

NEWSPAPER

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Business Insurance

RIMS
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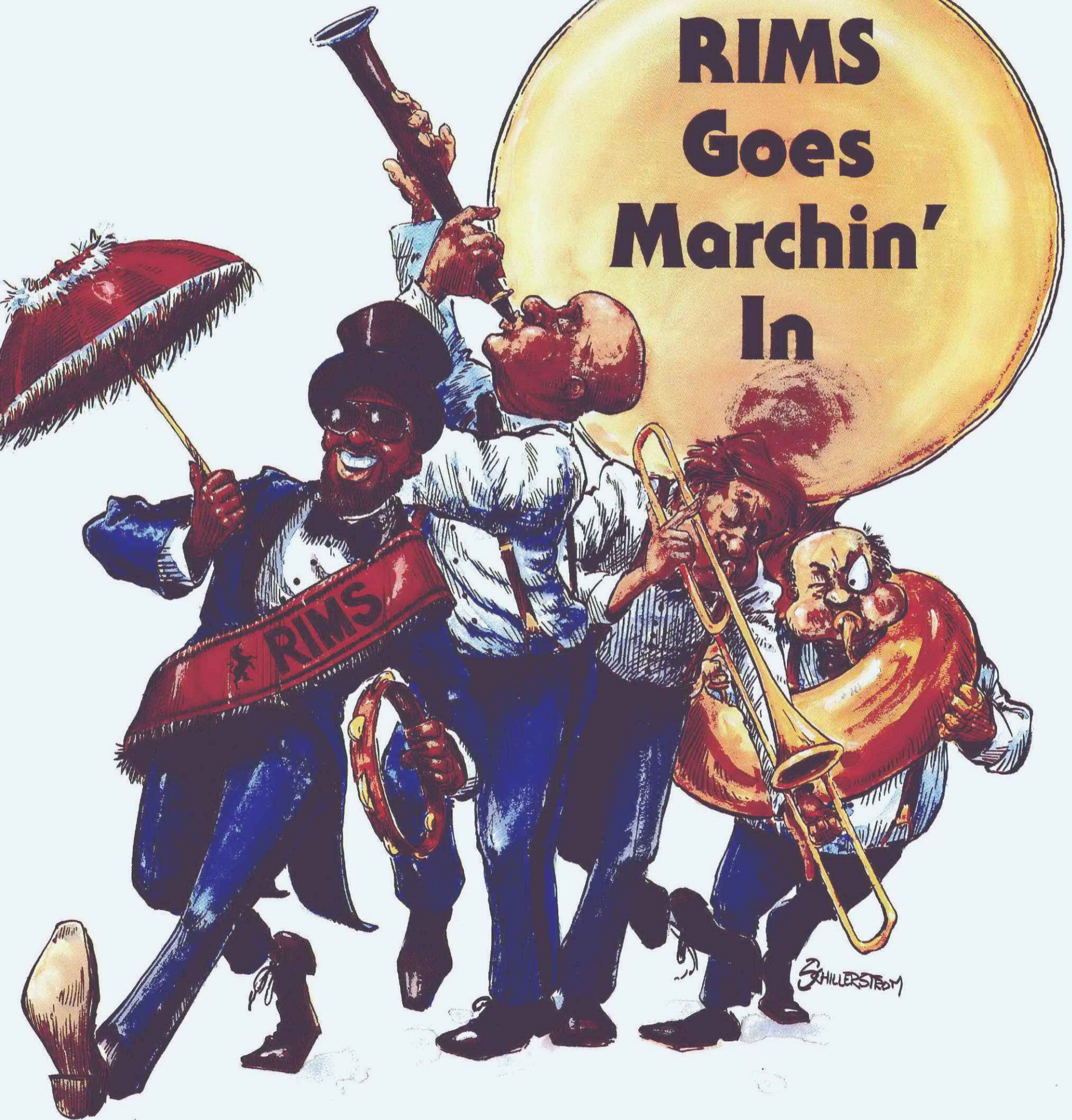


Reporting Weekly For Corporate Risk, Employee Benefit and Financial Executives / \$4.00 a copy

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SEE TAKEOUT SECTION

RIMS Goes Marchin' In



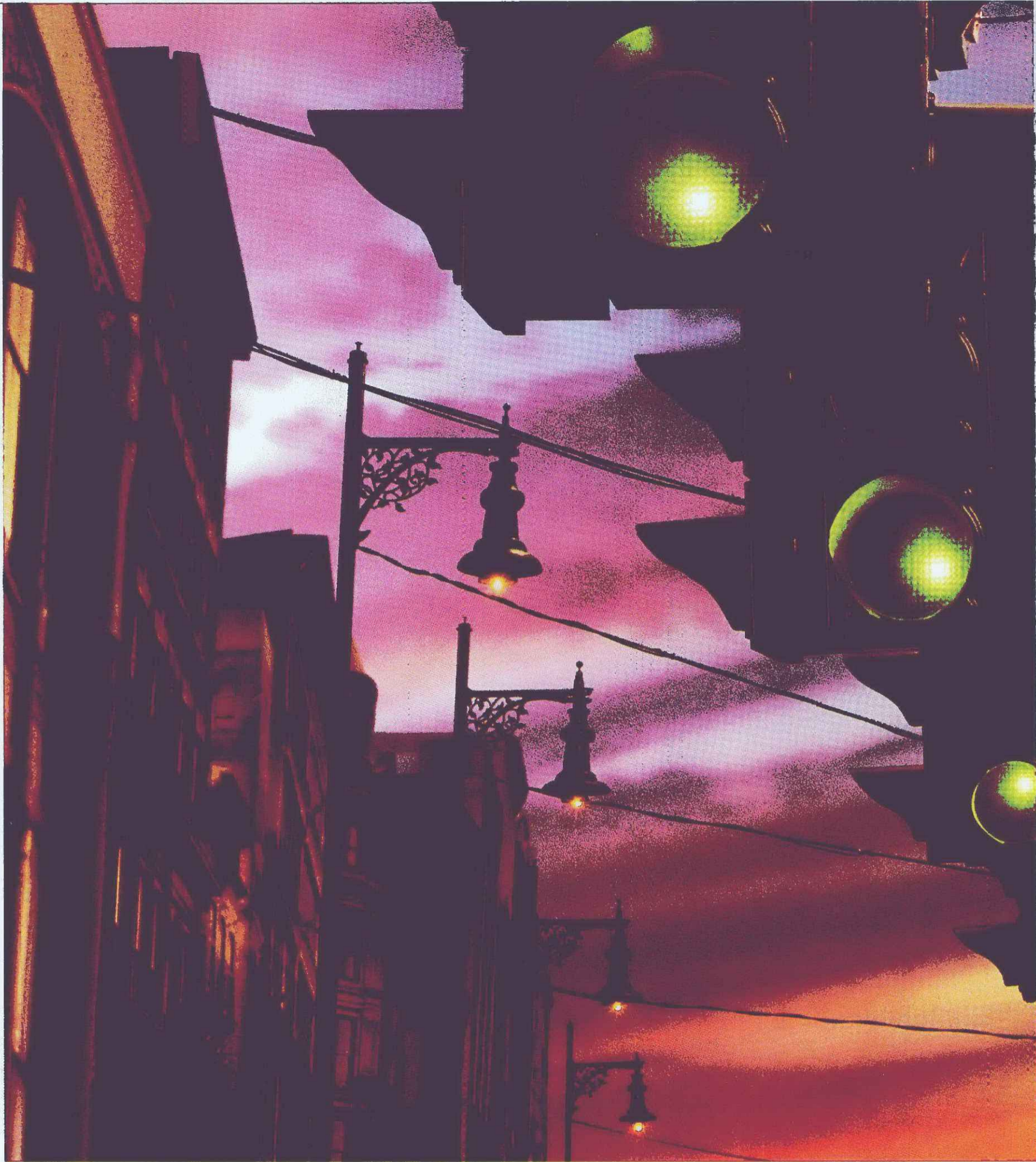


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Insured losses from earthquake now \$4.5 billion, PCS estimates
 RAHWAY, N.J.—Insured losses from the Jan. 17 Los Angeles earthquake are now estimated to total \$4.5 billion, up from initial estimates of \$2.5 billion, according to the Property Claims Services division of American Insurance Services Group Inc.
 Growing quake losses have prompted some rating agencies to consider downgrades for some insurance companies.
 PCS attributed the increase to damage by aftershocks and to more thorough engineering inspections and assessments. The up-
Continued on next page

Comp reform not yet lost in health debate

By MEG FLETCHER

WASHINGTON—Like firefighters trying to prevent sparks from igniting a blazing fire, many employers and insurers want to stamp out congressional support for altering the workers compensation system as part of health care reform.
 They fear that backing for significant workers compensation changes could flare up in the

House and Senate labor committees because those panels are traditionally sympathetic to organized labor, which endorses such changes.
 Employers and insurers hope to extinguish any such support by educating lawmakers about potential problems with most proposals to integrate workers comp medical care with general medical care under a reformed health care system.

They also will continue to monitor health care reform measures so that new proposals are coordinated with workers comp and won't increase cost shifting to workers comp payers or create onerous data reporting requirements.
 This political strategy evolved because Capitol Hill's uncertain stance on workers comp reform leaves open the opportunity for change.

"This is not a fall-on-your-sword issue for anyone," said Robert Laszewski, president of Health Policy & Strategy Associates, a consulting firm in Washington.
 "There is not a lot of enthusiasm for including workers comp in a health care bill, but there is also not a lot of understanding" of workers comp, said Tom O'Day, associate vp with the Alliance of American Insurers in Washington.

Although the prospects for workers comp reform may still be alive on the Hill, "it's not well," he said.
 An important reason is that workers comp medical costs account for a relatively insignificant part of the country's overall medical expenditures.
 "Comp represents less than 3% of total medical costs. The 97% will decide this, not the 3%," said
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Buck's offer falls flat

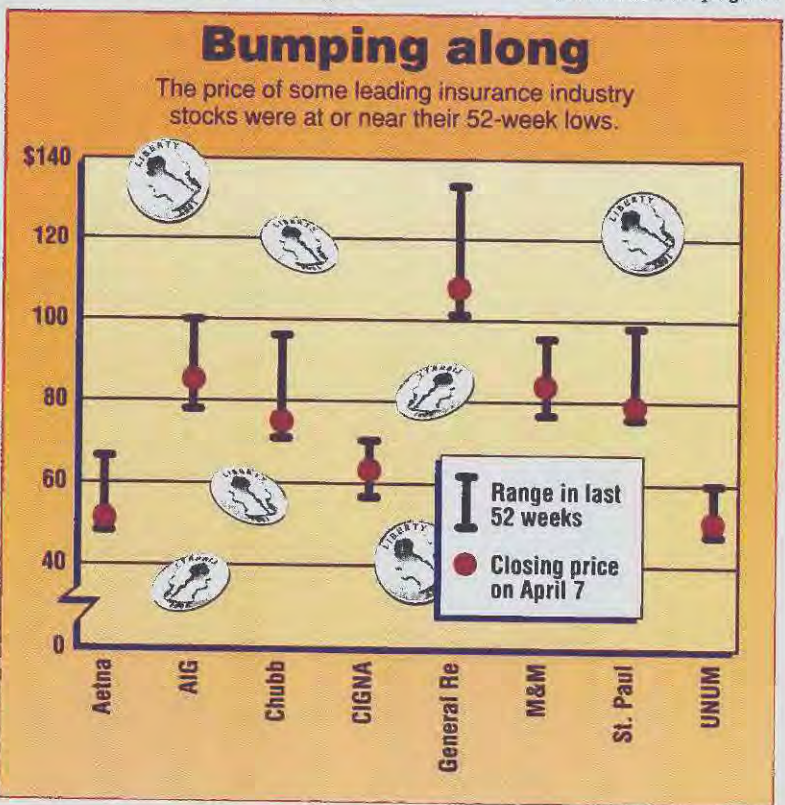
Surprise bid for Towers Perrin rebuffed; motives for overture under scrutiny

By CHRISTINE WOOLSEY

NEW YORK—The time may be ripe for consolidation in the benefit consulting business, but Towers Perrin isn't taking the bait offered by Buck Consultants Inc.
 Buck approached Towers Perrin last month with a cash and stock offer to acquire all of its much larger competitor's operations—an offer that Towers Perrin officials quickly rebuffed.
 Benefit consulting industry observers are scratching their heads over the mechanics of the proposed deal: Rarely does a firm boldly attempt to acquire a rival more than four times its size.
 What made Buck's offer even more interesting is that Towers Perrin reportedly has sought to

acquire Buck for several years. Neither firm's top executive is talking.
 Bill Giegerich Jr., Buck's president and chief executive officer, calling from a senior staff meeting in Florida, said it's against Buck's policy to comment on potential business deals.
 John Lynch, Towers Perrin president and CEO, was said to be in meetings and unreachable late last week.
 The lack of comment from the two protagonists left lots of room for speculation.
 Rival consultants and industry observers say that a merger between Buck and Towers Perrin—both of which are privately held by high-level employees—makes sense, although the offer proposed

by Mr. Giegerich does not.
 "I could see the deal from the other way: Towers Perrin looking at Buck. Buck's got a lot of good clients," said David Skovron, chief executive of benefit consultant Kwasha Lipton in Fort Lee, N.J. And, both companies would benefit from the economies of scale that result from combining operations, he said.
 Towers Perrin currently ranks as the world's second-largest benefit consulting firm, based on \$450 million in gross benefit consulting revenues estimated for 1993. Towers Perrin estimates that revenues for all of its operations, including its Tillinghast risk management consulting unit as well as other management consulting activities, totaled \$673 million for 1993. The company employs about 4,700 people worldwide (BI, Dec. 20, 1993).
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Quake renewals shaky

But market soft for property not at risk, casualty covers

By SARA MARLEY and GAVIN SOUTER

The Los Angeles earthquake is shaking up property insurance renewals for many companies with quake exposures, but the temblor is not yet being felt in other types of property coverage.
 Renewals involving earthquake coverage have been "chaos," said Suzanne Douglas, senior vp at Alexander & Alexander Inc. in New York.
 Many insurers still do not know the true extent of their losses from the January quake and therefore are withholding capacity for earthquake coverage, she said. "You have a loss in the \$4 billion

to \$7 billion range and that is scary so early on in the underwriting year."
 Some insurers are increasing earthquake rates at renewals by between 15% and 20%, she said.
 Chiron Corp., a biotechnology firm in Emeryville, Calif., may forego purchasing earthquake insurance this year because of higher rates, said Risk Manager Helen Chue.
 "When you look at what you're getting for such a high premium and deductible, and you weigh what you need, maybe it's more important to buy business interruption or another coverage," she said. In the 1989 Loma Prieta quake, many companies' losses did not exceed their deductibles, she pointed out.
 AC Transit, the Oakland-area

public transportation agency, decided not to buy earthquake insurance again this year because the cost continues to be prohibitive, said Darrell W. Handy, risk manager. Although it obtains quotes for earthquake coverage at renewals each year, it so far has found it more cost-effective to invest in loss control measures to protect its fleet of busses.
 Employers with smaller earthquake exposures are feeling less of an impact at spring renewals.
 SAS Institute Inc., a software developer based in Cary, N.C., does carry earthquake insurance for space it rents in a highrise in suburban Los Angeles, but rates did not increase dramatically, said Mari-Jo Hill, senior risk analyst.
 A.G. Edwards & Sons Inc., a St. Louis-based stockbrokerage, has been told by its property insurer that it will not see a significant rate increase when coverage re-
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Stock market turmoil hits insurance stocks already depressed by economic factors

By JUDY GREENWALD

NEW YORK—The whirlwind that blew through the stock market over the past two weeks has swept up many property/casualty insurance stocks in its path.
 While the sharp market decline appeared to have halted last week, many observers warn that it may only be temporary, and economic reports coming out this week, as well as first-quarter corporate earnings, could send stocks into another skid.
 Property/casualty insurer stocks, on top of being battered by the same winds that created the

general stock market chaos, have been reeling since last fall, insurer analysts say (BI, Dec. 13, 1993).
 Higher interest rates, which had been blamed in part for the recent stock market turmoil, have been hitting insurer stocks for several months as investors move away from interest rate-sensitive stocks, like insurance companies, and toward economically sensitive stocks like those of auto manufacturers, say analysts.
 Traditionally, portfolio managers believe that when interest rates rise and bond portfolios decrease in value, the value of finan-
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Updates

Quake cost \$4.5 billion: PCS

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dated estimate was developed from a survey of 60 insurers representing 75% of the market share in the three counties rocked by the quake.

Insurance industry sources estimate that insured losses from the quake could range from \$5 billion to \$7 billion (*BI*, March 28).

Meanwhile, A.M. Best Co. has placed the A ratings of Farmers Insurance Group of Los Angeles and Navigators Group of New York under review. Standard & Poor's Corp. has placed the AA rating of 20th Century Insurance Co. and its 21st Century Casualty Co. unit on CreditWatch.

Farmers estimates its gross quake loss at \$600 million. Best estimates that net quake losses will cut Farmers' statutory surplus to \$2.4 billion from \$2.8 billion. Farmers will have to replenish its surplus soon if it is to keep its A rating, said Eric Simpson, vp of Best's property/casualty division.

Navigators estimates its pretax earthquake loss at \$20 million to \$25 million. Since the earthquake, Navigators has boosted its surplus through a \$23 million interim loan; bought an extra \$45 million layer of catastrophe reinsurance; and has announced plans to reduce its earthquake exposure by 50% over the next year, said Allen Barnett, group chief financial officer.

20th Century recently announced that its earthquake losses will be \$325 million—double its initial estimate. The insurer recently reinstated its \$75 million in reinsurance coverage for quake losses.

Meanwhile, insured losses could grow if commercial policyholders heed a California Seismic Safety Commission advisory urging thorough inspections of buildings that suffered cosmetic damage. The advisory was issued last week after engineers found widespread evidence that steel beams and welds cracked in the 6.8 quake.

Gooda Walker losses worsen

LONDON—More than 4,000 Lloyd's of London members belonging to Gooda Walker Ltd. syndicates were told last week they must pay an extra 60 million pounds (\$88.4 million) to cover claims paid or reported this year.

The latest cash call brings overall losses among the seven syndicates to more than 1 billion pounds (\$1.47 billion).

In a letter to members, G.W. Run-Off Ltd. said the increased losses are attributed largely to the rising claims estimates from the 1988 explosion aboard a Pan American World Airways jetliner over Lockerbie, Scotland. Some excess-of-loss syndicates did not have sufficient reserves for these claims, the report to members said.

Also boosting the loss estimate is an increase in underwriting agents' errors and omissions exposures after Lloyd's members rejected a 900 million pound (\$1.33 billion) offer to settle litigation over losses.

"These figures make very depressing reading for Gooda Walker names," said Michael Deeny, chairman of the Gooda Walker Action Group. "They justify our decision not to accept the Lloyd's settlement offer when we did not know the final magnitude of the losses we faced. This will also lead to an increase in the amounts we are claiming in our legal proceedings, which will now total over 600 million pounds (\$883.8 million)."

State rescinds Paradigm order

SACRAMENTO—The California Insurance Department has withdrawn an order barring Paradigm Insurance Co., an Indiana-licensed surplus lines insurer, from writing business in the state.

The department had originally granted Paradigm an exemption from its \$15 million minimum surplus requirement based on the insurer's plan to write badly needed medical malpractice coverage for urban clinics. After concluding that Paradigm was writing commercial property/casualty business instead of malpractice coverage, though, regulators withdrew the exemption and ordered Paradigm last November to stop writing California risks (*BI*, Nov. 22, 1993).

After being sued by Paradigm in state court, regulators and the insurer have reached a settlement. In a March 30 order, the Insurance Department vacated its November order and conceded that reporting errors to the state Surplus Lines Assn. had led it to conclude mistakenly that Paradigm was not writing malpractice business.

In the latest order, Paradigm also agreed that it would not write any further California business until it meets state surplus lines requirements or obtains an exemption from the requirements.

Life/health earnings up 10.6%

OLDWICK, N.J.—Life and health insurers posted net income of \$14.6 billion last year, a 10.6% increase from \$13.2 billion in 1992, according to A.M. Best & Co.

The gain in earnings reflects improved investment results, reduced expenses and streamlined product offerings, Best said.

At the same time, life and health insurers boosted capital and surplus 11.8% to \$124.1 billion from \$109.1 billion, largely due to strong operating gains.

Net premiums written were up 10.2% in 1993 to \$299.3 billion from \$267.6 billion the previous year.

Figures were based on financial information provided by 1,035 insurers that controlled approximately 95% of the industry's assets.

Executive Risk IPO

SIMSBURY, Conn.—Specialty liability insurer Executive Risk Inc. expects to net about \$13 million from an initial public offering of 3 million shares and the exercise of related warrants.

Existing shareholders are selling 2 million of the shares, while the

Continued on page 46

Move to block data bank is growing in Congress

By JERRY GEISEL

WASHINGTON—Congressional support for repeal or delay of a federal law that requires employers to report massive amounts of health care information to the government is growing.

However, employers still face an uphill battle to win relief from the law.

During the last month, Sen. John McCain, R-Ariz., and Rep. Tillie Fowler, R-Fla., have introduced bills to repeal the so-called

Medicare data bank law. Those proposals come on the heels of a drive begun last year by Sen. Joseph Lieberman, D-Conn., who has alternately sought to repeal or delay the data bank law.

A number of other lawmakers also have expressed concern about the data bank law's impact on employers and may co-sponsor repeal bills.

"If anything, momentum is increasing on Capitol Hill for repeal or at least delay of the law," said Kelly Traw, manager at the Wash-

ington Business Group on Health.

Under the data bank law, employers next year will be required to tell the Health Care Financing Administration the names and Social Security numbers of employees and dependents, as well as the specific health care plans in which those individuals were enrolled. The information will then be input into a Medicare data bank, which government officials will use to spot claims that should be paid by employer health plans,

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Cancer coverage dispute

Court says policy void if procedure is part of research

By DAVE LENCKUS

CHICAGO—The survivors of a breast cancer victim will seek review of an appellate court ruling that her health insurer does not have to cover a controversial treatment because it was provided as part of medical research.

Many previous coverage dis-

putes involving the treatment—high-dose chemotherapy with autologous bone marrow transplant—typically have focused on whether it is experimental since insurers generally do not cover experimental procedures.

However, the case before a three-judge panel of the 7th U.S. Circuit Court of Appeals centered on wording in a group health insurance policy that said the policy covered only medically necessary treatments not provided "in connection with medical or other research."

Plaintiffs attorneys are blasting the March 18 appellate ruling, which overturned a lower court decision. Under the panel's interpretation of the policy wording, health insurers could refuse to cover many long-accepted medical procedures if the outcomes of that care were included in research projects, the attorneys reason.

Doctors have treated breast cancer patients with HDC/ABMT since the mid-1980s. The procedure fights the cancer with doses

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Connecticut opens door to health care competition

Law allows direct contracting

By JERRY GEISEL

HARTFORD, Conn.—Self-funded employers, insurers, preferred provider organizations and union welfare funds now can directly negotiate rate discounts and other reimbursement methods with Connecticut hospitals.

A new law, passed earlier this month and effective April 1, is aimed at injecting more competition in the high-cost Connecticut health care marketplace.

Insurers and other businesses backed the measure, which also eliminates the 18.7% surcharge on hospital bills that a federal judge recently found to violate the Employee Retirement Income Security Act (*BI*, March 7). Replacing the surcharge are other revenue raisers like an 11% tax on hospital revenues and a 6% sales tax on previously exempt medical services.

The new law also scales back the authority of the Connecticut

Commission on Hospitals and Health Care, which previously determined how much hospitals could increase prices for services. The body does retain the power to set overall hospital revenue increases and other powers.

The legislation's most significant change is opening up negotiations for price discounts and other reimbursement methods between all buyers of health care services and hospitals. Previously,

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Property loss control directory near

The June 6 issue of *Business Insurance* will contain the annual directory of property loss control consultants. The issue will also feature a Spotlight Report on property loss control topics.

Insurers, brokers and other companies that provide loss prevention inspections, building

plan reviews, loss prevention research, training seminars and other loss control consulting services are eligible to be listed in the directory if their services are provided on a fee-for-service basis.

The directory is published as an editorial service. There is no charge to be included, but orga-

nizations first must complete and return a questionnaire to *Business Insurance* by May 2.

If your organization provides property loss control services to corporations on an unbundled basis and would like a questionnaire, please contact Associate Directory Editor Kerry Dziubek at 312-280-3195.

Inside

• Property/casualty insurers must face the reality of their reserve shortfalls, this week's editorial says. **PAGE 8**

• Most international airlines balk at the idea of unlimited liability to passengers, say attendees at the DYP Group's airline insurance conference. Conference coverage begins on **PAGE 10**

• An employer mandate would add nearly \$17 billion to the cost of California group health care plans, a new William M. Mercer study shows. **PAGE 16**

• Employers' liability is a growing concern among U.K. risk managers, a survey by the Assn. of Insurance & Risk Managers in Industry & Commerce shows. **PAGE 39**

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Does it play in Peoria?

Benefit managers in heartland not gripped by reform debate

By CHRISTINE WOOLSEY

While Washington policymakers are busily hammering out esoteric components of health care reform legislation, benefit managers in the heartland are saving their scrutiny for the final product.

Despite widespread media coverage of the latest machinations to alter America's health care system, some benefit managers say they only are skimming headlines for now, eschewing the details in favor of the big picture.

"Just give me the highlights; the details are overwhelming," said Roger Krantz, health plans ad-

ministrator for Minnesota Power & Light Co. in Duluth.

"I just threw away a whole folder of stuff from last year," he said, adding that he relies on his benefit consultant to help him focus on the most important health care reform details emerging from Washington.

"There is just too much detail coming out too quickly," said James Daddona, manager of benefit plans and programs for Mobil Chemical Co. in Pittsford, N.Y. "I'm looking for new information."

In fact, many benefit managers say they are disappointed with the

latest round of health care reform conferences and publications designed to keep managers abreast of reform.

"One morning I got up early and drove to Minneapolis for a conference on cost containment and health care reform," Mr. Krantz explained. "That was 2½ hours wasted because the speakers repeated things I already knew. Unless there is something earth-shattering, we've heard it."

In addition, unless they contain new data, the plethora of health care reform newsletters and fliers landing on Mr. Krantz's desk are

Continued on next page



New FASB standard on bond holdings may prompt increase in rates for buyers

By RODD ZOLKOS

Tumultuous bond markets, coupled with a new accounting rule designed to give more information about insurer investments, could push up rates.

Issued by the Financial Accounting Standards Board last year, Financial Accounting Standard 115 requires property/casualty and life/health insurers to report at market value most of the fixed-income securities they own, beginning with this year's first-quarter results.

Because rising interest rates are quickly reducing the market value of their bond holdings, insurers may try to shorten the maturities of their investments to reduce balance sheet volatility. Shorter maturities will mean lower yields and possibly reduced investment income. And that, some insurance executives say, will pressure insurers to raise rates.

"Everybody thought risk-based capital was going to be the big issue impacting the insurance industry over the next few years," said John Sweeney, chief investment officer at USF&G Corp. in Baltimore. "It turns out it's FAS 115."

The impact of the new accounting rule "looks right now to be very serious because of what's happening in the market," said Mr. Sweeney, who is also chairman of Falcon Asset Management, a division of USF&G.

"When you cut companies' (investment) earnings, they're going to have to raise prices if they want to maintain profit margins, and that's not going to help consumers," according to Steve Meltzer, who is a principal with Scudder Insurance Asset Management in Boston.

Frank R. Wiczynski, corporate secretary of broker Alexander & Alexander Services Inc., said he would not "mortgage the farm" on the prospect that rates ultimately will rise in response to FAS 115. "But it certainly is something that's possible."

He added, "It's a possible fallout. I would rank it as No. 7 in an ongoing series because there's all kinds of theories about what might cause an elongated soft market to turn and that happens to

Continued on page 30

Emotionally charged

By JOANNE WOJCIK

TUCSON, Ariz.—Will courts consider policyholder attempts to win coverage for electromagnetic radiation lawsuits "legal creationism?"

ABA Or will courts dismiss as absurd policy exclusions that may be so broadly worded that moonlight could be considered a pollutant?

Those colorful assessments of the choices facing courts in a potentially explosive and unsettled area of coverage litigation were offered last month at an American Bar Assn. seminar.

Some studies have linked electromagnetic fields and cancer, but the overall scientific evidence is inconclusive. Few issues are more

Electromagnetic radiation lawsuits spark debate over policy exclusions

important to utility risk managers; in a 1993 Alexander & Alexander Services Inc. survey, they ranked it well ahead of topics like Superfund liability rulings and punitive damage caps.

"Will insurers apply the expected or intended exclusion to appliance manufacturers when electromagnetic fields are found to be harmful?" asked Peter J. Kalis, a partner at Kirkpatrick & Lockhart in Pittsburgh, who often represents policyholders in coverage disputes.

Of course they will, he told the other lawyers in the audience.

"Insurers have maintained that EMF may be excluded by the pol-

lution exclusion," Mr. Kalis said, using the example of a new pollution exclusion adopted by Reliance Insurance Co.

That exclusion, which was at center of a February 1993 Massachusetts Superior Court case, *Nelson vs. WCC Industries Inc.*, defines "pollutant" as "any solid, liquid, gaseous or thermal, acoustic, electric, magnetic, electromagnetic, irritant or contaminant, including smoke, vapor, soot, dusts, fumes, fibers, radiation, chemicals and waste."

Despite the broad exclusion, the policyholder won coverage.

Such a broad definition makes

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Pregnant employee's dismissal did not violate law, court rules

By SALLY ROBERTS

CHICAGO—An employer that dismisses an employee whose pregnancy prevents her from doing her job is not violating the Pregnancy Discrimination Act, so long as all other employees who can't do their work are treated the same, a federal appeals court says.

Employment law specialists say the March 31 opinion, written by Judge Richard Posner of the 7th U.S. Circuit Court of Appeals, is a pro-employer reading of the antidiscrimination law and illustrates for the first time that em-

ployers can terminate a pregnant employee who fails to satisfy job performance standards.

Kimberly Hern Troupe, a clerk at a Chicago Lord & Taylor store, was repeatedly tardy for work due to severe morning sickness in early 1991. After being placed on probation and ultimately dismissed later that year, she sued, charging that Lord & Taylor violated the 1978 law.

Under the law, an amendment to the Civil Rights Act of 1964, employers are required to treat employees affected by pregnancy or related medical conditions "the

same for all employment-related purposes" as workers with other disabilities.

In this case, there simply was no evidence that other employees were treated differently, wrote Judge Posner.

"The great, the undeniable fact is the plaintiff's tardiness," he said. "Troupe would be halfway home if she could find one non-pregnant employee of Lord & Taylor who had not been fired when about to begin a leave similar in length to hers. She either did not look, or did not find."

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Jury study gives the Bronx favorable verdict

By MICHAEL SCHACHNER

NEW YORK—Although George Steinbrenner may want to move the Yankees out of the Bronx, personal injury attorneys are unlikely to feel such animus toward the borough.

Among juries in New York's four major boroughs, those from the Bronx have over the past decade sided with plaintiffs in nearly three out of four personal injury cases, according to a recent study conducted by the New York Jury Verdict Reporter.

The winning percentage for plaintiffs is considerably lower in Manhattan, Brooklyn and Queens, the study showed.

Staten Island, New York's smallest borough, was excluded

from the study because it did not have enough cases to be statistically sound.

While plaintiffs that have had their cases heard in the Bronx have posted the highest winning percentage—74% since 1984—Bronx juries on average tend to award less in personal injury cases than their counterparts in Queens and about the same as juries in Manhattan and Brooklyn, the study found.

Meanwhile, Queens juries, which plaintiffs' attorneys say are the most conservative of the New York boroughs, found on behalf of the plaintiff in only 55% of all cases. But when they have found a defendant guilty of negligently causing a personal injury, the av-

Continued on page 29

Bronx cheer for the defense

Plaintiffs in personal injury trials have several reasons to favor Bronx juries over those from other New York boroughs.

Percentage of cases won by plaintiffs	Average wrongful death awards	Average awards for leg injury	Average awards for arm injury
Bronx 74%	Manhattan \$1.9 million	Bronx \$827,000	Bronx \$546,000
Brooklyn 65%	Bronx 1.6 million	Brooklyn 776,000	Brooklyn 164,000
Manhattan 61%	Queens 1.4 million	Manhattan 664,000	Manhattan 148,000
Queens 55%	Brooklyn 1.2 million	Queens 394,000	Queens 145,000

Source: New York Jury Verdict Reporter study of verdicts from 1984 to 1993.

Reform

Continued from previous page making fine fodder for the company's recycling bin, he said.

Other employee benefits professionals, though, say they do pay attention to the nuances of federal health care reform efforts. Some large, multistate employers have offices in Washington, staffed with employees who attend congressional hearings and report the latest details to corporate headquarters.

"From a federal standpoint, we are interested in the detail and we get lots of information from our Washington office," said Barbara Gorson, U.S. benefits manager for Intel Corp. in Santa Clara, Calif. "We are a multistate, self-insured company and our focus now is very much on maintaining a national benefit plan and preserving an ERISA pre-emption.

"The value I get out of newspapers and newsletters comes from the various interpretations they offer," Ms. Gorson added.

However, she admitted, "While I try to stay on top of health care reform, the stack of stuff on my desk probably makes it look like I don't."

Most benefit managers say they are paying much closer attention to the fate of President Clinton's health care reform bill, rather than the other proposals currently being considered by Congress. One reason is because the Clinton proposal offers the most detail.

"Like it or not, the Clinton plan is the baseline and you measure the other bills against it," said Mobil Chemical's Mr. Daddona.

But even those benefit managers say they are intentionally looking more at the forest rather than the trees these days.

"I've stepped back. It's impor-

'I still pay attention to it, but not as in-depth,' says Beverly Khosh, who adds, 'it seems like everybody and their brother has a bill now. I'm more likely to look at a headline and see if the article is about the passage of a bill or how far the bill has gotten.'

tant to keep a handle on this, but until a bill gets out of a committee, there's not much to pay attention to," said James Metz, coordinator of employee benefits for Broward Community College in Fort Lauderdale, Fla.

"I am not looking at all the details of every hearing in Washington," commented Gregg Conroy, manager of total compensation and human resource information systems at Alcoa Fujikura Ltd. in Brentwood, Tenn.

"I'm looking at the major fea-

tures of three bills and when some things fall away and there are a couple of major plans left, I'll pay closer attention," he said, referring to the health care reform proposals espoused by President Clinton, Rep. Jim Cooper, D-Tenn., and Rep. Pete Stark, D-Calif.

"I still pay attention to it, but not as in-depth," said Beverly Khosh, manager of employee benefits for American Restaurant Group Inc. in Newport Beach, Calif.

"I know it's a drawn-out process

and it seems like everybody and their brother has a bill now. I'm more likely to look at a headline and see if the article is about the passage of a bill or how far a bill has gotten in committee," she explained.

"I'm not paying attention to Harry and Louise," added Ms. Khosh, referring to the controversial advertising campaign sponsored by the Health Insurance Assn. of America that criticized the Clinton reform plan.

There are two levels of interest in health care reform within most corporations, explained Mobil Chemical's Mr. Daddona. "Top management is trying to address whether they have the opportunity to influence the development of a national system. But benefit managers are asking, 'What do I need to do now and in the immediate future?' There is a lot more focus on what tactics we want to use in our plans and whether that will fit into the structure of national health care reform."

"There is immediate interest in federal reform, but only in certain pieces," Mr. Daddona said. "It's easy to interpret that as disinterest, but it's not. It's just that the media is focusing on big systemic changes and that is too abstract."

Indeed, some benefit managers are more interested in state or county health care reform activity. State legislation can have a bigger—and a more immediate—impact on some employers than federal reform.

"In Delaware County, there are lots of things going on with managed care and PPOs," said Victor Gilla, director of corporate employee benefits for Ball Corp. in Muncie, Ind. For example, until now, the development of preferred provider networks has been slow in Delaware County because "the Muncie Medical Society fought tooth and nail to keep them out," he said. However, the county recently formed a health care committee and is asking three large employers, including Ball Corp., to offer their opinions.

Mr. Metz of Broward Community College said, "We'll get something done in Florida long before the federal government passes something."

Several states—including Florida, Massachusetts, Minnesota, Oregon and Washington—already have passed major health reform bills, and employers and providers in those states are scrambling to decipher new rules and regulations (BI, March 26, 1993). In addition, California and other states have instituted health care reforms targeted at small businesses.

Benefit managers predict some type of health reform legislation will pass at the federal level this fall, but many say—and most hope—it will look quite a bit different from the health care reform measure introduced by the Clinton administration.

"I'm less confident that health care reform will pass today than I was last fall," remarked Donald Winters, director of employee benefits for ConAgra Inc. in Omaha, Neb. "Not because of Whitewater or anything, but because the complexity of it is so deep. We have to be cautious when we do something that will change the structure" of the entire health care system.

"When all is said and done, what will come out will be a combination of" the bills sponsored by President Clinton, Rep. Cooper and Rep. Stark, Mr. Conroy predicted.

"They will pass something in the fall, but right now it's all a bunch of hoopla," summed up Ball Corp.'s Mr. Gilla. **BI**



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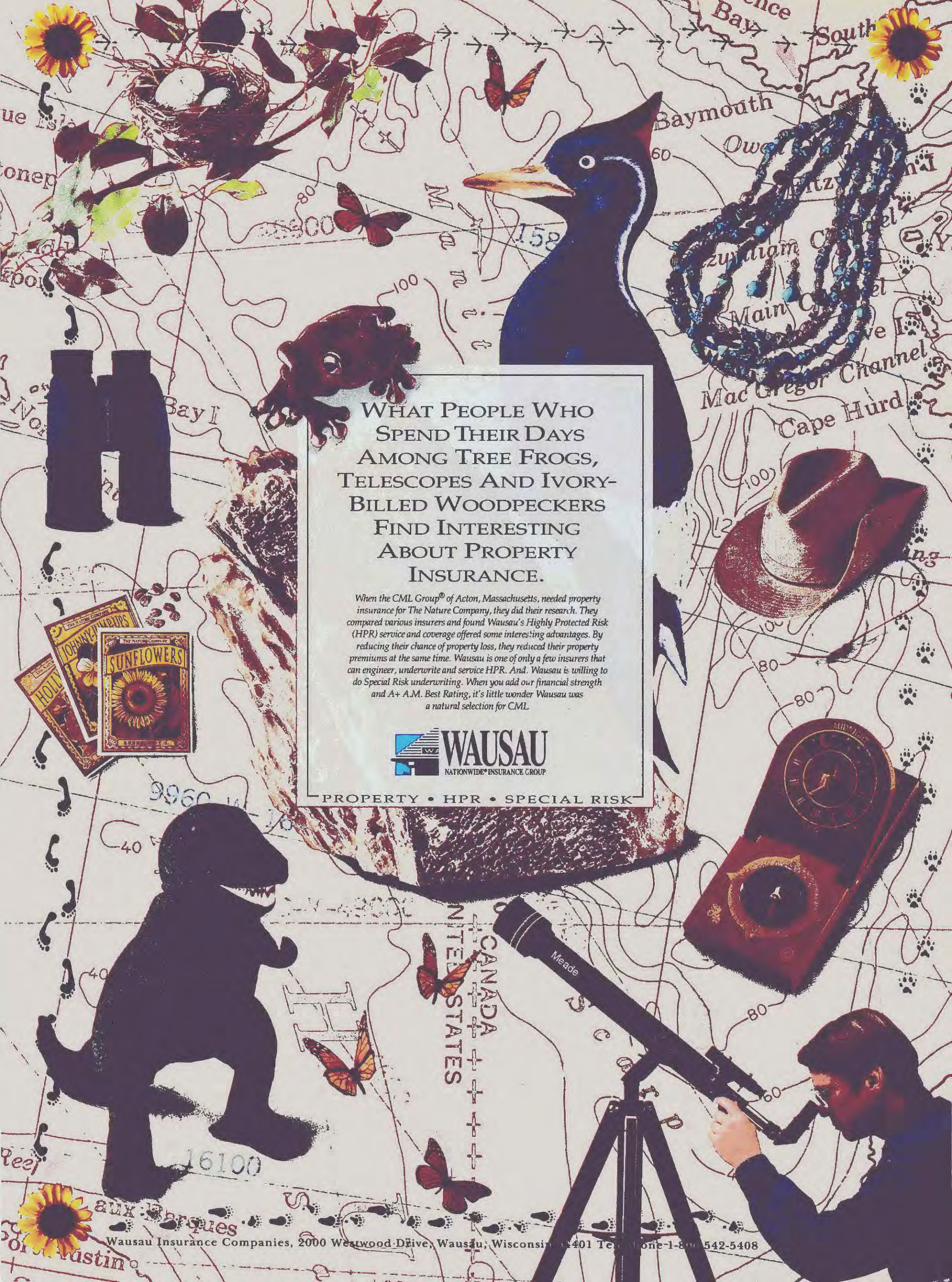
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Disney tightens retiree benefit eligibility

The Walt Disney Co. says it is tightening its eligibility requirements for retiree health care benefits to bring them more in line with industry practices.

Disney employees, who must still work a minimum of 30,000 hours over 20 years to qualify for retiree health care coverage, now must also stay on the job until they are at least 55 years old to be eligible for retiree health care benefits.

Prior to that March 1 change, retirees could be eligible for benefits regardless of their age at the time they retired as long as they met other minimum requirements.

Also under the new rules, retiree health care coverage will begin at age 65, instead of age 62, regardless of the age at retirement. By raising the age at which benefits begin, Disney will only have to supplement Medicare coverage, which also kicks in at age 65, rather than offer full benefits.

"The change was (made) to keep Disney benefits relatively in line" with other companies, a Disney spokesman said. It had nothing to do with losses at EuroDisneyland or any other unit of the company, contrary to other reports, he added.

It is hard to assess the impact of the changes on Disney's labor force, which is largely made up of relatively young employees. However, the new age 55 requirement may keep more theme park division workers on the job longer; many of these employees start working for Disney in high school or college and have completed 20 years service by their 40s.

Previously, some would leave the company and have second or third careers before they reached retirement age yet would still be eligible for retiree health care benefits from Disney, the spokesman said.

Disney's previous benefit plan offered "overgenerous" benefits to its 65,000 workers worldwide, the spokesman said.

Even with the changes, "I think our overall package of employee benefits are as generous as anybody's in the industry," the spokesman said.

Disney offers retirees the same menu of health care benefits available to active employees, including medical, hospitalization, dental and vision coverage.

The Disney spokesman declined to comment on the amount of money it expects to save from tightening the eligibility requirements for retiree health care benefits.

However, Disney eased the transition for some long-time employees by grandfathering their retirement health care benefits under the older, more liberal rules, the spokesman said. They include current employees who have reached age 60 and former employees with 20 years of service, regardless of age.

In September last year, Disney took a charge of \$130.3 million, or 24 cents per share, to recognize its retiree health care obligations under Financial Accounting Standard 106. After a related tax credit of \$30 million, Disney's net income was reduced by \$100.3 million.

Disney's health care benefits are both unusual and generous in several respects, benefit consultants say.

It is "relatively unusual" that an entertainment and theme park company like Disney offers any

Benefit Beat

health care benefits to many of its workers, said Gary Laugharn, a consultant and actuary at Hewitt Associates in Lincolnshire, Ill.

Also, "it is very unusual that Disney allowed people to 'vest' their eligibility for retirement medical benefits and leave the company," he said.

Providing dental and vision coverage to retirees in addition to medical benefits appears generous, Mr. Laugharn said.

However, the new requirement that workers be 55 years of age with 20 years service is "a relatively high" requirement, he said.

More than half of the employers contacted for a recent Hewitt survey required less.

The move to first providing retiree health care benefits at age 65 instead of 62 gets a mixed reaction from consultants.

It's "unusual" for a company to raise the eligibility age to 65, said John Hickey, a partner at benefit consultant Kwasha Lipton in Fort Lee, N.J. "It probably saves a tremendous amount of money because it eliminates the requirement that Disney be the primary health insurer from age 62 to 65," he said. Disney now only needs to

supplement Medicare coverage, which begins at age 65.

However, Hewitt's Mr. Laugharn said, "There is movement in general toward older-age first eligibility for benefits."

"The general direction of their program is consistent with what other large employers are doing to manage these programs," he said.

—By Meg Fletcher

Health contributions

Employers continue to require employees to pay more for their health insurance benefits, a new survey shows.

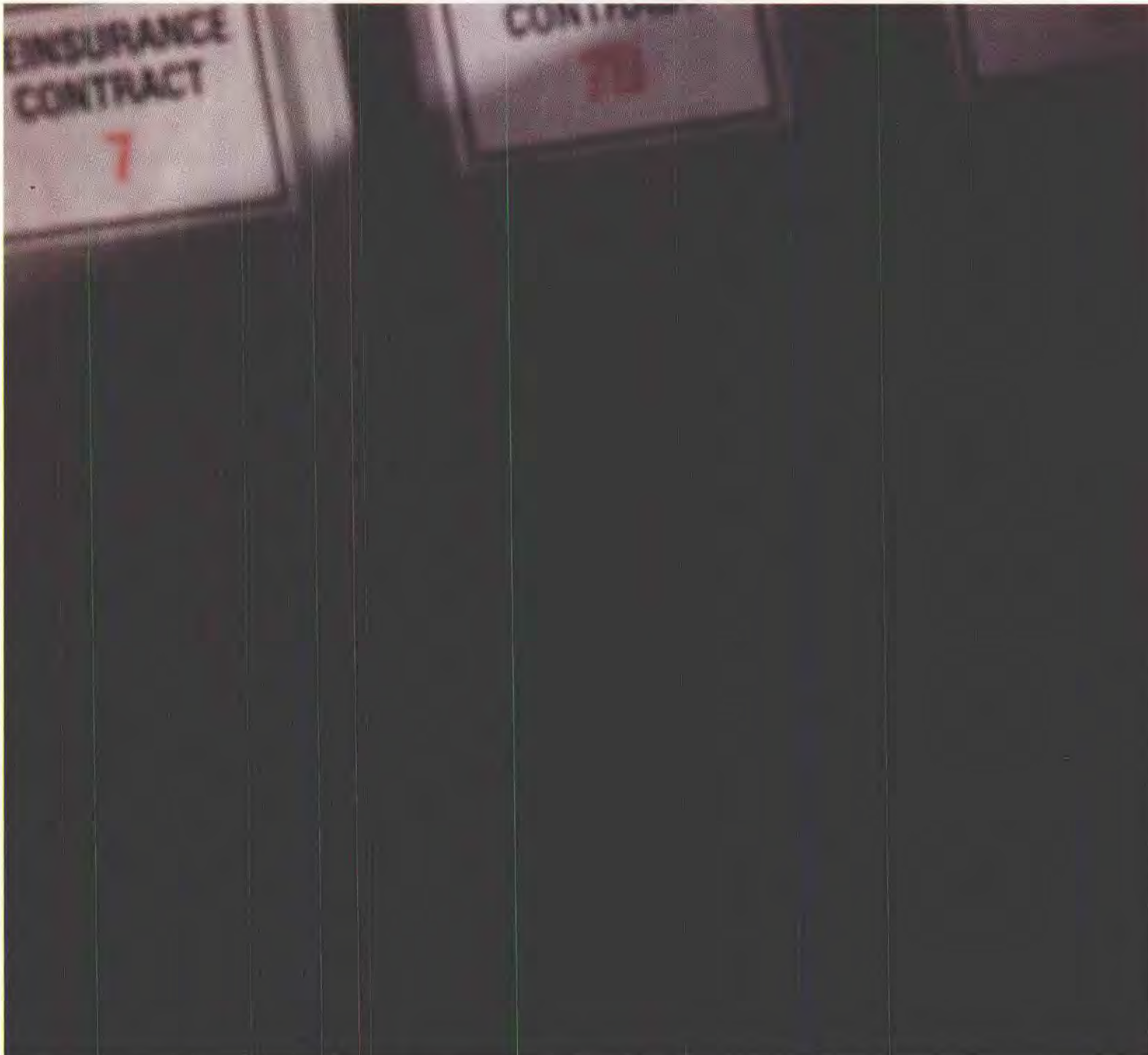
According to a sample of U.S. corporations surveyed by Hewitt Associates, only 14% of 452 em-

ployers do not require employees to contribute toward individual medical coverage, down from 25% of that same sample that did not require employee contributions in 1991. Only 8% do not require contributions for family coverage, down from 14% in 1991.

In addition, the number of employers requiring contributions from employees for retiree coverage continues to increase. Nearly three-quarters—73%—of the companies now require pre-65 retirees to pay part of the cost of their health care coverage, up from 62% in 1991 and 53% in 1988, the survey found.

The full report costs \$100 and contains data on the salaried em-

Continued on next page



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ployee benefit plans provided by 1,034 major employers in 1993. For a free copy of the study, contact Diane Schuett, Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60069; 708-295-5000.

—By Christine Woolsey

Ameritech payroll cuts

Officials of Chicago-based Ameritech Corp. are hoping pension enhancements and bonus offers will allow the company to cut 6,000 non-management employees from the payroll without resorting to layoffs.

The reduction from Ameritech's current level of 67,000 workers—48,000 of them non-management—is part of a reorganization plan announced two years ago. The telecommunications company has announced a \$335 million charge against first-quarter

earnings to finance the reduction in its workforce.

As an incentive to early retirement, Ameritech will add three years to employees' age and net credited service in calculating retirement benefit eligibility for non-management employees. The measure will bring the number of those eligible to retire in that group to 13,000.

Ameritech also will offer an incentive package to workers not eligible for retirement as an inducement for some of them to leave the company, according to an Ameritech spokesman. That package will include an extension of company-paid benefits for several months after leaving Ameritech, a cash payment based on years of service and tuition aid, the spokesman said.

Company officials hope enough workers will leave voluntarily so that some of those whose positions are eliminated can transfer

into other jobs at the company. If the company is unable to eliminate the 6,000 jobs voluntarily, it will resort to layoffs.

—By Rodd Zolkos

Domestic partners

KQED Inc., which operates public radio and television stations in San Francisco, will make all of its health care coverage options available to unmarried employees living in a domestic partnership, regardless of sexual orientation.

Effective May 1, employees who sign a confidential affidavit of spousal equivalency, stating they have been in a relationship for at least six months, will be able to purchase group health care coverage for their domestic partners.

The policy change, extended to KQED's 240 employees, was made in conjunction with its two health insurance companies, Blue Cross

of California and Kaiser Permanente-Northern California region.

Employees have a choice of two health maintenance organizations and an indemnity plan, said Janelle Dausch, benefits coordinator.

The change is in association with KQED's policy of non-discrimination, the public broadcasting company said.

"It is a question of parity in the benefits we offer," said KQED President and Chief Executive Officer Mary Bitterman.

—By Louise Kertesz

Employee drug tests

Most employers test employees and job candidates for drug use, but recent tests are identifying fewer substance abusers, a William M. Mercer Inc. survey reports.

Seventy percent of 183 responding companies conduct drug test-

ing for job applicants or as a routine check following an employee accident. But, the tests revealed positive results for only 2.6% of job candidates, down from 4.3% in 1991, according to the survey. Five percent of employees currently on the job tested positive, about the same as in 1991, the survey found.

A majority of employers—59%—refer workers who test positive for drug use to an employee assistance program. Others, however, take more severe measures. 36% of the surveyed employers say they dismiss employees who test positive for drugs.

The most common drugs employers typically test for include cocaine, amphetamines, marijuana, narcotics, barbiturates and hallucinogens, according to the study. Only half the companies test for alcohol, "even though its prevalence of abuse far exceeds that of illicit and prescription drugs," pointed out Shael Barger, a Mercer consultant in San Francisco.

Thirty percent of employers say they do not test for drug use because they are concerned about legal liability, employee privacy and the accuracy of tests.

For a free copy of Mercer's survey of employer drug testing practices, write the Public Relations department at William M. Mercer Inc., 1166 Avenue of the Americas, New York, N.Y. 10036.

—By Christine Woolsey

Education benefits

Employers strongly support educational assistance programs for employees, according to a recent International Foundation of Employee Benefit Plans survey.

Ninety-three percent of 355 employee benefits professionals responding to the survey said their company provides some type of educational assistance to workers. Educational assistance can include in-house job enhancement training, educational seminars and financial support for advanced degree programs.

Of those companies offering educational assistance benefits, 99% pay for tuition reimbursement, 69% pay for fees, 63% pay for books and 19% pay for supplies and equipment. Nine percent pay for travel and 8% pay for lodging and meals.

Of the 41% of companies with annual cash dollar limits per employee, the most common range is \$2,501 to \$5,250, cited by 39% of respondents.

For a free copy of "Educational Assistance in the Workplace," contact the International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6710, ext. 219.

—By Christine Woolsey

CIGNA to rank plans

CIGNA HealthCare Inc., the managed care unit of CIGNA Corp., is planning to formally grade the quality of its more than 40 managed care networks.

CIGNA has contracted with the Center for Health Care Policy and Evaluation, a division of United HealthCare Corp. of Minneapolis, to produce and analyze quality of care reports for its health care plans.

CIGNA HealthCare ranked as the country's third-largest general service health maintenance organization last year, based on 2.7 million covered employees and dependents in employer groups (BI, Dec. 21, 1993).

—By Christine Woolsey



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Opinions

Overhaul P/C reserves now

THE UPSHOT OF a report released by A.M. Best Co. late last month did not surprise us in the least. We have been worrying for some time that the U.S. property/casualty insurance industry is grossly underreserved for pollution and asbestos-related losses (*BI*, April 4).

We haven't been alone in our concern. Savvy risk managers, stock market analysts, brokers, regulators and even some insurance industry executives—including Insurance Services Office Inc. President Fred Marcon—have stated their uneasiness over the industry's reserve levels.

Perhaps now that A.M. Best, whose ratings carry tremendous clout in the insurance industry, has added its concerns, more insurance company officials will take heed and begin to boost their companies' reserves to realistic levels.

Some of Best's conclusions are nothing less than staggering:

- Outstanding environmental and asbestos liabilities are 20 times greater than current reserves for these claims.

- The net present value of the reserve additions needed to address this shortfall over the next 25 years is \$132 billion. That is almost three-quarters of the U.S. property/casualty industry's surplus of \$183 billion as of Dec. 31, 1993.

- Contributing the required amount to reserves would add 1.8 percentage points to the industry's combined ratio during each year for the next quarter-century.

We readily concede that proper reserving may be more of an art than a science. There is no one right answer. And, many insurer executives contend there are simply too many variables, including changing government regulations and judicial interpretations, to allow them to accurately forecast the cost of long-tail claims.

