

Business Insurance

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

Entire contents copyright © 1999 by Grain Communications Inc. All rights reserved

New York governor proposes commercial lines deregulation

NEW YORK—Gov. George E. Pataki last week proposed legislation that would deregulate most commercial lines of insurance, allowing insurers to customize and price products without prior approval of the state.

Gov. Pataki said in a release that his bill was a landmark measure that would make the New York insurance market "sophisticated and innovative" and encourage insurance customers to buy from insurers in New York state.

The proposal would deregulate most com-
See Updates on next page

Study sees turn in D&O market

By ROBERT KAZEL

Continued softening in the U.S. directors and officers liability insurance market last year meant lower rates for most buyers, the fourth consecutive year prices have dropped, a survey reports.

But the same survey found hints that the U.S. market may soon start to harden and already is hardening for certain sectors.

D&O premiums for the typical purchaser of D&O coverage dropped by 13% in 1998, according to the Tillinghast-Towers Perrin study. Premiums had dropped 15% in 1997. Seven out of every 10 survey respondents reported no premium increase, while about 30% reported increases. Of those with premium increases, however, 50% received additional limits and improved policy wordings.

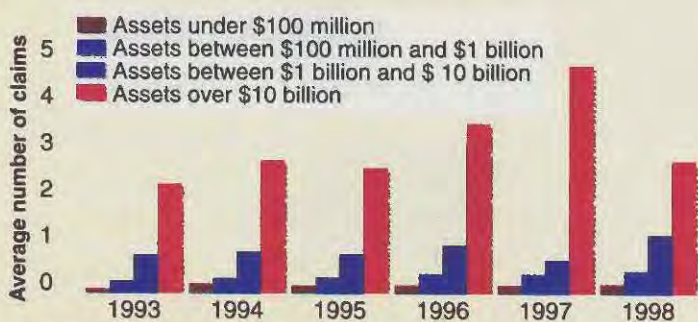
For the 1998 survey, 1,386 U.S. businesses responded. According to the report, most players in the D&O market face a competitive and even more difficult time in the future.

The survey said "tougher times may be ahead for the D&O insurance industry. . . . We could be only a few years away from some fairly adverse loss ratios and shrinking insurer profit margins."

"I wonder how much longer those premium declines can continue," said Mark W. Larsen, author of the study. "Insurers continue
See D&O on page 33

Claims increase with size

Average claims per company by asset size



Source: Tillinghast-Towers Perrin

GRAPHIC BY MIKE GARVEY

Benefit bills target loopholes in parity

By JERRY GEISEL

WASHINGTON—A new push is under way in Congress to require employers to offer the same coverage for mental disorders in their group health care plans as they do for physical illnesses.

Bills introduced in the House and Senate last week would vastly expand a 1996 federal mental health care benefits law so riddled with loopholes that it is widely acknowledged as virtually meaningless.

The Mental Health Equitable Treatment Act, introduced by the authors of the 1996 law, Sens.

Pete Domenici, R-N.M., and Paul Wellstone, D-Minn., would require full parity for severe biologically based mental illnesses, including schizophrenia, major depression and bipolar disorders. It also would bar limits on the number of covered hospital days and outpatient visits for mental disorders.

Legislation introduced in the House by Rep. Marge Roukema, R-N.J., would go even further, requiring complete mental health care benefits parity for mental health coverage. For example, under her legislation, a group plan could not impose higher copay-

ments for outpatient mental health services than it does for outpatient medical services.

While the two bills differ in scope, they would, if enacted, be a sea change from the 1996 parity law. That law, while outlawing discriminatory annual and lifetime dollar caps, allowed employers to redesign their plans and put in new limits to keep costs under control, such as higher copayment requirements and caps on number of outpatient visits to mental therapists.

Indeed, while employers initially had some anxiety about the
See Parity on page 39

Aon names O'Halleran president and COO

By DOUGLAS McLEOD

CHICAGO—Aon Corp. Chairman and Chief Executive Officer Patrick G. Ryan will be sharing executive responsibilities with Michael D. O'Halleran following Mr. O'Halleran's appointment Friday as Aon's new president and chief operating officer.

Mr. O'Halleran will continue as president of Aon Group Inc., the brokerage and consulting unit that accounts for the majority of Aon's rev-



Mr. Ryan



Mr. O'Halleran

enues. He takes over the title of president of the parent company from Mr. Ryan and assumes the new title of parent company COO.

However, Mr. Ryan said he has no plans to step down.

"Aon has reached a point of size and complexity that I believe there should always be two individuals who run the company as a partnership," Mr. Ryan said of the move.

With 44,000 employees and a management commitment to make top officers available to clients and operating unit
See Aon on page 39

HCFA says it will improve oversight of Medicare HMOs

By MARK A. HOFMANN

WASHINGTON—The Health Care Financing Administration plans to step up its oversight of Medicare managed care plans in the wake of federal studies calling HCFA's efforts inadequate.

Medicare HMOs have misled beneficiaries about the benefit packages to which they are entitled and have provided inaccurate

information that sometimes contradicts Medicare's own regulations, according to a U.S. General Accounting Office report released last week at a hearing held by the Senate Special Committee on Aging.

Carol Cronin, HCFA's director of the center for beneficiary services, did not dispute the GAO findings as she testified before the committee. She promised the

committee that HCFA would take several "additional steps," including requiring that Medicare managed care plans use standardized forms spelling out their benefit packages to allow beneficiaries to better compare plans.

To remedy the problems, she said, the agency would "no longer assume" that plans have made required changes to their marketing materials without having first re-

viewed the documents.

How Medicare HMOs, which cover about 7 million individuals, treat participants is of significant interest to employers. Over the past several years, many employers have been encouraging retired workers to enroll in Medicare HMOs and to move out of corporate plans that supplement Medicare; that strategy that can cut employer costs.

A spokesman for a trade group that represents the managed care industry said the industry is ready to work with the federal government to deal with the situation. "The bottom-line principle is very clear. Information on plan design, benefit structure and other characteristics of the plan need to be accurate and understandable. To the extent that there are prob-
See Medicare on page 33



RIMS 1999 Report

begins on page 3

To Subscribe Call
1-888-446-1422 in the U.S. or
1-313-446-0450 outside the U.S. or
go online to www.businessinsurance.com

Updates

Governor proposes deregulation

Continued from previous page

mercial property and casualty insurance lines, but it would not deregulate personal auto, homeowners or other personal lines policies, medical malpractice, workers compensation or life insurance.

Instead of requiring rate and form filings to be approved, the state Insurance Department, under the provisions of the bill, would closely evaluate insurers' risk profiles to make sure they are adequately capitalized.

The department also would emphasize consumer protection by increasing the civil penalties for violations of insurance regulations.

Ohio twister losses total \$66 million

COLUMBUS, Ohio—A tornado that hit the Cincinnati area caused at least \$66 million in insured losses and is expected to generate more than 4,800 claims, the Ohio Insurance Institute says.

Ohio businesses and residents in Hamilton, Clinton and Warren counties sustained the most damage from the severe weather and at least one tornado, which the National Weather Services categorized as an F-4—the second-strongest category—according to a spokeswoman for OII, a property/casualty trade group in Columbus, Ohio.

The severe weather, which included 207 mph winds, caused four deaths, including two motorists and a couple who were swept out of their home.

The Greater Cincinnati Chamber of Commerce estimates that 40 businesses were destroyed in the tornado, while 15 sustained major damage and 25 had minor damage.

Hundreds of homes—many valued in the \$500,000 range—were damaged, according to reports. In addition, uninsured residential losses are estimated at \$5.8 million, according to the Ohio Emergency Management Agency.

Ohio Casualty Corp., which is based in Hamilton, just outside Cincinnati, last week had received 120 weather-related claims from policyholders in southwestern Ohio and southeastern Indiana, according to a statement.

"The severity of claims is anticipated to be significant, with projected net losses of approximately \$7 million," the company said in its statement. "The total aftertax impact on the second quarter will be approximately \$4.6 million, or 15 cents per share," it said. "These losses will add approximately 1.8 points to the second-quarter combined ratio," it added.

Nationwide Mutual Insurance Co. has received about 150 weather-related claims, according to a spokesman for the Columbus-based insurer.

Earlier last week, the Property Claim Services unit of the Insurance Services Office Inc. said insured property losses from tornadoes and other severe weather pummeling Ohio and three other Midwest states would be high enough to be considered a catastrophe.

However, losses still were being tallied, especially in the hard-hit Cincinnati area, as well as in parts of Illinois, Indiana and Missouri.

The federal Small Business Administration designated the Cincinnati area a disaster, which will make some businesses eligible for low-cost loans.

Maryland passes Y2K bill

ANNAPOLIS, Md.—Maryland Gov. Parris Glendening still is considering whether to sign or veto a bill giving limited liability relief to businesses confronting the Year 2000 computer problem.

Both houses of the Maryland General Assembly, which adjourned last week, gave their approval to H.B. 8, which provides an affirmative legal defense—but no damage caps—to businesses that acted reasonably to deal with the problem, said Miles Cole, vp-government relations for the Maryland Chamber of Commerce in Annapolis.

Gov. Glendening, however, had expressed doubts about the bill and has until June 1 to decide whether to sign or veto the legislation.

"Over the next several weeks he will be reviewing all the bills that are presented to him, the content of the bill, the language contained in the bill and any and all amendments before he reaches a final decision about any bill," according to a spokesman for the governor.

On another liability matter, the General Assembly did not approve any bills that would have extended the liability of managed care plans or medical directors, noted Fran Doherty, vp-government affairs for CareFirst Blue Cross & Blue Shield in Owings Mills, Md.

"We were very pleased with the session," Ms. Doherty said.

The assembly did approve a mild patients bill of rights that the governor is expected to sign.

Insured cat losses \$1.85 billion: PCS

NEW YORK—Catastrophes caused \$1.85 billion in insured property losses during the first three months of this year, according to the Insurance Services Office Inc.'s Property Claim Services unit.

That represents a jump of \$750 million over the amount of catastrophe-related insured property losses registered during the same period of 1998.

The bulk of this year's damage—\$1.8 billion—occurred in the month of January, when four winter storms raked 30 states.

The remaining \$50 million was caused by a winter storm that struck the Pacific Northwest last month.

See Updates on page 38

More insurers chasing profits

Med mal rates may harden

By ROBERT KAZEL

Buyers of medical malpractice liability insurance may see pricing begin to harden as insurers pursue elusive profits and start turning away poor risks.

In the short term, however, rates should continue to be relatively low as insurers compete for customers, analysts say.

The medical malpractice market today generally is split between physician mutual insurers, which were created about two decades ago in response to insurance availability problems for physi-

STANDARD & POOR'S
50 largest medical malpractice insurers listed on page 35

cians and hospitals, and mainstream commercial insurers, some of which are testing the waters after leaving the market years earlier.

Although competition has pushed a few physician mutual

companies from the scene recently, most have adapted, according to Robert Partridge, a director with Standard & Poor's Corp. in New York. S&P recently prepared an analysis of the medical malpractice market, as well as a ranking of the leading underwriters in this market based on 1997 direct premiums.

The mutuals are diversifying their products, offering policies that cover group practices, expanding into adjoining states, taking up allied business such as physician claims management, or

See Market on page 35

Comp losses hitting insurers

Buyer's market expected to end as combined ratios worsen

By MEG FLETCHER

ORLANDO, Fla.—Intense competition among workers compensation insurers is allowing employees to enjoy low-priced workers compensation cover-

NCCI More coverage of the NCCI meeting begins on page 37

age—at least for now.

However, that buyers' market is expected to end sooner rather than later, because preliminary 1998 data indicates that insurers' workers comp losses are worsening, according to a new statistical report from

the National Council on Compensation Insurance.

The numbers "are ugly and they are getting uglier," Bill Schrepf, the NCCI's president and chief executive officer, said at the organization's recent annual issues symposium at the Hyatt Regency Grand Cypress Resort in Orlando, Fla.

The most eye-catching news at the symposium was that two key combined ratios are expected to increase five percentage points each in 1998 (BI, April 12).

The accident-year ratio, which considers losses only from accidents in a given year, is expected to climb to 121% from 116% in 1997. In addition, the calendar-year ratio, which includes claims payments and reserve changes during the year for accidents in that year or earlier, is expected to increase to 106%

See Comp on page 36

Plant postpones burning napalm

By MICHAEL BRADFORD

BATON ROUGE, La.—A Louisiana plant will delay burning Vietnam-era napalm until safety measures are put in place at a nearby university.

In an agreement with state regulators and the school, Rhodia Inc. in Baton Rouge, La., agreed to help Southern University develop an evacuation plan and will share with other area industries the cost of installing air monitoring equipment on the campus.

The industries involved also will pay to install at the school a siren tied to the city's community alert system, and Rhodia has agreed to do more monitoring at its plant for the release of gases.

Last year, Rhodia contracted with a Texas company to process into a specialized fuel the U.S. government napalm, a thick mixture of polystyrene, gasoline and benzene (BI, Jan. 18). More than 3 million gallons of napalm was blended with other chemicals in Texas and will fuel a furnace used to produce sulfuric acid at the Rhodia plant.

The napalm arrived in Louisiana on a trail of controversy. The Navy had stored the material since 1973 at a weapons station 60 miles north of San Diego. The

See Napalm on page 39

Senate bill on Y2K liability advancing

By MARK A. HOFMANN

WASHINGTON—A bill that would provide businesses some relief from liability stemming from the Year 2000 computer problem will likely reach the Senate floor this week.

The bill still was being drafted late last week, but business and insurer advocates of Y2K liability relief already had lined up in support of the measure.

David Peyton, director-technology issues for the National Assn. of Manufacturers, which is spearheading the broad-based pro-liability relief Year 2000 Coalition, said supporters expect a fight on the Senate floor.

"We're not expecting the bill will come up by unanimous consent, and that means at some point we're going to need 60 votes. It will come up under the McCain bill number, but it will be

See Y2K on page 38

Inside

• A mandate compelling employers to cover mental disorders at the same level as physical illnesses could well force companies to cut benefits in other ways, one of this week's editorials says. **PAGE 8**

• At the AIRMIC conference, knowledge and expertise are cited as key insurance industry needs. **PAGE 29**

• Australian insurer QBE is continuing to expand in Eastern Europe. **PAGE 29**

Departments

Advertiser Index.....36
Classifieds.....34
Commentary.....37

For the Record.....35
Global Briefs.....29
Insurance Services Guide.....32
International.....29
Opinions.....8
Reader Reply Service.....36
Ticker.....39

Business Insurance (ISSN 0007-6864) Vol. 33, No. 16, is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Periodicals postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207. \$4 a copy and \$89 a year in U.S. \$108 in Canada and Mexico (includes GST). All other countries \$209 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 1999 by Crain Communications Inc.

1999 RIMS report

RIMS' agenda: Advance society, profession

50th anniversary to be used as catalyst, new president says in first address

By MICHAEL BRADFORD

DALLAS—The Risk & Insurance Management Society Inc. is heading into the next century with a new look and a focus on raising its profile.

The organization will celebrate its 50th birthday in 2000, and the milestone will provide a springboard for RIMS to increase the visibility of the society and of risk management in general, said President Susan R. Meltzer, who took on the post last week at RIMS' 37th annual conference and exhibition in Dallas.

At the society's annual membership meeting in Dallas during RIMS' annual conference, Ms. Meltzer said, "The past year has been an exciting one for RIMS," but the organization remains "a work in progress, and there are many more exciting things to come."

The upcoming anniversary and start of a new century is the perfect time to bring attention to RIMS, its accomplishments and its plans for the future, Ms. Meltzer told members at the breakfast meeting at the Dallas Convention Center. It was her first address as president of RIMS.

"We shall use the 50th anniversary celebration as the catalyst for reflecting on our accomplishments and finding ways to further advance our society and risk management as a whole," she emphasized. "This concept is reflected in the theme of my administration: Building a Strong Future From a Rich Past."

Ms. Meltzer, who is assistant vp-insurance and risk management at Sun Life Assurance

Co. of Canada in Toronto, used her inaugural speech as the occasion to unveil a new logo that RIMS will use for the anniversary. Members got their first peek as giant video screens on both sides of the stage flashed an image of the logo—an art deco-style design with a large gold "50" displayed on a blue background. The new logo also appeared on pins that were distributed to the tables.

Next year, she said, RIMS' staff and a new task force will develop several events related to the anniversary. Two "high-profile forums" will be presented, and a commemorative book and video are in the works, Ms. Meltzer said.

Local chapters are being encouraged to plan special events to celebrate the 50th anniversary, she said. "In fact, we will recognize and give awards to local chapters that stage the most outstanding anniversary events."

During his final speech as the society's president, Mark A. DeLillo told members they would be seeing a change to RIMS' traditional unicorn logo. "In support of the objectives of RIMS' mission and strategic plan, we have developed a tag line, Advancing the Role of Risk Management, which tags onto our logo. . . . Although not a permanent addition to our logo, the tag line will be used periodically to promote and raise the profile of risk management."

Linda Lamel, RIMS' executive director, said during a presentation at the meeting that the society's profile already is on the rise, as it has become more

See Meeting on page 16

1999
RIMS Report

PHOTOS: MICHAEL MARCOTTE



At its annual membership meeting in Dallas, the Risk & Insurance Management Society kicked off the celebration with a band. New RIMS President Susan R. Meltzer, top right, spoke to attendees. During the meeting, RIMS Executive Director Linda Lamel, lower right, said the organization's profile is rising.

Employers advised to educate workplace on HIV/AIDS issues

By SALLY ROBERTS

DALLAS—By establishing an HIV/AIDS education program in the workplace, risk managers not only can educate employees and encourage prevention, but they also can reduce the company's risks associated with the disease, those familiar with the issue contend.

According to various statistics, one in six U.S. employers with more than 50 employees, and one in 16 U.S. employers with fewer than 50 employees, has employed someone with HIV/AIDS.

While millions of people still become infected each year, and 73% of the respondents in a recent National AIDS Fund national survey said their employers should offer AIDS education in the workplace, the survey showed that only 18% actually received HIV education in 1997, compared with 28% in 1992.

"Participation in workplace HIV education is declining at all levels, in companies of all sizes," said Barbara Benson, program consultant in the division of HIV/AIDS prevention at the National Centers for Disease Control and Prevention in Atlanta.

The current public HIV/AIDS mantra is "complacency, complacency, complacency," said Paul A. Ross, whose Lexington, Mass.-based consulting firm specializes in helping organizations deal with issues associated with HIV/AIDS in the workplace.

"Waiting for your first case of AIDS be-

fore establishing an AIDS education program in the workplace is like developing a fire evacuation plan when you smell smoke. Someone is going to get burned,"

Mr. Ross warned.

"You have, as risk managers, an opportunity to make a difference," he told attendees at a session on workplace disease issues at last week's Risk & Insurance Management Society Inc. annual conference and exhibition in

Dallas.

"We're trying to get the word out that HIV is increasing, but HIV-positive people are getting on with their lives and getting back to work," said the CDC's Ms. Benson, who also spoke during the session.

Because more HIV-positive individuals are re-entering the workforce, risk managers need to be aware of the various risks associated with HIV/AIDS in the workplace and the opportunity to control those risks.

Not only are employers exposed to increased workers compensation and disability claims and medical costs, they also face employee relations and public relations issues, explained Eileen M. Oswald, executive vp of Envision Technology Solutions in Midvale, Utah. Ms. Oswald, who coordinated the RIMS session, formerly supervised the health care risk management services within Near North Insurance Brokerage Inc.'s health care practice unit.

Risk managers also have to contend with OSHA's bloodborne pathogens stan-

See HIV/AIDS on page 17



Absence management touted as way to cut costs, boost worker productivity

By MICHAEL PRINCE

DALLAS—By going beyond an integrated disability program and creating a total absence management program, companies can boost productivity and cut costs, insurance and brokerage executives say.

"It's an issue that companies need to address," John O'Connor II, vp-marketing for integrated benefits in the industry focus division of Reliance National Insurance Co. in New York, said during a session last week at the Risk & Insurance Management Society Inc.'s annual conference and exhibition in Dallas.

Total absence management programs help employers retain workers by increasing morale and showing employees that the company cares, speakers at the session noted.

"If you don't hang on and manage the people you have, there is not a long line to replace them," said Janet Douglas, practice leader for integrated disability and global absence management for Marsh Inc. in Chicago.

Total absence management "encompasses the reasons people don't come to work that are not medically related," Mr. O'Connor said.

Such reasons could include a lack of child care, a need to care for a parent, employee stress or an inability to get to work due to a car breaking down, for example.

Whatever the reason, "if someone is not at work, it's costing you money" both in benefit costs and reduced productivity, Mr. O'Connor said.

A total absence management program will help reduce absenteeism, he said.

Mr. O'Connor noted that a recent study found workers missed an average of 15.1 days in 1998, including a growing number of days at work spent on personal matters.

"More and more workers are using work time to take care of things not work-related," he said.

In a total absence management program, employees use the Internet or a 24-hour, toll-free telephone line to report every work absence. Reports are received by a trained case manager who acts as the employee's advocate to resolve problems that keep

the employee away from work.

One advantage of the reporting system is it removes the employee's supervisor from the process, Mr. O'Connor said. Keeping track of absences is a burden that takes away the supervisor's time to attend to other responsibilities, he said.

And supervisors generally welcome this relief. "They don't want the responsibility," Ms. Douglas said.

After gathering the information, the case manager works to guide the employee to services or benefits that will help resolve the problem. For example, the case manager can refer an employee needing to look after a child to an emergency day care center the company uses. One employer sends taxis to pick up workers whose cars have broken down, Mr. O'Connor said.

And immediate intervention is critical to success. "The sooner you have info, the sooner you can interact with the employee to resolve the issue and get the employee back to work," he said.

Referring employees to services "takes away the excuses in a positive manner," he said.

See Absence on page 10



Vendor performance guarantees advised

By ROBERTO CENICEROS

DALLAS—Vendor performance guarantees can help risk managers prove to upper management that a return on investment does result from workers compensation managed care programs.

This was the contention of three speakers at the Risk & Insurance Management Society Inc.'s annual conference and exhibition in Dallas.

Encino, Calif.-based Pinkerton's Inc. reduced its annual workers compensation costs from about \$20 million in 1994 to \$13 million in 1998, in part through performance guarantees from its managed care services provider, said Walter L. Robinson, vp-risk management and loss prevention for Pinkerton's.

Likewise, Risk Services Inc., a Houston-based risk management unit of Browning-Ferris Industries Inc., negotiated a guarantee for return on investment, and in the end received a 6.8-to-1 return on investment from the fees it paid to its workers compensation services vendor, said Frank A. Christoph, president of Risk Services Inc. That is a savings of \$6.80 for every dollar spent.

Reaping such savings requires using a vendor that is motivated to create a partnership with the employer, said Camille S. Costen, vp in Dallas for Near North Insurance Brokerage Inc. That motivation can be driven by pay incentives and penalties tied to the vendor's performance, she added.

"If your vendor loses, you lose," Ms.

Costen said. "If they win, you win."

The success of such agreements requires employers to define in their contract the vendor's exact responsibilities and specific activities associ-



ated with their claims management, Ms. Costen said. Terms such as "savings" also need to be defined specifically, as should guidelines for audits of the program's results. The audits should be conducted by an objective third party, she said.

Pinkerton's workers compensation managed care program has been a success in California, and the company now plans to expand it into additional states, Mr. Robinson said. Pinkerton contracts with San Diego-based CCN, which provides the employer with a preferred provider organization that he described as a "fully integrated medical management program with early intervention."

Because Pinkerton employees work varying hours, CCN makes available 24-hour claim reporting facilities for early intervention. Early intervention is part of a plan to return injured workers to work as soon as possible, Mr. Robinson said. Case managers are occupational nurses and therapists,

and the medical providers are specially trained in workers comp injuries.

The agreement with CCN includes pay-for-performance incentives for the coordination of care. The program is "protocol driven," which means the procedures for how claims will be reported, how injured workers will be treated and how doctors will handle claims are all specified in Pinkerton's agreement with CCN, Mr. Robinson said.

As a result, Pinkerton has experienced a 4-to-1 return on investment for the program, Mr. Robinson said. The company's workers comp litigation rate has been reduced to 5% of claims, which is an outstanding rate for California, he added.

About 30% of injured employees are now being channeled into CCN's preferred provider network, and about 88% of injured workers remain in the program once treatment is under way, Mr. Robinson said.

This "implies a high level of employee satisfaction," he said. "We are getting about 89% of our employees returning to work for full duty or light duty. This program ties into our return-to-work program, so it has been very successful in that regard."

To obtain those results, Pinkerton's agreement stipulates it will pay medical providers based on a 15% discount from California's medical fee schedule for workers compensation injuries, Mr. Robinson said.

But the providers can earn up to 15% above the fee schedule based on their performance. That performance

is tied to Pinkerton's objectives, such as returning employees to work quickly, getting them into the network and keeping them there until claims are resolved. Cost containment, employee satisfaction, litigation reduction, and timely and safe return to work also are factors.

"The provider has to retain care (of the injured employee) throughout the life of the claim in order to be eligible for an incentive bonus," Mr. Robinson said.

The bonus amount depends on whether the medical cost to resolve the claim was less than a medical norm for that type of claim and less than a return-to-work norm. The norms are determined by CCN based on data gathered from many employers, Mr. Robinson said.

If the claim is not litigated, the provider receives the full bonus determined by the two norms. If there is litigation, the provider's bonus, based on return-to-work and medical criteria, is reduced by 25%.

Risk Services Inc. sought to achieve savings by signing a performance guarantee contract with CorVel Corp. for a national workers compensation cost containment program, Mr. Christoph said.

"There are at least 100 definitions of savings out there, both hard and soft," Mr. Christoph said. So, to assure Risk Services received exactly what it expected, its contract with CorVel precisely establishes the elements of hard and soft savings as well as service guarantees and a return on invest-

ment guarantee.

Hard savings are defined in the contract as medical bill dollars saved in fee schedule and PPO discounts. Such amounts are easy to calculate, Mr. Christoph said. Hard savings also incorporate the actual treatment amounts it takes for an employee to recover compared to the treatment amounts established by utilization review.

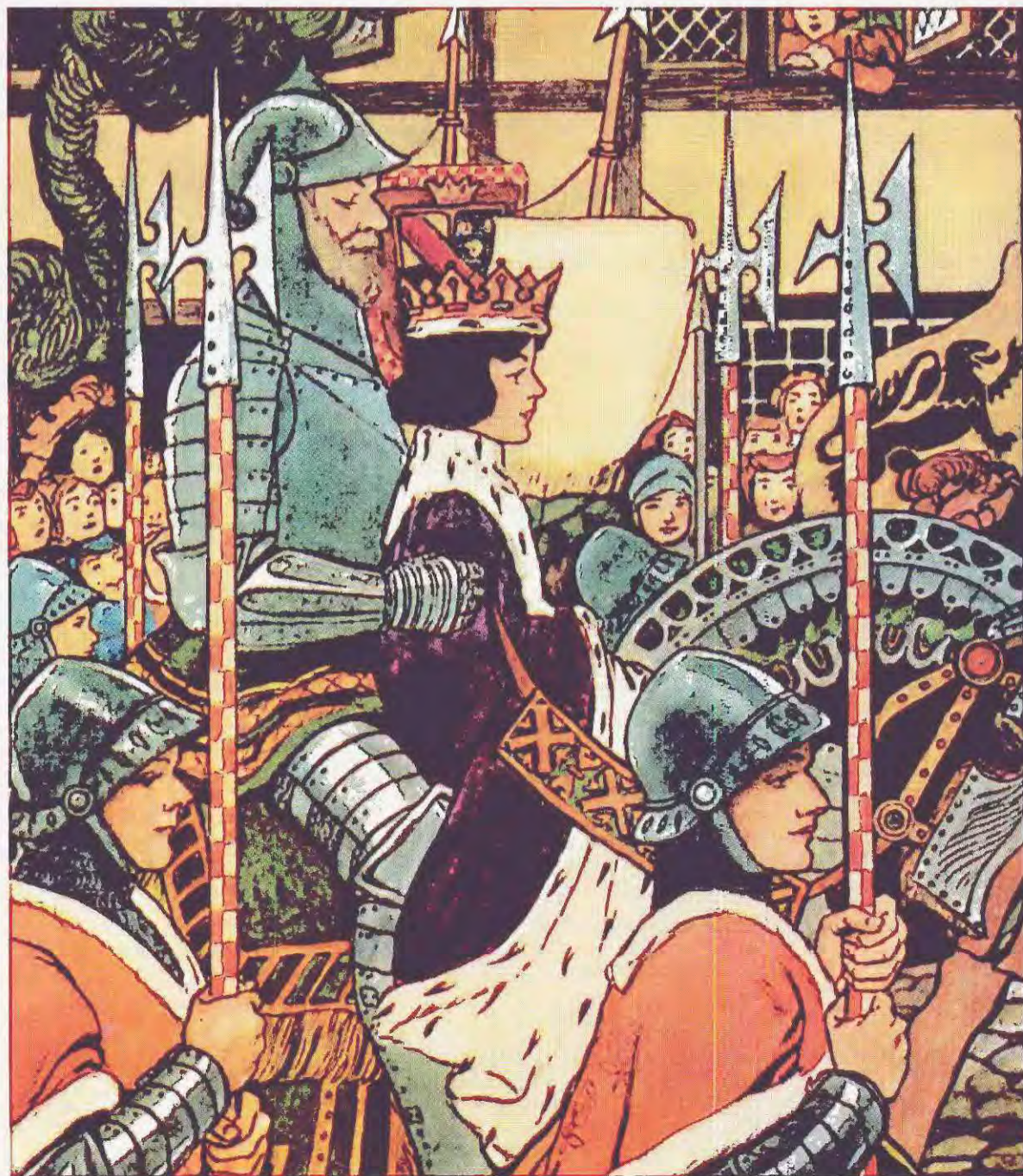
For example, if utilization review says it will take four weeks of therapy and the employee recuperates after only two weeks of therapy, then CorVel can calculate two weeks of savings, Mr. Christoph said.

Soft savings are those derived from disability management. Risk Services wanted to focus on two areas of soft savings, the first being a reduction in indemnity lost days. But Risk Services did not have good data to benchmark from because, prior to contracting with CorVel, the employer contracted with 24 different vendors throughout the United States. So Risk Services relied on published disability management guidelines for a benchmark, Mr. Christoph said.

The soft savings definition also involves the redirection of medical treatment, or reductions in surgery, through early intervention nurses who help return injured employees to their jobs.

Risk Services' contract also contained penalties and rewards for service issues, such as the percentage of employees who used CorVel's PPO.

In addition, there is a 4-to-1 return-on-investment guarantee in the contract, meaning Risk Services expected to save \$4 for every dollar spent on CorVel's fees. **BI**



ALL THE
KING'S MEN
COULDN'T



WE CAN

By concentrating on care while controlling the cost and quality of care. By making every aspect of the disability management process work together — your claims services, medical bill review, case management. And, with all of them working together, it's a snap to put Humpty together again, and get him back to work faster.

There's Never Been a Better Time to Talk to Genex.
1 888 GO GENEX

GENEX

Corporate Headquarters
440 E. Swedesford Road, Suite 3050 Wayne, Pennsylvania 19087
610 964 5100 phone 610 964 1919 fax www.genexservices.com web



Integrated Disability Management Today, productivity depends on the health of your workforce. With Wausau CareManaged Integrated Disability, you respond quickly to on- and off-the-job illnesses and injuries. By consolidating treatment planning, case management and claim processing under a single, seamless program, we can help your employees to a quick, healthy recovery. Not only does this manage costs, it's the best way to keep your business buzzing. Wausau Insurance Companies • 2000 Westwood Drive, Wausau, WI 54401 • www.wausau.com • A+ A.M. Best Rating

What can we do to help you?

Employers urged to have policies on telecommuting

By MICHAEL PRINCE

DALLAS—Employers should draft policies to address liability concerns for the increasing number of telecommuters, experts said.

The policy should be signed by the worker before beginning work at home and should focus on reducing liability for the company, in particular workers compensation liability.

"Try to make your program as specific as possible," said Robert Persico, vp-workers' compensation product management for CIGNA Property & Casualty in Philadelphia. Mr. Persico made his presentation last week at the Risk & Insurance Management Soci-

ety Inc. conference and exhibition in Dallas.

Telecommuters present interesting workers comp challenges for employers. Employees qualify for workers comp coverage if an injury occurs while performing work or services for the employer; however, they do not qualify if the injury occurs while away from work or while not performing work for the employer. So, when a telecommuter is hurt at home, determining whether the injury occurred while the employee was working is key in determining eligibility for coverage, explained Gary Scarzafava, partner with the Houston law firm of Scarzafava, Smith, Menke & Ramey



L.L.C.

Without a telecommuter policy, it's hard for an employer to successfully appeal an employee's claim that an injury at home was work-related, the speakers said.

But with a such a policy, an employer can create a presumption that an injury that might have occurred outside the normal home work areas

and hours was not work-related, providing an edge in a dispute over eligibility, Mr. Persico said.

A policy "gives us something to look at in the event the injury occurs at 11 o'clock at night," he said.

Because applying workers comp law to telecommuters is relatively new, few legal precedents have been set to help guide lawyers. So, while a policy might not provide absolute assurance of winning any legal challenges, it does provide a lot of help, the speakers said.

"This is new and open territory," Mr. Persico said.

One important element to include in the policy is working hours. Specif-

ic work hours should be established, the speakers said. Mr. Persico recommends the policy include a lunch period. Under workers comp law, if a worker gets hurt going to lunch while on the employers' premises, the injury is covered by workers comp. But once an employee leaves the premises for lunch, the coverage ends. The same approach should be used for telecommuters. That way, if an injury occurs during the designated lunch time outside the home, it can be easily construed as a non-covered injury. Without a policy, an employee could assert he or she was traveling for business purposes, and the employer would have no means of arguing otherwise.

The policy also should address the telecommuter's mail delivery. If an employee has to travel to retrieve the mail, a designated time should be established for the task. Thus, an injury that occurred during the designated time would be considered work-related, and at other times not work-related.

A different consideration is worker safety at the home office. The employer should apply to the home office the same work-safety and ergonomic standards it uses in its own offices. Periodic follow-up evaluations should be done to ensure the standards are maintained, Mr. Persico recommends.

Also like the regular office, an employee should notify the supervisor whenever leaving the home for personal reasons. This makes it easy to show that an injury during the trip was not work-related, Mr. Persico said.

Traveling telecommuters present issues beyond regular traveling employees or stay-at-home telecommuters. Generally, workers comp does not cover employees traveling between work and home, while it does cover employees traveling on business. But when a telecommuter travels from home to visit a client, does that constitute traveling on business, or is it simply commuting to work? Though no definite answers exist, requiring telecommuters to provide their travel schedules in advance can help employers in any eligibility dispute, Mr. Persico said.

