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$18 BILLION DEAL

Under the merger proposed by Willis Group Holdings P.L.C. and Towers Watson & Co.:

- Towers Watson shareholders get 2.649 Willis shares for every Towers Watson share.
- Willis will own about 50.1% and Towers Watson will own about 49.9% of Willis Towers Watson.
- Towers Watson shareholders will receive a one-time dividend of $4.87 per Towers Watson share.

AGENTS & BROKERS

Willis, Towers combine forces to face new era

Merger taps growing private exchange sector

BY SARAH VEYSEY AND MARK A. HOFMANN

Willis Group Holdings P.L.C. and Towers Watson & Co. are betting that a merger of near-equals will set up a broker consultant entity that's greater than the sum of its parts.

The combination of Willis' distribution system and Towers Watson's initiatives, including its private health insurance exchange, will benefit both parties and present significant growth opportunities for both, observers say.

Under the proposed $18 billion transaction, shareholders of London-based brokerage Willis will own about 50.1% of the combined company that is to be called Willis Towers Watson, while shareholders of New York-based risk management and human resources

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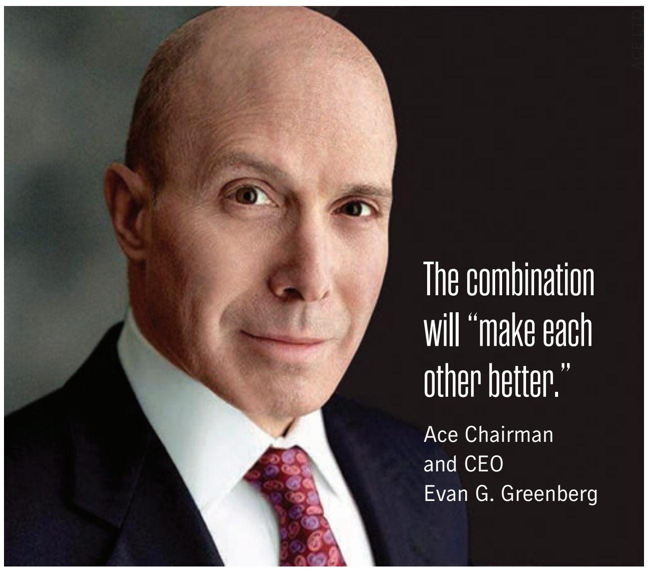
PROPERTY/CASUALTY INSURERS

ACE'S PURCHASE OF CHUBB SHIFTS INDUSTRY DYNAMIC

Will create new global insurance force



The combination will "make each other better."

Ace Chairman and CEO Evan G. Greenberg

BY SARAH VEYSEY AND MARK A. HOFMANN

Ace Ltd.'s proposed $28.3 billion acquisition of Chubb Corp. plays to the strengths of both companies and will create a formidable international insurer, according to both the parties involved and market analysts.

The combination will "make each other better," Ace Chairman and CEO Evan G. Greenberg said in a July 1 conference call discussing the transaction shortly after it was announced.

The deal is expected to close in January. Shareholder equity would total almost $46 billion, and investments and assets would equal $150 billion based on Dec. 31, 2014, figures, the companies said in a statement. Under terms of the deal, Chubb investors will receive $62.93 per share in cash and 0.6019 shares of Ace stock. Chubb shares rose after the deal was announced,

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THE DEAL BY THE NUMBERS

$28.3B

The amount Ace Ltd. proposes to pay to acquire rival insurer Chubb Corp.

$62.93

How much Chubb investors will receive per share, in addition to 0.6019 shares of Ace stock.

70%

The percentage Ace will own of the combined business, which will operate under the Chubb brand.

HEALTH INSURERS

Aetna's move to buy Humana may start trend

Industrywide negotiations culminate in $37 billion deal

BY GAVIN SOUTER AND MATT DUNNING

After weeks of maneuvering, consolidation among major health insurers began Friday, with Aetna Inc. announcing that it will buy rival Humana Inc. for $37 billion.

If completed, the deal would create the second-largest U.S. health insurer by total membership and revenue, but further mergers and acquisitions are expected to create several behemoths in the sector.

All five of the largest health insurers have been rumored to be involved in various merger discussions over the past several weeks. The talk intensified after the Supreme Court's ruling last month upholding key aspects of the health care reform law brought more certainty to the market (see story page 3).

Under the terms of the deal, Humana shareholders will receive $125 and 0.8375 Aetna shares per Humana share. After the transaction is closed, which is expected to happen in the second half of 2016, Aetna shareholders will own about 74% of the combined company and Humana will own about 26%. The combined company will trade as Aetna, which will remain

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BENEFITS MANAGEMENT

EMPLOYERS RETHINK BENEFITS AFTER GAY MARRIAGE RULING

Legally wed same-sex couples to be added to plans

BY MATT DUNNING

The U.S. Supreme Court's ruling legalizing same-sex marriage nationwide figures to affect employers' benefit strategies for years to come.

For many employers, the June 26 ruling in *James Obergefell et al. v. Richard Hodges et al.*, which invalidated state laws denying marriage rights to gay and lesbian couples, will reduce the administrative burden of providing health and retirement benefits to employees' same-sex spouses.

Additionally, experts said, the decision may compel employers offering spousal-equivalent benefits to same-sex domestic partners to eliminate that coverage now that full marriage rights are available in all states.

"It's truly a landmark decision from both the social and benefits perspectives, and I think it's going to have a dramatic impact on employers and how they approach their benefit plans going forward," said Scott Cooper, a Philadelphia-based partner at law firm Blank Rome L.L.P.

As a result of *Obergefell*, employers that fully insure their group health care plans must offer married same-sex couples the same coverage as opposite-sex couples.

About 39% of U.S. employees were covered under fully insured health plans at the end of 2014, according to the Kaiser Family Foundation.

AP PHOTO

Human Rights Campaign President Chad Griffin, left, and Jim Obergefell, a named plaintiff in the U.S. Supreme Court same-sex marriage case.

Employers that self-insure their health plans can elect not to cover employees' same-sex spouses even if they cover married opposite-sex couples.

However, experts said, such a strategy could be legally perilous, particularly in light of *Obergefell* as well as the Supreme Court's 2013 ruling in *U.S. v. Edith Windsor et al.*, which recognized same-sex marriages under federal law.

"The Equal Employment Opportunity Commission has taken the position that sexual-orientation discrimination can constitute sex discrimination under Title VII (of the Civil Rights Act), so employers that continue to exclude same-sex spouses need to be mindful of the legal risk," said Todd Solomon, a Chicago-based partner at McDermott Will & Emery L.L.P.

For most employers that offer equal spousal benefits to married couples regardless of sexual orientation, last month's ruling eliminates the need to impute taxes sep-

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HEALTH CARE REFORM

Subsidy ruling cuts chances of ACA reforms

Victory may bolster law's supporters' resistance to change

BY JERRY GEISEL

While last month's U.S. Supreme Court decision ended years of litigation over IRS rules that extend health care reform law premium subsidies to millions of lower-income uninsured individuals with coverage in the federal exchange, the ruling is unlikely to bring lawmakers closer together to resolve other health care reform issues.

The IRS rules became the target of numerous lawsuits soon after their release in 2012, with plaintiffs charging that the Patient Protection and Affordable Care Act limits the subsidies to those living in states that set up exchanges, and not in the federal exchange, which provides coverage in the 34 states that declined to establish the exchanges.

The high court decision upholding the IRS rules continues premium subsidies to nearly 6.4 million people in those 34 states where the federal exchange provides coverage.

While the ruling assures the continuation of more than $20 billion a year in federal health plan premium subsidies, it is unlikely to lead to a congressional agreement on other long-running health care reform controversies, observers say.

The decision, by assuring the availability of the federal premium subsidies, may have eroded the need of congressional Democrats and the Obama administration to agree on Republican-sought changes in return for amending the law to allow — at least temporarily — premium subsidies in the federal exchange.

Those changes, supported by many business groups, include bumping up the definition of full-time employees to those working an average of 40 hours per week from the current 30-hour-a-week definition, and eliminating the upcoming 40% excise tax on health insurance premiums exceeding $10,200 for individual coverage and $27,500 for family coverage.

Republicans "lost a huge bargaining chip" they would have had if the high court had struck down the IRS rules, said Geoff Manville,

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EMPLOYMENT PRACTICES

Overtime exemption updates fuel concerns

BY JUDY GREENWALD

The U.S. Department of Labor may issue a final proposal that will change the highly litigated, so-called "white-collar exemptions" for overtime with respect to workers' duties without giving employers the opportunity to comment on the matter.

The Labor Department's wage and hour division last week announced its long-awaited proposal to amend the white-collar overtime exemption for executive, administrative and professional employees under the Fair Labor Standards Act, but focused only on the salary levels required for the exemption, not the job duties.

Employers must pay nonexempt workers one-and-a-half times their regular rate of pay when they work more than 40 hours in a week. Under the proposal, which is expected to take effect next year, the salary level at which employees are exempt from receiving overtime pay would increase to $50,440 a year from the current $23,660.

In addition, the proposal would establish an escalator mechanism for updating the salary and compensation levels in the future.

It has been estimated that about 5 million people will be affected by the proposal. Its origin is a memo sent by President Barack Obama to the Labor Department last year, in which he said rules originally intended to limit overtime for highly paid employees now cover workers "earning as little as $23,000 a year."

And insurers traditionally have not covered large employers' wage and-hour litigation risks, though that is beginning to change, with some Bermuda insurers having entered the market. In addition, a handful of U.S. insurers offer the coverage to smaller employers, generally those with up to 1,000 employees.

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ONLINE FEATURES

GALLERY

5 years of health care reform

Images from its tumultuous 2010 beginning to last month's U.S. Supreme Court decision
www.BusinessInsurance.com/HealthReformGallery

VIDEO

Protecting firefighters' health

A look at the unique smoke-related health dangers that firefighters face
www.BusinessInsurance.com/InFocus

RESEARCH

Cyber security report

Survey breaks down cyber security priorities and tactics from hundreds of respondents
www.BusinessInsurance.com/CyberSecurityReport

DIRECTORY

Safety consultants listing

Comprehensive directory delves into regulations, provides an in-depth look at the trucking and coal mining industries and lists 94 companies that provide specialized safety expertise
www.BusinessInsurance.com/SafetyConsultants

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NEWS

RISK MANAGEMENT

MORE FIRMS BAN GUNS AT WORK AS VIOLENT OUTBREAKS CONTINUE

Ultimate solution elusive as Uber latest to call for ban

BY DONNA MAHONEY

Ride-sharing service Uber Technologies Inc. has joined a host of other companies banning guns amid rising business and workplace violence, but the effectiveness of such bans is being questioned.

In its June announcement, Uber cited safety and comfort concerns for its ban on "possessing firearms of any kind in a vehicle. Any rider or driver found to have violated this prohibition may lose access to the Uber platform," Uber said in a statement.

Uber did not respond to requests for further comment. Reportedly, it made the decision a week prior to the mass shooting at a church in Charleston, South Carolina, last month.

"Uber is just the latest in a long list of businesses that have instituted bans or restrictions on the presence of firearms in their place of business," said Robert Hartwig, New York-based president of the Insurance Information Institute Inc. "They are not likely to be the last, but it is unlikely to have a significant effect on the number of shootings in the United States."

Mass public shootings have become more frequent with larger casualty numbers, according to the FBI. Some 753 workers were killed as a result of violence in 2013, according to the latest figures from Department of Labor, including 397 homicides. And though that's down from 475 homicides in 2012, shootings were the most frequent cause of death.

While companies including Costco Wholesale Corp., Ikea A.B., California Pizza Kitchen Inc. and Starbucks Corp. ask that customers and employees not bring guns into their establishment, companies such as Home Depot Inc. do allow customers to bring guns into stores.

Home Depot feels it is the "right approach," a company spokesman said, adding that "it most closely aligns with the local regulations set by the community; usually elected officials."

With Illinois becoming the last state to allow the concealed carry of firearms two years ago, many businesses and employers have added signs banning firearms from their operations and workplaces. Experts, however, say more is needed.

"If people are concerned because someone is making threats, there needs to be a way of reporting it; the company needs to have a way

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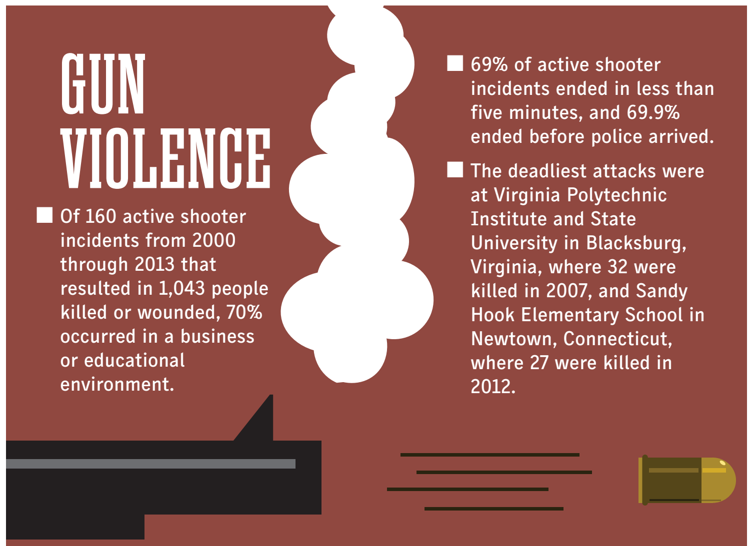

Source: FBI's "A Study of Active Shooter Incidents, 2000 – 2013"

WORKERS COMPENSATION

Comp attorney pay caps challenged

BY STEPHANIE GOLDBERG

A pending Florida Supreme Court decision and state legislative efforts are putting new focus on how to fairly compensate workers compensation attorneys without inviting additional litigation and greatly increasing claim costs.

The Florida Supreme Court is expected to rule soon in *Marvin Castellanos v. Next Door Co. et. al.*, which challenges the constitutionality of Florida's cap on attorney fees for workers compensation claimants.

As a result of the cap, Mr. Castellanos' lawyers received $165.54 for 107.2 hours of legal work that a Florida workers comp judge deemed "reasonably necessary" to secure workers comp benefits for injuries Mr. Castellanos received in a 2009 altercation with a co-worker, court records show.

With *Castellanos*, it's easy to point to "how allegedly unfair this particular fee was, but doing that alone without putting it in a much broader context" misses the point, said Bruce Wood, Washington-based vice president and associate general counsel at the American Insurance Association.

"Workers compensation was never meant to require an attorney to begin with," Mr. Wood said. While injured workers don't have to involve the courts to get benefits, they may want to "in light of how complex we've allowed state workers compensation law to evolve."

The question of whether attorney fee caps are constitutional could arise in other states moving forward, as "most state constitutions include a provision about access to the courts," said Trey Gillespie, Austin, Texas-based senior workers comp director at the Property Casualty Insurers Association of America.

Other states are already dealing with the issue legislatively.

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RISK MANAGEMENT

Managing risk comes with accountability

Public companies most likely to hold leaders responsible

BY MARK A. HOFMANN

Who owns risk?

According to *Business Insurance*'s first Risk Insights report, lines-of-business leaders and managers responsible for the execution of processes within an organization are becoming the ultimate owners of risk in their areas of responsibility.

That means they're being held accountable for results.

The survey indicated that risk management beyond its traditional scope is becoming important to organizations. Risk exists in every aspect of an entity, and managing that risk is becoming as common as managing people or processes.

In fact, *Business Insurance*'s recent survey of risk managers found that in 70% of organizations, department heads and/or line-of-business leaders are held accountable for risk in their areas. Among public companies, 80% identify risk owners. The percentage drops to 68% in private companies, 63% in government entities and 59% in nonprofit organizations.

70% of organizations, department heads and/or line-of-business leaders are held accountable for risk in their areas.

Not surprisingly, in companies that identify risk owners, those individuals are more actively involved in risk management. In 42% of the cases, these line-of-business leaders identified their risks and communicated them to the risk manager, who is in charge of putting together a plan to prevent or mitigate the risk. In 37% of the cases, business leaders and risk managers work together in identifying the risks and finding ways to manage them.

Organizations are more likely to offer entitywide risk management or risk awareness training when the heads of a line of business or process are responsible for a risk. That was the case in 45% of those companies compared with only 33% of the companies that used a more traditional risk management approach, according to the survey.

The identification of risk owners

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MIDYEAR RENEWALS

Buyer-friendly property market continues

Rates down for most lines, capacity remains ample

BY MARK A. HOFMANN

It's a great time to buy commercial property insurance.

Rates are down by double digits compared with a year ago. Capacity isn't a problem. Terms and conditions are generally generous.

And the market shows no sign of changing soon, according to underwriters and brokers alike.

"It's a pretty competitive market. There continues to be downward trend," said Peter Pettinicchio, vice president of operations client service at Johnston, Rhode Island-based FM Global.

Rates were down as much as 15% before the Risk & Insurance Management Society Inc.'s annual meeting in April, said Dave Finnis, national property practice leader at Willis North America Inc. in Atlanta.

During the current midyear renewals, he said some accounts are seeing decreases of as much as 20%.

"If you have a large account with a really good loss record and you are desired by the market, you could create a feeding frenzy," Mr. Finnis said.

"Rates are down a little under 10%, but we've got 30% of our clients seeing a greater than 10% decrease," said Rick Miller, national property practice leader at Aon Risk Solutions in Boston. "There's just a lot of capacity," but underwriters are still making money for the most part, he said.

Nontraditional sources of capital, including hedge funds, have entered the property reinsurance market, thus adding to capacity.

