

Business Insurance

Reporting Weekly on Corporate Risk, Employee Benefit and Managed Health Care News / \$4

Entire contents copyright 1998 by
Crain Communications Inc. All rights reserved

Perot Systems to stop offering gay, lesbian partner benefits

DALLAS—Perot Systems Corp. is bucking the domestic partner benefits trend by rescinding its own such policy.

The move to stop offering benefits to the domestic partners of newly hired gay and lesbian employees is an "economic decision," according to a spokesman for the Dallas-based technology company.

Ross Perot, chairman and chief executive officer of the Dallas-based company, decided to end the benefits for new hires because he thought unmarried heterosexual couples

See Updates on next page

Citigroup deal may speed change

By JUDY GREENWALD

NEW YORK—The proposed \$70 billion merger of Travelers Group and Citicorp into Citigroup Inc. could ultimately have far-reaching implications for risk managers, though the effects could take several years to emerge.

The combination of financial services into one giant financial supermarket able to deal with all kinds of risks could push the trend toward "holistic" risk management, further breaking down the compartments between risk management and other corporate divisions, according to consultants, insurers and other observers.

"I think it will accelerate a trend away from traditional insurance and toward a broader definition of risk management, or alternatives to normal risk transfer," said Phil Ben-Zvi, a principal and risk management consultant with Coopers &

Lybrand L.L.P. in New York.

"Using their access to (chief financial officers), they could really try to put together a total set of products that deal with insurance risk, financial risk such as foreign exchange risk, or political risk, as well as business risk," said Mr. Ben-Zvi.

Additionally, the deal could further speed the already-rapid consolidation in the insurance industry and take it into new directions. Reliance Group Holdings Chairman Saul P. Steinberg quipped that he planned to announce a merger among Reliance, Chase Manhattan Corp., Merrill Lynch & Co., Goldman Sachs & Co. and J.P. Morgan, though "not today, at least not at this moment."

"One cannot rule out any potential combination," said Jay Cohen, an analyst with Merrill Lynch in New York. "I don't expect to see anything in the near term, but after this deal, anything is possible."

However, he added, "it does not appear that banks are clamoring to enter the property/casualty business."

More immediately, the deal has significant legal and regulatory hurdles to overcome, including federal rules that now prohibit a banking-insurance combination, although these are widely expected to be changed (see story, page 26).

Even if consummated, insurance industry executives and others do not expect the deal to have an immediate, dramatic impact on Travelers' large, corporate policyholders or other commercial buyers, though the former may benefit from the enhanced international platform Citicorp contributes to the deal.

John S. Reed and Sanford I. Weill, who are chairmen and chief executive officers of Citicorp and Travelers, respectively, will serve as co-chairmen

See Travelers on page 25



Pro-forma year-end 1997

Net revenues	\$50 billion
Operating income	\$7.5 billion
Assets	\$700 billion
Shareholder's equity	\$44 billion

Travelers Property Casualty

Year-end 1997	
Consolidated revenues	\$9.91 billion
Premiums written	\$7.83 billion
Net income	\$1.24 billion
Policyholder surplus	\$6.19 billion

Source: Citicorp and Travelers Group

GRAPHIC BY ADAM DOI

Retirees seek high court's ear

GM's benefit cuts appealed

By JERRY GEISEL

WASHINGTON—General Motors Corp. retirees are asking the U.S. Supreme Court to review a lower court decision upholding the company's right to reduce their health care benefits.

But benefit and legal experts say it is unlikely the high court will take the case—a class-action suit involving 84,000 retired GM workers and hundreds of millions of dollars in benefits—because the case involves factual issues rather than broad interpretations of federal law.



"Based on its past record, the Supreme Court does not take on disputes over the terms of a contract," said Nancy Ross, a retiree health care attorney and partner with the law firm of McDermott, Will & Emery in Chicago.

"The Supreme Court is reluctant to consider a case" when all that is involved is particular fact patterns, said Dennis Coleman, a principal with The Kwasha Lipton Group of Coopers & Lybrand L.L.P. in Fort Lee, N.J.

The case—*Robert D. Sprague et al. vs. General Motors Corp.*—involves the most retiree plaintiffs ever in the highly litigious field of post-employment health care benefits and has been ongoing since 1989. That was when former GM employees who retired between 1974 and 1988 challenged GM health care benefit cuts in the giant automaker's retiree health care plan.

Among other things, GM imposed deductibles and copayment insurance requirements, violating what the retirees said was the company's promise to provide free lifetime

See Retirees on page 12

Decision-maker status key in compensation: Survey

By MICHAEL BRADFORD

What risk managers earn

1997 average salaries for U.S. risk management positions

Risk Manager 1*	\$102,987
Risk Manager 2*	\$74,958
Risk Manager 3*	\$64,071
Claims Manager	\$55,363
Safety Manager	\$57,396
Risk Management Analyst	\$41,462
Administrative Assistant	\$29,354

* The survey breaks down the risk manager title into three categories, based on decision-making authority.

Source: Risk & Insurance Management Society Inc.

GRAPHIC BY ADAM DOI

Risk managers who are final decision-makers on major risk management issues affecting their organizations are much better paid than those without that authority, according to a new survey.

The Risk & Insurance Management Society Inc.'s 1998 Compensation & Benefits Survey shows that top risk managers were paid an average \$102,987 in cash compensation in 1997. That's 37.4% more than the \$74,958 earned by risk managers at the next-lowest level of authority as defined by the survey, and 60.7% more than the \$64,071 paid to those with the least amount of decision-making authority.

Because RIMS changed the way it categorizes risk managers in its second biennial survey, it is difficult to compare the compensation earned by top-level risk managers to the average 1995 cash compensation of \$116,096 paid to vice presidents of risk management departments surveyed in the previous study (BI, April 1, 1996).

See Survey on page 10

NCCI roundly rejects ISO offer

Non-profit agency to go it alone with capital improvements

By MEG FLETCHER

ORLANDO, Fla.—The National Council on Compensation Insurance Inc. is focusing on implementing significant capital projects to improve its services after rejecting a takeover bid by the Insurance Services Office Inc.

In a closed meeting last week, the NCCI's 11-member board voted unanimously to reject ISO's offer to acquire the NCCI and operate it as a non-profit, workers comp subsidiary (BI, April 6).

The decisive vote appears to end takeover talks for now, NCCI executives said during the organization's annual issues symposium in Orland-



do, Fla. The symposium followed the board meeting.

The vote was not a bargaining ploy, said David A. Kocher, who stepped in as interim NCCI president and chief executive officer after Bill Hager's resignation last year (BI, Oct. 13, 1997). "I feel there were no hidden messages."

The vote also is expected to speed efforts by the NCCI board to name

Mr. Hager's permanent replacement. However, it is not expected to revive discussions about the NCCI converting to a for-profit entity, a move Mr. Hager unsuccessfully endorsed.

As outgoing NCCI board Chairman Thomas Hayes said: "The (NCCI) board ultimately decided that, strategically, it was in the best interest of NCCI that it remain an independent body, dedicated to serving its members, customers and other workers compensation constituents."

"NCCI will continue as a strong, effective provider of critical workers compensation information, offering all essential statistical, rating, resid-

See NCCI on page 1

TO SUBSCRIBE CALL

1-800-678-9595

Updates

Perot cuts partner benefits

Continued from previous page

would falsely claim committed relationships to become eligible, the spokesman confirmed. However, the company never has offered benefits to unmarried heterosexual partners of employees.

The spokesman could not say whether abuses had occurred or how much the benefits cost Perot Systems.

The company began offering benefits to domestic partners in 1997; current employees will be unaffected by the change. Perot Systems has about 5,600 employees.

Mr. Perot's action was "totally unnecessary and mean-spirited," and he is "completely out of step with American business," Kim Mills, education director of the Washington-based gay-rights group The Human Rights Campaign, said in a statement.

Fund to ask reconsideration

SAN FRANCISCO—The State Compensation Insurance Fund plans to ask a California appeals court to reconsider its affirmation of a \$300,000 award for mishandling MacGregor Yacht Corp.'s workers compensation claims.

A state appeals court in Los Angeles last week affirmed a lower court's ruling that California's competitive state fund breached the terms of its contract to the Costa Mesa, Calif.-based sailing boat manufacturer.

The SCIF failed to adequately investigate, defend, deny and settle claims reasonably, the court found. In addition, the court held that the SCIF was guilty of bad faith by refusing access to claims information and setting unreasonably high reserves.

At issue were 75 disability claims that employees filed under five consecutive one-year workers comp policies, beginning Dec. 31, 1986 and ending Dec. 30, 1991.

The appeals court ordered that the opinion be unpublished, which reduces its usefulness as a precedent, a spokesman for the SCIF noted.

According to the spokesman, this is one of about six similar lawsuits filed in California courts by the same group of attorneys. The case outcomes have been mixed. The largest verdict, which included \$20 million in punitive damages, was rendered in the Notrica case (*BI*, Sept. 4, 1995). The SCIF is still appealing that case.

Quarterly cat claims \$1 billion

RAHWAY, N.J.—Catastrophes caused slightly more than \$1 billion in insured property damage during the first three months of this year, according to an estimate released last week by the Property Claim Services unit of the Insurance Services Office Inc.

Two catastrophes, defined by the Rahway, N.J.-based PCS as incidents or a series of related incidents that cause more than \$25 million insured property damage, caused insured property damage of an estimated \$200 million each.

The first was the ice storm that raked over much of New England in January (*BI*, Jan. 19); the second was a series of tornadoes that ripped across the upper Midwest late last month.

Commercial insurance losses accounted for 27% of the total \$1.005 billion in insured property damage. Personal lines accounted for 70%, and insured vehicle damage made up the remaining 3%. The 10 catastrophes listed by PCS affected portions of 25 states, with Minnesota sustaining the most damage.

Meanwhile, the second quarter of the year began with disaster as tornadoes ripped through portions of the Southeast, destroying more than 150 homes in Alabama alone last week and seriously damaging at least twice that number, according to Alabama Gov. Fob James.

PCS had not yet declared the tornadoes a catastrophe by Friday, according to an ISO spokesman.

Holocaust plan confuses some

NEW YORK—An agreement to establish an international commission to oversee development of a process to pay Holocaust insurance claims and to establish an equity fund is creating confusion.

On one side are New York and California regulators, who are endorsing establishing the commission first proposed by Sen. Alfonse M. D'Amato, R-N.Y., at a congressional hearing in February.

The commission also would include representatives of worldwide Jewish groups and four major insurance companies: Allianz A.G. of Germany, Assicurazioni Generali S.p.A. of Italy, AXA Group of France, and Zurich Insurance Group of Switzerland.

"The next step is to bring the memo of intent to the National Assn. of Insurance Commissioners and other commissioners," a New York Insurance Department spokesman said.

On the other side is Washington state Insurance Commissioner Deborah Senn, chairwoman of the 27-state Holocaust Insurance Issues Working Group of the NAIC. She was unaware of the commission's establishment until it was announced last week, a spokesman said.

Ms. Senn responded with a statement that the NAIC working group has "grave concerns about the bargain... especially the apparent inclusion of companies as commission members and the exemption of those same companies from state regulatory and legislative authority."

Ms. Senn and NAIC President Glenn Pomeroy plan to lead a U.S. delegation in May to meet with European regulators to discuss Holocaust-related issues and access to insurer records (*BI*, March 23).

Ontario sues Tenet Healthcare

MADISON, Wis.—The government of Ontario, Canada, is suing Tenet Healthcare Corp. in the United States for \$175 million in damages for allegedly defrauding the province's health plan.

Between 1989 and 1992, National Medical Enterprises, which became part of Santa Barbara, Calif.-based Tenet in 1995, gave Ontario residents unnecessary psychiatric treatment and billed the government for

See Updates on page 26

More tort reform muscle

New Chamber unit hopes for business community support

By MARK A. HOFMANN

WASHINGTON—The U.S. Chamber of Commerce hopes the business community will rally to a new tort reform effort launched by the creation of the U.S. Chamber Institute for Legal Reform.

The institute, which began operations last week, will complement the efforts of such established civil justice reform groups as the American Tort Reform Assn. and the Product Liability Coordinating Committee, said

Lawrence B. Kraus, a former Chamber senior vp who was named the institute's president.

"We're going to work very closely with them. One of the roles we can play is to help coordinate, to the extent that we can, the efforts of a lot of the groups not only in Washington but across the country," said Mr. Kraus. He added that although the institute was founded by the Chamber, it is seeking funding not only from its parent but also from the business community as a whole.

"The goal of this new organization is simple: to stop the litigation explosion and restore public confidence in what once was and can again be the best civil justice system in the world," said Thomas J. Donohue, the Chamber's president and chief executive officer.

In a direct reference to the plaintiffs bar, Mr. Donohue said the group will "vigorously challenge the relatively small number of plaintiffs attorneys who, through political manipulation

See Torts on page 13

OSHA launches hearings on workplace TB standard

By MARK A. HOFMANN

WASHINGTON—A proposed workplace safety standard to prevent the spread of tuberculosis would not require employers to provide protections for the employees of contractors or other non-employees at their worksites.

But there could be some shared responsibilities among employers and contractors, said Adam Finkel, director-health standards programs for the Occupational



Safety and Health Administration. Mr. Finkel made his remarks last week as OSHA kicked off in Washington a national series of public hearings on its proposed tuberculosis standard.

The proposed standard, unveiled last October, would cover about 5.3 million workers in more

than 100,000 workplaces, including hospitals, long-term care facilities, homeless shelters, jails and specified laboratories. OSHA estimates implementing the standard would cost employers \$245 million annually.

In brief, the standard would require employers to identify employees who have occupational exposure to the disease in their workplaces and then promulgate written exposure control plans.

See OSHA on page 12

Tobacco makers oppose Senate bill

WASHINGTON—Chances for implementation of a "global" settlement between tobacco manufacturers and a group of state attorneys general seeking compensation for smoking-related health care costs dimmed when the nation's four biggest tobacco companies announced their opposition to legislation designed to regulate tobacco.

Steven Goldstone, chairman of RJR Nabisco Holdings Corp., unveiled the change in policy during an address at the National Press Club in Washington last week. Mr. Goldstone said the industry would continue to fight in court rather than accept the strictures of a Senate bill that would force tobacco makers to pay more than \$516 billion over 25 years,

accept marketing restrictions and be forced to pay even more if underage smoking were not reduced enough to meet federal targets.

Unlike the initial proposed settlement announced last summer, cigarette makers would receive no protections against class-action suits and punitive damages (*BI*, April 6; June 23, 1997).

One portion of the Senate bill also drew fire from insurers, who feared they would be required to pay for awards made against tobacco companies if those companies could not pay, even though policies have contained an absolute tobacco liability exclusion for more than 30 years (*BI*, April 6).

—By Mark A. Hofmann

GAN may get two U.S. bidders

By MARIA KIELMAS

PARIS—Two U.S. companies, GE Capital Services Inc. and American International Group Inc., are among five potential bidders for French insurer Groupe des Assurances Nationales.

In addition to GE and AIG, other companies looking at GAN are: Zurich-based Swiss Life Insurance Co.; Paris-based mutual insurer Groupama; and Amsterdam-based Eureko B.V., an al-

liance of six European financial services companies (*BI*, Aug. 4, 1997).

A GAN spokeswoman in Paris confirmed that the five companies have signed letters of confidentiality with GAN to gain access to the insurer's financial information for due diligence. GAN's bidding conditions require that firm offers be filed with the French Ministry of Finance by May 7.

Executives from the three European companies and others

have publicly stated their interest in acquiring GAN over the past year. But spokesmen for the two U.S. companies have declined to comment.

The French government's conditions of sale specify that the winning bidder must be financially stronger than GAN, which is one reason there is only one French bidder, Groupama, said Michael Lindsay, an insurance analyst at Lehman Brothers in London.

See GAN on page 23

Inside

• Congress should take the cue from the market and pass financial services modernization legislation, this week's editorial says. **PAGE 8**

• A spinoff from South African broker Forbes Group Ltd. may give black workers more say in the administration of their retirement funds. **PAGE 21**

• Speakers at the annual conference of the Assn. of Insurance & Risk Managers urge risk managers to innovate. **PAGE 21**

Departments

Advertiser Index 19
Ask A Risk Manager 15
Books & Ideas 18

Classifieds 23
Commentary 25
Insurance Services Guide 22
International 21
Legal Briefs 18
Opinions 8
Perspectives 16
Ticker 27

Business Insurance (ISSN 0007-6864) Vol. 32, No. 15, is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Periodicals postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207. \$4 a copy and \$87 a year in U.S. \$105 in Canada and Mexico (includes GST). All other countries \$205 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444. Printed in U.S.A. Copyright 1998 by Crain Communications Inc.

Clinton case will spur more suits: Experts

Harassment lawsuits will increase despite high-profile defeat, they say

By SALLY ROBERTS

Despite a U.S. District Court judge's dismissal of Paula Jones' sexual harassment suit against President Clinton earlier this month, employers should expect more sexual harassment complaints in the future.

The overwhelming publicity surrounding Ms. Jones' suit has heightened national awareness of sexual harassment, which, in turn, will trigger an increase in the number of claims filed, experts familiar with the issue say.

Most agree, however, that Ms. Jones' case will not have the same

effect Anita Hill produced when she testified in 1991 before the U.S. Senate and a national television audience that she had been subjected to ongoing sexual harassment by then-Supreme Court nominee Clarence Thomas.

At that time, sexual harassment was little thought of by employers, let alone a major concern. After the hearings, however, the number of sexual harassment claims filed exploded, employers began getting hit with multimillion-dollar sexual harassment awards and settlements, and employment practices liability insurance hit the market.

"The Anita Hill/Clarence Thomas hearings brought sexual harassment to the forefront," said Francis Achampong, a professor of business law and insurance at Norfolk State University in Norfolk, Va. He has published several articles on employment discrimination and harassment.

The Paula Jones case will have similar effects, he predicts. "If the Supreme Court refused to hold the president immune (from sexual harassment allegations) while in office, it sends a signal that they're not playing around. Plaintiffs know the Supreme Court is committed to push for the elimination of sexual harassment."

William C. Bruce, a veteran employment attorney in the law offices of Mayo, Gilligan & Zito in

Hartford, Conn., said that "any time you have a case of this magnitude and publicity, there is a reminder that sexual harassment is a cause of action. Awareness translates into more people bringing claims."

He added that he does not think there will be the same increases in the number of sexual harassment claims that resulted from Ms. Hill's case, but he said, "we will see a rise."

In pointing out how publicity can affect the number of sexual harassment claims, Phillip N. Norton, a managing director of Sedgwick Financial Risk Specialists in Chicago, said that, like the Anita Hill case, the November 1993 U.S. Supreme Court ruling in *Harris vs. Forklift Systems Inc.*

also resulted in a spurt of sexual harassment claims.

The 1993 Supreme Court decision effectively made it easier for an employee to prove he or she was the victim of harassment by deciding that a work environment can be ruled abusive even when it does not seriously affect an employee's psychological well-being or cause the employee to suffer injury (*BI*, Nov. 15, 1993).

According to the Equal Employment Opportunity Commission, the number of sexual harassment claims filed with the federal agency rose 21% from 1993 to 1994.

"I think the Paula Jones case will show another greater-than-normal increase" in the number of sexual harassment claims filed,

See Harass on page 19

'98 hurricanes back on track

El Nino stifled '97 activity: Gray

FORT COLLINS, Colo.—As El Nino fades in 1998, the number of hurricanes in the Atlantic Ocean will increase, a weather expert predicts.

Nine to 10 tropical storms are likely in the Atlantic between June 1 and Nov. 30, 1998. Six will become hurricanes, with

In 1997, there were seven tropical storms, three hurricanes and one intense hurricane.

In his August 1997 forecast for last year's hurricane season, Mr. Gray had predicted 11 storms, six hurricanes, and two intense hurricanes.

Last year, hurricane activity was suppressed by what was the strongest El Nino effect recorded, according to William Gray of Colorado State University.

two of those developing into intense hurricanes with winds of 111 mph or more, according to William Gray, professor of atmospheric science at Colorado State University.

This forecast closely matches the average hurricane season, which has 9.3 tropical storms, 5.8 hurricanes and 2.1 intense hurricanes, according to Mr. Gray.

Last year, hurricane activity was suppressed by what was the strongest El Nino effect recorded, he said.

This year, however, the start of the active hurricane season in mid-August will dissipate El Nino, Mr. Gray said.

Mr. Gray does not predict how many hurricanes will hit land.

—By Gavin Souter

Employers add more to benefit plates: Survey

By ROBERT KAZEL

Employee benefits used to be as simple as meat and potatoes.

But at more and more employers, benefit offerings increasingly are being arranged like a buffet table. The emphasis is on fulfilling the worker's freedom of choice, with the employer playing chef and dishing out some rather innovative choices.

That is the implication of a recent survey of benefit plans by Lincolnshire, Ill.-based Hewitt Associates L.L.C. In the survey of 509 employers, Hewitt found that many companies have tried out recipes for new benefits since a similar survey was conducted in 1994. Hewitt's recent survey also found that a high proportion said last year they would introduce more flexible benefits by the year 2000.

The most common benefits offered in 1997 are ones that have been popular for many years.

Pretax premium plans were offered by 92% of employers, up from 87% in 1994. These allow workers to make benefit contri-

butions, such as medical premiums, in pretax dollars.

Dependent care spending accounts, a funding arrangement in which pretax dollars are contributed for such purposes as paying for child care expenses, were offered by 84% of respondents, up from 72%.

Health care spending accounts, used to pay—in a tax-effective way—uncovered health care-related expenses, such as medical copayments and eyeglasses, were offered by 79%, up from 69%.

Last year, about one in three companies also offered a benefit of annual flexible credit allocations, or flex credits—up from 26% in 1994. These are units of value, stored in a credit pool, which can be used for a variety of purposes such as health care or life insurance premiums. Three in 10 employers last year also allowed workers to cash in their unused flex credits.

