

Risk Review



Editor's Comments

J.B. Hiers, Munich American Reassurance Company



Welcome to the spring-summer edition of Risk Review, GUA's award-winning newsletter—we're glad you're here. Did you see The Kentucky Derby? Raise your hand way up in the air if you picked *Mine That Bird* to win going away. Liar! I had the opportunity to visit the Keeneland Race Track in Lexington recently and thoroughly enjoyed it. Kentucky is a

great place to be in the spring, especially if you can make your way to one of the fabled race tracks in Lexington or Louisville. These places just ooze class, and the scenery and people watching is hard to beat, especially if you enjoy viewing beautiful people wearing all sorts of creative headgear.

There's another place in downtown Philadelphia that oozes class too—the Ritz-Carlton, the chosen site of the next GUA conference. There you will have the opportunity to see all sorts of beautiful GUA people—sans the creative headgear, of course—in arguably the nation's most historic site. GUA's programming team has once again put together another informative and educational agenda, and you can certainly feel free to wear a stylish hat—after all, you will be at The Ritz.

Things are certainly scary out there in these tough economic times. With that in mind, Risk Review lined up **Dr. Roger Tutterow**, an economist and Mercer University professor for a brief Q & A session on the economy. You can hardly go a day in Atlanta without reading or hearing Dr. Tutterow's comments regarding the economy in the local media, so we're fortunate to obtain his words of wisdom—and besides, he was powerless to say no to a Mercer University alumnus.

Many of us in the insurance industry who knew **Dave Fitzpatrick** were certainly shocked and saddened to hear the

news of his sudden passing at the age of 54. Dave was a friend to many in the insurance industry and we thank his colleague at The Standard, **Jim Ojala** for his heartfelt tribute to Dave found in this issue of *Risk Review*.

There are many others to thank for this edition of Risk Review, including **Coreen Lauren** from Custom Disability Solutions, who wrote a terrific article on how best to cope with stress at work. Speaking of stress, Coreen recently finished the Boston Marathon in the highly admirable time of 3:39, reaching her goal time by every bit of 20 seconds. (By the way, if you bump into **Curt Zepeda**, GUA's Vice President, be sure and ask him how he did in The Fargo Marathon this month—if he's still standing, that is.) Thanks also to GUA's long-time friend and past president, **Don Russell** for sharing information on his successful business venture, SALT Associates.

I'd also like to give a shout-out to the four GUA Committee Heads, who kindly shared information on what's new with their respective committees.

You'll also find all sorts of additional cool stuff in this issue, including pictures from GUA's fall meeting in St. Pete, an incredibly easy trivia contest that awards a \$75 gift certificate to the lucky winner, meeting planner notes from **Karen Gritton**, and our President's Welcome from **Carolyn Pollard**.

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Get in the game! Participate in the Risk Review Trivia Contest and win a fabulous prize—a **\$75 gift certificate to Amazon.com**. It's fun! It's easy! Simply e-mail your correct answers by June 15 to jhiers@marclife.com to become eligible for the winning prize. You'll find the Trivia Contest on page 13.

Since our upcoming meeting will be held in historic Philadelphia, you should know that Coca-Cola is celebrating its 143rd birthday this week in Atlanta. I won't tell you which birthday I will be celebrating in Atlanta this summer, but I will let you know that we didn't own a color television until I was 12, and I'm old enough to remember watching a black and white episode of *Alfred Hitchcock Presents* that to this day

forces me keep a vigilant eye out for things that go bump late in the night. Here's another hint about my advanced age, my son, Matt, turned 30 this week, making me older than both color TV and FM Radio.

We sincerely hope you have a great summer, and we hope you find the time to enjoy another edition of *Risk Review*...

President's Welcome

Carolyn Pollard, Trion



Welcome to our summer edition of GUAA's *Risk Review*. Our annual conference is reaching the final preparation stages to produce yet another stellar event for you and others in the industry. For the first time, we had an overabundance of workshop topics and had to put a few on hold for next year. What a great problem to be faced with in these struggling times.

We've now reached 100+ days of our United States President in office, we continue to hear of companies facing bankruptcy, forced internal reorganizations, and many downsizing their employment numbers. Recently the focus is on the auto industry after nominal first quarter results vs. years past. Banking industry continues to struggle and many of us have encountered losses in our retirement accounts causing us to rethink our personal decisions of our future and career. For some of us, this has allowed us to shift direction and leave the insurance world to try something entirely new, outside the comfort zone of what we all know and do each day. However, for the majority of us, we continue doing what we do best. The insurance industry isn't isolated from the economic pressures. However, with the economic impact to employer demographics, coupled with immediate needs to respond to employer budget tightening, we appear to be the busiest in years.

Our Keynote Speakers will be addressing what the insurance industry is facing in these economic times and sharing their views on our future direction. I hope you will be able to join us in Philadelphia and hear their insightful discussion on where we are headed and what we need to focus on going forward.

