APRIL 15, 1985

business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives/$1.50 a copy; $52 a year

Entire contents copyright 1985 by Crain Communications Inc. All rights reserved.

Risk Management Honor Roll

Susan N. Weiner
Government entity
Dade County Public Schools

Eva F. Goodrich
Small corporation
Cincinnati Electronics Corp.

Risk Manager of the Year

J&H INFOLINE

INFORMATION AND IDEAS ON RISK MANAGEMENT AND BENEFITS FROM JOHNSON & HIGGINS. NO. 7

Negotiating In A Hard Market:

Precise data vital to setting renewal strategies.

Many risk managers are beginning to sense that their risk information systems may have grown as soft as the insurance market that just ended.

In such a market, the need to keep information systems finely tuned was less than compelling. With underwriters aggressively competing for premium dollars, corporations could obtain almost any coverage desired, at virtually any limits, and at bargain-basement prices.

The situation has changed radically. The overwhelming reality now is: less costs more.

Underwriters are looking hard at what they once ignored. Gone are the halcyon days of "throw-in" coverages and limitless limits. Worse yet, coverage on certain risks is virtually unobtainable.

With the absolute certainty that the market will turn even harder, no corporation can afford to be indifferent to the reemergence of underwriting discipline. A corporation must know—really know—its risks. Solid information not only can make a difference to the cost of the program, it could be key to obtaining coverage at all.

Corporations must work the flab off their information systems and set renewal strategies early. Data must be complete and precise. Accurate description and presentation of the risk can make a vital difference during underwriter negotiation.

In preparing for renewal, risk managers should determine:

- What is absolutely needed.
- What are the priorities, e.g., do we want to maintain the program coverage or hold the line on cost?
- What amount of risk the company can assume, e.g., can we raise retention levels as a way of offsetting premium increases?
- What choices are available. If there is no choice in one area, focus your attention on negotiable areas.
- How underwriters rate for commitment, stability, and quality of service.

In a market in which "less costs more," the corollary should be "back to basics." Make sure your information is as solid as it can be. And be prepared to meet with current underwriters early and to negotiate openly and frankly. For more information, call your J&H office.

©Johnson & Higgins

Bermuda: Ready for action . . . Page 3

APRIL 15, 1985

business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives/$1.50 a copy; $52 a year

Entire contents copyright 1985 by Crain Communications Inc. All rights reserved.

update

Pearson Webb Springbett to close Bermuda operation

HAMILTON, Bermuda—Lloyd's of London broker Pearson Webb Springbett will close its Bermuda brokerage and underwriting operation by the end of May and relocate it in Guernsey, says A.W. Hunt, president of Pearson Webb Springbett (Bermuda) Ltd.

PWS said it was closing its Bermuda operation because of the island's high operating costs, coupled

Continued on next page

Captive parents await tax deduction rulings

By STEPHEN TARNOFF

Two more major corporations—Gulf Oil Corp. and Humana Inc.—are awaiting court decisions on their right to take tax deductions for premiums paid to captive insurance subsidiaries.

Mobil Corp. has been waiting for a similar decision since a trial in U.S. Claims Court concluded in late 1983 (*BI*, June 11, 1984).

In all three cases, the corporations say they are entitled to the tax deductions because the payment of premiums to their captive subsidiaries did constitute insurance transactions for which deductions are allowed.

But in each instance, the IRS is seeking to void the deductions because the agency says the captive owners did not transfer any risks when they purchased insurance from their subsidiaries because the risks remained in the same economic family.

Further, all three cases, but especially the Mobil case, debate the question of whether the underwriting of risks unrelated to the parent by a captive affects the tax treatment of premiums paid by the parent to the captive for related risks.

At issue in these three cases is more than $77 million in taxes. More important, rulings in these cases will ultimately affect the tax treatment of all owners of captive insurance companies.

Gulf and Humana, which owns a chain of hospitals, refused to pay the taxes that the IRS had assessed after audits and took their objections to U.S. Tax Court.

Mobil, however, paid the taxes and sued in U.S. Claims Court for a tax refund.

A decision in the Mobil case is the most important because the Claims Court is a court of national jurisdiction. If Mobil were to win and the Supreme Court did not overturn the decision, other owners of captive insurance companies could use the Claims Court ruling to ultimately win their cases against the IRS. They would have to pay the disputed taxes and file for refunds as

Continued on page 130

Insurers seek to eliminate most Superfund liability

By ROBERT A. FINLAYSON

WASHINGTON—Property/casualty insurers are asking Congress to radically alter the federal Superfund Act by eliminating liability for all toxic waste dumping prior to the law's passage in December 1980.

The insurers also want Congress to require mandatory apportionment for all hazardous-waste disposal activities after 1980, so defendants in lawsuits would be required to pay only a portion of a site's cleanup costs based on the quantity of waste they contributed to the site.

If the insurers' proposal were enacted, it would effectively absolve those responsible for most of the nation's hazardous-waste dumps—and their insurers—from liability for the cleanup of these dumps (*BI*, Jan. 21).

However, the proposal does not suggest how funds would be raised to clean up the sites.

Insurers acknowledge that the proposal, which was developed by seven of the nation's largest property/casualty insurers working under the sponsorship of the American Insurance Assn., will meet with considerable resistance both on Capitol Hill and within the Reagan administration.

Justice Department and Environmental Protection Agency officials have rejected insurer proposals to eliminate joint and several liability for hazardous-waste dumpers in testimony before the Senate Environment and Public Works Committee on the Superfund reauthorization (*BI*, April 8). The law expires this year.

"The ambitiousness of the proposal is being met with resistance," says James L. Kimble, senior counsel for federal affairs with AIA. He says it will take time to make legislators understand the proposal.

Congressional staffers agree it's unlikely Congress would accept the proposal in its current form.

The insurers say they were prompted to seek the changes in the Superfund law because federal and state courts are ruling that policyholders should be indemnified under comprehensive general liability policies for Superfund cleanup costs.

Insurers see the potential for billions of dollars in claims from policyholders liable under the Superfund law for the cleanup of thousands of abandoned hazardous-waste dumps scattered across the nation.

Unless the law is changed, the insurers have said, the insurance industry will pay most of the cost of cleaning up hazardous-waste sites around the nation.

However, the insurers' proposal justifies the need for changes in the Superfund law not because of their potential losses, but rather because of their conclusion that the current law has delayed cleanup actions at abandoned hazardous-waste dumps and wasted millions of dollars in litigation costs.

The proposal takes the form of suggested amendments to the Superfund law and is currently being distributed to various House and Senate committees considering the Superfund reauthorization.

To correct the problems they see with the Superfund law, the insurers' proposal would:

- Require the Environmental Protection Agency to use Superfund revenues—currently generated by a tax on the petrochemical industry—to clean up all hazardous waste dumped prior to the December 1980 enactment of the Superfund law by eliminating the

Continued on page 131

California self-insurers face fund assessment

By STEVE TARAVELLA

MONTEREY, Calif.—California workers compensation self-insurers will likely be assessed to pay benefits owed to injured employees by three bankrupt self-insurers.

The workers compensation liabilities of the three businesses have been assumed by the California Self-Insurers Security Fund, a guaranty fund supported by assessments paid by employers that self-insure workers compensation risks.

Certified Alloy Products Inc. of Long Beach, Calif., which filed for reorganization under Chapter 11 of the Federal Bankruptcy Act in December 1983, is short of the amount needed to pay its workers compensation liabilities by about $260,000, according to Paul Bayer, chairman of the Security Fund. He is also workers compensation manager at Crown Zellerbach Corp. in San Francisco.

In addition, the fund is assuming the liabilities of IML Freight Inc., a Salt Lake City-based freight line with eight California locations that filed for Chapter 7 liquidation last November.

Although IML had not self-insured since 1982, the bond filed with the state to cover liabilities incurred from 1975 to 1982 is expected to be shy by about $200,000, he said.

These shortfalls mean that other California self-insurers will likely be assessed a portion of their own workers comp expenditures to help the fund pay claims.

The fund was established last July in response to the bankruptcy of California Canners & Growers, a self-insured cooperative whose $2.1 million surety bond posted with the state fell short of its estimated $3 million in work comp liabilities when it went under in 1983 (*BI*, April 9, 1984; June 4, 1984).

In addition to these three cases, the fund may be triggered in the case of another failed business, whose security bond filed with California is now paying claims but has been judged insufficient to meet all its liabilities (see story, page 126).

'I hope it is less. But nevertheless I am budgeting for the 1.5% assessment,' says Paul Bayer, chairman of the Self-Insurers Security Fund.

The law that established the fund permits the state to levy assessments on private-sector self-insurers of up to 1.5% of the amount of workers compensation benefits during the previous year. Employers can be assessed a maximum of 2% annually (*BI*, June 4, 1984).

Currently, about 1,425 California businesses self-insure their workers compensation exposures.

The fund can assess businesses only after a self-insurer is found to be unable to cover its workers compensation liabilities. Self-insurers must contribute or face revocation of their certificate to self-insure.

When the fund took over Cal Canners comp claims immediately after the fund was established, self-insurers had hoped assessments would not be necessary for three or four years.

The money currently in the fund is from California Canners' bond.

However, the self-insurers didn't foresee the failure of two other self-insurers so soon after the fund was established.

Assessments probably won't be made until the $1.6 million remaining in the fund is exhausted. But, at the rate benefits are being paid out, that might happen "the latter part of this year," says Mr. Bayer.

He expects the fund's first assessment to be the maximum allowable 1.5% of the amount self-insureds spent on injured workers last year.

"I would like it to be less. I hope it is less. But nevertheless, I am budgeting for the 1.5% assessment," he says.

The fund faces about $2.7 million in future liabilities from all three bankruptcies, leaving it about $1.1 million in the hole, Mr. Bayer reports. A 1.5% assessment should generate about $1.8 million, he estimates.

The workers compensation liabilities of

Continued on page 126

NEWSPAPER

update

PWS closing its Bermuda office

Continued from previous page
with recent reductions in capacity of the Bermuda market. PWS (Bermuda) brokered reinsurance for PWS offices in New York and London, and wrote facultative international property reinsurance.

The broker says business expenses are much lower in Guernsey, and it will also be able to trade in the same time zone as London.

Mr. Hunt, who was asked by PWS to establish the Guernsey office, says he will stay in Bermuda and seek other employment.

The PWS announcement was made last week, after the story on Bermuda brokers on page 36 went to press.

Judgment against Aetna on hold

WASHINGTON—Aetna Life & Casualty Co. has won a temporary delay of a $4.9 million bad-faith judgment against it while the U.S. Supreme Court considers whether to hear the case, which has sparked questions of conflict of interest on the part of an Alabama Supreme Court justice.

U.S. Supreme Court Justice Lewis Powell granted Aetna a stay until the high court decides whether to hear Aetna's appeal of a jury award to an Alabama couple, upheld by the state Supreme Court last December. The couple sued the insurer for bad-faith failure to pay a health insurance claim.

Meanwhile, allegations of conflict of interest have surfaced in the case because Alabama Supreme Court Justice T. Eric Embry, who wrote the opinion, is involved in similar "bad-faith" lawsuits against two other insurance companies, according to papers filed in the U.S. Supreme Court by Aetna's lawyers. One case was filed in the judge's own behalf, and the other was a class action filed in his name.

An Aetna spokesman would not comment on the case.

Jewel sued in salmonella cases

MELROSE PARK, Ill.—Jewel Food Stores is facing more than a dozen lawsuits seeking more than $23 million in damages after thousands of cases of salmonella poisoning were linked to milk processed at a Jewel plant.

The largest outbreak of salmonella food poisoning involving pasteurized milk in U.S. history caused Jewel to pull and dump all milk and many other dairy products from its 217 stores in four Midwestern states and to voluntarily shut down its Hillfarm Dairy in Melrose Park, Ill.

Jewel, which was acquired last year by Salt Lake City-based American Stores Co., is cooperating with health officials in dismantling dairy equipment to determine the cause of the epidemic.

Jewel has property and liability insurance coverage above a self-insured retention, said a Jewel spokesman, who declined to provide details of the coverage or the retention. Officials at American Stores' risk management department declined to return phone calls. It is not known if Jewel has liability insurance for product integrity impairment.

Besides any liabilities from the salmonella outbreak, Jewel faces other losses, including the extra expense of providing refunds for customers and for removing the milk and other milk products, like cottage cheese, cream and eggnog, from the shelves and dumping them.

The food store chain also faces losses because its stores were without milk and some other dairy products for several days after the dairy was closed.

The Jewel spokesman declined to comment on the amount or value of the products destroyed or returned.

Manville property claims mount

DENVER—Asbestos-related property damage claims against Manville Corp. will likely exceed $50 billion, Manville says.

Manville, which filed for reorganization in 1982 because of overwhelming personal injury claims filed against it by victims of asbestos-related diseases, is now being sued, along with other asbestos producers, by school districts and other government agencies to recover the cost of removing asbestos products from buildings.

Property damage claims requesting sums that could exceed $50 billion have been filed against Manville by an estimated 11,000 public and private entities with the U.S. Bankruptcy Court in New York, which is hearing Manville's reorganization.

The deadline for filing property claims against Manville with the bankruptcy court was March 1.

Manville contends the property damage claims, which usually include punitive damage claims, are exaggerated and are not based on the property damage incurred.

The company also says that it did not produce asbestos products used in many buildings.

The company also says that since it filed for reorganization in 1982, it has been hit with 6,000 personal injury asbestos claims seeking $12.5 billion. However, 1,600 of those claims were filed by those with lawsuits pending at the time of the bankruptcy, a company spokesman said last week.

index

Classifieds	**128**
Datebook	**58**
Insurance services guide	**130**
Letters	**6**
Markets	**106**
Opinions	**6**
Spotlight report	**3**
Ticker	**131**

Vol. 19, No. 14—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago, Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, circulation department, 740 Rush St., Chicago, Ill., 60611; 312-649-5221.
Copyright 1985 by Crain Communications Inc.

Court says Ohio BC/BS plan can't base payment on bids

By DIANE LYNN KASTIEL

CLEVELAND, Ohio—Blue Cross/Blue Shield of Northern Ohio plans to fight a court ruling that it must pay $4.25 million in compensatory and punitive damages to an Ohio hospital that received less for its services than other area hospitals.

Lakewood Hospital in Lakewood, Ohio, sued the health plan last Dec. 21, claiming monetary damages after the Blues offered it a contract for services that paid the hospital 30% less than that paid other hospitals for similar services.

The Blues based its contract offer on the results of a competitive bid in which Lakeland was deemed one of the highest bidders.

Under the competitive bidding, which was announced last December, 34 Cleveland-area hospitals submitted bids for their services based on diagnostic-related groups.

Blue Cross evaluated the bids and awarded the 25 hospitals with the lowest bids contracts for 100% reimbursement from Blue Cross for their services; the other bidders would receive only 70% reimbursement.

The plan was designed to save Blue Cross/Blue Shield policyholders $35 million, according to a spokesman for the Blues.

In its suit, Lakewood Hospital charged that the bid evaluation and rating were done arbitrarily and subjectively and that those hospitals whose bids were lowest did not necessarily receive the 100% reimbursement contracts.

Instead, the suit charged, the competition was designed to reward hospitals with a high percentage of Blue Cross business and penalize hospitals with a low percentage.

"Our feeling was that the evaluation process was arbitrary and based on a predetermined analysis done by (Blue Cross') experts that the hospitals were not aware of when they submitted bids," said Fred M. DeGrandis, vp and legal counsel for the hospital.

"There was evidence in this case that part of the intent of the bidding was to close hospitals."

On April 2, Judge George J. McMonagle of the Cuyahoga County Common Pleas Court declared the bidding plan illegal and said that the Blues cannot reimburse one set of bidders at a higher rate than the other hospitals. Two days later, a jury awarded the hospital $1.75 million in compensatory damages and $2.5 million in punitive damages.

Continued on page 129

Cuomo's plan attacks costs of malpractice

By JUDY GREENWALD

ALBANY, N.Y.—A limit on attorneys' fees is a key part of an extensive legislative program proposed by Gov. Mario M. Cuomo to cut medical malpractice costs.

"We need to undertake more aggressive oversight of the delivery of health services to ensure quality medical care," Gov. Cuomo also said when he proposed the program, which he described as "the most comprehensive approach to the malpractice issue in a decade."

According to a memorandum accompanying the proposed legislation, the law now provides that attorneys and their clients can agree either to an "inadequate and outdated schedule of compensation," or to a flat one-third of the entire award.

Under Gov. Cuomo's proposal, attorneys still would receive one-third of awards up to $50,000, but their percentage of the award would decline thereafter. For instance, an attorney would receive only 10% of any amount recovered exceeding $500,000.

The memorandum says this provision, which is similar to one enacted in California, would encour-

Continued on page 125

India's suit attempts to hold Carbide liable for disaster

By DOUGLAS McLEOD

NEW YORK—The Indian government is pursuing a novel legal theory in its lawsuit against Union Carbide Corp. to recover damages for victims of the December gas leak at a pesticide plant in Bhopal, India.

The suit, filed last week in U.S. District Court for the Southern District of New York, seeks an unspecified amount of compensatory and punitive damages for the disaster, which the suit says killed at least 1,700 people and injured as many as 200,000 others.

Earlier reports had estimated the death toll at 2,500.

The suit was brought after the Indian Parliament's adoption last month of the Bhopal Gas Lead Disaster (Processing of Claims) Act, 1985, which gives the Indian government exclusive right to represent accident victims who file claims after the law's Feb. 20 effective date.

The act also allows the Indian government to represent or act "along with" victims whose claims were pending before the act's effective date, with the permission of the court handling the claims.

In its suit against Union Carbide, India is pressing an unusual legal theory to counter possible arguments that the company should not be held liable for the actions of Union Carbide India Ltd., which operated the Bhopal plant and was 51%-owned by Danbury, Conn.-based Union Carbide Corp.

Under a "multinational enterprise liability" theory, the suit argues, a multinational corporation like Union Carbide should be considered responsible for the operations of its affiliates.

"In reality, there is but one entity, the monolithic multinational. . .acting through a forged network of interlocking directors, common operating systems, global distribution and marketing systems, financial and other controls," the suit says.

Such multinationals should have a "primary, absolute and non-delegable duty" to any country in which its affiliates operate and to the

Continued on page 128

Trade group VEBAs may face taxes on investment income

By JERRY GEISEL

WASHINGTON—Voluntary Employee Beneficiary Assns. set up by trade associations may have to pay taxes on investment income earned on reserves that exceed a certain limit under legislation introduced in the House and Senate.

The proposed Technical Corrections Act of 1985 clarifies that some of the new tax rules established under the Deficit Reduction Act of 1984 for VEBAS of individual employers also would apply to VEBAs established by multiple-employer groups.

However, VEBAS established under collective bargaining arrangements are not affected.

Under DEFRA, employers cannot take tax deductions for contributions to VEBAs—also known as 501(c)(9) trusts—if reserves for benefits exceed certain limits (*BI*, July 2, 1984). The new tax rule takes effect next Jan. 1.

In addition, if reserves exceed the specified limits, the investment income earned on the excessive reserves is subject to the unrelated business income tax. That tax can be as high as 46%.

Currently, employers receive tax deductions for contributions to VEBAs, which are used to fund a variety of employee benefits, especially long-term disability coverage. Investment income earned on assets held by VEBAs currently is not taxed.

Congress last year imposed limits on VEBA reserves because it believed that some smaller companies were making larger than necessary contributions to VEBAs to shield assets from taxes.

However, Congress exempted VEBAs set up through collective bargaining agreements from the new reserve limits.

In addition, no restrictions for taking tax deductions on VEBA contributions were placed on employers who contributed to VEBAS that cover at least 10 companies and were not established as part of a collective bargaining agreements. Typically, such VEBAs are sponsored by a trade group for its members.

But, it was unclear if these trade group VEBAs also were exempted from paying taxes on investment income if their reserves exceeded the limits that apply for single-employer VEBAs that are not part of a collective bargaining agreement.

The Technical Corrections Act of 1985, introduced in

Continued on page 129

Photographed at Altos de Chavon, Dominican Republic.

Frank B. Hall... Bringing 21st century risk management technology to every corner of the world.

Ever wish you could really control your far flung international corporate insurance program from your desk at HQ's? Now you can. Using Frank B. Hall's unique network that provides on-site attention everywhere you have a corporate risk and, through your own personal account representative locally, lets you make the decisions that provide a cohesive, well-controlled, balanced, secure international insurance program for all of your global risks.

Just as we pioneered new insurance concepts in Latin America and designed the first worldwide employee benefits program decades ago, today we're carrying 21st century risk management technology to every corner of the world. Why not put Frank B. Hall in your corner. Wherever it may be. We're the high-performance insurance services firm—tough and thoroughly professional everywhere you want us to be.

F R A N K B. H A L L & C O.

The Protection Connection™

The Protection Connection is a trademark and service mark of Frank B. Hall & Co. Inc. © Frank B. Hall & Co. Inc., 1984. All rights reserved.

What major claims headaches do you eliminate with Group Dental from the company with the stag?

Ask your Broker.

Or call your Consultant, your Hartford Representative, or Bud Peterson, Group Sales-Vice President, at (203) 683-8843.

Hartford Life Insurance Company, Hartford, CT 06115

THE HARTFORD

The Insurance People of ITT

datebook

APRIL 30. Surety Claims '85—New Directions in Suretyship conference in Hartford, Conn., sponsored by CMA Consulting Group; $230. Arlene Brower, Conference Coordinator, CMA Consulting Group, 170 E. Hanover Ave., Morristown, N.J. 07960; 201-267-7171.

APRIL 30. Environmental Impairment Liability workshop in Spokane, Wash., sponsored by The Society of Chartered Property and Casualty Underwriters; $60 for members; $75 for non-members. Coleen Mulhern, Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-251-2735.

APRIL 30. Managing Health Care Cost seminar in Dallas, sponsored by Back Systems Inc.; $145. Kirby Dalton, Director of Marketing, Back Systems Inc., 5495 Beltline Road, Suite 390, Dallas, Texas 75240; 214-960-9515.

MAY 1. Health Improvement/Prevention Workshop in Detroit, sponsored by Health Research Institute; $195. Also **May 15** in Chicago, **June 19** in New York. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

MAY 1. Advanced Cost Containment workshop in Detroit, sponsored by Health Research Institute; $195. Also **May 15** in Chicago, **June 19** in New York. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

MAY 1. Third-Party Administrator workshop in Detroit, sponsored by Health Research Institute; $395; $195 for subsequent registrants from same company. Also **May 15** in Chicago, **June 19** in New York. Workshop Coordinator, Health Research Coordinator, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

MAY 1-3. "Coalition for the '80s: Investing Our Political Capital" conference in Washington, sponsored by the Assn. of Private Pension and Welfare Plans; $350 for members ($380 after April 10); $385 for non-members ($415 after April 10). APPWP, 1331 Pennsylvania Ave. N.W., Suite 719, Washington, D.C. 20004; 202-737-6666.

MAY 2. Medical Directors workshop in Detroit, sponsored by the Health Research Institute; $195. Also **May 16** in Chicago, **June 20** in New York. Registrar, HRI, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

MAY 2-3. International Reinsurance Law conference in London, sponsored by Union Internationale des Avocats, British Insurance Law Assn. and Business Law Communications Ltd.; about $242 for members; about $270 for non-members. Registrar, Business Law Communications Ltd., 53 Fleet St., London, EC4 1BY; 01-353-8154.

MAY 2-3. Labor/Management conference in Detroit, sponsored by Health Research Institute; $195. Also **May 16-17** in Chicago, **June 20-21** in New York. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

MAY 3. Credit Enhancement Insurance workshop in New York, sponsored by The Society of Chartered Property and Casualty Underwriters (CPCU); $95 for members, $120 for non-members. Also **May 23** in Miami. Coleen Mulhern, Society of CPCU, Kahler Hall, Providence Road, Malvern, Pa. 19355; 215-251-2735.

MAY 5-8. The Seminar for Non-Insurance Professionals in New York, sponsored by The College of Insurance; $540. Laura Mckeon, Professional Development Programs, The College of Insurance, One Insurance Plaza-101 Murray St., New York, N.Y. 10007; 212-962-4111.

MAY 6-8. 1985 Employee Benefits Institute for Small Businesses conference in Palm Springs, Calif., sponsored by International Foundation of Employee Benefit Plans; $500 for members; $575 for non-members. Registrar, IFEBP, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

MAY 6-10. Highly Protected Risk Property Conservation course in Long Grove, Ill., sponsored by the Kemper Group; $400; free for Kemper HPR-insured property owners. Also, **Oct. 7-10** in Long Grove. W.P. Thomas Jr., Manager, Engineering Research & Staff Development, HPR Department, A-1, Long Grove, Ill. 60049; 312-540-3380.

MAY 6-10. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by the National Loss Control Service Corp.; $500; 10% discount for two or more registrants from the same company. Also **Sept. 9-13** and **Nov. 11-15** in Long Grove. John Garis, NATLSCO, Long Grove, Ill. 60049; 312-540-2026.

MAY 8. Strategies for Medical Cost Containment seminar in San Francisco, sponsored by the Medical Care Committee of the California Workers' Compensation Institute; $70. Also, **May 14** in Anaheim, Calif. and **May 15** in Los Angeles. Registrar, California Workers' Compensation Institute, 120 Montgomery St., Suite 715, San Francisco, Calif. 94104.

MAY 8. Buying Insurance in a Hard Market meeting in Atlanta, sponsored by American Management Assns.; $375 for members; $425 for non-members. Also **May 9** in San Francisco, **May 17** in Chicago. Registrar, AMA, P.O. Box 319, Saranac Lake, N.Y. 12983; 518-891-0065.

MAY 9-10. Self-Funding Your Employee Benefits course in New York, sponsored by American Management Assns.; $620 for members; $715 for non-members. Also **May 20-21** in Denver. Registrar, AMA, P.O. Box 319, Saranac Lake, N.Y. 12983; 518-891-0065.

MAY 9-11 Pension Commission Clearinghouse Conference on Employee Benefits Issues in Washington, sponsored by Johnson & Higgins and Edward H. Friend & Co.; $265. Laura S. Horvath, Conference Coordinator, Johnson & Higgins, 1800 K St. N.W., Suite 500, Washington, D.C. 20006; 202-785-9080.

•

The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.

THE IMPOSSIBLE WE DO IMMEDIATELY

Miracles take a tad longer.

As experienced underwriters for major domestic and overseas insurers we offer brokers and agents previously unheard of capabilities in the realms of accident/health/special risk.

We calmly await your challenge.

Lockwood, Dipple & Green

300 Unicorn Park Drive, Woburn, Massachusetts 01801

Phone: (617) 938-9010

Bermuda: Ready for action

Photo: Kathryn J. McIntyre

Like these rugby players in Bermuda, captives and reinsurers there are bruised, battered but waiting to score.

Captive industry tastes victory in hard market

By DOUGLAS McLEOD

What may be regarded as a setback for commercial insurance buyers may wind up as a victory for Bermuda's captive insurance company industry.

Rapidly rising property/casualty rates and the scarcity—or total absence—of capacity in some lines may revive corporate interest in owning an insurance subsidiary in Bermuda, captive managers hope.

Such a revival would follow years during which cheap and plentiful commercial insurance and poor underwriting experience for captives writing unrelated business took their toll.

"I think we're going to see a repeat of the early 1970s" when the captive industry boomed, predicted Stuart H. Grayston, president of S.H. Grayston Management Ltd. "Hold onto your seats."

Others are more cautiously optimistic.

Geoffrey A. Hunt, vp and controller with captive insurance company manager Frank B. Hall (Bermuda) Ltd., says that he is hoping for a change for the better by 1986. However, he adds that the extent of the captives' growth won't be known until later this year.

Continued on next page

Reinsurers' line thins, but survivors hold fast

By KATHRYN J. McINTYRE

The field of commercial reinsurance underwriting in Bermuda is sparse, but not empty.

Some reinsurers that had been sitting on the sidelines are taking front-line positions. Others that have been on the roster for several years are holding up against the rate competition.

But a couple of reinsurers are confining their action this year.

And conspicuous by their absence are some big line underwriters that were Bermuda's star players last year.

Gone from commercial reinsurance underwriting in Bermuda are all the oil company captive insurance companies.

The membership of the Bermuda Independent Underwriters Assn. is down to 18 now from a high of 30 in 1984.

Only eight of the BIUA members are non-captive reinsurance companies. Five are captives writing commercial reinsurance, three are underwriting managers and two are domestic Bermuda companies.

The 16 reinsurance members of the BIUA wrote gross premiums of about $721 million in 1983, the latest year for which all members'

Continued on page 21

Captives are domiciled in spots around world

Captive insurance managers around the world are hoping that recent tightening in the insurance market will help foster a captive boom, as corporations look for better prices and greater capacity than they can find in the commercial market.

For some domiciles, this anticipated boom will mean more growth in an already active market. For others, it could be a shot in the arm to get newly established captives off the ground or to revive a stagnant market.

In its annual report on captive insurance companies, *Business Insurance* conducts a worldwide tour of onshore and offshore domiciles.

In the United States, Vermont is making a strong bid to become a major captive market (see stories, page 83). And, some of Vermont's growth is at the expense of Colorado, where more-restrictive laws are dampening captive growth (see stories, page 88). Other onshore U.S. domiciles are Tennessee (page 92) and Delaware (page 93).

Sunny offshore islands are still a bastion of captive activity. The biggest market remains Bermuda (see stories above). But, movement also is occurring in the Cayman Islands (page 69), the Bahamas (page 75), Turks & Caicos (page 76), the U.S. Virgin Islands (page 77), the British Virgin Islands (page 78), and Barbados (page 79).

In Europe and elsewhere, *BI* takes a look at Guernsey (page 80) the Isle of Man (page 81), Jersey (page 82), and other domiciles (page 82).

And, finally, *Business Insurance*'s directory of captive management companies begins on page 94.

Page design: Amy Palmer

Largest Bermuda captive managers

Manager (Parent)	Captives	1984 Premium volume	Staff
J&H Ltd. (Johnson & Higgins)	135	$651 million	95
International Risk Management Ltd. (The Reiss Organization)	72	600 million	65
Parker & Co. Interocean Ltd. (Frank B. Hall & Co. Inc.)	55	450 million	37
Marsh & McLennan (Bermuda) Ltd. (Marsh & McLennan Cos. Inc.)	78	300 million[1]	53
Rollins Burdick Hunter (Bermuda) Ltd. (Combined International Corp.)	30	222 million	10
Alexander International Ltd. (Alexander & Alexander Services Inc.)	65	220 million[1]	28
James (Bermuda) Ltd. (Fred S. James & Co. Inc.)	45	200 million[1]	23
Pinehurst Management Co. Ltd. (Emett & Chandler Cos. Inc.)	56	180 million	17
Altamid Management Co. Ltd. (Hanna Mining Co.)	32	150 million	17
American International Co. Ltd. (American International Group Inc.)	25	130 million	51

[1]BI estimate

Bermuda set for new growth

bermuda

Continued from previous page

Association and group captive programs, which will represent much of the new business, can't be established overnight, Mr. Hunt pointed out.

"Essentially in 1985, they will become easier to sell as an idea. But they take a long time to put together," he said. "Everybody is sitting here optimistically hoping that (the hard market) will bring down more business, but I don't think anyone is sure of that yet."

New and existing captives face at least two major obstacles that are also products of the tightening commercial marketplace:

- A growing reluctance on the part of many U.S. admitted insurers to front for captive programs (see story, page 13).
- A severe shortage of aggregate stop-loss reinsurance for captives (see story, page 28).

But captive managers would probably view any amount of growth as a welcome change after 1984, which was described variously as "quiet," "a year of consolidation" and "rotten."

The last year has seen:

- A dramatic retrenchment by single-owner captives writing unrelated risks, including the withdrawal from third-party underwriting of Exxon Corp.'s Ancon Insurance Co. S.A. and the total withdrawal of Gulf Corp.'s Insco Ltd. and Ocean Drilling & Exploration Co.'s Mentor Insurance Ltd. (see stories, page 20 and 38).

Other captives still writing unrelated business are cutting back on this activity, several managers report.

- The ongoing attack by the Internal Revenue Service on deductibility of premiums paid to captives and changes in U.S. tax laws that eliminate other tax benefits (see story, page 1).

Although managers don't expect existing captives to close or move onshore solely because of tax problems, many say tax law changes will affect the way new captives are formed, encouraging more association and multiowner entities.

While a few captive managers added to their client lists last year, most showed no gains in either the number or the premium volume of captives managed (see chart, page 4).

Among the other developments affecting Bermuda captives in the past year:

- Corroon & Black Corp. is negotiating the sale of its Bermuda and Cayman captive management operations to Homeland Insurance Group. If completed, the sale would mark the first withdrawal of a major U.S. broker from the captive management scene (see story, page 18).
- Anglo-American Management Ltd. is being liquidated following the death of H. Clayton Chambers, its president and a longtime figure in the Bermuda marketplace. Captives formerly managed by Anglo-American have been picked up by other managers, including Atlantic Security Ltd.
- A few rent-a-captive facilities and risk-sharing pools have closed or failed to get off the ground, while others report substantial growth (see story, page 13).
- Several managers—including J&H Ltd., Marsh & McLennan (Bermuda) Ltd., Pinehurst Management Co. and International Risk Management Ltd.—report clients that have merged two captive subsidiaries into one.
- Managers report that their basic fees have risen in line with the moderate inflation rate—where they have increased at all—except in cases where a captive's expansion has produced a greater workload.

Meanwhile, managers say that clients are more actively shopping for management services. Several managers report having acquired new clients from other Bermuda managers in the last year, often because the captives' parent companies have changed U.S. brokers.

- A new amendment to the Bermuda Insurance Act of 1978 requires managers to report to the government any events that place the solvency of a captive in question.

New formations down

Sixty-six new insurance companies were incorporated in Bermuda during 1984, compared with 85 in 1983, 89 in 1982 and 118 in

Continued on page 8

DYNAC RISK MANAGEMENT SYSTEM DELIVERS MORE THAN JUST CLAIMS RECORDKEEPING.

DYNAC, developed by AIG Risk Management, a member company of American International Group, is like other computerized risk management systems—it can retrieve your company's historical claims data.

But unlike most other systems, DYNAC offers valuable diagnostic tools that enhance your risk management capabilities:

- Financial Analysis to provide a total overview of your company's risk management program.
- Risk Allocation which shows how various deductibles or self-insured retentions affect your coverage.
- Premium Allocation to help you choose how to allocate the cost of insurance, even on a state-by-state or division-by-division basis.
- Loss Control Data which allows a computer-assisted safety program to be set up to help reduce risk, and provides the cost/benefit analysis of such a program.

These features give you the most complete package of information available in a risk management system today. With them DYNAC can help reduce costs and enhance your company's bottom line. And that's a lot more than a mere recordkeeping system can deliver!

For more information on DYNAC, just complete and mail the coupon.

ONCE AGAIN THE ANSWER IS AIG.

Please send more information on DYNAC and what it can deliver.

Name_____ Title_____

Company_____

Address_____

City_____ State_____ Zip_____

Telephone Number ( )_____

AIG Risk Management, Inc.
Dept. A, 70 Pine Street
New York, New York 10270

BI 4/15/85

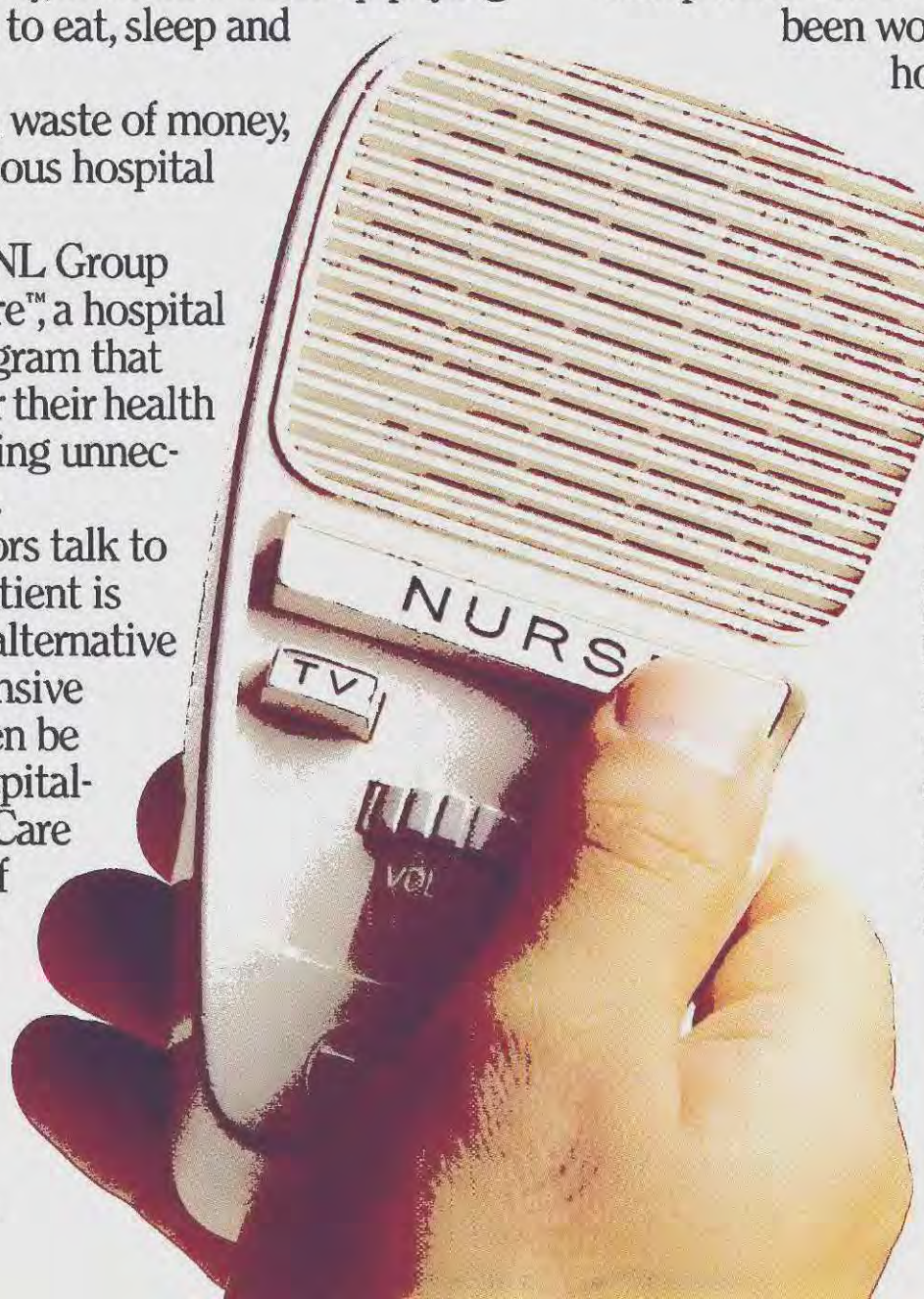
This is not the kind of observation your hospital coverage should be paying for.

When a patient stays in the hospital longer than medically necessary, insurance ends up paying for an expensive place to eat, sleep and watch TV.

That's not only a waste of money, but a poor use of precious hospital resources.

That's why NWNL Group has introduced PreCare™, a hospital utilization review program that helps employers lower their health benefit costs by reducing unnecessary hospitalization.

PreCare evaluators talk to physicians before a patient is admitted. When safe alternative care is available, expensive hospital stays can often be eliminated. When hospitalization is needed, PreCare monitors the length of the stay. It all adds up to millions of dollars in reduced hospital claims for employers.



PreCare is the trademark of MedTrac, Inc. and NWNL for a hospital utilization review program.

PreCare is administered nationwide by NWNL Group and MedTrac, whose parent organization has been working with physicians to review hospital care for over 10 years. That gives PreCare the experience that many other utilization review programs lack.

To find out more about how PreCare can reduce your health benefit costs, call your broker/consultant or your NWNL Group Manager. Or send us the coupon below.

Send to: Ginny Charboneau BI 3
PreCare, Box 20, Minneapolis, MN 55402
Please tell me more about PreCare.

Name_____

Title_____

Company_____

Address_____

City_____

State_____ Zip_____

NWNL GROUP

A division of Northwestern National Life Insurance Company
Home Office: Minneapolis, Minnesota

opinions

Proceed with caution on captives

CAUTION: Captive insurers are not immune to operating losses.

Captives can lose money on their parent-company business as well as on the risks of unrelated companies.

Just ask the many reinsurers who have underwritten aggregate stop-loss coverage for captive insurance companies. Captives' losses are burning right through their retentions and eating up what was supposedly sleep insurance for risk managers who never dreamed their captives would suffer underwriting losses.

We issue this warning because we do not want anyone to conclude from our special report this week on captive insurance companies and the offshore reinsurance business that merely forming a captive guarantees lower insurance costs through profits on the captives' business.

As Lloyd's of London underwriter Robin Jackson said last fall, when told that corporations would simply form captives if insurers raised commercial insurance prices: "If people want to form captives to write their business at the cheap rates we've been writing it at, good luck to them."

Captives are an alternative to commercial insurance and can be an effective risk financing tool. But, a captive insurer's underwriting must be based on realistic loss projections and its underwriting must generate sufficient premiums to cover losses. Captive insurers no longer can expect reinsurers to protect their bottom lines from the consequences of overly optimistic loss projections.

Today, reinsurers are setting their attachment points higher, meaning captives will have to take hits to earnings, surplus and maybe even capital before calling on their reinsurance.

If commercial insurance prices keep climbing and capacity continues to shrink, we expect to see more corporations seek the captive route. But, they should proceed with caution.

Illustration: Roger Schillerstrom

letters

Medical malpractice coverage needs quality broker

To the editor: The medical malpractice market alert article (*BI*, March 11) was factual and timely. I concur wholeheartedly with its contents and offer two additional points for risk managers' consideration.

Today, the key to any solid hospital professional liability placement is the ability of the broker to design a total program with only quality treaty and facultative insurers for both maximum capacity and financial stability.

In my opinion, a quality insurer must have a minimal Best's rating of A with substantial worth. The "long-tail" malpractice potential forces risk managers to choose only the insurer that will be solvent in 2004. The Best's rating is the insurance industry's indicator for this necessary test of longevity and solvency. The low bidder may not be the "cheapest" after carefully evaluating each insurer's financial stability.

Eighteen months ago, there was no brokerage professionalism necessary to obtain a competitive primary and/or excess hospital professional liability program. Those days are gone. Now it is vital that you "hire" a broker who has a professional track record and has an established reputation in the hospital field with both domestic and foreign insurers and reinsurers. There is no room for more than one broker in today's market, so risk managers should carefully evaluate the brokerage options before anyone is designated to approach the chaotic marketplace.

Lastly, the underwriting data, especially loss experience, has a very important part in obtaining coverage. I caution risk managers to take the time to give accurate and extensive information to their brokers.

Catherine T. Hartlieb
Vp
Alexander & Alexander Inc.
Chicago

Doctors' high fees justify perfect performance

To the editor: After reading the article, "AMA Plan to Cut Malpractice Rates Opposed" (*BI*, March 11), I cannot help but respond to Dr. James E. Davis' comment: "Physicians are held to a standard of care no one else is held to.

"The public expects a perfect result the first time out."

If physicians can charge like they are perfect and project an attitude of godlike perfection, why shouldn't the public expect perfect results the first time out?

Karen A. Deppoliti
Senior Account Representative
Massachusetts Mutual Life Insurance Co.
Springfield, Mass.

Mandated benefits ruling of utmost importance

To the editor: It is understatement to say that the outcome of the Supreme Court deliberations regarding state-mandated benefits is of great importance to employers and insurers (*BI*, March 4).

In Florida, Section 627.641 has been amended to require that children born of covered children will be covered from the moment of birth, and such coverage will continue for 18 months.

That means grandchildren born of unwed children will be covered by up to four different group insurance policies, but only if the parents of the grandchild remain unwed—at least until after the child is born!

How does this come about?

If you have one or more children in college, both mother and father are probably working to pay for it.

Both may have group insurance where they work. *Unmarried* dependent children are covered to age 23—under the Student Rider. The unmarried son must acknowledge paternity but not marry before the child is born to collect on his parents' insurance.

If both parents are covered, that could be 100% coverage. If neither one is covered, it's up to the girl.

The unmarried daughter must not marry in order to collect on her parents' insurance—at least, not until after the child is born. If both her parents are covered, that could be 100% coverage.

If neither unmarried son or daughter is covered under the parents' health plans, they are free to get married before the child is born and won't lose from $2,500 to $250,000. That's what new babies or preemies can cost.

Alton E. Lutz, CLU
Jacksonville, Fla.

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

New CGL forms will spur lawsuits

To the editor: The insurance industry and the buying public are indebted to Charles A. McAlear, chairman of McAlear Associates Inc. of Grand Rapids, Mich., for his excellent article on "Claims-made CGL Form—The Hidden Sword" (*BI*, Feb. 4).

If the "average" insurance person has difficulty interpreting the provisions of the current comprehensive general liability policy, and endorsements, providing occurrence basis liability insurance, how many of them will understand and be able to cope with the claims-made CGL policy that has been proposed by the Insurance Services Office?

We tend to agree with our attorney, who anticipates a substantial increase in bad-faith lawsuits against insurance companies and in errors and omissions claims against insurance producers if the two new ISO proposed CGL policies are put in general use.

Worley Jones
Past President
Independent Insurance Agents of Texas
Worley Jones & Co.
Fort Worth, Texas

business insurance®
Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki *(New York)*

Editor: Kathryn J. McIntyre, *A.R.M. (Chicago)*
Managing Editor: James M. Burcke *(Chicago)*
Deputy Editor: Lorrie Gibson *(Chicago)*
CHICAGO: Alison Kittrell *(Copy Editor)*, Marla Antelis *(Assistant Copy Editor)*, Carol Cain *(Associate Editor)*, Meg Fletcher *(Associate Editor)*, Stephen Tarnoff *(Associate Editor)*, Linda J. Collins *(Agent/Broker Topics Associate Editor)*, Diane Kastiel *(Staff Reporter)*, Marilou Jones *(Directory Editor)*, Holly E. Seguine *(Graphics Editor)*, Amy Palmer *(Graphic Artist)*, Donna DiBlase *(Proofreader)*, Cali Sangalis *(Editorial Assistant)*
LONDON: Stacy Shapiro *(London Editor)*
LOS ANGELES: Robert A. Finlayson *(Bureau Chief)*, Steve Taravella *(Associate Editor)*
NEW YORK: Douglas McLeod *(Bureau Chief)*, Michael Bradford *(Associate Editor)*, Judy Greenwald *(Associate Editor)*
WASHINGTON: Jerry Geisel *(Washington Editor)*
Corporate: Joe Faraci *(Corporate Art Director)*

Advertising Director: Donald A. Walsh *(New York)*
Midwest Sales Manager: Robert L. Niesse *(Chicago)*
CHICAGO: Deborah D. Neale *(District Manager)*, Beverly J. Kluxdal *(District Manager)*, Fran Prybylo *(Production Manager)*
LOS ANGELES: Michael J. Sharpe *(District Manager)*
NEW YORK: Charles A. Horvath *(District Manager)*, Jack Forrest *(District Manager)*, Nancy Ellen Schwartz *(District Manager)*

Director of Communications: Ronnie I. Drachman *(New York)*

EDITORIAL: Chicago: 312-649-5398; London: 01-404-4228; Los Angeles: 213-651-3710; New York: 212-210-0100; Washington: 202-662-7200
ADVERTISING: New York: 212-210-0133; Chicago: 312-649-5276; Los Angeles: 213-651-3710
COMMUNICATIONS: New York: 212-210-0132
CIRCULATION: Chicago: 312-649-5221

Published by Crain Communications Inc., Chicago
G.D. CRAIN JR.
Founder (1885-1973)
MRS. G.D. CRAIN
Chairman
KEITH E. CRAIN
Vice chairman
S.R. BERNSTEIN
Chairman-executive committee
RANCE CRAIN
President
MARY KAY CRAIN
Treasurer
MERRILEE P. CRAIN
Secretary
JAMES M. FRANKLIN
Vp-finance

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 25-4248, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 604207 CRAIN COM NYK; Suite 814, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. $1.50 a copy. $52 a year in U.S. Canada and all other foreign add $16 for surface mail. Europe and Middle East only add $45 for air delivery. First-class mail to U. S. and Canada only, add $48. Bermuda only, $97 per year expedited delivery. WILLIAM STRONG, vp-circulation. ROBERT FIORITO, *circulation manager*. ROGER DiGREGORIO, *fulfillment director*. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 740 Rush St., Chicago, Ill. 60611, or phone 312-649-5221. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.

BPA Member of Business Publications Audit of Circulation ABP

At Fireman's Fund, we're making changes to grow even stronger. Changes in products. Changes in procedures. Changes beneficial to you. That's why we've added a valuable new service, the Fireman's Fund Hot Line. It allows you to share information. Solve problems. Let off a little steam—or tell us about the things we're doing well and how we can make them even better.

Call the Fireman's Fund toll-free Hot Line between 9:00 a.m. and 5:00 p.m. and talk to one of our specialists. Let's help each other be the best.

FIREMAN'S FUND
An American Express company

CALL 1-800-345-4003 WE'LL BOTH BENEFIT.

Bermuda captive managers see growth ahead

Continued from page 4

1981, according to A. Verbena Daniels, Bermuda's registrar of companies.

New incorporations in the first two months of 1985 totaled 13, down from 16 in the first two months of 1984. Four of the 13 are pure captives writing only related risks, four are owned by "large corporations" and will write unrelated business, four others are agency captives and one is a mutual insurer, Ms. Daniels said.

Meanwhile, 19 Bermuda insurance companies are currently in voluntary liquidation proceedings, a process that typically takes about a year, Ms. Daniels said.

An additional 35 companies completed voluntary liquidation in 1984, up from 29 in 1983 and 23 in 1982, she said.

Four additional companies underwent court-ordered liquidation in 1984. These included Staffordshire Reinsurance Co. Ltd., owned by Day Ltd.; Samco Insurance Co. Ltd., owned by Sambo's Restaurants Inc., which is in Chapter 11 bankruptcy proceedings in the United States; Intermark Insurance Co. Ltd., an agency captive; and Oceanus Mutual Underwriting Assn Ltd.

No court-ordered liquidations have been recorded so far in 1985, Ms. Daniels said.

In all, the number of international insurance companies registered in Bermuda stands at 1,246, up from 1,236 a year ago. However, about 84 of these companies are inactive, bringing the total number of active Bermuda insurers to 1,162, according to Ms. Daniels.

Premium volume rises

Although 1984 figures aren't yet available, Bermuda insurers recorded gross premiums of $6.5 billion in 1983, up 5% from $6.2 billion in 1982. Gross premiums amounted to $5.7 billion in 1981.

Net premiums in 1983 totaled $4.7 billion, up 10% from $4.3 billion in 1982. Net premiums in 1981 were $4.0 billion.

Meanwhile, total assets of Bermuda insurers rose 26% to $17.1 billion in 1983 from $13.6 billion in 1982. Total assets in 1981 amounted to $14.8 billion.

Ms. Daniels attributed the increase in assets not only to new incorporations but also to capital infusions to existing companies.

Capital and surplus of Bermuda insurers rose nearly 11% to $8.4 billion in 1983 from $7.6 billion in 1982. In 1981, total capital and surplus stood at $6.6 billion.

The government last year announced a "get tough" policy to force insurers to meet reporting requirements in a timely fashion. According to Ms. Daniels, the government is "looking into" about 25 companies that have missed filing deadlines for 1983 (see story, page 32).

In most cases, these companies are having problems completing their audits, particularly in obtaining confirmations of amounts recoverable from overseas reinsurers, Ms. Daniels said.

Mr. Grayston

"The auditors are being very scrupulous about amounts receivable," she noted, adding that "basically 90%" of Bermuda's insurers have complied with filing deadlines.

Managers look ahead

Last year represented a "period of consolidation for most people," Mr. Grayston said, noting that many captive owners are reassessing their Bermuda operations.

One reason for some of this reassessment is the changed tax picture for captives, which could have a "fairly substantial" impact on the operations of some, he said.

The Internal Revenue Service has prevailed in a number of court decisions in denying tax deductions for premiums paid to captive insurers writing related business, observers point out. And, in a case involving Mobil Oil Corp., the IRS is arguing that writing unrelated risks does not make premiums paid on parent-related risks deductible.

In addition, the Deficit Reduction Act of 1984 redefined the income of captives to limit a parent company's ability to offset the income with excess foreign tax credits (*BI*, July 2, 1984).

These changes probably aren't enough by themselves to close any captives, observers say.

"The ones that have their captives have gotten used to them and will continue to use them" despite changes in the tax law, said Robert C. Whiting, managing director of Pinehurst.

However, the combination of poor experience on unrelated business, dwindling investment income

Continued on next page

WE'RE SERIOUS ABOUT YOUR BUSINESS.

A model environment can be controlled. A model environment can be contained. A model environment is stable, with no surprises. Simply flick the switch, watch it run.

But you can't flick a switch any longer and nothing is automatic. Today's market is chaotic. Costs have risen dramatically while coverages and capacities are severely diminished.

We've been through this kind of market before.

We've responded to this kind of market before, and we'll respond again...always in the best interests of our clients.

Continued from previous page
and the near disappearance of tax benefits is prompting some parent companies to abandon captives, said Warren D. Sproule, president and managing director of James (Bermuda) Ltd.

In some cases, "the parent says, 'We have enough problems with our main business to have our attention diverted by a single-parent captive,'" Mr. Sproule observed, adding that one "conglomerate" whose captive was managed by James has made such a decision.

Other captives that are hurt by the loss of tax benefits may simply change the way they operate, managers say. Mr. Grayston said one of his U.S.-based clients is looking into the possible tax benefits of shifting ownership of its captive to its foreign-based parent company or a foreign-based affiliate.

Managers also expect tax considerations to fuel interest in group-owned captives, where premium payments may be tax-deductible.

Some managers suggest the loss of tax benefits—particularly the denial of deductions for single-owner captive premiums—isn't a wholly bad thing.

"With the tax-deductibility issue being put to bed, in many ways we are back to where we were in the mid-1970s," observed William D. Scaff, managing director of Alexander International Ltd., the management arm of Alexander & Alexander Services Inc.

"Decisions on captives will be made more from a risk management orientation than for tax reasons," he said.

He added that if the government wins the Mobil case, few single-owner captives will be markets for non-related risks.

"I do not believe that many companies that have captives down here want to be in the insurance business," he observed.

"Any risk manager that goes into writing unrelated risks now is crazy," added one captive manager who asked not to be named.

Effect of tightening market

Managers are hoping the tightening property/casualty insurance markets in the United States will spur growth in the use of existing captives for certain lines as well as in the formation of new captives.

Mr. Scaff

Many captive owners are considering placing difficult-to-place casualty risks, like product liability, with their captives, said Steven P. Tiberg, president of Risk Management Inc., a Los Angeles-based affiliate of Pinehurst.

One of Pinehurst's clients has placed an environmental impairment liability program with its captive, added Mr. Whiting. The captive writes limits of $1 million per occurrence and $5 million annual aggregate, he said.

"The interest by clients and potential clients has shown a marked increase" in the last six to nine months, said Alan E. Chilvers, group vp of International Risk Management, an affiliate of The Reiss Organization.

Some managers see the hard market having the greatest impact on associations and trade groups that had thought about forming captives but held off while cheap commercial insurance was available.

"With rates going as high as they are, you will have members of groups saying, 'Hey, let's go ahead and do what we had planned to do and didn't,'" observed Garry A. Madeiros, vp and treasurer of INA Bermuda Cos., a CIGNA Corp. affiliate.

Mr. Madeiros

"Our target market is associations," said Mr. Sproule, noting that companies that have not joined trade groups are considering it now because of the potential savings on insurance coverage. "Their renewal quotes are knocking their socks off and they're giving it another look," he said.

Most managers, though, add that the hardening market has not yet translated into commitments to form new captives and several are cautious about the prospects for growth, noting the shortages of fronting and excess reinsurance capacity.

"We aren't jumping up and down rubbing our hands, but there has been more interest," said Dennis J. Higginbottom, vp and director of captive operations for American International Co. Ltd., a captive management unit of American International Group Inc.

Managers report little growth

But growth was not the byword for 1984, a year in which most of the top 10 captive managers saw little expansion of their client lists or associated premium volume.

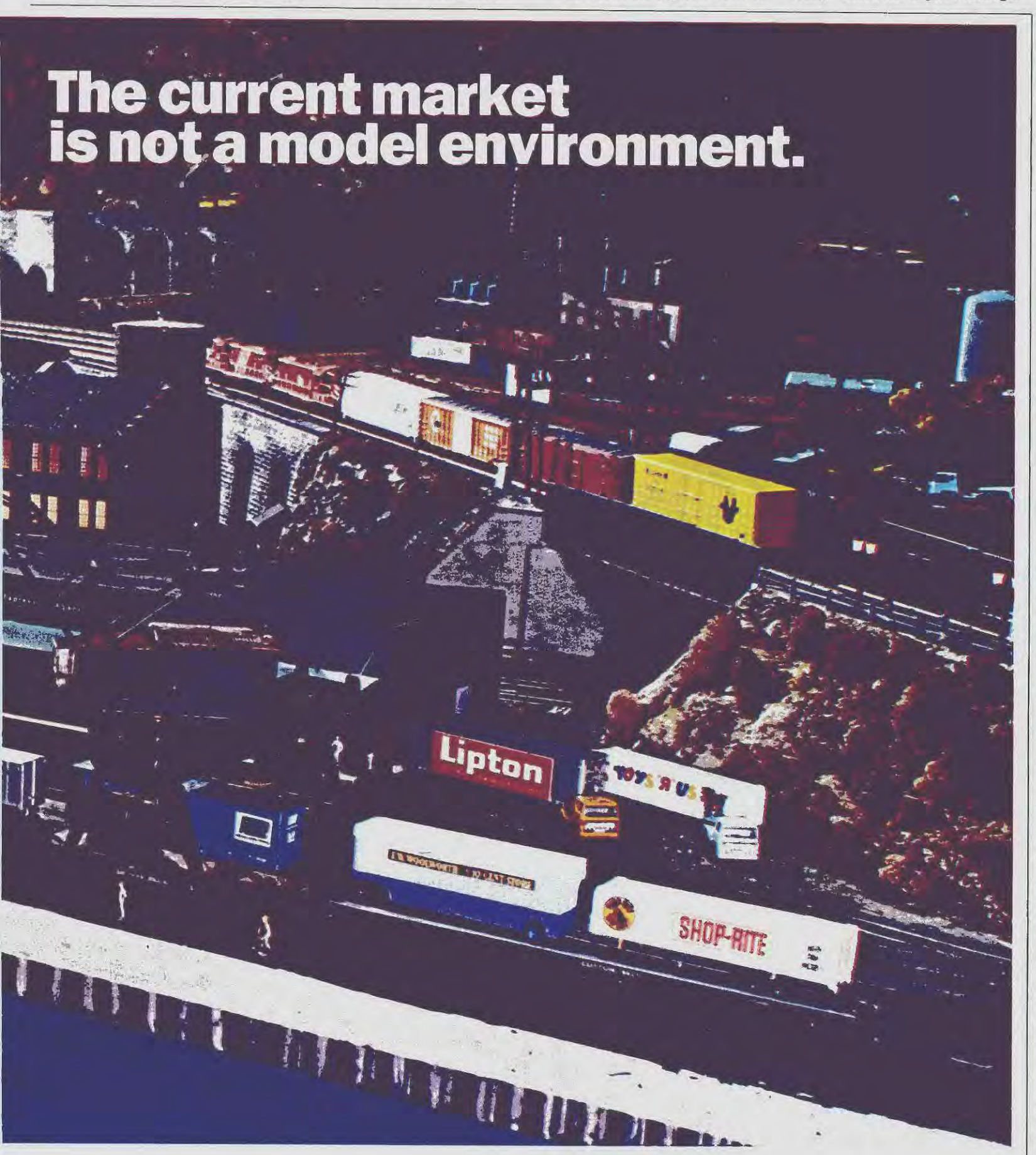
However, J&H Ltd., an affiliate of Johnson & Higgins, reported enough growth to overtake International Risk Management as Bermuda's largest captive manager on the basis of premium volume.

J&H reported gross premiums of $651 million in 1984 from 135 clients.

J&H saw 13 new incorporations last year—none association captives—but lost several clients, according to Brian R. Hall, president and chief operating officer.

One client had two captives that were merged; several others switched domiciles to

Continued on next page



We can't promise to reduce costs. Nobody in this market can. But we have the vision and experience to contain a client's costs and cost containment is most essential in this market. We have the foresight and knowledge to place clients with carriers who will be around for the long haul...carriers who will be there to settle claims, not just sell policies.

We offer innovative solutions to problems and innovative programs to clients. We offer direct access to our key personnel, the people who design your programs and handle your problems. We offer our own stability to help stabilize your insurance program.

Perhaps these offers aren't unique. After all, there are plenty of brokerage firms for you to speak with, some larger, most smaller, and perhaps you've heard these offers before. Speak with us anyway. We'll listen. We'll advise. We'll put all our resources at your disposal. Because what we're really offering is service. And that's unique.

BRI COVERAGE CORP.
We'll help you run in the current market.
156 William Street, New York, N.Y. 10038 212-233-7171 800-221-5080

Bermuda captives

Continued from previous page

Guernsey, the Isle of Man and the Cayman Islands; others changed managers after parent-company mergers; and one, Samco, was placed in involuntary liquidation.

Mr. Hall

In 1983, J&H amended its charter to allow it to provide asset management and other financial management services to non-insurance companies. While J&H's Virgin Islands subsidiary is now managing 20 foreign sales corporations, the Bermuda financial services operation hasn't yet gotten off the ground, according to Mr. Hall.

He added that as captives mature and look for new ways to manage captive-generated funds, this sector of J&H's operation may grow.

J&H is now considering a scheme to improve the short-term yield on captives' invested assets by pooling the assets of several captives and turning them over to an investment manager, Mr. Hall said. He said he hopes to see 25 clients participate in such a program.

Last month, J&H made several management changes following the departure of Vp Andrew Carr to become Executive Vp at M&M (Bermuda). Mr. Carr's duties at J&H will be divided between Roger Gillett, former vp of J&H Intermediaries Ltd., who has been named vp-technical services; and Philip N. Simpson, who has been named vp-administration.

Peter McKenzie has been hired from Arthur J. Gallagher & Co. Inc. to succeed Mr. Gillett as vp in charge of H&H Intermediaries.

International Risk Management reported having 72 captives under management with a premium volume of $600 million, unchanged from a year earlier.

Now the second-largest manager on Bermuda, IRM lost "one or two" clients last year—one when a parent decided to merge two captives into one—but gained one or two others, Mr. Chilvers explained.

He added that captives still writing unrelated risks outside the Hopewell International Insurance Ltd. pool are now tending to scale back on this business.

"I can't say their experience has been unduly terrific," he noted.

Business at Parker & Co. Interocean Ltd., the management unit of Frank B. Hall (Bermuda) was "quiet" last year, with the manager retaining its stable of 55 clients and premium volume of about $450 million, Mr. Hunt said.

About four of the 55 clients are association captives, and Mr. Hunt said that the premium volume of these captives has been increasing slowly and will probably continue to do so.

M&M (Bermuda) Ltd.'s client total dropped to 78 this year from about 80 the year before. One of these losses was due to a merger of two captives owned by the same parent, according to President Basil M. Pimm.

M&M had an estimated premium volume of $300 million in 1984.

Only two of M&M's captives are still writing unrelated risks, and they have decided not to accept any new third-party business, Mr. Pimm said.

Rollins Burdick Hunter (Bermuda) Ltd., an affiliate of broker Rollins Burdick Hunter Co., was among the few managers to report any growth last year, jumping to the No. 5 spot among the island's top managers from No. 7 last year based on premium volume.

RBH's Bermuda client list grew to 30 from 25 last year, and premium volume ballooned to $222 million from $150 million.

RBH incorporated eight new multiowner captives last year, all of which reinsure auto risks written by Globe Life Insurance Co. and Virginia Surety Co. Inc.—both units of RBH's parent, Combined International Corp.—and all of whose shareholders produce business for the two insurers, according to John J. Lorhan, the manager's president.

One new single-parent captive was incorporated last year, but less than half of RBH's clients are single-parent captives, Mr. Lorhan said. The rest are all multiowner entities reinsuring Globe and Virginia auto risks, he said.

The remainder of RBH's growth last year came from acquiring clients from other Bermuda managers when their parent companies switched to RBH as a broker in the United States, Mr. Lorhan said.

He added that RBH is now putting together a captive for a construction contractors' association that will produce $100 million in annual premiums. Mr. Lorhan said he hopes to have the captive, which has already been capitalized, operating by the end of June.

Alexander International Ltd. reported little growth in its operation last year, but that could change if the proposed merger of parent Alexander & Alexander Services Inc. and Reed Stenhouse Cos. Ltd. is completed (*BI*, April 8).

Alexander International has 65 captives and an estimated $220 million in premium volume under management, while Insurance Managers Ltd., the Reed Stenhouse captive management unit, has 53 captives and a volume of about $130 million.

Combined, the two operations would become the fourth-largest captive manager in Bermuda. Alexander International is currently the sixth-largest.

Mr. Scaff and David A. Brown, president of Insurance Managers, say they have discussed how a physical merger of their operations could be accomplished.

"The two managements are reviewing their structure and making an assessment of what is to be gained by merging the two operations," Mr. Scaff said.

While most of Alexander International's captive business comes from the United States, one-third of Insurance Managers' business comes from the United States., one-third from Canada and one-third from Britain, Mr. Brown said.

James (Bermuda) has maintained its stable of 45 clients and estimated volume of $200 million. Although some clients have "departed" in the last year, James picked up two new captives, one a single-parent captive writing workers compensation and the other an association captive, according to Mr. Sproule.

Included among the 45 are "a couple" captives that are running off their books and one association program that has been "on hold" for a year, he added.

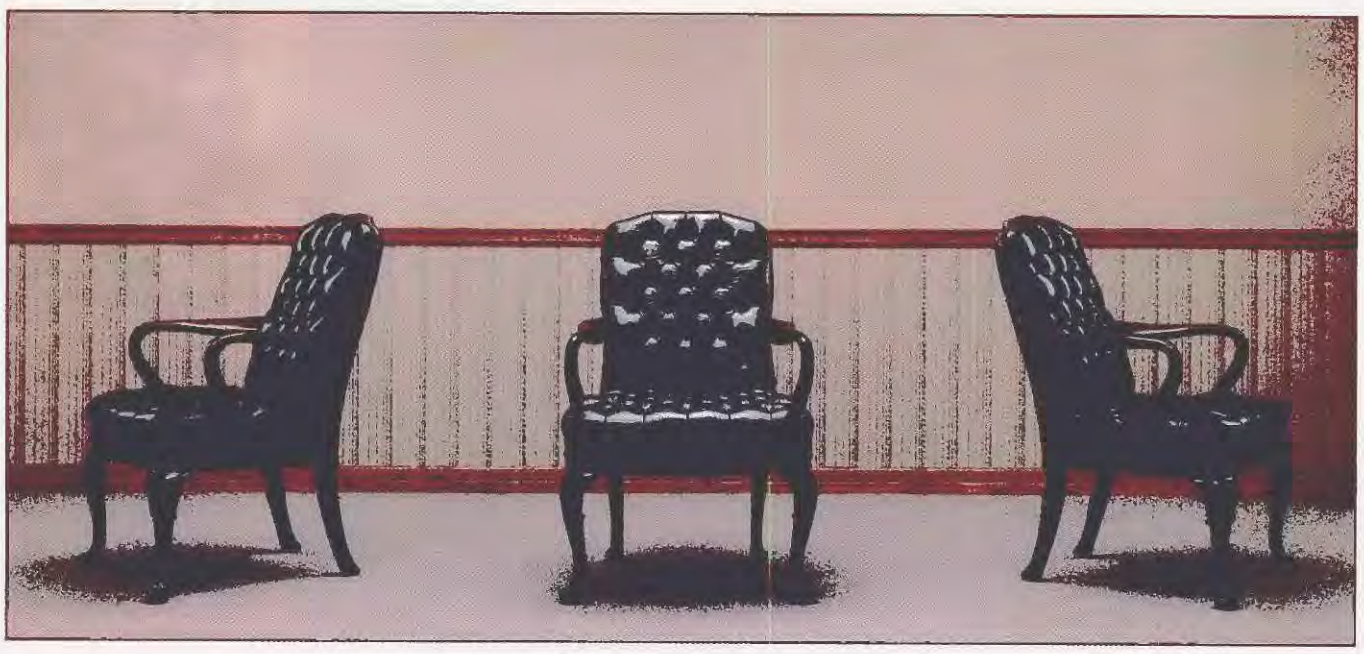
Associations, from which James expects much new growth, account for 14 of its current 45 clients, Mr. Sproule said. Another four clients are fully fledged insurance companies that write more than 50% unrelated risks.

Several other James-managed captives write "selected" unrelated business that accounts for 20% to 50% of their total books, Mr. Sproule said.

While 1984 started with a bang for Pinehurst—the manager picked up about six new clients in the first few months—1985 has been slower so far, according to Mr. Whiting.

Pinehurst, a unit of broker Emett & Chandler Cos. Inc., has added one new association client since the beginning of the year, he said. About half of Pinehurst's 56 captives are single-parent entities and

Continued on page 12



As an objective third party, it has always been our job to assist the claim person in concluding difficult cases. Our expertise in structuring settlements is unparalleled. As is our ability to provide unique on-the-spot alternative plans or programs. In fact, over 98% of the cases we are brought in on get resolved without going to trial.

Galaher Settlements. The third chair.

At Galaher, we believe we deserve being called the "Third Chair" because no one has more experience at bringing the two parties together.

B14

GALAHER SETTLEMENTS
GOOD SERVICE

Write today for a free brochure or call (714) 625-2305.
Or outside CA, AK, HI call (800) 426-0385.
Galaher Settlements, 250 W. First St., Suite 252, Claremont, CA 91711
With offices in major cities throughout the U.S.

Name_____

Firm_____

Address_____

City_____ State_____ Zip_____

These Fortune-Listed Companies

American Stores Company • Black & Decker
ChemLawn Corporation • Chrysler Corporation
Crown Central Petroleum Corporation • The Deltona Corporation
Flint Industries, Inc. • Genesco Inc. • Laidlaw Industries, Inc.
Safeway Stores, Incorporated • Sargent Electric Company
Savin Corporation • Warner Communications Inc.

Have Something Very Important In Common:

They are taking advantage of the newly formed Home Group Special Risks division—which provides conventional and cash flow insurance programs plus loss control, claims administration, and actuarial analysis services for large commercial risks. What they and their brokers get in the bargain is a flexible one-stop solution to their complex casualty needs.

Here are some of the reasons why this innovative approach is working so well:

REASON I

We allocated a separate company—City Insurance Company—within The Home to handle this important and growing segment of our business, which services companies whose annual premium is over $300,000.

REASON II

Home Group Special Risks has a nationwide team of specialists in over 50 major cities in the United States. We have the skill and technology to develop programs that are individually tailored to meet your clients' needs.

REASON III

We offer The Home's Loss Control Department—with more than 260 safety consultants available all over the country—to assist in identifying problem areas and developing safety programs that help to control, reduce, and eliminate loss. And, through Scott Wetzel Services, Inc., we are also equipped to provide statistical analyses that are custom-designed to give your client monthly or quarterly loss data reports.

REASON IV

We are dedicated to providing superior claims services through more than 100 claims handling facilities across the United States and Canada. Through our modern computer capabilities, we also have a Claims Information Network that can provide immediate access to all pertinent claims data.

Now you can obtain the services and coverages needed for the large commercial account from *one* source—Home Group Special Risks. The benefit can be either more coverage for the same cost or the same coverage for less cost.

Find out more about Home Group Special Risks capabilities by sending in the coupon below.

I'm interested in learning more about Home Group Special Risks.
Please send a background brochure to:

Name _____

Firm _____

Address _____

_____

City _____

State _____ Zip _____

Telephone No. _____

Mail to: Marketing Department, 3rd Floor,
The Home Insurance Company
59 Maiden Lane, New York, N.Y. 10038

BI

THE HOME INSURANCE COMPANY

A City Investing Company

HOME 1853

59 MAIDEN LANE, NEW YORK, NY 10038

Bermuda captives

Continued from page 10
half are associations.

Pinehurst reported a 1984 premium volume of $180 million.

Two Pinehurst-managed captives were liquidated last year, one after remaining dormant for 10 years and the other because it was merged into another captive owned by the same parent, Mr. Whiting said.

Altamid Management Co., a subsidiary of Hanna Mining Co., doubled its client list to 32 last year, partially through the addition of about a dozen captives formerly managed by Armco Insurance Group's Bermuda management subsidiary, which closed its doors in 1984.

Altamid also saw an increase of between 30% and 40% in captive assets managed by one of its subsidiaries, Altamid Financial Services, according to Richard K. Ausbrook, who took over as Altamid chairman for Duane E. Allen last year.

However, several of the former Armco captives Altamid intended to pick up went instead to Polaris International Insurance Managers (Bermuda) Ltd., a unit of Polaris International Inc., where Clive W. Himsworth, former Armco general manager, is president.

With the increase in captive clients, premium volume of Altamid-managed captives grew to $150 million last year, according to Richard S. Thompson, Altamid's vice chairman.

Altamid also manages two risk-sharing pools, Captive Insurance & Reinsurance Co. Ltd. and the Risk Exchange Assn.

American International Co., in addition to managing 25 captives with $130 million in written premiums, provides fronting services through the American International Group Inc.'s network of insurers for about 68 companies, including 10 of the captives it manages, according to Mr. Higginbottom.

About 80% of the company's revenue is derived from the fronting operations and the remaining 20% from captive management services, he reported.

Premium volume from foreign fronting programs dropped from about $100 million to $90 million last year because the strength of the dollar, Mr. Higginbottom said.

He added that the captive management business was "pretty quiet" last year and that premium volume probably will not increase this year.

Management fees

Along with generally slow growth, most managers report that their hourly rates for captive management services have not exceeded Bermuda's 1984 inflation rate of 5.1%.

Some—including Continental Risk Services Ltd.—reported no rate increases.

The actual fees charged to captives varied, however, depending on the amount of amount of work the client demanded, managers noted.

Mr. Vaughan

Fees charged one of Altamid's captives, for example, rose 100% because the captive's business increased, Mr. Ausbrook said, while fees charged one of Pinehurst's companies dropped 40% because of declining business, according to Mr. Whiting.

Managers also say that captive clients are spending more time looking for the best management services for their money.

"I see clients doing a lot more shopping around for management services. We had seen some of it in 1983, but we are seeing more of it," said David B. Vaughan, president of Continental Risk Services.

Mr. Vaughan added that the quality of service may be more important to clients than differences in fees, and that the shopping therefore hasn't had much impact on fees.

"If you give a client good service, he doesn't mind paying the price. When the client gets dissatisfied, he isn't getting the services for the fee he is paying," Mr. Vaughan observed.

Mr. Scaff of Alexander International added that he expects to see more captives changing management this year.

These changes will be prompted by "a combination of clients looking at value for service and to some degree the larger, more-efficient operations being able to be more price competitive," Mr. Scaff said.

One development of the last year made life a little easier for managers: The Insurance Act was amended to define the responsibilities of a captive's "principal representative" in Bermuda.

Managers now have a legal duty to report to the government events that threaten a captive's solvency.

The managers themselves had a hand in preparing the final version of the amendment, and most say they are pleased at its adoption. Without the amendment, they note, managers would be reluctant to report financially weak clients to regulators.

"If you went to the government under the previous situation, you were liable to be sued by your own client," said Mr. Brown of Insurance Managers, also a former president of the Bermuda Insurance Management Assn.

Previously, managers were "really paralyzed" to do anything about a company in financial trouble unless the government stepped in of its own accord, he noted.

"Now we have a mandate," he observed. ■

New law firm seeks business

HAMILTON, Bermuda—There's new competition for the two law firms that have dominated the international insurance field in Bermuda.

O.A. Smith's is a new law firm in Bermuda founded by two attorneys to specialize in corporate, insurance, reinsurance and insolvency law.

The firm is taking on the well-known firms of Appleby, Spurling & Kempe and Conyers Dill & Pearman, which have served most of the legal services' needs of insurance and reinsurance companies in Bermuda.

Orlando A. Smith, a Bermudian, worked in the Bermuda government's Registrar of Companies Office from 1977-1980. He is now a member of the bars of Bermuda; Ontario, Canada; and Georgia in the United States.

John Milligan-Whyte, a Canadian married to a Bermudian, is a member of the bar of Ontario and a consultant to the firm. Mr. Milligan-Whyte specializes in reinsurance contracts.

Separately, a new consulting firm, Optimum Risk Research (Bermuda) Ltd., has been founded by Francoise Gelot to advise captives and commercial reinsurers on business strategies.

Mrs. Gelot has worked in the reinsurance business since 1969, primarily with INA.

What Group Administration is improved

THE EXAMINER™ and THE CASE WRITER™ are trademarks of Informatics General Corporation. GROUP-COMM®, THE CLAIM RECEIVER® and Informatics® are registered trademarks of Informatics General Corporation. © 1985 Informatics General Corporation.

Changes seen for rent-a-captives, pools

By DOUGLAS McLEOD

HAMILTON, Bermuda—If 1985 is a year of change for the captive industry, some of the biggest changes may be felt by rent-a-captive facilities and risk-sharing pools.

Rent-a-captive managers are hoping the rising tide of property/casualty rate hikes and the decreasing benefits of single-parent captives will lift their business.

Several rent-a-captives reported substantial growth in 1984, and some expect equal growth this year.

However, rent-a-captive facilities face two looming problems: a continuing withdrawal of fronting services by U.S. admitted insurers and a lack of aggregate stop-loss reinsurance (see story, page 28).

These problems have already eaten into the business of some rent-a-captives and in one case—that of Erieview Insurance Co., owned by Hanna Mining Co.—forced the facility to shut down completely.

The lack of fronting capacity is especially acute for association programs, and some rent-a-captive managers are seeking single-company programs—including some now placed with single-parent captives—as new business.

Meanwhile, the various Bermuda risk-sharing pools reported mixed results, some showing continuing steady growth in 1984 while others showed declines.

One pool—CAPTOR, set up by J&H Ltd. last year—still hasn't gotten off the ground, mainly because of uncertainties over the tax benefits to participants in the pool.

bermuda

Erieview, which still writes Hanna-related risks, put together a rent-a-captive facility in July 1983 after acquiring two-thirds of Eagle Reinsurance Co. Ltd., a Bermuda subsidiary of Western Employers Insurance Co.

The rent-a-captive facility was writing six association programs when Western Employers, which fronted for all six, announced last fall it would no longer provide fronting services, says Richard S. Thompson, vice chairman of Altamid Management Co., a Hanna subsidiary that manages Erieview.

Erieview has since sold its interest in Eagle Reinsurance back to Western Employers and is planning to establish another rent-a-captive facility, he said.

To avoid further fronting problems, Hanna may buy an admitted U.S. insurer to act as a front. "If you can think of another way of doing it, let me know," he said.

Other rent-a-captive managers report problems with both fronting insurers and aggregate stop-loss reinsurers.

"It was a lot easier to put these deals together a year or a year and a half ago," observed Hal Forkush, president of Atlantic Security Ltd., which is owned by and, in turn, manages Universal Reinsurance Ltd., a privately held rent-a-captive facility.

Universal now writes six programs, down from 10 a year ago.

"We lost four programs that we basically could not find any aggregate stop-loss for," he said, adding these programs are now insured in commercial markets.

Because it picked up one large program last year, however, Universal's gross premium volume jumped to about $10 million in 1984 from $3 million the year before, Mr. Forkush said.

Some fronting insurers and reinsurers are especially reluctant to handle association rent-a-captive programs, preferring to participate in association business that is placed in a stand-alone association captive rather than a rent-a-captive, he added.

Although fronting companies and reinsurers could require an association to back up elements of its rent-a-captive program with letters of credit, some feel there is a "greater commitment" by association members to a fully capitalized association captive, he explained.

While these problems could hinder the growth of rent-a-captive programs, there are also forces encouraging their formation.

"The other side of the coin," as Mr. Forkush pointed out, is the tightening property/casualty market and its accompanying "exponential increases in rates."

The hardening market has already spurred new interest in rent-a-captive programs from groups that bypassed them when cheap insurance was available.

Atlantic Security has had three inquiries about association captives in the last three weeks, he said. "I'm working on a medical malpractice situation now where they simply cannot buy the coverage."

Aneco Mutual Ltd.'s IPC rent-a-captive facility has seen a similar increase in inquiries.

"The volume of business we are being asked to look at has increased dramatically in 1985," said Vp Robert A. Mulderig. He added that while Aneco used to spend a lot of time drumming up business, it now spends that time trying to sift the best programs from the business submitted to it.

The IPC program had 78 participants in 1984, up from 50 in 1983, and annualized premium volume jumped to $68 million last year from $35 million the year before, Mr. Mulderig said.

Most of last year's growth was from association programs, although the bulk of Aneco Mutual's business—both in numbers of programs and premium volume—comes from single-insured programs, he said.

Mr. Mulderig added that Aneco Mutual may show as large an increase in premium volume this year, though he acknowledged the fronting and reinsurance problems.

"We are seeing a lot more business coming through the front door, but it's getting harder and harder to put programs together," he said, adding that Aneco is "having a great deal of difficulty" replacing fronting insurers on several programs that renewed April 1.

Agency rent-a-captive programs, which reinsure risks from agents' books, will be the toughest to find fronting and reinsurance support for, he added.

Trenwick Guaranty Insurance Co.—about half of whose rent-a-captive programs cover groups—is now interested in only single-insured programs, preferably workers comp programs with at least $2 million in annual premiums, said Mark W. Hinkley, executive vp of Trenwick Reinsurance Group.

Single-insured programs are

Continued on next page

needs coordination.

Welcome GROUP-COMM® from Informatics. The comprehensive, fully integrated software system your employees can master in just two weeks.

With the amount of paper that moves through your office, your group is in danger of losing its grip.

And trying to coordinate separate departments with different systems can only cause greater confusion. You get conflicting information. Late billing. And other costly mistakes.

What your administration needs is a new level of timing, coordination and teamwork.

That's GROUP-COMM from Informatics.

GROUP-COMM. The synchronized solution.

GROUP-COMM is an administrative software system designed to help insurance companies administer a full range of group life and health products. GROUP-COMM produces premium bills, pays commissions and handles collections and accounting. Simply. Accurately. Efficiently. All in one integrated system.

And that's just the start.

In fact, you can't find a more comprehensive solution to group administration. Because GROUP-COMM'S extensive integrated database automates and consolidates *all* daily operations of your business, including new business, contract administration, reinsurance and reports.

Result?

Up-to-date, consistent information across all lines of coverage. Reduced paperwork. And greatly improved productivity.

Power & flexibility for further control.

Complete integration isn't the only special GROUP-COMM productivity feature.

GROUP-COMM's powerful on-line inquiry delivers accurate information fast to every department from customer service to clerical.

Extensive editing capabilities act as a safety net, catching user errors before they enter the database.

Then there's our comprehensive Rates, Tables and Variables subsystem. It lets users with no programming knowledge select from a series of screens to define coverages, financial controls and re-insurance processing.

It even lets users define the terms for multi-company processing.

For even greater control of group administration, GROUP-COMM can interface with these other important Informatics capabilities:

- THE EXAMINER.™ The first claims adjudication system with single screen entry and automatic eligibility verification. Links with GROUP-COMM for loss/ratio calculation, too.
- THE CLAIM RECEIVER.® The fast, exclusive electronic claims link to NEIC.
- THE CASE WRITER.™ The group underwriting/proposal system that lets your sales representatives illustrate benefit plans on the spot.

GROUP-COMM is a proven performer in both large and small companies across the U.S.A.

The greatest of ease.

GROUP-COMM operates with the greatest of ease, right from the very start.

It can be up and running in less than a week, with little technical support from your DP department. And because GROUP-COMM speaks in plain English and is remarkably easy to learn, users can be fully productive in just two weeks!

The fact is, GROUP-COMM makes things easy all the way down the line. GROUP-COMM was developed as a joint project between Informatics and an independent user group. This group is still active today, providing swift, strong support and system enhancements exclusively for you.

Informatics. Proven in action.

GROUP-COMM is already a smooth performer for third party administrators and insurance companies across the U.S.A.

All completely installed and fully integrated by the pioneer in group administration and claims. And backed by the fourth largest independent computer software and services corporation worldwide.

For more information on GROUP-COMM, call Informatics' Director of Sales & Marketing at (214) 235-2901 or write to Informatics General Corporation, 9441 LBJ Freeway, Dallas, TX 75243.

Find out how easy it is for your group to stay on top.

SEE US AT RIMS BOOTH 810

informatics general corporation®

Special businesses need special solutions.

Rent-a-captives

Continued from previous page
having less trouble lining up fronting and reinsurance because their results are more predictable and because a retrospective rating element can be built into these programs that cannot be included in association or agency programs, added Assistant Vp John Gray.

TGIC has already seen an increase in business from corporations that were previously insured on a guaranteed-cost or paid-loss retrospectively rated basis by commercial markets, Mr. Gray said.

He added TGIC has had inquiries from owners of single-parent captives about putting their programs into a rent-a-captive instead.

The loss of tax benefits for single-parent captive owners—notably denials of deductions for premiums paid to a single-owner captive—is one motivation for such a move, Mr. Gray said.

TGIC wrote 23 rent-a-captive programs last year, up from about 14 in 1983, according to Mr. Hinkley. Premium volume increased to $46.5 million in 1984 from $23.5 million the year before, he said.

Premium volume will be unchanged in 1985 and may decline, Mr. Hinkley added. One of the programs added last year produced $15 million in volume but will not be renewed, and TGIC is looking to replace some of its multiple-insured programs with single-insureds, he noted.

Other rent-a-captive facilities include:

- Service Insurance Co. Ltd. and Vista Life Insurance Co. Ltd., two rent-a-captives incorporated in Bermuda and capitalized by J&H Ltd. last year. Service Insurance Co. writes property programs while Vista writes employee benefits-related coverages, according to Brian R. Hall, president and chief operating officer of J&H Ltd.

Each facility now has about five policyholders, he said.

- Shamrock Insurance Co., a subsidiary of Ivanhoe International Ltd. The number of participants in Shamrock rose in 1984 to seven from three in 1983, according to Ivanhoe Vp-Finance Peter Thrower. Premium volume figures for the company aren't yet available, Mr. Thrower said.
- Hemisphere Marine & General Insurance Co. Ltd., managed by Alexander International Ltd. William D. Scaff, Alexander's managing director, would not provide details of its operations.
- Hurst Holme Insurance Co., formed in 1983 and managed by H&H Group. Hurst Holme has not yet written any rent-a-captive programs, but is pursuing three possible clients now, says Simon Everett, president of H&H Management Services Ltd.
- Old Dominion Insurance Co., a unit of Combined International Corp. managed by Rollins Burdick Hunter (Bermuda) Ltd. Old Dominion, which has been dormant for a few years, is running off its old book of commercial business and will return as a rent-a-captive, said John J. Lorhan, president of RBH (Bermuda).

Although RBH is talking to potential clients, none has yet placed any business with it, he said.

Meanwhile, Bermuda's risk-sharing pools reported mixed results for 1984.

The Risk Exchange Assn., managed by Altamid Management Co., completed its first year of operation in 1984, writing 17 risks that produced $1 million in premiums, according to Robert J. Rosser, assistant vp of Hudson Underwriting Ltd. and manager of underwriting services for the exchange.

The exchange, which reinsures members' property, casualty and marine risks, had hoped to add six new members in 1984 to its original roster of 17. It finished the year with the same total of 17 members, though, having lost Mead Reinsurance Co. and added American Risk Transfer Insurance Co. Ltd.

With its current membership, the exchange offers capacity of $2.25 million on property risks, $1 million on casualty risks and $1.58 million on marine risks.

Mr. Rosser said he hopes to bring in eight new members this year, adding that he expects business to pick up in 1985, mainly because of tightening in commercial property/casualty markets.

Seventeen risks have already been submitted so far this year—three new risks and the rest renewals—and the exchange projects total premium volume of $7.7 million for 1985, Mr. Rosser said.

Another Altamid-managed pool, Captive Insurance & Reinsurance Co. Ltd., showed improved results for its 15 members last year, but premium volume declined.

CIRCL booked gross premiums of $22.7 million—$14.3 million in its primary casualty program and $8.4 million in its first excess casualty program—compared with gross premiums of $33 million in 1983.

The decline in volume was due in part to a reduction in the participation of Lakeside Insurance Ltd., Minnesota Mining & Manufacturing Co.'s captive, in CIRCL's primary casualty program.

Net underwriting income amounted to $202,000 last year, compared with a net loss of $4.56 million in 1983. Net operating income was $351,000 last year, compared with a net loss of $4.51 million in 1983.

The 1983 losses were due mainly to an increase in reserves for dioxin-related liability claims of member Charter Oil Co., according to Altamid's Mr. Thompson.

Other Bermuda risk-sharing pools include:

- Hopewell International Insurance Ltd., managed by International Risk Management Ltd., a Reiss Organization unit, and owned by 33 captives managed by IRM.

Hopewell's gross earned premium for the 1983-84 underwriting year totaled $85.6 million. Gross premiums for the 1982-83 underwriting year were $119.1 million; however, that underwriting year spanned 18 months. Net income for 1983-84 was $3.3 million, vs. $4.7 million in 1982-83.

- First Island Reinsurance Assn., managed by J&H Ltd., which reinsures the first $25,000 per occurrence of members' U.S. workers comp and casualty risks.

First Island, which maintained its roster of 10 members last year, booked premiums of $59.8 million for the 1983-84 underwriting year, up from $54.9 million in 1982-83.

Paid and outstanding losses, management fees and expenses totaled $52.9 million in 1983-84, producing net underwriting income of nearly $7 million.

Meanwhile, another pool designed to mesh with First Island has not yet gotten started, J&H's Mr. Hall said.

CAPTOR—which stands for Captive Pooling Through Outward Reinsurance—was intended to provide reinsurance of up to $1 million per occurrence on workers comp and casualty business, attaching excess of $25,000 per occurrence.

The program needed at least three participants to start operating, but the participants couldn't be found, Mr. Hall said.

Some potential members had put off a decision while Congress was considering the Deficit Reduction Act of 1984, fearing that the act would specifically bar deductions of premiums paid to single-owner captives, a worry captives have tried to get around by assuming risks unrelated to the parent.

While DEFRA didn't decide this question, "some of that uncertainty still exists," Mr. Hall noted. ■

EX'CEL·LENCE

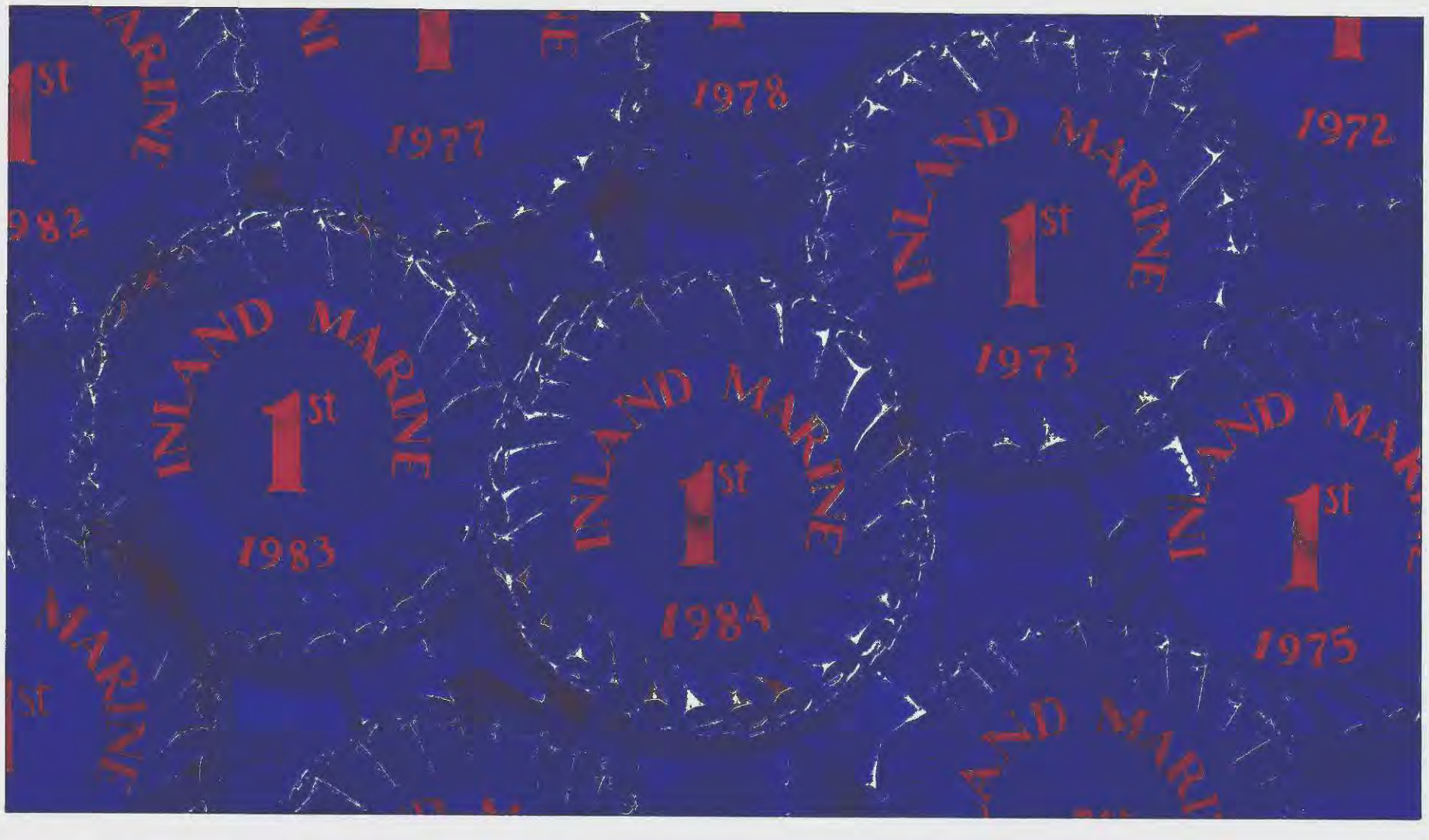
~WE HAVEN'T REDEFINED THE WORD, BUT WE HAVE REVIVED ITS MEANING.

Contact Bayly, Martin & Fay and let us prove our commitment to excellence.

Insurance Brokerage Worldwide

BMF
Bayly, Martin & Fay International, Inc.

CORPORATE HEADQUARTERS
201 Main Street / Fort Worth, Texas 76102 / (817) 335-2048 / TELEX: 735-029



BROKERS' ATTITUDES ABOUT OUR UNDERWRITING HAVE KEPT US IN OUR PLACE.

For the 13th year in a row, Best's has named AIG Number One in Inland Marine insurance in America.

Why is it that so many brokers continue to bring us their inland marine business and keep us in first place year after year?

Basically, it's because they feel our underwriting philosophy strengthens *their* place in the market, too.

For example, brokers appreciate the way our underwriters look carefully at each account and then design a policy specifically suited to that client's needs.

In fact, we don't believe there's any such thing as a "standard" risk. Instead, we believe every risk can be better served by a creative underwriting approach.

Brokers also like the fact that our underwriters still emphasize long-term financial stability and strength over the short-term "benefit" of price.

In contrast, many of our competitors have lowered their underwriting standards in the interest of immediate cash flow—and now they're being forced to re-evaluate their positions in the market. Which is raising a lot of questions among their brokers and insureds.

Finally, brokers approve of the way we work with them to provide clients with quality service. Together with most brokers, we think it's important to give clients the attention they need, no matter how long it takes, instead of rushing through things in the pursuit of high sales volume.

With these kinds of unwavering underwriting standards, it's no wonder more and more brokers prefer to bring their inland marine business to us every year.

That's why, whatever the competition decides, we'll continue to remain true to our tried and proven underwriting standards.

And we'll hope the majority of brokers will, too.

For more information about Inland Marine Insurance from The AIG Companies, write Dept. A, American International Group, 70 Pine Street, New York, N.Y. 10270

NAME/TITLE

COMPANY

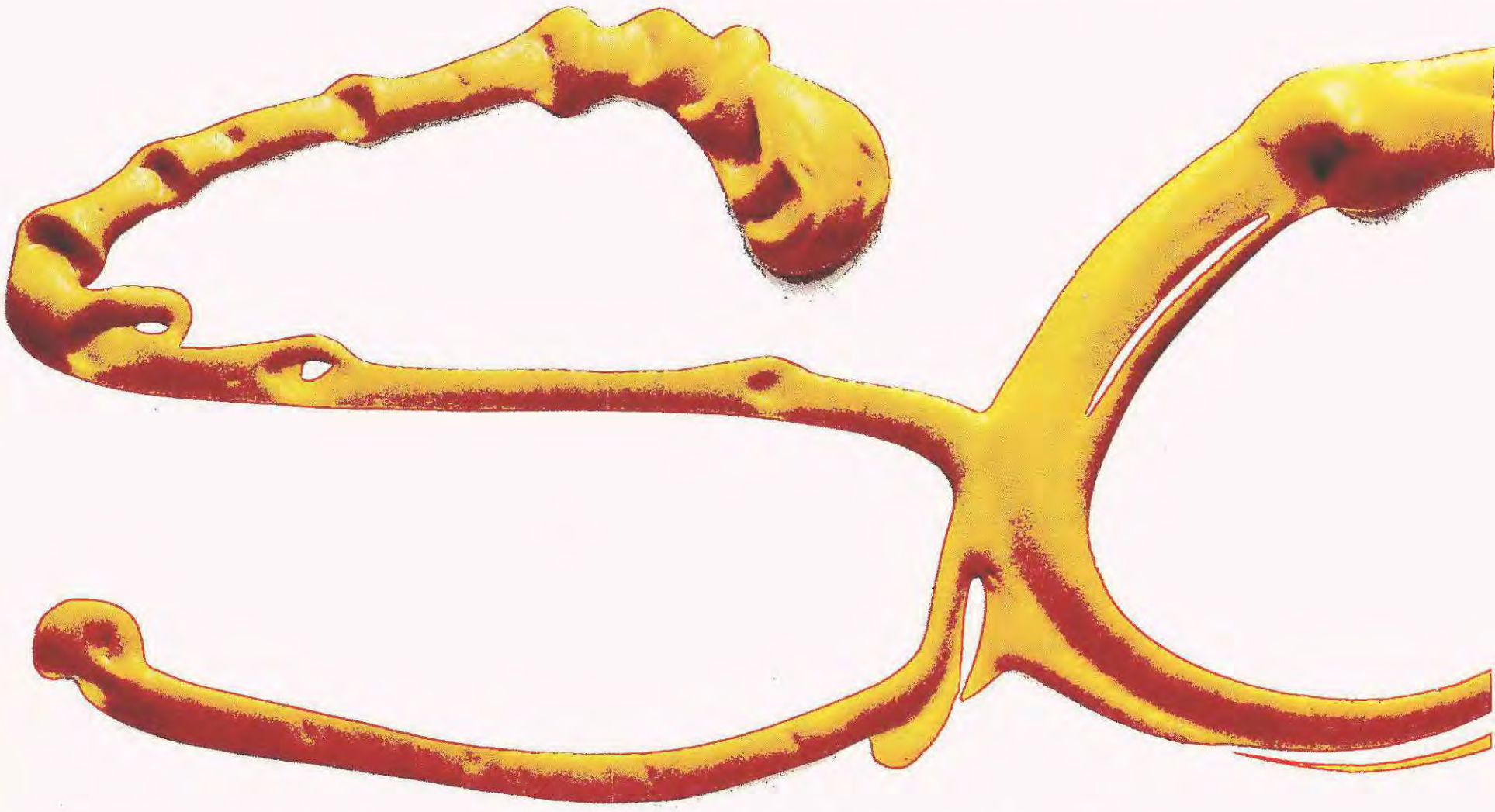
ADDRESS

PHONE

BI 4/85

ONCE AGAIN THE ANSWER IS AIG.

How French's avoid
whenever it s



The plain truth is, when a company ships cargo it has to deal with some very grim realities.

Port closings, for instance. Contamination. Breakage. And theft.

Which is why it's important to understand the risk in international transport. Not just after your cargo leaves the warehouse. But long before.

And if there's one company that knows how to deal with this risk, it's R.T. French.

They should. Because not only does Arkwright-Boston thoroughly understand ocean cargo coverage. We underwrite it.

TOTAL PROPERTY COVERAGE IS OUR POLICY.

We've insured most of French's property for years. With a program that includes coverage for fire. Boiler and machinery. And DIC exposures. And, in an effort to give them more protection with no gaps or overlaps, we expanded their program to include our coverage for ocean cargo.

After all, French's ships over $10 million annually in mustards, potato products, sauces, spices and extracts to 98 countries all over the world. They can't afford to fool around with a policy that doesn't provide total transit coverage.

The consequences would be too great. Case in point. A 40-foot cargo container loaded with food products gets dropped on a dock. Bottles burst. Cans dent. A real mess.

And it isn't just the food that turns sour. It's retail sales. And shelf space. And with the market for damaged goods as highly regulated as it is, even salvaging the stock could leave French's with a bad taste in their mouth.

s a sinking feeling hips mustard.

OUR COVERAGE IS LEAKPROOF.

Needless to say, when you ship cargo across the ocean, you want to be covered from bow to stern. Which is one reason why French's chose us. You see, we do a lot more than cover you when your cargo is on the water.

We cover your property from warehouse to warehouse. For the full journey. On the ship. On the plane. On the truck. On the rail car. And not just within a specific amount of time. But for however long the trip takes.

What that means is, if French's wants to send spices from their warehouse in Springfield, Missouri to their warehouse in Singapore, they're covered. Whether it takes 8 hours, 8 days or 8 weeks.

Something else we can offer. An international network of loss prevention engineers and adjusters. And our own claims managers. (Which means if you do have a loss, it will be taken care of quickly.)

And if you think you wouldn't get the same level of dedication, think again. Because we put the same high standards to work for all our insureds.

But don't take our word for it. Ask American Greetings. Or Digital Equipment. Or WestPoint Pepperell. They're all our clients. And we've designed programs that have solved their problems, too.

So call or write us. But do it soon. Because a disaster may hit you before we get together. And your present policy may not be able to keep you afloat.

Arkwright-Boston Insurance, Marketing Services, 225 Wyman St., Waltham, MA 02154, 1-617-890-9300, Ext. 3295.

ARKWRIGHT BOSTON INSURANCE

C&B may sell captive management units

By DOUGLAS McLEOD

HAMILTON, Bermuda—Corroon & Black Corp. is negotiating to sell its Bermuda and Cayman captive management business to Homeland Insurance Cos. Group.

If the sale is completed, Corroon & Black would be the first major U.S. broker to pull out of captive management.

Other large U.S. brokers are expected to maintain their Bermuda management operations, and if any shakeout develops, it probably will involve mergers or acquisitions of management companies rather than outright withdrawals, managers say.

Donald Heim, president of C&B's Advanced Risk Management Services division in Nashville, Tenn., confirmed the company is discussing a sale of the management units with Homeland and that a May date has been targeted for completion of the transaction.

He added, though, that, "We have not made any definitive agreement with them at this time."

Mr. Heim declined to comment on C&B's reasons for selling the units.

John E. Darwood, managing director of Homeland's captive management subsidiaries in Bermuda and Cayman and a former Cayman insurance superintendent, declined to comment for the record on the negotiations.

Corroon & Black (Bermuda) Ltd. is small compared with some brokers' captive mangement units. It currently manages about 14 captives with an estimated total premium volume of $32 million. In 1983, C&B (Bermuda) reported managing 20 captives with total premiums of $40.1 million.

bermuda

Corroon & Black (Cayman) Ltd. managed 11 captives with a premium volume of $7.5 million in 1984.

To date, Homeland's business has been concentrated in Cayman, where Homeland Insurance Management (Cayman) Ltd. handles 15 captives with total premiums of about $10 million in 1984.

