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Update

Cambridge Re liquidator issues first cash dividend to creditors

HAMILTON, Bermuda—Insolvent Cambridge Reinsurance Ltd. is declaring its first cash dividend to creditors, just four years after the Bermuda reinsurance subsidiary of Nova Scotia-based National Sea Products Ltd. collapsed with a deficit now estimated at $63.6 million.

Cambridge Re liquidator David Lines described the payment as a 4% dividend worth about $5.3 million.

"That's the equivalent of about half

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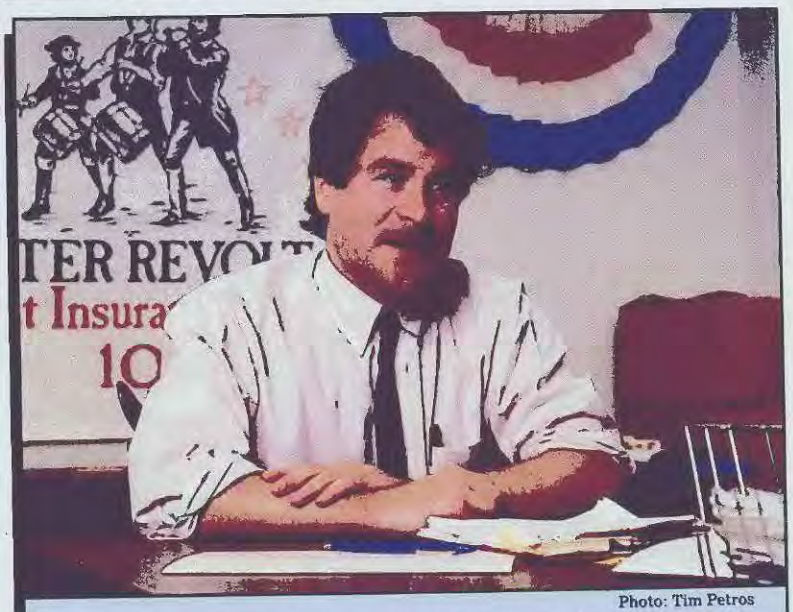


Photo: Tim Petros

Harvey Rosenfield is trusted by voters, blasted by insurers.

Prop. 103 chief: Insurers meet Robin Hood

By GLENN HUNTLEY

LOS ANGELES—Harvey Rosenfield is either a modern-day folk hero or an ill-informed leader of insurance reform, depending on which side of the Proposition 103 debate has the floor.

Either way, Mr. Rosenfield has become a powerful player in the insurance reform movement.

Mr. Rosenfield, 36, is a consumer advocate who had worked quietly behind the scenes for several years in various Ralph Nader-backed organizations before he rose to prominence last year as director of Voter Revolt, the Los Angeles-based group that sponsored Proposition 103.

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Exxon's spill cover totals $600 million

By STACY SHAPIRO and GLENN HUNTLEY

VALDEZ, Alaska—Exxon Corp. has at least $600 million of commercial insurance to pay pollution cleanup and liability claims stemming from the massive oil spill in Alaska's ecologically rich Prince William Sound.

However, Exxon probably does not have commercial insurance for the $137.5 million vessel and for the $5 million estimated value of the cargo because their value does not exceed Exxon's massive aggregate deductible program in the London market.

Exxon does maintain a Bermuda-based captive insurer, Ancon Ltd. The captive reported in its last publicly distributed financial statements, for 1984, that "Ancon insurers selected operations and risks of Exxon Corp., its affiliates and joint ventures."

Ancon had policyholder surplus of $799 million at year-end 1984.

In addition, Exxon is either uninsured or purchases coverage from Ancon for $200 million in pollution-related losses excess of $400 million. However, it has an additional $200 million in coverage for pollution losses excess of $600 million.

Information on Exxon's insurance program was pieced together from sources in the London market. Exxon would not comment on its insurance.

The March 24 oil spill—nearly 10.1 million gallons—is the largest in North American history.

Damages could skyrocket to the hundreds of million of dollars if the oil spill seriously disrupts the Prince William Sound fishing industry. Fisheries experts and government officials estimate the industry generates between $100 million and more than $200 million in annual revenues.

Exxon also may face punitive damages: The captain of the vessel was not at the helm at the time of the accident and he was intoxicated under Coast Guard blood alcohol content limits. A third mate who was not qualified by the Coast Guard to pilot the ship in the sound was at the helm when the vessel grounded.

The Alaska attorney general's office has begun a criminal investigation into whether drinking or use of improperly licensed crew members contributed to the grounding, said Larry Weeks, the state's director of criminal prosecutions.

In addition, Gov. Steve Cowper will seek to fine Exxon $25 million for violating state oil spill laws.

Exxon said it would be "responsive to all reasonable claims" made by local residents for oil spill damages. Claims offices were opened in Valdez and Cordova, Alaska, last week. But by Thursday, Exxon had not received any claims for damages, a spokesman said.

In addition, no lawsuits were known to have been filed late last week.

"We're proceeding to do all we can for cleanup without regard to cost," a company spokesman said.

But state, Valdez and fishery industry representatives were fuming last week at what they called a horrendously slow cleanup response by Exxon and Alyeska Pipeline Service Co., a consortium of eight companies including Exxon (see story, page 46).

Gov. Cowper has declared the sound a disaster area. However, the federal government has decided not to assume responsibility for the cleanup of the sound.

"This oil spill may well be the greatest disaster to hit Alaska since the Good Friday earthquake 25 years ago," Gov. Cowper said. That quake, which killed 114 people, caused $400 million in damage in Alaska.

About 240,000 barrels, or 10.1 million gallons, of Alaska crude oil spilled from the Exxon Valdez oil tanker after it collided early March 24 with a rocky reef 25 miles southeast of Valdez, where it had been loaded with oil from the Trans Alaska Pipeline.

The 987-foot tanker, owned by Exxon Shipping Co., a subsidiary of New York-based Exxon Corp., was moving out of a traffic lane when it struck the reef, the Coast Guard reported. It continued to travel south for 15 minutes until to went aground near Bligh Island,

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Reinsurers bid adieu to low combined ratios

By JUDY GREENWALD

Reinsurers, fearing that results will deteriorate this year, already are looking back upon 1988 with a certain degree of nostalgia.

"The results for '88 for reinsurers are probably pretty attractive numbers, by and large," said Paul Inderbitzen, senior vp for American Re-Insurance Co. in Princeton, N.J. "The '88 results still look pretty good."

The forecast for 1989 is not as rosy: Some reinsurance industry observers expect that combined ratios will increase by as much as four to five percentage points as softening rates charged by primary insurers begin to be reflected in reinsurers' results.

On a more positive note, however, most reinsurance executives say that reinsurance competition is not excessive.

"I would still categorize the competition as responsible competition," Mr. Inderbitzen said.

"Reinsurers seem to be knowledgeable as a group as far as what they're writing and terms and conditions they're willing to provide," he explained.

Competition "doesn't seem to be as bad as we expected it to be," agreed Steve Bensinger, senior vp and chief financial officer of Skandia America Reinsurance Corp. in New York.

However, the U.S. reinsurance industry's premium volume declined in 1988, primarily because of lower rates charged by primary insurers, according to a survey by the Wash-

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Photo: Atlanta Convention & Visitors Bureau

Peach of a conference

Atlanta has plenty of sights to offer attendees of the Risk & Insurance Management Society conference April 9-14, though Tara isn't among them. A takeout guide on Georgia's capital begins on page T1, opposite page 24.

NEWSPAPER

One-third of large employers will offer flex plans by '90: Study
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Update

Cambridge issues dividend

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the current cash in the Cambridge estate," said Mr. Lines, a Bermuda-based partner with accountant Coopers & Lybrand. "All things considered, I would say that this is a pretty good start and it's fair to say that we anticipate more dividends in the future."

Mr. Lines said full details of the payment schedule would be released this week.

Cambridge Re's co-liquidators—Mr. Lines and Gerry Weiss, a partner with Cork Gulley, a London unit of Coopers & Lybrand—have made uprecedented use of provisions in the century-old Bermuda Bankruptcy Act to actuarially determine the reinsurer's contingent liabilities, which in turn they believe will cut the time needed to liquidate Cambridge Re by 15 years (*BI*, March 16, 1987).

Stockholders lose claims bid

SPRINGFIELD, Ill.—The Illinois Supreme Court has shot down attempts by the stockholders of insolvent Security Casualty Co. to have their claims placed in front of all other creditors.

The shareholders of Security America Corp., the holding company for Security Casualty, argued that because they were defrauded when they purchased stock in the company, none of the money raised from the stock offering should ever have become property of Security Casualty to be distributed in the liquidation.

The high court disagreed, ruling that provisions of the state insurance code specifying how the assets of an insolvent insurer should be distributed cannot be altered.

Under the Illinois Insurance Code, the liquidator of an insolvent insurer must distribute a company's assets in the following order: administrative expenses and employee wages; policyholder claims; guaranty fund claims; general creditors' claims; holders of guaranty fund certificates, guaranty capital shareholders and surplus note holders; and, lastly, shareholders and owners of the insolvent insurer.

"This is the first time the court has come out and said that the comprehensive scheme set out in the insurance code is exclusive and that should prevent further litigation over the relative rights of competing creditors," said James Stinson of Sidley & Austin in Chicago, who represented the state Insurance Department.

Security Casualty attempted to solve financial problems in the early 1980s by transforming itself from a mutual insurance company into a stock insurance company. The company sold 2.75 million shares of stock at $6 a share, raising $16.5 million.

However, the company was placed into liquidation in 1981. (*BI*, Dec. 14, 1981; Aug. 31, 1981).

Security Casualty now has $7.3 million in assets, while claims total $61 million.

III ad campaign receives OK

NEW YORK—The Insurance Information Institute's advertising agency received the go-ahead last week to proceed with production of an ad campaign designed to enhance the property/casualty insurance industry's image, said Charles Clark, III executive vp.

The III's board approved the concept behind the campaign (*BI*, Jan. 23), permitting the agency, Hill Holiday Connors Comopulos Inc., to begin producing communications materials in connection with the campaign, he said.

Mr. Clark, however, refused to discuss the campaign's concepts because he said they have not yet been presented to the III's members. No budget has been set, though the III earlier hoped to raise tens of millions of dollars from its members for the campaign.

USF&G seeks ruling rehearing

CHICAGO—United States Fidelity & Guaranty Co. of Baltimore last week sought a rehearing of a sweeping Illinois appellate court ruling that the pollution exclusion in comprehensive general liability policies is ambiguous because it is not clear whether the exclusion applies to policyholders that hire a third party to dispose of their chemical wastes.

USF&G also is appealing several other pro-policyholder rulings handed down by the 1st District Court of Appeals last month (*BI*, March 20).

Attorneys for both the insurer and the policyholder say the decision is almost certain to be reviewed by the Illinois Supreme Court.

ARCO platform losses insured

LOS ANGELES—Atlantic Richfield Co. says property and liability insurance will pay losses stemming from explosions on two oil platforms in the Gulf of Mexico.

Seven people were missing following the explosions last month, and 13 people were injured. Gas that ignited from a leaking line is suspected as the cause of the explosion, said Edgar Germer, assistant treasurer at Los Angeles-based Atlantic Richfield.

One of the platforms "above the water line is probably totaled," he said. Damage to the other platform was "merely scorched paint," Mr. Germer said.

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Errors & omissions

- Information on Sirco Consulting Services Inc. did not appear in the directory of risk management consultants in the March 13 issue of *Business Insurance*. The company's listing appears on page 45.

- Two executives were incorrectly identified in a story about accountants professional liability insurance in the March 20 issue. Eric Apelgren is a vp at Admiral Insurance Co. in Cherry Hill, N.J. James Corcoran is vp-special operations with Homestead Insurance Co. of Hoboken, N.J.

Employers may bear cost for Medicare overpayments

By MICHAEL SCHACHNER

DETROIT—Group health care plan administration errors by Blue Cross & Blue Shield of Michigan may leave employers on the hook to reimburse the federal Medicare program for millions of dollars of health care costs the group plans should have paid.

In a lawsuit filed last month in U.S. District Court in Detroit, the U.S. government is seeking to recover millions of dollars from BCBSM for allegedly willfully violating a host of federal laws that mandate that Medicare is the secondary source of health care coverage for older workers and spouses who are covered by an employer-provided group health care plan.

However, BCBSM—which blames any errors it may have made on confusion created by the federal laws in question—says it already has returned to the government nearly $10 million in Medicare overpayments.

BCBSM collected those funds last year by either directly charging employers or increasing group plan premiums. And, BCBSM will use the same methods to collect from employers if the court rules that it owes the government money, a BCBSM spokesman said.

Approximately 60% of the group plans in question are self-insured plans for which BCBSM acts as third-party administrator. BCBSM underwrites group health care coverage for the remaining plans involved in the controversy.

The amount of money that Medicare is seeking cannot currently be determined, said a government spokeswoman. But, the amount sought in the suit exceeds $2 million, she said, adding that he final amount will be established during the trial.

The controversy stems from three laws enacted earlier this decade.

In 1982, Congress enacted the Tax Equity and Fiscal Responsibility Act, which amended the Medicare Act to make Medicare a secondary payer to employer group health care plans for active employees aged 65 to 69 and their spouses of the same age.

Subsequently, Congress enacted the Deficit Reduction Act of 1984, which held that employer-sponsored plans also are the primary payer for spouses aged 65 to 69 married to employees younger than 65.

And, the Consolidated Omnibus Budget Reconciliation Act of 1985 mandated that employer-provided group health care plans be the primary payer for active employees age 70 and older.

The lawsuit against BCBSM, filed by the U.S. Justice Department, explains that the Department of Health and Human Services, which administers Medicare, contracts with BCBSM to make payments on behalf of Medicare to beneficiaries in Michigan.

Prior to the enactment of TEFRA, the employer group health care plans insured or administered by BCBSM required Medicare to pay up to 80% of the total health care bills of plan beneficiaries eligible for Medicare benefits before the group plans would respond, court papers say.

The Justice Department alleges in the suit that BCBSM understood the Medicare reimbursement laws. However, BCBSM failed, either as a health insurer or self-insured plan administrator, to reimburse Medi-

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BI spotlights EBIS vendors in May issue

Business Insurance will publish its annual directory of employee benefit information systems in the May 22 issue, which will contain a spotlight report on computerized benefit information systems and trends in employee benefits design and administration.

There is no charge for employee benefit software vendors to be listed; however, to be included companies must request and return a questionnaire provided by *BI*.

If your company produces and supplies software products to corporate employee benefits personnel and you have not yet received a questionnaire, please request one by writing Christine Woolsey, Associate Directory Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-2590; or by calling 312-649-5460.

The deadline for returning completed questionnaires is April 24.

James exec sees new market crunch

By JUDY GREENWALD

NEW YORK—The property/casualty insurance industry appears headed for a hard market reminiscent of the tight marketplace of the mid-1980s, warns an insurance brokerage official.

Property/casualty insurers currently are following the same scenario that led to the last hard market, but at a heightened pace, said Charles L. Ruoff, senior vp at New York-based Fred S. James & Co.

However, Ronald L. Bornhuetter, president and chief executive officer of Greenwich, Conn.-based NAC Re Corp., said he believes that marketplace conditions will be relatively mild when the cycle turns, which he said could be as late as the January 1992 renewals.

Messrs. Ruoff and Bornhuetter made their market predictions during separate sessions during an insurance conference sponsored by securities firm Donaldson, Lufkin & Jenrette last month.

Mr. Ruoff believes that the only difference between the next hard market and the hard market of the mid-1980s—considered the worst ever—will be the duration of the preceding soft markets.

"It seems the only difference this time is we could accomplish in less than three years what it took us more than six to do before," he said.

"I still see 1990 as the year for a change in market conditions," he added.

Mr. Ruoff said property/casualty insurance cycles are caused by real or perceived excess capacity; a shift in the demand for insurance; the fundamental characteristics of uncontrolled competition;

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- Legislation introduced last month by Sen. David Pryor, D-Ark., is a flawed approach to overhauling Section 89, says this week's editorial. **PAGE 8**
- Some state regulators express concerns about restrictions on activities by insurance ratemaking organizations at the NAIC's spring meeting. **PAGE 10**
- Some alternative risk financing mechanisms could be seriously underreserved, says American International Group Inc.'s Maurice R. Greenberg. **PAGE 14**
- A new proposal to require employers to pay for the medical screening of workers with a high risk of contracting occupational disease draws fire from employers and insurers. **PAGE 21**
- In International Issues, Douglas Smith of Johnson & Higgins examines the benefits of a worldwide boiler and machinery policy. **PAGE 27**
- A Boeing Co. newsletter report confirms the company is conducting health studies on employees exposed to a form of radiation, contends an attorney. **PAGE 37**
- UNR Industries' reorganization plan calls for channeling asbestos bodily injury claims into a central claims-handling facility funded by company stock. **PAGE 44**
- Despite emphasis on new lines and niches, it is the standard types of commercial insurance that likely will continue to drag property/casualty insurers through the mud, says stock analyst Myron Picoult. **PAGE 47**

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Flexible benefit plan popularity grows

By DEBORAH SHALOWITZ

One-third of large employers will offer flexible benefit plans by 1990, an employee benefit consulting firm predicts.

Some 22% of employers with more than 1,000 employees in 1988 offered flexible benefit programs, up from 18% of large employers the previous year, according to a survey by A. Foster Higgins & Co. Inc., a New York-based benefit consulting firm.

Another 11% of large employers said they plan to implement flexible benefit plans this year and 25% more said they are considering implementing flexible benefit plans in the future. Based on this, Foster Higgins estimates that 33% of employers will offer flex plans by 1990.

By the middle of the next decade, 50% to 60% of large employers may have flex plans, predicted Frank J. DiBernardino, national practice leader and a principal in the Princeton, N.J., office of Foster Higgins.

The primary reason employers said they implement flexible plans is "to meet diverse employee needs," according to the survey of 793 employers, of which 174 offer flex plans.

Meeting cost-containment objectives was the second-most common impetus for implementing flex plans, the survey notes.

According to the survey, health plan costs were lower for employers with flexible benefit plans than for employers with traditional benefit plans. However, the survey authors noted that they could not categorically state that flex plans save employers money.

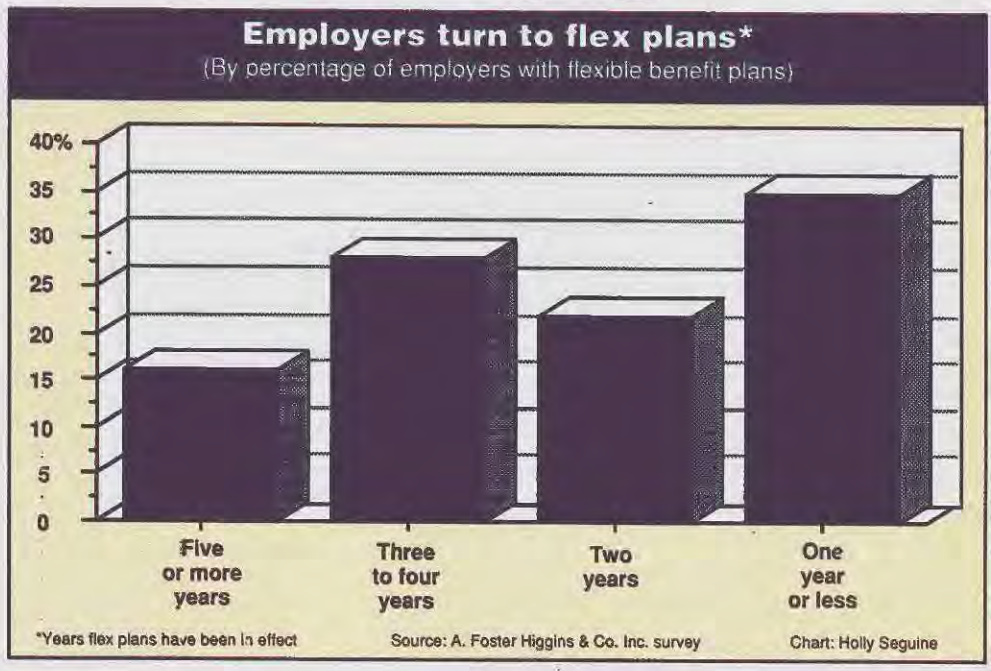
Total per-employee health costs in 1988—including employee contributions—averaged $2,280 for flex employers and $2,477 for non-flex employers, the study shows.

And, flex employers experienced lower health benefit cost increases than non-flex employers, according to the survey, which was released last week at the annual Employers Council on Flexible Compensation conference in Washington, D.C.

For example, in 1988 health care costs per employee rose 19.7% over 1987 levels for employers with flexible benefit plans, while the average increase in health care costs per employee for firms without flex plans was 24.7%, according to the survey.

However, survey results were inconclusive

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Prescription drug claims automation helps control costs

By DONNA DiBLASE

New prescription drug claims processing technology can enable employers to better control the costs of their benefit plans and possibly improve the quality of the health care their employees receive, some benefits experts predict.

This new technology consists of on-line, electronic claims processing that occurs when a covered employee orders a prescription at a pharmacy.

Basically, when filling a prescription, the pharmacist uses a computer system to verify an employee's eligibility for benefits, to check deductible or copayment amounts paid by the employee and to adjust the claim instantly.

With electronic claims processing systems, paperwork is eliminated. The pharmacy receives a check by mail from the insurer or drug plan administrator covering the costs of filled prescriptions.

In addition, on-line claims processing will make it possible for employers and insurers to review of prescription drug usage, the experts say.

"On-line claims processing enables you to manage a lot of things in a prescription drug plan," said Michael J. Barberi, a principal in the San Jose, Calif., office of William M. Mercer Meidinger Hansen Inc. and developer of a national prescription drug benefits consulting practice for the consultant.

For instance, the systems can be used to collect specific information such as the types of drugs that are prescribed for employees, the conditions they are prescribed to treat, which doctors are prescribing drugs and what other health conditions the employee has.

This information can be used to identify and avoid potential drug interactions or complications. Therefore, costs can be controlled and the quality of care can be improved because emergency room visits or hospitalizations for drug-induced illnesses can be pre-

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Mentor loses arbitration in Kemper treaty dispute

By ROGER SCOTTON

HAMILTON, Bermuda—Insolvent Mentor Insurance Ltd. cannot retroactively cede additional business to Kemper Reinsurance Co. and Kemper Reinsurance Co. of Bermuda under a 1981 retrocessional treaty, an arbitration panel says.

Mentor in 1984 attempted to retroactively cede an additional $23 million in premiums to the two Kemper units under the then-canceled treaty. Mentor said that it had only then discovered that the business had not been ceded to Kemper as planned.

Kemper attorney Nick DiGiovanni of Lord, Bissell & Brock in Chicago said that an actuarial study estimated that business will produce losses of $65 million to $90 million.

Mentor is insolvent by about $500 million, based on a report last year by joint liquidators Charles Kempe and Michael Arnold (*BI*, July 26, 1988).

The case marked "an attempt by Mentor and the joint liquidators to conduct a wholesale, retroactive cession of business," explained Mr. DiGiovanni.

Had the panel ruled differently, "it would have been disruptive to the entire insurance industry," said Mr. DiGiovanni, who noted that many other Mentor retrocessionaires besides Kemper agreed to be bound by the panel's ruling.

Mr. Kempe, a partner with the accounting firm of Arthur Young & Co. in Bermuda, said last week that he had just received the arbitration decision and could not comment.

The dispute centered on a surplus reinsurance treaty written for Mentor by the two Kemper Group units effective Jan. 1, 1981. The treaty was terminated at the end of 1983.

Disagreement arose in November 1984 when Mentor argued that its underwriters had failed to cede business to Kemper that Mentor management had intended to cede.

Kemper in March 1985 refused to accept the new cessions and demanded that the dispute with Mentor be arbitrated.

Mentor was ordered liquidated in June 1985.

Mentor argued that the language of the treaty—referred to in the arbitration as Treaty 19—required Mentor to cede to Kemper a portion of every risk it wrote, excess of a retention of 50% of the risk or $100,000, whichever was greater.

In addition, Mentor argued that the failure to cede the business fell under the errors and omissions clause in the treaty, and thus allowed Mentor to now cede the additional business to Kemper.

The article reads: "Errors and omissions inadvertently made shall not invalidate the liability to either party hereunder provided such errors and/or omissions are advised to retrocessionaires and rectified immediately on discovery."

However, Kemper argued that:

- Mentor never intended to cede to Kemper under the treaty a portion of all business that it wrote.
- The treaty cannot be interpreted to mean that it was mandatory that Mentor cede a portion of all business to Kemper.

The arbitrators ruled in favor of Kemper, noting that there was no justification to conclude that the treaty required Mentor to automatically cede a portion of all risks to Kemper.

The panel said there is not "any reason why the treaty should be construed as meaning anything other

Continued on next page

Gadgets help detect damage to cargo

By KARI BERMAN

CHICAGO—Electronically sensitive shipping monitoring devices are helping companies that transport expensive or sensitive products reduce their losses.

The devices, which range in sophistication from thermometerlike tubes to computer diskettes, can gauge the shock, humidity or tilt of a package during travel.

And, in addition to detecting mishandling during delivery, companies like computer manufacturers and fruit suppliers also are using the devices to test the best conditions in which to ship a package.

"The amount of time and profits lost to damage caused during the product transit cycle is a $1 billion problem annually, and instruments that offer damage prevention and protection can help control related claims costs," says William Augello, executive director and general counsel for the Shippers National Freight Claims Council in Huntington, N.Y.

These loss control devices are coming into even greater use as more computerized and technologically advanced equipment is being shipped to meet consumer demands, which increases the potential for damage claims, transportation risk management experts agree.

"Manufacturers are shipping significantly more expensive computer and electronic equipment, and that opens a lot of doors to a variety of risks," said Joseph Riccardi, president of the detector division in the Dallas office of Media Recovery Inc. of Graham, Texas, which manufactures shipment devices.



Photo courtesy of Media Recovery Inc.

Shockwatches let a company know when a package has been subject to a damage-threatening impact.

Because products often change hands several times during shipping, risk of product damage increases with every change, and "significant damage can occur between the time that it leaves the warehouse and arrives at its destination," Mr. Riccardi said.

Shock indicators not only are valuable for alerting the receiver of possible damage, they also shift the burden of liability from the manufacturer to the carrier, said Mr. Augello.

Transportation companies usually do not object to the use of the indicators as long as they are aware of the devices, he said. In fact, manufacturers report that carriers usually will pay for damages because they want to keep their business.

Media Recovery produces two types of shipment devices: Shockwatch, a device that measures force impact on a product; and Tiltwatch, which gauges the degree of tilt a package experiences.

"After the package has been turned over to the carrier, our products act as the manufacturer's eyes," Mr. Riccardi said.

"Once the product leaves the manufacturer, there is no way of knowing if it has been mishandled or damaged, and we help determine who is responsible if damage does occur," he added.

Shockwatch is a small device with a glass tube inside containing a liquid that changes color when exposed to an impact. The device is placed on the outside of a package.

When a package is exposed to a shock that surpasses the product's tolerability threshold point, which is determined

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Mentor Insurance

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than what it says. . .which, in so many words, is that the ceding company does not have to cede anything until it has fixed its retention, but once that has been done, it must cede, with the prescribed limits, all amounts in excess of the retention.

"However, if the ceding company was to fix its retention at an amount which is the same as the line it writes, then the ceding company would be under no obligation to cede anything to the treaty and there would be nothing the reinsurer could do to force (the ceding company) to do so," the arbitrators said in the 14-page ruling.

In addition, the panel ruled that Mentor failed to prove that failure to cede business to Kemper constituted an "error or omission."

Mentor's basic contention, according to the arbitration panel, was that a "consistent cession policy in respect of the use of Treaty 19 was in force."

The panel noted that a report by Donald Fox, a Mentor expert witness who is identified as being a London market broker and underwriter for 50 years, suggested that "by studying the cessions made to the treaty, it is possible to discern a pattern of cessions and that any deviations from that pattern may be considered to be errors and omissions."

In addition, former Mentor Chairman J. Douglas Higley told the panel in a videotaped presentation that Mentor had "a consistent policy with only very limited instances where the treaty would not be used."

Two handwritten notes in Mentor's treaty files supported Mr. Higley's assertion, the arbitrators said. The notes, written in red ink by Mr. Higley, instructed Mentor underwriters to retain the greater of 50% or $100,000.

But, the arbitrators observed:

Mentor underwriters 'were left very much to their own devices,' says Mentor's expert witness Mr. Fox.

"None of the members of the (Mentor) staff who gave evidence" at the arbitration hearing "could recall having seen these notes prior to September 1984, nor was it suggested that they formed the basis of any formal written memoranda distributed to the staff."

In addition, the guidelines used by the staff were "incomplete, confusing and did not specify any consistent pattern of making cessions," the panel said.

Even Mr. Fox, Mentor's expert witness, pointed out that Mentor underwriters "were left very much to their own devices.

"My investigation of many of the Mentor files indicates that there was inconsistency in the manner in which cessions to the surplus treaty were conducted. Such guidelines as I have seen are far from precise and are capable of several different interpretations," Mr. Fox said.

In ruling against Mentor, the arbitration panel pointed out that parties wishing to take advantage of the treaty's errors and omissions clause must prove that omissions or errors were genuinely inadvertent.

"This means that if it could be shown that there were clear and precise guidelines which were rigidly observed in practice, this would tend to indicate that any deviations from those guidelines were inadvertent and discharge the burden of proof on that party," the arbitration panel said.

However, the arbitrators ruled that Mentor did not establish this.

"No evidence was adduced which would indicate that any individual cessions proposed therein were the consequence of a specific error or omission," the panel ruled. "Consequently, Mentor cannot recede to Treaty 19 pursuant to the methodology proposed by Mr. Fox, because the existence of errors or omissions correctable in accordance with the provisions. . .of that treaty has not been proven to the panel's satisfaction," the arbitrators said.

Kemper attorney Mr. DiGiovanni said: "This case reaffirms that the errors and omissions clause, historically and practically, cannot be transformed into a license for a ceding company to change its underwriting policy."

In addition, the arbitrators made it clear that in "a surplus treaty such as this one it is not obligatory for a ceding company to cede the maximum amount" to the retrocessionaire, Mr. DiGiovanni said.

The arbitration ruling is yet another setback to the Mentor joint liquidators' attempts to recover funds for Mentor's estate.

In February, a New York Supreme Court judge conditionally dismissed on the grounds of forum non conveniens a lawsuit filed by Messrs. Kempe and Arnold against the New York and Bermuda offices of accountant Peat, Marwick, Mitchell & Co. The suit charged that Peat Marwick—now known as KPMG Peat Marwick—failed to uncover an allegedly fraudulent scheme involving excess-of-loss reinsurance contracts between Mentor and Pinnacle Reinsurance Co. Ltd. of Bermuda (*BI,* March 20).

In addition, a U.S. District Court judge in New Orleans last year dismissed—also on the grounds of forum non conveniens—the massive fraud lawsuit filed by the liquidators against Mentor's parent, Ocean Drilling & Exploration Co., and 10 other defendants. The judge ruled that the Bermuda Supreme Court, which ordered Mentor's liquidation, would be a more convenient forum for the litigation than the federal court in New Orleans (*BI,* April 25, 1988).

Messrs. Kempe and Arnold appealed that decision to the 5th U.S. Circuit Court of Appeals, which is expected to issue a ruling next month.

While the arbitrators last month sided with Kemper by denying that Mentor could cede the additional business, the panel did not grant Kemper's request to order Mentor to pay the entire cost of the arbitration.

Kemper had charged that "Mentor advanced its claims without grounds in an attempt to retroactively shift its own losses on its treaties (and) that following the liquidation order, the joint liquidators in their turn pressed equally groundless theories, upon which they hoped to retroactively shift losses to the retrocessionaires."

As a result, Kemper also argued that Mentor's liquidators should pay all of Kemper's costs arising from the liquidation.

The arbitrators agreed with Kemper in principle.

"The record in this case details numerous instances where the joint liquidators have attempted to hide the truth regarding the original cessions to Treaty 19," the panel stated. "A closer examination of what has transpired here supports both an award in Kemper's favor on the substantive issues and an award of attorneys' fees and costs against the joint liquidators."

However, the panel, in interpreting the provisions of the pre-hearing agreement between Kemper and Mentor regarding the costs of the arbitration, ruled that Kemper and Mentor should split the cost of the arbitration, with each side paying its own legal and associated costs.

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Associate Editor Stacy Adler in Chicago contributed to this article.

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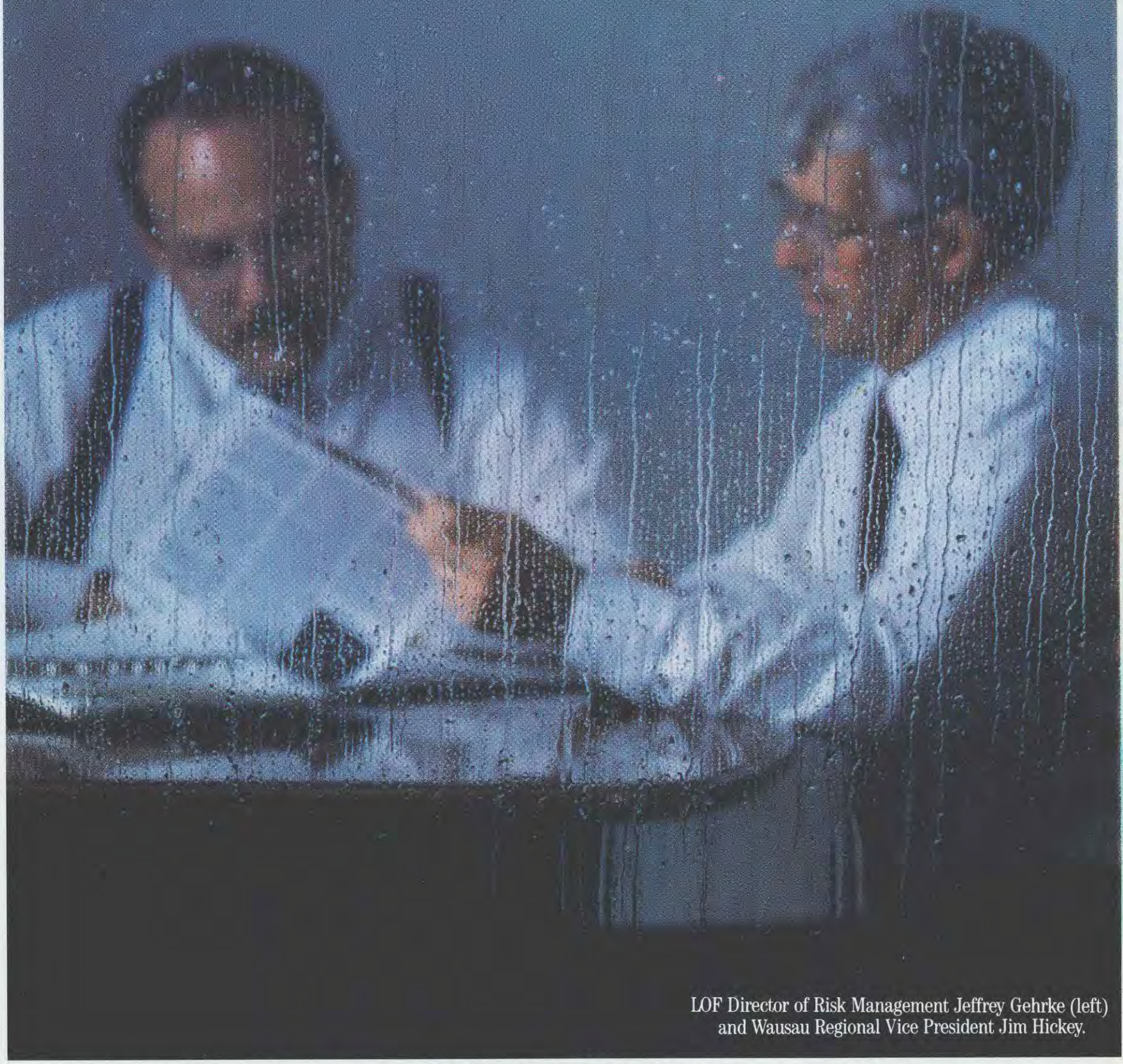
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University broadens health care FSA

By MICHAEL SCHACHNER

Benefit beat

The University of Colorado has expanded its flexible spending account system to allow employees to finance health insurance premium contributions, other out-of-pocket health care costs and dependent care expenses through an FSA.

In addition, the university system, which has 10,000 employees, has added a universal life insurance program and a new term life insurance option.

Previously, employees had been able to set aside a maximum of $2,400 in a stand-alone FSA to only pay for employee health insurance premium contributions to any one of the six health care plans the university offers.

Under the new FSA program that took effect Jan. 1, participants determine at the beginning of each year the amount of pretax salary to place in flexible spending accounts for medical care and dependent care expenses, according to Bruce Badger, director of benefits, policy and programs for the University of Colorado in Boulder.

Employees are permitted to place up to $5,000 in the two-part health care reimbursement account: a maximum of $2,600 for health care premium contributions and up to $2,400 for out-of-pocket health care expenses, like deductibles and copayments.

The maximum amount that can be deferred to the premium contribution account was increased to $2,600 from $2,400 to reflect an 8% increase in the amount employees are required to contribute to their health care coverage.

In addition, employees may now contribute up to $5,000 to a dependent care flexible spending account.

Money set aside for dependent care can be used to finance care for children and elderly relatives, said Mr. Badger.

The university adopted the additional FSA for other unreimbursed health care expenses and the dependent care FSA because "most of our employee groups requested it," said Mr. Badger.

The university worked with New York-based consultant Employee Benefits Services to set up the new plan and educate workers about their options.

"EBS explained that employees could pull funds from payroll, not be taxed on it, then get it back to pay medical bills," said Mr. Badger. "We showed them their medical plan and deductibles and then showed them how much they could save."

Ninety-one percent of eligible employees now are participating in the premium contribution portion of the health care FSA, said Mr. Badger.

In addition, about 25% of the university employees are using the FSA for out-of-pocket health care expenses such as deductibles and copayments. And, about 8% are using the dependent care FSA.

Before EBS conducted wholesale communication sessions with 95% of the University of Colorado's employees, only about 25% of employees participated in the premium-only FSA. Mr. Badger attributed the low participation level to "poor communication."

"As a university we are not equipped with the means to educate the employees as to the values of certain benefits," explained Mr. Badger. "It just got too confusing talking about taxes, pretaxes and legalities."

In addition to the implementation of the new spending accounts, the university changed its health and dental insurer to Blue Cross & Blue Shield of Colorado from Prudential Insurance Co. of America, according to Mr. Badger, who said the change should save the university approximately $3 million this year.

The university sought a new insurer when Prudential proposed a 50% increase in premiums, Mr. Badger explained.

The university also is now offering employees a group universal life insurance option underwritten by Nashville, Tenn.-based American General Life & Accident Insurance Co.

The optional, age-graded universal life insurance program is completely funded by employees through payroll deductions.

The universal life insurance plan provides term life insurance on an age-graded basis for individuals and their spouses and dependents, as well as a tax-deferred savings option.

Meanwhile, the university continues to offer its standard life insurance coverage and has added another option to that plan.

Employees receive $12,000 in term life insurance and accidental death and dismemberment coverage at no employee cost. In addition, employees can buy term life coverage equal to twice their annual salaries at a rate of 60 cents per $1,000 in coverage.

Mr. Badger said the university added a third option under which employees can purchase an age-graded $50,000 term life policy. The university pays the cost of the first $12,000 in coverage, while employees pay for the remainder of the coverage.

To help employees assess and choose their benefit options, EBS officials conducted "paperless enrollment" at the university during a six-week period at the end of last year, Mr. Badger said.

He explained that EBS would call up on a computer vital benefits information for individual employees such as years of service, number of dependents and salary to help the employee determine how much to contribute to an FSA and their best life insurance option.

Then EBS would directly enroll employees in the program of their choice.

"They did a terrific job," said Mr. Badger of EBS. "They managed to see 9,500 of 10,000 of our employees."

"Providing communications programs is very important," said EBS Chairman Asher Schapiro. "Employees don't read about benefits and group meetings don't work. In those situations malcontents are the only ones who are vocal."

•

Benefit beat keeps insurance and employee benefit managers informed on what other companies are doing and of current developments in the employee benefit field. We'd like to know if you've made any changes. Write Michael Schachner, Associate Editor, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017-5806; 212-210-0143.

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Opinions

Safe harbor offers little calm

WHILE IT OFFERS some genuine relief from Section 89 compliance burdens, legislation introduced last month by Sen. David Pryor, D-Ark., is a flawed approach to overhauling the controversial law.

Sen. Pryor's bill offers employers a new safe harbor from Section 89's requirements (*BI*, March 27). Employers whose health care plans qualify for this safe harbor would not have to subject their plans to the complex and costly Section 89 testing procedures.

However, the safe harbor in Sen. Pryor's bill is much too narrow to be used by large employers.

To qualify for the safe harbor, an employer would have to offer the same health care plan—or a variety of plans that cost the company an equal amount—to at least 90% of the company's employees. In addition, employee contributions to these plans would have to be kept to modest levels.

When designing this safe harbor, Sen. Pryor surely could not have been thinking of large employers. Typically, big companies offer a variety of plans of varying design and cost to their employees. As a result, these employers never could qualify for Sen. Pryor's safe harbor; the only firms likely to be able to use the safe harbor would be small ones that offer a single health care program.

The approach taken by Sen. Pryor is disturbing for several reasons.

First, by limiting the safe harbor's practical application to companies with a single health care plan, Sen. Pryor is suggesting that benefit plan uniformity deserves favored treatment—in this case exemption from non-discrimination testing—over diversity.

That's unfortunate. Employers offer different health care plans to meet the needs of a diverse workforce. That's something that should be encouraged, not discouraged.

It also is unfortunate that the Pryor legislation is part of a trend to give special Section 89 treatment to certain groups.

Clearly, the safe harbor is aimed at providing Section 89 relief for small employers, the group that has been the most vocal in seeking repeal of the law.

Sen. Pete Domenici, R-N.M., is even more direct in his effort to appease the small employer lobby: His legislation would exempt companies with fewer than 20 employees from Section 89.

Even the Internal Revenue Service has gotten into the special treatment game. It has proposed a special, reduced compliance rule that probably only the federal government and other public employers would be able to use.



The trouble with giving special treatment to certain groups is that it draws attention away from the heart of the issue: the need to totally rewrite Section 89.

Despite these major flaws, there are worthwhile provisions in Sen. Pryor's measure. Among other things, the bill would not force employers to include many part-time workers ineligible for benefits in the Section 89 testing process.

The Pryor legislation is only the first step in a long process that we believe will culminate in the overhaul of Section 89.

Already, a majority of the members of the House of Representatives have signed on as co-sponsors of a measure to repeal Section 89. That is a powerful sign of widespread congressional dissatisfaction with the law.

That Section 89 is a failure should not be a surprise. It is a solution in search of a problem. While the law sets non-discrimination standards for health care and other welfare-type plans, what evidence is there of widespread discrimination?

And, if there is discrimination, does the problem lie more with small companies or with larger firms?

These are basic questions, but the drafters of Section 89 don't have the answers. Incredibly, no objective research was conducted to determine whether a sweeping non-discrimination statute was even necessary. Under the current law, companies must spend hundreds of millions of dollars in extra administrative costs to comply with a law that may not even be needed.

That's the best reason to amend Section 89.

Letters

Maryland all-payer system sets varying hospital rates

To the editor: I wanted to take this opportunity to correct any misconception regarding the Maryland Health Services Cost Review Commission's all-payer prospective rate setting system resulting from "3 States Report Success with DRG Reimbursement" (*BI*, March 6).

Maryland has operated an all-payer prospective rate setting system since July 1, 1977. Unlike a number of other systems, the Maryland program is establishing departmental rates at each of the hospitals under its jurisdiction.

While there is an adjustment made each year that calculates case mix adjusted productivity savings generally using diagnostic-related groups, individual patients are still charged on the basis of departmental unit rates. Any savings or losses associated with the per case adjustment are applied prospectively to the departmental unit rates at each institution.

We in Maryland believe that such a system results in greater equity among purchasers of care than a system that charges a flat amount per DRG. This is particularly true in a time when individual copayment requirements have increased.

The success of our program can be seen in Maryland's cost per admission relative to the nation as a whole.

In 1976, the cost of an admission to a Maryland hospital was more than 25% higher than the national average. In 1988, it was 5.9% below the national average.

Because the cost per admission in Maryland has not risen above the national rate since 1976, the increased cost to Marylanders would have been approximately 32%, or $845 million, in 1988 alone.

John H. Colmers
Executive Director
State of Maryland
Health Services Cost Review Commission
Baltimore

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Regulators cheer, fear ratemaking curbs

By MEG FLETCHER

LITTLE ROCK, Ark.—The experience of a handful of states that have restricted the activities of insurance ratemaking organizations shows that such restrictions do not disrupt the marketplace, insurance regulators say.

However, some regulators still say they fear that requiring property/casualty insurers to make their own rate filings may reduce the availability of coverage.

The concerned regulators also fear that by requiring insurers to develop and file their own final rates, regulators may be overwhelmed with paperwork, which will tax their ability to regulate for solvency.

Some state regulators expressed their concerns over limiting ratemaking organizations' activities at a hearing held during the National Assn. of Insurance Commissioners' spring meeting March 20 in Little Rock, Ark.

The hearing was the second of three organized by the NAIC's Advisory Organizations Activities Working Group to discuss the appropriate role of advisory ratemaking organizations.

The first hearing, which was held March 3 in Chicago, focused on comments from industry spokesmen.

Following that hearing, the NAIC subgroup issued a resolution recommending that property/casualty insurance ratemaking organizations be barred from including profit and expense factors in advisory rates and that all insurers be forced to file their own rates (*BI*, March 13). However, the subgroup also recommended that advisory organizations still be allowed to compile and distribute loss cost data that insurers could use to compute their own rates.

"We understand the value of advisory organizations to the competitive marketplace," said Nebraska Insurance Director William McCartney, who chairs the subgroup.

"Consolidating nationwide data upon which to determine rates allows companies a broad and meaningful understanding of the risks they are to insure," he said. "Our concern is that the rating organizations go a step too far in the actual development of advisory rates."

The subgroup is still studying whether to recommend that ratemaking organizations be prohibited from using other factors, including future loss development and trends, in their ratemaking activities.

Louisiana is among several states that have encountered few problems in implementing legislation adopted last year that requires each property/casualty insurer in voluntary markets to file its own rates and calculate expense and profit components based on its own experience, Commissioner Doug Green told the panel.

However, the Insurance Services Office Inc., the nation's largest ratemaking organization, is allowed to disseminate an average expense rate component for informational purposes in Louisiana. This provides a benchmark for regulators to use in evaluating individual insurer's filings and a starting point for new insurers during their first year of operation only, Mr. Green explained.

Referring to a concern by critics that insurance departments will be swamped with rate filings if the ratemaking process is reformed, Mr. Green estimated that the Louisiana department would see less than a 50% increase in the number of annual filings, although the law has not been in effect for a full year.

The approach tends to weed out insurers that do not issue policies in the state, he said.

In addition, state regulators have worked with ISO representatives to communicate the changes to insurers that want to do business in the state, he said.

ISO also is considering establishing a computer-based system that would allow an insurer to test the outcome of different values for rate components through "what if" simulations.

If implemented, the system would be "a tremendous resource" for small and medium-sized companies, whose needs were previously overshadowed by large insurers, Mr. Green said.

In Arkansas, advisory organizations have been prohibited since 1979 from filing advisory rates that include expense information for private passenger automobile and homeowners insurance.

"It took a little while, but even your regional companies after about a year or a year and a half were able to adjust and to make their filings," said Jan Taylor, former director of the Arkansas Insurance Department's property/casualty division.

LITTLE ROCK N A I C

"I think one of the most important things was that the responsibility fell back on those companies to price adequately," she said.

Advisory organizations now cannot file final rates for medical malpractice insurance, and the department hopes to expand that policy to other lines, according to Ms. Taylor.

The state in 1987 gave the insurance commissioner additional power to prohibit advisory organizations from filing final rates for additional lines.

The changes in 1979 and 1987 generated "an awful lot" of paperwork, and the state insurance department hired additional staff members in 1979 and 1987 to help cope with it, said Ms. Taylor, who became director of special projects for the state workers compensation commissioners after the appointment late last month of Ron Taylor, her husband, as the Arkansas insurance commissioner.

North Dakota insurance regulators are concerned about the impact of the NAIC panel's proposal in smaller states, said Merle Pederson, the state's deputy insurance commissioner.