Some employers also offered a variety of non-traditional benefits, which are expected to gain in popularity, according to the survey:

See Benefits on page 24

Small areas challenging for coalitions

By JOANNE WOJCIK

CORONADO, Calif.—Employer coalitions likely will continue to face an uphill battle in their quest to make health care providers observe the laws of consumer economics.

This is especially true in small, rural communities where there is little health care competition.

In some cases, benefit consultants themselves are hesitating to endorse coalition involvement if it means they'll lose clients, coalition backers say.

"I think one of the reasons large groups are able to achieve discounts is the oversupply of providers," observed Larry W. Bushmaker, in-house consultant to the Midwest Operating Engineers Fringe Benefit Funds in Countryside, Ill.

But "what I can do in Chicago and what Cindy can do in L.A. and what Bernie and Elizabeth can do in New York doesn't play in rural Missouri," he said, referring to other speakers participating in a panel discussion at the Health Care Cost Management and Coalition Conference. The conference, held March 30-April 1 in Coronado, Calif., was sponsored by the Brookfield, Wis.-based International Foundation of Employee Benefit Plans.

When "there are too many hospital rooms, too many doctors, too many MRIs, and you go to the provider and say we will give you patients, they love you," Mr. Bushmaker said. "But in rural Missouri, there isn't an oversupply."

See Challenge on page 24



Employer coalitions on the rise

By JOANNE WOJCIK

CORONADO, Calif.—The employer health care coalition movement has come a long way in a relatively short time.

Indeed, the movement that began solely as a way to cut health care costs is now focusing on improving the quality of health care by instituting performance guarantees, outcome measurements and innovative disease management programs.

Some coalitions even are attempting to unite to gain greater bargaining power.

"We are pretty much the sleeping giant," described Bernard W. Paquette, president of the Pleasant Valley, N.Y.-based National Labor Alliance of Health Care Coalitions. The alliance was formed less than two years ago to unite all coalitions and purchasing alliances throughout the United States to provide uniform quality and cost containment for all its members, he explained.

Mr. Paquette was recruiting members during the 1998 Health Care Cost Management and Coalition Conference, held March 30 through April 1 in Coronado, Calif. The conference was the first of its kind to be sponsored by the International Foundation of Employee Benefit Plans.

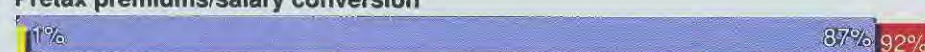
"The objective (of the alliance) is to unite the coalitions into one large critical mass of purchasing power," he explained. "We really do not need 200 coalitions in 50 states. We need maybe 50

See Coalitions on page 24

Benefits menu expanding

Employers are offering more options than in 1994

Pretax premiums/salary conversion



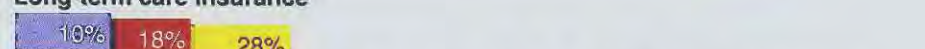
Dependent care spending accounts



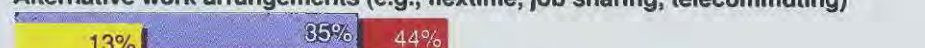
Health care spending accounts



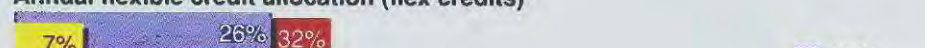
Long-term care insurance



Alternative work arrangements (e.g., flextime, job sharing, telecommuting)



Annual flexible credit allocation (flex credits)



Cash option for unused flexible credits



Source: Hewitt Associates

GRAPHIC BY MIKE GARVEY

NCCI

Continued from page 1

ual market and other information services to its customers," added Mr. Hayes, president of the commercial division of Great American Insurance Co. in Cincinnati. In addition, NCCI plans to be a "vigorous competitor" in the changing workers comp market.

A previously approved \$110 million capital plan will help the NCCI prepare for the future, Mr. Kocher said. It consists of 15 infrastructure, technology and database-related enhancement programs, including converting data suppliers to a system of reporting data on a transactional basis and adjusting computer programs to avoid any Year 2000 problems. That project is "well under way," he said.

The NCCI's rejection of the

takeover bid "disappointed" ISO, said David Ostwald, vp-corporate communications for the New York-based rating organization. ISO went for-profit at the beginning of last year.

Although ISO and the NCCI will continue operating independently, they are not expected to engage in more head-to-head competition soon.

ISO and the NCCI now compete directly only in Florida, where both companies are licensed as statistical agents for workers comp along with Insurance Data Resources Inc. of Boca Raton, Fla.

"Florida was a unique situation, driven by the regulator," said ISO's Mr. Ostwald. Insurance Commissioner Bill Nelson favored having several statistical agents. "It would take some similarly unusual situation for ISO to get involved in workers comp in the future," he added.

However, greater cooperation between the two rating organizations is possible.

ISO and the NCCI are in a strategic alliance that allows ISO to provide the NCCI's workers comp manual electronically, along with ISO's other property/casualty manuals.

"In the event the NCCI wishes to continue discussions, we are prepared to explore other business arrangements that would take advantage of the synergies in the organizations' operations and would enhance services to customers," Mr. Ostwald said.

The NCCI board's decisive vote also ends speculation and concern among buyers and regulators about the potential market impact of having the nation's largest for-profit, property/casualty rating and data organization acquire its non-profit counterpart that dealt only with workers comp data.

Buyers were concerned, for example, that prices for products and services might increase unreasonably after a five-year cap expired.

State insurance regulators will stop considering the appropriateness of such a proposed merger, including plans to request a legal opinion on whether their authority to appoint statistical agents in their individual states extends to approving such an acquisition.

"We hadn't reached a determination if this proposal was good, bad or indifferent for consumers. Now that the issue is off the table, we don't have to do that," said South Dakota Insurance Director Darla Lyon, who chairs the National Assn. of Insurance Commissioner's Commercial Lines Property/Casualty Committee.

However, related issues remain, including ownership of the data and the cost of data-related projects, she added. **B**

Work comp market favorable: Actuary

By MEG FLETCHER

ORLANDO, Fla.—A snapshot of the workers compensation market shows continuing fair weather for all stakeholders, with only a few clouds forming, a rating organization actuary says.

Employers, workers, regulators, legislators and insurers all are enjoying some positive benefits of market stability, according to Nick Lannutti, senior vp and corporate actuary with the National Council on Compensation Insurance. He presented a statistical review of 1997 operations during the NCCI's annual issues symposium last week in Orlando, Fla.

The sunny conditions for employers are characterized by lower net workers comp costs, improved productivity due to safer workplaces, available insurance coverage, and flexible products, Mr. Lannutti said.

At the same time, workers are experiencing safer workplaces and higher benefits for serious injuries, with maximum weekly benefits for total disability increasing 37% from 1990 to 1996, while the average weekly wage went up 18%.

Reforms took \$3.6 billion out of the workers comp system from 1991 to 1996, says Nick Lannutti of the NCCI.

Meanwhile, regulators are enjoying flexible marketplaces, adequate rates and small residual markets, while legislators generally like the healthy workers comp systems, which encourage economic development.

Insurers, too, still are enjoying profitable results, rating flexibility and fewer residual market concerns, Mr. Lannutti said.

The statistics underlying these results show only minor changes from previous years, in most categories.

Preliminary figures for calendar year 1997 show that the combined ratio for workers comp climbed to 103% from a revised 99.1% in 1996, while the industry's loss ratio climbed to 59% from 55.4% during the same period.

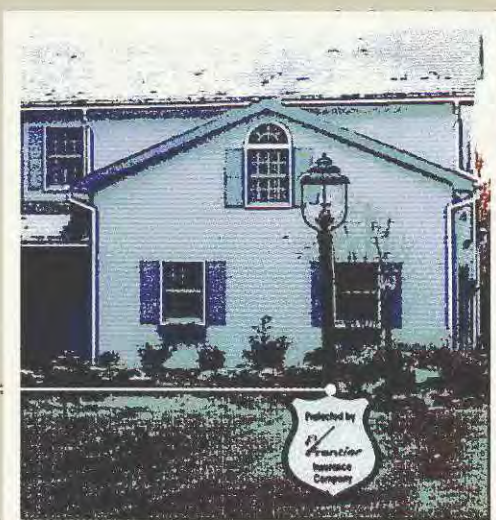
While those figures are up, the average rate or loss cost level countrywide dropped 7.4% in 1997, an improvement when compared to a 4.9% drop a year earlier.

Mr. Lannutti explained that several factors contributed to the reductions in frequency and severity of workers comp losses, including the impact of benefit reforms; managed care initiatives; enhanced safety measures; antifraud measures; employer loss control initiatives; and economic impacts, such as a strong job market.

In addition, effective reforms in many states meant "a total of \$3.6 billion was taken out of the system due to tangible, quantifiable

See Market on page 6

Who will protect your Alarm clients?



Picture the right protection

Frontier Insurance Company's Alarm Program is now available to all agents. Providing you with an admitted market and an experienced underwriting staff, we can offer your insureds:

- Commercial General Liability, including Errors & Omissions
- Workers' Compensation
- Commercial Automobile
- Commercial Property
- Umbrella Liability

Burglar and fire alarm installation and monitoring companies that meet underwriting requirements are eligible for coverage. Additional operations such as CCTV installation, card access installation, central vacuum installation, and telephone and intercom system installations can be included.

For more information on Frontier's Alarm Installation and Monitoring Program, please call Nancy Rauscher at ext. 5631, or Art Lyons at ext. 5114.



Rock Hill, NY 12775-8000 • 800-836-2100 • NYSE-FTR

HPR
—
PROPERTY SPECIAL
RISK

A FEW LOOSE ENDS AND YOUR WHOLE GLOBAL
PROPERTY PROGRAM CAN START TO UNRAVEL.

As your business goes global, as boundaries shift, as international policies are redefined, you can count on Wausau. We provide property risk and insurance services for our U.S.-based clients who have overseas operations. In addition to our new underwriting office in London and Wausau Insurance Company (U.K.) Limited, we've assembled an international underwriting network that includes financially sound partners. You deal with a single carrier for all your international property needs. It reduces the potential for coverage gaps, and it provides worldwide HPR engineering support for foreign exposures. Wausau. We never take our eye off the ball.

**THE BUSINESS
INSURANCE EXPERTS.**



Market

Continued from page 4
changes during 1991 to 1996," Mr. Lannutti said.

Self-funding of residual market losses also has helped keep a lid on system costs, he said.

The residual market's share of premiums is estimated at 7% in 1997, down from a 14-year high of 28.5% in 1992.

While the combined ratio climbed to 119% last year from 103% in 1996, it comes from a much smaller market, Mr. Lannutti pointed out.

Programs that have improved the residual market and put it in better shape for the future include more pricing programs, depopulation incentives, and improved controls and efficiency, Mr. Lannutti said.

However, examining results

from an accident-year accounting approach show that future results may be less sunny.

Accident-year results reflect the estimate of the ultimate cost of a claim that occurred in that year. They are considered a truer measure of a claim's impact on insurers' financial results because they eliminate the impact of insurer reserve changes.

Loss ratios are trending higher. In 1997, the loss ratio was 103% by calendar year and 110% by accident year, while comparable figures for 1996 were 99% and 108%, respectively.

There are other "storm clouds that might be just past the horizon," Mr. Lannutti said.

They may include loss trend rebound, actual reform results, test of residual market changes, adequacy of large deductible reserves and backlash against managed care. **BI**

Deal may spark regulatory change

By MEG FLETCHER

ORLANDO, Fla.—The proposed Travelers Group Inc./Citicorp merger is forcing state insurance regulators to catch up with the marketplace and determine the best way to oversee the rapidly emerging financial services industry.

One option getting serious consideration is tripartite regulation, like that in Maine and a few other states. Under such a structure, state banking, insurance and securities oversight is under an single umbrella agency, said two regulators participating on a panel during the National Council on Compensation Insurance's annual issues symposium last week in Orlando, Fla.

Insurance authorities are facing challenges because private industry is "running far ahead" of federal and



state regulators' ability to deal with "the very rapid emergence

of this financial services sector as an integrated entity," said William E. Bailey, a Boston-based attorney and consultant who is special counsel to the Insurance Information Institute. He moderated the panel.

In terms of the Travelers/Citicorp merger, the insurance commissioner of Connecticut, where Travelers is based, is expected to provide routine approval. However, hearings in some other states also are possible, said S. Catherine Longley, commissioner of Maine's Department of Professional and Financial Regulation.

"All states are going to have to start looking at these transactions globally

and getting out of the specific turfs of it being just an insurance issue or just a banking issue," she said.

"In Maine, we are fortunate that we have an umbrella agency where we have a banking regulator, an insurance regulator and a securities regulator all in one department," she said.

The broad range of participants makes it easier to determine appropriate public policies that will benefit the state, especially on an issue like H.R. 10, she said. H.R. 10 is the financial services modernization bill that Congress recently rejected but is expected to reconsider.

Hawaii appears to be headed toward adopting a similar tripartite regulatory system, said Reynaldo D. Gaulty, commissioner of Hawaii's Department of Commerce and Consumer Affairs. A task force is working on voluntarily implementing that, he said.

It may be easier to adopt such a structure in Hawaii because it is a small state and has a limited number of players in insurance and banking, he said.

Overall, insurance commissioners are "not surprised" by the merger proposal, said Kentucky Insurance Commissioner George Nichols III. Mr. Nichols is chairman of the National Assn. of Insurance Commissioners' Special Committee on Banking and Insurance.

However, regulators must stay focused on the long-term issue of determining the best regulatory structure for financial services overall, rather than the specific industries that may be part of the process, he said.

"The merger announcement will put the pressure on Congress to act. We will continue to remain at the table to discuss our views to make sure that insurance regulation stays focused on consumer protection and financial solvency," Mr. Nichols said.

It is important that some federal legislation be passed and someone set the guidelines, though the NAIC does not support H.R. 10 because of its negative impact on state insurance regulation, he said. **BI**



WHEN THE TOUGH GET GOING.

Looking for clear directions for your international employee benefit plans? Swiss Life is the way to go for coordinated global programs and real financial savings. As the world's leading international network of life insurers, we're never far from where you need us. And every Swiss Life Network Partner is a local leader, with the expertise, flexibility and service capabilities to meet your most challenging insurance and benefit requirements. It's a sign of the times that more and more top multinationals follow the Swiss Life route. Call us in Zurich on +411/284 3797, or contact your local Network Partner. It can be tough out there. But with Swiss Life, you're never on your own.



THE RIGHT DECISION

Head Office: Swiss Life, General Guisan-Quai 40, 8022 Zurich / Switzerland; Telephone 411/284 3797, Telefax 411/284 3997, Internet www.swisslife.com;
Argentina: Royal & Sun Alliance; **Australia:** Hannover Life Re / Swiss Life International Services Asia Pacific; **Austria:** Wiener Städtische; **Belgium:** Swiss Life; **Brazil:** Icaru Hartford; **Canada:** Canada Life; **Chile:** Euroamérica; **China:** Swiss Life Beijing & Guangzhou Rep. Offices; **Colombia:** Bolívar; **Czech Republic:** Česká Kooperativa; **Denmark:** Danica / International Health Insurance / PFA Pension; **Finland:** Ilmarinen / Pohjola Life; **France:** Société suisse (Swiss Life); **Germany:** Schweizerische Rentenanstalt (Swiss Life); **Greece:** Aspis Pronia; **Guatemala:** Occidente; **Hong Kong:** CMG Asia Life; **Hungary:** Glória-Swiss Life; **Indonesia:** Lippo Life; **Ireland:** Irish Life; **Italy:** Swiss Life; **Japan:** Meiji Life / Yasuda Life; **Korea:** Korea Life; **Luxembourg:** Swiss Life; **Malaysia:** Hong Leong; **Mexico:** Comercial América; **Netherlands:** ZwieterLeven (Swiss Life); **New Zealand:** Hannover Life Re; **Norway:** Vital; **Panama:** Mundial; **Philippines:** First Guarantee Life; **Poland:** PZU; **Portugal:** Império; **Russia:** Rosgosstrakh; **Singapore:** NTUC INCOME; **Slovakia:** Kooperativa; **South Africa:** Southern Life; **Spain:** Swiss Life; **Switzerland:** La Suisse (non-life); **Taiwan:** Kuo Hua Life; **Thailand:** Bangkok Life; **United Kingdom:** Swiss Life (UK) plc; **USA:** First Allmerica / Swiss International Services; **Venezuela:** Orinoco

ATTENTION READERS

The **Business Insurance Reader Service Program** provides a direct line of communication between you and the companies providing the products and services you may need.



Take action and make contact now. When you need information **Business Insurance** is the best resource available.

If your card is missing from this issue, call Carol Peacock at 212-210-0236 and ask for another.

Business Insurance

STARSHIP EARTH

At Reliance National, we've mastered the fine points of achieving equilibrium between successful business, aggressive entrepreneurship and the infinite laws of nature. By insuring the risks that are meaningful to *Mother Earth*, we're able to create a balance that allows us to carry our clients' visions and methodologies clear into the future.

From environmental to energy...aviation to ocean marine, our product portfolio is diverse, innovative and responsive. Let our team of experienced and dedicated professionals show you how to explore new galaxies and tailor coverage so unique, it's out of this world.

While at RIMS, visit us at booth 1115 so that we may introduce you to an array of coverages that allow you to reach for the stars while standing securely on terra firma.



THE CHOICE



Reliance National

A Reliance Group Holdings Company

77 Water Street, New York, N.Y. 10005

<http://RelianceNational.com>

For further information
write us or call (212) 858-6602

Reliance National: products and programs underwritten by Reliance Insurance Company, Reliance National Indemnity Company, Reliance National Insurance Company, Reliance Insurance Company of Illinois, Reliance Insurance Company of California, United Pacific Insurance Company and/or Reliance Surety Company.

Survey

Continued from page 1

The previous survey categorized risk managers according to their titles and duties, a method that confused some respondents, according to John Stolze, risk manager at Ackerman Family Properties in New York and chairman of RIMS' research committee.

Mr. Stolze said some risk managers did not know how to respond to the previous survey because their responsibilities as described in the survey fell under titles other than the ones they held. The problem led RIMS to develop for the current survey three categories based heavily on decision-making authority.

To gather the information, the society mailed 4,200 survey questionnaires and received 930 responses. Of those, 863 were from U.S. organizations and 67 from Canada.

The results were compiled and the report prepared by Industry Insights

Inc., a Columbus, Ohio, research and consulting firm.

The report also showed Canadian risk managers lag behind their U.S. counterparts in pay, with those in the top tier earning \$90,120 Canadian (\$63,264) in cash compensation on average.

RIMS compiles the report to give easy comparisons of compensation and benefit levels among risk management and benefit professionals. The society cautions in the report, however, that the statistics should be used as guidelines and not "absolute standards."

Mr. Stolze said risk managers should use the survey as a benchmark and not something to "throw on a supervisor's desk and say, 'You have to pay me another x thousand dollars because this is what it says I should make.'"

Risk managers whose compensation lags behind the numbers in the report may want to do "a little self-analysis" to determine whether they need to "tighten up their efforts to

get the results indicated in the survey," he said.

The survey described risk managers in the first category as holding the highest risk management positions in their organizations and having the authority to make final decisions on major risk management issues.

Risk managers at this level typically are "accountable for achieving strategic objectives, ensuring effective risk management for the organization, supervising and directing top management" and other responsibilities, according to the report.

The second-highest level was made up of people who typically are not the ultimate decision-makers on major risk management issues even though they may hold the highest risk management position in their organizations. These risk managers recommend courses of action, but supervisors make the final decisions.

Responsibilities of risk managers in this group include directing insurance programs and loss control activ-

ities, preparing loss analyses and budgets, identifying exposures, recommending solutions, supervising risk management departments and other duties.

Those classified in the third level are not the ultimate decision-makers on most risk management issues. While they may hold the top risk management positions in their companies, they may also report to upper- or middle-management superiors.

Risk managers in this group manage insurance programs and loss control activities while assisting in many of the activities handled by their counterparts in the second group.

While the survey did not categorize risk management respondents by title, it indicated that 34.7% of organizations that responded said "risk manager" was the title of their top full-time risk management executive. Only 13.1% of the respondents indicated that person held the title of "vice president."

The risk management executive in the top spot of 32.5% of the organizations held the title of "director-risk management." Another 5.9% said that person was called "director of insurance."

Respondents said 39.1% of risk managers report to the chief financial officers or another finance officers at their organizations.

The survey reveals that it pays—in terms of compensation—to work at the biggest organizations. Those in level one who are with organizations with gross revenues of more than \$10 billion earn an average of \$154,871. By contrast, at companies with less than \$50 million in gross revenues, risk managers in level one earned less than half that, an average of \$74,047.

The gap between pay at the largest and smallest organizations narrows for risk managers in the other groups. Level-two risk managers at organizations with more than \$10 billion in revenues were paid an average of \$106,064, compared to \$55,097 at organizations with revenues of less than \$50 million.

Those in the third tier who work for organizations with gross revenues of more than \$10 billion earned an average of \$76,685, while those at organizations with less than \$50 million earned an average of \$45,938.

As might be expected, risk managers earning the most also have more experience and have been in their current positions longer than those making less, the findings indicate. They also work slightly longer, supervise more employees and are more apt to hold higher educational degrees.

The average risk manager in the survey's top level has been in his or her current position for eight years and in the risk management/insurance profession for 17 years. Risk managers in this category supervise an average of eight employees and work an average of 47 hours a week. Of those with degrees, 29% have a master's in business administration.

Those in the second tier average six years in their current posts and 14 years in the profession. On average, they supervise four employees and work 46 hours a week. Of those with degrees, 21% hold an MBA.

Risk managers in the third bracket average five years in their current jobs with 11 years in the profession. They supervise three employees and work 44 hours a week on average. Of those with degrees, 19% have earned MBA degrees.

The survey indicates that for risk managers in the top bracket, not only is pay greater, but perquisites are sweeter as well. Of those in the first level, 36.2% reported receiving stock options in their companies, while 27.4% in the second level and 18.3% in the third level hold stock options.

