



# Amalgamated ADVISOR

Amalgamated Family of Companies Amalgamated Life • Amalgamated Agency • AliCare • AliCare Medical Management • AliComp • AliGraphics

## Message from the President

By David J. Walsh, President and Chief Executive Officer

### Fiscal Integrity Is Earned



It's no secret that the recent economic downturn was attributed to a lack of fiscal integrity and oversight. Where there may once have been an assumption that many businesses – both public and private companies – and government agencies operated based on sound financial principles, that is no

longer the case. Unfortunately, we have seen too many examples where sound principles were relegated behind other objectives, more fleeting and perilous. The simple truth is that fiscal integrity is hard earned. Companies aren't born with it and cannot sustain it without certain policies and procedures in place and ongoing due diligence.

This past year, Amalgamated Life gained a unique distinction. Our organization was named to the 2011 "Ward's 50" group of top performing companies. In making its selection, The Ward Group (Cincinnati, OH), a trusted leader in benchmarking and best practices to the insurance industry, analyzed nearly 800 life and health insurance companies against criteria of staff levels, business practices and expenses. Those companies who excelled in each of these benchmarking parameters earned a place among the top 50. These awards and others including the INC. 5000 list of America's fastest growing companies are a testament to our continued quality service.

For the past 36 years, Amalgamated Life has received an "A" (Excellent) Rating from A.M. Best Company which attests to our financially-strong condition and excellent claims-paying ability. Both the Ward's honor and our continued attainment of A.M. Best's highest rating are indicative of our commitment to the highest standards of fiscal and corporate integrity. Our values are rooted in these standards. They are evident in every aspect of this organization's operation. From our product development and service offerings, policies designed to ensure customer satisfaction, emphasis on continual business process improvement, employee training programs and investments in leading-edge technologies all contribute to both our fiscal and corporate integrity.

At Amalgamated Life and its Family of Companies, there is an expected code of conduct which includes operations that are fundamentally sound, fair, in full compliance with the law, and devoid of any unethical behavior. This code of conduct is reflected in our customer acquisition procedures, procurement processes, industry involvement and interactions with others, both within the organization and throughout the marketplace.

Fiscal integrity stems from these characteristics as well as financial policies which mitigate risks, support sustained financial performance and profitability.

All of these attributes are the cornerstones of our fiscal and corporate integrity at Amalgamated Life and its family of companies.

### Amalgamated Life

## Short-Term Disability Coverage A Vital Voluntary Benefit

By John Thornton, Executive Vice President, Sales & Marketing



While many employee benefit programs are robust, there may be a hole in coverage for many Americans. Despite the fact that a disabling injury/illness occurs

every one second (Source; National Safety Council Injury Facts, 2010), many workers do not have short-term disability coverage. Workers should be informed as to the importance of this coverage and its role should an individual become disabled. The statistics support the

likelihood that a significant percentage of workers will become disabled.

### Sobering Statistics

Here are just some of the facts:

- According to the Social Security Administration, almost 3 in 10 workers entering the workforce will become disabled before retirement.
- The Commissioner's Disability Table found that 7 out of 10 individuals between the ages of 35 and 65 will become disabled for 3 months or longer.
- More people lose their homes due to disability than to fire or death.
- Harvard University reported that 62% of all personal bankruptcies filed in the U.S. in 2007 were due to an inability to pay for medical expenses. The SSI Annual Statistical Report of 2007 found that 65% of initial Social Security Disability benefits are denied.

### Raising Awareness

What can you do to help your employees/members avoid greater losses due to a disability? First, raise their awareness with educational seminars about disability statistics and the role of short-term disability in protecting their assets. As a starting point, they should know that short-term disability coverage can provide funds to cover core household expenses from housing and utility costs to food, clothing, and medical co-payments not covered under the health plans and travel expenses for medical appointments. Then, help them better understand what to look for in a short-term disability policy.

Features to seek in a short-term disability policy are:

- Portability – Employees should be able to take their coverage with them if they change jobs
- Guaranteed coverage renewable to age 72;
- Disability payments to accommodate different income levels (i.e., from \$300/month to \$6,000/month);
- Flexible benefit periods (e.g., 3, 6, 12, 24 months or 60 months).