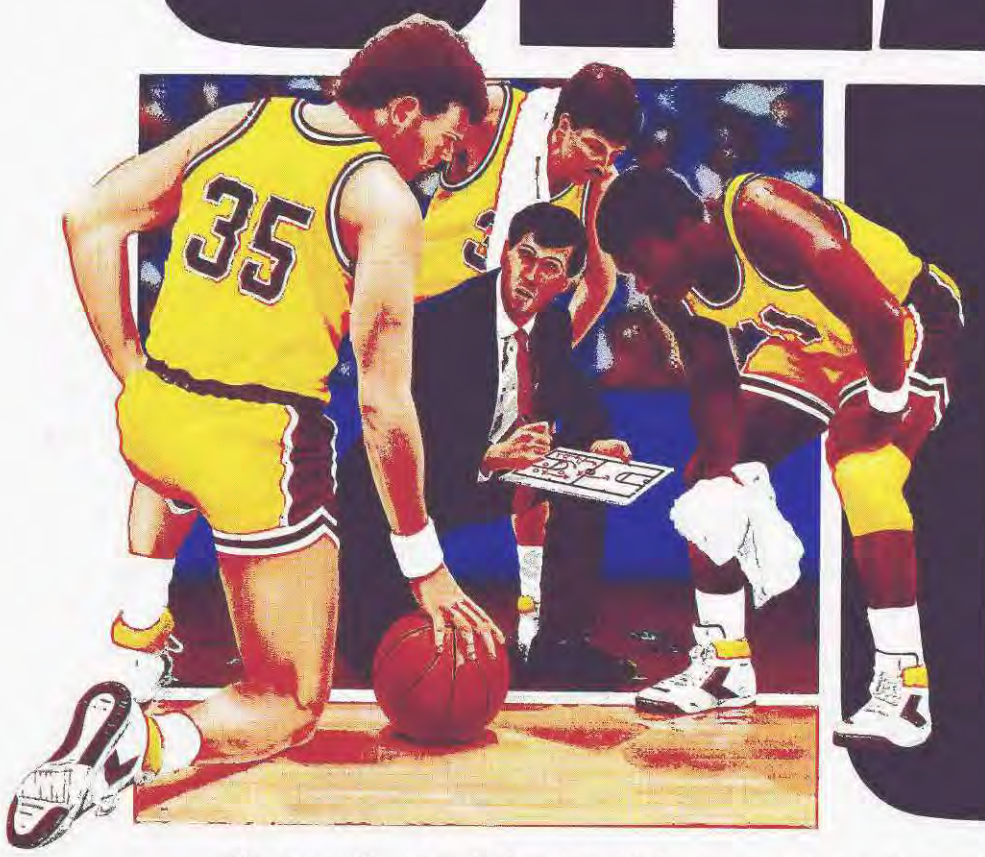
They anticipate that rate filings would double or triple, which would dramatically increase workload, he said, adding that the North Dakota needs time to prepare for such an increase.

In addition, North Dakota regulators are concerned that small insurers would have inadequate resources to fully develop their own final rates, he said.

Richard Hsia, a deputy superintendent with the New York Department, also cautioned regulators to consider the needs of small insurers, specialized markets and residual markets.

Continued on next page

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Continued from previous page

At least one state is looking at imposing tougher restrictions on ratemaking organizations than those the NAIC subgroup is considering.

The Virginia Insurance Department previously has proposed prohibiting rating organizations from trending loss costs, although the losses could be fully developed over time, said Robert Miller, Virginia's deputy commissioner.

That proposal, and others related to it, though, were stalled in a state legislative committee earlier this year, according to a department spokesman.

However, New York insurance regulators think that loss costs need to be trended as well as fully developed because those manipulations are "at the core of what proper pricing should be," Mr. Hsia said.

He said that the New York department, which allows a wide variety of ratemaking approaches, may be willing to adopt the proposal the working group is endorsing. However, that may be subject to some exceptions and depend upon several factors, including the line of insurance involved and existing market conditions, Mr. Hsia said.

Whatever recommendations the NAIC makes about ratemaking organization activities, Wyoming Insurance Commissioner Gordon Taylor Jr. urged that all states adopt them to avoid the problems his state experienced several years ago when it unilaterally attempted to restrict ratemaking groups' activities.

Mr. Hsia says New York regulators think loss costs need to be trended as well as fully developed because those manipulations are 'at the core of what proper pricing should be.'

In 1983, the Wyoming Legislature abolished the Insurance Department's authority over rates and prohibited ISO from filing advisory rates. As a result, some Wyoming insurance buyers, especially commercial policyholders, said insurers and agents were unwilling to evaluate loss cost data for risks from a state with such a relatively small market.

"Wyoming found that as a small state we couldn't stand alone on this issue," Mr. Taylor said.

The problem was resolved in 1987 after an agents' association persuaded the Legislature to allow ISO to provide benchmark advisory rates, he said.

The NAIC subgroup's third hearing, which will focus on comments from consumers and agents, will be held from 9 a.m. to 1 p.m. Tuesday, April 4, at 1775 Massachusetts Ave. N.W., Washington, D.C. ■

Legislators consider NAIC's model law prohibiting CDWs

By MEG FLETCHER

LITTLE ROCK, Ark.—Interest remains high on both state and federal levels in the National Assn. of Insurance Commissioners' model law prohibiting car rental companies from selling collision damage waivers.

Illinois and New York have enacted similar versions of the model law since the NAIC approved it last summer (*BI*, July 18, 1988).

By outlawing CDWs—under which customers are released from liability if the car is damaged in exchange for a daily fee—the model law makes rental car firms assume the risk of most accidental damage to their vehicles as a business expense (*BI*, June 20, 1988).

Several other state legislatures also are considering action based on the NAIC's model law, those attending the NAIC's spring meeting March 19-21 in Little Rock, Ark., learned.

Those states include: Delaware, Montana, South Dakota, Oregon, Utah, Wisconsin, Nebraska, Maryland, Missouri and Kansas, according to an NAIC statement.

In addition, U.S. Rep. Lynn Martin, R-Ill., and 16 co-sponsors introduced legislation in the House in February patterned after the NAIC model law. The measure, H.R. 984, is pending in a House Energy and Commerce subcommittee, according to her spokesman.

Adoption of the measure nationally could have some advantages, but also could raise some enforcement issues, said Nebraska Insurance Director William McCartney, who chairs the NAIC's Market Conduct Surveillance Task Force.

In addition, a subgroup of NAIC regulators led by Richard Rogers, deputy director of the Illinois Insurance Department, plans to scrutinize and make recommendations concerning other insurance-related products offered by car rental companies, including liability supplements, personal effects coverage and accidental death and dismemberment coverage.

The NAIC also dealt with a variety of other topics during its spring meeting, including proposed regulatory policies or model laws that may be formally considered for adoption at the NAIC's summer meeting June 4-8 in Cincinnati. Those topics included:

- A controversial minority proposal to restrict the traditional ability of some assuming and ceding insurers to offset debits due an insolvent insurer against credits due from that insurer's estate.

The issue has sparked continuing debate before a subgroup of the Rehabilitators and Liquidators Task Force (*BI*, Oct. 3, 1988).

A new version of the proposal, as well as copies of arguments for and against changing offset procedures, are expected to be available from the NAIC by April 21. The release of that information will be followed by a working session that will be held prior to the summer meeting.

The hotly contested issue ultimately will be settled by higher levels within the NAIC, predicted task force Chairman David Levinson, who is Delaware's insurance commissioner.

- The NAIC's model law on credit for reinsurance would be strengthened and clarified as a result of proposals that include requiring most reinsurers to have a minimum $20 million in surplus, although that requirement does not apply to reinsurance ceded and assumed as part of pooling arrangements among insurers in the same holding company system.

Previously, the NAIC's model law did not set a specific minimum surplus requirement for individual reinsurers.

However, some small reinsurers are complaining that the new minimum requirement would create a hardship.

In addition, in response to complaints from the Institute of London Underwriters that the surplus

Continued on next page

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At issue

Should insurers report loss experience to a federal agency?



Julie K. Doepel
manager-risk management
Southwestern Bell Corp.,
St. Louis

Not just for the sake of reporting. However, I would not oppose that reporting if a very strong need or a significant benefit were demonstrated from the additional compilation of the statistics and data.



Robert R. Duty
director-risk management
Blount Inc.,
Montgomery, Ala.

Insurance company reporting of loss experience to either a state or federal agency would probably generate a data bank from which only general inferences could be made with little practica value to insurers, insureds or to regulators.



David B. Kuhnke
director-risk/ insurance management
The Stanley Works,
New Britain, Conn.

I don't believe filing additional reports would lead to anything of value for consumers of insurance. Individual claims detail on an insured could cause severe harm to the insured once accessed through freedom of information laws. This sounds like a great idea if the aim is to promote perpetual actuarial employment and provide Mr. Nader with more detail to argue about.



Jeff Kahl
risk and insurance manager
Ace Hardware Corp.,
Oak Brook, Ill.

Yes; this will provide a good statistical base for use by both regulatory agencies and the risk management community in general in an attempt to identify insurers that do a good job in claims management and settlements. However, the reporting would only be credible if industrywide criteria were established so that valid comparisons could be made between various insurers.

Compiled by Christine Woolsey

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NAIC proposals

Continued from previous page

requirement was unnecessary given the financial soundness of its member companies, the drafting group proposed that the ILU deposit $100 million in a trust for which ILU members would be jointly and severally liable, said Robert Solitro, the New Hampshire Insurance Department's director of examinations.

Regulators then would be allowed to draw on the trust fund to pay outstanding claims of a financially troubled ILU insurer without taking into account how much that individual insurer contributed to the trust.

- Proposed revisions to the existing standard trust agreement for alien surplus lines insurers. These include measures to increase trust fund deposits by an unspecified amount and to allow a trustee bank to file a priority lien, but cap it at 10% of the trust fund's minimum required amount.
- Proposed revisions to strengthen and clarify the NAIC's Model Health Maintenance Organization Act. These measures would establish quality assurance standards and add hold-harmless provisions to protect enrollees from providers seeking payment for claims unpaid by a financially troubled HMO.

The NAIC proposed revisions to strengthen and clarify its model HMO act.

In addition, NAIC regulators also announced plans to:

- Choose the outside consultant or institution to perform an NAIC-commissioned study about insurance cycles and make recommendations about what insurance regulators can do to moderate them.

The one-year study is expected to begin in June.

- Measure the interest of state insurance regulators in having the NAIC develop an HMO model guaranty fund act.

Virginia Insurance Commissioner Steven Foster, who chairs the NAIC's Guaranty Fund Task Force, made that request at the Little Rock meeting during a discussion of guaranty fund proposals. Those measures have sparked opposition from industry groups including the Group Health Assn. of America and the Health Insurance Assn. of America.

Some regulators oppose such a guaranty fund because they think that HMO enrollees can be better protected by other measures, such as hold-harmless provisions that prohibit providers from trying to collect an insolvent HMO's debts from enrollees.

Meanwhile, other regulators, such as Tennessee Commissioner Elaine McReynolds, said such a guaranty fund would not be viable in her state because of the eight HMOs operating there, five are already considered financially impaired.

However, Nebraska's Mr. McCartney said that such a model could be useful to regulators in states where such a fund can be considered helpful.

- Continue efforts to draft a statement of principles relating to how insolvent insurers report loss information to reinsurers.

Their aim is to balance the rights and responsibilities of reinsurers, liquidators and guaranty fund officials.

- Continue efforts to develop guidelines for regulators to use in liquidation-related proceedings when federal agencies assert priority claims. ■

Market cycles

Continued from page 2

the volatility of underwriting results; and investment gains that mask the shareholder value of the core business activity.

In 1985 and 1986, there was an excessive infusion of capital into the industry that was not matched by substantial growth in net premium volume, he pointed out. And, in 1988, there was a decline in premium volume if workers compensation premiums are separated.

Mr. Ruoff said there now is a "technical oversupply" of capital in the industry, "but not in real terms." He suggested that insurers are inadequately reserving for losses because of concerns over deteriorating underwriting and operating performance.

Other industry observers also have speculated that insurers may be underreserving in an effort to bolster earnings (*BI*, March 20).

As a result of this underreserving, once inflation is taken into account, the industry could find itself by the end of this year with its surplus overstated by as much as $20 billion, or 13% of total surplus.

He warned that this "could lead to a deepening of the soft market and a severe market dislocation when a day of reckoning is finally at hand."

Mr. Ruoff said current conditions represent good news for commercial insurance buyers. But the bad news is that these very conditions could lead to the next hard market, in which prices will be sharply increased and terms restricted.

Contrary to some opinions, brokers do not like a hard market, Mr. Ruoff noted. A hard market causes strained relationships with clients, and "commissions don't escalate in direct proportion to the increase in premium," he said.

The hard market does, however, provide brokers with an opportunity to demonstrate their problem-solving abilities, he noted.

NAC Re's Mr. Bornhuetter, however, told attendees that his company is making its strategic plans under the assumption there will not be any significant change in the property/casulaty insurance market before the January 1992 renewals.

But, he added: "If it changes before that, we're ready."



Mr. Bornhuetter

In addition, Mr. Bornhuetter said he does not expect that the next hard market will be as severe as market tightening in the mid-1980s.

Mr. Bornhuetter later said in an interview that although he does not expect the market to turn before 1992, he does not "see it getting much worse from here."

"I think it'll be sort of a saucer shape," he said of the cycle's configuration.

Mr. Bornhuetter said NAC Re's expectations for 1989 and beyond include:

- Continued overcapacity.
- No significant change in the market—assuming no major catastrophe that presents a significant cash drain.
- Industry premium growth of 0% to 5% in 1989.
- The continuance of unrecoverable reinsurance as an issue, with a resulting emphasis on security.

As a result of this situation, primary insurers today are "very, very fussy as to who their reinsurers are," he said.

"I think the days of the small reinsurer are numbered," Mr. Bornhuetter said, adding that insurers today want only a limited number of reinsurers on their casualty treaties.

Mr. Bornhuetter also predicted that interest rates will not reach the 18% to 20% level in the near future, so insurers will not be tempted to engage in cash-flow underwriting. "We think interest rates just won't be the factor they were a few years ago," he said.

Taxes, however, will be a cash drain, he said.

The 1986 tax law also discourages new reinsurers from entering the market, which eventually will be a factor that will help harden the market, Mr. Bornhuetter said.

Among other factors affecting the property/casualty insurance industry, he said, is that financially oriented managers are taking the helms of more insurers.

Contrary to some opinions, brokers do not like a hard market, says James' Mr. Ruoff.

And, the financial marketplace, with its emphasis on return-on-equity and earnings per share, is influencing insurer operations.

James' Mr. Ruoff predicted that several other factors also could adversely affect the insurance industry in the 1990s.

Among them is the possible repeal of the McCarran-Ferguson Act, which grants insurers limited immunity from federal antitrust law.

Congress has not repealed or modified the act because it does not currently perceive the industry to now be in a crisis, according to Mr. Ruoff. And, even where Congress does perceive a crisis, such as in the savings & loan industry, it does not take "swift and decisive action," he said.

An insurance crisis in the 1990s, however, could be a catalyst to change Congress' perception, Mr. Ruoff said.

Another problem plaguing the industry is the number of insurer insolvencies, Mr. Ruoff said. "Current regulation seems clearly inadequate for the prevention of insolvencies, and they're likely to continue."

In addition, there have been no significant gains in the area of tort reform, and none seems likely now, he said.

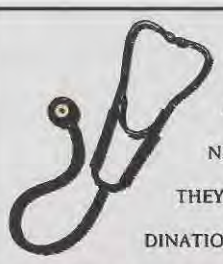
Mr. Ruoff also noted that the amount of business bypassing the commercial insurance market in favor of alternative risk financing methods will increase. The alternative market now represents 28% of the overall market's premium volume and, by 1991, this is expected to reach 33%, or a total volume of $85 billion, he said.

"The trend has continued even in this current soft marketplace." ■

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AAU Raising Your Expectations



Guaranty funds

Continued from previous page

Insurance products are "now political as much as commercial instruments," he said.

In discussing his ideas about federal insurance regulation, Mr. Greene—with tongue firmly planted in cheek—presented a tale involving Lefty Gomez, the former New York Giants pitcher who recently died.

Mr. Greene joked that the fun-loving player also was a deep thinker whose dying words were, "Don't let the feds get control of insurance."

Mr. Greene said he discussed Lefty's "last words" with the player's old baseball peers.

One suggested that Lefty was a Jeffersonian and that "he couldn't abide the idea of yet more power centrally located" in a "foreign" power such as Washington.

Another peer suggested that Lefty favored state control of the insurance industry because of his training as an economist and his concern about the efficiency of federal government in regulating the industry.

Mr. Green said that Lefty had observed that "the federal government does not do a good job, it just papers over things."

Yet another suggested that pragmatism, as well as recognition of the importance of patronage to the American system, was the "driving force" behind Lefty's belief, Mr. Greene said.

But, Lefty's peers did not discuss federal regulation definitions, Mr. Greene noted.

Mr. Greene said he has read "tons" of material on state vs. federal regulation of insurance, but "no one really tells me in my reading what's federal regulation." Instead of explaining the implications of federal regulation, most of the material focuses on what is wrong with state regulation.

Another regulatory layer would do more than add to the industry's cost, according to Mr. Greene: It also might drive the cost of providing insurance "to the point where it would be far more difficult to live the American dream and start up an insurance company."

Lefty Gomez, though, had no way of knowing how many "closet federalists" there are in the insurance industry, Mr. Greene said. He said that many retired chief executive officers of insurance companies have made speeches in which they said they favored federal regulation over state regulation of the industry.

Mr. Greene said he also believes that a no-fault system for civil disputes should be introduced, because the current system is "fundamentally wrong."

"I think it's so critically ill that it can't be made to work for us in our society," he said.

Mr. Greene said that one problem with the system is that juries often grant large awards to plaintiffs based on their physical attractiveness.



Mr. Greene

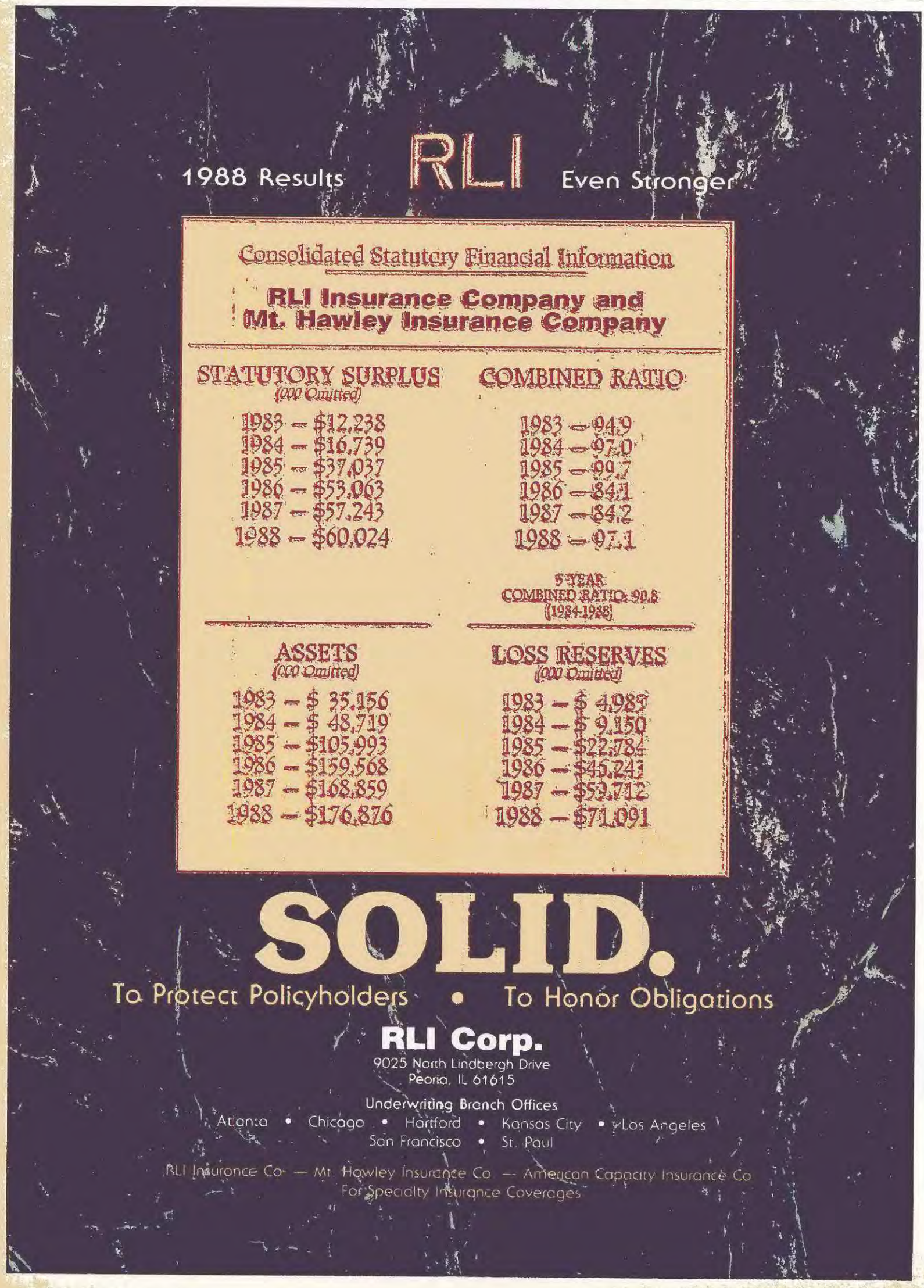
Another problem is the delay in getting compensation to victims that deserve it, he said. For instance, a 17-year old whose father is killed due to the negligence of a third party may not receive any compensation until he reaches age 24. But by then, the son may have missed his opportunity for college.

Suggesting a no-fault system, Mr. Greene said: "We've played with it in the auto field. We should play with it more."

When asked if he saw any good coming from passage of California's Proposition 103, Mr. Greene quipped that business from insurance company clients in LeBoeuf, Lamb's San Francisco office has never been better and the firm may be able to open offices "straight across the nation" if other states enact similar legislation.

But, he added more seriously that the law could provide a "real focus on what has been a very unhealthy situation in our country." When the largest percentage of a young couple's income must be spent on insurance, "then this country has to know there's something wrong."

However, he believes that one outgrowth of this situation could be that territorial ratings "may take a beating," which would mean that some insurance buyers would see rate hikes even if they have not suffered any losses. ■



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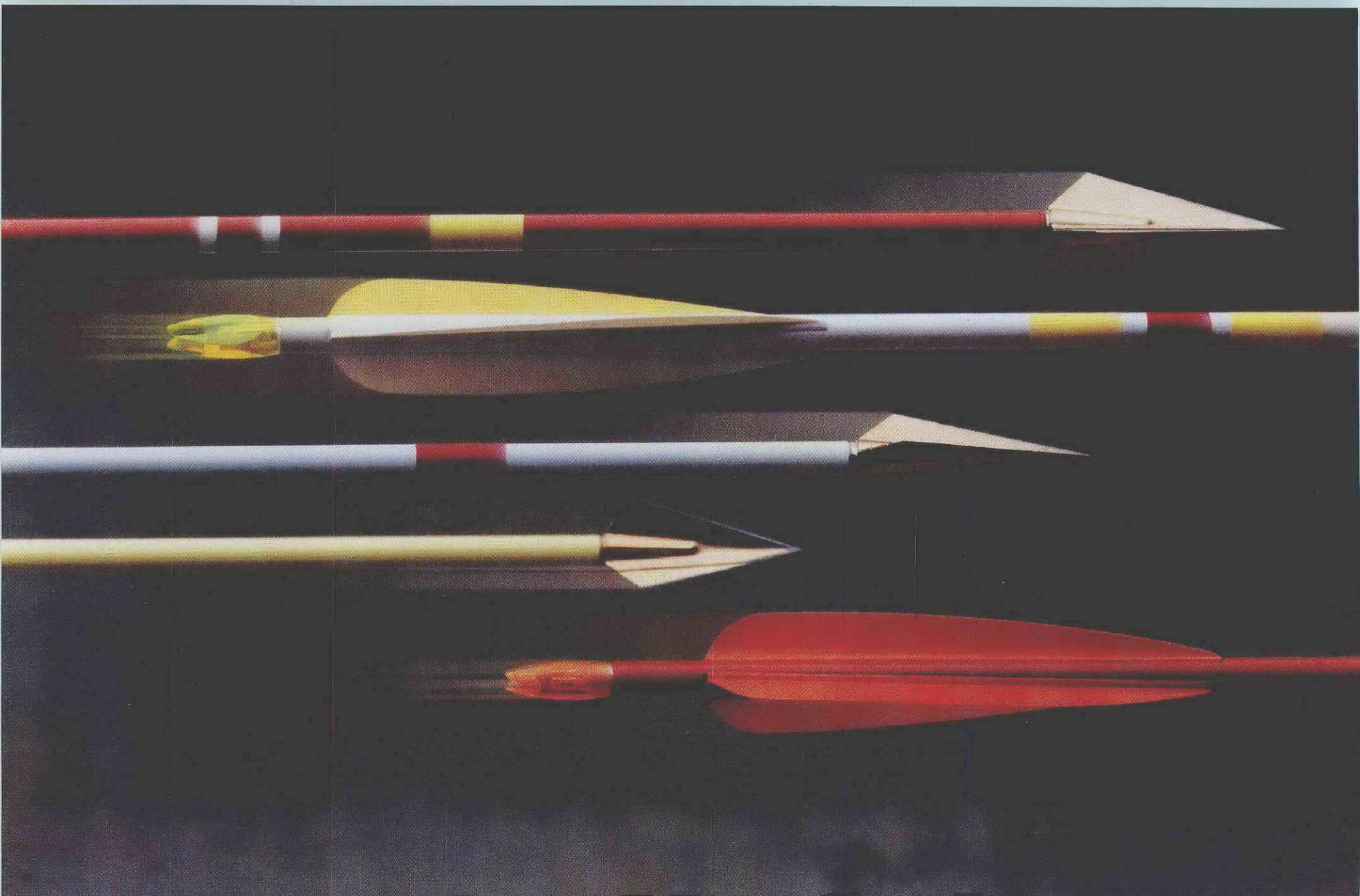
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Comings & goings: buyers

Blockbuster names DeBarre risk manager

Steve DeBarre, 39, named risk manager of Blockbuster Entertainment Corp in Fort Lauderdale, Fla. In this newly created position he is responsible for the purchasing and administration of all property/casualty insurance programs and safety programs. In addition, he oversees the design and development of employee benefit programs. Mr. DeBarre reports to Joe Burke, treasurer. Prior to joining Blockbuster—which owns and operates video stores in the United States, Canada and the United Kingdom—Mr. DeBarre served as risk manager with Zimmer Corp. in Boca Raton, Fla. He holds a bachelor's degree in business from the University of Central Florida in Orlando. In addition, Mr. DeBarre is a deputy member of the Risk & Insurance Management Society.

* * *

Donald J. Hatcher named assistant director-risk management of Combustion Engineering Inc. in Stamford, Conn. In this newly created position he will assist in the management of all aspects of Combustion Engineering's worldwide risk and insurance management programs and will specifically oversee the company's U.S. casualty program. He reports to Charles J. Salek, assistant treasurer-risk management. Prior to joining Combustion Engineering, which provides engineered systems, services and products for the worldwide process, power and public sectors, Mr. Hatcher served as director of risk management at Insilco Corp. in Meriden, Conn. Prior to that he spent 16 years with Emery Air Freight Corp. Mr. Hatcher holds a bachelor of science degree from Bethel College in McKenzie, Tenn. In addition, he holds the Associate in Risk Management designation.

* * *

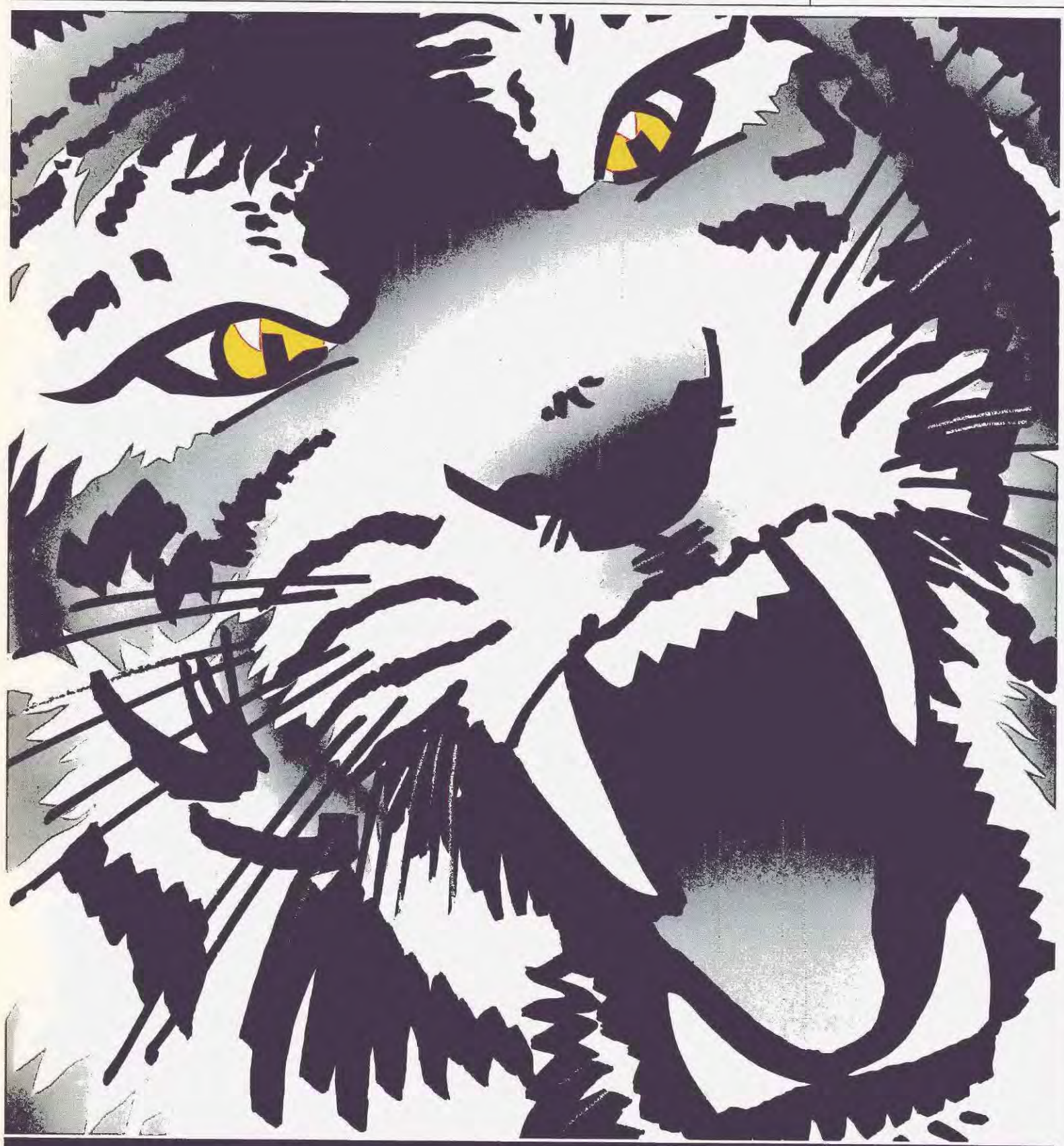
Erwin L. Mallernee, 45, named vp-risk management and insurance at AIRCOA Hospitality Services Inc. in Denver. In this newly created position he is responsible for insurance, claims management, security, loss control, fire protection and risk funding for the 155 hotels managed by AIRCOA. Mr. Mallernee reports to Larry Dustin, president. Prior to joining AIRCOA, Mr. Mallernee was corporate director of risk management at Westin Hotel Co. in Seattle, where he served for 10 years. Mr. Mallernee holds a bachelor of science degree in industrial technology from Pacific Union College in Angwin, Calif. He holds the Certified Safety Professional designation and is a deputy member of the Risk & Insurance Management Society and a member of the American Society of Safety Engineers. In addition, Mr. Mallernee is past president of the American Hotel & Motel Assn.'s risk management committee.

* * *

Joan A. Spiegel, 35, named corporate risk manager of Lucky Stores Inc. in Dublin, Calif. In this newly created position she oversees all insured and self-insured property/casualty programs for the stores. She reports to Robert A. Strickland, vp-finance and treasurer. Prior to joining the retail food market chain, Ms. Spiegel was manager of corporate liability programs with Pacific Telesis Group in San Francisco. Prior to that she was a multiline claim supervisor with Maryland Casualty Co. in Sacramento, Calif. She holds a bachelor of arts degree in political science from the University of Southern California in Los Angeles and a master of business administration degree from the University of California at Berkeley. In addition, Ms. Spiegel holds the Associate in Risk Management, Associate in Claims and Certificate of General Insurance designations.

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Non-economic damage cap faces challenge in Maryland

Around the states

BALTIMORE—The constitutionality of a Maryland law that limits non-economic damage awards to $350,000 is being appealed to the 4th U.S. Circuit Court of Appeals in Richmond, Va.

The appeal was filed in March after U.S. District Court Judge Paul V. Niemeyer issued an opinion that the cap—which took effect July 1, 1986—violated neither the Maryland state constitution nor the U.S. Constitution.

Judge Niemeyer upheld the cap in *Barbara Lynn Franklin vs. Mazda Motor Corp.*, which stemmed from a 1987 incident in which Ms. Franklin allegedly suffered injuries as a result of defects in a Mazda car.

The *Franklin* case has not reached a jury. Judge Niemeyer addressed the non-economic damages cap issue before the trial so that he will be able to instruct the jury how to award damages.

If the 4th Circuit accepts the appeal, it probably will refer the question of the state constitutionality of the cap to Maryland's highest court—the Maryland Court of Appeals in Annapolis—according to Jerome J. Seidenman, a Baltimore attorney representing Ms. Franklin.

The 4th Circuit then would be free to consider the question of whether the Maryland cap violates the U.S. Constitution.

However, Mr. Seidenman speculated that the 4th Circuit may decline to rule in this case because it heard arguments in January in a West Virginia case, *Boyd vs. Bulalla*, on the federal constitutionality of a state cap on damages in medical malpractice lawsuits. The 4th Circuit has not yet issued a decision in that case.

After the issue of the federal and state constitutionality of the Maryland cap is resolved, the Franklin case will be tried before a jury in district court.

—By Deborah Shalowitz

Mississippi reform

JACKSON, Miss.—Mississippi tort reforms that take effect in July will modify joint and several liability, reduce the state's statute of limitations for filing some damage claims and prohibit plaintiffs from filing suits in Mississippi because another state's statute of limitations has expired.

H.B. 1171, which was signed last month by Gov. Ray Mabus, applies the theory of joint and several liability for damages caused by two or more people to the extent necessary for the injured party to recover 50% of his or her recoverable damages. After this level is reached, liability is several only and "a joint tort-feasor is liable only for the amount of damages allocated to him in direct proportion to his percentage of fault."

In assessing fault, an employer and its employee, or a principal and the principal's agent, are considered as one defendant when the liability is caused by the wrongful or negligent act or omission of the employee or agent. And, any defendant held jointly liable has a right of contribution against fellow joint tort-feasors.

The bill also reduces to three years from six years the statute of limitations for filing some damage actions.

For actions accruing on or after July 1, 1989, H.B. 1171 sets a two-year statute of limitation on medical malpractice claims filed by or on behalf of minors beginning with a child's sixth birthday. Formerly, the two-year limit began when a child reached age 16.

The bill also provides that when a cause of action accrues outside of Mississippi under the laws of another state, and that state's statute of limitations has lapsed, no action can be filed in Mississippi unless the cause of action accrues in favor of a resident of Mississippi.

—By Linda J. Collins

High-risk health plan

ATLANTA—The Georgia Legislature created a high risk health insurance plan and passed several

Continued on page 25



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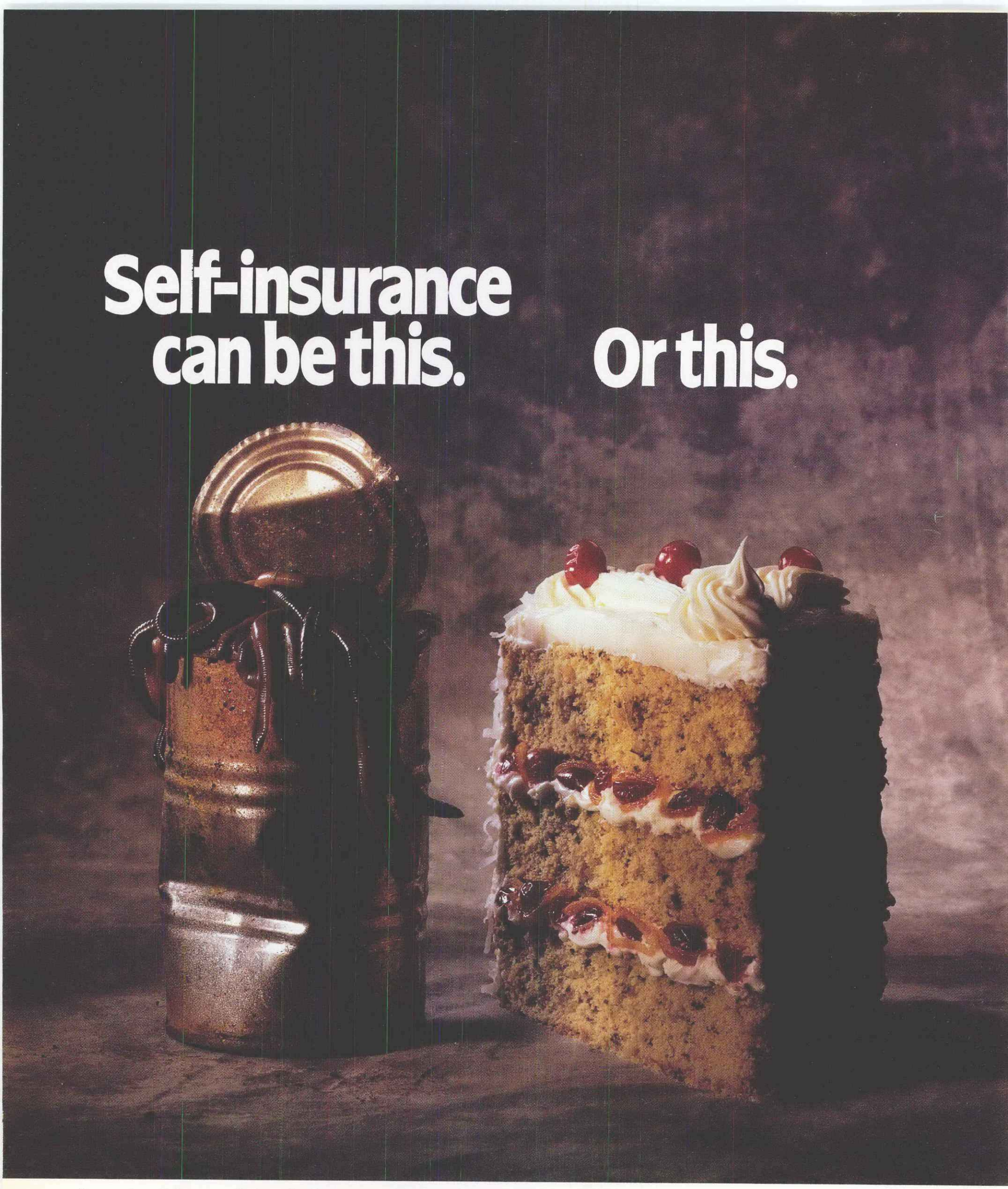
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Participants at RIMS to view developments at home and abroad

By JACQUELINE LaSOTA

A season of change is upon risk managers and benefit managers, both in the United States with the inauguration of the Bush administration, and in Europe as the 1992 removal of trade barriers draws closer.

In response, this year's Risk & Insurance Management Society conference, to be held April 9-14 in Atlanta, will focus on changes on both sides of the ocean.

"Employee Benefits-The Next Four Years," a special session open to all conference participants, will address possible changes in employee benefit plans that the new administration may spawn.

And, "Europe Without Borders by 1992-Impact on Multinational Risk Managers" will focus on Europe's free trade directive for 1992, which is expected to have a measurable impact on the commercial insurance industry in the United Kingdom and throughout the European Community (*BI*, Nov. 21, 1988; May 16, 1988).

"Employee Benefits-The Next Four Years" will be held from 10:45 a.m. to 12:15 p.m. on Wednesday, April 12, in the Atlanta Marriott Marquis ballroom.

The panel discussion will be moderated by Judy Lindenmayer, director of risk management at Boston-based Fidelity Investments. Speakers include Frank McArdle, manager of Hewitt Associates' Washington, D.C., office, and David Walker, assistant secretary of labor, pension and welfare benefit administration at the U.S. Labor Department.

"This will be the first time a representative from the White House has spoken to RIMS regarding the president's agenda on health care," explained Kathy Ann Dupree, a member of the RIMS conference committee.

A member of the U.S. House of Representatives and a member of the Senate are also expected to speak at the session, though they have not yet been confirmed, said Ms. Dupree, who also is the risk and employee benefits manager at MetroVision Inc. in Atlanta.

The popularity of "Europe Without Borders by 1992-Impact on Multinational Risk Managers" already has both scheduled sessions filled to capacity.

What will happen in the European Community when the trade barriers fall "is interesting and the most important of international subjects," explained Ms. Dupree.

Hugo Hines, corporate risk manager of Texas Instruments Inc., will moderate the seminar, which will be held from 10 a.m. to 12:30 p.m. Monday, April 10, and again from 2:30 to 5 p.m. Wednesday, April 12.

Among the six scheduled speakers are Ron W.

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Photo: Atlanta Convention & Visitors Bureau

Atlanta, the capital of Georgia and a mixture of the old and the new South, will play host to the 27th annual Risk & Insurance Management Society conference, which kicks off on Sunday, April 9.

Atlanta offers many attractions, but Tara is gone with the wind

By MICHAEL BRADFORD

ATLANTA—Atlanta is a city with an array of cultural, historical and sporting temptations. But despite all it has to offer, many visitors are surprised to learn that the city's most famous landmark does not exist.

There is no Tara.

"Everybody expects it to be here," says Meg Beasley, a staff member at the Atlanta Convention & Visitors Bureau. "But Tara is a fictional place."

The plantation in Margaret Mitchell's novel "Gone With the Wind" may be non-existent, but the stereotypical image many hold of Atlanta as a slow-moving Southern town still lingers, said Ms. Beasley.

But, it isn't that way at all, she explains.

The image Atlanta's leaders promote these days is one of a city that has "risen from the ashes" of Gen. Sherman's Civil War torching to become "a large metropolitan city, the international transportation hub of the Southeast and the shopping hub" of the region, Ms. Beasley remarked.

Despite Atlanta's progress into the ranks of international cities, many tourists still cling to the false notion that Scarlett and Rhett really did live there, she said. And receptionists at the visitors bureau say they get "tons" of calls requesting information on Tara.

The closest you can get to Tara is the Lovejoy Plantation, 25 miles south of Atlanta on Talmadge Road in Lovejoy. The 11-room mansion, built in 1836 by cotton grower Thomas Crawford, was Ms. Mitchell's inspiration for Twelve Oaks in "Gone With the Wind."

The plantation has been completely restored, but individuals are only allowed to view the exterior. However, organized tour groups are permitted inside.

While you won't find Tara, you will find that Ms. Mitchell's epic still lives in Atlanta. In fact, you can watch it every day if you like.

Communications mogul Ted Turner shows "Gone With the Wind" twice daily at his theater in the CNN

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BI Atlanta Guide





The Carter Presidential Center (above) and the Governor's Mansion (right) are among Atlanta's sights. (Photos: Michael Bradford and Atlanta Convention & Visitors Bureau)

Atlanta's sights

Continued from previous page

Center downtown. Call 404-827-2300 for information.

The house where Ms. Mitchell composed most of her novel still stands, but it is a vacant, boarded-up structure. The writer referred not-so affectionately to the place as "The Dump" while living there, and the years since have not been kind to the building.

Ms. Mitchell is buried in the Oakland Cemetery at 248 Oakland St. The cemetery also is the final resting place for Civil War soldiers, mayors, governors and other historical figures. The 88-acre Cemetery is open daily from sunrise to sunset.

As Ms. Beasley pointed out, Atlanta is not just "Gone With the Wind." The city boasts a number of attractions, and what follows is a list of those places you may want to visit while in town for the Risk & Insurance Management Society conference.

Atlanta

• CNN Center. If sightseeing time is precious, make a run for the CNN Center. It's close to the RIMS conference hotels and well worth the hour and a half you'll spend there.

Mr. Turner has situated his cable TV news and entertainment empire in a sprawling complex that also includes a variety of shops, restaurants, six theaters, a nightclub and the Omni Hotel. It is the home of Cable News Network and CNN Headline News, the two 24-hour all-news networks.

A 45-minute tour through the facility offers a look at state-of-the-art news gathering and television production technology.

After you see the editors, writers and producers at work, you'll never be able to watch the CNN newscasts again without straining to see someone you recognize.

Tours are conducted Monday through Friday from 10 a.m. to 5 p.m. and until 4 p.m. Saturday and Sunday.

• Atlanta Botanical Garden. The new Dorothy Chapman Fuqua Conservatory houses a variety of rare and endangered species of plants and flowers. The Botanical Garden also features five acres of landscaped gardens and a 15-acre hardwood forest with walking trails. The garden is a refreshing spot during Atlanta's most comfortable season. Hours are 9 a.m. 'til dusk Monday through Saturday and noon to dusk on Sunday.

• Atlanta Historical Society, downtown branch. The 1911 Hillyer Trust Building, at 140 Peachtree St. N.E., was one of the city's first skyscrapers. Exhibits, tours and lectures are free Monday through Saturday from 10 a.m. to 6 p.m.

The historical society's headquarters is about six miles north of downtown in Buckhead and sits amidst 26 acres of woods and wildflowers.

The 1928 Anglo-Palladian Swan House and the 1840s-era Tullie Smith House feature tours every half hour. Adult admission is $4.50 and hours are 9 a.m. to 5:30 p.m. Monday through Saturday, and noon to 5:30 p.m. on Sunday.

• Carter Presidential Center. Former President Jimmy Carter's life and administration are portrayed at the facility just west of downtown. Exhibits and films focus on important 20th century events, and visitors can view an extensive collection of handmade gifts that were sent to the president during his administration.

The grounds feature a Japanese garden with a waterfall—a pleasant picnic area on sunny days. The center is open Monday through Saturday from 9 a.m. to 4:45 p.m., and noon to 4:45 p.m. on Sunday. Admission is $2.50.

The center is located in the Inman Park and Little Five Points area, where the mansions and bungalows of one of Atlanta's oldest neighborhoods still stand. One of the country's first trolley lines was established here and the trolley barn built in 1889 has been restored.

Little Five Points is a Bohemian mix of shops and restaurants—sort of a southern-style Greenwich Village.

• Sweet Auburn District. An integral part of Atlanta's black community, the area is rich with history. Turn-of-the-century structures house residents and businesses. The Collections of Life & Heritage Museum at 135 Auburn Ave. contains exhibits on black history and the Sweet Auburn District. Guided tour information is available by calling 404-521-2654.

• Martin Luther King Jr. Historic District. The Victorian house that was the birthplace of the famed civil rights leader has been restored at 501 Auburn Ave. There is no charge to view the house, which is open daily from 10 a.m. to 3:30 p.m.

Ebenezer Baptist Church, where Mr. King preached, opens its doors to the public for its Sunday worship service. The church is also open Monday through Friday 9:30 a.m. to noon, and 1:30 to 4:30 p.m. Call for Saturday hours.

Mr. King is buried next door within the M.L. King Jr. Center for Non-violent Social Change at 449 Auburn Ave. Visitors can view a film presentation for $1, an exhibit chronicling Dr. King's life and displays of his personal possessions. Hours are Monday through Friday 9 a.m. to 5:30 p.m., and weekends from 10 a.m. to 5:30 p.m.

• Fox Theatre. Lovers of this 60-year-old movie house at 660 Peachtree St. saved her from the wrecking ball several years ago, and the majestic Fox is now listed on the National Register of Historic Places.

The 200,000 square-foot theater houses an organ second in size only to the one at New York's Radio City Music Hall, and its ceiling is painted to present the illusion of a starlit night. Tours cost $3 and begin Mondays and Thursdays at 10 a.m., and on Saturday at 10 and 11:30 a.m.

• Georgia State Capitol. The glittering dome of the capitol building that anchors the south side of Downtown is gilded with gold mined from Dahlonega, Ga. The 100-year-old building is not only the seat of lawmaking for the state but home to natural science displays, a Hall of Flags and a Hall of Fame honoring outstanding Georgians. Guided tours are offered on the hour, except noon, from 9 a.m. to 4 p.m. Monday through Friday. Tours begin at 10 a.m. on Saturday and are conducted from 1 to 3 p.m. on Sunday.

