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Minnesota RIMSCOPE

Minnesota Chapter Newsletter of the Risk and Insurance Management Society (RIMS)

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2010-2011 MN RIMS Chapter Meetings and Events Schedule

Please join us November 16 for our annual joint meeting with the Minnesota Chapter of CPCU. The topic will be An Up-To-Date View of Employment Practices Liability including trends regarding litigation, claims and insurance products.

Date: Tuesday, November 16, 2010

Time: 2:30 – 5:30 p.m. (Program at 2:40 followed by refreshments)

Location: Sheraton Bloomington Hotel
7800 Normandale Blvd.
Bloomington, MN 55439

Speakers: **Natalie Louis**, Chartis EPL Claims Professional
Steve Cox, Chartis EPL Underwriting Professional

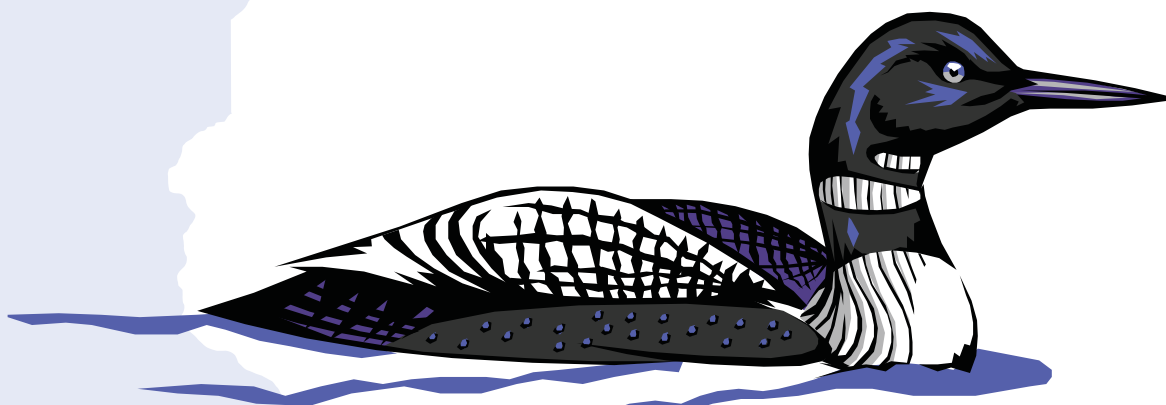
Mark your calendars for our next meetings:

Thursday, January 27, 2011 MN RIMS Annual Seminar

Tuesday, February 15, 2011 – 2:30-5:00

Tuesday, March 15, 2011
(Partner Appreciation Night) – 4:00-6:00

Tuesday, May 17, 2011
(Annual Meeting) – 2:30-5:00



2010-11 MN RIMS Board

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Program

Recap of October's Meeting

The program topic for October was "Supplier Risk to Supply Chain" presented by Gary Lynch, Managing Director and Global Leader of Marsh's Supply Chain Risk Management Practice. Gary has extensive experience in the areas of risk management and business continuity at a number of different organizations. He provided attendees with practical and relevant advice on how to manage risk in increasingly complex and streamlined supply chains. For example, an important initial step in the process of evaluating supplier risk is to segment suppliers based on their contribution to the value of a firm's results. Companies can have an enormous number of suppliers, so the ability to focus efforts where risks are highest is important. He suggested the criticality of what is being supplied to overall results should be considered vs. only considering risks associated with the largest suppliers. He also stressed the importance of designing risk management programs that focus on the impacts of events vs. threats. Negative events can't always be anticipated, but what a company will do to recover after an event has occurred can be planned. Gary described new insurance products in the marketplace to address supplier risk. A consistent theme throughout the discussion was that the increasing complexity and globalization of supply chains requires more visibility into suppliers and more coordination between a company's supply chain organization and other risk management functions.

Committee Chair:

Kathy Schweikart — General Mills Inc.

Committee Members:

Susan Kaye — Ingenix
Chris Lynch — Lindquist & Vennum P.L.L.P.
Jeff Horner — Hormel Foods Corporation
Mark Mathews — Hays Companies
Teri Burthay — Allina Health System
Bill Baker — Marsh USA Inc.