"I think it's a softening market all around," said Duncan Ellis, national property practice leader at Marsh L.L.C. in New York.

He said some accounts are seeing 20% rate declines, with sectors such as office exposures, real estate, financial institutions and hospitality among the most competitive.

"That's coming off last year, which was also a very good year for buyers," Mr. Ellis said.

Signs of a buyer-friendly market were evident even earlier in the year.

"We were able to get what we wanted" in February, said Gordon Adams, chief risk officer at tuna supplier Tri Marine Management Co. L.L.C. in Belleview, Washington.

"No complaints whatsoever. It was a very bland renewal," Scott Clark, risk and benefits officer at Miami-Dade County Public Schools in Miami, said of the school district's property program that renewed in May at an 8% premium reduction.

REINSURANCE RENEWALS PAGE 22

"We were able to retain our favorable terms, conditions and rates" for the property program that renewed June 1, said John R. Phelps, director of business risk solutions at health insurer Blue Cross and Blue Shield of Florida in Jacksonville. "The incumbent carrier continues to be extremely competitive, and this supports our company strategy of long-term relationships with our carriers."

Rate reductions aren't as dramatic in the market targeted by Hanover Insurance Group Inc., said Scott Grieco, president of middle market for the Worcester, Massachusetts-based insurer.

Hanover is a total account underwriter, with customers buying property and liability coverage together, and the typical target account generating $50,000 to $500,000 in premium. He said rates for the types of accounts Hanover writes are "definitely" down from last year, but still not negative.

An unusual influx of capital is driving capacity, noted Alexandra Glickman, area vice chairman of Arthur J. Gallagher Risk Management Services Inc. in Glendale, California.

"It's great for the clients, and we anticipate — barring truly catastrophic events over the next months — the double-digit rate decreases will continue," she said.

The wash of capacity also is affecting the excess/surplus marketplace.

"Everybody has come to play from a capacity and pricing standpoint, and the E&S markets are feeling the pressure from the admitted markets," Ms. Glickman said.

But not all industries are seeing reduced rates.

Meat processing facilities have raised concern because of the severity and volatility, rather than the frequency, of claims, said Mike Martin, executive vice president and general manager of national insurance property at Liberty Mutual Insurance Co. in Boston.

Attention also is being paid to emerging exposures, notably solar panels, he said.

Competition in excess layers helps D&O policyholders

BY JUDY GREENWALD

The directors and officers liability market continues to soften for most accounts, fueled by significant capacity, excess layer competition and additional capital.

Meanwhile, policyholders are enjoying broader coverage in the D&O market, where many experts say up to $1.5 billion in capacity is available.

"The D&O market's been good to us for many years, and this year was better than anticipated," said Bill Frye director of risk management at Graphic Packaging International Inc. in Atlanta, who works with Lockton Cos. L.L.C.

D&O

"We see capacity increasing and reinsurance readily available and very cheap, and some new market entrants, so all that coupled together leads to a soft and softening market," said Brian Wanat, New York-based CEO of the U.S. financial services group at Aon Risk Solutions.

Primary pricing is flat to down 5%, while decreases of 5% to 15% are more likely, said Simon Hodge, professional risk national practice leader at Wells Fargo Insurance Services USA Inc. in Atlanta.

Ryan Stubits, Atlanta-based vice president and account executive at Lockton's financial services practice, said the market is bifurcated between the primary and the excess layers "simply because of capacity. You have less primary players in the D&O space versus the excess, so the large players in the primary space have a little bit more com-

See **D&O** page 22

Abundant capacity keeps liability pricing down

BY MATTHEW LERNER

Abundant capacity and aggressive underwriting are making midyear renewals in the commercial liability insurance market more competitive.

"From a year ago, the market is more competitive," said Mark Moitoso, vice president and general manager of national casualty at Liberty Mutual Insurance Co. in Boston.

LIABILITY

"The casualty renewal market is more competitive compared to last year," said Peter Wilson, CEO of Axis Insurance Co. in New York.

In some cases, commercial liability prices are dropping 10% to 15% at renewal.

"For good risks, you're seeing renewals down 7% to 10%," said Frank Scott, senior vice president of USI Insurance Services L.L.C. in West Orange, New Jersey. A good risk, he added, has a loss ratio well below 50% and shows a commitment to safety.

"We are in a negative-rate environment for general liability for large accounts, and we are in a negative-rate environment for auto liability for large accounts," said Pam Ferrandino, New York-based executive vice president and casualty practice leader at Willis North America Inc. "Therefore, when you look at the umbrella trend, which would sit above the GL and the (auto liability), we are in a negative-rate environment."

The softer market is giving some buyers negotiating space.

"We saw flexibility and a willingness to recognize some need we have and work

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New players enter comp market amid softening rates

BY STEPHANIE GOLDBERG

The workers compensation insurance market continues to soften amid rising competition.

Experts at Lockton Cos. L.L.C., Willis North America Inc. and Aon Risk Solutions say clients renewing their workers comp coverage at midyear are seeing rates that are essentially flat.

WORKERS COMP

"There is a lot of competition to write new business," and insurers want to hold on to existing accounts, said Kurt Narron, Houston-based vice president and account executive at Lockton.

While many large employers are seeing rates that are flat to slightly higher, middle-market companies are seeing about a 2% rate increase, with slightly higher increases for states like California, said Pam Ferrandino, executive vice president and casualty practice leader at Willis North America Inc. in New York.

Still, workers comp rates for renewing accounts are about 2% lower than they were this time last year, she said.

Stephen Hackenburg, chief broking officer of the national casualty practice at Aon Risk Solutions in New York, said it's possible that a large employer that's "taking an appropriate deductible, has good loss history (and) doesn't present huge catastrophic loss potential to the industry" is seeing reductions. "In some cases, significant ones," he added.

L.L. Bean Inc., which has about 11,000 full-time and seasonal employees covered under workers comp, does "a variety of

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IN BRIEF

BP oil spill claims settle for $18.7 billion

■ BP P.L.C. said it has reached an $18.7 billion settlement of damages claims from the U.S. government and five states after the 2010 Gulf of Mexico spill. The U.S. Justice Department said it could be the largest settlement with a single entity in American history and the total value would top $18.7 billion. The April 20, 2010, rig explosion and spill killed 11 workers and spewed oil for nearly three months on to the shorelines of several states. BP said the agreement covered claims from the states of Alabama, Florida, Louisiana, Mississippi and Texas and 400 local government entities. The company faces a maximum fine of $13.7 billion under the Clean Water Act for its Gulf of Mexico oil spill, after a judge ruled that it was smaller than the U.S. government claimed.

Reuters

EEOC pregnancy bias guidance updated after high court ruling

■ The U.S. Equal Employment Opportunity Commission has issued an update of its enforcement guidance on pregnancy discrimination that is based on the U.S. Supreme Court's March ruling in *Peggy Young v. United Parcel Service Inc.*, which revived a part-time worker's pregnancy discrimination lawsuit against UPS. The updates to the guidance are limited to several pages on the *Young* ruling, and reflects the high court's conclusion that women may be able to prove unlawful pregnancy discrimination if the employer accommodated some workers but refused to accommodate pregnant women, EEOC said in a statement.

Opioid costs highest in construction sector

■ The cost of opioid use is greater for injured construction workers than for injured workers in other industries, according to an analysis by CNA Financial Corp. of claims from 2009 to 2013. Spending on opioids in the construction industry is 5% to 10% higher than other industries. Oklahoma, Texas and Florida have higher frequencies of painkiller abuse among injured construction workers than many other states, the analysis shows. Top-billed name-brand painkillers among injured construction workers include Acetaminophen with Codeine Phosphate, Avinza, Balacet, Demerol and Embeda, according to the analysis. Other powerful opioids, such as Fentanyl, OxyContin and Vicodin, are also listed. To combat potential prescription opioid abuse among construction workers, employers should educate employees about "the potency of these drugs, how they work, how they interact with other drugs and how they can become addictive," the analysis states.

Possible credit card breach at Trump luxury hotels

■ Donald Trump's string of luxury hotel properties, The Trump Hotel Collection, could be the latest victim of credit card breach, Krebs on Security reported, citing data shared by several U.S.-based banks. Sources at the banks traced a pattern of fraudulent debit and credit card charges to accounts that had all been used at Trump hotels, the cyber crime and internet security blog said. Credit card data at various Trump properties in the United States, including those in Chicago, Honolulu, Las Vegas, Los Angeles, Miami and New York, could have been compromised, according to the report. The attack "appears to extend back to at least February," the blog said. "We have been alerted to potential suspicious credit card activity and are in the midst of a thorough investigation to determine whether it involves any of our properties," Eric Trump, executive vice president of development and acquisitions, said in an email to Reuters. Real-estate developer Donald Trump is seeking the Republican nomination for president.

Reuters

North American, multinational leaders shuffled at Mercer

■ Mercer L.L.C., the consulting unit of Marsh & McLennan Cos. Inc., has appointed Simon O'Regan president of Mercer's North America region. Mercer also has appointed Martine Ferland president of the Mercer EuroPac region and Pat Milligan its global leader of multinational client services, a newly created role. The appointments are effective immediately, according to a Mercer spokesman. Previously, Mr. O'Regan was president of the Mercer EuroPac region, which includes Europe, Australia and New Zealand; Ms. Ferland was senior partner and leader of the retirement business for EuroPac; and Ms. Milligan was president of Mercer's North America region. Mr. O'Regan will be based in New York and Ms. Ferland will be based in London, while Ms. Milligan will be working globally, the Mercer spokesman said.

Liability underwriting group taps new executive director

■ The Professional Liability Underwriting Society has appointed Robbie Thompson executive director, effective July 29. Mr. Thompson will take over from Derek Hazeltine, whose last day was June 26, a PLUS spokesman said. In his new role at the nonprofit association, Mr. Thompson brings a track record of leading associations with a focus on member value and engagement, and is dedicated to working with corporate sponsors, the spokesman said. Previously, Mr. Thompson was president and CEO of the Credit Union Association of the Dakotas in Bismarck, North Dakota, and a vice president and general counsel for the Members Cooperative Credit Union before that, according to the PLUS statement. Mr. Thompson will be based in Minneapolis, where PLUS is headquartered.

Lawmakers promise scrutiny of coal cleanup insurance

■ Lawmakers will examine whether a program that allows coal companies to forgo mine cleanup insurance could leave taxpayers with billion dollar costs. The coal sector is responsible for cleaning up exhausted mines and they typically pay private insurers to finish that work if a mining company goes bankrupt. But a federal program called "self bonding" has allowed the largest miners to leave a share of future cleanup uninsured, and lawmakers are concerned taxpayers could take a hit. "We must ensure taxpayer dollars are not needlessly put at risk to cover cleanup costs," wrote Rep. Debbie Dingell, D-Mich., the leading Democrat on the committee's oversight panel. Rep. Louie Gohmert, R-Texas, the top Republican on the panel, said he supported such a review.

Reuters

MetLife alleges risk panel secrecy, demands access to records

■ MetLife Inc. has asked a federal judge to force the U.S. government to hand over 500 pages of confidential records that relate to financial regulators' decision to designate the insurance giant as systemically important. In a filing in U.S. District Court for the District of Columbia, MetLife said the government's failure to hand over the records harms its "due-process rights." MetLife is embroiled in a legal battle with the U.S. Financial Stability Oversight Council. The panel has the power to dub large nonbank financial firms as systemically important, a tag that results in greater oversight by the Federal Reserve. MetLife has argued it is not systemically risky to the broader marketplace, and it is asking the court to overturn the FSOC's determination.

Reuters

Insurers receiving $8 billion in ACA reimbursements

■ The federal government will pay out nearly $8 billion in claims reimbursements to 437 health insurers under the Transitional Reinsurance Program created by the health care reform law. Under the first year of the program, health insurers writing coverage in the individual market are reimbursed by the government for 2014 claims between a $45,000 attachment point and a $250,000 ceiling. The biggest payment — $549 million — will go to Blue Cross Blue Shield of Texas, followed by Anthem Blue Cross of California, $401.1 million and Blue Shield of California, $363 million, the Centers for Medicare & Medicaid Services said.

Hormel gets final approval to fund benefits in captive

■ Hormel Foods Corp. received final U.S. Labor Department authorization to fund several employee benefit risks through its Vermont captive insurer. The Austin, Minnesota-based producer and marketer of meat and other food products will use the captive, Diversified Foods Insurance Co. L.L.C., to fund life and accidental death and dismemberment benefits for its employees. Policies will be issued by Zurich American Life Insurance Co. Hormel already uses its captive, which was licensed in 2012, to fund a variety of risks, including property, earthquake and terrorism.

Aerospace premiums down for eighth year in a row

■ Aerospace sector premiums have fallen for the eighth consecutive year on a lack of significant claims and the unprecedented level of capacity that has been attracted to insurance markets, according to Aon P.L.C.'s 2015 Aerospace Insurance Market Report. The aerospace sector's lead premium has been decreasing by about 5% for the past eight years, while it decreased by an average of 8% in 2014/2015. The improved risk profiles were attributed to "enhancements in technology, security and working practices," which have had an influence across aerospace sectors, the report said. Lead premiums for the airport and the manufacturing sectors each fell by 8% for 2014-2015. The service provider sector saw the largest decrease in lead premiums at 14% on lower, more consistent claims.

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INTERNATIONAL

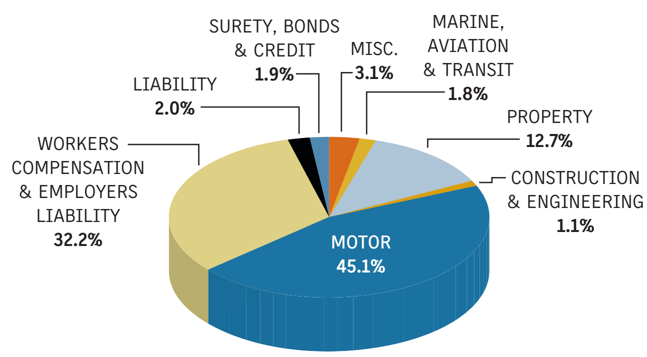
PROFILE: ARGENTINA

$10.62 BILLION

With little exposure to natural hazards — primarily hail threats to agriculture — the main issues stem from an economy with a projected 26% inflation rate for this year and recent currency devaluation slowing growth. Of the 184 insurers chasing a shortage of business in Argentina's fragmented market, 109 are in the property/casualty business. Foreign ownership is considered heavy though largely undocumented. The upcoming presidential election in October only exacerbates the uncertainty.

◀ 2013 P/C gross premiums

MARKET SHARE



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

AREA

1,068,302 square miles

POPULATION

42.66 million

GLOBAL P/C MARKET RANKING

32

2015 GDP CHANGE (PROJECTED)

2.7%

MARKET DEVELOPMENTS

UPDATED MAY 2015

- Environmental liability remains up in the air after an appeals court last year upheld a 2013 decree suspending the sale and marketing of the coverage. All policies issued also were canceled. The Supreme Court in December sent the matter back to the appellate level, saying its ruling lacked constitutional and legal substance and ran counter to government policy.
- Regulation governing insurance industry investment policy, amended in September 2014, requires reinsurers to have a minimum of 18% and maximum of 30% of their investments in state-backed production and infrastructure projects. Workers compensation insurer limits are 8% and 20%.
- A 2012 law requiring increases in and index-linking of workers compensation and permanent work disability benefits every six months has increased solvency problems in a major sector of Argentina's P/C market, where loss ratios top 90%.
- Liberty Mutual Holding Co. Inc. announced in 2014 the sale of its insurance and reinsurance operations in Argentina to U.S. private equity firm Kranos Capital. They will operate as Integrity Seguros Argentina and Integrity Reseguros Argentina. Solunion, a venture of Euler Hermes and MAPFRE, is now a credit insurance services provider with Allianz S.E. continuing as the insurer.

COMPULSORY INSURANCE

- Auto third-party liability
- Shipowners liability for marine oil pollution
- Workers compensation
- Third party liability for owners of dangerous dogs in Buenos Aires, one of several coverages mandated for only the capital
- Third party liability for passengers on public transit systems, including ferries

NONADMITTED

Unauthorized insurers cannot do business in Argentina, with some unspecified exceptions that are open to wide interpretation.

INTERMEDIARIES

Brokers have to be authorized by the Superintendency of Insurance to do business in the country, but agents do not. Intermediaries are not allowed to place business with nonadmitted insurers. But brokers involved in nonadmitted placements under the nonspecific exceptions do not have to warn buyers that their insurer is not subject to local supervision.

MARKET PRACTICE

Despite the exclusion of nonadmitted insurers, it's not uncommon for marine, international cargo, kidnap and ransom, property and indemnity, aviation risks and other types of insurance to be placed abroad with apparent impunity.

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

Steve Hearn named Cooper Gay CEO

■ Steve Hearn has been named global CEO of London-based brokerage Cooper Gay Swett & Crawford Ltd. effective Nov. 2. Formerly deputy CEO of Willis Group Holdings P.L.C., Mr. Hearn will replace Toby Esser, who stepped down as global CEO of CGSC in June after more than 30 years with the firm. Willis said in a statement that Mr. Hearn would begin a period of leave before taking up the CGSC post in November. A spokesman for Willis said that there were no immediate plans to appoint a new deputy CEO. Mr. Hearn also is chairman of the London & International Insurance Brokers' Association and chairman of the London Market Group.