GUAA has reached its 34th year—what a great concept the small group in Chicago had of hosting a meeting focused on underwriting the insurance business. That said, many of us have crossed paths over the years and become not only colleagues in this business, but friends outside the industry. Recently we lost a dear colleague, friend, and GUAA member, David Fitzpatrick from Standard Insurance. I hope you take time to read Jim Ojala's tribute to Dave in this issue of *Risk Review*.

It was a privilege to know Dave and personally I, as I'm sure many of you, was saddened by his passing. It is news such as this that makes us all realize without GUAA, we wouldn't have had the opportunity to get to know such great people as Dave. I hope at this conference everyone will have an opportunity to network with other GUAA members during luncheons, receptions and breaks. We all share a focus in our career, what GUAA allows is for all of us to take time to get to know the individuals representing those careers. I look forward to seeing you in Philadelphia.

★ Fun Fact

Five people are added to the world's population every two seconds.



Meeting Planner Notes

Karen Gritton



An Historical site in it's own rite, The Ritz-Carlton, Philadelphia was originally built as the Girard Trust in 1908. Built as a reproduction of the Pantheon in Rome, The Ritz-Carlton, Philadelphia's building is one of the finest examples of neoclassical architecture in the city. This AAA 5 Diamond gem offers the level of service and décor you would expect from a Ritz property.

Located directly across from Philadelphia's City Hall and steps from theaters, museums, concert halls, and Rittenhouse Square's upscale shopping and dining. Take a cab or walk to the Waterfront/Historic District to experience the cobblestone streets and iconic buildings found in Independence National Historical Park.

Make your plans early to attend the 34th annual GUAA conference in Philadelphia, PA!

May 31st–June 3rd, 2009
The Ritz Carlton—Philadelphia, PA
Ten Avenue of the Arts
Philadelphia, PA 19102

Room Rate: \$219 Standard Rooms
 \$299 Club Rooms
 \$329 One Bedroom Club Suites
Reservations: 1-800-241-3333

★ Meeting Planners Tip

Take a cab, shuttle or mass transit as parking is scarce and valet service is pricey. You can walk or cab almost anywhere you need to go anyway!



Tribute to Dave Fitzpatrick

Jim Ojala, Standard Insurance Company



Dave Fitzpatrick, Vice President and Group Actuary of the Standard Insurance Company passed away suddenly on February 27, 2009. Dave was 54.

Dave was a supporter of GUAA and an occasional conference attendee. Some of you may remember his run of luck at the craps tables

during our Las Vegas conference in 2004 where he had many of us hooting and hollering. Dave was one of those rare Actuaries who always seemed to have people laughing. He was quick with a joke and had a way to find humor in almost any situation. Those of us at The Standard were constantly treated to his latest entertaining anecdote.

It wasn't just employees at The Standard who valued his insight and opinion. In Dave's 25 years with The Standard he made many friends and admirers throughout the insurance industry.

We all recognized his perceptive insights on the group life and disability market. Dave was proud to share that he took time out from his Actuarial career to serve on the front line as a sales rep. Yes, he knew how to make a profit, but this experience helped him understand the pressures experienced by a sales rep and the expectations of customers.

In addition to his role as Vice President and Group Actuary at The Standard, Dave was also very engaged as a board member of the Portland State University Alumni Association and the Janus Youth Program. The leaders of both organizations have shared that Dave was not just a figurehead, but was instrumental in providing ideas and leadership critical to their ongoing success.

Dave is survived by his wife Mary, four brothers, numerous nieces and nephews and friends too numerous to count. If he were still with us today he would tell us all to "Have a super fantastic day!"

★ Did You Know? Fun Philadelphia Facts ★

- Philadelphia's city zoo, founded by Benjamin Franklin, is the oldest zoo in the United States.
- Standing at a robust 975 feet tall, the newly opened Comcast Center is the tallest building in Philadelphia. And with its ambitious incorporation of eco-friendly technologies, the Center is also the tallest "green" building in the country.
- In 1946 Philadelphia became home to the first computer.
- The second largest city on the East Coast, Philadelphia ranks fifth in the nation, with a metropolitan population of 5.8 million.
- The Reading Terminal Market, established in 1892 at 12th and Arch Streets, is the nation's oldest continuously operating farmers' market.
- The cheesesteak, the celebrated Philadelphia sandwich, was invented by Pat Olivieri in 1930.
- The famous Rocky stair running scene showed Sylvester Stallone on the stairs of the Philadelphia Museum of Art.



GUAA Interview: Don Russell

Founder of SALT Associates

Risk Review thought it would be a good idea to check on a former GUAA President, Don Russell, to see how his new business venture is coming along. Dan took the bold step of forming his own company, SALT Associates, in 2003. His company specializes in providing consulting services to clients in the specific areas of disability and absence management.

Where was your first GUAA conference?

My first conference was Boston in the mid 90's. It was very memorable because we had a lobster bake and a talent contest. I was impressed with the talent!

Let's see, you're a past president of GUAA. Do you miss the paparazzi, the huge hotel suites, all that caviar and the daily massage therapy treatments?

I think Mark Walker is the only President to use the massage therapy treatments that come with the position. Of course, he's also the reigning Karaoke Champ for his rendition of American Pie. Actually, being president was easier than being on the programming committee. The folks that take on that role truly make the conferences work.