Homeland Insurance Management Ltd. in Bermuda has only one client now, although two new association captives are being registered, according to Mr. Darwood.

The one Homeland Bermuda client now operating has booked annual premiums of about $2 million in the past, though it is now cutting back on certain lines, he said.

Combined, C&B and Homeland would currently manage about 25 captives in Bermuda with estimated premiums of $34 million and 26 captives in Cayman with estimated premiums of $17.5 million.

C&B's withdrawal would not be the first instance of a Bermuda captive manager closing its doors. For different reasons, other management companies have closed in the last year, including:

- Armco Insurance Management Ltd., following a restructuring of Armco Insurance Group. Armco managed about 32 captives with total premiums of $50 million. Most of this business was sold to Altamid Management Co., a Hanna Mining Co. unit, though some former Armco captives moved to Polaris International Insurance Managers (Bermuda) Ltd., where Clive W. Himsworth, former Armco managing director, is president.
- Anglo-American Management Ltd., which closed after the death of its president, H. Clayton Chambers, last October. Anglo-American managed five captives with total premiums of $5 million. These captives have since moved to other managers, including one to Homeland and one to Atlantic Security Ltd.

But, Corroon & Black would be the first Top 10 U.S. broker to abandon captive management.

C&B's decision may signal its desire to "return to the old battle lines," concentrating on insurance brokerage and getting out of captive management, said Stuart H. Grayston, president of S.H. Grayston Management Ltd. in Bermuda.

Officials of other large broker-owned management companies say they have no plans to follow C&B's lead, however, and most observers agree that mergers of existing managers will be more common than outright withdrawals.

One such merger could follow the proposed acquisition of Reed Stenhouse Cos. Ltd. by Alexander & Alexander Services Inc.

Alexander International Ltd., A&A's Bermuda management unit, and Insurance Managers Ltd., the Reed Stenhouse Bermuda subsidiary, are now discussing details of how their operations might be combined, officials of the two companies say.

Alexander International manages 65 captives with estimated premiums of $220 million, while IML manages 53 with premiums of about $130 million.

The next year to 18 months will see more mergers and acquisitions among Bermuda managers, Mr. Grayston predicted. "It has to come. There are just too many managers here and some of them are just too thinly spread."

"Eventually we will see a merger and acquisition phase in Bermuda that will make the remaining management companies a lot stronger," agreed Simon Everett, president of H&H Management Services Ltd.

"There are obvious economies of scale and improvements to one's ability to provide services," Mr. Everett said, adding that H&H has discussed a merger with another company but is not pursuing it.

Mergers may be most common among independent managers that rely heavily on income from reinsurance brokerage operations, said Robert C. Whiting, managing director of Pinehurst Management Co., a subsidiary of Emett & Chandler Cos.

Several Bermuda captives that had written third-party business have withdrawn from writing these risks, he noted, including Gulf Oil Corp.'s Insco Ltd., Ocean Drilling & Exploration Co.'s Mentor Insurance Ltd. and Exxon Corp.'s Ancon Insurance Co. S.A., he noted.

As a result of these withdrawals, the ability of some managers to generate reinsurance brokerage income has been "severely restricted," Mr. Whiting said.

Homeland's Mr. Darwood agrees mergers are likely among managers dependent on brokerage income.

"That would improve their economics," he observed, adding, "Big is not necessarily beautiful, but small these days is sometimes not very economical." ■

Cut Claims Processing Down to Size.

SEE US AT RIMS BOOTH 221-222

Call the Giant Killer.

Risk Manager, take heart. The Goliath-like problems that have been tormenting you are about to collapse at your feet.

DAVID is here.

Who's DAVID? Modestly stated, DAVID is the newest, fastest, most complete and efficient, easiest-to-use claims processing system you can buy.

And hang onto your slingshot: It costs a mere fraction of what other systems cost. Yet, others simply cannot match DAVID's performance.

Bold statements, you say? Yes. And they're true.

You see, DAVID is a multi-user, multi-micro, computer system that's so advanced, so uncomplicated, there's no need for a users' manual.

DAVID gives you **CompPlus,**™ a workers' compensation claims management system that does things you won't believe. Like, color graphics for loss control histograms. Ad hoc color graphics. Ad hoc reports. Better reserving capability. And greater control over accidents.

Or, there is **HealthPlus,**™ for medical claims processing in the shortest time technology allows. Adjusters can process 10 times the claims they now handle manually. Up to 95% of claims can be adjudicated automatically. And it writes checks automatically on any number of accounts without requiring forms changes.

And DAVID is totally expandable and cost-efficient. So you can grow from a single work station to the size of General Motors – without spending a lot of bucks for capability that won't be used until later.

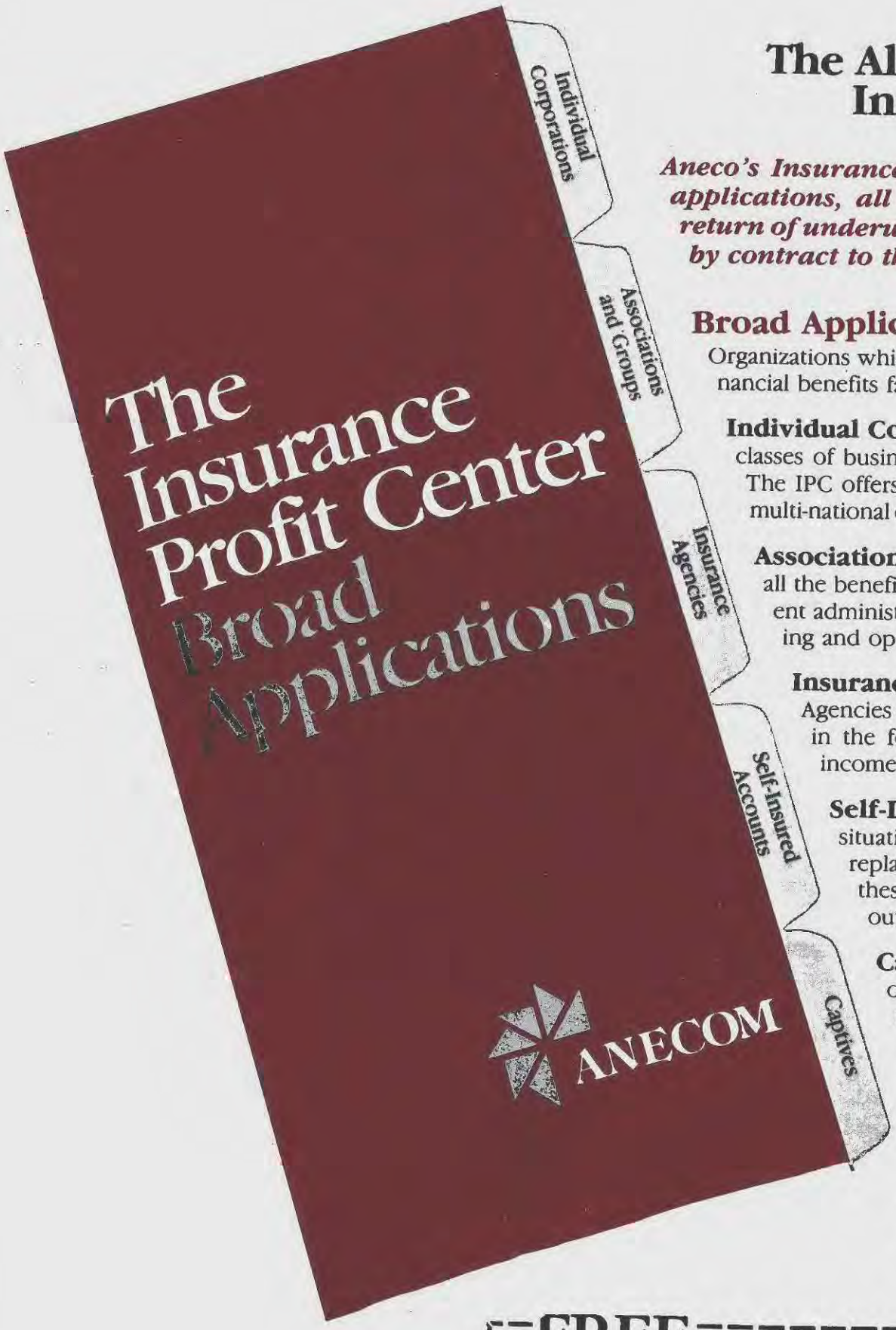
And that's just for starters. The full story about what DAVID can do is nothing short of phenomenal. So don't wait. Get the big picture with a simple little phone call. To The Giant Killer. Friend of Risk Managers everywhere.

Call **DAVID**™

Phone: (415) 362-4555

DAVID Corporation
100 California Street Suite 1140
San Francisco, CA 94111

David, CompPlus, and HealthPlus are trademarks of Redwood Corporation.



The Alternative in a Tight Insurance Market

Aneco's Insurance Profit Center (IPC) has numerous applications, all with a single underlying idea—the return of underwriting profit and investment income by contract to the participant(s).

Broad Applications

Organizations which are best suited to utilize the IPC's unique financial benefits fall in five broad categories:

Individual Corporations There are no limitations on the classes of business which can benefit from an IPC program. The IPC offers certain organizations such as closely-held or multi-national corporations significant financial opportunities.

Associations and Groups The IPC program provides all the benefits of an association captive without the inherent administrative and capitalization problem of establishing and operating an offshore subsidiary.

Insurance Agencies The IPC offers select Insurance Agencies a consistent form of contingency commission in the form of underwriting profits and investment income based on a selected book of its own business.

Self-Insured Accounts There are a number of situations where the IPC program may be used to replace or improve on a self-insurance program. In these cases, the financial benefits of the IPC may outweigh the cash-flow benefits of self insurance.

Captives Some organizations with wholly-owned captives may find themselves in a position where their captive no longer provides the benefits for which it was originally designed. Many of these captive owners would benefit substantially by converting their captive to an IPC program.

Come See Us at the RIMS Conference
Booth 627

A Closing Word

The Insurance Profit Center (IPC) is a proven program. Being familiar with its details and having the imagination to devise new applications, should generate new and additional revenues to you. If you are already thinking in terms of specific situations that you know, we can help you to come up with new ideas about how to apply the IPC in the most productive way. For your free copy, simply fill out and mail the coupon.

FREE Aneco's Insurance Profit Center Brochure

Name _____
Please Print

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

ANECOM

Send to:

Mr. Michael J. Grimes
Aneco Marketing Company, Limited
1900 Market Street, Philadelphia, PA 19103
(215) 569-1800 TELEX: 902164 ANECO PHA

Exxon unit pays $400 million dividend to parent

By DOUGLAS McLEOD

bermuda

HAMILTON, Bermuda—Exxon Corp.'s Ancon Insurance Co. S.A., one of the world's largest captive insurers, is now considerably smaller.

Exxon Insurance Holdings Inc., Ancon's parent, declared a $400 million dividend to Exxon in January, reducing its shareholders equity to about $400 million from $798.5 million at year-end 1984.

In addition, Exxon decided last year to self-insure its U.S. risks rather than passing them through Ancon, a move which reduced Ancon's 1984 premium volume and will depress it further this year, officials say.

Exxon Insurance Holdings, which last October stopped writing non-parent related business, will continue to insure the property and casualty risks of its foreign affiliates, officials say (*BI*, Oct. 5, 1984).

The restructuring of Exxon's U.S. insurance program and other factors—including continued rate competition and reduced levels of Exxon affiliate operations—meant decreased business for Exxon Insurance Holdings last year.

Gross written premiums fell to $152.3 million from $186.9 million in 1983. Reinsurance ceded fell to $37.9 million from $49.3 million in 1983, reflecting Exxon's increased retentions and the change in the program for U.S. risks, according to the group's annual report.

Net earned premiums dropped to $128 million from $140.1 million in 1983. Of the $128 million, $95.7 million flowed from Exxon-related risks and $32.3 million came from unrelated business.

Meanwhile, losses rose to $49.6 million from $41 million in 1983, producing a 1984 loss ratio for all business of 38.7%. Exxon Insurance Holdings Chairman Clayton P. Cormier would not disclose the loss ratio for unrelated business, saying only that it was "unprofitable."

Underwriting income amounted to $66.6 million in 1984, down from $89 million the year before. Investment income increased to $74.7 million from $65.8 million in 1983 and with other revenues produced net income for the group of $132.6 million in 1984, down from $167.8 million in 1983.

In addition to a regular 1984 cash dividend of $65 million, Exxon Insurance Holdings—which includes Ancon, Ancon Insurance Co. (U.K.) Ltd. and ANEX Syndicate Inc. on the New York Insurance Exchange — declared the special $400 million dividend at a board meeting Jan. 25, said Mr. Cormier.

The dividend, which represents $80,000 for each of Exxon's 5,000 shares of stock in its subsidiary, was paid in installments of $300 million in January and $100 million in February to give Exxon Insurance Holdings time to liquidate investments, Mr. Cormier said.

The dividend represented a "strategic decision" to remove unneeded cash from the insurance operation and apply it elsewhere in the company, Mr. Cormier said. The insurance operation "didn't offer the return they would expect to get in the oil and gas business."

"The money we had in the business was far, far in excess of anything we needed to support the related or the non-related business or a combination of both," he noted.

"Our capital would still support a hell of a lot more writing," he said, adding the withdrawal of funds was not connected to the decision to stop writing unrelated risks.

"I think we might have paid that same dividend if we were still writing non-related," he said.

Mr. Cormier also noted that another such extraordinary dividend is unlikely in the next year and that future dividends will probably be tied to the group's earnings.

Exxon also made several changes in its insurance programs with the renewal of its reinsurance coverage last Nov. 1.

The oil company now has $400 million of aggregate reinsurance protection attaching after net losses exceed $350 million in any one year. Before the renewal, aggregate reinsurance limits amounted to only $300 million, attaching after net losses exceeded $275 million.

The increased retentions were a matter of choice and represented a continuation of the "trend" toward larger retentions established in the company's yearly review of its insurance programs, Mr. Cormier said.

A bigger change was Exxon's decision to self-insure the risks of U.S. affiliates, which had previously been included in the global program arranged by Ancon.

Exxon now carries a large self-insured retention on U.S. property risks and a "considerably smaller" amount on U.S. casualty risks, placing aggregate insurance protection directly with commercial insurers, says Walter Arzonetti, Exxon's assistant treasurer in New York.

Neither Mr. Arzonetti nor Mr. Cormier would comment for the record on Exxon's retentions and aggregate limits for U.S. risks.

Exxon decided to self-insure, Mr. Arzonetti said, because it was "rather inefficient" to have Ancon issue policies if similarly large retentions could be self-insured by Exxon Corp. directly.

However, Ancon will continue to insure the property/casualty risks of foreign affiliates, many of which do not want such large self-insured retentions, Mr. Arzonetti said.

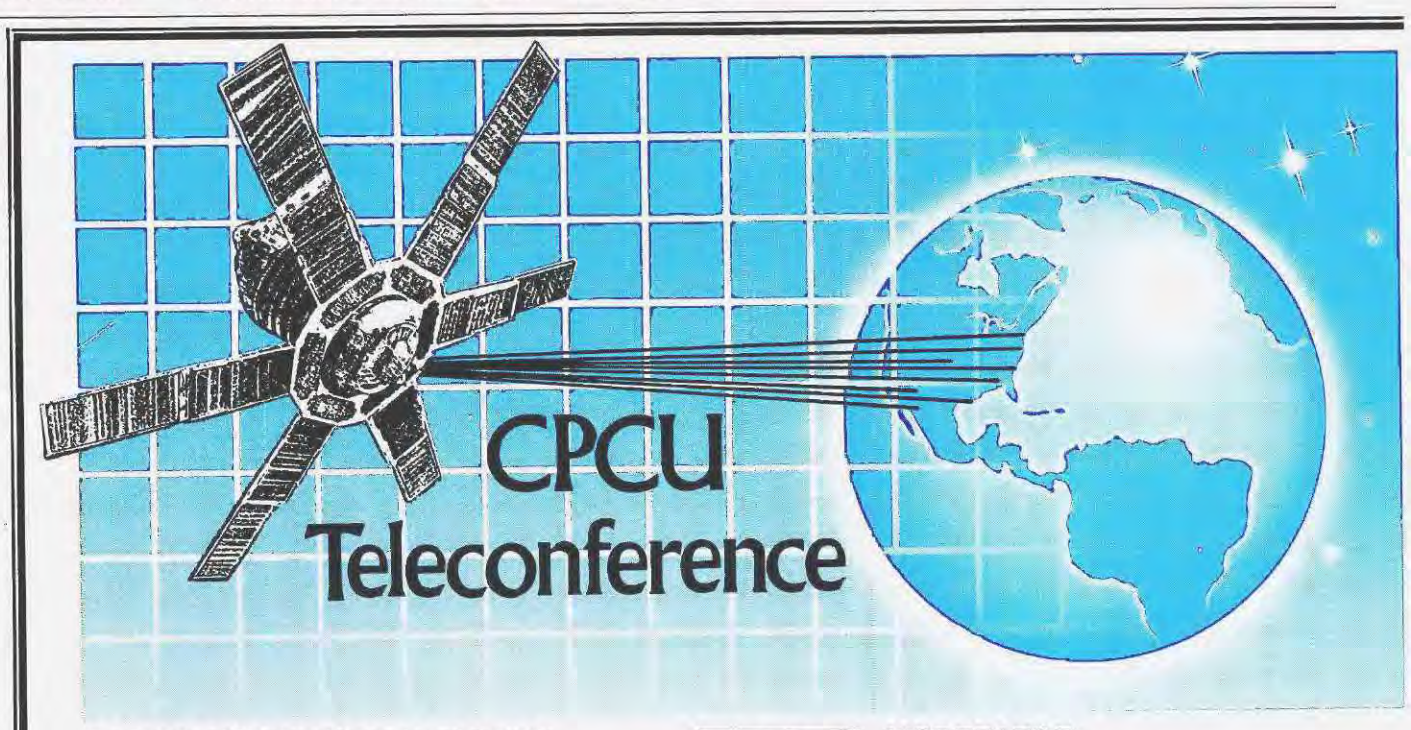
For example, a German affiliate may want to retain only $1 million on its program while Exxon wants to retain a total of $150 million on the affiliate's risks, he explained. Ancon would then be used to insure the difference between the affiliate's retention and the amount to be retained by Exxon before excess coverage attaches, he said.

He added that the decision to self-insure U.S. risks was not hastened by the Deficit Reduction Act of 1984, which redefined as U.S. source income the income of captives attributable to insuring U.S.-based risks (*BI*, July 2, 1984).

Previously, this income was considered foreign source income that could be offset with foreign tax credits generated in high-tax foreign jurisdictions.

"This is a decision we would have made independently of that," Mr. Arzonetti said.

Mr. Cormier said 1985 will probably see another decline in the group's premium volume, again reflecting the transfer of Exxon's U.S. business out of Ancon and continuing low renewal rates offered to Exxon affiliates with good loss experience. Volume may increase in 1986 as rates rise, he said.■



The Society of Chartered Property and Casualty Underwriters (CPCU) in cooperation with its chapters,

Presents . . .

ISO's New Commercial General Liability Insurance Policies

Live Video Teleconference
Wednesday, May 15, 1985

12:30 PM - 5:00 PM Eastern/11:30 AM - 4:00 PM Central
10:30 AM - 3:00 PM Mountain/9:30 AM - 2:00 PM Pacific

One of the most dramatic changes the insurance industry has seen in decades will occur on January 1, 1986, when nearly every state, and most insurance companies, will adopt two new Commercial General Liability insurance policies to replace the one policy presently in use.

The Society of CPCU has assembled distinguished industry experts who will explore these changes in a four and one half hour video teleconference on Wednesday, May 15, 1985. This comprehensive program will cover many of the important topics insurance professionals need to know in order to make the right decisions and give correct advice on commercial general liability insurance issues. Here are some of the questions the program will answer.

- ☐ **Why are there two general liability policies?**
- ☐ **What will the differences mean to your company and clients?**
- ☐ **What pollution liability coverage will the new policies provide?**
- ☐ **What effect will the new policies have on prior insurance policies?**
- ☐ **How will these policy changes affect umbrella insurance coverage?**
- ☐ **How will the courts react to these new policies?**

. . . and much, much more!

A valuable bonus!

Your registration fee will include a comprehensive reference guide to the new CGL policies featuring over 100 pages of practical material to increase your understanding of these changes.

MODERATOR:
Joseph P. DeCaminada, JD, CPCU, CLU
President of the Society of CPCU, Decaminada is senior vice president, secretary and counsel of The Atlantic Companies, New York. He is a member of the board of directors of the American Arbitration Association and the New York Property Insurance Underwriting Association (Fair Plan).

PANELISTS:
Erin Oberly, CPCU
A risk manager, formerly with Levi Strauss & Company, she is senior vice president of Warren, McVeigh & Griffin, Inc., San Francisco.

Victor B. Levit, ESQ.
Levit is resident partner of the San Francisco office of the Barger & Wolen law firm, and co-author of *Legal Malpractice II.*

A. Richard Winchester
Winchester, executive vice president of the Anderson-Winchester Agency, Inc. of Jamestown, New York, is a member of the board of directors of Professional Insurance Agents.

Richard R. Savage
Savage is senior vice president — Insurance Lines, Insurance Services Offices, New York.

Clinton N. Greene, CPCU
Greene is assistant vice president for underwriting, National Accounts Department, Aetna Life & Casualty, Hartford, Connecticut.

C. Courtney Wood, CPCU, ARM.
Vice president of March & McLennan, Inc. Oklahoma City, Oklahoma. He is national director of the Independent Insurance Agents of America and is a member of the IIAA Commercial Lines Committee.

Bermuda market

Continued from page 3

volume is available. But, only about $254 million of those premiums were written in Bermuda on commercial reinsurance, after excluding about $467 million in premiums ceded to Bermuda companies by related companies.

Among the eight non-captive reinsurer members of BIUA that wrote gross premiums of about $405 million in 1983, only $121 million was written by underwriters in Bermuda. The other $284 million is premium ceded to INA International Insurance Co. by INA companies around the world.

Total premiums written by the three of the five captive members that report premiums were $295 million, but only about $113 million of that was unrelated reinsurance written by Bermuda underwriters.

The three underwriting manager members combined underwrote about $20 million in 1983.

Another eight non-captive reinsurers based in Bermuda that are not members of the BIUA wrote approximately $240 million in gross premiums in 1983. But, $200 million of that volume was written by four reinsurers specializing in runoff and financial reinsurance transactions, not traditional reinsurance. And, another $22 million of that includes premiums written elsewhere but ceded to Bermuda reinsurers.

Other underwriting managers in Bermuda that are not BIUA members, along with captives writing unrelated business through captive managers, expand the commercial reinsurance premiums written in Bermuda, but no figures are available to determine by how much.

While the figures show that the reinsurance business in Bermuda is far from dead, no one disputes that the retirement of the oil company captives and other markets has drastically cut capacity.

bermuda

Unrelated premiums written by the three oil company captives that stopped commercial underwriting in 1984 totaled almost $225 million, almost double the unrelated premiums written by the remaining non-captive BIUA reinsurers.

Bermuda brokers' marketing lists are shrinking to the point that one has closed and several are marketing risks elsewhere (see story, page 36). And, captives are finding it difficult to purchase aggregate stop-loss reinsurance from Bermuda reinsurers (see story, page 28).

In spite of this reduced capacity, most underwriters and brokers remaining in Bermuda are optimistic.

More business is being offered in Bermuda and the capacity shortage worldwide is driving up prices.

Rates were up 10% to 30% regardless of experience, and higher based on loss experience, says Jeffrey L. Sirr, assistant manager of Intere (Bermuda) Ltd. "And, the later in the year the business was placed, the higher the price."

"On a high-level excess treaty, loss-free for 10 years, the rate increased over 50%," reported Kenneth D. Biersack, vp-managing director of GTE REinsurance Co.

Bermuda-based underwriters are even improving the terms and conditions of some contracts they are asked to write following leads in the United States and London.

"On nearly every piece of business, the Bermuda underwriter has had input on terms and conditions," says Roy Eray, vp and director of Amberco Brokers Ltd., Bermuda's largest reinsurance broker.

"You could be the last reinsurer on the slip with 10% or 5% to go and force the broker to go back to the client to say: 'This is the only way I can finish it,'" said Mr. Sirr.

Paumanock Insurance Co.

One of the fastest-growing reinsurance companies in Bermuda is Paumanock Insurance Co. Ltd., a wholly owned subsidiary of Grumman Corp. in Bethpage, N.Y.

Strictly an international treaty underwriter for the last four years, Paumanock is a new market for high-excess U.S. treaty business, excluding long-tail casualty risks, says Robin Spencer-Arscott, vp of Paumanock and president of Frank B. Hall (Bermuda) Ltd. and its subsidiaries. Frank B. Hall (Underwriting Managers) Ltd. underwrites for Paumanock.

Mr. Spencer-Arscott

With new U.S. business and the growth of its international business, Paumanock expects to underwrite $30 million to $35 million in gross premiums for this year's account, almost tripling 1984 written premiums of $12.6 million.

"We haven't pulled out all the stops," he says. "We're just as picky and just as choosy."

The difference this year: "We're getting a good showing from brokers from four years of work. We had more offers from better quality sources at the end of February than we saw in the whole of 1984."

At the end of February, Paumanock had written $19.9 million in gross premiums.

Rate increases of 30% to 300% will account for one-third to one-half of the estimated written premium in 1985.

Paumanock wasn't in business in the mid- to late 1970s, "and we didn't and don't write long-tail casualty risks," he explains, "except a little workers compensation."

Paumanock's growth had been slow until this year: Premiums of $5 million in 1981; $8 million in 1982; $12.5 million in 1983; and $12.5 million in 1984.

Paumanock's treaty business is split about equally between excess-of-loss and pro-rata contracts.

Its content is about 80% property/casualty and 20% marine. Marine, oil and aviation risks are written by Malcolm Kirkland, formerly with Insco Ltd., who joined Hall (Underwriting) in May 1984.

Paumanock retains 25% of its premiums and cedes the other 75% to seven Hall captives that want unrelated risk business.

Frank B. Hall (Underwriting Managers) Ltd. Vp John Williams reported to the pool members this year: "We are now entering a stage where there is a genuine chance of making an underwriting profit."

Paumanock's capacity is $500,000, but it is rarely used. Lines of $200,000 to $300,000 are common. Its assets at year-end 1984 were $81.2 million, including $34.4 million in capital and surplus.

GTE REinsurance Co. Ltd.

GTE REinsurance Co. Ltd., the reinsurance subsidiary of GTE Corp., writes the most commercial reinsurance premiums of reinsurers in Bermuda today: $56 million in 1983.

That has increased GTE Re's profile considerably, even though it is not increasing its volume dramatically in 1985.

"We consider our prime objective in 1985 to convince the market that we are responsible in conducting our affairs," Mr. Biersack says.

"We are not focused on growth. Net new business shouldn't exceed 12.5%," despite substantial rate increases on many contracts.

"A number of proportional contracts just were not renewed this year. That makes room for rate increases and new business."

GTE Re has focused its energies in the past year on "improving our

Continued on next page

INCLUDING PRESENTATIONS BY

Daniel J. McNamara, FCAS
President
Insurance Services Office

Frederick J. England, CPCU
President
Independent Insurance Agents of America

William G. Bailey
President
Professional Insurance Agents

Donald T. Browne
President
RIMS

1985 CPCU Teleconference LOCATIONS (As of 3/26/85)

State	Site #	City	Location
AL	34	Birmingham	Sheraton Perimeter Park South
AR	44	Little Rock	Camelot Inn
AZ	18	Phoenix	YWCA Learning Dev. Ctr.
CA	41	Oakland	Oakland Holiday Inn
	42	Los Angeles	University of So. Calif
	60	Fresno	KMTF Studio
	45	Irvine	Marriott
	46	San Diego	San Diego State University
CO	47	Denver	Sheraton Airport Hotel
CT	2	Hartford	WEDH Studio
DC	9	Washington	Patio Room - U.S. Chamber of Commerce
FL	30	Jacksonville	WJCT Studio
	36	Miami	WLRN Studio
	43	Tampa	WEDU Studio
GA	27	Atlanta	Colony Square Hotel
	48	Savannah	Georgetown Community Svs. Assoc.
IA	14	Des Moines	Drake University
IL	13	Peoria	Bradley University - WTVP
	33	Moline	Blackhawk College
	49	Rolling Meadows	Rolling Meadows Holiday Inn
	39	Fort Wayne	Indiana University - Purdue
KY	11	Louisville	WKPC Studio
LA	35	New Orleans	WYES Studio
MA	50	Boston	WGBH - Studio A
MD	6	Owings Mills	Maryland Ctr. for Pub. Broadcasting
ME	62	Lewiston	WCBB Studio
MI	28	Detroit	Mercy College
	38	Lansing	Long's Convention Center
MN	40	St. Paul	St. Paul Seminary
MO	15	Kansas City	KCPT Studio
	51	Saint Louis	Henry VIII Inn
NC	52	Charlotte	Holiday Inn North
	53	Raleigh	Raleigh Marriott Hotel
NE	16	Omaha	Omaha Howard Johnsons
NJ	25	Hasbrouck	The Sheraton Heights
NM	17	Albuquerque	University of New Mexico - KNME
NY	1	Syracuse	Holiday Inn - Fairgrounds
	3	Westbury, L.I.	Island Inn
	4	New York	WNET Studio
OH	7	Cincinnati	WCET Studio
	8	Columbus	OSU Fawcett Center
	54	Cleveland	Case Western Reserve University
OK	37	Edmond	Central State University
	59	Tulsa	University of Tulsa
OR	29	Portland	Jantzen Thunderbird Inn
PA	5	Bryn Mawr	The American College - Gregg Center
	31	Pittsburgh	WQED Studio
SC	22	Columbia	WRLK Studio
TN	10	Knoxville	University of Tennessee - WSIK
	32	Memphis	Memphis State University - WKNO
	58	Nashville	WDCN Studio
TX	23	Houston	University of Houston - Hilton Cont. Ctr
	55	Austin	KLRU Studio
	56	Dallas	Wyndham Dallas Market Center
UT	21	Salt Lake City	University of Utah - KUED
VA	12	Richmond	WCVE Studio
	57	Norfolk	WHRO Studio
	63	Roanoke	WBRA Studio
WA	19	Seattle	University of Washington - KCTS
WI	26	Milwaukee	WMVS Studio
WV	61	Charleston	University of Charleston

Additional locations being considered - please call.

CURRICULUM ADVISORY TEAM

Jack P. Gibson, CPCU, ARM
Chairman
Vice President and Managing Editor
International Risk Management Institute, Inc.
Dallas, TX

Assisting the speakers in the identification of topics and development of the curriculum the Society has assembled these experts:
Theodore V. Bayer
William Blick, Jr.
Maurice A. Desmarais
Richard J. Kasyjanski, CPCU
Edwin J. Rinehimer

TAX DEDUCTIONS
Tax deducations for educational expenses are permitted in accordance with current Treasury regulations. This includes registration fee, cost of travel, room and meals.

REFUND POLICY
Full refunds will be granted on written requests received prior to May 1, 1985. Refunds, less $30, will be granted on written requests received in Malvern, PA, between May 1, 1985, and May 13, 1985. No refunds will be granted after May 13, 1985.

CONTINUING EDUCATION CREDITS
Four hours of Continuing Education credit has been applied for in Georgia, Iowa, Illinois, Nebraska, Oregon and Washington.

Continuing Professional cpcd Development
Qualified for CPCU Continuing Professional Development Credit

AAI CREDIT Four hour AAI re-accreditation

Please register me for the May 15, 1985, Video Teleconference on the New Commercial General Liability Policies at the following location:

Site No. _____ City _____ State _____

LAST NAME _____ FIRST _____ MI _____

FIRM NAME _____

STREET _____ CITY _____ STATE _____ ZIP _____

PHONE NUMBER _____

For Office Use Only

CPCU Member Y ☐ N ☐

Return to:
Society of CPCU
CB#9
Malvern, PA 19355
215-251-2734

Registration Fees:
Make checks payable to: Society of CPCU
CPCU Member $85 ☐
Non-Member $95 ☐

4 - 9 registrations from the same firm deduct $10 each from the fees.
10 or more registrations from the same firm deduct $15 each from the fees.
To receive these special discounts, all registrations must be sent in the same envelope and be received in Malvern by May 1. Complete a separate form for each registrant.
Over 20? — Call for special arrangments.

CPCU Teleconference

☐ 1 ☐ 2 ☐ 3

Bermuda market

Continued from preceding page
in-house underwriting," Mr. Biersack reported. Underwriting guidelines were adopted and all business was reviewed against them.

The guidelines eliminated participations with managing general agents and reduced participations where GTE Re had a "disproportionate share of a contract," Mr. Biersack said.

Mr. Biersack

The underwriting guidelines also call for the underwriting staff to operate as a team, something reinsurance brokers complain slows the underwriting process.

"Every underwriting decision has at least two underwriters on it. No major decision is taken without a committee review that includes myself," Mr. Biersack says.

Major underwriting decisions include withdrawing from an account or significantly increasing GTE Re's participation.

"If other underwriters had taken similar action, they might still be providing a market," he said. "There's nothing earth-shattering in what we are doing. But the fact is we're adhering to the rules."

And that goes for the boss, too.

Mr. Biersack admits that on more than one occasion when an underwriter has asked to discuss a renewal with him, he has reviewed the file, looked up and asked: "By God, did I do this last year?"

GTE Re wants "plain vanilla" business, and wishes to maintain a balance of business that is 60% casualty and 40% property.

And, the company has increased its non-U.S. proportional business, which is the most tax-advantageous to write. A foreign insurance subsidiary of a U.S. corporation does not have to declare profits from this business until they are repatriated to the parent company.

GTE Re continues to underwrite loss portfolio transfers, taking the timing risk as required by the state Insurance Department and pending accounting rules.

Business related to GTE continues as about 30% of GTE Re's business. Mr. Biersack will stress in the annual report this year that GTE business, which is ceded to the First Island Reinsurance Assn. for an equal amount of unrelated business, distorts GTE Re's gross- to net-premium ratio.

"GTE Re's only reinsurance is normal excess-of-loss and catastrophe cover. And, of the $33.9 million in recoveries due from reinsurers, $30.2 million is related to First Island," Mr. Biersack said.

GTE Re's maximum line is $500,000.

Operating income will be nil for 1984, Mr. Biersack said, but surplus will increase to $55 million as a result of $2 million in unrealized gains for the year.

The company is budgeting to employ 70 people by year-end on its 2½ floors of a new building.

GTE's reinsurance operations also include investments in two syndicates on the New York Insurance Exchange, a sister company in London and a new reinsurer in the U.S. Virgin Islands.

Transcon Insurance Ltd.

Big growth and record earnings of $14.3 million in 1984 are moving Transcon Insurance Ltd., a Ford Motor Co. unit, into the limelight.

Vp/Treasurer William Scott credits a 1979 decision to radically change the company's underwriting approach on unrelated risks for producing a profit on net premiums of $28.6 million. The profit was almost evenly divided between underwriting and investment income.

However, reinsurance of Ford properties overseas produced the underwriting income. On $12.7 million in gross premiums earned on Ford risks, losses incurred totaled only $37,877.

While the unrelated business Transcon wrote showed an underwriting loss, it was profitable after investment income.

Transcon wrote $34.5 million in gross premiums in 1984, up 27% from $27.1 million in 1983. Only one-third of the business was related to Ford risks, and that volume decreased slightly to $12.7 million in gross premiums earned from $13.2 million in 1983.

Transcon reinsures policies on Ford properties overseas, primarily through local insurers. But, Ford affiliates do not have to arrange for reinsurance with Transcon. "If they can find a better deal, they are free to take it," Mr. Scott says.

The growth in unrelated premiums came from "expansion of some existing business relationships with a couple of companies," he says.

These relationships are primarily quota-share arrangements with non-U.S. insurers, he said, involving mostly property and personal lines with some casualty content.

All unrelated business is written on a net-line basis.

The current unrelated business the company writes fits the profile Transcon drew for its new approach to underwriting: higher premium volume for a reasonable participation with administrative costs at a lower ratio. The objective: To generate business whose outcome would be easier to project sooner. The company wanted short-term business so the loss development could be monitored more carefully.

Transcon overhauled its underwriting philosophy when it saw in 1978 the loss development on the unrelated business it had written since 1974: a primarily property and marine account with some casualty content that had been brokered to the company and involved "zillions of treaties with relatively small premium volume," Mr. Scott recalled.

In 1978, Transcon reduced its unrelated underwriting from about $20 million. And, in 1979, "we canceled just about everything," Mr. Scott said.

Underwriting losses followed in 1980 and 1981: $975,000 and $1.8 million. But, investment income on its large asset base more than offset the underwriting losses.

Transcon expects to be running off that business from the 1970s for another three to four years.

Today, Transcon's unrelated book of business "is nothing like the thousands of treaties we had in '78 and '79," Mr. Scott says.

Because Transcon is not interested in small premiums on long-tail risks—it wants a participation generating at least $100,000 in premium—it does less business with fewer brokers than many other companies in Bermuda.

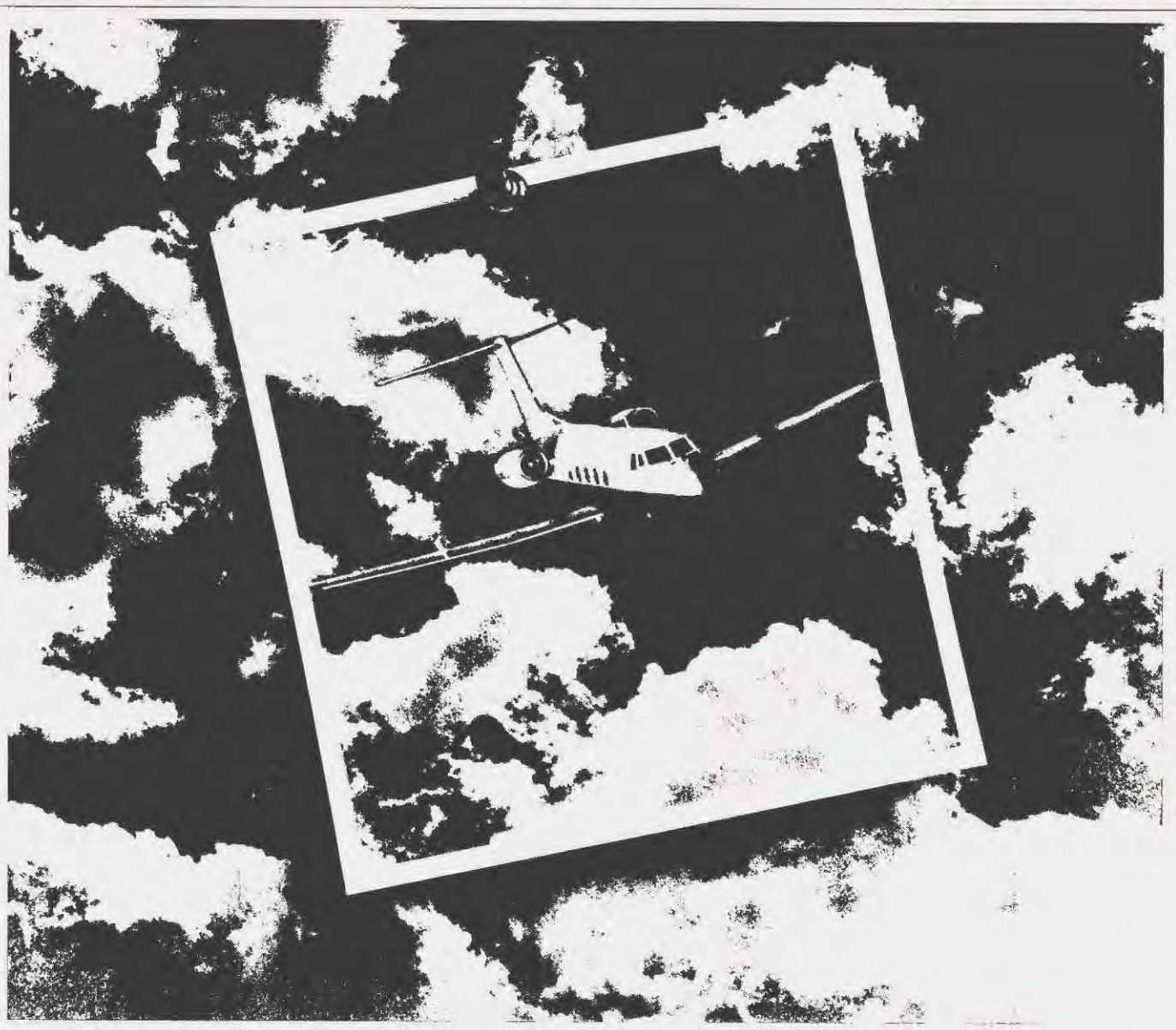
Brokers, however, are attracted to its strong balance sheet: $97.8 million in assets, including $43.6 million in capital and surplus. And, its maximum line of $1 million is large by today's standards in Bermuda.

For 1985, Transcon is anticipating some growth, but not at 1984's pace. And, since Transcon's business is predominately non-U.S., 1985 results will depend partly on strength of the dollar.

Victory Reinsurance Heddington Re

Victory Reinsurance International Ltd. Vp Nick Wheeler hopes to double property/casualty reinsurance premiums written this year for two companies to $1.5 million.

Continued on page 24



"EASTMAN KODAK COMPANY KEEPS US IN THE PICTURE."

If you picture the ideal aviation insurer, you would see the detail that has earned AAU its unsurpassed reputation. You would have an image of fast, creative underwriting. You would focus on efficient claims service. And, you would see financial strength and stability. That's why, to Eastman Kodak Company, we've been the picture of perfection for more than 35 years. In fact, more and more prestigious companies place their aviation insurance with AAU every year. To get the full picture of an organization that's been developing for more than 50 years, contact your nearest AAU office for further details.

AAU FLYING FIRST CLASS

ASSOCIATED AVIATION UNDERWRITERS, 90 JOHN STREET, N.Y. N.Y. 10038 - ATLANTA - CHICAGO - DALLAS - DETROIT - KANSAS CITY - LOS ANGELES - SAN FRANCISCO - SEATTLE

To our friends at RIMS.
It's nice to be 100 and still
have a lot to look forward
to—a century more of service
to the insurance industry.
GAB

Bermuda market

Continued from page 22

Mr. Wheeler underwrites for Victory Group's Bermuda company and for Heddington Reinsurance Co. Ltd., formerly First Excess & Reinsurance Corp. (Bermuda) Ltd.

First Excess (Bermuda), a subsidiary of Getty Oil Co., was acquired by Texaco with the acquisition of Getty and renamed Heddington Re, taking its name from Texaco's other Bermuda-based insurer, Heddington Insurance Co.

Mr. Wheeler

Mr. Wheeler, who had underwritten for First Excess (Bermuda), continues to write a parallel account for the new Heddington Re. The account is both international and U.S. treaty business, with only a little U.S. casualty business. It contains no malpractice, financial guarantees, new or volatile classes of business or aviation. Marine risks written are negligible.

"I see real potential for profitable growth," Mr. Wheeler says.

But even now, Mr. Wheeler says, he is not using the companies' substantial capacity "because of terms and conditions." Average lines to date are only $30,000 to $50,000 on proportional and $75,000 to $100,000 on catastrophe programs, and less on lower layers.

And, despite the fact that one of the main reasons Victory opened an office in Bermuda in 1982 was to reinsure captives, Mr. Wheeler has written very little captive business. "I haven't been happy with the terms or the results," he explains.

Mr. Wheeler, however, does report that Victory is getting better rates on the business it is writing. "Almost all the excess-of-loss treaties had rate increases last year—some more than others," he said.

Rates on U.S. property catastrophe covers are up 20% to 30% while rates for non-U.S. property depended upon the location in Europe. "If there was a wind exposure, they were up substantially."

While Mr. Wheeler's business will grow, Victory's premiums are expected to remain around $1.4 million in 1985 because business ceded by the parent is being decreased, according to plan.

At the end of the third quarter of 1984, Heddington Re had almost $16 million in capital and surplus. Victory's 1983 capital and surplus totaled $2.2 million.

Hudson Reinsurance Co.

Hudson Reinsurance Co. Ltd. is writing more business in 1985 than it did in 1984, but 1984 was a year of cutting business, not writing more, says President Robert A. Baker.

The Skandia Group affiliate, established in Bermuda in 1979, decreased its written premium "substantially" in 1984 from $24.3 million in 1983, Mr. Baker says.

"We canceled a lot of business at the end of '83, mainly proportional, and we did not write enough new business to offset it. Nothing looked profitable," he explained.

And at year-end 1984, Hudson Re canceled its participation in additional proportional business that didn't appear profitable.

In the first 3½ months of 1985, however, submissions to Hudson Re for January renewals were up 30% from 1984 "and we wrote about twice as much as the year before," Mr. Baker said.

Hudson Re writes primarily international business. The North American business offered in Bermuda is primarily excess and surplus lines offered to Skandia America in the United States.

As a net-line underwriter, aside from its catastrophe covers, Hudson Re cedes only about 5% of its premiums. Its average line is about $100,000 and never more than $250,000. Its assets at year-end 1983 were $103.9 million, including capital and surplus of $14.2 million.

As a net-line underwriter, Hudson can't pass on its losses, either. And, after a string of good years, the combined ratio for 1984 will be higher than in the past, Mr. Baker said. In 1983, Hudson Re reported a 104% combined ratio.

Hudson also manages captives, many of which are Swedish.

Belvedere Insurance Co. Brittany Insurance Co.

Belvedere Underwriting Agents, a subsidiary of Belvedere Insurance Co. Ltd. that writes a parallel account for both Belvedere and Brittany Insurance Co. Ltd., is the one surety specialist in Bermuda.

With 25% to 30% of Belvedere Insurance Co.'s premium related to suretyship business, "suretyship plays a bigger role than we anticipated," said Thomas G. Hamill, vp-underwriting.

Belvedere's suretyship business is internationally spread, 70% from the United States and 30% from Western Europe, with about 60% related to contracts. The private investor-owned reinsurer writes shares of large retrocessional contracts for direct writers and also supports some smaller companies.

"There is a limited world reinsurance market for suretyship," Mr. Hamill reported. "It has been very lucrative for us."

Excess programs for self-insured medical plans also have grown at Belvedere, Mr. Hamill said.

Belvedere also concentrates on underwriting excess workers compensation clash covers, marine and non-marine catastrophe covers and captive reinsurances.

Belvedere, which writes financial reinsurance treaties only for its own account, did not write any treaties in 1984 that required Belvedere to take timing risks.

"In 1984, we were asked to quote on various runoffs that involved timing risks more than we thought prudent," said Colin D. O'Connor, vp-finance at Belvedere Insurance Co. As a result, Belvedere's financial treaty income will be lower in 1984 than it was in 1983.

Belvedere's capital and surplus was $20.1 million at year-end 1983.

Brittany, a subsidiary of Petrofina S.A., reported assets of $230 million including $147.4 million in capital and surplus.

Brittany primarily insures its parent's risks, with parent-related business producing about 62% of its $72.5 million in 1983 premiums.

Aneco Reinsurance

Captive reinsurance and London market property business are the foundation of business written by Aneco Reinsurance Underwriting.

President Jonathan J. Crawley canceled all U.S. casualty and multiperil treaty business, producing $6 million to $7 million in premiums, to free capital to write captive reinsurance business this year.

He believes Aneco has "less of a problem in the area of acceptability with captives and therefore we are less, if at all, selected against."

Aneco offers a $500,000 captive aggregate line, the largest available in Bermuda (see story, page 28). Reinsurance of captives, both specific and aggregate, will account for $4 million in annualized premiums.

Net retained proportional business from captives adds another $2 million to $3 million.

On property reinsurance, Aneco increased its participation on U.S. catastrophe treaties and proportional treaties for books of non-proportional treaties from London.

The London business, Mr. Crawley said, needed Aneco. "There aren't many people who have the

Continued on facing page

Continued from facing page
attitude I have on this business."

Premiums on the London treaties will increase to $3 million in 1985, triple the $1 million in 1984.

Annualized premiums on the property account total $5 million.

Excess specific and aggregate for self-funded group health plans, following the London market, generates another $2.2 million in premiums.

Aviation business, including small shares of major Britsh and major U.S. proportional treaties for non-proportional business, generates $2 million.

Together, these lines will not produce quite the volume of 1984, which was $24 million gross and $18 million net, Mr. Crawley said.

Aneco writes all business except captive reinsurance on a net-line basis, with $150,000 in capacity.

"I hope we have reason to be optimistic for 1985," Mr. Crawley said. "I shall be very depressed and surprised if 1985 is spoiled by earlier years."

The year 1984 was tarnished, if not spoiled, for Aneco when auditors forced it to restate its 1983 financial results to show an increase in reserves based on a study by actuaries Tillinghast, Nelson & Warren (*BI*, July 16, 1984).

That restatement dropped Aneco's stock price and precluded a planned stock offering.

This year, Aneco engaged Tillinghast to analyze its loss reserves again and plans to every year.

Aneco Reinsurance Underwriting is the only remaining unit of Aneco Reinsurance Co. Ltd. Earlier this year, Aneco Mutual policyholders purchased Aneco Risk Management Co. Ltd. and subsidiaries for $2.9 million.

The assets of Aneco Reinsurance Underwriting at year-end 1983 were $22.9 million, including $11.5 million in capital and surplus.

Pinnacle Reinsurance Co.

Runoff specialist Pinnacle Reinsurance Co. Ltd. got an extra boost in 1984 from new state Insurance Department regulations and auditing guidelines. Regulators and auditors say runoff contracts must transfer the risk of when claims will be paid—the timing risk—in order to qualify as reinsurance.

Mr. Kilby

And that's what Pinnacle likes to do. As a result, it was "an exceptional year," says President Alan D. Kilby.

Also, interest in runoff transactions is coming from countries, like France, Hong Kong, Germany and the Netherlands.

Demand for runoff reinsurance is high, he says. "And, it's not to generate a profit but to stay solvent."

"And to keep their Best's ratings so they can keep writing business," adds Stephen Lawrence, a director of Pinnacle.

Pinnacle clients also include companies that want out of the reinsurance business, such as captives and insurance companies that want to close reinsurance subsidiaries.

Pinnacle meets that demand not only by taking the timing risk but by securing every transaction with proper investments, Mr. Kilby said.

And "pricing it well," Mr. Lawrence added.

Mr. Kilby expects "several more years of demand" for runoff reinsurance to help insurers mitigate the impact of the need to make tremendous reserve increases.

In a runoff reinsurance transaction, an insurer or reinsurer cedes reserves to an assuming company for a reinsurance premium. The assuming company determines the proper premium by discounting the reserves to the present value needed to pay claims in the future, which is less than the amount of the reserves the ceding company has established. The ceding company can take the difference between the premium paid and reserves as income.

Although insurers can discount their own reserves to a certain degree, Pinnacle can "double the discounting," Mr. Kilby says.

Also, Pinnacle is developing "new applications" for its runoff expertise. Now, it is writing what it calls "prospective aggregates."

Pinnacle applied the same actuarial underwriting techniques to these ongoing reinsurance contracts as it used to write runoff business. The contracts allow reinsurers to fund their risk instead of ceding it to another company at a higher price.

If the ceding company doesn't use the fund established, it gets its money back, minus a commission.

If there's an underwriting loss, Pinnacle hits its limit more quickly.

Pinnacle wrote one prospective aggregate last year and now has submissions for several others.

Pinnacle also wants to enter the rent-a-captive business with its subsidiary Apex Reinsurance, incorporated with $5 million in capital and managed by Finance & Risk Services Ltd.

Pinnacle, which employs five people, reported net assets at year-end 1984 were $42.5 million, up from $34 million at year-end 1983.

Horizon Insurance Co.

Horizon Insurance Co. Ltd., which has been writing commercial reinsurance since 1978, is cutting its unrelated premium volume this year to accommodate more parent-related risks and to avoid over-leveraging it capital, says President Ron Peschon.

Commercial reinsurance premiums will total about $13 million in 1985, down from $18.3 million in 1983.

"Our surplus hasn't grown and related premium volume has. We don't want to get over-leveraged."

Horizon, which writes a net line account, reported capital and surplus at year-end 1983 of $17.3 million. And, it increased its retention to $500,000 from $250,000 when it renewed its catastrophe protections to avoid a premium increase.

Parent-related business in 1985 could be as much as $5 million, compared with $3 million in 1984. Liability and workers compensation insurance premiums are expected to increase.

Its unreleated business in 1984 included $10.9 million on third-party risks written by Horizon underwriters, $4.7 million related to The Reiss Organization pools and $2.7 million from reciprocal agreements, including the AIG Summit Treaty.

Horizon canceled $4 million to $5 million in premiums and wrote only about "$1 million new" on commercial risks for 1985, Mr. Peschon said, though submissions increased. Horizon received 514 submissions in December and January compared with 241 the year before.

"That tells us that the capacity crunch is out there. We think rates will continue to go up. So we cut in January to leave room for expansion later," Mr. Peschon said.

What Horizon did write was more property business, increasing the property portion of its written business to twice casualty volume.

Due to loss development on underwriting years since 1978, Horizon's net income in 1984 will be down from 1983, Mr. Peschon says.

Horizon has seen "big development in '78-'79 from asbestos losses through the Prudential MUFF treaty," he noted. Horizon partici-

Continued on next page

New from General American

No-nonsense management reports on health care benefits... to save you time and money

To help employers manage rising health care costs, major insurance companies, such as General American, have been putting our computers to work producing tons of benefit and cost statistics. For better or for worse. Many insurance companies have simply been sending customers mounds of "mindless" statistics.

We take a different approach. General American selects those elements of data which an employer and his consultants can use...and we provide statistical information on them. More importantly, we distill information relevant to controlling costs and put it in Executive Summaries. And we display it in color-enhanced charts.

BASIC REPORT PACKAGE

What kind of management information can General American provide? Basically, three levels. The first level is a Health Plan Management Report package which breaks out how your benefit dollars are being spent and indicates plan design savings through deductibles, coinsurance, and coordination of benefits. It also reports on the ratio of outpatient and inpatient hospital expense ...and much more. Consultants tell us the information this package provides is tops in our industry.

NEW BENEFIT DESIGN REPORT

A second level is our new cost containment Benefit Design Reports. If you have built cost-saving devices into your plan, we document the extent to which they are working. If, for example, you use General American's CRITERION program, through which physicians representing us discuss with your employees' attending physicians the need for and duration of proposed hospitalizations, we report the costs you save. If you have mandatory second opinion provisions, use hospices, birthing centers or generic drugs...we report on the savings. And so on.

PROVIDER EFFICIENCY REPORT

Finally, if you are a large employer, we recommend Provider Efficiency Reports...at an extra charge. They tell you, by diagnosis, procedure, or DRG what hospitals and physicians your employees use and their costs. And how their utilization and cost compare to regional norms.

Our no-nonsense management reports are among the 20 cost containment devices we introduced last year. They conveniently package the information you need to make informed benefit plan decisions.

For more information, contact your consultant, agent, or broker; call your local General American group sales office; or write Bill Kuehl, Marketing Director-Large Group, General American, 700 Market Street, St. Louis, MO 63101.

"Top of the Market" in employee benefits

General American
LIFE INSURANCE COMPANY

Bermuda market

Continued from preceding page
pates in that treaty as an owner of Universal Insurance Co., a subsidiary of the Cayman-based United Insurance Co., which is owned by 32 captive insurance companies.

But, even after asbestos losses, the early underwriting years still look good, Mr. Peschon contends.

"The problem is they looked a lot better two and three years ago. We're correcting loss reserves. That's what everyone is doing," he says.

Horizon may not continue to underwrite U.S.-based risks in the future since there is no tax advantage to that business, Mr. Peschon said. A sister company, First Horizon Insurance Co. in the United States, may be the more tax-efficient insurer of U.S. risks, he said.

However, the 11-person company is committed to writing to non-U.S. and Reiss Organization business, which is a mix of U.S. and non-U.S. business.

INA International

With new underwriting guidelines for 1985, INA International Insurance Co. Ltd. has slashed its Bermuda-written premiums $5 million this year from $14 million in 1984, says Vp-Underwriting Irmgard Viera.

INA International canceled all its U.S. business, including those international treaties and London market excess programs with too high a U.S. risk content, effective with 1985 renewals.

INA International also is not writing any casualty business, unless it is less than 10% of the treaty.

And, for now, INA International is not accepting any new international treaty business. It is only a renewal market.

"The home office felt that U.S. business should be written in the U.S.," Ms. Viera explained. That eliminates the need to issue letters of credit to U.S. insurers, she noted.

The remaining business written by Ms. Viera is about 60% excess-of-loss and 40% proportional by premium volume. Most of it comes via London brokers, with some international treaties brokered by U.S. brokers.

Ms. Viera

INA International's maximum line is $500,000, but Ms. Viera seldom uses it. The average is $150,000.

INA retains only 45% of the business Ms. Viera writes. The other 55% is ceded to 15 captive insurance companies under the INA International Quota Share program.

The program produced a 112% combined ratio for 1984.

INA International had capital and surplus of $45 million at year-end 1983 and wrote $296 million in gross premiums and $83 million in net premiums. Only $12 million was written in Bermuda by Ms. Viera.

Trenwick Reinsurance

In its fifth operating year, Trenwick Ltd. moved its traditional reinsurance underwriting operations to the United States from Bermuda where the company was founded.

Three underwriters moved from Bermuda to Trenwick's Westport, Conn., offices, including Senior Vp Brian O'Hara.

The move followed Trenwick's U.S. expansion in 1983, with the capitalization of the Apple Syndicate Corp. on the New York Insurance Exchange and acquisition of a majority interest in a multistate-admitted and licensed reinsurer, now known as Trenwick America Corp.

But, Trenwick is not abandoning Bermuda, stresses Executive Vp Mark Hinkley.

Three underwriters for the Bermuda insurance company, Trenwick Reinsurane Co. Ltd., write reinsurance for captive insurers (excluding aggregates) and self-funded programs.

Trenwick Ltd. continues to operate Trenwick's rent-a-captive program, TGIC, and to manage captives.

The TGIC program, capitalized at $6 million and serving 23 clients, increased to $40 million in premiums this year from $35 million last year.

Trenwick Re wrote $21.4 million in gross premiums in 1984, up from $17.3 million in 1983.

However, projections are 1985 premiums will total only $11 million as business formerly written by Trenwick Re is written by Trenwick America.

Trenwick had to shift its traditional reinsurance underwriting to the United States, Mr. Hinkley said, because "intermediaries are seeking admitted reinsurers."

And, as a U.S. facultative reinsurance underwriter, Trenwick belongs in the United States, Mr. Hinkley adds.

Underwriting managers

Among underwriting managers in Bermuda, one of the five closed this year: Fairway (Bermuda) Ltd., a subsidiary of Dana Corp. that had been writing for Dana's Solar Insurance Co. Ltd. in Bermuda and Summit Fidelity & Surety Co. in the United States.

The company would not say why it stopped underwriting.

The status of Ivanhoe International Ltd., which writes for Southhampton Insurance Co. Ltd. in Bermuda and Northumberland General Insurance Co., is unclear.

Ivanhoe President Cole Simons said, "Things are fairly quiet now. Decisions are being made," by executives of Ivanhoe Insurance Group, he added.

Fordingbridge Underwriters will close its own offices in July and contract for space and service with Bott & Associates, another underwriting manager, said Fordingbridge President Nicholas Jones.

The underwriting capacity of Fordingbridge is too small to support a staffed operation, said Mr. Jones, and he has been unsuccessful in finding another market.

Mr. Jones lost Commonwealth Insurance Co. as a market after it was acquired by The Home Insurance Co.

"It was the timing," Mr. Jones said. When he started looking in January 1984, "the run had begun" from MGAs, he says.

He will continue to write an account for Interamerica Reinsurance Corp. with about $4 million in premiums this year.

Michael Bott of Bott & Associates writes excess-of-loss casualty reinsurance on U.S. risks, including captive reinsurance programs. He expects to write $7.5 to 8.5 million for Kansa General Insurance Co. Ltd. of Finland and $500,000 for Riverplate, an Argentine insurer, compared with about $5 million last year.

The future

Brokers, in particular, are bullish on Bermuda's future.

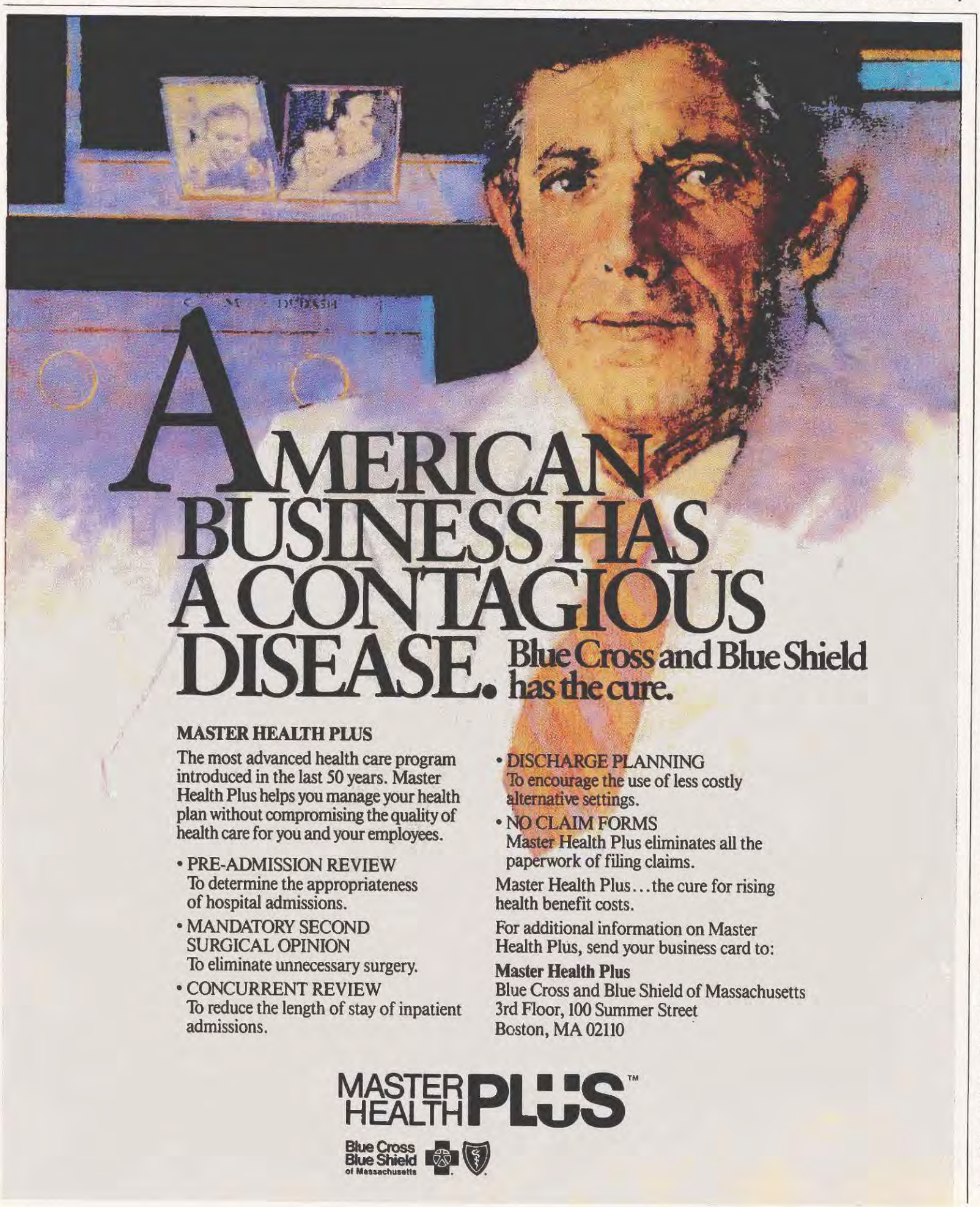
"I think underwriters have a bright future, those with sound capital. With such a worldwide shortage of capacity, geography is not a key issue," contends Steven Wrigglesworth, vp of Regency Reinsurance Brokers.

"You can write a super account from Bermuda of a particular size," says Robert Hedges, vp of Intere (Bermuda) Ltd.

"But with management expenses, Bermuda is not the place to have a large staff."

But whether or not new reinsurance companies will set up in Ber-

Continued on page 28



A one-time insertion they'll see more than one time!

INSERTION ORDER # 85-0000

Insertion For: *1985 Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services*

Advertiser/Product/Service: YOU ... if your goal is to reach the catalysts in the commercial insurance marketplace ... the buying influentials!

Position: *The BI Directory* ... if you need a vehicle which provides your advertising message with repeat exposure. You can benefit from placing your products and services before key decision-makers. Executives in virtually every segment of the insurance marketplace turn to this indispensable source book, *time after time after time.*

Additional Information:

- *The BI Directory* lists almost 2,000 U.S. corporations - 400 more than last year. It provides information on size of company, by number of employees and sales volume ... plus an expanded list of executives by title: CFOs, vp's of finance, treasurers, controllers; risk managers, analysts, managers of safety and loss control; employee benefits managers, directors of personnel and planning, directors of pension planning, human resources and industrial relations; corporate directors of insurance; claims managers; and more.
- *The BI Directory* features an index of companies ranked by number of employees. Also included is a geographical index, arranged by state.

Publishing Date:	Ad Closing Date:
AUGUST 1, 1985	MAY 31, 1985

Publication:

business insurance

New York: 220 E. 42 St., NY 10017 (212)210-0133
Chicago: 740 Rush St., IL 60611 (312)649-5276
Los Angeles: 6404 Wilshire, CA 90048 (213)651-3710

Bermuda market

Continued from page 26
muda is open to debate.

"We will see, provided the rates stay up and perhaps increase, more captives expanding into non-related books or new companies being set up," predicts broker Mr. Bray of Amberco Brokers Ltd., the largest broker in Bermuda.

One underwriter who asked not to be identified disagreed. He predicted that no new captives would jump into third-party underwriting for the next 10 years. And, he doesn't expect any new professional reinsurers will open in Bermuda.

"It doesn't appear viable to staff a traditional reinsurer here," points out Brian Martin, chief financial officer of Finance & Risk Services Ltd.

"It's costly, and the companies are subject to adverse selection."

Another insurance company executive who asked not to be identified said: "Companies here that prosper will be those that realize they won't be shown the best reinsurance but that can capitalize on special risk situations—like financial reinsurance.

"Bermuda can only take advantage of its offshore location," the executive continued. "Companies have to be flexible. They have to develop a facility for writing a wide range of financial treaties. Investment income and regulations can make us very competitive and we must take advantage."

And, while underwriters say they don't need other reinsurers on the island, at least one is looking for the positive effects of fewer Bermuda-based companies.

"It may be beneficial to those that are left," suggests Mr. O'Connor of Belvedere. The remaining companies "will be looked at individually and not as a mass," he hopes. ■

Captives having difficult time finding aggregate stop-loss

By KATHRYN J. McINTYRE

bermuda

HAMILTON, Bermuda—Captive insurance companies can no longer guarantee their profits by buying aggregate stop-loss reinsurance.

No reinsurer will underwrite stop-loss reinsurance that will attach at 100% of a captive's net premium on related business, reinsurers and brokers agree.

And, captives that want to protect at least some of their capital from losses on related business are discovering that any aggregate stop-loss reinsurance is difficult to find and, when available, it attaches at a higher loss ratio and is more expensive.

"We were unsuccessful in finding it at renewals," said Jean-Francois Gelot, managing director of Arthur J. Gallagher & Co. (Bermuda) Ltd., a reinsurance broker and captive manager.

"We have all lost some clients because they could not renew their programs," said Hal Forkush, president of Atlantic Security Ltd., a captive manager.

David B. Vaughan, president of manager Continental Risk Services Ltd., said he had "a devil of a time placing reinsurance" for one of his captives that renewed recently.

"It was quite some time after the expiration that we finally got the slip filled," he said.

Some of this captive's coverage was placed with Bermuda reinsurers following a London lead, and the cost of the reinsurance package rose by 160% over the previous year, he said.

Other Continental captives begin renewal negotiations shortly.

"I'm not looking forward to it," Mr. Vaughan said.

Reinsurers, even in Bermuda, have turned cold to captive aggregates because some reinsurers have lost money on the coverage. Some others that were a market are completely out of business.

"A lot of aggregate layers were written for captives whose rates were not adequate to start with," suggested one underwriter. "And, some feasibility studies were not what they should have been, so aggregates are being hit three to four years later."

Capacity lost in Bermuda for captive aggregates includes that of Insco Ltd. and Mentor Insurance Ltd., which stopped writing unrelated risks in the last six months.

And, Trenwick Reinsurance Co. Ltd. has stopped writing aggregates, which it had written primarily for trade association captives.

Unless the aggregate stop-loss underwriter is going to control the underwriting and claims handling, the coverage should not be written, says Trenwick Executive Vp Mark Hinkley.

Mr. Crawley

Mr. Hinkley denied rumors that Trenwick's retrocessionnaires had demanded that it stop writing aggregates. "We didn't write much, but what we wrote *we* didn't find acceptable," he said.

Only three underwriters in Bermuda actively write aggregate stop-loss for captives, together providing a maximum limit of $1 million, brokers say. They are Aneco Reinsurance Underwriting Ltd., and underwriting managers Fordingbridge Underwriters and Bott & Associates.

Several other Bermuda reinsurers, however, told *Business Insurance* they would write captive aggregates if the price were right, including Hudson Reinsurance Co. Ltd., Belvedere Insurance Co. Ltd. and GTE REinsurance Co. Ltd.

In the United States, General Reinsurance Corp. is the best-known aggregate market. Syndicates on the Insurance Exchange of the Americas in Miami also will write the coverage, brokers say.

In Bermuda, Aneco Reinsurance Underwriting Ltd. President Jonathan J. Crawley is targeting captive reinsurance, including aggregates, as one of the company's growth lines. Predicting demand for captive reinsurance would increase, he canceled all other U.S. casualty business for this year to free up surplus to write captive reinsurance, including aggregates.

And, he is as enthusiastic about writing captive reinsurance as he was several years ago, when he publicly encouraged managers to place their clients' reinsurance with Bermuda companies.

Those reinsurers with bad experience "wrote too big of lines or too

Continued on page 30

Let Update Insurance From Harbor Guard Against These Ifs...

If your company has outgrown old coverage...

If your coverage has been impacted by inflation...

If unknown liabilities may have been accrued via corporate acquisitions or represent stumbling blocks to divestiture...

If coverage gaps lurk in original programs...

If latent liabilities exist in current or discontinued products...

Update Insurance from Harbor can protect your company from late arising claims for incurred but not reported losses.

Harbor will provide Update Insurance coverage retroactively if the risk meets current standards. It is your retroactive umbrella.

To learn more about Update Insurance protection, contact your agent or broker, or call Harbor Insurance.

In New York call Marge Wagenvoord: (212) 440-3827

Or

In Los Angeles call Becky Hill: (213) 937-5411

Harbor Insurance Company is a unit of Continental Insurance, respected worldwide for sound management and financial strength.

Continental Insurance®

Harbor Insurance Company

Visit us at the RIMS Conference, Continental Insurance Booths 410-411

The tools of our trade are current facts, future projections and past performance.

Knowing what worked in the past is just the beginning of the job we do for you. It's our skill in pinpointing the areas where change affects risk that adds a dimension to the many kinds of excess and surplus lines coverage we help you provide your clients.

During the past 50 years, we've developed inventive solutions for coverage in the areas of directors' and officers' liability; umbrella liability; course of construction; product liability; and permanent property, among others. This experience enables us to go beyond the basics to create thorough, thoughtful programs that work for today's needs while anticipating future changes.

Business keeps inventing new ways to do business. At Swett & Crawford, we keep inventing new ways to cover their risks.

Swett & Crawford

3699 Wilshire Boulevard
Los Angeles, California 90010

Invention is the added dimension.

Offices in: Atlanta, Boston, Chicago, Columbus, Dallas, Denver, Greensboro, Houston, Los Angeles, New Orleans, Newport Beach; New York, Philadelphia, Portland, San Diego, San Fernando Valley, San Francisco, Seattle, Tampa.

©1979

Stop-loss cover

Continued from page 28
few treaties," he contends.

Aneco can write up to $500,000 on any one specific excess coverage and $500,000 on any excess aggregate. Aneco keeps 10% of its lines net, the only business for which Aneco writes a gross line.

Aneco's retrocessions for captive business were renewed Jan. 1 "with very modest increases in terms," Mr. Crawley said.

He refuted rumors Aneco had lost capacity to write captive aggregates because its retrocessionnaires for the business included Mentor Insurance Co. Ltd., Insco Ltd. and Ancon Insurance Co. S.A., three oil company captives that stopped writing in the last six months.

Aneco's retrocessions for its captive business are placed by the brokers that produce Aneco's captive accounts, he noted. "If they take me for a ride, they would be taking their markets for a ride, too."

Aneco's gross premiums on specific and aggregate reinsurance for captives in 1984 total $2.6 million: 22% for risk excess, 44% excess aggregate, 25% combined risk and excess aggregate and 9% quota-share.

Aneco expects that volume to grow to $4 million in 1985.

As of Sept. 30, Aneco had 71 captive clients. Aneco added 15 to 20 in the fourth quarter and 15 to 20 during the first 2½ months of '85.

In 1983, Aneco had 77 captive clients, compared with 58 in 1982.

Aneco's new accounts include new captives, particularly rent-a-captives and captives whose business had been placed elsewhere.

Aneco has seen two programs that had been placed in London but could no longer be finished there, Mr. Crawley said.

Also, existing captives are looking for new protection as they start to write new types of risk for their parent companies as commercial insurance rates rise.

Mr. Crawley sets the attachment point of captive aggregates at 90% of gross premium.

Mr. Bott

Underwriters were burned writing reinsurance as a percentage of net premiums, Mr. Crawley says, especially the popular 100% of net premium. "The captive can't lose. It's a guaranteed-profit situation," he said.

Michael Bott of Bott & Associates writes captive aggregates for Finnish insurer Kansa General Insurance Co. Ltd. and its affiliate Kansa Reinsurance Co. Ltd., and Riverplate Reinsurance Co. Ltd, a privately owned Bermuda insurer and an approved non-admitted company in nearly 40 states.

The maximum limits Mr. Bott writes for a captive aggregate program is $400,000 on behalf of Kansa and $100,000 on behalf of Riverplate. But, Mr. Bott rarely uses his full capacity.

Mr. Bott says he won't attach at less than 85% to 90% of gross, which frequently translates into 120% to 150% of net premium.

"Aggregates have been offered to me that went right though the aggregate" with 150% to 160% loss ratios, he said. The captives' rates were "grossly underrated."

Bott & Associates writes about 60 captive contracts, about half with an aggregate feature.

Nicholas Jones, president of Fordingbridge Underwriters, can provide a $400,000 limit on captive aggregates. He writes on behalf of Interamerica Reinsurance Corp., a New York-licensed company.

"Prices are back to the prices of 1976-77 when we started writing these," Mr. Jones observed.

On one account for $1 million excess of 115% of net premium for casualty only, with $100,000 retained per loss, the 1976 premium was $100,000. By 1984, the premium was down to $25,000.

Mr. Jones

This year, the premium is back up to $100,000 with the captive retaining $100,000 of each loss.

Further, the attachment point for the aggregate is now higher because the captive's premium volume has grown.

Mr. Jones expects captive business, including aggregates, will be about $2.5 million.

Hudson Reinsurance Co. Ltd. President Robert Baker says Hudson isn't writing captive aggregates because "our rate is usually higher than is being offered."

Hudson Re's experience on the captive aggregates it has written "has not been that great," Mr. Baker says.

Belvedere Insurance Co. Ltd. also finds that captive aggregates have been priced too low.

Belvedere had been a major writer of captive reinsurance before 1980, but it lost its business to insurers who slashed the rates, says Vp-Finance Colin D. O'Connor.

"The captive portfolio in the erlier years was very profitable," commented Belvedere Vp-Underwriting Thomas G. Hamill. "Regrettably it was lost in 1980," when others started cutting prices. "We hope it comes back."

At GTE Re, Vp and General Manager Kenneth D. Biersack said, "We haven't taken an across-the-board prohibition" on captive aggregates, "but we look at them long and hard."

Mr. Baker at Hudson, however, is concerned the tight market for captive aggregates "could affect what happens in Bermuda because association captives need aggregate cover to form."

But, not everyone has such a glum view.

"Any underwriter will consider captive aggregates if the terms and conditions give the opportunity for an underwriting profit," declares Steven Wrigglesworth, vp of Regency Reinsurance Brokers in Bermuda. "It's not a question of price, it's the attachment point."

"It's still reasonably easy to place in the U.S. and Europe at a price," said Bernard Cutts, vp with Montgomery & Collins International Ltd., a CIGNA Corp. brokerage unit. But, he concedes the price has often doubled and tripled.

Insurance Managers Ltd., the captive management unit of Reed Stenhouse Cos. Ltd., has not had trouble arranging aggregate stop-loss protection for its captives.

"I guess because our stop-loss people haven't been burned by us," explained President David A. Brown.

Retrocessions from captives are generally no more difficult to place than they have been in the past, except in certain classes such as professional liability, said Basil M. Pimm, president of Marsh & McLennan (Bermuda) Ltd.

And Jeffrey Sirr, assistant manager of Intere (Bermuda) Ltd., contends tougher underwriting of captive aggregates is justified.

Underwriters won't write captive aggregates at "ridiculous levels and prices," he maintains. And, underwriters are "looking a lot more closely at association programs. Those are the aggregates that they have been burned by and they want 10 times the information and to audit books."

And, Mr. Sirr predicts more careful underwriting of captive aggregates "will improve the quality of captives being set up." ■

Put the Experts to Work for You...and Save Money

The Self-Insurance Manual

Available Now...the Most Complete Reference on Self-Insurance

You Do Have A Choice

Reviewing your workers' compensation or automobile liability program? Traditional insurance isn't always the answer to your risk financing needs. There are alternatives, and self-insurance is one of your options.

Self-insurance is being considered by every cost-conscious manager today. And a new publication answers self-insurance questions like no other reference can.

THE SELF-INSURANCE MANUAL helps you:

- Determine if self-insurance is feasible for you.
- Decide which program best suits your needs.
- Know how to certify and administer a self-insured program.
- Learn how individual state laws, rules and regulations and important tax decisions affect self-insurance.
- Find expert advice when you need it.
- Establish and maintain a self-insured program.

Save Time...As You Save Money

Why spend hours tracking down the answers to self-insurance questions when you can rely on one, comprehensive book—THE SELF-INSURANCE MANUAL.

Easy-To-Use

Tabbed and indexed for easy, convenient use, you'll find the information you need quickly. And, the manual is written in clear language...not technical jargon. So you don't need to be an expert to understand self-insurance concepts with THE SELF-INSURANCE MANUAL. But even experts will appreciate the comprehensive scope of this unique reference. THE SELF-INSURANCE MANUAL contains over 400 fact-filled pages.

Update this valuable looseleaf reference easily. With your order, you'll get **FREE** supplement service for the first year, so you'll have the current information you need to make sound risk management decisions.

Order Your Copy Today

NILS Publishing Company has supplied regulatory information to the insurance industry for over 35 years. *"The insurance information people"* invite you to review this comprehensive, easy-to-use reference book now. You'll receive THE SELF-INSURANCE MANUAL and get a free, 30-day, No Risk Examination to prove the value of this unique service.

Send no money. An invoice will accompany your volume. Remember, the purchase price of only $95.00 includes the first year of updates, absolutely **FREE**. Order your copy today in the coupon below—or better yet—phone

TOLL-FREE 1-800-423-5910

Ask for Telemarketing. (In California, call (818) 998-8830.)

Send the coupon below to:
NILS Publishing Company
P.O. Box 2507
Chatsworth, CA 91311

FILL OUT AND MAIL COUPON TODAY TO ORDER YOUR COPY.

28020405

SEND COUPON TO:

NILS Publishing Company

ONE OF THE ABC PUBLISHING COMPANIES

20675 Bahama Street
Chatsworth, CA 91311

☐ **YES!** I want to save—time and money—with the industry's newest and most comprehensive guide to self-insurance. Please send me my copy of THE SELF-INSURANCE MANUAL, today. I understand I will be sent the complete reference with an invoice for $95.00. My purchase includes one year of free updates. And, of course, I can review THE SELF-INSURANCE MANUAL for 30 days with no obligation.

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone ( ) _____

Before choosing a flexible benefits program for your employees, first consider the demands that the plan will make of you, the employer.

At Metropolitan Life, we offer a computerized administration system specifically designed for flexible plans. From election forms and flexible credit calculations to record maintenance and employee turnover. Result: a simple, manageable plan for you and your employees.

For more information about our group benefits plans, call your broker/consultant or your Metropolitan Life Group Representative.

GET MET. IT PAYS.

Metropolitan Life
AND AFFILIATED COMPANIES

© 1985 Metropolitan Life Insurance Company, N.Y., N.Y.

Bermuda active in making sure claims paid

By KATHRYN J. McINTYRE

HAMILTON, Bermuda—The Bermuda government expects corporate owners of Bermuda-based insurers to stand behind their insurance subsidiaries' financial commitments.

If a captive insurer that has written unrelated business runs out of money to pay claims, the parent company can expect to hear from Financial Secretary Mansfield Brock.

While the government would be notified by brokers if any insurer refused to pay claims, new amendments to Bermuda's Insurance Act of 1978 also are designed to ensure that the government is quickly notified of any possible insolvencies (see story, page 33).

Although Mr. Brock has no legal authority to force parent companies to infuse more capital into their subsidiaries, "We use persuasion," he says.

Mr. Brock

Persuasion can be very effective, he maintains, because "we appeal to their sense of pride as good corporate citizens."

Mr. Brock stresses that in order for this technique to work, "you have to be extremely careful whom you let in in the first place."

Bermuda's admissions committee, which screens all applications to form insurance companies, is that careful, he says.

"If a company doesn't have the sort of self-image that would prevent it from walking away from the obligations of its subsidiary, we don't want it to set up here in the first place," Mr. Brock asserts.

If a captive is writing only the first-party property risks of its parent company, however, the Bermuda government tends to be "more liberal" regarding shortfalls in funds, Mr. Brock notes. "We see that as a matter between the parent and its subsidiary."

If, however, third-party liability claimants are involved and there is a potential for a loss to the public, there is no question we would protect the public," Mr. Brock says.

Government officials already have publicly demonstrated their persuasive powers.

Mr. Brock contacted National Sea Products Ltd. of Halifax, Nova Scotia, owner of Cambridge Reinsurance Ltd., more than once after he was alerted by reinsurance brokers from around the world that they were displeased with the handling of the runoff of the reinsurer's business.

National Sea Products announced last April that it was closing down Cambridge and that its runoff would be managed by Ivanhoe International Ltd. in Bermuda.

Brokers, however, began to complain that claims payment by Ivanhoe was too slow. And, several lawsuits were filed in the Supreme Court of Bermuda demanding claims payment.

"This was affecting Bermuda overseas," Mr. Brock says. "It was affecting our public relations."

When Mr. Brock inquired, National Sea Products "reassured us there was sufficient money in the reserves to take care of Cambridge's liability," Mr. Brock says.

And, the management of Cambridge Re's runoff was moved to J&H Ltd. from Ivanhoe International.

Mr. Brock declines to take credit for the change in runoff managers.

Based on Cambridge's 1984 balance sheet, the government believes that Cambridge Re is solvent, Mr. Brock stresses. But, if reserves prove to be insufficient, Mr. Brock is confident more capital will be contributed to Cambridge.

"National Sea Products is assisted by the federal government of Canada," he notes, and Mr. Brock and the Bermudian finance minister, Dr. Clarence James, have spoken to Canadian government officials.

bermuda

"We believe that Cambridge Re will honor its obligations, and we don't think it will be a problem—a major problem—as regards Bermuda," Mr. Brock says.

Mr. Brock says he emphasized there will not be "a major problem," because Cambridge Re "has been a bit of a problem as respects Bermuda worldwide.

"When you have writs in the Supreme Court of Bermuda, that

Continued on next page

WITH A UAC ADJUSTER
THERE'S A LOT GOING FOR

Continued from previous page
means there is a bit of a problem. That brokers are anxious means there's a bit of a problem. That we have called the parent means there's been a bit of a problem.

"But, a major problem is if companies don't collect their reinsurance."

The Bermuda government monitors all Bermuda-based reinsurers running off third-party business. If the registrar of companies deems it necessary, quarterly management reports are required.

When a company announces it will no longer underwrite third-party business and intends to run off the business it has written, "the first thing we require is an actuarial report on the adequacy of the reserves," says Verbena Daniels, Bermuda's registrar of companies. "If the company is running out of money, we go to the parent."

"When there is a threat of insolvency, we will use Section 32," Mr. Brock says, referring to a section of the Bermuda insurance law that authorizes the minister of finance to order a company to stop underwriting and to take contol of it assets.

The government also can seek a court order to wind up the company, as it has done once—against Dover Insurance Co. in 1983.

The government also has invoked Section 32 of its insurance law to force compliance with its financial reporting requirements.

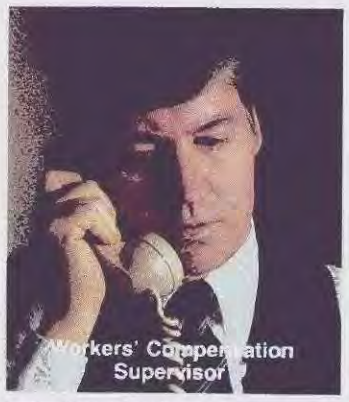
Last year, the government announced it would get tough on companies that failed to file statutory returns. As a result, the government invoked Section 32 against seven companies that had not filed 1982 financial returns.

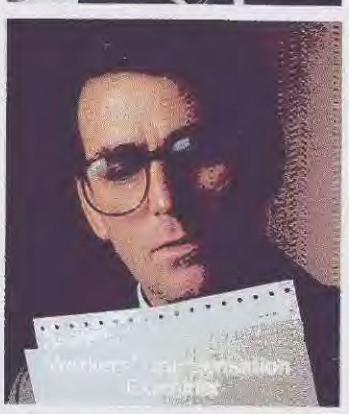
In four cases, the government found the insurers complied with the solvency regulations and that administrative problems had delayed their returns. These four companies eventually filed returns.

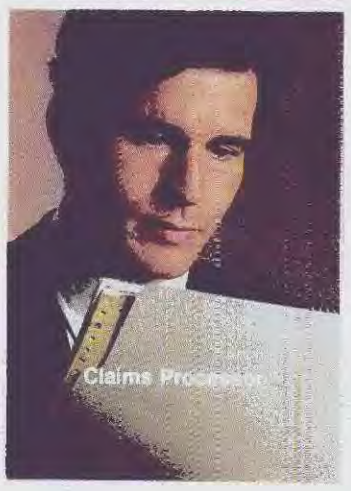
Two companies were found not to be conducting any new business, and the government is now reviewing their accounts to determine if they are solvent.

Continued on next page

ON THE SCENE, YOU BEHIND THE SCENE.







UAC handles over 200,000 workers' compensation claims each year. We know one false step and the results can be painful. Medical costs. Expensive legal battles. Disability payments. A whole mess.

That's why we back up our adjuster on the scene with a knowledgeable team behind the scene. Managers, supervisors, specialists all work together to see that you're protected at every step.

The supervisor assigns the claim to the best-qualified adjuster. Throughout the handling process, the supervisor monitors the actions of the adjuster.

Reviewing.
Advising.
Helping.

Other team members, from claims processor to rehabilitation coordinator, contribute their specialized knowledge.

It's a team effort from beginning to end.

All this teamwork has just one objective: To bring you efficient claims service that will lower your claims costs. Does this team approach work?

Ask any one of the more than 1,400 companies and self-insurers who rely on UAC service.

UAC has over 60 years of claims handling experience and is staffed with more than 3,800 adjusters, supervisors and support personnel operating out of more than 300 offices across the country.

For more information, or our free brochure, contact: Marketing Vice President, Underwriters Adjusting Company, 2 Corporate Place South, Piscataway, NJ 08854. Or call (201) 981-8200.

UAC®
THE TEAM WORKS.

Insolvency law called success

HAMILTON, Bermuda—A new amendment to Bermuda's Insurance Act of 1978 requiring insurance company managers to notify the government of likely insolvencies is working.

The government has received "a few notices," in response to the new amendment, which took effect March 1 according to Malcolm L. Butterfield, who is inspector of companies in the insurance division of Bermuda's Registrar of Companies office.

Mr. Butterfield refused to state the exact number of notices that the government has received under the law.

However, according to Mr. Butterfield, "There was no hue and cry and no floodgate."

The amendment requires all principal representatives and all captive managers who act as the principal representative of an insurance company to notify the minister of finance within 30 days of determining that a client company faces the likelihood of becoming insolvent.

Previously, the law did not impose this mandate on principal representatives or captive managers.

In addition, the act now mandates that the required Bermuda representative for an insurer either be a registered insurance manager or a person approved by the minister of finance.

Previously, an insurance company was required only to appoint a principal representative.

Insurance company managers asked for the amendment requiring them to notify the government of possible insolvencies, says Registrar of Companies Verbena Daniels.

The new amendment will protect insurance company managers from objections that may be raised by clients to action by their managers to notify the government of pending financial problems, Ms. Daniels explains.

If a manager fails to comply with this mandate, the manager will be deemed guilty of an offense.

An offense under Bermuda's insurance law is punishable by a fine of up to $15,000, imprisonment of up to three years or both.

Also, principal representatives are now required by the law to report to the minister of finance any failure by one of their insurance companies to comply with operating conditions that are imposed by the minister.

They also are required to report any involvement in any criminal proceedings, whether it occurs in Bermuda or abroad.

In addition, another set of amendments that is designed to clarify aspects of the insurance law in Bermuda is being presented to the Bermudian Parliament.

U.S. court backs Bermuda liquidator

Northern Financial & Guaranty Co. Ltd., in liquidation in Bermuda, will have the money needed to pay its claims because a federal court in Chicago awarded its Bermuda liquidator $361,219 plus interest, Bermuda officials say.

U.S. District Court Judge Ilana Diamond Rovner ruled last month in favor of Bermuda liquidator Verbena Daniels in her suit to recover the funds for Northern Financial from the insurance company's owner, Powell & Co., and its president, Chicago insurance agent William L. Powell. This is the first time a U.S. court has taken into account Bermuda's liquidation law in reaching a decision, said Bermuda's Financial Secretary Mansfield Brock.

The Bermuda Supreme Court had placed Northern Financial in involuntary liquidation in June 1983 on a petition of a creditor and appointed as liquidator Ms. Daniels, who also is registrar of companies in Bermuda. As liquidator, she was vested with title to the property owned by Northern Financial.

But, when deeds to property the insurer owned in Kentucky were requested, representatives of Mr. Powell said he was trying to settle disputes with creditors and planned to ask the Bermuda court to take the insurer out of liquidation. His attorney also gave assurances that no property of the insurer would be sold in the interim.

But, Mr. Powell sold the Kentucky property in November 1983 for $316,219, used to pay debts of other companies he owned.

Mr. Powell fought Ms. Daniels' suit to recover the proceeds of the sale, arguing in part that the Bermuda liquidation order should not be enforced in the United States because it was not a final judgment.

But, Judge Rovner ruled, "Defendants in this case voluntarily invoked the protection of the laws of Bermuda when Powell and Powell & Co. chose to incorporate in Bermuda. They cannot be heard to argue now that they should not be subjected to the burdens imposed by the Bermuda liquidation procedures simply because the liquidation order is not a 'final judgment.'"

Mr. Powell also had argued that he ignored the order of the Bermuda Supreme Court because Ms. Daniels' "intention is obvious. It is not to marshal the assets of the corporation for the benefit of the creditors. Her intention is to gain control of a fund which she can then consume to the disadvantage of the estate's beneficiary."

Judge Rovner ruled Mr. Powell should have taken his challenge to the Bermuda Supreme Court, saying, "This court finds abhorrent the notion advanced in essence by the defendants, that it should sanction conduct that is in defiance of an order entered by a foreign court having jurisdiction over the parties and of the subject matter."

Northern Financial was incorported in Bermuda in the 1970s as a wholly owned subsidiary of Powell & Co.

The award will be used to pay claims filed against Northern Financial, Ms. Daniels said, and should cover Northern Financial's outstanding liabilities. These include claims filed by Island Reinsurance Co. Ltd., which had petitioned for the liquidation order.

Prescription drug coverage through PCS makes good employee benefit sense for over 50,000 reasons.

Choose the reason best for you- 50,000 other companies did!

Pharmaceutical Card System, Inc. (PCS), the nation's largest administrator of prescription drug plans, administers programs for over 50,000 employers, both large and small. Each chose PCS to satisfy their specific circumstance. Their reasons include:

- **COST CONTAINMENT**
  PCS' commitment to cost containment via plan design, systems edits and utilization reviews.
- **NO ADDITIONAL COST**
  A recent study performed by an independent actuarial firm indicates that PCS can be substituted for a plan covering prescription drugs under major medical at no additional cost!*
- **EMPLOYEE SATISFACTION**
  No claim forms, no waiting for reimbursement.
- **BENEFIT VISIBILITY**
  The highest visibility with the "PCS credit card" at the lowest possible price.

Maybe there aren't 50,000 reasons to add PCS but there are 50,000 success stories. PCS—the most cost effective, efficient and visible method of delivering a prescription drug benefit.

PCS

For further details on our complete program, please direct inquiries to:
Robert W. Field, CLU
Vice President, Sales & Marketing
Pharmaceutical Card System, Inc.
9060 East Via Linda
Scottsdale, AZ 85258
Telephone (602) 951-4652

*"Derivation of Major Medical Offset Factors for Prescription Drug Plans"—Sieben & Associates, Inc., available upon request from PCS.

Bermuda scrutiny

Continued from previous page

One company got an exemption from filing because its audited accounts showed it was solvent.

Twenty-five insurance companies that did not file 1983 accounts are now being investigated. Generally, managers are telling the government the audits aren't complete, says Malcolm L. Butterfield, inspector of companies in the insurance division of the Department of the Registrar of Companies.

Until they are complete, the government is asking for management accounts to determine if the companies meet solvency tests.

Whether Section 32 will be invoked against any of these companies is yet to be determined.

Of the 1,246 insurers incorporated in Bermuda, 56 are dormant and 28 are in liquidation.

Nine of the companies are in liquidation under court supervision. Those ordered into liquidation in 1984 were:

- Samco Insurance Co. Ltd., the captive of Sambo's Restaurants, after its parent company filed for reorganization under Chapter 11 in the United States.
- Staffordshire Reinsurance Co. Ltd., since 1984 a wholly owned captive of a Canadian group, which voluntarily filed for liquidation under court supervision.

Ms. Daniels

- Oceanus Mutual Underwriting Assn., the marine pool put into liquidation by its creditors in 1984.
- InterMark Insurance Co. Ltd., a captive of a Baltimore insurance agency, put into liquidation by its creditors.

In addition to Dover, three other liquidation orders date back to 1983: Ajax Insurance Co., Thames Insurance Co. Ltd. and Northern Financial & Guaranty Co. Ltd., a captive of a Chicago insurance agency.

In the Northern Financial & Guaranty liquidation, Ms. Daniels, acting as liquidator, recently won a $361,219 judgment, plus interest from June 1983, in U.S. District Court in Chicago (see box, page 34).

First International Assurance Co. Ltd., the first insurance company liquidated in Bermuda, dates back to 1976.

The other 19 liquidations are voluntary and no court order is needed because the companies are not insolvent, Ms. Daniels. explains.

Among the 19 are 15 captive insurance companies, including Sunbeam Financial Holding's Solaray Insurance Co. Ltd. and Flowers Industries Inc.'s Flinco Ltd.

Sunbeam's captive was liquidated following the acquisition of Sunbeam by Allegheny International Inc. of Pittsburgh, which already had a captive, said G.F. Sullivan, Allegheny's risk manager.

Flowers Industries of Thomasville, Ga., liquidated its captive five years after incorporating it on a standby basis becuase the company had never needed to use it, said Scott Rich, director of corporate insurance and cash management.

Three of the 19 insurers in voluntary liquidation are related to Reserve Insurance Co., which is being liquidated in Illinois.

The other insurer in voluntary liquidation is an agency captive that was writing third-party risks: National Assurance Co. Ltd.

Unlike court-ordered liquidations that drag on for years, voluntary liquidations take only about a year, Ms. Daniels said.

In 1984, 35 voluntary liquidations were completed, compared with 29 in 1983 and 23 in 1982. ■

©1985 Metropolitan Reinsurance Co., New York, N.Y.

Because in reinsurance you want a first class company.

For your reinsurance needs, you can rely on MetRe.

For our strong surplus. For the expertise of our topflight Treaty and Facultative teams.

For the reliability that comes from our affiliation with Metropolitan Life, a longtime leader in the insurance field.

That's the kind of company that will help you chart a very safe course.

GET MET. IT PAYS.

Metropolitan Life
AND AFFILIATED COMPANIES

METROPOLITAN REINSURANCE COMPANY

Capacity crunch shakes Bermuda brokers

By KATHRYN J. McINTYRE

bermuda

HAMILTON, Bermuda—The erosion of reinsurance capacity in Bermuda could threaten the survival of some local reinsurance brokers.

Already this year one U.S. broker has closed its Bermuda office, citing market conditions. And, several other brokers are increasing the amount of business they place with reinsurers elsewhere in the world, partly because they are running out of capacity in Bermuda.

The membership of the Insurance Brokers Assn. of Bermuda is down five from last year to 25, after losing six members and gaining only one.

Even though most of the reinsurance brokers in Bermuda are satellite offices of U.S. or London retail or reinsurance brokers, their income has to cover high expenses in Bermuda. Only those associated with companies that also manage captives or also underwrite benefit from a break on their shared expenses.

But, most reinsurance brokers in Bermuda object to suggestions that their livelihood is threatened and insist current capacity is sufficient to keep their offices in business and making money.

And, almost all the brokers boast that they have more business than ever to show the surviving reinsurers in Bermuda and that they are placing more.

E.W. Blanch Co., the third-largest U.S. reinsurance broker based on 1983 revenues, closed its 3-year-old Bermuda office at the end of March.

Blanch President Michael Cashman in Minneapolis says, "With the tightening of the market, we feel it's not practical to maintain an office in that area" (*BI*, April 1).

Instead, Blanch brokers will travel periodically from their U.S. offices to Bermuda to market their treaty business.

Michael Foulger, the former manager of Blanch's Bermuda office, was hired just last week by Frank B. Hall (Intermediaries) Ltd. as its second broker for its growing treaty reinsurance brokering operation. He starts with Hall on May 1.

The disappearance of some Bermuda reinsurance companies has reduced the Bermuda brokering activities of Arthur J. Gallagher & Co. (Bermuda) Ltd. Now, Gallagher brokers only to five or six Bermuda companies, says Managing Director Jean-Francois Gelot.

Mr. Gelot

"The bulk of our brokering activity is with European companies and London," Mr. Gelot says of his primarily treaty account with a few large facultative programs. Gallagher Bermuda also brokers business to reinsurers in the Far East.

On January renewals, Gallagher exhausted the capacity in Bermuda. "We first tried to feed the Bermuda companies," he says, but Gallagher found there is very little capacity in Bermuda for U.S. casualty business. And, on excess facultative property, today's capacity of $20 million to $30 million is only a half or a third of what it was a year ago, Mr. Gelot says.

Gallagher Bermuda converts the retail package property/casualty programs developed by its parent company, U.S. retail broker Arthur J. Gallagher & Co., into treaties to secure the needed supporting reinsurance.

And, based on 15 years with Insurance Co. of North America in posts around the world, Mr. Gelot also markets European business for Bermuda-based companies, including surplus relief programs.

But now, even for non-U.S. risks, which more Bermuda reinsurers want to write, Mr. Gelot has exhausted capacity and been forced to turn to other markets.

"I've been placing a top excess catastrophe cover for a French company," Mr. Gelot said last month. "I placed 75% of a $2 million layer in Bermuda. I could not finish it in Bermuda." He says that a year ago, he definitely would have been able to finish the layer in Bermuda.

But, Gallagher, which has been in Bermuda since 1972, is not thinking of leaving, Mr. Gelot stresses.

He is optimistic that Gallagher will broker more business to Bermuda companies, despite the reduction in capacity, as new European business he has developed grows and because rate increases will drive up premiums.

In addition to its brokerage activities, the five-person Gallagher Bermuda office manages captive insurance companies, many for European companies, and introduces clients to rent-a-captive programs in Bermuda, Mr. Gelot says.

This combination of business activities supports Gallagher's Bermuda office, Mr. Gelot says. But, if Gallagher were only brokering reinsurance in Bermuda, current market conditions might cause the company to reconsider its Bermuda location, he says.

Even Amberco Brokers Ltd., the largest Bermuda-based brokerage and one of the few independent brokers, plans to market more of its business this year in the United States: 15% to 20% of the group's $125 million in 1985 premiums will be placed in the United States, compared with 5% of the same volume in 1984, says Vp-Director Roy V. Bray.

"It's a combination of the reduction in capacity and the fact our operation in the U.S. is getting bigger," he says. Amberco has offices in New York, Miami and Hartford, Conn., but only Hartford is staffed.

Amberco, which is owned by individuals in Bermuda and the United States, is licensed on both the New York Insurance Exchange and the Insurance Exchange of the Americas in Miami.

"We see more business, we have more to place, even though there are fewer players here," Mr. Bray says. Amberco places reinsurance predominantly on U.S. risks for 30 to 40 corresponding brokers around the world, mainly wholesale and reinsurance brokers.

And, Mr. Bray is optimistic about the profitability of reinsurance brokering in Bermuda. "Even if Bermuda underwriters reduce their lines 50%, if the rate is up four times, Amberco can make double its brokerage," he says.

Amberco pegs treaty capacity for

Continued on facing page

How your non-profit organization can profit from Equitable's group TSA program.

Continued from facing page

U.S. casualty risks at about $1 million. But, that capacity depends on the layer and the price, Mr. Bray notes. Excess-of-loss treaties are preferred over prorata, he adds.

Mr. Bray

There is no capacity for facultative U.S. casualty business, Mr. Bray admits, but he says that has been true for a couple years now.

Capacity in Bermuda for U.S. property business is about $1 million on a treaty and about $2 million to $2.5 million on facultative contracts, again depending on the layer and price, according to Mr. Bray.

These reductions in capacity have not hurt Amberco because it has been marketing smaller layers of $250,000 or $500,000, he says.

And, despite capacity reductions, Mr. Bray says Amberco was able to increase its lines for some programs, particularly for short-tail risks.

"While we've lost capacity with the big boys out of the market, there are others coming in and captive managers are letting their captives into the market," he says.

Typically, Mr. Bray says, the captive manager recommends a piece of business to the risk manager, who makes the final decision.

Amberco offers business to about three dozen Bermuda-based companies, only about 10 of which will write any one piece of business, Mr. Bray says. And, among those 30 are some specialists, like runoff specialist Pinnacle Reinsurance Co. Ltd., and some insurers that are writing only renewal business, like INA International Insurance Co.

Although Amberco did not budget for any premium growth in 1985, Mr. Bray expects Amberco to place more premiums because submissions have increased substantially and rates are up.

Amberco's 25 employees include four brokers, one fewer broker than last year since Cotty Outerbridge left Amberco to join Fairway Intermediaries.

Instead of hiring a new broker, Amberco improved the efficiency of its back office.

Even though Amberco is placing more business in the United States, it is committed to staying in Bermuda, Mr. Bray maintains.

He also takes issue with the suggestion that other brokers in Bermuda may not be able to place enough business to maintain their offices. "This is still a thriving market," he says. "We're all having a great time and making money."

Treaty broker Michael T.W. Jenkins of Frank B. Hall (Intermediaries) Ltd. admits that his efforts to fill out slips are sometimes falling 5% to 10% short, but he too asserts that capacity in Bermuda is adequate to support his operation.

Capacity for treaty casualty business, on a really good day and with a first-class risk, would be close to $1 million or $1.3 million, for both U.S. and international business, he says.

When Mentor Insurance Co. Ltd. and Insco Ltd. were writing, about $300,000 more was available, he says.

