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NEWSPAPER

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OPENING KEYNOTE SPEAKERS:

Malcolm Palmore
FBI San Francisco Assistant Special Agent in Charge for Cyber

Joe Weiss
Senior Member, Applied Control Solutions L.L.C.

PANELISTS AND SPEAKERS INCLUDE:

Eric Cernak
Hartford Steam Boiler Inspection & Insurance Co.

Scott Corzine
FTI Consulting

John Doernberg
William Gallagher Associates

Ryan DuPre
TSC Advantage

John Farley
HUB International Ltd.

Bob Parisi
Marsh L.L.C.

Becky Pearson
Willis North America

Lauri Floresca
Woodruff-Sawyer

Brad Gow,
Endurance Specialty Insurance Ltd.

Nick Graf
CNA Risk Control

Bill Hardin
Navigant Consulting Inc.

Mark S. Humphreys
Watt Companies

Scott Kannry
Axio Global

Tom Kellerman
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Catherine Mulligan
Zurich North America

Matt Prevost
ACE

Frank Russo
Silverado Senior Living

Meredith Schnur
Wells Fargo Insurance Services

Melissa Ventrone
Wilson, Elser, Moskowitz, Edelman & Dicker L.L.P.

Jody Westby
Global Cyber Risk

David Willson
Titan Info Security Group

CLOSING KEYNOTE SPEAKER:

Jeff Moss
Former hacker known as "The Dark Tangent," founder of DEF CON and Black Hat hacker conventions

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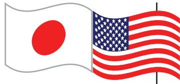
THE PROPOSAL



- Tokio Marine Holdings Inc. offered **$7.5 billion** in cash for U.S. specialty insurer HCC Insurance Holdings Inc.
- The offer of **$78 per share** is a **35.8% premium** on Houston-based HCC's stock price over the past month.
- The deal, which analysts said is likely at a high enough price to deter competing bids, is expected to close in the fourth quarter.

MERGERS & ACQUISITIONS

Tokio Marine makes splash with latest deal

$7.5 billion HCC offer unlikely to be topped

BY MATTHEW LERNER

Tokio Marine Holdings Inc.'s $7.5 billion cash offer for U.S. specialty insurer HCC Insurance Holdings Inc. furthers the Japanese insurer's goal of expanding beyond Asia into noncorrelated risks at a price that appears to be high enough to forestall competing bids.

Japan's largest insurer by market value said this month that it will pay $78 per share in cash, a 35.8% premium on the Houston-based insurer's average share price over the past month, and expects the deal to be completed in the fourth quarter.

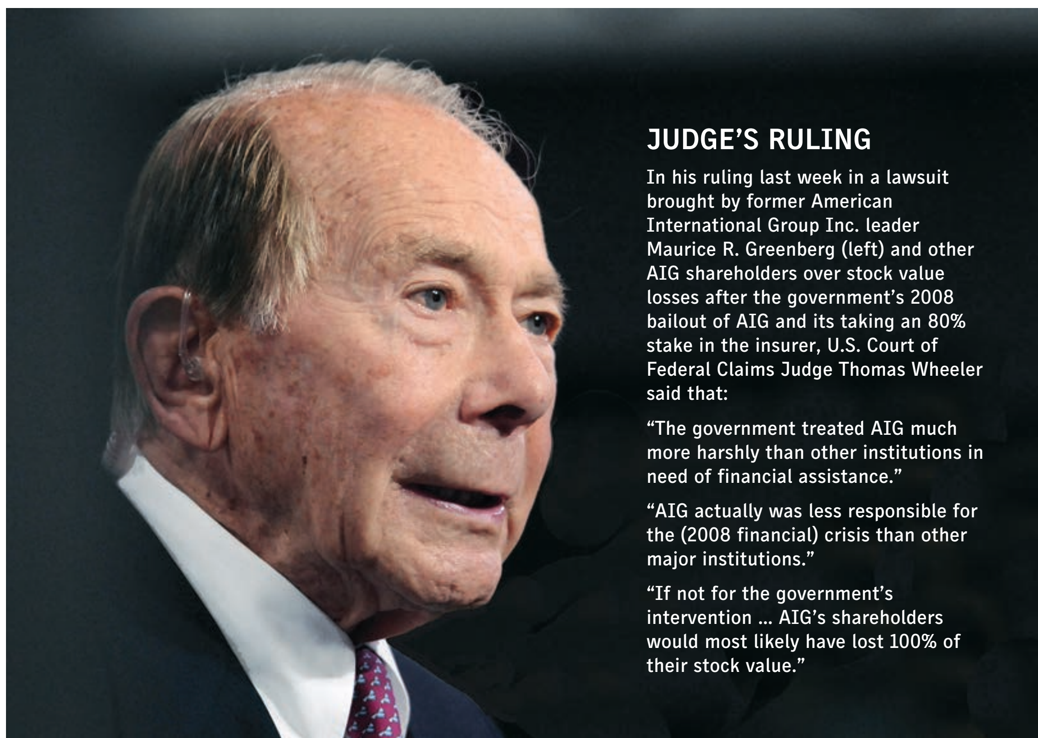
"We've been focusing on the international insurance business and have been expanding since 2000," said Yosuke Sakamoto, assistant manager in the investor relations group for Tokio Marine Holdings, adding "we see

See **TOKIO** page 31

PROPERTY/CASUALTY INSURERS

AIG BAILOUT CASE TO CONTINUE AS GREENBERG SEEKS DAMAGES

2008 deal ruled illegal, but compensation withheld



BLOOMBERG

JUDGE'S RULING

In his ruling last week in a lawsuit brought by former American International Group Inc. leader Maurice R. Greenberg (left) and other AIG shareholders over stock value losses after the government's 2008 bailout of AIG and its taking an 80% stake in the insurer, U.S. Court of Federal Claims Judge Thomas Wheeler said that:

"The government treated AIG much more harshly than other institutions in need of financial assistance."

"AIG actually was less responsible for the (2008 financial) crisis than other major institutions."

"If not for the government's intervention ... AIG's shareholders would most likely have lost 100% of their stock value."

BY MARK A. HOFMANN

Former American International Group Inc. leader Maurice R. Greenberg and other AIG shareholders vowed to continue their legal battle to win billions in damages stemming from the government's "unduly harsh" terms to bail out the insurer in 2008.

Legal experts say last week's ruling by U.S. Court of Federal Claims Judge Thomas Wheeler could limit the government's flexibility in any future bailouts.

In *Starr International Co. Inc. v. United States*, Judge Wheeler ruled that the government acted illegally in setting the conditions of AIG's initial $85 billion bailout seven years ago. But he also ruled that Mr. Greenberg and other shareholders were not entitled to any monetary damages.

Mr. Greenberg, who now heads Starr, and other shareholders argued that the "government's actions in acquiring control of AIG constituted a taking without just compensation and an illegal

See **GREENBERG** page 31

BENEFITS MANAGEMENT

Health care premiums to jump in 2016

Specialty drugs drive acceleration in costs

BY JERRY GEISEL

Fueled by an influx of expensive prescription drugs, group health insurance premiums are expected to increase an average of 5% to 8% in 2016.

Rapid employer adoption of high-deductible health plans and telemedicine programs are factors helping to keep premiums from rising further.

Last year, group health plan costs rose an average of 3.9% per employee, according to a Mercer L.L.C. survey of nearly 3,000 employers, the largest of its kind. That compares with a 2.1% average increase in 2013, but was sharply below the 7% average annual increase over the past 15 years.

Employers responding to the Mercer survey predicted plan costs to rise an average of 4.6% per employee this year. A separate Aon Hewitt survey projected costs would increase more than 5% this year.

"We do expect a small increase in 2016 in the 5% range," said Dianne Howard, director of risk and benefits management at the School District of Palm Beach County in West Palm Beach, Florida. Ms. Howard attributes the school district's ability to keep

See **GROUP** page 30

INTERNATIONAL
Berkshire Hathaway pays $500 million for stake in Australian insurer, enters strategic relationship
PAGE 10

DEALS & MOVES
Risk Strategies acquires Dubraski & Associates in bid to become a leading health care brokerage
PAGE 26

NEWS IN BRIEF
Arthur J. Gallagher expands in Northeast with acquisition of rival William Gallagher Associates
PAGE 8

Q&A: BOB RHEEL

With well-established reinsurance and international operations, Aspen has been developing its footprint in the United States for the past several years as it seeks to become a leading specialty insurer. Bob Rheel, who was recently appointed president of Aspen U.S. Insurance, discusses the insurer's growth plans and challenges facing the domestic market.

PAGE 11

COMMENTARY

MARK A. HOFMANN
SENIOR EDITOR

As the race to win the Democrat and Republican presidential nominations heats up, now would be a good time for all the potential candidates to set out their positions on entitlement reforms. The explosion of benefits paid for via taxes is a problem that needs to be addressed, and serious candidates should be developing serious policies deal with the issue.

PAGE 12

BUSINESS INSURANCE 2015 EDITORIAL CALENDAR

SPECIAL REPORTS KEY: Risk management · Benefits management · Workers comp · Other

Quarter	ISSUE DATE	PRINT AD CLOSE	PRINT MATERIAL CLOSE	SPECIAL REPORTS / BUSINESS INSURANCE EVENT		Video	BI Events	BI Print Bonus Distribution	Webinars	White Papers	Research & Data
Q1	1/5	12/19	12/26	WORKPLACE SAFETY TRENDS		•					
				Property/Casualty Insurance Joint Industry Forum- Jan 15				•			
	1/19	1/2	1/9	HEALTH CARE REFORM UPDATE		•			•	•	•
	2/2	1/16	1/23	MANAGEMENT LIABILITY		•					•
				WORLD CAPTIVE FORUM- FEB 2-4		•	•				
				Plus D&O Symposium- Feb 4-5				•			
				CIAB Legislative Leadership Summit- Feb 9-12				•			
	2/16	1/30	2/6	PRESCRIPTION DRUG MANAGEMENT		•					
				NAPSLO Mid Year Forum- Feb 23-26				•			
	3/2	2/13	2/20	CYBER RISK: INSURANCE/LIABILITY INNOVATION AWARDS		•					
				NBGH- March 4-6				•			
				CICA International Conference- March 8-10	SIGNET AD STUDY			•			
				RISK MANAGEMENT SUMMIT		•	•				
	3/16	2/27	3/6	CAPTIVES REPORT		•					•
				AAMGA Automation & Technology- March 21-24				•			
				World Healthcare Congress - March 22-25				•			
	3/30	3/13	3/20	CLAIMS MANAGEMENT	CBO SPRING	•					•
Q2	4/13	3/27	4/3	ALTERNATIVE REINSURANCE/RIMS PREVIEW		•				•	•
				PLUS Cyber/Medical Symposium- Date TBD				•			
				IIABA National Legislative Conference & Convention- April 22-24				•			
	4/27	4/10	4/17	RISK MANAGER OF THE YEAR®		•					
				RIMS - April 26-29	RIMS SHOW DAILY			•			
				RISK MANAGER OF THE YEAR AWARD BREAKFAST		•	•				
	5/11	4/24	5/1	RIMS CONFERENCE REPORT		•					
				NCCI's Annual Issues Symposium- May 14-15							
				World at Work Total Rewards Conference- May 18-20				•			
				AAMGA Annual Conference- May 17-20							
	5/25	5/8	5/15	CYBER RISK: SECURITY/REGULATION		•			•		
				CIAB Employee Benefit Leadership Forum- May 26-29	SIGNET AD STUDY			•			
				CYBER RISK SUMMIT		•	•				
	6/8	5/22	5/29	WORKPLACE SAFETY REGULATORY UPDATE		•					•
				Safety 2015- June 7-10							
				PRIMA- June 7-10				•			
				Bermuda Captive Conference- June 8-10				•			
				International Insurance Society- June 14-17				•			
				AIRMIC- June 15-17				•			
	6/22	6/5	6/12	BENEFIT MANAGER OF THE YEAR®	CBO SUMMER	•					
				SHRM- June 28- July 1				•			
				Insurance Marketing Communications Association- June 21-23				•			
				BENEFIT MANAGER OF THE YEAR® LUNCHEON		•	•				
Q3	7/6	6/19	6/26	WELLNESS PROGRAM MANAGEMENT		•			•		•
	7/20	7/3	7/10	BROKER TRENDS & PROFILES		•				•	•
	8/3	7/17	7/24	RISK MANAGEMENT COMPLIANCE		•					
				Vermont Captive Insurance Association- Aug 11-13				•			
				Disability Management Employer Coalition Annual Conference- Aug 2-5				•			
	8/17	7/31	8/7	NATURAL CATASTROPHE RISKS		•					•
	8/31	8/14	8/21	SURPLUS LINES REPORT		•			•		•
				Entrepreneurial Insurance Symposium- Sept 8-9				•			
				NAPSLO- Sept 8-11				•			
	9/14	8/28	9/4	PHARMACY BENEFITS ADMINISTRATION	CBO FALL	•					
				Rendez-Vous de Septembre- Sept 12-17				•			
				IUMI-International Union Marine Insurers- Sept 13-16	SIGNET AD STUDY			•			
	9/28	9/11	9/18	INFRASTRUCTURE RESILIENCY		•					
				RIMS Canada Conference- Sept 27-30							
				California Workers' Compensation & Risk Conference- Sept 30-Oct 2							
				CIAB Insurance Leadership Forum- Oct 3-7	BROKER SUPP			•			
				CPCU Society- Oct 3-6				•			
				FERMA Risk Management Forum- Oct. 4-7							
Q4	10/12	9/25	10/2	40 UNDER 40 BROKERS		•				•	•
				SIAA National Education Conference and Expo- Oct 18-20				•			
				ASHRM- Oct 18- 21				•			
				Baden Baden- Oct 23-27				•			
				WORKERS COMP VIRTUAL CONFERENCE		•	•				
				40 UNDER 40 BROKER AWARDS		•	•				
	10/26	10/9	10/16	REINSURANCE MARKET REPORT	PCI SHOW DAILY	•					•
				PCIA Conference- Date TBD				•			
	11/9	10/23	10/30	WORKERS COMP: COST CONTROL	CBO WINTER	•					•
				IRMI Construction Risk Conference- Nov 8-12				•			
				National Business Coaltion on Health- Date TBD	SIGNET AD STUDY			•			
				PLUS Annual Conference- Nov 11-15				•			
	11/23	11/6	11/13	PENSION/RETIREMENT BENEFIT TRENDS		•					
	12/7	11/20	11/27	WOMEN TO WATCH/WORKPLACE DIVERSITY		•					
				WOMEN TO WATCH LEADERSHIP WORKSHOP AND AWARDS LUNCHEON		•	•				
	12/21	12/4	12/11	RISK MANAGEMENT EDUCATION		•					•

*Bonus distribution and product offerings subject to change

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6/22/15

CONTENTS

FEATURES

INTERNATIONAL

Profile: Luxembourg

Luxembourg's economy relies heavily on the financial services sector, making it vulnerable to eurozone weaknesses. 10

PERSPECTIVES

A better reputation, ethically

The Institutes recently surveyed risk professionals on ethics. Peter L. Miller, president of The Institutes, discusses those results and offers suggestions on how the industry could improve its standing. 13

OFF BEAT

A bad taste in Snoop's mouth

Snoop Dogg has sued Pabst Brewing Co. claiming that he is entitled to a cut of the proceeds from Pabst's sale to a group of investors. 32

SECTIONS

INTERNATIONAL	10
PEOPLE	11
OPINIONS	12
PERSPECTIVES	13
MARKET PULSE	26
OFF BEAT	32

NEWS

WORKERS COMPENSATION

MEDICAL MARIJUANA RULING A VICTORY FOR EMPLOYERS

State's 'lawful activities' statute trumped by federal law

BY STEPHANIE GOLDBERG

A Colorado Supreme Court ruling upholding Dish Network's firing of a worker for smoking marijuana outside of work is a victory for employers, particularly in reinforcing the principle of a drug-free workplace.

While several workers compensation professionals said the ruling could be a major one in allowing employers to reject medical marijuana as a compensable treatment for injured workers, others say its impact may be more limited. In addition, sources expect more injured workers to seek to use the substance that is illegal under federal law.

In *Brandon Coats v. Dish Network L.L.C.*, the former telephone customer service representative for Englewood, Colorado-based Dish Network argued that he was wrongfully fired in 2010 for using legal medical marijuana outside of work.

Despite Mr. Coats' argument that he was legally registered under state law to use marijuana due to "painful muscle spasms caused by his quadriplegia," the Colorado high court last week ruled unanimously that workers who engage in activities permitted by state law but not federal law are not protected by Colorado's "lawful activities statute."

Colorado is one of 24 jurisdictions that have legalized medical marijuana and one of five that have legalized marijuana for recreational use.

AP PHOTO

Brandon Coats talks with attorney Michael Evans, left, after the Colorado Supreme Court ruled against him on medical marijuana use.

"This (ruling) is a resounding victory for employers, not only in Colorado, but those that are concerned about the expansion of this principle in other states," said Albert B. Randall Jr., Baltimore-based principal at Franklin & Prokopik P.C. "Employers are going to be somewhat emboldened to continue following their existing drug and alcohol policies in light of this decision," especially considering that "Colorado has a statute, which many states don't have, protecting lawful behavior off (work) hours."

Had the Colorado court shown more tolerance for workers' use of medical marijuana, this would have been a turning point, he said.

"(The ruling) is not necessarily going to change anything when it comes to workers compensation remedies," he said. "Workers compensation, being a state-by-state statutory scheme, run under state law — that's probably going to lead to more results like the New Mexico result."

In that January case, *Miguel Maez v. Riley Industrial and Chartis*, the New Mexico Court of Appeals ruled that medical marijuana should be classified as "reasonable and necessary medical

See MARIJUANA page 29

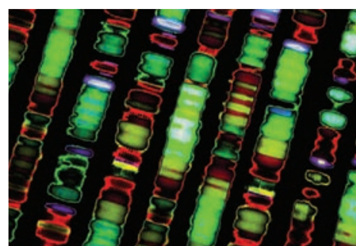
WELLNESS

Use genetic testing of workers with caution

BY MATT DUNNING

Testing for genetic indicators of chronic diseases can help employers offer workplace wellness programs that more closely fit the needs of at-risk employees, but it also can invite a host of legal exposures if not executed carefully, experts say.

Earlier this year, Hartford, Connecticut-based health insurer Aetna Inc. and Toronto-based health management company Newtopia Inc. launched a wellness engagement platform that



includes voluntary diagnostic testing to identify genes linked to metabolic syndrome.

Defined by the American Heart Association as a combination of high blood pressure, high fasting glucose levels and fat around the waist, metabolic syndrome is a common predictor of diabetes, heart and liver disease and other weight-related disorders.

The early application of genetic testing in a workplace wellness program is available to Aetna's corporate clients. It compares the results of the genetic testing with other information, such as self-reported lifestyle and personality assessments, to identify wellness programs and activities most likely to resonate with employees.

See GENETIC page 29

EMPLOYMENT PRACTICES

Web-related bias rules up in the air

Accessibility guidance needed for blind, deaf

BY JUDY GREENWALD

Companies are in limbo as they wait for long-delayed rules on Web accessibility and enforcement actions continue.

And, no clear judicial consensus on the issue has emerged for Internet-only firms. Some observers say business website accessibility may wind up before the U.S. Supreme Court, particularly if the Department of Justice continues to delay issuing promised regulations under Title III of the Americans with Disabilities Act.

Turning printed information into audio for people who are blind or adding closed captions to audio for the deaf are among the steps businesses can take to make their websites accessible.

Meanwhile, more typical Title III litigation, which often deals with issues such as parking lot accessibility and aisle widths, is increasing rapidly, according to an analysis by Seyfarth Shaw L.L.P.

Title III prohibits discrimination on the basis of disability in places of public accommodation, including restaurants, movie theaters, schools, day care and recreational facilities, and doctors' offices, and requires new or remodeled public places, as well as privately owned commercial facilities, to comply with ADA standards.

While the 1990 law does not explicitly address website accessibility for the disabled, the Justice Department has taken the position that Title III does apply.

The Justice Department first said it planned to issue regulations on public website accommodations in 2010, but has delayed them several times.

The current deadline is April 2016. However, the agency is expected to issue website accessibility regulations soon under Title II of the ADA, which covers state and local governmental entities.

Meanwhile, the agency has sought to force numerous firms to comply with the accessibility requirement. Firms settling such cases have agreed to comply with the Level AA Success Criteria of the Web Content Accessibility Guidelines 2.0, voluntary guidelines issued in 2008 by the World Wide Web Consortium.

See ACCESSIBLE page 30

6/22/15

ONLINE FEATURES

GALLERY

Top five highest-paid health insurer executives

Who are the health insurance leaders with the highest salaries? Find out with our latest slide show.
www.BusinessInsurance.com/HealthInsurerExecs

VIDEO

Benefit Manager of the Year®

Meet Bonnie C. Sawdey, *Business Insurance*'s 2015 Benefit Manager of the Year®, in this new video.
www.BusinessInsurance.com/InFocus

RESEARCH

Cyber Security Report

Cyber security is becoming a top priority for most businesses.
www.BusinessInsurance.com/CyberSecurityReport

VIDEO

Risk Management Spotlight

Meet Brian Merkley, global director of corporate risk management for Huntsman Corp. and a member of the *Business Insurance* 2015 Risk Management Honor Roll®.
www.BusinessInsurance.com/MerkleySpotlight

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NEWS

SAFETY

CHANGING DEMOGRAPHICS RESET WORKPLACE SAFETY

´Baby Zs´ to enter workforce as boomers exit

BY MARK A. HOFMANN

HOUSTON — Changing workplace demographics are creating several new challenges for risk managers, notably in the area of safety.

An aging workforce requires new approaches to workplace safety, observers say, noting the effect of older employees on workers compensation costs and the need for work processes and equipment to be re-examined and modified.

But any discussion of demographics also must note that younger workers have different expectations than their older counterparts. And the pending arrival of "the Baby Zs" will bring yet another worldview to the mix.

The traditional Social Security retirement age of 65 is no longer the norm, said Robert C. Prior, a Tampa, Florida-based senior consultant with Aon Risk Solutions, speaking during a session at the Public Risk Management Association's annual conference in Houston this month. Older workers present new issues for employers, he said.

Joe Galusha, group managing director for risk control, claims and engineering with Aon Risk Solutions in Southfield, Michigan, said older workers tend to have fewer injuries than their younger co-workers, but their injuries tend to be more severe. Older workers may also suffer from chronic conditions such as diabetes, which can make treatment more complex, he said.

Mr. Galusha cited an Aon Risk Solutions study of the cost of workers compensation claims over the 2007-2012 period for claimants younger than 45 and those 45 and older. The claims for the younger group averaged $5,215 while those for the older group averaged $9,068, he said.