Slightly more risk managers in the

second and third groups—75.2% in each group—get educational expenses paid by their employers than do level-one risk managers. Of those in the top tier, 73.4% receive that perk.

Risk managers spend most of their time on risk management duties, the survey shows, with 75.8% indicating they work full-time at those duties.

Only about a fourth—25.3%—of risk manager respondents indicated that employee benefits are included in their responsibilities.

Employees in risk management departments who hold jobs that typically lead to positions of greater responsibility are seeing their compensation increase. Safety managers, for example, earned an average of \$57,396 in 1997, up from \$54,352 in 1995. They reported holding their current position for an average of five years, and they average 11 years in the risk management and insurance profession.

Claims managers earned an average of \$55,363 in 1997, up from \$50,885 two years earlier. In the recent survey, they report holding their current job for an average of six years, with 13 years experience in their profession.

Risk management analysts averaged \$41,462 in pay last year, up from \$38,536 in 1995. Analysts reported being in their current position for an average of four years and in the field for seven years.

Administrative assistants saw their pay rise to \$29,354 in 1997, an increase from an average of \$27,608 in 1995 that RIMS found in its previous survey.

Findings related to Canadian risk management departments are similar to those related to the United States.

Risk managers with the greatest decision-making authority earned the most in Canada, at \$90,120 Canadian. That compares to an average of \$74,538 Canadian (\$52,326) paid to those in the second tier. Third-bracket risk managers averaged \$61,400 Canadian (\$43,103).

Top-level risk managers in that country average seven years in their current positions, with an average of 17 years in the field. They average 45 hours on the job each week and typically supervise seven employees.

Those in the second level average six years in their current positions and 12 years in the profession. Their average work week is 43 hours, and they supervise eight employees.

Those in the remaining group have held their current posts for an average of five years and spent 12 years in the profession. A typical work week is 42 hours, and they supervise three employees.

Canadian safety managers in 1997 earned an average of \$60,350 Canadian (\$42,366), up from \$55,225 Canadian (\$38,823) in 1995, while risk management analysts earned an average of \$52,077 Canadian (\$36,558) in 1997, compared to \$47,631 Canadian (\$33,485) in 1995.

Claims managers in Canada in 1997 earned an average of \$54,368 Canadian (\$38,166), down from \$58,179 Canadian (\$40,900) in 1995.

Administrative assistants, who were paid an average of \$32,379 Canadian (\$22,730) last year, also are earning less. Their pay averaged \$32,506 Canadian (\$22,852) in 1995.

The "1998 RIMS Compensation and Benefits Survey" can be ordered from Kathy Gaval at RIMS, 655 Third Ave., New York, N.Y. 10017; 212-286-9292, ext. 247. RIMS members who participated in the survey receive a free copy. Non-participating members pay \$75 plus shipping and handling, and non-members pay \$100 plus shipping and handling.

Questions regarding the contents of the report should be directed to Cecelia Cooper at RIMS. She can be reached at 212-286-9292, ext. 239.

Are you getting ready to negotiate your health care premiums for 1999?
We've successfully negotiated premiums for the largest companies in the U.S.
We can do the same for you!

California Headquarters
Don Lightfoot
800-257-0011

Florida
Carla Albano
954-475-8527

New York
Elizabeth Hanson
212-459-1722

ULTRA-LINK®
Healthcare Network Administration
www.ultra-link.com

Carvill

Reinsurance Intermediary

INDEPENDENCE
INTEGRITY
SERVICE

CONSISTENT PHILOSOPHY & PERFORMANCE
SINCE 1977

Atlanta Bermuda Chicago London Stamford

New York: 212-210-0133 • Fax: 212-210-0704
Chicago: 312-649-5276 • Fax: 312-649-7937
Los Angeles: 213-651-3710 • Fax: 213-655-8157

Retirees

Continued from page 1

retiree health care benefits.

After many twists and turns, the 6th U.S. Circuit Court of Appeals in January said that General Motors had the right to amend its retiree health care program (BI, Jan. 12).

The appeals court said that GM had notified the retirees in writing of the automaker's right to change the terms of the health plan and therefore GM could change benefits even though statements in plan documents said the benefits would be provided free for life.

"We see no ambiguity in a summary plan description that tells participants both that the terms of the current plan entitle them to health insurance at no cost throughout retirement and that

the terms of the current plan are subject to change," the appeals court said.

In their brief requesting Supreme Court review of the appeals court decision, the retirees said high court intervention is necessary to resolve conflicts among courts.

"The 6th Circuit's holding that the presence of both lifetime and reservation of rights language in the same SPD renders the plan unambiguous against vesting is squarely in conflict with decisions of other circuits," according to the brief filed on behalf of the retirees by the Washington office of Chicago-based law firm Bell, Boyd & Lloyd.

For example, appellate courts in the 7th, 8th and 11th circuits have held that the presence of both types of statements "gives rise to an ambiguity to be resolved by resort to extrinsic evidence," the

brief noted.

In some cases where courts have declined to find vested benefits "in the presence of both types of statements, they have not gone as

far as the court below to deny vesting in all such circumstances," according to the retirees' brief.

'Factual variations among ERISA welfare plans are myriad, yet the core legal conflicts are pervasive and persistent,' according to a brief filed by GM retirees.

far as the court below to deny vesting in all such circumstances," according to the retirees' brief.

Instead, the appellate courts in the 3rd and 10th U.S. circuits "might allow vesting in the presence of both types of statements depending on the facts of a partic-

ular case," the brief stated. More broadly, the retirees' brief said that lower courts continually struggle on trying to reconcile technical rules embedded in the

Employee Retirement Income Security Act with ERISA's basic goal of protecting contractual benefits.

"Factual variations among ERISA welfare plans are myriad, yet the core legal conflicts are pervasive and persistent. This case presents the vehicle to re-

solve the conflicts and provide definitive guidance to millions of plan participants and administrators alike," the brief said.

A GM benefits official said that the company expected the retirees to seek Supreme Court review of the lower court ruling. However, the company expects the 6th U.S. Circuit Court of Appeals ruling to stand.

"We assumed the plaintiffs would petition for certiorari based on their previous statements. . . . However, given the January 1998 ruling of the Court of Appeals for 6th Circuit, which found that GM had notified its salaried employees and retirees of its right to modify the program, GM is expecting the Supreme Court will also support this ruling," James Cubbin, GM's executive director of health care initiatives in Detroit, said in a statement. **BI**

OSHA

Continued from page 2

Employees would have access to the plan, which would be reviewed at least once a year.

The standard also would require that employers identify workers with infectious tuberculosis and isolate them until they can be transferred to medical facilities. Employers also would be required to provide respirators to employees who are exposed to tuberculosis, provide specified medical monitoring to employees who have occupational exposure to the disease, to label exhaust systems that could be anticipated to contain airborne tuberculosis, and to maintain specific records.

During an initial comment period on the proposal, some respondents questioned whether employers would be responsible for protecting contractors' employees. Mr. Finkel spelled out the employers' responsibilities as he described the OSHA proposal.

"Some commentators have misinterpreted the proposed standard to require that employers be responsible for providing protection for the employees of other employers who perform work at their worksite. OSHA is only proposing that the employer at a worksite inform contractors who are performing work in an area that entails occupational exposure to TB that they may have potential exposure to TB. The contractor's employer, to the extent that he or she is covered under the standard, is then responsible for providing protection to the employee, for example, providing respirator protection and medical surveillance.

"However, just as in other multi-employer worksites that OSHA has covered, there may be some shared responsibilities when employees such as temporary contract personnel are brought on to the worksite. In these situations, the employer at the worksite would provide things specific to the worksite, such as site-specific training or early identification procedures and engineering controls. The provider of the contract employee would provide things such as general TB training and medical surveillance," he said.

Mr. Finkel pointed out that while OSHA is willing to make some modifications to its initial proposal, the agency remains "steadfast in its overall goal, which is to protect workers from occupational exposure to tuberculosis to the extent that can be done in an effective and sensible manner."

Hearings will continue in Washington through Friday and will continue through early June in Los Angeles, New York and Chicago. **BI**

DISCOVERY

EXPANSIVE

GA General Accident Insurance

When you visit Colorado's Royal Gorge bridge, be sure to visit General Accident Insurance. Personal • Small to Large Commercial • Marine • S

Torts

Continued from page 2
and legal gymnastics, have hijacked our courts and turned America into the lawsuit capital of the world."

The Washington-based Assn. of Trial Lawyers of America is not impressed with the Chamber's argument.

ATLA's president, Richard D. Hailey, said that the new group is part of a "cynical attempt" by the U.S. Chamber to boost its membership.

In a statement released in response to the Chamber's announcement, Mr. Hailey said "businesses, which account for more than half of all litigation, love to use our courts for all sorts of ridiculous reasons. They hate it when injured Americans use the courts to hold them responsible."

"What's really ironic is that the U.S. Chamber is whining that our legal system hurts the economy. The last time I checked, the economy was still roaring. Most countries would love to have a legal system like ours where wrongdoers are held responsible for their conduct," he said.

Mr. Kraus noted that one of the institute's projects cuts right to the trial bar. "We're already doing some substantive work. One is the issue of how to address excessive attorneys fees," he said.

According to Mr. Kraus, the institute also plans to address the erosion of the doctrine of assumption of risk.

"It's slowly but surely disappearing in this country through state legislative action. That has some very troubling consequences. For anybody in the insurance industry or anybody who deals with the insurance industry,

this is a big-time concern," he said.

"You're seeing it everywhere in our society. When somebody gets fired from their job because they're incompetent, do they ever say, 'They fired me because I'm incompetent?' " he said.

"Our society is based on individual responsibility. The American people are getting to the point where they're saying: 'I don't assume any responsibility. Somebody else has to pay' " Mr. Kraus said.

Other projects the institute plans to pursue include:

- Promoting alternative dispute resolution.
- Ensuring that plaintiffs who bring frivolous lawsuits end up paying at least part of the defendant's legal costs.
- Encouraging business involvement in the electoral and judicial selection processes.

BI

Medicare HMOs vary on senior care: Study

By LOUISE KERTESZ

Crain News Service

While large managed care companies have jumped into the Medicare risk business, most haven't developed a full range of programs for frail and chronically ill seniors, according to a recent study.

But some Medicare HMOs are well prepared for dealing with elderly populations, and many offer services that weren't available under traditional Medicare, the survey found.

The study was conducted in the summer and fall of 1997 by Abt Associates, a health care research

and consulting company based in Cambridge, Mass., and Smith Phillips Strategic Communications, which is based in Maynard, Mass.

Respondents included 28 health plans enrolling 1.1 million Medicare beneficiaries, or about 25% of all Medicare risk enrollees in 17 cities.

While most plans have developed one or more specialized services for seniors, no plan offers enrollees access to all the programs recommended by experts to care for chronically ill seniors, according to the study.

The survey measured whether the HMOs provided services for the frail elderly and chronically ill, including risk screening and assessment, self-care, cooperative team care, provider training, geriatric consultation, case management and tracking of utilization data.

Most surveyed plans had several of the recommended programs, but only 14% offered a broad range, the study said.

"The number and type of programs implemented vary widely across plans, within market areas and even from medical group to medical group within a plan in a particular market area," the study said. Because of this wide variation, seniors find it difficult to

Seniors find it difficult to make the right choice of Medicare HMOs, says Abt Associates' Terry Moore.

make the right choice of HMOs, said Terry Moore, a senior researcher for Abt.

"This doesn't mean that managed care companies are doing a bad job. This is uncharted ground for these companies, and it takes time and data to determine" which programs work best, she said.

According to the American Assn. of Health Plans, 15.4% of Medicare beneficiaries are enrolled in HMOs. That number is expected to increase as a result of the federal government's effort to encourage the growth of managed care in the Medicare system.

Dr. Donald Young, the AAHP's senior vice president for clinical affairs, said the Abt survey shows that HMOs are moving to fill the needs of seniors. Under a grant from the Robert Wood Johnson Foundation, the AAHP is finding that plans are learning how to care for the chronically ill elderly.

"Some are further ahead than others, but that's not unexpected, particularly in light of the recent rapid growth of Medicare managed care," he said.

"The core of what the survey found is that since coordination of services hasn't been done under traditional fee-for-service Medicare, we're still learning how to do it."

The Abt survey results might be good news for some provider groups because Medicare managed-care companies might be "receptive to outsourcing services to organizations experienced with managing care for frail or chronically ill elders," according to Ms. Moore.

BI

GENACC

COVERAGE

ure to checkout its spectacular insurance program.
urety • National Programs • International Accounts

1-800-606-4233
www.genacc-us.com

*"With General Re, you get
more than just reinsurance."*



Bruce Laing, (right) with Tom Kearney, General Re

*"They do their homework. They help us find the answers we need to
keep our decisions on track. They always come up with better ways
to make our reinsurance work harder for us. Year after year, we get solid,
consistent top-notch coverage and attention to all of our needs, including
but not limited to reinsurance."*

G. Bruce Laing, President & CEO
Wolverine Mutual Insurance Company



The difference is...the quality of the promise

General Reinsurance Corporation
General Re Financial Products Corporation
General Re-New England Asset Management, Inc.

ASK A RISK MANAGER

Q What's all this talk about a more comprehensive view of risk management, and how does it affect how risk managers approach their jobs and the discipline?

A Increasingly, senior managers and directors are concerned about whether all key risks to their enterprises have been addressed in one way or another. Some of these questions result from their direct experiences with loss; more often, others come from their reading of the experiences of others and wanting to ensure they've executed their responsibilities to the shareholders and other interest groups.

One current example that stands out is the emerging risk of employment liability arising from discrimination, harassment and wrongful termination, among other charges. Until recently, with the advent of large jury awards and settlements, this risk wasn't even considered for "treatment" by risk managers, financial heads or others. And while it now fits more snugly in the risk manager's basket of responsibilities, it is frequently only as a reaction to the inquiry of others. Yet this risk is only slightly outside the traditional risk manager's paradigm and, ultimately, it is just another, perhaps slightly odd-shaped casualty risk.

What's happening now is more dramatic and represents a more significant departure from the traditional purview of the risk managers. It will cause us to stretch beyond the reach that many of us have by education or experience, while opening great new possibilities for those willing to change. It will define our working futures and the shape of the risk management discipline in the 21st century. And for those that can adapt and evolve to its demands, it will bring greater rewards, both financially and intellectually.

Risk management pioneer Felix Kloman argued more than 10 years ago that risk managers needed to take broader, more proactive roles.

I must admit none of this is all that new. I recall, more than 10 years ago, Felix Kloman, a pioneer in progressive risk management, arguing that risk managers needed to take a more proactive and broader role in helping ensure that all key risks to the survival and success of their companies were addressed.

Unfortunately, for many reasons, some of which have been beyond our control, risk managers have failed to seize the initiative and demonstrate to key decision-makers the value-enhancing role they can and should play. So what is this new role, and how do we make the most of it?

This broader approach to risk management is as simple and yet as complex as looking at the entire landscape of your organization, surveying for anything and everything that could negatively impact the balance sheet, and thus your share price—or in the case of non-profits, the survival of the organization. This means looking beyond property and casualty risks to employment risks;

operational risks; financial risks, such as interest-rate and commodity risks; risks to reputation; political risks; community risks; and key-person risks.

The good news, which will surprise many, is that in order to deliver on this expanded mandate, risk managers don't need to become experts in all of these areas, or any of them, for that matter. What we do need is to first get the respect of some key decision-makers by making a few perhaps traditional yet effective contributions that positively affect areas they are concerned about. Many of you will already have done that and can make use of already-solid relationships with key senior managers to move forward.

Next, you'll want to take considerable time to meet with key function heads to interview them about what areas of their responsibility have the potential to hurt the success of the enterprise. In addition, you should spend time "in the field" to personally survey the company on the front lines, where the revenue-producing work gets done. There you should capture your observations about people, processes, and external factors such as customers, suppliers, the general public and the media. Then take what you have learned and visit with colleagues in your industry and your supplier's industries and find out what things have negatively affected their companies and could be waiting to hurt your company as well, either directly or indirectly.

At this point, you're ready to bring all your information together and begin to assess and analyze its significance to your enterprise. In so doing, you will need to determine from key people, such as your chief financial officer, treasurer, chief operating officer and human resource officer, what they regard as the threshold of risk significance for your company. Is it \$1 million, \$50 million, or something much more significant? You'll probably have a good sense of this if you've ever properly assessed your property and casualty retention levels before adopting them. Remember, though, that these areas of risk are going to be more predictable if you have historical data to identify and assess trends.

Now you're ready to consider what alternative "treatments" to the more significant risks may be available. You'll want to circle back with key functional experts and get their input on your conclusions about the risks and the alternatives to treatment you've identified. It will be important to make it clear to them that you don't want to usurp their responsibilities but want to help them in looking at the total landscape of risk to the company and to identify which risks emerge from their areas of responsibility—risks they may not have had the time to notice and address.

Ideally, you should form a task group of designees from each key functional area to make this a group decision-making effort. A group consensus may help you get approval from management when your conclusions are ready.

Once you've gotten complete input and feedback from your client groups, you can then begin to explore realistic ways to treat those more significant risks and determine their cost to the organization. The treatments could be anything from insurance to complete retention to a new series of controls and/or financial mechanisms that would mitigate the potential impact should an event occur.

Whatever your conclusions, they need to pass the practicality test before you move forward and try to persuade management to implement any of your recommendations. For those suggestions that may be harder to get approved, you should have alternative recommendations that would represent less-expensive or less time-consuming ways to treat the risk; that way, you avoid the possibility that a risk will be ignored due to the cost of its treatment.

Once you've completed this, you should present your findings and recommendations to key function heads for preliminary reactions. This will provide you valuable feedback before finalizing a formal report to an assembled decision-making body—such as an executive committee or board—for approval. Once the recommendations are approved and executed, you should construct and implement a

For suggestions that may be harder to get approved, risk managers should have alternative recommendations.

monitoring and measurement scheme that will allow you to assess the effectiveness of the approved and implemented treatments.

You may have noticed by now that what I've been describing is not much more than the traditional risk management process. And that's the point. If you're practicing the discipline and applying it to the whole enterprise, then you'll be doing your part in protecting the value of your organization—and enhancing your reputation in the process. You'll be practicing a more holistic approach to risk management.

What is that process? It's identifying, assessing, treating, monitoring and measuring the full breadth of risks that could affect an organization, its success and value to its constituents.

What's new about this?

Nothing, except the process of pulling it together effectively and getting management support for your recommendations—recommendations that should go well beyond the traditional property/casualty boundaries many of us were trained in and are used to focusing on. From the process will emerge a better-managed enterprise and risk managers with enhanced reputations, credibility and recognition. It's time for you to get started taking your risk management program and your career to the next level. Good luck! **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 Risk Manager, Ask A Benefits 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 risk management issues is written by Christopher E. Mandel, director-risk management at TRICON Global Restaurants Inc. in Louisville, Ky. Dennis J. Nirtaut, managing director of compensation and benefits for Andersen Worldwide S.C. in Chicago, answers questions on employee benefit plans. William J. Miner, an actuary with Watson Wyatt Worldwide 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.



Mr. Mandel

Combat harassment by starting with mind

By Hellen Hemphill
and Ray Haines

Everyone from small-business owners to the chief executive officers of major corporations may experience the havoc that inappropriate workplace behavior can wreak—including costly, headline-grabbing lawsuits.

A jury recently awarded \$81 million to a former United Parcel Service of America Inc. employee who claimed she was reprimanded after reporting that a co-worker poked her breast.

The case was just one of nearly 100,000 sexual harassment or discrimination lawsuits filed last year based on alleged inappropriate workplace behaviors.

The legal fees associated with wrongful termination, discrimination and harassment suits, and increasing jury awards—which rose from a total of \$7.1 million in 1996 to \$49.4 million in 1997 for federal sexual harassment suits alone—are sending corporations running for the cover of employment practices liability insurance.

But while that insurance pays for legal costs should your company wind up on the wrong end of a litigation battle, it doesn't eliminate the root problems that can result in immeasurable wasted time in court, negative publicity and poor employee morale.

EPLI should be like life insurance—something you buy for peace of mind, with the highest hopes you'll never need to use it. Just as you exercise and eat right as preventive medicine to ensure a long life, companies can take proactive measures to stay out of court by taking steps to eliminate inappropriate workplace behaviors.

This strategy includes enforcing a zero-tolerance policy for discrimination and harassment in the workplace, clearly outlining appropriate and inappropriate behavior standards, and providing training to increase competencies in workplace relationship skills.

Zero-tolerance policy must come from the top

The truth at the crux of a successful program to eliminate inappropriate workplace behaviors is this: You can't change the beliefs ingrained in employees

Many companies have created written policies prohibiting harassment but lack a way to enforce the policies.

from childhood, but you can put forth expectations and company policies about how to treat co-workers with respect and dignity, regardless of our differences, and the consequences for not complying.

Many companies have taken the first step of creating written policies prohibiting harassment and discrimination, but they lack a corporate directive for enforcing those policies.

This can be a costly mistake, as Wal-Mart Stores Inc. recently found out. A female employee who had been subjected to comments about her anatomy and sexual advances from her supervisor was awarded \$5 million in a sexual discrimination lawsuit.

While it's great to have written policies, they aren't worth much in the eyes of the law if there are no procedures in place to back them up.

Wal-Mart attempted unsuccessfully to defend itself by showing that the company had a strong

Basic elements for zero-tolerance policy

These basic elements should be initiated as a directive from top management to establish a zero-tolerance policy for discrimination and harassment in the workplace:

- **A written policy.** The policy should include a mission statement, examples of inappropriate behavior, instructions on how to report incidents, a commitment statement that all complaints will be investigated promptly and guilty parties disciplined accordingly, and an outline of discipline procedures.
- **An ongoing employment orientation and education program.** This should be a series of sessions that spells out appropriate and inappropriate conduct, as well as related discipline measures for inappropriate behavior.
- **A complaint procedure.** Included should be steps for reporting violations of human rights or other inappropriate behavior, the investigation

process, and out-of-court resolution procedures.