On a U.S. or international property treaty on a good day, a broker can place $2 million, which is the same capacity as about a year ago, he says. "It would be nice to still have Insco and Mentor," he muses.

"If you go high enough, excess of $25 million, you can get Zurich International Ltd. on a facultative U.S. property program," Mr. Jenkins adds.

On a marine whole account, such as a treaty for a Lloyd's of London syndicate or good London company, Mr. Jenkins says he can place $500,000 to $750,000 in protection.

"The marine market is very small now," he allows. "Insco and Mentor used to be very good at it," he says, and before them Walton Insurance Co. Ltd.

Mentor would write lines of about $200,000 and Insco $150,000 to $200,000.

Mr. Jenkins develops about 70% of his business from six London brokers for whom he places retrocessional business, including London market excess of loss business that includes U.S. exposures.

Mr. Jenkins now wants to develop more business from U.S. sources, which also could be placed in the United States.

Mr. Jenkins

"Up to now, I've been using local markets for the most part, except for business that comes from here to be placed abroad. And then I used other brokers," he explains.

"Now, we are also trying to expand our market overseas," which he agrees to a certain extent reflects Bermuda's diminished capacity. "We've existed on the Bermuda market, and it has shrunk a bit. So we have to use as many markets as we possibly can."

Mr. Jenkins, who had been the only broker among Hall's 38 people in Bermuda, places about 100 treaties and a half-dozen facultative contracts.

Hall is seeing more submissions, has hung onto most of its renewals and has "placed a good deal more business," Mr. Jenkins says. The new business typically has been excess, most of which has come from London because its capacity was running out.

Pearson Webb Springbett (Bermuda) Ltd. is among those brokers that place what they can for their affiliated offices.

Director and Vp A.W. Hunt admits "underwriting capacity has fallen off, quite dramatically."

PWS Bermuda brokers business for PWS offices in New York and London and is "seeing more business, because capacity is shrinking elsewhere."

Mr. Hunt agrees no reinsurers in Bermuda are interested in writing facultative U.S. casualty business. On U.S. facultative property business, he believes there is $10.75 million in capacity.

Mr. Hunt says capacity for facultative international casualty risks is $10 million, and facultative international property is $40 million.

In that $40 million, he is counting the $20 million PWS Underwriting Agencies can write for Fidelity & Casualty Insurance Co.

For all treaty business, whether U.S. or international, Mr. Hunt says there is $500,000 in capacity available in Bermuda.

Intere (Bermuda) Ltd., a support office to treaty broker Intere in the United States, has not been affected by the reduction in capacity, Vp Robert J. Hedges states.

While he finds that casualty treaty capacity has been drastically reduced, "if not almost disappeared," the impact in Bermuda is minimal because many casualty treaties Intere marketed weren't renewed in the United States or London.

"Treaty casualty capacity has disappeared everywhere," Mr. Hedges asserts.

But on property treaties, Intere continues to place 3% to 5% and sometimes as much as 10%.

And, Intere over the last two years has been introducing new business to Bermuda: Australian business developed by its New York and Bermuda offices.

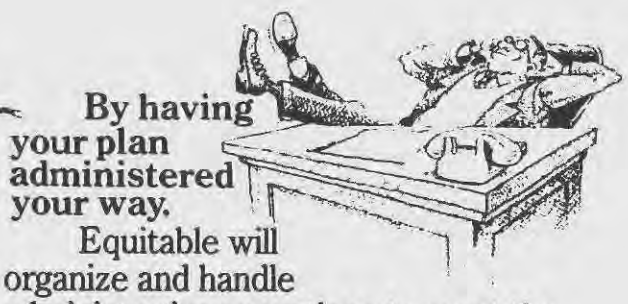
"Our clients are government insurance offices and quality com-

Continued on next page

By improving benefits to attract the best people.

Equitable designed its tax-sheltered annuity program, the 300+ Series, around five diverse investment vehicles. As a result, each employee can custom-tailor an investment program to fit his or her individual financial goals.

There's a wide range of options covering allocations and retirement distributions, along with broad transfer privileges and attractive liquidity. This flexibility gives your benefits package a big edge over those built on more rigid traditional plans.



By having your plan administered your way.

Equitable will organize and handle administrative operations to meet the needs of your own group. A toll-free telephone service will assist anyone having any questions or problems. Customer representatives will be available for group presentations and counsel. An on-going communications process will provide full support.

Is this the kind of program your non-profit organization could profit from? Return the completed coupon now and find out.

By relying on Equitable's investment experience.

Founded in 1859, Equitable is now one of the nation's leading managers of pension funds. The Equitable has attracted over $30 billion of pension assets from more than 3,000 organizations.

So you can be sure that your Equitable 403(b) program will be handled by one of the most able pension fund managers in the country.

THE EQUITABLE 300+ SERIES TSA
To: Ms. Maureen Wolfson, Product Manager
Equitable Pension Operations
1285 Avenue of the Americas, T/L-45
New York, N.Y. 10019

I would like to know more about how my organization can profit from The Equitable 300+ Series TSA Program. Please send your new detailed brochure and a prospectus with management charges and expenses.

B15D64

Name_____

Organization_____
(please spell out name)

Address_____

City_____ State_____ Zip_____

Office Phone_____

Read the prospectus carefully before you invest or send money.

Live the good life.
THE EQUITABLE
Financial Services

© 1985, The Equitable Life Assurance Society of the United States, New York, N.Y. Pension Operations Area.

Bermuda brokers

Continued from preceding page
panies," says Assistant Manager Jeffrey L. Sirr.

Intere includes captive insurance companies on its marketing list of just less than 30 companies, Mr. Hedges says.

But, in 1977, Intere had a market list of five reinsurers in Bermuda, Mr. Hedges notes.

"This is still a meaningful market," Mr. Hedges declares.

Regency Reinsurance Brokers Ltd. is placing more business this year than last, with much more business of all types from London, says Vp Steven J. Wrigglesworth. "Had companies still been here, we would be doing even better."

Regency's growth includes the addition of "a few decent-sized treaties, both property and casualty," which Mr. Wrigglesworth says Regency placed because the terms and conditions were good.

Regency's marketing list is "short," Mr. Wrigglesworth admits, totaling 18 companies. Only 10 of the companies are brokered to on a regular basis, and three of the 18 are captives.

But, Mr. Wrigglesworth also contends there is enough capacity for Regency to place its business, which is generated primarily by its investors: P.W. Kininmonth Interests in London and The Crump Cos. Inc. in Memphis, Tenn.

Regency's nine employees also manage captive insurance companies. Of the nine people employed, five work on the brokerage side: two brokers with three support staff.

Of the difficult job brokers in Bermuda have placing business today, Mr. Hunt of PWS is the most philosophical:

"We can't have our cake and eat it too. Sanity is returning, and it wouldn't be if the capacity were there." ■

Runoff of Mentor business transferred to New Orleans

By KATHRYN J. McINTYRE

bermuda

HAMILTON, Bermuda—The runoff of Mentor Insurance Co. Ltd.'s reinsurance business will be conducted from New Orleans, not Bermuda.

Ocean Drilling & Exploration Co., which owns Mentor, announced earlier this month that it will transfer the runoff management to its New Orleans headquarters by the end of June.

ODECO is the only one of the four oil companies that have shut down their unrelated reinsurance underwriting operations to move the runoff out of Bermuda.

Phillips Petroleum Co.'s Walton Insurance Co. Ltd., Exxon Corp.'s Ancon Insurance Co. S.A., and Gulf Corp.'s Insco Ltd., now owned by Standard Oil Co. of California, all are running off their unrelated risk business in Bermuda.

Of the four oil company captives to pull out of the reinsurance business, all except Ancon had suffered operating losses prior to their decisions. And, Mentor joins Walton in specifically citing poor results as the reason for leaving the business.

ODECO made its decision "when the '80-'83 results started showing up and we saw how bad these years were," said Clovis H. Steib, the new chairman of Mentor.

The runoff of Mentor's business will be conducted in New Orleans "to conserve assets and provide the parent company with more control and supervision of the orderly runoff of business," a company statement said.

Also, the statement addressed Mentor's financial health.

"It is the company's opinion that with the lengthy runoff there will be adequate funds to satisfy all valid claims," the statement said.

Mentor had assets at year-end 1983 of $184.8 million, including capital and surplus of $56.2 million. Mentor has not yet released any financial statements for 1984.

Mentor, incorporated in Bermuda in April 1968, was one of the first captive insurers in Bermuda to write unrelated reinsurance business, beginning in 1974.

Over 10 years, Mentor grew to be one of Bermuda's largest reinsurers of unrelated risks, writing a broad range of property/casualty risks and marine risks, both on a treaty and facultative basis.

It's impossible to calculate from public records gross and net premiums written over the 10 years because of changes in accounting.

Premiums earned from 1974 through 1980 totaled $175 million, according to published documents, less than 10% of which was for related business.

For 1981 through 1983, Mentor reported total gross premiums written of $247 million and net written premiums of $150 million, including very little related risk business.

Rumors last month thst ODECO would move Mentor's runoff to New Orleans drew no objections from brokers.

"Any runoff delays payments for awhile," observed Roy V. Bray, vp and director of Amberco Brokers Ltd., the largest broker in Bermuda. "It doesn't make a difference where it is conducted, as long as it is professional," he says.

Instead, brokers were far more critical of Mentor's timing in pulling out of unrelated business—just after January renewals.

With capacity shrinking in Bermuda, it was impossible in some cases for the brokers to replace Mentor's line for 1985, even though Mentor wrote net lines not exceeding $250,000 for 1985.

Mentor's accounts were being audited last month in Bermuda by auditors from Kemper Reinsurance Co., which had led Mentor's surplus treaty in the past. They were accompanied by an employee of intermediary Guy Carpenter, which had placed Mentor's business with Kemper. Intere Intermediaries Inc. in New York took over the Mentor account in December 1983.

Mentor had recently notified Kemper that it had discovered millions of dollars in premiums related to prior years 1980-1983—when Kemper was on the risk—had been miscoded and therefore not ceded to reinsurers, Mr. Steib confirmed.

The error was corrected and the premiums ceded, he said, and as a result, Kemper performed an audit.

Responding to reports that losses are expected to exceed the premiums recently ceded, Mr. Steib said, "With the business from those years, you draw your own conclusions."

J. Douglas Higley, former president of Mentor Holding Corp., left the company after ODECO's decision to shut down its unrelated risk underwriting.

Insco Ltd., which previously had

Continued on page 42

The Corporate Back Injury Report will reduce your worker's compensation cost.

"A concise, useful analysis of loss history that helps focus management attention and priority to the back injury problem."

George Miliskiy—Corporate Safety Director
The Standard Products Company

"The back injury data analysis highlighted our cost and showed us how to save money."

Carrie D. Havard—Safety and Health Technologist, Safety and Health Department, Pennzoil Exploration and Production Company

"The data analysis report was innovative and the conclusions valid, the recommendations demonstrated an understanding of business needs and business operation."

Roger J. Harrison—Risk Manager, Fleming Companies, Inc.

"We were impressed by the professional nature of the data analysis and feel the recommendations made will reduce our back injuries."

Ruth Roberson—Insurance Coordinator, Hall Real Estate Group

Introducing the Corporate Back Injury Report.

Corporate Systems, the leader in risk information systems, and Back Systems, Inc., the specialist in back injury risk management, have teamed up to provide the Corporate Back Injury Report.

The Back Injury Report offers your company a customized management report, based on a data analysis of your back injury costs, which will focus on:

- Total cost of back injuries
- Days lost
- Average cost of claims
- Incidence rates
- High risk activities
- Indirect cost
- Days restricted
- Trends
- Severity rates
- Factors leading to injury

This report will then summarize relevant information into an action plan format that allows you to make better decisions to save your company time and money.

For information on reducing your company's greatest worker's compensation expense, call or write one of the Corporate Back Injury Report representatives:

Scott Gilmour
Corporate Systems
1212 Ross Street
P.O. Box 31780
Amarillo, Texas 79120
806/376-4223

Kirby Dalton
Back Systems, Inc.
5495 Beltline Road
Suite 390
Dallas, Texas 75240
214/960-9515

corporate systems

BACK·SYSTEMS·INC

WE CAN HELP YOU AVOID SOME VERY COSTLY STEPS IN THE LEGAL PROCESS.

Nowadays, it's hard to find a major corporation that's not entangled in civil suits. No wonder. Over twelve million civil suits will be filed in federal courts this year.

As you know, legal fees of up to one million dollars don't even raise an eyebrow anymore. Yet, The Travelers knows that legal fees can be the least of your legal problems: Time is money, too.

To help you get matters settled faster, cheaper and more businesslike, The Travelers pioneered a fairer approach. Our solution is offering our clients alternatives to litigation.

Through the use of mediation, arbitration and mini-trials, a lot more than litigation is avoided. For one thing, issues don't drag on and on due to backlogs in the legal system.

And since there isn't much time for emotions to boil over, there's a better chance to wind up with a lower settlement cost.

Avoiding the frustration and anxiety of a courtroom also avoids damaging any valuable business relationships.

This approach to claim service is a perfect example of how fairness is good business.

For more details, call your agent or broker. Or contact Dave MacLeod, (203) 277-5483.

The Travelers

The Travelers Indemnity Company and its Affiliates, Hartford, CT 06183

CIGNA WORLDWIDE HAS A VERY CONTROVERSIAL WAY OF HANDLING CLAIMS.

WE PAY THEM.

Consider everything that an insurance company can offer you. Flexibility. Capacity. Innovation.

Then consider what that is all worth when that insurance company won't pay your claim.

After all, more than one insurance company has sought to build its reputation by offering the most innovative, sophisticated, and wide-ranging array of empty promises in the industry.

Needless to say, at CIGNA Worldwide, that's not the way we choose to do business.

Because we believe the primary goal of an insurance company should be to provide insurance. So we don't use hidden loopholes or prolonged "investigations" to keep your money in our account.

That means, when you get a policy from us, you should know exactly what you're covered for. And best of all, it will be what you tell us you want to be covered for.

If something does happen, we'll have adjusters on the spot as soon as possible. And they'll be there to settle, not quibble.

It's not our practice to avoid paying a claim to improve our cash flow at the expense of yours.

Maybe you don't find our claims handling procedures controversial at all.

But you can bet our competitors do.

CIGNA Worldwide, Incorporated
a CIGNA company

CIGNA

Mentor runoff

Continued from page 38
always been among the first to issue its financial statements, is not reporting its 1984 results.

"We are not publishing financials this year since we are not actively underwriting," said Insco Senior Vp Harry New.

He also declined to provide any financial statement to *BI*. "We are not hiding anything," he said. "We can meet our commitments."

When Insco stopped underwriting unrelated risks in November 1984, it had reported $255 million in net written premiums on unrelated business from 1976-1983. Its assets totaled $328 million, including $94 million in capital and surplus. Insco also wrote a broad range of property/casualty risks and marine and aviation risks.

Neither Insco nor Mentor are writing any new related risks.

Ancon and Walton continue to write insurance for related companies. Ancon stopped writing unrelated risks in October 1984, with $91.3 million in net premiums on unrelated business reported for 1979 through 1984. It wrote almost entirely treaty business for property, casualty and marine risks.

Ancon is the only one of the four oil company captives to publish a financial statement for 1984 (see story, page 3).

Walton last published financials for 1982. When it stopped underwriting unrelated risks in January 1983, it estimated its gross premiums on unrelated business from 1974 through 1982 at $750 million and net premiums at $500 million.

Walton wrote both treaty and facultative accounts and was a major market for aviation and property, casualty and marine risks.

So far, brokers report they are satisfied with the runoff of claims by Walton and Insco and say they expect ODECO to handle Mentor's runoff professionally, too.

Brokers have little comment on Ancon's runoff since they placed so little business with the insurer.

Only Phillips has contributed more capital to its captive to pay claims. In October 1983, Phillips contributed $55 million to Walton.

The oil companies' decisions to manage their own runoffs proved a source of frustration for one former reinsurance company executive who thought there was a market in managing runoffs for reinsurers.

John S. Kemp, president of Finance & Risk Services Ltd. in Bermuda, admits the company has yet to engage a runoff client, except for the one-year consulting contract he had in 1984 with his former employer, Walton. He was president of Walton in 1983, directing the first year of runoff at the reinsurer.

Meanwhile, Finance & Risk Services is advising a company on a new accounting system and will manage its Bermuda captive. It also is advising a client on records.

Mr. Kemp expressed concern that as more reinsurers in Bermuda shut down, some may have insufficient assets to cover their liabilities, and not all owners will contribute more capital as Phillips did.

"I'm not saying a company has to honor the liabilities of a limited liability company," he stressed.

Instead, he says when a reinsurer decides to run off its business, it must be sure it has sufficient assets. If not, "it is the obligation of the directors to determine whether to restore the asset base, or the alternative is to put the company into liquidation. Because, at some point, it will run out of money."

Bryan L. Martin, chief financial officer of Finance & Risk Services, suggests the reaction to the announcement of a runoff today is complacency. "To date, the cause of complacency has been that the major companies have given their full support to their captives." ■

J&H to run off Cambridge Re

HAMILTON, Bermuda—Brokers in Bermuda are breathing easier now that J&H Ltd. is managing the runoff of Cambridge Reinsurance Co. Ltd.

The captive manager and Bermuda subsidiary of U.S. retail broker Johnson & Higgins recently replaced Ivanhoe International Ltd. as the runnoff manager for Cambridge Re, a subsidiary of National Sea Products in Nova Scotia.

Ivanhoe's management of Cambridge Re had been criticized by brokers in Bermuda and elsewhere, creating controversy over the runoff of Cambridge Re that has not touched any of the much larger oil companies that are running off their reinsurance business.

Cambridge Re, which was among the first captive reinsurers in Bermuda to underwrite unrelated risks beginning in 1971, stopped underwriting last April. From 1977 through 1982, Cambridge reported premiums written of $96 million, all on non-related risks and mainly property treaty business. Premiums for 1983 were not published.

Brokers specifically complained that Ivanhoe was demanding more claims documentation than needed.

And they charged that Ivanhoe's compensation depended partly on how much money was left in Cambridge Re when the runoff was over, giving Ivanhoe a good reason to delay and deny claims.

Bermuda government officials say they discussed the brokers' complaints with National Sea Products, but they do not take credit for the recent management change.

Ivanhoe International President Cole Simons said the agreement to run off Cambridge Re had been terminated "by mutual agreement between National Sea Products and Ivanhoe."

He declined to comment on Ivanhoe's compensation arrangement, but he did characterize as "unfair" criticism leveled at Ivanhoe.

"We had to be sure the contracts were in order. At the beginning, we had problems with brokers providing proper documentation."

"I feel that Cambridge Re can be run off professionally and in an orderly manner," said Brian R. Hall, president and chief operating officer of J&H Ltd. And, he said he believes there is enough money in Cambridge to cover its liabilities.

J&H did not perform an actuarial analysis of Cambridge before accepting the runoff. A study by in-house actuaries should be finished sometime in April, and J&H may have it reviewed by independent actuaries, Mr. Hall said.

After the report is ready, J&H will make a public announcement about the findings, he said.

Cambridge Re reported 1982 year-end assets of $37 million, including $12 million in capital and surplus.

Cambridge Re's immediate problem is collecting premiums due from policyholders so that it can pay claims, said Roger Gillett, vp of J&H Ltd.

When clients are concerned about an insurer's solvency, he said, "they do not pay premiums promptly and they are very quick to file claims."

"As soon as you get a negative report, the cash flow dries up," Mr. Hall added.

J&H is discussing overdue premium payments with London insurers that ceded business to Cambridge Re, and some premium dollars have begun to flow into the company, Mr. Hall said.

J&H, which has hired "a couple" of Ivanhoe employees to help manage the runoff, is working on a straight fee basis, Mr. Hall said. ■

Providing the Assurex Perspective...

Clients who work with Assurex partners immediately enjoy a clearer, broader perspective on the world of insurance, risk management and financial services.

- **Immediate access** to the most experienced risk managers in the world.
- **Preferred relationships** with the leading insurance companies around the globe.
- **Unparalleled client service** whether single location or multi-state.
- **Combined purchasing power** that translates to the most cost-effective use of insurance dollars.

Assurex International is an organization of 74 leading independent insurance brokers who together provide unequaled client benefits.

Assurex INTERNATIONAL

100 E. Campus View Blvd.
Columbus, Ohio 43085
(614) 888-4867

GET IDEAS, NOT SURPRISES.

Some reinsurers may delight you with their low rates, but they may also surprise you with late claims payments and disputes over technicalities.

At General Re, you can expect innovative solutions and fresh ideas. We have a team of experts with talent at every level and discipline.

For reliable reinsurance, with no surprises, call General Re today.

General Re

America's Largest Reinsurer
Providing Quality Service to Quality Clients

General Reinsurance Corporation, Financial Centre, Stamford, CT
Atlanta, Chicago, Columbus, Dallas, Des Moines, Hartford, Kansas City, Los Angeles, New York, Philadelphia, St. Paul, San Francisco, Seattle, Montreal and Toronto

©1985 GRC

Bermuda declining as reinsurance market

By DOUGLAS McLEOD

HAMILTON, Bermuda—Bermuda will survive as a captive domicile, but it already is declining as a market for commercial reinsurance business, a group of experts concludes.

Although several captive insurance companies have made forays into commercial underwriting, bad experience and the probable loss of perceived tax advantages will leave pure risk management considerations as the main reason for maintaining a captive, says William D. Scaff, managing director of Alexander International Ltd., the captive management unit of Alexander & Alexander Services Inc.

Mr. Scaff

Meanwhile, capacity among the island's reinsurers has dwindled, and with it the number of brokers, according to A.W. Hunt, director and vp of broker Pearson Webb Springbett (Bermuda) Ltd.

Bermuda has weathered the storm of the soft commercial insurance market and emerged "leaner and tougher," though it still faces problems in coming months, added Stuart H. Grayston, president of S.H. Grayston Management Ltd.

Mr. Hunt

While premium volume, assets and capital and surplus of Bermuda captives will all rise in the next three years, the total number of captives in Bermuda will decline by 1990, predicted H. Felix Kloman, vp and advisory director with the Risk Planning Group division of consultant Tillinghast, Nelson & Warren Inc.

The four men spoke at the Ninth International Captive Insurance and Reinsurance Forum, held in Bermuda last month.

The growth of captives has followed the cycles of the commercial insurance market, Mr. Scaff observed. Captive growth boomed in the 1970s in response to severe commercial capacity restrictions.

"The market crunch, limited capacity, the medical malpractice (and) product liability crises, the attraction of capturing both investment income and underwriting profit from a dramatically increasing premium base, a route into the commercial reinsurance market, the expectation of some possible tax benefits and just maybe a trip or two to Bermuda caused the clients with large risk management budgets to respond and the captive movement was off and running," Mr. Scaff said.

9th International Captive Insurance and Reinsurance Forum

In the late 1970s and early 1980s, however, the commercial insurance picture changed, capacity was abundant and "the clear winners were the buyers."

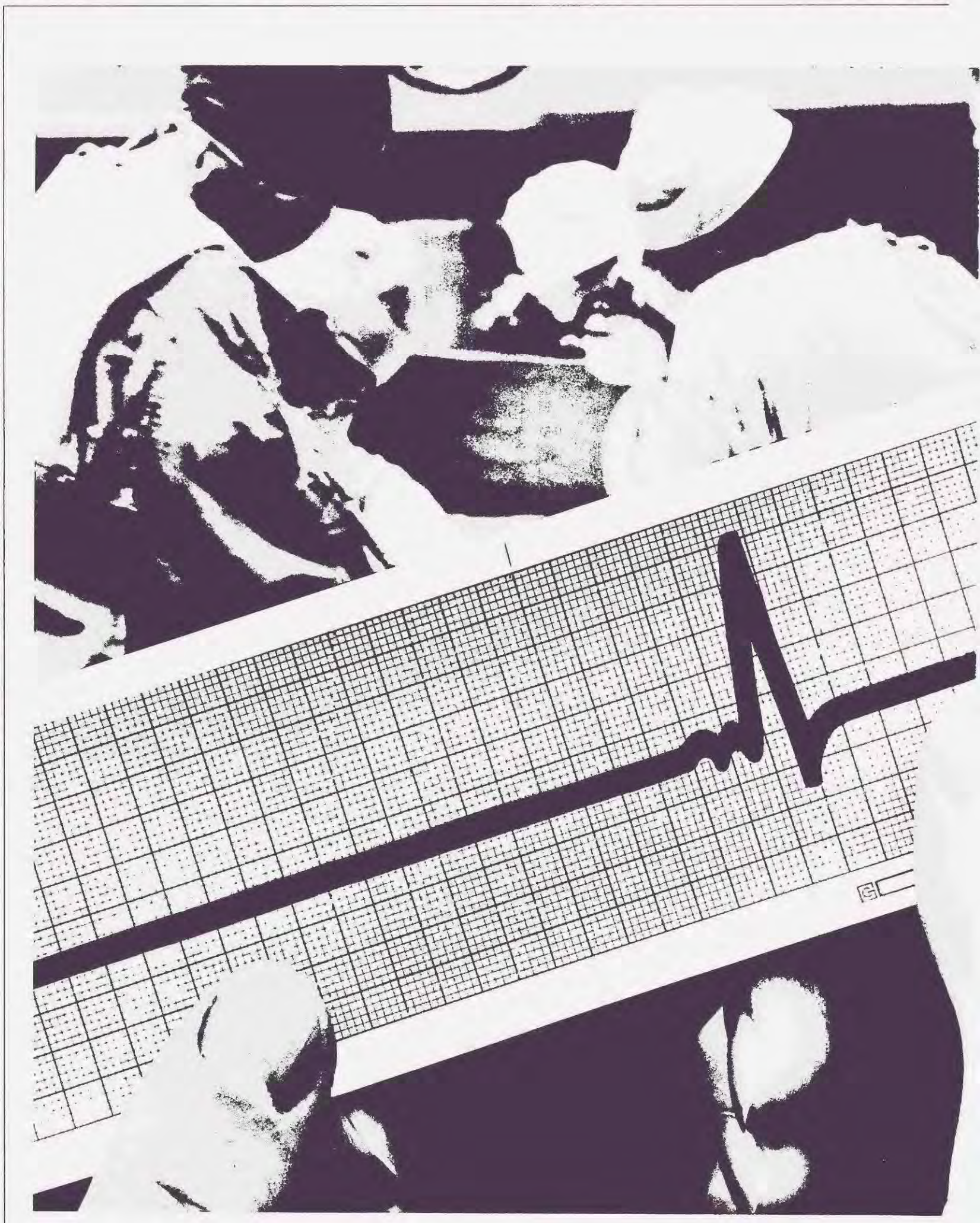
The soft market and other events brought the feasibility of Bermuda captives into question, Mr Scaff noted.

"The unrelenting Internal Revenue Service attack, very shrewdly managed, continued; the Deficit Reduction Act was passed; the soft marketplace called for a re-examination of captives as a risk funding technique. Some of the premium moved out of captives onshore to traditional markets or perhaps onshore to other captives," he said. "The underwriting realities of a nine-year down cycle. . .became all too clear, and the main reinsurers by and large dropped out one by one."

In 1984, however, the underwriting cycle bottomed out, buyers are once more scrambling for commercial coverage and the result will be renewed interest in captives, he suggested.

"The preferred-risk buyer will not take this lying down," Mr. Scaff predicted, calling the events of the last year "the 1970s in instant

Continued on facing page



Captive conference

More than 200 people attended The Ninth International Captive Insurance and Reinsurance Forum held March 13-15 in Bermuda.

The registrants included risk managers, captive insurance company managers, insurers and reinsurers, agents and brokers, educators, consultants and regulators.

The theme: Captives in Transition.

Topics discussed most often from the podium and in social gatherings were the tightening conditions in the insurance and reinsurance businesses, and the prospects for new growth of captive insurance companies to fill the capacity void.

Risk Planning Group, which is now a division of Tillinghast, Nelson & Warren Inc., has scheduled the 10th International Captive Insurance and Reinsurance Forum in Bermuda for March 10-14, 1986.

Continued from previous page
replay."

"Perhaps the only significant change that will affect captives (today) vs. 10 to 15 years ago will be that the door to the perceived tax advantages appears to be closed," he said, in reference to court decisions and legislative changes that have imperiled deductions for premiums paid to single-parent captives and limited use of captive income to absorb excess foreign tax credits.

Mr. Scaff cited reasons for using or forming a single-parent captive:

- The captive can increase senior management's awareness of their company's risk management activities.
- It provides a formalized and simplified approach to exposures that might otherwise go uninsured.
- It provides for easier allocation of premium costs among corporate subsidiaries.
- It provides access to world reinsurance markets.

Mr. Scaff advised against captives moving into commercial underwriting themselves, however.

He added that association and group captives and rent-a-captives have attracted the most interest. The "darkest cloud on Bermuda's captive horizon" is a proposed 4% jump in the federal excise tax on reinsurance premiums.

Bermuda has never been a market unto itself for international business and very little business is placed wholly with Bermuda reinsurers, noted Mr. Hunt, who is also chairman of the Insurance Brokers Assn. of Bermuda. Instead, Bermuda reinsurers have written pieces of business led in London or the United States, he said.

One event in world markets that Bermuda markets seem to have followed is a restriction in capacity.

Mr. Hunt said Bermuda brokers do business with about 26 insurers, of which six are captives that write "very selective" books of business.

This number has fallen recently with the withdrawal of Phillips Petroleum's Walton Insurance Co.; Exxon Corp.'s Ancon Insurance Co. S.A.; Gulf Oil Corp.'s Insco Ltd.; and Ocean Drilling & Exploration Co.'s Mentor Insurance Co. Ltd.

These withdrawals and general underwriting restrictions have produced a drop in capacity for international business placed with Bermuda insurers, Mr. Hunt said.

Currently, he said, Bermuda insurers can write $40 million per risk on international property facultative business; $10.75 million on U.S. property facultative business; $10 million per risk on international casualty facultative business; and nothing on U.S. casualty facultative risks.

Treaty capacity is $500,000 per program on U.S. or international property/casualty business, Mr. Hunt said.

The reduced Bermuda capacity has coincided with a reduced number of brokers on the island. The Insurance Brokers Assn.'s membership, which hit a high of about 30 last August, has since fallen to around 25, Mr. Hunt said.

Of those that remain, 10 are owned by U.S. brokerage firms and five by British brokers; three are owned jointly by U.S. and British firms and seven are local Bermuda companies, he said.

Mr. Grayston

Relatively little of the total premium volume written by Bermuda insurers is handled by Bermuda brokers, Mr. Hunt added.

While Bermuda's gross premium volume was $6.5 billion in 1983, Mr. Hunt estimated Bermuda brokers produced only about $400 million.

More brokers may leave Bermuda as they find that underwriters aren't interested in the kind of business they produce, Mr. Hunt said. Brokers that can produce quality risks will see business grow in coming months, he said.

Mr. Grayston noted Bermuda has survived the ravages of the soft market, including underwriting losses on third-party business.

Bermuda's major error of the 1970s, he added, was its restriction on the formation of medical malpractice captives. The Bermuda government should have been worried about the non-parent company-related business that has led to captive companies' failures, Mr. Grayston said.

Mr. Kloman

Noting the difference between the several billion dollars in capital and surplus reported by Bermuda insurers in 1983 and the relatively small capacity figures quoted by Mr. Hunt, Mr. Grayston observed that "that enormous capital is dedicated to the controlled risk, not the uncontrolled, out-of-whack risk."

Mr. Kloman projected that gross premiums written by Bermuda captives will rise 71% to $12 billion in 1987 from $7 billion in 1983.

One opportunity for captives now, he noted, is in areas of insurance where commercial markets are especially tight, such as environmental impairment liability.

Assets reported by Bermuda captives will rise 66% to $15 billion in 1987 from the $9 billion reported in 1983, Mr. Kloman predicted, while capital and surplus will rise 30% to $8.5 billion in 1987 from the $6.5 billion reported in 1983.

However, the number of Bermuda captives will decline to about 600 by 1990, from 1,000 this year, due both to the consolidation of existing captives and moves onshore, he predicted. The number of captives domiciled in the United States will grow to 400 in 1990 from about 263 this year, he said.

Meanwhile, captives domiciled elsewhere in the Caribbean will dwindle to 150 by 1990 from 325 this year, and those in all other jurisdictions will increase to 400 in 1990 from 312 this year, Mr. Kloman said.

The number of credit life captives will shrink drastically to about 150 in 1990 from 400 today, as banks are allowed to set up their own credit life insurance subsidiaries onshore, he predicted.

The total of all captives will decline by 26% to 1,700 in five years from 2,300 today, Mr. Kloman said. ■

The prognosis for health care costs just got better.

With Intracorp Medical Review Services you now have a way to bring new life to your ailing medical claims dollars.

We do it by giving you control over the cost of hospital claims . . . before they occur. By identifying unnecessary hospital stays in advance, you'll be able to save your precious health care dollars for when they're really needed . . . without sacrificing quality of care.

We'll also review each hospitalization request and preset the number of days of inpatient care actually required. Then we'll monitor the stay to make sure that the approved period of hospitalization is not exceeded.

But we don't stop there . . . Intracorp has other ways to save your health care dollars. From providing Second Surgical Opinions that prevent unnecessary surgery, to programs that expedite patient discharge to less expensive—and more comfortable—settings.

And, after discharge we'll review the utilization of all hospital services . . . and the accuracy of all charges, so you'll know exactly what you should pay for. And what you shouldn't.

Intracorp Medical Review Services are provided promptly and professionally by our staff of trained medical specialists, backed by a nationwide network of board certified physicians.

Now in our fifteenth year, Intracorp is the oldest and largest provider of disability management services, offering you the convenience of 115 offices nationwide . . . the experience of over 175,000 cases . . . and the most comprehensive medical review services program available anywhere. The bottom line . . . a healthy reduction in medical costs of up to 20%.

We'll give your medical claims dollars a new lease on life.

To learn more about Intracorp Medical Review Services call us toll free at 1-800-345-1075 (In PA, HI and AK call 215-687-9450), or return the coupon below and we'll send you a complete set of our brochures.

Intracorp

Innovators in cost containment.

BI

Mr. Daniel H. Davis,
Director of Marketing, Intracorp,
985 Old Eagle School Road,
Wayne, PA 19087

Please send me your complete Medical Review brochure package.

Name _____

Title _____

Company _____

Street _____

City _____

State _____ *Zip* _____

Captives can play key role in mergers: Expert

By DOUGLAS McLEOD

HAMILTON, Bermuda—Captive insurance subsidiaries can play an important role in the merger or acquisition activity of their parent companies, an expert says.

Robert R. Godfrey, managing director-investment banking with securities broker Dean Witter Reynolds in Westport, Conn., noted that captives can:

- Provide valuable information about the past and current operations of the parent in preparation for a merger, as well as give an idea of future trends.
- Help integrate the operations of the merged companies.
- Provide various financial benefits to the merged companies.
- Aid in future diversification of the parent's operations and future acquisitions.

9th International Captive Insurance and Reinsurance Forum

Mr. Godfrey, former president and chief executive officer of St. Regis Insurance Group/Drum Financial Corp., added that St. Regis' captives proved beneficial in some of these ways during the company's acquisition by Champion International Corp. last year.

Helping further diversification, though, was apparently not a benefit that interested Champion. The company intends to divest all of St. Regis' insurance units, Mr. Godfrey noted.

Champion officials could not be reached to comment on which insurers would be divested.

St. Regis had established three Bermuda captives: Pinetree General Insurance Co. Ltd., which writes U.S. risks; Pinetree Universal Insurance Co. Ltd., which writes non-U.S. risks; and St. Regis Insurance Co. Ltd., which reinsures other companies in the group.

In addition, the company has other U.S.-based property/casualty subsidiaries: Angelina Casualty Co. of Texas and Central National Insurance Co. of Omaha, Neb.

"The captive, I think, is one of the most important tools that is usable by acquiring managements in any merger or acquisition, simply because of the vast amount of information it provides about the company to be acquired," Mr. Godfrey told an audience at the Ninth International Captive Insurance and Reinsurance Forum held in Bermuda last month.

A company's captive program, in addition to allowing thorough tracking of insurance costs, provides a chart of the company's past and current exposures and its potential liabilities, he explained.

Claims information compiled by the captive can help an acquiring company single out products, plants or business divisions that have caused problems and should be divested to help pay off debt.

After an acquisition, "the whole picture changes, and whole business units and subsidiaries have to go up for sale. To effectively sell those, you've got to know about the problems that are there."

"The last thing you'd want to do is sell a business division that had been in the asbestos business 10 years ago and warrant all liabilities as they are stated," he said.

Captives can also help integrate the operations of merging companies, standardizing insurance coverages and consolidating risk management functions.

The captive can aid in the necessary cost-cutting following a merger, not only by consolidating redundant insurance operations but also by serving as a low-cost source of insurance.

"Our captives operated with less than a 20% expense ratio. Even in the soft market that we've seen, it was a low-cost provider of insurance to our parent company," Mr. Godfrey said.

In addition, captives can operate as useful financial tools in several ways following an acquisition.

"Contrary to what a lot of people believe, nearly every single-parent captive that I know of that has stuck close to parent business happens to be well-funded, under-leveraged, well-reserved and surprisingly has a very liquid investment portfolio," Mr. Godfrey said. "This provides an opportunity for surplus funds that can be used to bring down debt in an acquisition."

While many conglomerates today are selling off business divisions rather than diversifying, Mr. Godfrey said the trend toward diversification still exists in some industries and will probably return as a general trend in coming years.

A captive maintained by such a corporation may point the way toward broader diversification into the commercial insurance business, he said.

Although insurance subsidiaries can benefit an acquiring company after a merger, Champion wasn't interested in maintaining the St. Regis insurers, he indicated.

While St. Regis was pro-diversification, interested in the financial services sector and steadily moving its self-insured programs into its captives, Champion "was intent on staying a forest products company" and was committed to self-insurance, he said.

Champion had once maintained a captive for foreign employee benefits, but wound it down in 1980.

St. Regis operated its captives conservatively and because reserves were maintained with a "worst-case scenario" in mind, the units were probably overfunded, Mr. Godfrey said.

The captives bought unlimited stop-loss reinsurance coverage with a fronting insurer for casualty risks and bought excess insurance and services from Factory Mutual System on property risks, he said.

On the property side, the St. Regis captive program was "nominally higher-cost" than Champion's self-insured program. To encourage safety, the St. Regis program was run on a "fully funded insured basis" with premiums and losses charged directly against the profit and loss statements of operating divisions or plants.

The relatively healthy financial condition of the St. Regis captives may have provided Champion with one more reason to divest them, Mr. Godfrey suggested.

St. Regis formed the two Pinetree companies in 1974 with $300,000 in capital, and never added another dollar of new capital, he said. By the end of 1984, with investment and underwriting income accumulated over a 10-year period, the net worth of the two companies was $30 million, he said.

"Presuming Champion gets just a modest premium over book value from selling the companies off—let's say 10%—that adds up to a 60% compound annual growth rate." ■

BEFORE YOU
COMMIT TO A MAIL SERVICE
PRESCRIPTION DRUG PLAN
—CHECK WITH NATIONAL.

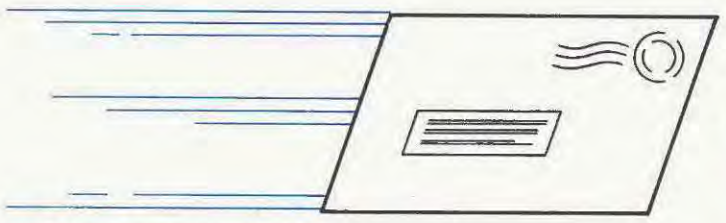
MOST EXPERIENCED
SUPERIOR SERVICE
STATE-OF-THE-ART TECHNOLOGY
FLEXIBILITY IN PLAN DESIGN

There are many companies who would like to achieve prescription drug program savings *in 1985*.

National, a pioneer of Mail Service Prescription Drug Programs, has a system to quickly and efficiently design and install the cost containment plan you need—*when* you need it.

National, the industry leader serves Corporations, Health and Welfare Funds, Third Party Administrators and Associations with prescriptions by mail.

Visit us at BOOTH 309 at the RIMS conference



Write or call the National Sales Department for details.
Outside New Jersey: 1-800-631-7780 Inside New Jersey: 1-800-562-6923
(Alternate Number: 201-791-8200)

NATIONAL PHARMACIES, INC. 491 Edward H. Ross Drive, Elmwood Park, N.J. 07407

National PHARMACIES

Rent-a-captives face shaky future: Expert

By DOUGLAS McLEOD

HAMILTON, Bermuda—A sudden scarcity of fronting insurers and aggregate stop-loss reinsurance has made the future for rent-a-captive companies "less than encouraging," one expert says.

Several primary insurers that had provided fronting services have withdrawn from the market, while others have temporarily stopped new fronting programs, said Hal Forkush, president of Atlantic Security Ltd., a captive manager that handles rent-a-captives.

Among the primary insurers that have withdrawn, he noted, are Transit Casualty Co., Western Employers Insurance Co., and Ideal Mutual Insurance Co. (*BI*, Feb. 25).

These withdrawals will probably make it more expensive for captive companies to arrange fronting services with insurers still willing to do the business, Mr. Forkush said at the Ninth International Captive Insurance and Reinsurance Forum.

In a rent-a-captive program, an existing offshore insurance company underwrites a policyholder's risks and provides related services, returning underwriting and investment income to the policyholder.

Fronting insurers are used to place the coverage. A fronting insurer is an admitted company that accepts a risk and then reinsures all or most of it with an unadmitted company, like a captive.

Fronting insurers and reinsurers are also becoming choosier about which captive programs they will write.

9th International Captive Insurance and Reinsurance Forum

"Only the demonstrably superior programs. . .will find acceptance," Mr. Forkush said.

The changing market will probably produce changes in the types and operations of rent-a-captive programs, he added, including:

- Fronting insurers and reinsurers may only accept rent-a-captive programs emanating from safety groups that have consistently earned dividends.
- Fronting insurers and reinsurers will demand greater day-to-day involvement in underwriting a rent-a-captive program's risks.
- "Warehousing" techniques will be used more often by fronting insurers. In "warehousing," the fronting insurer provides coverage to individual members of an association for about a year while assessing the quality of the business. If the fronting insurer feels the business is good, it reinsures it with an offshore company.
- Rent-a-captive programs will place more emphasis on engineering and loss control and will allot more money to them.
- Fronting insurers and reinsurers will increase the frequency of audits of rent-a-captive programs.
- Rent-a-captive programs may have to offer fronting insurers a share of the programs' dividends in order to retain their services.
- Producers of rent-a-captive programs that are taking a share of the dividends will also be expected to take a share of the risk.

Another potential problem facing anyone wishing to form a new program is arranging a bank letter of credit to cover the gap that could open between a program's loss fund and the point at which aggregate stop-loss reinsurance attaches, Mr. Forkush said.

Until recently, aggregate stop-loss reinsurers were willing to attach at 110% of a program's net loss fund, which represents the money left in the program after front fees, federal excise taxes, administrative, management and reinsurance costs are paid.

Investment income could be expected to make up the 10% gap between the net loss fund and the stop-loss attachment point formerly offered by reinsurers, Mr. Forkush explained.

However, the tightening reinsurance market has made aggregate stop-loss reinsurance scarce, and where it is available, underwriters are demanding higher attachment points, he noted.

If reinsurers will only afford coverage with an attachment point of 120% of the net loss fund, an additional gap of 10% is created.

Many reinsurers use a percentage of gross premium rather than a percentage of the net loss fund as an attachment point, Mr. Forkush added.

Thus, the attachment point is not affected by expenses.

In order to secure this gap, trade associations or other producers of rent-a-captive programs are now expected to put up additional capital or furnish irrevocable letters of credit in the required amounts.

"Obviously, not all producers and associations have the financial capability to put up substantial letters of credit, and so this will become a deterring factor for many programs," Mr. Forkush explained.

While these letters of credit would have to be renewed each year, the LOC could be collateralized with dividends generated in the second or third year of a successful program, he added.

The additional gap, which exposes a program's participants to greater risk than they had had, has one advantage, Mr. Forkush noted: It will make those running the program more cautious.

Despite the problems facing rent-a-captive programs, the concept will continue to be a viable one, Mr. Forkush predicted.

Rent-a-captives have been used not only by safety groups and other trade associations, but also by single corporate entities and by agents and brokers for non-homogenous books of business.

Advantages of using a rent-a-captive include:

- Achieving premium discounts and tailoring coverage.
- Maximizing returns to policyholders.
- Achieving more favorable tax treatment than the Internal Revenue Service may afford a single parent captive.

Mr. Forkush added that managing general agents and program managers can use the rent-a-captive vehicle to get binding authority from fronting insurers.

Those considering a rent-a-captive program should be sure that the rent-a-captive segregates the bank accounts or time deposits of each program, Mr. Forkush advised.

Well-run rent-a-captives should also be capable of producing computerized financial reports on all programs each month and for each underwriting year, he said.

And, fronting insurers, reinsurers and program managers should all get copies of the monthly and yearly financial spread sheets to ensure close monitoring of each program, he said.

Announcing

CPT DRG Assignment Software

Health Systems International™, developers of the DRG Patient Classification Scheme, offers its CPT DRG Assignment Program using CPT (Current Procedural Terminology).

Correct DRG assignment is critical to any cost containment efforts. HSI® CPT DRG Assignment software is completely compatible with the Medicare DRG definitions.

HSI's CPT DRG Assignment software is currently used by leading insurers and third party administrators.

You can be sure of correct DRG assignment with HSI's CPT DRG Assignment software.

HSI®
SINCE 1968

Health Systems International
Corporate Headquarters
100 Broadway
New Haven, Connecticut 06511
(203) 562-2101

Containing Costs Effectively Takes More Than Just Expert Packaging

Packaging is certainly one factor to consider when it comes to helping your Large Case Medical clients keep costs down. That's why Provident Mutual offers the convenience of "one-stop shopping" plus the competitive advantages of customized plan design.

But effective cost containment requires more than just exceptional packaging. Provident Mutual offers an extensive range of valuable cost containment options that you and your clients should know about, including:

- ☐ Automated claims payment with *claimsPRO*
- ☐ Superior claims reporting & claims management systems
- ☐ Pre-admission certification & continued stay review
- ☐ Second surgical opinion & 100% coverage for certain outpatient surgeries
- ☐ Hospital audits & utilization review
- ☐ Other claims review and benefit management options

You owe it to yourself to find out about these and additional cost containment options available from Provident Mutual. We'll work with you closely to develop the best cost containment strategy for each of your clients — while providing the quality and flexibility we know *you* want.

Wrap up your search for solutions to your clients' cost containment worries. All it takes is a phone call to your nearest Provident Mutual Group Office.

PROVIDENT MUTUAL
SECURITY THROUGH FINANCIAL SERVICES

Tax moves will bring changes in captives

By DOUGLAS McLEOD

9th International Captive Insurance and Reinsurance Forum

HAMILTON, Bermuda—Court cases and recent changes in U.S. tax laws have removed many of the tax advantages of captive insurance companies, and new captives may operate differently because of these developments, one expert says.

Court decisions denying deductibility of captive premiums and provisions of the Deficit Reduction Act of 1984 have stripped away significant tax breaks for captive owners, noted James Cameron, a partner with the law firm of Baker & McKenzie in New York.

But the tax treatment of captives is still in flux and in some areas it is not clear, Mr. Cameron said at the Ninth International Captive Insurance and Reinsurance Forum sponsored in Bermuda by Risk Planning Group, a division of Tillinghast, Nelson & Warren Inc.

Several court cases involving premium deductibility are either being tried or are under appeal, while one key ruling by the Internal Revenue Service may be withdrawn, he said.

Meanwhile, the U.S. Treasury Department has recommended further changes in the tax law that could prove even more onerous for captive owners.

Two longstanding IRS rulings dealt differently with the issue of premium deductibility, Mr. Cameron noted in reviewing the history of the government's "maturing" economic family theory.

Under the economic family theory, a deduction may be denied a parent company for premiums paid to a captive if the captive is found to be a member of the parent's economic family. There is no real risk transfer in such transactions and therefore no real insurance for which premium deductions may be claimed, the theory holds.

In Revenue Ruling 77-316, the IRS denied premium deductibility to the single owner of a captive that insured only its parent's risks.

In another ruling, 78-338, the IRS allowed a deduction for premiums paid to a hypothetical captive with 31 owners, all of which insured risks in the captive.

Mr. Cameron cautioned against concluding from the two rulings—as some captive owners did—that a sufficient amount of unrelated business will ensure premium deductibility.

Not only are there disparate insured risks in these cases, but there is also disparate ownership, he noted.

"It's not enough to say, 'Well, gee, I can make my way from 77-316 to 78-338 by taking lots of outside business,'" he said.

The Justice Department took the position a step further in the Mobil Oil Corp. case, in which it has argued that parent-related business placed in a captive can never be insurance no matter how much unrelated business the captive writes.

Mr. Cameron added that the Justice Department forced a change in the position of the IRS, which had decided in previous private rulings that writing unrelated business could make parent-related premiums deductible.

"After a lot of what I understand was infighting, the Justice Department was allowed to pursue the matter, taking that position and the (IRS) withdrew its published ruling having to do with the unrelated business," he explained.

He added that if the IRS loses Mobil or another similar case, it will probably seek legislation eliminating any deductibility of premiums for parent-related risks. The IRS has so far avoided seeking such legislation because—unlike a court ruling on the subject—it would not disallow such deductions retroactively.

"If the Service were to lose Mobile and were to seek legislation, they would be leaving themselves open for all of you to take premium deductions for all your prior years," he explained. "The theory is, why should you need new legislation if the law is already clear on the point?"

In pursuing the economic family theory as a test for deductibility, the government has prevailed in three cases that do not involve unrelated business: Carnation Co., Stearns Roger Corp. and Beech Aircraft Corp.

In these cases, courts ruled that captive subsidiaries were in the parents' economic family and premiums were not deductible.

Three other cases—Mobil Oil Corp., Gulf Oil Corp. and Humana Inc.—are in litigation, Mr. Cameron noted.

One test now used by the IRS to determine whether a parent company and its captive are members of the same economic family is whether losses paid by the captive affect the parent company's balance sheet, Mr. Cameron indicated.

"The Service makes a great deal of the fact that the public perceives and will take into consideration that no real loss is passed on to another party," he explained.

A potential weakness in the IRS position was pointed up by a case the IRS recently lost, he added.

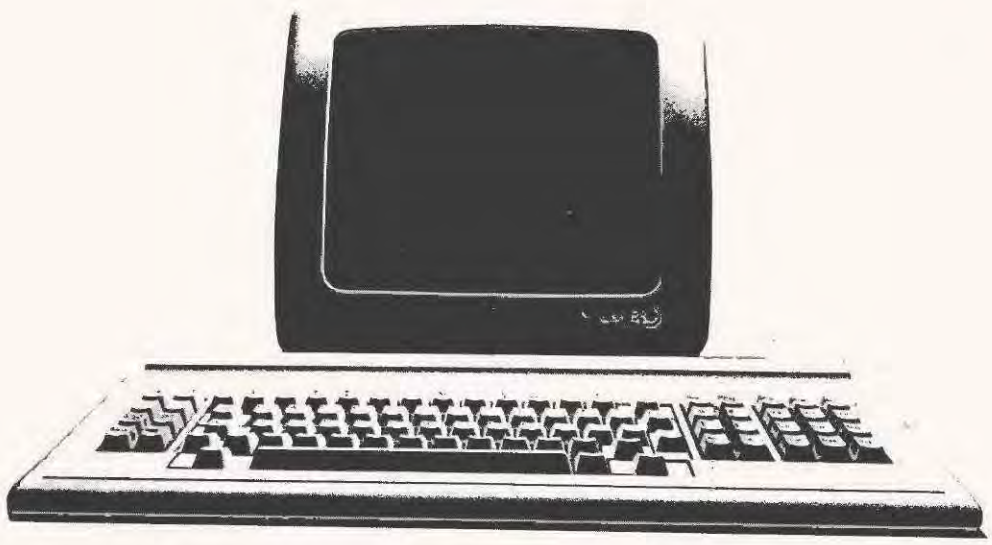
In the Crawford Fitting Co. case, a captive that insured Crawford's and other unrelated risks was owned by Crawford employees and, indirectly, by members of the Fred A. Lennon family, one of whom owned 100% of Crawford itself. In this case, the court decided that since the captive was not owned directly by Crawford Fitting Co., losses would not affect Crawford's balance sheet and thus the two companies were not in the same economic family (*BI*, Feb. 18).

The IRS was unable to convince the court that the captive's losses would affect Crawford's 100% shareholder and that Crawford's owner should also be considered a member of the economic family, Mr. Cameron explained.

"My expectation is that the Service will appeal Crawford. I think they'll have a hard time winning because it is an inherently factual matter in determining whether risk shifting has occured," he said. "I also think examples like this are ones that are going to confound the IRS and ones they will probably try to ignore or avoid."

In the case of Revenue Ruling 78-338—in which a captive had 31 shareholders, each with less than 5% of the shares—the IRS has not applied the rule generally to grant deductions to a variety of multiowner captives, he said. But, it has insisted that captives fit the circumstances of 78-338 more or less exactly before allowing deductions, he explained.

Continued on facing page



In health claims processing you don't just need hardware...

Continued from facing page

"Believe it or not, I've run into a couple of situations, even at the appellate level, where the (IRS) is trying to say, 'I don't care if you only have 2% of the captive, the fact that one or more people here have more than 5% makes it so that it doesn't fit 78-338 and doesn't give you a deductible situation.'"

Mr. Cameron said he has heard rumors that the IRS will withdraw 78-338, possibly within the next few months. The IRS probably would replace it with a "facts and circumstances" test, judging each case on its own merits, he said.

"What they are essentially ending up with is a mechanical test in a situation where mechanical tests simply don't work," he said.

The IRS encounters another weakness in the economic family theory when it confronts a multi-owner captive formed as a mutual company, Mr. Cameron said.

Though the IRS emphasizes the effect of losses on a parent company's balance sheet, he said, a company's ownership interest in a mutual does not appear on its balance sheet and the mutual's profits and losses do not appear on its income statement.

"So if you are structuring a group-owned company, there are great advantages to having it structured as a mutual rather than a stock company," he explained.

Another advantage of mutuals, he added, is that the Securities and Exchange Commission doesn't consider interests in them to be securities offerings, whereas interests in stock companies take the form of shares that must be registered.

Mutual multiowner captives and other pooling arrangements can run afoul of another IRS theory that may block deductibility, however. The so-called "banking plan" theory addresses situations in which four elements of risk—frequency, severity, timing of loss payouts and interest rate risks—are so controlled by the structure of an insurance mechanism that no real risk of loss exists.

Mr. Cameron

In such cases, the IRS may consider the captive to be an elaborate offshore banking scheme rather than insurance, and deny premium deductions, Mr. Cameron said.

"When you set up your group-owned company, make sure that there really is risk-shifting among the insureds, that they really are sharing in the economic pie," he said, noting that each participant's premiums should not be used simply to fund that participant's losses.

In addition to ongoing problems of premium deductibility, last year's Deficit Reduction Act removed another tax advantage of captives, Mr. Cameron noted.

Before the act was passed, the IRS let corporations reduce U.S. taxes due on income generated in low-tax foreign jurisdictions with foreign tax credits generated in other countries with higher tax rates.

Foreign tax credits are generated when a foreign country applies a higher tax rate to a corporation's foreign income than would be applied in the U.S.

Thus, income earned by offshore captives insuring U.S.-based risks was considered foreign source Subpart F income and was often returned to the parent company tax-free because U.S. taxes had been offset by foreign tax credits.

"Those companies that had a lot of operations in high-tax jurisdictions were forever trying to find out how they could jockey around and create more income offshore in a low-tax jurisdiction to keep their mix right up around U.S. tax rates," Mr. Cameron observed.

This applied to both the captive's underwriting and investment income, Mr. Cameron noted.

"You shove (premium) out the back door, send it to Bermuda, and it comes back on Dec. 31 tax-free," he explained. "I had clients who would unceremoniously dump $40 million or $50 million into a foreign captive which would then earn investment income to be sent back to be used against their excess foreign tax credits."

The new tax law eliminates this advantage by redefining income related to the insurance of U.S.-based risks by U.S.-owned foreign corporations as U.S.-source income, against which foreign tax credits cannot be used.

The IRS will probably interpret the law as applying to both the underwriting income earned by insuring U.S. risks and the investment income earned on those premiums, he said, adding that this represents a misunderstanding of how captives operate.

The congressional committee drafting the new law "probably erroneously thought a captive was earning both U.S.-source underwriting income—which it is if it's insuring U.S.-based risks—and also thought it was earning U.S.-source investment income," he said.

But many captives earn foreign source investment income with premiums earned insuring U.S. risks by investing, for example, in certificates of deposit issued by London branches of U.S. banks, he explained.

The new law also redefined underwriting and investment income earned from insuring foreign risks related to the parent company as foreign source Subpart F income, which is currently taxable.

Before, underwriting income earned on foreign business was not taxable until repatriated to the U.S. Investment income on ordinary and necessary reserves for related business was also protected from taxation, as was investment income on capital used to write unrelated business up to a 3-to-1 premium to surplus ratio, Mr. Cameron said.

Under this section of the new law, "foreign related risks" include the non-U.S. risks of any party that is a 10%-plus shareholder of the captive or that is a 50% owner of any party that has a 10%-plus interest in the captive.

This provision of the law could produce unpleasant surprises for some group captive shareholders, Mr. Cameron said.

If a 10%-plus shareholder in a captive places insurance for one of its foreign subsidiaries in the captive, any income generated by that business becomes taxable Subpart F income for all of the captive's shareholders according to their ownership interest, despite the fact that the other captive shareholders are unrelated to the risk, he said.

"If you're in a group captive, before you decide to insure someone's related risk, remember you may end up with Subpart F income hitting you in the back of the head."

Even more drastic than these changes in the tax law are proposals by the Treasury Department to further restrict the use of foreign tax credits, Mr. Cameron said.

Treasury has proposed a "per country" limitation, under which foreign tax credits generated in high-tax countries could only be used to reduce income produced in that country.

"So if you had operations in Sweden, you could only use your excess foreign tax credits generated in Sweden against Swedish income. You could not use them against Norwegian income," he explained.

"If they enact that, it is going to be even more difficult for the Ancons of the world to utilize their excess foreign tax credits." ■

...you need Peopleware.

In other words, the human difference to make your system do what you want.

Versus just making do.

For example, SDC people built the CAS II Claims Administration System. It lets an adjuster enter and process claims data, and produces checks, EOB's, and statistical reports. Easily, all at one terminal.

And we will train you to update or modify your benefit plan on-line, for annual plan changes — right at the same terminal.

Beyond hardware, beyond software, you get Peopleware.

A total support package that's human.

SDC

SYSTEM DEVELOPMENT CORPORATION
AUTOMATED MANAGEMENT SERVICES
A Burroughs Company

2500 Colorado Avenue
Santa Monica, CA 90406
(213) 820-4111

Business Insurance puts more into it so you'll get more out of it.

Use this form, or the card in this issue, to enter your subscription to Business Insurance. Or call (312) 649-5221.

Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here.)	Surface Mail.	By Air.
USA	☐ $52	
Canada	☐ $68	☐ $100
Bermuda *(Air only)*		☐ $ 97
Europe/Middle East *(Air only)*		☐ $ 97
All other foreign	☐ $68	Rates on request.

☐ new subscription. ☐ renewal. ☐ payment enclosed.
☐ bill me. ☐ bill company.

name (please print)

title telephone

company

nature of business

☐ business or ☐ home address

city state/country zip/postal code

☐ Please send information on your special 20%-off group rate for five or more subscriptions.

☐ I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611 HBS

Underwriting skills faulty, experts say

By KATHRYN J. McINTYRE

9th International Captive Insurance and Reinsurance Forum

HAMILTON, Bermuda—Insurers and reinsurers no longer know how to underwrite commercial liability risks, two reinsurance experts agree.

As a result, commercial insurance and reinsurance underwriting losses are mounting and commercial insurance buyers may be facing a capacity crunch, the reinsurer warn.

"The insurance and reinsurance business has lost the capacity to a significant degree to price commercial third-party liability lines and to establish adequate loss reserves," said Tom N. Kellogg, a senior vp of General Reinsurance Corp. in Stamford, Conn.

"We need a market where the underwriters are men of skills, ability, knowledge and experience. There are very few around," said David V. Palmer, chairman and chief executive of London-based broker Willis Faber P.L.C.

Both men spoke at the Ninth International Captive Insurance and Reinsurance Forum sponsored in Bermuda last month by Risk Planning Group, a division of Tillinghast, Nelson & Warren Inc.

They agreed that insurers and reinsurers are now trying to improve their underwriting but that it will take time.

The U.S. property/casualty insurance industry's 1984 operating loss of $3.9 billion was created primarily by commercial lines losses, Mr. Kellogg said, citing figures released by A.M. Best Co. and the Insurance Services Office on the overall property/casualty industry based on estimates of the fourth quarter of 1984.

While results on personal lines were not acceptable, he said, commercial lines losses were worse. Commercial lines underwriting losses of $13.3 billion in 1983 and $21 billion in 1984 totaled $34.3 billion—more than total underwriting losses from 1958 through 1982, he said.

Mr. Kellogg

And, significant underwriting losses are expected to continue, as insurers and reinsurers are forced to increase the reserves they have already established for reported cases and reserves for incurred-but-not-reported claims, Mr. Kellogg said.

Meanwhile, policyholder surplus decreased about 8%, or $5 billion, during 1984.

If loss reserves are inadequate and assets are overstated, as some observers believe, the insurance industry is in worse financial condition than it appears, Mr. Kellogg said.

Using round numbers, Mr. Kellogg noted that at year-end 1984, the property/casualty insurance industry reported assets of $192 billion with corresponding liabilities of $132 billion and $60 billion in policyholder surplus against premiums written of $117.1 billion.

These statistics indicate a premium to policyholder surplus ratio of 1.95-to-1, which is an acceptable ratio and suggests that insurers have enough capital to underwrite insurance.

If, however, liabilities are understated by 10%, policyholder surplus decreases to $47 million and the ratio becomes 2.5-to-1. Further, with projected premiums in 1985 of $127 billion, the ratio of premium to policyholder surplus of $47 billion becomes 2.7-to-1.

"That is at the razor's edge of how management feels about accepting new business," Mr. Kellogg advised.

To make matters worse, these premium to surplus figures are for the entire property/casualty business, and the industry generally writes personal lines business at a higher ratio of premium to surplus than it will write product liability or professional liability on an oc-

Continued on page 54

We recycle our income to keep California green

Recycling has always been good for the ecology.

At State Fund we think it's good for the economy. We are paying $265,300,000 in Workers' Compensation Insurance dividends to qualifying companies who were insured with State Fund for the 1983 policy year. We're proud of what we give back to California businesses. It's a direct result of State Fund's hard work to help keep insured employers' workplaces safe.

If you're not insured with State Fund and wonder how much of that $265,300,000 dividend might have been yours, complete the no-obligation form below and mail it today.

The figure you receive will be based on amounts being paid to companies of your premium size. It is not a promise of future dividends but rather an indication of what you might have received had your business been insured with State Fund for the 1983 policy year.

STATE COMPENSATION INSURANCE FUND

Under California Law it is unlawful for an insurer to promise the future payment of dividends under an unexpired workers' compensation policy or to misrepresent the conditions for dividend payment. Dividends are payable only pursuant to conditions determined by the Board of Directors or other governing board of the Company following policy expiration. It is a misdemeanor for any insurer or officer or agent thereof, or any insurance broker or solicitor, to promise the payment of future workers' compensation dividends. Past dividend performance is no guarantee of an insurer's future dividend performance.

How much dividend could have been mine?

Name Title

Company

Address

City State Zip

Phone # Current Carrier

Premium Size No. Of Employees Policy Expiration Date

Return to: State Compensation Insurance Fund
P.O. Box 807
San Francisco, CA 94101
Attn: Und./Mktg. Dept.

Nobody does it better.

If you're considering self-insurance for your organization, you're talking risk. You owe it to your bottom line to talk to the people who know what managing risk is all about. Arthur J. Gallagher & Co., international brokers of insurance and risk management services. Nobody does it better.

We do it better because we've put 20 years into building the most comprehensive risk management service in the industry.

We do it better by working directly with you through Gallagher Bassett, our service organization. Gallagher Bassett can function either as an extension of your in-house insurance department or as your full-service claims administration organization.

We do it better because we are seasoned professionals in loss control and claims management service. And by aggressively pursuing subrogation, posting property and casualty loss recoveries that far exceed the industry average.

And, we do it better with RISX-FACS™, an on-line computerized reporting system that provides both ordinary and extra-ordinary information to you. You'll have everything you need to know to manage your program. And you'll have it when you want it, in the form you want it.

When it comes to managing risk, ask someone who knows what it's all about. Arthur J. Gallagher & Co.

Write or call us today. Find out for yourself why nobody does it better.

Go for it.
You're with Gallagher.

Arthur J. Gallagher & Co. • 10 Gould Center, Golf Road • Rolling Meadows, IL 60008 • 312/640-8500

Underwriting skill

Continued from page 52
currence form.

This is true because personal lines results are generally more predictable.

Emphasizing that he was offering a personal opinion—and a rough estimate—Mr. Kellogg said that insurers may already be writing commercial lines at a 3-to-1 ratio, after adjusting policyholder surplus for adequate loss reserves.

"That's part of the reason we will have a crunch in commercial lines," he said.

An added complication for the property/casualty insurance business is the "sorry state of affairs in the reinsurance industry," Mr. Kellogg observed.

The 62 reinsurance companies reporting to the Reinsurance Assn. of America averaged a combined ratio in 1984 of 127.3% compared with 115.4% in 1983. They suffered an underwriting loss of $1.5 billion in 1984.

Mr. Kellogg noted that for the first six months of 1984, the reinsurers reported a combined ratio of 126.9%, so "there was not much movement" from the first six months to the last six months.

While the first six months may have contained more storm and catastrophe losses than the last six months, "I would have expected more movement in the combined ratio reflecting management's efforts to strengthen their total loss reserve position," Mr. Kellogg commented.

Further, Mr. Kellogg observed, the policyholder surplus of reinsurers decreased only 6.3% in 1984 to $3.7 billion from $3.95 billion in 1983, while the decrease for the entire property/casualty industry, including reinsurers, was 8%.

Historically, reinsurers have tended to carry a higher relative IBNR loss reserve than primary insurers because their business is generally less predictable and more vulnerable to inflation and they are more exposed to late reporting of losses, Mr. Kellogg noted.

Citing General Re's own experience to show how much longer it takes facultative general liability losses to be reported, Mr. Kellogg said that at the end of 1974, Gen Re thought that it would know of 100% of its 1974 losses at the end of nine years.

In 1979, the reporting period had grown to 14 years and at the end of 1984, Gen Re says it won't know all its losses for 1984 for another 18 years.

"One might indeed expect a larger percentage increase in the level of reinsurers' loss reserves as compared to that of insurance companies. If that had occurred, there would have been a further decrease in reinsurance companies' policyholder surplus," Mr. Kellogg explained.

Mr. Kellogg noted that a leading stock analyst's report said that if all reinsurers were reserved as the best of them, their combined ratio at nine months 1984 would have been 150% to 160%.

"How real is the $3.7 billion in policyholder surplus for U.S. reinsurers?" Mr. Kellogg asked. It could be as little as $2.7 billion, without being overly pessimistic, he suggested.

With $5.9 billion in written premium in 1984 against policyholder surplus of $2.7 billion, the ratio would be 2.2-to-1, instead of the 1.6-to-1 reported by the reinsurers.

If premiums go up 40% on the strength of rate increases, which would not be too high a rate increase, the ratio of premiums to surplus becomes 3-to-1, Mr. Kellogg said.

To illustrate how inadequate pricing has been in the reinsurance market, Mr. Kellogg said that one treaty analyzed for a standard company showed that reinsurers were charging 6% of premium to provide an excess of loss limit of $500,000 excess of $100,000 or $900,000 excess of $100,000—he didn't want to be specific.

Upon analyzing and trending the ceding company's known loss experience, Gen Re determined that the price should have been 30% of premium.

When prices were at their highest, 1976-1979, results are "extremely better than years previous and years later," Mr. Kellogg said. Reserves for those years seem to be holding, but the loss ratios are around 95% to 115%, excluding medical malpractice written on an occurrence basis, he added.

Already, capacity is dwindling in the casualty facultative reinsurance market, Mr. Kellogg warned.

According to a study by one U.S. intermediary of its markets, the casualty facultative reinsurance market lost $141.3 million in capacity during 1984.

That includes $87.8 million in reduced limits from companies that continue to underwrite facultative casualty business and $53.5 million in limits lost from companies that are no longer writing facultative casualty business.

"The recovery will be long and the road will be treacherous," Mr. Kellogg predicted.

And, he worries that if, during the recovery, there is a bad year for catastrophes, a decrease in investment income or a significant drop in equity prices, "such developments could turn the recovery into disaster for the industry."

Insurance and reinsurance companies are trying to develop underwriters, but it will take two to three years to do so, Mr. Kellogg said.

"The industry did not get the job done" in pricing or reserving, he concluded.

Mr. Palmer of Willis Faber agreed.

He suggested that in the last few months the principles upon which underwriting decisions were made during the past few years have been proven to be fallacies. Among those fallacies he mentioned:

- "Write a little bit of everything you are offered and you are bound to come out all right."
- "Don't worry; there's plenty of fat in the reserves."
- "Investment income will see us through."

With reinsurance programs around the world incomplete, "it's the most challenging year in reinsurance since Betsy," Mr. Palmer said, referring to the 1965 hurricane.

"Innocent capacity is in full retreat. Many recent entries have gone into full retreat to their own disciplines and their own territories."

The reinsurance business is producing the most marked change, Mr. Palmer said. The increase in a reinsurance rate to 30% from 6% cited by Mr. Kellogg "is not at all out line with London market excess of loss reinsurance," Mr. Palmer said.

There has been a "sharp swing to a sellers' market," Mr. Palmer reported.

Those reinsurance rate increases are dramatically influencing ceding companies' underwriting, Mr. Palmer reported.

"They have to decide whether to cut back capacity and just write for a retention or pull out—they can't afford the excess of loss cover," he said.

Mr. Palmer acknowledged that the London market has been criticized for overreacting or taking advantage of current market conditions and pricing coverage too high. In response, he quoted an underwriter as saying, "I can only get my terms one year in 10, and when I can, I have to take advantage of

Continued on page 56

Very Dependable. Accurate. And Swiss.

Very American, too. Proud. Inventive. And involved.

It's that perfect blend of American innovation and Swiss exactness that makes us the best insurance protection for your valued business.

We create world class insurance that's in a class by itself.

Come to Zurich-American Insurance Companies for sound business insurance advice. Vast technical expertise. And the financial strength to protect your enterprise.

You'll find we speak plain English. But if you listen closely, you'll hear our Swiss accent on dependability.

Zurich-American
American Creativity. Swiss Dependability.

ZURICH-AMER CAN INSURANCE COMPANIES
Zurich Insurance Company • American Guarantee and Liability Insurance Company • Schaumburg, IL 60196

A MEMBER OF THE WORLDWIDE ZURICH INSURANCE GROUP

IS THIS THE MOST YOU CAN EXPECT FROM A RISK MANAGEMENT SERVICE?

At ESIS, we think risk management services should offer you more than a squeaky clean desk.

After all, no one self-insures simply to save on paperwork. Or to get in extra rounds of golf.

Self insurance is nothing less than an integral part of a risk manager's program to protect a company's assets.

And at ESIS, we see our job as nothing less than offering risk managers the means to accomplish that. As cost-efficiently as possible.

For example, our computerized risk information system: CRIS.

It doesn't just give you faster and more complete access to your information. It gives you the facility to update and perform extensive analysis of the information in your files as well.

And CRIS lets risk managers enter their own exposure and allocation data, and administrative costs to determine their risk management program's effectiveness.

How has it worked?

ESIS's expert claims administration, information systems and loss control services have allowed many of our clients to increase their risk retention levels substantially.

Even up to ten times.

And of course bottom line savings have been significant.

So with ESIS, you don't just get a cleaner desk, information where and when you want it, and a workday that ends on time.

You get the satisfaction of doing your job well.

ESIS, Inc.
a CIGNA company

CIGNA

What extraordinary extra does the company with the stag offer your group in LTD?

Ask your Broker.

Or call your Consultant, your Hartford Representative, or Bud Peterson, Group Sales-Vice President, at (203) 683-8843.

Hartford Life Insurance Company, Hartford, CT 06115

THE HARTFORD
The Insurance People of ITT

Underwriting skill

Continued from page 54

it."

While prices everywhere are going up because there is a shortage of markets, "in London, it is exacerbated by exchange rates and by the increase in premiums," Mr. Palmer said, referring to the strength of the U.S. dollar against the British pound and the influx of business to London.

However, Lloyds' net increase in real capacity this year is 14%, Mr. Palmer said.

(Capacity at Lloyd's increased 29% to 6.75 billion pounds in 1985 from 5.2 billion pounds in 1984, in the sterling equivalent on the strength of new members and existing members increasing their underwriting limits, according to Lloyd's chairman Peter Miller in a speech earlier this month. However, the net increase is 15% because of the strength of the U.S. dollar and the proportion of dollar business written by Lloyd's, he said.)

"Perhaps the greatest challenge of insurance and reinsurance is to get back to skilled, quality, intelligent underwriting, with a capital U," Mr. Palmer advised.

"Underwriting is probably one of the most highly developed and demanding of commercial skills—to price the major commercial lines," he said.

"How do you get the right price for $50 million of cover for product liability for pharmaceuticals? How do you get the right price for an oil rig, satellites, professional indemnity for brokers?

"It ought to be a damn sight less than we have to pay for it," Mr Palmer said of errors and omissions coverage for brokers.

Mr. Palmer

"Underwriting is a mixture of science and art—and judging," Mr. Palmer contended. "Some of the leads that have emerged around the world—and in London—have been abysmal at what they are trying to do. They don't understand the original business, or the original underwriting, nor are they testing the terms."

Apparently aware that the underwriters in the audience might resent being chastised by a broker, Mr. Palmer added: "Of course, there is nobody best to speak with authority on underwriting than a broker."

Mr. Palmer continued, "We have got to get better methods of dealing with cumulative liability problems," suggesting that perhaps changes in policy wordings could suceed in limiting insurers' liability.

To highlight the problems insurers are having in projecting ultimate losses on policies they sell, Mr. Palmer cited an underwriter in London who in 1974 decided to withdraw from all U.S. excess casualty business. He paid 5 million pounds to reinsure all his American liability and already he has collected back the 5 million pounds and now has 10 million pounds in losses outstanding.

Mr. Palmer also quoted Lloyd's of London underwriter Bob Kiln, who recently said that an insurer needs 25% of the liability premium in hand after 15 years or else he is looking at a loss.

The challenge, Mr. Palmer said, is "to deter and minimize irresponsible competition," adding, "That is easy to say.

"Irresponsible competition is what the other guy is doing. When we do it, it's brillant judgment," he said.

The toughening insurance and reinsurance marketplace will "stimulate rethinking by many corporations of their captive activity," Mr. Palmer predicted.

But, with the shortage of reinsurance, captives may have to accept bigger retentions and pay more for reinsurance.

"Will captives grow because markets are tougher or will there be a retrenchment such as those writing unrelated business?" he asked.

"I can't guess if more will form to beat a tough market or if there will be fewer because their fingers have been burned or they can't get the reinsurance they need," Mr. Palmer said.

Although most of his remarks were rather pessimistic, Mr. Palmer concluded:

"There's enough ingenuity and creativity that the insurance business will respond and will provide capacity. Profitability will return and attract capital to provide capacity." ■

Too much paperwork got you chomping at the bit?

Some days you probably feel like Secretariat straining at the starting gate. Everywhere you look you see paper. Piled up quotes, policy apps, payroll reports, loss runs, engineering surveys, requests for repeat or follow-up service. It's enough to make anyone chomp and snort.

The fact is, when the products and services of your companies are inefficient you might have to spend most of your time at the office just trying to sort things out. For the independent agent this can be rather frustrating.

How much nicer to deal with a solid, experienced company like Argonaut, where you get quick turnaround on quotes and direct contact with local offices. Where you can count on flexible underwriting and first-class claim, audit, and loss control service.

Why be saddled with raw and inept companies who double your paperwork? Give us a call and let our professionals set you free to do what you really want to do.

Sell.

Argonaut
Where people take your business seriously.
250 Middlefield Road, Menlo Park, CA 94025

IRS to take hard look at insurers: Attorney

By KATHRYN McINTYRE

9th International Captive Insurance and Reinsurance Forum

HAMILTON, Bermuda—The Internal Revenue Service will scrutinize the insurance business more than ever before, according to a tax attorney.

The IRS is equipped with new weapons under the 1984 Tax Act enabling it to maximize taxes owed by policyholders, insurers and reinsurers, says James Cameron, a partner with Baker & McKenzie in its New York office.

And, the Treasury Department is proposing that insurers be forced to discount their loss reserves for tax purposes to increase the amount of insurers' taxable income—and therefore tax revenues—collected from insurers.

The recent tax act provisions that arm the IRS with new powers to determine the tax liabilities of insurance and reinsurance companies could be used against captive insurance companies, Mr. Cameron said.

Under the new Section 845 of the Internal Revenue Code, the IRS has the power to reallocate tax characteristics between insurance companies, whether they are related companies or unrelated companies.

These tax characteristics include income, deductions, assets, reserves, credits and source or character of income.

Between related parties, the IRS has authority to reallocate tax characteristics when it is necessary "to reflect the proper source and nature of the taxable income," Mr. Cameron said. This authority exists even if there is a business purpose for the reinsurance transaction, the transaction was not entered into for tax avoidance and the transaction was entered into at arm's length.

In addition, the reallocation authority between related parties extends to reinsurance transactions effectuated through the use of a conduit, Mr. Cameron noted, which could refer to a fronting insurance company.

Between unrelated parties, the IRS can reallocate tax items if the reinsurance contract has a "significant tax avoidance effect" on any party to the contract.

This determination is to be made without regard for tax avoidance motive, business purpose or the arm's length nature of the transaction.

"A tax avoidance effect is significant," the congressional conference committee report on this section of the law says, "if the transaction is designed so that the tax benefits enjoyed by one or both of the parties to the contract are disproportionate to the risk transferred between the parties.

"There is no significant tax avoidance effect for a reinsurer, however, merely because a tax reduction arises from a loss on the reinsurance contract for a particular year, if the loss experienced was no greater than if the reinsurer had written an allocable portion of the reinsured business directly."

To analyze the amount of risk transferred between the parties, the conference report says the following factors should be considered: duration and character of the business reinsured; structure for determining profits between the parties, including any experience rating; duration of the reinsurance contract; termination rights and pay-back provisions, and the relative tax positions and financial conditions of the parties.

The kinds of tax avoidance addressed by Section 845, according to the conference report, include those contracts that artificially reduce a company's equity, change the source or character of any item,

Continued on page 60

Why are Fortune 500 firms turning to the company with the stag for Group Life?

Ask your Broker.

Or call your Consultant, your Hartford Representative, or Bud Peterson, Group Sales-Vice President, at (203) 683-8843.

Hartford Life Insurance Company, Hartford, CT 06115

THE HARTFORD
The Insurance People of ITT

A leading insurance executive discusses safety and the company plane.

John V. Brennan, President of U.S. Aviation Underwriters, America's largest insurer of corporate aircraft.

Business aircraft have never been built better—and safer—than they are today. However, due to the complexity and high performance of these planes, pilot training is something every company must think about.

"Nine out of every ten aircraft accidents have pilot-related causes. We strongly urge our policyholders to set up regular refresher training programs using simulators that represent their exact make of aircraft.

Pilot training is critical

"I insist that the pilots who fly our own company jet take simulator training twice each year—the same as airline pilots. We do our training with FlightSafety International.

"Our experience shows that simulators are the safest possible training environment. They enable pilots to practice and perfect all normal and emergency procedures under controlled conditions. The alternative of training in the aircraft is hazardous and incomplete—in addition, it wastes fuel.

Simulators: the safety factor

"Typically, the cost of refresher training for two pilots is less than the cost of one back-up flight instrument. That should be a worthwhile investment for any company."

FlightSafety International® offers simulator training programs for almost every type of jet and turboprop business aircraft. For more information send this coupon or call Jim Waugh, V.P. Marketing at (718) 565-4120 collect.

Name_____
Title_____
Company_____
Address_____
City_____ State_____
Zip_____ Phone_____
Aircraft Type_____

Mail to: FlightSafety International, Marine Air Terminal, Dept. U-045, LaGuardia Airport, Flushing, N.Y. 11371

FlightSafety international

How does flexible spending software from the company with the stag handle your customized benefits?

Ask your Broker.

Or call your Consultant, your Hartford Representative, or David Washburn, Director of New Products, at (203) 683-8435.

Hartford Specialty Company, Hartford, CT 06115

THE HARTFORD
The Insurance People of ITT

IRS scrutiny

Continued from page 59

defer taxation of income items, artificially transfer tax benefits between taxpayers in different tax brackets, or effectively extend a tax loss carry-forward period.

The related party reinsurance provision applies to risks that were reinsured on or after Sept. 27, 1983, while the provision for unrelated party reinsurance is effective to risks that were reinsured after Dec. 31, 1984.

"The IRS has a powerful weapon to deal with reinsurers," Mr. Cameron observed.

For captive insurance companies in particular, this section could be used to collapse risk-pooling agreements among unrelated captives if the IRS believed the pooling agreements existed for a significant tax avoidance effect, Mr. Cameron explained later.

Another section of the tax act, Section 461(h), disallows deductions for self-insured loss reserves relating to occurrences prior to July 17, 1984.

While self-insurers would prefer tax deductions for their loss reserves, the new law isn't all bad, Mr. Cameron suggested.

The new law can be used to the taxpayer's advantage for the next three to five years because it gives the taxpayer some defense for deductions for loss reserves relating to occurrences prior to July 17, 1984.

After all, if the IRS believed the tax law had to be amended to disallow these deductions, it's obvious the law was at least ambiguous on this point.

And, statements by the Treasury Department in convincing Congress to amend the law are useful in dealing with IRS agents, since the Treasury Department admitted that the prior law was not that favorable to the IRS.

Taxpayers should carefully structure any settlements of disputes over tax deductions for self-funded loss reserves for occurrences prior to July 17, 1984, Mr. Cameron added.

If the IRS offers to allow a 75% deduction of prior self-funded loss reserves, the taxpayer should be sure that for every claim paid in the future related to those reserves, 25% is deductible.

Otherwise, the IRS will contend that nothing is deductible by the taxpayer related to those reserves until 75% of the reserves have been paid, delaying the taxpayer's tax deductions for paid losses.

Section 461(h) may not be limited to self-insured programs, Mr. Cameron cautioned.

That section casts further doubt on the deductibility of the unpaid portion of a paid-loss retrospectively rated insurance premium. The law refers to "services," and retro plans could be considered services.

The best insurance product from the standpoint of tax deductions is a fixed-premium insurance product. Barring that, the next-best product is an incurred loss-retro program with the smallest retro adjustment the insurer and policyholder can find acceptable, according to Mr. Cameron.

One section of the 1984 Tax Act that benefits taxpayers may not benefit offshore captive insurers: the repeal of the 30% withholding tax on interest paid to foreign investors in public issues by U.S. companies.

First, interest paid to a controlled foreign corporation by a "related person" is still subject to the withholding tax so captive insurers would not want to buy issues from their parent companies.

And, second, offshore reinsurance subsidiaries of U.S. companies insuring foreign risks could lose other benefits that they presently enjoy under the tax law if they invest in issues of unrelated U.S. companies.

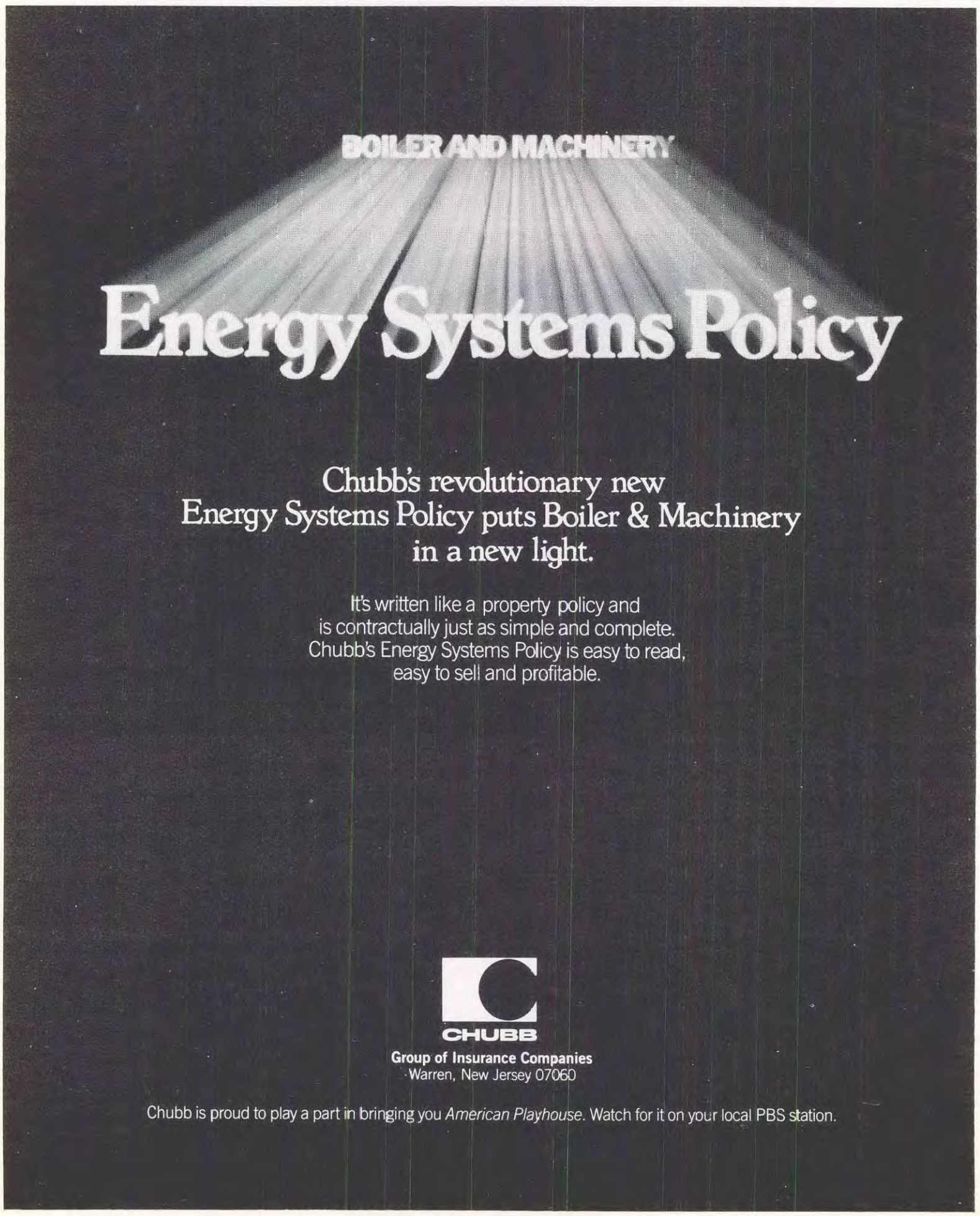
Among these tax benefits they could lose would be tax protections afforded their investment income attributable to ordinary and necessary reserves and certain of their capital attributable to foreign unrelated business.

Also, these investments increase the income subject to tax if the captive is found to be engaged in U.S. trade or business.

Looking toward the future, Mr. Cameron predicted that the Treasury Department "has a good chance of being successful" in its attempt to convince Congress that insurers should be forced to discount their loss reserves for tax purposes.

The Treasury wants loss reserves discounted because it has been frustrated that large underwriting losses are limiting the property/casualty insurance industry's tax liabilities and because it is

Continued on page 62



CSSC keeps your claims deposits where they belong...

IN YOUR POCKET.

Money saved is money earned. It's getting harder and harder for companies like yours to follow this adage. Especially when claim service companies demand months of advance claim fund deposits.

CSSC eliminates the need for these high deposits. Our speedy reimbursements enable you to keep more money until it's actually needed. A minimal claim deposit has always been a standard feature of our claim service program.

Depending on the transfer medium, 3 or 4 days estimated payments are the most we'll ever need to establish a cashed basis funding arrangement for your company. And under certain conditions, CSSC will waive all claim funds deposits. This means that we don't call for your money until payments have cleared our bank. What's more, all our programs are supported by the Cashed Reporting System which not only documents your disbursements but displays them to meet your particular needs.

Along with our cash flow benefits, CSSC offers a diversified selection of claims handling services. A sophisticated network of 3600 claim professionals in over 200 locations and a full staff of claim professionals in Hartford are behind us every working day. Our people, facilities, special units, and knowledge work together to meet most every claim requirement.

Keep your claim deposits working as working capital. Call Bob Greenberg at 203-277-3429 for information that can save you thousands.

Constitution State Service Company

One of The Travelers Companies
100 Constitution Plaza
Hartford, CT 06103

IRS scrutiny

Continued from page 60
concerned that companies that formerly self-insured will purchase insurance just in order to get a tax deduction.

Property/casualty insurers currently are allowed to tax deduct their case and loss reserves to the ultimate loss costs, unearned premium reserves and acquisition costs—all reserves required for insurance regulatory purposes.

The Treasury wants to change the tax treatment of loss reserves to recognize the time value of money. Insurers should not get a tax deduction today for items they won't have to pay for many, many years, the Treasury argues, ignoring the insurance industry's financial problems.

Rather than mandate the rate at which insurers should discount their loss reserves, the Treasury is suggesting that the insurer select a discount rate that is equal to the aftertax rate the insurer expects to make on its investments.

Mr. Cameron quoted an example offered previously by a Treasury department official:

Assume $1,000 worth of premium and $100 of acquisition expenses. That leaves $900. The insurer expects in four years to pay a $1,000 loss. The insurer's aftertax return is

'The IRS has a powerful weapon to deal with reinsurers,' says tax attorney James Cameron.

6%. That produces a discounted reserve of $792. The difference between the discounted reserve of $792 and $900 is $108 of new current taxable income.

The $792 will—if the aftertax rate is chosen correctly—grow to $1,000 over the four years until the loss is paid.

If, however, the loss is paid before the reserve has grown to the amount of the loss, the insurance company will be permitted a tax deduction for the difference.

If the reserve grows larger than is needed, the excess reserve becomes taxable at the time the loss is paid.

There are several problems with this proposal, according to Mr. Cameron. Not the least of these problems is that an insurer that is insolvent under statutory accounting could be forced to pay taxes, he said.

This is true not only because tax accounting will be different from statutory accounting, but also because the Treasury Department proposal would prohibit loss reserves exceeding the premium received minus acquisition costs. Therefore, insurance companies could not establish any reserves reflecting a loss ratio exceeding 100%.

In addition, this proposal could encourage insurers to reinsure with companies offshore and it would put U.S. reinsurers at a competitive disadvantage. Reinsurers outside the United States, which would reserve at 100% of anticipated losses, would be able to quote a lower price than U.S. reinsurers that would be forced to discount their reserves.

Finally, the Treasury Department proposal will not be able to prevent insurance companies from inflating loss estimates in years of high income and reducing them in low-income years.

If the Treasury succeeds in changing the tax law, "considering the losses that the insurance and reinsurance industry has, discounting reserves may not result in a significant short-term impact," Mr. Cameron concluded. ■

Responses to financial products vary

By KATHRYN J. McINTYRE

9th International Captive Insurance and Reinsurance Forum

HAMILTON, Bermuda—As financial products and the financial services marketplace change rapidly and new competitors enter the business, property/casualty insurance companies are responding in one of two ways.

They are either traditionalists or extensionists, said James Davis, who has a Ph.D. from the Graduate School of Business and Public Administration at Cornell University and is now chairman of Advanced Risk Management Services, a subsidiary of Corroon & Black Corp.

No insurer is ready for a third alternative response: to diversify significantly out of its major property/casualty insurance business, Mr. Davis said.

Indeed, for the most part, property/casualty insurers are not operating all that differently today than they were 20 years ago, despite dramatic changes in the types of financial products and services offered to consumers today, Mr. Davis declared in his remarks at the Ninth International Captive Insurance and Reinsurance Forum sponsored last month in Bermuda by Risk Planning Group, a unit of Tillinghast, Nelson & Warren Inc.

Innovative financial products have been developed since interest rates rose and became more volatile and in the face of tax and legislative changes. Technological changes have made new financial products and services possible.

New cash management products, new methods of moving cash and new ways of raising capital are among the financial services innovations.

At the same time, the financial services marketplace is changing, characterized by the development of financial supermarkets, particularly those created by Sears, Roebuck & Co. and American Express Corp., Mr. Davis said.

Diversification into financial services by manufacturing companies and high technology companies is also significant.

And, banks are offering as many financial services as they are permitted to in an effort to recover profits lost when individuals moved their large pools of money out of savings accounts into other investments for higher rates of return.

So far, regulations preclude banks from marketing or underwriting insurance, but Mr. Davis believes they will be big players in the future in the insurance business.

Initially, banks will focus on brokering insurance, risk management consulting services and self-insurance support services, Mr. Davis predicted.

"To say that Bank of America is looking forward to the day when the obstacles that prevent it from being in the insurance brokerage business are out of the way would be a mild understatement," Mr. Davis said.

Already, Bank of America has investment ties to insurance prod-

Continued on facing page

Equitable Guarantee #1

Guaranteed Pre Admission for the course.

Continued from facing page
ucts, Mr. Davis pointed out.

(Bank of America's venture capital subsidiary, Small Business Enterprise Corp., owns 18% of H.L. Capital Management Corp., which is the holding company for Pacific Compensation Insurance Co., a workers compensation insurer, and Captive & Self Insurance Services Inc., which sets up joint venture captive insurance companies for corporations.

While CSI maintains its own captive management services in the Cayman Islands for these captives, it uses Bank of America's banking services in Cayman and in the United States, said H.L. Capital President James Little.

And, Bank of America holds seminars to introduce its banking clients to the concept of offshore insurance companies, providing the management company with leads for its products and services.)

Another bank that wants to be in the insurance brokerage business is Citicorp, Mr. Davis said.

(Since Mr. Davis' remarks, it's been learned that both banks are forming units to broker political risk insurance (*BI*, April 1).)

Mr. Davis

Banks expect a competitive edge with some customers because "banks have an ongoing contact with the small and medium-sized commercial account," Mr. Davis observed. "These accounts have more contact with the bank loan officer than their insurance agent."

While this new competition makes inroads into the financial services business, most property/casualty insurers are reacting to problems in the insurance industry much more than to the financial services companies.

"Most of the companies are traditionalists. They worry about their own business and don't perceive these other people as threats," Mr. Davis said.

Traditionalist insurers are trying to solve their problem of losing market share of personal lines and small commercial accounts, Mr. Davis observed. They recognize their own internal costs are too high and their own distribution costs are too high, "so they are banging away at the distribution system to get costs down and introduce efficiences."

At least three insurers have built into their strategic plan the use of more brokers instead of independent agents to market their products, Mr. Davis observed.

"They recognize that the trend toward national brokers having larger market shares is going to continue, so they are positioning themselves to do more business with those companies," he said.

"The independent agency system will be the first to bite the bullet," Mr. Davis predicted. "The small agents have real problems. Many are inefficient. They cannot develop the kinds of support services economically that the regional and national brokerage firms can. It will be very difficult for them to defend their medium-sized and large accounts against national brokers."

The extensionist insurers, as Mr. Davis calls them, are responding to competition from the banks by developing insurance products that perform essentially the same function as the traditional bank letter of credit: financial guarantee insurance products.

"This is a big area of potential growth for the industry," Mr. Davis said. "A number of observers now feel this is the single biggest growth segment of the property/casualty industry for the balance of this decade."

And, companies specializing in financial guarantee insurance are drawing together the largest number of different financial services companies, Mr. Davis noted.

Financial Guaranty Insurance Co., for example, is owned by General Reinsurance Corp., Kemper Group, Merrill Lynch, Shearson/Lehman, General Electric Credit Corp. and J.P. Morgan.

Bond Investors Guaranty Insurance Co. is owned by American International Group, Xerox Credit Corp., Phibro-Salomon, GEICO (Government Employees Insurance Co.) and Bankers Trust Co.

The investors who are ready to buy Ambac Indemnity Corp. from MGIC include Citicorp., Johnson & Higgins, Xerox Corp., Stevens Inc. and the current management of Ambac.

The closing on the purchase of Ambac from MGIC, a subsidiary of the bankrupt Baldwin-United Corp., has been delayed from its scheduled March 31 date by "organizational problems," according to a member of the Wisconsin Insurance Department.

"J&H invested in Ambac in part because it believed the bulk of financial guarantee premiums would bypass the intermediaries, and I agree," Mr. Davis observed.

Only Municipal Bond Insurance Assn. is owned by all insurance company investors: Aetna Casualty & Surety Co., Fireman's Fund Insurance Cos., The Travelers Indemnity Co., CIGNA Corp. and Continental Insurance Co.

So far, financial guaranty insurance has been "enormously profitable," Mr. Davis observed.

The largest loss, according to Mr. Davis, was suffered by Ambac involving the default by the Washington Public Power Supply System on $2.25 billion in bonds.

(Ambac's loss has been pegged anywhere from $24 million to $29 million and higher. The Wisconsin Insurance Department declined to provide the specific loss.)

Given the size of the obligations made by insurers, they can't afford very big losses, Mr. Davis said. "But there is very little chance" of losses, at least in the investor bond area, he said.

However, "property/casualty companies have to face increasing unrest on the part of state regulators about the significant increase in premium from financial guaranty insurance," he warned.

Banks and insurers could cooperate to create some interesting new products, Mr. Davis observed. One of Mr. Davis's pet projects, he said, is to see if it's possible to develop an insurance product to cover multinationals' foreign currency exchange risks.

"It's possible," he said. "I'm hopeful a linkage could be struck with a big money market bank, combining an insurance product with hedging capabilities of the money market bank and make it work."

And, new financial products offer insurers new opportunities.

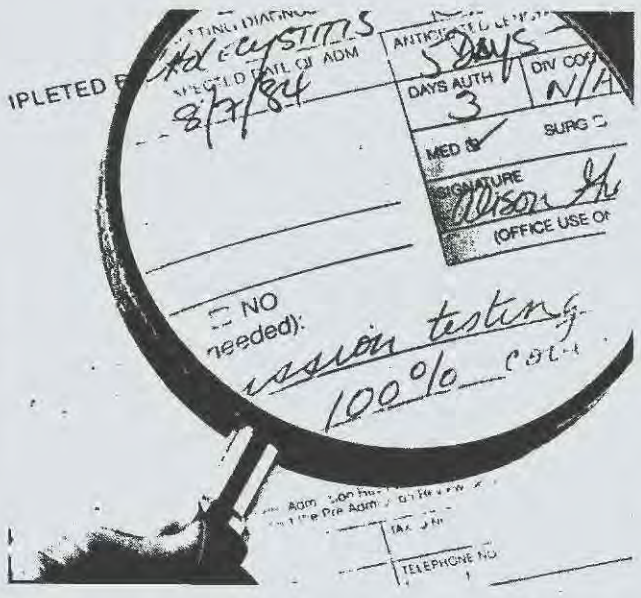
For example, American International Group uses zero-based coupon bonds to take the investment risk out of guaranteed cost net present value insurance programs, Mr. Davis said.

Zero-based coupon bonds are bonds that have been stripped of their interest certificates and are sold to purchasers who will redeem them at full value at maturity with no intermediate interest paid.

These financial instruments guarantee AIG an investment return so that AIG is risking only the timing and amount of losses when it writes a guaranteed cost program that recognizes the investment income on a premium paid.

If AIG purchased coupon bonds, the coupons would have to reinvested as they came due, creating a reinvestment risk. ■

savings on our Review are par



In fact, our Pre Admission Review program is saving clients $4 for every dollar invested. You might do even better.

Why is PAR so important? Because it focuses on hospital utilization, the biggest piece of your health care bill. And, the operative word is Pre. Before hospitalization, PAR works to educate employees to alternatives to in-hospital confinements that are both care and cost effective.

And, PAR assures that you pay only for medically necessary hospital stays. Savings, considerable savings, are the result.

If your company's group health plan isn't on a par when it comes to savings, write or have your benefits advisor write EVP Gil Reich at The Equitable, 1633 Broadway, Suite 1604, NY, NY 10019.
Pre Admission Review is only one way The Equitable can help you keep the cost of health care down while keeping the quality of health care up.

No other group health program can make that claim.

THE EQUITABLE
Financial Services

© 1984. The Equitable Life Assurance Society of the United States, New York, New York

Inland AND *Ocean Marine*

FACILITIES AVAILABLE
TO AGENTS & BROKERS OF MEMBER COMPANIES

MUTUAL MARINE OFFICE, INC.
100 PARK AVENUE, NEW YORK, N.Y. 10017 • 212—953-0580
General Managers
NEW YORK MARINE AND GENERAL INSURANCE COMPANY

— Marine Managers —

AMERICAN LIBERTY INSURANCE COMPANY
ARKWRIGHT-BOSTON INSURANCE COMPANY
ARKWRIGHT-BOSTON MANUFACTURERS MUTUAL INS. COMPANY
EMCASCO INSURANCE COMPANY
EMPLOYERS MUTUAL CASUALTY COMPANY
GRAPHIC ARTS MUTUAL INSURANCE COMPANY
LUMBER MUTUAL INSURANCE COMPANY
MUTUAL FIRE, MARINE & INLAND INS. COMPANY
PENNSYLVANIA NATIONAL MUTUAL CASUALTY INS. CO.
REPUBLIC-FRANKLIN INSURANCE CO.
UNION MUTUAL INS. CO. OF PROVIDENCE
UTICA MUTUAL INSURANCE COMPANY

UNDERWRITE YOUR *own* FUTURE

Throughout the insurance industry, the most respected designation for the property and casualty professional is the CPCU.

Whether these letters follow the name of a risk manager, agent, broker, consultant, underwriter, actuary, attorney, claims specialist, or insurance company executive, one message is perfectly clear. The CPCU is a responsible individual who is well educated, experienced, and dedicated to the highest standards of excellence in the industry.

CPCU stands for Chartered Property Casualty Underwriter. It represents the completion of a series of ten college level examinations dealing with a broad spectrum of insurance and related business subjects administered by the American Institute for Property and Liability Underwriters in Malvern, Pennsylvania. Since 1944 the Society of CPCU with its over 14,000 members and nationwide network of 135 chapters has provided its members with a variety of stimulating education programs. The chapter structure offers unique opportunities for Society members to provide service to their profession, their community and to the insurance-buying public.

If you're committed to the insurance profession; if you have career objectives and the motivation to get ahead, you may be a candidate for CPCU.

Find out today. Enter the ranks of the most distinguished professionals in the insurance industry.

CPCU
THE SOCIETY OF CHARTERED PROPERTY & CASUALTY UNDERWRITERS

Kahler Hall, Providence Road, CB No.9, Malvern, PA 19355

Yes, I am interested in learning more about the CPCU Designation. Please forward information to:

BI485

Name

Company

Address

City State Zip

Five easy ways to lose money as a reinsurer

By KATHRYN J. McINTYRE

HAMILTON, Bermuda—There are five simple reasons why the reinsurance industry is losing money and why some reinsurers are going out of business, a reinsurance executive says.

According to Mark Hinkley, executive vp of Westport, Conn.-based Trenwick Reinsurance Group, says the reinsurance industry is in trouble because:

- It charged too little money.
- It reserved too little of the money that it got.
- It has too many people in it.
- Some of the people in it have too little skill.
- There are too many people making speeches.

As a speaker at the Ninth International Captive Insurance and Reinsurance Forum held in Bermuda last month, Mr. Hinkley admitted he could be charged with contributing to the last problem.

"If, as the results got worse and worse, people just said they were going on a speech fast until the results improved, there would have been a faster turnaround in this business. Talk about how bad it was became a substitute for action. By complaining and whining about results, that was sufficient to get on with producing more (bad business)," he said.