Mr. Persico also noted it's important to check the company's workers comp insurance policy to make sure it covers each state where telecommuters work. Often, a telecommuter's home is not located in the same state as the employer's office.

A company's telecommuting policy should cover the telecommuter's children, Mr. Persico said. Employees often choose to telecommute to better care for children. So, a policy should specify that the work day does not begin until the children are taken to school or day care and ends before they are picked up. Once again, this limits the employer's exposure to workers comp claims when the employee is driving the children.

Because telecommuters sometimes get hurt caring for pets—falling while walking the dog on a wet day, for example—a policy might contain a clause addressing injuries while caring for the pet, he said.

On a different note, telecommuting can help transition injured workers back to work. Injured workers frequently are too hurt to travel to work. In such cases, establishing a temporary home office can ease the transition back to work without overtaxing the employee.

"It's a nice transition for them," Mr. Persico said.

Paula Woolworth, manager-occupational healthcare prevention, safety and health for Levi Strauss & Co. in Dallas, moderated the session. **BI**



WORKERS' COMPENSATION

HUMANA'S MANAGED
WORKERS' COMPENSATION

Workers' Compensation is a target for insurance fraud. This year alone, it will cost business owners over \$3.5 billion. It's a crime that is breaking your bank.

At Humana, our **SPECIAL INVESTIGATIVE UNIT** not only reports suspected fraud, we actually conduct the investigation, package it for prosecution, and deliver it to the authorities. These extra efforts have paid off. Last year in Florida alone, we were responsible for 12 prosecutions, resulting in 12 convictions—with judgments of almost \$1 million.

Humana—our Special Investigative Unit is guarding against insurance fraud as part of our new model for managing Workers' Compensation. To find out how you can have the security of this new system working for you, call us or your insurance agent today. **(888) 282-1761**



HUMANA
Workers' Compensation Services

www.humanawcs.com

I heal the injured with my index finger.

Linda Ehltz, R.N. LIBERTY MUTUAL TELEPHONIC NURSE CASE MANAGER

AND START LIVING A SAFER, MORE SECURE LIFE.



BUSINESS



AUTO



HOME



LIFE

// Every year, 3.5 million people are injured at work. That's where my job starts, making all the calls I can to get patients into the most appropriate doctors, or just helping them find alternate jobs they can perform while in recovery. I worked in a hospital for 27 years, so I know what it's like to need the help of another person. That's why I'll be there, on the other end of the phone, coordinating care, so these people can get their lives back on track. //



INSURANCE *in* ACTION Report claims as early as possible; after two weeks, incidents can become up to 27% more expensive. Also, track reporting practices to identify areas in need of improvement.

LIBERTY
MUTUAL.



CALL OUR BUSINESS EXPERTS AT 800-4-LIBERTY

WWW.LIBERTYMUTUALGROUP.COM

© 2000 Liberty Mutual Group

Opinions

Benefit mandates costly

BENEFIT MANDATES are a tricky business. On the one hand, government has a legitimate right—because of the tax breaks it offers employers—to require that employee benefit plans meet certain standards.

On the other hand, if government benefit mandates are too onerous, policymakers run the risk of raising corporate benefit costs, which can discourage companies from offering plans or force companies to cut back on other benefit programs they offer.

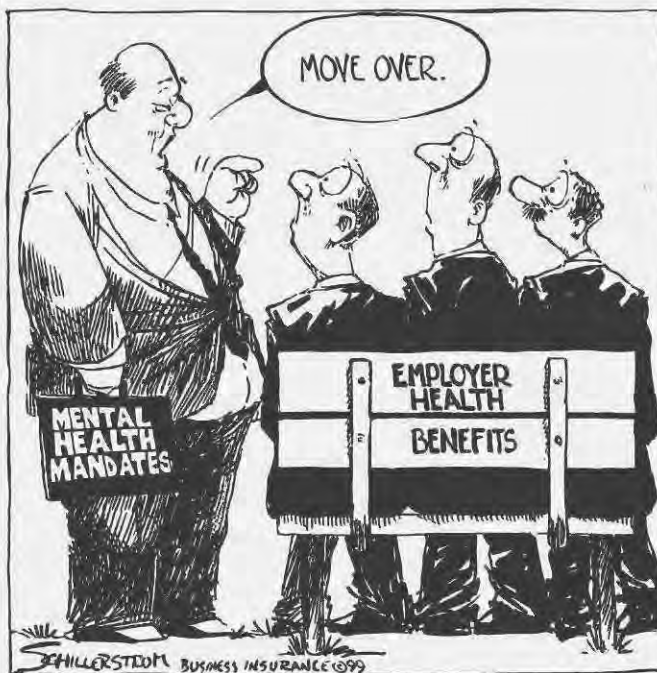
Certainly, several mandates passed by legislators have achieved worthy social policy objectives without imposing an unreasonable burden on employers.

One obvious example of a justifiable mandate is the 1996 law that ended what we thought was truly an outrageous benefit practice in which managed care organizations were limiting coverage for mothers and children to one night in the hospital after childbirth.

But there have been benefit mandate clunkers as well, with perhaps the worst being a 1986 law—repealed several years later amid a wave of employer protest—that set truly unworkable non-discrimination rules on health care plans.

Now legislators in the House and Senate are pushing yet another benefit mandate. The House proposal would require group health plans to provide coverage for treating mental illnesses and disorders on the same basis as treatment of physical ailments. The Senate bill would mandate benefit parity for more severe biologically based mental illnesses.

Perhaps, in an ideal world, all ailments—whatever their origins—would be fully covered. But the reality



is that mandates have a cost, and we believe the cost of a mental health care benefit mandate would be significant.

Inevitably, employers would cut back on other benefits they provide, such as raising deductibles or requiring employees to pay a greater share of group health care premiums.

Is that an acceptable price for mental health care benefits parity? That is something legislators need to consider very carefully before they pursue further yet another mandate on employers.

Incremental OSHA reform needed

THERE IS A TIME and a place for incremental reform.

For Rep. Cass Ballenger, R-N.C., the time is now and the place is the Occupational Safety and Health Administration.

That's the philosophy that appears to be guiding the latest package of proposed OSHA reforms put forth by Rep. Ballenger (*BI*, April 5). And it's a sound philosophy, too, as lawmakers and other OSHA reform advocates learned last year when President Clinton signed two of Rep. Ballenger's incremental reform bills into law.

Rep. Ballenger is offering a package of five bills designed to address specific aspects of OSHA operations. From a risk management standpoint, two of

the bills stand out. One would give employers that conduct voluntary safety and health audits protection against having OSHA use those audits to find potential violations or to assess high penalties. The second bill would reform OSHA's rulemaking procedures by generally requiring that the agency base its regulations on industry-specific data on costs and risks.

As reforms go, these are hardly sweeping. But OSHA reform advocates have learned—much to their chagrin—that sweeping reforms aren't likely to become law anytime soon. For the time being, incremental reform is the best way to proceed—certainly better than overreaching and ending up with no reform at all.

Letters

Full rail crossing barriers impede safety

To the editor: I find troublesome your arguments for the replacement of existing rail crossing barriers that block only the righthand 50% of the crossing with full barrier crossings.

It has been my understanding that, while the current crossing barrier design is intended to block traffic from entering an unsafe crossing, it also is intended not to impede traffic that may al-

ready be on the crossing after the gates are down.

If the barrier completely blocks the crossing from both the ingress and egress perspectives, it may at least psychologically prevent a driver from exiting the crossing, causing him or her to abandon a vehicle on the crossing.

Further, I disagree with the argument against an emergency vehicle circum-

venting crossings. Certainly, there is a vast difference in a highly trained emergency professional performing such an act from that performed by an ordinary motorist.

The consequences of the emergency vehicle not circumventing the crossing must also be considered.

Salvatore J. Longhitano
New York

Letters to the editor

Business Insurance welcomes letters to the editor. The section is intended to be a forum for readers' opinions and comments. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Please send your letters to Letters to the Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611; fax: 312-280-3174; e-mail: pwinston@crain.com

BI's online discussion forum

Visit *BI's* Online Forum, which offers unmoderated discussion areas for readers to exchange ideas or information on risk management, employee benefits, insurance and miscellaneous other topics.

The Online Forum is located at: <http://www.businessinsurance.com/forum/index.html/>

Business Insurance®

Reporting weekly on corporate risk,
employee benefit and managed health care news

Vice President/
Publisher/Editorial Director: Kathryn J. McIntyre, *ASM* (Chicago)

Associate Publisher/Advertising Director: Martin J. Ross III (New York)

Editor: Paul D. Winston (Chicago)

Editor-at-Large: Jerry Geisel (Washington)

Managing Editor: Regis J. Coccia (Chicago)

Assistant Managing Editor: Todd J. Behme (Chicago)

Graphics Editor: Kathy L. Barnes (Chicago)

Senior Editors: Meg Fletcher, *ASM* (Chicago)

Judy Greenwald (San Jose)

Dave Lenkus (Tucson)

Douglas McLeod (New York)

Roseanne White (Washington)

Joanne Wojcik (Los Angeles)

Rodd Zalkas (Chicago)

Washington Editor: Mark A. Hofmann (Washington)

Bureau Chiefs: Sarah Goddard (London)

Gavin Sauter (New York)

Associate Editors: Michael Bradford (New Orleans)

Roberto Cenicerros (Los Angeles)

Robert Kazel (Chicago)

Amanda L. Milligan (Chicago)

Michael Prince (New York)

Sally Roberts (Denver)

Edwin Unsworth (London)

Kevin P. Edison (Chicago)

Copy Editor: Mary B. Nick (Chicago)

Assistant Copy Editors: Richard Trout (Chicago)

Matt Scroggins (Chicago)

Assistant Graphics/Online Editor: Amy R. Kepka (Chicago)

Assistant Directory Editor: John Keagy (Chicago)

Editorial Assistant: Lee Fletcher (Chicago)

Assistant to the Publisher: Karen Brown Tucker (Chicago)

Editorial Cartoonist: Roger Schillerstrom (Chicago)

Midwest Advertising Manager: Robert L. Niesse (Chicago)

Eastern Advertising Manager: Blake Delany (New York)

District Managers: Chris Graff (New York)

Elizabeth McGahren (New York)

Deborah D. Neale (Chicago)

Classified Advertising Manager: Iris Amleshi (Chicago)

Sales Assistant: Lori Lieberman (Los Angeles)

Production Manager: Elmer Kerstowski (Chicago)

Director of Communications: Ronnie J. Drachman (New York)

Promotion Manager: Barbara O'Brien (New York)

EDITORIAL: Chicago: 312-649-5398

Denver: 303-698-7601

London: 171-457-1400

Los Angeles: 323-651-3710

New Orleans: 504-364-1908

New York: 212-210-0100

San Jose: 408-774-1500

Tucson: 520-579-1937

Washington: 202-662-7200

ADVERTISING: Chicago: 312-649-5276

New York: 212-210-0228

Los Angeles: 323-651-3710

NEW YORK: 212-210-0132

DELROIT: 888-446-1422

Business Insurance is published by Crain Communications Inc.

Keith E. Crain
Chairman

Merrilee Crain
Secretary

Rance Crain
President

Mary Kay Crain
Treasurer

William A. Morrow
Executive Vice President/Operations

Robert C. Adams
Vice President/Production

Peter Johnson
Vice President/Circulation

G.D. Crain Jr.
Founder (1885-1973)

Mrs. G.D. Crain Jr.
Chairman (1911-1996)

S.R. Bernstein
Chairman-executive committee (1907-1993)

Published weekly at 740 Rush St., Chicago, Ill. 60611-2590, Fax 312-280-3174, E-mail: biweb@crain.com, Offices: 220 E. 42nd St., New York, N.Y. 10017-5806, Fax 212-210-0704, CRAIN COM NYK; 473 Fairfield Ave., Gretna, LA 70056, Fax 504-364-1337; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax 202-638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048-4947, Fax 323-655-8157; 967 Bermuda Court, Sunnyvale, Calif. 94086-6750, Fax 408-774-1155; New Garden House, 78 Hutton Garden, London EC1N 8JD England, Fax 171-457-1440; 8157 N. Torrey Way, Tucson, Ariz. 85743, Fax 520-579-3476; 777 E. Speer Blvd., Denver, Colo. 80203-4214; Fax 303-733-2244. \$4 a copy and \$89 a year in U.S. \$108 in Canada and Mexico (includes GST). All other countries \$209 a year (includes expedited air delivery). DON MIERENDORF, circulation manager. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, *Business Insurance*, 965 E. Jefferson Ave., Detroit, Mich., 48207-3185, or phone 888-446-1422 or 313-446-0450, Fax 313-446-6777. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: JOSEPH P. HANLEY, Crain News Service, 220 E. 42nd St., New York, N.Y. 10017-5806, 212-254-0890. For reprints or reprint permission contact: KAREN BROWN TUCKER, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-2590, 312-649-5319, Fax 312-280-3174.

www.businessinsurance.com



TO SUBSCRIBE CALL 888-446-1422 • 313-446-0450 outside of the United States



XL CAPITAL ANNOUNCES FORMATION OF STRUCTURED ENTERPRISE RISK UNIT

BY CHARLES HOLMES

Staff Reporter of THE INSURANCE WORLD NEWS

HAMILTON, Bermuda - XL Capital Ltd is forming a multi-disciplined team of specialists to expand the company's ability to execute structured integrated transactions. The XL Structured Enterprise Risk ("XLSER") team will support the traditional underwriting skills of XL Mid Ocean Reinsurance Ltd and XL Insurance Ltd.

According to Henry Keeling, President and Chief Executive Officer of XL Mid Ocean Reinsurance Ltd, the formation of XLSER furthers the company's on-going commitment to being a leading market for non-traditional products. "We see insurance and reinsurance as a powerful vehicle to package a portfolio of risks into single programs with significant accounting and execution flexibility," says Mr. Keeling. "Some financial risks, such as foreign exchange, can be managed internally while others we may look to transform into financial instruments and trade into the capital markets."

Demand for the type of product and service that XLSER is designed to provide bridges the gap between insurance and reinsurance. This new unit is another example of the

innovative teamwork that is a hallmark of XL Capital Ltd. Clive Tobin will move from XL Capital Products to head up the new unit which will look at a variety of other non-traditional programs blending insurance, risk financing and elements of financial guarantee. "Our goal is to be able to offer our clients a broad spectrum of capabilities from traditional insurance through to capital market products both on a single and integrated basis," stated Mr. Tobin.

"With the convergence of the insurance and capital markets, we see increasing demand from our clients for customized solutions to a wide range of financial risks. Brian O'Hara, President and Chief Executive Officer of XL Insurance Ltd, a multi-disciplined team with the ability to trade the insurance and capital markets and expand our structured products portfolio."

J
Ring XLSER on
the Integrated
Financing Project we
discussed last week.
K



Wessex House, 45 Reid Street, P.O. Box HM 1066, Hamilton HM EX Bermuda
Tel: 441 292 1358 Fax: 441 292 0876 www.xl.bm

Absence

Continued from page 3
said.

If the problem cannot be resolved during the initial call, the case manager will act as an advocate to help the employee find a solution and be able to return to work.

Because all absence data is located in one system, reports can be produced showing detailed breakdowns of when, why and how long absences occurred.

Employers can use the reports to focus their efforts on particular problem areas.

Moving to a total absence management program can be a dramatic change for a company, and senior management must support

the move for it to succeed, Mr. O'Connor said.

Without support, it likely will become a disregarded policy, he

third-party administrators now offer total absence management programs.

In addition to selecting a

Employers considering a total absence management program must address several issues when selecting a vendor, says Janet Douglas of Marsh.

said.

Employers considering a total absence management program must address several issues when selecting a vendor, Ms. Douglas said.

For example, many integrated disability insurers as well as

provider, employers must decide whether to have a call center in-house or at an outside vendor, Ms. Douglas said.

Also, employers need to consider what kind of staff they want to serve as case managers at the call center.

For example, some centers use nurses as case managers, Ms. Douglas noted.

Although this approach generally is more costly, it may save money in the long run, as nurses provide better medical referrals and may even diagnose problems during the initial call. And understaffing a call center may overburden case managers, ultimately reducing their effectiveness, she said.

Any program software must be integrated with the company's existing human resources system, Ms. Douglas said.

Integration allows employee information, such as an employee's address, work location and supervisor, to be downloaded into the total absence management system.

This information will be avail-

able to the case manager during the initial call from the employee, Ms. Douglas said.

Using an outside consultant to help select a vendor "may help you benefit from mistakes others have made," Ms. Douglas said.

Ms. Douglas also recommends looking at the corporate culture of the vendor to determine whether it fits with the culture of the employer.

It's also important to get tangible cost savings and performance measures from the vendor, she said.

"You don't want smoke and mirrors. You want tangible measures," Ms. Douglas advised.

Karen Bloom, corporate claims manager for Shaw's Supermarkets Inc. in Brockton, Mass., moderated the session. **B1**

To avoid EPL claims, go by the book: Lawyer

By AMANDA MILLIGAN

DALLAS—Establishing an employee handbook and following the procedures outlined within it can be a company's best guide to avoiding employment-related litigation, risk management and legal professionals say.

Handbooks should be easily understood by employees and should be written in a consistent, gender-neutral tone, said Dean A. Reynolds, director of risk management and administration for Nissan North America Inc. in Torrance, Calif. Equal opportunity statements, the right to revise existing policies, employment-at-will statements and a policy against harassment are essential to any handbook, Mr. Reynolds said, but the guide also should include information specific to the company.

"It needs to be reflective of your actual policies," he said. "You really need to look at what is appropriate for your own organization. Once you set up these policies, you really do have to follow them."

Involving human resources, risk management and a legal perspective in the creation and revision of an employee handbook is key, Mr. Reynolds advised. He spoke at a session on employment risks at the annual Risk & Insurance Management Society Inc. conference and exhibition last week in Dallas.

For example, the risk manager assesses the areas of risk involved, the legal professional ensures the appropriateness and validity of the policies, and the human resources manager distributes and explains the handbook to employees.

Making sure employees understand the manual is the responsibility of both the employer and the employee, Mr. Reynolds said. At a minimum, employers should have employees sign a form stating that they have received a copy of the corporate handbook and understand that they will be subject to the policies, including the employment-at-will doctrine where allowed by law.

"The policy manual itself is not adequate," Mr. Reynolds said. "The communication and implementation are much more profound."

Handbooks should be translated into employees' native languages,

Mr. Reynolds said. Nissan, for example, makes its handbooks available in English and Japanese.

Developing handbook policies and wordings is important because plaintiffs' attorneys will request employee handbooks during discovery in building a case against an employer, noted Victor L. George. Mr. George, who also spoke during the session, is a



plaintiff's attorney with his own firm in Woodland Hills, Calif.

"To try and decide whether or not someone has been discriminated against is very challenging and is a great jury question," Mr. George said. He added that, in a legal test for discrimination, the burden of proof shifts to the defendant, often an employer. If a worker is terminated, for example, the employer must prove that the individual was fired for a "legitimate business reason."

"The legitimate business reason puts so much emphasis on the employee handbook, because you go to the handbook and you have to ascertain that the decision you're making is a fair way to terminate the person," Mr. George said.

An employee handbook also helps protect employers because, in the absence of written policies, past actions are considered indicative of corporate procedure, he explained.

"I think it is asinine not to have a handbook," he said. "Anything you can do (to illustrate) that your employees are up on the policies is great. Trying to be fair with policies and procedures is the best way to avoid litigation."

Also, many insurers will not give a policy quote on employment practices liability coverage to companies that lack handbooks, said session coordinator Noreen E. Graham. Ms. Graham is assistant vp for Becher & Carlson Risk Management Inc. in Woodland Hills, Calif., a division of Am-Re Global Services Inc.

Even so, Mr. Reynolds said, "Failure to follow your own policy can be worse than not having a policy in place." **B1**

STRENGTH

Frontier HealthCare offers a complete array of insurance products and services with the power required to strengthen and develop your business... without breaking a sweat.

Medical Professional Liability and related insurance products for:

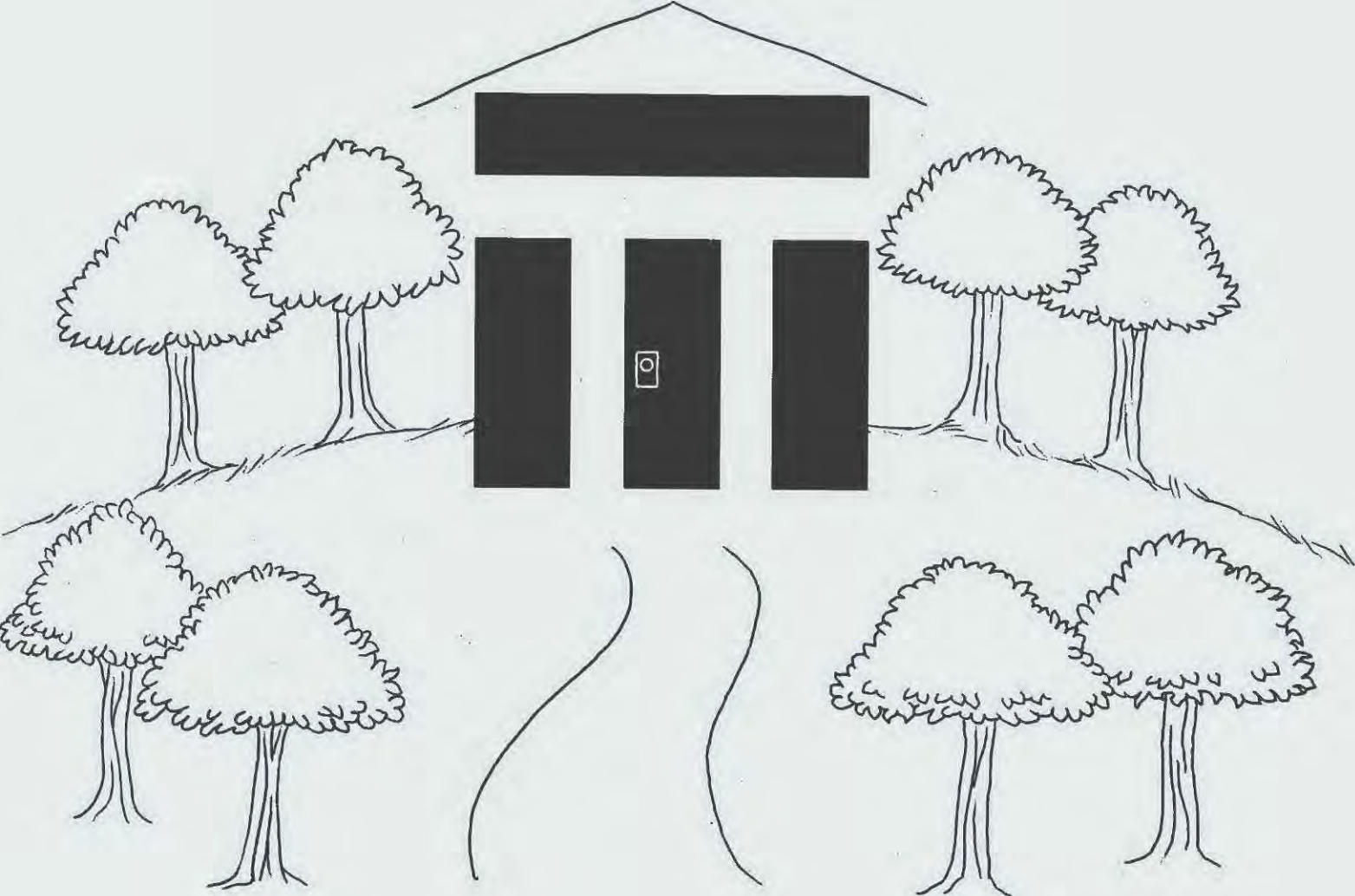
- Ambulatory Surgical Centers
- Managed Care Organizations
- Drug & Alcohol Facilities
- Home health agencies
- High Risk Physicians
- Physician groups
- Dentists
- ...and more



Rock Hill, New York
800-836-2100 ext. 5334

A Division of:
Frontier Insurance Group, Inc.
www.ftr.com • NYSE-FTR

Frontier HealthCare policies are underwritten by selected Frontier Insurance Group, Inc. property and casualty companies.



We've moved our headquarters.

Swiss Reinsurance America Corporation is now located just 20 miles north of New York City in Armonk, NY. Our new 300,000 square foot building is located on a 127-acre wooded site in Westchester County.

We have state-of-the-art technological systems and expanded meeting facilities which will help us to better serve our clients. Our new building has an open office environment that is designed to enhance internal

communication and promote a greater sense of teamwork. And our claims and underwriting workstations utilize technology to improve our service and responsiveness to client needs.

For more information about Swiss Reinsurance America Corporation, please call 888-SWISSRE. We'd love to see you in Armonk, but you can always visit us on the web at www.swissre.com/america.

175 King Street, Armonk, NY 10504
Phone: 888-SWISSRE or (914) 828-8000
Fax: (914) 828-7000

Swiss Re



The dawn of a new age of facultative.

Get fac on line

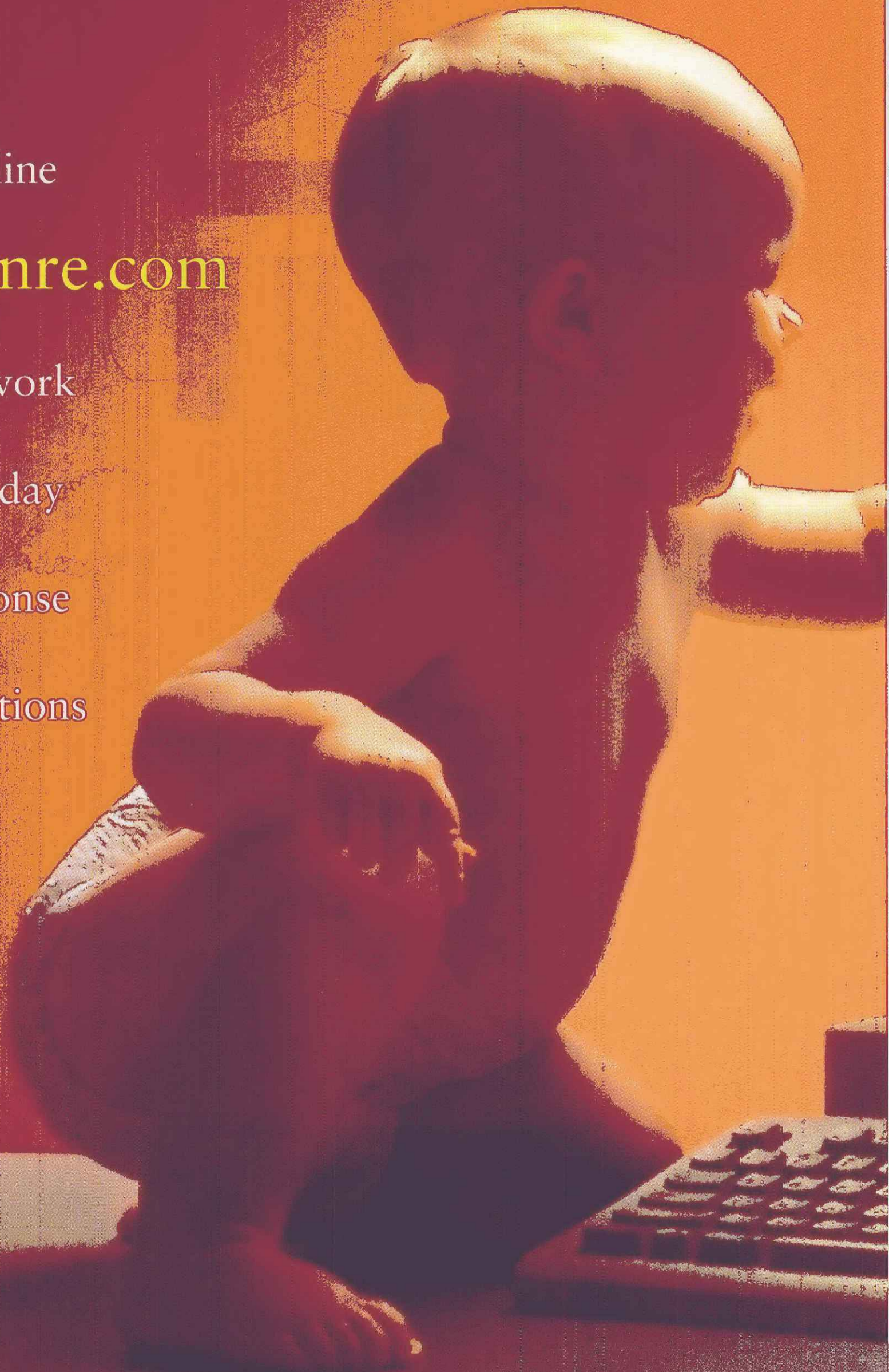
Easy as **genre.com**

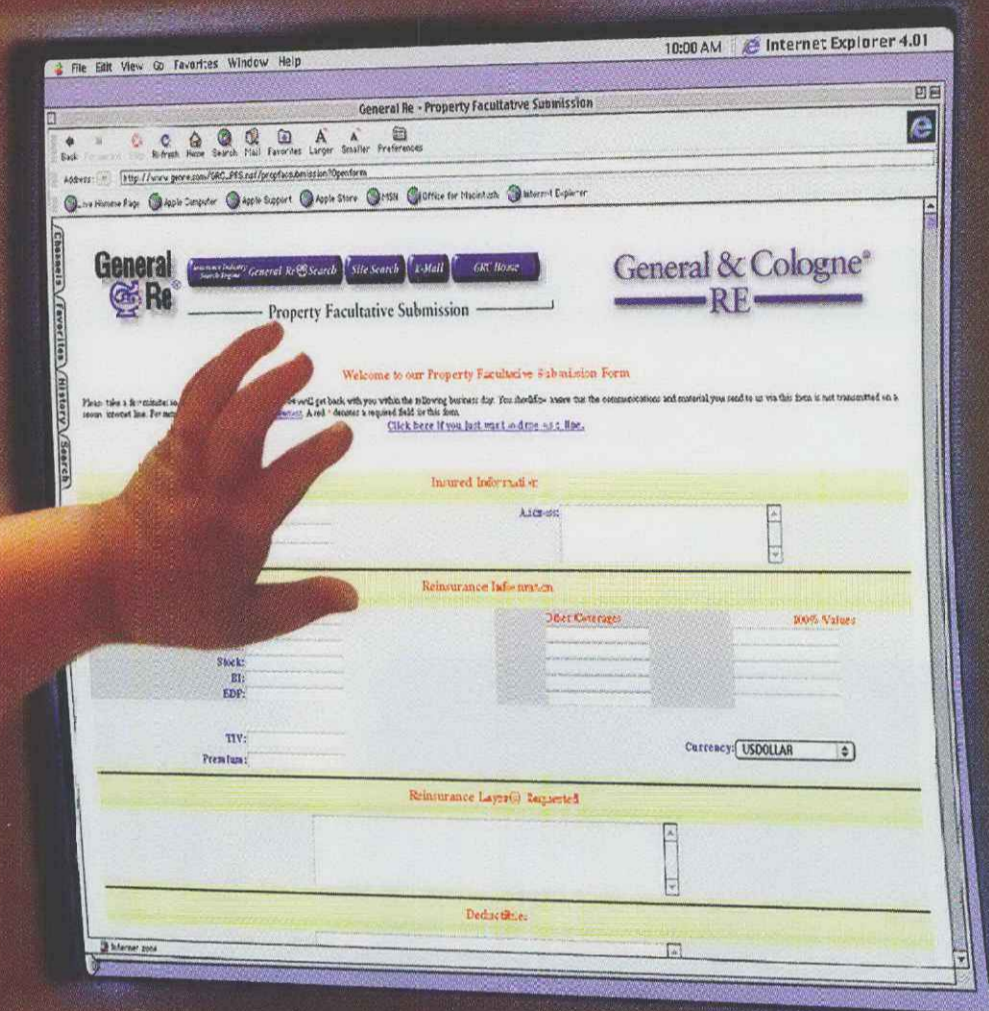
Global network

24-hours a day

Quick response

Expert solutions





General & Cologne[®] RE

Helping clients manage their assets,
liabilities, risks and returns.

General
Re[®]
genre.com[™]

Integrated disability program brings results for company

By MICHAEL BRADFORD

DALLAS—Steelcase Inc. is lowering costs, improving productivity and raising employee satisfaction with an innovative integrated disability management program.

The Grand Rapids, Mich.-based manufacturer of office furniture has partnered with Marsh Inc. and Wausau Insurance Cos. to develop a program that integrates the management of workers compensation, short- and long-term disability, and permanent and total disability claims. The program also administers benefits under the Family Medical Leave Act.

Steelcase's program is in place for 9,000 employees in Grand Rapids, according to Libby Child, manager-managed claims and disability management services for Steelcase. The non-union workforce is engaged in heavy manufacturing, and the average worker is a 43-year-old male with 15 years' service.

Speaking during a panel discussion last week at the Risk & Insurance Management Society Inc.'s annual conference and exhibition in Dallas, Ms. Child explained that the integrated program evolved from successes Steelcase realized in its workers comp program.

"We recognized that some of our strengths in the workers compensation area—aggressive return-to-work programs and getting people back to work and keeping them at work without any lost time"—were effective and heavily supported by workers, she said. "We began asking ourselves, 'Why aren't we doing this on the non-occ side?'"

After working with Marsh to begin structuring an integrated program, Steelcase chose Wausau to administer the plan and write some of the coverages. The employer self-insures some benefit offerings.

In 1997, none of the insurers that were asked to respond to a request-for-proposal from Steelcase could provide everything the company wanted, said H. David Hoovler, vp with Marsh's Grand Rapids office and a panelist in the discussion. "We were asking for things carriers had never done before."

Wausau was eager to take the project because it already had structured other integrated disability management programs and thought Steelcase was "well-suited" for such a program because of its workers comp successes, said James P. VanEyck, executive vp-customer services at the Wausau, Wis.-based insurer.

"Return-to-work is an essential element" of an integrated plan, he pointed out during the RIMS session, and it has "been a common element of all the programs we have put in place."

Ms. Child said a big reason for implementing the program was the need to simplify the benefits for employees. Workers were having too much difficulty navigating a system that was confusing, with one set of procedures and benefits for occupational injury claims and a different set for non-occupational injuries, she said.

"Our employees like what we have much better," Ms. Child remarked, because, among other things, their questions are answered more quickly, they have one number to call for information, and they get benefit checks faster.