However, Best noted that its report is based "in large part on proprietary data provided by the insurers themselves. It suggests that while quantifying and facing up to the industry's vulnerability may be painful, it is not an impossible task."

Facing up to that "vulnerability" won't be easy for in-



surers—practically or psychologically.

Indeed, it will be difficult for insurers to try to gauge with utmost accuracy how the pollution and asbestos liability burden the industry faces will fall on individual companies. Best stresses in its report that while the reserve shortfall appears gigantic on the surface, it is even more worrisome since a relatively small percentage of U.S. insurers will receive the lion's share of the pollution and asbestos claims.

Psychologically, insurer managements will have to bite the bullet and tell their shareholders and policyholders the truth: Many insurance company balance sheets are not in the pristine condition that management would like to believe.

Of course, the best way to solve the problem would be to reform the Superfund law, which would cause pollution liabilities to shrink. However, that is hardly a certainty. While waiting for reform, insurers that are under-reserved must begin to dig deep into their pockets.

Letters

Now is time to address PBGC's problems

To the editor: Your Dec. 27 editorial calling for enactment of "reforms to finally put the Pension Benefit Guaranty Corp. on a sound financial basis" was right on target. The chronic underfunding of pension plans, which especially exists in certain industries and among certain financially troubled companies, poses a long-term risk to workers, the PBGC and the PBGC's premium payers. The Clinton administration's Retirement Protection Act would seriously address the problem while still manageable.

The proposal is the result of months of intensive analysis by a task force, established by Labor Secretary Robert Reich, that reached out to a broad range of groups—77 in all. Included were representatives of industry and unions, and a full range of experts. Virtually all agreed that pension underfunding presents a long-term problem and that reforms are needed.

Notwithstanding the near unanimous opinion of experts, David Langer's letter (*BI*, Jan. 17) argued that the administration has not made the case for its legislation. Mr. Langer questions the validity of PBGC deficit figures and the significance of growing pension underfunding.

Generally accepted accounting principles require the PBGC to include probable claims in its deficit. Indeed, the General Accounting Office confirmed the validity of the PBGC deficit numbers in its audit of the PBGC's 1992 financial statements.

Underfunding increased to \$53 billion in 1992 from \$38 billion in 1991 and \$27 bil-

lion in 1987. While some of that increase is due to lower interest rates, we see the same companies year after year failing to improve the funding of their underfunded plans. The task force found that, between 1989 and 1991, 40% of the underfunded plans sponsored by companies with the most severely underfunded plans did not make contributions large enough to pay the interest on the amount underfunded.

The PBGC has sufficient assets to pay benefits for many years. Retirees' benefits

are not in danger. But, the longer we wait to accelerate funding requirements and to place PBGC premium costs on those that maintain underfunded pension plans, the stronger the medicine will have to be to correct the situation. As you recognized, the better wisdom is to address the problem long before there is a crisis.

Martin Slate
Executive Director
Pension Benefit Guaranty Corp.
Washington

To the editor: It appears that the March 7 article, "Looking Beyond Company Walls," is self-serving to the risk management consulting field.

Downsizing, right-sizing, restructuring, re-engineering—call it what you will—has been occurring throughout corporate structures. There is no war against or targeting of risk managers alone. CFOs, treasurers, accountants, clerks, secretaries and assembly workers all have been laid off.

The reality is that those risk managers who have been terminated were not doing the job. The state-of-the-art risk manager must be a person whose finance skills, communication skills, loss control skills, claims skills, managerial skills and, of course, insurance skills must be beyond reproach. He must be perceived in the corporate structure as a bottom line-oriented business partner. If a risk manager doesn't have all

well-qualified risk managers still thriving

this, he certainly does stand a chance of being let go, but this is the norm in the 1990s.

Certainly, large risk management departments are hard to find, but then again in Corporate America in 1994, large departments of any kind are a rarity.

Today, there is a new breed of risk manager who is surviving better than ever. Risk managers, their assistants, and their claims and safety managers are earning more money and have brighter career paths than ever. If they have survived, it's because they are good, they are state of the art and they have what it takes to survive in the 1990s.

Risk management is here to stay. It is bigger, better and has more corporate influence than ever.

Bill Perry
President
Logic Associates Inc.
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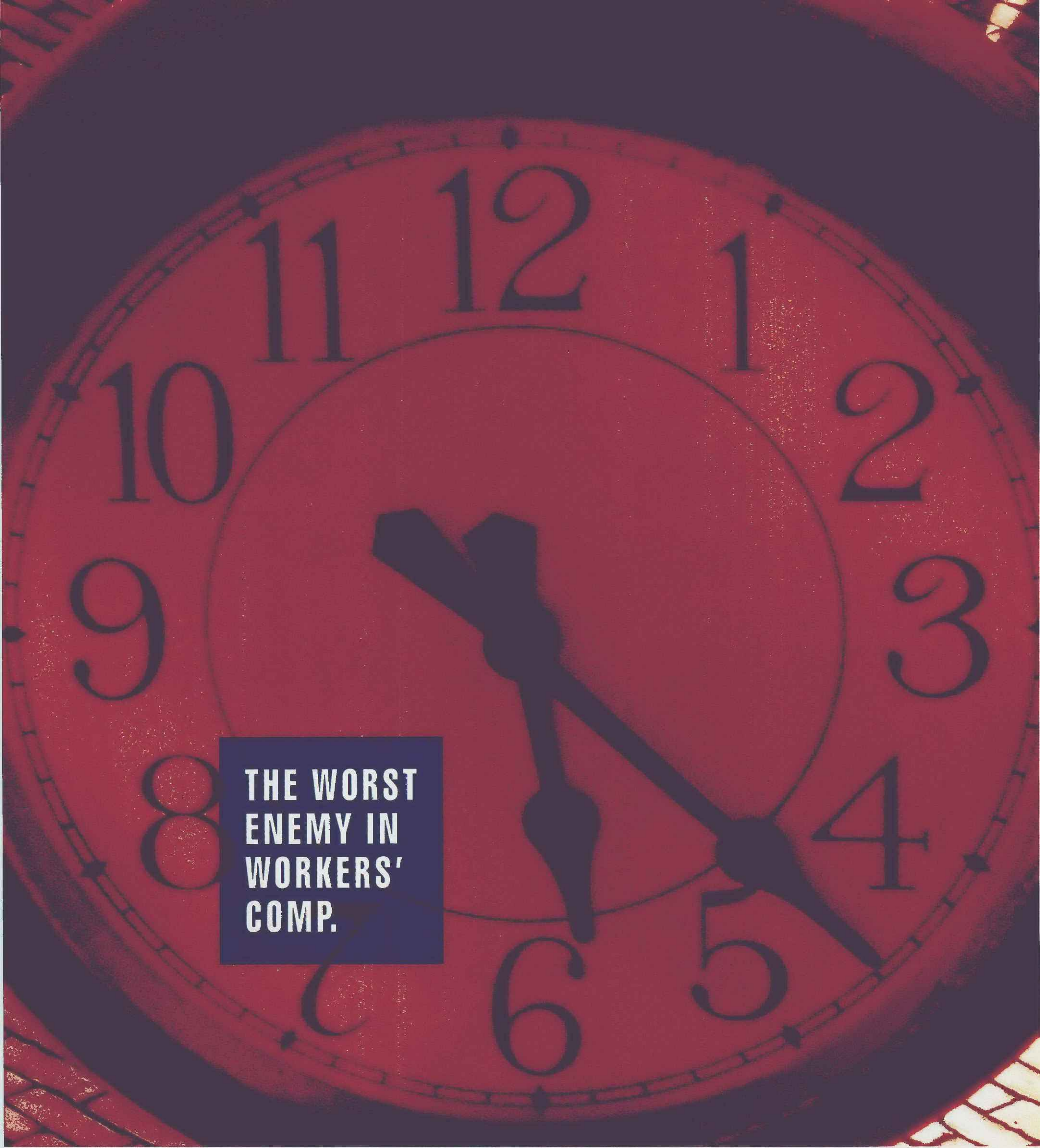
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Warsaw Convention apparently here to stay

By STACY SHAPIRO

LONDON—Although several countries are considering raising the airline liability limits set by the Warsaw Convention, few airlines are expected to follow Japanese airlines' lead and voluntarily abandon the limits.

Not one airline in the past year has followed the Japanese airlines' initiative to provide unlimited liability for deaths of injuries to passengers on international flights in an effort to reduce costly litigation following aviation accidents (*BI*, March 15, 1993).

But the move has prompted U.S. and European regulators to consider new regulations that would increase liability limits in their own jurisdictions by the end of the year.

In the meantime, litigation continues over the \$75,000 per person liability limitation for international carriers flying to and from the United States.

Insurers of Pan American World Airways, for example, are appealing a ruling by a panel of the 2nd U.S. Circuit Court of Appeals that the airline was guilty of willful misconduct for failing to detect a terrorist bomb aboard Flight 103, which exploded over Lockerbie, Scotland, in 1988. Because the court ruled Pan Am engaged in "willful misconduct," rather than mere negligence, the \$75,000 liability cap under the Warsaw Convention does not apply. If the appeal is refused by the full 2nd Circuit, Pan Am will seek Supreme Court review.

Most airlines would rather raise limits of liability than abandon them

A recently disclosed Soviet government report on the downing of a Korean Air Lines Boeing 747 in 1983 also has prompted aviation insurers to seek a retrial on liability to overturn previous decisions that found the airline was guilty of willful misconduct when the airliner drifted into Soviet air space (*BI*, Sept. 12, 1983).

"Ninety percent of the airline litigation in the United States is for one reason only—and that's limitation of liability," said George Tompkins Jr., senior partner for Condon & Forsyth in New York.

The Warsaw limit "fosters litigation. You have to fight the cases where the limitation applies. And if you lose the verdict, the chances of getting it reversed (by the court of appeal) are not very good because of that innate feeling that the limit is too low," he said.

The liability limitation in Article 22(1) of the 1929 Warsaw Convention was once again a major topic at the DYP Group's Ninth Airline Insurance Conference in London last month.

The convention restricts airlines' liability on international flights for death or bodily injury of a passenger, unless it is proved the airline was guilty willful misconduct.

The original limit was about \$8,300 per passenger, with aircraft manufacturers excluded from the liability limit. In 1955, most nations adopted the Hague Protocol, which raised the Warsaw limit to about \$16,600 per passenger.

In 1966, airlines signed the Montreal Agreement, which capped their liability at \$75,000 per passenger on flights to, from and stopping in the United States.

In the early 1970s, another international agreement, the Montreal Protocols, proposed changing the currency on which the Warsaw limits are based to special drawing rights, which are a "basket" of major currencies, instead of the gold franc. That agreement set the limit at 100,000 special drawing rights (\$140,405) per passenger. This limit was adopted by Japan and most European countries, but the United States has so far failed to ratify this agreement.

In addition to the protocols, the U.S. Department of Transportation in 1989 proposed a supplemental compensation plan that would provide U.S. citizens and residents on international flights with unlimited recovery for economic damages, subject to a per-incident, per-aircraft insurance limit of \$500 million (*BI*, March 19, 1990; March 27, 1989).

Last year, the DOT plan was amended to give the secretary of transportation discretion to set the limits.

Few people at the conference believed that U.S. lawmakers will ever ratify the protocols or the supplemental compensation plan.

Mr. Tompkins summed up the sentiment by saying that this legislation "is going nowhere in the Senate."

But a spokesman for the Depart-

ment of Transportation in Washington disagreed. The adoption "looks more favorable now than it has since 1976, when (the protocols) were proposed," he said recently in a phone interview.

The Clinton's administration is on record as supporting legislation to adopt the higher liability limits. It nearly received approval from the Senate last autumn, but airline manufacturers raised some concerns with the measure and it stalled, the spokesman said. It is not on the Senate's agenda at the moment, overshadowed by health care legislation, he conceded. But once it is re-introduced to the Senate, it won't take long to ratify it, the spokesman predicted.

The European Union, meanwhile, is studying the cost implications of adopting higher mandatory compensation limits of between 300,000 to 500,000 European Currency Units (between \$341,340 and \$568,900) from the current 100,000 SDRs (\$140,405), officials said.

A working group of the European Civil Aviation Conference also is investigating whether the proposed increase should be set at 250,000 SDRs (\$351,012).

A spokesman for the European Union in Brussels confirmed that "discussions are under way at the European Union and ECAC to increase mandatory compensation limits." "We'll know more later in the year," he said.

In the meantime, British airlines have been asked their opinion

about voluntarily increasing the limits, said Geoff Atkinson, group lawyer for Monarch Airlines at Luton Airport in England. "We as an airline, while not objecting to the increase, wouldn't seek to push for a change," he said in a later interview. "But we wouldn't be unhappy if the (British) Department of Transportation said it would increase the limit."

The Australian Department of Transport & Communication also has invited comments from the air transport industry on proposals to incrementally increase liability limits to as high as \$750,000 from the current 100,000 SDRs, according to Tomoo Abe, manager-legal affairs for Japan Air Lines Co. Ltd. in Tokyo.

But while governments contemplate raising the Warsaw Convention's liability limits, Japanese airlines have solved the problem by removing the liability limitation on all their flights. The airlines did this quietly in November 1992, but next month they will make it more public by issuing new wording on their tickets in larger type, said Mr. Tomoo.

"Our position remains unchanged; namely, that the waiver of the liability limitation for passenger injury or death by amendment of our conditions of carriage is the most appropriate action to solve the problems arising from the out-of-date liability regime for international carriage under the Warsaw Convention," said Mr. Tomoo.

"Airlines compete with each other. Continued on next page



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Continued from previous page
other day and night to carry more passengers. But their duty is to transport passengers safely to their destination. . . Airlines that really wish to be the 'world's favorite airlines' must give top priority to the customer's interest not only in services they advertise but also in liability conditions they impose upon passengers," he said.

Only 30% of the 10 million Japanese traveling by air annually fly on Japanese airlines, observed Mr. Tomoo. Non-Japanese airlines, therefore, are "urged to give serious consideration immediately to adopting the most favored option, unlimited liability, for the benefit of our precious customers."

"U.S. airlines and most of the airlines in the world, in my humble opinion, should do what the Japanese did. . . just take it out (of the

ticket) for your airline and get on with life," said Mr. Tompkins, the aviation attorney.

But some lawyers disagree.

The Japanese solution "isn't something which I feel is necessarily appropriate for the rest of the world," said Sean Gates, partner for London-based Beaumont & Son. The Japanese waiver brings the script of the law in line with practice in Japan of always settling claims for the price for which is asked, said Mr. Gates. But this is not the case in other parts of the world, he said.

In the meantime, litigation continues in the United States over the \$75,000 per passenger limitation in the Pan Am Lockerbie disaster.

Insurers representing Pan Am and subsidiary Alert Management Systems Inc. continue to fight to reverse a jury verdict that they

showed willful misconduct in allowing a terrorist bomb on board Flight 103 (BI, July 20, 1992; July 13, 1992).

Pan Am's lead underwriter, U.S. Aviation Insurance Group, raised the liability reserve for this disaster to \$471 million from \$90 million following the 2-1 ruling by a panel of the 2nd Circuit upholding the jury verdict (BI, Feb. 21; Feb. 7).

Pan Am on Feb. 28 filed a petition for an "en banc" rehearing of the case by the full eight-person 2nd Circuit.

Pan Am contends that Judge C.J. Platt in the original case did not allow the jury to hear testimony of expert witnesses that would have shown that the airline followed Federal Aviation Administration security rules.

Although two of the three judges on the 2nd Circuit panel ruled that

Pan Am had received a fair trial and dismissed the appeal, the airline is counting on the strength of the dissenting judge's opinion to win a rehearing.

"Writing a dissenting opinion in the instant case is not a pleasant task," wrote 2nd Circuit Judge Van Graafeiland. "My name will be anathema to the hundreds of people who are seeking recoveries probably in excess of \$1 billion. . . However, because I am convinced that Pan Am did not receive a fair trial, I would be shirking my duties as a judge if I did not say so."

The issue of whether an airline was guilty of willful misconduct also is a major factor in litigation arising from the downing of Korean Air Lines Flight 007. Compensation to the families of those killed in 1983, when the KAL jetliner was shot down by Soviet fighter jets,

continues to be fought in U.S. courts.

Damage trials are proceeding and many are being appealed, noted Mr. Tompkins, who represents KAL.

KAL was found guilty of willful misconduct by a jury in 1989 (BI, Aug. 7, 1989). The new Russian government, however, last year published a new report on the downing of the KAL aircraft, which said an earlier Soviet government report into the catastrophe of the jet "was all wrong."

As a result, KAL is asking for the trial to be reopened, which could impact the outstanding damage cases but not the ones that have already been settled, Mr. Tompkins explained.

As a partner at his law firm said to him, "Great work, Tompkins. You might get a trial and lose again." ■

Aviation underwriters say rate hikes needed

By STACY SHAPIRO

LONDON—Aviation insurance underwriters say they want to continue to raise airline hull and liability insurance premiums this year to return to profitability.

However, insurers should take into account an airline's modern equipment and technical expertise—regardless of the nation in which it's based—when setting rates, one airline official says.

Several aviation underwriters called for a continuing hard market in the airline insurance market during the Ninth Annual International Airline Insurance Conference, held March 10-11 in London. The conference, attended by 210

people, was sponsored by Lloyd's of London's Sturge Aviation Syndicate Management Ltd., London law firm Beaumont & Son and New York-based law firm Condon & Forsyth.

Worldwide airline hull and liability insurance rates have been rising since the market hit rock bottom in 1990, when insurers collected only \$350 million in premiums, said Jacques Mercier, managing director of Assurance France Aviation in Paris. Worldwide airline premium volume has been nudging up ever since, reaching a total of \$700 million in 1991 and \$925 million in 1992.

Following another round of hull and liability rate increases last au-

tumn, worldwide airline premium volume reached \$1.5 billion last year, added Hans Sandstrom, senior vp and general manager-aviation for Skandia International in Stockholm, Sweden.

Meanwhile, total worldwide airline hull and liability claims have remained relatively steady. Claims totaled \$910 million in 1990, \$1.26 billion in 1991 and \$1.1 billion in 1992, giving the market overall underwriting losses of \$560 million in both 1990 and 1991 and \$125 million in 1992, said Mr. Mercier.

In 1993, claims totaled \$1.1 billion—\$700 million in hull losses and a "record low" \$400 million in liability losses, according to Mr. Sandstrom.

At first glance, it appears aviation underwriters scored a \$400 million underwriting profit last year, but additional costs skew this number, underwriters say. Thus, aviation insurers should not start lowering aviation rates just yet, they agree.

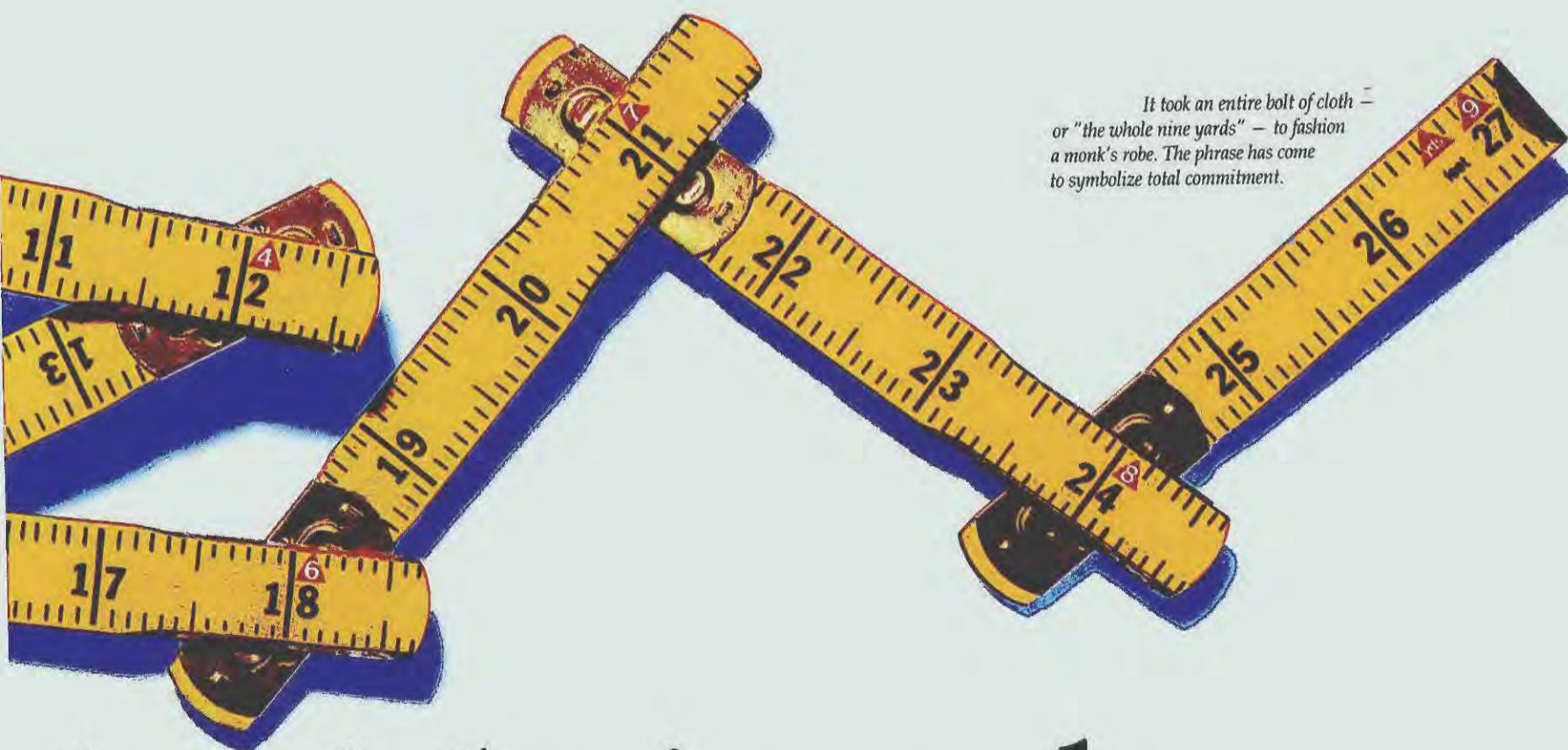
"From an underwriter's perspective, 1993 was successful," said Brian Beagley, senior underwriter for Sturge Aviation. "There's been substantial progress to close the gap (in rates). The back of the problem has been broken and what's now to be achieved is of a less severe nature."

"What is it that underwriters seek? I would suggest one thing only—a profit," he added. "Al-

though 1993 has been a year for underwriters of positive improvement, as insurers we cannot be complacent. We have yet to get to a sound base for our business. We're closer than we were, but we cannot lose sight of the fact that we are constantly chasing a moving target."

Premium volume last year totaled \$1.2 billion, while claims totaled \$1.2 billion, said Mr. Beagley, whose estimates differed from Mr. Sandstrom's and Mr. Mercier's. However, underwriters need a total of \$1.47 billion in premium volume to produce a profit of \$120 million after paying business expenses of \$50 million and adding another

Continued on next page



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Aviation

Continued from previous page
\$100 million to catastrophe reserves, he added.

"If we are to provide a financially sound, high-quality service to our customers, then we have to get the pricing base right," he stated.

Mr. Mercier agreed that aviation underwriters need to increase premiums to avoid landing in the red. Despite last year's rate increases, "we still need more" to provide a stable market.

Mr. Mercier suggested worldwide premium volume should be about \$1.7 billion to produce a profit after expenses. "In summary, we want more premium, we need more premium."

Mr. Sandstrom was even less optimistic. He suggested that overall premium volume must reach at least \$2 billion to ensure that aviation underwriters record a profit in 1994.

"Despite what looks like substantial rate increases (today), the present premium level is definitely still not sufficient to support an underwriting profit—neither for the time being nor for the next 10 years," Mr. Sandstrom said.

However, one airline risk manager took exception to the rates his company is being charged for hull and liability insurance.

Gary Chapman, finance director for Emirates Airlines in Dubai, voiced his concern over unusually expensive hull and liability insurance just because his airline is based in the Middle East.

Emirates purchases its aviation coverage along with other airlines—Saudi Airways, Gulf Air and Kuwait Airways—through an organization called the Gulf Cooperation Council.

After nine years of operation, Emirates now operates 15 aircraft with a hull value of \$1.2 billion, serving 32 destinations and more than 2 million passengers annually, Mr. Chapman said. The four airlines together have a fleet with a combined hull value of \$8.1 billion, which is expected to grow to \$17.6 billion by 1997-1998, he said.

However, underwriters do not treat the members of the GCC in the same way they treat other top-quality air carriers from the Asia Pacific region or from Europe, he said.

"The Middle East carriers appear to be penalized by the underwriters—be it in terms of their acceptability as a quality risk, scope of cover, premium levels, restrictions on limits or simply selective discriminations in difficult market conditions," said Mr. Chapman. "I find this perplexing."

Maybe the reason is a general "stigma" or "bias" that the underwriting community has against the Middle East, envisioning it as a whole region at war and filled with nomads on camels, he said.

However, the GCC airlines have some of the most modern aircraft, technology and training programs in the world, Mr. Chapman noted. And, the massive \$300 million war risk loss reported by Kuwait Airways when Iraq seized several of the airline's jetliners following the Iraqi invasion was an exception, he said, adding that none of the airlines have reported any other hull losses in the past 10 years.

In fact, Dubai does not have to set up security roadblocks around its airport and its airport is not the target of mortar fire, he said, referring to recent Irish Republican Army attacks on London's Heathrow Airport.

Hull war risk premiums have not increased for airlines flying in and

out of Heathrow, even after the IRA attacks, which have caused no damage.

But, Middle East airlines paid huge additional sums in hull war risk premiums during the Gulf War, Mr. Chapman said. "Whilst full credit is due to the underwriters for the very fine support they lent us during the Gulf Crisis by continuing to provide the required levels of insurance cover—please, will they take note?—the crisis is over. In spite of the end of the conflict and a return to normality, it seems the Middle East carriers continue to remain burdened with a disproportionate share of world premiums when, in reality, all nations and carriers are equally susceptible to terrorist attacks.

"The fact remains that, comparatively, Middle East carriers are being unfairly penalized. This is certainly not the value for money Emirates is seeking," he said. ■

Aviation underwriter calls for action

Insurers must play safety role

By STACY SHAPIRO

LONDON—Underwriters can and should take more action to prevent aircraft accidents when planes hit mountains or water during takeoffs and landings, says an aviation insurer executive.

These types of mishaps, known as contro.-flight-into-terrain accidents, "simply should not happen, but in fact they do with some frequency," said John Brennan, chairman and chief executive officer of U.S. Aviation Underwriters Inc., manager of U.S. Aircraft Insurance Group in New York.

"I consider our responsibilities in the area of aviation safety to be very serious and to some extent ne-

glected to date," he told members of the Ninth Annual International Airline Insurance Conference presented by DYP Group Ltd.

CFIT accidents are defined as those in which aircraft fly into terrain or water with no prior awareness by the crew of the impending disaster.

Statistics from Boeing Corp. show that 76 aircraft losses between 1976 and 1993 were caused by this type of incident, said Mr. Brennan.

USAIG data indicates that during the past six years alone there have been 32 CFIT accidents, representing more than 25% of total hull losses and accounting for 21% of the world's airline hull and lia-

bility loss dollars.

"Aside from the terrible loss of life, similar accidents have caused the insurance industry nearly \$1 billion during this six-year period," he said. "More frightening still, these accidents represent more than 41% of the total passenger fatalities and, frankly, the aviation insurance market is doing nothing to prevent them."

To minimize CFIT accidents, Mr. Brennan said more confidence must be placed in aircraft's ground proximity warning systems, which are designed to alert pilots when the plane is getting too close to the ground.

Some airlines and regulatory au-
Continued on next page

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Continued from previous page
 thorties have given little credence to the warning systems, partly because early ground proximity warning equipment was less reliable and occasionally gave false alarms.

But modern ground proximity equipment averages only one false alarm in 5,000 flights, Mr. Brennan said.

Pilots also lack confidence in the equipment. In fact, 17 of the 32 CFIT accidents since 1988 involved aircraft on which a ground proximity warning system was installed but generally ignored by pilots.

Mr. Brennan illustrated this by showing a video of a typical CFIT accident. The audience heard the cockpit tape of the final moments of a Continental Airlines' Flying Tigers Boeing 747 cargo aircraft that crashed one mile from the runway into a mountain en route

to Kuala Lumpur, Malaysia, in 1989. Four crewmen died and all the cargo was lost (*BI*, Feb. 27, 1989).

It was obvious from listening to the video that the crew ignored a repeated warning from the ground proximity system to pull up. That's because even though the crew had been trained in a simulator with a ground proximity warning system, "the instructor advised them to ignore the warnings," Mr. Brennan said. "They didn't react to it. They didn't even have a conversation on it. They had been preconditioned to ignore it."

Some airlines are improving their training to avoid such accidents.

British Airways, for example, "requires the crew to respond to a ground prox alert instinctively unless they have the field in sight (and it's daytime) where the air-

craft is above the minimum safe sector altitude." The airline is also installing state-of-the-art ground proximity equipment on all its aircraft, Mr. Brennan said.

Some governments also are helping to reduce CFIT accidents. The United States, for example, since 1975 has required all major U.S. air carriers to install ground proximity warning equipment on their aircraft. And, as of April 20, all U.S. commercial air carriers with more than 10 passenger seats must install such equipment, he said.

But not all airlines or governments require the ground proximity warning equipment or training that is needed to reduce CFIT mishaps, Mr. Brennan said.

That is why "we, the insurance community, must be more assertive in dealing with this problem," he said.

Aviation insurers have taken in-

itiatives in the past to improve airline safety, like the introduction of seat belts.

"Insurers have to take a more proactive stance in this area of aircraft safety," he said. "We certainly cannot wait for action to be taken by various regulatory agencies."

Mr. Brennan suggested that aviation underwriters ask their airline clients if they require ground proximity warning equipment on their aircraft and what type it is; whether there is a documented procedure for responding to a warning; and whether ground proximity procedures are included in initial and recurrent pilot training.

"In short, we should get back to basics as underwriters, get to know the carriers we insure, encourage the use of the latest safety technology and training programs available, remind everyone that being legal is not necessarily be-

ing safe, promulgate a variety of rating programs that accurately reflect the safety standards of each airline.

"By getting back to basics as aviation underwriters, we can improve the safety record worldwide and support the growth of the aviation industry and maybe make a small profit for our shareholders," Mr. Brennan said. **BI**

EMF

Continued from page 3

moonlight, which is a form of reflected electromagnetic radiation, a form of pollution, contends Mr. Kalis.

"Energy is not pollution," he said. Electromagnetic energy, which is not a solid, liquid or even gaseous material, has no mass.

But insurers never intended for commercial general liability policies to cover liabilities associated with such a ubiquitous substance, counters John Cole, executive vp of Schaumburg, Ill.-based Zurich-American Insurance Group.

"The volume (of underlying EMF claims) is scary," he said, attributing some of the litigation to experts' marketing of "kits to get you started as an EMF practitioner."

He called such emerging tort liability theories "legal creationism."

If courts start awarding damages for EMF exposure, "electromagnetic fields will be the next asbestos," he predicted.

Indeed, "electromagnetic energy litigation threatens to be the next mass tort liability facing American industry," concurred Mr. Kalis.

Since sources of electromagnetic energy range from simple electrical household appliances to overhead power lines and airport radar equipment, "the universe of potential defendants that can be drawn into EMF litigation is larger than the asbestos model," Mr. Kalis said. Only a relative handful of asbestos producers, manufacturers and distributors have been subjected to liability.

So far, insurers have denied coverage for EMF liability claims, using many of the same arguments that were used in other environmental coverage contexts.

But there is a major difference. Most of the people bringing asbestos or other toxic tort suits actually contracted a disease or were otherwise physically harmed. Many of the EMF suits, though, seek damages for mental anguish arising from the fear of contracting an illness.

As a result, most insurers have denied coverage under the bodily injury coverage portion of CGL policies by interpreting "bodily injury" to mean "physical injury."

Such a defense has worked in most courts, but so far policyholders are winning in New York and South Carolina with the argument that bodily injury coverage includes claims for infliction of emotional or mental distress, even if they are not accompanied by physical symptoms.

Policyholders have been more successful in obtaining defense coverage in "fear of injury" cases under the personal injury section of the CGL form, whose wording is broader, said Mr. Kalis.

Policyholders also have been successful in obtaining coverage under the property damage section of the CGL form in cases in which plaintiffs have sought damages for their property's reduced value because of EMF exposure and the public's fear of purchasing property exposed to the risk (*BI*, Oct. 18, 1993). **BI**

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Don't pick arbitrators arbitrarily, attorney says

By JOANNE WOJCIK

TUCSON, Ariz.—To ensure fair treatment in foreign arbitration proceedings, U.S. policyholders should carefully select the arbitrator, an international coverage

ABA

expert advises. While U.S. policyholders are entitled to a fair hearing against Lloyd's of London underwriters in London or Bermudian companies in Bermuda,

practical experience may not prove this out, according to Nigel Rawding, a partner with the London law firm Freshfields.

"There are three potential sources of unfairness in arbitrating in such circumstances," he

told a group of U.S. lawyers attending a coverage litigation seminar last month sponsored by the American Bar Assn. in Tucson.

"First, the country where the arbitration is held may have rules of law or procedure which discriminate against foreign parties," he said.

"Secondly, the person or persons appointed to determine the dispute may exhibit a predisposition in favor of the local party," he continued.

"Thirdly, the lack of familiarity with the local rules of law and procedure may result in the foreign party being, or at least feeling, at a tactical disadvantage."

Fortunately, U.S. policyholders have some ammunition that can help them ensure fairness in arbitration proceedings held in for-

eign countries, according to Mr. Rawding.

"The means of achieving a fair hearing of a dispute are, to a large extent, in the policyholder's own hands," he said. "In particular, much depends upon the choice of arbitrators."

"Most international arbitration clauses provide for a choice of arbitrator by the parties involved in the dispute," Mr. Rawding pointed out.

The choice of arbitrator will depend not only on the governing law of the contract or the likely procedural rules but also may depend upon the very specific nature of the dispute and the case the parties wish to advance, according to Mr. Rawding.

For example, a policyholder may not want to nominate a "black letter" lawyer who might adopt a very strict approach to the

Continued on next page

Forum shopping can be a tricky case

By JOANNE WOJCIK

TUCSON, Ariz.—Although insurers and policyholders usually engage in forum shopping while attempting to resolve coverage

ABA

disputes, there is no guarantee the state that eventually is selected to hear a case will apply its own laws, a coverage litigator warns.

While as a policyholder attorney, "I never want to be in New York or Michigan, just as insurer attorneys never want to be in California, the question is not which states are favorable," said Stephen N. Goldberg, a partner in the San Francisco office of Heller, Ehrman, White & McAuliffe.

"The law changes daily or weekly," he said, adding that "the coverage picture differs depending on the facts of the case."

Instead of arguing over venue, policyholder and insurer attorneys instead should try to influence the state law that is applied, Mr. Goldberg advised lawyers attending a coverage litigation seminar last month in Tucson sponsored by the American Bar Assn.

"Where there's a choice of law, there's no guarantee that the state will apply its own law," he explained.

For example, "a Texas court is more likely to apply Texas law to any claims related to Texas," but that is not necessarily the case in California, said Bob Allen, a partner with the Dallas firm of Vial, Hamilton, Koch & Knox.

Still, forum shopping is a "full-contact sport" in some jurisdictions, because "a carrier, as a defendant, may have the upper hand if it can articulate the reasons why a particular case should be heard in its state," he explained.

During a panel discussion on the popular venues for coverage litigation, Mr. Goldberg outlined seven criteria that can be used to select a favorable venue in a pollution coverage case:

- What is the court's stand on the issue of whether the costs of complying with a government cleanup order are "damages" under the terms of a standard commercial general liability policy form?

- What is the court's position on whether claims by the state or federal government arising out of environmental contamination are "property damage?"

- What coverage trigger has been applied in the venue?

- How have the courts defined "neither expected nor intended?"

- How have the courts defined "sudden and accidental" in post-1970 CGL policies?

- How have the courts interpreted the "owned property" exclusion?

- What is the scope of insurers' duty to defend in the venue?

For example, the California Supreme Court has held that natural resource damages are "damages" as defined in the CGL policy despite insurers' arguments to the contrary, making it a favorable venue for policyholders seeking coverage to pay for government-

ordered environmental cleanups.

California courts likewise have found that the insurer owes a duty to defend its policyholders against environmental remediation and other suits as long as it appears that the insured has a potential of facing liability for any covered damages.

However, the state thus far has steered a middle ground in interpreting the words "sudden and

accidental" in the pollution exclusion, Mr. Goldberg said.

"They have read the 'sudden and accidental' language to mean 'abrupt' and 'unexpected,'" he said.

"But there are ways around it," Mr. Goldberg noted, pointing out the pro-policyholder jury verdict in a coverage case involving Purex Industries Inc. (BI, April 19, 1993). **BI**



Reliance Re underwrites through Reliance Insurance Company

Keep insurers out of mass tort deals: Attorney

By JOANNE WOJCIK

TUCSON, Ariz.—Insurers should not be directly involved in negotiations of mass tort class action settlements, especially in cases involving multiple insurers that already have denied coverage, a policyholder attorney asserts.

When insurers deny coverage, they usually mean one of two things, according to Scott Gilbert, a partner with Washington, D.C.-based Covington & Burling.

"They are heavily reinsured and are likely to have trouble collecting with their reinsurers if they agree to settle," he said.

Or, they are concerned that set-

ting with one policyholder will force them to pay similar claims by other policyholders, Mr. Gilbert said.

Insurers likely are asking themselves, "What precedential effect will this have?" Mr. Gilbert told a group of attorneys attending a coverage litigation seminar held last month and sponsored by the American Bar Assn.

It is preferable for the policyholder to reach an agreement on coverage before entering into a mass tort settlement, he said.

But "if that's not possible, then policyholders should make the settlement contingent on coverage," or at least on such issues as the likely trigger of coverage, Mr. Gilbert advised.

The Center for Claims Resolu-

tion asbestos class action settlement contained just such an agreement, according to Mr. Gilbert, who had a hand in negotiating that agreement.

"We received acquiescence letters from some carriers and filed for arbitration on others," he said.

Under the CCR settlement reached in the late 1980s, the policyholder has 10 years to settle its coverage litigation with its insurers.

Therefore, "if there's no resolution, the settlement will crater," Mr. Gilbert said.

Although Mr. Gilbert advocates reaching some sort of a handshake agreement with insurers prior to completing a class action settlement, he is less enthused about their participation in negotiations

leading to a settlement.

While it may be desirable to involve insurers directly in negotiations in cases like that of Fibreboard Corp., which involved only

"In the context of most class-action settlements, the direct involvement of insurers in the negotiation process is entirely impractical and highly undesirable," he

'In the context of most class-action settlements, the direct involvement of insurers in the negotiation process is entirely impractical and highly undesirable,' according to policyholder attorney Scott Gilbert.

two relevant insurers, "it's a bad idea to involve insurers directly in negotiations in cases involving multiple layers of insurers," Mr. Gilbert said.

said.

"This is particularly so in class-action settlements involving multiple defendants with a large number of insurers in different layers of coverage, many of which will have denied coverage or reserved their rights in connection with the underlying tort litigation," he continued.

Mr. Gilbert outlined the following approach for dealing with insurers in complicated mass tort class-action settlement proceedings:

- Separate the basic coverage issues, such as trigger and scope, from the settlement-related issues of defendant liability-sharing and insurer involvement.

- Condition the settlement on the affirmative resolution, by agreement or adjudication, of all settlement-related coverage issues with all relevant insurers.

- Pursue, in a third-party action within the underlying class-action proceedings, those relevant insurers that have not agreed to an affirmative resolution of all settlement-related coverage issues.

- Pursue, in a third-party action or otherwise, relevant insurers on basic coverage issues.

"Such an approach provides insurers with an opportunity to be heard on the underlying class-action settlement, increases the likelihood of an expeditious and successful coverage litigation outcome, and also increases the likelihood of negotiated settlement of coverage issues," according to Mr. Gilbert. **BI**

Arbitrators

Continued from previous page construction of the policy language, he explained.

Mr. Rawding suggested the employment of the three "I's" in selecting an arbitrator: Integrity, Impartiality and Independence. "It is a fundamental principle of arbitration that an arbitrator must be, and remain, impartial and independent of the parties."

He pointed out that "the concepts of independence and impartiality are separate and distinct: The first is concerned with the absence of any relationship between an arbitrator and one of the parties, whether financial or otherwise, and the second may be concerned with the bias of an arbitrator in favor of one party or against another."

Under most institutional arbitration systems, such as those used by the International Chamber of Commerce and the London Court of International Arbitration, the administrative body supervising the arbitration has the right to refuse to appoint a party's nominee if it determines that the proposed arbitrator is biased, according to Mr. Rawding. **BI**



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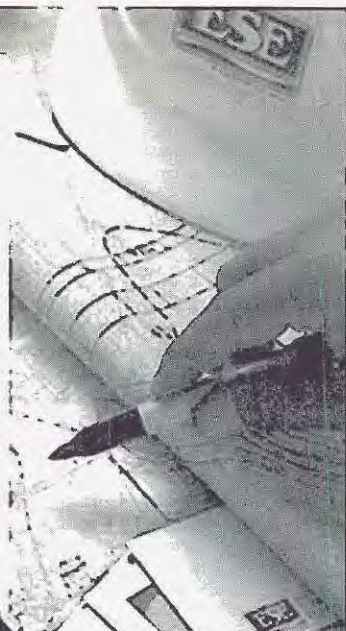
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Coverage mandate would raise costs for employers: Study

By LOUISE KERTESZ

SAN FRANCISCO—Mandating employer-provided medical benefits for all California employees and their dependents would add nearly \$17 billion to the cost of group health care plans in 1994.

That would boost the total cost of employer-sponsored medical plans in the state to \$50.1 billion, a 50% increase from the current \$33.4 billion, said Gregory Johnson, a principal at benefit consultant William M. Mercer Inc. in San Francisco.

These findings are part of the first study based on a comprehensive employee benefits data base developed by Mercer for the California Workers Compensation Institute to analyze 24-hour coverage proposals.

The data base was developed after a CWCI report on 24-hour coverage proposals "concluded that a lack of reliable, quantitative data—information that policy-makers and interest groups could use to evaluate differing and disparate proposals—hampered constructive debate on 24-hour coverage" (BI, April 5, 1993).

The data base comprises more than 600,000 pieces of information, including employee population, payroll, and details on private and public health care plans, workers comp, state disability insurance and other benefit programs for 915 employer categories.

The data base was first used to study the possible effects of mandated medical benefits because "most 24-hour coverage proposals start with the proposition—explicitly or implicitly—that all employees would be provided medical benefits for non-occupational injuries and illnesses," the CWCI said.

Mandating medical coverage for all employees and their dependents would boost costs to as much as 13.9% of payroll, compared with the current 9.3%, the study said.

The additional costs under mandatory coverage include medical expenses now paid by workers and payments absorbed by the system or by taxpayers for the uninsured. Mandating coverage "would shift these costs to California employers and, depending upon premium-sharing arrangements, to workers," Mercer's Mr. Johnson explained.

The cost of mandatory employer-sponsored medical care would vary considerably by industry and employer size.

For example, costs would increase by 12% for companies with more than 5,000 employees, the study found. Costs for small businesses—those with fewer than 20 employees—would increase a whopping 220% to \$11.5 billion from a projected \$3.6 billion in 1994.

Industries dominated by small firms and those with large numbers of part-time workers would see the following cost increases, the study said: 225% in agriculture; 153% in retail trade; and 132% in the service industries.

There would be little or no increase for the mining, manufacturing and government sectors, where coverage is now common.

Costs to workers would vary, depending on premium-sharing arrangements, deductible levels and other variables.

The projected cost increase to employers and employees of mandating medical coverage could be offset by about \$2.8 billion if the funds for public medical assistance, which draw on income and other taxes, were reduced.

As the insured population increases, other savings would result. For example, medical providers would no longer transfer to other consumers almost \$5.1 billion

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Continued on next page

Information gathered from the data base will identify 'who wins and who loses' in a merged health care system and will provide fodder for public policy analysis, says William Molmen, the CWCI's general counsel.

Continued from previous page
 lion a year in unreimbursed medical expenses, the study said.

"If these potential savings are realized, and if dependents who are currently not covered are excluded from the mandate, the net additional increase could be as low as \$6 billion and the total statewide cost would be \$40 billion—20% more than the current expense of employee medical coverage."

According to the study, the \$50.1 billion cost estimate is based on the following assumptions, among others:

- All employers would be required to provide group medical coverage to all employees, including part-time workers.

- Average monthly charges of \$242 for single employees and \$532 for family coverage, which are based on the projected costs of current benefits.

- Enrollment distribution—among HMOs, PPOs, fee-for-service and other plans—would be similar to current distribution.

- Employees now receiving medical treatment from public health programs are worse health risks and will continue to be so. Therefore, premiums for these employees were estimated at 25% more than current fee-for-service charges.

- Employees who are uninsured now will not make a greater demand on services once they are insured under mandated coverage.

Among other findings, the study found that group medical coverage is most prevalent among companies with at least 5,000 workers. "The proportion of larger firms providing coverage is half again the percentage covered by businesses with fewer than 20 employees."

Coverage is most common in five industries: mining, manufacturing, transportation, finance and government.

By contrast, only 56% of employees in service industries and less than half of all agricultural workers have employer-sponsored medical coverage.

More than 80%, or \$27.6 billion, of the projected 1994 costs of employer-sponsored medical plans covering California employees and their dependents is paid on behalf of employees and their non-working dependents. The balance, \$5.8 billion, pays for benefits for dependents who work for other businesses, which is "an example of the subsidies that occur under medical coverage as currently structured," the study said.

The working dependents subsidized generally work in the retail and service industries, the study said.

Continuing to draw on the data base, the CWCI later this spring will release information on the costs and savings of "merging all medical coverage—the medical component of workers compensation with employer-provided group insurance—into a single uniform program."

This information will identify "who wins and who loses" in a merged system and will provide fodder for public policy analysis, William Molmen, CWCI's general counsel, said at the San Francisco-based organization's annual

meeting last month.

Also to be released later this year are the results of combining employment-based disability benefits—workers comp, group disability and state disability insurance, he said.

Copies of the study projecting the cost of mandated coverage and describing the data base are available for \$50 from the California Workers Compensation Institute, 120 Montgomery, Suite 1300, San Francisco, Calif. 94104.

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Comings & Goings: Industry

LaSalle Re Ltd. taps Blake to be chairman and CEO

Victor H. Blake has been named the new chairman and chief executive officer of Bermuda catastrophe reinsurer LaSalle Re Ltd.

Mr. Blake succeeds William J. Adamson, who has served as chairman of LRL since its was formed in November by CNA Insurance Cos., Aon Corp. and Corporate Partners, an investment fund.

Mr. Adamson will continue as a director of LRL and president of CNA (Bermuda) Services Ltd. In addition, Mr. Blake will continue to serve as chairman and CEO of

CNA International Reinsurance Co. Ltd. in London.

Mr. Blake also was named chairman and CEO of a new management group overseeing reinsurance operations within CNA. Mr. Adamson will serve as president and chief operating officer of the reinsurance group.

In other reinsurance changes: James H. Veghte appointed to the new position of vp/underwriter at Mid Ocean Reinsurance Co. Ltd. in Hamilton, Bermuda.

John R. Buckwalter named vp-treaty casualty underwriting at Prudential Reinsurance Co., the Newark, N.J.-based subsidiary of The Prudential Insurance Co. of America. Also at Prudential, Patricia A. Constance named vp-underwriting-direct treaty operations and Kirk G. Fleming named vp-actuarial.

F&G Re Inc., the Morristown, N.J.-based reinsurance unit of United States Fidelity & Guaranty Co., announced several appointments: Thomas Angle named vp in the actuarial unit; Douglas B. Morrison named vp in the property underwriting unit; and Jeffrey O. Smith named vp in the financial underwriting unit.

Alfred H. Anderson Jr. named vp-domestic insurance company operations at American Re-Insurance Co. in Princeton, N.J. Also at American Re, Paul E. Riley named vp in the financial services division.

Insurers

Thomas R. Savage has been named president of AIG Financial Products Corp., succeeding Petros Sabatacakis, who will remain senior vp-financial services for parent American International Group Inc.

Sheldon Rosenberg named senior vp at The Continental Corp. in New York.

John J. Kelly named senior vp-commercial division at The Hartford Steam Boiler Inspection & Insurance Co. in Hartford, Conn. Also at Hartford Steam Boiler, R. Kevin Price named senior vp and corporate secretary and Robert C. Walker named senior vp-claims division.

Allendale Mutual Insurance Co. named several appointments in Johnston, R.I.: Robert E. Bean named senior vp-staff underwriting and reinsurance; Robert R. Gardner named senior vp-finance and treasurer; and Darrell R. May named senior vp-information services.

Robert J. Nelson named senior vp-claims and director of Ranger Insurance Co. in Houston.

Frank Ceraolo named senior vp and Southern California division manager of California Compensation Insurance Co. in Novato.

Gregory E. Murphy named senior vp at Selective Insurance Group Inc. in Branchville, N.J.

Kay Suchomel named executive vp and member of the board of directors at Associated International Insurance Co. in Woodland Hills, Calif.

Empire Blue Cross & Blue Shield appointed several new executives: Ramesh Punwani named senior vp-finance and chief financial officer; Daniel Donohue named senior vp-large accounts;

Continued on next page

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AUDITED RESULTS FOR THE YEAR ENDED DECEMBER 31, 1993

	1993	1992 (restated)
	£m	£m
Gross written premiums	226.5	235.4
Net written premiums	164.4	135.9
Operating profit (loss) after taxation	18.1	(28.7)
Total assets	767.2	696.5
Shareholders' funds	107.6	81.9
Solvency margin (shareholders' funds / net written premiums)	65%	60%

Terra Nova returned to profit in 1993 due to a strong recovery in underwriting results and a continuation of the excellent investment performance of recent years. Non marine underwriting generated a profit before tax of £16.3 million including attributable investment income while marine produced a loss of £0.8million, although the 1993 marine accident year was profitable. The Company has adopted the annual "accident year" basis of accounting rather than the three year "underwriting year" basis applied hitherto in order to align more closely with US public reporting requirements. The comparative figures for 1992 have been restated accordingly.

HIGHLIGHTS OF 1993 RESULTS

- Shareholders' funds increased by 31%
- Operating profit of £27 million before tax (1992, £43 million loss). Operating profit excluding discontinued aviation business was £43 million before tax
- Underwriting profit of £15 million before tax from continuing business including attributable investment income (1992, £28 million loss)
- Investment income totalled £33 million as invested assets grew by £105 million to £607 million
- Cash flow from operating activities totalled £51 million (1992, £18 million)
- Realised gains on investments were £21 million (1992, £19 million)

March 22, 1994

Continued from previous page

Patricia Minicucci named senior vp-managed care; and **Thomas Cobb** named senior vp-marketing and consumer relations.

William H. Mowat named executive vp and chief financial officer at New York Life Worldwide Holding Inc., a subsidiary of New York Life Insurance Co. In addition, **Michael J. Pisani** named vp and general counsel.

David T. Akers named vp-Eastern commercial division at Reliance Surety Co., a Philadelphia-based subsidiary of Reliance Group Holdings Inc.

Wayne D. Butz named executive vp, chief operating officer and actuary at Harleysville Life Insurance Co. in Harleysville, Pa.

Agents/brokers

Wallace E. Winter named chairman and chief executive officer of Intere Intermediaries Inc., the New York-based reinsurance brokerage unit of Minet Group P.L.C. **Daniel Colello**, formerly president and CEO of Intere, resigned and has joined Towers Perrin Reinsurance as senior vp.

Michael S. Mullen current chairman, president and CEO of K&K Insurance Group has been named chairman and CEO of SLE Worldwide, the sports, leisure and entertainment holding company of Aon Risk Services Inc. **Frank A. Powers**, current chairman, president and CEO of Aon Entertainment Ltd., named president and chief operating officer of SLE Worldwide.

Alice Tak-Hing Chan named manager of Johnson & Higgins' representative office in Beijing.

Stephen Asaro named vp-brokerage and risk management services for Johnson & Higgins in Costa Mesa, Calif. **Kris Davis** named vp and property practice leader.

Raymond A. Pomante named executive vp and chief operating officer of Hogg Robinson of Pennsylvania Inc. in Bala Cynwyd, Pa.

Gail H. Murrell joined Rollins Hudig Hall of Northern California Inc. Insurance Services as a vp.

George E. Poe named senior vp of Sedgwick James of Mississippi Inc.

Joseph M. Cardamone named president of the American Highways Insurance Agency, the Claremont, Calif.-based subsidiary of National Interstate Co.

Timothy J. Higgins joined The Lockton Cos. as vp-international operations in Kansas City, Mo.

George J. Biehl Jr. named senior vp and branch manager of the newly opened Chicago office of reinsurance broker G.J. Sullivan Co.

Mary J. Faiman named vp at Woodruff-Sawyer & Co., a San Francisco-based broker.

Other suppliers

Robert A. Brian joined the Boston property/casualty consulting practice of Milliman & Robertson Inc. Previously, Mr. Brian was a senior vp of Conning & Co.

Santhanam "Slim" Shekar joined the Alexander & Alexander Consulting Group Inc. as director of its West Coast organizational effectiveness practice in San Francisco.

Sally Jo Kucharczyk named national vp-workers compensation and property/casualty for CoreSource Inc., a Northbrook, Ill.-based health care and workers comp management company.

Gregory A. Maciag named president of Agency-Company Organization for Research and Development—ACORD—in Pearl River,

N.Y. Mr. Maciag succeeds Robert E. Merriman, who is retiring.

Victoria France named vp in the Los Angeles office of Fine Arts Risk Management Inc., a unit of Near North National Group.

Kenneth J. Schueler and **Elise M. Mauldin** named vps and regional managers-claims services for the Schaumburg, Ill., and Mahwah, N.J., offices of Crawford & Co., the Atlanta-based provider of claims, risk management, risk control and health care management services.

Dennis A. Baker, formerly senior consultant and practice leader at Coopers & Lybrand, joined Buck Consultants Inc. as a principal and benefit consultant in New York. Also at Buck Consultants, **C.J. Kim** joined as a consulting actuary. Previously, Mr. Kim was senior vp and actuarial consultant with D&B Pension Plan Services. **BI**

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Scaling back 'basic plan' could move reform forward

By MARK A. HOFMANN

WASHINGTON—The Clinton administration should scale back the basic package of benefits contained in its health care reform legislation, an actuarial group says.