Attention MN RIMS Members:

Please take a minute and go to the National Society website to make certain your contact information is current. Since the membership follows the member, if you have a change in employment, you must update your contact information. Thank you for your assistance.

Golf

Mark your calendars for the 10th Annual MN RIMS Golf Classic. The event will be held on Monday, July 11, 2011, at The Legends Golf Club. This is the summer's can't miss event for MN RIMS Members.

Committee Chair:

Paul Major — Ameriprise Financial Inc.

Committee Members:

John Regal — Securian Financial Group
Josh Reding — Red Wing Shoe Company Inc.
Brad Wiggins — CHS Inc.

Membership

Minnesota RIMS would like to welcome the following individuals who have become new members since the last newsletter was published:

Kyle Mrotek — Milliman Inc.
Lisa Petricka — Marsden Holding L.L.C.
Chris Reid — Marsden Holding L.L.C.

Companies	99
Deputies	205
Affiliates	2
Associates	62
Educational	1
Students	1
Total Current Membership	271
2011 Goal	296

Committee Chair:

Wendy Hearn — Best Buy Co. Inc.

Committee Members:

Kendra Hillstrom — EcoLab
Ann Martin — University of Minnesota
Bobbi Pearson — Cargill
Julie Raatz — Marsh USA Inc.



Seminar

MN RIMS Annual Seminar

Mark your calendars now!

What If...Catastrophe Happens!

When: Thursday, January 27, 2011

Where: Minneapolis Convention Center

Committee Chair:

Deborah Cordes — Medtronics, Inc.

Committee Members:

Mary Beth Ross — NRG Energy Inc.
Mary Swanson — 3M Company
Beth Iacono — Nash Finch Company
Pete Moyer — Lindquist & Vennum, P.L.L.P.
Paul Banker — Lindquist & Vennum, P.L.L.P.
Christopher Lynch — Lindquist & Vennum, P.L.L.P.
Hillary Loynes — Larson, King, LLP
Jeff Hennicke — ESIS
Jeff Uelmen — Aon Corporation
Karen Stankevitz — Target
Mary Wells — Arthur J. Gallagher
Sharon Cirpinski — Marsh USA Inc.

Education

"MBA at a Glance"

While the market was declining, the cost for education was rising. The cost of tuition for a full-time two-year MBA program can be as high as \$80,000 to \$130,000 and the average student will borrow around 55%. Just ten years ago, the cost of a two-year MBA degree at Harvard would cost around \$54,000 to \$69,000, when adjusted for inflation. Today, the same two-year program at Harvard would cost over \$92,000. So, what does someone gain from getting a MBA and how can they afford it?

Aside from the obvious gain in knowledge, there are a number of other positives. For one, it will help in an ever-competitive business world with employment and promotions. On average, a MBA graduate will earn \$10,000 to \$30,000 more a year over someone with a bachelor's degree. Today, more and more employers are looking for candidates or employees with MBA's.

A study by Accountemps reported that 80% of executives think a graduate degree in business is important to reach senior management ranks within most companies. MBA programs also offer a number of networking opportunities. These networking avenues can be obtained through class, projects and social events. Today, a number of schools offer classes or programs tailored for professionals seeking an education in insurance and risk management. Some of the local colleges that offer programs in insurance and risk management are University of Minnesota, University of Wisconsin, Saint Cloud State University and University of St. Thomas.

Once you have determined you want to pursue a MBA, found the right program and calculated how much you will need to spend, you will then start looking for money. The four most common methods of obtaining cash are employer sponsorships, financial aid, federal loans and private loans.

Employer sponsorship is an option when looking for funding. This can be a great option, but each company will vary on its reimbursement strategy. Some companies will pay the majority of the costs, while others may only pay for a fraction of the costs. Depending on the reimbursement plan, you may have to extend your schooling out three to six years or longer to reap the benefit. One should also review the requirements for eligibility in the employer sponsorship MBA program. Some employers require their employees to work full time while in school or remain with the company for a certain number of years after graduating.