- **An accountability procedure.** This should include a commitment by management for prompt, thorough, consistent investigation of all complaints by a team of impartial investigators.

- **An appeals process.** The rights of those charged with misconduct must be considered as well as those of the alleged victim.

- **A reporting process.** All employees should be kept abreast of the results of actions taken and how the charges have been resolved.

- **Discipline measures.** This may include suspension, dismissal, and other actions that can be legally taken by the company.

- **An audit.** A semi-annual internal audit of the policy's processes should be made by professional outside consultants.

—By Hellen Hemphill
and Ray Haines

written policy against sexual harassment and did not condone such behavior.

The company did not, however, discipline the guilty supervisor, because no mechanism was in place to do so.

Managers and supervisors, as well as employees companywide, need to be trained on procedures for reporting and investigating incidents of harassment and discrimination, as well as other inappropriate workplace behaviors.

There also must be clear corporate sanctions outlined for those found guilty of these offensive behaviors. Not only does implementing these processes go a long way toward proving the company's intolerance of discrimination and harassment in a court of law, but it can also eliminate the need for employee-generated litigation in the first place.

Educating employees about inappropriate workplace behaviors

Educating employees on how to co-exist peacefully in the melting pot that has become the American workforce is nothing new. For the past decade, diversity training programs have sought to address potentially volatile workplace relationship issues.

But there is evidence that these programs can actually aggravate the problems they are intended to solve.

Shifting from diversity training's focus on changing attitudes and belief systems to the emphasis relationship skills training has on modifying inappropriate workplace behaviors is the key to keeping problem resolution out of the courtroom. After all, companies aren't legally responsible for what employees think, but they are liable in a court of law for employee behavior on the job.

The benefits of relationship skills training include increased job performance, decreased turnover, and managers who have more time to concentrate on work processes instead of relationship issues. The end result is that eliminating discrimination and harassment becomes a business function—a matter of corporate policy that all employees must adhere to—instead of an emotionally charged, personal issue.

The first step toward change: Learning to manage thoughts, habits

The crux of any relationship skills training program is teaching employees how to identify the thoughts and emotional habits that lead to

inappropriate actions and how to reframe them. This can effectively nip in the bud discrimination, harassment and other inappropriate behaviors. Transition Strategies refers to this process as learning to manage your individual and organizational "MindTalk." The MindTalk of an organization's leaders and employees is the operating system that runs the entire corporate culture—just like Windows is the operating system that runs personal computers—and is the basis for all its behavior.

The first step in learning to manage employees' and the organization's MindTalk is the assessment process.

Employees are asked to fill out an assessment form (for example, the Birkman or Minnesota Multiphasic Personality Inventory) which profiles their interests, usual behavior, underlying needs, and stress behavior in a quantitative, non-judgmental manner.

Employees can use this assessment to begin to identify the negative thoughts and emotional habits that often lead to inappropriate behaviors. Then concrete recommendations are made to modify ineffective behavior patterns and increase effective relationship skills.

Other aspects of a relationship skills training program should help employees:

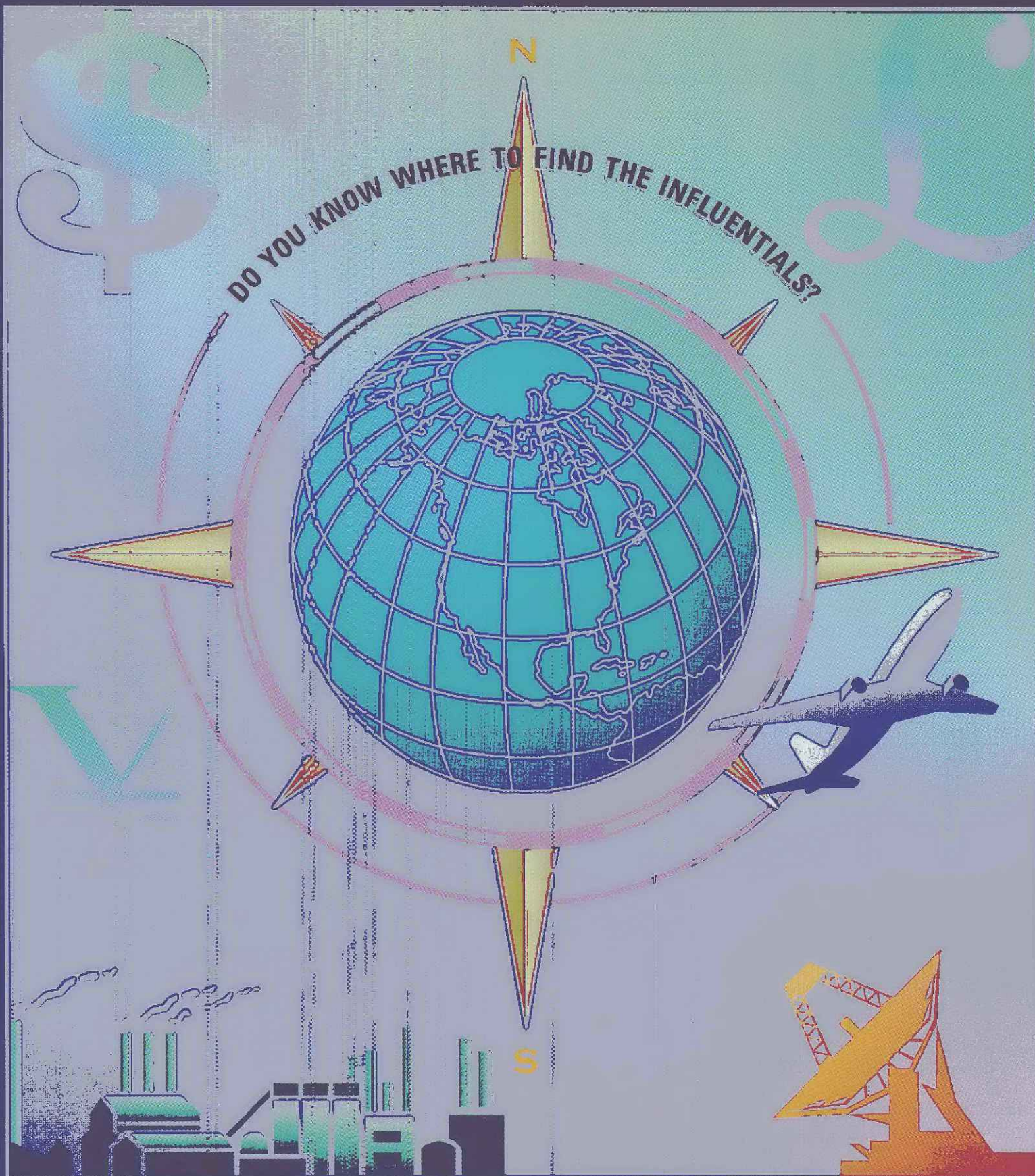
- Increase listening skills.
- Reframe negative thought patterns and emotional habits that may lead to inappropriate behavior.
- Better understand the give and take of the communications process.
- Identify and interrupt the victimization/abuse cycles of workplace relationships.
- Improve conflict management skills.

Implementing all the pieces of a well-rounded program to reduce the risk of sexual harassment, discrimination, wrongful termination, and other employment-related lawsuits clearly requires a balance of preventive measures.

This includes sound risk management programs; employee training and education; and corporate policies of zero tolerance for inappropriate workplace behaviors, including harassment and discrimination.

EPLI still is part of this picture as a security measure in case you do wind up in court. But the cost of your policy can be greatly reduced as you reduce the risk that you'll ever need to use it. **BI**

Hellen Hemphill is president and Ray Haines is chief executive officer of Transition Strategies, a consulting firm in Bellevue, Wash.



1997/98

DIRECTORY OF BUYERS

1997/98

When you want to reach corporate influentials who matter most in purchasing commercial insurance, risk management, employee benefits and related products and services, you'll want to reach for the most comprehensive reference tools from the publishers of *Business Insurance*.

In the U.S.-based edition you'll find more than 18,500 executives from nearly 3,200 companies. Listings include company address, telephone and fax numbers, plus vital statistics on:

- primary type of business
- revenue or assets
- number of employees
- name and title of chief financial officer
- names and titles of executives directly responsible for employee benefits . . . pension/retirement plans . . . personnel . . . risk & insurance management . . . property/casualty insurance . . . international employee benefits and/or risk management.

In the non-U.S. edition you'll find more than 4,500 executives in nearly 900 companies from 28 countries based outside the United States. In addition to providing address, telephone and fax numbers, listings include:

- primary type of business
- currency of the country
- revenue/sales reported in the currency of the country
- name and title of chief financial officer
- names and titles of executives directly responsible for risk management . . . security . . . benefits and health care . . . and finance.

The fifteenth edition of *BI's* Directory of U.S.-Based Corporate Buyers is only \$95*. *BI's* fourth edition of the International Directory of Corporate Buyers Based Outside the U.S. is \$125*. You'll get a 15% discount on orders of 5 or more copies. Both Directories are also available on disk for the PC. For information about the BID Software, or to order your printed editions, call: 313-446-1623.

*Plus tax where applicable.

**Business
Insurance**
www.businessinsurance.com

Book offers practical advice on privacy issues

"The New Battle Over Workplace Privacy: Safe Practices to Minimize Conflict, Confusion and Litigation"

By William S. Hubbardt

Published by AMACOM Books,
American Management Assn.,
1601 Broadway, New York, N.Y., 10019;
212-903-8315
\$27.95

By Kevin M. Quinley

How do risk managers balance employees' rights to privacy vs. an employer's right to self-protection? Before George Orwell's "1984" gave big brothers a bad name, they were considered more benign, often cast in the role of the protector. Now, however, the phrase "Big Brother" often connotes an unscrupulous invasion of privacy.

At what point do organizations draw the line, and where does this put risk managers whose companies use drug testing, checks of electronic mail, workplace searches and other forms of employee monitoring? Are these practices condemned as sinister Orwellian intrusions or applauded as necessary steps to protect organizational interests from the risk of harmful employee behavior such as violence, theft, drug abuse or poor safety performance?

"The New Battle Over Workplace Privacy," by author William Hubbardt, takes a close look at these tough questions, with which more and more risk managers these days are grappling. The book delves into the highly controversial issues surrounding what employees perceive as their right to privacy vs. the rights of companies to protect their assets.

Author William Hubbardt is the founder and

Books & Ideas

president of Hubbardt & Associates, a human resources management consulting firm. He has more than 20 years of experience in human resources management and conducts seminars on some of the thorniest employee privacy topics, which in today's litigious climate can spawn hefty employment practices lawsuits.

Author Hubbardt provides numerous case examples, anecdotal news stories and interpretations of court decisions, including discussions of vital topics such as random drug testing, searches and surveillance, the release of information to creditors and future employers, monitoring employee use of e-mail and the Internet, using medical records in making employment-related decisions and checking criminal or driving records. One of the book's handier features is an end-of-chapter appendix for each section that distills practical advice for administering policies and avoiding privacy and employment claims.

The book will help risk managers determine what their companies can do to minimize conflict, confusion and liability litigation over these sensitive issues. At one time, risk managers probably could have ignored these topics. To the extent they existed at all, they fell within the purview of the personnel—excuse me—the human resources department.

All that has changed now. Risk managers are much more enmeshed in employment issues these days, not because they are grabbing turf from human resource directors but because of the growing specter of employment practices liability.

Further, risk managers are focusing on broader

business risks, such as protecting companies' intellectual property and capital. A preoccupation with the latter is warranted but often creates friction at the margins of employee privacy and worker expectations related to it.

Even if claims from employees and former workers over privacy infringement and related issues are defeated, they represent considerable expense in legal fees and a drain in productivity. This is why risk managers cannot dismiss a book like this by thinking, "That's just for the H.R. people." The bright red line between risk management and sound human resource management continues to blur.

Employers, and those managing risks on their behalf, must be careful when it comes to protecting their legitimate business concerns, or they risk becoming the ruthless Big Brother of Orwell's vision. In 288 pages, "The New Battle Over Workplace Privacy" is a practical handbook that shows risk managers how to help companies avoid that dangerous trap by developing precise policies, ones that protect organizational assets—and still stay within legal and ethical bounds. **BI**



Mr. Quinley

Kevin M. Quinley is senior vp of risk services for MEDMARC Insurance Co. Inc. and subsidiary Hamilton Resources Corp., both of Fairfax, Va.

Intentional tort doesn't trump exclusive remedy: Court

There is no intentional tort exception to the workers compensation exclusivity provision, according to the Supreme Court of Rhode Island.

Luiz Diaz was employed by the Darnet Corp., of which W. Ralph Byrne was president, a shareholder and a director. Diaz alleged that on Nov. 11, 1987, while on the premises of Darnet, he was assaulted by Mr. Byrne, who shoved him against a counter and injured his back. After the assault, Mr. Byrne allegedly fired Mr. Diaz.

Thereafter, Mr. Diaz filed a workers compensation claim; however, his petition was denied because he had not proven a disabling injury. Subsequently, Mr. Diaz brought this suit against his former employer, seeking damages for an alleged assault by Darnet's president and shareholder.

The trial court ruled against Mr. Diaz, concluding that his exclusive remedy was through workers compensation.

On appeal, Mr. Diaz argued that there should be an exception to the exclusivity provision in the workers compensation law in the case of willful or intentional tort.

But the appellate court said that, in the absence of a legislatively created exception to the exclusive remedy provision in the workers compensation law, it would adhere to the principle that an employee waives his or her common law remedy if the employee fails to properly notify the employer of his or her intention to rely on the common law.

The trial court decision was affirmed.

Diaz vs. Darnet Corp., Supreme Court of Rhode Island, June 11, 1997. (BI/05/F.-\$10)

Pension late fee unenforceable

A late fee of 10% of total contributions due for the month assessed by pension plan trustees against an employer was an unenforceable penalty, according to the Missouri Court of Appeals.

Royal Papers Inc., pursuant to a collective bargaining agreement, contributed \$31 per week per

Legal Briefs

employee to the Teamsters Negotiated Pension Plan. The plan was administered by trustees. Neither the collective bargaining agreement nor the trust agreement provided for a penalty for late payments to the pension plan.

However, in May 1994 the pension plan issued a memorandum to all contributing employers, stating that a late penalty of 10% of the total monthly contributions would be assessed against an employer 15 days late in submitting contributions to the fund office.

Subsequently, Royal Papers made two late contributions to the plan. The trustees assessed the employer \$210.80, which represented a late fee of 10% of total contributions due. Royal Papers refused to pay.

The trustees brought suit to collect the late fee. The trial court ruled for the employer.

The appellate court said liquidated damages clauses are valid and enforceable, while penalty clauses are invalid.

According to the court, the assessment of 10% here was a penalty and not liquidated damages. "The amount of the penalty... is far more than the loss of market interest on the monthly contributions during the time the payment is unpaid," the court said, "and is not a reasonable forecast of the harm caused by the breach."

The trial court decision was affirmed.

Diffley vs. Royal Papers Inc., Missouri Court of Appeals, July 8, 1997. (BI/01/M.-\$10)

Eligibility for comp benefits

An employee's false representation on her employment application did not bar her from recovering workers compensation benefits, according to the Court of Appeals of Virginia.

Lorraine Harper was employed by the Prince William County Service Authority since 1993 as a waste water treatment plant operator. When she applied for employment with the authority, she signed a form stating she had never been convicted on a law violation.

In June 1994, Ms. Harper slipped, fell and sustained a compensable injury. She applied for and received temporary total disability benefits. Subsequently, Ms. Harper filed an application for a change in condition, seeking additional benefits.

A deputy commissioner found that Ms. Harper was eligible for temporary total disability benefits from May 23, 1995, through July 23, 1995, despite the employer's evidence that less than a year before Ms. Harper filled out her employment application she had been convicted in Pennsylvania for insurance fraud and conspiracy to commit insurance fraud. The authority appealed the commissioner's decision.

On appeal, the authority argued that Ms. Harper's misrepresentation on her application regarding her past criminal record should preclude her from receiving workers compensation benefits. But the court said benefits in such cases can only be denied if it is proved that the misrepresentation was causally related to her injury.

The court said there was no evidence to prove any such connection. The court also emphasized that Ms. Harper's misrepresentation here was not a material fact that formed the basis for the authority's decision to hire her.

The commissioners' decision awarding benefits was affirmed.

Prince William Service Auth. vs. Harper, Court of Appeals of Virginia, July 8, 1997. (BI/02/M.-\$10) **BI**

These abstracts were prepared by Mayo H. Stiegler. Copies of these decisions are available by sending a \$10 check payable to Mayo H. Stiegler to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.

Harass

Continued from page 3

Mr. Norton said.

Experts say that in addition to heightening the awareness of sexual harassment, Ms. Jones' case against the president also has caused more misconceptions and confusion in an already-complicated legal issue.

U.S. District Judge Susan Webster Wright in Little Rock, Ark., dismissed Jones' four-year-old suit against the president, finding it had no legal merit. To establish a sexual harassment case, plaintiffs must prove the harassing incidents, whether verbal or physical, created a hostile work environment or were detrimental to the plaintiff's job, referred to as "quid pro quo" harassment.

Ms. Jones alleged that Mr. Clinton exposed himself to her in a Little Rock hotel room in 1991 while he was governor and asked her for oral sex. She also alleged that as a result of the incident she

was subjected to a hostile work environment and discouraged from applying for more attractive jobs within the Arkansas Industrial Development Commission, where she worked at the time.

While characterizing the alleged actions as "boorish and offensive" Judge Wright said the incident, if it did occur, was "brief and isolated" and did not result in any physical harm or distress so severe that no reasonable person could be expected to endure it.

Judge Wright concluded Jones' allegation that she suffered a hostile work environment was without merit and that there was no proof that the alleged incident affected tangible aspects of Jones' compensation, terms, conditions or privileges of employment.

Ms. Jones' lawyers promised to appeal the summary judgment against her, according to various press accounts.

Karen Ludington, a labor attorney and human resources consultant with her own consulting firm in Hodlen, Mass., said that after

hearing about the judge's decision to dismiss the case, she has heard people interpreting the decision to mean that as long as there is only one brief incident, one can do anything, which is not always correct, she said.

While frequency of conduct is a factor in determining sexual ha-

likely to remind plaintiffs how difficult these cases can be to bring and how, through discovery, a plaintiff's past can be dragged through the mud.

When Ms. Jones' case is coupled with the recent court martial and acquittal of former Army Sergeant Major Gene McKinney on 18

'I haven't met any employer that doesn't already have EPL on the mind. It's already a huge concern for them,' says risk consultant Richard S. Betterley.

arrassment, one has to look at the severity of the incident or incidents, the relationship between the parties involved and the effect it has had on the individual, she said.

The case also has "increased people's cynicism about what they believe someone in power can get away with," Ms. Ludington said. The judge's decision to grant President Clinton summary judgment, though, was "a technical decision," not one based on Mr. Clinton's power, Ms. Ludington said.

Mr. Bruce added that the dismissal of Ms. Jones' suit also is

counts of sexual harassment, some plaintiffs who may have been sexually harassed may choose to not pursue a case, Mr. Bruce said.

Whether the Jones case results in more or fewer sexual harassment filings, many employers say it does not heighten their sensitivity to the issue because it's already bright on their radar screens. Nor do they see the case impacting their approach to sexual harassment in the future.

"My first reaction was that, clearly, it was not a weather vane decision," said Jeffrey W. Pettegrew, vp of risk management and

insurance for Western Staff Services Inc., a Walnut Creek, Calif.-based agency that places 250,000 temporary employees in U.S. corporations.

Instead of increasing sensitivity to sexual harassment, this ruling made the public and employers "numbed by protracted investigation," he said.

Lisa Dickson, vp of risk and loss control for Dallas-based Brinker International Inc., said she is cynical about the case and doesn't think it will have any impact on her corporation or on U.S. business' approach to sexual harassment in the workplace.

"The legal issues raised got caught up in the political environment," she said. "I don't think the legal implications have really been heard by the common person in the news."

Richard S. Betterley, president of Betterley Risk Consultants Inc. in Sterling, Mass., said he, too, does not see the case increasing the visibility of sexual harassment among employers "in any meaningful sort of way."

"I haven't met any employer that doesn't already have EPL on the mind. It's already a huge concern for them."

Amanda Milligan contributed to this report.

Foreign firm in U.S. bound by ADEA: Court

By SALLY ROBERTS

NEW YORK—Foreign corporations with fewer than 20 domestic employees in U.S. operations are not exempt from the federal Age Discrimination in Employment Act, a federal appeals court ruled.

In reversing a lower-court decision, a three-judge panel for the 2nd U.S. Circuit Court of Appeals ruled late last month that Cedel, a Luxembourg-based bank with fewer than 20 domestic employees in its sole U.S. branch in New York, is subject to the ADEA because worldwide it employs more than 20 people. The threshold required in order to be sued under the 1967 federal act is 20 workers.

The panel concluded that the language of the ADEA "provides no ground for counting only Cedel's domestic employees."

The case, *Ida Morelli vs. Cedel*, marks the first time a federal court has decided whether foreign employees, who are not protected by the ADEA, are counted in determining whether a U.S.-based branch of a foreign employer is subject to the act, said Gary D. Friedman, an attorney with Mayer, Brown & Platt in New York.

Mr. Friedman, who represented Cedel in the case, said seven trial courts have ruled on this issue in the past and that they all concluded that only domestic employees should be counted in determining ADEA protection.

"Cedel is seriously considering appealing the ruling to the U.S. Supreme Court," he said.

Steven G. Eckhaus, an attorney with Eckhaus & Olson in New York who represented Ms. Morelli, applauded the panel's decision. It "makes it clear that Americans are fully protected by the Age Discrimination Act and that foreign corporations that come to do business here are subject to our laws," he said.

The case revolves around Ms. Morelli, a 10-year veteran of Cedel, who filed suit against the bank, alleging it had violated

the ADEA as well as the federal Employee Retirement Income Security Act and New York state's human rights law when it fired her in 1994 at age 54.