"If the American public is not willing to pay the cost of a benefit package as rich as the Clinton administration's proposal, a leaner, lower premium package with basic safety-net coverage is an initial alternative. It's easier and less risky to enrich lean benefits after cost-saving goals have been achieved than to reduce rich benefits if the cost-saving goals are not being achieved," according to

a report released last week by the American Academy of Actuaries' Guaranteed Standard Benefit Package Work Group.

Offering a less expansive benefits package was one of five recommendations that the work group said would improve the administration's package.

The other recommendations were:

- Offer a "pure" health maintenance organization plan without out-of-network coverage except for emergencies as part of the basic package.

- Offer an alternative point-of-service plan with higher out-of-network cost-sharing provisions than currently required in the so-called "combination" plan in the administration's proposal. The combination plan is designed somewhat like a preferred provider organization.

- Modify the administration's combination plan so that cost-sharing provisions are consistent with those of the most popular PPOs.

- Require higher copayments for prescription drugs so that out-of-network cost-sharing is

Lean benefits can be enriched after cost-saving goals have been achieved, the report says.

higher than in-network cost-sharing. Higher copayments would encourage the use of generic drugs and thus help contain costs.

"PPO plans are generally leaner than the president's proposal," said Julia T. Philips, a consulting actuary with Milliman & Robertson Inc. in Minneapolis and chairwoman of the 10-member work group. She said the administration package is "richer" than it should be, adding that it appears to be "deliberately planned to be appealing."

Ms. Philips also questioned the wisdom of putting mental health benefits in the basic package. Defining medical necessity in mental health "is very difficult," as is measuring results for mental health treatments, she said.

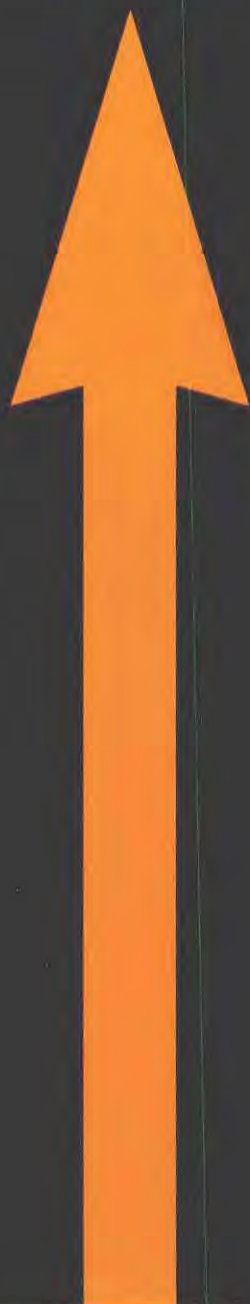
The work group analyzed only the standard benefit package offered under the Clinton plan because other health care reform proposals circulating in Congress are not as specific about the benefits they would include, Ms. Philips said.

She also said that whatever health care reform package is adopted should contain "built-in" flexibility. The law should allow a national board or other authority to make some changes in benefits without having to do so through new legislation, she said.

The Washington-based actuarial association also plans to release its cost estimates for the Clinton administration's plan in the near future.

Free single copies of "Actuarial Issues Involved in Evaluating a Guaranteed Benefit Standard Package Under Health Care Reform" (Monograph No. 5) are available from the American Academy of Actuaries, 1720 I St. N.W., Seventh Floor, Washington, D.C. 20006.

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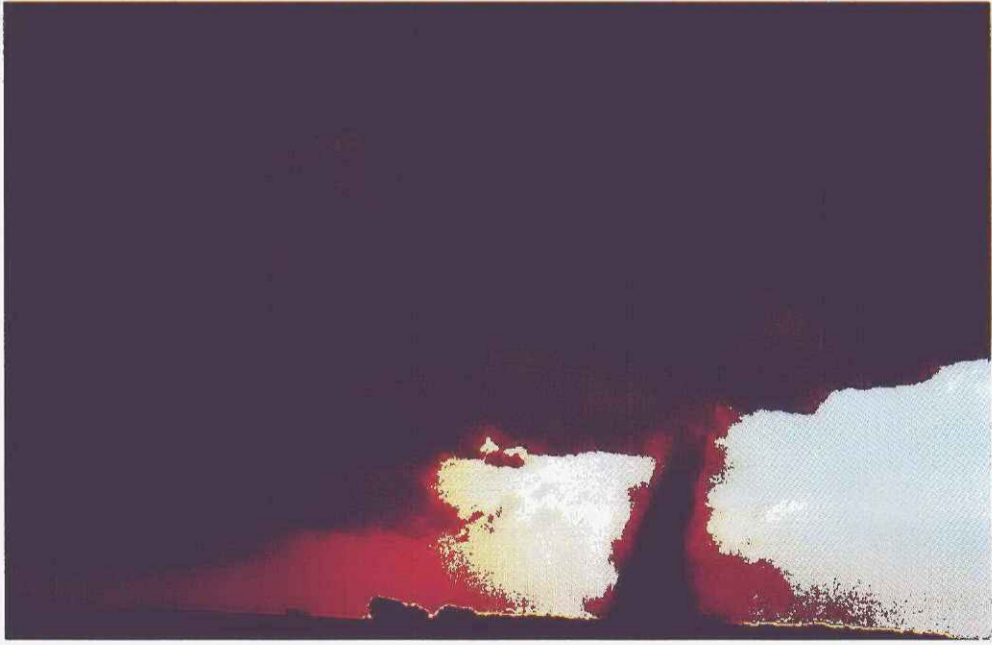
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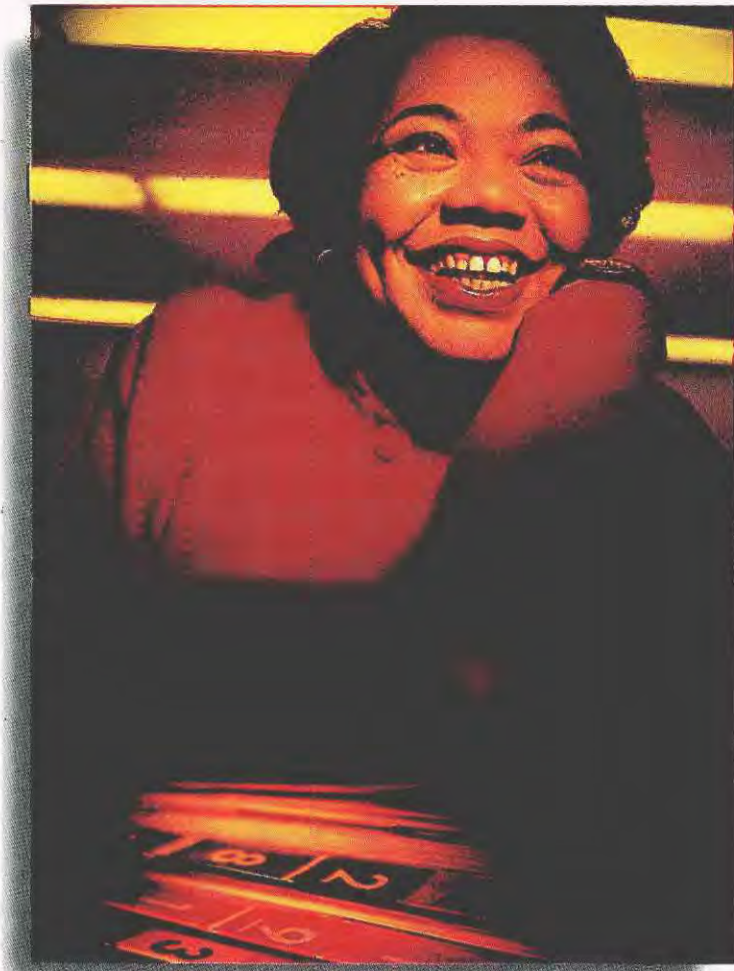
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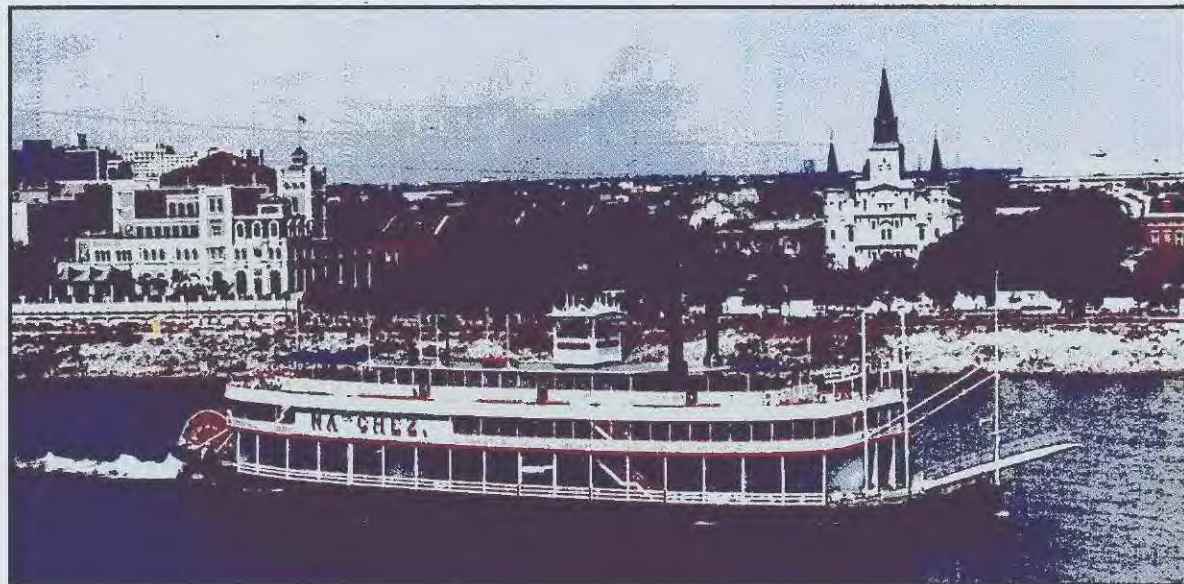
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RIMS conference offers more educational, networking options



The Crescent City welcomes the 32nd annual RIMS conference.

Wednesday schedule is the "Brown Bag" luncheon/discussion. Tables at this informal lunch will have designated discussion topics. Registrants will enjoy boxed lunches while sharing information and ideas on a subject of their choice (see story, page T34). The "Brown Bag" session provides another opportunity for networking and adds 90 minutes of learning time to this year's conference.

In total, 1994 RIMS conference registrants can select from more than 40 industry sessions and 138 educational sessions in eight subject categories.

During the planning process, the program committee reviewed more than 1,100 suggestion forms completed by attendees at last year's conference, most of them suggesting program topics.

Among the sessions that reflect

issues currently in the news and at the forefront of risk managers' current concerns are: RK222, "NAFTA-Impact on Risk Management Programs," to be held from 8:30-10 a.m. on Wednesday; EB208, "Health Care Reform and the Rest of Your Benefit Package," to be held from 2-4 p.m. on Tuesday; EB210, "The Implications of Health Reform for Multistate Employers," to be held from 9-11 a.m. Thursday; and IN200, "Lloyd's and the London Market—Impact on Your Renewal," to be held 9-11 a.m. on Friday.

Prior to the opening of the educational sessions, the keynote speech will be delivered Monday morning, following the annual membership meeting, by Jane Fulton, a Canadian expert in management of health care programs and facilities.

Ms. Fulton is an associate professor of strategic management and ethics at the University of Ottawa and has consulted in management of health care programs and facilities for 20 years. She recently assisted in an audit of medical and rehabilitation programs at the Workers' Compensation Board of British Columbia and helped develop the first regional health board in that province.

She hosts a Canadian radio show called "Health Watch" and appeared in the Public Broadcasting System television special, "Condition Critical," with Phil Donahue. Ms. Fulton has written a book called "Canada's Health System: Bordering on the Possible" and is co-author of "Health Care in Canada." She serves on the faculty of the Banff Centre of Advanced

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Cover by
Diana Bush

Think of the 32nd annual conference of the Risk & Insurance Management Society Inc. as something of a learning lab.

The focus of this experiment in continuing education is Wednesday, Day Three of the conference that runs April 17-22 at the Ernest N. Morial Convention Center in New Orleans.

In developing this year's program, "we were interested in creating a new learning environment or new ways to learn," said Barbara Parker, RIMS director of conferences. So on Wednesday, the traditional options of two-hour sessions or full-day workshops will be largely abandoned, and registrants will select mainly from 1½ hour sessions and three-hour workshops.

The 90-minute sessions on Wednesday are designed to zero in on more specific topics than the two-hour sessions. The three-hour workshops offer an opportunity to delve into a subject more deeply in a format that allows more interaction among participants and workshop leaders. And, with the opportunity to select two 90-minute sessions in the morning and two 90-minute sessions in the afternoon, or to attend two workshops during the day, registrants can learn about a greater number of topics.

"We've provided membership with a lot more variety than they had before," said Susan Meltzer, chairwoman of the 11-member program committee.

Ms. Meltzer, associate director of risk and insurance at Bell Canada in Toronto, said that more senior-level risk managers in particular should find that the new Wednesday formats make the educational offerings at this year's conference more valuable.

Another innovation on the

A guide to the best bets in the Big Easy

With a little planning, tourists can discover the many facets of this lively, colorful city

Natives say the best way to see the French Quarter is by horse-drawn carriage.

After all, that's how the architects who designed the wrought-iron balconies and hidden courtyards traveled.

Plenty of entrepreneurs still gather near the Cafe du Monde to take you on that carriage ride, but don't miss the opportunity to explore passages like Pirate's Alley and Wilk Row at your own pace.

Even so, wandering the streets of the French Quarter is only part of New Orleans' charm. With some planning and foresight, you can enjoy the city beyond the antique shops and tacky bars, while still luxuriating in the laid-back pace of the place.

Here are a few suggestions for your itinerary:

A guided walking tour will help you get oriented, learn the history of the buildings and give you an idea of what to look for in your own explorations.

The stately mansions of the Garden District rival the French Quarter townhomes in architectural interest and are a short streetcar ride away.

The Louisiana State Museum and the National Park Service offer insight into the history of the region and its people. The New Orleans Museum of Art boasts

an excellent collection of French and American works and is a gateway to City Park, one of the attractions most overlooked by tourists.

There's no better way to appreciate the great Mississippi River's contribution to New Orleans' development than by riding on it yourself and witnessing the endless industry it supports.

To experience the native wildlife, head to the Audubon Zoo, Aquarium of the Americas or one of the nearby bayous for a guided tour of the swamps.

Because New Orleans is so compact, any of those attractions can be enjoyed in a free morning or afternoon.

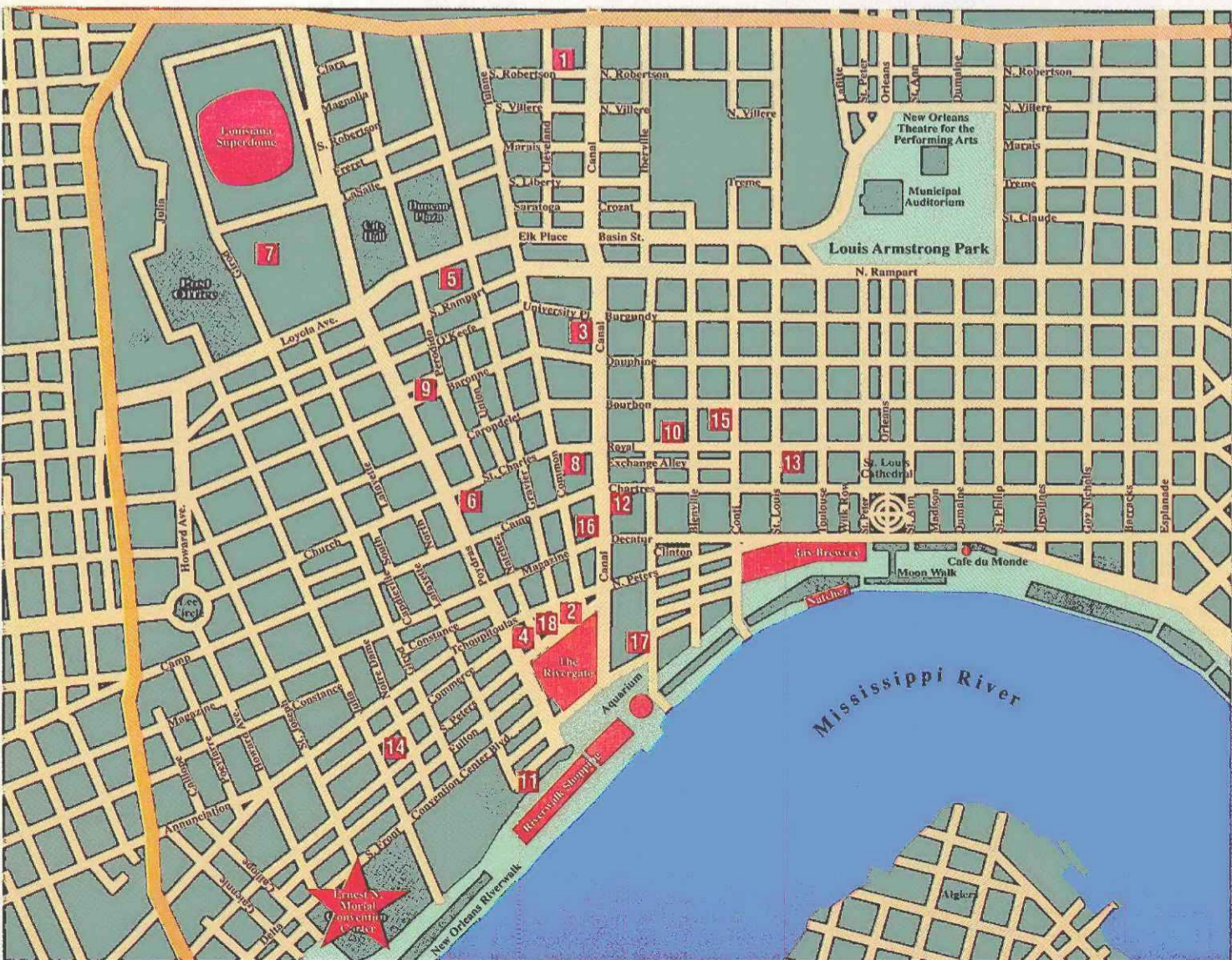
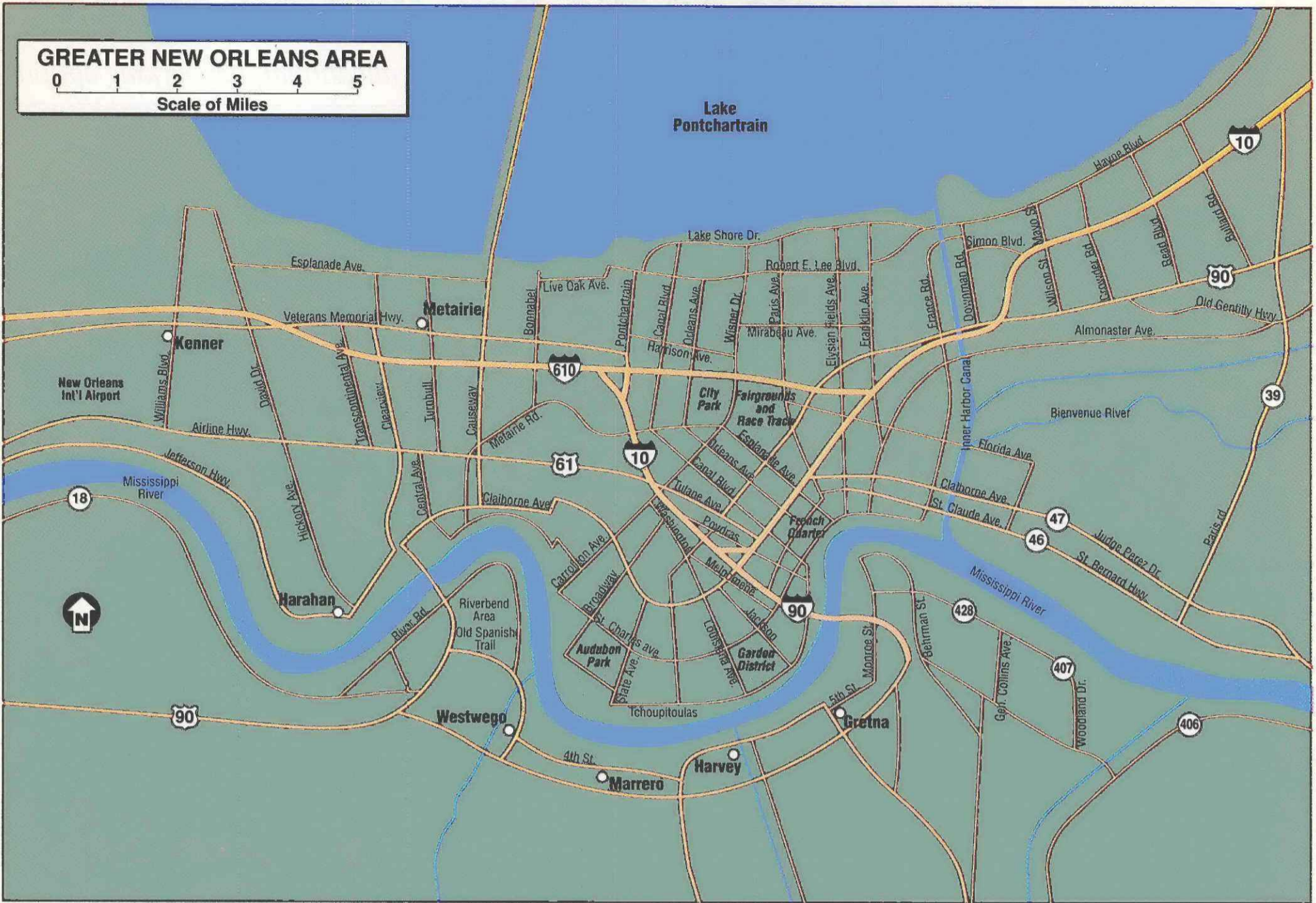
Business Insurance has reorganized its travel coverage in the Risk & Insurance Management Society Inc. conference preview issue this year. Using the theme "Five by Five," the section features articles on five tours, five places to shop, five bars, five trendy restaurants and five classic New Orleans restaurants.

Where appropriate, we note changes since the last time RIMS met in New Orleans in 1991, such as the reopening of the Cabildo, the expansion of the New Orleans Museum of Art and the advent of legalized gambling in Louisiana.

We hope the section will be useful and informative. And we hope it helps you head home with more than a hurricane glass, T-shirts and 10 extra pounds. **BI**



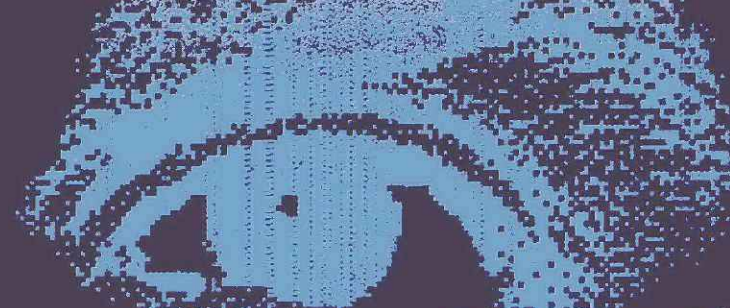
Photo by Jeanne Bartels



Public buildings	Parks
Points of interest	Expressway

Hotel locations:

- 1** Days Inn—Canal
- 2** Doubletree Hotel
- 3** Fairmont Hotel
- 4** Holiday Inn Crowne Plaza
- 5** Holiday Inn Superdome
- 6** Hotel Inter-Continental
- 7** Hyatt Regency New Orleans
- 8** Le Meridien New Orleans
- 9** Le Pavillion Hotel
- 10** The Monteleone
- 11** New Orleans Hilton Riverside
- 12** New Orleans Marriott
- 13** Omni Royal Orleans
- 14** Radisson Suite Hotel
- 15** Royal Sonesta Hotel
- 16** Sheraton New Orleans
- 17** Westin Canal Place
- 18** Windsor Court Hotel



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Five tours that explore the city's riches

Walk, ride or roll on the river to witness history and nature

1 You'd never guess it from the bars and strip joints that line Bourbon Street, but the entire French Quarter is actually a national park. The headquarters for the Jean Lafitte National Historical Park is the National Park Service Folklife Center in the French Market at 916 N. Peters St. Enter from the courtyard.

Exhibits in the center track immigration to the delta, including not only the French and Spanish but lesser-known influences like Italians, Irish and New Orleans's most recent influx, Vietnamese.

The park service offers excellent free walking tours of the French Quarter and Garden District daily. The French Quarter tours depart from the center at 10:30 a.m. You must pick up a tour pass the day of the tour to reserve a spot, and passes are often gone within 30 minutes of the 9 a.m. opening. Each person can pick up only one pass.

A uniformed ranger describes the history behind Jackson Square, the heart of the French Quarter; St. Louis Cathedral; the Presbytere; the Cabildo, which served as the

seat of the Spanish municipal government in New Orleans; and Pontalba apartments, built in the late 1840s by the Baroness Micaela Pontalba, the daughter of a wealthy Spaniard. You'll stroll other streets of the French Quarter to take in historic buildings like Madame John's Legacy, an example of West Indian architecture with a raised porch rather than a balcony; the Old Ursuline Convent; the Beaugard-Keyes House and restored walled garden, inhabited by Confederate General P.G.T. Beauregard and in the 1940s by

novelist Frances Parkinson Keyes; and the Cornstalk Hotel with its distinctive namesake cast-iron fence.

If you're lucky, your tour will be led by Wanda Lee Dickey, the dancing ranger, who may entertain the tour group with some impromptu steps.

The park service also offers a "tour de jour," which are more in-depth looks at an aspect of the quarter. The focus might be on balconies and brick walls or on New Orleans's jazz heritage. Those tours depart at 11:30 and, again, passes

are required.

Garden District tours depart from the corner of 1st Street and St. Charles Avenue at 2:30 p.m. Call 589-2636 to reserve a spot.

The park service administers several other locations in the region, but perhaps the most interesting is the Chalmette battlefield, site of the battle of New Orleans in 1815.

Future President Andrew Jackson and a ragtag collection of 4,000 militiamen pulled off a stunning victory over the British army, securing the Mississippi and America's claim to the Louisiana Territory in the last battle of the war of 1812. More than 2,000 British soldiers were killed in the two-hour battle. The Americans reported only 13 casualties.

The Chalmette National Cemetery is adjacent to the battlefield, but only one soldier who fought in the battle is buried there. Others are Union soldiers killed in Louisiana during the Civil War, and veterans of the Spanish-American War, World Wars I and II and the Vietnam War.

The plantation-style Beaugard-Keyes House is also located there. It features exhibits about life on the Mississippi, which flows through its back yard.

The Chalmette unit of the park is located six miles from New Orleans.

In addition to the park service, several other groups offer walking tours of the French Quarter.

The tourist office at 529 St. Ann, 504-566-5068, distributes maps for do-it-yourself walking tours and driving tours of the greater New Orleans region.

Friends of the Cabildo offers walking tours daily at 10 a.m. and 1:30 p.m. The \$10 price includes admission into certain of the Louisiana State Museum buildings. Tours depart from 523 St. Ann St. Proceeds benefit the museum.

2 Although boat traffic on the mighty Mississippi today consists mostly of long lines of humdrum barges being shoved through the water by growling tugboats, there was a time not that long ago when the river was alive with smoke-belching, whistle-blowing steamboats.

For an idea of what it must have been like, board the S.S. Natchez, an authentic sternwheeler that departs from the end of Toulouse Street, near the Jax Brewery.

Built in 1975, the Natchez is the ninth riverboat to bear that name and is authentic right down to the 25-ton white oak sternwheel. The engines date from the 1920s and are some of the boat's most interesting features.

The engine room is open to passengers, who can see up close how the boat works. The brass gleams and the powerful pistons hum in this big, steamy space. The crew is obviously proud of the machinery and happily explain its workings.

During the day, there are two two-hour cruises downriver. Grab one of the deck chairs on the port (left) side, because that's where most of the sights are. You'll see the miles of municipal docks lining the river, the world's second-largest sugar refinery and huge freighters from around the world. A narrator explains the sties and offers interesting facts about the Mississippi: Did you know that the river is 200 feet deep in front of the French Quarter?

About a half-hour into the tour, you'll pass the Chalmette battle-

Continued on page T10

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T H E K N O W L E D G E B R O K E R S



RIMS 1994

Exploring

Continued from page T8

field. As you glide past, you can see the revetments behind which the Americans took shelter and the large open field where the British were caught in the fire.

After the Natchez makes its turn to head back, you'll notice that you're moving slower because of the strong Mississippi River currents.

Upon returning to the French Quarter, Capt. "Doc" Hawley has two treats in store. First, he plays the 32-note calliope that is powered by steam from the engines. Second, he demonstrates his riverboat handling skills by maneuvering the Natchez to the dock using a flurry of forward and reverse commands to the sternwheel.

Adult tickets for the S.S. Natchez are \$14.75. For more information, call 586-8777.

3 Usually the weather gives it away, but it is possible to forget that New Orleans is built on swampland.

Tours not far outside the city offer a glimpse of what New Orleans may have looked like before the French, Spanish and hordes of tourists made it what it is today.

Dr. Wagner's Honey Island Swamp Tours, located about 45 minutes from New Orleans in Slidell, takes an ecological approach to the swamp under the leadership of a wetland ecologist.

More than 70,000 acres of the Honey Island Swamp on one of the tributaries of the Pearl River are permanently protected, much of the land being purchased by the Nature Conservancy.

The low boats seat about 16 people and allow you to get close-up views of 400-year-old cypress trees, relatives to the California redwood.

Bird watchers will delight at spotting hawks, pileated woodpeckers, white egrets, great blue herons and red wing blackbirds.

Also inhabiting the swamp are turtles, watersnakes, beavers, and nutria, the rodents imported from Argentina for the express purpose of thinning out the water hyacinth population that was choking Louisiana's swamps.

Although the nutria refused to eat water hyacinths, some Cajuns are more than happy to eat the nutria.

The diet has a few drawbacks, according to the tour guide. They stink, they're fatty to clean, they're mostly dark meat and, "you're eating a rat."

You'll also see underwriters' nightmares—houses built within 50 feet of the river—and floating houseboats and "camps," which are generally used as weekend get-aways by locals.

Alligators will have emerged by mid-April, and the swamp lilies and wild azalea will be in bloom.

"The swamp will be in its prime," said Sue Wagner. "It's one of the best times to see it."

Dr. Wagner's Honey Island Swamp Tours cost \$20 for adults and \$10 for children under 12. Prices double for round-trip transportation from New Orleans. The two-hour tours are scheduled to depart at 9 a.m. and 2 p.m., but call 641-1769 to confirm, as the times may vary.

Tours by Isabelle, 391-3544, also operates swamp tours.

4 Start out on a streetcar and end up feeling like you've penetrated the deepest riches of the bayou.

Catch a St. Charles Avenue streetcar at Canal Street. Pay the \$1 fare and settle back into the wooden seats of the clanking vintage streetcar that continues to provide vital transportation to local residents.

Soon the commercial buildings give way to huge antebellum homes. This is the Garden District, which is at its finest from 1st Street through Washington Avenue. The grand homes date from the mid-1800s and are surrounded by elaborate gardens and wrought-iron fences. Word has it that many boast interiors even more elegant

than the exteriors, but you'll have to rely on your own imagination. The houses are occupied and not open to the public.

After approximately 10 more minutes on the streetcar, get off at Walnut Street. The 340-acre Audubon Park is on one side and Tulane University is on the other.

Cross the street into the park and walk to the right side of the golf course. Soon you'll come to Oak Alley, a beautiful path lined with hundreds of huge moss-clad ancient oaks.

After about a 20-minute walk through the park from the streetcar, you'll reach Audubon Zoo.

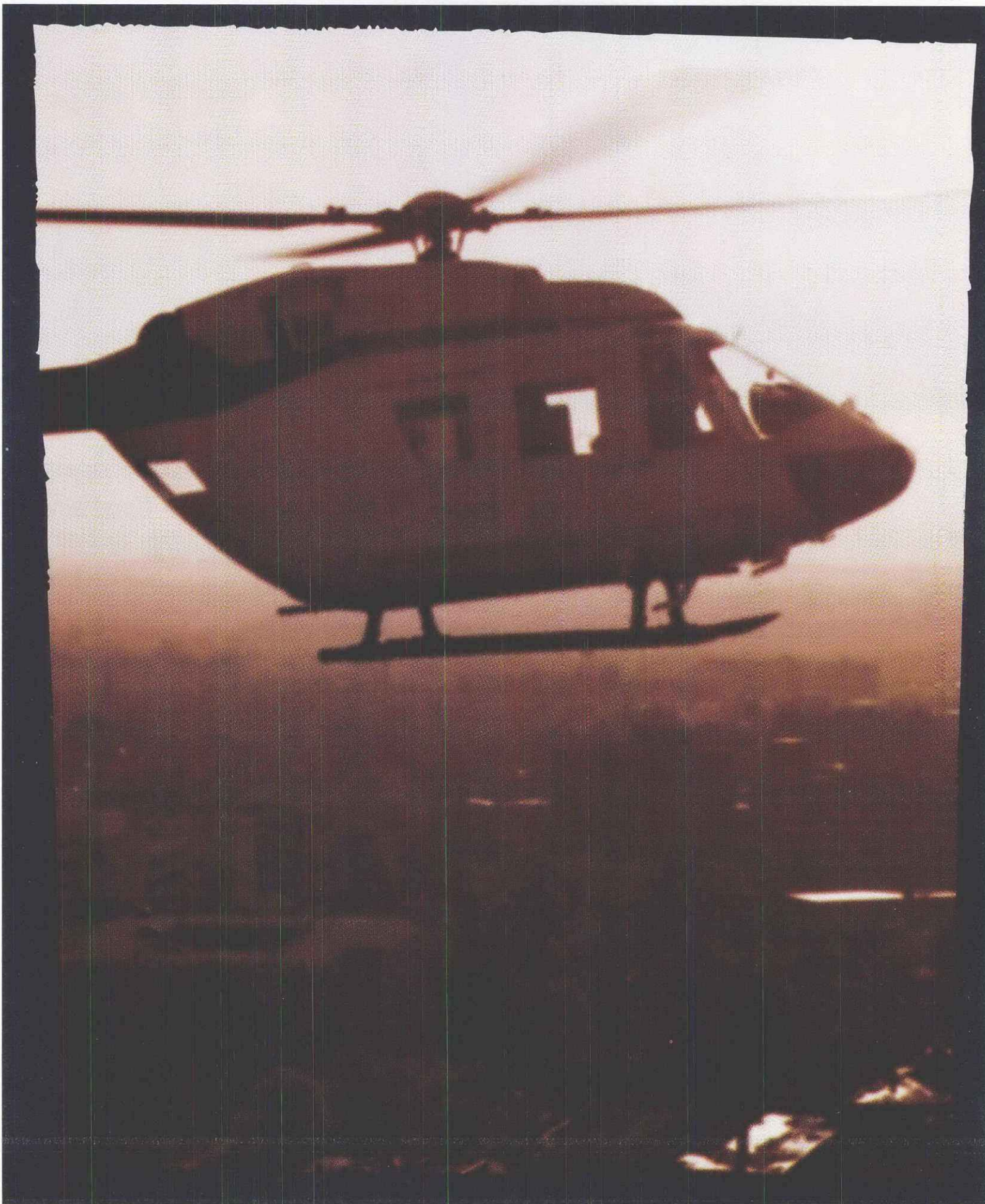
Besides the usual lions, tigers and monkeys, the zoo also has a recently completed recreation of a Louisiana swamp. You'll stroll past

Continued on next page



Photo by Ryan Ver Berkmoes

Swamp tours show the natural life that preceded settlers to Louisiana.



Continued from previous page
shocking white alligators, nutria, and frolicking otters and muskrats.

Exit the zoo at the opposite side from where you entered, and you'll find yourself on the riverbank. Wait at the dock for the John James Audubon, a large modern yacht that will take you back to the heart of the city. During the 20-minute journey, you'll pass many of the industries that derive their commercial livelihoods from the river. You'll also pass the entrance to the inland waterway that leads all the way to Houston.

The boat ties up at the Aquarium of the Americas at the foot of Canal Street. Inside the aquarium, you'll find thousands of fish native to the river, bayous, swamps and the Gulf of Mexico. Just past the entrance, a glass tunnel lets you walk through the middle of a Caribbean reef. Hun-

dreds of fish, including sharks, swim around you. Another large exhibit recreates the vast variety of life around the gulf's underwater drilling rigs.

The zoo and aquarium offer a combined ticket that includes a round-trip boat ride and admission to both attractions for \$24.75 for adults, \$12.75 for children. Boats depart the aquarium daily at 10 a.m., noon, 2 p.m. and 4 p.m. Departures from the zoo are daily at 11 a.m., 1 p.m., 3 p.m. and 5 p.m.

5 New Orleans also has a rich cultural tradition, in addition to great restaurants and nightlife. The New Orleans Museum of Art is located on a four-acre site in City Park. The museum underwent a \$23 million reno-

vation and expansion, completed in April 1993, that nearly doubled the museum's square footage.

That allows NOMA to display more of its \$200 million collection, which includes 35,000 works of art concentrating on French and American painting and sculpture, photography, glass, and African and Japanese works.

The survey of French art includes a group of works by impressionist Edgar Degas, who painted in New Orleans in 1871 and 1872 while visiting relatives. School of Paris works include Picasso, Braque, Dufy and Miro.

American art from the pre-Columbian period through Spanish colonialism includes objects from the Mayan culture and Cuzco, a Spanish capital of Peru.

NOMA also holds a Faberge collection of three Imperial Easter Eggs and



Photo by Alan Karchner

The New Orleans Museum of Art recently underwent a \$23 million renovation.

a jeweled basket.

In addition to the permanent collection, four special exhibitions will be mounted during RIMS.

- "Emigres: Cultural References in Contemporary Clay," which comprises a range of ceramics techniques, styles and perspectives from around the world.

- "Modern Japanese Ceramics in American Collections," a survey of 1935 through 1990.

- "100 Years of Ceramic Art at Newcomb, 1894-1994: A Faculty Retrospective," celebrates the centennial of one of the nation's oldest university ceramics programs.

- "Photoglyphs: Rimma Gerlova and Valery Gerlova," more than 40 creations by the Russian immigrants. Photoglyphs are photographs of the artists' faces and limbs covered with words and symbols.

NOMA is open Tuesday through Sunday from 10 a.m. to 5 p.m.

Admission to NOMA is \$6 for adults and \$3 for children and seniors.

The Louisiana State Museum brings together a diverse collection in several historic buildings. The museum's centerpiece is the Cabildo, which reopened in February after a five-year reconstruction following a 1988 fire.

A new exhibit created for the restoration of the Cabildo, which was built in 1795, tracks Louisiana's history from exploration through Reconstruction.

Other highlights of the Cabildo exhibit are Napoleon's death mask, one of three known to exist; the Sala Capitular, the meeting room where the Louisiana Purchase was signed; the massive Battle of New Orleans oil painting that survived the fire; traditional African drums and chordophone, an instrument that evolved into the banjo; and a slave collar and block believed to have been used at the slave market on Esplanade Avenue.

Three other Louisiana State Museum properties are open to the public:

- The Presbytere on the other side of the cathedral was the priests' home and now houses exhibits on architecture and maritime and marine history.

- The Old U.S. Mint, 400 Esplanade at the end of the French Market, features exhibits on jazz and Mardi Gras. The Louisiana Historical Center, an archive of maps and documents, is also there.

- The 1850 House, 523 St. Ann, gives the visitors a chance to see inside one of the Pontalba rowhouses that flank Jackson Square. The decor reflects middle-class life during the most prosperous time in the city's history. All of the properties are open Tuesday through Sunday from 10 a.m. to 5 p.m. Admission to each is \$3 for adults and \$1.50 for students and seniors. Children 12 and under are admitted free.

—By Sara Marley
and Ryan Ver Berkmoer

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Five stops for a singular shopping spree

From alligator skulls to Brooks Brothers suits, it's all here

1 New Orleans is filled with T-shirt and souvenir shops, but it's also filled with shops you're not likely to find anywhere else.

Here are a few examples:

- Sports Art Gallery at 521 Decatur St. is crammed with alligator skulls (\$1 for the remains of a 3-

foot to 4-foot gator, \$20 for a 6-foot gator), turtle shells and duck decoys.

"This is the only store in New Orleans that doesn't have fat-lady posters or obscene postcards," proclaimed owner Don Weaver.

He is equally proud of the

"harsh and most concise rules of any retail store in the world."

There's no drinking, eating or smoking. And you can browse to blaring classical music, but you must choose your queries carefully. There's a three-question limit without a purchase, unlim-

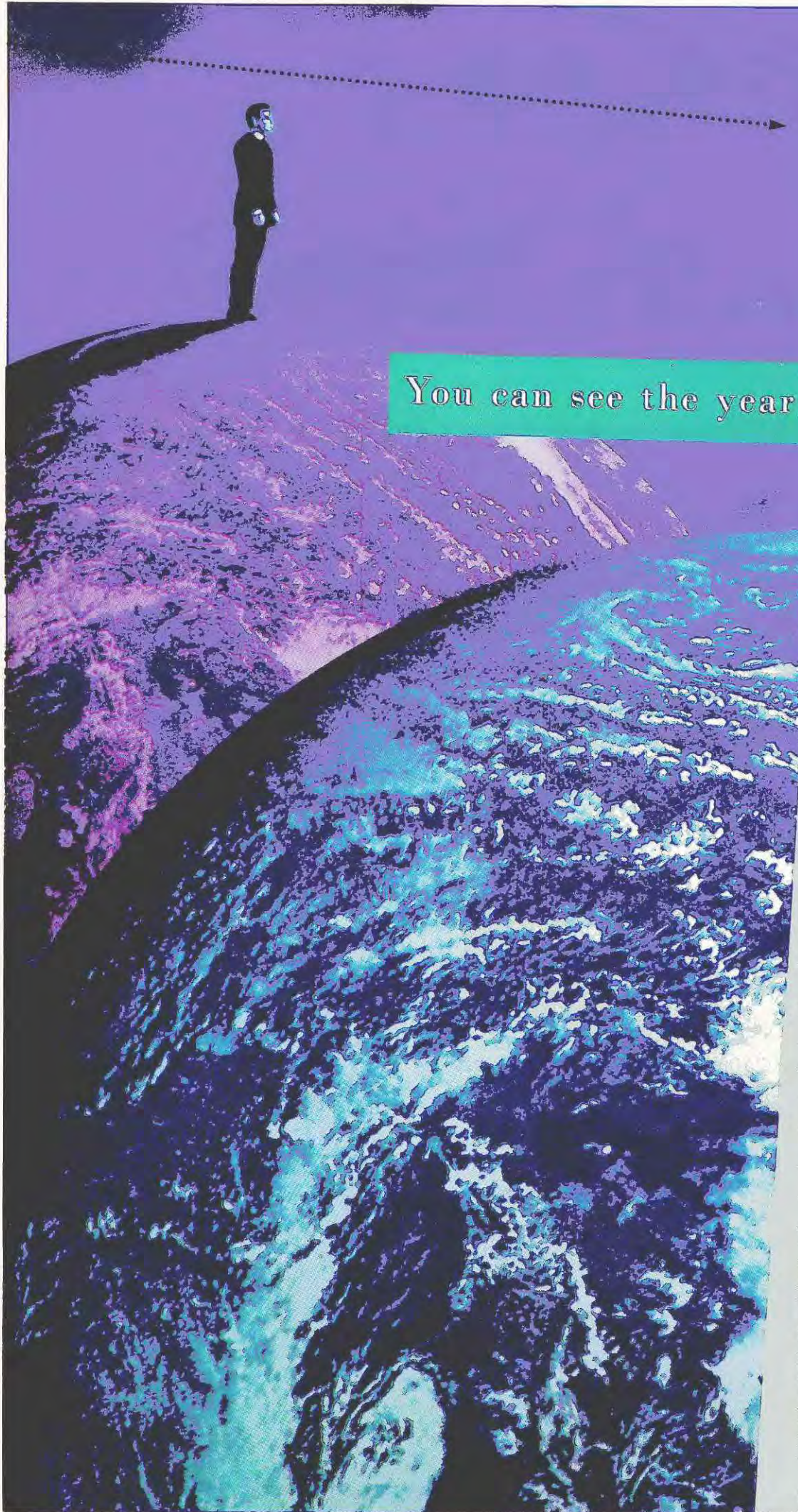
ited questions with a purchase.

The store has no set hours. "It opens when I come in and closes when I leave," according to the sign.

- A few blocks away at 1129 Decatur lies Record Ron's, a vinyl-lover's heaven. More than 70,000

pieces of the owner's 1 million-album collection are packed into this store, with additional titles at a second location at 239 Chartres. The collection includes local jazz, blues and folk music. To call the mix eclectic is an understatement. Where else can one find a recording of pioneer Cajun accordion music? Record Ron's also carries new and used compact discs and vintage lunch boxes depicting television series of the 1960s and 1970s.

- It's always Mardi Gras at Accent Annex, where locals buy their "throws" to toss during the annual parades. The newest location of the eight-store chain is in the French Quarter at 633 Toulouse St.



You can see the year 2000 from here.

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Photo by Ryan Ver Berkmoes

Beads and doubloons

You can buy bulk beads, balloons and ribbons in the traditional purple, gold and green in the drugstore-sized shops.

Plastic tools and musical instruments, ranging from 4 inches to four feet tall, also are popular.

2 While interesting stores are scattered throughout the French Quarter and beyond, few thoroughfares can match Royal Street's concentration of cash and credit card convenience. You can take in some of the Quarter's prettiest wrought-iron balconies and possibly take home a few items from some of the street's more exotic merchants.

- Hove Parfumeur at 824 Royal has been producing original fragrances since 1931. Most scents sell for \$12 per dram (one-sixteenth of an ounce), or you can sample ginger lotion or tea olive soap for \$4.50 a bar.

- At the Bergen Gallery, 730 Royal, you can pick up current and vintage Mardi Gras and Jazz Festival posters for about \$25 unframed. The gallery also has an extensive collection of African-American art and black-and-white photos of Louis Armstrong and other performers.

- Le Petit Soldier Shop, 528 Royal, houses military miniatures with full-size prices—up to \$750.

The store also has Civil War books and paraphernalia, including authentic medals and uniforms.

- Rumors, at 513 Royal, boasts "art for the ears"—designer earrings and other jewelry that sell for \$10 to \$40.

Among the intricate designs are Mardi Gras masks, cowboy boots and jeweled bird cages.

- Zydeco Threadz, 110 Royal, has colorful, high-quality New Orleans T-shirts for \$15.

The whimsical jazz festival and
Continued on page T16

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RIMS 1994

Shopping

Continued from page T12

Mardi Gras designs are reminiscent of the late artist Keith Haring and incorporate chili peppers, musical notes and masks.

3 Another famous New Orleans shopping street is Magazine Street. Although it's best known for antiques, Magazine Street is home to a variety of treasures, sometimes in unexpected combinations:

- Whodunit? at 3624 contains a mystery bookstore, a beauty salon and a New York-style delicatessen called the Baker Street Deli.

- Down the street at 3905 Magazine, Orient Expressed Imports Inc. has both imported porcelain and hand-smocked children's clothes.

- At Casey Willems Pottery, 3919, you can watch the artist at work creating bowls, lamps, pitchers, planters and mirrors.

- The Private Connection Inc. displays Southeast Asian imports, including Balinese folk art, woodcarvings, jewelry, baskets and ceramics at 3933 Magazine. The same outfit operates Pieces, a furniture gallery that also features Dutch/Indonesian antiques as well as reproductions and contemporary furniture.

- If you were impressed by New Orleans' above-ground cemeteries, stop by the Westgate, "a unique space devoted exclusively to death imagery and related esoterica," at 5219 Magazine. To stock up on headstones and statues, stop here.

You can take a break from shopping at Casamento's, 4330 Magazine, to enjoy oysters on the half shell, fried oysters, oyster stew or an oyster loaf.

While shops line Magazine Street nearly from end to end, many of the antique shops are clustered in the 2000 and 2100 blocks near Jackson Street and the 3400 to 3900 blocks between Louisiana and Napoleon streets.

4 The French Market stretches along the Mississippi from the Moon Walk and Cafe du Monde to the farmers' and flea markets near the U.S. Mint, now part of the Louisiana State Museum housing exhibits on jazz and Mardi Gras.

The French Market, which locals say is America's oldest city market, has been a commercial center since its days as an Indian trading post and an open-air market under the French. The Spanish were the first to enclose the market, and some of those buildings have been restored to house the farmers' market and flea market. The flea market, which operates only on weekends, offers an array ranging from socks and T-shirts to beautiful hand-painted jewelry and barrettes.

Like the rest of New Orleans, the flea market vendors operate on their own schedule. Most don't set up

The Risk & Insurance Management Society Inc. will operate a free shuttle bus service during the convention between all designated conference hotels and the Ernest N. Morial Convention Center.

As of press time, RIMS was unable to confirm the times and dates that the shuttle will be running.

shop until 9:30 or 10 a.m.

The establishments that anchor each end of the French Market are open 24 hours, however.

At the farmers' market you can buy live crawfish and local fresh fruits and vegetables like okra and Creole tomatoes any time of the day or night. It's also a good spot to look for pralines and Cajun spices.

And at the Cafe du Monde you can enjoy coffee with chicory and beignets doused in powdered sugar in a setting to rival any in Paris.

5 Two shopping complexes near the Ernest N. Morial Convention Center are convenient to pick up forgotten items and souvenirs unique to New Orleans.

Riverwalk stretches along the Mississippi from the convention center to Spanish Plaza and was home to the Louisiana World Exposition in 1984.

While you'll see national names like Abercrombie & Fitch, Banana Republic, The Disney Store, The Gap, G.H. Bass and The Nature Co., half of Riverwalk's 140 shops are found only in New Orleans.

Among those specialty shops are: Deville Books and Prints, which specializes in New Orleans books; Yvonne LaFleur Editions, with customized hats and silk dresses; and StreetScene, which sells pictures of historic New Orleans hand-painted on wood carvings.

Other specialty shops at Riverwalk mall include Masks and Make Believe, the Kite Loft and the Local Cat House.

Canal Place, which is located in the corner of the French Quarter nearest the convention center, offers a similar mix of shops, as well as a rare downtown first-run movie theater. Saks Fifth Avenue, Brooks Brothers, Gucci and Polo/Ralph Lauren are located there.

Both Riverwalk and Canal Place, as well as the French Market and the Jax Brewery, are tax-free zones for foreign visitors, meaning all shops in the complexes participate in the program.

Tax-free shopping may also be available at stores outside the designated zones.

International visitors with a round-trip ticket to leave the United States within 90 days of arrival are eligible for refunds of Louisiana state sales tax and, in some cases, local sales tax.

Visitors must request a tax refund voucher at the time they make their purchase.

When leaving New Orleans, visitors may present their passport, international ticket, vouchers and sales receipts at the refund center at the New Orleans International Airport, which is also a tax-free shopping zone.

A handling fee will be deducted from the amount of the refund.

Refunds can also be obtained by mail by writing to the Louisiana Tax Free Shopping Refund Center, P.O. Box 20125, New Orleans, La. 70141.

Visitors must still submit vouchers, as well an explanation of why the refund was not obtained at the airport and where the merchandise is located at the time of the refund request.

—By Sara Marley

The Alexis Philosophy – No. 1 in a series:

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Gamblers can try luck on a riverboat

Riverboat gambling has returned to Louisiana's bends of the Mississippi River, and a land-based casino in New Orleans is not far behind.

The Louisiana Legislature approved gambling in June 1992, but turf battles quickly developed over who would operate the casino and where it would be located. At one point, title insurance was holding up progress, as opponents challenged the city's right to lease the proposed site.

But gambling boats opened on Lake Pontchartrain last fall, and the first riverboat—The Queen of New Orleans—began sailing on the Missis-

issippi in February.

The opening of a temporary casino in the Municipal Auditorium in Louis Armstrong Park has been delayed until late summer. The casino operators, Harrah's Jazz Co., a partnership between Harrah's Casino Hotels and local investors, cannot begin work on the temporary casino until plans are completed for the permanent gaming hall. Current plans have the Rivergate Exhibition Center, between Canal Place and the convention center, being demolished to make room for the "Grand Palais" modeled after the casino in Monte Carlo.

The Hilton New Orleans Corp., which is operating the Queen of New Orleans as a \$55 million joint venture

with New Orleans Paddlewheels Inc., is also taking the temporary/permanent approach.

The current ship, an "authentic recreation" sternwheeler, is 245 feet long and can accommodate 1,500 passengers in its 20,000 square feet of casino space. In September, it will be replaced by a 322-foot vessel with a passenger capacity of 2,400 and 30,000 square feet of casino space.

The permanent boat will boast 1,400 slot machines and 58 table games, including craps, roulette and blackjack.

Dining aboard the Queen of New Orleans is provided by New Orleans institutions Mother's, Lucky Dog and Andrea's.

Other amenities include live Dixieland jazz, designated non-smoking gaming areas, an observation deck and the ever-important cellular phone service, automatic tellers and credit card advance machines.

Cruises depart from behind the New Orleans Hilton Riverside & Towers daily at 11:45 a.m., 2:45 p.m., 5:45 p.m., 8:45 p.m., 11:45 p.m. and 2:45 a.m.

The cruises last 1½ hours, and gambling is permitted in dock for 45 minutes before departure and 45 minutes after return.

Tickets cost \$12, with discounts for groups and people age 50 and up.

Tickets may be purchased at the QNO ticket office, most hotel concierge and tour desks, or by calling 800-587-5825 (or 504-587-7777 in New Orleans).

—By Sara Marley

After RIMS, some may stay for all that jazz

RIMS-goers won't have to extend their stay in the Big Easy to get a preview of the New Orleans Jazz and Heritage Festival.

The festival officially opens Friday, April 22, and runs through May 1.

But a kickoff parade will be held Thursday, April 21, beginning at noon in Armstrong Park, adjacent to the French Quarter, and proceeding up and down Canal Street.

A true "second-line" parade, spectators will be invited to join the marchers, which include Mardi Gras Indian tribes, a 50-member Bahamian Junkanoo street procession and a Haitian voodoo drum troupe.

More than 50 acts will perform at the festival each day from 11 a.m. to 7 p.m. at the Fair Grounds Race Track. It will be held in temporary structures, because a fire destroyed several historic buildings (*BI*, Jan. 3).