Steelcase surveyed workers on what they thought of the new system. On a scale from one to four, with four being highest, Steelcase employees rated their satisfaction with their disability programs at 2.3 in 1996. In

1998, after the integrated program was in place, the level rose to 3.0. In a survey earlier this year, workers placed satisfaction at 3.2.

Thomas Parry, president of the Integrated Benefits Institute in San Francisco, told attendees at the session that employers should ask themselves "What is it we need to know?" when they begin collecting information that will be used to implement an integrated program. "Once you have a set of issues, asking yourself what data you need to address those issues is pretty straightforward."

"The biggest mistake you can make is to engage someone to talk to you about what data you've collected before you understand what's important to your company," Mr. Parry

emphasized.

He said employers need to measure three "key indicators" when consid-



ering an integrated program. In fact, Mr. Parry added, the indicators are important even if an employer is not considering an integrated program.

First is the cost of the benefit programs already in place, he said. And "benefit program utilization" should

be tracked, he said, because "utilization measures tend to be good indicators of employee health and workplace safety."

Productivity is the third indicator, and it should be measured in terms of how it is affected by lost workdays per employee and return-to-work rates, among other variables, he said.

Steelcase's program has shown that an integrated program can lead to cost savings and productivity gains. Ms. Child said that while the company's data is not fully developed, it provides "snapshots that indicate the IDM program is headed in the right direction."

She pointed out that during fiscal 1993, Steelcase workers logged 60,744 injury-restricted workdays. In

1998, that number fell to 28,629 days.

Lost-time days were cut by more than half during the same period. The 1998 number was 2,034 days, down from 4,313 in 1993.

Disability costs dropped as well, to \$1.40 per \$100 of payroll in fiscal 1998 from \$1.55 per \$100 in 1993.

Ms. Child said Steelcase already is talking about "the next chapter" in its integrated program. "We are looking at bringing group health in."

That's a big step, she acknowledged. "We realize it is a huge chunk, but it is also a very necessary piece of the whole picture."

Mr. Hoovler moderated the session, which was coordinated by Brad Zweck, manager-public relations at Wausau. **BI**

©1999 The Hartford Financial Services Group, Inc.



FOR MORE ON OUR UNPARALLELED DISABILITY PROGRAM, CONTACT PETER COOK AT 1-860-843-3707 OR abilityinfo@hartfordlife.com.

Employers advised to link benefits with goals, demographics

By AMANDA MILLIGAN

DALLAS—Employee benefits should be tied to corporate goals and should address the needs of the company's demographics, benefits professionals say.

Catering benefits to the age of the workers will help companies "attract, retain and retire" the appropriate employees, said H. Edythe Baker, a Dallas-based account manager for Watson Wyatt Worldwide.

"You can't align your employees if you don't have the right employees and if you don't know what the strategy of your organization is," she said. "Without knowing what the strategy is, how can you link the right workers" to company posi-

tions, she asked.

Additionally, when corporate strategy is paired with benefits, corporations can make policy changes more smoothly, said George J. Rippel, chief of risk management for the Air Force Services Agency, a division of the Department of the Air Force in San Antonio.

"The changes that the company wants to make can be made with a lot more ease, with a lot less stress, with a lot less people worrying about losing benefits," Mr. Rippel said.

"Downsizing, rightsizing... mergers and acquisitions—that's the time that we find ourselves trying to make special arrangements for people when they have to leave," he

said. "A special retirement incentive, a special portability for the health care—some things that weren't dreamed up before."

Both Ms. Baker and Mr. Rippel spoke at a session on employment risks at the Risk & Insurance Management Society Inc.'s annual conference and exhibition held last week in Dallas.

Keeping a finger on the pulse of the workplace is especially important as the workforce shifts along with the aging of the baby boomers, Ms. Baker said.

To illustrate this, she said, in 1980, the majority of workers were in the 25- to 34-year-old age group. In 1996, the largest percentage of workers were ages 35 to 44. Projec-

tions for 2006 show an almost equal number of workers in the 35- to 44-year-old age group and the 45- to 54-year-old age group.



This means there may not be room at the top of the corporate ladder. Therefore, Ms. Baker said, employers may be forced to push older workers out of the corporate hierarchy in order to retain the young and talented by offering them advance-

ment opportunities.

"It will be the corporate interest to push the baby boomers out there, because Generation X and Y also want to become vice presidents, directors and CEOs... but what are their opportunities if all of us are clogging up the top part of the organization?" she wondered. "Generation X is not going to sit around and wait for the baby boomers to retire."

Ms. Baker defines Generation X as those employees currently in the 22- to 31-year-old age group and Generation Y as those 6 to 21 years old.

And because Generations X and Y are smaller, corporations will be in direct competition with one another—placing greater importance on benefits.

"Your benefits strategies that you have going forth are going to set the tone for where the company is going and how much they are going to pay," Ms. Baker said.

In the past, benefits programs weren't linked to company objectives, said Mr. Rippel. In addition, companies would offer only benefits offered by their competitors.

Now, he said, with the booming popularity of work/life benefits, companies are trying to offer broader and more inventive benefits.

"A look at the newer employee was requiring us to think beyond basic health and life," Mr. Rippel said. "If you don't do it, your competitors will."

The majority of retirement plan structures have not changed to reflect the "new" employees, Mr. Rippel suggested. Hybrid retirement plans, which blend defined benefit plans and defined contribution plans, offer employees portability that he said is necessary to mesh with changing employee demographics.

"The beauty of the hybrid plans is that, so far, Uncle Sam hasn't told us to do anything," Mr. Rippel said. "Uncle Sam doesn't even hardly know this stuff is going on. At the corporate level, we're doing this because we need to be doing it."

More than the faces in today's corporations are changing, Ms. Baker said the function of benefits and human resources personnel is moving toward a more strategic approach rather than concentrating on administrative paper-shuffling.

In the past, administration and data management have dominated the majority of a benefit manager's time, said Ms. Baker. But she said she foresees a change that would place more emphasis on human resources strategy and program design. Human resources must not be a support-staff division, she asserted.

"If you are not becoming a strategic partner to your organization and bringing to (senior management) the workforce management issues and cost issues, then you're gone," said Ms. Baker. "If you can't help them solve problems and increase shareholder value... then they're going to find somebody else who can do it," she said.

Additionally, a strategic outlook also means linking together human resources and benefits with risk management. Employers can save a bundle by blending these two compartmentalized departments, especially when looking at workers compensation and integrated disability management, Ms. Baker said.

"Because risk management is typically under finance and employee benefits under human resources, those two do not talk at all," Ms. Baker said. "The synergies you can get... helps tremendously with decreasing costs."



POSSIBILITY #1

REALLY BAD SPRAIN.

THE HARTFORD'S OUTCOME-ORIENTED MANAGEMENT APPROACH TO DISABILITY

IS THE BEST WAY TO KEEP PRODUCTIVITY UP,

WHETHER AN EMPLOYEE IS INJURED ON OR OFF THE JOB.



POSSIBILITY #2

SLIPPED DISK.

THE HARTFORD'S MOTIVATIONAL PROGRAMS INSPIRE HER TO OVERCOME HER DISABILITY AND GET BACK TO WORK BEFORE THE SCAVENGERS IN HER DEPARTMENT

HAVE TIME TO RAID HER OFFICE.



POSSIBILITY #3

PERFECTLY FINE, BUT FAKES A GOOD LIMP.

WITH OUR SUPERB FRAUD PREVENTION PROGRAM, SHE WON'T SEE A DIME.

ABILITY MANAGEMENT. BRING IT ON!

THE
HARTFORD
FINANCIAL SERVICES



Meeting

Continued from page 3

visible in the press in recent months. For example, she pointed out, Fortune magazine in 1998 asked the society to put together a risk management supplement for the magazine in an issue that was distributed to more than 760,000 readers. "In 1999, we were asked to write a supplement for Fortune once again."

RIMS also has been called to comment for stories in mainstream publications such as The Wall Street Journal and The New York Times, Ms. Lamel noted. "As you can see, being associated with RIMS adds clout, which can assist you, our members, both within and outside of your organizations."

Mr. DeLillo, who is vp-risk management at Celotex Corp. in Tampa, Fla., spent some time during his final speech as president to recall some of the society's accomplishments over the past 12 months.

"I can say with pride that RIMS experienced a record year financially," he said, "in large part due to our conference in San Diego, the revenue generated in Risk Management magazine and through prudent investing."

The society's annual report shows revenue rose to \$10.1 million in 1998, up from \$9.2 million the year before. Last year's conference generated \$5.2 million, an increase from \$4.7 million in 1997. Investment income in 1998 rose to just more than \$1 million from \$899,139 in 1997.

RIMS took in advertising revenue of \$1.32 million in 1998, compared with 1997 revenues of \$1.27

million.

Revenue reached \$909,815 from membership and chapter services in 1998, an increase from \$884,667. The annual report listed "other revenue" as sharply increasing to \$1 million from \$385,201 in 1997.

Revenue from RIMS' professional development courses slipped to \$200,576 in 1998 from \$268,863. Also down was interest income, at \$29,282 from \$31,083 in 1997. The society's publishing activities gen-



'From Newfoundland to Florida and from Maine to Hawaii, our online distance learning courses allow you to take a professional development course anywhere, anytime.'

— Mark A. DeLillo

erated revenue of \$395,798 last year, down from \$520,422.

RIMS recorded a boost in net assets from operations of \$813,936, a record high for the organization.

"These results were achieved while RIMS increased and improved its menu of member services," Mr. DeLillo said. "These strong continuing results will permit RIMS to offer you even more benefits and programs in the future."

Mr. DeLillo reminded the membership that RIMS gives education a high priority. "Throughout this past year, we have made significant investments of capital and resources to make educational opportunities more accessible to risk management professionals, while broadening the curriculum offered."

RIMS is using technology to accomplish its education goals, he said. "From Newfoundland to Florida and from Maine to Hawaii, our online distance learning courses allow you to take a professional development course anywhere, anytime."

And RIMS is proud to be the only professional organization offering online preparation courses for the Associate in Risk Management program, Mr. DeLillo noted. "Thus giving another example of

how RIMS maintains its leadership position."

Mr. DeLillo said the kickoff of RIMS' Fellow in Risk Management program was the "most exciting educational milestone" of the past year. After several years of planning, the new designation now is available to risk managers across the globe. Based on a program already in place in Canada, it will be conferred by the society's new Global Risk Management Institute.

"The FRM was designed not just to educate risk managers, but to create leaders within risk management," Mr. DeLillo said. "This program provides a broad knowledge base of business information for risk managers, allowing them to be a key source of information on risk management and a broad

range of business issues."

Ms. Lamel pointed out that RIMS provides risk managers with "the tools they need to succeed" in the form of educational opportunities. "The risk manager of today wears a myriad of professional hats. They need to present a broad knowledge of functions within their organizations and be able to provide expert influence and advice in all areas of operations."

"It is the knowledge of risk management that is valuable to the employer," Ms. Lamel stressed. "So the knowledge needs to be current and applicable. This truly is the role of the modern risk manager. At RIMS, we are dedicated to helping risk management professionals meet the needs of today's business environment."

RIMS' infrastructure has seen changes in the past 12 months, Mr. DeLillo pointed out. In one change, committee roles were restructured, making the committees "more issue and task-oriented," he said. "This has allowed them to set goals and objectives and respond more quickly to the issues and needs of our members."

Ms. Meltzer pointed out that an annual planning meeting that was started five years ago has evolved into one that teaches committee leaders how to be more effective. The meeting, she said, "has become a stimulus for action... The focus of this year's meeting was to review the member needs survey and develop programs directly related to issues identified by our membership."

She said the survey showed a "significant increase in the satisfaction that our members have with the society. The survey has been beneficial in helping the executive council, committees and

staff identify areas to focus on for improvement. The results of the survey have helped us design a strategic blueprint for the society's future—a blueprint that can be refined as we continue to listen to the needs of our members."

In other action at the annual meeting, RIMS introduced new members of the executive council. They are:

W. Michael McDonald, vp-governance and secretary, who is director-risk management at Tampa, Fla.-based Walter Industries Inc.

William J. Montanez, vp-treasurer, who is assistant treasurer at Wallace Computer Services Inc., based in Lisle, Ill.

Michael D. Phillipus, vp-education, who is manager-risk management at Houston based Pennzoil-Quaker State Co.

Also serving on the council are: Diane Wolfson, vp-conferences, who is director-risk management and insurance at Domtar Inc. in Montreal.

Karen Fleming, vp-member and chapter services, who is manager-risk management at Bell Atlantic Corp. in Arlington, Va.

David Mair, vp-international and research, who is risk manager for the U.S. Olympic Committee in Colorado Springs, Colo.

Chris Mandel, vp-external affairs, who is senior director-risk management department at Tricon Global Restaurants in Louisville, Ky.

Mr. DeLillo, vp-long range planning.

Roger Andrews, general counsel/director, risk management at Cynthiana, Ky.-based E.D. Bullard Co., is first vp of RIMS and is in line to succeed Ms. Meltzer as president. **BI**

Winans wins Goodell Award for lifetime work

By EDWIN UNSWORTH

DALLAS—The Risk & Insurance Management Society Inc. honored a lifetime's work in risk management last week by bestowing its highest honor, the Dorothy and Harry Goodell Award, on Ron Winans, former vp of the J.R. Simplot Co. of Boise, Idaho.

Established in 1978 by Harry Goodell, a founder of RIMS and the organization's first president, the award annually honors an individual who has helped advance the practice of risk management throughout his or her lifetime.

In bestowing the award, outgoing RIMS President Mark A. DeLillo cited Mr. Winans' pioneering work in the field of risk management. In particular, noted Mr. DeLillo, this included Mr. Winans' efforts in setting up J.R. Simplot's first insurance department soon after he joined the company in 1959.

Mr. Winans also is credited with chartering the Idaho RIMS chapter in 1972 and becoming the chapter's first president. Mr. DeLillo said many of the chapter's founding members have credited Mr. Winans with its early and continued success.

During the membership meeting that marked the start of the 37th annual RIMS conference and exhibition, the society also announced two recipients of its highest chapter honor, the Heart of RIMS Award, which recognizes an individual nominated by his or her chapter for outstanding performance on behalf of the chapter.

Terrance MacDonald, a member of the British Columbia RIMS chapter since 1990 and its president for the 1995-96 term, was one of the recipients. The award cited his continued leadership role in chapter and community activities. Mr. MacDonald also is treasury manager for British Columbia Hydro & Power Authority in Vancouver, British Columbia.

Also receiving the Heart of RIMS Award was David Dolnick, a member of the San Diego chapter and risk manager for The Brady Cos., based in La Mesa, Calif. He was cited for his

work on the San Diego chapter board since 1996.

RIMS presented its second Arthur Quern Quality Award to broker Insurance Management Co. of Erie, Pa.

This award is presented to an individual, risk management department, company or specific product that personifies quality in risk management. RIMS said it recognized IMC's establishment and implementation of an effective customer-oriented quality program and its success in achieving its mission statement: "Service Beyond Expectations." IMC President John Bloomstine accepted the award.

RIMS' Edith F. Lichota Award, in recognition of research with a practical application to risk management and employee benefits, went to Sunny Cutler, a student at Temple University, for her paper titled, "ERISA and the Shield against HMO Liability Lawsuits: Is It Weakening?"

Barbara Farrell, director-risk management for Eden Prairie, Minn.-based SUPERVALU Inc. was presented the Christy Award for achieving the highest cumulative average in the three exams leading to the Associate in Risk Management designation.

Bev Rotman, manager-insurance and loss control at Speedy Muffler King Inc. of Toronto, was presented with the Fred H. Bossons Award for achieving the highest academic average in Certificate in Risk Management courses.

Awards also were presented to individual RIMS chapters.

- Outstanding Chapter Programming: Eastern Oklahoma and Central Oklahoma, Santa Clara Valley and Dallas-Fort Worth.

- Outstanding Membership Development: Greater Quad Cities, San Diego, Dallas-Fort Worth.

- Advancing the Risk Management Profession: San Diego and Dallas-Fort Worth.

- Outstanding Member Services: San Diego, Los Angeles and Atlanta.

- Overall Chapter Excellence: San Diego and Dallas-Fort Worth.



PHOTOS: MICHAEL MARCOTTE

David Dolnick, top left, and Terrance MacDonald, not pictured, won Heart of RIMS Awards for contributions to their local RIMS chapters. Ron Winans, center in top right photo, receives the Goodell Award, RIMS' highest honor, from Mark A. DeLillo and Susan R. Meltzer. Above, representatives of individual RIMS chapters of accepted awards recognizing their efforts.

HIV/AIDS

Continued from page 3

dards and be aware of potential violations of the Americans with Disabilities Act, Ms. Oswald said.

Mr. Ross added that, according to statistics from Georgetown University in Washington, more than 99,000 AIDS-related discrimination cases are in various stages of litigation.

"You do not want an AIDS-related lawsuit," said Mr. Ross, referring to the high punitive damages often awarded to victims of AIDS discrimination.

HIV/AIDS "really is a risk that needs to be managed," Ms. Oswald said. "I really believe there is so much prevention that can be done."

One of the ways to encourage prevention and manage the risk is through education.

The CDC is ready to help. In 1992, it established a "Business Responds to AIDS" effort, with the mission "to engage business in a comprehensive workplace program to provide workers and their families the information, skills and motivation necessary to prevent HIV transmission, respond appropriately to HIV-related issues in the workplace, and

'I really believe there is so much prevention that can be done,' says Eileen M. Oswald of Envision Technology Solutions.

contribute to HIV prevention efforts in their homes and communities," Ms. Benson explained, adding that the CDC has launched a similar effort involving U.S. labor unions.

The five components of the CDC's comprehensive HIV program are: a workplace policy on HIV/AIDS, supervisor training, employee education, family education, and community service or volunteerism, Ms. Benson said.

By implementing these five elements, employers can avoid crisis situations, promote HIV/AIDS prevention, ensure compliance with the ADA, help prevent discrimination, engender compassion and stand out as leaders in their industry and community, she said.

In addition, the CDC has established a national resource network for employers in need of help with training or other issues, Ms. Benson said.

By calling 800-458-5231, employers can receive a "Managers Kit," which contains step-by-step directions on the implementation of a comprehensive HIV/AIDS workplace program, she said.

In addition to undertaking the five-point program, there are other cost containment opportunities for risk managers faced with HIV in the workplace, said James C. McNamara, cost containment manager-corporate risk management at Aramark Corp. in Philadelphia. Mr. McNamara moderated the session.

Risk managers, for example, should: anticipate reasonable accommodations; treat every bodily fluid spill as a potential AIDS exposure; establish and monitor compliance with procedures for protection and cleanup; maintain employee confidentiality; fully integrate bloodborne pathogen concerns in existing incident reporting systems; devise and monitor compliance with procedures for response to the identification of known infected people; identify business resources for education, incident reporting and response to accidents and exposures; document practices that demonstrate compliance; and

keep detailed employee records on education, training, exposures, incident reports, policies and procedures, Mr. McNamara explained.

Mr. Ross gave attendees some additional advice. The key success factors in implanting an HIV/AIDS educational program, he said, include:

- Gaining support from top management. "If you don't have sponsorship...invariably the program will falter," Mr. Ross said.

- Having clear, consistent goals and strategies.

- Getting the right person to address the issue. "This is not a junior assignment," Mr. Ross said. "You need someone who understands the business you are in. Someone who can build relationships within the company and understands the company's culture."

This person should be compassionate but not a zealot, he said. **BI**



Network Management

Innovative Solutions For National Health Care Purchasers

- Health Plan Procurement
- Benefit Administration
- Performance Management

Contact: 800. 810. 2352

www.networkmanagementinc.com

formerly Network Management Services (NMS)

"It's not whether you get knocked down. It's whether you get up again."

Vince Lombardi
Coach, Green Bay Packers
From *Run to Daylight*, 1963

Bumping into today's global complexities doesn't have to be fatal. Pad yourself with ERC's innovative Casualty Treaty services. Backed by a network of risk experts and deep GE capital reserves, it's the highest rated service in the industry*. And that just might mean the difference between getting knocked down or getting knocked out. **It's a world of risks. Be prepared.**

*Best's A++, Moody's Aaa and S&P's AAA



ERC.

Employers Reinsurance Corporation • www.ercgroup.com • 800 255-6931

A GE Capital Services Company



**It's a great benefit,
if you're a dog.**

Today's employees are savvy. They know when a benefit has value and real worth. Throwing them a bone is simply not enough. With a group legal plan, employees have a benefit they can really sink their teeth into—a benefit that helps them balance the demands of work and home. To learn more, call 800-888-4784 or visit our Web site at www.aragroup.com.



Call to receive this free 25-page booklet, *How to Choose a Group Legal Plan.*

Underwritten by ARAG Insurance Company, Des Moines, Iowa; or The Guardian Insurance Group, West Des Moines, Iowa.

ARAG GROUP
simplifying a complicated world®

Stress a major risk in comp: Consultant

By JOANNE WOJCIK

DALLAS—Stress can be just as much of a workplace hazard as unsafe working conditions, occupational injury experts say.

Traditionally, risk managers have not regarded stress as a risk, said Jane Y. Rastallis, a Boston-based consultant with Tillinghast-Towers Perrin. Ms. Rastallis spoke during a session last week at the annual Risk & Insurance Management Society Inc. conference and exhibition in Dallas.

But, as much as one-third of all

workers compensation claims costs is attributable to stress, both on the job and at home, according to James Walter, president and chief executive officer of ManagedComp Inc., a workers comp insurer based in Waltham, Mass.

But the problem is not stress claims per se, he said.

In fact, the most recent figures from the Boca Raton, Fla.-based National Council on Compensation Insurance show that the incidence of pure stress claims is declining.

But stress is a contributor in 60% to 80% of all work-related injuries, Ms. Rastallis said, citing figures from the American Insti-

Meet the challenge

PERSONAL, CUSTOMIZED SERVICE is the name of the game. Whether your customers are interested in an integrated or component product, they demand a solution that fits *their* needs. As a full-service provider, you deliver it. The same holds true for Investigative Options.SM You ask for it. We deliver it.

Investigative Options, a full-service investigations provider, offers cost-effective, strategic solutions to the multi-billion dollar enterprise known as insurance fraud. Our national team of insurance professionals, all with investigative backgrounds, will explore your investigative options and recommend winning moves to deter, detect and help prosecute fraud.



Investigative Options has the services to combat fraud, including:

- Investigations for all lines of business.
- Assistance in state-fraud planning and compliance consulting everywhere you do business.
- Data investigation using national databases to help you uncover the facts of the case.
- Interactive Online Investigation Management System that lets you monitor your investigations from start to finish.

INVESTIGATIVE OPTIONS

Make your next move in the battle against fraud. Call us:
tel 1-888-464-9730 fax 1-888-464-9505



tute of Stress in Yonkers, N.Y.

"Comp claims are often a symptom of stress and other issues in an organization," Mr. Walter agreed.

While 20% of workers comp claims are caused by fundamental workplace hazards, 80% are caused by unsafe behaviors, he said, based on ManagedComp's claims experience.

Workers who are preoccupied by thoughts about "their sick child or their husband about to divorce them or that there's not enough money to pay the bills... are much more likely to get injured," Ms. Rastallis said.

An injured worker also may need more time to recover if the claims adjuster handling his or her workers comp claim doesn't take

Workers preoccupied with stressful situations are 'much more likely to get injured' on the job, says Jane Y. Rastallis.

into consideration other non-work-related stress the worker may experience as a result of an occupational injury, she said.

For example, if a single mother dislocates her shoulder at work, she'll need a lot more than just medical treatment to deal with her injury, Ms. Rastallis said. She also may need additional child care or other assistance if she is unable to care for her children after the injury, she said.

"This person is going to be out a whole lot longer because of the stress of the home situation," Ms. Rastallis said.

Stress also reduces productivity, because "when we have workers that have all these things that are going bad at the workplace and at home, invariably they are going to do less work," she said.

It also leads to higher employee turnover rates. "It is estimated that 40% of employee turnover has stress as a major contributor," Ms. Rastallis said, again citing statistics from the American Institute of Stress.

"There's a major cost there of
See **Stress** on page 20



ANNOUNCING AN EVEN LARGER MERGER.

Two of the most successful names in healthcare are pleased to announce their exciting new partnership. Beech Street Corporation and CAPP CARE have merged to create the largest independently-owned, non-affiliated PPO in the country. Beech Street now offers nearly 18,000,000 enrollees access to over 290,000 physicians, 3,500 hospitals, and 90,000 specialty healthcare providers throughout America. We can provide greater savings for our clients' employees and increased volume for our providers. Our new technology partner, Healtheon, provides Beech Street with the industry's latest, state-of-the-art claims management systems and network oversight. Some large mergers produce only one winner. This time, everyone wins.



Beech Street Corporation
173 Technology Drive
Irvine, CA 92618
PH: (800) 877-1666
FX: (949) 453-9162



InPhoto

The Surveillance Firm...
Validating Integrity Worldwide

18 years of InPhoto experience, combined with the global resources of Kroll-O'Gara. The same company *with a new beginning.*

Our Company:

- 18 years of service in the corporate and insurance business community.
- Serving your investigative needs; locally, regionally, nationally or globally.
- A comprehensive array of products and services including, but not limited to: surveillance, background investigations, pre-employment screening, drug screening, due diligence, forensic accounting, asset location, vehicle armoring, hostage negotiations and information and technology services.

Our Staff:

- Full-time salaried investigators; trained, licensed and supervised daily.
- Corporate owned and insured vehicles.
- Field-experienced operations managers supervise each assignment from start to finish.
- Support staff to ensure quality work and timely service.
- Full-time consultants to customize our services to your investigative needs.
- Executive management staff—daily involvement in case management, quality control and customer service.

Our Process:

- Dealing with trained, qualified professionals in daily contact on your assignment.
- Phone, fax toll-free or email your assignments over secure x.400 lines.
- Quality control measures strategically in place to ensure a consistent and accurate product that will meet both you and your client's expectations.
- Prompt, courteous service at all levels.

InPhoto  **Kroll-O'Gara**

Corporate Office (Chicago): 1-800-822-8220 Fax: 1-800-752-0720
East Coast Office: 1-888-822-8204 Fax: 1-609-985-8601
West Coast Office: 1-800-822-9650 Fax: 1-510-663-5090
Website: www.inphoto.com Email: inpho@inphoto.com

Stress

Continued from page 18
retraining your employees and paying people overtime to replace them," she said.

Furthermore, the National Safety Council estimates that as many as 1 million employees are absent from work on an average weekday because of stress-related problems, according to Ms. Rastallis.

Stress also leads to higher health care costs.

"It's estimated that 75% to 90% of all primary care physician visits have stress as a contributing factor," Ms. Rastallis said.

But "the opportunities for risk managers are enormous, because

it has such a huge impact on the bottom line," Ms. Rastallis stressed.

According to the American Institute of Stress, stress costs U.S. businesses anywhere from \$200 billion to \$300 billion a year in lost productivity, higher turnover and increased health and workers compensation claims, she said.

Risk managers should become more involved in promoting wellness and employee assistance programs, Ms. Rastallis recommended.

Ergonomic enhancements and environmental improvements, such as better lighting or air circulation to make the workplace more comfortable, also can reduce stress, she said.

Other ways to reduce employee

stress include instituting flexible work schedules and telecommuting programs.

She used her own experience as an example.

"I drive an hour and a half to work each day," she said. "So you can imagine how stressed I feel when I wake up and discover that six inches of snow has fallen overnight."

Ms. Rastallis suggested that arranging for an employee in situations like her own to work from home occasionally can significantly reduce that worker's stress load.

Walter Pizzano, risk manager for Boston-based FMR Corp., the parent company of Fidelity Investments, moderated the session. **BI**

Some white-collar workers ignore own pains, expert says

By ROBERTO CENICEROS

DALLAS—Out of loyalty to their jobs, many white-collar employees ignore pains that may be the first warning signs of a cumulative trauma disorder.

Instead of seeking immediate treatment, these workers wait until the injury has worsened and they feel tingling and numbness in the affected part of their bodies, said Pamela Simonian, an office ergonomics expert and assistant vp-risk services for Marsh Inc. in Orange, Calif.

Ms. Simonian refers to the phenomenon as "white cuff syndrome" because the injuries generally are upper-extremity injuries typical to the office environment, such as tendonitis.

But employees can be educated to



workplace who can recognize potential ergonomic problems, the speakers stressed.

"We call it ergonomics by 'walking around,'" Ms. Simonian said. "You cannot do ergonomics from (a remote) office. You cannot have your clinic or your doctor do your

'You have to have people who are in your workplace who are knowledgeable about this subject and who can assist you daily,' says Pamela Simonian.

recognize and address the warning signs before they develop a more severe injury, Ms. Simonian and other experts said at a panel on ergonomics at the Risk & Insurance Management Society Inc.'s annual conference and exhibition in Dallas last week.

In addition, proper ergonomic equipment can eliminate or reduce the severity of these injuries, Ms. Simonian said.

Employers that fail to recognize that their employees have cumulative trauma disorders will end up with workers whose injuries are more severe and more costly to treat later, said Dr. Gregg Diamond, a physician who specializes in diagnosing and treating CTDs for RehabMed in Dallas.

Fortunately, more employers today are aware that CTDs do represent a real problem in the workplace and are not just imagined by workers, said Diana Jeanne Rich, director of risk management and benefits administration for Sunstone Hotel Properties Inc. in San Clemente, Calif. Consequently, she said, there is more support from upper management for buying equipment designed with ergonomics in mind, said Ms. Rich, who coordinated and moderated the session.

Recently, however, there has been an explosion of products labeled as "ergonomic," and not all of them are equal in their effectiveness, the speakers agree.

Also, some ergonomic products that work well for one person may not be effective for others, the speakers said. One of the key components to preventing injuries and using ergonomic equipment effectively, therefore, is having onsite, one-to-one interaction with employees who may suffer injuries. That requires having people in the

ergonomics. You have to have people who are in your workplace who are knowledgeable about this subject and who can assist you daily."

When purchasing office equipment, a common mistake is to assume that the same piece of furniture, such as a particular chair style and size, will be good for all employees, the speakers say.

Different-size people need different-size chairs. At a minimum, chairs should have plenty of adjustability.

"You don't want to go out and buy 100 chairs" that are all the same model, she said. It pays in terms of reduced risk of injury for employers to spend \$400 to \$600 for a good office chair, rather than buying a cheap one for \$200 that will wear out easily and add to worker injuries, Ms. Simonian said.

A short-term alternative is to modify existing chairs with attachable lumbar supports and lumbar rolls that can encourage an ergonomically correct posture. But Ms. Simonian said she does not recommend them as a "best-case scenario," because they can be uncomfortable, can shift position and ultimately get thrown away.

Keyboard and mouse platforms should both be at the same level for office workers, she said.

Gel wrist rests for mouse users are preferable, Ms. Simonian advises. Stay away from hard wrist rests or ones that have plastic around the edges that press against the wrist, she added.

Other ergonomic products can also help, such as Microsoft Corp.'s "Natural" keyboard, Ms. Simonian said. "They are not fads," she said of ergonomic office equipment. Even \$6 devices, such as thick padded writing pens or \$30 electric staple machines, can prevent a claim, she said. **BI**

Carvill

Reinsurance Intermediary

INDEPENDENCE
INTEGRITY
SERVICE

CONSISTENT PHILOSOPHY & PERFORMANCE

SINCE 1977

Atlanta Bermuda Chicago London Stamford

Insurer Topics

A special editorial section
sent exclusively
to insurers and reinsurers

Reinsurance strategies



Looking into new opportunities

Inside:

Capital markets, along with traditional reinsurance products, are being used to tackle a range of risks

page 20B

Insurance companies are entering a new phase of the insurance cycle, analysts and executives say

page 20D

Risk securitization isn't just for catastrophe exposures; it can also cover other risks

page 20G

Risk financing products gain sophistication, reach to address a wide range of exposures

By **RODD ZOLKOS**

The ongoing development of tools for transferring risk into the capital markets offers reinsurance buyers opportunities to achieve more efficient risk transfer or to obtain coverage that was previously unavailable.

Risk securitization, exchange-traded futures and options, and various derivative instruments not only offer new capacity for risk transfer but, when blended with traditional reinsurance, allow reinsurers to craft programs

to address a wide range of a customer's exposures.

And for ceding companies, those programs offer a way to manage their exposures across the entire spectrum of their organizations' risks, in the same fashion as the holistic risk management programs discussed for other types of organizations.

Although many reinsurers have formed units specifically to deal with capital markets and financial risk transfer opportunities, those units frequently find themselves working closely with other units of their parents' operations as they work to develop customized risk transfer solu-

tions for their customers.

According to Peter Gentile, president and chief executive officer of Gerling Global Financial Products in New York, the market is entering the "second generation" of blended risk financing products.

While the first generation was marked by various units in a reinsurance company all trying to develop such products on their own, the second generation sees those units working closely together to craft solutions, having learned that each can't be "all things to all people," he said.

"I think we've gone beyond

that," Mr. Gentile said. "The type of risk financing product that we're trying to look at is very sophisticated and very complex."

Dan Osterhout, managing principal at Swiss Re New Markets in New York, said his company currently is working on developing approximately a dozen different programs that would integrate clients' property/casualty risks with non-hazard risks, such as those associated with interest rate or foreign currency fluctuations.

Overall, there might be 50 to 75 such programs currently being put together in the market, he said.

And, while public discussion of those programs frequently focuses on non-insurer clients, Mr. Osterhout said insurance companies are showing just as much interest in adopting a holistic approach to risk financing, even if they're doing so a little more quietly.

"It's not as public as on the corporate side, but we in New

'The type of risk financing product that we're trying to look at is very sophisticated and very complex.'

— Peter Gentile

Markets support our traditional insurance colleagues (at Swiss Re) who have the primary relationships with the ceding companies," Mr. Osterhout said.

And the insurance company programs "are even more complex than on the corporate side," Mr. Osterhout said. "Mainly because of their big portfolios."

Swiss Re's acquisition last year of USF&G Corp. unit Falcon Asset Management, gave Swiss Re New Markets a new tool to help insurers looking to address exposures across their entire operations, Mr. Osterhout suggested.

For example, working with the asset/liability management operation, Swiss Re New Markets might show an insurer with some particularly risky liability lines on their books that if the insurer were to retrench from that liability position, it could take on more risk in its investments—and see potentially greater returns—on the asset side, Mr. Osterhout said.

"We have several projects ongoing with them right now with traditional (insurance company) clients of theirs," Mr. Osterhout said.

Mr. Gentile said the types of programs GGFP is structuring "have a focus on earnings protection—both the top line and the bottom line."