"We've got to make a workplace that's more age-friendly," he said.

Mr. Prior provided tips to make a workplace easier for an older workforce to navigate. These include accommodation for vision,

The pending arrival of "the Baby Zs" will bring different workplace expectations.

See **PRIMA** page 29

CAPTIVES

Captive owners add specialty coverages

BY MATTHEW LERNER

SOUTHAMPTON, Bermuda — In the face of the low investment yields suffered by the rest of the insurance industry, captive insurers are expanding the coverages they provide.

"There's a number of other lines of business that are actually starting to come into captive programs," said Niall Farrell, director and co-owner of Phinsys (Bermuda) Ltd. in Hamilton, Bermuda.

Cyber risk and credit insurance are among new lines of business that are being put into captives, Mr. Farrell said.

"Companies are looking at alternatives to what they've traditionally done," said Lawrence Bird, managing director of Marsh Captives Solutions in Hamilton, Bermuda.

Captives may be looking to take advantage of soft market conditions, he added.

"I think there are opportunities there with the markets," said Mr. Bird, speaking at the Bermuda Captives Conference held June 8-10 in Southampton, Bermuda. "We're seeing captive owners, because of that market, expanding their vision into other areas.

"In terms of nontraditional risks we've seen from captives, we are seeing more companies putting trade credit coverage through (captives), and we've even seen political risk," said Mr. Bird, adding that employee benefits is a large area being scrutinized by captive owners.

"We're seeing captive owners, because of that (soft) market, expanding their vision into other areas," Mr. Farrell said.

See **BERMUDA** page 28

P/C INSURERS

Do government backstops help or hinder?

Commercial market solutions may be better over time

BY GAVIN SOUTER

NEW YORK — Government participation in the insurance market is a sign of market failure and often creates distortions that have wider economic consequences, according to several leading insurance executives.

While the programs often are well-intended, particularly federal programs that support some catastrophe risks, leaving the exposures to be handled by the market would likely create lasting solutions, they said.

However, some risks, such as terrorism and possibly some cyber exposures, cannot be covered adequately without government support.

Any argument for government involvement in commercial markets is a recognition that the markets have failed to provide a solution to a problem, said Peter Hancock, president and CEO of American International Group Inc. in New York.

Mr. Hancock

And government programs such as the National Flood Insurance Program can lead to significant problems, he said during the Global Insurance Forum held last week in New York. The conference is sponsored by the International Insurance Society.

"The federal flood program subsidizes construction in flood-prone areas," Mr. Hancock said. Yet if flood risks were covered more extensively by the private insurance market, insurers would be able underwrite the risks at realistic rates and offer loss prevention measures to facilitate coverage, which would lead to better risk management and fewer losses, he said.

The NFIP began with good intentions to protect poor families exposed to flood risk, but it has had unintended consequences, said William R. Berkley, chairman and CEO of W.R. Berkley Corp. in Greenwich, Connecticut.

More premiums paid into the

See **IIS** page 28

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NEWS

RISK MANAGEMENT

UPDATED INSURANCE LAW TO BRING MORE CLARITY TO U.K. BUYERS

First revision in 109 years also will increase paperwork to determine and disclose full exposure to risk

BY SARAH VEYSEY

LIVERPOOL, England — Updated insurance law will give U.K. buyers greater clarity about their coverage but will create more work for buyers and brokers in presenting risks to underwriters.

The Insurance Act 2015, which will apply to all policies placed or altered after Aug. 12, 2016, replaces the century-old Marine Insurance Act 1906 and is intended to eliminate loopholes that could lead to legal disputes.

But the law will place a greater onus on buyers to ensure that they have fairly presented their risk to underwriters as well as disclose any knowledge pertinent to the risk of senior management and the insurance team, including brokers, among other things.

The issue was a discussion topic for many attendees at London-based risk management association Airmic Ltd.'s annual conference in Liverpool, England, last week.

While the new law will retain the current definition of a "material circumstance" — something that would affect the judgment of a prudent insurer in deciding whether or not to take on the risk — the updated law provides further clarification, London-based consultancy Mactavish said in a guide on the new act.

SHUTTERSTOCK.COM/BRENDAN HOWARD

London-based risk management association Airmic Ltd.'s annual conference was held in Liverpool, England, last week.

For example, a material circumstance according to the Insurance Act could be "special or unusual facts relating to the risk; any particular concerns which led the insured to seek insurance cover for the risk; and things which should be dealt with in a fair presentation of risks of the type in question, in the view of those involved in buying or selling that insurance," Mactavish noted.

"The Insurance Act provides clarity for the client, broker and carrier," said Steve Hearn, deputy group CEO of Willis Group Holdings P.L.C. in London.

"Anything which creates more certainty, we would applaud," said Lesley Harding, vice president and head of insurable risk solutions at BP P.L.C.

But the new rules likely will create "an iterative step" in the insurance placement process, whereby underwriters, or brokers, will have to come back to the buyer with proposed wording to ensure that the underwriter understands the buyer's presentation of their risk, she said.

"Anything that puts the client on the front foot is good ... this change will help clarity and give customers more certainty," said Grahame Chilton, CEO of Arthur J. Gallagher International.

But there clearly will be an onus on buyers to

See AIRMIC page 28

"The Insurance Act provides clarity for the client, broker and carrier."

Steve Hearn, Willis Group Holdings P.L.C.

"Anything that puts the client on the front foot is good ... this change will help clarity and give customers more certainty."

Grahame Chilton, Arthur J. Gallagher International

SAFETY

Proper equipment just first step to improve office ergonomics, reduce injuries

BY STEPHANIE GOLDBERG

DALLAS — With a proper training program, ergonomic solutions can improve worker safety and prevent musculoskeletal disorders.

Accounting for nearly 70 million physician office visits in the United States each year, musculoskeletal disorders pose high costs for employers through workers compensation, disability, lost productivity and increased health care costs, according to the U.S. Centers for Disease Control and Prevention.

Musculoskeletal disorders accounted for 33% of all injury and illness cases in 2013, down from 34% in 2012, the U.S. Bureau of Labor Statistics reports.

The incidence rate for musculoskeletal disorders, which include carpal tunnel syndrome and back pain, occurred at a rate of 35.8 per 10,000 full-time workers in 2013, down from 37.4 in 2012, the bureau said.

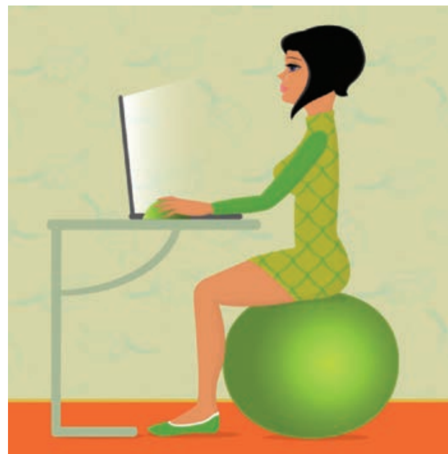
Despite that decrease, the U.S. Occupational Safety and Health Administration has been issuing more citations to further reduce the incidence of musculoskeletal disorders, David Michaels, Washington-based assistant secretary of labor for occupational safety and health, said during the American Society of Safety Engineers' Safety 2015 Professional Development Conference & Exposition held June 7-10 in Dallas.

OSHA in 2001 imposed a controversial standard for workplace ergonomics, the study of workplace environment and its effects on worker safety and productivity, that was criticized for being costly and too vague to prevent musculoskeletal injuries.

In the absence of a current standard, OSHA has been citing companies for poor ergonomics under its general duty clause, which says employers must keep workplaces free of recognized serious hazards, Mr. Michaels said.

Experts also say ergonomics is more than just physical solutions.

There's a perception that ergonomics is just about equipment, but the "work stations and furniture we give our employees are relatively meaningless and ineffective without proper training," said Wayne Maynard, product director of workers compensation, ergonomics and tribology at Liberty Mutual Holding Co. Inc. in Hopkinton, Massachusetts.



Mr. Maynard said providing workers with "adjustable chairs, sit-stand workstations and flexible work spaces ... without the proper training" isn't beneficial for employers or workers.

The proper training should include "how it physically can help you as an employee, when to adjust it, all those types of guidelines," he said.

Observers also recommend that employers enlist ergonomics experts to evaluate workers — in person or virtually — to assess their needs.

Ergonomics is personal, so there's no one-size-fits-all approach, said David Barry, Overland Park, Kansas-based senior vice president and national technical director of casualty risk control at Willis North America Inc.

Trendy equipment isn't for everyone, experts say, noting that exercise balls used in some offices can cause more problems than solutions — including injuries that would be covered under workers comp.

Mr. Barry said expensive equipment also might not be necessary, since "ergonomics is about designing the work environment to fit the employees' needs."

"Some of the fancy chairs you see, they might look really neat and they might have a lot of features," but it needs to be fit for the person using it, he said. "I don't know how many times I've done ergonomic evaluations and seen somebody's very expensive chair that has multiple adjustments. I'll hit a lever on it and it will go up or down, and they'll say, 'I had no idea it did that. I've been sitting in this chair for two years.' Just because you have it doesn't mean you were trained to use it."

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WHAT**MATTERS**MOST

Arthur J. Gallagher to buy Boston-based brokerage

■ Arthur J. Gallagher & Co. said it will acquire Boston-based William Gallagher Associates Insurance Brokers Inc. Terms of the deal were not disclosed. The transaction is expected to close in the third quarter of 2015, when a decision about a name change will also most likely be discussed "but it probably won't change too much," an Arthur J. Gallagher & Co. spokeswoman said. "The WGA acquisition gives us a wonderful opportunity to significantly expand our operating platform in the Eastern U.S. and market presence in two of our core businesses," Arthur J. Gallagher & Co. President and CEO J. Patrick Gallagher Jr. said in a statement. Those core businesses are retail property/casualty and benefits consultant and broker segments of the company's risk management core, the spokeswoman said.

Axis Capital not engaged in talks with Arch: Sources

■ Axis Capital Holdings Ltd. has not communicated with any potential acquirer, including Arch Capital Ltd., since it engaged in merger talks with competitor PartnerRe Ltd. last fall, people familiar with the matter said. Citing sources, the Financial Times reported that Arch, a Bermuda-based specialty insurer and reinsurer, was considering paying as much as $65 per share for Axis. Representatives for Axis and Arch declined to comment. Axis, also a Bermuda-based reinsurer, has been pursuing a merger of equals with PartnerRe. While Arch previously showed interest in pursuing a combination with Axis, it is not actively pursuing a bid, two other people said.

Reuters

Market for political risk favors insurance buyers

■ Abundant capacity has created a buyer's market in political risk insurance, according to a Marsh L.L.C. analysis. Capacity has been on the upswing for the last decade, according to "Strong Capacity Drives Buyer's Market for Political Risk Insurance," which said global market capacity "now exceeds $2 billion for a single policy, nearly double the available capacity just six years ago." The increased capacity reflects a shift from traditional property/casualty insurance lines, such as directors and officers liability insurance and property, to more profitable specialist lines, Marsh said. "Insurers are finding those revenues in political risk insurance and other specialty lines that do not correlate with swings in the overall commercial insurance market," Marsh said. Combined ratios for political risk have generally remained below 100% during the past decade despite problems in high-risk nations such as Libya and Ukraine, the report said.

House OKs bill to repeal tax on medical devices

■ The House of Representatives approved legislation, H.R. 160, that would repeal a health care reform law provision that imposes a 2.3% federal excise tax on manufacturers of medical devices on a 280-140 vote. Revenue generated by the tax, which first went into effect two years ago, is used to help offset the cost of federal premium subsides provided to the lower-income uninsured who purchase coverage in public health care exchanges. Critics say the proposal is illogical. "Today we tax medical devices — things like heart valves and pacemakers — the very things that save lives. It's an iron law of economics that when you tax something, you get less of it," House Ways and Means Committee Chairman Paul Ryan, R-Wis., said in a statement before the repeal vote. The Senate has not yet considered the measure. The White House has said President Barack Obama would veto the measure if it wins congressional approval.

Cancer tops list naming costliest stop-loss claims

■ Cancer remains the costliest contributor to stop-loss catastrophic claims at 25.7% of $2.1 billion in total claims paid in 2011-2014 by Sun Life Financial Inc., the Wellesley Hills, Massachusetts-based insurer said in its "Top Ten Catastrophic Claims Conditions: Spring 2015" report. End-stage renal disease followed with 7.8%. The top 10 costliest conditions, which were consistent with last year's report, accounted for more than half of the total claims paid at 52.8%, Sun Life Financial said. In addition to cancer and renal disease, they included congenital anomalies, premature births, congestive heart failure, cerebrovascular disease, pulmonary collapse or respiratory failure, medical and surgical complications, and septicemia. Sun Life Financial also said intravenous medications, which represented 13% of the total paid stop-loss claims in 2014, contributed significantly to the high cost of cancer claims, as half of the top 20 intravenous drugs are used to treat cancer.

Amazon buzzes Congress for quick action on drones

■ Amazon.com is concerned about the lag in action toward regulations that would provide guidance to unmanned aerial vehicle flying, the company's vice president for global public policy, Paul E. Misener, said in a hearing with the House Committee on Oversight and Government Reform. Mr. Misener said his company disagrees with the Federal Aviation Administration's "overly prescriptive restrictions," which will result in "stifling innovation," as he explained Amazon's new service, Amazon Prime Air, which promises direct home delivery of a package weighing less than 5 pounds in less than 30 minutes after ordering. Amazon's representative also suggested that rules for drones be federal rather than state-level, since the FAA is a federal program. FAA Deputy Administrator Michael Whitaker said the FAA will finalize U.S. commercial drone regulations within the next year or earlier.

Veteran arbitrator to review multiemployer pension plan cuts

■ The U.S. Treasury Department named veteran attorney and arbitrator Ken Feinberg to review applications of financially troubled multiemployer pension plans to cut benefits promised to plan participants. Those cutbacks were authorized by legislation Congress passed late last year amid numerous warnings by federal agencies that dozens of multiemployer plans would fail without such action, with the promised but unfunded benefit liabilities shifting to the federal Pension Benefit Guaranty Corp. Mr. Feinberg, whose title will be special master, previously oversaw the Sept. 11 and BP Deepwater Horizon victim compensation funds.

BI adds staff reporter, editorial assistant

Business Insurance has added two staff members.

Donna Mahoney joined the magazine's Chicago office earlier this month, where she will cover risk management topics.

She graduated from Northwestern University in Evanston, Illinois, in 2014 with a master's in journalism. She received a bachelor's degree in technical communications in 2002 from Northeastern University in Boston.

Before attending Northwestern, Ms. Mahoney worked from 2007-2013 as a technical writer at Garmin Ltd.'s international unit in Salem, Oregon, where she specialized in aviation technical writing and qualified as a pilot of fixed-wing aircraft and helicopters. From 2002-2007 she worked at Avidyne Corp. in Boston, where she was an aviation writer.

Ms. Mahoney can be reached at *dmahoney@businessinsurance.com* and 312-649-5294.

In addition, Joyce Famakinwa has joined *Business Insurance* as editorial assistant based in Chicago.

She graduated from the University of Illinois in Urbana in 2013 with a bachelor's degree in news-editorial journalism.

In 2014, Ms. Famakinwa was a communications intern at Chicago Ideas Week and an intern at ecommerce startup AbesMarket.com.

Ms. Famakinwa can be reached at *jfamakinwa@businessinsurance.com* and 312-649-7784.

Ms. Mahoney

Ms. Famakinwa

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LLOYD'S

Berkshire buys stake in Australian insurer

Berkshire Hathaway Inc. has paid $500 million to take a 3.7% stake in Insurance Australia Group Ltd., and the insurers will enter into a long-term quota-share agreement, the companies said last week. The 10-year, 20% quota-share agreement will be across IAG's consolidated insurance business, the companies said in a statement. The move is the latest in Berkshire Hathaway's relationship with the Australian insurer. It began in 2000 on a transactional basis and has evolved into the current strategic partnership that marries IAG's experience in small- and midsize enterprise and personal lines business with Berkshire's global market knowledge and expertise, they said in an investor presentation. Under the latest agreement, IAG will acquire Berkshire's Australian small- and midsize and personal business and Berkshire Hathaway will acquire renewal rights to IAG's large corporate property and liability business in Australia.

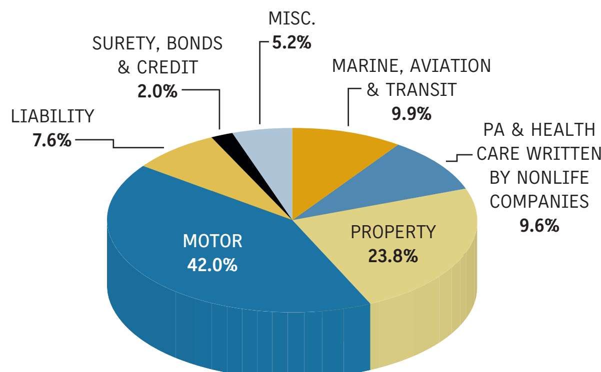
PROFILE: LUXEMBOURG

$1.1 BILLION

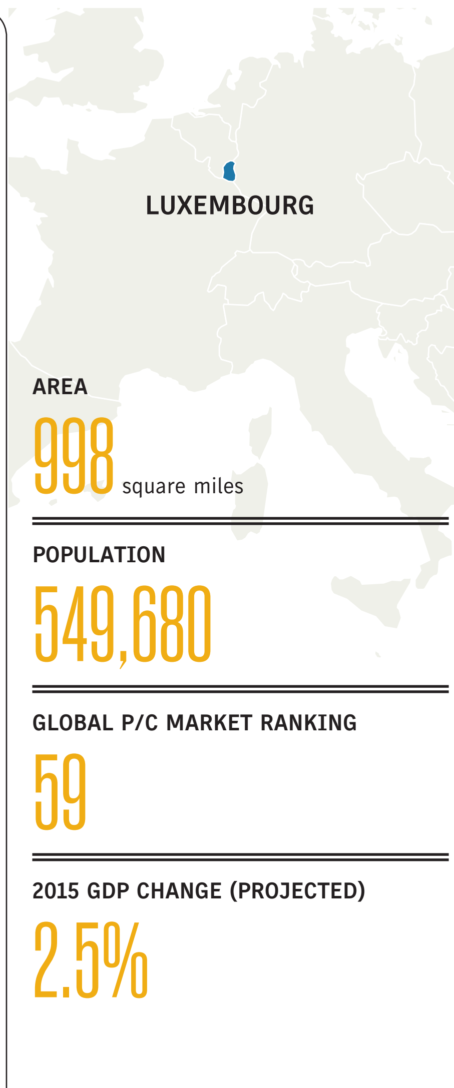
◀ 2013 P/C gross premiums

With a small industrial base, limited growth in the domestic insurance market has sent brokers in search of niche products such as director and officers liability and financial cover. There is no history of earthquakes, but storms caused losses in 1990 and 2010, and agriculture is protected to at least 30% of annual production in case of excessive frost, wind and rain. The economy relies heavily on the financial services sector, making it vulnerable to eurozone weaknesses.

MARKET SHARE



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies



AREA
998 square miles

POPULATION
549,680

GLOBAL P/C MARKET RANKING
59

2015 GDP CHANGE (PROJECTED)
2.5%

MARKET DEVELOPMENTS

UPDATED APRIL 2015

- Awaiting enactment is a regulation set out in July 2014 that would establish the conditions and minimum insurance requirements for those who practice medicine, veterinary medicine and dentistry.
- Minimum indemnity limits for insurance sector professionals have been set at $67,000 per claim and $670,000 aggregate for individual insurance professionals and $167,492 per claim and $1.7 million in the aggregate for insurance firms.
- Minimum guarantee fund for reinsurers has been raised to $4.66 million from $4.42 million to accommodate changes in the European Consumer Price Index.
- Baloise Assurances S.A. has completed its takeover of the Luxembourg business of Belgian insurer P&V, which held a 3.4% nonlife market share in 2013.

COMPULSORY INSURANCE

Various lines of coverage are compulsory:

- Auto third-party liability
- Air carriers and aircraft operators liability
- Professional indemnity for insurance brokers, fund managers, real estate agents and health care workers
- Dog owners liability
- Hunters liability
- Nuclear liability

NONADMITTED

Unauthorized insurers cannot carry on insurance activity in Luxembourg, but there is nothing in the law indicating that insurance must be purchased from locally authorized insurers. Insurers from the European Economic Area (all European Union members plus Iceland, Liechtenstein and Norway) may provide coverage under freedom to provide services agreements.

INTERMEDIARIES

Agents and brokers have to be registered with the Ministry of Treasury and the Budget. Registered brokers are allowed to place business with nonadmitted insurers. Brokers involved in nonadmitted placements do not have to warn buyers that their insurer is not subject to local supervision.

MARKET PRACTICE

Given the presence of major international reinsurers, ready access to Lloyd's of London and the ability to issue fronting policies, instances where cover or capacity cannot be secured are rare. There are no restrictions on fronting.

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

Panama insurer ready to open Lloyd's syndicate

Panama-based insurer and reinsurer Istmo Compania de Reaseguros Inc. and Capita Managing Agency Ltd. have received approval in principle to set up a syndicate at Lloyd's of London. Ash Bathia, previously chief underwriting officer for the European operations of QBE Insurance Group Ltd., and active underwriters of QBE's liability syndicate 386 will be active underwriter of the syndicate, Istmo Re and Capita said in a statement. Capita will manage the syndicate. Jon Foley, most recently director of insurance at Sciemus Ltd. and formerly executive underwriter at Ascot Underwriting Ltd., and Nick Bacon, most recently director of international markets at Nelson Brown & Co. and formerly a managing director at Marsh Ltd. in London, also are members of the founding team.

Court orders Greece to reverse pension cuts

A top Greek court ruled that the government should reverse cuts to private-sector pensions it made in 2012 as a condition of its bailout agreement with the European Union and International Monetary Fund, court officials said. Greece has implemented waves of pension cuts since 2010 as part of austerity measures agreed with its international lenders to put its finances back on track. The country's top administrative court, the Council of State, ruled that the 2012 cuts violated Greek law and the European Convention on Human Rights because they deprived pensioners of the right to a decent life. The ruling, which does not cover the public sector, added that the Greek government should provide aid to pension funds should they lack the finances to pay the pensions, even though Athens agreed with the lenders in 2010 that this would be forbidden.

Reuters

Longtime FERMA head stepping down in October

The Federation of European Risk Management Associations' executive director, Florence Bindelle, will leave the European risk management group in October following this year's FERMA Risk Management Forum "to pursue an exciting new career opportunity," FERMA said in a statement. Ms. Bindelle said in an email that she could not disclose the identity of her future employer because of confidentiality. Ms. Bindelle joined FERMA 16 years ago and was its first full-time employee.