• Peachtree Center. In the heart of downtown, a gigantic complex of hotels, offices and shops are linked by covered skybridges. The mall at Peachtree Center features scores of shops and restaurants. Everything from the latest fashions to Peach State souvenirs can be found here.

Architect John Portman's development includes the Hyatt Regency Atlanta, Westin Peachtree Plaza and Marriott Marquis hotels.

• Buckhead. This upscale section of Atlanta lies six miles north of downtown. A short cab ride will get you to this district of fine shops and restaurants. Some of Atlanta's most beautiful homes, including the Governor's Mansion, are situated along West Paces Ferry Road. The mansion contains a collection of antique furnishings and is open from 10 to 11:30 a.m. Tuesday through Thursday for free public viewing.

• The Atlanta Museum. This 81-year-old former residence

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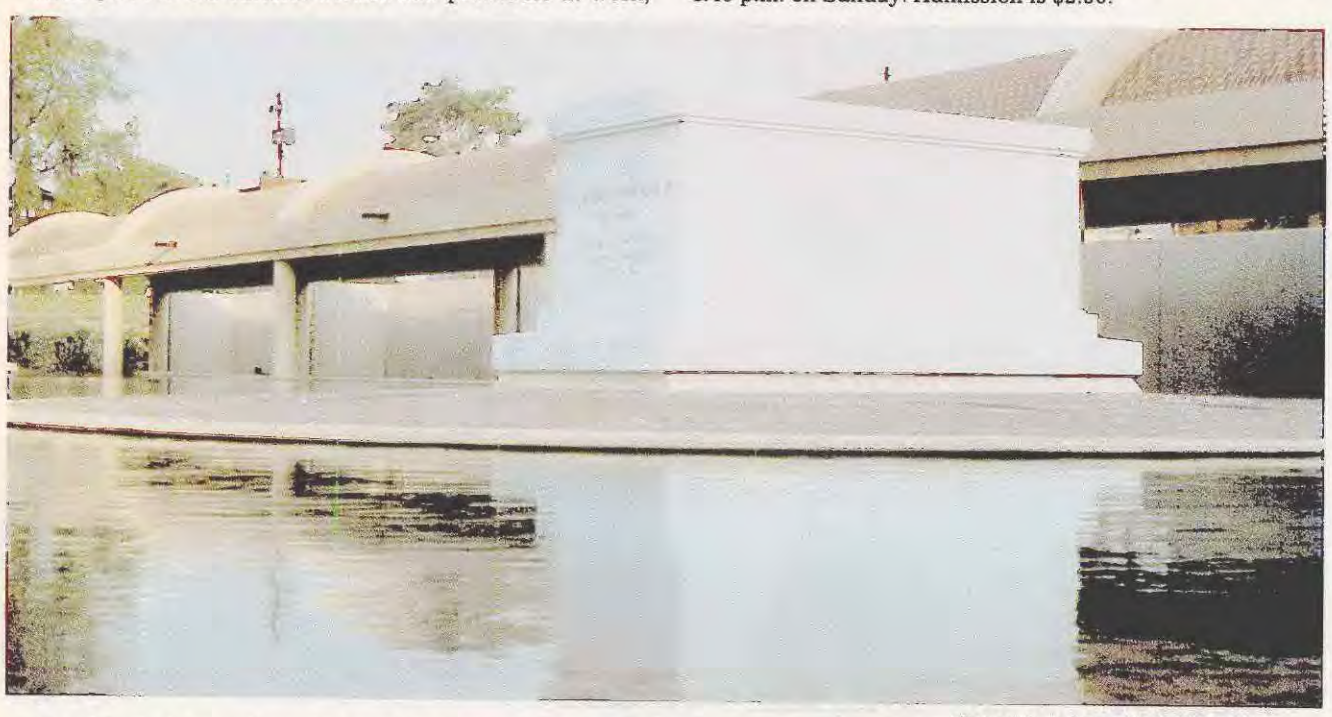


Photo: Atlanta Convention & Visitors Bureau

The Martin Luther King Jr. Center for Non-violent Social Change contains exhibits that chronicle Dr. King's life.

Half the contestants simply didn't understand the issue.

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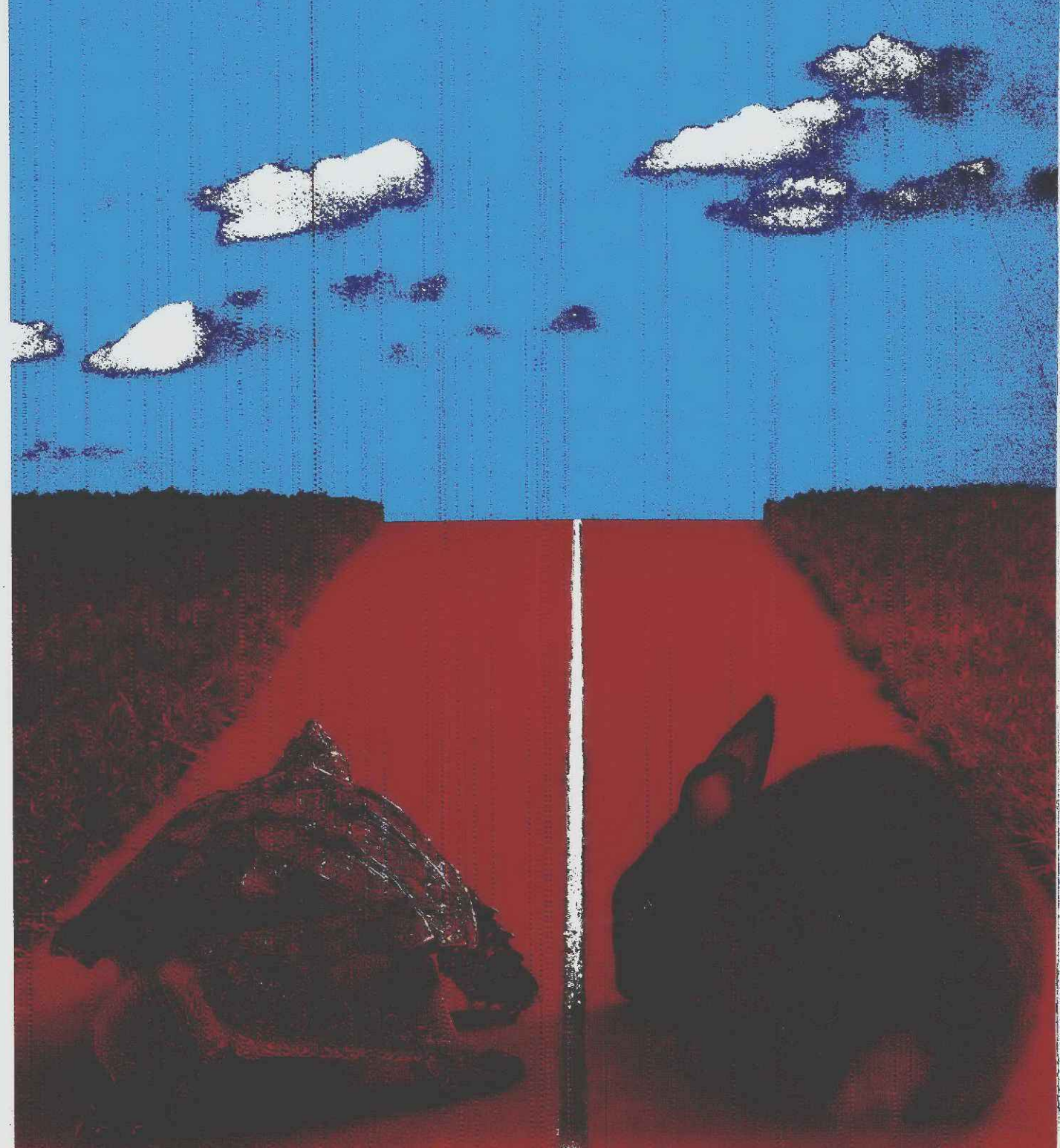
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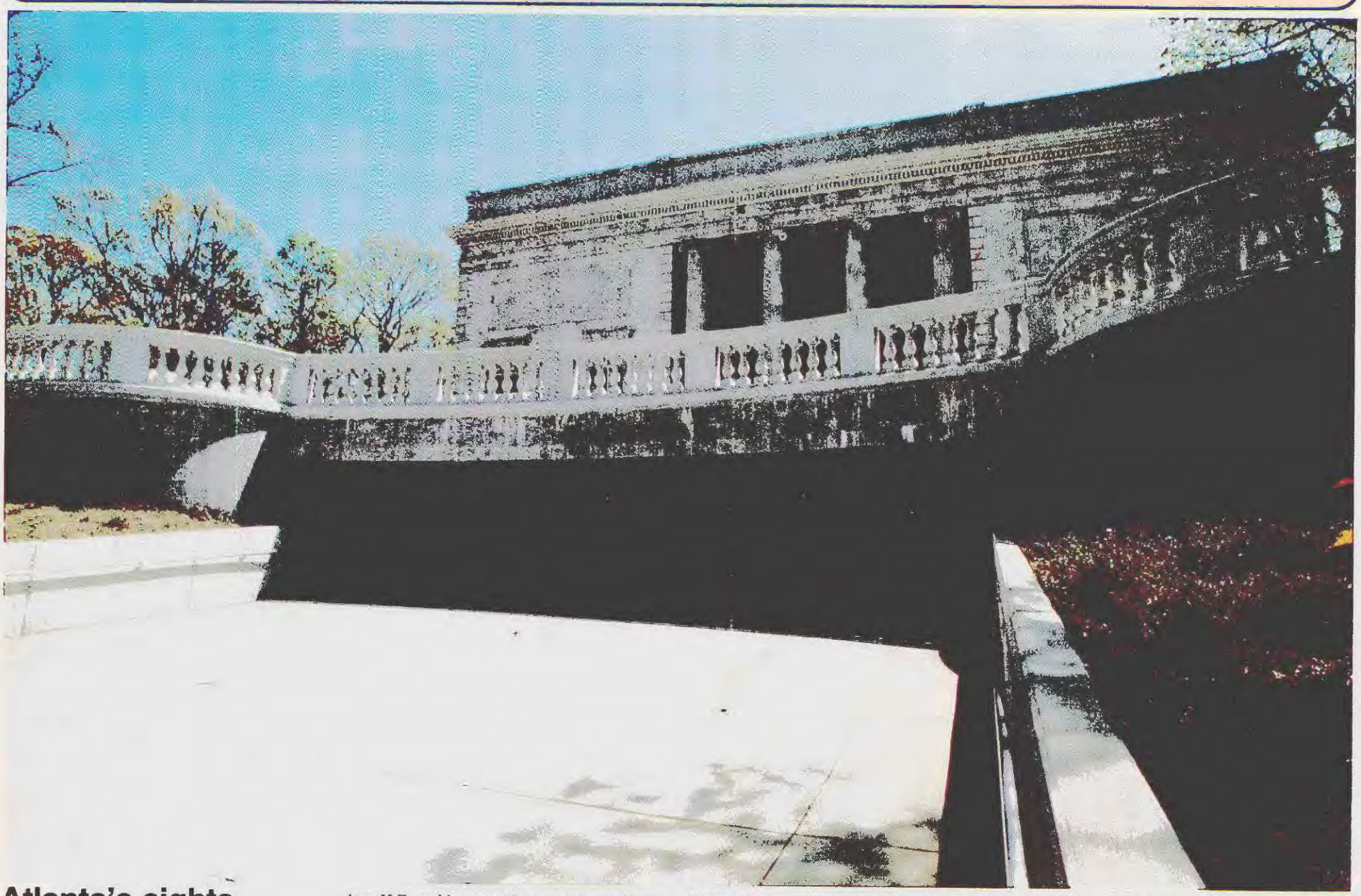
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Atlanta's sights

Continued from page T2

of a gin distiller is home to an eclectic mix of history, including items owned by Margaret Mitchell, golfer Bobby Jones, Davy Crockett and Adolf Hitler. Located at 537 Peachtree St. N.E., the museum is open 10 a.m. to 5 p.m. Monday through Friday.

• The High Museum. The permanent collection at the Robert A. Woodruff Arts Center at 1280 Peachtree St. includes a range of American fine and decorative arts, European works from the Renaissance and baroque periods, French impressionist paintings and African art. The museum's branch at Georgia-Pacific Center, 133 Peachtree St. N.E. currently is featuring a folk art exhibit.

• Science and Technology Museum of Atlanta. Scitrek is a hands-on world of natural phenomena. Here you will learn ways to make your hair stand on end and the secret that keeps an airplane in the sky. Demonstrations and exhibits aimed at proving science are fun. The museum is at 395 Piedmont Ave. N.E. and is open 10 a.m. to 5 p.m. Tuesday through Sunday.

• Atlanta Cyclorama. The Battle of Atlanta, fought on July 22, 1864, is recreated in this gigantic circular painting complete with narration, music and sound effects. The painting, which measures 42 feet high and 358 feet in circumference was made three-dimensional in 1936 with the addition of blasted tree stumps, bushes and shrubbery that lend the impression of a shell-torn battlefield. Broken rails and lifelike plaster figures of soldiers also litter the landscape. Located at Grant Park in southeast Atlanta, the Cyclorama is open from 9:20 a.m. to 4:30 p.m. daily. Admission is $3.50.

• Zoo Atlanta. Also located at Grant Park, the zoo is home for gorillas and orangutans that run wild in the Ford African Rain Forest. Elephants, flamingos and birds of prey also make the zoo home. Open from 10 a.m. to 5 p.m. weekdays, and 10 a.m. to 6 p.m. weekends. Admission is $5.25.

• Callanwolde Fine Arts Center. The 1920 Tudor-style mansion at 980 Briarcliff Road N.E. is listed in the National Register of Historic Places. It features exhibits by painters, photographers and sculptors. Programs include classical and contemporary concerts and drama productions. Gallery hours are 10 a.m. to 3 p.m. Monday through Friday.

• Emory University Museum of Art and Archaeology. The dramatic marble building houses ancient art and archaeology from the Mediterranean and Near East, the Americas and Asia. Also, modern paintings and sculpture from Europe and America are included. Located at Emory University, the museum is open 11 a.m. to 4:30 p.m. Tuesday through Saturday.

Outlying areas

• Stone Mountain Memorial State Park. Atlanta's best-known natural landmark is Stone Mountain, the huge granite rock that displays the largest bas-relief sculpture in the world.

The Confederate Memorial Carving of Jefferson Davis, Robert E. Lee and Thomas J. "Stonewall" Jackson is just one of the attractions at the 3,200-acre park 16 miles east of Atlanta. The park also offers a host of other attractions, including ice skating, an 18-hole golf course, boating and fishing, wildlife trails, paddle wheel riverboat rides and the Antique Auto & Music Museum.

On weekends, the park presents Lasershow, a choreographed music and laser show beamed onto the north face of the mountain. In addition, the Old South Celebration is scheduled for April 14-16 at the park's antebellum plantation. The festival is a look back at Southern heritage and culture, featuring folk music, early American arts and crafts, open-hearth cooking, storytelling and an authentic Civil War camp.

• Kennesaw Mountain and National Battlefield Park. Civil War buffs who aren't satiated by the Cyclorama will want to visit the site of a crucial skirmish during the Battle of Atlanta. A small museum features a slide program and hiking trails take visitors through the park. Located at Old Highway 41 and Stilesboro Road in Marietta. Open 8:30 a.m. to 5 p.m. daily. No charge. ■





Atlanta recalls the Confederacy and the Civil War at the Cyclorama (top), which houses a 400-foot circumference painting depicting the Battle of Atlanta, and the Confederate Memorial Carving of Jefferson Davis, Robert E. Lee and Thomas "Stonewall" Jackson (above). The carving is in Stone Mountain Memorial Park, which features the world's largest granite formation (left). (Photos: Atlanta Convention & Visitors Bureau)

BI Atlanta Guide

Modern Atlanta rose from the ashes of war

By MICHAEL BRADFORD

The engineer who hammered a spike into the red Georgia clay in 1837 could not have known that he was planting the seed that would grow into the jewel of the South, the pride of a stretch of America known as the Sun Belt and a bustling transportation hub.

Fifteen decades after the engineer marked the spot that was planned as nothing more than the "end of the line" for the Western & Atlantic Railroad, the red dirt and pine woods have given way to acres of concrete and rows of towering glass and steel buildings.

Atlanta's founders, who named it Terminus, thought the area would be a good spot for a tavern, blacksmith shop and grocery store, but not much else.

If they could visit the site now, those early pioneers would still find the city an easy place in which to buy some groceries or a shot of whiskey. But the blacksmith shop, along with hoop-skirted Southern belles, mint juleps on every porch and the nickel bottle of Coca-Cola, is little more than part of the local lore.

Today, Atlanta crackles with the energy of an international city. Its history, however, is a reminder that the vitality of this metropolis was preceded by the resilience and determination of its forefathers during darker years.

In 1843, the city incorporated as Marthasville—named after the daughter of a Georgia governor—and it was not until two years later that it was given the name Atlanta.

The city took on the role as a transportation hub early in its history. By the time Georgia seceded from the Union in 1861, the city's population had grown to around 10,000 and it served as a key supply depot for the Confederate army.

In the next three years, during the bloodshed of the Civil War, Atlanta was subjected to the bleakest years of its history.

In July of 1864, the Battle of Atlanta began and raged on for 40 days. The Confederate army led by Gen. B. Hood met the Union army north of downtown and suffered 2,500 casualties during the conflict.

Later that year, Gen. William T. Sherman unleashed his pyrotechnic frenzy on the city and destroyed nearly 75% of Atlanta. In September, Confederate troops surrendered and the city was converted into a federal military camp.

During the reconstruction period that followed the war, Atlanta began to rebuild. In 1868, it replaced Milledgeville as the state capital. And, in the succeeding years, Atlanta began its own march toward becoming the business center of the South.

John Pemberton, a former Confederate officer, experimented during the years after his stint in the army with a syrup he concocted from coca leaves. In 1886, he created a drink he called Coca-Cola and two years later sold ownership in his company for $2,300 to Atlanta druggist Asa Candler.

The Coca-Cola Co.'s corporate headquarters still hold a prominent position in the downtown skyline.

Atlanta's legacy as a slow-moving Southern outpost whose residents speak with an accent slower than cold molasses has been hard to outgrow, even though the city's pace is much more frenetic than in the days when Model Ts rumbled through downtown streets. And the accent that you hear both on the streets and in corporate boardrooms today is just as likely to be clipped and northern as smooth and Southern.

Margaret Mitchell, who left the Atlanta Journal in 1926 to begin working on a novel, is partly responsible for the city's lingering image as a land of flowering magnolias and quiet living. Her 1936 book, "Gone With The Wind" won the Pulitzer Prize for fiction the following year.

On a night in 1939, downtown Atlanta was aglow with spotlights and movie stars as Clark Gable and Vivian Leigh arrived for the premiere of "Gone With The Wind" at the Loew's Grand. Ms. Mitchell received $50,000 for the motion-picture rights, and it remains one of the top-grossing motion pictures of all time.

In 1959, metropolitan Atlanta passed the 1 million mark in population, heading for the turbulent '60s and the era of civil rights.

Dr. Martin Luther King Jr., born on Atlanta's Auburn Avenue in 1929, led a sit-in with 51 other civil rights protesters at a downtown department store in 1960. His arrest further fueled the movement he helped lead.

In 1965, Dr. King won the Nobel Peace Prize for his integration efforts, but racial hatred led to his death by an assassin's bullet in Memphis three years later. More than 200,000 mourners filled the streets of Atlanta for the funeral march.

The following decade saw Atlanta's first black mayor, Maynard Jackson, elected in 1974.

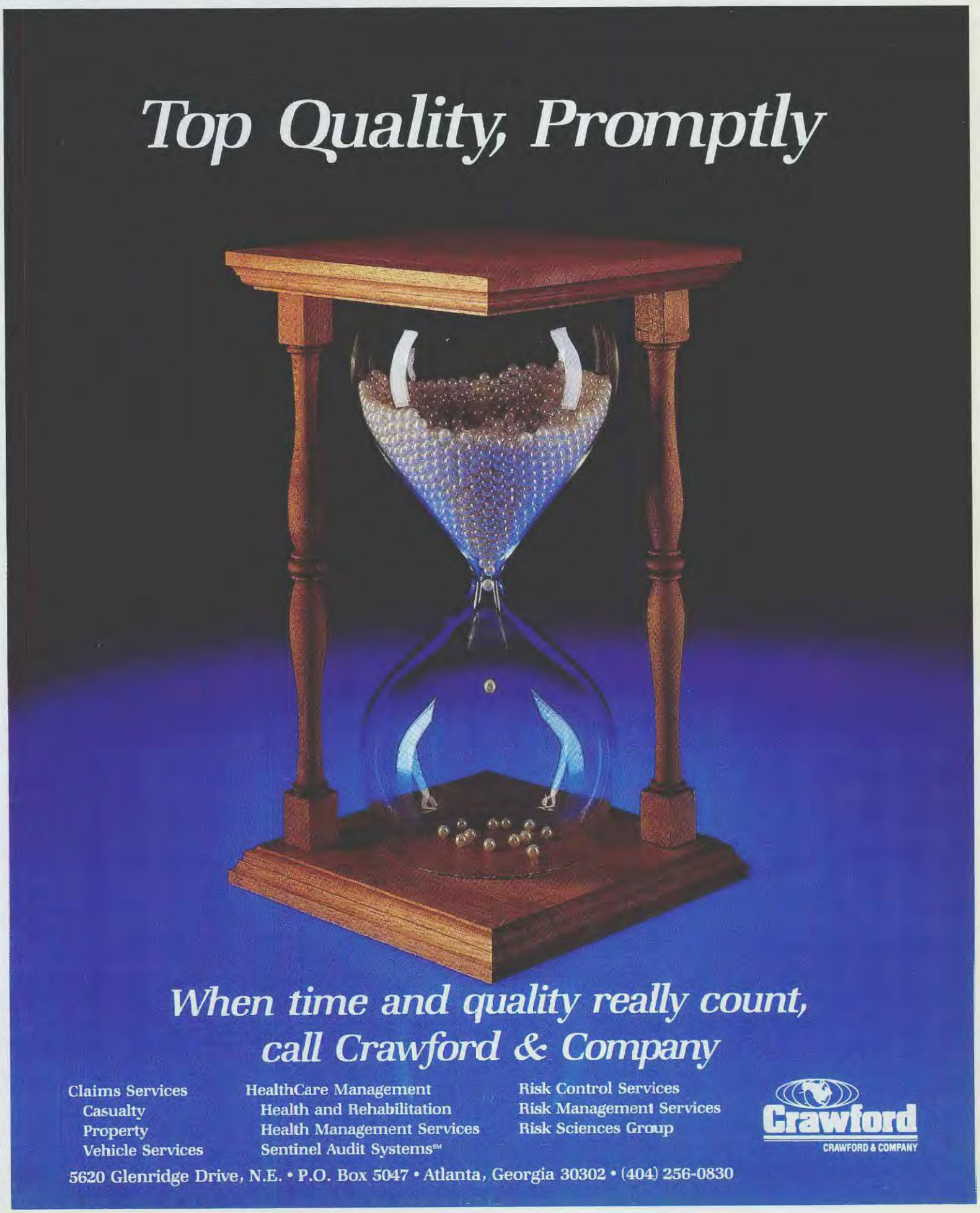
The 1980s saw Atlanta sprint towards prominence as an international city.

In 1987, Hartsfield International Airport claimed the title of "world's busiest airport," though Chicago's O'Hare International Airport still also claims that distinction.

Today, Atlanta is home to some of America's most-respected corporations, including Coca-Cola, Delta Air Lines Inc. and RJR Nabisco Inc. The Cable News Network beams its signal across the world from its downtown Atlanta complex.

Gleaming like a mini-Manhattan, the city sits like a stately swath of rounded-glass and square-cornered buildings, anchored on the south end by the gold-domed State Capitol and on the north by the pinnacle-topped edifice erected by International Business Machines Corp.

With a population of 2.5 million, the city exemplifies the spirit of its official seal, the Phoenix rising from the ashes. ■

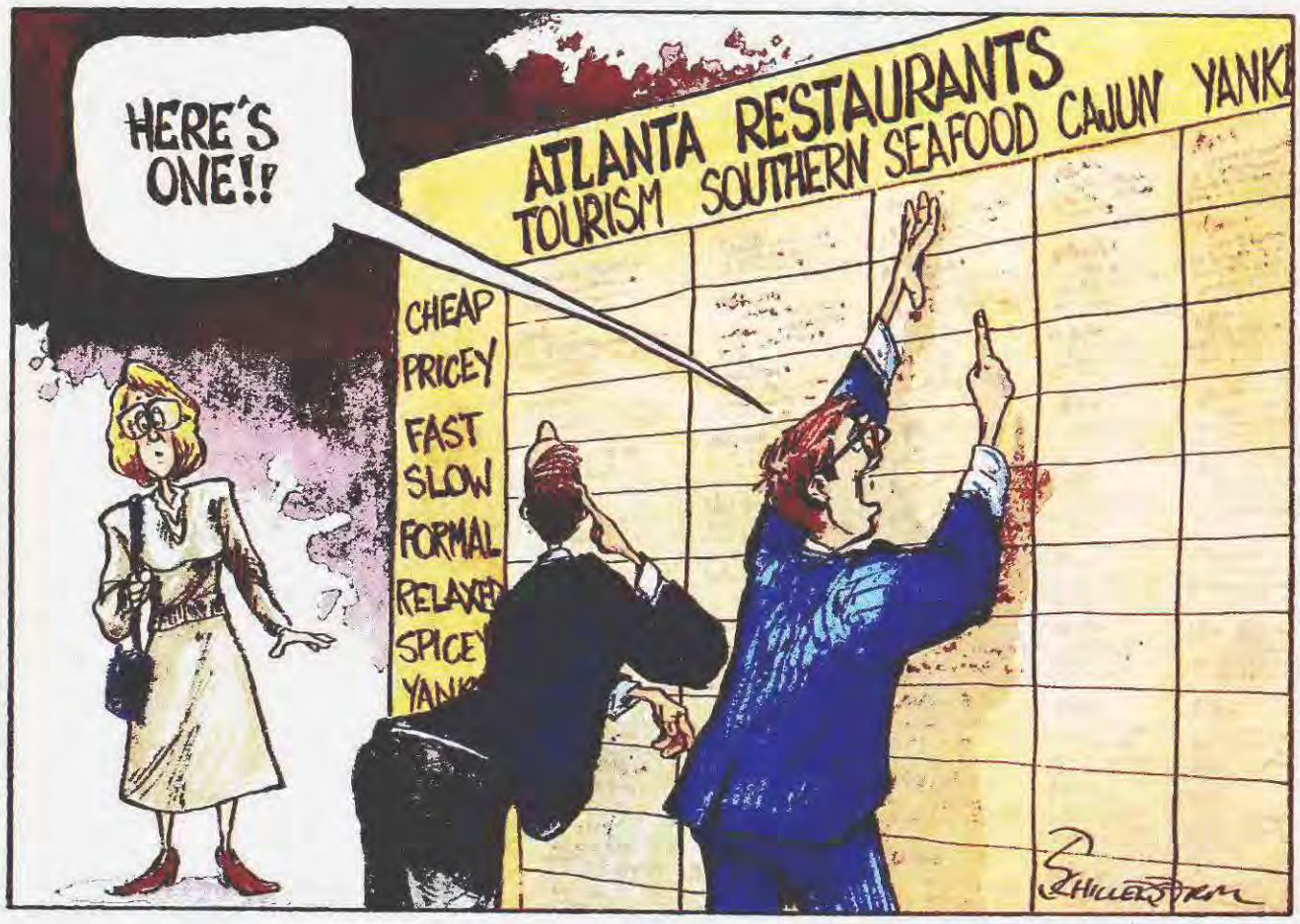


BI Atlanta Guide

Dining Atlanta-style

Restaurants run gamut from gourmet to grits

By MICHAEL BRADFORD



ATLANTA—In a city where commuters flee downtown at dusk, finding a good lunch is a lot easier than locating a dinner that's worth its salt.

Downtown Atlanta, though a thriving international city during the working hours, is a quiet place after sunset. Atlantans will tell you they are more likely to stick close to the suburbs when dining out rather than hop on the freeway and motor into the city for an evening meal.

But, with some planning, attendees at the Risk & Insurance Management Society conference can find a number of great dining spots to satisfy any taste.

Like all big cities, Atlanta has its share of well-known restaurants that have fallen into the "tourist trap" category. The best way to avoid those is to ask locals for recommendations.

Ask the clerk behind the desk at your hotel, the waiter in the bar and anybody from Atlanta you meet at seminars. Pretty soon you'll notice a pattern. The same places are consistently pegged as "touristy" and others will be mentioned as legitimate.

Since such screening will have to take place after you arrive, it is only proper that *Business Insurance* offer its own critique of the downtown Atlanta dining experience.

Many visitors first think of Atlanta in terms of down-home, Southern cooking. That type of food is still available, although the city outgrew the fried chicken and barbecue image some time ago.

If it's barbecue you want, your best bet is to make a stop at the Barbecue Kitchen either coming from or going to Hartsfield International Airport.

Situated about two miles from the airport at 1437 Virginia Ave., the restaurant dishes up some of the best barbecued chicken and pork in the south. The place looks like a barbecue restaurant, too, with simple, solid wood tables and friendly waitresses in sauce-stained aprons.

Downtown at 25 International Blvd., Pittypat's Porch is an often-recommended spot for Southern cooking. However, the restaurant doesn't serve up the home-cooking that most Southerners think of when the dinner bell rings.

Instead, the menu lists offerings like blackened fish, venison and duck. Meals average $18 to $20 and come with soup, salad bar and dessert of the day. Diners are charged a minimum $12.95.

Pittypat's offers a comfortable Southern ambiance with its picnic table dining areas and polite, attentive waiters, but RIMS-goers looking for some down-home cooking may be disappointed.

If it's a Southern atmosphere you want, The Mansion at 179 Ponce de Leon Ave. N.E. has got it. The restaurant is a 104-year-old Victorian mansion, complete with courtyard and lily pond. Inside, diners can't help but wonder as they sit among the period furnishings in high-ceiling rooms what ghosts of the Old South still move about in the stately house.

Somewhere inside the ornately furnished restaurant, the kitchen serves up fresh seafood, prime beef and more exotic dishes such as pheasant in peach sauce. Desserts and breads are baked fresh daily.

A la carte entrees are priced from $14.50 to $20.50 at The Mansion.

The staff there is gracious but a little slow at times. If the restaurant is busy, you may wait up to an hour for your entree.

The Mansion's owners also are the proprietors of nearby The Abbey, a converted neo-Gothic church across the street that now serves continental cuisine. The stained glass and vaulted ceilings lend impact to the dining experience in the restaurant, which has won several awards.

Connoisseurs of fine wines will enjoy The Abbey, which boasts a wine list named among the 100 best in the United States by the Wine Spectator magazine.

If you crave beef, the locals will tell you that Bone's Steak & Seafood at 3130 Piedmont Road N.E. is an Atlanta favorite.

Not only does Bone's feature 24-ounce T-bones and 16-ounce strip steaks, the restaurant also serves up fresh seafood, including Maine lobster flown in daily.

Another well-known steak house is The Coach & Six Restaurant at 1776 Peachtree St. N.W. The problem here is getting seated.

Reservations mean little if The Coach & Six is crowded. Waiting patrons are herded into the lobby bar whether or not they have reserved a table, and waits of up to 45 minutes are common.

A short cab ride from downtown, Ruth's Chris Steak House at 950 E. Paces Ferry Road N.E. lives up to its motto as the "Home of Serious Steaks."

Ruth's Chris is a New Orleans-based chain that has made its mark by serving sizzling hand-cut steaks. And like any good restaurant that calls New Orleans home, Ruth's Chris serves up blackened redfish and other seafood.

If you're out visiting the Carter Presidential Center, you may want to have dinner afterward at a new place that's earning its stripes in the Virginia-Highland area.

Located at the corner of Virginia Avenue and North Highlands, The Highland Tap is a comfortable downstairs bar-restaurant where you can relax with a cocktail or extra-cold beer before dinner.

A unique feature at the restaurant is the relish tray that arrives at your table before the meal. Such an assortment of vegetables and a dip has long-since disappeared at most places and is a classy touch at The Highland Tap.

The menu ranges from hefty Caesar salads to hearty steaks and it is all delectable. Since The Highland Tap is located just outside downtown, its prices are more moderate than those at establishments closer to the conference hotels.

When Atlantans are in the mood for seafood, they head for The Savannah Fish Co. at the Westin Peachtree Plaza Hotel. The menu changes daily reflecting available fresh seafood, but the wine and oyster bar's selection is the same from 11 a.m. to 11 p.m. daily.

If you can sneak away from the conference for lunch, you've got it made. It's hard not to find a place within walking distance of the RIMS hotels that doesn't serve a scrumptious midday meal.

Atlanta is a lunchtime town and you may have a short wait for a table if you walk in around noon. But in most cases, it's worth the wait.

At the top of the lunch list is Dailey's Restaurant & Bar, a converted two-story warehouse with a casual setting downstairs and fine dining on the upper floor. Dailey's can be found at 17 International Blvd.

Downstairs, a sumptuous selection of burgers and sandwiches and other light fare are available, while upstairs, dishes such as veal and duck are served.

You can settle into a wooden booth at Knickerbockers—89 Park Place—and enjoy lunchtime mainstays like hamburgers, salads, fish or chicken. It's a great neighborhood bar setting and while you're waiting for your food, you can try to decipher the autographed caricatures of famous folk painted on the walls.

Situated across from the Fox Theatre, Brandywine Downs is worth the short cab ride from the conference hotels.

The popular meeting spot has an extensive, eclectic menu of soups, salads, omelettes, burgers and sandwiches. The tasty taco salad is a favorite and the paddock bread—honey wheat bread baked in clay pots and served with whipped butter—is mouth-watering. Hearty helpings of "stable fries"—huge, thick french fries—are filling and delicious.

Brandywine Downs also serves dinner, with selections of fish, steak and chicken.

By the end of the week, when you've had enough rich food, dinnertime deal making and dressing up, there's only one place to go: The Varsity.

If you've got a car, you've got a dining room at The Varsity. Just park next to an intercom, sit back and wait for curbside delivery. The car-hops have a reputation to live up to here: This is the place where Nipsy Russell got his start as a burger shuffler and aspiring entertainer.

If you're eating inside, you'll find a jam-packed mixture of chaos, fear and confusion, along with 90-cent hot dogs, burgers and beer. A great way to cap a long week.

The Varsity is at 61 North Ave. at the I-75 and I-85 connector.

Of course, the best way to start a day filled with seminars and socializing is with a good-old fashioned grits-and-eggs breakfast. The Cafe at the Ritz Carlton is a perfect choice.

Located at 181 Peachtree in the lobby of the hotel, The Cafe is convenient to all RIMS hotels. It's a cozy and relaxed setting—a great place to wake up with the morning paper and coffee.

The Cafe serves up a fine bowl of grits, that stick-to-your ribs staple of Southern breakfasts, along with fresh muffins, crispy hash browns, eggs any style and an endless pitcher of freshly squeezed orange juice.

If these restaurants don't quite set you to salivating, the following list offers a wide variety of other possibilities. It's always a good idea to call ahead and double-check restaurant hours and inquire about reservations.

Following is an alphabetical listing of Atlanta-area restaurants:

THE ABBEY
163 Ponce de Leon Ave. S.E.
876-8532
6 p.m.-11 p.m. Reservations suggested, neat attire requested. Modern French cuisine, featuring rack of lamb and roasted striped bass, served in a renovated church. Award-winning wine list. Dinner for two averages $35-45. Major credit cards.

ATRIUM CAFE
Peachtree Center Avenue, between Ellis & Baker Streets (in Atlanta Marriott Marquis)
521-0000
6:30 p.m.-12 midnight Monday through Sunday. Reservations not required, casual dress. American cuisine featuring a variety of seafoods, prime rib, New York strip steak, baby back ribs, lamb chops, lemon chicken and salads. Dinner for two averages $20. Major credit cards.

AUBURN AVENUE RIB SHACK
302 Auburn Ave.
523-8315
2:30 p.m.-11:30 p.m. Tuesday through Thursday; 11:30 a.m.-11:30 p.m Friday and Saturday. Reservations not necessary, casual dress. Famous for its barbecued ribs and chicken and Southern favorites like macaroni and cheese, black-eyed peas and sweet potato pie. Dinner for two averages $20. Major credit cards.

AVANZARE RESTAURANT
265 Peachtree St. N.E. (in Hyatt Regency Atlanta)
577-1234
11:30 a.m.-11:30 p.m. Monday through Sunday. Reservations suggested, business dress preferred. Bay shrimp and crab claws, veal piccata, lasagna Bolognese and other Northern Italian specialties. Dinner for two averages $50. Major credit cards.

BENTLY'S RESTAURANT
I-85 at Riverdale Road (in Atlanta Airport Marriott)
766-7900
6 a.m.-11 p.m. Monday through Saturday; 6 p.m.-10 p.m. Sunday. Reservations suggested, jackets for men. Seafoods and steaks in romantic, candle-lit atmosphere. Dinner for two averages $75. Major credit cards.

BONE'S STEAKS & SEAFOOD
3130 Piedmont Road N.E. (in Buckhead)
237-2663
11:30 a.m.-11 p.m. Sunday through Thursday; 6 p.m.-midnight Friday and Saturday. Reservations suggested, jackets for men. A favorite meeting place for Atlanta's executive set, featuring prime aged beef and a large selection of seafoods. Dinner for two averages $75-$80. Major credit cards.

BOSCO'S RISTORANTE ITALIANO
2293 Peachtree Road N.E. (in Buckhead)
351-3600
6 p.m.-11:30 p.m. Monday through Friday; open until midnight Saturday and Sunday. Reservations suggested on weekends, casual dress. Northern Italian dishes including zuppa di pesci, snapper, scallops, shrimp and other seafood specialties.

Continued on next page

BI Atlanta Guide

Continued from previous page

Dinner for two averages $50. Major credit cards accepted.

BOTANY'S ATLANTA
898 Virginia Ave. (in Hapeville, near airport)
766-2545
11 a.m.-3 a.m. Monday through Friday; 1 p.m.-3 a.m. Saturday; 1 p.m.-12 midnight Sunday. Reservations not required, casual dress. Featuring Mexican, American and Italian specialties such as tacos, tostados, filet mignon, sirloin steak, spaghetti, lasagna and veal. Dinner for two averages $25-$30. Major credit cards.

BRASSERIE
The Galleria (in Stouffer Waverly Hotel)
952-4500
6 p.m.-11 p.m. Monday through Sunday. Reservations not required, casual dress. Wide variety of American-style seafoods and steaks. Dinner for two averages $20. Major credit cards.

BUCK'S
116 E. Ponce de Leon (in Decatur)
373-7797
6 a.m.-10 p.m. Monday through Sunday. Reservations not required, casual dress. Traditional American cuisine and ethnic specialties such as Cajun-spiced chicken pot pie, plus a wide variety of desserts and shakes. Dinner for two averages $30-$40. Major credit cards.

BUCKHEAD DINER
3073 Piedmont Road (in Buckhead)
262-3336
11 a.m.-12 midnight Monday through Saturday; until 10 p.m. Sunday. First-come, first-served; casual dress. Upscale diner featuring hamburgers, fresh catch of the day, homemade desserts, various fountain items and wine by the glass. Dinner for two averages $40-$50. Major credit cards.

CAFE AVIVA
1144 Crescent Ave. N.E. (in Midtown)
875-7901
11:30 a.m.-11 p.m. Monday through Friday; open until 12 midnight on weekend. Reservations suggested, formal dress. Seafood, lamb, veal, homemade pastas and other Continental specialties served in romantic converted house decorated with 18th century art. Live jazz in the evenings. Dinner for two averages $75. Major credit cards.

CAFE DE LA PAIX
Courtland and Harris Streets N.E. (in Atlanta Hilton & Towers)
659-2000
7 a.m.-10 p.m. Monday through Sunday. Reservations not required, casual dress. Filet mignon, prime rib, seafood fettuccine and other Italian specialties. Dinner for two averages $50. Major credit cards.

CAFE RAVINIA
4355 Ashford-Dunwoody Road (in Hyatt Regency Ravinia)
395-1234
6 a.m.-10:30 p.m. Monday through Sunday. Reservations suggested, casual dress. Italian/American cuisine served in open cafe overlooking atrium. Outside seating available, weather permitting. Dinner for two averages $50-$60. Major credit cards.

CARLOS McGEE'S
3360 Chamblee-Tucker Road
452-8880
11:30 a.m.-4 a.m. Monday through Sunday. Reservations not required except for parties of six or more, casual dress. Tex Mex beef, chicken fajitas, burgers, omelettes and salads. Live entertainment from 10 p.m. Dinner for two averages $15. Major credit cards.

CHECQUER'S BAR & GRILL
236 Perimeter Center Parkway (Ashford-Dunwoody Road exit off I-285).
391-9383
11 a.m.-11 p.m. Monday through Saturday; 10 a.m.-10 p.m. Sunday. Reservations accepted, casual dress. Featuring mesquite grilled seafood, salads and specials like certified black angus steaks, served in an elegant room decorated with wood paneling and a domed ceiling. Restaurant will design special menu for large groups (10 or more). Dinner for two averages $60. Major credit cards.

CLARENCE FOSTER'S COOKERY & SALOON
1915 Peachtree Road N.E. (in Midtown)
351-0002
11:30 a.m.- 12 midnight Monday through Saturday, till 9 p.m. Sunday. Reservations not necessary, casual dress. Steaks, seafoods, veal, soups, crab cakes and other American specialties. Dinner for two averages $30. Major credit cards.

CLOCK OF 5'S
265 Peachtree St. N.E. (in Hyatt Regency Atlanta)
577-1234
11:30 a.m.-11:30 p.m. Monday through Friday; 6 p.m.-11:30 p.m. Saturday and Sunday. Reservations suggested, casual/business dress. American cuisine featuring chops, steaks, seafoods, a 21-item salad bar and a seafood buffet. City club atmosphere with mahogany decor. Dinner for two averages $55-$65. Major credit cards.

THE COACH & SIX RESTAURANT
1776 Peachtree St. N.W.
872-6666
6 p.m.-11 p.m. Sunday through Friday; 6 p.m.-midnight Saturday. Reservations required, jacket required for men. Prime steaks, Maine lobster, fresh fish, veal and lamb are specialities. Menu in four languages. Dinner for two averages $70 and upward, depending on wine selection. Major credit cards.

CRAB HOUSE SEAFOOD-MIDTOWN
595 Piedmont at North Avenue (in Rio shopping center)
872-0011
11 a.m.- 10:30 p.m. Monday through Friday; open until 11 p.m. Saturday and Sunday. Reservations suggested for eight or more, casual dress. Snapper, Maine lobster tails, crabs, salads and variety of appetizers. Restaurant overlooks downtown skyline. Dinner for two averages $50. Major credit cards.

DAILEY'S RESTAURANT & BAR
17 International Blvd. N.E.
681-3303
11 a.m.-11 p.m. Monday through Friday; until midnight on weekends. First-come, first-served, casual dress. Continental specialties such as grilled swordfish au poivre, shellfish fettuccine and pistachio lamb. Steaks, fresh fish and veal also. Dinner for two averages $60. Major credit cards.

DANTE'S DOWN THE HATCH
3380 Peachtree Road N.E. (in Buckhead)
266-1600
4 p.m.-12 midnight Monday through Thursday, till 1 a.m. Friday and Saturday, 5 p.m.-12 midnight Sunday. Reservations required, casual but neat dress. Dining in nautical setting fea-

Continued on next page

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BI Atlanta Guide

Ray Charles to entertain risk managers

With Georgia on the minds of conference attendees, it seems only appropriate that rhythm and blues artist Ray Charles will entertain at the Risk & Insurance Management Society conference in Atlanta.

CIGNA Corp. is sponsoring an evening with the singer at 9 p.m. on Wednesday, April 12, in the Omni Coliseum.

In addition to the classic "Georgia On My Mind," Mr. Charles' other musical hits include "Unchain My Heart" and "Hit the Road Jack."

The veteran entertainer was inducted into Georgia's Musical Hall of Fame in 1979.

A ticket to Mr. Charles' performance will be included in each conference registration packet. One ticket will admit two people.

The coliseum doors open at 8 p.m., and a shuttle service from all the RIMS hotels will run from 7:45 to 11:30 p.m.

Other events open to all conference attendees include a Mexican fiesta and a trip to the Science & Technology (SciTrek) Museum.

Mexico-based insurer Seguros La Comercial S.A. will host a fiesta featuring south-of-the-border music and food at 9 p.m. on Wednesday, April 12, at the Westin Hotel.

American International Group Inc. will shuttle attendees to the new Scitrek Museum for a cocktail reception scheduled between 5:30 and 9 p.m. on Thursday, April 13. Shuttle service will run from the Atlanta Marriott Marquis beginning shortly before the cocktail party to the museum, located just north of downtown on Piedmont Avenue.

Attendees will be able to tour the 6-month-old museum during the reception.

For those who want to stay closer to their hotels there are plenty of hospitality suites open to all conference attendees.

More than 80 companies have requested 101 suites and public spaces at this year's conference, according to Barbara Parker, assistant director of conferences for RIMS.

Hospitality suites offer registrants hors d'oeuvres and cocktails, as well as a chance to mingle. They are a "nice place to go after a day of sessions or before dinner," Ms. Parker said.

This year's suites will be held among four of the conference hotels: Atlanta Hilton & Towers, Cortland and Harris streets; Hyatt Regency Atlanta, 265 Peachtree Center Ave.; Atlanta Marriott Marquis, 265 Peachtree Center Ave.; and Westin Peachtree Plaza, Peachtree Street and International Boulevard.

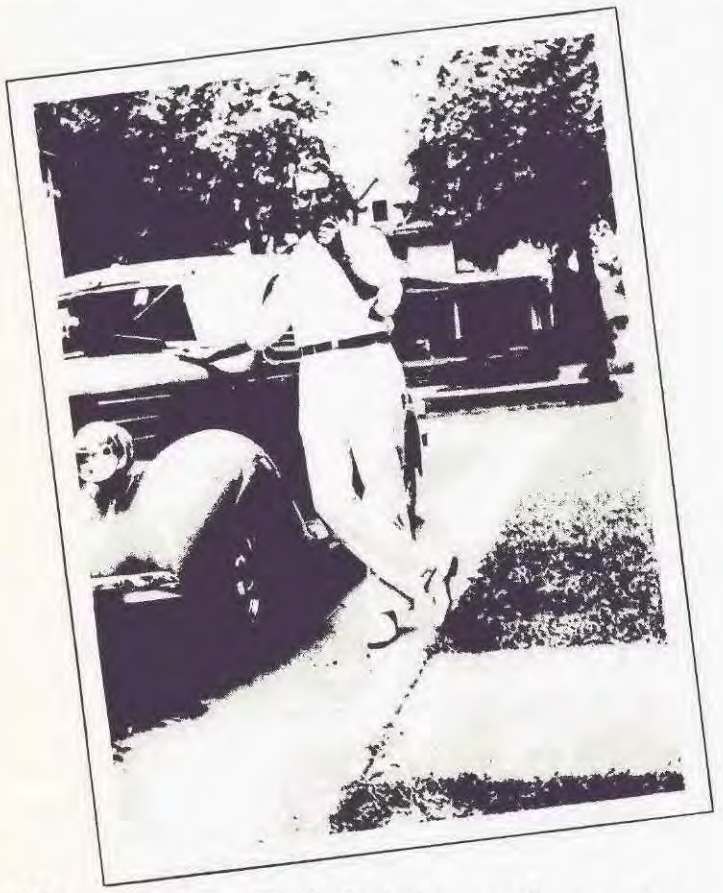
To preserve the ambiance and educational reputation of the RIMS conference, the following guidelines are imposed by the society for all sponsors of hospitality suites:

- All suites will be closed from 9 a.m. to 5:30 p.m.
- An 11:30 p.m. curfew will be enforced, at which time all hospitality suites will be closed.
- No alcoholic beverages will be served at breakfast functions.
- No signs will be taped on participating hotels' halls, elevators, etc.
- All hotels concerned have agreed not to accept mass distribution by rooms or guest boxes to all conference attendees.
- Lotteries or raffles are not permitted.
- The use of live models is permitted as long as their appearance and conduct is in keeping with the educational and professional character of the conference.

—By Jacqueline LaSota



Ray Charles will perform his rhythm and blues classics at the RIMS conference on Wednesday, April 12.



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Atlanta nightlife varied enough to suit all tastes

It won't be hard to find nightlife ranging from from blues to jazz and disco to bistro near this year's Risk & Insurance Management Society Inc. conference.

The two best-known blues joints in Atlanta are Blind Willie's at 828 N. Highland Ave. in the Virginia-Highland area and Blues Harbor at 3719 Peachtree Road N.E. in Buckhead.