Starting your own company takes plenty of courage, not to mention creating a business plan from scratch. I take it you saw SALT filling a true need for companies that wasn't being met by others in the industry?

I don't know about courage. Maybe naiveté is a better word. We clearly thought (and continue to feel) that we could fill a void in the disability space. There are very few companies that can offer the depth of experience and the efficiency of our business model.

Describe a typical day for you at the office?

As small business owners, we are all Jacks of all trades. We do everything from scheduling our own trips to taking out the trash. We try to have a good time whenever possible. I

usually fire up iTunes, check email, return voicemails, and then dive into whatever project I'm involved with at the time. Much of our work involves digging through claim files, training manuals, operational designs, etc. Lately, we've been developing applications in a web environment so we're spending a lot of time writing business specifications that will solve customer solutions.

How many employees are currently on staff?

There are three partners at SALT. We currently utilize a subcontractor business model that takes advantage of the large pool of disability expertise in our area. This gives us the flexibility and pricing point to effectively meet customer needs.

Do you have a least favorite employee?

See above regarding staffing model.

Risk Review is just kidding! What type of employee do you look to hire at SALT?

We're always on the lookout for fun, talented, creative, flexible folks who understand how important it is to take care of customers.

Why did you start SALT?

For a few reasons:

1. Certainly, there are many qualified consultants out there but there aren't many/any specializing solely in disability and absence management.
2. We all were weaned in this space—we've run the gamut—carrier claims, TPA claims, sales, account management, underwriting, product development, claim system assessment and more. So, we believe we have a unique offering.
3. In previous lives, too many times we saw the answer as "go out to bid". Having been on the "other side", we believe there are really good alternatives to investigate before a bid situation. For example, our data analysis is a terrific

★ Fun Fact

215 jeans can be made with one bale of cotton.



Get to Know the Real Don Russell

Birthplace:
Fort Campbell, KY

Family: Married, with a daughter who's a junior in college and a son who's a junior in high school

Hobbies: I love to fish and bird hunt

Education: BS in Forestry Management from the University of Maine.

Favorite Vacation Spot:
The Bahamas

Most Hated Sports Team:
The Yankees of course

Favorite magazine:
Fast Company

Last good book read:
Founding Brothers:
The Revolutionary
Generation by Joseph J. Ellis

tool to unearth areas of focus. Why not dig into the data, process, and expectations before the knee-jerk bid? It's way too expensive and time consuming. On top of that, the grass isn't always greener on the other side.

How have you grown?

Honestly? We help people with the basics. I know its cliché, but you wouldn't believe the claim shops out there that do not perform the basic blocking and tackling. On top of that, we have some good—but again—basic technology that helps claim shops use their data for specific operational effectiveness. Everyone in our business wants the next best claim management idea. What they don't realize is that you have to do the basics very well first.

What makes the way you go about your business unique?

I feel like I'm selling but it truly is our philosophy—we try very high to set appropriate expectations with our customers. We are open and honest and assume that they hired us for our expertise, even when they may disagree with us. Obviously, we can be less expensive given our size, but, because of our size, we are quick to respond and can get in front of situations. Each customer is different and standard, contrived solutions don't meet customer needs. Plus, we try to have a little fun. You'll see that on our website. We take our business seriously but not ourselves.

As you perform your claim reviews and analyze data, are there common themes in the industry?

As I mentioned earlier, the most common theme is that people want to run before they can walk. If you don't do the 6 to 10 basics, you won't run a successful claim operation. It is as simple as that.

How important is data to disability management?

Without giving away the secret sauce, our view is that data is the cornerstone. It directs us, it focuses us, it guides us. On the flip side, generally, the data isn't all that great. So, part of what we do is help companies and employers collect a good data set. You'd be surprised at the number of claim shops that don't/can't collect basic claim data to manage workflow, caseloads, etc.

What technology tools do you utilize in your work and do they benefit your clients?

Most of what we used, we developed. We needed technology that supported the expertise that we bring to our audits and operational reviews. In addition, each customer is different so we've built these applications so they can be modified and focus on specific client objectives. These tools are also web enabled so they can be accessed from around the globe through secure connections. This gives us the ultimate flexibility and makes it easier for clients to access as well.

Does SALT perform services other than disability claim management?

Absolutely. Our backgrounds also include underwriting, sales, and account management. There are also many similarities between products when it comes to claim management.. We're helping companies with life waiver of premium claims, pension disability claims, long term care, social security, workers compensation, operations workflow management...It's important for customers to realize that we aren't just "claims guys".

Committee Highlights

Dental: Jennifer Kyle, Assurant Employee Benefits



The Dental Committee is pleased to welcome Herschel Reich, Principal, Ingenix Consulting, to lead our first General Session on day three of the conference. Following two full days of thought provoking coverage-specific sessions, Herschel will share his extensive underwriting knowledge in a session entitled 'The Art of Underwriting'. We

have allotted 90 minutes for all conference attendees to hear from this specialist in pricing, underwriting, reserving, product development, network development and vendor management. Amongst Herschel's recent past projects are the evaluation of marketing and product positioning strategies of carriers in the dental insurance market, the development and analysis of unpaid claim liabilities and policy reserves, and the operational review of actuarial, rating, finance, underwriting and all customer service and administrative departments in conjunction with M&A integration activities. Herschel received a bachelor's degree in mathematics from Bernard M. Baruch College and is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries.

