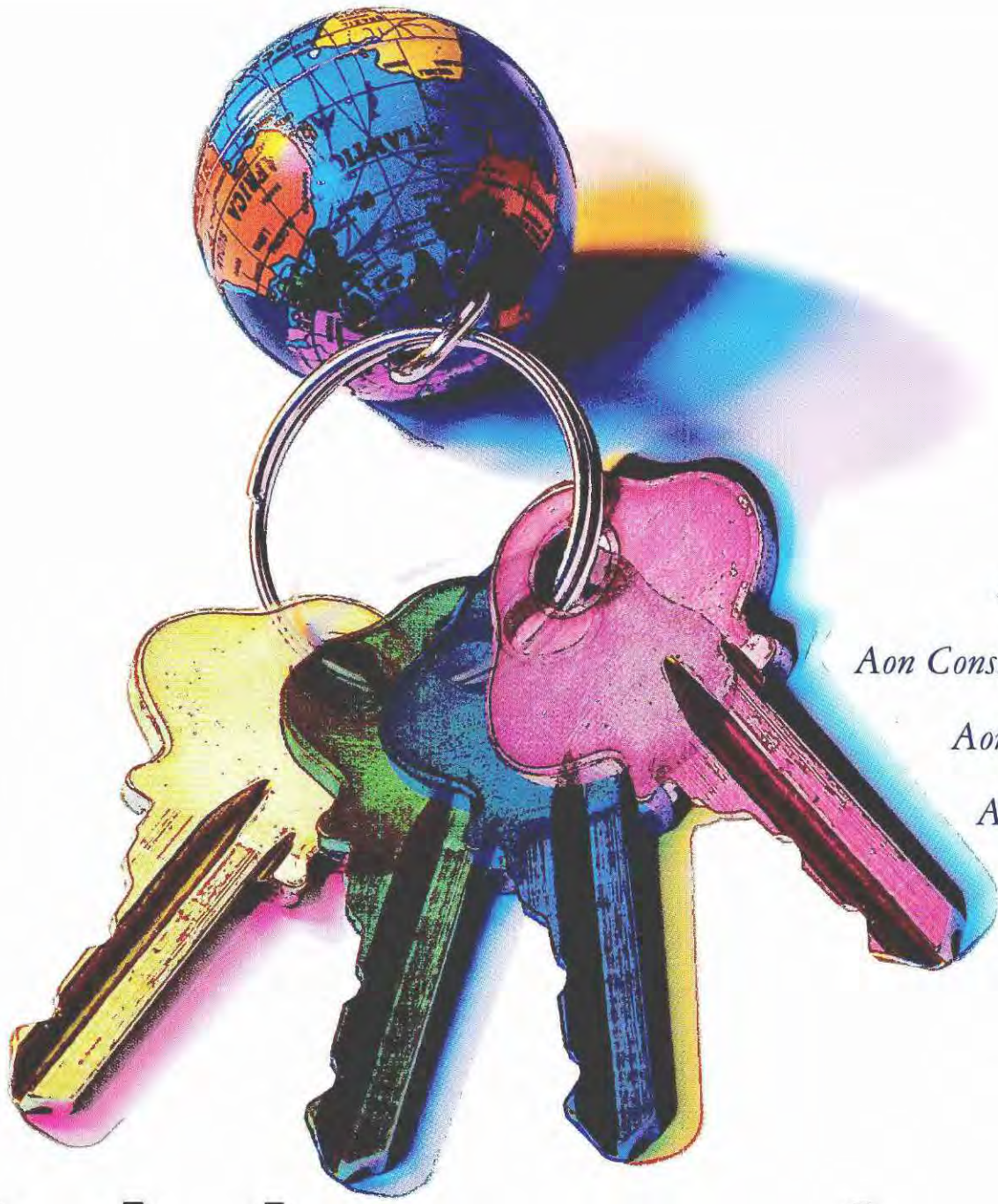
APRIL 15, 1996

Business Insurance

Risk, Employee Benefit and

RIMS 1996

Toronto



Aon Risk Services

Aon Consulting Worldwide

Aon Specialty Group

Aon Re Worldwide

Unlock the power of Aon's specialized knowledge and worldwide resources

You have the key to a powerful world of insurance and consulting solutions.

When you call on Aon for your full-service retail insurance brokerage, risk management, reinsurance and wholesale brokerage or consulting services needs, you're unlocking the power of Aon Group's 14,000 employees in more than 350 offices around the world.

You'll have access to our full range of expertise, talented professionals, interdependent services, and local market knowledge worldwide—whatever you need, wherever and whenever you need it.

We've been building this organization around your needs for the past decade. Today we're the world's second-largest and fastest-growing international insurance brokerage and consulting organization.

Now we're ready to be recognized by the only name you need to know for innovative insurance and consulting solutions anywhere in the world: Aon.

Therefore, we've changed our name to Aon Group from Rollins Hudig Hall Group. Our retail insurance brokerage and risk management business is now Aon Risk Services, and our integrated human resources and benefits consulting operation is now Aon Consulting Worldwide. These newly named operations join Aon Specialty Group and Aon Re Worldwide to comprise Aon Group.

From now on, doing business with Aon is your key to the power of a worldwide interdependent organization built around your insurance services and consulting needs.

AON

Aon Group

NEWSPAPER

APRIL 15, 1996

Business Insurance®

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

© Entire contents copyright 1996 by Crain Communications Inc. All rights reserved

Updates

Life insurer exec pleads guilty to fraud, embezzlement charges

ORLANDO, Fla.—David L. Davies, former treasurer of the defunct National Heritage Life Insurance Co., is pleading guilty to federal charges that he siphoned away millions of dollars of the insurer's assets after fraudulently gaining control of it in 1990.

In a plea agreement filed earlier this month, Mr. Davies admitted using a bad $4 million check to acquire National Heritage's parent company, later using the insurer's own funds to cover the check.

He also admitted arranging $14.1 million

See **Updates** *on next page*

Clinton's pension ideas offer reform at the edges

Proposals on 401(k) tests, IRAs win support, sound familiar

By JERRY GEISEL

WASHINGTON—On a beautiful late summer day in 1974 during a White House Rose Garden ceremony, President Ford signed into law the Employee Retirement Income Security Act, the most significant employee benefits legislation ever enacted.

Last week, President Clinton also used a Rose Garden ceremony, this time on a picture-perfect spring morning, to advance his 1996 version of pension reform.

Referring to the nation's pension system, President Clinton said: "There is still so much to do."

Still, no one would confuse the legislative package the administration presented last week with sweeping reform of ERISA (see story, page 29). It is a modest package, or as Henry Saveth, a principal at A. Foster Higgins & Co. Inc. in New York put it: "It is reform at the edges."

AP/WIDE WORLD

Employer reaction to the Clinton plan is as warm as the day it was unveiled in the Rose Garden.

Much of the package is not new and major elements already have passed Congress, though they were included in broader budget and tax bills that President Clinton and, before him, President Bush, vetoed.

In fact, a number of provisions in the package were developed and championed by employer groups years ago.

"A lot of what he talked about were our ideas," said James Klein, president of the Assn. of the Private Pension & Welfare Plans.

While the administration package may not be sweeping and a big chunk of it is not new, it is a fundamental shift from most pension laws enacted over the last decade that increased administrative complexity and reduced maximum benefit deferrals and contributions for high-paid employees.

This package, Washington benefit lobbyists agree, begins to peel away at the layers of complex rules

See **Pension** *on page 29*

Farm captive is first to cover benefits

By JOANNE WOJCIK

DENVER—They said it couldn't be done, but a Colorado-based group captive has taken advantage of its members' special status to become the first such facility to write employee benefits coverage.

The Farm Credit System Assn. Captive Insurance Co. on Jan. 1 began writing medical stop-loss coverage for its employer members' self-insured health plans. The plans provide group medical coverage through 501(c)(9) trusts—also known as Voluntary Employee Beneficiary Assns.—insuring approximately 22,000 employees and dependents of some 240 separate organizations nationwide.

Premiums that the members' VEBAs paid for commercial stop-loss insurance now are being used to finance the stop-loss coverage provided by their captive.

The Farm Credit System captive also provides its members with directors and officers liability, banker's blanket bond and fiduciary liability, general liability, auto liability and workers compensation coverages.

When informed of the Colorado development, many employee benefit experts expressed surprise that a captive could be funding employee benefits in light of the Labor Department's rejection in 1994 of CSX Corp.'s proposal to reinsure its group term life benefits through its Vermont captive.

That ruling seemed to eliminate captives as a benefit funding op-

See **Benefits** *on page 30*

Comp ruling tests limits of 'horseplay'

By DAVE LENCKUS

OKLAHOMA CITY—In a workers compensation case with intertwining issues of horseplay and third-party responsibility, an insurer will ask Oklahoma's highest court to reconsider awarding benefits to a trucker who allegedly was having sex when his rig collided with a train.

The Oklahoma Supreme Court narrowly found on April 2 that the driver, regardless of his alleged activities, still was performing employment-related duties when the collision occurred. The court also ruled that evidence points to malfunctioning railroad-crossing warning equipment as the cause of the accident.

The 5-4 decision upholds several lower court rulings.

"It doesn't stand for having sex on the job and getting compensated" for resulting injuries, said Matt Graves, the claimant's attorney in Oklahoma City.

"The main fault here goes to the railroad," which has settled with the claimant, said Mr. Graves, noting that the driver denies he was having sex when the accident occurred.

A sharply worded dissenting opinion, which blasts the lower courts and the driver, said the injuries are not compensable because the claimant was involved in horseplay at the time. As a result, his injuries did not "arise out of his employment."

The state Supreme Court does not often approve motions for rehearings. However, Mr. Graves observed, the court does not typically agree to hear such cases in the first place.

In the collision, Elmer O. Dulen suffered back and neck injuries, jaw and facial fractures, other broken bones and lacerations. Mr. Graves said Mr. Dulen has told him that physicians recommend additional treatment, including back surgery.

Mr. Dulen's co-driver, Polly Freeman, was thrown from the truck and was killed.

See **Horseplay** *on page 32*

Tort reform issues top risk managers' concerns: Survey

By SALLY ROBERTS

The overall cost of risk is down, alternative risk financing is up, workers compensation rate hikes are out and tort reform is on the minds of most risk managers, who are just beginning to travel the Information Superhighway.

These are a few of the current trends highlighted in a new survey of risk managers conducted by New York-based Alexander & Alexander Services Inc. and scheduled to be released next week at the Risk & Insurance Management Society Inc. conference.

In previous years, A&A only asked risk managers to rank legislative and regulatory issues. In the new report, 222 risk managers were asked not only about those concerns, but also about their views on a variety of public policy, risk management, health care, workplace and general issues.

For the first time, various tort reform issues dominated the list of risk managers' top concerns, displacing workplace health and safety issues, which had been respondents' dominant concern since 1993.

The next largest issues for risk managers were, in order: insurance market conditions, environmental hazards, health care, insurance regulation and employee benefits, A&A found.

The recent decline in workers comp costs is cited as a major catalyst behind the realignment of risk managers' top worries.

"Workers comp is not a crisis anymore," said James E. Crockett, manager of risk and benefits for the Denver Water Department.

Workers comp costs are of less concern to most risk managers in part because of reforms made at the state level, in addition to managed care and the moderation of health care costs, he said.

John Lumelleau, an A&A senior vp in New York, added that employers also can take credit for lower workers comp costs. Corporate America has "fastidiously' addressed the issue through safety and loss prevention and return-to-work programs, which have helped "to push comp down on the list" of concerns.

According to the survey, 51% of the risk managers said they expect workers comp disability costs to continue declining. However, 25% said their workers comp disability costs were increasing and 24% said their costs were remaining the same.

As workers comp worries recede in risk managers' minds, a va-

See **Hot topics** *on page 29*

GRAPHIC BY KIM ROME

Updates

Plea in National Heritage case

Continued from previous page
in fraudulent loans from National Heritage to companies he secretly owned or controlled.

Mr. Davies says in the plea agreement that he "acted in concert" in the alleged schemes with Patrick Smythe and Lambert Aloisi, both former partners of Mr. Davies and officers of National Heritage; and Michael Blutrich, a New York lawyer. Messrs. Smythe, Aloisi and Blutrich have not been charged, but an investigation of the National Heritage collapse is continuing.

Mr. Davies, who is cooperating with investigators, faces a statutory maximum of five years on each of four wire fraud and tax evasion charges.

The National Heritage insolvency created the biggest one-year hit ever to state life and health guaranty associations (*BI*, March 11).

OSHA reform bill expected

WASHINGTON—Rep. Cass Ballenger, R-N.C., is expected to introduce later this spring drastically scaled-back legislation to reform the Occupational Safety and Health Administration.

A one-page list of provisions that circulated last week listed issues under discussion that would likely be components of the Small Business OSHA Relief Act of 1996. The list cites four initiatives drawn from suggested reforms offered by Clinton administration officials These are: "measuring and weighing" the benefits of regulations against their costs; waiving certain penalties against small businesses; eliminating certain citations and penalties for paperwork violations; and codifying a state consultation program.

A spokesman for Rep. Ballenger said the new bill is still very much in the discussion stage and that no decision had been made about its final content or legislative language.

Rep. Ballenger proposed sweeping OSHA reform legislation last spring (*BI*, June 19, 1995). His original bill would have required that: at least half of OSHA's budget be allocated to non-enforcement activities; the Mine Occupational and Safety Administration be merged with OSHA; and the National Institutes of Occupational Safety and Health be abolished. Organized labor and the White House strenuously opposed the measure.

Rep. Ballenger announced last month that he had decided his original bill could not pass during this Congress and would consider working on a much narrower measure (*BI*, March 11). The Senate Labor and Human Resources Committee has already approved a narrow OSHA reform bill, but no date has been set for full Senate consideration.

Comp ratio lowest in years

BOCA RATON, Fla.—Workers compensation insurers' 1995 combined ratio of 98% is their lowest since at least 1980, according to revised estimates from the National Council on Compensation Insurance.

This is down from the 103% the NCCI estimated earlier this month. Despite the revision, the 1995 accident year combined ratio is still about 103%, said Ron Retterath, NCCI senior vp and chief actuary. Accident year data also reflects insurer payouts for multiyear claims.

The NCCI lowered its estimate after analyzing new data on insurer expenses for about 90% of all workers comp policies. It found that insurers substantially reduced reserves in fourth-quarter 1995.

Data on combined ratios prior to 1980 was not available.

"This is an awesome result given the expectations. . .of a modest erosion in most states due to rate decreases and potentially a large deterioration in California due to heavy competition," said Mr. Retterath.

Superfund reformers hail study

WASHINGTON—Superfund reform advocates are pointing to a new government report, which found that more potentially responsible parties could be dragged into cleanup litigation than the Environmental Protection Agency has estimated, as further impetus for changing the pollution law's liability scheme.

The report, "Number of Potentially Responsible Parties at Superfund Sites Is Difficult to Determine," was prepared by the General Accounting Office at the request of Sen. John Chafee, R-R.I., who heads the Senate Environment and Public Works Committee. The GAO study, released last week, says the EPA's database "has several limitations that serve to underestimate the number of de minimis parties"—those responsible for very small amounts of pollution—at Superfund sites. Extrapolating from the EPA's data bank, the GAO said 175 Superfund sites each known to have at least one de minimis contributor could ultimately involve more than 25,000 de minimis contributors.

Reform advocates praised the study. "It quantifies for the first time that transaction costs are even larger than we thought they were, because there are way more parties involved in this than we thought and thousands of more lawyers than we expected," said John Arlington, senior counsel for the American Insurance Assn., which supports full repeal of Superfund's retroactive liability scheme. "It also shows that trying to do a de minimis exemption instead of a repeal of retroactive liability shows you'll still have those thousands of lawyers in there trying to show who's de minimis and who isn't."

CIGNA hearing delayed

PHILADELPHIA—A legal tussle over whether CIGNA Corp. can retain its lead attorney in the lawsuit challenging the insurer's reorganization has delayed a hearing on whether CIGNA can keep confidential several documents related to the transaction.

The St. Paul Cos. Inc., one of several rival insurers and policyholders suing CIGNA over its split into active and inactive operations, wants

See **Updates** *on page 30*

Allaying antitrust fears

FTC guidelines may lead more physicians to form networks

By ROBERT KAZEL

WASHINGTON—Health insurance buyers may eventually enjoy a wider range of choices when the Federal Trade Commission reissues policy guidelines on doctor-owned networks this August.

But while doctors appear confident about tilting at the windmill of traditional managed care, business leaders and analysts are tempering their support of the plan with caution.

FTC officials will release what they term a "clarification" of existing antitrust policy toward physician networks, with new guidance for those interested in the legal complexities of forming them. Coming after several months of study by FTC staff, the guidance almost certainly will greatly spur doctors' interest in uniting in competition against insurers and managed care organizations.

When FTC policies are further delineated, more physician networks likely will form without fear of violating antitrust laws. The networks, though, still would have to demonstrate that they are designed to enhance competition in a given market and not merely act as a hindrance to HMOs, as some physician networks have tried to do in the past.

Many would-be physician entrepreneurs do not fully understand FTC policy on networks and need help to recognize that their creative ideas for structuring networks aren't illegal simply because they're novel, said an FTC attorney who asked not to be identified.

For example, she said, though capitated managed care is a typical way to meet the government requirement that networks share financial risk among doctors, there are other creative ways that the FTC would welcome as well.

Business groups are uncertain about how strong physician networks would affect purchasers' buying power.

Leaders of employer coalitions

See **Antitrust** *on page 10*

Planned veto of product bill spurs action

Attempts to sway Clinton heat up

By MARK A. HOFMANN

WASHINGTON—Between now and when a compromise product liability reform bill hits his desk, President Clinton can expect to hear quite a few reasons why he should change his mind and sign into law a measure he's vowed to veto.

Thanks to a series of business-backed campaigns, the president is already receiving cards and letters from supporters of H.R. 956, the Common Sense Product Liability Legal Reform Act, which passed both the House and the Senate last month (*BI*, April 1; March 25).

But business isn't alone in wanting the president's attention. Consumer groups are also gearing up to harden his resolve to veto the bill.

The bill itself would, among other things: limit punitive damages in product liability cases to the greater of $250,000 or twice compensatory damages in most cases, eliminate joint liability for non-economic damages and bar product liability suits after workplace goods have been in place 15 years.

It is difficult to say how effective the various campaigns to influence the president are. The White House will release neither the number of letters or calls received on a given issue

See **Tort** *on page 32*

CGL coverage granted for intentional age bias

NEW YORK—Policyholders may have CGL coverage for damages from employment discrimination claims based on intentional wrongdoing if a recent New York ruling is followed elsewhere.

Commercial general liability policies cover claims of unintential discrimination based on the theory of "disparate impact," a trial judge ruled. These suits allege that an employer's test or standard was neutral on its face but had the effect of restricting opportunities for protected minorities.

Even if an age bias claim alleges intentional discrimination—which would not be covered by liability policies—any such a claim "implies within it an alternative cause of action based on disparate impact," Supreme Court Judge Herman Cahn ruled on March 29.

The judge ordered Atlantic Mutual Insurance Co. of New York to pay nearly $1.8 million in defense and settlement costs to the American Management Assn., which was accused of mistreating older workers to encourage them to leave.

Atlantic Mutual several times had denied coverage, claiming any discrimination was intentional.

The judge also ruled that insuring policyholders for employment discrimination claims does not violate public policy, as insurers have claimed.

If followed, the ruling could be a policyholder breakthrough.

"This really confounds a lot of the loose talk in the business community that there is no coverage for discrimination under general liability policies and umbrellas," said John Berringer, an attorney with Anderson Kill Olick & Oshinsky in New York, which represented the association.

Atlantic Mutual officials were not available for comment. Its attorneys did not return calls.

•

American Management Assn. vs. Atlantic Mutual Insurance Co., New York Supreme Court, No. 100152-95.

—By Michael Schachner

Directory deadlines approach

Business Insurance will publish its third annual directory of companies that provide dependent care resource and referral services in the June 24 issue.

The directory is published as an editorial service and there is no charge to be listed. To be included, companies must provide dependent care resource and referral services to corporate and institutional clients in at least three states.

Resource and referral services must be offered on a stand-alone basis. Actual dependent care and benefit consulting services are not considered to be resource and referral services.

A directory of employee assistance program vendors will accompany the dependent care directory in the June 24 issue.

If you would like your company to be listed in either of these directories and the company was not listed last year, please call Assistant Directory Editor Rich Trout at 312-649-5483.

Inside

- Lloyd's of London must take some bitter medicine to begin its recovery, this week's editorial says. **PAGE 8**
- It pays to know whether arbitration is binding, Perspective columnist Irene Ziebarth writes. **PAGE 19**
- An Australian court rules that captive premiums are tax-deductible. **PAGE 25**

Departments

Advertiser Index 22
Classifieds 26
Comings & Goings: Buyers 4
Datebook 20
Insurance Services Guide 27
International 25
Letters 8
Opinions 8
Perspectives 19
Products & Services 18
Ticker 31

Business Insurance (ISSN 0007-6864) Vol. 30, No. 16, is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207. $4 a copy and $85 a year in U.S. $105 in Canada and Mexico (includes GST). All other countries $205 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444. Printed in U.S.A. Copyright 1996 by Crain Communications Inc.

P/C industry gets low marks from customers

Perception of value and quality is low for industry's products, services: Study

By SALLY ROBERTS

Many commercial insurance buyers think they are not getting the most bang for their buck when it comes to property/casualty insurance products and services, according to new data from the Quality Insurance Congress.

Among commercial buyers of all sizes, only a minority rated the value of the commercial insurance industry's products and services as good to excellent, the QIC found.

As for their perception of the quality, about half rated the industry good to excellent.

Of 1,653 commercial buyers surveyed by the QIC, only 24% of small companies rated the value—or what they got for the money they spent—of products and services as very good or excellent. Twenty-three percent of medium-sized companies, 31% of the large companies and 28% of the global companies rated the industry's products and services so favorably.

According to the QIC, small companies were defined as those with annual premiums of up to $100,000; medium-sized companies have annual premiums between $100,000 to $1 million; large companies, in excess of $1 million; and global companies were any with an international insurance program.

In addition, the surveyed buyers perceive the quality or performance of the products and services they receive as "neutral," according to Jay T. Deragon, executive director of the QIC.

The quality organization was formed in 1993 to identify and develop common measurements of industry service issues needing improvement (*BI*, Sept. 6, 1993; Oct. 4, 1993).

According to the QIC survey, only 56% of the small companies, 54% of the medium-sized companies, 56% of the large-sized companies and 53% of the global companies rated the quality of the industry's products and services as very good or excellent.

The insurance industry's perceived value and quality lags far behind other financial services companies, the QIC found.

Among all surveyed buyers, 48% ranked the perceived value of the products and services they receive from such financial services industries as banks, credit card companies and stock brokerage firms, as excellent or very good. Seventy percent ranked it as excellent or very good.

THE QUALITY INSURANCE CONGRESS

Buyers perceive the quality of the products and services they receive as 'neutral.'

Jay T. Deragon

Mr. Deragon said the percentages were not higher because the industry offers buyers little differentiation. "They have no benchmark to rate (the products and services) against."

See **Quality** *on page 28*

California proposal still under fire

Amendment to exempt RRGs, captives fails to calm critics

By ROBERTO CENICEROS

SACRAMENTO, Calif.—Alternative market defenders hope that a proposed amendment will at least blunt the force of a California medical malpractice bill they say would greatly restrict alternative risk financing options for a range of risks.

Supporters of the bill, including California malpractice insurers, say the measure is needed to prevent unscrupulous offshore insurers from taking advantage of doctors in the state.

Opponents counter that A.B. 3340—which is still before the Assembly Insurance Committee—is so broadly worded that it would preclude an array of risk financing alternatives, including those unrelated to medical malpractice (*BI*, April 1).

Although it would ensure that risk retention groups and captives could continue to write malpractice coverage for risks in the state, some opponents say the proposed amendment also could create new compliance obligations for captive owners.

As submitted to the Insurance Committee by the Patient Protective Assn.—a lobbying group formed by a group of obstetricians—the proposed amendment would specifically exclude from the bill's requirements all risk retention groups and captives domiciled outside the state that notify state insurance regulators that their policyholders have paid California surplus lines taxes.

In California, consumers who purchase coverage from insurers licensed outside the state must

See **California** *on page 12*

Texas regulators examine fine print

By MICHAEL BRADFORD

AUSTIN, Texas—As of Aug. 1, risk management consultants applying for a Texas license will have to submit to fingerprinting and a criminal background check.

The requirement, which was recently adopted by the Texas Department of Insurance, also applies to insurance agents, adjusters, reinsurance intermediaries, title company escrow officers, solicitors who perform certain functions for property/casualty agents, and life insurance counselors.

The rule is part of the department's effort to crack down on insurance industry fraud, which has evolved from the need to control fraud by agents.

"Fingerprinting and criminal background checks are a big step forward in our anti-fraud campaign," said Commissioner Elton Bomer. "An agent's license must be a valued seal of trust."

Each year consumers are defrauded by "a few agents who never would have been licensed if they had truthfully disclosed their criminal pasts" to regulators, said Mr. Bomer.

GRAPHIC BY TONY BUCCINI

Under Texas law, risk management consultants are among the insurance industry professionals who must be licensed. They are required to take an examination to gain the license unless they hold a designation of Chartered Property & Casualty Underwriter, Associate in Risk Management or Certified Insurance Counselor.

Even with a designation, the fingerprinting and background check will be required.

Those who already hold licenses will not have to submit to the background check or fingerprinting unless they apply for a license in another field. But if an applicant for an additional license is found to have a criminal background that was not disclosed on an application for the original license, that license can be revoked.

Texas law provides that a felony conviction or lying on an application can be grounds for denial or revocation of an insurance license. There are just over 1,000 risk management consultants licensed in Texas, and the number is growing annually, the department says.

Under the new rules, applicants who must take exams will be fingerprinted by the Insurance Testing Corp. when the tests are taken. The prints will be forwarded to the Insurance Department.

Applicants exempted from exams must be fingerprinted at an ITC testing center, a police or sheriff's office or by the Texas Department of Public Safety.

Each applicant's name will be checked using the databases of the National Crime Information Center and the Texas Crime Information Center. If a name is matched but it is unclear whether the two are the same person, fingerprints will be sent to the Texas Department of Public Safety for positive identification.

"Personally, I would not have an objection to it for the purposes they are seeking," said Robb Hubbard, president of the Society of Risk Management Consultants and senior consultant with Melanber Inc. in Boutilier's Point, Nova Scotia.

Anyone connected with the financial services industry "should be of the highest integrity," he added. As long as risk management consultants are held to the same standards as others required to be licensed, there probably will not be a hue and cry over the new rule, Mr. Hubbard said.

Insurance agents back the proposal. The Texas Assn. of Insurance Agents said its only concern is that newly hired agents might be delayed in starting work while waiting for the results of background checks.

Effective when used as directed

Case management overlooked: Study

By RODD ZOLKOS

Despite big savings reported by companies that use case management in workers compensation, a third of all midsize companies do not use case management and, of those that do, many use it only in limited cases, a new survey shows.

Of the 68% of midsize companies that do use case management, 97% rated it somewhat or very effective, with 95% rating it somewhat or very effective in getting injured workers back on the job quickly and 90% rating it somewhat or very effective in reducing workers comp costs, according to a survey by Response Analysis Corp. of Princeton, N.J. The survey was commissioned by AIG Claims Services Inc., the claims administration unit of American International Group Inc.

GRAPHIC BY JOHN HALL

But most companies reported using case management in only limited cases. Only 34% said they use it on all workers comp claims, with the potential for overburdening internal staff a key reason for the limited use. And only 26% use it from the first day of an injury, with one-third regularly waiting a week or more.

That situation may not change soon. Although 80% of companies called lowering workers compensation costs a high priority, only 16% said they planned to increase their use of case management.

The survey covered 300 compa-

See **Claims** *on page 32*

No sign of merger slow down in '96

By GAVIN SOUTER

Risk and benefit managers can look forward to dealing with bigger and stronger insurers in the future, according to a new study on insurance industry mergers and acquisitions.

A report by Conning & Co., a Hartford, Conn.-based insurance research and asset management company, says last year's record $27 billion of mergers and acquisitions likely will be equaled in 1996.

But, despite the shrinking number of established insurers, competition is unlikely to abate anytime soon, says Gerard Vecchio, vp at Conning who co-wrote a study on mergers and acquisitions in insurance. With more than 6,000 life and property/casualty insurers operating in the United States and a booming market for insurer initial public offerings, insurance buyers will have a wide selection of insurers to choose from for many years to come, he said.

"I can't imagine a time where there would be an oligopoly in the

See **M&A** *on page 17*

Market gets crowded

Sector	Number of IPOs reported in 1995	Total amount raised
Managed care/physician practice management	9	$512 million
Reinsurance	5	$1.15 billion
Property/casualty	4	$364 million
Financial guarantee	3	$991 million
Insurance services	2	$84 million
Agents/brokerages	1	$69 million
Life/health	1	$33 million

Source: Conning & Co.

GRAPHIC BY DIANE POBOL

Digital converting its pension to a cash balance plan

By CHRISTINE WILLIAMSON
Crain News Service

MAYNARD, Mass.—Digital Equipment Corp. is the latest corporation to convert its defined benefit plan to a cash balance plan.

Digital moved all active employees into the cash balance plan March 1.

The move was made primarily to provide employees with a core retirement plan that is more portable and easy to understand, said J. Richard Brophy, retirement programs manager for the Maynard, Mass.-based computer manufacturer.

The conversion is cash-neutral for the company, with the same long-term economic cost commitment as the old plan, Mr. Brophy said.

"The same targeted percentage of payroll will go to funding the cash balance plan as we used for the old defined benefit plan. The difference is in when we deliver the funding. The accrual pattern changes in that we are delivering a larger portion of the benefit earlier in an employee's career, giving it more time to accrue investment gains, leaving the company with a smaller amount of funding to deliver at the end of an employee's career," he said.

