A Boston-based Marsh employee began his day Sept. 11 simply enough, riding an elevator to the 99th floor of the World Trade Center tower for a morning meeting. He stopped at the 91st floor, which was undergoing renovations. Construction workers made their way off, and then an explosion threw everyone else through the doorway, onto the floor of the now darkened lobby. The elevator plunged to the ground and a fireball burst up in its place. Thankfully, quick-thinking construction workers sliced a hole into the wall to reach the fire escape and a stairwell. Several floors down, the workers repeated the process all over again. The employee escaped with others and made it a short distance away before the tower collapsed. And as Marsh Inc. Managing Director John C. Smith relays the story, the employee is a particularly lucky man. “I believe he is the only one that has survived above the 90th floor (of the tower),” he said. Smith, head of Marsh Inc.’s New England operations, spoke recently at a Massachusetts Society of Certified Public Accountants meeting, held at the Boston College Club on Federal Street in Boston. He introduced a panel of Marsh, Inc. employees assembled to talk about the new realities of risk and how the Sept. 11 attacks may have shaped the evolving market. Marsh is a division of the Marsh & McLennan Companies, a brokerage firm that staffed 1,900 employees in both World Trade Center towers that fell. About 3,000 more employees work near Ground Zero at an Avenue of the Americas office building. More than 300 Marsh employees lost their lives on Sept. 11. Smith, who spoke first and introduced the panel, continued for more than 30 minutes to talk about his colleague’s harrowing escape from the World Trade Center Towers. The Marsh New England employee who escaped the 91st floor passed many people as he headed down the stairs who said they couldn’t go any further, and talked about the “horrible scenes” he saw. After escaping the building, the employee, covered in soot from the fire and the debris from the WTC collapse, eventually made his way to the nearby Marsh offices at the Avenue of the Americas, visited the nurse’s office and cleaned himself up. He then began to help man a phone bank Marsh had set up for concerned family members, he said, and stayed there the rest of the day. Marsh used its business continuity plan to respond to the disaster, which helped minimize fallout, Smith said. “This plan helped us work through what we had to,” he said. Marsh employees evacuated the WTC and elsewhere at some point, and began to use telephone trees. The company also set up a crisis center to account for every missing staff member, he said. “We spent the balance of the day just trying to account for everyone,” he said. “At one point we didn’t know.” Marsh also hired counselors – as many as 180 – to help its more than 3,000 employees at the Avenue of Americas, many of who had a clear view of the tragedy as it unfolded. Smith said the company has not made public statements about how it dealt with the tragedy internally because they felt it was “our issue” to deal with privately. But Smith talked about it at the MSCPA meeting, he said, so his audience might “take away something” to their companies and “think about disasters as they may occur” and how to address them. Panel Highlights Among the panel highlights: Worst market ever. David Rowley, managing director of Marsh Inc.’s New England Client Advisory and Transaction Group, says the post-Sept. 11 insurance market is “the worst … in my career and perhaps what we’ve ever seen.” But the market was already starting to harden before the disasters, he said, after a record soft market of more than a decade. Worst workers compensation event ever. Rowley said he anticipates an historic number of workers compensation claims following Sept. 11, particularly a large amount of stress claims.
Premiums to climb. In light of an already hardening market made worse by the Sept. 11 attacks, Rowley said, premiums should jump as much as 70 percent in some cases for property insurance, 50 to 100 percent for excess and liability policies and more than 30 percent for auto.

Underwriting has also toughened, larger deductibles are coming onto play and some insurance companies are also seeing their financials downgraded, he said. Rowley is also seeing “severe limited availability of insurance for high risk properties, health care, some long term care policies and chemical and pharmaceutical companies.”

Directors and officers liability. The line faced increased competition and falling prices in the 1990s, according to Eugene “Tripp” Sheehan, a Marsh senior vice president. But, he said, there’s been an increase in frequency in severity of D&O losses in the last 18 months. Some of that comes from IPO, insider trading and financial fraud claims.

Little good news for employee benefits. The only good news is that the life and disability marketplaces appear unaffected by Sept. 11, said Eileen Quenell, a Marsh senior vice president. That being said, Quenell pointed out that pension plan sponsors are facing increasing liabilities and contributions in light of higher costs that began well before Sept. 11.

The health insurance market continues to be a hard one, she said, with no end in sight. Managed care savings have maxed-out, she said, with medical inflation back up to 13 to 18 percent for drug costs alone.

Employees rejected the restraints of managed care and prefer choice, she said, adding that employers haven’t responded yet with any creative solutions.