Acts on Friday, April 22, include Allen Toussaint, Little Richard, The Band, Buckwheat Zydeco and the New Orleans Headstart Singing Angels. On Saturday, April 23, the Dixie Cups, Jimmy Buffett & the Coral Reefer Band, Boz Scaggs, Lonnie Brooks and the Valley of the Silent Men take the stage.

The first weekend of the festival wraps up Sunday with the likes of Al Hirt, Dr. John, the Allman Brothers Band, Buddy Guy and the New Orleans Klezmer Allstars.

Adult tickets for "America's greatest entertainment bargain" are \$10 in advance, \$13 at the gate on Thursdays and Fridays, and \$15 at the gate on Saturdays and Sundays. Tickets for children under 12 are \$1.50 in advance, \$2 at the gate.

The Gray Line bus company operates Jazz Fest Express bus service to the Fair Grounds April 22-24. Buses operate continuously from 10:45 a.m. to 7:30 p.m. and depart from the Superdome, Natchez Dock at Toulouse Street and the river, and City Park. A round-trip ride costs \$6. For more information, call 504-587-0858.

The festival opens each evening with concerts in town. The prices for the multiple acts are as low as prices fans generally pay to see one act.

Friday night's concert at the Kiefer University of New Orleans Lakefront Arena brings together the Neville Brothers, Third World, and Miriam Makeba with Hugh Masekela and the Tour of Hope.

One price covers all three acts, and tickets range from \$20.75 to \$30.75 for the 9 p.m. concert.

Saturday's show, also at the Kiefer Arena at 9 p.m., features the Allman Brothers Band, The Band and Buckwheat Zydeco. Tickets range from \$20 to \$30.

A "Midnight Jam" Saturday at Jaeger's Original Seafood restaurant, 1701 Elysian Fields Ave., will feature Alvin Batiste, Ellis Marsalis, Idris Muhammad, Red Tyler, Richard Payne and Barbara Short. Tickets are \$17.50.

Sunday's evening concert proclaims "Gospel is Alive" with performances by the Winans, the Cosmopolitan Church of Prayer Choir and the Johnson Extension at 7 p.m. at the Saenger Performing Arts Center, 143 N. Rampart St. Tickets are \$20 and \$17.50.

For information on the Jazz and Heritage Festival, call 800-488-5252 outside Louisiana, or 504-522-5555.

—By Sara Marley

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RIMS 1994

Bars let patrons drink in New Orleans' diversity

1 It's easy to feel like a regular five minutes into your first visit to Johnny White's, 733 St. Peter St., 523-0839. The crowd is friendly to an extreme and will cheerfully tell you every bit of inside dirt you ever wanted to know about the colorful doings of the French Quarter.

Johnny White, the namesake former owner of the bar, died last July. Mention his name and you'll be treated to many fond, boozy reminiscences.

The old-fashioned interior sports a long wooden bar and is open to the street in all but the most inclement weather. But just because the front of

the place is closed doesn't mean the bar is. Johnny White added to his local reputation when he stayed open during Hurricane Andrew—even adding bartenders to handle the crowds seeking refuge.

"We do not have a lock on the front door, so I really do not know what we would do if we had to close," he said at the time.

2 New Orleans has its share of yuppies and many of them can be found after work at Ernst Cafe, 600 St. Peter St., 525-8544. There's plenty of exposed brick in this old corner bar on the edge of the city's

trendy warehouse district.

Outdoor tables allow you to sip your drinks while offering pitiful stares at those still toiling at their desks in the windows of the surrounding rehabbed office buildings.

Ernst has weathered the neighborhood's recent ups and downs well. It prospered during the 1984 World Exposition and coasted along during the thin years that followed. Now that gambling has come to the New Orleans waterfront, the place is located ideally to cash in on it.

The adjacent restaurant has a full menu of New Orleans food. During happy hour, they serve free deviled eggs and ham sandwiches. Ernst is a five-minute walk from the French Quarter or the convention center.

3 Prominent in New Orleans's rich history are pirates, rum-swilling debauchers who plundered the rich and buried their treasure in the surrounding bayous.

The most notorious of these sea-borne Visigoths were the Lafitte brothers, Jean and Pierre. They are remembered for their fearless response to the governor, who offered a large reward for their capture. They put up posters of their own, calling for the governor's capture and offering a larger reward.

One of their reputed hangouts survives in Lafitte's Blacksmith Shop, 941 Bourbon St., 523-0066, in a building that looks every one of its

250 years. One local legend says it actually was a blacksmith shop, another says the business was merely a front where the brothers sold their booty.

Today the goods sold in the Blacksmith Shop are strictly liquid, but the well-worn interior looks little changed from the Lafittes' day. It's remarkably dark, which makes it a perfect place for concluding any kind of illicit deal. Every night, live piano music plays until nearly dawn.

The best part about Lafitte's is that it has no gift shop or other crass commercialization. It provides the atmosphere, you provide the intrigue.

4 Pat O'Brien's is a rarity in the world of tourist destinations: It's actually better than all the hype it generates.

The courtyard, with its trees aglow from twinkling lights and the stars behind, is enchanting, even when it's surging with crowds ranging from doe-eyed debutantes to carousing conventioners. With each drink, the centerpiece flaming fountain becomes more mesmerizing.

Although it may look packed, the white-aproned servers can usually find you a wrought-iron table to call your own. It isn't required, but people seem to check their inhibitions at the door. People-watching here is nothing if not superb.

Inside Pat O'Brien's, 718 St. Peter, 525-4823, two other bars vie for your attention. The cocktail lounge is filled with folks singing along with the piano. The results are as mixed as you might expect. The main bar actually attracts a somewhat local crowd.

The bar's signature drink, the Hurricane, a potent cranberry juice and rum concoction, is everything it's cracked up to be. Other outlets on Bourbon Street sell drinks of the same name, but not of the same caliber. The distinctively shaped glass is included in the price of the drink, or you can return the fragile goblet to the bar for a \$2 refund.

5 One of New Orleans' newest music venues is the House of Blues, a celebrity joint venture led by actor Dan Aykroyd. The sign over the stunning antique bar proclaims, "This joint is dedicated to the memory of Jake Blues," the character portrayed by Aykroyd's late co-star, John Belushi, in the 1980 movie "The Blues Brothers." More House of Blues establishments are planned.

Like the Blues Brothers themselves, the House of Blues is not about gimmicks; it's about music.

The lineup in the weeks following its January opening included the Robert Cray Band, Buddy Guy, the Subdudes, Big Daddy Kinsey and Koko Taylor. With Jazzfest approaching, the RIMS Week schedule could be equally impressive.

The House of Blues, 225 Decatur, 529-2583 (or concert line 529-1421), is divided into two rooms in a converted warehouse. In the separate restaurant section, diners can watch performances on closed-circuit television while eating quesadillas and sandwiches.

The House of Blues is open Sunday through Thursday, 5 p.m.-2 a.m., and Friday and Saturday, 8 p.m.-4 a.m. The restaurant is open from 11 a.m. to midnight Sunday through Thursday and 11 a.m. to 2 a.m. Friday and Saturday. On Sundays, there is a gospel brunch beginning at noon.

—By Ryan Ver Berkmoes and Sara Marley

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More than 330 organizations will exhibit products and services in the Ernest N. Morial Convention Center during the Risk & Insurance Management Society Inc. conference April 17-22.

The exhibition schedule at the 32nd annual conference has changed this year, with the exhibit opening in Convention Center halls B2 and C on Monday of conference week rather than the traditional Sunday start.

The 1994 exhibit hall hours are:

- Monday, April 18, 10:30 a.m.-5 p.m.
- Tuesday, April 19, 9 a.m.-5 p.m.
- Wednesday, April 19-20, 9 a.m.-5 p.m.
- Thursday, April 21, 8 a.m.-noon.

Special exhibit-related events on this year's agenda are a boxed lunch on Monday from noon-2 p.m. and a reception on Tuesday from 4-5 p.m., sponsored by RIMS and the 1994 exhibitors. Conference registrants may bring a guest to the reception, but children age 17 and under are not permitted in the exhibit hall at any time.

Jardine Insurance Brokers Inc. will sponsor two theme lounges and refreshments.

Attendance at the 1994 exhibition is limited to conference and guest program registrants and exhibitor personnel with badges. Conference badges must be worn at all times.

RIMS also prohibits solicitation of business in any public areas occupied by the conference. Solicitation of business in the exhibition hall is limited to individuals in registered booths.

Following is a list of conference exhibitors and their booth numbers from RIMS as of March 15.

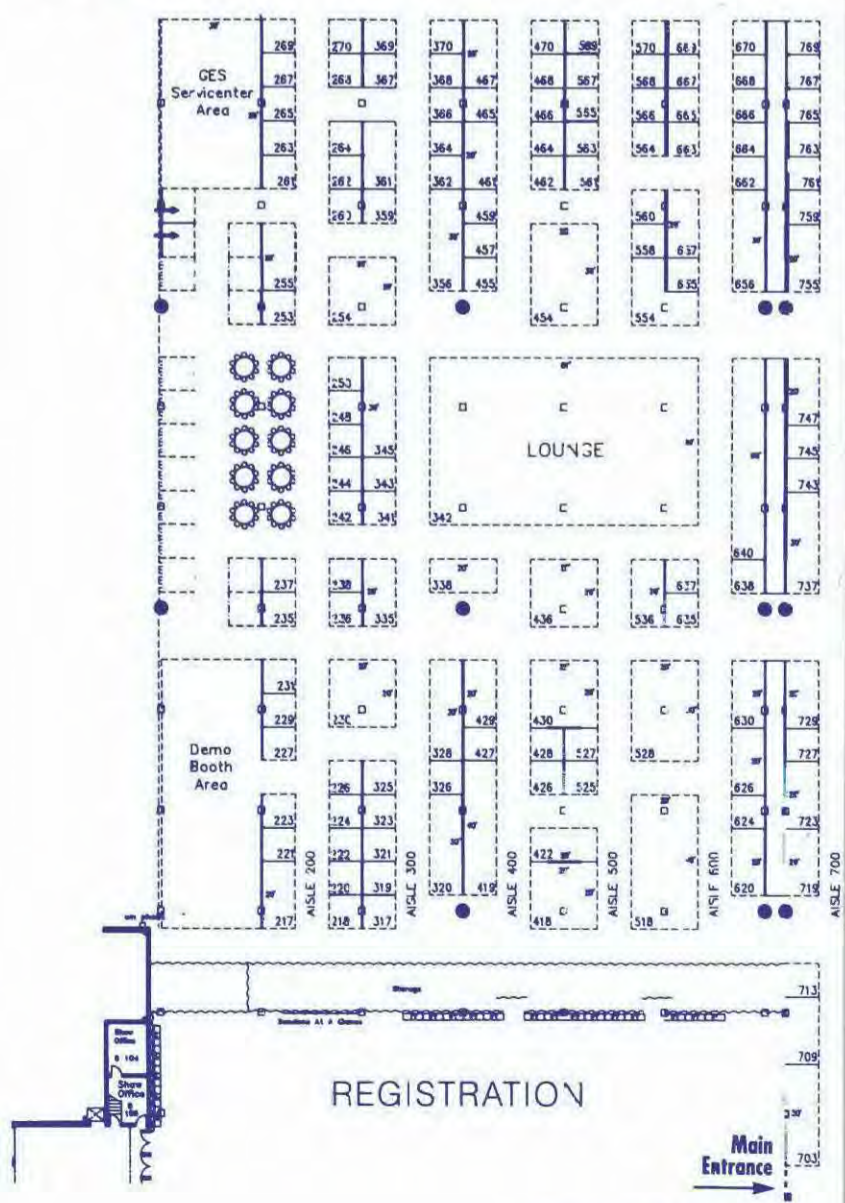
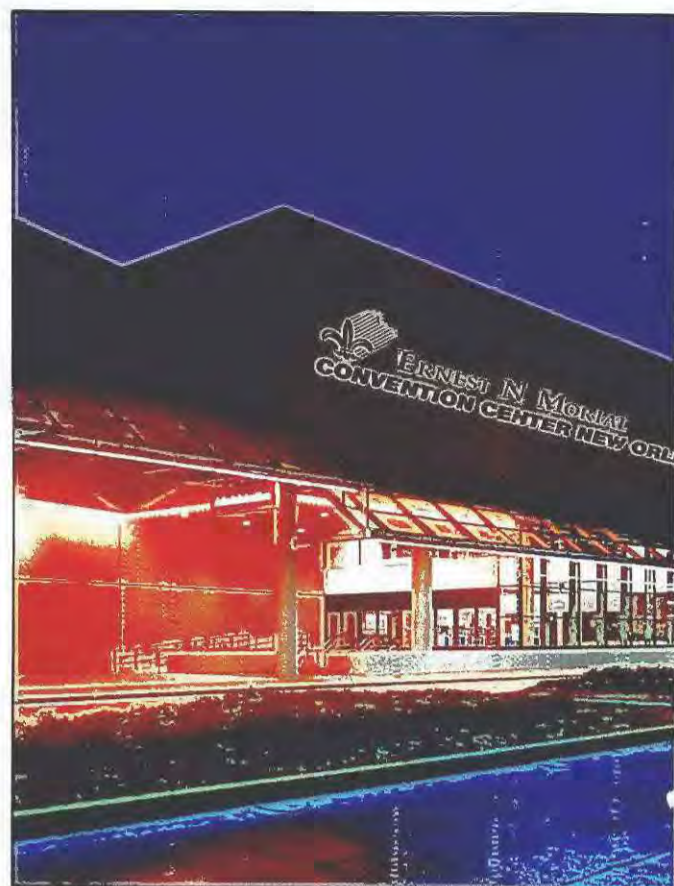
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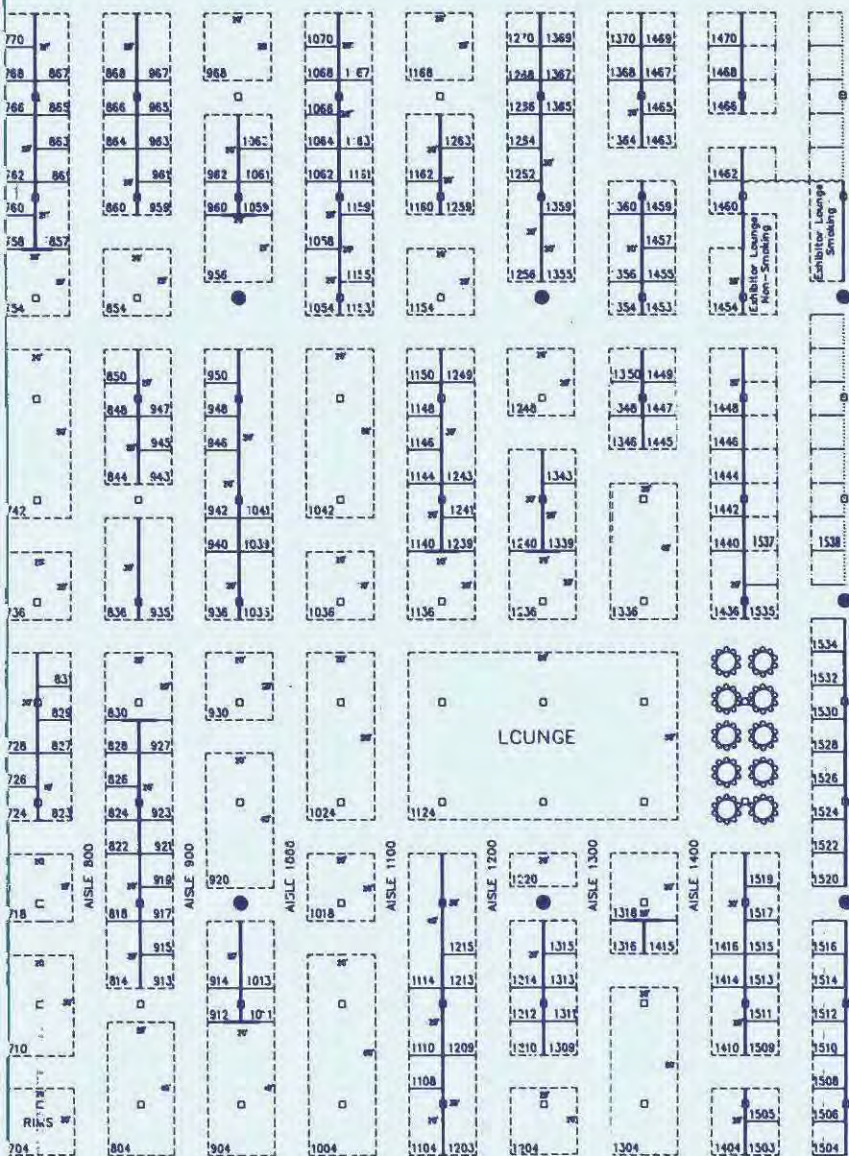
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RIMS 1994

Five places for a taste of culinary tradition

Some dishes just keep getting better

1 Superlatives can be easily exhausted in describing Commander's Palace. Suffice it to say it is securely on the list of New Orleans's top restaurants.

Set among the Garden District's moss-draped mansions, about 15 minutes by cab from the French Quarter, Commander's Palace eschews the heavy formal look of some classic restaurants. The sprawling rooms are light and airy with windows affording views of the surrounding gardens and trees. Although the rooms are casual, the dress is not. Diners should opt for business dress, at the least.

The menu is sprawling and rich with New Orleans classics and new interpretations. Needless to say, there are no duds. Although the selections are grouped into set menus, feel free to mix and match from them and also sample the a la carte offerings.

Don't miss the sherry-doused turtle soup and spinach salad loaded with bacon, for starters. Entrées might be grilled shrimp over angel-hair pasta, crunchy pecan-coated trout or crab cakes in oyster sauce.

For dessert, the bread pudding soufflé with whiskey sauce that must be ordered in advance will put a smile on your face that you'll have trouble erasing. Have your dinner companions order anything with chocolate, swap bites, and all will be grinning.

Book reservations well in advance for Commander's Palace, 1403 Washington Ave., by calling 504-899-8221. It's open for lunch Monday through Friday, 11:30 a.m.-1:30 p.m., and Saturday, 11:30 a.m.-12:30 p.m. Dinner is served daily from 6 to 10 p.m. A jazz brunch is served every Sunday from 10 a.m. to 12:30 p.m.

2 For a taste of old New Orleans, Galatoire's is superb. The 90-year-old interior is brightly lit by chandeliers reflected in the mirrors that line the walls. The only reference to the present is the prices.

The thing to remember is that dishes that have been done elsewhere to the point of parody—like Oysters Rockefeller—have been perfected at Galatoire's over the course of nearly a century.

Don't look for fancy New Age or fusion cooking. Trout almondine is just that—but it'll probably be the best trout you've ever had, topped with the choicest almonds. Given its history, Galatoire's is the place to try such classic dishes as shrimp remoulade or Creole bouillabaisse.

Feel free to ask the waiters for advice, though the responses may reflect their personalities. Some are coolly efficient, while others may want to pull up a chair and join you.

Galatoire's does not accept reservations, but you can beat the rush by arriving early. Located at 209 Bourbon St., 504-525-2021, Galatoire's is open Tuesday through Saturday, 11:30 a.m.-9 p.m. Sun-

day hours are noon to 9 p.m.

3 Locals will tell you about favorite eateries deep in New Orleans's far-flung neighborhoods, but you don't have to make the journey. One of the best is right in your own neighborhood.

Mother's Deserves every bit of its *Continued on next page*

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Tradition

Continued from previous page
 vast fame. From morning to night, crowds jam the utilitarian tables in its threadbare interior.

The roast ham bears absolutely no resemblance to the canned varieties peddled elsewhere. The exterior is black and crunchy, the interior moist and meaty.

The roast beef po' boys should be drenched in the rich broth containing the many bits of meat that fall in while cooking. By all means, have your sandwich doused in this heavenly brew.

Or try a ferdi, a combination of the ham and roast beef.

Another good po' boy bet bursts with succulent deep-fried oysters. Don't bother to look for a sandwich approximating this one elsewhere in the United States; you won't find one.

The jambalaya is unequaled, the highly seasoned rice liberally spiked with sausage, chicken and shrimp. The red beans and rice are another treat, with additional flavor contributed by the famous ham.

Each table offers a variety of hot sauces and spicy vinegars. Try them all.

The biggest challenge at Mother's is figuring out what's best to order.

Portions are huge, so it's a good idea to go with a group and share several selections.

Finally, don't be put off by the inevitably long line. The cafeteria-style service is brisk, and tables turn over quickly.

Mother's, at 401 Poydras St., 504-523-9656, is in the central business district, close to both the convention center and many hotels.

The restaurant is open daily, 5 a.m.-10 p.m.

4 Seafood on the half-shell is a noted New Orleans dining experience. Join the French Quarter crowds sucking down bivalves at Felix's Oyster Bar. Stand at the bar for a front-row view of the frenzied shucking.

Because of the volume of business at this simply decorated place, the freshness of the oysters is measured in minutes.

Heaping piles of crackers and lemons and jumbo bottles of Tabasco sauce are placed at intervals along the bar. Sip a bottle of the local Dixie beer while your

meal is prepared in front of you.

Like most crowds in the quarter, this one is jovial and diverse. Sailors mix with dandies in tuxedos and New Orleans's growing population of flannel-clad youth awaiting the next Nirvana or Grateful Dead concert. The staff is especially friendly and happy to guide first-timers through the many seafood options available.

For those who like their food cooked, there's a long menu of New Orleans standards, like a robust jambalaya.

There's no dress code at Felix's. Wander in, pick a spot and start suckin' 'em down.

The restaurant, at 739 Iberville

St., 522-4440, is open Monday through Thursday, 9:30 a.m.-midnight. Friday and Saturday hours are extended to 1:30 a.m., while on Sunday it closes at 10 p.m.

5 Cafe Maspero is jammed with local businesspeople and tourists at lunchtime, all wolfing down red beans and rice with spicy sausage, jambalaya, muffulettas, or catfish or oyster sandwiches at less than \$5 per heaping plate.

The red beans and rice are also available as a sidedish.

If you've had your fill of beans,

rice, sausage and shrimp, Cafe Maspero is also the home of giant hamburgers, french fries and French onion soup.

You can rinse it all down with a cold mug of Abita Amber, an excellent local microbrew.

With its long bar, formica-topped tables and captain's chairs, the atmosphere of Cafe Maspero isn't much to write home about, but the New Orleans favorites definitely are noteworthy.

Cafe Maspero, 601 Decatur, is open Sunday through Thursday, 11 a.m.-11 p.m., and from 11 a.m. to midnight on Friday and Saturday.

—By Ryan Ver Berkmoes



FINALLY, A CASE FOR MAN

SOME WORKING SOLUTIONS FROM CONSERVCO.

Paging through this magazine, you'll see dozens of advertisements rattling off the same dismal statistics on rising medical costs. Many projecting the horrors yet to come. Still others pointing the finger at you for not waking up to the problem earlier.

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Conference week in New Orleans should be mostly sunny and warm. The city's average temperature in April is 69 degrees, with an average daily high of 77 degrees and an average daily low of 61 degrees. The average relative humidity for the month is 59%. April showers usually total an average 4.5 inches there, with about seven days during the month having measurable precipitation. Light outerwear or sweaters are recommended for evening.

GRAPHIC BY JOHN HALL



RIMS 1994

Five trendy eateries create newest temptations

1 The Mediterranean meets the Mississippi at Bayona.

The red clay walls and voluminous floral arrangements of this restored French Quarter Creole cottage evoke a homey elegance. However, if the weather is right and you'd prefer to be outdoors, you can enjoy a drink or even dinner on the leafy enclosed patio.

But diners don't flock to Bayona for the ambience alone. They primar-

ily come for Chef Susan Spicer's innovative food: grilled breast of duck with pepper jelly glaze, potent cream of garlic soup and shrimp served over a black bean cake with coriander sauce.

Bayona, at 420 Dauphine St., accepts major credit cards and requires reservations, which can be made by calling 504-525-4455.

The restaurant is open for lunch Monday through Friday, 11:30 a.m.-2 p.m. Dinner hours are Monday through Thursday, 6-10 p.m. and Friday and Saturday, 6-11 p.m.

2 Nola is the latest effort of Emeril Lagasse, also chef of Emeril's in the Warehouse District. Although this outlet is located in the French Quarter, the multilevel restaurant still evokes the feeling of a warehouse.

Nola—an abbreviation for New Orleans, La.—dishes out pasta and seafood in an informal cafe atmosphere.

You can take in the black-and-white photographs of the city from a booth or from one of the tightly

packed tables where diners make a sport of guessing what their neighbors are eating. It might be an orange-salmon cake, crawfish in puff pastry or lemongrass trout over rice noodles with caviar from the a la carte menu. The garlic mashed new potatoes are not soon forgotten.

From the seats at the food bar, you can watch jalapeno cheddar corn muffins and roasted meat emerge from the wood-burning oven.

You'll find Nola at 534 St. Louis. Lunch is served 11:30 a.m.-2 p.m. every day except Sunday. Dinner hours

are 6-10 p.m., extended to midnight on Friday and Saturday.

Reservations are recommended. Call 504-522-6652.

3 The Palace Cafe, the latest addition to the Brennan dining dynasty that includes Commander's Palace, is ideally situated for a business lunch at 605 Canal St.

The Palace cafe specializes in contemporary Creole cuisine like crab chops, rabbit ravioli, pork chops with peppercorns and pineapple chutney and crawfish tortellini. Top it off with unforgettable white chocolate-filled bread pudding.

A grand curving staircase carries you to the upper level, where you can relax to soothing piano music.

Floor-to-ceiling windows afford a great view of the happenings on Canal Street from both levels. Sidewalk tables offer an even closer view.

While reservations are recommended for parties of four or more, one-third of seats are always held for walk-ins, a tradition observed at other Brennan's restaurants. To make reservations, call 504-523-1661.

All major credit cards except Discover are accepted. Lunch is served Monday-Saturday, 11:30 a.m.-2:30 p.m. The Sunday brunch kicks off at 10:30 a.m. Dinner is served nightly from 5 p.m. to 10 p.m.

4 At first glance, Peristyle's menu might appear to belong to a typical French or Continental restaurant. But read further and you realize the old standards are prepared in sometimes startling ways.

Filet mignon at Peristyle is stuffed with garlic cheese. Ravioli is served open-faced with shrimp.

This newcomer is currently one of New Orleans's hottest restaurants, where locals come to check out what creative cuisine Chef John Neal has added to the menu that week.

They enjoy their meals either in the simple, small dining room amid framed mirrors and dark wood, or in the classy bar. There's also a large painting of the restaurant's namesake, the column-enclosed City Park landmark.

Peristyle, 1041 Dumaine St., is open for dinner Tuesday through Thursday, 6-10 p.m. and until 11 on Friday and Saturday.

On Fridays, you can enjoy a three-course prix fixe lunch for under \$20 from 11:30 a.m. until 2 p.m. Call 504-593-9535 to make reservations. Visa and MasterCard are accepted.

5 The Praline Connection fuses soul food with traditional New Orleans fare.

Start with a definitive filé gumbo and corn bread and move on to fried chicken, pork chops and barbecued ribs. The heaping, inexpensive entrees come with a choice of collard or mustard greens. Another side dish might be lima beans and rice instead of the typical red beans. Top your meal off with sweet potato pie or cheesecake topped with praline sauce from the adjacent candy store.

The bright dining room has long tables, black-and-white floor tiles and colorful African-American art.

The Praline Connection is at 542 Frenchman St., 504-943-3934. It's a good spot for late-night dining, as it's open from 11 a.m. to 10:30 p.m., Sunday through Thursday and until midnight on Friday and Saturday.

—By Sara Martle

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RIMS 1994

Talented chefs keep New Orleans dining dynamic

Restaurants serve Creole, Cajun and new interpretations

Keeping up with the New Orleans restaurant scene can be a real challenge, because it changes faster than the springtime weather.

For example, the Brennan family that runs Commander's Palace also runs Mr. B's Bistro and the Palace Cafe—but not Brennan's, which is owned by another branch of the family tree.

And Commander's Palace has also spawned a line of chefs who establish their reputations there before setting out on their own.

Paul Prudhomme left Commander's Palace to launch K-Paul's Louisiana's Kitchen and the nationwide Cajun craze.

He was followed at the venerable Garden District eatery by Emeril Lagasse, who later founded Emeril's in the Warehouse District and, more recently, Nola in the French Quarter.

And Commander's Palace isn't the only proving ground for young chefs.

Susan Spicer was the chef of the Bistro at the Maison de Ville before opening Bayona. She was followed at the Bistro by John Neal, who later ventured out on his own to open Peristyle. His successor, Patty Queen, is still there.

The influx and turnover of talent also means that New Orleans' cuisine is constantly changing. While many of the basic ingredients stay the same—oysters, shrimp, crawfish, rice, beans and andouille sausage—chefs are finding new ways of presenting them.

At Bayona, for example, Ms. Spicer applies Mediterranean ingredients to the mix. Mike's on the Avenue exemplifies fusion cooking with a combination of Asian, Southwestern and Louisiana tastes.

Here's a primer on what New Orleans kitchens are currently dishing out:

- Creole is traditional uppercrust New Orleans cuisine with heavy French influences. It is exemplified by dishes like Oysters Rockefeller and shrimp remoulade, and by restaurants like Antoine's and Galatoire's.

- Led by Commander's Palace, some restaurants are updating traditional creole cooking, often resulting in lighter, but equally flavorful, dishes. Shrimp over angel-hair pasta and bread pudding soufflé are examples of the twists contemporary cooks put on local standards.

- Cajun cooking has its roots in the rural bayous and is earthier and spicier than creole. Pork and game are featured prominently in thick roux-based gumbos and jambalaya. In addition to K-Paul's, you'll also find authentic Cajun food at Alex Patout's and Mu-

latte's.

Whatever your taste or your budget, New Orleans' restaurants have it covered.

ALBERTO'S

611 Frenchmen St., Faubourg Marigny
504-949-5952

Italian. Casual upstairs dining. Popular dishes include fettuccine and soft-shell crab. Average dinner for two with wine and gratuity: \$40. Casual dress. MasterCard, Discover and Visa accepted. Monday-Saturday. Lunch: 11:30 a.m.-2:30 p.m. Dinner: 6 p.m.-11 p.m.

ALEX PATOUT'S

221 Royal St., French Quarter
504-525-7788

Cajun. Urbane. Specialties include Cajun smothered roast duck with oyster dressing, crawfish etouffee, lump crab meat, soft-shell crab, cochon du lait (barbecued pig) and sauteed lemon fish. Aver-

age dinner for two with wine and gratuity: \$100. Dressy attire; jackets preferred. All major credit cards accepted. Reservations recommended. Open daily: 5:30 p.m.-until 10 p.m.

MIKE ANDERSON'S SEAFOOD RESTAURANT AND OYSTER BAR

215 Bourbon St.
504-524-3884

Casual seafood house. The nautical atmosphere features several large saltwater aquariums. Specialty is fresh Louisiana seafood, like fried trout file with crabmeat etouffee and crawfish bisque. Average dinner for two with wine and gratuity: \$50. All major credit cards accepted. Reservations are accepted. Hours: Sunday-Thursday, 11:30 a.m.-10 p.m., Friday and Saturday, 11:30 a.m.-11 p.m.

ANTOINE'S

713 St. Louis St., French Quarter
504-581-4422

French Creole. Elegant dining; 15 themed dining rooms. Specialties include oysters Rockefeller, pompano papille and chicken rochambeau. Average dinner for two with wine and gratuity: \$100. Jackets required; no jeans. All major credit cards accepted. Reservations recommended. Monday-Saturday. Lunch: 11:30 a.m.-2 p.m. Dinner: 5:30 p.m.-9:30 p.m.

BART'S ON THE LAKE

8000 Lakeshore Drive
504-282-0271

Seafood. Spacious dining on the lake with patio. Popular dishes include Trout Bart (stuffed trout with hollandaise sauce) and barbecued shrimp azar. Average dinner for two with wine and gratuity: \$26. Casual dress. All major credit cards accepted. Reservations required for eight or more. Tuesday-Thursday: 11:30 a.m.-10 p.m. Friday and Saturday: 11:30 a.m.-11 p.m. Sunday: 10:30 a.m.-9:30 p.m. Sunday brunch buffet: 11:30 a.m.-2:30 p.m.

BAYONA

430 Dauphine St., French Quarter
504-525-4455

French Mediterranean. Intimate courtyard dining. Popular dishes include grilled shrimp with black bean cake in coriander sauce, goat cheese croutons with mushrooms in Madeira sauce and grilled duck breast with pepper-jelly glaze. Average dinner for two with wine and gratuity: \$80. Casual to dressy attire. All major credit cards accepted. Reservations required. Lunch: Monday-Friday: 11:30 a.m.-2 p.m. Dinner: Monday-Thursday: 6 p.m.-10 p.m.; Friday and Saturday: 6 p.m.-11 p.m.

BAYOU RIDGE CAFE

437 Esplanade Ave., downtown
504-949-9912

Continued on page T35



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RIMS 1994

RIMS presidency latest step up for Gallagher

Years of hard work helped put her on top of her profession

As Lucille A. "Lucky" Gallagher worked her way to the top in her insurance and risk management career, she simultaneously made contributions that led to her climbing the ranks in the Risk & Insurance Management Society Inc.

Ms. Gallagher, vp-risk management at the ConAgra Red Meat Cos. and subsidiary Monfort Inc. in Greeley, Colo., will succeed J.A. "Tony" Bridger as RIMS president on May 1.

She began her insurance career with Farmers Insurance Group upon graduating from high school in suburban Denver. In her nine years at Farmers, Ms. Gallagher worked her way up from a transcription operator to supervisor of claims administration in Farmer's Denver office.

She later joined Employers of Wausau in Denver, where she held a variety of claims-related positions.

Her risk management career began in 1978 when she was named the first full-time risk manager at Monfort, which at the time employed 3,600 workers at three cattle feedlots and a single meatpacking plant in Greeley.

After Monfort was acquired by ConAgra Corp. in 1987, Ms. Gallagher was given responsibility for the risk management programs for the six independent operating companies under the ConAgra Red Meat Cos. umbrella.

Today, ConAgra Red Meat employs more than 20,000 people and operates 24 production facilities in 12 states, 50 food distribution branches in 20 states, four feedlots and two long-haul trucking companies.

Ms. Gallagher, 56, became active in the Rocky Mountain Chapter of RIMS soon after she joined Monfort. She held most of the chapter offices, including the presidency in 1986-1987. Three years later, she joined the RIMS executive council as vp-governmental affairs. After two terms in that office, she was elected vp-conference in 1992-1993 and first vp in 1993-1994.

She received RIMS's Richard W. Bland Memorial Award in 1985 for her lobbying activities in Colorado. The award recognizes outstanding achievements by risk managers in shaping legislation and regulation.

Ms. Gallagher lives in Greeley with her husband, Dr. Richard Stieg, who is medical director for the Colorado Compensation Insurance Authority and current president of the American Academy of Pain Medicine.

Ms. Gallagher says she has noticed one big change in RIMS in the 16 years she has been a deputy member.

She said when she joined the Rocky Mountain Chapter of RIMS in 1978, "I think I was one of two women. Now, it is at least 50% women."

Bridger emphasizes member involvement

His vision of RIMS adds value, quality by increasing role of committees

By SARA MARLEY

Call it RIMSTQM. The Risk & Insurance Management Society Inc. is adopting the total quality management philosophy by providing additional value to members and by looking for more from both RIMS staff and members in return.

"RIMS' biggest asset is our members—and our biggest problem is a lack of involvement by members," said President J.A. "Tony" Bridger.

"I want to push the ownership of RIMS down to the membership," said Mr. Bridger, who is risk manager for the Bank of Montreal in Toronto. "We want to push down the direction, management and involvement to the committees. The executive council will ultimately become a policy-setting group instead of trying to micro-manage the society. It will look at ideas and thoughts emanating out of committees."

That TQM philosophy will be carried on next year by RIMS' incoming president, Lucille A. "Lucky" Gallagher.

Everything is fair game for scrutiny in the name of quality—even the strategic plan that RIMS only implemented last year.

"We will look at reordering the priorities in that plan," Mr. Bridger said. "It could be anything. We will look at all processes as we continue to push down the management of the society to the committees and members."

"My top priority is to increase members' and committees' involvement in the organization," said Ms. Gallagher, currently first vp of RIMS and also vp-risk management for the ConAgra Red Meat Cos. and subsidiary Monfort Inc., a meat processor in Greeley, Colo.

Ms. Gallagher will succeed Mr. Bridger as RIMS president on May 1.

To facilitate the flow of information between RIMS' various committees and the executive council, RIMS for the first time will invite the risk managers who chair the committees to three annual board meetings. And, executive council members will receive minutes of all committee meetings.

The executive council may eventually be reorganized, with committees grouped into three or four general areas. For instance, membership and chapter services could fall under a financial section; education and research could be grouped with conference operations; and business and industry liaison, environmental, and health and safety functions could come under the jurisdiction of governmental affairs.

Eventually, RIMS may elect "executive vps" with responsibility for these broader areas, Mr. Bridger said.

Some changes already have been made in the society's operations to reflect staffing changes at RIMS, such as combining the society's conference and education functions, Ms. Gallagher said.

Barbara Parker, who has been promoted to RIMS' director of conferences from assistant director, heads the newly combined staff. Ms. Parker had been heavily in-

involved in RIMS education programs.

RIMS is also expanding the continuing education credits program started at last year's conference, so the lines between educational programs and the conference were blurring.

RIMS Executive Director Eugene U. Ricci received praise from Mr. Bridger and Ms. Gallagher for improving staff skills, particularly in planning. "There's a good rapport between the executive council, staff, committees and the board," Mr. Bridger said. "There's been dramatic improvements."

New staff training meant that the annual budget planning meeting, which previously lasted five days, was concluded in three days this year, he noted.

"A lot of that had to do with the

ing," Ms. Gallagher said. "The chapter needs to put some pressure on that person. (The society director) needs to be fully involved at chapter level, as well as fully participatory on the board of directors."

Both Mr. Bridger and Ms. Gallagher believe communication is the key to increased involvement.

Mr. Bridger made communication a focal point of his year as president, continuing two projects started last year by Suzanne H. Crager, who served as president from 1992-1993. Those projects are the President's Memo, which is distributed to chapter officers, and informal "town hall" forums before meetings of the RIMS board of directors, which have improved board meeting productivity, Mr. Bridger said.

Mr. Bridger said.

In addition to communication, Mr. Bridger cites increased efficiency as one of the major accomplishments of his presidency.

Coming from the banking industry, the need to operate cost-efficiently "is something I live with every day," he said. "RIMS has really responded well" by cutting costs and increasing revenue.

That combination has erased the deficit that has plagued the society for two years. RIMS ended 1993 with a \$637,000 surplus, even though the society was budgeted only to break even. Overall revenue of \$7.4 million was up 2%, and expenses of \$6.8 million were down 3%, Mr. Bridger said.

New revenue came from: education programs; investment income, after RIMS began managing



Photo by Michael A. Marcotte

RIMS President J.A. 'Tony' Bridger and incoming President Lucille A. 'Lucky' Gallagher.

preparation the staff had done," he said. "We have asked them to do more strategic planning, to look beyond their day-to-day problems."

Ms. Gallagher wants to extend that planning and leadership training to the chapters as well. She recently attended a Western regional seminar with 27 chapter representatives, the largest group ever at such a gathering.

"I was astonished to find out that at a lot of chapters, the society director (the chapter liaison to the board of directors) doesn't talk to chapter officers before coming to board meetings and doesn't share information with the chapter board and members after the meet-

"By the time we get to the formal meetings, a lot of the concerns have been answered," he said. "The formal meeting runs much more smoothly and more efficiently."

To obtain members' input on one of the most important regulatory issues of the year, a new National Assn. of Insurance Commissioners model law on fronting, RIMS held special meetings on the topic in Atlanta, Chicago, Dallas and San Francisco.

RIMS hopes to offer a formal position on the model fronting law later this year.

"I've worked very hard so we don't go off in a direction without a lot of input from our members,"

its portfolio more aggressively a year ago; and from RIMS' publishing department, where revenues increased by 20%.

Enrollment at RIMS schools was up 10% in 1993, he said.

Building on that success, the education committee is analyzing attendance and how seminar location and cost of accommodation affect that, Ms. Gallagher said.

"We are taking a fresh look at the schools. We are updating what a typical class should be teaching now," she said. "We want to make sure we are keeping up with the times."

New courses on disaster planning, quality control in risk man-

Continued on next page



RIMS 1994

Continued from previous page
agement and environmental risk management are planned for the end of 1994. A class on crisis management will be offered in 1995.

Membership dues did not produce new revenue in 1993, as membership remained virtually flat, with 4,547 companies and 8,113 deputy members at year end.

One new chapter was formed in 1993 in northwest Arkansas, and two have been added so far in 1994—Greater Miami and a Smoky Mountain chapter based in Knoxville, Tenn.—bringing the total to 92. Chapters are also in the developmental stage in Chattanooga, Tenn., and central Mississippi, based in Jackson.

The entire executive council reduced travel expenses, and Mr. Bridger cut funds from his personal budget earmarked for the traditional video presentation at the annual membership meeting at the RIMS conference. Instead, he will run the Monday morning session as a "straight business meeting."

Conference registration is up more than 4% over a comparable period a year ago, Mr. Bridger said. And the exhibit hall—592 booths occupied by more than 330 companies—sold out months ago.

Risk managers won't be able to visit the vendors' exhibits on Sunday at this year's conference, however. The decision not to open the exhibit hall on Sunday "was in response to customer needs," he said. "Exhibitors commented that there was little traffic on Sunday." Exhibitors also noted that the RIMS exhibit hall in the past was open much longer than the exhibits at other conferences and trade shows, he explained.

The exhibit hall will open Monday morning immediately following the annual membership meeting and a keynote address by Canadian health care expert Jane Fulton.

In another response to members' concerns, RIMS will not participate in the Singapore risk management conference to be held in October. RIMS had been a co-sponsor of the biannual conference.

"The feedback from members is that they wanted us to do things for North American risk managers with international interests," Mr. Bridger said. "We will concentrate on the international program at our own conference, rather than spending time and resources doing Singapore. Very few North American risk managers attended" that conference.

While it is dropping sponsorship of the Singapore meeting, RIMS will continue to co-sponsor the biannual Risk Management Forum in Monte Carlo with the European Assn. of Risk Managers.

The society also remains committed to working with the International Federation of Risk & Insurance Management Assns., but will downgrade its presence in that group, Mr. Bridger said.

"Over time, IFRIMA has evolved to be a very efficient, knowledgeable group," he said. "We want IFRIMA to be the spokesperson in the international area," not RIMS.

However, RIMS—the world's largest risk management organization—will continue to perform administrative functions for IFRIMA.

And the society will continue to work with risk management organizations with which it has established separate relationships outside of IFRIMA, including groups in Australia, Great Britain and Japan, Ms. Gallagher said.

While taking a step back in some of its international ventures, RIMS is looking toward involvement in the growing risk management

movement in Mexico and Latin America.

The international program at this year's RIMS conference will include sessions on the impact of the North American Free Trade Agreement on risk management programs, multinational benefit funding strategies, and how developments at Lloyd's of London and in the London market will affect renewals. In addition, six of the 38 discussion topics at the Wednesday "brown bag" luncheon will be international issues (see story, page T34).

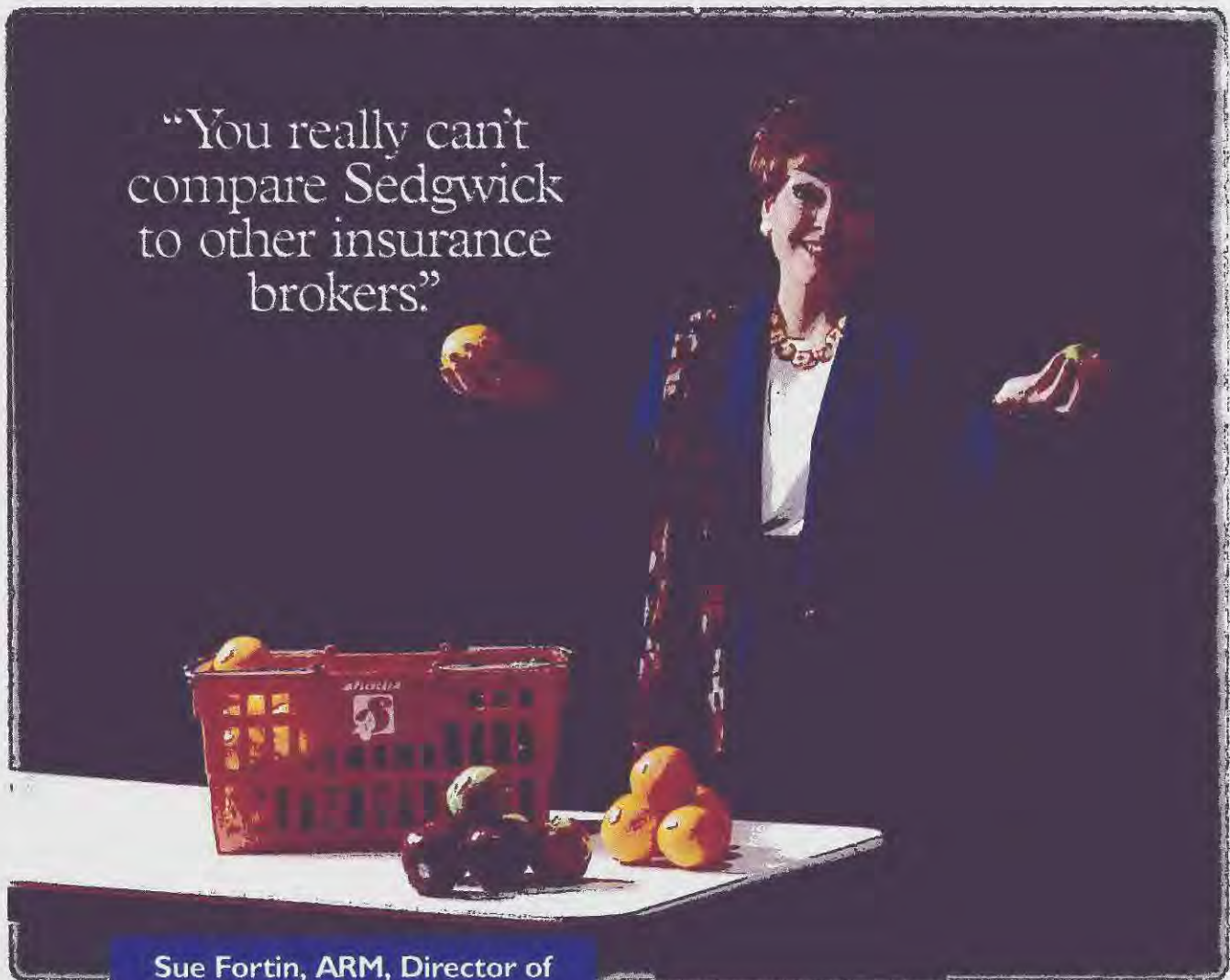
Domestically, RIMS is developing position papers on various issues, including health care reform, the NAIC model fronting law, changes to the Occupational Safety and Health Act and Superfund.

"We have to look at where we
Continued on next page

"When will a company offer everything risk managers need under one roof?"



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RIMS 1994

RIMS

Continued from previous page

can make the most impact. We need to refine the process to make sure we are out there leading the debate (in those areas)," Ms. Gallagher said.

In the future, she would like to see more risk managers testifying before congressional committees.

RIMS also is searching for a new staff member who will follow state issues and organize lobbying efforts.

In the past year, RIMS joined the newly formed Coalition of Alternative Risk Funding Mechanisms. RIMS is not in total agreement with all of CARFM's positions, however.

"RIMS wants to work with the regulators," Mr. Bridger said.

"CARFM is taking a stronger approach. We don't want to get into a situation where litigation is involved." CARFM has threatened to file suit if the NAIC does not accept the way Vermont regulates risk retention groups for NAIC accreditation purposes. Both CARFM and RIMS, however, believe that the new NAIC leadership is committed to accrediting Vermont.

Ms. Gallagher attended the recent NAIC meeting in Denver and came away confident that RIMS and the NAIC can work together.

"The biggest problem is to educate (the NAIC) that we are not insurance companies, we are business," she said. "We manage the risk-funding part of our business the same way we manage any other part of our business."

In addition to working with the

'We have to look at where we can make the most impact. We need to refine the process to make sure we are out there leading the debate.'

NAIC, RIMS is also trying to work with the National Conference of Insurance Legislators and the National Governors' Assn, "because those are the people who are appointing and electing these officials," Ms. Gallagher said. "When the NAIC enacts model laws, they must understand how the issues affect business."

RIMS should also be more involved in the health care debate, she said. "Our concern is this has not been looked at in depth from a risk management perspective."

Developing a position on health care reform, which should be published this spring, is not an easy task, however. RIMS opted to delay developing its position until competing proposals were released.

"We have to look at all sides of the coin because our demographics, our members, are government entities, large, medium and smaller employers. There are differences of opinion within our membership," Ms. Gallagher said.

"We are in favor of a system that reduces the long-term cost of health care by improving employee and family health," she pointed out.

So far, RIMS endorses the concept of universal access to health care, including coverage from Day One and no pre-existing conditions clauses in policies.

"All people who earn an income should contribute something toward their health care coverage," Ms. Gallagher said. At the same time, "employers should be allowed the choice to continue to offer plans as they do now. After all, employers and business have had the leading edge on cost containment and developing areas for control."

If workers compensation is included in any type of universal health care plan, "there can be no differences in the benefit and payment systems" between workplace and non-occupational injuries and illnesses, she said.

Including workers comp in a reform bill could increase cost shifting to the workers comp system. And, a combination of the group health care and workers comp system raises a host of legal and medical issues, including a lack of physicians trained in workers comp and return-to-work programs.

"We have concerns that government involvement and administration will result in inefficiencies and higher costs," Ms. Gallagher said. "We have already seen mandated benefits prove to increase costs. We feel very strongly that a pilot project should be done to determine what works and what doesn't before any drastic changes are made."

As RIMS prepares to speak out on new issues, its roster of top officers also is undergoing change.

Working closely with Ms. Gallagher during the next year will be William J. Kelly, who will serve as first vp, the traditional steppingstone to the RIMS presidency. Mr. Kelly, senior vp with J.P. Morgan & Co. Inc. in New York, currently is vp-international.

In addition, Judy Lindenmeyer, director-risk management at Fidelity Investments in Boston, will join the executive council on May 1. She will replace Mr. Bridger.

Earlier this year, Marge P. Layne, corporate risk manager of Core-Mark International and vp-membership and chapter services/secretary, resigned from the executive council. She was replaced by Susan Meltzer, risk manager for Bell Canada in Toronto, who will remain on the executive council in 1994-1995.

Ms. Meltzer is also chairwoman of the 1994 conference programming committee. **BI**

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RIMS 1994

Conference

Continued from page T3
Management and the Canadian Hospital Assn. Program in Health Services Management.

The Tuesday luncheon speech will be delivered by Richard Cheney, who was secretary of defense during the Bush administration. Mr. Cheney headed the Defense Department during Operation Desert Shield/Desert Storm in 1990-1991, which liberated Kuwait after the Iraqi invasion.

After more than two decades in federal government, including 10 years as a U.S. representative, the Wyoming Republican now is a senior fellow at the American Enterprise Institute in Washington.

Thursday's luncheon will feature personal finance expert Jane Bryant Quinn.

Ms. Quinn writes columns for Newsweek and Woman's Day and is a syndicated newspaper columnist for The Washington Post. She appears twice each week on ABC's "The Home Show."

She has written two books, "Making the Most of Your Money" and "Jane Bryant Quinn's Money Book."

Another key part of conference week is the annual exhibition of products and services. More than 330 suppliers will be represented with displays in Convention Center halls B2 & C.

The opening of the exhibit hall this year has changed to Monday of conference week from the usual Sunday schedule. Exhibit hall hours will be: Monday, 10:30 a.m.-5 p.m.; Tuesday and Wednesday, 9 a.m.-5 p.m., and Thursday, 8 a.m.-noon. Admission to the exhibition hall will be limited to conference and guest program registrants and badged exhibitor personnel.

No one under age 18 will be admitted.

In conjunction with the conference, RIMS will hold its annual membership meeting at 8 a.m. Monday in Convention Center Ballroom II.

President J.A. "Tony" Bridger, risk manager for the Bank of Montreal in Toronto, will deliver the State of the Society address, and incoming President Lucille A. Gallagher, vp-risk management for the ConAgra Red Meat Cos. and subsidiary Monfort Inc., a meat processor in Greeley, Colo., will deliver her inaugural address (see story, page T28).

The 1994-1995 executive council also will be introduced.

While conference attendees are involved in professional activities, their guests can enjoy a variety of tours. Sightseeing highlights include the French Quarter, the Garden District, plantations, a Mardi Gras "workshop," the swamps, the New Orleans School of Cooking, the New Orleans School of Glassworks and Gallery, and museums.

For the second year, a blood drive will be held during the conference.

Organizers hope to top last year's donation of 28 pints. Southeast Louisiana Blood Services will conduct the drive between 10 a.m. and 5 p.m. on Monday of conference week between aisles 100 and 200 of the exhibit hall.

Prepaid registrations exceeded last year's, totaling 4,060 as of April 4. The 1993 conference drew approximately 4,300 attendees.

For registrations after March 14, the price for a full week of the conference is \$845 for RIMS members

and \$945 for non-members. Partial-week registrations after March 14 range from \$725 to \$750 for members and \$825 to \$850 for non-members. A one-day registration is \$295 for members and \$345 for non-members.

A First Timer orientation will be held in the Convention Center on Sunday, April 17.

Agents and brokers from many states can receive continuing education credits for the sessions they attend. Continuing education credit forms will be available at the continuing education desk in the RIMS registration area. An administrative fee of \$10 per daily certificate will be charged.

For more information, contact the RIMS conference department at 212-286-9292.

—By Roseanne White

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RIMS 1994

Spencer Foundation paves way for risk, insurance professionals of tomorrow

The Spencer Educational Foundation Inc. this year will award 10 scholarships each in the amount of \$10,000 to full-time students of risk management and insurance.

This marks the second consecutive year that the foundation has been able to grant \$100,000 in scholarships.

In reaching that goal last year,

the Spencer Foundation surpassed 1992's award of eight \$7,500 scholarships.

The Spencer Foundation's mission is to assist undergraduate and graduate students in the fields of risk management and insurance through scholarships and educational grants.