Venture over to Blind Willie's if you're in the mood for gritty rhythm and blues or up to Blues Harbor if you want a more upscale setting where you can order prime rib or lobster and hear top talent from Chicago.

If jazz is more your style, drop in Downstairs at Scenario at 3423 Piedmont Road for live music any night and a happy hour buffet from 4:30 to 8 p.m.

Located in the Virginia-Highland area is Walter Mitty's at 816 N. Highland Ave., a basement jazz club with a dinner establishment upstairs.

To move your feet, dance into Studebaker's at 3365 Piedmont Road, where '50s- and '60s-era classics stir up a frenzy of happy feet in this crowded club.

Scenario, at the same address, is a hip spot complete with spotlights and futuristic decorations. Disc jockeys spin progressive dance tunes.

You can disco down to Atlanta Nights at 505 Peachtree St. N.E. if you like Top 40 and lots of lights and video screens.

Club Rio at 195 Luckie St. N.W. is more on the avant-garde side, located in the building that once housed the RKO film offices. The music usually is pre-recorded, but the decibel level is always high.

An easier pace is found at The Cafe Bar at the Ritz-Carlton Buckhead, 3434 Peachtree Road N.E. Easy listening and popular dance music soothe patrons at this club. On Fridays, tea dances with music by The William Noll Quartet occupy the floor.

Risk managers who prefer head-banging heavy metal music that'll shake the change out of their pockets will enjoy Metroplex at 388 Marietta St. N.W. Call 404-523-1468 to find out whether the night's entertainment is punk or rock.

Cruise over to the White Dot at 239 Ponce de Leon Ave. N.E. to hear local bands churn out some rock 'n' roll. Of course, on especially punkish nights, the dress code may call for something a little less casual than normally worn during conference seminars. Just rip up a pair of slacks and wear a tie as a headband. You'll get in.

If you're looking for a naughtier night out, Atlanta has a number of adult entertainment clubs not far from the conference hotels.

The Cheetah Elite is located across from the Dunk & Dine on Baker Street and is a short trek from some conference hotels. Proper dress—for customers—is required.

Tattletale Lounge at 2075 Piedmont Road N.E. has 60 dancers and claims to be a "friendly neighborhood lounge that just happens to have the finest live entertainment on this earth!" An amazing coincidence, all right.

-By Michael Bradford

BI Atlanta Guide

Anderson, Mescon to speak at lunches

By KARI BERMAN

Mr. Anderson's 'Merry Go Round' column is syndicated in an estimated 1,000 newspapers.

Jack Anderson, a Pulitzer Prize-winning syndicated columnist, and Michael H. Mescon, dean of the College of Business Administration at Georgia State University in Atlanta, will share their insights on American society at this year's Risk & Insurance Management Society conference.

Mr. Anderson, whose "Merry Go Round" column is syndicated in an estimated 1,000 newspapers nationwide, also is a respected lecturer and author. He will speak at 12:30 p.m. Tuesday, April 11, at the Atlanta Marriott Marquis.


Mr. Anderson

Mr. Mescon, a seasoned lecturer and chairman of Atlanta-based management consulting firm The Mescon Group Inc., will speak at 12:30 p.m. Thursday, April 13, also at the Marriott Marquis.

Mr. Anderson's speech will focus on current issues facing American society, such as the United States' lack of international trade competitiveness and the nation's rapidly growing drug problem.

Of particular interest to risk managers attending the conference will be Mr. Anderson's views on employee drug testing.

While contending that employee drug testing is a violation of human rights, Mr. Anderson acknowledges that it might be a necessary step in controlling the nation's increasingly threatening drug problem.

During his 40-year journalism career, Mr. Anderson has created numerous television documentaries and still delivers daily radio commentaries.

On the political level, Mr. Anderson is co-chairman of the Grace Commission, a Washington D.C.-based lobbying forum dedicated to combatting unnecessary government spending (*BI*, Oct. 10, 1988).


Mr. Mescon

Mr. Mescon, a firm believer in private enterprise, will focus his luncheon remarks on the concept of excellence and factors that differentiate an excellent company from an average operation.

His speech will illustrate common personality traits among leading performers at companies with longstanding reputations for excellence, Mr. Mescon explained.

Noted for his ability to motivate his audience while speaking, Mr. Mescon said that he hopes to captivate the attendees at the RIMS conference by using real-life examples to illustrate various points throughout his speech.

Mr. Mescon has authored or co-authored more than 100 articles and books related to the principles of business management. He also is a contributing editor to Delta Airlines' SKY magazine.

Although Mr. Mescon's expertise is in business management, the state of the U.S. health care system and health care benefits also are among his interests.

Mr. Mescon serves on the board of directors of the Diabetes Assn. of Atlanta and is the chairman-elect of the American Red Cross' Metropolitan Atlanta Chapter. He also was Georgia's Heart Fund chairman. ■

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BI Atlanta Guide

Smooth transition

RIMS' Heydinger, Stasch foresee continuity in governing

By KARI BERMAN

The Risk & Insurance Management Society will continue to track state and federal legislation affecting risk management and employee benefits under the leadership of President-elect Ronald Stasch.

In addition, the new chief executive of RIMS will work toward improving communication among its members, broadening membership demographics by attracting more small businesses and improving education and research programs.

As Richard C. Heydinger's tenure as president of the New York-based organization draws to a close and Mr. Stasch prepares to pick up the reins, both agree that continuity in governing is the thread weaving the future of RIMS.

Mr. Heydinger and Mr. Stasch atypically requested to be interviewed by *Business Insurance* together, explaining that because they have worked closely over the



Mr. Stasch

year on the same projects, "there isn't a clear break or line that you cross between one administration and the other."

Mr. Heydinger described the coming transition of Mr. Stasch's inheritance of RIMS' as an already determined path.

When Mr. Stasch becomes president of RIMS on May 1, following RIMS' 27th annual Risk Management and Employee Benefits Conference held in Atlanta, April 9-14, the 1989 budget and agenda priorities will already be in effect.

"A year is not a very long administrative term, so there really isn't a Heydinger administration," commented Mr. Heydinger, who is risk management director at Hallmark Cards Inc. in Kansas City, Mo.

"We worked together to put this year together and we knew that a lot would carry over into the next year," added Mr. Heydinger, who estimates he and his colleague spend 20 to 25 hours per week on RIMS business.

Although Mr. Heydinger will no longer be a member of the 10-person executive committee, his official duties as a former RIMS president will include organizing both the student involvement program and various award ceremonies. He also will be available on an advisory basis.



Mr. Heydinger

"Some of the things that Dick started will continue, and I might get credit for them, but it doesn't matter because it is a constant flow that we are striving for," Mr. Stasch said.

President-elect Stasch, who is director of risk management at Detroit-based Federal-Mogul Corp., will pick up the "continuity of flow" approach in his own administration, pledging to maintain a close working relationship with the new first vp.

Although unofficial until confirmed by the board of directors at RIMS' Atlanta conference, Cheri Hawkins, assistant director of insurance at Weyerhaeuser Co. in Federal Way, Wash., is expected to succeed Mr. Stasch as first vp.

Among the federal issues RIMS opposed in 1988 and will keep an eye on during 1989 are increases in reinsurance excise taxes and any repeal or modification of the McCarran-Ferguson Act (*BI*, Aug. 8, 1988).

In addition, RIMS will continue to watch:

- Any revisions to the Risk Retention Act of 1986.
- Proposed Insurance Services Office Inc. modifications to its commercial general liability policy forms. RIMS opposes changes, currently on hold, that would exclude all pollution-related losses from the CGL form, exclude coverage for employment-related practices, prohibit additional named policyholders on a claims-made policy from purchasing supplemental—or tail—coverage and limit liquor/host liability coverage (*BI*, Nov. 14, 1988).
- Car rental collision damage waivers. RIMS supports the National Assn. of Insurance Commissioners model law, which would prohibit rental car companies from selling CDWs under which—for a $7 to $13 daily fee—customers are released from liability if the car is damaged. Instead, the model law makes rental car companies assume the risk of most accidental damage to their vehicles as a business expense (*BI*, June 20, 1988).
- Mandated health care legislation, such as the bill sponsored last year by Sen. Edward M. Kennedy, D-Mass. While the measure, S.B. 1265, only cleared one committee in 1988, Sen. Kennedy is likely to renew his battle this year (*BI*, Feb. 22, 1988). RIMS says it will consider a law mandating employers to provide certain minimum health care benefits to employees, but it does not view the demands contained in the Kennedy bill as "minimum."
- California's Proposition 103 and similar mandated rollbacks of insurance rates. RIMS released a statement last month publicly opposing the controversial proposition, which requires insurers in California to roll back for one year almost all property/casualty insurance charges to 20% below November 1987 levels. RIMS also opposes similar legislation initiated in other states (*BI*, March 6). At least 15 states are targeted by consumer groups for legislation imitating Proposition 103 (*BI*, Jan. 16).

While members of RIMS Governmental Affairs Committee will remain on top of last year's legislative issues, they will quickly be on the scene when new bills affecting risk management and insurance are born, Mr. Heydinger and Mr. Stasch added.

Mr. Stasch also intends to continue Mr. Heydinger's efforts at improving communication between RIMS' Executive Committee and its members.

"We need to do a better job informing members of the resources available to them through RIMS," Mr. Stasch said.

The need for improving communication became apparent when RIMS' surveys indicated that members were not aware of either the resources available to them through RIMS or how to utilize their membership to its fullest extent.

For example, because RIMS is not recognized as the official organization of employee benefit managers, some members are not aware of the employee benefits-related topics that RIMS addresses regularly.

In fact, two-thirds of RIMS' 4,200 corporation members have risk managers with some responsibility for administering employee benefits.

Mr. Heydinger and Mr. Stasch agreed that it was important that employee benefit managers know that, like risk managers, they can benefit from RIMS' services.

Now, newly designed pamphlets explaining RIMS, along with video and cassette tape shows, are being used to bridge the communication gap and encourage involvement among members in both risk management and employee benefits.

While internal communications is gaining importance, communicating RIMS' role to non-members also is a priority as RIMS representatives try to broaden membership demography by attracting more small businesses.

"Perhaps one of the greatest misnomers about RIMS is that it is strictly big business when, in fact, our services are useful to companies of all sizes," Mr. Heydinger said.

Although most of RIMS 7,500 deputy members represent large corporations, Mr. Heydinger believes that RIMS is "saturated with big companies and needs to reach smaller businesses that can also benefit from RIMS' services."

While communicating RIMS' value to members is a priority, Mr. Stasch also hopes to continue his predecessor's attempts at heightening RIMS' credibility with insurers, regulators and legislators by enhancing various education and research programs.

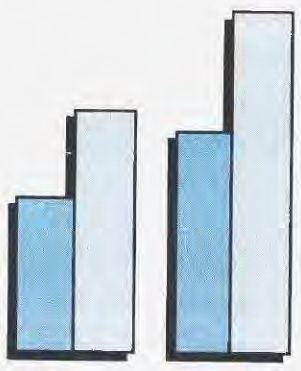
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Continued on next page

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Continued from previous page

make risk management studies part of required course work at accredited business schools will remain an issue of importance for Mr. Stasch (*BI*, Aug. 29, 1988).

Both Mr. Stasch and Mr. Heydinger strongly believe that the addition of risk management courses to business school curriculum would help give the risk management field the kind of professional credibility that RIMS has been struggling to achieve.

While RIMS' officers strive for course representation in business schools, RIMS' continuing education program is expanding its class offerings this year.

A new addition to the courses, which are offered seminar-style at different locations nationwide, will focus on claims management.

Another new course under development is a special advanced risk management class for more experienced risk managers.

The advanced course, which is being designed by RIMS' Continuing Education Committee, will be offered later in the year.

Four-hundred and four individuals participated in RIMS' classes during 1988.

While RIMS has been making great strides at improving its educational risk management programs, it still lacks prestige in the area of research and data collection, according to Mr. Stasch, who labeled research as one of RIMS' weakest areas of development.

Although RIMS remains dedicated to upgrading its data collection services, attempts have been marred by the disappointing experience of RIMSNET.

Introduced in 1987, RIMS' research department had hoped its members would embrace RIMSNET, the first electronic transnational risk management data and communication system.

Although it has not yet had the impact that RIMS believed it would, Mr. Heydinger and Mr. Stasch said they feel that RIMSNET is a useful product that still has great potential for growth.

In the meantime, new research projects also are under way at RIMS.

Among RIMS' new endeavors is the Risk Management Round Table. The program, launched last December, includes about 15 seasoned risk management experts who will select insurance industry problems, research them and meet periodically to discuss findings and select new topics.

Michael McDonald, director of risk management at Miami-based Ryder System Inc., will serve as chairman of the Round Table that Mr. Stasch hopes will eventually be considered a risk management "think tank."

Useful findings and answers to risk management and insurance industry problems that the Round Table uncovers will be distributed to members for their personal use.

Although the Round Table is not expected to have results from its first meeting until after RIMS' Atlanta conference, research data from RIMS' annual national survey on insurance availability and affordability will probably be available by conference time.

"As long as it is helpful and necessary, we will continue to do our annual survey of insurance availability and affordability," Mr Stasch said.

Looking ahead into the coming year as RIMS' president, Mr. Stasch said that he hopes to help position RIMS to fulfill its obligations to members as the new century approaches.

"Over the years, RIMS has made a lot of strides and with them we have picked up some awesome responsibilities. I want to help RIMS continue to grow and fulfill those responsibilities," Mr. Stasch commented. ■

Upcoming RIMS meetings

Next year's Risk & Insurance Management Society conference will be held April 29-May 4 in Boston.

Other future RIMS conference locations and dates are:

- **1991—New Orleans, April 28-May 3.**
- **1992—Anaheim, Calif., March 29-April 3.**
- **1993—Orlando, Fla., April 25-30.**
- **1994—New Orleans, April 17-22.**

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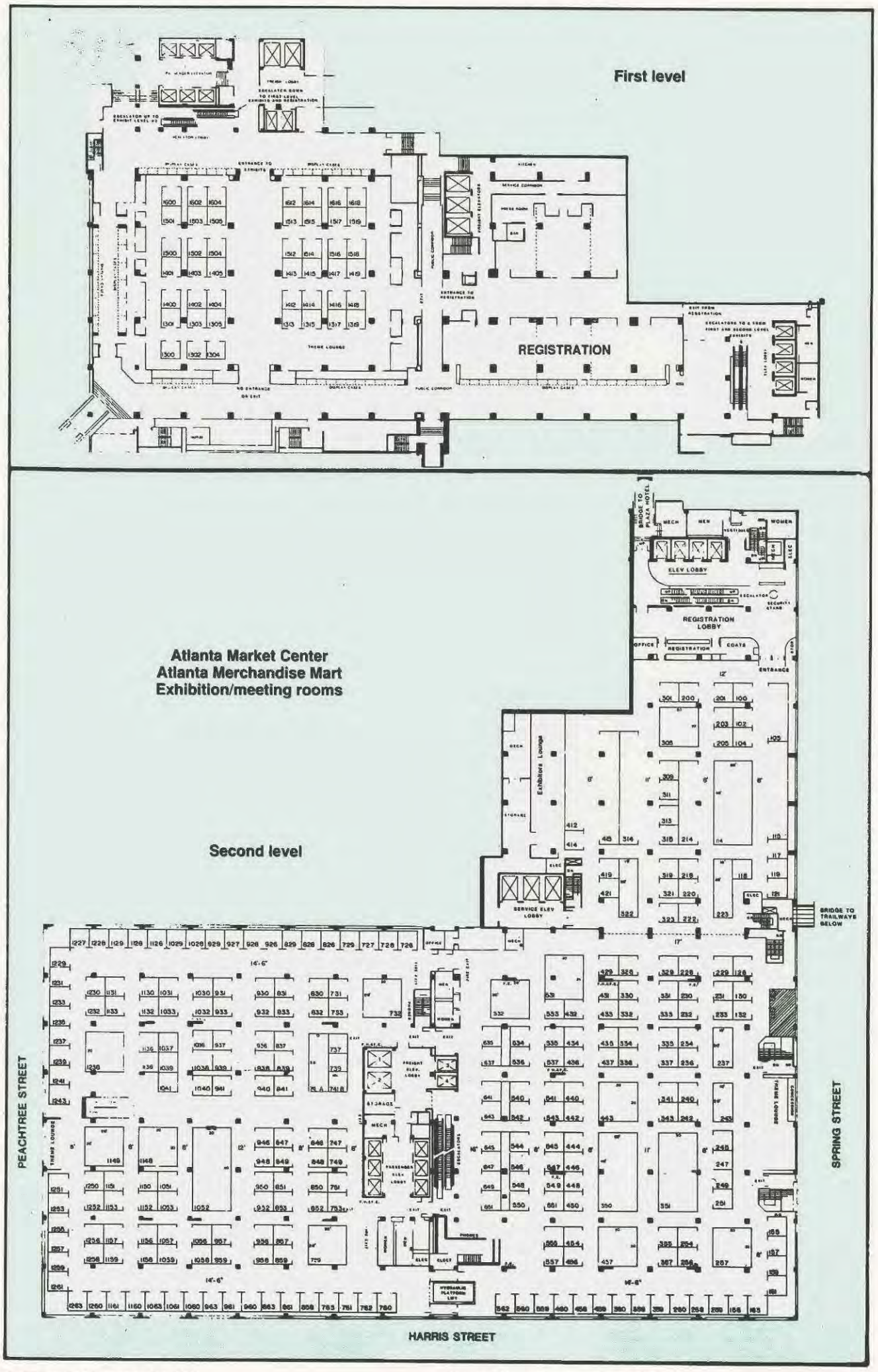
Where to find conference exhibitors

The 1989 Risk & Insurance Management Society exhibition hall, featuring 245 companies, government entities and other exhibitors, will be held in the Atlanta Merchandise Mart at 240 Peachtree St. N.W.

The exhibition, the largest ever at a RIMS conference, will be open from noon to 6 p.m. Sunday, April 9; 8 a.m. to 6 p.m. Monday, April 10; 8 a.m. to 4 p.m. Tuesday, April 11, and Wednesday, April 12; and 8 a.m. to 12:30 p.m. Thursday, April 13.

Following is a list of exhibitors and their corresponding booth numbers:

A.M. Best Co. **853**
ALTA Health Strategies Inc. **546**
ALTIS **258**
Adjustco Inc. **457**
Aeroscopic Engineers Inc. **936**
Aetna Casualty & Surety Co./Executive Risk Management Associates **643**
Alex N. Sill Co. **937**
Alexander & Alexander Inc. **1148**
The Alexander Consulting Group **1041**
Alexsis Risk Management Services **544**
America's Pharmacy Inc. **545, 547**
American Appraisal Associates Inc. **952**
American Excess Insurance Assn. **930**
American International Adjustment Co. **839, 841**
American International Group Inc. **114**
American International Recovery Inc. **1319**
Anistics **1149**
Applied Risk Control Corp. **1304**
Arkwright Mutual Insurance Co. **532**
Arthur J. Gallagher & Co., Gallagher Bassett Services **329, 331, 333**
Arthur Young & Co. **830**
Assessment Centers Technology **649**
Associated Risk Services Corp. **559**
Axia Services Inc. **760**
Axiom Review **541**
BMS Catastrophe Inc. **435, 437**
Bahamas Ministry of Finance **946, 948**
Baxter Healthcare Corp./Prescription Services Division **1602, 1604**
Baxter Healthcare Corp./Physical Therapy Division **1402**
Becher & Carlson Risk Management Inc. **1232, 1133**
Beech Street Inc. **1503, 1505**
Berkley Risk Retention Group Managers Inc. **635, 637**
Bermuda **1028, 929**
Blue Cross & Blue Shield Assn. **534, 536**
Boelter Associates Inc. **1255**
Brokers' Service Corp. **343**
Burdco Environmental Inc. **1513**
Business Insurance **309, 311**
CATCO (Catastrophe Cleaning & Restoration Co.) **1416**
CCN Inc. **414**
CGData Corp. **950**
CIGNA Corp. **351**
CYBEX, Division of Lumex Inc. **1405**
California Interactive Computing Inc. **335, 337**
Cargocaire Moisture Control Services **460**
Carnow, Conibear & Associates Ltd. **1519**
Cayman Islands government **163**
Central Bank of Barbados **645, 647**
Charles D. Spencer & Associates Inc. **1058**
Chubb Group of Insurance Cos. **1156, 1158, 1057, 1059**
College of Insurance **128**
Computer Consultants Corp. **1618**
ConServCo **240, 242**
Consolidated Service Corp. **726, 727, 728**
Continental Insurance Co. **305**
Continental Medical Systems Inc. **739**
Control Data, Benefit Services **846**
Control Data, STAYWELL **848**
Cook & Palmiotto Holdings Ltd. **533**
Coopers & Lybrand **432, 434, 436**
Corporate Healthcare Management **555**
Corporate Systems **350**
Corroon & Black Corp. **747, 749, 751, 753**
Cost Care Inc. **763, 858**
Crawford & Co. **412**
Creative Capital Inc. **963**
Custard Insurance Adjusters **1313**
David Corp. **1150, 1152**
Dempsey, Myers & Hughes **1051**
Dyer Wells/Computations Inc. **548, 550**
EQE Engineering Inc. **121**
Efficient Health Systems Inc. **341**
Employee Benefit News **231**
Enviro/Analysis Corp. **357**
Environmental Compliance Services Inc. **1252**
Environmental Risk Ltd. **1230**
Equifax Services Inc. **440-442**
Ernst & Whinney **230, 232**
Factory Mutual Engineering Corp. **102, 104**
Financial Times Business Information **1614**
FlexRx Pharmacy Services Inc. **761**
FlightSafety International Inc. **313**
Focus Healthcare Management **938**
Frank B. Hall & Co. Inc. **961, 960, 863, 861**
Frank Gates Service Co. **762**
GAB Business Services Inc. **115**



Galaher Settlements Co. **249**
Gates McDonald **429, 431**
General Rehabilitation Services **1404**
Genesis Underwriting Management Co. **1504**
Geo. M. Ruddy & Co. **118**
Greater Denver Chamber of Commerce **1038**
Grupo Nacional Provincial **737**
HCM Claim Management Corp. **931**
HCX Inc. **1243**
The Hartford Steam Boiler Inspection & Insurance Co. **214**
Hartford Specialty Co. **741A**
Hawaii Insurance Division **360, 459**
HazTran Inc. **641**
Hazelhurst & Associates Inc. **1403**
Hazox Corp. **551**
Health Care Services Inc. **319, 321**
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Healthdyne Inc. **557**
Henco Software **1501**
Hewitt, Coleman & Associates Inc. **259**
The Home Insurance Co. **220, 222**
Home Pharmacy **1301**
Home Shopping Pharmacy **1029, 1126**
Human Affairs International **1417**
Huver & Associates Inc. **731**
IDA Ireland **1256**

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INSURx Inc. **1415**
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Illinois Insurance Exchange **130**
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Impact Hearing Conservation Inc. **941**
InPhoto Surveillance Inc. **1036**
Industrial Appraisal Co. **535**
Industrial Risk Insurers **322**
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Medcor Inc. **741B**
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Risk Exchange Assn. **1039**
Risk Retention Groups Management Co. **1157**
Risk & Insurance Management Society Inc. **105**
Riverfront Medical Services **1413**
Rollins Burdick Hunter Co. **1052**
Royal Insurance Co. **415**
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Shand Morahan & Co. **260**
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Victor O. Schinnerer & Co. Inc. **1261**
W.T. Stephens Environmental Services Inc. **1315**
The Wheatley Group Ltd. **1502**
Wyandot Seating Division **355**
The Wyatt Co. **957, 959**
Zurich-American Insurance Group **203, 205**

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Minority risk managers may formalize group

By CHRISTINE WOOLSEY

More than 100 risk managers and insurance industry professionals are forging a new organization to serve as the official voice of minorities in the risk management and insurance professions.

Members of the group are gearing up to vote on whether to officially incorporate as the Assn of Minorities in Risk Management and Related Disciplines during the Risk & Insurance Management Society conference in Atlanta.

"Based on a consensus (of the informal group) it was decided we would formalize, and Atlanta is the final step," said M. Adelle Spradley, corporate risk manager at K. Hovnanian Enterprises Inc. in Redbank, N.J. Ms. Spradley is the nominee for president of the organization.

"An organization does not exist and will not exist until the people on the mailing list say it will," said Sheila Roberts, director of risk and insurance management at Time Inc. in New York.

"The group is an outgrowth of informal meetings of people at RIMS," explained Yvonne Paretzky, president at Paretzky Information Network Inc., an insurance and risk management consulting firm based in Rockville, Md.

Next week's RIMS conference will be only the second time that a meeting of the group, which started gathering informally several years ago, will be officially listed as a common interest group in the conference program.

The 1986 RIMS conference in Toronto marked "the first year 'Minorities in Risk Management' was on the conference program," said Ms. Paretzky.

"We always got together for lunch and dinner at RIMS conferences, and in Toronto about 16 of us decided we had common concerns about industry issues so I started keeping a mailing list," Ms. Paretzky continued.

That list of fewer than 20 names grew to more than 100 over the last few years, and Ms. Paretzky says she is quite pleased with the group's growth. "My original goal was to double the size in the first year," she admitted.

After members of the group decided it had reached a size that warranted some formal action, a steering committee was formed during last year's RIMS conference in Washington, D.C., and members were polled to ascertain what direction it should take.

In October, members gathered in Philadelphia and decided to incorporate and become a formal nonprofit organization. As stated in the draft of the articles of incorporation, AMRM has the following purposes:

- The furtherance of career opportunities for minorities in professional risk management and related disciplines.
- The promotion of professionalism among its members.
- The enhancement of educational and mentorship opportunities for its members and other persons interested in pursuing career opportunities in professional risk management and related disciplines.
- To cooperate with other professional associations, societies and organizations in furtherance of the purposes of AMRM.

The organization will have two types of membership, explained R. Miller Adams, an attorney at the Seattle-based law firm of Ogden, Murphy & Wallace who drafted the group's bylaws.

Regular members will consist of risk managers and others responsible for purchasing insurance. Associate members will consist of people who provide services to the risk management community, such as consultants or brokers. Associate members will not have voting rights in the organization.

The name for the group selected by the steering committee is tentative; the officers elected at the RIMS conference this April will make the final determination on the group's moniker, Mr. Adams said.

"We've worked on this almost a year," Ms. Spradley said. "It was a hard year, but it was successful, and I see a lot of successes in the future."

"With or without formality, our goals as a collection of people with common interests are to develop professionally, to know as much about risk management and insurance and related fields as we can and to increase education among our members," said Ms. Paretzky, whose duties on the steering committee include communications and public relations.

The advantages of belonging to an association are many, including the opportunity for discussing common concerns, whether professional or personal, with a peer who may have had a similar experience.

"The probability is high that they will be more interested and more responsive to your situation," Ms. Paretzky added.

Ms. Roberts, who has been nominated to be the group's treasurer, agreed.

"Essentially, we just want to get together formally and discuss issues that are important to us as a group, which cannot be addressed as a part of RIMS. RIMS is not put together for that purpose," she said.

In addition, the group will encourage minority involvement in risk management and insurance professions, just as members of the "Women in Benefits and Risk Management" common interest group at RIMS conferences have encourage the role of women in risk and benefit management.

When Ms. Paretzky attended her first RIMS conference in 1979, she said she could easily count the number of women and minorities at RIMS conferences on her hands. "You certainly didn't have to take off a shoe," she chuckled.

But, over the years, the number of women in risk management has grown phenomenally, and AMRM hopes to successfully promote the profession among minorities as well.

Continued on next page

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Spring is correct time to gather in Atlanta

Atlantans love spring—and for good reason.

The chilly winter is over and there are still a couple of months before the air turns to a damp blanket of summertime humidity.

The city's weather is at its best in April, with temperatures typically hovering in the 70s during the day.

However, you may want to pack long sleeves; there may be some lingering March winds to keep things breezy. And, the nights can still be cool this time of year.

Also, a rain shower or two may not be uncommon during the Risk & Insurance Management Society Inc. conference.

If you're a hay fever sufferer, pack your medication. It's hard to predict when the pollen count will peak, but spring is the time of year for nasal maladies in the Peach State.

Check the national weather map in your newspaper before you leave for Atlanta. There's always a chance the weather in this part of the country could turn freakish and you don't want to show up in a polo shirt during an ice storm.

—By Michael Bradford

Atlanta offers risk managers a chance to play

By MICHAEL BRADFORD

Knock the dirt off your jogging shoes, clean the divots off your irons and re-string the tennis racquet before you head to Atlanta for the Risk & Insurance Management Society conference.

The city's mild weather is guaranteed to give you a dose of spring fever that will rev up the competitive juices.

If you're a runner, you can tune up for the third 5K RIMS Run at the site of the race, Piedmont Park. The 185-acre park has a three-mile jogging trail, walking and biking trails, two soccer fields and two softball fields.

Designed by Frederick Law Olmstead, who also designed New York's Central Park, Piedmont Park also provides a place to work up a good case of tennis elbow. There are 13 lighted hard courts on the grounds.

If you can't get a court at Piedmont Park, you may want to venture up to Bitsy Grant Tennis Center at 2125 Northside Drive. There you'll find 13 clay courts and 10 hard courts. Six of the clay courts are lighted, and four hard courts allow night play.

Those who want to head out to the links will find a number of excellent public golf courses in the Atlanta area. Municipal courses are open from daylight until dark. Reservations are required on weekends.

The weekday fee on the municipal links is $9.45 and the weekend fee is $10.50.

The Bobby Jones Golf Course in Buckhead, about 10 minutes north of Downtown, is the closest municipal course to conference hotels. A challenging 6,180-yard, par-72 layout named after the golfing legend, the course also features a spacious clubhouse. Call 404-355-1009 for information.

Other municipal courses include the Alfred Tup Holmes Golf Course at 2300 Wilson Drive S.W., 404-753-6158; Browns Mill Golf Course at 480 Cleveland Ave. S.E., 404-366-3573; and North Fulton Golf Course at 216 W. Wieuca Road N.E., 404-255-0723.

The public course at Stone Mountain Memorial State Park was designed by Mr. Jones and has been rated among the top courses in the country by Golf Digest. Greens fees are $16 weekdays and $18 on the weekend. Information is available by calling 404-498-5717.

Basketball fans can catch an Atlanta Hawks game April 9 at the Omni, when the Chicago Bulls come to town, or on April 13 in a contest with the Boston Celtics. The Hawks also face the Milwaukee Bucks at home April 14. Call 404-681-3600 for ticket information.

The Atlanta Braves take the field a three-game series against the 1988 world champion Los Angeles Dodgers April 7-9 at Atlanta-Fulton County Stadium. Ticket information is available at 404-522-7630.

If you feel like pumping iron, stop in at the Marriott Marquis Health Club. You'll find universal weights, indoor and outdoor pools, life cycles, free weights, and steam and sauna rooms. It's free for hotel guests and $5 for guests at other local hotels. ■

Minority risk managers

Continued from previous page

While the numbers of minorities represented at the RIMS grown have grown significantly, the number is still not overwhelming, said Ms. Paretzky.

"There are fewer of us in the industry and fewer in upper positions within companies or the brokerage community," she added.

Both Ms. Paretzky and Ms. Roberts stressed the importance of taking a positive, rather than negative, approach to the problems confronting minorities in the risk management profession.

"We expect to maintain a very close and mutually supportive relationship with RIMS," Ms. Roberts explained.

In addition to gathering at the RIMS conference every year, the group will most likely hold an additional meeting each fall in Philadelphia, Ms. Paretzky said.

During the next week's RIMS conference, the "Minorities in Risk Management" common interest group will meet from 9 a.m. to 5 p.m. on Tuesday, April 11. Among the topics on the agenda are:

- Policy auditing.
- Environmental impairment liability loss control.
- Wrap-up construction programs.
- Loss and reserve analysis/personal computers in risk management.
- Professional development and corporate growth.
- AIDS in the workplace.

An evening session also will be held during which a presentation of the bylaws and articles of incorporation will occur, as well as the election and installation of the organization's officers.

Anyone interested in joining the organization should contact Ms. Paretzky at 301-881-8545. ■

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Case Study

The Olin Corporation wanted a more efficient way to administer over 68 different medical plans for its 13,000 employees and 3,000 retirees. Their goals were to better service their employees and control costs by self-administering their health care benefits. Olin decided on ClaimFacts – the health claims management system from Erisco. Olin's philosophy of "Olin people looking after Olin people" was achieved by managing their claims administration in-house. Employees were happy since claim payment was cut from over 4 weeks to an average of 10 days. Olin gained control of costs by knowing exactly where their health care dollars were going. Plus, valuable insight for future plan design.

Judge us by the companies we keep. *Besides ClaimFacts, Olin Corporation also benefits from using Erisco's ImpleFacts, the defined contribution record-keeping system.*

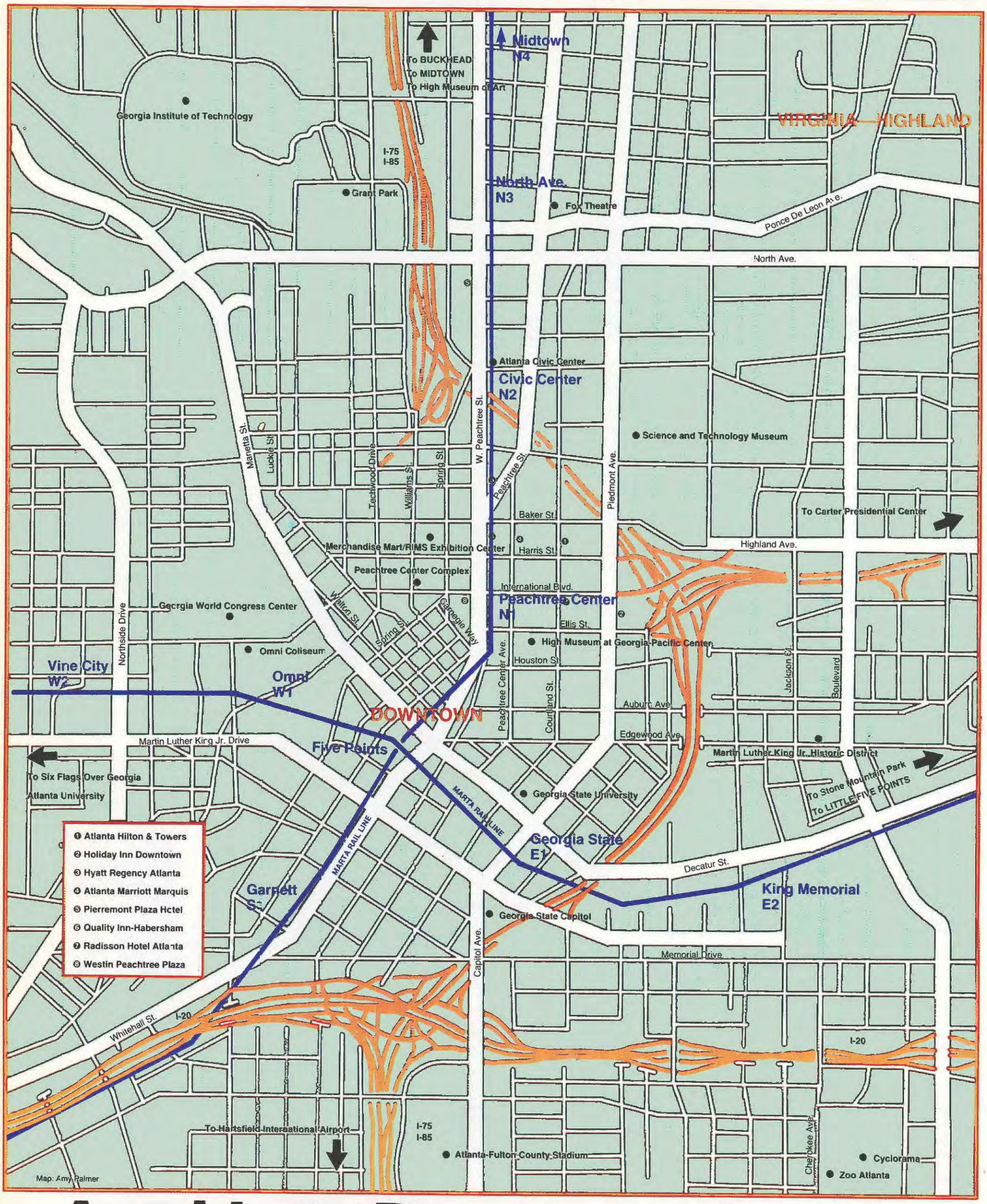
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BI Atlanta Guide



A guide to Downtown Atlanta

BI Atlanta Guide

Finding your way around Atlanta

By MICHAEL BRADFORD

ATLANTA—Like a fly in a concrete spider web, Atlanta sits at the center of a maze of interstate highways.

But before you get on one of those highways, those of you flying in for the Risk & Insurance Management Society conference have to make it through the airport.

Any notion that Atlanta has not yet graduated from a minor league metropolis to a big league international hub is quickly dispelled upon arrival at Hartsfield International Airport.

At practically any time, day or night, the concourses of this monstrous facility are teeming with business travelers and tourists.

The airport, which some say already is obsolete, is a sprawling, futuristic complex with unending concourses and a "transportation mall" with moving sidewalks and a self-contained rapid rail system.

Once you've deplaned, follow the signs to the escalator that leads to the train, which will take you to the baggage claim area. The robot voice, which directs you onto the train and reprimands any stragglers who keep the doors from closing, never fails to draw laughs and a few imitations.

After being whisked to the baggage claim area to pick up your luggage, you'll be faced with a decision: how to get downtown.

If you're not renting a car, you can take a hotel shuttle, taxi or train.

Taxis are the most expensive of the three options. Cab drivers will charge a flat rate of $13.50 to carry one passenger to the conference hotels. The cost is $7 each for two passengers and $5 each for three or more.

A cheaper way is to buy a $12 roundtrip ticket on the Atlanta Airport Shuttle, which stops at major hotels downtown. RIMS has included a $1 coupon for the shuttle in its conference mailings.

By far the cheapest way downtown—besides walking—is to take the Metropolitan Atlanta Rapid Transit Authority train that stops inside the main terminal building near the baggage claim areas. To get to the train, follow the signs to ground transportation.

The train, which costs 85 cents, will take you to Five Points station, the seventh stop from the airport and a short walk to the conference hotels.

The entire trip takes about 15 minutes.

Once you're situated at your hotel, you may wish to rent a car. But, there are a few basics you should keep in mind when negotiating Atlanta's highways and byways.

Interstate 285 is a looping ribbon circling the city, leading commuters in from all points. The perimeter highway is bisected east and west by Interstate 20 and split north and south by Interstates 75 and 85, two freeways that connect for a stretch near downtown.

Construction on the highways leading into the city seems perpetual. Once one project is wrapped up, the sound of jackhammers soon can be heard starting another.

In areas where traffic is unimpeded by the work, the interstates that converge on the downtown area are wide plains of multi-laned asphalt that can lull even the most law-abiding driver into an autobahn frame of mind.

But have patience during rush hour because the interstates can lock solid in no time.

If you're driving to Downtown from Hartsfield International Airport, you shouldn't have much trouble maneuvering unless it's an early weekday morning. The worst of rush hour traffic normally is cleared up by 9 a.m. and there's only one patch of construction work to pass through en route to the conference hotels.

Having a car downtown is a good idea if you plan to venture away from the conference hotels. And you will probably do so, because the city's sights and good restaurants are spread some distance apart.

Parking downtown is not as bad as in many other major cities. In some areas, like near the Fox Theatre north of the conference hotels, it's quite easy to find a metered space. Such a find is a little more difficult nearer the center of downtown, but a number of lots offer reasonable short-term rates.

Keep in mind that your hotel will probably charge you $9 to $12 per-night for parking.

Once downtown, you'll find Peachtree Street is the city's main thoroughfare, running north and south. But be warned: In Atlanta, there are more than 70 other roads and streets with the Peachtree name, so if you get turned around and wind up on Peachtree, make sure its the one you want.

With a good map from the concierge at your hotel, you shouldn't have any trouble finding your way around Atlanta.

An easy way to do some sightseeing or restaurant hopping is to jump on a MARTA train at the Five Points station.

The MARTA system is efficient and cheap. The 85-cent fare can be paid with exact change, tokens or weekly or monthly fare cards. Tokens and cards can be bought at the Five Points station.

Trains arrive and depart every 12 minutes from 5 a.m. until 1:30 a.m. every day.

The 29-mile rail system consists of an east-west line and a north-south line, which intersect at the Five Points station. Each station has a letter-number code to indicate the direction and the number of stops from the Five Points hub (see map).

For example, "Lenox N7" means the Lenox station is seven stops north of Five Points.

Be sure to pick up a free city map and attraction guide at the kiosk at Peachtree Center Mall, near the conference hotels. It lists the city's major sites and their closest MARTA stops.

MARTA's 124 bus routes feed into the 29 rail stations. Schedule and route information for the bus system is available by calling 404-848-4711.

RIMS is providing free shuttle bus service to and from all conference hotels and the Atlanta Merchandise Mart, where the exhibition hall will be located. Buses will run beginning April 9 from noon to midnight and on weekdays during the conference from 7 a.m. to midnight.

If you prefer to take a taxi while downtown, the minimum fare is $1 for the first one-fifth mile and 20 cents for each additional one-fifth mile. ■

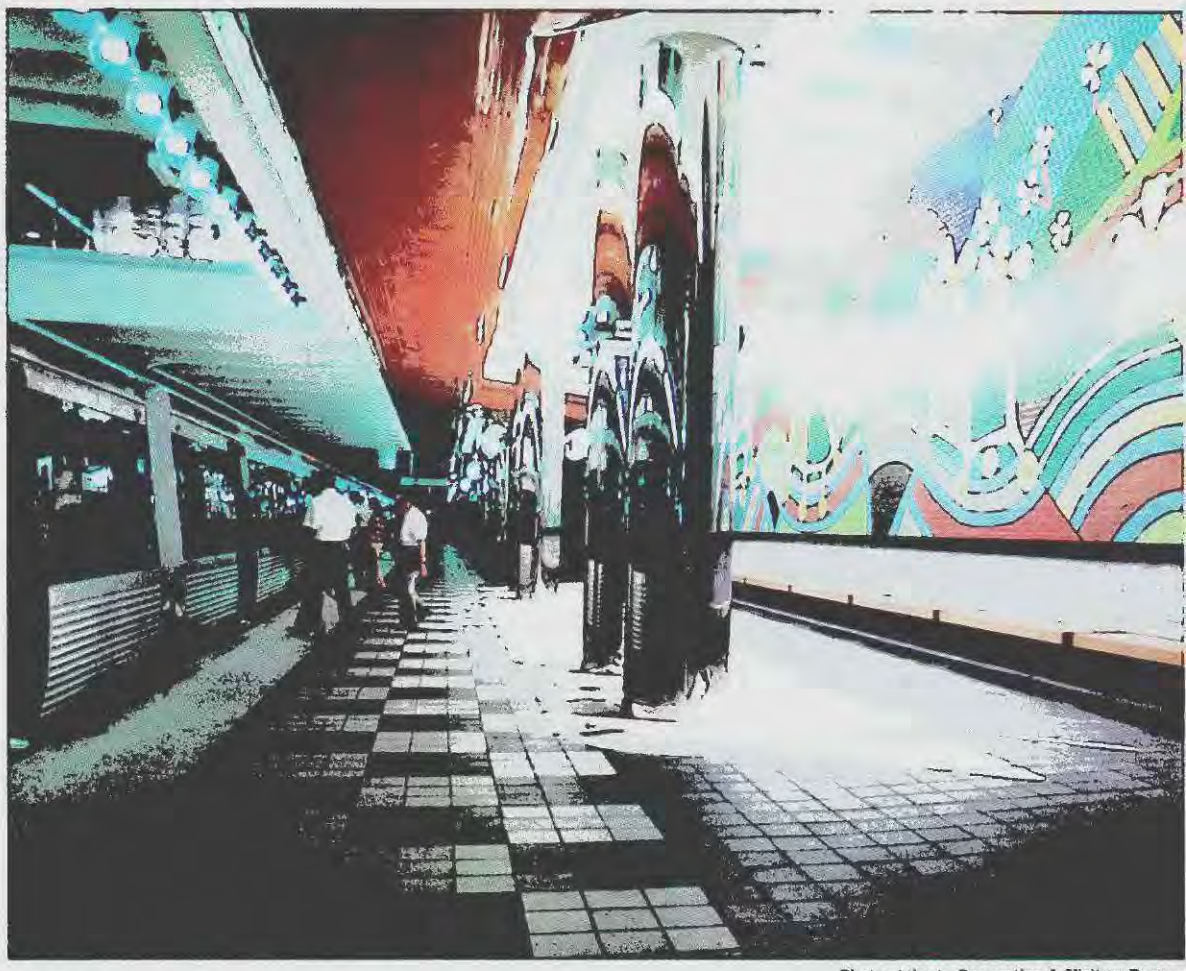


Photo: Atlanta Convention & Visitors Bureau

MARTA trains will whisk travelers from Hartsfield International Airport to downtown in about 15 minutes.

Restored Underground Atlanta won't be open for conference

There's one tourist attraction that won't be quite ready for visitors to Atlanta during the Risk & Insurance Management Society Inc. conference.

The revitalization of Underground Atlanta won't be complete until June, after RIMS has closed the curtain on its 1989 gathering.

When it is completed, the Rouse Co. project will cover six blocks in the heart of the city and feature an urban marketplace of specialty retail shops, restaurants, entertainment, fast-food and pushcart vendors.

The new Underground Atlanta will scarcely resemble its former self—a long avenue of nightclubs and restaurants that eventually fell to crime and disrepair before being closed to the public.

The original Underground Atlanta was on a section of Lower Alabama Street, which was situated beneath overpasses.

If you make it back to Atlanta this summer, you'll find the new development is easily accessible from most downtown hotels. Like Rouse Co. developments in Boston, Baltimore and New York, the new and improved Underground Atlanta is expected to a major tourist attraction.

Case Study

Ryder System, Inc., a long-time Erisco customer, wanted to add a prenatal education program for its employees. Thanks to Erisco's new Health Care Information Services, Ryder got precise reports on the incidence of premature births; vital information they needed to set up the new program. Ryder benefits from more efficient administration of its health care expenditures. And its employees benefit from still another innovative plan.

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BI Atlanta Guide

Foundation fund raising 'gets physical'

By CHRISTINE WOOLSEY

The Robert S. Spencer Memorial Foundation is using muscle-building activities to generate funds that will enable students of risk management, insurance and employee benefits to give their brains a workout.

The foundation is the sole beneficiary of funds raised during a 5-kilometer run and the RIMS Hockey "All Stars" game slated during this year's Risk & Insurance Management Society conference.

Frank B. Hall & Co. Inc. will host the third annual RIMS Run at 7 a.m. Wednesday, April 12, in Atlanta's Piedmont Park. Runners' $20 entry fees and any other donations will benefit the Spencer scholarship fund.

More than 200 risk management professionals are expected to participate in the 5K run, according to a Hall spokesman.

Special RIMS Run buses will transport participants to and from Piedmont Park. Buses will stop at the Atlanta Hilton and Towers Hotel and the Atlanta Westin Peachtree Plaza Hotel. Participants should check the Race Table at the conference for details.

In addition to enjoying the challenge of competition, participants are certain to relish the park's spring foliage and beautiful lake.

"This year, the race designers have set a moderately difficult course that offers challenge and a scenic run," the Hall spokesman noted.

"Since the course is a two-loop design, runners will have to conquer a four-tenths of a mile hill twice. However, there is a turnaround at the top of the hill, so as runners run back down, they will be able to watch others work their way up," he said.

The course crosses the finish line of the famous Peachtree Road Race, the country's largest 10-kilometer race.

The course designers also had safety and risk management in mind, and runners will not be subjected to city traffic.

The race categories (male and female) include:

- Risk management position.
- Insurance/reinsurance company.
- Broker/consultant.
- Service company/exhibitor.
- Overall fastest male and female participants (under 40 years old).

The fastest female and male runners will be announced during lunch later in the day, and all other winners will receive a group acknowledgment.

Winners will be able to claim their awards and all other runners will be able to check their finishing times between 1:45 and 2:15 p.m. Wednesday at the Frank B. Hall & Co. Inc. booth in the Exhibit Hall. A runner's race number can be used for admittance into the hall during this specified time.

The third annual RIMS Hockey "grudge match" between Team Canada and Team USA will take place at noon Sunday, April 9, at Georgia's Stone Mountain State Park Ice Chalet. (see related story). Tickets are $10 and may be purchased by contacting Peter J. King at Marsh & McLennan Inc. of Philadelphia, 215-963-2871.

Transportation is limited, but a bus will be available at 10:30 a.m. at the Atlanta Marriott Marquis to take fans to the game.

The foundation also has a few new attractions at its booth in the Exhibit Hall this year to drum up enthusiasm for the scholarship fund, said Anita Benedetti, foundation president.