London ILS task force meets with U.K. Treasury

The task force established to help the U.K. government find ways to attract insurance-linked securities business to London has had its first meeting with the U.K. Treasury and will be looking at ways to make the United Kingdom more attractive to investors. Assembled by the London Market Group, the task force "will be looking at potential changes to the tax, regulatory and company law regimes that could make the United Kingdom a more attractive domicile for ILS business and managers," the group said in a statement. The task force's initial aim is to produce a series of recommendations to be included in Chancellor of the Exchequer George Osborne's autumn budget statement. In his March budget statement, Mr. Osborne said the government would examine ways to make the United Kingdom an ILS center. Other challenges for underwriters include limited and insufficient disclosures about cyber attacks, the report said.

Risk managers entitled to broker fee information

Risk managers in the United Kingdom must ensure they ask their brokers to inform them of all fees earned on their business, according to industry CEOs. U.K. regulation requires brokers to disclose when requested the remuneration they receive on a corporate insurance buyer's business. Buyers can and should ask their brokers about their remuneration, said Lesley Harding, vice president and head of insurance risk solutions at BP P.L.C. in London, at Airmic Ltd.'s annual conference in Liverpool, England. Insurance buyers are not unwilling to pay a price for services such as product development, Ms. Harding said, but they do need to be given full transparency by brokers about what their costs are. Buyers should change their broker if they feel they are not being given the information they require, said Grahame Chilton, CEO of Arthur J. Gallagher's international unit in London. "Full transparency is available — ask your broker. If you don't get the information you require, change your broker," he said.

POSITIONING ASPEN FOR GROWTH IN THE U.S. INSURANCE MARKET

BOB RHEEL

ASPEN U.S. INSURANCE

Currently head of U.S. property/casualty insurance at Aspen Insurance Holdings Ltd., Bob Rheel was recently appointed president of Aspen U.S. Insurance. Before joining Aspen in 2011, Mr. Rheel was the head of distribution and regional management at Zurich Financial Services, and he has held several senior roles in his 30-year career. He recently spoke with *Business Insurance* Associate Editor Bill Kenealy to discuss his new role and the challenges specialty insurers face. Edited excerpts follow.

Q&A

Q You have had a long career in the insurance industry. How will your experience help in your new role?

A There are three areas in my background that should be helpful as I transition into my new role. One is that I've led operations for insurance companies on both sides of the Atlantic. This gives me a global perspective of the market, which is important because we are increasingly seeing customers become more global. U.S. brokers are increasingly looking to place their clients' risks not only in the U.S., but also in the London and Bermuda markets.

Second, I've led underwriting for insurance companies in the middle market and workers compensation markets. This allows me to understand the underwriting needs across markets and to gain the expertise needed to be a specialty underwriter.

The last area is really around marketing and distribution and how to bundle all aspects of an insurance company to bring real value to customers and brokers.

Q What are your ambitions for Aspen's U.S. operations?

A For the past four or five years, we have been growing our U.S. insurance business, and our ambition is to become one of the top performing specialty insurance companies in the U.S. So, our first priority is to continue to build out Aspen U.S. Insurance.

Second, we aspire to deliver a highly valued proposition that customers and brokers appreciate and are willing to pay for.

Q What are the biggest challenges facing insurers in the U.S. property/casualty market?

A It is well recognized that there is overcapacity in the marketplace. We are at a tipping point where we will be bound by market dynamics and falling prices or we can free ourselves from those market chains and truly seek a fair return for the value we bring to our clients, brokers and the wider economy.

Q Are there specific pockets of the markets where you see opportunities for growth?

A The biggest opportunities reside in the ever-growing categories of new risks, whether that is around cyber, the climate or new technologies such as 3-D printing or wearable devices.

The whole definition of risk is changing as more and more companies are redefining it to include things that would historically fall under enterprise risk management. It's no longer solely the risks as defined by the P&C insurance industry for the last 20 or 30 years.

What we are seeing is an increasing trend toward specialist expertise, and that's what companies such as Aspen can emphasize and deliver.

There are other companies focused purely on data and predictive modeling, and it seems they look at certain segments of the business in order to commoditize it and deliver a low-cost solution. That might make sense for some segments, but other parts of the business are much more dynamic and complex, where specialty carriers will be needed to deliver the required expertise to brokers and customers.

COMINGS & GOINGS

UP CLOSE: TERRI RHODES

SAN FRANCISCO-BASED CEO
Disability Management Employer Coalition

PREVIOUS POSITION: San Francisco-based executive director for the DMEC

LOOKING FORWARD TO: Leading DMEC through (the) next phase of growth and building our brand awareness. We have created a new logo and will roll out a new website at the beginning of 2016.

GOALS FOR NEW POSITION: Increase knowledge of DMEC services and increase membership and conference attendance. I want DMEC to be the go-to organization for absence and disability management professionals.

CHALLENGES FACING INDUSTRY: This industry continues to struggle with organizational silos that prevent integration of short-term/long term disability, Family Medical Leave Act, Americans with Disabilities Act and workers compensation. There is still a lot of fear around this, and it is sad because integration is good for business and good for the employee.

INDUSTRY OUTLOOK: The outlook is very positive. With increasing regulations ... and paid sick leave laws, absences and disability professionals have job security, which means education and resources are needed. We can provide these.

FIRST INDUSTRY JOB: Managing workers compensation claims.

WHAT SURPRISED ME: The ever-changing landscape of case law and legislation in managing workers compensation.

ADVICE: Stay nimble; do not fear change.

OUTSIDE THE INDUSTRY, A DREAM JOB: Working with animals at a zoo or observation station.

HOBBIES: Travel, reading and volunteering.

THING MOST PEOPLE DON'T KNOW ABOUT ME: I am a worrier.

WHEN I RETIRE: I will still work.

FAVORITE MEAL: Now that is a hard question. I love mostly all foods.

FAVORITE BOOK: "The Pillars of the Earth" by Ken Follett.

Professional Moves & Promotions

Visit ***www.businessinsurance.com/ComingsandGoings*** for a full list of this week's personnel moves and promotions. Check our website daily for additional postings and sign up for the weekly email.

BROKERS

Ames & Gough	Jay Bateson
Lockton Cos. L.L.C.	Josh Dircks
Willis North America Inc.	Rob Allen
Willis North America Inc.	Paul Collins
Arthur J. Gallagher & Co.	Ian Story

INSURERS

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Aspen Insurance Holdings Ltd.	Douglas De Couto
W.R. Berkley Corp.	Steven S. Zeitman

REINSURANCE

JLT Re	Russell Walters
Capsicum Reinsurance Brokers L.L.P.	Andrew Moss

OTHER

Mercer L.L.C.	Michael Williams
Hanover Stone Partners L.L.C.	Timothy Morris

Business Insurance would like to report on senior-level changes at commercial insurance companies and service providers. Please send news and photos of recently promoted, hired or appointed senior-level executives to: Joyce Famakinwa, *Business Insurance*, 150 N. Michigan Ave., Chicago, Ill. 60601-7524. ***jfamakinwa@businessinsurance.com***.

EDITORIAL

MEET TOP BENEFITS MANAGERS

Creativity coupled with boldness can produce outstanding results when benefits plans are revamped. As is demonstrated by the award winners profiled in this issue of *Business Insurance*, innovative benefits managers can make a significant difference for their organizations and fellow employees.

The 2015 Benefit Manager of the Year®, Bonnie C. Sawdey, has made a big difference at her employer, Crawford & Co. Faced with double-digit health care cost increases, the claims management company needed to act quickly to overhaul its health care benefits program. A consumer-driven health care plan was the solution, but Crawford wanted to implement it without over-burdening its employees with excessive cost shifting.

In less than a year, Ms. Sawdey was able to develop a program that cut Crawford's health care costs, lowered employees' premiums and changed employees' usage of health care services, yet maintained the quality of the company's benefits offerings.

Our 2015 Benefit Management Honor Roll® members also achieved some outstanding results as they revamped their organizations' benefits programs.

Kari A. Aikins at Western Kentucky University also implemented significant health care plan changes at her employer in months rather than years. Replacing the university's traditional preferred provider organization health plans with a suite of plans that offered enough choice to meet the needs of the workforce took a broad vision and ability to work quickly and decisively.

Our third honoree, Marty Webb of AT&T Inc., oversees a department that administers benefits plans covering more than 1 million people. Bringing about changes that included a massive shifting of retirees to a private health insurance exchange and the introduction of a wellness plan that's appropriate for the lifestyles of all employees was a task that required exceptional organizational and communications skills.

Congratulations to our 2015 honorees. We hope you enjoy reading the full details of their achievements in the profiles that begin on page 16.

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

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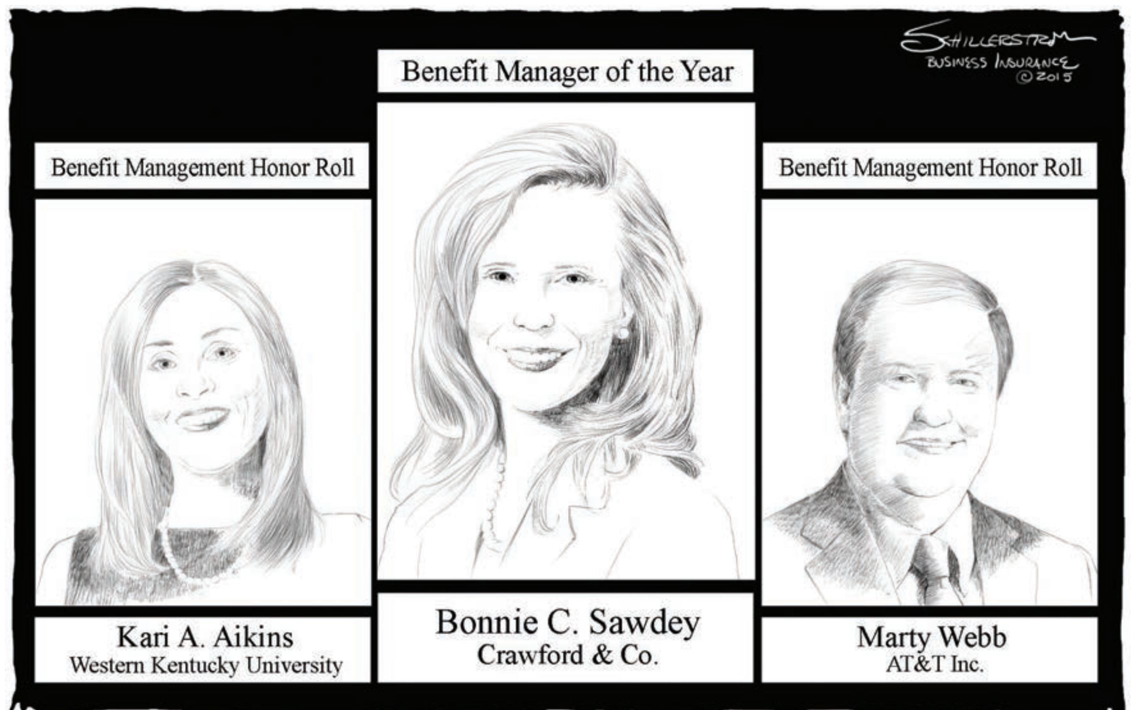
SCHILLERSTROM



COMMENTARY

SERIOUS TALK OF ENTITLEMENTS PRESSING AND PRESIDENTIAL

MARK A. HOFMANN
SENIOR EDITOR

In case you hadn't noticed, the United States is in the midst of a presidential campaign. Of course, the election is still better than 16 months away. There hasn't been a single primary or caucus. In fact, there hasn't even been a debate. But we've already got nearly 20 people who've declared that they want to hold the highest office in the land, and that number is certain to increase throughout the summer.

Right now, candidates' positions on critical issues remain somewhat fuzzy. Some of the issues they raise now, odds are, won't make much of a difference in the outcome of next year's elections. After all, events have a way of crowding onto the political stage unexpectedly. Not many people foresaw the financial crisis exploding like it did in 2008 and then going on to shape the election and the country in ways we're still feeling today.

But there is already one issue that could have an almost existential impact on the United States, and that's the continuing explosion of entitlements such as Social Security disability payments. This expansion raises questions related to benefits, such as whether employer-provided benefits will be targets for new taxes to help — and only help — defray the cost of government largesse. And there are risk management concerns as well: As entitlement spending takes up an ever-increasing share of federal resources, will discretionary spending on things such as disaster preparedness shrink to the point of irrelevance?

The entitlements issue hasn't gotten a lot of attention, but it certainly should. A couple of candidates have raised it, in strikingly different fashions.

Among the Democrats, Vermont Sen. Bernie Sanders, a self-styled independent who calls himself a socialist but who is nevertheless seeking the Democratic presidential nomination, makes clear that he would like to expand federal entitlements. He'd pay for that by levying higher taxes on top earners, although it's hard to see how taxing a relatively small group of people would pay for a major expansion of entitlements. Fortunately, he seems to have little realistic chance of winning the nomination.

On the Republican side, New Jersey Gov. Chris Christie has made some serious suggestions about reining in entitlement costs. His ideas about means testing Social Security may be too draconian, but at least they're ideas worth discussing.

A serious discussion of entitlements has to occur — and occur soon. We can no longer afford to expand entitlements as we have done in the past, and we cannot afford to avoid indefinitely finding a way to curb their growth as federal debt mounts and baby boomers retire.

The nascent 2016 presidential campaign is as good a place as any for the search for a solution to begin in earnest.

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PERSPECTIVES

Insurance industry takes look at ethics to polish reputation

The insurance industry has had a longstanding problem with its reputation, and The Institutes, a nonprofit provider of professional insurance education, recently decided to survey risk management and insurance professionals on ethics in the profession. Peter L. Miller, president and chief executive of The Institutes, discusses those results and offers suggestions on how the industry could improve its standing.

For about 40 years, the Gallup Poll has asked Americans how they view the honesty and ethics of various professions. Over that time, the insurance profession has scored fairly consistently — which is to say, poorly.

Since 1977, no more than 15% of respondents have said our industry's ethical standards are high, while no fewer than 25% have ranked us below average. The ethical standards of accountants, bankers and lawyers all rated higher.

The survey's language may serve to skew the result: asking about "insurance salesmen" up until 2009, and then "insurance salespeople." However, we also know that the public largely thinks the insurance industry consists of only sales positions, so it's hard to say how a change to "insurance professional" would affect perceptions.

March was the 25th anniversary of the financial services industry's Ethics Awareness Month, and we decided to conduct our own survey. The Institutes and our affiliate, the Society of Chartered Property and Casualty Underwriters, surveyed members of The Institutes Community, an online network of risk and insurance professionals, asking them how they view ethics in our field, how it's changed and how we can improve. We received more than 3,000 responses.

The responses made clear that insurance professionals are proud of their ethical standards, but they are also aware of the disconnect when it comes to the public's point of view. More than 90% of respondents said insurance professionals are largely ethical; 55% said they believe the public thinks insurance professionals are largely unethical.

We agree that most insurance professionals do act ethically. Unfortunately, it takes only a few negative examples to undermine that. Behavioral economics has thoroughly documented that human brains are wired to have a negative bias and that it can take five positive interactions to overcome just one negative encounter.

Our approval ratings haven't budged in the past 40 years because changing people's minds is hard work.

Survey respondents seemed to believe that the reason for this poor reputation is a lack of information on the public's part, because 82% of respondents said the best way to change these perceptions would be better educational efforts. Another popular solution was to make our business easier to understand, by clarifying policy language and creating more transparency in pricing and claims processes.

These are admirable goals, but we should be looking internally as much as externally. Are our ethical standards improving? Results in our survey were mixed, with slightly more than half of respondents saying our industry is not acting more ethically than it did a decade ago.

Those who think we've seen improvements cited a number of factors they believe played a role:

- Ethics education.
- Transparency through technology.
- More competition.
- Better regulation.
- High-profile prosecutions of those who have crossed the line.

Others said they have seen changes come as much from inside the profession as from outside.

"I believe that more professionals are taking more pride in their careers," said Kathryn A. Lyons, commercial lines account manager with Crotty & Associates L.L.C. "They are elevating their work standards and educating their staff. Ethics plays a huge part in this."

Some of the people who said insurance ethics hasn't changed much since 2005 clarified that they felt our industry was, and still is, largely ethical. Others felt not much has changed because the same old temptations exist.

That raises a crucial point. What is motivating today's professionals to do something they know may be wrong?

There seem to be a number of fronts: Pressure to meet business objectives, at 41%; working with unethical colleagues, at 24%; and being pushed by customers, at 23%.

Those forces are certainly not unique to insurance. The University of Notre Dame, on behalf of a law firm, released a survey in mid-May finding that about one in five financial services respondents feel they must engage in unethical or illegal activity to be successful. About one in 10 said they felt direct pressure to compromise ethical standards or violate the law.

Ultimately, we are most interested in how we can improve. The message from respondents to our survey was clear: change needs to come from leadership, either by demonstrating ethical behavior or including ethics in company goals. Only 8% of respondents favored reprimanding wrongdoers.

Professionals were optimistic, with 52% saying the industry will become more ethical over the next 10 years. Yet, the reasons they cited did not have much to do with corporate executives taking the lead on such issues. Instead, many identified technology as a driver of more transparency, with social media bringing sunshine to shadowy areas of company operations.

"With the impact of social media on everyday life, being ethical is the only way to go," said Terri McKane, an agent and a quality control coordinator at American Strategic Insurance.

Respondents also believe that ethics can align with business goals, saying that smart businesses will ultimately see that unethical employees are simply too risky for an organization.

"Ethics has become a valued commodity in our industry," said Jay Lewandowski, a senior risk control specialist with Wright Risk Management. "The unethical are ostracized and are, more often than not, released from their positions, if not terminated. I sincerely hope — no, believe — this practice will continue."

Interestingly, three in five respondents said acting ethically was simply the right thing to do, rather that citing business reasons for such behavior. But even if that's the primary reason, leaders would be shortsighted to think that reputation doesn't affect our bottom lines.

We are optimistic about the next 10 years as well, but we also know that behaving ethically isn't always easy. Even if we all aim to uphold the highest ethical standards, we still will face hard choices. In free ethics courses provided by The Institutes and the CPCU Society, we tell our students that ethics is not simply a choice between right and wrong.

Instead, it's often choosing between two options that both seem right at the time, like doing what's best for your family versus what's best for someone else's.

We don't have to wait until we are faced with those choices. Instead, smart leaders should recognize that unethical business practices are not only wrong but are also a risk to be managed. They should lead by example and make it clear that honesty is absolutely a part of their culture.

Managers should empower their teams to make good decisions and not encourage them to cut corners. New recruits should receive basic ethics training, so they understand how to handle tough decisions.

Awareness of ethics for only one month of the year isn't enough — it needs to be part of our daily routine.

In the end, only by changing the reality of insurance industry ethics can we hope to change perceptions about our industry.

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RISK INSIGHTS

Why IDM makes sense today

Integrated Disability Management helps employers with costs, compliance

Q&A

John Miskel
Head of Corporate Life & Pensions for
Zurich Global Life in North America

BI: One of the principal responsibilities of corporate risk managers is to protect their organizations' people and property. How should businesses think about keeping their people protected?

John Miskel: Businesses in every industry acknowledge that their greatest resource is their people. Their workers are the ones who create and deliver a business's products and services. Ultimately, the employees are the company. Protecting employees and supporting their contributions entails thinking about the occupational as well as non-occupational risks that they face. Those include workers compensation and disability. There is a growing awareness that workers and their employers can benefit from an integrated approach to those areas. We are starting to see that employers are in need of managing their human capital costs along with complying with changing federal and state regulations.

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ZURICH®

BI: Integrated disability management, where workers comp and long-term disability are coordinated, is not a new idea. Why should employers consider that approach now?

John Miskel: Historically, most human resources and risk management departments have operated independently – disability fell under the HR and benefits program, while workers comp was a concern of risk management. Until now, there was no real solution to bring those two areas together in a way that recognized their common ground. Why is now a good time to revisit IDM? A lot has changed in the past 20 or so years. The advent of the Family & Medical Leave Act, the Americans with Disabilities Act and forms of paid leave have created a need for employers to look closer at absence management. Where an employee leave is due to a workplace injury or illness, there are greater compliance obligations today than when the integrated concept started in the early 1990s. The Department of Labor and the Equal Employment Opportunity Commission have begun to emphasize regulations that bring occupational and non-occupational leaves together. Instead of focusing on one or the other, employers now have to think more about both, and an integrated management approach makes a lot of sense.

BI: What should risk managers and benefit managers do differently in this new environment?

John Miskel: Risk managers and benefit managers need to work together more closely to ensure their companies are in compliance with regulations in order to avoid fines by the DOL and EEOC. But also to ensure that the employee that is losing time has access to occupational/non-occupational coverage or that there is some consideration for any number of the state or federal leave types. Beyond that, managers should be looking for more data that can identify absence patterns across the organization, so solutions can be derived in order to minimize interruptions to production activities.

BI: What tools are available to help with integrated disability management?

John Miskel: There are a lot more portable, cloud-based claim technologies today that enable insurance carriers and third-party administrators to coordinate data. Technology has made it a lot easier to share data in situations where laws allow. The Health Insurance Portability & Accountability Act still restricts the exchange of certain information. There are tangible advantages to using data to clearly see loss costs and the costs of human capital. For example, if an employer merges absence management data with short-term and long-term disability and workers comp data by location, by department or by division, it can create an entirely different view for risk managers who are focused on loss costs. By the same token, a carrier that handles the workers comp and disability claims and data can be a better partner to help the employer understand what's driving absences so that changes can be made.

BI: What are the keys to a successful integrated approach?

John Miskel: For IDM to work, employers need a proper solution that is built to produce a claim process and data flow that achieves the goal – of compliance consistency, real-time data regarding "today's" available workforce and targeted strategies for safety and productivity. The ultimate litmus test is: what is the employee experience? There is a strong correlation between employee health conditions and work-related injury. Looking at that kind of data and the propensity of specific populations by location to be absent from work, in conjunction with workers comp loss experience at those locations, could be a good indicator of multiple problems. The employee experience when out on a leave is equally important if return to work is a concern for the employer. Fundamentally, for most employees, workers comp or disability leave is a traumatic event. Employers have a responsibility to make sure these employees don't fall through the cracks. For example, on the workers comp side, if the claim is denied then the employee might also be entitled to disability and leave benefits. A well-executed IDM program can have a huge impact on the lessening of litigation just by providing information to the employee regarding options.

The opportunity for IDM that existed in the 1990s still remains an opportunity today. However, FMLA, ADA and increased compliance risk have created a much greater need for the integration of occupational and non-occupational programs than what existed in the past. What we are building at Zurich will be at the forefront of innovation in this area so that we can continue to be the trusted advisor that our clients have come to expect. •

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Managing benefit costs with aplomb

GREG MOONEY

BY JERRY GEISEL

For years, Bonnie C. Sawdey was interested in moving Crawford & Co.'s employees exclusively to high-deductible consumer-driven health plans.