European storm losses up to nearly $1 billion

■ Windstorm Mike-Niklas caused about €895 million ($999.45 million) in insured property losses when it struck Austria, Belgium, Germany, the Netherlands, Switzerland and the United Kingdom between March 29 and April 1, according to catastrophe data firm Perils A.G. The company upped its loss estimate for the storm, which caused the most damage in Germany and was known as Lentestorm in the Netherlands, from an initial loss estimate of €853 million ($952.6 million) announced in May.

Rail companies charged in oil train disaster

■ The Canadian government has charged two railroad companies and six people in the July 2013 Lac-Mégantic, Quebec, train derailment in which an unattended train transporting crude oil began rolling, jumped the tracks and burst into flames, killing 47 people and causing extensive destruction. Transport Canada said its investigation found that an insufficient number of hand brakes were applied and that the hand brakes were not tested properly. The Canadian governmental agency said crude oil also was released into a river. Those accused of violating Canada's Railway Safety Act and the Fisheries Act are: Montreal Maine & Atlantic Canada Co., Montreal Maine & Atlantic Canada Railway Ltd., Montreal, Maine & Atlantic Railway Inc. President and CEO Robert C. Grindrod and five other people. Each defendant is accused of two counts of violating the railway safety law. If convicted, companies could be fined up to $1 million and individuals could be fined up to $50,000 for each count. Jail terms of up to six months also are possible. A Nov. 12 court appearance has been set for those accused in the case, said a spokeswoman for Transport Canada.

RSA appealing award to suspended CEO

■ RSA Insurance Group P.L.C., London, intends to appeal an Irish Employment Appeals Tribunal decision to award €1.25 million ($1.42 million) to the former CEO of its Irish unit, Philip Smith, who claimed he had been constructively dismissed from the company. The tribunal in Dublin ruled that by suspending Mr. Smith pending an investigation into alleged financial and reporting irregularities at RSA Insurance Ireland in November 2013, RSA effectively had already decided his fate. Mr. Smith was one of a trio of top executives at RSA Ireland suspended by the insurer while enquiries were made about under-reserving and reporting irregularities, which led to RSA needing to pump about €262 million ($297.13 million) of emergency capital into its Irish unit. He resigned in late November 2013 claiming he had been made the "fall guy" for the affair.

Willis names CEO for Southeast Asia

■ Willis Group Holdings P.L.C. has named Simon Weaver as CEO of its Singapore office and to the newly created role of regional CEO for Southeast Asia. In his new role, Mr. Weaver will lead Willis' Singapore office while also overseeing the company's offices and operations in Southeast Asia, Willis said in a statement. Mr. Weaver will start Sept. 1, subject to regulatory approval. He comes from Miller Insurance Services L.L.P., where he spent two years as head of Asia, and replaces Matthew Hooker, who will leave his role as CEO of Singapore on Sept. 1 to start as Asia leader for Natural Resources, Willis said in the statement.

Former Aspen executive joins London rival Amlin

■ James Few has been appointed global managing director of reinsurance at London-based Amlin P.L.C., effective Aug. 1. Mr. Few will replace Kevin Allchorne, who stepped down last month, the insurer and reinsurer said in a statement. Mr. Few previously was CEO of Aspen Re, the reinsurance arm of Aspen Insurance Holdings Ltd., of which he was a founding team member.

Top underwriters named in London

■ Dominick Hoare, an energy underwriter at Watkins syndicate 457, and Mark Pepper, a reinsurance underwriter at Ascot Underwriting Ltd., have been voted the leading underwriters in the London insurance market by underwriters and brokers, respectively, London-based Gracechurch Consulting Ltd. said. The research firm asked 450 London market brokers and 200 London market underwriters to nominate the leading underwriters. The study ran from November 2014 to May 2015.

APPRENTICESHIP PROGRAM LOOKS TO THE FUTURE

AL CROOK

ZURICH NORTH AMERICA

Swiss insurer Zurich Insurance Group Ltd. announced in early June that its U.S. unit, Zurich North America, has developed an insurance apprenticeship program. Harper College, a Palatine, Illinois, community college located a few miles from the company's U.S. headquarters in Schaumburg, Illinois, will train students interested in pursuing a career in the insurance industry. The U.S. program will be patterned after the successful Swiss program, which touts employment rates of 94% for students that complete it. Al Crook, Chicago-based head of HR Business Partners for Zurich North America, recently spoke with *Business Insurance* Staff Reporter Donna Mahoney about Zurich's North America's strategy and the effect these types of programs can have on a company's talent pool. Edited excerpts follow.

Q&A

Q What inspired the apprentice program?

A The program was implemented to help bolster the supply of talented candidates by creating a channel that doesn't currently exist. This is primarily intended to ensure that new hires continue to enter our workforce as baby boomers exit at a greater rate than they might be replaced via existing channels. Furthermore, it's modeled after the successful learning and career preparation program used by Zurich Insurance in Switzerland and other countries.

The timing is serendipitous in that the Obama administration has started an initiative aimed at significantly increasing the number of apprenticeships offered in the United States. In January, Zurich North America formalized our commitment to the initiative at the White House by pledging to bring on 20 apprentices per year for five years.

Q Is the industry experiencing a shortage of qualified applicants?

A The insurance industry is by no means seeing a shortage of applicants at this time. However, the apprentice program will help to ensure that Zurich's hiring rates stay on course barring unforeseen events in the future.

Q How long is the program and what will the students who complete it get?

A We are targeting two to two and a half years. Our first cohort will begin in early 2016. Once completed, our employees will be a certified insurance apprentice with an associate's degree in applied sciences. They will also continue their employment with Zurich, primarily in claims or underwriting.

Q How much money is Zurich investing in the program, and where is it coming from?

A Zurich will be hiring the apprentices as full-time employees. Our investment includes two years of pay and the cost of the associate's degree per employee. The cost per cohort class is estimated at $1.5 million. The funding is coming from existing staffing and training budgets.

Q What percentage of the grads would you expect to hire at Zurich?

A One hundred percent of the graduates who complete the program will have a position waiting for them at Zurich. They will be employees during the program.

Q Could this program become an industry standard?

A Yes, once the pilot is completed, we will begin sharing the fundamentals and benefits across the industry and work with other insurance companies to make this an industrywide program.

Q What are the potential benefits to be gained by Zurich or other companies from the program?

A Zurich will create well-trained insurance professionals who will complement our traditional hiring programs. Once the program is taken to a larger, industrywide scale with other insurance companies and learning institutions participating, there'll be a wider portfolio of candidates that will include trained apprentices along with current insurance hire candidates.

COMINGS & GOINGS

UP CLOSE: CARL L. BACH III

LONDON-BASED MANAGING DIRECTOR OF NAVIGATORS UNDERWRITING AGENCY LTD. AND PRESIDENT OF LONDON MARKET INSURANCE

PREVIOUS POSITION: London-based president of NavPro (a unit of Navigators) and International Casualty Corp.

LOOKING FORWARD TO: Building on the momentum in our London and European offices. Executing our five-year strategy to grow our international business.

GOALS FOR NEW POSITION: Broaden our product offering from London and our Nordic and European offices. Grow our market share within the Lloyd's market. Reduce our operating expenses and improve profitability.

CHALLENGES FACING INDUSTRY: Over-supply of capacity creating pressure on pricing across most product lines. Low levels of investment income place greater importance on underwriting and risk selection.

FIRST INDUSTRY JOB: D&O underwriter at Reliance National Insurance Co. in New York, focusing on middle market business, although first introduction to the industry was as an intern for Nicholson Jenner Leslie Group Ltd. in London.

ADVICE: Work hard, build a network internally and externally, and have fun.

OUTSIDE THE INDUSTRY, A DREAM JOB: Travel journalist.

HOBBIES: Basketball, travel and photography.

THING MOST PEOPLE DON'T KNOW ABOUT ME: I love to cook. I'm not very good, but trying different recipes is relaxing and, at times, satisfying.

WHEN I RETIRE: I would love to travel the world.

FAVORITE MEAL: A few years back I went to The Fat Duck (a three-star restaurant in Bray, England) with my team. The combination of the experience and the company was by far my favorite meal.

FAVORITE BOOK: "On the Road" by Jack Kerouac.

CAN'T-MISS TELEVISION SHOW: "True Detective." I loved the first season and am very excited about the second.

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EDITORIAL

TIME TO TAKE FRESH LOOK AT HEALTH LAW

In considering the U.S. Supreme Court's decision last month to uphold IRS health care reform law regulations authorizing federal premium subsidies to the lower-income uninsured obtaining coverage in the federal exchange, we are reminded of a famous quote of Winston Churchill's.

Following a major Allied victory — after many setbacks — in late 1942, the British prime minister said that while the victory was not the beginning of the end, it was end of the beginning.

Similarly, we believe the Supreme Court decision allowing the continuation of premium subsidies to 6.4 million federal exchange enrollees, while not ending controversy over the health care reform law, may move the focus away from courtrooms and, we hope, toward Congress and regulators.

Certainly, the achievements of the Patient Protection and Affordable Care Act are significant and, we believe, indisputable. Through numerous provisions, especially the premium subsidies and the expansion of Medicaid, the law has made a huge dent in the number of uninsured.

Some of the benefits of that expansion of coverage, such as faster and probably better treatment of medical problems of the previously uninsured, are obvious. Other benefits — such as a reduction in uncompensated care, a cost that providers often try to shift to insured patients — while not as obvious are also important.

Given the benefits of the law and the Supreme Court ruling, we would hope that the focus will shift away from the courtroom and to Congress and regulators to develop a consensus on changes needed to improve the law.

On the regulatory side, much more needs to be done to simplify the current overly complex rules that require employers to report health care plan enrollment information to the government.

On the legislative side, we would hope lawmakers modify a provision that now requires employers to offer coverage, or pay a stiff financial penalty, to full-time employees, which the ACA defines as those working an average of 30 hours per week.

To us and to many others, that is not a real-world definition of a full-time employee and should, at a minimum, be bumped up to an average of 35 hours per week.

No doubt there are many parts of the law that can be improved, and we hope Congress works to do that in a careful and bipartisan way.

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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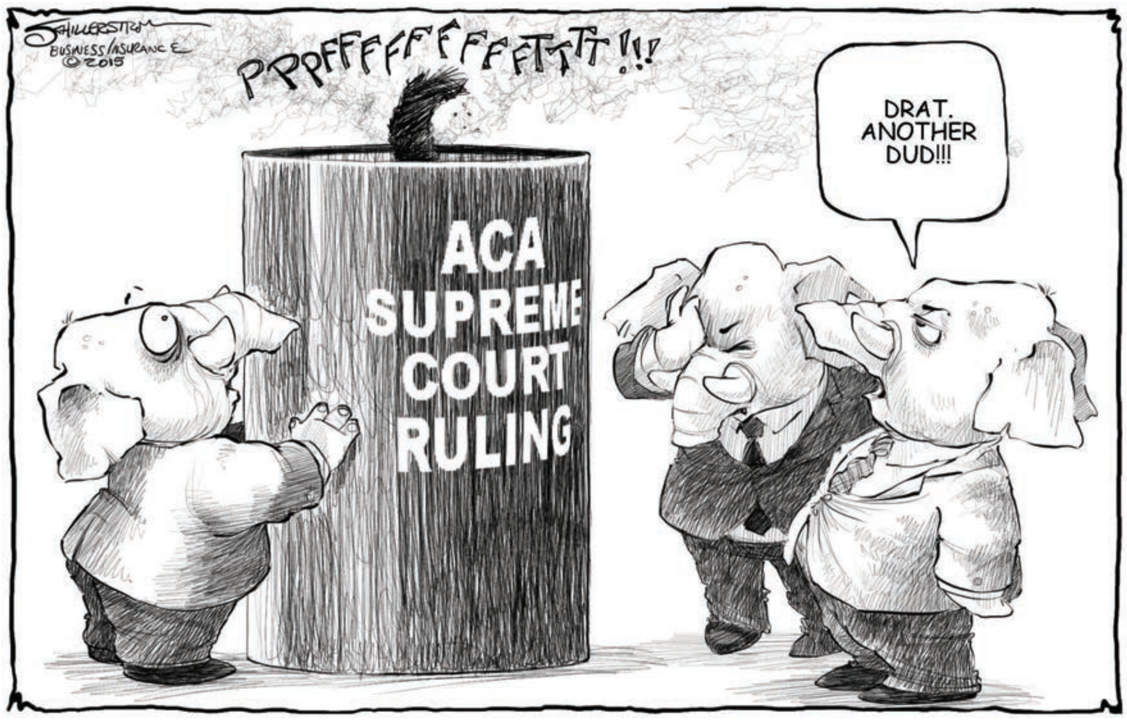

COMMENTARY

EMPLOYERS NEED TO ACT AS SOCIAL CHANGE ACCELERATES

Rulings by the U.S. Supreme Court over the past couple of weeks seem to signal a fundamental shift in social attitudes that will have a profound effect on employers, as well as the country at large.

The ruling on health care insurance exchange premium subsidies, which effectively held together the 2010 health care reform law, ensured that huge changes to the provision of health care will be maintained. And the ruling striking down state laws barring gay marriage will compel many companies to overhaul their benefits plans to incorporate same-sex married couples.

The gay marriage ruling in particular had a sense of inevitability about it, which is remarkable considering only a few years ago even relatively liberal politicians were dancing around the subject or voicing guarded opposition to the concept. Yet support for the change accelerated over the past few years, particularly among the young.

Maybe it's too soon to call, but there seems to be a similar sense of inevitability about another societal change that will also have huge effect on employers: the legalization of marijuana.

With the important caveat that marijuana use is still illegal under federal law, the dominoes seem to be falling at the state level.

Already, 24 jurisdictions have legalized medical marijuana, and five have legalized the drug for recreational use. Barring widespread acceptance of scientific studies showing the downside to marijuana use — and there are plenty of them to peruse — you can't help but feel that the majority of states will allow some form of legal marijuana use before long.

GAVIN SOUTER
EDITOR

It's perhaps the medical marijuana laws that provide the biggest quandary for employers. While people may facetiously talk about consuming alcohol for "medicinal reasons," being drunk on the job is unacceptable in just about every workplace. So if an employee is prescribed marijuana, there are plenty of reasons for employers to worry about related impairments.

Court rulings on the issue of medical marijuana have varied. In a closely watched case in Colorado, the state's highest court last month upheld Dish Network L.L.C.'s firing of a worker for legal marijuana use outside of work. Importantly for employers, the court ruled that Colorado's "lawful activities statute" does not protect workers engaged in activities that are legal under state law but illegal under federal law.

Yet in other cases, employers and their service providers have not fared so well. New Mexico's Court of Appeals later ruled that medical marijuana was "reasonable and necessary medical care" for a worker's compensation claimant, even though many in the comp sector question the efficacy of marijuana.

Despite the uncharted legal and medical territory that employers are being forced to enter, if they don't do all they can to control the use of this increasingly legal drug in the workplace, they'll be falling down on the job themselves.

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PERSPECTIVES

Store's data breach reveals payment card liability quandary

A data breach at Midwest grocer Schnucks raises questions about the limitations and enforcement of payment card agreements with banks and card processors. Eduard Goodman, chief privacy officer of data privacy consulting firm IDT911, discusses the likelihood that such agreements will be rewritten, ensuring retailers are liable for settlements resulting from legal action around breaches.

A recent ruling in a data breach lawsuit could have ramifications that spread far across the retail sector and insurance industry. The breach at Schnuck Markets Inc., a grocery chain with locations throughout the Midwest, ran for more than three months from late 2012 to early 2013 and involved malicious code inserted into the retailer's systems that siphoned data from payment cards swiped at 79 of its nearly 100 stores.

After being alerted to the possibility of an intrusion by its card processor, it took Schnucks and an outside security firm another two weeks to identify, isolate and close down the breach. In all, 2.4 million credit and debit cards were exposed.

Afterward, Schnucks faced several liabilities, not the least of which were class action lawsuits by customers whose cards were affected that resulted in a $2.1 million settlement agreement. However, one of the most problematic liabilities was the imposition of "assessments" against Schnucks by its card processor and bank — First Data Merchant Services Corp. and Citicorp Payment Services Inc., respectively. These costs were claimed under contracts First Data and Citicorp say made Schnucks liable for uncapped liability regarding "third-party fees" or "fees, fines or penalties."

Schnucks, in turn, sued First Data and Citicorp, asserting that they had withheld too much money to cover the reimbursements requested by banks whose cards were affected by the exposure. The merchant payment processing agreement is at the crux of the litigation. Schnucks argued that the agreements limited the company's liability to $500,000 with certain enumerated exceptions that included reimbursement for disputed charges and other fees, fines and penalties.

Schnucks further claimed that there was no reference to data breach in the liability limit exceptions. First Data and Citicorp contended the exceptions were applicable to data breaches and to this particular breach. A federal judge agreed with Schnucks and ruled that its liability in the exposure should be capped. The decision leaves the bank and payment processor responsible for the rest.

This is likely to force a language change to future payment card processor, bank and payment card operating agreements to specifically include breaches in these penalty-based fines and assessments. With that in mind, there are a few main points business owners, risk managers and management should understand about this case and its potential implications.

The first is that potential contractual liability for data breaches under bank, payment processor and card agreements is intended by those organizations to be uncapped. While the court has agreed with Schnucks that the language of the agreements in question was vague at best, organizations must closely review all applicable agreements they sign and execute with all parties when it comes to payment card processing. There needs to be an understanding that any perceived failures in security that lead to a card breach will result in an attempt by the payment card industry to impose massive penalties, or "assessments."