For a $5 fee, attendees can create a personalized birthday card with a computer donated by Hallmark Cards. When a date is entered into the computer, it will generate a personalized message—something that happened on that day in history, for example.

Also, a new Challenge Fund program has been initiated this year to encourage RIMS members to make personal or corporate donations, which will then be matched by funds from industry sources.

"We can see results already and that is why the listing of contributors is much larger this year; people are responding," Ms. Benedetti said.

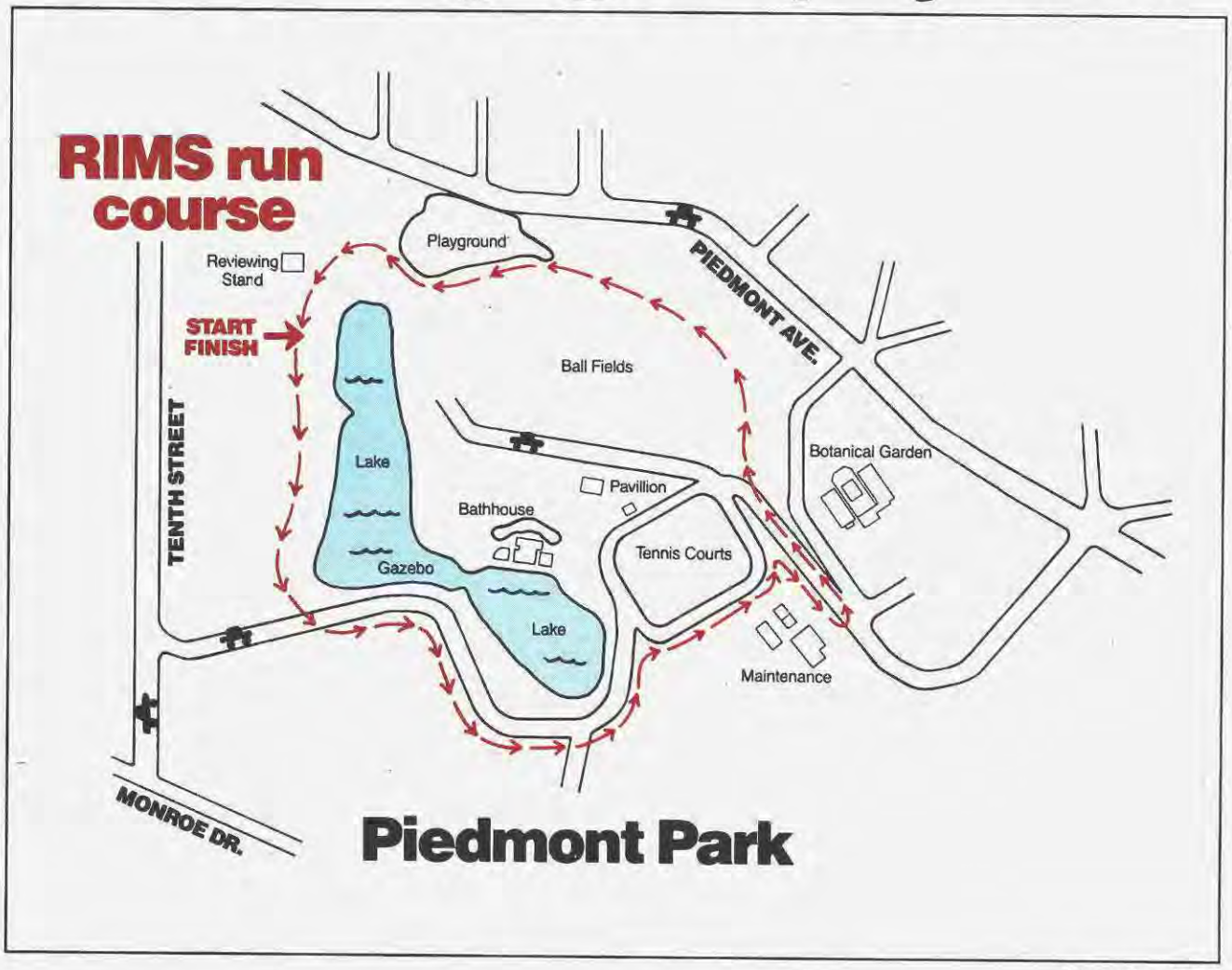
In addition, individual RIMS chapters hold sporting events, educational meetings and seminars to help boost the scholarship fund.

"If things continue like this, we've got it made," Ms. Benedetti commented. "We've come an incredible distance in 10 years. We've struggled through this, but we've had wonderful support from the industry."

James Newton, director of loss administration at Fuqua Industries in Atlanta and chairman of the foundation, agreed.

"We're very encouraged to see we've established a meaningful scholarship vehicle for the insurance industry," he said. "Our hopes and inspirations of the fund are finally being realized."

Anyone interested in contributing to the fund should contact Anita Benedetti or Ron Judd at The Robert S. Spencer Memorial Foundation Inc., 205 E. 42nd St., Suite 1504, New York, N.Y. 10017; 212-286-9292. ■



Map courtesy of RIMS

RIMS All-Stars bring hockey to the South

By PAUL D. WINSTON

ATLANTA—Possibly not since the Flames left town in 1980 have Atlantans seen the caliber of cold steel on ice that the RIMS Hockey "All-Stars" will bring to this year's Risk & Insurance Management Society conference.

Team Canada and Team USA will hit the ice at noon on Sunday, April 9, at the Stone Mountain Memorial State Park's Ice Chalet to raise pucks and bucks for the Robert S. Spencer Memorial Foundation Inc.

This year's match will mark the third time teams of U.S. and Canadian risk managers, brokers, insurers and consultants have faced off during a RIMS conference.

The first contest for the coveted Golden Skate award was held at the 1986 RIMS conference in Toronto, where the teams skated to a 5-5 tie (*BI*, April 21, 1986).

In 1987, a suitable rink couldn't be found in the Las Vegas area, so the teams brought their skates to the 1988 RIMS conference in Washington, D.C. At that meeting, the Canadians skated to a 5-3 victory over their U.S. counterparts (*BI*, April 25, 1988).

"Last year we had problems getting it by goalie Steve Patenaude," said Team USA Captain Peter J. King, an assistant vp with Marsh & McLennan Inc. in Philadelphia.

Mr. Patenaude, a senior account representative with Arkwright Mutual Insurance Co. in Montreal, covered the net for the American team in 1986 by virtue of his company being based in the United States. In last year's match—this time on the Canadian side—his defensive skill was credited with squelching the U.S. effort.

This year, Mr. King said, "we'll work on sneaking it by him a few times. We have the firepower—and a few sets of younger legs."

"We want to give him a sunburn from the red light going on so much," he joked.

About 80% of Team USA continues to participate in "old-timer" recreational hockey leagues, Mr. King said. "Others get on the ice when they can. Nobody wants to show up out of shape."

Team Canada Captain and Coach Georges Balcer, risk and insurance manager for Consolidated Bathurst in Montreal, says—in his best Yogi Berra impersonation—that the Canadians' strategy for winning hinges on scoring the most goals.

"We'll just try to put the puck in the net," he said.

Noting that Team USA this year will again have a Canadian in the net—Terry Manning of M&M in Montreal—Mr. Balcer hinted at an alternative Team Canada strategy: "We're going to buy him off, buy him a couple of beers, agree to place our automobile insurance policies with him."

Like their American competitors, all of Team Canada's members remain active in old-timer hockey leagues, Mr. Balcer noted.

The match will be played for more than a few laughs and the Golden Skate. All proceeds from the event benefit the Spencer Foundation, which awards scholarships to students of risk management, insurance and employee benefits (see story, page T21).

"Let's keep in mind what this game is all about, besides avenging last year's humbling defeat: raising bucks for the Spencer Foundation," Mr. King stressed in a letter to Team USA.

Mr. King noted that since this year's RIMS conference is being held in Mr. Spencer's hometown, the match should draw a larger crowd.

In addition, honorary captain James C. Newton, director of loss administration for Fuqua Industries Inc. in Atlanta and chairman of the Spencer Foundation, will "try to turn out the local RIMS chapter—a very strong chapter—for the event," Mr. King said.

The two teams will hold practice Saturday evening at the Stone Mountain rink, giving the players a chance "to get together to loosen up a bit. It's good risk management—catastrophe planning," quipped Mr. Balcer.

In case of injury, all American players have health insurance through their employers, while the Canadians are covered by Canada's national health care system.

Tickets for Sunday's match are $10 and may be obtained prepaid from Mr. King at Marsh & McLennan Inc., 3 Parkway, 15th Floor, Philadelphia, Pa. 19102; 215-963-2871. Tickets can also be purchased at the door.

Limited bus transportation to the match will be available at 10:30 a.m. Sunday from the Atlanta Marriott Marquis.

Members of Team USA include: Felix Kloman of the Tillinghast division of Towers, Perrin, Forster & Crosby Inc.; Sandy McMillan, John Chaney and George Abick of Rollins Burdick Hunter of Michigan; Bruce Brumbaugh of Penn Central Corp.; Joseph Tarbell of Corroon & Black Corp.; Stewart Steffey of CIGNA Corp.; Pete Bostwick of Johnson & Higgins of New York Inc.; Dick Pierpont of Johnson & Higgins of Connecticut Inc.; Bob Nason of Trenwick American Reinsurance; Jon Vlachos of Rollins Burdick Hunter of New York; David Wagstaff of The Equitable Life Assurance Society of the United States; Michael White of Holborn Agency; John Gray and Jim Sweitzer of General Reinsurance Corp.; John Hickey of Oland International; Rick Morris and Bill Caplice of Rollins Burdick Hunter; Stan Tait of Cadbury Schwepps Inc.; and Bob Nusslein of Arkwright Mutual; Mr. Manning; and Mr. King.

Members of Team Canada include: Lionel Lalonge of Reed Stenhouse Cos. Ltd.; Joe Hardy of Oshawa Group; Jean Pichette of Donohue Paper Inc.; Rene Montpetit of The CSL Group Inc.; Ron Williams of CSP Foods Ltd.; Daniel Desjardins and Brian Matthews of Domtar Inc.; Bob Pusiak of CIGNA Corp.; Andre Mancini of Underwriters Adjustment Bureau Ltd.; Phil Kane of Johnson & Higgins; Dennis Fitzgerald of the University of Alberta; Greg Hales of American International Group Inc.; Mr. Balcer; and Mr. Patenaude. ■

BI Atlanta Guide

Spencer Foundation celebrates 10th year

By CHRISTINE WOOLSEY

The Robert S. Spencer Memorial Foundation, which encourages college students to prepare for careers in risk and employee benefits management, is celebrating its 10th anniversary this year.

The foundation was established in 1979 to provide scholarships to assist deserving students of risk management, insurance and employee benefits in fulfilling their educational goals.

While marking its growth as a vehicle to attract recruits to the risk management profession, the organization will formally change its name this year to The Spencer Education Foundation to more closely reflect its mission, explained Anita Benedetti, president of the foundation.

Established to honor the late Robert S. Spencer, a career risk management executive who was committed to education, the foundation has come a long way in meeting its purpose.

"With the time lapse, we felt it was appropriate to change the name to clarify the intent of the foundation," said James C. Newton, director of loss administration at Fuqua Industries Inc. in Atlanta and chairman of the foundation.

And that intent is to provide scholarship awards, funded by corporate and individual donors, to promising undergraduate or graduate students.

Originally organized by the Atlanta Chapter of RIMS, the Spencer Foundation is now administered at RIMS' headquarters in New York and governed by a volunteer board of directors consisting of risk managers and members of the insurance community.

The foundation's progress has been phenomenal, Ms. Benedetti says. In 1980, the first year the scholarships were distributed, three scholarships of $750 each were awarded to winning students. Between 1980 and 1988, the foundation gave out 47 general fund scholarships ranging in size from $750 to $2,500. This year, five promising students will receive scholarships of $4,000 each.

The size and number of scholarships are determined annually based on the amount of interest accrued to the principal in the foundation's account. According to Ms. Benedetti, at the end of the first year, the foundation's account balance totaled $15,801; current estimates put this year's fund balance at $525,000.

By 1993, the foundation hopes to have a fund balance totaling $1.3 million to make 10 scholarships of $10,000 each available, Ms. Benedetti said.

No doubt, Mr. Spencer would be pleased with the effort the foundation has put into educating young people and steering them toward a career of which they may not initially have thought.

A former president of both RIMS and its Atlanta Chapter, Mr. Spencer died in 1979 at the age of 53. Members of the Atlanta Chapter formed the memorial foundation that year and began fund-raising efforts, Mr. Newton said.

Ms. Benedetti said that although publicity about the scholarships is limited, a sizable pool of applicants is generated by college professors who recommend deserving students.

The foundation received 40 applications this year.

In addition, "the quality of the submissions has increased greatly since the (award) amount has increased," she said. "It is very difficult; we have fantastic candidates and we can only choose a number of them."

The award is not a financial need-based scholarship, Ms. Benedetti pointed out. Students must be enrolled full-time, earn exceptional grades and major or minor in risk management, property/casualty insurance or employee benefits-related studies.

Along with an application, students must include an essay describing their chosen career paths, school transcripts and three separate letters of recommendation from academic sources.

Ms. Benedetti said that because candidates must study risk management and related disciplines, the choice of universities from which to select students is somewhat limited. However, "we're satisfied with the quality and the geographical dispersion of submissions," she said.

The scholarship selection committee reviews the applications and conducts conference calls among themselves to decide the winners, who are notified by mail, usually in March. The money is then issued jointly to the students and the university and must be used only for education-related expenses, such as tuition, room and board, and fees.

The foundation currently has no record of how many recipients actually enter the insurance and risk management industry, but Ms. Benedetti said that, when time permits, the foundation will track past recipients to establish some historical records.

Donations from the insurance and brokerage communities, organizations and individuals have put the fund-raising effort ahead of last year, said *Business Insurance* Publisher Alfred Malecki, who serves on the foundation's board of directors. "We are well on our way to the ultimate goal of 10 awards of $10,000 each, and we expect many more participants to join in this effort," he predicted.

Scholarship recipients will be announced during the foundation's reception from 7 to 10 p.m., Sunday, April 9, at the Atlanta Marriott Marquis Hotel during the Risk & Insurance Management Society conference, Ms. Benedetti said. ■

Atlanta RIMS: Season of changes

Continued from page T1

Forrest, senior vp and managing director of global business development for Alexander & Alexander Services Inc.; Malcolm J. Finney, head of international tax for Grant Thornton House in London; Pierre C. Sonigo, director of risk and insurance for La Compagnie de St. Gobain in Paris; Brady Young, a consultant with the Tillinghast division of Towers, Perrin, Forster & Crosby Inc. in London; Edward J. Hester, assistant manager for Zurich Insurance Co.'s U.K. and Ireland operations in London; and David Ovenden, group insurance manager for The Wellcome Foundation Ltd. in London.

Other issues affecting risk and employee benefit managers during the next decade will be discussed during the more than 105 seminars, track programs and special interest groups scheduled during this year's RIMS conference. These news-making topics include:

- Worker and community right-to-know regulations.
- Outdoor and indoor environmental pollution.
- The antitrust litigation pending against insurance industry defendants.
- Section 89 non-discrimination tests.
- AIDS in the workplace.
- Rising health care costs.

In addition, the conference will feature a debate over state vs. federal regulation of the insurance industry between consumer advocate Ralph Nader and Washington, D.C., insurance attorney George Bernstein.

Risk managers attending S89, "Community Right to Know vs. Worker Right to Know-Is There a Difference and How Do We Comply," will learn how to implement federal right-to-know programs and differentiate between Environmental Protection Agency and Occupational Safety and Health Administration regulations.

The session will be held from 2:30 to 5 p.m. on Monday, April 10, and from 9 to 11:30 a.m. on Thursday, April 13.

Experts will explain how to pinpoint and treat indoor environmental hazards during S96, "Indoor Air Quality—Is Your Building Sick," from 10 a.m. to 12:30 p.m. on Monday, April 10, and from 2:30 to 5 p.m. on Wednesday, April 12.

The antitrust suit filed by 19 state attorneys general against dozens of insurance companies and other industry defendants (*BI*, Jan. 9; March 28, 1988), will be discussed during S77, "Insurance Industry Antitrust Litigation."

The session is scheduled twice during the conference: From 10 a.m. to 12:30 p.m. on Monday, April 10, and from 2:30 to 5 p.m. on Wednesday, April 12.

"Section 89 in 1989"—which Ms. Dupree described as "the biggest of the benefits" sessions based on pre-registration figures—will present a working knowledge of the complex new non-discrimination rules facing employee benefit managers.

The session, S29, will be held from 10 a.m. to 12:30 p.m. Monday, April 10, and again from 9 to 11:30 a.m. Tuesday, April 11. The Monday session is filled to capacity.

The session titled "AIDS—The Latest Challenge" also has "broad appeal" since acquired immune deficiency syndrome in the workplace has sparked interest among both risk managers and benefit managers, said Ms. Dupree. The session will cater to a cross-section of conference attendees, she explained.

Among the speakers are Mark G. Doherty, director-research with the Society of Actuaries; John J. Mahoney, vp, and David P. Maslen, research attorney, both of The Alexander Consulting Group; and Yvonne Leung, of the Nebraska state office of risk management.

The session, S16, will be held from 2:30 to 5 p.m. Wednesday, April 12, and again from 9 to 11:30 a.m. Friday, April 14.

Controlling health care costs is the topic of numerous employee benefit seminars at this year's RIMS conference.

Among those are "Mental Health Managed Care for the '90s" and "New Ways to Trim the Fat in Healthcare Delivery," which focus on keeping health care costs in check while assuring quality care.

"Mental Health Managed Care for the '90s," S22, will be held from 9 to 11:30 a.m. Tuesday, April 11, and again from 2:30 to 5 p.m. Wednesday, April 12.

"New Ways to Trim the Fat in Healthcare Delivery," S25, will be held from 2:30 to 5 p.m. Monday, April 10, and again 9 to 11:30 a.m. Thursday, April 13.

In addition to the special session on "Employee Benefits-The Next Four Years," another special session will feature a debate of "State vs. Federal Regulation of Insurance-Should All Roads Lead to Washington?"

The session, scheduled for 9 to 10:30 a.m. Wednesday, April 12, at the Atlanta Marriott Marquis, will be moderated by Bill Monroe, former TV anchorman and executive producer of "Meet the Press."

This year's conference luncheon speakers will be Pulitzer Prize-winning journalist Jack Anderson and Michael H. Mescon, dean of the College of Business Administration at Georgia State University in Atlanta. Mr. Anderson will speak on Tuesday, while Mr. Mescon will speak on Thursday. Both luncheons will be held from 12:30 to 2:15 p.m. at the Marriott Marquis.

Several fund-raising events are slated for the Robert S. Spencer Memorial Foundation Inc. scholarship fund, including the third annual RIMS Hockey "All-Stars" match and 5-K RIMS Run, and a Hallmark card booth in which people can create personalized cards.

The RIMS exhibition hall will be set up at the Atlanta Merchandise Mart, with 245 companies filling 410 booths.

The exhibits will be open from noon to 6 p.m. on Sunday, April 9; 8 a.m.-6 p.m. on Monday, April 10; 8 a.m.-4 p.m., on Tuesday and Wednesday, April 11 and 12; and 8 a.m.-12:30 p.m. on Thursday, April 13. The exhibit hall will not be open Friday, April 14 (see floor plan, page T14).

Shuttle buses will be available between all conference hotels and the Atlanta Merchandise Mart. Bus information will be posted in the lobby of the RIMS hotels.

All registered conference attendees are invited to a welcome reception, which will be held in the exhibit hall, from 5 to 6 p.m. Monday, April 10.

Hospitality suites are scattered among the Atlanta Hilton & Towers, Hyatt Regency Atlanta, Atlanta Marriott Marquis and the Westin Peachtree hotels (see story, page T10).

Registration fees for the 1989 conference are $695 for RIMS members and $795 for non-members. For a partial week, the fees are $575 for members and $675 for non-members. The cost for one day is $195.

Those who have not pre-registered for RIMS Atlanta '89 may register at the conference.

Late registrants are advised to call one of the eight RIMS hotels

Continued on next page

Case Study

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1989 RIMS conference at a glance

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday
Noon-8 p.m.—Registration	7 a.m.-7 p.m.—Registration	7 a.m.-6 p.m.—Registration	7 a.m.-5 p.m.—Registration	7 a.m.-5 p.m.—Registration	7-9:30 a.m.—Registration
Noon—RIMS Hockey "All Stars;" Stone Mountain State Park Ice Chalet	7:30-9:30 a.m.—Annual membership breakfast	8 a.m.-4 p.m.—Exhibits open	7 a.m.—RIMS run; Piedmont Park 8 a.m.-4 p.m.—Exhibits open	8 a.m.-12:30 p.m.—Exhibits open	
Noon-6 p.m.—Exhibits open	10 a.m.-12:30 p.m.—Sessions	8-9 a.m.—Special exhibit time 9-11:30 a.m.—Sessions 10:15-10:30 a.m.—Coffee break 11:30 a.m.-12:30 p.m.—Special exhibit time	8-9 a.m.—Special exhibit time 9-10:30 a.m.—Special session 10:30-10:45 a.m.—Coffee break 10:45 a.m.-12:15 p.m.—Special session	8-9 a.m.—Special exhibit time 9-11:30 a.m.—Sessions 10:15-10:30 a.m.—Coffee break 11:30 a.m.-12:30 p.m.—Special exhibit time	9-11:30 a.m.—Sessions
	12:45-1:45 p.m.—Lunch 1:45-2:15 p.m.—Special exhibit time 2:30-5 p.m.—Sessions 3:30-3:45 p.m.—Coffee break	12:30-2:15 p.m.—Lunch with Jack Anderson 2:30-5 p.m.—Sessions 3:30-3:45 p.m.—Coffee break	12:30-1:45 p.m.—Lunch 1:45-2:15 p.m.—Special exhibit time 2:30-5 p.m.—Sessions 3:30-3:45 p.m.—Coffee break	12:30-2:15 p.m.—Lunch with Michael Mescon 2:30-5 p.m.—Sessions 3:30-3:45 p.m.—Coffee break	
7-9 p.m.—Robert S. Spencer Memorial Foundation reception	5-6 p.m.—RIMS Exhibit Hall reception		9 p.m.—CIGNA Corp.-sponsored evening with Ray Charles; Omni Coliseum		

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RIMS changes

Continued from previous page

directly to reserve rooms at the special conference rates. The hotels are: the Atlanta Hilton & Towers; Holiday Inn Downtown; Hyatt Regency Atlanta; Atlanta Marriott Marquis; Pierremont Plaza Hotel; Quality Inn-Habersham; Radisson Hotel Atlanta; and Westin Peachtree Plaza.

For more information, contact the Risk & Insurance Management Society Conference Department, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

The following are schedule changes made since the advance program for the Risk & Insurance Management Society conference was published. An updated conference program, which will include the locations of the numerous conference sessions, will be available upon registration.

Industry sessions

- Aluminum. Kemper Smith of Reynolds Metal Co. has been named chairman of the session, replacing William H. Murphy of Reynolds Metal Co., who will not appear.
- American Paper Institute. Chairman Gretta Wray Burns of The Coca-Cola Co. and Co-Chairman Colleen Ostlund Miller of Celestial Seasonings will not appear.
- Apparel & Textiles. The session from 9 to 11:30 a.m. on Tuesday, April 11, is canceled.
- Conglomerates. The session from 9 to 11:30 a.m. on Wednesday, April 12, is canceled.
- Consumer Beverages. Gretta Wray Burns of The Coca-Cola Co. and Rafael E. Castillo of Adolph Coors Co. have been named chairman and co-chairman, respectively.
- Electronics Manufacturing. The session from 9 to 11:30 a.m. on Tuesday, April 11, is canceled.
- Food Chains. Bart Canon Jr. of Fleming Cos. Inc. and William Newberg of SuperValue Stores Inc. are chairman and co-chairman, respectively. They had been listed as chairing the Energy Resources industry session.
- Motor Transport. The session from 2:30 to 5 p.m. on Monday, April 10, is canceled.
- Ports & Marine Terminals. W.M. Lawrence of South Carolina State Ports Authority has been added as co-chairman.
- Public & Governmental Entities. The session beginning at 9 a.m. on Tuesday, April 11, has been extended to 5 p.m.
- Publishing, Printing, Broadcasting. The session beginning at 9 a.m. on Tuesday, April 11, has been extended to 5 p.m. from 11:30 a.m.
- Securities. The session beginning at 10 a.m. Monday, April 10, has been extended to 5 p.m.
- Telecommunications. Theresa A. Kanatous of US West Inc. has been named chairman to replace Dick Newcomb of US West Inc., who will not appear.

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BI Atlanta Guide

RIMS changes

Continued from previous page

Track programs

• T2, "Business Interruption Ir.surance-A to Z." Hugh E. Herbert, executive manager of Risx Control Consultants, has been added as a speaker.

• T4, "The ABCs of EAPs." Leo Kiebala, vp of Applied Risk, has been added as a speaker.

• T6, "Insurance Coverages & the Industry Nuts & Bolts." Steven Paine, partner of Cotkin, Collins & Franscell, has been added as a speaker.

• T10, "Introduction to International Risk Management." Jay B. Waters, assistant manager-corporate insurance of Eaton Corp., has been added as a speaker.

• T11, "Risk Identification/Analysis." Roger A. Haynes, vp of Johnson & Higgins of Massachusetts Inc., and David B. Kuhnke, director-risk and insurance management of The Stanley Works, have been added as speakers.

Conference seminars

• S15, "Auditing the Health Care Claims Payment Process." Barbara Baldwin, director-claim audit/quality assurance services of Thomas L. Jacobs & Associates Inc., and Winnie Brock Hinton, assistant manager-claims office of Aetna Life & Casualty Co., have been added as speakers.

• S16, "AIDS-The Latest Challenge." Yvonne Leung, office of risk management of the state of Nebraska, has been added as a speaker.

• S17, "Controlling Costs in a Flexible Benefits Plan." Ganne DeSomery, director-risk management of Data General Corp., has been named as moderator and Andreas Hauer, senior consultant of Coopers & Lybrand, has been added as a speaker.

• S18, "Crackdown-Drug & Alcohol Testing." David Frettholt, director-substance abuse testing unit of Nichols Institute Reference Laboratory, has been added as a speaker to replace Dr. Stephen Russell, vp/medical director of Nichols Institute Reference Laboratory, who will not appear.

• S19, "ERISA-Fiduciary Liability." Robert C. Christenson of Fisher & Phillips, and John P. Coonan, assistant vp of Chubb & Son Inc., have been added as speakers.

• S20, "Evaluating Your Insurer/Administrator's Health Claims Processing System." David Adler, risk manager of Portman Cos., has been named as moderator. Rosemary Weiner, vp of Medical Review Corp., has been added as a speaker to replace B. Marc Allen, president of Medical Review Corp., who will not appear.

• S22, "Mental Health Managed Care for the 90s." Sally Pratt of Compass Health Management will not appear as a speaker.

• S23, "Managing Long-term Disability." Gordon M. Shumen, regional commissioner-Atlanta Region of the Social Security Administration, has been added as a speaker.

• S24, "Managing Outpatient Utilization." Patricia Armocide, director-utilization management of Blue Cross & Blue Shield Assn., is the coordinator, and Deborah F. Potter, director-fee for service of Blue Cross & Blue Shield Assn., is the moderator. Also, Geraldine Ostling, chief operating officer and executive vp of Iris Corp., will not appear as a speaker.

• S26, "Relationship of Absenteeism, Health Behaviors & Health Care Costs." Halley S. Faust, medical director-claim department of Aetna Insurance Co., and Calvin Jeter, director-employee information and service of Steelcase Inc., will not appear as speakers.

• S27, "Retiree Medical Benefits -Tip of the Iceberg." Harry Burton, partner of Morgan, Lewis & Bockius, and Jerry Searfoss, partner of Touche Ross & Co., have been added as speakers. Mr. Searfoss will speak at the Tuesday, April 11, session only.

• S29, "Section 89 in 1989." David Green, senior manager of Touche Ross & Co., will not appear as a speaker.

• S30, "Using Claims Information to Select Cost Control Methods." Speaker David K. Barton, vp-sales of Control Data, Benefit Services, has been named coordinator to replace David R. Evert, vp of Control Data, Benefit Services, who will not appear. Also, Daniel S. Brunner, president of Affordable Health Care Concepts, has been added as a speaker.

• S32, "Cutting Through to the Reinsurance Markets." Jim Pierce of American Reinsurance Co. has been added as a speaker.

• S35, "Forecasting Losses for Budgeting & Cost Control." Stephen Ficarra, manager-risk management of Brown-Forman Corp., has been added as a speaker.

• S36, "GASB Update." Allen T. Frazier, senior consultant at Coopers & Lybrand, and Celia Scott, risk and loss control manager of City of San Jose, Calif., have been added as speakers.

• S37, "Optimizing the Mature Captive." William L. Mather, administrator-risk management of The Gillette Co., has been added as moderator. Walter Duer of KPMG Peat Marwick has been added as a speaker.

• S39, "A Quantitative Approach to Risk Management." Roger A. Formisano, associate professor-risk management of the University of Wisconsin Graduate School, has been added as a speaker.

• S40, "Taking the Mystery Out of Cashflow Plans." Gregory L. Daniels, director-risk management division of American Red Cross, has been named as moderator. R. Jane Hill, president-risk management services of Fred S. James & Co., has been added as a speaker.

• S42, "What Has the Risk Retention Act Done for Us?" Tomas M. Russell, attorney with Hopkins & Sutter, and Thomas D. West, senior vp of Alexander & Alexander Inc., will not appear as speakers.

• S44, "CFO & Risk Manager-Working Together to Forge a Stronger Risk Management Program." William Feldhouse of Georgia State University and R. James Young, chairman of Maxson Young Associates Inc., have been added as speakers.

• S46, "Environmental Risks of Real Estate Transactions." Ken D. Bechely, senior environmental consultant of Clayton Environmental Consultants Inc., and Nill V. Toulme, attorney with Alston & Bird, have been added as speakers.

• S47, "Historic Insurance Coverage Research." Gregory Rowan, risk insurance manager of Pennwalt Corp., has been named moderator to replace Anthony Arena, director-risk management of Westchester County, N.Y., who will not appear.

• S52, "Negotiate Like a Pro." Freida L. Jackson, president of ARM Group Inc., has been named moderator.

• S53, "Creating a New Risk Management Department." Julie K. Doepel, manager-risk management of Southwestern Bell Corp., has been added as a speaker to replace Dee Shaw Webster, risk and insurance manager of A.G. Edwards & Sons Inc., who will not appear.

• S55, "Risk Management in Mergers, Acquisitions & Divestitures." John F. Roskopf, second vp of Rollins Burdick Hunter Co., has been named as a speaker.

• S56, "Risk Manager's Personal Survival Guide to Mergers & Acquisitions." Rosalind Miller, director-risk management of Hoechst Celanese Corp., has been named as a speaker to replace Jerry Luttrell, director-risk management of Philip Morris Management Corp., who will not appear.

• S60, "Directors & Officers Liability-Corporate Reimbursement Insurance." Theodore A. Boundas, attorney with Peterson, Ross, Schloerb & Seidel, and Joseph P. Monteleone, vp and claims counsel of Reliance National Risk Specialists, have been added as speakers.

• S63, "Fidelity Insurance-Exposure Identification; Coverage Selection; Claim Presentation." Ken Pagent of Marsh & McLennan Inc. has been added as a speaker.

• S66, "Liability Policy Wording Maximized." Diane Eisenberg, manager-casualty/CGL department of Insurance Services Office Inc., and James Wallace, senior vp of Johnson & Higgins, have been added as speakers.

• S67, "The Next Hard Market-When? What to Do Now?" Thomas V. Cholnoky, securities analyst of Goldman Sachs, will not appear as a speaker.

• S69, "Owner Controlled Insurance Programs (Wrap-Ups)-Yes or No!" James V. Barry, vp of Alexander & Alexander of Michigan Inc., has been added as a speaker.

• S70, "Doing Business with the Japanese-What Should Risk Managers Know?" Yoshiaki Matsunaga, senior vp-Tokio Marine Management of Tokio Marine & Fire Co. Ltd., has been added as a speaker.

• S72, "Lloyd's-An Evolving Structure." Andrew Duguid, head of market services of Lloyd's of London; George Moore, deputy chairman-Bowring North America of C.T. Bowring; and Doris J. Ramsey, director-risk management of ROHR Industries, have been added as speakers.

• S73, "Risk Management-Latin Style." Homero Casta Ferreira Alves, Gerente/White Martins Departamento de Riscos e Seguros, and Alasdair R. Kerr of Tudor-Marsh & McLennan Inc. have been added as speakers.

• S74, "U.S. Tort Philosophy-Our Latest Export." Simon H. Groot, managing director of Kamerbeek Assurantiemakelaars B.V., and Hugh A. Warren, senior vp of Corroon & Black International, have been added as speakers.

• S75, "When Does a Captive Make Sense for International Exposures?" Charles T. Bird, president of AIU Risk Management; Charles W. Brandyberry, vp and manager of Johnson & Higgins; Joseph F. Braunstein Jr., vp of CIGNA Corp.; and Bernard J. Mooney, assistant vp/captive center manager of CIGNA Corp., have been added as speakers.

• S77, "Insurance Industry Antitrust Litigation." Michael F. Brockmeyer, assistant attorney general/chief of antitrust division of the state of Maryland, and Lucille Gallagher, vp-risk management of Monfort of Colorado Inc., have been added as speakers to replace Virginia Loughner, risk manager of Colorado National Bank Shares, and Duane Woodard, attorney general of the state of Colorado, who will not appear.

• S79, "A 1989 Report on the Government & Insurance." Earl R. Pomeroy, North Dakota Insurance Commissioner, has been added as a speaker.

• S80, "Insurance Insolvency-Can the Problem Be Solved?" J. Larry Griffin, director-risk management and loss control of Sundstrand Corp. and John Kezer, Colorado commissioner of insurance, have been added as speakers.

• S81, "Managing Legal Fees-Alternatives to Wallet-ectomy." Don Nelson, risk manger of ARA Services Inc., has been added as a speaker to replace Lawrence R. Kwasny, insurance manager of ARA Services, who will not appear.

• S82, "Tort Reform-The Role of Juries & Alternative Dispute Resolution (Mock Trial)." Lisa Murphy, assistant vp/assistant general counsel of National Council on Compensation Insurance, has been named moderator.

• S83, "A Pro-Active Risk Management Response to the Liability Claim (I'm Mad as Hell & Not Going to Take it Anymore!)." Bill Gavin, director-insurance of Hertz Corp., has been named as moderator to replace Vince D'Acchioli, vp-corporate services of Standard Brands Paint Co., who will not appear. Also, Brown Greene, trial attorney with Greene, O'Reilly, Broillet, Paul, et al, will not appear as a speaker.

• S90, "Conducting a Law Enforcement Department Liability Assessment." This session has been canceled.

• S91, "Developing Your Training Program-New Tricks for Bulldogs & Risk Managers." Ray C. Mulry, president of American Network Services, will not appear as a speaker.

• S92, "Disaster Case Studies." This session has been canceled.

• S93, "Fraud-Prevention, Detection & Prosecution." William W. Johnson, insurance and claims manager of Hallmark Cards Inc., has been named moderator. John C. Fletcher, managing director of Delta Control Group, has been added as a speaker. Also, Myles Crane, vp of Columbia National Bank of Chicago, and Lawrence Friedman, managing partner of Law Offices-Lawrence Friedman, will not appear as speakers.

• S94, "Risk Assessment for Groundwater Contamination & Pollution Control." Marc Cassler, associate/hydrogeology of Environmental Risk Ltd., has been added as a speaker to replace Frederick W. Johnson, senior associate/hydrogeology of Environmental Risk Ltd., who will not appear.

• S95, "Human Factors in Loss Control." James J. Ciechetti, manager-self-insurance and exposure analysis of Borden Inc., has been named moderator.

• S96, "Indoor Air Quality-Is Your Building Sick?" John J. Bott, corporate risk manager of McGraw-Hill Corp., has been named moderator. James C. Feeley, president of Pathogen Control Associates, and Douglas E. Shattuck, senior engineering ventilation specialist of Clayton Environmental Consultants Inc., have been added as speakers.

• S100, "Legal Trends in Workers Compensation & Employers Liability." Lisa Murphy, assistant vp/assistant general counsel of National Council on Compensation Insurance, and Lewis (Buzz) Midden, vp of Corroon & Black Management, have been added as speakers. James Dorman, executive vp of ComCo Management Inc.; Cory Ingber, attorney with Mischel, Trock & Ingber; and Gene Schwartz, attorney with Schwartz & Weiss, will not appear as speakers.

• S102, "Workers Compensation-The Challenge of Self-Insurance." James W. Oxendine Jr., chairman of the Florida Board of Workers Compensation, has been added as a speaker.

• S103, "What a Bunch of Non-Stress." Frank J. Petros, insurance manager of Leaseway Transportation Corp., has been named as moderator.

• S104, "Time Management." Ginger Price, insurance manager of Convalescent Services Inc., has been named moderator.

• S105, "Risk Management Chess." Randolph Gaab, insurance manager of Westinghouse Electric Corp., has been named moderator. ■

Case Study

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Around the states

Continued from page 22

insurance and tort reform measures during its 1989 session that ended last month.

S.B. 267, which is awaiting the signature of Gov. Joe Frank Harris, would set up the Georgia High Risk Health Insurance Plan beginning July 1.

Under the plan, residents who have lived in the state at least six months and meet the plan's other eligibility criteria would receive major medical coverage of up to $100,000 per year and up to $500,000 in lifetime benefits, subject to deductibles and coinsurance not to exceed $2,000 per individual or $4,000 per family per year.

Participants' premiums have not been determined.

The bill authorizes the Legislature to appropriate funds for the high-risk plan but does not establish a specific funding mechanism. In addition, it is not specified who will be responsible for any deficit in the program.

The high-risk plan would be overseen by a 10-person board of directors composed of insurers and members of the health care community, including providers, employers and consumers who would establish operational and rating criteria during six-year terms.

Other insurance legislation awaiting the governor's signature includes:

- H.B. 203, which would require insurers to give 60 days' notice prior to cancellation or non-renewal of individual or group accident and sickness policies, except for non-payment of premium.
- H.B. 216, which would require insurers to provide the names of policyholders and policy coverage information within 60 days of receipt of a written request from claimants. It also requires policyholders to disclose, within 30 days of receipt of a written request, the names of all known insurers that might be liable for coverage upon a claim.
- H.B. 472, which would allow corporations to purchase corporate-owned life insurance for directors, officers, employees and certain shareholders and obligors.

The two tort reforms also awaiting signature are:

- H.B. 525, which would repeal the July 1, 1989, sunset provision in Georgia law relating to the assessment of litigation costs and attorneys' fees for frivolous actions and defenses.
- S.B. 239, which would, among other things, establish a tort action for frivolous or abusive lawsuits if it is found that the plaintiff acted with malice and without substantial justification. It would also offer the plaintiff a chance to withdraw the litigation within 30 days of receipt of notice that a tort was being exercised with no further repercussions.

In addition, the governor signed S.B. 233 on March 9. The law requires acquiring parties to file financial statements with the Commissioner of Insurance prior to acquisition of control or a merger with a domestic insurer. It also amends rules governing the Georgia Insurers Insolvency Pool.

—By Linda J. Collins

Antitrust bill vetoed

SANTA FE, N.M.—Gov. Garrey Carruthers has vetoed a bill that would have revoked the state's antitrust exemption for insurance companies.

The bill's supporters contended that by prohibiting insurance rating bureaus, such as the Insurance Services Office Inc., from pooling insurance company loss data and using that data for trending and rate setting, industry competition would increase.

Under the bill, each insurer would have been required to trend its own loss data, basing rates on its individual—rather than industry—experience.

The Republican governor and other opponents of the bill argued that rather than increasing insurance industry competition, smaller insurance companies especially reliant on rate service organizations would be seriously jeopardized.

Gov. Carruthers explained that he vetoed the bill late last month because he feared that repeal of insurers' antitrust immunity would drive some small insurers out of the state.

"The argument that this bill would increase price competition among carriers is ludicrous," said Booker Kelly, a lobbyist for the Chicago-based Alliance of American Insurers and a partner in the Santa Fe law firm of White, Koch, Kelly & McCarthy.

The bill, H.B. 287, sponsored by House Majority Leader Toby Michael, D-Cibola, passed by a 64-1 margin in New Mexico's House of Representatives in February.

The Senate passed the bill by a 25-15 vote in March.

After the bill was vetoed, Rep. Michael expressed doubt about the future of similar proposal.

"I doubt whether anybody can get this measure out of a committee in the future. I don't think we'll get that opportunity again."

—By Kari Berman

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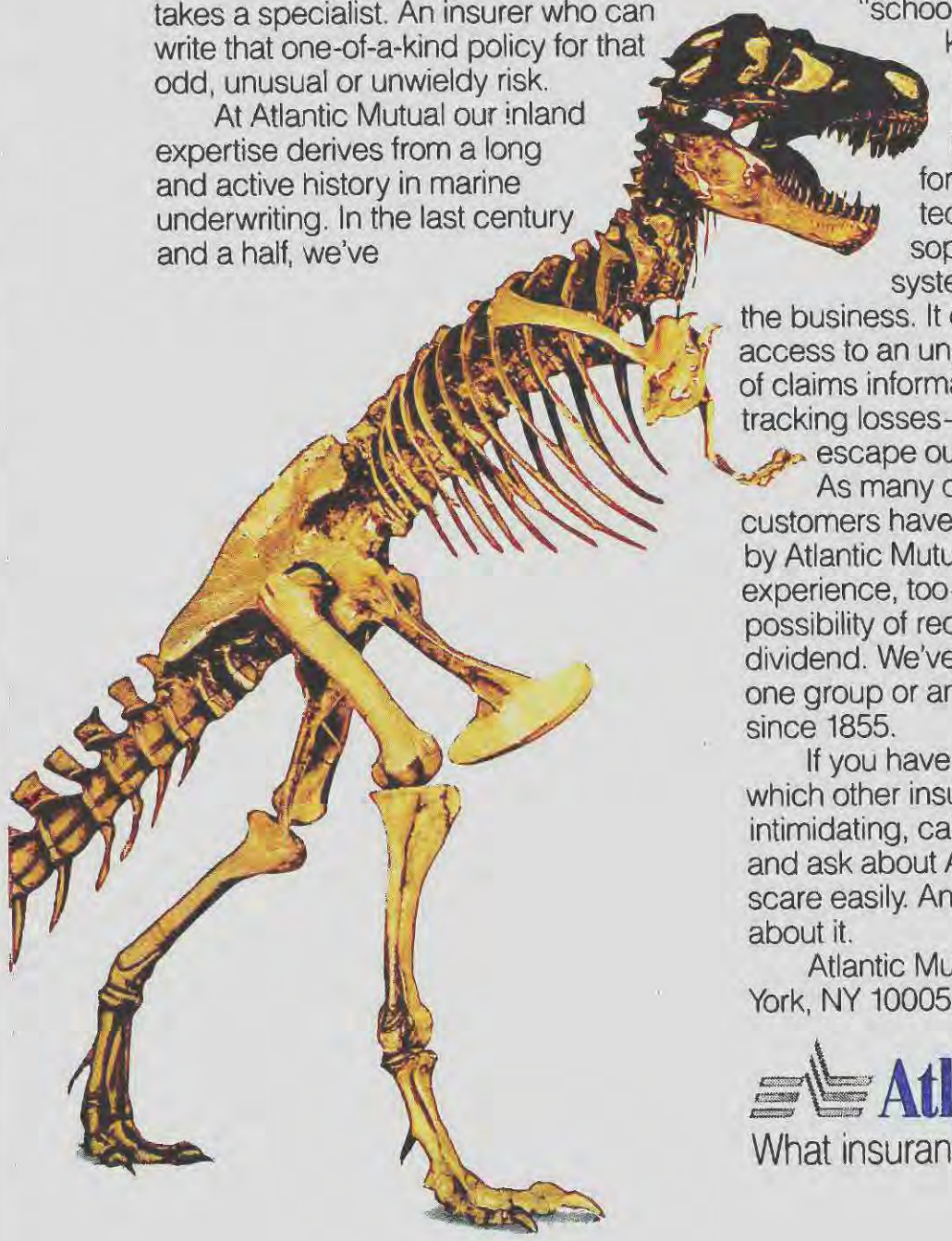
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APRIL 11. National Claims Conference in Dallas, sponsored by CMA Consulting Group; $245. **Also April 18** in Philadelphia and **April 25** in Chicago. Conference Coordinator, CMA Consulting Group, P.O. Box 2287, Morristown, N.J. 07962-2287; 201-267-7171.

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APRIL 18-20. Hazard Communication for the Industrial Hygienist seminar in Chicago, co-sponsored by the National Center for Hazard Communication, the University of Maryland's Center for Professional Development and the American Industrial Hygiene Assn.; $595. **Also May 2-4** in Denver, **June 13-15** in Boston and **June 27-29** in Los Angeles. Registration Clerk, University of Maryland Center for Professional Development, University Boulevard at Adelphi Road, College Park, Md. 20742.

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APRIL 23-26. Annual National Council of Self-Insurers meeting in Laguna Niguel, Calif., sponsored by the National Council of Self-Insurers; $250 for NCSI members; $300 for non-members. NCSI, 10 S. Riverside Plaza, Suite 1530, Chicago, Ill. 60606; 312-454-5110.

APRIL 24-25. Annual National Financial Insurance Conference in Dallas, sponsored by Logic Inc.; $295 for Logic clients; $245 for each additional client from the same organization; $395 for non-clients; $345 for each additional non-client from the same organization; $50 for spouses. Logic Inc., 9330 LBJ Freeway, Dallas, Texas 75243-3429; 800-527-2323.

APRIL 24-26. Understanding Property and Casualty Reinsurance conference in New York City, sponsored by Executive Enterprises Inc.; $990. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

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APRIL 26. Structured Settlement For Injury Claims-Will It Help conference in London, sponsored by the Insurance & Reinsurance Research Group Ltd.; 210 pounds ($365.40) plus VAT. Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175; fax: 01-489-1487.

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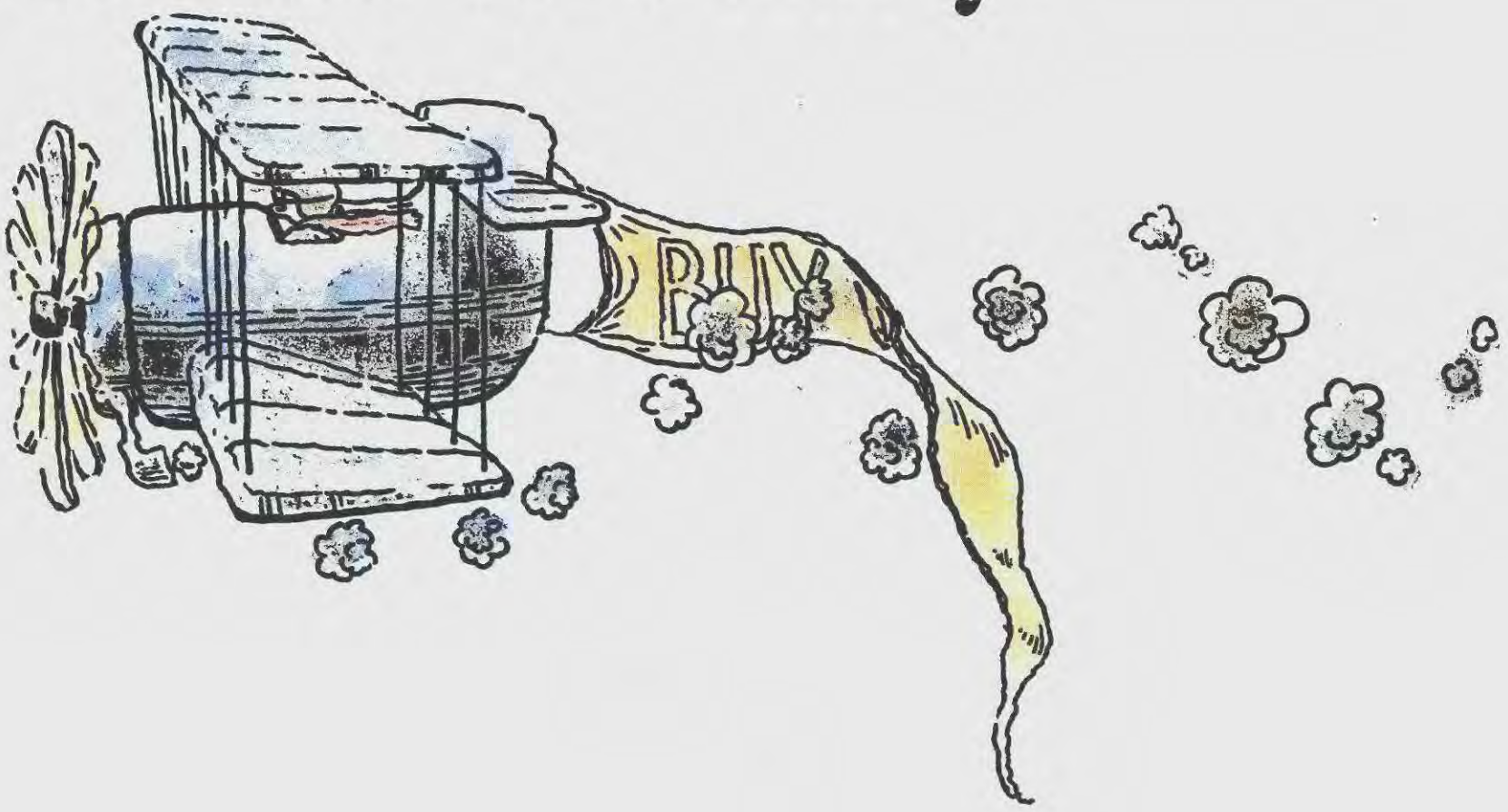
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Continued from previous page

Joseph V. Juliano sued Commercial Life Insurance Co. for bad faith and sought non-economic and punitive damages after he was denied payment for eye surgery in 1985.