Ruth Ann Woodley, Ruark Consulting, will bring us up-to-date on PPO pricing, specifically Ruark Consulting's 2008 study of dental PPO networks and discounts.

★ Fun Fact

The average major league baseball lasts seven pitches.

A dental case study workshop will allow you to hear what your fellow underwriters consider when approaching a new business prospect. Do they share similar thoughts on carrier hopping? How does the nature of the industry play into their pricing decision? When does the case achieve full credibility? We'll work through cases both large and small and solicit your thoughts. This is a great opportunity for line underwriters and managers alike to participate in what will undoubtedly be an interactive and lively workshop.

Disability: Richard Clement, Smith Group



The Disability Committee is excited to be in the City of Brotherly Love with the history of the Liberty Bell, Independence Hall, Betsy Ross's house and the current home town of the World Champion Philadelphia Phillies.

We have put together a World Championship agenda that we believe will be educational, entertaining, and useful in your daily evaluation of disability risks with numerous guest speakers.

We will begin our sessions with Kevin Riley of JHA providing us with a base line of the disability market. Kevin will be sharing JHA's survey results from the Market Survey, Profit Study, Rate Study and other select material.

We will follow that up with a session from 2 guest speakers from our partners in the actuarial community. Rick Leavitt of the Smith Group and Barry Petrucci from the Guardian will be our guest speakers for this session. Rick and Barry will offer their insights into the process disability pricing actuaries go through annually evaluating their manual ratings. They will also offer their insights as to the factors companies consider when refreshing their rates, the information used to evaluate the rate structure and considerations they contemplate in revamping their entire existing rate structure.

Next with the aging of the market and the growth in obesity we will have Phil Lacy and Paul Hitchcox from the benefits consulting of Trion help us understand the positive effects of wellness in disability. As wellness programs become more popular with employers, how do these programs get the return on investment to justify the expense of implementing a wellness program? Any ROI must include the reduction in medical costs and disability costs including reductions to lost productivity. This session will explore how to integrate data from multiple health and welfare programs including workers compensation to measure the impact of wellness on other benefit program costs.

On Tuesday morning we will learn about the almost complete new SOA disability table. It seems every 23 years we get a new table and we are fast approaching that coming up in 2010 (1964, 1987). This workshop will be presented by Rick Leavitt a member of the SOA Experience Committee and will cover results of the recent SOA Group LTD Experience Study, provide an overview of the process used to develop the new table, identify difference from prior tables and studies and will offer some possible next steps for the group disability industry.

These are tough and challenging economic times, ones we have not underwritten during any of our careers. The disability committee will offer two perspectives of How to Underwrite in Unprecedented Times for both large and small risks. We will present ideas of how to profitably grow during these tough times including such topics as plan design features, financial underwriting, geographic location, industry trends, early claim indicators and new business and renewal strategies.

Have a burning question for an actuary? We will offer a panel discussion of Disability and Life focused Actuaries representing insurance carriers and consulting groups. The panel discussion will offer the audience the opportunity to ask specific questions and case situations of these guest actuaries. We have strategically placed this session last on Tuesday so bring your own questions from your office or perhaps a question from a prior session has peaked your interest.

On Wednesday we will end with our Let's Talk Shop. Philadelphia is a big airport so you should be able to stick around for this session and still make it home at a reasonable time. Remember the disability committee members are pretty vocal, so do your best to get your ideas and questions in early.

We look forward to seeing you in Philadelphia and who knows maybe the Flyers or 76er's will still be alive so we can catch a game with the fans with the most hospitable reputation in the nation.

Medical: Patty Marshall, Anthem



Healthcare may be one of the thriving industries in the down economy but the Medical Committee realizes just how critical it is for those of us working in the industry to continue to carefully monitor our business and processes for financial strength of our companies. We also want to be good stewards keeping costs as low as possible

for the impacted industries we insure. With this as our mission our presentations cover ways to control and/or reduce costs, a continued focus on wellness in the workplace and what our industry can expect from the principles of the Obama Administration. Below is a description of each of the

presentations we will be bringing to Philadelphia a little later this year.