The Schnucks case made it clear that payment card institutions, banks, and processors can only hold a retailer liable for $500,000 for various fines and penalties under the standard payment card operating agreements. Unfortunately, most organizations prefer to pay these assessments rather than fight them.

Second, corporate risk managers need to recognize that while liability in the form of consumer class actions for these card breaches is typically very low, the contractual liability to the processors, banks and card companies remains wide open. In many cases, the assessments that result from a breach event will simply be taken from the retailer based on some questionable, predetermined formulas cooked up by the card companies. In looking at the Schnucks situation, it's clear that few protections exist for the breached organizations unless the organizations choose the route of costly defensive litigation against corporate behemoths like VISA or Mastercard.

This is where commercial insurance coverage, particularly cyber policies, comes into play. From a company's risk management perspective, one may think that such coverage will protect against these payment card industry driven assessments. However, a close read of many commercial cyber and data breach coverages reveals that the vast majority of "off the shelf" data breach policies specifically exclude contractual liability related to a breach. This means that there would be no coverage for legal defense against the imposition of assessments, let alone to pay the contract-based assessment.

Finally, businesses large and small need to recognize that the banks, card processors and card brands are not their friends — or enemies — but rather they are necessary players when it comes to an entity's ability to accept payment cards. While banks, payment processors and the card companies are partners in the payment ecosystem in which businesses participate, these institutions have their own agendas, goals and legitimate interests in preserving the system they have built into a billion dollar industry.

Where does the breach fallout go from here?

This case gets to the heart of the reasonableness (or lack thereof) of nebulous assessments within the payment card system. The card companies have been trying to avoid these cases and decisions as they set very bad precedents for them when it comes to their ability to recoup losses, particularly without solid data to substantiate their claims.

And a few public attempts to claw back the overzealous fines have been made. One state court case, *Cisero's Inc. and Theodora McComb v. ELAVON Inc.*, filed in Summit County District Court, Utah, on Aug. 8, 2011, involving Cisero's Ristorante and Nightclub in Park City, Utah, involved a similar situation. Cisero's was targeted by the card companies for a perceived data breach affecting cards at their institution. Cisero's suit centered on the fact that after Cisero's had closed its accounts with U.S. Bank, the restaurant was sued for an overdraft after the bank paid of an assessment to a VISA and Mastercard without Cisero's consent. The case quietly disappeared, possibly indicating that a settlement was reached that prohibited its public disclosure.

Another case, *Genesco Inc. v. VISA U.S.A. Inc.; VISA Inc.; and VISA International Service Association*, filed in U.S. District Court, Middle District of Tennessee, March 7, 2013, disputes the imposition of assessments by the card companies against Tennessee-based retail giant Genesco Inc., whose brands include Johnston & Murphy, Journeys shoe stores and Dockers Footwear.

There, a payment card situation arose that resulted in a $13 million assessment levied against Genesco by Visa Inc. The dispute centers on whether a breach even occurred as well as the extremely vague and sometimes contradictory language in the agreement. That case is ongoing, with Genesco trying to levy sanctions on Visa last summer for failing to cooperate with discovery requests in good faith. That development is not surprising, though the outcome is still up in the air.

Since these are standard agreements used by payment card processors, banks, and card companies, many other retailers likely have similar liability limitations. This means that these agreements will likely change. Prudent businesses and the insurers that underwrite them may consider reviewing those agreements and their liabilities associated with accepting payment cards as the data breach and litigation landscapes evolve.

Eduard Goodman is chief privacy officer at IDT911. He can be reached at egoodman@idt911.com or 480-355-4940.

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Wellness Programs Management

Redefining the value of wellness

Using a value-on-investment metric lets employers assess more than just dollars

BY KAREN PALLARITO

Employers have long used return on investment to demonstrate how much a dollar spent on workplace wellness saves on medical costs, but the results often are disappointing because ROI fails to capture the broader effect of employee health interventions on the overall business.

That's why some companies are looking, instead, to measure value on investment, which assesses how an employer's wellness strategy affects business goals, such as improving employee health, safety, productivity and engagement.

"We need to step back and look at the whole enchilada," said Ron Leopold, Atlanta-based national practice leader of health outcomes at Willis North America Inc., on measuring wellness programs' value on investment.

Beyond reducing medical costs, wellness programs improve employee morale and engagement and reduce absenteeism, presenteeism, and workplace injury, he said, so "let's recognize that the work that we do impacts the entire pie."

Many employers, including Fortune 500 giants such as Dow Chemical Co., General Electric Corp. and PepsiCo Inc., believe that a healthy employee population is a business advantage, said Shelly Wolff, health and workforce effectiveness leader at Towers Watson & Co. in Stamford, Connecticut.

However, as Rand Corp. concluded in a recent study of workplace wellness programs, not all generate a positive financial return, and a reduction in health care costs should not be the only indicator of an effective wellness program. The study linked participation in "lifestyle management programs" that promote healthy living to improved health risks and reduced absenteeism.

The challenge for benefits leaders is proving the value of wellness programs to top executives, Ms. Wolff said. With value on investment, "you're starting to get at broader business metrics (CEOs and chief financial officers) already believe in."

Where the term originated isn't clear. It may have seeped into workplace wellness from the information technology sector. In 2001, IT consultant Gartner Inc. described value on investment in a research paper advising companies to capture the "soft" benefits of their investments, beyond the easily quantifiable cost savings or revenue generation.

"We've always recommended to clients that they think about … the value of the change that they're trying to bring about and think about it in a broader, more qualitative way," said Gartner Vice President and analyst Carol Rozwell, a co-author of the report.

Employer organizations, providers and consultants are leading the charge to help businesses think beyond ROI.

The National Business Group on Health and Eden Prairie, Minnesota-based Optum Inc. surveyed 275 large companies last year to identify top reasons for investing in wellness. Reducing employee health risks and health care costs and improving productivity ranked highest, while other key drivers included reducing disability claims, improving employee job satisfaction and improving business performance.

Yet only one-third of employers said they have the metrics to justify investments in health and wellness, the survey found.

It's not that they don't have the data; it's that the data resides in different departments or with external providers. The difficulty is "being able to pull those data sources together and to understand what it's telling you," said Karen Marlo, a vice president at the NBGH in Washington.

This year, the Health Enhancement Research Organization and Population Health Alliance published a guide to help employers measure and evaluate their workplace wellness programs. One chapter proposes a value-on-investment framework by calculating inputs — wellness program costs, incentives, and outcomes or

VOI IS THE NEW ROI

What's the difference? Return on investment is a ratio of money saved on medical costs to money invested in wellness. Value on investment is a framework for assessing all of the benefits of a wellness program, not just the financial impact.

Who's using VOI?
Mostly large employers, but also small and midsize businesses with well-established wellness programs and wellness providers.

What does VOI encompass?
It may include financial outcomes, participation rates, health status and measures of employee satisfaction, productivity and performance. Some employers are looking to pull in employee retention and safety data.

Why measure VOI?
To demonstrate the connection between a healthy workforce and a healthy business; to identify needed changes to employers' wellness programs.

Sources: Health Enhancement Research Organization, Population Health Alliance, interviews

TOUGH TO DETERMINE HOW WELLNESS PROGRAMS BENEFIT BUSINESS

Value on investment is a hot buzzword in wellness, but are businesses embracing it?

There's a reason the National Business Group on Health hasn't surveyed members on their use of value on investment, said Karen Marlo, a Washington-based vice president at the NBGH.

"I don't think we can get a good pulse," she said of the approach that is in its early stages, is difficult to define and interpretations among employers vary.

While some employers have extensive measurement programs in place, experts say any effort tying employee health and wellness to business performance falls under the value-on-investment umbrella, even if it involves a single metric, such as employee turnover.

"We don't use a formal VOI method," said Dr. Peter Wald, enterprise medical director at the financial services and insurance firm USAA in San Antonio. "But we do have a comprehensive data warehouse, so we do use various measures to judge the success of our program."

Those measures include employee participation in programs, health risk profiles, total health cost trends and employee retention.

At EMC Corp., a global provider of information technology services, a value on investment approach "has grown organically," said Lauri Tenney, director of benefits in Hopkinton, Massachusetts.

EMC, which employs 27,000 U.S. workers, began sizing up its health and wellness programs using broad business metrics, such as employee satisfaction and retention, long before corporate America started calling it value on investment, she said.

"We are in a high-tech industry, we are competing for talent, and we want to make sure that we can support our overall business objectives," Ms. Tenney said. That is why employee impact "should really be our guiding principal, not necessarily the return on investment."

Cambridge Health Alliance, an integrated health system in greater Boston, has a carefully crafted model to collect data on its 2-year-old wellness program. From its inception, CEO Patrick Wardell challenged program organizers to adopt a robust measurement strategy.

"He was not in any way prescriptive about it," said Joy Curtis, senior vice president and chief human resources officer at the Cambridge, Mass.-based health system.

The system is measuring employee awareness, participation and engagement, among other metrics, which Ms. Curtis said will help her and her team adjust the program.

"That's where I think a lot of programs fail. They throw the spaghetti on the wall and see what sticks," Ms. Curtis said. They ought to be showing executives the value on investment and some sense of the financial return on if they want to sustain those programs over time, she said.

By Karen Pallarito

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employers' goals, such as reducing presenteeism (ailing employees working at reduced capacity) or improving job satisfaction.

"Just as we easily think of the price of a gallon of gas or a loaf of bread, we can now talk about the price of an ex-smoker or a pound of weight loss," said Craig Nelson, co-leader of the research organization's and health alliance's value on investment work group and Minneapolis-based director of health services research at American Specialty Health Inc., the parent of the Healthyroads wellness program. Healthyroads provides fitness, nutrition, weight management and other services to health plans and employer groups.

While there's no single proven method to measure value on investment, companies are beginning to gather data points and set up dashboards to track variables such as employee absence, disability and turnover. Most, however, are far from spitting out numbers tying wellness efforts to specific outcomes.

"We're talking about taking some qualitative data and turning it into something quantitative, and that can be a little bit tricky," said Tami Simon, managing director of knowledge resources at Buck Consultants at Xerox in Washington. "How do you measure 'I'm happier. I feel better. I like coming to work more?' How do you quantify that for a CFO?"

What's more, 47% of U.S. employers in Buck's 2014 Working Well survey said they had not measured specific outcomes of their health promotion programs.

But Seth Serxner, Optum's chief health officer in San Francisco, said the value-on-investment exercise is useful because it opens a conversation about where wellness fits into a company's human capital and well-being strategy beyond cost containment.

SPECIAL REPORT

REDUCING WORKPLACE OBESITY GAINS STEAM WITH OVERALL WELLNESS FOCUS

While return on investment often elusive, improvements seen in several areas

BY SHELBY LIVINGSTON

Tackling obesity and weight-related health issues can improve a company's bottom line, but it takes more than a short-lived fitness program to see real results.

Employers' voluntary methods to combat workers' weight range from subsidizing gym memberships and nutritionist visits to providing wellness coaches and biometric screenings. Employers also must take care to avoid violating discrimination laws and employee privacy rights (see story, page 17).

But the most successful initiatives build a culture of wellness in the workplace and provide multiple weight-management methods from which employees can choose, wellness experts say.

"Obesity doesn't exist in a silo. It's so connected to other levers that employers can impact," said LuAnn Heinen, Washington-based vice president at the National Business Group on Health.

Obesity, which can lead to heart disease, diabetes, joint replacements and other problems, weighs on worker productivity and increases medical claims costs.

According to the U.S. Centers for Disease Control and Prevention, 35.1% of adults ages 20 and older were obese and 69% were either overweight or obese in 2012.

The CDC defines overweight individuals as having a body mass index of 25 to 29.9 and obese individuals as having a BMI of 30 or greater.

A Yale University study, released in November, estimated that the national loss in productivity from obesity-related absenteeism totals $8.65 billion a year.

The implications aren't lost on employers. A March survey of 121 U.S. employers by the NBGH and Fidelity Investments found that 73% of employers are offering a weight management program this year, and 9% are considering one in 2016. That compares with 69% offering weight management programs in 2014 and 58% in 2009.

Managing weight in the workplace begins with building "the foundational aspects of employee health and well-being," Ms. Heinen said, including providing healthy food options, ways to move and stretch during the workday, and physical activity competitions and challenges to add a little peer pressure as motivation, Ms. Heinen said.

Such efforts should be scheduled so they are convenient for workers, with more targeted efforts as programs progress, she said.

"This is not a sprint," said Charlie Salter, Omaha, Nebraska-based vice president of human resources at ConAgra Foods Inc., where weight management is a central component of the wellness program. "It's really all about cultural change."

"All roads seem to lead to weight, because it can create issues around diabetes, around cholesterol and around blood pressure, and those are some other risks that we're trying to reduce," Mr. Salter said.

The packaged food company moved to a progress-based wellness program in 2012 after data revealed that employees with four or more health risks cost the company an average of 2½ times the health care costs of workers with two or fewer risks, Mr. Salter said.

Now, ConAgra provides financial incentives of up to $1,800 a year in contributions to employees' health savings accounts and reduces employees' health insurance premiums by up to $1,500 if they undergo a health screening, fill out a health risk assessment and show progress by reaching targets related to BMI, cholesterol, blood pressure, glucose and tobacco use.

For example, ConAgra sets the target for BMI between 18 and 26 or, alternatively, losing 5% of total body weight.

The company, which is "careful about being too prescriptive" about how an employee should lose weight, hopes the incentives encourage workers to "determine what's right for them," whether it be a gym membership or a Weight Watchers program, Mr. Salter said.

Incentives also have boosted participation in Lee Memorial Health System's wellness and chronic disease management programs, which include weight-management components.

Meeting "qualifiers" focused on wellness and chronic disease management can fetch employees a discount of 20% to 30% on their health insurance premiums, said Alison Thurau, Lee Memorial's system director of compensation and benefits.

The Florida-based health system's weight management program allows workers to meet with a dietitian to develop a meal plan and participate in an exercise class at one of the hospital system's two wellness centers, said Dr. Sal Lacagnina, vice president of health and wellness.

The average weight loss for the program is 13 pounds in 90 days, a spokeswoman said.

"De-emphasizing the words that relate to weight, overweight and obesity" and working to show employees that the hospital system is more concerned with overall health has helped encourage participation, Dr. Lacagnina said.

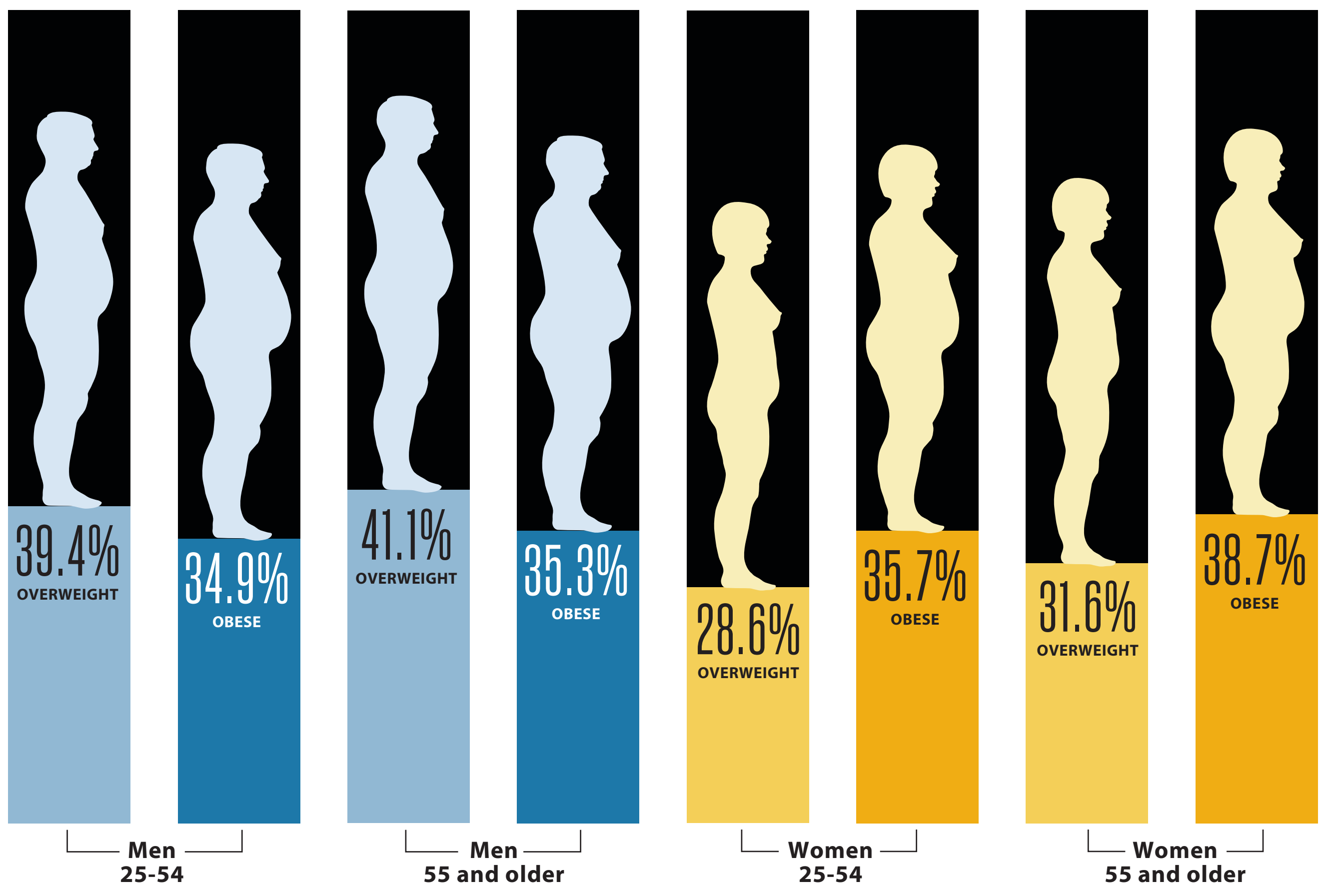
Such an approach removes some of the stigma surrounding obesity, said Paula Andersen, Cincinnati-based director of the national clinical practice at Buck Consultants at Xerox.