### What Short-Term Disability Covers

A basic short-term disability policy offers necessary coverage. Partial disability is covered by a 50% monthly disability benefit provided for up to 6 months. The policy provides a mental illness disability benefit up to 3 months and an alcohol/drug disability benefit up to 15 days in any 12-month period. Pregnancies are covered comparable to other illnesses. For terminal illnesses, the policy provides an accelerated benefit. It provides coverage for the remainder or maximum benefit period of the total disability benefit in a lump sum up to 12 months or the maximum benefit period upon the terminal illness diagnosis. There is also a three month survivor benefit upon the death of the insured.

In addition to these features, a short-term disability policy should offer a waiver of premium feature through which premiums are waived when the insured is on total disability following an initial elimination period.

### Seek Out Policies with Value-Added Features

In addition to these basic provisions, employers should present to their workforce short-term disability policies which offers riders for additional benefits. For instance, Amalgamated Life offers a short-term disability policy that provides for continuing disability benefits (for plans with periods of 12 months) paying an additional \$100 to \$600 per month (after the 180-day elimination period) for 6 to 18 months, and physical therapy coverage (\$50/day up to a maximum of 10 days). There is also an option for catastrophic loss coverage which would go into effect if the insured loses the ability to perform two daily activities. The option allows for benefit amounts from \$1000 to \$5,000 per month and periods of 12, 24 or 36 months to be selected, following elected elimination periods of 90 or 180 days.

## AliCare

# Protecting Sensitive Data with Best of Breed Technologies

By Raghubar Singh, , Senior Vice President & Chief Information Officer



Data breaches are becoming an all too common occurrence. Many major companies have recently made headlines as victims of data breaches. With the incidence of data breaches rising steadily, it is imperative that organizations take strong measures to protect their sensitive data.

Today, there are various federal and state laws, regulations and information security standards focused on data breach prevention. Among the federal laws are the Health Insurance Portability and Accountability Act (HIPAA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. One of the most stringent

state regulations is Massachusetts' Data Privacy law 201 CMR 17.00. Two examples of widely-applied information security standards are the Payment Card Industry Data Security Standard (PCI DSS) and the Federal Information Security Management Act (FISMA) Third Party Report on Controls compliance standards established by the National Institute of Standards and Technology (NIST).

At Alicare and throughout the Amalgamated family of companies, we take our compliance with key legislation and information security standards very seriously. To meet critical data protection requirements, we have deployed a comprehensive data security strategy leveraging the "Defense in Depth" philosophy with "Best of Breed" technologies. We apply sophisticated data loss prevention (DLP) technologies to monitor and secure data

movement and advanced counter malware technologies such as enterprise-level anti-virus and intrusion prevention systems (IPS). Additionally, we comply with the latest Federal Information Processing Standards (FIPS) 140-2 encryption standards to protect data at rest. Alicare routinely validates both its security "Defense in Depth" strategy and process controls through a series of stringent internal and external audits performed on an annual basis.

As further assurance of our commitment to guard the sensitive data entrusted with us, AliCare's Information Security team remains up-to-date and informed on all the latest strategies, trends, threats and technologies pertaining to data protection. These professionals are actively involved, providing leadership within the Information Security field with management serving on

several industry leader security advisory boards, and New York's Statewide Collaboration Process (SCP) Privacy & Security Work Group. The expertise shared and gained is applied toward ensuring that AliCare's information security strategy remains relevant and effective in meeting the challenges of protecting our clients' personal health information (PHI) and personally identifiable information (PII).

Based on data from the Online Trust Alliance, in the past five years, there were breaches affecting over 525 million records containing sensitive personal data. In 2010, there were 400 data breaches affecting over 26 million records at a cost of over \$5.3 billion to U.S. businesses. These figures would be far greater in the absence of "Best of Breed" technologies and sound information security strategies such as those applied by AliCare.

## Amalgamated Agency Directors and Officers Liability

By *Ira Schwartz*, Executive Vice President



Ninety five percent of all Fortune 500 companies have Directors and Officers (D&O) liability insurance and for good reason. The number of claims against directors and officers are tied directly to a company's size, assets, type of business, public vs. private status and the number of shareholders. As one would sus-

pect, the larger the company, the greater its assets, its public status and large number of shareholders all contribute to a higher number of claims. Since it was first introduced by Lloyd's of London in the 1930s, during the depression, D&O insurance has become increasingly more important. Recently, in the wake of corporate and securities fraud cases, we've seen many businesses and their directors and officers charged.

According to industry data, approximately one third of companies could expect to have at least one claim made against their directors or officers. Also adding to D&O liability issues is the growing number of individuals who accept outside positions serving on the boards of other organizations. While their intentions may be sound (i.e., gain a higher profile within an industry sector, enhance an individual's leadership skills, contribute to the development of another organization, protect their employers' interest in a subsidiary or strategic partner, etc.), there are exposures that cannot be ignored.