In making the move, the company outsourced the administration of the remaining piece of its retirement plan programs to Hewitt Associates L.L.C. of Lincolnshire, Ill.

The consulting firm has been the record keeper for Digital's $1 billion 401(k) plan since the plan was revamped last year. Hewitt will provide record-keeping services and quarterly employee account statements to the cash balance plan.

Digital executives learned employees didn't understand the value of the defined benefit plan.

Under the new Cash Account Pension Plan, Digital will make a quarterly contribution of 4% of total compensation, including overtime, bonuses and shift differentials as well as base pay, to each eligible employee's account.

The old defined benefit plan formula, which guaranteed employees a benefit equal to 1.5% of base pay for eligible years of service, will be maintained for retired and terminated employees.

Employees within five years of retirement were given the option of remaining within the defined benefit plan or moving into the cash balance plan, whichever yielded the higher benefit.

Under a service-graded conversion formula, long-term employees were granted account credits in the new plan that will provide equal or better benefits than under the old plan formula, said Mr. Brophy.

Cash balance plans are defined benefit plans with many features of defined contribution plans. Investment risk is borne by the sponsor and investments are typically employer-directed.

But, like defined contribution plans, employees receive regular statements and their accounts are credited daily with interest growth.

The plans provide for lump-sum distributions for vested assets upon employee termination or retirement, making them easily portable. Digital's employees can leave their assets in the plan when they leave; the company is on a five-year vesting schedule for the cash balance plan.

Retirement plan administration, meanwhile, has been consolidated into a single department within Digital, with Hewitt handling most of the workload for both the 401(k) plan and the cash balance plan.

The consolidation provides employees with a "one-stop shop," though Digital does not intend to provide combined defined benefit and defined contribution statements yet to employees.

Digital's executives had been thinking about design changes since the late 1980s, but business conditions prevented them from acting until last year, Mr. Brophy said.

From employee focus groups, executives learned employees didn't understand the value of the defined benefit plan and would prefer to move their assets when they changed jobs.

Employee investment education was enhanced last year with a multimedia presentation on the 401(k) plan.

As a result, Digital employees reduced their allocation to the stable value option to 32% of assets from 55%. Participation in the 401(k) plan jumped to 65% last year from 45%, and the company hopes to improve participation even more.

Education is continuing to receive a lot of emphasis at Digital, following the move to the cash balance plan. BI

CNA Reinsurance Group . . .
Worldwide

Around the world, CNA's reinsurance operations underwrite a portfolio of business worth over $1.3 billion in premium income. If that figure comes as a surprise – then watch this space, because it's growing all the time. Viewed as a stand-alone company, CNA's reinsurance operations would already rank among the top 20 reinsurers in the world today.

In April 1994, CNA's various reinsurance operations were brought one step closer together with the formation of the CNA Reinsurance Group, which linked them under a single management structure.

This move created a new international reinsurance organization with a unique depth of experience and expertise across a range of business classes.

CNA's reinsurance operations are part of a group with assets worth over $40 billion – highly rated by all the major ratings organizations. With this financial security behind us, and with a growing network of offices in major financial centres around the world, CNA Reinsurance Group is rapidly emerging as one of the leading players on the international reinsurance scene.

CNA
reinsurance group

LONDON • CHICAGO • AMSTERDAM • BERMUDA • MILAN • NEW YORK • ZURICH

ISO analyzes A&E expenses

NEW YORK—The approximately $12 billion that property/casualty insurers paid in environmental and asbestos claims and related legal expenses between 1991 and 1995 should serve as a benchmark against which to measure the industry's continued vulnerability to these long-tail claims, analysts at the Insurance Services Office Inc. say.

Vp John Kollar said New York-based ISO based its analysis on data insurers reported on their 1995 statutory financial statements with state regulators.

Last year was the first year regulators required insurers to break out their environmental and asbestos losses separately. ISO's sample "is based on 88% of the industry's year-end loss and loss adjustment expense reserves for the years before 1986, so that's a very large sample" of four lines of insurance affected by the losses, said Mr. Kollar. Most losses related to policies that were issued before 1986, he said.

ISO found that insurers' reserves for both types of claims and associated legal expenses totaled about $27 billion at the end of last year, $16 billion of which related to environmental claims. Environmental and asbestos-related losses, on average, have added 2.5% annually over the past five years to the industry's combined ratio, Mr. Kollar said.

He cautioned against comparing ISO's figures with varying estimates of insurers' ultimate environmental and asbestos costs because ISO's figures did not include losses paid before 1991. BI

It began at

a small depot.

IN THE HEART OF THE MIDWEST.

A UNIQUE INSURANCE COMPANY

FROM WAUSAU, WISCONSIN, BEGINS

OFFERING INNOVATIVE PRODUCTS ALONG WITH

SMALL-TOWN DOSES OF FRIENDLINESS AND PERSONAL

SERVICE. THEIR WAY OF DOING BUSINESS CATCHES ON WITH

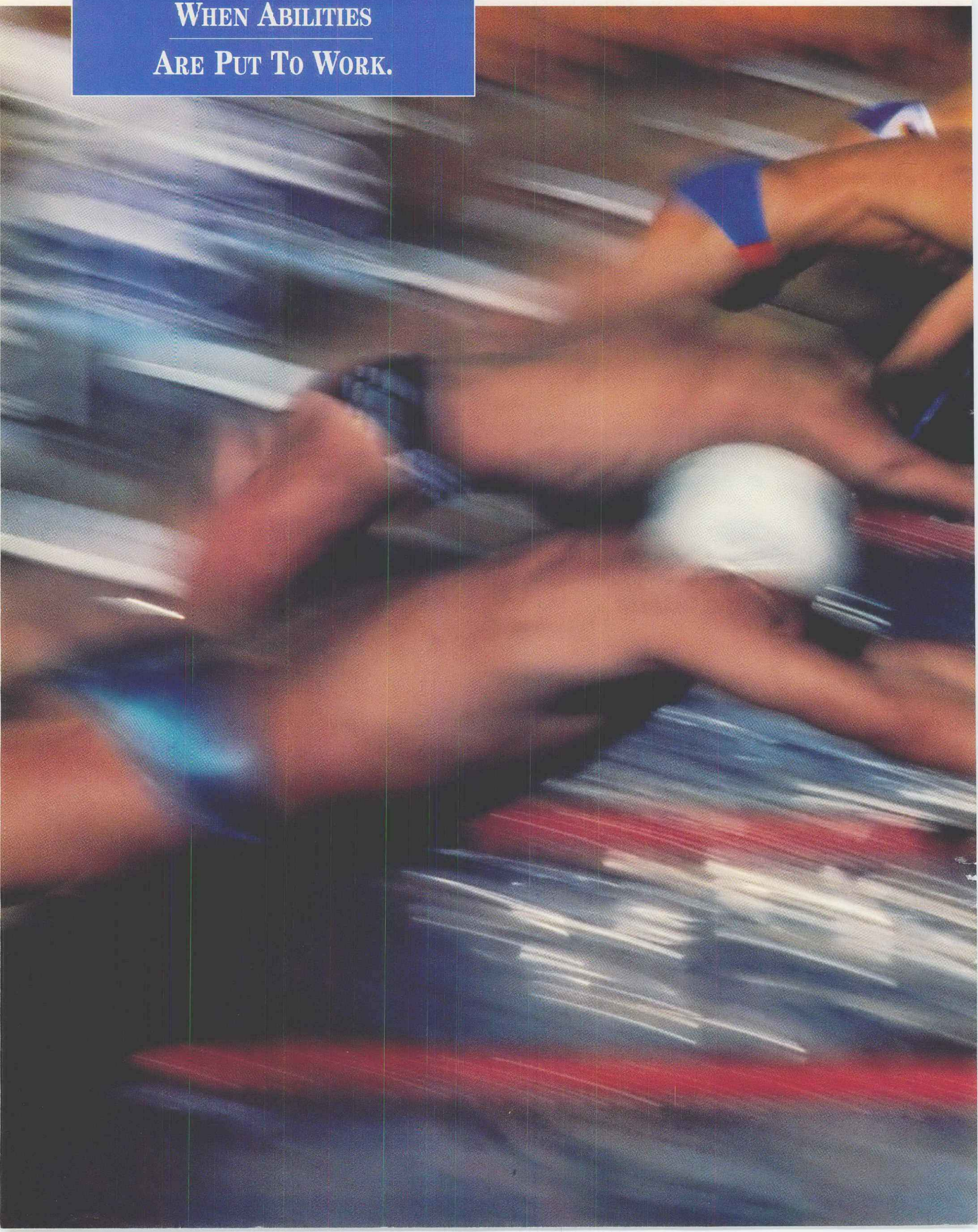
COMPANIES ACROSS THE COUNTRY. AND THEIR REPUTATION GROWS.

THEY BECOME THE BUSINESS INSURANCE EXPERTS, FROM WAUSAU.

The business insurance experts. WAUSAU

WAUSAU INSURANCE COMPANIES • 2000 WESTWOOD DR., WAUSAU, WI 54401 • 1-800-435-4401 • A+ A.M. BEST RATING • NATIONWIDE INSURANCE ENTERPRISE®

Amazing What Happens When Abilities Are Put To Work.



Excellence. There are those who strive for it, and those with the strength to deliver. We're Met DisAbility. And we provide an extensive line of Group Disability products, all designed to help put people back to work sooner and help minimize disability costs. It's really all about teamwork and providing the right combination of managed disability solutions. Solutions that include Short and Long Term Disability, Salary Continuance Administration and highly specialized benefits such as Rehabilitation, Childcare and Education*. All from a single source.

Met DisAbility. Committed to putting abilities to work.

Met DisAbility

We put abilities to work℠

1-800-METLIFE

H9602K4E(exp0297)MLIC-LD ©1996 Metropolitan Life Insurance Co., NY, NY
* Available in most states.

Antitrust

Continued from page 2

see more variety in the health insurance marketplace as a positive thing, in general, though few believe that simply organizing physicians in independent networks will be a panacea to core cost and quality concerns.

"I can see where the medical community is coming from," said Sean Sullivan, president of the Washington-based National Business Group on Health, which is a federation of 95 employer health care coalitions. "The question is, are we in a brave new world? Are things going to be different?"

Mr. Sullivan, whose coalition has been lobbying Congress to put off pursuing breaks for physician-owned networks in favor of more immediate goals on the health care front, said he fears that physician groups in some cases may become the malady instead of the cure.

In some specific settings, such as rural areas where traditional managed care organizations may be absent, powerful groups of doctors could form "an oligopolistic or even monopolistic situation that really reduces competition," he said.

"I think you have to look at it market by market," he said. "We kind of really have to go slow here."

Corporate buyers and their coalitions will have to view the clarifications carefully to see that physician groups are required to meet solvency standards to protect plan sponsors, said Dr. Mary Jane England, president of the Washington-based Washington Business Group on Health, which has 180 companies as members.

The same quality measures should be applied to networks of physicians as are applied to HMOs, she said.

"It's hard to know—we won't see these regulations until August," said Dr. England.

"We have felt all along it should be a level playing field. Increasingly, physicians have been able to become more sophisticated and are able to put together large groups. Physicians recognize now that it's very important that they organize, and they are getting good at it," she said.

Up to 1,500 physician networks already exist, according to Edward Hirshfeld, vp for health law at the Chicago-based American Medical Assn.

Can large corporate plan sponsors be persuaded to move from their familiar HMOs to new physician networks?

The association, which has lobbied for several years to modify national antitrust policy on doctor groups, believes many self-funded corporate benefit plan sponsors are disillusioned with traditional HMOs and would be interested in switching to preferred provider organizations that are owned by doctors.

Physicians have been holding back on starting these organizations because they are unsure if they fall into certain so-called "safe harbor" categories established by the FTC in 1993 and 1994 to permit several kinds of doctor networks to operate without fear of prosecution.

But so many doctors are interested in breaking the bonds that link them to insurance companies and HMOs that any new encouragement from the FTC could trigger a dramatic increase in physician-directed networks, according to the chairman of a fledgling network that has signed on more than 3,500 doctors.

"I think the insurance companies have done their thing," said Dr. Henry Rosin, founder of Lawrenceville, N.J.-based Physician Healthcare Plan of New Jersey. "I don't really believe they can do a lot more (to cut costs). I think they've squeezed the lemon pretty hard."

But can large corporate plan sponsors be persuaded to move from their familiar HMOs to new physician networks?

Although Dr. Rosin's new company, which operates on a fee-for-service basis, so far has contracted only with a group of labor unions and some small companies, he said big corporations will come around as long as the doctor networks offer prices "in the same ballpark" as traditional insurance companies.

Physician networks also must use the same cost-cutting safeguards as managed care, such as aggressive utilization review, he said.

If the physician-sponsored network movement gains momentum, analysts say, a new class of health care provider could assume a prominent place in the marketplace, offering prices at or below those now offered by well-established HMOs and selling coverage on either a fee-for-service or capitated basis.

Conversely, three or four large physician networks could conceivably become dominant in a market and drive prices up, said Dave Rahill, a principal with A. Foster Higgins & Co. Inc. in New York.

If the FTC's intended changes merely serve to create groups of doctors who coordinate their prices and form a united front against HMOs, overall costs for plan sponsors may rise, said Ed Winterbauer, actuary and principal in Princeton, N.J.-based Apex Management Group, a health care consulting firm.

"Employers, which are ultimately paying a lot of their health care costs, are probably going to want to watch what comes out of the FTC to see what it does to HMO rates," he said.

One consultant, however, downplayed the effect that the FTC policy revision might have on the market for health care services, arguing that it still won't be an easy task for doctors to form their own networks amid stiff competition.

"The doctor-owned organizations will still be under the same cost pressures as current HMOs," said Harvey Sobel, who is a principal and consulting actuary with Buck Consultants Inc. in Secaucus, N.J.

"I find it hard to believe there will be an outpouring of these organizations that will take the same risks as HMOs and displace them," said Mr. Sobel.

And although it will become a simpler matter for most physician networks to start up, the FTC plans to continue to monitor such ventures to stamp out what FTC Chairman Robert Pitofsky recently called "certain kinds of conduct inherently inimical to competition."

In the words of the FTC attorney, "We've been the cop on the beat working to prevent that behavior, and we will continue to be." BI

IIE records major decline in 1995 volume

By MEG FLETCHER

CHICAGO—The Illinois Insurance Exchange is hoping for a return to record premium volume this year after a significant decline in 1995.

The loss of the two syndicates with the highest gross premium volume during 1995 caused a major drop in the IIE's gross premiums. If the two syndicates' partial-year writings are included, the IIE's gross premiums fell 15.2% to $250 million.

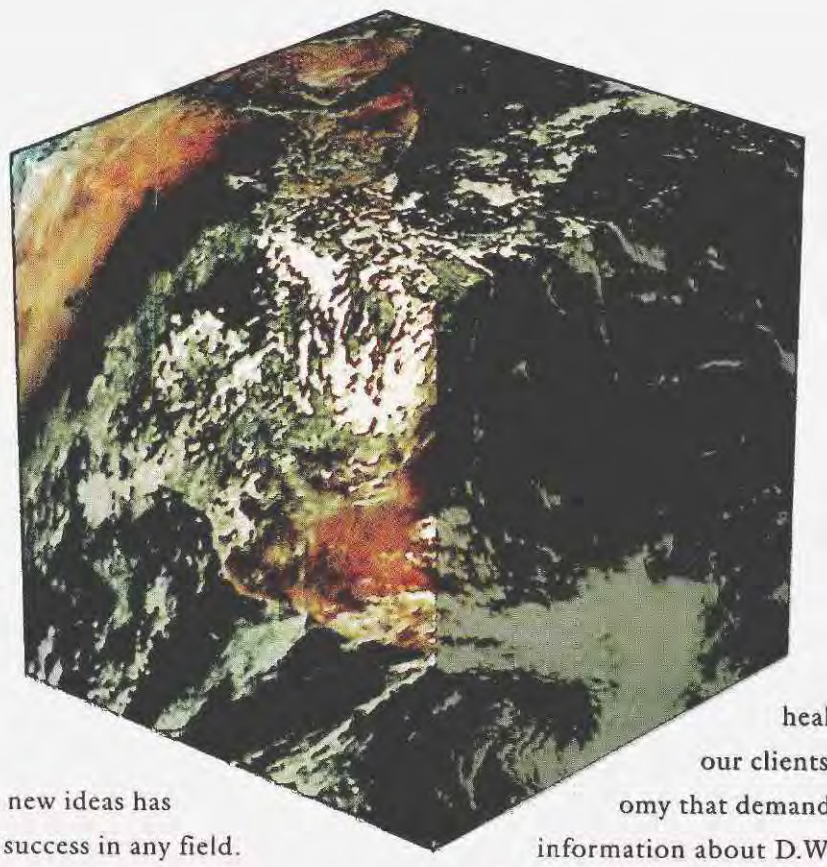
If they are not included, that figure dropped 41.5% to $172.5 million.

In 1994, the IIE had record gross writings of $294.7 million.

The two syndicates that ceased writing new or renewal business during 1995 were Geneva Assurance Syndicate Inc., which voluntarily stopped in May 1995, and Classic Syndicate Inc., which began limiting its writings in August 1995 following court action over its required annual certified audit and subsequently stopped (*BI*, Sept. 11, 1995).

But, the IIE also reported improvements in 1995—compared with 1994—of 4.78% in policyholder surplus and 3.75% in the IIE's guaranty fund, which now exceeds $35 million.

Imagine if CONVENTION WENT WITHOUT CHALLENGE

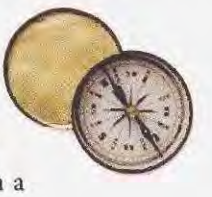


Despite popular views Christopher Columbus unrelentingly pursued the most ambitious economic idea of his time—a direct route west to the Orient. Public opinion was wrong of course. He didn't sail off the edge of the world. And his discovery, although short of China, soon led to an explosion of wealth and changed common perceptions of the world.

Approaching old problems with new ideas has always been an essential component of success in any field.

At D.W. Van Dyke & Company, we have been pursuing new courses in reinsurance since 1978. Insight and vision are intregal parts of our service.

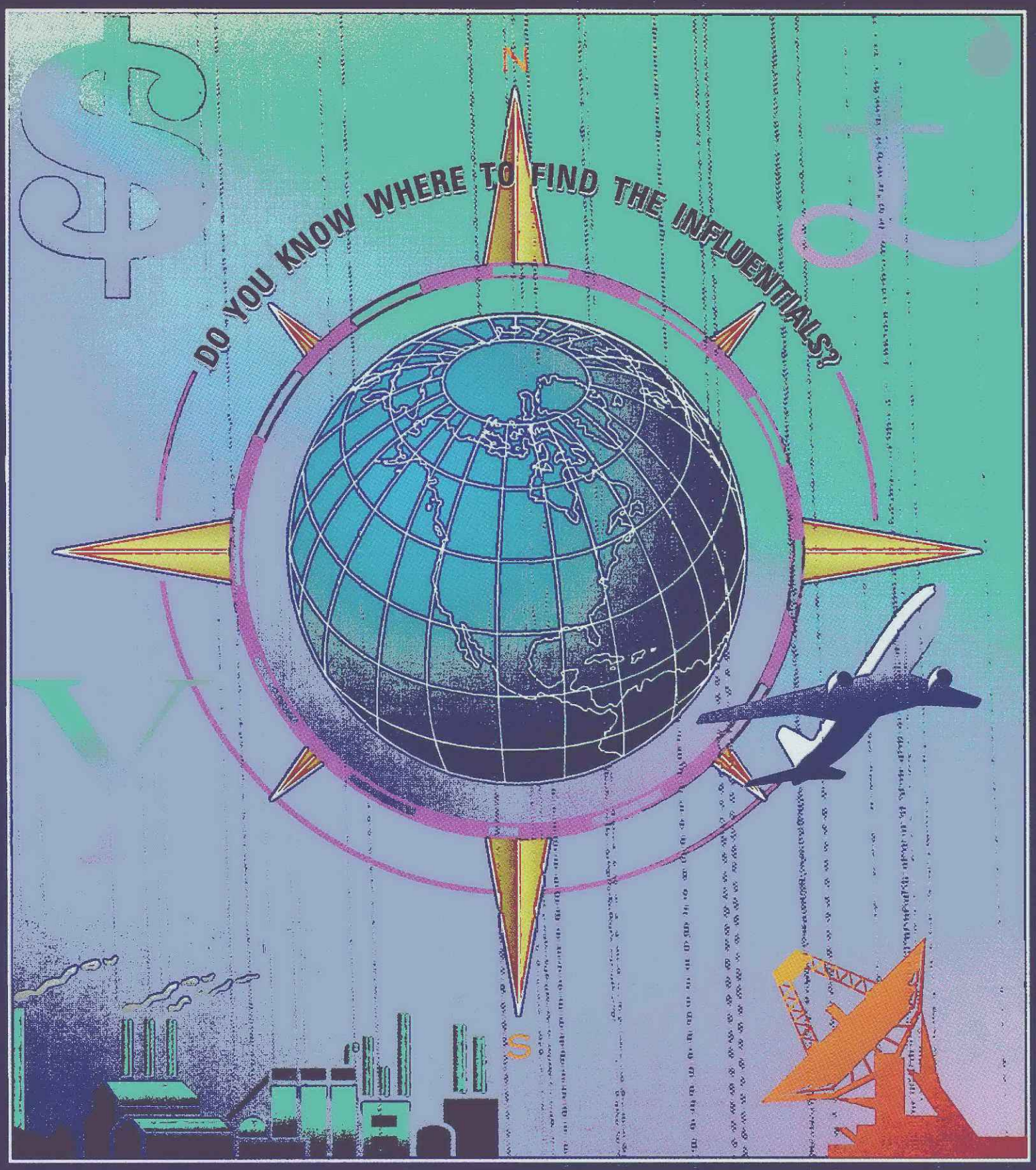
We help our clients see beyond the horizon and avoid the pitfalls of a volatile marketplace and shifting regulations. As brokers we offer our clients a variety of plans that steer them around trouble. As a result, they reach their goals with a minimum of risk.



Our expertise in life, accident, health and workers' compensation gives our clients the edge they need in a world economy that demands more of them every day. For more information about D.W. Van Dyke & Co., give us a call at (203) 855-0499.

We have the resources to explore new possibilities.

D.W. VAN DYKE AND COMPANY OF CONNECTICUT



1995/96

DIRECTORY OF BUYERS

1995/96

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

In the U.S.-based edition you'll find more than 16,000 executives from nearly 3,200 companies. Listings include company address, telephone and fax numbers, plus vital statistics on:

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

In the non-U.S. edition you'll find over 3,000 executives in approximately 500 companies from 20 countries based outside the United States. In addition to providing address, telephone and fax numbers, listings include:

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

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

*Plus tax where applicable.

Business Insurance
a publication of Crain Communications Inc

California

Continued from page 3

pay a 3% surplus lines tax, explained Alan Sparer, an attorney with Howard, Rice, Nemerovski, Canady, Falk & Rabkin in San Francisco who represents the obstetricians group. In 1976, the group of doctors formed Physician Reimbursement Fund, a Cayman Islands captive that now writes medical malpractice liability insurance for about 140 doctors.

Reporting the payment of taxes to insurance regulators would nullify complaints by the supporters of A.B. 3340 that many offshore companies are providing coverage for doctors without the Insurance Department knowing anything about them, explained George Lee, CEO for the Patient Protective Assn. Requiring policyholders to report the tax would be a form of registration.

"Ideally people feel there is really no reason to have the bill at all," said Anne Allen, state/provincial legislative counsel for the Risk & Insurance Management Society Inc. in Washington. "But at the very least it should be amended so that consumers can go out in the market and use alternative risk funding mechanisms. Right now it says they can't."

A.B. 3340 was drafted by California medical malpractice insurers that say their intent was to bar underfunded and unscrupulous offshore companies that operate in the state with little or no oversight.

But the Insurance Department says it has not received an increase in complaints or noticed a trend suggesting escalating problems with offshore medical malpractice insurers.

"It will be interesting to see whether or not (A.B. 3340 supporters) accept our amendment, because that will really answer the question of what the true purpose of the bill is," said Mr. Sparer.

Some opponents contend that the bill was drafted to protect insurers from losing market share as managed care companies and others seek to insure doctor groups through the alternative market. They say that calls to protect doctors from unscrupulous offshore operators are merely a pretext for protectionism.

"If you look at what the (bill's) language entails and how it would affect entities like ourselves, which are essentially self-contained, then you see an entirely different picture," said a spokesman for Foundation Health Medical Services, a subsidiary of Sacramento-based Foundation Health Corp. "Then you see an organization crafting legislation to prevent competition."

About a year ago, Foundation formed a Cayman Islands captive to provide coverage for about 100 doctors employed by Foundation Health Medical Group Inc. Those doctors were previously insured by San Francisco-based Norcal Mutual Insurance Co., which belongs to the insurer group that drafted the bill.

Foundation Health Medical Group Inc. provides medical care for Foundation Health Corp. members, though it is independently owned, the spokesman said. Foundation found the doctors had a good loss record and that it could insure them more economically through a captive.

The malpractice coverage is provided as a benefit to the doctors, and they are free to purchase their own excess coverage with their personal funds, the spokesman said.

Rejecting the suggestion that A.B. 3340 is anticompetitive, Phil Hinderberger, Norcal's general counsel, argues that it actually was designed to increase competition.

For example, he said Foundation has required the doctors to accept coverage through its captive, a practice that the bill would restrict. Among other things, it provides that any liability insurance program subject to the legislation and offered to a medical group shall require the approval of a majority of the members eligible for coverage.

So far, doctor groups are not coming to the insurers' rescue. The California Medical Assn. has taken no formal position on the bill. But a spokeswoman said there are concerns about the bill's potential to hurt self-insured physician groups.

Like Foundation Health, the Patient Protective Assn. views the legislation as squarely aimed at its own captive, Dr. Lee said.

He contends the malpractice insurers became alarmed when the organization's Caymans captive began providing coverage for two primary-care physicians, which is a departure from insuring high-risk specialists.

"It was that that really prompted the legislation," Dr. Lee said. Consequently, the Patient Protective Assn. has taken a lead in opposing A.B. 3340 and submitted the amendment proposal.

The Assembly Insurance Committee is still reviewing the proposed amendment and a hearing is scheduled for Tuesday.

Norcal's Mr. Hinderberger said A.B. 3340 supporters have not yet taken a formal position on possible amendments. However, he said he believes there is misunderstanding about the legislation's scope and stressed that the bill was never meant to target captives and other legitimate risk funding methods.

Meanwhile, other groups have voiced their opposition.

"We are opposed until we see the amendments," said Michael Dimmitt, a policy analyst and lobbyist for the Sacramento-based California Healthcare Assn., which represents hospitals. "This would prohibit hospitals that have captive insurance companies...from using them for their professional liability."

In its March 29 issue of "The Bulletin," the Risk & Insurance Society Management Society called for members to support The Coalition of Alternative Risk Funding Mechanisms, which will submit testimony at the committee hearing.

"A.B. 3340 sets a dangerous precedent because it would subject policyholders to prosecution for purchasing insurance from a non-admitted carrier, which would include not only a U.S. insurance company not licensed in California and non-U.S. insurers, but also a risk retention group or the policyholder's own captive insurance company," The Bulletin states. BI

GERLING AMERICA
INSURANCE COMPANY

WE SPECIALIZE IN INSURANCE PROGRAMS
FOR EUROPEAN AND U.S. INDUSTRIES

Gerling America is part of the Gerling Group, an international insurance and reinsurance group headquartered in Cologne, Germany. Founded in 1904, the Group operates in more than 27 countries with a premium volume of U.S. $12 billion, invested assets of U.S. $28 billion and a total of 9,600 employees.

Gerling America Insurance Company (GAIC) writes industrial and commercial property, casualty and ocean marine insurance. It is rated "A" by A.M. Best and its Financial Rating is Class VIII, with capital surplus of over U.S. $100 million.

GERLING AMERICA INSURANCE COMPANY
717 Fifth Avenue • New York, New York 10022
Telephone: (212) 756-2600 • Facsimile: (212) 319-5626

If You're Looking For

Great Marine Reinsurance, Your Ship Has Come In.

Cargo. Liability. Hull. Energy. Yachts. There's no question that marine reinsurance is unique. That's why you need dedicated marine brokers with years of experience. At Guy Carpenter, you can count on our expertise to deliver innovative and appropriate solutions. From automatic acquisitions to aggregate voyage extensions to third party recoveries, we tack on your behalf. Embark on marine reinsurance with the best crew covering the seven seas – Guy Carpenter.

GUY CARPENTER

Guy Carpenter & Company, Inc. Two World Trade Center, New York, N.Y. 10048 212-323-1000 • Offices Worldwide
To speak directly with our Marine Department, call 1-800-432-2627

You Thought You'd Never See REAL D&O Coverage For Small Businesses, Either.

This plan is such a breakthrough, we call it ***The Power.***℠ *And it empowers you to protect private companies with less than $100 million in assets like no other policy. The Power not only includes* ***employment practices liability*** *and* ***duty to defend*** *coverage; it has* ***optional entity*** *coverage that goes beyond any other in the insurance industry.*

For The Power Kit, Email *info@execrisk.com*, fax (860) 408-2288, or call 1-800-432-8168.

Executive Risk

Executive Risk Management Associates is the underwriting manager for Executive Risk Indemnity Inc. (ERII), Executive Risk Specialty Insurance Company (ERSIC), and The Aetna Casualty and Surety Company's directors and officers (D&O) liability insurance. It also underwrites Lawyers Professional Liability Insurance, Miscellaneous Professional Liability Insurance, and other coverages for ERII and ERSIC.

Coverage may not be available in all states.

Today, you need environmental insurance to be in an environmental business.

Environmental companies operate in a world filled with risk created by complex business problems and a web of ever-changing regulations. Faced with financial and liability uncertainties, failure to obtain proper environmental insurance protection could ultimately lead to business failure.