The Spencer Educational Foundation was established in 1979 by the Atlanta Chapter of the Risk & Insurance Management Society Inc. in honor of the late Robert S. Spencer, a former president of the society.

More than 140 scholarships have been awarded since then, according to Anne Zug, Spencer Foundation chairwoman and associate vp of insurance and risk management for Main Line Health Inc. in Radnor, Pa.

Scholarship recipients are chosen on the basis of grade-point average, field of study, and full-time student status of at least 12 hours per term.

This year's winners will be chosen from 72 candidates, up from 66 candidates last year and 50 in 1992.

Education Committee members, who select the scholarship recipients, are: James V. Davis, chairman and chief executive officer of Willis Corroon Advanced Risk Management Services in Nashville, Tenn., who chairs the committee; Anita Benedetti, Spencer Foundation president and deputy executive director of RIMS; Allan Goldberg, manager-property/casualty insurance for Interco Inc. in St. Louis; H. Felix Kloman, editor of Risk Management Reports in South Norwalk, Conn.; Alan Page, senior vp and director at Johnson & Higgins in New York; Dick Smith, principal of Smith Consulting Group in Marina del Rey, Calif.; and Michael Zuckerman, vp, Willis Corroon Corp. of Pennsylvania in Radnor, Pa.

The foundation will hold two fund-raising events this month: the second annual Spencer raffle and the third annual Spencer/Gallagher golf tournament.

Tickets now are being sold for the raffle, whose drawing will be held Thursday, May 5 at RIMS headquarters in New York. The grand prize is \$10,000 and the second prize is \$2,500. Raffle tickets are \$25 each or five for \$100.

Tickets may be purchased by sending one's name, address and telephone number, along with a check payable to the Spencer Educational Foundation Raffle, to the Spencer Educational Foundation Inc. at 205 E. 42nd St., Suite 1504, New York, N.Y. 10017.

The Spencer golf tournament will be held at the Belle Terre Country Club in LaPlace, La., at 9 a.m. on Sunday, April 17, the same day the 32nd annual RIMS conference opens in New Orleans (see story, page T34).

The April 17 opening reception of the RIMS convention will also support the Spencer Educational Foundation. Ballroom II at the Ernest N. Morial Convention Center will be turned into a "construction site" Sunday from 7:30 to 9:30 p.m. for the party theme of "Building on Success." Musical

Continued on next page

This List is Incomplete.



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RIMS 1994

Continued from previous page
group The League of Decency will play songs from various decades, including swing and current Top 40 hits.

Dress is casual. Hors d'oeuvres, beer, wine and soft drinks will be served.

On Monday, April 18, the Spencer Foundation will announce the RIMS chapters that have won High School Outreach grants.

The grants are used to introduce the concepts of risk management and insurance to high school students.

Anyone interested in contributing to the Spencer Foundation may contact Ms. Benedetti at the foundation's address above or call 212-286-9292.

Following are 1993-1994 contributors and pledges to the Spencer Foundation as of March 18. The fund-raising year ends June 30.

• Golden Circle (\$12,000-\$29,999):

Alexander & Alexander Services Inc.; Atlanta Chapter of RIMS; Johnson & Higgins; Marsh & McLennan Cos. Inc.; Sedgwick James Inc.

• Sponsors (\$5,000-\$11,999):

American International Group Inc.; *Business Insurance*; The Chubb Corp. Charitable Trust; CIGNA Corp.; Rollins Hudig Hall Group; Willis Corroon.

• Benefactors (\$2,500-\$4,999):

Alaska Chapter of RIMS; Crawford & Co.; GAB Business Services Inc.; Genesis Underwriting Management Co.; The Hartford Steam Boiler Inspection & Insurance Co.; Liberty Mutual Insurance Group; Reliance National Insurance Co.; Washington Chapter of RIMS; Wausau Insurance Cos.

• Patrons (\$1,000-\$2,499):

Commonwealth Risk Services; Delaware Valley Chapter of RIMS; Idaho Chapter of RIMS; Industrial Risk Insurers; International Risk Management Institute Inc.; Lindsey Morden Claim Services; The Lockton Cos.; New York Chapter of RIMS; Northeastern Illinois Chapter of RIMS; North Florida Chapter of RIMS; Old Republic Risk Management Inc.; Oregon Chapter of RIMS; Santa Clara Chapter of RIMS; Virginia Chapter of RIMS; Zurich-American Foundation.

• Contributors (\$500-\$999):

Individuals: James V. Davis; Theodore J. Fuller; P. Richard Hackenburger; Brian M. Kawamoto; Christine LaSala; Kathryn J. McIntyre; Richard E. Meyer; William S. Mortimer; Dick and Carole Smith; Myra Leigh Tobin; Susan Welch.

Organizations: Caltex Risk Management Services Corp.; Carolinas Chapter of RIMS; Chesapeake Chapter of RIMS; Cumberland Chapter of RIMS, in memory of Tom Ainsworth; Deloitte & Touche; Fairfield/Westchester Chapter of RIMS; Houston Chapter of RIMS; Kemper National Insurance Cos.; Marshall, Dennehey, Warner, Coleman & Goggin; Orange Empire Chapter of RIMS; Palm Beach Chapter of RIMS; Palmetto Chapter of RIMS; Potomac Chapter of RIMS; Protection Mutual Insurance Co.; San Diego Chapter of RIMS.

• Donors (\$250-\$499):

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Newton Jr.; David A. Nunley; William D. O'Connell; Alan G. Page; Donald H. Payne; William J. Prenger; Gene and Janet Ricci; Scott Rich; Charles L. Ruoff; George H. Shattuck Jr.; James W. Smirles; Gregory F. Sosbee; John B. Sullivan; John Surabian; Richard E. Valliere; Stephen M. Wilder; Ron and Kelly Winans; M. Michael Zuckerman; Anne M. Zug.

Organizations: Connecticut Valley Chapter of RIMS; CUNA Mutual Insurance Group; Jupiter Transportation System Inc.; Piedmont Chapter of RIMS; Southwest Florida Chapter of RIMS.

• Friends (\$100-\$249):

Individuals: Jamie R. Anthony Jr.; Norman Barham; S. Robert Beane; Anita Benedetti; Laurie J. Bilik; Donald H. Birdsong; George

H. Bostwick; J. Cameron Campbell; Don R. Carlson; Jerome N. Clauser; Robert O. Collins Jr.; W. Meade Collinworth; David F. Copen; Rodney D. Day III; Lucille A. Gallagher; Claude F. Gallelo; Rita P. Garcia; Michael F. Grace; Charles L. Halsey; David A. Jollin; Daniel L. Jones; William J. Kelly; Willis T. King Jr.; David Q. Laabs; Saul J. Landesberg; A. Hunter Long; Sam H. McGoun; Brian C. Miller; Dennis K. Morton; James W. Noyes; Thomas G. Patzau; Christopher L. Pethley; Truman G. Pope; Jeanne H. Pores; Pete A. Rancourt; Thomas and Gayle Regan; Daniel C. Savitsky; Ron Tsukamaki; E. Massie Valentine; Stella Alexis Wagner; Robert Whitmarsh; Earle and Margaret Zander.

Organizations: The ASU Group; Boatmen's Bancshares Inc.; CEI/

ClaimsNet; Central Illinois Chapter of RIMS; Chicago Chapter of RIMS, in memory of Arthur Melzer; Crookham Co.; The Dun & Bradstreet Corp.; Eichleay Holdings Inc.; Fletcher Pacific Construction Co. Ltd.; Georgia Gulf Corp.; Greater Quad-Cities Chapter of RIMS; Inland Empire Chapter of RIMS; Iowa Chapter of RIMS; Lucky Stores Inc.; Park South Associates Inc.; Rock River Valley Chapter of RIMS; Schnitzer Steel Industries Inc.; South Louisiana Chapter of RIMS; Southwest Florida Chapter of RIMS, in memory of Hank Nevins.

• Supporters (\$25-\$99):

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C. Mason; Gary Meggs; Fred B. Mo-lineux; John G. Pinner; Joseph P. Platt Jr.; Douglas C. Nyhus; J. Donald Shea; Frank L. Shoppe; Susan and Al Silverstein; Ronald W. Stasch; John A. Stewart; Jerry D. Todd; Judith Tornese; H. Jay Varner.

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RIMS 1994

Luncheon to offer food for thought

New event expected to promote discussion of issues

Who says a "brown bag" lunch can't have some zip to it?

Attendees at the 32nd annual Risk & Insurance Management Society Inc. conference can attend a "Brown Bag" luncheon spiced up with conversations on risk management issues.

A new event at this year's meeting, the "Brown Bag" luncheon/discussion is a chance for attendees to exchange ideas, share information and network in an informal environment.

"It's a step beyond the informational sessions," said Barbara Parker, RIMS director of conferences. "It's another opportunity for networking, while focusing in on industry problems."

The "Brown Bag," which replaces the traditional Wednesday luncheon honoring those who achieved the Associate in Risk Management or Certificate in Risk Management designations, also of-

fers attendees an additional 90 minutes of learning time during conference week.

Discussion topics were generated by individual RIMS committees' suggestions of the issues in their subject areas that are most important to members.

"The point was to make the 'Brown Bag' a member function," Ms. Parker said.

The "Brown Bag" lunch will be free-form this year. Signs on each table in Convention Center Ballroom II will indicate the discussion topic to be discussed.

The list of 38 topics, which will be placed in delegate kits, includes: financing alternatives for environmental liability, environmental auditing practices, emergency planning, solutions for costly workers compensation claims, developing a workers comp manual, benchmarking, dealing with the cost of risk, and Occupational Safety and Health Administration reform.

Other tables during the luncheon will be dedicated to discus-

sion of risk management issues in various regions of the world.

Attendees can grab a boxed lunch and then locate the table at which their topic of choice will be discussed. Participants are advised to have three topic choices, in case their first-choice table is full. Each table will accommodate 11 participants and the discussion leader, and certain topics will be discussed at more than one table.

A RIMS member will lead the discussion at each table. Participants will be free to move if they want to join another discussion, and empty tables will be available for those who want to break away to start a different discussion.

And long after the brown bags are tossed into trash bins, the information exchange will serve a vital purpose for RIMS: Committee members will bring to their committees the concerns that arose during the discussions.

"Their feedback will affect what committees will do in the future," Ms. Parker said.

—By Roseanne White

Annual golf tourney a fund drive

Proceeds to benefit Spencer Foundation

The Third Annual Spencer/Gallagher golf tournament to benefit the Spencer Educational Foundation Inc. will be held Sunday, April 17, at Belle Terre Country Club in LaPlace, La.

The 18-hole team scramble will begin at 9 a.m. with a shotgun start. Golfers will receive a maximum of two Mulligans for the tournament.

The field is limited to 144 players, and the cost is \$120 per player. In addition, 18 corporate tee sponsorships are available at \$200 each tee, and two beverage cart sponsorships are available at \$300 each.

Prizes will be awarded to the three best foursomes and for the longest drive, most accurate drive and the shot closest to the pin. A player who hits a hole-in-one on a designated hole will win \$10,000.

Par for the course from the stan-

dard tees is 69. The 6,320-yard course weaves its way around the Belle Terre subdivision.

The course "will challenge some of the best," said Dean Shrable, Gallagher's New Orleans branch manager and an organizer of the tournament.

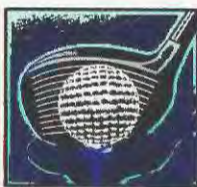
"The course is fairly tight, marked with a lot of water hazards,

and lined with bunkers and out of bounds markers," according to Mr. Shrable.

Bus transportation from New Orleans will be provided to the course, which is 25 miles west of the city. A continental breakfast will be served at 8 a.m.

A barbecue lunch and awards ceremony will be held in the clubhouse at 2 p.m.

For more information about the tournament or to register, contact Mr. Shrable or Jocel Ravenack at Broussard, Bush & Hurst, a division of broker Arthur J. Gallagher & Co., 504-888-1100, fax: 504-888-1299. **BI**



RIMS Conference at a glance

Sunday, April 17

- Noon-8 p.m.: Conference registration—first floor of the Ernest N. Morial Convention Center, 900 Convention Center Blvd., New Orleans.
- 5:30-11:30 p.m.: Hospitality suites open at: the New Orleans Hilton Riverside & Towers, Poydras Street at the Mississippi River; New Orleans Marriott, 555 Canal St.; and the Sheraton New Orleans, 500 Canal St.
- 7:30-9:30 p.m.: Spencer Educational Foundation reception, Convention Center Ballroom II.

Monday, April 18

- 7 a.m.-5 p.m.: Conference registration—first floor, Convention Center.
- 8 a.m.: Annual membership meeting and keynote address by Canadian health care expert Jane Fulton. Breakfast served at 7:30 a.m.—Convention Center Ballroom II.
- 9-11 a.m.: Conference sessions—Convention Center.
- 10:30 a.m.-5 p.m.: Exhibit Hall open—Convention Center halls B2 and C.
- Noon-2 p.m.: Boxed lunch at the Exhibit Hall—Convention Center halls B2 and C.
- 2-4 p.m.: Conference sessions—Convention Center.
- 5:30-11:30 p.m.: Hospitality suites open at the Hilton, Marriott and Sheraton.

Tuesday, April 19

- 8 a.m.-5 p.m.: Conference registration—Convention Center.
- 9-11 a.m.: Conference sessions—Convention Center.
- 9 a.m.-5 p.m.: Exhibit Hall open—Convention Center halls B2 and C.
- Noon-1:45 p.m.: Lunch with former Secretary of Defense Richard Cheney—Convention Center Ballroom II.
- 2-4 p.m.: Conference sessions—Convention Center.
- 4-5 p.m.: Exhibit reception—Convention Center halls B2 and C.
- 5:30-11:30 p.m.: Hospitality suites open at the Hilton, Marriott and Sheraton.

Wednesday, April 20

- 8 a.m.-5 p.m.: Conference registration—Convention Center.
- 8:30-11:45 a.m.: Conference sessions and workshops—Convention Center.
- 9 a.m.-5 p.m.: Exhibit Hall open—Convention Center halls B2 and C.
- Noon-1:30 p.m.: "Brown Bag" lunch/discussion—Convention Center Ballroom II.
- 1:45-5 p.m.: Conference sessions and workshops—Convention Center.
- 5:30-11:30 p.m.: Hospitality suites open at the Hilton, Marriott and Sheraton.

Thursday, April 21

- 8 a.m.-2 p.m.: Conference registration—Convention Center.
- 8 a.m.-Noon: Exhibit Hall open—Convention Center halls B2 and C.
- 9 a.m.-4:30 p.m.: Conference sessions and workshops—Convention Center.
- Noon-1:45 p.m.: Lunch with personal finance expert Jane Bryant Quinn—Convention Center Ballroom II.
- 5:30-11:30 p.m.: Hospitality suites open at the Hilton, Marriott and Sheraton.

Friday, April 22

- 9-11 a.m.: Conference sessions—Convention Center.



Looking ahead to RIMS in '95

The Risk & Insurance Management Society's 1995 conference will be held in San Francisco April 23-28.

Other future RIMS conferences are scheduled for:

- Toronto, April 21-26, 1996.
- Atlanta, April 13-18, 1997.

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RIMS 1994

Dining

Continued from page T26

Indoor or outdoor dining. Specialties include salmon with ginger plum sauce and cheese-filled ravioli with chicken and sun-dried tomatoes. Average dinner for two with wine and gratuity: \$30 (a la carte menu). Casual dress. All major credit cards except Discover. Reservations recommended. Dinner: Wednesday-Thursday, 4 p.m.-10 p.m.; Friday-Sunday 4 p.m.-11 p.m. Brunch: Friday-Sunday: 11 a.m.-4 p.m.

BELLA LUNA

914 N. Peters, French Quarter
504-529-1583

Eclectic. Bright, comfortable setting with a view of the Mississippi River. Specialties include grilled veal, baked salmon in herb onion crust and caramelized red fish seasoned with Jamaican jerk spice. Average dinner for two with wine and gratuity: \$75. Smart casual dress: no shorts, jeans or tennis shoes. Major credit cards accepted. Reservations recommended. Sunday: 5 p.m.-9:30 p.m. Monday-Saturday: 6 p.m.-10:30 p.m.

BISTRO at MAISON de VILLE

733 Toulouse St., French Quarter
504-528-9206

American/Mediterranean. Cozy, intimate bistro with French music. Specialty items include shrimp and clam broth, pork tenderloin and crawfish remoulade. Average dinner for two with wine and gratuity: \$90. Casual dress, no shorts. All major credit cards except Discover. Reservations required. Lunch: Monday-Saturday, 11:30 a.m.-2 p.m. Dinner: Daily, 6 p.m.-10 p.m.

BON TON CAFE

401 Magazine St.
504-524-3386

Cajun. Casual atmosphere. Crawfish dishes are popular. Average dinner for two with wine and gratuity: \$70. Casual to dressy at-

tire. All major credit cards except Discover accepted. Reservations recommended for dinner. Monday-Friday. Lunch: 11 a.m.-2 p.m. Dinner: 5 p.m.-9:30 p.m.

BRENNAN'S

417 Royal St., French Quarter
504-525-9711

Traditional French Creole. Elegant dining in 18th century setting. Popular breakfast dish: egg hussarde. Dinner specialties include redfish perez. Average dinner for two with wine and gratuity: \$100. Casual to dressy attire: coat and tie preferred for dinner; no jeans. All major credit cards accepted. Reservations recommended. Daily: 8 a.m.-2:30 p.m. and 6 p.m.-10 p.m.

BROUSSARDS

819 Conti St., French Quarter
504-581-3866

Creole. Three dining rooms with patio and courtyard; French Quarter ambiance. Specialty dishes include turtle soup, gumbo, shrimp remoulade, coulibiac of salmon and bananas Foster. Average dinner for two with wine and gratuity: \$100. Jackets required. All major credit cards accepted. Reservations required. Daily: 5:30 p.m.-11 p.m.

CAFE DU MONDE

300 Decatur St., French Quarter;
1 Poydras St., Riverwalk Mall
504-581-2914

Cafe. Spacious patio with greenery; also inside seating. Famous for beignets and cafe au lait with chicory. Average dessert for two with drink: \$5. Casual dress. Cash only. French Quarter location open 24 hours. Poydras Street location: Daily, 8 a.m.-9 p.m.

CAFE MASPERO

601 Decatur St., French Quarter
504-523-6250

Sandwich shop. Muffulettas, seafood dishes and po-boys are popular. Average dinner for two with wine and gratuity: \$16. Casual dress. Cash only. Sunday-Thursday: 11 a.m.-11 p.m. Friday and Saturday: 11 a.m.-midnight.

CAMELLIA GRILL

626 S. Carrollton Ave., Uptown
504-866-9573

American breakfast and sandwich shop. Classy diner with open grill. Specialties include chili cheese omelet and pecan pie. Average dinner for two with gratuity: less than \$20. Casual dress. Cash or traveler's checks only. Open Saturday and Sunday 8 a.m., Monday-Friday 9 a.m.; close Sunday-Thursday 1 a.m., Friday and Saturday 3 a.m.

CARIBBEAN ROOM

2031 St. Charles Ave.,
Pontchartrain Hotel
504-524-0581

Continental/Creole. Luxury hotel dining room. Specialties include fresh trout, sauteed snapper Eugene, and lamb chops. Average dinner for two with wine and gratuity: \$80. Jackets preferred. All major credit cards accepted. Reservations recommended. Tuesday-Saturday: 6 p.m.-10 p.m. Sunday brunch: 11 a.m.-2 p.m.

CENTRAL GROCERY

923 Decatur St., French Quarter
504-523-1620

Italian grocery store. Muffulettas. Average cost of two sandwiches: \$12. Cash or traveler's checks only. Monday-Saturday: 8 a.m.-5:30 p.m. Sunday: 9 a.m.-5:30 p.m.

CHARLIE'S STEAK HOUSE

4510 Dryades St., Uptown
504-895-9323

Steakhouse. Casual atmosphere. Offers variety of T-bones and filets. Average dinner for two with wine and gratuity: \$45. Casual dress. All major credit cards except Discover accepted. Lunch: Tuesday-Friday: 11 a.m.-3 p.m. Dinner: Tuesday-Saturday: 5 p.m.-11 p.m.

CHART HOUSE

801 Chartres St., French Quarter
504-523-2015

Steak/seafood. Old New Orleans-style restaurant with balcony overlooking Jackson Square. Specialties include prime rib and

grilled seafood. Average dinner for two with wine and gratuity: \$65. Casual dress. Reservations recommended. All major credit cards accepted. Monday-Thursday: 5 p.m.-10 p.m. Friday: 5 p.m.-11 p.m. Saturday: 4 p.m.-midnight. Sunday: 4 p.m.-10 p.m.

CHRISTIAN'S

3835 Iberville St., Mid-City
504-482-4924

French Creole. Quaint atmosphere in a renovated 1904 church with stained glass windows. Specialties include smoked soft-shell crab and saffron shrimp. Average dinner for two with wine and gratuity: \$75. Coat and tie preferred; no jeans or shorts. All major credit cards except Discover accepted. Reservations recommended. Lunch: Thursday and Friday: 11:30 a.m.-2 p.m. Dinner: Monday-Saturday: 5:30 p.m.-10 p.m. Special Sunday opening: April 24: 5:30 p.m.-10 p.m.

COMMANDER'S PALACE

1403 Washington Ave., Garden District
504-899-8221

Creole. Stately 1880 mansion. Specialties include turtle soup, crabcakes in oyster sauce, poached oysters in seasoned cream sauce with Oregon caviar, bread pudding souffle and chocolate Sheba. Average dinner for two with wine and gratuity: \$100. Jackets required for dinner. All major credit cards accepted. Reservations essential. Lunch: Monday-Friday, 11:30 a.m.-1:30 p.m.; Saturday, 11:30 a.m.-12:30 p.m. Dinner: Daily, 6 p.m.-10 p.m. Sunday jazz brunch: 10 a.m.-12:30 p.m.

COPELAND'S

4338 St. Charles Ave., Uptown;
701 Veterans Blvd., Metairie
504-733-7843

Cajun. Casual atmosphere. Popular dishes include stuffed shrimp, crawfish etouffee and blackened redfish. Average dinner for two with wine and gratuity: \$45. Casual dress. All major credit cards accepted. Monday-Thursday: 11

a.m.-11 p.m. Friday and Saturday: 11 a.m.-midnight. Sunday: 11 a.m.-10 p.m.

COURT OF TWO SISTERS

613 Royal St., French Quarter
504-522-7261

French Creole. Outdoor and indoor dining; large courtyard. Specialties include lobster etouffee, trout Wellington and chicken Oscar. Average dinner for two with wine and gratuity: \$85. Casual to dressy. All major credit cards accepted. Reservations required. Dinner: Daily, 5:30 p.m.-11 p.m. Jazz brunch: Daily, 9 a.m.-3 p.m.

DELMONICO

1300 St. Charles Ave., Garden District
504-525-4937

Creole. New Orleans provincial. Specialties include turtle soup, baked Creole eggplant with shrimp and blackened catfish with crawfish etouffee sauce. Average dinner for two with wine and gratuity: \$50. Casual to dressy. All major credit cards accepted. Reservations preferred for large parties. Sunday-Thursday: 11:30 a.m.-9 p.m. Friday and Saturday: 11:30 a.m.-9:30 p.m.

DOOKY CHASE'S

2301 Orleans Ave., Tremé
504-821-2294

Creole. Neighborhood restaurant; main dining room with two party rooms. Popular for gumbo, jambalaya, etouffee and other seafood dishes. Average dinner for two with wine and gratuity: \$40. Jackets preferred for dinner; no shorts. All major credit cards except Discover accepted. Reservations suggested. Monday-Thursday: 11:30 a.m.-11 p.m.; Friday-Sunday: 11:30 a.m.-midnight. Buffet Monday-Friday: 11:30 a.m.-3 p.m.

L'ECONOMIE

325 Girod St., Warehouse District
504-524-7405

French. Cozy, eclectic atmosphere. Popular dishes include steamed mussels, filet mignon and crawfish with new potatoes. Average dinner for two with wine and gratuity: \$50. Casual to dressy attire. Visa and MasterCard accepted. Reservations recommended. Lunch: Tuesday-Friday: 11 a.m.-2 p.m. Dinner: Tuesday-Thursday: 6 p.m.-9:30 p.m. Friday and Saturday: 6 p.m.-10:30 p.m.

EDDIE'S

1201 Canal St., Krauss Dept. Store, Central Business District; and 2119 Law St., Gentilly
504-523-3311, ext. 231; 504-945-2207

Creole/Soul food. Casual. Specialties include gumbo, fried seafood, red beans and roast beef brisket. Average dinner for two with wine and gratuity: \$20. Casual dress. All major credit cards accepted. Reservations recommended. Canal Street location: Monday-Saturday 10 a.m.-4 p.m.; Law Street location: Monday-Thursday 11 a.m.-10 p.m. and Friday and Saturday 11 a.m.-11:30 p.m.

EMERIL'S

800 Tchoupitoulas St., Warehouse District
504-528-9393

Creole. Upscale casual atmosphere. Specialties include barbecued shrimp appetizer, double-cut pork chops over bed of roasted sweet potatoes and banana cream pie. Average dinner for two with wine and gratuity: \$80. No jeans, T-shirts, shorts or tennis shoes. All

carrier takes a big hit **TICK**.....**TICK**.....**TICK**.....**TICK**



General Accident Insurance Company of America; General Star National Insurance Company; The Home Insurance Company; Insurance Company of North America; NAC Reinsurance Corporation; The Travelers Indemnity Company; Zurich Insurance Company, U.S. Branch.



American Excess
Insurance Association

Continued on next page

Dining

Continued from previous page
major credit cards accepted. Reservations required. Lunch: Monday-Friday, 11:30 a.m.-2 p.m. Dinner: Monday-Thursday: 6 p.m.-10 p.m. and Friday and Saturday: 6 p.m.-10:30 p.m.

FELIX'S RESTAURANT & OYSTER BAR

739 Iberville St., French Quarter
504-522-4440
Seafood. Casual atmosphere. Popular dishes include seafood gumbo, raw oysters and oysters Rockefeller. Average dinner for two with wine and gratuity: \$40. Casual to dressy. Visa, American Express and MasterCard accepted.

Reservations required for six or more. Monday-Thursday: 9:30 a.m.-midnight. Friday and Saturday: 9:30 a.m.-1:30 a.m. Sunday: 9:30 a.m.-10 p.m.

GALATOIRE'S

209 Bourbon St., French Quarter
504-525-2021
French Creole. Bistro atmosphere. Specialties on the a la carte menu include trout marguery, trout almondine, Creole bouillabaisse, stuffed eggplant and oysters Rockefeller. Average dinner for two with wine and gratuity: \$50. Jackets are required after 5 p.m.; no blue jeans or shorts. Visa, MasterCard and American Express cards are accepted. Tuesday-Saturday: 11:30 a.m.-9 p.m.; Sunday: noon-9 p.m.

GAUTREAU'S

1728 Soniat St., Uptown
504-899-7397
Modern French Creole. French bistro; intimate dining. Specialties include crabcake appetizer and braised lamb shank. Average dinner for two with wine and gratuity: \$85. Jackets preferred; no jeans. All major credit cards except American Express accepted. Reservations recommended. Monday-Saturday: 5:30 p.m.-10 p.m.

GIGI'S

501 Bourbon St., French Quarter
504-529-4256
Cajun. Casual restaurant/jazz club. Specialties of the house include oysters Gigi wrapped in bacon and bread crumbs, oyster and shrimp kabob, and blackened rib-

eye steak. Average dinner for two with wine and gratuity: \$30. Casual dress. All major credit cards accepted. Reservations recommended. Daily: 11 a.m.-9 p.m. Jazz club after 9 p.m.

THE GRILL ROOM

300 Gravier St., Windsor Court Hotel, Central Business District
504-523-6000; 504-522-1992
Continental with French/Creole accents. Bright and elegant candlelight dining. Specialties include seafoods and pastas; menu changes semiweekly. Average dinner for two with wine and gratuity: \$150. Jackets are required for dinner. All major credit cards accepted. Reservations required for dinner, suggested for lunch. Breakfast daily: 7 a.m.-10:30 a.m. Lunch: Monday-Friday, 11:30 a.m.-2 p.m. Brunch: Saturday and Sunday, 11:30 a.m.-2:30 p.m. Dinner: daily, 7 p.m.-10:30 p.m.

HUMMINGBIRD GRILL

804 St. Charles Ave., Uptown
504-561-9229
All-day breakfast and sandwiches. Casual attire. Average dinner for two with beverage and gratuity: \$15. Casual dress. Visa and MasterCard accepted. Open 24 hours.

JAEGER'S ORIGINAL SEAFOOD

1701 Elysian Fields Ave.
504-947-0111
Seafood. Casual. Popular dishes include crawfish etouffee, shrimp Creole, jambalaya and Maine lobster. Average dinner for two with wine and gratuity: \$25. Casual dress. All major credit cards accepted. Reservations are recommended. Sunday brunch: 11 a.m.-4 p.m. Sunday, Tuesday and Thursday: 11 a.m.-3 p.m. Friday and Saturday: 11 a.m.-11 p.m. Jazz band Saturday after 11 p.m.

K-PAUL'S LOUISIANA KITCHEN

416 Chartres St., French Quarter
504-524-7394
Cajun/Creole. Casual. Owned by Paul Prudhomme. Specialties include blackened fish, stuffed soft-

shell crab and blackened steak. Average dinner for two with wine and gratuity: \$70. Casual dress in downstairs dining room; no shorts, T-shirts or jeans upstairs. American Express and cash only. Reservations are recommended. Tuesday-Saturday. Lunch: 11:30 a.m.-2:30 p.m. Dinner: 5:30 p.m.-10 p.m.

KOLB'S GERMAN RESTAURANT

125 St. Charles St., Central Business District
504-522-8278
German. Casual. Specialties include schnitzel, lamb shank and turtle soup. Average dinner for two with wine and gratuity: \$45. Casual dress. All major credit cards are accepted. Reservations are recommended. Monday-Saturday: 11 a.m.-10 p.m.

KUNG'S DYNASTY

1912 St. Charles Ave., Garden District
504-525-6669
Chinese. Bright, airy cottage. Popular dishes include mu-shu pork, shrimp toast and five-flavor shrimp. Average dinner for two with wine and gratuity: \$50. Casual dress. All major credit cards accepted. Reservations recommended. Monday-Thursday: 11:30 a.m.-10 p.m. Friday-Sunday: 11:30 a.m.-11 p.m.

LA GAULOISE

614 Canal St., Hotel Meridien, French Quarter
504-527-6708
Bistro. Casual atmosphere. Specialties include seafood bouillabaisse and grilled king prawns imported from Indonesia. Average dinner for two with wine and gratuity: \$40. Casual dress. All major credit cards accepted. Reservations recommended. Daily: 6:30 a.m.-10 p.m.

LA LOUISIANE

725 Rue Iberville
504-523-4664
Creole/Continental. Elegant candlelight dining. Specialties include soft-shell crab with creolaise sauce,
Continued on next page

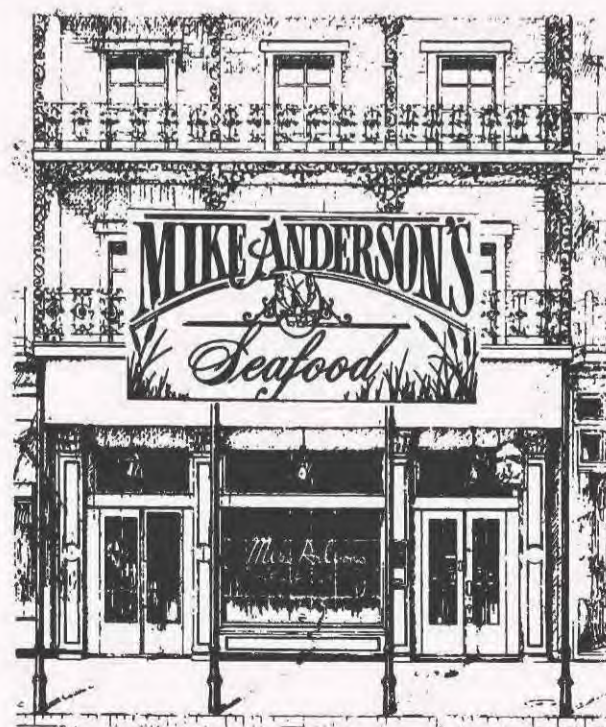
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Continued from previous page
 Lobster Diabolo and roast duckling with oyster dressing. Average dinner for two with wine and gratuity: \$70. Jacket preferred; no jeans, shorts or tennis shoes. All major credit cards accepted. Reservations recommended. Lunch: Monday-Friday, 11 a.m.-3:30 p.m. Dinner: Daily, 5 p.m. until 10.

LE JARDIN

100 Iberville, Westin-Canal Place, 11th floor, Central Business District
 504-566-7006
 Continental. Hotel dining room overlooks Mississippi River. Popular dishes include blackened sea scallops with angel hair pasta and Cajun butter sauce, Creole turtle soup and oysters baked on the half shell. Average dinner for two with wine and gratuity: \$60. Jacket required for dinner. All major credit cards are accepted. Reservations are recommended for parties over four. Open daily. Breakfast: 6:30 a.m.-11 a.m. Lunch: 11:30 a.m.-2 p.m. Dinner: 6 p.m.-10:30 p.m. Sunday jazz brunch: 11 a.m.-2 p.m.

THE LITTLE GREEK

619 Pink St., Metairie
 504-831-9470
 Greek. Three dining rooms feature original Greek-scene artwork. Specialties include rack of lamb, various seafood and vegetarian dishes. Average dinner for two with wine and gratuity: \$45. Casual to dressy. All major credit cards accepted. Reservations recommended. Sunday: 11 a.m.-9 p.m. Tuesday to Thursday: 11 a.m.-2 p.m. and 5 p.m.-9:30 p.m. Friday: 11 a.m.-2 p.m. and dinner from 5 p.m.-10:30 p.m. Saturday: 11 a.m.-10:30 p.m.

LOUIS XVI

730 Bienville St., French Quarter
 504-581-7000
 French. Upscale set with courtyard dining for breakfast and dinner. Specialties include filet de boeuf St. Herbert and veal saute Louis XVI. Average dinner for two with wine and gratuity: \$45. Jacket and tie required. All major credit cards accepted. Reservations recommended. Monday-Friday: 7 a.m.-11 a.m. and 6 p.m. until 9:30; 11 p.m. on Fridays. Saturday and Sunday: 7 a.m.-noon and 6 p.m. until 11.

MANDINA'S

3800 Canal St., Mid-City
 504-482-9179
 Italian/Seafood. Mandina's features a lively atmosphere. Popular dishes include trout almondine and fried seafood. Average dinner for two with wine and gratuity: \$25. Casual dress. Cash only. Monday-Thursday: 11 a.m.-10:30 p.m. Friday and Saturday: 11 a.m.-11 p.m. Sunday: noon-9 p.m.

MIKE'S ON THE AVENUE

628 St. Charles Ave., Lafayette Hotel, Central Business District
 504-523-1709
 Cross-cultural with Asian and Creole influences. Bright and lively bistro. Specialties include homemade Chinese dumplings filled with shrimp, ginger and scallops; grilled lamb chops with jalapeno mint glaze; and sauteed Louisiana crab and sea scallop cake. Average dinner for two with wine and gratuity: \$90. Smart casual dress. Coat and tie preferred for dinner. All major credit cards accepted. Reservations strongly recommended. Lunch: Monday-Friday, 11:30 a.m.-2 p.m. Dinner: Daily from 6 p.m.-10 p.m.

MONA LISA

1212 Royal St., French Quarter
 504-522-6746
 Italian. Cozy, intimate dining. Specialties include Mardi Gras pasta with seafood and sauce, and vegetarian sandwiches. Average dinner for two with gratuity: \$20. Bring your own wine to line along the wall in the restaurant's tradition. Casual dress. All major credit cards except Discover accepted. Reservations recommended for large groups. Sunday-Thursday: 11 a.m.-11 p.m. Friday and Saturday: 11 a.m.-midnight.

TONY MORAN'S

240 Bourbon St., Second Floor, French Quarter
 504-523-3181
 Northern Italian. Includes glass-enclosed patio with French Quar-

ter view. Popular dishes include shrimp Moran, veal chops. Favorite desserts are bananas Foster and cherries jubilee. Average dinner for two with wine and gratuity: \$60. Dressy. All major credit cards accepted. Reservations recommended. Dinner: Daily, 6 p.m.-midnight.

MOTHER'S

401 Poydras St., Central Business District
 504-523-9656
 Cajun/Creole. Cafeteria-style dining. Popular dishes include jambalaya, seafood gumbo, ham sandwiches and po-boys with baked ham and roast beef. Average dinner for two with wine and gratuity: \$25. Casual dress. Cash and traveler's checks only. Daily: 5 a.m.-10 p.m.

MR. B'S BISTRO

201 Royal St., French Quarter
 504-523-2078
 Creole. Men's club atmosphere with nightly live piano performances. Popular dishes include barbecued shrimp, pasta jambalaya and grilled seafood. Average diner for two with wine and gratuity: \$70. Casual to dressy attire is acceptable. All major credit cards are accepted. Reservations are required. Monday-Saturday. Lunch: 11:30 a.m.-3 p.m. Dinner: 5 p.m.-10 p.m. Sunday jazz brunch: 10:30 a.m.-3 p.m. Sunday dinner: 5 p.m.-10 p.m.

MULATE'S

201 Julia St., across the street from the Convention Center
 504-522-1492
 Cajun/seafood. Features popular

Cajun artwork; dance floor. Specialties include catfish Mulate topped with crawfish etouffee, gumbo, crabmeat au gratin and Cajun-style blackened ribeye. Average dinner for two with wine and gratuity: \$55. Casual dress. All major credit cards accepted. Daily: 11 a.m.-11 p.m. Cajun band begins at 7:30 p.m.

NAPOLEON HOUSE

500 Chartres St., French Quarter
 504-524-9752
 European style cafe. Bar with Old World charm dates from 1797. Popular dishes include muffedlettas, homemade soups and seafood gumbo. Average dinner for two with wine and gratuity: \$20. Casual dress. All major credit cards accepted. Reservations required for

Continued on next page



the Underwriter

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THE PRODUCT
THE PEOPLE
 &

COMPETITIVE COMMISSIONS

That is Professional!

Dining

Continued from previous page
eight or more. Monday-Thursday: 11 a.m.-midnight. Friday and Saturday: 11 a.m.-1 a.m. Sunday: 11 a.m.-7 p.m.

NOLA

534 St. Louis, French Quarter
504-522-6652
Eclectic. Bustling cafe. Ever-changing a la carte menu might feature crawfish in puff pastry or lemon grass trout over rice noodles with caviar. Average dinner for two with wine and gratuity: \$80. Smart casual attire. All major credit cards are accepted. Reservations are recommended. Lunch: Monday-Saturday, 11:30 a.m.-2 p.m. Dinner: Sunday-Thursday: 6 p.m.-10 p.m., Friday and Saturday, 6 p.m.-midnight.

NORBY'S

6078 Laurel St., Uptown
504-895-9441
Neighborhood sandwich shop. Popular dishes include fried and boiled seafood, gumbo, hot tamales and muffulettas. Average dinner for two with gratuity: \$15. Casual dress. Cash and traveler's checks only. Monday-Thursday: 10 a.m.-9 p.m. Friday and Saturday: 10 a.m.-10 p.m.

PALACE CAFE

605 Canal St., Central Business District
504-523-1661
Creole. Bistro dining. Popular dishes include catfish with pecans, crab chops, grilled shrimp with fettuccine, seafood Napoleon and white chocolate bread pudding. Average dinner for two with wine and gratuity: \$60. Casual or business attire. All major credit cards except Discover accepted. Reservations recommended for parties of four or more; one-third of seats held for walk-ins. Lunch: Monday-Saturday, 11:30 a.m.-2:30 p.m. Dinner: 5 p.m.-10 p.m. Sunday brunch beginning at 10:30 a.m.

PASCAL'S MANALE

1838 Napoleon Ave., Uptown
504-895-4877
Italian. Specialties include barbecued shrimp, oysters Bienville and sauteed seafood with pasta. Average dinner for two with wine and gratuity: \$50. Dressy to casual; no shorts. All major credit cards accepted. Reservations recommended. Sunday: 4 p.m.-9 p.m. Monday-Friday: 11:30 a.m.-10 p.m. Saturday: 4 p.m.-10 p.m.

PASTA EVINO

240 Bourbon St., First Floor, French Quarter
504-523-3181

Italian. Bright, festive, family atmosphere. Specialties include pasta ashaute, pasta con polpettine di carne and fettuccine made fresh daily. Average dinner for two with wine and gratuity: \$60. Casual dress. All major credit cards accepted. Reservations recommended. Dinner: Daily, 5:30 p.m.-midnight.

PATOUT'S CAJUN CABIN

501 Bourbon St., French Quarter
504-529-4256
Cajun. Live Cajun band nightly. Popular dishes include jambalaya, red beans and rice, gumbo, alligator, and bread pudding. Average dinner for two with wine and gratuity: \$35. Very casual. All major credit cards accepted. Reservations advised. Open daily: 11 a.m.-2 a.m.

PERISTYLE

1041 Dumaine St., French Quarter
504-593-9535
Avant-Garde. Intimate dining atmosphere with bar. The menu changes weekly, but specialties include potato cake with escargot and grilled loin of venison. Average dinner for two with wine and gratuity: \$80. Casual dress; no shorts. Visa and MasterCard accepted. Reservations required. Lunch: Friday, 11:30 a.m.-2 p.m.

Dinner: Tuesday-Thursday, 6 p.m.-10 p.m.; Friday and Saturday, 6 p.m.-11 p.m.

PETUNIA'S

817 St. Louis St., French Quarter
504-522-6440
Cajun/Creole. Casual. Popular dishes include dessert crepes, Cajun pasta and gumbo. Average dinner for two with wine and gratuity: \$50. Casual dress. All major credit cards accepted. Reservations recommended. Daily: 8 a.m.-11 p.m.

THE PRALINE CONNECTION

542 Frenchmen St., French Quarter; 901 S. Peters, downtown
504-943-3934
Creole/Soul food. Dining room features African-American art. Specialties include file gumbo, red beans and rice and sweet potato pie. Average dinner for two with gratuity: \$30. Casual dress. All major credit cards accepted. Sunday-Thursday: 11 a.m.-10:30 p.m. Friday and Saturday: 11 a.m.-midnight. Downtown location closes at 6 p.m. on Sunday.

QUE SERA

3636 St. Charles Ave., Garden District
504-897-2598
American. Casual setting with sidewalk cafe. Popular dishes include seafood platters, shrimp and pasta, chicken fettuccine and po-boys. Average dinner for two with wine and gratuity: \$25. Casual dress. All major credit cards accepted. Reservations for large parties only. Monday-Thursday: 11 a.m.-10 p.m. Friday and Saturday: 11 a.m.-2 a.m. Sunday: 10 a.m.-10 p.m. Sunday champagne brunch: 10 a.m.-2 p.m.

RALPH & KACOO'S

519 Toulouse St., French Quarter
504-522-5226
Cajun/Creole. Casual atmosphere. Popular dishes include boiled shrimp, raw oysters, shrimp remoulade, trout meuniere and seasonal crawfish dishes. Average dinner for two with wine and gratuity: \$50. Casual dress. All major credit cards accepted. Monday-Friday: 11:30 a.m.-10:30 p.m. Friday and Saturday: 11:30 a.m.-11 p.m. Sunday: 11:30 a.m.-9:30 p.m.

RIB ROOM

621 St. Louis St., Omni Royal Orleans Hotel, French Quarter
504-529-7045
Steakhouse. French provincial decor. Specialties include prime rib and fresh seafood. Average dinner for two with wine and gratuity: \$80. Casual dress; no shorts, no T-shirts. All major credit cards accepted. Reservations recommended. Breakfast: 6:30 a.m.-11 a.m. Lunch: 11:30 a.m.-3 p.m. Dinner: Sunday-Thursday, 6 p.m.-10:30 p.m.; Friday and Saturday: 6 p.m.-11 p.m.

RUTH'S CHRIS STEAKHOUSE

711 N. Broad St., Mid-City; 3633 Veterans Blvd., Metairie
504-486-0810; 504-888-3600
Steakhouse. Casual atmosphere. Steak and lobster dishes. Average dinner for two with wine and gratuity: \$80. Casual dress; no T-shirts. Visa, MasterCard, American Express and Diners' Club accepted. Reservations recommended. Daily: 11:30 a.m.-11:30 p.m.

SANTE FE

801 Frenchmen St., Faubourg Marigny
504-944-6854
Mexican. Casual. Popular dishes

include seafood fajitas, chicken salad, nachos and steamed vegetables. Average dinner for two with wine and gratuity: \$40. Casual dress; no T-shirts. American Express, MasterCard and Visa accepted. Reservations for parties of eight or more. Tuesday-Saturday: 5 p.m.-11 p.m. Friday: 11 a.m.-11 p.m.

SAZERAC

123 Baronne St., Fairmont Hotel, Downtown
504-529-4733
Classical French with a touch of Creole. Elegant candlelight dining. Specialties include steak Diane and lobster bisque. Average dinner for two with wine and gratuity: \$90. Jackets required. All major credit cards accepted. Reservations recommended. Lunch: Monday-Friday, 11:30 a.m.-2 p.m. Dinner: Daily, 6 p.m.-10 p.m.

TAVERN ON THE PARK

900 City Park Ave., Mid-City
504-486-3333
Creole. Early New Orleans bistro. Specialties include trout Martin, veal and oysters. Average dinner for two with wine and gratuity: \$60. Casual dress; no shorts. All major credit cards except Discover accepted. Reservations recommended. Lunch: Monday-Friday, 11:30 a.m.-2:30 p.m. Dinner: Monday-Saturday, 5 p.m. until 10 p.m.

TUJAGUE'S

823 Decatur St., French Quarter
504-525-8676
Creole. French bistro. Specialties include crawfish etouffee, stuffed Creole chicken, filet mignon, soft-shell crab and oysters Bienville. Average dinner for two with wine and gratuity: \$75. Casual dress. All major credit cards accepted. Reservations recommended. Lunch: 11 a.m.-3 p.m. Dinner: 5 p.m.-11 p.m.

VERA CRUZ

1141 Decatur St., French Quarter
504-561-8081
Mexican. Colorful, lively atmosphere with popular bar. Specialties at Vera Cruz include beef and seafood fajitas, enchiladas, rice and beans, grilled chicken breast and roast pork. Average dinner for two with wine and gratuity: \$30. Casual dress; no shorts. All major credit cards are accepted. Wednesday and Thursday: 5 p.m.-10:30 p.m. Friday: 5 p.m.-11:30 p.m. Saturday: 11:30 a.m.-11:30 p.m. Sunday: 11:30 a.m.-9:30 p.m.

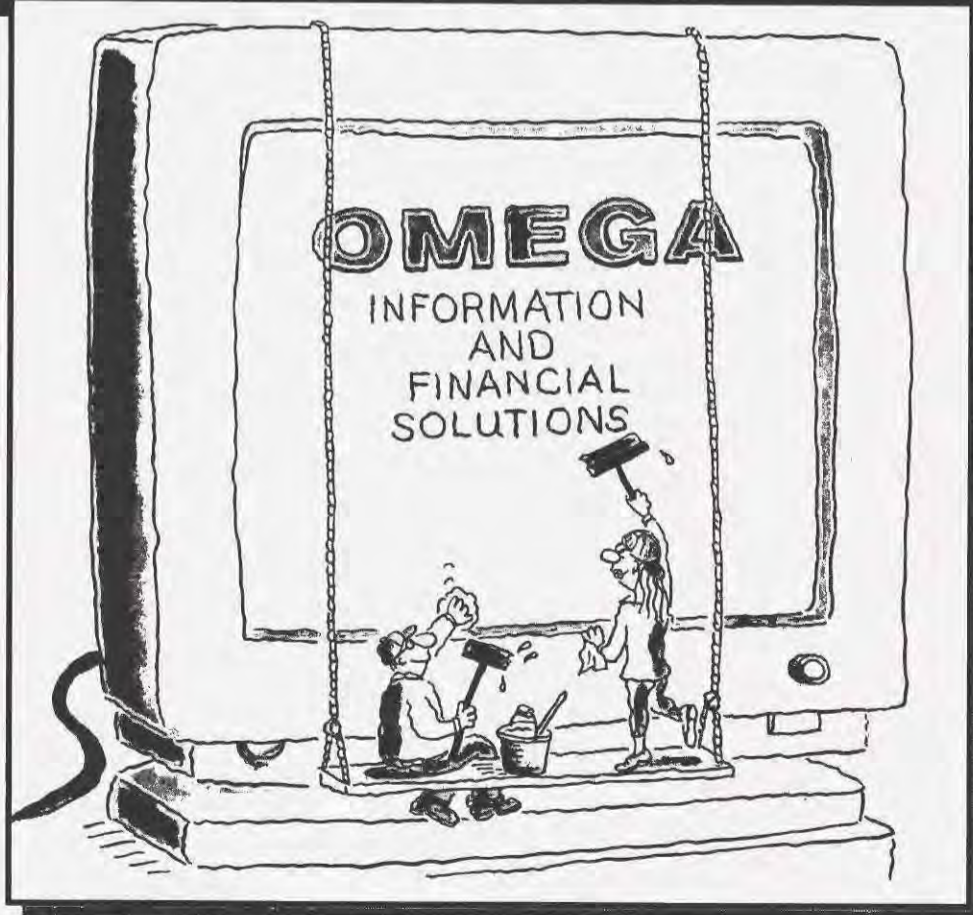
VERSAILLES

2100 St. Charles Ave., Lower Garden District
504-525-2535
French Creole. Dining with view of streetcar line. Specialties include escargot in round French bread, bouillabaisse, sweet bread and seafoods. Average dinner for two with wine and gratuity: \$90. Jackets required; no jeans, no tennis shoes. All major credit cards except Discover accepted. Reservations required. Monday-Saturday: 6 p.m.-10 p.m.

ZACHARY'S

8400 Oak St., Uptown
504-865-1559
Creole with Soul. Upscale setting features original works by local artists. Specialties include fresh seafood, gumbo zerb, stuffed trout and baby veal chops. Average dinner for two with wine and gratuity: \$30. Casual dress; no shorts. All major credit cards accepted. Reservations recommended. Lunch: Monday-Friday, 11 a.m.-2:30 p.m. Dinner: Monday-Saturday, 5:30 p.m.-10 p.m.