Financial aid, such as scholarships and grants, is available and are considered free money. However, such funding for graduate students is limited at best. Grants can be offered by the school or fellowships. The grants are rarely advertised and usually dispersed on a first come, first serve basis. This illustrates the importance of applying to these programs as soon as possible. There are different

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qualifications for receiving grants or scholarships, but usually the funds are intended for those in need.

The third source of funding is through federal loans. These are usually the best option for borrowing. Examples of these loans are the Stafford Loans and Perkins Loans. The federal loans, have a fixed rate and a usually low interest rate. Federal loans, like the subsidized Stafford Loan, have a fixed interest and do not accrue interest while attending school. Students are only allowed up to a total of \$8,500 in subsidized Stafford Loans. The unsubsidized Stafford Loans are the same loan, except they do accrue interest while you are attending school. Recently, graduate students can also utilize the Graduate Plus Loan. This loan has a limit up to \$20,500.

If the federal loans have been exhausted, the next option is private loans. Private loans can have a higher interest rate than federal loans and most of the time, don't defer interest while you are attending school. At times, private loans can carry a lower rate, but those loans usually have a variable interest rate without a cap. This means one's interest could climb fast depending on market conditions.

If a MBA is something of interest, there is a wide variety of sites that offer good information. Some good sites for starting the research process are www.mba.com, www.mbaloans.com and www.mba360.com. A MBA is not for everyone. However, a MBA is a viable option for professionals looking to increase their knowledge and accelerate their careers.

Committee Chair:

Amanda Lagatta — Target Corporation

Committee Members:

Mark Koller — Marsh USA Inc.

Mary Peter — Eide Bailly LLP

Tom Scibora — Ameriprise Financial Inc.

Jake Nelson — Risk Planners, Inc.

Communications

The purpose of the Communication Committee is to act as the primary coordinator of all Chapter communication distributed to the membership via newsletter, email, and the MN RIMS website.

The Committee goal for 2010–2011 is to distribute eight (8) monthly newsletters. The newsletters include updates from the MN RIMS committees, news from the MN RIMS President and a variety of articles of interest to the RIMS membership.

The Communication Committee is always interested in your feedback and also encourages submissions of non-committee related articles or items of interest to our RIMS membership to be published in the monthly RIMS newsletter. Articles are due the Friday after each monthly MN RIMS meeting or event. Articles and comments can be submitted to Patty Schulz at pmschulz@travelers.com. The articles must be in a .doc or .txt format for inclusion. MN RIMS does reserve the right to truncate, edit, omit or size any submission as it sees fit. Priority for inclusion of items will be for those articles that have the most interest to MN RIMS membership.

Committee Chair:

Patty Schulz — The Travelers Companies, Inc.

Committee Members:

Eric Benson (Webmaster) — ING, U.S. Insurance

Lois Nelson — Red Wing Shoe Company, Inc.

Carmen Ferguson — Bemis Company, Inc.

Cheryl Humphrey — Kim Burmeister & Associates

Mary Wells — Arthur J. Gallagher

Beth Iacono — Nash Finch Company

Laurene Dufault — CHS Risk Management

Article of Interest

Avoiding Common Policyholder Pitfalls (and what can happen if you don't)

By Chris Lynch

Note to the Reader: This is the third article in a 7-part series

Mistake #3: Insuring the Liabilities of Another Company

Beware! — Your Company's Insurance Policy May Not Cover its Contractual Obligations.

These days, contracts between two companies commonly contain a provision requiring one of the companies to assume the obligation of ("indemnify") the other company for certain types of liability to others that may arise out of the subject matter of contract. For example, in a contract between a manufacturer and a vendor, the manufacturer may agree to "indemnify" the vendor for liability for any damages the vendor may become obligated to pay to a consumer injured by the manufacturer's product.

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Such contracts often require the company assuming the liability to maintain specified types of insurance at certain limits. They may also require the company assuming the liability to name the other company as an “additional insured” on its liability insurance policy.

If the scope of your company’s insurance coverage does not match the scope of its contractual indemnity obligations, your company may have insufficient insurance to cover the liabilities of the other company as well as its own liabilities. This may leave your company on the hook to pay for those liabilities out of pocket.