"It's important not to come across as though you're targeting a population," she said, because obesity is a sensitive topic. She added that weight management and healthy lifestyle resources are useful for all employees and should be provided for everyone.

Chicago-based Northwestern Memorial HealthCare's Center for Lifestyle Medicine is one example. Its healthy lifestyle challenge focuses on weight management, but "we don't advertise it as a weight-loss challenge," said Holly Herrington, one of three

OBESITY IN THE UNITED STATES

At least three-fifths of the adult U.S. population 25 or older is overweight or obese.



Source: Washington University School of Medicine in St. Louis

> "All roads seem to lead to weight, because it can create issues around diabetes, around cholesterol and around blood pressure, and those are some other risks that we're trying to reduce."
>
> Charlie Salter, ConAgra Foods Inc.

RESPECT LEGAL AND PRIVACY BOUNDARIES WHEN SETTING UP OBESITY PROGRAMS

Employers seeking to address obesity at work should take care not to violate discrimination laws or employee privacy rights.

"You have to be careful and not incentivize people for having the outcomes-based type of program without offering a reasonable alternative standard," said Paula Andersen, Cincinnati-based director of the national clinical practice at Buck Consultants at Xerox.

That means employers should substitute alternative health targets for employees unable to meet the typical goals set by the employer.

For example, Omaha, Nebraska-based ConAgra Foods Inc. allows employees to qualify for lower health insurance premiums and a contribution to their health savings account by meeting four out of five of the company's health targets for body mass index, cholesterol, blood pressure, glucose and tobacco usage, said Charlie Salter, the company's vice president of human resources.

But since not all workers can reach the targets, Mr. Salter said alternative goals may be set by a worker's personal physician. "We wouldn't want somebody to feel defeated," he said.

Additionally, when collecting and tracking employee health information, employers can protect themselves from privacy violations by using a third-party provider to manage employee health data, said LuAnn Heinen, Washington-based vice president at the National Business Group on Health.

Finally, employers should be wary of overstepping boundaries when it comes to telling employees how to lose weight and make lifestyle changes, said Obesity Action Coalition Chairman Ted Kyle.

"I don't think your employer should try to be your doctor at the end of the day," Mr. Kyle said. Instead, the most effective step an employer can take is supporting a "culture of health where health itself is valued and the workplace is designed in such a way that promotes rather that interferes with health."

By Shelby Livingston

registered dieticians who run the program. "People don't feel embarrassed about coming in to lose weight."

The six- to eight-week program educates employees on setting goals, losing weight and improving health, including healthy eating, reading nutrition labels, tracking calories and exercising, as well as providing sessions led by specialists on getting enough sleep and managing stress, Ms. Herrington said.

The program, begun in 2010, runs twice a year with 50 to 75 employees participating each time, Ms. Herrington said.

Obesity management

Other strategies include having the health plan cover the medical management of obesity and involving a worker's doctor in the wellness program.

"It's really tremendously hypocritical" of an employer to say they're concerned about obesity, but to sponsor "a health plan that makes an employee pay out of pocket for visiting an obesity medical specialist, or that has dauntingly high levels of co-pays for bariatric surgery," said Ted Kyle, Pittsburgh-based chairman of the Obesity Action Coalition, a nonprofit obesity advocacy organization, and founder of workplace wellness consulting firm ConscienHealth.

He said about three-quarters of small employers exclude obesity treatment from their health plans.

It's also important for an employer to understand that "people don't choose to have a chronic condition like obesity," he said of the issue, which often is genetic.

Health consultants and employers agree that measuring the return on investment for workplace obesity and weight management programs is difficult, though they believe such programs are worth implementing.

"We're still trying to connect in a very objective and empirical way the connection between health care costs and health risks," said ConAgra's Mr. Salter.

"There's just so many downstream positive consequences of helping someone to manage their weight" for the individual and organization, Dr. Lacagnina said.

SPECIAL REPORT

EMPLOYERS MOVE TO KEEP PROFIT FROM GOING UP IN SMOKE

Wellness programs target smoking cessation

BY MATT DUNNING

Employers are taking a tougher stance on curbing employee smoking. While overall U.S. tobacco use has dropped dramatically in the past half-century, to less than 18% of U.S. adults in 2013 from 42% in 1965, an estimated 20% of workers still smoke and cost employers an annual average of $3,400 per employee in additional medical expenses and productivity losses, according to the Centers for Disease Control and Prevention.

When expenses tied to workers compensation claims and employee exposure to second-hand smoke are factored in, smokers can cost their employer as much as $6,403 per year, according to Seattle-based health and wellness consultant Alere Wellbeing Inc.

"It's still a major public health issue and a cost issue for employers," said Seth Serxner, chief health officer at Eden Prairie, Minnesota-based benefits consultant Optum Inc.

To combat the added costs and improve employees' overall health and productivity, more employers are offering tobacco-cessation programs with incentives and, in many cases, banning even electronic cigarettes at their facilities.

The percentage of large and midsize employers offering smoking-cessation programs — long considered a staple of "best-in-class" wellness programs — has grown as have employers using financial rewards and/or penalties to motivate employees to quit.

Eighty-four percent of large employers polled this year by the National Business Group on Health and Fidelity Investments offer a smoking-cessation program, up from 74% in 2010.

Generally speaking, experts say the most effective programs consist of free or subsidized Food and Drug Administration-approved nicotine-replacement products and prescription drugs, as well as online and printed educational materials, personal coaching and peer support networks.

"Good smoking-cessation programs are, quite frankly, a bit expensive, but since the employers stand to benefit from them as well, most are willing to subsidize, if not wholly cover, the costs that employees encounter in quitting tobacco," said Brad Wolfsen, an executive director at benefits administrator bSwift L.L.C. in San Francisco. "The pharmaceuticals are typically the costliest component over time, but the coaching isn't low cost-either, depending on how it's done."

Such programs typically cost $600 to $1,000 per employee, sources said.

Using financial incentives as part of smoking-cessation programs also has grown, with 71% of employers offering them in 2015, up from 59% in 2010, according to the NBGH and Fidelity survey data (see chart).

While most employers reward employees who quit smoking, 44% said their group health plans include premium surcharges for tobacco users.

"What needs to be taken into account is how you position these incentives and how you present it to the individual employee," said Jonathan Dugas, director of clinical development at wellness program provider Vitality Group. "The challenge is … how to frame the message so that you can really leverage the behavioral economics behind how people think and act, and specifically play off of our natural aversion to loss."

How employees qualify for the rewards, avoid the penalties and how much money that involves is changing as well, experts said, due in large part to wellness incentive rules under the federal health care reform law that were implemented in 2013.

Under those rules, the federal government raised the dollar limit on financial incentives linked to smoking-cessation programs to 50% of the total value of an employee's health insurance benefits.

Since then, a small but growing number of employers have rewarded or penalized employees based on actual tobacco use, rather than participating in or completing a quit-smoking program, according to the NBGH/Fidelity study. However, experts said most employers have stopped short of testing participants for nicotine, or its byproduct cotinine, and rely self-reporting by employees to verify incentive eligibility.

For employers that do test employees, the EEOC earlier this year proposed limiting financial incentives linked to smoking-cessation programs to 30% of the total value of an employee's health insurance. But, according to the NBGH/Fidelity survey, only 6% of employers do such testing.

"For the most part, what we're seeing is that the honor system is still very common," Mr. Serxner said. "Many employers feel like it's really not worth the ill will to go tracking people down and acting like the smoking police. Yes, there are probably going to be a few people that cheat the system, but I think at some point it usually catches up to them."

Employers also are making it harder for employees to smoke during the workday.

In particular, 61% of large and midsize employers in Optum's 2015 Wellness in the Workplace Study have implemented campuswide smoking bans, which experts said typically reduce tobacco use among employees more immediately and permanently than cessation programs alone.

"I'd say that's where we see the greatest gains in terms of smoking reduction, where companies are able to go tobacco-free on their campuses," said LuAnn Heinen, vice president of the Washington-based National Business Group on Health.

"Not every company can do that, for a variety of reasons, but it really does move the needle," Ms. Heinen said.

SNUFFING OUT SMOKING

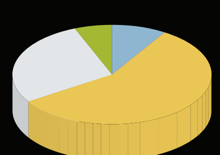
Large and midsize companies are investing more money and resources in smoking-cessation programs to curb medical costs and productivity losses.

Year	Any incentive	Outcome-based incentives	Average value per employee
2015	71%	28%	$323
2014	61%	21%	$280
2013	63%	24%	$100

Source: National Business Group on Health/Fidelity Investments

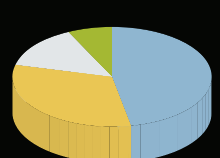
EMPLOYERS AND ELECTRONIC CIGARETTES

Aside from traditional cigarettes, 54% of employers also have banned e-cigarettes from the workplace, though 32% do allow their use in designated areas. In addition, nearly half of employers disqualify e-cigarette use from smoking-cessation initiatives.



E-cigarettes allowed as nicotine replacement in tobacco-cessation program

- Yes: 9%
- No: 57%
- Don't know: 28%
- No program: 6%



E-cigarette use disqualified for tobacco-cessation incentives

- Yes: 47%
- No: 32%
- Don't know: 14%
- Other: 7%

Source: National Business Group on Health 2014 survey

E-CIGARETTE ACTIONS STILL EVOLVING

As employers try to rid the workplace of tobacco products, many are including electronic cigarettes and other vapor-based nicotine delivery systems.

A 2014 survey of large employers by the National Business Group on Health showed that most employers do not allow employees to use e-cigarettes inside their facilities, while one-third restrict indoor use to designated areas.

"We only had one company in the survey tell us that they don't make employees use a dedicated area or go outside to use e-cigarettes," said LuAnn Heinen, vice president of the Washington-based NBGH.

Considering the U.S. Food and Drug Administration's stance prohibiting manufacturers from marketing e-cigarettes as smoking-cessation aids, "and with the evidence still unclear as to whether they do help people quit smoking, it seems that our companies have taken the position that until we know more, they're not going to encourage employees to use them," Ms. Heinen said.

Among the 89% of employers polled that have a formal policy governing tobacco use in or on company property, slightly less than half have updated those policies to specifically address e-cigarettes.

"It's a new enough issue that employers are still taking all sorts of action and inaction with respect to e-cigarettes," said Brad Wolfsen, executive director at benefits administrator bSwift L.L.C. in San Francisco.

Despite the FDA's position that e-cigarettes do not qualify as nicotine-replacement therapies, a small percentage of employers said they do include the devices in their smoking-cessation programs, according to the NBGH survey.

"There's an absence of real data on how they fit into the whole smoking-cessation landscape," said Jonathan Dugas, director of clinical development at wellness program provider Vitality Group in Chicago.

"Right now, we see them as a way to reduce the harm of regular tobacco use, but in the absence of real data on that, this is definitely an important and open issue in the workplace," Mr. Dugas said.

By Matt Dunning

RESEARCH & DATA

CORPORATE WELLNESS PROGRAMS OFFERED

Company	Allergy management	Caregiver support	Chronic disease management	Coaching/counseling	Financial/legal wellness	Fitness	Health assessment/screening	Injury prevention	Mental health	Nutrition	Sleep health	Stress management	Substance abuse	Tobacco cessation
2Morrow Inc.						X				X		X		X
3fitt Inc.			X			X	X			X	X	X	X	X
ActiveHealth Management Inc.			X	X		X	X			X				X
Alere Health L.L.C.		X	X	X		X		X	X	X		X		X
American Specialty Health Inc.				X		X	X			X		X		
Anthem Blue Cross of California	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Assurant Inc.		X		X	X				X			X		
beBetter Health Inc.			X	X		X	X			X		X		X
BettrLife Corp.						X				X				
BioIQ Inc.			X			X	X			X				
Bravo Wellness L.L.C.	X	X	X		X	X		X	X	X		X	X	X
BSDI Inc.				X		X	X			X		X		
CareAllies L.L.C.			X	X										
CareATC Inc.			X			X	X			X				
Carewise Health Inc.			X	X		X				X		X		X
Centene Corp.			X			X	X			X		X		X
Ceredian Corp.				X		X			X	X	X	X		X
Cigna Corp.	X	X	X		X	X		X	X	X		X	X	X
Concentra Operating Corp.				X		X	X	X		X				X
Coventry Health Care Inc.			X	X		X	X	X		X				X
DailyFeats Inc., dba Maxwell Health						X				X	X	X		
Direct Health Solutions Corp., dba hubbub health				X		X	X			X	X	X		
DoubleTalk L.L.C., dba Pivotal Sleep											X			
E4 Health Inc.		X	X	X	X				X			X	X	
EmblemHealth Inc.		X		X		X	X	X		X				X
Fitneff Inc.						X								
Fitness Interactive Experience Inc.						X				X				
FITpas L.L.C.						X								
Food Evolution Co.										X				
Get The World Moving Ltd.				X		X				X	X			
GlobalHealth Inc.														X
Guardian Life Insurance Co. of America			X			X	X		X	X		X		
Health Diagnostic Laboratory Inc.			X				X							
Health Enhancement Systems Inc.						X			X	X		X		
Health Fitness Corp.			X			X	X	X		X		X		X
Health Net Inc.			X	X		X	X			X		X		X
HealthCheck360°			X	X		X	X			X				X
HealthPartners Inc.						X				X				
Healthways Inc.				X	X	X	X		X	X		X		X
HealthyFit L.L.C.				X		X	X			X		X		X
Hoff Fitness L.L.C.						X								
Holman Group	X	X	X		X	X			X	X		X	X	X
Humanscale Corp.								X						
InHouse Physicians				X		X	X		X	X				X
Inspired Perspectives L.L.C.					X	X				X	X	X		X
Interactive Health Inc.				X		X	X	X	X	X		X		
Kaiser Permanente ISG	X	X	X			X		X	X	X		X	X	X
Key Ovation L.L.C.								X						
Keystone First Inc.			X			X		X				X		X
Kinetic Concepts L.L.C.			X			X	X							
L&T Health and Fitness				X		X	X	X		X	X	X	X	X
Limeade Inc.			X		X	X				X		X		
Marathon Health Inc.			X			X		X		X		X		X
Matchup L.L.C.						X								
Maxim Healthcare Services Inc.				X			X							
Mayo Foundation for Medical Education and Research				X		X	X			X	X	X		
Medica Health Plans Inc.		X		X	X	X	X	X		X	X	X		
Mental Health Association in California									X					
MetLife Inc.					X									
MetroNaps Ltd.											X	X		
Mindbody Inc.	X	X	X	X	X	X	X	X	X	X	X	X	X	X
MindBody Sessions L.L.C.									X	X	X	X		
Movband L.L.C., dba Movable						X				X	X	X		
MVP Health Care Inc.			X	X					X	X		X		X
Natural Partners Inc.										X				
New Benefits Ltd.		X	X	X	X	X	X			X		X	X	
OMM Training L.L.C.												X		
OptumHealth Inc.		X	X	X	X	X	X		X	X	X	X	X	X
PCE Health & Fitness						X								
Premise Health Holding Corp.	X		X			X	X	X		X	X			X
Prevention Group L.L.C.						X	X			X				
Preventure Inc.	X		X		X	X		X	X	X		X		X
Principal Wellness Co.			X			X				X		X		X
RedBrick Health Corp.			X		X	X			X	X		X	X	X
Retrofit Inc.				X		X				X				
SelfHelpWorks.com Inc.			X			X				X		X	X	X
Sigma Your Life												X		
SimplyWell L.L.C.	X	X	X		X	X		X	X	X		X	X	X
Sisters of Mercy Health System		X		X	X		X		X				X	
StayWell Co. L.L.C.			X			X				X		X		X
Synergy at Work Inc.					X	X			X	X	X	X		
Tangerine Wellness Inc.						X				X				
TAVi Health Inc.					X	X				X	X	X		
Tiger Tail USA						X		X						
U.S. Preventive Medicine Inc.			X	X		X	X	X	X	X	X	X	X	X
United HealthCare Services Inc.		X	X	X		X		X		X		X		X
USI Insurance Services L.L.C.				X		X	X	X		X				
vielife Ltd.				X		X			X	X	X	X		X
Virgin Enterprises Ltd.					X	X				X	X	X		
Vitality Group Inc.	X		X			X		X	X	X		X	X	X
Viverae Inc.			X			X				X		X		X
Walker Tracker L.L.C.						X								
Well Score by Continuance Health Solutions Inc.							X							
Wellness Evolution Ltd.			X			X	X	X		X		X		X
WellnessCodes.com			X			X				X	X			X
WellRight L.L.C.						X	X		X	X		X		
Wellsource Inc.	X		X				X	X		X	X	X	X	X
Wellvibe L.L.C			X			X	X			X				X
Withings Inc.						X	X				X			

Source: Company websites and press releases

CLASSIFIEDS

To place your ad, contact Pegeen Prichard at **pprichard@businessinsurance.com**
Business Insurance, Classified Department, 150 N. Michigan Ave., Chicago, Il. 60601
Call 312-649-5446 for details on print and internet advertising.