Fortunately, ECS Underwriting and Reliance National have an unequaled understanding of the insurance needs of the environmental industry. At the forefront of environmental insurance since 1979, no one else provides a stronger array of environmental insurance products. That means transporters, generators, consultants, contractors, treatment facilities and many others can properly address environmental liability exposures. When you do, you benefit from a level of experience and service, unsurpassed in the insurance industry ... and available only through ECS Underwriting.

If your business is environmental, you have an environmental exposure, and your current insurance may not provide the environmental coverage you need. Don't find out the hard way. Call 800-ECS-1414 and talk to the experts at ECS Underwriting today.

ECS Underwriting, Inc.
An ECS Company

THE CHOICE
Reliance National

Environmental insurance protection for Worldwide industry.

Offering: **Automobile Liability & Physical Damage • Consultants Environmental Liability • Contract Surety • Contractors Pollution Liability Errors & Omissions • Excess Liability • General Liability • Pollution & Remediation Legal Liability • Pollution Clean-up Pollution Legal Liability • Products Liability**

520 Eagleview Boulevard, P.O. Box 636, Exton, PA 19341. Or call 1-800-ECS-1414 (In PA 610-458-0570), FAX 610-458-8667.
Programs are underwritten by Reliance National Indemnity Company, a member of the Reliance Insurance Group.

European Office: ECS Underwriting, 4th Floor, Ibex House, 42-47 Minories, London EC3N 1DY. Or call 0171-711-0222, FAX 0171-711-0223

M&A

Continued from page 3

insurance market," Mr. Vecchio said.

Instead, policyholders will benefit from buying coverage and services from well-capitalized and highly rated insurers, Mr. Vecchio said.

Insurer mergers and acquisitions are growing to huge proportions, according to the Conning report "Mergers & Acquisitions and Public Equity Offerings 1996."

The $27 billion in 1995 dwarfed the $12.5 billion of merger and acquisition activity in 1994, according to the report.

And, so far this year, the acquisition of U.S. Healthcare Inc. by Aetna Life & Casualty Co. (*BI*, April 8) and the acquisition of Talegen Holdings Inc. by Kohlberg Kravis Roberts & Co. (*BI*, Jan. 22) have totaled more than $10 billion, Mr. Vecchio said.

The surge in activity partly mirrors the wider corporate market, but it also reflects a growing recognition among insurers that the industry needs to be restructured, Conning's report says.

Too many insurers are chasing too few customers and incurring excessive expenses as they do so. To stand out from the crowd of competitors, insurers must grow stronger by buying up competitors or attracting investors from the capital markets, according to the report.

Travelers Corp. managed to achieve that enviable position in one shot when it acquired the property/casualty operations of Aetna (*BI*, Dec. 4, 1995), according to the report.

"Travelers leapfrogged a number of competitors by acquiring Aetna's property/casualty operations and contributing its own property/casualty operations to a newly formed stand-alone entity that will rank as the fourth-largest property/casualty insurer," the report says.

And, the new entity will be strong enough to attract new capital when it needs it.

The managed care market also will see continued M&A activity in 1996, Conning predicts.

"Acquisitions among managed care providers reflect an evolution in the marketplace, where the stronger HMOs acquire and assimilate smaller or perhaps less efficient HMOs," according to the report.

The desire to diversify also is prompting mergers and acquisitions, as managed care companies buy companies that specialize in products such as workers compensation or disability insurance, said the report.

Alongside the mergers and acquisitions, new capital is also being drawn into the insurance market as the number of IPOs in 1995 and 1996 surges, Conning's report found.

In 1995, 25 insurance-related companies tapped the IPO market for more than $3 billion. This year, $500 million was raised by four IPOs in the first quarter and filings indicate that $1.5 billion is set to be raised in six IPOs scheduled for later in the year.

The drive for new capital is being led by booming sectors such as reinsurance, managed care and specialty property/casualty insurance, the report says.

•

...of "Mergers & Acquisitions ...lic Equity Offerings 1996" ...able for $495 each from ... Co. To purchase a ...0-520-1245.

Finley moves to Denver schools

Comings & Goings: Buyers

Stephen A. Finley has been named risk manager for Denver Public Schools, taking the new job after a decade as risk manager for the City of Lakewood, Colo.

Mr. Finley, 50, is responsible for the school district's property/casualty coverages and workers compensation insurance. His duties include participation in safety functions. In this newly created position, he reports to Velma Rose, chief financial officer of the school district.

He earned a bachelor's degree at Westminster College in Fulton, Mo., and a master of business administration degree from the University of Portland in Portland, Ore.

Mr. Finley, who was named to the 1988 *Business Insurance* Risk Management Honor Roll while risk manager for the City of Lakewood, holds the Associate in Risk Management designation and is a Certified Hazard Control Manager.

* * *

Chris Duncan, 32, has been promoted to senior director-loss prevention at Kentucky Fried Chicken Corp. in Louisville, Ky.

Mr. Duncan, who takes the post following the retirement of **Tom Briggs**, will oversee risk financing, safety management, security, cash control and claims for the U.S. and Canadian operations of KFC, which is a unit of PepsiCo Inc. He had held the position of director of finance for operations development. Mr. Duncan reports to Gregg Dedrick, senior vp of human resources.

Mr. Duncan earned a bachelor of business administration degree and an MBA from the University of Georgia in Athens. He also holds the Chartered Property & Casualty Underwriter and Associate in Risk Management designations.

* * *

Greg Barlow, 47, has been appointed director of worldwide risk management and purchasing at Quintiles Transnational Corp., a drug research and testing services firm in Research Triangle Park, N.C.

In this newly created position, Mr. Barlow is responsible for the company's risk management, loss control and insurance programs. He reports to Michael Troullis, vp and worldwide controller.

Mr. Barlow previously held the position of manager-risk management and insurance at Glaxo Wellcome Inc. in Research Triangle Park.

He earned a sociology degree from Pennsylvania State University in University Park. Mr. Barlow holds the Associate in Risk Management and the Chartered Property & Casualty Underwriter designations. He also is past president of the Piedmont chapter of the Risk & Insurance Management Society Inc.

•

We'd like to report on staff changes in your company's risk management, safety and employee benefit departments. Contact Michael Bradford, Associate Editor, Business Insurance, Suite 114, 8950 N. Central Expressway, Dallas, Texas 75231; 214-361-2295; fax: 214-696-1936. Please send a photograph, too.

For sound insurance research, go beyond the NILS ensemble...

to the source that gives you more.

Now you have a choice in how you do insurance research. West Insure*One*™ is a new online service on WESTLAW® that gives you all the insurance law and advisory materials on NILS—and much more. You get nearly 300,000 state and federal insurance cases (NILS has none). The statutes are annotated to save you time. Plus you can search 30+ top insurance periodicals such as *Best's Review*, *National Underwriter* and *Mealey's Litigation Reports* (NILS has none). Or even tap settlement summaries, jury verdicts, treatises and more. West Insure*One* keeps you more current than NILS, too, with daily online updates vs. monthly CDs. And West lawyer-editors compile insurance law and news highlights each day for you. All for a competitive price, with first-rate customer support. To hear more about the new choice in insurance research, call 1-800-322-0327.

WEST INSURE*ONE*™
The Complete Source For Insurance Information

© 1996 West Publishing 6-9272-7G/3-96 627399
1-227-284-7

A&A to ease online access for clients

By ROBERT KAZEL

NEW YORK—A new online service that will allow corporate executives to access a wide variety of Internet files and listings more easily will be available to the industry in June from broker Alexander & Alexander Services Inc.

Access A&A, now in use in prototype, will allow risk managers who are A&A clients to quickly obtain information on their own coverages, as well as view general information on the insurance industry as a whole.

Eliminating the need for lengthy searches for relevant sites, the service will connect users to insurance-related pages on the World Wide Web and also provide summaries of key state and national insurance regulations changes.

Products & Services

In addition, Access A&A will allow risk managers and other corporate executives to join in moderated discussions with their counterparts in other companies. In the future, additional features on the system will include forms, spreadsheets and questionnaires for use in sending data to A&A staff. A&A reports also will be available online.

For additional information, contact Mia Sernoff, director of Access A&A, 212-444-4580.

Disability management

PHILADELPHIA—A new service that provides one-stop management and administration of short- and long-term disability claims, as well as workers compensation claims is available from CIGNA Corp.

The service, called Integrated Disability Services, also is designed to simplify claims filing for workers.

The service, offered by CIGNA Property & Casualty and CIGNA Group Insurance, became available at the beginning of this year. It is being managed in conjunction with CIGNA's managed care subsidiary, Intracorp.

Workers with either workers comp or disability claims can call the same toll-free number to give the necessary information to CIGNA claims specialists, who begin the process of employee interviewing, customized reporting and notification of state agencies.

CIGNA estimates the new service can decrease an employers' disability expenses by up to 15%, by reducing lost time, emphasizing loss prevention services and increasing claims reporting accuracy.

For further information, contact Jacalyn Reinberg, assistant vp, 215-761-1000.

EPL insurance

WARREN, N.J.—Excess employment practices liability insurance with increased limits of $25 million is now available from Chubb & Son Inc.

Intended for Fortune 1,000 companies, the policy offers punitive damage coverage and flexible terms and deductibles.

It can be purchased alone or as part of an executive protection package that includes fiduciary liability; directors and officers liability; outside directorship liability; kidnap, ransom and extortion; and crime coverages.

For more information, contact Michael G. Furgueson, vp, Chubb & Son Inc., 908-903-3215.

New transport cover

CLEVELAND—A workers compensation program for charter bus, limousine, airport transportation and other fleet operators now is available from National Interstate Corp.

The program offers statutory limits and employers liability coverage on a first-dollar, guaranteed-cost basis.

No minimum premium is required, and deductible options are available.

Accounts are underwritten mainly according to the customer's loss history.

Policies are available in all states except Nevada, North Dakota, Ohio, Washington, West Virginia and Wyoming.

For more information, contact Dennis Silvia, 800-595-2553.

New OSHA software

RIVERWOODS, Ill.—Interactive software that can help executives better understand Occupational Safety and Health Administration rules now is available from CCH Inc., a producer of human resources and business law information.

"CCH Safety Compliance Assistant" is intended for risk managers and managers in safety, loss prevention, and human resources departments who seek to avoid OSHA non-compliance penalties.

The software matches OSHA requirements for input data on the client's company, designs customized checklists that can be used to guide walking inspections of facilities, and suggests remedies to possible violations.

The program also may be used for record keeping and research on state and federal safety law, and a module includes more than 200 stock forms companies file with OSHA that can be completed online.

Quarterly updates are available and users receive monthly newsletters on state and federal safety compliance.

The software costs $1,099 per year for a two-year subscription. For information, contact CCH at 800-228-8353.

UST compliance video

WASHINGTON—A series of videos explaining underground storage tank modifications that companies need to make by 1998 is available from two non-profit organizations working with the Environmental Protection Agency.

The videos cover issues such as installation of tanks and steel and fiberglass pipes, leak detection, contamination and site assessment. All tanks installed before December 1988 must be upgraded by December 1998.

The Bethesda, Md.-based Environmental Media Center and Boston-based New England Interstate Water Pollution Control Commission created the videos, some of which were taped in cooperation with major trade groups.

The price of the tapes range fr $25 to $75, and accompanying lets cost $5 each.

For information, call the mental Media Center at 0362 or the Pollution C mission at 207-767-253

Global claims management brought down to earth

You are a major international business. You operate worldwide. Your pace of change and systems integration is accelerating. You need a claims management partner who can run with you now.

Operating from over three hundred offices worldwide, McLarens Toplis offers a global solution to claims management. We back a strategic partnership approach with:

- the technical flexibility to integrate with your systems
- the resources to meet your requirements
- a proven track-record that speaks for itself

For a single standard of claims management, globally, talk to us now.

Richard E. Gray
McLarens Toplis
5901-B Peachtree Dunwoody Road, Suite 300,
Atlanta, GA 30328.
Tel: (770) 396 3030. Toll Free: 800 346 7471.
Fax: (770) 396 3536.

Alex M. Gargolinski
McLarens Toplis
Ibex House, Minories, London EC3N 1DY.
Tel: (0171) 481 3399. Fax: (0171) 481 3554.

World Wide Web:
http://www.MCLARENSTOPLIS.COM

McLARENS TOPLIS

GLOBAL CLAIMS MANAGEMENT

Watching out for risks in arbitration

By Irene E. Ziebarth

Arbitration has many advantages over conventional litigation, but significant risks still are involved.

Asking the right questions can go a long way toward minimizing those risks.

Understanding arbitration as a form of alternative dispute resolution helps one become an aggressive participant in arbitration procedures. Arbitration is the most common and widely recognized form of ADR, which is any format for resolving disputes without a trial.

Other forms include mediation and voluntary and mandatory settlement conferences. Arbitration can be court-ordered or consensual, binding or non-binding.

Like a trial judge, an arbitrator has the power to make a decision binding upon the parties. Mediators and voluntary and mandatory settlement conference judges do not have that power. They only can help the parties fashion their own settlement.

Federal law affects every interstate arbitration, but the Federal Arbitration Act does not apply where parties have agreed to arbitrate in accordance with state law.

The Uniform Arbitration Act is a model law adopted in substantially the same form by 30 states. California is the site of more than 30% of commercial arbitrations, followed by New York, Texas, Florida, and Illinois.

While federal and state arbitration statutes generally have only minor variations, the controlling statutes should be determined by a legal professional.

Renewed Supreme Court interest in arbitration probably reflects an enormous increase in the number of cases arbitrated.

Arbitration has long been favored as a fast, efficient and economical way to resolve disputes and the courts give great deference to arbitrators.

As early as 1852, at least one state high court, the California Supreme Court, recognized that arbitrators are not bound to make awards based on the law but may decide cases on principles of equity and good conscience, and make their award according to what is just and good.

In December 1994, that same court expanded arbitrators' powers by its ruling in *Advanced Micro Devices Inc. vs. Intel Corp.*

In *Intel*, the court held that in the absence of more specific restrictions in the arbitration agreement, the submission documents or the rules of arbitration, the remedy an arbitrator fashions does not exceed the arbitrator's powers if it bears a rational relationship to the underlying contract as interpreted, expressly or by implication, by the arbitrator.

The importance of the *Intel* ruling is twofold:

- The grounds for vacating or correcting an award are even more limited than before.
- The remedy that an arbitrator may fashion in a particular case may not be a remedy contemplated by the parties in their underlying agreement.

In 1960, the U.S. Supreme Court upheld an arbitration provision in a collective bargaining agreement. The court acknowledged that arbitration fills a need for flexibility in a wide variety of situations by providing an arbitrator who can bring informed judgment to bear in reaching a fair solution.

In the 1994-1995 term, the high court heard arguments in four separate cases stemming from arbitration disputes under the Federal Arbitration Act. The court held that:

- State courts must enforce arbitration agreements that involve interstate commerce (*Allied-Bruce Terminix Cos. Inc. vs. Dobson*).
- A foreign arbitration clause in a bill of lading—the document that serves as evidence of receipt of goods for shipment—is enforceable (*Vimar Seguros y Reaseguros S.A. vs. M/V Sky Reefer*).
- An issue that is subject to arbitration is reviewable by the courts, which should apply ordinary standards (*First Options of Chicago Inc. vs. Kaplan*).
- Finally, and perhaps most importantly, punitive damages may be awarded as within the scope of a particular contract (*Mastrobuono vs. Shearson Lehman Hutton Inc.*).

It is likely that the court's renewed interest in arbitration follows an enormous increase in the number of cases arbitrated. In 1994, the American Arbitration Assn. reported a 60% increase, to 64,000, in the number of cases filed for arbitration.

Most important determination that the parties will make: Will the process be binding?

Understanding the game

The first question to ask when faced with arbitration is "What kind is it?"

There are two kinds of arbitration: judicial and contractual.

Usually, if the parties have met by chance, such as in an automobile accident or slip and fall, it is judicial arbitration. If the parties knew each other before the arbitration, as business partners, for example, or buyers and sellers, there is a good chance it is contractual arbitration.

The question is important because most often judicial arbitration is not binding and contractual arbitration is binding. The most important single determination to make is whether the proceeding will be binding.

Here is a key to some terms and concepts that should be understood before attempting arbitration:

✓ Judicial arbitration. Judicial arbitration is not binding unless the parties agree otherwise. There are generally four ways for a case to get on the judicial arbitration hearing list.

- Under judicial arbitration statutes, a case otherwise subject to trial may be ordered to arbitration by the trial judge after evaluating information provided to the court by the plaintiff's attorney.
- The parties to the lawsuit may agree or stipulate to arbitration by filing a document with the court confirming their agreement. As part of their stipulation they may also agree that the arbitration shall be binding, which arbitrator they would like to hear the case and more sophisticated matters.
- The plaintiff may elect arbitration by filing a document called Plaintiff's Election to Arbitration with the court. Importantly, this election of arbitration may limit the plaintiff's recovery to a specified dollar amount.
- The judge may order the case to arbitration during a status conference with the parties.

✓ Contractual arbitration. Contractual arbitration is almost always binding. It may be non-binding if the parties so agree in the contract that sets forth the arbitration requirement.

The terms of a contractual arbitration provision in a contract are only limited by the parties' imaginations. They may agree that the arbitration will be binding or non-binding, that a particular person will act as arbitrator, the length of the hearing—for example, one hour, one day, one year—the number of witnesses, the length of briefs that may be filed, the location of the arbitration and the legal issues to be determined.

Contractual arbitration may be conducted by a sitting judge, a retired judge or any other person in whom the parties have confidence. The parties usually want the arbitrator to have knowledge of the practice area of the dispute, be it securities fraud, construction defects or an automobile accident.

Private companies such as the American Arbitration Assn. and Judicial Arbitration & Mediation Services Inc./Endispute have their own procedural rules. For a fee, these companies also provide facilities and arbitrators.

Parties to contractual arbitration may decide to use only the rules of a particular company but use their own arbitrator, or they may agree to use the particular company for all purposes.

✓ The arbitrator. The selection of an arbitrator in contractual arbitration is limited by the arbitration agreement.

Judicial arbitrations are subject to the rules of the individual court. In some states or counties, the court arbitration administrator picks at random three to five "volunteers" who make up the list of arbitrators. The parties then have 10 days to research the background of the proposed arbitrator and reject one of them.

The terms of the arbitration provision in a contract are limited only by the imaginations of the parties.

The court arbitration administrator then appoints the arbitrator who has not been rejected by the parties.

In other venues, the parties may have 10 days to agree upon an arbitrator from the court's list. If the parties cannot agree, then the court clerk randomly selects an arbitrator from the list.

The arbitrator sets the time, date and place for the arbitration and gives notice.

✓ Procedures. Once the case is set for arbitration, the parties may exchange by mail documentary evidence they intend to use at the hearing. One party may also demand that the other party produce witnesses. Briefing of the case may be required or requested by the individual arbitrator. Parties may submit briefs even if they are not requested, and this is strongly recommended. A brief puts the best light on a party's position. It is usually submitted one to seven days before the hearing.

The hearing itself is usually held at the arbitrator's office. The hearing may be informal and as short as 15 minutes, or be a more formal mini-trial that lasts several days or longer. In the latter case, the judge will read the parties' briefs, the attorneys will make opening statements, each side will present and examine witnesses, and the attorneys will make closing arguments.

Whether it takes a few minutes or several days, it must be completed within 35 to 90 days from the assignment of the case to the arbitrator. After the hearing, the arbitrator will file the award with the clerk of the court with proof of service on all the parties.

In California, any party may request a new trial within 30 days after an award is filed. If the losing party proceeds, the case will be tried as if the arbitration did not occur. If neither party challenges the award or requests a new trial, 30 days after the award the clerk will enter the award as a judgment and mail notice that it has been entered.

On certain limited grounds, including arbitrator misconduct, a party may move for correction or vacation of the award.

Understanding the process and knowing whether a particular arbitration is binding are important factors in the risk analysis process. BI

Irene E. Ziebarth is of counsel in the Irvine, Calif., office of Sedgwick, Detert, Moran & Arnold and an arbitrator with the American Arbitration Assn.

ENROLL IN 3 NEW COURSES

SECURE
your future

EARN
prestigious designations and CEUs

MANAGED CARE
DISABILITY INCOME
HEALTH CARE FRAUD

CALL: 1-800-509-HIAA
FAX: 202-824-1800

HIAA

COME TO HIAA's INSURANCE FORUM
APRIL 28-30, 1996 IN WASHINGTON, DC!
CALL OR FAX NOW FOR A REGISTRATION FORM.

Datebook

APRIL

APRIL 21-26. The 34th Annual Risk & Insurance Management Society Inc. conference in Toronto, sponsored by RIMS; full-week: $845 for RIMS members; $945 for non-members. Risk & Insurance Management Society Conference Department, 655 Third Ave., New York, N.Y. 10017-5637; 212-286-9292.

APRIL 22. The Benefit Communication Institute in Williamsburg, Va., sponsored by the International Foundation of Employee Benefit Plans; $685 for members, $775 for non-members. IFEBS, P.O. Box 69, Brockfield, Wis. 53008-0069; 414-786-6710, ext. 257.

APRIL 23. Evaluating and Controlling Lead-Based Paint Hazards program in Elmhurst, Ill., sponsored by The CPCU Society; $80 for CPCU members, $90 for non-members. The CPCU Society, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355-0709; 800-932-CPCU.

APRIL 23. 401(k) Plans From A to Z workshop in Fort Lauderdale, Fla., sponsored by Corbel. $235. **Also April 25** in Orlando, **May 21** in Philadelphia, **May 23** in Syracuse, N.Y. Education Services, Corbel, P.O. Box 47720, Jacksonville, Fla. 800-326-7235.

APRIL 23-24. The Flexible Benefits Course in Brookfield, Wis., sponsored by the International Foundation of Employee Benefit Plans; $510 for members, $570 for non-members; Registrations Department, IFEBS, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6710, ext. 257.

APRIL 23-25. The Fundamentals of Purchasing Reinsurance Seminar in Dallas, sponsored by the Reinsurance Management Institute at the University of Dallas; $595. Reinsurance Management Institute, University of Dallas Station, 1845 E. Northgate Drive, Irving, Texas 75062-4799; 214-721-5360.

APRIL 23-26. Implementing Job Modification in a Comprehensive Work Injury Management Program in Kansas City, Mo., sponsored by Advantage Health Systems Inc.; $500. Advantage Health Systems, 920 Main St., Suite 700, Kansas City, Mo. 64105; 800-279-0491.

APRIL 24. Securities Litigation Loss Prevention seminar in Chicago, sponsored by PRMS Inc.; no charge. PRMS Inc. 3401 Enterprise Parkway, Suite 430, Beachwood, Ohio 44122; 216-766-5416.

APRIL 24. 1996 One-Day 401(k) Program in Indianapolis, sponsored by Pension Publications of Denver Inc.; $225. Pension Publications of Denver Inc., P.O. Box 24127, Denver, Colo. 80244; 303-759-1004.

APRIL 24-25. Administering an Employer's Workers' Compensation Program seminar in East Lansing, Mich., sponsored by Ed Welch on Workers' Compensation; $545. **Also April 25-26** in Portland, Ore.; **May 2-3** in San Francisco; **May 7-8** in Minneapolis. Michigan State University's Human Resources Education and Training Center, 4990 Northwind Drive, Suite 230, East Lansing, Mich. 48823; 517-355-9591.

APRIL 24-26. Worksite Marketing: Mass Marketing Insurance Institute 1996 Annual Meeting in Orlando, Fla., sponsored by Mass Marketing Insurance Institute; $300. MMII Headquarters, 3101 Broadway, Suite 585, Kansas City, Mo. 64111; 816-561-1920.

APRIL 26. Ocean Cargo Insurance workshop in New York, sponsored by the College of Insurance; $95. The College of Insurance Center for Professional Education; 101 Murray St., Room 426, New York, N.Y. 10007; 212-815-9201.

APRIL 26. Inland Marine Insurance workshop in New York, sponsored by the College of Insurance; $95. The College of Insurance Center for Professional Education; 101 Murray St., Room 426, New York, N.Y. 10007; 212-815-9201.

APRIL 28-MAY 1. The National Managed Health Care Congress in Washington, sponsored by Washington Business Group of Health, Temple University School of Medicine, Jefferson Medical College, Massachusetts College of Pharmacy and Allied Health Sciences and Philadelphia College of Pharmacy and Science; $1,395. 70 Blanchard Road, Suite 400, Burlington, Mass. 01803, 617-270-6004.

APRIL 29. The Second Annual Educational Outreach Program in Association with the U.S. Department of Labor in Atlanta, sponsored by the International Foundation of Employee Benefit Plans; $125. **Also April 30** in Greensboro, N.C. **May 29** in Seattle, **May 30** in San Francisco, **May 31** in Los Angeles, **June 3** in Kansas City, **June 5** in St. Paul, Minn. **June 6** in Chicago. IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6710.

APRIL 29-MAY 3. The Fundamentals of Global Employee Benefits Management conference in Brookfield, Wis., sponsored by the International Foundation of Employee Benefit Plans; $1,175 for members, $1,325 for non-members. Registrations Department, IFEBS, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6710, ext. 257.

APRIL 29-30. Managed Dental Care '96 conference in Litchfield Park, Ariz., sponsored by Infoline; $895 for employee benefit managers, $1,195 for others. IBC USA Conferences Inc., 225 Turnpike Road, Southborough, Mass. 01772-1749;508-481-6400.

APRIL 30. ICPAF Annual Reinsurance Conference in Chicago, sponsored by the Illinois CPA Foundation; $125 for members, $165 for non-members. ICPAF, 222 S. Riverside Plaza, Suite 1600, Chicago, Ill. 60606; 312-923-0393.

MAY

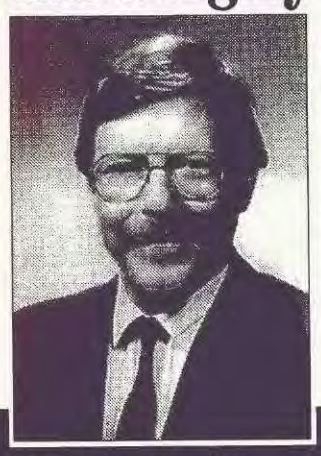
MAY 1. Illinois Assn. of Health Maintenance Organizations Annual Spring Symposium in Oakbrook Terrace, Ill., sponsored by IAHMO; $165 for members, $215 for non-members. IAHMO, 500 N. Dearborn, Suite 1128, Chicago, Ill. 60610; 312-321-6124.

MAY 1-2. Emergency Response Planning seminar in Phoenix, sponsored by Factory Mutual Engineering and Research; $495. **Also June 6-7** in Norwood, Mass. FME&R, 1151 Boston-Providence Turnpike, P.O. Box 9102, Norwood, Mass. 02062; 617-255-4606.

MAY 2-3. Value in Purchasing Bene-

Continued on next page

"SB&T Captive Management has a highly capable, personable staff. They're easy to get along with and always accessible."



Rich McCarthy
President, Title Reinsurance Company, Washington DC
Executive VP & Treasurer, Title Industry Assurance Company

"We've been working with SB&T Captive since 1987, when they were called HANNA insurance, and the captive industry was just getting started in Vermont.

"The working relationship we have with SB&T isn't available anywhere else. We are not a number. The staff is always happy to accommodate us. They even customize financials the way we want them, wherever practical. SB&T's president interacts well with our Board of Directors. And SB&T has excellent relationships with the regulators.

"A few years ago we thought about re-domesticating our reinsurance company, but we just felt too comfortable with Vermont and with SB&T Captive."

SB&T Captive Management is Vermont's foremost independent captive management company. Our account list includes risk retention groups, industrial insured groups, associations and pure parent captives.
For more information call:

(802) 863-5774
An Affiliate of Smith, Bell & Thompson Inc.

SB&T
CAPTIVE MANAGEMENT COMPANY

© 1996 SB&T Captive Management Company, 102 South Winooski Avenue, P.O. Box 730, Burlington, Vermont 05402-0730.

Carvill

Reinsurance Intermediary

INDEPENDENCE
INTEGRITY
SERVICE

CONSISTENT PHILOSOPHY & PERFORMANCE
SINCE 1977

Atlanta Bermuda Chicago London Stamford

Datebook

Continued from previous page
fits conference in Washington, sponsored by Employers' Managed Health Care Assn.; $450 for member, $550 for non-members. MHCA, Attn. Sheila Reilly, 1401 Eye Street N.W., Suite 900, Washington D.C., 20005; 202-218-4121.

MAY 5-7. The 20th Annual Educational Conference of the Aviation Insurance Assn. in Colorado Springs, Col., sponsored by AIA; $350 for members, $575 for non-members. John P. Donica, AIA, P.O. Box 2966, Redmond, Wash. 98073; 206-869-9522.

MAY 5-8. The Financial Inforum in Tucson, Ariz., sponsored by LOMA; $895 for members, $1,195 for non-members. LOMA, Meeting Department, 2300 Windy Ridge Parkway, Suite 600, Atlanta, Ga. 30339-8443. 770-951-1770 ext. 692.

MAY 5-10. The Third Annual Executive Forum for Strategic Benefits Management in Philadelphia, sponsored by International Society of Certified Employee Benefit Specialists and the Wharton School of University of Pennsylvania; $4,075 for ISCEBS members, $4,550 for non-members. Executive Forum, ISCEBS, P.O. Box 209, Brookfield, Wis. 53008-02029; 414-786-8771.

MAY 6-7. The Insurance Data Management Assn. Technology seminar in New York, sponsored by IDMA; $550 non-members, $450 individual member, $350 corporate member, $300 multiple corporate members. Richard L. Penberthy, IDMA, 85 John St., New York, N.Y. 10038; 212-669-0496.

MAY 6-10. Program for Implementation Strategies in Managed Care course in Boston, sponsored by Harvard School of Public Health; $1,995. Harvard School of Public Health, Office of Continuing Professional Education, 677 Huntington Ave., LL-23, Dept. B, Boston, Mass. 02115-6023; 617-432-1171.