The reason, the senior vice president of human resources said, was basic. "I believe employees will make better purchasing decisions because they are spending their own money until the deductible is met," she said.

In 2006, Crawford considered a shift to full CDHPs within three years, but backed off amid concern that information employees would need to be more cost-conscious users of health care was not readily available, Ms. Sawdey said.

By 2013, Ms. Sawdey returned to the CDHP drawing board. The impetus: a projected 15% increase in group health care costs for 2014 — a much greater increase than in the previous several years — driven by such factors as an older workforce using more services, plan designs that didn't give employees enough economic incentives to be good consumers and new coverage requirements under the health care reform law.

Also aiding in the move, Ms. Sawdey said, was the increased availability of cost information for medical procedures and prescription drugs, enabling employees to comparison shop.

Ms. Sawdey then moved with lighting speed. While many companies have taken several years to make such a change, Crawford did so in less than a year.

"Our costs were projected to increase by approximately 15% in 2014, so we knew it was time to pull the trigger and make the move to CDHP," Ms. Sawdey said.

On Jan. 1, 2014, Crawford adopted a full CDHP, with employees choosing from three high-deductible health plan designs.

The financial impact was dramatic: Instead of that projected 15% increase, costs fell 6%, saving Crawford $3.8 million.

The savings were not achieved simply by shifting costs to employees. Indeed, Crawford contributed $500 to $1,000, with the amount depending on the plan chosen by employees, to health savings accounts to help employees pay for uncovered expenses. The company made the full contributions on Jan. 1 — unlike at many firms that spread the contributions throughout the year — giving employees access to the full amount to cover expenses incurred early in the year.

Besides that, employee premium contributions, depending on which plan they previously were in, were cut between 4% and 20%.

"Everyone has a lower premium," Ms. Sawdey said.

The new plan design worked as planned, helping to fuel a change in how employees use health care services.

"Employees are using lower-cost service options, such as urgent care centers rather than emergency rooms, choosing generic drugs over brand name and filling maintenance medications through mail order over retail pharmacies," Ms. Sawdey said.

That quick action and the cost savings that came with it, is just one of many of Ms. Sawdey's accomplishments in her more than a quarter century with Crawford.

For this, Ms. Sawdey has been named *Business Insurance*'s 2015 Benefit Manager of the Year®. Other achievements include:

- Enhancing Crawford's wellness program in which employees receive financial incentives to have health assessments and biometric screenings. There is a special satisfaction, she said, in the opportunity to improve employees' health through such programs. "Wellness is something that is pretty important to me. We only get one body. We are not like cats. We do not have nine lives. It is really important that people take care of themselves," she said.
- Implementing a Teladoc Inc. program last year in which employees can talk on the phone to board-certified physicians and get help for a medical problem, avoiding far more expensive office or emergency room visits.
- Implementing a data warehouse in which years of health care claims will be analyzed to identify cost drivers and find new ways to hold down costs, such as through Crawford's wellness programs.
- Putting in place a pension "buyout" program in which former employees were given the option to convert their annuity to a cash lump sum benefit. A whopping 56% of participants accepted the offer, slashing millions of dollars in liabilities and cutting administrative overhead. It was so successful, the buyout program has been extended to more former employees, a move that will expand Crawford's savings.

Despite her tenure in the benefits field, Ms. Sawdey's passion for resolving employee issues has not waned.

"I feel that I can help people. It is very rewarding when I and my team can help employees understand their benefits," she said.

And, modestly, she credits her successes to her colleagues. "I have a great team of people that work for me. They are absolutely fabulous. I could not get half of what I have done without them," she said.

Her colleagues are quick to credit Ms. Sawdey's successes to her instincts, intelligence and work ethic.

Ms. Sawdey "is intelligent, experienced and a quick learner. She has the desire to stay current in her professional field as well as take on new challenges. She can be counted on to do what she says and is viewed as a leader with considerable integrity, as well as organizational insight and experience," Phyllis Austin, Ms. Sawdey's boss and Crawford's executive vice president of global human resources in Atlanta, said about Ms. Sawdey.

Those who have worked with Ms. Sawdey cite her open mind and careful and thoughtful analysis of issues.

"She is open to new ideas and suggestions. She carefully weighs the pros and cons before making a decision," said David Berger, an Atlanta-based pension actuary with Aon Hewitt, which for many years has been Crawford's pension consultant.

While Ms. Sawdey has racked up many accomplishments at Crawford, she is not resting on her laurels. She is working to implement a diabetes management program amid an increase in the disease among Crawford employees and dependents.

"The prevalence of diabetes in our participants is more than 10 percentage points higher than the norm and continues to rise," she said. "My hope is that by offering a specialized program for diabetes management for our employees and their dependents, we will achieve higher engagement levels."

And she has taken on the role of senior human resources executive at Broadspire Services Inc., Crawford's third-party administration unit, and joined Broadspire CEO Danielle Lisenby's executive leadership team with responsibilities in the human resources area.

CRAWFORD & CO.

Headquarters: Atlanta

Founded: 1941 in Columbus, Georgia.

2014 revenue: $1.22 billion

Employees: 8,700

Did you know?

- Crawford opened its first international office in London in 1957 and now is represented in more than 70 countries.
- Its most recent major acquisition was GAB Robbins Holdings UK Ltd. for $73.3 million.
- Crawford has received 12 national innovation awards for its technology over the past seven years.

Response to pension lump-sum offer exceeds expectations

BY JERRY GEISEL

Crawford & Co. was not the first company to offer former employees the option to convert their future monthly pension annuity benefit to a cash lump sum.

Indeed, dozens of corporations over the past couple of years have made such offers to reduce the size of their pension plans, and with that, their exposure to having to make big and unexpected contributions to them.

"We liked the idea of removing as much of the liabilities as possible to reduce volatility," said Bonnie C. Sawdey, Crawford's vice president of human resources.

But what made Crawford's offer last year unusual was the high percentage of the nearly 1,100 eligible participants — those who had left the company but were not yet receiving an annuity and whose lump-sum benefit was $35,000 or less — who accepted it: about 56%. "We think that we had a phenomenal response rate," Ms. Sawdey said.

Indeed, benefits experts say the acceptance rate of such offers typically runs between 30% and 40%. Yet, the high acceptance rate at Crawford was not a fluke but the result of a focused communications strategy, Ms. Sawdey said.

"We worked with Aon Hewitt to create a series of communications that included an announcement brochure, an election package and a series of follow-up reminders released before and during the lump-sum window. We also brought in additional staff to help answer participant questions and process the paperwork as elections came in," Ms. Sawdey said.

Participants were given a toll-free number to call to get questions answered by Crawford staffers."Participants wanted to understand what their options were. They asked: 'Why is this being offered to me now? Is there any reason why I shouldn't be doing this? What are the tax consequences?' You name it. Anything you can think of," Ms. Sawdey said.

In addition, participants were told they could roll over the cash lump sum into an individual retirement account, a move that would allow beneficiaries to defer taxes while continuing to earn investment income.

That message was heard: 53% of those accepting the lump sum rolled the money over to an IRA, Ms. Sawdey said.

For Crawford, the move of 607 participants out of its defined benefit plan reduced projected liabilities by $16.5 million. By making the pension plan smaller, Crawford reduced its exposure to investment and interest rate risk, as well as to mandatory and escalating premiums paid to the federal agency that guarantees pension benefits.

With a Pension Benefit Guaranty Corp. 2015 base annual premium rate of $57 per plan participant and an additional premium of $24 per $1,000 of plan underfunding, Crawford saved tens of thousands of dollars in PBGC premiums this year.

Inspired by the success of its 2014 offer, Crawford last month launched a new offer under which eligible pension plan participants — about 600 — whose future annuity benefit has a cash value of up to $50,000 will be able to convert to a cash lump sum, Ms. Sawdey said.

Crawford ahead of trend in freezing pension plans

BY JERRY GEISEL

When it comes to defined benefit pension plans, the biggest corporate trend has been the move of employers to freeze the plans, with participants no longer earning future benefits.

Indeed, in 2013, only 34% of Fortune 500 companies still offered a defined benefit plan to new employees, according to a Towers Watson & Co. survey.

Crawford & Co. was way ahead of its corporate peers in that trend, however. It froze its pension plan back in 2002 — a year in which nearly 60% of big firms still offered the plans to new employees.

While the decision was difficult, it also was a necessary and important one, said Bonnie C. Sawdey, Crawford's vice president of human resources.

Changing interest rates and investment results meant "(w)e never knew how much we would have to contribute, plus federal lawmakers were frequently changing funding requirements," she said. Amid that uncertainty, Crawford's actuaries said, "The time might be right for you to think about this," she recalled.

The decision to freeze the plan was not made lightly. "Crawford is a family-oriented culture, and we recognized the impact this decision could have on our people." But, she added, "pension expense was increasing at an alarming and unsustainable rate."

Crawford's move to curb that unpredictable expense was coupled with sweetening its 401(k) plan. "We believed this approach would allow us to contain pension expenses while continuing to provide retirement benefits to our employees," Ms. Sawdey said.

At the time of the defined benefit plan freeze, Crawford added a feature to its 401(k) plan that would automatically make a contribution to employees' accounts even if the employee did not contribute to the plan. Since then, Crawford has made several changes to how it matches employees' 401(k) plan contributions. In 2015, the company plans to match 45 cents on every dollar employees contribute to the 401(k) plan, up to 6% of pay.

"Defined contribution plans are more flexible and portable, and allow employees to actively participate in the (funds') investment management," Ms. Sawdey said.

GREG MOONEY

Bonnie C. Sawdey, far right, with staff members Pat Rupp, left, Diane Garrard and Pat Higgins.

DRUG PRICING TOOL AIDS CONSUMERISM

When employers adopt consumer-driven health care plans and shift costs to employees, providing medical and prescription drug cost information becomes even more important.

At Crawford & Co., employees can price prescription drugs through a company website.

The Price a Medication tool is simple, said Bonnie C. Sawdey, Crawford's vice president of human resources in Atlanta. Employees enter the brand-name of their medications, then the tool asks for dosage and frequency. The tool will show the cost for the brand name medication for a 30-day supply at a retail pharmacy, as well as the cost for a 90-day supply using Crawford's mail-order service. If lower-cost alternatives are available, the tool show them.

Take Maxalt, which is used to treat migraines. An employee can see that the cost of a 90-day supply through home delivery for Maxalt 10 mg tablets is $405.35, while a 90-day supply of rizatriptan, Maxalt's generic equivalent, will cost just $31.47. For a 30-day supply at retail, Maxalt will cost $171.16, and the generic will cost only $12.85.

"The cost difference is more than significant. This is yet another resource that is very helpful" for employees enrolled in consumer-driven health care plans, Ms. Sawdey said.

On the same website, Crawford employees can link to an Aetna Inc. site to find prices for common medical procedures and tests. "Given that the same procedure, such as an MRI, can vary in cost by service provider, it is important that employees have these types of tools to help them make the best possible purchasing decisions," she said.

By Jerry Geisel

TELEMEDICINE HELPS EMPLOYEES ACCESS CARE AT LOWER COST

How many expensive emergency room and doctors' office visits could be eliminated if employees with unexpected medical problems could call a physician for assistance?

No one has an exact number, but Bonnie C. Sawdey, vice president of human resources at Crawford & Co. in Atlanta, sees such telemedicine programs as win-win for employers and employees. Those programs "are a great way for employees to access care and at lower costs, which is certainly what you need" with a consumer-driven health plan, Ms. Sawdey said referring to the program Crawford put in place in 2014.

For nearly a year, Crawford employees have had access to Teladoc Inc., offered through Crawford's insurer Aetna Inc.

After filling out a medical profile when they sign up for the program, employees can dial a toll-free number and talk to a board-certified physician about such conditions as respiratory, ear and urinary tract infections, allergies, colds and flu, sore throats and pink eye. Teladoc doctors, who have access to the profiles, can in turn call in a prescription to a pharmacy.

The employee's cost for the consultation and assistance from the Teladoc provider is $40, far less than making an appointment for an office visit to a doctor — to say nothing of the time saved.

An example provided by Ms. Sawdey illustrates the savings: A female employee has coverage through one of Crawford's consumer driven health care plans in which the deductible is $1,500 for single coverage. The employee suffers from seasonal allergies and develops a sinus infection. The employee believes she needs an antibiotic. If she contacts Teladoc, her out-of-pocket cost will be $40 for the "appointment," plus the cost of the prescription, which in this case, would be $46, Ms. Sawdey estimated. That puts the employee's out-of-pocket expense at $86.

By contrast, if the employee had made an appointment with her primary care physician, she would pay the full cost of the office visit, which Ms. Sawdey estimates would be $126 in this example.

Add the $46 for the antibiotic, and the employee's out-of-pocket cost comes to $172, or more than twice as much compared with the Teladoc program.

The Teladoc program also can save Crawford money, particularly when employees have met their deductible and the company has to cover more of the expense for medical treatment.

By Jerry Geisel

Taking tough decision on spousal health care leads to cost savings

Passage of health care reform law results in expansion of exclusion

BY JERRY GEISEL

For years, the Crawford & Co. benefits department had noticed a trend: Health care costs for employees' spouses were running considerably higher than those for employees.

So in 2006, Crawford made what Bonnie C. Sawdey, the company's vice president of human resources, described as a "pretty tough" decision: The company would no longer cover employees' spouses when the spouse's employer offered coverage and paid a portion of the premium.

"Our thought process was that any spouse who had access to subsidized coverage — meaning that his or her employer paid a percentage of the cost of coverage — would not be eligible under our plan," Ms. Sawdey said.

To minimize the impact, though, the exclusion applied only to new employees.

Seven years later, in the wake of the passage of the 2010 health care reform law and the costs increases Crawford faced from complying with various Patient Protection and Affordable Care Act provisions, the company took another look at spousal coverage and whether it should broaden its exclusion.

For example, once the act's individual mandate kicked in, requiring individuals to have health insurance or pay a penalty, Crawford expected more employees would opt for coverage.

"Historically, we've had fairly high opt-out rates under our medical plan — about 23% — and we feared that this would change due to the individual mandate," Ms. Sawdey said.

So effective in 2013, Crawford extended its spousal coverage exclusion provision to current employees; coverage would be offered only if spouses were not covered under another employer's plan.

GREG MOONEY

Phyllis Austin, left, credits Bonnie C. Sawdey's work ethic and instincts for her success: "She can be counted on to do what she says and is viewed as a leader with considerable integrity."

"We felt it was the right thing to do for the company and for employees to reduce our overall costs," Ms. Sawdey said.

Employees have a stake in such reductions because they pay a portion of the plan's premiums, Ms. Sawdey said.

Specifically, employees seeking to cover a spouse in a Crawford health care plan would first have to sign an affidavit that the spouse was not eligible for coverage from his or her employer.

Employees would continue to have the option to decide in which plan — Crawford's or the spouse's — their children would receive coverage.

In 2013, the first year the expanded spousal exclusion took effect, 280 spouses were removed from Crawford's coverage rolls, and the number of covered spouses has decreased by about 80 per year since then, Ms. Sawdey said.

SHIFT IN STRATEGY ON RETIREE HEALTH CARE COVERAGE REDUCES ADMIN, OFFERS FORMER EMPLOYEES MORE OPTIONS

While Crawford & Co. stopped offering health care coverage to employees who retired after the end of 1988, it continued the benefit to employees who had completed 20 years of service as of Dec. 31, 1988.

Not surprisingly, the pool of retirees and spouses eligible for coverage shrank over the years.

In fact, just 200 former Crawford employees and spouses are eligible for retiree health care benefits, down from about 350 initially.

Rather than continuing to directly cover a dwindling number of retirees, Crawford decided, effective last year, to give retirees a fixed company contribution that they could apply toward purchasing coverage through a health insurance exchange run by insurer UnitedHealthcare.

"The advantages to Crawford were associated with reducing our administrative burden and the volatility of costs under our self-insured plans. The advantage to most retirees was a chance to save money by offering them plans with lower premiums, plus we provided a small subsidy to help them purchase their individual coverage," said Bonnie C. Sawdey, Crawford's vice president of human resources in Atlanta.

Specifically, Crawford provided a $550 annual premium subsidy for pre-1998 retirees and a $250 annual subsidy for those who retired after 1988. Retirees' spouses would receive the same subsidy.

To communicate this change to affected retirees, Crawford distributed an announcement letter, a detailed question-and-answer sheet about the change and enrollment materials, as well as teleconferences and reminder postcards, Ms. Sawdey said.

In addition, UnitedHealthcare offered a series of educational teleconference calls and a dedicated helpline to answer retirees' questions, as well as questions from their family members.

"Our Crawford retirement area fielded numerous questions over the three-month transition period, mainly because retirees were attuned to dealing directly with us," Ms. Sawdey said, adding most retirees and their spouses were in their 70s and 80s, "with two of them reaching their 100th birthday that year."

While the transition to the UnitedHealthcare exchange was turbulent, Ms. Sawdey said there have been few questions or complaints since.

"Once the retirees' were enrolled, they seem to be satisfied and pleased with the coverage," she said.

Although the exchange approach for retirees has been a success, Crawford has no current plans to offer employee health care coverage through a private exchange.

"We have talked about the exchange for our active employees but have determined that there would not be any cost advantages to employees or to Crawford" under the current setup, Ms. Sawdey said.

Still, "I plan to monitor what's happening with the exchanges to see if there are any developments that could change this assessment," she said.

By Jerry Geisel

Financial incentives drive wellness

When employers move to high-deductible consumer-driven health care plans, one risk is that employees — because they are footing more of the cost — will delay preventive services that could spot medical problems early, before they develop into conditions that are far more expensive to treat.

A Crawford & Co. wellness program is designed to reduce the likelihood of that scenario from happening by giving employees financial incentives to have medical tests and screenings.

"I believe that the wellness program is a critical piece of our benefits program design. Now that employees have more out-of-pocket expenses under our medical programs, I believe we must provide them with programs, tools and resources to help them maintain or improve their health status," said Bonnie C. Sawdey, Crawford's vice president of human resources in Atlanta.

Indeed, Crawford gives employees strong financial incentives — company contributions of up to $300 annually to their health savings accounts — for completing certain wellness-related activities:

- $150 for completion of a biometric health screening and completion of an online health assessment.
- $100 for having an annual physical.
- $50 for participation in one fitness challenge or two workshops.

In addition, employees' spouses can earn $150 annually for completing a biometric health screening and an online health assessment.

During the biometric screenings, which are conducted at Crawford's largest locations and at Quest Corp. labs at other locations, employees' cholesterol, glucose and BMI levels, weight and blood pressure are checked.

Employees are given the results, as well as an assessment on whether their numbers are low, medium or high risk. If an employee is at medium or high risk, a nurse will provide suggestions on what the employee can do to reduce the risk.

While 45% of Crawford employees participated in the wellness program last year, Ms. Sawdey said she is optimistic that the participation rate will increase this year as employee awareness increases.

In addition, 40 to 75 Crawford employees each month participate in its Weight Watchers program, the cost of which is 100% covered by the company.

By Jerry Geisel

JOB TO HELP PAY COLLEGE BILLS LEADS TO LIFETIME CAREER

BY JERRY GEISEL

When Bonnie C. Sawdey joined Crawford & Co. in 1989, she had no idea that she would be spending the next quarter century with the Atlanta-based claims adjusting company.

While attending a community college in the Atlanta area, Ms. Sawdey, 46, Crawford's vice president of human resources, took a part-time job as a payroll clerk in Crawford's catastrophe division.

"I needed to work to help pay for my educational and living expenses. I had been working in a retail environment for a few years and was ready to try a role in a business environment," she said. "I knew someone who worked for Crawford and was told about an opportunity for part-time work in the company's catastrophe department."

One of Ms. Sawdey's first assignments coincided with the massive oil spill in Valdez, Alaska, when an Exxon Corp., now Exxon Mobil Corp., tanker struck a reef. Her job: processing payroll checks for the hundreds of Crawford adjusters working in the area.

While her position as personnel coordinator in the company's catastrophe division was challenging, Ms. Sawdey decided at the time her first child was born in 1991 to look for a new position at Crawford, which she liked for "its family-oriented culture, quality focus and emphasis on employee training and development."

"Although a challenging and interesting job, I didn't see a true career path for myself in that department. It always was my desire to advance into a management role. After my son was born, I felt that I needed ... to find a position that would lead to a career versus just a job," she said.

She did just that in 1991 when she transferred into an entry-level job in Crawford's human resources department, processing benefit enrollment forms, handling insurance claims and helping new employees understand Crawford's benefits programs. In 1993, she was promoted to a supervisory role, responsible for all of Crawford's health and welfare plans.

And in 1998, when Crawford's vice president of employee benefits retired, Ms. Sawdey was approached by William L. Beach, the company's human resources senior vice president, to take on the position. His message to Ms. Sawdey was clear, she recalled: He said he could "hire from the outside, but I really think you are the one who can do this job."

In her new position as director of employee benefits, she was given responsibility for the administration of not only the company's health and welfare plans, but also for its pension plans.

In these last 17 years at Crawford, Ms. Sawdey has directed or been involved in many employee benefit issues and changes, including the launch of its wellness program, the freezing of Crawford's defined benefit pension plan and a 2014 offer to former employees who had vested but had not reached retirement age to convert their future monthly annuity benefit into a cash lump sum.

She also secured Crawford's participation in a prescription drug buying program that has slashed costs for the company. Most recently, she directed Crawford's shift from traditional health care plans to consumer-driven plans, a move that dramatically reversed years of steady cost increases.

Twenty-six years after joining Crawford, Ms. Sawdey's enthusiasm for her job and employer have not waned. "There are great leaders here from whom I have had the opportunity to learn," she said.

"Employee benefits are complex. The average person has no idea what they mean. I find it very rewarding when I and my staff can help employees understand how to use their benefits and what benefits can do for them. It is about helping people," she said.

Off the job, Ms. Sawdey enjoys cooking, reading, walking and making jewelry.

Ms. Sawdey's husband, Jeff, whom she has known since elementary school and married in 1990, is an information technology director for Rock-Tenn Co., a Norcross, Georgia-based manufacturer of corrugated and consumer packaging.

The Sawdeys have two children: Christopher, 23, who is studying to be a mining engineer at the South Dakota School of Mines and Technology in Rapid City; and Ashley, 21, a student at the University of North Georgia in Dahlonega, where she is pursuing a degree in chemical engineering.

GREG MOONEY

Twenty-six years after joining Crawford, Ms. Sawdey's enthusiasm for her job and employer have not waned.