Beyond these five points, Mr. Hinkley offered a satirical history of what happened to the reinsurance business:

"The Stone Age was the good days of reinsurance. People could enjoy it. There were no interest rates. There were no brokers.

"In the Dark Ages, wizards were turning toads into princes. One wizard turned a toad into a surplus lines executive, which the king immediately recognized and banished to England. Lloyd's syndicates flourished. The spell was still fairly strong, and to this day the results appear only once every three years.

Mr. Hinkley

"The New Jersey period coincided with the birth of the first MGA and happily with the invention of the BMW, which thereafter became inseparable. This first MGA developed the concept of net, which led into the Age of Reason—or the enlightenment.

"That brought with it the invention of ceding commissions, shoplifting and investment income. That was also the first recognition that substituting percentages for dollars was the power of the business. Get people to concentrate on 2% or 9% and to stop asking questions about absolute dollars, and the world would be an easier place to live."

The High Tech phase followed, which included the introduction of textile manufacturing "and we all could own our own suits. It really is one of those often-overlooked fundamental bases of why the insurance and reinsurance business has gotten so large. Before that we had to walk around in sports clothes, and no one considered this a business.

"Also during this period was the development of captive insurance companies. We can thank the late Risk Planning Group—now Tillinghast—and the like for feasibility studies. I always wondered why they didn't call them infeasibility studies. I guess for the same reason they don't call life insurance death insurance.

"The business became distribution-oriented, as if it had fixed costs like banking or life insurance. Letters of credit were terrific tools. Between them and aggregate stop loss, there was no need to worry about capital.

"People like Baker & McKenzie—whom I like to refer to as ambivalence chasers—basically grew up during this period. They are usually interested in the subtlety of the tax code and actually contributed to the subtlety of the tax code. Products developed during this period included discounted reserves, portfolio transfers, rent-a-captives, stop-loss insurance.

"The neo-Biblical Phase is represented by the high priests that emerged during this phase. People like Conning, Tillinghast, Baker & McKenzie. It also put fear of God back into managers and the fear of unemployment into people who run insurance and reinsurance companies. There was some reformation of thought and pricing," Mr. Hinkley said.

While Mr. Hinkley refrained from placing dates on his satirical march through reinsurance history, he did cite some important dates:

- "1347 was the first recorded reinsurance transaction. It happened just after the Dark Ages. The broker assures us he's going to wire us the money very soon."
- "From 1785 to 1825, reinsurance was illegal in England because it was considered gambling. But as we know, gamblers live in much nicer houses than reinsurers."
- "1954 was the last year underwriting profit exceeded investment income."
- "1978 was the last year underwriting profit appeared on the face of the Earth."

Departing from his satire, Mr. Hinkley concluded with serious comments, including the prediction that, although some reinsurance companies are closing, voluntarily and involuntarily, most will survive.

"And, we see a return of competition of a different sort—more welcome competition, more responsive to the needs of captive insurers and insurance companies."

More responsive competition will include the return to money—rather than paper transactions—as the medium of exchange, he said. Also, he said, reinsurance companies will become specialists.

Tight market will offer challenge for captives

By KATHRYN J. McINTYRE

9th International Captive Insurance and Reinsurance Forum

HAMILTON, Bermuda—Captive insurance companies will be needed to fund difficult risks in the current insurance marketplace, an insurance consultant says.

"It is not going to be easy, but it can be a unique opportunity," advised Barbara D. Stewart, president of Stewart Economics Inc. in New York.

"It will be a good opportunity to demonstrate that captives can be essential and responsible players in the insurance world," she observed.

Ms. Stewart spoke at the Ninth International Captive Insurance and Reinsurance Forum, held in Bermuda last month.

"The kinds of risks the captive is going to have to step up to right now are going to be the very difficult ones where capacity is disappearing, where there is very little statistical or actuarial comfort. We're not talking about the plain-vanilla, well-established types of risks that captives wrote 10 years ago," Ms. Stewart said.

Indeed, the insurance industry will soon concentrate on the well-established risks, like commercial auto and workers compensation. As a result, the price firming for these lines is not going to last very long, Ms. Stewart predicted.

Ms. Stewart

"Those markets will be be glutted again," Ms. Stewart predicted.

"It's conceivable that competition will heat up again within a year or two at the most in those lines," Ms. Stewart said later.

But, as insurers concentrate on those areas they think they understand, captives will be needed to fund difficult risks that the insurers are reluctant to insure. Among these are big casualty risks, particularly excess casualty risks, professional malpractice risks and environmental impairment liability insurance.

"The established insurance industry is really risk adverse, despite all its talk about taking risk," Ms. Stewart observed.

Captives trying to fill the capacity void will find "it's not going to be an easy job," Ms. Stewart warned.

First, the stricter regulatory atmosphere in the United States will make it difficult for captives to operate.

And, second, the Internal Revenue Service is stepping up its attack on captives.

Ms. Stewart stressed that the regulators naturally prefer that insurance capacity be provided by insurers that they regulate.

Regulators have tolerated the non-admitted market when capacity or flexibility is needed, she noted, and they have tried to strike a balance between allowing a free market to work and maintaining a stable system of insurance.

But, regulators have identified captives with problems in the non-admitted market, Ms. Stewart said. These problems include the scandals involving syndicates at Lloyd's of London in which reinsurance premiums were diverted offshore and reinsurance pools located offshore whose reinsurance was uncollectable.

"Regulators aren't going to be comfortable with captives stepping up to fill a role in this tight market. It's going to be an uneasy kind of truce," Ms. Stewart said.

"It's not fair to say that regulators are against captives per se. More, they see captives aiding and abetting getting around their rules. Like fronting: It's a way of getting around their rules."

In a fronting program, a licensed insurer issues an insurance policy and then reinsures all or a large part of the risk with an unauthorized reinsurer, such as a captive insurance company located offshore. Through fronting arrangements, companies can satisfy re-

Continued on page 68

Lost. ? ?? And Found.

The Business Insurance Editorial Index helps you find the facts you need *quickly!*

* Lists *all* Business Insurance news and feature articles.
* Conveniently organized by subject, persons quoted and companies mentioned.
* 1985 Editorial Index service includes three quarterly reports and a cumulative annual edition; 1981 thru 1984 Indexes available in hardbound annual editions.
* You'll never again spend valuable time wading through a pile of back copies to find what you're after!
* Only $150 per year.

Find your way to the facts!
Send in the coupon *now!*

business insurance

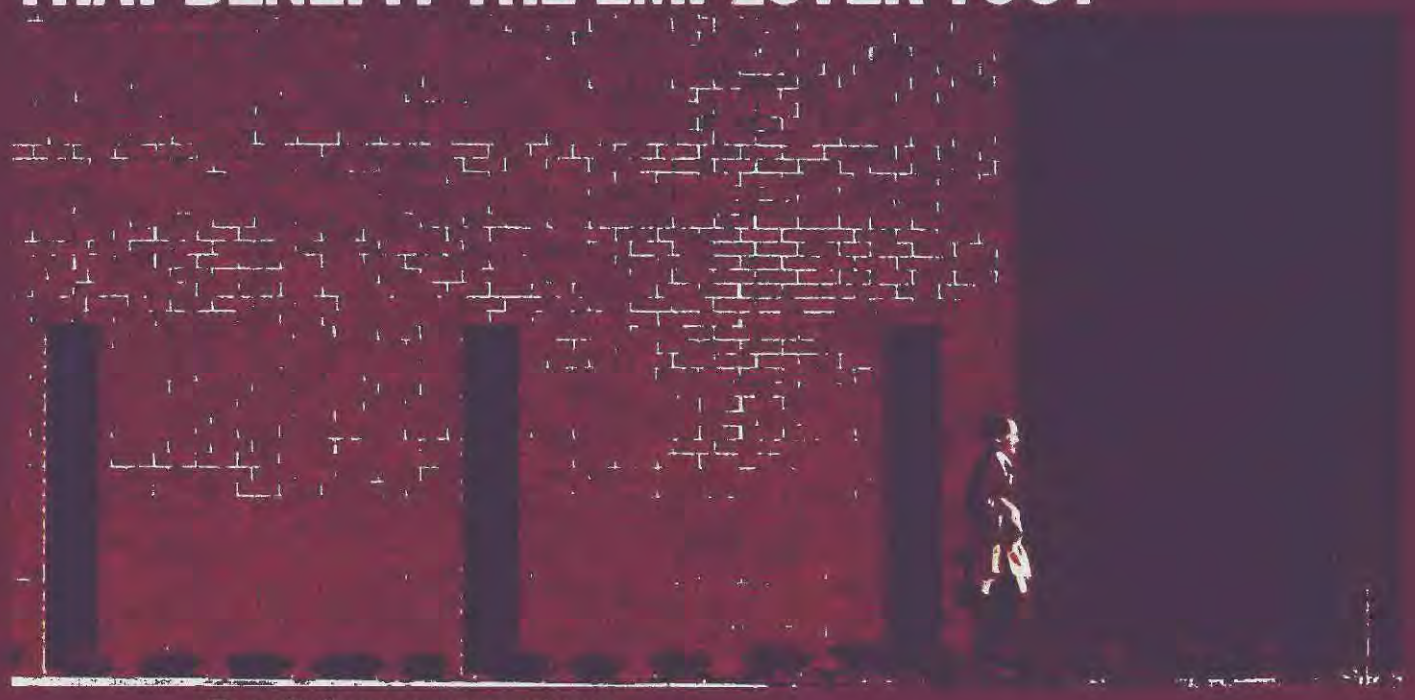
New York: 220 East 42nd St., NY 10017 (212) 210-0137

Business Insurance Editorial Index.
220 East 42nd Street, New York, NY 10017

Please send me the following Index(es):
Annual Index Only:
___1981 ___1982 ___1983 ___1984
___1985 Full Index Service
@ $150 each year, plus foreign postage.
PAYMENT MUST ACCOMPANY ORDER
___Visa ___Mastercard ___Check Enclosed

Account #_____Exp. Date_____
Signature_____
Name_____Title_____
Company_____
Address_____
City_____State____Zip_____
Phone_____

QUESTION:
WHERE CAN I FIND EMPLOYEE BENEFIT PLANS THAT BENEFIT THE EMPLOYER TOO?



Benefit from our experience.

At Brougher, we have a variety of plans to choose from. Some, like Greenwood Plus, provide big protection for smaller employers. Others offer optimum Stop-Loss protection for larger employers.

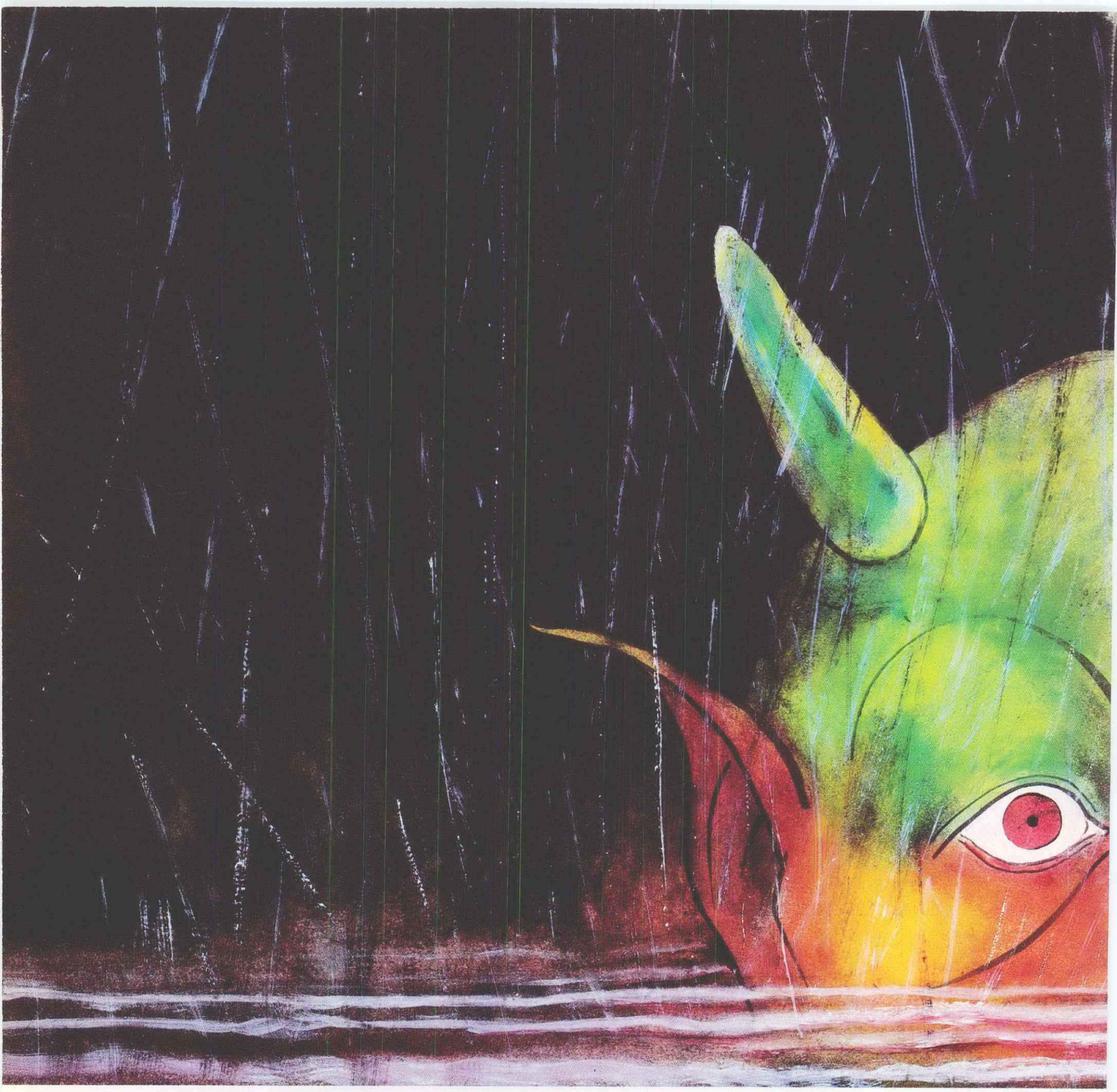
But every plan is built on Brougher experience. Every plan is backed by Brougher expertise.

And every plan is designed to be good business for any business. Benefiting the company man. And the man who owns the company.

BROUGHER.
The Answer.

For more information on Brougher Employee Benefit plans, attach your business card to this ad and mail it to this address.

BROUGHER AGENCY, INC.
Lloyd's London Correspondent
P.O. Box BAI Greenwood, Indiana 46142
(317) 535-8212



Allendale announces the only sprinkler in the

It's called ESFR, Early Suppression Fast Response —a remarkable breakthrough in sprinkler technology, designed to respond to a fire faster and more effectively.

Under "high-challenge" fire conditions, flames must be knocked down quickly. If they aren't, everything goes to hell. And you get burned.

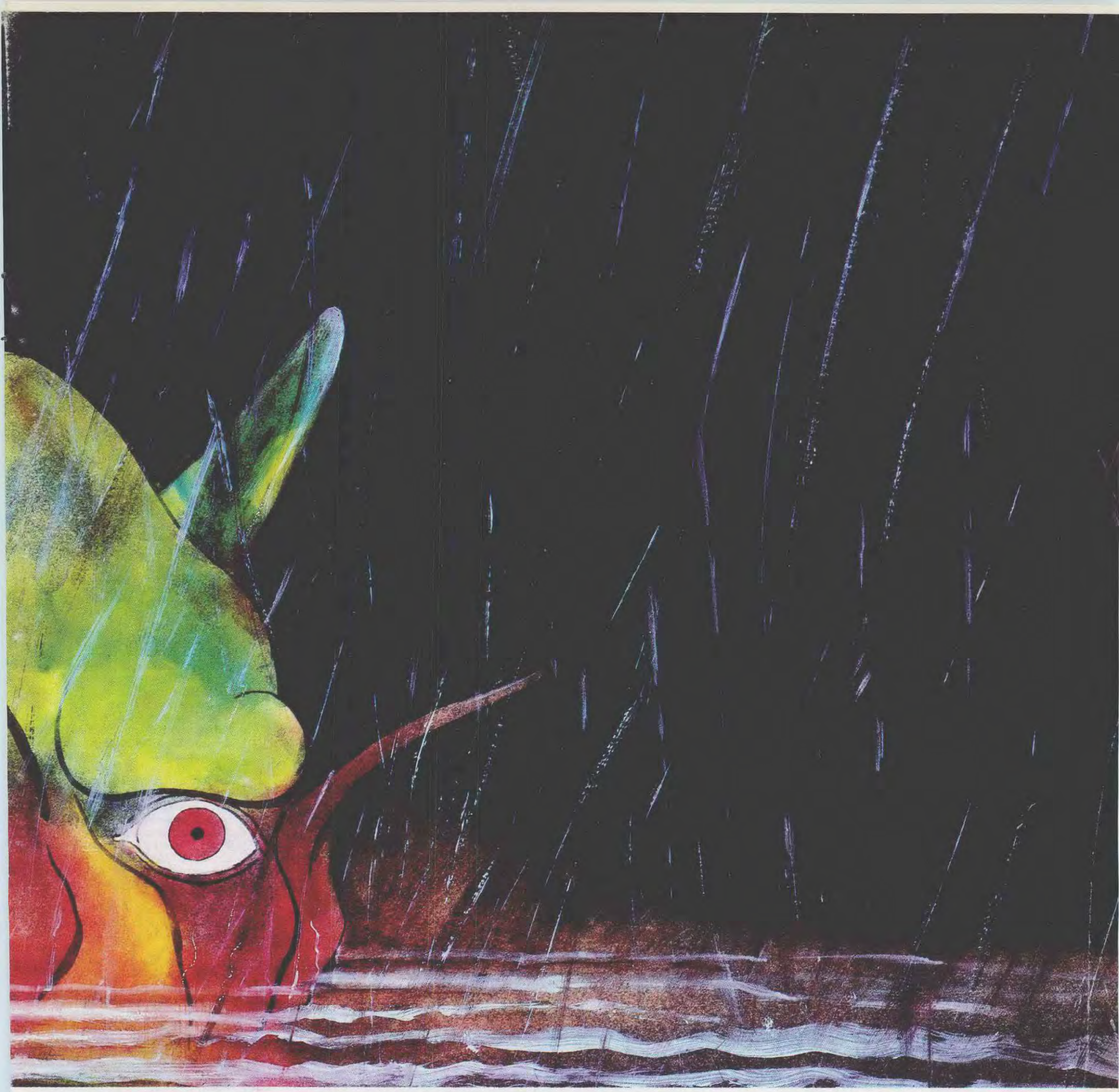
Or, present sprinklers can stop the flames but may operate in areas beyond the fire, flooding your inventory. Your company runs the risk of losing its share of the market. And you take a bath.

Either way, you can get hurt.

At Allendale, we've thought a lot about these problems. Enough to fund an extensive research program through the Factory Mutual System to develop ESFR sprinklers.

Entirely new testing methods were used in an effort to better understand the characteristics of high-challenge fires and how to suppress them. Years of research produced the ESFR program. These new sprinklers will be capable of meeting the task of a high-challenge fire, typical of highly-combustible materials. And capable of greater cost-effectiveness.

ESFR's performance is designed to be twofold:



world designed to prevent hell and high water.

Early Suppression means this sprinkler will produce larger water drops resulting in better fire penetration. Fewer sprinkler heads should operate, so less water is needed overall.

Fast Response means the sprinklers have a greater thermal sensitivity and activate much earlier. So a fire is doused before it even has a chance to spread.

No hell or high water.

Prototype ESFRs are currently in development by several major sprinkler manufacturers and will soon be available for installation.

ESFR is just one way Allendale is showing you that we're more than an ordinary insurance company. Our concern for the companies we insure goes well beyond the property coverages we provide.

This is the Allendale approach. Working to take more of the risk out of risk management.

For an update on the ESFR program, write on your letterhead to Michael C. McIntyre, Sr. V. P. Marketing Staff, P.O. Box 7500, Johnston, Rhode Island 02919.

Allendale Insurance/Factory Mutual System

150 years of progress and stability

Cayman Islands

Continued from preceding page
ment we are working on about a dozen new licenses.

"A lot of (the captives applying) will get those licenses. New ones are coming, but it's not the flood it once was," Mr. Ridley added.

The Cayman boom years were silenced partly as a result of the soft commercial market over the past several years, Mr. Ridley said. With low rates available through the commercial insurance market, the need to form captives was reduced.

But things could change in 1985, he predicted, pointing to the tightening reinsurance market forcing up the price of direct insurance.

"Major increases in rates will increase awareness in offshore captives, whether in new ones being formed or expansion of existing ones," he said.

Peter Bates, the Caymans' new superintendent of insurance, is also optimistic that the tight market will prompt a resurgence of captive activity in Cayman this year. "We're anticipating a lot more interest this year," he said.

Anthony Stelling, former manager at Scotia and now a director at Montagu, predicts "continued interest and expansion. We are starting to see quite a few inquiries about the offshore insurance market, particularly in lines like medical malpractice, where there have been substantial rate increases."

Mr. Stelling said organizations that had captive feasibility studies done during the competitive market of the early 1980s will be updating those studies as the market hardens more.

Mr. Kilpatrick

"By the end of the year, I think we will see quite an increase in the number of companies licensed here," he says. "We'll also see more companies locating here with risks not generated in the U.S. The island will have more of an international flavor. People are more comfortable with the island than they were five years ago."

Ian Kilpatrick, who sold his Insurance Management Consultants to Johnson & Higgins last October and is now managing director of J&H's Cayman office, said he expects a renewed interest in captives among associations that considered forming them a few years ago but decided to stick with the competitive commercial market

"I'm in the process of writing to associations that didn't form captives in the last three years because rates in the commercial market were so low," he said.

"I think I will receive a lot of positive inquiries. I believe the tightening market will make a lot more associations consider going captive. As premiums rise, it seems to make economic sense for them to look at captives."

And, association captives seem to be the wave of the future for Cayman. Managers say they get more inquiries about structuring multiple-owner captives—formed by employers in the same or similar industries or by groups of insurance agents in conjunction with their clients or on their own—than about any other type of captive.

CSI International Underwriting (Cayman) Ltd., which manages only multiple-owner captives, saw the amount of premium volume generated by its joint venture captives almost double last year.

Paul Goldsworthy, CSI accounting and office manager, listed 26 captive clients this March, one less than last year. But unlike last year, when only nine of these captives generated $10 million in premiums, now 14 are generating $18 million in premiums for the island.

Mr. Goldsworthy said CSI aims to activate its remaining 12 clients at the rate of one per month, producing an additional $7 million in premium volume by year's end.

All the CSI-managed captives write workers compensation coverage for California employers.

CSI is a unit of Captive & Insurance Services Inc. of San Bruno, Calif., which is owned by HL Capital Management Corp. in San Francisco. Until last year, BankAmerica Corp. held a 24.9% interest in HL Capital, but the San Francisco-based banking concern has diluted its interest to 15% and Fremont General Corp. has purchased a 37.8% interest in HL Capital.

Fremont General is the parent of Los Angeles-based insurer Fremont Indemnity Co., which acts as a fronting company for a small portion of CSI clients' coverages. Pacific Compensation Insurance Co. in Woodland Hills, Calif., still fronts for 95% of CSI's captive clients.

Mr. Goldsworthy said CSI is working with several potential new captives and hopes to have 38 under management by next year.

The 32 captives managed by Samuel Montagu are mostly association captives providing medical malpractice, workers compensation, credit life insurance and credit accident and health insurance, said Mr. Stelling.

"Those categories represent the major portion of business written, and the division is fairly even between them," he said.

Mr. Stelling, the former manager of Scotia Insurance Services, the insurance division of Bank of Nova Scotia Trust Co., and David Whitefield, who was managing director of the Bank of Nova Scotia, left Scotia last summer to become directors at Montagu.

Some say the bank's decision to leave the captive management field was a direct result of Stelling's and Whitefield's departures. However, Edward Warwick, manager of trust services at the bank, said the decision to discontinue captive management services was simply "a matter of policy. It was a decision made by the bank to disassociate itself from that field of operation."

Montagu is a subsidiary of Samuel Montagu & Co., a major merchant bank in which Midland Bank of London owns a 60% interest and Aetna Life & Casualty Co. owns the remaining 40%. The Cayman office is a sister company to Samuel Montagu & Co. (Jersey) Ltd. and is a licensed bank and trust company as well as an underwriting manager.

Mr. Goldsworthy

As a new entry in the Cayman market, Montagu hasn't been able to relax during the recent slowdown in captive activity on Cayman.

Establishing the company's presence in Cayman means, "We're in from 7:30 a.m. to 5:30 p.m. and on weekends. If that's slow, I'd hate to be overburdened," Mr. Stelling commented.

When Scotia disbanded its insurance services division last summer, J&H was given first right to negotiate for management of its clients. But by year-end, most of the captives had followed Mr. Stelling and Mr. Whitefield to Samuel Montagu.

J&H eventually added 11 Scotia clients to the 10 captives under its management, and last October acquired Insurance Management Consultants' 23 clients, pushing to $50 million the premium volume under its management.

Mr. Kilpatrick said J&H is expanding its Cayman operation this year, adding new account personnel and a larger computer system. He is expecting to add at least six new captive clients this year.

"We're close with three of those," he said, adding they would be association captives that would generate about $5 million in annual gross premiums. The other three prospects are just starting feasibility studies, he noted.

Of J&H's total of 44 captive clients, 12 are association captives, 12 write medical malpractice on a group basis, five are agency-owned, nine are single-parent captives and six are owned by insurers.

The most common non-medical risks written by J&H-managed captives are workers compensation and auto liability coverages. The workers compensation risks come from an estimated 30 states, said Mr. Kilpatrick.

Before its acquisition by J&H, IMC was "just beginning to make money," said Mr. Kilpatrick. But the decision to merge was not a difficult one, he added.

"I felt in the existing insurance environment, I didn't have the resources nor the availability of expertise needed to compete with the major management companies. Joining J&H solved the problem."

Even though IMC had apparently cleared the last hurdle to profitability, 1984 did have its

Continued on facing page

Largest Cayman captive managers

Manager/Parent	Captives	1984 premium volume	Staff[1]
Transnational Ltd. (The Reiss Organization)	26	$300 million	30/10
Samuel Montagu & Co. (Cayman) Ltd. (Samuel Montagu & Co. Holdings Ltd.)	32	$80 million	12/5
Johnson & Higgins (Cayman) Ltd. (Johnson & Higgins)	44	$50 million	12/6
CSI International Underwriting (Cayman) Ltd. (Captive & Self Insurance Services Inc.)	26	$25 million	4/2
Homeland Insurance Management (Cayman) Ltd.[3] (Homeland Insurance Cos. Group)	19	N/A	3/1
Marsh & McLennan (Cayman) Ltd. (Marsh & McLennan Inc.)	11	$15 million[2]	3/2
Corroon & Black (Cayman) Ltd (Corroon & Black Corp.)[3]	11	$10 million[2]	3/2
Absil Insurance Services Ltd.	7	$8 million[2]	4/1

[1]Total/professional. [2]*BI* estimate. [3]Negotiations underway for Homeland to acquire Corroon & Black (Cayman) Ltd.

CONTINENTAL
UNDERWRITERS
WELCOMES THE
RIMS CONFERENCE
VISITORS TO
NEW ORLEANS

Continental Underwriters, Ltd., has earned the confidence and respect of a large and impressive clientele because those terms "average" and "business as usual" have no part in our professional vocabulary. During our numerous productive years in the marine insurance business, we have been distinctly unusual in our durability and staying power in trying times. Equally unusual is our willingness to underwrite Hull and Machinery plus Primary and Excess Protection and Indemnity. And most unusual of all is the consistent quality of our performance which gives an added measure of security to our clients. So if you don't find "average" appealing, please give us a call.

Continental Underwriters, Ltd.
419 Decatur St. New Orleans, LA 70130
Telephone (504) 581-7493 • Telex: 58-318 • 266052 CULTD
Correspondents, Lloyd's London

Cayman Islands

Continued from facing page

rough spots for the independent manager.

It decided to close Executive Life & Casualty Co. Ltd., an unrestricted insurer that wrote just over $1 million of business in 1983 and helped keep IMC competitive.

In 1984, Executive Life "broke about even," said Mr. Kilpatrick. It now is running off its business, mostly major medical coverage.

Mr. Kilpatrick said the insurer is being dissolved because he and the other shareholders in Executive Life decided "we could make a greater return in other areas.'

Marsh & McLennan (Cayman) Ltd., another subsidiary of a major U.S. brokerage, is expecting a more active year in 1985.

"Our first indications are that we could do very well," said Timothy Marsh, vp and manager of the Cayman office. "We've had more inquiries in March than we had for most of last year. How serious they are, remains to be seen."

M&M manages 11 captives, two more than it reported under management last year. While M&M would not disclose the premium volume it managed in 1984, *Business Insurance* estimates it at around $15 million.

In the last year, Homeland has established its independence as a captive manager in Cayman, and is now negotiating to acquire the captive management business of Corroon & Black Corp.

Last fall, it broke away from a subcontracting arrangement under which J&H managed the Homeland captives. Now it not only manages those captives itself, but it has a subcontracting arrangement with captive managers Overseas Insurance Services Ltd. and Caribbean Risk Services Ltd. to manage their captives.

All Homeland clients in 1984 provided coverage for workers compensation risks. But, this year it plans to attract clients with other risks, said John Darwood, managing director in Bermuda and former Cayman insurance superintendent.

Homeland also is looking for a better geographic spread among its clients, he added. Homeland currently manages one captive with Australian ownership, and there is some interest from a European client, Mr. Darwood said.

"There is a danger of having all your eggs in one basket," he said, referring to U.S. tax laws that are not favorable to captives.

Roger Corbin, president of Absit Insurance Services Ltd., another captive manager in Cayman, expects his firm to be busy throughout 1985. But, he admits the outlook was not that rosy in 1984.

"Six months ago, I would have said the captive movement was dying out. Since then, the insurance market has come to its senses," he said.

Mr. Corbin pointed out that, "Most captive managers were not seeing a lot of growth. When there is a slowdown like we had with no end in sight, growth comes in acquisitions and mergers. Now you can count the number of independent managers on one hand.

"And I don't think we're finished seeing consolidation in the captive manager market either."

Absit manages seven captives, unchanged since 1983. Mr. Corbin would not release the premium volume generated by the captives Asbit manages, but *BI* estimates it at $8 million.

Mr. Corbin admits the liquidation of Ideal Mutual Insurance Co. by the New York Insurance Department could make it harder for captives to fronting insurers.

"But once the hysteria of Ideal dies down, I think you will find things will continue smoothly."

The island's largest manager, Transnational Ltd., had a "fairly quiet year, but we held our own," said managing director Donald Westmoreland.

"Fairly quiet" means Transnational, a unit of the Reiss Organization, saw the annual premium income it manages increase $12 million to $300 million in 1984. The largest portion of that figure, $200 million, is generated by United Insurance Co., the captive client owned by 32 shareholders, including Transnational.

"It's been a bad year for the industry," said Mr. Westmoreland. "But with the tightening of the market, we expect to see more business coming along."

The premium volume for United, which covers members' reinsurance risks in a pooling arrangement and writes facultative reinsurance for other captives that are clients of Reiss Organization companies, has stuck at $200 million for the past three years.

In addition, United owns Universal Insurance Co. of Ireland Ltd. in Shannon. Universal, which writes treaty business in the open market, retrocedes its risks to United members, providing them with controlled third-party business.

Apart from its management of United, Transnational manages 25 other captives through its subsidiary Transnational Risk Management Ltd. They produced $100 million in premium volume last year.

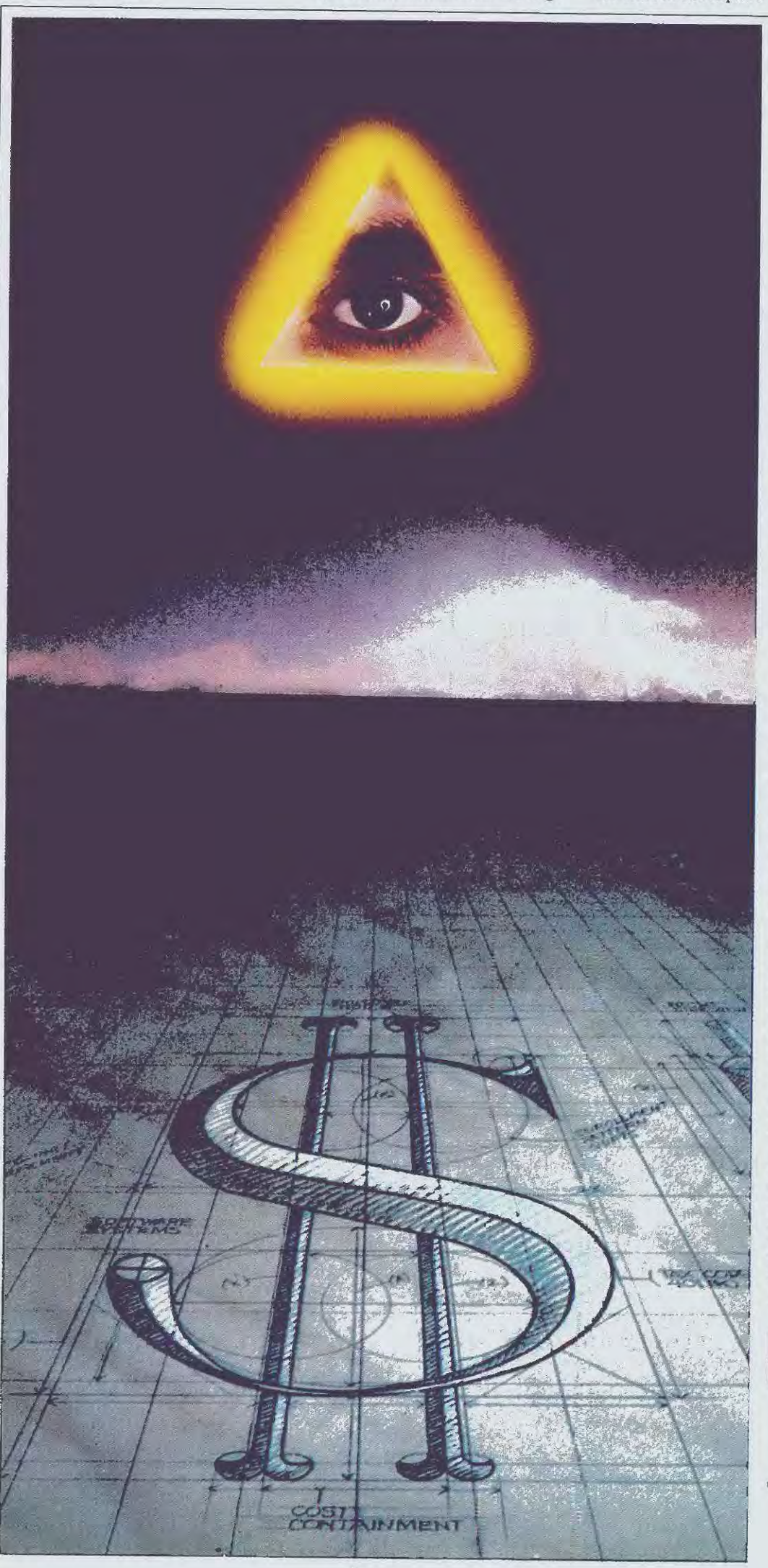
Transnational's single-parent and association captive clients write mostly casualty business. Based on premium volume, the most common risk covered is workers comp, then general liability and extended automobile warranty coverages. Providing coverage for third-party risks is uncommon.

"With the exception of United (which retrocedes business to Transnational clients), there is very little third-party business. There is not a big impetus (on Cayman) to write a lot of unrelated business because quite a lot of people have gotten hurt in the captive market generally." Mr. Westmoreland said.

In addition to its offshore business, Transnational Ltd. is also a shareholder in Delta Holdings Inc., which owns Delta American Reinsurance Co. Delta American Re has suspended underwriting pending a report from the Kentucky Insurance Department.

Mr. Westmoreland expects "a revival of interest in captives" this year, especially association captives.

"I think people will have to face up to the reality of the prices they are going to have to pay for reinsurance. I think a revival of captives is almost inevitable with the tightening of the market," he said. ■



How to design a more efficient flexible compensation plan.

Draw on Peat Marwick's unequalled tax experience and our computer systems and human resources expertise.

The future of compensation is to be flexible. The benefits to employees are obvious. Recently, however, questions have arisen about the tax implications of some programs.

The question is this: Can a flexible compensation plan be developed that complies with the tax code, and at the same time helps management control rising costs?

The answer is yes. And Peat Marwick is uniquely qualified to do it. Drawing on a tax services department with unsurpassed experience, we are also at the forefront of computer systems development and human resources consulting. It is with the synergistic combination of these skills that we work with you to create an efficient flexible compensation program specifically designed to integrate with your overall business strategy.

Flexible compensation is only one of the services offered by Peat Marwick's Human Resources Consultants. Others include executive compensation, employee benefits and personnel services.

Peat Marwick has just completed an in-depth analysis of flexible compensation planning in 550 companies. For a free copy of the executive summary of this study, send in the coupon below, or call **800-344-3600** (in Illinois 800-328-4200).

Mail to: Peat, Marwick, Mitchell & Co.,
345 Park Avenue, Box FC, New York, NY 10154

Name
Title
Company
Address
City
State Zip

BI-FC-4/15

PEAT MARWICK

Accounting and Auditing/
Tax Services/Management Consulting/
Private Business Advisory Services

PROPERTY • CASUALTY
REINSURANCE
AVIATION • MARINE
Domestic • Foreign
Treaty and Facultative
Dominion Insurance Company of America
Uberrima Fides
127 John Street, New York, N.Y. 10038
Tel: 212-635-2700
TWX: 710-581-3981

Multiple-owner captives still popular in Cayman

By MICHAEL BRADFORD

cayman

GRAND CAYMAN, B.W.I.—Cayman is a popular domicile for multiple-owner captives, and the tightening commercial insurance market should give birth to more, captive managers agree.

Of the 277 captives in Cayman, many are association captives, joint venture captives and agent-owned captives. In the first month of this year alone, five new association captives were licensed.

Association captives are formed by employers in the same or similar industries. Often, trade groups are behind the formation of these captives that insure their members' risks.

Joint venture captives are formed by an insurance agent in conjunction with a group of employers in similar or different industries.

Cayman also has several agent-owned captives formed by a group of insurance agents for the purpose of underwriting and profiting from the controlled books business produced by their clients.

Ian Kilpatrick, manager of Johnson & Higgins (Cayman) Ltd., pointed out that the basic appeal of multiple-owner captives is it is less likely that the Internal Revenue Service will challenge tax deductions taken for premiums paid to group captives.

J&H's Cayman office manages 12 association captives and another dozen medical malpractice captives formed by hospital and physician groups.

Another advantage to forming an association captive, said Mr. Kilpatrick, is that a homogeneous group of businesses can find reinsurance easier.

Reinsurers are more receptive to groups with "a reasonable spread of risk, because the members are located throughout the country."

Mr. Kilpatrick is contacting associations that expressed interest in forming captives several years ago, but decided against it because of the cheap insurance rates available.

"I believe the tight market will make a lot more associations consider going captive," he said.

"I think the evolution is going to be to association or multiple-owner captives. . .people are looking for new areas of development and I don't think the association captive market is saturated yet," says Donald Westmoreland, managing director of Transnational Ltd.

Interest will come from small groups like automobile dealers who aren't large enough to form captives alone, added Mr. Westmoreland.

Auto dealers frequently write extended warranty coverages in association captives, he pointed out. These are one of the most popular types of association captives on the island.

Mr. Westmoreland warned that captive managers face some problems in structuring association captives that don't occur with single-parent captives.

"You've got to be careful of divergent interests among the owners," he said, stressing that even though shareholders may be in similar businesses, they could have very different ideas on how the captive should be set up and operated.

"You have to pay much attention to structuring the captive right at the beginning to avoid problems down the road.

"Bylaws have to be drawn up more carefully at the beginning. They should be so clear that you don't leave any room for dispute."

"You're dealing with more people, accounting to more people," he warns.

Anthony Stelling, director for Samuel Montagu & Co. (Cayman) Ltd., said association captives are "infinitely more difficult to set up because of the need to get different parties together.

"Looking after them can be more wearing," he said.

"Their circumstances can change or one or two of the members may want to go in different directions than the rest of the group."

Structuring an association captive can take from 18 months to two years, said Mr. Stelling.

"A lot depends on how close the party central to the whole idea is to the potential participants. It also depends on whether the partners have perceived a need for forming the company or someone has told them of a need and is selling them a concept."

A potential disadvantage for association members that join a group captive, says J&H's Mr. Kilpatrick, is that it could get locked into a premium rate that is acutally higher than that available in the commercial market.

"Usually, most association captives require that shareholders place business with the captive for three years or more. Rates are set to avoid the peaks and valleys of the regular market but there is the possibility that some insureds could end up paying more than in the free market."

Also, he added, it can be difficult for a member to leave an association once it has joined.

And, if one member experiences heavy losses, it could drain the resources of the entire association, he said.

But peer pressure keeps most members keenly aware of loss ratios, he noted.

"When you have risk managers among risk managers and you're being talked about as the bad boy, it often brings about the desired result: You go back and form a risk management program that works."

Forming a multiple-owner captive is also more expensive than setting up a single-parent captive, says Paul Goldsworthy, accounting and office manager of CSI International Underwriting (Cayman) Ltd., the island's largest manager of multiple-owner captives.

CSI has arranged many joint venture captives whose owners include insurance agents and their clients.

"The cost depends on how you set it up," says Mr. Goldsworth.

"Ours are complicated so they tend to be expensive, but set-up fees are determined according to how complex (the captives) are," he said.

CSI usually charges from $15,000 to $60,000 to set up a multiple-owner captive, said Mr. Goldsworthy.

The fee includes CSI's organizational costs, onshore and offshore attorneys' fees and licensing.

CSI manages 26 multiple-owner captives, including several that were formed by similar businesses. The captives all cover workers compensations risks of California employers.

However, California Insurance Commissioner Bruce Bunner is not a proponent of offshore captives that write workers compensation risks in his state through fronting insurance companies.

"If you have an insurer that wants to be in the workers compensation business and then cedes away 90 to 95 percent of the business, you have to ask what good reason is there to be in the business."

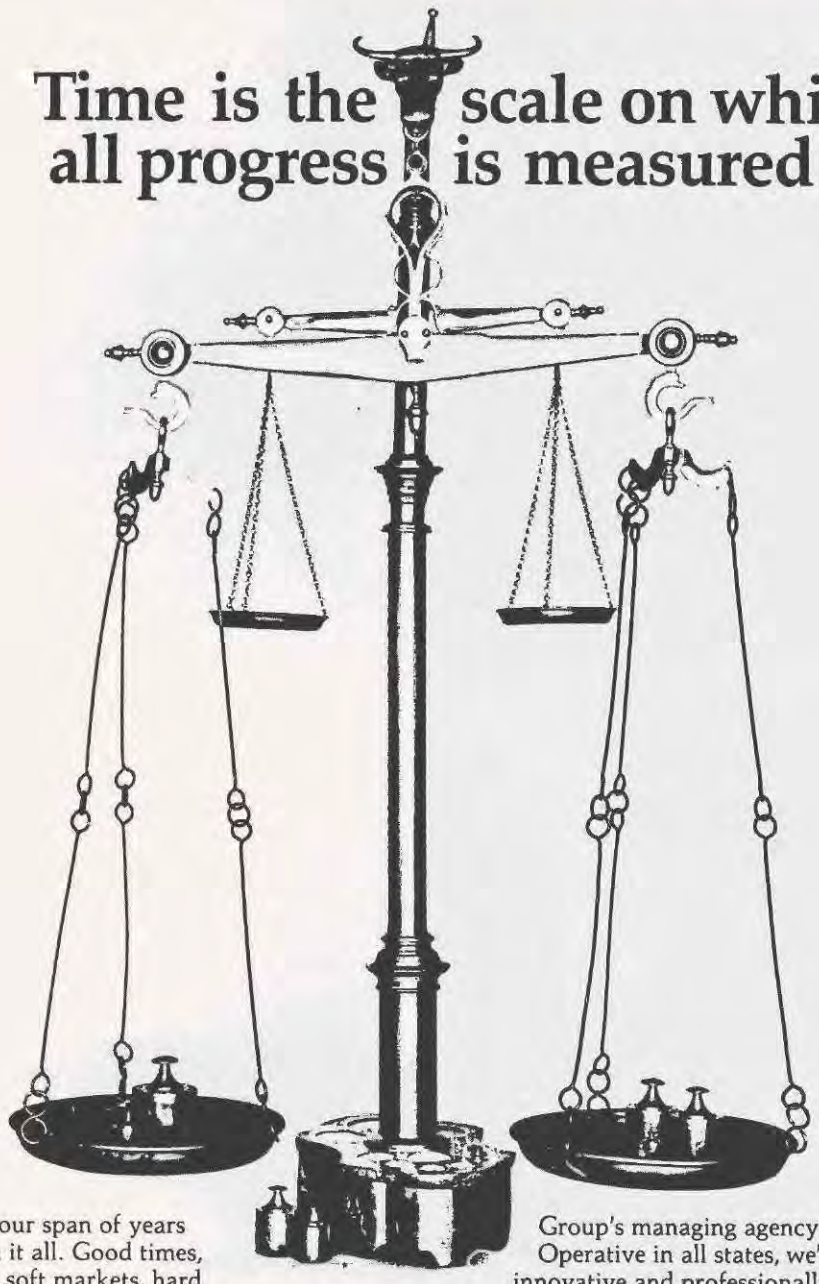
"But," he adds, "you have to look at every situation, and there may be times when it is appropriate."

In an effort to protect policyholders, California has an anti-fronting law that discourages non-admitted insurers from doing business in the state, explained Mr. Bunner.

Cayman Insurance Superintendent Peter Bates said his office is encouraging multiple-owner captives to locate in the domicile and the department will sponsor a seminar on association captives May 29-31.

He explains that Cayman is not trying to discourage formation of single-parent captives, "but we have attracted association captives and it is a concept that works very well. We are certainly encouraging them." ■

Time is the scale on which all progress is measured



During our span of years we've seen it all. Good times, bad times, soft markets, hard markets, the works. Times, markets and underwriting managers inevitably change, but we're still here; serving an ever-increasing family of producers and facilities in the practiced, proven ways that have contributed to our steady, positive growth for 80 years. Measured by time, we've been consistently found to be first among special risk underwriters in the nation.

We're Sayre & Toso, Inc., Mission Insurance Group's managing agency arm.

Operative in all states, we're flexible, innovative and professionally equipped to serve you from 24 strategically located, full-service locations. Our capacity has seldom been stretched.

Now, as it has in the past and will in the future, Sayre & Toso remains anxious to serve your changing commercial insurance needs.

S&T Sayre & Toso, Inc.
SPECIAL RISK UNDERWRITERS FOR 80 YEARS
MEMBER, MISSION INSURANCE GROUP, INC.

NATIONAL SALES OFFICES: Los Angeles • San Francisco • Sacramento • Fresno • Orange • Phoenix
Seattle • Portland • Denver • Dallas • Houston • Minneapolis • Milwaukee • Detroit • Chicago • St. Louis • Cleveland
New Orleans • Atlanta • Tampa • Charlotte • Philadelphia • New York • Morristown • Boston

Cayman superintendent wants to improve law

By MICHAEL BRADFORD

cayman

GRAND CAYMAN, B.W.I.—In his new role as insurance superintendent, Peter Bates is attempting to do some "tidying up," while encouraging well-structured, high-quality captive insurance companies to locate in this slowly maturing captive domicile.

Mr. Bates was appointed to the superintendent position last June, taking over for acting superintendent Steven Butterworth.

Mr. Butterworth, the Caymans' deputy insurance superintendent, had assumed the temporary duties when former superintendent John Darwood left the island to head Homeland International Management Ltd. in Bermuda.

Mr. Bates was the head of an aviation syndicate at Lloyd's of London before coming to Cayman. He now oversees 277 captive insurance companies and 36 captive managers in his role as insurance superintendent.

One of his aims, says Mr. Bates, is to promote several amendments that would "tidy up" the Insurance Law of 1979, which allowed captives to locate in Cayman.

Mr. Bates

The amendments, which were introduced during Mr. Darwood's term as superintendent, don't represent major changes in the insurance legislation, but would give the domicile a clearer and better working law, Mr. Bates said.

"I would like to implement some things that would give us a little more authority over companies that get into trouble," Mr. Bates explained. He said in some circumstances the department has found itself without sufficient power to step in and take control of a troubled company.

"We are encouraging captives that are not viable, not to stay on," said Mr. Bates. Companies that have insufficient income or higher-than-average loss ratios are among the ones that may be prodded to leave, he said.

"We've got a few companies that we want to ease out. As soon as that's done, we think we'll have a good nucleus here."

Last year, 33 companies were in run-off situations, compared with 27 in 1983.

Cayman has lost some of its captives because it is such a young domicile, Mr. Bates said.

"The captive law has only been in force for a little more than four years," he said. "A lot of companies came in and didn't know how it worked. When they found out, some didn't like it and left, or we didn't like them and asked them to leave."

Also, he pointed out, the soft insurance market of recent years decreased the need to form captives.

Now, the tightening of the traditional insurance market may rejuvenate interest in captives, says Mr. Bates. "We're anticipating a lot more interest this year."

Rate increases from 100% to 300% in some lines are sure to spur interest in captives, he believes.

"We would just like to see a steady growth here," said Mr. Bates. "That's what we're aiming for." Much of that growth will come from multiple-owner captives.

"There is a particular interest in association captives," said Mr. Bates. In January, his office granted five new licenses to association captives.

Since taking his new post, Mr. Bates says dealings with captive managers on the island have gone well. "We set a lot of store by our relationships with captive managers. They know they can trust us and things work quite well."

The managers are the department's direct link to the captives, he pointed out.

Each captive has to submit a business plan when applying for a license, and must adhere strictly to it unless changes are approved by

Continued on page 74

SEE US AT RIMS BOOTH 223-224

MAIL ORDER PRESCRIPTION DRUG PLANS

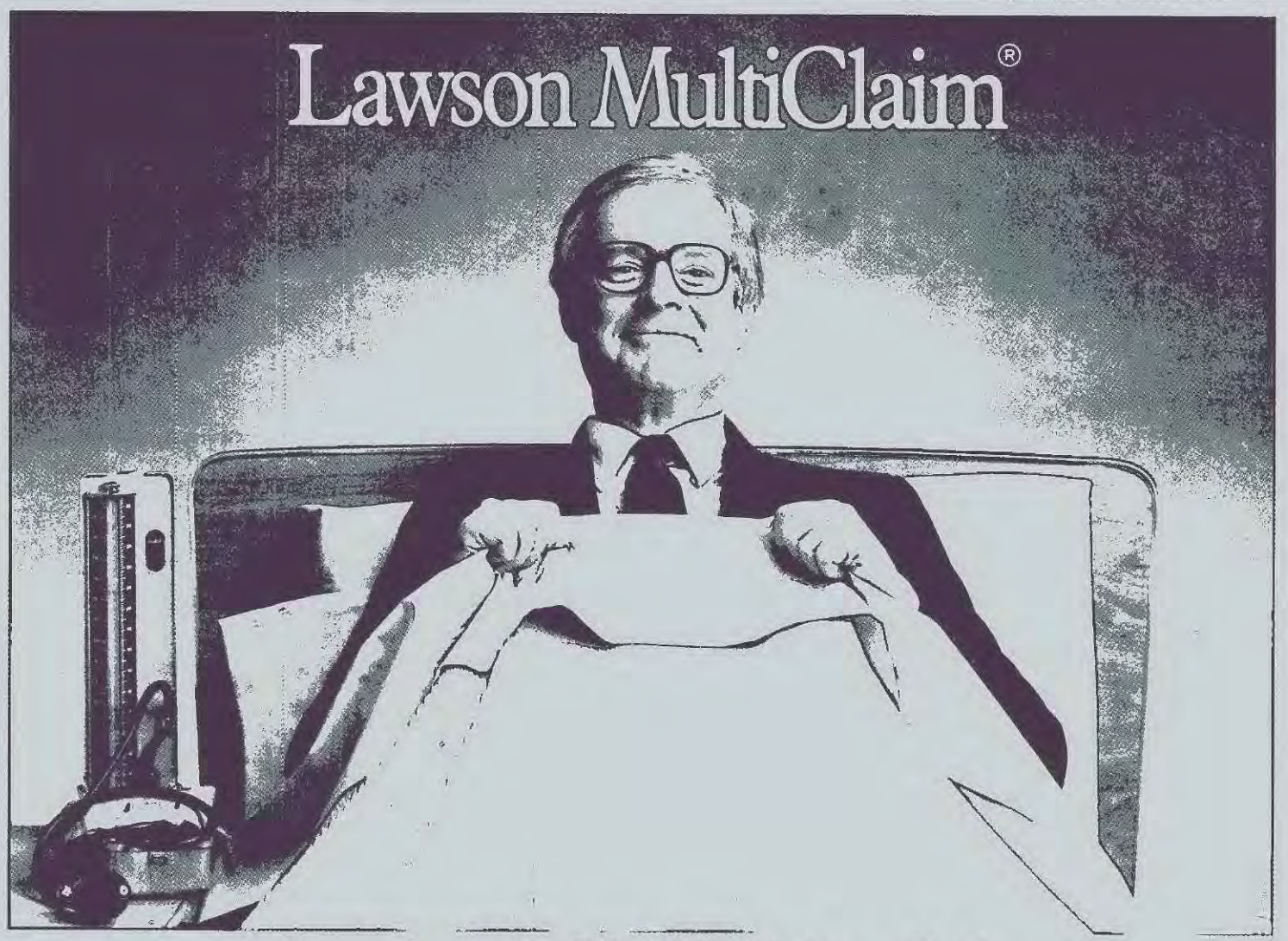
Proven Cost Containment Programs!

Take control of prescription drug costs. . . without compromising service or quality.

Individually tailored to be administered:
- Through third party administrators
- Direct with plan sponsor
- Direct with patient/employee

Federal Prescription Service, Inc.
200 Main Street • Madrid, Iowa 50156
Contact: Francis E. Yamen (515) 795-2450

Lawson MultiClaim®



Insuring the Health of America's Leading Health Claims Administrators.

America's leading TPA's, insurance companies, and employers know that prevention is the best cure.

That's why they're automating their medical, dental, and disability claims administration with the Lawson MultiClaim system.

MultiClaim is the only fully-featured, fully supported claims software package designed to run on low-risk IBM System/38 and Data General hardware.

And MultiClaim provides the information you need to contain costs. From on-line claims entry through utilization analysis, the parameterized design provides the flexibility to meet your clients' changing demands.

Find out more about why 7 out of 10 companies who look at Lawson, buy Lawson.

Call **1-800-672-0200**. In Minnesota, call 612-379-2633. Or return the coupon.

Then rest comfortably.

Yes, I want to lower my blood pressure.
Please send me more information about Lawson MultiClaim for:
☐ IBM System/38 Hardware ☐ Data General Hardware
☐ Please have a Sales Representative call

NAME _____
TITLE _____
COMPANY _____
ADDRESS _____
CITY _____ STATE _____
ZIP _____
PHONE _____

1411

LAWSON
LAWSON ASSOCIATES INC.
Complete Software Solutions

LAWSON ASSOCIATES, INC., 2021 East Hennepin Avenue, Minneapolis, MN 55413

Cayman superintendent wants to improve captive regulations

Continued from previous page
the superintendent's office. The manager, explains Mr. Bates, is responsible for monitoring the captive's business activities and filing an annual certificate of compliance that indicates the company is working in accordance with its plan.

Managers must also submit audited financial plans within six months of the end of each fiscal year.

"We don't have specific guidelines for each company," notes Mr. Bates. The department keeps in close contact with the managers, talking with each at least once a week, he said.

There is no regulation that a captive in the domicile must have a captive manager, "but it's unlikely that we would let them have a license if they didn't," said the superintendent.

While confidentiality laws are strict on Cayman, Mr. Bates said he encourages companies to let the department divulge as much information as possible.

"There are four basic things that we specifically ask them to allow us to disclose: the names of principals, net worth, total losses and class of business."

However, Mr. Bates is not keen on captives writing third-party business, unless the company can prove its expertise in handling unrelated risks.

"Before we allow a company to write third-party business, we make sure they really know what they are doing.

"We haven't got too many writing third-party business, very, very few," he said.

"Unless you've got a qualified underwriter, you can get into problems very fast," Mr. Bates pointed out. "It's not something we encourage."

Otherwise, "from a regulatory point of view, I can't see the point of upsetting anybody who is working well."

Mr. Bates is interested in establishing an insurance education system in the domicile that would encourage members of the insurance community to attend lectures and seminars.

The department is looking to Bermuda for ideas on how to structure such a system, he says.

Grand Cayman can't escape the high-tech computer age

By MICHAEL BRADFORD

cayman

GRAND CAYMAN, B.W.I.—The Cayman Islands, 450 miles south of Miami, provide an unspoiled tropical hideaway for vacationers eager to get away from the hustle and bustle of modern life.

However, Grand Cayman has not been able to hide from high technology: It's the Computer Age here, too.

In fact, a number of captive managers are already expanding their data processing capabilities.

Captive managers say clients are more often requesting financial data on a monthly, or even weekly basis.

Manual systems, captive managers agree, cannot keep up with clients' heavy demands for current information.

Roger Corbin, president of Absit Insurance Management Ltd., claims to be the first captive manager that computerized on Grand Cayman.

Mr. Corbin's firm installed computer equipment seven years ago in his local brokerage, Cayman Insurance Brokers, two years before he became involved in managing captives in 1980.

Before Absit became computerized, one particular accounting procedure took a staffer an entire month to complete, Mr. Corbin explained.

"Now it's done in two days," he said.

Absit's computer programs are part of a custom-made package designed by an Alabama-based software designer.

Mr. Corbin said most of his seven client captives are sent monthly financial reports.

However, "we can provide them with reasonably current financial statements at any time during the month," he said.

"We can provide them as frequently as (the clients) want. It's no more work for us to do it monthly as it is quarterly."

And one client is important enough that Absit is installing a facsimile machine to transmit computer statements whenever the captive requests them, Mr. Corbin noted.

Mr. Corbin

Absit's three terminals and two printers will handle a substantial amount of growth, he adds. "A year ago we had a quotation to quadruple the size of the system. It would have cost 75% of the purchase price.

"It would have given us a lot more information on-line, but from an efficiency standpoint, it wouldn't have made a lot of difference," according to Mr. Corbin.

Interfacing the system with the company's telex machine has saved Mr. Corbin much frustration, he adds.

"If you want a financial statement telexed, you can do it from your terminal, rather than having to sit in front of the telex machine and painstakingly line up columns of figures."

When Paul Goldsworthy joined CSI International Underwriting two years ago, one of his top priorities was to create an efficient data processing system for the island's largest manager of multiple-owner captives.

"The first thing I did was go to California (where parent Captive & Self Insurance Services is located) and write a program on the Lotus 1-2-3 software."

Mr. Goldsworthy designed the standard Lotus package to fit CSI's needs, including producing all financial statements through an IBM PC terminal.

The firm recently added a second terminal.

Since the 14 active captives managed by CSI are multiple-owner captives, the system can efficiently provide financial statements to every shareholder of every company.

In an effort to manage its captives more efficiently, Mr. Goldsworthy said CSI's computers may soon be linked via telephone lines to its parent's San Bruno, Calif. office.

Ian Kilpatrick, president of Johnson & Higgins (Cayman) Ltd., said his firm also keeps financial data for its 44 captives on two IBM PCs and one Wang personal computer.

The programs are written on Lotus 1-2-3 software.

Expansion of the system may not be too far down the road, Mr. Kilpatrick believes.

He explained that Johnson & Higgins has decided to send its New York-based computer experts to the Cayman office.

There, they would determine whether the $50 million in premium volume the captives generate could be better managed on an updated system.

If the decision is made to expand, Johnson & Higgins would probably install a specially designed Wang system, similar to the one it uses in its Bermuda office, according to Mr. Kilpatrick.

"The main purpose would be to provide a greater amount of statement schedules than we can at this point," he said.

According to Jane Parsons, a staffer in J&H's Cayman office who is responsible for assessing the company's computer needs, the new Wang system would increase current data storage capacity by as much as 20 times.

The new system would be used for all general ledger work, producing models and projections for captives and word processing.

Hardware alone would cost a minimum of $80,000, according to Mr. Kilpatrick.

In the Caymans, computers are now as much recognized in a captive manager's office as a scenic sunset photograph or a mounted trophy from a successful day of sport fishing.

"It's becoming the norm here now," says Ms. Parsons.

And for prospective clients, it is important that managers are abreast of the latest technology, Mr. Kilpatrick said.

"I think in this day and age, if you say you are not computerized, it would be detrimental.

"Because of the wealth of information a captive builds up, I don't think you can survive here without a computer," he said.

However, Samuel Montagu & Co. (Cayman) Ltd., one of the domicile's newest and largest managers, has been surviving without a system since it began operation last June.

However, it has five American Telephone & Telegraph microcomputers due to arrive this month.

Anthony Stelling, a director at Montagu's Cayman office, said a local programmer who has written software for the firm will train the 12-member staff on the new system.

"It's an exceedingly flexible system," said Mr. Stelling.

The computer will take over the tasks of preparing quarterly reports for most of the 32 Montagu clients. "Some require cash statements on a monthly basis, and we prepare them weekly for one client," he noted.

While captive managers on the island have been keeping up with the rest of the world in the computer age, they haven't outdistanced local regulators.

The Caymans government is spending $750,000 on a new system that the insurance department will be able to access.

A specially designed insurance applications package for the Digital Equipment Corp. system will allow the department to keep better track of when licensing fees and annual reports are due from captive managers.

General ledger work and word processing will be done on the system as well.

The system is expected to be installed in the fall and the insurance application program should be ready by early next year, according to a spokeswoman for the department. ■

"When it comes to controlling group health claim costs, nothing else comes close."

David B. Johnson, President
Genelco, Inc.

Genelco's new
Health Claims Ajudication
and Reporting System

- breakthrough software that gives you more useful claims information to maximize your cost containment efforts
- performs real-time ajudication and administration of group medical, disability and dental claims
- provides comprehensive claims data retrieval with astounding detail
- helps you control DRG, PPO and negotiated provider reimbursement arrangements
- reduces internal administrative costs while increasing examiner accuracy
- available now for Wang VS computers

For details, call Russ Korte, Executive Vice President
314-644-3200

Genelco, Inc.
1201 Macklind Avenue
St. Louis, MO 63110

Bahamas still waiting for captive boom

bahamas

By NICKI KELLY

NASSAU, Bahamas—The Bahamas is telling potential captive insurers that, in the words of the islands' tourism jingle, "It's better in the Bahamas." But, so far, few companies are humming along.

"We continue to get inquiries, but external conditions have slowed the process," says Registrar of Insurance Octavia Johnson.

Four new captives were licensed in 1984, but three others surrendered their licenses, leaving 29.

Ms. Johnson said captive growth slowed in the early 1980s, when insurance was cheap. And, she said, changes in the U.S. tax laws are slowing captive growth.

But, observers also cite the long delay in implementing the External Insurance Act of 1983.

The 1983 act operates in tandem with the Insurance Act of 1969 to regulate captives and commercial insurance companies alike.

The 1969 law failed to distinguish between domestic insurers and companies insuring only foreign risks. The 1983 act, specifically tailored to captives and captive managers, was intended to show that the Bahamas wants captives (*BI*, April 25, 1983). But, the law has been dogged by delays.

Although the regulations have been formalized, the application and registration fees to be paid by captives and underwriting managers still must be approved by Parliament. Final implementation of the law awaits that approval, expected by midyear.

Under the 1983 law, the cost of applying for registration is $25. And, there is an annual registration fee of $2,500 for captive insurers and $650 for captive managers.

The 1983 law applies only to captives whose premium volume includes a "substantial amount" of parent business, defined as $500,000 in annual premium.

Key features of Bahama law that continue to apply to all insurance companies include:

- Solvency margins must be based on a net worth of not less than a 5-to-1 ratio of premium to capital and surplus.
- Annual audited financial statements must be submitted to the registrar of insurance.
- Investments will remain restriction-free.

The 1983 law also details information required of external insurers and underwriting managers. For captive insurers, this includes:

- Names, addresses and nationalities of all directors, partners, managers or officers, and bank and personal references for each.
- Names and addresses of all beneficial shareholders holding more than 10% of the shares, as well as individual bank references, except in the case of a mutual.
- The amount of paid-up capital.
- The amount by which assets exceed liabilities.
- Copies of profit and loss accounts with the last revenue and balance sheets for existing companies.
- A business plan defining insurance activities, reinsurance arrangements, the amount of retention in each case and a five-year financial projection for each class.

Captive managers are required to submit evidence of company incorporation, information relating to shareholders, references for principal officers and a list of clients.

Industry representatives say a lot is riding on the new law.

"We have received a number of inquiries regarding captive formation, but people first want to see the regulations," observed Patrick O'Gorman, captive insurance manager for J.S. Johnson & Co. Johnson, the Bahamas' oldest and largest insurance broker and underwriter, currently manages two captives. Premium volume is $12 million to $13 million.

Of the 29 non-resident insurance companies in the Bahamas, nine are managed by three local management companies. The rest are handled through lawyers or banks and trust companies.

Charles Donaldson, former insurance registrar whose company, Paramount Insurance Brokers, manages three Bahama-based association captives, agrees that potential captives are cautious.

Paramount's clients write workers compensation and casualty risks with total premium volume of about $5 million.

Mr. Donaldson says, "Even though reinsurance capacity is starting to dry up, I don't see any acceleration of captive business here or anywhere else."

But, Judy Higgs, vp of British-American Management (Bahamas) Ltd., said, "People are once more looking for an offshore vehicle to get what they want, and they are definitely looking at the Bahamas."

Ms. Higgs and accountant David Watson recently took over B-A Management after the resignation last August of Justin Tierney, who is president and CEO of Norcal Insurance Co. in San Francisco.

B-A Management handles four Bahamian-incorporated captives and two captives in Bermuda. Three of the Bahamian companies are association captives writing medical malpractice and casualty, life, work comp and auto liability. They have a total premium volume of $10 million.

An additional four captives are in the process of being registered and will generate $22 million in annual premium volume. ■

Partnership

Factory Mutual System

It's Our Word.

Twenty-five men with a common interest: winning baseball games.

The 1927 New York Yankees won 110 games, a league record that still stands. They are regarded as the greatest baseball team of all-time.

Theirs was a partnership of spikes and spirit, of homers and heroics, dirt and destiny. They left a heritage that became the Yankee tradition.

Our heritage is a tradition of partnership as well, and has been for nearly a century. People with a common interest: the most vital component of today's risk management process. Protection.

We meet property insurance needs with broad coverages, options and unparalleled engineering resources plus the research facilities to provide the sound loss control program you need.

Protection Mutual

Protection Mutual Insurance Company
300 South Northwest Highway
Park Ridge, Illinois 60068

312/825-4474

© 1985 Protection Mutual

Drug arrest busts Turks & Caicos' plans

By ROBERT A. FINLAYSON

TURKS & CAICOS, B.W.I.—The indictment of Chief Minister Norman Saunders in Miami on drug trafficking charges last month could delay indefinitely efforts by the government here to adopt a new ordinance that would place tighter controls on captive insurance companies.

Captive managers on this small group of islands in the British West Indies say that a new ordinance is needed to make Turks & Caicos a domicile that can compete with other island domiciles.

The previous ordinance governing incorporation of offshore companies, which expired last year, treated captive insurers as standard tax-exempt companies and imposed few restrictions on them. Thus, Turks & Caicos has been the wide-open haven for all types of offshore insurance operations, captive experts explain.

In fact, the previous ordinance made no distinction between insurers and other tax-exempt companies, so government officials here do not even know how many insurers are active on the islands.

It was this lack of controls on offshore insurers that first attracted companies to these islands, but most captive managers here say that tighter regulation of offshore insurers is needed if Turks & Caicos is to become an important captive domicile.

"We need the legislation to give us some legitimacy," says Paul Peary, president of captive manager The Somerset Group (Turks & Caicos) Ltd.

Mr. Saunders was known to supported the concept of tightening up controls on offshore insurers, captive managers say. But, they say it is anyone's guess as to how long it will be before the newly installed leadership can grapple with the captive issue.

The government is now headed by former Deputy Chief Minister Nathanial J. Francis. Mr. Saunders officially resigned from his post March 29, a government spokeswoman said.

Mr. Peary and other businessmen here have been working with government officials for almost two years in an effort to develop new captive legislation.

"We want to keep capitalization requirements as low as possible and hold fees to levels lower than the other island domiciles," Mr. Peary says.

Mr. Peary says he manages about 15 captive insurers on Turks & Caicos, up slightly from the number he managed last year. Most of the captives he manages here insure motor vehicle warranties for U.S. auto dealerships.

Other captive managers report a decrease in the number of captives they manage on Turks & Caicos.

turks & caicos

Ian Kilpatrick with IMC (Turks & Caicos) Ltd., operated by International Management Consultants Ltd. in Grand Cayman, says that IMC has reduced the number of captives it manages in Turks & Caicos. He added that he is not talking to any new business that is interested in these islands.

"We don't see any development there for some time," Mr. Kilpatrick says, because captive managers are hesitant to consider a domicile that offers no structure under which captives must operate. Captive managers say that warranty and credit life insurers are the most common offshore insurers on Turks & Caicos, and they note that most of the captives here are inactive.

Continued on facing page

We Go Back But We Never Go

1910 Back in 1910 we wrote our first treaty with the Phoenix Assurance Company. North American Re has the longest continuous record of service to the industry of any U.S. reinsurer.

1916 Poor Harmon Gartner, a New York City milkman, got kicked in the head by his horse in 1916. We paid the claim every month for 67 years.

1929 Black Tuesday at the Stock Exchange was the beginning of the Great Depression. We helped many insurers survive until the economy recovered.

We did not become professional reinsurers overnight. We began way back in 1910 as the United States operations of Swiss Re.

During those 75 years, we've stood by our clients through two world wars, the great depression, hurricanes, earthquakes and man-made catastrophes too numerous to mention.

We did not enter the business in pursuit of cash flow

NORTH AMERICAN REINSURANCE CORPORATION

JAMES F. FREEMAN COMPANY
ESTABLISHED 1906
INSURANCE BROKERS
RISK MANAGEMENT AND EMPLOYEE BENEFITS CONSULTANTS
WILLIAM G. CAIN
7 JACKSON WALKWAY
PROVIDENCE, R.I. 02903
(401) 456-5888

Continued from facing page

Prior to Mr. Saunders' arrest, Turks & Caicos government officials and island businessmen were working on a third draft of the new captive ordinance.

"We spent a lot of time on the last one," remarks Terence Donnegan, who is a former attorney general of Turks & Caicos and the owner of captive manager T. Donnegan Q.C.

Mr. Donnegan says that the last draft of the ordinance had 105 sections and was considered by most of the private sector to be "too complicated."

Mr. Donnegan says that captive managers were able to persuade the Saunders government that it "would not be in the best interest of the country" to go forward with the captive ordinance in its present version.

The Saunders government also had been considering a proposal that was made by the private sector that would impose a $100 fee on all insurance companies located on the islands.

The money that would be generated by the fee would then be used to hire a consultant who would be charged with writing a new ordinance, Mr. Donnegan explained.

He noted that most businessmen in Turks & Caicos believe that the government lacks the expertise to handle writing the new law without professional assistance.

T. Donnegan Q.C. manages 250 insurance companies on Turks & Caicos, according to Mr. Donnegan. He says most of the captive insurers are fairly small and write credit life, health or general liability insurance.

Other captive managers now operating in the Turks & Caicos islands include Lucien Companie d' Assurance; Sabre Management Ltd.; and Whittle Cordon Associates. ■

Virgin Islands' unique status lures captives

By MICHAEL BRADFORD

ST. THOMAS, U.S. Virgin Islands—The Virgin Islands, which offers U.S. employers an opportunity to fund employee benefits through a captive insurer, is now home to three captives.

In late 1983, the U.S. Department of Labor issued an advisory defining the Virgin Islands, a U.S. territory, as a state under the Employee Retirement Income Security Act. This cleared the way for employers to insure the benefits of their U.S. employees through captives domiciled there; ERISA does not permit the benefits of U.S. employees to be funded through captives located in non-U.S. domiciles.

The Virgin Island Exempt Insurance Act, which allows captives to be established on the islands, was passed in February 1984 on the heels of the Labor Department advisory. Combined, the two create a unique onshore/offshore environment for establishing a captive.

virgin islands

"In the Virgin Islands there is the advantage of being onshore for (ERISA) jurisdiction purposes and offshore for tax purposes," said D. Hugh Rosenbaum, vp of Risk Planning Group, a division of Tillinghast, Nelson & Warren Inc.

Risk Planning Group sponsored a conference on St. Thomas last November to explore the idea of funding employee benefits through a Virgin Islands captive.

The option may look even more appealing to employers since the passage of the 1984 Deficit Reduction Act, which prohibits tax deductions for contributions to trusts or premiums paid to experience-rated plans if reserves for benefits exceed certain limits.

Burlington Industries Inc., a Greensboro, N.C., manufacturer, set up the first captive in the islands last year with the funding of employee benefits in mind. The company is locating a branch of its Bermuda captive, Insuratex Ltd., on St. Thomas.

The Bermuda captive insures Burlington's casualty risks and other third-party property/casualty risks, but Burlington expects to use its Virgin Islands branch to fund employee benefits.

The captive will be managed by J&H Ltd., a Johnson & Higgins affiliate that received the first license to operate an insurance services company in the islands.

Virgin Island captives are subject to the 1979 Labor Department ruling that allows a domestic insurance company subsidiary to underwrite employee benefits, as long as that business is not more than half the company's total business.

Joining Burlington in the islands will be GTE Life Insurance Co., a branch of GTE Reinsurance Co. Ltd. in Bermuda, which is owned by GTE Corp. in Stamford, Conn.

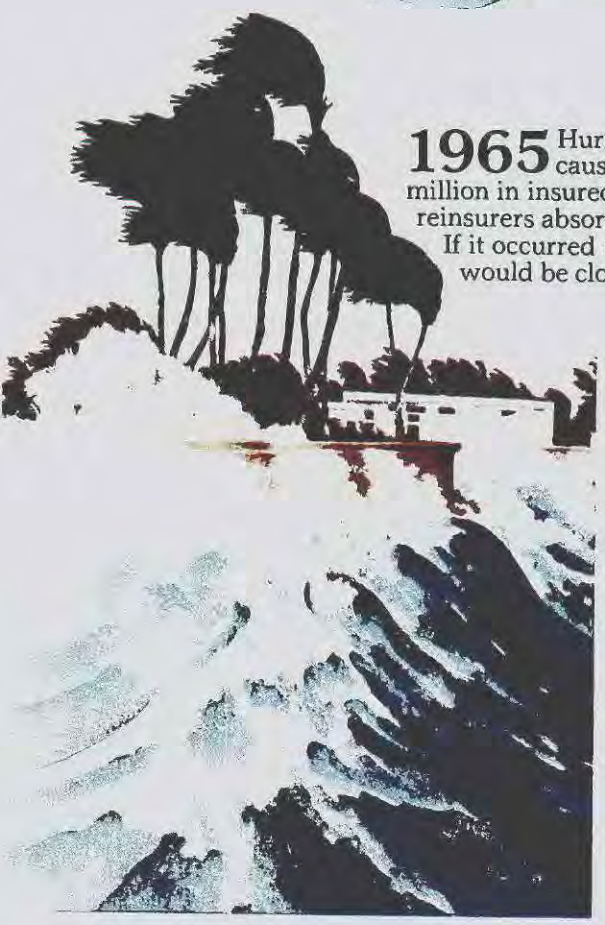
The new captive, which also will be managed by J&H, will write life insurance for GTE executives, said W. L. Hyland, GTE's risk manager.

A local insurer, North American Insurance Co., has also been granted a license under the Exempt Insurance Act, according to the government's banking and insurance division. That captive will be managed by Trans Management Inc., the only other captive manager on the island.

While the Virgin Islands is considered a state for ERISA purposes, it is considered a U.S. territory,

Continued on next page

75 Years, Back On Our Word.



1935 By our 25th anniversary North American Re had over a $2 million surplus. Our quarter century annual report was delivered to Swiss Re aboard the speedy Hindenburg Zepplin.

1965 Hurricane Betsy caused over $715 million in insured losses of which reinsurers absorbed about 50%. If it occurred today, the loss would be close to $3 billion.

1984 North American Re is proud to have reinsured a portion of the Olympic risk.

underwriting or any other transitory financial objective.

Our objective has always been to provide the kind of dependable financial stability that our clients rely on reinsurance for.

Which is why so many of our clients have stayed with us for so long.

They know we've been there in the past and we will be there in the future.

NORTH AMERICAN RE 1910 - 1985

Partners In Risk For 75 Years

30 EAST 46TH STREET, NEW YORK, N.Y. 10017 (212) 907-8000

U.S. Virgin Islands

Continued from preceding page

with a separate tax code, for federal income tax purposes. A captive insurer in the Virgin Islands satisfies federal income tax obligations by paying taxes to the government of the territory.

However, an issue that remains unclear is whether premiums paid on U.S. risks would be subject to a federal excise tax.

"It is my interpretation," said Carey D'Avino, a member of the Virgin Island's gubernatorial Caribbean Basin and Tax Task Force, "that the excise tax is payable when a company licensed in the Virgin Islands writes a U.S. risk. It is payable at the time the policy is paid for."

The tax is 4% on direct property/casualty insurance premiums and 1% for life insurance and reinsurance premiums.

In response, the Virgin Islands government has agreed not to impose its own premium tax of 2% of gross premium income on direct U.S. risks or the 0.25% tax on reinsurance premiums. The territory does not charge a premium tax on non-U.S. risks.

Regulatory authorities also are making licensing procedures as painless as possible for new captives.

Although it took several months for the first three captives licensed under the Virgin Islands Exempt Insurance Act to complete the application process, observers expect future licensing should take only six to eight weeks as island officials become more familiar with the process.

And if licensing procedures get tangled and take longer than 90 days, a temporary license will be issued automatically until final action on the permanent license is completed.

While the Exempt Insurance Act states that captives' licenses are granted by the Virgin Islands' insurance commissioner, that duty is actually handled part-time by Astrid England, the director of the government's Banking and Insurance Division. There is no full-time insurance commissioner in the Virgin Islands.

According to the insurance act, captives can file for Class A, Class B or support business licenses.

Class A licenses must be obtained by all "international affiliated insurers or reinsurers." An international affiliated insurer, according to the act, is one in which 90% or more of net retained premium is composed of reinsurance or risks related or unrelated to a parent corporation and/or direct underwriting of risks related to a corporate parent or large shareholder.

A Class B license must be obtained by "international insurers," which the act defines as any exempt insurer other than an affiliated international insurer or reinsurer.

This class would include captive underwriters established by other insurance companies to reinsure third-party risks.

Exempt support licenses must be obtained by any company whose primary business is to provide support for licensed exempt insurers. This includes captive managers, agents and brokers.

However, to qualify for such a license the company must have been active in the insurance business in the Virgin Islands for at least a year.

Applicants for all licenses must file a non-refundable $1,000 application fee. Insurers granted Class A licenses are responsible for an annual license fee of $3,000. The annual fee for Class B permits is $1,500 and the fee for support licenses is $1,000.

Documents that must be filed by both Class A and B applicants include:

- A certified copy of the corporate charter and bylaws.
- A statement of financial condition, including balance sheets and income statements, audited for the most recent year for which financial information is available.
- Two references from banks that maintain gross assets of more than $300 million.
- All policy forms or endorsements the company plans to use in the Virgin Islands.

Exempt insurers in the Virgin Islands must maintain minimum capital of $120,000 if their risks are general business (property/casualty).

Insurers whose risks are considered long-term, such as life, health and accident business, must maintain $200,000 in capital.

A Virgin Islands insurer whose business involves both general business and long-term risks must keep $320,000 in minimum capital. An irrevocable letter of credit can be filed to help meet capital requirements.

After three years, insurers may be required to invest as much as 10% of their minimum capital requirements in Virgin Islands government securities. If such securities are not available, requirements say the investment has to be made in others that are issued or guaranteed by the U.S. government.

Loss reserves must be maintained equal to the amount that would be required of the insurer in the jurisdiction where the risk is located. If there is a question concerning the location of the risk, New York insurance laws on loss reserves will be enforced.

In addition, exempt insurers must maintain a registered branch or principal office staffed by at least three full-time Virgin Islanders who have been residents for at least one year. Those employees will have legal authority in any of the insurer's business.

A board of directors is required to meet annually on the islands.

Besides the advantages the Virgin Islands offer to companies that want to fund employee benefits through an offshore captive, other advantages of setting up a captive in the islands are the good political climate, a quality lifestyle and adequate connections for air travel.

Although some fear that the government that succeeds the present administration in two years might not be as open to captives as the current one, the island's main backer of captives does not believe that is a problem.

"I don't think there is a great risk of the next legislature increasing taxes on captives," says Sen. Lloyd Williams, who spearheaded the passage of the Virgin Island Exempt Insurance Act. "The Virgin Islands is concerned about attracting business. I'm pretty sure they won't consider raising taxes, because that might drive away the captives." ■

Law won't lure captives to British Virgin Islands

TORTOLA, B.V.I.—New legislation in the British Virgin Islands that is aimed at bringing offshore financial companies to the area offers no new enticement for captive insurance companies to locate there.

The International Business Companies Ordinance of 1984 was passed last August to attract offshore financial companies to these Caribbean islands. However, insurance companies were excluded from the provisions of the legislation.

Roger Dawes, manager of International Trust Co. B.V.I. Ltd. on Tortola, explained that the ordinance removes all local tax liabilities for businesses that incorporate under the act and locate their directorates in the British Virgin Islands.

The legislation also allows existing non-insurance businesses to incorporate under the ordinance.

But insurance companies will continue to be incorporated under the British Virgin Island's All Companies Act of 1885 and remain subject to a maximum 15% tax on profits.

However, regulation of insurers in the domicile is minimal.

The strict secrecy laws in the British Virgin Islands make it impossible to tell how many captives are located there. However, Mr. Dawes says from checking names of companies that are registered in the islands, he would venture a rough estimate that about 50 captive insurance companies are domiciled there.

However, that is only "a stab in the dark," he said.

Although captive insurance companies can't take advantage of the new legislation affecting other financial companies, Mr. Dawes feels the British Virgin Islands still has much to offer to companies looking for an attractive domicile.

"It is very inexpensive to locate here," he said.

"And other than workers compensation and motor vehicle insurance, there are no (regulatory) restrictions," he added.

Captive insurers in the British Virgin Islands do not have to meet capital, surplus or solvency requirements.

A captive licensed as a non-resident British Virgin Islands company pays a licensing fee of $250, while resident companies are charged the fee on a sliding scale, which is based on the company's gross assets in the previous year.

The scale begins at $25 and does not exceed $10,000. To be charged the maximum fee, a company would have to have assets of more than $9 million.

In addition, Mr. Dawes pointed out, "as long as an insurance company is private, which means it has fewer than 50 shareholders and is not offering shares to the public, there are no filing regulations."

And, funds moving in and out of the British Virgin Islands don't have to be reported.

"There are no currency exchange restrictions," according to Mr. Dawes. ■

In the final analysis, your insurance protection is only as good as the people who planned it.

THE CRUMP COMPANIES, INC.
Our people make us better.

We're in 41 cities in 22 states, plus Bermuda. To find the office nearest you, call 901-761-1550.

You can divide all Insurance Companies, Self-Insurers and T.P.A.'s into Two Categories:

Those that have FACTS.® And those that don't.

FACTS is the most reliable, expandible, user-friendly benefit administration software on the market today. FACTS has been developed for the health care industry by C/G Data Corporation, one of the largest producers of such systems in the industry.

When you have FACTS you have cost-effective claims payment with COB, R&C determination and cost containment procedures built right in. You have smooth, automatic and detailed premium billing, fund accounting, commission payment, and more.

Phone 813-576-2122 for all the facts about FACTS. Then decide for yourself which category is for you.

C/G Data Corporation
701 94th Avenue North, Suite 210, St. Petersburg, FL 33702

FACTS runs on a Mentor™ computer from ADDS, a subsidiary of NCR.

Isle of Man determined

FIRE PROTECTION

After slow start, Barbados now home to five captives

By ROBERT A. FINLAYSON

barbados

BRIDGETOWN, Barbados—Although Barbados got off to a slow start as a domicile for captive insurance companies, this picturesque Caribbean island nation came on strong in late 1984 and early 1985.

It now has five captive insurers and, experts say the climate's right for continued growth.

Ranger Oil Co. of Calgary, Alberta was first to establish a captive in Barbados, setting up High Wood Ltd. in October 1984. Ranger was followed by Intel Corp. of Santa Clara, Calif., which set up two captives; MacMillan Bloedel of Vancouver, British Columbia; and Canada Trust of Toronto.

In addition, several major captive management companies recently set up shop on the island, joining Sedgwick Group Special Services Ltd., which was the first captive manager in Barbados (*BI*, April 2, 1984). Among those establishing offices in Babardos over the past few months were Reed Stenhouse Ltd., Frank B. Hall & Co., American Risk Management Inc., and British-American Management Ltd.

Barbados is "off and running," says D. Hugh Rosenbaum, vp and consultant with Risk Planning Group in Darien, Conn., a unit of Tillinghast, Nelson & Warren, Inc.

Mr. Rosenbaum, an unabashed promoter of Barbados as a captive domicile, says the island is "an excellent place for captives because it is one of the few domiciles that is a free-standing country.

Further, he says, "it has a fully staffed insurance commissioner's department and the captive program is under the watchful eye of the Central Bank, with all of its financial expertise."

Mr. Rosenbaum says he expects to see about half a dozen more captives formed in Barbados this year. After that, he says, the future of Barbados as a captive domicile depends on whether the island can reach a "critical mass" of enough captives to attract the services necessary to perpetuate growth.

Other captive managers familiar with the island agree with Mr. Rosenbaum's favorable assessment.

International Insurance Management Ltd. in Barbados is now talking with three firms that are considering establishing captives in Barbados, says Brian Hall, president of J&H Ltd. in Bermuda. J&H has a corresponding relationship with IIM.

Although Barbados' captive-services infrastructure is not as well developed as some of the other domiciles, most of the major banks are repesented, as well as many major accounting and law firms.

Mac Snow, senior vp with American Risk Management Inc. in in Fort Lee, N.J., says his firm is discussing the possibility of establishing Barbados captives with several Canadian companies.

Although American Risk Management is not managing any captives in Barbados yet, Mr. Snow expects to have several captive clients there within the year.

Barbados has an "excellent" captive law and "there is every evidence that they'll (the Barbados government) be able to administer it effectively," says Mr. Snow.

Jack Gordon, president of J.M. Gordon and Associates, a risk management consulting firm in Calgary, Alberta, says that Barbados has a "pretty good" infrastructure for captives.

"I think in all cases, with the possible exception of captive management services, Barbados is well positioned," he says. Mr. Gordon's firm advised one of the companies that set up a captive in Barbados.

A study done by Mr. Gordon's firm concluded that operating a captive in Barbados is 33% cheaper than in Bermuda. The study compared costs for captive managment services, legal expenses, auditing, banking, directors, hotel accommodations, annual meetings and transportation.

Barbados enjoys a special relationship with Canada, the result of many years of trade and a common form of government. As a result, captive managers expect Canadian companies to give Barbados serious consideration as a captive domicile.

A major incentive for Canadian companies to set up offshore insurance operations in Barbados is a 1980 tax treaty between the two nations that offers certain tax advantages for Canadian companies that own Barbados-based captives.

Captive managers prefer to down play the importance of this Canadian tax treaty, explaining privately that they fear Revenue Canada, the Canadian equivalent of the U.S. Internal Revenue Service, may move to eliminate the treaty if it is given a lot of publicity.

The three Canadian companies that own captives in Barbados refused to discuss their captive operations or the tax treaty.

Meanwhile, the Barbadian government recently signed a new double-taxation treaty with the U.S. that offers tax benefits to U.S. companies that establish captive insurance companies in Barbados. Under the treaty, taxes paid in Barbados are credited against taxes owed in the United States. The treaty is awaiting ratification by the U.S. Senate.

Ratification of the treaty could be a significant drawing card for Barbados in getting more U.S. companies interested in establishing captives on the island.

Gary Toms, director of risk management for Intel, which owns Romsume Ltd. and Eurosure in Barbados, says his company's situation is unique because Intel has an integrated circuit assembly plant on the island. As a result, Mr. Toms explains, Intel already had officials on the island that could manage the captive and, thereby, considerably reduce its costs.

Eurosure, Mr. Toms explains, was set up to provide all lines of insurance to Intel's European operations. It will generate $1.5 million in premium volume this year. Intel's other captive, Romsume Ltd., was set up to provide coverage for the company's U.S. operation in any line necessary. It will act as a "safety valve," to be activated as the domestic insurance market tightens up, Mr. Toms explains.

Incorporation fees, stamp tax, and legal fees for setting up both captives came to about $9,000, Mr. Toms said.

Mr. Toms says the government officials on the island are "very pleasant to do business with." He also says the government responded "very fast" to Intel's application to set up the captives.

David King, legal officer for the Central Bank of Barbados, which is overseeing the island's development as a captive domicile, says the government is looking for quality in captives rather than quantity.

"I'm not after large and instantaneous growth," he says. "I'm after steady and satisfactory growth."

"I would be delighted if we ended the year with 20 quality exempt insurers, all of whom were happy with the service," he says.

He points out that the five captives now domiciled in Barbados have significant premium income and are owned by major international corporations.

"We're not scratching around for the leftovers," he remarks.

Mr. King has made several trips to Canada this year to extol the virtues of Barbados as a captive domicile.

He also plans to attend this week's Risk and Insurance Management Society meeting to continue spreading the message.

Government cooperation and a lack of red tape is often cited by captive managers as one of the major advantages of Barbados over other captive domiciles.

Last year the Barbadian government put the final touches on the 1982 Companies Act, which went into effect Jan. 1. The new law amends the Barbados Exempt Insurance Act of 1983 and was designed to make it easier for North American companies to set up captives in Barbados by significantly reducing some of the start-up fees. It also allows for the formation of mutuals.

Incorporation requirements for captives under the Exempt Insurance Act, as amended by the passage of the 1982 Companies Act, include:

- One director who must file a written consent to act with the island's registrar of companies.
- An annual government fee of $5,000 in Barbados currency (about $2,500 in U.S. dollars).
- Approximately $2,500 ($1,500 U.S. dollars) in incorporation, legal and tax stamp duty fees. The 1982 Companies Act, which took effect Jan. 1, 1985, eliminates an incorporation fee based on a sliding scale that had been applicable to captive insurance companies and replaces it with a flat $750 ($375 U.S. dollars) incorporation fee.
- Minimum capital requirements of $250,000 ($125,000 U.S.). A 5-to-1 premium-to-capital ratio must be maintained for an annual premium volume of $10 million ($5 million U.S.), while a 10-to-1 premium-to-capital ratio for premium volume exceeding $10 million must be maintained.
- Annual audited financial statements that are not open to public inspections.
- A register of policies, claims books, and financial records to be maintained in Barbados.

The act also removes certain recurring expenses, such as filing and recordkeeping expenses for captives that are inactive. The reason behind this change, Mr. King says, was to make it less expensive for companies to set up "shelf" or inactive captives in the Barbados that would be available when needed.

Mr. King also says that they have recently set up a new department for corporate services that will assist companies setting up captives.

Another amendment to the Exempt Insurance Act is on its way, according to Mr. King. This amendment will eliminate a 2.5% tax on captive insurer funds deposited in Barbados banks.

Mr. King says the government sees the tax as non-competitive and he notes that the tax has never been imposed.

Barbados will hold its second Exempt Insurance Conference in November to assist companies considering establishing a captive on the island. ■

It Pays to Have the Facts

If there's a spill at your dump site, others are likely to assume your company's at fault. That's why, before the summons arrives, you should make one phone call:

Countrywide Services, 314/878-3306.

Our professional investigators have at least 10 years' experience each. They'll be swiftly assigned to find facts vital to your defense.

For example: Is the EPA RI/FS adequate? Who else was using the dump site? Is apportionment possible?

Perhaps your company is not responsible after all. Or perhaps responsibility should be divided among several companies. In either event, our investigation would prove very worth your while.

We provide complete claims management services to major self-insured manufacturers throughout the world. Please keep our phone number handy.

Let others assume what they will. We'll arm you with the facts.

Countrywide Services Corporation

Specializing in product liability claims management.

11933 Westline Drive, St. Louis, MO 63141, 314/878-3306

Isle of Man seeks new legislation

Continued from page 81
the Isle of Man is right, too, and I am optimistic about the future. The political climate is right and the regulation on taxation is right," he said.

The Isle of Man—33 miles long and about 13 miles wide—sits in the Irish Sea, equidistant from England, Scotland and Ireland.

The Manx government will soon promote itself in the United States as a tax haven. The government has published a guide to the industrial and financial opportunities on the island that clearly spells out the island's legislation governing financial services entities.

The package also gives important fact sheets, with addresses and phone numbers of the 12 insurance brokers, 43 banks, 43 accountants, 13 lawyers and 17 real estate agents on the island.

What Man lacks at the moment is insurance legislation.

Currently, Man's insurance legislation consists of its Exempt Insurance Companies Act of 1981, which states that all insurance companies licensed by the island's Financial Supervision Commission that carry on activities other than domestic insurance and reinsurance for Manx risks are exempt from taxation from the Manx government.

Companies forming captives in Man must also abide by regulations outlined under two sections of the Isle of Man's Companies Act.

Under these provisions, Insurance Supervisor Duncan Neil screens applications before a company can be licensed as as exempt insurer by the island's Financial Supervisions Commission.

To be registered as an exempt insurer, each company must establish to Mr. Neil and the Financial Supervision Commission that:

- The company has a paid-up capital of 50,000 pounds ($60,000), though the commission may require captial as high as 250,000 pounds ($300,000) or more if the captive writes long-tail risks.
- Assets exceed liabilities by the initial share capital. After one year of operation, surplus must equal 15% of the previous year's net written premium.
- Reinsurance arrangements are sound. The Manx government can request information about an insurer's reinsurance, including the names of reinsurers and information about fronting arrangements.
- The company is run by "fit and proper" persons who can demonstrate insurance expertise.

However, there are no specific regulations governing exempt insurance and reinsurance companies after they are formed, noted Tower's Mr. Osborne. In fact, there is no specific insurance legislation at all.

"A jurisdiction without legislation is like a ship without a rudder," said Mr. Osborne. "At the moment, there is a lack of legislation in connection with the insurance business."

A three-man working party, including Mr. Osborne and overseen by Mr. Neil, is writing draft legislation at the moment, said Mr. Osborne.

"We need legislation to give Mr. Neil teeth," said Mr. Osborne. "We don't want to over-control, but we want to give full power to the insurance supervisor. Regulation is right.

"If you are a 'blueblood,' you're OK. If you are a 'cowboy,' watch out. There have been a lot of people who have come to the island who have been sent packing. We want pedigree operations."

Among the operations closed was Ocean Marine Mutual Protection & Indemnity Assn. Ltd., managed by Ocean Management Ltd. The company, now licensed in the Turks and Caicos Islands, did not appeal Mr. Neil's decision to cancel the insurer's license (*BI*, April 2, 1984).

Another company which is no longer writing any new business is Lafayette Reinsurance Co. Ltd., said Mr. Neil.

Lafayette wrote U.S. liability and workers compensation risks that were fronted by Transit Casualty Co., according to Brian Hynes, a former Lafayette official. Transit Casualty announced last year that it would discontinue fronting programs (*BI*, Nov. 26, 1984).

There are seven captive managers in Man, according to Mr. Neil, the biggest being Mr. Bigland's Isle of Man Insurance Management Ltd., which was formed in 1976.

Isle of Man Insurance Management manages seven captives with a total premium volume of 32.5 million pounds ($39 million). The company employs 18 people.

Four of the captives managed by Island of Man Insurance Management write some form of third-party business, including auto and fire risks and extended warranty coverages.

Mr. Bigland

Mr. Bigland is part of the folklore in Man. In 1979, he organized the building and sailing of a replica Viking vessel called Odin's Raven to be sailed from Norway to Man across the North Sea in honor of Man's 1,000-year anniversary.

"I came to the Isle of Man for the good labor force, the scope of playing a part in the marketplace, good legislation," he said. "I am interested in pioneering, after all."

Another important Manx manager is Royal Insurance Services (Isle of Man) Ltd., a subsidiary of Tower Insurance Co. Ltd., which is owned by Royal (U.K.) Ltd.

Royal Insurance Services manages two captives with a total premium volume of 4 million to 4.5 million pounds ($4.8 million to $5.4 million) including Gallagher Ltd.'s captive Galleon Insurance Co. Ltd.

The manager, together with Tower Insurance, employs 17 people.

New on the Isle of Man captive scene is David Campbell, director of Willis Faber (Isle of Man) Ltd., which manages three captives with a total premium volume of 3 million pounds ($3.6 million). Among the captives managed by Mr. Campbell is Calor Insurance, the Calor Gas captive.

Willis Faber was not represented on the island before Mr. Campbell arrived on Man in January. He runs his one-man operation from rented space in the office of accountant Peat Marwick Mitchell.

Mr. Campbell, who has worked in the Cayman Islands for the last seven years, says he finds the Isle of Man a much more economical domicile than Cayman.

Jersey a barren wasteland when it comes to captives

jersey

JERSEY, Channel Islands—If there is such a thing as a dormant captive domicile, then Jersey may be it.

Even though Jersey in 1983 repealed its century-old law barring insurers from the island, not one captive has been formed there.

"Things have been quiet, and I have nothing to report," said Richard Syvret, commercial relations officer for the States of Jersey, the official name of the Jersey government.

"The facilities are here, but the insurance market is still fairly soft, though it is beginning to harden. But, it has not reached a stage where new captives are coming to the fore.

"But, we would certainly have open doors to soundly based, well-managed captives. We are open for business—there is no question about that," he said.

Jersey, the largest of the Channel Islands, located 20 miles off the coast of France, would seemingly be an attractive domicile for European captives. The island is the home for 45 banking institutions and has attracted countless accountants and back-up services. Daily flights depart from Jersey to London and the other European cities.

Captives are allowed on the island by the Insurance Business (Jersey) Law of 1983, which replaced an embargo ratified in 1861 that had prohibited insurance transactions (*BI*, April 25, 1983).

The new law allows insurers to freely operate on the island if they are licensed in the United Kingdom or another European Community nation. These companies, since they fall under the regulation of other governments, do not need a permit to conduct business.

Insurance companies not licensed elsewhere—like most prospective captives—must receive a permit from Jersey's Finance Economic Committee. To receive a permit, a captive must:

- Certify the reputation and nature of the business carried on by the parent company.
- Prove that the insurer's managers have the knowledge and expertise to operate the company.
- Meet a capitalization requirement of at least 100,000 pounds ($120,000), varying according to the amount of premium that captive writes and the types of risks it insures.
- File its reinsurance arrangements with Jersey authorities.
- Prove that the captive's managers are "fit and proper" persons.

Pure captives domiciled in Jersey must pay a 20% tax on investment income, while insurers and reinsurers writing third-party risks also must pay a 20% tax on underwriting profits.

It's tough for captives to form companies, says Eric Ball, director of Capacity Resources (Channel Islands) Ltd. in Guernsey.

Capacity Resources, part of the Stewart Wrightson Group, has a Jersey company called Capacity Resources (Jersey) Ltd. set up to manage captives. "But, it manages nothing," said Mr. Ball. Because of the regulations, he said, "It seems impossible to form a captive in Jersey, though I hate for a Jerseyman to say it."

Several options available when looking for domiciles

By STACY SHAPIRO

If the beaches of Bermuda or the slopes of Colorado are not enticing, there are other options for companies looking for a captive domicile.

For example, Luxembourg is home to 11 captives and two captive managers since it added an amendment to its insurance supervision law last year to allow reinsurance companies and captive reinsurance companies into the country (*BI*, April 2, 1984).

Ten of these captives are Swedish captives managed by SINSER Luxembourg S.A.R.L., a subsidiary of Skandinavian Insurance Services Ltd. in Stockholm. The other captive is run by Jecalux S.A., a manager operated by a group of Luxembourg professionals.

In addition, a Dutch captive is about to be licensed, and there are inquiries from Belgium, West Germany and France, said Luxembourg's insurance commissioner, Victor Rod. Luxembourg offers European and other multinationals a chance to form a captive in a European Community member nation. And, each captive, which can only write reinsurance business of the parent or third parties, is exempt from paying Luxembourg's 50% corporate tax for a period of 10 years; some sources believe the exemption will be extended when it expires.

In order to form a captive in Luxembourg:

- The company must have capitalization of 50 million Luxembourg francs ($800,000), although if it reinsures only its parent company's risks, it needs just 6 million Luxembourg francs ($96,000) in capital.
- A pure captive must have a 5% solvency margin, which is increased to 10% if it writes long-term business.
- Capital must be equal to at least 5% of the net premium income throughout the life of the captive.
- The captive manager must be a resident of Luxembourg and must have professional reinsurance qualifications and/or captive expertise.

Under these rules, reinsurers will be allowed to invest earnings in a special reserve for the 10-year period, during which no tax will be assessed on the funds.

On Jan. 1, Sweden passed a law allowing Swedish companies to form domestic captives. The captives may not write unrelated business, but they may hold an amount up to 200% of annual premiums without being taxed. Dividends paid by a captive to a parent that posts a year-end loss are not taxed. Each captive must maintain a 10-to-1 ratio of premiums to assets.

There are other potential captive domiciles in Europe, notes Paul Bawcutt, managing director of Risk Research Group, the London-based firm that produced the feasibility study for the Bermuda Risk Exchange. There are 30 captives of British parent companies based in London. And, Gibraltar is considering changes in its insurance legislation that could improve its standing as a domicile, Mr. Bawcutt added. ■

land are members of the Guernsey Insurance Co. Managers Assn., which represents the captive industry in dealing with the government and is chaired by Transnational's Mr. Parkinson.

The group also has seven or eight

Gould Inc. of Rolling Meadows, Ill. As of Jan. 31, Meadows reported earned premiums of 13.48 million pounds ($16.1 million).

Among the new captives managed by Channel Islands is a captive owned by Reuters P.L.C. ■

Introducing a fringe benefit that benefits the employer.

Your employees' legal problems can become your problems, through absenteeism, low productivity and time-consuming involvement by supervisors, your personnel department and even company lawyers.

Our legal plans take your company out of the counseling business, and give your employees confidential, professional help.

Introducing the Legal Plans from Hyatt Legal Services:

LOW COST For as little as $9 per month, we will help your employees with representation for cases like divorce, traffic matters, debt problems, and buying or selling a home.

SIMPLICITY We handle *all* the administration.

NATIONAL COVERAGE Hyatt Legal Services can deliver services no matter where your employees are located.

Do yourself and your employees a favor — call us for more details at 1-800-821-6400 (816-753-5000 in Missouri).

HYATT LEGAL SERVICES
4410 Main Street
Kansas City, Missouri 64111

Hyatt Legal Services is named after its founder, Joel Z. Hyatt, who is admitted to the Bar of Ohio only.

Brougher ™
the answer

Brougher Agency, Inc. • Lloyd's London Correspondent
P.O. Box BA1 • 2528 U.S. 31 South • Greenwood, Indiana 46142

Captive boom drawing attention to Vermont

By JERRY GEISEL

vermont

MONTPELIER, Vt.—Vermont is on its way to becoming a world-class captive insurance company domicile.

Granted, with fewer than two dozen captives under its belt, it is no match for Bermuda, where more than 1,000 captives are based, or for Cayman, with its 277 captives.

But, the number of captives domiciled in Vermont is increasing at a fast clip, and the companies that have chartered captives in the Green Mountain State in the last year are big-name businesses.

This solid growth is earning Vermont the respect of more captive managers who are now establishing offices in the New England state to handle the growing volume of business there.