PUBLIC NOTICES

LEGAL NOTICE

IN THE SUPREME COURT OF BERMUDA
COMPANIES (WINDING-UP)
NO. 436 OF 1995
IN THE MATTER OF
ELECTRIC MUTUAL LIABILITY INSURANCE COMPANY, LTD.
AND IN THE MATTER OF THE COMPANIES ACT OF 1981
DATE OF WINDING-UP ORDER
20th OCTOBER 1995
NOTICE OF INTENTION TO DECLARE FIRST AND FINAL DIVIDEND

Notice is hereby given that the Liquidator intends to make a First and Final Dividend to Creditors in the above noted entity.

Creditors whose claims have not yet been settled and who wish to participate in the above dividend are required to submit forms of Proof of Debt to PricewaterhouseCoopers Advisory Limited, at the address below, prior to the filing deadline of 4th September 2015, or in default thereof, they will be excluded from the benefit of any such dividend.

Proof of Debt forms may be obtained from the offices of PricewaterhouseCoopers Advisory Limited, Dorchester House, 7 Church Street, Hamilton, HM11, Bermuda or by sending an email to kristyn.fellowes@bm.pwc.com.

Dated this 6th Day of July 2015.

Chris Hughes
Liquidator of Electric Mutual Liability Insurance Company, Ltd.

BENEFIT STATEMENTS

MARKET PULSE

Program helps patients navigate treatment

Specialty managed care services provider MedRisk Inc. has launched a patient advocacy program that aims to make workers compensation less confusing to injured workers inexperienced with the system.

The program helps injured workers understand imaging and physical rehabilitative services, though it does not offer medical or legal advice, King of Prussia, Pennsylvania-based MedRisk said in a statement.

The patient and a case manager work with MedRisk to find the best provider based on location and the patient's schedule, according to the statement. The patient advocacy program provides access to physical therapists, occupational therapists, chiropractors, and radiologists, as well as educational material and an online library of resources being developed by MedRisk.

"Many patients have never had physical therapy services or a diagnostic imaging exam before," said MedRisk Chief Operating Officer Michelle Buckman. "Knowing what to expect reduces anxiety and promotes attendance."

Cat modeler updates U.S. hurricane model

AIR Worldwide Corp., Boston, has updated its hurricane model for the United States with additional data and features.

The update presents a fully hydrodynamic storm surge module that integrates storm parameters with high-resolution elevation data and incorporates the 30-meter National Elevation Dataset developed by the U.S. Geological Survey to simulate location-specific storm surge inundation depth and extent, according to the statement.

The new storm surge module also incorporates regional and seasonal data on tide heights and up-to-date data on levees, seawalls, floodgates, pump systems and other mitigating structures and equipment, including the most up-to-date levee information available for New Orleans, according to the statement.

"The steady growth in the value and density of property on the Gulf and East coasts of the United States is increasing the need for reliable information on storm surge risk," Tim Doggett, assistant vice president and senior principal scientist for AIR Worldwide, said in the statement. "The highly granular estimates produced by the model can help insurers better understand the risk from hurricane wind and storm surge, supporting improved risk selection, portfolio management, and risk transfer decisions."

The model estimates physical damage and time-element losses using damage functions that reflect local building codes and regional design practices, as well as damage survey findings, claims analyses, and engineering research.

The model updates also include the most recent North Atlantic hurricane database from the National Oceanic and Atmospheric Administration, the latest reanalysis data from 1930 to 1945, and the 2011 release of the USGS National Land Cover Database, according to the statement.

PRODUCTS & SERVICES

Global Aerospace boosts seaplane coverage in U.S.

AP PHOTO

Global Aerospace Inc., a Parsippany, New Jersey-based aerospace insurer, is expanding its seaplane insurance area within the United States.

In the past, Global Aerospace had underwritten coverage for seaplanes primarily through its sister company, Global Aerospace Underwriting Managers (Canada) Ltd., the insurer said in a statement.

However, Global Aerospace decided to become more "bullish" in the seaplane market, both private and commercial, said Nicholas Methven, Global Aerospace's senior vice president and underwriting executive.

Global Aerospace has a standard limit for private plane insurance of $1 million, with commercial size limits up to $200 million, depending on the type of aircraft, he said.

"We've been dabbling in seaplanes in the U.S. but now want to make a more concerted effort. We think there is a bright future for the seaplane market, and we feel now is a good time to make the move," Mr. Methven said.

Two major factors in the decision to expand its seaplane coverage are the shift by pilots into alternate flight solutions due to congested-airspace issues and the arrival of ICON Aircraft Inc.'s new amphibious A5 airplane. The plane, geared toward business pilots and listing at $180,000, has the ability to land on water as well as hard surfaces.

Professional liability cover rolled out for insurers

Berkshire Hathaway Specialty Insurance has rolled out professional liability coverage for U.S. insurers, their executives and employees.

The Professional First coverage is for property/casualty insurers, reinsurers and life insurers, said a spokesman for Boston-based Berkshire Hathaway Specialty.

The policy offers coverage for directors and officers as well as errors and omissions in professional services, Berkshire Hathaway Specialty said in a statement.

The coverage is "readily tailored for each insurer's business objectives and claims handling processes," Tom Kocaj, vice president and head of financial institutions, executive and professional lines at Berkshire Hathaway Specialty, said in a statement.

Limits up to $50 million are available, the spokesman said.

Earlier this year, the specialty insurer offered Professional First coverage to mutual funds, alternative funds and asset managers, according to the statement.

Berkshire Hathaway Specialty said it would extend the coverage to banks later this year.

Ace launches D&O policy for Nordic-region execs

Property/casualty insurer Ace Bermuda International has launched an Ace Nordic directors and officers liability policy.

The policy protects the personal assets of executives and board members of leading companies in the Nordic region, including Sweden, Norway, Denmark and Finland.

The policy was created to complement Ace's current D&O offering, according to the insurer.

The Ace Nordic policy is structured to offer broad, comprehensive personal asset protection. Coverage cannot be canceled or rescinded except in the case of nonpayment of premium, according to an Ace Bermuda statement.

Some of the features of the Ace Nordic policy include two free reinstatements of the limits, broad definitions of claim and insured, and automatic policy renewal capabilities, according to the statement.

Customized coverage to protect personal liability can be arranged during times of heightened exposure, such as during mergers and acquisitions or other corporate transactions, according to the statement.

DEALS & MOVES

Hilb acquires Texas broker, New England benefits firms

Virginia-based insurance broker The Hilb Group L.L.C. made three acquisitions during June.

The Hilb Group made its first foray into Texas and the Southwest, acquiring Spring, Texas-based broker Walker Myers Insurance & Risk Management L.L.C., the broker said

Establishing a platform for expansion in New England, Hilb said it also acquired Warwick, Rhode Island-based benefits advisory firm Cornerstone Group and East Greenwich, Rhode Island-based employee benefits broker Gencorp Insurance Group.

Terms of the deals were not disclosed.

Brown & Brown units make acquisitions

Subsidiaries of Brown & Brown Inc. have made acquisitions in Colorado and Massachusetts, the Daytona Beach, Florida-based insurance broker said.

Denver-based Brown & Brown of Colorado Inc. has acquired assets of Englewood, Colorado-based Fitness Insurance L.L.C., which provides insurance coverage for the health club and fitness industry.

Fitness Insurance will function out of the offices of Brown & Brown of Colorado in Denver, Brown & Brown said in a statement.

Meanwhile Brown & Brown of Massachusetts L.L.C. has acquired assets of Southborough, Massachusetts-based Strategic Benefit Advisors Inc., a health and welfare benefits brokerage firm.

Strategic Benefit Advisors and its staff will stay in its current headquarters, Brown & Brown said.

Sedgwick unit acquires forensic investigations provider

Unified Investigations & Sciences Inc., an engineering and forensic investigation service provider and a subsidiary of third-party administrator Sedgwick Claims Management Services Inc., has acquired Stephen Ternullo & Associates.

Terms of the deal were not disclosed.

Clinton Township, Michigan-based Stephen Ternullo & Associates is a provider of structural engineering, forensic investigations and fire investigation services to the property/casualty insurance market and architects, developers and property owners in the Michigan region, Sedgwick said in a statement.

As part of the transaction, Steve Ternullo, president and principal engineer of the acquired company, was appointed district manager of Unified's Great Lakes region, based in Clinton Township. All other employees will stay on with the combined organization, according to a company statement.

Integro buys benefits consultant specializing in private equity firms

Insurance broker Integro Ltd., New York, said it has acquired Atlanta-based national health benefits consultant Clearview Group Inc.

Terms of the deal were not disclosed.

Clearview specializes in providing health and welfare benefits solutions to private equity firms.

Clearview and its staff will remain in the Atlanta office, and Clearview's 15 employees will join Integro, according to an Integro spokeswoman.

Fall in reinsurance prices start to slow

Rates stabilize on higher limits, demand in cat-prone areas

BY SARAH VEYSEY

REINSURANCE

Reinsurance rates continued to slide at midyear renewals, but the size of reductions slowed.

Abundant reinsurance capacity — much of it from nontraditional sources such as pension funds and hedge funds — means that buyers often can secure more favorable terms and conditions, experts say.

Many U.S. cedents renew their coverage during June and July. After two years of average rate decreases of 15% on U.S. property catastrophe renewals, risk-adjusted rate declines slipped to the high single digits as of June 1, according to an analysis by reinsurance brokerage Guy Carpenter & Co. L.L.C.

While the decreases depend on cedent insurers' individual risk profiles, the reductions were tempered by factors that include reinsurers "holding the line" after several months of consistent price declines and greater limits purchased, said Lara Mowery, global head of property specialty at Guy Carpenter in New York.

With many cedents buying higher limits during the June and July renewals, "excess capacity lessened and price decreases slowed," Ms. Mowery said.

"On June 1, 2015, after two years of very predictable and steady price declines, something finally changed," said David Flandro, head of global analytics at JLT Re, the reinsurance arm of Jardine Lloyd Thompson Group P.L.C., in New York.

"The previous trajectory of year-on-year rate decreases was in the teens," Mr. Flandro said. "On June 1 it was in the high single-digits."

"There are many reasons for this, including some capital consolidation through (mergers and acquisitions), a potential moderate tapering of the third-party capital entry rate into the sector compared with previous years, and risk-adjusted property catastrophe insurance rates getting very close to late-1990s lows," he said.

Increased reinsurance demand has been driven by insurers increasing underwriting in catastrophe-prone regions — notably Florida — as well as increased demand for U.S. mortgage credit risk coverage, said Bryon Ehrhart, CEO of Aon Benfield Americas, a unit of Aon P.L.C.

According to a report by Willis Re, the reinsurance arm of Willis Group Holdings P.L.C., a significant increase in Florida catastrophe demand plus a slowing of the influx of third party capital resulted in some stabilization of rates at the June 1 and July 1 renewals.

Several third-party capital markets now are "showing pricing discipline by cutting the capacity they are prepared to offer as rates continued to soften throughout the first half of 2015," said John Cavanagh, London-based global CEO of Willis Re.

"This, in turn, has had a knock-on effect on traditional reinsurers, who in recent years have relied on collateralized reinsurance to provide their retrocession capacity," he said.

In many cases, reinsurance buyers secured improvements in the terms and conditions of their coverage, experts say. "Areas of focus include extended hours clauses, terror cover, multiple year contract terms and improved reinstatement terms," Ms. Mowery said.

Many buyers continued to seek multiyear deals at renewal, but this trend also appears to be slowing.

"About two years ago, multiyear deals became more commonly offered," said Mr. Flandro. "Last year, I think many buyers just assumed that certain non-loss-affected programs would be able to obtain multiyear cover."

But that was not always the case this summer.

While many cedents have used smaller panels of reinsurers in recent renewals, the reduction in excess capacity for property catastrophe business, and particularly books of business with wind exposures, means that "many panels (now) are being filled out through broader participation," said Guy Carpenter's Ms. Mowery.

D&O

Continued from page 6

mand over rates."

"Retentions are relatively stable for the most part," said Mr. Wanat. But "some of the carriers are trying to insert higher retentions as a trade-off for some of the broader coverages."

"The reality of the situation is that a lot of companies in the public markets have experienced growth. Stock prices and valuations are up," said Brian Dunphy, senior managing director of the management and professional risk group at Crystal & Company in New York.

While premiums remain somewhat stagnant overall, insurers are "trying to buffer themselves from the burn point a little bit more through retentions," he said.

Many buyers are seeing broader coverage options.

"We continue to see a broadening of coverage, including for investigation costs," said Wells Fargo's Mr. Hodge.

"There's interest on the part of the marketplace to broaden the contract," said Marc London, New York-based head of Beazley P.L.C.'s U.S. management liability team. "Whether that is in an effort to be more clear or to keep the product more relevant or to just capture more premiums, there is an effort on the part of many carriers to broaden the product in a measured way."

"Terms and conditions right now are as broad as I've ever seen them," said Mr. Dunphy. "The carriers continue to try to add a couple of widgets here and there to make their policies stand out and be different for the competition."

A major factor in the soft market has been relatively new players in the U.S. market, including Berkshire Hathaway Inc., Lloyd's syndicates, Sydney-based QBE Insurance Group Ltd., the London market and Allianz S.E.

Mr. Stubits said the newer players are "definitely putting pressure on the legacy markets to increase capacity and lower pricing." If you are a traditional excess insurer that is renewing an account, "you have to be concerned about a Berkshire Hathaway who has larger capacity than maybe some of the other traditional markets, that they could take a larger chunk" of the business.

Many experts say D&O pricing is less competitive for private firms and nonprofits. "It's mostly (employment practices liability) driven, but with the meltdown in 2008, there were a lot of D&O claims, too," said Peter Taffae, managing director at Los Angeles-based Executive Perils Insurance Services.

In addition, initial public offerings and life sciences firms may find fewer insurers willing to write their business, said Beazley's Mr. London. Companies with recent weak financial performance, an activist shareholder or a cyber break also may find it more difficult to find coverage, he said.

Barring a major event, observers expect pricing to remain soft. However, consolidation "can have some impact on capacity in the D&O space, so we're watching that trend," said Steve Boughal, New York-based vice president and chief underwriting officer of Hartford Financial Products.

COMP

Continued from page 6

things to keep prices down," said Deborah R. Roy, the company's director of health, safety and wellness in Freeport, Maine.

"What we do is a lot of prevention," which includes conducting post-job offer examinations and implementing safety management systems in large operating areas that engage and empower workers, she said.

While the best accounts may be seeing greater decreases, the average workers compensation rate reduction for large employers is 0.3%, while the stand-alone, excess workers comp market is seeing an average rate increase of 3.7%, Mr. Hackenburg said of Aon's data.

Sources attributed large accounts' more favorable pricing to increased competition.

It's unclear how long the soft pricing environment will last, sources said.

"We're still seeing adjustments on prior-year rate increases," so there will eventually "be a floor to the softening," Ms. Ferrandino said.

For now, if companies are focused on preventing injuries, keeping costs down and managing claims, insurers will want to write that business, Mr. Narron said.

"Our payroll has gone up in recent years because we've been (growing and) adding stores," L.L. Bean's Ms. Roy said. Still "we've reduced our workers comp costs in the seven years I've been here by about one-third."

L.L. Bean will renew its comp coverage with Maine Employers' Mutual Insurance Co. in March 2016, Ms. Roy said, adding that the company was insured by Liberty Mutual Insurance Co. outside of Maine until "a few years ago" when the mutual insurer was licensed in other states.

LIABILITY

Continued from page 6

with us to make the policy and underwriting match our needs and our business model," said Laura Peterson, chief risk officer of the University of Wyoming in Laramie.

For the most part, said Ms. Peterson, premiums were generally level when the university renewed its liability coverage in June , with increases tied to exposures such as more students or more activity in a certain areas. "Most of the premiums were relatively flat or small increases," she said.

Accounts with greater losses, however, may see increases at renewal. "The more challenging risks are not going to get that benefit," Mr. Scott said of accounts with loss ratios of 60% to 65% or higher.

Rates will increase "for more hazardous classes, as well as for accounts with adverse experience," Mr. Wilson said. "From our vantage point, there is abundant capacity available to buyers. That being said, at this point in the cycle we would not view the rating environment as being 'irrational.'"

"There's a lot of capital that's sitting on the sidelines, and people are trying to put it to use," Mr. Moitoso said. "It's not just your traditional underwriters. There's capital from other places, whether it's from the investment community or offshore, that's driving the market."

"It's the capacity. You have new players coming in," including Berkshire Hathaway Specialty Insurance and C.V. Starr & Co. Inc., "and people need to generate revenue," said Mr. Scott.

> "Fundamentally, there's a lot of capital that's sitting on the sidelines, and people are trying to put it to use."
>
> Mark Moitoso,
> Liberty Mutual Insurance Co.

Some underwriters are expanding from areas such as workers compensation into liability areas such as general commercial liability, Ms. Ferrandino said.

"Production underwriters are hungry to write new business, so if you can't write comp, you're going to write other things," she said.

"Certain markets are looking to selectively quote highly profitable business well in advance of the renewal date in order to prevent these accounts from being broadly marketed," Mr. Wilson said.

FLSA

Continued from page 3

Eligibility for overtime pay is based on salary levels and job duties, with executive, administrative and professional the three primary exempt categories. Under current FLSA rules, for example, an executive exemption is applied to an employee who regularly directs the work of at least two employees.

Employment attorneys say that rather than issuing a firm proposal on changing job duties, the Labor Department is seeking comments only on related issues, including what, if any, changes could be made to the duties tests and whether employees should be required to spend a minimum amount of time performing their primary duty to be exempt.

