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As the Risk Management World Turns

Some of the industry's risk management consultants have been in the business for three or four generations, but whether their children will succeed them is anybody's guess. **BY DAVE LENCKUS**

Risk manager, as a term, has been used less than a half century.

But risk management consultants have been hanging their shingles much longer, although they haven't always called themselves that. A few practices even have been around for generations, developing into family businesses.

One family practice in its fourth generation—and third century—is Insurance Audit & Inspection Co. of Indianapolis. It was founded by the great-grandfather of its current president and general counsel, Daniel C. Free. While it incorporated in 1901, founder Alvin Coate began his practice in the 1890s, Free said.

Before then, Coate managed a brewery's books. "Along with that came insurance" responsibilities, Free said.

In that day's less regulated insurance market, an insurer relied on what Coate believed was dubious policy language to reject a claim the brewery filed. A perturbed Coate began analyzing the company's policies and negotiating coverage language that would protect the brewery better.

Local peers soon began asking for advice. Coate, a Quaker who felt uncomfortable working at a brewery, seized a new career opportunity.

In the early 1940s, Coate "challenged" his daughter, Mary—an assistant law professor at Indiana University—to join him.

"She was kind of a standout, because of her scholarly work and the fact that she was an extremely attractive woman in a man's world," Free said. Plus, her father didn't indulge her, so she had to work harder than anyone, she told Free.

After Coate died in 1955, his daughter's husband, Roy Houtz, ran the firm. When he died in 1979, Mary Coate Houtz became president and general counsel and later board chairwoman until she retired at age 83 a decade later.

Free began working at the firm in the early 1980s after graduating from law school but felt conflicted because he wasn't practicing law. His grandmother advised him to ply his profession awhile and then choose a career.

He left but returned less than three years later. When his grandmother retired, she named

"SHE WAS KIND OF A STANDOUT, BECAUSE OF HER SCHOLARLY WORK AND THE FACT THAT SHE WAS AN EXTREMELY ATTRACTIVE WOMAN IN A MAN'S WORLD."

—Daniel C. Free, president and general counsel, Insurance Audit & Inspection Co.

another executive president. He left after about a year later, and Free, 55, has headed the firm since.

Leonard R. Friedman Risk Management Inc. of Great Neck, N.Y., is another consulting practice with roots reaching back generations. Samuel Friedman, great-grandfather of the firm's current president, Susan G. Kaufman, founded his practice around 1900.

But unlike other multigenerational consulting firms, the practice began as an insurance brokerage.

Friedman's grandson, Leonard Friedman, sold the firm in the 1960s. Although they were brokers, he and his father also provided clients advice that didn't lead to insurance sales, Kaufman said.

In 1974, Leonard Friedman—Kaufman's father—opened his consulting practice.

At that time, Kaufman was teaching. But she suffered a knee injury that required a year of recovery. At that point, she envisioned a career change. She had developed an interest in her father's practice while performing administrative work for him during her recovery.

She asked for a job.

Her father, "a really tough taskmaster," began instructing her on safety and sent her a few days a week to assist a university client that was implementing safety programs.

From there, Kaufman developed her specialty in safety and claims management.

Her daughter Julie, 40, works on Wall Street and isn't interested in joining her mother's practice. "But I haven't given up on her," Kaufman said.

Richard C. Betterley's grandfather reasoned he could leverage his own expertise in coverage negotiating into a successful consulting practice—even during the depression.

In 1932, Percy Betterley was the insurance manager at a large manufacturer of leather belts for machinery. There, he learned which policy language insurers would rely on to deny claims and how to negotiate better coverage.

With his employer happy to cut his hours—and salary—in that economy, Betterley began consulting part time.

By 1936, it was full time.

After World War II, his sons—Delbert, Richard Betterley's father, and George, who would have an especially successful practice years later—joined their father.

The Betterley sons bought out their father in the 1960s and then split professionally a decade later. About that time, Richard Betterley joined his father's practice, and they worked together in some capacity until Delbert Betterley retired in 1989. His son had taken over as president five years earlier.

But the father and son team never discussed

summary

- Professionals have managed risks for decades, even if they've only come to be known as risk managers more recently.
- Some risk management consultants have been in the business for three or even four generations.
- Not all descendant children are interested in taking over the family risk consulting firm.