Among other things, the com-



pany has been writing programs for both insurers and other corporations that would include coverage for losses suffered as a result of temporary business disruptions due to Year 2000 computer problems.

"There is certainly a group of insurers and corporations very concerned about Y2K," Mr. Gentile said. "Having said that, there are a number who believe it's a tempest in a teapot."

However, regardless of the steps large U.S. corporations are taking to prepare for Y2K, Mr. Gentile noted that U.S. municipalities and non-profits and many non-U.S. companies are falling short of the mark.

"So we're seeing buyers wanting to blend earnings protection that's required for potential Y2K issues with their traditional reinsurance programs," he said. "We've written at least \$500 million in capacity of that, if not more."

The company's focus on transactions for earnings potential protection for the insurance industry has also seen GGFP involved in providing coverage that facilitates insurance industry mergers and acquisitions, Mr. Gentile said.

He noted that participants in those deals have used reinsurance to maintain a certain level of cash flow and to guarantee their ability to pay down debt.

"This has been done very much through the joint efforts of other units within the group," Mr. Gentile said.

While in the past it was suggested the move toward financial risk transfer alternatives was being driven by those selling those products, the supply side, today the development of such products is being increasingly driven by customer demand.

"I would say, for insurance companies in 1987, it was very much supply side," Mr. Gentile said. However, "I would say right now, it's absolutely a demand-side-driven business. I would say, we're very much meeting the demands of customers who want to buy our product."

With about 20 transactions to date, risk securitization might still be supply-driven, Mr. Gentile conceded, though those transactions also will probably soon be driven more by the demand of those looking for new ways of ceding risks than the supply of new markets looking to accept it, he suggested.

With the growth of risk securitization in mind, New York-based Insurance Services Office

See **Markets** on page 20D

CPCU PREFERRED.

"The Glatfelter Insurance Group does not look for experience alone. We look for people who have demonstrated good work habits, and people who are dedicated to learning. Working to earn a CPCU designation clearly demonstrates such dedication."

Arthur J. Glatfelter • Chairman
Glatfelter Insurance Group



Whether your clients include volunteer fire departments or the deli around the corner, they need the insurance and risk management expertise that is synonymous with CPCU, the property and casualty insurance business's premier professional designation.

The American Institute for CPCU confers this prestigious designation. It signifies extensive knowledge of the insurance mechanism and the business environment in which it operates.

CPCUs who join the CPCU Society have access to a network of other insurance professionals who promote and support continuing education, professionalism, and industry and community service.



There is no substitute for CPCU.

For more info, call (800) 644-9101 (AICPCU) or (800) 932-CPCU (CPCU Society).



GGFP Deals: Many Shapes and Sizes.

GGFP shapes a new deal for each client based on solid principles of risk protection, financial engineering and creativity.

We've got a great team with great ideas. Our deals are backed by the global resources of the Gerling Group.

Call us or visit our website to find out how we can shape a deal to fit your needs.



GERLING

GLOBAL FINANCIAL PRODUCTS INC.

Your Responsive Resource

Markets

Continued from page 20B

Inc. recently developed a guide to capital market solutions for financing catastrophe risks.

"Cat options, cat bonds, or whatever, this is a way of supplementing capital for any insured event," said John Kollar, vp-consulting and research at ISO.

"It really isn't very efficient to

keep capital around for a covered event," he said. "We see securitization as something sort of supplementing the marketplace."

"I can see a reinsurer pulling together the exposures of several primary insurers, putting it together in a single market basket, and maybe the reinsurer can take it to the capital markets as a way of funding the reinsurance contracts," he remarked.

The use of financial instruments to cede risk has to be approached on a case-by-case basis, he observed, and insurers considering them need to ask, "Gee, is this a good hedge for me?" Mr. Kollar said.

Each insurer has to determine its own specific needs, Mr. Kollar said, and how well the various techniques match up with its needs and its own book of business. **BI**

'Pain phase' begins

Party over for P/C industry, analyst says

By JUDY GREENWALD

The property/casualty insurance industry has gone from the "cheating phase" of the insurance cycle, to the

"pain phase," with the "fear phase" yet ahead, says a securities analyst.

V.J. Dowling, managing partner at Stamford, Conn.-based Dowling & Partners Securities L.L.C., also described how the great expectations from early last year have since diminished. He spoke recently at the National Insurance Symposium Leadership Conference, held in San Francisco and sponsored by the Russell Miller Cos. and Swiss Reinsurance Co.

Also speaking at a separate session was Terry Broderick, president of Royal & Sun Alliance USA in Charlotte, N.C. He discussed the major opportunities presented to global insurers by globalization, technology, consolidation and capacity utilization.

Mr. Dowling described the insurance industry's situation in January 1998. Property/casualty stocks then were trading at absolute and relative highs, though these prices "made no sense." Stock prices were based on expectations the industry couldn't sustain. "You had new buyers coming in" who expected further consolidation between the insurance and banking industries, he said.

Furthermore, 1997 saw the lowest level of catastrophe losses in more than a decade, while asbestos and environmental losses accounted for less than one point on the combined ratio. In addition, declining yields were not fully evident in reported results, and takeover speculation was "rampant."

Defining the period as the "cheating phase," Mr. Dowling said it was marked by prior-period reserve releases, aggressive assumptions for accident-year loss ratios, and by a stretch to achieve investment income growth.

Furthermore, he said, property/casualty insurers bought stop-loss reinsurance "with the design to try and obfuscate what was happening insofar as actual results."

Other characteristics of this "cheating phase" included negative underwriting cash flow, the use of stock for acquisitions, and stock buybacks at high levels. "It's amazing," Mr. Dowling said as an aside, that companies bought back shares during this time when today, when stocks are selling at much lower levels, companies claim they do not have the money to buy back shares "in order to take advantage of 'mysterious' opportunities."

Reality stepped in with last year's results, which were marked by a higher level of catastrophes and lower investment yields. Companies in 1998

Continued on next page

• ATLANTA • MIAMI • MINNEAPOLIS • NASHVILLE • NEW YORK • PHILADELPHIA •

INDIA • INDONESIA • JAPAN • KOREA • SINGAPORE • AUSTRALIA • BRAZIL • CHILE • MEXICO • PERU • VENEZUELA

SAN FRANCISCO • STAMFORD • STONEY CREEK • REINSURANCE ALTERNATIVES, INC. MINNEAPOLIS • FRANCE • GERMANY •

WILLIS FABER RE

Unlocks The World.

Willis Faber Re offers key reinsurance solutions.

WILLIS FABER
NORTH AMERICA
REINSURANCE INTERMEDIARIES

Wall Street Plaza, 4th floor, New York, NY 10005 USA
Phone: 212-344-7600, Fax: 212-344-4646

• HONG KONG • DUBAI • CHINA • SWITZERLAND • SPAIN • RUSSIA • POLAND • LONDON

Continued from previous page
also failed to meet projected earnings, and there was "absolute stock market carnage out there" as stock prices declined, Mr. Dowling said.

This phase, the "pain phase," has been characterized by missed earnings projections and reductions in estimates, the loss of investors' interest, the beginning of reserve charges, big premiums paid for unique franchises—such as Chubb Corp.'s recent acquisition of Executive Risk Inc. (BI, Feb. 15)—and talk of the end of the cycle, among other factors, said Mr. Dowling.

During the next phase—"fear"—executives will start to lose their jobs, and there will be a pickup in merger and acquisition activity, said Mr. Dowling. Layoffs also will accelerate, he said. "The industry still has too many bodies," he said.

There also will be special reserve charges related to more recent accident years and cuts in dividends, and stock prices will bottom out, Mr. Dowling said. In addition, the reinsurance market will disappear, and the alternative market will expand, he said.

Speaking at a different session, Mr. Broderick said the great companies are excited by all the opportunities in today's market, while it is only the "not-so-great, the unfocused, the strategically unclear" that are concerned.

Speaking about globalization, Mr. Broderick said not every policyholder needs global capabilities and that each is poised at a different point along the developmental curve in this respect. However, a growing segment of midsize to large clients will require global capabilities, he said.

Mr. Broderick said that even global companies still must get "the job done on a local basis."

Discussing technology, Mr. Broderick said a key question is whether e-commerce will eliminate the role of the intermediary. While this is a possibility for certain products, a substantial segment of the business will still want the consultation and advice of an agent or broker, he said.

Research indicates, said Mr. Broderick, that price becomes less important in making insurance-buying decisions when you take into account the advice, counsel and product knowledge of the independent agent or broker.

Mr. Broderick also said "insurers must do much better" with technology and become much more technologically adept, using technology to access information.

He noted that Royal & Sun Alliance's claims operations can use the World Wide Web to find expert witnesses, gain access to university libraries and gather information about Y2K litigation, among other uses. It also has begun preliminary use of software that allows plaintiffs

and defendants in liability disputes to submit settlement offers via the Internet.

Mr. Broderick said insurers have not invested more heavily in technology because it is "hard to make the case" when the benefit is information access, rather than quantifiable savings. The industry is going to have to make a leap of faith, said Mr. Broderick.

Turning to insurer consolidation, he noted that Oldwick, N.J.-based A.M. Best Co. has predicted that one-third of the property/casualty groups existing today will relinquish their independence within five years.

Pointing to the failure of many deals, however, Mr. Broderick said more attention will be paid in the future to the "cultural fit

In future M&A deals, more attention will be paid to the 'cultural fit of the merging organizations.'

— Terry Broderick

of the merging organizations."

Mr. Broderick also said he does not believe broker consolidation has played out yet. "J&H/Marsh/Sedgwick," Aon and

Willis Corroon account for two-thirds of the just under \$10 billion in revenue generated by the top 100 brokers, and it is "hard to believe" that all of the other 97 brokers will remain independent, said Mr. Broderick.

While Royal does business with the major players, regional and midsize to large independent brokers are "critically important" to the insurer as well, he said.

"We must ensure their success, not just their survival," he said, adding that brokers have many of the same capital requirements as insurers and that while Royal is not interested in broad owner-

ship of its distribution channels, the insurer is inclined to provide capital.

Mr. Broderick also discussed capacity utilization and said the "level of competition is not likely to change in any material way."

Broad-based shifts are not likely, he added. The industry's excess capital is manifesting itself in different ways, including helping to explain the drive to find new products, he said.

Also speaking at the same session as Mr. Broderick was Brian O'Hara, president and chief executive officer of Bermuda-based XL Capital Ltd. ■

That's why more and more of

today's insurance companies

require policyholders to be

covered by disaster recovery

and business continuity plans.

PREMIUMS ARE PAID ONLY BY BUSINESSES THAT SURVIVE A DISASTER.

And why more and more of you

are discovering that Strohl Systems'

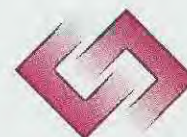
recovery planning software and

services are the best policy rider

you can buy to help your customers

keep doing business—and keep

their premium dollars coming.



STROHL SYSTEMS

The Global Leader in Continuity
Planning Software and Services

800.634.2016

www.strohl.com

Insurers take different tacks on distribution channels

By SALLY ROBERTS

As the competitive property/casualty insurance market continues, it would seem logical for insurers to seek broad distribution channels for their products.

Hamilton, Bermuda-based ACE Ltd., for instance, has been broadening its distribution channels over the past three years through several strategic acquisitions.

Brian Duperreault, chairman, president and chief executive officer of ACE, maintains that a broad diversification of distribution channels reduces vulnerability and translates into strength in the marketplace.

But a broad distribution force is not the answer for every insurer, another insurance executive contends.

J.F. Scherer, senior vp-sales and marketing at Cincinnati Financial Corp., maintains that the insurer's success is a direct result of using independent agents as its sole production source.

Messrs. Duperreault and Scher-

er spoke during separate sessions at Standard & Poor's Corp.'s 15th annual insurance symposium, held last month in Phoenix.

When ACE Ltd. was established in 1985 to provide excess liability coverage, it had one distribution channel, a local broker, Mr. Duperreault said, noting that Bermuda-based insurers can market products only through Bermuda-based brokers.

While the one distribution channel worked for ACE until 1994, product diversification became a must when market forces began to commoditize the excess liability and excess directors and officers liability insurance products, he said.

"We wanted to diversify the company. We were too narrowly focused," he said. ACE's goal was to become a global player in insurance and reinsurance. To do that, it needed to make strategic acquisitions.

So in 1996, ACE expanded into Lloyd's of London. The situation there is similar to Bermuda, though, as business at Lloyd's must be done through Lloyd's brokers.

Mr. Duperreault said that while the Lloyd's distribution channel was narrow, "We instantly got diversification that way."

By 1997, Mr. Duperreault said, ACE's distribution channels had broadened, but in order to reach its goal of becoming a "global powerhouse," it needed a physical presence in the United States. That came with its 1998 acquisi-

Because ACE keeps close relations with insurance buyers, 'ultimately, distribution is the client's choice.'

— Brian Duperreault

tion of Atlanta-based surplus lines insurer Westchester Specialty Group, which has since been renamed ACE USA.

At the time, Westchester distributed its products almost exclusively through wholesale brokers.

Mr. Duperreault said that while ACE intends to "keep good relations with wholesale brokers," he didn't want to restrict ACE USA to just that distribution channel. So "we took the handcuffs off," he said.

While ACE had diversified its distribution channels to include the Bermuda market, the Lloyd's market and the wholesale brokerage market, it wasn't until it reached an agreement to buy the property/casualty operations of CIGNA Corp. in January that it truly achieved global distribution capabilities, Mr. Duperreault said. The acquisition is pending regulatory approval.

CIGNA "uses a myriad of distribution channels" he said.

Large risks, for instance, are placed by the top three brokers and large regional brokers. A mix of specialty brokers places specialty risk products. CIGNA also is developing insurance products to be sold on the Internet.

Today, Mr. Duperreault said, the benefits of diversification are "pretty obvious." It reduces vulnerability and gives size and scope, which translates into strength, he said.

He acknowledged that because ACE distributes most of its products through brokers, the subject of distribution inevitably leads to speculation about consolidation.

"We do not want to be limited to one source of distribution," he said. "The spread of distribution within CIGNA P&C does that for us." Because ACE keeps close relations with insurance buyers, "ultimately, distribution is the client's choice," Mr. Duperreault said.

Speaking about the advent of megabrokers and how ACE deals with them, Mr. Duperreault said, "You keep a good working relationship with them, to say the least."

"We do love them both," he quipped.

He reiterated that ACE, however, does not want to rely on just that source of distribution.

"We keep close to the ultimate client, and we continue to deliver services at the highest level. The client takes care of it for you," he said of distribution channels.

However, he pointed out that

even with the newly acquired middle market business of CIGNA, one distribution channel that is not on ACE's game board is independent insurance agents.

"It is not something that I intend to do. We will continue to diversify the company by product line," but the independent agent "doesn't fit into our strategic vision, so we'll proceed accordingly," he said.

At the opposite end of the spectrum, the independent agent is the sole distribution channel for Cincinnati Financial.

"The key to our success is that we're an agent-centered delivery system," Mr. Scherer said.

"Who knows risks better in their community?" he asked. "We know that most people want personal advice" when it comes to insurance, and "they are willing to pay for it," Mr. Scherer said.

Given that, the insurer supports what it considers its ulti-

'Who knows risks better in their community' than independent insurance agents?

— J.F. Scherer

mate client—the local independent agent.

Mr. Scherer said the insurer is able to pay higher commissions because it saves money by keeping a flat operating structure with a single headquarters and no branch offices.

Cincinnati Financial has 882 field associates who operate out of their homes and support the 975 agents who distribute the insurer's products.

Having just one distribution channel does not mean Cincinnati Financial is not changing with the times, according to Mr. Scherer.

Although Cincinnati Financial is dependent on one distribution channel, that channel is undergoing massive consolidation, and many weaker agencies are becoming stronger through mergers and acquisitions, he said.

"We change because our agents change," he said.

For example, in one region, Cincinnati Financial supports two different agencies, Mr. Scherer said.

One agency is a \$30 million shop to which the insurer recently gave a letter of credit to take part in a worldwide captive arrangement and loaned the agency \$2 million to fund its expansion.

At the same time, the insurer is supporting a \$2 million agency in the same region that has set its sights on growing its business.



Is your Internet strategy taking you nowhere?

The power of Internet technology is without doubt going to change the way you do business. You probably have a Web site - but what does it do? Who does it touch? Is it generating revenue? Cutting costs? If you seem to be swimming in circles then we have a few answers!

HomeCom is THE recognized leader in the custom design, development, and implementation of truly business-driven Web based strategies and applications. That means Internet, intranet, and extranet.

Better still, we focus exclusively on the insurance industry and the financial services sectors. HomeCom is the only one of the Top 20* Web application companies in the US with that focus - your focus. If the Internet and World Wide Web are in your plans you need to talk to HomeCom.

In fact, many of the biggest names in insurance and banking are already clients!

HOME COM
COMMUNICATIONS

Please give us a call at 888-HOMECOM, ext. 615, e-mail us at insurance@homecom.com or visit our Web site at www.homecom.com.

The Internet IS the super highway.
Your company needs to be a destination.

*HomeCom was selected as one of 'The Twenty Best Internet Consulting Firms' in the May, 1998 issue of Internet Computing Magazine.

Filing department backlog?

Fast & accurate filings on a fixed quote basis

Don't staff for filing emergencies

- Preparation & submission of your P/C rate & form filings
- No obligation, same day Qwik quote
- No project too large or small



Compliance & Filing Solutions

Call 800-778-8100

Risk securitization offers alternative to reinsurance

By Vincent L. Laurenzano

IT Perspective

I BELIEVE WE ARE in the early stages of the development of a huge market in the securitization of insurance risk. Just as banks have strengthened their balance sheets over the past two decades through the securitization of assets to investors, so too will insurers strengthen their balance sheets through the securitization of insurance risk. Large commercial policyholders are always considering alternative means of risk transfer, and they may also look to the capital markets for such capacity. The number of completed insurance risk securitizations to reach the capital markets has increased each year over the past several years, indicating a growing acceptance of these securities by investors. To date, most insurance risk securitizations have involved catastrophe risk, but I believe other forms of insurance risk will be securitized in the future.

Securitization also may be an appropriate means of enhancing an insurer's ability to absorb and finance man-made catastrophic losses, such as those from workers compensation, aviation and product liability. Hurricane Andrew in 1992 put the insurance industry firmly on the path of securitization. It was the largest single insured loss event in history—and a wake-up call to the industry and its regulators. Hurricane Andrew highlighted the property/casualty insurance industry's vulnerability to natural disasters and the realization that its capital base was not sufficient to absorb losses from such megacatastrophes. Thus, there was perceived a real need to attract additional capital to the industry. Paradoxically, attracting capital in the traditional manner (i.e., formation of new insurers or adding capital directly to insurers' capital base) tends to be counterproductive in the

long term, because this additional capital fuels soft markets and drives pricing down, which in turn weakens the financial underpinnings of the industry. Obtaining funds from the capital markets is a more effective way to mitigate exposure for individual insurers, and it also is a means of invigorating the entire property/casualty industry. By transferring risk to the capital markets, the property/casualty insurance industry will bolster its financial viability, liberate capital in the industry and offer the potential to enhance insurers' return on equity. State insurance regulators recognize the public policy benefits of insurance securitization and have encouraged the development of this market. Nearly all state insurance departments have opined that the purchase of insurance-linked securities—as well as offering such securities—is not an insurance business for which licenses would be required, thus enabling insurers,

investment bankers and investors to develop this market. Nearly all insurance risk securitization transactions have been done offshore and are structured as traditional reinsurance ceded to special-purpose reinsurers. These vehicles transfer the underwriting risks assumed from the ceding company to investors in the form of insurance-linked securities or derivative instruments. These structures are more form over substance, as the essence of the transaction is the transfer of risk from the insurer's underwriting portfolio to the investors'. The classic example of such a transfer is the 1997 United Services Automobile Assn. transaction by which it obtained \$400 million of catastrophe coverage. In this transaction, the special-purpose reinsurer assumed \$400 million of USAA's cat risk, which it funded by issuing bonds to investors. The bonds issued by the special-purpose reinsurer were subject to loss of principal and/or interest upon the

occurrence of a hurricane that resulted in losses to USAA in excess of a predetermined amount. Insurance risk securitizations are structured in this format because of regulatory and tax concerns. Securitization of insurance risk requires that a number of hurdles be overcome. These include issues of bankruptcy, tax, capital requirements and other insurance laws regulating the entity issuing the securities, and U.S. statutory accounting treatment for the ceding insurer. In any securitization, it is necessary to insulate assets from creditors of any active entity. In insurance risk securitizations, a bankruptcy-remote special purpose reinsurer assumes the risk and holds the proceeds of the security offering. It is also necessary to structure the transaction so there is no entity-level tax and to comply with SEC requirements relating to the sale of securities. In insurance risk securitizations, the issues, particularly the tax issues, are

*See **Securitize** on next page*

GLOBAL FOCUS

Global Focus will appear six times in 1999 as a regular section distributed exclusively to non-U.S. subscribers. Articles in this special demographic section will address the specific risk management and employee benefits concerns of executives in countries other than the United States.

If your business is targeted to meet the needs of executives around the world, you won't want to miss these 1999 advertising opportunities in *Global Focus*.

Business Insurance
www.businessinsurance.com

1999 ADVERTISING OPPORTUNITIES	
ISSUE DATE	AD CLOSING
February 15	February 3
<i>Distribution: Bermuda Insurance Symposium; World Insurance Forum</i>	
March 29	March 17
<i>Distribution: Association of Insurance & Risk Managers</i>	
June 14	June 2
August 30	August 18
<i>Distribution: Monte Carlo Rendez-Vous</i>	
October 25	October 13
<i>Distribution: Management Centre Europe Insurance & Risk Management Conference; Baden-Baden; Federation of European Risk Management Associations</i>	
November 22	November 10

For advertising information contact Martin J. Ross, Associate Publisher and Advertising Director
220 East 42nd Street, New York 10017-5806
Phone: 212-210-0228 • Fax: 212-210-0704 • E-mail: mross@crain.com

Securitize

Continued from previous page
complex and expensive to overcome.

Generally speaking, securitization vehicles are structured as tax-free entities, such as "grantor trusts," or as partnerships, for tax purposes. If they are not tax-free, the entity generally is highly leveraged so that it can get an interest deduction for most of its earnings.

This is difficult to do for insurance vehicles, as the Internal Revenue Code requires insurance companies to be taxed as corporations and because the securities issued by the special-purpose reinsurer may not be characterized as debt—thereby putting in question the interest deduction.

In addition, state laws mandate substantial capital requirements for insurance and reinsurance entities, creating a difficult hurdle for an onshore special-purpose reinsurer to overcome. For these reasons, most securitizations have been done offshore.

Foreign corporations can be structured as essentially tax-free entities, and foreign jurisdictions also permit the formation of special purpose reinsurers with only nominal capital requirements and minimal regulatory burdens.

As the market for securitization of insurance risk develops, it is becoming clear that the cumbersome methods currently required to securitize insurance risk are detrimental to the growth of the market.

More than simply acknowledging that securitization is an acceptable means to transfer insurance risk to the capital markets, regulators and policymakers need to take proactive steps to allow the proper development and support of the

capital markets' involvement with the insurance industry.

Regulators should consider developing a regulatory and/or legislative framework that would enable insurers to transfer risk directly to the capital markets, rather than using a reinsurance agreement. In addition, they should establish favorable accounting rules for hedging underwriting exposures through the use of derivative instruments.

Recently, regulators have instituted several initiatives designed to facilitate securitization of insurance risk, as seen with the INEX Insurance Exchange and a National Assn. of Insurance Commissioners working group.

The state of Illinois has recently developed the regulatory framework to permit onshore insurance risk securitizations. The Illinois Insurance Department has approved Regulation 27 for INEX; it permits insurers and reinsurers who are members of INEX to form special-purpose limited syndicates to conduct U.S.-based insurance risk securitizations.

Regulation 27 permits INEX members, through a special-purpose syndicate, to enter into any transactions, including hedging transactions, to bring about insurance risk securitization. To facilitate such transactions, the regulation sets fairly low capital requirements (i.e., \$30,000) and permits a simplified annual statement filing.

One method by which the INEX special-purpose syndicates can overcome the tax issues associated with onshore securitization of insurance risk may have been demonstrated recently by Kemper Insurance Cos., which took advantage of the new regulation to securitize earthquake risk through INEX.

In September 1998, the NAIC

formed a working group to study the issues associated with the securitization of insurance risk. The working group is chaired by Arnold Dutcher, acting director of insurance in Illinois.

Among the issues under consideration is the appropriate statutory accounting treatment for derivative transactions that hedge insurance risk, such as PCS options and over-the-counter swap transactions.

The NAIC group is being urged by industry representatives to adopt rules that would permit accounting for these hedging transactions in the underwriting section of insurers' financial statements.

The group also is considering separate account, or protected cell, legislation for property/casualty insurers as a means of facilitating onshore insurance risk securitization.

This concept is based in part on legislation adopted by offshore domiciles that permit specially licensed insurers to operate through legally separate cells.

The business written and the assets held in each cell are isolated

from the other business activities of the insurer. Thus, a protected cell structure could enable insurers to issue insurance-linked securities directly, with the proceeds of the securities held in the cell and the underwriting risk transferred to the cell.

If isolation of the cell from the other business activities of the insurer were achieved, it would create a bankruptcy-remote environment for the investors—in effect, a special-purpose reinsurer.

However, there are a number of hurdles that this legislation must overcome before cells can be effectively used in securitizations. These include issues concerning the ability to truly insulate the cell from all corporate liabilities, the ability to ensure that all the cell's obligations will be performed in a timely manner even if the insurer is insolvent, investor comfort with such a structure, and the federal tax issues concerning securities issued out of the cell.

By providing a new and significant source of funding, insurance industry securitization will provide stability and growth

opportunities for the insurance industry as it provides a much-needed safeguard against catastrophic losses.

The adoption of appropriate accounting rules and the creation of onshore special-purpose reinsurers will facilitate the growth of the market for risk securitizations. We are at the crossroads; now is the time for policymakers to act. **BI**



Vincent L. Laurenzano is an insurance finance consultant with the industry practice of international law firm Stroock

& Stroock & Lavan L.L.P. in New York. He is a former deputy superintendent of the New York Department of Insurance and is active in the National Assn. of Insurance Commissioners, for which he is a frequent speaker and a former chair of its Risk Based Capital Working Group.

IT Briefs

Mutuals taking risk

Mutual life insurers were more willing to take on risk than their stock life insurance counterparts, and that strategy that rewarded the mutual insurers with higher total returns in 1997, according to a study by PricewaterhouseCoopers in New York.

In its Fourth Annual Intercompany Investment Performance Study for 1997, PricewaterhouseCoopers found that mutual life insurers invested in higher-risk markets than did stock life companies.

Differences in their products and in their reporting requirements allow mutual companies to take a longer-term view of investments than can stock companies, PricewaterhouseCoopers suggested, and a longer investment horizon is better suited to support a more aggressive investment portfolio.

Twenty-four major life insurance companies, representing 60% of the life industry's admitted assets, sponsored the study. **BI**

Text on technology

MALVERN, Pa.—The Insurance Institute of America has published a new book, "Insurance Uses of Technology," which serves as the primary text for the IIA's AIT 132 course of the same name.

AIT 132 is one of three courses that, along with national examinations, constitute the IIA's Associate in Information Technology designation program.

The new text outlines the information needs of various levels of an insurance organization, deals with the major issues in the use of technology by the insurance industry, and discusses technology's effects on marketing and basic policy processing. It also covers technology's uses in underwriting and claims, the marketing of insurance over the Internet, agency management systems, agency/company interface, managing a changing system and information security.

The book costs \$49 plus shipping and can be ordered from IIA by calling 800-644-2101; by sending a fax to the IIA at 610-640-9576; or e-mail to cserv@cpuiiia.org. **BI**

READER REPLY SERVICE

now available online at
www.businessinsurance.com/magazine

INSURER TOPICS

To obtain free information on the products and services advertised:

- go online to www.businessinsurance.com and click on **MAGAZINE** then select "ACCESS CURRENT ADVERTISERS"
- fax this coupon to BI's Reader Service Center at 312-922-3165
- mail this coupon to:
BUSINESS INSURANCE
Reader Service Center
650 S. Clark St., 6th Fl.
Chicago, IL 60605-1702

Issue of April 19

Reader Service #	Advertiser	Page #
—	Business Insurance	20G
101	Compliance & Filing Solution	20F
102	C.P.C.U. Society	20B
—	Gerling Global Financial Products, Inc.	20C
103	HomeCom Communications	20F
104	Strohl Systems	20E
105	Willis Faber N. America	20D

Business Insurance

FREE LITERATURE FOR READERS

Issue Date: APRIL 19, 1999

Card Expiration: JUNE 14, 1999

All questions must be answered to process inquiries.

PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

1. My organization is best described as:

<input type="checkbox"/> Mfg/Svcs	<input type="checkbox"/> Ins Agent	<input type="checkbox"/> Adj/Apprs
<input type="checkbox"/> Association	<input type="checkbox"/> Ins Broker	<input type="checkbox"/> TPA
<input type="checkbox"/> Union	<input type="checkbox"/> Ins/Reins Co	<input type="checkbox"/> Health care
<input type="checkbox"/> Government	<input type="checkbox"/> Consultant	<input type="checkbox"/> Inst
<input type="checkbox"/> Educational Inst	<input type="checkbox"/> Actry/Attorney	<input type="checkbox"/> Other
2. Number of employees:

<input type="checkbox"/> 150 or less	<input type="checkbox"/> 151 - 499	<input type="checkbox"/> 500 - 999
<input type="checkbox"/> 1,000 - 4,999	<input type="checkbox"/> 5,000 or more	<input type="checkbox"/> Unknown
3. My title is best defined as:

<input type="checkbox"/> Administrative Mgt	<input type="checkbox"/> Benefits Mgt
<input type="checkbox"/> Financial Mgt	<input type="checkbox"/> Loss Prevention Mgt
<input type="checkbox"/> Risk Mgt	<input type="checkbox"/> Other
4. My purchasing involvement for the requested products is to:

<input type="checkbox"/> recommend only	<input type="checkbox"/> specify	<input type="checkbox"/> approve
---	----------------------------------	----------------------------------
5. Do you now receive a personally addressed copy of *Business Insurance*?

<input type="checkbox"/> Yes	<input type="checkbox"/> No, so please send subscription info
------------------------------	---

Circle the numbers below that correspond to the companies listed on our Advertiser Index for the April 19, 1999 issue. Cards with more than 20 items circled will not be processed. This card expires June 14, 1999.

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

Please print clearly

Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone () _____ Fax () _____

Keep Your Eye on PHICO Group

In today's marketplace, a successful insurance organization must constantly seek new ways to meet the needs of its customers.

At the PHICO Group, we're doing that by combining superior customer service with innovative insurance coverages. In fact, we're building a diverse group of companies designed to make PHICO Group a preferred, one-stop resource for our clients' insurance needs.

Best of all, the group shares the capabilities, resources and financial strength of PHICO, one of the nation's leading healthcare insurance specialists for more than 20 years.

We're making all these changes without losing sight of what has always made us successful—listening to your needs and providing customized insurance solutions.

Competitive Rates. Flexible Coverages. Innovative Programs. Outstanding Service. It all adds up to a commitment to reducing your insurance costs.

PHICOSM

visit us on the web at www.phico.com • 800-382-1378

Building a Group of Performance-Oriented Insurance Companies



PHICO Insurance Company

Serving Healthcare Institutions
and Health Systems



Independence Indemnity Insurance Company

Excess and Surplus Lines
Insurer Serving
Specialized and
Unique Risks

PHICO Capital Markets

Serving Physicians and other
Allied Medical Professionals



PHICO Re Ltd.

Bermuda-based Reinsurer
Specializing in Loss
Portfolio Transfers

Pennsylvania Casualty Company

Serving General Casualty, Workers
Compensation and Excess Casualty Risks



To everyone who helped make *Business Insurance's* RIMSTV a success ...



Executive Producer & Director

Jeff Reisman

Production Manager & Line Producer

Danny Schreiber

Assistant Director

John Scott

Anchor

Karen Devine

Reporters

Margaret Dubuisson

Alison Freeman

Brett Johnson

Terry Marcotte

Gerard Ramalho

Mike Sanford

Dallas Photographers

Raoul Cantu

Sailor Jackson

Mike Lozano

Rudy Montano

Manuel Villela

Sound Technicians

Brendan McDaniels

Tyson Rohlfs

John Scott

Field Producers

Stephanie Kovac

Dannette Munro

June Owens

Script Supervisor

Lindsey Mask

Character Generator Operator

Lori Cook

Segment Editors

Gary Carter

Tom Meyer

Claudia Russell

On-Line Editor

Terry Cook

Engineer-In-Charge

Edd Bonner

Hotel Distribution

Jimmy Duffie

John Johnson

Kenny Kee

Production Assistants

Candice Ducote

Siobhan Flowers

Jeremy Heckler

Michelle Kays

Takisha Mayfield

Matt Riggle

Ana Velarde

**RIMSTV is assembled
on equipment provided by
T. Cook Video Services**

Opening, Credits, Schedule, Graphics

Pinnacle Studios – Seattle

Anchor Set

GES Exposition Services

Gil Jimenez Broadcast Design

Anchor Set Lights

Videssence

Wireless Phone Services

Bell Atlantic Mobile

Sprint PCS – Dallas

Nationwide Paging Services

MCI WorldCom Paging

Advance Story Production

CJOH-TV, Ottawa

KMIR-TV, Palm Springs

WCCO-TV, Minneapolis/St. Paul

WFTS-TV, Tampa

WGME-TV, Portland, Maine

WTNH-TV, New Haven/Hartford

WVEC-TV, Norfolk

Special Thanks

Advanced Broadcast Services

Allied-Vaughn Duplication

KDFW-TV

KTLA-TV

KTVT-TV

KUVN-TV

KXAS-TV

RIMS

T. Cook Video Services

Texas Cable News

Karen Devine's Wardrobe

Georgiou, Palm Desert

RIMSTV Hotels

Adam's Mark Hotel Dallas

Adolphus Hotel

Aristocrat Hotel

Courtyard By Marriott

Dallas Grand Hotel

Embassy Suites/
Dallas Market Center

Fairmont Hotel

Hampton Inn Dallas West End

Holiday Inn Market Center

Hyatt Regency Dallas

Le Meridien Dallas

Ramada Plaza Hotel

Renaissance Dallas Hotel

Sheraton Hotel Dallas Brookhollow

Sheraton Suites Market Center

Wilson World Hotel Market Center

Wyndham Anatole Hotel

Wyndham Garden Hotel

Special Thanks to Our Sponsors

ACE USA

Acordia

Allianz Insurance

American International Group, Inc.