- ◆ Obama is in office. What are his principles and what is his timetable? Jessica Waltman with Government Affairs will be bringing us this insight. She will also address the progress health reform legislation is making in Congress and the long-term outlook for all segments of the private health insurance market place, American businesses and individual healthcare consumers. (Patty)
- ◆ Open up and say "Ahh". It is finally here. Time to "sink your teeth" into the impact on medical costs whether the member has employer sponsored dental coverage or not. The dental coverage can be a contributory or voluntary plan. Either way dental care impacts your health. Come and learn from Bill Zuelke of Anthem Blue Cross and Blue Shield how dental coverage can "take a bite out" of medical costs. (Patty)
- ◆ Initiated in June 2008, the medical committee continues to promote Wellness in the Workplace and it's impact on medical costs. Whether you are the employer or you are underwriting the costs of other employers, it is crucial to "do the right thing" to promote the health and wellness of the workforce including yourself and your team. Kristen Origer, Group Coordinator of the Richel D'Ambra Spa & Salon, will bring an awareness of the mind-body connection and the aspects of nutrition, exercise, habits and attitudes which contribute to a healthy workplace and life. (Patty)
- ◆ Back by popular demand, Scott Bernard who spoke at our January 2009 conference will be in Philadelphia. Chronic pain is threatening 30% of total medical costs and lost productivity. Are you controlling these medical costs through the identification of problematic practice patterns, benefit designs, and treatment approaches? This presentation will examine how insurers can have predictable medical trends for pain management and hard, net savings through pain management programs. (Patty)
- ◆ Have you noticed an increase in the volume and the dollars associated with "large claims"? Are you concerned the unknowns of large claims and where this is headed will undo your funding methodology? Nick Potenza, Chief Actuary, Munich Re America HealthCare will join us to add insight and projections of impact to this mystery. (Mike)
- ◆ Are you worried about groups that may file Chapter 11 or may downsize leaving you trying to fund the runout of employees displaced with only the premium from the remaining employees to fund it "or not". Dun & Bradstreet's Bob Porreca and Joan Brennan, will be at the conference to help us know what to look for , determine what this means and recommend what you should do. (Lori and Joe)

The Medical Committee invites you to join us in Philadelphia this June for these presentations as well as our "Let's Talk Shop" hour. This is a great opportunity to share current industry news and concerns with underwriters from across the country. We look forward to seeing you in Philadelphia.

Reinsurance: Libby Corcillo, Munich American Re



The Reinsurance Committee had a lively discussion in St. Petersburg about our very existence. We are one dedicated bunch—we all agreed that we want to keep contributing our time and efforts to GUAA by providing speakers and sessions that reach across multiple product lines.

Carol Muncil set the stage for that when planning our St. Petersburg "Let's Talk Shop" sessions. She championed and facilitated two themed Reinsurance Committee LTS sessions in January: "Successful Sales Strategies" and "Economic Outlook" (with Tim Moran). Building on those successes, our themed LTS for Philadelphia is titled "RFPS: Can We Remain Sane?" We hope you'll join us as our co-chair, Diana Thulin, leads a discussion on a topic familiar to us all: RFPS—the good, the bad and the ugly!

Our committee is evolving in other ways. In January, we welcomed two new members to our committee, John

Ghilardi and Mark Laulainen. Carol has wrapped up her term as Co-Chair, having already extended her original term once. Please join the Committee in thanking her for her dedication to GUAA! Diana Thulin will be joined by our new co-Chair, David Daley, who has agreed to take this additional responsibility even as he starts a new position with Chubb. Chris Howley has agreed to remain on the committee although he too has new responsibilities at work and is once again a new Dad!

As a committee, we have lined up several great sessions in addition to our Let's Talk Shop:

- ♦ "Have I Got a Deal for You!" a workshop on how to improve your negotiating skills, both internal and external.
- ♦ "Covering Other-than-Active Employees" (a discussion of waiver of premium, continuity/extension of coverage, portability and conversions, and dependent coverage).
- ♦ "Employer Stop Loss Laser Study and Tools", a tool for modelling potential claims based on diagnosis and prognosis by a Milliman actuary coming to us from Seattle.
- ♦ "Unions: a Report from the Front" which will look at the labor movement history, the impact of the current economic crisis and the challenges in providing benefits to unions, from the head of Sales at Amalgamated.
- ♦ "Identity Theft resolution and Travel Assistance", a discussion of two benefits we all hope never to use!

Stressed Out at Work

By Coreen Lauren, Custom Disability Solutions

Wellness, according to Merriam-Webster's online dictionary, is defined as "the quality or state of being in good health, especially as an actively sought goal." Productivity, according to Merriam-Webster, is defined as "the state of being productive." In today's workplace, finding a balance between wellness and productivity is a challenge.

Today, employees are working more and more. The current state of the economy leaves employees with little choice – put in the extra hours and pick up the slack, or join the ranks of the unemployed. Employers want and expect their employees to be productive, but the toll of taking on extra work and responsibility may not be evident to many employers at first glance. A stressed out employee is not always obvious, but its appearance may manifest over time. It is clear; however, that worker stress leads to a decrease in productivity.

Employee Stress and the Related Costs

Work related stress can come from multiple sources—work load, lack of resources and support, managers and co-workers. Depending on the source, the percentage of workers who report that their job is very or extremely stressful ranges between 30 and 40 percent. The relationship between job stress and good health is clear. Stress at work can lead to other ailments—mood and sleep disturbances, upset stomachs, and headaches. Prolonged stress can lead to more chronic and serious conditions, such as cardiovascular diseases, musculoskeletal disorders, and psychological disorders. Whether the stress induced ailment is minor or more serious, the results are the same—loss of productivity, increased presenteeism and absenteeism, and increased health care utilization, which leads to soaring health care and disability costs.