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- When you're family, it often makes it tougher because prior generations set high expectations.

a partnership while the younger Betterley was in school. "If he had, like other kids, I would have run in the other direction," Richard Betterley said.

Instead, after earning a degree in government, he took a sales job with a group benefits insurer and then moved on to a personnel consulting firm.

That's what triggered his interest in his father's practice.

"What I love with consulting is you just never know what the day will bring you," he said. And working beside his father, "I started from scratch, so I got to learn it from the best."

Betterley, 58, isn't sure whether either of his sons will join his practice, Betterley Risk Consultants Inc. in Sterling, Mass. Richard Jr., 23, is a business strategy consultant, and Jeremy, 19, attends college, majoring in environmental studies.

In 1951, Herbert C. Cox co-founded the consulting practice his son heads today. It was a partnership then with Harry J. Aldrich, a longtime insurance brokerage sales and account executive who specialized in insurance engineering.

Aldrich has since passed away. But the elder Cox, 96, remains chairman of Aldrich & Cox Inc. in Orchard Park, N.Y. His son, Charles H. Cox, 56, became president in 1987.

Thirteen years earlier, the younger Cox thought he'd work with his father a few years and then move on. But he developed a keen interest in the

business "doing things for clients no one else was doing," he said.

One of his first clients was the president of a manufacturer. The client trusted his management team and employees implicitly, so he was incensed when Cox urged him to purchase employee dishonesty coverage.

But Cox persisted. He explained how one rogue employee with access to company funds could steal up to \$500,000, which would seriously hurt the company since it was privately owned.

The client eventually relented. He also remained a client for 25 years. He never reported an employee theft,



HERBERT C. Cox (left), co-founder, and his son, Charles H. Cox, president, Aldrich & Cox Inc.

"WHAT I LOVE WITH CONSULTING IS YOU JUST NEVER KNOW WHAT THE DAY WILL BRING YOU,"

—Richard C. Betterley, president, Betterley Risk Consultants Inc.



but the coverage provided him "sleep insurance" after he understood his risk, Cox said.

Engagements like that rooted Cox to the practice. "It's in your blood. You want to do it. You wouldn't think of doing anything else."

Neither of his daughters, however, plans to follow Cox into the practice.

At ICA Risk Management Consultants in Mahwah, N.J., the second and third generations of Walls are working together.

It began in 1956, when George Jack Wall left his job as a statistician for consultant Saul Ackerman & Associates and joined Irving Bean, a lawyer and accountant, to found Insurance Consulting Associates. The elder Wall, who passed away in 1994, had a master's degree in insurance from New York University.

His son, Barron S. Wall, a George Washington University and College of Insurance graduate, had planned on becoming a lawyer specializing in social causes and has been long involved in such philanthropy. But the elder Wall wanted his son to join the business and persuaded him to in 1973.

"He was basically a workaholic who truly loved what he did," said Barron Wall, 60, managing associate at ICA Risk Management Consultants.

Early in his practice, the younger Wall stepped in as the interim risk manager for a large grocery cooperative's food distributor after its risk manager was caught embezzling. Wall was to stay on for a year while the client selected a permanent replacement. But the engagement went so well that Wall stayed another year as a liaison to the cooperative's members.

"That showed that my choice of going with my father was on target," Wall said.

Now his stepson, Randy Koetzner, 34, has been with the firm three years. Wall's younger son, Eric, 25, also might join the firm out of college.

DAVE LENKUS has covered the insurance industry for more than two decades.

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COVENANT HEALTH STREAMLINES REPORTING, APPROVAL AND TRACKING PROCESSES

Covenant Health, a nonprofit healthcare organization consisting of seven hospitals and numerous other facilities in eastern Tennessee, is faced with the labor-intensive job of tracking all safety-related incidents — whether or not they lead to claims. The Knoxville-based organization self-administers general and professional liability claims and works with a third-party administrator (TPA) to handle workers' compensation claims.

Previously, incident reports were often bogged down by paper-based forms, cumbersome manual processes and the geographic dispersion of Covenant Health's facilities. It was difficult to determine what incidents were in the pipeline and how many reports were sitting on a manager's desk.

A SMARTER WAY TO REPORT INCIDENTS

Covenant Health turned to CSC for help in using technology to improve the incident reporting process. Covenant Health's risk management team worked with CSC to develop two Web-based smart forms to handle both reporting and approvals. The new reporting system, which uses data from CSC's RISKMASTER software, expanded the amount of information that's captured from seven to 22 different incident types including falls, surgical issues, environmental problems and equipment failures.