Aon Group

The College of Insurance

Concentra Managed Care

The Factory Mutual Companies

Good Weather Insurance

Kemper Insurance

Liberty Mutual Insurance Group

Marsh

Reliance National

Risk and Insurance

Management Society

Wausau Insurance Companies

Business Insurance's RIMS  TV

RIMS benefits exhibitors tout integrated programs

By MICHAEL PRINCE

DALLAS—For more than three decades, visitors to Dallas have talked about the web of intrigue surrounding the assassination of President John F. Kennedy. Last week, conversation in Dallas turned to another type of web—the World Wide Web.

Many exhibitors of employee benefits products at the Risk & Insurance Management Society Inc.'s annual conference and exhibition used the week-long gathering as a venue to demonstrate their latest Web-based claims management and integrated benefit programs.

Launched at the beginning of the year, CorVel Corp.'s integrated program, Advocacy, combines short- and long-term disability, workers compensation and Family and Medical Leave Act time-off claims into a total worker absence program. And like some other programs, it allows employers and employees to file and check claims over the Internet.

Employers use the Internet to file a notice when an employee is absent. A case manager then can use the file to determine whether the employee qualifies for one of the employer's programs: health, disability or workers comp.

"The goal is always return to work sooner, safer and faster," said Mary Hunter, national account executive for CorVel in its St. Paul, Minn., office.

Because all claims data is stored, the system collects an enormous amount of claim information, Ms. Hunter said, and that allows CorVel to produce reports analyzing workers' absence from numerous perspectives.

Because the company designed and owns the software, it can be customized to fit the customer's needs. To date, CorVel has about 30,000 lives covered by the program, and the company hopes to hit 100,000 by year's end, Ms. Hunter said.

CONCENTRA Managed Care Inc. used the RIMS exhibition to demonstrate its new Integrated Case Management System. Released in November 1998, the ICMS software combines workers comp and disability claims reporting into a single system. While most claims are reported over the telephone, with a CONCENTRA worker entering the data, some claims can be filed over the Internet. Also, CONCENTRA can place its own claims workers at a customer's worksite.

The Web can be used, however, to check on claims and access claims managers' notes from the employer's desk.

After a claim is filed, it is evaluated by nurse case managers, who arrange for the care of the sick or injured worker.

What makes CONCENTRA's approach unique, according to Karen Schmitz, vp for customer service and product integration, is the network of 180 occupational clinics the company owns throughout the United States. By directing injured workers into these clinics, proper treatment is assured, she said.

Jim Walsh, director of system services for the Boston-based company's managed care services division, said, "That first treatment is so important to actually having a good outcome."

In addition, the company has its own network of 225,000 medical providers.

The Integrated Case Management System also provides complete reports to employers, allowing a full analysis of workers comp and disability programs.

The final result is savings for employers of 15% to 20% in their workers comp and disability costs, said Anne Kirby, vp-product development in Boston for CONCENTRA.

Following up on last year's announcement at RIMS about the alliance between Travelers Group and Metropolitan Life Insurance Co. to form an integrated workers comp and disability program, the two companies discussed the year's progress.

Executives from the two companies expressed satisfaction about the quality of the product, Synchrony, and its reception in the market. The alliance teams MetLife and Travelers employees, combining Travelers' workers comp expertise and MetLife's disability expertise while still offering one point for reporting claims.

Rather than emphasizing client growth at the outset, the alliance sought first to build a strong program.

MetLife and Travelers use the program for their own employees. Though the program attracted only four other clients last year, that will soon change, the companies say. "We're just now going to market," said James Heston, vp and head of disability business for MetLife.

According to a survey by Travelers, the number of employers planning to have an integrated program will double over the next three years.

Five centers for the alliance have opened in Atlanta; Chicago; Dallas; Hartford, Conn.; and San Francisco. Perhaps more importantly, figures to date for Travelers and MetLife employees show both high satisfaction and cost savings.

In the next few months, the program will be en-

hanced to allow Internet access.

One new exhibitor at RIMS was CalyxCare Systems Inc., which demonstrated a total absence program that uses the Internet to connect the claims manager, the employer, providers and health insurers. The program combines an employers' absences from workers comp, short- and long-term disability, group health claims and other worker absences into its system.

The program, to be launched in August, "is designed to track who is getting ill and injured, and why," said Nancy Kelley, president and chief executive officer of the Westborough, Mass.-based company.

By combining the information and speeding its flow, employers can save 20% to 30% in their total workers comp, disability, group health insurance and indirect absentee costs, Ms. Kelley said.

As with the CorVel system, a case manager receives the information from the employer and sets an employee on the path of finding health care within the network while also updating the electronic claim file. CalyxCare also can produce numerous analysis reports, showing employers where to focus cost-saving projects.

Because the system is Web-based, employees with Internet access can check claims status on the CalyxCare Web site.

And, in a twist, the company plans to keep its own expenses in check by using software to evaluate its own employees' performance in handling clients' claims.

In a large booth near the show's center, CIGNA Corp. showcased its integrated care products, including its MedReturns program. MedReturns, which was broadened in scope at the start of the year, "integrates the medical management of a customer's health care program with the lost-time management of their disability programs," said Thomas Richards, vp for sales and marketing.

Merging health care programs with workers comp, disability and worker absence streamlines the overall processes for employers and employees alike, Mr. Richards said.

While claim reporting is done through a toll-free phone line, employers can use the Internet to access information on workers comp claims, including adjusters' notes, claim history and "everything you need to know on a global basis and on a specific claim," Mr. Richards said.

To date, about 25,000 lives are covered by the program for 15 employers.

According to Mr. Richards, the CIGNA program stands apart because of the size of the network and CIGNA's experience in each of the fields. Its provider network has about 200,000 providers nationwide, and people with workers comp or disability claims can see their regular physicians, as they are already in the CIGNA network.

One first-time RIMS exhibitor was CORE Inc., based in Irvine, Calif. CORE conducts outside medical reviews of health care decisions. Such services have drawn increased attention in recent months because of proposed federal legislation to require independent reviews.

The breadth and expertise of the 300 board-certified physicians used by CORE is critical, he said. "They need to be credible. They need to be not only experts but current," Mr. Greer said.

CORE also acts as an outside pension benefit administrator, determining eligibility and calculating benefit amounts for employers.

A non-Internet exhibitor was Interqual Products Group. The company last month launched clinical criteria product, Indications for Workers Compensation. Available either as a book or CD-ROM, IWC aims to reduce workers comp costs by determining "the appropriateness of workers comp treatments," said Ken Guglielmo, regional licensing manager for Interqual in its Marlborough, Mass., headquarters.

IWC outlines the appropriate treatment for various work-related injuries. Employers use the guidelines, developed by more than 300 medical experts, to make more consistent treatment decisions for employees with the same injury.

Amid the many high-tech booths stood one very low-tech entry. American Specialty Health Plans was promoting its acupuncture and chiropractic health plans. Based in San Diego, American Specialty offers a supplemental health plan rider that currently offers coverage for acupuncture and chiropractic services. Later this year, the company plans to roll out additional options, including a discounted fee-for-service plan for a network of dietitians and naturopathy practitioners on top of its existing health maintenance organization.

Many employers are offering this plan, because employees are clamoring for it, said Celeste Rettig-Trudeau, an account executive for the first-time RIMS exhibitor. She also noted that studies have shown that using alternative medicine techniques lowers overall medical costs and reduces the amount of lost worker days.



PHOTOS: MICHAEL MARCOTTE

CONCENTRA Managed Care Inc.'s Jim Walsh and Karen Schmitz, top photo, were at the RIMS annual conference and exhibition to tout the company's Integrated Case Management System. Mary Hunter of CorVel Corp. told visitors about Advocacy, its integrated program. Nancy J. Kelley, president and CEO of first-time exhibitor CalyxCare Systems Inc., demonstrated a total absence program. Elsewhere in the exhibit hall, CIGNA Corp. showcased integrated products. More than 400 exhibitors, bottom photo, were on hand in Dallas.

Response to workplace violence incidents called key

By ROBERTO CENICEROS

DALLAS—A botched response by employers can escalate the trauma caused by a shooting, bombing or other workplace violence act.

Or, employers can work to prevent further devastation and loss by quickly and properly helping their employees cope with the crisis.

"You are in a situation where you have to respond and respond well," said Bruce T. Blythe, president and chief executive officer of Crisis Management International Inc. in Atlanta. "You better do a good job."

If employees wait too long to assist employee survivors, those employees can become reluctant to revisit the issue and begin the healing process, according to Mr. Blythe and other crisis management experts who spoke at a session entitled "Treating the Survivors of Tragedy" at the Risk & Insurance Management Society Inc. annual conference and exhibition in Dallas.

Employee rage can build after a crisis, and employees can experience post-traumatic stress disorder problems that add to productivity losses. Furthermore, handling the situation badly can bring or add to undesirable media attention.

The best response requires preplanning that incorporates several organizational functions, such as human resources, the legal department, media relations, senior managers and other corporatewide departments, said Rick Gardner, vp of ESIS Inc., an insurance services company in Philadelphia.

Many risk managers assume preplanning for such workplace violence should be left to other departments, such as human resources, and that their role should be secondary, such as attending to workers compensation claims, Mr. Gardner said. But classic risk management practices such as exposure identification, examina-

tion of existing controls and policy review all are key to preplanning for such events.

The risk manager may not be the response leader once disaster strikes, but that person is in a unique position to help lead in preparing his or her company for the risks involved.

"You can be an active leader among your colleagues in managing this issue in terms of preplanning awareness—and post-crisis response as a facilitator—because this risk factor is one of human capital risk," Mr. Gardner said. "Lots of functions need to come together, and it's a clear opportunity for risk management to take a lead role in organizing these."

And employers should not assume workplace violence will not happen at their worksites, experts warn. "Any employer who has people that work for them is at risk," Mr. Gardner said.

After a workplace shooting or explosion occurs, psychological first aid may be the first step necessary to help a traumatized workforce recuperate.

It is likely the normal coping ability of employees will be overwhelmed. The mind will take in the sights and sounds of the trauma, but it will be incapable of understanding what just happened, Mr. Blythe said.

Touching traumatized employees by putting an arm around their shoulder or hugging them can help "ground" them or bring them back around, he said. After a traumatic event, tell employees that the situation is over, that they survived, and they are all right, he said.

Once the situation is under control, employees should be informed, as they may think that shooting will continue or that another explosion is likely.

Don't just ask whether employees are all right, Mr. Blythe advises. Rather, attempt to comfort them by asking whether there is something specific you can do, such as calling a spouse or getting a drink of water.

For situations involving a large number of people, create a "buddy system" by pairing employees into groups of two. That way they can watch over each other or call



each other at home if they leave the site. Ask employees to let you know if someone is having a particularly hard time, so that they may get appropriate help, he said.

Getting people back in a building can provide a space that is "psychologically safe" and away from others who are being taken away in stretchers, Mr. Blythe said. Smaller buildings are better than those with wide-open spaces, he added.

After accounting for everyone and before sending them home, hold de-escalation meetings. Reconstructing the facts may help them to recover, because in times of chaos, people have a strong need to make sense of what happened, he said.

Advise employees not to talk to the media, because reporters will

follow them home and quote the most emotional person, he said. These statements could then be played over and over on television or printed in newspapers across the country.

Look employees in the eye, and speak to them to make sure they are capable of driving, Mr. Blythe said. Transportation may have to be arranged, because extreme stress can temporarily reduce peripheral vision.

Tell them to return to work the next day. It is easier to "invoke healing" if you have all the employees together, rather than allowing them to sit at home without explanations for the rage, sleeplessness, panic attacks or other feelings they may be experiencing, he said.

During employee briefings, managers can explain what help they are making available and can correct any rumors or misinformation. Psychological group debriefings, where employees can share their experiences and the symptoms they are experiencing, should be mandatory, Mr. Blythe said. Employees don't have to speak, but just hearing that others are experiencing the same symptoms can help.

Many companies err by making such meetings voluntary, Mr. Blythe said.

It often takes about 12 hours before employees have processed what has happened and are ready to talk about it. But if you wait too long to address it—usually more than 72 hours—people grow reluctant to reopen the wound and discuss the incident.

Some employees will need individual assessment and counseling, particularly those with closer links to the violence. Counselors who are brought in should be specialists in dealing with workplace violence, the speakers said.

Professional counselors can make a big difference, said Sheldon W. Grasley, the session moderator and managing director of the New Cumberland, Pa.-based Pennsylvania School Boards Assn., which oversees an insurance and risk management program for 500 school districts.

When one school experienced a death, it took students and faculty a year to recover, because they did not receive proper professional psychological help, he said. But another school with a similar experience brought in counselors and recovered within two weeks, he said.

James S. Ely, assistant vp-property and casualty communications for CIGNA Property & Casualty in Philadelphia, coordinated the session. **BI**

Watch how you spy: Lawyer

BY SALLY ROBERTS

DALLAS—Is videotaping a workers compensation claimant exercising in front of a home window legitimate surveillance or an invasion of privacy?

Will following a potential fraudulent workers compensation claimant 24 hours a day violate state stalking statutes?

The subject of surveillance is a hot topic today and one of the more "dynamic areas" of the law, according to Edward J. Wilbraham, an insurance defense attorney with Wilbraham Lawler & Buba in Philadelphia. "Staying abreast of the subject is a difficult task."

While video surveillance is enabling insurers and workers comp administrators to uncover many fraudulent workers compensation claims, it does not come without certain risks.

During a session at the Risk & Insurance Management Society Inc. annual conference and exhibition in Dallas, Mr. Wilbraham discussed a few of the pitfalls he thinks insurers and claims managers need to be aware of.

"All of us will agree that the use of surveillance has increased greatly over the last few years," he said. At the same time, however, "the kinds of surveillance tools available to us have increased the problems associated with this kind of undercover work."

The four primary types of legal action companies may see filed against them are invasion of privacy, intentional infliction of emotional distress, defamation, and trespass, Mr. Wilbraham said.

The most common claim involving surveillance investigators is a "tort of intrusion into seclusion," or a violation of one's

right to privacy, Mr. Wilbraham said. This can occur through physical intrusion into a place where the plaintiff has secluded him or herself in order to oversee or overhear a plaintiff's private affairs.

Another pitfall is the tort of intentional infliction of emotional distress, Mr. Wilbraham said. Allegations of this can arise through the use of ruses, in which an investigator intentionally plots a scheme to obtain evidence against the claimant.

"I think the use of ruses can be dangerous," Mr. Wilbraham said.

Defamation and trespass are additional torts that frequently arise in unreasonable investigations.



"You've got to be discreet in the manner in which you obtain information when conducting surveillances," Mr. Wilbraham warned session attendees. "When you're speaking to neighbors, you can't disclose unflattering information about the claimant. You can't make any accusations that he or she is a criminal or fraudulent insurance cheat," he said.

In addition to the torts that can arise from surveillance, there has emerged over the past few years a potential criminal liability for the such conduct, Mr. Wilbraham said. "Many states, if not a majority of states, now have stalking statutes."

While these statutes were originally designed to address the problem of harassment by a for-

mer lover or spouse, "some of the language in these statutes is pretty broad," he said.

"I think you have to be on guard in those jurisdictions that have these stalking statutes," he added.

State and federal wiretap statutes are one problem area not frequently discussed when talking about surveillance activities.

Many people are unaware of the legal consequences of video recorders that also record sound, he said.

"This past year, I think the American public got a good lesson on these particular (wiretap) problems," he said. "You'll recall that Linda Tripp over some 20 hours recorded those telephone conversations with Monica Lewinsky, he said.

"For your information," Mr. Wilbraham said to the attendees, "it can be a federal and state crime to intentionally intercept or procure any person to intercept any wire, oral or electronic communication when the individual parties to the communications do not provide prior consent to such interceptions."

"Cautions must be exercised in this area when you're using videotape and your investigators may use the voice component," he warned.

In addition to Mr. Wilbraham, John C. Pikiell, director-special investigations unit for CIGNA Property & Casualty in Philadelphia, encouraged audience participation and answered questions.

Sam J. McMurphy, administrator-workers compensation at Lockheed Martin Tactical Aircraft Systems in Fort Worth, Texas, moderated the session; Kevin McArdle, director of communications for CIGNA Property & Casualty, coordinated it.



PHOTOS: MICHAEL MARCOTTE

Business Insurance, at top, distributed copies of its annual Risk Manager of the Year issue at RIMS, and RIMSTV, above, broadcast news on the annual conference and exhibition.

B E N E F I T S



PENSIONS/RETIREMENT PLANS

A Spotlight Report on
BENEFITS: PENSIONS/RETIREMENT PLANS
including BI's exclusive directory of
401(K) PLAN ADMINISTRATORS

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

New York: 212-210-0133 ■ Fax: 212-210-0704
Chicago: 312-649-5276 ■ Fax: 312-649-7937
Los Angeles: 323-651-3710 ■ Fax: 323-655-8157

Publishing — May 10, 1999
Ad Closing — April 28, 1999

Rating formula changes to raise comp rates

By ROBERTO CENICEROS

DALLAS—Three recent changes in the experience modification rating formula implemented by the National Council on Compensation Insurance Inc. will increase workers compensation premiums, three experts say.

But employers can counteract the impact by taking a more active role in managing their claims, said one speaker, Richard B. Wigzell of Richard B. Wigzell Risk Management Consulting in Saratoga Springs, N.Y. He and two others spoke at a session during the Risk & Insurance Management Society Inc.'s annual conference and exhibition last week in Dallas.

Workers comp insurers use the NCCI rating formula to help them determine premiums. An experience rating is used to predict an employer's future losses by examining those from previous years. An experience modification factor results from the formula, and this factor enables insurers and employers to compare the losses and safety results of one employer to others in the same state and industry.

Numerous states have been adopting the changes to the NCCI rating formula that were approved in 1998, the speakers said.

The changes will reduce the emphasis placed on medical-only claims, which helps employers. However, the

second change increases the emphasis placed on losses exceeding \$5,000, said Ronald J. Graves, senior vp-operations for Hewitt, Coleman & Associates Inc., a Greenville, S.C.-based risk management services provider. A claim of more than \$5,000 is considered an excess loss, while a lesser claim is considered a primary loss. The third change involves factoring inflation into claims.

Giving less weight to medical-only claims removes employers' incentive to pay their own claims out of pocket and not report them to insurers in order to reduce their experience modification, speakers said.

The NCCI says it also is making the changes to bring the estimate of an employer's future losses more in line with actual losses, Mr. Graves said. The NCCI also wants to increase the correlation between an employer's loss ratio and its experience modification factor by increasing the emphasis on excess losses.

"What they are saying, in essence, is, 'We have been giving you too good of a discount for your large losses,'" Mr. Graves said.

But, employers can take steps to reduce the impact of the changes, the speakers said. Under the new adjustment, only 30% of the actual primary and excess portions of a medical-only claim will be included in the experi-

ence mod. That amounts to a 70% discount for each medical-only claim, he said.

Conversely, indemnity claims will be calculated at 100%. To get the 70% discount, employers must return their employees to work before employers must begin paying indemnity benefits, Mr. Graves said.

Employers also need to make sure their insurers or third-party administrators properly code, or report, medical-only claims, he said.

There also is increased incentive for employers to question how their in-

surers calculate reserves for future losses, as well as actual paid losses, the speakers said. Reserves set aside by insurers can be too high, and reserve levels increase the experience modification factor.

"This is something you really should negotiate when you are looking for a carrier, or, if you are self-insured, a third-party administrator," said Robert D. Zordan, workers compensation benefits coordinator for Albany International Corp. in Albany, N.Y. "You should be negotiating the ability to have input on... your re-



serves." Mr. Zordan moderated and coordinated the session.

Employers also can decrease the impact of the NCCI's changes by training employees and their supervisors to immediately report injuries, Mr. Wigzell added. Medical attention should be immediate, and a nurse or other appropriate medical personnel should be assigned quickly to each claim, he advised. **BI**

Good communication seen as key

By RODD ZOLKOS

DALLAS—Government regulations, the increase in defined contribution retirement plans and increased choice in many employee medical programs have combined to make effective employee benefit communications more important than ever.

But those communications far too often fall short of the mark, according to speakers at the Risk & Insurance Management Society Inc.'s annual conference and exhibition in Dallas.

"How are we doing? Overall, we're about 'C,'" said George C. Rippel, chief-risk management at the Air Force Services Agency in San Antonio. "Which means there's a lot of room for growth."

"Uncle Sam is requiring us to give more information to people," said Mr. Rippel, who coordinated and moderated a session titled "Employee Benefit Communications: Connect with Your Employees." "But it's got to be better communications than we've been doing in the past."

"The government is forcing us to give people a ton of information," the Air Force risk manager said. "And unless you've got some sort of background in this, it's overwhelming."

And, in addition to simply meeting government requirements, communication is key if employees are to receive the full value of the benefits their employers are providing.

"If people know how their benefits are supposed to be used, they and their families will have better lives," said Mark Landis, a consultant with Watson Wyatt Worldwide in Dallas.

Mr. Landis discussed the increasing use of information technology in delivering benefits information. "All communication aims at persuasion," he said, adding that one-on-one, face-to-face communication is the most persuasive form of communication.

With technology-based benefit

communications programs, "the goal is to streamline the process of communication but maintain the benefits of face-to-face communication," the consultant said.

Web-based human resources communication is increasing, Mr. Landis said, though it's typically not interactive communication. Further, the benefits information kiosks that seemed to be a growing trend in workplaces just a few years ago seem to be declining in popularity.

There's good reason that benefit communications should be done electronically, Mr. Landis suggested.

Even as they grow in popularity, online benefits communications systems will never eliminate the need for actual human interaction with employees seeking benefit information, the consultant said.

Employers must make sure that their communications, whether on paper or online, don't diminish the role of their managers in communicating with employees.

"We too often put out print materials and electronic materials in order to bypass the manager," Mr. Landis said. "Don't undercut managers by bypassing their role in communications."

"At the end of the day we'll still have people," he said. "Technology can't take the place of that individual manager, and I don't want it to get to that point."

Looking specifically at retirement plan communications, Mr. Landis expressed concern that "for a lot of people, retirement won't work," because they won't have enough money during retirement to maintain their current standards of living.

The result is likely to include litigation by some of those people against their former employers, he suggested. "I think there are going to be some class-action suits on the basis that there were implied promises."

He noted that the "good news" is that studies show that a vast majority of workers use employers' retirement benefits materials and attend workshops. "The bad news is they're not taking action," Mr. Landis said. "The worse news is they may end up suing."

The fact that employers' communications on the subject seem to be failing to persuade plan participants to prepare better for retirement indicates that "we have been communicating, but we haven't been communicating the right things," he said.

If those efforts are to be more effective, employers must use a high-impact approach that compares employees' retirement preparation with what they'll actually need to maintain their standard of living, he said. The information should be based on easy-to-understand dollars and cents targets, not percentages, and should express the information on an easily understood, personalized basis. **BI**

There is an old saying that genius is 1% inspiration and 99% perspiration. Luckily for our clients, CoreSource isn't afraid to get all steamed up when working out their health benefit solutions!



Designing and managing an effective health benefit program is no easy task. That's why you need a partner who is willing to dig into the really tough stuff. A partner who will build you innovative solutions rather than offer you off the shelf alternatives.

With over 20 years of experience, CoreSource's benefit design specialists, claims analysts and systems gurus have the knowledge needed to get the job done right. And, they don't hesitate in the face of even the most complex health benefit situations.

If you're looking for a partner to help you through the very demanding process of designing and managing a health benefit program, call CoreSource. We're looking forward to a good workout. So, go ahead, call us with the tough stuff—800-832-3332.

CoreSource—
Mastering Health Benefit Challenges

CORESOURCE

A Trustmark Company

Claims Administration • Healthcare Management
Eligibility Management • Provider Networks
Rx Drug Integration • Flexible Benefits
Reinsurance Management



wwwWorkers'
Compensation Laws

Full text statutes online — fast
and up-to-date! Subscribe to
one or all 50 states.

Only from



Free Demo www.aiadc.org

American Insurance Association

1-800-242-2302

Safest employers go beyond what's required

By GAVIN SOUTER

DALLAS—Regulatory health and safety requirements are nothing more than the bare minimum benchmark for loss control programs, a safety manager said.

"If you gear your program to regulatory compliance, that is all you will achieve," said Thomas M. Terracino, environmental affairs and safety manager-Western Hemisphere for M&M Mars, a Hackettstown, N.J.-based unit of Mars Inc.

For a more effective loss control program, safety managers should use a wide range of internal and external resources and techniques to develop and implement the program, he said. Only then will safety departments maximize their potential to reduce loss costs and thus increase the profitability of their companies, Mr. Terracino said.

He was speaking at a session of the annual conference and exhibition of the Risk & Insurance Management Society Inc. held in Dallas last week.

One of the biggest challenges safety managers face is ensuring that plant managers are assessing their own contributions to safety issues and supplying loss information to the safety department, said Mr. Terracino.

To increase plant managers' awareness of this issue, safety managers should not talk to them only about workers compensation premiums, he said.

"How about relaying to the plant manager that one week a month is dedicated to paying his workers comp bill?" Mr. Terracino suggested.

Once plant managers begin to see the issue in terms of production time, they will be more willing to participate in the safety program, he said.

Safety managers can take several steps to gain a better grasp of how well a loss control program is working, Mr. Terracino said.

For example, to observe loss control practices, safety managers should do periodic inspections of all the sites for which they are responsible, he said.

They also should conduct detailed audits of every incident, from near misses to serious injuries, Mr. Terracino said. These audits then should be distributed throughout the company so other managers can learn from the incidents, he said.

To encourage speedy dissemination of information, companies should adopt a policy similar to that at his company, in which plant managers must report every serious incident to the office of the president of the company within 24 hours, Mr. Terracino said.

The wide distribution of information about losses encourages plant managers to respond with solutions, and it allows best practices to be more easily determined, he said.

Safety managers can encourage this further by holding meetings with plant managers, Mr. Terracino said.

"Get the managers in and talk to them about safety," he said.

The meetings encourage the plant managers to exchange ideas about safety, and they help raise their awareness of safety issues, Mr. Terracino said.

Another effective way to encourage good safety procedures and to assess existing guidelines is to conduct demonstrable skill surveys, in which safety managers tour plants, ask employees to demonstrate aspects of their jobs and observe the safety precautions they take, Mr. Terracino said.

This approach is particularly effective because it gives employees the opportunity to demonstrate how much they know, he said.

"Most people love the attention, and they like to show off," Mr. Terracino said.

This process keeps people actively



thinking about the safety program, and it ensures that safety theories actually are being put into practice, he said.

Employees also should be used to conduct risk assessments of each job, Mr. Terracino said.

By analyzing each step, a safety benchmark can be established for each part of a larger production process, he said.

"Who knows their job better than the people who do it?" Mr. Terracino said.

One common safety awareness technique that should be used very carefully is the awarding of safety incentives, he said.

Mars does not offer prizes to encourage safety, as the prizes often do not have the desired effect, Mr. Terracino said.

For example, they may discourage employees from reporting incidents because they don't want to jeopardize their chances of winning a prize, he said.

Also, incentive programs often get out of hand, and the prizes become more and more expensive, Mr. Terracino said.

"The programs take on lives of their own, and people lose track of the health and safety issues," he said.

Safety managers also can use external resources to improve their safety programs, Mr. Terracino said.

For example, safety managers at Mars and other food manufacturers meet with each other regularly to discuss safety issues, he said.

While each company is careful not to reveal any production or business secrets to another, their production processes often are the same, and the safety managers can discuss best practices with their peers, pointed out

Mr. Terracino.

Trade organizations, RIMS chapters, brokers, insurers and consultants are also good resources for new safety ideas, he said.

However, safety managers should always bear in mind what they are trying to accomplish at their own organizations, said Regina M. Spratt, assistant vp-risk control consulting at Marsh Inc. in Parsippany, N.J.

Each company is different, and safety managers must be prepared to make cultural adjustments when they import new safety ideas from other companies, she said.

"Make sure that the methods fit what your organization is used to," Ms. Spratt said.

Lance J. Ewing, director-insurance and loss prevention at GES Exposition Services, a Las Vegas-based unit of Viad Corp., moderated and coordinated the session. **BI**

PROFIT PROTECTION

BUILD PROFITS WHILE CONTROLLING INSURANCE COSTS

For over 20 years, Commonwealth Risk has helped clients gain control over their insurance programs by providing access to tailored insurance coverages, underwriting profit, investment income and unbundled service providers. When your financial future requires extraordinary protection, Commonwealth Risk's innovative techniques help transform risk financing plans into bottom-line profits.

CommonwealthRisk
An MRM Company

Leaders in Alternative Risk Financing.
Call 800.474.3330 Fax 215.963.1604

www.accessmrm.com
Your Access to the MRM Companies.

Comp policies may help cover liability claims

By **RODD ZOLKOS**

DALLAS—Familiarity with the employers liability portion of workers compensation policies and applicable laws could provide risk managers with some added protection when employment-related claims arise.

Speaking at the Risk & Insurance Management Society Inc.'s 37th annual conference last week in Dallas, G. Randall Moody, a partner with the Drew Eckl & Farnham L.L.P. law firm in Atlanta, explained that the employers liability portion of the workers comp policy is what used to be referred to as the coverage's "Part B" and now is called "Part Two."

"There are numerous reasons to look at this policy," Mr. Moody said. "You've obviously paid for it if you're a workers comp insured."

What's more, the financial burden of defending employment-related claims may be covered under this employers liability coverage, the attorney said.

The employers liability portion of the workers comp policy was originally crafted as a "gap-filler," said Mr. Moody.

Although the coverage typically appears in combination with a standard workers comp policy, the policies are mutually exclusive, with the employers liability portion designed to fill gaps between the comp coverage and the policy-

holder's other liability coverage.

The employers liability portion was designed to insure the policyholder against common-law lia-



bility for employee injuries, and the typical policy form was designed by the National Council on Compensation Insurance Inc., he said.

"The protection is limited," Mr.

Moody said. "It's not as broad as a general liability policy and it's not intended to cover all the tort claims that may come against the employer."

Court rulings have established that "Part One" of the workers compensation policy does not provide for a duty to defend policyholders facing tort suits from employees, the attorney said. The provisions of "Part Two," however, may provide liability coverage in such cases, or at least a duty to defend, he said.

A significant issue in weighing whether such coverage exists, however, is whether such employee tort claims are permitted by law, Mr. Moody said. In cases

where workers comp is the only remedy permitted by state law in connection with workplace injuries, there would logically be no coverage under the employers liability policy, he explained.

"With most of these provisions, you have to know how the statute in your own state applies to it," said another panelist, Michael P. McKenna, a partner with the Margolis Edelstein law firm in Philadelphia.

The employers liability portion of the workers comp policy also includes several exclusions, such as: liability assumed under contract; punitive or exemplary damages against the policyholder because of bodily injury to an employee employed in violation of the law; and any obligation imposed by a workers compensation, occupational disease, unemployment compensation or disability benefits law or any similar law.

Other exclusions include: bodily injury intentionally caused or aggravated by the policyholder; damages arising out of coercion, criticism, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination against or termination of any employee or any personnel practices, policies, acts or omissions; and fines or penalties imposed for violation of federal or state law.

"There are lots of different exclusions," Mr. Moody said. "In a lot of ways, that's what happens in construing these policies—there are many different ways they are looked at by courts."

Another interesting aspect of the policy, he said, is it doesn't define what constitutes a bodily injury. "The policy obviously requires a bodily injury," Mr. Moody said. "But it doesn't define what a bodily injury is, and that's one of the areas that's discussed sometimes in the courts."

"Bodily injury may or may not equal emotional distress," Mr. McKenna added.

Allegations of negligent infliction of emotional distress are often made in tort claims. Some states, however, do not allow such claims, and, consequently, those wouldn't be covered under the employers liability coverage.

In some states, recovery for emotional distress may be allowed only if it's preceded by bodily injury, Mr. McKenna said, and still elsewhere only if the emotional distress is followed by a bodily injury.

The various nuances of the employers liability coverage have caused some to question its real value, Mr. Moody suggested. Because it requires an employment-related bodily injury and such injuries are compensable under workers compensation, the injury therefore would be outside the coverage afforded by the employers liability policy.

Also, because many states establish workers comp as the exclusive remedy for work-related injuries, an argument can be made that in those cases the employers liability policy provides no value for the premium, he said.

Some court rulings have held, however, that the employers liability portion of workers comp insurance can be applied to damages claimed by relatives of workers injured in the course of their employment.

In addition to speaking on the panel, Mr. Moody coordinated the session. Amy Stubbs, manager of risk management for RaceTrac Petroleum Inc. in Atlanta, was the moderator. **B1**



WHEN THE TOUGH GET GOING.

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



THE RIGHT DECISION

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

INTERNATIONAL

QBE grows in Eastern Europe

By MATTHEW MacDERMOTT

SYDNEY, Australia—Australian insurer QBE Insurance Group Ltd. has stepped up its expansion in Eastern Europe with the purchase of a majority stake in Moldova's largest insurer, the development of a branch office in Bulgaria, and the establishment of a new central and Eastern European business division in London.

In 1997, Sydney-based QBE became the first foreign insurer to enter the Ukrainian insurance market (*BI*, Nov. 24, 1997). The company also has an office in Hungary.

Frank O'Halloran, QBE managing director, said in a statement to the Australian Stock Exchange that there is major growth potential for insurance products in eastern

Europe because of the privatization of many previously state-controlled enterprises.

Mr. O'Halloran said QBE's Moldova and Bulgarian moves, announced earlier this month, are expected to generate premium volume of more than \$15 million Australian (\$9.5 million) for QBE over the next year.

QBE has signed a memorandum of understanding, the same as a letter of intent, to acquire a majority shareholding in Chisinau, Moldova-based ASITO Insurance Joint Stock Co. of Moldova. The price was not disclosed.

Mr. O'Halloran said ASITO is Moldova's largest insurer, with an overall market share in 1998 of 58%. This includes a 90% share of the Moldovan life market and a 55% share of the non-life market.

In Bulgaria, Mr. O'Halloran said, QBE has hired a small team of underwriters and marketing staff and is currently applying to the Bulgarian government for a branch license.

He said the Bulgarian insurance market had total premium volume of \$200 million Australian (\$127.3 million) in 1998 and that it has experienced annual premium growth of more than 140% over the past two years.

