researchers attribute the stabilization of coverage to a reform law provision mandating that group plans extend coverage to employees' adult children up to age 26.

PRIVATE HEALTH INSURANCE EXCHANGES

Convinced that a growing number of employers no longer want the hassle and expense of offering health insurance coverage to employees and retirees, benefit consultants, including

Aon Hewitt and Mercer L.L.C., and others launched private exchanges in which plan participants can choose from an array of plans offered by insurers. In September, Aon Hewitt unveiled its exchange in which employees will be able to choose from five plans offered by nine insurers. Aon expects that more than 100,000 workers, including U.S. employees of parent company Aon P.L.C., Hoffman Estates, Ill.-based retailer Sears Holdings Corp. and Orlando, Fla.-based chain Darden Restaurants Inc. — will utilize the exchange. Meanwhile, Mercer's exchange will enable Medicare-eligible retirees to choose coverage from participating insurers.



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A Ford Motor Co. employee working the assembly line. Ford has offered 90,000 retirees and former employees a chance to take their pensions as a lump-sum payment, leading the charge to de-risk pension obligations.



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LETTERS

CONTINUED FROM PAGE 8

Engaging the Next Generation is the overarching brand for this critical industrywide effort to generate awareness among high school and college students of the many professionally and personally rewarding career opportunities within the insurance industry, to ensure that the industry has the talent needed to succeed today and into the future. This initiative exemplifies The Institutes' and our affiliates' (The Griffith Foundation, the CPCU Society, and the CPCU Loman Education Foundation) collective mission to empower our industry to attract, educate and retain the talent critical to succeed.

In September 2011, at the close of The Griffith Foundation's Insurance Education Summit, more than 100 industry organizations selected both The Institutes and The Griffith Foundation to actively engage the insurance industry, through the Engaging the Next Generation initiative, to accomplish three objectives:

1. Learn what millennials want from employers
2. Create a unified industry message
3. Create one place for millennials to access information on the industry

The first of the three objectives was accomplished, and you can view the results at www.theinstitutes.org/millennialsurvey.

Additionally, The Institutes and The Griffith Foundation are currently in the process of testing a messaging platform aimed at informing high school and college students of the many rewarding careers our altruistic industry has to offer. We're excited to see the results and to share them with the industry. And we'd like to encourage all of our colleagues throughout the industry to join us in this unified effort.

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Market Moves

Charles Taylor Adjusting expands in Colombia

Charles Taylor Adjusting Ltd. has launched operations in Colombia. The main office is in Bogotá, and regional offices are located in Medellín, Barranquilla and Cali. The expansion is intended to grow its loss-adjusting business in Latin America, according to the unit of London-based Charles Taylor P.L.C., which provides adjusting as well as management and insurance support services.

Marsh & McLennan Agency makes two acquisitions

Marsh Inc.'s Marsh & McLennan Agency L.L.C. subsidiary has acquired Dayton, Ohio-based Brower Insurance Agency L.L.C. and Dallas-based Independent Insurance Group Benefits Inc.

Brower has annual revenues of about \$24 million and 164 employees in four Ohio offices: Dayton, Cincinnati, Columbus and Springfield. Brower will serve as MMA's Midwest hub, and all of Brower's employees and leadership will join MMA.

"Brower's strong regional presence, top-notch leadership, sales-oriented culture and diversified mix of business were very attractive as we looked for a quality partner to join MMA," MMA Chairman and CEO David Eslick said in a statement.

Meanwhile, MMA also has acquired the employee benefits division of Dallas-based Independent Insurance Group.

Independent Insurance Group Benefits, with annual revenue of approximately \$1.4 million, will be folded into Prescott Pallet Benefits L.P., an MMA company, further expanding the brokerage's depth and expertise in employee benefits, MMA said in a statement.

Terms of the deals were not disclosed.

Higginbotham acquires Coastal Insurance Group

Higginbotham has acquired Coastal Insurance Group L.L.C., a personal and commercial insurance broker based in Friendswood, Texas.