Commercial Life had first confirmed insurance coverage but later determined his condition was pre-existing and stopped further benefit payments.

The petition to the U.S. Supreme Court says ERISA was intended by Congress to regulate employer responsibilities for pension and welfare plans and "was never intended to affect the rights of states to regulate insurance."

"We feel the U.S. Supreme Court will be interested in reviewing this entire area so the laws of ERISA can be applied to employers and that state laws and remedies will still apply to insurance companies, as Congress obviously intended," Mr. Shernoff said.

The court is expected to decide whether to hear the case by the end of June, when its current term ends, Mr. Shernoff said.

The California court's decision in the Juliano case was in line with a 9th U.S. Circuit Court of Appeals decision in another case that said beneficiaries of ERISA plans cannot sue under California law for delays or denials of benefits (*BI*, Oct. 10, 1988).

OSHA penalties

Civil penalties for violations of the federal Occupational Safety and Health Act would be tripled under a Senate bill.

The bill, S. 490, introduced by Sen. Frank Lautenberg, D-N.J., would increase civil penalties for each non-willful violation to a maximum of $3,000 from the current $1,000 maximum.

The bill also would increase the maximum fine for each willful violation to $30,000 from the current $10,000.

S. 490 also would raise these penalties every five years to account for inflation.

"Tripling penalties will sound like a big increase to some employers, and it is," Sen. Lautenberg said. "But as I see it, it's only fair. It's fair to the employers who obey the rules, and it's fair to workers. We need to force employers to think twice before violating worker safety standards."

A companion House bill has not been introduced.

OSHA violations

The Occupational Safety and Health Administration is fining Lockheed Aeronautical Systems Co. $1.5 million for 440 alleged violations of federal safety and health regulations.

Among the actions for which Burbank, Calif.-based Lockheed was cited are 251 allegedly willful violations of recordkeeping requirements and 88 allegedly willful violations of OSHA's hazard communication standard.

The hazard communication standard requires employers to inform workers about the potential dangers of any substances with which they work (*BI*, Aug. 24, 1987).

Lockheed's violations of the hazard communication standard allegedly include willfully mislabeling or failing to label many containers of chemicals and failing to include health hazard warnings on material safety data sheets, according to OSHA.

Lockheed's Burbank aircraft manufacturing facility employs about 14,000 people.

OSHA began inspecting selected buildings at the Lockheed plant last September after receiving complaints that the company failed to inform employees of the nature of chemical substances with which they were working (*BI*, Oct. 3, 1988).

Because of the "nature and sheer volume of the alleged violations" uncovered in a limited review of Lockheed's facilities, OSHA now is conducting a comprehensive inspection of the entire plant, noted Frank Strasheim, OSHA regional administrator in San Francisco.

Lockheed has not decided whether to contest the fines.

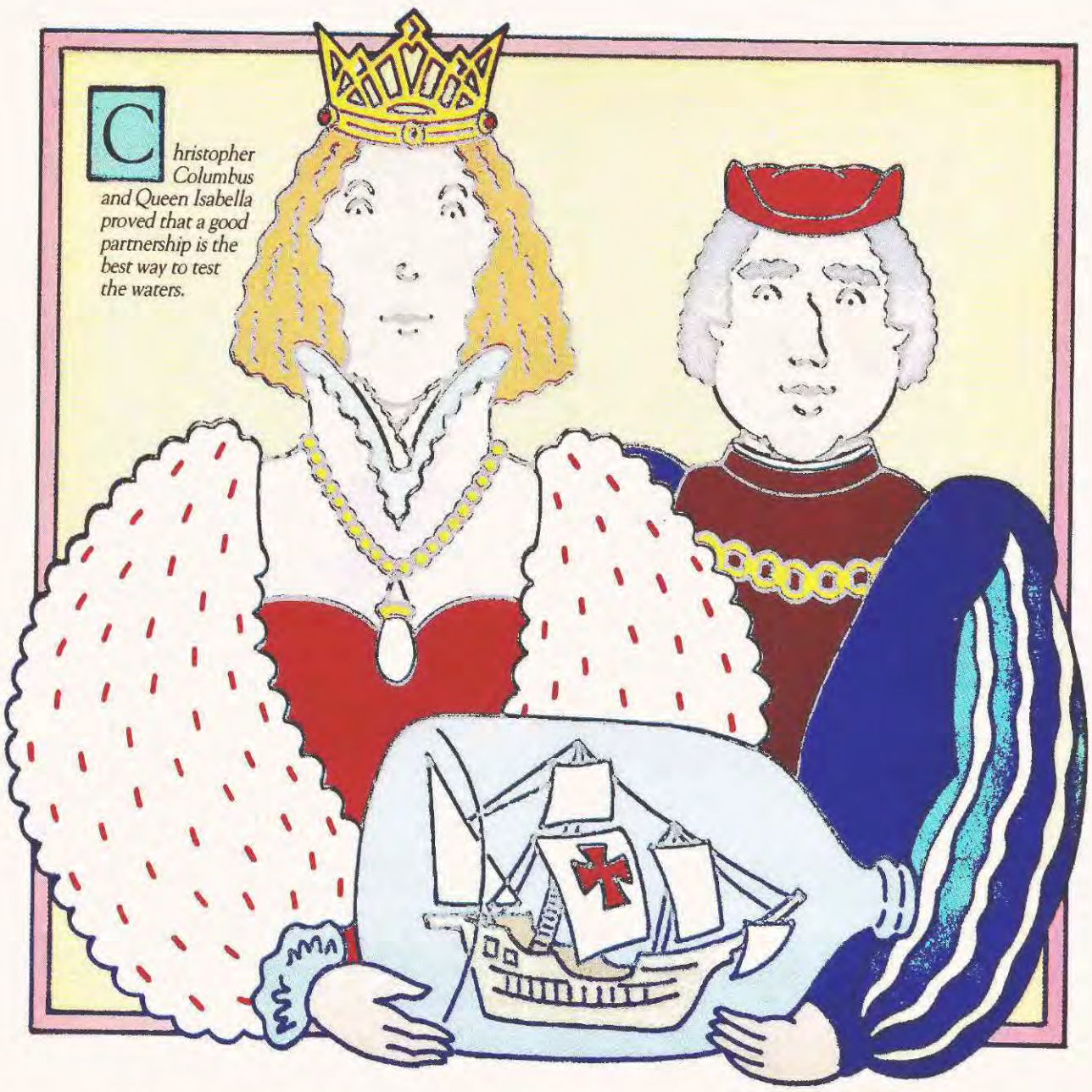
New PBGC counsel

Carol Connor Flowe, has been named general counsel for the Pension Benefit Guaranty Corp.

Ms. Flowe, who will direct a staff of 68 lawyers and assistants, previously was deputy general counsel of the PBGC. ■

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Committee seeks stronger safety violation penalties

By CAROLYN ALDRED

London

LONDON—The British government should encourage courts to impose heavier penalties on individuals and corporations that flout safety regulations, a British parliamentary committee recommends.

Britain's Health and Safety Executive should prosecute violators of safety laws in Crown Courts rather than lower courts, and these courts should impose severe penalties, including imprisonment, on guilty individuals or corporations, the House of Commons Employment Committee recommends.

The recommendations are included in an initial report on an outbreak of Legionnaires' disease at the London headquarters of the British Broadcasting Corp. last year.

The disease, which was spread through the BBC building's air conditioning system, killed three people and made about 55 others ill, including 18 BBC employees.

According to the committee's report, "the safety arrangements for the BBC water towers at Broadcasting House were appalling" and evidence given to the committee "revealed deplorable and criminal neglect."

The British Health and Safety Executive—the U.K. equivalent to the U.S. Occupational Safety and Health Administration—prosecuted the BBC in a Magistrates' Court, Britain's lowest court, where the corporation pleaded guilty to two charges and was fined 3,600 pounds ($6,192), plus costs of 3,196 pounds ($5,497).

However, "if the case is sufficiently serious, the HSE may request that the case be heard by a Crown Court, where there is no limit on the fine and where an offender may be sentenced to up to two years' imprisonment. The magistrate also may refer the matter to the Crown Court on his or her own initiative," the report noted.

The HSE also may prosecute individuals under the Health & Safety at Work Act, the report adds.

"In our view, the HSE should have prosecuted the individuals responsible. They should also have identified and considered prosecuting those main board or other individual directors who should have ensured that safety matters were properly dealt with," the report stated.

The HSE also should have applied for the cases to be heard by a Crown Court, it concludes.

Meanwhile, the committee members "regard the penalties imposed by the Magistrates' Court as totally inadequate to reflect the seriousness of the offenses and their consequences in a case where negligence had caused three deaths and much suffering, where the infection could have spread so much more widely, and where it resulted from the inexcusable and admitted criminal acts of the BBC."

"The maximum permitted penalties should have been imposed," the committee concludes.

In future cases where a breach of the Health & Safety at Work Act of 1974 "caused deaths or danger to life, the HSE should apply for Crown Court trial and the government should advise Magistrates' Courts that such requests should normally be granted," the committee recommends.

And, "where individuals, corporations or companies are proved guilty. . .courts should impose appropriately severe penalties, including imprisonment," the report adds.

Furthermore, the committee recommends "that the government advise the courts to impose a level of fines or other penalties heavier than that now generally applied to reflect the gravity of the offense."

Continued on next page

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Business Insurance

Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers



Developing a taste

Agencies adds risk management services to their menu

By LAURA MAZZUCA

Risk management services are becoming an increasingly important part of agents' and brokers' business as smaller clients consider alternatives to traditional property/casualty insurance.

While the large, national brokers have offered risk assessment, loss control and alternative financing consultation to clients for years, small agents also are getting into the act.

As smaller clients examine risk financing alternatives like self-insurance, risk retention groups and captive insurers, an agent must not only provide the consulting services demanded by their clients, but also supplement commissions that often are cut as customers retain more risk.

Although small businesses may not be prepared to assume huge retentions, they "are very interested" in some form of self-insurance, said Lawton Swan III, president of Interisk Corp., a Tampa, Fla.-based independent risk management consultant.

"They feel they could handle more risk," he said.

Many clients are "beginning to take the attitude of assuming as high a deductible as you can manage" on property and liability coverages, as well as dropping peripheral coverages such as plate glass insurance, said Edwin W. Storer, vp of First Interstate Insurance Agency of Wisconsin in Sheboygan, Wis., which specializes in small financial institutions.

Mr. Storer noted that many of his agency's small community bank clients now are opting for bankers blanket bond deductibles of up to $50,000, when only a few years ago "a $5,000 deductible was considered high."

In light of the shift to self-insurance and because small businesses often view their agents as part-time risk managers, "agents who ignore" risk management services "are going to be squeezed out," said William R. Feldhaus, a professor of risk management and insurance at Georgia State University in Atlanta.

"Risk management is a business building and retention tool for agents and brokers," agreed Robert A. Epstein, president of Risktech Inc., a Houston-based risk management consultant and a former agent.

"Those who practice risk management techniques do a more thorough job for their client and will be viewed as more of a professional by that client," Mr. Epstein said.

However, clients looking for risk management help are finding more and more sources, besides their agents and brokers, ready to come to their aid.

Agents offering risk management services must compete with the larger brokers and stand-alone risk management consulting firms, including subsidiaries of accounting firms, that are targeting risk management as a growth area.

In addition, insurers are selling some types of risk management services, like loss control advice, on an unbundled basis.

However, some observers contend that an agent or broker is in the best position to advise a client because, after placing the client's insurance for years, the agent already knows the client's risk management problems.

"An agent makes the best risk manager because he has the up-to-date product knowledge of the insurance business," said Mr. Epstein.

An agent or broker who truly understands the uniqueness of his client's risk is more capable of troubleshooting for the client than an outsider would be, agreed Mr. Feldhaus. "Nobody else can do it as well (as an agent) because they're right there."

"Our obligation as insurance brokers is to search out all the alternatives available," including standard, surplus and alternative markets, said Timothy Thoelecke, president of Great Lakes Agency in Chicago and vp of the National Assn. of Casualty & Surety Agents,

Continued on next page

Agent/broker topics

Risk management

Continued from previous page
based in Chevy Chase, Md.

Mr. Thoelecke pointed to the alternative market as an opportunity for producers to provide a new service, rather than just to plug a potential drain on commission income.

"We're all going to lose commission and fee income if we don't pursue these alternatives," he added.

And although risk management consulting services can serve as a stopgap against the loss of commission from clients that self-insure, an agent most importantly must provide these services for client retention and service, said Harry A. Crawford, president of Insurance & Risk Management in Fort Wayne, Ind., an agency that offers unbundled employee benefits and risk management services.

The agent's ability to offer a client specialized expertise outside the agency can actually give him an edge over the large brokerages that rely on their own staff, says Christopher A. Duncan, a consultant with Tillinghast.

"We moved into what we're doing not as a strategic way of coping with this change in remuneration, but just because that's the way we are," he said.

While Mr. Crawford notes a definite shift from traditional property/casualty insurance to alternatives like captives and self-insurance, his agency began offering risk management consulting services because its clients needed it.

Agencies that want to beef up their risk management consulting services can take one of two avenues: They can either provide the services in-house by hiring a risk management expert or training an existing staff member; or they can contract with an independent risk management consultant—or even an insurer—to provide services on behalf of the agency.

Agents who want to hire an experienced consultant can recruit someone directly from a consulting firm, an insurer or from a corporation's risk management department, suggested Timothy J. Cunningham, senior consultant from Hales & Associates Inc., a management consulting firm in Oak Brook, Ill.

And, if a consultant that specializes in a certain field, like workers compensation or pollution liability, is needed, an agency principal could recruit from government agencies like the Occupational Safety and Health Administration or from the staff of specialized trade associations, Mr. Cunningham added.

When Insurance & Risk Management in Fort Wayne hired its first full-time consultant, it selected a veteran of the field, said Mr. Crawford.

Although he and the agency's founders have offered clients risk management services since the agency's inception, the agency started selling its risk management consulting services on a fee basis several years ago, he explained.

"Our fee activity is increasing," he noted, adding that about 10% of the agency's revenues is generated from pure risk management consulting, forcing the agency to hire a full-time consultant.

The new full-time risk management consultant, who specializes in casualty loss control, was added to the staff four months ago. The consultant, who has a master's degree in loss control from Indiana State University, had worked in a similar capacity with several local agencies in Fort Wayne.

Although Mr. Crawford would not divulge the consultant's salary, he said that the agency expects him to "just about be breaking even" this year after the consultant's salary is paid.

The consultant works closely with the management of clients to discuss specific problems. For example, he might investigate repetitive trauma workers compensation claims, such as tendonitis claims, to design hand grips or other mechanisms that might reduce the strain on an employee's wrist, said Mr. Crawford.

In addition, Mr. Crawford himself frequently works with clients as their own risk management department for special requirements beyond basic loss control. Such services could include developing customized product safety programs, analyzing loss control and workers compensation costs and communicating with employees and executives on how to eliminate risk.

For such specialized risk management services, Insurance & Risk Management charges a basic retainer that can range from $25,000 to $35,000 annually. In addition, the client is charged for special projects at a rate of $50 to $100 per hour.

An experienced risk management consultant could command a salary ranging from $50,000 to $70,000 annually, said Carol A. Hammes, president of The Middleton Group, a consulting firm in Lisle, Ill.

She suggested that an agency can determine what to charge for a new consultant's services by calculating the consultant's salary on an hourly basis, then charging a fee that is double that amount.

"We're seeing most agencies charge at least $50 an hour," she added.

Even smaller, "Main Street" agents that cannot afford to hire their own consultants needn't be left out of the risk management consulting arena: Many agents and brokers contract with an independent risk management consultant to advise their clients.

Under such an arrangement, the agent is still attached to the consulting process, even though an agency employee is not giving the advice.

Although in many cases such arrangements do not result in financial remuneration for the agency—"Sometimes it's just because they want to keep the account"—fees usually are divided between the agency and the consultant, said Ms. Hammes. In other cases, the agency may collect a straight referral fee, she added.

Using an outside consultant may be the best method for many agents, since it not only offers the client reputable counseling, it also can help protect the agent or broker from errors and omissions exposures arising from bad advice, noted Richard J. Kasyjanski, vp of agent affairs for the New York-based Independent Insurance Agents of America.

The agent's ability to offer a client specialized expertise outside the agency can actually give him an edge over the large brokerages that rely on their own staff, said Christopher A. Duncan, a consultant at the Stamford, Conn., office of Tillinghast, a division of Towers, Perrin, Forster & Crosby Inc. and the nation's largest independent risk management consultant.

"This coordinator role may be an advantage over larger brokers in some cases in that, as coordinators, they can obtain the best services from the most qualified sources," said Mr. Duncan. "Big brokers will use their own people who may not be the best resource for that particular situation."

This is especially important when dealing with some types of product liability and environmental liability risks, which are "still stuck in the hard market," said Donn P. McVeigh, president of CRC International, a risk management consulting firm based in Oakland, Calif.

Since smaller agents do not typically have the expertise in these specialized areas, they have the flexibility to find the best available resources for their client.

"The smaller agent or broker doesn't have the risk management department to turn to," said Robert T. Sargent, president of Tennant Risk Services of Hartford, Conn., a consulting firm that works with smaller agents to provide risk management services to their clients.

"What we try to do is provide exactly that," he said.

Tennant offers its clients, which are predominantly smaller commercial lines agents and brokers, the services of five staff experts specializing in establishing and administering alternative risk financing programs as well as loss control advice.

For example, one of Tennant's agency clients in the Southwest represented a 40,000-member motorcycle riding club, a hard-to-place risk at best. Although members of the association already bought their motorcycle coverage through a club-sponsored program, the coverage was with a "low-rated carrier" and was not available in all states, said Michael Horwitch, account executive with Dean Davidson Insurance Agency in Phoenix, which brokers the account.

Tennant helped the agency find a new insurer for the coverage.

However, that insurer required that a stringent risk management plan be developed for club members. Working with the insurer and the club, Tennant developed a formal safety program that stressed educational seminars, operating rules and other safety tips for the association's members.

Tennant also helped design a special "touring emergency assistance package," which provides policyholders with a hotel room, transportation of their motorcycle, and miscellaneous expenses if the member has an accident or mechanical problems with the bike.

"We're very pleased with the results," said Mr. Horwitch. "They have done an excellent job and continue to help develop the program."

"The idea is to bring the insurance company in on it as well as the association to work on how loss can be prevented," pointed out Mr. Sargent.

Some agents also tap insurers to provide loss control consulting services to agency clients, though "some do a better job than others," commented James T. Armitage, president of Arroyo Insurance Services, a South Pasadena, Calif., agency with $12 million in annual premium volume.

Many insurers traditionally offer clients loss control services such as plant inspections and safety presentations, said Mr. Armitage.

"Our marketplace has a lot of competition with the public brokers, who a lot of the time don't want the client to talk to insurance people," said Sanford D. Elsass, chairman and chief executive officer for MacIntyre, Fay & Thayer Insurance Agency Inc., an agency in Newton, Mass., that places $10.5 million in premium volume.

However, his agency uses the risk management expertise of its insurers to compete with the brokers by working closely with the insurers' safety engineers and loss control personnel "to make sure our clients' interests are being represented fairly."

While many experts advise agents and brokers to offer risk management services to clients, consultants do warn that some states prohibit producers from collecting consulting fees.

One way around such regulations is for the agency or brokerage to establish a separate corporation to offer fee-based services.

For example, the Root & Boyd agency of Waterbury, Conn., originally established National Risk & Insurance Consultants Inc. in 1985 as a subsidiary to provide risk management services to clients. However, the agency spun off the unit in October 1987, partly because a Connecticut statute prohibits insurance agents from serving as consultants, said Arthur Guilietti, president of National Risk.

Services offered by National Risk include the design and administration of self-insurance programs; the administration of employee benefits programs; and general insurance program counseling.

Root & Boyd refers its clients directly to National Risk, which charges either an hourly fee—starting at $75—or negotiates a contract with the client, said Mr. Guilietti. ■

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Service wins regional broker a client

In some cases, a regional agent or broker can actually offer a client better risk management consulting services than the alphabet brokers, one policyholder says.

Financial Guardian Group Inc. in Kansas City, Mo., has saved Grand Island, Neb.-based Chief Industries between $800,000 and $1 million since developing a self-insurance program for general liability risks in November 1987, said David E. Springer, Chief Industries' corporate controller.

Chief Industries, which manufactures recreational vehicles and mobile homes, originally was represented by a large national broker that was "insensitive" to the company's needs by ignoring its overall claims history, said Mr. Springer. Thus, he contends, Chief Industries was paying a higher premium than its losses warranted.

"We knew we had cost savings out there, but we needed assistance," said Mr. Springer.

After Financial Guardian performed a detailed risk management analysis—in which FG sent a representative to all six of Chief Industries' plants for inspection, policy analysis and examination of loss history—the company opted to self-insure the first $1 million of its general liability risk, said Mr. Springer. Chief also maintains excess coverage of about $5 million through a traditional insurer and may eventually increase those limits to $10 million, he added.

FG helped design the program and administers Chief Industries' claims, the fee for which makes up for the commission lost when the company opted for self-insurance. And, the company places its property and excess liability insurance through FG.

Financial Guardian conducts a "true risk management audit" on each of its clients, said Daniel R. Meylan, vp of sales for the brokerage.

In addition to a review of the potential client's previous insurance contracts, FG also studies the client's financial statements, manufacturing operation flow charts and its relationships with outside suppliers to determine exposures.

The process includes a physical inspection of each plant conducted by the producer on the account. If a risk management consultant is needed, FG will arrange for an outside consultant to contract directly with the client, with any fees paid directly to the consultant.

The FG producer handling the inspection works from an 85-page survey. In Chief Industries' case, the process took about 90 days, said Mr. Meylan. "It's not complicated; it just takes a lot of time," he said.

After the process is complete, "We are able to answer any question that any underwriter might ask about any location at any time," he added.

In the process, FG identified about 25 areas that represented significant problems that Chief Industries could improve with FG's assistance, said Mr. Meylan.

"We elevated their awareness of the need to be prepared on their own for product liability lawsuits instead of leaving it to the insurance company," he added.

The benefits of such intensive analysis are obvious: better loss ratios and excellent rapport with the client, said Mr. Meylan.

"We could lose that account for a lot of different reasons, but we're not going to lose it by accident," he concluded.

—By Laura Mazzuca

Specialties can promote consulting

Expertise in a specific line of insurance can open risk management consulting doors for an agent.

An opportunity to expand consulting business "can be born out of expertise developed by an agency from certain accounts," suggested Eric Hall, director of industry affairs for the National Assn. of Professional Insurance Agents in Alexandria, Va.

One agency that has followed this road is Marvin Johnson & Associates, a Columbus, Ind., agency with $18 million in premium volume that specializes in long-haul trucking clients.

Johnson & Associates offers its clientele a variety of risk management services especially designed for their needs as part of the commission structure, said Steve Johnson, the agency's chief executive officer.

These include driver training classes, driver safety meetings, written road observation reports on drivers' safety and skills and in-depth examinations of fleet drivers before they take the required state Department of Transportation examination.

Because of this emphasis on risk management, Johnson & Associates averages loss ratios that Mr. Johnson estimates are "10 to 15 points better than the rest of the industry." In addition, the agency reports an 85% renewal rate.

"We've been told by some (clients) that we're too tough to deal with" because of the quality control expected from clients, said Mr. Johnson. "But we're looking for a fleet that wants to improve constantly."

Sterling & Sterling Inc., a $60 million premium volume agency in Great Neck, N.Y., offers one of its major clients, an amusement arcade operator, a program in which a safety engineer issues periodic "report cards" on the operation of the company's locations.

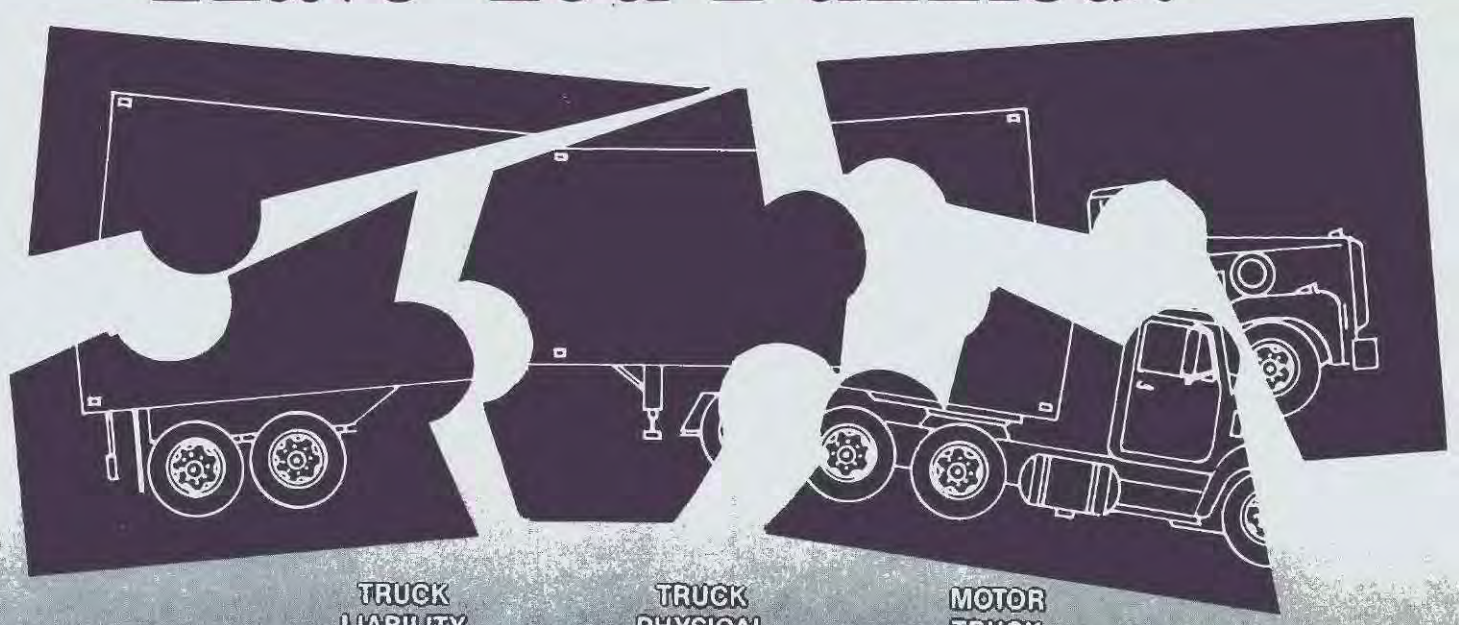
The safety engineer—an S&S employee—visits up to 10 of the company's 90 nationwide locations to make the report, explained President David Sterling.

The program "enabled us to get through a very difficult market in 1985 and 1986, although we took heavy hits in the area of premiums," said Thomas F. Fricke, vp-legal affairs for Time-Out Family Amusement Centers Inc. in Fairfax, Va., which has been an S&S client since 1972.

"The category into which we fit is not favored by underwriters, although we have a good loss ratio," observed Mr. Fricke.

—By Laura Mazzuca

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Agent/broker topics

Consulting programs not always a success

By LAURA MAZZUCA

Many agents either do not need or do not want to offer risk management services, one agency franchiser earlier this decade learned—the hard way.

ISU Corp., the largest agency franchise company, in 1980 began offering its franchisees the free use of risk management consultants. However, the program died by 1982 from lack of interest.

"We made risk management services available to our franchisees, but quite frankly, they didn't undertake it with much deliberation," said Thomas J. Eyan, chairman, chief executive officer and president of San Francisco-based ISU Corp., which now has 255 agency franchisees. And, Mr. Ryan says he is not sure that such a program would succeed today.

For smaller businesses "risk management is an idea whose time has still not come," Mr. Ryan said.

Mr. Ryan said he believes that the agents who were eligible for the program were willing to provide the risk management services; however, their clients simply didn't need them.

"The vast majority of the businesses which our franchisees serve are relatively small accounts," said Mr. Ryan, adding that most of these accounts pay between $10,000 and $15,000 in annual premiums. "A client can't spend a lot of time on risk management activities if their premiums are only $10,000. . . .It's just not cost-efficient."

However, Donn P. McVeigh, who was ISU's vp of risk management services from 1980-82 and one of the three consultants retained by ISU for the program, disagrees that small policyholders are uninterested in risk management. Instead, Mr. McVeigh blames the program's failure on the "inertia" of member agents, who were unwilling to provide their clients with the services.

The program's eventual failure was a matter of "timing and marketing," said Peter Hawes, who was chief operating officer and executive vp at ISU from 1980 to 1981. He is now president of Design Professionals Insurance Co., a brokerage in Monterey, Calif.

Mr. Hawes believes that the risk management services that ISU offered were designed to appeal to larger agents when ISU's agent base was primarily smaller producers. "When you're offering big broker services to small agents," the agents won't use the services, he said.

ISU initiated its risk management consulting service at a time when property/casualty insurers were fiercely competing for business, noted Mr. Ryan.

At the time, ISU perceived risk management consulting services as an area in which policyholders would be increasingly interested. Although the market was soft, and agents and brokers were not seeing a great deal of client demand for fee-based risk management services, ISU anticipated that their interest would accelerate when rates started to rise, Mr. Ryan explained.

The franchiser retained the services of three risk management consultants to offer its franchisees advice on property/casualty loss prevention, employee safety programs and, later, on alternative risk financing options. The service was offered as part of ISU's franchise fee; agents did not have to pay the consultants' fees.

In addition to the three risk management consultants on retainer, ISU members also had access to loss prevention specialists who could perform physical plant inspections upon request.

The franchiser spent $1 million in capitalization and legal costs to form a franchisee-owned captive reinsurance company to allow member agents to offer alternative risk-financing programs to their clients.

What ISU did not predict was that the market would not start to harden until 1984, two years after the franchiser gave up on the program.

Although franchisees were initially interested enough in the captive program to capitalize the insurer, they did not seek out ISU's risk management consulting services, Mr. Ryan explained.

ISU dissolved the captive in 1987.

ISU's initial franchise fee was 6% of an agency's gross revenue, higher than the fees of the other agency franchise organizations at the time, because ISU offered risk management services, said Mr. McVeigh, who is currently president of CRC International, a risk management consulting firm in Oakland, Calif.

The franchise fee was later lowered in 1982 when the program was dropped to attract more agents, and ISU began to refer franchisees to risk management consultants as needed. However, agents have to pay fees to the consultants for these services.

ISU still maintains regularly updated listings of risk management consultants. For example, if an ISU franchisee had a client that needed to analyze its workers compensation loss history, ISU could refer it to a specialized risk management consultant, who would then contract with the agent individually without further input from ISU.

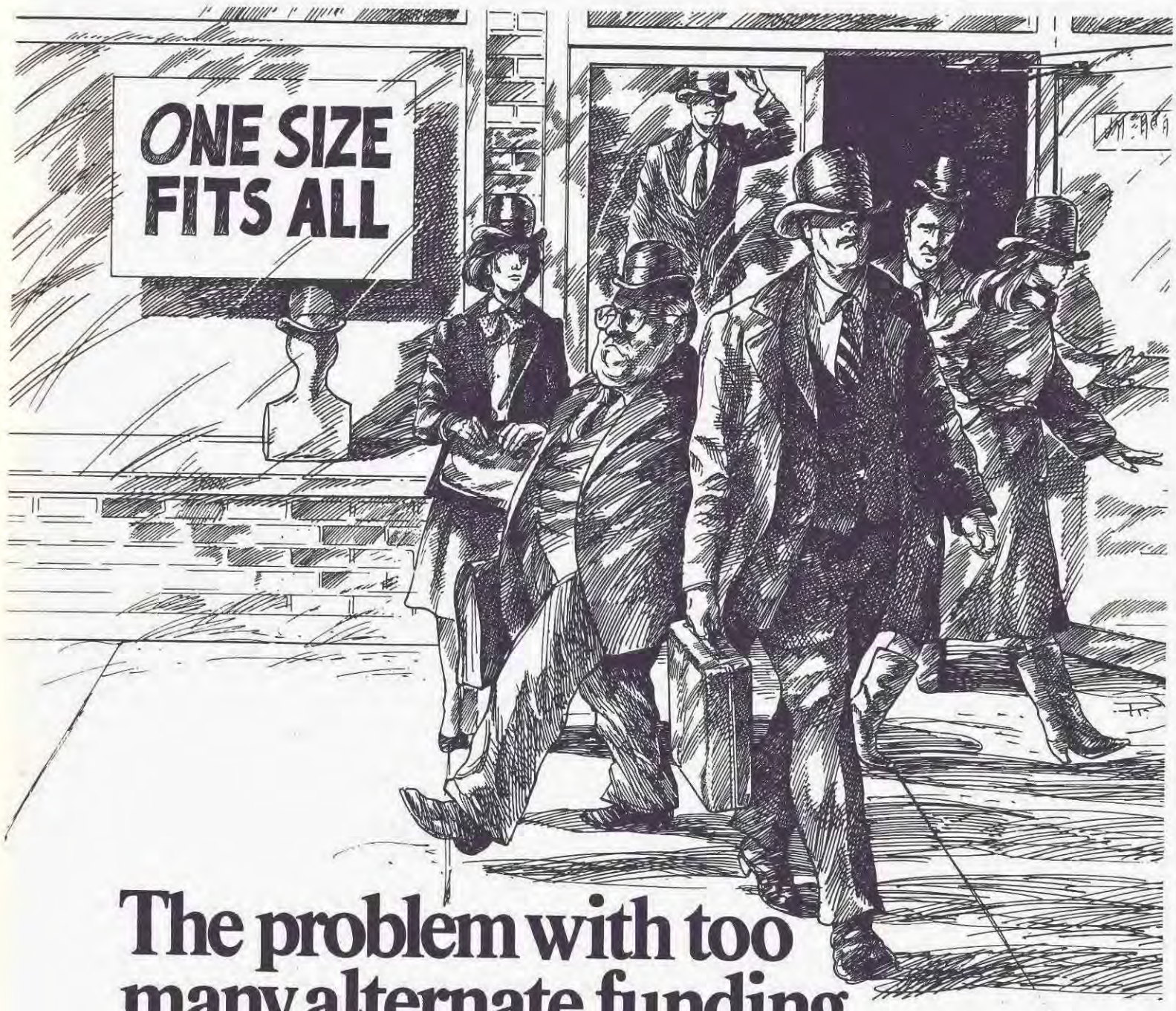
"We don't urge our franchisees, even the large ones, to put a risk management person on the payroll," since it's simply not cost-efficient, said Mr. Ryan.

ISU franchisees who did take advantage of ISU's free risk management consulting service found it to be worthwhile, one agent reports.

"Their services were constantly evolving," said Robert B. Milum, currently president of Associated Agencies Inc. of California in Newport Beach. "But only a few of us were using them. Most of the people involved in ISU were salesmen and they didn't want to get involved in risk management."

Although Mr. Milum's agency is no longer affiliated with ISU—he sold his ISU-linked agency to Associated Agencies two years ago—he was one of the first California-based brokers to sign up with ISU during the late 1970s.

Continued on next page



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Continued from previous page

At the time, Mr. Milum was the principal of Milum & Associates, an agency with $6 million in annual premium volume and a staff of nine. "I tried to represent myself as a broker for small to medium-sized business accounts where the principal was also the risk manager," he added.

He recalled that his agency used the services of Mr. McVeigh when a prospective client wanted to discuss offshore captives, an area in which Mr. Milum admittedly had little knowledge.

As part of the ISU-provided service, Mr. McVeigh accompanied Mr. Milum to the client's office to discuss alternative funding programs.

And, at another time, Mr. McVeigh helped the agency design and market a manuscript fire insurance policy for one of its larger accounts, said Mr. Milum.

Mr. Milum pointed out that the consulting services were provided free by ISU, though the agency had to reimburse Mr. McVeigh for travel and lodging expenses.

"He was there for me to talk to and pick his brain," he added.

Mr. Milum also took advantage of ISU's agreement with FPE Group, now a loss control consulting division of Fred S. James & Co. Inc., in which FPE's loss control services were offered to ISU agents at a special discount.

Mr. Milum used FPE's services for two of his clients: a manufacturer of modular buildings and a company that planned to build a restaurant on the waterfront in Newport Beach.

FPE compiled a five-page report for the manufacturer covering suggested loss control measures and offered suggestions on the potential risks of building and coverage rates for the would-be restaurant.

He hired FPE for a half-day at $400, and "for $400, I looked like a pro," said Mr. Milum. "I had gone past just selling policies; they allowed me to offer more professionalism than I ever could have on my own."

Even after ISU discontinued its free consulting program in 1982, Mr. Milum continued to use Mr. McVeigh's services on a fee basis because Mr. Milum was impressed with his work.

Mr. Milum agreed with Mr. Ryan that part of the problem with the ISU program may have been the size of the franchisees' clients, which often were too small to appreciate the benefits of the risk management services offered.

The idea might have been ahead of its time, he said, since today smaller businesses are becoming increasingly sophisticated concerning risk management.

"I think the concept was good, but they had a lot of ideas that I'm not sure agents really wanted," he said. "They (agents) expected something to happen after they used those services, like waving a magic wand, and nothing did."

However, a similar risk management referral program worked out better for Assurex International, a Columbus, Ohio-based agency partnership in which member agents are shareholders.

Like ISU, Assurex in 1980 introduced its Assurex Risk Management Institute, which serves as a free clearinghouse between Assurex agents and risk management consultants, said Assurex President Robert P. Ashlock.

The program still is offered today.

Assurex keeps a risk management consulting firm on retainer to be used by its shareholders, who receive a discount from the consultant's regular fee.

However, the difference between the Assurex program and the ISU program was that Assurex offers its shareholders risk management education and training so they eventually can offer such services to their clients themselves.

Another difference is that Assurex's 65 "partner" agencies are generally larger and more specialized agents than ISU franchisees and therefore better able to maintain their own in-house risk management consultants, said Mr. Ashlock.

"A franchiser wants its agencies to become dependent on it for a variety of services," said Mr. Ashlock. "Our focus is to help our guys become more independent."

Most Assurex members seek assistance from Assurex consultants on large multistate programs, captives, risk retention groups and other alternative risk financing mechanisms, especially for tough-to-place lines of coverage, he said. ■

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Agent/broker topics

Purchasing groups can lure new clients

By LAURA MAZZUCA

Some agents and brokers serving highly specialized clients with hard-to-place risks are forming risk purchasing groups to help these clients purchase stable and affordable coverage.

By forming a purchasing group, an agency not only can retain its current clients, but it also can lure new customers looking for a stable source of insurance.

"If you write one paint store, why not write 30 paint stores?" remarked Scott F. Welch, a New Jersey agent who has established purchasing groups for churches, school districts and municipal governments.

However, agents must be wary of pitfalls when forming a purchasing group.

Observers warn that some insurers actively seeking purchasing group business are thinly capitalized and may no longer be in business when long-tail liability claims surface. In such a case, the agent that formed the group could be slapped with errors and omissions lawsuits filed by members of the purchasing group (see story, page 36G).

Also, agents forming purchasing groups must be aware that regulators in different states impose different requirements on purchasing groups due to ambiguities in the Risk Retention Act.

In addition, proposed revisions to the Risk Retention Act circulated by U.S. Commerce Department staff members would mandate that only buyers could form purchasing groups.

However, forming a purchasing group is an attractive way for agents to offer their clients more insurance buying power, observers say.

Under the 1986 amendments to the Risk Retention Act, a group of commercial insurance buyers with similar risks can band together to purchase all types of commercial liability insurance—except workers compensation—from an insurer on a group basis.

While most of the approximately 300 purchasing groups that have been formed since the Risk Retention Act amendments were enacted in October 1986 have been established either by insurers or by policyholders, some agents also have gotten into the act.

Risk purchasing groups require no capital outlay and draw upon the traditional insurance marketplace for coverage, points out Karen Cutts, president of Insurance Communications in Pasadena, Calif., and managing editor of the Risk Retention Reporter.

If organized with care, a purchasing group can benefit both the group's members and the agent or broker, said Ms. Cutts. The members will have solid coverage without capitalizing their own insurance company; and the agent can both service his clients and satisfy insurer demands for higher premium volume.

An agent may be compensated either through commission or through separate fees paid by group members.

"If the fit is right, they (smaller agents) should explore" the establishment of purchasing groups for their clients, said attorney Michael J. Mullen of Crowell & Moring in Washington, D.C., and legislative counsel to the National Risk Retention Assn. "However, given the legal climate, they should carefully review any programs before they put them in effect," he added.

"Although the market is generally soft, I received inquiries from at least half a dozen" agents about forming purchasing groups "within the last month or so," noted Mr. Mullen.

"You don't have to be a national broker to work this mechanism," said Jeffrey M. Yates, executive vp and general counsel for the Independent Insurance Agents of America in New York.

"An agent is being duped by large brokers if he thinks they're the exclusive domain (for alternative entities)," said Bill Calhoun, owner of Texas Casualty & Surety Insurance, an agency with $3.7 million in premium volume in Houston. "Agents have to be more creative."

Mr. Calhoun currently is researching the feasibility of a purchasing group for churches in his region.

The success rate of IIAA members establishing purchasing groups for their clients is extremely high, added Richard J. Kasyjanski, vp of agency affairs for the trade association.

In fact, the IIAA itself is reorganizing the errors and omissions insurance program it offers to members to qualify as a purchasing group in 25 to 30 states to broaden the program's coverage, he added.

"I would say it's a worthwhile venture for agents to get into if they have mass merchandising in mind," said Thomas J. Dietz, president of Medical Professional Liability Agency Ltd. in Mount Kisko, N.Y.

The agency, which produces $30 million in annual premium volume, established four purchasing groups to write medical malpractice insurance "almost immediately after the Risk Retention Act was passed," said Mr. Dietz. The groups—which serve internists, dentists, physicians and part-time physicians—were created primarily for the agency's existing clients.

All four purchasing groups are insured by Frontier Insurance Co. in Monticello, N.Y., which has a B-plus rating from A.M. Best Co.

While Mr. Dietz said he initially considered establishing risk retention groups for his clients, capitalization requirements and the lack of guaranty fund protection made purchasing groups a more attractive option.

Mr. Dietz noted that he did not contract with a consultant or attorney when forming the groups but relied on information he gathered on his own.

A New Jersey agent says purchasing groups are simply an extension of his agency's emphasis on a few specific areas of expertise.

"Once or twice a month, an agent loses an account to somebody with a specialty," said Mr. Welch, president of Bowers Schumann & Welch, an agency in Washington, N.J., that produces $35 million in annual premium volume and specializes in church, school and municipal risks.

Mr. Welch's interest in purchasing groups was kindled three years ago, when the amendments were proposed, after a group of school clients were threatened with unavailability of coverage.

The purchasing group was an alternative to the state school board

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association's insurance program, which provided only workers compensation coverage. However, the purchasing group program established by Bowers Schumann offered workers comp and auto coverage, as well as a contingency of up to 50% of the premiums if the group produced a profit for the insurer, said Mr. Welch.

Later, the agency set up a similar purchasing group for small towns—with a maximum population of about 15,000—in the area.

In addition, the agency offers its church clients 19 separate purchasing groups, which are divided into denominations, said Mr. Welch.

Bowers Schumann also offers its ecclesiastical clients claims administration, physical plant inspections with insurer representatives and a quarterly "Guardian Angel" newsletter detailing safety tips and risk management advice.

Like Mr. Dietz, Mr. Welch had considered establishing risk retention groups to meet his clients' needs. But, after consulting with an attorney, he decided that purchasing groups would be more beneficial.

For instance, purchasing group members can quit or join the program whenever they like, he said, unlike risk retention groups, which require a long-term commitment on the part of members.

Both the school and municipal purchasing groups organized by Mr. Welch have grown: Each started with a little more than 20 members and have since expanded to include about 30 policyholders, he said.

Coverage for the school and municipal groups is underwritten by Selective Insurance Co. of America in Branchville, N.J., which has an A-plus Best's rating. American Reliance Insurance Co. of Lawrenceville, N.J., also rated A-plus, writes the church group.

The agency administers the groups and is reimbursed through commissions. Among the services offered to group members are safety classes, training sessions and other risk management services. "It's a marvelous way to communicate with them," added Mr. Welch.

Mr. Welch notes that "peer pressure" within the groups aids risk management. Members of the purchasing groups actually try to keep claims down in an almost competitive spirit. "Nobody wants to be the school or municipality that negatively affects other people in the group," he said.

And while many purchasing groups are initially formed because of the "clout" their size gives them with insurers, safety programs and the support of other group members usually makes them a better risk for that insurer as well.

"Group purchasing is great because it gives you the opportunity for a bigger return, but this is because you're actually a better risk," he said.

Even some smaller agencies are attempting to get into the purchasing group act.

In Houston, where the downturn in the energy industry is also hurting agents and brokers, Mr. Calhoun is looking to the Lord for inspiration—and business.

Like Mr. Welch, many of his clients are churches in the southwest region of the state, many of which cannot find affordable liability coverage through traditional programs.

To meet this need, Mr. Calhoun is researching forming a purchasing group for almost 4,000 churches of all sizes in his region. As the purchasing group's administrator, Mr. Calhoun would be responsible for setting up the legal entity as well as performing risk management advice, such as loss control consulting and physical plant inspection, and administrative services, such as recordkeeping and member marketing for the group.

"It's a great source of business for small agents," he said. ■

Purchasing group debate may hit agents

By LAURA MAZZUCA

Agents and brokers considering the formation of risk purchasing groups for policyholders with hard-to-place risks could find themselves in the middle of a debate over regulation of the groups.

State insurance regulators and other observers contend that purchasing groups often are formed by agents or insurers as a vehicle to market liability coverage written by thinly capitalized insurers that will not be in business when claims finally are filed.

Among regulators' worries are "exploitation of group members by fraudulent entrepreneurs, the use of unqualified insurers, management by those persons with conflicts of interest, fraud and a general lack of accountability," according to a 1987 report by the U.S. Department of Commerce on the implementation of the 1986 amendments to the Risk Retention Act (*BI*, Oct. 5, 1987).

"The potential for abuse is there and something should be done to reduce the possibility of that happening," said Edward Barrett, a Commerce Department official and co-author of the 1987 report.

"There's no way you can prevent insolvencies, but I do think there are gaps in the Risk Retention Act that should be filled," he added.

To help ease these fears about the solvency of purchasing groups, Commerce Department staff members have proposed, among other things, that the Risk Retention Act be amended so that only policyholders—and not agents or insurers—be allowed to establish and control purchasing groups.

The most controversial regulatory aspect of the Risk Retention Act amendments has been the right of an individual state to regulate insurers of purchasing groups operating within its borders, even if the groups are not based in the state.

Under the amendments, purchasing groups cannot buy insurance from an insurer not admitted or not authorized as a surplus lines insurer in the state in which the group is "located," though the word "located" is not defined in the act.

The 1986 amendments also require that purchasing groups intending to do business in a state notify the insurance commissioner. However, the act also states that purchasing groups are exempt from most state insurance laws and regulations.

Insurance regulators maintain that, despite the vague wording of the amendments, each state in which a purchasing group operates should be allowed to regulate the group's rates and forms.

In addition, some states argue that a purchasing group is "located" in any state in which it does business. Thus, regulators in the state have the right to demand that the group use an insurer that is admitted or authorized in that state, even if the group is domiciled in another state.

Courts in Iowa and New York have sided with the regulators.

The uncertainty over purchasing group regulations and differing attitudes toward purchasing

Continued on next page



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Agent/broker topics

Purchasing groups

Continued from previous page

groups by different state regulators can make the establishment of a purchasing group a nightmare.