A Real Life Example:

Summary: A builder entered into a contract with a property owner that contained a broad indemnity clause, requiring the builder to “indemnify and hold harmless” the property owner against “any and all causes of action, liabilities, claims, suits, judgments, liens, fines, penalties, damages, costs, and attorneys fees for any loss whatsoever,” resulting from the builder’s work under the contract. One of the builder’s employees suffered an injury on the job site; the injured employee sued the property owner for workers’ compensation benefits.

Based on the contract’s broad indemnity clause, the property owner demanded the builder reimburse the property owner for the money paid to the injured employee. The builder submitted the property owner’s claim to its insurance company, and the insurance company denied coverage, asserting the policy did not cover the builder’s agreement to indemnify the property owner for such claims.

Outcome: In the coverage lawsuit that followed, the court ruled the builder was legally obligated to reimburse the property owner under the contract’s broad indemnity clause. However, the court also ruled the scope of the builder’s insurance coverage was narrower than the scope of its contractual obligation. The builder’s policy covered only agreements in which the builder assumed the property owner’s liability for certain common law “tort” claims. Because the property owner’s liability to the injured employee was based on workers’ compensation statutes rather than common law torts, the policy provided no coverage for the property owner’s claim.

By agreeing to a contractual indemnity obligation that was broader than the scope of its liability insurance coverage, the builder created a coverage gap and had to reimburse the property owner out of its own pocket.

Tips to Avoid the Pitfall

Share the underlying contracts with your broker or agent.

- Because the interplay between the underlying contract, the insurance policy, and applicable law make this a fairly complex issue, it’s wise to ask for help from the insurance broker or agent.
- Brokers are increasingly willing to review your company’s business contracts to help make sure the insurance coverage you purchase conforms to the contract’s requirements. Don’t hesitate to consult with them during the contract negotiation period to make sure there is insurance available to meet your contractual obligations.

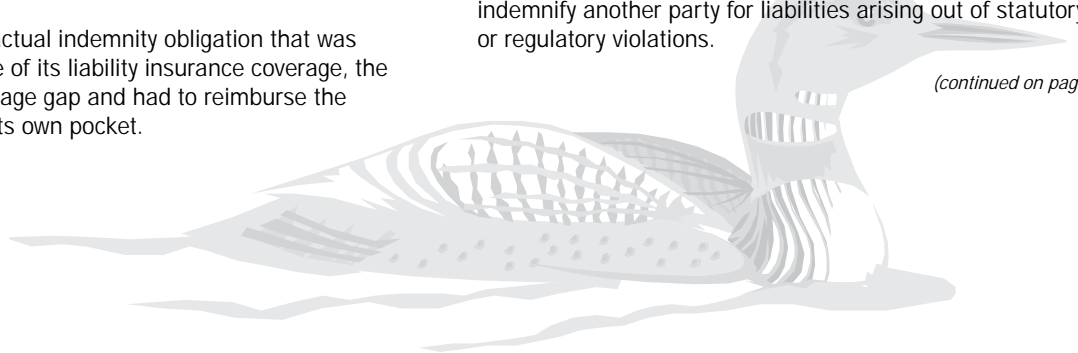
Know what to look for in your company’s business contracts.

- Indemnity clauses usually contain a promise by one company to “indemnify and hold harmless” the other company against liability to third parties that the other company might incur in connection with the subject matter of the contract. However, the specific wording and details of these clauses vary.
- Contractual insurance provisions typically require one company to provide, and to maintain during the term of the contract, certain types and amounts of insurance and may require the party assuming the liability name the other company as an “additional insured” or “loss payee” under the first company’s insurance policy. Again, however, the specific wording of these provisions varies.

Compare the language of your company’s contract to its insurance policy. Ideally, the indemnity obligations your company assumes in its business contracts should not be broader than the coverage your company’s liability insurance policy provides for such obligations.

- Liability policies typically cover liability a policyholder assumes in contractual indemnity agreements as long as the agreements meet the policy’s definition of an “insured contract.” The standard definition of “insured contract” is broad, but there are limits on what is included. For example, under the standard definition of “insured contract”, there may be no coverage for a policyholder’s contractual obligation to indemnify another party for liabilities arising out of statutory or regulatory violations.