Coastal Insurance Group will merge with Higginbotham's current operations in Friendswood, Higginbotham said in a statement. In 2010, the Fort Worth, Texas-based insurance brokerage entered the Friendswood market after acquiring Essential Insurance Group L.L.C.

Coastal Insurance Group's offerings include commercial insurance for small businesses in the oil and gas and industrial ser-

vices. The broker will join Higginbotham's office at 308 W. Parkwood Ave. in mid-2014. It will continue to be based at 107 Shadwell Lane until then.

Terms of the transaction were not disclosed.

PartnerRe buys reinsurer Presidio

PartnerRe Ltd. said it has signed a definitive agreement to acquire specialty accident and health reinsurance and insurance provider Presidio Reinsurance Group Inc.

Under terms of the deal, Hamilton, Bermuda-based PartnerRe will pay \$72 million as consideration for Presidio's managing general agency plus "tangible book

value" in exchange for Presidio's reinsurance unit. The company said the book value will be determined at the time of the closing, and that additional consideration may be paid if the acquired business exceeds certain profitability targets over time.

San Francisco-based Presidio was founded in 1994 and underwrites approximately \$250 million of accident and health premiums, the company said. Presidio founder and CEO Dennis Heinzig and his current management team will remain with the company.

PartnerRe President and CEO Costas Miranthis said there is significant opportunity in the specialty accident and health insurance and reinsurance market.

Subject to customary regulatory approvals, the acquisition is expected to be completed during the first quarter of 2013.

All Risks opens Tennessee office

All Risks Ltd. has opened an office in Memphis, Tenn.

It will be led by John Greer, a brokerage underwriter who will launch its full line of property and casualty products, the Hunt Valley, Md.-based broker said in a statement. Previously, Mr. Greer was in All Risks' Richmond, Va., office.

The Memphis office is located at 1661 International Drive, Suite 400. Its phone number is 877-246-8821.

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2013

THE YEAR AHEAD

BENEFITS MANAGEMENT

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offer health care coverage to part-time workers working less than 30 hours a week.

But in any given month, a part-time employee might work more than an average of 30 hours a week. As experts interpret the law, if that employee received a premium subsidy to buy coverage in a state exchange, the assessment would be applied on all full-time employees.

More than a year and a half ago, the U.S. Treasury Department issued a notice that it contemplated an approach in which the penalty would not apply if an employer offered coverage to “substantially all” full-time employees.

At the time the notice was issued in May 2011, a top Treasury Department official said he expected a proposed rule would be issued within a few months.

Employers still are waiting for that proposed rule, but Treasury Department officials have not sent out signals when the rule will be published.

EXCHANGE NOTICE

On the other hand, benefit

experts expect a delay in a health care reform law requirement that employers notify employees in March 2013 about the availability of public health insurance exchanges.

“At this point, we are getting indications that could be delayed,” Buck Consultants’ Mr. Stover said.

COVERAGE AFFORDABILITY

Employers also are waiting for Treasury to make clear if a provision that imposes a penalty if coverage is not “affordable” applies to individual and family coverage.

Treasury Department guidance said if the share of the premium paid by an employee for individual coverage was at least 9.5% of his or her income and the employee was eligible for and used a reform law subsidy to buy coverage in a public exchange, the employer-offered coverage would be unaffordable. In that situation, the employer would be liable for a \$3,000 penalty for that employee.

Since then, however, the Treasury Department has said it was reconsidering that rule to

examine whether the penalty should also apply if the premium for family coverage is at least 9.5% of employee income. A final decision is expected in 2013, experts say.

PRESCRIPTION CONTRACEPTIVE COVERAGE

The courts also will play a role in 2013 in the shaping of the health care reform law. Court rulings are expected next year in a slew of suits challenging an Obama administration rule that requires, generally on Jan. 1, 2014, nonprofit affiliates of religious organizations to offer coverage for prescription contraceptives.