MAY 7-9. Early Intervention Program for Cumulative Trauma Disorders in Kansas City, Mo., sponsored by Advantage Health Systems Inc.; $375. Advantage Health Systems, 920 Main St., Suite 700, Kansas City, Mo. 64105; 800-279-0491.

MAY 8-9. 401(k) Course in Brookfield, Wis., sponsored by International Foundation of Employee Benefit Plans; $510 for members, $570 for non-members. **Also Sept. 25-26.** IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6710, ext. 8257.

MAY 8-10. Pension Basics Seminar in Indianapolis, sponsored by Corbel; $595. Education Services, Corbel, P.O. Box 47720, Jacksonville, Fla. 800-326-7235.

MAY 9-10. The Fundamentals of Risk Management course in Chicago, sponsored by Insurance School of Chicago; $110. Insurance School of Chicago, 175 W. Jackson Blvd., Suite 2200, Chicago, Ill. 60604; 312-427-2520.

MAY 9-10. Disaster Planning and Preparedness seminar in Milwaukee, sponsored by Factory Mutual Engineering and Research; $495. **Also May 20-21** in Minneapolis; **May 22-23** in Chicago; **July 23-24** in Toronto; **July 25-26** in Montreal; **Sept. 10-11** in Baltimore; **Sept. 12-13** in New York; **Dec. 3-4** in Norwood, Mass. FME&R's Insured Education, 1151 Boston-Providence Turnpike, P.O. Box 9102, Norwood, Mass. 02062; 617-255-4606.

MAY 9-11. The Public/Private Behavioral Healthcare Summit in Washington, sponsored by the Institute for Behavioral Healthcare and CentraLink; $695, 4370 Alpine Road, Suite 108, Portola Valley, Calif. 94028; 415-851-8411.

MAY 13-14. Health Care Antitrust Forum in Chicago, sponsored by Health Care Antitrust Forum; $750. Health Care Antitrust Forum, Address Program Director, 3 First National Plaza, Suite 1400, Chicago, Ill. 60602; 312-214-3299.

MAY 14-16. ABA Section of Litigation Insurance Coverage Litigation Annual Midyear Meeting Tucson, sponsored by the Insurance Coverage Litigation Committee; $300 for litigation section member, $325 for ABA, non-litigation members, $350 for non-ABA members. Allison Goldman, ABA Section of Litigation, 750 N. Lake Shore Drive, Chicago, Ill. 60611; 312-988-6245.

MAY 22. The 1996 Harold H. Hines Jr. Memorial Symposium in Chicago, sponsored by Chicago and Northeastern Illinois chapters or Risk & Insurance Management Society Inc., the Insurance School of Chicago and *Business Insurance* free for invited guests. The Insurance School of Chicago 175 W. Jackson Blvd., Suite 2200, Chicago, Ill. 60604 312-427-2550.

•

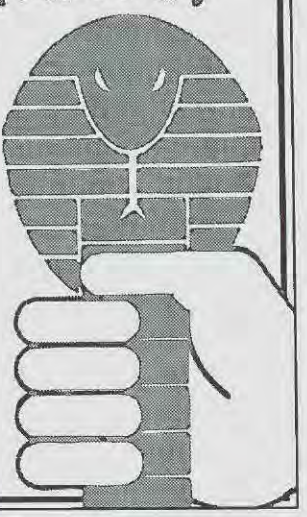
The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Please include the cost, if any, to attend the meeting and information on registration for interested readers. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.

Travis COBRA *for Windows!*

JOINS CORPORATE COBRA MANAGER FOR DOS

To meet the up-to-date administration requirements of Cobra, the various state benefit continuation requirements as well as FMLA administration.

All with the automatic generation of letters and notices, premium billing, report capabilities and ease of use you've come to expect from Travis. Still economically priced, in single- or multi-employer versions, and can be bundled with our **Retiree Billing** or **TravisFlex** systems.

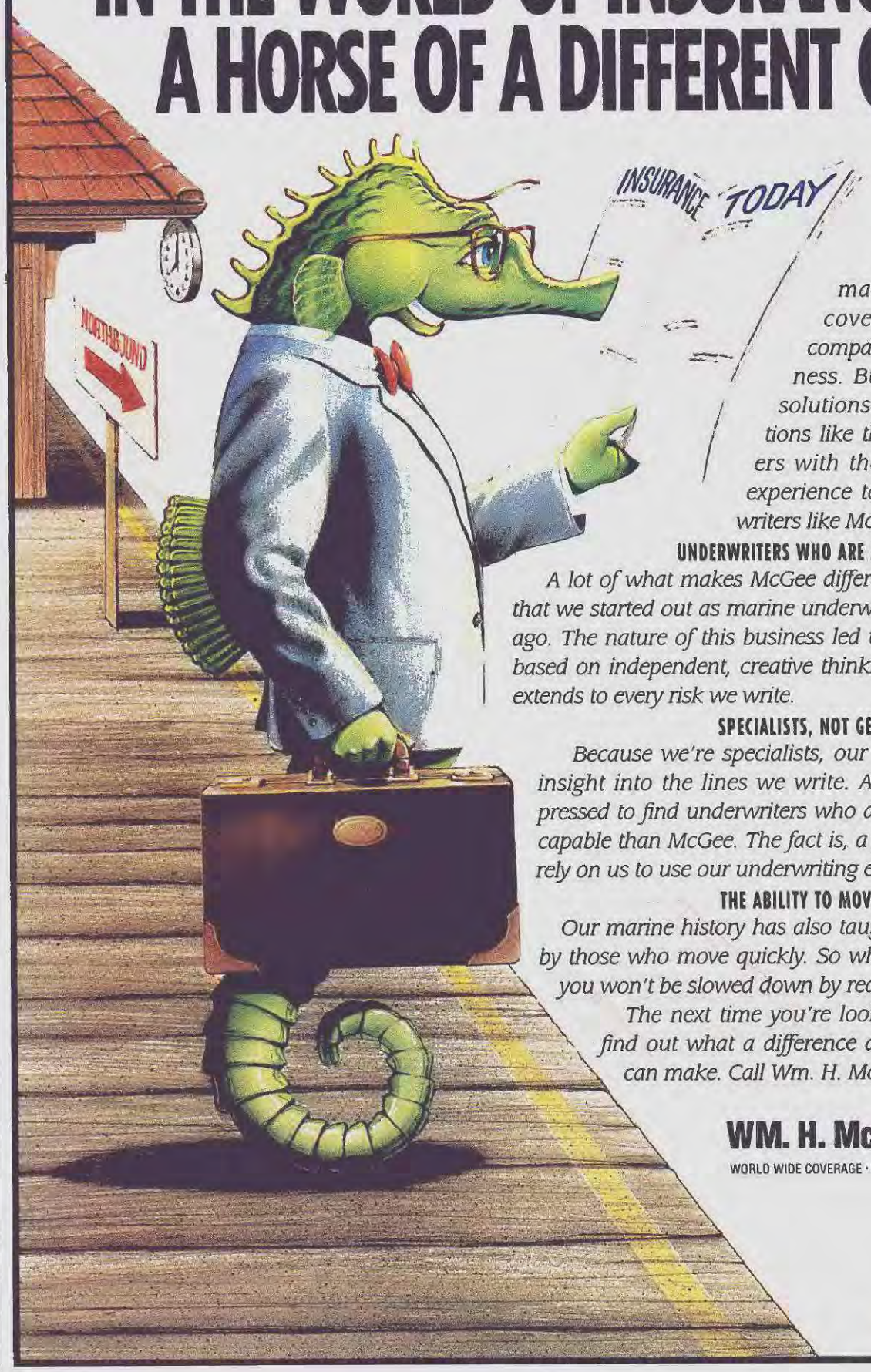


800-521-5409

Travis Software Corp. Houston, Texas
Also visit our Internet site at: **http://www.travisoft.com**
Call Today for a **Free Demonstration System**

Purchased by over 3,000 users nationwide!
Runs under Windows 3.1 or '95

IN THE WORLD OF INSURANCE, WE'RE A HORSE OF A DIFFERENT COLOR.



When it comes to inland marine and ocean marine coverages, there are lots of companies who'll take your business. But sometimes the "usual" solutions aren't enough. In situations like these, you need underwriters with the flexibility and with the experience to think creatively. Underwriters like McGee.

UNDERWRITERS WHO ARE A BREED APART

A lot of what makes McGee different has to do with the fact that we started out as marine underwriters more than 100 years ago. The nature of this business led us to develop a philosophy based on independent, creative thinking. Today, this philosophy extends to every risk we write.

SPECIALISTS, NOT GENERALISTS

Because we're specialists, our underwriters have unique insight into the lines we write. As a result you'll be hard-pressed to find underwriters who are more knowledgeable or capable than McGee. The fact is, a pool of prominent insurers rely on us to use our underwriting experience on their behalf.

THE ABILITY TO MOVE QUICKLY

Our marine history has also taught us that the race is won by those who move quickly. So when you work with McGee, you won't be slowed down by red tape.

The next time you're looking for a fresh approach, find out what a difference a horse of a different color can make. Call Wm. H. McGee.

WM. H. McGEE & CO., INC. ®
WORLD WIDE COVERAGE · UNDERWRITING MANAGERS SINCE 1887

CORPORATE HEADQUARTERS
FOUR WORLD TRADE CENTER
NEW YORK, NY 10048
1-800-235-6029
OFFICES IN THE US AND CANADA
CORRESPONDENTS THROUGHOUT THE WORLD

Doing your homework

Managing risks of telecommuting calls for planning

By MEG FLETCHER

ORLANDO, Fla.—Managing the risks associated with telecommuting workers requires employers to plan ahead but stay flexible, experts say.

Issues such as new workplace hazards, ergonomics, fraud, third-party liabilities and productivity all can come into play in this new working arrangement, they say.

Currently, 8.1 million U.S. workers can be considered full-fledged telecommuters because they are regularly linked to their corporations through modems, said M. Jane Anderson, director of the Midwest Institute for Telecommuting Education in Minneapolis.

An additional 5.5 million workers use personal computers intermittently to work at home or on the road, she added.

The numbers are expected to grow in the future as more companies restructure their workforce to increase productivity and accommodate both employers' and workers' needs, she said, especially under the Family Medical Leave Act and Americans with Disabilities Act, which require flexibility and accommodation on the part of employers.

Ms. Anderson moderated a panel on "Workers Compensation and the Virtual Office" during the National Council on Compensation Insurance's annual symposium in Orlando earlier this month.

"To date, there has not been that much of a drastic difference" in the frequency or severity of workers comp claims between office-based workers and those that are home-based, said Denise Rowe, a senior manager with Ernst & Young L.L.P. in Atlanta.

The key issue that will arise with claims from home-based employees will be whether he or she was doing the job when injured, she said.

Also, "there is nothing to say that there will be more fraudulent claims" than from employees in the traditional workplace, said Patricia K. Oakes, an attorney with Faegre & Benson in Minneapolis.

If a worker is going to be involved in a fraudulent claim, he will do it, regardless of where he or she is working, agreed Kenneth P. Bergstrom, corporate risk management officer with The St. Paul Cos. Inc. in St. Paul, Minn.

The insurer currently has between 200 and 250 telecommuters—including employees in loss control, claims and marketing divisions—and plans to expand its use of them, he said.

However, while increased workers comp claims are not a big concern, employers should be aware of possible new liability exposures, Mr. Bergstrom warned. Third-party claims could be filed against the company by a customer or supplier injured while visiting the employee's home office, he explained.

St. Paul recommends that all telecommuting employees have "an incidental business endorsement" as part of their homeowners coverage to protect them from such claims if the corporation itself is dismissed from lawsuits involving the telecommuters, he said. Such an endorsement only costs $25 or $30 annually and Mr. Bergstrom recommends the employer pay for it so the telecommuter is protected.

Employers should be more concerned about establishing a good working relationship with telecommuters, and maintaining productivity, rather than focusing on potential claims, the panelists agreed.

The best way for employers to do this is by drafting a work agreement that considers several key telecommuting issues they advised. These include:

- Clearly stating that telecommuting is done at the will of the employer and is not an employee right—even for a disabled employee.
- Locating a telecommuter's home worksite in a quiet setting that is conducive to work and will help the telecommuter be productive.

As an illustration of potential problems, the panelists cited one employer that traced a decline in productivity by a medical transcriptionist working from home to the relocation of her worksite.

The transcriptionist had moved her office from a quiet bedroom to a family room, which entailed the distractions provided by a stereo and a teenager's telephone calls. The employer insisted she return to the quieter site, and she re-established a higher performance level.

- Establishing who provides and maintains equipment used by an employee. The most typical situation is having telecommuters use employer-owned equipment, such as computers and fax machines.

"Consistency is really important here. We don't want individuals working out of their homes to be second-class citizens," said St. Paul's Mr. Bergstrom.

Some companies even require that an ergonomic consultant assess the worksite and recommend ergonomically appropriate equipment.

Despite setting forth who owns the equipment, getting that equipment back—particularly when a telecommuter and employer part company on less than friendly terms—can be a problem, panelists agreed.

Though employers may consider extreme actions justified in some cases, Ms. Oakes, the Minneapolis attorney, cautioned employers against breaking and entering to reclaim equipment.

St. Paul writes off the equipment in the first year, Mr. Bergstrom said. In the long run, it is probably not cost effective to bring in an attorney to reclaim disputed equipment, unless an employer wants to make a point, he added.

- Agreeing upfront on a telecommuter's anticipated work hours.

While this is important, it also is necessary to remain flexible, the panelists agreed.

Flexibility is important because sometimes home-based telecommuting employees can keep a business operating when it might otherwise shut down. For example, four home-based workers kept a dispatching business operating for 32 hours during a Minnesota blizzard that made it impossible for office-based workers to commute, said Ms. Anderson of the telecommuting institute. BI

PBGC's 'most wanted' to remedy underfunding

WASHINGTON—Ravenswood Aluminum Co., which has had the dubious distinction of heading the Pension Benefit Guaranty Corp.'s list of sponsors of the most poorly funded pension plans, will add more than $100 million to its pension plans over the next four years as part of an agreement with the agency.

Under the agreement reached earlier this month, the Ravenswood, W.Va.-based aluminum producer this year will contribute $37.5 million to the plans—$20 million more than is legally required.

In each of the next three years, Ravenswood will contribute $20 million. About one-third of those payments will be above the required amount.

The PBGC projects that as a result of the additional contributions the Ravenswood plans will be about 75% funded within five years.

In 1994, the plans had assets of $44 million and liabilities of $144 million, for a funding ratio of 29%, the poorest on the PBGC Top 50 list of underfunded pension plans.

In return for the additional contributions, Glencore International A.G. of Switzerland was allowed to sell to the public a majority interest in subsidiary Century Aluminum Co., Ravenswood's corporate parent.

Glencore was the sole owner of Century Aluminum. The sale removes Glencore from future liability for Ravenswood's pension plan.

—By Jerry Geisel

HULL & MARINE LIABILITIES

◆ Supply Boats ◆ Crewboats ◆ Tugs & Tows
◆ Shipyards ◆ Ship Repairers ◆ Utility boats
◆ Dredges ◆ Barges ◆ Jack-up Barges
◆ Stevedores ◆ Wharfingers ◆ Property

CONTINENTAL UNDERWRITERS, LTD.

P.O. Box 2070, Covington, LA 70434
Covington: (504) 898-5300
New Orleans: (504) 581-7493
Fax: (504) 898-5324

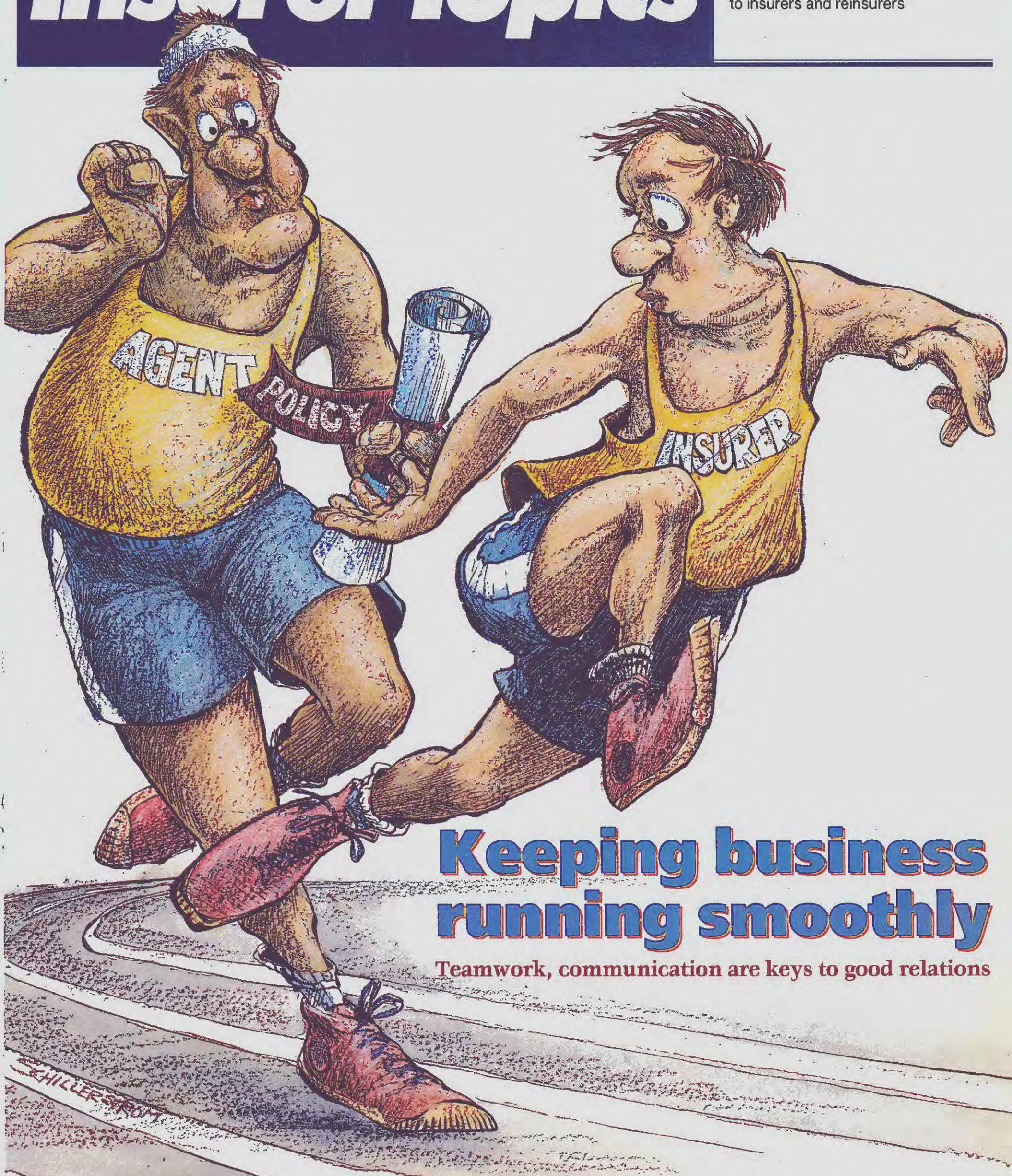
ADVERTISER INDEX

Issue of April 15

Advertiser	Page #
AIG/Claim Services	B. Cov.
AIG Corporate	Cov. T2,T2A-B,9
Am-Re Managers	T14
Anistics	27
AON Group	I. F. Cov.
AON Risk Services	27
Bell Atlantic	11REG
Burnham Systems	27
Business Insurance	11,23,23,T39
Guy Carpenter & Company	13
Carvill America, Inc.	20
CNA International	4
CompReview	T30
Continental Underwriters	22
Corporate Systems Corp.	T13
David Corporation	T20
ECS Underwriting Inc.	16
Empire Blue Cross/Blue Shield	11NY
Employers Reinsurance Corp.	T16-17
Executive Risk Mgmt. Assoc.	14-15
Fidelity & Deposit	T33
Fireman's Fund	T15
General Accident Insurance	T36
GENEX	T10
Gerling America	12
Health Management Technologies	27
HIAA/Health Ins. Assoc.	20
Industrial Risk Insurers	T19,26,30,37
Insurance Overload Systems	T36
Kemper National Insurance	T8-9
Liberty Mutual	T11,T31
Lindsey Morden	T25
Matrix Risk Consultants	28
Wm. H. McGee & Co., Inc.	21
McLarens-Toplis	18
Met Disability	6-7
R. E. Moulton Insurance Agency	24
MultiPlan Inc.	T19
NAC Reinsurance Corp.	I. B. Cov.
Protection Mutual Ins. Co.	T34-35
Reliance National	T21,T24,T42
Risk Engineering, Inc.	T33
Smith Bell & Thompson Inc.	20
State Comp. Ins. Found/CA	11CA
Sterling Administrative Svc.	T27
Strohl Systems	T18
Thomas Howell Group/Ward-THG	T29
Travelers Insurance Co.	T12
Travis Software	21
D. W. Van Dyke & Company	10
Vermont Dept. of Econ. Develop.	T7
Wausau Insurance Company	5
West Publishing Corporation	17
Zurich-American Corporate	T41

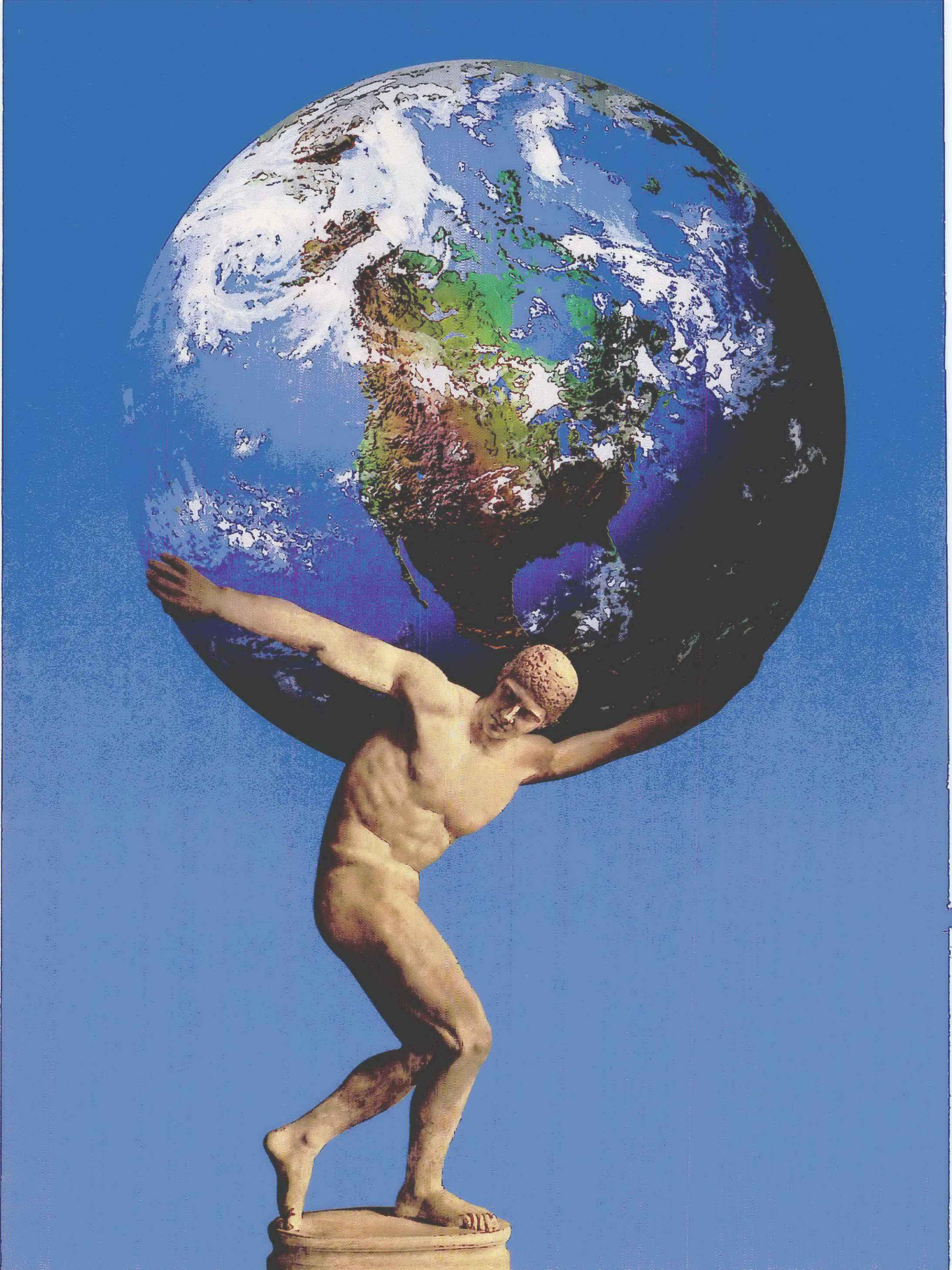
InsurerTopics

A special editorial section
sent exclusively
to insurers and reinsurers



Keeping business running smoothly

Teamwork, communication are keys to good relations



The Sheer Weight Of Today's Risk Can Crush A Lesser Reinsurer.

The true strength of a reinsurer cannot be measured in a single market.

The true measure is global strength where risk can be spread and experiences shared.

That's why Swiss Re America, as part of the worldwide Swiss Re Group, is the reinsurer you want to shoulder your risk.

No other reinsurer can match our diversification of risk, geographic distribution and breadth of product lines across a global book of business.

This provides us with an unequaled base of stability and expertise, both of which benefit our clients.

Swiss Re America.

Strong enough to bear the burden of risk.

Swiss Re America

SWISS REINSURANCE AMERICA CORPORATION 237 PARK AVENUE, NEW YORK, NY 10017 (800) 223-1919
ATLANTA BOSTON CHICAGO DALLAS NEW YORK PHILADELPHIA PHOENIX SAN FRANCISCO

Insurer Topics

Agents seen in insurer crystal ball

Despite likely change, agents will continue role in insurance picture

By REGIS COCCIA

Insurers and agents will conduct business differently in the future, but they will continue to work together closely, some market observers say.

As the industry's use of technology grows, customers continue to demand better service and banks enter the market, the insurance distribution system in the future will have a new look.

"Technology and joint planning will allow agents and (insurance) companies to form more customized relationships—and thus more profit," pointed out Jeff Yates, executive vp of the Independent Insurance Agents of America Inc. in Alexandria, Va.

Insurers "are going to grow one way or another, or they're going to find other distribution systems," Mr. Yates said.

"We will never get rid of the independent agent in any line of business, as far as I can see," said Rodger Lawson, president of the Schaumburg, Ill.-based Alliance of American Insurers. "There will always be segments of the market that want to deal with an agent because they add value. The question will be, 'How much am I willing to pay for that?' "

He predicts little change in the way insurers and agents now deal with each other over the next two years, but the longer term is unclear. The "big question mark" on the future of the distribution system is what role technology will play, he said.

"There will be continued pressure to hold down the cost of policy acquisition," and insurers are likely to put pressure on agents either to reduce commissions or cut costs, he said.

Ron Smith, president of Rochester, Ind.-based agency Smith Sawyer Smith Inc., and IIAA president-elect, predicts many insurers will experiment with new ways to sell their products but will continue to depend on independent agents.

"A blending of distribution systems" has taken place over the past few years, Mr. Smith said, adding that some insurers long known for their exclusive agency force now are working with independent agents.

Los Angeles-based Farmers Insurance Group, which sells its products mainly through about 15,000 exclusive agents, recently began using independent agents in underserved urban areas in California where the insurer doesn't currently have its own agents, a spokeswoman said. Farmers may expand this program to other states, she said.

"Everything we're doing now is committed to strengthening our agency force," which includes using computer technology to speed up policy processing and "family account marketing" to help agents sell more personal lines policies per household, the spokeswoman said.

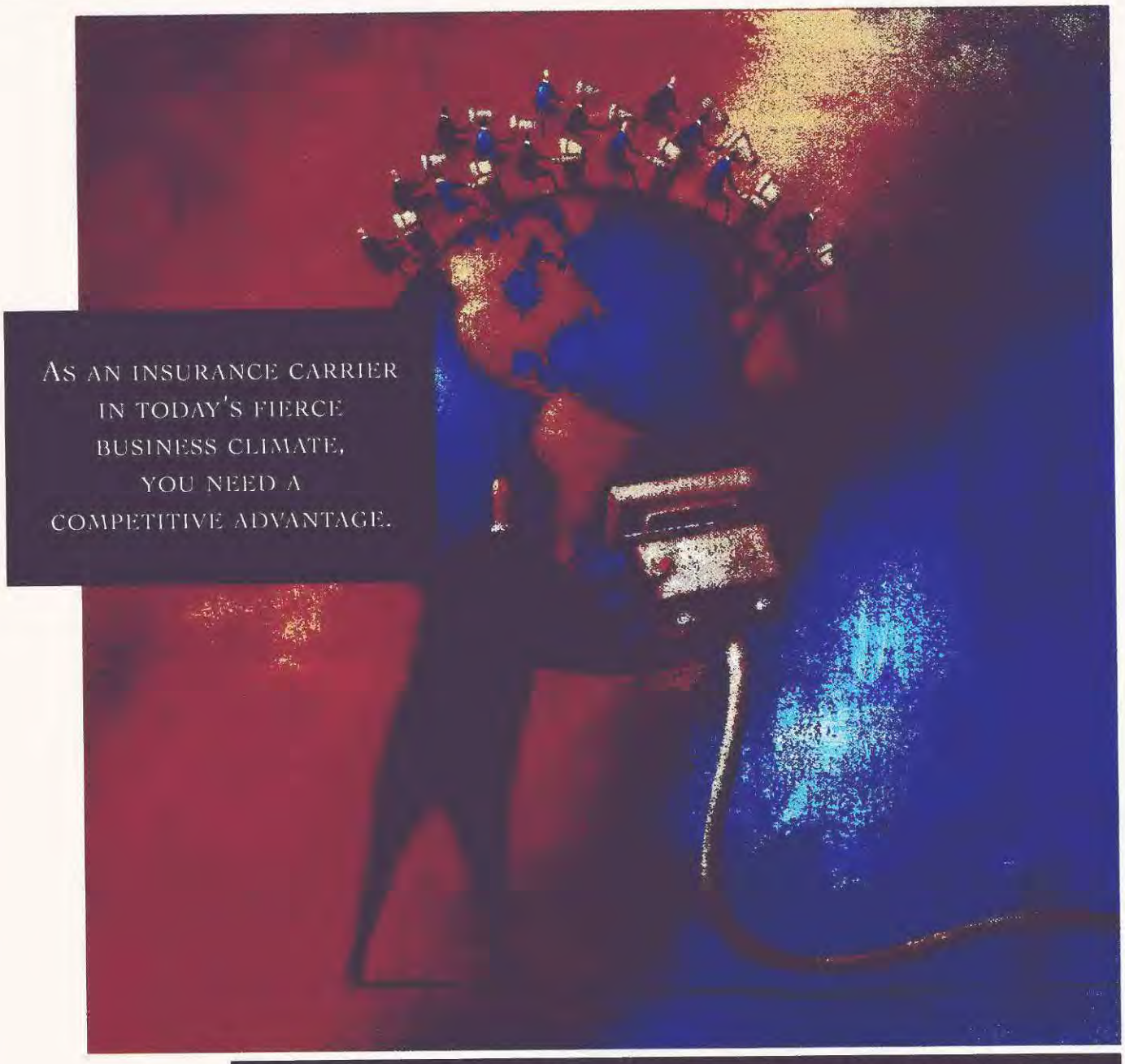
But, at Cincinnati Insurance Cos., "we have no other delivery system and are not contemplating any other delivery system. We don't spend 5 cents hedging our bet that the independent agency system will fail," said J. Frank Scherer, senior vp-sales and marketing at the Fairfield, Ohio-based insurer.