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Leader put benefits revamp on fast track

MICHAEL MARCOTTE

WESTERN KENTUCKY UNIVERSITY

Established: 1906

Headquarters: Bowling Green, Kentucky

2014 operating budget: $318.7 million

2014 health benefits budget: $18 million

Did you know?

- WKU's Pearce Ford Tower is the second-largest student dormitory in the United States.
- Eleven alumni of the university's photo and print journalism programs were part of the Louisville Courier-Journal team that won the 1989 Pulitzer Prize for its coverage of the 1988 Carrollton, Kentucky, bus crash — the second-deadliest bus disaster in U.S. history.
- Famous alumni include: Larry Renfro, CEO of Optum Inc.; John Carpenter, film director; Cordell Hull, former secretary of state from 1933-1944; Claire Donahue, 2012 Olympic gold medalist in swimming.

BY MATT DUNNING

As assistant director of human resources at Western Kentucky University, Kari A. Aikins treats managing health and retirement benefits for the Bowling Green college's 2,300 employees as one component — albeit a critical one — of a larger objective.

"I've never been interested in having a single functional responsibility," Ms. Aikins said. "I like to think about human resources as being a very fluid organization. Instead of separating health care, retirement and compensation, I want us to talk more about the whole life cycle of our employees' careers at Western Kentucky.

"I try not to think about benefits as a singular piece of HR, and I'm really trying to move our entire department toward a more process-oriented approach," she said.

Her belief in the value of a more inclusive approach to benefits management, coupled with her well-documented strategic planning and communication talents, enabled Ms. Aikins to orchestrate a near-complete overhaul of the university's health benefits program.

That has earned her a place on *Business Insurance*'s 2015 Benefits Management Honor Roll®.

"It's just extraordinary to think back on all of the things we were able to accomplish, especially within the time frame in which we did it," said Tony Glisson, Western Kentucky University's director of human resources. "I'm still not quite sure how we did it all, but it certainly couldn't have been done without Kari's leadership, the help of her team and the help of our consulting partners."

Like many employers, Ms. Aikins said Western Kentucky was struggling to rein in

> "I like to think about human resources as being a very fluid organization. Instead of separating health care, retirement and compensation, I want us to talk more about the whole life cycle of our employees' careers at Western Kentucky."
>
> Kari A. Aikins, Western Kentucky University

its health care costs and minimize its exposure to the looming excise tax on high-value benefit plans that is due to take effect in 2018 under the federal health care reform law.

In response, Ms. Aikins — along with her university colleagues and staff, and her benefits advisory partners at Sibson Consulting, a unit of The Segal Group Inc. — decided early last year to replace Western Kentucky's traditional self-insured preferred provider organization health plans with a suite of account-based plans, including a health savings account-linked high-deductible plan and two health reimbursement arrangement-linked PPO plans.

That she was able to navigate the university's new benefits strategy from concept to implementation in less than a year, given its complex internal management structure and wide range of constituent groups, is a testament to her unique blend of skills and commitment, her colleagues and consultant partners said.

"It really was a massive undertaking," said Norman Jacobson, a senior vice president at Sibson Consulting in New York, who worked closely with Ms. Aikins' department to design and implement the university's revamped health benefits strategy.

"Executing a full replacement for health benefits would take three years at most higher education institutions," Mr. Jacobson said. "We were able to get the approval done in three months, which is why I think she deserves the accolades that she's received."

He attributed the rapid approval in large part to Ms. Aikins' ability to identify and address the concerns of the university's multiple interest groups at once.

"To see how it all interlinks and coordinate all of that, you have to have a very broad field of vision, and to me, that's what makes her exceptional," Mr. Jacobson said.

At the same time, Ms. Aikins and her colleagues saw the changes as an opportunity to improve employee engagement in Western Kentucky's workplace wellness program, which had moderate participation rates since its launch nearly a decade earlier but struggled to generate meaningful reductions in staff and faculty health risks.

To that end, Ms. Aikins and her team devised a new wellness incentive structure rooted in behavioral economics, wherein the university contributes to employees' HSAs or HRAs for pledging to complete certain wellness activities by a set date, and imposes higher premiums for failing to do so.

"Kari and I were joined at the hip through the whole planning process, but she steered the ship," said Wade Pinkard, the university's employee wellness manager. "I think the two of us, together with our consultants, have put together what I would call a 'best practice' wellness strategy with a powerful incentive design and a comprehensive program that sends a message across our campus that health matters, and I think we're slowly starting to change the culture."

With the new incentive structure now fully implemented, the university has seen its wellness program participation rate grow to 88% of eligible employees while its percentage of employees with moderate to high health risks has shrunk.

"She's a rare find and a rare talent," Mr. Glisson said. "Sometimes we lose the forest for all of these trees we have in our immediate field of vision, but Kari has definitely put us in a position to do more on a strategic level, and I believe we've been able to convince our senior leadership to be a little more in tune with that line of thinking."

Incentives, upgrades gave university's wellness program a shot in the arm

BY MATT DUNNING

While mapping a new group health insurance strategy to minimize Western Kentucky University's exposure to the so-called "Cadillac tax" and reducing its benefits costs, Kari A. Aikins saw an opportunity to breathe new life into the university's floundering workplace wellness program.

"We'd started offering a wellness program about eight or nine years ago, but all it really entailed was partnering with a vendor and encouraging employees to take a health risk assessment and do a biometric screening," said Ms. Aikins, the university's assistant director of human resources. "We hosted a few seminars or classes throughout the year, but that was really it."

When the university revamped its wellness strategy in 2013 by adding modest financial rewards and more health management activities, most still failed to register above 50% participation.

Also, the percentage of employees with three or more risky health behaviors or conditions rose in 2014, according to data collected by the university's wellness program providers, Nurtur Health Inc. and LiveHealthier Inc.

So Ms. Aikins, her staff and New York-based human resources specialist Sibson Consulting devised a new incentive structure by combining financial rewards and penalties linked to the amount employees must pay and university contributions to employees' health savings accounts or health reimbursement arrangements.

Under the new Top Life plan, employees enrolled in one of the university's three account-based health plans can sign a pledge at the start of each plan year and complete two wellness initiatives and activities, such as a weight loss or smoking-cessation program, for a larger contribution to their HSA or HRA and discounts on their health care premium.

For those who fail to complete the activities within the allotted time, the university reclaims its contributions and charges employees higher premiums for the rest of the plan year.

"That loss-aversion component, at least in my opinion, proved to be very powerful," said Wade Pinkard, the university's employee wellness manager. About 88% of eligible employees signed the Top Life pledge this year; 98% of those completed health-risk assessments and biometric screenings, nearly doubling the previous year's completion rate, he said.

"As that first deadline got closer and closer earlier this year, we sent out a lot of communications to employees warning them that if they didn't complete the first part of the pledge, their premiums were going to go up, and that moved a lot of people toward action," Mr. Pinkard said.

The new incentive structure appears to be having a positive effect, Mr. Pinkard said.

According to data by the university's wellness program providers, 29.2% of participants were living moderate or high-risk health lifestyles in the first half of this year, down from 34.5% last year.

Now, the university is exploring ways to promote financial, social, mental and economic health.

Mr. Pinkard said he'd also like to see a campuswide ban on tobacco use, a healthy foods policy for all university-sponsored events and a more comprehensive work/life balance program.

PRESCRIPTION COST INCREASE A CHALLENGE

A major piece of Western Kentucky University's health plan revamp was changing prescription drug coverage, something Kari A. Aikins said she knew would be among the most difficult adjustments for employees to make.

Specifically, the university's new health plans do not provide first-dollar coverage for many nonpreventive medications — including pain drugs and anti-depressants.

That meant employees would likely have to pay out-of-pocket until they reach the annual deductible, which ranges from $1,000 to $2,600 for individuals.

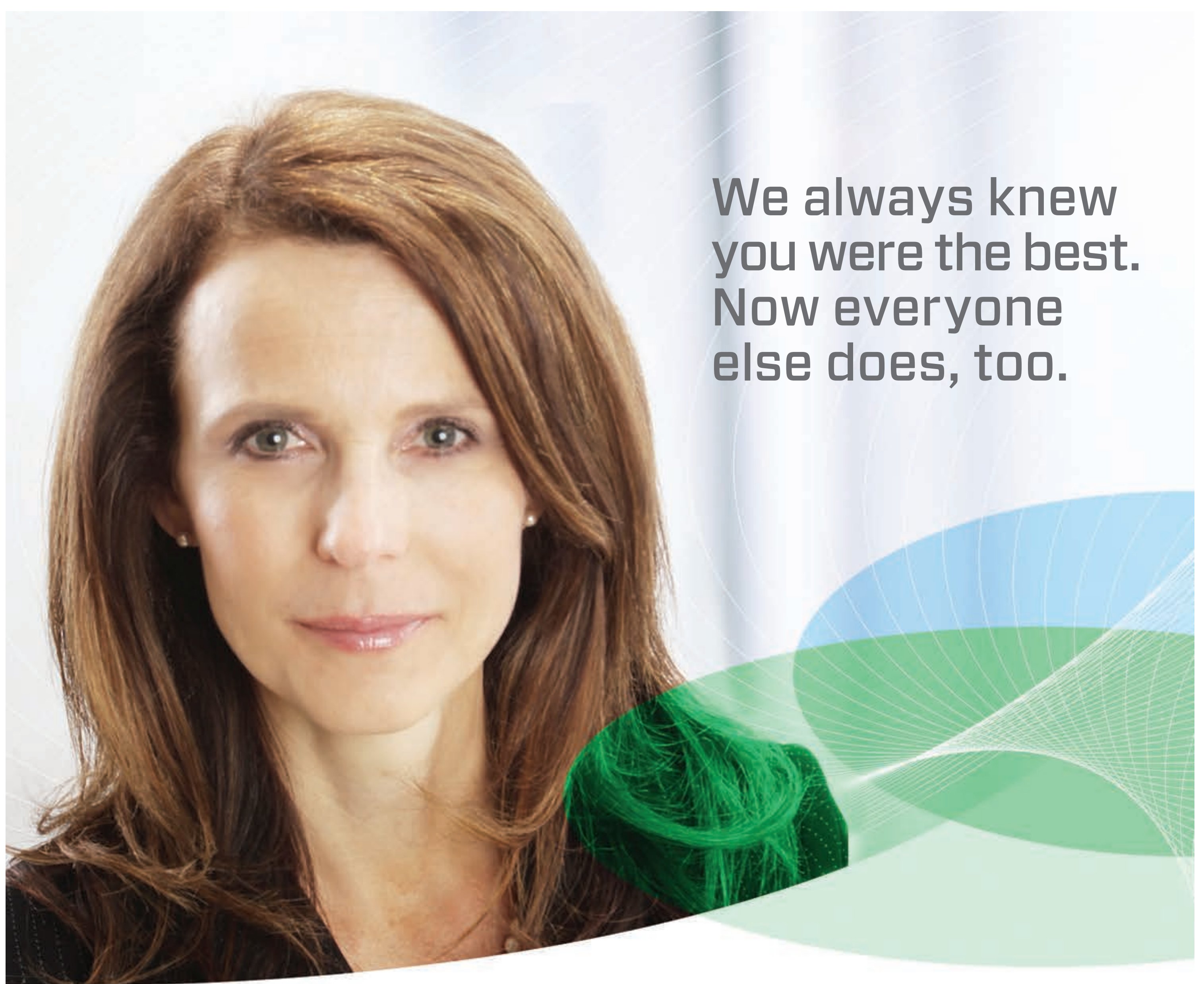
In addition, Ms. Aikins said the university was dissatisfied with the way its pharmacy benefits program was being managed.

She said a solution to both issues presented itself in the form of Know Your RX Coalition, a nonprofit prescription drug buying collaborative in Kentucky.

Through a partnership with Express Scripts Inc., the coalition is a pharmacy benefits consultant for the university and a prescription concierge service for workers, saving about $500,000 a year.

"We now maintain the rebates and we have direct access to customer service representatives," Ms. Aikins said.

By Matt Dunning



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New health benefits tack avoids 'Cadillac tax'

BY MATT DUNNING

For nearly 15 years after making the decision to self-insure its employee health benefit plans in 1999, Western Kentucky University's approach to modifying its plan offerings to control medical costs was largely reflexive, said Kari A. Aikins, the university's assistant director of human resources.

"We had known for many years that we needed to make some pretty significant changes," Ms. Aikins said. "We found ourselves being very reactionary in terms of when and how we made changes to our health plan, and it basically depended on the reserve level in our self-insured pool. If the reserve fell below our target level, we'd make a few changes, and that would get us through a few years, but that's not sustainable long-term."

That all changed in the fall of 2013, Ms. Aikins said, when the university hired New York-based human resources specialist Sibson Consulting, a unit of The Segal Group Inc., to assess its readiness for the onset of new coverage and reporting requirements under the Affordable Care Act.

Sibson's analysis revealed that the university's health benefits program would likely trigger the reform law's 40% excise tax on high-value health insurance plans — known as the Cadillac tax — as early as 2018 or 2019, costing the school an additional $1.4 million on top of a health benefit budget that was already approaching $20 million annually.

"That's what really propelled us to take a more proactive approach to this," Ms. Aikins said. "If we did nothing, we projected that we'd spend somewhere between $20 million and $30 million over the next seven years."

Ms. Aikins, her staff and Sibson spent the next few months designing a replacement health benefits program for the university's existing preferred provider organization plans to minimize the effects of the excise tax and promote more responsible medical utilization and healthier behaviors.

The result of those efforts was a trio of coverage options: a high-deductible health plan linked to a health savings account and two PPO plans, each linked to health reimbursement arrangements. Under the replacement benefits design, the university's annual contributions to employees' HSAs and HRAs would vary depending on employees' full participation in its workplace wellness program, as would eligibility for monthly premium discounts.

"From a conceptual point of view, the main thrust of this was to change the culture of health at the university," said Norman Jacobson, senior vice president for higher education benefits at Sibson Consulting. "The key to doing that is knowing your employee population, and Kari really knew the school's employee population, and knew coming in what would be impossible and what would be workable."

MICHAEL MARCOTTE

Kari A. Aikins, center, with human resources director Tony Glisson, far left, and her staff: Linda Heady, second from left, Denise Cornelius, Wade Pinkard and Sondra Humphries.

Ms. Aikins said she and her team were well aware that implementing the replacement program, later branded Top Life, would present logistical and administrative challenges.

First and foremost, all changes to WKU's health benefits program must meet the approval of the university's benefits committee, comprising 14 academic faculty members and school administrators.

"That's probably one of our biggest challenges," Ms. Aikins said. "You have representatives from all of these different departments, and nobody ever wants to make a change that could be harmful to employees, even though ... it's going to be beneficial in the long run."

Despite the range of interests represented, Ms. Aikins and her team were able to win the committee's support — and, later, the support of WKU's senior administrative leaders — for the benefits program in a matter of weeks in the spring of 2014.

Ms. Aikins' colleagues credit the program's relatively speedy approval to her gifts for clear communication and detail-oriented strategic development, especially at the committee level.

Other logistical challenges Ms. Aikins and her team met and overcame on the road to implementing the Top Life program in time for the 2015 plan year included its integration with Benefitfocus, the automated, cloud-based benefits administration platform the university launched one year prior through Charleston, South Carolina-based Benefitfocus Inc.

"Kari was responsible for learning that system and its capabilities, as well as getting it integrated with our systems and communicating with the campus faculty and staff how it works and how it would affect their enrollment," Tony Glisson, the university's director of human resources. "Without that blend of abilities that she has, it would have been impossible to pull all of that off."

Although it is too early to know if the changes will have the desired effects, Ms. Aikins said the initial projections look promising.

The shift to account-based health plans is expected to shield the university from exposure to the reform law's excise tax through 2022, and reduce the university's projected 2015 health benefits budget by 5% to approximately $18 million.

"It was actually a larger number to begin with because of the higher-than-expected engagement in the wellness program — and to be clear, that's a good thing," Ms. Aikins said.

COMMUNICATION HELPED SELL CHANGES TO SKEPTICAL EMPLOYEES

BY MATT DUNNING

Kari A. Aikins knew a thoughtful, comprehensive strategy was essential to communicate sweeping changes to Western Kentucky University's health insurance program for the 2015 plan year.

Fortunately, Ms. Aikins said, two degrees in organizational communications — including a master's degree from the university — prepared her for the challenge.

"The idea was to shift our employees' mindset and let them know that we're all in this together and that if we all behave just a little bit differently in a few ways, we can have a very big impact," said Ms. Aikins, the university's assistant director of human resources. "That starts with educating them on how self-insured health benefits actually work and helping them to understand that we, as a group, have a lot of control if we all work together."

Beginning with a campuswide forum last July, Ms. Aikins and her staff set out on a multipronged employee education and training campaign in the switch from a traditional preferred provider organization health plan to a trio of account-based, high-deductible plans, with the university's contributions contingent on their taking part in wellness activities.

"Kari absolutely delivered on our need to clearly and effectively articulate what I think are very complex concepts and ideas and translate them into very simple yet descriptive terms and visuals that would enable our employees to capture the essence of what we're trying to accomplish," said Tony Glisson, Western Kentucky's director of human resources.

"We started with what we called our 'burden platform,' which we developed as a way of explaining to our employees all of the reasons that we were making these changes," Ms. Aikins said.

"There were a lot of little things we did as well along the way," she said. "For example, we quit calling it 'the health plan' and started calling it 'our health plan.' "

After that initial forum, she and her colleagues fanned out across campus to meet with representatives of dozens of academic and administrative departments.

"Kari proved quite capable of braving conditions that some might consider pretty hostile," Mr. Glisson said. "It was not a universally welcome message, at least initially. Kari demonstrated a lot of talent and tact by presenting all of this information to our employees in a very calming, collected and articulate manner."

Ms. Aikins and Mr. Glisson said a critical component of the campaign's success was drawing on the university's resources, including the student-run advertising agency to develop the Top Life program's branding and the communication specialists at Sibson Consulting.

"We had a lot of help from them in trying to formulate a communication plan that included ... different delivery systems and methodologies, so that we could reach as many of our employees as possible," Mr. Glisson said.

Conversely, Norman Jacobson, Sibson Consulting's senior vice president of higher education benefits, said what seemed to resonate most with employees was Ms. Aikins' emphasis on the collaborative relationship between the university and its employees.

MICHAEL MARCOTTE

Kari A. Aikins

MARKETING SKILLS PROVE USEFUL

With bachelor's and master's degrees in organizational communications, Kari A. Aikins says she is a natural fit for the world of human resources and benefits management, though she once contemplated a different path.

Initially trying marketing and human resources, she chose HR. "What I do now is a lot more fun than I think marketing would have been by itself," said the assistant director of human resources at Western Kentucky University, noting that she does put marketing's persuasion tactics and demographic analysis to good use.

Ms. Aikins said she finds the personal elements of her job to be the most rewarding.

"The human aspect of this job is a pretty big deal, not only at the individual level, but also at the university level," Ms. Aikins said. "Sometimes it does feel like HR is just the 'complaint department' for employees, but not one day goes by that we don't help somebody."

Away from the university, Ms. Aikins said she and her husband, Trevor, focus on caring for their three children: Lola, 10; Mia, 8; and Hunter, 5.

"The kids keep me very busy, but I also play golf," Ms. Aikins said. "I've been playing golf since I was about 8. I have a book club and a few other groups that I'm in, so I actually do have a pretty active social life despite having three kids."

Ms. Aikins said her experiences raising children with a husband who spends about two-thirds of the year traveling for his job in medical device sales, while also tending to her career in human resources, has motivated her to push Western Kentucky administrators to rethink policies on work-from-home programs and other popular flexible time arrangements.

"As we recruit younger faculty, it's becoming increasingly common for new hires coming on to have families and still want to continue their careers. It's really about total rewards."

By Matt Dunning

A healthy outlook for AT&T employees

KAREN CAMPBELL

AT&T INC.

Headquarters: Dallas

Year founded: 1983

2014 revenue: $132.4 billion

Employees: 243,620

Did you know?

- AT&T covers more than 99% of Americans with its wireless network.
- It has 3.5 million business customers, including nearly all of the Fortune 1000.
- Its employees directly support 18,159 nonprofit organizations.

BY JUDY GREENWALD

AT&T Inc. is one of the largest companies in the world, but Marty Webb is giving it a small-company flavor.

Acting on his strongly held belief that he and the company need to do well by AT&T's workers, the vice president of benefits tries to make each worker feel that the telecommunications giant cares about them personally. This philosophy has led to robust 401(k) programs and the transfer of some 200,000 Medicare-eligible retirees and their dependents into Aon P.L.C.'s private health insurance exchange.

A centerpiece of Mr. Webb's efforts, earning him a spot on the 2015 *Business Insurance* Benefits Management Honor Roll®, is AT&T's health care program.

"We're a hard-working company focused on developing the right products and services and doing so in an environment where lots of changes are occurring because technology is changing dramatically," he said.

"We're nothing without our people and we need them to be healthy, we need to provide tools for them to be trained" on healthy practices, he said of AT&T's more than 240,000 current employees. "It's a people-based business, and if we don't provide the right structure, the right sense of care for our people and the right benefits for our people, then we just won't be successful."

As the company has grown, so have the number of workers and retirees receiving benefits.

"Today, we offer health care benefits to over 1 million people; so when you think about it, we offer health care to about to one out of every 300 people within the United States," Mr. Webb said.

> "We're nothing without our people and we need them to be healthy, we need to provide tools for them to be trained" on healthy practices.
>
> Marty Webb, AT&T Inc.

That presents "all types of different opportunities" to offer programs to employees and retirees "and do it in the right fashion, where it's a robust benefit to the people, where it's appropriate for their lifestyles at a cost that makes sense to AT&T," Mr. Webb said.

The result was the 2012 launch of Your Health Matters, which is "a brand we developed to encompass all of our health care benefits," including the "tools and resources to lead happier lives," Mr. Webb said. This program goes beyond traditional medical, pharmacy, dental, vision, disability and life insurance to focus on wellness "and to the extent (employees) have any sort of a chronic problem, a disease management program," he said.

Your Health Matters is backed by a broad communications program that includes incentives for and video vignettes about employees "who have done something … to lead healthier or happier lives," Mr. Webb said.

For example, employees can choose a goal that will help them live healthily, such as exercising four times each week, limiting fast food to once a week or quitting smoking.

"We do a lot of messaging on this," he said. Four reminders are sent out about the program during the year. Employees also are asked several questions about their progress to help develop their story.

"It even includes changes in our cafeterias, to provide (employees) with healthier options," he said.

The program has entered its second phase, which again includes the Chairman's Challenge in which AT&T Chairman Randall L. Stevenson "asks people to go on their own journey, to set some goals to lead healthier lives."

Mr. Stevenson also participates in Your Health Matters.