“This is one that will be winding its way through the courts,” the ERISA Industry Committee’s Ms. Young said, adding that the issue ultimately may have to be resolved by the U.S. Supreme Court.

CASH BALANCE PENSION PLANS

Not all employee benefit regulatory action in 2013 will involve the health care reform law, though. The Treasury Department, for example, is expected to finalize rules involving a provision in a 2006 pension funding law that allows plan sponsors to use a “market rate” to credit interest to participants’ account balances.

The rules first were proposed in 2010, but the IRS has twice delayed them, giving no indication on when the rules would be finalized

and how the final rules would differ from what it proposed.

But employers’ wait may end in the coming months. “Regulators have been talking about putting out rules pretty soon,” said Anne Waidmann, a director with PricewaterhouseCoopers L.L.P. in Washington.

PENSION PLAN DE-RISKING

Washington, though, isn’t the only place where employee benefit developments will take place in 2013.

Experts expect more employers to explore and implement strategies to “de-risk” their pension plans.

One de-risking strategy employers are using is giving plan participants an option to convert their monthly annuity benefit to a cash lump sum. Another strategy — used so far by General Motors Co. and Verizon Communications Inc. — is to transfer benefit obligations of selected plan participants to an insurer through the purchase of a group annuity.

“It is very clear that employers want to reduce the size of their pension programs,” said Matt Herrmann, St. Louis-based leader of Towers Watson & Co.’s retirement risk management group.

By reducing pension obligations, employers face less exposure to increased plan contributions — such as when interest rates fall — which inflates the value of plan liabilities, or when investment results are less than expected.



UP COMINGS & GOINGS CLOSE

AMY TEMPLETON

NEW JOB TITLE: Deerfield, Ill.-based senior manager, risk management and insurance for Mondelez International Inc., formerly known as Kraft Foods Inc.

PREVIOUS POSITION: Rolling Meadows, Ill.-based risk manager for Komatsu America Corp.

THOUGHTS ON NEW ROLE: It’s a really exciting time to join a company like Mondelez that is reimagining itself. The food manufacturing industry is exciting.

CHALLENGES FACING INDUSTRY: Nurturing and developing a new wave of risk managers to be tomorrow’s new corporate risk leaders. We need a strong pipeline of risk managers, not only for the current roles they serve in organizations, but for their participation in associations that promote education, knowledge sharing and industry growth.

FIRST EXPERIENCE IN JOB MARKET: My very first experience was as an intern at Arthur J. Gallagher & Co. in Itasca, Ill., where I fell in love with alternative risk transfer and found my passion for this line of work.

ADVICE: My dad always told me to “work hard and keep your head down,” meaning that I should stay focused on the big picture and disregard static, with the promise that if I could just do that, I would find success.

OUTSIDE THE INDUSTRY, A DREAM JOB: I’m always trying to introduce and network people, whether for a job opportunity or a potential date. So maybe I could be a one-stop-shop matchmaker — I’ll get you the dream job and the dream spouse.

HOBBIES: Cycling and staying fit. Catering to my twins’ every wish and whim on the weekends.

CAN’T-MISS TELEVISION SHOW: “Parenthood.” It’s relatable. It’s believable.

MOST PASSIONATE ABOUT: Life in general. I am probably most passionate about being honest with myself. I am constantly trying to just work hard and make the right choices by doing the right thing. I am passionate about living that way.

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O'Kane: Will Sandy hit market hard?

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and hurricane deductibles should not apply. I think you probably need to look at the policy language and see what the policy language says to see what the cover is rather than do it in that way. Most people would have considered that if a hurricane strikes and it's a hurricane at the coast, then you have a hurricane loss, and the hurricane deductible applies even if the storm downgrades pretty quickly after coming on land. If there's some kind of quasi legal effort to reinterpret that, then I think that will have an effect on pricing.

Q: Do you think the deductible issue will seriously affect the size of the loss either way?