"Given the option, the public will choose to do business with somebody they can look at and explain insurance to them," according to Mr. Scherer. "We have every confidence in the world" that independent agents will continue to play a role in the industry.

The U.S. Supreme Court's decision late last month allowing national banks to sell insurance will add another facet to the insurance distribution system.

With the high court's ruling in

Continued on next page



PLUGGING INTO OVER $75 BILLION ISN'T A BAD PLACE TO START.

Delphi's agency management system clients write the majority of all Commercial Lines business in the Independent Property & Casualty Insurance Industry, and a significant portion of the Personal Lines volume. No other automation vendor comes close.

So what does that mean to your insurance company?

Enormous potential. Delphi can help deliver over $75 billion in annual premium volume right to your front door. (That's roughly 65% of all the premiums written in the industry.)

Our concept is simple. To provide a front-end, Point-of-Sale Distribution System that enables you and your agents to find, market, price, underwrite, sell, submit, issue and download policy information. And save you money in the process.

Delphi offers a selection of Point-of-Sale products and services in a variety of combinations designed to address your company's unique requirements.

RateSource™, for example, is a single-entry, company-specific rating system. Integrated with *Equifax's Information Services*, RateSource enables agents to easily access underwriting information, rate applicants, and electronically submit applications. It's a more accurate, streamlined operation that saves *real* dollars. Which is more than enough reason for agents to write business with your company. And not the competition.

Delphi delivers other comprehensive Point-of-Sale solutions as well. Like SaleSource™, a full Windows®-based, self-administered marketing and sales prospecting tool.

We also offer a variety of integration and interface solutions with Delphi's agency management systems for both download and upload. And to tie it all together, we provide specialized consulting services. All designed to help you sell more, and save money doing it.

To plug into the industry's leading Point-of-Sale solutions, call 1-800-4DELPHI, extension 325.

DELPHI INFORMATION SYSTEMS

EQUIFAX

DELIVERING SOLUTIONS FOR TODAY AND TOMORROW.

Windows is a registered trademark of Microsoft Corporation.

Continued from previous page

Barnett Bank of Marion County N.A. vs. Nelson, Florida Insurance Commissioner, "you're going to have an increase in banks' involvement," said Mr. Yates. But, "the long-term impact is uncertain at the current time."

The distribution system will start to involve banks, agreed Mr. Smith. "In my opinion, several insurers will contract with banks to sell insurance. And several banks will buy an established insurance agency," he said.

"What I think this means is agents are going to have to understand better what an insurance company wants," said Mr. Smith, who often visits the insurers with which his agency deals. "Almost without exception, (insurance) companies want more business."

The IIAA's Mr. Yates agreed. "Insurers' major concern is they want more growth from agents. They're pleased with profitability but want to see more growth."

As a result, agents will have to become better sales people. Agents in the future will need to market themselves more, Mr. Smith said. Generalist agents "have to sell it twice—to the customer and then sell it to the company."

Insurance companies "will expand the power of agents; they can't afford to have field representatives in every area," he said.

Companies also will rely more on their agents' expertise and hold them more accountable for profits, Mr. Smith said. He foresees a return to the days when an independent agent could talk to an insurer about specific accounts and why it should underwrite the business.

Agency/insurance company planning is an important area for agents, and the IIAA last year unveiled a tool to help its members focus on planning, said Mr. Yates.

"We're pushing effective joint agency/company planning, which has a lot of promise for relations," he said.

The planning tool, part of the IIAA's annual "Best Practices" study, is designed to help agents and insurers conduct more frequent meetings to find out how they can make their business relationship more productive, Mr. Yates said.

"As agents start to see with this the input agents have with companies, it will be increasingly popular," he said. "If this planning concept takes hold, (agents and insurers) will be working more closely in the future."

But, Ken Crerar, executive vp of the Council of Insurance Agents & Brokers in Washington, which represents mainly large, commercial lines-oriented agencies and brokerages, paints a different picture.

Agency/insurer relations will grow tense as industry consolidation, competition and the need to cut costs increases, he said. "The customer doesn't care how we deliver the product, they just want it delivered" quickly and accurately.

"The distribution system we see today is going to change very dramatically," he said. In middle-market commercial lines business, customers need the services of a broker. That's something customers value, he said.

In larger commercial markets, though, he foresees more direct transactions between underwriters and sophisticated buyers.

"If you please the customer, it benefits everybody"—the agent as well as the insurer, he said.

Although many insurers and agents are developing World Wide Web home pages and using computer technology, online sales are "down the road," Mr. Crerar said.

The proliferation of such technology is "an ominous sign" for agents, the Alliance's Mr. Lawson said.

"As time goes by and use of technology becomes prevalent, there's a reasonable chance it will provide greater competition for the independent agent," he said.

"If you're adding value to the transaction, you'll be in the game," Mr. Crerar said. BI

APIW takes a look back on 20 years of change

Networking helping women succeed in industry

By GAVIN SOUTER

The Assn. of Professional Insurance Women, like the industry professionals it represents, has changed significantly in the past 20 years.

Started in 1976 by four women in New York after a lunchtime discussion on women's contributions to the insurance industry, the APIW has grown into an organization with 180 members nationwide—and soon it may expand across the Atlantic.

Founded to help women to advance their careers in insurance through informal education and networking, the APIW also has established an awards system to recognize women in the insurance industry and to provide financial help to promising students.

The APIW, which celebrated its 20th anniversary recently at a dinner in New York, plans to utilize the Internet and other technological developments to expand its membership and its influence even further.

The success of the APIW and its members shows "networking works," Marsha A. Cohen, a past president of the APIW, told attendees at the anniversary dinner last month at the University Club in New York.

For example, in 1994, 93 of the then 124 APIW members held the office of vp or higher at their companies, said Ms. Cohen, who is the deputy director of state relations at the Reinsurance Assn. of America in Washington.

One of the APIW's main networking events is its monthly luncheon in New York at the City Midday Club. The luncheons feature speakers who address subjects that are affecting the insurance industry.

Over the years, luncheon speakers have included: Roxani Gillespie, the former insurance commissioner of California; Frank J. Tasco, former chairman of Marsh & McLennan Cos. Inc.; Maurice Greenberg, chairman of

See **APIW** *on next page*

GET THE BROKER PERSPECTIVE.

No matter how many options a direct reinsurer may offer, they still come from the same point of view. Their own. The broker's vision isn't limited to a single company's perspective. Brokers work with a wide range of reinsurers. They see more, have access to more alternatives and are in touch with the most innovative thinking in the business. So you benefit from a wider range of creative solutions, more flexibility and something even more important – someone who's on your side and free to use the right resources to meet your needs. Don't limit your perspective. Make sure you're seeing the best reinsurance solutions. Talk to a reinsurance broker.

BETTER REINSURANCE THROUGH BETTER VISION. BRMA
Brokers & Reinsurance Markets Association

BRMA IS AN ASSOCIATION COMPRISED OF LEADING REINSURANCE INTERMEDIARY AND UNDERWRITING FIRMS REPRESENTING A CHANNEL OF MORE THAN $8 BILLION IN REINSURANCE SURPLUS. FOR MORE INFORMATION, CALL 1-212-480-6200.

APIW

Continued from previous page

American International Group Inc.; and Dennis Chookaszian, chairman of CNA Insurance Cos.

And the organization itself has successfully networked. In its 20-year history, the APIW has become a member of the International Alliance of Professional & Business Women, was a founding member of the Insurance Council of New York, joined the College of Insurance Professional Advisory Board and each year hosts a joint luncheon with the CPCU Society.

While the APIW has maintained a base in New York, it established a network in Chicago in 1990 and another in San Francisco in 1993. Future networks, which are similar to chapters, are planned for Boston and London.

Since 1977, one of the main events on the APIW calendar has been the conferment of the Insurance Woman of the Year award.

The award recognizes leadership and professional achievement as well as prominence in the insurance industry.

Past recipients have included: Heidi E. Hutter, chairman of Swiss Re America Inc.; Cheri J. Hawkins, assistant treasurer and director of insurance at Weyerhaeuser Co.; and Myra L. Tobin, a managing director at Marsh & McLennan.

The APIW also awards scholarships to students studying actuarial science or risk management.

The longest-established one is the Lana James Scholarship, which usually goes to a student at The College of Insurance. Recently the Chicago network established a scholarship for students at Illinois State University's Katie Insurance School.

More informally, the APIW tries to help insurance students and young women who are new to the industry through its mentoring program. APIW members who are mentors help introduce the newcomers to senior people in the insurance industry. They also advise the mentorees.

Over the next 20 years, the APIW inevitably will undergo more change, said Paula J. Gould, first vp of the APIW and a vp at M&M in New York. "For the APIW to stay relevant, we need to be responsive to members and potential members," she said. Part of that response will include making better use of technology to communicate with members, Ms. Gould said.

Already the APIW has a World Wide Web home page at http://connectyou.com/ins/apiw.htm/.

This Web site will form a crucial role in recruiting new members and communicating with those members located outside the three U.S. network bases, said Patricia L. Saporito, president of APIW and president of Saporito Associates, a research and consulting company in New York.

Currently, the home page has basic information on APIW, but it will be developed to give a membership directory and be the center for online discussion groups among members, Ms. Saporito said.

In the future, the APIW also will strive to increase the prospects and profile of women working in insurance, such as finding board appointments for members, she said.

"We have a board placement program. Our members register with us and say they are interested in serving on a for-profit, non-profit or educational board and we contact executive recruitment firms and let them know who we have available," she said.

The APIW also has a speakers bureau so any organization that is looking for a speaker from the insurance industry can contact the bureau for suggestions, Ms. Saporito said. BI

And call PXRE, the reinsurance specialists in catastrophe business. Because we're seeing some of the same warning flags today that we saw in the Eighties. New, untested capacity surging onto the market. Complacency about peak exposures. Premium levels losing their connection with the logic of risk and reward. There's even a new twist for the Nineties: capital markets fashioning insurance derivatives.

Now, as then, we are putting our faith in balance. The belief that risks must be carefully weighed—not only on an historical basis but by understanding current conditions. That financial modeling is not a substitute for sound underwriting judgment. That rewards must be sufficient to deliver the best value over the long term.

And that, sometimes, there is business which should not be written. That's how PXRE Reinsurance ended the six worst years in the history of property catastrophe reinsurance business with six times the capital we started with.

If you're looking for an "A" rated reinsurer with program capacity in property, marine and aviation lines of up to $10 million, call PXRE. We respond to underwriting requests in an average of 48 hours and have a history of paying 90% of claims within 3 days. Ask for Michael Bleisnick (Domestic Treaty) or Gordon Forsyth (International Treaty) at our Edison, New Jersey headquarters, or Alain Tounquet in Brussels.

PXRE

PXRE Reinsurance Company
Property Catastrophe Reinsurers

USA: 1 (908) 906-8100 Fax: 1 (908) 906-9283
Europe: 32 (2) 231-13-55 Fax: 32 (2) 230-77-49
Member of BRMA (Brokers and Reinsurers Market Association)

Insurer Topics

ADVERTISER INDEX

Issue of April 15

ADVERTISER	PAGE #
BRMA	22E
BRMA	22G
Canon Micrographics	22D
Delphi Information Systems	22F
PXRE Reinsurance Company	22H
Swiss Re America	22B-C

Most Tourists Watch in Fascination as the SkyDome's Roof Retracts, Exposing its Stadium to the Open Air.

Only *BI's* Readers are Fascinated with its Exposure to Liability.

No one takes in the sights of Toronto in quite the same manner as *BI's* audience of risk and employee benefits managers, brokers, and insurance and reinsurance executives. While most tourists enjoy visiting such attractions as the CN Tower, Roy Thomson Hall and the SkyDome, our readers examine these landmarks with much closer scrutiny — searching for the property and liability risks.

Because of their dedication to their profession, many of *BI's* 155,000* readers will travel to Toronto this April for the annual meeting of the Risk and Insurance Management Society. Still others will remain at home looking for the most effective ways to protect their companies and clients from exposures and provide their workers with employee benefits. But no matter where they are, they will all be looking to *Business Insurance* for clear reporting, unobstructed views and the most comprehensive perspective of the issues discussed at the industry's biggest conference.

So while they're perusing our RIMS coverage, make sure these buyers of insurance, reinsurance, workers comp, employee benefits and health care services are also focused on the protective coverage and services you provide. Call to reserve space today. You won't want to risk missing any of these issues.

Capture their attention while they're focused on RIMS.

Hope to see you in BI soon!

RIMS PREVIEW ISSUE:
Publishing: April 15, Ad Closing: April 3

CAPTIVES/RISK MANAGER OF THE YEAR:
Publishing: April 22, Ad Closing: April 10

RIMS REPORT:
EMPLOYEE BENEFITS & WORKERS COMP
Publishing: April 29, Ad Closing: April 17

RIMS REPORT:
RISK MANAGEMENT
Publishing: May 6, Ad Closing: April 24

Business Insurance®
Coverage Guaranteed

New York
[212] 210-0133
Fax: [212] 210-0704

Chicago
[312] 649-5276
Fax: [312] 649-7799

Los Angeles
[213] 651-3710
Fax: [213] 655-8157

*Includes pass-along readership

Taking health care system's pulse

Research group sets out to assess changes in health care nationwide

By ROBERT KAZEL

A Washington research group is planning to do a comprehensive study of 12 U.S. cities and conduct phone interviews with thousands of doctors and families throughout the country to discover how health care is changing, why it is changing, and which communities are leading the way or falling behind.

The Center for Studying Health System Change has awarded about $9 million in research and consulting contracts to research firms to begin its study, which is being funded for the first two years by an $18 million grant from the Robert Wood Johnson Foundation.

Researchers will soon begin a field study on 12 local health care systems. Among those to be interviewed will be employers and business coalitions, insurers, health plans, hospitals, physician organizations, state officials and advocacy groups.

The topics covered in the study will be wide-ranging, according to Paul B. Ginsburg, president of the center.

They will include organizational changes in hospitals, health plans, and physicians' practices and the forces causing the changes; changes in insurance and health care costs; and changes in quality, access to care and customer satisfaction.

For corporate benefit managers, the study findings may provide "a much better understanding of the products they're buying," Mr. Ginsburg said.

Metropolitan areas to be studied by phone in detail are Boston, Cleveland, Greenville, S.C., Indianapolis, Lansing, Mich., Little Rock, Ark., Miami, Newark, N.J., Orange County, Calif., Phoenix, Seattle and Syracuse, N.Y. Forty-eight other cities will be examined through mailed questionnaires.

Lewin-VHI Inc., a consulting firm based in Fairfax, Va., has been chosen to receive $1.7 million for visits to the 12 in-depth study sites. The Princeton, N.J.-based Gallup Organization Inc. also will get $1.6 million to conduct interviews with 12,600 randomly selected doctors in the 60 communities being studied. An affiliate of the center, Princeton, N.J.-based Mathematica Policy Research, will receive $5.5 million to survey 20,000 households about health insurance coverage, access to care and use of the health care system.

The Robert Wood Johnson Foundation also is funding a study to be conducted by the Hospital Research and Educational Trust, the research and education division of the Chicago-based American Hospital Assn., on physician-hospital arrangements. These are relationships in which physician groups sign managed care contracts to deliver services through capitation.

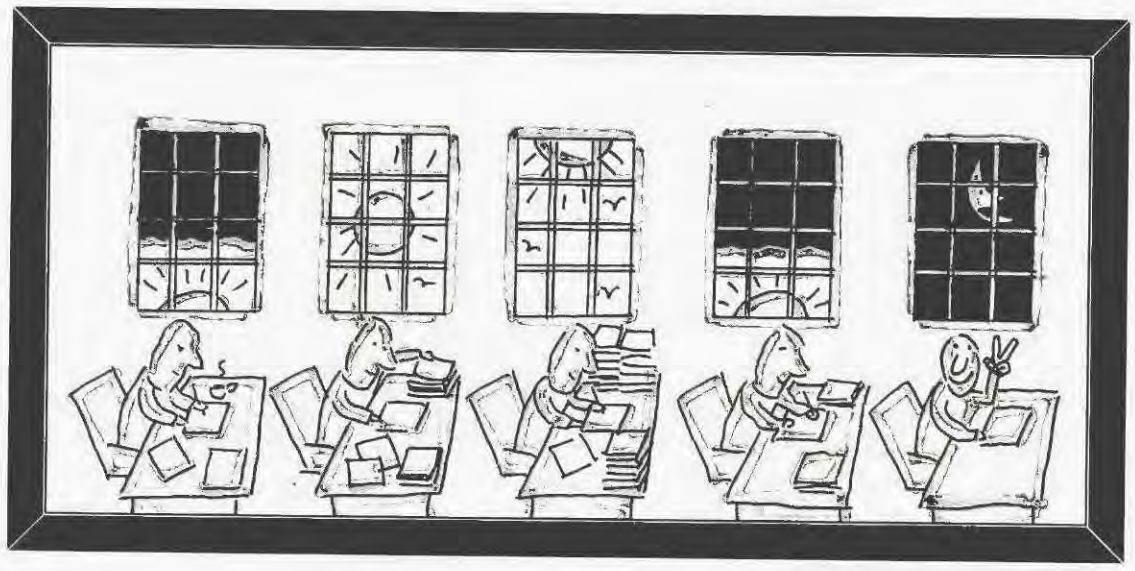
The $233,000 study will question if the recent increase in the number of PHOs means that the groups are meeting their goals, said Gloria Bazzoli, the trust's vp for research.

"Those legal entities are growing like crazy," she said. "We know what these organizations want to achieve, but we don't know what they have achieved in the market."

The study will look at the governance of the provider networks, capital acquisition, sharing of information, quality assurance and the management of financial risks under capitation.

Results of the health care study should be available by the end of 1997. BI

Never met a problem we didn't like.



In 1976, we co-founded the Stop-Loss industry.

We are still today one of its largest providers.

The many long-term relationships we've developed over the years are a matter of great pride to us — and there are reasons for that fact:

— We happen to love the business we're in, no problem is ever too basic, no problem ever too challenging;

— For us, every problem is special, every client is special; every product we create is 'customized' to the unique particulars of the problem in question;

— A problem well solved is often the reward of dogged persistence. To that end, all our offices are conveniently equipped with electric lights.

In our case it's really true that time flies when you're having fun.

R.E. Moulton, Inc.

50 Doaks Lane • Marblehead, MA 01945 • Corporate Headquarters: Tel (617) 631-1325
Fax (617) 631-2165 / Underwriting: Tel (617) 639-4055 • Fax (617) 631-2119

Business Insurance®

• EVENTS •

RISK MANAGER OF THE YEAR AND RISK MANAGEMENT HONOR ROLL AWARDS

These awards recognize individual accomplishments in the field of risk management. For nominating forms and rules, write or call:

BUSINESS INSURANCE
Editorial Department
740 N. Rush Street
Chicago, IL 60611-2590
phone: 312/649-5319
fax: 312/280-3174

EMPLOYEE BENEFITS COMMUNICATION AWARDS

The EBC awards honor employers for excellence in communicating benefits programs to their employees. Insurance companies and consulting firms also are recognized for their participation in the preparation of award-winning communication programs. For entry forms and rules, write or call:

BUSINESS INSURANCE
Communication Services
220 E. 42nd Street
New York, NY 10017-5806
phone: 212/210-0299
fax: 212/210-0704

WORKERS COMPENSATION CONFERENCE

Presented in conjunction with IBF Conferences, this event addresses the specific concerns of corporate executives managing workers comp programs and rehabilitation services. Sessions cover this rapidly changing environment and creative and innovative strategies to curb costs.

For details on registration or exhibition for any *BI* conference, write or call:

BUSINESS INSURANCE
Communication Services
220 E. 42nd Street
New York, NY 10017-5806
phone: 212/210-0299
fax: 212/210-0704

For more information, call one of the numbers listed below:

Advertising Information: 212/210-0228
Subscription Information: 800/678-9595

INTERNATIONAL

Captives cheer tax ruling

Captive premiums now tax deductible in Australia

By KATE TILLEY

SYDNEY, Australia—Australia's captive owners are welcoming a Federal Court of Australia decision clarifying that premiums paid to an offshore captive are fully tax-deductible as insurance premiums.

The decision means that the Canberra-based Australian Taxation Office must refund $7.4 million Australian ($5.8 million) to Sydney-based cigarette company W.D. & H.O. Wills (Australia) Ltd., which made the tax payment in June 1993. Wills is 67% owned by U.K.-based cigarette manufacturer B.A.T Industries P.L.C.

The ATO also must pay interest and Wills' court costs, the court ruled. The amount is yet to be determined. The tax authority has decided not to appeal the decision.

Suzanne Povey, manager-corporate affairs at Wills, said the ruling had implications for "numerous other Australian companies claiming tax deductions for insurance premiums paid to captives."

Kevin D. Mutch, immediate past president of the Assn. of Risk & Insurance Managers of Australasia and spokesman for the Captive Club, an informal network of Australia-based captive owners that are members of ARIMA, said he was uncertain how many captives would be affected by the ruling.

The decision "put the captive industry into high spirits," said Mr. Mutch, who is risk and insurance manager at Melbourne-based CRA Ltd. But he cautioned that the circumstances of the Wills captive, which was profitable and had no claims, were "not typically representative."

Until a restructuring in August 1989, Wills was owned by Amatil Ltd.—now Coca Cola Amatil Ltd.—which established a Singapore-based captive, Matila Insurance Pte. Ltd., on Oct. 7, 1986, to write Wills's tobacco product liability coverage.

The ATO refused to allow deductions for premiums Wills paid to the captive in the company's fiscal years ending Oct. 31 of 1986, 1987, 1988 and 1989. The amounts totaled $12.63 million Australian ($9.9 million at the current exchange rate).

The ATO argued the premiums were capital expenditures and that the company's main purpose in establishing a captive was to obtain a tax benefit. The tax office told Federal Court Judge Ronald Sackville that Wills wanted to establish a "capital fund to meet any claims by consumers of Wills' tobacco products."

The ATO also argued the risk was not reinsured, a circumstance that showed the payments were not insurance premiums because Wills had claimed access to reinsurers as a key reason for establishing the captive.

But, Wills argued in court that the risk was uninsurable in the primary or reinsurance markets, and the company's former insurer, Sydney-based QBE Insurance Ltd., and broker, Sedgwick Ltd., testified about futile efforts to obtain reinsurance coverage in the international markets.

Judge Sackville's 86-page decision, delivered last month, said that even though the premiums were high, they were reasonable for the coverage provided and the risk underwritten. The captive wrote product liability insurance for tobacco products health risks to a limit of $10 million Australian ($7.8 million), increasing in 1988 and 1989 to $15 million Australian ($11.8 million).

The court was told that QBE, while it was still writing the cover in 1983, had provided only a $5 million Australian ($3.9 million) limit, and had sought firstly a cancer exclusion, and then a broader exclusion to cover other diseases, including heart disease, which may occur as a result of using tobacco products sold, handled or distributed by Wills.

Wills had "resisted QBE's attempts to broaden the cancer exclusion," according to the court judgment, and was able to get it deleted for one policy period only when Wills' risk manager, Chris Mitchie, pointed out that a competitor in Australia had no exclusion in its policy.

But, Judge Sackville heard evidence that QBE had difficulties arranging reinsurance while the cancer coverage was in place.

That prompted Wills to consider a captive insurer. When QBE told Wills that the 1985 renewal only would be on the basis of all health risks being excluded, Wills' parent at the time, Amatil, decided to go ahead with forming a captive.

The captive was formed on Oct. 6, 1986, and wrote the product liability policy with a $10,000 Australian deductible for any claim. The coverage was renewed in each of the four years the captive was available to Wills, as a subsidiary of Amatil. There were no claims during that time. The court was told the premiums were based on information from Sedgwick that, while the cover was not available in the commercial market, if it were, it would attract a premium of 0.5% of gross sales.

The captive wrote the first year's cover on a rate of 0.4% of estimated revenues of $1.05 billion Australian ($823.8 million), so the premium was $4.2 million Australian ($3.3 million). It was a claims-made policy with an extended reporting period of 12 months.

Wills continued paying premiums on a similar rate for each of the four years the captive was on the risk.

Matila did not attempt to reinsure the health risks coverage, and evidence that reinsurance coverage was unavailable was presented in court.

In 1988, Wills asked Sedgwick to see whether any tobacco product liability cover was available in the international insurance market, allowing Matila to be a co-insurer, but no insurers would accept the risk.

Judge Sackville said though the captive made substantial profits, totaling $28 million Singapore ($19.9 million) over the four years, that was only because there were no claims. It did not mean the risk "was not of a very high order," he said.

In addition, Judge Sackville said Matila would have "considered reinsurance opportunities had they been available."

While Singapore's tax rate was lower than that of Australia, Judge Sackville said that was only one of the "clearly identified commercial advantages" of choosing that domicile.

Since the Australian government's introduction of the Foreign Controlled Corporations Law in 1991, tax rates of wholly owned overseas subsidiaries have been brought in line with those rates paid by onshore companies, ne-

See **Captives** *on page 27*

U.K. court issues stern warning on work safety

Worker is jailed for unsafely handling asbestos material

BRISTOL, England—A demolition worker is spending three months in jail after becoming the first in Britain to be imprisoned for breaking health and safety regulations at work.

The conviction should serve as a warning to employers and workers that a breach of U.K. safety regulations could result in jail time.

Roy Edwin Hill was convicted in January by Bristol Crown Court for breaching asbestos safety regulations during the demolition of a former engineering factory near Bristol.

Mr. Hill, who was self-employed, was unlicensed to carry out work involving the removal of asbestos and failed to take adequate precautions to ensure that others were not exposed to asbestos dust from pipe insulation and roofing sheets.

The criminal prosecution was brought by the Health and Safety Executive, a U.K. government-funded body responsible for ensuring workplace safety.

"This is the first time that a custodial sentence has been imposed and not suspended," a spokesman for the HSE said.

When a custodial sentence is suspended, the convicted defendant does not serve his jail sentence unless he commits a subsequent offense of a similar nature within a specified time.

Although the HSE prosecutes some 1,500 companies and individuals each year for breaching safety regulations under the Health and Safety in the Workplace Act 1974, there is a "very limited set of alleged offenses for which a custodial sentence is an option," the spokesman said, pointing out that most successful prosecutions result in fines.

However, the levels of fines that courts could impose for breaching safety regulations "were increased quite drastically" by the government several years ago, and the courts are now "using the increased penalties available to them," according to the HSE spokesman.

"Things are getting tougher for companies," he said, noting that fines awarded by the courts have increased substantially in the past year or so.

Meanwhile, this latest case shows that an employer or worker may well land in jail for a serious breach of safety regulations, he said.

—By Carolyn Aldred

Cunard facing wave of claims from cruise

By EDWIN UNSWORTH

LONDON—Sailing has become decidedly rough in recent years for the Cunard cruise ship line.

London-based Cunard Line, the luxury passenger ship division of Trafalgar House P.L.C., is bracing for a host of claims from 560 passengers whose round-the-world cruise abruptly ended this month when Cunard cruise ship Royal Viking Sun struck a coral reef in the Red Sea and began to take on water.

A company spokesman declined to put a value on the total cost of compensation but said passengers will be offered pro rata financial compensation for days lost on their 116-day world cruise and a credit for a 14-day Cunard cruise that can be used any time before December 1997. Cunard expects the cost of the compensation package to be met by its protection and indemnity insurers, The Steamship Mutual Underwriting Assn. Ltd.

The 37,845 gross metric ton, 674 foot long ship has hull coverage from underwriters in the London market, including syndicates at Lloyd's of London. Neither Cunard nor Lloyd's would give details of its hull coverage or say if it had filed a claim.

AP/WIDE WORLD

Cunard's Royal Viking Sun collided with a coral reef in the Red Sea.

The cause of the accident in calm conditions on April 4 is still being investigated. The Royal Viking Sun, built in 1988, is one of the most modern cruise ships afloat and, though it was in the area of a charted coral reef, its Norwegian captain was familiar with the territory. He had declined the navigational services of a pilot, an optional service in these waters, which places responsibility for the grounding solely on Cunard.