About 24,000 people are participating in the second phase. When it's complete, employees will select the Chairman's Choice winners, who are given funds to contribute to a charity of their choice, said Mr. Webb.

Three people will get $5,000 apiece and three winning groups will receive $10,000 each to donate to a charity, he said.

As part of the program, AT&T is using an application that allows people to synchronize with personal devices such as Fitbits to track their weight, sleep patterns, medication or stress management, he said.

"It can be whatever they're trying to change in their life to lead a healthier life," Mr. Webb said.

Participants electronically track their progress throughout the challenge.

Mr. Webb said he also participates in the program with a group of fellow benefit employees. His goal is "to lose the nagging 10 pounds" he has been dragging around. "I'm about halfway there," he said with a chuckle.

PLANNING, COMMUNICATION SMOOTH SHIFT OF RETIREES TO HEALTH EXCHANGE

Flexibility, competitive pricing help drive switch to private coverage

BY JUDY GREENWALD

One of the major accomplishments of Marty Webb's tenure as vice president of benefits at AT&T Inc. in Dallas has been engineering the largest transition to a private health care exchange in the market to date.

While the total number of retirees and dependents in the exchange, which was officially launched Jan. 1, is confidential, Mr. Webb said he "wouldn't argue" with estimates that it totals about 200,000.

AT&T officials proceeded with this massive project cautiously but eventually felt, watching the market develop, that it "was ready for the retirees at a price that was better than the price that we could offer internally," he said.

AT&T chose Aon Hewitt to manage the exchange, but not because of AT&T's previous relationship with Aon, Mr. Webb said. "We went through an exhaustive process to determine what entity was the best market for our employees," said Mr. Webb. "We didn't just default to them."

Mr. Webb said many retirees 65 or older had never really chosen a health care product and had just accepted what AT&T provided. Now they had an opportunity to choose, "which sounds really nice," but it was important to use a company that "had the right processes in place and that was flexible enough to change for our needs, and to be able to move that many people through a channel and give them lots of time and information to choose the product or products that's right for them."

The year-long process entailed more than 60 educational sessions around the United States and "literally hundreds of people on the phone" talking to individual employees. But "we're very pleased" with how it went, Mr. Webb said, adding there have been few complaints. "We think people are generally happy where they are and the way this works."

Bill Blase, AT&T's senior executive vice president for human resources and Mr. Webb's boss, said Mr. Webb "had to go out and meet with thousands of retirees who were very nervous about change, as you would expect," and explain to them what was happening to them and why. But it "was done flawlessly," he said.

CLOSE WORKING RELATIONS WITH AON HEWITT A BOON

AT&T Inc.'s benefits department works closely with Aon Hewitt, said Marty Webb, vice president of benefits.

"We have a long-standing relationship with Aon," said Mr. Webb, who is based in Dallas. "They are our eligibility and enrollment provider for enrolling anything that has to do with health and welfare, with the exception of pensions and savings.

"That's a big deal for us, because we have lots of different plans. We have a rich history of acquisitions" as well as "lots of union employees that have different plans available to them" so enrollment is a "complex function at AT&T, and they play a great role there," Mr. Webb said.

> "They have a dedicated workforce that can fluctuate, but it would not be uncommon for them to have up to 80 people on calls. But during enrollment that can multiply exponentially."
>
> Marty Webb, AT&T Inc.

"I've worked with them for well over a decade. They've probably provided services to our family of companies for over a couple of decades," said Mr. Webb. "They provide a host of different consulting products and services to us, including establishing the health exchange services."

The two companies' working relationship is close. "Multiple people talk to multiple people" at Aon every day. "It's truly a partnership relationship" that includes dozens of people, he said.

Services also include a call center that employees call when they have an enrollment question, Mr. Webb said. "They have a dedicated workforce that can fluctuate, but it would not be uncommon for them to have up to 80 people on calls. But during enrollment that can multiply exponentially."

Mr. Webb said he talks with one member of the Aon team a least once a week. His primary contacts are with Kristi Savacool, CEO of Aon Hewitt, and Diana Robinson, Somerset, New Jersey-based executive vice president of sales and accounts for Aon Hewitt, he said.

Other members of AT&T's benefits team have their own team, "and it would not be uncommon for me to walk out of my office and run into them," he said.

By Judy Greenwald

Retirement savings matter for all employees

AT&T Inc.'s Your Money Matters program helps pave the way for its workers' retirement, according to Marty Webb, vice president of benefits in Dallas.

Both Your Money Matters and Your Health Matters are part of the You Matter program, with Your Money Matters primarily focused on pensions and savings, said Mr. Webb.

"In fact, pensions is one of the areas we feel we've made some great strides in," he said.

Mr. Webb also noted that employees' 401(k) accounts are often their greatest source of wealth and what they think about when preparing for their retirement years.

"We feel we have an obligation to help people prepare for that as best they can," including its health and financial aspects, "and so we do what we can to educate employees to participate fully in their 401(k)," said Mr. Webb. "We are close to 90% of our employees who are actively participating in their 401(k)," he said.

Similar to its approach on health issues, "we also send out a lot of education on Your Money Matters, and we do seminars that focus on anything from investing to budgeting to meeting (workers') retirement needs," said Mr. Webb.

"And we've even done a couple of things that focus on specific sectors of employees," he said. The most recent was a video on Generation X employees, he said.

AT&T has also held a seminar looking at women's investments, he said. And one still in the planning stages will focus on people who are nearing their retirement years.

AT&T seminars are filmed and then made available on the Web, he said. They can have attendance ranging from 50 to 100 people "and we'll speak directly to them, but we'll also broadcast it at the same time so anybody can participate and look at the presentations, and they can ask questions over the Web also," Mr. Webb said, adding that thousands of people will sometimes participate.

By Judy Greenwald

SEAMLESS INTEGRATION A HALLMARK

Mergers and acquisitions are an ongoing challenge for Marty Webb as Dallas-based vice president of benefits for acquisition-minded AT&T Inc.

AT&T has made frequent deals over the years, and Mr. Webb seeks to seamlessly integrate acquired companies' employee benefits into his company's fold. With any merger, AT&T will start working with an acquired company as soon as the deal is announced, he said. Often "that happens through a structured process to exchange information, and so we exchange that information over a period of time so when the acquisition does occur, we're ready to take the next step of doing what we need to do to integrate the two companies," he said.

"From my perspective that becomes, 'How are we going to change? What do we do on the benefits side to make sure all the employees have the appropriate benefits across the entire spectrum of benefits?'" said Mr. Webb.

In May, AT&T announced a $49 billion merger with El Segundo, California-based DirecTV L.L.C. "We'll adopt best practices across both companies, and we'll determine what that means from a benefits perspective on a going-forward basis," he said.

For instance, DirecTV does not use AT&T's pharmacy manager, CVS Caremark, a unit of Woonsocket, Rhode Island-based CVS Health Corp.

"We'll look at that and determine whether it makes sense to make a change there," said Mr. Webb. "We have very few vendors' relationships that are common. It will be a challenge."

Meanwhile, recent acquisitions could mean that Mr. Webb's job takes on more of an international flavor. DirecTV, with 5,000 domestic employees and an equal number internationally, has a significant Latin American presence.

Other recent deals include AT&T's acquisition of Mexican wireless provider Iusacell from Grupo Salinas, which has about 10,000 employees in Mexico, Mr. Webb said.

"My job today is primarily focused on domestic employees," but with the number of international employees increasing exponentially, "we're going to have to determine what that means going forward," which will "evolve over time," he said.

Right now, internationally based employees are handled "on a country-by-country basis, but not directly by me. I'll be involved with that, but whether I'll take responsibility for that or not remains to be seen," he said.

"We'll have to figure out what's the best way for us to provide benefits internationally, what's the right structure for us to do that," he said.

By Judy Greenwald

Small-town guy makes leap to huge job

Life has carried Marty Webb, vice president of benefits at AT&T Inc., a long way from a small Missouri town to the Dallas skyscraper where he now works.

Mr. Webb, 57, grew up in Jasper, Missouri, a farming community with a population of less than 1,000.

"My dad was a third-generation hardware store owner" and "it was clear that there was no future in that business," Mr. Webb said.

Mr. Webb also was not satisfied with the idea of only a high school education.

"I always wanted to go to college, even as a youngster, and (my parents) knew that. So no, I was never really pushed into the business at all. In fact, I think they knew I wanted to do something different, so they were always very encouraging.

"I went to college at Missouri State University in Springfield. I thought I wanted to be a lawyer, but didn't have any money, so I thought I would get a job," said Mr. Webb.

College led directly to the telecommunications industry.

"My first job was at Southwestern Bell (Telephone Co.), and I was actually a computer programmer for a while, so I thought I'd stay awhile, and decided one day that rather than go down the legal path, I'd go down the business path," Mr. Webb said.

That led to an MBA at St. Louis University and, in turn, to greater opportunities at Southwestern Bell, with Mr. Webb working in areas including billing, investor relations and strategic planning.

"One day I was asked if I would go over to the benefits organization. That was not something that I had necessarily aspired to, but there were great opportunities. At that point in time, we had gone through a number of mergers and we were getting larger as a company," he said.

Mr. Webb and his wife, Denise, have three children. One son works as a retail store manager for AT&T, while a daughter just graduated from college and another son is still in college.

"I'm pretty much a family guy," he said. "I just like spending time with my wife and kids when I can."

By Judy Greenwald

KAREN CAMPBELL

Marty Webb, 57, grew up in Jasper, Missouri, a farming community with a population of less than 1,000.

DETAIL SKILLS DON'T CLOUD BIG PICTURE

Marty Webb, vice president of benefits for AT&T Inc. in Dallas, has earned the respect and admiration of those who work above, alongside and below him.

"He's fearless in terms of willingness to make appropriate changes, be progressive and be sensitive to retiree and employee concerns," said AT&T Senior Executive Vice President for Human Resources Bill Blase.

Mr. Blase said he gets two to three emails every day from retirees, raising important issues.

"I give it to Marty and never have to see it again, because it's taken care of, so he's willing to do the little things to help people out," Mr. Blase said.

But Mr. Webb does not get lost in details, said Diana Robinson, Somerset, New Jersey-based executive vice president of sales and accounts at Aon Hewitt, who has worked with Mr. Webb for about 14 years.

"It's very easy to fall into" dealing with day-to-day matters, but Mr. Webb also takes a strategic approach, she said.

"He understands the context like no one else," said Ms. Robinson, who describes Mr. Webb as thoughtful, deliberate and "very steadying."

This despite facing challenges 10 times the size that others in his position face because of AT&T's size, she said.

He is "high-performance, low-ego," said Kristi Savacool, CEO of Aon Hewitt.

By Judy Greenwald

Staff of benefits specialists hail from variety of backgrounds

BY JUDY GREENWALD

Marty Webb, vice president of benefits for AT&T Inc. in Dallas, supervises a staff of around 80 people while also frequently interacting with an upper management that maintains a keen interest in benefits.

He has high praise for the diverse group of people with whom he works.

"We have a great group of employees — I'll just say that right upfront," he said. They are "highly professional and highly educated employees, and they are people who care about our people."

About two-thirds of his staff are in Dallas, mostly on the same floor as Mr. Webb, with about one-third in other locations, which reflects that "many of the individuals were employees of companies that were acquired," he said.

"They have a variety of skill sets," Mr. Webb said. "I have people who are professionals in the health care industry, highly knowledgeable pensions and savings plan experts, actuaries, lawyers on the team and just a host of different types of professionals," said Mr. Webb.

"And we have people who have grown up within the industry and have come from a variety of different places within AT&T. I'm an example of one of those," Mr. Webb said.

Mr. Webb didn't start out in benefits, but he found it was a good fit nevertheless.

"I didn't grow up as a benefits employee. I grew up as a businessperson who brought skills to this part of the company, and some of the (other employees) did as well," he said. "But we have other employees who came in as midcareer hires in highly specialized areas to do a number of things for us."

Structurally, on the health and welfare side, there are personnel in benefits plan design who are "employees who are looking out into the future and trying to decide kind of where we're headed and what change needs to occur," Mr. Webb said. The operations unit includes people "who keep the plan running and they have direct relationships with our vendors."

There are parallel personnel in pensions and savings, Mr. Webb said. Other staff members are involved in making sure the plans are written correctly, while yet others work in communications and compliance. Separate groups deal with claims, appeals or litigation.

Meanwhile, Mr. Webb personally interacts with senior management on a daily or weekly basis, whether it be via a presentation, phone call or email.

"It's not uncommon for us to have a conversation, and I can tell you that Bill Blase, our senior executive (vice president), is very knowledgeable and interested in everything I do,' " Mr. Webb said.

He also often has conversations with AT&T Chairman and CEO Randall L. Stephenson on major issues, "whether it be a change that's happening or we are implementing, or whether it's just to provide information" based on Mr. Webb's years of experience.

"But if there's a major change happening within AT&T, he'll want to be part of that decision, " Mr. Webb said.

He said he feels his own financial background has contributed to his success as a benefits executive. "Some people might say 'I'm an accountant' or 'I'm a lawyer.' "

"In my case, I would say I'm just a businessperson, but my background has had a lot of financial functions in it, and it has had a lot of what I would just call process-oriented functions" in which he has held end-to-end responsibility for a process or function.

Mr. Webb encourages his staff to speak their minds.

"We expect our people to be very opinionated about what they know and what they believe. That sometimes results in creative tension within our group," he said. But "that's where the best answers come from. I think that's why we've been successful around here."

He also is not shy about sharing his opinions outside of the company and has played a prominent role in the health care industry.

One issue on which he has been particularly active is transparency, which has included garnering support from a group of more than 30 Fortune 1000 human resources executives in seeking the release of "true" claims costs from insurers rather than the average costs usually provided.

"The more that information that can be shared in a secure space, the more it will help people make the right cost and quality decisions," Mr. Webb said.

2015 PANEL OF JUDGES

Business Insurance established the Benefit Manager of the Year® award in 2005 to recognize excellence and innovation in employee benefits management. The Benefit Management Honor Roll® was added in 2010 to honor other outstanding benefits professionals. Honorees are selected by a panel of independent judges, including the previous year's winner and benefits experts. Judges for the 2015 awards were:

Mr. Hasday

Ms. Howard

Mr. Klepper

Ms. Staggs

Mr. Wirtshafter

JUDGES

Craig Hasday, president of Frenkel Benefits L.L.C. and senior executive vice president of Frenkel & Co.

Dianne Howard, director of risk and benefits management at Palm Beach County School District and *Business Insurance*'s 2014 Benefits Manager of the Year®.

Brian Klepper, principal at Healthcare Performance Inc.

Sarah Staggs, head of benefits at Zurich North America and a member of *Business Insurance*'s 2014 Benefits Management Honor Roll®.

John M. Wirtshafter, a member of law firm McDonald Hopkins L.L.C. and past president of the Worldwide Employee Benefits Network.

METHODOLOGY

The judges scored each nominee, according to how well he or she:

- Innovatively and effectively applied benefits programs to solve major problems for his or her organization.
- Exhibited leadership in achieving change within his or her organization.
- Skillfully used technology to administer benefits programs and/or identify and address major problems such as health care cost drivers.
- Established and/or led a benefits communication strategy to effectively inform employees of benefits program changes.
- Developed his or her career and promoted the advancement of the benefits profession.

MARKET PULSE

Berkshire offers coverage for pension sponsors

Berkshire Hathaway Specialty Insurance has launched a policy to provide coverage for Canadian sponsors of large pension and benefit plans.

Executive first fiduciary liability insurance also is designed for the plans' directors, officers and employees, Boston-based Berkshire Hathaway Specialty Insurance said in a statement.

The policy covers Canadian fines and penalties and features full coverage with no sublimit. A flexible defense agreement gives policyholders control over their own defense with defense costs advanced, and allows them to tender defense to Berkshire Hathaway Specialty if they prefer, according to the statement.

"Our executive first fiduciary liability insurance is built to deliver all the coverage our Canadian customers need in one clear, concise policy," said Dan Fortin, BHSI's head of executive and professional lines for the United States and Canada.

Guy Carpenter adds cyber to casualty model

Global reinsurance broker Guy Carpenter & Co. L.L.C. has launched financial institutions and cyber components of its GC ForCas casualty catastrophe modeling platform.

GC ForCas is a data-driven modeling platform developed to help insurers better understand their exposure to casualty catastrophe losses resulting from the accumulation of U.S. commercial lines insurance policies, Guy Carpenter said in a statement.

The financial institutions component is designed to analyze the effect of casualty catastrophe events originating from financial or similar institutions under the related major insurance lines, including directors and officers liability, errors and omissions, as well as excess casualty and fidelity, according to the statement.

GC ForCas uses Advisen Ltd.'s large-loss database of more than 250,000 historical losses to anticipate the possible scenarios and line of business dependencies, Guy Carpenter said.

"The risk from casualty or liability-based catastrophe losses has become increasingly frequent and severe and can have a domino effect where single events cross several lines of business and produce very large losses," said John Trace, chief operating officer of U.S. operations for Guy Carpenter. "GC ForCas … gives them the ability to model the vast number of loss scenarios and line of business dependencies."

Marsh diagnostic tool analyzes costs of risks

Marsh L.L.C. has introduced a diagnostic tool designed to analyze casualty program costs and trends.

MPACT Cost Diagnostic will help companies "make informed decisions about how to structure insurance programs and prioritize risk management investments to maximize returns," the brokerage said in a statement.

Christine Williams, New York-based managing director in Marsh's casualty practice, said, "We're pulling together our analytics to provide our clients with a comprehensive look across all elements" of the total cost of risk, which include retained losses, the cost of claims management, managed care and the insurance program, and the cost of collateral, as well as accounting for program volatility.

"This looks across all these elements in one report, so we can prioritize investments and point to comprehensive and customized solutions to those areas" that are defined as problem areas, or "ones that you have the most opportunity" for return on investment, in investing in risk management programs, Ms. Williams said.

Exchange helps sponsors shop annuity insurers

Mercer L.L.C., the consulting arm of Marsh & McLennan Cos. Inc., has launched the Mercer Pension Risk Exchange to help companies move their pension liabilities to an annuity insurer.

The platform allows pension plan sponsors to execute group annuity buyouts more quickly with competitive pricing, Mercer said in a statement.

All defined benefit plan sponsors considering a retiree buyout or plan termination could use the exchange, a Mercer spokeswoman said.

The exchange, which can be accessed only by Mercer customers, allows pension plan sponsors to examine insurers that provide group annuities, according to the statement.

Mercer declined to disclose participating insurers.

"Though sponsors' appetite to transfer pension risk is high, they face some barriers to execution. Lack of clear information about the true cost of a buyout, limited transparency and the fluctuation of market rates and plan dynamics are all major challenges," Phil de Cristo, president and group executive of Mercer's investment business, said in the statement.

Such arrangements allow pension plan sponsors to transfer risks associated with pension plans to annuity providers.

PRODUCTS & SERVICES

Insurer publishes index of world's building codes

Commercial and industrial insurer FM Global has released a list of countries' building codes that can be used worldwide when building or developing facilities.

The 2015 FM Global Country Building Codes Index was devised for companies that need to know the latest building codes when developing or upgrading facilities, particularly if building internationally.

The list includes several countries where there was no unified index of building codes, Paris Stavrianidis, vice president and general manager of FM Approvals, a unit of FM Global, said in a statement.

The 2015 FM Global Country Building Codes Index is a free PDF document produced with support from the National Fire Protection Association.

The National Fire Protection Association devises and maintains standards and codes, including building codes, to reduce the possibility of fire and other hazards.

DEALS & MOVES

Risk Strategies acquires health care specialist

Boston-based insurance brokerage Risk Strategies Co. Inc. has acquired San Diego-based specialty broker Dubraski & Associates Insurance Services L.L.C.

Terms of the deal were not disclosed.

Dubraski & Associates provides risk and insurance solutions to the health care industry, working with hospitals, physicians groups and accountable care organizations.

Employees of Dubraski & Associates will become Risk Strategies employees under the co-branded name Dubraski & Associates Insurance Services, a Risk Strategies Company, a Risk Strategies spokeswoman said.

Risk Strategies Co. will now have 500 employees, according to the statement.

USI Insurance Services expands in Indiana

New York-based brokerage USI Insurance Services L.L.C. has acquired Muncie, Indiana-based First Merchants Insurance Group from First Merchants Corp.

Terms of the deal were not disclosed.

First Merchants Insurance Group is a retail property/casualty and employee benefits insurance brokerage with four offices.

First Merchants Insurance Group President and CEO Curt Stephenson and 40 First Merchant Insurance Group employees will join USI. First Merchants Insurance Group will operate under the USI Insurance Services name, a USI spokeswoman said.

Hub International acquires two regional agencies

Chicago-based Hub International Ltd. has acquired the assets of Seattle-based insurance agency Lovsted-Worthington L.L.C., as well as the assets of Alamogordo, New Mexico-based Shofner, Lynch & Shulse L.L.C.

Terms of neither deal were disclosed.

Shofner, Lynch & Shulse will continue to operate in Alamogordo. Lovsted-Worthington will become part of the Hub International Northwest operations, which has 20 locations in Washington, Hub International said in a statement.

Shofner, Lynch & Shulse and Lovsted-Worthington will have co-branded names with Hub International, according to the statement.

Philadelphia Insurance buys accident and health agency

Property/casualty and professional liability insurer Philadelphia Insurance Cos. has acquired Larchmont, New York-based managing general agent The Allen J. Flood Cos. Inc.

Terms of the transaction were not disclosed.

The acquisition of the group accident and health specialist will help broaden service offerings to niche markets such as schools, nonprofits, volunteer groups and sports teams, the Bala Cynwyd, Pennsylvania-based insurer said in a statement.

AJF will continue to serve its existing customers and tap into the national marketing network of Philadelphia Insurance Cos., the insurer said. Current AJF President Michael Flood will continue leading its operation as the head of the A&H division for Philadelphia.

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LEGAL NOTICE

The City of Veneta is soliciting Requests for Proposals for an Insurance Agent of Record. Generally, the services being sought include, but are not limited to assisting with the City's risk management program; obtaining and administering property, casualty, liability auto and employee related insurance; and other risk management services such as safety programs and improvements, benefit related programs, risk exposure, accident prevention, claims assistance, guidance on certificates of insurance and coverage levels, market conditions and reporting.

The RFP can be downloaded from the City of Veneta website at **www.venetaoregon.gov**

The point of contact for all processes, technical and contract questions as well as protests is Shauna Hartz, Finance and Administrative Services Director.

Proposals are due to the City by 4:00 p.m. on July 23, 2015. Proposals with a postmark of July 23, 2015 will not be considered.

The City reserves the right to accept or reject any proposals as set forth in ORS279B.100.