I think on the homeowner's side, it could be quite material. It depends on the size and value of the property, but a hurricane deductible could be \$50,000 or \$100,000, and some properties might even be more than that. The regular wind deductible may

be measured in a few hundred dollars. So from the homeowner's side, this could inflate the loss quite a lot and I would suggest it could be a billion or two or maybe more of a swing involved.

Q: We had Irene last year, too, so do you think there will be any other underwriting changes or business adjustments?

First of all, New York and the Northeast have not been struck much by hurricanes in recent memory, but if you look at the longer-term record, there is a history going back to the 19th century and up to the 1930s of really quite big storms striking New York and even Boston. If you talk to the loss-prevention guys, they will say Lower Manhattan and some of the outer boroughs are seriously at risk of flood. And not a lot of money has been spent on flood prevention in the past 20 or 30 years. So I think it's a real risk, which the scientists know about, government knows about, the industry, at one level, knows about it, but perhaps there's been

more focus on other issues or other parts of the country.

I think this does bring it to a head. Sandy was a terrible event, a horrible event in human terms, but it was not by any means the worst economic event that we could see. This is going to feed through both the insurance and reinsurance industries in the form of an increased appreciation of risk.

Q: What opportunities do you see in the U.S. given the current market conditions?

We have had a substantial property reinsurance presence in the U.S. since we established the company, and we also have a casualty reinsurance presence that I would say is appropriate to the size of the opportunity. In other words, we're writing a lot less casualty reinsurance today than we were a few years ago, and that's because we felt pricing became substantially less attractive.

Where we haven't been present so much in the U.S. is on the specialty side, perhaps looking at marine covers and, perhaps, sure-

ty reinsurance. We also do very little aviation. And I think the story for Aspen over the next few years is going to be broadening the product offering by class. We're going to be rolling out some additional classes judiciously over the next couple of years.

In addition, we write a substantial amount of regional U.S. business, but our exposures historically have been focused to a great extent on the nationwide carriers and on the companies in the Northeast. We're going to be putting more effort into getting to know and understand some of the smaller regional carriers better and, hopefully, doing a bit more business with them over the next few years.

Insurance is rather a different story. In the last two or three years, we've made a very significant investment in our U.S. insurance operations. It's really been this year that we've seen the fruit of that investment begin to ripen. ... I would predict continued growth in our U.S. insurance operation over the next couple of years. Rate reductions are rare, and we're seeing rate increases in a number of areas. If that accelerates, then our pace of growth will accelerate.

American: Pilot study

CONTINUED FROM PAGE 3

therefore more beneficial than a review conducted by someone merely evaluating treatment plan documents, Ms. Hambright said.

Adding nurse services increases claims administration costs, but focusing too narrowly on those expenses sidetracks workers comp managers from looking at the bigger picture, Ms. Hambright said.

Administrative costs "are such a small, small, small percentage ... of what your actual loss costs are," she said. "Saving a day or two off an injury when someone returns to work safely produces much more of a savings than what it costs you to pay for that program."

"You can never have too many resources on a workers compensation claim," agreed Mark Walls, vice president of claims for St. Louis-based Safety National Casualty Corp. "Employers need to invest in lower case loads and consider resources like return-to-work coordinators, telephonic nurse triage and other such resources to get better outcomes."

While the nurses helping with American claims mainly focus on cases involving workers who are away from the job due to injuries, the airline also provides its operating units a telephone number to reach the nurses. That way, all injured workers, even those without an injury severe enough to warrant time off the job, can call with any questions.

MSP: Wait on Congress

CONTINUED FROM PAGE 3

amount," said Roy Franco, co-chair of the Washington-based Medicare Advocacy Recovery Coalition. "When you don't know what the numbers are, it tends to make everybody pause.

The SMART Act would require CMS to issue its final demand prior to a workers comp or liability settlement agreement. It also would establish a minimum threshold for settlements in which CMS can seek Medicare reimbursement and set a three-year statute of limitations for CMS to seek reimbursement from a settled claim.