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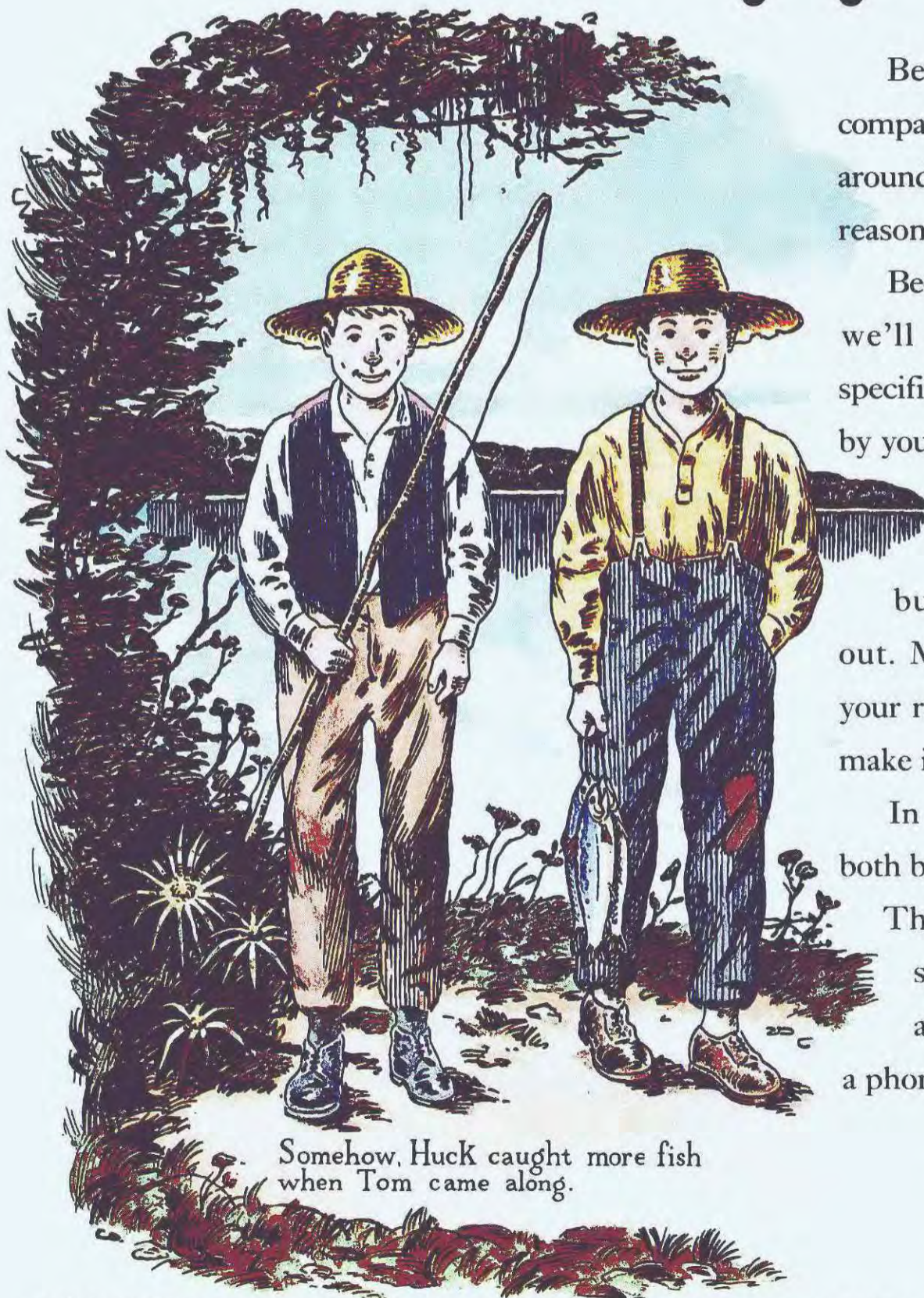
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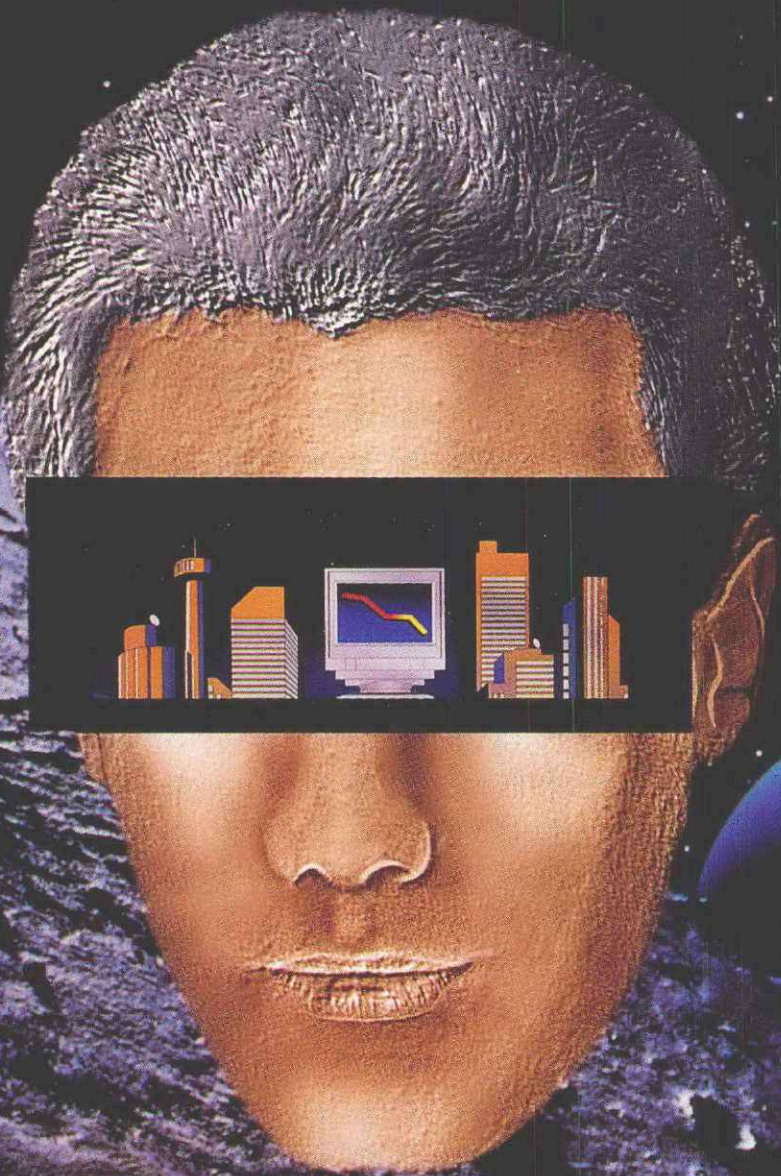
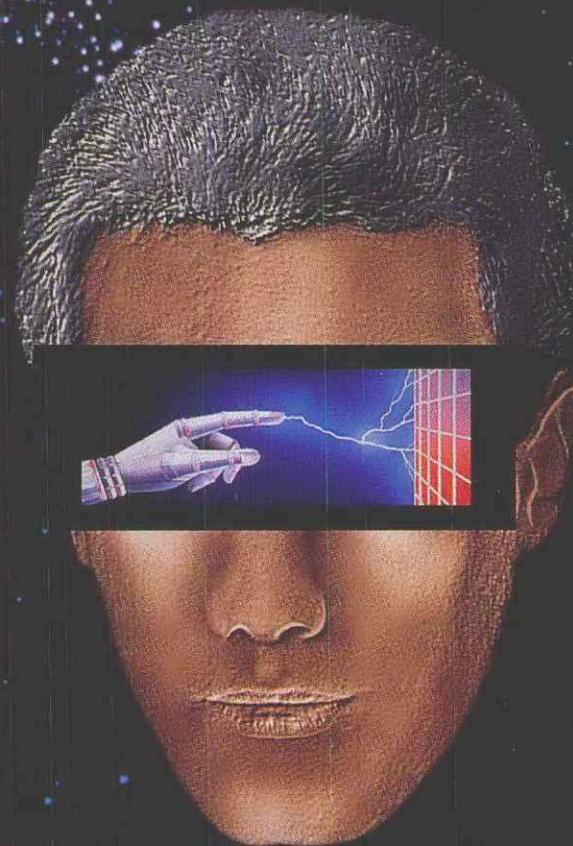
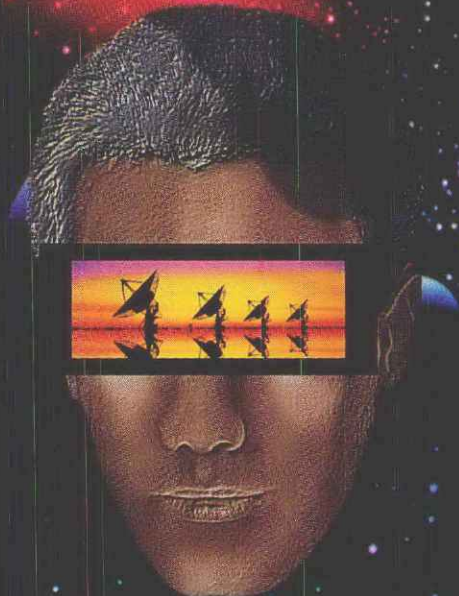
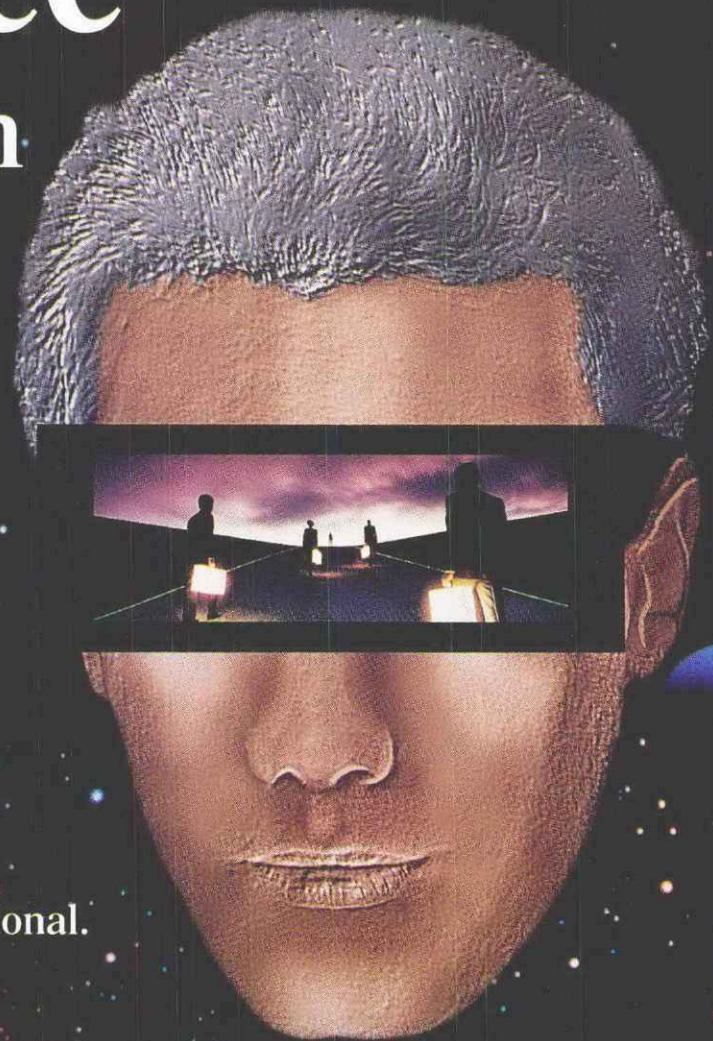
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Employer discretion guides pension distribution: Court

By JERRY GEISEL

CHICAGO—An employer that promised to boost pension benefits for employees in the event the company was taken over is not obligated to also increase benefits for retirees, a federal appeals court ruled last month.

In 1989, Norwalk, Conn.-based Great Northern Nekoosa Corp. tried to make itself less attractive and ward off a hostile takeover from wood products manufacturer Georgia-Pacific Corp. by adopting a pension plan amendment that would become effective if the company were taken over. Under the amendment, employees' pension benefits would automatically be boosted by an amount sufficient to wipe out an \$80 million surplus in the company's pension plan.

In addition, all pension benefits would vest even if employees did not meet applicable length-of-service requirements.

When Atlanta-based Georgia-Pacific gained control in March 1990, workers' benefits were boosted, exhausting the pension plan surplus.

Retirees then sued Georgia Pacific, as the successor company to Great Northern Nekoosa, arguing their benefits also should have been increased by the same amount as the employees.

But the 7th U.S. Circuit Court of Appeals in Chicago, in affirming a lower court ruling, disagreed.

Just as employers may increase wages of current employees without owing anything to retirees, it can boost pension benefits of workers without doing the same for retirees, the court said.

In addition, employers have discretion in how they want to use pension plan surpluses.

"When a plan is overfunded and the employer elects to leave benefit levels alone and to cease making contributions, the employer may distribute the money it saves. Whether it does so to the investors or to the current workers, the retirees have no complaint," the court said.

Widower loses comp benefits

PITTSBURGH—A widower who receives workers compensation benefits after the death of his wife can lose his survivor's benefits if he openly lives with another woman, the Pennsylvania Supreme Court ruled last week.

On a 5-1 ruling, the court upheld a provision of the state's workers comp law that allows authorities to terminate survivor's benefits if a surviving spouse is in a "meretricious relationship and not married," which includes a sexual relationship that surviving spouse acknowledges.

The widower, Alan L. McCusker, formerly of Clearfield, Pa., unsuccessfully argued the provision violated his constitutional rights to equal protection.

The deceased woman's former employer, Rushton Mining Co., a unit of Pennsylvania Mines Corp. in Ebensburg, Pa., tried four years ago to suspend his survivor's benefits, appealing first to a workers comp referee. The referee granted the request, which was later affirmed by the state's Workers Compensation Appeal Board and a Commonwealth Court.

—By Meg Fletcher

Pension law, the court said, covers bad times as well as good. If employers were required to give pension surpluses to retirees on the theory that retirees "owned" the surplus, results could be "asymmetric," the court said.

"Employers would be liable for shortfall but could reap no benefit from surpluses. Rational employers would respond to that structure by reducing the levels of benefits promised in plans or by creating fewer plans. Neither effect would serve employees' long-run interests," the court concluded.

John H. Johnson et. al. vs. Georgia-Pacific Corp. et. al., 7th U.S. Circuit Court of Appeals, No. 93-2357.

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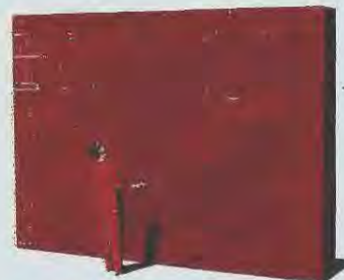


Figure A: a brick wall.

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ASK A BENEFIT MANAGER

A 1994 checklist for benefit managers

Q

As employee benefit professionals, there appear to be an overwhelming number of issues we need to deal with during 1994. Can you help by giving us a brief "to do" list for 1994?

A

I've been telling my associates for a number of years now, as soon as we get through the current year, we can settle down to a more normal year next year. I thought 1994 would be that year. It appeared that all we would need to do in 1994 was to monitor the events in Washington regarding health care reform. While that will be important, there are a number of other items we will need to deal with, many of which were the result of the Omnibus Budget Reconciliation Act (OBRA 93).

Let's take a look at the OBRA 93 issues first:

- \$150,000 compensation limit.

The lowering of the compensation limit in your retirement plans will have a significant impact on the benefit levels delivered from your qualified plans. If you have non-qualified plans, this change in the compensation limit will shift an increasing share of the benefit to your non-qualified plan. As these non-qualified (unsecured) benefits continue to grow, your executives may raise the issue of how these benefits may be funded and/or secured. If you don't have non-qualified plans, the amount of retirement benefit delivered will decrease as a percentage of pay. There undoubtedly will be pressure to develop non-qualified plans.

The reduced compensation limit will make it more difficult to pass the non-discrimination tests in your 401(k) plan. This may result in reduced contribution rates for all highly compensated employees—not only those employees at \$150,000 plus. Employees will need to understand why this has occurred. This is not easy to communicate.

The last item related to the \$150,000 compensation maximum are long-term disability benefits provided through a voluntary employee beneficiary association, or VEBA. The LTD benefit cannot be based on compensation above \$150,000.

- Medicare tax.

Prior to OBRA 93, the Medicare tax rate was 1.45%, subject to a maximum salary of \$135,000. OBRA 93 maintained the same rate (1.45%) but eliminated the maximum salary. At first, this change doesn't appear too complex administratively—but it is.

The complexity of this change appears if a deferred compensation plan is in place and/or if there is a supplemental non-qualified pension plan.

The Medicare tax applies to income deferred through salary deferral plans plus any benefit earned during the year under a supplemental non-qualified defined benefit plan. The regulations are not clear as to how to calculate the amount to be taxed. It appears that the benefit to be taxed would be the difference in the benefit on Jan. 1 and Dec. 31. The biggest issue related to this is the interest rate to be used in calculating the benefit.

It appears that the tax on the supplemental non-qualified defined benefit plan can be collected from the employee at any time during the year. This means you could deduct the tax from the executive's paycheck on Dec. 31. The executive will need to know that the amount is going to be deducted. A related issue is if there will be adequate salary from which to take the deduction.

The latest advice I had with an attorney on this topic was that specifics as to how to compute the benefit for tax purposes should be published sometime during 1994. Executives should be made aware of the wide impact of this change, but specifics cannot be determined until more specific guidance is provided.

- Other OBRA 93 requirements impacting health plans. These were discussed in a recent column (*BI*, Nov. 29,

1993). Therefore, I will only provide a brief summary of what needs to be done.

✓ Qualified medical child support orders. Procedures must be developed for the implementation of court orders regarding the extension of health care coverage for children.

✓ Adopted children. Health care coverage must be provided for adopted children at the time the child is taken into the household. Your health care plan will need to be modified to reflect this change.

✓ Disabled employees (Medicare Secondary). One of the few good-news items for employers, this provision provides that employees considered to be long-term disabled and eligible for Medicare will receive their primary health care coverage through Medicare. Employers must inform Medicare they are making this change and provide a list of their long-term disabled workers. Your long-term disabled workers must also be notified of this change and they must enroll in Medicare.

✓ Medicare data bank reporting. Employers must provide Medicare with information regarding employees covered by their health care plan. Information that needs to be included are dependents' names and Social Security numbers—which most employers don't have. This must be provided by February 1995. An important note on this issue is that there is a movement to have this provision eliminated. You need to monitor this situation during 1994. Another important note is that the Department of Health and Human Services does not have funding to enforce this requirement.

✓ New York state tax. This tax, which was previously imposed, must be paid by your health plan if you are an employer in the Empire State. If it is not paid, you can lose your federal health care deductions. Check with your health plan administrator or insurer to ensure that this tax is being paid.

✓ Pediatric vaccines. If covered by your health plan as of May 1, 1993, this benefit cannot be eliminated.

Non-OBRA items that need to be reviewed include:

- 404(c) regulations.

The 404(c) regulations provide fiduciary protection for defined contribution plans. These regulations were essentially effective Jan. 1; however, failure to meet the Jan. 1 deadline doesn't mean you're precluded from complying at a later date.

The essence of the 404(c) regulations is that plan participants must have investment flexibility in employer-provided plans.

This means the plan should have a diverse array of investment options. Participants must have flexibility regarding fund transfers consistent with the volatility of the fund, and they must have adequate information regarding their investment options (*BI*, Nov. 9, 1993).

- FAS 112.

Financial Accounting Standard 112 essentially requires the same accounting treatment for benefits after employment but before retirement as FAS 106, which addresses accounting for post-retirement benefits. FAS 112 covers benefits such as workers compensation, short- and long-term disability, severance plans and other continued health or life insurance coverage. The change in the Medicare Secondary rules provided by OBRA 93 should help reduce your FAS 112 liability. FAS 112 must be adopted for fiscal years beginning after Dec. 15, 1993.

After determining your FAS 112 liability and expense, you may consider reviewing these benefits for possible changes that would lower the FAS 112 expense.

- VCR program.

The Voluntary Compliance Resolution program commenced in 1993, was scheduled to end Dec. 31, 1993, but has been extended until Dec. 31, 1994. There has been discussion that the program may be extended beyond 1994, but this is speculation at this point.

The VCR program can be used to correct retirement plan non-compliance for specified types of violations. Admitting a wrong under the program allows you to correct non-compliance and to minimize any fines. The Internal Revenue Service has increased its plan audit activities. With that in mind, you may consider having your plans audited for compliance by an independent party. If non-compliance items are identified, you could then file under the VCR program.

If you decide to have an independent party audit your plan, have your outside attorney contract for the services so that you can maintain attorney/client confidentiality in case any items are uncovered in the audit.

- Non-discrimination.

Non-discrimination regulations related to retirement plans were finalized during 1993. This means there is no more "good faith" interpretation of this code. During 1994, you will need to ensure that your plans are in compliance with the regulations.

Note that these regulations do not apply to tax-exempt and government plans until 1996.

The non-discrimination regulations include: 401(a)(4) "non-discrimination"; 401(l) "permitted disparity with respect to benefits and compensation"; 410(b) minimum coverage requirements; and 414(r) qualified separate lines of business.

- Determination letter program.

The deadline for filing a determination letter request covering the Tax Reform Act of 1986 requirements is June 30, 1994, to be eligible for extended reliance. The absolute deadline is the last day of the 1994 plan year for most plans.

- FAS 87.

The Securities and Exchange Commission has taken a harder line with regard to the discount rate assumption to be used for pension expense (*BI*, Jan. 10). The push is for a lower rate, which will result in higher costs. In response, you may consider a review of your pension plan asset allocation strategy. Generating greater income from pension plan investments will help offset the increased costs associated with the lower discount rate assumption.

In addition to the many new compliance items discussed above, we must continue to comply with the many current requirements. Don't forget about some of the basics such as Form 5500s, summary annual reports, PBGC premiums, age 70½ distribution requirements and updating summary plan descriptions. Other requirements that change annually include the 401(k) elective deferral maximum, Section 415 defined benefit dollar maximum and the definition of "highly compensated" employee.

During 1994, we will need to continue to monitor the progress of health care reform. This topic has received a great deal of exposure and you should be ready to inform your top management and employees as to what health care reform will mean to your organization and to the employees. You should monitor activities at the state level as well. The current Clinton proposal provides for a great deal of autonomy at the state level.

Keep in mind that health care reform will not become a reality for a number of years. Therefore, we need to continue to aggressively manage our health care plans to ensure that cost levels are controlled.

It appears that 1994 will be a very busy year for employee benefit professionals. Maybe 1995 will bring fewer changes. Then again, probably not. **BI**

Would you like advice from an experienced colleague on a risk management, benefits management or actuarial problem? Four quarterly features in the Perspective section of Business Insurance can give you some answers.

Ask A Benefit Manager, Ask A Risk Manager, Ask A Benefit Actuary and Ask A Casualty Actuary answer written questions from readers on risk and benefits management issues and actuarial problems.

This month's column on employee benefit management issues is written by



Mr. Nirtaut

is written by Dennis J. Nirtaut, manager of employee benefits at Continental Bank Corp. in Chicago. Susan M. Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C., answers questions on risk management issues. William J. Miner, an actuary with The Wyatt Co. in Chicago, answers actuarial questions on benefits issues. And, Richard E. Sherman, president of Richard E. Sherman & Associates

Inc. in Ashland, Ore., answers actuarial questions in the casualty field.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

NAIC should return to basics

By James W. Schacht

WHEN THE NATIONAL ASSN. of Insurance Commissioners embarked upon its Financial Regulations Standards and Accreditation Program in 1988, its goal was simple and straightforward: to provide state insurance departments with guidelines to create an effective financial surveillance regulation system that would ensure the safety and soundness of U.S. insurers doing multistate business. The program was never intended to represent optimal standards or to create a rigid scheme that would not permit state-by-state deviations. To the contrary, the notion was to see that each state had the "basic regulatory tools" in place, while retaining plenty of latitude to tailor regulations to meet its individual needs and allow for innovation.

State insurance regulators, the insurance industry and others have for decades espoused the clear benefits of a federalist system in which states have authority to regulate their own affairs. The system is better able to match governmental policies with the preferences of its citizens, it is remarkably diverse, and it has produced numerous innovations spurred by 50 "laboratories" seeking public policy improvements. When compared with the regulation of other financial institutions, experience to date has demonstrated that the state regulatory scheme is superior to a centralized approach.

As the Financial Regulations Standards and Accreditation Program is now evolving, there are some disturbing trends that may not only impair the program but endanger the very system it seeks to preserve—state regulation. By reviewing the development of the standards, one will see the current direction of the program is not only departing from the original objectives but, if not corrected, will impair the advantages of the state-by-state approach.

From the standpoint of model laws, the financial regulations standards were created with a realistic appreciation for the diverse circumstances of the 50 states and were heavily peppered with words like "minimum" or "substantially similar." In developing the standards, the drafting committee concluded that accreditation could not be predicated on rigid adherence but rather on the "state's inclusion of central elements" of the various NAIC model laws.

There were several reasons for this approach. First, the consensus was that general requirements in all important areas were better than specific requirements in a handful of areas. This position was supported by the fact that state legislatures seldom adopt NAIC model acts verbatim but tend to tailor them to the needs of their own citizenry.

Furthermore, by focusing on minimum criteria instead of optimal standards, the committee was able to craft the standards in a timely manner without becoming bogged down by the more intense scrutiny and acceptance demanded for uniform acts. Finally, the committee discarded as inappropriate for the standards certain model acts that reflected regulatory policies and concepts that were not generally accepted. In the main, the model laws included in the standards had for some time been generally accepted by most major states as appropriate regulatory policy.

Ingrained in the development of the accreditation programs was the preservation of state regulation. This philosophy is evidenced in the following passage from the NAIC's own description of the program:

"The regulation of the insurance industry for solvency stands as a unique example of how a national regulatory system can be built with its foundation at the state—and not the federal—level. The strength of that system resides in the interdependencies of independent state regulators, each responsible to his or her own constituencies, yet jointly responsible for the financial health of the entire industry.

"State insurance regulators... have devised, in the Financial Regulations Standards and Accreditation Program, a powerful means of achieving the necessary degree of uniformity... without sacrificing the

Accreditation program risks losing sight of original purpose

multistate diversity that has been instrumental to that success."

That diversity and the innovation it fostered has been particularly visible in the wealth of financial regulatory tools that were developed and tested at the state level long before they were recognized and adopted by the NAIC. Some of the many examples include: a system to prioritize annual statement reviews through the use of key financial ratios that we now know as the Insurance Regulatory Information System; codification of statutory accounting practices; a requirement for annual CPA audits and actuarial opinions; sophisticated exam procedures that utilize computer audit software; and risk-based capital requirements.

That diversity has allowed the 50 insurance departments to combine their unique resources to brainstorm, dissect, debate and mold the important insurance issues of the day. In addition, that diversity

As the accreditation program is now evolving, there are some disturbing trends that may not only impair the program but endanger the very system it seeks to preserve—state regulation.

has ensured a system of checks and balances that could never be achieved under a single regulatory scheme. While the domiciliary state generally takes the lead from a financial regulation standpoint, the other states have the authority to oversee and influence those practices and very often do.

The question we must ask is whether the diversity that has enhanced state regulation is being slowly diluted. The accreditation program was never designed to be static, but the rapid-fire changes that are now being imposed cause one to wonder whether we are losing sight—perhaps even sacrificing—our individuality. This individuality encourages the type of creative thinking and innovation that have so successfully served state regulators, the NAIC, the insurance industry and the consumer; it fosters the free exchange of information and ultimately leads to effective compromise; and it recognizes local and regional differences and retains the flexibility to react accordingly.

What began as a process of gathering generally accepted, longstanding model laws and regulatory practices and procedures into a comprehensive pronouncement of workable guidelines has dramatically changed course since the original standards were formally adopted in June 1989. Somewhere along the line, the emphasis has shifted from national minimums to national optimums, and the program appears to be inching toward establishing the NAIC as the national agency for insurance regulation.

Not only is it inappropriate for the association to undertake such a role, but there are dangers and consequences for even assuming that it can. For example, state regulators may become reluctant to develop new tools, procedures or laws for fear they will run afoul of one of the NAIC pronouncements. They may determine that it will simply be more prudent to wait until the NAIC speaks and then act accordingly.

Such an approach would not be good for the future of state regulation. In all likelihood, it would discourage the very sort of experimentation that has produced the financial regulatory innovations mentioned earlier. Further, if the states begin to wait for the NAIC to act, national pronouncements may either be slow in coming because there will be no state experience to draw on, or worse yet, they may be drafted in haste.

One of the precipitating factors behind the NAIC's efforts to steer its accreditation program in a direction it was never intended to go has been one of its most vocal opponents. The impact of Rep. John Dingell's, attacks on the state regulatory system, coupled with his personal agenda for federal intervention, cannot be discounted when one examines the evolution of the accreditation program.

Each year's NAIC appearance before Rep. Dingell, D.-Mich., seems to result in renewed efforts to make the program more specific, less flexible and more rigorous. While it is amusing to watch the process and those who believe it may change the attitude of the Energy and Commerce Committee chairman, it is sobering to realize that these activities are not only impairing the accreditation program but, if not curtailed, will undermine state regulation.

Rep. Dingell's influence has also produced a flurry of legislative and administrative activity that has antagonized many state legislators. It has lured us into a numbers game where reaching a quota of accredited states has become a priority. It has diverted our attention from providing the road map to building the road.

Whether perceived as a threat or an inconvenience, the congressman's interest in insurance regulation has not been entirely detrimental to our efforts. It has forced us to publicly acknowledge some of our weaknesses and streamline some of our methodologies. It has renewed our commitment to preserve our traditions, while rallying us to redefine our goals and pursue a more unified course of action. And it has given us a forum to catalog our accomplishments and tout our strengths.

Perhaps most importantly, it has created an environment for needed improvements and change. State insurance departments have directly benefited from increased resources and staffing that likely would not have come about without the current threat of federal intervention.

Yet the fact remains that the accreditation program was conceived by the states and for the states and it should continue in that vein. It was never intended to be a lifeline to keep federal predators at arm's length, and its critics should not be the ones to dictate the direction it takes.

There are a number of steps we can take to ensure that doesn't happen:

- We can institute a waiting period between the time a model law is adopted and when it can be considered for the standards. Certainly, if no state adopts it in the short term, the NAIC should question whether it represents good policy.
- We can stop changing the program solely on the basis of how those outside state regulation may react to it.
- We can accept the realization that not every good "idea" needs to be part of the standards.

The time has come for the NAIC to re-examine the course the accreditation program is on and to aim it toward its original objectives. That is the only way the program can reach its designated port—sound state regulation. **BI**



James W. Schacht is acting director of the Illinois Department of Insurance and one of the original drafters of the NAIC Financial Regulations Standards and Accreditation Program.

Verdicts

Continued from page 3

verage Queens jury verdict has been for a whopping \$1.94 million over the past decade—the largest average of any borough.

"Regardless of what anyone says to the contrary, venues absolutely, positively are important to us. History shows that we are more likely to win in the Bronx or Brooklyn than in any other borough, and while it's technically not New York City, Westchester County is the kiss of death" for plaintiffs because it's "wealthy, Republican and conservative," said Richard McGowan, a partner in the New York law firm of Rheingold & McGowan, which specializes in personal injury cases.

He said juries from the Bronx and, to a lesser degree, Brooklyn, tend to be composed of people from a different socioeconomic class than those in Queens and Manhattan.

"People in the Bronx have shown that they have no vested interest in supporting the system and they have actually been accused by defense lawyers and insurers of redistributing the wealth. I prefer to see it as a willingness to assign responsibility to a guilty party," Mr. McGowan asserted.

The study, which was based on approximately 4,600 personal injury jury verdicts in the four boroughs between 1984 and 1993, with an aggregate \$3.2 billion in awards, finds great disparity among juries in different boroughs for similar injuries.

For example, the average jury

verdict for wrongful death in Manhattan is \$1.9 million compared with \$1.6 million in the Bronx; \$1.4 million in Queens; and \$1.2 million in Brooklyn.

"With a wrongful death, all that's left is the pecuniary value of the victim's life. Sadly, juries usually find that the value of a desk clerk from Queens or Brooklyn is not that of a professional from Manhattan," explained Russell Moran, publisher of the East Islip, N.Y.-based New York Jury Verdict Reporter.

For brain damage cases, the disparity among juries in the four boroughs is even greater. The study found that the average brain damage verdict in Brooklyn was \$6.2 million, roughly 1.7 times more than \$3.6 million in the Bronx. In Manhattan the average was \$5.2 million and it was \$4.8 million in Queens.

"With permanent brain damage, pain and suffering is factored in and that's why the awards are so high relative to other bodily injuries," Mr. Moran said.

For back, leg and arm injuries, Bronx juries awarded the highest average damages in each category with Queens juries awarding the lowest in each category, the study said.

"Jury awards are a reflection of the community and that's really the way it should be," said Pamela Liapakis, a personal injury specialist and a partner with Sullivan & Liapakis. "Demographics are a factor in verdicts, but I don't think it's so great that books should be written on the subject."

Therefore, do and can plaintiffs attorneys shop for a forum?

Whenever possible, admits Mr. McGowan. "While state court

cases have venue provisions, if I can choose, I'll always go for the Bronx."

Mr. McGowan was referring to a provision that generally requires a case to be heard in the county in which the plaintiff resides. But if multiple counties are involved in the case in some way, the plaintiff can choose the venue.

For example, if a construction worker from Queens is injured on a site in the Bronx that is owned by a Manhattan-based real estate company, the injured party could choose any of the three boroughs for a jury trial in his suit against the real estate company.

"A scenario like that is a no-brainer. I'm going for the Bronx and the defense is well aware why," Mr. McGowan said.

"Clearly, the higher verdicts come from Brooklyn and the Bronx, but it's too general to say defendants won't litigate there," said James Barron, a partner at Barron, Braun, Carroll, Harms & McDonald in New York, which represents Nationwide Mutual Insurance Co. and its subsidiaries. "Without liability, it doesn't matter what the venue is, but insurers do have to be concerned about the (boroughs) mentioned in the study."

With plaintiffs' attorneys, defense lawyers and insurers attuned to each borough's tendencies, Mr. Moran said it has become a bit of a gamble for defendants whether to settle or litigate cases.

"In Queens, defendants stand the best chance of avoiding liabil-

ity, but if they are hit with liability, they face that highest average award. So, insurers may be making a mistake by rolling the dice in Queens," he said. "But it's the Bronx where insurers have to fear liability. Conventional wisdom says people of a lower socioeconomic background will side with plaintiffs rather than companies they perceive to be wealthy and powerful."

Mr. Moran said personal injury jury verdicts in New York are on a par with those in Dade County, Fla., but generally exceed those in major cities like Chicago, Los Angeles and San Francisco.

For more information about the study, contact New York Jury Verdict Reporter, 516-581-1930.

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FAS 115

Continued from page 3
be one of them."

FAS 115 requires insurance companies using generally accepted accounting principles to classify their debt securities in one of three groups: held to maturity, available for sale or for trading.

A security cannot be classified as held to maturity if it may be sold for such traditional portfolio management reasons as providing corporate liquidity, asset/liability management or changes in foreign currency risk.

Securities designated as held to maturity can only be sold under specified conditions, most notably a documented deterioration of the issuer's credit quality. Other factors that could permit a sale of held-to-maturity bonds include major tax law changes or changes in risk-based capital requirements.

Catastrophe claims, though, would be considered a corporate liquidity need, so bonds designated held to maturity couldn't be sold to pay catastrophe-related claims under the new rule.

In contrast, securities placed in the available-for-sale category may be sold at any time for any reason, though bonds in this group may not be used to generate trading profits through quick resale.

The latter group of securities would be designated as "trading," but USF&G's Mr. Sweeney said he's seen little interest among insurance companies in putting bonds in the trading category.

While companies are free to sell bonds designated available for sale, those bonds now must be reported on their books at fair mar-

ket value. And that value will likely fluctuate from quarter to quarter, affecting shareholders' equity—and policyholder surplus.

Insurers may reclassify securities in the "available for sale" or "trading" categories, but once a security is labeled held to maturity, it cannot be reclassified.

Companies had the option of complying with the accounting rule in their year-end 1993 results, but they must comply by the first quarter of 1994. Those that implemented FAS 115 at the end of 1993 were able to take capital gains on the securities they placed in the available-for-sale group at that time and include those gains as shareholder equity.

But Mr. Sweeney noted that since the end of 1993, long bond prices have fallen. "With that, you will have seen a dramatic change in the book value of the shareholder equity account," he said. "Most of that capital gain will have been eaten up."

Salvatore Correnti, vp of Falcon Asset Management and head of asset and liability management for USF&G, stressed that those equity fluctuations are strictly a book-keeping detail. "The key here is that the reclassification and the volatility is only a balance sheet factor."

From a portfolio management point of view, an insurance company would ideally designate all its bonds available for sale. To minimize balance sheet volatility, though, it would be most advantageous to declare the entire portfolio held to maturity.

Scudder, which manages money for more than 100 insurance companies, is taking the portfolio management tack in advising its clients

to put 100% of their bond portfolios into the available-for-sale category.

"When you set something up as a hold-to-maturity portfolio, you can't really actively manage it," Mr. Meltzer said. "In order to manage a portfolio, a portfolio manager needs as many weapons in his arsenal as possible."

People "have overreacted a bit" on the volatility issue, and insurance companies should take a "wait and see" approach to the new rule's impact on their balance sheets, he said.

'When you set something up as a hold-to-maturity portfolio, you can't really actively manage it,' Scudder's Steve Meltzer says. 'In order to manage a portfolio, a portfolio manager needs as many weapons in his arsenal as possible.'

"The whole thing as far as we're concerned boils down to how important is it to you that your GAAP statements show no surface volatility," Mr. Meltzer said, adding that "once you go to hold to maturity, you can't go back."

USF&G has opted to allocate 50% of its fixed-income securities to the available-for-sale category and the other 50% to hold to maturity, Mr. Sweeney said.

Some companies have placed 100% of their bond holdings in available for sale, he noted, but "once you've done that, you've exposed a larger portion of your portfolio of bonds to interest rate movements," he said.

At the same time, some companies are going to the other extreme,

putting only 5% of their bonds in the available-for-sale category, Mr. Sweeney said.

Gloria L. Vogel, first vp at Lehman Bros. in New York, says most insurers will feel pressure to keep a significant portion of their bond portfolios in the available-for-sale category, even if it means exposing their balance sheets to greater volatility.

If "you get \$7 billion of catastrophe losses that hit the industry, (insurers are) going to have to sell something because you're going to have to meet those claims."

But, not everyone believes insurers will respond to FAS 115 by shortening the maturities of their bond portfolios.

The rule won't have a big impact "for a better-run company which matches assets and liabilities, no matter what the accounting looks like," said Burt Broome, vp and controller at Transamerica Corp. in San Francisco.

"There has been that speculation that this would cause people to shorten maturities, but that's hard to do in such a long-term industry as life insurance," he said.

"There's a significant degree of uncertainty about the impact of all this," said Stephen Young, director of the New York office of the American Council of Life Insur-

ance. "And as you know, we in the life insurance industry hate uncertainty."

Life insurers believed they had the process of matching investment maturities with anticipated liabilities "down to a science," Mr. Young said. "And then along comes this board, which is not an insurance institution, with a new requirement."

"Our fundamental view has always been that life insurance is a long-term product and now our companies are having to say in advance, 'Are you going to hold this bond to maturity or aren't you?'" he said.

The other twist that FAS 115 brings is that since it requires that assets—but not liabilities—be marked to market, it creates the potential for a solvent insurer to show a negative net worth if the market prices of its bonds decline while the reported value of its liabilities remains constant.

"If you only mark portions of your assets to market and none of your liabilities, then you have a disparity between assets and liabilities," USF&G's Mr. Sweeney said.

The ACLI believes that if companies are required to mark assets to market, the same approach should apply to liabilities.

"We are continuing to pursue some kind of regulation to mark the liabilities to market and we will not relent in that effort," Mr. Young said, adding that he's heartened that FASB seems to be showing a willingness to consider such a provision.

While FASB is willing to consider marking liabilities to market, the accounting standards board is not currently developing such a provision. **■**

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Banks must use care in assessing EIL risks

By MARK A. HOFMANN

WASHINGTON—No one ever said commercial lending isn't a risky business—particularly where potential environmental liabilities are involved—but bankers cannot simply refuse to lend money to every client they suspect of holding contaminated property, a panel of lender liability experts says.

The trick is to know how far to go in investigating sites and where to turn for expertise, suggested participants in a roundtable discussion of "Controversial Due Diligence Issues" at a recent Washington briefing on due diligence. The all-day briefing was sponsored by Dun & Bradstreet Information Services in cooperation with Environmental Data Resources Inc. and the Bureau of National Affairs.

The panelists made clear there is no single answer to such complex questions.

"Due diligence does pay off," insisted Michael P. McGinley, vp-cost analysis division of Mellon Bank in Pittsburgh.

Unfortunately, too many banks take opposing—and equally unrealistic—approaches to the possibility of holding contaminated property. Many lenders "run away from it" without assessing the exposure, while others blithely insist "we don't have any in our portfolio," he said.

Banks are in the lending business, and have to define and identify risks, Mr. McGinley said. When it comes to environmental risks, developing in-house exper-

tise is preferable, but if a bank can't rely solely on its own personnel, then it should at least build a firm educational foundation among its people to be aware of the risks, he said.

Mr. McGinley said that banks also shouldn't ignore issues unrelated to the real estate that stem from environmental impairment. Some environmental issues such as remediation costs or having to pay fines for environmental impairment could directly impact a borrower's creditworthiness, he said.

However, Richard J. Plewa, vp and manager of the environmental risk management group at Comerica Bank in Detroit, said bankers always have to remember that there will always be a competitor down the street willing to lend to a borrower who was refused credit because of questions about its environmental exposures.

It is often difficult to find out exactly what occurred at a site decades earlier, he noted. There may be no stained soil, no patches of dead vegetation or other visible signs of contamination. He suggested that efforts be made to contact former employees of businesses that once operated at the site or neighbors.

Of course, prospective borrowers who own the site and any liabilities attached to it aren't too anxious to find out about past problems, Mr. Plewa added. The borrower will do the minimum needed to meet the bank's standards for financing and call it due diligence. If the banker remains suspicious and orders additional expensive

testing, it may be accused of being unduly conservative and of forcing the borrower to finance a "fishing expedition," he said.

Nevertheless, Mr. Plewa said he believes that a bank should take its suspicions about environmental impairment very seriously even if there are no obvious signs of contamination, particularly if the loan is large and requires substantial collateralization. He held that discovering impairment before a loan is made, even if doing so requires extensive testing, is far preferable to finding out about it after the loan has been foreclosed and the bank is responsible for the property.

H. Stephen Jones, senior vp and manager of NationsBank's environmental services department manager in Dallas, returned to the question of where a bank should find its expertise—in-house or outside.

Mr. Jones made it clear that even though "John Wayne-ing it" by building up internal expertise can cost a bank a considerable amount of money, banks must have some sort of knowledgeable personnel to make sure that what consultants are doing indeed does constitute due diligence.

The environmental consulting field is a relatively young one, he said. It lacks universal standards, even regarding such things as standard terminology and standards of performance. "You need to develop some expertise in-house."

Internal expertise will allow the lender to challenge consultants'

conclusions and also enable the bank to make suggestions to regulatory agencies about environmental impairment standards, he said.

It's not only borrowers that banks have to worry about when checking for contamination, pointed out James L. Kammert, credit policy environmental/legal officer for Barnett Banks Inc. in Jacksonville, Fla.

"We do have contaminated sites," said Mr. Kammert, explaining that about half of the bank's Florida branches are located where service stations once stood because the gas stations had occupied good corner property.

But after the audience's appreciative laughter died down, Mr. Kammert said that even changes to the federal Superfund program

won't be enough to solve contamination problems. In addition to changing lender liability law, more states should enact no-fault environmental cleanup laws, offer tax credits or possibly bond financing to assist cleanups, and encourage cooperation among municipal, state and federal authorities to achieve clean up goals, he said.

Elizabeth E. Barrett, an engineering officer with Aetna Investment Group in Hartford, Conn., noted that the nature of lender liability risk is not a static one. For example, real estate investment trusts—REITs—are becoming increasingly popular. It's incumbent upon lenders to find out potential environmental liabilities at each property in the trust, she said.

Anthony J. Buonicore, chief executive officer of Environmental Data Resources, moderated the discussion. **BI**

Jury award in concert trampling insured

NEWPORT BEACH, Calif.—TIG Holdings Inc. will pay a \$60,000 jury award to a man who was trampled when rock singer Ozzy Osbourne invited fans to join him on stage during a concert.

Concertgoer Kenneth Allan Winkler, 43, filed a civil lawsuit against Mr. Osbourne, Irvine Meadows Amphitheater and its security firm after suffering a shoulder injury when a surging crowd of heavy metal fans rushed to join the singer on stage.

An Orange County Superior Court jury previously exonerated the concert hall and security firm, but found Mr. Osbourne negligent for initiating the melee at the end of his March 28, 1992, concert. In its March 16 ver-

dict, the jury awarded Mr. Winkler \$60,000, including \$11,000 in medical expenses, \$39,000 in lost wages and \$10,000 for pain and suffering. Mr. Winkler had been seeking \$250,000.

"It was a fair decision," said Philip D. Weiss, the insurer's defense attorney. Mr. Winkler declined an offer to settle the matter out of court for \$50,000, said Mr. Weiss, of Agajanian, McFall & Tomlinson of Universal City, Calif.

K&K Insurance Group of Fort Wayne, Ind., placed the singer's insurance with TIG's predecessor company, Transamerica Insurance Group.

—By Christine Woolsey

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Disney promotes Wilder to vp-risk management

Stephen M. Wilder, 38, has been promoted to vp-risk management for The Walt Disney Co. in Burbank, Calif. He is responsible for Disney's worldwide risk management and property/casualty insurance programs and reports to Richard Nanula, senior vp and chief financial officer. Mr. Wilder joined Disney in 1987 as director of corporate risk management and was promoted to assistant treasurer-risk management in 1991. *Business Insurance* named him Risk Manager of the Year in 1990, the youngest person to receive that distinction in the award's 17-year history. Previously, he was risk manager of Los Ange-

Comings & Goings: Buyers

les-based Whittaker Corp., a diversified manufacturer. He earned a bachelor's degree in economics from the Wharton School of Finance and Commerce at the University of Pennsylvania and completed the Executive Management Program at the University of California at Los Angeles. He also holds the Associate in Risk Management designation and is a deputy member of the Risk & Insurance Management Society Inc.

Richard J. Barquist, 46, has

been appointed a vp at Metropolitan Life Insurance Co. in New York. Mr. Barquist oversees risk management for the insurer, with centralized responsibility for risk assessment, risk financing and insurance placement for MetLife and all of its affiliates. He reports to Joseph Dunn, corporate actuary. Mr. Barquist also is a director of Sargasso Mutual Insurance Co. Ltd., a Bermuda-domiciled group captive for mutual life insurers. Prior to joining MetLife in 1989 as assistant vp-risk management, he

was risk manager for Schlumberger Technologies in San Jose, Calif., and Fairchild Semiconductor Corp. in Mountainview, Calif. He also was risk and insurance manager at U.S. Industries Inc. in Oak Brook, Ill. Mr. Barquist holds the Associate in Risk Management designation and is a deputy member of RIMS. He earned a bachelor's degree in business administration from the University of Wisconsin in Madison.

Patrick J. Noone, 46, has joined GTE Corp. in Stamford, Conn., as director of casualty insurance. He directs the development, implementation and evaluation of all aspects of the telecommunications company's casualty risk management program, including general liability, workers compensation, automobile, fiduciary liability, and directors and officers liability risks. Prior to joining GTE, Mr. Noone was manager of casualty insurance for IBM Corp. He joined IBM in 1977 and held several insurance- and employee benefits-related positions. His previous experience also includes two years as an underwriter with Aetna Life & Casualty Co. He holds the Associate in Risk Management designation. He earned a master's degree in finance from Fordham University in New York.

Joseph E. Basciano has joined Hartmarx Corp. as director of risk management. Mr. Basciano is responsible for all risk management functions at the apparel manufacturer. He reports to Carey M. Stein, executive vp and chief ad-

ministrative officer, and to Linda J. Valentine, vp-compensation and benefits. Prior to joining Hartmarx, Mr. Basciano spent 10 years with pharmaceutical manufacturer G.D. Searle & Co. in Skokie, Ill., most recently as director of risk and benefits finance. Prior to that, Mr. Basciano, a certified public accountant, was audit manager for Peat, Marwick, Mitchell & Co. He is a deputy member of RIMS. He earned a bachelor's degree in liberal arts from Northern Illinois University in DeKalb and a master's in business administration from DePaul University in Chicago.

Natalie Kraina, 25, has been named assistant risk manager for Carson Pirie Scott & Co., with headquarters in Milwaukee. Ms. Kraina is designing and implementing a new workers comp program for the 60-department store chain, and also is responsible for risk analysis, claims accrual accounting, insurance program budgets and fleet management. The new position was created to expand the department's capability to implement cost-efficiencies in the risk management area. Ms. Kraina is a deputy member of RIMS. She earned a bachelor's in business administration from the University of Wisconsin in Whitewater.

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Data bank

Continued from page 2
not Medicare.

Employers last year launched a campaign to convince legislators to repeal or at least delay the law. Among other things, many employers told legislators that they don't typically maintain records of dependents' Social Security numbers and that obtaining that information would be difficult, if not impossible.

For example, some employees refuse to provide their dependents' Social Security numbers to employers, citing confidentiality concerns.

"Employees are asking, 'Why do you want this information? This is confidential.' There is a tremendous sensitivity" on the part of employees to provide this information, said Bill Gibson, a senior consultant with Sedgwick Noble Lowndes in Newtown, Pa.

In other cases, employers said they lack the names of dependents covered in health plans or have no way of tracking the number of dependents for which a worker has elected coverage (BI, Feb. 28).

"There was this naive assumption that all an employer has to do is press a couple of buttons on a PC and all this information would pop out. There was no (congressional) investigation on whether employers had this data, its accessibility and its substance," said Mark Ugoretz, president of the ERISA Industry Committee, a benefit lobbying group in Washington that represents large employers.

However, employers—even for reasons beyond their control—could be liable under the law for penalties of up to \$1,000 for each beneficiary not included in their reports.

Aside from compliance difficulties, employers also say the data bank law is an example of regulatory overkill because the government will use only a fraction of the information—chiefly data on coverage provided to workers over age 65—contained in the reports.

Until recently, though, the only legislator listening to employer complaints about the data bank law has been Sen. Lieberman. That has begun to change.

Said Sen. McCain: "It is unconscionable that we are adding costs and penalties to those who have been most diligent in providing health coverage to their employees. The last thing that the federal government should do is to impose disincentives to employee health care coverage. These are precisely the employers we should be rewarding."

What makes the new reporting requirements so "egregious" is that HCFA already is collecting coverage information through other programs, he said. For example, under a so-called Medicare data match program, HCFA matches Medicare beneficiary data with Internal Revenue Service employment information to determine if Medicare improperly paid for medical treatment received by older workers covered under employer health care plans.

While more legislators, like Sen. McCain, are questioning the necessity of the data bank law and the problems it is causing employers, repeal remains a long shot.

The biggest obstacle to repeal is that the law was "scored" last year by the Congressional Budget Office as saving the federal government more than \$900 million over five years. While benefit experts believe the CBO's estimate is grossly inflated, they acknowl-

edge that legislators are reluctant to scrap laws that—at least on paper—raise revenue.

"The revenue issue is an obstacle that has to be overcome," said Frank McArdle, a consultant with Hewitt Associates in Washington.

While congressional interest in repeal is growing, many legislators still have no idea that the health care plan reporting requirement even was enacted. The requirement was included as one of dozens of provisions in a 1993 budget law.

At the same time, while more employers are complaining to their congressional representa-

'There was this naive assumption that all an employer has to do is press a couple of buttons on a PC and all this information would pop out. There was no (congressional) investigation on whether employers had this data. . .,' says Mark Ugoretz.

tives about the data bank law, that lobbying drive hasn't begun to approach in scale the last big employer effort to repeal a benefit law: Section 89.

Section 89, enacted in 1986 as part of tax reform legislation, set

complex and, in the view of many, ridiculous non-discrimination rules for health care plans. The law was repealed in 1989, the year it was supposed to take effect, after a massive employer-led lobbying campaign.

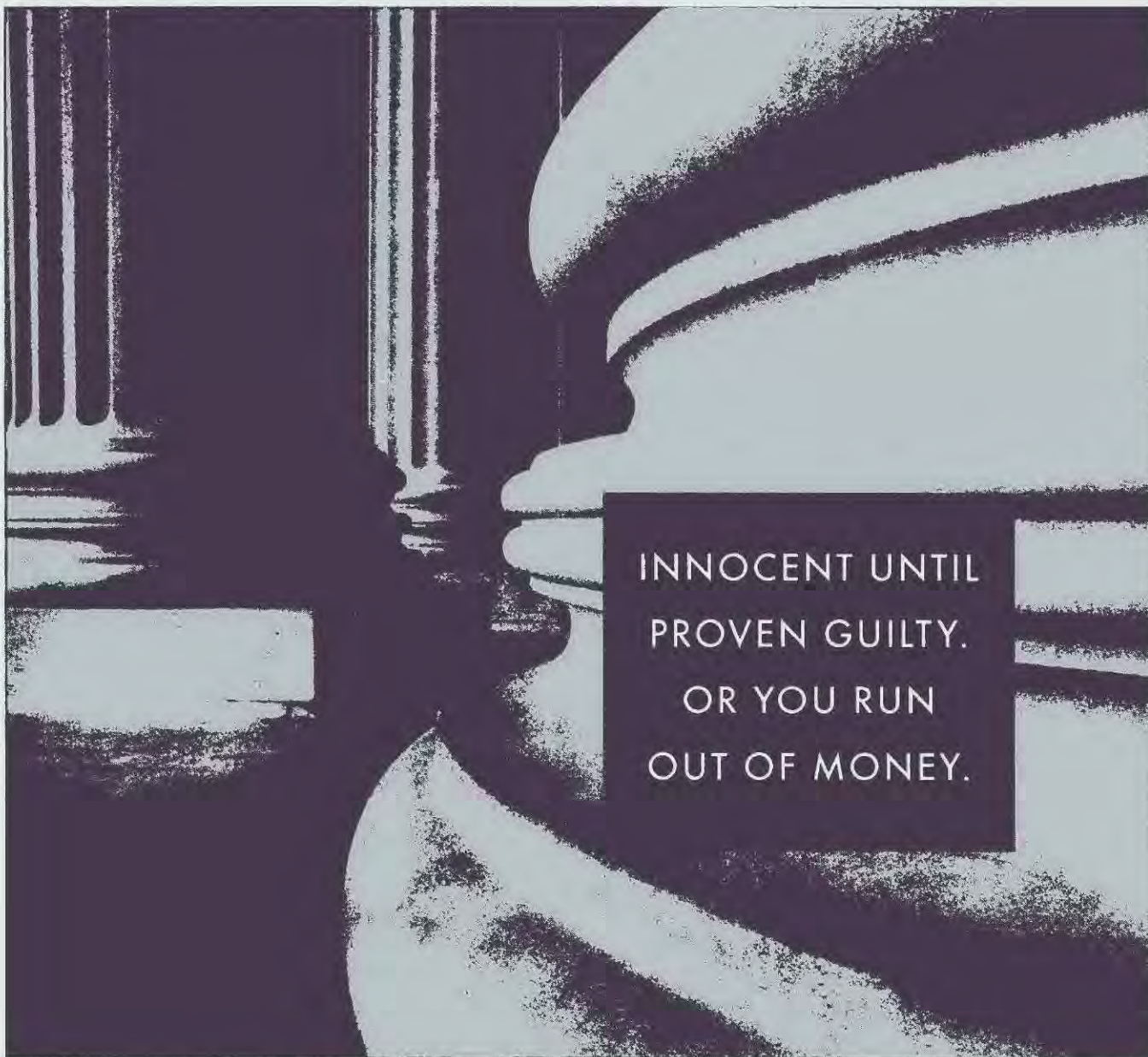
Still, as more employers come to grips with all the problems of the data bank law, they will more actively lobby for repeal, benefit lobbyists contend.

Already, the pressure that employers have brought to bear is starting to change attitudes in Congress, Mr. Ugoretz said.

"By the end of the congressional term, we could at the least get the law delayed," he said.

Meanwhile, HCFA still cannot say when it will release guidelines to help employers comply with the data bank law. Previously, HCFA said the guidelines would be published in late March. **BI**

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Wider use of cat futures and options predicted

By DOUGLAS McLEOD

NEW YORK—Although catastrophe insurance futures and options contracts have been traded only lightly to date, they will become more widely recognized as a risk hedging mechanism, participants at a Chicago Board of Trade seminar predict.

Insurers can use the CBOT contracts to supplement catastrophe reinsurance programs and improve their cash positions in the event of a catastrophic loss, experts say.

"We view this as a liquidity mechanism. It is not a replacement for reinsurance," Joseph B. Cole, managing director of Centre Financial Products Ltd., told an audience at the CBOT seminar in New York last month.

A futures contract is an agreement to buy or sell a commodity or financial instrument at a specified time in the future at an agreed-upon price. Catastrophe futures are contracts valued at \$25,000 apiece that represent wind, hail, earthquake, riot or

flood loss experience in a variety of commercial and personal insurance lines. The contracts cover defined geographical areas, with separate contracts covering the East, Midwest and West. A national contract is also available.

The contracts are also quarterly, covering losses in a three-month period and providing an additional three-month reporting period before final settlement of the contract seven months after the quarter's end. For example, a March contract would cover the first quarter; the reporting period for losses would extend through June, and final settlement would occur in October.

The CBOT also offers an annual contract for the earthquake-exposed western region.

The final settlement price of a contract is determined by multiplying its \$25,000 face value by a loss ratio derived from the results of 26 insurers reporting to ISO Data Inc., a unit of the New York-based Insurance Services Office Inc.

The loss ratio represents total in-

curréd losses reported for the contract quarter as of the end of the reporting period divided by estimated property premiums for the contract quarter.

Before the settlement date, though, the contracts trade on the CBOT at prices that reflect the market's expectations of a quarter's losses and premiums. Thus, an expectation of rising losses would push up the price of a futures contract.

While the CBOT initially concentrated on futures contracts, another product—call options—has developed into the most actively traded instrument in the market, according to Dena K-Karras, a CBOT product manager.