Get to Know the Real Coreen Lauren

Birthplace: Portland, ME

Family: Married w/ 2 kids

Education: University
of Southern Maine

Current position at CDS:
LTD Claim Manager

First job: Waitress

Hobbies: Running
(recently the Boston
Marathon), cycling,
swimming

**Movie you walked out
on (or almost walked out
on):** I can't remember the
last movie I went to...

Favorite Magazine:
Runner's World

Last good book:
Once a Runner

**Least favorite sports
team:** Yankees

Must see TV:
Biggest Loser

The National Institute for Occupational Safety and Health's *Worker Health Chartbook 2004* measured the number of days in a month that employees reported that their mental health was poor. Scoring at the top of the chart were retail business employees, with 17% of employees reporting 14 days or more of poor mental health per month, followed by workers in the transportation industry and public utilities sector. Workers in wholesale trades were at least risk.

The *Worker Health Chartbook 2004* also measured the number of lost work days from (1) anxiety, stress, neurotic disorders and (2) all nonfatal injuries and illness. The survey results showed that the number of workdays lost due to anxiety, stress and neurotic disorders was more than four times greater (average =25 days) than the number of workdays lost for all nonfatal injuries and illnesses together (average=6 days).

In addition to increased absenteeism, work stress often leads to the phenomenon known as presenteeism. Webster's New World Medical Dictionary defines presenteeism as "the problem of workers being on the job but, because of medical conditions, not fully functioning." An example of presenteeism might be an employee who suffers from depression, continues to come to work, but is not productive.

According to the Wellness Council of America, multiple studies have been performed looking at the impact of poor health on health care costs and absenteeism and presenteeism. They have provided the following calculation as a guide for employers to begin to understand the impact that stress and poor health have to the bottom line.

1. Determine the cost of health care for a period of one year.
2. Multiply the cost of health care by 1.8 and this is your cost of presenteeism.
3. Multiply the cost of health care by .2% and this is your cost of absenteeism.

Taking this one step further, workers who report experiencing stress at work also show excessive health care utilization. In one study of 46,000 workers, health care costs were nearly 50 percent greater for workers reporting a high level of stress in comparison to workers reporting low stress levels. Health care costs were nearly 150 percent higher for workers reporting high levels of stress and depression.

The Solution—Employee Wellness

It is clear that stressed out workers will have a negative impact on a business. A stressed out work force is less productive, and in some cases absent from work altogether. Employee morale is lower, and negativity permeates the organization. Stressed out workers are unhealthy and cost employers millions of dollars each year in health care and disability costs, absenteeism and presenteeism costs. According to the recent Principal Financial Well-Being Index nearly 80 percent of workers, up from 74 percent a year ago, take advantage of educational wellness tools and resources offered by their employer. To that end, it is in the best interests of employees and employers to find solutions that help to reduce stress levels and promote wellness.

There are a number of options available to employers who are looking to implement a wellness program for their employees. A quick web search of "employee wellness" reveals a host of organizations that specialize in creating customized employee wellness programs for businesses. Using an outside organization to help create a wellness program may be the right option for some employers. The rate of return on establishing the wellness program will be worth the initial investment. However, in today's economic climate, many employers may not be able to make the up-front investment. For those employers that are strapped for cash and focused on the bottom line, there are many low cost and free steps they can take to set up an employee wellness program in their offices:

1. Implement programs that pay for all or a portion of gym memberships, nutrition counseling, or weight loss programs, or explore whether the group health plan includes these provisions.
2. Implement worksite policies and environmental changes that support healthy living, such as offering only health snacks in vending machines, and requiring stretch breaks throughout the day, or allowing flex time for exercise
3. Make use of all of the free resources in the community and online for ideas on how you can positively improve the well-being of your employees
4. Allow employees to volunteer at a local charity or organization
5. Encourage employees to take free health risk assessments that many health plans provide

The International Foundation of Employee Benefit Plans' Wellness Programs, Second Edition survey, published in February 2009, found that wellness competitions were the second most popular program under fitness and nutrition, with 48% of respondents offering walking and fitness challenges. Forty-two percent of employers provide healthier food in the cafeteria or snack areas; while 33 percent supply on-site fitness equipment and 32% offer off-site fitness programs and gym reimbursements.

★ Quote Me on That

"Organized crime takes in over forty billion dollars a year and spends very little on office supplies."

Woody Allen

According to the Wellness Programs survey, companies are getting the word out that they want their employees to lead a healthier lifestyle through online resources (61%), health fairs (57%), nurse advice hotlines (53%) and wellness newsletters (52%). Most wellness programs are relatively young, with 67%

of employers indicating that their initiatives have been in existence for four years or less. To drum up participation by employees, 80 percent of wellness programs entail some type of incentive. The most popular incentives include non-cash prizes (39%) and gift cards (32%). Of those companies that use wellness incentives, 22% offer cash rewards and insurance premium reductions.