With the new system, about 80 percent of all incidents are in the system within 24 hours. Managers are automatically notified by email when a new incident report is submitted, and the review process and sign-off occur electronically.

A RISKMASTER user since 2001, Covenant Health also worked with CSC's Innovation Community to incorporate confidential Patient Safety Organization (PSO) reporting into the base RISKMASTER system to support quality improvement initiatives.

"We really appreciate the fact that we can handle all of these types of claims and reports with one solution," said Traci McCullough, vice president of Corporate Risk for Covenant Health. "We've got a real workhorse in RISKMASTER."



"We really appreciate the fact that we can handle all of these types of claims and reports with one solution. We've got a real workhorse in RISKMASTER."

Traci McCullough, Vice President of Corporate Risk, Covenant Health

School of Hard Knocks

When you're family, it often makes it tougher as prior generations set higher expectations.

By DAVE LENCKUS, who has covered the insurance industry for more than 20 years.

Growing up as the son or daughter of a risk management consultant, there's no guarantee you would be encouraged or even welcomed into the family business.

And for those who decided to follow in a parent's footsteps, many had to prove themselves more than anyone else who had been recruited to work in the family practice.

"It's hard to work in a family business," said Daniel C. Free, president and general counsel at Insurance Audit & Inspection Co. of Indianapolis. Free is the fourth generation of his family to work at the firm, which was founded by his great-grandfather.

"They expect more out of you than a total stranger," Free said, referring to practitioners who hire family. "You come in first, leave last and get paid less. No one gets a free ride."

Even though they were exposed to risk management consulting at an early age, those who have carried on their parents' and grandparents' and even great-grandparents' practices did not grow up envisioning themselves as trusted and valued advisors to insurance and, later, risk managers.

They dreamt of practicing law, teaching or pursuing other business ventures. Some even had begun careers in other fields before switching to risk management consulting.

As a child and young adult, "you don't want anything to do with that business, your father's business, and the next thing you know you've made a career out of it," observed Charles H. Cox, president of Aldrich & Cox Inc. in Orchard Park, N.Y. "It gets in your blood."

But after deciding to join a parent's practice, the challenge for consultants' offspring often involved more than learning the business. They also were expected to work harder and longer, and often for less, than anyone else in the practice. There wouldn't be even a hint of nepotism.

At Insurance Audit & Inspection, for example, the daughter of founder Alvin Coate was an assistant law professor at Indiana University when she joined her father's practice in the early 1940s. She came in as the firm's attorney but was paid less than the least experienced secretary there, Free said.

Susan G. Kaufman, president of Leonard R. Friedman Inc. of Great Neck, N.Y., recounted working in her grandfather's practice while growing up.

"He was very strict," she said. "I had to call him Mr. Friedman."

After she decided to join her father, Leonard Friedman, in his consulting practice, she found he was a "taskmaster."

To maintain a good personal relationship with him, Kaufman worked as much as possible on projects outside of her father's office.

Some consultants who didn't encourage their children to join the business didn't discourage it, either.

"I liked my dad's approach," said Richard C. Betterley, president of Betterley Risk Consultants Inc. in Sterling, Mass.

His father, Delbert, never approached him about joining his practice. The younger Betterley approached his father a couple years after finishing college after having worked for an insurer and HR consultant.

It's the same approach he has taken with his sons. "I never want it to be something they were expected to do," he said.

However, some consultants did encourage their children to work beside them, and some continue to do so.

His sights had been set on becoming an attorney specializing in social work, but Barron S. Wall changed his mind after his father encouraged him to join the elder Wall's practice. Wall, now managing associate at ICA Risk Management Consultants in Mahwah, N.J., works alongside his stepson and hopes a younger son will join the team after he finishes college.

Kaufman thinks her daughter, who works on Wall St., would be a "terrific" consultant. But even though her son-in-law agrees, Kaufman's daughter has spurned her mother so far. Kaufman said her daughter has expressed a few concerns about joining the family business.

"It's not as glamorous," Kaufman said.

In addition, "she'd expect me to be tough," Kaufman said. "She's right, but I think I learned some things from my father. I'd be different."

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