During the last year, the number of captives licensed in Vermont jumped to 22 from 14. This follows a year of even better growth, when the number of captives in Vermont doubled to 14 from seven between 1983 and 1984.

Among the parents of new Vermont captives are Boeing Co. of Seattle, the premier manufacturer of commercial jet aircraft; Hallmark Credit Co., a subsidiary of Hallmark Cards Inc. of Kansas City, Mo., the big greeting cards distributor; Pioneer Hi-Bred International Inc. of Des Moines, Iowa, the nation's biggest producer of hybrid seeds; and an organization affiliated with the Rockefeller family.

And, more prestigious companies are expected to join this elite group.

Toyota Motor Sales U.S.A. Inc., the Torrance, Calif.-based American subsidiary of the huge Japanese automobile manufacturer, confirms that it has filed a captive application with the Vermont Department of Banking and Insurance.

The Toyota captive, which would provide a wide range of casualty coverages, could generate an annual premium volume of $20 million within three years, a source said.

Premium volume of this magnitude would make the Toyota insurance subsidiary the largest captive in Vermont and add still more visibility to the state as a captive domicile.

Already, captive growth in Vermont is attracting attention.

Some of the world's biggest captive managers, who, until now have concentrated on managing offshore captives, are moving into Vermont.

For example, New York-based broker Johnson & Higgins will open and staff a captive management office later this year located in Burlington, Vermont's largest city.

"There is enough activity to justify staffing an office," said J&H Vp Arthur Koritzinsky, who expects that J&H will be managing four to six Vermont captives within a year. It currently manages two captives, which produced a combined premium volume of $3 million in 1984.

"We've seen a lot of increased activity once the renewal numbers started coming in on Jan. 1," said Mr. Koritzinsky, referring to the often drastic increases in property/casualty insurance rates risk managers are facing as the market continues to constrict.

Other captive managers and service providers including Anistics, a subsidiary of broker Alexander & Alexander Services Inc.; Frank B. Hall Management Co., a division of broker Frank B. Hall; and broker Fred S. James & Co. Inc., a unit of Transamerica Corp., also are considering opening new Vermont offices.

"We want to be there as growth develops," said Harry Shuford, a senior vp in James' New York office. James currently is represented in Vermont by Cooper Insurance Services Ltd., a South Burlington-based broker.

Captive management firms that already have sunk roots in Vermont believe that their confidence in the state will be rewarded soon with an influx of new clients.

For example, M&M Insurance Management Services, a subsidiary of Marsh & McLennan Inc., which managed BF Goodrich Co.'s First Charter Insurance Co.—the first captive to be licensed in Vermont after passage of the state's captive legislation in 1981—sees dramatic growth ahead.

"Conservatively, we certainly should be managing six companies within a year," said James Burns, M&M Insurance Management Services's local manager in Burlington. Potential clients interested in setting up Vermont captives include a petroleum company and a group of hospitals, he said.

"There is no doubt that we will be a very active player in the Vermont captive market," Mr. Burns said.

M&M Insurance Management Services, which lost the BF Goodrich captive account to rival cap-

Continued on next page

Vermont's captive managers

Manager/Parent	1984 premium volume	Captives
Vermont Insurance Management Inc.	**$13.4 million**	**5**
American Risk Management The Reiss Organization	**12.8 million**	**4**
Yankee Captive Management	**10 million**	**4**
Becher & Carlson Management (Vermont) Becher & Carlson Risk Management Inc.	**6 million**	**2**
Johnson & Higgins Services Inc. Johnson & Higgins	**3 million**	**2**
Green Mountain Captive Management Inc.	**1.8 million**	**2**
M & M Insurance Management Services Inc. Marsh & McLennan Inc.	**First client in 1985**	**1**

Source: Captive reports filed with the Vermont Department of Banking and Insurance and *BI* interviews.

"It took us 6 years to develop Commercial Lines Automation™. Your company can have it right now."

Edward B. Shires, President, CLA Corp.

Our automated cost benefit model can project the potential impact of CLA on your insurance company's operation—in minutes. Write Ed Shires, President, CLA Corp., 1 Riverview Square, East Hartford, CT 06108.

CLA™ CLA Corp.

A subsidiary of The Hartford Insurance Group

Captives doing business in Vermont
(1984 results)

Manager / Captive/Parent	Net premiums	Net income (loss)
Becher & Carlson		
GarDen Insurance Co. of Vermont Elixir Industries	$4,151,841	$303,797
PHI Insurance Co. Pioneer Hi-Bred International Inc.	1,657,309	6,051
American Risk Management		
First Charter Insurance Co. BF Goodrich Co.	3,262,060	424,133
Three Rivers Insurance Co. Aluminum Co. of America	1,225,975	388,588
ver Bes' Insurance Co. Weyerhaeuser Co.	2,069,563	288,172
Verminsco Inc. Fortune Investments Inc.	247,917	29,863
Green Mountain Captive Management Inc.		
Machine Tool Assurance Ltd. Inc. Minster Machine Co.	0	123,737
Verlan Ltd. National Paint & Coatings Assn.	56,281	11,850
Johnson & Higgins Services Inc.		
ABS Boiler & Marine Insurance Co. American Bureau of Shipping	1,638,680	28,877
Astro II Inc. Boeing Co.	331,986	-29,199
M&M Insurance Management Services Inc.		
5600 Inc. Rockefeller Insurance Co.	Began underwriting in 1985	
Vermont Insurance Management Inc.		
Elm Insurance Co. Electric Insurance Co.	5,243,302	852,819
Greenway Insurance Co. of Vermont Ogden Corp.	444,832	472,295
H.C. Insurance Co. Hallmark Credit Corp.	Began underwriting in 1985	
Keystone American Insurance Co. KEYCON Industries Inc.	65,836	263,933
N.L. Insurance Ltd. of Vermont NL Industries	1,367,371	61,845
Yankee Captive Management		
Brookstone Insurance Co. American Can Co.	166,471	107,956
Robins Marine & Casualty Insurance Co. Todd Shipyards Corp.	N/A	N/A
Trust Property & Casualty Insurance Co. Trust Life Insurance Co. (Alexander & Alexander Services Inc.)	9,509,500	-5,089,735
Park Center Insurance Co. American Medical International Inc.*	Not underwriting yet	
Self-managed		
Health Providers Insurance Co. American Hospital Assn.	510,736	-296,575
National Telcom Corp. National Telephone Cooperative Assn.	782,495	-94,275

*Jointly Managed with Frank B. Hall Management Co.

Mead Loss Control Consultants

Specialists in
HPR Engineering
Fire Brigade Training
Infrared Inspections

Contact - Walter P. Luker
Telephone: 513-223-1300

Mead Loss Control Consultants, Inc. Mead World Headquarters Dayton, Ohio 45463
Offices in Dayton, Oh., Buford, Ga. & Rome, Ga.

Vermont captives

Continued from preceding page

tive manager American Risk Management in 1983, now manages one Vermont captive—Rockefeller Insurance Co. Affiliated with members of the Rockefeller family, the captive is just beginning operations this year.

Other managers also are bullish on the Vermont captive market.

"We'd like to be managing 10 captives a year from now," said George Chaffee, president of Vermont Insurance Management Inc. in Montpelier and former Vermont insurance commissioner. Vermont Insurance Management, the state's largest captive manager, manages five captives that generated $13.4 million in premium volume in 1984.

Mr. Chaffee

"I'm quite sure we'll manage at least a minimum of three more captives" in a year, says Lee Pankratz, a senior vp with American Risk Management in Burlington, a unit of The Reiss Organization.

American Risk Management, which currently manages four Vermont captives that produced $12.8 million in premium volume in 1984, is the state's second-largest captive manager.

Attorneys, who often are the first to be called for advice by risk managers considering establishing a captive, agree that corporate interest in Vermont as a captive domicile is rising rapidly.

"The phones really started ringing on Jan. 1," says Catherine Clark, a partner with Stevens & Clark, a Winooski-based law firm. "Now, inquiries are running three a day compared with about three a month a year ago. Things are starting to get wild."

Ms. Clark

"Based on the number of inquiries we received, the number of captives could double in a year," adds Jonathan Stevens, also a partner at Stevens & Clark.

Captive observers concede that earlier predictions on captive growth in Vermont proved to be optimistic. Some experts, for example, predicted in 1981 that Vermont could have as many as 100 captives by the end of 1985.

But managers say several unforeseen events are to blame for stalling the growth.

For example, the severe economic recession that began in 1981 and persisted until 1983 discouraged captive growth, not just in Vermont but in other domiciles as well.

Mr. Pankratz

"Cash flow was critical, even for many large companies during the recession," said ARM's Mr. Pankratz. "Companies had more pressing needs for cash" than using it to set up a captive, he said.

And the soft commercial insurance market also held down captive growth.

"It made sense to buy insurance at less expensive prices," said J&H's Mr. Koritzinsky.

Pardoxically, the rapid recent tightening in the commercial insurance market also—at least in the short term—may have diverted corporate interest away from captives.

"Changes in the insurance market have taken place so fast that risk managers haven't had time to consider alternatives," said James Mulligan, vp at Green Mountain Captive Management Inc., a Barre-based manager. Green Mountain manages two captives that produced premium volume of $1.8 million in 1984.

"Managers haven't had time to regroup. When your excess coverages aren't being filled, you don't have time to consider a captive," Mr. Mulligan added.

Plans also may have been delayed when Mr. Chaffee resigned as insurance commissioner last year to join Vermont Insurance Management. The exit of this big supporter of captives may have caused some companies to put their captive plans on hold until the dust settled, observers say.

"There was uncertainty about whom the governor would appoint to be the new commissioner and what the attitude of the commissioner would be toward captives," said Mr. Pankratz.

That uncertainty soon should ebb. The new commissioner, David Bard, said the department still wants strong captives to come to Vermont.

"We want to be on the cutting edge of captive formation. . .and want to attract good, strong captives," Mr. Bard said.

"We want to be the leading state in attracting captives," he emphasized.

Mr. Bard, a former executive with the Chittenden Trust Co., Vermont's largest bank, has an insurance and banking background. And, those who know him say he is an efficient administrator.

Mr. Bard

"He (Mr. Bard) is very able, very bright and flexible," said Conrad Flynn, executive vp at Chittenden Trust in Burlington.

The combination of the hardening commercial insurance market and having the commissioner's post filled could set the stage for the biggest period of growth yet in Vermont's brief history as a captive domicile.

"We can't help but think that growth will accelerate," said Richard Huskes, vp at Green Mountain Management Co.

Several factors add to that optimism, including:

- Vermont's liberal captive insurance company law, which, among other things, has low capitalization requirements.

A single-parent captive, for example, can be set up with capital and paid-in surplus of $250,000. An industrial insured needs $500,000 and an association captive, $750,000.

The other major U.S. captive domiciles, Colorado and Tennessee, require $750,000 in capital and surplus for a pure captive and $1 million for a trade association captive.

In addition, in the case of pure captives, Vermont has easier annual financial reporting requirements than either Colorado or Tennessee. Vermont also provides freedom from prior approval for rates and forms. Colorado and Tennessee require prior approval for rates and forms.

Other features in the Vermont statute also are attractive. For example, Elixir Industries, which last year completed a transfer of risks from its Colorado captive—now a shell—to its Vermont insurance subsidiary, chose the Green Mountain State so it could write third-party business. Colorado law does not allow captives to write third-party business without special per-

Continued on facing page

Vermont captives

Continued from facing page
mission from the Insurance Department.

While unrelated business accounts for less than 10% of GarDen Insurance Co. of Vermont's premium volume, it is an important and growing part of the captive's business, said Gwen Wamsley, risk manager at Elixir, a Gardena, Calif.-based manufacturer of components used by mobile home and recreational vehicle manufacturers.

Eventually, Elixir hopes to develop GarDen Insurance Co. into a multiline, licensed insurer. Elixir believes it will be easier to achieve that goal in Vermont than in Colorado, Ms. Wamsley said.

• Vermont's low operating costs and accessibility.

"It is definitely cheaper to do business in Vermont," said Deborah Wesolowski, assistant treasurer at BF Goodrich Co. in Akron, Ohio.

"The travel expenses are much less" compared with going to offshore domiciles, Ms. Wesolowski said.

Indeed, People Express, the discount airline, offers several daily non-stop flights from the New York metropolitan area to Burlington.

"For some companies—if you include travel expenses—the cost of operating a Vermont captive is about half of what it can be offshore," commented J&H's Mr. Koritzinsky.

• The smooth administration and accessibility of the Vermont Department of Banking and Insurance.

"The Vermont department has very impressive business management and Ed Meehan (chief insurance examiner) always can be reached. That is important," said Russell Knuth, loss control administrator for Pioneer Hi-Bred International. The Des Moines-based company established a Vermont captive—PHI Insurance Co.—to provide a wide range of casualty coverages. PHI Insurance recorded $1.7 million in net premiums in 1984 and net income of about $6,000.

"The regulatory climate is excellent," adds J&H's Mr. Koritzinsky.

The new captive business generated by Vermont's favorable environment will come from several sources, managers say.

Mr. Huskes

Mr. Huskes of Green Mountain Captive Management Co. believes big, regional brokers facing growing problems finding coverage in the hardening commercial market will examine whether a Vermont captive can solve their clients' insurance coverage problems.

"There will be growth from employers who were in insurance programs with very low costs, but now are beginning to see the door close on price and availability," Green Mountain's Mr. Mulligan said.

The newest captives are likely to be formed to cover lines such as product liability and medical malpractice, where rates have climbed sharply in recent months after years of stable and even declining prices, Mr. Mulligan added.

Other employers, that have captives in place, but that are concerned about the cost of doing business offshore, may bring their captives to Vermont, according to Mr. Koritzinsky.

Recent changes in the United States tax law also may propel companies to consider Vermont over an offshore domicile, observers said.

"Changes in the tax law will give a push to Vermont," said Mr. Chaffee.

Those changes—contained in the Deficit Reduction Act of 1984—recharterize certain foreign-source income as U.S.-source income, limiting the use of excess foreign tax credits (*BI*, April 23, 1984).

As the interest in captives mounts, some companies are exploring Vermont captives for risks not usually placed in corporate insurance subsidiaries.

For example, attorney Mr. Stevens has spoken with an employer about using a captive to reinsure a Voluntary Employee Beneficiary Assn. VEBAs, also known as 501(c)(9) trusts, are tax-exempt funding vehicles used by employers to provide health-care related coverages.

In addition, a group of auto dealers also has discussed whether a Vermont captive might be feasible to provide coverage for dealers

Continued on next page

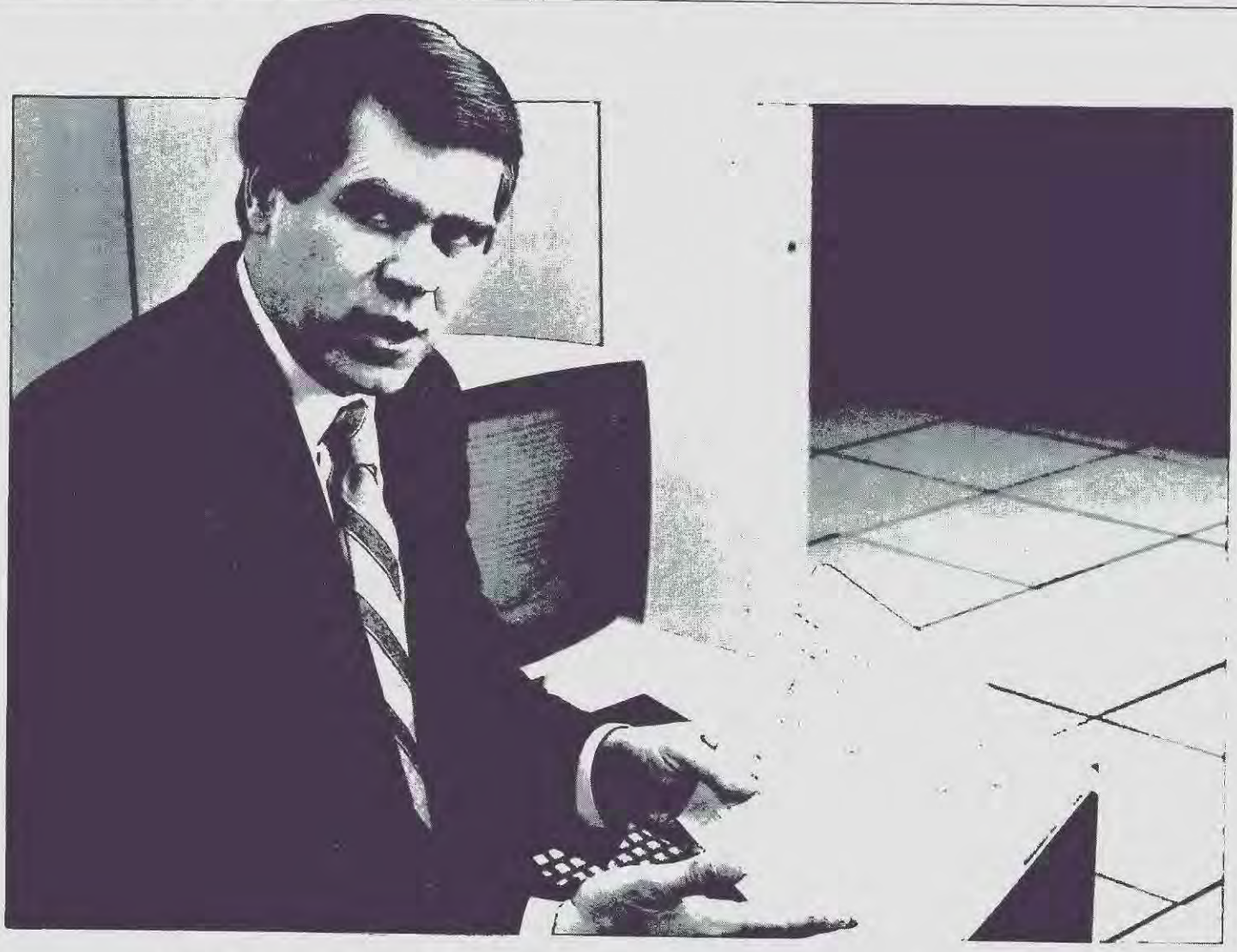
ATTENTION RISK MANAGERS AND CLAIMS ADMINISTRATORS!
WE HAVE
The In-House Alternative
CLAIMS: AMEX
A Cost-Effective Property and Casualty
RISK INFORMATION SYSTEM
Designed to operate on the IBM System 34 or 36 Computers

SYSTEM FEATURES
- Completely In-House
- On Line/User Friendly
- Menu Driven/Multi Terminal
- Computer Generated Checks
- IBNR Analysis Reports
- Safety & Risk Mgt. Reports
- Claim Repeaters Reports
- On-Line History and Inquiry
- Automatic W.C. Check Issuance
- Detail Loss Runs

SEE OUR BOOTH AT THE
23rd ANNUAL RISK MANAGEMENT CONFERENCE
APRIL 14th—19th, 1985 • NEW ORLEANS, LA
or *FOR MORE INFORMATION CALL OR WRITE*
CONWAY COMPUTER CONSULTANTS, INC.

MARKETING
HAROLD BLAUM
820 Howard Avenue
New Orleans, LA 70113
(504) 524-7707

ADMINISTRATION
JACK CONWAY
P.O. Box 12801
Jackson, MS 39211
(601) 932-5504



"How will Commercial Lines Automation improve your company's profitability? We can tell you in 4 minutes."

Edward B. Shires, President, CLA Corp.

Our automated cost benefit model can project the potential impact of CLA on your insurance company's operation—in minutes. Write Ed Shires, President, CLA Corp., 1 Riverview Square, East Hartford, CT 06108.

CLA™
CLA Corp.
A subsidiary of The Hartford Insurance Group

Vermont captives

Continued from preceding page
that offer extended service warranties, Mr. Stevens said.

"There seems to be a lot of interest in service and contractual liability," according to Mr. Stevens.

Another sign that Vermont is moving into the big league as a captive domicile is the recent move by several captive managers—led by Vermont Insurance Management and American Risk Management—to set up a trade association to represent captives on a variety of issues.

Membership in the trade group, for which a name hasn't been selected yet, would be open to captives and managers.

With 22 captives already in the state and the number rising, risk managers need a trade group to keep them informed on what is happening in the state and to represent their interests, according to Mr. Pankratz of American Risk Management.

A Vermont captive trade group also could work with regulators and legislators when issues crop up that could affect captives, said Mr. Chaffee.

"We want to be around if a Dave Bard or Ed Meehan has a question," said Mr. Pankratz.

Indeed, it may not be very long before the Department of Banking and Insurance and possibly, the state Legislature, begin considering imposing a tax on reinsurance premiums that are generated by captives.

Currently, Vermont imposes a 1% tax on direct premiums generated by captives, but reinsurance premiums are not taxed.

"I'm not sure it is a good situation in which reinsurers pay no taxes, while direct premiums are taxed," one manager says.

Vermont law stipulates that captives must provide an economic benefit to the state.

Since reinsurers do not pay premium taxes they may provide fewer economic benefits than captives that primarily write direct business, the manager added.

While the Department of Banking and Insurance is not expected to look at the reinsurance issue until next year, some experts already have suggestions.

One possibility might be a small tax on reinsurance that could be offset by the amount of direct business—if any—the captive wrote, Mr. Stevens said.

Vermont captive managers also want to ensure a captive parent's right to take a tax deduction for the premiums paid to its captive insurance company.

Mr. Chaffee plans to meet with U.S. senators and congressmen from Vermont to try to convince them to support legislation that would allow companies to take tax deductions for premiums paid to domestic captive insurance companies.

"We will work with legislators in Washington to give their blessing to onshore captives," Mr. Chaffee said.

In 1982, J. Richard Barnes, then Colorado's insurance commissioner, said he too would lobby for legislation to allow tax deductions for premiums paid to Colorado captives (*BI*, April 19, 1982).

At the time, Mr. Barnes argued that because Colorado captives were regulated like commercial insurers, there should not be a distinction between the tax treatment of premiums paid to captives and to other insurers.

But, Mr. Barnes put his lobbying effort on hold after an ad-hoc group of risk management and brokerage interests, known as the Loss Reserve Deduction Committee, unveiled a more-sweeping proposal to allow employers to take tax deductions for premiums paid to captive insurance companies and for self-insured loss reserves.

That proposal later was introduced in Congress by Rep. Bill Frenzel, R-Minn., but the measure never made it out of a congressional committee.

And Congress last year moved in the opposite direction when it tacked on a provision to the 1984 tax law overturning a 1983 U.S. 9th Circuit Court of Appeals decision in the Kaiser Steel Corp. case that said employers could take tax deductions for contributions to self-insured reserves established to pay workers compensation claims.

Mr. Chaffee, however, believes that he can be successful where so many others have failed. Congress, for example, might be moved by patriotic arguments that giving a tax break to domestic captives would bring home a lot of offshore capital.

And the Internal Revenue Service, Mr. Chaffee speculates, might reconsider its longstanding opposition to such proposals.

"There would be a quid pro quo," Mr. Chaffee says. The IRS would stop challenging tax deductions for premiums paid to domestic captives, while employers no longer would try to take tax deductions for premiums that were paid to offshore captives.

The proposal would "cool down the war" between the IRS and employers and bring capital and risk management ingenuity back to the United States.

"Vermont stands to gain a lot" if such a proposal is enacted, Mr. Chaffee says.

Even if such a law is not passed, few have any doubt about Vermont's captive growth.

"We are very much a rival to Bermuda. Vermont is rapidly becoming the center of captive insurance company activity," Mr. Stevens said.

And when asked if Vermont could ever hope to be home to 1,000 captives like Bermuda, Mr. Flynn, the Vermont banker, responds confidently: "Why not. Why not indeed." ■

From The Reprint Department Of:
business insurance
Reporting weekly for corporate risk, employee benefit and financial executives

Do you need to distribute copies of articles appearing in Business Insurance at your meetings or for your mailings?

Business Insurance has expanded its reprint department to meet your needs.

For fast, low cost* reprints of articles appearing in Business Insurance, or to obtain reprint permission for your own copies, call or write:

Reprint Department
Business Insurnace
220 E. 42nd St.
New York, N.Y. 10017
212-210-0229
*New prices effective 1/1/85

AMERICAN IN REINS

Massive injury management: the $1,000,000 coaching job

Few of us love our job as much as Frank Bernardo* loves his. He fought for it. With American Re-Insurance Company's help, he won.

He was demonstrating a lay-up when his foot slipped. He crashed to the floor and didn't get up. He was paralyzed.

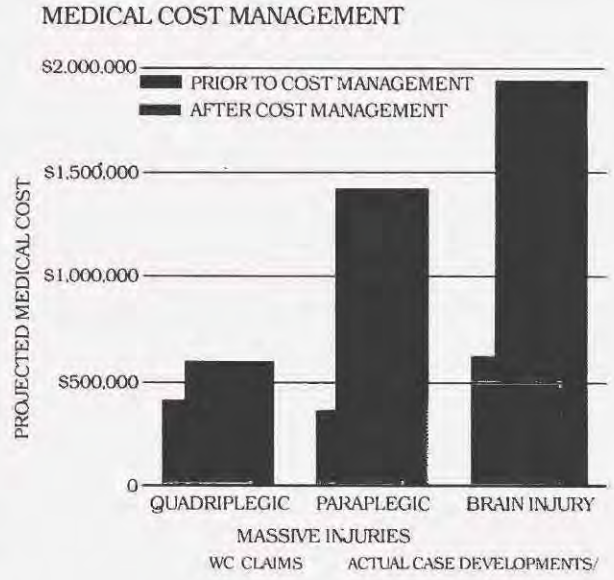
He could have spent the rest of his life helpless, confined to his home. A burden. Except for one thing. The school's insurer is an American Re ceding company. American Re had trained the insurer in medical emergencies.

They rushed him to the San Francisco trauma center. Within 48 hours he was flown to the Craig Hospital in Denver. There the appropriate medical care was continued, and psychological and physical rehabilitation was begun. They helped him fight back. So did American Re.

Bill Davis, our Massive Injury Claims Manager, helped the local claims manager and rehabilitation nurse persuade the school board to hold Frank's job open. They also arranged for appropriate home care so that Frank could concentrate on regaining physical independence.

Now Coach Frank Bernardo is back with his team. If he wasn't, his accident could have cost at least $1,000,000 more over his lifetime. What it would have cost Frank is beyond telling.

Study this graph. It shows you the



*name changed to protect privacy.

AMERICAN REDEF

Captives trek to Vermont from Colorado

By JERRY GEISEL

MONTPELIER, Vt.—Colorado, which in 1972 became the first state to pass legislation to attract captive insurers, is now a source of new captives for Vermont.

Three of Vermont's 22 captives, including two licensed last year, began as Colorado captives. In each case, the captives' parents sought a new domicile because of restrictions imposed by Colorado.

For instance, in 1982, Elixir Industries became the first company to operate captives in both Colorado and Vermont.

Elixir, a Gardena, Calif.-based manufacturer of components used in mobile homes and recreational vehicles, had originally established its Colorado captive in 1978.

vermont

When Elixir later wanted to expand its Colorado captive to write third-party risks, it ran up against a prohibition on captives writing non-related business.

As a result, Elixir set up a Vermont captive in 1982 and began transferring risks from Colorado to the new captive, GarDen Insurance Co. of Vermont.

Vermont does not bar captives from writing third-party business.

The transfer of risks, which includes workers compensation, general liability and product liability coverages, was completed last year, said Risk Manager Gwen Wamsley.

While Elixir's Colorado captive produced a $1.4 million premium volume in 1981, before the company established the Vermont captive, all that now remains in Colorado is the captive shell.

Meanwhile, GarDen Insurance Co. of Vermont has emerged as one of Vermont's largest captives, recording a premium volume of more than $4 million last year and net income of more than $300,000.

"We're very committed to being in Vermont," Ms. Wamsley said. "There is no question that Vermont has the best domestic captive law."

Another West Coast company, Seattle-based Boeing Co., is transferring risks from its Colorado captive to a newly established Vermont captive.

In 1981, Boeing selected Colorado as the domicile for Colinco Inc., a captive set up to provide errors and omissions coverages for architects and engineers and data processors. At the time, Boeing opted for Colorado because of the state's stability as a home for captives (*BI*, June 8, 1981).

But, Boeing decided last year to establish a Vermont captive and transfer risks from Colorado because of complex restrictions Colorado imposes on assets held by captives, said Walter Woodard, Boeing's corporate insurance manager. Vermont does not impose investment restrictions on pure captives.

Boeing's Vermont captive, Astro II Inc., was licensed last June and produced net premiums of more than $300,000. The captive was capitalized with a $1 million letter of credit and $50,000 in cash.

Like the Colorado program, Astro II is providing $1 million in coverage on a per-occurrence basis for E&O risks.

Mr. Woodard says he doesn't know when the transfer of risks from the Colorado captive will be completed.

A third West Coast company with a Colorado captive, American Medical International Inc., a California-based hospital chain, established a Vermont captive in November with $1 million cash, but it hasn't yet begun operating the new insurer.

One of the reasons AMI initially wanted to set up a Vermont captive was to reinsure employee benefit programs, a spokeswoman said. Benefit coverages cannot be insured or reinsured in a Colorado captive, but Vermont allows captives to reinsure benefit programs.

However, AMI later bought Fidelity Interstate Life Insurance Co., a Wayne, Pa.-based life and health insurer, and decided against using the Vermont captive as a benefit reinsurer.

Currently, AMI is reviewing whether it will keep its Colorado captive to provide medical malpractice coverage or whether the risks will be transferred to the Vermont captive, Park Center Insurance Co.

Vermont also is attracting companies that never had captives.

For example, H.C. Insurance Co., the newly chartered captive of Hallmark Credit Corp., a subsidiary of Hallmark Cards Inc., is the first captive program established by the Kansas City, Mo., greeting card company.

"The captive is an alternative to the conventional market, which as everyone knows, is becoming difficult," said Richard Heydinger, director of risk management.

"What was appealing was the simplicity of Vermont. . .low start-up costs and smooth administration."

H.C. Insurance was licensed on Dec. 27 with a $450,000 letter of credit. The captive is now providing auto physical damage coverage for Hallmark's 1,500 vehicles. The captive retains $100,000 of risk on a per-occurrence basis.

Mr. Heydinger said Hallmark now is studying whether the captive will be expanded to cover workers compensation and umbrella liability exposures.

On the East Coast, the risk manager representing the Rockefeller family first began to explore a captive in 1983.

"We were a good risk and while a lot of dollars were being spent on insurance, we were not getting a lot for it," said Raymond Savage, the family's risk manager.

After consultant Risk Planning Group Inc., a division of Tillinghast, Nelson & Warren Inc., determined that a captive was feasible, a Vermont captive was explored.

"Vermont had a favorable regulatory climate. . .and the Rockefeller name was familiar with the state because of property holdings there," Mr. Savage said.

On Dec. 28, 1984 Rockefeller Insurance Co. was licensed by Vermont. The captive is owned by 5600 Inc., a corporation providing various services to members of the Rockefeller family and affiliated organizations.

The captive will reinsure policies issued by Federal Insurance Co., a member of the Chubb Group, to cover workers compensation, property, fine arts and auto liability exposures.

The captive, capitalized at $250,000 through a letter of credit, will retain the first $500,000 of risk per occurrence. Premium will be about $1 million the first year.

FRONTIERS
URANCE

difference when you cede to American Re, with our expert massive injury management service. The money you save is important, of course. But the more you save, the more you'll have done to help restore the injured person's life. Can you think of a better incentive?

If you'd like to look into this further, call Bill Davis, our Massive Injury Claims Manager, at (212) 618-7000. He managed 102 new massive injury cases in 1982. He'll tell you how you can free up your claims people, help the injured, and save enormous amounts of money for your company.

American Re-Insurance Company
One Liberty Plaza
91 Liberty Street
New York, N.Y. · 10006

NES REINSURANCE

A
MONEY
MAKING
OPPORTUNITY

Create your own market on the Illinois Insurance Exchange!

At a time when other insurance markets are drying up, we invite you to become a syndicate member of the Illinois Insurance Exchange.

The financial opportunities are unlimited. Synd - cates can GENERATE INCOME THREE WAYS through:

1) **Investment Income**—on their capital in trust funds.
2) **Underwriting Income**—on the risks that they underwrite.
3) **Premium Interest Income**—on the coverages they place.

Whether you are an insurance broker, entrepreneur, individual investor, corporation or partnership, you can get information on how to capita ize on this unique opportunity by calling James M. Skelton, executive director, today at 312/939-2400.

Illinois Insurance Exchange

175 W. Jackson Blvd., Suite 1235
Chicago, Illinois 60604
312/939-2400

Colorado captive action stalls, but managers see new growth

By STEVE TARAVELLA

colorado

DENVER—Last year was a dismal one for Colorado's captive community, as activity slowed at one captive after another.

But, most captive managers here expect the tightening commercial market to spur captive growth this year.

One manager predicts as many as seven new captives will be formed in Colorado in the next two years, and all expect the emphasis to be on association captives.

Despite this optimism, in the last year no new captives were formed in Colorado and three closed their doors, decreasing the number of licensed captives to 23 from 26 at this time last year and 27 in 1983. And, an additional eight captives are or soon will be inactive.

In several cases, the risks once written in Colorado have been moved to captives in other domiciles—like Vermont, Colorado's main domestic competitor for captive business.

In contrast to Colorado's decline in captive business, captive growth in Vermont has increased more than 50% in the last year to bring its total number of captives to 22, up from 14 (see story, page 83).

Although Colorado has been a home to captives longer than any other U.S. domicile, Vermont is attracting more now because its requirements to establish a captive are less stringent than Colorado's. In fact, one Colorado captive manager concedes that if he were asked to advise a business considering both Colorado and Vermont as a captive domicile, he'd point the company to New England.

"Vermont's law is more favorable. It's that simple," says another Colorado Captive manager, Arnold Goldstein. He is assistant vp at Anistics Inc., a subsidiary of Alexander & Alexander Services Inc. Two of the three Colorado captives it manages are dormant.

"I'm always optimistic, but here I don't see much growth," he says. "You have to look at the facts."

The three Colorado captives that were dissolved in 1984 are:

- Tyler Insurance Group Inc., owned by Dallas-based Tyler Corp.

The captive was managed by Risk & Benefit Management Systems Inc., a subsidiary of broker Bayly, Martin & Fay International Inc. The captive, which was dissolved in 1984, generated $2.4 million in net written premiums in 1983.

Tyler Corp. reportedly no longer needed the captive after it sold the subsidiary, whose risks were mainly insured through Tyler Insurance Group. Tyler Corp. would not comment for this story.

- Financial Services Insurance Co., owned by Allis-Chalmers Credit Corp. in Milwaukee.

Financial Services, which was dissolved in December 1984, had not written new business since December 1982. According to M&M Insurance Management Services Inc., which managed the captive, Allis-Chalmers transferred the risks covered by Financial Services to its Tennessee captive. Allis-Chalmers would not comment on the move.

- ARMS Insurance Co., a captive of Amfac Inc. in Honolulu.

ARMS was dissolved in May 1984, after writing about $100,000 in premiums in 1983, principally for workers compensation, general liability and auto liability risks.

Those risks are now insured through Amfac's 7-year-old Bermuda captive, Amber Insurance Co. Inc., which is managed by Altamid Management Co.

"As we saw what was going on in Bermuda, we realized the environment suited us a little better. That's where a lot of activity was," explains Ralph F. Perry Jr., vp and director of risk management in San Francisco. He observed that Colorado was not a growing area, and, unlike Bermuda, there is little group activity or pooling of risks among the captives.

The business of two other Colorado captives has been or will be transferred to captives in Vermont. Although the Colorado captives will be inactive, they will keep their licenses.

Seattle-based Boeing Co. is in the process of transferring risks from Colinco Inc., its Colorado captive, to Astro II Inc., its Vermont captive (see story, page 87).

Colinco is managed by Johnson & Higgins Services Inc. and is expected to report gross premium volume of only $100,000 in 1985. In 1983, Colinco reported net written premiums of $631,282.

The last of the liabilities of GarDen Insurance Co., owned by Elixir Industries Inc. in Gardena, Calif., were transferred to Elixir's Vermont captive in January 1984, according to Gwen Wamsley, Elixir's risk manager.

GarDen, managed by RBMS, stopped writing new business in 1983 and had been gradually shifting risks to GarDen Insurance Co. of Vermont since the fall of 1982 (*BI*, Aug. 16, 1982).

"We wanted to expand our captive operations to (include) outside business," Ms. Wamsley explains. To write unrelated third-party business, Colorado captives must obtain special permission from the Insurance Department, and the department requires that third-party business not be the majority of the business written.

GarDen of Vermont, formed in July 1982 and supervised by Becher & Carlson Management (Vermont), has already begun to write third-party property and casualty risks for mobile homes and recreational vehicles, Ms. Wamsley says.

However, Elixir is maintaining its captive license in Colorado. "There might be a time when we'd like to activate it again," Ms. Wamsley adds.

Six other captives licensed in Colorado also are inactive.

Columbine Casualty Co., a captive of Houston-based petroleum giant Tenneco Inc., wrote no new business in 1984 and has been a shell for more than year. It formerly reinsured its parent's casualty risks, which were fronted by Travelers Insurance Co. of Hartford, Conn. Travelers is still on the risk but arranges its own reinsurance. M&M Insurance Management Services managed Columbine.

Columbine reported net written premiums of $2.6 million in 1983, according to the most recent insurance department figures.

The future of Sunset Insurance Co., a captive of San Francisco-based Southern Pacific Transportation Co., is in limbo pending that company's merger with Santa Fe Industries Inc. in Chicago.

Southern Pacific recently sold its Southern Pacific Communications Co. subsidiary, resulting in substantially less business for the captive, according to John A. Edwards, risk manager for Santa Fe Southern Pacific Corp. Sunset is managed by Anistics.

Continued on facing page

*

* Individual
* Group
* High Limit Disability
* Professional Sports
* High Limit Accident

IAF

Arranged on behalf of Agents and Brokers by
INTERNATIONAL ACCIDENT FACILITIES, INC.

15 Broad Street, Boston, MA 02109-3887 •
Tel (617) 742-6660, Telex 94-0241

Suite 4-H, 3300 Northeast Expressway, Atlanta, GA 30341-1332 •
Tel (404) 452-1311

Suite 170, 8204 Elmbrook Drive, Dallas, TX 75247 •
Tel (214) 634-1861

111 East Busse Ave., MT. Prospect, IL 60056 •
Tel (312) 577-8077

Continued from facing page

Another Anistics-managed captive, Holborn Reinsurance Co., a captive of Whittaker Corp. in Los Angeles, has been inactive since 1979. It had reinsured product liability, workers compensation, auto liability and comprehensive general liability risks.

United Insurance Corp., a captive of Empire Gas Corp. in Lebanon, Mo., did not underwrite any risks in 1984. However, the captive, which provided general liability and workers compensation coverage, could very well be used this year, says Larry Ellison, Empire's senior vp of finance. United Insurance is managed by Frank B. Hall Management Co.

Arroyo Insurance Co., which is owned by Royal Industries Inc. in Pasadena, Calif., and also managed by Frank B. Hall, has not written any coverage for about five years. The product liability and workers compensation risks that it wrote from 1976 to 1980 are now being run off.

Also inactive is Constance Insurance Co., which underwrote general and product liability coverage for Crawford Fitting Co. in Cleveland. Constance, whose owners recently won a battle with the Internal Revenue Service over the tax deductibility of premiums paid to Constance, reported less than $10,000 in net premiums in 1983.

Constance is managed by Risk & Benefit Management Systems.

Colorado captive managers say their state's strict requirements for forming a captive are a major obstacle in luring more business to their state, especially since Vermont's regulations are less stringent.

First, before a captive can be established in Colorado, the parent is required to prove it cannot obtain coverage in the commercial market or that it can obtain the coverage only at an unreasonable price. This is not required in Vermont.

Second, the parents of pure captives in Colorado must have exposures that could generate $500,000 in annual gross premiums, while association captives must be of a size that could generate $1 million in annual premium. Vermont has no such requirements.

Third, single-parent Colorado captives must have capital and surplus of about $750,000 to begin underwriting. In Vermont, a pure captive can be set up with capital and paid-in surplus of $250,000 and an association captive with $750,000.

Some Colorado captive managers are hoping the state's new commissioner, John Kezer, will change some of the strict requirements (see related story, page 90).

But, even if Mr. Kezer does not change the rules, some of the captive managers believe outside forces could change the tide for Colorado's captive community. They expect the tightening commercial insurance market and the recent favorable captive tax ruling involving Constance Insurance to spur growth in 1985.

In January, U.S. District Court Judge David Dowd ruled that Crawford Fitting is entitled to a $9,423 tax refund for premiums paid to Constance in 1978 for casualty coverage (*BI*, Feb. 18).

Thomas G. Littell, RBMS president, calls the Constance decision "a bright spot" for Colorado's captive community.

"It seems that since the Crawford Fitting case, the tide is starting to turn in favor of Colorado captives," observes Brian Seery, a Los Angeles attorney with Burke, Williams & Sorenson.

Mr. Seery is representing Los Angeles-based Clougherty Packing Co. in its battle with the Internal Revenue Service over more than $1 million in premiums paid to Lombardy Insurance Co., Clougherty's Colorado captive.

The premiums were paid in the late 1970s for workers compensation coverage. Clougherty has been awaiting a decision since it filed briefs last summer. Mr. Seery expects the U.S. Tax Court to rule in the company's favor.

The IRS is currently auditing the parent of at least one other Colorado captive, the Insurance Co. of Colorado Inc.

Mr. Littell

Darling & Co. Inc. in Chicago is being audited for premiums paid to ICCI during its first three years of operation, 1973-75, according to ICCI's manager, Richard A. Johnson of M&M Insurance Management Services.

ICCI, which was managed by Hall during the years in question,

Continued on next page

If structured settlements are Greek to you,

Speak English.

English & Associates, that is. The company that specializes in making life easier for claims people all over the country.

You see, we do two things really well. The first is explaining, simply and plainly, how settlement annuities work and benefit you. The second is structuring those annuities so you save the maximum amount of money while giving the maximum benefits. We even have Damage Analysis, a uniquely comprehensive service that projects the true worth of catastrophic claims.

The cost to you? Zero. So call today. After we talk we're sure you'll become part of the English-speaking world.

English & Associates, Inc.
Settlement Annuity Specialists

LOS ANGELES AREA (714) 643-2144
NO. CALIF. AREA (415) 631-0610
(800) 824-9090 (CA)
NEW JERSEY (609) 596-8585
CHICAGO (312) 399-2051
DALLAS (214) 934-8208
(800) 228-7193 (USA)

Paced to go the distance

The New York Insurance Exchange. Passing the five-year mark, we enter the next stretch as a major contender. For information on the structure, strength and progress of this insurance and reinsurance market, please write to the Exchange at 59 John Street, NY, NY 10038 or telephone (212) 618-9200.

INSURANCE EXCHANGE

Only the strong endure.

Colorado captives

Continued from preceding page
reported earned premiums of $2.6 million in 1984.

But, any real growth in the Colorado captive market probably will reflect the tightening insurance market and not the Constance decision, which some say may be overturned.

RBMS predicts it will be managing two additional captives by the end of the year.

Over the past six weeks, RBMS' Mr. Littell said he has spoken with representatives of four associations considering setting up captives. Two of them look like strong possibilities.

"I'm very optimistic that things will really take off again," Mr. Littell says. In today's marketplace, it's a lot easier to demonstrate that coverages are not reasonably available in the commercial market, he said.

Mr. Littell declined to identify the associations considering setting up a Colorado captive, but he said two are located in California and one in Washington, D.C., while the other is a multistate operation.

The associations are having difficulty in obtaining either medical malpractice, product liability or property coverages, he says.

Mr. Littell predicts that as many as seven new captives will be established in Colorado in the next two years.

He also expects some growth in the size of RBMS' existing captives. For example, Wescap Insurance Co., owned by the National Welding Supply Assn. in Philadelphia, traditionally has had 150 to 165 policyholders. But it is seeing "explosive growth" and at the end of February had 207 policyholders, Mr. Littell reports.

Sixty more members of the suppliers association have requested premiums quotes, he says.

Wescap writes a package policy including general liability and product liability that is fronted by Insurance Co. of North America, Mr. Littell says. INA is a CIGNA Corp. unit.

M&M now manages five Colorado captives, one of which is inactive. But, Vp Richard A. Johnson expects to pick up the management of at least one more captive by the end of this year.

He also is preparing a marketing brochure to mail to potential association clients.

"I'm feeling really positive. I think we're in a good position now," Mr. Johnson says.

He is aware of one Arizona employer considering Colorado as the domicile for its first captive.

And, Al Stutson, executive vp at Hall, the largest Colorado captive manager, "absolutely" expects the number of captives he manages to grow beyond the current 10.

"Quite a few have been calling and inquiring about captive alternatives," he notes.

The calls have come from both associations and independent businesses, he adds.

"I only see positives at this point. I see no negatives. The market turnaround has had a very major impact on captives as a risk financing (mechanism) for everybody," he says. ■

Colorado captives doing business today
(1983 results)

Management Company Captive/Parent	Net written premiums	Net income	Management fee
Anistics Inc.			
Coachman Insurance Co. IU International Corp., Philadelphia	$462,081	$383,338	$48,000
Frank B. Hall Management Co.			
Chesapeake Casualty Insurance Co. Chesapeake Physicians, P.A., Baltimore	745,376	-17,923	113,600
Clifton Casualty Insurance Co. Emory University Clinic, Atlanta	981,649	41,367	60,000
Denver Insurance Co. American Medical International Inc., Costa Mesa, Calif.	12,984,792	-69,284	50,000
Greenway Insurance Co. American Medical International Inc., Costa Mesa, Calif.	3,754,307	675,425	38,329
Havican Insurance Co. Holy Cross Shared Services Inc., Notre Dame, Ind.	5,995,144	365,004	48,000
Interstate Indemnity Co. CLC of American Inc., Houston	290,566	5,807	N/A
Lombardy Insurance Co. Clougherty Packing Co., Los Angeles	1,184,436	613,185	28,010
Regal Insurance Co. Chatham Super Markets Inc., Detroit	1,432,324	100,266	13,500
Johnson & Higgins Services Inc.			
***Colinco Inc.** Boeing Co., Seattle	631,282	630,997	15,000
M&M Insurance Management Services Inc.			
Insurance Co. of Colorado Inc. Darling & Co., Chicago	2,937,925	-87,421	39,800
Lone Star Indemnity Co. Michigan General Corp., Dallas	1,351,542	83,220	32,400
MSJ Insurance Co. Sisters of Charity, Cincinnati	6,996,035	1,364,571	46,800
Moutainview Insurance Co. W.R. Grace Co. & Hanna Mining Co.	1,006,178	374,649	28,200
Risk & Benefit Management Systems Inc.			
Neumann Insurance Co. Sisters of St. Francis, Philadelphia	2,043,695	15,600	97,932**
Wescap Insurance Co. National Welding Supply Assn., Philadelphia	2,361,568	147,796	107,888

*In process of moving risks to parent's Vermont captive
**Figure includes consulting fees

Source: 1983 annual statements filed with the Colorado Insurance Department.
Statements for 1984 operations not yet available.

Expertise is a big factor in
Homeland's Self-Insurance and Captive Facilities

Homeland Insurance Company is primarily known as a growing workers' compensation insurer. However, its running mate, Homeland Industrial Corporation, is keeping pace with its expanding self-insurance and captive activities.

The growing list of captive and self-insurance clients range from contracting and trucking firms to hospitals, nursing homes and city and county governments. For self-insurance as well as the formation and administration of on-shore and off-shore captive companies, domestic operations are centered in the San Jose home office. The recently-expanded offshore operations are based in both Bermuda and Grand Cayman. Self-insuring offices are based in both San Jose and Sacramento, California. All operations are closely linked with an EDP set-up.

It's people, however, that make a big difference—and primarily guiding Homeland's capable staff in these operations are four executives with rich backgrounds: **David S. Williams**, founder, chairman and president of Homeland Companies—3 decades property & casualty experience, most in key executive positions. Considered a "pioneer" and nationwide authority in the captive field. **Michael G. Herberger**, executive vice president and C.O.O. of Homeland Industrial Corp.—with over 2 decades experience as a claims executive and a vice president of corporate services for a large firm, he has been in charge of self-insurance and captive services virtually since the founding of Homeland; **Carl F. Armato**, vice president—special risks, Homeland Industrial Corp.—2 decades experience commercial lines underwriting and marketing before joining Homeland 2½ years ago to market captive programs. **John E. Darwood** of Bermuda, managing director of Homeland off-shore operatioins—3 decades in marine, aviation, and life and health underwriting as well as captive management. As the first Superintendent of Insurance in Cayman Islands, he served 3 years directing the burgeoning offshore captive insurance business, prior to joining Homeland 1½ years ago.

For more information, contact Homeland at the San Jose address below.

David S. Williams

Michael G. Herberger

Carl F. Armato

John E. Darwood

HOMELAND COMPANIES
HOMELAND GENERAL CORPORATION
HOMELAND INSURANCE COMPANY
HOMELAND INDUSTRIAL CORPORATION
HOMELAND INSURANCE MANAGEMENT (CAYMAN) LTD.
HOMELAND INTERNATIONAL MANAGEMENT (BERMUDA) LTD.
Corporate Headquarters:
4050 Moorpark Ave., San Jose, CA 95117
1926 West Orangewood, Orange, CA 92668 · 7919 Folsom Blvd., Sacramento, CA 92586

New Colorado commissioner still studying captive issues

By STEVE TARAVELLA

DENVER—Captive managers and others are waiting to see how willing Colorado's new insurance commissioner will be to make the state's captive insurance law more attractive to businesses and associations.

John Kezer, who officially took office in February, has some big shoes to fill.

J. Richard Barnes, who retired in early 1984 after serving 20 years as insurance commissioner, is generally heralded as the champion of captive insurance companies. It was under Mr. Barnes' tenure that Colorado became the first U.S. captive domicile 13 years ago.

Mr. Barnes is currently working for the Church of Jesus Christ of Latter-Day Saints in Frankfurt, West Germany.

Mr. Kezer, the state's first elected insurance commissioner, served as acting interim commissioner for 10 months before his election, following Daniel Colaiannia's brief term in that position (*BI* Feb. 13, 1984). Mr. Kezer, who also is an attorney, previously was director of the state's Department of Employment and Training.

Mr. Kezer hasn't even had time yet to read the captive law, but he says he will study it this summer. And, he says he will be receptive to considering any changes in the law that captive managers or others might suggest.

"He's had important things to deal with almost since he's arrived," observes Joseph H. Thibodeau, a Denver attorney who specializes in tax issues affecting captives.

"When you have a policy question and fires to put out, you put the fires out first," Mr. Thibodeau explains.

Captive managers say that they have not yet met officially with Mr. Kezer but that they would like to do so in coming months to propose certain changes in the state's captive law.

For example, some would like Colorado to drop its requirement that companies prove that coverage is not available at a reasonable price in the commercial market before a captive insurer can be established.

Mr. Kezer says he would like to see Denver regarded as a financial services center, where various business interests, including captive insurers, could thrive professionally.

But making it easier for entities to form captives might not be an answer, he reasons, because it could result in less protection for policyholders.

Mr. Colaiannia, now deputy commissioner, says, "I personally would resist any changes to make Colorado more competitive with Vermont."

Similarly, Mr. Kezer takes pride in the strictness of Colorado's captive laws, saying they offer a more stable alternative to simple self-insurance. If the tightening commercial insurance market forces some businesses to consider self-insurance, he would prefer they turn to captives instead.

Despite his lack of knowledge about captives, Mr. Kezer seems already to have won the respect and support of several captive managers and other who work with captives.

They describe him as conscientious, dedicated, and "a go-getter with all the right things to make it work."

He is inexperienced in complex insurance matters, they say, but he is learning quickly.

Thomas Littell, president of Risk & Benefit Management Systems Inc. in nearby Aurora, says Mr. Kezer will represent "a good change for Colorado."

Mr. Kezer is more sensitive than was Mr. Colaiannia to the benefits captives can bring to the state's economy, Mr. Littell observes.

"I think he'll be a good man to fill in for Barnes," concurs Richard A. Johnson, vp at M&M Insurance Management Services Inc., part of Marsh & McLennan Cos. Inc.

"I've found him to be an extremely lucid, open-minded and receptive regulator," notes Mr. Thibodeau. "He's one with whom you can work."

However, other observers believe that the Insurance Department in general is growing weary of captive issues.

"I don't think they're really encouraging growth. They're so busy with other things that it's just not a priority," notes Arnold Goldstein, assistant vp at Anistics Inc., a subsidiary of Alexander & Alexander Services Inc.

One manager, who asked that his name not be used, says: "I think they wish the issue would just go away." ■

Colorado captive managers diversify to add to revenue

By STEVE TARAVELLA

colorado

DENVER—As the growth of captive insurance companies slows in Colorado, captive managers are turning to other lines of business to augment their revenues.

For example, Risk & Benefit Management Systems Inc. in Aurora has served as a consultant on various insurance and risk management projects over the past few years and administered self-funded workers compensation programs, notes President Thomas G. Littell.

RBMS currently manages workers compensation claims for Colorado Ute Electric Assn. Inc. in Montrose, Colo., and is seeking additional self-insured claims administration clients, Mr. Littell says.

RBMS, a subsidiary of Bayly, Martin & Fay International Inc., generated gross revenues of $350,000 last year, about $52,500 of which came from the administration of self-insured programs and other non-captive activities.

Currently, RBMS manages only two active captives. Two captives it formerly managed—ARMS Insurance Co., a captive of Amfac Inc. of Honolulu, and Tyler Insurance Group Inc., a captive of Tyler Corp. in Dallas—were dissolved in 1984. Combined, those two captives had paid RBMS more than $40,000 in management fees in 1983.

Two other RBMS-managed captives are now inactive. They are Constance Insurance Co., a captive of Crawford Fitting Co. in Cleveland, and GarDen Insurance Co., owned by Elixir Industries Inc. in Gardena, Calif. Elixir has moved the risks underwritten in Colorado to its Vermont captive.

Anistics Inc., a unit of broker Alexander & Alexander Services Inc., has taken on two captive clients in Vermont, which will be managed out of its Aurora office.

"Between the five captives, business is viable. If it were just the three here, I don't know what we'd do," says Arnold Goldstein, assistant vp.

Two of the three captives it currently manages in Colorado are inactive. Also, the management of a fourth captive—Greenway Insurance Co., a captive of Lifemark Corp.—was transferred to Frank B. Hall Management Co. after Lifemark merged with American Medical International Inc.

American Medical's captive, Denver Insurance Co., already was managed by Hall. Denver Insurance continues to write malpractice insurance on a claims-made basis while Greenway's was written on an occurrence basis. AMI is now evaluating the captives.

The two Vermont captives Anistics manages are handled in conjunction with Yankee Captive Management Inc. Mr. Goldstein says Anistics may also pick up the management of another Vermont captive.

Frank B. Hall Management Co., the largest captive manager in Colorado, also manages a self-insured pool for school districts. The Colorado School District Self-Insurance Pool includes 50 districts that self-insure general liability, auto liability, auto physical damage, property and some inland marine exposures. Hall will not say how much revenue this business generates.

Frank B. Hall manages 10 captives, two of which are inactive.

M&M Insurance Management Services Inc. in Denver now does some accounting for Distributors Insurance Co., a Tennessee captive of the Tennessee Public Power Assn., says M&M Vp Richard A. Johnson.

In 1984, one of the six captive M&M Insurance Management managed—Financial Services Insurance Co., owned by Allis Chalmers Corp. in Milwaukee—was dissolved. Another M&M-managed captive—Columbine Casualty Co.—is inactive. Columbine is owned by Tenneco Inc. in Houston.

Mr. Johnson says M&M Insurance Management is operating in the black, although "it's not a real big money-making operation."

He says M&M Insurance Management hasn't branched out beyond captives, but it would consider such tasks as managing a self-insurance plan. M&M Insurance Management took in $225,000 in gross revenues last year. ■

If you want someone who speaks your language,

Speak English.

English & Associates, we mean. We're the settlement annuity experts who know how to help you. See, we've been behind your desk, dealing with those stacks of claims that never seem to get smaller. We know how much structured settlements will make your job—and your life—easier. From claims as small as $10,000 to those as large as millions, we can put together plans that will save you money and get those files off your desk and on the closed file list. We even have a unique service called Damage Analysis that establishes the true worth of catastrophic claims.

All this help is yours for the asking. Call us. We think you'll be convinced that in structured settlements, speaking English is a necessity.

English & Associates, Inc.
Settlement Annuity Specialists

LOS ANGELES AREA (714) 643-2144 (800) 824-9090 (CA)
NO. CALIF. AREA (415) 631-0610
NEW JERSEY (609) 596-8585
CHICAGO (312) 399-2051
DALLAS (214) 934-8208 (800) 228-7193 (USA)

WE'RE TAKING NAMES!

That's right. We're taking the names of progressive insurance agency and brokerage executives who want to have the competitive edge that will improve their agency's profits. If you're one of those executives who has been looking for a *total* solution to your automation and profit needs, look no further.

Delphi Systems, Inc., the leader in insurance agency automation systems, can give your agency the competitive edge to survive in the coming years.

Maybe you think we're like all the other automation vendors. We're not!

Here's why:

- Delphi has led the way in technology and set the standard for insurance agency automation.
- Delphi has successfully automated more types and sizes of Agencies, MGA's and Brokerages than any of our competitors.
- Delphi systems process more property and casualty premium dollars than any other system on the market.

These are just a few of the reasons why Delphi is superior to any other automation vendor. Satisfy your intellectual curiosity about our total automation solution. Take a minute and call us toll-free 1-800-251-7385. Inside California, call 1-800-325-9450. We'd like to talk to you.

Delphi Systems, Inc.
31416 West Agoura Road
Westlake Village, CA 91361

DELPHI SYSTEMS INCORPORATED

We insure your success

Tennessee's captive growth stagnates

tennessee

By STEVE SHERWOOD

NASHVILLE, Tenn.—Tennessee's hoped-for explosion as a domestic captive domicile is not materializing.

No new captives have been formed in Tennessee since early 1984—leaving the total at seven—and there's a possibility that one captive may be shuttered this year.

In reaction to this lack of captive activity in the state, the Tennessee Insurance Department last year combined its captive insurance company division with its examination section.

"It's an orphan," Chief Examiner M.T. McCullough says of the captive divison, which his division inherited. "Captives died on the vine."

"The captive market has been dormant, and there is no need for a separate division," explains Bill Hosea, director of the Tennessee department.

"Still, rates are heading back up and the availability of insurance is strained, so we may soon have some activity."

The department originally had hoped Tennessee's 1979 captive law, amended in 1982 to give pure captives more freedom to invest their assets, would make the state an attractive captive domicile and justify the need for a separate division.

However, Tennessee has not drawn captives in hoped-for numbers.

And, there soon may be only six—instead of seven—captives in Tennessee when United States Security Insurance Co., a captive owned by Methodist Health Systems, is acquired by its own subsidiary, United States Security Fire & Casualty Co., which underwrites third-party risks.

"We plan shortly to merge our captive with our fire and casualty company and seek admission in the states where we're now doing business," says Buddy Nichols, president of United States Security of Memphis.

Last year Security Fire & Casualty wrote $6 million in direct premiums for 165 hospitals not owned by Methodist Health Systems in Tennessee, Arkansas, Georgia, Texas, Mississippi, Kentucky and West Virginia.

The commercial insurer was formed to make the captive a profit center, Mr. Nichols explains. But, its growth now dwarfs its parent's. The captive, has an annual direct written premium volume of about $1.5 million.

"I support the concept of captives very strongly, but for our needs it is no longer practical," Mr. Nichols says.

Mr. Nichols predicts a resurgence in Tennessee captives within the next few years as the market hardens. But, he says, reinsurance is in "absolutely the worst market condition in anyone's history," which makes it difficult for the captive to find affordable excess-of-loss reinsurance.

"The insurers said they weren't charging enough before," he comments.

This year, United States Security was forced to pay a premium increase of 400% for its reinsurance with half the limits of its previous policy. Mr. Nichols would not comment on the captive's retention or the amount of reinsurance it purchases, except to say it retains very little.

Another Tennessee captive, Financial Guarantee Insurance Co. of Chattanooga, owned by the State Credit Union Share Insurance Co., was formed specifically to gain access to the reinsurance market for its parent.

"It is dormant now—capitalized and sitting still," says Tom Gaines, president of SCUSI.

"It's there if it becomes necessary for us to obtain reinsurance for SCUSI, which insures depositors in credit unions. We haven't used it yet."

On the other hand, Hospital Corp. of America's captive, Parthenon Insurance Co., is very active. Tennessee's largest captive and the second-largest property/casualty insurer in the state, Parthenon reported a 1984 direct written premium volume of $60 million, an increase of 23% over 1983's $46 million.

Mr. Reeves

Parthenon, which employs 45 people and is about to become fully computerized, writes workers compensation, property, medical malpractice and professional liability coverages for HCA hospitals and other hospitals, says Robert A. Reeves, president of Parthenon and president of HCA's Health Services Group.

A sister captive in Bermuda, Parthenon Insurance Co. Ltd., writes coverage for hospitals in Australia, Brazil, the United Kingdom, Panama and Saudi Arabia.

Mr. Reeves is optimistic about the future for captives in Tennessee.

"I see a definite upturn," he says, "World insurance capacity has shrunk by about 50%. With increasing prices, alternatives like captives and self-insurance become attractive.

"I expect to see more single-parent and association captives form in Tennessee."

Parthenon itself is growing quickly through acquisitions. Last August, the captive purchased Hill Richards & Co. of Orlando, Fla., one of the largest processers of workers compensation and health care claims in the country, Mr. Reeves says.

And, it recently agreed to buy New Century Life Insurance Co. of Burbank, Calif., which operates in 34 states, from E.F. Hutton Group Inc.

Distributors Insurance Co., owned by the 160 members of the Tennessee Valley Public Power Assn., also saw growth in 1984 as its number of policyholders increased in its first year of operation to 43 from five.

The company reported about $1 million in direct written premium last year.

Distributors writes several types of coverage, including workers compensation, property, general liability and umbrella policies and a variety of unusual or hard-to-get coverages including environmental impairment liability and illegal termination of service liability coverages.

"One reason we were organized in the first place was to provide our members with broader coverages," says Dennis Yocum, Distributors' secretary/treasurer. "Some of the utilities couldn't get insurance of any kind, and what they could get was high-priced.

"We can go to $25 million on the umbrella, which is enough for all but the biggest systems," he says. "While the market increases around us, we continue to be very competitive."

Mr. Yocum also is optimistic about the future.

"We're having two to three utilities a month come to us for coverage. In one case, we under-bid the incumbent insurer by $120,000," he says.

"We see the utilities as individuals, and we rate them that way," Mr. Yocum notes.

Other Tennessee captives include:

- Financial Services Insurance Co., owned by Allis Chalmers Credit Corp. and managed by broker Corroon & Black, with about $6.4 million in premiums for 1984.
- Hospital Underwiting Group, a captive owned by a group of several hospitals with about $10 million in premiums.
- Pinkerton Insurance Co. Inc., owned by Pinkerton's Inc. and managed by American Risk Management Inc., a Reiss Organization affiliate.

Changes in the state's captive insurance company law in 1982—made in a move to stay competitive with Vermont's liberal captive law—gives single-parent captives the freedom to underwrite all commercial property/casualty lines and simplified reporting and filing requirements.

Tennessee requires a minimum of $1 million capital and surplus for association captives and $750,000 for single-parent captives. It also requires minimum premium volumes of $1 million for association captives and $500,000 for single-parent captives.

The state charges a $500 application review fee before licensing a captive and a $100 annual renewal fee.

The captives also pay a state tax of 1% of gross premium volume annually.

Single-parent captives file yearly reports including a signature page, the captive's name and address, a balance sheet and income statements.

Associations captives, which are more closely controlled, are required to file the standard 60-page National Assn. of Insurance Commissioners reporting blank filed by all insurers. ■

Could your employee benefit plans be more cost effective?

The *EBPR Research Reports* can help. This weekly loose-leaf service concentrates on plan design and administration, using numerous examples of actual plans in operation. Find out how your benefit operation can be more cost efficient—read the *EBPR Research Reports.*

Just send us the coupon at right to receive more information about the comprehensive services available in the *EBPR Research Reports.*

Charles D. Spencer & Associates, Inc.
222 W. Adams Street
Chicago, IL 60606 BI

Please send me information about the EBPR Research Reports

Name _____
Title _____
Company _____
Address _____
City _____

From The Reprint Department Of:
business insurance
Reporting weekly for corporate risk, employee benefit and financial executives

Do you need to distribute copies of articles appearing in Business Insurance at your meetings or for your mailings?

Business Insurance has expanded its reprint department to meet your needs.

For fast, low cost* reprints of articles appearing in Business Insurance, or to obtain reprint permission for your own copies, call or write:

Reprint Department
Business Insurnace
220 E. 42nd St.
New York, N.Y. 10017
212-210-0229

*New prices effective 1/1/85

Delaware's first captive could be set up this year

By JERRY GEISEL

delaware

DOVER, Del.—The first captive insurance companies in Delaware could be set up later this year.

According to Insurance Commissioner David Levinson, several major Delaware employers are interested in setting up captives in the state.

But, companies that want to establish captives in Delaware will have to wait for the Insurance Department to publish rules implementing the state's 1984 captive insurance law.

Those rules are expected to be published by this fall, after hearings are held, according to Mr. Levinson.

The Delaware captive law is patterned after Vermont's 1981 statute, but it differs in one key way: Only employers whose principal place of business is Delaware are allowed to set up captives in the state.

Mr. Levinson is aware that limitation will cut the number of potential captives.

"We don't want employers to set up (captive) insurance companies just to take advantage of our insurance law without contributing anything to our state," he explained.

The capitalization requirements under the Delaware statute are the same as in Vermont: $250,000 for a pure or single-parent captive; $500,000 for an industrial insured; and $750,000 for an association captive. An industrial insured captive is an insurance program formed by several companies.

In addition, no prior approval is required on rates and forms. A 1% tax is imposed on direct insurance written by captives.

Mr. Levinson said it is too soon to predict how many employers will decide to charter captives, but he believes Delaware has the necessary ingredients to be an attractive captive domicile.

"We think Delaware is the best state in the union in terms of corporate atmosphere," Mr. Levinson said, citing, among other things, the accessibility of state officials and their willingness to meet with corporate executives.

Mr. Levinson stresses that he supports the captive law. By contrast, David Elliott, the previous commissioner who was defeated by Mr. Levinson last year, took no public position when the captive bill was winding its way through the Legislature last year (*BI*, July 23, 1984).

The drive to pass a captive statute began last year when the U.S. Congress enacted the Deficit Reduction Act, which increases the U.S. taxes due on the income of some offshore captives.

"We saw the changes that the tax law was going to make," said Gerard Cain, a government relations specialist at Wilmington-based Hercules Inc., a backer of the captive legislation. "We wanted companies to have an alternative," he added.

DEFRA recharacterizes certain types of foreign source income as U.S. source income, reducing the use of any excess foreign tax credits the parent company has to offset the taxes due on the offshore captive's income related to U.S. risks.

Previously, income of an offshore captive related to the insurance of U.S. risks was considered foreign source income and was reported as Subpart F income on the parent company's tax return.

If the parent company had excess foreign tax credits created by paying a higher tax rate, these excess foreign tax credits could have been used to offset the U.S. tax due on untaxed foreign source income of the captive.

In addition, the insurance of foreign-based risks related to the parent company now is taxable in the current year and is reported as Subpart F income.

However, foreign tax credits can be used to offset the U.S. tax due on this income.

Because of expensive transfer costs, Hercules' Mr. Cain said Delaware companies with offshore captives may not bring their captives home.

The statute will be attractive, though, for companies establishing captives for the first time. ■

The bigger the claim, the more you need to

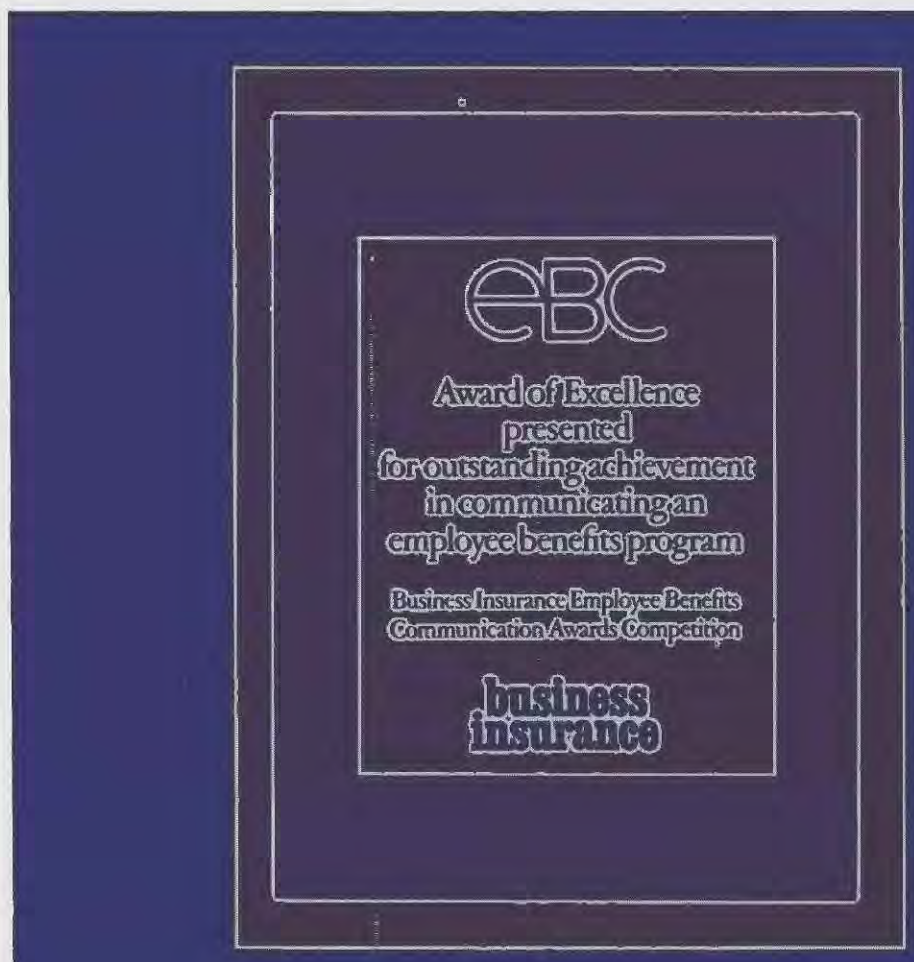
Speak English.

English & Associates, of course. The settlement annuity company with Damage Analysis, a unique service that establishes the true worth of catastrophic claims.

The idea is to give you a complete breakdown of the projected damages. Then, we show you how spreading the claim dollars over the lifetime of the claimant can save you money. We'll then assist you in purchasing an annuity to pay those dollars. Damage Analysis is only one way we can help make your job easier. As former claims managers, we know that structured settlements can work for you in many of the toughest situations you face. So, give us a call. We'll show you how English speaks your language.

English & Associates, Inc.
Settlement Annuity Specialists

LOS ANGELES AREA (714) 643-2144 (800) 824-9090 (CA)
NO. CALIF. AREA (415) 631-0610
NEW JERSEY (609) 596-8535
CHICAGO (312) 399-2051
DALLAS (214) 934-8208 (800) 228-7193 (USA)



The 13th Annual EMPLOYEE BENEFITS COMMUNICATION AWARDS will be presented on August 5th during the Business Insurance *"Communicating Benefits"* Conference in New York City.

A panel of benefit managers, directors of communication and advertising specialists will select winners from five different categories of programs.

The Competition is open to all companies in the U.S. and Canada and has no restrictions as to the size of the company.

Entries will be accepted beginning April 15th. No entry will be accepted after May 20th.

To obtain rules and entry forms call Ann Vazquez, Communication Services Department, Business Insurance, 212/210-0137.

business insurance
a publication of Crain Communications Inc.

EBC Awards/Business Insurance
Communications Services Dept., 220 E 42nd Street, New York, N.Y. 10017

Continued from preceding page
investment management.

Staff: Seven total staff; three professional staff members. Professional designations held by staff, three CPAs.

Clients: 21 clients; 25% with under $1 million in premiums, 65% $1 million-$3 million, 5% $11-$20 million; 5% exceeding $20 million. Total premium volume of captives managed, $75 million. No minimum size client.

Subsidiaries: Argus Management Services Ltd., Bermuda; Argus-Conning (Bermuda) Ltd., Bermuda; Data Communications Ltd., Bermuda.

Compensation: Annual fee; time and expense, professional $75-$140 per hour, clerical $35-$50 per hour.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 90%; other services, 10%.

Principal officers: E.J. Sainsbury, managing director.

Atlantic Management Services Ltd.

Kenwood Building, P.O. Box HM 2064, Washington Lane, Hamilton 5, Bermuda; 809-295-3073

Year founded: 1976.

Services provided: Captive feasibility studies, captive formation, government reporting, accounting, manual claims processing, reinsurance brokered for captives, specialized accounting services for associations, onshore services for associations.

Staff: Five total staff; one professional staff member who holds a CA designation.

Clients: Five clients; 50% with under $1 million in premiums, 50% $1 million-$3 million. Total premium volume of captives managed, $7 million. Minimum size client, $500,000 premium volume.

Compensation: Minimum annual fee, $10,000; commissions for reinsurance brokered.

1984 gross revenues: $170,000. Gross revenues generated from fees charged for captive management, 60%; commissions charged for brokering insurance and/or reinsurance, 35%; other services, 5%.

Principal officers: Richard C. Morauer, president; Anthony J. Hicks, executive vp; David Alexander, controller.

Atlantic Security Ltd.

Kitson Building, Reid St., P.O. Box 2078, Hamilton 5, Bermuda; 809-292-7801/295-5425

Year founded: 1974.

Services provided: Frequent computerized accounting, specialized accounting services for associations; occasional captive feasibility studies, captive formation, government reporting, accounting, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, investment management, services for associations; funding programs.

Clients: Nine clients; 30% with under $1 million in premiums, 40% $1 million-$3 million; 30% $4 million-$10 million. Total premium volume of captives managed, $17 million. Minimum size client, $500,000 premium volume.

Compensation: Minimum annual fee, $15,000; commissions for reinsurance brokered; time and expense, professional $200 per hour, clerical $50 per hour.

1984 gross revenues: Not reported.

Principal officers: Hal Forkush, president; Colin James, vp; Willie Wanklyn, treaty consultant.

b

B.F. & M. Management Ltd.

Pitt's Bay Road, P.O. Box HM 1007, Hamilton 5, Bermuda; 809-295-5566

Year founded: 1969.

Parent company: Bermuda Fire & Marine Insurance Co. Ltd.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, claims reserves analysis, reinsurance brokered for captives, underwriting and ratemaking for captives, investment management, specialized accounting services for associations; occasional captive feasibility studies, manual claims processing, loss forecasting.

Staff: Five total staff; three professional staff members. Professional designations held by staff include one CPA, one MBA.

Clients: 20 clients.

Compensation: Annual fee.

1984 gross revenues: Not reported.

Principal officers: C. Rance, managing director; W. Allen Taft, general manager, J.A. Wilkins, treasurer.

BPC (Cayman) Underwriting Management Ltd.

P.O. Box 1571, Elizabethan Square, Grand Cayman, B.W.I.; 809-949-5422

Year founded: 1983.

Parent company: BPC (Cayman) Reinsurance Co. Ltd.

Services provided: Frequent captive feasibility studies, government reporting, computerized accounting, computerized claims processing, underwriting and ratemaking for captives; occasional captive formation, manual claims processing, claims reserves analysis, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, specialized accounting services for associations, onshore services for associations.

Staff: Five total staff; one professional staff member who is an attorney.

Clients: Three clients; 100% with under $1 million in premiums. Total premium volume of captives managed, $1.7 million. Minimum size client, $500,000 premium volume.

Compensation: Minimum annual fee, $7,000.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 90%; commissions charged for brokering insurance and/or reinsurance, 10%.

Principal officers: Thomas A. Cockrell, president; Lloyd E. Disney, treasurer; Philip R. Hinderberger, secretary; Winnie Chung, resident manager/assistant secretary.

B.R.I. International Agency Inc.

156 William St., New York, N.Y. 10038; 212-233-7171

Year founded: 1981.

Parent company: B.R.I. Holding Co.

Services provided: Frequent captive feasibility studies, captive formation, manual claims processing, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered for captives, underwriting and ratemaking for captives, underwriting pools (Surety Facility, six participants); occasional accounting, computerized accounting, reinsurance brokered to captives, loss control services.

Staff: Six total staff; four professional staff members. Professional designations held by staff include two CPCUs, one ARM, two MBAs, one FCAS.

Clients: Five clients.

Compensation: Annual fee; commissions for reinsurance brokered.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 95%; commissions charged for brokering insurance and/or reinsurance, 5%.

Principal officers: Donald P. Ferrarini, president; Joseph Zweig, senior vp; Bruno Rumignani, vp.

Becher & Carlson Management Ltd.

Harold Hayes Frith Building, P.O. Box HM 2461, Hamilton 5, Bermuda; 809-295-0519

Year founded: 1981.

Services provided: Captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, claims reserves analysis, actuarial studies, loss forecasting, investment management, specialized accounting services for associations, onshore services for associations.

Staff: Three total staff; two professional staff members. Professional designations held by staff include one CA.

Clients: Eight clients; 12.5% with under $1 million in premiums, 50% $1 million-$3 million, 37.5% $4 million-$10 million.

Affiliates: Becher & Carlson Risk Management Inc. and Becher & Carlson Insurance Services Inc., Westlake Village, Calif.

Compensation: Annual fee.

1984 gross revenues: Not reported.

Principal officers: William E. Becher Jr., chairman; David L. Carlson, president.

Becher & Carlson Management (Vermont)

7 Burlington Square, Suite 600, Burlington, Vt. 05401; 802-658-7831

Year founded: 1982.

Continued on facing page

The information break: five minutes that can make your day pay off.

Keep a step ahead everyday by taking an information break with Dow Jones News/Retrieval®.

News/Retrieval is the surprisingly affordable online financial news resource with exclusive electronic access to *The Wall Street Journal*.

In five minutes or less, News/Retrieval can give you current world, government, industry or company news—just 90 seconds after it appears on the Dow Jones News Service® (the broadtape). Search as far back as six years for selected articles from *The Wall Street Journal*, *Barron's* or the broadtape. Or check stock market activity or current interest and exchange rates.

A brief time-out might turn up a piece of information that could give you or a colleague a competitive edge.

Use News/Retrieval throughout the day to compress hours of time-consuming financial research into minutes. Investigate commercial loan prospects or conditions affecting your client's trust portfolios. Track past and present stock performance through Dow Jones Quotes. Review economic and earnings forecasts or SEC, Merrill Lynch and Standard & Poor's reports.

Best of all, there are no hefty contracts or fees, no communication costs, and no expensive equipment to buy. All you need is a personal computer and modem or a time-sharing terminal. You pay only for your time online.

To learn more about News/Retrieval's benefits for the busy banking executive, call **800-345-8500 Ext. 121.***

Dow Jones News/Retrieval

Keeping you a step ahead.

*Alaska, Hawaii and foreign, call 1-215-789-7008 Ext. 121.

© 1985 Dow Jones & Company, Inc. All rights reserved. Dow Jones News/Retrieval and Dow Jones News Service are registered service marks of Dow Jones & Company, Inc.

Continued from facing page

Services provided: Captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, claims reserves analysis, actuarial studies, loss forecasting, investment management, services for associations.

Staff: One staff member.

Clients: Three clients; 66.7% with $1 million-$3 million in premiums, 33.3% with $4 million-$10 million in premiums.

Affiliates: Becher & Carlson Risk Management Inc. and Becher & Carlson Insurance Services Inc., Westlake Village, Calif.; Becher & Carlson Management Ltd., Hamilton, Bermuda.

Compensation: Annual fee.

1984 gross revenues: Not reported.

Principal officers: William E. Becher Jr., chairman; David L. Carlson, president.

Bott & Associates Ltd.

Cedar Park Centre, Cedar Ave., P.O. Box 1087, Hamilton 5-24, Bermuda; 809-292-6564/295-4083

Year founded: 1979.

Services provided: Frequent government reporting, accounting, computerized accounting, computerized claims processing, reinsurance brokered for captives, specialized accounting services for associations, underwriting, managing captive brokerage agencies; occasional captive feasibility studies, captive formation, manual claims processing, claims reserves analysis, loss forecasting.

Staff: Six total staff; three professional staff members. Professional designations held by staff include one ARM, one ACIS, one ACA, one BSC.

Clients: 13 clients. Total premium volume of captives managed, $22.5 million. Minimum size client, $300,000 in premium volume.

Compensation: Minimum annual fee, $10,000; commissions for reinsurance brokered; time and expense, professional $45-$120 per hour, clerical $10-$35 per hour.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 35%; commissions charged for brokering insurance and/or reinsurance, 10%; other services including underwriting, 55%.

Principal officers: Michael F. Bott, president; Lawrence Dixon, vp-finance; Paul C. Benevides, assistant vp.

British-American Management (Bermuda) Ltd.

c/o British-American Management Ltd., Box N-3005, Nassau, Bahamas; 809-322-2694

Year founded: 1984.

Parent company: British-American Insurance Co. Ltd.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, reinsurance brokered for captives, reinsurance brokered to captives, investment management, tax advice, legal advice, loss control services, specialized accounting services for associations; occasional captive feasibility studies, claims reserves analysis, actuarial studies, loss forecasting, underwriting and ratemaking for captives.

Staff: 57 total staff; 11 professional staff members. Professional designations held by staff include four CPAs, one CPCU, one ARM, four MBAs, two FCASs, one attorney, two GICs.

Clients: Three clients; 67% with under $1 million in premiums, 33% $4 million-$10 million. Total premium volume of captives managed, $11 million. Minimum size client, $500,000 premium volume.

Compensation: Minimum annual fee, $15,000; commissions for reinsurance brokered.

1984 gross revenues: $34,000. Gross revenues generated from fees charged for captive management, 100%.

Principal officers: Peter R. Phillips, president; David L. Watson, vp/assistant secretary; Judy A. Higgs, assistant secretary.

British-American Management (Cayman) Ltd.

P.O. Box 2186, British-American Center, Georgetown, Grand Cayman, B.W.I.; 809-949-5627

Year founded: 1982.

Parent company: British-American Insurance Co. Ltd.

Services provided: Frequent government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, reinsurance brokered for captives, reinsurance brokered to captives, investment management, tax advice, loss-control services, specialized accounting services for associations; occasional captive feasibility studies, captive formation, underwriting and ratemaking for captives.

Staff: Three total staff; two professional staff members. Professional designations held by staff include one CPA, one CPCU, one ARM, one attorney.

Clients: Five clients; 40% with under $1 million in premiums, 60% $1 million-$3 million. Total premium volume of captives managed $13 million. Minimum size client, $500,000 premium volume.

Compensation: Minimum annual fee, $12,000.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 100%.

Principal officers: Michael Taylor, vp/senior operating officer; Bonnie Gomez, secretary/bookkeeper.

British-American Management Ltd.

51 Frederick St., P.O. Box N-3005, Nassau, Bahamas; 809-322-2694

Year founded: 1979.

Parent company: British-American Insurance Co. Ltd.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, reinsurance brokered for captives, investment management, tax advice, legal advice, loss control services, specialized accounting services for associations; occasional captive feasibility studies, claims reserves analysis, actuarial studies, loss forecasting, underwriting and ratemaking for captives.

Staff: 57 total staff; 11 professional staff members. Professional designations held by staff include four CPAs, one CPCU, one ARM, one MBA, two FCASs, one attorney, two GICs.

Clients: Eight clients; 50% with under $1 million in premiums, 12% $1 million-$3 million, 25% $4 million-$10 million, 13% $11 million-$20 million. Total premium volume of captives managed, $32 million. Minimum size client, $500,000 premium volume.

Compensation: Variable annual fee; commissions for reinsurance brokered.

1984 gross revenues: $156,000. Gross revenues generated from fees charged for captive management, 90%; commissions charged for brokering insurance and/or reinsurance, 10%.

Principal officers: Peter R. Phillips, chairman; Judy A. Higgs, vp-company management; David L. Watson, vp-finance.

C

CSI International Underwriting (Cayman) Ltd.

P.O. Box 1392, Tower Building, Grand Cayman, B.W.I.; 809-949-7322

Year founded: 1979.

Parent company: HL Capital Management Corp.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, computerized claims processing, claims reserves analysis, loss forecasting, underwriting and ratemaking for captives, loss control services, specialized accounting services for associations, onshore services for associations; occasional manual claims processing, reinsurance brokered for captives, reinsurance brokered to captives, investment management, tax advice.

Staff: Three total staff; two professional staff members. Professional designations held by staff include one CA.

Clients: 30 clients; 97% with $1 million-$3 million in premiums, 3% $4 million-$10 million. Total premium volume of captives managed, $40 million. Minimum size client, $1 million premium volume.

Subsidiaries: CSI International (Bermuda) Ltd.

Compensation: Minimum annual fee, $15,000.

1984 gross revenues: $400,000. Gross revenues generated from fees charged for captive management, 100%.

Principal officers: William E. Yocke, James E. Little and Douglas H. Helm, directors.

Continued on next page

His legal problem is your productivity problem.

Solve both with LAWPHONE.

Studies indicate that the average American needs legal advice between four and six times each year. However, one-third of the United States population has seen an attorney only once, while another third has never sought professional assistance for their legal problems. The American Bar Association estimates that over 180 million people do not have practical access to the American legal system.

What does this mean to you—the employer? The pressures and anxieties resulting from unresolved legal problems often follow employees to work. Not only will the employee's job performance be affected, but independent studies indicate that stress-related medical conditions can result.

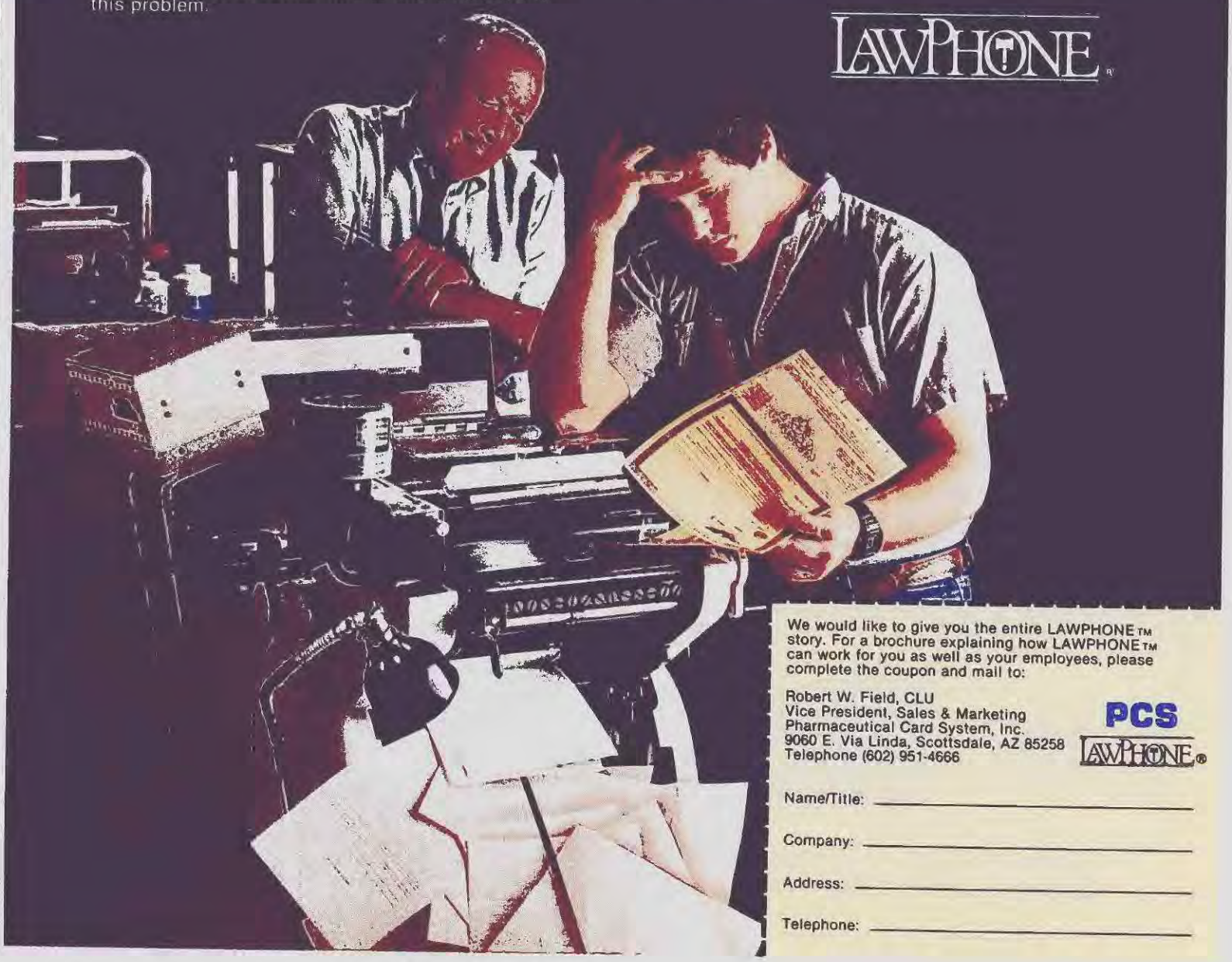
The problem—loss of employee productivity and possible increase in medical expenses. Since increased employee productivity and the soaring costs of health care today are of major concern to industry, you owe it to your bottom line to find a solution to this problem.

LAWPHONE™ is the answer for the following reasons:

1. LAWPHONE™ gives your employees *Unlimited Access To Legal Services* via the telephone. Twelve years of experience has demonstrated that 80-85% of all legal problems can be handled quickly and efficiently in this manner.
2. LAWPHONE™ offers the *Convenience* necessary in obtaining advice to *Prevent* serious problems from arising.
3. LAWPHONE™ *Contains Costs*. By allowing for easy access to an attorney's advice, stress and stress-related medical conditions can be lessened.
4. LAWPHONE™ is a *National* Program.
5. LAWPHONE™ is *Inexpensive*.

PCS, in its tradition of highly visible and inexpensive employee benefits, presents LAWPHONE™, the **FIRST NATIONAL** prepaid legal services program.

LAWPHONE®



We would like to give you the entire LAWPHONE™ story. For a brochure explaining how LAWPHONE™ can work for you as well as your employees, please complete the coupon and mail to:

Robert W. Field, CLU
Vice President, Sales & Marketing
Pharmaceutical Card System, Inc.
9060 E. Via Linda, Scottsdale, AZ 85258
Telephone (602) 951-4666

PCS
LAWPHONE®

Name/Title: _____

Company: _____

Address: _____

Telephone: _____

Continued from preceding page

Capacity Resources Ltd.

415 Bridle Close, Surbiton Road, Kingston-Upon-Thames, Surrey, England; 01-549-5761/283-8732

Year founded: 1980.
Parent company: Stewart Wrightson U.K. Group Ltd.
Services provided: Frequent captive feasibility studies, accounting, computerized accounting, manual claims processing, computerized claims processing, reinsurance brokered for captives, underwriting and ratemaking for captives, loss-control services, specialized accounting services for associations, onshore services for associations; occasional captive formation, government reporting, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered to captives.
Staff: 12 total staff; five professional staff members. Professional designations held by staff include one CII, one ACII, one FCII.
Subsidiaries: Capacity Resources (Gibraltar) Ltd., Gibraltar; Capacity Resources (Isle of Man) Ltd., Isle of Man; Capacity Resources (Channel Islands) Ltd., Channel Islands; Capacity Resources (Bermuda) Ltd., Bermuda.
Compensation: Minimum annual fee, $10,000; commissions for reinsurance brokered.
1984 gross revenues: Not reported.
Principal officers: B.T. Smith, D.A. Petts, P.D. Spall.

Capacity Resources (Bermuda) Ltd.

Washington Mall 1, Reid St., P.O. Box 447, Hamilton 5, Bermuda; 809-292-3146

Year founded: 1981.
Parent company: Capacity Resources Ltd.
Services provided: Frequent captive feasibility studies, accounting, computerized accounting, manual claims processing, computerized claims processing, reinsurance brokered for captives, underwriting and ratemaking for captives, loss-control services, specialized accounting services for associations, onshore services for associations; occasional captive formation, government reporting, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered to captives.
Staff: Three total staff; two professional staff members.
Compensation: Minimum annual fee, $15,000.
Principal officers: F.A.M. Bray.

Capacity Resources (Channel Islands) Ltd.

Suite 3, Tower Hill House, The Bordage, St. Peter Port, Guernsey; 04-812-0049

Year founded: 1981.
Parent company: Capacity Resources Ltd.
Services provided: Frequent captive feasibility studies, accounting, computerized accounting, manual claims processing, computerized claims processing, reinsurance brokered for captives, underwriting and ratemaking for captives, loss-control services, specialized accounting services for associations, onshore services for associations; occasional captive formation, government reporting, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered to captives.
Staff: Six total staff; two professional staff members.
Compensation: Minimum annual fee, $12,000; commissions for reinsurance brokered.
1984 gross revenues: Not reported.
Principal officers: P.E. Ball.

Capacity Resources (Gibraltar) Ltd.

Suite 21, Don House, 30/38 Main St., Gibraltar; 3-507-3037

Year founded: 1981.
Parent company: Capacity Resources Ltd.
Services provided: Frequent captive feasibility studies, accounting, computerized accounting, manual claims processing, computerized claims processing, reinsurance brokered for captives, underwriting and ratemaking for captives, loss-control services, specialized accounting services for associations, onshore services for associations; occasional captive formation, government reporting, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered to captives.
Staff: Three total staff members, all of which are professionals.
Compensation: Minimum annual fee, $10,000; commissions for reinsurance brokered.
1984 gross revenues: Not reported.
Principal officers: J.D. Hassan.

Capacity Resources (Isle of Man) Ltd.

Derby House, Atholl St., Douglas, Isle of Man; 06-242-4141

Year founded: 1981.
Parent company: Capacity Resources Ltd.
Services provided: Frequent captive feasibility studies, accounting, computerized accounting, manual claims processing, computerized claims processing, reinsurance brokered for captives, underwriting and ratemaking for captives, loss-control services, specialized accounting services for associations, onshore services for associations; occasional captive formation, government reporting, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered to captives.
Compensation: Annual fee; commissions for reinsurance brokered.
1984 gross revenues: Not reported.
Principal officers: M.T. Cordwell.

Cedar Hill Management Ltd.

Ground Floor, Global House, Church St., Hamilton 5-24, Bermuda; 809-292-8450

Year founded: 1980.
Parent company: Home Insurance Co.; Hogg Robinson Group; LTV Corp.
Services provided: Frequent government reporting, accounting computerized accounting, manual claims processing, claims reserves analysis, loss forecasting, underwriting and ratemaking for captives, investment management; occasional captive feasibility studies, captive formation, actuarial studies, reinsurance brokered for captives; additional support services provided through affiliated companies.
Staff: Two total staff; one professional staff member who holds ACCA, MA and CPCU designations.
Clients: Three clients; 33.4% with under $1 million in premiums, 33.3% $4 million-$10 million, 33.3% exceeding $20 million. Total premium volume of captives managed, $73 million.
Compensation: Minimum annual fee, $10,000 time and expense, professional $70 per hour, clerical, $30 per hour.
1984 gross revenues: Not reported.
Principal officers F.A. Mina, president; G. Bliss, vp/general manager; D.W.T. Mackenzie and J.I. Cline, vps.

Channel Islands Insurance Consultants Ltd.

P.O. Box 160, Mont Crevelt House, South Quay, St. Sampson's, Guernsey, Channel Islands; 04-814-5564

Year founded: 1982.
Parent company: Insurance Corp. of Ireland.
Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, manual claims processing, claims reserves analysis, loss forecasting, reinsurance brokered to captives, underwriting and ratemaking for captives, tax advice; occasional captive feasibility studies, computerized claims processing.
Staff: 18 total staff members. Professional designations held by staff include two MBAs, two FCAs, one FCII, two ACIIs, two ACIAs.
Compensation: Time and expense.
1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 100%.
Principal officers: Michael J. Savage, director/chief executive; Clive McMinn, company secretary; Peter R. Walpole, technical/underwriting manager; Wendy Ozanne, chief administrative officer.

Continental Risk Services Ltd.

Continental Insurance Building, P.O. Box HM 824, Hamilton 5, Bermuda; 809-295-6015

Year founded: 1981.
Parent company: The Continental Corp.
Services provided: Frequent captive formation, government reporting, computerized accounting, manual claims processing, computerized claims processing, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives; occasional captive feasibility studies. Services available through subsidiaries include claims reserves analysis, actuarial studies, loss forecasting, loss-control services.
Staff: 13 total staff; three professional staff members. Professional designations held by staff include three CAs.
Clients: 19 clients; 37% with under $1 million in premiums, 21% $1 million-$3 million, 26% with $4 million-$10 million, 16% exceeding $20 million.
Compensation: Annual fee; time and expense.
1984 gross revenues: Not reported.
Principal officers: William H. Bolinder, chairman; David B. Vaughan, president; Graeme M. Harper, vp/treasurer; Ellen M. Johnson, assistant vp; Anita Weinberger, controller.

Corroon & Black (Cayman) Ltd.

West Wind Building, P.O. Box 878, Grand Cayman, Cayman Islands, B.W.I.; 809-949-5466

Year founded: 1980.
Parent company: Corroon & Black (Bermuda) Ltd.
Services provided: Frequent government reporting, accounting, computerized accounting, investment management; occasional captive feasibility studies, captive formation, claims reserves analysis, actuarial studies, loss forecasting.
Staff: Three total staff; two professional staff members. Professional designations held by staff include one CPA.
Clients: 11 clients; 64% with under $1 million in premiums, 36% $1 million-$3 million. Total premium volume of captives managed, $7.5 million. No minimum size client.
Compensation: Annual fee.
1984 gross revenues: $126,000. Gross revenues generated from fees charged for captive management, 100%.
Principal officers: Timothy B. Carr, president; John E. Smith and J. William Rewalt, vps.

Editors note: At press time for the directory, negotiations were pending for Homeland Insurance Cos. Group to acquire Corroon & Black Corp.'s Bermuda and Cayman captive management business. Corroon & Black (Bermuda) Ltd. did not return a questionnaire for listing in the directory.

e

Ebasco Risk Management Consultants Inc.

Two World Trade Center, New York, N.Y. 10048; 212-839-1334

Year founded: 1905.
Parent company: Ebasco Services Inc.
Services provided: Frequent captive feasibility studies, captive formation, accounting, computerized accounting, manual claims processing, computerized claims processing, claims reserves analysis, loss forecasting, underwriting and ratemaking for captives, specialized accounting services for associations, onshore services for associations; occasional government reporting, actuarial studies, investment management, loss control services.
Staff: 50 total staff; 41 professional staff members. Professional designations held by staff include six CPCUs, five ARMs, six MBAs, two attorneys.
Clients: Nine clients; 80% with $1 million-$3 million in premiums, 20% $4 million-$10 million.
Subsidiaries: Associated Company Management of Ebasco Ltd., Hamilton, Bermuda; Associated Company Management of Ebasco (Cayman) Ltd., Cayman Islands, B.W.I.
Compensation: Annual fee; time and expense.
1984 gross revenues: $1.3 million. Gross revenues generated from fees charged for captive management, 90%; commissions charged for brokering insurance and/or reinsurance, 10%.
Principal officers: Bruce H. Suter, president; Donald R. Cook, senior vp; William J. Collins, vp; E. Arnold Powell, director-marketing; Robert M. Bieber, director-client services.

European Risk Management Ltd. (The Reiss Organization)

31/33 Monument Hill, Weybridge, Surrey, England, KT 13 8RS; 09-325-4711

Year founded: 1969.
Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, underwriting pools (affiliated companies), loss control services (Weybridge, England), specialized accounting services for associations, onshore services for associations, risk management and consulting services, infrared thermographic surveys.
Staff: 29 total staff; 21 professional staff members. Professional designations held by staff include seven ACIIs, six PLCS.
Clients: Five captives managed; also provides services to 36 clients of The Reiss Organization.
Affiliates: American Risk Management Inc., Cleveland and Fort Lee, N.J.; International Risk Management Ltd., Hamilton, Bermuda; Transnational Risk Management Ltd., Georgetown, Grand Cayman, B.W.I.; Universal Management Ltd., Shannon, Ireland; Transnational Ltd., St. Peter Port, Guernsey; Transnational Risk Management (IOM) Ltd., Isle of Man. Loss-control service offices in Cleveland and Youngstown, Ohio; Bridgewater, N.J.; Louisville, Ky.; Chicago; Minneapolis; Burlingame, Calif.; Atlanta; Seattle; Southfield, Mich.; Dallas; Nashville, Tenn.; Kansas City, Mo.; Toronto.
Compensation: Time and expense, professional $75-$250 per hour, including clerical services.
1984 gross revenues: Not reported.
Principal officers: Fred M. Reiss, chairman/chief executive officer; Arthur H. Deters, chief operating officer/member-group executive committee; Alan E. Chilvers, Bryan D. Murphy, William F. Nehls, John J. Ryan, William F. Sennett, MacVicker Snow and Donald J. Westmoreland, members-group executive committee.

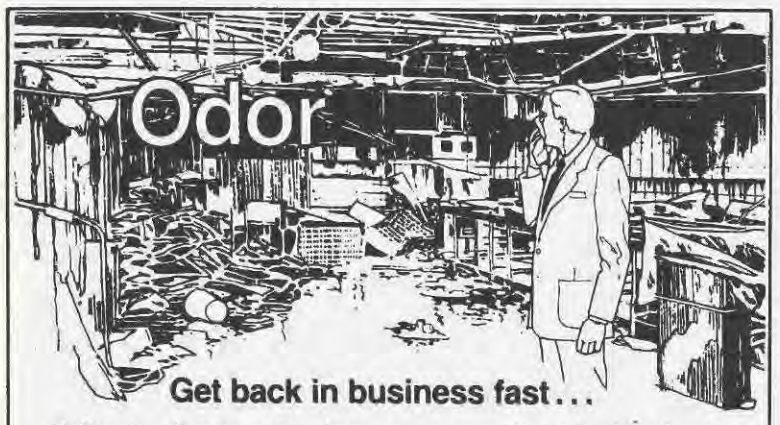
f

Fairway (Captive Services) Ltd.

P.O. Box HM 2261, 73 Front St., Hamilton 5, Bermuda; 809-295-8473

Year founded: 1982.

Continued on facing page



Get back in business fast . . .

Following fire or water damage, you won't get back to business as usual until the telltale odor is gone. Smoke, mildew, decaying debris — BMS CAT has helped overcome the foulest of odor problems. Imagine a food processing company's automated freezer coated with melted plastic and chicken parts. Or how about a hotel's kitchen flooded with salt water?

You get the idea. We have helped all kinds of businesses get rid of all kinds of odors. Fast. From office towers to aerobic exercise clubs, our proven deodorization techniques have helped building owners/managers from coast to coast.

When you need to get rid of odor fast, call BMS CAT. We can start emergency deodorization procedures within hours. To find out more call for the free brochure "Meeting the Challenge." It describes all 14 of BMS CAT's services for building owners/managers nationwide.

Call toll-free
800-433-2940
In Texas 817-926-5296
In Canada 519-886-7909

Blackmon Mooring Steamatic Catastrophe, Inc.

Look for our booth at the RIMS Conference in New Orleans, La.

STOP

THIS IS THE PLACE FOR LONG-TERM AUTO LEASING INSURANCE.

Be sure. Take advantage of our extensive experience with this difficult-to-place business. Designed specifically for the automobile leasing/rental industry, our program saves you time, cuts your costs, satisfies your customers. We do the work, you get the credit!