### D&O Liabilities

Serving as an officer or director of an organization either in an inside or outside position comes with a variety of risks. For inside positions, there are risks to corporate directors and officers associated with the performance of their fiduciary duties. They can be held responsible for acts of the company deemed fiscally irresponsible; acts

that negatively affect their employees (e.g., mismanagement of retirement plans), shareholders (e.g., failure to monitor investment advisors), and customers (e.g., conflicts of interest preventing fair negotiations among customers). Additionally, they are subject to claims relating to an organization's failure to maintain a compliant workplace with directors and officers frequently charged in cases involving sexual harassment, discrimination or wrongful discharge among other allegations. As for directors and officers serving in outside positions, they can be exposed to some of these liabilities, as well as others associated with corporate transactions, breaches of confidential information and other Intellectual Property, breaches of loyalty and misappropriation of business opportunities. The scenarios for D&O litigation are extensive and wrought with complexities. Because of this, D&O liabilities demand thorough insurance coverage with adequate limits of liability.

### D&O Coverage Guidelines

To assure the proper coverage against various D&O liabilities, organizations, guided by an experienced D&O specialist, should consider what are their organizations' corporate and personal exposures based on their size, assets, corporate structure, public vs. private status, market territory (domestic and/or foreign), industry, etc. The best policies provide individual personal liability and financial loss protection coverage for executives to protect against wrongful acts or alleged acts. It is important to note that even with a D&O policy in place, a company is under no legal obligation to defend its directors and officers unless the company's Corporate By-Laws specify that the directors and officers are indemnified.

Within the D&O policy there should be an Employment Practices Liability (EPL) extension to cover employment-related litigation. The limits on D&O policies again range based on the size and characteristics of the organization.

D&O coverage limits for small to mid-sized organizations might be in the \$1 million range, whereas public companies usually have minimum limits of \$5 million. Many organizations have both individual and aggregate claim amounts. For example, on a policy with limits of \$1 million, an insurer would pay a maximum of \$1 million in the given policy year which could be to cover one claim of \$1 million or multiple claims adding up to \$1 million dollars.

In addition to covering the directors and officers, a D&O policy should also provide coverage for the company/

## AliComp



# Disaster Recovery and Business Continuity Planning

By Arthur Kurek, , President

According to the recently released Symantec survey, "2011 SMB Disaster Preparedness," 50% of small and mid-sized businesses have

no disaster recovery plan in place. These and other organizations without a well-developed disaster recovery plan might want to consider that a failure to plan often leads to failure.

Following the 9/11 terrorist attacks on the World Trade Center, a study found that 70% of the businesses that could not access their data within 3-5 days of the disaster went out of business. This finding has been replicated in other disasters such as the 1989 San Francisco earthquake. Still, singularly the biggest mistake organizations make with respect to disaster recovery and business continuity planning is not doing it at all. Remember "disasters" aren't only of the scale of terrorist attacks or earthquakes. Major power outages, hurricanes, Northeasters, fires and even sabotage can all take down systems and operations leaving a business extremely vulnerable. To protect against the potential losses or worst case scenario, a business closure, organizations need to develop a disaster recovery plan.

### Business Impact Analysis

The first step is to perform a business impact analysis to identify the most critical Information Technology (IT) systems, business processes and applications and the potential risks if they were affected by a disaster. They are a function of the nature of the organization; its industry, size, territory and specific operations. Some businesses rely on their IT systems in an ongoing, real-time manner, for example, investment houses conducting trades. Others, may not suffer as much by a day delay in operations, for instance, an industrial product distribute which can process orders one day later without major consequences. In any case, all organizations should develop their plans based on their specific risks and operational requirements, as well as with several basic tenets in mind:

entity itself. There are usually multiple parts to a D&O policy. Part A covers the individual director or officer, Part B covers the company's indemnification of a director or officer, and Part C should cover the entity itself.

Other aspects of a D&O policy to consider include: whether the policy provides defense for the company as well as other parties (i.e., "defendants") who may be brought into the suit; and whether the policy provides coverage for fines, penalties and/or punitive damages.

