



**Risk and
Insurance
Management
Society, Inc.®**

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THE AWARD WINNING HOUSTON CHAPTER

Advancing the Risk Management Profession

Health Savings Accounts: Are They the Proverbial Silver Bullet for Health Care Cost Control?

The new health savings accounts (HSA), authorized in December by the Medicare Prescription Drug, Improvement and Modernization Act of 2003, have given employers a new platform from which to provide health care benefits. This new platform builds upon the current health reimbursement arrangement (HRA) model to provide flexible options for employers to develop long-term consumer-driven health care strategies.

Health Savings Accounts: The Benefits

Portability: The HSA is designed as a portable account. An individual can maintain the account exclusive of the specific employer-sponsored program (with certain limitations). Further, the HSA is designed and provides tax advantages to be held in a trust, thus allowing for investment earnings, as with an IRA. Such portability features allow for ownership of the funds, which promotes financial incentive to invest in and spend such funds prudently.

A retiree health plan alternative: The HSA provides a vehicle for employees to save specifically for their post-employment health care needs. While the amounts are limited, there are catch-up provisions that allow employees over age 55 to contribute amounts greater than the standard limits described below. This helps fill the coverage gap created due to employers discontinuing their retiree health care programs.

Joint funding options: The employer has significant flexibility in designing its funding structure. The employer may contribute any amount from nothing up to the lesser of the plan deductible or the IRC maximums, which are \$2,600 (\$5,150 family) for 2004, and the employee may do the same, as long as the combined max does not exceed the lesser of the deductible or the IRC annual maximums. Employers may choose similar strategies to those of

401(k) plans, such as a defined contribution matching percentage. Perhaps these matching percentages could be based on income levels in order to provide greater subsidies for lower income employees and their families. Regardless of the funding methodology used, employers have the flexibility needed to make such a program feasible (and budgetable).

High-deductible insurance coverage: A key requirement of the HSA is that it be integrated with a high-deductible health insurance plan. Specifically, the plan would have a deductible of \$1,000 to \$5,000 (\$2,000 to \$10,000 family). As with the HSA funding options, this gives employers tremendous flexibility in plan design. For example, a small employer that previously could not afford to provide comprehensive health coverage at all could now offer a plan with a \$5,000 deductible along with an HSA with little or no employer funding. While such a structure relies heavily on employee funding, it is far better than providing no coverage or even a high-deductible catastrophic plan, which typically deters individuals from seeking essential health care services.

Consumer-driven tools and communications: As with the first generation CDHP, access to decision support tools is a key element for promoting consumer-driven behavior. Without such tools, the plan participant would simply be given an account to manage without the knowledge needed to manage it efficiently. Just as with an HRA-based CDHP, the decision support tools should include a 24-hour telephonic nurse line or health coach service with disease management initiatives and online access to the following:

- Physician and hospital qualitative information.
- Physician and hospital charges for discrete services.
- Prescription drug costs and alternative therapies.
- Information about various health conditions and treatment options along with costs for such treatment.
- HRA or HSA charges and balances.

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From the President's Desk

Hello everyone,

Well, the board met April 3rd for the annual board planning retreat and I believe things went very well. We've got lots of new (and old) talent on the board and, as usual, they came through with some great ideas and fantastic ways to make The "Award Winning" Houston Chapter of RIMS bigger and better than ever before! At our May meeting, we will give you a brief overview of what we plan to accomplish this year.

In addition, please remember that May is Staff Appreciation and you should bring ALL support staff, safety staff, claims staff etc. to the luncheon and buy them lunch! Our speaker in May will be from the Houston Chronicle, so there should be something for everyone.

One more reminder, we will not have an April meeting due to the RIMS Annual Meeting in San Diego. We have tables (# 77 and 78) reserved for Houston Deputy members and hope to see you all out there. If not, we'll see you in May!

I'll see you there,

Colleen

New Members

We are very pleased to announce our new members that joined in March 2004:

- | | |
|----------------|------------------------------|
| Chris Woodward | Shell Oil Company |
| David Royster | Centerpulse USA, Inc. |
| Marl Comer | Lane Industries, Inc. |
| Susan Howie | HCC Insurance Holdings |
| Jackie Kellems | HCC Insurance Holdings |
| Connie Dors | Phillip Services Corporation |

Take Charge of Your Defense: Demand Selection of Your Own Counsel

By: James L. Cornell

A typical commercial general liability (“CGL”) policy provides the policyholder with two important benefits: an indemnity and a defense. Often, the defense benefit is just as important to the policyholder as the indemnity benefit. While the indemnity is limited to the amount of the policy, most of the time, the defense is not limited in a typical CGL.