Last week, the U.S. House passed provisions of the SMART Act as part of H.R. 1845, the Medicare IVIG Access Act. The parent bill would study access to intravenous immunoglobulin for Medicare beneficiaries. The legislation was sent to the Senate for further consideration. Late Friday the Senate had not yet acted.

H.R. 5284 would set a mini-

mum threshold of \$25,000 for workers comp settlements that require Medicare set-aside accounts, which pay projected future medical costs for Medicare-eligible workers. The bill also would allow payers to skip set-aside agreements for claimants who are likely to be ineligible for Medicare coverage within 30 months of their settlement.

Both bills are supported by industry groups such as PCI and the American Insurance Association. Melissa Shelk, vice president of federal affairs for the AIA in Washington, noted that Medicare secondary payer legislation has turned claimant attorneys, employers and insurers into unlikely allies, since the groups believe that the bills will ease the settlement of workers comp and liability cases.

"That shows you what kind of a problem there is out there, that we all came together to address it," Ms. Shelk said.

The bills could help make the

Medicare secondary payer process less challenging over time, said Martin Cassavoy, vice president of strategic services at North Reading, Mass.-based Crowe Paradis Services Corp., a Medicare secondary payer compliance company.

"Everybody who deals with this process on a daily basis would probably, at some point ... see more predictability," Mr. Cassavoy said.

Mr. Franco said the SMART Act's savings could help the bill get pulled into an end-of-year legislative package, since lawmakers would seek to pass bills that won't increase the federal deficit. The Congressional Budget Office estimated in November that the SMART Act would reduce Medicare spending by \$45 million from 2013 to 2022.

If the bills are not passed during 2012, observers said they expect both to be reintroduced during the next term. "A lot of the people that have sponsored the legislation have been reelected, so there's still a lot of interest there and it's not going to go away," Mr. Franco said.

Alterra: Markel makes bid

CONTINUED FROM PAGE 1

complement and diversify Markel's specialty insurance business, Steven A. Markel, vice chairman of Markel, said in the statement.

While the deal is likely to go through, industry analysts say that they don't believe other potential suitors will try to acquire Alterra.

"I don't foresee another company coming in, just given the price that they're paying," said Brian

Schneider, a senior director at Fitch Ratings Inc. in Chicago. "For someone else to come and pay a high premium would be pretty difficult."

"I think the deal is going to go through," said Mark Dwelle, an insurance analyst at RBC Capital Markets, a unit of RBC Securities Inc. in Richmond, Va. "The deal's priced at a valuation that's a win-win for both Markel and Alterra shareholders."

"Generally, the deal might be somewhat unique in that you had

a buyer that is somewhat unusual, in that the stock is trading above their book value," Fitch's Mr. Schneider said.

Meyer Shields, Baltimore-based director at Stifel Nicolaus & Co., said that initial market reaction to the deal might scare off other suitors.

"When you look at how badly shares of Markel have performed over (the one and a half days after the deal was announced), I don't think any company wants to incur similar shareholder wrath," Mr. Shields said.

"I think Markel has shareholder credibility," he said.

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Termination: Providing health cover

CONTINUED FROM PAGE 1

compensate, employees' taxable income would increase.

With employers paying premiums that are tax-free to employees, "the employee gets a bigger bang for the buck than if the employer dropped coverage and boosted employees' taxable compensation," said Michael Thomp-

son, a principal with PricewaterhouseCoopers L.L.P. in New York. Overall, the economic incentive for offering coverage starting in 2014 would be just over \$2,000 per employee, according to the analysis.

But for many employers in one industry category — accommodation, food service, entertainment and recreation — there would be a significant financial incentive to drop coverage, according to the analysis that found there would be a \$580 per employee "disincentive" to offer coverage.