- The plan should provide for an orderly, step-by-step recovery.
- It should include provisions for IT infrastructure preservation and operations, as well as communications management, effective decision-making and timely resumption of normal operations.
- The plan should have in place a back-up for their servers, data centers and laptops. When relying on a third-party as a disaster recovery/IT back-up resource, it's important that the facility be located in a different geographic region. This resource should have the ability to support a recovery immediately following a local or regional disaster. In this role, the outsourcing IT partner would prepare approved equipment arrange for their client's access to be available upon demand.
- As part of the plan, employees need to be trained to operate in an "emergency" mode, primarily performing the most essential tasks. This trial run should be conducted both to give employees experience in how to perform in a disaster situation, as well as to monitor which staff members demonstrate composure and which may tend to respond poorly under stress. This information can be used to select team leaders to manage staff during the recovery operations.
- To maintain effective communications, a pre-determine communications hub must be established where executives and key employees can meet offsite and lead the organization through the disaster period. The communications component should also include a mechanism (e.g., telephone chain) whereby communications from the company to employees can be conducted.
- A list of key outside resources should be developed and outreach performed in advance of a disaster to alert them to your potential needs should an event occur. These outside resources should include: the company's attorney, insurance agent, local first responders (e.g., fire and police departments) and utilities.
- The disaster recovery plan should be tested on an annual basis to make sure it continues to serve the needs of the business.

## Screen Your IT Outsourcing Partner Well

For organizations that rely on a third-party data center as their disaster recovery partner, it is important that they select well. The organization needs to be of the right tier-level with adequate capacity to cover all of its clients' needs and spread the risks in the event that a disaster impacts multiple entities. Some data centers operate on a first come, first serve basis. It is not advisable that these centers be selected for disaster recovery. Rather, organizations should establish contractual arrangements which guarantee their access to back-up IT operations in the event of a disaster. The data center's staff should include experienced IT specialists with knowledge of multiple platforms and software applications in the versions its clients use.

Other key characteristics an organization should seek in their disaster recovery data center partner include: an emergency diesel generator, uninterruptible power supply (UPS) and independent, self-contained HVAC systems to maintain proper operating temperatures. Maximum security should be evident and inclusive of security personnel and entrances, restricted access or access via card key system or biometric identity scanners, and security monitoring (i.e., closed circuit television, video surveillance cameras, etc.)

With these basic guidelines, organizations can develop and implement a sound disaster recovery plan that will support business continuity and optimum return to normal operations.

## *Amalgamated Life Announces New Chairman of the Board - Noel Beasley White Plains, NY . . . August 8, 2011*

Amalgamated Life Insurance Company, a leading provider of life and health insurance, and member companies, announced today that Noel Beasley, president of Workers United and the manager of its Chicago and Midwest Regional Joint Board, and a Vice President of the Service Employees International Union (SEIU), has become the Company's new Chairman of the Board. Mr. Beasley succeeds Bruce Raynor, who recently retired from the Board. He brings to the role extensive leadership experience including a 37 year span serving on behalf of labor.

## Community Involvement

### Doctors Without Borders

The Amalgamated Life Family of Companies Charity Committee held a successful drive to raise money for Doctors Without Borders. Again the staff rose to the occasion to reach out and help those less fortunate. A total of \$1,549.00 was raised to present to Doctors Without Borders which is operating nine medical nutritional programs in south-central Somalia. These programs, along with three projects in refugee camps in Kenya and Ethiopia, provide thousands of medical consultations each day.

### New Customer Service Hours

Monday – Thursday 8:00 a.m. to 8:00 p.m.

Friday – 8:00 a.m. to 6:00 p.m.

Saturday – 9:00 a.m. to 2:00 p.m.

.

### Check Claim Status and Explanation of Benefits Online

<http://members.aligroups.com>

<http://providers.aligroups.com>

### Volunteers of America Greater NY - Operation Backpack

The Charity Committee set a goal to fill and present 25 backpacks to school-age children living in New York City homeless shelters. Many of these children return to school without the basic school supplies necessary to perform their school work. Thanks to the Charity Committee and the generosity of the Amalgamated Family of Companies staff, the goal was exceeded and 45 filled backpacks were donated.

### Visit Our Websites

[www.amalgamatedlife.com](http://www.amalgamatedlife.com)

[www.alicare.com](http://www.alicare.com)

[www.alicaremed.com](http://www.alicaremed.com)

[www.amalgamatedagency.com](http://www.amalgamatedagency.com)

[www.aligraphics.com](http://www.aligraphics.com)

Amalgamated Life Insurance  
333 Westchester Avenue  
White Plains, NY 10604  
914-367-5000  
[www.amalgamatedlife.com](http://www.amalgamatedlife.com)