Whenever a policyholder receives a liability claim or lawsuit, the policyholder should notify its primary carrier and/or broker as soon as possible. Providing notice of a claim is one of the conditions of the policy. Often, multiple claims or theories of recovery are alleged simultaneously. If any of the claims asserted is covered, then the carrier must provide the policyholder with a defense of all of the claims. Often, the carrier will send the policyholder a reservation of rights. A reservation of rights typically states that the carrier will defend the policyholder, but is reserving its rights to deny coverage at a later date.

Under Texas law, the reservation of rights creates a conflict of interest between the policyholder and the carrier. The carrier is investigating grounds for denying coverage while at the same time controlling the defense and settlement. Most policyholders do not realize that, under these circumstances, the policyholder then has the opportunity to select its own counsel. Once the carrier has issued a reservation of rights, in many cases, the policyholder can then demand to select counsel of its choice and require the carrier to pay the legal fees and expenses.

The selection of counsel by the policyholder has many benefits. The carrier’s counsel may receive a substantial amount of work from that carrier. The carrier’s counsel may appear to have a divided loyalty the carrier, which pays his/her fees, and between his true client (the policyholder). The policyholder’s counsel also usually has a better understanding of the policyholder’s business and may be more attentive to the policyholder’s business needs and issues.

James L. Cornell practices law at the Houston office of Haynes and Boone and is the Chair of the Insurance Law Section of the State Bar of Texas. His practice includes representing businesses and policyholders in maximizing and collecting on their insurance policies and assets. He may be reached at 713.547.2231 or james.cornell@haynesboone.com

Houston Chapter Sponsored Student Writes Thank You Note

“I wanted to thank the Houston RIMS Chapter for their generosity. I greatly appreciate the sponsorship to attend the National RIMS Conference. I look forward to meeting you in San Diego! Have a wonderful day!!
Thank you,
Adrienne Wollery”

Health Savings Accounts . . .

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Health Savings Accounts: The New Silver Bullet?

Finding ways to control employer health care costs has been difficult recently, to say the least. Projections call for double-digit increases in plan costs for at least the next two to three years. For employers that have access to certain resources, typically larger employers, there are ways to help control health care costs.

So what can HSAs do to control employer health care costs?

Provide a plan that rewards the plan participant for prudently utilizing health care services, which reduces overutilization, a key cost driver.

Allow employers to fund HSAs on a defined contribution basis, which is more budgetable and predictable than present funding models.

Purchase an insurance plan that provides only catastrophic health coverage, rather than the rich plans employers have maintained in recent years.

Promote an environment in which plan participants become informed consumers of health care services, that may ultimately lead to better outcomes and greater employee health and productivity.

Silver bullet or not, HSAs and consumer-driven employer strategies have opened the door for employers to control health care costs far better than anything we’ve seen previously. Many employers are victims of an outdated health coverage model. Increasing copays and revising cost-sharing formulas at each annual health plan renewal are short-term tactics rather than long-term strategies. Employers that embrace consumer-driven health care can take control of their health plans before their health plans take control of them.

Education Corner

RIMS Member Children's Scholarship

Lindsay Havlick and Kalen Phillips were the 2004 recipients of the \$1,000 scholarships. They were announced at our March 17th meeting!

UH - Gamma Iota Sigma

This UH fraternity of students is interested in careers in Risk and Insurance Management. Its members are looking for risk managers who would allow a student to spend a day at their company observing what a risk manager does. If you would be will to participate please contact Virgil Mead.



Virgil Mead presents Kalen Phillips with her \$1,000 award!

Houston Area Job Links for April 2004

Posting Company: CNA
 Location: Houston and Dallas
 Position Title: Risk Control Specialist - HPR

Posting Company: TACWORLDWIDE
 Location: Houston
 Position Title: Risk Management Coordinator

Posting Company: TACWORLDWIDE
 Location: Houston (eventual move towards London, UK end of 2005)
 Position Title: Risk Manager

Listing descriptions and contact information can be found at The Houston RIMS website:
<http://houston.rims.org/ChapterWebsite/RIMSChapter.cfm?CID=328>

For further information regarding positions or to place a job opening for your company in our newsletter, contact Marsha Phillips, Director - Job Placement (832)351-7149
[email:marsha.d.phillips@jacobs.com](mailto:marsha.d.phillips@jacobs.com)

For information regarding RIMS Society listings, contact Jennifer Berman in New York at (212) 286-9292
[email: jberman@rims.org](mailto:jberman@rims.org)

Also, look online at the Houston Chronicle's classified web site under employment. Do a key word search for Safety or Risk Management at:

<http://www.houstonchronicle.com/classified>

or look online at the Houston Press's classified web site:
<http://www.houstonpress.com/classifieds>

Door Prize & Speaker Evaluation Winners...