QBE's new London-based central and eastern European division will support the Moldova and Bulgarian operations as well as QBE's existing operations in the Ukraine and Hungary. In addition, it also will be responsible for investigating new opportunities for QBE in Central and Eastern Europe. **BI**

Global Briefs

Australian insurers are bracing themselves for claims reaching \$350 million Australian (\$222.8 million), following a severe hailstorm last week in Sydney. A total of 40,000 to 50,000 claims is expected, according to the Insurance Council of Australia. Hailstones as large as tennis balls cut power supplies, grounded planes and damaged property and vehicles. . . . The European Commission has officially cleared French insurer AXA Group to take over U.K.-based Guardian Royal Exchange P.L.C. . . . Hannover Reinsurance Co. rejects analysts' suggestions that its New York-based subsidiary, Clarendon Insurance Group, could face defaulting reinsurers as a result of Clarendon's participation in the loss-plagued Unicover Managers Inc. workers compensation pool. In a statement, Hannover Re noted Clarendon's reinsurers all have "superb credit ratings" and said "there is absolutely no indication that these reinsurers will fail to fulfill their obligations to Clarendon." Hannover Re said even if reinsurers did not pay, Clarendon would bear a loss of only between \$40 million and \$45 million. . . . Premium income at Eureko B.V., the holding company of the European network of insurers, rose 21% in 1998 to 818.3 million euros (\$967.8 million). Net income jumped 71% to 63.9 million euros (\$75.6 million). . . . Standard & Poor's has assigned AAA insurer financial strength ratings to The General & Cologne Re Africa Ltd. and General & Cologne Life Re Australasia Ltd. The ratings reflect the two companies' unconditional parental guarantee from Cologne Re, itself rated AAA, as well as Cologne Re's strong global business position, strong capitalization and improved underlying earnings trend, S&P said. . . . Helen Hatton has been appointed deputy director general of the Jersey Financial Services Commission. . . . Lloyd's of London has launched a new proportional treaty reinsurance premiums and claim reserves system providing information to syndicates and brokers on reserves that are overdue for release. . . . A 61-year-old man who confessed this month to being the Mardi Gra Bomber received a prison sentence of 224 years on 20 counts, to be served concurrently. During a three-year period, Edgar Pierce had tried to extort millions of pounds from Barclays Bank P.L.C. and U.K. supermarket group Sainsbury P.L.C. by placing more than 30 bombs near banks and shops owned by the groups. Six people were injured during the bombings. . . . Work-related injuries and illnesses cost the European Union between 185 billion euros and 270 billion euros (\$199.3 billion to \$290.9 billion) annually, according to a report published by the European Agency for Safety and Health at Work in Bilbao, Spain. The report outlines the various economic tools used in different E.U. member countries to encourage good safety and health practices in the workplace. The report is available on the Internet at www.eu-osh.es. . . . Existing E.U. asbestos legislation does not sufficiently protect workers and the public, according to the European Economic and Social Committee. The committee voted last month to restrict asbestos exposure limits, increase training and education regarding asbestos, and introduce obligatory investigations of the presence of asbestos by owners of buildings.

Big losses foreseen in train derailment

By DON LEWIS KIRK

WUPPERTAL, Germany—Substantial losses are expected from a fatal passenger train derailment in Germany last week, the head of the self-insurance pool covering the train said.

Joerg Flech, director of the pool that covers Wuppertal Stadtwerke GmbH, the local transit authority, would not estimate losses, however.

The April 12 accident on Wuppertal's 8-mile suspension railway, which experts previously considered among the safest train systems in the world, killed three people and injured 47. The derailment was the first fatal accident in the railway's 98-year history.

Initial investigations found that two train cars filled with early-morning commuters had hit iron scaffolding equipment that a construction crew had failed to remove. A section of the train was torn away by the clamp, and the train plummeted 12 feet into the Wupper River, according to city prosecutor Hans Mesenhoeller. Wuppertal prosecutors are considering charges of negligent killing and grievous bodily harm against the construction company, Dusseldorf-based Phillip Holzmann GmbH, which had made repairs on the track the weekend before the accident.

Holzmann officials declined comment last week.

See Train on page 32



PHOTO: AFP

Prosecutors are considering charges against a construction company that had made repairs on the track days before the fatal accident.

Expertise called key industry need

By SARAH GODDARD

NOTTINGHAM, England—Knowledge may be the key to extending business risk coverages, according to a senior insurance industry executive.

Speaking to *Business Insurance* while at the Assn. of Insurance & Risk Managers' annual conference, Bill Loschert, chairman of ACE Global Markets in London, identified with the conference theme of knowledge and said the insurance industry needs expertise more than ever before.

ACE Global Markets comprises the Lloyd's of London operations of Bermudian insurer ACE Ltd.

"To be successful, you have got to change the way of underwriting at Lloyd's," said Mr. Loschert, currently a member of the ruling council of Lloyd's.

In the past, Lloyd's underwriters would rely on their own knowledge and expertise to judge a risk presented to them by a broker. Now, particularly as clients are looking for multi-line coverages, underwriters

need to look elsewhere for the necessary expertise.

ACE in Bermuda has a librarian with database expertise to research issues for the organization, and Mr. Loschert thinks this is the way to go forward for other parts of ACE. "I would like to move to it in London, with somebody there to help the underwriters," he said.

Having access to knowledge and expertise has helped ACE Global Markets extend its lines of business recently. In February, it announced it had joined the British Insurance (Atomic Energy) Committee, also known as the British Nuclear Pool, and is now providing £60 million (\$101 million) capacity to the £500 million (\$841.5 million) pool. This is ACE's first foray into nuclear business, and it has already joined other nuclear pools, said Mr. Loschert.

Political risk is another business area in which ACE Global Markets is expanding. Its recent reinsurance agreement with the Multilateral Investment Guarantee Agency of

See Knowledge on next page

Guide addresses integration of risk

By SARAH GODDARD

NOTTINGHAM, England—Integrated risk management, one of the current buzz phrases of the risk management profession, is demystified in a new guide published late last month.

Produced by the integrated risk management special-interest group of the Assn. of Insurance & Risk Managers and launched at AIRMIC's annual conference, "A Guide to Integrated Risk Management" aims to provide risk managers some useful information on the subject.

The guide gives "serious professional advice, providing a practical framework and describing the essential tools and techniques of integrated risk management," said Paul Hopkin, head of risk management at the British Broadcasting Corp. and the leader of the AIRMIC group.

The guide, which is available free to AIRMIC members, identifies three fundamental points to ensure the full integration of risk management:

- The organization must undertake an approach that considers all types of risk.
- Risk management must be made a part of the business plan-

ning function.

• Risks must be evaluated when business opportunities are being considered.

Risk management has been given a great boost by the "Combined Code" on corporate governance, published in June 1998 (*BI*, Feb. 8), and the London Stock Exchange requirement that all listed companies comply with the code. In its January listing rules, the Stock Exchange states, "The review (of internal control) should cover all controls, including financial, operational and compliance controls and risk management."

This means that risk management now has a higher role in organizations, according to the guide, and information about exposures must be included in annual budgets, three- and five-year plans, investment decisions, and strategic plans.

The guide includes case studies to illustrate integrated risk management in practice, and describes various approaches to achieving integration.

For more information about "A Guide to Integrated Risk Management," contact AIRMIC at 6 Lloyd's Ave., London EC3N 3AX, England; 44-171-480 7610.

airmic

Knowledge

Continued from previous page
Washington, D.C., is the first time it has been involved in London's political risk business.

Announced during the AIRMIC conference, ACE Global Markets' syndicate 488/2488 entered a 15-year facultative reinsurance arrangement with MIGA to extend the agency's liability limits. ACE already had been involved in treaty business with MIGA, said

Mr. Loschert, and the new program provides \$31 million of a \$50 million loan by U.K.-based Lloyds Bank P.L.C. to its Argentinian subsidiary, to increase the subsidiary's residential mortgage lending operations.

For an organization to demonstrate this sort of flexibility, it needs flexible people, he suggested. "We are trying to mold teams of younger players" within ACE Global Markets, explained Mr. Loschert, "people who are willing to understand that Lloyd's is

changing and who want to change with it."

ACE Global Markets has undergone a shakeout in recent months, particularly following the announcement that it will be merging its three current Lloyd's syndicates into one megasyndicate for the 2000 year of account, he said. But new employees are being taken on board, most recently Malcolm Brett, who was appointed senior underwriter for aviation syndicate 960 at the end of last month. Ironically, Mr. Brett joined

ACE Global Markets from the London aerospace department of CIGNA Insurance Co. of Europe

'We are trying to mold teams of younger players' within ACE Global Markets, says Bill Loschert.

S.A. N.V., a branch operation of the U.S. insurer that ACE is in the process of buying.

Bringing CIGNA's property/casualty operations into the ACE fold raises many questions, said Mr. Loschert.

Not only will it increase the number of ACE employees around the world from about 700 to close to 10,000 but there are a number of logistical issues that will need to be addressed, such as the best use of capacity in the London market. CIGNA's London operations wrote gross premiums of £705 million (\$1.19 billion) in 1996. In comparison, the three ACE Global Markets syndicates are backed by £635 million (\$1.07 billion) capacity for the 1999 year of account.

Merging the three syndicates will mean ACE Global Markets can be more flexible in its use of capacity and will be able to take better advantage of business opportunities because the capacity can be easily moved within the syndicate. At the same time, ACE's

other European operation, ACE Insurance Co. Europe Ltd., will be able to get access to the capacity as needed, said Mr. Loschert.

Knowledge has played a key role in ACE Europe, according to Mark Kealy, general manager of the Dublin, Ireland-based operation.

"We have had to acquire new skill sets," he said, which has been achieved through both relationships—such as ACE's joint venture with Capital Re Corp. on securitization deals—and mergers.

More and more risks are coming into the alternative risk financing arena, commented Mr. Kealy, as risk managers are looking at smoothing balance sheet exposures rather than solely focusing on traditional insurance purchases.

"Some risk managers are looking at entire risk areas, such as currency exposures, and are looking for a balance sheet protection product," he said. Insurers need the expertise and knowledge to be able to provide those products, he said, and research functions are vital to that process.

The Dublin office benefits from providing Bermuda-based company products to buyers, said Mr. Kealy, but one of the strengths of ACE is the ability for disparate parts of the organization to take advantage of the information and knowledge contained in other areas.

"There is a different market between Dublin and Lloyd's, but if we can work together and talk together, we will," he said. **BI**

COVERING THE GLOBE SINCE 1915



COPENHAGEN RE GROUP

"A" rated by A.M. Best and Standard & Poor's

www.copre.com

Scholar sees end to risk profession

By SARAH GODDARD

NOTTINGHAM, England—Risk management may not be able to survive the "knowledge revolution," warns a leading risk management academician.

Speaking at a panel session at

the Assn. of Insurance & Risk Managers' annual conference in Nottingham late last month, Gordon Dickson, dean of the faculty of health at Glasgow Caledonian University and a member of the council of AIRMIC, questioned whether risk management has a future.

Risk managers have relied too heavily upon experience rather than knowledge, argued Mr. Dick-

airmic

son. "Is there a body of knowledge called risk management?" he asked. "There is certainly a body of knowledge called law, medicine and the like, but is there risk management?"

By failing to nurture risk management as a profession, risk managers have left themselves open to other disciplines, such as lawyers, accountants and treasurers, sniping "at the foothills of risk management... taking away from us what was ours and should be ours," he said.

Glasgow Caledonian was the first university in Europe to offer a degree in risk management, but Mr. Dickson was surprised not to see a "rash" of similar courses at other universities once it was set up. "The market for risk management qualifications is finite, and it may well be that, in the current structure, we are almost at saturation point," Mr. Dickson said. Reaching that point, he said, could lead to a devaluing of risk

See Outlook on next page

Quality Lights the Way.

See the Insurance Overload Systems' Wizard and let our **Quality Light the Way!** We know quality personnel are vital to every aspect of your business. In 1983, our journey down the yellow brick road led us to **ISO 9002 Certification!** **ISO 9002 Certification** means worldwide accreditation of quality standards for screening and placing personnel for all designated branch locations nationwide. **ISO 9002 Certification** documents how **Insurance Overload Systems** will meet or exceed your expectations for quality standards from our staffing services.

Gaze into your own Crystal Ball and **Insurance Overload Systems** will appear! We will supply you with people who have the brains, the heart and the courage to get your work done. In our Emerald City, we ensure our staffing solutions are directly linked to your specific needs. We place only experienced professionals who can click their heels and contribute immediately on a temp, temp-to-hire, or direct hire basis. At **Insurance Overload Systems**, dreams really do come true!

1-800-822-2422 www.insuranceoverload.com

Quality you can see.



Outlook

AIRMIC to release vendor directory

By SARAH GODDARD

Continued from previous page
management graduates—which, in turn, would lead fewer students to beat a path to risk management's door.

At the same time, "Why, in the past 15 years, have we not been able to agree on a common risk management education level?" Mr. Dickson asked the assembled delegates.

What's more, there is no British standard for risk management, he pointed out.

When the National Health Service was looking for a risk management standard, it was forced to turn to an Australian model. "That is a sad reflection of what we've been doing," lamented Mr. Dickson. "Other people have moved in to take the high ground." And risk managers have been "so busy engaged in sterile debate, (that they) don't take the broader strategic view," Mr. Dickson added.

Full blame does not necessarily rest squarely on the shoulders of the U.K. risk management community, countered Terry Simister, regional director from the risk management division of Lambert Fenchurch UK Group Ltd. When the Australian risk management

U.K. corporate governance initiatives should boost 'the awareness and credibility of risk management,' says Gordon Dickson.

standards were introduced recently, the British Standards Institute asked the U.K. Institute of Risk Management to hold back from introducing its own model because that model would not be recognized elsewhere, said the delegate.

"The U.S. said they don't want one, the French said it was too technical, and the Germans said it wasn't technical enough," the delegate pointed out. Nevertheless, the IRM is currently looking at producing a risk management terminology document, Mr. Simister said.

If there is one bright spot, it is the new corporate governance requirements that have been introduced into the United Kingdom, said Mr. Dickson. "It has been handed to us on a plate," he said. "This is the mechanism to lever up the awareness and credibility of risk management."

Talking as part of the panel, Max Taylor, chairman of Lloyd's of London, said that the risk manager of the future will need a wide range of skills.

"The real challenge is to create a new generation of risk managers, who need all the skills required in business today," Mr. Taylor said.

Chong Ju Choi, professor of international business and head of the department of strategy and international business at the City University Business School in London, suggested that risk management be combined with management studies. He noted that there is an increasing demand for courses in master's of business administration programs that focus on specialist skills.

Mr. Dickson agreed that adding risk management curricula into MBA courses could be a route forward for the profession. **BI**

NOTTINGHAM, England—U.K. risk managers in search of advice and information will be able to take advantage of a one-stop shop being set up by the Assn. of Insurance & Risk Managers.

At its annual conference, held March 29 through April 1 at the East Midlands Conference Centre in Nottingham, England, AIRMIC announced it is setting up an Internet-based directory of service providers that will be accessible only to AIRMIC members.

The directory also will be available in a printed version for members without Internet access. Of

AIRMIC's 950 members, about 350 currently are using the Internet, said David Gamble, AIRMIC's executive director. He expects that number to rise to be-



tween 700 and 750 over the next two or three years.

The directory will be launched in early summer, said Mr. Gamble. Directory entries will be put into one of three categories, depending on how many AIRMIC members use the particular ser-

vice, he explained. Companies will pay a £200 (\$323) setup fee and £200 per entry, renewable annually, to be listed in the directory. "AIRMIC is not able to endorse a product, but it can identify usage," he said.

AIRMIC members considering using any of the companies in the directory will be able to get more information from AIRMIC members that have already used it.

AIRMIC also used its annual conference as an opportunity to launch "Good Health—Good Management," an employee sickness absence management product it first announced at last year's conference.

Mr. Gamble said sickness ab-

sence costs U.K. companies up to £12 billion (\$19.4 billion) per year. "Risk management has an important role to play in the management and reduction of that cost," he said.

AIRMIC estimates that its new absence management product, available only to AIRMIC members, will save companies an average of £150 (\$242) per year per employee, against a purchase price of £1,200 (\$1,939). The product is designed to identify, quantify and manage sickness absence. It comprises a CD-ROM program model and guide, as well as a pocket guide on health awareness for employees and a directory of

See Products on next page



Absence Solutions can turn your wish list into a "To Do" list!

Do employers need to accept the fact that disability benefit costs are increasing, the claims process is fragmented and productivity is suffering? NO!

Matrix Absence Management, Inc., through a unique program called *Absence Solutions*, offers an innovative approach to claims management—whether from illness, injury or personal leave. Through an array

of comprehensive products, services and funding alternatives, the *Absence Solutions* program provides a single source for the reporting, tracking, integrating and managing of occupational and non-occupational disability claims, as well as any absence event.

With 20 years of experience, the professionals at Matrix have your absence solutions!



Matrix Absence Management, Inc.

1.800.284.9355

Absence Solutions, a new approach to managing employee absence, developed and sold exclusively through Matrix Absence Management, Inc. (Matrix). Insured disability products provided by Reliance Standard Life Insurance Company (RSL) and First Reliance Standard Life Insurance Company (In New York). Insured workers' compensation and excess insurance provided through Safety National Casualty Corporation (SNCC).

Services Guide

CPCU® IIA and CIC candidates

You'll learn more faster with The Burnham System for CPCU®, INS, AIS, APL, AIC, AIM, ARM, AU, ALCM®, AAP®, ARP®, APA®, AIA®, AMIM®, AIT, ARE®, AFSB, ASL, TR, and more... Guaranteed!
Call 1-888-BURNHAM Now!

MOBILE CRANE INSURANCE

National Insurance Program available for all Retail Agents who represent Mobile Crane Rental Companies. Includes Property, Casualty, Auto, WC, Excess, Inland Marine. "A" Rated Admitted Insurance Carriers.

Phone: (212)659-2289 or
fax: (212)659-2295

Pharmacy Services Group

- Worker's Compensation Pharmacy Benefits
- Save 20% to 40%
- National Retail Network - over 50,000 pharmacies
- **Guaranteed** Lowest Mail Order Pricing
- Claims adjudication / Case Management / Repricing
- Utilization Review / Management Reports / EOB
- Paper or electronic claims submission

PSG, 1100 NE 51st Street, Fort Lauderdale, FL 33334
800-774-2002 or e-mail comp@rxmail.com



The Full Spectrum of Automated Solutions for Integrated Managed Care

Fully automated and integrated software and hardware solutions for managed care administration - specializing in claim and encounter processing, risk management, and cost containment. Full-service training, support, and consulting.

- Automatic claim adjudication
- Automatic benefit code generation
- Benefit administration
- Capitation
- Case Management
- Clinical editing
- Electronic Data Interchange (EDI)
- MICR laser check / EOB encoding
- Optical Imaging / IOCR
- Point-Of-Service (POS)
- Electronic claim workflow distribution
- Section 125 - Flexible benefits
- Over 150 reports/custom report generator
- Letter generation

All FACTS® products are year 2000 compatible.

FACTS® Services, Inc.

1575 San Ignacio Avenue, Suite 406 • Coral Gables, Florida 33146
(305) 284-7400 • www.facts-services.comTM
General Automation Value Added Reseller



PYRAMID CLAIMS & RISK MANAGEMENT SOLUTIONS TECHNOLOGY TO FIT YOUR WORLD

The Pyramid System
Claims Administration
Risk Management
Medical Case Management
Medical Bill Review
Disability Management
800 Claims Reporting
Healthcare Advisor System
Document Imaging

Pyramid Support Services
Certified support staff
Account Executive Program
Electronic Bulletin Board
Pyramid Training Center
Annual User Conferences
Customer Assurance Program
Automatic Access to Upgrades
On-site and Remote Alternatives

WINDOWS • ORACLE • SYBASE • SQLSERVER NT

Pyramid Services, Inc.

Call Our Corporate Office at: (203) 743-6000
Or e-mail: info@pyramidservices.com

www.businessinsurance.com

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

INTERNATIONAL

Products

Continued from previous page relevant service providers.

Additionally, a benchmarking guide in development will allow an organization to compare employee absences among its different locations and eventually between itself and other AIRMIC members.

The product has been "designed as a totally integrated tool, which incorporates practical research

and experience," said Mr. Gamble. "Flexibility has been built in to

Sickness absence costs U.K. employers up to \$19.4 billion per year, according to David Gamble of AIRMIC.

allow the product to evolve," ac-

ording to Mr. Gamble.

Good Health—Good Management was developed by a multidisciplinary team that included risk management, insurance, occupational health and human resources specialists; it marks the first project for which AIRMIC has attempted to bring different disciplines together.

More information on these products is available from AIRMIC, 6 Lloyd's Ave., London EC3N 3AX, England; 44-171-480-7610.

Conference draws over 320

NOTTINGHAM, England—More than 320 attendees were at this year's Assn. of Insurance & Risk Managers' annual conference at the East Midlands Conference Centre in Nottingham, England.

The conference, held March 29 to April 1, attracted a broad range of attendees representing the risk management community, brokers, insurers, reinsurers, lawyers and consultants. In addition, delegates were able to visit exhibitors in the



adjoining halls and hear from 44 speakers.

AIRMIC Chairman David Ketley selected this year's conference theme, "Knowledge—Creating, Using, Sharing," and he exhorted his fellow risk managers to gain

knowledge—both from within their organizations and from their insurance providers—by working with people, not against them. "We must communicate better to share knowledge," he said in an address.

Next year's conference will be held at the same venue, April 11-14.

More information is available from AIRMIC, 6 Lloyd's Ave., London EC3N 3AX, England; 44-171-480-7610.

Train

Continued from page 29

Mr. Flech said Stadtwerke may seek to recover damages from the construction company for any insured losses.

German law provides for strict liability if Holzmann is found negligent. The construction company and an independent engi-

neering firm, as well as Stadtwerke itself, were to have inspected the tracks before allowing the train to operate. The construction company and the engineer each have limited liability, by law, of 5 million deutsche marks (\$2.8 million).

The self-insurance pool consists of 450 large German utilities and transit authorities, including those of Berlin, Hamburg and Mu-

nich. The pool is reinsured internationally.

Stadtwerke announced it will conduct a test run with an empty car before allowing passengers to use the train. Stadtwerke said it did away with test runs 20 years ago because of the railway's safety record. Critics contend such a test run after the repairs were made would have prevented the accident. **BI**

Napalm

Continued from page 2

napalm was shipped to Texas after a plant in East Chicago, Ind., in 1998 refused to accept it, and the arrival of the material drew fire in Baton Rouge.

Southern University students protested in a rally earlier this year, demanding that the napalm not be burned. "When we first found out they were planning this process, we voiced our vehement disapproval," said a spokesman for the school.

State Sen. Cleo Fields, D-Baton Rouge, asked legislators to sign on to a resolution that would have prohibited the burning until safety measures were put in place at Southern. That measure died, but the plant and others in the area agreed with the Louisiana Department of Environ-

mental Quality, the office of Republican Gov. Mike Foster, Sen. Fields and the school to make the changes.

An amended version of Sen. Fields' resolution, which was crafted after the parties agreed on the safety measures, passed the Senate and will be considered by the House. The bill is an effort to ensure that the proposed safety measures are carried out.

The university spokesman said Southern is satisfied with the arrangements. "They have provided us with safeguards," he noted.

Jerry Kring, Rhodia's plant manager, said he hopes the safeguards will be in place to permit the burning in the next eight weeks. The cost of the safety measures is still being worked out, he said.

"There is a whole lot of it to burn," Mr. Kring said. Plans call for burning the blended napalm at the rate of

six railroad cars per month for 18 months. Using the material as fuel means the plant will not have to purchase 330 million cubic feet of natural gas to power the furnace, he said.

Mr. Kring pointed out that the material is not the most hazardous chemical the plant has handled. "It's less flammable than gasoline and not explosive."

The plant's safety record suffered a small blemish in February when a power outage caused an exhaust system to fail, accidentally releasing sulfur trioxide. "It had nothing to do with our waste handling," Mr. Kring said, and the quantity of the released gas was not enough to cause injuries, he said.

Rhodia's environmental liability exposures are covered through self-insurance and excess layers written in the commercial market, according to Mr. Kring. **BI**

"Be sure that you return it."

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

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

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

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

USA	\$89
Canada/Mexico	\$108*
All other countries by expedited air.	\$209
* Price includes Canadian GST.	

Business Insurance

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

D&O

Continued from page 1

to vigorously pursue those segments of the market that are seeing price declines."

For many buyers, the soft market has meant the elimination of some exclusions and restrictive endorsements, higher limits, lower deductibles and better policy wording, the survey found.

This is not to say that every buyer encountered a soft market. The survey found that underwriters were more selective in writing policies for several niche industries or specific markets.

For example, companies in high-tech fields, those engaged in initial public offerings and those experiencing "some degree of financial distress" found lower premiums harder to come by.

Moreover, "several industries evidenced increasing premium trends, and analysis of premium changes throughout 1998 shows some trend toward more increases and fewer decreases," the report states. "These and other factors serve as indications of firming in D&O insurance pricing."

One major development driving the eventual hardening of the market is the Y2K millennium bug, which may result in claims against directors and officers should a company's computers go haywire, Mr. Larsen said. Another cause is the increase in wrongful termination and other employee suits that industries are seeing, he said.

The study showed that the average total D&O premium for U.S. businesses last year was \$286,521; the median was \$168,000. Premiums varied widely by business class, however. Median premiums ranged from \$291,313 for utilities and \$286,250 for petroleum, mining and agriculture fields to as low as \$61,136 for health care and \$23,358 for middle-market banking.

Despite lower premiums, the survey

found U.S. companies in general showed a consistent trend toward more susceptibility to claims last year, a continuation of a trend noted for the past five years. Claim frequency has generally increased for corporations of varying assets since 1993.

The survey found larger companies are more prone to suffer D&O claims and more susceptible to multiple claims. For example, medium-size banks had the lowest claim frequency, with 10% as many claims as large banks.

A greater proportion of claims from

The study showed that the average total 1998 D&O premium for U.S. businesses was \$286,521; the median was \$168,000.

employees were reported last year than in previous years, and claims by employees edged out claims by shareholders. Nearly four out of every 10 claims were filed by employees, while 35% were filed by shareholders; 12% were filed by customers and clients; 8% were filed by competitors; 5% by miscellaneous third parties, and 1% by the government.

Private companies experienced a much greater proportion of employee claims than public companies, whereas shareholders accounted for the largest proportion of claims at public companies. Employees were the source of 25% of claims at public companies, whereas at private companies they were the source of 63%. Shareholders accounted for 49% of claims at public companies, while they accounted for 9% of claims at private companies, according to the study.

At the end of 1998, the competitiveness of the D&O insurance industry

was evidenced by the capacity of D&O insurers, which stood at its highest level ever.

"Much of the increase in capacity is due to individual carriers raising their allowable limits," the report states. "More than one half-dozen D&O carriers increased their limits capacity during 1998, some substantially."

Full limits capacity rose to \$1.5 billion in 1998, up from \$1.35 billion in 1997 and \$1.16 billion in 1996. It was the 13th consecutive year that policy limits rose.

Survey respondents reported policy limits ranging from \$1 million to \$425 million. In the first quarter of 1998, 68% retained the same limits as the year before, 31% increased their limits and only 1% decreased limits. The average coverage limit, however, decreased from \$35.3 million to \$30.4 million, due to a decrease in coverage limits retained by smaller companies coupled with a large number of small companies responding to the survey.

For most respondents, policies offered more protection than ever before. Most respondents said enhancements to policies increased and exclusions did not change since the year before. For high technology companies, enhancements increased the most, with 71% of those companies reporting an increase.

About three out of every five respondents said their insurance covered legal expenses when complying with governmental and/or regulatory investigations, even if a lawsuit is not involved.

Increasing selection of entity coverage by for-profit corporations was one of last year's important developments, Mr. Larsen said. This coverage covers certain claims against the company directly when no claim is filed against individuals in the company. More than 75% of survey respondents said their D&O policies included entity coverage last year, up from about 50% in 1997 and less than 30% in 1996.

American International Group Inc. and Chubb Group of Insurance Cos. continue to dominate the U.S. D&O insurance market, writing 23% and 19% of all primary policies for survey respondents, respectively.

Of the survey respondents, AIG had 302 policies and \$71.7 million in premiums, compared with Chubb's 247 policies and \$41.8 million in premiums. Chubb, however, has agreed to buy Executive Risk Inc. in a deal that would put Chubb above AIG.

The survey showed that Chubb and Reliance Insurance Group led the D&O market for excess insurers, generating \$15.9 million and \$13.4 million in premium volume, respectively, with market shares of 10.7% and 8.9%.

Copies of the report, "1998 Directors and Officers Liability Survey," may be purchased for \$395 by contacting Mary Maze, Tillinghast-Towers Perrin, 312-609-9347.



AEU
SERVICE

Hassle-free management of a full range of customized maritime insurance programs, including Jones Act, USL&H, State Act Workers' Compensation, and Specific Excess and Aggregate Workers' Compensation.

The American Equity Underwriters, Inc.
www.amequity.com

Medicare

Continued from page 1

blems, we want to work with the agency to help correct the situation," said a spokesman for the Washington-based American Assn. of Health Plans.

The committee's chairman, Sen. Charles Grassley, R-Iowa, made clear at the outset of the hearing that legislators do not want to interfere with the operation of Medicare HMOs, so long as HMOs abide by the rules.

"I do not want folks to leave this hearing with the impression that we want to restrict plans from marketing to Medicare beneficiaries or from running their business as they see fit. That is not my object. Rather, our focus and attention should be on the beneficiary, because that is what this program is about. Medicare is a federal program, and Congress has the responsibility of making sure beneficiaries are receiving the kind of high-quality care and assistance they deserve," Sen. Grassley said.

The GAO report, which was discussed briefly by William Scanlon, the GAO's director of health financing and systems issues, before the committee adjourned, found that marketing materials sent to beneficiaries by Medicare HMO plans contained a variety of inaccurate and misleading information. For example, five of the 16 Medicare managed care organizations studied sent out material that said beneficiaries had to have provider referrals to receive routine mammograms. But HCFA says plans cannot require a referral for annual routine mammograms and must inform beneficiaries of that policy.

The GAO also found that Medicare

managed care organizations do not always inform beneficiaries of their right to appeal denied treatment. In addition, literature distributed by some plans varied so much in format and terminology that beneficiaries couldn't easily compare offerings, according to the report.

"Many of the information problems we identified regarding plan benefit packages and beneficiaries' appeal rights went uncorrected because of shortcomings in HCFA's review practices. In addition, HCFA has not exercised its authority to require (Medicare managed care organizations) to distribute plan information that is more complete, timely and comparable," said Mr. Scanlon in his written testimony.

He added, however, that the GAO is "very encouraged" by HCFA's initiatives.

HCFA's Ms. Cronin told the committee's ranking minority member, Sen. John Breaux, D-La., that the misinformation contained in some marketing material "absolutely" should have been caught by her agency. Sen. Susan Collins, R-Maine, continued that line of questioning, asking Ms. Cronin how the agency would deal with "just plain wrong" information.

Ms. Cronin replied that the agency would step up its scrutiny. And, she said, if problems continued, "ultimately we do have" the authority to fine recalcitrant plans.

Before hearing from the two federal officials, the committee listened to a panel of four people, including two former Medicare HMO participants, about shortcomings of the current system.

Free single copies of "Medicare Managed Care: Greater Oversight Needed to Protect Beneficiary

Rights" (GAO/HEHS-99-68) and "Medicare+Choice: New Standards Could Improve Accuracy and Usefulness of Plan Literature" (GAO/HEHS-99-92) should be available later this month from the U.S. General Accounting Office, P.O. Box 37050, Washington D.C. 20013; 202-512-6000. For information about how to access GAO reports on the Internet, send an e-mail message with "info" in the body to info@www.gao.gov or visit the GAO's World Wide Web site at www.gao.gov.

If you're thinking of offering
COBRA/HIPAA or
Flexible Benefits administration
services to your clients,
we've got some serious software

With over 4000 users, TravisCobra for Windows is the most widely-used COBRA/HIPAA software for administrators. Call for a FREE demonstration version of TravisCobra or our TravisFlex software system.



Travis Software
Advanced Benefit Software

800 521-5409
www.travisoft.com

The Professional Marketplace

RATES AND CLOSING TIME:

Rates: Display classified is \$180.00 per column inch, minimum of one inch. Straight classified is \$16.00 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$25.00 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.

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

HELP WANTED

AGENCY SALES
Downtown Chicago agency has immediate opportunity for an experienced P&C PRODUCER.
FAX RESUME TO DAVE AT 312-416-2355

COO

Multi-state independent adjusting firm seeks **CHIEF OPERATING OFFICER.** This forward thinking firm (4 million in revenues) seeks a person with a minimum of ten (10) years of multi-line experience who possesses superior organizational, technical and customer service skills. The position is located in Northern California (Bay Area). The salary is 85K + bonus and a generous benefit package. Please respond to **Frye Claims, 373 4th Street, Ste. 2A Oakland, CA 94607**

REQUEST FOR PROPOSALS

ATTENTION: **INSURANCE CARRIERS**
REQUEST FOR PROPOSAL (RFP) NO. 99035
The Chicago Housing Authority (CHA) Invites Qualified Businesses To Submit Sealed Proposals For:
PROPERTY INSURANCE AND BOILER & MACHINERY PROGRAMS FOR THE CHICAGO HOUSING AUTHORITY. RESPONDENTS ARE INVITED TO PROVIDE A QUOTE FOR ONE (1) OR BOTH (2) OF THE REQUIRED COVERAGES.
COVERAGES ARE TO BECOME EFFECTIVE 7/1/1999.
Proposals shall be made in the format included in the Request for Proposal packet containing instructions, specifications and detailed submission requirements. Packets may only be obtained by calling the CHA's Buyer, Arlene Shorter at (312) 791-8500, ext. 4147. All inquiries for additional information regarding the Request for Proposal are to be directed in writing to Ms. Arlene Shorter, Chicago Housing Authority, 626 W. Jackson Blvd., Chicago, IL 60661.
RFP documents describing specific requirements of the Authority will be available on **Monday, April 19, 1999.**
RETURN COMPLETED PROPOSALS TO:
Ms. ARLENE SHORTER
CHICAGO HOUSING AUTHORITY, PURCHASING DEPT.
626 W. JACKSON BLVD.
Chicago, IL 60661
Pre-Proposal Conf. Date/Time: **TUESDAY, April 27, 1999 @ 10:00AM CST**
Proposals Due Date/Time: **FRIDAY, May 14, 1999 @ 4PM CST**
PROPOSALS ARE NOT PUBLICLY OPENED
The subsequent contract shall be subject to the applicable compliance standards and procedures of Executive Order No. 11246, as amended, Equal Opportunity and other provisions as specifically set forth in the Specification.
The Authority encourages participation by joint ventures and qualified minority and women owned businesses.