President Obama won the White House on a message of hope and change. In his inaugural address, the President spoke of holding Americans responsible for their actions and about reaching out to neighbors and co-workers for support during these challenging times. The President's message can be applied to maintaining one's wellness and productivity. If employers are struggling with ways to reduce employee stress, improve morale and maintain productivity they can turn to their employees for ideas. Most employees will be willing to contribute, and they will have fresh ideas that their employer may have overlooked. When employees create their own wellness program, they will be more inclined to participate in the program.

The President also suggested that we have to look to new resources and people to address our current challenges. Employers would be wise to heed the President's advice when it comes to employees' wellness. Employers will find more success if they have the employees develop and implement their own wellness program.

Here are some steps and activities that employees can implement to help reduce stress and improve wellness:

- ◆ Elect a Wellness Ambassador to lead the organization in fun activities to help reduce stress on a weekly basis.
- ◆ Create walking groups
- ◆ Host a wellness fair—seek community involvement from certified professionals
- ◆ Create informal sports leagues

- ◆ Host "lunch and learns" on women/men's health issues
- ◆ Support a community event, such as a cancer walk, or a diabetes bike, and create an employee team, which can prepare for the event together

In January 2000, the Department of Health and Human Services launched Healthy People 2010, a comprehensive, nationwide health promotion and disease prevention agenda. Healthy People 2010 is built on 467 objectives that serve as a framework for how to improve the health of all people in the United States during the first decade of the 21st century. By developing employee wellness programs, employers will be helping to achieve two of the major Healthy People 2010 worksite specific objectives:

1. That 75% of all corporations, regardless of size, will have a comprehensive employee wellness program, and
2. That 75 % of all employees participate in employer-sponsored employee wellness programs.

Stress is a part of life. Employers and employees across the country are doing their part, through wellness programs, to reduce stress, help their colleagues maintain a healthy lifestyle, remain productive and keep their work and life in balance.

Resources

In order to prepare this article I spent time researching data and statistics at the Center for Disease Control and Prevention (CDC) website www.cdc.gov, the National Institute for Occupational Safety and Health website www.cdc.gov/niosh, and the Wellness Council of America website www.welcoa.org. During the research/fact gathering stage, I found myself wondering if employers know about these websites. The information available for free is astounding. I found each website to be user-friendly, making the research enjoyable.



Ask the Economist

*Dr. Roger Tutterow, Professor of Economics,
Mercer University*



Dr. Roger Tutterow, Professor of Economics, is the former Dean of the Stetson School of Business at Mercer University in Atlanta. Dr. Tutterow, who holds a Ph. D. in Economics from Georgia State University, has been featured in a variety of media, including CNN, CNBC, NBC, Bloomberg Television, NPR's "Marketplace" and "All Things Considered" and The Wall Street Journal.

It's hard to go a full week in the Atlanta area without hearing Dr. Tutterow interviewed by the local media about the current state of the economy. As an alumnus of Mercer University, I thought it only fair that Dr. Tutterow help out a former Mercer University student by sharing his thoughts on the economy for *Risk Review*...

Risk Review: The economic slide appeared to occur with the meltdown of the housing market. Will this also be the sector that leads us charging out of the bad times, or will it be discretionary spending by consumers on things like electronics, jewelry and vacations?

Dr. Tutterow: The two original catalysts for the recession were the correction in housing and the elevated energy prices. The former of these also contributed to the third catalyst—the credit crunch. While absorption of housing has bottomed and inventories have started to edge down, they will need to fall further before we will see new construction start to rise, so I wouldn't look for too much stimulus from this sector before 2010. However, over the last 6 quarters, the drop in residential construction has lowered GDP by a full point, so just stabilizing will be a step in the right direction.

As for the consumer, they have certainly pulled in their spending and are deleveraging to some degree. But, I never bet against the willingness of the American consumer to ratchet up spending again soon.

Risk Review: Any thoughts on General Motors, Chrysler and Ford—will all three survive?

Dr. Tutterow: They may all survive, but not in their current forms. At least one, and likely more than one, will go through a Chapter 11 reorganization. It sounds painful, but that may

be the best hope for restructuring the companies into sustainable entities. Simply injecting another round of cash in will not solve the basic structural cost problem.

Risk Review: OK, Dr. Tutterow, humor me here—a bulletin from Washington just empowered you to make any two changes you believe that will correct the current recession. What two changes are you making?

Dr. Tutterow: Well, the Federal Reserve has done a nice job with injecting liquidity into the economy, so I don't have to address that. Of course, the second part of the job will come when the economy turns up and they have to reduce their balance sheet, drain off excess liquidity and raise interest rates—possibly right before the 2010 mid-terms.

The second area will be to insure that we don't address every economic challenge with greater regulation. It seems obvious that the financial sector is going to be under elevated scrutiny over the next few years. Hopefully, policymakers will be mindful of the potential for producing "unintended consequences" or suppression of innovation with new regulations.

Risk Review: I recently heard an economic historian remark that our economy is totally cyclical in nature, and that depressions are going to occur roughly every 60 years or so, no matter what. Do you buy into this theory?