But observers are concerned the final proposal will include changes in exempt job duties. "It's a less transparent way to go about things than they're doing with the salary level," said Douglas A. Hass, an associate with law firm Franczek Radelet P.C. in Chicago.

If the intention is to change the duties requirements "employers should be given the opportunity to see what the changes are and comment on them, and it doesn't seem from its notice the DOL plans to do this," Mr. Hass said.

To comment on the issue, "you have to guess at what the department might be considering," said Alexander J. Passantino, a partner with law firm Seyfarth Shaw L.L.P. in Washington.

Robert A. Boonin a member of law firm Dykema Gossett P.L.L.C. in Detroit, said the Labor Department may be seeking to reintroduce the so-called "long" test, which was eliminated in 2004, under which no more than 20% of the exempt administrative employee's time — 40% for retail workers — could be spent on nonexempt duties.

It could also be that Labor has taken the approach of seeking comment rather than proposing a rule, because it doesn't "necessarily have a good, quick fix on this issue," said Shannon D. Farmer, a partner with law firm Ballard Spahr L.L.P. in Philadelphia.

John E. Thompson, a partner with law firm Fisher & Phillips L.L.P. in Atlanta, said he believes if Labor's final regulation does cover job duties, it would be successfully challenged under the Administrative Procedure Act.

The 1946 act governs the process federal agencies use to develop and issue regulations and requires the public be given the opportunity to comment on notices of proposed rulemaking.

Chris Ratajczyk, Lincolnshire, Illinois-based director of operations at Arthur J. Gallagher Co.'s human resources and compensation practice, said that this proposal "takes off the table a lot of the decisions that are based on duties because it's raising that salary level (for nonexempt employees) so much higher," enabling employers to spend less time on the issue.

Meanwhile, "There's been a tremendous amount of litigation involving employees claiming they're misclassified as exempt, a lot of that driven by class-action lawyers, and not so much by the employees themselves," said Lisa A. Schreter, Atlanta-based chairman of Littler Mendelson P.C.'s board of directors.

Although it is "going to be a nightmare for American business," the salary issue itself is "unlikely on its own to contribute to greater litigation," she said.

SAME SEX

Continued from page 3

arately for benefits provided to same-sex couples in states that did not recognize their marriage.

"The advice we'll be giving to all of our clients is to very quickly figure out what they need to do and then communicate that out to their employees," Mr. Cooper said. "There's a lot of explaining that's likely going to need to be done."

With marriage rights now available to gay and lesbian couples in all 50 states, experts say employer-sponsored health coverage for same-sex domestic partners — offered by 46% of large and midsize companies before the Supreme Court's 5-4 ruling — could decrease in future years.

"The question for a lot of employers is going to be what kind of transition period they're looking at for phasing out domestic partner benefits," said Steven Wojcik, vice president of public policy at the Washington-based National Business Group on Health. "You want to make sure that if you're going to phase out those benefits, you do it gradually and with significant communication, so your employees have time to plan and adjust."

A key factor in many employers' decisions could be the extent to which they already cover opposite-sex domestic partners.

"If the employer also covers opposite-sex unmarried partners, it is unlikely to eliminate any coverage because it already covers a set of unmarried employees who have had the ability to marry," Mr. Solomon said. "On the other hand, if the employer covers only same-sex unmarried partners, it might deem it most fair to require those employees to marry in order to retain their benefits."

While eliminating domestic partner coverage might be a sound financial and administrative strategy, experts say employers should weigh the decision carefully, particularly given the lack of employment discrimination protections for gay and lesbian workers at the federal level and in 28 states.

If same-sex couples identify themselves by getting married and seeking spousal benefits, they could be exposed to workplace bias based on their sexual orientation, experts said.

"That's one of the issues that's going to have to play out over the coming weeks, months and perhaps even years," Mr. Cooper said. "It's important to look at what the Supreme Court's decision was and what it was not, and what the ruling did not necessarily answer are questions regarding outright employment discrimination."

Other questions include at what point state-level coverage requirements will take effect and whether employers will allow retroactive spousal coverage.

"I suspect that the timing and mechanics of the various state regulators rolling out those pieces of guidance will follow very closely to what we saw after *Windsor*," where the first IRS guidance was issued about two months later, said Beth Alcalde, a managing partner at Ackerman L.L.P. in West Palm Beach, Florida. "It might even come faster than it did after the *Windsor* decision, simply because it has been done before at the federal level and in certain states."

Also unclear is the potential for conflicts between the Supreme Court's ruling in *Obergefell* and its June 2014 ruling in *Hobby Lobby Stores Inc. et al. v. Sylvia Burwell*, which exempted closely held, religiously inclined employers from having to provide employees with cost-free contraceptive coverage.

"What happens if you've got an employer that claims a religious objection to same-sex marriage?" asked Susan Hoffman, a Philadelphia-based shareholder at law firm Littler Mendelson P.C. "Without federal protection from discrimination based on sexual orientation, the question becomes whether a closely held employer with those objections can legally discriminate against same-sex couples."

HEALTH CARE INCLUSION

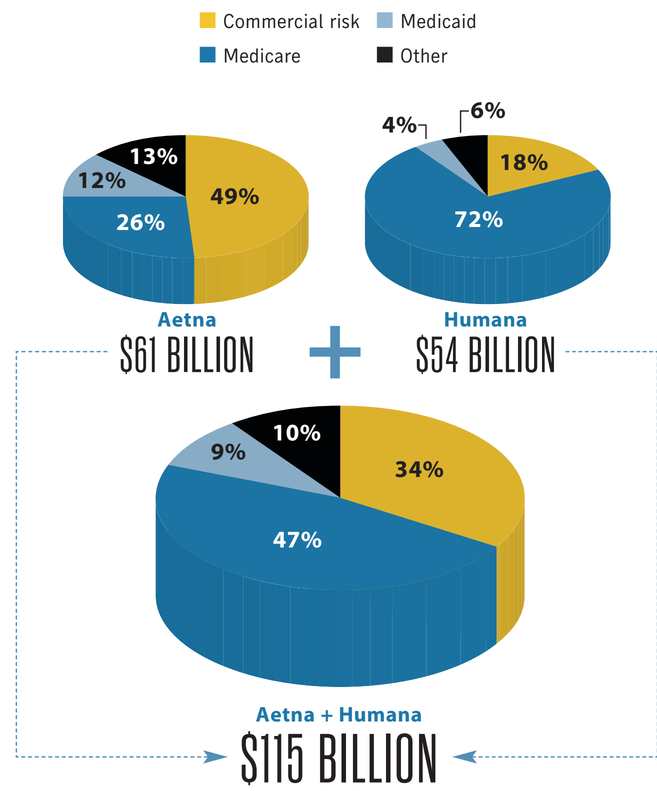
Employers that offer health benefits for spouses and domestic partners

Category	2015	2014	2013
Same-sex spouses	62%	35%	37%
Same-sex partners	41%	35%	37%
Opposite-sex partners	37%	30%	28%

Source: Society for Human Resource Management

DIVERSIFIED REVENUE BASE

ESTIMATED REVENUE 2015



Source: Aetna and Humana internal projections

HEALTH CARE

Continued from page 1

headquartered in Hartford, Connecticut.

Mark T. Bertolini, chairman and CEO of Aetna will head the combined company. The role of Bruce D. Broussard, president and CEO of Humana, has not been determined.

Neither executive was available for comment on Friday.

A key driver behind the deal is diversification. Aetna is strong in the commercial health insurance sector, and Humana has a large Medicare Advantage business. According to a joint-statement by the companies, the deal will create "a company serving the most seniors in the Medicare Advantage program and second-largest managed care company in the United States."

The deal, which has been approved unanimously by both boards and is subject to regulatory approval, is expected to result in annual cost savings of $1.25 billion by 2018.

The combined entity also would have more clout with health care providers. "This combination will allow us to continue to invest in excellent service for our members and strengthen our partnerships with providers to deliver high-quality care at an affordable price," Mr. Bertolini said in the statement.

The acquisition would create the second-largest health insurer in the U.S., behind Minnetonka, Minnesota-based UnitedHealth Group Inc. — leapfrogging Indianapolis-based Anthem Inc. — , with a projected $115 billion in 2015 revenue.

"Given the market environment that we're in, diversity of membership makes a lot of sense," said Stephen Zaharuk, senior vice president at Moody's Investors Service Inc. in New York. "It's a changing marketplace and we don't necessarily know where the growth in business is going to be."

On the negative side, he said, the proposed funding of the deal will add considerable debt to Aetna's balance sheet, "but they have put a very aggressive deleveraging plan into place."

Commenting on the deal, Standard & Poor's Corp. said in a statement that the combined entity will benefit from improved size, scale and diversity, but "the transaction could be a drawn-out process, involving a potentially high degree of deal risk and regulatory scrutiny."

The five largest health insurers — UnitedHealth, Anthem, Aetna, Humana and Cigna Corp. — have been circling each other in recent weeks in preparation for what is expected to be a major round of consolidations.

Aetna and Humana had been in several weeks of stop-start negotiations. Bloomfield, Connecticut-based Cigna rejected Anthem's $47 billion offer. UnitedHealth reportedly approached Aetna, and both Anthem and Cigna reportedly expressed an interest in Humana, before Aetna announced its offer.

In another deal last week, St. Louis-based Centene Corp. agreed to buy rival Woodlands Hills, California-based Health Net Inc. for $6.3 billion.

Experts say market conditions resulting from the federal health care reform law are driving the merger discussions.

Narrower profit margins, ongoing medical provider consolidation and rapidly growing government-sponsored enrollments have increased pressure on insurers to merge, analysts said.

EXCHANGES

Continued from page 3

a principal with Mercer L.L.C. in Washington.

While there could still be moves by legislators to amend the act, "It is questionable those efforts will become law," added Amy Bergner, a managing director with Pricewaterhouse-Coopers L.L.P. in Washington.

Observers note that proposed changes, such as the elimination of the Affordable Care Act excise tax on costly plans, would mean the loss of billions of dollars in revenue for the federal government, will continue to face rough sledding in Congress, as well as drawing a veto threat from the Obama administration.

"Congress would need to find another revenue source," Ms. Bergner said, referring to the elimination of the excise tax. A recent Congressional Budget Office report estimated that repeal of the tax would cost the government $87 billion in revenue from 2018 through 2025.

Too early to tell

Others, though, say it may be too soon to assess the effect of the Supreme Court's decision on congressional moves to amend the health care reform law.

"Lawmakers on both sides of the aisle are still trying to figure out their game plans," said Steve Wojcik, vice president of public policy at the National Business Group on Health in Washington.

AP PHOTO

President Barack Obama, with Vice President Joe Biden by his side, welcomed the Supreme Court's ruling last month.

On the other hand, lawmakers might have more time to increase their focus on less highly charged changes to the law, such as reducing how much health care plan enrollment information employers have to provide to the government.

"There is serious congressional interest in easing reporting requirements, which are very complicated," said Gretchen Young, senior vice president for health policy with the ERISA Industry Committee in Washington.

While the likelihood of ACA changes sought by employers may have decreased, or at least not changed, because of the high court ruling, the decision will be beneficial to some corporations that have been revamping their health care plan eligibility requirements, such as bumping up the minimum number of hours employees must work to be eligible for group coverage from 20 or 25 hours a week to at least 30 hours a week.

That design change hasn't met much employee resistance because of the availability of federal premium subsidies in the public exchanges, which will continue because of the Supreme Court ruling.

"That strategy would have been disrupted had the court" struck down subsidies in the federal exchange, Ms. Bergner said.

The high court ruling also ensures that health care reform law regulators can focus full time on developing remaining health care rules without having to develop new guidance on any changes Congress might have made to the Affordable Care Act in response to the ruling.

While regulators have issued thousands of pages of rules since the Patient Protection and Affordable Care Act was passed in March 2010, there are several areas of the law where rules have yet to be issued, including the type of health care plans and services covered by the 40% excise tax, as well as automatically enrolling those employees who don't respond to employer offers of health coverage.

How quickly some of the health care reform law rules will come out isn't known, though some observers believe it won't be anytime soon.

On rules for automatic enrollment, for example, "I wouldn't hold my breath. (Regulators) have bigger fish to fry," said Tami Simon, a managing director with Buck Consultants at Xerox in Washington.

INSIGHTS

Continued from page 4

also affects the incentives and rewards systems in an organization, according to the survey. In 40% of companies where line-of-business leaders are designated as the risk owners, risk management is a factor in the annual incentives and rewards program.

Traditionally, risk management has played a role in the rewards and incentive programs at the top management level. In slightly more than half — 52% — of entities that identify risk owners, risk management is part of the rewards and incentive programs below top management, the survey found. The survey also found that in an overwhelming majority — 88% — of these organizations, risk is an important consideration in key decision-making processes.

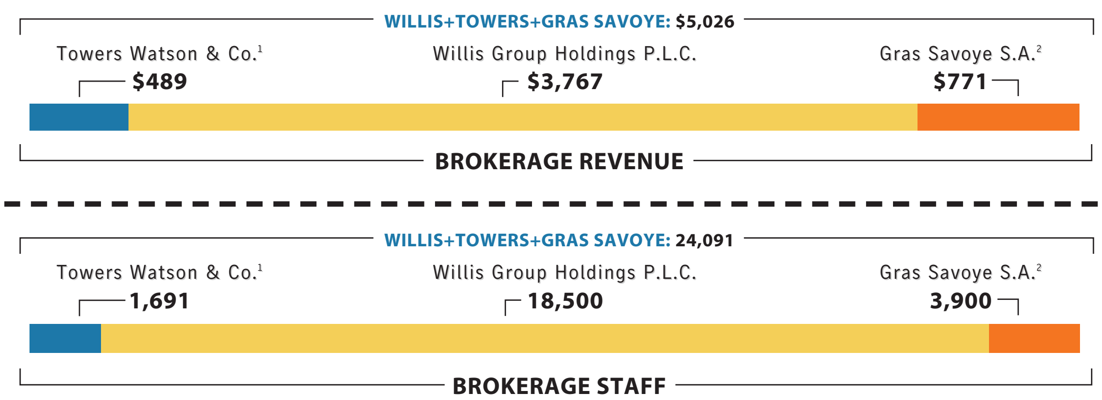
Risk Insights are based on survey results from the *Business Insurance* Risk Management Insights Panel, which includes 530 risk managers from a variety of industries.

BROKERS

Continued from page 1

WILLIS TOWERS WATSON

The proposed merger of Willis Group Holdings P.L.C. and Towers Watson & Co., announced in late June, plus Willis' earlier proposed purchase of the rest of Gras Savoye S.A. would make Willis Towers Watson a $5 billion brokerage powerhouse, in millions of dollars.



1 Fiscal year ends June 30. 2 Euro=1.2104.

Source: *BI* survey

consultant Towers Watson will hold about 49.9%.

The deal includes Towers Watson shareholders receiving 2.649 Willis shares for every Towers Watson share. Towers Watson shareholders also would receive a "one-time cash dividend of $4.87 per Towers Watson share preclosing," the companies said in a statement.

Both boards have agreed on the merger. The combined company will have about 39,000 employees in 120 countries and pro forma 2014 revenue of about $8.2 billion, the companies said in the statement.

The merger is expected to result in cost savings of about $100 million to $125 million within three years of the deal closing, which Willis and Towers Watson said is expected Dec. 31.

James McCann, Willis' nonexecutive chairman, will become chairman of the combined company; John Haley, currently chairman and CEO of Towers Watson, will become CEO of the combined firm; and Dominic Casserley, CEO of Willis, will become president and deputy CEO.

There are "numerous ways" the merger will help Towers Watson's business to grow, Mr. Haley said during a conference call last week. "We are very excited about Willis' distribution, which will enable us to enhance our middle-market (private health insurance) exchange" capabilities, Mr. Haley said.

He said Towers Watson expects significant growth in this segment over the next five to seven years and believes that the merger would allow Towers Watson to achieve its ambition of a 25% market share of that business.

"Willis brokers can definitely accelerate sales via the exchange" with the merger, Mr. Casserley said during the call.

Willis and Towers Watson already had a relationship around Towers Watson's health care insurance exchange, the OneExchange platform, and conversations "broadened from that relationship," Mr. Casserley said.

"We are determined to develop an integrated company without any divisions or silos," he said.

Discussions about the merger began in April, Mr. Haley said.

"We are delighted by this merger because it re-establishes synergies with someone who is very strong in the reinsurance (brokerage) business," Mr. Haley said.

Towers Watson divested its reinsurance brokerage business to Jardine Lloyd Thompson Group P.L.C. in 2013 because, among other reasons, it felt it could not compete with rivals with larger reinsurance brokerage operations.

Investors, however, were less enthusiastic. Towers Watson's stock price fell almost 9% on June 30, but rebounded somewhat the following day.

"It was viewed as better for Willis than Towers Watson shareholders, and that's why the stock price blipped the way it did," said John L. Ward, CEO of Cincinnatus Partners L.L.C. in Loveland, Ohio.

The proposed merger, however, received a generally positive analyst response.

"The transaction appears to be almost a true merger of equals," J. Paul Newsome, managing director at Sandler O'Neill & Partners L.P. in Chicago, said in a research note.

"From our perspective, the strategic justification appears to be about the benefits of being a global insurance broker," he wrote. "Both companies were already among the largest brokers in the world, but not as global" as Marsh L.L.C. and Aon P.L.C., the world's two largest brokers.

Mr. Newsome said the combination could create new competition for Arthur J. Gallagher & Co. and other brokers competing in the middle market.