Cedel denies the allegations that it fired Ms. Morelli because of her age, Mr. Friedman said. He declined to elaborate.

A district court dismissed the complaint on the grounds that Ms. Morelli was not subject to ADEA protection because Cedel did not employ more than 20 employees in the United States.

In its opinion, the three-judge panel remanded the case, ruling that to argue that Cedel is equivalent to a small U.S. employer because it has fewer than 20 U.S.-based employees is "implausible" with respect to the burden of compliance and litigation costs, one of the reasons why Congress enacted the 20-employee threshold. Other reasons include protecting the intimate and personal relations existing in small businesses and the potential effects on competition and the economy.

"None of these reasons suggests that whether a foreign employer is subject to the ADEA should turn on the size of its U.S. operations alone," the panel wrote.

"Cedel would not appear to be any more a boutique operation in the United States than would a business with 10 employees each in offices in, say, Alaska and Florida, which would be subject to the ADEA," the panel continued. "Furthermore, a U.S. corporation with many foreign employees but fewer than 20 domestic ones would certainly be subject to the ADEA."

Mr. Friedman, Cedel's attorney, said the ruling could have far-reaching effects on foreign investment in the United States.

Some foreign companies like to "dip their toes in the U.S. market," Mr. Friedman said. "This decision may have the effect of discouraging investment here."

Ida Morelli vs. Cedel, 2nd U.S. Circuit Court of Appeals, No. 97-7277.

READER REPLY SERVICE

PRODUCTS & SERVICES LISTING

Issue of April 13

Reader Service #	Advertiser	Page #	Reader Service #	Advertiser	Page #
1	Burnham Systems	22	6	Liberty Mutual	9
—	Business Insurance	11,17,20	7	Reliance National	7
2	Carvill America, Inc.	10	8	Royal Insurance	28
3	Claim Technologies, Inc.	22	—	Swiss Life	6
4	Frontier Insurance Co.	4	9	Ultra Link	10
—	General Accident Ins.	12-13	—	Wausau Insurance Company	5
5	General Reinsurance	14			



To obtain free information on the products and services advertised, turn to our post-paid Reader Service Reply Card bound in this issue, or complete the coupon below and mail to:

BUSINESS INSURANCE
Reader Service Center
650 S. Clark St., 6th Fl.
Chicago, IL 60605-1702

Business Insurance

FREE LITERATURE FOR READERS

Issue Date: APRIL 13, 1998

Card Expiration: JUNE 8, 1998

All questions must be answered to process inquiries.

PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

1. My organization is best described as:

- ☐ A Mfg/Svcs ☐ F Ins Agent ☐ K Adj/Apprs
☐ B Association ☐ G Ins Broker ☐ L TPA
☐ C Union ☐ H Ins/Reins Co ☐ M Health care
☐ D Government ☐ I Consultant ☐ N Inst
☐ E Educational Inst ☐ J Actry/Attorney ☐ O Other

2. Number of employees:

- ☐ 1 150 or less ☐ 2 151 - 499 ☐ 3 500 - 999
☐ 4 1,000 - 4,999 ☐ 5 5,000 or more ☐ 6 Unknown

3. My title is best defined as:

- ☐ A Administrative Mgt ☐ D Benefits Mgt
☐ B Financial Mgt ☐ E Loss Prevention Mgt
☐ C Risk Mgt ☐ F Other

4. My purchasing involvement for the requested products is to:

- ☐ 1 recommend only ☐ 2 specify ☐ 3 approve

5. Do you now receive a personally addressed copy of Business Insurance?

- ☐ A Yes ☐ B No, so please send subscription info

Circle the numbers below that correspond to the companies listed on our Advertiser Index for the April 13, 1998 issue. Cards with more than 20 items circled will not be processed. This card expires June 8, 1998.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75
76	77	78	79	80	81	82	83	84	85	86	87	88	89	90
91	92	93	94	95	96	97	98	99	100	101	102	103	104	105
106	107	108	109	110	111	112	113	114	115	116	117	118	119	120
121	122	123	124	125	126	127	128	129	130	131	132	133	134	135
136	137	138	139	140	141	142	143	144	145	146	147	148	149	150

Please print clearly

Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone () _____

Want to know what's ahead?

Planning is the key to any successful venture. Whether you're a corporate executive—risk manager, employee benefits or health care manager—or among the many service providers to our industry—agent, broker, consultant, TPA, insurer or reinsurer—knowing what lies ahead will influence the plans you make today.

So take a look at our line-up of issues. Our targeted editorial spotlight reports, in-publication directories and special demographic editions all compliment the authoritative, in-depth news reporting and editorial leadership our readers and advertisers have come to rely on every week for thirty years.

As a corporate executive, you can't afford to let your subscription to *BI* to run out. As a service provider, you can't afford to miss an important marketing opportunity . . . to get your message into the hands of corporate decision-makers.

Call us today.

**Business
Insurance®**
www.businessinsurance.com

Issue Date	Editorial Feature	Demographic Section	Ad Closing
Dec 1	Risk Management Systems & Online Resources ^{RS, SS} <i>Directory: Risk Management Information Systems</i>	ABT Niche Marketing	Nov 17
Dec 8	Benefits: Market Report ^{RS} <i>Directory: Benefit Consultants, Distribution: NAIC</i>		Nov 26
Dec 15		IT Mergers & Acquisitions	Dec 3
Dec 22	Year-in-Review		Dec 10
Dec 29	1997/98 Directory of Managed Care Providers		Dec 15
Jan 5	Information Resource: Employee Benefits	ABT Consumer/Customer Relations	Dec 19
Jan 12	Property/Casualty Market Report ^{RS, SS} <i>Distribution: Insurance Joint Industry Forum</i>		Dec 29
Jan 19	Information Resource: Risk Management	IT Consumer/Customer Relations	Jan 7
Jan 26			Jan 14
Feb 2	Benefits: Health Care Innovations ^{SS} <i>Directory: Utilization Review Providers & Case Managers</i>	ABT Agency Networks	Jan 21
Feb 9			Jan 28
Feb 16	Self-Insurance: Property/Casualty & Employee Benefits ^{RS} <i>Directory: Third-Party Administrators</i>	IT Reinsurance Strategies	Feb 4
Feb 23		GLOBAL FOCUS	Feb 11

RS: Reader Service, SS: Starch Study

New York: 220 E. 42nd Street, NY 10017-5806 ■ Tel: 212-210-0133 ■ Fax: 212-210-0704
Chicago: 740 N. Rush Street, IL 60611-2590 ■ Tel: 312-649-5276 ■ Fax: 312-649-7937
Los Angeles: 6500 Wilshire Blvd., CA 90048-4947 ■ Tel: 213-651-3710 ■ Fax: 213-655-8157
Circulation: 965 E. Jefferson Ave., Detroit, MI 48207 ■ Tel: 800-678-9595 ■ Fax: 313-446-6777

INTERNATIONAL

Global Briefs

Royal & Sun Alliance Insurance Group P.L.C. has become the first U.K. insurer to be granted a license in the People's Republic of China, where it has had a representative office for the past five years. The decision, announced by Chinese premier Zhu Rongji, during a visit to London, enables the insurer initially to sell non-life insurance in China. . . .

Lloyd's of London is to open a representative office later this month in Australia, its eighth-largest overseas market, with 1997 premium volume of \$200 million Australian (\$132.2 million). Nick Prettejohn, managing director of Lloyd's Business Development Unit, said the opening of a Sydney office indicates the importance of the Australian market in Lloyd's plans to reinforce its global position. . . .

Chicago-based **CNA Financial Corp.** is buying London-based Maritime Insurance Co. Ltd. for £56 million (\$93.9 million) from Britain's Norwich Union Insurance Group. CNA Chairman and Chief Executive Officer Dennis H. Chookaszian said the acquisition of Maritime Insurance, a specialist insurer writing marine business mainly in the United Kingdom, "offers CNA a tremendous opportunity to expand our product and geographic base." . . .

Standard & Poor's Corp. has lowered its financial strength ratings of eight **Japanese non-life insurance companies** and their related entities in response to the insurance industry's current condition, the impact of the Japanese economy and the changes likely to occur with deregulation. Also, the entry of new foreign insurers and greater pricing and policy freedoms are expected to result in premium reductions at a time when the sluggish economy will impair growth. The implementation of a broker system will also cause a significant rise in competition across commercial lines, says S&P. The companies are: Chiyoda Fire & Marine Insurance Co. Ltd., Dai-Tokyo Fire & Marine Insurance Co. Ltd., Dowa Fire & Marine Insurance Co. Ltd., Mitsui Marine & Fire Insurance Co. Ltd., Nichido Fire & Marine Insurance Co. Ltd., Nippon Fire & Marine Insurance Co., Sumitomo Marine & Fire Insurance Co. Ltd. and Yasuda Fire & Marine Co. Ltd. . . .

A.M. Best Co. has upgraded its ratings of **Odyssey Re London Ltd.** and **Odyssey Re Bermuda Ltd.** to A-, or excellent, from B++, or very good, following the companies' acquisition last December by Fairfax Financial Holdings Ltd. The companies, formerly part of Sphere Drake Holdings Ltd., write similar business and have the same general management. Best said the upgradings reflect the guarantees and reinsurance support provided by the new parent and the strategic role the companies will play within Fairfax's reinsurance operation, Odyssey Reinsurance Group. . . .

Copenhagen Reinsurance Co. Ltd. of Denmark has reported an 8% rise in 1997 pretax profit to 241 million Danish kroner (\$34.8 million) on gross premiums of 2.15 billion Danish kroner (\$310.9 million), which were up 10% from the prior year. Chief Executive Leif Corinth-Hansen said the figures show that profitable expansion can be achieved even in a soft market. He added that the company's strategy of sustainable growth is on course. . . .

St. Paul Reinsurance Co. Ltd., a London-based unit of The St. Paul Cos. Inc., has named Mark Bain as general manager-North American Treaty Underwriting. The promotion of Mr. Bain, who was previously deputy general manager of the unit, reflects his "successful track record and the significance of his business area in St. Paul Re's London office," the company said. . . .

Duff & Phelps Credit Rating Co. has assigned an A claims-paying ability rating to Stockholm, Sweden-based **Skandia Insurance Co. Ltd.** Duff & Phelps said the rating "reflects the Skandia Group's strong market position in the Nordic region, improved earnings, capitalization and asset quality profile, and low-risk product strategy," as well as Skandia's above-average exposure to equity and property investments. . . .

Shareholders of London-based **Commercial Union P.L.C.** last week approved the company's proposed merger with Perth, Scotland-based **General Accident Fire & Life Assurance Corp. P.L.C.** The merger still awaits approval from European and U.S. regulators. . . .

The **Indian insurance market** will be liberalized soon, according to T. Ramanan, group controller-risk management with Hindustan Lever Ltd. of Mumbai, India. He spoke earlier this month at the Assn. of Insurance & Risk Managers' annual conference in Nottingham, England. India's newly elected government is championing liberalization. Tarun Das, director general of the Confederation of Indian Industry, early this month predicted a new Insurance Regulatory Authority will soon be established as a prelude to opening up the insurance market to private competition.

Forbes spinning off unit

Sale designed to give black South Africans greater business role

By **MATTHEW MacDERMOTT**

JOHANNESBURG, South Africa—Forbes Group Ltd. is spinning off a division of its employee benefit consulting subsidiary in a move designed to give black South African workers greater say in the administration of their pension funds.

In addition, Forbes last week said a consortium of black South African investment groups will buy an 18.5% stake in Forbes Group, which is South Africa's largest insurance broker and risk management and employee benefit consulting company.

The initiatives are a major step in black business empowerment in South Africa and will create strong growth for Forbes through enhanced business alliances, executives of the Johannesburg-based company said. The initiatives also reflect continuing political and business changes taking place in South Africa following the abolition of apartheid.

The new employee benefits company, NBC Consultants & Actuaries Ltd. of Johannes-

burg, was born of the negotiated benefits division of Forbes' employee benefits and actuarial consulting unit Alexander Forbes.

Graeme Kerrigan, Alexander Forbes joint managing director, said Alexander Forbes is effectively "spinning off" the division to management and staff of NBC and to labor unions. Alexander Forbes will retain a minority stake in the division, which was established in 1985.

"The time has come for NBC to be operating as a full-fledged company in its own right, and this will contribute considerably to black business empowerment in South Africa," Mr. Kerrigan said.

Forbes Group, South Africa's largest financial services company, expects to report gross revenues of more than 1 billion rand (\$197.9 million) for fiscal 1997, which ended March 31. Its divisions include, in addition to Alexander Forbes of Johannesburg, international risk management consultant and insurance broker Price Forbes, based in Johannesburg; and international reinsurance broker and risk

management consultant Nelson Hurst P.L.C., based in London. The acquisition of Nelson Hurst placed Forbes among *Business Insurance's* rankings of the world's 10 largest brokers, based on pro forma gross revenues (*BI*, July 21, 1997). Despite its international presence, Forbes Group's core market remains

South Africa, which accounts for the majority of its revenues.

Although NBC will be spun off, Alexander Forbes will retain a 29% stake in the stand-alone company. The other shareholders will be NBC management and staff, with a 30% stake, and trade unions, with a 41% stake.

See NBC on next page



PHOTO: AP

A new consulting company aims to give black South African workers more say in administering their pension funds.

Innovation by risk managers is seen as key to success

By **SARAH GODDARD**

NOTTINGHAM, England—Risk managers need to innovate if they do not want to lose ground within their organizations to other professionals, such as auditors and treasury managers.

That was the overall message of the Assn. of Insurance & Risk Managers' 1998 annual conference, held in Nottingham earlier this month.



Current AIRMIC Chairman Richard Reddaway has taken "innovation" as the theme for his year in office. In recognition of this, he awarded the first chairman's prize—an award established this year at the conference—for advancing risk management to Paul Hopkin, head of risk management at the British Broadcasting Corp. and chairman of AIRMIC's special interest group on integrated risk management.

During his tenure as chairman of the AIRMIC task force, "Paul has demonstrated various initiatives and flair which highlight this theme. . . his enthusiasm and expertise are a guiding example for today's professional risk manager," said Mr. Reddaway.

The AIRMIC conference, entitled "Innovation-Blueprint for the Future," sought to look beyond the traditional boundaries of risk management and toward new risks and responsibilities in the next century.

The first of four keynote speakers, Michael Gell, director of MBZ Research in Ipswich, warned delegates of new risks that will emerge alongside the technology of the 21st century.

Successful companies will strike the correct balance between the physical and virtual worlds, he predicted. The growing emphasis on electronic commerce in particular will lead to a greater emphasis on risk management, he said.

"Business in the 21st century will be faster, more dynamic and much more intelligent than today. The 21st century corporation will make far better use of its resources than the traditional business ever did and will harness information technology in new ways. Levels of innovation will be exceedingly high, and risk management will permeate every aspect of the business," he said.

Sir Tom Farmer, chairman and chief executive of KWIK-FIT Holdings P.L.C., a U.K. tire and exhaust repair organization, took a different view of the main drivers for 21st century businesses in the next

See AIRMIC on next page

A new board for Lloyd's recommended

LONDON—A committee reviewing the governance of Lloyd's recommended late last month that the market adopt a board of directors similar to that of publicly held British companies.

The committee, led by Pen Kent, a former director of the Bank of England, recommended that in the long term Lloyd's be run by a 14-member governing body, rather than

the current 19-member Council of Lloyd's and Lloyd's regulatory and market boards.

Under the proposal, the governing body would comprise four executive directors, such as Lloyd's chief executive; three market nominees; three capital providers; and four independent members as non-executive directors. It would be headed by a chairman from the board and one deputy chairman, rather than the two now on the Council of Lloyd's.

However, implementing such a governing board would require Parliament to amend the Lloyd's Act, which Mr. Kent said he does not foresee happening within the next four years.

As an interim measure, the review committee suggested reducing the Council to 18 members: six working members, though these may not necessarily be underwriting names; six capital providers, rather than the current seven, representing traditional and corporate capacity; Lloyd's chief executive and five nominated from outside Lloyd's. This move would not require action by Parliament.

The review committee also proposed reviewing the role of Lloyd's Regulatory Board once the new U.K. Financial Services Authority is up and running (*BI*, May 16, 1997).

In a statement, Lloyd's Chairman Max Taylor said, "I particularly welcome (the review committee's) emphasis on the duty of all Council members to work for the common good of the Society as a whole and all its members."

—By Sarah Goddard

INTERNATIONAL

NBC

Continued from previous page

For the first year, NBC management and staff will hold 10% of their equity stake in trust, which will then be offered to black-empowerment groups.

Max Maisela, NBC executive chairman, said the new company has not yet decided which empowerment groups will be invited to buy into NBC.

He said NBC is looking to form strategic alliances that will bring black empowerment groups into the business mainstream. "We will try to be as broad-based as possible," he said.

NBC, which markets administration and benefit consulting services to retirement fund trustees, will operate throughout South Africa. It will start with responsibility for more than 200 employer-sponsored funds, managing the assets of 250,000 South Africans. Previously, corporate managers were the primary decision-makers on pension funds, but trade unions have gained clout in administering funds.

Mr. Maisela estimates South Africa's retirement fund industry has 600 billion rand (\$118.7 billion) under management and NBC has almost 55% of the market.

NBC's initiative to give greater influence to the labor movement and black groups will position the consultant for further growth, he said. "There is huge potential," he said.

Mr. Kerrigan said that since the mid-1980s, there has been a shift in South Africa toward including members of retirement funds in the decision-making process. He said the trend accelerated during the 1990s as trade unions gained greater influence.

Trade unions are now the dominant force in South Africa's retirement funds market, Mr. Maisela agreed. There has been a sharp decline in defined benefit pension funds, histori-

cally administered by management, and strong growth in trade union-based defined contribution funds, he said.

The black empowerment consortium buying into Forbes Group will pay 571.5 million rand (\$113 million) for the stake and will become the company's second-largest shareholder. The deal is one of the largest empowerment transactions yet in South Africa. To effect the transaction, Forbes will issue 60.1 million shares May 4 on the Johannesburg Stock Exchange at 950 cents (\$1.88) per share.

The consortium consists of Worldwide African Investment Holdings and Malesela Holdings, two private investment holding companies that want to help bring sustained economic empowerment to black communities, and Women Investment Portfolio Holdings, a public investment portfolio company that aims to enhance the participation of black women in economic empowerment initiatives.

The consortium members seek to enhance the value of their investments by developing previously untapped markets, providing marketing guidance and promoting brand loyalty among their black investors for services provided by the companies in which the consortium invests. Three new directors will be elected to the Forbes board to represent the interests of the consortium members.

Paul Heinemann, Forbes Group chief executive officer, said the empowerment groups will help Forbes' management consolidate the group's strong position in existing markets and expand into new markets.

"We see this as a most exciting development which should boost Forbes' future growth and enhance shareholder value," he said.

Mr. Heinemann said the consortium members were invited to become shareholders in Forbes because of their credibility, entrepreneurial flair and established business alliances, networks and contacts. **BI**

AIRMIC

Continued from previous page

organization's most important asset, not technology, and they also constitute the biggest source of risk, said Sir Tom.

An unmotivated workforce is a much larger risk to a company than, for example, the Year 2000 problem, he asserted.

"Real success is achieved only by an obsession for the business that permeates the entire company and its employees," he said. "But to make that possible, they need to know exactly where they fit in."

The third keynote speaker, Cees Schrauwers, was an appropriate choice for addressing the conference on the topic of "Innovation in a Changing Risk Financing Environment."

As managing director of the U.K. division of Commercial Union P.L.C., he was speaking just a week before a shareholders meeting to approve the merger of CU with General Accident Fire & Life Assurance Corp. P.L.C.

Mr. Schrauwers acknowledged that there has been innovation within the insurance industry but he questioned whether it has gone far enough.

He suggested insurers should copy the concept of breakfast in America, providing a "first class choice of fresh products at a reasonable price" in a combination the insurance buyer wants. In contrast, U.K. insurers have been offering "cold toast with a 20% commission on top," he said.

The days of the traditional risk manager who is predominantly an insurance buyer are numbered, said Mr. Schrauwers.

Instead, "much more verbose" risk managers are emerging who manage all risk within organizations, whether insurable or non-insurable, and ultimately it is the CEO who is the risk manager, he said.

As a result, there has to be a different approach to underwriting, said Mr. Schrauwers, with insurers looking not just at the physical risks but understanding the people running the organization. Those managers "determine risk and the risk run by insurance companies," he said.

And these people are demanding higher standards from their insurers. Two-thirds of risk managers are happy with their insurance companies, noted Mr. Schrauwers, who added that it is difficult to determine whether that satisfaction level is because insurers are supplying a very good service or because insurance buyers have low expectations.

Meanwhile, Mr. Schrauwers disputed the much-vaunted develop-

ments in using capital markets to finance risk transfer. The "very large pension funds" likely are not available to become involved in these sorts of products, he argued. And capital markets are probably not interested in the relatively small sums—in the low millions of pounds—involved.

"The insurance companies will have to provide the backup for this" and, in many cases, are the best organizations to deal with risk transfer, Mr. Schrauwers said.

In the conference's final keynote, Michael Butt, president and CEO of Bermuda's Mid Ocean Ltd., blamed the insurance industry for only recently beginning to embrace innovation.

Until the early 1980s, insurers had showed little innovation, instead repackaging old ideas. The march of risk managers to set up captives was a reaction to the "deep complacency" of the insurance industry, said Mr. Butt, as clients were increasingly frustrated by the industry's inability to react to their needs.

The mid-1980s saw the insurance industry start to embrace the concept of innovation, with the creation of direct insurers such as U.K. auto insurer Direct Line and the formation of Bermuda-based excess liability insurers in response to a liability crisis in the United States.

The Bermuda-based companies were set up by insurer clients because of the insurance industry's inability to react, Mr. Butt noted. "The founding shareholders and the new wave of companies in Bermuda were the clients themselves," he said.