The chief reason for that disincentive is the high percentage of employees earning low wages in that industry category, which

would make many eligible for federal premium subsidies that would pay most or all of the premium to buy coverage in public health insurance exchanges.

"Following reform implementation, the economic incentive to offer" health insurance coverage "remains positive for workers in many industries," with the biggest exception being workers in accommodation, food services, entertainment and recreation "because of the greater eligibility of these workers for exchange subsidies," according to the analysis.

Rich Stover, a principal with Buck Consultants L.L.C. in Secaucus, N.J., agreed that employees with low wages and limited health

benefit plans might be better off financially getting federally subsidized coverage through a health exchange.

In some cases, offering coverage "would not be a good economic decision," said Tracy Watts, Mercer L.L.C.'s U.S. health care leader in Washington.

But for large employers with well-paid workforces, Mr. Stover said there would be no financial incentive to drop coverage. Under the Patient Protection and Affordable Care Act, premium subsidies are available to employees who earn up to 400% of the federal poverty level. The amount of the subsidy declines as income rises.

The key variable, Ms. Watts

said, is employee income.

For employees who earn more than 400% of the federal poverty level, employer-sponsored coverage is more valuable because they would get no premium subsidy and would need additional compensation to afford the coverage, she said. In 2012, for a single person, 400% of the federal poverty level is \$44,680 and \$92,200 for a family of four.

For employers, the combined \$2,000 annual penalty per employee for not offering coverage, loss of the tax break and necessary additional employee compensation "could far exceed their current budget for health care benefits," Ms. Watts said.

inBrief

CONTINUED FROM PAGE 1

Hull, liability aviation premiums fall by 10%

Lead hull and liability aviation insurance premiums have fallen by an average of 10% so far during 2012, according to Aon P.L.C. During October, rates fell by an average of 6%, while during November they fell on average by 13% and during December by an average of 10%, according to the study. Most airlines renew their coverage during the last quarter of the year. To date, about 75% of the total expected hull and liability lead premium for 2012-2013 airline insurance programs has been placed, with about a further 40 insurance programs expected to be placed before the end of the year.

Best raises estimate of P/C asbestos losses

A.M. Best Co. Inc. raised its estimate of net ultimate asbestos losses for the U.S. property/casualty industry to \$85 billion. The figure represents an increase of \$10 billion over the rating firm's previous estimate. Best noted that while insurers had incurred nearly \$74 billion in asbestos exposures and approximately \$37 billion in environmental costs as of year-end 2011, asbestos-related claims will not abate in the near future.

Health plan costs to rise at slowest rate in 11 years

Group health benefits costs are projected to rise in the first half of 2013 at their slowest rate in more than a decade, according to a study by Buck Consultants L.L.C. Buck's survey of 123 insurers and benefits administrators indicated that group health care plan cost increases through June 2013 will be between 0.2% and 0.6% lower than they were in the first half of this year. The study noted that 2012 was the first year since 2001 that group health benefit costs were projected to grow at a rate of less than 10%.

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GAME LEAVES QUAKE RECOVERY TO CHANCE

A new board game aims to portray the difficulties of rebuilding a home in the aftermath of an earthquake.

Siobhan Grimshaw, of Christchurch, New Zealand, created Quakes and Ladders after speaking with neighbors about the frustrations and difficulties when dealing with insurance issues that came to light after last year's earthquake in Christchurch, Ms. Grimshaw said in a news report last week.

"So often, with the insurance side of things, it feels like we're making progress. They make lots of promises, and then we find ourselves back at square one," she said.

Aside from the real-life implications of earthquake and disaster recovery, the game, which is similar to the popular board game Snakes and Ladders or Chutes and Ladders, is a fun way to deal with difficult situations, according to the game's website.

While moving their game pieces



around closed roads and damaged areas, players attempt to repair or build their homes after an earthquake while dealing with challenges and potential setbacks from the Earthquake Commission and insurance companies.