BUSINESS INSURANCE®

ANTI-FRAUD NOTICE

Amalgamated Life Insurance Company is committed to preventing fraud in regard to the insurance coverage it issues. Therefore, Amalgamated Life, as required by the New York State Department of Financial Services makes the following statement:

Any person who knowingly and with intent to defraud any insurance company or other person, files an application for insurance or statement of claim containing anymaterially false information,or conceals for the purpose of misleading, information concerning any fact material there to, commits a fraudulent insurance act, which is a crime and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

Anyone knowing of a fraudulent act should call Ellen Dunkin at:

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800-624-5844

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE PETITION OF DAN YORAM SCHWARZMANN AND MARK CHARLES BATTEN AS PROVISIONAL LIQUIDATORS OF INDEPENDENT INSURANCE COMPANY LIMITED
CASE NO. 01-13899 (SMB)

NOTICE OF HEARING OF MOTION SEEKING ENTRY OF PERMANENT INJUNCTION ORDER

Notice is hereby given that on or about March 27, 2015, the proposed scheme of arrangement (the "Scheme of Arrangement") between Independent Insurance Company Limited (the "Company") and its Scheme Creditors (as defined in the Scheme of Arrangement) was made available to all known creditors of the Company, a Proxy and Voting Form was mailed to all known Scheme Creditors as was a notice informing them that, pursuant to an order of the High Court of Justice of England and Wales in London, England (the "High Court"), meetings were scheduled in London for June 1, 2015, at which time a vote of the Scheme Creditors would be taken on resolutions approving the Scheme of Arrangement. Provided the Scheme of Arrangement is approved by the requisite majorities of Scheme Creditors, an order by the High Court sanctioning the Scheme of Arrangement will be sought, and if obtained, the Scheme of Arrangement is thereafter expected to become effective.

PLEASE TAKE FURTHER NOTICE that pursuant to an order of the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") dated June 9, 2015, a hearing will be held on July 16, 2015 at 10:00 a.m., or as soon thereafter as counsel can be heard, before the Honorable Stuart M. Bernstein, United States Bankruptcy Judge, in Room 723 of the Bankruptcy Court, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004, to consider the Petitioners' motion (the "Motion") for entry of a permanent injunction and order pursuant to 11 U.S.C. § 304 (the "Proposed Order"):

1. Granting the Motion;
2. Providing that the Scheme of Arrangement shall be given full force and effect in the United States and be binding on and enforceable against all Scheme Creditors in the United States;
3. Permanently enjoining all persons and entities from taking any action in contravention of, or inconsistent with, the Scheme of Arrangement;
4. Permanently enjoining all persons and entities from: (a) seizing, repossessing, transferring, relinquishing or disposing of any property of the Company in the United States, or the proceeds thereof, to any person or entity other than the Scheme Administrators; (b) commencing or continuing any action or legal proceeding in connection with any claim arising out of a contract of insurance, reinsurance or retrocession entered into with the Company (including, without limitation, arbitration or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever), including by way of counterclaim, against the Company or any property in the United States that is involved in the foreign proceeding, or any proceeds thereof, or seeking discovery of any nature against the Company; and (c) enforcing any judicial, quasi-judicial, administrative or regulatory judgment, assessment or order, or arbitration award against the Company and commencing or continuing any act or action or legal proceeding in connection with any claim (including, without limitation, arbitration or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) or any counterclaim to create, perfect or enforce any lien, attachment, garnishment, setoff or other claim against the Company or its property or any proceeds thereof, including, without limitation, rights under reinsurance or retrocession contracts;
5. Permanently enjoining all persons and entities from commencing or continuing any action or other legal proceeding (including, without limitation, arbitration, or any other judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) against the Company, the Petitioners, or their respective directors, officers or agents, employees, representatives, financial advisors or attorneys (the "Pre-Scheme Parties"), or any of them, with respect to any claim or cause of action, in law or in equity, arising out of or relating to any action taken or omitted to be taken as of the effective date of the Scheme of Arrangement by any of the Pre-Scheme Parties in connection with the Company's provisional liquidation, the section 304 proceeding, or in preparing, disseminating, applying for or implementing the Scheme of Arrangement or the Proposed Order; and
6. Permanently enjoining all persons and entities from commencing or continuing any action or other legal proceeding (including, without limitation, arbitration, or any other judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) against the Company, the Scheme Administrators, the Petitioners, the members of the Creditors' Committee, or their respective directors, officers, agents, employees, representatives, financial advisors or attorneys (the "Scheme Parties"), or any of them, with respect to any claim or cause of action, in law or in equity, arising out of or relating to the construction or interpretation of the Scheme of Arrangement or any action taken or omitted to be taken by any of the Scheme Parties in connection with the Company's provisional liquidation or the administration of the Scheme of Arrangement.

PLEASE TAKE FURTHER NOTICE that any and all objections and responses to the Motion shall be made in writing, shall conform to the Bankruptcy Rules and the Local Bankruptcy Rules for the Southern District of New York, shall set forth the name of the objecting party, the basis for the objection and the specific grounds therefore, and shall be filed with the Bankruptcy Court, One Bowling Green, New York, New York 10004, with a copy to the Chambers of the Honorable Stuart M. Bernstein, United States Bankruptcy Judge, and served so as to be received by counsel to the Petitioners at the address set forth below (Attn: Francisco Vazquez, Esq.) on or before July 7, 2015 at 5:00 p.m. New York time.

A copy of the Scheme of Arrangement is available at www.independent-insurance.co.uk or upon written request to the undersigned counsel:

CHADBOURNE & PARKE LLP • *Attorneys for the Petitioners* • 1301 Avenue of the Americas
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IIS

Continued from page 4

program "come from million-dollar mansions along the coast than come from those poor people, and the deficit (of the program) is in the multiple billions of dollars. So a good idea gets distorted by the government," he said.

On the other hand, the federal terrorism insurance backstop, created by the Terrorism Risk Insurance Act of 2002, is an example of a government program that is needed by insurers and businesses in general, Mr. Hancock said. Yet "TRIA very nearly didn't get renewed" after the last version of the law expired at the end of 2014, he said.

Tough to cover some risk

Though there is plenty of capacity in the insurance and reinsurance markets, it is still difficult to find capacity for risks that insurers and reinsurers feel unable to underwrite, said Britt Newhouse, chairman of reinsurance brokerage Guy Carpenter & Co. L.L.C. in New York.

In particular, the nontraditional capacity that has flooded into the reinsurance market recently is not being used to cover emerging risks, he said.

The new capital has "almost exclusively been focused on existing risk that's more fungible, easier to understand, easier to model … the new capital (providers) almost always say, 'I don't want anything to do with microinsurance, with terrorism, with cyber.' They are not underwriters, they are not innovators; they are trying to isolate and silo risk to invest in," Mr. Newhouse said.

Although the insurance industry offers some coverage for cyber risk, often limited to breach response expenses, most cyber risks are tough to underwrite, several conference participants said.

"Traditionally, insurance has been a mechanism to protect people from fortuitous events, and cyber (insurance) bridges across to intentional events," said Constantine Iordanou, chairman, president and CEO of Arch Capital Group Ltd. in Bermuda. "We've got a way to go to figure it out."

Catastrophic cyber risk falls into the same category as the terrorism risks backed by the federal government via TRIA, Mr. Iordanou said.

Cyber risks should be included under TRIA to facilitate more coverages available to businesses, said Stephen Catlin, executive deputy chairman of XL Group P.L.C.

"If you have that backstop, you can work out that downside risk to capital," he said.

BERMUDA

Continued from page 4

"We've seen some captives take on surety bonds and supply chain-type risks," Mr. Bird said.

"Supply chain risks (are) something we're increasingly having conversations with clients about," he said.

There are also indications that cyber coverage is growing in captive usage, he said.

"We had 17 captives locally writing cyber risks in 2013, and that's increased to 20 in 2014, and that figure is only going to go north," said Mr. Bird.

Captives' interest in cyber coverage mirrors that of the overall insurance market.

"Cyber is definitely the largest growing risk for us at the moment," said Catherine Duffy, senior vice president and underwriting manager of specialty insurance for XL Catlin in Hamilton, Bermuda.

The insurance industry wrote some $1 billion in cyber coverage in 2014, and that could quadruple to roughly $4 billion over the next several years, Ms. Duffy said.

> Cyber is definitely the largest growing risk for us at the moment."
>
> Catherine Duffy, XL Catlin

The low yield environment gripping the insurance industry presents investment challenges for insurers and captives alike, according to Henk Potts, director of global investment strategy for Barclays Wealth and Investment Management in London.

In some cases, insurers are looking to take on more risk in their investments in search of greater returns, said Robert Goodman, managing director, global insurance asset management, for The Goldman Sachs Group Inc. in New York.

The two major responses taken by the industry to the low yield environment are "to increase the level of risk they are prepared to take in their investment portfolio, and to have greater diversification in asset classes," Mr. Goodman said.

William Dalziel, a partner at London & Capital in London, agreed with that assessment.

"They are interested in where could they take risk and how much risk should they take," Mr. Dalziel said.

Some economists, however, see interest rates rising this year into next.

"We're expecting the first rate increase to take place in December of this year, and that we will have only three rate increases through the end of next year, taking us to a target range of 75 basis points to 100 basis points," said Ryan Wang, U.S. economist for global banking and markets with HSBC Securities (U.S.A.) Inc. in New York.

"We actually think the first rate increase from the Federal Reserve will come through in September, and we think we'll see two rate hikes from the Federal Reserve during the course of the year with fed funds finishing the year between 50 and 75 basis points," Mr. Potts said.

AIRMIC

Continued from page 6

disclose more information, he said.

The requirement for buyers to ensure they have given a fair representation of their risk will "throw up some very technical issues on (policy) wording," said George Davies, chief client officer for the United Kingdom and Ireland at Marsh Ltd.

The "triumvirate" of buyer, broker and insurer will never be more important, he said.

Buyers will need to clearly communicate to their broker the process they undertake to ensure that all material circumstances are disclosed to underwriters in a well articulated manner, Mr. Davies said.

Under the new law it will be vital that buyers can demonstrate the process that the company's risk function has gone through to ensure that everything relevant to the risk is represented in the submission, he said.

There will be some challenges around data gathering for buyers, he said.

The change of law probably will result in more work for insurance buyers in presenting their risks, said London-based Richard Mattick, of counsel at Covington and Burling L.L.P.

And a great deal of the burden also likely will fall on brokers, whom buyers will call upon for help.

In preparation for the change, risk managers should leave more time for their renewal — particularly for data gathering, Mactavish said in its guide.

Other areas that buyers must consider include company coverage for individuals — such as directors and officers or errors and omissions liability — and how to ensure that those individuals have disclosed all information material to their risks without a great deal of extra paperwork, according to the guide.

MAKING THE CASE WITH BOARD FOR BUSINESS CRITICAL COVERAGE

LIVERPOOL, England — Insurance buyers must be able to effectively communicate to their company's boards which coverages are business critical and which, therefore, should not be bought solely on the basis of price, according to Airmic Ltd.

London-based Airmic, the U.K. risk management association, last week published a guide to help its members communicate to their top-level management that insurance should not be viewed as a commodity and is not simply an overhead cost.

"The true value of insurance is often only recognized as a consequence of a major loss," according to the guide, "Business Critical Insurance: Identifying those insurances that support the business and its strategy."

"The challenge for insurance buyers is raising the awareness of the value of insurance beyond that of a commodity and articulating how individual insurance covers can contribute to the financial strategy and financial modeling of the company," according to the report.

"We wanted to give our members ammunition" for conversations with their higher-ups to help them resist pressure simply to reduce insurance costs for certain coverages that — if not adequate — could be catastrophic for the company, said John Hurrell, CEO of Airmic.

"We wanted to attempt to redress the balance and say insurable risk is important," said Julia Graham, technical director of Airmic and chair of the federation of European Risk Management Associations.

"We are trying to give the insurable risk manager more tools in their armory," she said.

The guide suggests that risk managers classify insurance coverages as optional, mandatory or business critical.

Optional coverages can be used to reduce risk if the risk/reward trade-off is appropriate, according to the guide, while business-critical insurance underpins the company's operation.

To evaluate whether a coverage is business critical, buyers can plot the size of a denied or delayed claim against key financial metrics such as gross revenue, shareholders' equity and operating cash flow.

This, said Mr. Hurrell, enables buyers to describe the importance of certain insurance coverages in terms understood by company boards.

Once buyers have determined what coverages are business critical, they should consider several steps, according to the guide.

Those are: selecting appropriate limits and sums insured; undertaking a legal review of policy wording; scenario testing anticipated events and the policy wording; agreeing on and establishing an effective disclosure process with the insurer; agreeing on claims handling procedures and protocols; and establishing crisis management and rapid response plans.

"Today's rapidly evolving business environment is a great opportunity for insurance buyers and risk managers to raise their profile at board level," said Alpesh Shah, a director at PricewaterhouseCoopers L.L.P. in London, which helped Airmic prepare the guide.

"To facilitate better conversations, insurance can be considered in the context of other financial metrics which drive a business forward," he said.

By Sarah Veysey

FERMA

> "We wanted to attempt to redress the balance and say insurable risk is important."
>
> Julia Graham, Airmic and the federation of European Risk Management Associations

GENETICS

Continued from page 3

"What the program does is help employees understand what they've inherited from their parents that may have an impact on their weight and lifestyle, so they can stop blaming themselves and so we can shape the recommendations we make based on that genetic understanding," said Jeffrey Ruby, Newtopia's founder and CEO.

Preliminary results of a voluntary pilot program Aetna offered to its employees last year found that most did lose weight.

"There was also some measurable benefit with respect to cost," said Dr. Gregory Steinberg, Aetna's New York-based head of clinical innovation.

"We're in the process of rolling it out with a handful of employers this year and, hopefully, on an even wider scale next year," Dr. Steinberg said. "We've seen a lot of interest, based on the preliminary results."

While such approaches may improve employee wellness, legal experts warn that collecting employee genetic information could violate privacy and nondiscrimination laws.

Though the 2008 Genetic Information Nondiscrimination Act generally prohibits employers from collecting information about employees' genetics or family medical history — as well as taking any adverse employment action based on that information — the law does allow asking for genetic information in health risk assessments, biometric screenings and other wellness-related activities.

But requests must be optional, and any protected information employees volunteer must be used solely for health management purposes, experts say.

"The regulations say that employers can make those kinds of requests as long as they're not financially inducing employees to provide their genetic information," said Ilyse Schuman, a Washington-based partner at Littler Mendelson L.P.

Employers must also be careful if they use financial penalties or rewards to motivate employees toward completing health risk assessments or biometric screenings that include questions about genetics.

"Employers may still provide those incentives, but they have to make clear in writing that the incentives are available even if they don't answer any questions pertaining to genetic information," said Esther Lander, a Washington-based partner at Akin, Gump, Strauss Hauer & Feld L.L.P.

Additionally, GINA requires employers to provide a written explanation about the types of information being collected and its intended use in the wellness program, experts said.

Further, employers may not view individual genetic testing results.

"(Protecting employees' genetic information) is something we take extraordinarily seriously," Newtopia's Mr. Ruby said. "We make it very clear to potential participants that at no time will their genetic information ever be shared with their employer or insurer."

Additionally, Mr. Ruby said, "the genetic data that we do collect is actually quite narrow, and we don't bank any of the DNA samples. I think the combination of those efforts has been the key to our success in providing employees with confidence that their information won't be used for any improper purposes."

Whether genetic testing becomes a staple of workplace wellness programming on a large scale remains to be seen, experts said, as more evidence of the testing's effect on health behaviors and choices becomes available.

"The paradox is that employees who are at the greatest risk might not necessarily be given a leg up by something like this," said Dr. Ron Leopold, the Atlanta-based national practice leader for health outcomes at Willis North America Inc. "If an employee opts into a program like this and then finds out that they do have one or more of these genetic markers, it could actually wind up being a deterrent to effective weight loss in that it becomes an excuse."

AETNA EMPLOYEES HELPED TEST WELLNESS PLATFORM

After a yearlong pilot program with its employees, health insurer Aetna Inc. is offering employers a wellness engagement platform that includes voluntary genetic testing for metabolic syndrome, a common predictor of diabetes, heart and liver disease and other weight-related disorders.

The platform, launched via Toronto-based health management firm Newtopia Inc. includes a Web-based dashboard that links with a mobile lifestyle tracking app, a branded social health network, online gaming and wearable devices.

It compares employees' genetic test results with self-reported personality, lifestyle and motivational assessments to identify wellness programs and activities most likely to resonate with them. Newtopia health management coaches, personalized emails, texts and printed materials communicate the results and recommendations to employees on an individual basis.

Preliminary results from last year's pilot program showed that most the 470 employees who volunteered for the program reported an average weight loss of 10 pounds at the end of 12 months.

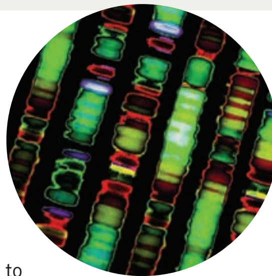
"We've been able to show that within a one-year time frame, there was significant and sustained weight loss among the participants in the program, as well as sustained engagement" said Dr. Gregory Steinberg, Aetna's New York-based head of clinical innovation.

Aetna and Newtopia began marketing the platform in February to motivate at-risk employees to be more active in managing their health. In particular, Dr. Steinberg said, the program might have the greatest appeal for employees who have tried to lose weight without lasting success.

"We heard from a lot of the participants that it reframed their sense of their problem with weight management and allowed them to view it in less blame-laden terms," Dr. Steinberg said, adding that several of Aetna's corporate clients have committed to adding the platform in their wellness offerings.

By Matt Dunning

GINA AND WORKPLACE WELLNESS



Under the 2008 Genetic Information Nondiscrimination Act, employers' wellness programs can include requests for employees' genetic information if:

- Employees are neither required to provide it nor penalized for not doing so.
- The employer obtains employees' written authorization to collect and use their genetic information and provides in writing how it will be collected, its intended use and who can access it.
- Individually identifiable genetic information is not provided to the employer, and the data are limited to wellness-related uses.
- Financial incentives tied to wellness activities may not be linked to requests for genetic information.

Source: U.S. Equal Employment Opportunity Commission

MARIJUANA

Continued from page 3

care" and paid for in the case of a New Mexico man's workers compensation claim in two 2011 back injuries.

By April, Arizona H.B. 2346 was signed into law, allowing workers compensation insurers and self-insured employers in Arizona to deny payment for medical marijuana.

"Most employers are suggesting they're not going to pay for this under comp (and) most carriers are saying they're not going to pay for this under comp," said Darrell Brown, Long Beach, California-based chief performance officer at Sedgwick Claims Management Services Inc. "That's probably the right thing to do since the treatment guidelines don't" recommend it for injured workers.

"More important than the cost element is whether or not the marijuana really is effective for treating medical conditions," said Trey Gillespie, senior workers comp director in Austin, Texas, at the Property Casualty Insurers Association of America.

HEAR INTERVIEW

Visit *Business Insurance*'s multimedia Web page to hear Albert B. Randall of Franklin & Prokopik P.C. discuss the Colorado court ruling regarding medical marijuana with *Business Insurance* Associate Editor Stephanie Goldberg.

Workers compensation payers don't want to reimburse workers for any treatment that doesn't lead to functional improvement, he said.

Unlike the employment side, where drug-free workplace and zero-tolerance policies reign supreme in the courts, a corporate policy might not be enough to keep workers comp payers from having to reimburse injured workers for medical marijuana, said Tom Ryan, workers compensation market research leader of Marsh L.L.C.'s Workers' Compensation Center of Excellence in New York.

Mr. Brown said there will likely come a time when a payer will "decide how far do they want to take it, or does it make sense to go ahead and pay for it? They need to prepare for that.

"My guess is when lots of these (medical and recreational marijuana) laws were written, they weren't really thinking about workers compensation," Mr. Brown said. "On the medical marijuana side, it's a stay-tuned kind of thing. With more states moving toward it, you'll find more injured workers saying, 'I need it for my workers compensation injury.'"

PRIMA

Continued from page 4

hearing and cognitive ability, among others, he said.

When addressing vision issues, make sure lighting is adequate for the task and glare is reduced, Mr. Prior said. For hearing issues, reduce noise levels and use sound-absorbing materials in workplace design. And to deal with cognitive issues, minimizing the complexity of tasks can be effective, he said.

In another session, Kansas City, Missouri-based motivational speaker and team building consultant Candy Whirley described other generational changes issues in the workplace. The workforce currently consists of three major cohorts, she said: baby boomers, Generation X, born between 1965 and 1980; and millennials, or Generation Y, born between 1981 and 2000.

In addition, she warned: "Buckle up. The Baby Zs are coming."

Each of the broad age groups has certain characteristics, which Ms. Whirley demonstrated by dividing her audience into baby boomers, Xers and millennials and asking them six questions.

The answers showed the gulf among them: For example, when asked about their work ethic, the baby boom group cited getting the job done and dependability, the Xers cited fulfillment and keeping priorities straight, and the millennials cited open communication and knowing what's expected through feedback.

> "They trust nobody. They trust nothing."
>
> Candy Whirley, motivational speaker

Ms. Whirley asked why baby boomers stay on the job even when they're working for bad bosses or facing other difficult situations. She answered her own question by saying that's what we were taught.

However, she said, the two younger generations saw baby boomers still got laid off despite loyalty to their jobs, which helped form their approach to work.

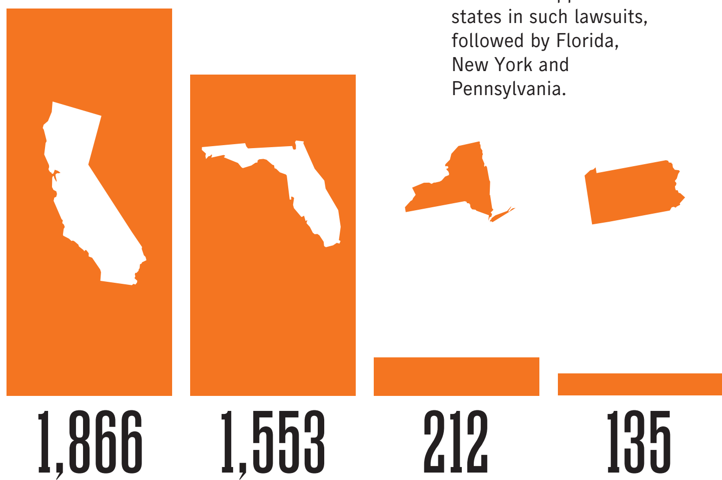
The groups differed by their motivations while at work as well. Baby boomers value teamwork, pride, security and money; the Xers cited pride and climbing the corporate ladder; and the millennials cited education and flexibility.