Today, a number of factors are influencing innovation within the insurance sector, said Mr. Butt. Drivers include the move from government responsibility to the private sector for providing such things as pensions and long-term health care; new wide-ranging exposures for private capital; and high investor expectations.

All this innovation requires a convergence of skills from different financial disciplines to actually make the changes happen, said Mr. Butt. He said he sees intermediaries having a key role in the process, as they are connected to both sides of the risk management equation.

The results of these efforts will be various, explained Mr. Butt. Cross-discipline teams incorporating high added-value individual skills will lead to a broader homogeneous risk management framework, taking a holistic, rather than by line of business, approach to risk management. In turn, risk management will become more efficient, with better modeling techniques and a clearer

understanding of the scope of risk.

Other areas of innovation could well include the valuation of risk within an investment portfolio, though there is "a long way to go" until that happens, said Mr. Butt. Nevertheless, he predicted the introduction of a "whole series of products" over the next year or two that will reflect the increasingly blurred boundaries among various areas of the financial services industry.

In spite of that blurring between banking and finance, insurance and reinsurance, and intermediaries, he said he is less sure that capital markets securitization is one of the ways forward. Such transactions are "the antithesis of what people want in differentiation," he said.

In concluding, Mr. Butt said the opportunities for innovation have only just started, and that the United Kingdom is the "cockpit of innovation." The winners in the insurance field will be those who "know how to manage the process" of innovation, satisfying both their customers and their shareholders. **BI**

AIRMIC meeting draws 400

NOTTINGHAM, England—Nearly 400 delegates attended the Assn. of Insurance & Risk Managers annual conference March 30 to April 1 at the East Midlands Conference Centre at the University of Nottingham.

In addition to a substantial number of risk managers, attendees included brokers, risk management students, insurers, consultants and captive insurance company managers. Attendees represented primarily the United Kingdom but also came from Germany, Guernsey, France, South Africa, Trinidad and Tobago, Ireland, India, the Isle of Man and the United States.

A spokesman for AIRMIC estimated that overall more than 750 people attended the conference, either as delegates, speakers, workshop leaders or exhibitors over the three-day period.

Next year's conference will be held again at the East Midlands Conference Centre, March 29 to April 1.

Further information is available by contacting AIRMIC, 6 Lloyd's Ave., London EC3N 3AX; 171-480-7610.

Services Guide



Reduce Health Plan Claims Expense Through Audit and Control of Claims Administration. CTI's electronic screening and statistical process control techniques yield dramatic R.O.I. on audit costs. **Guaranteed results.** Call Scott Butler at Claim Technologies Inc. (800) 245-8813.

CPCU[®] and IIA candidates

I guarantee you will learn more in less time with The Burnham System — or your money back.
Ray Burnham, CPCU, CLU, ARM
19 Everett Street, Southbridge, MA 01550
Call 1-800-GET-CPCU Now!

FOR 1998 RATES AND EDITORIAL CALENDAR
CALL 312-649-5340

Publishing In

Business Insurance[®]

May 4
RIMS Report: Employee Benefits & Workers Compensation
Ad Closing: April 22

Call Now To Reserve Your Ad Space!
(312) 649-5340

For advertising information contact: Cheryl Adesko,
Classified & Services Guide Advertising, 740 North Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340 • Fax (312) 649-7937

"Be sure that you return it."

If you're racing through this issue of *Business Insurance* because you "borrowed" it from a colleague, you should have your own subscription. Then you'll be first on the list. You can take as much time as you like with all of *Business Insurance's* exclusive worldwide news of loss prevention, risk financing and benefit management every week.

To subscribe, use the card in this issue or Call 1 (888) 446-1422 Toll-Free.

Ask about our special 20%-off group subscription rate for five or more subscriptions. A great way to save money. And avoid pass-along problems.

Subscription Rates in U.S. Dollars for 1 year, 52 Issues.

USA	\$87
Canada/Mexico	\$105*
All other countries	
by expedited air.	\$205
* Price includes Canadian GST.	

Business Insurance[®]

Subscription Dept.
965 E. Jefferson
Detroit, MI 48207
Outside the USA
Call (313) 446-0450

GAN

Continued from page 2

Another reason, he added, is the 1997 acquisition of France's second-largest insurer, Assurances Generales de France, by Germany's Allianz A.G. Holding (BI, Dec. 22, 1997).

Only three of the five companies eyeing GAN have sufficient financial strength to buy the French insurer, Mr. Lindsay said: AIG, GE Capital and Swiss Life. Groupama and Eu-

Only AIG, GE Capital and Swiss Life have enough financial strength to buy GAN, says Michael Lindsay.

reko, by contrast, do not have enough excess capital, he said.

Under the terms of the confidentiality agreement, Eureko, Groupama and Swiss Life could not comment on the bids.

The GAN privatization is being overseen by the French Ministry of Finance.

According to the "Cahier des Charges," or schedule of conditions, issued by the ministry, the privatization involves the sale of 31.6 million shares, or 87.1% of the share capital and 87.1% of the voting rights of GAN S.A., a wholly owned subsidiary of the holding company GAN

Societe Centrale.

GAN S.C. is 82.35% owned by the French government, while the remainder is floated on the stock market.

GAN S.A., in turn, owns 48.04% of the share capital and 49.46% of the voting rights of French bank Credit Industriel et Commercial.

GAN and CIC have an agreement for CIC to sell GAN insurance products through its national retail banking network. The future GAN owner must continue to abide by this agreement, according to the sale's schedule of conditions.

CIC also is being privatized. Stock market sources in London and Paris say potential buyers of CIC include Dutch bank ABN-AMRO and two French banks, Societe Generale and Credit Mutuel.

There also has been stock market speculation that Paris-based bank Credit Foncier de France, which is 10% owned by Swiss Life, could be a bidder for CIC, thus enhancing Swiss Life's chances of acquiring GAN S.A.

Officials at Swiss Life could not be reached last week.

"It seems there will be a foreign buyer for GAN. Therefore, a 'French solution' for CIC is expected," said Mr. Lindsay.

GAN has yet to issue its 1997 results, which will be released April 21. But over the past few years GAN has been dogged by speculations about the adequacy of its loss reserves or provisions for real estate liabilities.

GAN made several charges against earnings in 1997 to put its financial situation in order prior to privatization (BI, Sept. 22, 1997). **BI**

Behavioral health problems mean tougher returns: Study

By AMANDA MILLIGAN

Lack of understanding and inadequate education about behavioral health disabilities in the workplace make many employees reluctant to return to work after such absences, a survey shows.

More than half the respondents reported having more difficulty re-acclimating a returning employee after a behavioral health disability than a returning employee with a physical disability. Seventy-four percent of employers cited employee reluctance to return to the workplace as one factor making the process difficult.

The recently released survey, conducted by New York-based benefit consultant William M. Mercer Inc., polled 193 employers, most of which had at least 1,000 employees.

Other possible causes that employers cited for difficulty in re-assimilating an employee with a behavioral health disability were: uncertainty about how to create a supportive environment for the returning employee, uncertainty about wanting the employee back, supervi-

sor resistance, concerns about liability and co-worker resistance.

"Successful return to work is a multipronged process," said Colleen McMurray, a senior consultant in Mercer's Baltimore office and an author of the survey.

The return-to-work process entails cooperation from the employee, the employer and the insurance provider, she said. One of the most pivotal roles in the process is that of the returning employee's immediate supervisor.

Supervisors should communicate with employees in a "frequent, frank and friendly" manner, Ms. McMurray said.

When managers and immediate peers are not sure how to interact with the returning employee after an extended absence, the employee may feel unwanted.

"Psychiatric disabilities are not like physical disabilities," said Ms. McMurray. "The nature of the problem is much more integrated" with the person's whole self. "Making accommodations involves a set of interactions with that individu-

al."

Employers can ease an employee's return to work after a behavioral health disability-related absence by appointing a contact person to closely monitor the employee's progress as well as the progression of the claim.

Additionally, the employer can specifically define accommodations, such as flex time, Ms. McMurray said.

"I believe there's a myth out there that you have to be symptom-free to work," she said. "Work itself is rehabilitative."

According to the survey, half of the employers limited the duration of special accommodation for workers returning from behavioral health disability-related absence, with the average being 16 months.

Twenty-one percent of respondents set limits for physical disability accommodation, with the average being 10 months.

Copies of the study, "Fax Facts Survey on Behavioral Health and Disability," are available free by calling William M. Mercer Inc., 888-MERCER9 (888-637-2379).

The Professional Marketplace

RATES AND CLOSING TIME:

Rates: Display classified is \$171.00 per column inch, minimum of one inch. Straight classified is \$15.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$25.00 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in typewritten form by 5:00 Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Most major credit cards accepted. Mail ads to, Cheryl Adeszko, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340, FAX 312-649-7937, or e-mail cadeszko@cra.com

Business Insurance

Circulation Breakdown
Commercial Consumers

Administrative:
CEO's, Presidents, and Owners, ... 2,710
Vice Presidents, General Managers and Other Administrative Personnel 5,122

Financial:
Chief Financial Officers and Vice Presidents of Finance 5,429
Secretaries, Treasurers, controllers and other Financial Personnel 4,145

Risk/Employee Benefits:
Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations 14,748

Sub-total 32,154
Associations 286
Government, Unions and Educational Institutions 1,019

Commercial Consumers
Sub-total 33,459
Insurance Agents and Brokers 8,083
Insurance Companies 6,933
Accountants, Actuaries, Attorneys & Consultants 2,705
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers 1,578
Others Allied to the Field 757

Total Qualified 53,525
Non-qualified/Paid Subscriptions 14
Single Copy Sales 27

TOTAL CIRCULATION 53,556

* Source Business/Occupational breakdown of qualified circulation, November 24, 1997 Issue, as submitted to BPA for December 1997 BPA Publisher's Statement

HELP WANTED

Every Insurance List You Need

Reach any insurance target: Selectable by demographic, job title, industry classification, and 100's more. Call **Rolando Cruz** toll free at 1-888-463-9249 www.venturedirect.com

SALES EXECUTIVE

Medfocus is a national Radiology and Orthopedic network designed for Insurance carriers, TPA's, and Utilization Management companies seeking an experienced sales person with National connections. Strong presentation skills and closing ability required. Medfocus offers excellent compensation and benefits, including 401(k) & 125(A). Send resume to Medfocus-Human Resources, 2811 Wilshire Blvd., #900, Santa Monica, CA 90403. FAX 800-950-4700.

HELP WANTED

Looking for a candidate to fill the job?

Call Cheryl Adeszko at 312-649-5340 for advertising details.

Business Insurance

HELP WANTED

VICE PRESIDENT/ SPECIALTY LINES DIVISION

We are a leading Commercial Property and Casualty Insurance Company, publicly traded (NASDAQ - PHLY), with 38 offices across the U.S.A. We are "A" rated by AM Best and by Standard & Poor's. We have an outstanding career opportunity available in our Bala Cynwyd headquarters.

We are seeking a senior person (Vice President) to direct the Company's Professional Liability Underwriting Division. Experience in D&O, E&O and other forms of Professional Liability and Excess Liability plus management experience required.

Compensation includes a six figure salary, bonus, 401(k) with 50% company match, profit share, full health, life and disability insurance, automobile and auto insurance. Please fax to Gina D'Antonio.

PHILADELPHIA INSURANCE COMPANIES
One Bala Plaza, Suite 100
Bala Cynwyd, PA 19004
Fax: (610) 617-7940

FOR SALE

FOR SALE

Texas broker with \$35 mm in employee benefit revenues. Seek stock exchange and additional property/casualty product lines. P.O. Box 214693, Dallas, TX 75221.

BUSINESS OPPORTUNITY

UNDERWRITERS/AGENTS

A+ rated Insurance Company seeks specialty underwriters/agents for growth and profit-sharing.

G. McGEE & ASSOCIATES
800-566-4578
Fax: 201-666-2642
email: gmcgee@ix.netcom.com

LEGAL NOTICE

LEGAL NOTICE

IN THE CIRCUIT COURT OF COLE COUNTY, MISSOURI

IN RE:)
TRANSIT CASUALTY COMPANY) Cause No. CV185-1206CC
RECEIVERSHIP)

NOTICE OF CREDITORS' MEETING

TO: All Creditors of Transit Casualty Company in Receivership ("Transit")
WHERE: St. Louis Marriott West
WHEN: April 29, 1998 at 2:00 P.M. C.D.T.

PLEASE TAKE NOTICE that the Receivership Court, Hon. Byron L. Kinder, has called for a creditors' meeting to discuss the status of the Receivership to-date, including the amount of future distributions of assets to the creditors (presently set at 25%). Although the next regularly scheduled distribution hearing would be in or about October 1998, questions have arisen over the amount of any distribution the Receivership can pay in 1998, given the projections of the Receivership's actuaries as to the amount of future, undeveloped long-tail claims. The Court desires the input of all creditors, including those long-tail claimants, on the distribution process, in order to plan for this year's and future years' distribution hearings. The Court also seeks the creditors' input as to certain administrative matters concerning the future operation of the Receivership. This meeting will be held on the record before Judge Kinder.

You may participate in this hearing in person or by telephone. Because there will be numerous exhibits and other handouts, the Special Deputy Receiver stresses that anyone with the possibility of significant future distributions personally attend this meeting in St. Louis. If you desire to participate by telephone, please contact Ric Munoz at (310) 772-8355 at least 48 hours before the meeting and he will make arrangements for you. He will also give you directions to the meeting site if you desire to appear in person.

This meeting is for creditors only.

"Where Professionals Insure Their Careers"

CORPORATE CLAIMS MANAGER

Major multi-billion \$ corp., based in Chicago, seeks a claim exec to provide hands-on leadership. Should have 8-10 years of progressive claims handling exp in the areas of claims strategies, managed care techniques & worker's comp statutes. Position will monitor TPA activities along w/all losses, incl worker's comp, liability, D&O, fiduciary, aviation & property--and offers excl challenges for the right individual. Bachelor's degree, strong organizational, communication, project mgmt & interpersonal skills essential. Additionally, must be computer proficient. Prior corp claims exp pref'd; MBA, CPCU & ARM credentials are big ++. Travel 20-40%. Relocation assistance available for key candidates. Salary to high 5 figures + bonus. Please call Rich Meyers at 888-RMA-SEARCH, fax to (973) 765-9009, or forward resume to 15 James St., Florham Park, NJ 07932.

See Us At The RIMS Conference, Booth #1822

RMA RICHARD MEYERS & ASSOCIATES, INC.
Relocation Assistance Available.

We're on the Web

Business Insurance Online!

www.businessinsurance.com

Coalitions

Continued from page 3
coalitions in 50 states."

According to a survey by the National Business Coalition on Health, an organization of 90 coalitions representing more than 35 million lives, the first employer coalition was formed in 1948. However, the majority were formed between 1980 and 1990.

Despite their recent development, multiemployer coalitions are a significant force for change in some health care markets and have generated substantial savings for members.

For example, Orlando coalition members' health care costs dropped 22% in 1995 after a 16% reduction in 1994, according to Marilyn Bell, president of the Southwest Michigan Healthcare Coalition in Kalamazoo, Mich. Ms. Bell helped form the Orlando coalition before moving to Michigan.

Providers that contracted with two San Diego County coalitions are offering the same contract terms to other coalitions and joint purchasing associations in the state, according to Michael F. Meehan, regional vp of benefit

consultant Grant Nelson Group in San Diego. Mr. Meehan provides consulting services to the South Counties Employer-Employee Trust and the Voluntary Employer Benefits Assn., the two San Diego coalitions to which he referred.

Coalitions take many forms, explained Christopher Queram, chief executive officer of the Employer Health Care Alliance Cooperative in Madison, Wis. For example, some comprise only multiemployer trusts, while others are collections of private and public employers. Mr. Queram's coalition was formed in 1990 by seven major Madison-area employers, including Oscar Mayer Foods.

Coalition funding and management also vary. Consequently, "when you've seen one coalition, you've seen one coalition," he said.

Without a national clearinghouse or organization, it is impossible to determine how many coalitions exist, according to Peter J. Alles, senior research associate at the IFEBP. The IFEBP hasn't even been able to count how many of its members are coalitions, because its computerized record-keeping system wasn't able to collect such data. However, the organization now is dedicating staff and resources to

support and track the coalition movement, according to Mr. Alles.

In addition to hosting the Coalition Conference in conjunction with its Health Care Cost Management Conference, the IFEBP now publishes a quarterly newsletter for coalitions. It also is developing a directory of coalitions and has established a coalition document clearinghouse that will allow information-sharing.

For example, coalitions are invited to send copies of their requests for information and for proposal documents to the clearinghouse so they can be used as models by other coalitions, according to Mr. Alles, who is managing the clearinghouse located in the IFEBP's Brookfield, Wis., headquarters.

While the foundation has not yet established a coalition site on the World Wide Web, the IFEBP's home page provides hypertext links to coalition sites, he said. The benefits foundation also has established an ad hoc national Health Care Coalition Committee to provide voluntary technical assistance to members.

The coalition movement likely will pick up speed in the next few years in response to increasing government cost-shifting to the private sector via Medicare and Medicaid cuts,

predicts Ms. Bell of the Southwest Michigan Healthcare Coalition.

Ms. Bell traced the growth of the coalition movement during a session on coalition success stories at the IFEBP's coalition conference. It was less than 10 years ago that Walt Disney World was rebuffed for trying to contract directly for health care services with Orlando-area hospitals, recalled Ms. Bell, who had worked for Disney at the time.

"The hospitals said, 'Sorry, you don't represent a major portion of our patients, so we're not going to work with you,'" she recounted. "Today, that has changed tremendously."

By banding together, employers such as Disney have established significant clout in their communities to gain hospitals' and providers' attention, according to Ms. Bell.

"Now hospitals and health care providers have wised up," she said.

But coalitions today are not just concerned with costs: "We also have a shared purpose. That is, to come together focusing on health care quality and value," Ms. Bell said. That's because the ultimate way to really control costs is to improve the overall health of the community, she believes.

Challenge

Continued from page 3

But it is possible for the coalition negotiating strategy to succeed in even remote areas if members are steadfast, said Cindy Young, member benefits coordinator for the California School Employees Assn. in San Jose.

For example, one multiple employer trust met resistance when it tried to contract directly with a hospital in Redding, Calif., she recalled. When this happened, Redding had about 60,000 residents, Ms. Young said.

Because of its small population and remote location, just one hospital in the community performed coronary bypass surgery, she said. "We had a representative of the fund go to that hospital and ask them if they'd be willing to contract with them and pay a certain dollar amount and to work out an agreement and we would send the employees there for this particular surgery," she said. "Basically the hospital said: 'Scratch my nose. They're going to come here anyway.'"

In response, the fund contracted for discounted care with a hospital in Sacramento, three hours away, and offered to pay for patients' and their families transportation, food and lodging during the hospitalization.

Despite these added expenses, the fund saved \$60,000 in the first year of the contract, according to Ms. Young.

The next year, the Redding hospital approached the fund and asked if it could contract with it for a negotiated rate.

"That's one success story; there are others," Ms. Young insisted. "But it shows that you have to be willing to take the risk" to make a coalition negotiating effort succeed, she said.

Sometimes benefit consultants to coalition members can put up resis-

tance if they think they'll lose business when employers buy health care coverage jointly, suggested Mr. Bushmaker.

He cited as an example a situation in which a consultant advised an Illinois labor trust fund not to join a coalition, even though the fund would save \$35,000 in its first year.

"Attorneys and consultants are losing business to the coalition movement," he said. "They are not big supporters as a result. That's understandable. But it all boils down to the bottom line."

Coalitions can also reduce other benefit expenses, such as the cost of stop-loss medical coverage, by purchasing as a group, suggested Michael F. Meehan, regional vp of the Grant Nelson Group, a benefit consultant in San Diego. Mr. Meehan provides consulting services to the South Counties Employer-Employee Trust and the Voluntary Employer Benefits Assn., both based in San Diego.

"Just because it's never been done before doesn't mean you can't do it," he said.

For example, Mr. Meehan successfully negotiated a 40% reduction in his two coalitions' stop-loss premiums by purchasing the coverage jointly.

"We also contracted for variable premium funding" that works something like a retrospectively rated program for stop-loss coverage, he said.

The coalitions pay half of the total premium up front and then keep the remainder if there are no claims. If there are claims, the coalitions pay them as they arise, Mr. Meehan explained.

Premiums are based on the combined group's loss experience. Furthermore, each of the participating coalitions can select their own attachment points for stop-loss coverage, according to Mr. Meehan. **B**

A checklist for coalitions to attain health care goals

CORONADO, Calif.—Coalitions should use their bargaining clout and set specific objectives when negotiating with prospective health care vendors, a benefit consultant says.

"Ask for more than you think you can get," said Michael Meehan, regional vp of Grant Nelson Group, a San Diego-based benefit consulting firm. "The worst they can do is say no."

Coalitions also should find ways to exploit the vendors' motivation.

"They're here to get something out of this affiliation," Mr. Meehan asserted. "If you recognize that going in the front door, you can play off of that."

"So understand what they want. And, be prepared to tell them how they're going to gain that from you."

Mr. Meehan offered coalitions other advice during a session on contract negotiation held during the recent Health Care Cost Management and Coalition Conference sponsored by the International Foundation of Employee Benefit Plans. Among his suggestions:

- Provide specific details about a coalition's makeup in the request for

information or request for proposal.

- "Let them know numerically what kind of body count you represent," Mr. Meehan advised.

- "Illustrate what market share you have; tell them very pointedly why they should want to deal with you."

However, Mr. Meehan warned: "Don't fabricate, don't build up your capacity, because the bottom line is you're going to have to live up to the story that you tell them."

- Set specific objectives and penalties for failure to meet them.

- "When you delineate what you expect of them, do not be bashful. Tell them very pointedly what you expect of them," he said.

For example, Mr. Meehan suggested establishing performance guarantees.

- "Have them put their money where their mouth is," he said. "Withhold fees if they don't meet expectations."

However, Mr. Meehan also advises that coalitions allow vendors the latitude "to be creative and suggest solutions that you may not have thought of. Stretch them. Get them to think outside the box. Get them to do some-

thing different. Do not allow them to give you their old, staid answers."