The cruise line also is waiting to hear if the Egyptian government will seek compensation, as it has said it might, for damage to the coral reef, which is a fragile ecosystem and a favorite spot for divers.

Cunard denied press reports that the Egyptians had demanded £16 million ($24.5 million) in compensation and that the vessel had been impounded. A Cunard spokesman said the company is in contact with high-level Egyptian government officials and no such demands had been made or actions taken.

Damage to the Royal Viking Sun is still being assessed, but Cunard said it expects to have the ship back in service in early June. This means cancellation of the remainder of the round-the-world cruise as well as two trans-Atlantic crossings.

The accident was the second in five weeks for Cunard. In February, a fire in the engine room of another of its passenger ships, the MV Sagafjord, left the vessel adrift with only emergency power for several days in the South China Sea. At least 100 of its 457 passengers were transferred directly to the Royal Viking Sun in Taiwan as part of their compensation package.

Even more embarrassing was a December 1994 mishap to Cunard's flagship, the Queen Elizabeth 2 (*BI*, Nov. 27, 1995; Jan. 23, 1995).

The QE2 set sail from Southampton, England, to New York on the first leg of a round-the world cruise even though the ship had an unfinished £30 million ($45.9 million) refit and some 400 workmen joined 2,000 passengers who had paid up to £29,000 ($44,370) each.

Passengers complained of unsafe and unsanitary traveling conditions during the journey, and the vessel suffered the indignity of being prevented from leaving New York after the U.S. Coast Guard determined the ship had breached fire safety regulations. This eventually cost Cunard £8.4 million ($12.8 million) in compensation to passengers. BI

The Professional Marketplace

RATES AND CLOSING TIME:

Rates: *Display classified is $153.00 per column inch, minimum of one inch. Straight classified is $13.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $22.00 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.*

Closing: *Published every Monday. Copy must be in typewritten form by 5:00 Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Most major credit cards accepted. Mail ads to, Cheryl Butler, Classified Advertising, 740 North Rush Street, Chicago, Illinois 60611. For more information call 312-649-5340 or FAX 312-649-7799.*

HELP WANTED

CUSTOMER SERVICE UNIT SUPERVISOR

Great American Insurance believes the future is today. And nothing demonstrates that belief better than our unyielding commitment to deliver excellent insurance products and services to our customers across the United States. Our Lender Services Division currently seeks a well organized Supervisor whose excellent leadership skills reflect the ability to effectively direct the daily work activities of 20 Customer Service Reps.

We would rely on your advanced interpersonal and motivational abilities to direct work flow and handle performance evaluations, transfers and terminations. Your strong personal computer skills, thorough technical knowledge of office automation systems, and advanced organizational and analytical skills are important considerations. Your credentials should include a Bachelor's degree or 5 years of work experience as a Supervisor or Manager in an insurance or service industry. We require Collateral Protection Insurance Tracking and Lease Tracking experience or a Property and Casualty/General Lines license.

In return for your expertise, we offer a competitive compensation package and the opportunity to join our talented and well-motivated team. For confidential consideration, please send your resume and salary history referencing this position to:

Human Resources, The Great American Insurance Companies, 580 Walnut Street, Suite 775, Cincinnati, OH 45202. An Equal Opportunity Employer. M/F/D/V.

GREAT AMERICAN INSURANCE COMPANIES
STRENGTH WITH INTEGRITY®

HELP WANTED

TOYOTA Insurance Professionals

Toyota Motor Insurance Services (TMIS) has several exceptional opportunities for experienced insurance professionals.

COMMERCIAL RISK MANAGERS

As a salaried licensed insurance agent, you will market the Toyota and Lexus dealer property and casualty insurance program through sales, service and support. This will include working closely with dealers to perform risk management/loss control consultation and evaluation, employment practices training and overall account management.

A Bachelor's degree in Business and at least 10 years' automotive or commercial insurance experience of which 4 years are in direct dealer account management are essential to meeting the challenges of this position. Outstanding communication and presentation skills are also critical, as are the interpersonal skills to build long-term relationships based on service and professional trust. PC proficiency is required.

REGULATORY AFFAIRS ADMINISTRATOR

You will support TMIS product groups by providing regulatory research and product development, obtaining form and rate approvals with state insurance departments, and implementing products and programs. Your responsibilities also will include monitoring regulatory issues that may impact TMIS and making recommendations to management, as well as working with public affairs and governmental agencies.

To qualify, you must have a Bachelor's degree in Political Science/Public Affairs or a related field and 7-10 years' related insurance experience. Excellent analytical and communication skills are essential. A law degree and/or lobbying experience is are preferred.

TMIS offers a competitive salary, outstanding benefits and a progressive working environment. For consideration, please send your resume with salary history, indicating position of interest, to: **Toyota Motor Insurance Services, Attn: Human Resources, Dept. JW-BI, 19001 South Western Ave., Mail Drop FS11, Torrance, CA 90509-2958; FAX (310) 787-3507.** No phone calls please. EOE M/F/H/V.

TOYOTA MOTOR INSURANCE SERVICES TMIS

POSITION WANTED

NETWORK DEVELOPMENT

Managed care professional with experience in network development and provider contracting-seeks position with HMO or IDS. Call William Barnes at 330-539-1408.

BUSINESS OPPORTUNITY

BUSINESS OPPORTUNITY!

IMMEDIATE INVESTMENT OPPORTUNITY IN SOUTHERN CALIFORNIA HMO. PHONE (909) 593-0616.

HELP WANTED

"Where Professionals Insure Their Careers"

EXECUTIVE RECRUITERS NATIONWIDE

- ❑ Risk Management
- ❑ Safety & Loss Control
- ❑ Claims Management
- ❑ Insurance Brokerage
- ❑ Risk Management Consulting

See You At The RIMS Conference in Toronto, Booth #1140

15 James Street, Main Level, Florham Park, NJ 07932
Call 201-765-9000 • Fax 201-765-9009

RMA RICHARD MEYERS & ASSOCIATES, INC.

HELP WANTED

SURETY ACCOUNT EXECUTIVE

Acordia/Rauh a large insurance agency in Cincinnati, Ohio has a significant opportunity for a Senior Surety Bond Account Executive. Established book of business, strong affiliation with local construction groups. Individual must possess strong sales ability to assist in long term growth. Excellent compensation and benefits package. Please send resume and salary requirements to:

Carol M. Johnston
Director of Human Resources
Acordia/Rauh, 1014 Vine Street, Suite 1100
Cincinnati, OH 45202

HELP WANTED

P&C PRODUCERS

P&C Producers wanted to sell specialty artisan contractor's program. Up to 75% commission and free cruise incentive. Call for details 1-800-804-4314.

INSURANCE AGENTS

Tired of producing business and not getting paid for it? We will pay up to 75% new and renewal commission for your commercial property and casualty business. Licensed nationally. Contact Larry Cushman at 1-800-833-7090.

1996 TORONTO RIMS CONFERENCE

Booth #511

SMITH HANLEY ASSOCIATES, INC.

EXECUTIVE RECRUITERS
new york philadelphia chicago greenwich atlanta westport

71 Arch Street, 3rd Floor
Greenwich, CT 06830
Tel: 203. 869-6660

Exceptional Candidates for Your Staff and Exceptional Opportunities for Your Career

RISK MANAGEMENT & INSURANCE DIV.

ANDREW O. DAVIS
Director
KAREN McCORKINDALE
Associate
THOMAS H. MEYER, JR.
Associate

PROPERTY ADJUSTER

Leading Public Adjusting Firm has opening for an Adjuster with not less than 5 years experience. Experience required in Real and Personal Property.

Thirty five year firm concentrating in Commercial Property and Fine Dwellings. Our Adjusters are supported by Staff Accountants, Insurance Counselors and Risk Managers.

Applicant must have strong skills of policy examination, client communications, damage analysis and negotiations. Salary and benefits according to knowledge, experience and skill.

FAX RESUME TO:
Stewart Shipper (810) 737-5195

CASUALTY FACULTATIVE UNDERWRITER

Old Republic Re is seeking a casualty facultative underwriter with 10+ years of heavy primary and direct casualty facultative experience. The position, located in New York City, is responsible for the production and underwriting of a direct book of casualty facultative business. Ideal candidate should have a representative book of client companies. Undergraduate degree and proven track record required. Send resume, salary history by mail or fax to Joseph F. Bowden, President, Old Republic Re, Inc., 90 William Street, Suite 800, NY, NY 10038; Fax 212-509-6915.

INTERNET SERVICES

INSURANCE CAREER CENTER

Your Internet access to the world. List your resume, look at, or post, job openings and visit Insurance sites around the world. Over 5,000 inquiries daily.

http://connectyou.com/ins/
(410) 266-3970

ADVERTISE YOUR WEB SITE

in the Professional Marketplace

Call 312-649-5340
Fax: 312-649-7799
CBUTLER@CRAIN.COM.

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
Southern District of New York
IN THE PETITION OF GARETH HUGHES AND ANTHONY JOAQUIN, AS JOINT PROVISIONAL LIQUIDATORS OF THE BERMUDA FIRE & MARINE INSURANCE COMPANY LIMITED (THE "COMPANY")
Case No. 93-B-46013 (PBA)

NOTICE IS HEREBY GIVEN that on March 28, 1996, an Order was entered by the United States Bankruptcy Court for the Southern District of New York continuing the Preliminary Injunction Order originally issued on December 14, 1993 (the "Order") which (a) enjoins and restrains the commencement or continuation of any judicial action, arbitration proceeding, administrative or regulatory action or proceeding against the Company or any of its property in the United States; (b) enjoins and restrains the enforcement of any judicial proceeding, arbitration award, administrative or regulatory proceeding to create, perfect or enforce any lien or other claim against the Company or any of its property in the United States; and (c) requires all persons to turn over and account to the Petitioners for all funds resulting from the drawdown of letters of credit in excess of what is expressly authorized by the terms of the contracts and any related trust or other agreements pursuant to which such letters of credit have been posted, in their possession, custody or control after written demand for turnover and accounting is made by the Petitioners against such entity. The Order shall remain in effect pending a hearing scheduled to be held in Room 617 of the Alexander Hamilton U.S. Custom House, One Bowling Green, New York, New York on July 11, 1996 at 2:30 p.m. Any party in interest who has not received a copy of the Order should contact counsel for the Joint Provisional Liquidators in writing at the following address:

Chadbourne & Parke LLP
30 Rockefeller Plaza
New York, New York 10112
Attention: Margaret Groarke, Esq.

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
Southern District of New York
IN THE PETITION OF DAVID LLEWELLYN MORGAN AND MARK W.R. SMITH, AS JOINT PROVISIONAL LIQUIDATORS OF STOCKHOLM RE (BERMUDA) LTD. (THE "COMPANY")
Case No. 95-B-40543 (PBA)

NOTICE IS HEREBY GIVEN that on March 28, 1996, an order was entered by the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") in connection with the case filed with respect to the Company pursuant section 304 of the Bankruptcy Code (the "Order"):

1. Enjoining and restraining all persons and entities from (a) transferring, relinquishing or disposing of any property of the Company in the United States, or the proceeds of such property, to third parties; (b) commencing or continuing any action or other legal proceeding against the Company or any of its property in the United States, or any proceeds thereof; (c) enforcing any judicial, quasi-judicial, administrative or regulatory judgment, assessment or order or any arbitration award, and commencing or continuing any act or any action or other legal proceeding to create, perfect or enforce any lien, set-off or other claim against the Company or any of its property in the United States or any proceeds thereof, including, without limitation, rights under reinsurance or retrocession contracts; and (d) drawing down any letter of credit established by, on behalf or at the request of, the Company, or withdrawing from, setting off against, or otherwise applying property that is the subject of any escrow agreement or similar arrangement in which the Company has an interest, in excess of what is expressly authorized by the terms of the contract and any related trust or other agreement pursuant to which such letter of credit, escrow, or similar arrangement has been established, except, however, no drawing against any letter of credit shall be made in connection with any commutation unless the amount has been agreed in writing with the Petitioners or permitted by further order of the Bankruptcy Court;

2. Requiring all persons and entities that are beneficiaries of letters of credit established by, on behalf or at the request of, the Company, or parties to any escrow or similar arrangement in which the Company has an interest, to (a) provide notice to Petitioners' United States counsel of any drawdown on any letter of credit established by, on behalf or at the request of, the Company, or any withdrawal from, setoff against, or other application of property that is the subject of any escrow agreement or similar arrangement in which the Company has an interest, together with information sufficient to permit the Petitioners to assess the propriety of such drawdown, withdrawal, setoff, or other application, including, without limitation, the date and amount of such drawdown, withdrawal, setoff or other application and a copy of the agreement pursuant to which any such drawdown, withdrawal, setoff or other application was made and provide such notice and other information contemporaneously therewith; (b) turn over and account to the Petitioners for all funds resulting from such drawdown, withdrawal, setoff, or other application, in excess of what is expressly authorized by the terms of the contract, any related trust or other agreement pursuant to which such letter of credit, escrow, or similar arrangement has been established;

3. Requiring every person and entity that has a claim arising under a contract of insurance, reinsurance, retrocession or otherwise, written or entered into by the Company and who is a party to any action or other legal proceeding in which the Company is or was named as a party, or as a result of which a liability of the Company may be established to place the Petitioners' United States counsel on the master service list of any such action or other legal proceeding and to take such other steps as may be necessary to ensure that such counsel receives (a) copies of any and all documents served by the parties to such action or other legal proceeding or issued by the court, arbitrator, administrator, regulator or similar official having jurisdiction over such action or legal proceeding and (b) any and all correspondence, or other documents circulated to parties named in the master service list.

The Order shall remain in effect pending the hearing scheduled to be held in Room 617 of the Alexander Hamilton U.S. Custom House, One Bowling Green, New York, New York on July 11, 1996 at 2:30 p.m. Any party in interest who has not received a copy of the Order should contact counsel for the Joint Provisional Liquidators in writing at the address listed below.

Chadbourne & Parke LLP
30 Rockefeller Plaza
New York, New York 10112
Attention: Margaret Groarke, Esq.

Smart money in Lloyd's

Soros to inject £3.5 million in fund

LONDON—George Soros' investment of £3.5 million ($5.4 million) for a 3.6% stake in Lloyd's of London corporate investment vehicle CLM Insurance Fund is seen in the market as a vote of confidence by the superstar investor.

The hedge fund manager, who started building the stake in February, "obviously recognized that the fund is undervalued," said Michael Wade, chairman of CLM.

Others in the Lloyd's market see it as a sign of confidence by Mr. Soros in Lloyd's reconstruction and renewal plan, which is aimed mainly at putting past underwriting losses behind it.

CLM is the second-largest provider of capacity to Lloyd's with a market value of slightly more than £90 million ($137.7 million).

Its underwriting capacity this year is £200.2 million ($310.9 million).

Set up in 1993, CLM was the first investment vehicle to allow institutions and individuals to invest on a limited liability basis in Lloyd's.

Until that time only individuals were allowed to invest in Lloyd's, and then only if they were willing to accept unlimited liability.

—By Edwin Unsworth

London reinsurance market on the rebound

Underwriting losses improved in 1994

LONDON—The London reinsurance market's 1994 results—the most recent available for all companies except Lloyd's—confirm that further recovery took place since the withdrawal of several companies reduced capacity and increased rates in 1993.

Figures released earlier this month from the London International Insurance & Reinsurance Market Assn., which represents almost 100 international reinsurance companies operating in London, show that they lost £90 million ($140.9 million) on underwriting in 1994, a marked improvement on their 1993 loss of £264 million ($390.6 million).

Gross premiums rose 1.8%, to £2.79 billion from £2.74 billion (to $4.37 billion from $4.05 billion) in 1993, helped by a continued improvement in rates since 1992. The combined ratio improved to 104.5% in 1994 from 113.7% in the previous year.

While the figures show the "robust" recovery from underwriting losses of the reinsurance sector, the improvement is unlikely to last long, said Stephen Riley, chairman of LIRMA's statistics committee.

"In terms of reported results, 1994 and 1995 will probably be the best years," he said. Increased competition and overcapacity are contributing to a softer reinsurance market this year.

Based on types of business, non-proportional treaty reinsurance accounted for 44.6% of 1994 premiums, up from 40% the year before.

Proportional treaty accounted for 25.2%, down from 28% the previous year. Facultative reinsurance made up 30.2% of 1994 business, slightly below 32% in 1993.

—By Edwin Unsworth

Captives

Continued from page 25

gating the tax benefits of Australian-owned overseas captives (*BI*, March 30, 1992; April 29, 1991). The court decision means the ATO must rewrite its draft ruling on captive taxation, TR94/D36, issued Aug. 11, 1994 (*BI*, April 24, 1995).

The ATO had delayed issuing a final ruling, pending the outcome of the Wills case.

Elliott Reich, a tax officer with the ATO, confirmed the judge's ruling will be taken into consideration when the final ATO document is drafted.

Mr. Reich said the ramifications of the new ruling meant it will go before the ATO's Public Rulings Panel, a six-member body that reviews rulings "of major significance."

He said the new ruling would be finalized by year end.

One risk manager, who asked not to be identified for fear the ATO may target his company for an audit, said he hoped the court decision would help the ATO develop "a better picture of the real use of captives."

Another risk manager, who also declined to be named, said he hoped the court decision would "dissuade the ATO from its path of wanting captives to write third-party business or stopping deductibility of premiums paid to them."

Peter Kennedy, insurance tax director in Sydney with accounting firm Deloitte Touche Tohmatsu, said the court decision was "a victory against the controversial anti-avoidance provisions of the Tax Act."

"The ATO attacked the use of captives in its draft ruling. . .which is one of the most disputed tax issues in the industry," he said.

The Income Tax Act's anti-avoidance sections apply only to arrangements set up with a primary purpose of obtaining a tax advantage, according to Mr. Kennedy.

But, Judge Sackville found that "more effective risk management and claims handling and the opportunity to retain underwriting profits" were Wills' reasons.

Mr. Kennedy said the ATO had targeted Wills because its captive made a large profit, but he said if the ATO had won the case, more captives would face increased scrutiny. "Captive owners couldn't have hoped for a better result." BI

Gerling bolsters credit arm

Proposed acquisition with UNI Storebrand unit in the works

COLOGNE, Germany—Gerling-Konzern Speziale Kreditversicherungs A.G.'s proposed acquisition of UNI Storebrand Kredittforsikring A/S would give Gerling's credit insurance arm a strong foothold in the Scandinavian market.

The takeover of the UNI Storebrand credit insurance unit, which is pending shareholder approval, is the second major Gerling acquisition in two years.

Neither party will release the value of the acquisition.

In 1994, the Gerling Group gained a majority share of Brussels, Belgium-based AC Namur S.A., another credit insurer. Gerling plans to take over the rest of Namur at the end of this year.

The UNI Storebrand deal further increases the Cologne, Germany-based insurer's standing as Europe's leading credit insurer in terms of premium volume.

In 1995, Gerling's credit insurance premium volume, not including the Uni Storebrand deal, reached 800 million DM ($556.9 million)—an increase of 17% from 680 million DM ($438.8 million) in 1994.

Gerling is the only credit insurer writing business in all Western European countries.

"The new acquisition is consistent with the increasing globalization of credit insurance," said Lorenz Stech, a Gerling GKS board member. "Scandinavian exporters gain access to extensive information in Gerling/Namur's data banks and the improved reinsurance capacity" that Gerling Globale Re A.G. can now offer the Uni Storebrand unit.

Mr. Stech said Gerling's acquisition is in line with a general global expansion strategy. Gerling already writes commercial insurance coverage in Norway and other Scandinavian countries.

Gunnar Knudsen will remain general director of UNI Storebrand Kredittforsikring with a mandate to expand operations into all other Scandinavian countries. Mr. Knudsen himself initiated the search for an international partner with international know-how due to growing demands on the part of Scandinavian customers.

For the Gerling Group, the acquisition is a fortification of its existing primary and reinsurance activities in Scandinavia.

—By Don Lewis Kirk

Services Guide

RIMS Report:
Employee Benefits & Workers Compensation
Publishing April 29th
Closing: April 17th
Call Cheryl Butler at 312.649.5340

DISABILITY ABSENCE GUIDE
(860)659-6780
AMI
AON MANAGEMENT INSTITUTE

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

FAX IN YOUR ADVERTISEMENT FOR THE 1996 SERVICES GUIDE
312-649-7799

Business Insurance
Circulation Breakdown
Commercial Consumers

Administrative:
CEO's, Presidents, and Owners, ...1,790
Vice Presidents, General Managers and Other Administrative Personnel ...4,961

Financial:
Chief Financial Officers and Vice Presidents of Finance ...3,172
Secretaries, Treasurers, controllers and other Financial Personnel ...3,028

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 ...17,213

Sub-total ...30,164
Associations ...311
Government, Unions and Educational Institutions ...881

Commercial Consumers
Sub-total ...31,356
Insurance Agents and Brokers ...8,013
Insurance Companies ...7,685
Accountants, Actuaries, Attorneys & Consultants ...3,586
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers ...1,858
Others Allied to the Field ...1,091

Total Qualified ...53,589
Non-qualified ...7

TOTAL CIRCULATION ...53,596

★ *Source Business/Occupational breakdown of qualified circulation:, Novermber 27,1995 Issue, as submitted to BPA for Decem.ber 1995 BPA Publisher's Statement*

Risk Management Information Solutions
√Anistics Omega™ for Windows™

Claims Management
Policy Administration
Exposure Management
Property Management
Certificate Tracking
Litigation Tracking
Bond Tracking
Cost of Risk Allocation
... and Data Conversions

Integrating:
- Microsoft Office
- Standard Reports
- Ad Hoc Report Writer
- Advanced Query
- Graphs
- Imaging
- Automated Letters
- Fax

For More Information or a Free Demonstration: 800-355-2783
Microsoft SOLUTION PROVIDER

RETURN®
RETURN ® for Managed Care
PC software for Worker's Compensation and disability or group health plans. RETURN ® manages case process from day one, channels to network providers, monitors work status and return-to-work. Offers electronic rolodex of all providers, treatment sites, resources and contacts. Documents case activity, referrals, cost savings, case notes, monitors utilization, case outcome, provider performance and cost savings.
Includes: Standard Letter Generator, Ad Hoc Report Writer, Accounts Receivable for Case Management services, bill-repricing, JobAnalysis/Work Status, standard data upload utilities. **Optional:** EDI
HMT
Health Management Technologies, Inc.
1150 Moraga Way, Suite 150 Moraga, California 94556
1-800-647-7007

For advertising information contact: Cheryl Butler, Classified & Services Guide Advertising, 740 North Rush Street, Chicago, Illinois 60611. Telephone (312) 649-5340 • Fax (312) 649-7799

"Be sure that you return it."

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

To subscribe, use the card in this issue or Call 1 (800) 678-9595 Toll-Free.

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

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

USA	$85
Canada/Mexico	$105*
All other countries by expedited air.	$205

*Price includes Candian GST.

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

Looking to reach the executives in the U.S. or in non-U.S. corporations who are responsible for risk management, employee benefits and finance?

Look no farther!

Now, *BI's* two Directories of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services are available on disk.

Now Available
Directories of Corporate Buyers
... ON DISK ...
from
Business Insurance®
call:
313-446-1623
ask for the 1995/96 BID Software

In the U.S.-based edition you'll find nearly 3,200 companies with more than 16,000 executives listed. In the non-U.S. edition, 3,000 executives from more than 500 companies outside the U.S. are listed.

The 1995/96 BID Software costs only $595 each edition. Buy both and save $195. Available for the PC only.

FAX YOUR ORDER TODAY FOR IMMEDIATE ACCESS TO DECISION-MAKERS

313-446-1650
for the
1995/96
BID Software
attention:
Dorothy Wood

FAX

❑ **Ship me the 1995/96 BID Software for:**

❑ U.S.-Based Corporate Buyers for a cost of $595
❑ Corporate Buyers Based Outside the U.S. for a cost of $595
❑ BOTH editions for a total cost of $995, and I'll save $195

Format for BID Software: ❑ **3.5" disk** ❑ **5.25" disk**

Residents of the following states are required to pay corresponding sales tax:
CA ... 7¼% IL ... 8% MI ... 6% NY ... 4% NYC ... 8¼% OH ... 5¾%

Charge my: ❑ VISA ❑ AmEx ❑ MasterCard ❑ Discover

Account # _____ Expiration Date: _____

Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone (____) _____ Fax (____) _____

INTERNATIONAL

Germany plans to tackle overhaul of pension system

BONN, Germany—The German government plans a sweeping reform of the national pension system to stem burgeoning costs.

Measures aimed at reducing costs by up to 13 billion DM ($8.67 billion) are part of a general cost-cutting plan to stabilize government pension contributions, which are predicted to rise at least 20%, according to a government official.

German Labor Minister Norbert Bluem intends to raise the retirement age for women to 63 from 60, reduce pensions for ethnic Germans returning from Eastern European countries from 70% of earnings compiled behind the "Iron Curtain" to an unspecified lower percentage and force state-owned pension funds to liquidate property holdings.

The reform plan is slated for appraisal by a government coalition composed of members of the Christian Democratic Union, the Christian Social Union and the Free Democratic Party. The coalition began discussions on the package late last week.

Steps also are under consideration to make it more difficult for traineeship—a period before full-time employment that is credited toward pension benefits at a reduced amount—to count toward pension eligibility.

Measures to bolster the system's liquidity by forcing employers to transfer payments to the state-run pension systems every two weeks,

'We can in no way support a measure that increases company cost and bureaucracy,' says Volker Hansen.

instead of the present monthly transfer are also under consideration.

This would create more costs for employers and have a limited effect, according to Volker Hansen, assistant director of the social security division of the German Employers Assn.

"We can in no way support a limited measure that increases company cost and bureaucracy," he said. "The measure would force companies to revamp their computer systems and would cause constant re-adjustment of monthly wage calculations."

The measures are aimed at saving 10 billion DM to 13 billion DM ($6.77 billion to $8.67 billion) and ensuring that employer and employee pension contributions, which currently combine to 19.2% per year, are kept below 20% of gross wage costs.

In Germany, pension contributions are among the highest in the world and the Kohl government has made it a priority to limit the future impact on wage costs.

—By Don Lewis Kirk

Quality

Continued from page 3

"The insurance industry has a long way to go to catch up to other financial service industries," Mr. Deragon said.

In addition to rating the value and quality of insurance products and services, commercial buyers also were surveyed on a variety of industry-related issues.

The respondents' most common concerns, according to the summary, were a desire for the commercial insurance industry, as a whole, to improve its accuracy, timeliness and communication; to work in tandem to achieve minimum standards of quality; to provide innovative value added products and services; to provide tailored services; to lobby for changes that affect insurance cost containment; and to seamlessly deliver products and services.

Through its data, the QIC has identified the areas of greatest opportunity for the industry to improve and change customers' perception of value and quality.

For smaller companies, these areas include:

- Clear billing that contains needed information.
- Policies that are easy to understand.
- Timeliness of policy receipts.
- Flexible policies to meet customer's individual insurance needs.

For the medium-sized company, these areas include:

- Policies that are easy to understand.
- Clear billing that contains needed information.
- Insurers being responsive to their needs.
- Accurate policy information.

For the large-sized company, the areas for improvement include:

- Insurers being responsive to their needs.
- Well-managed and efficient insurers.
- Clear billing that contains needed information.
- Policies that are easy to understand.

•

Copies of the QIC's "Executive Summary of the Research Committee Report" are $5. Contact the Quality Insurance Congress at 2525 Perimeter Place, Suite 120, Nashville, Tenn. 37214; 800-445-3433.

MATRIX
RISK CONSULTANTS, INC.

Highly Protected Risk Engineering & Associated Services
We still do ***WHATEVER IT TAKES*** *to excel in* ***property*** *loss control!*

Matrix Risk Consultants, Inc., 3491 Newmark Dr., Miamisburg, OH 45342
Phone: 513/438-7200 FAX: 513/438-7220

Pension

Continued from page 1

that increase costs and can discourage small companies from offering retirement plans. And for millions of employees, the package offers significant new opportunities—through expanding eligibility for individual retirement accounts—to save for their retirement.

Unlike the administration's failed health care reform package, this package draws primarily cheers from employers.

"The administration has finally realized that simplifying and reducing burdens on employers is the best way to encourage them to offer plans," said Jamie Wickett, legislative representative for the National Federation of Independent Business.

If employers criticize the president's plan at all, it is leveled at small aspects of the package.

Business groups are concerned, for example, about a provision that would require plan administrators and pension plan auditors who uncover fraud or other "egregious" ERISA violations to report them to the Labor Department within five days—or be fined $100,000. Benefit lobbyists say five days is not enough time to do a proper corporate investigation.

Labor Department officials disagree with that assessment, adding that information only would have to be forwarded after administrators and accountants uncovered enough evidence to have good reason to believe that illegal actions took place.

But otherwise, business groups strongly support the package.

"On balance, this is a very good day for pension plans. President Clinton has put his marker on the need for pension simplification," said Mark Ugoretz, president of the ERISA Industry Committee.

Noting that pension legislation traditionally has enjoyed bipartisan support, Secretary of Labor Robert Reich said he was "cautiously optimistic" the plan would pass.

Others agree that the package, or some variant, has a chance of passage, especially if it is attached to a non-controversial bill, like one to extend the life of certain tax breaks.

"I would be willing to guess that this thing has a shot of being attached" to such a tax bill, said the NFIB's Mr. Wickett.

But benefit lobbyists, noting the shortness of the legislative session and how difficulty it is to get Congress and the administration to agree on anything, say the package faces an uphill battle to win enactment.

"I would say this is a long shot despite the president's stated optimism," said the APPWP's Mr. Klein.

In fact, the spirit of bipartisanship was not much in evidence last week. Senate Majority Leader Robert Dole, R-Kan., said: "It's a shame that President Clinton today is trying to take credit for true pension reform by putting forth the same proposals that he has 'unveiled' twice before."