Ms. Whirley warned that Generation Z, those born after the millennials, will bring a new set of approaches. This generation has grown up in an age of terrorism and mass shootings at schools and movie theaters, she said — meaning they don't feel safe wherever they go.

"They trust nobody," she said. "They trust nothing."

LITIGATION SURGE

4,436 Lawsuits alleging public accommodation violations of Title III of the Americans with Disabilities Act were filed in 2014, up 63% from 2013.



Lone individuals, known as repeat filers, brought 529 cases in Florida, 124 in California, 24 in New York and 21 in Pennsylvania

Source : Seyfarth Shaw L.L.P. analysis of federal litigation

ACCESSIBLE

Continued from page 3

The guidelines call for websites to provide text alternatives for any nontext content, including large print, braille, audio, symbols or simplified languages. The Justice Department's eventual rules are expected to reflect these guidelines.

Settlements include the widely publicized April agreement between the Justice Department and Cambridge, Massachusetts-based edX Inc., a nonprofit founded by Harvard University and Massachusetts Institute of Technology that provides online college courses.

Under the agreement, edX said it would comply with the World Wide Web Consortium standards on its website, platform and mobile applications within 18 months. There was no fine.

Meanwhile, the judicial picture is unsettled.

"If there is a connection between your website and a traditional public accommodation covered by Title III, there is no question the law is applicable," said Joshua A. Stein, a member of law firm Epstein Becker & Green P.C. in New York. Retailers that offer in-store coupons online are obligated to have an accessible website, for example. Less clear-cut, though, is whether Title III applies to companies with only an Internet presence.

In *National Federation of the Blind v. Scribd Inc.*, a Burlington, Vermont, federal judge ruled in favor of a liberal interpretation of the ADA.

The court held in March that the San Francisco-based digital library, which has subscription services on its website, was a place of public accommodation and violated Title III because it was inaccessible to the blind.

However, in an April ruling in *Melissa J. Earll v. EBay Inc.*, the 9th U.S. Circuit Court of Appeals in San Francisco took a narrower view, holding that online-only companies are not subject to the ADA. A place of public accommodation "requires some connection between the good or service complained of and an actual physical place," the court ruled.

When the Justice Department does issue its rules, that will "create an additional compliance issue" for private employers, most of which "at this point are not focused on website accessibility," said Joseph J. Lynett, a shareholder at Jackson Lewis P.C. in White Plains, New York.

In the meantime, experts recommend companies move now to make their websites accessible to the disabled.

Expected regulations, Justice Department enforcement actions and groups advocating on behalf of the disabled make a "strong case for the best risk-adjusted strategy being to take steps now to make websites accessible," said M. Brett Burns, a partner at Hunton & Williams L.L.P. in San Francisco.

"It's a matter of good business sense," said William D. Goren, a Decatur, Georgia-based attorney and ADA consultant.

The cost adapting a website for the disabled can range from a relatively small amount to hundreds of thousands of dollars, depending upon the site's complexity, said Kristina M. Launey, a partner at Seyfarth Shaw in Sacramento, California.

DISABILITY BIAS SUITS SURGE EVEN BEFORE WEB PUSH

> "It's easier than measuring parking spaces."
>
> Allan H. Weitzman, Proskauer Rose L.L.P.

There were 4,436 public accommodation discrimination lawsuits filed in 2014, a 63% increase over 2013, according to an analysis of federal case filings by Seyfarth Shaw L.L.P.

Fueling the increase are so-called "testers," individuals who work with small law firms that file dozens, if not hundreds, of so-called "drive-by" lawsuits against companies for Title III violations.

Observers say it is difficult for firms, particularly small businesses, to fully comply with the ADA's technical provisions.

"It's low-hanging fruit," said Douglas A. Hass, an associate at Franczek Radelet P.C. in Chicago.

Businesses generally agree to remediate alleged violations and pay plaintiff attorney and expert fees, rather than engage in more costly litigation.

Traditionally, such litigation has focused on physical store characteristics. But observers say more litigation is beginning to be filed on the issue of website accessibility, which does not require plaintiffs to physically visit a store.

"It's easier than measuring parking spaces," said Allan H. Weitzman, a partner at Proskauer Rose L.L.P. in Boca Raton, Florida.

In addition, more multistore lawsuits and class actions are being brought in ADA accommodation cases, said Anne Marie Estevez, a partner at Morgan Lewis & Bockius L.L.P. in Miami.

"Plaintiff lawyers are becoming more sophisticated in this area," with more advocacy groups also pushing the issue, Ms. Estevez said.

By Judy Greenwald

GROUP

Continued from page 1

costs under control "to the different programs we run" such as its outcomes based wellness programs.

For 2016, costs per employee will move, after design changes, 5% to 8% higher, experts say, with expensive specialty drugs as well as sharply rising prices for a wide range of other prescription drugs being the major factors.

"The single largest driver of cost increases are specialty drugs," said Joe Kra, a Mercer partner and actuary in New York.

One frequently cited example of new and very expensive specialty drugs are those used to treat hepatitis C, a liver disease, whose costs can run into tens of thousands of dollars per patient.

High group health plan costs "are almost entirely due to prescription drugs," said Ed Kaplan, senior vice president and national health practice leader at Segal Co. in New York. "Top drug manufacturers really are boosting prices across the board."

> High group health plan costs "are almost entirely due to prescription drugs. Top drug manufacturers really are boosting prices across the board."
>
> Ed Kaplan, Segal Co.

For example, more than 500,000 U.S. patients had medication costs in excess of $50,000 in 2014, a 63% jump from the prior year, as doctors prescribed more expensive specialty drugs for diseases such as cancer and hepatitis, according to a survey released earlier this year by prescription benefits manager Express Scripts Inc.

In addition, more employees are expected to use health care services as the economy improves.

"We expect to see an uptick in health care utilization this year, which will influence rates in future years," said Michael Thompson, a principal at PricewaterhouseCoopers L.L.P. in New York.

Still, no one foresees a return to double-digit cost increases that were typical about a decade ago.

One factor holding down increases has been widespread adoption of consumer-driven health plans, which typically are high-deductible plans linked to health savings accounts. Such plans cost roughly 20% less than traditional health plans, such as preferred provider organization plans.

Twenty-three percent of employees were enrolled in a CDHP last year, up from 18% in 2013 and the largest one-year increase since Mercer began tracking enrollment about a decade ago.

With high employee cost-sharing requirements in CDHPs, "employees become more cost-conscious. They are becoming better health care consumers," said Segal's Mr. Kaplan.

"When employees have to pay more, it changes how they use health care services," said Beth Umland, Mercer's director of research and benefits in New York.

Instead of going to a hospital emergency room, an individual might go to a less expensive urgent care center, she said.

Other cost controls

Other cost-control efforts include adoption of telemedicine programs. More than one-third of very large employers — those with at least 20,000 employees — offered telemedicine programs last year, up from 18% in 2013. Nearly half were considering adding the programs, according to Mercer.

In such programs, employees are liable for only a copayment, perhaps $40, that is cheaper than a doctor's office visit to speak with a board-certified physician about a medical problem, avoiding a more expensive office visit, or, in some cases, a trip to a hospital emergency room.

"We are seeing very rapid growth in telemedicine," Ms. Umland said, adding, "There is a whole new world of cost control strategies that does not involve cost-shifting."

"Employers have plenty of tools to try to control costs," said Steve Caulk, a Denver-based actuary and vice president at Aon Hewitt.

Plenty of unknowns on the cost-control front remain, though.

One is the impact of possible mergers of the nation's biggest health insurers.

This month alone, rumors flew about potential mergers involving Aetna Inc., Cigna Corp., Humana Inc. and UnitedHealthcare Inc.

"Megamergers gives insurers more clout" when dealing with providers, but they also narrow the universe of insurers from which employers can choose, said Harvey Sobel, a principal and consulting actuary at Buck Consultants at Xerox in Secaucus, New Jersey.

Another unknown: Whether the decrease in the number of uninsured due to the health care reform law will result in hospitals reducing or keeping their charges even to reflect the reduction in uncompensated costs they previously picked up.

"Hopefully, there will be that effect," said Tom Billet, a senior consultant with Towers Watson & Co. in Stamford, Connecticut.

BLOOMBERG

Legal experts say last week's ruling by U.S. Court of Federal Claims Judge Thomas Wheeler (above) could limit the government's flexibility in any future bailouts.

GREENBERG

Continued from page 1

exaction" that violated the U.S. Constitution and caused their stock to lose value, Judge Wheeler wrote.

In return for $85 billion in financial assistance, the government took a nearly 80% stake in the insurance giant. Further assistance reached about $180 billion, but AIG repaid all of it as well as a profit to the government of nearly $23 billion, Judge Wheeler wrote.

"The weight of the evidence demonstrates that the government treated AIG much more harshly than other institutions in need of financial assistance," Judge Wheeler wrote. "While the government publicly singled out AIG as the poster child for causing the September 2008 economic crisis, the evidence supports a conclusion that AIG actually was less responsible for the crisis than other major institutions."

"The government's justification for taking control of AIG's ownership and running its business operations appears to have been entirely misplaced" and was "unduly harsh" compared with its treatment of other institutions.

But on the issue of shareholder damages, Judge Wheeler said the question wasn't whether the treatment was "inequitable or unfair, but whether the government's actions created a legal right of recovery for AIG's shareholders," which he said was not the case.

"The Achilles' heel of Starr's case is that, if not for the government's intervention, AIG would have filed for bankruptcy," he wrote. "In a bankruptcy proceeding, AIG's shareholders would most likely have lost 100% of their stock value."

Starr, saying it disagrees with the judge's decision on damages, said it would appeal to the U.S. Court of Appeals for the Federal Circuit in Washington.

"The question at trial was whether the government could demand the shareholders" equity as a condition of that loan," Starr said in a statement. "The court properly held it could not."

The shareholders will ask the appeals court "to confirm that the government is not entitled to keep billions dollars of citizens' money in its pocket," Starr said in the statement.

The board of the Federal Reserve issued its own statement saying it "strongly believes that its actions in the AIG rescue during the height of the financial crisis in 2008 were legal, proper and effective."

"The terms of the credit were appropriately tough to protect taxpayers from the risks the rescue loan presented when it was made," the Fed said.

Legal experts said the ruling could limit the government's ability to react should there be future crises like the one that left AIG near bankruptcy.

"I thought it was kind of Solomonic," Lawrence Hamermesh, a professor at Widener University's Widener Law Delaware in Wilmington, said of the judge's ruling. "I applaud him for acknowledging the economic reality of the situation and not rewarding the stockholders, which under the circumstances would have been inappropriate."

Still, "the limitation could make the Fed's range of movement more restricted if we have any future blowups like that. That might not be a good thing," Mr. Hamermesh said.

"I think the implications are larger for the government and anybody who might be in the government's crosshairs in the future," said Carl W. Tobias, a professor at the University of Richmond School of Law in Richmond, Virginia.

He noted that Judge Wheeler could find no statutory authority for the government's action, which could lessen its ability to address future problems.

Another legal expert said the circumstances surrounding the case are unique.

"You're looking at an economic disaster that really in our lifetime is unparalleled," said Andrew Popper, a professor at American University's Washington College of Law in Washington. "Because of that, the court rightly preserved the ability of the government to function under circumstances where mistakes are going to be made. When things really hit the fan, I think what we want is a government that can act without undue fear of significant legal consequences."

While calling the ruling "pretty smart," Mr. Popper also described it as a "Pyrrhic victory" for the plaintiffs, who "won the battle but lost the war."

"The opinion giveth with the large print and taketh away with the small," Mr. Popper said.

TOKIO

Continued from page 1

insurance as a growth driver for our group."

The company is looking to organic growth and mergers and acquisitions to build its insurance business, said Mr. Sakamoto.

"For M&A, we've been making a list of potential candidates, and out of the list that we have, we thought HCC was the best fit with our criteria," said Mr. Sakamoto.

As a specialty insurer, HCC will help to further diversify Tokio Marine's risks, he said.

"We look forward to creating long-term synergies by combining HCC's expertise and Tokio Marine's global footprint," said Mr. Sakamoto

HCC, which has 2,500 employees, had a 2014 profit of $458 million on revenue of $2.7 billion.

"HCC is a pretty strong franchise and a strong U.S specialty underwriter – those are pretty valuable these days," said Ryan Byrnes, vice president of insurance at Janney Capital Markets, a unit of Janney Montgomery Scott L.L.C. in Hartford, Connecticut.

"Tokio Marine gets a high-quality franchise. That's what they're paying for," said Mark Dwelle, an insurance analyst at RBC Capital Markets, a unit of RBC Securities Inc. in Richmond, Virginia.

"The unique part of the HCC franchise is that roughly 30% of revenue comes from (directors and officers) insurance and 30% comes from medical stop-loss in the accident and health business," he said. "Those are good defensible niches in which Tokio Marine doesn't operate to any great extent."

The $7.5 billion purchase would be Tokio Marine's largest acquisition to date and build its U.S. presence beyond its $4.7 billion acquisition of Philadelphia Consolidated Holding Corp. in 2008 and its $2.7 billion purchase of Delphi Financial Group Inc. in 2012.

"Tokio Marine has a well-established market presence in the U.S., mainly with Philadelphia and Delphi. The current deal represents the group's strategy on how to sustain growth going forward. The group aims to build a more stable earnings profile by diversifying earnings sources," Seewon Oh, associate director of analytics at A.M. Best Co. Inc. in Hong Kong, said in an email.

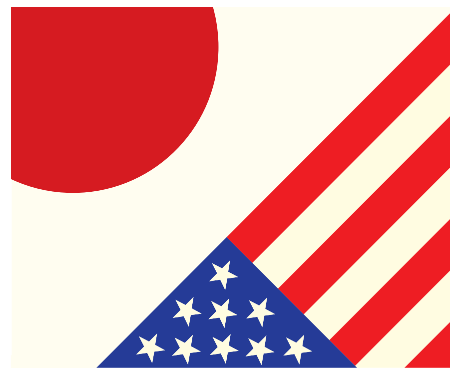
"Tokio Marine has been focused on expanding its business outside its Asian territory, so this fits within that strategy of moving toward the U.S.," said Neil Stein, director of the insurance rating group at Standard & Poor's Corp. in New York. "They've bought a few different companies in the U.S. over the last number of years."

"It seems like a lot of foreign companies are interested in gaining more scale in the primary U.S. insurance market," said Mr. Byrnes.

"We are not surprised that there are outside buyers looking into some of these mature markets (like the U.S.) and looking particularly for seasoned companies which are known to be doing well in their areas of expertise," said Sid Ghosh, director of the insurance rating group at Standard & Poor's in New York.

A premium of 1.9 times book value is higher than typically paid, analysts said.

"Most of the deals we've seen in recent years have been more in the range of 1.2 times to 1.4 times book value," said Mr. Dwelle.



"Tokio Marine has been focused on expanding its business outside its Asian territory, so this fits within that strategy of moving toward the U.S."

Neil Stein, Standard & Poor's Corp.

"Tokio Marine pays for quality," said Mr. Byrnes. "They have a track record of paying for quality, and again, that's something they're getting with HCC."

"This is definitely a pretty high premium compared to other deals," said Jim Auden, managing director of insurance at Fitch Ratings Inc. in Chicago. "I think it reflects on the historical underwriting performance of HCC and limited growth opportunities in Tokio Marine's home market. There may not be that many companies that would fetch this premium. HCC garnered a bit more because of their history."

Given the strong premium, another bidder is unlikely.

"It's such a strong valuation. It's tough to see someone coming over the top," said Mr. Byrnes.

"We … expect very little probability of a competing bid emerging given the very satisfactory takeout premium," analysts at Keefe, Bruyette & Woods Inc. said in a research note.

During an investor presentation, Tokio Marine said the "highly experienced HCC management team will continue to lead the business," which had 2014 gross written premiums of $3 billion and a market capitalization of $5.5 billion.

Even run separately, HCC is likely to benefit from its new, well-capitalized parent.

"Having Tokio Marine's financial support should give HCC the ability to pursue business other insurance carriers would consider too large of a risk," said Robert Raber, senior financial analyst at A.M. Best Co. Inc. in Oldwick, New Jersey. "Most importantly, HCC will gain the depth and breadth of Tokio Marine's enterprise risk management program. We have seen this program effectively implemented at the other U.S.-based insurance carriers that Tokio Marine has acquired over the years."

"Certainly, from a financial perspective, the (return on equity) that HCC can generate is well above the ROE that most Japanese companies are achieving in their home market, and certainly, relative to investment yields, it's a better way to deploy cash if you have it," said Mr. Dwelle.

Contributing: Judy Greenwald, Stephanie Goldberg, Sarah Veysey

Workers text way to inefficiency

Trying to hypnotize other employees to stop their smoking habits and flying drones around the office were among the unusual and memorable things employees were found to be doing when they should have been at work, according to a survey released by staffing firm CareerBuilder L.L.C.

But not surprisingly, the most common time-waster was cellphone use and texting, which were cited by 52% of the respondents to an online survey conducted on Chicago-based CareerBuilder's behalf by Harris Interactive Inc.

This was followed by surfing the Internet, cited by 44%; gossip, 37%; and social media, 36%.

Some of the other things employees were found doing include:

- Taking a sponge bath in the bathroom sink.
- Looking for a mail-order bride.
- Drinking vodka while watching Netflix.
- Napping on the CEO's couch.

The survey didn't cover whether these workers got to keep their jobs.

Abbott and Costello have hand in comedy

Critics have praised the Tony Award-nominated play "Hand to God," but judging by a recent lawsuit, not everyone thinks it deserves a standing ovation.

Bud Abbott and Lou Costello's heirs have filed a suit for copyright infringement over the play's use of the "Who's on First?" sketch, which has been reprised and parodied a number of times since audiences first heard it nearly 80 years ago.

According to the complaint, the sketch takes place about 15 minutes into "Hand to God" and is performed "for an extended period without interruption or any other action taking place in the scene."

The dark comedy centers on a shy small town teen and his hand puppet alter ego, Tyrone.

Without the scene, "the much darker tone of the rest of the play would be very difficult for the audience to handle," the complaint states.

Gross ticket sales from "Hand to God's" Broadway run total more than $2 million, according to the complaint, which also says "a portion of these sales is directly attributable to the unauthorized infringing performance of 'Who's on First?' "

FRUIT LIQUOR DISPUTE LEAVES BAD TASTE IN SNOOP'S MOUTH

SHUTTERSTOCK.COM/S_BUKLEY

Rapper Snoop Dogg has sued Pabst Brewing Co. claiming that he is entitled to a cut of the proceeds from Pabst's sale to a group of investors.

He's famed for hit singles including "Gin & Juice," but rapper Snoop Dogg's role as ambassador for a line of fruit-flavored liquors has gone sour. Snoop Dogg has sued Pabst Brewing Co., which produces Pabst Blue Ribbon and Colt 45, claiming that he is entitled to a cut of the proceeds from Pabst's sale to a group of investors shortly after his ambassador role ended. He was an ambassador between 2011 and 2014 for Colt 45's Blast brand of fruit-flavored drinks.

That deal was estimated at $700 million, according to the Hollywood Reporter.

Snoop Dogg — real name Calvin Broadus Jr. — claims that a "phantom equity clause" in his contract with the brewery entitled him to a 10% share of the net price of any sale of the brands within two years of the end of the term of his contract as brand ambassador, the Hollywood Reporter reported.

In a statement to the publication, a spokesman for Pabst said the company had not been contacted by Snoop Dogg or his representatives about the issue.

"We are investigating the matter and would be happy to talk to Snoop or his representatives to try to get to the bottom of this," the statement said.

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High-tech homes to fill generation gap

A man's home is his castle, as the saying goes, but according to research by insurer and reinsurer Hiscox Ltd., we may soon be sharing our increasingly high-tech homes with several generations of our families.

While houses may look similar to how they do now, in the future technology, sustainability and well-being will become increasingly important in the home, Hiscox's research found.

The "Hiscox Home of the Future Report 2015" studied what the home will look and feel like for people in France, Germany and the United Kingdom in 10 years' time.

The next wave of transformation of homes likely will be subtle but "hugely impactful," according to the report, and see developments such as kettles that harvest the energy from boiling water, and washing machines that use their spin cycle to generate electricity, even wallpaper that removes smells from a room.

And so-called "dual or tri-hub homes" — homes with multiple living areas and adaptable space for different generations — are likely to increase in number as children remain in the home for longer and aging societies mean that more people will have their parents back to live with them in old age, the report said.

As these changes take hold so new risks likely will emerge, Hiscox said.

Generous advice for interns

In a bid to improve conditions for its junior staff, Goldman Sachs Group Inc. has told its summer investment banking interns not to stay in the office overnight .

The move, according to company sources and confirmed by a Goldman spokesman, illustrates how Wall Street banks are seeking to curb excessive hours worked by young employees who see internships and entry-level jobs as a chance for a lucrative investment banking career.

Goldman has told its new crop of summer banking interns they should be out of the office between the hours of midnight and 7 a.m. during the week.

Goldman and others banks have begun in recent years to encourage junior employees, known as analysts and associates, to take time off in a profession notorious for all-nighters and 100-hour work weeks.

Reuters

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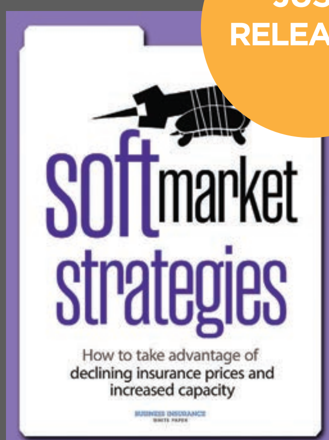
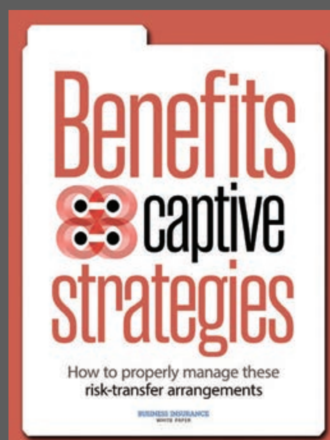
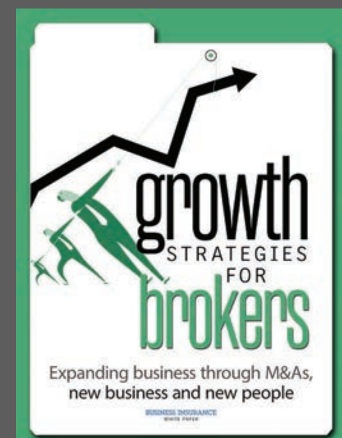


Soft Market Strategies
Cheaper coverage helps risk managers cover exposures for less



Benefits Captive Strategies
How to properly manage these risk-transfer arrangements



Growth Strategies for Brokers
Expanding new business and new relationships