For example, when setting up medical malpractice insurance purchasing groups for its clients, Medical Professional Liability Agency Ltd., a Mount Kisko, N.Y., agency, chose the District of Columbia as the groups' domicile because the district's rules and regulations were more favorable than those in New York, said President Thomas J. Dietz.

However, the group filed forms for the purchasing groups in almost all states in order to do business in each state and received different responses from regulators.

For instance, it took Florida about nine months to act on filings made on behalf of one group, Mr. Dietz said.

But, in states that "have accepted the spirit of purchasing group laws," such as the District of Columbia, Illinois and Maryland, "we could be doing business the next day," he said.

To clear up ambiguities in the 1986 Risk Retention Act amendments, Commerce Department staff members and the National Risk Retention Assn. each have released proposals to modify the law.

Under the Commerce Department proposals (*BI*, Nov. 21, 1988):

- An insurer would have to meet one of several objective standards, like minimum capital and surplus requirements, before it could write coverage for purchasing groups.
- Only one state—the state that a purchasing group declares as its principal place of business—could regulate the rates and the policy forms used by a group's insurer.
- Groups would have to be organized and controlled by buyers.
- A purchasing group's insurer would have to provide extra information to regulators in each state in which the group has members.

The NRRA's proposals are modeled after the Commerce Department staff recommendations, though there are some important differences between the two proposals (*BI*, March 20).

For instance, an insurer would have to meet several objective standards under the NRRA proposals, rather than comply with only one of several standards.

In addition, the NRRA proposals do not include the prohibition against insurers or agents forming or controlling purchasing groups.

Some in the industry, including Jeffrey M. Yates, executive vp and general counsel for the Independent Insurance Agents of America in New York, maintain that agents need to administer purchasing groups after formation because they are professionals who know the market.

"If properly structured, it's perfectly legitimate to have an agent or broker act as the administrator of the purchasing group," commented attorney Michael J. Mullen of Crowell & Moring in Washington, D.C., and legislative counsel to the NRRA. ■

TPA services require large resources

By LAURA MAZZUCA

Agents and brokers thinking of expanding the services they offer should leave third-party claims administration to the specialists, observers say.

Complex computer requirements and the increasing intricacy of claims processing make TPA work extremely difficult for smaller agents or brokers to pursue.

For TPAs, the client demand for more data means investment in newer and more advanced computer systems, an expense many agents and brokers cannot afford.

"Automation is the key to what we do today, and we have invested many millions in it," said John G. Campbell, chairman of Gallagher Bassett Services Inc. in Rolling Meadows, Ill., a subsidiary of broker Arthur J. Gallagher & Co., and the nation's eighth-largest TPA.

While the high cost of automation might preclude some smaller agencies from pursuing TPA business, some midsized agencies are achieving success as claims administrators in spite of—or maybe because of—their size.

"Most TPAs have not made money because of the high cost of automation," said Harry A. Crawford, president of Insurance & Risk Management, a Fort Wayne, Ind., agency that generates $36 million premium volume in property/casualty brokerage alone and offers unbundled TPA services for employee benefits clients. "But where we're situated, we can do it a lot more efficiently than the large life insurance companies."

Of the nation's 12 largest claims administrators serving self-insurers, ranked by claims paid for self-insurers, only three are owned by brokers.

And, the brokers that have major claims administration operations established those units in response to clients' needs, not as an entrepreneurial venture.

For instance, 26-year-old Gallagher Bassett, the nation's fourth-largest property/casualty TPA, was developed because one of the brokerage's major clients, Beatrice Foods, decided to take on a "huge self-insured retention" for workers compensation and property coverage, said Mr. Campbell.

The scenario was similar at McDonough-Caperton Benefits Services, a unit of McDonough Caperton Insurance Group in Charleston, W.Va. The TPA unit was established in 1976 in response to the decision of a large local hospital, and later the United Mine Workers, to self-insure employee benefits programs, said James M. Pennington, president of the division.

And, although both the Gallagher and the McDonough Caperton claims administration subsidiaries initially administered claims with little help from automation, both now heavily rely on custom-designed computer systems.

Today, claims handling automation is essential since a self-insured company's retentions usually differ by peril, he said. For example, a single client might have different retention levels for workers compensation, auto, property and liability risks, said Mr. Campbell.

To make things even more complicated, companies operating in many states face differing state workers compensation regulations, he said.

At McDonough-Caperton, the 12th-largest TPA in the nation, automation has played a part of the TPA picture since its inception. But, as the technology and the level of sophistication of its clients has grown, so has the system, said Mr. Pennington.

Although McDonough-Caperton's TPA unit primarily serves the company's brokerage clients, the division can also offer claims administration services on a limited fee-for-service basis.

Claims administration accounts for 8% of the broker's total revenues. The division paid $419 million in claims for its self-insured clients in 1988.

While most observers say a large volume is a necessary ingredient in a successful brokerage TPA operation, not all claims administration operations must be large in order to succeed.

The TPA program at Insurance & Risk Management in Fort Wayne was established five years ago to offer employee benefits claims administration on a fee-for-service basis, said Mr. Crawford, the agency's president.

These services compose only about 10% of the agency's revenues, but it's a service that's growing, he said.

In fact, Mr. Crawford is unconcerned about the loss of commissions when a client decides to self-insure its employee benefits program, since the agency has the chance to pick up the client's claims administration business. Even if there is a massive shift to self-insurance, "we will survive."

Although he admits that TPA services can be costly because of the expense of automation, his agency was aided by Assurex International, a national network of agents and brokers that acts as a clearinghouse for information on agency enhancement.

When the agency's TPA services started five years ago, one process manually adjusted claims, Mr. Crawford noted. Now, about 10 of the agency's 130 employees work in the automated TPA division.

Mr. Crawford doesn't feel as if he had some special insight on the development of a TPA operation. "We're really not all that smart," he commented. "You just need to respond to what's going on in the marketplace and stay ahead of your competitors."

In fact, the most important factor in entering the TPA business is "being willing to accept some risk," he said. ■

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Business Insurance

Boeing conducts worker radiation studies

By GLENN HUNTLEY and LINDA J. COLLINS

SEATTLE—A Boeing Co. newsletter report that the company is conducting health studies on employees exposed to a strong form of radiation confirms one allegation in a lawsuit filed by an employee with leukemia, his attorney says.

"Boeing has now essentially admitted that it is using its workers as human guinea pigs," said Arthur H. Bryant, executive director of Trial Lawyers for Public Justice.

The Washington, D.C.-based group, along with Seattle attorney Michael E. Withey of Schroeter, Goldmark & Bender, filed a class-action lawsuit on behalf of employee Robert Strom last year alleging that Boeing exposed Mr. Strom and others to electromagnetic pulse radiation knowing that it could cause health problems (*BI*, July 18, 1988).

A December 1988 newsletter for Boeing employees and retirees says that because there are no exposure standards for EMP testing, the company provides "employees involved in EMP testing with long-term medical surveillance to prevent, detect, evaluate and control, at the earliest possible time, any currently unknown effects of exposure to EMP."

The newsletter also reports that the company is conducting an epidemiologic study of employees who have worked with EMP testing and reports that participants have been informed about the study and will receive the results.

The attorneys' conclusion is "a misrepresentation of the facts," said a Boeing spokesman. "We have always denied we conducted human experimentation as alleged by Mr. Strom."

Boeing has sought dismissal of the suit and expects a ruling in about a month, the Boeing spokesman said.

The suit seeks unspecified damages and a court order to stop any further experimentation without the subjects' consent.

Meanwhile, symptoms of illness experienced by 37 production employees at a Boeing fabrication plant in Auburn, Wash., have not been conclusively linked to the use of a chemical material at the plant, as alleged in workers compensation claims, according to an independent panel of doctors investigating the claims.

None of the employees required hospitalization and fewer than 10 of the employees were placed on provisional time loss, according to a Boeing spokesman. Only a few of those employees remain on provisional time loss, he noted.

Boeing began using a specialized phenol formaldehyde material as a flame retardant in the production of cabin encasement and molding parts in August 1987 to comply with a new set of standards for airplane cabin interiors issued by the Federal Aviation Administration, the spokesman said.

At the time production with the material began in August 1987, and in subsequent tests, Boeing determined that levels of both phenol and formaldehyde were consistently less than 10% of the limits allowable under government regulations, according to the spokesman.

Nevertheless, some employees using the material complained of discomfort and illness from exposure to the material and its odor.

As a result, Boeing began equipping employees with respirators and installed an auxiliary ventilation system and exhaust booths for use when handling the material, the spokesman explained.

However, by the time Boeing stopped using the phenol formaldehyde material in December 1988, 37 workers had filed workers compensation claims in relation to exposure to the chemicals.

Among the 68 separate symptoms workers claim stemmed from their exposure to the phenol formaldehyde material were: dermatitis, bronchitis, nausea, headaches, dizziness, asthma, fatigue, depression, disorientation, personality change, anorexia, formaldehyde poisoning, organic brain syndrome, antibody disorder and altered white blood cell counts.

Because of the rash of claims, Boeing and the District Lodge 751 of the International Assn. of Machinists and Aerospace Workers commissioned an independent panel of physicians to examine the claims and claimants.

The panel found that 33 claimants had some symptoms linked to the workplace and said the remaining four had no workplace-linked symptoms. Of the total symptoms listed for all claims, 42% were linked to the workplace and 58% were not.

However, the panel did not link the symptoms to anything more specific than the workplace. Also, the panel found no evidence of organic brain syndrome, antibody disorder or formaldehyde poisoning.

"We have yet to establish that the symptoms of the workers were directly related to that" phenol formaldehyde material, the Boeing spokesman said. The material was "identified by employees as the most likely candidate, although we have not been able to pinpoint the problem to that material," he added.

Boeing paid all medical bills and provisional time loss for all 37 claimants.

The FAA has granted Boeing a temporary deviation from compliance with the flammability standards until August 1989 to allow the manufacturer time to find a suitable alternative material for eight of the cabin parts. It currently is using a fiberglass polyester material that partially, but not fully, meets the FAA standards, he noted. ■

London

Continued from previous page

Since the BBC outbreak, there have been further outbreaks of Legionnaire's disease in Bolton, London and Birmingham, England, and an outbreak of fever in Scotland, the report says.

Le Rocher UK cuts back

Le Rocher UK Ltd., the London market subsidiary of Newark, N.J.-based Prudential Reinsurance Co., will no longer underwrite facultative property reinsurance.

"We have decided, after careful consideration, to concentrate the underwriting of our facultative property reinsurance account in Europe with our sister company, Le Rocher S.A. in Brussels," said Chief Underwriter Stephen Kiln.

Mr. Kiln made the announcement in a letter to brokers and clients this month.

Le Rocher UK stopped underwriting facultative property reinsurance March 10, and all new and renewal business is being handled by John Da Cunha, underwriting director of Le Rocher S.A.

Le Rocher UK will continue to expand its worldwide treaty reinsurance account, said Mr. Kiln. ■



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Harvey Rosenfield

Continued from page 1

The passage of Proposition 103, with 51.9% of the vote, combined with voters' rejection of initiatives sponsored by insurers and trial attorneys, rattled the insurance industry to its core.

The success of Proposition 103 has inspired the introduction of similar measures in more than a dozen state legislatures, and has propelled Mr. Rosenfield to the forefront of the insurance reform movement nationally.

"The same way the taxpayer rebellion of the 1970s began here in California, this is clearly spreading across the nation," Mr. Rosenfield says.

Proposition 103, among other things, would reduce most property/casualty insurance "charges" to 20% below November 1987 levels, impose a prior-approval rate system and eliminate insurers' exemption from state antitrust laws.

The California Supreme Court has stayed Proposition 103's provisions mandating the insurance charge rollback and the establishment of a consumer protection corporation following legal challenges from the insurance industry. The court is expected to rule on the constitutionality of the entire law by the first week of June (*BI*, March 13).

Since its November victory, Voter Revolt has fielded inquiries from business people, consumer groups, elected officials and citizens in 42 states, all asking about bringing change to insurance practices, according to Mr. Rosenfield.

"We're providing information—helping out where we can."

Proposition 103 signals a fundamental shift of influence away from the insurance industry, said Mr. Nader, Mr. Rosenfield's mentor.

"The industry's ability to crumble the opposition is gone now. The people have not just the means now but the ability to take initiative action," Mr. Nader said.

Mr. Nader was an adviser to Voter Revolt when the group was drafting the proposition. Among others who contributed to the wording of the intiative is Jay Angoff, legal counsel for the National Insurance Consumer Organization, which is headed by consumer activist J. Robert Hunter.

But, Mr. Rosenfield said: "I'm willing to take responsibility" for writing Proposition 103.

Some critics charge, though, that Mr. Rosenfield is hardly "responsible." They contend that he is attempting to reform an industry about which he has little understanding.

In fact, John Crosby, executive vp of the National Assn. of Independent Insurers in Des Plaines, Ill., and manager of the insurance industry's California no-fault auto insurance proposal that was rejected by at the polls in November, doubts that Mr. Rosenfield even wrote Proposition 103.

'The industry's ability to crumble the opposition is gone now,' says Ralph Nader.

"I would be surprised if it was Rosenfield. He doesn't have the knowledge of the insurance industry to draft that," Mr. Crosby said.

Indeed, the No-Fault Campaign made the Proposition 103 leader the subject of some of its advertising, asking voters, "Who is Harvey Rosenfield?" and questioning whether he was qualified to write insurance reform laws.

And, during a media appearance, an insurance industry spokesman referred to the Voter Revolt campaign as "Pee Wee Harvey's Big Adventure," Mr. Rosenfield said.

"It's very easy to be flippant and talk about the costs of insurance; Proposition 103 did nothing to address the costs of insurance," said a spokesman for State Farm Insurance Cos., one among a group of insurers and others that filed suit with the California Supreme Court asking that the law be struck down.

"It's obvious that he and Ralph Nader don't know much about the insurance mechanism," said Edward Levy, general manager of the Assn. of California Insurance Companies in Sacramento.

Mr. Levy will concede that Mr. Rosenfield and Voter Revolt have a far better understanding of the public's "gut level" feeling toward insurance prices and insurers. "He understood that a lot better than we did, but he didn't understand insurance," Mr. Levy said.

The insurance industry tried unsuccessfully to keep the debate over California auto insurance reform on a more intellectual level, Mr. Levy said. "The public didn't want to hear about insurance. They wanted to hear about saving money and about getting the evil insurance companies," Mr. Levy explained.

Risk managers, as well as many others, initially missed the significance of Proposition 103 because of the cluttered, sometimes emotional campaign in California, said Jon Harkavy, director of governmental affairs for the Risk & Insurance Management Society Inc. in New York.

"It was really a circus. A lot of the substantive issues were lost in the process," Mr. Harkavy said.

The fact that Proposition 103 even made it to the ballot, not to mention that it gained voter approval, impressed some state politicians.

"Harvey's a very creative guy. In many ways he's become something of a folk hero," said state Sen. Alan Robbins, D-Los Angeles, who chairs the Senate Insurance, Claims and Corporations Committee.

The state Assembly currently is considering a bill that Sen. Robbins introduced last year that would penalize insurers for arbitrarily canceling or refusing to renew private passenger auto insurance policies. The senator introduced the bill—S.B. 103, numbered in honor of Proposition 103—shortly after legal challenges to Proposition 103 arose.

The Senate already has approved the bill.

Mr. Rosenfield's mixture of plain talk with strategic political moves was crucial to Proposition 103's success, Mr. Robbins said. "Harvey stirs it up. He's a very professional rabble-rouser."

Mr. Rosenfield frequently uses Wild West imagery, referring to insurers as "outlaws" and Proposition 103 as "the new sheriff in town."

He also sometimes calls insurance executives "fat cats."

His stinging verbal barbs angered proponents of the insurer-backed no-fault auto insurance initiative, Proposition 104.

"He always used extreme rhetoric and called us Nazis or other things," said the NAII's Mr. Crosby.

But, Mr Nader defended Mr. Rosenfield's style. Although Mr. Rosenfield has the ability to dramatically state his position, he "doesn't stray from the content of the facts," Mr. Nader said.

"You can't just be a classical scholar; you have to have pizazz, too," he said.

That pizazz was further demonstrated during two well-publicized events staged by Voter Revolt.

For example, Proposition 103 supporters, led by Mr. Rosenfield, dumped part of a truckload of horse manure in front of the Los Angeles headquarters of Farmers Group Inc. last fall.

"I can't tell you how many people came up to us afterward and congratulated us and said they always wanted to do it themselves to these insurance companies, because they were sick and tired of their bull," Mr. Rosenfield said. "My only regret about that is we didn't dump the whole truck right on the front steps."

Proposition 103 proponents also raised eyebrows earlier in the campaign when it delivered initiative petitions to state officials accompanied by armed guards.

"We would have been fools, given how desperate the insurance companies were about 103, not to have security people there," Mr. Rosenfield said.

Mr. Crosby also faults Mr. Rosenfield for sometimes wavering from his position for political advantage.

For instance, at one public forum Mr. Rosenfield tried to tarnish the insurers' position for no-fault auto insurance by saying he supported no-fault insurance as a means to reduce costs but did not support the insurers' no-fault plan in Proposition 104, Mr. Crosby said.

However, Mr. Crosby credits Mr. Rosenfield with running an effective campaign, calling him "a formidable opponent."

"We never took him too lightly," Mr. Crosby said.

Mr. Nader said Mr. Rosenfield was successful because he was "the right person at the right time" to represent the interests of the public.

But while Mr. Rosenfield takes "responsibility" for drafting Proposition 103, he gives the credit for the proposal's passage to Mr. Nader, voters, volunteer workers and contributors.

"It's their victory, it wasn't mine. Ralph Nader—there's a guy who deserves most of the credit."

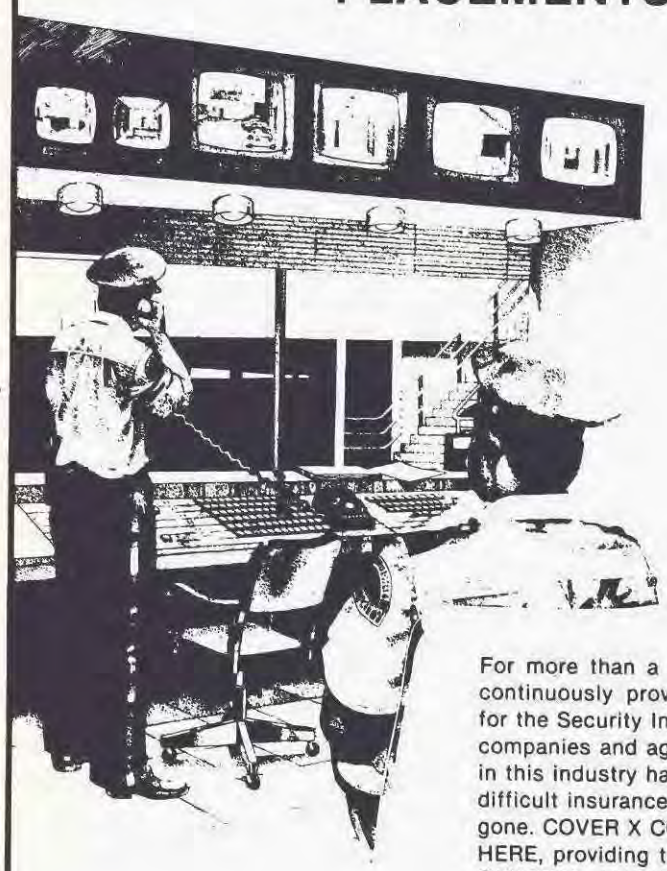
Mr. Rosenfield, a native of suburban Boston, has been involved in consumer action activities since his college days in the late 1970s.

Mr. Rosenfield, who is married to actress Georgia Bragg completed undergraduate studies at Amherst College in Amherst, Mass., and in 1979 graduated from Georgetown University law school in Washington, D.C.

A summer internship during col-

Continued on next page

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Continued from previous page
lege led to a job as full-time lobbyist for Mr. Nader's Congress Watch, a watchdog group, from 1979 to 1981. Mr. Rosenfield said he worked on insurance and other consumer issues for the group.

Mr. Rosenfield then moved to California and became director of California Public Interest Research Group, another Nader-backed organization.

In 1985, Mr. Nader recruited Mr. Rosenfield to head an effort to oppose the Proposition 51 tort reform measure. But, California voters in June 1986 overwhelmingly approved that ballot proposal, which eliminates the application of joint and several liability for non-economic damages awarded in liability lawsuits.

The California Supreme Court last year upheld the constitutionality of the law but ruled it did not apply retroactively to thousands of lawsuits pending when the initiative was passed (*BI*, May 2, 1988).

Access to Justice, another consumer group led by Mr. Rosenfield, was founded in 1986 to lobby for "modest" insurance reforms in the California legislature.

The group was involved in negotiations with insurers, trial attorneys and physician groups to reach a compromise on insurance reform legislation in 1987.

But when California trial attorneys and a tort reform association that represented a coalition of insurers, medical associations and the state Chamber of Commerce agreed to work together on future changes to the state's tort laws, the consumer group was largely shut out (*BI*, Oct. 5, 1987).

And, the group's agenda—including repeal of the state antitrust exemption for insurers and support of a flex-rating system for property/casualty insurance—died at the hands of insurance industry influence in Sacramento, Mr. Rosenfield said.

"They (insurers), not understanding anything about grassroots democracy, went to the trial lawyers, who they perceived as the only people capable of funding an initiative, and said we'll make a deal," he said.

Access to Justice promptly announced it would circulate a petition to place its reform package on the ballot.

Proposition 103—as well as Access to Justice's spinoff, Voter Revolt—was born.

"At that point, the dominoes began to fall and everybody else filed their initiatives," Mr. Rosenfield explained, referring to the field of five insurance-related ballot propositions, including Proposition 103, on California's Nov. 8, 1988, ballot.

Even after the campaign was under way, the insurers did not take Voter Revolt seriously, Mr. Rosenfield contended.

"I think it's because the elected officials and the fat cats in the insurance industry are too out of touch with reality," Mr. Rosenfield said.

They did not see "the groundswell of support" that led to election victory for Proposition 103 last November until it was too late for them, he said.

Insurers eventually did spend $60 million in an effort to defeat Proposition 103 and mount voter support for the industry's no-fault auto insurance proposition.

Voter Revolt volunteers, however, sensed they would prevail based on their daily door-to-door campaign. "We knew it because we hit 1.1 million homes. That's how we won," he said.

Voter Revolt's image in the public eye was further boosted as the news media portrayed the group and Mr. Rosenfield as the poor underdog taking on the well-financed insurance industry, Mr. Rosenfield said he believes.

And, that image was accurate, he said, noting that contributions to his group averaged $18 each. By election day the group had run up a $600,000 deficit.

"We get by week to week," Mr. Rosenfield recalled. "We're doing better than we were right after the election, when it was getting time to almost close the doors, but it's not great."

Voter Revolt recently moved its headquarters from Santa Monica to donated space near downtown Los Angeles. "We couldn't pay the rent at our other place," Mr. Rosenfield explained.

The group is still doing its best to keep costs down: During a recent interview, Mr. Rosenfield clipped an uncanceled postage stamp from an incoming envelope and placed the stamp in a drawer that contained a small bowl filled with other salvaged stamps.

"It's how we survive here," he said.

Mr. Rosenfield's underdog, "regular guy" image also was underscored at public appearances during the campaign, where Mr. Rosenfield would appear in rolled-up shirt sleeves and a loosened neck tie, while insurer representatives usually were clad in conservative suits.

'Elected officials and the fat cats in the industry are too out of touch with reality,' says Mr. Rosenfield.

"It was a contrast which was clear," he said. "I think that's part of what was so difficult for them to understand, that I'm just a regular guy. People out there don't walk around in three-piece suits."

He also rejects standard political labels and bristles at the suggestion that he or the Voter Revolt organization is "liberal."

"We're not liberals. We are cando citizens who want something that works," Mr. Rosenfield said. He prefers the term "populist" because the group wants "to stand with the people against abuse from big business like insurance companies or from big government," he explained.

It's "a symptom of the bankruptcy of politics in the United States" that people think in terms of Democrat and Republican, or liberal and conservative, he said.

"Those categories don't apply to us. I think we accurately reflect the public, and the public is not partisan; it's not ideological. It just wants solutions that will work," he said.

"People want efficient business. They want competitive business in a free market, and they want efficient government that protects them rather than just protecting special interest groups."

Despite widespread speculation to the contrary, Mr. Rosenfield stands by early statements that he will not run for insurance commissioner, which Proposition 103 made an elected rather than an appointed office.

"I enjoy this work. I have the best job in the state of California right now. I don't think I would enjoy being a politician. I don't like to have to compromise my values in any way, and politicians do that. It's their responsibility.

"We're building something that has no equal in California at all. I wouldn't walk away from this," Mr. Rosenfield said.

For the next two years, Voter Revolt will concentrate on opposing the legal challenges to Proposition 103 and its implementation—if the law survives those challenges—according to Mr. Rosenfield.

But future projects are being considered, he said, refusing to elaborate.

"We have the ability to help the public, so we probably will do something else," he said. ■

1989 RIMS

1 APRIL 3 RIMS Preview

Business Insurance will publish its 4th Annual RIMS Preview Issue — including our RIMS 'Take-Out' section — it's the perfect kick-off for the RIMS Conference in Atlanta.

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Prop. 103 to aid risk managers: Sponsor

By GLENN HUNTLEY

LOS ANGELES—Risk managers are not supporting Proposition 103 in California and similar bills in other states for fear of reprisals from the insurance industry, contends Harvey Rosenfield, director of Voter Revolt, sponsor of Proposition 103.

Backers of Proposition 103 thought commercial property/casualty insurance buyers would happily support their cause.

They were wrong.

The New York-based Risk & Insurance Management Society Inc. now publicly opposes the California measure and similar legislation in other states (*BI*, March 6), though it remained neutral until last month.

RIMS called the initiative's ratification "a devastating blow to the ability of insurers to write coverage."

Among its concerns, RIMS warns that if Proposition 103-type laws are enacted nationwide, insurers will either be forced to subsidize unprofitable lines with high rates for other coverages, or buyers will be forced into expensive residual markets.

But, risk managers have been "misled and intimidated" into believing Proposition 103-style reforms will lead to a return of the steep premium increases and lack of availability of the mid-1980s, Mr. Rosenfield said.

Risk managers have been 'misled and intimidated' by Prop. 103 opponents, says Mr. Rosenfield.

"They don't want anyone to rock the boat," he said. "They aren't behaving like business people; they are behaving like victims."

"Those are the people we set out to help when we started this," Mr. Rosenfield said.

Mr. Rosenfield cited three reasons why risk managers did not support Proposition 103 during the campaign.

"One, I don't think they understood it. Two, I don't think they knew it applied to their liability insurance, as opposed to just auto. Three, I think a lot of them didn't believe something like that could pass."

Because the insurance reform measure was identified as a personal auto insurance measure, many people lost sight of the sweeping changes Proposition 103 would bring to nearly all lines of property/casualty insurance in California, said Mr. Rosenfield.

RIMS President Richard C. Heydinger has characterized RIMS' decision to remain neutral on Proposition 103 before the election as a "calculated absence" based on the group's initial assessment that the initiative was an insurance industry battle over a state issue involving personal insurance lines.

"I don't know if there was a full understanding of the non-auto implications, at least by risk managers outside California," conceded Jon Harkavy, director of governmental affairs for RIMS.

But, part of the campaign's circus-like atmosphere clouded the issues involved, Mr. Harkavy charged.

Mr. Rosenfield said risk managers also may not have taken a keen interest in the campaign because they did not understand Voter Revolt's intentions.

"Some of them didn't know who we were, didn't understand what kind of people we were. Maybe they mistakenly thought we were liberals, or were anti-business, when in fact if they read the initiative, they would say it was mostly pro-competitive, pro-marketplace," Mr. Rosenfield said.

For example, he cites provisions of the law that eliminate the insurance industry's limited exemption from state antitrust law, permit banks to sell insurance and mandate the establishment of a nonprofit insurance consumer corporation as features that should have attracted backing from risk managers.

The effort that led to Proposition 103 had its roots in the commercial liability insurance crisis of several years ago, Mr. Rosenfield pointed out.

Auto insurance did not become an issue until after the state Supreme Court upheld the state's mandatory auto insurance law in 1987, Mr. Rosenfield said.

"We began in 1986 when the issue was not auto. It was the small businesses that couldn't get liability insurance. Day-care centers and non-profits couldn't get it. Municipalities couldn't get it. Parks were closing, clubs were folding, businesses were collapsing," he said.

Although one of Proposition 103's most controversial provisions would roll back insurance "charges" to 20% below November 1987 levels, the proposition also addresses availability issues and encourages competition, Mr. Rosenfield said.

"Regulation can oversee availability problems, find out bottlenecks before they occur and make sure the market works as it's intended to," he said.

For example, the liability insurance crisis for day-care centers was triggered when "a bunch of actuaries panicked" over a child abuse case in California, he said.

"Many of these day-care centers had had no claims, yet their insurance rates went up 10,000%, or they were canceled outright," Mr. Rosenfield said. "Strong government oversight can prevent that kind of ridiculous and unjustified knee-jerk response."

Following passage of Proposition 103, opponents and the California Insurance Department criticized the law as too vague and said it was poorly drafted, leaving it open to interpretation in many areas.

In fact, the Insurance Department has said it is unsure how to implement the law because the law does not define:

- Insurance "charges."
- Whether it applies to surplus lines insurers.
- Whether it applies to insurers that write coverage for risk purchasing groups.

But, Mr. Rosenfield said the law's lack of specificity was deliberate, though he said "charges" was intended to mean "premiums."

"A lot of people, especially in the industry, criticize the initiative because it was written in plain English. We weren't trying to answer every question and specify every requirement. We want the insurance commissioner to do that," he said.

"It wouldn't have been appropriate for us to write a 6,000-page initiative that purported to control every little step the insurance companies take."

Mr. Rosenfield criticizes insurers as being oblivious to the concerns of the insurance-buying public and cavalier in their post-election response to the initiative.

"After the election, they behaved like outlaws. This is really an outlaw industry that is being brought to justice," he said.

Instead of adapting to the new conditions Proposition 103 imposed on the insurance market, insurers decided to continue fighting it by mounting a court battle and in some cases attempting to defy it by raising premiums, he said (*BI*, Nov. 14, 1988).

The California Supreme Court is expected to rule on the constitutionality of the law by the first week in June (*BI*, March 13).

Mr. Rosenfield particularly points at State Farm Insurance Cos., the state's largest auto insurer.

After Proposition 103 passed, Bloomington, Ill.-based State Farm began writing auto coverage for new policyholders through affiliates that charge higher premiums (*BI*, Nov. 28, 1988). State Farm later stopped the practice.

Then, in January, the company announced average auto insurance premium increases of 9.8%.

"They don't live in California so they obviously couldn't care less about California consumers. They are setting in motion further time bombs and fueling the furor that led to the voter revolt," Mr. Rosenfield warned.

A State Farm spokesman responded that because the insurer is a mutual company, "the first and only concern is our policyholders."

Though agreeing that auto insurance rates in California are high, State Farm has shown restraint in rate hikes with a total of a 5.5% increase from 1986 through 1988, the spokesman said.

"They have not been going up at an irresponsible rate. To say otherwise is unfair and inaccurate," he said.

Mr. Rosenfield predicted the court will uphold the constitutionality of Proposition 103 in its entirety.

"There's no doubt in my mind that Proposition 103 is constitutional. The industry's complaints basically come down to whining and moaning. It's a bit like going cold turkey after being addicted to high profits. There's a lot of thrashing around in a padded cell, but eventually they are going to straighten out," he said.

The insurers' challenge argues that the initiative is unconstitutional on several grounds and its insurance "charge" rollback and premium freeze provision is confiscatory.

However, Mr. Rosenfield argues that insurers "have no constitutional right to rip us off. There's nothing that guarantees them the right to charge excessive rates. All Prop. 103 does is make the rates reasonable," he said.

Any insurer threatened by insolvency during the one-year rate reduction can use the initiative's "emergency escape clause" to get rate relief, he said.

"There's at least some safety valve for those companies that truly deserve it. Otherwise every company gets to raise its rates in November 1989 from the reduced level. All they have to do is prove it's justified," Mr. Rosenfield said.

"There's nothing unconstitutional about that program, and I think people will see those rollbacks. There's no reason they shouldn't."

Insurers also are worried about other Proposition 103 provisions, including the end of the antitrust exemption and the establishment of the consumer protection corporation.

"I don't think they like any of it. They like the good old days. I think they are terrified by the rollback because it's going to force them to be more efficient," Mr. Rosenfield said.

"The rollback is like putting them on a diet, forcing them to trim the fat. This is not a diet they want to go through."

Although he steadfastly defends Proposition 103, Mr. Rosenfield also concedes that "no initiative is perfect."

"I wish we would have made some of the prohibitions even stricter. If we would have known the companies would agitate and threaten chaos I wish we would have written in criminal punishment specifically for that," Mr. Rosenfield said, referring to some insurers' threatened boycott of the state.

Mr. Rosenfield said that while the initial reaction to passage of Proposition 103 was uncertainty and resistance, he hopes insurers have learned a lesson and will work with consumers in the future.

"When they start acting like that, when they start cooperating rather than confronting and attacking, then we'll have a chance at working things out, and their image will improve.

"I like to say that Prop. 103 is going to toilet train the insurance industry. And once it learns how to keep itself clean, not make a mess of itself in California, and grow up to become a good corporate citizen like other companies in this country, they can take their rightful place in the civic and economic community," he said. ■

LEGAL NOTICE

NOTICE OF SALE OF SHARES OF MIDLAND PROPERTY AND CASUALTY COMPANY AND INVITATION TO BID

James P. Corcoran, the Superintendent of Insurance of the State of New York, as Liquidator of Midland Insurance Company (the "Liquidator") proposes to sell, to a qualified third party purchaser making the highest and best offer therefore, all of the issued and outstanding shares (the "Shares") of Midland Property and Casualty Insurance Company ("Midpac"). The terms of the sale are described in the form of agreement (the "Stock Purchase Agreement"), a copy of which may be obtained from counsel to the Liquidator (for a nominal fee to cover the cost of photocopying) at the following address: William F. Jerome, Esq., 123 William Street, New York, New York, 10038. The Purchaser will be required to sign an agreement substantially in the form of the Stock Purchase Agreement obtained from the Liquidator. The Liquidator reserves the right to reject any bid or bids, which, in his sole exclusive discretion are deemed inadequate or insufficient or which may be contrary to the best interest of the liquidation estate.

All interested parties are invited to submit to the Liquidator firm and detailed written offers to purchase the aforementioned Shares on or before the 12th day of June, 1989, (the "Final Date for Submission of Offers"). At a minimum, each such interested party shall submit to the Liquidator, in writing by ordinary mail addressed to: P.O. Box 295, Riverdale Station, Bronx, New York 10471, the dollar amount of its bid and the following information: the bidder's name, office and mailing addresses; telephone number; date and place of formation or incorporation (if a partnership or corporation, the names of the principals charged with control of the corporate entity) or date and place of birth (if an individual or group of individuals); name, address and telephone number of bidder's legal counsel; name, address and telephone number of bidder's accountants; name(s), address(es), telephone number(s) and account number(s) of bidder's principal bank(s) and investment bank(s) (if applicable); and such other and further information as may be required by the Liquidator in his sole and exclusive discretion. No bid under $1,750,000.00 over and above policyholder surplus will be considered by the Liquidator.

At the conclusion of the bidding process, the bidder who has submitted the highest and best offer to the Liquidator (the "Highest Bidder") will be so notified by the Liquidator and will be required to furnish to the Liquidator a deposit payable in the form of a cashier's check in an amount equal to 10% of such bidder's offer. In addition, the Highest Bidder will be required to furnish to the Liquidator and to James P. Corcoran in his capacity as Regulator of insurers for the Department of Insurance of the State of New York (the "Regulator") certain additional information. A schedule of such additional information may be obtained from the Liquidator at the address set forth below. The bidder required to submit the additional information to the Liquidator and the Regulator will remain under the continuing obligation to update such information so that the information remains accurate at all times during the bidding process and through the date of closing.

Upon receipt of such additional information from the Highest Bidder, the Regulator in his sole and exclusive discretion and pursuant to applicable provisions of the Insurance Law of the State of New York, will review and assess the additional information and determine whether or not such Highest Bidder qualifies to acquire a 100% ownership interest in Midpac. (A Highest Bidder who is found to be qualified is hereinafter referred to as a "Highest Qualified Bidder".) If the Highest Bidder fails to qualify, the Liquidator will (i) return such Highest Bidder's deposit together with any and all accrued interest thereon, and (ii) direct the next Highest Bidder to submit to the Liquidator and the Regulator additional information. Such process will continue until a Highest Qualified Bidder is obtained. Once a Highest Bidder has qualified as a Highest Qualified Bidder, the Liquidator will (i) inform all other bidders, and (ii) issue a press release announcing the results of the controlled auction.

At the time of submission of bids, all bidders must acknowledge in writing that they have reviewed the Stock Purchase Agreement and understand the terms and conditions of the proposed transaction.

All sales, transfers and related taxes, fees and other charges, if any, shall be the sole responsibility of the purchaser.

The Liquidator shall not be responsible for any brokerage fees or commissions in connection with the sale.

For further information contact: William F. Jerome, Esq., Counsel for the Liquidator, 123 William Street, New York, New York, 10038 (212) 341-6720.

Medicare

Continued from page 2

care "where it was aware Medicare had erroneously paid as primary" payer.

In addition, BCBSM failed to ensure that employer plans were the primary payer of health care costs for the elderly "where it anticipated Medicare might erroneously pay as primary," the suit contends.

A BCBSM spokesman disputes the suit's contention that any health care coverage administration errors BCBSM may have made were deliberate.

"Claims came through as Medicare claims between 1983 and 1987 and claims were paid because of the industry's widespread inability to interpret the laws," the spokesman said.

The Justice Department also alleges that BCBSM has refused to fully reimburse Medicare for claims the government program paid by mistake. But, the BCBSM spokesman noted that BCBSM returned nearly $10 million to the government's Medicare program before the lawsuit was filed.

And, BCBSM says it will continue to return any money owed to Medicare by employer group health plans.

"BCBSM's main interest is to recover all of the funds to which Medicare is legally entitled, but at the same time we must ensure that the financial interests of other customers are also protected and that they are not charged for claims for which they are not responsible," said Richard E. Whitmer, president and chief executive officer of BCBSM.

BCBSM would not say how many employer-sponsored health care plans in Michigan may owe Medicare money or how many plans BCBSM administers or insures.

Spokesmen for both BCBSM and the Department of Justice acknowledge that settlement discussions are continuing. ■

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Section 89 awareness low: Survey

By ALISON KITTRELL

Only a slim majority of U.S. employers late last year were aware of the requirements imposed on welfare benefit plans by Section 89 of the Internal Revenue Code and many of those do not know whether their plans are in compliance, according to a recent survey.

Only 54% of the 150 benefit managers surveyed by Confederation Life Insurance Co. said they were aware of Section 89, according to "National Survey of Benefits Managers on Section 89."

Section 89, effective Jan. 1, requires welfare plans to pass certain non-discrimination tests or face additional tax liabilities for employers and employees (*BI*, March 27).

The survey also shows that, of the 54% of benefit managers who had heard of Section 89, nearly three-quarters—74%—"claim compliance" with the rules. However, of those companies claiming compliance with Section 89, only 38% have actually tested their plans.

Bryan Parker, marketing consultant for Confederation Life in Atlanta, says the lack of understanding about the law's implications "is very worrisome."

Determining whether a welfare benefit plan—like a group health insurance plan—complies with the law is quite complicated and many employers may not want to tackle the task alone, Mr. Parker explained.

When the survey was conducted late last year, "The theme of participants' comments was generally confusion. They complained that the government's reports and guidelines were incomplete, inadequate and confusing," the authors note.

The survey reported that:

- While more than half of the respondents—54%—said they were aware of Section 89, 33% were unaware of the requirements and 13% were unsure about them.
- Among those benefit managers who said they were aware of Section 89, 22% said the rules would have a major impact on their plans, 36% said the impact would be minor and 37% said Section 89 would have little or no impact on their plans.
- Of the respondents aware of Section 89, 74% said their plans currently are in compliance, while 22% said their plans were not in compliance and 4% said they did not know.

•

Copies of the study, "National Survey of Benefits Managers on Section 89," are available free of charge from Sandy Brewer, Confederation Life Insurance Co., 260 Interstate North, P.O. Box 105103, Atlanta, Ga. 30348; 404-859-3365.

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To Assist Insurance Professionals who may be unfamiliar with or are seeking a refresher course on the Boiler/Machinery market, IRI has prepared a 15-minute presentation titled "Introduction to Boiler/Machinery Objects." The presentation, available in either 35mm carrousel-type slide tray with audiotape or in ½" VHS-format videotape, can be arranged through your servicing IRI office. Or, for additional information, contact Mrs. P. A. Sasso, IRI, 85 Woodland Street, Hartford, CT 06102 (203) 520-7412.

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Shipping devices

Continued from page 3

by the manufacturer, the Shockwatch turns red.

"A shock from any angle will disturb the surface tension of the glass tube, and it will turn red, indicating that the product has experienced a blow that could have caused damage," explained Mr. Riccardi.

Similarly, Tiltwatch, a tube device like Shockwatch, turns red if a package is tilted.

Both Shockwatch and Tiltwatch cost about $1 each and are not reusable.

Manufacturers using Shockwatch or Tiltwatch are advised to instruct the receivers of their products to check the glass tubes and make a notation on the delivery receipt if any have been triggered, Mr. Riccardi said.

"When the receiver records the presence of a red Shockwatch and the product is damaged, the liability responsibility falls on the carrier, because the Shockwatch shows that the product was mishandled and impaired during transport," he explained.

"We tell our customers to explain the Shockwatch's use to their carriers so that they understand their liability responsibility," Mr. Riccardi said.

And, carriers have not refused to accept responsibility for packages that arrive with red Shockwatches and damaged products, he added.

"Shockwatch is our first-line defense when a package is delivered damaged," said Sherry Pixler, senior risk management specialist at Storage Technology Corp., a Louisville, Colo.-based computer hardware manufacturer.

Storage Technology puts both a Stopwatch and Tiltwatch on every package. "We have been happy with the product for about eight years," Ms. Pixler said.

"It is added protection for us and an important risk management practice for defending ourselves against claims."

Because Storage Technology's carriers want to keep the company's business, the carriers don't contest the use of the monitoring devices and accept damage responsibility, if necessary, she said.

"The carriers may groan a little, but they are aware of their exposures, and if their drivers mishandle the products and cause damage, then they pay," she said.

The computer manufacturer's insurer "almost demands that Storage Technology use the Shockwatch and Tiltwatch," Ms. Pixler said, declining to name the insurer.

"It costs us about $100,000 per year to put it on our packages and that is a fraction of what one substantial loss could be," she added.

Wang Laboratories Inc. in Lowell, Mass., also has used Shockwatch to reduce damage claims from shipping mistreatment.

Wang applies the device when products are distributed from the manufacturer and monitors it until delivery.

"We ship in excess of $3 billion (in products) a year, of which 30 products at a combined worth of $500 million get Shockwatch put on it," said James Anderson, senior quality assurance manager at Wang.

Within the first year of using Shockwatch, damage claims decreased significantly and dropped to zero on two product lines, he added.

Before Wang began using Shockwatch in 1986, 10,000 to 20,000 computer, printer and disk drive items were being returned annually due to damages.

Unlike Shockwatch and Tiltwatch, which can only be used once, a reusable shock and humidity measuring device has been developed by AGM Container Controls in Tucson, Ariz.

AGM's Shockmaster also changes colors if the force of an impact against an object exceeds the product's predetermined shock absorption level. However, Shockmaster can be reset mechanically to return to its original color.

"The Shockmaster is a great indicator of possible damage, telling the receiver to check closely. We have a lot of computer companies using the product to protect their fragile products," said Robert Crowley, AGM's chief engineer.

While most manufacturers are primarily concerned with product damage resulting from extreme impact, some are concerned about the effects of humidity exposure.

AGM's humidity indicator is particularly popular with companies that ship organic products, but computer and electrical manufacturers concerned with product rusting also use it, Mr. Crowley noted.

The indicator, which is bolted to the inside of the package, is designed to change colors when the air inside reaches a humidity of more than 30%. The 30% mark is considered the highest humidity level that most sensitive products can withstand without damage, Mr. Crowley added.

'Sometimes manufacturers will decide to change the shipping route to reduce damage losses. Other times they might use the humidity gauge to learn about product packaging and try to reduce losses by tailoring the packaging to the atmosphere, protecting against excess moisture,' Mr. Crowley says.

The humidity indicator also allows manufacturers to trace the product's transport route and locate certain geographical areas that might be more humid than others, manufacturers report.

"Sometimes manufacturers will decide to change the shipping route to reduce damage losses. Other times they might use the humidity gauge to learn about product packaging and try to reduce losses by tailoring the packaging to the atmosphere, protecting against excess moisture," Mr. Crowley said.

The Shockmaster and the humidity indicator each cost about $25 to $30 for an order of 10 and can be used indefinitely.

For manufacturers shipping highly sensitive products, Dallas Instruments Inc. of Dallas makes a more in-depth computerized shock and humidity measuring mechanism.

ShocKorder is a small computerized box placed either inside or outside of a package that records on a computer diskette all impacts throughout the trip, said Stan Preskitt, a vp at Dallas Instruments.

"The ShocKorder will record the time, date and temperature of every impact the package undergoes. When it is delivered and the manufacturer puts the disk into a computer, he will get a color scale picture of the entire trip."

"You can pinpoint exactly what happened and where it happened, which can be helpful if a legal problem occurs," Mr. Preskitt said.

The ShocKorder costs about $12,000 per instrument, excluding an IBM-compatible computer system needed to "read" the disk.

Dallas also makes a temperature and humidity recorder, similar to the ShocKorder, with a computerized metal box that can be placed either inside a package or in a compartment with an entire shipment of packages.

The metal box has an electric clock that is programmed to log temperature and humidity throughout the shipment and then reproduces the log on the computer for the manufacturer.

"Usually companies experiencing damage losses because of inadequate packaging will use the temperature and humidity indicator as a research tool for determining the proper type of packaging for the product," Mr. Preskitt said.

The temperature and humidity indicator costs $1,500 per unit and is reusable.

Del Monte USA of San Francisco has 12 Dallas temperature and humidity indicators and uses them to determine the best packaging to keep its fruit fresh during shipment.

"We ship tens of millions of dollars of fruit, and we need to know the amount of humidity the fruit will be exposed to and the type of packaging that will best protect it," said James F. Perry, senior research associate-packaging development in Del Monte's Walnut Creek, Calif., office.

"We look at what is really happening out there and trace the conditions so that we can optimize our shipping containers for cost and quality. If the packaging isn't right there is a potential for major loss, and we want to reduce damages and guarantee the overall quality of the product," he added. ■

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Vice-Presidents, General Managers and Other Administrative Personnel 3,650
Financial:
Chief Financial Officers and Vice-presidents of Finance . . . 2,745
Secretaries, Treasurers, controllers and other Financial Personnel . 4,446
Risk/Employee Benefits:
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations 10,687
Sub-total 23,959
Associations 548
Government, Unions and Educational Institutions 1,299
Commercial Consumers
Sub-total 25,806
Insurance Agents and Brokers 10,745
Insurance Companies 7,557
Actuaries, Consultants, Attorneys, Adjusters, Appraisers and Third Party Administrators 3,580
Others Allied to the Field 2,688
TOTAL 50,376
* Source Business/Occupational breakdown of qualified circulation. November 28, 1988 issue, as submitted to BPA for December 1988 BPA Publisher's Statement.

Flex plan survey

Continued from page 3

about whether flex plans really save employers more money than non-flex plans and, if so, why.

"We're not concluding categorically that there's a cause and effect relationship" between implementing a flexible benefit plan and lowering health care costs, said Mr. DiBernardino. "The debate on this issue could go on endlessly."

"Unfortunately, almost half of survey respondents with flex were unable to judge the financial consequences of the flex program," the survey notes. "This is not surprising, given that a third of the programs surveyed were only about a year old at the time," the survey adds (see chart, page 3).

"Among employers able to make a determination, 27% reported that costs were lower than they would have been had flex not been introduced. Only 8% felt that flex had increased costs. Most—65%—felt that costs were not affected," the survey says.

"It is impossible to say whether these cost differences are due entirely to the implementation of the flex plan. It may be that many of the employers who implement flex already have leaner benefit programs," the survey points out.

Also, "flex programs are more likely to contain cost-containment features (e.g., higher deductibles, contributions and coinsurance) and the average age of flex plan participants is lower," noted the survey authors.

Another recent flexible benefit survey also found that health care cost increases were smaller for employers with flex plans.