- Lessors Excess Liability • Primary Physical Damage
- Lessors Contingent Liability • Primary Liability Coverages
- Contingent Physical Damage • Interim Car Coverages
- Residual Value Insurance

HRI

We invite your inquiry and your business. Write or call **Ron Ruane.**

PAIGE-RUANE, INC. INSURANCE
The Irwin Building
460 N. Gulph Road
King of Prussia, PA 19406
(215) 265-4170

Physical Damage by
Motors Insurance
The Insurance People from General Motors

Continued from facing page

Parent company: Dana Corp.

Services provided: Frequent government reporting, accounting, manual claims processing, computerized claims processing, claims reserves analysis, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, investment management, loss control services (Dana Risk Management, Maumee, Ohio); occasional captive feasibility studies, captive formation, computerized accounting, services for associations.

Staff: 20 total staff; 11 professional staff members. Professional designations held by staff include two CPAs, four CPCUs, one ARM, three MBAs, one attorney.

Clients: Nine clients; 55.55% with under $1 million in premiums, 22.22% $1 million-$3 million; 22.23% $4 million-$10 million. Total premium volume of captives managed, $19.75 million.

Compensation: Minimum annual fee, $10,000; time and expense, professional from $70 per hour, clerical from $30 per hour.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 97%; commissions charged for brokering insurance and/or reinsurance, 3%.

Principal officers: Carl R. Pingle, president; Norman J. Doree and Colin J. Davidson, vps; James L. Freels, treasurer; George Neilson, manager.

Finsbury Management Services Ltd.

21 Don House, 30/38 Main St., Gibraltar; 3-507-3437

Year founded: 1984.

Services provided: Frequent government reporting, accounting, manual claims processing, investment management; occasional captive feasibility studies, captive formation, claims reserves analysis, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, specialized accounting services for associations.

Staff: Five total staff; two professional staff members.

Clients: Four clients; 100% with under $1 million in premium volume. Total premium volume of captives managed, $2 million. Minimum size client, $200,000 premium volume.

Subsidiaries: Finsbury Trust Corp. Ltd., Finsbury Trustees Ltd., Finsbury Holdings Ltd., Finsbury Secretaries Ltd. and Finsbury Nominees Ltd., Gibralter.

Compensation: Minimum annual fee, $7,000; commissions for reinsurance brokered; time and expense, professional $30 per hour, clerical $15 per hour.

1984 gross revenues: $40,000 (four months). Gross revenues generated from fees charged for captive management, 60%; commissions charged for brokering insurance and/or reinsurance, 2%; other services including providing management, trust and secretarial services, 38%.

Principal officers: James David Hassan, Desmond Roger Reoch.

g

Arthur J. Gallagher & Co. (Bermuda) Ltd.

P.O. Box HM 2000, Perry Building, Church St., Hamilton, Bermuda; 809-292-4654

Year founded: 1972.

Parent company: Arthur J. Gallagher & Co.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, manual claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, investment management, tax and legal advice (as it affects Bermuda), loss-control services (Rolling Meadows, Ill.), specialized accounting services for associations, onshore services for associations.

Staff: Five total staff members. Professional designations held by staff include one FCA, one ACII.

Clients: Five clients; 80% with under $1 million in premiums, 20% with $1 million-$3 million. Total premium volume of captives managed, $4 million. No minimum size client.

Subsidiaries: Arthur J. Gallagher & Co. (Cayman) Ltd.

1984 gross revenues: Not reported.

Gross revenues generated from fees charged for captive management, 5%; commissions charged for brokering insurance and/or reinsurance, 95%.

Principal officers: J.P. Gallagher, president/director; R.E. Gallagher, vp/director; J.F. Gelot, chief executive officer/director; P.J. McKenzie, director.

Arthur J. Gallagher & Co. (Cayman) Ltd.

c/o Maples & Calder, P.O. Box 309, Grand Cayman, B.W.I.; 809-949-2081

Year founded: 1983.

Parent company: Arthur J. Gallagher & Co.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, manual claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, tax and legal advice (as it affects Cayman Islands), loss control services (Rolling Meadows, Ill.), specialized accounting services for associations, onshore services for associations.

1984 gross revenues: Not reported.

Principal officers: R.E. Gallagher, J.P. Gallagher and J.F. Gelot, directors.

General Re Services Ltd.

P.O. Box 1084, Hamilton 5, Bermuda; 809-295-3742

Year founded: 1979.

Parent company: General Re Corp.

Services provided: Frequent government reporting, accounting, computerized accounting, manual claims processing, actuarial studies, underwriting and ratemaking for captives; occasional captive feasibility studies, captive formation, claims reserves analysis, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, investment management, loss control services (Stamford, Conn.), specialized accounting services for associations, onshore services for associations, captive rental facilities.

Staff: Five total staff; two professional staff members. Professional designations held by staff include one CPA, one MBA.

Clients: Three clients; 33.4% with $1

Continued on next page

March 22, 1985

Kramer Capital Corporation

has acquired control of

Great Atlantic Insurance Company

Kramer Capital Corporation

3 East 54th Street
New York, N.Y. 10022/Tel. (212) 750-9300

ANYTHING LESS WILL COST YOU MORE.

Sixty-five cents and the PAID Prescriptions Card . . . A winning combination. One that not only gives you cost-effective claims processing, but also provides innovative program features, stringent controls, and comprehensive management reports. All for about sixty-five cents a claim.

For the record we'd like to add that PAID Prescriptions' computerized cost containment services saved customers more than $15,000,000 last year alone . . . not including administrative cost savings.

So how much can sixty-five cents and the PAID Card do for **you**? There's an easy way to find out. Send in the coupon. Or call us toll-free for "Rx FACTS", an actuarial study based on PAID's most recent claims history. It'll give you utilization and cost tables to determine your potential savings under the PAID program. Using a simple work sheet, you can fine tune your own cost estimate.

The PAID Card. Anything less will cost you more.

Visit us at **BOOTH 309** at the RIMS conference

20 Years of Excellence in Claims Processing

PAID PRESCRIPTIONS

1900 Pollitt Drive • Fair Lawn, New Jersey 07410 • (800) 631-1679

Please send me a copy of "Rx FACTS."

Name _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone (_____) _____

Continued from preceding page
million-$3 million in premiums, 33.3% $4 million-$10 million, 33.3% $11 million-$20 million. Total premium volume of captives managed, $29 million. Minimum size client, $500,000 premium volume.

Compensation: Minimum annual fee, $10,000; commissions for reinsurance brokered; time and expense, professional $125 per hour, clerical $65 per hour.

1984 gross revenues: Not available.

Principal officers: Rebecca Dally, treasurer/office manager; William M. Kinney, underwriting services manager.

S.H. Grayston Management Ltd.

P.O. Box HM 1428, Hamilton 5, Bermuda; 809-292-1240

Year founded: 1977.

Parent company: The Grayston Corp. Ltd.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, computerized claims processing, investment management, specialized accounting services for associations, telecommunication of computerized data; occasional captive feasibility studies, claims reserves analysis, loss forecasting, reinsurance brokered for captives, underwriting and ratemaking for captives.

Staff: Five total staff; one professional staff member who holds a CPA designation.

Clients: 25 clients; 80% with under $1 million in premiums, 12% $1 million-$3 million, 4% $4 million-$10 million, 4% $11 million-$20 million. No minimum size client.

Compensation: Minimum annual fee, $12,000; time and expense.

1984 gross revenues: Not reported.

Principal officers: Stuart H. Grayston, president; Judith Faram, secretary.

Green Mountain Captive Management Inc.

P.O. Box 628, Barre, Vt. 05641; 802-479-1046

Year founded: 1982.

Staff: Six professional staff members. Professional designations held by staff include one CPCU, three attorneys.

Clients: Two clients.

Principal officers: Thomas Salmon, president; James Mulligan, executive vp; George Nostrand, secretary/treasurer; Richard Huskes, vp.

Guernsey Insurance Management Services Ltd.

P.O. Box 160, Mont Crevelt House, South Quay, St. Sampson's, Guernsey, Channel Islands; 04-814-5664

Year founded: 1982.

Parent company: Insurance Corp. of Ireland.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, manual claims processing, claims reserves analysis, loss forecasting, reinsurance brokered to captives, underwriting and ratemaking for captives, tax advice; occasional captive feasibility studies, computerized claims processing.

Staff: 18 total staff members. Professional designations held by staff include two MBAs, two FCAs, one FCII, two ACIIs, one ACIA.

Compensation: Time and expense.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 100%.

Principal officers: Michael J. Savage, director/chief executive; Clive McMinn, company secretary; Peter R. Walpole, technical/underwriting manager; Wendy Ozanne, chief administrative officer.

h

H & H Management Services Ltd.

H & H House, Hurst Holme, Trott Road, P.O. Box 1861, Hamilton 5, Bermuda; 809-295-3342

Year founded: 1977.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, reinsurance brokered for captives, underwriting and ratemaking for captives, investment management, legal advice (as it affects Bermuda), services for associations; occasional captive feasibility studies, claims reserves analysis, actuarial studies, loss forecasting, specialized accounting services for associations; provides runoff services through H & H Group Services of America.

Staff: 10 total staff; five professional staff members. Professional designations held by staff include one CPA, one MBA, one attorney, one ACII.

Clients: 22 clients; 100% with under $1 million in premiums. No minimum size client.

Subsidiaries: H & H Reinsurance Brokers Ltd., Hamilton, Bermuda; H & H Group Services of Bermuda Ltd., Douglas, Isle of Man; H & H Associates Ltd., Hamilton, Bermuda; Hurst Holme Insurance Co. Ltd.; H & H Group Services of America.

Compensation: Annual fee; commissions for reinsurance brokered; time and expense, actuarial services $100 per hour.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 40%; commissions charged for brokering insurance and/or reinsurance, 60%.

Principal officers: John Orridge, president/director; Simon Everett, vp/director; David Pickering, treasurer/director; Michael Budge, secretary/director.

Frank B. Hall & Co.

Craig Appin House, Hamilton 5, Bermuda; 809-295-5454

Year founded: 1965.

Parent company: Frank B. Hall & Co. Inc.

Services provided: Frequent captive feasibility studies; occasional captive formation, government reporting, accounting, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered for captives, underwriting and ratemaking for captives, underwriting pools (available to managed companies, 15-20 participants, more than $100 million premium volume, minimal capital requirement), associations, specialized accounting services; occasional loss-control services, specialized accounting services, manual claims processing.

Staff: 67 total staff; professional designations held by staff include 13 CPAS, six CPCUs, two ARMs, six MBAs, four FCASs, one attorney.

Clients: 86 clients; 8% with under $1 million in premiums; 24% $1 million-$3 million; 49% $4 million-$10 million; 13% $11 million-$20 million; 6% exceeding $20 million.

Subsidiaries: Frank B. Hall Management Co. (Colorado and Vermont); Frank B. Hall Underwriting Managers; Frank B. Hall Intermediaries Ltd.; Park & Co.; Interocean Ltd.; Frank B. Hall (Cayman) Ltd.; Frank B. Hall (Bermuda) Ltd.

Compensation: Annual fee; commissions for reinsurance brokered; time and expense.

1984 gross revenues: Not reported.

Principal officers: George E. Corde, senior vp, Frank B. Hall & Co. Inc.; Robin Spencer-Arscott, president, Frank B. Hall (Bermuda) Ltd.; Alverd Stutson, vp, Frank B. Hall Management Co.

Hogg Robinson (Guernsey) Ltd.

Provident House, Havilland St., Guernsey, Channel Islands; 04-812-6049

Year founded: 1978.

Parent company: Hogg Robinson Group P.L.C.

Services provided: Frequent accounting, manual claims processing, investment management; occasional captive feasibility studies, captive formation, claims reserves analysis, loss forecasting, reinsurance brokered for captives, underwriting and ratemaking for captives, tax advice.

Staff: Four total staff; two professional staff members. Professional designations held by staff include one FCII, one ACII.

Clients: Five clients; 60% with under $1 million in premiums, 40% $1 million-$3 million.

Subsidiaries: Hogg Robinson (Isle of Man) Ltd., Isle of Man.

Compensation: Time and expense, professional $50 per hour, clerical $35 per hour.

1984 gross revenues: Not reported.

Principal officers: Roger A. Hall, general manager; Graham M. Powell, company secretary.

Homeland Insurance Management (Cayman) Ltd.

Transnational House, P.O. Box 2167, Grand Cayman, B.W.I.; 809-947-4616

Year founded: 1980.

Parent company: Homeland Industrial Corp.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting; occasional manual claims processing, computerized claims processing, claims reserves analysis, loss forecasting, reinsurance brokered for captives, investment management, specialized accounting services for associations, onshore services for associations.

Staff: Three total staff; one professional staff member who holds a CPA designation.

Clients: 15 clients.

Compensation: Minimum annual fee, $15,000; commissions for reinsurance brokered.

1984 gross revenues: Not reported.

Principal officers: D.S. Williams, president; P.R.L. MacKay and J.E. Darwood, managing directors; M.G. Herberger, vp; D.M. McCormick, treasurer.

Homeland International Management Ltd.

Argyle House, Victoria St., P.O. Box HM 1615, Hamilton 5, Bermuda; 809-292-4710

Year founded: 1983.

Parent company: Homeland Industrial Corp.

Services provided: Frequent captive feasibilty studies; occasional captive formation, government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, claims reserves analysis, loss forecasting, reinsurance brokered for captives, investment management, specialized accounting services for associations, onshore services for associations.

Staff: Three total staff; one professional staff member.

Clients: Three clients.

Compensation: Minimum annual fee, $15,000; commissions for reinsurance brokered.

1984 gross revenues: Not reported.

Principal officers: D.S. Williams, president; J.E. Darwood, managing director, M.G. Herberger, vp; D.M. McCormick, treasurer.

Hudson Underwriting Ltd.

Craig Appin House, Wesley Street, P.O. Box 1514, Hamilton 5, Bermuda; 809-295-2482

Year founded: 1979.

Parent company: Skandia America Group.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting; occasional captive feasibility studies, manual claims processing, investment management, services for associations.

Staff: 28 total staff; six professional staff members. Professional designations held by staff include two CPCUs, two chartered accountants, two certified accountants.

Clients: Nine clients; 78% with under $1 million in premiums, 11% $1 million-$3 million, 11% $4 million-$10 million. Total premium volume of captives managed, $8.9 million. No minimum size client.

Compensation: Minimum annual fee, $15,000; time and expense, professional $60-$95 per hour, clerical, $25-$40 per hour.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 100%.

Principal officers: Robert A. Baker, president; Nicholas S. Dove, vp/controller; Robert J. Rosser and John F. Coppinger Jr., assistant vps.

i

INA International Insurance Managers Inc.

Victoria Hall, Victoria and Washington Sts., P.O. Box HM 1181, Hamilton 5, Bermuda; 809-295-7777

Year founded: 1978.

Parent company: INA International Insurance Co. Ltd.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, reinsurance brokered for captives, reinsurance brokered to captives, underwriting pools (INA International Underwriting Facility, 17 participants, $14 million premium volume, members must meet certain financial requirements), investment management, loss-control services, onshore services for associations, financial management services; occasional captive feasibility studies, underwriting and ratemaking for captives, specialized accounting services for associations, designing reinsurance programs.

Staff: 57 total staff; nine professional staff members. Professional designations held by staff include three CPAs, one MBA.

Clients: 20 clients; 50% with under $1 million in premium volume, 35% $1 million-$3 million, 15% $4 million-$10 million. Total premium volume of captives managed, $38 million. No minimum size client.

Subsidiaries: Montgomery & Collins International Ltd.

Compensation: Minimum annual fee, $10,000; commissions for reinsurance brokered; time and expense.

1984 gross revenues: Not reported.

Principal officers: Jack D. Miller, president; Garry A. Madeiros, vp/treasurer; Irmgard Viera, vp-underwriting; Bernard J. Cutts, vp-brokering.

Independent Management Group Ltd.

P.O. Box HM 2070, Washington Mall, Hamilton, Bermuda; 809-295-1646

Year founded: 1984.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, computerized claims processing, reinsurance brokered for captives, specialized accounting services for associations; occasional manual claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered to captives, tax advice, legal advice.

Staff: Seven total staff; five professional staff members. Professional designations held by staff include one CPA.

Clients: 21 clients; 57% with under $1 million in premiums; 33% $1 million-$3 million, 10% $4 million-$10 million. Total premium volume of captives managed, $30 million. No minimum size client.

Subsidiaries: Independent Brokers Ltd., Bermuda.

Compensation: Minimum annual fee, $10,000; commissions for reinsurance brokered; time and expense, $90 per hour.

1984 gross revenues: $640,000. Gross revenues generated from fees charged for captive management, 65%; commissions charged for brokering insurance and/or reinsurance; other services including office rental and service fees, 3%.

Principal officers: Peter J.N. Strong, president; John G. Neal, vp.

Insurance Brokerage & Management Co. Ltd.

Penthouse, Masters Building, Reid St., P.O. Box 1752, Hamilton 5, Bermuda; 809-295-2470

Year founded: 1974.

Services provided: Frequent government reporting, accounting, claims reserves analysis, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, investment management, legal advice; occasional captive feasibility studies, captive formation.

Staff: Three total staff; two professional staff members.

Clients: Eight clients; 20% with under $1 million in premiums, 80% $1 million-$3 million. Total premium volume of captives managed, $10 million. No minimum size client.

Compensation: Annual fee; time and expense.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 40%; commissions charged for brokering insurance and/or reinsurance, 60%.

Principal officers: Eric Arcay, managing director.

Insurance Management Services Ltd.

Butterfield House, P.O. Box 1289, Grand Cayman, B.W.I.; 809-949-7823/305-665-3053

Year founded: 1979.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, investment management, legal advice, specialized accounting services for associations, onshore services for associations; occasional loss forecasting, reinsurance brokered to captives, underwriting and ratemaking for captives, registered office facilities.

Staff: Five total staff; two professional staff members. Professional designations held by staff include one CPA, one attorney.

Clients: 10 clients; 10% with under $1 million in premiums, 60% $1 million-$3 million; 30% $4 million-$10 million. Total premium volume of captives managed, $35 million. Minimum size client, $500,000 premium volume.

Compensation: Varies.

1984 gross revenues: Not reported.

Principal officers: David I. Moed, managing director; Steven R. Butler, director-finance.

Insurance Managers Ltd.

Dorchester House, P.O. Box 2020, Hamilton 5, Bermuda; 809-295-0265

Year founded: 1969.

Parent company: Reed Stenhouse Cos. Ltd.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, claims reserves analysis, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, underwriting pools, investment management, legal advice, loss control services, specialized accounting services for associations.

Staff: 32 total staff; eight professional staff members.

Clients: Number of clients not reported; 54% with under $1 million in premiums, 34% $1 million-$3 million, 8% $4 million-$10 million, 4% $11 million-$20 million. Minimum size client, approximately $500,000 premium volume.

Subsidiaries: Insurance Managers (Guernsey) Ltd., Channel Islands; Westwinds Insurance Managers Ltd., Cayman Islands.

Continued on facing page

OVER 45 MAJOR CHANGES OCCUR IN THE NEW ISO COMMERCIAL LIABILITY FORMS

NOW YOU CAN REVIEW ANY CHANGE INSTANTLY UNDER ONE COVER!

See at a glance how the coverage changes.

The ***1985 ISO COMMERCIAL LIABILITY FORMS*** book is a desktop reference that compares the old forms side-by-side with the new.

Created by one of the most respected liability experts, this handy comparison is a "must" item for your library.

James A. Robertson, original author of The Umbrella Book, also discusses controversies that have surrounded the new forms ever since they were first unveiled by ISO.

Yes, the changes will have an important impact on the price of the coverage. The new forms combine coverages that previously were provided only in separate coverage parts, change the limits of liability, and for the first time give the buyer an option on what will trigger coverage.

ONLY $40.00

ORDER YOUR COPY TODAY! (Plus $2.00 shipping & handling)

Just send your check to Professional Insurance Publications, P.O. Box 883534, San Francisco, California 94188-3534

Or call us direct and charge it to your credit card! (415) 543-1848

Continued from facing page

Compensation: Annual fee; time and expense.

1984 gross revenues: Not reported.

Principal officers: David A. Brown, president; Robert E. Barclay, executive vp; Donald C. Wiseman, senior vp; David J. Perry and Bernard S.Y. Fung, vps.

Insurance Services International (ISIL) Ltd.

P.O. Box 1345, Grand Cayman, B.W.I.; 809-949-5499

Year founded: 1978.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, manual claims processing, claims reserves analysis, underwriting and ratemaking for captives, investment management, specialized accounting services for associations, onshore services for associations; occasional captive feasibility studies, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, loss-control services.

Staff: Five total staff; three professional staff members. Professional designations held by staff include two ARMs, one MBA.

Affiliates: Intex Management Co. Ltd.

Compensation: Annual fee; commissions for reinsurance brokered.

1984 gross revenues: Not reported.

Principal officers: Anthony T. Verchinksi, president; Klaus J. Gebhardt, chairman; Mark D. Gebhardt, vp.

Intercontinental Risk Managers Ltd.

P.O. Box 1062, British American Building, Georgetown, Grand Cayman, Cayman Islands, B.W.I.; 809-949-5586

Year founded: 1984.

Parent company: Intercontinental Financial Group.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, computerized accounting, computerized claims processing, claims reserves analysis, actuarial studies. loss forecasting, reinsurance brokered for captives, underwriting and ratemaking for captives, investment management, loss-control services (through Intercontinental Insurance Managers Inc., Schaumburg, Ill.), specialized accounting services for associations, onshore services for associations, underwriting management; occasional reinsurance brokered to captives.

Staff: Six total staff; four professional staff members (additional staff provided through parent company). Professional designations held by staff include one CPA, one MBA, two attorneys.

Clients: Three clients.

Compensation: Annual fee; commissions for reinsurance brokered; time and expense.

1984 gross revenues: Not reported.

Principal officers: Robert F. Coleman, director/chairman/chief executive officer; Robert B.D. Batlivala, director/president; Barry J. Freeman, secretary/general counsel.

International Advisory Services Ltd.

P.O. Box HM 1760, Hurst Holme, Trott Road, Hamilton, Bermuda; 809-295-3688

Year founded: 1981.

Parent company: UMI Holdings Inc.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, claims reserves analysis, loss forecasting, investment management; occasional captive feasibility studies, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, specialized accounting services for associations.

Staff: Four total staff; two professional staff members who are chartered accountants.

Clients: 15 clients; 68% with under $1 million in premiums, 13% $1 million-$3 million, 6% $4 million-$10 million, 13% $11 million-$20 million. Total premium volume of captives managed, $42 million. No minimum size client.

Compensation: Minimum annual fee, $5,000; commissions for reinsurance brokered; time and expense.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 85%; commissions charged for brokering insurance and/or reinsurance, 5%; other services, 10%.

Principal officers: David Ezekiel, president/managing director; Terence J. Power, vp/controller.

International Risk Management Ltd. (The Reiss Organization)

P.O. Box HM 660, Hamilton, Bermuda; 809-295-0713

Year founded: 1962.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, computerized claims processing, claims reserves analysis, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, underwriting pools (Hopewell International Insurance Ltd., 36 participants, $86 million premium volume, members must be captives managed by Reiss Organization and ceding business to the pool), loss-control services (Cleveland); occasional manual claims processing, actuarial studies, loss forecasting, investment management, specialized accounting services for associations, onshore services for associations.

Staff: 65 total staff; 25 professional staff members. Professional designations held by staff include 11 CPAs, one CPCU, one MBA, one attorney, one FCII.

Clients: 72 clients; 20% with under $1 million in premiums, 18% $1 million-$3 million, 40% $4 million-$10 million, 10% $11 million-$20 million, 12% exceeding $20 million. Total premium volume of captives managed, $600 million.

Affiliates: American Risk Management, Fort Lee, N.J.; Transnational Risk Management, Cayman Islands; Universal Management Ltd., Shannon, Ireland; Transnational (Guernsey) Ltd., Guernsey.

Compensation: Minimum annual fee, $20,000.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 100%.

Principal officers: Frederick M. Reiss, president; Arthur H. Deters, executive vp; Alan E. Chilvers, group vp; Anna W. Summers, vp/secretary; David Hackett, vp/treasurer.

Isle of Man Insurance Management Ltd.

Derby House, Athol St. Douglas, Isle of Man; 06-242-4141

Year founded: 1980.

Parent company: Isle of Man Assurance Ltd.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, manual claims processing, claims reserves analysis, loss forecasting, underwriting and ratemaking for captives, investment management, occasional captive feasibility studies, computerized claims processing, actuarial studies, reinsurance brokered for captives, loss-control services.

Staff: Six total staff; five professional staff members. Professional designations held by staff include one FCIS, one MA, one FCII, one ACA.

Clients: Five clients. No minimum size client.

Subsidiaries: Isle of Man Risk Management Ltd., Douglas, Isle of Man.

Compensation: Minimum annual fee, $8,000; time and expense, professional $50 per hour, clerical, $20 per hour.

1984 gross revenues: Not available.

Principal officers: R.N.S. Bigland, managing director; M.T. Cordwell, director; C. Crowther, manager; C.G. Bowen, underwriter; N.H. Wood, accountant.

j

J & H Ltd.

Reid House, P.O. Box 1826, Hamilton 5, Bermuda; 809-292-4402

Year founded: 1969.

Parent company: Johnson & Higgins.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, computerized claims processing, loss forecasting, reinsurance brokered for captives, underwriting and ratemaking for captives, underwriting pools (First Island Reinsurance Assn., 10 participants, more than $60 million premium volume, members must be brokered by parent company), loss-control services (through parent company), specialized accounting services to associations, onshore services for association; occasional captive feasibility studies, claims reserves analysis and actuarial studies through parent company, tax and legal advice (as it affects Bermuda), accounting and administrative services.

Staff: 95 total staff; 49 professional staff members (including affiliated companies). Professional designations held by staff include one MBA, 12 accountants, four ACIIs, one FCII, one CGA.

Clients: 135 clients.

Affiliates: Johnson & Higgins (Cayman Islands) Ltd., Cayman Islands; J & H Intermediaries Ltd., Bermuda; Johnson & Higgins (USVI) Ltd., U.S. Virgin Islands.

Compensation: Annual fee; time and expense.

1984 gross revenues: Not reported.

Principal officers: Brian R. Hall, president/chief operating officer; Wayne Morgan, Philip N. Simpson and Thomas A. Clark Jr., vps; Ian Kilpatrick, managing director (Cayman Islands); Robert C. Gillett, managing director-J & H Intermediaries.

James (Bermuda) Ltd.

Global House, Church St., P.O. Box HM 2280, Hamilton 5, Bermuda; 809-292-6667/295-8662

Year founded: 1977.

Parent company: Fred S. James & Co. Inc./Transamerica Corp.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered for captives, underwriting and ratemaking for captives, loss control services (worldwide), specialized accounting services for associations, onshore services for associations; occasional reinsurance brokered to captives.

Staff: 23 total staff; nine professional staff members. Professional designations held by staff include seven CPAs, one CPCU, one FCAS.

Clients: 45 clients. No minimum size client.

Subsidiaries: James (Cayman) Ltd., Cayman Islands, B.W.I.; Overseas Reinsurance Corp. Ltd., Bermuda.

Compensation: Annual fee; commissions for reinsurance brokered; time and expense, professional $80-$150 per hour, clerical $30-$70 per hour.

1984 gross revenues: Not reported.

Principal officers: Stanley Mayhew, chairman; Warren D. Sproule, president/managing director; Pamela Lambarth, senior vp; Norman C. Amondsen and Jonathan C. Richmond, vps.

James (Cayman) Ltd.

P.O. Box 309, Grand Cayman, Cayman Islands, B.W.I.; 809-949-2329

Year founded: 1983.

Parent company: James (Bermuda) Ltd.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered for captives, underwriting and ratemaking for captives, loss control services (worldwide), specialized accounting services for associations, onshore services for associations; occasional reinsurance brokered to captives.

Staff: Staff provided through parent company.

Clients: Number of clients not reported. No minimum size client.

Compensation: Annual fee; commissions for reinsurance brokered; time and expense, professional $80-$150 per hour, clerical $30-$70 per hour.

1984 gross revenues: Not reported.

Principal officers: Stanley Mayhew, chairman; Warren D. Sproule, president/managing director; Pamela Lambarth, senior vp; Norman C. Amondsen, vp; Anthony T. Pett, director.

Jardine Risk Services Ltd.

Continental Insurance Building, P.O. Box HM 824, Hamilton 5, Bermuda; 809-295-1764

Year founded: 1984.

Parent company: JMIB Holdings N.V.

Services provided: Frequent captive formation, government reporting, computerized accounting, manual claims processing, computerized claims processing, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives; occasional captive feasibility studies. Services available through subsidiaries include claims reserves analysis, actuarial studies, loss forecasting, loss-control services.

Staff: Staff provided by Continental Risk Services Ltd.

Compensation: Annual fee; time and expense.

1984 gross revenues: Not reported.

Principal officers: David J. Batchelor, president; David B. Vaughan, vp/general manager.

J.S. Johnson & Co. Ltd.

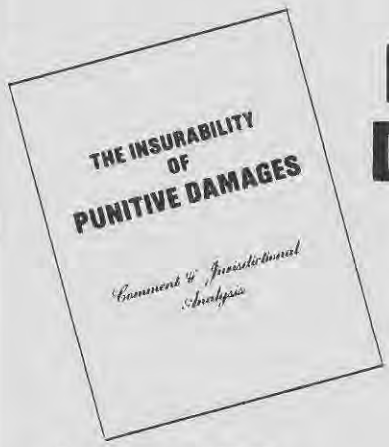
P.O. Box N8337, Nassau, Bahamas; 809-322-2341

Year founded: 1977.

Continued on next page

There's **only one** authoritative book on punitive damages insurability . . .

THE INSURABILITY OF PUNITIVE DAMAGES



Single copy: $30.00
(Shipping & handling are additional)

As you know, the punitive damages portion of a judgement can far outweigh the compensatory costs. However, you may not realize that the awards insurable in one state may not be insurable in another. Other states don't recognize punitive damages at all. And in a handful of states, the position has yet to be determined.

To keep up with the diversity of positions on this subject, you need **The Insurability of Punitive Damages.** This up-to-date reference is written by John W. Morrison, a lawyer with extensive experience studying the insurance aspects of punitive damages. And it's published by The National Underwriter Company, publishers of the FC&S Bulletins, National Underwriter newsweekly, and various insurance books since 1897.

You get the most recent, most credible information on the insurability of punitive damages for:

- each of the 50 states
- District of Columbia
- Puerto Rico
- each of the 12 Canadian provinces and territories

For each of these jurisdictions, you receive a uniform display which tells you—in an easy-to-read chart and a concise narrative—whether:

- punitive damages insurance is allowed or not allowed
- punitive damages aren't recognized
- vicarious punitive damages are insurable
- the insurer has the duty of defend punitive damages

With The Insurability of Punitive Damages, you get the facts you need quickly—without having to dig through various sources.

Use the handy coupon below or call TOLL-FREE 1-800-543-0874.

ORDER YOURS TODAY!

The National Underwriter Co. **2-46**
420 E. Fourth St.
Cincinnati, OH 45202

Please send me____copies of THE INSURABILITY OF PUNITIVE DAMAGES and bill me. (Shipping & handling are additional)

Name

Company

Address

City State Zip

Continued from preceding page

Parent company: Hogg Robinson Group.

Services provided: Frequent government reporting, accounting; occasional captive formation, computerized accounting, manual claims processing, reinsurance brokered for captives, underwriting and ratemaking for captives, investment management.

Staff: 58 total staff; 13 professional staff members. Professional designations held by staff include five FCIIs, three ACIIs, two FCAs, one AIB, two FIICs.

Clients: Two clients; 50% with $1 million-$3 million in premiums, 50% $4 million-$10 million. No minimum size client.

Compensation: Annual fee.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 100%.

Principal officers: C.T. Fernie, managing director; A. McGill, director; P. O'Gorman, department manager.

Johnson & Higgins (Cayman Islands) Ltd.

P.O. Box 1051, Butterfield House, Fourth Floor, Grand Cayman, B.W.I.; 809-949-7988

Year founded: 1976.

Parent company: Johnson & Higgins.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, reinsurance brokered for captives, reinsurance brokered to captives; occasional manual claims processing, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting.

Staff: 12 total staff; seven professional staff members. Professional designations held by staff include two CPAs, two ACIIs, one attorney.

Clients: 45 clients; 70% with under $1 million in premiums, 28% $1 million-$3 million, 2% $4 million-$10 million. Total premium volume of captives managed, $50 million. Minimum size client, $750,000 premium volume.

Compensation: Time and expense, professional $80-$100 per hour, clerical $45 per hour.

1984 gross revenues: Not reported.

Principal officers: Ian Kilpatrick, managing director; Brian Allen, Rosemary Nicholls, Graham Cork and James Boyd.

Johnson & Higgins Services Inc.

7 Burlington Square, Suite 600, Burlington, Vt. 05401; 802-658-7865

Year founded: 1983.

Parent company: Johnson & Higgins.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, manual claims processing, actuarial studies, loss forecasting, reinsurance brokered for captives, underwriting and ratemaking for captives; occasional captive feasibility studies, computerized claims processing, claims reserves analysis.

Staff: Three total staff; two professional staff members. Professional designations held by staff include one ARM, one MBA.

Clients: Three clients.

Compensation: Annual fee; time and expense.

1984 gross revenues: Not reported.

Principal officers: Richard J. Rice, president; Alan G. Page and Arthur G. Koritzinsky, vps.

k

Kitson Management Services Ltd.

Spithead House, P.O. Box 449, Hamilton 5, Bermuda; 809-292-7083

Year founded: 1979.

Parent company: Kitson & Co. Ltd.

Services provided: Frequent government reporting, accounting, computerized accounting, manual claims processing, claims reserves analysis, reinsurance brokered for captives, underwriting and ratemaking for captives; occasional captive feasibility studies, captive formation, loss forecasting, reinsurance brokered to captives.

Staff: Seven total staff; four professional staff members. Professional designations held by staff include one MBA, one FCII, one ACII, two CAs.

Compensation: Annual fee; time and expense.

1984 gross revenues: Not reported.

Principal officers: G. Kirkham Kitson, president; Stephanie J. Brydon, vp-insurance; Gordon A. Veale, vp-finance; David J. Goodman and Richard E. Krupp, directors.

m

M & M Insurance Management Services Inc.

650 S. Cherry St., Suite 630, Denver, Colo. 80222; 303-399-5580

Year founded: 1977.

Parent company: Marsh & McLennan Inc.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, computerized accounting, manual claims processing, computerized claims processing, actuarial studies, underwriting and ratemaking for captives; occasional claims reserves analysis, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, investment management, tax advice, legal advice.

Staff: Six total staff; four professional staff members. Professional designations held by staff include one CPCU, one ARM.

Clients: Six clients; 33% with under $1 million in premiums, 50% $1 million-$3 million, 17% $4 million-$10 million. Total premium volume of captives managed, $10 million.

Compensation: Annual fee.

1984 gross revenues: $225,000. Gross revenues generated from fees charged for captive management, 100%.

Principal officers: Richard A. Johnson, vp.

M & M Insurance Management Services Inc. (Vermont)

95 St. Paul St., Park Plaza, Burlington, Vt. 05401; 802-658-0776

Year founded: 1981.

Parent company: Marsh & McLennan Inc.

Services provided: Frequent accounting, computerized accounting; occasional captive feasibility studies, captive formation, government reporting, manual claims processing, computerized claims processing, investment management.

Staff: Three total staff; one professional staff member who holds a CPA designation. Additional staff provided through parent company.

Clients: One client, with $1 million-$3 million in premiums.

Compensation: Time and expense, professional $75 per hour, clerical $35 per hour.

1984 gross revenues: Not reported.

Principal officers: C.R. Tobin, vp-Marsh & McLennan Inc.; J.W. Burns, vp-M & M Insurance Management Services Inc.

Marsh & McLennan (Bermuda) Ltd.

P.O. Box 1262, Hamilton 5, Bermuda; 809-295-3278

Year founded: 1970.

Parent company: Marsh & McLennan Inc.

Services provided: Captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, loss-control services (M & M Protection Consultants), specialized accounting services for associations, onshore services for associations.

Staff: 53 total staff; 18 professional staff members. Professional designations held by staff include one ARM, 15 CAs, one FCII.

Clients: 89 clients.

Subsidiaries: Marsh & McLennan (Cayman Islands) Ltd., Georgetown, Grand Cayman.

Compensation: Time and expense.

1984 gross revenues: Not reported.

Principal officers: B.M. Pimm, president; Andrew Carr, executive vp; B.S. Thompson and N.P Warren, vps; B.T. Marsh, vp-Cayman.

Marsh & McLennan (Cayman Islands) Ltd.

P.O. Box 2196, Grand Cayman, B.W.I.; 809-949-7466

Year founded: 1978.

Parent company: Marsh & McLennan (Bermuda) Inc.

Services provided: Offshore insurance company management.

Staff: Three total staff; two professional staff members. Professional designations held by staff include two CPAs.

Compensation: Annual fee; time and expense, professional $90-$110 per hour, clerical $40 per hour.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 100%.

Principal officers: B.M. Pimm, president; B.T. Marsh, vp/manager-Cayman office.

McNeary Insurance Consulting Services Inc.

Suite 301, 6525 Morrison Blvd., Box 220926, Charlotte, N.C. 28222; 704-365-4150

Year founded: 1956.

Parent company: Booke & Co.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, claims reserve analysis, actuarial studies, loss forecasting, underwriting and ratemaking for captives, loss-control services, onshore services for associations; occasional accounting, computerized accounting, reinsurance brokered to captives.

Staff: 23 total staff; 16 professional staff members. Professional designations held by staff include six CPCUs four ARMs, one MBA, one CSP, one PE.

Clients: Two clients; 50% with $1 million-$3 million in premiums, 50% $4 million-$10 million.

Compensation: Annual fee; time and expense, professional $75-$115 per hour, consultant $50-$75 per hour, clerical $25 per hour.

1984 gross revenues: More than $1 million. Gross revenues generated from fees charged for captive management, 15%; other services including risk management consulting, 85%.

Principal officers: W.C. Moore Jr., president; T. Stephen Helms, senior vp; W.D. Yeager and C.W. Malberg, vps.

Meadowbrook Risk Management Ltd.

P.O. Box HM 2340, Hamilton 5, Bermuda; 809-292-7569

Parent company: Meadowbrook Insurance Group.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, underwriting and ratemaking for captives, investment management, loss control services (Southfield, Mich.), specialized accounting services for associations, onshore services for associations; occasional manual claims processing, reinsurance brokered for captives, reinsurance brokered to captives, tax advice, legal advice.

Staff: Four total staff; two professional staff members. Professional designations held by staff include two FCASs.

Clients: 14 clients; 57% with under $1 million in premiums, 36% $1 million-$3 million, 7% $4 million-$10 million. Total premium volume of captives managed, $12 million. No minimum size client.

Compensation: Annual fee; commissions for reinsurance brokered.

1984 gross revenues: Not reported.

Principal officers: Merton J. Segal, president; William R. Storie, managing director; Brian Stephenson, vp.

Samuel Montagu & Co. (Cayman) Ltd.

P.O. Box 1970, Anderson Square, Grand Cayman, Cayman Islands, B.W.I.; 809-949-7755

Year founded: 1984.

Parent company: Samuel Montagu Group of Cos.

Services provided: Captive formation, government reporting, accounting, computerized accounting, manual claims processing, investment management, services for associations.

Staff: 12 total staff; five professional staff members. Professional designations held by staff include one CA.

Clients: 32 clients. Total premium volume of captives managed, $80 million. No minimum size client.

Compensation: Annual fee; time and expense.

1984 gross revenues: Not reported.

Principal officers: David Whitefield, managing director; Anthony B. Stelling, director.

Morris, Peary & Co.

P.O. Box 156, Hibiscus Square, Grand Turk, Turks & Caicos B.W.I.; 809-946-2504

Year founded: 1980.

Services provided: Captive formation, government reporting, accounting, computerized accounting, specialized accounting services for associations.

Staff: Six total staff; three professional staff members. Professional designations held by staff include two FCAs.

Clients: 17 clients; 80% with under $1 million in premiums, 20% $1 million-$3 million. No minimum size client.

Compensation: Annual fee; time and expense, professional $30-$75 per hour, clerical $15-$30 per hour.

1984 gross revenues: $320,000 Gross revenues generated from fees charged for captive management, 12%; other services including accounting and general corporate management, 88%.

Principal officers: Paul J. Peary and S. Arthur Morris, partners; Nigel D. Wardle, senior.

p

Paramount Insurance Brokers & Agents Ltd.

Sears House, Shirley St., P.O. Box N-1323, Nassua, Bahamas; 809-326-6905/322-8280

Year founded: 1982.

Parent company: Maynard & Donaldson.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, manual claims processing, legal advice, specialized accounting services for associations; occasional captive feasibility studies, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, investment management.

Staff: Three total staff; one professional staff member. Professional designations held by staff include one ARM.

Clients: Three clients; 33% with under $1 million in premiums, 67% $1 million-$3 million. Total premium volume of captives managed, $3.7 million. Minimum size client, $500,000 premium volume.

Compensation: Minimum annual fee, $12,000; time and expense, professional $65 per hour, clerical, $30 per hour.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 20%; commissions charged for brokering insurance and/or reinsurance, 80%.

Principal officers: Charles Donaldson, vp.

Pinehurst Management Co.

Penthouse Masters Building, Reid St., Hamilton, Bermuda; 809-295-4864

Year founded: 1967.

Parent company: Emett & Chandler Cos. Inc.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, manual claims processing, claims reserves analysis, loss forecasting, reinsurance brokered to captives, underwriting and ratemaking for captives, investment management, tax advice, specialized accounting services for associations, onshore services for associations, rental and multiple-owner captives; occasional computerized claims processing.

Staff: 17 total staff; eight professional staff members. Professional designations held by staff include one CPA, one CA, one CGA, one FIIC.

Clients: 56 clients; 6% with under $1 million in premiums, 50% $1 million-$3 million, 36% $4 million-$10 million, 6% $11 million-$20 million, 2% exceeding $20 million. Total premium volume of captives managed, more than $180 million. Minimum size client, $300,000 premium volume.

Subsidiaries: Pinehurst Management Co. (Cayman) Ltd.

Compensation: Annual fee; time and expense, professional $60-$200 per hour, clerical $25-$40 per hour.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 90%; other services, 10%.

Principal officers: Robert C. Whiting, managing director; H.B. Kast, senior vp; Cyril Whitter, vp; Michael Langford, assistant vp; L.H. Patton, treasurer.

Polaris International Insurance Managers (Bermuda) Ltd.

P.O. Box 1154, Hamilton 5, Bermuda; 809-292-1330

Year founded: 1983.

Parent company: Polaris International Inc.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, underwriting and ratemaking for captives, underwriting pools, investment management, tax advice, legal advice, loss-control services, specialized accounting services for associations, onshore services for associations, captive rental facilities; occasional accounting, computerized accounting, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives.

Staff: Two total staff members.

Clients: Seven clients; 30% with under $1 million in premiums, 30% $1 million-$3 million, 25% $4 million-$10 million, 15% $11 million-$20 million. Total premium volume of captives managed, $20 million.

Compensation: Annual fee; commissions for reinsurance brokered; time and expense.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 100%.

Principal officers: Allin Karls, chairman; Clive W. Himsworth, president; John M. Oien and Beryl Pearson, vps; Ed Driscoll, Stanley R. Nelson and Charles Collis, directors.

Polaris International Insurance Managers (Cayman) Ltd.

P.O. Box 1289, Grand Cayman, B.W.I.; 809-949-2001

Year founded: 1983.

Parent company: Polaris International Inc.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, underwriting and ratemaking for captives, underwriting pools, investment management, tax advice, legal advice, loss-control services, specialized accounting services for associations, onshore services for associations; occasional accounting, computerized accounting, computerized claims processing, claims reserves anal-

Continued on facing page

Specializing in practical commercial property and casualty reference manuals.

- The Risk Report
- Risk Financing
- Construction Risk Management
- General Liability Manual

INTERNATIONAL RISK MANAGEMENT INSTITUTE, INC.
10300 N. Central Expressway
Building III, Suite 208
Dallas, Texas 75231-3390
Telephone (214) 363-9656

Continued from facing page
ysis, actuarial studies, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives.

Staff: Seven total staff members. Professional designations held by staff include one attorney, one CA.

Clients: Two clients; 100% with $1 million-$3 million in premiums. Total premium volume of captives managed, $3 million. Minimum size client, $1 million in premiums.

Compensation: Annual fee; commissions for reinsurance brokered, time and expense.

1984 gross revenues: $50,000. Gross revenues generated from fees charged for captive management, 100%

Principal officers: Allin Karls, chairman; Clive W. Himsworth, president; John M. Oien, vp/treasurer.

Polaris International Insurance Managers (Turks & Caicos) Ltd.

Harbour House, P.O. Box 103, Front St., Grand Turk, Turks & Caicos, B.W.I.

Year founded: 1982.

Parent company: Polaris International Inc.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, underwriting and ratemaking for captives, underwriting pools, investment management, tax advice, legal advice, loss-control services, specialized accounting services for associations, onshore services for associations; occasional accounting, computerized accounting, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives.

Staff: Three total staff members. Professional designations held by staff include one attorney.

Clients: Two clients, 100% with $1 million-$3 million in premiums. Total premium volume of captives managed, $6 million.

Compensation: Annual fee; commissions for reinsurance brokered; time and expense.

1984 gross revenues: $30,000. Gross revenues generated from fees for captive management, 100%.

Principal officers: Allin Karls, chairman; Clive W. Himsworth, president; John M. Oien, vp.

The Powerscourt Group Ltd.

P.O. Box HM 2267, L.P. Gutteridge Building, Third Floor, Bermudiana Road, Hamilton 5, Bermuda; 809-295-8495

Year founded: 1984.

Services provided: Frequent captive formation, government reporting, accounting, manual claims processing, claims reserves analysis, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, investment management.

Staff: Four total staff; one professional staff member who holds a CPA designation.

Clients: Eight clients; 25% with $1 million-$3 million in premiums, 75% with $4 million-$10 million. Total premium volume of captives managed, $17.5 million. Minimum size client, $1.5 million premium volume.

Compensation: Minimum annual fee, $10,000.

1984 gross revenues: Not reported.

Principal officers: John R. Kane, president; Laura Lea Schoenlein, vp.

r

Regency International Ltd.

Medical Hall Building, P.O. Box HM 1224, Hamilton 5, Bermuda; 809-295-5921

Year founded: 1977.

Parent company: The Crump Cos. Inc.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, reinsurance brokered for captives; occasional captive feasibility studies, claims reserves analysis, loss forecasting, reinsurance brokered to captives, underwriting and ratemaking pools for captives.

Staff: Nine total staff; one professional staff member who holds an ACII designation.

Clients: 10 clients. No minimum size client.

Subsidiaries: Regency Reinsurance Brokers Ltd., Bermuda.

Compensation: Annual fee; commissions for reinsurance brokered.

1984 gross revenues: Not reported.

Principal officers: Donald A. Thomas, president; Sandra J. Ferguson, executive vp; Horace W. Nelson, vp.

Risk & Benefit Management Systems

141 Main St., Montpelier, Vt. 05602; 802-223-2381

Year founded: 1981.

Parent company: Bayly, Martin & Fay International Inc.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, computerized claims processing, claims reserves analysis, loss forecasting, reinsurance brokered for captives, underwriting and ratemaking for captives, onshore services for associations; occasional captive feasibility studies, manual claims processing, reinsurance brokered to captives, investment management, loss-control services, services for associations.

Affiliates: Risk & Benefit Management Systems Inc., Aurora, Colo.; Risk Treatment Services Co., Bermuda.

Compensation: Annual fee; time and expense, professional $35-$100 per hour, clerical, $20 per hour.

1984 gross revenues: Not reported.

Principal officers: William R. Kersten, chairman; Thomas G. Littell, president; Duane W. Metcalf, treasurer, Robert H. Byers, vp.

Risk & Benefit Management Systems Inc.

3025 S. Parker Road, Suite 825, Aurora, Colo. 80014; 303-752-4912

Year founded: 1973.

Parent company: Bayly, Martin & Fay International Inc.

Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, computerized claims processing, claims reserves analysis, loss forecasting, reinsurance brokered for captives, underwriting and ratemaking for captives, onshore services for associations; occasional captive feasibility studies, manual claims processing, reinsurance brokered to captives, investment management, loss-control services, services for associations.

Staff: Seven total staff; five professional staff members. Professional designations held by staff include one CPA, one CPCU, one attorney.

Clients: Five clients; 85% with $1 million-$3 million in premiums, 15% $4 million-$10 million. Total premium volume of captives managed, $10 million. No minimum size client.

Affiliates: Risk & Benefit Management Systems, Montpelier, Vt.; Risk Treatment Services Co., Bermuda.

Compensation: Annual fee; time and expense, professional $35-$100 per hour, clerical, $20 per hour.

1984 gross revenues: More than $350,000. Gross revenues generated from fees charged for captive management, 85%; other services including claims management and self-insurance administration, 15%.

Principal officers: William R. Kersten, chairman; Thomas G. Littell, president; Duane W. Metcalf, treasurer; Robert H. Byers, vp.

Risk Management Ltd.

Invicta House, Candie Road, St. Peter Port, Guernsey, Channel Islands; 04-812-3612

Year founded: 1978.

Services provided: Frequent government reporting, accounting, computerized accounting, manual claims processing, reinsurance placed for captives, underwriting and ratemaking for captives, tax advice, legal advice, occasional captive feasibility studies, captive formation, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, investment management.

Staff: 14 total staff; eight professional staff members. Professional designations held by staff include five FCIIs, one AIL, one ACII, one FCA, one CE.

Compensation: Time and expense, professional $40-$60 per hour, clerical $25 per hour.

1984 gross revenues: Not reported.

Principal officers: M.A. Ward, managing director; D.J. Ward and M.A. Dallamore, directors; M.J. Palin, director/company secretary, P. Rowe, underwriter.

Continued on next page

Why don't other risk management companies realize that every client is different?

Some Risk Management companies operate as if every client has the exact same needs—because their delivery and support systems are inflexible.

But Risk Management Service Company recognizes you for what you are—a unique organization with individual risk management needs.

With our unique FLEX-SYSTEM™, every program we design is customized specifically to your requirements—whether you are a self insured, a corporate Risk Manager, Primary or Excess Carrier, Reinsuror or Managing General Agent.

Your Risk Management Service Company program is designed to include only those services essential to your needs. A program with the flexibility, responsiveness, cost savings and reliability you deserve from a service company.

Based on your input, we can quickly and effectively customize our claims administration, loss control, data processing, auditing, legal and medical cost containment, and recovery services. And with strong centralized control of our national network of experienced professionals, you're always assured of quality service, reliability of reserves, and integrity of our financial and claim data base.

With our FLEX-SYSTEM™, the programs available to you from Risk Management Service Company are far-reaching—but you select only those services you require. AT RMSC, we recognize your individual needs. And our adaptability to meet those needs is what makes us so exceptional.

If you're ready to meet a Risk Management company that understands your differences, let's talk. Call Andy Cmiel, Director at 214/630-3730.

We're different. Because you're different.

Risk Management Service Company

2730 Stemmons Freeway · 209 Stemmons Tower West · Dallas, Texas 75207
A Lindsey & Newsom Company.

Continued from preceding page

Risk Treatment Services (Bermuda) Ltd.

Kitson Building, Reid St., P.O. Box 2078, Hamilton 5, Bermuda; 809-295-5425

Year founded: 1973.
Parent company: Bayly, Martin & Fay International Inc.
Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, reinsurance brokered for captives; occasional captive feasibility studies, manual claims processing, reinsurance brokered to captives, underwriting and ratemaking for captives, investment management, services for associations.
Staff: 11 total staff; four professional staff members.
Clients: 22 clients; 20% with under $1 million in premiums, 65% $1 million-$3 million, 15% $4 million-$10 million. Total premium volume of captives managed, $40 million. Minimum size client, $500,000 premium volume.
Compensation: Minimum annual fee, $15,000; commissions for reinsurance brokered; time and expense, professional $200 per hour, clerical $50 per hour.
1984 gross revenues: More than $600,000.
Principal officers: William R. Kersten, chairman; Hal Forkush, president; Colin James, vp; Willie Wanklyn, consultant-Treaty Consultants Ltd.

Rollins Burdick Hunter Co. (Bermuda) Ltd.

P.O. Box HM 2450, Hamilton 5, Bermuda; 809-295-0723

Year founded: 1970.
Parent company: Combined International Corp.
Services provided: Frequent captive formation, government reporting, accounting, computerized accounting; occasional captive feasibility studies, manual claims processing, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, investment management, tax advice, loss control services (Chicago), specialized accounting services for associations, onshore services for associations.
Staff: 10 total staff; five professional staff members. Professional designations held by staff include two CPAs, three MBAs.
Clients: 39 clients; 16% with under $1 million in premiums, 12% $1 million-$3 million, 55% $4 million-$10 million, 17% $11 million-$20 million. Total premium volume of captives managed, $257 million. No minimum size client.
Subsidiaries: Rollins Burdick Hunter (Cayman) Ltd., Georgetown, Grand Cayman; Rollins Burdick Hunter (Turks & Caicos) Ltd., Grand Turk, Turks & Caicos.
Compensation: Time and expense, professional $70 per hour.
1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 92%; commissions charged for brokering insurance and/or reinsurance, 6%; investment income, 2%.
Principal officers: John J. Lorhan, president; Richard D. Spurling, vp; Windsor H. Ironside, assistant vp; Jean Harris, secretary.

S

SIG Management (Bermuda) Ltd.

Cedar Park Centre, Cedar Ave., P.O. Box 1087, Hamilton 5, Bermuda; 809-292-6588

Year founded: 1979.
Parent company: Symons International Group Ltd.
Services provided: Frequent government reporting, accounting, computerized accounting, computerized claims processing, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives; occasional captive feasibility studies, captive formation, manual claims processing, claims reserves analysis, loss forecasting, services for associations.
Staff: Staff provided by Bott & Associates Ltd.
Clients: Two clients; 50% with under $1 million in premiums, 50% $1 million-$3 million. Total premium volume of captives managed, $4.5 million. Minimum size client, $300,000 premium volume.
Compensation: Minimum annual fee, $10,000; commissions for reinsurance brokered; time and expense, professional $45-$120 per hour, clerical $10-$35 per hour.
1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 45%; commissions charged for brokering insurance and/or reinsurance, 55%.
Principal officers: G. Gordon Symons, chairman/chief executive officer; Michael F. Bott, president.

Sedgwick Group Overseas Management Services Ltd.

P.O. Box HM 1669, Hamilton, Bermuda; 809-295-4863

Year founded: 1972.
Parent company: Sedgwick Group P.L.C.
Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, manual claims processing, reinsurance brokered for captives, underwriting and ratemaking for captives; occasional underwriting pools, tax advice, claims reserves analysis, loss forecasting, reinsurance brokered to captives.
Staff: 30 total staff; 26 professional staff members.
Clients: 36 clients. No minimum size client.
Affiliates: Affiliated companies in Guernsey, Curacao, Jersey, Barbados, Isle of Man and Singapore.
Compensation: Annual fee.
1984 gross revenues: Not reported.
Principal officers: B.C. Eady, president; Brian Cooper, vp/treasurer.

Sentry Assurance Management

P.O. Box 1776, Hamilton, Bermuda; 809-295-5303

Year founded: 1979.
Parent company: Sentry Assurance, a Mutual Co., Wisconsin.
Services provided: Captive formation, government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, claims reserves analysis, reinsurance brokered to captives, specialized accounting services for associations; services provided through affiliated companies include captive feasibility studies, loss forecasting, investment management, onshore services for associations.
Staff: Four total staff; one professional staff member who holds an FCCA designation.
Subsidiaries: Subsidiaries located in Australia, England, South Africa and Hong Kong.
Compensation: Annual fee; time and expense.
1984 gross revenues: Not reported.
Principal officers: John W. Joanis, president; Harvey R. Hoth, vp; Dean L. Zoss, vp/treasurer; John Ellison, secretary; Stephen Fox, assistant vp-Sentry Assurance International.

Southwest Offshore Management Ltd.

P.O. Box 1571, Grand Cayman, B.W.I.; 809-949-5422/6424

Year founded: 1979.
Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, loss forecasting, reinsurance brokered for captives, investment management, specialized accounting services for associations, insurance brokerage; occasional captive feasibility studies, manual claims processing, computerized claims processing, claims reserves analysis, actuarial studies, reinsurance brokered to captives, underwriting and ratemaking for captives.
Staff: Four total staff; three professional staff members. Professional designations held by staff include one CPA, one CPCU, one ARM, one CLU, one AIM.
Clients: 10 clients. Minimum size client, $250,000 in premiums.
Compensation: Minimum annual fee, $12,000; commissions for reinsurance brokered; time and expense, professional $100-$150 per hour, clerical, $40-$75 per hour.
1984 gross revenues: Not reported.
Principal officers: Winnie Chung, Rossiter Blumentritt and Christoph Blumentrit, directors.

Stewart Wrightson Group (Bermuda) Ltd.

P.O. Box 447, Hamilton 5, Bermuda; 809-292-3146

Year founded: 1978.
Parent company: Stewart Wrightson Holdings P.L.C.
Services provided: Frequent government reporting, computerized accounting, manual claims processing, investment management, occasional captive formation, accounting.
Staff: Two total staff.
Clients: Seven clients.
Compensation: Minimum annual fee, $15,000.
1984 gross revenues: Not reported.
Principal officers: F.A.M. Bray, president; D. Smith, accounts administrator; R.A. Jones, director.

Sussex International Ltd.

P.O. Box HM 104, 73 Front St., Hamilton 5, Bermuda; 809-295-8847

Year founded: 1983.
Services provided: Captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives.
Staff: Three total staff; one professional staff member who holds ACII and AIB designations.
Clients: 14 clients; 40% with under $1 million in premiums, 40% $1 million-$3 million, 20% $4 million-$10 million. Total premium volume of captives managed, $15 million. No minimum size client.
Subsidiaries: CMR Insurance Brokers Ltd., Hamilton, Bermuda.
Compensation: Minimum annual fee, $2,500; commissions for reinsurance brokered; time and expense, professional $75-$100 per hour, clerical, $30 per hour.
1984 gross revenues: $250,000. Gross revenues generated from fees charged for captive management, 85%; commissions charged for brokering insurance and/or reinsurance, 10%; other services, 5%.
Principal officers: R.N. Hughes, chairman; C. Gordon-Seymour, president; J. Whatley; M. Davis, secretary.

t

T & C Inter-Insurance Exchange Ltd.

PMB #10, Hibiscus Square, Pond St., Grand Turk, Turks & Caicos, B.W.I.; 809-946-2139

Year founded: 1984.
Services provided: Captive feasibility studies, captive formation, government reporting, manual claims processing, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, underwriting pools (Turks & Caicos Inter-Insurance Pool in formation), loss-control services (United States).
Staff: Seven total staff; three professional staff members. Professional designations held by staff include one CPA, one FCAS, two attorneys, two RUs.
Clients: Three clients; 67% with under $1 million in premiums, 33% $1 million-$3 million. Minimum size client, $500,000 in premiums.
Compensation: Minimum annual fee, $5,000; commissions for reinsurance brokered; time and expense, professional $125 per hour, clerical, $40 per hour.
1984 gross revenues: Not reported.
Principal officers: Bernard Gershuny, David Gershuny, Charles W. Hannon, John Miller, Leonard Mintz and James Stergiou, members-board of advisors.

W.A. Taft & Co. Ltd.

P.O. Box HM 2210, Hamilton 5, Bermuda; 809-295-5566

Year founded: 1983.
Services provided: Frequent captive formation, government reporting, computerized accounting, computerized claims processing, reinsurance brokered for captives, underwriting and ratemaking for captives, associations, specialized accounting services, specializing in runoffs and loss portfolio rein-

Continued on facing page

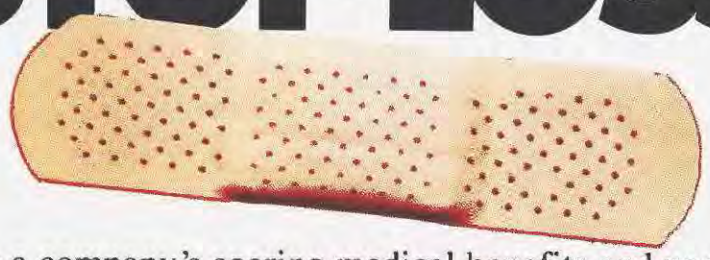
Schirmer

SCHIRMER ENGINEERING CORPORATION
OFFERING FULL LOSS CONTROL ENGINEERING SERVICES

- ✓ Underwriting & Loss Control Surveys
- ✓ Fire Protection Engineering
- ✓ Safety & Health Engineering
- ✓ Litigation Support Services
- ✓ Building & Fire Code Consultation
- ✓ Sprinkler System Design
- ✓ Alarm System Design

SCHIRMER ENGINEERING CORPORATION
707 LAKE COOK ROAD • DEERFIELD, IL 60015 • 312/272-8340

MEDICAL STOP LOSS



Cure a company's soaring medical benefits and uncover greater profits for you. Cox Insurance Group can help you help your clients contain their medical costs through:

- Medical Stop Loss
  ARAS Program (35 or more participants)
  Specific and/or Aggregate
- Group Life and AD&D
  Disability Income (WI and LTD)
  Medical Conversion
- High Limit Disability
  Monthly and/or Lump Sum

For more information, write or call today.

CIG

COX INSURANCE GROUP, INC.
Lloyd's London Correspondent
P.O. Box 27766 / 5170 Commerce Circle
Indianapolis, Indiana 46227 / (317) 887-0030 / Telex 276252

Continued from facing page
surance, runoff administration and underwriting management; occasional captive feasibility studies, accounting, manual claims processing, claims reserves analysis, loss forecasting, reinsurance brokered to captives, investment management.

Staff: Three total staff; two professional staff members. Professional designations held by staff include one CPA, one MBA.

Clients: Two clients.

Compensation: Annual fee; commissions for reinsurance brokered.

1984 gross revenues: Not reported.

Principal officers: W. Allen Taft, president/principal.

Tate & Lyle Management & Finance Ltd.

129 Front St., P.O. Box HM 337, Hamilton 5, Bermuda; 809-295-9911

Year founded: 1981.

Parent company: Tate & Lyle P.L.C.

Services provided: Frequent government reporting, accounting, manual claims processing, claims reserves analysis; occasional captive formation, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives.

Staff: Five total staff; one professional staff member. Professional designations held by staff include one ACII.

Clients: Nine clients; 80% with under $1 million in premiums, 10% $1 million-$3 million, 10% $4 million-$10 million.

Compensation: Annual fee.

1984 gross revenues: Not reported.

Principal officers: Michael Egan, Vivian Tierney.

Transatlantic Management Co. Ltd.

Fifth Floor, Trimingham Building, Hamilton, Bermuda; 809-295-9319

Year founded: 1982.

Parent companies: Delaney Offices Inc., Ebbtide Indemnity Ltd., Meadowbrook Risk Management Ltd.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, computerized claims processing, claims reserves analysis, loss forecasting, reinsurance brokered for captives, underwriting and ratemaking for captives, investment management, loss-control services, specialized accounting services, onshore services for associations; occasional manual claims processing, actuarial studies, reinsurance brokered to captives, tax advice, legal advice.

Staff: Nine total staff; two professional staff members. Professional designations held by staff include one ARM, one CA.

Clients: 25 clients; 50% with under $1 million in premiums, 35% $1 million-$3 million, 10% $4 million-$10 million, 5% $11 million-$20 million. Total premium volume of captives managed, $35 million.

Compensation: Minimum annual fee, $10,000; commissions for reinsurance brokered; time and expense.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 100%.

Principal officers: Richard J. Dunlap, chairman; Timothy D. Delaney, vice chairman; David Delaney, president; William R. Storie, managing director; Norma M. Cross, vp/secretary; Frank Bento, vp; Steve Elliott, assistant vp.

Transglobe Underwriting Management (Guernsey) Ltd.

P.O. Box 34, Le Riche House, 50 High St. St. Peter Port, Guernsey, Channel Islands; 04-812-8136

Year founded: 1975.

Parent company: English & American Insurance Group P.L.C.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, computerized claims processing, claims reserves analysis, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, investment management, tax advice, insurance and reinsurance company management services; occasional manual claims processing, legal advice, specialized accounting services for associations.

Staff: 25 total staff; three professional staff members. Professional designations held by staff include two ACAs, one CA.

Clients: Nine clients; 11% with under $1 million in premiums, 78% $1 million-$3 million, 11% $11 million-$20 million. Total premium volume of captives managed, $28 million. Minimum size client, $500,000 premium volume.

Compensation: Minimum annual fee, 10,000 pounds (about $12,200); time and expense.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 95%; other services including feasibility and other consulting services, 5%.

Principal officers: Ian G. Daish, general manager/director; David Johnstone, captive services manager/director; Martin C. Belcher, underwriter; Charles K. Allen, assistant general manager-technical support services; Michael E.J. Perrett, assistant general manager-account and financial services.

Transnational Risk Management Ltd. (The Reiss Organization)

Transnational House, P.O. Box 69, Grand Cayman, Cayman Islands, B.W.I.; 809-947-4455

Year founded: 1979.

Parent company: Transnational Ltd.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, underwriting pools (United Insurance Co., 32 participants, $200 million premium volume), loss-control services (Cleveland), specialized accounting services for associations, onshore services for associations.

Staff: 30 total staff; 10 professional staff members. Professional designations held by staff include one CPCU, three FCIIs, two FCAs, one ACA, one FAAI, one HND.

Clients: 25 clients; 42% with under $1 million in premiums, 25% $1 million-$3 million, 21% $4 million-$10 million, 4% $11 million-$20 million, 8% exceeding $20 million. Total premium volume of captives managed, $300 million. Minimum size client, $250,000 premium volume.

Compensation: Minimum annual fee, $20,000.

1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 93%; commissions charged for brokering insurance and/or reinsurance, 2%; other services including consulting, 5%.

Principal officers: F.M. Reiss, chairman; D.J. Westmoreland, managing director; Omar R. Cordial, assistant general manager; G.R. King, financial controller; Elwyn S. Hughes, senior accountant.

Transnational Risk Management (Guernsey) Ltd. (The Reiss Organization)

31/33 Le Pollet, St. Peter Port, Guernsey, Channel Islands; 04-812-7220

Year founded: 1976.

Parent company: Transnational Ltd.

Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered for captives, underwriting and ratemaking for captives, loss-control services (Weybridge, Surrey, England), specialized accounting services to associations, onshore services for associations.

Staff: Three total staff; one professional staff member. Professional designations held by staff include one FCII.

Clients: Number of clients not reported. 33% with under $1 million in premiums, 33% $1 million-$3 million, 34% $4 million-$10 million. Total premium volume of captives managed, $6 million. Minimum size client, $250,000 premium volume.

Compensation: Minimum annual fee, $15,000.

1984 gross revenues: Not reported. Gross revenues generated by fees charged for captive management, 93%; other services including consulting, 7%.

Principal officers: F.M. Reiss, chairman; D.J. Westmoreland, director; J. Parkinson, managing director; B.D. Murphy, director; B. Hubert, secretary.

Continued on next page

the Delta dental challenge:

compare your group dental plan with ours and - **discover the Delta difference!**

Delta's cost containment safeguards are unmatched by any other plan.

Everyone agrees on the importance of cost containment. But few agree on the best way to achieve it.

Some plans reduce premium costs by cutting back on benefits. Others shift a bigger share of the financial load to the patient. Still others confine the delivery of care to a small group of designated dentists willing to discount their fees.

At Delta, we take a different approach.

Participating dentists file their fees with us and guarantee they'll charge no more. In cases where extensive dental work is required, they submit treatment plans in advance to determine how much the program will cover and how much the patient will have to pay.

Co-payments and deductibles are spelled out completely. Everyone knows exactly where they stand. And costs are kept to a minimum.

If your present group dental plan isn't providing the quality dental care you want with the kind of cost containment you need, compare your plan with ours.

For a free copy of Delta's 10-point Dental Plan Comparison Chart, call our National Accounts office at 312-337-4707.

You know where you stand with a Delta Dental Plan.

Delta Dental Plans Association
211 East Chicago Avenue, Dept. F
Chicago, Illinois 60611

Continued from preceding page

Trenwick Ltd.

P.O. Box HM 462, Trenwick House, 9 Church St. W., Hamilton 5, Bermuda; 809-295-3009

Year founded: 1978.
Parent company: Trenwick Ltd.
Services provided: Frequent captive formation, government reporting, accounting, computerized accounting, manual claims processing, claims reserves analysis, reinsurance brokered for captives, underwriting and ratemaking for captives, underwriting audits, loss-control services, investment management, loss forecasting, actuarial studies, computerized claims processing, captive feasibility studies, strategic planning.
Staff: 22 total staff; 12 professional staff members. Professional designations held by staff include three CPAs, one CPCU, two MBAs, one attorney.
Clients: Nine clients; 70% with $1 million-$3 million in premiums, 20% $4 million-$10 million, 10% exceeding $20 million. Total premium volume of captives managed, $40 million. Minimum size client, $2 million premium volume.
Subsidiaries: Trenwick America Corp., Westport, Conn.
Compensation: Annual fee; time and expense.
1984 gross revenues: Not reported.
Principal officers: James F. Billett Jr., chairman/chief executive officer; Angus Robinson Jr., president/chief operating officer; Mark W. Hinkley, executive vp; Kenneth L. Hammond, senior vp/chief financial officer; Brian M. O'Hara, senior vp/chief underwriting officer.

U

Universal Management Ltd. (The Reiss Organization)

Universal House, Shannon, County Clare, Ireland; 06-161-1955

Parent company: Transnational Ltd.
Year founded: 1976.
Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, underwriting and ratemaking for captives, underwriting pools (United Insurance Co., 32 participants, $200 million premium volume), loss-control services (Weybridge, Surrey, England), specialized accounting services, onshore services for associations.
Staff: 40 total staff; 21 professional staff members. Professional designations held by staff include one CPA, three FCIIs, one FCA.
Clients: Two clients; 50% with under $1 million in premiums, 50% exceeding $20 million. Total premium volume of captives managed, $104 million. Minimum size client, $250,000 premium volume.
Compensation: Minimum annual fee, $20,000.
1984 gross revenues: Not reported. Gross revenues generated by fees charged for captive management, 95%; other services including consulting, 5%.
Principal officers: F.M. Reiss, chairman; E.D. Murphy, managing director; T.G. Owens, financial controller; T.J. Carroll and D. Neylon, assistant managers.

V

Vermont Insurance Management Inc.

P.O. Box 306, 118 Main St., Montpelier, Vt. 05602; 802-229-5042

Year founded: 1981.
Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, reinsurance brokered for captives, reinsurance brokered to captives, specialized accounting services for associations, onshore services for associations, network computer communication facilities, providing accounting and information services; occasional manual claims processing, computerized claims processing, claims reserves analysis, actuarial studies, loss forecasting, underwriting and ratemaking for captives, underwriting pools (in formation), investment management, tax advice, legal advice, loss-control services.
Staff: Five total staff; two professional staff members. Professional designations held by staff include one CPCU.
Clients: Six clients; 34% with under $1 million in premiums, 33% $1 million-$3 million, 33% $4 million-$10 million.
Subsidiaries: Vermont Group Inc., Montpelier, Vt.
Compensation: Annual fee.
1984 gross revenues: Not reported. Gross revenues generated from fees charged for captive management, 100%.
Principal officers: George A. Chaffee, president; H. Lincoln Miller Jr., vp/secretary; Elbert G. Moulton, director.

W

Waite Hill Services Inc.

1000 Virginia Center Parkway, Richmond, Va. 23295; 804-264-5820

Year founded: 1978.
Parent company: Figgie International Inc.
Services provided: Frequent accounting, claims reserve analysis, underwriting and ratemaking for captives, loss-control services, onshore services for associations, captive rental facilities; occasional captive feasibility studies, captive formation, computerized accounting, manual claims processing, computerized claims processing, actuarial studies, loss forecasting, reinsurance brokered for captives, reinsurance brokered to captives, investment management, specialized accounting services for associations.
Staff: Six total staff members.
Compensation: Minimum annual fee, $7,500.
1984 gross revenues: More than $250,000. Gross revenues generated from fees charged for captive management, 100%.
Principal officers: Bruce L. Fowler, president; Donald Garlock, executive vp; Patrick Phelan, vp; Donald Riley, operations manager.

Y

Yankee Captive Management Inc.

P.O. Box 488, 198 College St., Burlington, Vt. 05402; 802-658-1100

Year founded: 1983.
Parent company: Yankee Insurance Group.
Services provided: Frequent government reporting, management services including banking, government liaison, filings; occasional captive formation, accounting, manual claims processing.
Staff: Four total staff; two professional staff members.
Clients: Four clients; 50% with under $1 million in premiums, 50% $1 million-$3 million. No minimum size client.
Compensation: Minimum annual fee, $1,500; time and expense, professional $75 per hour, clerical $25 per hour.
1984 gross revenues: Not reported. Gross revenues generated by fees charged for captive management, 100%.
Principal officers: Luther F. Hackett, president; Wayne E. McOwen, vp.

Z

Zurich International Ltd.

P.O. Box HM 2268, 6 Burnaby St., Hamilton 5, Bermuda; 809-292-8155

Year founded: 1977.
Parent company: Zurich Insurance Group.
Services provided: Frequent captive feasibility studies, captive formation, government reporting, accounting, computerized accounting, manual claims processing, computerized claims processing, claims reserves analysis, reinsurance brokered for captives, investment management, risk financing; occasional actuarial studies, loss forecasting, underwriting and ratemaking for captives, tax advice, legal advice, loss-control services.
Staff: Six total staff; three professional staff members. Professional designations held by staff include one CA.
Clients: Eight clients; 62.5% with under $1 million in premiums, 12.5% $1 million-$3 million, 12.5% $4 million-$10 million, 12.5% exceeding $20 million. Total premium volume of captives managed, $40 million. Minimum size client, $250,000 premium volume.
Compensation: Minimum annual fee, $20,000.
1984 gross revenues: $328,029. Gross revenues generated from fees charged for captive management, 100%.
Principal officers: Peter J. Jones, president; David C. Schlett, comptroller; Elizabeth M. Ochoa, assistant vp. ■

Aetna, hospital group form alliance to offer HMOs, PPOs

Aetna Life & Casualty Co. and Voluntary Hospitals of America Inc. are forming a joint venture to offer health maintenance organizations, preferred provider arrangements and other medical services through VHA's nationwide network of more than 400 non-profit hospitals.

The venture will develop health care plans for employers that use VHA hospitals in 41 states. The program will compete with other large medical plans like Hospital Corp. of America's PriMed and the HMOs offered by the Kaiser Foundation and CIGNA Healthplans.

Aetna President William O. Bailey said, "This is the first health care delivery system with a capacity to provide a full range of hospital, insurance and physician services on a national basis."

A unique feature of the venture will be a product that guarantees employers limits on premium increases. The guarantee, offered to employers with a certain percentage of their medical care furnished by VHA providers, says that for a period of several years premium increases will not exceed the Consumer Price Index or a similar economic indicator. The amount of time for the guarantee will depend on various factors, such as the size of the plan. But, the average will be about three years, says an Aetna spokesman.

All the health benefit products and services will be sold through the joint venture and Aetna's national marketing organization. The program will be headquartered in the Dallas-Fort Worth area.

Aetna, headquartered in Hartford, Conn., currently insures about 11 million people nationwide through employer-sponsored group health plans.

Westinghouse services

Westinghouse Electric Corp. is offering the risk management and engineering consulting services it developed during 25 years of experience in the commercial nuclear energy field to non-nuclear industries.

Joe Santoro, marketing manager of Westinghouse's nuclear technology division, said the services are available to "companies that want to increase plant or system safety, reliability, productivity or profitability."

Westinghouse has completed studies for customers in the chemical, petroleum and mass transit industries, Mr. Santoro said. The company is also offering the services to defense and aerospace industries.

"Because of the nuclear industry's exacting standards, Westinghouse developed some of the most sophisticated and accurate computerized tools for performing reliability engineering and risk assessment analyses," said Mr. Santoro.

Westinghouse says that, using its services, companies can:

- Pinpoint causes of system failures and calculate failure probabilities.
- Identify changes in system design, maintenance or operating procedures that can avert failures.
- Evaluate and prioritize safety and productivity improvements.
- Estimate the nature and severity of operator errors.

For information, contact Susan May, Westinghouse Nuclear Technology Division, P.O. Box 355, Pittsburgh, Pa. 15230; 800-222-0115.

Underwriters sold

The Lancer Financial Group has purchased Underwriters Insurance Co., a wholly owned subsidiary of Employers Insurance of Wausau, for an undisclosed price.

Underwriters Insurance, whose name will be changed to the Lancer Insurance Co., is now essentially a shell company, says David P. Delaney Jr., president and chief executive officer of Delaney Management Co. in New York. Delaney, which is 49% owned by Lancer, will manage the company from its New York office.

The insurer, which is licensed in 46 states, will be used to develop insurance products for the employees, suppliers and customers of Lancer Financial Group shareholders.

"We're prepared to service a great deal of the commercial business ourselves," says Mr. Delaney.

"Lancer does not do any fronting and does not plan to do fronting," he added.

The Lancer group consists of six corporate members, most of which have invested in Lancer through their captive insurers, and three insurers: First Horizon Insurance Co. in St. Louis, Transit Casualty Co. in Los Angeles and the Aneco Group of America, which is based in Bermuda. Discussions are now going on with three other corporations that might join the group, Mr. Delaney says.

Wausau acquired Underwriters in 1982, when it purchased Lansing B. Warner Inc., which also consisted of two reciprocals, says a Wausau spokesman. Any outstanding Underwriters business will be assumed by Wausau, he said.

Mergers/acquisitions

FBS Insurance, a subsidiary of **First Bank System Inc.** in Minneapolis, has acquired the **Valley View Insurance Agency** in Bloomington, Minn. The agency will change its name to **First Insurance Valley View** and will continue to operate from 8200 Highwood Dr., Bloomington, Minn. 55438; 612-944-8200.

Intermountain Insurance Co. in Albuquerque, N.M., has been acquired by **Citizens' National Assurance Co.**, also of Albuquerque. ■

markets

Risk Manager of the Year

Harold C. Lang

Photo: Mary Herlehy

Moving in high gear on a full tank

By KATHRYN J. McINTYRE

CLEVELAND—Leaseway Transportation Corp.'s Harold C. Lang runs on a full tank of energy, enthusiasm and technical skill.

The 54-year-old risk manager charges along in high gear and doesn't have to downshift for the hills. He drives his 6-foot, 175-pound frame with more spunk than most people half his age.

He sees only opportunities where others would see disappointments or problems.

And, he is a master of risk management, drawing on a lifetime of experience and dedication to the profession.

For the past three years, his physical strength, character and technical expertise have been put to the test—and he's come out the winner.

Three years ago, in his ninth year as risk manager of Bunker-Ramo Corp. in Chicago, the mini-conglomerate was acquired by Allied Corp. and he was "reorganized out of a job," as he says.

But, Mr. Lang was never unemployed.

Before his last day at Bunker-Ramo, he had been hired as the new director of insurance and risk management for Leaseway in Cleveland.

His mandate: To build a modern risk management program for the transportation and physical distribution company that was in the process of streamlining, strengthening and modernizing the administrative management of its then 160 subsidiaries.

And, this week, one week shy of his third anniversary with Leaseway, Mr. Lang has been named the 1985 *Business Insurance* Risk Manager of the Year for his accomplishments in building a risk management program for the company.

Mr. Lang was selected as the eighth *Business Insurance* Risk Manager of the Year by a panel of 10 independent judges who scored the nominations for the award.

In his three years at Leaseway, Mr. Lang has consolidated and restructured all of Leaseway's insurance programs.

And, Mr. Lang has implemented a new insurance budget process, simplified the loss accounting system, reorganized claims handling and assembled a corporate risk management department where one never existed. Most recently, he developed an insurance program for Leaseway salesmen to offer to full-service leasing clients (see related stories).

"The job was easy because of the full cooperation I was given by upper management," Mr. Lang says. "I made recommendations and they were approved."

"That I put this into effect in three short years is to Leaseway's credit," he emphasizes. "The people I report to said, 'Let's do it.'"

When Mr. Lang joined Leaseway in 1982, about 160 subsidiaries owned more than 78,000 trucks, tractors, trailers and cars, employed 15,000 and produced annual revenues of $1 billion.

Today, more than 130 subsidiaries, after some consolidation, own the same number of vehicles, employ 18,000 people and reported 1984 revenues of $1.3 billion, a 30% increase.

Today, as in 1982, Leaseway operates from

Continued on next page

Susan N. Weiner

In her role as the executive director of the division of risk management for the Dade County Public Schools, Susan N. Weiner has captured the respect of her school district associates, local labor unions and the Miami-area community, along with a spot on the 1985 *Business Insurance* Risk Management Honor Roll, representing government entities. See story, page 117.

Eva F. Goodrich

Eva F. Goodrich is as disciplined and tough as the soldiers who use the military products manufactured by her employer, Cincinnati Electronics Corp. And, like a good sentry, nothing gets past her as she protects CE's assets and employees. Her dedication and savvy have won her a spot on the 1985 *Business Insurance* Risk Management Honor Roll, representing small businesses. See story, page 117.

Harold C. Lang

Continued from preceding page

about 500 locations around the United States, Canada and Puerto Rico, leasing vehicles and equipment, providing maintenance service, leasing people, warehousing goods and moving goods.

Leaseway leases to customers about two-thirds of its vehicles, which are available on a daily rental basis to a full-service leasing contract that includes vehicle maintenance and road assistance.

Operating about one-third of its vehicles, Leaseway moves goods, as both a contract carrier and a common carrier. It moves auto parts and automobiles and hauls bulk commodities.

Leaseway also stores, handles and transports retail goods, operating warehouses and terminals.

And, Leaseway advises customers how to most quickly and efficiently move their goods around the country and how to distribute their goods internationally.

When Leaseway hired Mr. Lang, management wanted the most cost-effective insurance program possible. While costs are important to any service organization, new competition in the trucking business had made costs very important to Leaseway.

The Motor Carrier Act of 1980 deregulated rates and operating authority in the transportation business, permitting transportation companies to expand their services. But, the new freedom to operate also created competition that forced transportation companies to control their costs in order to protect their profits.

"We are the most bottom-line thinking company," Mr. Lang stresses.

To build a corporate risk management program for Leaseway, Mr. Lang set as his first priority consolidating insurance programs.

Three years ago, there were more than 40 different insurance policies purchased at Leaseway not only by the corporate office but also by quite a few subsidiaries at an annual cost of $23 million.

The fragmented insurance buying reflected the corporate management philosophy of the past. Until 1979, subsidiaries operated with more freedom and less direction from the corporate headquarters, including the risk management department.

Today, all insurance protecting Leaseway assets is part of an integrated risk management program. All insurance is purchased by Mr. Lang and the number of separate policies is down to "12 manageable insurance programs" at an annual cost to Leaseway of $35 million in 1985.

"It took a year to learn what was going on," Mr. Lang recalls of sorting through the numerous insurance programs. But as he was learning, he was designing a master plan. And as each separate insurance policy expired, he brought the coverage into the master insurance program.

Policies were not canceled because Mr. Lang didn't want subsidiaries to suffer any cancellation penalties.

Workers compensation

Workers compensation was the first program to be consolidated.

Three years ago, the majority of Leaseway's subsidiaries were insured for workers compensation by Argonaut Insurance Co. under a standard incurred-loss, retrospectively rated insurance program. But some subsidiaries bought their own incurred-loss retros. A few companies were even in state funds.

In October 1982, after only five full months on the job, Mr. Lang executed a paid-loss retrospectively rated workers compensation insurance program underwritten by Fireman's Fund Insurance Cos.

It was a very competitive program. It eliminated deposit premiums and provided for daily wire transfer of funds to pay losses, which greatly enhanced Leaseway's cash flow.

The basic premium was less than 2.8% of standard premium compared with the 10% Leaseway had been paying Argonaut and rates as high as 20% of standard premium paid to other insurers. The loss conversion factor in the Fireman's Fund program dropped to 6.5% of paid losses compared with 12.5% to 16% of incurred losses under the prior program.

And, while other policies carried minimim premiums of as high as 40% of standard premium, the basic premium in the Fireman's Fund program was the minimum premium. While some previous retro programs had maximum premiums of as much as 140% to 150% of standard premium, the Fireman's Fund program capped the maximum premium at standard premium.

As workers compensation policies came up for renewal, they were brought into the Fireman's Fund insurance program.

Excluded, however, were Ohio-based subsidiaries. Ohio prohibits commercial workers compensation insurance and as a result, two subsidiaries are approved self-insurers and the other 28 are insured by the monopolistic state fund.

Mr. Lang would prefer that more Ohio-based subsidiaries were approved self-insurers, but it would be too expensive. Any company switching to self-insurance from the state fund must buy out its loss reserves from the state fund.

The Fireman's Fund program stayed in effect for two years while Mr. Lang tackled other insurance policy consolidation.

Property insurance

Property insurance was one of the next coverages consolidated. Three years ago, Leaseway property was insured under seven different programs with varying limits, deductibles, coverage and reporting provisions and individual invoicing for every new location.

Today, Leaseway's property is insured under a blanket all-risk, replacement value policy with Affiliated FM, a subsidiary of Allendale Insurance Co. And, Leaseway pays an annual prospective premium subject to annual adjustment.

The Affiliated FM policy covers $172 million in building and contents, EDP equipment, motor truck cargo at specified locations, excess physical damage to vehicles, bailee liability, boiler and machinery perils, loss of rents as required by leases, builders risk and flood and earthquake in several locations. The policy also includes a contractors equipment floater.

All of Leaseway's 500 locations qualify as highly protected risks, but only 13 of them have a value exceeding $1 million.

Leaseway's largest facility is in Alsip, Ill.: a warehouse that Leaseway manages for Sears Roebuck & Co. The second most valuable property is its corporate headquarters in Cleveland.

Most Leaseway operations are "HPR in and of themselves," Mr. Lang says. Terminals, valued at $200,000 to $300,000, where goods are unloaded and reloaded are constructed of steel decks and steel doors on concrete pads. "What could burn?" Mr. Lang asks rhetorically.

"Our biggest potential of loss is a truck tipping over full of cargo that I was bearing risk for," Mr. Lang says. "The cargo could be worth more than the value of tractor and the trailer."

A first-class tractor/trailer would be worth about $70,000 but the cargo inside could be worth up to $500,000, the limits of the cargo endorsement.

On rare occasions, the cargo could be worth up to $1 million. On those occasions, all necessary security precautions are taken by Leaseway and the property policy is endorsed as needed.

A trailer full of general commodities, however, doesn't come near $100,000 in value, Mr. Lang notes.

Leaseway salesmen have been advised by Mr. Lang that their private or contract carriage customers could find it more economical to extend their manufacturing fire policies with a transit endorsement than to ask Leaseway to bear the risk for their cargo.

Large manufacturers with high-valued raw material, work in process and finished goods inventories would find this true, Mr. Lang explains.

But, if customers insist that Leaseway cover the cargo, salesmen add the cost of the insurance to the customer's bill.

However, when Leaseway is operating as a common carrier, Leaseway is liable for cargo on an all-risk basis.

Leaseway bascially is self-insured for damage to its vehicles under the $100,000 policy deductible. But, it does buy excess physical damage coverage to $200,000 per vehicle and $5 million per catastrophe.

The catastrophe risk is low "because we rarely have an accumulation of great quantities of equipment at one location," Mr. Lang says.

"They're always on the road. We don't have extras hanging around."

Leaseway's deductible on its property policy is generally $100,000, the deductible drops down to $10,000 and as little as $1,000 for some endorsements. For example, bailee liability coverage for all full- service leasing locations is subject to only a $1,000 deductible.

The property premium is about $500,000 annually. Leaseway's losses under its deductibles total about $2 million annually, mostly for physical damage to its vehicles and some cargo losses.

Leaseway's only time-element insurance is extra expense insurance for its EDP exposures. "I always have extra trucks," Mr. Lang quips.

And, if a terminal were destroyed, Leaseway could quickly rent another.

Warehouse legal liability

With 50 million square feet of warehouse, Leaseway is subject to warehouse legal liability for damage to customers' property due to the negligent acts of its employees.

Three years ago, Leaseway bought a $2 million primary warehouse legal liability insurance policy and added on excess layers whenever customers said the existing limits were less than the value of their property. Seven or eight policies were purchased.

Today, Leaseway buys one warehouse legal liability insurance policy, which is endorsed for excess limits where needed.

Leaseway buys the policy from American Home Insurance Co., which offers a program to members of the American Warehousing Assn. The basic primary limit is $2 million and excess limits by location, when necessary, are endorsed up to $10 million.

Forklift tongs accidentally stuck through a huge stack of refrigerators can be very expensive, Mr. Lang says, but most of Leaseway's warehouse legal liability claims are within the policy deductible of $5,000.

Pollution insurance

With 78,000 owned vehicles to maintain, Leaseway also must maintain underground storage tanks for gasoline, diesel fuel, other petroleum products and solvents.

When Mr. Lang joined Leaseway, the company had coverage for sudden and accidental pollution occurrences under its general liability policy, but it did not have any gradual pollution insurance.

Before the end of 1982, Mr. Lang had purchased EIL insurance, $20 million per occurrence and $40 million in the aggregate. The first $15 million was written by Great American Surplus Lines and another $5 million excess of $15 million was written by First State Insurance Co.

During 1984 the EIL insurance marketplace started to evaporate and Great American and First State stopped underwriting the coverage.

For 1985, Leaseway was able to purchase $10 million of EIL insurance from Evanston Insurance Co. through underwriting manager Shand, Morahan & Co. The premium was up 300% even though the limits were 25% of the former limits.

Now, however, Shand Morahan also is out of the EIL market and Mr. Lang fears that no EIL insurance will be available when the

Continued on facing page

Lang's renewal season lasts all year

Harold Lang averts long nights at policy renewal season by spreading Leaseway Transportation Corp.'s major insurance renewals thoughout the year.

"I want 25% of my policies renewing each quarter," he says.

The Allstate Insurance Co. combined primary automobile, general liability, garage and garagekeepers liability insurance and statutory workers compensation program renews Oct. 1.

Excess liability insurance policies renew Jan. 1, giving Mr. Lang 90 days to work on it after the primary policy is renewed.

The combined fidelity/fiduciary/directors and officers/special contingencies liability insurance program renews May 1.

And the property insurance program renews Aug. 1.

While some risk managers say that primary and excess policies should have the same renewal dates, Mr. Lang disagrees.

"In a reasonable marketplace that would work," he says. But when insurance is difficult to purchase, "if you are renewing all the policies at one time, you can't know if you are doing it right," he maintains.

"I don't like 11th hour quotes," he asserts.

On the cover

The cover photograph of Harold C. Lang, director of insurance and risk management for Leaseway Transportation Corp., was taken by Mary Herlehy, chief photographer for Crain Communications Inc., at Leaseway headquarters in Cleveland.

Business Insurance puts more into it so you'll get more out of it.

Use this form, or the card in this issue, to enter your subscription to Business Insurance. Or call (312) 649-5221.

Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week.
Annual subscription (52 issues) in U.S. dollars.

(Check here.)	Surface Mail.	By Air.
USA	☐ $52	
Canada	☐ $68	☐ $100
Bermuda *(Air only)*		☐ $ 97
Europe/Middle East *(Air only)*		☐ $ 97
All other foreign	☐ $68	Rates on request.

☐ new subscription. ☐ renewal. ☐ payment enclosed.
☐ bill me. ☐ bill company.

name (please print)

title telephone

company

nature of business

☐ business or ☐ home address

city state/country zip/postal code

☐ Please send information on your special 20%-off group rate for five or more subscriptions.

☐ I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance
Circulation Dept. 740 Rush Street Chicago, IL 60611 HB5

Continued from facing page
Evanston Insurance policy expires in December.

Surety bonds

As a transportation company, Leaseway is required to post surety bonds to various government entities guaranteeing that Leaseway will pay its taxes, for using highways, turnpikes and fuel, and that it will pay its toll bills.

Three years ago, each of the nearly 2,500 surety bonds purchased by Leaseway annually was billed by separate invoice by the insurance agent to the appropriate subsidiary.

Now, Leaseway pays a prospective annual premium to a CNA Cos. surety company to provide the approximately 3,500 bonds Leaseway subsidiaries need.

Leaseway receives a quarterly activity report, which Mr. Lang distributes to Leaseway's six regional controllers so that their subsidiaries can properly accrue for the annual invoicing. The premium is adjusted annually and the risk management department annually allocates the appropriate charge to the subsidiaries.

Corporate financial security

Three years ago, Leaseway purchased separate insurance policies for directors and officers liability, fiduciary liability, fidelity and other special contingencies, with more than one policy for each coverage.

In May 1984, Mr. Lang consolidated the four coverages into one liability insurance program with Federal Insurance Co., a member of the Chubb Group.

In purchasing Chubb's package program, Mr. Lang negotiated coverage for all directors of all Leaseway's subsidiaries, not just the holding company; a deductible of $100,000, down from the previous $150,000 of prior policies, and a price reduction from the cost of the previous separate coverages.

Directors and officers liability, fiduciary liability and special contingencies each are insured to $10 million. Limits on the fidelity coverage is $5 million.

Theft is not a problem for Leaseway. Seals on the trucks and trailers prevent most thefts. And, there is minimum petty cash at the terminals to be stolen.

Primary liability

The one program Mr. Lang did not have to consolidate, at first, was the combined auto liability, general liability, garage liability and garagekeepers liability insurance that was purchased from Allstate Insurance Co.

Only Leaseway's liquid carrier subsidiary had not been consolidated into the program, which Mr. Lang quickly remedied in 1983.

Garagekeeper's liability protects Leaseway against losses to customers' property while it is in Leaseway's garages or on test drives on the road. Garage liability protects Leaseway against liability losses that could occur if a traffic accident is traced back to faulty maintenance of a vehicle by a Leaseway mechanic.

Neither risk is as terribly large as one might suspect, Mr. Lang says.

"Losses are almost nil," Mr. Lang reports, because Leaseway's mechanics "are highly competent."

Leaseway's largest third-party exposure is automobile liability , with 9,000 drivers on the road. "These drivers drive in all kinds of adverse weather conditions, in all states. At any given time, Leaseway could have a driver in darn near every county in the United States." Mr. Lang boasts.

"But, we have career drivers," Mr. Lang says with pride, which keeps Leaseway's severe losses far and few between. But, "one is always too many," Mr. Lang adds.

He attributes the minimal losses to Leaseway's safety program. Safety directors are active in each of the major subsidiaries. "And from the chairman of the board all the way down, Leaseway is committed to safety," Mr. Lang adds.

Although Mr. Lang does not have responsibility for safety, he works closely with the safety department.

Leaseway's primary insurance for auto liability, general liability, garage liability and garagekeepers liability had been purchased from Allstate Insurance Co. for 35 years when Mr. Lang arrived in 1982. And, for the last 25 years, Allstate had reinsured a large portion of the risk with an Illinois reciprocal Transinc Inter-Insurance Exchange, managed by a Leaseway subsidiary, T-I Co.

An employee of T-I, Philip Rounsaville, was appointed a special agent for Allstate Insurance Co. and as such placed Leaseway's insurance with Allstate. Therefore, the premium did not contain a loading for a commission.

Although the Allstate/T-I program was innovative and effective for its time, it, too, was soon to be consolidated—with Leaseway's workers compensation program.

In 1984, Fireman's Fund Insurance Cos. indicated that there would be substantial increases in the cost of Leaseway's workers compensation program. That was Mr. Lang's first sign that competition in the commercial insurance marketplace was cooling, although he had been expecting it.

But, he wasn't going to accept the higher charges without looking elsewhere and at other alternatives.

"We tested the marketplace by going to one other major insurer and to Allstate," Mr. Lang said.

But, instead of offering Leaseway a paid-loss, retrospectively rated program for workers compensation as the bid specification requested, Allstate's commercial lines division offered Leaseway a program combining workers compensation with its existing primary insurance program.

"They came in with an extremely innovative combined package for us to consider," Mr. Lang recalled.

It was not a paid-loss retro. It was a loss-sensitive dividend plan including a discounted premium.

"We felt a paid-loss retro would be a me-too quote," said Allstate Senior Account Manager James Vargo in the National Accounts Department.

Loss limits for workers compensation would not be separated from the primary liability program for determining the dividend. And, regardless of losses, the maximum premium for the entire program would be limited to the standard premium, capping Leaseway's primary liability costs for the first time.

But, the Allstate proposal did not call for reinsuring any risk with Leaseway's Illinois reciprocal.

When Mr. Lang crunched the numbers and analyzed the Allstate proposal, he liked it.

He determined that it was the most economical. He also determined that the Allstate proposal satisfied changing regulatory and tax considerations.

State insurance departments were beginning to follow the lead of California and require policyholders to post a promissory note or surety bond with insurers to guarantee the unpaid portion of the premium, Mr. Lang says. The more states that require this, the less attractive a paid-loss retro becomes because the policyholder is spending too much money and attention posting these guarantees.

In addition, Leaseway was tax deducting the standard premium for its workers compensation insurance and tax specialists predict that the Internal Revenue Service will soon determine that tax deductions should be allowed under a paid-loss retro only when the policyholder pays the insurer to cover paid losses.

For the new combined policy, Allstate quoted an estimated standard premium of $32 million. The policy provides statutory workers compensation coverage for about 14,000 employees, which exlcudes those in the Ohio monopolistic fund, and $1 million per occurrence of automobile liability, general liability, garage and garagekeepers liablity insurance.

Workers compensation coverage is the most expensive with an estimated standard premium of $22 million. The estimated standard premium for auto liability, general liability, garage liability and garagekeepers liability quoted is $10 million.

But, also as part of the package, Leaseway would not have to pay the standard premium at the start of the policy. Leaseway would pay $30 million in 10 equal installments, which was a cash-flow concession to Leaseway for the lost use of its money.

Switching from a paid-loss retro and dropping the Illinois reciprocal from reinsuring Leaseway's primary liability was the most radical proposal Mr. Lang had taken to management.

"There was some serious questioning by heavyweight financial guys," Mr. Lang remembers.

But, once Mr. Lang demonstrated that the savings justified the program, it was approved and implemented Oct. 1, 1984.

As in the past, the Allstate program was written in Illinois through T-I Co. and Mr. Rounsaville, who also holds the title of insurance manager of Leaseway.

The reciprocal is now only running off its past liabilities and is not insuring or reinsuring any Leaseway risks.

The Allstate combined program lowered Leaseway's subsidiaries allocated premium costs. "We went out with lower budgets in 1985 than 1984 because I didn't have to budget my operations for the ultimate losses. I have capped my liability exposures," Mr. Lang explained.

Previously, the primary liability program with Allstate was an open ended paid-loss retro on the first $10,000.

The Allstate premium is subject to a six-month adjustment and annual adjustments thereafter with dividends payable to Leaseway for better-than-projected loss experience.

So far losses are about even with projections.

Excess liability insurance

Three years ago, high limits of excess insurance were purchased for the high-hazard hauling subsidiairies, but lower limits were maintained for the balance of subsidiaries.

Today, all Leaseway operations are covered under one excess liability insurance program.

Leaseway's first excess liability insurer above the Allstate program is Northbrook Property & Casualty Insurance Co., for $5 million excess of $1 million.

An Allstate company was specifically requested as the first excess insurer because Mr. Lang wanted a special endorsement to the first excess policy stating that notice to Allstate of a claim constitutes notice to Northbrook.

Mr. Lang is acutely aware of the possibility that an excess insurer could deny liability for a claim on the grounds that the claim was not reported on a timely basis. Leaseway is now suing a former excess insurer over that issue.

American Centennial Insurance Co. denied payment on a very serious bodily injury claim exceeding the $1 million primary limit. The accident occurred in 1981 and the personal injury trial was in effect when Mr. Lang joined Leaseway.

Leaseway's suit contends there was proper notice under the contract. It is suing for $1 million to cover claims, plus interst and puntive damages for failure to pay the claim.

The trial, in Cleveland, is expected to begin in late May.

The Northbrook excess policy also includes a "mini-retro," which requires Leaseway to pay a minimum deposit subject to adjustment for losses.

Leaseway purchases another $10 million excess of $6 million from Mission Insurance Co., $10 million excess of $16 million from National Union Fire Insurance Co. of Pittsburgh, a unit of American International Group; and then Mr. Lang stops reciting limits. "I insist on not divulging my top limits," he says flatly.

The fact that Fireman's Fund provides the next layer is all the additional information he will divulge about excess insurers and limits.

Leaseway's excess insurance in 1985 costs almost double what it did in 1984.

Leaseway was a victim of rising excess liability insurance prices, even though its excess insurers above the first layer had never been tapped for a loss.

Hazardous materials

Leaseway also hauls hazardous materials and is required to purchase liability insurance under the Motor Carrier Act of 1980.

The required limits of $1 million or $5 million, depending upon the type of hazardous material hauled, are provided under Leaseway's package program with Allstate.

Leaseway's experience in haul-

Continued on next page

U CAN'T AFFORD TO NEGLECT YOUR EMPLOYEES' EYE CARE!

SIGHT — our most precious sense — is strangely neglected in most employee health care programs. As a result, most employees fail to have periodic eye exams while many others are wearing inadequate or outdated prescriptions.

With an estimated 60% of the nation's work force requiring corrective lenses, it's just good business to provide a company vision care program. In addition to benefitting the employee personally, there are tangible benefits to the employer as well:

- Reduction of errors and accidents
- Decreased fatigue and headaches due to eye strain
- Reduced absenteeism
- Improved morale and company good will

The bottom line? **Increased productivity!**

Plan now to correct this oversight in *your* company — contact Vision Service Plan (VSP). We're specialists . . . group vision care is our only business! We're the largest provider of vision care in the nation. Our plans provide free choice of doctor, periodic vision exams, lenses and frames when prescribed. Administration is easy and the cost is very affordable.

For the location of the office nearest you, call our toll-free number today. *Seeing is believing!*

VSP

VISION SERVICE PLAN
1000 Des Peres Road, Suite 280
St. Louis, Missouri 63131

1-800-325-8499

Harold C. Lang

Continued from preceding page
ing hazardous materials has been very good, Mr. Lang says.

Only a "very few minor lawsuits" are pending against Leaseway, and they stemmed from minor auto accidents and minor spills, he says.

Independent contractors

Leaseway's 1,500 independent contractors are not covered by Leaseway's insurance programs.

Rather than assume the contractors' liabilities, the company requires those who drive their own trucks to show Leaseway evidence of insurance, including automobile, cargo, workers compensation and fidelity coverages.

But, knowing that independent contractors may find it difficult to secure the needed insurance from high-quality insurance companies, Mr. Lang encouraged a Toledo insurance agency to expand nationwide a program that it had developed for several Leaseway operations.

Roemer Insurance Agency offers Leaseway independent contractors all the required coverage. The independent contractors are in no way forced to purchase their insurance from Roemer, but they are told it is available.

In addition, independent contractors of Leaseway subsidiary Midwestern Distribution Inc., located in Kansas, can purchase individual workers compensation policies under a program that was developed by Insurance Management Corp.

The program was in place before Leaseway purchased the company.

Other policies

While all of Leaseway's major insurance coverages have been consolidated, there are some policies that Mr. Lang simply cannot consolidate.

Only one Leaseway subsidiary leases aircraft: Midwestern Distribution. The two leased aircraft are insured for their hull value and $50 million of aircraft liability insurance under a policy purchased from Hartford Insurance Cos.

Other unconsolidated insurance programs include primary liability policies for operations in Puerto Rico and Canada to satisfy local insurance requirements.

In May 1984, Mr. Lang prepared a memo for management comparing Leaseway's cost of risk to that of the transportation industry based on the Cost of Risk Survey published by the Risk & Insurance Management Society and consultant Risk Planning Group.

The results: Leaseway's cost of risk in 1982 of $23.1 million was 2.7% of assets and 2.2% of revenues. In 1983, a $22.8 million cost was 2.5% of assets and 1.8% of revenues, both down from the first year when Mr. Lang had joined Leaseway at the end of April.