"If Willis emerges as a better-run company, (then) maybe the main impact for Gallagher and others is that there is just one more good competitor," Mr. Newsome said in an email. "I am constantly reminding investors that the insurance broking business is a really big global market, and that just because there are two, three or four really big global insurance brokers doesn't mean that there isn't plenty of room for a fifth or sixth global giant. This is particularly true if you allow the insurance brokers smaller than Aon and Marsh to focus on the middle-sized corporations."

"The deal provides several well-respected consulting business segments, including a premier health insurance exchange, employee benefits brokerage, risk and financial services consulting, and talent and rewards consulting" that largely mirror Marsh's and Aon's corporate structure, Meyer Shields, managing director at Keefe Bruyette & Woods Inc. in Baltimore, said in a research note.

The merger also "implies significant cross-sell opportunities," by giving Willis access to Towers Watson's large U.S. corporate clients and giving Towers Watson access to Willis' midsize clients across the globe, Mr. Shields said.

"At first blush, the combined entity appears to offer impressive services for their corporate clients, which we expect to lead to stronger client retention rates and potentially higher growth rates," Cliff Gallant, an analyst at Nomura Securities International Inc. in San Francisco, said in a research note.

Not all analysts were as impressed, however.

"We view this as a defensive move by both companies," said Eamonn Flanagan, head of Shore Capital Ltd.'s Liverpool, England, office. "To us, Willis appears to be struggling to deliver on its own cost savings plans without damaging its own franchise and is losing key personnel. Towers Watson appears to be highly rated … on the basis of its health care exchanges, where we await the real revenue delivery."

INSURERS

Continued from page 1

BUSINESS MIX

Pro forma net premiums written for a combined Ace Ltd. and Chubb Corp. and each insurer's contribution to the total, in billions of dollars.

Coverage	Combined	Ace	Chubb
U.S. commercial property/casualty	$7.8	46%	54%
Global life and accident and health	$5.3	89%	11%
International commercial property/casualty	$4.7	74%	26%
U.S. high-net-worth individuals	$4.6	30%	70%
U.S. professional and surety	$3.1	39%	61%
International personal lines	$2.0	65%	35%
U.S. agriculture	$1.6	100%	0%
Global reinsurance	$0.9	100%	0%
International professional and surety	$0.7	47%	53%
Total	$31.5	60%	40%

Source: Investor presentation

closing at $121.47 on Thursday.

Mr. Greenberg, chairman and CEO of Zurich-based Ace, will become chairman and CEO of the combined company, which will remain based in Switzerland. John D. Finnegan, chairman, president and CEO of Warren, New Jersey-based Chubb, will become executive vice chairman for external affairs of North America and will work on the integration of the two companies.

The company will operate under the Chubb name in acknowledgment of Chubb's great brand and reputation — particularly in the United States — Mr. Greenberg said.

"We have complementary capabilities, assets and global footprints," said Mr. Finnegan.

In addition, the combination of the companies is expected to result in $650 million of annual run-rate cost savings by 2018, the companies said.

During the conference call, Mr. Greenberg said Ace approached Chubb "a few weeks ago."

Mr. Finnegan said Chubb had not been looking for a buyer but was convinced by what it saw as the "compelling" nature of Ace's offer.

"This was a proposal that came to us and we thought it was a very good one," he said.

"We are both great on our own," said Mr. Greenberg during the call. But the complementary nature of the companies means that there is "an opportunity to create so much more," Mr. Greenberg said. "This is a growth story."

"Where one of us is not present, the other is; where one of us is strong, the other is even stronger," Mr. Greenberg said. Size is important for insurance companies in the current marketplace, Mr. Greenberg said when asked about the timing of the deal. The greater interconnectedness of economies is part of the backdrop to the "compelling strategic nature of this transaction," he said.

Market analysts agree.

"The No. 1 outcome is you're really creating an elite global P/C insurance franchise," said Mark Dwelle, an insurance analyst at RBC Capital Markets, a unit of RBC Dominion Securities Inc. in Richmond, Virginia.

"Their strengths very much complement each other," he said. "Chubb brings a little more to the table in personal lines and middle market. Ace brings a broader international presence to the table. The combination doesn't have a lot of weak spots."

"Ace has a very attractive track record of executing on acquisitions, and I expect this will be a big success for them," said Cliff Gallant, an analyst with Nomura Securities International Inc. in San Francisco.

For example, late last year Ace acquired Fireman's Fund Insurance Cos.' high-net-worth personal lines business from Allianz S.E. for $365 million.

Gretchen K. Roetzer, director-insurance at Fitch Ratings Inc. in Chicago, noted the positive credit aspect of the deal. "Both go into this with low-leverage, high-coverage and strong conservative balance sheets."

"It's great news for Chubb; it's good news for Ace" in reference to the merger's affect on the respective companies' shareholders, said Meyer Shields, managing director at Keefe Bruyette & Woods Inc. in Baltimore. "It provides a platform for more aggressive competition, and I don't mean that in a reckless sense. It enhances their product portfolio, it probably reduces their reliance on reinsurance because it's bigger and more diversified than it was before, and fundamentally it has a lower expense base," he said.

The effect of the proposed merger could extend beyond these two insurers, said J. Paul Newsome, managing director at Sandler O'Neill Partners L.P. in Chicago, in a research note.

"We think this causes virtually every insurer to reassess if they should remain independent," he wrote. "If the much-admired Chubb does not believe it can be independent with its scale and franchise value, then other insurers might change their mind about their long-term viability."

The Ace/Chubb announcement came on the heels of the June 30 announcement that Willis Group Holdings P.L.C. and Towers Watson & Co. plan to merge in a deal valued at around $18 billion.

GUNS

Continued from page 4

of assessing that threat and there needs to be a team of resources in place to take appropriate action," said Susan Morton, Boston-based senior vice president of the reputational risk and crisis management practice at Marsh Risk Consulting.

"Remember to think broadly," Ms. Morton said. "An active shooter isn't necessarily an employee. It could be a spouse, a partner, someone's friend. Take the blinders off."

Having a "weapons policy is important, but not mutually exclusive; we need … a complete program that looks at prevention (training), management and crisis response," said Sean Ahrens, Chicago-based security consulting practice leader at Aon Global Risk Consulting.

Training employees, such as receptionists or security guards, to deal with a determined aggressor often is overlooked in crisis management training, he said. If a receptionist can communicate effectively that someone dangerous is in the facility, it helps speed the response of law enforcement and better limit injuries or deaths.

Gunfire detection and location technology provider SST Inc. argues that even training and preparation are not enough.

"Insurers are providing training to their clients in how to mitigate shooter risk, but having the technology that can assist with that is a direct corollary to having a fire evacuation plan as well as a fire alarm and a fire suppressant system," said Damaune Journey, vice president of the Newark, California-based company. "These events are happening more frequently, and they're becoming less predictable."

"Unless you have a metal detector, how can you know if someone is carrying a handgun? I agree that we should have these no-gun policies, but I think the underlying cause has to do with the person's well-being and mental health," said Eddy Canavan, Riverside, California-based vice president of the workers compensation practice at Sedgwick Claims Management Services Inc.

"Employers can take the opportunity to educate their employees in recognizing mental health signals in others, which may avoid an issue in the workplace," Mr. Canavan said. "We have 61 million Americans that have experienced mental illness in any 12-month period; one in seven has severe mental disorders, some that go widely unrecognized. For example, the Germanwings copilot who took the plane down — could an employer prevent that from happening?" he said.

"I'm not sure we do enough to really understand the individual. We wait for them to have the problem and then address it," he said.

While no factor in preventing gun violence at work is foolproof, "insurance is going to be brought into play whether there was a gun policy or not" when an incident does occur, Mr. Hartwig said.

While the concern should always be for the victims, "at the end of a tragedy there is a financial toll that is felt by the victims, their families, the employers and the insurers," Mr. Journey said. "If a gunfire detection technology alerted people on-site, fewer people would get injured, more lives would be spared, the company would have fewer claims to manage and insurance companies would have fewer settlements to pay out."

Mr. Journey said SST hasn't fully priced its gunfire detection system, adding that it will be less expensive than a fire alarm.

ATTORNEYS

Continued from page 4

Last month, Oregon Gov. Kate Brown signed H.B. 2764 into law. The law is intended to ensure that injured workers have access to adequate legal representation by increasing the cap on attorney fees while modifying the circumstances under which such fees are awarded in workers comp cases.

Some payers fear that such "measures (will) increase the amount of litigation, potentially delay the resolution of disputes and, in general, undermine the efficient delivery of benefits within the system," Mr. Gillespie said. "To what extent that's true or not true is in the eye of the beholder."

Since workers comp reforms were passed in Oregon the 1990s, "there's been a slow evolution of attorneys leaving our system," said John Shilts, administrator of the Workers' Compensation Division of the Oregon Department of Consumer and Business Services in Portland.

"There were areas in Oregon's workers compensation system where attorneys were not provided fees, even if they represented the worker and prevailed," Mr. Shilts said. Claimants' attorneys "are now able to earn a fee for defending their fee" and collect interest, like injured workers, if benefits are delayed.

The attorney fee cap will be raised to $4,000 effective next January from the current $3,000. Since the fee already was adjusted based on Oregon's average weekly wage, the effective cap was about $3,500, Mr. Shilts said. Given that, he said he doubts the law will significantly increase costs for employers.

The National Council on Compensation Insurance Inc. conducted a cost impact analysis of the bill in February and determined that it would increase Oregon's loss-cost rate more than 5%.

However, the final, compromise bill reduced the circumstances under which attorneys could collect such fees compared with the original proposal earlier this year.

As a result, the law now is expected to result in an "unquantifiable increase," Lori Lovgren, division executive of state relations at NCCI, said in an email.

The law "may put upward pressure on loss costs that we file in the future," Ms. Lovgren said. "We expect the final impact will be less than the over 5% impact estimated for the initial version of this bill."

Mr. Gillespie said it's difficult to say whether a similar compromise could be achieved in other states.

Legislators introduced bills regarding attorney fees — S.B. 427 in Connecticut and H.B. 1611 in Washington — this year.

"Obviously if the Florida Supreme Court comes back and says that the attorney fees statute is unconstitutional, that will make attorney fees a legislative issue in 2016 in Florida … and potentially for other states," Mr. Gillespie said.

Contributing: Judy Greenwald, Bill Kenealy, Shelby Livingston, Donna Mahoney

Actor Matthew McConaughey in filmmaker Richard Linklater's "Dazed and Confused"

Director burned over fire coverage

The director of "Dazed and Confused" recently saw his longstanding legal battle with his insurer go up in smoke in a Texas courtroom.

The Texas Court of Appeals, Third District, at Austin turned down an appeal by filmmaker Richard Linklater, who has been locked in a dispute with his insurer over a 2011 fire which consumed 32,000 acres near Paige, Texas, and destroyed a building owned by Mr. Linklater.

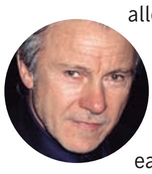
Mr. Linklater's building housed his archives which included film prints, annotated scripts, props and unseen movie footage and was valued at $500,000. Mr. Linklater and his insurer, Truck Insurance Exchange, a unit of Farmers Insurance Group, were at odds over policy language.

The appeals court agreed with a lower court ruling in favor of the insurer. "The coverage extensions provisions ... do not extend coverage to Linklater's archive because it was ... at a location ... that was not one of the premises covered by the policy," the total bummer of a ruling states.

Tough-guy Keitel sues over canceled ads

Actor Harvey Keitel comes across in his movie roles as a tough guy you wouldn't want to cross.

But that apparently didn't deter on-line stock trading firm E-Trade Financial Corp., which allegedly reneged on a deal to star the actor in a commercial campaign.



According to the lawsuit filed by Mr. Keitel, New York-based E-Trade offered Mr. Keitel a $1.5 million deal early last year to feature him in a series of three television commercials after being turned down twice by Christopher Walken.

But, two days after Mr. Keitel accepted the deal, the firm apparently had second thoughts and told him it had decided to go in a different direction. It offered Mr. Keitel a kill fee of $150,000 instead, according to the lawsuit.

Mr. Keitel is now suing E-Trade for breach of contract, claiming it owes him the entire $1.5 million.

"By offering a 'kill fee,' E-Trade acknowledged and admitted that it had an existing, binding and enforceable contract with Mr. Keitel," says the lawsuit.

SOUTH KOREA ENTICES TOURISTS WITH VIRUS INSURANCE

AP PHOTO

A woman wears a surgical mask last month in South Korea as a precaution against the MERS virus. Tourists will be issued insurance rather than masks.

People considering cancelling travel plans to South Korea over concerns about contracting a deadly airborne virus may now breathe a little easier. According to CNN, South Korea says that foreign visitors will be automatically insured against the risk of developing Middle East Respiratory Syndrome, which has killed 23 people in the country since May.

"To relieve the anxiety of the foreign tourists, we will develop and promote [an] insurance package that compensates foreign tourists if they are confirmed with MERS during their stay in South Korea," a spokesperson for the Ministry of Culture and Tourism told CNN.

While exact details of the plan remain unclear, including how much cover will be provided and by whom, if enacted the proposal would have to work wonders to revive the nation's tourism industry, which has seen an estimated 20% drop in visitors due to the disease.

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Life insurer gets Magic touch

Earvin "Magic" Johnson has added a life insurer to his long list of business slam dunks. The former Los Angeles Lakers point guard's Beverly Hills, California-based investment firm, Magic Johnson Enterprises, has acquired a controlling stake in $14.5 billion dollar Chicago-based EquiTrust Life Insurance Co. from Guggenheim Partners, Magic Johnson Enterprises said in a statement.

A spokeswoman for Magic Johnson Enterprises declined to disclose the terms of the deal.

EquiTrust, which manages more than $14 billion in assets, distributes fixed-rate and indexed annuities and life insurance through a national network of more than 23,800 independent agents, according to the statement.

As part of the deal, Magic Johnson Enterprises has taken a 60% interest in the insurer, the investment firm said.

Latest drone risk: armed neighbors

Last year, drone enthusiast Eric Joe launched his hand-built drone above his parents' home in Modesto, California, a few days after Thanksgiving. The drone's flight lasted three minutes and thirty seconds before it was blown out of the sky by a neighbor's 12-gauge shotgun.

Neighbor Brett McBay sniped the drone in one try, claiming he thought it was a CIA surveillance device, according to media reports. Actually the drone didn't have a camera onboard.

After exchanging words with his armed neighbor, the drone pilot felt it prudent to continue their conversation via email.

"Just as you asked me to give the courtesy of notifying you of my flying activities, I also ask you the courtesy of not shooting live ammunition in our direction. This is the third time discharge from your firearms has hit our house and property. The first incident left a bullet hole in the door by our garage. The second incident occurred last Thanksgiving when birdshot from your skeet shooting activities rained into our backyard. The third, of course, being what we're currently discussing," Mr. Joe wrote.

In 2015, Mr. Joe filed a case against his neighbor in small claims court and won. The court in May awarded him $850 in damages.

CYBER RISK SUMMIT 2015

September 27-28, 2015
JW Marriott, San Francisco

Put up your defenses before you're breached. And if you're hacked, how do you recover? The answers are here at this can't-miss event for risk managers and CISOs only.

AGENDA AT A GLANCE:

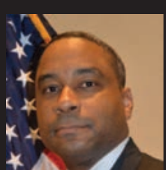
DAY 1

5:00 p.m.-7:30 p.m. Technology Solutions Expo
Meet cyber risk solution vendors to learn about products and services to address your cyber risk exposures.

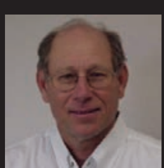
DAY 2

8:00 – 8:30 a.m. Networking Breakfast

8:30 – 8:40 a.m. Welcome Remarks



8:40 - 9:15 a.m. Morning Keynote: Malcolm Palmore, FBI San Francisco Asst. Special Agent in Charge of Cyber



9:20 – 9:55 a.m. Keynote 2: The State of ICS Cyber Security: What is Happening and What Needs to be Done
Speaker: Joe Weiss, Managing Partner, Applied Control Solutions L.L.C.

9:55 – 10:15 a.m. Networking Break

10:15 – 11:05 a.m. You're Not a Retailer, but You're Still a Target (pun intended)
This session will explore new and emerging cyber threats such as attacks on critical infrastructure that could interrupt operations and supply chains.

11:05 a.m.-11:55 p.m. Quantifying the Impact of a Cyber Incident

12:00 - 12:50 p.m. Networking Luncheon

DAY 2 (cont.)

12:55 - 1:40 p.m. Legislative and Regulatory Landscape

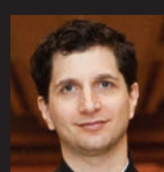
1:45 - 2:35 p.m. A Buyer's Guide to Cyber Insurance

2:40 - 3:10 p.m. Case Study: Southwest Airlines

3:10 - 3:30 p.m. Networking Break

3:30 - 4:20 Cyber Risk Mitigation: Sometimes Insurance Isn't Enough
Explore risk mitigation strategies designed to reduce this exposure when cyber risk coverage is either unavailable or inadequate.

4:25 - 5:10 Cyber Improv: Audience Participation Encouraged
In an interactive session, the audience will lead various professionals through a data incident.



5:15 - 5:50 p.m. Closing Keynote: Jeff Moss, former hacker known as the Dark Tangent, and founder of DEF CON and Black Hat Hackers conventions

5:50 - 5:55 p.m. Closing Remarks

6:00 - 7:30 p.m. Closing Cocktail Reception

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