"It's funny playing a game you're playing in real life, but I was also surprised at the emotions I felt," Ms. Grimshaw said in the news report. "This game symbolizes the way it feels to deal with these insurance issues."

CONTRIBUTING: Roberto Cenicerros, Matt Dunning, Bill Kenealy, Mike Tsikoudakis

End Page



Zack Ward, who played Scott Farkus in the 1983 holiday classic "A Christmas Story," claims he deserves royalties from novelty products themed around the movie.

Karma catches up with 'Christmas Story' bully

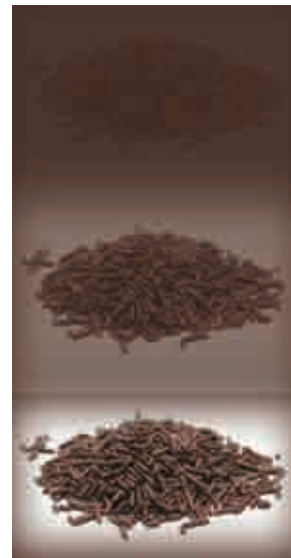
Zack Ward, who played the yellow-eyed bully Scott Farkus in the 1983 holiday classic "A Christmas Story," now claims that he's the one who's being pushed around.

Mr. Ward, now 42, has sued Clark, N.J.-based National Entertainment Collectibles Association for profits the company made by using his 12-year-old likeness in a number of novelty products themed around the movie, according to the Hollywood Reporter.

NECA licenses the merchandising rights to the film, which include royalty

agreements signed by most of the main actors. However, Mr. Ward claims he never was offered royalties for his likeness because the initially small role of Scott Farkus was expanded considerably during production of the movie. Mr. Ward claims the film's producers failed to upgrade his contract to reflect his larger role in the film, according to the Hollywood Reporter.

"People have to be accountable," Mr. Ward told the Hollywood Reporter. "You can't just bully people all the time and get away with it."



FIRED MCDONALD'S WORKER GETS SWEET REWARD

A McDonald's worker fired for being too liberal in her use of chocolate sprinkles has been given her legal just deserts.

An arbitration service in Wales awarded Sarah Finch, £3,000 (\$4,851) in compensation after she protested her dismissal from McDonald's franchise in Carmarthen, Wales. Ms. Finch, 19, was dismissed from her job after her employers claimed she slathered too generous a portion of sprinkles on a "McFlurry" dessert she was making for a fellow employee.

After being fired on charges of theft, Ms. Finch bought the case to an employment tribunal. The arbiters apparently agreed with Ms. Finch the matter was trivial and that sprinkle application is more art than science and will accordingly vary among customers.

WOMAN'S COMP CASE REACHES CLIMAX

An Australian court recently delivered its opinion in the ongoing saga of a woman seeking workers compensation benefits for an injury suffered while having sex on a business trip.

The full bench of the Federal Court found in favor of the government worker who was hospitalized in 2007 after a glass light fitting was ripped from above a motel room bed, according to reports. The fitting injured her face, which also caused her to suffer from depression.

The government insurer, Comcare, first approved her workers comp claim, but then rejected it after further examining the case. An administrative tribunal affirmed, ruling that sex

was not an ordinary activity for work-related motel stay, unlike showering or sleeping. It agreed with the insurer that the injuries did not occur within the scope of the woman's employment.

But a Federal Court judge overturned that finding this year, stating that had she been injured while playing cards in the motel room she would similarly be entitled to workers comp benefits, even though her employer did not induce her to play cards.

On Dec. 13 the court's full bench agreed with the judge and ruled her employer's approval for her conduct was not necessary. But reports say the insurer may appeal.



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A photograph of St. Basil's Cathedral in Moscow, Russia, at night. The cathedral's colorful, onion-shaped domes and spires are illuminated with warm lights, creating a vibrant scene against the dark sky. The colors of the domes include red, white, green, and gold. A blue semi-transparent banner is overlaid on the top portion of the image, containing the text 'Time zones TRANSCENDED.'

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