- Compare vendors objectively.

- "Do not allow yourself to be drawn into a subjective dialogue," he warned. For example, don't base judgments on superficial idiosyncrasies like how they dress or talk, Mr. Meehan said.

At the same time, coalition leaders should be sure they will feel comfortable working with a vendor.

While this may seem contradictory, Mr. Meehan explained that "these are people that you're going to have to deal with on an ongoing basis. . . . Is it the kind of organization you want to be involved with?"

- After selecting finalists, tell them what they can do to win the bid.

- "Leave yourself a little bit of room so that at the end when you interview the finalists, you can say to them, 'Here is the one thing or the two things that will really separate you from the rest of the gang.'"

- "If they're willing to do it, terrific; you may well have your segregated finalist. 'If they all do it, I can't think of a better problem to have.'"

—By Joanne Wojcik



Benefits

Continued from page 3

- Group financial planning services offered to employees will rise to 29% in 2000 from 9% in 1997, survey responses indicate.

- "Employees have a need and interest in planning, and a lot of that has to do with financial planning," said Tom Butterworth, a Hewitt consultant in New York. "I also think there's an awful lot of investment education going on—forcing employees to be responsible for their own outcome."

- Employers offering group auto insurance plans will increase to 35% in 2000 from 14% last year.

- Employers offering group homeowners insurance programs will rise to 31% in 2000 from 12% in 1997.

- Employers offering employees the option of purchasing long-term care insurance will increase to 46% in 2000 from 18% in 1997.

Many benefits, such as group financial planning and long-term care insurance, are geared to employees' "life cycle" needs, meaning they are targeted for a specific stage of the employee's life, according to the Hewitt report.

Other benefits, such as group auto, home insurance and long-term care,

also can be bought at discount for large employee groups, Mr. Butterworth said. These benefits in some cases may simply be made available to workers at their own expense, without an employer contribution.

"Employers understand they can make those things available to employees on a cost-effective basis," he said.

The survey also found that more companies are adopting alternative work arrangements for employees who wish to avoid a typical 9-to-5 work schedule.

While 35% of respondents offered such choices as flex time, compressed workweeks, job sharing and telecommuting in 1994, by last year 44% of employers offered them, and another 13% expect to introduce them within three years.

More employers are granting more leisure time flexibility by offering workers the chance to buy or sell vacation credits, the survey found.

About one in four employers offered some form of vacation time buying and/or selling last year, compared with 15% in 1994.

Twelve percent offered vacation buying in 1997, with limits ranging from two to 15 days; the benefit was especially popular among workers without much basic vacation and

those who needed time off to tend to children, parents or similar cares. Almost three-quarters of the employers allowing vacation days to be bought limited the number to five.

Eighteen percent of respondents offered vacation-selling for those workers wanting more benefits or cash compensation and those who cannot take all their vacation and otherwise would forfeit unused vacation days. Limits ranged from one to 25 days. Fifty percent of employers said they limit the number of vacation days that can be sold to five.

What items weren't on many employers' benefit buffets yet?

According to the Hewitt survey, several benefits were being offered by less than 10% of employers and aren't likely to become popular by 2000: employer matches to spending accounts; special-purpose savings accounts, such as savings for a first home purchase; performance-related credits; self-improvement credits for training or education; and special vacation credits for experienced new hires.

A copy of the survey, "Hot Topics in Designing and Providing Benefit Choices 1997," is available for \$150 by contacting Hewitt Associates' Publications Desk, 847-295-5000.



First meeting on issue

CORONADO, Calif.—The March 30-April 1 Coalition Conference was the first to be presented on the subject by the International Foundation of Employee Benefit Plans.

But because the IFEBP did not know if there would be enough interest to hold the conference by itself, it was held in conjunction with the organization's annual Health Care Cost Management Conference at the Hotel del Coronado near San Diego. The conference attracted more than 100 attendees, including benefit managers and benefit plan trustees.

Feedback was sought from attendees during the last session to determine whether to host a coalition conference next year. Because

the IFEBP still is evaluating the responses, that decision has not yet been made.

To obtain more information about this and other IFEBP-sponsored events, contact the foundation at 18700 W. Blue-mound, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6710 ext. 8257, or toll-free, 888-334-3327, option 2.

The foundation also has a World Wide Web site at <http://www.ifebp.org>.

Commentary

Will the megadeal improve service?

The pace and composition of merger activity in the insurance business is making my head spin.

I'm also beginning to get pretty skeptical that all these mergers will result in the resounding success that the managers of the merging companies proclaim.

Certainly there is merit in the argument that mergers of insurers or reinsurers that create stronger balance sheets also create companies that offer more financial security for policyholders. And I agree that the continuing expansion of multinational insurance brokerages is needed to better serve multinational corporations. There is no doubt that standards of service are more easily enforced in an organization of owned offices than in corresponding relationships.

But I am less convinced all of the recent combinations are going to result in better service to the consumer. And if they don't result in better service to the consumer, then the combinations won't be the financial successes they are touted to be.

Are clients of J&H Marsh & McLennan Inc. really getting better service than the two individual brokers delivered?

What will the already successful and well-capitalized Bermuda-based insurance companies gain from their continued mergers and acquisitions?

And now we have the most surprising merger of all: Travelers Group Inc. and Citicorp.

Proponents of this proposed combination say the individual consumer will be able to go to a Citigroup office and obtain all financial services under the sun, from loans to insurance to investment accounts. The chief financial officer of an organization also will be able to tap Citigroup for banking, securities and insurance services.

I have a hard time buying into this.

The megabrokers for years have been trying to cross-sell their services, too, including employee benefit consulting, risk management consulting, insurance and reinsurance brokerage and captive management services. It has not been as easy as predicted, though. Just because a megabroker's individual units are bigger after a merger does not make cross-selling any easier.

Citigroup is going to find that out, too.

What seems to be missing in the analysis of the opportunities to be gained by these mergers is that consumers are first and foremost concerned with getting the product or service that best suits their needs. And their needs may be dominated by price or service or a desire for a personal relationship with an insurance or stock broker.

Their needs also may differ depending upon the product or service sought. An individual consumer may want the cheapest insurance but be willing to pay extra for more service when buying stocks. Alternatively, other consumers may want top-notch risk management service as well as a policy but feel confident making their own stock purchases with a discount broker over the Internet or phone.

Business customers such as CFOs and risk managers also place varying emphasis on price and quality of service.

Even if one assumes that these megamergers do bring together the best and brightest in different business lines, there is a natural tendency among consumers to avoid putting all their eggs in one basket. And I suspect that this tendency will dominate over the desire for the convenience offered by one-stop shopping among many consumers, both individual and corporate.

Having said all this, mergers make great copy for our magazine as everyone speculates where they might lead in terms of changing the buying patterns of individuals and corporations.

Although I am skeptical, the potential for these mergers to lead to the development of products and services is intriguing. When competitors come together and use their combined energy to develop new programs to better serve the client instead of beating out the other, the results could be outstanding.

And when different viewpoints are brought to bear on an issue, the possibilities are endless. For example, bankers and insurers look at risk differently, and their varied approaches could result in risk financing packages not imagined by bankers or insurers on their own.

Still, my head is spinning, thinking not only about these possibilities but also trying to imagine who will merge with whom next.

Publisher and Editorial Director Kathryn J. McIntyre and Editor Paul D. Winston write columns on alternate weeks.



Kathryn J. McIntyre

Travelers

Continued from page 1
and co-CEOs of Citigroup.

In a joint statement, the two men said, "Citicorp and Travelers Group bring together some of the best people in the financial services business, creating a resource for customers like no other—a diversified global consumer financial services company, a premier global bank, a leading global asset management company, a pre-eminent global investment banking and trading firm, and broad-based insurance capability.

"Our ability to serve consumers, corporations, institutions and government agencies, domestic and foreign, will be without parallel. This is a combination whose time has come."

By any account, the new company will be huge. The combined company, which will use the trademark Travelers red umbrella as its logo, will serve more than 100 million customers in 100 countries, according to the companies.

Based on pro forma 1997 results, it will have almost \$700 billion in assets, net revenues of almost \$50 billion, operating income of about \$7.5 billion, and more than \$44 billion in equity.

The property/casualty insurance part of this combination is the Travelers P/C Corp. unit of Travelers Group. Travelers P/C Corp. ranked fourth among major U.S. commercial property/casualty insurers in *Business Insurance's* ranking for year-end 1997 based on consolidated revenues (*BI*, March 23). Travelers P/C Corp. reported consolidated revenues of \$9.91 billion, premiums written of \$7.83 billion, net income of \$1.24 billion and a policyholder surplus of \$6.19 billion. The insurer's 1997 combined ratio was 102.3%.

Travelers P/C Corp. was spun off in 1996, with Travelers Group continuing to own a majority of the company.

The merger agreement calls for Citicorp shareholders to exchange each of their shares for 2.5 shares of Citigroup, while Travelers shareholders will retain their existing shares, which will automatically become shares of the new company. Each company's shareholders will own half of the combined company following the merger, which is expected to be completed during 1998's third quarter, assuming it receives various regulatory and shareholder approvals.

Mr. Weill has been a driving force in the financial services industry's merger trend since 1988, when financial services company Commercial Credit Co., which he headed, acquired financial services company Primerica Corp. Following that came the purchase of 27% of Travelers in 1992, the retail brokerage and asset management arms of Shearson in 1993, the rest of Travelers in 1993, the property/casualty business of Aetna Inc. in 1996, and Salomon Inc. in 1997.

Ironically, only last month Mr. Weill told a Standard & Poor's Corp. insurance seminar in Orlando, Fla., that the Travelers Group is not a supermarket, because "we don't do everything for everybody in one place. We do different things for different people depending on what those people say they need."

The ability to create a financial supermarket, though, may be in question. Under the Bank Holding Company Act, the Citibank-Travelers combination will be permitted for an initial period of only two years, which could be extended for up to three additional one-year periods.

But it is widely expected that fed-

eral financial modernization legislation permitting the combination will be approved before then. Citicorp and Travelers are "obviously betting the walls are going to come down" between banking and insurance, said Barbara Stewart of Stewart Economics in Atlanta.

"I think eventually they will," she added. "They keep getting lower, and it's obviously something the major players want to do. They just haven't figured out a way to do it that's going to satisfy enough of the interest groups that are involved to get a bill through."

A change in law, say analysts and others, will also bring the United States closer to the model followed in other countries and make American companies more competitive.

"This merger just reflects the way of doing business in Asia and much of Europe for financially integrated companies," said Russell R. Miller, chairman of San Francisco-based Russell Miller Corporate Finance Inc. "There is hardly an insurance entity outside of Japan that isn't connected to a bank, securities company, a finance company and, often, a real estate company."

The deal does not require the approval of the Department of Insurance in Connecticut, where several

'Citicorp and Travelers are 'obviously betting the (regulatory) walls are going to come down' says Barbara Stewart.

Travelers units are located, because no change of control is involved, said a department spokeswoman. "Travelers is a surviving entity," she explained.

However, "we're still obviously looking at the transaction closely," she said. "There will be several filings that will be necessary for information, and the department will review those very carefully."

"The issue everyone is trying to address is what type of regulatory approval is needed," said George Nichols III, Kentucky's commissioner of insurance and chairman of the National Assn. of Insurance Commissioners' Special Committee on Banks and Insurance.

Connecticut regulators, which oversee insurer operations in Traveler's home state, will likely ask Travelers several questions, Mr. Nichols said. Those questions will probably include the impact of proposals to modify control of the insurer to a 50-50 split and the financial implications of that change on the insurer, said Mr. Nichols.

Several past attempts to develop financial supermarkets in the United States have been unsuccessful, including such combinations as Prudential Insurance Corp. of America-Bache Securities, Sears-Allstate-Dean Witter Reynolds, and American Express-Fireman's Fund Insurance Cos.

But many are optimistic the time is right for Citigroup.

"I think there was a different environment of financial services purchaser attitudes when other combinations have failed," said Michael Morrissey, of Morristown, N.J.-based Firemark Consultants Inc.

"That's not to say I think it's going to be easy or that its success is guaranteed, but I do think...the environment is more favorable to something like this than something in earlier years," Mr. Morrissey said, because of factors including greater sophistication among consumers about their financial affairs.

Some point out that insurance is a subplot, not the major theme, of

this deal.

"We don't see this fundamentally as an insurance play," said Alan Murray, vp at Moody's Investors Service Inc. in New York. "In other words, the transaction is not simply predicated on leveraging the insurance franchise. Instead, it's a bold stroke to build a global, diversified financial services organization, and it will remain to be seen to what degree the insurance operations can be leveraged on Citicorp's worldwide branch distribution systems."

Some of the more obvious cross-selling benefits of this combination of Travelers' and Citibank's expertise are with small businesses and individuals.

"Citicorp has 50 million credit card holders, and between personal lines and the small commercial operations, that's a huge customer database to think in terms of cross-selling insurance products. That's probably the single biggest synergy or cross-selling opportunity," said Eric Simpson, senior vp at A.M. Best Co. in Oldwick, N.J.

"When you get to middle-market and large commercial, I think the company's trying to grapple with what opportunities are there," said Mr. Simpson, noting that these are less "pervasive."

"The first line of leveraging would most likely be retail products, personal lines products, and it remains to be seen to what degree institutional financing relationships can be leveraged for commercial insurance products," said Mr. Murray.

Some insurance officials and analysts believe there is little obvious benefit likely to be accrued to the large corporate buyer with this deal.

"I just don't see that it will have that big an impact" on the commercial insurance market, said George Yonker, vp, finance, at Seattle-based SAFECO Corp.

Risk managers who are buying commercial insurance are looking for service and the products they need, "and I'm trying to see how this really enhances that or gives them a competitive advantage. I just don't necessarily see it," Mr. Yonker said.

"I think large accounts are going to do what they want to do anyway," said Mitch Cole, Eastern regional practice director, risk and insurance services practice, for Till-Ingast in New York.

The deal could have repercussions in the reinsurance market.

"When companies are getting bigger, they normally cede less reinsurance," said Kaj Ahlmann, chairman, president and CEO of Overland Park, Kan.-based Employers Reinsurance Corp. "What we call the behemoths are becoming even bigger."

However, one crucial, if somewhat intangible, benefit could be the acceleration of the trend toward a more-holistic approach to risk management, say some consultants and others.

The deal's impact is "it's going to create additional financing opportunities for the corporate client and, specifically, the whole concept of integrated or enterprise risk management," said Mark Charron, principal with Deloitte & Touche L.L.P.-Risk Management Consulting Services in Hartford, Conn.

"Now with one organization having the financial expertise and the insurance expertise of the Travelers under one roof, the whole availability of the programs necessary for a lot of our clients, I think, is going to be met easier," said Mr. Charron.

"Many of our clients manage risk in individual operations within their organizations, so the treasury function manages for foreign

See Travelers on next page

Travelers

Continued from previous page
currency, purchasing takes care of commodities, risk management (takes care of) insurance, and they're all managing risk in some shape or form according to their own set of guidelines and principles," he said. "So many organizations are now starting to say, 'This doesn't make sense. Let's manage risk across the whole organization. Let's set retentions and deductibles according to how much the organization can take in one instance as opposed to having individuals make decisions that really don't impact the organization in a really big way.'"

This deal "certainly supports many of the initiatives that are currently under way," said Mr. Charron. "I think risk management has been undergoing a silent transformation, and now we have a major player that lines up with this transformation by taking banking and insurance and putting it together."

Mr. Charron said he thinks the alignment of these two companies gives further hope for that development coming quickly to organizations, though he stresses that it is not going to happen tomorrow.

Reliance's Mr. Steinberg concurred. "I think this is the beginning of everything being under the chief financial officer," he said.

"I can't imagine its being anything but a positive for the commercial buyer or commercial risk manager," said Ms. Stewart. "You can only imagine if you have these different financial institutions linked in some ways that they will try to figure out synergies among themselves to make it easier on the buyer to deal with them."

"It is fair to presume that Citicorp will begin cross-selling Travelers insurance products in a very diligent

and copious, assertive manner," said Dan Moyer, an analyst at the rating agency Fitch IBCA in New York.

"I guess on the other side, the products have to remain competitive," he said. "Just because a large corporation or medium-sized corporation does business with Citibank doesn't mean they would move to providers that are not fit to meet their needs."

"The Travelers Group has been very strong at creating products to meet customer needs and to position their products competitively, so the Travelers Group will have to continue in their product focus to take advantage of Citibank's access and distribution."

Tal P. Piccione, president and CEO of reinsurance intermediary U.S. Re Corp. in New York, said, "I've said all along that we're in the business of facilitating risk transfer and corresponding asset protection, and when I see a bank and insurance group get together, it tells me that I've got a wider berth of not only client potential but the products that I employ are going to be much more appreciated."

"When we talk about large commercial insurance transactions, we're really looking at some form of risk financing, and banks have always thought they could finance things better than insurance companies," said insurance analyst Michael Smith at Bear, Stearns & Co. Inc. in New York. "Here's a way for Citicorp to find out if in fact they can."

However, he added, he does not believe the combination of one bank and one insurer is likely to change the insurance market.

The deal likely will help Travelers' international business, though. Citicorp "has access to premier corporations globally," said Fitch's Mr. Moyer. "Clearly, on an international global scale, Travelers Group has many new opportunities to conduct business through Citicorp's worldwide network of banking organizations or

banking offices."

The deal is also expected to spur additional combinations.

"I think it will hasten the push for Chase to make an acquisition and for other major insurance companies to align themselves either with international players or with other large banks," said insurance analyst Gloria Vogel, senior vp at Advest Inc. in New York. "We've already seen the lines get narrower anyway. The whole financial services industry is sort of consolidating," she said.

"I think you'll see many more of these things in the future, with implications to the commercial insurance buyer but also to financial services and consumption of financial products," agreed Charles N. Fiske, senior vp, business development, for Sedgwick Inc. in Nashville, Tenn.

The deal calls for rethinking on the part of senior executives managing large insurance corporations today—either on the brokerage or the underwriting side—as to "whether they need to be a part of something bigger," said John Wicher, managing director of Russell Miller Finance.

The merger "puts pressure on others to merge to gain some kind of scale," said Dennis H. Chookaszian, chairman and CEO of the CNA Insurance Cos. in Chicago, in a statement. "We've already seen this happening, and we predict more transactions of this nature to come."

Said Reliance's Mr. Steinberg, "This really raises the question about whether we can offer our customers more by getting together with other companies."

It could be the commercial buyer will be "impacted more by the other consolidation activity this will likely trigger than the specific integration issues related to the Citigroup combination," said John Ward, CEO of the Cincinnati-based Ward Financial Group. **BI**

Megadeal could influence bill H.R. 10 would remove walls between banking, commerce

By MARK A. HOFMANN

WASHINGTON—Risk managers are adopting a wait-and-see attitude toward the proposed merger of Travelers Corp. and Citicorp.

Advocates of financial services reform, however, predict the move will spur consideration of a moribund financial services modernization bill.

The measure—H.R. 10—would remove the barriers between banking and commerce erected by the Depression-era Glass-Steagall Act and allow banks, insurers and securities firms to affiliate with each other in financial services holding companies. The measure enjoys the support of insurers, brokers and agents but ran into opposition from the banking industry.

The House Republican leadership unexpectedly postponed a vote on the bill earlier this month when it realized it lacked the votes to pass it. After an effort to couple it with a popular credit union reform bill faltered, the House leadership withdrew the measure from consideration shortly before adjourning for its Easter recess, promising to bring H.R. 10 back to the floor early next month.

But Travelers and Citicorp ran ahead of the legislative process and announced their intention to merge, leaving risk managers and others to wonder what will come next.

"I have a wait-and-see attitude to see how it may change or alter the profile of insurance purchasing. It's not obvious to me, just from the merger, what the outcome will be," said Sheila Small, executive director-corporate risk management for Bell Atlantic Corp. in New York. Travelers participates in Bell Atlantic's insurance program.

"This is clearly a megadeal, as it combines insurance and financial services under a single umbrella. What the outcome will be for risk managers remains to be seen," said David Mair,

'I have a wait-and-see attitude to see how it may change or alter the profile of insurance purchasing,' says Sheila Small.

risk manager of the U.S. Olympic Committee in Colorado Springs, Colo.

A longtime industry observer downplayed the impact of such megamergers on the alternative risk financing marketplace.

"I tend to think that what's going to happen is you're going to have a handful of international, huge monoliths. But just because of their sheer size, like an ocean liner, they won't be able to turn quickly," said Jon Harkavy, vp and general counsel of USA Risk Services Inc., an Arlington, Va.-based company that provides administrative and management services to group captives and self-insurance pools. Mr. Harkavy also is a former director of government affairs and general counsel of the Risk & Insurance Management Society Inc.

"I don't see that the captive community is necessarily going to be threatened by this. I think the alternative market demands flexibility and nimbleness. I think what you're seeing in the marketplace is that the managing general agent is making a comeback. I think more and more carriers

are relying on these smaller entities. That's basically what I see happening in the marketplace—you're going to find niche layers and small players being able to operate more successfully," he said.

"If I were a risk manager, I don't know whether I'd be happy. I guess that the more potential suppliers that are out there, the happier I'd be," said Mr. Harkavy.

But one risk manager sees potential benefits for risk managers from the merger.

"I think it's a fascinating development. From my perspective, the one thing I find exciting about it is it injects some genetic diversity into both insurance and financial services. There are things Citicorp will be able to learn from Travelers and vice versa, and out of that process, we're likely to see some new ways to accelerate the 'financialization' of risk. We've been moving in that direction," said Scott K. Lange, director-risk management for Microsoft Corp. in Redmond, Wash.

"There are differences between how banks look at risk and insurance companies look at risk. It will be interesting to see how those perspectives on risk are merged and what kinds of new products will come out of that," he said.