The comparison with an industry average of 31 companies showed Leaseway's cost of risk in 1983 of 1.8% of revenues was below the industry average of 2.37%. Its cost of risk as a percent of assets at 2.5% was higher than the industry average of 1.36%.

Never running low on energy, enthusiasm or talent, Mr. Lang says, "Now I want to improve what we have."

With insurers raising prices, dropping lines of coverage and adding new policy restrictions, some people view today's insurance marketplace as a disaster. But Mr. Lang says that he sees opportunities.

There is the opportunity to negotiate in spite of the general market conditions, he explains.

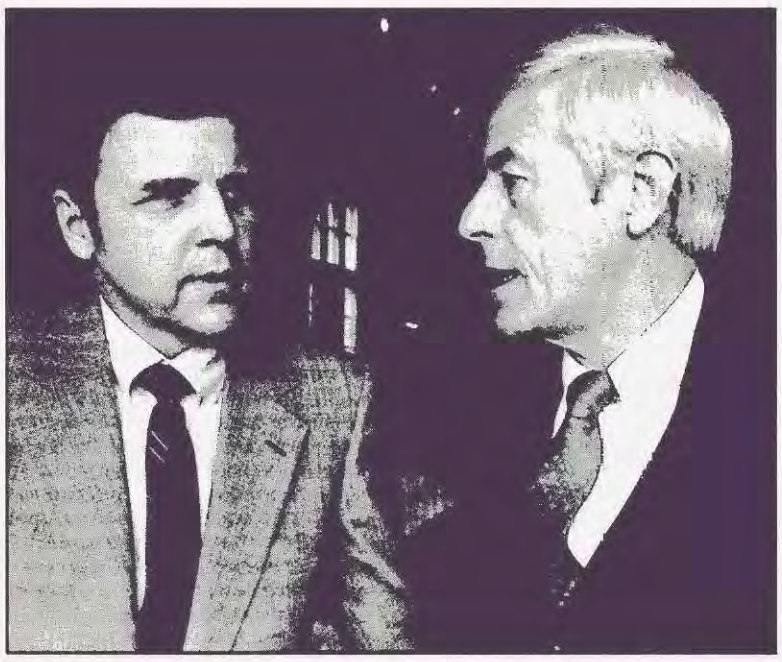
"There will always be insurers willing to properly underwrite a risk. There will always be reinsurers willing to reinsure. Although they may become extremely selective, with proper underwriting information and our extremely good safety record, I want to be out there as a leader for my company.

"Those who know their business and know their company and have their records will have opportunities," he maintains.

The now inactive Illinois reciprocal offers Leaseway risk financing opportunities, too.

Mr. Lang intends to look at them all.

Mr. Lang pledges: "I will make every effort to see where those opportunities are to improve the program that I have set up for Leaseway." ■



Thomas M. Scott, left, president of Insurance Management Corp., nominated Harold C. Lang for the Risk Manager of the Year award.

Broker lost business, but praises Lang

CLEVELAND—Harold C. Lang of Leaseway Transportation Corp. was nominated for the *Business Insurance* Risk Manager of the Year Award by a broker who lost business, thanks to Mr. Lang.

Insurance Management Corp. in Kansas City had brokered the insurance for Midwestern Distribution Inc., a nationwide, general commodity truckload common carrier, before it was acquired by Leaseway in 1982.

Mr. Lang later brought Midwestern into the consolidated insurance program for all Leaseway subsidiaries.

"We lost business," said IMC President Thomas M. Scott. "We didn't like it, but he made the right decision."

Now, IMC is acting as a consultant on a new insurance package to be offered to full-service leasing customers of Leaseway. And, IMC continues to provide individual workers compensation insurance policies to the individual owner/operators of trucks who contract with Midwestern.

In his letter nominating Mr. Lang, Mr. Scott wrote:

"Although many risk managers are highly qualified and professional in their operation, none equals Harold Lang's total capability in the administration of a large complex risk management department for a corporation that is undergoing constant changes as it strives to become an even larger factor in all facets of the transportation industry."

"We know from direct involvement with Harold that he has the leadership qualities, the technical background, creativity, financial expertise and dedication to risk management, all of which are so necessary to qualify an individual as Risk Manager of the Year."

With its workers compensation and primary liability insurance placed with Allstate Insurance Co. by one of its own employees who is a specially appointed Allstate agent and its property insurance placed with a direct writer, Leaseway deals with only two insurance brokers.

Rollins Burdick Hunter Agency of Ohio Inc. in Cleveland places all other insurance that is not purchased from direct writers, including excess liability, environmental impairment liability and the corporate financial package. RBH also co-brokers the warehouse legal liability insurance with Bayly, Martin & Fay, which set up the trade association insurance program used.

RBH is compensated on a fee basis.

Mr. Lang advocates paying brokers fees instead of commissions because, "I can fix my costs. And I avoid windfall profits to agents or brokers in a tight marketplace. If premiums triple, they don't have to work three times as hard," he contends.

Mr. Lang negotiates an annual fee based on his assessment of the work required and allowing for "a little profit—very little, but a little."

Donahey Agency in Pepperpike, Ohio, places Leaseway's surety program and is paid a commission.

Photo: Chris Stevens

James E. Moenkhaus, left, of Rollins Burdick Hunter Agency of Ohio Inc., and Allstate Insurance's James Vargo, congratulate Mr. Lang.

REINSURANCE

RE

Specializing in all forms of life, accident and health Reinsurance.

FACULTATIVE/TREATY

Underwriting and loss adjusting intermediary for LLOYDS of LONDON for over 30 years.

- Stop Loss for Self-Funded Employee Benefit Plans
- Stop Loss for Aviation Workers' Compensation
- Catastrophe Excess Treaties
- Special Risks
- Admitted Liability
- Aviation Accident
- Group Travel
- Life

John W. Parker, Jr.
Deborah Perna
Milo W. Zidek
Ralph P. Pillischer
William R. Guckes, Jr.

8 PENN CENTER PLAZA, SUITE 2300 ■ PHILADELPHIA, PA 19103
215-569-9595

Other principal cities in the U.S.: Coral Gables • Dallas • New York • San Francisco
And Abroad: Bogota • Brussels • Buenos Aires • Caracas • Hamilton • Lima • London • Maracaibo • Mexico City • Milan • Panama City • Paris • Santiago • Sydney

Business Insurance **Publisher Alfred Malecki, left, and Editor Kathryn J. McIntyre, right, present the 1985 Risk Manager of the Year award to Leaseway Transportation Corp.'s Harold C. Lang.**

Risk Manager of the Year sees challenges today and tomorrow

CLEVELAND—Receiving the *Business Insurance* Risk Manager of the Year award brings with it a challenge for the future, says Leaseway Transportation Corp.'s Director of Insurance and Risk Management Harold C. Lang.

"That challenge is not only that there be a continuation of improvements in our programs with increasing effectiveness, but to accomplish that in the face of today's outside challenges," he said.

Mr. Lang accepted the 1985 *Business Insurance* Risk Manager of the Year award during a luncheon held in his honor by the magazine April 4 at the Canterbury Golf Club in Cleveland.

A plaque symbolizing the award was presented to him by *Business Insurance* Publisher Alfred Malecki and Editor Kathryn J. McIntyre.

Mr. Lang was selected to receive the award by a panel of 10 independent judges who scored nominations to the competition, which is sponsored by *Business Insurance*.

The outside challenges to a risk management program today, Mr. Lang said, include "a tightening and disappearing insurance marketplace, court decisions with ever-increasing awards, workers compensation officials dispensing what I refer to as social justice, and even the attitude of employees, many of whom have no qualms about obtaining employer funds through the legal process.

"We're challenged not tomorrow, but today," Mr. Lang said, "and each of us must acknowledge that awards for the past seemingly make it more difficult to succeed in the future."

In accepting his award, Mr. Lang said, "No one individual, now or in the past, earns this title alone."

"Every individual in this room owns a share in this plaque," he said, referring to those gathered for the luncheon, including the top management of Leaseway, members of the company's risk management department, the insurance agents and brokers, insurance company employees and members of his family who attended the luncheon.

Without the "full support" of Leaseway's management, "none of our programs the past three years would have succeeded," Mr. Lang said. He named specifically Leaseway's Vp-Taxes Ray J. Rehor, to whom he reports, Senior Vp-Finance Richard A. Damsel, to whom Mr. Rehor reports, and Leaseway Chairman and Chief Executive Officer Gerald C. McDonough.

"Without the working effort of every employee in the department of insurance and risk management, and their drive to contain the cost of risk, few of our newer programs would have been as successful," Mr. Lang said.

"Without strong cooperation from the insurance providers and insurance servicers of Leaseway in working with us in developing cost effective programs and providing efficient services, none of this could have resulted," Mr. Lang continued. "You helped us put these programs together."

The corporate financial staffs and operations management also made it possible for the risk management department to get their programs off the ground, Mr. Lang said. He named tax department, treasury, conrollers and operating staff members.

"We're not done yet," Mr. Lang promised.

Lest anyone think that it's easy to be in the risk management department at Leaseway, Mr. Lang noted, "In my previous job at Bunker-Ramo Corp., I had only five divisions to allocate premium to on an annual basis. Here we have almost 130 we allocate to and each questions every dollar."

For the future, Mr. Lang said, "Our task ahead for all of us will not be easy. Let's commit together to always be able to say, 'This award continues to be earned.'"

Mr. Lang also thanked Thomas A. Scott, president of Insurance Management Corp. in Kansas City, for nominating him for the award, and Mr. Rehor for endorsing him.

"We had a good product," Mr. Scott quipped.

Mr. Rehor, congratulating Mr. Lang on behalf of Leaseway Chairman Mr. McDonough and the corporation, said: "The award is well-earned and well-deserved."

Mr. Lang faced the challenge of reorganizing, restructuring and redirecting the risk management department when he was hired in 1982, added Mr. Rehor, who hired Mr. Lang.

"We had adequate coverage but not the best coverage for the least cost. Harold added that, and he did it very successfully," Mr. Rehor said.

Commenting that "the insurance market is a really tough market and for some reason insurers don't like truckers," Mr. Rehor said Leaseway's risk management department faces a "challenge that is much greater."

"I am confident that Harold, assisted by his staff, will meet the challenge," Mr. Rehor said.

Senior Vp-Finance Mr. Damsel added, "We're proud of you and the job you have done. You have our support."

Other Leaseway executives who attended the luncheon for Mr. Lang were: Leaseway President Charles R. Marcoux, Senior Vp-Administration Alex M. Warren, Vp-Treasurer Charles Carden, Executive Vp William J. O'Neill Jr. and Vp-Law A. Richard Michel.

Speaking on behalf of the risk management department staff, Leaseway Claims Manager Frank J. Petros said, "What most impresses me is Harold has a tremendous amount of energy."

Allendale Insurance Regional Vp Raymond Trabulshi toasted to Mr. Lang's "professionalism," and "the pleasure of working with him over the years."

Others attending the luncheon saved their comments for private discussions.

Rollins Burdick Hunter Agency of Ohio Inc. President James E. Moenkhaus, whose company brokers insurance for Leaseway, said Mr. Lang is "a brilliant risk manager and insurance person. And he has inexhaustable energy."

Allstate Insurance Co. Senior Account Manager James Vargo, said: "Harold Lang is an innovative negotiator. He brings the very best out of insurance companies to interact and react to his demands. He makes us earn the account."

Allstate writes Leaseway's combined statutory workers compensation and primary automobile, general liability, garage and garagekeepers liability insurance.

In addition to the risk management department staff, Rita Lang, Mr. Lang's wife, and two of his six children, Donna and Chris, also were present to see him see receive the award. ■

Judges' scores based on 10 criteria

The 10 independent judges of the *Business Insurance* Risk Manager of the Year competition scored candidates on their performance in 10 areas:

- Established and implements an effective risk management program within the organization.
- Tackled or solved one or more major problems for his or her organization.
- Innovatively applied the diverse tools of risk management and insurance.
- Creatively and effectively uses the insurance markets to structure an insurance program that serves the needs of the organization.
- Established a workable intelligence system inside and outside the organization that culminates in a flow of information about events and activities that affect the organization's risk management and insurance.
- Skillfully performs the functions of management in the overall organziation and within the risk management/insurance department.
- Achieves the most effective program at the optimum cost over the long term.
- Developed technical expertise in any or all of the broad categories included within risk management, leading to a better managerial grasp of the operations aspects of the job.
- Exhibits an attitude and performs activities fostering the advancement of the risk management profession.
- Is developing his or her risk management career.

EXCESS WORKERS' COMPENSATION
from PROTECTIVE INSURANCE COMPANY

How are you and your clients adjusting to a tight market? Protective Insurance Company is ready to respond. Discover an aggressive, service oriented market for Excess Workers' Compensation that excels in fast competitive quotations. We welcome calls from all producers—whether you have only an occasional risk or many.

An "A" Rated Company,
Protective Offers:

- Specific & Aggregate Excess Coverage on an Admitted Basis in All States.*
- Self Insurer's Surety Bonds
- Superior, Knowledgeable, Fast Quotations & Service
- Reasonable Specific Retentions and Aggregate Attachments.

For More Information or Prompt Quotations
Call: Dick Staats at 800-626-8381

*Coverage availability and form subject to applicable local regulation

Protective Insurance Company
3100 North Meridian Street
Indianapolis, IN 46208
317-925-3501

New programs streamline claims management

By KATHRYN J. McINTYRE

An accurate insurance budget process, a simplified loss accounting system and a fully staffed corporate claims department are new to Leaseway Transportation Corp. subsidiaries in the last three years.

Director of Insurance and Risk Management Harold C. Lang developed and implemented these programs to help subsidiaries properly budget, to reduce administrative costs and to consolidate the loss control program at the corporate headquarters.

When Mr. Lang joined Leaseway three years ago, liability insurance costs were allocated to subsidiaries by Leaseway's Illinois reciprocal insurance company, Transinc Inter-Insurance Exchange.

The reciprocal reinsured a large portion of the primary liability insurance program underwritten by Allstate Insurance Co.

And, subsidiaries whose workers compensation and property insurance was arranged by the corporate risk management staff in Cleveland were billed for their insurance.

But, the premium allocations for liability and workers compensation insurance for each subsidiary were developed based on the most recent 18 months of loss experience.

That claims information was so incomplete, because it was so new, that it was impossible to properly forecast losses, Mr. Lang said.

As a result, the charges to subsidiaries were always too little and each year the subsidiaries would be hit with "shock adjustments" to cover the developing costs, he explained.

Mr. Lang introduced his own program: "I dropped the most recent six months and I went to three years prior" of loss experience.

In addition, these three years of losses were trended for inflation, including medical inflation. And, the trended losses were applied to current values of payroll or revenues to determine the premium allocations. "We now have credibility in our rating system," Mr. Lang says. "We've come within 1% to 2% accuracy."

And subsidiaries know what they are paying for because they are charged by line. All liability insurance is charged at a rate per $100 of revenue. Workers compensation is charged at a rate per $100 of payroll.

Other lines of coverage, such as the corporate financial security package and excess liability insurance, are based on revenue. Fidelity insurance is charged per number of employees.

Each subsidiary can budget for its coming year's insurance costs based on preliminary estimates that the risk management department provides by August.

Final budgets are allocated by the end of September.

Charges to subsidiaries vary considerably based on losses. For example, workers compensation charges range from $1.70 per $100 of payroll to $15 per $100.

Most Leaseway subsidiary managers understand the variances in insurance costs.

"I was honest up front," Mr. Lang said. "I said: 'Credits for the good guys; debits for the bad guys."

Mr. Lang is proud of the communication that the risk management department has opened up in Leaseway, but he admits "We still have a way to go," to fully communicate the program to more than 130 subsidiaries.

But while complaints are few, the subsidiary managements do question allocations, Mr. Lang notes.

Deductibles

Leaseway's accounting system for losses within deductibles also has been simplified under Mr. Lang's leadership.

Three years ago, subsidiaries in the corporate pool for funding deductibles were charged deposit premiums, by line of coverage, based on their experience in the past.

The deposits were accrued in a fund administered in Illinois.

The subsidiary listed the deposit as a receivable and when a claim was paid within the deductible, the receivable was reduced.

"That was a lot of paperwork on small claims and it had no profit and loss effect," Mr. Lang said.

Now, deductible charges are combined into one deductible charge, based on past losses projected to the future.

And it's an expense item the subsidiary can reduce by reducing its losses.

The corporation accrues for the deductibles on its books and there is no need to maintain a fund in Illinois for deductibles.

While all loss prevention programs are handled by Leaseway's safety department, which is separate from risk management, Mr. Lang contends "the financial effects can move mountains."

Loss control

Mr. Lang also took the Leaseway subsidiaries out of the claims handling business and put the risk management department in charge of loss contol.

"A loss occurs; you control the cost of the loss," Mr. Lang said.

"Our job is to control the losses. When a loss occurs, it's up to the professionals to manage the loss to its conclusion in a cost-effective manner."

Previously, four people worked in Illinois administering the reciprocal insurance program and operating the deductible pool funds. And one person in the Cleveland risk management department handled claims.

In addition, subsidiaries around the country had their own full- or part-time employees handling their claims. They were involved in claims investigation and negotiations with the insurers on how to handle the claims.

Now, the subsidiaries' only responsibility is to report a claim to the appropriate insurer, and cooperate with the insurer and the risk management department.

Claims are paid to subsidiaries through the regionally centralized controller's operation and its six regional offices.

While the claims staff in Cleveland is now seven, five professionals and two clerical staffers, Mr. Lang points out that fewer people in all of Leaseway now are employed to handle claims.

And, centralized claims control is more efficient, Mr. Lang says. "We get full efficiency—and more than full efficiency—from our staff. No one has idle time."

Mr. Lang has organized the claims department according to type of claims: workers compensation; auto; and all other.

The claims administrators audit loss runs supplied by insurers and audit claim files at random in the field. With 4,000 vehicle and 4,000 workers compensation claims annually, the Leaseway claims staff can't possibly see them all.

But, they do handle claims within the Leaseway corporate deductibles, which means they handle the bulk of auto physical damage, cargo and building and contents claims.

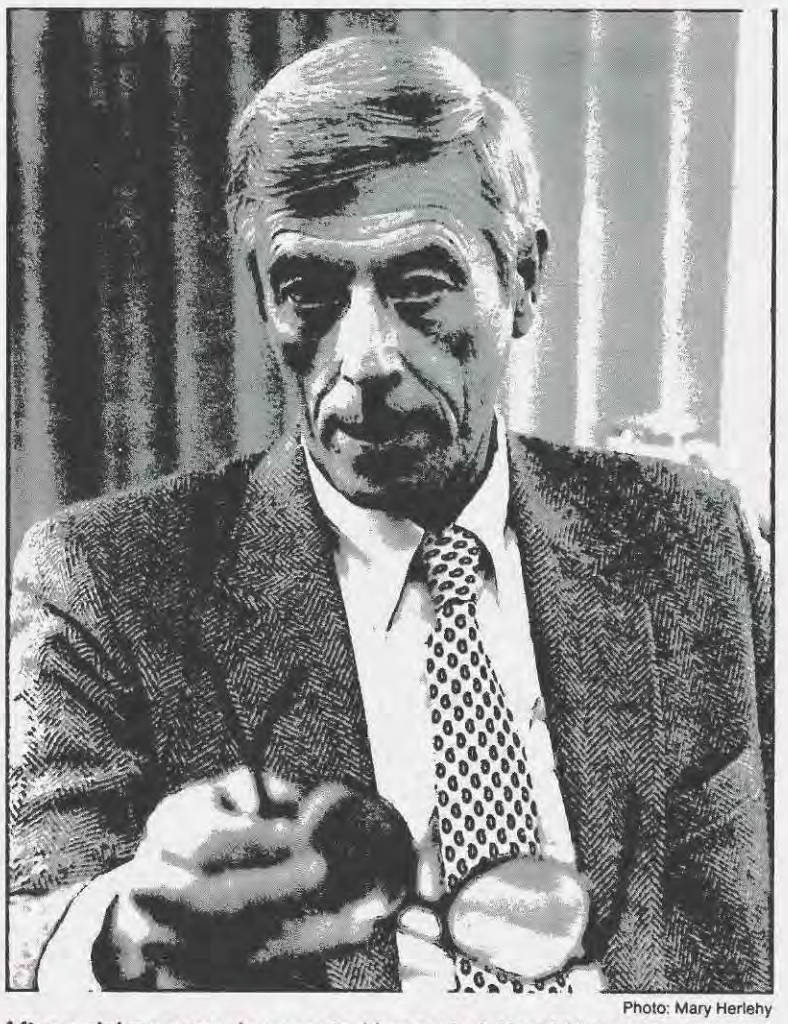


Photo: Mary Herlehy

After a claim occurs, loss control is needed, Harold Lang says.

The staff also is running off the claims surviving from old self-funded programs of subsidiaries that have been replaced with the corporate insurance program.

And, Leaseway receives the entire file from Allstate Insurance Co. on all auto liability claims over $10,000 for bodily injury and physical damage combined; all general liability, garage and garagekeepers liability claims exceeding $10,000; and all workers compensation claims exceeding $20,000.

Each claim Leaseway receives from Allstate is supervised by a Leaseway claims manager in conjunction with the Allstate adjuster and attorneys.

"We have a partnership," Mr. Lang says of the Leaseway claims and Allstate claims staffs. "We're not adversaries. If you and your insurer are adversaries, you have troubles.

"The object is to settle at the most cost-effective means. Even if we are totally liable, we want the best possible defense," Mr. Lang says.

Claims exceeding $100,000 are reported to financial management at Leaseway and operating managers are involved in assessing the likelihood of an award if the claim goes to trial.

Leaseway is defending only 16 cases at the moment and the oldest dates back only to 1979.

"That's very good," Mr. Lang says. "It indicates the cost-effectiveness of our settlements."

Mr. Lang also recently changed the personnel adjusting automobile liability claims for Leaseway in order to improve service and control costs.

At the same time the combined workers compensation and primary liability insurance program with Allstate Insurance Co. was introduced, the adjusters for Leaseway's vehicle accidents were switched to commercial lines adjusters from personal lines adjusters.

"The theory used to be to get an adjuster as close as possible," Mr. Lang explained. Since Allstate had more personal lines adjusters than commercial lines adjusters, the personal lines adjusters were assigned to Leaseway.

But, when a driver was involved in an accident, he had to search through a thick book of Allstate offices to try and decide which to call to report a claim. And somethimes the driver was referred more than once to another office, all the while the evidence of the accident was getting cold.

Now, the directory of offices for reporting claims is one page, making it easier for the driver to determine where to report the accident.

"We're getting much better service from the commercial lines people than we had from the personal lines people," Mr. Lang reports.

"The commercial lines people are involved on a day-to-day basis with commercial lines claims," he explains.

The commercial lines adjusters respond more quickly, Mr. Lang adds. "And, the quickest way to control costs after an accident is to begin the investigation immediately."

Allstate provides Leaseway with quarterly loss reports of six different levels: by location, by company, by division, by region, by group and by corporate level.

These reports are sent throughout the company, from summaries to top management to detailed claims reports to 475 terminal managers.

And, the Allstate loss reports on workers compensation claims are readily useable by loss prevention professionals because the reports are highly descriptive instead of coded by only key words.

The descriptions were developed to fit Leaseway's business instead of simply adopting descriptions used for manufacturers.

For example, instead of reporting how many claims resulted from falls, Allstate reports how many claims resulting from falls occurred during climbing, boarding a truck and walking or running.

"We are a very demanding client," Mr. Lang says. "We don't like to see 30% of the claims listed under 'other.'"

STRUCTURED SETTLEMENTS
FROM A WELL
STRUCTURED COMPANY

Call Us For The Best Service
Before and **After** The Sale.

Toll Free Number
(800) 527-2388

Toll Free in Texas
(800) 442-6138

8340 Meadow Road/Dallas, Texas 75231

Lang's energy, knowledge rubs off on staff

CLEVELAND—Harold C. Lang demands the best of himself and his staff.

"He's a whirling dervish—in constant motion," Leaseway Transportation Corp. Claims Specialist Joseph A. Lewis says of Mr. Lang, Leaseway's director of insurance and risk management. "I've rarely seen anyone get as much done in one day."

Mr. Lang demands that his staff be productive, too.

"I always expect people to work like I work," he admits. "We get full efficiency—and more than full efficiency—from our staff.

"No one has idle time and there is nothing wrong with that. The days go by quickly and they don't get bored."

Leaseway corporate employees put in a full day: Office hours are 8:15 a.m. to 5 p.m. with an hour for lunch.

"He's authoritative and he runs a tight ship," says Insurance Manager Philip M. Rounsaville. "He keeps on top of people and doesn't let people sit around."

"Harold is very demanding and very aggressive," says Claims Manager Frank J. Petros. "He gets the most work out of his people. He requires a certain level of competency and then he demands high production."

Sometimes, Mr. Petros says, Mr. Lang "may be even too demanding," particularly when it comes to how much can be done within a certain period of time.

Mr. Lang "works hard," Mr. Petros says. "He works hard at the office and he takes work home."

Besides Mr. Lang's seemingly limitless energy, his staff admires his technical and communication skills and his management style.

"He seems to be a storehouse of knowledge," Mr. Lewis says. "At Coastal Tank Lines," where Mr. Lewis worked previously, "I handled some risk management duties, and I thought I knew quite a bit until I talked to Harold. He's very, very knowledgeable."

Mr. Petros compliments Mr. Lang for "his way of dealing with other departments in the company. He shows a great deal of concern for the people with whom he is dealing. He has a way of getting along with other departments and recognizing their importance."

Mr. Lewis finds Mr. Lang "a good guy to work for. He gives people a lot of latitude in their tasks." And, Mr. Lang is never too busy to talk, Mr. Lewis says.

"He's extremely well-organized. He has an ability to keep control of many things at once," Mr. Rounsaville says.

Mr. Lang makes himself available to others. When he's in the office and not in a meeting, he answers his own phone. He greets visitors with a friendly smile.

Executive Secretary Olive Friedman, who worked in the department when Mr. Lang arrived, marvels at the "overwhelming changes" that have been made.

She enjoys working for Mr. Lang. "He's full of energy, very honest and very straightforward. You always know where you stand."

The corporate risk management staff is relatively new at Leaseway. Mr. Lang made the first addition in June 1983 and started to bring people into the department in August 1984 as he consolidated claims handling in the corporate office.

The staff consolidation was finished this year.

Previously, there were four positions in the corporate risk management department in Cleveland and two were clerical. They primarily handled claims, allocated premium and insurance certificates.

Photo Mary Herlehy

Leaseway Transportation Corp.'s risk management department under the direction of Harold C. Lang, left, includes: front right, Claims Manager Frank Petros; second row, Executive Secretary Olive Friedman, Claims Administrator Dennis Hurdle, Claims Assistant Pamela Victor; last row, Claims Administrator Richard Konschak, Secretary Patricia Stevenson, Claims Administrator Michael Beesley and Insurance Administrator Sharon Dziak. Insurance Manager Philip Rounsaville and Claims Specialist Joe Lewis are not pictured.

"There was a whale of an amount of administrative paperwork," Mr. Lang says.

In addition, three persons worked in an office in Oak Brook, Ill., administering the primary liability insurance program with Allstate Insurance Co.

They worked on auto, general liability and garage and garagekeepers liability insurance, which Allstate underwrote for Leaseway and reinsured with Leaseway's reciprocal, Transinc Inter-Insurance Exchange.

Now, the reciprocal is running off past business and is inactive.

Of the 12 positions in the risk management department, seven are related to claims—or, as Mr. Lang prefers to call it, loss control.

Claims Manager Mr. Petros was in the risk management department when Mr. Lang arrived, but the other members of the claims staff were brought into the corporate department.

Claims Administrator Dennis Hurdle was brought to Cleveland from Leaseway subsidiary Midwestern Distribution Inc. in Fort Scott, Kan., where he handled auto liability claims. He now handles these claims for all Leaseway subsdiaries.

Claims Administrator Richard H. Konschak was brought in from Refiners Transport & Terminal Corp. in Oregon, Ohio, where he had handled cargo claims, auto physical damage and the company's self-insured retention for auto and workers compensation programs.

Claims Administrator Michael Beesley was hired from Industrial Advisors Bureau in Cleveland, where he had managed workers compensation claims for clients.

Pamela Victor, a claims clerk, formerly worked at the Cleveland Clinic, handling workers compensation-related claims.

And, there is an opening for another clerical assistant.

On the administration staff, Insurance Manager Mr. Rounsaville was integrated in the department in January. Previously, he worked for T-I Co., the Illinois management company for Leaseway's reciprocal insurance company.

But, he was in Clevevand for only the month of January before he went back to Chicago to wind down the reciprocal. He hopes to be back in Cleveland by May.

Mr. Rounsaville is in charge of all the company's insurance programs. He is to analyze them, monitor them and serve as the frontline negotiator with insurers. "The ultimate decisions will be made by Harold," he says.

Insurance Administrator Sharon Dziak was with Leaseway when Mr. Lang arrived, as was secretary Patricia Stevenson.

Mr. Lang is quick to point out that while the corporate risk management staff is larger, he has not actually increased the number of people working on risk management matters for Leaseway.

"At least six/seven positions were eliminated" in subsidiaries since the corporate risk management department centralized claims handling, he says, "and that is not counting part-time work."

—By Kathryn J. McIntyre

Lang's first—and only—career is risk management

By KATHRYN J. McINTYRE

CLEVELAND—Risk management is a profession for Harold C. Lang, not a stepping stone to something else.

Mr. Lang has been in risk management since 1952, when he joined the safety and loss prevention department of Colgate Palmolive Co. in New Jersey.

And he intends to remain a risk manager until he retires.

"My goals are met by being a risk manager of a major company," Mr. Lang says. "I am very happy in risk management. When it comes time to retire, I want to teach."

And he is proud that he has "contributed to the well-being and improvement in the bottom line of three major corporations."

In addition to Leaseway Transportation Corp., Mr. Lang has worked as a risk manager at Bunker-Ramo Corp. in Chicago, where he was director of risk and insurance management from 1973 to 1982, and Squibb Corp., where he was assistant risk manager after holding the position of director of safety in a subsidiary of Squibb from 1965 to 1973.

"I'm no corporate gypsy," Mr. Lang says of his brief resume.

There's nothing Mr. Lang admits to disliking about risk management. "I thrive on work. I love it."

Mr. Lang riles at the suggestion that the risk management department is an expense department. "Risk management doesn't cause the company losses. Risk management is trying to reduce the cost of losses," he declares.

Risk management also is exciting, especially at Leaseway, Mr. Lang asserts.

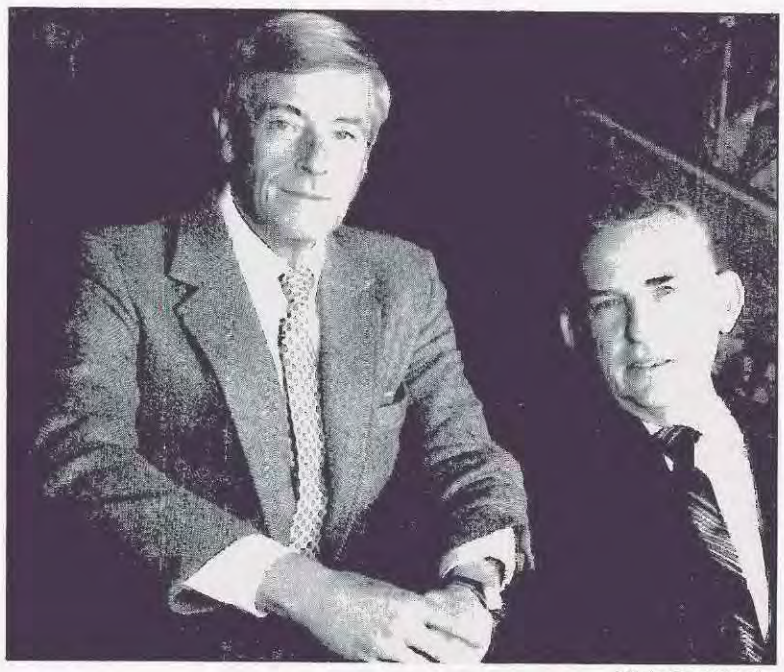


Photo: Mary Hertehy

Risk Manager of the Year Harold C. Lang, left, with his boss, Ray Rehor, vp-taxes at Leaseway Transportation Corp. in Cleveland.

"When you are in the right firm, you are right up to date on everything—acquisitions, dispositions. There is no such thing as a boring moment at Leaseway. There were peaks and valleys everywhere else I worked. There are no valleys at Leaseway. The growth of the company makes it a challenge."

Leaseway's acquisition department keeps Mr. Lang "involved in every acquisition," he noted.

While no acquisition has ever been derailed by what Mr. Lang has found, purchase prices have been adjusted at the time of purchase and contracts have been amended to provide for later adjustments.

"There's no problem if the company has purchased guaranteed-cost insurance," Mr. Lang explains. But if the company has open retrospectively rated insurance programs, Leaseway wants the seller to cover retro adjustment charges.

In addition to acquisitions, Leaseway also is merging subsidiaries to enhance recognition of the Leaseway name, keeping Mr. Lang busy.

And, Mr. Lang is also a member of the corporate environmental liability committee and he attends the monthly financial staff meetings.

Mr. Lang said he chose Leaseway when he was looking for a job in 1982 because he was attracted to the people and the operations.

"I thought I had found exactly what I wanted," Mr. Lang said. "This job was such a unique opportunity. There was so much to be done."

Mr. Lang found Leaseway through an advertisement in The Wall Street Journal.

There is no single accomplishment at Leaseway that Mr. Lang will single out as making him the most proud.

He says he is proud of "the entire program—recommending change, the acceptance of recommendations and being able to see them produce. I've written the program and led the orchestra."

Leaseway management, too, is proud of the risk management program Mr. Lang has assembled.

Leaseway Vp-Taxes Ray Rehor said when he hired Mr. Lang as Leaseway's new risk manager, "The headache I had went away very quickly. I was concerned, but with Harold I saw he could do it with very little direction."

Mr. Rehor, a former manager of insurance and taxes, comments that risk management is "an extremely difficult job. The days are gone when you identified a risk, called your broker and went out to play golf.

"Today's market makes it very difficult. I'm very satisfied, the corporation is very satisfied, with the way Harold has managed his function. We still have been able to purchase adequate coverage at very attractive costs."

In his letter endorsing Mr. Lang's nomination for the *Business Insurance* Risk Manager of the Year award, Mr. Rehor wrote:

"The changes which he has implemented during his tenure at Leaseway have resulted in significant savings which have contributed to the enhancement of the corporation's earnings."

Mr. Rehor also complimented Mr. Lang on his ability to "communicate very well with operating people."

Mr. Rehor and Mr. Lang are in daily contact. Leaseway has an "open managerial style," Mr. Lang noted. "I go to Ray Rehor and we go up the line together," with program recommendations.

At Leaseway, reporting up the line from Mr. Rehor are only two more people: Senior Vp-Finance Richard A. Damsel and Chairman Gerald C. McDonough.

Mr. McDonough was chief financial officer in 1982 and interviewed Mr. Lang for the position of director of risk management at Leaseway.

"He's done everything we expected, and a lot more," Mr. Rehor says.

Mr. Lang believes the keys to success in risk management are "being technically competent and staying on top of the market. And, always maintaining professionalism."

Mr. Lang attributes his professional development to his training at Colgate and Squibb "by very professional people."

While at Squibb, Mr. Lang experienced the difficult insurance marketplace of the late 1960s and the crunch in insurance capacity for pharmaceutical risks.

"I was filling in $10 million excess of $15 million layers with $250,000 and with four insurers on that," he remembers.

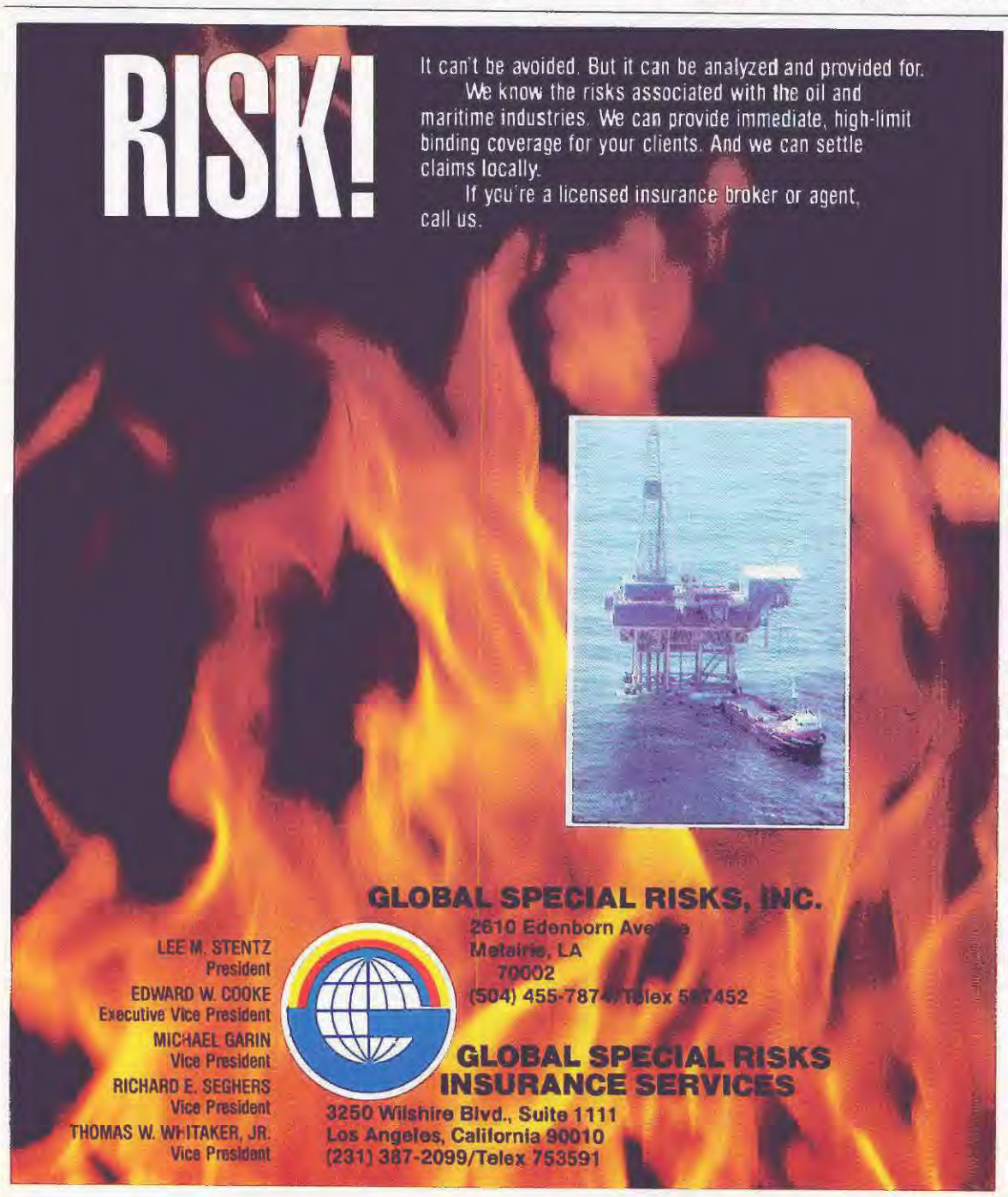
While at Squibb, Mr. Lang worked on assembling a worldwide difference-in-conditions policy for 37 countries.

"I got a Ph.D. in 5 years," Mr. Lang says figuratively. "That enabled me to be recruited by Bunker Ramo from No. 2 at Squibb to be No. 1 at Bunker-Ramo."

Switching industries is not a problem for risk managers, Mr. Lang says. "Risk management is risk management. There is nothing different in what I do."

The only differences are in the

Continued on facing page



Leaseway offers business auto policy

CLEVELAND—Leaseway Transportation Corp. is offering its full-service leasing clients a new service.

A business auto policy providing $1 million of limits will be offered to full-service leasing clients at rates lower than they could negotiate themselves.

Leaseway Director of Insurance and Risk Management Harold C. Lang completed negotiations for the program with Liberty Mutual Insurance Co. just this month.

"We hope to attract new clients. Now we can offer trucks, licenses, maintenance, drivers, road assistance—and liability insurance with a major insurer who is financially strong and the rates are competitive," Mr. Lang says.

Full-service leasing at Leaseway needed such a program, Mr. Lang said.

"And, I came up with a way to go," he said.

Mr. Lang has worked on the project since November with Liberty Mutual. Insurance Management Corp. in Kansas City, Mo., has acted as a consultant on the project.

The program will have to be altered for full-service leasing clients in two states. Texas and California both require that the policies be manually rated. And, in Texas, only comprehensive automobile coverage is permitted, Mr. Lang said.

Full-service leasing is one of the services of the Leaseway's vehicle and personnel leasing business, which generated $306 million of Leaseway's $1.3 billion in revenues in 1984.

Other services include short-term commercial truck rental, fleet leasing of cars and vans, contract maintenance and personnel leasing.

Automotive distribution services is Leaseway's largest revenue producer, with $399 million in 1984 revenues. That includes Ancor Motor Freight, based in Birmingham, Mich., which delivers new cars, primarily for General Motors Corp.

Retail support services generated $332 million in revenues, including those of Signal Deliveries, based in Downers Grove, Ill. Signal provides contract transportation services to Sears Roebuck & Co. and Whirlpool Corp.

Common carriage—including Midwestern Distribution Group Inc.—generated an additional $250 million in revenues, while other distribution services generated $60 million.

Continued from facing page

size of the company and its type of operations.

Mr. Lang made the transition from pharmecueticals and food at Squibb to the minicomglomerate Bunker-Ramo, which produced electronics, textiles and aviation products.

Bunker-Ramo had sales exceeding $700 million when it was acquired, Mr. Lang said. Leaseway had revenues of $1 billion when he joined in 1982.

"With basic risk management principles, you can go into any business," Mr. Lang says.

To learn the transportation business, Mr. Lang studied loss runs. And, he reads transportation industry publications.

Mr. Lang also has joined committees of several industry groups. He is a member of the Insurance Committee for the Truck Renting & Leasing Assn., which represents all major truck leasing companies; the insurance study committee of the American Trucking Assn.; and the National Tank Truck Carriers Insurance Committee.

Mr. Lang says he wants 'to have the best risk management in this industry.'

Mr. Lang also is a member of the Cleveland chapters of the American Society of Safety Engineers and the Risk & Insurance Management Society.

Mr. Lang attended his first RIMS conference in 1969—when it was called the American Society of Insurance Management—and has missed only one since then—in 1982. Since he had just been hired by Leaseway but had not yet started there, he said he did not consider it proper to ask the company to approve the trip.

At the RIMS conference in New Orleans, Mr. Lang will speak at a seminar Wednesday entitled "The Risk Manager's Challenge with Vehicle Lease Agreements."

Mr. Lang intends to stay at Leaseway to "write the book on physical distribution risk management. I've got 15 more years to reach that goal."

And he's sure that he won't get bored in the process. "Bored? Oh no. I have a bunch of goals and objectives for next year."

Mr. Lang says he wants "to have the best risk management in this industry and to keep the cost of risk at the lowest possible minimum cost and still be as effective.

"I am never satisfied with communications in the field," Mr. Lang says, pointing out another goal. "I need to meet more people," he said, "to talk to them about costs and the insurance premium budget allocation system."

Mr. Lang notes he has to prepare subsidiary management for the possibility their insurance costs will rise through no fault of their own because of changing conditions in the insurance marketplace.

The change in the insurance marketplace from competitive to restrictive in the last six months "is the fastest change in the market I have ever seen," Mr. Lang says.

The change will force risk managers to foresee developments and act, he says.

Just getting into 1985 with full coverage was an accomplishment, Mr. Lang said.

Another immediate project in the risk management department is updating the risk management manual for all corporate management.

"We're trying to be most efficient so that Leaseway subsidiaries can be most competitive," he says. ■

Lang's devotion to family equals devotion to work

CLEVELAND—Harold C. Lang's dedication to his risk management work is rivaled by only one other concern:

His family.

"I'm not a workaholic," Leaseway Transportation Corp.'s Director of Insurance and Risk Management asserts. "My family is as important to me."

Everyone who knows Mr. Lang, even briefly, will attest to that.

"He's a solid family man," Leaseway Claims Specialist Joseph Lewis says.

Walk into Mr. Lang's office and you don't see just a few photographs of his family. You see an entire collage hung on one wall.

Talk with Mr. Lang and the subject soon shifts to his family.

He has been married 30 years to Rita Lang. They have six children, two of whom are in the insurance business, he says with a twinkle in his blue eyes.

Daughter Patricia Pfennig is a group sales representative for Phoenix Mutual Life Insurance Co. in Dallas. Daughter Regina Lang is a financial analyst at Allstate Insurance Co.

And people who know Mr. Lang want to talk about his family, too.

"Look at his family," says James E. Moenkhaus, president of Rollins Burdick Hunter Ageny of Ohio Inc. "That's as much a test of a man. There is so much love in that family," he says, between the parents, parents to kids, kids to parents and kids to kids.

"Those are the kind of kids you would want to have as your own."

Two of Mr. Lang's children, Donna and Chris, were home from college for spring break and were able to join their mother at the luncheon held to honor their father as the 1985 *Business Insurance* Risk Manager of the Year.

"We're proud of you, Dad," his daughter said at the luncheon.

With six children to raise, Mr. Lang and his wife Rita have been busy most of their lives sharing their children's youth: sons Chris' and Harold's high school basketball games, Patty's basketball games and all the daughters' softball games. Before that there were Cub Scouts and Girl Scouts activities.

Now that their youngest children are in college, Mr. Lang and his wife share their leisure time together differently.

They recently took up golf, and since they are both amateurs, Mrs. Lang says they can enjoy playing together. Many other couples can't say the same when the husband is a more experienced golfer, she notes.

But, the weather in Cleveland is not conducive to golf year-round. During the winter, the Langs are active members of their community theater group, The Hudson Players.

They started out working backstage, but Mr. Lang tried out for a part, and he got it: Col. Gilweather in "Something's Afoot." Mr. Lang most recently played the "Prez," the labor union president in "Pajama Game."

"I had never acted before," Mr. Lang says. He contends he wins parts because The Hudson Players require that all members of the group live in the community and he doesn't have to compete against outside talent for the part.

The Langs also are active members of the Roman Catholic Church.

Legendary for his inexhaustible energy, Mr. Lang does sit still sometimes. Then, he's likely to pick up an espionage novel, especially one written by William F. Buckley Jr. or John Le Carre.

And he likes doing odd jobs around the house, like painting the redwood furniture this spring.

While serious when concentrating on his work, Mr. Lang is quick to laugh when relaxing and can rattle off a repertoire of one line jokes to break up the house.

Mr. Lang grew up in New Jersey, and there's still a hint of an Eastern accent as words roll off his tongue at a fast clip.

He was attending John Marshall College in Jersey City, N.J., as a sophomore in 1949 when his Navy Reserve unit was activated during the Korean War. He was in the Navy from 1950-52, and in the Korean War zone for 13 consecutive months as a machinist mate aboard the U.S. Ajax (AR-6) repair ship.

When he returned from the war, he joined Colgate-Palmolive Co. in Jersey City in the company's safety and loss department. He married Rita in October 1954.

While at Colgate, Mr. Lang finished his undergraduate education at St. Peter's College, graduating first in his class in 1957 with a bachelor of science in industrial management.

Mr. Lang also holds the designation of Professional Safety Engineer, awarded by the American Society of Safety Engineers in 1968.

—By Kathryn J. McIntyre

Photo: Chris Stevens

Harold C. Lang is a self-proclaimed family man. His wife, Rita, and two of their six children—Donna, left, and Chris, right—joined Mr. Lang at the luncheon honoring him as Risk Manager of the Year.

CAYMAN ISLANDS

ASSOCIATION TYPE CAPTIVE INSURANCE COMPANY SEMINAR

29TH, 30TH AND 31ST MAY 1985

The insurance market is undergoing great changes. Almost weekly we read of another merger—another withdrawal or (less often) another liquidation.

The market is now more unpredictable than ever before. Very few customers can be certain that their renewals will proceed as smoothly in 1985 as they have over the last few years.

As never before in the past decade, for very obvious reasons, the open insurance market is indicating its determination to underwrite for profit.

Basically, this can only be achieved by swingeing rate increases on future renewals, and by charging much higher premiums on new business.

Reinsurance underwriters are sustaining even larger losses than the direct writers, and will become even more selective as to which classes of business—and the type of treaty—they choose to reinsure. It is probable they will require ceding companies to demonstrate faith—utmost good faith—in the business being ceded, in part by increased retentions.

A long term solution to these changing conditions **worthy of consideration** is the Association or Group or Agency 'Captive Concept'. Subject to them being established in the most advantageous format for the intended participants, and being properly managed and maintained—they can be of great benefit to clients—producers—agents and reinsurers.

This Seminar will cover all the basic aspects of the Group Captive Concept. All of the panel members are day to day practitioners in this section of the insurance market, and it is the intention of the seminar to impart sufficient information to delegates to enable them to have a clear and concise understanding of who should participate in a Captive, and how they can best be utilised for the benefit of all concerned.

Seventeen experts—all from the U.S.A. or the U.K. —will be giving presentations and answering questions.

Speakers will cover each aspect of (a) the concept, (b) the creation and (c) the care of a Captive.

Each days presentations will be followed by a panel discussion and questions from the floor covering the days presentations.

Full programme details will be mailed to participants during the first week of May. This will include notes concerning each speaker, his subject, speaking time and in which question panel they will participate. This will enable delegates to arrange their own timetable in advance.

Representatives from the Island—including Underwriting Managers—Accountants and Lawyers will be available for consultation throughout the Conference.

Airlines

The national airline—Cayman Airways and the US carrier Republic Airlines connects the Island to the US mainland. Cayman Airways with their 727's fly direct to Miami and Houston. Republic using DC9's flies direct to Miami and then on to Atlanta and Minneapolis.

There are two daily flights to and from Miami by both carriers. The flying time to Miami is 65 minutes.

Price per Delegate is US$450. This includes all conference material, all refreshments (including lunches), Reception Cocktail Party and Closing Gala Dinner.

Please reserve _____ places.

I enclose cheque for US$_____

Information on accomodation etc. will be forwarded with reservation confirmation.

NAME _____

ADDRESS _____

The Conference is being organised jointly by the Cayman Islands Government Insurance Dept. and the Transnational Conference Centre.

Mr. Baker

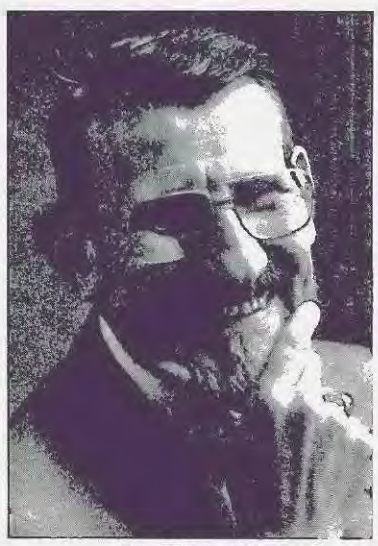
Mr. Blatt

Mr. Brockmeier

Mr. England

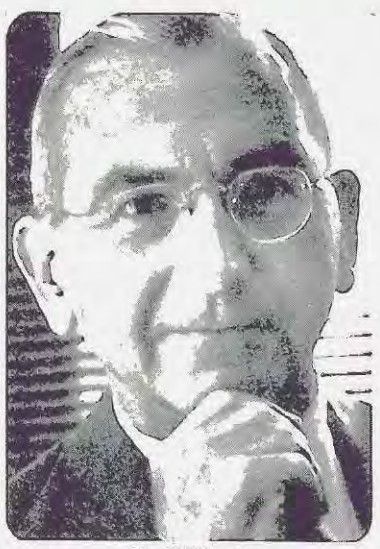
Mr. Hatcher

Mr. Inserra


Mr. O'Connell

Mr. Riffle

Mr. Snyder


Mr. Williams

Ten judge Risk Manager of the Year competition

Ten judges, representing all areas of risk management and insurance, chose the 1985 *Business Insurance* Risk Manager of the Year and those named to the 1985 Risk Management Honor Roll.

Representing risk management on the judging panel were the winners of the 1984 Risk Manager of the Year and Risk Management Honor Roll awards, and the 1983 Risk Manager of the Year:

- Richard M. Inserra, director of insurance and risk management at American Can Co. in Greenwich, Conn. Mr. Inserra was the 1934 Risk Manager of the Year.
- Sidney D. Blatt, risk manager of The Holloway Cos. in Wixom, Mich. Mr. Blatt represented small corporations on the Risk Management Honor Roll in 1984.
- Gene Snyder, risk manager for the state of Oregon. Mr. Snyder was named to the 1984 Risk Management Honor Roll, representing government entities.
- John A. O'Connell, executive director/risk manager of Holy Cross Shared Services Inc. in Notre Dame, Ind. Mr. O'Connell was the 1983 Risk Manager of the Year and a judge for the 1984 contest.

Representing the risk management consulting profession in judging the 1985 competition was Warren G. Brockmeier, vp with The Wyatt Co.'s Chicago office.

The insurance company representatives on the judging panel included Lawrence C. Baker Jr., former president of Argonaut Insurance Co. in Menlo Park, Calif. Mr. Baker, who served as a judge while he was president of the stock insurance company, has since been promoted to the corporate staff of the parent company, Teledyne Inc.

Jack B. Riffle, chairman, president and chief executive officer and a director of most of the major companies in the Utica National Insurance Group, including Utica Mutual Insurance Co. in Utica, N.Y., represented mutual insurance companies.

Representing national brokers was Robert Hatcher, chairman of Johnson & Higgins in New York, the fourth-largest insurance broker in the country. Mr. Hatcher also was a judge in 1984.

Frederick J. England Jr., president of Hastings-Tapley Insurance Agency in Cambridge, Mass, represented regional insurance brokers. Mr. England also was a judge for the 1983 competition.

The insurance academician on the judging panel was C. Arthur Williams Jr., Minnesota insurance industry professor of economics and insurance at the University of Minnesota School of Management. Mr. Williams, who was a judge for the first time, also is an author of several books and monographs on risk management and insurance.

The Risk Manager of the Year competition was created by *Business Insurance* in 1977 on its 10th anniversary of publication. The award was created to honor outstanding professionals in the risk management community. The first award was presented in 1978.

This year's winner is Harold C. Lang, director of insurance and risk management at Leaseway Transportation Corp. in Cleveland. Previous winners, in addition to Mr. Inserra and Mr. O'Connell, are:

- Howard T. Weber, director of insurance at 3M Corp. in St. Paul, Minn., in 1978.
- Edward L. Erickson, director of insurance at American Broadcasting Cos. Inc. in New York, in 1979.
- Thomas V. Hallett, who was risk manager of General Motors Corp. in Detroit when he won the award in 1980. He is now senior vp of Frank B. Hall & Co. Inc. in Briarcliff Manor, N.Y., and president of Adjustco, a Hall subsidiary.
- Duane E. Allen, who was assistant treasurer at Hanna Mining Co. in Cleveland when he won in 1981. Late last year, Mr. Allen left Hanna to form Applied Risk Funding Services in Mission Viejo, Calif., a consulting, management and administratiom firm specializing in captive insurance company funding programs (*BI*, Oct. 1, 1984).
- Eckart Russell, risk and insurance manager at Alcan Aluminum Ltd. in Montreal, in 1982. Mr. Russell is now Alcan's manager of foreign exchange risks.

The risk manager of the year is chosen from one of four categories: large corporations (more than $300 million in sales); small corporations (less than $300 million in sales); government entities and non-profit institutions.

In 1980, the Risk Management Honor Roll was established to recognize the highest-scoring candidate in each of the categories not represented by the Risk Manager of the Year.

The 1985 winners are Susan N. Weiner, executive director of risk management for Dade County Public Schools in Miami, representing government entities, and Eva F. Goodrich, manager of insurance and risk management for Cincinnati Electronics Corp. in Cincinnati, representing small corporations.

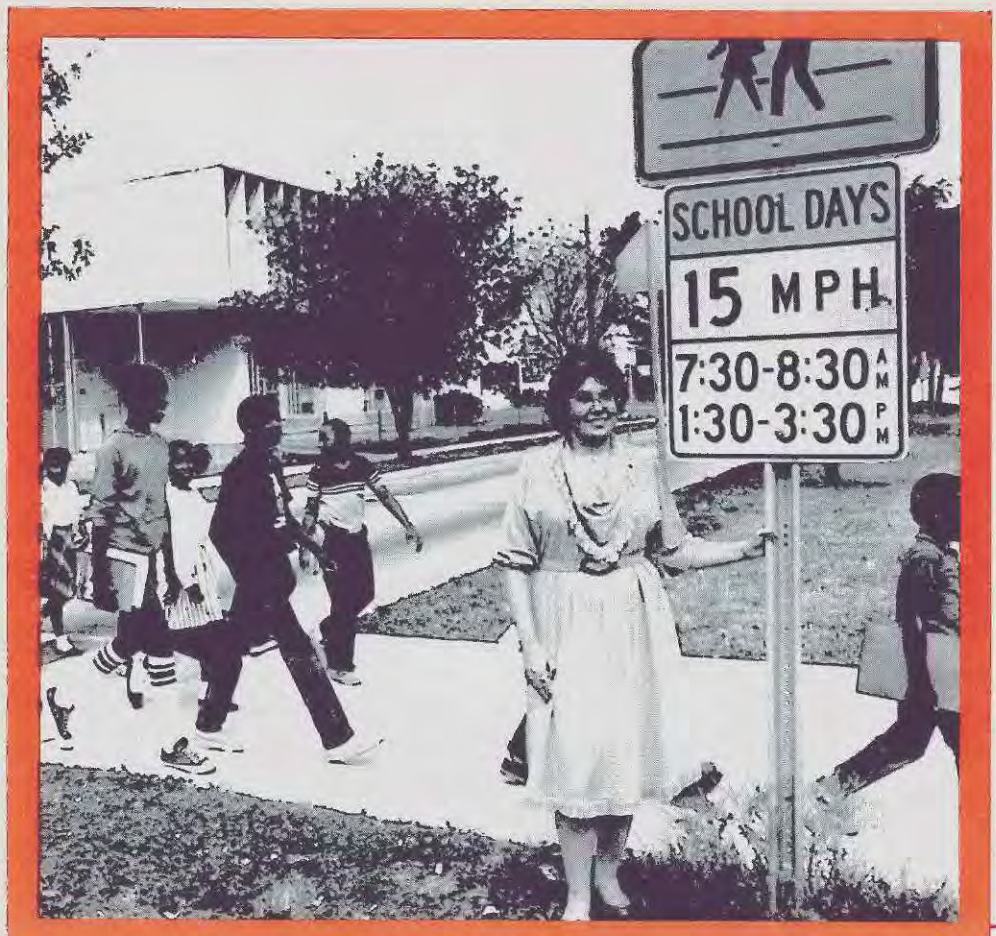
The Honor Roll winners from previous years, in addition to Mr. Snyder and Mr. Blatt, are:

- William Ryan, insurance and risk manager at the University of Michigan in Ann Arbor, who represented non-profit institutions in 1981.
- Robert Beiber, who was risk manager for Westchester County, N.Y., when he represented government entities in 1981. He is now director of client services at Ebasco Risk Management Consultants in New York.
- George N. Pierce, risk manager for Orange County, Fla., who represented government entities in 1982.
- Paul B. Harvey, who was risk manager for Ponderosa Homes in Irvine, Calif., when he represented small corporations in 1982. Mr. Harvey has since retired.
- Gene Marsh, who was executive vp for risk management for the General Council of Seventh-Day Adventists in Takoma Park, Md., when he won representing non-profit institutions in 1982. Mr. Marsh is now president of California Hospital Assn. Insurance Services in Sacramento.
- Spencer J. Traver, named to the 1982 Risk Management Honor Roll as first runner-up for his risk management activities as assistant treasurer for The BF Goodrich Co. of Akron, Ohio. He is now senior vp at American Risk Management Inc. in Independence, Ohio.
- Jerri Nelson MacMillian, risk manager for Aetna Life & Casualty Co's real estate investment department in Hartford, Conn., who was named to the Honor Roll in 1983, representing large corporations.
- Robert L. Sinclair, now director of risk and insurance management at Vanderbilt University in Nashville, Tenn. Mr. Sinclair was named to the Risk Management Honor Roll in 1983, representing government entities, for his work as director of risk management for the Metropolitan Government of Nashville and Davidson County. ■

WE'RE TRUCK WRITERS!
We use "A" rated paper.
We write PHD, Cargo, Fuel Bonds, WC, GL and Primary.
We write individuals and we write fleets.
OUR TRUCK UNDERWRITERS ARE:
Wally Crapo - Formerly of Alexander Howden
Guy Stephenson - Formerly of Occidental
John Majewski - Formerly of Carolina
John Fortune - Formerly of Carolina
Mike Lane - Formerly of Transportation G.A.
Herbert F. Baker
President
(Former Vice President of Zurich of Illinois)
Agency contracts available for truck producers
1-800-647-3769
TRUCK UNDERWRITERS OF AMERICA, INC.®
1655 Peachtree St., Suite 520, Atlanta, GA 30309 TELEX: 80-4319
© 1984 American Truck Underwriters, Inc. (TM)
All Rights Reserved

Risk Management Honor Roll

Susan N. Weiner



Managing schools' risks not an elementary task

By CAROL CAIN

MIAMI—While students and teachers in Dade County Public Schools buckle down to the "3 Rs," Susan N. Weiner tackles a fourth: risk management.

Ms. Weiner has the complex and diverse assignment of executive director of the division of risk management for the fourth-largest school district in the country.

She must protect the Miami-based district's assets, which include 250 schools, 50 facility buildings and two stadiums with a total value of about $1.34 billion, a cable television station, plus a fleet of more than 1,200 vehicles, including 500 school buses.

And then there's also the people—employees and students. The district's roster for the 1984-85 school year lists more than 22,000 employees and about 227,000 students.

There are workers compensation risks to handle, and the students present unique liabilities for the school district when they enroll in flight training or water navigation classes.

In addition, Ms. Weiner is in charge of benefits for all district employees, including members of five labor unions.

"Management style, by necessity, usually is reactive," said Ms. Weiner. "There never seems to be sufficient time for planning."

But Ms. Weiner's planning and execution of a complicated and diverse insurance program is one of the accomplishments that has earned her a place on the 1985 *Business Insurance* Risk Management Honor Roll, representing government entities.

"Sue is doggedly determined, but not bullheaded. She assembles her facts and is always ready at game time," said George A. Corkum, president of Fringe Benefit Consultants Inc., benefit consultant for the school district.

Mr. Corkum nominated Ms. Weiner to this year's competition.

"Sometimes working with Sue is like riding sidecar with Evel Knievel. This is a daring lady; no Don Quixote," Mr. Corkum said.

"When confronted with a problem, she goes after that problem," he said. "It's a joy to work with her and see her go. Sue's not one to wring her hands."

One of the recent problems grappled with by Ms. Weiner and the district's safety department—which illustrates her style and ability—was convincing officials from Dade County government and the City of Miami to provide, pay and train their own cadre of school crossing guards for the area's most dangerous intersections.

Continued on next page

Eva F. Goodrich

Defending small corporation requires constant vigilance

By LORRIE GIBSON

CINCINNATI—While Cincinnati Electronics Corp. is designing and developing military-related products vital to the defense of the United States, Eva F. Goodrich is protecting Cincinnati Electronics.

As CE's manager of insurance and risk management, Ms. Goodrich is the ever-vigilant sentry, quick to sense even the slightest threat to her employer's assets or employees.

"There is no such thing as sleep insurance," stresses Ms. Goodrich. "There is always some risk lurking in the shadows—you just may not know about it yet. I never let down my guard."

And, like the soldiers who use CE's products, Eva Goodrich is disciplined and tough.

She has pushed herself for 28 years, since starting as an 18-year-old entry-level clerk stenographer in the personnel department of AVCO Manufacturing's Crosley Division—Cincinnati Electronics' predecessor—to become the highly respected manager of Cincinnati Electronics' risk management and employee benefits programs.

When she accepted the responsibility for the two departments in 1974, she had to start the risk management program from scratch.

In less than a year, she also had to deal with the challenges thrust on employee benefits managers with the enactment of the Employee Retirement Income Security Act of 1974.

In 1978, she became the only woman at CE to receive a college degree—and graduate magna cum laude to boot—after attending classes at night for almost 10 years.

While she was still working toward her degree, she at one point simultaneously put herself through the rigors of completing three insurance courses in the sequence leading to the Chartered Property & Casualty Underwriter designation because she wanted that expertise.

She also has the stamina and self-discipline it takes to comb—sometimes more than once and often late into the night—the fine print of CE's 31 property/casualty and group medical and life insurance policies to search out the slightest glitch in policy language that could leave CE vulnerable.

And, when she finds a problem, she has the guts to do battle with an insurer or broker, if necessary, to get what she knows she has a right to expect.

"I'm tough, I hold out and I'm right," says the 47-year-old Ms. Goodrich. She uses this strategy for capturing the insurance coverages she wants at the price she wants to pay, even though her company is a small

Continued on page 122

Weiner's assignment includes variety of coverages

By CAROL CAIN

MIAMI—The risk management assignments for Susan N. Weiner, executive director of the division of risk management for Dade County Public Schools, include:

- Self-insured property, general and automobile liability and workers compensation programs.
- Commercially insured programs for flood, aviation, marine, boiler and machinery and fidelity risks, plus student accident coverage and insurance for school football players.
- Employee health insurance benefits that include a traditional indemnity plan funded through a minimum premium arrangement, health maintenance organizations, a preferred provider organization and dental and vision plans. The health benefits are offered as part of an 18-option cafeteria benefit plan available to district employees (see story, page 120).

The school district self-funds basic property risks, liability exposures and workers compensation claims to cut insurance costs. In addition, it uses outside claims administrators and consultants to avoid situations that would create hard feelings with employees and to avoid conflicts of interest in placing insurance coverage with local brokers or insurers.

"Through a variety of self-funded programs with excess insurance for catastrophes only, the school board has been able to meet its obligations with a minimum of cost," Ms. Weiner said.

"And, by hiring outside adjusting firms, it has been able to maintain a 'hands-off' approach to all of its claims' handling, thus reducing the potential for conflict in a highly politicized environment," she said.

"The board also has found that the use of consultants can reduce conflict, particularly with local vendors," Ms. Weiner said.

The board's current consultants are Fringe Benefit Consultants Inc. in Fort Lauderdale and on the risk management side, E.W. Siver & Associates in St. Petersburg. Both are knowledgeable about Florida issues and law and are located outside of Dade County, Ms. Weiner said.

Since 1971, the school district has purchased only excess property insurance. Initially it self-insured the first $500,000 of each loss. But, since 1982 it has self-insured only the first $250,000 of each loss because coverage had been available at such reasonable prices in the soft commercial market. However, windstorm coverage has a $1 million self-insured retention.

Ms. Weiner noted the district has about $1.34 billion in property, including 250 schools, 50 ancillary sites, plus vacant land.

"Following the turbulent 1960s on school campuses, purchasing lower deductible coverages for vandalism and other property losses was very difficult and costly," Ms. Weiner explained.

In response, the school board established its own Self-Insurance Fund. Representatives of the fund met monthly with two appointed school board members and staff to authorize reimbursements from the annually funded program.

"This approach saved the district millions of dollars," Ms. Weiner said.

With the tightening insurance market, the district's premium for $50 million in excess property coverage doubled this year. The premium for a three-year contract for February 1985 to February 1988 is $678,000, up from $303,000 for 1982-85.

Additional insurers were added also.

In the past, the full $50 million limit was provided by Appalachian Insurance Co. of Johnston, R.I., part of the Factory Mutual System. However, the coverage for 1985-88 is layered.

Appalachian will share the first $20 million layer with Continental Casualty Co. of Chicago. Each will have a maximum limit of $10 million and will equally share losses up to that limit. The next $30 million is provided by Hartford Fire Insurance Co.

In 1974, the school district began self-insuring its workers compensation risks.

"These workers compensation self-insured programs have proven to be so successful that it is estimated that a total of $15 million has been saved over the purchase of a lower deductible insurance program," Ms. Weiner said.

When the program was initially set up, both specific and aggregate excess insurance was purchased above a $150,000 self-insured retention.

However, as the program aged and aggregate excess insurance became more difficult to obtain, the excess coverage was limited to specific excess only, Ms. Weiner said.

An outside adjusting firm was hired to investigate and pay claims and an outside law firm was hired to represent and defend the board, she said.

Although the district has four in-house attorneys, they handle everything *except* insurance items, she said. Those matters go to attorneys with expertise in the field, Ms. Weiner said.

The claims handling process is put out for bid, but Gallagher Bassett Insurance Service, a subsidiary of broker A.J. Gallagher & Co. of Rolling Meadows, Ill., has always come in with the most competitive price, she said.

The unlimited specific excess policy is provide by Mission Insurance Co. at a "minimal cost," according to Ms. Weiner. Fred S. James & Co. is the broker.

Next, in 1976, the school district began to self-insure its general liability risks, which include the district's auto liability risks and errors and omissions exposures.

The district retains the first $50,000 of each liability loss and has $16 million in specific excess insurance above its self-insured retention.

"Over the years, the amount of excess coverage has fluctuated with the marketplace availability, but the self-insured retention has generally remained at $50,000 per occurrence," Ms. Weiner said.

The first $1 million of excess coverage, which was brokered by Gallagher, is written by International Surplus Lines Insurance Co. in Chicago.

The next $5 million layer is with Safety Mutual Casualty Corp. in St. Louis, and the remaining $10 million is with Sentry Indemnity Co. in Stevens Point, Wis., Ms. Weiner said.

However, for the school district's errors and omissions exposures, a first-layer excess policy of $1 million is written by National Union Fire Insurance Co. of Pittsburgh, an American International Group unit, separate from the first-layer excess coverage for general and auto liability exposures.

"We put all of these programs out for bid to all of our major brokers," Ms. Weiner said. Gallagher won the bid, she noted, adding "they're aggressive marketeers.

Besides these "typical" exposures, Dade County Public Schools also has some more unusual risks, and specially tailored insurance coverage to handle them.

For instance, the district recently acquired two sports stadiums.

The first one on the campus of Miami-Dade Community College was acquired about a year ago.

"The college always allowed the public schools to use the stadium, but it was beginning to be a financial drain on the college. It asked the school board if we'd be willing to assume ownership of the facility," Ms. Weiner said.

The facility, which is near five of the district's 10 senior high schools, is used for football games, track meets and musical events.

About the same time, the City of North Miami, which owned a large tract of land, asked the school board if it would consider a joint venture to build a new stadium. The city would donate the land if DCPS would contribute $1 million.

"We agreed. We'll be the owners and the city of North Miami will be the second priority users," Ms. Weiner said, adding that the field is just about ready for use.

"The insurance challenge was making sure that we had control of the building plans (which were approved by the State Department of Education) and making sure the field itself was level and safe for high-schoolers. We also had to consider the handicapped users," she said.

"We had to find the right kind of insurance program where we could feel comfortable with the liability exposure," she added.

With the help of Gallagher, a special events policy was developed to cover exposures at both stadiums. It has a $1 million combined single limit and is underwritten by The Mutual Fire, Marine & Inland Insurance Co. in Philadelphia.

The school district pays a $5,000 annual premium for the policy, but expects to recoup that cost by charging users $100 a day for insurance if they do not have appropriate coverage of their own.

Other coverages Ms. Weiner handles for DCPS include:

- Flood insurance through the National Flood Insurance Program for schools and facilities in flood plains.
- Aviation insurance for two instructional programs. The district was named as an additional insured to the policy held by Burnside-Ott Aviation Center in Miami, an airport where students learn how to fly small aircraft. The district pays $6,000 annually to be named on the policy, Ms. Weiner said. Prior to this arrangement, the school district purchased a non-owners aircraft policy for a higher premium, she said.
- Boiler and machinery coverage for the district's machinery and air-conditioning systems.

"Most of the $28,000 premium is for inspection coverage," Ms. Weiner said. There is a $10,000 deductible on all losses expect those related to air-conditioning, which has a $25,000 deductible.

The coverage is with American Motorists Insurance Co. in Long Grove, Ill., a subsidiary of Kemper Corp.

- Fidelity bonds since the school district collects "discretionary money" from student locker fees and fund-raising activities. The coverage, which is out to bid for a June 1 renewal, has a $5,000 deductible. It is currently written by Aetna Insurance Co., a CIGNA Corp. affiliate.
- Student accident insurance and football insurance, which are paid all or in part by parents. The voluntary coverage can be purchased on a school-day basis or with 24-hour protection.

The football insurance, which is out for bid, is mandatory for students who decide to play football. The district pays about 40% of the premium.

The loss ratio on the football policy has averaged 207% for the past three years. The district is now implementing some cost control measures, like pre-admission review, repeated treatment review and a waiver of the $500 deductible for outpatient surgery, Ms. Weiner said.

It is difficult to find insurers to write the policy with these controls because it usually is not written in that manner, Ms. Weiner says. She hopes to secure coverage for the spring session only and then refine the coverage before the fall session.

Susan N. Weiner

Continued from preceding page

Miami was a rural community when most of the schools initially were built, Ms. Weiner explained. But after World War II, during a population and building boom, the city wanted to "move traffic" and began to widen the streets—"right up to the sidewalks of the schools," she said.

As a result, Miami wound up with several intersections that pose hazards for school-age children.

Between 1980 and 1982, three children—a 6-year-old, a 5-year-old and a 9-year-old— were killed at intersections near schools within the city of Miami, one study shows. During that same period, five other children were injured in intersection accidents in the city. Accidents also were reported at other intersections in unincorporated areas.

Compounding the problem are the large number of out-of-town automobile drivers in Miami, including tourists visiting the popular vacation spot and foreign visitors and South American refugees who are unfamiliar with laws and driving habits in the United States, Ms. Weiner said.

The issue of providing crossing guards had been bantered back and forth for years by members of a special joint committee of parents and city and county officials. Ms. Weiner and the coordinator of the school district's safety department, Jack Serig, attended those committee meetings.

"There was an internal battle on the committee. They (city and county commissioners) said it was a school board problem, and we said it was a police-traffic problem," Mr. Serig said.

Ms. Weiner and Mr. Serig spent countless hours meeting one-on-one with county and city commissioners and the mayor. They also made presentations, comparing the local traffic statistics with those of other school districts in Florida and across the country.

"Sue and I were in the middle of it. She provided the leadership and I did a lot of the legwork and writing," Mr. Serig said.

"Eleven cities in Dade County had already been providing school crossing guards for years," Mr. Serig said. "Only Miami and metro Dade County were left."

Finally, in 1983 some of the parents from the committee challenged city and county commissioners to go out to the intersections and assess the situation first-hand.

"They went and some of them almost got run over," Mr. Serig said. And, a short while later, two students were killed near the intersections within a two-week period, he added.

The public outcry was heightened and the press was critical, Mr. Serig said. He and Ms. Weiner again met with city and county officials to secure funds for the guards, in addition to 15 mph speed limit signs. This time they won.

The city of Miami and Dade County are now paying for crossing guards at dangerous intersections near schools.

"This took sensitive and protracted negotiations with dozens of cities and many politicians before it was a reality," Mr. Corkum said.

"It was a two- to three-year project," Ms. Weiner said. "It really took a lot of involvement between our office and the county and city."

Now with the crossing guard program in place for the city of Miami and metro Dade County, the team of Weiner and Serig are lobbying state legislators to approve a bill that would add $4 to all traffic fines for moving violations for the subsidy of crossing guard programs throughout the state.

It was Ms. Weiner's work on the crossing guard program and others that gives her "tremendous credi-

Continued on facing page

**Marine Insurance.
If it's Greek to your company, you could be in for a big surprise.**

For marine, oil industry or other difficult risk coverage, call or write Adams & Porter Associates, Inc., 510 Bering Drive, Houston, Texas 77057-1408, (713) 975-7500. Also in New York and Bermuda.

Adams&Porter

We take the myth out of corporate insurance.

Continued from facing page

bility not only with the school board, but with the community," said Leonard M. Britton, superintendent of Dade County Public Schools.

"I'd rank her as one of the most competent people I've come across in the field. Her technical knowledge is unmatchable. . . .Beyond that, she's able to work with different groups effectively," Mr. Britton said.

"Her strongest forte is that she gets along with people, in and out of the school system," said G. Holmes Braddock, the senior school board member who has served for the past 23 years.

Mr. Braddock also is an insurance consultant affiliated with Pilot Life Insurance Co.

"She works extremely well with diverse groups, from the administrative staff to the (employee) bargaining units," noted Jim Gallagher, assistant superintendent for business services at Juneau Public Schools in Alaska.

Mr. Gallagher was the associate superintendent for business and management for the Dade County district until October 1984 and Ms. Weiner's boss.

"So much of my job is going to meetings, interacting and trying to communicate," Ms. Weiner said. "People just hear the word insurance and they tune us out," she added.

'So much of my job is going to meetings, interacting and trying to communicate,' Ms. Weiner says.

"It has been my experience that there is no subject that is more misunderstood or simply ignored by the educated public than insurance. Therefore, the technical must be made comprehensible," said Ms. Weiner, who has a general lines agent license earned in 1971 after 270 hours of classroom instruction.

Ms. Weiner tries to take that "mystique" out of insurance, and apparently succeeds by being a good communicator.

"The one item that makes Susan unique and also successful, especially given the magnitude of exposures and problems in her risk management assignment, is the ability to communicate with the various levels of staff," said Gary Vander Voort, area president in Miami for Arthur J. Gallagher & Co., who is the broker for many of the school district's excess insurance policies.

Even labor leaders acclaim Ms. Weiner's administrative and communication skills.

"I'm aware of the fact that teachers unions usually have an adversarial role. . .but that has not been the case in Dade County," said Pat Tornillo, executive vp and chief negotiator for United Teacher of Dade, Local 974 of the American Federation of Teachers.

"It's just the opposite. We've worked cooperatively with (the administration) on our health plans," Mr. Tornillo said.

"The approach has been a win-win philosophy and Susan has played a significant role. . . .And it's on-going, not just at negotiations," he said.

"In general, Susan is unique in terms of her manner of presenting something, which puts people at ease," he said.

"Sometimes, the things she says you would expect to come from a union member."

Representatives from the teachers union, as well as four other bargaining units and two other non-union organizations of employees, are members of the Fringe Benefits Council.

This group is described by Ms. Weiner as a "calm setting," in which employee benefit issues can be discussed and explained.

"Employee benefits should be part of risk management," Ms. Weiner said.

"The purchase of insurance is how most risk managers got started. And, the purchase of benefits is the purchase of insurance," she said.

When Ms. Weiner became executive director in 1977, there was an emphasis on the property/casualty side, she said.

"Almost immediately we began to analyze the cost of benefits, and it became evident they were costly," Ms. Weiner said.

"Risk management tools should be applied to the benefits area, but in many instances benefits are foisted off on personnel departments that only look at it from the delivery point of view, rather than the risk management side," she said.

That was the situation some time back in the Dade County Public Schools. For two years, the district's risk management department was under the personnel department, rather than the business department, where it is now.

Ms. Weiner spent a good portion of those two years explaining to the school board why risk management should be a function of the business department.

Ms. Weiner's ability to deal effectively with people extends beyond the school board and unions to her own staff.

"Susan's a good teacher, and a good mentor," said Margaret Williamson, a registered nurse and the district's workers compensation supervisor.

It is Ms. Williamson's job to get injured employees back to work.

Florida law mandates that employers rehabilitate injured workers.

"I went to Susan and she gave me the flexibility to develop a plan," Ms. Williamson said.

The result was the school district's Worker's Education and Rehabilitation Compensation program, which was implemented last July.

"Margaret really had to bird-dog it," Ms. Weiner said. And then Ms. Weiner sold the idea to the unions and the school board.

WERC consists of two programs, one in which workers return to a similar, but lighter-duty job, and the other, in which workers are retrained for a new job.

About 20 employees are in the program now.

A number of them are custodians who are being trained for clerical positions, Ms. Weiner said.

"We are saving money by retraining employees, rather than using private rehabilitation companies, and we are saving in legal fees" because there are fewer disputes over workers compensation claims, Ms. Weiner pointed out. However, it is too early to know exactly how much the program will save.

On the benefits side, Ms. Weiner is saving the school district money by introducing a preferred provider organization for employee medical care (see story, page 120).

"Whatever recommendation comes from Ms. Weiner to the board is presented very clearly," noted Supt. Britton.

"I think the board feels comfortable in following her recommendations," he continued.

"And overall, she's had a wonderful batting average. . .we're talking a savings of megabucks," he said.

It's that kind of batting average that makes Ms. Weiner a major league risk manager, her supervisors and peers agree. ■

Susan Weiner stays out of the limelight

MIAMI—Susan N. Weiner is not known for pussyfooting around, but the executive director for the division of risk management of the Dade County Public Schools really dragged her tail when it came to submitting her criteria for the *Business Insurance* Risk Manager of the Year competition.

"I didn't think I would have a chance," said Ms. Weiner, who has been named to this year's Risk Management Honor Roll for government entities.

"We had to force her into it," noted her husband, Martin Weiner.

"Susan doesn't need the limelight to get the job done. She's not braggy," said George A. Corkum, who nominated her. Mr. Corkum is president of Fringe Benefit Consultants Inc. in Fort Lauderdale, Fla., the school district's benefit consultant.

But, once the nomination was in, the judges learned what Mr. Weiner, Mr. Corkum and others knew about Susan Weiner.

"Her contributions to the school district are outstanding. She's an excellent candidate," one judge wrote.

"But there are so many others who have taken a part in the successes," Ms. Weiner said. "The school board is receptive to new ideas, the unions are not adversarial in planning benefits plans and the county and city have helped on programs, too. My goal is wanting to work cooperatively with all these groups."

Although Ms. Weiner doesn't like to brag about her accomplishments, others do.

"She's a wonder. . . .She believes in everything she does and researches everything she does. . . .She needs a challenge; she loves a challenge. . . .It took her 16 years to get a bachelor's degree by going to school at nights," her husband said.

"I think what I like most about Susan is that she's not afraid of work. She started out as a clerk and worked her way up to executive director," noted her former boss, Jim Gallagher, who now is associate superintendent for businss services for Juneau Public Schools in Alaska.

"She's dedicated, totally dedicated," said her husband.

How dedicated is dedicated?

"Susan is known for waking up in the middle of the night with great ideas. She keeps those yellow Post-it notes by her bed and scribbles ideas on them in the middle of the night and then sticks them on the headboard. She's told us of waking up the next morning with notes all over the headboard," said Creston Nelson-Morrill, director of health management for the South Florida Health Action Coalition, of which Ms. Weiner is president this year.

"Susan is very astute. She has a lot of class. She's tough-minded, cost-conscious," said Ron Dunbar, executive vp of human resources and administration for Ryder System Inc. in Miami. Mr. Dunbar is the previous president of the coalition.

"I think she probably was one of the first women risk managers of anything this size in the country. . . .She's done an outstanding job with what can be a belligerent school board at times," said G. Holmes Braddock, senior school board member and an insurance consultant affiliated with Pilot Life Insurance Co.

But, while her business associates see Ms. Weiner as "tough-minded," her mother, Hilda Estis of Miami Beach, says she is "refined, quiet and gentle." Ms. Weiner spends Saturday afternoons with her mother and grandmother.

Ms. Weiner's family moved to Miami when she was a child. She is a product of the school system, graduating from Miami Beach High School.

When Ms. Weiner is not up to her ears in paperwork at the office, she often is knee-deep in paper with her husband, whose business is paper collectibles: newspapers, magazines, posters.

"Susan likes to get down and look at junk. . .at antique shows, in stores, in barns. She has a good artistic eye," Mr. Weiner said.

Her memberships in several professional and civic associations also keeps Ms. Weiner busy. In addition to being president of the South Florida Health Action Coalition, she also is president of the Florida Educational Risk Managers' Assn.; a director for the Greater Miami Chapter of the American Red Cross; a member of the Risk & Insurance Management Society's international, state and local chapters; a member of the Public Risk & Insurance Management Assn.'s national and local chapters; and a member of the Southeastern Medical Center Community Advisory Board.

Ms. Weiner earned a bachelor's degree in 1981 from Florida International University in Miami, with a major in political science and minor in insurance.

Before joining Dade County Public Schools, she worked a year as information supervisor for the Miami Chamber of Commerce. She then worked 14 years for the American Automobile Assn., where she was office supervisor and responsible for increases in the association's personal lines business.

She joined the school system in 1973 as a statistical supervisor in the risk management division, was promoted to insurance supervisor in 1974 and then promoted to executive director of the risk management division in 1977.

—*By Carol Cain*

Good Information Just Isn't Good Enough Anymore.

You and your staff need more than good information. You need quick access and retrieval, data analysis, and a shared data base that give you the total picture, that can measure the impact of one program on another.

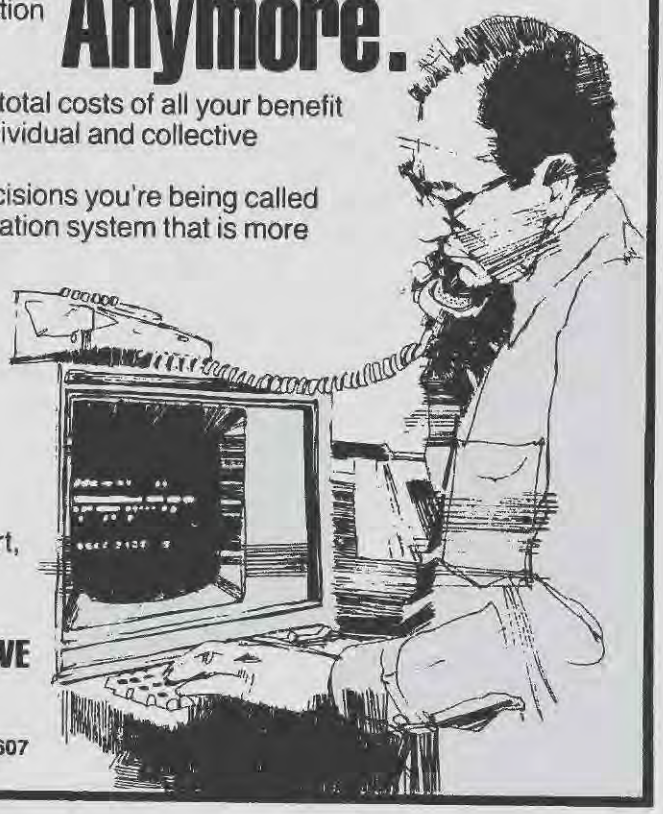
Using California Interactive Computing's well designed and fully integrated packages for Worker's Compensation and Group Health Care claims administration, you will be able to quickly access and analyze the total costs of all your benefit programs, and obtain accurate individual and collective program risk exposure estimates.

For the kind of management decisions you're being called upon to make, you need an information system that is more than just good enough.

■

CIC provides software for complete turn-key systems, time-sharing on CIC's host computer, or software for your computer.

For detailed information, or to schedule a demonstration, please call Gary L. Smart, Director of Marketing.



CIC CALIFORNIA INTERACTIVE COMPUTING, INC.
The Employee Benefits System Company
12517 Chandler Blvd. North Hollywood, CA 91607
(818) 985-2680, (213) 557-2424

Weiner brings PPOs to southern Florida

By CAROL CAIN

The license plate on her car reads "PPO MAMA"—a title that Susan N. Weiner tries to play down.

But, the moniker fits perfectly, according to those who have watched Ms. Weiner, executive director of risk management for the Dade County Public Schools, lead a movement to form preferred provider organizations in southern Florida—and save her employer $2.8 million in reduced employee hospital bills in 1984.

"She engineered one of the first, if not the first, employer-driven PPOs in the United States in an area where the cost shift created by Medicaid and Medicare was driving health care costs upward at the most alarming rate in the nation," said George A. Corkum, president of Fringe Benefit Consultants Inc. of Fort Lauderdale, consultant to the school district.

Mr. Corkum nominated Ms. Weiner to this year's *Business Insurance* Risk Manager of the Year competition. Her effort in developing the PPO movement in Florida is one of the reasons the judges named Ms. Weiner to the 1985 *BI* Risk Management Honor Roll in the government entity category.

Employee health care benefits are a major responsibility for a risk manager, Ms. Weiner believes.

And, she has helped the Dade County school district expand its benefits program from a "standard health and puny life package" in 1978 to an exemplary package today.

The program now includes a cafeteria plan with 18 benefit options. Health benefit choices in the plan include six federally qualified health maintenance organizations and an indemnity plan with the PPO option, plus two vision and two dental plans. Employees also have three life insurance options.

"Susan Weiner deserves her reputation as one of the state's most knowledgeable and effective employee benefits and risk managers in the public sector," said Bill Gunter, Florida's insurance commissioner and a champion of health care cost containment.

"The Dade County schools' health plan is a model for cost containment and promotion of cost-effective health care delivery," he adds.

The saga of how DCPS improved its employee benefit program began back in 1978, when the school board asked Ms. Weiner, who had been serving only a year as executive director of the risk management division, to revise the program. The board wanted to include HMO options and dental, vision and better life coverages.

Working with the district's insurer—Metropolitan Life Insurance Co. in New York—Ms. Weiner was able to present a new plan for board approval in 1979.

In 1981, the district went to a minimum premium health insurance plan in which 10% of the premium is paid to Metropolitan up front and the remainder is held by the school district to pay health claims, Ms. Weiner said.

Then, in 1983 the idea of using PPOs was broached on several fronts.

One arena was the school district's Fringe Benefits Council, an in-house forum that includes representatives from five labor unions and two other employee groups.

In mid-1983, while bargaining with union leaders, it was agreed to put in a PPO option, she noted.

About the same time, PPOs also were being discussed by the South Florida Health Action Coalition, an employer coalition created in 1979 at the urging of the governor. Ms. Weiner is currently president of the group, which has some 35 members.

"Susan is the person in our organization who first took the plunge with PPOs," said Creston Nelson-Morrill, director of health management for the coalition.

"She doesn't sit back and wait and see how something works. . . . She's an innovator," Ms. Nelson-Morrill added.

"At Susan's urging, and with her involvment in the coalition, the idea of a PPO came up. For lack of a better term, she was a mover and a shaker," said James J. Crowley, Metropolitan's vp of group insurance in Atlanta.

That moving and shaking, not only by Ms. Weiner, but also by Metropolitan, resulted in a PPO in place for Dade County Public Schools by Jan. 1, 1984.

Photo: Carol Cain

Susan N. Weiner, right, with some of her staff: From left, Jack Serig, department of safety coordinator; Amy Perkins, fringe benefits supervisor; and Margaret Williamson, workers compensation supervisor.

"We finished bargaining with the unions on Oct. 6 (1983) and went to the board for approval Oct. 16," Ms. Weiner said. "Then we went to Met and said we wanted them to put in a PPO. They said they were not quite ready. We asked them to move up their timetable."

Metropolitan decided to take the challenge and put the finishing touches on its PPO offering—Met-Elect—within nine weeks, Mr. Crowley said.

Initially, five hospitals located throughout the county were selected to participate in the PPO—offering the school district discounted rates in return for their employees' business, Ms. Weiner said. Then, an additional four were selected, and then two more, to complete the bi-county network, she said. The countywide school district covers 2,400 square miles and some employees live outside the county.

The PPO also includes more than 1,500 of the "best known physicians, all of whom have agreed to accept reduced fee schedules in exchange for maintaining clients and/or increasing market share," Ms. Weiner said.

Their names and specialities are listed in a handbook given to each eligible employee.

Under the plan, employees can decide if they will use a PPO each time a health care need arises. But, there is a good incentive to tap the PPO system: If they use a preferred provider, their costs are covered 100%; if they choose to use a doctor or hospital that is not a preferred provider, they must pay 20% of their expenses. The cap on employees' out-of-pocket expenses is based on their salary.

Within the first six months of the program, there was an 11.1% decrease in the number of hospital confinements among school district employees, a 10.1% decrease in inpatient hospital days, a 53% increase in the use of outpatient services and an increase in the hospital market share of preferred hospitals to 40% from 22% in 1983, Ms. Weiner said.

Dade County Public Schools was the first to use the Met-Elect program and, according to a Metropolitan report released last month, the school district saved $2.8 million in hospital costs for 1984.

Putting together the PPO plan "was a very difficult thing to do," said G. Holmes Braddock, senior member of the school board. "Susan got a lot of criticism from the board and others, but she did it. She's been exceptional in that area."

"Susan was the pioneer person of PPOs in Dade County," said Ron Dunbar, executive vp of human resources and administration for Ryder System Inc. in Miami. Mr. Dunbar is the immediate past president of the South Florida employer coalition.

"Her commitment to the employer coalition should be cited. She has impacted health care cost throughout Dade and (neighboring) Broward counties," he added.

Now, eight companies are actively involved in PPOs in southern Florida in both the public and private sectors.

Because of this total absorption in the PPO process, Ms. Weiner's husband, Martin, surprised her with the "PPO MAMA" license plate.

But, the entire area of employee benefits and cost containment, not just PPOs, excites Ms. Weiner.

In fact, the Met-Elect program is really an encore to the cafeteria benefit program that was offered to employees since Jan. 1, 1983.

The Variety of Individual Selections Trust Account (VISTA) plan was developed in collective bargaining sessions, according to Ms. Weiner.

Under the plan, the school board contributes $300 per year to each eligible employee's account. Employees then may use that money to pay for the benefits they choose from a long list of options, including day care reimbursement, children's life insurance and legal services, plus various health care options.

Because of the many options available, a booklet showing sample combinations of the choices was designed last year. The simple language and graphic illustrations allow employees to quickly grasp how they can select options from the plan, Ms. Weiner said.

Initially the plan was offered just to teachers—about 15,000 employees.

"It has proven to be a strong recruiting tool in an age where finding qualified teachers is increasingly difficult," Ms. Weiner said.

This Jan. 1, the cafeteria package became available to the district's administrators. And, just this month, it was offered to secretaries.

Employees may use their $300 bank to offset the cost of benefits they choose, but if the money is not used, they don't receive it in cash at the end of the year.

"We felt that would undo the spread-of-risk concept," Ms. Weiner noted.

Ms. Weiner's awareness of these and other cost-containment concepts was heightened by her involvement in the South Florida Health Action Coalition.

"The coalition is probably the reason I have been able to do so many things here (Dade County Public Schools). It lit the fire under us. . .to make demands on our carriers and providers. . .to get dialogue going. It was stagnant here," Ms. Weiner said.

The interaction among coalition members gives each a feeling "that you're not alone. Without that (feeling), you're very vulnerable," she added.

While some business coalitions ignore the public sector, a lot of the activity in the South Florida Health Action Coalition comes from the public sector, Ms. Weiner said.

DCPS, the University of Miami, Metro Dade County and the state of Florida were among the 17 charter members of the coalition.

"The coalition is a great educational forum. The data collection activities are probably the most important," Ms. Weiner said. "It helps you plan strategies for change or improvement." ■

CERTIFIED CLAIMS CORPORATION

PROFESSIONAL & CONFIDENTIAL EXPERTISE YOU CAN COUNT ON

• CLAIMS MANAGEMENT
• CLAIMS AUDITING
• CLAIMS CONSULTING

TECHNICAL—ADMINISTRATIVE—FINANCIAL
DATA PROCESSING—REINSURANCE & EXCESS LAYERS

FINALLY A COMPLETE MARKET PLACE
FOR THE SIR AND CAPTIVE
No Claim Is Too Small — No Account Too Large

For Immediate Personal Service Contact
CERTIFIED CLAIMS CORPORATION
EXECUTIVE OFFICES
125 South Wacker Drive — Chicago, IL. 60606
(312) 855-1919
Ask for Walter Kendall, Executive Vice President

School district's laboratory checks would-be health hazards

MIAMI—While most schoolchildren like to draw with crayons, some also like to eat them.

Officials at Dade County Public Schools tested some of the 2.2 million crayons purchased in 1983-84 for use by students to be sure they were not poisonous.

It's a risk that can be avoided, noted Susan N. Weiner, executive director of the division of risk management for the school district.

To do so, the Miami-based district—the fourth-largest school district in the country—is one of just a handful that has an in-house materials testing laboratory. Crayons, as well as other supplies and equipment, are safety-checked in the laboratory.

Throughout the lab's 30-year history, practically every type of product used in the schools—from sheets of paper to the finish on gym floors—has been tested at some time, said Robert Munro, one of two chemists in the lab.

The lab, officially known as the materials control section, is part of the department of safety within the division of risk management.

Ms. Weiner said the laboratory tries to answer questions like: Are the maracas firmly put together? Is the roach insecticide safe for use in schools for students and custodians? Does the pizza taste like rubber and is it nutritious?

Maracas, pizza and roach insecticide may not sound like big items, but DCPS purchased 89 maracas for $85 in the 1983-84 school year; 4.1 million slices of pizza (plain and with meat) for $843,840; and 1,356 gallons of roach insecticide for $7,648.

The facility initially was set up as a paint testing laboratory to check the flammability, lead content, durability, color and other characteristics of the paint used in school district facilities, Mr. Munro said, pulling out a thick book containing results of those tests.

But, as the district grew, so did its list of supplies. Generally only new paints are tested now, Mr. Munro said. He noted that hundreds of other supplies are scrutinized each year.

Last year, DCPS spent an estimated $125 million for supplies and equipment, noted Leo Kerr, director of purchasing. And about $90 million of that was for supplies—"everything from pizza to pencils," Ms. Weiner said.

The laboratory's mission today is "to provide quality and cost controls that emphasize product adequacy and safety, realize major economies in product purchases, and satisfy requirements of statutes and rules to establish specifications and assure specification compliance of the myriad items of equipment and supplies purchased for instructional and support programs," Mr. Munro said.

The standards followed by the laboratory come from several sources, including scientific and governmental literature.

But, the people in the district who use the supplies also play a key role, Mr. Munro said. Some 30 committees of teachers, support staff and administrative staff meet periodically to determine the needs and wants of the various schools and departments, he said.

For instance, he said, art teachers wanted a particular kind of red construction paper—a Christmas red. So, when the district ordered construction paper, it specified that color in the bid process, he said, noting that a construction paper bid can be $100,000. It was the job of the materials control section to see that it was delivered.

But, designing the bid specifications and then spot-checking to make sure what was ordered also was delivered is only one function of the materials control section, Ms. Weiner said. "These items are reviewed for other reasons, but the main one is safety."

As an example of the need for safety checks, she cited a recent situation that happened in an Oregon school district. A teacher's aide died and an investigation revealed that the cause may have been improper ventilation in the rooms where duplicating machines and chemicals were used.

"They couldn't prove anything conclusively, but an alert went out to school districts," Ms. Weiner said. In the Dade County schools, an investigation found three rooms with improper ventilation.

The district was in the midst of analyzing new equipment and had decided to replace the duplicating machines with copier-type machines. But, that idea was shelved, Ms. Weiner said, when teachers complained the new machines were less accessible to them.

After further investigation and in-house testing, the district found another duplicating fluid, without the hazardous chemicals.

Photo: Carol Cain

Chemist John Doerr, at left, and Susan N. Weiner discuss findings from the testing lab.

APRIL IS COMING SOON AND SO IS...

15 RIMS PREVIEW/CAPTIVES OFFSHORE

22 RIMS REPORT # 1

29 RIMS REPORT # 2 AD CLOSING - APRIL 16

New York: 220 East 42nd Street/NY 10017/(212)210-0133
Chicago: 740 Rush Street/IL 60611/(312)649-5276
Los Angeles: 6404 Wilshire Boulevard/CA 90048/(213)651-3710

business insurance

ARC

ADVANCED CLAIMS PROCESSING SYSTEM

What if...

you were one of the nation's most profitable healthcare companies, and wanted to stay that way?

Well here's how...

one of the nation's most profitable health maintenance organizations solved their needs. They contracted for the ARC Claims Processing System — lowering their administrative costs and gaining better control of their benefit costs at the same time. When it comes to bottom line performance you cannot beat the ARC system.

More than a Claims Processing System
A SOLUTION FOR SELF ADMINISTRATION

ARC HEALTH SERVICES, INC.
16775 Addison Road
Dallas, Texas 75248
(214) 248-6241

Video taped system demonstration available on request

Eva F. Goodrich stands guard

Continued from page 117
employer that doesn't generate multimillion-dollar premiums or hefty broker commissions.

The judges of the *Business Insurance* Risk Manager of the Year competition liked her style. They named Ms. Goodrich to the 1985 *Business Insurance* Risk Management Honor Roll, representing small corporations with less than $300 million in annual sales.

Cincinnati Electronics—which designs, develops and produces military communication equipment, electronic warfare systems and electronic equipment used in space—recorded $63 million in sales in 1984.

As a Defense Department contractor, 99% of the products Cincinnati Electronics manufactures are sold to the U.S. government and foreign governments approved by the State Department.

CE was purchased in 1981 by General Electric Corp. Ltd. in London (which is no relation to General Electric Corp. in the United States). Other U.S. subsidiaries of GEC of London include A.B. Dick Co., the Chicago-based office machinery manufacturer; and Picker Corp., a medical goods supplier in Cleveland.

The cost of providing insured benefits for Cincinnati Electronics' 849 Cincinnati-based employees was $2.2 million in 1984; $138,798 was spent on property/casualty insurance for both Cincinnati Electronics and its Mexican subsidiary in Hermosillo, Sonora.

How Ms. Goodrich judiciously spends that money—ever watchful that she is getting every dollar's worth—is evident in her achievements in both the risk management and employee benefits areas.

Less than two weeks ago, she switched her company's broker and insurers on several of CE's liability coverages, after obtaining a premium quote $21,000 below that returned by CE's long-time broker. As a result, CE's total premium for comprehensive general liability, auto liability, out-of-state workers compensation and umbrella liability coverages has remained basically at last year's level—no small feat considering the tightening insurance market that is forcing other companies' liability rates up as much as 25%, 50%, 100% or more.

Similarly, Ms. Goodrich cut Cincinnati Electronics' property insurance premiums by $13,507 last year by switching both its property insurance broker and insurer to obtain an all-risk property policy with much broader coverage at a more competitive price.

This year, the premium on that policy is expected to increase only about 8%, despite the constricting insurance market.

In the benefits area, Ms. Goodrich is saving CE about $115,000 annually by self-insuring medical benefits under a minimum premium plan, reducing or eliminating broker commissions and self-insuring short-term disability benefits for salaried workers.

"For a small company, those savings are significant," she says.

One of the most significant savings this year will be in CE's premium for comprehensive general liability coverage, which for the first time will be placed by broker Marsh & McLennan Cos. Inc.

In the past, Ms. Goodrich has put CE's liability coverages out to bid to see if equal or better coverage was available at more reasonable prices, but no broker—until M&M—was able to top the premium quoted by CE's long-time liability broker, Thomas E. Wood Inc. of Cincinnati.

"M&M was the first broker in 10 years to seriously address the fact that, as a defense contractor, CE's product liability risks are minimal," Ms. Goodrich explained.

The bulk of CE's products are sold to the government and made to its specifications, so CE's product liability exposures are small compared with a company that manufactures goods used by the general public, Ms. Goodrich said.

And, CE has never been hit with a product liability lawsuit, she adds.

"M&M really pushed this idea with the insurers to secure favorable rates for us," she said.

The Home Insurance Co., CE's new CGL insurer, apparently was convinced. Its $7,060 premium quote is about $10,000 less than the $17,022 CE paid U.S. Fire Insurance Co., a Crum & Forster unit, last year for bodily injury limits of $1 million per occurrence/aggregate and property damage limits of $500,000 per occurrence/aggregate.

The total premium quote of $29,900 returned by M&M for CGL, auto liability, out-of-state workers compensation and umbrella liability coverage was about $2,000 less than Ms. Goodrich had budgeted and $21,000 less than the $51,000 quote submitted by broker Thomas E. Wood, CE's liability broker since 1973.

Long-standing relationships aside, Ms. Goodrich moved the account to M&M.

"She had to make the move because of the dollars involved," admits William Syfert, who handles the CE account at Thomas E. Wood, which still places some of CE's coverages.