The reforms, Sen. Dole said, are nothing more than "repackaged" Republican ideas, adding that if President Clinton were serious about pension plan relief he would not have vetoed budget legislation last year that contained many of the provisions.

President Clinton said one reason he vetoed the budget package was that it included a Republican-backed provision that would have allowed employers to remove surplus assets from pension plans. BI

The Retirement Savings and Security Act would:

- Eliminate 401(k) plan non-discrimination testing for employers with high matching contributions.
- Create a simplified 401(k)-type plan for small employers.
- Allow non-profits to offer 401(k) plans.
- Halve minimum vesting requirements in multiemployer plans to five years.
- Boost PBGC benefit guarantees for multiemployer plan participants.
- Require public savings plan assets to be held in trust.
- Simplify rules, such as those defining "highly compensated employees."
- Require plan administrators and accountants who discover pension plan fraud to report it quickly to the Labor Department.
- Expand IRA eligibility and allow penalty-free withdrawals in some cases.

GRAPHIC BY JOHN HALL

Pension reforms could aid employers, workers

By JERRY GEISEL

WASHINGTON—For employers and employees, the Clinton administration's Retirement Savings and Security Act is a big departure from many other pension measures enacted over the last decade.

The reform package would reduce administrative burdens for employers and improve the opportunities for employees to save for their retirement. It also would improve Pension Benefit Guaranty Corp. insurance protection for the 9 million employees and retirees in multiemployer pension plans.

Provisions in the package that would help employers include:

• Creating a new type of 401(k) plan, known as a National Employee Savings Trust or NEST plan, for employers with fewer than 100 employees in which workers could make pre-tax contributions of up to $5,000 a year. Employers adopting the plan would only have to file a one-page annual reporting form and would not have to run non-discrimination tests.

However, employers would have to contribute 3% of employees' salary to the plan. Alternatively, employers could contribute 1% of salary and match 100% of employee deferrals up to the first 3% of pay and 50% of deferrals up to the next 2% of pay.

Larger employers offering traditional 401(k) plans also would escape non-discrimination testing if they qualified for new safe harbors, though the administration did not lay out details last week.

• Simplifying the current complex definition of who is considered a highly compensated employee for non-discrimination testing purposes. While the package does not provide the definition, an earlier proposal defined highly compensated employees as those earning more than $80,000 annually.

• Allowing tax-exempt organizations, like trade associations, to offer 401(k) plans. As many as 9 million people could benefit from this provision, the administration says.

"For the trade association world, this would be a very good opportunity," said James Anderson, vp-government relations for the National Assn. of Wholesaler-Distributors in Washington.

• Exempt employers from running non-discrimination tests on 401(k) plan contributions by lower-paid employees who have worked for a company for less than a year.

This exemption, which administration officials say they intend to adopt through regulations, would encourage employers to extend their 401(k) plans to new employees.

Some employers don't offer 401(k) plans to new employees because those workers tend to earn less than other employees and thus make smaller contributions to 401(k) plans. Smaller contributions by lower-paid employees, under the non-discrimination rules, reduce the permitted contributions of highly compensated employees.

• Ease pension rollover rules. While full details were not provided, the administration said it will draft rules to encourage employers to accept in their defined contribution plans benefit distributions that newly hired employees received from their prior employers' savings plans.

Proposed changes that would benefit employees include:

• Expanding eligibility for individual retirement accounts. Under current law, employees covered under employer-provided pension plans can fully deduct contributions to an IRA if they make less than $25,000—for individual filers—and $50,000 for those filing a joint return. Those income limits would be increased to $50,000 and $100,000 respectively.

In addition, IRA participants could remove funds before age 59½ without incurring the current 10% special tax penalty for specified purposes. Early penalty-free withdrawals would be allowed to pay for major medical expenses, education and first-time home purchases. Withdrawals also would be permitted for workers who receive unemployment compensation benefits for at least 12 weeks.

Those liberalized early withdrawal rules, though, would not apply to employer-provided plans, such as 401(k) plans. Such relief is not necessary, a Treasury Department official said, because most 401(k) plans provide employees access to funds through loan provisions.

• Requiring multiemployer pension plans to accelerate their vesting schedules to five years from the current 10-year standard.

Maximum benefit guarantees provided by the PBGC to multiemployer plan participants would be increased to $12,870 a year from the current $5,850.

PBGC Executive Director Martin Slate said the agency's multiemployer insurance program is running a surplus and can afford increasing benefit guarantees.

• Requiring deferred compensation plans sponsored by public entities to hold participants' assets in trust.

Under current rules, assets held by public entities' deferred compensation plans are subject to the claims of creditors.

Meanwhile, the Clinton package does not call for any new restrictions on pension plan reversions, but would mandate that the Department of Labor issue semi-annual reports on reversion activity. BI

Hot topics

Continued from page 1

riety of tort reform issues have taken the forefront.

For the eighth year in a row, capping non-economic and punitive damages was identified by risk managers as the most important of several tort reform issues. Eighty-eight percent said they favored caps in all civil litigation, while 12% are opposed to such limits.

Modification of joint and several liability was the second most important tort reform issues, followed by abolition of attorney contingency fees and the use of alternative dispute resolution mechanisms.

But while tort reform issues were foremost among risk managers' concerns, few expect any quick fixes from Congress this year. Only 18% of the risk managers surveyed predicted Congress will enact significant tort reforms this year. That contrasts with last year's survey, in which four out of 10 respondents predicted significant reforms would occur with the new Republican Congress (*BI*, April 24, 1995).

Even if federal tort reforms are enacted, risk managers do not expect much relief.

For example, if proposed medical malpractice reforms that limited punitive damage awards were enacted, only 19% of the risk managers said such legislation would reduce litigation.

Eighteen percent said it would result in increased malpractice litigation, and 63% said it would make no difference one way or the other.

Employers "have a jaundiced view about what the government will address and how effective they will address any issue," said A&A's Mr. Lumelleau.

While risk managers have little control over tort reform legislation, they do have significant control over their own company's cost of risk.

Improved loss control programs, declining workers comp costs and increased retentions all have contributed to an overall decrease in the cost of risk for most risk managers, the study says.

Forty-three percent of the risk managers report a declining overall cost of risk in their company, while 34% said their company's costs were about the same and 23% report increasing costs.

The cost of risk declined by 5% for the average U.S. company in 1994 and 7% in 1993, according to studies conducted by RIMS and Tillinghast division of Towers Perrin (*BI*, Dec. 11, 1995).

In addition to soft property/casualty insurance rates, "the risk management profession is having a material impact" on companies' bottom lines through better management of claims, according to Robert Murphy, an A&A senior vp in New York.

Risk managers also "have a much greater comfort level" in taking larger retentions and using alternative risk financing methods to transfer risk, Mr. Lumelleau added.

Indeed, in 1995 the alternative market accounted for 44% of the total property/casualty insurance market, A&A estimates.

Of the risk managers surveyed, 49% currently employ some form of alternative risk financing as part of their risk management strategy, while 49% do not. The remaining 2% did not answer.

For those risk managers that do use alternatives, 57% use captives, 24% use finite risk programs, 14% use pooling, and 11% use risk retention groups.

One area of alternative financing that risk managers continue to remain hesitant about is derivatives.

Only 11% of the surveyed risk managers said they use some form of derivatives, such as tools to hedge currency risks, while 89% said they do not. However, of those who have used derivatives, 93% said their experience was favorable, while only 7% had unfavorable experiences.

"Derivatives are still the D-word," Mr. Murphy said.

Another risk management tool that has received more widespread attention is the Internet.

One-quarter of the surveyed risk managers regularly "surf" the Internet and World Wide Web, the study says. Of those, 58% said they used the Web to obtain risk management and insurance information. However, their views about the quality of online information vary.

For instance, 28% said the Web contains some good information, but has too few sources for risk managers. Twenty-five percent said it contains mediocre information; 16% said it contains too much information from too many sources; 14% said the information is too sales oriented; 11% said it contains lots of good information from many good sources; and 6% said it contains poor information.

Of the 75% of the risk managers who do explore the Internet, 63% said they expect brokers or consultants to meet their information needs. Fifty-two percent said they can get the information they require from publications; 42% said accessing the Internet was too much trouble; 27% said they are "suspicious" of the information offered on the Internet; and 13% said they are not computer literate.

"I think (the Internet) is going to be an incredible positive for risk managers who tend to operate in isolation," said Lindsay Newland Bowker, risk manager for the New York City Department of Environmental Protection, who currently has no access to the Internet.

The Internet "is just going to be a boon" to communicating with other risk managers and obtaining information, she predicted.

Other results of the survey include:

• Forty-seven percent of the risk managers predicted their company's health care costs will increase an average 6% in 1996, while 10% said their company's health care costs will decrease an average 8%. Of the remainder, 22% said they expect costs to remain the same while 21% had no opinion.

• The majority of respondents—79%—predict the property/casualty market will remain unchanged in 1996, while 16% said it will continue to soften and 6% expect it to harden this year.

• Twenty-three percent of the risk managers do not have a formal corporate disaster plan, which includes coverage against lost assets and business interruption due to disasters and terrorism. More than three-quarters—77%—do have formal disaster plans.

• The most important skills for a risk manager in the year 2000 will include financial analysis and management ability followed by communication and computer skills, risk managers predicted.

• A bare majority of the risk managers—51%—prefer to compensate brokers and outside consultants by a flat fee; 27% favor an incentive-based fee; 11% prefer commissions; and 11% prefer other methods.

•

For a free copy of the survey, contact Alexander & Alexander's corporate communications department at 1185 Ave. of the Americas, New York, N.Y. 10036; 212-840-8500; fax: 212-444-4697; E-mail: alexalex@attmail.com. Free copies also will be distributed at A&A's booth at the Risk & Insurance Management Society Inc. conference next week in Toronto.

Grading workers comp medical care

Intracorp, Risk Data venture to issue provider report cards

By MICHAEL BRADFORD

PHILADELPHIA—Employers would be able to evaluate the performance of occupational health care providers with systems that the partners in a new alliance plan to design.

Intracorp and Risk Data Corp. say they plan to merge their databases to enhance Risk Data's ProviderCompare software and generate report cards that employers can use to analyze the performance of providers in workers compensation cases. The enhanced system and report cards will be available in fourth-quarter 1996.

Risk Data, based in Irvine, Calif., uses a database of about 20 million workers compensation claims closed over a 10-year period, according to the company. It includes about 75 different claims characteristics that can be analyzed and used to predict claims costs.

Its data would be merged with that of Philadelphia-based Intracorp, which includes clinical and provider data recorded over 25 years of managing workers compensation cases, Intracorp said in a statement.

Other systems do generate report cards on group health providers.

But "there's nothing that we've seen as workers comp-focused in a provider report card," said David Huth, director of product planning in the workers compensation managed care group at Intracorp.

The report cards will allow comparisons of network and non-network physicians to determine which are doing the best job of managing workers comp claims costs, he said.

The alliance also will enhance two other Risk Data products that the two companies will market.

CompCompare will allow clients to get performance reports on a wide range of managed care services, including case management, bill review, disability management and other areas.

"It will really give customers validation that the savings we are selling are being realized on the back end," said Mr. Huth. "It has that normative database of over $20 million in claims and gives a snapshot of how the customer compares with the rest of the industry."

"CompCompare will help measure the impact of managed care, which has been a real headache in the industry," said Arthur I. Cohen, senior consulting actuary at Ernst & Young L.L.P. in Philadelphia who has helped clients with similar projects.

In addition, pinning down costs and savings related to managed care—including workers comp care—could be valuable to legislators across the country who have had no objective measure of those amounts to look to when considering health care legislation, Mr. Cohen said.

The merged data also will be used with Risk Data's Micro Insurance Reserve Analysis, which predicts the cost and duration of workers comp claims. With the additional information, claims can be flagged if the system indicates they would benefit from managed care programs.

"The combination is powerful," said Maddy Bowling, vp of workers compensation managed care at Intracorp.

"By bringing together Intracorp's workers comp clinical and medical management expertise with Risk Data's claims analysis and statistical skills, we'll be able to accurately and consistently predict those cases that will benefit from medical and return-to-work management—and be able to measure the true impact of those managed care services on the back end."

The cost of the enhanced products is still to be determined, Mr. Huth said. BI

Benefits

Continued from page 1

tion unless the captive wrote a large amount of third-party business (*BI*, April 4, 1994).

But, unlike private employers, Farm Credit System has government plan status. The Farm Credit System is a nationwide financial cooperative created by Congress in 1916 to provide loans to agricultural enterprises.

Therefore, as a federally chartered entity, it is not subject to the Employee Retirement Income Security Act of 1974, according to Gary Dillinger, general counsel to Farm Credit Council Services Inc. As a result, the system's transaction, unlike CSX's proposed arrangement, did not require Labor Department approval.

Even more sources were surprised that such a funding arrangement was accomplished in a captive domicile that had long been considered inflexible.

But, "this is a good example of how things are turning pretty dramatically in Colorado, despite its reputation of being firm and stern," observed Michael Murphy, principal consultant at RiskCap in Denver, a captive management firm.

Colorado's 1972 captive statute—the oldest in the nation—was revised in 1994 to permit captives to write employee benefit coverages.

But, while many captive market observers say Colorado's 1994 captive law change made it possible for the Farm Credit System captive to begin writing employee benefits coverage, the captive probably could have provided the coverage under the old law, said Alan Schmitz, an attorney with Hall & Evans in Denver who helped draft the captive statute revision.

"Essentially, it's issuing employer liability coverage to its members," he said.

Don Pasmore, vp of FCC Services, agreed.

"I think this is something that can be done by any group captive," he said.

Denver-based FCC Services is a wholly owned, for-profit subsidiary of the Farm Credit Council, which manages the Farm Credit System captive and provides risk management and employee benefit services to the system's members.

Some captive experts involved in the transaction, however, say the Farm Credit System model may not be a model for many other employers with captive insurers.

"This system works for the Farm Credit System, but it probably is not a model that is widely replicable," said Cynthia Benson, an attorney with Sherman & Howard in Denver who helped draft the captive's stop-loss policies.

"Normally, this would be a prohibited transaction under ERISA," acknowledged Frank Dino, the chief actuary in charge of captive formations in Colorado's Insurance Department who approved the FCS coverage expansion. Mr. Dino is now chief actuary for life and health at the Florida Insurance Department in Tallahassee. Transactions between related companies are typically not permitted under ERISA.

A conflict can occur when the employer is the fiduciary of the benefit plan, Mr. Dino said. The Labor Department's objective is to protect the funds of employees.

Tax deductibility of premiums also was not an issue for the Farm Credit System because many of its employer members already are tax-exempt entities, FCC Services' Mr. Pasmore explained.

The Farm Credit System's situation also differs significantly from that of CSX Corp., he pointed out.

In CSX's case, the Labor Department prohibited the captive's reinsuring of group term life insurance benefits because too much business—about 90% of CSX Insurance Co.'s premiums—was derived from funding CSX-related risks.

That exceeded the department's 50% test requiring that no more than 50% of a captive's gross premiums be generated by the parent before the captive can fund employee benefit risks.

By contrast, less than 10% of the Farm Credit System captive's gross premiums are derived from insuring the risks of any individual owner, Mr. Pasmore estimated.

The captive pays $500,000 of each individual employee's covered claims above a $200,000 self-insured retention held by the 501(c)(9) trust.

The captive then purchases additional specific stop-loss coverage that has unlimited benefits above a $700,000 attachment point.

The captive also provides aggregate stop-loss coverage, purchasing excess coverage from reinsurers for when the captive's total claims exceed $1 million in a year.

Mr. Pasmore declined to identify the captive's reinsurers.

Even though the plans are self-insured, they meet state minimum benefit mandates.

Although medical stop-loss coverage is widely available in the standard insurance market, the Farm Credit System decided to take advantage of its low medical loss ratio by essentially self-insuring the exposure in the captive, Mr. Pasmore explained.

"Historically, our loss ratio was between 25% and 30% of premiums paid," he said. "Now we can invest it and provide dividends to our members."

The Farm Credit System captive already is one of the most financially healthy in Colorado.

"We've exceeded our goal of $20 million in capital and surplus," Mr. Pasmore said. "As a result, a substantial amount of surplus can be returned to members."

Since 1988, the Farm Credit System captive has been allocating back to members an average of 74% of premiums paid each year.

The annual premium on the medical stop-loss coverage is $550,000 for 1996, about 10% of the total premiums written by the captive this year, said Mr. Pasmore. BI

Updates

CIGNA hearing delayed

Continued from page 2

to disqualify the law firm. The firm represented St. Paul in a 1994 purchase of a book of reinsurance even though it already had been helping CIGNA formulate its reorganization plan.

CIGNA attorneys state in court papers that the firm, Skadden, Arps, Slate, Meagher & Flom of New York, obtained a waiver in which St. Paul allowed the firm to continue representing CIGNA in unspecified ongoing or other matters. St. Paul argues that Skadden should have revealed that one of those matters—CIGNA's restructuring—could have a direct adverse impact on St. Paul, which has reinsurance deals with CIGNA.

The court will not set a new hearing date on CIGNA's efforts to keep confidential certain reorganization-related material, including two actuarial reports, until after it decides Skadden's fate. The next hearing date on that matter is scheduled for April 22.

Airport fire loss insured

DUSSELDORF, Germany—Losses from a fire that killed 16 people last Thursday at Dusseldorf Rhein-Ruhr Airport will cost insurers more than 100 million DM ($66.8 million), underwriters say.

The fire broke out as a work crew was welding a joint on an access road that passes over the terminal. Sparks ignited plastic insulation on a power line, leading to the blaze, investigators said. Sixteen people died and at least 62 others were injured in the fire.

Exact property losses will not be known until investigators and insurance experts can evaluate the damage, said a spokesman for Dusseldorf-based Provinzial Versicherungs A.G., the lead insurer in a consortium that writes the Dusseldorf airport's property coverage.

Liability claims stemming from the blaze will be covered by a pool of 90 liability insurers, called Luftpool, which insures German airports.

If the welders are found to be at fault, the welding company may be liable for damage, said a spokesman for the Bonn-based Assn. of German Property & Casualty Insurers. Insurance information on the welding company was not available late last week.

Briefly noted

Families of civilians killed along with U.S. Commerce Secretary Ronald Brown in the April 3 crash of an Air Force jet carrying a trade mission to Bosnia and Croatia can file for up to $100,000 in compensation from the Air Force under the **Military Claims Act** (*BI*, April 8). The Defense Department comptroller can authorize higher payments to victims, who included 12 corporate executives. . . .California Insurance Commissioner Chuck Quackenbush on April 8 ordered State Farm Insurance Co. to pay **$172 million in Proposition 103 rebates**. He rejected a 1995 ruling by an administrative law judge that the insurer did not earn enough profit in 1989 to warrant a rebate. . . .**John C. Morrison**, a longtime insurance industry official who retired in 1991 as president of CIGNA Corp.'s Advanced Products division, died April 4 at age 70. Before joining CIGNA in 1977, he held positions with American International Reinsurance Co. Inc. and American International Group Inc. . . .**Jeff H. Reynolds III** has pleaded guilty to federal fraud charges stemming from his operation of the bogus California Pacific Bankers & Insurance Ltd., an insurer purportedly based in the Dominion of Melchizedek, a non-existent island nation (*BI*, March 29, 1993). Mr. Reynolds, 31, who collected more than $500,000 in premiums from commercial policyholders in several states, faces an estimated 37 to 46 months in prison when he is sentenced May 16. . . .Two operating units of Newark, N.J.-based Prudential Reinsurance Holdings Inc. changed their names effective April 2. **Prudential Reinsurance Co.** is now Everest Reinsurance Co., while the London-based **Le Rocher Reinsurance Ltd.** has become Everest Reinsurance Ltd. Prudential National Insurance Co. will become Everest National Insurance Co. June 17. . . .Cunard Line Ltd. confirmed Friday that the Egyptian government is seeking $23.5 million in compensation for damage to coral reefs struck by the **Royal Viking Sun cruise ship** April 4 (see story, page 25). The vessel has been detained at the port of Sharm el Sheikh until payment is received. . . .New Jersey plans to file **suit against the tobacco industry** to recover funds it has spent treating tobacco-related illnesses. The suit will be filed in state court after a special counsel is retained, said a spokesman for the New Jersey attorney general's office. . . .**Equitas Ltd.**, Lloyd's of London's runoff reinsurer, says in a bulletin circulated last week that reserves are likely "more manageable than earlier estimates suggested." The improvement is mainly due to claims being less than initial reserves for short-term business like marine, aviation and transport policies for 1986-1992. Reserves for long-tail business, such as asbestos, pollution and major catastrophe liabilities, have not been altered. . . .Under an agreement announced last week, **Community Health Plan**, an Albany, N.Y.-based HMO with 398,000 members, will become part of Kaiser Foundation Health Plan Inc., the nation's largest HMO. The affiliation is subject to review by the New York State Department of Insurance. . . .A Washington state judge last week ordered **Donnelly Corp.**, a Bellevue, Wash., insurance agency, into receivership after state regulators charged it with pocketing premiums collected for flood insurance. The FBI, which separately seized agency records and searched the home of CEO Patrick R. Donnelly, estimated that nearly $2 million in premiums are missing. Donnelly Corp. was one of several agents involved in placing property insurance for Chase Manhattan Corp. with offshore insurers controlled by convicted felon Ferrell Travis Riley (*BI*, Feb. 26; Jan. 31, 1994). . . .Leading London market aviation underwriter **Tony Medniuk** is quitting his post as underwriter for Lloyd's syndicates 824 and 173, managed by Murray Lawrence & Partners Ltd. and Stewart Syndicates Ltd., respectively, to join British Aviation Insurance Group Ltd. as managing director and chief underwriting officer.

P/C industry attracting entrepreneurs

By MYRON M. PICOULT

Special to *Business Insurance*

MOST INDUSTRY OBSERVERS readily acknowledge that the property/casualty business is not exactly a diamond mine.

Relatively paltry returns on equity over time, as well as in the past few years, underscore the point. Indeed, the median ROE of the top 250 insurers falls just slightly into double-digit territory. The mean ROE of those companies is less than half that figure, underscoring the performance disparity that is becoming more evident throughout the industry.

Given the aforementioned, it is curious that there seems to be a plethora of capital waiting in the wings, dying to get into the business. The bulk of this money seems to be controlled by financial entrepreneurs. The obvious question is why do they want to get into what appears to be a rather poor business?

The cash-flow dynamics of the property/casualty business has long been an alluring siren to prospective investors. In addition, we would note that the cost of capital in the property/casualty business is conceptually zero. In essence, a policyholder is giving an insurance company a dollar in return for a promise that somewhere down the road, should the policyholder incur a loss, the insurer will cover the claim minus the appropriate deductible.

As previously noted, the ROEs in the business over an extended period, on average, have been poor. The disparity between the median and mean ROEs underscores the point that some property/casualty underwriters are clearly outperforming their brethren. The common thread in the success stories is a very focused underwriting culture, a real market presence in particular niches and, in many instances, an expense edge.

The financial entrepreneurs seeking to gain entry into the business sense an opportunity to acquire certain properties at reasonable prices and an opportunity to materially enhance the returns of insurers that are on the block. They also may have

Investors unfazed by poor return record

sketched out an exit strategy. It should be stressed that the target acquisitions in the industry are different based on the concept of a long or short time frame.

In the past, the way to participate in industry consolidation was to own the stock of insurance companies that were likely to be acquired. This modus operandi has changed over the past few years, with the emphasis shifting to the purchaser, given the dynamics of consolidation and leverage.

Cases in point would be both CNA Financial Corp. and the new Travelers Corp., formerly Primerica. The ultimate prices paid in recent years for Continental Corp., the old Travelers Insurance Co. and the recently completed purchase of Aetna's property/casualty operation bear this point out. In each instance, the price paid by the purchaser has ranged from a bargain to a modest premium. The consolidation process is not a negative factor. Ultimately, it should result in fewer and stronger industry participants. Hopefully, it will also result in a more realistic level of competition.

Why do financial entrepreneurs want to get into what appears to be a rather poor business?

To gain a better insight into the ROE perspective of the financial entrepreneur, it would be helpful to review what the new participants bring to the table. To begin with, they probably bring some small increment of investment prowess, notwithstanding the fact that most property/casualty entities have fairly sophisticated investment departments and/or have access to a multitude of sophisticated outside money managers. In addition, these entrepreneurs also can help to create a more focused underwriting environment, which could lead to better underwriting results.

The real leverage these entrepreneurs bring to the table is their ability to aggressively reduce an insurer's cost structure. Most companies are bloated and inefficient, as exemplified by their expense ratios. With few exceptions, 30%-plus expense ratios put an insurer into non-competitive territory. Cutting from within is not impossible, but it is difficult, given the fiefdom mentality that pervades most operations.

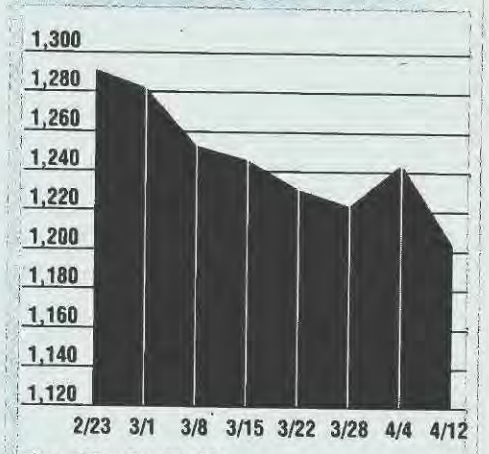
Financial entrepreneurs are not tied to any traditionalism in the business and hence have the opportunity to recast the path and not just pave it over. So considerable cost efficiencies are possible and, in fact, are the key determinant initially to improving ROEs. Financial entrepreneurs, by virtue of their investment/ownership positions, have the incentive to aggressively seek out economies of scale.

It should be stressed, however, that a cost-cutting modus operandi is not necessarily the same path that leads to the successful insurance company of the future, which we refer to as the virtual insurance entity.

The virtual insurance company is an entity that has the ability to spot market niches, either has the necessary capital or the ability to obtain it and has the wherewithal to assemble the various partners and vendors that will provide the best possible product and servicing skills for the focused market. The strength of the virtual insurer will lie in the effective use of distribution, cost control and information technology. BI

Myron M. Picoult is a managing director and senior insurance analyst at First Manhattan Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts.

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc.

PCS catastrophe options

As of April 12

Call spread	Price bid/ask	Call spread	Price bid/ask
Eastern September 1996		California Annual	
40/60	5.1/6	40/60	2/4.5
50/70	4/5.5	80/100	1/2.5
80/100	2.5/4	100/120	—/2
Southeast Sept. 1996		West Annual	
40/60	4/4.6	30/50	—/4.8

Total volume: 350 Total open interest: 2,672
For information on PCS cat options, call 312-435-3674.
Source: Chicago Board of Trade

British Issues

April 11 Companies	Price pence	P/E	Div. pence	Yield %	1 week high—low
Commi Union	588	11.3	35.3	6.0	589—582
Genl Accident	632	9.5	38.8	6.1	632—626
Gdn Royal Exch	235	8.7	11.3	4.8	238—233
Independent	493	9.2	14.1	2.9	494—487
Royal	358	6.7	20.0	5.6	369—358
Sun Alliance	359	8.1	21.6	6.0	369—359
Brokers					
Bradstock	66	11.0	7.1	10.8	66—66
Fenchurch	109	7.3	10.6	9.7	109—109
CE Heath	175	10.9*	9.0*	5.1	175—171
JIB Group	107	10.6	9.4	8.8	107—107
Lloyd Thmpson	169	10.4	11.3	6.7	171—169
Lowndes Lmbrt	147	7.9*	11.0*	7.5	147—147
Nelson Hurst	196	12.0	9.8	5.0	198—196
Sedgwick Grp	140	10.9	8.1	5.8	140—137
Steel Brl Jones	42	5.5	5.6	13.3	44—42
Willis Corroon	159	14.3	8.3	5.2	160—158

Source: Philip Olsen, London * Estimated. Others actual.