Door Prize Drawing – Scott Toth won a Houston Chronicle “tool kit” and magnifying glass, great for reading that small print in those insurance contracts!... Just kidding.

Speaker Evaluation Drawing – Marsha Phillips won \$40.00 cash. May’s drawing will be for \$20.00.

Meeting Notices, Newsletters and other chapter correspondence are now sent out by e-mail.

If you are a deputy member and are not receiving yours please let us know by contacting Victor Pivetta, Membership Director. Deputies can update/correct information by logging on to the Society web site: www.rims.org.

Associates & Non-Members, contact Ginny Penzell.



Bryce D. Linsenmayer of Haynes & Boone receives his speaker’s award from Julia Kovach, RIMS First VP.

RIMS Society News

Schedule of RIMS Spring Workshops and Courses ***Update Your Knowledge- Keep Competitive. REGISTER NOW!***

| DATE | COURSE | LOCATION |
|----------------------------|--|-------------------------|
| <i>May 17 - 18, 2004M</i> | <i>Techniques of Risk Management</i> | <i>Chicago, IL</i> |
| <i>May 24 - 25, 2004*</i> | <i>Disaster Planning/Business Continuity Planning & Mgmt</i> | <i>New York, NY</i> |
| <i>May 27-28, 2004*</i> | <i>Client and Insurance Broker Relations</i> | <i>Calgary, AB</i> |
| <i>June 7 - 8, 2004*</i> | <i>Reinsurance</i> | <i>New York, NY</i> |
| <i>June 10-11, 2004*</i> | <i>Enterprise Risk Management</i> | <i>Portland, OR</i> |
| <i>June 14 - 15, 2004*</i> | <i>Finance For the Risk Manager</i> | <i>New York, NY</i> |
| <i>June 14 - 15, 2004*</i> | <i>Disaster Planning/Business Continuity Planning & Mgmt</i> | <i>Montreal, QC</i> |
| <i>June 17 -18, 2004*</i> | <i>Developing and Implementing A Captive Insurance Co.</i> | <i>Houston, TX</i> |
| <i>June 17 - 18, 2004</i> | <i>Fundamentals of Insurance</i> | <i>Orlando, FL</i> |
| <i>June 21 -22, 2004*</i> | <i>Corporate Governance and Risk Management</i> | <i>Orlando, FL</i> |
| <i>June 24 - 25, 2004*</i> | <i>Workers’ Compensation Management</i> | <i>Charlotte, NC</i> |
| <i>June 28 - 29, 2004*</i> | <i>Alternative Risk Financing Techniques</i> | <i>Philadelphia, PA</i> |

* Credit towards the RIMS Fellow designation.

For details about any of the above workshop or courses, visit:

<http://www.rims.org/education>

For details about the RIMS Fellow designation, visit:

<http://www.rims.org/aboutrf>

For Information about the On-line Crisis Readiness Courses, visit:

<http://www.rims.org/onlinecourses>

For additional info contact the Professional Development Dept. at 212.655.6212 or e-mail pd@rims.org

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Houston Chapter of RIMS

UPCOMING EVENTS

Luncheon meetings are at 11:30 am

2004

April

No meeting due to
Annual RIMS Conference
in San Diego, CA

May 19, 2004

Staff Appreciation Month
Speaker from the Houston Chronicle.

June 16, 2004

July 21 2004

August 18, 2004

September 15, 2004

October

Houston Chapter RIMS Fall Conference

November 17, 2004

December 15, 2004

May Reservation Deadline

is **Friday, May 14, 2004 at 4pm.**

Please send your response by e-mail to jlyon@contactpsc.com or fax the notice to 713.625.7087.

The Luncheon Registration form is available on the chapter web site at www.rims.org

choose “chapters” then “chapter web sites” then “Houston” look for the “Monthly Meeting Notice” on the list to the left.

MEETING PLACE

Crowne Plaza Medical Center Hotel.

6701 Main @ Holcomb, Houston, TX 77030.
Phone # 713.797.1110

Parking is available in the hotel garage for \$3.00.
Bring your parking ticket to the registration table
for a validation sticker.

Parking is also available on the surface
lot to the south of the hotel



Check the website:
www.rims.org > chapters > chapter web sites > Houston.
Watch for event information.