A longtime consumer advocate and critic of the insurance industry agreed that combinations such as the one presented by this merger could present some new opportunities for risk managers. "It could have some very positive impact. But it depends how it develops; if they use their natural advantages and combine things that haven't been combined, that could be

See H.R. 10 on next page

Updates

Ontario sues Tenet Healthcare

Continued from page 2

it, according to the suit, which alleges violations of the U.S. Racketeer Influenced and Corrupt Organizations Act.

"The RICO defendants manipulated and/or misstated the diagnoses and treatment of Ontario residents admitted to psychiatric hospitals on the basis of health care coverage, rather than patient needs, to assure that such hospitalization would continue until the benefits available to the Ontario residents reached the maximum allowable level," court papers allege.

Employees of NME referred to the government-run Ontario Hospital Insurance Plan as "the Canadian Gravy Train," court papers say.

The NME-owned hospitals where the Ontario residents were treated were in Wisconsin. The suit was filed last week in U.S. District Court for the Western District of Wisconsin.

The action by the Ontario government is time-barred under the statute of limitations, a Tenet spokesman said late last week.

Tenet settled similar allegations by the federal government in the United States in 1994. Under the deal, Tenet paid a \$369 million fine and agreed to implement an ethics program at the company, the spokesman said.

PBGC offers e-mail option

WASHINGTON—Employers with defined benefit plans required to report certain events to the federal Pension Benefit Guaranty Corp. now can obtain the forms via the Internet and file them with the PBGC via electronic mail.

Events that require notification include failures to make required contributions, liquidations of contributing sponsors or controlled group members and applications for minimum funding waivers.

Forms used to report these events are available on the PBGC's World Wide Web site at <http://www.pbgc.gov/repevnts.htm>.

Brokerage settles with EEOC

NEW YORK—Lew Lieberbaum & Co. Inc. agreed to pay \$1.75 million last week to settle a sexual harassment and racial discrimination lawsuit the Equal Employment Opportunity Commission brought on behalf of a group of former employees.

A spokeswoman for Lew Lieberbaum, now known as First Asset Management Inc., said the investment banking and brokerage firm does not have insurance to cover the settlement, most of which will be distributed among at least 17 former Lew Lieberbaum employees.

The lawsuit, filed last year, alleges that Lew Lieberbaum officers, managers and non-managerial employees engaged in sexually offensive conduct, such as unsolicited touching, lewd comments, abusive and offensive language, sexual propositions, distribution of pornographic materials and the hiring of female erotic dancers to perform at office parties.

The complaint also alleged that black employees were subject to race-based comments and epithets and that the brokerage firm retaliated against the employees when they complained about the discriminatory practices.

In a statement, the brokerage admitted no guilt and said that "as recent events in a variety of cases at the national level have shown, it is relatively easy in our current legal system to make allegations which are simply one side's version of what supposedly occurred."

Mark I. Lev, chairman and chief executive officer of the brokerage said in a statement, "Although we strongly disagree with many of the claims made by the EEOC and vigorously dispute numerous allegations, we believe that the settlement is preferable to years of costly litigation."

Lew Lieberbaum's is the second-largest sexual harassment settlement on record with the EEOC. Earlier this year, Astra USA Inc., the Boston-based unit of Swedish pharmaceuticals giant Astra AB, agreed to settle sexual harassment claims with the EEOC for \$9.9 million. Earlier this month, Mitsubishi Motor Manufacturing of America Inc. and the EEOC agreed to begin discussions to settle what is believed to be the largest sexual harassment case in the United States.

Briefly noted

A U.S. Circuit Court of Appeals for the District of Columbia judge ruled last week that the Occupational Safety and Health Administration can proceed with its **interim inspection program** while the court considers a challenge to OSHA's cooperative compliance program. Four business groups successfully sued to have the cooperative compliance program stayed on the grounds that the agency did not follow proper procedures in implementing it (*BI*, Feb. 23). . . . Shareholders of both The St. Paul Cos. and USF&G Corp. last week approved the two companies' **merger agreement** (*BI*, Jan. 26). . . . A.M. Best Co. has **upgraded Odyssey Re London Ltd. and Odyssey Re Bermuda Ltd.** to A-from B++. The upgrade of the reinsurers, formerly known as Sphere Drake Insurance P.L.C. and Sphere Drake Insurance (Bermuda) Ltd., reflects their increased financial strength since Fairfax Financial Holdings Ltd. bought them, according to Best. . . . An association of 30 prescription benefit management companies has petitioned the Food and Drug Administration to withdraw its proposal (*BI*, Jan. 12) to more closely regulate their **drug marketing practices**. The Pharmaceutical Care Management Assn. says the FDA's actions are excessive and that the agency has not sufficiently consulted PBMs. . . . **William M. Mercer Inc.** declined to comment on rumors that it is discussing a possible purchase of the compensation or benefit consulting business of KPMG Peat Marwick L.L.P. A spokesman for Peat Marwick did not return calls. . . . **Edmund F. "Ted" Kelly**, president and chief operating officer of Liberty Mutual Group, has been elected chief executive officer of the Boston-based insurer. He succeeds Gary Countryman, who will remain chairman of Liberty Mutual.

H.R. 10

Continued from previous page

very good. It kind of remains to be seen how regulation reacts, who does what, if anything," said J. Robert Hunter, director-of-insurance for the Consumer Federation of America in Washington and a former Texas insurance director. Mr. Hunter wondered if such deals ultimately could bring about the end of the state regulation of insurance.

Regardless of its ultimate impact—if any—on state insurance regulation, the Travelers/Citicorp move appears likely to spur consideration of H.R. 10, as the measure's chief sponsor noted in a statement issued shortly after the announcement.

"This merger underscores the need for prompt congressional action on financial services modernization legislation to ensure that America's competitive position abroad is enhanced, with proper functional regulation at home," said House Banking and Financial Services Committee Chairman James A. Leach, R-Iowa.

Backers of the modernization measure agreed.

"I think it's a boost for the passage of H.R. 10. While we don't know all the details, the basic structure that seems to be envisioned in the Citigroup combination closely resembles that established by H.R. 10. It is a bank holding company regulated by the Federal Reserve Board that appears to have affiliates designed to carry banking, securities and insurance functions," said David Pratt, senior vp-federal affairs with the American Insurance Assn. in Washington. The AIA, which includes Travel-

ers among its members, supports the bill.

"We think this is a clear signal where leaders in the financial services market want to go, and H.R. 10 helps this process occur in a rational and orderly way," said Mr. Pratt.

Another advocate noted that the move was particularly important given the problems facing H.R. 10. "We have some significant challenges awaiting us the first week of May. First,

'A development like the Travelers deal can only underscore how far the marketplace is getting ahead of the law,' says Joel Wood.

we don't have the credit union issue, which is something members of Congress want to vote for, attached to H.R. 10. The rank-and-file members of Congress don't want to cast a vote on this. We've never been as nearly concerned as to whether we would win a vote as we were getting it to a vote," said Joel Wood, vp-government affairs for the Council of Insurance Agents and Brokers in Washington.

"The second problem that we have is after the Republican leadership pulled the measure, I think probably 90% of the members of Congress breathed a sigh of relief that they wouldn't have to vote on it, so they wouldn't have to offend either constituency," he said.

"A development like the Travelers deal can only underscore how far the marketplace is getting ahead of the law. I know that is be-

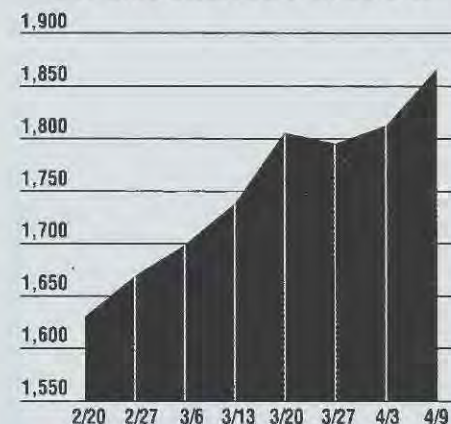
coming a cliché, but it is the most graphic example imaginable of the extinction of Glass-Steagall. It's also a breathtaking development from an industry standpoint. For members of Congress who wished this issue would go away, there could be no more compelling development to hopefully prod them on," said Mr. Wood.

Another reform advocate, however, wasn't so optimistic. "It adds some momentum, but having observed the tantalizing promise of banking legislation for 20 years, I cannot help but be skeptical. Ultimately, it seems like the real authority is going to reside with the federal banking regulators. Congress will complain, but they probably won't do much about it," said Peter Lefkin, senior vp-government and industry affairs for Fireman's Fund Insurance Co. in Washington.

And a spokeswoman for the American Bankers Assn. in Washington said the Travelers/Citicorp announcement had no impact on its opposition to H.R. 10 as now written. The ABA specifically objects, among other things, to provisions that would give the Securities & Exchange Commission the right to define "banking products," and that would limit the judicial "deference" given to the U.S. Comptroller of the Currency in disputes over regulation.

"As far as ABA is concerned, we very much would like to see legislation passed to modernize the financial services industry. There are many things about H.R. 10 we like. However, our position remains the same at this time. We continue to oppose it in its present form, and we continue to want to work with all the parties concerned to make this bill better," she said.

BI Insurance Index



Base=100 on Dec. 29, 1978

Source: Nordby International Inc. (nordby.com) Boulder, Colo.

PCS catastrophe options

As of April 9			
Call spread	Price bid/ask	Call spread	Price bid/ask
National Annual 1998		California Annual 1998	
40/60	7.5/8.0	40/60	—/2.1
60/80	5.5/6.5	150C	1.7/2.0
80/100	3.5/5.8		
Eastern September 1998		Western Annual 1998	
20/40	3.8/4.8	40/60	—/2.5
40/60	2.8/3.2	80/100	—/1.9
		150C	1.9/2.5
Southeastern September 1998		Florida September 1998	
40/60	2.5/3.2	40/60	1.4/2.4
Northeastern September 1998			
100/150	.9/1.4		

Total volume: 107 Total open interest: 18,393

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

	Price	P/E	Div.	Yield	52-week
Companies	pence		pence	%	high-low
Comml Union	1221	23.5	32.5	2.7	1237-630
Genl Accident	1527	10.3	37.5	3.1	1555-795
Gdn Royal Exch	432	6.6	11.5	2.7	495-257
Legal & Gen	740	18.8	12.7	2.1	785-382
Royal & Sun	778	19.7	22.8	2.9	825-429

Brokers

Lmbt Fenchurch	106	7.5	8.4	10.0	138-101
Lloyd Thompson	177	NA	10.0	7.3	196-151
Sedgwick Grp	161	12.7	7.0	4.3	171-115
Willis Corroon	1645	13.2	6.6	5.0	166-116

Note: Prices are April 9 closings; other numbers from April 8.

Source: Nordby International Inc. (nordby.com) Boulder, Colo.

Subscriptions to online archive available

CHICAGO—*Business Insurance* has launched a searchable online archive containing the full text of all articles and directories in the magazine from January 1994 to the present.

The *BI* Article Archive provides easy access to a database containing the industry's most comprehensive information on news and trends in risk management, employee benefits, commercial insurance and managed care. The archive is a useful source of information for market research, data gathering, speech writing, competi-

tive analyses and legal inquiries.

The Article Archive, located on *Business Insurance's* home page on the World Wide Web at www.businessinsurance.com. One-year subscriptions providing unlimited access to the archive will be available at a rate of \$80 for subscribers to *Business Insurance* magazine and \$120 for non-subscribers. Major credit cards will be accepted online for subscriptions offering immediate access to the Article Archive.

At all times, the most recent two issues in the archive may be searched for no charge.

ARTICLE ARCHIVE

The *Business Insurance* Article Archive offers users a comprehensive database, searchable by date and keyword. The contents of our weekly issues are posted to the Article Archive one week after publication date.

To meet the needs of *BI* readers, two access options are available:

The first option provides access to the full-text of all *BI* articles and in-publication directories from 1994 to the present. Rates for 12-month access to the *BI* online Article Archive are \$80 for paid and print subscribers and \$120 for non-subscribers.

Users may instantly gain access to the Article Archive by submitting payment information through *BI's* encrypted email subscription form. For those who do not wish to subscribe online, please call 812-649-6398 during regular business hours.

The second option enables users to search the full-text editorial content

BI Industry Stock Report

APRIL 6, 1998, THROUGH APRIL 9, 1998

BROKERS

		Price	% change	% change	High	Low	Vol.(000)
Aon Corp.	NYS	66.81	-0.19	13.97	68.19	40.25	777
E.W. Blanch Holdings Inc.	NYS	35.88	-6.21	4.17	38.75	22.00	111
Gallagher Arthur J. & Co.	NYS	44.69	0.28	29.76	46.13	30.38	90
Hibb, Rogal & Hamilton	NYS	18.06	-1.03	-6.47	19.63	13.50	29
Kaye Group Inc.	NDO	7.50	0.00	13.21	9.00	4.38	0
Marsh & McLennan	NYS	89.31	-1.45	19.78	92.50	56.75	1438
Poe & Brown	NYS	32.50	-8.29	9.24	38.50	17.00	48
Sedgwick Group PLC	NYS	14.00	0.00	13.71	14.44	9.38	20
Willis Corroon Corp.	NYS	13.94	0.90	13.20	14.50	9.75	548
BROKERS		AVERAGE	-1.97	12.08			

INSURERS/REINSURERS

ACE Ltd.	NYS	37.50	-4.76	16.58	42.50	19.19	515
Acceptance Insurance Cos.	NYS	22.38	-2.45	-7.49	28.63	17.75	85
AEGON N.V.	NYS	130.06	6.66	45.12	130.06	65.38	125
Aetna Life & Casualty	NYS	87.00	-1.35	23.29	118.13	66.31	1999
AFLAC Inc.	NYS	63.58	-3.60	24.33	67.25	39.50	859
Allied Group Inc.	NYS	34.38	2.23	20.09	35.75	22.88	127
Allstate Corp.	NYS	93.75	0.87	3.59	98.38	59.50	4945
AMBAC Indemnity Corp.	NYS	59.69	-1.04	29.76	61.00	31.00	632
American Bankers Ins.	NDO	64.94	0.19	41.36	66.06	25.00	1623
American Financial Group	NYS	44.75	1.99	11.01	49.25	32.38	582
American General	NYS	66.50	3.80	23.01	67.00	36.50	2140
American Heritage Life Ins.	NYS	24.00	6.67	33.33	25.00	12.00	510
American Indemnity/Fin'l	NDO	12.75	0.99	-8.11	15.50	9.50	26
American International	NYS	127.50	-0.10	17.24	129.94	75.13	3672
Argonaut Group	NDO	35.75	0.00	5.54	38.13	26.75	42
AXA-UAP Group	NYS	57.44	7.99	47.28	57.88	29.25	174
Baldwin & Lyons Inc.	NDO	21.75	-7.45	-9.84	28.75	17.38	5
Berkley W.R. Corp.	NDO	45.63	-4.45	3.99	49.50	31.19	457
Berkshire Hathaway Inc.	NYS	70000.00	3.40	52.17	70000.00	30000.00	1
Capital RE Corporation	NYS	62.81	-3.27	1.21	66.44	38.75	86
Capitol Transamerica Corp.	NAS	19.88	-4.22	-6.74	22.13	19.50	99
Centris Group Inc.	NYS	12.94	5.61	15.97	12.94	8.94	62
Charlwell Re	NYS	32.13	-6.38	-4.81	36.25	24.50	48
Chubb Corp.	NYS	80.50	1.58	6.45	81.94	51.75	2170
CIGNA Corp.	NYS	205.75	0.40	19.36	211.00	136.94	755
CNA Financial Corp.	NYS	155.25	1.55	21.53	155.25	96.38	125
CNA Surety	NYS	15.38	-3.91	-0.40	16.50	12.88	104
EMC Insurance Group Inc.	NDO	14.63	6.36	10.38	15.00	10.75	33

		Price	Weekly % change	Year to date % change	52-week High	Low	Vol.(000)
ESG Re Limited	NDO	24.88	-0.75	5.85	28.88	20.88	1008
Enhance Financial Services	NYS	70.53	-0.53	18.70	72.44	37.63	288
Everest Reinsurance	NYS	44.69	1.42	8.33	44.81	26.75	700
Executive Risk Inc.	NYS	70.81	-4.15	1.43	75.75	43.25	149
EXEL Ltd.	NYS	80.31	1.10	26.73	81.13	39.00	770
Fremont General Corp.	NYS	58.50	-2.80	6.85	62.13	26.38	179
Frontier Insurance Group	NYS	27.56	-0.45	20.49	39.25	20.00	554
Gaisco Inc.	NYS	8.75	7.69	2.94	10.19	7.88	226
General RE Corp.	NYS	225.63	0.67	6.43	227.00	154.25	558
Gryphon Holdings	NDO	18.25	0.00	8.96	19.38	13.88	68
Harleysville Group	NDO	26.47	-1.05	10.29	27.50	15.75	46
Hartford Steam Boiler	NYS	68.50	0.74	24.12	69.06	44.13	211
HCC Insurance Holdings	NYS	22.50	-3.23	5.88	32.69	15.63	351
ING Groep N.V.	NYS	67.00	6.67	58.35	67.00	38.88	466
IPC Holdings Ltd.	NDO	32.63	0.38	1.36	32.88	22.38	129
Hartford Financial Services	NYS	110.06	-2.87	17.64	115.63	68.13	1260
LaSalle Re Holdings Ltd.	NYS	39.94	-2.74	12.90	42.94	27.25	234
Life Re Corp.	NYS	76.00	-0.49	16.59	76.94	37.38	450
Lincoln National	NYS	89.88	2.49	15.04	90.50	49.00	1017
MAIC Holdings Inc.	NYS	28.81	-0.43	7.57	30.38	15.88	47
Market Corp.	NYS	165.50	-2.65	6.00	177.50	102.50	21
MBIA Insurance Group	NYS	78.88	-0.24	18.05	80.94	45.44	683
Meadowbrook Insur. Group	NYS	33.19	5.78	27.34	33.19	21.50	23
Mid Ocean Ltd.	NYS	80.50	-1.10	48.39	81.56	44.13	227
MMI Cos. Inc.	NYS	24.50	0.77	-2.49	27.88	20.75	130
Mutual Risk Mgmt. Ltd.	NYS	36.00	0.35	20.25	36.75	16.75	264
NAC Re Corp.	NYS	52.44	0.60	7.43	53.81	35.88	112
Navigators Group	NDO	19.25	7.69	2.50	22.50	16.75	47
Nobel Insurance Ltd.	NDO	13.13	0.48	0.00	15.38	12.13	3
NYMagic Inc.	NYS	27.63	-5.56	0.23	30.06	18.38	23
Ohio Casualty Corp.	NDO	49.94	1.91	11.90	51.25	35.50	388
Old Republic Int'l	NYS	45.69	1.39	22.85	45.94	25.63	862
Orion Capital Corp.	NYS	57.00	0.22	22.75	57.75	31.13	149
Partner Re Ltd.	NYS	50.38	-0.37	8.63	52.50	30.75	215
Penn-America Group Inc.	NDO	19.50	-4.88	-4.88	23.00	11.75	177
Pennsylvania Manufacturer's Co	NDO	19.00	2.01	13.43	19.38	16.25	33
Philadelphia Cons. Holding	NDO	20.72	-1.92	16.73	23.25	14.00	96
PXRE Corp.	NYS	29.31	-3.70	-11.68	35.25	24.75	945
Reliance Group Holdings	NYS	18.00	-4.64	27.43	19.13	10.13	627
Reliastar Financial Corp.	NYS	47.25	-0.92	14.72	48.75	28.63	1343

		Price	Weekly % change	Year to date % change	52-week High	Low	Vol.(000)
RenaissanceRe Holdings Ltd	NYS	49.00	0.90	11.05	50.75	34.13	96
Risk Capital Holdings	NDO	23.88	0.53	7.30	25.50	16.63	176
RLI Corp.	NYS	52.75	-0.94	5.90	55.25	30.50	25
St. Paul Companies	NYS	87.75	-1.34	6.83	94.38	64.63	1235
SCOR	NYS	59.94	-0.93	25.52	61.25	38.50	2
SAFECO Corp.	NDO	54.56	1.28	11.92	56.00	38.50	1258
SCPIE Holdings Inc.	NYS	30.88	1.65	6.70	32.25	19.13	NA
Seibels Bruce Group	NDO	8.00	2.40	6.67	8.94	5.88	111
Selective Ins. Group	NDO	28.06	2.98	3.94	28.63	19.75	249
Terra Nova Insurance Co. Ltd.	NYS	32.08	6.15	23.33	32.38	18.00	306
TIG Holdings	NYS	27.25	2.59	-17.68	36.56	24.56	884
Tokio Marine & Fire	NDO	56.50	5.98	-2.16	68.00	41.25	88
Torchmark Corp.	NYS	47.25	-0.92	12.00	49.06	26.25	1449
Transatlantic Holdings	NYS	75.63	-1.47	5.77	77.94	53.63	98
Travelers Property Casualty	NYS	43.94	-1.26	-0.14	46.06	31.38	2523
Travelers Corp.	NYS	67.31	9.12	24.94	73.50	30.88	4213
Trenwick Group Inc.	NDO	41.75	7.74	10.96	41.75	31.88	216
Unico American Corp.	NDO	15.25	-4.69	24.49	18.13	9.75	6
United Fire & Casualty	NDO	43.00	-0.72	-2.82	47.00	31.75	7
Unilin	NDO	67.13	-3.42	3.87	71.44	48.50	5
UNUM Corp.	NYS	55.50	-2.09	2.07	57.69	33.63	9
USF&G Corp.	NYS	24.44	-1.76	10.76	25.88	15.63	293
Vesta Insurance Co.	NYS	55.75	0.90	-6.11	64.75	34.63	31
Zenith National Ins.	NYS	29.25	0.86	13.59	29.25	24.50	6
INSURERS/REINSURERS	AVERAGE		0.41	12.68			

Round And Round She Goes,
Where She Stops – We Probably Have An Office.

In over 120 countries worldwide, you have our attention.

ROYAL &
SUNALLIANCE