A call option offers a company the right, but not the obligation, to buy futures contracts at a given price before a specified exercise date in exchange for a premium. It also obligates the seller of the option to sell the contracts if the buyer exercises its option. If the option expires without being exercised, the seller keeps the premium the buyer has paid.

Much of the interest in the CBOT products has revolved around "call spreads," which resemble layers of reinsurance, Ms. K-Karras noted.

An insurer seeking to acquire a "layer" of cat protection would buy a call spread. This involves buying a call option at one price and simultaneously selling a call option at a higher price.

Thus, the buyer has hedged against losses falling within a given loss ratio band. For example, an insurer might buy a call spread hedging against a loss ratio falling within a 40% to 60% spread. If losses fall within this range, the insurer can exercise its call option and sell the futures contract at a profit, helping the insurer cover its underlying losses.

If losses do not hit this range, though, the option is worthless.

Mr. Cole said the CBOT's products have several attributes of other successful market indexes:

- The underlying product is standardized, with all futures contracts covering only clearly defined types of catastrophic loss in certain commercial and personal insurance lines.

- The pricing formula is clearly understood.

- Contract prices and index information are widely available through various media outlets.

- The index accurately reflects the value of contracts.

The clear definition of the underlying product and pricing formula are among the CBOT contracts' advantages to both buyers and sellers, Mr. Cole noted. Other advantages are the regional division of futures contracts and the quarterly aggregation of loss and premium data.

Disadvantages, he added, include so-called "basis risks," or risks arising from differences between the way the property/casualty insurance market works and the way the CBOT futures market works.

One basis risk, for example, is the possibility of catastrophic loss caused by a peril not included in the futures contract, leaving an insurer exposed to a loss against which CBOT hedging is impossible.

Another such risk arises from the limited period for reporting losses in the CBOT contract, and the possibility that incurred-but-not-reported losses could develop after the reporting period. **BI**

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Products & Services

Venture to analyze provider data

Information technology services company EDS Corp. is teaming up with the health care information division of Dun & Bradstreet Corp. to create a nationwide data base containing performance and outcomes data from competing health care providers.

Among other things, the information network will attempt to collect and convert health claims, patient-provider encounters and clinical data into standard formats that will enable subscribers of the service to perform statistical analyses of provider performance.

The new joint venture is being marketed directly to providers, insurers, employers, governmental agencies and others in the health care industry.

Plano, Texas-based EDS, a unit of General Motors Corp., will collect data from various sources, including its own third party administration systems, state-run health care data bases and several Dun & Bradstreet data bases.

One of the D&B units that will be tapped is Lexicon, which specializes in collecting risk-adjusted health outcomes data like hospital mortality and morbidity rates, said John Ladaga, director of health care information delivery services at EDS.

The new product "will be a combination of market-based (health care) information," he said. Through its claims administration systems,

EDS already has access to 70% of every prescription processed in the United States. The system will also collect data on the financial performance of health care organizations, insurers and others from financial ratings agencies like Moody's Investors Service Inc. and Standard & Poor's Corp.

Most of the data EDS and D&B want to collect already exists in separate data bases, but the two companies are forming the alliance so they can put the data in standardized formats and allow users to access it from one source.

Mr. Ladaga stressed that EDS and D&B are not developing a proprietary system. "We are developing this as a module that can be used with other products and systems," he said. Users can purchase the module or collect data by using their personal computers to reach the central, nationwide repository of data. Alternatively, some users may simply want to receive quarterly reports of market data, he said.

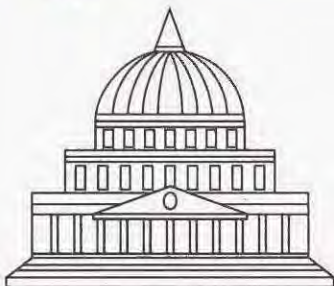
The cost of the service will vary widely, depending on the amount of data requested and how it is accessed. But, some users may be able to receive information for as little as \$30,000 per year, Mr. Ladaga noted.

For more information, contact Thomas Gardner, president and chief operating officer of Dun & Bradstreet HealthCare Information, at 609-497-6925. **BI**

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Renewals

Continued from page 1
news on its 1 million-square-foot headquarters in May, despite its exposure to a quake along the New Madrid fault, said Dee Shaw Webster, associate vp and risk manager.

While many insurers have restricted earthquake writings, some are increasing their catastrophe capacity to take advantage of the higher rates, A&A's Ms. Douglas noted. In particular, underwriters in London are offering more earthquake capacity, she said.

But despite the extra capacity available in London, California earthquake capacity overall has been cut in half as a result of the recent earthquake, said John O'Sullivan, a managing director at Marsh & McLennan Inc. in New York.

"Underwriters are underwriting very selectively and there have been some (premium) increases as high as 100%," he said.

Primary property insurance for earthquake exposures, in particular, is difficult to find, said John McGrath, West Coast manager in San Mateo, Calif., for Hobbs Group Inc., the brokerage arm of Arkwright Mutual Insurance Co. "It's not a question of price, it's a question of capacity down on the bottom."

Insurers also are insisting on higher deductibles for earthquake cover, said Ms. Douglas. For example, some are insisting that deductibles based on a percentage of the insured property's value no longer be capped at a specific dollar amount, which could result in significantly higher out-of-pocket expenses for a policyholder.

While the earthquake insurance market has been shaken, rates for primary property coverage without earthquake or windstorm exposures are rising only slightly, if at all.

On average, non-coastal property insurance renewals are seeing small increases in premium between 5% and 7%, said Charles Clarke, president of the commercial lines division at Travelers Insurance Co. in Hartford, Conn.

"When you measure what primary carriers can charge relative to the exposure, it is not enough," Mr. Clarke said, noting, "there is a lot of capacity in the marketplace."

Property insurance rates are changing little from last year during spring renewals unless the risk has a catastrophe component, agreed Michael McIntyre, senior vp at Allendale Mutual Insurance Co. in Johnston, R.I. "There is not a lot of upheaval and we are seeing some competition."

Property and liability insurers are vying for public transportation accounts because of the prospects for increased business created by the Clean Air Act, which could increase reliance on public transportation.

"Everybody is looking to alternative modes of transportation," said Mr. Handy of AC Transit. "The most logical way to go is light rail. There is construction, changes in operations and increased premiums for insurers down the road."

As a result, AC Transit is paying 15.5% less overall for its property/casualty insurance compared with one year ago, Mr. Handy said.

"It was an absolute surprise," he said. "I was expecting an increase. I thought the market was turning, but it's very soft. I don't know if it could go much lower."

One of the few lines of coverage where premiums increased for AC Transit was property, but the increase was tied to a property reassessment.

AC Transit's crime insurance premium dropped 65% with an increase in limits. Premium for its fiduciary liability program was cut in half with a lower deductible.

The premium for excess workers compensation coverage declined 5% with no significant changes in payroll or its underlying retention.

Generally, however, companies with poor risk management records are being charged higher rates than more risk-conscious companies, pointed out Terry van Guilder, chief underwriting officer at Warren, N.J.-based Chubb Corp.

"There is a widening gap between well-run, well-managed companies and those that pay less attention to safety," he said.

Rates were fairly flat when SAS renewed a package policy April 1 with Chubb that includes property, liability, workers compensation, automobile liability, and errors and omissions coverages, Ms. Hill said.

The company's property premium increased 37%, though its exposure also increased 24%, reflecting new buildings and increased assets.

Long-term links with insurers pay off

Risk managers are finding that long-term relationships can pay off, even during a soft market.

"We felt that by trying to develop a partnership with the carrier, we could eliminate the adversarial relationship," said Robert C. Erickson, director-corporate risk management at Jacobs Engineering Group Inc. in Pasadena, Calif.

Jacobs opted for a multiyear contract for its casualty risks, which encompass workers comp, general liability, automobile liability and some international coverages and is its largest insurance program.

Jacobs approached its insurer shortly after last year's renewal. Although the insurer does not write many multiyear contracts, it was receptive, Mr. Erickson said.

Negotiating enabled the engineering and construction company—which has \$1.1 billion in annual revenues—to hold the overall cost increase to 4% to 5%, despite making three acquisitions in 1993.

"We feel pretty satisfied with that," Mr. Erickson said. "Our understanding is that increases in the general marketplace are in the 8% to 10% range."

Locking into a rate carries some risk, however.

"If the bottom drops out of the market, then it won't look so smart," he said. "If the market hardens or stays the same, what we negotiated will cover inflation and normal cost increases."

Dee Shaw Webster, associate vp of A.G. Edwards & Sons Inc., a St. Louis based stockbrokerage, is glad she decided against a three-year program a few years ago.

"The market is softer than I anticipated," she said. "In hindsight, I'm glad we didn't tie ourselves in. It worked to our advantage. Overall, we have found the market to be still very competitive."

"Workers comp was absolutely flat. Payroll increased 20% and so did premium," Ms. Hill said.

The general liability market is seeing little movement in rates, said Travelers' Mr. Clarke. "The general liability market is just stalled. Neither claims nor prices are doing much."

The specialist casualty market also is becoming crowded, said Mr. O'Sullivan at M&M. "You are seeing increases in capacity because underwriters have targeted specialized lines as an area where they can make money."

For example, professional liability rates are generally flat and, in some areas like coverage written for small law firms, rates are down by between 5% and 15%, Mr. O'Sullivan said.

Capacity for medical malpractice liability insurance also is increasing as insurers search for profitable

Chiron Corp. remained with its incumbent directors and officers liability insurers but shopping around helped Helen Chue, the biotechnology company's risk manager, get the price and coverage she wanted.

The renewal "started out difficult, but in the end we got what we wanted," which was higher limits and broader coverage, Ms. Chue said. "Marketing made the difference."

"Our premium increased, but not as dramatically as they said at first."

She said the renewal process was very positive because it gave her a chance to meet with underwriters and explain the Emeryville, Calif.-based company's business.

In the end, "we kept our relationship and expanded it."

Hopes of stable rates lead some risk managers to remain with an insurer.

SAS Institute Inc.'s relationship with Chubb Corp. since 1987 contributed to its favorable renewal, said Mari-Jo Hill, senior risk analyst.

"We've stayed with a carrier and developed credibility," Ms. Hill said. "They know who we are, what we do and they are confident we do all we can to control losses."

"Our insurer has a record of not going up and down," she said. "They stay at a consistent level. We can negotiate a good price and not see fluctuation."

The relationship also makes Chubb willing to cover some unusual risks outside the Cary, N.C.-based software developer's core business, such as a country club, video production facility, onsite daycare facility, health care and fitness center, and liquor liability.

—By Sara Marley

lines of business, he said. Hospital liability coverage, in particular, is witnessing increased competition (BI, March 28).

A.G. Edwards found the market soft for liability coverage excess of insurance provided by the federal Security Investor Protection Corp., which protects the customer accounts of registered securities brokers against the failure of those firms.

The broker stayed with the same insurer, but negotiated to increase limits to \$25 million from \$10 million with favorable pricing, Ms. Webster said.

A.G. Edwards also was able to gain a better directors and officers liability rate by marketing its coverage and ultimately changing insurers. The firm received quotes from four D&O insurers in addition to

the incumbent.

"What is worrying is that underwriters may be writing the business for cash flow because they know the business has such a long tail and the losses won't come in for years," Mr. O'Sullivan said.

The excess liability market is also competitive, said Larry Drake, a managing director at M&M.

"The market seems to have bottomed out in some areas, but you can still get reductions of up to 15%," he said.

The marine and energy market is also seeing expanded capacity, said Mr. Drake.

"There has been about a 15% increase in capacity in Lloyd's and the market seems to be going through a consolidation period... There are some increases but not to the same extent as in 1993," he said. ■

All of the partnership interests having been placed, this announcement appears as a matter of record only.

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Treatment

Continued from page 2

of chemotherapy that are many times greater than the doses patients receive in standard chemotherapy regimens.

The treatment, though, also damages the immune system because it destroys bone marrow. To help patients regenerate that tissue, doctors inject them with some of their own previously drawn marrow after the high-dose chemotherapy has been completed.

The treatment already has been proved effective in treating some forms of blood-related cancer, like leukemia.

And, studies show that the procedure is promising for breast cancer patients at certain stages of the disease, argue doctors who perform the procedure at prestigious medical facilities throughout the country. Those doctors do not consider the treatment experimental if drug combinations that already have been proved effective are used.

But, the National Cancer Institute, from which the insurance industry takes its cue on covering medical procedures, says HDC/ABMT's effectiveness on breast cancer is unclear. The NCI currently sanctions random clinical trials, or Phase III studies, that compare the effectiveness of the treatment with conventional breast cancer treatments.

The appellate decision overturns a December 1992 U.S. District Court ruling that required Benefit Trust Life Insurance Co. to cover the cost of the treatment for Grace Rodela Fuja, a customer service representative with EMSCO Management Services Inc. of Hinsdale, Ill. (BI, Jan. 4, 1993).

Benefit Trust has paid for Ms. Fuja's HDC/ABMT treatment, which she received in January 1993 at the University of Chicago Medical Center. The cost of the treatment usually ranges between \$100,000 and \$200,000, but the cost of Ms. Fuja's treatment totals about \$486,000 because of complications she suffered afterward.

The insurer is now seeking recovery from Ms. Fuja's estate. Ms. Fuja died in April 1993 at age 37.

Dr. Stephanie Williams, Ms. Fuja's physician, said the cause of her death was "never totally clear." But, it probably was related to the progression of her breast cancer even after the HDC/ABMT treatment, rather than from complications caused by the procedure.

Between 2% and 5% of patients receiving HDC/ABMT die from

complications resulting from the treatment.

In granting coverage to Ms. Fuja, U.S. District Judge Suzanne B. Conlon ruled that policy wording that said the insurer would only cover treatment not provided "in connection with medical or other research" was ambiguous.

The wording implied "that the inherent nature of the treatment itself, and not the results of the treatment, must be part and parcel of ('in connection with') a medical research endeavor" for the insurer to deny coverage for the treatment, Judge Conlon said.

Ms. Fuja "has shown the inherent nature of the treatment itself is not part and parcel of a medical research endeavor. HDC/ABMT is a medically accepted, urgent and necessary treatment for Fuja's illness," the judge ruled.

Judge Conlon also expressed concern that Benefit Trust intended to exploit the "medical or other research" phrase to deny coverage for standard medical treatment.

On appeal, the 7th Circuit panel unanimously reversed Judge Conlon's ruling.

In an opinion written by Circuit Judge John L. Coffey, the panel said that "to adopt the district court's construction of the term 'in connection with medical or other research' would contravene the explicit language of the contract by requiring the insurer to pay for a treatment whose medical efficacy is questioned and thus still under investigation in medically recognized and accepted research studies."

The court also noted that Ms. Fuja signed a consent form identifying the treatment as "research" and "experimental"

"Moreover, the research protocol under which the treatment was provided stated that the University of Chicago Medical Center 'studies have been one of the first in this area of investigation,'" Judge Coffey wrote.

Judge Coffey also cites a federal court in Georgia, which is not in the 7th Circuit, that denied coverage for the treatment because "no conclusions have been formed" about whether HDC/ABMT is more or less effective than conventional breast cancer treatments.

He also rejected Judge Conlon's assertion that Benefit Trust might exploit the policy language to deny coverage for long-accepted medical treatment. The appellate ruling noted that the insurer paid for Ms. Fuja's standard cancer treatments, including chemotherapy, a lumpectomy and a modified

radical mastectomy.

But, the appellate panel's emphasis on what it said was a lack of proof of the procedure's efficacy is problematical, said Dr. Roy Jones, director of the bone marrow transplant program at the University of Colorado in Denver.

NCI-sanctioned clinical trials are conducted only when substantial evidence suggests that a new treatment is superior to standard treatment. "What would be the use of conducting the trials if that weren't the case?" he asked.

Dr. Williams, Ms. Fuja's physician and also an associate professor at the University of Chicago's Pritzker School of Medicine, takes issue with any suggestion by the court that the HDC/ABMT procedure the University uses is "new."

She noted that the medical center has been using the procedure since 1985 with encouraging results.

Plaintiffs attorneys say the 7th Circuit panel was overly generous to health insurers in interpreting what they think is very broad policy language.

Under the panel's ruling, insurers could deny coverage for all cancer treatments, said plaintiffs attorney Eugene A. Schoon, who represents Ms. Fuja's husband.

"All cancer treatment is done in connection with research since there's no cure," said Mr. Schoon, a partner with Sidley & Austin in Chicago. "So there's virtually no limit to what insurance companies can do to exclude procedures."

Mr. Schoon on April 1 filed for a rehearing before the full court. He expects the court will act on the request within two to eight weeks.

Indeed, the policy is written so broadly that the insurer could exclude coverage for Tylenol if patient outcomes were compared with those who used aspirin, observed Karen L. Illuzzi Gallinari, a partner with Anderson, Kill, Olick & Oshinsky in New York. Ms. Gallinari represents group health plan participants and medical centers in health care coverage disputes.

The ruling also ignores the length of time required to fully complete medical studies, said plaintiffs attorney Arthur R. Levinson, a partner with Pillsbury Levinson & Mills in San Francisco.

"This type of treatment could be studied for 10 to 20 years," despite the promising results studies have yielded so far, he said. "Are they saying any time they're still studying the effectiveness of the treatment, you can't get paid for it by the insurance policy? I don't feel they looked at the broad pic-

ture as they're obligated to do."

However, health insurers and their representatives dismiss concerns that the ruling gives insurers overly broad discretion in denying coverage.

The purpose of the procedure performed on Ms. Fuja "was primarily, if not exclusively, performed for the purpose of medical research," noted Daniel A. Engel, Benefit Trust's attorney.

Asserting that Benefit Trust "pays 99% of every claim that comes in," Mr. Engel said the policy language is not designed to deny coverage for standard medical care. "It's so policyholders don't have to pay for unproven medical treatment," said Mr. Engel, a partner with Peterson & Ross in Chicago.

The 7th Circuit panel's interpretation of Benefit Trust's "medical and other research" policy language was "very legitimate," said Kylanne Green, director of managed care at the Health Insurance Assn. of America in Washington.

"No matter how you interpret this policy, a Phase III NCI trial has to fall under research," she said.

In addition, "I think it's ludicrous to suggest that, because of this court decision, insurers will see this as a loophole to deny benefits. It's just not going to happen," she said.

Kenneth Fuja vs. Benefit Trust Life Insurance Co., 7th U.S. Circuit Court of Appeals; No. 93-1150.

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Comp

Continued from page 1

Thomas Clarke, a managing director at Marsh & McLennan Inc. He also is chairman of the National Assn. of Insurance Brokers Workers Compensation Committee, which seeks to ensure workers comp is coordinated with any health care reform measure.

Currently, the most detailed workers comp changes proposed in any health care reform bill are in Title X of President Clinton's health care reform proposal. This section essentially calls for integrating medical care for work-related injuries with general medical care. It also would set up a commission to explore the feasibility of total integration of workers comp with health care coverage (BI, Oct. 18, 1993; Sept. 20, 1993).

Critics complain that the Clinton bill, which they see as an effort to federalize workers comp, would substantially increase employers' costs by, among other things, disconnecting workers comp medical and wage replacement benefits and mixing fee-for-service and capitated delivery systems (BI, March 14). They also say the composition of the proposed commission that would study the workers comp system would have to be broad-based and would require a later deadline for

its report than 1995, as proposed in the Clinton bill.

However, supporters of the Clinton bill emphasize that employers' workers comp costs could be reduced through the wider use of medical fee schedules, treatment protocols and increased use of capitated delivery systems.

Overall, "there is certainly not a lot of support for Title X now in its current form," said Debra Ballen, the American Insurance Assn.'s senior vp of policy development and research.

"I think the Clinton bill is dead," though Clinton's interest in reforming health care could keep the issue alive, said Mr. Laszewski.

In fact, the administration's push for health care reform has sparked several competing bills that are undergoing intense scrutiny by congressional panels.

For instance, health care reform legislation proposed by Rep. Pete Stark, D-Calif., squeaked through his Ways and Means Health Subcommittee last month (BI, March 28). That measure does not specifically address workers comp medical care.

"Clearly, what is happening now is that Congress is trying to find a way to compromise elements" in various health care reform proposals, Mr. Laszewski said.

The most intense—and sympathetic—reviews of the Clinton bill's workers comp provisions are expected in hearings before the House Education and Labor Committee, chaired by Rep. William D. Ford, D-Mich., and the Senate Labor and Human Resources Committee, chaired by Sen. Edward M. Kennedy, D-Mass.

A House Labor subcommittee

could begin to hold hearings on Title X of the Clinton bill as early as late April.

Organized labor supports Title X, though it would ultimately prefer a full merger of the workers comp and general health care systems, said James Ellenberger, assistant director for the AFL-CIO's department of occupational safety and health.

"I think it's the hope of labor supporters that Title X can slip through quietly while everyone else in the employer community is focused on other big issues like employer mandates, alliances and payroll taxes," said Mark Stuart, associate director for risk management at the National Assn. of Manufacturers in Washington.

To prevent that from happening, NAM recently organized the Employer Coalition on Workers Compensation to write letters and lobby congressional representatives about employers' workers compensation concerns.

In addition to NAM, the coalition includes: the U.S. Chamber of Commerce, the National Federation of Independent Business, the American Bakers Assn., the American Truckers Assn., the American Iron & Steel Institute, the National Restaurant Assn., the Printing Industry Assn., the National Assn. of Home Builders, the Associated General Contractors of America and the Associated Builders & Contractors.

Mr. Stuart also said he expects "significant support" from state manufacturing and trade associations affiliated with the coalition members.

The question remains, though, whether employer and insurer representatives will be successful in getting their workers comp re-

form message across on Capitol Hill.

Workers comp "is too low a priority to survive a process that will (result in) something far less comprehensive and complex than the original Clinton plan," predicted Mr. Laszewski of Health Policy & Strategy Associates.

"Ultimately, my desire, wish and guess is that workers comp won't survive," as part of the final health care reform package, "but there is no guarantee of that," said the Alliance's Mr. O'Day.

"There should be continuing concern on the part of business that this issue could be negotiated in even as late as the conference" committee that resolves differences between House and Senate versions of the legislation, Mr. O'Day said.

"The president has said he would veto a bill without universal coverage. Everything else—including workers comp—is subject to negotiation and that negotiation has not begun yet," said a spokesman for House Ways & Means Committee Chairman Dan Rostenkowski, D-Ill.

Whatever health care reform proposal emerges, employers and insurance industry representatives also will be evaluating whether it contains incentives that would encourage providers to recover lost income by shifting costs to the payers of workers comp medical claims.

This could occur as providers attempt to recoup reduced Medicare and Medicaid contributions from the government, and as more people are encouraged to join capitated health care plans, especially if workers comp medical care continues to be delivered on a fee-for-service basis.

To remedy this, NAM and others support statutory language that would expressly prohibit cost shifting to workers comp payers, Mr. Stuart said.

Employers and insurance industry representatives also are wary about any health care reform proposals that could impose duplicative or unnecessary reporting requirements for workers comp claims.

Ironically, national discussion about integrated health care reform has already prompted changes in group health and workers comp markets, said David North, senior vp and principal at broker Johnson & Higgins in Chicago.

In addition to a plethora of 24-hour coverage projects around the country, coordinated disability management services—regardless of whether the injury or illness is work-related—are becoming more prevalent, Mr. North noted.

"Employers need to recognize that it is inevitable that workers comp and general health care will be more closely aligned," Mr. North said. **BI**

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Wisconsin ruling widens malpractice liability

MADISON, Wis.—The Supreme Court of Wisconsin has ruled that there are no limits on non-economic damages awarded in medical malpractice actions involving death.

The court also held in its March 14 ruling that minor children of a patient who dies as a result of malpractice may sue separately for loss of society and companionship, even if the deceased parent is survived by a spouse who also sues.

The case, *Jelinek vs. St. Paul Fire & Casualty Insurance Co. and Berlin Memorial Hospital*, involved the husband and children of a woman who had fallen to her death from a window at Bellin Memorial in Green Bay while a patient in the hospital's psychiatric ward. The hospital and its insurer, St. Paul, asked the high court to review the case af-

ter a jury had awarded the father and the three children \$50,000 each for loss of society and companionship, along with various economic damages.

According to Gerald J. Bloch, a member of the Milwaukee firm of Warshafsky, Rotter, Tarnoff, Gesler, Reinhardt & Bloch, who argued the case before the Supreme Court for the family and filed an amicus brief for the Wisconsin Academy of Trial Lawyers, the ruling is a "question of fairness."

"I'm sure the insurance industry is thinking, 'Oh my God, what a terrible thing,' but all it's done is even the table a little bit," Mr. Bloch said, noting that the awards in the case was only \$50,000 per person.

Gregory B. Conway, a partner with Liebmann, Conway, Olejniczak

& Jerry in Green Bay, who argued the case for the hospital and the insurer, also downplayed the ruling's significance.

"Anytime you get a newspaper headline that says damages are unlimited, it's pretty dramatic, but the number of medical malpractice cases in Wisconsin that result in death is pretty tiny."

—By Rodd Zolkos

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Pregnancy

Continued from page 3

Given the absence of other evidence, her failure to present any comparison evidence doomed her case."

Ms. Troupe's lawyer, Ernest T. Rossiello, of his own Chicago firm, conceded that she had no such evidence. But, he added, Ms. Troupe said that on the day she was fired her supervisor told her that the reason for the move was the company thought she wouldn't return from maternity leave.

"We thought we should have been able to go to trial with that," said Mr. Rossiello. Instead, the appeals court dismissed the suit on a motion for summary judgment.

According to court papers, Ms. Troupe started working part-time for Lord & Taylor in 1987, and went full-time in July 1990. In December 1990, Ms. Troupe became pregnant

and began experiencing severe morning sickness. In January, she requested and was granted part-time status.

Due to her morning sickness, Ms. Troupe was repeatedly late. After one month in which she arrived late or left early in nine of the 21 working days, she received a warning from her supervisor. The day after the warning, she was late again and this time received a written warning. After she was tardy three more days in a row, the company placed her on probation for 60 days. During the probationary period, Ms. Troupe was late 11 more days and was consequently fired shortly after the end of her probationary period.

Mr. Rossiello said Ms. Troupe was only about five to 10 minutes late for work. "She didn't show up three hours late." And the two times she left work early, "she thought she was going to deliver the baby while on the job," he said. "It was a medical necessity."

Betty L. Thorne, corporate counsel for St. Louis-based May Department Stores Inc., which owns Lord & Taylor, said that the ruling shows that "the Pregnancy Discrimination Act doesn't give pregnant women carte blanche. . . . You still have to do your job."

Lord & Taylor counseled Ms. Troupe and gave her both verbal and written warnings, she said.

Several employment law specialists said the ruling gives employers considerable authority.

"It's a very pro-employer reading," commented Gerald L. Maatman Jr. of Baker & McKenzie in Chicago. Most employers treat pregnant employees with "kid gloves" due to the Pregnancy Discrimination Act.

"Most employers react to pregnancy with a duty to accommodate," said Kevin Connelly of Connelly, Sheehan & Moran in Chicago. Employers only have a duty to accommodate when it comes to religion and disabilities. This case says that employers have a duty to avoid discrimination when dealing with pregnancy just as they do with sex, race and age.

The case draws the line between conduct and condition, said Mr. Connelly. If an employer terminates an employee by focusing on a condition like gender, age or pregnancy that would be "prescribed discrimination," but if it focuses on conduct like tardiness "it's perfectly permissible" as long as all employees are treated the same.

Employment lawyers also point out that the 7th Circuit opinion set a standard by requiring plaintiffs to produce three types of circumstantial evidence to win pregnancy discrimination cases.

The first type of evidence consists of suspicious timing, oral or written ambiguous statements, behavior toward or comments directed at other pregnant employees, "and other bits and pieces from which an inference of discriminatory intent might be drawn."

The second type of evidence consists of employees, with a similar situation to the plaintiff other than pregnancy, receiving systematically better treatment.

The third type of evidence consists of proof that the plaintiff was qualified for the job in question but passed over in favor of—or replaced by—a non-pregnant person and that the employer's stated reason for the difference in treatment is unworthy of belief.

"Each type of evidence is sufficient by itself to support a judgment for the plaintiff, or they can be used together," Judge Posner wrote.

Kimberly Hern Troupe vs. The May Department Stores Co., 7th U.S. Circuit Court of Appeals; No. 93-2523.



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INTERNATIONAL

Risk managers rank top exposures

By ADRIAN LADBURY

WARWICK, England—Exposure to a major property loss, product liability and environmental liability are the top three worries of U.K. risk managers surveyed by the Assn. of Insurance & Risk Managers in Industry & Commerce.

But companies' growing exposure

to employers liability claims appears to be a growing concern, judging

AIRMIC

from the amount of time spent discussing the exposure at AIRMIC's annual meeting last month, though it did not even make the top concerns of corporate risk managers surveyed.

Outgoing AIRMIC Chairman Geoff Saunders, who also is risk manager of global mining conglomerate R.T.Z. Ltd., announced the findings of the survey of the risk managers of AIRMIC's corporate members during his opening address at the risk management association's annual conference March 28-31.

Mr. Saunders said that more than

three quarters of the 35 corporate AIRMIC members which responded to its pre-conference questionnaire listed the risk of fire or explosion as one of their three biggest fears. More than half cited environmental pollution as one of their top three worries. And 37% cited "legal retribution arising from product or service failures."

Other top three fears, according to Mr. Saunders, included: natural perils, terrorism, motor fraud, embezzlement and the threat of a lawsuit against corporate directors.

"Despite significant changes in international politics, trade patterns, legislation and public perceptions, the traditional greatest threat of fire and explosion retains its No. 1 position," said Mr. Saunders.

"However, the survey clearly shows that new concerns are growing fast and may soon overhaul it. The survey shows that environmental pollution is fast gaining ground as a concern... other areas of serious concern included employers liability," he said.

Mr. Saunders has focused much time and energy during his chairmanship on companies' growing exposure to employers liability claims and shrinking coverage availability. He used AIRMIC's annual conference as a forum to unveil the findings of a separate survey into the needs and concerns of U.K. risk managers in this area.

Employers liability coverage is compulsory for U.K. employers, which face a growing number of claims for occupational injuries and illnesses.

The survey shows that risk managers are very concerned about the growth of employers liability risks and are unhappy with the insurance industry's plans to simply raise rates and impose coverage restrictions.

Most risk managers surveyed and

some of the key speakers during the conference believe the problem should be tackled at its root by the adoption of alternative systems of dispute resolution and claims management.

Risk managers believe the current adversarial system of dealing with employers liability claims, unique to the United Kingdom in Europe, should be ditched because they believe it is costly, time-consuming and helps promote further claims because of the publicity it attracts.

The survey found that risk managers are particularly worried about the growth of industrial diseases.

A majority of respondents—55%—state that industrial disease claims are the most significant employers liability threat facing their organizations.

Some 45% of respondents say they have a catastrophic employers liability exposure, and another 22% believe they may have one.

"The main reason for the increase in the number of claims is undoubtedly increased compensation consciousness amongst employees," said Andrew Roach, a partner with the London law firm Wansbroughs Willey Hargrave, during a workshop at the AIRMIC conference.

He listed five core reasons for the increase:

- Publicity surrounding large compensatory awards to injured employees.
- Trade unions taking a higher profile role in combating industrial accident and disease claims.
- A relaxation of rules governing advertising by solicitors.
- The demise of the old-fashioned notion of "a job for life" and reduced company loyalty.
- The "bandwagon syndrome," which means if one employee has an occupational disease, all employees

Continued on next page

War of the words

Risk managers vote for long-term relationships in debate

By ADRIAN LADBURY

WARWICK, England—"Buyers should maintain a philosophy of continuity with insurance carriers," say U.K. risk managers.

But, a vote to accept that motion was a hard-won victory for its proponents—and insurers in general, which were battered during the annual debate at the Assn. of Risk & Insurance Managers in Industry & Commerce's conference held here late last month.

The proposers of the motion, Ted Morrell of Lloyd's broker Bain Clarkson P.L.C. and George Russell of Commercial Union P.L.C., carried the day despite seemingly superior arguments by their opponents, Gareth Bradburn of risk management consultant European Risk Management Ltd. and Alan Fleming, chief executive of AIRMIC and IC Insurance Ltd.

The day before the debate, AIRMIC Chairman Geoff Saunders had called for risk managers to constantly reassess the way they do business and desist from doing things just because they have always done it that way. Based on the debate's outcome, though, it appears his call may have fallen on deaf ears.

Messrs. Morrell and Russell pulled out all the arguments used by insurance companies over the years to justify policyholders sticking with the same company.

Mr. Morrell argued that consistency and a long-term relationship enable the insurer to respond

more quickly to the buyer's changing needs. He also argued that longevity leads to improved service from the insurance company and heightens goodwill between the two parties.

AIRMIC

Mr. Russell, who presented the main argument for continuity between buyers and insurers, defined continuity as "logic, security, sequence, a period of unbroken success."

It is not, he argued, "complacency, stagnation, passivity," and the "slavish adherence to old values," that Mr. Saunders had warned against.

"Continuity is the bedfellow of security, a security of the insurer which is the security of the buyer," he said.

Mr. Russell also argued that continuity enables insurers to better understand the risk covered and to differentiate among risks, which is much lauded by risk managers.

"This is a service business and it's important to listen to your clients' needs and obtain a price which will offer us a fair return on capital, so that you don't get any nasty surprises," he said.

Mr. Russell also echoed the message of Maurice R. Greenberg, chairman and chief executive officer of American International Group Inc., who had addressed the conference the previous day (see story, page 41).

"Higher rates and increased solvency margins keep insurers in business, which gets your claims paid

Continued on page 44

Top Scandinavian insurers face mixed fortunes ahead

By MARIA KIELMAS

Although three major Scandinavian insurers have just reported record year-end profits for 1993, their future prospects are mixed.

On one side is Sweden's Skandia Insurance Co. Ltd., looking toward a major international expansion in its annuity business—especially in the United States—and preparing for a stock offering that some analysts say will be used partly as a "war chest" for future acquisitions.

On the other side stands Norway's UNI Storebrand A/S, which has announced that it will wind up its international subsidiary, pull out of reinsurance and concentrate on its home market (BI, March 14). The insurer still has to repair the damage to its image wreaked by its aborted 1991 takeover bid for Skandia, according to analysts.

In between stands Sweden's Trygg-Hansa SPP, which is pulling out of reinsurance and concentrating on its home market in both life and non-life insurance but also expanding internationally in direct property/casualty insurance.

The turmoil in the Scandinavian insurance industry over the last few years has made policyholders

increasingly question the insurers' ability to pay claims.

The insurers have suffered from a series of events during the 1990s. Perhaps the greatest misstep was the failed attempt by the former Hafnia Holdings A/S of Denmark and UNI Storebrand in 1991-1992 to buy 42.9% of Skandia to form a pan-Nordic insurance alliance (BI, Aug. 31, 1992; Dec. 2, 1991). Despite their large stake, Skandia rebuffed the takeover attempt, causing huge losses for all three insurers. Partly as a result, Hafnia declared bankruptcy in May 1993 (BI, May 10, 1993).

Declining real estate values, relationships with troubled banks and the poor performance of stock markets in the region, particularly in 1992, also battered insurers.

But the feeling among many Scandinavian market observers is that the region's insurance industry has been through a "baptism by fire" and is being careful not to repeat the experience.

Complicating Scandinavian insurers' fortunes, however, are preparations by Norway, Sweden and Finland to join the European Union, which could enable E.U. insurers outside Scandinavia to compete in the region.

Already, German companies have taken steps to establish themselves in the Scandinavian market, said Lani Dannach, divisional director at Sedgwick Special Risks Ltd. in London. The larger European companies will be able to offer the kind of specialized coverages, like product guarantee insurance, that are still rare in Scandinavia.

Interest by European investors in the Scandinavian credit insurance market has been fueled by the 1992 privatization of Denmark's short-term credit insurer, Eksportkreditradet.

Still, brokers and stock market analysts say it will be hard for foreign insurers to match the service that Scandinavian insurers provide in their region, and customer loyalty runs high. The real competition from foreign insurers, according to brokers and stock market analysts, will come in terms of price.

Executives from Trygg-Hansa and UNI Storebrand play down fears about such competition. In most Scandinavian countries, except Denmark, small populations are dispersed over large areas, making it expensive for foreign insurers to do

Continued on next page

KLM is insured for plane crash in Amsterdam

AMSTERDAM, Netherlands—The hull loss from the crash of a KLM Royal Dutch Airlines aircraft in Amsterdam last week is estimated to be \$9.5 million.

It is still too early to assess liability losses, London aviation insurance market sources say. Three people were killed and 13 were seriously injured in the April 4 crash, which occurred near Amsterdam's Schiphol Airport.

KLM is insured through KSSAF, a global insurance program that covers a group of European airlines, including Scandinavian Airline Systems, Austrian Airlines and Finnair. The coverage is marketed by Nicholson Leslie Aviation and serviced locally by C.T. Bowring & Co. Ltd., spokesmen for the brokers confirmed. They gave no coverage details. The Ariel syndicate at Lloyd's of London is the lead underwriter on the KLM account, but declined to provide any details.

A KLM spokeswoman in Amsterdam also declined to give coverage details. She said only that the Netherlands adheres to the 1929 Warsaw Convention, which limits airlines' liability to passengers on international flights. The adequacy of those limits are being widely discussed in the United States and Europe (see story, page 10).

The airline is covering all of the initial needs of the injured and is paying their hospital and medical expenses, she said.

The Saab 340, a twin-engine turboprop-plane, was carrying 21 passengers en route to Cardiff, Wales, from Amsterdam. The pilot reported engine trouble 15 minutes after takeoff and turned back toward Schiphol. The crash occurred when the plane, then flying on one engine, was attempting to land.

KLM officials said an investigation into the cause of the crash is expected to take several weeks. Sweden's Saab Aircraft AB sent representatives to Amsterdam to assist in the accident investigation.

—By Maria Kielmas

INTERNATIONAL

Exposures

Continued from previous page
must have been exposed to the disease, too.

Mr. Roach quoted statistics published by Eagle Star P.L.C.—the biggest employers liability insurer in the United Kingdom, with 19% of the market according to AIRMIC's survey—to illustrate the scale of the problem.

The Eagle Star figures show that between 1985 and 1989, total occupational disease claims increased by 10%.

During the same period, none of the various categories of occupational disease witnessed a decrease in claims, while some categories increased significantly: tenosynovitis, an inflammation of tendons, up 35%; cancers, up 40%; skin and lung diseases, up 24% and 23% respectively; and claims for byssinosis, a respiratory disease caused by inhaling dust from cotton, flax and hemp, up 26%.

"Whichever statistic you choose, the overall trend is clearly upwards. It is said that 'gradual developing diseases' trebled in the period from 1986-'90 and the Eagle Star figures support this. GDDs now account for about 50% of all EL claims. There is clearly a considerable cost to the employer and this is often underestimated," said Mr. Roach.

The AIRMIC survey attempted to assess the "true cost" of employers liability claims to employers.

The largest percentage of respondents, 31% of risk managers, said the cost of employers liability claims—including accumulation of expenditure on risk control and safety; uninsured losses such as lost time; management/administration costs; deductibles; cost of replacement/temporary employees; legal fees; medical benefits; employee morale and loss of investment income—was equal to approximately three times the premium paid for that risk.

Roughly half of the respondents spend between 50,000 and 500,000 pounds (between \$73,125 and \$731,250) annually on employers liability insurance premiums.

AIRMIC also found that about 45% of the respondents retain a sizable, though unspecified, portion of the risk. Of these, 50% fund their self-insured retention through a captive insurer.

The problem commercial insurers have had estimating the potential cost of employers liability claims is evident in the declining number of insurers prepared to write meaningful volumes of this line of coverage.

AIRMIC found that risk managers are very concerned about insurers' responses to the problem.

According to the AIRMIC survey, five insurers currently underwrite 60% of U.K. employers liability risks and the rest is spread among only 14 other companies and Lloyd's syndicates. After Eagle Star, with 19% of the market, the next biggest is Com-

mercial Union P.L.C. with 13%; Iron Trades Insurance Co. Ltd. with 11%; Royal Insurance P.L.C. with 9%; and Guardian with 8%.

This is a relatively small band of insurers, some of which only underwrite the business to win other, more profitable business, according to an AIRMIC spokesperson.

AIRMIC found that 45% of the respondents were not satisfied at all or only slightly satisfied with the outcome of their attempt to place their employers liability exposures over the last 24 months.

Moreover, 44% said they found it very difficult and 34% found it fairly difficult to obtain insurers' interest in quoting a price for their employers liability coverage.

Some U.K. insurers may be keen to replace the current occurrence wordings with claims-made wordings in an effort to control their exposures, subject to regulatory approval.

Some 61% of survey respondents stated that they would be "very" concerned with the introduction of claims-made wordings, while 20% said they would be fairly concerned. Only 8% said they would be unconcerned. Of those who expressed concerns, 69% said that their concerns would not be lessened if the claims-made terms were applied only to disease losses.

"It's only speculation at this stage, no insurer is doing it now. Some underwriters have been suggesting that it may solve the dilemma of disease

claims but it's only speculative," said Ray Mattholie, head of group risk and insurance at British Telecommunications P.L.C. and project leader of AIRMIC's employers liability working party. "Claims-made has a real bad reputation in risk managers' eyes," he added.

Employers liability coverage has traditionally been provided to U.K. employers on an unlimited basis, but reinsurers have signaled their intention to impose limits as of January 1995 renewals. Risk managers are not pleased with this development.

Thirty-nine percent of respondents were very concerned with the introduction of limits and 33% said they would be fairly concerned. Only 7% said it would not worry them.

"Alarm and despondency has set in as reinsurers have signaled the end of unlimited reinsurance for EL policies. The history of underreserving for latent diseases, the historic cover from the ground up (because of the compulsory nature of employers liability coverage) with little co-insurance or deductible, and even less risk management, have combined to produce the crisis," proclaimed Julian Radcliffe, director of Lloyd's broker Hogg Group P.L.C., in an address at the conference.

But the risk managers are apparently fairly confident that any capacity shortfall among the primary insurers will be replaced by a new excess-of-loss market.

Some 21% of the respondents to AIRMIC's survey said they are very

confident that alternative sources of coverage will be found and 57% said they would be fairly confident. Only 4% predicted they wouldn't be able to find any suitable replacement coverage.

Buyers would clearly prefer to see the problem tackled at its root rather than by simply toughening rates, terms and conditions. Nearly two-thirds of the respondents—63%—said that the current adversarial system of dealing with employers liability claims is simply not cost-effective. Only 18% said the current system is cost-effective.

AIRMIC is keen on promoting alternative methods of dispute resolution and claims management. Mr. Mattholie said in a later interview that part of the impetus behind the survey was the need to canvass opinions of the members to decide on a route forward in this area.

AIRMIC asked its members whether they would prefer a move to a workers compensation system in which employers would be strictly liable for workplace injuries and illnesses.

Some 26% said it would be desirable, 38% said maybe and 36% said it wouldn't be worth trying.

The most popular form of workers comp among respondents who favor such an alternative is a general no-fault system with 26% of the votes, followed by no-fault for small claims and tort for larger claims and 15% in favor of a government no-fault scheme. EJ

Insurers

Continued from previous page
business there, they say.

Meanwhile, several Scandinavian insurers recently reported their 1993 results and future plans.

Skandia reported a 1993 operating profit of 2.01 billion Swedish kronor (\$241.2 million), compared with a 1992 loss of 3.24 billion Swedish kronor (\$457.8 million).

Its solvency margin rose to 84% at year-end 1993 from 51% at year-end 1992.

Gross premium volume for the Skandia companies totaled 54.26 billion kronor (\$6.51 billion), up

23.5% from 43.93 billion (\$6.21 billion) in 1992.

The non-life underwriting profit was 533 million kronor in 1993 (\$64 million), compared with an underwriting loss of 394 million kronor (\$55.7 million) in 1992.

Skandia's main growth will come from its Assurance & Financial Services unit, which is planning to tap the growing annuity market as the industrialized world moves toward privatization of pensions.

AFS' gross premium volume rose during the year by 118% to 17.24 billion kronor (\$2.07 billion). It reported an operating profit of 389 million kronor (\$46.7 million). The

AFS unit is led by British Skandia Life Assurance Co. and American Skandia Life Insurance Co.

Skandia also announced March 23 that it will launch a 2.82 billion krona (\$356.7 million) stock offering, its first since 1978. The proceeds will go toward: strengthening the group's capital base; expanding its Nordic life and non-life insurance operations, with an emphasis on Denmark; and financing the international expansion of investment-oriented life insurance and pension business.

In addition to expanding its annuity business in the United States, Skandia is planning to set up annuity operations in Denmark



Skandia's Björn Wolrath

and Norway. The company now holds 4% of the life and 17% of the non-life market in Norway, and 1.5% of the life and 5% of the non-life market in Denmark.

Skandia President and Chief Executive Björn Wolrath explained that some of the proceeds of the stock offering will go toward increasing its capital in an effort to strengthen the company's financial ratings. "If you look at the U.S. market, some annuities can only be sold through banks and stockbrokers who only work with companies with an 'A' or higher rating. That's why we want to increase capital."

Mr. Wolrath refutes ongoing rumors in the insurance industry and the European stock markets that Skandia is planning to buy Danish insurer Baltica Forsikrings Koncern. "But if it goes up for sale, then we will look into the situation."

One London stock market analyst said the Scandinavian insurers' move toward writing more life insurance business is seen as a way for the companies to stabilize earnings. "Companies are getting rid of risk as fast as possible. These are the new strategies. Whether they will be enough for good return is another question."

In Skandia's case, he said, the expansion into U.S. annuity business is relatively risk-free.

Meanwhile, Skandia's neighbor to the west, UNI Storebrand, also reported record pretax profits, totaling 5.97 billion Norwegian kroner (\$794 million), compared with a loss of 1.74 billion Norwegian kroner (\$250.9 million) in 1992.

The non-life subsidiary, UNI Storebrand Skadeforsikring, posted a 1993 operating profit of 1.16 billion kroner (\$154.8 million) before allocations of extraordinary items, compared with earnings of 270 million kroner (\$38.9 million) in 1992. The improvement was due largely to realized securities gains of 500 million kroner (\$66.5 million) and a reduction in operating costs, the company said.

The non-life subsidiary's gross premiums increased to 7.9 million kroner (\$1.05 million) in 1993, up 15.5% from 1992. The increase was due to the transfer of lines such as marine, energy, satellite and liability insurance from UNI Storebrand International. This portfolio is not affected by the decision to wind up the international subsidiary, which posted an operating loss of 357 million kroner (\$47.5 million) in 1993 after a loss of 549 million kroner (\$79.2 million) in 1992.

UNI Storebrand International's 1993 result reflects increased allocations for long-tail asbestos and pollution losses on reinsurance contracts and other reserve additions.

UNI Storebrand Skadeforsikring will take over as parent of New York-based Christiania Re Corp. from UNI Storebrand International, the company reported. Christiania General Insurance Corp. will operate independently under the ownership of the non-life subsidiary.

UNI Storebrand Insurance Co. (U.K.) in London will continue operations with the support of a liquidity guarantee from UNI Storebrand A/S.

Despite the parent company's record profits, stock market analysts remain unimpressed with UNI Storebrand's performance.

Continued on page 44

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INTERNATIONAL

Insurers' profitability helps risk managers, AIG chairman says

By ADRIAN LADBURY

WARWICK, England—The president of the Risk & Insurance Management Society Inc. was not the only U.S. representative to speak to the British risk managers' annual conference this year. Maurice R. Greenberg, chief executive officer of American International Group Inc., also addressed the Assn. of Risk & Insurance Managers in Industry & Commerce conference earlier this month.

Outgoing RIMS President J.A. "Tony" Bridger addressed the AIRMIC delegates in a session closed to non-AIRMIC members, but Mr. Greenberg took the podium publicly after outgoing AIRMIC Chairman Geoff Saunders finished his opening address.

Mr. Greenberg took the opportunity to warn U.K. risk managers against expecting rates too low for their insurers, and to predict that the risk financing market will be radically altered by the arrival of hedging tools like futures.

He also predicted a big consolidation in the U.S. insurance market because of the introduction of the National Assn. of Insurance Commissioners' risk-based capital regulations, the growing influence of insurance rating agencies and uncertainty surrounding the mass of unknown asbestos, pollution and other long-tail liability claims.

Mr. Greenberg defended the insurance industry by warning risk managers that insurers could not indefinitely pay losses that were never foreseen. If risk managers expect insurers to be around when the claims come in, then they had better expect to pay sufficient premiums now, he said.

"This industry can't provide capital and capacity and give no return to shareholders—and currently very few corporations do," he said. "All of you expect to sell your company's products at rates which will produce a return, and rightly so. Our industry should also... Too many risk managers do not understand that if insurers don't make profits, we will not be around for long."

Mr. Greenberg pointed out that insurers and risk managers will have to look beyond traditional problems of price and capacity and broaden their range of risk transfer tools.

"We must look at structured financial engineering, which means looking at the whole balance sheet—not just common self-insurance and risk transfer. We (must consider) hedges and other derivatives together with traditional insurance... This is the way forward for companies... and it will have a major impact on the insurance business as we know it," he predicted.

Mr. Greenberg stirred most interest from the delegates, however, when he predicted that many U.S. insurers, and even the usually highly reserved Lloyd's syndicates, would face increasing problems due to long-tail liability claims from past years. The problems will be exacerbated by new accounting and regulatory requirements, he said.

"You've all seen that Chubb and

AIRMIC

CNA have paid out several billions of dollars for one risk alone. Is this going to be repeated across the industry?" he asked, referring to the more than \$3 billion that Chubb Corp. and CNA Financial Corp. will pay to Fibreboard Corp. to settle asbestos personal injury claims (BI, Sept. 6, 1993). **BI**

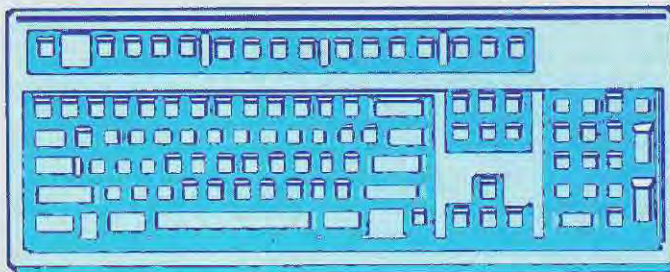
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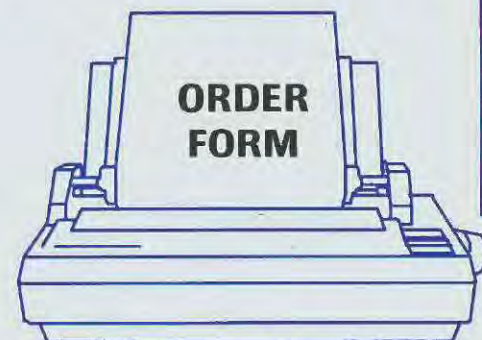
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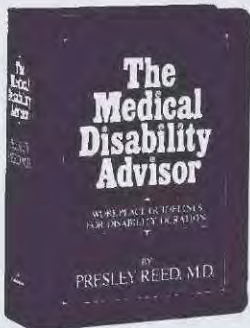


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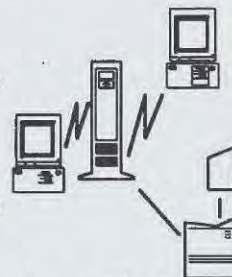
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Insurers

Continued from page 40

One London analyst with a major international stock broker said that unease among potential investors is still lingering as a result of the aborted Skandia takeover.

Mike Wheelhouse, an insurance analyst with Nomura International in London, noted that underwriting profits in Norway and the entire region will be more difficult to come by as the recession ends.

"The underwriting gets tough from here on. They (Norwegian insurers) have had two good years where claims fell because of the recession," he said. "But the insurers say that they see a downturn (in their profits) now, just as is happening in the U.K. market."

UNI Storebrand's strategic manager, Knut Franke, acknowledges

that his company's profits were predominantly from bond dealing rather than insurance underwriting. And, he agrees that underwriting profits will become more difficult—but not yet.

"In the long term, we expect some cyclical effect, but we do not expect any significant change in the short term."

UNI Storebrand's is aiming to improve claims handling, underwriting and marketing services in preparation for tougher times over the medium and long term, said Mr. Franke. The company also has a target of improving underwriting results by 300 million kroner to 500 million kroner (\$40.2 million to \$67 million) over the next two to five years, he pointed out.

UNI Storebrand's approach to the market will be conservative since the insurer is not concerned about E.U. competition. "Norway is

out of the mainstream (of Europe) and has a fairly small population over a large area. We don't expect much exposure to foreign competition," Mr. Franke said.

In the future, UNI Storebrand will expand its life insurance business into annuity products and trusts, Mr. Franke said. But, he added, the company remains firmly rooted at home. "We have no thoughts of going into new business outside Norway."

Like UNI Storebrand, Trygg-Hansa SPP also reported a big profit, largely because of a 64% increase in investment income. The insurer reported an operating profit of 1.72 billion Swedish kronor (\$206.4 million), compared with a 1992 loss of 5.14 billion Swedish kronor (\$726.3 million). Investment income contributed 2.4 billion kronor (\$288 million), compared with 1.46 billion in 1992 (\$206.3 million).

Trygg-Hansa Insurance Co., the property/casualty insurance subsidiary, reported an underwriting profit of 890 million kronor (\$106.8 million), up 77.3% from 1992. The improvement was due largely to reduced reinsurance losses, the company said.

Trygg-Hansa decided last year to cease writing new reinsurance business, though the company expects ongoing contracts to generate premiums and claims for several additional years.

Senior Vp Zaid Pedersen said the Scandinavian market will become more and more competitive as the countries deregulate their insurance industries to join the European Union, by he said he is not concerned about competition from outside Scandinavia.

His company's strategy will be to find new markets abroad while consolidating its position in the

Swedish market. "In the long run, we want the same volume of business from international property and casualty insurance"—not including U.S. business written by Home Holdings Inc.—"as from the Swedish market."

Home Holdings already produces about double the premium income of Trygg Hansa's Swedish operations.

"I don't think that foreign insurers will establish themselves in the Swedish market," Mr. Pedersen said.

But, Mr. Pedersen said, competition will increase for the big industrial risks that are led by brokers.

He declined to comment about any future capital increase or new acquisition by Trygg-Hansa, and would not comment on suggestions that the company may move into direct telephone sales of insurance products. **BI**

Debate

Continued from page 39

and keeps the finance director happy," Mr. Russell said.

The motion's opponents were more impassioned and highly critical of insurers.