HELP WANTED

Behavioral Healthcare Brokers
National professional liability insurer seeks behavioral healthcare/psychiatrists groups and individuals. Call Ken Small at (800)245-3333, ext. 353.

WRAP-UP ACCT. MGRS/ADMINISTRATORS

Top Constructor Broker seeks personnel to service construction wrap-up projects in various regions of the U.S. Construction insurance knowledge with computer literacy required. Compensation and benefits package commensurate with ability, experience and background.
Send resume/salary requirements/references in confidence to:
Willis Corroon, Attn: KJW 13355 Noel Road, Suite 400 Dallas, TX 75240-6612

REQUEST FOR PROPOSALS

ATTENTION: **INSURANCE CARRIERS**
REQUEST FOR PROPOSAL (RFP) NO. 99035
The Chicago Housing Authority (CHA) Invites Qualified Businesses To Submit Sealed Proposals For:
PROPERTY INSURANCE AND BOILER & MACHINERY PROGRAMS FOR THE CHICAGO HOUSING AUTHORITY. RESPONDENTS ARE INVITED TO PROVIDE A QUOTE FOR ONE (1) OR BOTH (2) OF THE REQUIRED COVERAGES.
COVERAGES ARE TO BECOME EFFECTIVE 7/1/1999.
Proposals shall be made in the format included in the Request for Proposal packet containing instructions, specifications and detailed submission requirements. Packets may only be obtained by calling the CHA's Buyer, Arlene Shorter at (312) 791-8500, ext. 4147. All inquiries for additional information regarding the Request for Proposal are to be directed in writing to Ms. Arlene Shorter, Chicago Housing Authority, 626 W. Jackson Blvd., Chicago, IL 60661.
RFP documents describing specific requirements of the Authority will be available on **Monday, April 19, 1999.**
RETURN COMPLETED PROPOSALS TO:
Ms. ARLENE SHORTER
CHICAGO HOUSING AUTHORITY, PURCHASING DEPT.
626 W. JACKSON BLVD.
Chicago, IL 60661
Pre-Proposal Conf. Date/Time: **TUESDAY, April 27, 1999 @ 10:00AM CST**
Proposals Due Date/Time: **FRIDAY, May 14, 1999 @ 4PM CST**
PROPOSALS ARE NOT PUBLICLY OPENED
The subsequent contract shall be subject to the applicable compliance standards and procedures of Executive Order No. 11246, as amended, Equal Opportunity and other provisions as specifically set forth in the Specification.
The Authority encourages participation by joint ventures and qualified minority and women owned businesses.

HELP WANTED

McLARENS TOPLIS North America, Inc.
Premier international independent adjusting firm has openings in several key cities throughout the United States for property adjusters. Qualified candidates seeking career opportunities and a structured training plan should contact:
Robert Barnett McLARENS TOPLIS, INC. 1-800-999-0411 Fax: 323-933-9823 or e-mail at: rbarnett@mtnai.com

HELP WANTED

DIRECTOR, RISK & INSURANCE MANAGEMENT IN OHIO
ProMedica Health System, an integrated healthcare delivery systems, located in Toledo, Ohio with properties in northwest Ohio and southern Michigan, is seeking an experienced person to direct all system risk management and insurance programs. The successful candidate will: develop and implement insurance service plans, systems and controls. Serve as the chief liaison to ProMedica Indemnity Company, Ltd., the system's wholly-owned subsidiary captive insurance company, and ensure compliance with all regulatory requirements.
Directly supervise the system's insurance broker and render advice on issues related to insurance and risk financing. Provide leadership and direct all risk management activities system-wide. Develop investigate safety and educational programs directed at decreasing both the frequency and severity of risk and claims expense. Develop, monitor and review claims management policies and procedures and processes in conjunction with Legal Case Coordinator, including those dealing with occurrence and claims reporting and investigations. Preferred qualifications include a minimum of five to seven (5-7) years leadership experience in healthcare risk management, Master's or advanced degree in Health Administration, Business or related area.
Send or fax resume to: Tina Filoromo, Manager, Human Resources, The Toledo Hospital, 2142 N. Cove Blvd., Toledo, OH 43606. Fax: (419)479-6097.

HELP WANTED

Corporate/Insurance Regulatory Attorney
Foley & Lardner, a Milwaukee-based national and international law firm with over 750 attorneys, seeks an associate with three plus years experience in general corporate matters, including joint ventures, mergers and acquisitions, and other sophisticated corporate transactions, to work in Milwaukee. Prior insurance industry representation a plus. This is an opportunity to use your general corporate background to develop a niche practice. Those applying should have excellent law school and undergraduate credentials.
Please submit a resume and transcripts to:
Alice Hanson-Drew, Foley & Lardner 777 E. Wisconsin Ave., Milwaukee, WI 53202
ONLY resumes with attached transcripts will be considered. Foley & Lardner is an equal opportunity employer. Resume submissions from recruiters will not be accepted, nor will any commissions be paid.

LEGAL NOTICE

IN THE SUPREME COURT OF BERMUDA COMPANIES (WINDING-UP) 1998: No. 353
IN THE MATTER OF THE COMPANIES ACT 1981 AND IN THE MATTER OF HORIZON INSURANCE COMPANY LIMITED NOTICE TO CONTRIBUTORIES OF FIRST MEETING
(Under the Order for Winding-Up the above named Company dated 6th day of November, 1998)
NOTICE IS HEREBY GIVEN that the First Meeting of Contributories in the above matter will be held at the offices of Ernst & Young, Reid Hall, 3 Reid Street, Hamilton, Bermuda on the 4th day of May, 1999 at 10:30 a.m.
Proxies to be used at the meeting must be lodged with the agent not later than 5:00 p.m. on the 3rd day of May, 1999.
Dated this 19th day of April, 1999.
Ernst & Young
Agent for the
Official Receiver and Provisional Liquidator
NOTES
At the First Meeting of Contributories, the Contributories may amongst other things:
1. By resolution determine whether or not an application is made to the Supreme Court of Bermuda to appoint a Permanent Liquidator in place of the Provisional Liquidator.
2. By resolution determine whether or not an application is made to the Supreme Court of Bermuda to appoint a Committee of Inspection to act with the Liquidator, and who are to be members of the Committee if appointed.
NOTE: If a Liquidator is not appointed by the Court the Official Receiver will be the Liquidator.

HELP WANTED

PRESIDENT CHIEF EXECUTIVE OFFICER BLUE CROSS and BLUE SHIELD of LOUISIANA Baton Rouge, Louisiana
Headquartered in Baton Rouge, Blue Cross and Blue Shield of Louisiana is a not-for-profit mutual insurance company, which serves over 600,000 members. The company has experienced tremendous growth over the last five years and received an "A" rating from Standard & Poor's. Seeking a business savvy executive with a proven track record in successfully leading a health insurance company. This is a highly visible position; successful candidate must be comfortable presenting to a variety of audiences and committed to making a difference in the community. Contact: Hallie Travis, E-mail: htravis@tylerandco.com, (704)672-1662; or Steve J. Kratz, E-mail: skratz@tylerandco.com, Phone: (770)396-3939; Tyler & Company, 1000 Abernathy Road, Suite 1400, Atlanta, Georgia 30328-5655; (770)396-6693 fax.

HELP WANTED

Check Us Out
We're on the Web
Business Insurance Online!
www.businessinsurance.com

LEGAL NOTICE

IN THE SUPREME COURT OF BERMUDA COMPANIES (WINDING-UP) 1998: No. 353
IN THE MATTER OF THE COMPANIES ACT 1981 AND IN THE MATTER OF HORIZON INSURANCE COMPANY LIMITED NOTICE TO CONTRIBUTORIES OF FIRST MEETING
(Under the Order for Winding-Up the above named Company dated 6th day of November, 1998)
NOTICE IS HEREBY GIVEN that the First Meeting of Contributories in the above matter will be held at the offices of Ernst & Young, Reid Hall, 3 Reid Street, Hamilton, Bermuda on the 4th day of May, 1999 at 10:30 a.m.
Proxies to be used at the meeting must be lodged with the agent not later than 5:00 p.m. on the 3rd day of May, 1999.
Dated this 19th day of April, 1999.
Ernst & Young
Agent for the
Official Receiver and Provisional Liquidator
NOTES
At the First Meeting of Contributories, the Contributories may amongst other things:
1. By resolution determine whether or not an application is made to the Supreme Court of Bermuda to appoint a Permanent Liquidator in place of the Provisional Liquidator.
2. By resolution determine whether or not an application is made to the Supreme Court of Bermuda to appoint a Committee of Inspection to act with the Liquidator, and who are to be members of the Committee if appointed.
NOTE: If a Liquidator is not appointed by the Court the Official Receiver will be the Liquidator.

HELP WANTED

PRESIDENT CHIEF EXECUTIVE OFFICER BLUE CROSS and BLUE SHIELD of LOUISIANA Baton Rouge, Louisiana
Headquartered in Baton Rouge, Blue Cross and Blue Shield of Louisiana is a not-for-profit mutual insurance company, which serves over 600,000 members. The company has experienced tremendous growth over the last five years and received an "A" rating from Standard & Poor's. Seeking a business savvy executive with a proven track record in successfully leading a health insurance company. This is a highly visible position; successful candidate must be comfortable presenting to a variety of audiences and committed to making a difference in the community. Contact: Hallie Travis, E-mail: htravis@tylerandco.com, (704)672-1662; or Steve J. Kratz, E-mail: skratz@tylerandco.com, Phone: (770)396-3939; Tyler & Company, 1000 Abernathy Road, Suite 1400, Atlanta, Georgia 30328-5655; (770)396-6693 fax.

HELP WANTED

UNDERWRITER
CIRMA, the insurance program of The Connecticut Conference of Municipalities (CCM), seeks an experienced Underwriter for a new position. CIRMA offers a wide variety of insurance and risk management services and products to public entities including workers' compensation, liability and property. The emphasis for this position will be workers' compensation underwriting and rating. Responsibilities include: review and analysis of applications, actuarial data, and loss control reports to establish rating and pricing of new and renewal business and to provide data to reinsurers. Requirements include: strong mathematical skills, Bachelor's Degree, at least five years of underwriting experience, and excellent computer skills. Must be detail oriented, well organized and be able to handle multiple priorities. Send resume and salary requirements to: CCM, HRD-UNWR, 900 Chapel St., 9th Floor, New Haven, CT 06510, or fax to (203)526-6314. EOE/AA.

LEGAL NOTICE

IN THE SUPREME COURT OF BERMUDA COMPANIES (WINDING-UP) 1998: No. 353
IN THE MATTER OF THE COMPANIES ACT 1981 AND IN THE MATTER OF HORIZON INSURANCE COMPANY LIMITED NOTICE TO CREDITORS OF FIRST MEETING
(Under the Order for Winding-Up the above named Company dated 6th day of November, 1998)
NOTICE IS HEREBY GIVEN that the First Meeting of Creditors in the above matter will be held at the offices of Ernst & Young, Reid Hall, 3 Reid Street, Hamilton, Bermuda on the 4th day of May, 1999 at 10 a.m.
Proxies to be used at the meeting must be lodged with the agent not later than 5:00 p.m. on the 3rd day of May, 1999.
To entitle you to vote thereat your Proof of Debt must be lodged with the agent at the offices of Ernst & Young, Reid Hall, 3 Reid Street, P.O. Box HM 463, Hamilton, HM BX, Bermuda not later than 5:00 p.m. on the 3rd day of May, 1999.
Dated this 19th day of April, 1999
Ernst & Young
Agent for the
Official Receiver and Provisional Liquidator
NOTES
At the First Meeting of Creditors, they may amongst other things:
1. By resolution determine whether or not an application is made to the Supreme Court of Bermuda to appoint a Permanent Liquidator in place of the Provisional Liquidator.
2. By resolution determine whether or not an application is made to the Supreme Court of Bermuda to appoint a Committee of Inspection to act with the Liquidator, and who are to be the members of the Committee if appointed.
NOTE: If a liquidator is not appointed by the Court the Official Receiver will be the Liquidator.

Business Insurance

Circulation Breakdown Commercial Consumers

Administrative:
CEO's, Presidents, and Owners, 3,939
Vice Presidents, General Managers and Other Administrative Personnel 4,251

Financial:
Chief Financial Officers and Vice Presidents of Finance 2,428
Secretaries, Treasurers, controllers and other Financial Personnel 6,302

Risk/Employee Benefits:
Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk, pension, safety, security, industrial relations, human resources and employee/labor relations 13,382

Sub-total **30,302**

Associations 249
Government, Unions and Educational Institutions 982

Commercial Consumers

Sub-total **31,533**

Insurance Agents and Brokers 7,902
Insurance Companies 6,627
Accountants, Actuaries, Attorneys & Consultants 2,488
Adjusters, Appraisers, TPAs, Captive Managers & Health Care Providers 1,435
Others Allied to the Field 774

Total Qualified **50,759**

Non-qualified/Paid Subscription 18
Single Copy Sales 1

TOTAL CIRCULATION **50,778**

* Source Business/Occupational breakdown of qualified circulation, November 30, 1998 Issue, as submitted to BPA for December 1998 BPA Publisher's Statement

LEGAL NOTICE

IN THE SUPREME COURT OF BERMUDA COMPANIES (WINDING-UP) 1998: No. 353
IN THE MATTER OF THE COMPANIES ACT 1981 AND IN THE MATTER OF HORIZON INSURANCE COMPANY LIMITED
(Under the Order for Winding-Up the above named Company dated the 6th day of November, 1998)
NOTICE IS HEREBY GIVEN that the Creditors of the above-named company are required on or before the 3rd day of May, 1999 to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts and claims, and the names and addresses of their solicitors (if any) to Ernst & Young, Agent for the Official Receiver and Provisional Liquidator of the said Company at the offices of Ernst & Young, Reid Hall, 3 Reid Street, P.O. Box HM 463, Hamilton HM BX, Bermuda, and, if so required by notice in writing from the Official Receiver and Provisional Liquidator or any Liquidator who may hereafter be appointed to come in and prove their debts and claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 19th day of April, 1999
Ernst & Young
Agent for the
Official Receiver and Provisional Liquidator

LEGAL NOTICE

IN THE SUPREME COURT OF BERMUDA COMPANIES (WINDING-UP) 1998: No. 353
IN THE MATTER OF THE COMPANIES ACT 1981 AND IN THE MATTER OF HORIZON INSURANCE COMPANY LIMITED
(Under the Order for Winding-Up the above named Company dated the 6th day of November, 1998)
NOTICE IS HEREBY GIVEN that the Creditors of the above-named company are required on or before the 3rd day of May, 1999 to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts and claims, and the names and addresses of their solicitors (if any) to Ernst & Young, Agent for the Official Receiver and Provisional Liquidator of the said Company at the offices of Ernst & Young, Reid Hall, 3 Reid Street, P.O. Box HM 463, Hamilton HM BX, Bermuda, and, if so required by notice in writing from the Official Receiver and Provisional Liquidator or any Liquidator who may hereafter be appointed to come in and prove their debts and claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 19th day of April, 1999
Ernst & Young
Agent for the
Official Receiver and Provisional Liquidator

Fireman's Fund finalizes buy

NOVATO, Calif.—Fireman's Fund Insurance Co. will become a national leader in the ocean and inland marine markets because of last week's finalization of its \$59.4 million acquisition of underwriting manager Wm. H. McGee & Co. from Farmington, Conn.-based Orion Capital Corp., said a Fireman's Fund spokesman.



Fireman's Fund®

The two operations combined had total 1998 marine business of \$322 million in gross premiums.

McGee, based in New York, is an underwriting manager for two marine pools and produces cargo/ocean marine, inland marine and related property insurance business through 24 offices in the United States, Canada and Puerto Rico, according to Fireman's Fund. McGee reported more than \$200 million in gross premium volume last year.

No decisions have been made as to how the two organizations will be integrated, said the Fireman's Fund spokesman, who noted that McGee has about 400 employees.

Nissan facing pension woes in Japan

TORRANCE, Calif.—Nissan North America's pension obligations are fully met, a spokesman for the Tokyo-based parent company, Nissan Motor Co. Ltd., said.

Nissan Motor faces a pension funding deficit in Japan of 580 billion yen (\$4.78 billion).

The shortfall, which the spokesman attributed to Japanese economic problems, should be offset by new valuations of corporate assets, the spokesman said.



Because of its pending partnership with Renault S.A., in which Renault would own 36.8% of the Japanese automaker, Nissan wants to make its pension standards comparable to international standards. The deal is expected to close May 27.

The pension shortfall affects only Japanese employees, the spokesman said. "All our pension obligations in the U.S. are met. It's a different practice and a different level of exposure (in Japan) than it is in the U.S."

"As we become more and more in tune with international standards, we're taking a look at where we stand, not just with Japanese standards, but in context with international standards," the spokesman said.

Pension shortfalls are common among Japanese companies, and the Japanese government is considering ways to reduce pension fund liabilities, he added.

University offers comp certification

EAST LANSING, Mich.—Michigan State University is offering a new Certified Workers' Compensation Professional program for individuals who successfully complete a week-long course.

Participants must attend seminars and pass tests in four key topic areas: principles of disability law; claims management and insurance; safety, disability prevention and return-to-work; and medical issues.

The course is offered at various locations by the university's Human Resources Education and Training Center, which is part of its School of Labor and Industrial Relations.

"Based on our past experience, we expect that the primary audience will be individuals who manage workers compensation for medium to large employers, both insured and self-insured," said Edward Welch, director of the university's Workers' Compensation Center. "We also expect there will be many attendees who work for insurance companies or third-party administrators. Other potential candidates for certification include people from health care, law, vocational rehabilitation, brokers, agents and unions."

To request additional information, send an e-mail to ericks20@pilot.mu.edu or call the registrar at 517-432-2209.

Information in brief

The Centris Group, based in Costa Mesa, Calif., has signed an agreement to sell its USF Re Insurance Co. unit to Folksamerica Holding Co. Inc., a wholly owned unit of Hanover, N.H.-based Fund American Enterprises Holdings Inc., for \$92.5 million. The sale price for the property/casualty reinsurer reflects \$71.7 million in cash and a five-year interest-bearing note for \$20.8 million, which can be adjusted downward in the event of adverse development on USF Re's loss reserves, said Centris Executive Vp Howard S. Singer. . . . New schedules for **medical fees, inpatient hospital fees and medical-legal evaluations** went into effect April 1 in California. The Division of Workers Compensation received final approval on the new regulations last month, completing the overhaul of medical and medical-legal reimbursements mandated by the state Legislature in the 1993 workers compensation reforms. To order copies of the new schedules, contact the DWC at 415-703-4600. . . . The California Public Employees Retirement System has received a \$300,000 grant from the California HealthCare Foundation to study the **medical risk profiles of health plans** and medical service providers. The initial phase of the long-term study will focus on the availability of useful data and whether financial incentives are necessary to encourage plans to better serve consumers. **B**

Market

Continued from page 2

entering joint partnerships with larger insurance companies, Mr. Partridge said.

Some have replaced occurrence-based coverage with claims-made policies to adjust pricing for doctors' experience more efficiently and to increase profits. Others have abandoned the mutual structure and converted to stock companies outright.

Physician mutual companies are vying "for survival and success," said Dick Bucilla, executive vp of Boston-based Lexington Insurance Co., a unit of American International Group Inc., and head of AIG Healthcare.

"They're not going down without a fight," he said of the doctors' mutuals.

AIG is the sixth-largest underwriter of medical malpractice coverage, according to S&P. AIG companies will write about \$200 million in malpractice premiums this

year, Mr. Bucilla said.

To insurers considering entering the malpractice sector, it "looks profitable, at times," but numbers can be misleading, said Tom Hermes, a principal with Tillinghast-Towers Perrin in Hartford, Conn. Some companies use prior-year profits and returns off of surpluses to brighten an otherwise lackluster bottom line, he said.

Another recent trend in medical malpractice insurance is that buying decisions are increasingly in the hands of professional administrators who choose on behalf of group practices or hospitals and who are skilled at rate negotiation, Mr. Partridge said. Previously, doctors would make these decisions themselves based mainly on loyalty to a particular insurer, he explained.

"With the advent of managed care, the buying decision is now starting to go away from the individual practitioner to a group and, in some cases, to a risk manager in a group," said Mr. Partridge.

Physician mutuals may be more likely

than commercial insurers to work closely with the doctor in a malpractice case, and the decision to settle may be left to the physician to decide, said Winnie Ouko, an associate director at Standard & Poor's.

"When you switch over to a commercial carrier, they look at the economics of litigating the case vs. settling," she said. "So even in cases when a doctor may not be actually liable, they may settle because it's economically expedient to do so."

The price of medical malpractice insurance may be ready to move upward, according to Chuck Buikema, assistant vp-risk and insurance management for Falls Church, Va.-based Inova Health Systems.

For six years, Mr. Buikema has purchased medical malpractice insurance for Inova, an integrated delivery system consisting of five hospitals, more than 200 staff physicians, several clinics and a health maintenance organization.

"I truly believe (pricing) is starting to

See Market on next page

Standard & Poor's lists leading providers of medical malpractice insurance

Groups and individual insurers, ranked by direct premiums written, in millions of dollars

Rank	Company	Direct premiums 1997	Percent growth	Market share 1997	Rating
1	CNA Insurance Group	409.1	12.5%	6.9%	A+ °
2	St. Paul Cos.	402.7	-17.1%	6.8%	AA °
3	MLMIC Group	329.8	6.5%	5.6%	NR
4	Health Care Indemnity Inc.	265.7	15.0%	4.5%	BB+pi
5	Medical Protective Co.	230.7	-3.5%	3.9%	AA °
6	American International Group Inc.	214.2	28.4%	3.6%	AAA °
7	Doctors' Co. Insurance Group	202.8	-2.0%	3.4%	BBBpi
8	Illinois State Medical Interinsurance Exchange	196.1	-5.5%	3.3%	BBB °
9	MMI Cos. Group	167.0	0.8%	2.8%	Api
10	Medical Inter-Insurance Exchange Group	162.5	13.3%	2.8%	BBBpi
11	Frontier Insurance Group	149.4	-12.6%	2.5%	A+ °
12	PHICO Insurance Co.	148.8	13.1%	2.5%	NR
13	NORCAL Mutual Insurance Co.	140.1	3.1%	2.4%	Api
14	Health Care Insurance Exchange Group	135.9	-2.9%	2.3%	BBBpi
15	Physicians' Reciprocal Insurers	135.1	-9.2%	2.3%	CCCpi
16	Mutual Assurance Cos.	132.5	9.5%	2.2%	A+ °
17	Zurich Insurance Group	125.3	-29.6%	2.1%	AA+ °
18	SCPIE Cos.	122.2	-1.6%	2.1%	Api
19	Promutual Cos.	100.5	-18.1%	1.7%	BBBpi
20	Allianz Insurance Group	96.9	-14.3%	1.6%	Api
21	HUM Group of Cos.	91.4	22.8%	1.6%	A °
22	Michigan Physicians Group	87.8	17.4%	1.5%	A+ °
23	State Volunteer Mutual Insurance Co.	86.0	8.0%	1.5%	BBBpi
24	FPIC Insurance Group, Inc.	74.8	19.0%	1.3%	BBBpi
25	Medical Insurance Group of Maryland	64.0	10.1%	1.1%	BBBpi
26	MAG Mutual Insurance Group	59.5	-13.1%	1.0%	BBBpi
27	PICOM Group	59.4	-5.7%	1.0%	A- °
28	Reliance Group	54.0	10.2%	0.9%	A °
29	Mutual Insurance Co. of Arizona	53.6	2.7%	0.9%	Api
30	HANYS Insurance Co.	53.5	-11.6%	0.9%	CCCpi
31	Washington State Health Group	51.5	13.3%	0.9%	BBBpi
32	Citigroup	48.8	-8.3%	0.8%	AA °
33	NCMIC Insurance Co.	48.7	-9.6%	0.8%	A+ °
34	Reciprocal Group (The)	45.6	8.7%	0.8%	BBBpi
35	The Reciprocal Alliance Risk Retention Group	44.1	-2.7%	0.7%	BBBpi
36	Medical Insurance Exchange of California Group	43.9	-3.0%	0.7%	Api
37	Physicians Liability Insurance Co.	40.3	10.8%	0.7%	CCCpi
38	Midwest Medical Insurance Co.	36.5	4.9%	0.6%	BBBpi
39	Medical Group Holdings	35.4	27.9%	0.6%	BBBpi
40	Group Council Mutual Insurance Co.	34.9	-7.7%	0.6%	CCCpi
41	Connecticut Medical Insurance Co.	33.7	-16.3%	0.6%	BBBpi
42	Markel Corp. Group	33.2	-11.6%	0.6%	A+ °
43	Fremont General Group	32.5	16.1%	0.6%	A °
44	MCIC Vermont Inc. Risk Retention Group	32.4	N/A	0.5%	NR
45	Medical Insurance Group	32.4	4.5%	0.5%	BBBpi
46	Controlled Risk Insurance Co. of Vermont	31.6	-10.2%	0.5%	NR
47	Legion Insurance Group	31.4	-8.5%	0.5%	A+ °
48	Medical Malpractice Insurance Assn.	31.2	-19.4%	0.5%	NR
49	Michigan Hospital Assn. Insurance Co.	28.3	16.5%	0.5%	BBBpi
50	Preferred Physicians Medical Risk Retention Group	25.6	-2.1%	0.4%	BBBpi

° Denotes a Standard & Poor's Security Circle insurer, which voluntarily has undergone S&P's most comprehensive review and has achieved one of S&P's top four rating categories.

Source: Standard & Poor's Corp.

Market

Continued from previous page
 harden," Mr. Buikema said. Inova finances its primary malpractice insurance through a Vermont-based reciprocal risk retention group. A Bermuda-based captive insurer provides some reinsurance to the Vermont group, and the remainder of reinsurance is provided by St. Paul Fire & Marine Insurance Co. of St. Paul, Minn. and Employers Reinsurance Corp. of Overland Park, Kan.

As profits remain low in medical malpractice, insurers are consolidating, competition is beginning to diminish and some insurers are holding the line on price decreases, Mr. Buikema said. Time is on the side of larger commercial insurers that can afford to take chances with malpractice insurance programs backed by billions of dollars in surplus, he said, whereas physician mutual companies may find themselves "gobbled up by the major players out there."

"I'm not sure they really can survive," he said.

But Walter Squire, a New York attorney who manages several captive malpractice insurance programs, said there is plenty of capacity in the malpractice market for both physician mutuals and commercial insurers, and the latter may "be hurt by a history of periodic withdrawal from the market."

"If they can get over that, I think they can give doctors' mutuals a run for their money," Mr. Squire said.

Buyers of malpractice insurance "with long memories" may favor physician mutual companies, because most commercial insurers abandoned the sector around 1975, said Edward J. Amsler, assistant secretary of New York-based Medical Liability Mutual

Insurance Co. MLMIC is the third-largest medical malpractice underwriter, according to S&P. "We understand the book of

being selective about the business they pursue, Mr. Morse said. "Carriers are picking their spots." Other commercial insurers offer

health risk coverages, even when the coverage is not profitable alone.

Simsbury, Conn.-based Executive Risk, for example, decided about two years ago to enter the malpractice market in order to be a full-service, one-stop provider to doctor groups, hospitals and long-term care facilities, said Susan Huntington, an attorney and director of health care risk management for the insurer, which S&P does not rank.

Executive Risk has seen more and more malpractice claims filed related to managed care, Ms. Huntington said. Such suits typically allege that doctors made bad

diagnoses, that facilities lack staff, or that physicians are paid an insufficient capitation rate to ensure quality care.

In the next few years, Ms. Huntington predicted, there will be an increase in managed care-related malpractice claims filed against doctors and hospitals and, in some states, against the managed care organizations themselves, as a result of patient rights legislation.

"I would characterize (the increase) as a tsunami," she said.

For a copy of the S&P report, or a complete listing of its ratings, visit its World Wide Web site at www.standardandpoors.com

St. Paul is 'unwilling to aggressively compete for new business under the terms and conditions now present' in the medical malpractice market, says Tim Morse.

business through history," Mr. Amsler said. "Being a mutual, we also understand our role is to charge the lowest rate consistent with the solvency of the company."

S&P's Mr. Partridge said there are still many healthy physician mutual companies in existence.

"There are plenty of very strong doctors' mutuals," he said. "However, the competition we're seeing... is significant."

Not all of the competitors, however, are excited about vying in the present soft market—even those leading the industry.

"We simply are unwilling to aggressively compete for new business under the terms and conditions that are now present in the marketplace," said Tim Morse, president of St. Paul's Medical Services Division. With \$402.7 million in premiums, St. Paul was in 1997 the second-largest underwriter of medical malpractice insurance, S&P reported, trailing first-place CNA Insurance Cos. by \$6.4 million.

"A marketplace correction is in the offing," Mr. Morse added, pointing out that St. Paul had, for the first time in 12 years, instituted across-the-board rate increases for medical malpractice insurance last year.

Insurers, more than before, are

medical malpractice insurance as part of complete packages of

Comp

Continued from page 2
 from 101%.

In addition, preliminary data from a new "price factor analysis" shows that insurers operating in the 37 states where the NCCI provides ratemaking services in 1997 deviated a total of 18.3% below prices they needed to charge. The analysis looks at the combination of competitive pricing, schedule rating for individual accounts, and dividends, according to an analysis by Nicholas J. Lannutti, NCCI senior vp and chief actuary. That's the worst outcome in eight years in the NCCI's analysis, according to his calculations.

In addition, other factors are contributing to insurers' poor loss ratios and helping keep employers' premiums low, he said. Those include the continuing availability of reinsurance, despite some recent losses; a leveling off in the number of high-deductible poli-

cies; some former self-insurers purchasing low-cost traditional coverage; the upcoming creation of a new state fund in Nevada on July 1; and continued availability of a "no coverage option" in Texas.

Other worsening statistics included deterioration in the lost-time claim frequency for workers from -4% in 1996 to -1% in 1997.

In addition, there has been a four-percentage-point drop in workers comp insurers' pretax operating gains ratio. According to preliminary statistics, they were 15% in 1998, down from 19% in 1997.

Preliminary 1998 statistics, which remained essentially unchanged from the year before, included the \$24 billion estimate of workers comp premium volume.

In addition, Mr. Lannutti delivered some good news to insurers: The average market share of residual market pools declined to 5% from 8%, according to preliminary 1998 calendar-year data. **BI**

READER REPLY SERVICE

now available online at www.businessinsurance.com/magazine

PRODUCTS & SERVICES LISTING

Issue of April 19

Reader Service #	Advertiser	Page #	Reader Service #	Advertiser	Page #
—	ABD Insurance Services	25R	11	General Reinsurance	12-13
—	AIG Corporate	40	12	GENEX	4
1	American Equity Underwriters	33	—	Humana Workers Compensation	6
—	American Insurance Assoc.	26	13	InPhoto Inc.	20
2	ARAG Group	18	14	Insurance Overload Systems	30
3	Berch Street Corporation	19	15	Liberty Mutual	7
4	Burnham Systems	32	16	Matrix Absence Management	31
—	Business Insurance	22,25	17	Network Management	17
5	Carvil America, Inc.	30	18	Phico Group	21
6	CNA/Investigative Options	18	19	Pyramid Services inc.	32
7	Commonwealth Risk Service	27	—	Swiss Life	28
—	Copenhagen Re	20	—	Swiss Re America	11
—	CoreSource	26	—	The Hartford - BBD Group	14-15
—	Delta Dental Ins. Plan	25R	—	Travis Software	33
8	Employers Reinsurance Corp.	17	—	Wausau Insurance Companies	5
7	Facts Services Inc.	32	—	XL Midocean Re	9
10	Frontier Insurance Co.	10			

To obtain free information on the products and services advertised:

- go online to www.businessinsurance.com and click on **MAGAZINE** then select "ACCESS CURRENT ADVERTISERS"
- fax this coupon to BI's Reader Service Center at 312-922-3165
- mail this coupon to:
BUSINESS INSURANCE, Reader Service Center
 650 S. Clark St., 6th Fl., Chicago, IL 60605-1702



Business Insurance

FREE LITERATURE FOR READERS

Issue Date: APRIL 10, 1999

Card Expiration: JUNE 19, 1999

All questions must be answered to process inquiries.

PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

- My organization is best described as:
 Mfg/Svcs Ins Agent Adj/Apprs
 Association Ins Broker TPA
 Union Ins/Reins Co Health care
 Government Consultant Inst
 Educational Inst Actry/Attorney Other _____
- Number of employees:
 150 or less 151 - 499 500 - 999
 1,000 - 4,999 5,000 or more Unknown
- My title is best defined as:
 Administrative Mgt Benefits Mgt
 Financial Mgt Loss Prevention Mgt
 Risk Mgt Other _____
- My purchasing involvement for the requested products is to:
 recommend only specify approve
- Do you now receive a personally addressed copy of Business Insurance?
 Yes No, so please send subscription info

Circle the numbers below that correspond to the companies listed on our Advertiser Index for the April 19, 1999 issue. Cards with more than 20 items circled will not be processed. This card expires June 14, 1999.

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

Please print clearly

Name _____
 Title _____
 Company _____
 Address _____
 City _____ State _____ Zip _____
 Phone () _____ Fax () _____

Business Insurance

REPRINT SERVICES

BI's Reprint Department can provide reprints, in quantities of 100 or more, of any article appearing in the weekly newsmagazine. Legal permission, complying with U.S. copyright laws, also can be provided to companies wishing to reprint on their own, material appearing in the newsmagazine. For information, call or fax:

312/ 649-5319

SERVICES

ARTICLE FAX SERVICE

For article photocopies sent by fax on the same day, call us with your credit card information, specify BI issue date and article headline. The charge is \$7.50 per copy/per article. In-publication directories are not available by fax. For article photocopies call:

312/ 649-5398

Commentary

A kindred vision of Bermuda

I wasn't so smart after all, as my dear friend H. Felix Kroman has politely pointed out to me.

Responding to a column in which I bragged that I had the foresight to declare in the late 1970s that Bermuda was the third insurance market to the world behind New York and London, Felix wrote that the column had "hit a chord with me."

I was quite flattered by that initial response from risk management's pre-eminent seer and the editor and publisher of Risk Management Reports, until I read on:

"In a speech in Bermuda in 1972 (I was the last speaker, talking to a room with fewer than 10 registrants left, on a typical warm and sunny Bermuda day), I suggested that Bermuda could become a third market, comparable to that in the securities field where buyers and sellers deal directly. The idea attracted no attention, so I let it drop until 1976, when I resubmitted it in the January/February issue of Risk Management Reports."