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- The policy may also contain express limits on the scope of coverage for liabilities the policyholder assumes in a contract. For example, many policies bar coverage for agreements to indemnify another party for liability that arises solely from the other party's own negligence or misconduct.

If you agree to name another company as an "additional insured" in your company's liability policy, the coverage provided to that other company by your insurance policy should match the scope of your contractual obligations to that company.

- The rights of a party named as an additional insured on your company's insurance policy will be governed by the terms of the policy, not the terms of the underlying contract.
- If your company agreed to indemnify another company only for limited types of liability in the underlying contract, but those same limits are not reflected in your company's insurance policy, the coverage the policy provides to the other company as an "additional insured" may exceed your company's contractual indemnity obligation. If that happens, the other company may get coverage under your company's insurance policy — and eat away at the policy's coverage limits — for liabilities your company never intended to assume.

About the Author:

Chris Lynch is a partner with Lindquist & Vennum's Insurance Recovery Group. He represents businesses whose claims have been denied or disputed by their insurance companies. He can be reached at 612.371.3512 or clynch@lindquist.com.

MN RIMS Committees

Please consider how you may best contribute to MN RIMS — the return benefits are numerous! In addition to personal satisfaction, serving on the Board or a committee allows you to gain professional development and build relationships. To learn more about getting involved in any of the Chapter's activities, please contact the Committee Chair listed or any Board member!

Employment Opportunities

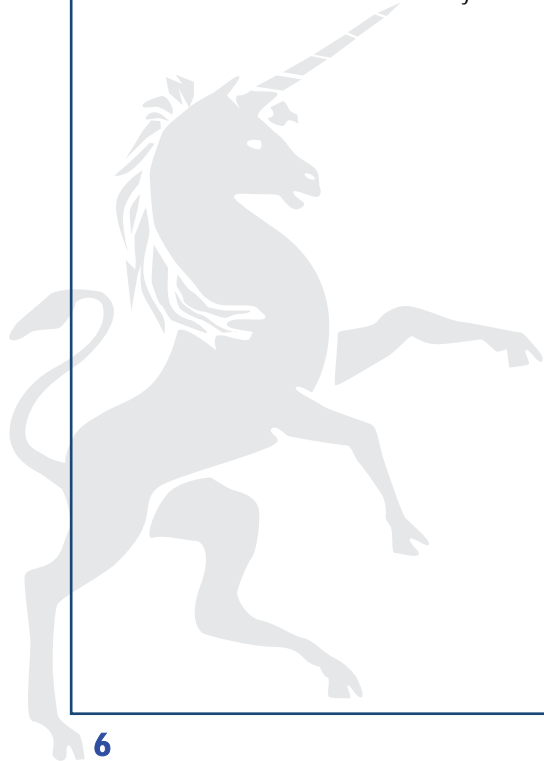
Employment listings may not be a complete job description and are done as a courtesy to the Risk Management Community. Any inquiries should be made directly with the listed company.

None at this time.

Upcoming Industry Events

These events are listed as a courtesy to our members who are interested in educational opportunities. They are not sponsored by Minnesota RIMS. Event information includes the sponsoring entity, date of event, the location, a brief program description, and contact information.

Check out the course calendar under "Education" on the RIMS website (<http://www.rims.org/>) for upcoming seminars of interest!



MN RIMS Calendar of Upcoming Events

	Sun	Mon	Tues	Wed	Thur	Fri	Sat
November 2010		1	2	3	4	5	6
	7	8	9	10	11	12	13
	14	15	16 Monthly MN RIMS Meeting 2:30 – 5:00 "Employment Practices"	17	18	19	20
	21	22	23	24	25	26	27
	28	29	30				

	Sun	Mon	Tues	Wed	Thur	Fri	Sat
December 2010				1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30	31	

	Sun	Mon	Tues	Wed	Thur	Fri	Sat
January 2011							1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23 30	24 31	25	26	27 MN RIMS Annual Seminar	28	29