Dr. Tutterow: No, I'm not convinced that periodic cycles are inherent to the economy. I think it is fair to look at demographic trends, such as the "baby boom" and "baby bust" and consider how those trends affect various markets. However, I think most downturns in aggregate activity follow from bad policies, excesses in speculation or inventory accumulation or supply shocks.

Risk Review: Are there any particular geographic areas in the U. S. that are better able to handle these tough times?

Dr. Tutterow: Outside of Detroit, which has a unique set of challenges, I would expect that exposure to residential real estate will be one of the defining factors of how a region behaves. In general, it was the fast growing cities where residential construction was the strongest and they are feeling the effects of the slowdown the most. It is not only the effect on the employment in the construction sector, but also on everyone who supports real estate transactions—agents, mortgage

brokers, closing attorneys and bankers. Further, areas with high concentrations of financial services firms saw their economies slow noticeably late last year. As measured by employment, it looks like Texas and the Midwestern states are holding up better than the states on either coast.

Risk Review: You can certainly get a great deal on a condo these days. What do you think, is that a smart idea?

Dr. Tutterow: Prices are down for all forms of housing, but it is not yet clear that we are at the absolute bottom of the correction. Many condos, particularly urban high-rise units and those in coastal communities will see greater price corrections than that for single family detached housing. If one is looking to buy and hold for a longer period, then there are some real values available. However, I'd be careful about buying for rental purposes as the vacancy rates have increased in many communities. It is also important to evaluate a newly constructed community to insure that there will be enough occupancy to spread around the cost of maintenance and common areas. Again, buying and occupying properties for the longer horizon gives the best risk-return tradeoff at this time.

Risk Review: What are your thoughts on the current stimulus package that the Obama administration has proposed?

Dr. Tutterow: I think the first problem is the misnomer of calling it a "stimulus package." When you look at the composition and timing of much of the package it doesn't seem designed to provide short-term stimulus. There are components of the package, such as some of the infrastructure spending, that probably need to be done at some point, as so doing them now may make some sense. Unfortunately, the same cannot be said for the balance of the package. Perhaps the biggest worry should be that we don't permanently adjust to higher level of spending because of this package.

Risk Review: If I have my facts straight, the Dow's Bull Market had about an 17/18-year run, going from just under 1,000 in 1980 to over 14,000 in 2007. Any chance will see close to 14,000 again before the next round of elections in late 2010?

Dr. Tutterow: Not likely. Keep in mind that we had a bit of a downturn when the tech bubble popped in 2000-2002. While the losses were largest in the tech-heavy NASDAQ, the broad market was down by about 40%. Getting back to 14,000 in 2010 is going to be very tough. At the March 2009 bottom were had dropped over 50% from July 2007, so the DJIA would have to rise over 100% to get back to even and that will be a tough challenge. I expect that we will go higher over the next few months. But keep in mind that after the 2000-2002 correction, it took about 4 years to recoup those losses—and our financial institutions did not face the same challenges that they do today.

Risk Review: Many of us in the insurance industry are amazed to see some of the largest insurers in the country literally fighting for their lives these days. What went wrong—too much speculation in real estate or the equity markets?

Dr. Tutterow: It is reasonable to expect that some insurers felt pressure to chase higher yields on their portfolios. Recent occurrences of natural disasters have driven up claims and hurt companies in the property & causality arena as well as their reinsurers. Broadly, competitive pressures have made it hard to increase premiums as much as claims required, so one way to close the gap is with better portfolio performance. There are certainly a few situations where insurance companies that got a little too creative, the CDS market being an obvious example. However, in the end, the insurers faced the same problem all investors did—where do you hide when the return on equities and real estate started falling? Those who were holding long bonds booked some gains, but not many people saw long Treasuries approaching 2% as they did in late 2008.

Risk Review: Tell the truth—did you see this coming?

Dr. Tutterow: Of course, everyone will say "yes", but the truth is we fell much deeper than I expected. That housing was headed down was clear by late 2005, but the decrease of 75% in new construction was more than I expected. By mid-2007, it was "even money" that the economy would be in recession in 2008. By the end of 2007, it was clear a recession was imminent. However, the pace of slowdown intensified after the liquidity crisis last fall and that is what made a moderate recession turn into the deepest downturn of the post-WWII era.

★ ★ ★ Trivia Contest ★ ★ ★

Congratulations! You've arrived at Risk Review's soon-to-be famous Trivia Contest! Besides nailing the questions, all you need to do to become eligible for a \$75 gift certificate to Amazon.com is e-mail the correct answers to jhiers@marclife.com by June 15. May The Force be with you!

1. Who said the following... "You can go your whole life and not need math or physics for a minute, but the ability to tell a joke is always handy." Was it Mark Twain, Johnny Carson or Garrison Keillor?
2. These were the last words of a famous author... "Go away. I'm all right." Who said it—H. G. Wells, Mark Twain or William Shakespeare?
3. Which elephants have bigger ears—Indian or African?
4. Which movie has the tag line... "You'll laugh, you'll cry, you'll hurl."?
5. Tom Hanks won back-to-back Oscars for which films?



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A Pictorial







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