"From a risk management point of view, it was a wise move, he admits."

While the premium for CGL coverage was reduced drastically in the M&M package, the cost for $5 million in umbrella liability coverage more than doubled. "But, considering that other companies are being hit with rate increases up to 500%, we feel lucky," Ms. Goodrich says.

Fireman's Fund Insurance Cos. is the new umbrella liability underwriter, replacing U.S. Fire Insurance Co. The umbrella premium this year will be $9,000, compared with $4,400 last year.

In addition, CE had to purchase a difference-in-conditions policy between its primary auto liability coverage for Mexican vehicles and the umbrella policy. It cost another $1,000.

The Home also is CE's new insurer for auto liability and out-of-state workers compensation risks, replacing North River Insurance Co., another Crum & Forster affiliate. The premium for auto liability increased to $11,662 from $5,055 for bodily injury limits of $250,000 per person/$1 million per occurrence and property damage limits of $250,000 per occurrence.

The workers compensation premium increased slightly to $903 from $748 for CE's small out-of-state exposures. Workers compensation coverage for most of CE's employees is purchased from Ohio's monopolistic state fund.

M&M also brokered the money-saving all-risk property policy Ms. Goodrich purchased last year. The coverage is underwritten by Allendale Mutual Insurance Co., a member of the Factory Mutual System, through a program M&M devised for CE and the other U.S. subsidiaries of GEC.

The policy, which cost Cincinnati Electronics $35,137 in 1984, provides fire, boiler and machinery, business interruption (including contingent worldwide coverage), service interruption, accounts receivable, valuable papers, extra-expense and transit coverage.

Limits are $150 million for property losses at the Cincinnati plant; $10 million off-site; $5 million for property damaged in transit; and $1 million for accounts receivable and valuable papers.

Although the coverage could not be written on a manuscript form, as Ms. Goodrich wanted, the coverage provided was much broader than that offered under the former manuscript property policy brokered by Johnson & Higgins and written by Twin Cities Insurance Co., a Hartford Insurance Group affiliate.

Under the Allendale policy, CE's property deductible was reduced to $5,000 from $25,000 per occurrence with a $1,000 deductible for losses in transit. The limit on transit losses was increased to $5 million from $1 million.

And, sublimits on earthquake and flood losses were increased about tenfold to $100 million.

But, even when a change of broker and insurers is obviously to CE's advantage, Ms. Goodrich still scrutinizes all insurance contracts line by line.

"I'm suspicious by nature, so I never believe it when it looks like I'm getting an offer that's too good to turn down," says Ms. Goodrich.

And, indeed, she did uncover some exclusions or omissions in the all-risk property policy in areas where CE does have exposures. She also questions the wording of a few other areas of the property policy where she fears coverage provided could be interpreted more than one way.

For example, the Allendale policy said property shipped on regularly scheduled airlines would be covered. However, CE occasionally ships its wares on military planes and chartered planes. Ms. Goodrich had the policy amended to spell out that the "unscheduled conveyance" of property by air also would be covered up to $500,000.

Similarly, the policy excluded coverage for property shipped through the postal system. Ms. Goodrich had this exclusion struck.

Ms. Goodrich is still trying to get Allendale to drop its exclusion of property losses that occur during testing and installation of products.

Although those exclusions are typical in property policies, the former Twin Cities policy did not explicitly exclude testing and did provide coverage for losses during installation, Ms. Goodrich contends. Since the new policy was marketed as being as broad or broader than the former policy, Ms. Goodrich believes the exclusion should be struck.

She hasn't succeeded yet, "but I'm going to keep trying," she says.

She also believes there is a loophole in the policy that could cost her coverage for property losses from theft away from CE's premises.

A section of the policy dealing with the exclusion of coverage for inventory shortages also includes an exclusion for losses due to "mysterious disappearances." She believes the use of this language sets the stage for debates over whether missing property was stolen, and thus is covered under the policy, or has just mysteriously disappeared, in which case it would not be covered.

"I know some of my concerns seem very picky because the policy overall does provide very broad coverage," says Ms. Goodrich. "But still, I want to make sure I have the coverage that I believed I was purchasing.

"The buck stops at my desk—it is my job to find these problems."

Routinely, Ms. Goodrich will pick up a policy she has scrutinized earlier and review it again, comparing sections in it against earlier policies.

Several years ago, when she was double-checking an aviation product liability policy that covered CE's liability for personal or property damage caused by products manufactured by it and used on aircraft and missiles, she found a sizable hole in the coverage that had been missed earlier.

The aircraft product liability policy limited coverage to aircraft goods or products that are part of an aircraft or furnished by CE for use in the aircraft.

"But, it was evident CE had an aircraft products exposure for 'ground' products used *with* the aircraft or missile since CE manufactures radar products and ground-to-air communication systems," Ms. Goodrich explained.

"Upon notification to the broker, the problem was corrected immediately since it was never the intent to exclude ground-related aircraft products from the policy."

Cincinnati Electronics' aviation product liability exposures are now covered through a blanket policy GEC purchases from Lloyd's of London through broker Willis, Faber & Dumas Ltd. in London; Ms. Goodrich does not have direct responsibility for it now.

Ms. Goodrich also often rechecks policy exclusions to see if exposures have developed in the excluded area since the policy was written.

Recently, inquiries she made of management revealed that CE does have a limited foreign product liability exposure due

Continued on facing page

Cutting broker commissions saves CE $40,000 annually

CINCINNATI—Imagine cutting broker commissions on one line of insurance by 85%.

Eva Goodrich did.

She also entirely eliminated the broker's services—and consequently its commission—in another area.

These decisions are saving Cincinnati Electronics Corp. $40,000 annually.

The biggest savings was achieved by cutting the commission CE's benefit broker—Randolph Co. of Cincinnati—receives for placing CE's employee group term life insurance with Ohio National Life Insurance Co.

The broker was receiving a 15% commission based on the total premium paid by CE for the coverage, which is equal to double the employees' salaries plus any additional coverage they voluntarily purchase.

But, in the fall of 1980, Ms. Goodrich decided to clamp down on the size of the broker commissions included in the premium CE paid Ohio National.

"I just did not think there was that much work involved for the broker to justify the commission it was receiving," she explained.

By talking with other benefit managers in the Cincinnati area and from what she had learned in insurance classes, she knew it was possible to cut these commissions without jeopardizing the employees' coverage.

Her first idea was to purchase the coverage directly from Ohio National. However, Ohio National does not write direct coverage, so Ms. Goodrich placed Randolph on a retainer of $1,000 a month for 15 months. Then, she worked out an agreement with Ohio National to allow her to pay the broker the *minimum* commission allowable.

Today, the broker's commission on CE's group term life coverage is about $5,000. If Ms. Goodrich had not taken any action, the broker's commission today would be about $34,000 based on CE's current premium of $225,000, Ms. Goodrich says.

Ms. Goodrich also is saving CE an additional $10,000 annually by having the issuance of the life insurance policies and other administrative tasks performed by CE staff instead of the insurer.

Since CE's group health insurer, Metropolitan Life Insurance Co., will write direct coverage, Ms. Goodrich eliminated Randolph's services—and consequently its commission—in that health benefits area. That move in 1980 has saved CE another $10,000 a year in broker commissions.

The lack of a broker does not hamper Ms. Goodrich in renewal negotiations, she says. Instead, she prepares by obtaining premium quotations from other insurers, and "I'm ready to move the coverage if the current carrier won't lower rates," she explains.

CE's coverage has been with Metropolitan for decades; premium increases over the last five years have averaged only 12%.

"I made the decision to cut broker commissions on my own, and I was so scared—make that terrified. But, it worked," Ms. Goodrich says with pride.

Even without a broker to act as a liaison between CE and Metropolitan, Ms. Goodrich won a debate over policy terms in 1981 that saved CE $81,000 under the retrospectively rated group health insurance Metropolitan provided CE at that time.

At the end of policy year 1981, CE's low claims experience had produced a $50,000 surplus, explained Ms. Goodrich. However, Metropolitan not only kept that $50,000 to make up for the previous year's $152,000 deficit—as allowed under the terms of the policy—but also presented CE with a retro bill of $81,000, she says.

The retrospective arrangement with Metropolitan, as Ms. Goodrich understood it, did not allow any retrospective calls for premiums in a surplus year. Any deficits from earlier years were to be made up only through surplus and future premium increases, she argued with the insurer.

To her benefit, she didn't have to rely solely on her memory of verbal commitments from the insurer to plead her case.

Besides referring to the insurance policy, which she says does not permit a retrospective call to make up a *prior* year's losses, Ms. Goodrich also had a signed guarantee from a Metropolitan field representative that no retro call could be made in a year with a surplus.

She had obtained that guarantee earlier in the year "because I am suspicious by nature and did not want to trust the situation to chance," she explains.

And, it paid off. The $81,000 retro bill was withdrawn.

"Metropolitan had changed its policy on retro calls to be in conformity with other insurers, but since Ms. Goodrich had been guaranteed otherwise, Metropolitan honored its commitment," said Neil Waldron, Metropolitan director of product management.

—By Lorrie Gibson

Continued from facing page
to the sales of equipment to foreign governments. However, comprehensive general liability policies provide coverage only for lawsuits brought in U.S. courts.

To plug this gap, Ms. Goodrich is currently negotiating to purchase $500,000 in foreign product liability coverage from CIGNA Worldwide.

Sometimes, Ms. Goodrich says, problems with policies just leap out without much scrutiny if the risk manager knows what he or she is looking for.

Several years ago, Ms. Goodrich was able to scale down her costs for workers compensation insurance for CE field engineers working outside of Ohio because she couldn't help but notice that the rate applied to them was extraordinarily high compared with the rate charged for field workers through the Ohio state fund.

In checking, she found that the field engineers, who demonstrated sophisticated electronic equipment and helped train military personnel in safe, air-conditioned offices on military bases, had been put in the same job classification as workers who dangle from telephone poles.

This catch helped her reduce the workers compensation insurance rate on these workers by about 500%.

But, it's not only the big catches that Ms. Goodrich concentrates on. She gives similar attention to the small overcharges CE can be hit with if, for example, premiums are not properly prorated when a vehicle is added to the fleet policy.

"We go after every penny, I can assure you," she says with obvious pride. "I don't like to give up a dollar."

In the employee benefits area, Ms. Goodrich's zeal to find the most cost-effective method of funding benefits and her penchant for checking the details of all insurance contracts pays off for both Cincinnati Electronics and Ms. Goodrich's fellow employees.

One of the largest feathers in Ms. Goodrich's cap is the $115,000 she is saving CE annually by instituting a minimum premium plan for funding health benefits, self-funding short-term disability benefits, wiping out or reducing brokers commissions for benefit plans and reducing CE's group life insurer's administrative duties.

But, she is equally proud that she convinced insurers to drop the war risk exclusion from several employee benefit plans. She also was able to convince CE's group health insurer that employees living outside Ohio should have the same liberal policy conversion benefits as those in Ohio.

Hungry for the savings possible through self-funding of employee health care benefits, Ms. Goodrich negotiated a retrospectively rated minimum premium funding arrangement with Metropolitan Life Insurance Co. in October 1982.

For the first full year the plan was in effect (April 1983 through March 1984), it produced a positive cash flow of $91,000 due to lower than expected claims and savings on insurance company reserves and administrative costs.

Even though several catastrophic losses in the most recent plan year will force a retrospective call by the insurer for an additional 8% to 9% in premium, she estimates $40,000 will still be saved this year and in future years because of reduced insurer retention and administrative costs alone.

CE's group health insurance premium for the plan year that ended March 31 was $1.86 million. Under the minimum premium funding arrangement, CE pays Metropolitan 9% of the premium upfront for administrative costs, state premium tax, and the insurer's profit and risk contingency.

In addition, a reserve of 4% of premium is established to fund CE's termination liability if the policy were canceled. (Under the plan, Metropolitan paid claims during the first month of the arrangement; therefore, CE is responsible for claims filed during the month after the policy is terminated. CE holds this reserve and it is adjusted yearly).

The remaining 87% of premium is retained by CE to fund claims on a monthly basis as they occur.

Ms. Goodrich's institution of a totally self-funded program for short-term disability benefits for salaried employees in January 1983 is saving $25,000 a year and immeasurable administrative headaches and costs.

Before the self-funded program was initiated, employees received weekly checks from both an insurer and CE totaling 60% of salary. The effort involved the insurance, treasury and payroll departments at CE.

In addition, beginning in the early 1980s, benefits paid directly by the insurer along with those paid by CE were subject to Social Security taxes. Employees also could choose to have federal income taxes withheld from insurer payments. This extra withholding created an administrative nightmare for the CE departments involved.

The current self-funding scheme enables benefits to be paid directly from company assets by the payroll department with federal income tax and FICA taxes automatically withheld. The employee receives all his benefits in just one check.

Some of the savings Ms. Goodrich has achieved for CE in the benefits area has been won only because she takes a stand when she believes she is right and won't budge until she has what she wants.

Her stick-to-her-guns philosophy saved $81,000 in 1981 in a disagreement over the terms of a retrospectively rated group health plan and is saving $40,000 a year in broker commissions on group health and life plans, plus another $10,000 in insurer administrative costs (see story, page 122).

Ms. Goodrich's fighting spirit is an advantage for CE employees, too.

Ms. Goodrich went to bat for a CE retiree who was told he was not eligible for the liberal health insurance conversion plans offered by Metropolitan to CE retiring employees who lived in Ohio because his residence was in Kentucky. He worked at CE's Cincinnati plant but commuted daily across the Ohio River from northern Kentucky.

Various states have different minimum conversion requirements imposed by state law, and the Ohio law provides richer benefits than the Kentucky law, explained Ms. Goodrich. However, she pointed out to Metropolitan that when the particular employee was planning his retirement, he was given information by Metropolitan on the coversion policies available to Ohio residents and not alerted that the plans did not apply to Kentucky residents. And, he used the information provided him to plan his retirement, she added.

To change the offer midstream would not only place a financial burden on the retiree, she said, but also would pose a threat of legal action against CE because such discrimination against the retiree would violate ERISA.

She made her point: All CE employees, regardless of state residency, now retire with the same liberal conversion benefits offered their Ohio peers.

This example is not an isolated case of Ms. Goodrich standing up for employees' rights—and winning.

She also has convinced insurers to make several changes in CE's employee benefits plans to correct coverage gaps that could have left a CE employee or his or her dependents facing a catastrophic loss:

- For no additional premium, she convinced CE's medical, life, business travel and disability insurers to drop the war risk exclusion common in those policies. This provides protection for employees who can find themselves crossing a war zone when marketing or delivering CE products abroad.
- She had the group health insurance policy written by Metropolitan amended to provide a two-year runout of benefits for totally disabled employees. This provides coverage for the employee while he or she is waiting to become eligible for Medicare coverage.
- She also had the group health plan amended to continue coverage for three months for dependents of deceased employees to give them time before they have to worry about converting the coverage or purchasing a new plan.
- She pushed for the removal of an exclusion in CE's business travel accident plan, written by Insurance Co. of North America, precluding drivers from receiving accidental death and dismemberment benefits available to other employees.

"I feel I have a very fine line to walk—a tightrope, so to speak—to be fair to Cincinnati Electronics and the employees," Ms. Goodrich said about her efforts to protect her fellow employees while not forgetting her responsibility to Cincinnati Electronics.

But, those who know Eva Gooddrich agree—she has the discipline and guts it takes to walk a tightrope. ■

STRUCTURED SETTLEMENT.
EXPERT NEGOTIATOR.
ON YOUR TEAM.
NO CHARGE.

EXPERT. Paul Donlon has earned the right to be called an expert. He's been an active participant in claims settlement conferences, helping his clients negotiate the best possible payment plans, for 12 years. Paul—like our other consultants—knows his business.

ON YOUR TEAM. Unlike most of our competitors, we work only for the defense—an important difference. Here's why: We will suggest a structured settlement only when we believe—based on experience and knowledge of the claim—that it's the best solution for our client (as well as the plaintiff). Results: credibility, momentum toward settlement, a more productive conference.

NO CHARGE. Paul Donlon (or another of our equally qualified consultants) will be pleased to attend your settlement conference. As a member of your team. At no cost. With no risk.

Call us at the telephone number most convenient for you.
Los Angeles 213/642-1999 / 800/421-2022
St. Petersburg 813/823-2666 / 800/237-6361

Offices in Boston • Chicago • Cincinnati • Dallas • Kansas City • Los Angeles • New York • St. Petersburg

THE STRUCTURED SETTLEMENTS COMPANY™

Photo: Jeffrey L. Gettelfinger
Eva Goodrich, second from right, is flanked by nurses Jeanne Melink, left, and Opal Bobo, who review all medical claims filed by CE employees, and Insurance Administrator Carol Fox.

Goodrich searches for ways to contain CE's health costs

CINCINNATI—Cincinnati Electronics Corp. offers its employees very liberal health care benefits to help recruit and retain the high-tech staff it needs to compete in the electronics industry.

Under CE's minimum premium group health insurance plan with Metropolitan Life Insurance Co., employees receive 100% coverage for hospital, surgical, X-ray and laboratory costs. The deductible under the major medical portion of the coverage is only $50 for individuals and $150 for a family and coinsurance is minimal, with employees' out-of-pocket expenses capped at $400.

The plan, which does require employee premium contributions, would be considered very liberal by many other companies that have shifted more of the cost of health insurance to their employees to make them more aware of the high price of health care and cut the company's costs.

But, Eva Goodrich, who is responsible for the funding and administration of those benefits in her role as CE's manager of insurance and risk management, still is working on ways to contain CE's health care costs.

One of her top goals is to become more involved in the Greater Cincinnati Health Care Coalition, an association of 53 Cincinnati-area employers dedicated to containing rising health care costs while maintaining high-quality care. The coalition apparently believes she would have a lot to offer: It has asked her to serve on one of its committees.

Ms. Goodrich also is determined to offer CE employees an opportunity to enroll in "the most qualified and cost-effective health maintenance organization in this area as soon as practical."

A strong supporter of the HMO movement, Ms. Goodrich believes membership in an HMO would be advantageous to CE employees because it would expand their health care coverage. HMOs provide preventive and routine care, plus vision and hearing care, which are not covered under the Metropolitan Life indemnity plan. She believes these expanded benefits would attract 15% to 20% of CE's employees.

If she gets the go-ahead from management for an HMO, she has her eyes on Choice Care, an independent physician association sponsored by the Academy of Medicine of Cincinnati.

Ninety percent of the doctors in the Cincinnati area have contracted with Choice Care, so in most cases an employee would not have to give up his or her regular physician to participate in the HMO, Ms. Goodrich points out.

This is an important consideration for CE's highly educated employees, who make sophisticated health care decisions.

Although Ms. Goodrich has been working with Choice Care for about three years, only recently did pressure exerted by CE and other area employers convince Choice Care to remove a restrictive pre-existing condition clause.

This removes a major barrier to CE using the HMO. Ms. Goodrich adds that she now has a very competitive rate guaranteed by Choice Care for two years and hopes to offer an HMO plan within the year.

Currently, CE keeps tabs on health care costs through a tight claims-control system within its medical department. Two occupational nurses—Opal Bobo and Jeanne Melink—review all medical claims for accuracy, enforce coordination-of-benefit rules and monitor processed benefit determination statements.

"Each month's claims register is checked for accuracy, and Metropolitan does not complete its annual financial accounting until CE agrees on the amount and validity of all claims paid," Ms. Goodrich explains.

"Our nurses monitor claims as if the money were coming out of their own pockets."

Ms. Goodrich's interest in cost containment extends beyond the health benefits area, too. With management's approval, she would like to explore the possibility of self-funding CE's long-term disability risks through a pooled program with the other U.S. subsidiaries of CE's parent—General Electric Corp. Ltd. of London.

Currently, CE pays Mutual Benefit Life Insurance Co. about $82,000 a year to guarantee salaried employees 60% of salary if they should become disabled.

However, Ms. Goodrich says CE's claims are only about $10,000 to $15,000 a year.

"LTD is truly the phantom benefit because once benefits are coordinated with Social Security, the insurer is not paying anything."

She believes that if she could work with a consultant to set up the proper actuarial reserves, she could devise a cost-effective program for CE and the other GEC subsidiaries.

—By Lorrie Gibson

Risk Strategies, Inc.
has established offices at

CBT Plaza
1120 Post Road
Darien, CT 06820
(203) 656-1000

Bernard M. Brown, Principal
Michael D. Dangelo, Principal

risk management and insurance consulting

Mexican broker is helping Goodrich interpret cover

By LORRIE GIBSON

CINCINNATI—Although Eva Goodrich isn't one to pass the buck, she knows when outside expertise is needed to accomplish her goals.

For instance, she needs assistance when the insurance policies she must interpret are written in Spanish.

When Ms. Goodrich took over the risk management function at Cincinnati Electronics Corp. in 1974, more than three dozen insurance policies were dumped in her lap. A number of them related to property exposures at CE's subsidiary in Hermosillo, Sonora, in Mexico—and they were written in Spanish.

After grappling with the problem for seven years, Ms. Goodrich recommended in 1981 that Brockman & Schuh, a Mexican affiliate of broker Johnson & Higgins, be given the account.

"It is important to use an internationally recognized broker that understands differences in insurance contracts and regulations compared with policy forms in the United States," she said.

The advantages were readily evident.

For starters, Brockman & Schuh now provides Ms. Goodrich policy digests in English for easy comprehension.

Secondly, because of its knowledge of the area where the CE plant is located, Brockman & Schuh was quick to point out to Ms. Goodrich that a previous broker had unnecessarily sold CE flood insurance for the Sonora operation when a flood, as defined in the policy, has *never* occurred in the region.

And, several years ago, when the value of the peso was rapidly declining and U.S. dollars were not available for exchange in Mexico, Brockman & Schuh assisted CE in obtaining a property policy specifically for raw materials sent by CE to Mexico for assembly.

The policy guaranteed that any losses on this material would be paid in U.S. dollars since the replacement cost would be in U.S. dollars.

The premium for this policy, underwritten by Mexican insurer Seguros La Provincial, was almost $30,000 last year for limits of $980,000 on machinery and $4 million on stock.

Brockman & Schuh also improved CE's property coverage in Mexico in general by adding an inflation guard and having property insured for replacement value rather than actual cash value.

Before Brockman & Schuh took over the Mexican account, Ms. Goodrich took steps on her own to cover exposures created by the transfer of materials and products between CE's Cincinnati and Mexican plants.

Ms. Goodrich arranged to have an all-risk transportation endorsement added to CE's marine cargo policy, underwritten by Insurance Co. of North America, to cover electronic parts shipped from CE to Mexico for assembly and then returned to the United States for final testing.

The policy covers the shipment while in transit to and from Mexico and also when it is temporarily detained in a warehouse or in U.S. Customs Service facilities at the border.

Just recently, Ms. Goodrich noticed a glitch in the policy language that seemed to imply that goods coming back to the United States would be covered only when they are shipped *directly* from the Mexican plant to CE's Cincinnati plant. Coverage for time that the goods sit in warehouses or in U.S. Customs on the way back to the United States appeared to be excluded.

Ms. Goodrich has had the policy reworded to clarify that goods are covered while in warehouses and customs, both on their way in and out of Mexico.

Seguros La Provincial is also CE's insurer for property, business interruption, burglary and money and securities coverage for the Mexican plant.

Some of the CE vehicles in Mexico are insured by Seguros La Provincial and others by Industrial Indemnity Co. in the United States.

CE has no liability insurance for its Mexican operations since third-party lawsuits seldom are filed in Mexico.

Overall, CE's liability exposures are minimal because 99% of its goods are sold to the U.S. government and other governments approved by the State Department—and are made to their specifications rather than to consumers'.

In fact, CE has never had a product liability lawsuit filed against it.

CE has $1 million in primary liability coverage, now written by The Home Insurance Co., and a $5 million umbrella liability policy written by Fireman's Fund Insurance Cos. In addition, CE's parent, General Electric Corp. Ltd. of London, purchases aviation product liability coverage with higher limits for its subsidiaries.

"You have to realize that an unsafe product would never survive the rigorous specifications and testing demanded by the government," explained Robert White, CE's director of security, safety and benefits and Ms. Goodrich's boss.

"The testing eliminates many of the risks one might expect," he said.

"We have weighed the chances of a catastrophe against the investment that the purchase of more liability insurance would take and have decided against it," he said.

While its status as a defense contractor limits CE's liability risks, it sometimes makes the filing of a property claim a bit more difficult.

Ms. Goodrich is currently working with Fireman's Fund, which underwrites an international exhibition policy that covers CE property demonstrated in special shows, on a loss that occurred when wares en route from an exhibit ended up on several different planes and never arrived at CE's Cincinnati plant.

Fireman's Fund and CE do not disagree there was a loss, but proving it has been difficult. The plane logs on which the shipped goods were registered also include documentation of the shipment of some classified government material. The government is not eager to release the log, which would document CE's loss but could divulge secret information.

An adjuster with Fireman's Fund who is very familiar with military risks is assigned to the claim, Ms. Goodrich said.

In general, CE's loss experience on its property policies is good and Ms. Goodrich does not encounter problems when claims are filed.

Her dogged attention to details and unrelenting crusade to clarify even the smallest discrepancies in policy language works to her advantage when a claim is filed.

"They know I am honest and wouldn't file a claim that wasn't precise," she said. ■

Goodrich's dedication, hard work draw praise

By LORRIE GIBSON

CINCINNATI—Eva Goodrich has worked hard and long to get where she is today—and she is respected for it.

"Eva Goodrich is the most thorough risk manager I have ever worked with," says William Bush, vp in the Syracuse, N.Y., office of Marsh & McLennan Cos. Inc., one of Cincinnati Electronics Corp.'s property/casualty insurance brokers.

"She is one of the best for being able to zero in on problems in proposed coverage," he says.

"Because of Eva Goodrich, Cincinnati Electronics is as well-protected as one could ever expect," adds William Syfert, vp of Thomas E. Wood Inc. in Cincinnati, which is CE's broker for several liability and property lines.

Three things stand out in the minds of Ms. Goodrich's peers, supervisors and assistant: first, her penchant for details; second, her unrelenting dedication to her job; and third, her hard, solo trek to the top.

And, everyone agrees that you can't slip anything past Eva Goodrich.

"She has always asked, 'Why? How? When? Where?'" says Mr. Syfert, who has worked with Ms. Goodrich for a decade.

"And, she won't accept anything without a thorough explanation. She is very exact, very precise and leaves nothing to chance," he says.

"Ms. Goodrich is driven to make sure she has *all* the facts before she takes a coverage recommendation up the ladder," says Stephen Hopf, an account executive for group insurance and pensions at Metropolitan Life Insurance Co. who works with Ms. Goodrich on CE's minimum premium health insurance program.

"She doesn't like surprises," he adds.

"Eva is a perfectionist," explains Robert J. White, director of security, safety and benefits at CE and Ms. Goodrich's first-line supervisor.

This belief that nothing could get past Eva Goodrich extends up the corporate ladder at CE.

"I sleep at night because I know Eva has everything under control," says Keith Todd, CE's commercial director.

"She has accepted a tremendous responsibility and I give her full credit for a job well-done," Mr. Todd says.

"Eva is a great employee because if you ask her to do something, she will do it and do it thoroughly," said Laurence I. Annear, CE personnel director. "She is 'totally complete' in every task she undertakes."

"Sometimes people don't even recognize the importance of the job Eva is doing, because she does it so well that problems that would demand attention don't crop up," says Carol Fox, CE's insurance administrator and Ms. Goodrich's assistant. Ms. Fox, who worked for broker Thomas E. Wood before joining CE a year ago, nominated her boss for the *Business Insurance* Risk Manager of the Year competition.

"The volume of work Eva handles and the thoroughness with which she does it is amazing," Ms. Fox adds.

"Eva has a good grasp on the insurance she is in charge of. It is outstanding considering she handles a range of coverages—benefits, property/casualty, workers comp—that might well be split up among two or three people at other corporations," agrees M&M's Mr. Bush.

"Eva is one of the few risk managers who will call me at home on a Saturday with a question about her company's coverage," adds Mr. Bush.

"Frankly, it is refreshing to see someone putting everything they have into their job."

Much of Ms. Goodrich's knowledge about insurance is self-taught.

When she began her career 28 years ago in 1956, it was as an 18-year-old stenographer/clerk, with her energies mainly concentrated in the personnel department in those early years as she moved up the secretarial ranks. At that time, she was working for AVCO Manufacturing, Crosley Division—Cincinnati Electronics' predecessor company.

By 1963 she had become a personnel administrator with job responsibilities that included recruiting and placement of salaried personnel.

In 1973, a group of employees bought the Crosley Division from AVCO and named it Cincinnati Electronics. Within a year, Ms. Goodrich was promoted to administrator of insurance. And, with little warning and no training, she was suddenly in charge of the risk management and benefits departments of CE.

"Eva was thrust into the position without a lot of working knowledge," recalls Mr. Syfert of Thomas E. Wood. "But, Mr. King (the late Jerry King, who was vp of administration) knew she could handle it and work at it. And, she started to educate herself."

That was a must, since there was no risk management program in place at CE at the time and "not much around here to help her out," remembers Mr. White. "She had to start the risk management program from scratch."

Although she was attending night classes at the time at the University of Cincinnati to complete her bachelor's degree in personnel administration, Ms. Goodrich found time to take three courses from the Chartered Property & Casualty Underwriter sequence, talk to other risk and benefit managers and immerse herself in her job so she could absorb her new responsibilities.

Meanwhile, she successfully completed her college education, graduating magna cum laude from the University of Cincinnati with a 3.5 grade point average.

"Being the first risk manager at Cincinnati Electronics was very difficult," Ms. Goodrich admits. "Without warning and with no prior experience, I was designated to take over employee benefits and property/casualty risks—some 40 insurance contracts—and without assistance."

The workload was overwhelming during the early years after the passage of the Employee Retirement Income Security Act in 1974, which placed heavy reporting requirements on employee benefit departments, Ms. Goodrich admits.

"At the same time, I have to administer the property/casualty program, along with the Mexico policies—all in Spanish. (CE has a subsidiary in Mexico for which Ms. Goodrich is responsible for property/casualty insurance.) During this formulative period, I found so many gaps and exposures to correct.

"I internalized an inordinate amount of pressure upon myself," she says, explaining how she handled all the new responsibilities placed on her.

"No one ever told me what to do because there was no prior standard to emulate. Rather, I told management what had to be accomplished. I enrolled in insurance courses and, with experience, learned what changes were required and, in turn, developed an integrated risk management program."

And, that has given her great satisfaction.

"My best days are the days I can give myself an A for what I have accomplished here. My best reward is if I am pleased with myself," she says.

She is, however, quick to praise the support she has received from her husband over the years and, now, the assistance Ms. Fox provides.

"Carol has an enormous grasp on what I am trying to accomplish here," Ms. Goodrich explains. "She is cooperative, supportive and very bright. I couldn't have made it without her."

Because Ms. Goodrich never gives herself a break, she keeps those around her on their toes. But, no one resents it.

"When I told people I was going to work with Eva Goodrich," recalls Ms. Fox, "they warned me that she was an iron lady. . .someone who would make me toe the line. But, all she really does is make people do their job.

"And, she's not really an iron lady because she really does care about people. She is always looking out for the welfare of CE's employees. The analogy that better describes her is one of an iron fist and velvet glove."

"I know now to make sure I fill Eva in on any changes—no matter how minor—in coverage or procedures," admits another account manager for one of CE's coverages.

And, adds M&M's Mr. Bush: "Eva Goodrich is a gem to deal with because she is so extremely professional." ■

Photo: Jeffrey L. Gettlefinger

Robert White, director of security, safety and benefits at Cincinnati Electronics Corp., has nothing but praise for Eva F. Goodrich.

Dogged determination leads to the top

CINCINNATI—Eva Goodrich's journey to the top risk and benefit management post at Cincinnati Electronics Corp. began long before she landed her first job as a stenographer clerk fresh out of high school.

In typical Eva Goodrich fashion, she started preparing herself for a career in junior high school—although at that time she didn't know exactly what her career would be.

"During junior high school, I knew I wanted to graduate from college, but was practical enough to know that college required money, and I would have to put myself through.

"So, during my high school years, I prepared myself academically—taking both college preparatory courses and secretarial courses—with the intent to achieve my ultimate goal.

"I remember the sadness I felt when all my friends went off to college that first fall after graduation, and I was stuck, for the time being, in a meaningless job (it served only as a means to an end). Upon high school graduation, my first goal was to earn enough money for a car, since the University of Cincinnati was 35 miles one way from home."

She did get that car—and in 1978 she got the college degree she had worked toward since junior high school. And she did it with honors.

N.Y. governor offers plan to cut malpractice costs

Continued from page 2

age attorneys to accept "reasonable settlements that protect the plaintiffs' interests." In unusually complex or costly cases, attorneys still could petition the court for higher fees.

Gov. Cuomo said he is proposing the changes because the consumer is shouldering too much of the burden of rising medical malpractice insurance rates.

"When medical malpractice rates continue to skyrocket, when malpractice-wary physicians practice 'defensive medicine' by ordering unnecessary and costly tests, and when prolonged malpractice cases clog the courts, the health care consumer pays the price," he said.

Earlier this year, the state Insurance Department approved a 52% rate hike for the Medical Malpractice Insurance Assn. and other malpractice insurers (*BI*, Jan. 21).

And, this month, as expected, Medical Liability Mutual Insurance Co. in New York was granted a 55% rate increase (*BI*, April 1).

Three doctors have sued Insurance Commissioner James P. Corcoran to block his approval of the rate increases (*BI*, March 4).

Under other provisions of the proposed legislation:

- Every hospital would be required to set up a program to identify and eliminate medical malpractice exposures.

This program would include the establishment of a quality assurance committee, a periodic review of the medical staff's credentials and its "physical and mental capacity" and continuing education programs for the staff.

- Hospitals would have to investigate physicans before granting or renewing professional privileges.
- Physicians would be subject to disciplinary review if they voluntarily surrendered their license in another state to avoid a finding of medical misconduct. In addition, hospital reporting requirements would be extended to include misconduct by medical residents.
- A patient being admitted to the hospital would be given the option of agreeing to a binding arbitration procedure over any dispute that might arise concerning care. This agreement would be reaffirmed when the patient leaves the hospital, but it could be revoked in writing for up to 60 days.
- Conferences would be required before malpractice cases are put on a court calendar to determine whether lawsuits can be settled without trial and to expedite litigation.
- In the hopes of encouraging settlement, the identity and qualifications of expert witnesses and their planned testimony would be revealed upon request before trial.
- Under current laws, courts subtract from awards the amounts already received from other sources, like life insurance or workers compensation. Under Gov. Cuomo's plan, this would be extended to cover any future compensation expected.

Also, juries would be asked to present itemized verdicts that distinguish between past and future damages and to determine the number of years over which future damages should be paid.

- Future damages of more than $100,000 would be paid under structured settlements.
- If a court or arbitration panel decided a claim or counterclaim was frivolous, it could award costs and attorneys' fees of up to $10,000 to the other party.
- An arbitration administration fund would be established by the New York Insurance Department to offset the costs of arbitrating medical malpractice cases. The fund would be financed by assessments paid by malpractice insurers and self-insured hospitals.

Mark Thomas, counsel to the Senate Health Committee, says four of the provisions in Gov. Cuomo's program—the disclosures of expert witnesses, structured settlement awards, itemized verdicts and the award of costs in frivolous suits—were passed in both 1983 and 1984 by the Republican-controlled Senate. But, the measures never made it to the floor of the Democrat-controlled Assembly.

Gov. Cuomo, a Democrat, included them in his package to indicate his support, Mr. Thomas said.

Mr. Thomas added that the issue has "really gotten too big" to be considered along partisan lines. ■

California fund

Continued from page 1B

Certified Alloy, a steel foundry, were turned over to the Security Fund on Jan. 28 by the state's Department of Industrial Relations, according to Mr. Bayer.

Certified had retained up to $100,000 of its annual workers comp losses starting in 1977; before that, it retained only $75,000. The company had excess-of-loss reinsurance above the retention, most recently from Employers Reinsurance Corp.

Two years ago, the state Office of Self-Insurance Plans asked Certified to post an additional $110,000 in securities to cover its liabilities, according to Richard S. Anderson, manager of the office.

Certified, which employed 187 people, protested for some time, he recalls, but finally posted the securities, bringing the total value of its securities held by the state to more than $500,000.

About a month later, in December 1983, Certified filed for bankruptcy December 1983. When bankruptcy proceedings began, the Department of Industrial Relations determined Certified's securities filed with the state were insufficient to meet its $660,000 workers comp liabilities.

Certified sold the securities last June for about $400,000, according to Saundra Noble, president of ComCo Management Inc., which was selected by the fund to administer the company's claims.

The U.S. Bankruptcy Court for the Central District of California in Los Angeles has put the proceeds from the sale of those securities into a special account that is not part of Certified's bankruptcy estate, according to John Rea, chief counsel for the Department of Industrial Relations.

Certified's creditors in the reorganization want the proceeds deposited into the bankruptcy estate to settle the company's debt. However, directors of the Security Fund want to apply the proceeds to workers compensation payments.

Attorneys involved hope to reach a decision this week, according to Mr. Rea.

If necessary, the Department of Industrial Relations is prepared to bring suit against Certified's creditors to obtain the money, he says.

The company has 32 open indemnity claims filed by 29 injured workers. A few of those workers—those awaiting only medical or temporary disability payments—received benefit payments through September 1984, but most have not been paid since September 1983.

Last month, the bankruptcy court was asked to release $46,000 of Certified's estate to pay certain outstanding medical bills. That request was denied, but Certified was ordered to pay the medical bills—amounting to about $8,600—of one worker who was facing foreclosure on his home.

ComCo, the administrator appointed by the fund, paid those bills with money already in the Security Fund.

In addition to the securities deposited with the state, surety bonds purchased by Certified could possibly cover a portion of its workers compensation liabilities, officials say.

A $161,000 bond that expired in November 1978, issued to Certified by Insurance Co. of North America, might provide some additional funds to cover Certified's workers compensation claims, according to Ms. Noble.

INA is negotiating with representatives of the Security Fund, but no decision has been reached on any contribution from the company, according to a spokesman for CIGNA Corp., INA's parent.

The other bankrupt self-insurer, IML, entered Chapter 7 liquidation last November, having filed for reorganization in the U.S. Bankruptcy Court in Salt Lake City in July 1983, according to Stephen Lee, director of insurance and claims services for IML in Salt Lake City.

Three years ago, following a review of IML's finances, the California Office of Self-Insurance Plans asked IML to stop self-insuring its work comp exposures, and in May 1982, the state revoked IML's self-insurance certificate, Mr. Anderson recalls.

But, under California law, former self-insurers must maintain bonds to cover liabilities they incurred while self-funding. Last August, Mr. Anderson asked IML to increase its surety bond to $710,000 from $632,000. IML complied with the request.

IML has about 100 open claims and an estimated $200,000 shortfall, according to Mr. Bayer, the fund's director. The company's outstanding claims were turned over to the fund by the Department of Industrial Relations on Feb. 25.

The company is continuing to pay benefits to injured workers by tapping the $710,000 surety bond, issued by Los Angeles-based Transport Indemnity Co. Transport was also IML's administrator until last month, when the fund selected Associated Claims to handle IML's outstanding comp liabilities.

Transport Indemnity officials could not be reached for comment. The company is now being dissolved into Mission Insurance Group (*BI*, March 18).

IML's eight California locations have been shut down since last March, according to Mr. Lee, who was not involved with IML's workers compensation program in California.

IML staff members who were responsible for its workers compensation insurance have long since left the company, he says.

In the Cal Canners case, the bankruptcy that led to the Security Fund's establishment, Associated Claims Management Inc. of Walnut Creek, Calif., the fund-appointed administrator, and has paid almost $570,000 in benefits since last July.

Prior to that, Cal Canners employees had not received medical or disability payments since September 1983.

The fund's directors had hoped last year that Seaboard Surety Co. would contribute part of a $700,000 bond it issued to Cal Canners prior to the $2.1 million bond written by Aetna Casualty & Surety Co. that was transferred to the fund (*BI*, Sept. 10, 1984). But, that possibility now seems remote.

"We don't feel we have any liability under that bond," says Steve Grunsfeld, managing attorney for Seaboard in New York. Seaboard, whose bond expired in 1979, maintains that the only bond applicable to this case is the one in place at the time the co-op went under in 1983. Seaboard's bond lapsed in 1979, at which time the bond from Aetna was purchased.

Mr. Anderson maintains that the state is doing everything possible to evaluate the adequacy of a self-insured's bond or securities, but that it is difficult to predict what circumstances will sink a business' finances.

"You can't have a policeman in everyone's pocket, and even if we did, we couldn't catch everything," he says. "If I or anybody else could tell these companies what would happen in six years, I'd be a millionaire."

Self-insurers, though, soon will have to post more security with the state.

Under the same bill that established the Security Fund last year, self-insurers also are required to post bonds or securities by May 1 of at least $200,000 or 125% of estimated future liabilities, whichever is greater. Previously, they had to post $100,000 or 100% of estimated future liabilities in bonds or securities.

Mr. Anderson says those businesses that do not comply with the increase by May 1 face revocation of their self-insurance certificate, and he said he will enforce the provision.

But, he says "125% won't do it" for some businesses, adding that in some instances, he is pursuing bonds for as much 160% of a self-insured's liabilities.

Under the law, he can ask self-insurers to post more than the minimum in bonds or securities. ■

Fourth company's liabilities may pass to Security Fund

SACRAMENTO, Calif.—The California Self-Insurers Security Fund, which has assumed responsibility for the workers compensation claims of three failed self-insurers, may have to pay benefits to injured workers of a fourth company.

A $1 million surety bond posted by Lee Way Motor Freight Inc. may be as much as $700,000 short of meeting the company's estimated outstanding workers comp liabilities in California, according to the state Office of Self-Insurance Plans in Sacramento.

However, Lee Way's case has not yet been turned over to the fund.

Lee Way, based in Oklahoma City, was sold last August by parent PepsiCo Inc. to Commercial Lovelace Motor Freight Inc., which last month filed for reorganization under Chapter 11 of the Federal Bankruptcy Act in New York.

Commercial Lovelace, based in Columbus, Ohio, and PepsiCo, based in Purchase, N.Y., are disputing which entity is responsible for the shortfall, according to John Rea, chief counsel for the California Department of Industrial Relations in San Francisco.

In February, the Department of Industrial Relations, which oversees the Office of Self-Insurance Plans, called for a March 11 meeting between the two companies, directors of the Security Fund and St. Paul Fire & Marine Insurance Co., which issued the bond to Lee Way.

Commercial Lovelace declined to meet or to provide appropriate papers, Mr. Rea reports. PepsiCo also declined to meet or provide documents, but said it would do so "soon," Mr. Rea notes.

PepsiCo refused to comment on the matter.

The state became aware of Lee Way's financial difficulties when benefit payments stopped for several weeks last December. Payments resumed in January, but stopped again several weeks later, according to Richard S. Anderson, manager of the Office of Self-Insurance Plans.

That month, the Office of Self-Insurance Plans conducted an audit that found the company's security may be $700,000 short of its estimated workers compensation liabilities in California.

On Jan. 16, the state asked St. Paul to begin making payments on the bond, and the insuer complied. St. Paul had paid out about $120,000 in benefits as of late last week, according to the company.

That $1 million bond was canceled by St. Paul, effective in July 1984, according to Mr. Anderson. The state then asked PepsiCo to replace it with a bond valued at almost $1.8 million. PepsiCo did not comply and instead began purchasing commercial workers compensation insurance, state officials say.

A month later, PepsiCo sold Lee Way to Commercial Lovelace, which has continued to buy commercial coverage.

Directors of the Security Fund are in "a watch mode" on the case for the moment, explains Joseph E. Markey, legislative advocate for the California Self-Insurers Assn. and one of the fund's directors.

Lee Way began self-insuring the work comp exposures of its California operations in July 1973, posting a $127,000 bond at that time, according to Mr. Rea. Its bond has since been raised several times, most recently to the current $1 million in September 1983.

Commercial Lovelace adopted a new name last month. The company is now known as Commercial Motor Freight Inc.

New Mexico state workers get guidelines for VDT use

SANTA FE, N.M.—Guidelines for video display terminal use by New Mexico state employees are law, through an executive order from Gov. Toney Anaya.

Signed March 27, the order creates a six-member committee composed of four representatives from state offices, a VDT vendor and an employee representative.

The committee will monitor the implementation of the standards and make recommendations to the governor on new VDT developments, said Carol Oppenheimer, chief of the New Mexico Occupational Health and Safety Bureau.

The law covers:

- Light and glare. The law requires room light to be adequate to reduce eyestrain and glare and terminals to be placed away from harsh light sources; using terminals with a matte-finish casing to control glare; providing screen hoods; and using matte paint on the walls in areas where VDTs are used.
- Ergonomics. The law calls for operators to have adjustable chairs, tables and keyboards and document holders and footrests.
- Stress. To ease stress, the order calls for regulating noise and heat levels. If the operator requests it, terminals will be equipped with acoustic pads under the keyboards and printers will be fitted with acoustical covers. Room temperature levels should be controlled, and vents should be shielded to direct airflow away from the operator. And, smoking may be restricted to certain areas.
- Work breaks. Office managers must meet with VDT operators to determine a schedule of alternative work breaks.

Although the order calls for immediate action, each office will be allowed to "phase in the provisions because of budgetary limitations," Ms. Oppenheimer said.

She could not estimate the cost or how many state employees would be affected.

Although no legislation has been introduced to regulate VDT use by businesses, "We hope the private sector will take this as a model and take provisions that are relevant," she said.

About 16 states have considered legislation to regulate VDT use in the last year. No bills have been passed, but several states set up study commissions (*BI*, Jan. 14). ■

EQUAL OPPORTUNITIES

Each weekly issue of Business Insurance gives you an equal opportunity to reach and motivate BI's more than 121,000 purchasing influentials ... top financial and administrative executives, risk managers, employee benefits managers and the agents and brokers who serve their needs.

When you want to reach *your* prime audience, the BI audience is unequalled!

PUBLISHING DATES	CLOSING DATES
~~Apr 15~~	~~Apr 2~~
Apr 22	~~Apr 9~~
Apr 29	Apr 16
May 6	Apr 24
May 13	May 1
May 20	May 8
May 27	May 14
Jun 3	May 21
Jun 10	May 29
Jun 17	Jun 5
Jun 24	Jun 11
Jul 1	Jun 19
Jul 8	Jun 25
Jul 15	Jul 3
Jul 22	Jul 9
Jul 29	Jul 17
Aug 5	Jul 24
Aug 12	Jul 30
Aug 19	Aug 7
Aug 26	Aug 13
Sep 2	Aug 20
Sep 9	Aug 28
Sep 16	Sep 4
Sep 23	Sep 11
Sep 30	Sep 17
Oct 7	Sep 25
Oct 14	Oct 2
Oct 21	Oct 8
Oct 28	Oct 16
Nov 4	Oct 23
Nov 11	Oct 29
Nov 18	Nov 6
Nov 25	Nov 13
Dec 2	Nov 19

business insurance

New York: (212)210-0133
Chicago: (312)649-5275
Los Angeles: (213)651-3710

Photo: Index/Stone International, Inc.

STYLE

Style is the distinctive way you do things. But just to be different is not enough. You've got to be the best, to rise above all others.

When a publication projects its own personality and presents news to its readers in a thoughtful and distinctive way, that's style.

***Business Insurance** is that kind of publication. It has that kind of style.*

To excel, to report skillfully and accurately, to write clearly and concisely, are all elements of BI's style.

That's why more than 121,000 corporate executives, risk managers, employee benefit managers, insurance executives and others rely on Business Insurance each week. Their responsibilities include making critical purchasing decisions ... decisions that require information on the ever-changing markets and your products and services.

Make it your style to advertise in BI and command the attention of the most influential executives in your market. Because style is ***Business Insurance.***

business insurance

a publication of Crain Communications Inc.

The game plan that works.

New York: 220 East 42nd Street, NY 10017 (212) 210-0133 Chicago: 740 Rush Street, IL 60611 (312) 649-5276 Los Angeles: 6404 Wilshire Blvd., CA 90048 (213) 651-3710

India sues Carbide over Bhopal disaster

Continued from page 2

residents of that country, the suit says.

"The complex corporate structure of the multinational, with networks of subsidiaries and divisions, makes it exceedingly difficult or even impossible to pinpoint responsibility for the damage caused by the enterprise to discrete corporate units or individuals," the suit claims. "Persons harmed by the acts of a multinational corporation are not in a position to isolate which unit of the enterprise caused the harm."

'Persons harmed by the acts of a multinational corporation are not in a position to isolate which unit of the enterprise caused the harm,' India says in its lawsuit filed against Union Carbide Corp. on behalf of victims of the Bhopal disaster.

Although the "multinational enterprise liability" theory is a new one, a number of established legal theories are analogous, said Bruce A. Finzen, a partner with the Minneapolis firm of Robins, Zelle, Larson & Kaplan, which represents the Indian government.

"It's kind of a hodgepodge of some recognized legal theories, but tailored to the multinational."

Previous cases have established "enterprise liability," in which all manufacturers of a given product may be held liable if the specific manufacturer in a specific case can not be identified, Mr. Finzen noted.

Other cases have found franchisors responsible for injuries caused by franchisees, he said.

Plaintiffs in a number of cases have succeeded in "piercing the corporate veil," winning judgments against parent companies for actions of a subsidiary that was nothing more than the parent's "alter-ego," attorneys say.

The multinational enterprise liability theory differs somewhat from these cases, said Phillip B. Allen, an attorney with Waite, Schneider, Bayless & Chesley in Cincinnati.

Unlike plaintiffs in so-called "piercing" cases, which have had to prove direct control of a parent over a subsidiary, the Indian government appears to be arguing that it need not offer such proof in this case, Mr. Allen said.

Along with multinational enterprise liability, India's suit includes more conventional claims, including absolute liability, strict liability and negligence.

The suit charges Union Carbide breached its duty to design, build, maintain and operate the Bhopal plant safely and failed to disclose an internal report on a similar plant in Institute, W.Va., that indicated a disastrous leak of methyl isocyanate—the gas that escaped in Bhopal—could occur.

The suit also charges Union Carbide with breach of warranty and misrepresentation for falsely assuring the Indian government that the Bhopal plant was safe.

India seeks to recover damages on behalf of all current and future victims of the accident "by virtue of its interest and duty to secure the health and well-being, both physical and economic," of the victims and "to protect, preserve and restore the earth, air, waters and economy" of the country.

Among the damages sought are the costs of emergency aid and relief to victims, including payments for deaths and injuries, medical treatment, rehabilitation of the injured and food. India also seeks to recover the costs of monitoring the area around Bhopal for environmental damage.

The "enormity" of the Bhopal disaster has so far prevented the government from establishing precise damages, but surveys and medical studies are now being conducted to arrive at a dollar figure, the suit says.

An attorney for Union Carbide, Bud Holman of the New York firm of Kelley, Drye & Warren, declined to comment on specifics of the complaint.

Union Carbide had more than $200 million in liability insurance at the time of the December disaster (*BI*, Dec. 24-31, 1984). Earlier this month, the company reported that it was having difficulty finding renewal coverage to replace the insurance in force at that time (*BI*, April 8).

Meanwhile, several plaintiffs' lawyers who previously had been retained to represent disaster victims have filed a challenge to the Indian law that gives the government the exclusive right to represent accident victims, according to Mr. Allen.

Plaintiffs' lawyers argue the law deprives disaster victims of the right to choose their own counsel and that the Indian government, which could possibly be named as a defendant in the Bhopal litigation, has a conflict of interest in representing victims.

Mr. Allen said the Indian government may not insist on exclusively representing all disaster victims, but if it does, plaintiffs' lawyers may also challenge the Indian law in U.S. District Court.

Robins, Zelle, the law firm representing the Indian government, has been in touch with "virtually all" of the plaintiffs' lawyers, Mr. Finzen said. He would not comment on whether India has reached an accommodation with other lawyers on representing disaster victims.

A preliminary hearing on the Indian goverment's lawsuit is scheduled for tomorrow before U.S. District Judge John F. Keenan. ■

the professional marketplace

RATES AND CLOSING TIME:

Rates: Display classified is $73.26 per column inch, minimum of one inch. Straight classified is $6.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $13.00 charge for blind box ads. Responses to blind box ads must fit into business size envelope. Reponses are forwarded daily.

Closing: Published every Monday. Copy must be in written form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required. Mail ads to Beverly Kluxdal, Classified Advertising, 740 N. Rush St., Chicago, IL 60611. For more information call 312-649-5340.

HELP WANTED

California Gold Country Opportunity—Well established agency in Northern California Foothills needs experienced Commercial Agent for sales and branch office management. Send Resume to: P.O. Box 1106, Grass Valley, Ca. 95945

SITUATIONS WANTED

PROPERTY/CASUALTY professional. 3 years'—commercial lines. Marketing/Accounting background. Will relocate Chicago. P.O. Box 150033. Nashville, Tenn. 37215

Commercial Property & Casualty Marketing
Experienced in agency marketing, outside sales and service, company underwriting. Seeking agency position. Chicago and suburbs. Realistic salary. 312-851-2932

HELP WANTED

East Coast based underwriting Management Co. associated with major national agency groups seeks A carriers (Admitted/Non-Admitted) for growing profitable P/C business . . . Now 15MM. Respond to Box 1690, Business Insurance, 740 Rush St., Chicago, IL 60611

Business Insurance

Circulation Breakdown*

Commercial Consumers

Administrative:
CEO's presidents and owners 2,513
Vice-presidents, general managers and other administrative personnel ... 2,573

Financial:
Chief financial officers and vice-presidents of finance 2,168
Secretaries, treasurers, controllers and other financial personnel 7,167

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 8,206

Sub-total 22,627

Associations 1,081
Government, unions and educational systems 944

Commercial Consumers Sub-total 24,652

Insurance agents and brokers 9,524
Insurance companies 5,867
Financial institutions 556
Actuaries, attorneys, adjusters, appraisers and consultants 3,265
Others allied to the field, ... 1,143

TOTAL 45,007

* Source: Business/Occupational breakdown of qualified circulation, Nov. 5, 1984 issue, as submitted to BPA for Dec. 1984, BPA Publisher's Statement.

BI Classifieds assure top quality results!

TREATY REINSURANCE UNDERWRITING EXECUTIVE

Exceptional opportunity for prominent role in further development this 25,000,000 volume company owned by nine and representing twenty-eight prominent reinsurers.

Position requires excellent communicative skills, comprehensive awareness of treaty construction, and sound, knowledgeable underwriting judgement.

Excellent living/working environment, salary, benefits.

For confidential consideration please contact:

James A. Lyon, President
California Reinsurance Management Corporation
790 E. Colorado Blvd.
Pasadena, California 91101
818/792-0271

CLAIMS MANAGER

Experienced Insurance/Reinsurance Claims Manager. 5-7 years experience handling reinsurance (pro rata and excess of loss), property & casualty, and marine claims. Must have a working knowledge of provisions of reinsurance treaties, and dealing with claimants, attorneys, and claims personnel of other insurance companies, and the use of CRT for on-line computer systems. Experience as a property & casualty Examiner or Adjuster helpful. Bachelor's degree preferred. Submit resume with salary history to:

Mentor Holding Company
Room 523A, P.O. Box 61780
New Orleans, LA 70161

EOE/mfh

Assure yourself top quality employees—Advertise your openings in the Business Insurance Classifieds.

INTERNATIONAL INSURANCE CONSULTANTS, INC.
CALL COLLECT (305) 943-3303

CALL RAY J. CROWLEY

PRODUCER—Major national firm with a very aggressive posture is looking for proven producers. My client offers excellent support staff and superlative compensation packages. If you're concerned or disgruntled by the lack of aggressiveness in your firm, then my client will be an exciting alternative. Join a winning team. Salary + Commission.

ACCOUNT EXECUTIVE/PRODUCER—Top ten national broker seeks professional to service existing large risk book. Your ability to maintain the existing book and produce additional income will be rewarded. This is a great opportunity to work exclusively with large/national accounts. Salary + Commission.

CALL GLENN WOOTTON

CREDIT ANALYST—Major carrier with a reputation for writing national accounts has a ground floor opportunity in their home office. You will research the client to establish its ability to pay premiums and deal with the cash flow design to assist underwriters. MBA would be a plus to $38,000.

BRANCH MANAGER

Large P/C agency domiciled in scenic Southwest Virginia seeks individual to coordinate marketing-personnel functions. Applicant must possess proven marketing experience with sound underwriting background. Excellent opportunity. Salary commensurate with experience and ability. For confidential consideration send your resume' to:

Box 1603, Business Insurance
740 Rush Street, Chicago, IL 60611

UNIQUE OFFSHORE CAPTIVE OPPORTUNITY FOR SALE

Suitable for group of large employers or association. Ideal for insuring/reinsuring workers' compensation or employee group medical plans. No federal excise tax. No problem with ERISA. Excellent tax benefits not available in a domestic state or the Virgin Islands. Please submit requests for further information to:

Box 1685, Business Insurance
740 Rush St., Chicago, IL 60611

RISK MANAGER

Our New Opportunities — Are Yours

"Be a Part of the Action"

Equitec Financial Group, one of the fastest growing diversified financial services companies, continues to expand its operations. During the past fiscal year, our net income and earnings per share have increased by 200% and 141% respectively. With the recent acquisition of Equitec Savings Bank, we now manage assets in excess of TWO BILLION DOLLARS.

The Risk Manager position requires strong technical skills and experience to:

- **Identify and measure risk of static loss**
- **Recommend loss management controls**
- **Implement corporate policies to identify, prevent, and reduce losses**
- **Negotiate cost effective insurance programs**

If you are an aggressive, hard working, results-oriented business person who wants to "BE A PART OF THE ACTION" in a fast-paced, entrepreneurial environment, please send your resume to: Director, Executive Placement, Equitec Financial Group, Inc., P.O. Box 2470, Dept. BI415, Oakland, CA 94614. Equal opportunity employer.

EQUITEC

Trade group VEBAs face new taxes

Continued from page 2

the House as H.R. 1800 and the Senate as S. 814, clarifies that multiple employer VEBAs will be taxed on investment income earned on excessive reserves.

"It wasn't clear whether the unrelated business income tax applied to multiple employer VEBAs," said Fred Hunt, executive director of the Society of Professional Benefit Administrators in Washington, which represents third-party administrators.

"While we had warned our members, many people will be shocked by the provision," Mr. Hunt added.

"It is pretty clear that they (Congress) want to sock the trusts with the unrelated income tax if reserve limits are exceeded. There is a perception that there could be abuses," said Gerard Talbot, vp and tax counsel at Metropolitan Life Insurance Co. in New York.

To avoid the taxes, these multiple-employer VEBAs must keep their reserves under certain levels, depending on the type of benefit covered.

For example, reserves for health care cannot exceed 35% of benefits paid the previous year, plus administrative costs, while the reserve for short-term disability can't exceed 17.5% of benefits paid the previous year, plus administrative costs.

For trusts used to fund severance pay and supplemental unemployment benefits, a reserve is limited to 75% of average benefits paid, plus administrative costs, during any two of the previous seven years. However, if any one employee received more than $45,000 in annual benefits, the amount exceeding $45,000 cannot be used in the formula.

DEFRA requires the Treasury to draft rules on permitted reserves for life insurance and long-term disability benefits. However, they have not yet been published.

Those rules, though, will make clear that LTD benefits that exceed 75% of a worker's pay or $90,000, whichever is less, cannot be included in computing the size of a reserve.

If the reserves do not exceed these levels, employers are allowed deductions for contributions and investment income earned on the reserves are not taxed.

Favorable tax treatment for reserves over these limits only would be allowed if employers or those administering the VEBAs obtain actuarial certification that more funds are needed to pay employee benefits.

Imposing taxes on investment income earned on assets held by mutiple-employer VEBAs will boost the cost of health care because money used to pay benefits will go to pay taxes, said James Albertine, director of government affairs for the Washington-based American Society of Assn. Executives.

But, some question how many of the several hundred multiple employer VEBAs thought to be operating will be affected by a tax on investment income earned on excessive reserves.

In fact, some experts say that they are more aware of trusts that have not established large enough reserves to pay benefit claims than cases of trusts with "excessive" reserves.

"There has been some mismanagement of these trusts," said Domenick Ciarniello, a principal with consultant William M. Mercer-Meidinger Inc. in New York.

Under-reserving can occur because there are no federal funding standards for the trusts, Mr. Ciarniello said. ■

Ohio Blues planning to appeal award

Continued from page 2

The spokesman said Blue Cross plans to appeal the case.

"We don't expect to pay a cent of (the damages)," he said.

In his decision, Judge McMonagle said the bidding action violated Chapter 1739 of the Ohio Revised Law, which requires hospital service associations, i.e. Blue Cross plans, to reimburse all hospitals at the same rate. The only exceptions are hospitals that don't make an effort to contain costs and those that don't meet health standards.

Judge McMonagle disagreed with the Blues' contention that "this bidding process is proper because of the fact that it is theoretically under the claim of cost containment."

Judge McMonagle also said the bid rating and evaluation by Henry Miller, president of the Center for Health Policy Studies in Baltimore and consultant to the Blue Cross plan, was not done fairly.

"(Mr. Miller) applied his own criteria, not precisely as contained in the requirements for proposals, but what he felt would be a suitable procedure," the judge said.

"They were to some extent applied to certain bidders (and) some changes were made by him with respect to bids and interpretations after (the bids) were actually received.

"It appeared from evidence that such steps were taken for the purpose of conforming the ultimate results to what Dr. Miller. . .expected. . .much prior to the time that any proposals were received," the judge said.

But, the Blues contend that the bids were evaluated fairly and the plan was an effective cost-containment effort.

"The 25 winning hospitals bid 20% lower, on the average, than what they were paid in 1984, and 17 of those hospitals are actually getting less than they got in 1983," the Blue Cross spokesman said.

"The only intent of Blue Cross was to get the hospitals to sharpen their pencils—to give better bids. All Blue Cross wants to do is lower their costs because our customers can't afford it anymore," he said.

The spokesman explained that, when the bids were evaluated, extra points were given to hospitals that provide charity care and to teaching hospitals because those activities inflate hospitals' costs but are not considered by the insurer to be wasteful costs. A hospital's range of services also was considered, the spokesman said.

Under the judge's ruling, the Blues also will have to reimburse 100% the nine hospitals the Blues said submitted the highest bids. But, the spokesman said, Blues policyholders still will save about $35 million this year because of the low rates contracted with the 25 low-bidding hospitals.

Of that savings, $14 million already has been passed on to group subscribers in the form of lower premiums on contracts that were renewed this year, he said.

In addition, many individual subscribers did not receive rate increases that the spokesman said definitely would have been imposed without the $35 million savings.

However, he said, if the bidding process cannot be repeated, the savings probably will be lost.

"We've got the savings for this year," he said. But, he says costs will balloon again if the Blues can't solicit bids again.

Five other Cleveland-area hospitals also filed lawsuits against Blue Cross over the bidding.

St. John Hospital in Cleveland and Brentwood Hospital in Warrensville Heights have dropped their suits. Suits filed by Allen Memorial Hospital in Oberlin, Booth Memorial Hospital in Cleveland and Grace Hospital in Cleveland are pending. ■

THE FIRE LAB

More than 15,000 Men and Women have Graduated during the past 40 Years from the Fire Safety Laboratory at Industrial Risk Insurers in Hartford, Connecticut. Their course of study? "Fundamentals of Industrial Fire Protection Equipment", a one-week, highly-concentrated introduction to loss control programs and loss prevention equipment. These 15,000 alumni include insurance agents and brokers, representatives of insureds (risk or insurance managers, plant engineers, and others), municipal firefighters, members of rating bureaus and government agencies, and every IRI engineer since 1945. The Lab was established then to provide IRI loss prevention engineers with better knowledge of various fire protective equipment. Today, the Fire Lab is an industrywide and worldwide teaching facility, attracting students from nearly every state and many foreign countries.

The Lab's Credo is the Same Today as 40 Years Ago: to provide the best facilities for instruction in the principles of fire prevention and protection. IRI's Fire Lab is a place to learn about the construction, application, operation, and testing of fire protective devices. The Lab holds one of the most complete collections of fire protective equipment in the world, including alarm valves, dry pipe valves, deluge valves, fire pumps (electric, gasoline, diesel, and steam-driven), pressure tank installations, metering devices, hydrants, and various kinds of portable fire extinguishers. Actual demonstrations are complemented with lectures, films, and slide presentations.

Since the Curriculum involves Practical Demonstrations, equipment is maintained in operating condition. Some devices have cut-aways, which are covered with heavy-duty plastic windows for viewing of internal operations. Others are activated by test fires, which are set to fuse sprinklers and demonstrate their spray patterns. Also, students use extinguishers to put out alcohol fires, and measure water flow from fire hoses with a pitot tube. As you may have guessed, the dress code is casual.

In just one short week, students gain a greater understanding of the well protected and highly protected risk (HPR) business, and how loss prevention engineering is a valuable part of the insurance package. For an informative brochure and a registration form, contact Ms. Bea Koerner, Course Coordinator, IRI, 85 Woodland Street, Hartford, CT 06102, area code (203) 525-2601. A recent alumnus observed that the IRI Fire Lab offers unique training that most managers can't get on the job.

Industrial Risk Insurers

55,000 properties insured worldwide

Captive parents await rulings on taxes

Continued from page 1
Mobil did.

Decisions of the Tax Court do not apply nationally; Tax Court decisions are the equivalent of U.S. District Court decisions.

The federal government contends that it is losing about $2 billion in income taxes annually because corporations take tax deductions for premiums paid to captive insurers.

So far, the government has won three of four rulings involving the tax deductibility of premiums paid to captive insurers.

Carnation Corp., Stearns-Roger Corp. and Beech Aircraft Corp. all lost their arguments that premiums paid to captives are deductible.(*BI*, March 16, 1981; Jan. 8, 1979; Nov. 21, 1983; and Sept. 10, 1984).

Carnation, which appealed its adverse decision and lost in the 9th Circuit Court of Appeals, requested a Supreme Court review but was denied. Appeals filed by Stearns-Roger and Beech are pending in the 10th Circuit U.S. Court of Appeals.

In the only case won by a taxpayer, the taxpayer did not directly own the insurance company, a deciding factor in the judge's ruling for Crawford Fitting Co. (*BI*, Feb. 18). Therefore, the ruling is not a precedent for the typical taxpayer that directly owns its insurance company.

The Gulf case involves approximately $21.2 million in tax deductions taken by Gulf and its domestic affiliates for marine, property and casualty premiums paid in 1974 and 1975 to Gulf's Bermuda-based captive insurer, Insco Ltd.

In addition, Gulf is seeking to deduct premiums paid by its foreign affiliates to Insco.

Insco began business in Bermuda in 1972 and first insured foreign risks of Gulf's domestic affiliates, but soon expanded its operations to include the coverage of U.S. risks and the risks of Gulf's foreign affiliates. In 1975, Insco began insuring third-party risks.

In 1983, Insco stopped underwriting marine risks, both related and unrelated, and in November 1984, Insco announced that it would not write any new business, related or unrelated.

That decision was made by Gulf's new owner, Standard Oil Co. of California, which acquired Gulf in early 1984.

The Humana case involves premiums paid to Health Care Indemnity Inc., a Colorado-domiciled captive established to write general liability and medical malpractice insurance.

At issue is the deductibility of more than $21 million in premiums paid to HCI by Humana and its hospital subsidiaries, on behalf of themselves and their employees, officers, directors and certain independent contractors in tax years ending Aug. 31, 1977, 1978 and 1979.

A trial in the Gulf case was held before U.S. Tax Court Judge William A. Goffe in Dallas in early August 1984. Post-trial reply briefs must still be filed.

U.S. Tax Court Judge Jules G. Korner heard the Humana case in Louisville, Ky., in June 1984.

Both Humana and Gulf argue in court papers that insurance purchased from their captives constituted a valid transfer of risk and, thus, insurance.

"Insco, as a separate corporate entity, enters into a contractual commitment to apply its substantial assets to protect the insured from loss. Risk is thereby transferred from Gulf and its affiliates to Insco pursuant to insurance agreements," the Gulf brief says.

Gulf and Humana say the government is seeking to carve out an exception to the well-established rule of separate tax treatment for separate corporate entities by advocating the theory that a captive and its owner belong to "one economic family."

Both Gulf and Humana contend that the "economic family" theory undermines the doctrine that separate corporate existences should be respected.

That doctrine was first laid down by the U.S. Supreme Court in *Moline Properties vs. Commissioner*.

In that case, the high court held that a corporation was a separate taxable entity as long as its purpose was equivalent to a business activity or it carried on a business.

Gulf charges that the government doesn't dispute that Insco is a separate corporate entity but seeks to create an "insurance transactions exception" to that fact.

Humana argues in its brief: "The respondent's (IRS's) adoption of the "economic family" concept is merely an elegant way of acknowledging that HCI, Humana Inc. and all 35 hospital subsidiaries are being disregarded as separate corporate entities in gross contradiction of Moline Properties.

"Acknowledgement of the separateness of Humana Inc. from each of its subsidiaries, including HCI, would necessarily require a determination that the insurance premiums paid by Humana Inc. and its hospital subsidiaries to HCI are deductible."

In its brief, Humana argues that the state of Colorado (where HCI is incorporated) excess insurers and reinsurers, the federal government which reimburses Humana hospitals for services under Medicare and the financial community acknowledge that HCI policies written for Humana constitute insurance.

'By 1978, more than 50% of our business was third-party business. That's the real issue. . . .It's the first case where you have before the court a subsidiary that set out to get into the insurance business and in fact did,' says Gulf's Mr. Ross.

Both Gulf and Humana also point out their insurance subsidiaries underwrote coverage for risks unrelated to the parent company, putting their companies squarely in the insurance business.

A Gulf official said that the key issue in the Gulf case is the insurance Insco wrote that was unrelated to Gulf risks.

"By 1978, more than 50% of our business was third-party business," said John Ross, Gulf's chief tax officer. "That's the real issue."

"It's the first case where you have before the court a subsidiary that set out to get into the insurance business and in fact did," he added.

In its brief, Gulf says that third-party underwriting by Insco was proposed as early as September 1973. Insco's net premium income attributable to insurance or reinsurance of unrelated risks was only 2% in 1975 but increased to 51% by 1978 and 62% by 1983.

"Petitioner's position is that even if Insco had not intended to insure third-party risks, and even if Insco had not carried through on such intention, Insco would still have been providing insurance for Gulf and its affiliates," the brief says.

"If the insurance of third-party risks were considered to be relevant, however, petitioner believes that Insco's intention coupled with its carrying though on such intention support the conclusion that Insco was providing insurance in the taxable years in issue, even for the portion of such insurance which related to risks of Gulf and its affiliates," the brief adds.

Humana also points out in its brief that HCI underwrites more than Humana's direct risks. It also writes malpractice coverage for medical and other personnel employed by Humana hospitals and for its hospital subsidiaries. It also reinsures unrelated risks from international insurance pools.

The percentage of HCI's premiums derived from unrelated risks was 11.4% in 1976, 25.7% in 1978 and 19.3% in 1979, court papers show.

Humana says prior IRS private letter rulings and an internal memorandum indicate that the percentage of unrelated risks underwritten by a captive is relevant in establishing the captive as a legitimate insurance company.

". . .The Respondent has not and cannot avoid the clear acknowledgement of Treasury Reg. Sec. 1.105-11(b)(1)(iii), that for federal income tax purposes, sufficient risk-distribution will supply the risk transfer element necessary for the Respondent to find 'insurance,'" Humana argues.

However, in post-trial briefs filed in the Mobil case, the government said the IRS erred when it said the underwriting of unrelated risks converts risk transfers among affiliates into insurance.

"There is absolutely no insurance theory that supports the conclusion that the presence of unrelated insureds converts the relationship among affiliates into insurance," the government wrote in the Mobil briefs.

Both Gulf and Humana also contend that prior case law on the deductibility of premiums paid to captives is not applicable.

Gulf points out that the U.S. Tax Court in the Carnation case did not allow the company to deduct premiums paid to its captive, Three Flowers Assurance Co. Ltd., because of a collateral capitalization agreement in which Carnation agreed to increase Three Flowers' capitalization to a maximum of $3 million if necessary to cover losses over the initial capitalization of $120,000.

Thus, the court ruled, there was no risk transfer.

Gulf acknowledged that it made two collateral guarantee agreements relating to business underwritten by Insco, but says they did not negate the transfer of risk.

"In order for the Court to conclude that the guarantee letters negated insurance risk, the Court would have to determine that Insco's capacity to meet claims was so low as to be insignificant, so that Gulf retained the risk," Gulf's brief says.

"Insco's capacity to meet claims was easily sufficiently large by 1974 and 1975 that such a determination would be unwarranted."

Gulf also points out that a "significant portion" of Insco's assets are attibutable to Insco's earnings on its own investments rather than to premium income from Gulf and Gulf's affiliates, and Insco paid substantial claims from its own assets."

Humana, meanwhile, contends the Carnation decision should not apply in its case because Humana did not have a capitalization agreement with HCI.

"This court found in Carnation that the interdependence of the capitalization agreement and the reinsurance contract neutralized the risk," Humana's brief says. "In the case at bar, no such capitalization agreement existed nor did any other agreement play such a neutralizing role.

"Carnation, therefore has no application to the present case because the tainted capitalization agreement does not exist."

The Gulf brief also argues that courts in the Stearns-Roger and Beech captive tax cases also incorrectly relied on the Carnation decision and, therefore, those rulings "should be accorded no weight in the Tax Court's determination of whether insurance risk exists in the present case."

Despite Gulf and Humana's arguments, the Internal Revenue Service maintains that the courts in the Carnation, Stearns-Roger and Beech cases correctly found that no risk-shifting existed between the captive owners and their insurance subsidiaries.

"A firm placing its risks with a third-party insurance company has paid a premium to protect itself against the insured loss. In contrast, placement of a risk in a captive insurance company does not relieve the firm of financial uncertainty because the actual losses paid by the captive are reflected dollar-for-dollar on the firm's balance sheet and earnings," says the government's brief in the Gulf case.

Both Gulf and Marsh & McLennan Inc., which helped set up Insco, recognized that the transactions between Gulf and Insco did not insulate the Gulf family from the impact of claims paid by Insco, the court papers say.

"Both Gulf and M&M planners considered Insco Ltd. a risk retention or self-insurance mechanism, albeit a mechanism borne of enormous tax and financial windfalls," the brief says.

It adds that when Gulf was considering the formation of a captive in the late 1960s, M&M told Gulf a captive would not solve any of its insurance problems but would provide tax savings and financial benefits.

Gulf picked Bermuda as the domicile for its captive because of low capitalization requirements, the absence, at the time, of taxation and regulation of insurance company underwriting and investment activities, the government charges.

"Gulf planners found the siren of diverting untaxed U.S. and foreign profits to a tax-haven subsidiary irresistible," the IRS says.

"They felt such a subsidiary could pile up operating and investment income for potential availability in defraying self-insured losses and for injection in other (Gulf) operations."

This can be shown, the government charges, by the fact that after beginning activities in late 1971, Insco's accumulation of untaxed profits and tax-free investment income was "meteoric."

With an effective tax rate of 46%, the IRS says Gulf generated in 1974 and 1975 a tax savings of approximately $14.9 million because of U.S. tax deductions and the reduction of U.S. taxes due on foreign source earnings and profits.

"This tax savings, underwritten by the U.S. Treasury, was geometrically compounded by virtue of Insco Ltd.'s ability to invest premium income without taxation," the government says.

Likewise, the government says Humana deducted an average of $7 million a year for insurance premiums paid to HCI, which at a 48% tax rate generated more than $3.3 million in tax savings to Humana.

". . .Humana obtained huge tax deductions while transferring large amounts of cash to HCI, which paid virtually no tax on receipt of that cash," the government adds in its briefs.

"Petitioner's bloated tax benefits, which were largely a consequence of the liberal reserve deductions permitted to insurance companies, reflect one of the principal financial reasons for the formation of HCI."

However, in its reply brief, Humana says the government's allegations are "propaganda" and a "transparent attempt" on the part of the government to characterize the case as tax evasion or abusive tax sheltering.

It contends Humana and its subsidiaries could not find a non-captive insurance company to accept the same "generous premium payments" in exchange for the same insurance coverage. In addition, Humana contends there were several business reasons that precluded other alternatives. ■

Windstorm loss set at $18 million

NEW YORK—Severe windstorms that hit parts of Ohio, Pennsylvania, Maryland and New Jersey on March 11-13 caused an estimated $18 million in insured property damage, according to C.E. Hermanson, vp of the Property Claim Services division of American Insurance Services Group Inc.

The most extensive damage, an estimated $7 million, occurred in Ohio. Damage was estimated at $5 million each in Pennsylvania and Maryland, and insured losses of $1 million were reported in New Jersey. ■

insurance services guide

Use the Insurance Services Guide to reach your best prospects.

Benefits News Analysis
The magazine for benefits managers
Analysis of corporate benefit practices.
Flexible Benefits — Cost Containment
Savings/401 (k) — Communication
Systems/Admin. — International
Free copy—203/393-2272
Box 4033 New Haven, CT 06525

INSURANCE/REINSURANCE SOFTWARE for PC's
Programs designed to increase productivity for the Insurance and Reinsurance industries. AGENTS, BROKERS, CLAIMS CONTROL, UNDERWRITERS and MANAGEMENT will benefit from our programs.
JAMES B. HOOD & ASSOCIATES
P.O. BOX 598, FAIRFAX, CA 94930
415-453-6748 TELEX 353677 HOOD SFO

CASUALTY ACTUARIES, INC.
Robert F. Lowe F.C.A.S., M.A.A.A., F.C.A
- Loss Reserve and Rate Evaluations for Insurance Companies and Self-Insureds
- Statutory letters of opinion on loss and loss expense reserves.

One Insurance Center Plaza, Suite 1
St. Louis, MO 63141
(314) 878-5002

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Beverly Kluxdal, 740 Rush Street, Chicago, Illinois 60611
Telephone (312) 649-5340

Insurers propose cutting Superfund liability

Continued from page 1B
dumpers' liability for such waste.

- Eliminate joint and several liability for waste dumped after 1980 by establishing a mandatory apportionment system based on how much waste a company dumped at a site.
- Require the EPA to pay defense attorneys' fees and other defense costs whenever it sues a party that is found not liable.
- Eliminate the current requirement for states to contribute a certain percentage of the cleanup costs at sites located within their borders.
- Create a defense for cleanup contractors against any liabilities arising out of their activities at a Superfund site whenever they follow contract specifications or industry standards.

"Superfund's liability scheme intrudes upon every aspect of EPA's administration of the hazardous-waste cleanup program and interferes with and delays Superfund's basic mission," according to the insurers' proposal. Further, it says the law "imposes enormous and wasteful transaction costs on society.

"The pursuit of this litigation-enforced alternative diverts substantial administrative resources and inevitably defers the day on which the fund can begin cleanup," the insurers maintain.

One issue that is not addressed in the AIA proposal is how the reauthorized Superfund program would be financed.

Mr. Kimble and others who worked on the proposal acknowledge the current $1.6 billion cleanup fund would have to be vastly increased if liability for past dumping practices were eliminated.

Estimates of the cost of cleaning up abandoned hazardous-waste dumps range from $10 million to $50 billion, and under the AIA proposal, most of that money would come from the Superfund, rather than contribution from private parties, including the insurance industry.

Mr. Kimble says the AIA recognizes Superfund financing as an important component of any Superfund proposal, but he says Congress is already considering financing mechanisms that would vastly increase the size of the federal cleanup fund.

Currently the fund is financed by a federal tax on oil and certain compounds used to make industrial chemicals. Mr. Kimble says that a broad-based corporate tax would have to be levied to finance the AIA's Superfund proposal.

Officials at the Environmental Protection Agency last week said they disagreed with the insurers' premise that by pursuing polluters to contribute to cleanup cost, the current system delays site cleanup and needlessly consumes funds.

Gene A. Lucero, head of the EPA's Superfund enforcement office, says the insurers "misunderstand the Superfund litigation process." He says that in most cases, parties named in Superfund cleanup suits settle with the government and agree to clean up the site.

Mr. Lucero says that a settlement has been reached in more than half of the 259 cleanup orders issued by the federal government.

Since the beginning of the Superfund program in 1980, only about 155 Superfund lawsuits have been filed with the courts, he says. And, he adds, a number of those cases were filed because the defendants wanted to get a court's stamp of approval on a settlement reached with the EPA.

In fact, he says, it is the threat of litigation that prompts many polluters to agree to clean up a dump site.

Mr. Lucero also disagrees with the insurers' conclusion that the government is wasting money on litigation that could be used to clean up sites.

He says the EPA has obtained $333 million in private party cleanups since 1980 by spending about $40 million on enforcement activities. Further, the EPA has recovered from polluters $9.6 million of the Superfund money the government spent cleaning up waste sites.

The insurers also charge in their proposal that the EPA uses the Superfund law to force "deep-pocket" defendants to clean up dump sites, regardless of how much waste they contributed to the site.

"The foundation of the government's litigation strategy is the imposition of joint and several liability for the entire cleanup costs on any party. . .even if that party is a *de minimis* contributor to the site and the liability is out of all proportion to the party's status or conduct," the insurers maintain.

"This amounts to a headlong rush after the deep pocket, without particular regard for degree of involvement or for any earlier payment of Superfund taxes," they continue.

However, the EPA's Mr. Lucero says those named in Superfund lawsuits typically represent or were responsible for 85% of the waste in a dump site.

"The lowest we've ever gone is (filing suit against parties representing) about 65% of the waste, and we try to keep it up around 90%," Mr. Lucero says.

Staff members with the Senate Environment and Public Works Committee, which has jurisdiction over the Superfund law, say it is unlikely that the committee will take action on the insurers' proposal.

The staffers, who asked not to be named, did say that committee members are aware of the insurance industry's concerns over Superfund liability, but members feel that there must be a better solution than the one proposed by the AIA group.

Leslie Cheek, vp of federal affairs for insurer Crum & Forster, one of the insurers that developed the proposal, admits the AIA plan may have been a bit premature.

He said some members of the Senate Environment and Public Works Committee feel "the solution we were presenting was broader than the problem," Mr. Cheek explains.

However, he says that the problems with the Superfund cited by the insurers will become more evident in the future.

"A lot of people feel that Superfund will choke on its own litigation costs, and that something like (this proposal) will come up again.

"Probably the next reauthorization of Superfund would be a more appropriate time for this solution," he adds.

However, T. Lawrence Jones, president of AIA, remains optimistic about the insurers' proposal despite the negative reaction from Capitol Hill and the executive branch.

"After people have had an opportunity to reflect on it and study it they will understand the merits of it," he says.

Mr. Jones maintains that the AIA proposal is the "best and fairest way" to clean up the nation's abandoned hazardous-waste sites.

The other insurers who helped draft the proposal, besides Crum & Forster, were Aetna Life & Casualty Co., Hartford Insurance Co., Travelers Insurance Co., Royal Insurance Cos., United States Fidelity & Guaranty Co. and CIGNA Corp. ■

British Issues

9 April Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Commi Union	214	N/M	16.9	7.9	214—	211
Genl Accident	585	99.2	28.6	4.9	595—	585
Gdn Royal Exch	655	19.0	37.1	5.7	665—	655
Royal	575	N/M	33.9	5.9	585—	575
Sun Alliance	445	21.4	21.1	5.0	460—	445
Brokers						
CE Heath	615	10.5	30.0	4.9	620—	615
Hogg Robinson	279	15.9	11.6	4.1	281—	279
JH Minet	296	20.4	8.0	2.7	301—	296
Sedg Grp	368	16.1	14.3	3.9	395—	368
Stew Wrightson	592	15.5	25.7	4.3	595—	592
Willis Faber	652	22.3	18.6	2.8	670—	652

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

$1.25 million settlement reached in arena roof collapse

By CAROL CAIN

CHICAGO—A Circuit Court judge in Chicago is expected this week to approve a $1.25 million settlement to the widow of one of the workers killed in a 1979 accident at an entertainment/sports arena that killed four other workers and injured 16.

The deaths and injuries occurred when the roof collapsed during construction of the Rosemont Horizon in the village of Rosemont, a suburb west of Chicago.

The $1.25 million settlement will be paid in a lump sum to Juanita D. Phillips, the widow of Chester Phillips, who was one of the workers killed in the accident.

Insurers for five defendants in this case, which include the village of Rosemont, which owns the Horizon, agreed to pay the $1.25 million, plus an additional $25,000 to Travelers Insurance Cos., says Donald Segal, a Chicago attorney representing the village.

Travelers was the workers compensation insurer for Phillips Excavating Co., the company for which Mr. Phillips worked, Mr. Segal said.

The portion of the settlement that must be paid by each defendant still was being worked out late last week. And, attorneys would not speculate how the settlement ultimately would be apportioned, especially because other lawsuits still are pending.

Birmingham Fire Insurance Co. of Pennsylvania in New York, a subsidiary of American Insurance Group Inc., is the property/casualty insurer in this case for the village of Rosemont and two other defendants —the architect and project supervisor—who were working for the village. Mr. Segal would not release limits of the coverage but he noted that "the village will not have to pay any portion."

Western Indemnity Co. Inc., a subsidiary of Western Fire Insurance Co. in Fort Scott, Kan., is the insurer for another defendant, CST Construction Co., which has since filed for bankruptcy.

Michigan Mutual Insurance Co. in Detroit is the insurer in this settlement for the fifth defendant, Lentin Lumber Co. in Franklin Park, Ill.

Attorneys for these defendants pointed out that several other defendants were named in this and the other 16 major lawsuits pending in the case. And, they added there may be future litigation to recover a portion of the money in this settlement.

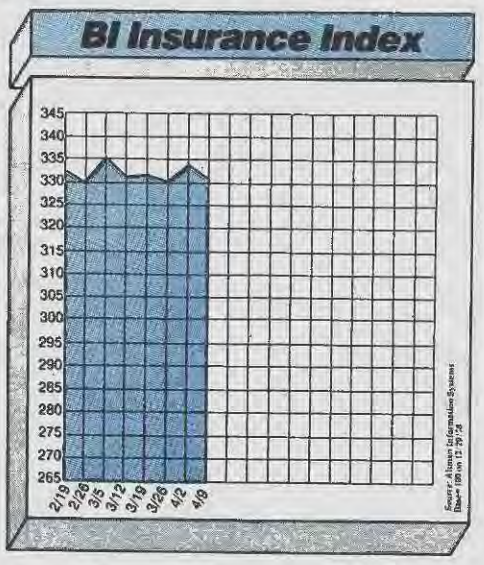
They also noted that each defendant has more than one insurer, but they said these are the insurers involved in this settlement. ■

BI Industry Stock Report

April 9, 1985 — 4/3/85 thru 4/9/85

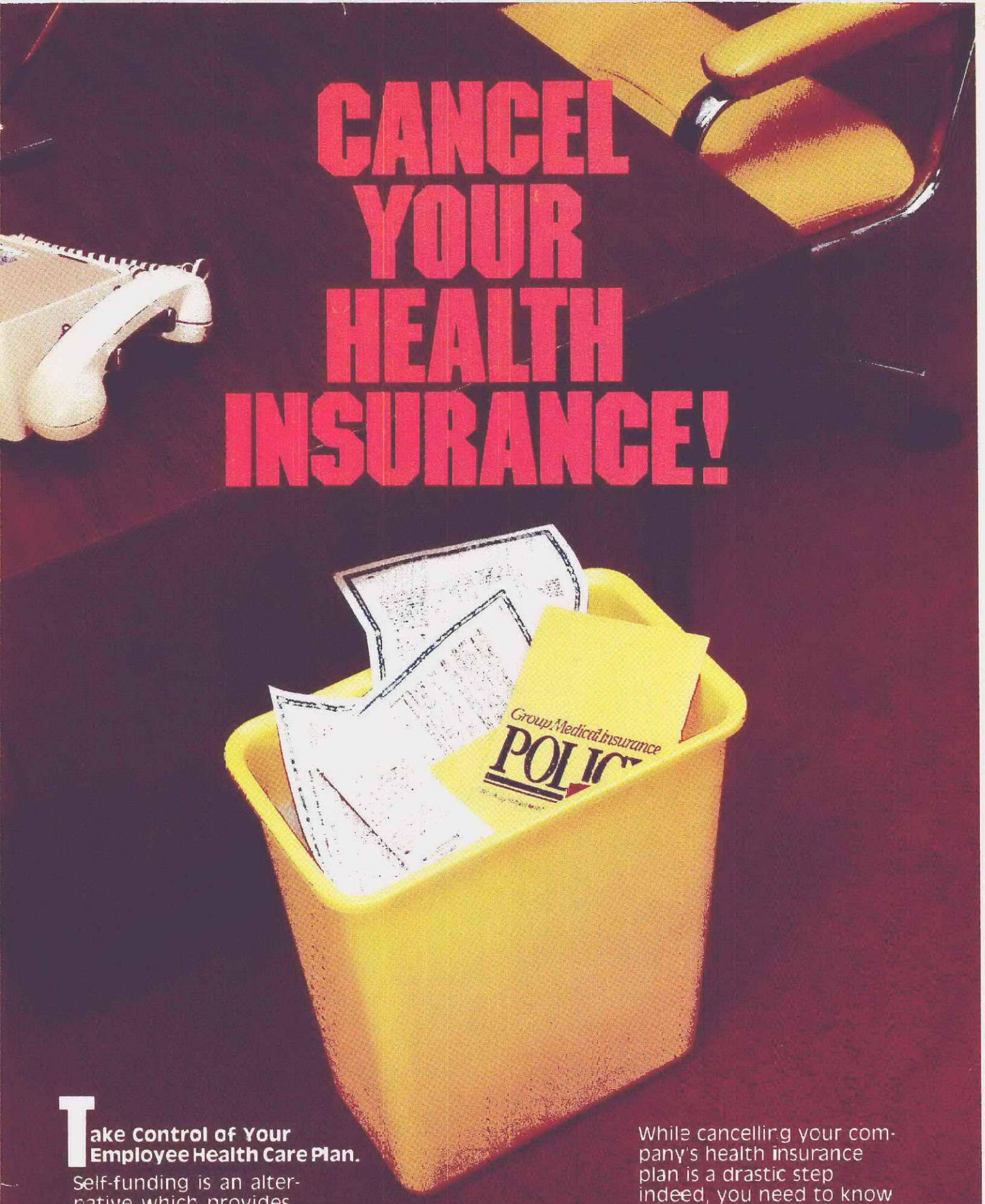
		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
Brokers									
Alexander & Alexander Svcs	NYSE	28.88	-3.7	0.0	1.00	3.5	29.63	28.88	484.0
Baldwin & Lyons Inc	OTC	55.00	3.8	11.7	0.80	1.5	55.00	53.00	0.5
Corroon & Black Corp	NYSE	42.38	-3.1	33.4	1.00	2.4	43.00	41.50	34.5
Crump E H Cos Inc	OTC	26.00	0.0	21.8	0.44	1.7	26.25	25.88	64.8
Emett & Chandler Cos Inc	OTC	15.00	0.0	250.0	0.00	0.0	15.00	15.00	0.3
Gallagher Arthur J & Co	OTC	36.50	0.0	23.0	0.28	0.8	36.50	36.50	25.1
Hall Frank B & Co Inc	NYSE	24.25	-3.0	0.0	1.00	4.1	24.75	24.25	99.4
Marsh & Mclennan Cos Inc	NYSE	64.50	4.9	39.8	2.40	3.7	65.50	62.00	248.6
Poe & Assoc Inc	OTC	8.25	0.0	0.0	0.00	0.0	8.25	8.25	5.8
Reed Stenhouse Cos Ltd	OTC	21.25	-3.4	30.4	0.60	2.8	22.50	21.25	176.4
AGENTS/BROKERS	AVERAGE			46.3		2.3			
Conglomerates & Holding Cos.									
American Express(Fireman's Fd)	NYSE	41.00	-1.2	14.7	1.28	3.1	41.00	40.75	2,666.1
Anderson Clayton(Ranger/PanAm)	NYSE	40.38	0.0	20.8	1.32	3.3	40.75	40.38	53.6
Armco Inc	NYSE	7.88	0.0	0.0	0.00	0.0	7.88	7.00*	3,020.8
Berkley W R Corp	OTC	14.75	0.0	0.0	0.32	2.2	15.00	14.75*	27.1
CIGNA Corp	NYSE	48.00	-3.0	436.4	2.60	5.4	48.75	48.00	352.0
City Investing Co. (Home Ins.)	NYSE	38.88	2.6	3.8	0.00	0.0	39.13	38.38	1,250.5
CNA Finl Corp (CNA)	NYSE	36.38	-1.7	15.1	0.00	0.0	36.38	36.25	43.3
General Re Corp	NYSE	73.75	-2.6	46.1	1.56	2.1	75.13	73.75	300.3
ITT (Hartford Group)	NYSE	34.13	-3.9	11.5	1.00	2.9	35.75	34.13	2,576.4
Optimum Hldg Corp	OTC	0.50	0.0	0.0	0.00	0.0	0.50	0.50	58.4
Sears Roebuck & Co. (Allstate)	NYSE	33.50	-3.6	8.4	1.76	5.3	33.88	33.38	2,433.4
Teledyne Inc (Argonaut)	NYSE	236.00	-2.7	12.9	0.00	0.0	240.50	236.00	153.5
Transamerica Corp (Occidental & Fred S. James)	NYSE	29.88	2.1	12.9	1.64	5.5	29.88	29.50	354.3
CONGLOMERATES/HOLDING COS.	AVERAGE			16.7		1.8			
Insurers									
Aetna Life & Cas Co	NYSE	39.25	-5.1	24.7	2.64	6.7	41.38	39.25	745.2
American General Corp	NYSE	28.50	-3.0	9.5	1.00	3.5	28.63	28.50	874.6
Amern Heritage Life Invt Co	NYSE	30.88	-0.4	9.3	1.08	3.5	31.25	30.88	0.7
American Indty Finl Corp	OTC	18.00	2.9	0.0	1.12	6.2	18.00	17.50	0.5
American Intl Group Inc	NYSE	69.75	-3.6	16.3	0.44	0.6	70.88	69.75	370.8
Aneco Reins Ltd	OTC	1.50	0.0	0.0	0.00	0.0	1.50	1.50	12.6
Avemco Corp	NYSE	24.75	1.0	12.0	0.60	2.4	24.75	24.13	3.4
Bitco Corp	OTC	13.50	0.0	0.0	0.40	3.0	0.00	0.00	0.0
Business Mens Assurn Co Amer	OTC	56.75	-0.4	7.1	2.08	3.7	57.00*	56.75	8.9
Chubb Corp	NYSE	57.38	-1.3	16.3	2.20	3.8	58.00	57.38	335.8
Combined Intl Corp	NYSE	44.50	0.8	9.0	2.16	4.9	44.50	43.50	140.9
Continental Corp	NYSE	38.63	-3.1	20.0	2.60	6.7	39.50	38.63	440.8
Crown Life Ins Co	OTC	133.00	-0.4	13.8	5.00	3.8	133.50*	133.00	0.2
Durham Corp	OTC	39.25	-0.6	7.6	1.28	3.3	39.50	39.25	14.7
Farmers Group Inc	OTC	55.38	-1.1	10.1	1.76	3.2	56.00	55.38	224.7
Fremont Gen Corp	OTC	26.63	-3.6	0.0	0.48	1.8	27.63	26.50	340.8
Great West Life Assurn Co	OTC	365.50	4.4	9.8	14.00	3.8	365.50	365.50	0.0
Hanover Ins Co	OTC	36.63	1.7	33.9	0.56	1.5	36.63	36.00	24.3
Hartford Steam Boiler Inspctn	OTC	80.00	0.0	71.4	3.00	3.8	80.50*	79.50	33.0
Kans City Life Ins	OTC	86.00	3.0	9.9	2.88	3.3	86.00*	83.50	4.8
Kemper Corp	OTC	51.50	1.7	29.9	1.80	3.5	51.50	50.88	55.6
Liberty Corp S C	NYSE	30.88	-2.8	14.8	0.72	2.3	31.50	30.88	17.4
Lincoln Natl Corp Ind	NYSE	38.00	-8.2	10.0	1.84	4.8	40.00	38.00	364.7
Mission Ins Group Inc	NYSE	7.75	-4.6	0.0	0.00	0.0	8.00	7.75	53.3
Monumental Corp	OTC	30.75	0.8	12.8	1.30	4.2	31.00	30.75	57.5
Northwestern Natl Life Ins	OTC	35.00	-0.4	8.2	0.80	2.3	35.00	35.00	49.1
Ohio Cas Corp	OTC	51.00	-1.9	19.2	2.80	5.5	52.00	51.00	58.4
Old Rep Intl Corp	OTC	39.38	3.3	7.6	0.88	2.2	39.63*	38.75	66.4
Orion Cap Corp	NYSE	25.13	-0.5	0.0	0.76	3.0	25.25	24.63	48.9
Protective Corp	OTC	24.38	3.7	8.3	0.62	2.5	24.38*	24.00	136.2
Provident Life & Acc Ins Co	OTC	94.00	-1.1	6.7	3.38	3.6	95.00	94.00	5.0
St Paul Cos Inc	OTC	59.50	-2.3	0.0	3.00	5.0	60.50	59.25	475.8
SAFECO Corp	OTC	36.75	-2.0	12.1	1.50	4.1	37.75	36.75	72.2
Sri Corp	OTC	17.13	-0.7	29.0	0.68	4.0	17.50	17.13	210.7
Seibels Bruce Group Inc	OTC	22.00	-6.4	0.0	0.80	3.6	22.75	22.00	17.8
Statesman Group Inc	OTC	6.88	-17.0	7.3	0.15	3.1	6.13	6.88	58.8
Tokio Marine & Fire Ins Co	OTC	167.75	-3.6	29.0	0.00	0.0	173.50	167.25	3.8
Torchmark Corp	NYSE	44.50	-1.1	10.6	1.00	2.2	44.75	44.50	482.7
Travelers Corp	NYSE	41.00	-0.3	10.0	2.04	5.0	41.00	40.13	1,135.8
United Fire & Cas Co	OTC	20.00	5.3	0.0	0.80	4.0	20.00	19.00	0.0
United States Fid & Gty Co	NYSE	30.63	-2.4	17.8	2.20	7.2	31.38	30.50	767.4
Uslife Corp	NYSE	39.25	-7.4	9.0	1.04	2.6	40.00	39.00	386.0
Washington Natl Corp	NYSE	27.50	0.9	8.5	1.08	3.9	27.50	26.88	84.7
Zenith Natl Ins Corp	OTC	12.50	0.0	22.7	0.68	5.4	12.50	12.50	8.9
INSURANCE COMPANIES	AVERAGE			16.3		3.4			

System design: Altman Information Systems



The *Business Insurance* stock index closed at 331.1 April 9, down 3.4 points from its record high 334.5 points on April 2. In all, 14 stocks rose, 33 fell, and 11 were unchanged. The biggest gains were by United Fire & Casualty Co., up 5.3%; Marsh & McLennan Cos. Inc., up 4.9%; Great West Life Assurance Co., up 4.4%; Baldwin & Lyons Inc., up 3.8%; and Protective Corp., up 3.7%. The biggest losses were by Statesman Group Inc., down 17%; Lincoln National Corp. Indemnity, down 8.2%; USLIFE Corp., down 7.4%; Aetna Life & Casualty Co., down 5.1%; and Mission Insurance Group Inc., down 4.6%. The *BI* index fell 1% during the period; the NYSE composite fell 1.2%.

CANCEL YOUR HEALTH INSURANCE!



Take Control of Your Employee Health Care Plan.

Self-funding is an alternative which provides maximum flexibility in plan design and increases control of your employee Health Care dollars. In-depth plan analyses will allow you to track claims, compare health care providers and assure responsible, quality medical care for your employees. Self-funding with professional third party administration provides increased cash flow. Large claim reserves will no longer be held and invested by your insurance carrier. Instead you establish and hold reserves, gaining competitive earnings on these funds.

Not All Third Party Administrators Are Alike!

Only independent QicClaim Association members provide the wide array of in-depth management information reports available with the QicClaim Health Claims Management System. Their experience in employee health benefits administration, knowledge of available reinsurance markets, and expertise in plan design make them leaders in the employee benefits administration industry.

While cancelling your company's health insurance plan is a drastic step indeed, you need to know more about self-funding and other cost containment ideas. See the listing on this page for the Third Party Administrator near you who's an independent QicClaim Association Member. . .or ask your broker.

THE Q TEAM

QicClaim Association

The Winning Team In Health Care Plan Administration.

THE Q TEAM

Ask Your Independent QicClaim™ Association Third Party Administrator.

CALIFORNIA
Sacramento
Concept Administrators, Inc. 916/364-7000

COLORADO
Denver
Mountain States Administration Company 303/368-4500

CONNECTICUT
Glastonbury
Diversified Group Brokerage Corporation 203/659-0381

GEORGIA
Savannah
Jones, Hill & Mercer Insurance 912/236-1551

ILLINOIS
Champaign
Management Services, Inc. 217/351-9233
Chicago
Allied Benefit Systems, Inc. 312/321-5071
Northbrook
Syncor Administrative Services, Inc. 312/291-1230
Palatine
Claims Administraton Services, Inc. 312/934-7772
Park Ridge
Parkside Medical Services Corporation 312/698-4769
Rosemont
BMS Services, Inc. 312/693-5410

INDIANA
East Chicago
Elmer Layden, Inc. 219/397-6920
Elkhart
Pyramid Benefit Services 219/293-5463
Indianapolis
The BeneTech Corporation 317/843-0116
Key Benefit Administrators, Inc. 317/255-3822
Warren Steinborn Associates 317/875-0351

IOWA
Des Moines
Employers Claim & Administrative Services, Inc. 515/286-4400

KANSAS
Overland Park
Power Group Designs, Inc. 913/491-3280

LOUISIANA
Metairie
Associated Health Plans, Inc. of Louisiana 504/834-5235
FundingBenefits Administrative Services, Inc. 504/831-6651
Sigma, Inc. 504/831-0570
New Orleans
Jack A. Parker & Associates, Inc. 504/596-3165

MARYLAND
Timonium
BeneChek, Inc. 301/321-6294

MICHIGAN
Detroit
CAM Administrative Services, Inc. 313/567-3200
Redford
Governmental Health Managers, Inc. 313/535-7100

MISSISSIPPI
Jackson
Benefit Administration Services, Ltd. 601/969-1286

MISSOURI
Kansas City
Woodsmall, Frick & Innis, Inc. 816/421-7788
St. Louis
DBL Services, Inc. 314/241-8565

NORTH CAROLINA
High Point
Benefit Plan Services, Inc. 919/889-2003

OHIO
Cleveland
Administrative Service Consultants Inc. 216/526-2730
J.P. Farley Corporation 216/871-6800
Columbus (Dublin)
Employee Benefit Management Corp. 614/766-5800
Toledo
Benefit Claims Administrators, Inc. 419/255-1400

OKLAHOMA
Oklahoma City
Mutual Assurance Agency, Inc. 405/495-4120

PENNSYLVANIA
Bridgeville
Benefit Coordinators Corp. 412/563-6700
Newtown Square
Comprehensive Benefits Service Company Inc. 215/359-1400
Pittsburgh
Babb, Inc. 412/237-2020

SOUTH CAROLINA
Charleston
Heffron, Ingle, McDowell & Cooper 803/577-2600
Columbia
Planned Administrators, Inc. 803/732-5200

TENNESSEE
Johnson City
Corporate Systems Administration, Inc. 615/282-3420
Memphis
Pittman & Associates, Inc. 901/323-2140

TEXAS
Houston
Insurance Benefit Services, Inc. 713/578-0250

VIRGINIA
Norfolk
Benefit Consultant Services 804/855-8061

WISCONSIN
Appleton
Employee Benefit Claims of Wisconsin, Inc. 414/731-5333
Madison
Preferred Administrative Services, Inc. 608/273-1776
Milwaukee
Employee Benefit Claims of Wisconsin, Inc. 414/273-3540

QicClaim is a trademark of Resource Information Management Systems, Inc., Oak Brook, Illinois 312/789-0230

© 1985 QicClaim Advertising Association