He went on: "I continued the prediction in the January/February issue of Risk Management Reports in 1978. My original idea was that Bermuda could become a 'third market' in two ways: First, as a place where buyers and sellers of risk financing could deal directly, and, second, as a place where the 'by the book' underwriting then found in the U.S. could meld with the 'seat of the pants' underwriting that prevailed in the U.K., bringing forth a new synthesis of underwriting that would combine the best of the older two worlds."

As I had admitted in my column that I had never envisioned the diversity, size and scope of the Bermuda-based companies to come, Felix wrote: "Bermuda has obviously moved well beyond both of

these ideas. In conjunction with other jurisdictions that have legislation and regulation favorable to captive insurers and related financing organizations, Bermuda represents a new wave of innovative thought and practice in risk financing."

He was most kind when he ended his letter by saying: "We both predicted a prominence that has come to pass."

Felix attached copies of his articles, and as I read on I decided that I won't yield entirely my good instincts to his much earlier foresights, but he does indeed deserve credit for spotting Bermuda's promise before I did.

In 1976, however, Felix was viewing captives as the "third market," after admitted companies and the surplus lines market, while a few years later I was envisioning a commercial insurance center in Bermuda third only to New York and London.

Still, he was on track when he also observed that four insurers on his list of captives had "moved away from the 'pure captive' concept toward the creation of a 'profit center' for their sponsors through the underwriting of outside risk. These companies may well be the forerunners of the third market."

Felix and I will, of course, keep track of each other's prognostications.

■ Reader response to my column on conference etiquette was more verbal than written. I was surprised last week in Dallas by the scores of people who said they had read my column and hoped attendees at the Risk & Insurance Management Society Inc. conference would take it to heart.

I'm sorry to report that I heard from too many people attending RIMS that the cell phones still were ringing during conference sessions and that attendees were coming and going from session rooms with more frequency than would be tolerated by fellow fans at a sporting event. I felt really guilty, however, when a BI staffer confessed to me her distress in a session when a fit of sneezing forced her to retreat to the back of the room from the front row in search of a coffee napkin. Such circumstances necessitate exceptions to the "sit down and shut up" rule.

I'm thinking about dismounting this high horse, because I also feel a little uncomfortable being dubbed the "Miss Manners of the Insurance Business," as a friend suggested last week.

Publisher and Editorial Director Kathryn J. McIntyre's column appears fortnightly.



Kathryn J. McIntyre

Stakeholders' competing concerns at heart of debate

By MEG FLETCHER

ORLANDO, Fla.—The U.S. workers compensation system is facing several thorny public policy issues, say regulatory and insurance experts.

However, opinions differ as to what these problems are, as well as how they should be solved, because of the historical tension among the stakeholders—the employer or its insurer, the worker, and sometimes the regulator.

These stakeholders' differing perspectives were aired during the recent annual issues symposium hosted earlier this month by the Boca Raton, Fla.-based National Council on Compensation Insurance, a rate filing and data collection agency.

For example, a workers comp rate filing organization such as the NCCI is concerned about increased competition among companies seeking to be designated as multiple statistical agents.

Workers comp insurers are concerned about proposed federal and state legislation involving patients' rights and medical records privacy, which insurers say would delay the processing of claims and increase

costs. Insurers also are concerned about increased efforts by workers and claimants' attorneys to challenge both exclusive-remedy provisions and recent pro-business changes in legislatures.

At the same time, there is a growing perception among workers

"I think we have some real problems looming ahead of us," Mr. Burton said of the trends.

The challenge, experts say, is to resolve system problems in a fair way that balances stakeholders' interests.

One of the newest challenges facing the workers comp industry is coping with concerns caused by competing statistical agents.

"To regulators, the public policy issues are fairness and economic equity," said Joseph Edwards, a workers compensation consultant from Readfield, Maine, who was superintendent of Maine's Bureau of Insurance from 1987 to 1991. Regulators want employers' experience-rating modification factors to be accurate and credible and enhance—rather than undermine—worker safety, he said.

From an employer's point of view, the concept of multiple statistical agents may offer marginal benefits in reducing costs. But it also would create uncertainty due to higher frictional costs and may mean less privacy, said Kathleen A. Muedder, vp-workers compensation for Royal & Sun Alliance USA in Charlotte, N.C. "I'm not sure, long-term, that small employers would be served better," because the employers' data may become less credible, she added.

For the non-profit NCCI, the biggest concern is the credibility of rates and the volatility of costs,

See NCCI on next page



'To regulators, the public policy issues are fairness and economic equality,' says Joseph Edwards, a workers comp consultant.

that the system is unfair since they have seen benefits drop at the same time insurer profits rise, according to John F. Burton Jr., dean of the School of Management and Labor Relations at Rutgers University in New Brunswick, N.J.

During a panel discussion, he said workers favor additional legislation to help protect their rights as patients and the privacy of their medical records. Workers continue to seek legislative solutions, despite courts' reluctance to uphold worker suits brought under the Americans with Disabilities Act, he said.

"The surprising thing about the ADA is how ineffective it is," because workers have won relatively few lawsuits brought under its provisions, he said.

NCCI makes service its focus

Agency aims to listen what its customers have to say

By MEG FLETCHER

ORLANDO, Fla.—The National Council on Compensation Insurance is taking several steps to change its culture to one more focused on customer service.

Instead of simply outlining rules and asking customers to follow them, the NCCI now is trying to focus on listening to what customers themselves say they need and want, said Bill Schrepf, president and chief executive officer of the Boca Raton, Fla.-based advisory rate filing and data collection agency.

"I think that is a significant change in the NCCI's historic approach," he said during the NCCI's annual issues symposium earlier this month in Orlando, Fla.

In the coming months, insurers and other customers will see the NCCI's new focus demonstrated in several ways, he said. For example, there will be increased use of computers to streamline data submission and deliver experience modification factors electronically. In addition, the NCCI plans to re-engineer its rate filing process, develop standardized reform proposals and redesign its Web site to make it more interactive and informative.

The NCCI has adopted this new direction during Mr. Schrepf's first nine months at the organization's helm (BI, June 8, 1998).

The shift stems from a realization that little of the value the NCCI produces for the industry is easily measured by profitability or return on equity, he said.

"We need to continue to build the company, to build regulator

and company confidence and trust through responsiveness, through collaboration and through improved communications," he said.

Specifically, the NCCI is now focusing on three core services it considers critical to the success of the workers comp system: ratemaking and monitoring regulatory activity; experience rating and other risk services; and man-



aging residual markets in several states. What NCCI sets the value we offer and can deliver in terms of our experience, our knowledge and the core services that we provide to the industry," Mr. Schrepf said.

One of the biggest challenges the NCCI faces is competition, primarily from Insurance Data Resources Inc., a subsidiary of the Insurance Services Office Inc., said Mr. Schrepf.

Although a Florida lawsuit still is ongoing, the parties are working to write up an agreement in principle to resolve the dispute over intellectual property rights to workers compensation data and its uses (BI, March 22).

"Hopefully, our agreement with ISO, assuming it can be brought to a final resolution, will assure that we'll have a single database, a single infrastructure and a single rate filing," Mr. Schrepf said.

Specifically, the proposed agreement calls for the NCCI to create and maintain a single

database for experience modifications for a single rate filing in states where rate filings or loss cost filings are required, he added.

However, he said, many challenges and questions remain, including cost sharing, regulatory initiatives and all parties' willingness to commit to the creation of a single long-term infrastructure.

In addition, Mr. Schrepf predicted there will be efforts in the future to develop alternative class systems and alternative experience rating plans, as well as initiatives to go to a company-based—rather than state-based—ratemaking system. If these changes occur, "we will gradually see some erosion of the national databases, class ratemaking and interstate mods as we move forward," he said.

The NCCI has taken other steps to implement its new customer-centered focus, including committing itself to financial self-sufficiency rather than maximizing return on investment, he said.

To improve its financial condition, the NCCI tightened operating costs to reduce borrowing, trimmed staff, and decided to consolidate employees from three locations into one new building it is constructing.

The organization also is working to re-establish its preferred level of surplus, which is \$20 million.

In addition, the NCCI is "on track" with compliance efforts for the Year 2000 computer problem, and it expects to complete its testing by mid-year, Mr. Schrepf said.

NCCI

Continued from previous page
said Helen J. Westervelt, president of the NCCI's regulatory services division. Judging from the NCCI's experience in Florida, she said, having multiple statistical agents may further delay the time it takes to transfer data within the workers comp system (BI, Nov. 16, 1998).

In Arizona, an NCCI competitor was chosen as the state's statistical agent even though it was not the lowest bidder, she said. The NCCI is appealing that decision.

The debate about the appropriateness of having multiple statistical agents "is really causing us (regulators) a lot of concern," remarked Mona T. Carter, director of the Kentucky Insurance Department's Property and Casualty Division.

As an audience member, Ms. Carter urged insurers to speak out on the issue, especially before the National Assn. of Insurance Commissioners, where she is chairing a subgroup studying the issue.

Meanwhile, workers comp insurers have several concerns, including bills pending in Congress

and several state legislatures that would enhance privacy and patient rights. The legislation, if passed, would delay the processing of claims and increase costs, according to industry trade groups.

"Employers are living in a never-never land. They aren't seeing

Workers have a growing perception that the U.S. workers comp system is unfair, says John F. Burton Jr.

the effect yet," said John B. Lennes Jr., vp and director of workers comp/health for the Alliance of American Insurers in Downers Grove, Ill.

Challenges to exclusive-remedy provisions and to recent workers comp reforms further worry insurers.

We are in for "some rough sledding" from bills introduced by unions and claimants attorneys to repeal reforms of the past several years, said Barry I. Llewellyn, di-

visional vp of the NCCI's Regulatory Services Division.

Workers have a growing perception that the U.S. workers comp system is unfair, as insurers' profits remain high at the same that studies show benefits are dropping, Rutgers' Mr. Burton said.

The trend toward workers receiving lower benefit amounts has been documented in several recent studies by the National Academy of Social Insurance, the Rand Institute and the Workers Compensation Research Institute, he said.

However, Mr. Llewellyn described that interpretation as an "oversimplification." There may be some positive explanations for workers receiving lower benefits, including eliminating fraudulent claims and reducing the number and severity of claims through enhanced safety efforts, he said.

Workers still favor legislation as a way to help their situation and are now focusing on better protecting their rights as patients and the privacy of their medical records, Mr. Burton said.

Workers have yet to become disillusioned by the negative impact court interpretations have had on implementing the Americans with Disabilities Act, he said. **BI**

NCCI discusses status

ORLANDO, Fla.—About 520 people attended the annual issues symposium hosted by National Council on Compensation Insurance Inc. earlier this month at the Hyatt Regency Grand Cypress Resort in Orlando, Fla.

The Boca Raton, Fla.-based NCCI is the nation's largest advisory rate filing and data collection agency for workers compensation insurance.

The current status of the organization itself was among the several topics discussed by individual speakers and panelists.

The NCCI underwent several

changes last year, including the appointment of a new president (BI, June 8). Its board also decided to turn away from becoming a

for-profit information company, or merging with one, such as the New York-based Insurance Services Office Inc. However, the NCCI now faces a minor—but growing—competition (BI, Nov. 16, 1998).

A key new goal for the NCCI, which provides basic ratemaking services, is to enhance its support services through increased communication with its members.

NCCI speakers demonstrated their general desire for enhanced

communication by asking audience members to participate in an interactive response system throughout the meeting.

Each audience member was given a wireless keypad and asked to select answers to several questions. Results were immediately tallied and presented on two large screens as pie and bar charts, which showed the percentage breakdown of respondents favoring each answer.

Next year's annual symposium is scheduled for April 26-27 at the same location. NCCI can be reached at 750 Park of Commerce Drive, Boca Raton, Fla. 33487; 800-622-4123; or on the World Wide Web at www.ncci.com.

circumstances, to receive damages from all parties in a case.

The enhanced consumer protections have won the support of at least one Democrat who voted against the original McCain bill. Sen. Ron Wyden, D-Ore., is expected to cosponsor the bill when it comes to the floor.

The measure is strongly opposed by the plaintiffs bar, and neither the McCain nor Hatch bills received much Democratic support when they were approved by their respective committees. Supporters expect a fight to cut off any filibusters when the substitute measure is introduced.

American Insurance Assn. President Robert E. Vagley urged support for the revised version of S. 96 in an April 15 letter to senators. "A key issue of concern to AIA members and their employees is providing a predictable and fair framework within which the courts will consider Year 2000 disputes," he wrote.

Mr. Vagley in his letter called on senators to vote for cloture to cut off both debate and the final bill.

Meanwhile, the House companion bill to S. 461—H.R. 775, the Year 2000 Readiness and Responsibility Act—drew both cheers and jeers as witnesses commented upon it before the House Judiciary Committee last week.

That not all businesses support the proposed liability limits was evident during a hearing before the House Judiciary Committee last week. Mark Yarsike, president of Produce Palace

International, a supermarket in Warren, Mich., filed the nation's first Y2K-related suit after a \$100,000 scanner system refused to accept credit cards (BI, Aug. 25, 1997).

"This bill being considered today would have put me out of business. It would have literally forced me to shut down my doors and lay off my employees. I don't say that lightly. I know that Congress is trying its best to solve a difficult problem. My message for you is this: Be very careful, because the current system works. It worked for me. It works for thousands of others. Don't punish small businessmen like me who may well need to go to court to get some measure of relief when a problem not of their making threatens their very existence. Don't paint me a villain simply because I am given the title of plaintiff in remedying the situation," he said.

After recounting his experiences and suggesting several alternative legislative responses to the Y2K problem, including making more Small Business Administration loans available to small businesses, Mr. Yarsike said: "If Congress is hell-bent on passing some kind of liability protection bill for large software manufacturers, at least exclude small businesses who may end up being plaintiffs because they suffer commercial loss from software defects. Let the big guys cope with this new scheme if they want, but not us who have to make payrolls and who need the protection of state laws." **BI**

Updates

Centre writes surety coverage

NEW YORK—Centre Solutions has written a surety coverage for a \$60 million notes issue by Chilean airline Lan Chile that will limit the insurer's loss if the airline's credit rating drops.

The deal is the first credit enhancement deal in Latin America for Centre Solutions, a New York unit of Zurich Financial Services Group.

Under the terms of the contract, Centre Solutions will pay any shortfall in principal and interest payments payable by Lan Chile on the seven-year notes issued on March 31.

However, if Lan Chile's current credit rating of BBB+ falls to BB- or below over the seven years, some of the airline's U.S. credit card receivables will be paid to Centre Solutions, said Jeff Bowersock, vp at Centre Solutions.

The structure of the coverage protects Centre Solutions against a gradual decrease in the credit rating of Lan Chile, but if the airline were to fail during the term of the notes, the insurer would be, like any other unsecured creditor, without any special recourse, he said.

Stirling Cooke attacks lawsuit

HAMILTON, Bermuda—Stirling Cooke Brown Holdings Ltd. is attacking a civil racketeering lawsuit filed against it by Odyssey Re (London) Ltd. as a baseless attempt "to avoid its legitimate reinsurance obligations."

Odyssey Re filed suit in New York federal court last month, charging that Stirling Cooke, along with one of Odyssey Re's own managing general agents and several others, conspired to use Odyssey Re as a dumping ground for underpriced U.S. workers compensation business (BI, April 5).

The placements, allegedly disguised as low-risk personal accident risks, have saddled Odyssey Re with at least \$35 million in losses and have allowed Stirling Cooke and other defendants to pocket fees and commissions totaling more than \$15 million, the reinsurer charged.

In a statement, Stirling Cooke Managing Director Nicholas Brown said that its business with Odyssey Re "was placed lawfully and in a manner consistent with established brokerage practices in the London market."

"The foundation of Odyssey Re's claim—that American workers compensation business is not encompassed by 'personal accident' business in the London market—is unsound," he said. "In the London market, personal accident business traditionally includes the health and accident portion of U.S. workers compensation risks."

Mr. Brown accused Odyssey Re of trying to avoid its obligations and using federal racketeering laws "to circumvent binding arbitration clauses in their reinsurance contracts."

Officials of Fairfax Financial Holdings Ltd., Odyssey Re's parent, could not be reached, and a lawyer representing the reinsurer declined to comment.

Briefly noted

Mathis Cabiallavetta will join Marsh & McLennan Cos. Inc. as vice chairman. Mr. Cabiallavetta has served on the company's International Advisory Board since 1993. . . . The **Virginia General Assembly** has given its final approval to three insurance-related measures: a bill that would partially deregulate workers compensation for large risks, a bill that would place new restrictions on the sale of structured settlements, and a bill that would provide some liability protection for businesses facing Year 2000 computer-related lawsuits. Republican Gov. James Gilmore had approved all of the measures, subject to his own amendments, and the General Assembly had to vote on the amended versions in a special one-day veto session earlier this month. . . . The **Pension Benefit Guaranty Corp.** is taking over the pension plan of bankrupt discount store operator Venture Stores Inc., which is being liquidated. The plan has about 4,300 participants and is underfunded by \$1.7 million, with liabilities of \$19.1 million and assets of \$17.4 million. . . .

Chubb Corp. will likely have a license to operate in certain Chinese provinces by the end of 1999, said Dean O'Hare, chairman and chief executive officer. Last week Chinese regulators informed Chubb executives that the Warren, N.J.-based insurer should apply for a license. Such action is usually preliminary to granting a license, Mr. O'Hare said. . . . Rep. Cass Ballenger, R-N.C., has formally introduced five bills that seek to make targeted reforms to the **Occupational Safety and Health Administration** (BI, April 5). One of the bills would provide protection for employers that conduct self-audits to uncover health and safety hazards in the workplace. Another would require OSHA to base proposed regulations on industry-specific information about costs and risks under most circumstances. The other three bills deal with whistleblower protection, employer-employee workplace safety committees and relief from some OSHA penalties for small businesses. . . . A new **commercial and personal lines deregulation** law in Kansas, which takes effect July 1, exempts from rate filing requirements policies for large companies that meet specific criteria (BI, Feb. 22). . . . An unauthorized health insurer, the **National Employees Health & Welfare Fund** of Harrison, N.J., has agreed to stop writing business in North Carolina, the state Insurance Department says. The fund is sponsored by a union, the National Employees Union, and affiliated with the National Employer Benefit Assn., an employer group. The North Carolina Insurance Department found that NEBA was soliciting former policyholders of the National Assn. of Business Owners & Professionals Inc., operator of another purported union-sponsored plan taken over by federal regulators last year; and that three of the four people running NEBA formerly worked for NABOP or its affiliates (BI, Jan. 11). . . . The Florida Insurance Department last week charged 23 people in 11 cities with various **workers compensation-related crimes**, including making false job-injury claims, altering payrolls to reduce workers compensation premiums and operating without workers comp coverage.

Y2K

Continued from page 1
a Hatch-McCain substitute," he said.

Both S. 96, sponsored by Senate Commerce Committee Chairman John McCain, R-Ariz., and S. 461, introduced by Senate Judiciary Committee Chairman Orrin Hatch, R-Utah, would encourage the use of alternative dispute resolution, give potential defendants a specific time to fix Y2K problems, provide for proportional rather than joint-and-several liability, and cap damages that can be levied against corporate directors and officers. Both bills also would limit punitive damages awards.

Mr. Peyton said a draft of the substitute bill contains changes to certain of the provisions of both bills. For example, it specifies that there will be no cap on punitive damages where a jury finds "an intent to injure" on the part of a defendant. The measure also changes the provision that granted protection to defendants who made a "reasonable effort" to fix problems.

A spokesperson for Sen. McCain said the revised measure also allows plaintiffs to supersede the mandatory waiting period during which potential defendants can fix problems before being sued. They could do so seeking immediate injunctions against defendants who don't make the effort to fix problems. The new measure also would expand liability to allow a plaintiff, under some cir-



Parity

Continued from page 1

1996 law, the law had little impact on plan costs, as plans could be redesigned, said Michael Jeffrey, a consultant in the Baltimore office of William M. Mercer Inc.

"It is a law without any real teeth," said Mary Case, a principal with PwC Kwasha in Teaneck, N.J.

Sen. Domenici acknowledges that the 1996 law was only a first step toward mental health care benefits parity.

"Ways are being found around the law by placing limits on the number of covered hospital days and outpatient visits. That is why I believe it is time for a change," he said.

It is a change, though, that employer groups vow to resist.

"This is something that takes us down the wrong road," warns Paul Dennett, vp-health policy at the Assn. of Private Pension & Welfare Plans in Washington.

If employers have to comply with a mental health care benefits parity law, it could lead to cutbacks in other benefits that employees value, some say.

"The (benefits) balloon does not expand indefinitely. If expanded in one area, it will necessarily contract in another," Mr. Dennett added.

But legislators say there is no bona fide reason that coverage for mental health care services should be treated any differently from coverage for physical ailments and illnesses.

"The human brain is the organ of the mind. Just like the other organs of our body, it is subject to illness. And just as illnesses to our other organs require treatment, so do illnesses of the brain," Sen. Domenici said in a statement.

Provider groups welcome congressional intervention. The legislation, if passed, will help millions of people who need psychological care, said Russ Newman, executive director for professional practice with the American Psychological Assn. in Washington.

"There is tremendous value in employees having good mental and physical health coverage," said Marilyn Richmond, the APA's assistant executive director for government relations.

Some Washington observers say it is too early to say whether Congress will act on either bill.

"It is hard to make real solid predictions on these kinds of things. This could go down to the wire," said R. Lucia Riddle, vp-government re-

lations with The Principal Financial Group in Washington.

Others say there is considerable congressional interest in the issue, and that such interest could spur action.

"This is not a run-of-the-mill issue. It is a very potent one. It is an issue that many congressmen have had personal experiences of their own," said Frank McArdle, a consultant with Hewitt Associates L.L.C. in Washington.

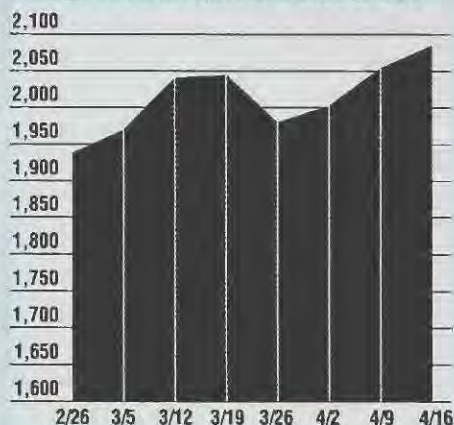
If either bill is enacted, it would continue a recent trend of what business groups critically describe as "legislation by body part."

That trend began in 1996 when Congress passed the first mental health care benefits parity bill, as well as another bill that requires health care plans to offer mothers and their newborns 48 hours of inpatient coverage after a normal vaginal delivery and 96 hours of coverage after a Caesarean section.

And last year, Congress passed legislation that requires health plans offering coverage for mastectomies to cover reconstructive surgery on the same basis as other surgical procedures.

In the wake of this growing list of mandates, "employers are losing their ability to design a benefit plan that fits their employees' needs," said Ms. Riddle. **BI**

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc. (nordby.com) Boulder, Colo.

PCS catastrophe options

As of April 16	Call spread	Price bid/ask	Call spread	Price bid/ask
National Annual 1999	40/60	13.0/18.0	California Annual 1999	60/80 1.2/2.3
60/80	6.0/—	80/100 1.0/1.9	150C	0.5/2.5
80/100	5.0/—	Western Annual 1999	80/100	0.5/2.2
150C	6.0/8.0	Midwest June 1999	10/20	1.2/—
200/250	4.0/—	Florida Sept./Dec. 1999	100/150	2.6/—
Southeastern September 1999	40/60	2.8/—		
60/80	2.3/3.0			
80/100	2.0/2.4			
Eastern September 1999	40/60	3.3/—		

Total volume: 0 Total open interest: 10,679

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

Companies	Price pence	P/E	Div. pence	Yield %	52-week high-low
Gdn Royal Exch	376	5.8	10.0	3.3	385-331
Legal & Gen	731	23.7	14.5	2.4	946-670
Royal & Sun	529	18.9	23.0	5.3	633-455
Brokers					
Lmbt Fenchurch	82	6.4	5.7	9.0	90-58
JLT	221	9.7	12.0	7.0	226-166

Note: Prices are April 16 closings; other numbers from April 15.

Source: Nordby International Inc. (nordby.com) Boulder, Colo.

Aon

Continued from page 1

executives, running Aon "is really more than one person can do," Mr. Ryan said.

"RIMS is a microcosm of the challenge," he said, referring to last week's Risk & Insurance Management Society Inc. annual conference and exhibition in Dallas. "Mike and I were constantly engaged with our clients, and it's very demanding."

The appointment, he added, does not signal any retirement plans. "Obviously, this is a move that would position the further development of succession," Mr. Ryan said, "but there are no plans for me to step down."

"The company is in an early stage of development, and there's a great deal of work to do," he said. "I fully intend on continuing to engage in the development of strategy."

Mr. O'Halleran's promotion will not amount to much of a

change for the two men or the way Aon operates, they say.

Mr. O'Halleran, who joined Aon in 1987, said that he and Mr. Ryan already have been operating "for a long time as partners."

Their day-to-day responsibilities will be similar under the new arrangement, Mr. Ryan added.

"Mike might do what I would do on Monday, and I might do what he would do on Tuesday," he said.

Mr. O'Halleran has been president of Aon Group since 1995. Before joining the company, he had held senior positions at Wausau Insurance Cos., General Reinsurance Corp. and Alexander Reinsurance Intermediaries Inc.

Along with his new executive titles, Mr. O'Halleran also was named last week to Aon's board of directors. Also elected to the board as a new member was Lester B. Knight, vice chairman of Cardinal Health Inc., a Dublin, Ohio-based pharmaceutical distributor. **BI**

Reinsurer under review

Moody's may downgrade Enhance Re

NEW YORK—Rating agency Moody's Investors Service has placed financial guarantee reinsurer Enhance Reinsurance Co.'s AAA financial strength rating under review for possible downgrade.

Moody's downgraded another AAA-rated monoline financial guarantee reinsurer, New York-based Capital Reinsurance Co., down two notches to Aa2 last month (BI, March 15).

Moody's in part cited Enhance's diversification efforts. These new business lines "raise the potential for earnings volatility and risk of financial loss within the group, which could have a negative impact" on Enhance's financial strength, Moody's said in a statement.

An Enhance spokesman, who noted Moody's review is expected to take about three months, said,

"We've been very prudent in our diversification." He said: "I think what's really happened is we've been penalized for the success of these operations. They've grown very rapidly and it's got Moody's concerned."

Dan Gross, president and chief executive officer of parent company Enhance Financial Services Group Inc., said in a statement he is "puzzled and disappointed" by the action, which he said is unwarranted.

Separately, Enhance has named Martin A. Kamarck as president of its insurance businesses, a newly created position. Mr. Kamarck is responsible for Enhance Group's financial guarantee reinsurance business, as well as its three other lines: trade credit reinsurance, direct financial guarantee insurance and financial institutions credit insurance.

BI Industry Stock Report APRIL 12, 1999, THROUGH APRIL 16, 1999

BROKERS						INSURERS/REINSURERS						HEALTH MAINTENANCE ORGANIZATIONS											
Company	Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Year to date Vol.(000)	Company	Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Year to date Vol.(000)	Company	Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Year to date Vol.(000)			
Aon Corp	NYS	65.25	0.10	16.39	75.56	48.25	2023	CNA Surety	NYS	12.38	-1.98	-17.15	16.75	10.19	191	St. Paul Companies	NYS	29.38	-4.86	-16.07	45.44	28.06	4180
E.W. Blanch Holdings Inc.	NYS	54.69	1.86	17.14	60.00	34.89	325	EMC Insurance Group Inc.	NDQ	9.88	-15.96	-22.55	15.88	9.00	76	SCOR	NYS	52.63	-1.86	-19.04	72.75	50.00	14
Gallagher Arthur J. & Co.	NYS	48.38	-0.26	10.57	50.63	34.88	128	ESG Re Limited	NDQ	17.50	14.75	-11.67	27.50	12.75	135	SAFECO Corp.	NDQ	39.50	-1.10	-7.06	54.75	36.69	4184
Hib, Rogal & Hamilton	NYS	18.88	7.09	1.34	19.88	15.38	158	Enhance Financial Services	NYS	20.00	-3.03	-33.88	37.56	17.31	534	SCPIE Holdings Inc.	NYS	25.75	1.73	-14.35	38.38	24.38	NA
Kaye Group Inc.	NDQ	6.75	-10.00	-6.90	8.06	5.13	32	Everest Reinsurance	NYS	29.63	-5.77	-19.25	45.25	28.75	718	Selbels Bruce Group	NDQ	3.78	8.04	8.04	8.25	2.69	145
Marsh & McLennan	NYS	73.13	-3.78	23.68	79.75	43.38	3643	Executive Risk Inc.	NYS	71.56	-0.52	32.83	74.00	35.50	384	Selective Ins. Group	NDQ	18.25	1.39	-9.88	29.25	16.69	591
Poe & Brown	NYS	36.13	13.78	3.40	42.50	29.31	46	EXEL Ltd.	NYS	55.75	6.50	-22.10	83.25	55.75	2743	Terra Nova Ins. Co. Ltd.	NYS	22.56	2.27	-7.44	35.00	21.25	42
AVERAGE		1.45	8.20					Fremont General Corp.	NYS	18.25	6.95	-24.35	30.06	16.50	855	Tokio Marine & Fire	NDQ	61.50	2.50	4.46	62.88	39.00	173
								Frontier Insurance Group	NYS	12.25	6.52	-2.00	25.25	10.88	757	Torchmark Corp.	NYS	34.31	9.80	-1.26	49.81	30.69	1954
								Gainco Inc.	NYS	4.63	-2.63	-26.73	10.00	4.25	202	Transatlantic Holdings	NYS	75.06	0.17	-0.74	94.50	73.50	264
								Harleysville Group	NDQ	18.00	1.05	-29.41	28.50	17.25	314	Travelers Property Casualty	NYS	34.63	0.36	13.06	45.75	24.13	802
								Hartford Steam Boiler	NYS	37.06	3.85	-7.78	59.56	34.75	382	Trenwick Group Inc.	NDQ	26.25	-1.41	-17.00	41.75	25.50	40
								HCC Insurance Holdings	NYS	19.94	7.05	17.71	23.31	16.00	517	Unico American Corp.	NDQ	9.56	-1.92	-17.07	16.25	8.63	127
								ING Groep N.V.	NYS	58.00	0.43	-4.92	76.75	36.06	329	United Fire & Casualty	NDQ	25.44	6.54	-23.57	44.00	22.75	176
								IPC Holdings Ltd.	NDQ	19.50	0.00	-14.29	33.25	19.00	270	Unitrin	NDQ	32.31	2.17	-8.82	37.75	27.88	365
								Hartford Financial Services	NYS	58.44	0.75	4.70	60.00	37.63	2149	UNUM Corp.	NYS	46.88	6.23	-21.79	62.50	41.75	5291
								LaSalle Re Holdings Ltd.	NYS	13.75	13.40	-33.33	39.94	11.63	311	Vesia Insurance Co.	NYS	4.25	4.62	-26.09	59.00	3.38	378
								Lincoln National	NYS	93.63	-3.60	12.97	100.50	67.00	1445	Zenith National Ins.	NYS	23.38	-0.80	1.08	30.50	20.31	68
								MAIC Holdings Inc.	NYS	29.75	-0.83	-7.03	33.13	23.25	151	AVERAGE		0.56	-8.35				
								Markel Corp.	NYS	180.31	1.69	0.03	187.00	132.00	17								
								MBIA Insurance Group	NYS	58.06	1.31	-12.44	80.13	46.06	1873								
								Meadowbrook Insur. Group	NYS	15.00	5.26	-8.05	35.00	13.63	77								
								MMI Cos. Inc.	NYS	14.69	-3.29	-11.99	24.94	13.75	74								
								Mutual Risk Mgmt. Ltd.	NYS	39.00	-1.11	2.80	43.25	25.38	283								
								NAC Re Corp.	NYS	49.88	-6.01	8.83	55.88	43.69	350								
								Navigators Group	NDQ	14.25	-0.44	-6.56	19.50	13.25	39								
								NYMagic Inc.	NYS	13.63	6.88	-34.73	34.25	12.38	40								
								Ohio Casualty Corp.	NDQ	36.50	-1.18	-11.25	51.75	33.75	393								
								Old Republic Int'l	NYS	19.06	0.33	-11.08	32.25	17.94	2141								
								Orion Capital Corp.	NYS	30.19	-13.29	-22.97	59.25	28.00	1574								
								Partner Re Ltd.	NYS	39.56	0.00	-12.45	52.50	33.63	396								
								Perin-America Group Inc.	NYS	9.75	-2.50	5.41	20.88	8.13	30								
								PMA Capital Corporation	NDQ	20.13	0.63	3.88	23.75	16.63	73								
								Philadelphia Cons. Holding	NDQ	22.47	6.05	5.74	24.50	18.63	114								
								PXRE Corp.	NYS	21.25	10.03	-15.84	32.88	18.00	123								
								Reliance Group Holdings	NYS	7.69	-0.81	-40.58	19.81	7.44	4843								
								ReliaStar Financial Corp.	NYS	39.69	3.08	-11.31	52.44	29.00	2544								
								RenaissanceRe Holdings Ltd.	NYS	33.63	-1.82</												

Mergers and Acquisitions services

YOU did your homework. Everything was legal

and aboveboard. But somehow, something went wrong.

This is the real world companies live in. And if your company is not properly covered, the world becomes an ugly place.

How can AIG help? Take our Mergers and Acquisitions services. Few scenarios demand the speed and creative thinking that an M&A deal does. At AIG, we know that in any deal there is always a surprise, and it is never a good one.

We have the resources and industry-specific knowledge that allow us to guide you through most any M&A issue you face. So whether a deal is known or merely being contemplated, our M&A team is prepared to help minimize existing and potential liabilities to make deals happen.

And because our reputation is solidly backed by Triple-A-rated financial strength, you can rest assured that the AIG Companies will be there for you.

Who insures you?

No matter what the risk, no matter where the risk, the AIG Companies possess the experience and sophistication to help protect you from the unexpected.

Call your broker or e-mail m&a@aig.com to find out more about our Mergers and Acquisitions division.

What's the worst that could happen? That's what we think about every day.

AIG

WORLD LEADERS IN INSURANCE AND FINANCIAL SERVICES

ALL FORMS OF COMMERCIAL INSURANCE • PERSONAL AUTO AND HOMEOWNERS INSURANCE • LIFE, ACCIDENT AND HEALTH INSURANCE • RETIREMENT PRODUCTS AND MUTUAL FUNDS THROUGH SUNAMERICA • WWW.AIG.COM

When you did the deal
they said
the liabilities were
contained.
They weren't.