Mr. Bradburn told of a "saga of broken promises," whereby insurers had upped their rates and changed their rules in a growing number of lines of coverage, in-

cluding earthquake, pollution and terrorism.

Mr. Bradburn blamed the underwriting cycle for insurers' fickle natures, but pointed out that cycles are the insurers' own creation.

"This is a list of broken promises accentuated by the cycles which has dramatically changed the relationship. (Insurers) are not interested in continuity, but rather how they can (take advantage of) you with changing terms

and fluctuating rates," he argued.

Mr. Bradburn also described the concept of continuity as a "myth" created by the insurers for their own ends.

"Some large insurers, especially U.S. insurers, say no to continuity. The programs are out for tender every year, which gives the buyer the best deal at the best price. And there are always new markets, such as Bermuda," he remarked.

Mr. Fleming also argued that

the concept of continuity was created by the insurers for their own reasons, not for those of the policyholder.

"The very nature of our business is unpredictable; therefore what conceivable relevance is continuity? It has a marketing value and little else," Mr. Fleming said.

AIRMIC's chief executive also attacked insurers' attitude toward claims, which he believes is indicative of their underlying belief in

the value of continuity.

"I used to think that when you have a claim, you deal with the same nice chap that you bought the insurance from. But, oh no," Mr. Fleming said.

"If you get a big claim, you meet a whole new department which hunts in packs and usually in the company of lawyers."

Despite Messrs. Bradburn and Fleming's arguments, the ayes carried the motion by a vote of about 120 to 55. **BI**

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Risk/Employee Benefits:
Vice Presidents, Directors, Managers, and other realted department personnel of: insurance, risk employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations 15,138
Sub-total **27,859**
Associations 371
Government, Unions and Educational Institutions 986
Commercial Consumers
Sub-total **29,216**
Insurance Agents and Brokers 8,607
Insurance Companies 8,258
Accountants, Actuaries, Attorneys & Consultants 3,576
Managers & Health Care Providers 1,941
Others Allied to the Field 1,351
TOTAL **52,949**
★ Source Business/Occupational breakdown of qualified circulation, November 29, 1993 Issue, as submitted to BPA for December 1993 BPA Publisher's Statement.

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Estimates differ on size of Mideast oil spill

By MARIA KIELMAS

LONDON—Although London market marine insurers last week were downplaying the size of the Persian Gulf's worst marine pollution disaster since the Gulf War, United Arab Emirates officials reported worsening effects from the oil slick caused by the March 30 tanker collision.

The UAE-registered Baynuna, belonging to the Abu Dhabi National Oil Tankers Co., a subsidiary of the state-owned Abu Dhabi National Oil Co., and the Panamanian-registered Seki collided just off the shore of the United Arab Emirates, spilling about 4.7 million gallons of crude oil into Gulf waters.

The Seki, operated by the Hong Kong-based Worldwide Tankers Agency, was carrying nearly 80 million gallons of light gravity Iranian crude, which had been loaded at Iran's Kharg Island. The Baynuna was returning home in ballast after delivering Abu Dhabi crude to the Far East.

The collision tore open the Seki's No. 1 port tank, said Captain Roger Saunders, general manager of the Port of Fujairah Authority.

"Both ships are now at anchor. There were no injuries and no explosion," Captain Saunders said.

Oil executives calculated that at current oil prices, the value of the spilled cargo is \$1.64 million, including freight.

The Baynuna has hull and cargo coverage underwritten by London-based West of England Insurance Services, a protection and indemnity club spokesman said.

The Seki has hull and cargo coverage written by the Britannia Steamship Insurance Assn., a P&I club executive confirmed.

Neither of the insurers would provide details of hull and cargo coverage.

No estimates for cleanup costs have been released by the govern-

ment of Fujairah, one of the seven emirates, said a spokesman from the UAE Ministry of Information.

The Baynuna has \$500 million in third-party oil pollution liability coverage, also underwritten by West of England Insurance Services, a P&I club spokesman confirmed.

The Seki carries third-party liability with the same limit, underwritten by Britannia.

In the aftermath of the accident, Fujairah officials said last week that changeable weather was impeding cleanup operations.

The oil spill started 22 miles from the Fujairah coast. Shifting winds prevented skimming the slick from the sea's surface and blew the slick onshore. By April 3, a slick 16 miles long had hit beaches and fishing grounds on the UAE's east coast, and two days later local reports said the slick had spread to a length of 19 miles.

But Robert Seward, manager at Britannia Steamship, gave a different estimate. He said mid-week that the oil slick "is relatively well-contained" at about 14 miles.

The Port Authority consulted with the London-based International Tanker Owners Pollution Federation on the cleanup, Captain Saunders said.

The Middle East press has published conflicting reports about the causes of the accident, but Captain Saunders said last week that the cause was still unknown.

The Port of Fujairah authorities have started an investigation into the incident and are working together with the UAE's newly created Higher Federal Environmental Authority.

Cleanup operations are being conducted by the Greek-owned contractor Fairdeal International.

Fujairah government officials announced at midweek that they had underestimated the size of the operations and were seeking more international help in the cleanup. **BI**

Buck offer

Continued from page 1

Buck, which is the eighth-largest benefit consultant, estimated 1993 benefit consulting revenues, its core business, at \$166 million. The firm employs 1,300 workers.

Together, a combined Buck-Towers Perrin could surpass William M. Mercer Cos. Inc. as the world's largest benefit consultant. Mercer estimated its benefit consulting revenues were \$600 million in 1993.

Buck is staffed heavily by actuaries who specialize in pension and retirement plan work and could definitely benefit from the diversity of Towers Perrin's services, which include substantial health care and flexible benefits practices, observed Kevin Meehan, vp at The Wyatt Co. in Washington.

But, "Towers Perrin could benefit from Buck's financial management," Mr. Meehan said. "Buck has been lean and mean. Bill (Giegerich) is a tough manager and his firm's been very profitable."

Towers Perrin had been interested for years in acquiring Buck and had made it clear to Mr. Giegerich that a deal could be made when he was ready, said Dallas Kersey, a principal in Towers Perrin's Valhalla, N.Y., office.

But, Buck's offer to buy Towers Perrin came as "an unexpected, uninvited surprise to Mr. Lynch," Mr. Kersey said. In fact, he added, Mr. Lynch was so taken aback by the "goofy" proposal, he has rescinded any of its previous overtures to Buck.

"All talks are off. We rejected the offer instantly and because of the process Mr. Giegerich followed, we have no interest in pursuing any discussions at this time," Mr. Kersey explained. "He's stirred the waters of the marketplace unnecessarily."

However, Mr. Kersey would not rule out the possibility that merger discussions eventually could resume and said Towers Perrin directors "have approved a formal acquisition policy and we are entertaining the idea of acquiring a company even more sizable than Buck."

Buck's "offer was so bizarre, there was no way we would take it seriously," Mr. Kersey said.

Buck isn't closing the door to a combination with Towers Perrin. In a memo to Buck shareholders and high-ranking employees obtained by *Business Insurance*, Mr. Giegerich noted that even though Towers Perrin rejected Buck's offer, "we are willing to discuss the possibility of a combination of our organizations."

Others in the consulting industry agree that the mechanics of Buck's offer appear strange.

One Towers Perrin consultant said the offer was "based on shoddy research. Someone didn't do their homework."

"It smells like a mistake," said David Walker, a compensation and benefits consultant with KPMG Peat Marwick in Chicago.

In his memo, Mr. Giegerich outlined the terms of the offer.

Buck offered to make a cash payment to each Towers Perrin shareholder equal to his or her stock's book value. The memo explains that this offer would be financed through \$25 million in cash and through credit facilities Buck already has arranged.

In addition, each Towers Perrin shareholder would receive Buck stock equal to the book value of his or her Towers Perrin shares.

The book value of Towers Perrin shares is determined by a formula, Mr. Kersey said. Neither that value nor the number of shares outstanding is known.

Towers Perrin has about 600 shareholders, while Buck has about 100.

Many question whether Buck, despite its self-proclaimed profitability, could pull off the purchase of a firm four times its size.

In his memo, Mr. Giegerich said that Buck has produced a "higher profit in absolute dollars" than Towers Perrin for the past five years. The memo later reports that Buck's net income in 1993 totaled \$8.8 million, a slight increase from \$8.6 million in 1992. Revenues totaled \$157.1 million in 1993, down 0.8% from \$158.5 million the previous year and significantly less than the \$166 million in total 1993 revenues Buck estimated late last year in a *Business Insurance* survey.

"Actuarial firms and consulting firms have sold from a low of two-thirds of gross billings to a sale

high of 1½ times gross billings," Mr. Skovron said. "If you look at Towers Perrin's gross revenue figures, its sale price should be at least \$500 million" and could be as high as \$1 billion.

"It's hard to imagine a company with Buck's financial statistics could have assets totaling that kind

sulting operations were rising at an average 20% clip. In fact, the top firms had doubled their revenues between 1985 and 1989 (*BI*, Dec. 18, 1989).

In the past four years, however, revenue gains slowed considerably for the top 10 firms, according to *Business Insurance's* annual rank-

The firm also has pursued a strategy to cut corporate overhead (*BI*, March 4, 1991; Dec. 21, 1992).

Buck's reduced its workforce by 5.8% in 1991 as departing consultants were not replaced. Employee count has held relatively steady the past two years.

Mr. Giegerich has said in past interviews that Buck is content to grow at a much slower pace than its competitors. The company began its international expansion much later than the other firms and is known for its lean management structure.

Now, though, the benefit consulting business has reached the point where the only sure way to expand is through mergers and acquisitions, some executives say.

"The larger firms have ceased to grow. That's going to cause a consolidation and shakeout of sorts unless they figure out a way to grow in the future," said Reed Keller, vice chairman of Coopers & Lybrand's Human Resource Advisory Group.

Buck's proposal to acquire Towers Perrin "is the early evidence" of such a shakeout, he said.

"These are difficult times in consulting firms," KPMG Peat Marwick's Mr. Walker said. "Actuaries can't command the salaries they used to because their services are now viewed as a product."

Mr. Keller also suggested that consulting services are increasingly provided by different types of companies, including accounting firms and banks. Coopers & Lybrand and KPMG Peat Marwick, among others, have established benefit consulting practices, while Northern Trust Corp. in Chicago earlier this year acquired consultant Hazlehurst & Associates. ■

'All talks are off. We rejected the offer instantly, and because of the process Mr. Giegerich followed, we have no interest in pursuing any discussions at this time,' says Dallas Kersey, a principal at Towers Perrin.

of money," Mr. Skovron added.

Towers Perrin officials contend Buck must have obtained faulty financial information when comparing Towers Perrin's profits with its own.

"We put more of our pretax profits into bonuses paid to consultants and shareholders," whereas Buck puts those profits back into the company to increase its stock value, Mr. Kersey noted.

Buck would not comment on its profits.

"We are more profitable than they are," Mr. Kersey insisted. "Our profits were up 17% last year."

Revenue growth among all of the top 10 benefit consultants, though, slowed dramatically in recent years. The absence of new federal laws and rules affecting benefit plans combined with a sluggish economy and the maturing of the industry has forced consultants to work harder to produce new business.

At the end of 1988, revenue gains for the top 10 firms' benefit con-

ings of the world's largest consulting firms. Benefit consulting revenues rose 17% in 1990, but that growth tapered off to 7.4% in 1991 and 7.6% in 1992, then fell to 2.6% in 1993.

In their reports to *Business Insurance*, Buck estimated that benefit consulting revenues grew 5% in 1993 to \$166 million, while Towers Perrin estimated a 4.2% increase to \$450 million.

As revenue growth has slackened, the benefit consulting industry has grown more competitive. Employers now view services like actuarial valuations as a commodity, and price wars have erupted among consultants. Firms that went on hiring sprees when legislation like Section 89 was passed in the late 1980s suddenly found the need to cut staff.

Towers Perrin laid off 10% of its workforce in 1991 and another 2.5% of its general management and compensation consulting staff in 1992.

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For the Record

Business heard on state health bill

JEFFERSON CITY, Mo.—Big business is making headway in carving out exemptions to Missouri's new health care reform bill.

As drafted, H.B. 1622 would have effectively precluded most Missouri employers from self-insuring their health benefits by outlawing stop-loss coverage and reinsurance.

The Missouri House's Science, Technology and Critical Issues Committee recently voted 7-4 on some amendments affecting large employers. Essentially, the substitute version would exclude private businesses with at least 500 employees from all provisions of the bill. In addition, self-insured trusts operated by trade associations would be allowed to purchase stop-loss or reinsurance coverages.

The bill's general aim is to make health care coverage more available and affordable for Missouri's residents and small and medium-sized businesses (BI, March 14).

Basic insurance market reforms still in the proposal include: standard benefit packages, community rating, an annual 30-day open enrollment period, portability of coverage and consumer education.

Following the committee's vote, the measure is expected to be debated by the full House and voted on this month.

State court upholds assumption of risk

SAN DIEGO—A veteran skydiver who fell 13,000 feet to his death near the Del Mar fairground near here gave up all claims for damages against the aircraft operator even though the waiver had been signed by the victim three years earlier, a California appellate court has ruled.

The decision, originally issued last October but ordered published in March by the state Supreme Court, upholds liability waivers for "active or passive" negligence in hazardous undertakings regardless of when a waiver is signed.

The decision by the 4th District Court of Appeal in *Paralift Inc. vs. Superior Court of San Diego County* appears to broaden the assumption-of-risk doctrine spelled out by the state high court in *Knight vs. Jewett* (BI, Aug. 31, 1992).

In affirming that individuals who participate in hazardous activities assume the risk of injury, the court said: "Express assumption of risk through the signing of an express agreement can properly be viewed as analogous to primary assumption of risk."

In the case before the appeal court, Alan D. Levin signed a liability waiver with Paralift, the plane's owner, in 1988 at a time when he was jumping recreationally. But the heirs who brought the negligence suit claimed the waiver did not include performance jumping in July 1991, when Mr. Levin fell to his death over the Pacific Ocean.

The trial court had found that the waiver only pertained to recreational jumps at Perris Valley Airport. The appellate court disagreed, finding that the waiver language was clear and unambiguous.

The waiver stated: "I expressly and voluntarily assume all risk of death or personal injury sustained while participating in parachuting activities, including the risk of passive or active negligence of the released parties."

Company fined after employee death

OAKLAND, Calif.—The owner of K&L Plating Co. will decide after a conference with the Occupational Safety and Health Administration this week whether to appeal the assessment of a \$741,000 fine for state and federal workplace safety violations that resulted in a worker's death last year, according to the company's attorney.

Ramon Romero, 56, a worker at the electroplating company, was asphyxiated in a vat that contained cyanide and acid fumes, said Alan Traenkner, the state director for the Occupational Safety and Health Administration in San Francisco, which investigated the death along with the California Division of Occupational Safety and Health.

Mr. Traenkner said Mr. Romero had complained of feeling ill after cleaning another vat. A co-worker then went into a second vat to clean it but passed out. Mr. Romero jumped into the tank and managed to rescue the worker before collapsing himself.

K&L had been cited for similar violations in the past, Mr. Traenkner said.

Allan Payne, an attorney with Jaffe, Trutamich, Scantena & Blum in San Francisco, which represents K&L's owner, Bob McSkimming, disputed Mr. Traenkner's version of events, including whether Mr. Romero had felt ill after leaving the first tank. "Many of the heaviest citations have to deal with willful conduct, and it certainly was not willful on the company's part that these violations happened," Mr. Payne said, adding it was against company policy for workers to go into the tanks. He said that previous citations against the company had nothing to do with the tanks.

Lincoln National sells certain assets

FORT WAYNE, Ind.—Lincoln National Corp. is selling a portfolio of 46 of its performing and non-performing commercial mortgage loans and real estate portfolios through a private placement, a spokesman said.

Most of the assets, which were held by the Lincoln National Life Insurance Co., were sold to a partnership formed by Miami-based Lennar Corp. and the New York-based Morgan Stanley Group's Morgan Stanley Real Estate Fund L.P., he said.

Lincoln National expects to realize a still-undetermined gain on the sale in early May when the transaction is completed, said a spokesman. The original investment in the assets was about \$300 million.

Fremont CEO tapped for anti-fraud post

SACRAMENTO, Calif.—James E. Little, president and chief executive officer of Fremont Compensation Insurance Co., has been appointed to California's five-member State Fraud Assessment Commission.

The commission, created in January 1992, determines the amount of the annual assessment on insurers that will be used to fund investigation and prosecution of workers compensation fraud. It also advises the state insurance commissioner on how to distribute these funds among district attorneys. The cur-

rent annual assessment is \$25 million.

Other members of the commission are: Joe Markey, president of the California Self-Insurers Assn.; John Wilson, president of Schools Excess Liability Fund; Lloyd Loomis, an executive and attorney for Atlantic Richfield Co.; and Jack Webb, president of the State Compensation Insurance Fund.

Glendale-based Fremont Comp, a unit of Fremont General Corp., launched the California insurance industry's first comprehensive anti-fraud campaign (BI, Feb. 3, 1992).

9th Circuit says firm must have comp cover

SAN FRANCISCO—Covering worker injuries through an ERISA-regulated benefit plan does not exempt employers from state laws requiring them to have licensed workers compensation insurance or approved self-insurance, the 9th U.S. Circuit Court of Appeals has ruled.

In its April 5 ruling, the court upheld a federal judge's dismissal of a lawsuit by Torrance, Calif.-based STAFCOR, a unit of Employee Staffing Services Inc. STAFCOR had obtained a temporary restraining order to prevent California from enforcing its requirement that the employers have workers comp coverage. The employee leasing firm argued that ERISA preempted state authority to regulate its plan (BI, March 22, 1993).

"The premise of the complaint in this case is that ERISA opened a loophole so that employers could avoid buying workers compensation insurance. It does not. The obligations of California workers compensation insurance cannot be avoided by substituting an ERISA plan's coverage for work-related injuries," Judge Andrew J. Kleinfeld wrote for the appellate court.

California department faulted by auditors

SACRAMENTO, Calif.—Audits of the California Insurance Department released last week fault its oversight over the state's now-defunct earthquake insurance program and over fees collected to implement Proposition 103 and conduct insurer examinations.

An audit of the earthquake program, which was required by law and conducted by Ernst & Young, concluded that "the essential purpose of the program was fulfilled," said Mary Noble, deputy state auditor. "But, the most significant deficiency" was inadequate monitoring of Computer Sciences Corp., a private firm hired to administer the program. The department "basically did not do an effective job of monitoring contract performance and charges or ensure that some of the contract requirements were met before the major invoices were paid."

Another report by State Auditor Kurt Sjoberg, which was also required by law, "concludes that the Department of Insurance cannot completely identify all its costs for implementing Proposition 103 and examining insurance companies. As a result, the department cannot demonstrate that the fees it collects to support these activities are based on actual costs," Mr. Sjoberg wrote to Gov. Pete Wilson.

The department "will initiate a time and activity reporting system on July 1 to fully monitor its costs and assure proper assessment of Proposition 103 and examination fees to insurance companies," Commissioner John Garamendi said.

Updates

Executive Risk IPO

Continued from page 2

company is selling 1 million shares. Executive Risk expects net proceeds of \$9.7 million from the offering and \$4.2 million from the exercise of related warrants. About \$12 million will be added to capital with the rest being used for general corporate purposes.

The company develops, markets and underwrites directors and officers liability insurance through its subsidiaries' participation in a facility with Aetna Life & Casualty Co. The company also underwrites D&O coverage in Europe through a joint venture with Union des Assurances de Paris. Executive Risk also underwrites a variety of professional liability coverages, including attorneys errors and omissions.

Supermarket settles suit

OAKLAND, Calif.—Supermarket chain Safeway Inc. has settled for \$5 million a sex discrimination suit filed against its Northern California stores.

The company could not be reached for comment as to whether there is any insurance coverage in connection with the settlement, which covers more than 20,000 current and former female employees at Safeway's 216 Northern California stores.

Safeway said that under the settlement, the company will: set additional affirmative action goals for various retail positions; track the distribution of additional hours and training opportunities; and establish a promotion system that calls for the posting of vacancies, job descriptions and the submission of written applications.

Safeway agreed to pay unspecified attorneys fees to the plaintiffs' firm, Oakland-based Saperstein, Mayeda & Goldstein, which filed the suit in November 1991. Over the past several months the law firm has also reached similar settlement agreements with three other supermarket chains, said Saperstein, Mayeda attorney Jack Lee.

Briefly noted

Health Net reached an undisclosed out-of-court settlement with the family of a woman who died of breast cancer this year after the HMO denied her coverage for a bone marrow transplant. A state court jury had awarded her estate \$89 million (BI, Jan. 3). . . .The Florida Supreme Court last week let stand its July 1993 ruling in *Dimmit Chevrolet Inc. vs. Southeastern Fidelity Insurance Co.* that coverage for gradual pollution is barred by the pollution exclusion in Dimmit's CGL policy. Dimmit was awarded coverage in 1992, but the court reversed itself last year (BI, Aug. 2, 1993; Sept. 21, 1992). . . .Gov. Mike Lowry has signed a bill that includes seasonal workers in Washington state's universal health coverage program (BI, May 3, 1993). Compromise legislation passed last year excluded those workers but ordered the new state Health Services Commission to develop proposals for their inclusion. . . .The board of Costa Mesa, Calif.-based **US Facilities Corp.** has authorized up to \$5 million for the repurchase of the company's common stock. The company's chairman and CEO, George Kadonada, said in a statement the board feels the market is not reflecting "the long-term confidence we hold for the future of our company." . . .**Eugene Mertz**, 46, a public adjuster most recently with Toplis & Harding Northeast, committed suicide in his New Jersey home last week, the U.S. Attorney's Office in Newark said. Mr. Mertz had been accused of taking a kickback from a public adjuster who pleaded guilty to mail fraud in connection with fraudulent insurance claims involving Chubb Corp. and various international insurers (BI, April 4). . . .**USAir Inc.** expects to settle a discrimination suit brought by the Equal Employment Opportunity Commission by eliminating weight standards for female flight attendants for three years and paying \$90,000 in damages to 53 female flight attendants and applicants. . . .**Domino's Pizza Inc.** has settled the suit that led it to abolish its 30-minute delivery guarantee for "far less" than the \$79 million in damages that a jury recently awarded. More than half of the settlement will be paid by the insurers for a St. Louis franchise owner. Domino's liability insurer, Zurich-American Insurance Co., will pay the remainder (BI, Dec. 27, 1993). . . .**American International Group Inc.** bought 1.04 million shares of its common stock during the first quarter of 1994. AIG has bought 3.01 million of its own shares since it announced in September 1992 that it aimed to periodically buy up to 15 million AIG shares. AIG shares closed at \$84.75 last Thursday. . . .**Insurance Partners L.P.** and **Insurance Partners Offshore (Bermuda) L.P.** have closed a \$540 million private placement. The partnerships, organized by Centre Reinsurance Holdings Ltd., Keystone Inc. and Chase Manhattan Corp., will make insurance investments. . . .The Texas Insurance Department has issued a cease and desist order against **Assn. of Trust & Guarantee**, ATG principal Lawrence D. Kenemore Jr. and several affiliated groups. ATG, which sells 24-hour benefit coverage, has been hit with similar orders in several states, and Mr. Kenemore was arrested earlier this year during sales meetings in Georgia and Florida (BI, March 28; Dec. 27, 1993). . . .The **Pension Benefit Guaranty Corp.** is suing Armco Inc. for \$21.4 million, plus interest, to recover losses from the 1987 termination of a pension plan sponsored by Reserve Mining Inc. The PBGC says Armco should be liable for Reserve Mining's unfunded pension liabilities because Reserve Mining, which was liquidated in 1986, and First Taconite Inc., which the agency says Armco created to hold its partnership interest in Reserve Mining, were "alter egos" of Armco. . . .The Prudential Insurance Co. of America will appeal a state court jury award of \$25.4 million—including \$25 million in punitive damages—to an Alabama couple who, the jury found, were misled by a Prudential agent. . . .The National Council on Compensation Insurance has dropped its appeal of a Virginia agency's approval of workers comp rate increases much lower than those the NCCI sought. Virginia regulators last November approved average rate increases of 2.6% for the voluntary market and 8.6% for the assigned risk plan, while the NCCI sought hikes of 17.5% and 25.9%, respectively.

Ruling protects plan advisers' role

By JERRY GEISEL

BOSTON—Non-fiduciary benefit plan advisers accused of participating in breaches of fiduciary duties cannot be barred from advising benefit programs, a federal appeals court has ruled.

The 1st U.S. Circuit Court of Appeals last month ruled that the Employee Retirement Income Security Act does not give the Labor Department the authority to bar a consultant—who allegedly told administrators of a multiemployer welfare arrangement how to avoid state regulation—from ever advising benefit programs.

Non-fiduciaries—like consultants, lawyers, actuaries and accountants—perform vital functions for benefit plans in a highly complex regulatory environment, the court said.

Extending the threat of liability over those who advise—and not control—benefit plans likely would deter individuals “from helping fiduciaries navigate the intricate financial and legal thicket of ERISA,” the court ruled.

The appellate ruling follows a 1993 U.S. Supreme Court decision that non-fiduciaries, like pension plan advisers, are not liable for monetary damages to plan participants even if the advisers help the plan trustees’ breach their fiduciary duties (*BI*, June 7, 1993).

The Supreme Court decision in *Mertens et*

al. vs. Hewitt Associates led Sen. Howard Metzenbaum, D-Ohio, to introduce legislation last year that would have imposed new penalties, including punitive damages, on plan advisers.

He later withdrew the bill amid intense lobbying.

The latest case involving the liability of non-fiduciaries centers on the 1991 collapse of Omni Medical Health & Welfare Trust, which provided health care coverage to more than 600 employers in Massachusetts (*BI*, March 25, 1991).

The MEWA, administered by Boston-based Harbor Medical Administrators Inc., failed with between \$2 million and \$3 million in unpaid medical bills.

Among the parties named in a civil suit by the Labor Department was James Gorman, former director of Coopers & Lybrand’s group insurance and welfare plan consulting unit in Boston.

According to the complaint, Mr. Gorman advised Harbor officials in 1989 that the MEWA was not a benefit plan covered under ERISA and that it appeared to be operating as an illegal insurance company.

When the New Hampshire Insurance Department inquired about Omni’s legal status, Mr. Gorman told a Harbor executive that she could try a “red herring” just to keep the department off balance and incorrectly report that Omni indeed was an ERISA-covered plan exempt from state reg-

ulation, the complaint charged.

In addition, Mr. Gorman advised the MEWA that there was little risk of investigation by state regulators, according to charges in the complaint.

At the time, an attorney for Mr. Gorman, who no longer works for Coopers & Lybrand, said he expected his client to be vindicated.

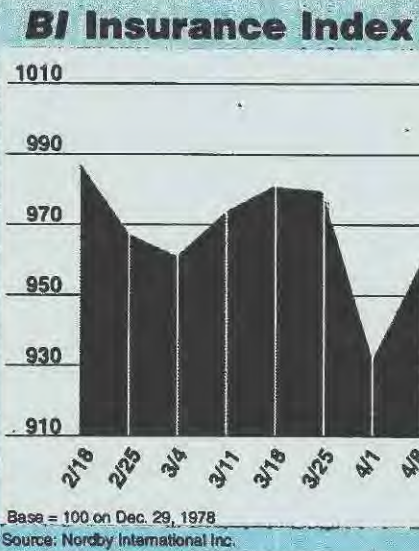
In its ruling, which affirms a lower court decision, the appeals court noted that Congress was “circumspect” about extending the threat of liability over “the heads” of those who provide advice but who do not control or manage a plan.

“The text of ERISA allocates liability for plan-related misdeeds in reasonable proportion to respective actors’ power to control and prevent the misdeeds,” the court noted.

“Professional service advisers... become liable for damages when they cross the line from adviser to fiduciary” and then are subject to a series of penalties, according to the court.

Exposing advisers to a broad range of penalties would mean higher insurance costs for advisers, which would be passed on to the plans, something Congress considered in limiting advisers’ exposure to liability, the court concluded.

Robert B. Reich vs. Richard Rowe et al., 1st U.S. Circuit Court of Appeals, No. 93-1567.



Insurance stocks rebounded last week, as the *Business Insurance Index* rose 25.7 points to 958.4 April 8 from 931.7 on April 1. Advancing issues for the week were led by Statesman Group Inc., up 18.2%; Sierra Health Services, up 11.3%; and ACE Ltd., up 9.7%. Declining issues for the week followed: Lawrence Insurance Group, down 39.3%; Home Holdings Inc., down 10.7%; and Gainsco Inc., down 8.5%. The most active issue was U.S. Healthcare, 5.9 million shares traded. The *BI* index gained 2.9%; the Dow Jones 30 Industrials rose 1.1%; the NYSE Composite rose 0.5%; and the Standard & Poor’s 500 rose 0.3%.

Connecticut

Continued from page 2
only health maintenance organizations could negotiate with hospitals.

Now that discounts are allowed, big self-funded employers and insurers with lots of buying clout should be able to cut better deals with hospitals in the state.

“The big news is the ability of buyers to negotiate discounts. It is a big cost-savings tool that is now available,” said John Piro, a Hewitt Associates consultant in Rowayton, Conn.

“The business community has long been advocating this. We are likely to see a lot more competition” in the marketplace, said

Jan Spegele, vp-regulatory affairs at the Connecticut Business & Industry Assn., a 7,100-member trade group in Hartford.

Insurers say the new law is likely to trigger the expansion of managed care delivery systems, like PPOs, in which hospitals agree to cut their prices in return for greater patient volume.

“The legislation is very much pro-competition. It will accelerate more and more types of delivery systems,” said Craig Leroy, a vp with Aetna Life & Casualty Co. in Hartford.

The new law comes against a backdrop of very expensive health care. Group health care plan costs in Connecticut rose 10.1% to an average of \$5,074 per employee in 1993, according to A. Foster Higgins & Co. Inc. Nationally, costs averaged \$3,781 per employee

in 1993, up 8% from 1992 levels.

Benefit managers in Connecticut say they welcome any proposal that will help bring down, or at least slow down cost increases.

“Connecticut has especially high health care costs. Anything that can provide us with some relief will be greatly appreciated,” said Helen Darling, manager of health care strategy and programs at Xerox Corp. in Stamford.

The inability of employers and insurers to negotiate rates with hospitals has inflated indemnity plan costs.

Ms. Darling estimates—after taking into consideration certain demographic differences in employee enrollments—that indemnity plan costs in Connecticut are \$1,200 per employee higher than HMO costs.

British Issues

April 7 Companies	Price	P/E	Div. %	1 week	
				Yield %	High-Low
Comml Union	593	18.3	31.6	5.2	593-591
Genl Accident	648	13.2	34.4	5.3	648-644
Gdn Royal Exch	190	12.2	9.5	5.0	195-190
Royal	277	12.3	9.4	3.4	280-272
Sun Alliance	340	15.2	18.4	5.4	340-326

Brokers	Price	P/E	Div. %	Yield %	High-Low
Bradstock	141	15.3	6.9	4.9	142-141
CE Heath	379	14.6*	20.5*	5.4	381-378
Hogg Group	210	N/M	7.1	3.4	210-182
JIB Group	195	17.1	9.4	4.3	197-195
Lloyd Thompson	289	19.5	8.4	2.9	289-287
Londres Lmbrt	428	13.3*	18.6*	4.4	432-428
PWS Holdings	75	11.2	5.0	6.7	76-73
Sedgwick Grp	208	23.1	7.5	3.5	208-207
Steel Bri Jones	153	N/M	11.3	7.4	153-145
Willis Corroon	226	20.7	8.3	3.7	226-224

Source: Philip Olsen, London. Estimated; others actual 1993

BI Industry Stock Report APRIL 4, 1994, THROUGH APRIL 8, 1994

BROKERS	Price	Weekly % change	Year to date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt./Bk. value	Price	Weekly % change	Year to date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt./Bk. value		
				High	Low										High	Low								
Acordia Inc.	NYS	27.00	-1.82	9.64	28.25	18.38	19	0.60	2.22	14	10.22	2.64	23.50	-4.59	-21.67	32.75	21.16	233	0.28	1.9	15	5.71	4.12	
Alexander & Alexander	NYS	17.00	-3.57	-14.47	28.00	17.00	314	1.00	5.88	45	6.73	2.53	24.13	-7.21	-17.17	43.00	24.00	742	0.16	0.66	11	19.24	1.25	
E.W. Blanch Holdings Inc.	NYS	17.25	2.99	-0.72	23.50	15.75	41	0.32	1.86	18	4.10	4.21	28.88	3.13	-5.71	39.63	27.13	13	0.16	0.55	8	16.89	1.71	
Gallagher Arthur J. & Co.	NYS	29.25	2.63	-18.18	37.38	28.50	35	0.88	3.01	14	7.52	3.89	20.00	-2.44	-42.86	39.00	16.50	74	0.00	0.40	11	16.99	1.18	
Hilb, Rogal & Hamilton	NYS	11.75	2.17	-10.48	16.75	11.13	97	0.48	4.09	19	4.51	2.61	7.88	-1.56	3.28	8.44	6.25	30	0.00	0.80	5	6.84	1.15	
Marsh & McLennan	NYS	82.25	-1.20	1.08	96.00	77.00	648	2.68	3.26	18	16.76	4.91	31.00	8.26	-4.62	38.75	26.50	340	0.80	2.58	12	23.97	1.29	
Poe & Brown	OTC	18.63	0.68	3.47	21.25	16.88	49	0.40	2.15	19	3.02	6.17	61.75	-1.20	-3.52	72.00	57.63	139	2.92	4.73	13	47.68	1.30	
BROKERS	AVERAGE		0.3	-4.2					3.2	21														
ACE Ltd.	NYS	28.25	9.71	-7.38	36.00	24.50	426	0.40	1.42	5	28.74	0.98	6.63	1.92	-13.82	9.50	6.50	20	0.00	0.90	8	N.A.	N.A.	
Acceptance Insurance Cos.	NYS	11.63	-0.04	0.00	15.63	11.13	26	0.00	0.00	13	9.65	1.20	20.25	-2.41	-26.36	38.25	19.75	198	0.28	1.38	6	19.99	1.01	
AEGON N.V.	NYS	51.63	3.50	-5.71	58.50	43.25	31	1.22	2.36	10	34.71	1.49	27.63	1.98	-12.65	31.88	25.63	131	1.04	3.76	-14	26.38	1.05	
Aetna Life & Casualty	NYS	52.13	-1.89	-13.49	66.25	49.00	3348	2.76	5.29	-10	71.84	0.73	13.38	1.34	-1.83	15.75	13.00	92	0.32	2.39	-11	16.88	0.79	
Allied Group Inc.	OTC	22.75	-6.19	-9.00	32.75	21.34	325	0.60	2.64	6	10.45	2.18	5.25	-4.55	-32.26	10.38	5.25	2215	0.32	6.0	6	4.22	1.24	
Allmerica Prop. & Casualty	NYS	16.88	-6.25	-21.66	22.16	16.50	13	0.95	4	56.97	0.30	23.88	-0.92	-10.75	27.75	23.25	20	0.56	2.45	10	22.91	1.04		
Allstate Corp.	NYS	23.25	-3.13	-21.85	34.25	23.00	1624	0.72	3.10	8	18.43	1.26	78.50	0.06	-12.53	98.00	76.38	722	3.00	3.32	8	57.84	1.36	
American General	NYS	28.00	0.43	-1.75	36.50	25.50	1962	1.16	4.14	24	22.09	1.42	52.25	-1.19	-4.35	65.75	51.00	1821	1.80	3.44	10	41.59	1.26	
American Heritage Life Ins.	NYS	17.63	-2.08	-5.37	25.34	17.25	15	0.60	3.40	11	12.42	0.83	10.13	-2.46	-19.80	19.75	10.13	104	0.36	3.36	7	16.08	0.63	
American Indemnity/Fin	OTC	13.50	3.85	3.85	16.25	7.75	47	0.12	0.89	5	16.18	1.42	2.00	3.09	14.29	2.13	0.31	96	0.00	0.30	-1	1.90	1.05	
American International	NYS	84.00	-0.15	-4.68	100.25	78.41	2791	0.40	0.48	14	45.25	1.86	18.13	0.90	-7.44	31.00	20.50	48	1.12	4.20	17	23.11	1.21	
American Re Corp.	NYS	26.50	-0.93	-6.19	40.25	23.50	165	0.00	0.00	12	14.80	1.79	26.00	7.50	-2.27	21.83	14.63	50	1.12	4.71	7	12.17	1.32	
Aon Corp.	NYS	47.13	-1.82	-2.33	58.50	45.00	287	1.92	4.07	11	33.10	1.42	13.00	18.18	4.00	14.75	9.75	1132	0.10	0.7	5	8.65	1.50	
Argonaut Group	OTC	29.25	0.00	-4.10	35.50	29.00	251	1.00	3.42	8	27.65	1.06	19.00	-1.30	-16.02	28.00	18.00	556	0.20	1.35	-9	18.49	1.03	
AVEMCO Group	NYS	16.38	0.77	-12.67	22.88	14.50	13	0.44	2.69	12	8.13	2.01	9.50	-2.56	-12.64	13.38	9.38	137	0.24	2.53	7	8.93	1.05	
Baldwin & Lyons Inc.	OTC	15.00	5.26	0.84	16.25	11.16	5	0.20	1.33	9	12.59	1.19	38.25	-4.97	-14.53	61.88	38.25	928	1.12	2.32	-	57.72	1.03	
Berkley W.R. Corp.	OTC	35.50	1.43	8.40	48.00	32.00	477	0.44	1.24	12	28.12	1.26	59.50	-0.42	10.19	67.00	49.25	2	0.37	0.52	-	57.72	1.03	
Berkshire Hatheway Inc.	NYS	16300.00	2.35	-0.15	17800.00	11800.00	1	0.00	0.00	25	8115.28	2.01	46.00	-0.54	-13.82	61.50	45.38	117	0.36	0.73	12	29.60	1.55	
Capital Re Corporation	NYS	19.50	-3.13	-24.27	28.00	16.50	42	0.20	1.03	8	21.66	0.90	35.13	-0.01	-9.65	49.50	31.22	4197	0.48	1.37	9	33.65	1.05	
Capsure Holdings Corp.	NYS	14.00	1.82	3.70	19.38	12.75	88	0.00	0.00	13	13.08	1.07	35.25	2.92	-9.03	49.75	33.25	85	1.00	2.34	10	26.00	1.36	
Chubb Corp.	NYS	74.25	1.53	-5.56	96.13	70.75	1767	1.84	2.48	19	46.59	1.59	39.00	2.03	8.33	434.75	12	1.08	2.77	13	23.96	1.35		
CIGNA Corp.	NYS	62.13	4.62	-1.78	70.50	56.50	1010	3.04	4.89	19	78.23	0.79	53.00	0.47	0.95	60.13	47.75	920	0.80	1.51	13	27.55	1.92	
CNA Financial Corp.	NYS	64.25	-0.39	-18.41	100.63	62.88	561	0.00	0.00	157.92	0.82	9.38	4.17	-21.05	14.00	8.25	303	-0.00	0.30	8	10.48	0.89		
Continental Corp.	NYS	22.38	-1.13	-19.00	34.63	21.88	1005	1.00</																

Stocks

Continued from page 1

cial services firms, including insurers, also declines.

And, factors unique to the insurance industry have played a role in the decline in insurer stocks, including growing disillusion over the lack of widespread rate increases, market observers say.

Insurer stocks have been lagging behind the overall market for a while, pointed out David Seifer, vp with Donaldson, Lufkin & Jenrette Securities Corp. in New York. Lately, though, "it seems that the market's caught up with us, unhappily."

One ironic development in light of the recent dive is that some insurer stock prices have fallen so low, they have become bargains, say analysts.

Meanwhile, even with changing stock market conditions, analysts' old favorites like American International Group Inc. and General Re Corp. remain on their buy lists.

In addition to rising interest rates, numerous factors—including inflation, the assassination of a leading Mexican presidential candidate, a potential trade war with Japan, the Whitewater scandal and Boris Yeltsin's slackening hold on Russia—have been among the pressures cited for the recent stock market upheaval.

"There's a whole host of concerns floating around that has made everyone very nervous," with some investors pulling money out of the stock market altogether, said Gary Ransom, senior vp with Conning & Co. in Hartford, Conn.

But insurer stocks, he said, have been significantly underperforming the market since early October.

The impact of the most recent stock market turmoil on specific insurer stocks has been "kind of a mixed bag," said Gloria Vogel, first vp with Lehman Bros. in New York.

Aetna Life & Casualty Co., for instance, has "been hit very hard," while AIG has "held up a little bit better," she said (see chart, page 1). "It depends on which stock you look at."

The *Business Insurance Index*, which includes property/casualty insurers as well as life and health insurers, brokers and health maintenance organizations, fell 2.2% to 958.3 on April 8 from 979.9 on March 25. This compares with a 3.5% drop in the Standard & Poor's 500.

The combination of general economic factors as well as reasons specific to the insurance industry are behind the declines in insurer stock prices.

"Investors have been lightening up for quite a while on their interest-sensitive holdings, and that includes property/casualty," said Charles Ronson, an analyst with Balastra Capital in New York. "They've also been lightening up on property/casualty in particular because what had been viewed as an imminent turn in the cycle has repeatedly not materialized and, if anything, results seem to be somewhat weak."

Michael A. Lewis, first vp with Dean Witter Reynolds in New York, also pointed to a combination of reasons for the insurer stock slide. In addition to being "under the pressure of all interest-sensitive and financially oriented sectors," inflation expectations and a potential reduction of earnings because of significant catastrophe losses also have played a role, he said.

Furthermore, recent catastrophes have "shed a light on the industry's increased exposure to these cat losses" because of insurers' and reinsurers' increased retentions, he said.

Falling insurer stock prices, however, have led to some interesting buying opportunities, analysts point out.

"I think if one looks at the size of the correction within the sector, I would say that the sell-off over the last six to nine months

'I think if one looks at the size of the correction within the sector, I would say that the sell-off over the last six to nine months has been quite dramatic, and I think at this point, probably, some opportunities exist,' says Michael A. Lewis.

has been quite dramatic, and I think at this point, probably, some opportunities exist," said Mr. Lewis.

The sell-off was "pretty brutal," he added. "The stocks now have some real value protections in there. I think the underlying values should preclude some fairly serious erosion from this point."

"I think the insurance stocks are likely to outperform the broad market in the near future," said Conning's Mr. Ransom. "What I'm not sure on is how much more bad news there is for the whole market." He added, however: "It's hard for me to see, on the insurance stock side, what additional bad news could drive stocks down a whole lot more." In fact, excluding the impact of the Los Angeles earthquake, it is more likely that "good news on the earnings side that could in fact push them upwards."

The outlook is positive for "selected" insurance industry stocks, said Steven A. Gavios, an analyst with Kidder, Peabody & Co. in New York. Among other reasons, he believes rising interest rates "will cause pricing to improve sooner rather than later."

Other analysts are cautiously optimistic.

"Some of these stocks are beginning to get to levels where I am starting to warm up again," said Ron Frank, an analyst with Smith Barney in New York. "But I'm still treading carefully because a lot depends on what interest rates do and we are in a very volatile period."

Regardless of individual stocks' fundamentals, if interest rates rise further, "these companies are going to be facing a head wind, no question about it in my view."

Robert Branche of the Branche Research Group in Morrisville, Pa., agreed that the market calls for caution. "While I certainly feel a number of (stocks) have been knocked down considerably, I think you have to be very selective because of the influence of overall market trends."

It is "small consolation if they go down less than the overall market. You really have to look at companies that will be able to do well in this underwriting environment and have a very close grip on expenses, or companies that have particular markets that they are very good at and should continue to do well in," Mr. Branche said.

Lehman Bros.' Ms. Vogel was even more pessimistic: "I think it'll be a very uneven couple of months until this industry can demonstrate that something has turned for the better, whether that's pricing or whether that's earnings."

"I don't expect to see any enthu-

siasm for the group," she said, adding, "Unfortunately, the first quarter will be rotten. We already know there's going to be \$7 billion in cat losses, which by itself will make it the second- or third-worst year on record and it's only the first quarter"—with hurricane season still ahead.

"I think these stocks will languish from some time," said Michael Morrissey, a principal with Firemark Consultants in Parsippany, N.J. "It's too late to

sell these stocks. It may be too early to buy them," though there are good values among them.

He predicted that in the fall, by which time interest rates will have leveled off while still remaining at a relatively low level, "the stocks will start to perform."

Analysts cite good value and good bargains in describing the reasons for their current stock recommendations.

"When the stocks get hurt, we move to quality, so we've been using AIG and General Re as our major recommendations, but we think there are a lot of attractive names across the board," ex-

plained DLJ's Mr. Seifer.

AIG and Chubb Corp. are on Smith Barney's buy list because of their quality, said Mr. Frank. Buying quality makes sense today "in the context of what's going on," because the investor is "not getting paid to do otherwise in terms of stock prices."

Major reinsurers, including Gen Re and American Re-Insurance Corp., are recommended by Conning because they "are likely to show good, solid growth and a continuation of favorable combined ratios," said Mr. Ransom.

"From a defensive posture," brokers like Marsh & McLennan Cos. Inc., Arthur J. Gallagher & Co. and E.W. Blanch Holdings Inc. are good investments for investors who believe interest rates are going to go up and inflation will worsen because that will boost brokers' fiduciary income. In addition, if inflation is on the rise, then premiums also will increase and brokers will be the first to benefit, Mr. Ransom said.

Continental Corp. is among the companies on Ms. Vogel's list of recommended stocks. While many cite Continental's poor performance in recent years, a significant amount has been done to restructure and reorganize the company, she said. If investors can look beyond the first quarter, the underlying trends will surprise them, she predicted.

Others are looking at how much individual stocks have fallen in making their selections. Dean Witter, for instance, which al-

ready had AIG on its recommended list, has added SAFECO Corp. and Aetna following the "sell off," said Mr. Lewis. Allstate Corp. also is considered attractive "at these levels," he said.

Sanford Bernstein & Co. in New York is recommending Aetna and CIGNA Corp., said analyst Weston Hicks. Both companies "are slowly engaging in turn-arounds that are by no means blemish-free, but I think at these prices you are more than compensated by the risk in those situations."

Also recommended by Mr. Hicks is TIG Holdings Inc., which is selling below book value, and The St. Paul Cos. Inc.

"Basically, I think the underlying economic earnings of (St. Paul) are quite strong, and the stock is ridiculously cheap," he said.

"St. Paul is a bargain where it's priced," agreed Conning's Mr. Ransom.

Continuing to shy away from any stock recommendations is Balastra Capital's Mr. Ronson. While insurer stocks might enjoy a "very, very mild bounce," he said, "compared to other groups, I really think they're going to be disappointing."

"I still can see no compelling reason to purchase property/casualty stocks if one has a choice. That's not to say that Chubb's not a good company. It is, and so is AIG, but I can't see why we would want to buy the stocks," Mr. Ronson said. **■**

HMO stocks peaking

Analysts say HMO stocks may no longer outperform market

By JUDY GREENWALD

While HMO stocks also have been buffeted by the stock market turmoil of the past couple of weeks, they generally fared no worse than the overall market.

However, some analysts feel health maintenance organization stocks may have reached their peak. In fact, the stocks' value has already been so well recognized on Wall Street that these analysts say there are no longer any bargains in the group.

During the recent stock market upheaval, HMO stocks "have not been hit as hard as other sectors," said Kim Purvis, an analyst with Donaldson, Lufkin & Jenrette Securities Corp. in New York.

"I think they're viewed as one of the sectors that will continue to perform well earnings-wise, so in that respect they're not going to get sold off as heavily in a market downturn. The core holders seem to be holding onto the stocks and not bailing out," she said.

There has been some profit-taking as investors have sold the stocks, but not much, she added.

The market responded with rallies when HMOs announced their 1993 earnings, which were very strong, in February and March, Ms. Purvis noted.

However, while this year will be another good one for HMOs, they will not see the "spectacular" results they did in 1993, which "argues for flat stock prices," Ms. Purvis said.

"I am not looking for the stocks to do particularly well. If you're going from 50% to 20% year-over-year earnings growth, it's still a decrease from what people have come to expect." This means stock prices "will probably not go up a lot more. I think we've seen the big burst."

Joyce Albers, an analyst with

First Boston Corp. in New York, agreed HMO stocks may not rise much more. "The HMO group is trading at a very high valuation right now," she said. "Their price/earnings multiple is pretty high. I'm looking at probably 17, 18 times '95 earnings, and that's a pretty high valuation, so I don't think the stocks can go up a whole lot more."

In the first half of the year, HMO stocks are likely to continue to do well, Ms. Albers predicted. But in the second half, there is a risk that margins could slip or membership could fail to grow at the rates anticipated, which could lead to a decline in stock prices, though a dramatic fall is unlikely due to continuing consolidation in the industry.

However, Clifford Hewitt, an analyst with Sanford Bernstein & Co. in New York, believes many HMO stocks will continue to outperform the market. "We've still got a period of time where a number of them are going to continue to have significant growth."

But, he acknowledged, they will not outperform the market to the extent they might have done once. "The market has already rewarded many of them for the enormous growth that they've experienced, so that buyers can still come in on these stocks and we think do well, but it becomes more difficult because the run-up in the prices has been so significant."

As a result, while "three months ago, four months ago, we might have said a number of these companies will significantly outperform the market, now we would be more likely to say they will modestly outperform the market. That's simply because the market has already rewarded them enormously," Mr. Hewitt said.

Also optimistic is Ellie Kearns, an analyst with Alex. Brown &

Sons in Baltimore, who says she believes the outlook is still strong.

"I think health care in general is a desirable market sector. Health care is projected to grow 13.5% per year for the next five years, and if you look within the health care sector, those people that manage care probably have a very favorable outlook."

Both Ms. Purvis and Ms. Albers, citing the strong growth the stocks have already enjoyed, are reluctant to make any buy recommendations at this point.

"They would have to get a little bit cheaper before I would jump in and buy," said Ms. Purvis.

"I'm just not sure I'd be jumping in at this moment at these valuations," agreed Ms. Albers.

Others, however, are willing to make specific HMO stock recommendations.

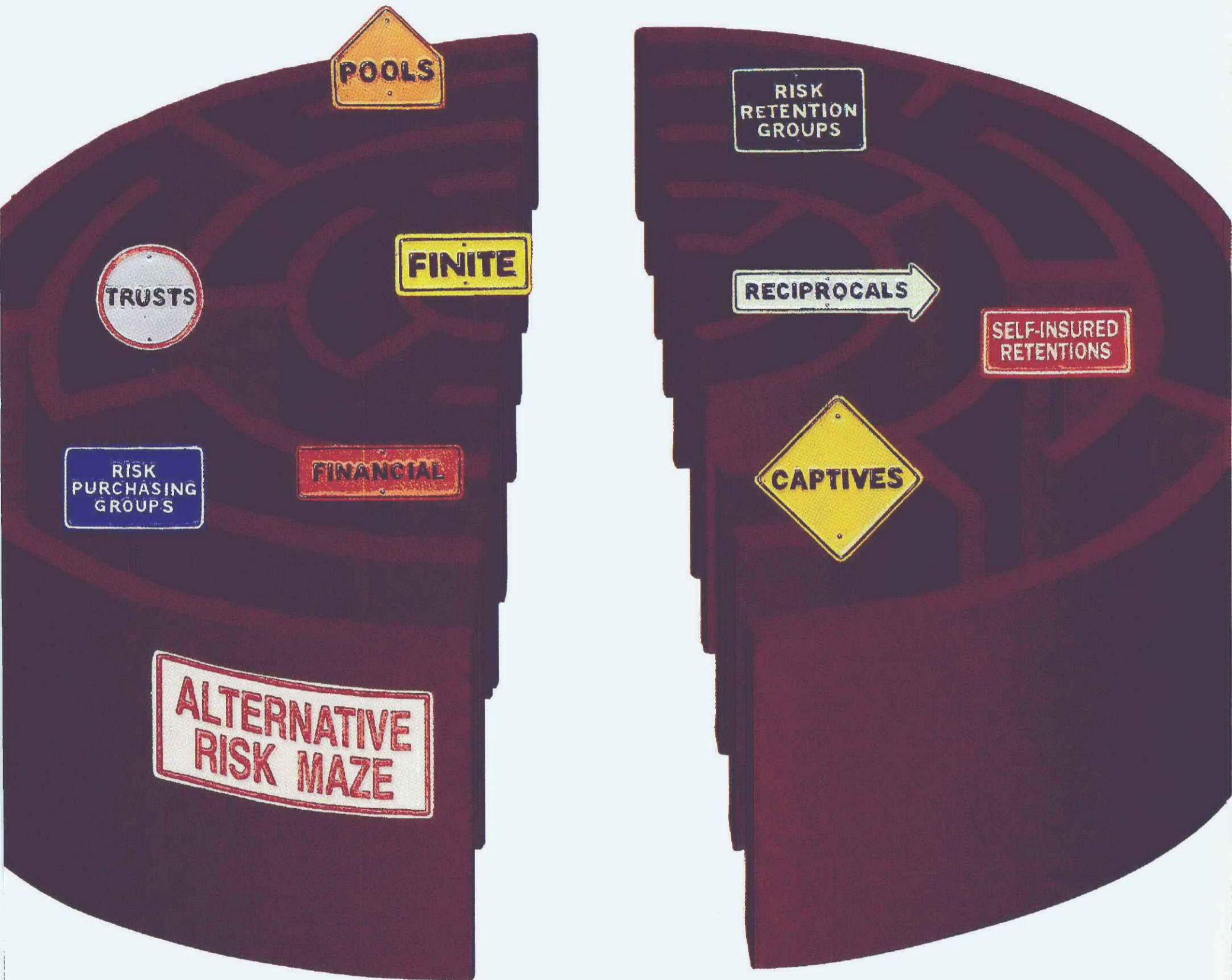
Margo Vignolia, an analyst with Salomon Brothers in New York, said her HMO stock recommendations include: United HealthCare Corp. of Minneapolis; U.S. Healthcare Inc. of Blue Bell, Pa.; Humana Inc. of Louisville, Ky.; and Foundation Health Corp. of Rancho Cordova, Calif.

"Basically, our recommendations are focused on companies with good market share gains, stable margins, regional presence and strong earnings."

Alex. Brown's Ms. Kearns said she recommends stocks based on strong management teams, market dominance, diversification and a "flexible product line that offers beneficiaries choice, yet still manages care."

In addition to United HealthCare, Ms. Kearns' recommendations include: Intergroup HealthCare Corp. of Tucson, Ariz.; Value Health Inc. of Avon, Conn.; Oxford Health Plans of Darien, Conn.; and PacificCare Health Systems of Cypress, Calif. **■**

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