BI Industry Stock Report APRIL 8, 1996, THROUGH APRIL 12, 1996

BROKERS		Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt./Bk. value
Acordia Inc.	NYS	31.125	-1.19	4.62	33.13	23.50	34	0.8	2.57	19	14.00	2.22
Alexander & Alexander	NYS	19.125	-2.55	0.66	26.44	17.88	525	0.1	0.52	13	19.17	1.00
E.W. Blanch Holdings Inc.	NYS	20.25	1.25	-13.37	25.50	16.50	96	0.4	1.98	15	4.93	4.11
Gallagher Arthur J. & Co.	NYS	35.625	0.71	-4.36	39.50	32.50	81	1.16	3.26	14	6.48	5.50
Hilb, Rogal & Hamilton	NYS	13.125	-3.67	-1.87	14.38	10.50	37	0.6	4.57	16	1.21	10.85
Kaye Group Inc.	NDQ	7.5	0.00	-6.25	10.75	6.75	1	0.1	1.33	10	NA	NA
Marsh & McLennan	NYS	91.625	-0.95	3.24	101.63	76.13	1069	3.2	3.49	17	19.95	4.59
Poe & Brown	NDQ	22.75	-7.14	-8.54	25.50	22.25	198	0.48	2.11	13	5.15	4.42
BROKERS	AVERAGE		-1.7	-3.2					2.8	17		
INSURERS/REINSURERS												
ACE Ltd.	NYS	44.75	-2.98	12.58	50.38	24.38	447	0	0.00	-	22.45	1.99
Acceptance Insurance Cos.	NYS	14.875	-2.46	0.00	17.50	13.13	149	0	0.00	53	10.76	1.38
AEGON N.V.	NYS	49	0.00	11.36	49.38	29.00	54	1.23	2.51	16	17.28	2.84
Aetna Life & Casualty	NYS	72.25	-3.33	4.33	78.75	54.00	5876	2.76	3.82	33	48.85	1.48
AFLAC Inc.	NYS	30.75	-6.46	6.03	33.13	24.38	1749	0.4	1.30	13	17.58	1.75
Allied Group Inc.	NDQ	38.5	-1.91	6.94	44.25	27.25	80	0.88	2.29	8	21.81	1.77
Allmerica Prop. & Casualty	NYS	26.625	-2.29	-1.39	27.25	18.50	183	0.16	0.60	12	19.87	1.34
Allstate Corp.	NYS	39.875	-5.62	-3.04	46.00	28.13	8720	0.85	2.13	9	18.75	2.13
American Financial Group	NYS	30.375	-1.22	-0.82	34.50	23.88	359	1	3.29	8	24.94	1.22
American General	NYS	33.75	-3.57	-3.23	39.13	31.00	2233	1.3	3.85	13	17.03	1.98
American Heritage Life Ins.	NYS	20.875	-3.47	-8.74	23.88	17.63	24	0.72	3.45	10	12.51	1.67
American Indemnity/Fin'l	NDQ	10.4375	4.38	4.38	13.25	9.00	14	0.3	2.87	-4	15.92	0.66
American International	NYS	92.75	-0.53	0.27	103.38	67.38	5811	0.34	0.37	18	34.66	2.68
American Re Corp.	NYS	40	0.95	-2.14	45.00	34.00	507	0.32	0.80	-22	16.77	2.39
Aon Corp.	NYS	52.25	0.48	4.76	55.38	35.63	653	1.44	2.76	15	18.30	2.86
Argonaut Group	NDQ	31.75	0.00	-2.31	35.00	28.88	35	1.32	4.16	11	29.91	1.06
AVEMCO Corp.	NYS	15.5	0.00	-3.13	18.25	14.63	45	0.48	3.10	17	6.28	2.47
Baldwin & Lyons Inc.	NDQ	14.625	2.63	-10.00	18.00	14.25	10	0.32	2.19	7	13.90	1.05
Berkley W.R. Corp.	NDQ	43.25	-3.89	-19.53	55.50	35.00	185	0.52	1.20	15	34.46	1.26
Berkshire Hathaway Inc.	NYS	33100	-6.23	3.12	38000.00	21500.00	1	0	0.00	54	10089.11	3.28
Capital RE Corporation	NYS	35	-0.36	13.82	37.25	22.63	78	0.24	0.69	11	27.82	1.26
Capsure Holdings Corp.	NYS	16	-5.88	-9.22	18.13	12.75	49	0	0.00	15	14.61	1.10
Chubb Corp.	NYS	91.375	-2.66	-5.56	104.38	57.00	2189	2.16	2.36	12	48.92	1.87
CIGNA Corp.	NYS	104.25	-6.08	0.97	125.50	68.25	3416	3.2	3.07	36	80.46	1.30
CNA Financial Corp.	NYS	102.875	-4.30	-9.36	123.25	74.00	70	0	0.00	8	71.13	1.45
EMC Insurance Group Inc.	NDQ	13.5	-0.92	-1.82	15.25	9.75	15	0.56	4.15	8	11.13	1.21
Everest Reinsurance	NYS	23	-1.60	-1.60	25.13	18.50	1016	0.12	0.52	-	NA	NA
EXEL Ltd.	NYS	70.5	0.18	15.81	72.25	45.13	713	0.4	0.57	-	31.47	2.24
Fremont General Corp.	NYS	22.5	-1.10	-8.16	26.25	13.63	419	0.6	2.67	9	19.04	1.18
Frontier Insurance Group	NYS	32.375	-0.77	1.17	33.75	23.50	77	0.48	1.48	13	14.65	2.21
Gainsco Inc.	ASE	11.5	2.22	1.10	12.38	8.31	195	0.05	0.43	14	3.98	2.89
General RE Corp.	NYS	143.125	-2.64	-7.66	158.25	125.38	2309	2.04	1.43	14	59.35	2.41
Guaranty National Corp.	NYS	15.5	0.81	0.81	19.00	13.38	235	0.5	3.23	23	11.60	1.34
Harleysville Group	NDQ	28.5	4.11	-11.97	33.00	23.75	50	0.76	2.67	9	20.72	1.38
Hartford Steam Boiler	NYS	47.875	-4.49	-4.25	52.50	41.63	142	2.28	4.76	16	14.68	3.26
HCC Insurance Holdings	NYS	56.5	2.73	52.70	58.25	21.75	424	0	0.00	27	15.86	3.56
ITT Hartford Group	NYS	46.5	-4.86	-3.88	53.75	44.50	3006	1.6	3.44	10	45.46	1.02
Lincoln National	NYS	48.75	-6.25	-9.30	57.00	39.75	837	1.84	3.77	11	28.90	1.69
Markel Corp.	NDQ	79.5	-5.36	5.30	91.00	49.50	79	0	0.00	13	25.71	3.09
Meadowbrook Insur. Group	NYS	30.875	-4.63	-7.84	33.88	24.00	58	0.08	0.26	23	NA	NA
Mid Ocean Ltd.	NDQ	37.5	-4.46	1.01	43.00	27.75	959	0.25	0.67	-	22.18	1.69
Mutual Risk Mgmt. Ltd.	NYS	39.25	-4.27	-14.21	46.50	28.50	226	0.4	1.02	18	9.72	4.04
NAC Re Corp.	NYS	29	-7.94	-19.44	39.00	28.50	532	0.2	0.69	8	18.23	1.59
National Re Corp.	NYS	33.75	-3.23	-11.18	38.13	28.38	285	0.2	0.59	12	17.05	1.98
Navigators Group	NDQ	18.5	-5.13	4.96	20.25	12.75	17	0	0.00	12	10.21	1.81
Nobel Insurance Ltd.	NDQ	11.25	-2.17	-1.10	12.75	9.13	54	0.2	1.78	11	6.84	1.64
Ohio Casualty Corp.	NDQ	35.25	-2.76	-9.03	40.00	29.00	86	1.6	4.54	13	23.64	1.49
Old Republic Int'l	NYS	32.5	-2.99	-8.45	36.50	24.25	686	0.52	1.60	9	25.79	1.26
Orion Capital Corp.	NYS	43.75	-3.31	0.86	47.75	34.88	187	1	2.29	9	26.00	1.68
Partner Re Ltd.	NDQ	30	-1.64	9.09	31.75	22.25	1100	0	0.00	-	20.37	1.47
Penn-America Group Inc.	NDQ	13.0625	-7.52	-8.33	15.50	7.00	80	0.16	1.22	10	6.40	2.04
Philadelphia Cons. Holding	NDQ	22	-2.22	35.38	22.50	12.00	90	0	0.00	15	11.58	1.90
PXRE Corp.	NDQ	25.75	3.00	-2.83	29.75	21.00	102	0.72	2.80	5	21.27	1.21
Reliance Group Holdings	NYS	7.5	-3.23	-13.04	9.25	5.25	1526	0.32	4.27	9	3.42	2.19
Reliastar Financial Corp.	NYS	44.375	-5.08	0.00	51.63	34.50	751	1.12	2.52	11	24.53	1.81
RenaissanceRe Holdings Ltd.	NDQ	27.75	-2.63	-8.64	33.13	20.72	292	0	0.00	-	NA	NA
Risk Capital Holdings	NDQ	19.75	-1.25	-15.51	23.38	19.63	45	0	0.00	329	NA	NA
RLI Corp.	NYS	24.25	-3.48	-3.00	25.88	19.00	30	0.52	2.14	24	20.51	1.18
St. Paul Companies	NYS	53.75	-4.23	-3.37	60.50	46.13	2533	1.76	3.27	9	32.46	1.66
SAFECO Corp.	NDQ	32.9375	-3.83	-4.53	39.75	27.25	2636	1.06	3.22	10	44.95	0.73
Seibels Bruce Group	NDQ	3.0625	4.26	104.17	4.25	0.44	199	0	0.00	44	0.04	76.56
Selective Ins. Group	NDQ	33.125	-7.99	-6.69	38.75	28.25	268	1.12	3.38	9	23.23	1.43
Sphere Drake Holdings	NYS	10.125	1.25	-27.68	19.13	9.75	52	0	0.00	-	13.86	0.73
TIG Holdings	NYS	30.125	-10.07	5.70	34.25	21.88	1635	0.2	0.66	16	16.62	1.81
Titan Holdings, Inc.	NYS	13.5	-2.70	-6.09	15.75	10.25	29	0.3	2.22	10	9.04	1.49
Tokio Marine & Fire	NDQ	65	1.36	-1.52	69.25	50.88	106	0.32	0.49	23	57.72	1.13
Torchmark Corp.	NYS	41.5	-5.95	-8.29	49.88	36.75	904	1.16	2.80	21	17.37	2.39
Transatlantic Holdings	NYS	66.125	-3.99	-9.88	75.25	61.38	393	0.48	0.73	12	33.30	1.99
Transnational Re Corp.	NDQ	22.375	-0.56	-8.67	27.25	19.63	69	0.2	0.89	6	18.84	1.19
Travelers Corp.	NYS	61	-7.40	-2.59	70.50	38.75	6865	0.9	1.48	11	24.77	2.46
Trenwick Group Inc.	NDQ	51.5	-3.74	-8.44	57.50	41.75	127	1.24	2.41	12	29.23	1.76
United Fire & Casualty	NDQ	30	-4.00	7.14	37.25	18.25	20	0	0.00	11	28.96	1.04
Unitrin	NDQ	47	0.00	-2.08	51.75	44.50	105	2.2	4.68	13	37.51	1.25
UNUM Corp.	NYS	59.5	-5.56	8.18	63.00	39.88	1230	1.06	1.78	15	26.45	2.25
US Facilities Corp.	NDQ	20	1.27	-6.43	23.38	13.13	219	0.24	1.20	8	14.20	1.41
USF&G Corp.	NYS	15.375	-2.38	-8.89	19.50	13.75	1722	0.2	1.30	9	10.86	1.42
USLIFE Corp.	NYS	28.375	-2.99	-5.02	33.25	24.75	712	0.93	3.28	9	38.45	0.74
Washington National	NYS	26.25	-1.41	-4.98	30.50	18.00	92	1.08	4.11	10	25.13	1.04
Zenith National Ins.	NYS	24.5	1.03	14.62	24.88	20.00	90	1	4.08	68	16.35	1.50
Zurich Reinsurance Centr.	NYS	31.625	-1.56	4.12	32.63	27.88	41	0	0.00	37	21.64	1.46
INSURERS/REINSURERS	AVERAGE		-2.5	-0.3					1.9	18.4		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	NDQ	31.3125	3.09	9.87	34.25	19.50	2205	0	0.00	391	28.15	1.11
Humana Inc.	NYS	24	-9.00	-12.33	28.88	17.00	2690	0	0.00	21	6.56	3.66
Oxford Health Plans	NDQ	46.25	-0.54	25.21	47.25	19.25	3797	0	0.00	65	6.56	7.05
Pacificare Health Sys.	NDQ	77	-2.84	-11.49	98.75	44.50	622	0	0.00	20	15.02	5.13
Safeguard Health Enter.	NDQ	18	9.09	54.84	18.63	9.00	318	0	0.00	35	6.15	2.93
Sierra Health Services	NYS	31.625	-1.56	-0.39	36.00	22.13	97	0	0.00	26	9.22	3.43
United Healthcare Corp.	NYS	60.625	-3.00	-7.27	69.00	34.13	4466	0.03	0.05	39	16.17	3.75
U.S. Healthcare	NDQ	51.875	-1.89	11.56	54.25	26.50	13669	1.1	2.12	21	5.66	9.17
Wellpoint Health Networks	NYS	33.125	-2.21	3.11	36.00	27.38	228	0	0.00	18	14.26	2.32
HMOs	AVERAGE		-1.0	8.1					0.2	71		
ALL COMPANIES	AVERAGE		-1.7	1.5					2.1	27		

Top advancing issues: Safeguard Health Enter., American Indemnity/Fin'l, Seibels Bruce Group. Leading decliners: TIG Holdings, Humana Inc., Selective Ins. Group. Most active issue: U.S. Healthcare. The BI Index fell 3.1%; the Dow Jones 30 Industrials declined 2.6%; the S&P 500 decreased 2.9% and the NYSE Composite lost 2.7%. Book values are updated annually by Nordby International Inc.

System design: Nordby International Inc.

Horseplay

Continued from page 1

The pair were hauling produce to San Francisco for their employer, Darco Transportation of Checotah, Okla. Darco could not be reached for comment; there is no phone listing for Darco in Checotah or several other Oklahoma area codes.

Darco's workers comp risks were covered by the State Insurance Fund in Oklahoma City, which is a competitive workers comp underwriter in the state.

In attempting to deny the claim, the fund pointed to several pieces of evidence that suggest Mr. Dulen and Ms. Freeman were engaged in sexual intercourse when their truck collided with the train on Sept. 7, 1993, in Shafter, Calif., shortly after midnight.

Mr. Dulen admitted as much to a police officer, the fund argued. According to court records, three hours after he had been admitted to a hospital, Mr. Dulen told the officer, "I was (having sexual intercourse with) her and now, oh my God, I have killed her."

The officer further reported that Mr. Dulen said Ms. Freeman was sitting on his lap when the collision occurred, according to court records.

The dissenting opinion noted that the officer described Mr. Dulen as distraught but "alert, coherent, and appropriately responsive" to the officer's and hospital personnel's questions.

Other evidence suggesting the two were having sex included:

- Mr. Dulen was found at the accident scene with his pants pulled down to about mid-hip.
- Ms. Freeman was found clad in only a T-shirt.
- Only the driver-side door and windshield of the truck were knocked out, strands of Ms. Freeman's hair were found at the top of the driver-side door frame and Ms. Freeman suffered injuries primarily on the right side of her body. The truck's passenger-side door was fully intact.

However, Mr. Dulen was not issued any citations, according to the Shafter police.

During the workers comp hearing in the case, Mr. Dulen testified that his hospital statement had been misinterpreted. He said he meant that he had been living in an intimate relationship with Ms. Freeman for the previous five months and that he felt responsible for her death because she was in the truck with him when the collision occurred.

He denied admitting that he and Ms. Freeman were having sex when the collision occurred.

The majority opinion also noted that Mr. Dulen was in apparent shock during the officer's questioning.

While the state fund was challenging the claim, a Darco official claimed the co-drivers could not have been having sex.

The trial court did not allow Darco Operations Manager Chester Cooper to testify that the two drivers could not have fit between the seat and the steering wheel. It ruled he was not a qualified expert. But, it did allow Mr. Graves to enter Mr. Cooper's opinion, taken in a deposition, into the trial record, the attorney noted.

On the drivers' state of dress when the accident occurred, Mr. Cooper testified that long-haul drivers often unbutton their pants for comfort's sake. Mr. Dulen testified this was his habit.

The trial court also heard testimony that the truck was equipped with a sleeping facility and that Ms. Freeman slept in only a T-shirt while traveling.

Mr. Dulen's case, though, largely was founded on his claim that the Santa Fe railroad, then owned by Santa Fe Pacific Corp., was responsible for the collision.

Shortly before the collision, barriers at the Santa Fe railroad crossing had lowered, forcing Mr. Dulen and the driver of another Darco rig he was following to stop before reaching the crossing.

Though no train had passed through the crossing, the barriers rose, and the other Darco trucker drove across the tracks. But, when Mr. Dulen followed, a Santa Fe train struck his rig.

In April 1994, the trial court ruled that Mr. Dulen's injuries occurred while he was in the course of his employment, arose out of his employment duties and resulted directly from malfunctioning railroad-crossing barriers. The ruling was upheld in two separate appeals court cases.

The railroad settled with Mr. Dulen a year ago. Charles Alpar of The Crow Law Firm in Sacramento, Calif., who was Mr. Dulen's attorney in that case, would not disclose the amount.

The railroad did not admit liability as part of the settlement, said a spokesman with Burlington Northern Santa Fe Corp. of Schaumburg, Ill., now the ultimate parent of the Santa Fe railroad. He also said that "anything needed to make (the crossing barriers) operate as intended has been done."

Mr. Graves was unsure how another issue—the typical offset of third-party recoveries and workers comp benefits—"is going to work out." He noted that workers comp insurers usually pay the benefits first and then subrogate against third parties.

Prefacing the Oklahoma Supreme Court's majority ruling, Chief Justice Alma Wilson noted that under the so-called "any competent evidence" standard, the trial judge's findings may not be overturned if they are based on undisputed facts—even if the facts support an alternate finding.

Justice Wilson also warned against resurrecting the concept of a worker's contributory fault in a workers comp case.

Even if Mr. Dulen and Ms. Freeman were having sex when the accident occurred, Justice Wilson wrote, the trial judge still could find that Mr. Dulen's behavior was no more than careless, negligent or forbidden.

His behavior, though, could not be considered horseplay—defined as an abandonment of his employment duties—which would make his injuries uncompensable, she wrote. "Above all, uncontroverted is the stubborn fact that Dulen, when injured, occupied his work station—the driver's seat behind the steering wheel of Darco's truck."

The majority also found that Mr. Dulen's injuries arose out of his work because his job subjected him to the perils of traveling on the nation's highways.

In a stinging dissenting opinion written by Vice Chief Justice Yvonne Kauger, four justices determined that Mr. Dulen was having sex with Ms. Freeman when the collision occurred. That act is a form of horseplay that disqualifies a worker from compensation for any resulting injuries, the dissenting justices concluded.

"By engaging in sexual intercourse, the claimant transformed his otherwise legitimate work-related conduct into conduct that did not 'arise out of. . .his employment. . . .,'" Justice Kauger wrote.

She also wrote that the high court was not bound to uphold the trial court's decision under the "any competent evidence standard" because the trial court did not make any finding about whether the co-drivers were having sex when the collision occurred.

Even if the high court were required to apply the standard, it is not obliged to apply a test that compels it to uphold an "unjust, irrational or absurd lower court decision," Justice Kauger wrote.

The State Insurance Fund has not determined what it will argue in seeking a rehearing, said Elizabeth Bradford, general counsel.

Mr. Graves called the dissenting opinion "bad reasoning."

There would be no question about the compensability of Mr. Dulen's injuries if he had suffered them by running a red light after spilling coffee on himself or while reaching down to insert a tape into a cassette deck, he said.

Mr. Graves acknowledged that neither of those acts likely would be considered horseplay, in which the employee ceases to provide any benefit to his employer. But, in Mr. Dulen's case, the driver still was on the job, he said.

Mr. Graves said Mr. Dulen's injuries would not have been compensable if the co-drivers had pulled off the road to have sex and their rig was struck by another motorist.

Likewise, workers in other workplaces who cease performing duties that benefit their employers to have sex would not be eligible for workers comp benefits if they injured themselves in such frolic, Mr. Graves said.

In Mr. Dulen's case, a sex act "wasn't the direct cause of the accident," he said. Mr. Graves noted that the other Darco truck driver, whose actions behind the wheel have not been questioned, "just got lucky" that the train did not hit him.

•

Darco Transportation and State Insurance Fund vs. Elmer O. Dulen and The Workers' Compensation Court, Oklahoma State Supreme Court; No. 84,374.

Tort

Continued from page 2

nor the proportion of those letters and calls favoring or opposing the president's stand.

Another unknown element is exactly when the president will receive the bill. Although Congress could send it to him at any time, lawmakers appear to be in no rush. Conceivably, President Clinton might not receive the bill until after Labor Day, when his treatment of the bill could become a potent campaign issue.

Rumors have been floating around Washington that the business community is prepared to spend millions of dollars on an advertising campaign to change the president's mind. Although no one would confirm this, several observers who asked not to be identified said that such an effort certainly was not out of the question, but would require time to fund and design.

Nevertheless, "the White House should be getting swamped," said Larry Fineran, an assistant vp at the National Assn. of Manufacturers in Washington.

He said that NAM sent out a full membership mailing asking members to make their feelings known, and found that many members are asking advice on how to get their employees involved with the effort as well. "I've gotten more calls from members who want to have their employees actively call or write the White House on this issue than ever before," he said.

Mr. Fineran said that when some members have questioned why they should bother contacting the White House when the president has already promised a veto, he's reminded them that Mr. Clinton has changed his mind about whether to veto bills before.

For example, he vetoed the Securities Litigation Reform Act earlier this year after saying he would sign it. Congress responded with its first override of one of his vetoes.

As soon as the House gave final approval to the product liability bill late last month, the Product Liability Coordinating Committee began encouraging its members to call and write to "get the president to think again about this issue," said Ann Gosier, executive director of the Arlington, Va.-based business-backed PLCC.

"We are asking people to write or call the White House," she said.

Also taking that tack is the Risk & Insurance Management Society Inc., said Paul Brown, director-government affairs for the New York-based group. Mr. Brown said that a RIMS weekly fax alert in March called on members to urge the president to lay down his veto pen.

In addition to exhorting members to write the White House, the Washington-based National Federation of Independent Businesses is launching its own radio campaign to drum up public support. These ads will begin running in the Washington area today, at an initial cost of about $60,000, said an NFIB spokeswoman. She added that NFIB may extend the campaign to some key Midwestern states.

The American Tort Reform Assn. has also entered the fray, even though its efforts traditionally have been aimed more at the state houses than at the White House. Sherman Joyce, president of Washington-based ATRA, said that the group had contacted "in-state tort reform" activists and asked them to write the president stressing their support for federal product liability legislation. He said that the response from state activists has been positive.

Although they appear to have the president in their camp, supporters of a veto are not remaining silent.

"We're in the process of putting something together that would bolster the president," said Richard Vuernick, legal policy director of Washington-based Citizen Action. He said the pro-veto campaign should be in full swing by the middle of this week, and that Citizen Action would be exchanging ideas with other consumer groups, labor unions and others.

A veto would be the second major setback for business on the product liability front in recent weeks.

On March 26, California primary voters defeated three tort law initiatives, two of them resoundingly.

That defeat, according to Mr. Joyce, has not undermined tort reform efforts in California and other states.

"Sure it's a disappointment because it is portrayed as a defeat for tort reform" nationally, he said.

California reform advocates are turning their attention to the legislative arena, he said. For example, hearings on tort reform legislation, including a requirement that the bulk of punitive damages to be paid to the state government, should be held next month, said Mr. Joyce.

Significant legislation is also under consideration in Ohio, where the House has already passed H.B. 350, which would among other things cap punitive damages and reform state product liability law, and in Alaska, where another punitive damage reform measure, H.B. 158, has received House approval and is pending in the state Senate, he said. BI

Claims

Continued from page 3

nies, each with 250 or more employees, in specific industries, excluding the 1,000 largest manufacturers and the 1,000 largest financial services companies. Also excluded were insurance, insurance brokerage, government and social service employers.

"Here a majority but not a large enough majority of the middle-market companies credited the value of medical case management early in the life of a claim," said Stan Long, president of AIG Claims Services in New York. "The bad news is a significant part of middle-market companies are not using it."

"I think the study is clear that the companies that use case management in every single disability case and start on day one get the best results," Mr. Long said. But, he said, most case management systems in the country "are not constructed to move that quickly."

When do midsize companies use case management? Most frequently in lost-time cases, they said, with back injuries the most frequently cited specific ailment, cited by 24%. Another 5% cited repetitive motion cases and 4% stress-related cases.

Typically, companies look outside for case management services, with 64% of respondents saying they rely on an adjuster or other insurance professional for case management.

Toll-free "first report of injury" numbers are popular with the employers surveyed, with 68% indicating they deal with workers comp insurers offering the centralized telephone reporting service, and 74% of that group saying they take advantage of the service.

More than half—57%—of companies using case management in workers comp do so both onsite and by telephone. Of companies using only one method, telephone case management is the more popular, with 26% of respondents reporting they use that technique only, compared with 14% for onsite.

Even though there's only limited research on case management in workers comp, it has been shown to cut costs, said David Durbin, vp and director of research at the National Council on Compensation Insurance in Boca Raton, Fla.

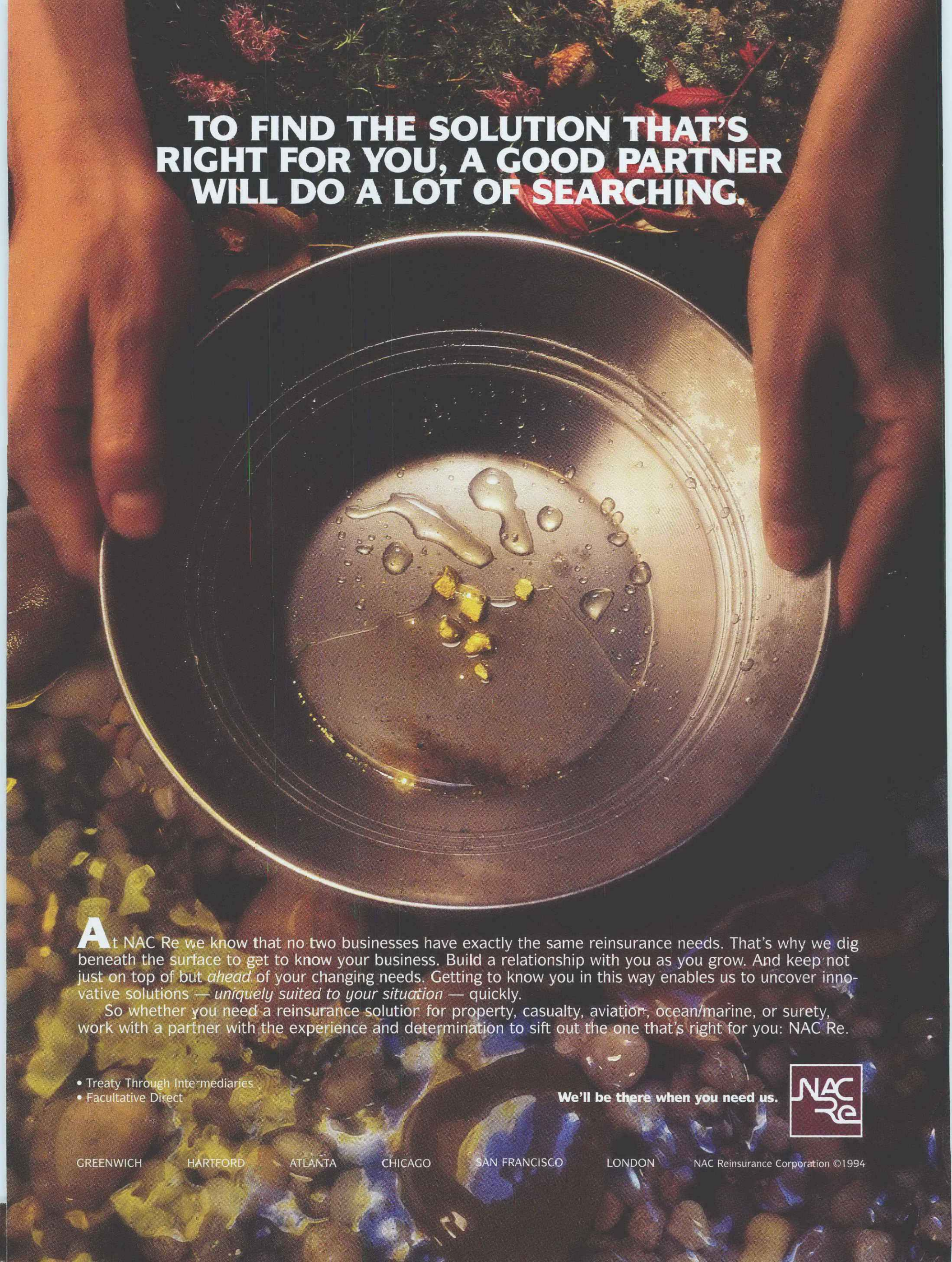
"Case management has been a tool for years in workers comp," he said. "I'd say at least extensive injury cases have some form of case management associated with them."

AIG Claims Services chose to focus on middle-market companies in its study because of employment growth in that segment and a lack of solid information from those employers.

"You often hear the large employers quoted, and we really hadn't gotten the type of (data) we need from the middle market," said Debbie Standon, director of medical management services.

•

Free copies of "Middle Market Case Management Study" are available from AIG Claims Services, 21st Floor, 70 Pine St., New York, N.Y. 10270; 212-770-7559.


TO FIND THE SOLUTION THAT'S RIGHT FOR YOU, A GOOD PARTNER WILL DO A LOT OF SEARCHING.
At NAC Re we know that no two businesses have exactly the same reinsurance needs. That's why we dig beneath the surface to get to know your business. Build a relationship with you as you grow. And keep not just on top of but *ahead* of your changing needs. Getting to know you in this way enables us to uncover innovative solutions — *uniquely suited to your situation* — quickly.
So whether you need a reinsurance solution for property, casualty, aviation, ocean/marine, or surety, work with a partner with the experience and determination to sift out the one that's right for you: NAC Re.
• Treaty Through Intermediaries
• Facultative Direct
We'll be there when you need us.
NAC Re
GREENWICH HARTFORD ATLANTA CHICAGO SAN FRANCISCO LONDON
NAC Reinsurance Corporation ©1994

Cutting workers' comp costs is an operation best left to specialists.

At the AIG companies, our specialists provide cutting-edge cost containment. In fact, our claims services can reduce workers' compensation loss costs by as much as 20 to 30%.

While other companies use generalist adjusters who are expected to manage all aspects of claims, we put specialists on the case. By concentrating the focus of each specialist, we deepen the expertise the adjuster can bring to each file. And in time-critical situations, you want experts to make expert decisions.

Each specialist uses proven strategies in their area of expertise: Compensability, Disability Management, Early Return to Work, Critical Claims, Investigations or Medical Management. And all closely operate together for the best results possible.

And we've recently introduced one more specialist, *IntelliRisk*,™ a Windows®-based real-time software solution that allows you to access, analyze and use claim information much more efficiently and effectively.

Find out more by calling AIG's leading provider of workers' comp, American Home Assurance Company, at 1-800-291-3400. Or just ask your agent or broker.

AIG **World leaders in insurance and financial services.**

American International Group, Inc., Dept. A, 70 Pine Street, New York, NY 10270