Hewitt Associates of Lincolnshire, Ill., reported that employers with flex plans find it is easier to require employees to assume a greater share of their health care benefits costs because employees in a flex plan may use pretax dollars to pay for some benefits (*BI*, Feb. 6).

While there are several reasons employers implement flexible benefit plans, foremost is satisfying employees' benefit needs, the Foster Higgins survey found.

Some 35% of the 174 survey respondents with flexible benefit plans ranked satisfying diverse employee needs as their first priority in implementing a flex plan. Almost as many respondents—33%—cited financial objectives as their first priority.

Of the financial objectives employers hoped to achieve with flexible benefit programs, the majority of employers—21%—sought long-range cost containment, while 8% sought to shift costs to employees and 4% sought savings through employees' decisions to waive or reduce coverage, according to the survey.

Employers also said they implement flexible benefit plans to give employees tax advantages and to help recruit and retain employees.

Flexible benefit plans "started out as an intriguing concept for which there was intellectual appeal," Mr. DiBernardino commented. However, employers have since realized they offer numerous advantages, he said.

The primary reason employers give for not establishing a flexible benefits plan is the burden of maintaining and administrating flex plans, according to the survey.

But employer resistance to flexible benefits is decreasing, noted George F. Faulkner Jr., a consultant in Foster Higgins' Princeton office and the author of the survey.

In 1988, 42% of large employers said they have no interest in implementing a flexible benefit program, down from 55% the previous year, according to the survey.

And, the administrative burden of establishing a flexible benefit plan will decrease as employers gather the data needed to administer the complicated non-discrimination tests required under Section 89, Mr. DiBernardino suggested. This is because much of the information an employer will need to gather to pass the Section 89 tests is the same needed to evaluate the feasibility of setting up a flex plan, he said.

'Flex programs are more likely to contain cost-containment features,' noted the survey authors.

For example, employers need to gather demographic information about employees and dependents, insurance coverage data about employees and dependents and actuarial data about the value of their health care plan options to perform Section 89 tests, Mr. DiBernardino explained.

Furthermore, employers with flex plans in place tend to be less concerned about Section 89 than those without flexible benefit plans, the survey reports.

"When asked what they consider to be the most important health benefit issue facing them in the next year. . .29% of the flex employers cited Section 89 as their primary concern, compared with 36% of non-flex employers," the survey states.

This could be because the flex employers already have much of the information required by Section 89, Mr. Faulkner said.

Roughly half of employers with flexible benefit plans—51%—provide employees with a specific allocation of credits to use toward "buying" benefits, according to the survey.

Such credit-based programs are more common among plans that do not require employee contributions than among those that do: 62% of non-contributory plans are credit-based, compared with only 41% of contributory plans.

Credit-based flexible benefit plans are especially popular among very large employers, the survey states. Some 61% of employers with 10,000 or more employees use credit-based plans, compared with 47% of employers with fewer than 10,000 employees.

Of those employers with a credit-based program, two-thirds allow employees to receive cash in exchange for unused credits, the survey reports.

"People will accept more risk in exchange for some commodity that has greater value to them—like cash," commented Mr. DiBernardino.

Most employers offer several different benefit options in their flexible benefit plans, according to the survey.

Twenty-two percent of employers offered two distinct indemnity plan options, excluding health maintenance organization or preferred provider organization alternatives, and 45% offered three or more indemnity plan options, the survey reports.

One-third of employers offered only one medical indemnity plan option.

Multiple medical plan options were more common in plans requiring an employee contribution than in non-contributory plans; 52% of contributory plans offered three or more indemnity plan options, compared with 35% of non-contributory plans.

Other options employers offered in their flexible benefit plans included: dental care, vision care, life insurance, accidental death & dismemberment insurance; long-term disability insurance, short-term disability insurance, 401(k) plan, long-term care coverage and vacation time.

Other survey findings include:

- Flexible benefit plans are more popular in certain regions and industries than others.

For example, flexible benefit programs are most prevalent among employers in the Mountain states and the South Central states and least popular among employers in New England and the North Central states.

The prevalence of organized labor unions —which tend to view flexible benefits as a means of reducing benefits—in the Northeast and North Central "Rust Belt" states could account for some of these differences, according to Messrs. Faulkner and DiBernardino.

Among industries, flexible benefit plans are most popular among employers in the financial services field.

- Adverse selection can be controlled with proper plan design.

For example, financial approaches—such as pricing a benefit option lower than its actuarial value, skewing the prices of different benefit options and charging plan participants age-sensitive prices for different benefit options—can combat adverse selection among flex plan options.

Employers also can influence certain benefit selection patterns by requiring a core group of benefits, linking the purchase of a particular benefit to the purchase of another benefit, requiring a waiting period before a benefit election is effective and requiring that a particular benefit option remain in effect for a specific minimum period of time, the study says.

- Companies with flexible benefit plans are more likely to offer health maintenance organization and preferred provided organization options than employers without flex plans.

Of survey respondents with flexible benefits, 83% offered HMOs and 37% offered PPOs. Of survey respondents without flexible benefits, 77% offered HMOs and 27% offered PPOs.

Furthermore, HMO costs per employee were lower among employers with flexible benefit plans than among non-flex employers. HMO costs per employee in 1988 averaged $1,900 for employers with flexible benefits and $2,015 for employers without flexible benefits.

This could be because in many flexible benefit plans the HMO must adjust its pricing to compete against a low-option medical plan, suggested the survey.

- Flex plans' medical care reimbursement account maximums—the maximum amount of pretax pay that an employee may elect to set aside annually to spend on uncovered medical expenses—averaged $3,649 in 1988.

In addition, "employers are likely to set lower maximums for 1989 to avoid excess contributions by the highly compensated under the new Section 89 non-discrimination requirements," the survey predicts.

Dependent care reimbursement accounts generally adopt the $5,000 maximum permitted under Internal Revenue Code Section 129, the survey says.

Under IRS rules, at the end of the year the unused balance of a reimbursement account must be forfeited back to the employer.

In 1988, an average of 6.1% of the funds contributed to medical care reimbursement accounts was forfeited back to employers, while an average amount of 2.3% of funds in dependent care reimbursement accounts were forfeited.

Most employers—41%—redirected the forfeited funds into the benefits program. Another 20% of employers kept the forfeited funds for general purposes, while 15% of employers redistributed the funds to employees and 13% donated the funds to charity.

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Copies of "A Survey of Flexible Benefit Programs 1988" are available for $25 from Frank DiBernardino, A. Foster Higgins & Co. Inc., 212 Carnegie Center, Princeton, N.J. 08543-5323; 609-520-2695.

Prescription drug claims systems

Continued from page 3

vented, the experts say.

Along with enabling utilization review, the new technology also can be used to design a more cost-effective prescription drug benefits plan. With on-line information, the pharmacist can determine if the employer's plan includes financial incentives for the employee and the pharmacist to substitute generic drugs when possible, some experts say.

The vendors of the prescription drug programs pay for the computers installed in the pharmacies and employers pay for the service either on a capitated basis or as part of their overall administrative fee.

The development of this technology, currently in use by some major group health insurers and prescription drug benefit plan vendors, is being partially driven by certain provisions in the Medicare Catastrophic Coverage Act, some experts say.

The new law, which provides for increased coverage of prescription drugs for Medicare beneficiaries beginning in 1991, also requires the collection of data on drug usage by Medicare recipients and the development of point-of-sale claims processing.

Insurers and benefits administrators currently using electronic claims processing systems also noted benefits of the technology.

"With this technology, we can begin to eliminate drug interactions because the system can be used to screen for this," explained Cynthia Patella, director of Pharmacy Services for the Prudential Insurance Co. of America in Roseland, N.J.

Prudential is working with Argus Computing Inc., a Kansas City, Mo.-based prescription drug claims administrator, to introduce an electronic claims processing system and drug usage evaluation program into its managed care plans nationwide, she said.

The insurer's managed care plans include some 3,500 pharmacies that participate in Prudential preferred pharmacy networks. As part of the pharmacy PPO contracts, the pharmacies also utilize the electronic claims processing system, she said.

And, enrollees in the managed care plans receive financial incentives, such as reduced out-of-pocket costs, to have their prescriptions filled at these participating pharmacies.

"This way, we could be sure that the patient will get most of his or her prescriptions filled at these pharmacies and we can then collect drug usage data on the patient" and perform prescription drug utilization evaluations, she explained.

"This point-of-sale technology works sort of like a MasterCard," Ms. Patella explained. That is, enrollees receive a plastic card embossed with their name, their employer's name and a health plan identification number.

The pharmacist then uses this information and a computer terminal to verify the person's eligibility for prescription drug benefits, check if the prescribing physician is a member of the managed care network and process the claim on the spot.

Then, the prescription information entered into the system by the pharmacist is used by Prudential to evaluate patterns of drug prescribing by its network physicians, dispensing by its pharmacists and use by its enrollees.

While the system monitors all prescription drug use, the program focuses on drugs that are frequently prescribed or drugs that are prone to causing side-effects or complications. Eventually, drug usage in high-risk patients also will be monitored.

Prudential's system generates a variety of reports on specific and aggregate prescription drug usage, as well as specific profiles of network physicians, pharmacists and patients, Ms. Patella said.

Prudential estimates that the electronic claims processing system and the drug usage evaluation program produce savings of $2.10 for every $1 spent on prospective electronic claims adjudication, she said.

PCS Inc., a Scottsdale, Ariz.-based vendor of prescription drug card programs, introduced its electronic on-line claims processing system in the fall of 1988, said PCS President Donald Dahlin.

Called "Recap," the system currently is used to adjudicate about 35% of the 100 million prescription drug claims processed by PCS, he said.

PCS has a preferred provider network of 62,500 retail pharmacies in the United States and Canada. Under a typical PCS benefit program, the employer issues a plastic card to employees to be used when they order prescriptions at participating PCS pharmacies.

Under the plans, employees usually have a financial incentive to use the PCS network pharmacies, such as only a $3 or $5 copayment per prescription, as opposed to paying a major medical deductible and copayment when using a non-network pharmacy.

PCS programs are offered to employers through their group health insurers or on a stand-alone basis directly from PCS. Fees vary and employers are charged on a per-paid-claim basis. However, for large employers, PCS capitates administrative fees.

Under the Recap program, the PCS network pharmacies use a computer terminal to perform on-line, electronic adjudication of prescription drug claims, he said.

And, "with Recap, we are developing on-line drug therapy utilization review. With this, a pharmacist will be in contact with another prescription drug expert to review a patient's usage of prescription drugs" and help avoid drug interactions and complications, Mr. Dahlin explained.

Major health insurers currently using the Recap claims processing system as part of their PCS prescription drug benefit products include: Aetna Life & Casualty Co. of Hartford, Conn.; Lincoln National Corp. of Fort Wayne, Ind.; Travelers Corp. of Hartford, Conn.; and several Blue Cross & Blue Shield plans.

In addition to these systems developed by insurers and drug plan vendors, the National Assn. of Retail Druggists in Washington also is developing an electronic claims processing system for pharmacies.

The non-proprietary system will provide pharmacies with "one computer terminal that they can use to access all of the pharmacy's third-party payers' claims systems," said Cindy Wyatt, manager of operations for NARD's RXNet subsidiary that is developing the system.

"With the system, the pharmacist simply enters data on the patient and the prescription and sends the information electronically to the payer's host computer," she explained. ■

Largest U.S. reinsurers' 1988 results

(All amounts in thousands of dollars) (Ranked by net reinsurance premium written)

Reinsurers	Policyholders' surplus (reinsurers only)	Net reinsurance premiums written 1988	Net reinsurance premiums written 1987	Net reinsurance premiums earned	Losses & loss adjustment expenses	Loss ratio	Underwriting expenses	Expense ratio	Combined ratio 1988	Combined ratio 1987
General Re	$2,319,177	$1,780,247	$2,235,801	$1,921,097	$1,344,332	70.0%	$517,766	29.1%	99.1%	99.8%
Employers Re	1,045,269	1,312,390	1,251,695	1,332,098	996,478	74.8	341,493	26.0	100.8	99.8
American Re	553,256	937,336	1,002,760	951,463	711,201	74.7	250,690	26.7	101.5	99.6
Munich Re	505,604	625,151	679,141	645,715	449,091	69.5	203,346	32.5	102.1	99.9
North American/Swiss Re	623,401	623,611	647,466	679,178	464,370	68.4	213,277	34.2	102.6	104.3
USF&G	N/A	601,020	413,187	650,811	441,391	67.8	171,942	28.6	96.4	98.4
Prudential Re	416,912	560,529	692,379	585,575	426,903	72.9	207,593	37.0	109.9	108.9
Transatlantic Re	174,341	311,139	305,211	298,656	243,571	81.6	73,350	23.6	105.1	105.0
Kemper Re	364,792	308,883	388,799	320,926	262,302	81.7	64,645	20.9	102.7	101.9
Continental Cas	N/A	296,881	243,957	288,273	227,748	79.0	83,803	28.2	107.2	110.0
CIGNA Re	187,927	282,498	273,536	294,052	207,314	70.5	83,910	29.7	100.2	101.9
National Re	199,891	281,087	316,109	278,932	228,827	82.0	56,010	19.9	102.0	102.2
Constitution Re	164,790	258,193	234,786	263,905	192,427	72.9	74,182	28.7	101.6	98.9
Transamerica Re	149,046	257,402	152,382	209,186	151,340	72.3	71,915	27.9	100.3	96.6
Continental Re	103,806	248,040	289,271	240,508	193,846	80.6	89,363	36.0	116.6	109.6
St. Paul Re	N/A	236,885	198,001	217,901	165,088	75.8	71,894	30.3	106.1	101.2
Skandia America Group	309,934	234,306	380,348	252,134	175,358	69.5	81,872	34.9	104.5	104.6
US Int'l Re	113,407	201,344	192,408	188,792	136,487	72.3	63,716	31.6	103.9	99.5
NAC Re	174,217	171,430	154,509	161,978	124,690	77.0	51,142	29.8	106.8	107.8
Underwriters Re	147,916	150,591	196,957	149,258	110,003	73.7	38,250	25.4	99.1	136.8
Totals for top 20	**7,553,686**	**9,678,963**	**10,248,703**	**9,930,438**	**7,252,767**	**73.0**	**2,810,159**	**29.0**	**102.0**	**102.5**
Total for all companies	**10,103,968**	**12,074,923**	**12,883,314**	**12,368,269**	**9,077,414**	**73.4**	**3,536,285**	**29.3**	**102.7**	**102.3**

Source: Reinsurance Assn. of America

Reinsurer results

Continued from page 1

ington, D.C.-based Reinsurance Assn. of America.

Net written reinsurance premiums fell 6.3% in 1988 to $12.1 billion from $12.9 billion in 1987, according to the RAA's survey of 76 reinsurers.

The 20 largest U.S. reinsurers in terms of net premium volume reported that their net written premiums fell 5.6% to $9.7 billion in 1988 from $10.2 billion the previous year.

Industrywide, reinsurers' aggregate combined ratio rose only slightly to 102.7% in 1988 from 102.3% in 1987.

And, the Top 20 reinsurers reported that their aggregate combined ratio actually improved to 102% from 102.5% in 1987.

The U.S. reinsurance industry's policyholder surplus rose 16.5% last year to $10.1 billion from $8.7 billion at year-end 1987, based on reinsurers that provided this statistic to the RAA. In addition, the industry's year-end 1988 surplus represented a 4.3% increase over the $9.7 billion reported as of Sept. 30, 1988.

Reinsurance executives say they are generally pleased with 1988 results.

"The bottom line comment is it wasn't a bad year for the industry," agreed Michael Fitt, chairman and chief executive officer of Employers Reinsurance Corp. in Kansas City, Mo.

"I think it shaped up pretty much as we expected, as insurers increased their retentions and reduced insurance costs," observed Donald R. Smith, president and chief operating officer of Kemper Reinsurance Co.

"Obviously, it was a good year," said Jim Stannard, executive vp of F&G Re in Morristown, N.J., a USF&G Corp. subsidiary. "The lack of catastrophes certainly helped."

Mr. Stannard added that the good results now being reported by reinsurers for 1988 reflect the firm market of 1986 and 1987.

The reinsurance industry is enjoying the results of a favorable runoff of business from 1986 and 1987, agreed Steven H. Newman, chairman, president and chief executive officer of Underwriters Reinsurance Co. in Woodland Hills, Calif.

"As always, there's a significant difference between real underwriting results and what gets published," he said, explaining the business written in prior years helped to improve 1988 results.

As for 1989, however, Mr. Newman said: "I see nowhere for combined ratios to go but up." He estimates that the reinsurance industry's combined ratio will deteriorate by four to five percentage points this year.

"I would say that's a pretty good estimate," said James M. Dwane, president of Prudential Reinsurance Corp. in Newark, N.J. "There certainly is a deterioration in the rate levels" among primary and excess insurers as well as from competition among reinsurers, he said.

Much of how 1989 shapes up will depend on prior-year reserve development as well as on factors such as catastrophes and payouts on toxic tort claims, Mr. Dwane added.

"I guess I would expect the combined ratio for the industry to go up five points," said Norman Wayne, president of CIGNA Corp.'s reinsurance division. This increase will reflect the slowdown in premium growth and the pressure on primary pricing, he added.

"I think it's going to be a real tough year," said Employers Re's Mr. Fitt. "I think cash flows will be down" despite higher interest rates.

"We do think we're headed for harder times," said Charles Mabli, executive vp-finance for North American/Swiss Reinsurance Co. in New York.

"I would think that in 1989, reinsurance volume would continue to drop as an industry, and I think we would probably expect to see for reinsurers in total the results to deteriorate somewhat in 1989," said American Re's Mr. Inderbitzen.

Bard E. Bunaes, chairman and chief executive officer of New York-based Constitution Reinsurance Corp., said estimates of a four to five percentage-point deterioration in combined ratios could be overly pessimistic if there are no major catastrophes this year. However, the prediction could turn out to be overly conservative if there are any major catastrophes, which is likely, he said.

Noting that 1988 was a good year "in large part" because of the absence of natural catastrophes, Mr. Bunaes said: "I think it just cannot continue to go on without any major catastrophes—sooner or later it's going to happen."

That, along with the "general deterioration in rate levels" will mean that results will be "significantly worse" in 1989, he said.

"For 1989, I would probably expect to see the combined ratio deteriorate somewhere between two and three points and possibly more, depending on the underwriting disciplines employed by the various companies," said Skandia's Mr. Bensinger.

Kemper Re's Mr. Smith was more optimistic: "I think there might be a slight improvement (in the combined ratio), or it will be comparable to 1988."

Although reinsurers face dwindling premium volume, most reinsurance officials say they are not, in general, concerned about competition in the reinsurance market.

"I think it is a very sane competitive market at this point," said Kemper Re's Mr. Smith.

"I don't see yet an irresponsibility on the part of the reinsurance industry," said North American/Swiss Re's Mr. Mabli.

Other reinsurance officials qualify their views on competition, however.

"It depends on the area," said F&G Re's Mr. Stannard. "In some areas we consider it to be very competitive, and in other areas I'd say it's moderate competition."

Areas where competition is particularly heavy include international, aviation and property reinsurance and some classes of casualty working layers, said Mr. Stannard.

The more predictable business is, such as property and some light hazard lines, the more fierce the competition is, said Pru Re's Mr. Dwane. "I consider it to be at a dangerous level on the less-hazardous business."

Meanwhile, reinsurance executives say that despite the softening market, primary insurers have stuck with high retentions. However, some executives say some primary insurers may be buying more reinsurance.

"It appears that retentions are remaining at the levels they were," said Skandia's Mr. Bensinger. However, he added that Skandia is expecting primary insurers' retentions to decline in 1990 and 1991.

"I think (retentions) are still somewhat the same," agreed American Re's Mr. Inderbitzen.

"I don't see any indication yet that the primary companies are inclined to buy more reinsurance," said CIGNA Re's Mr. Wayne. He said activity could increase if reinsurance pricing becomes very cheap. But, "I really haven't seen a lot of that yet," he added.

There may be some movement to try lowering retentions, said F&G Re's Mr. Stannard, "but I don't think it's a major trend."

Mr. Newman said he knows of only one case in which a client has attempted to lower its retention, and in that particular case, purchasing reinsurance would be cheaper than retaining the business.

"By and large, I still see the retention level staying at historic highs," meaning a lower premium volume for reinsurers, Mr. Newman said.

Pru Re's Mr. Dwane said he has heard of a few cases where primary insurers have lowered their retention levels. "But at this point, it tends to be isolated."

He noted that primary insurers have now developed a "comfort level" for higher retentions. As a result, while an insurer's retention in the future "may not be quite as high as it is right now," most insurers will not go back to the low retentions of the past, he said.

But, "I think that in some areas, in some lines they're starting to buy more reinsurance," said Kemper Re's Mr. Smith, citing property reinsurance in particular.

Constitution Re's Mr. Bunaes also believes insurers may be abandoning high retentions.

"I think we are seeing a process in which some of the ceding companies are beginning to purchase reinsurance over a lower retention," he said. ■

UNR plan calls for stock-funded claims trust

By STACY ADLER

CHICAGO—UNR Industries Inc.'s reorganization plan calls for channeling asbestos bodily injury claims into a central claims-handling facility funded by company stock.

Under the proposed plan, which was filed last month in U.S. Bankruptcy Court in Chicago, some 66% of the common stock of the reorganized UNR would be distributed to a trust fund to pay asbestos claims.

The plan would prohibit asbestos plaintiffs from suing UNR directly. Instead, plaintiffs would be forced to take their claims to the UNR Asbestos-Disease Claim Trust.

Chicago-based UNR, which filed for reorganization under Chapter 11 of the U.S. Bankruptcy Act in 1982, stopped manufacturing asbestos-containing insulation products in March 1970. But since that time, the company has been bombarded with thousands of asbestos bodily injury claims and, more recently, hundreds of asbestos property damage claims.

As of Feb. 21, UNR faced more than 105,000 asbestos bodily injury claims and 400 property damage claims. In addition, UNR estimates that 60,000 to 80,000 more bodily injury claims will be filed by the year 2050. Together, these claims are estimated to be worth more than $900 million.

The reorganization plan calls for 29.4 million shares of common UNR stock to be placed into the Asbestos-Disease Claims Trust. As of March 27, UNR common stock was trading at $4.625 per share in the over-the-counter market.

The plan also says that any money UNR garners from its litigation with its liability insurers would become property of UNR, not the trust.

UNR currently is litigating with insurers in U.S. Bankruptcy Court in Chicago (*BI*, Dec. 5, 1988; April 25, 1988).

UNR's primary insurers are: Zurich Insurance Co. and Bituminous Casualty Corp. Its excess insurers are: Northbrook Excess & Surplus Insurance Co., First State Insurance Co., The Home Insurance Co. and Continental Casualty Co.

The insurers wrote 15 policies for UNR from 1961 to 1970. According to UNR, the company has $4.3 million in primary liability coverage for third-party property damage; $9.5 million in primary bodily injury coverage; and $60 million in total excess liability coverage.

In addition to alleging that some of the underlying claims are not subject to the policies' aggregate limits, UNR also asserts that defense costs should not be included within policy limits.

These limits do not include coverage written by National Surety Corp. of Chicago because those policies have been lost and documentation is being disputed. ■

Oil spill coverage

Continued from page 1

25 miles southwest of Valdez.

The extent of damage to the $137.5 million oil tanker—one of the most expensive in Exxon's fleet—will not be known until it has been inspected in a shipyard, Exxon spokesmen said. The Exxon Valdez remained grounded on the reef a week after the accident.

The value of the spilled oil—at a rate of nearly $20 per barrel—totals about $5 million.

Exxon purchases $400 million in pollution liability insurance from the International Tanker Indemnity Assn., a protection and indemnity club in Bermuda, confirmed Rex Palmer, chairman of Thomas Miller P&I in London, the agent for club manager T.R. Miller & Son (Bermuda) Ltd.

The insurance will cover third-party damages against Exxon resulting from the pollution as well as cleanup costs.

Covered pollution risks, according to all P&I club rules, include:

- Losses and damages resulting from the oil spill.
- The costs of any reasonable measures taken to avoid or minimize pollution, and any liability for losses or damages to property resulting from those measures.
- Costs of, or resulting, liabilities from complying with an order or direction from any government or authority to prevent or reduce pollution.

Exxon's deductible with the club could not be learned last week. The club's minimum deductible for pollution risks is $15,000.

The ITIA retains the first $1.2 million of a loss. The International Group of P&I Clubs assumes the next $10.8 million.

The International Group of P&I Clubs reinsures excess of $10.8 million to $400 million in the Lloyd's of London, Institute of London Underwriters and world markets. The reinsurance is placed in London by Lloyd's broker Thomas R. Miller & Son (Holdings) Ltd., which has no relation to P&I club manager T.R. Miller & Son.

At Lloyd's, the pollution liability reinsurance is led by syndicates underwritten by Richard Youell and managed by Janson Green Ltd.

One observer speculated that underwriters may use a "wilful misconduct" defense to deny the coverage because the captain was not at the helm of the Valdez and was legally intoxicated when the accident occurred. However, others say that crew negligence, even if it is determined to be criminal, would not void the coverage.

Excess of the $400 million, Exxon purchases $100 million of general liability insurance, which includes coverage for pollution liability, in the Scandinavian insurance market. However, the coverage requires Exxon to pay a $200 million deductible.

This deductible could be funded through Exxon's captive, Ancon. Exxon would not comment.

Excess of $700 million, Exxon has $100 million of general liability coverage, which includes coverage for pollution claims, as part of a program written by the London Market Energy Line Slip, which is led in Lloyd's by Mr. Youell of Janson Green.

The slip also provides $600 million in limits for first-party property losses, including ships and cargo, with a $10 million per occurrence deductible.

In addition, the coverage is subject to a complex system of aggregate deductibles that range from $300 million to $500 million for property and liability losses.

Under the program, Exxon has aggregate deductibles of:

- $300 million for aggregate property and general liability losses worldwide, except in the North Sea and in the United States.
- $400 million for aggregate losses in the United States and worldwide, excluding North Sea losses.
- $500 million for aggregate losses worldwide without geographic restrictions.

Therefore, in order to trigger the line slip coverage, Exxon's pollution losses would have to exceed $700 million and its combined property and general liability losses for 1989 would have to exceed $400 million.

Exxon could fund these large deductibles through Ancon in Bermuda.

In 1984, Ancon funded up to $350 million in aggregate Exxon losses.

Exxon's coverage with the slip was placed Nov. 1 by Bowring Marine & Energy Insurance Brokers Ltd.

In addition, Exxon purchases insurance from P&I club Britannia Steam Ship Insurance Assn. in London, which covers all non-pollution marine-related liabilities.

In the case of the Alaska spill, Britannia probably will pay only for wreck removal if the Exxon Valdez is not salvageable.

The club, which provides unlimited liability limits, also covers crew compensation if any crew member is injured, third-party collision and other non-pollution related liabilities.

Robert Seward, partner with Tindall Riley & Co., managers of Britannia P&I club, confirmed that the club now insures Exxon's entire fleet for non-pollution liability.

Exxon had insured its fleet liability in three sections until Feb. 20, he noted. The European vessels' liability was insured through Britannia; international vessels' liability was insured through Standard Steamship Owners Protection & Indemnity Assn. (Bermuda) Ltd.; and the U.S. fleet's liability was self-insured.

The Exxon oil spill also could trigger other sources of funds to pay pollution liability damage, but it's not clear how these funds will respond to this accident.

An oil industry fund is available to pay up to $86 million of pollution liability claims stemming from the spill excess of a $14 million Exxon deductible.

The fund—established under the federal Trans-Alaska Pipeline Authorization Act of 1973—would seek to recover any claims it pays if authorities determine the spill was due to negligence, according to the Oil Spill Intelligence Report in Arlington, Mass.

The Exxon spill would be the first accident to trigger the pipeline liability fund, said Quinn O'Connell of with the Washington, D.C., law firm of Cnoll & O'Connell, which represents the fund.

Oil companies were assessed 5 cents per barrel for oil pumped through the 800-mile pipeline until the fund in the early 1980s reached $100 million. Interest earnings have increased the fund to nearly $250 million, according to Mr. O'Connell.

If claims drain the fund below $100 million, assessments will resume until the fund reaches $100 million again, he said.

Exxon also is a member of the Contract Regarding Supplement to Tanker Liability for Oil Pollution fund, which is funded by tanker owners. The fund pays out a maximum of $135 million, depending on the size of the vessel involved in the accident. The Exxon Valdez probably is too small to qualify for the maximum payout from the fund, according to the Oil Spill Intelligence Report.

Before CRISTAL responds, claimants must be paid $70 million through the Tanker Owners Voluntary Agreement Concerning Liability for Oil Pollution. The $70 million would be recovered from Exxon's insurers.

Under this agreement among shipowners, claimants seek compensation through TOVALOP, not through the courts.

Local fishermen were gearing up for the most lucrative fishing season of the year when the spill occurred last month, according to Lasetta Montgomery, controller for Sea Hawk Seafood Inc., a major fish processor in Valdez.

Instead, state officials have closed the black cod season and the herring roe harvest is in doubt, Mrs. Montgomery said.

"We don't know what will happen. We're living day to day. It could have a devastating effect," she said.

But, the fishery industry's major worry is the future of salmon runs, according to John P. Doyle, fisheries professor at the University of Alaska.

An above-average pink salmon season in Prince William Sound would be worth about $70 million in revenues to the fishing industry, he said.

Projections for the salmon season, which begins in June, are for a record 350 million to 550 million fish.

But, oil toxins could kill the fish or contaminate other organisms that they feed on, he said.

"We don't know what the effects will be on these species, but we suspect it won't be good," Mr. Doyle said.

An even bigger concern for the fishery industry is the potential long-term effect the spill may have on the sound's salmon population if the spill disrupts the migration of young salmon from hatcheries and natural spawning areas, Mr. Doyle said.

If the migrating young salmon, which return to the sound in two to five years, are killed as they migrate to sea, it could affect several generations of fish, he said.

"The effects can be, and are, long-lasting. That's the big worry," Mr. Doyle said.

For example, some streams disrupted by the devastating 1964 Alaska earthquake are just now starting to produce fish, he said.

The state Department of Environmental Conservation, the state agency coordinating response to the emergency, has closely monitored the spill as it spread from about a 100-square-mile area to almost 1,000 square-miles by the end of last week, said Joseph Fer-

Continued on next page

Risk management firm added to directory

Information on Sirco Consulting Services Inc. did not appear in the directory of risk management consultants in the March 13 issue.

Sirco Consulting Services Inc.
Innsbrook Corporate Center, 4321 Cox Road, Glen Allen, Va. 23060;
804-747-7577

Year founded: 1974.
Independent.
Services provided: 100% continuous consulting.
Staff: Three total staff members. Professional designations held by staff include two CPCUs.
Clients: Total clients not reported; 100% with risk and insurance budgets $1 million-$5 million. Minimum size client, $500,000 risk and insurance budget.
Compensation: On retainer.
1988 gross revenues: Not reported.
Principal officers: Steve Revenson, president. ■

Update

ARCO platform losses insured

Continued from page 2

"We expect our insurance to cover the entire loss," he said.

However, damage figures had not been totaled.

Mr. Germer confirmed that Atlantic Richfield has property and liability coverage with Bermuda-based OIL Insurance Co. Ltd., a group captive that writes all-risk property insurance, well-control insurance and third-party pollution liability insurance for oil companies.

OIL offers primary limits of up to $150 million, depending on the assets of the company, and an additional $150 million in excess limits for all three types of coverage (*BI*, May 9, 1988).

N.Y. to sell Midland unit

NEW YORK—The New York Insurance Department, as liquidator of Midland Insurance Co., is looking for a buyer for subsidiary Midland Property & Casualty Insurance Co.

A department spokesman said Midpac's primary asset is its licenses to sell general liability insurance in four states: New York, Illinois, Maryland and Florida.

Midland, a subsidiary of Katy Industries Inc. of Elgin, Ill., was ordered liquidated by a New York court in April 1986 (*BI*, April 14, 1986).

The spokesman said the department has the duty as Midland's liquidator to use Midland's assets to pay claims and creditors. He said that whoever purchases Midpac's stock must comply with any regulatory requirements.

Insurance sales order stayed

WASHINGTON—The 2nd U.S. Circuit Court of Appeals last week stayed an early March Federal Reserve Board order permitting two Indiana state-chartered banks owned by Merchants National Corp. to sell insurance.

Following the board's March 3 decision, the Alliance for Separation of Banking & Insurance, a coalition of insurance agent groups, filed suit charging that the order violates the Bank Holding Company Act. That act prohibits bank holding company subsidiaries from engaging in insurance activities.

"The reason this stay is important is that it will keep the banks from engaging in illegal insurance activities while this issue is litigated on its merits," explained Paul A. Equale, an ASBI member and vp of government affairs for the Independent Insurance Agents of America Inc. in Washington.

M&G Re surplus increasing

MORRISTOWN, N.J.—Mercantile & General Reinsurance Co. of America will receive a $50 million increase in surplus from its parent, The Mercantile & General Reinsurance Co. P.L.C.

M&G Re's surplus will total $106 million after the infusion, said Paul D. Hawksworth, M&G Re president and chief executive officer.

Primary insurers' increasing emphasis on security was the major reason behind the decision to boost M&G Re's surplus, Mr. Hawksworth said.

"They're looking more closely at the security requirements they have for acceptable reinsurance. We just felt it was necessary to do this," he said.

The actual transfer of funds, which will be made through M&G Re's holding company, Mercantile & General U.S. Holdings Inc., will be made around May 15.

Briefly noted

Shell Oil Co. has been denied a new trial to determine responsibility for the pollution at the Rocky Mountain Arsenal near Denver. A jury found Shell responsible for the pollution, and Shell therefore is not entitled to any insurance to cover pollution cleanup costs (*BI*, Dec. 26, 1988). Houston-based Shell says it will appeal to a higher court. . . .Staffers on congressional tax committees, at the request of House Ways and Means Committee Chairman Rep. Daniel Rostenkowski, D-Ill., are drafting **legislation to overhaul Section 89**'s non-discrimination rules for welfare plans. The measure could be unveiled next week, benefit lobbyists say. . . .The **Manville Property Damage Trust** says it will not challenge more than 90% of the 10,523 asbestos property damage claims that have been filed. The trust has received $137.6 million under the Manville Corp. reorganization plan to pay claims and expects to receive another $170 million through insurance settlements by 1992. The trust will begin processing claims in May. . . .A federal judge has adopted virtually all of a federal magistrate's recommendations in upholding the grounds of a lawsuit filed by **Prudential Insurance Co. of America** against asbestos producers for the costs of removing the deadly substance from its Prudential Center in Boston. The federal judge also agreed to dismiss Armstrong World Industries Inc. from the lawsuit (*BI*, Jan. 9). . . .A hearing to decide whether **Fireman's Fund Insurance Cos.** will be allowed to reenter the Massachusetts insurance market has been postponed until April 11. The Massachusetts Insurance Division filed suit against Fireman's Fund because the insurer has attempted to re-enter that state through its acquisition of Warner Insurance Co. The division argued that re-entry would violate an agreement that allowed the insurer to withdraw from that state in November 1987 (*BI*, March 27; Oct. 17, 1988; Nov. 23, 1987). . . .**Raymark Industries Inc.**'s appeal of an involuntary bankruptcy filing in U.S. Bankruptcy Court in Philadelphia has been continued until April 11 so the court can evaluate about 40 petitions to intervene filed by people who claim they have settled asbestos-related claims with Raymark but have not yet been paid (*BI*, March 20). . . .States cannot tax federal retirees' **pension benefits** if the states exempt state and local governmental retirees' pension benefits from state taxes, the Supreme Court ruled last week.

Oil spill coverage

Continued from previous page

guson, assistant to DEC Commissioner Dennis Kelso.

Among its efforts, the department sent a crew last week to Evans Island to protect the San Juan Hatchery, one of the largest salmon hatcheries in the world, according to Mr. Ferguson.

The DEC was working with other agencies and residents to protect fish hatcheries and shorelines. "With the cooperation of the fishermen, the Coast Guard and Exxon, we have deployed all the equipment we can get our hands on to protect vital resources," Commissioner Kelso said in a statement.

The spill threatens more than fish. It could damage a way of life in communities like Cordova where fishing is "the entire basis of their economy," Mr. Doyle said.

"That's their only reason for being there," he said.

If fishing is curtailed it could mean loss of work from some or all of the 350 seasonal employees at Sea Hawk Seafood, Mrs. Montgomery said. About half of the workers come to Valdez from Alaska bush communities. "This is where they come to make their winter living," she said.

An undetermined number of marine mammals and migratory birds also have been hurt by the spill, said Jon Nelson, deputy assistant regional director of the U.S. Fish and Wildlife Service in Anchorage.

Initial surveys found almost 100 dead birds and several sea lions and seals coated with oil, he said. The toll on wildlife is expected to rise as the oil spreads and more inspections are made, Mr. Nelson said.

Meanwhile, the attorney general's office is "trying to determine whether there is evidence to bring criminal charges," said Mr. Weeks.

When the Exxon Valdez struck the rocks, Third Mate Gregory Cousins, who was not certified by the Coast Guard to pilot the ship through the channel, was in command.

Exxon fired the captain of the Exxon Valdez, Joseph Hazelwood, 42, Thursday after the National Transportation Safety Board announced that Mr. Hazelwood had failed a blood alcohol test taken after the accident.

"We are all extremely disappointed and outraged that an officer in such a critical situation would jeopardize his ship, crew and the environment through such actions. Our policies in this area are quite clear," said Frank Iarossi, president of Exxon Shipping Co.

Mr. Hazelwood's intoxication while in command of the tanker violated company policy on alcohol use, Exxon said.

Alaska law prohibits operating a marine vessel while under the influence of alcohol and governs who may pilot ships in state waters.

Third Mate Cousins passed a blood alcohol test.

Mr. Weeks said he did not know when the state would complete its investigation and decide whether to bring criminal charges. "It's not something we want to rush into," he said.

In addition, Gov. Cowper will seek to fine Exxon about $25 million under the state's oil spill law, the governor's spokesman said. The law allows fines up to $2.50 per barrel of oil spilled.

"Exxon is going to be fined millions of dollars for this. It's due mainly to their own negligence," the governor's spokesman said.

A representative for prominent plaintiffs' attorney Stanley M. Chesley of Waite Schneider Baylers & Chesley Co. in Cincinnati said Mr. Chesley is considering representing plaintiffs in an action against Exxon. ■

Oil spill illustrates risk management flaws

By GLENN HUNTLEY

VALDEZ, Alaska—The grounding of the Exxon Valdez and the oil industry's response to the resulting massive oil spill in Alaska's pristine Prince William Sound is an example of risk management at its worst, according to state and city of Valdez officials.

State officials charge that Exxon Corp. and Alyeska Pipeline Service Co., a consortium of eight companies including Exxon, did not respond promptly to the spill, despite a longstanding disaster response plan.

The Exxon Valdez, a 987-foot tanker owned by Exxon Shipping Co., a subsidiary of New York-based Exxon Corp., was fully loaded with Alaska crude oil and was headed to Long Beach, Calif., when the wreck occurred. About 240,000 barrels of Alaska crude oil, or 10.1 million gallons, spilled into the ecologically rich sound, representing the largest spill ever in the United States.

The vessel was being piloted by a third mate who was not qualified by the U.S. Coast Guard to pilot a ship in the sound. The captain, who was fired by Exxon Corp. last week, was not at the helm when the wreck occurred and was intoxicated according to Coast Guard blood alcohol limits.

Alyeska cleanup crews were supposed to be the first cleanup team on the scene within five hours after the spill under a contingency disaster plan filed with the state.

However, booms used to trap the oil and equipment to remove the oil were not on the scene until far after the five-hour deadline, state officials said.

"They didn't respond for 18 hours," said Terence O'Malley, deputy press secretary to Gov. Steve Cowper.

"They could have boomed off the area and at least contained the oil from spreading so quickly," Mr. O'Malley said.

Mechanical skimmers used to scoop oil out of the water did not arrive on the scene until the next day.

"They really didn't have adequate resources to respond to a spill of this size. Not at all," said Joe Ferguson, assistant to Department of Environmental Conservation Commissioner Dennis Kelso.

Valdez Mayor John Devens said on ABC's "Nightline" March 27 that Alyeska refused the city's offer to stockpile equipment that would be necessary to respond to such a disaster.

An Alyeska official could not be reached for comment about this.

Residents are "very angry" with Exxon for failing to control the situation more quickly, said Lasetta Montgomery, controller for Sea Hawk Seafood Inc., a major fish processor in Valdez.

Removal of the spilled crude oil was "a lost cause," she said. "Now we're looking at tar balls which can't be burned."

"We are unhappy. It was handled very poorly," Ms. Montgomery said.

But an Alyeska spokesman said the company did what it could under some circumstances beyond its control.

For example, the spokesman said Alyeska's delayed response time was caused in part by directions from the Coast Guard to move equipment already loaded on a barge to tug boats.

"We did everything we could, and we responded as fast as we could," the spokesman said.

He disputed contentions that the booms could have controlled the flow of oil from the Exxon Valdez.

"It was not a situation where we could boom off the tanker and accomplish anything. The booms couldn't handle that huge volume of oil," the spokesman said.

After it was decided the boom would not help if strung around the ship, the company deployed a 7,000-foot boom in a line to protect the shore of nearby Bligh Island, he pointed out.

"We were making good decisions," the spokesman asserted.

Exxon would not comment on Alyeska's performance during the early hours or the readiness to respond to the spill.

Exxon took direct command of the cleanup the day after the accident. State officials said the effort improved after that.

The oil company was continuing "to collect and pick up as much oil as possible" even as the slick spread over a 1,000-square-mile area late last week, an Exxon spokesman said.

About 6,000 of the 240,000 barrels spilled had been recovered by late last week, and crews continued to try to burn the oil at some locations, he said.

Although many are speculating the oil cleanup will take many months, "you can only guess at how long it will take," an Exxon spokesman said.

"However long it takes, we're committed to clean up the sound," he said.

Cleanup workers numbered about 300 late last week, and more workers may be added, he said.

Exxon was expected to complete transferring 950,000 barrels of oil that remained on the Exxon Valdez to other tankers, according to the company. ■

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Fifth Hines Symposium views attacks on insurers

CHICAGO—Recent attacks on the property/casualty insurance industry from several fronts will be the topic of the fifth Harold H. Hines Jr. Memorial Symposium.

The annual symposium, which will be held April 25 at the Union League Club in Chicago, is co-sponsored by the Chicago Chapter of the Risk & Insurance Management Society and the Insurance School of Chicago.

The highlight of the symposium will be a panel discussion—"Great Expectations—Can the Insurance Industry Survive Society's Demands?"—that will explore current problems plaguing the property/casulty insurance industry, including movements to repeal or amend the McCarran-Ferguson Act, pending antitrust litigation against insurance industry defendants and the spread of Proposition 103-style legislation to other states.

Panelists will include: Maurice R. Greenberg, president and chief executive officer of American International Group Inc. in New York; New York state Sen. John R. Dunne, R-Garden City, ranking majority member on the New York Legislature's insurance committee; and T. Richard Kennedy, a managing partner with the law firm of Werner, Kennedy & French in New York.

Edwin S. Overman, past president of the American Institute for Property & Liability Underwriters Inc. in Malvern, Pa., will serve as moderator.

"The insurance industry is under more stress today than in its recent history," said Arthur P. Bostwick, risk manager for Stone Container Corp. in Chicago and a member of the committee that coordinated the program.

The panel will discuss the ramifications of efforts in other states to adopt legislation modeled after California's controversial Proposition 103, which, among other things, calls for a 20% rollback of all insurance "charges" to November 1987 levels (*BI*, Nov. 14, 1988). Proposals modeled after Proposition 103 have been circulated in more than a dozen states.

The panel also will discuss recent movements to repeal the McCarran-Ferguson Act, which provides for state regulation of insurance and offers limited exemption from federal antitrust statutes. Panelists also will explore possible consequences of federal regulation of the insurance industry.

In addition, the pending antitrust litigation filed by 19 state attorneys general against numerous insurance industry defendants will be discussed.

The symposium is held annually in memory of Mr. Hines, a 30-year veteran of the insurance industry.

At the time of his death in 1984, Mr. Hines was president and chief executive officer of Chicago-based broker Rollins Burdick Hunter Co.

Previously, he had served as president and vice chairman of broker Marsh & McLennan Inc.

"Harold Hines was probably one of the most innovative and thinking insurance executives in this country," said Mr. Bostwick. "The symposium is a tribute to him because it encourages a dialog" on the issues facing the insurance industry.

There is no charge to attend the April 25 symposium, but space is limited. Invitations can be requested by calling the Insurance School of Chicago at 312-427-2520. ■

'Niche' focus won't solve fundamental problems

By MYRON M. PICOULT

Special to Business Insurance

OVER THE YEARS, WE have seen the property/casualty insurance industry grab on to new nomenclature. Preceding the 1984-85 underwriting debacle, the term "cash-flow underwriting" was rampant. Today, the new boilerplate is "niche or specialty carrier."



Mr. Picoult

Before this is all over, we expect to hear the term "niche multiline carrier."

Almost every insurer is going out of its way to describe its underwriting niches and the development of its specialty lines book of business. When queried about the ability to enter a new line or expand a smaller niche, the response is almost always that there is plenty of room for another player.

This is all well and good, but the fact is that it is the standard commercial lines that are and will likely continue to drag everybody through the mud. In fact, in their zeal to gain entry into or to obtain additional specialty market share from their brethren, some insurers may be compromising both pricing and underwriting standards.

The industry has basically taught many of its clients how to live without standards in recent years due to the volatility of insurance rates and problems with availability. According to some in the industry, 25%-30% of traditional business is now written by captives or other alternative facilities. The volume that has flown to the captive market appears to be permanently "lost" unless perhaps price levels fall materially lower.

In essence, the standard insurers are all chasing a shrinking piece of pie. On one side captives are gaining a larger share of the industry's business and on the other side the direct marketers, such as State Farm Insurance Cos. and Farmers Group Inc., are being increasingly successful at garnering a larger share of the small Main Street commercial risks.

Management emphasis on niches and speciality lines appears to be a combination of attempts to rebuild books of business, shift attention away from the pricing and underwriting difficulties of the standard personal and commercial lines and to enhance overall underwriting profitability.

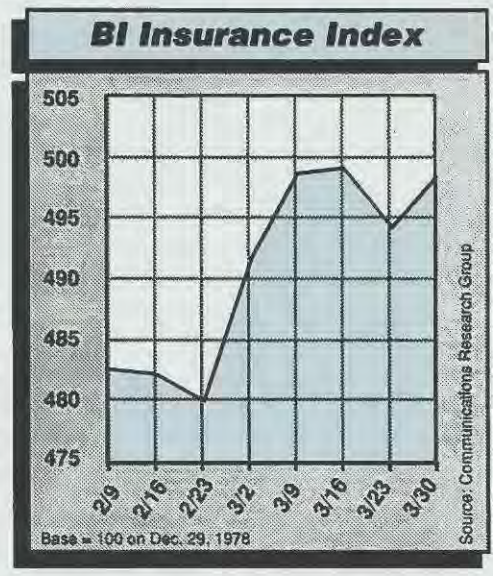
It is somewhat bizarre that most company managements continue to think in terms of increasing their books of business. Shrinkage remains anathema to most managements. The fact is that quasi-permanent capital constraints in the property/casualty insurance business could force volume shrinkage at many firms.

In any case, no group of underwriters can be all things to all people. In most companies, niche and specialty lines volume is still dwarfed by the more standard personal lines and commercial business. Likewise, the purported profitability of these blocks of business is swamped by the red ink from normal operations. Niches and specialties go far beyond the nomenclature. Effective distribution and precise underwriting are critical factors that cannot be ignored.

We believe that primary insurers will go through a period of "re-regulation," which will make it more difficult to obtain rate relief in an adequate amount and in a timely fashion. Hence, insurers that are or become buried will probably find it more difficult to extricate themselves from the rubble. Put another way, cash-flow deficiencies and overcoming the inability to accrete statutory capital at a good pace become more difficult to overcome.

All of the above argues more than ever for emphasis on a strong balance sheet, earnings visibility and real niches.

Myron M. Picoult is senior vp and senior insurance analyst with Oppenheimer & Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts.



Insurance industry stocks climbed last week, as the *Business Insurance Index* rose 4.0 points to 498.6 on Match 30, up from 494.6 on March 23. Advancing issues were led by HMO America Inc., up 56.3%; U.S. Healthcare, up 9.5%; and Pacificare Health Systems, up 4.7%. Declining issues followed Nobel Insurance Ltd., down 33.3%; Maxicare Health Plans, down 26.3%; and American Indemnity Financial Corp., down 5%. The most active issue was Sears, Roebuck & Co. (Allstate), 3 million shares traded. The *BI Index* gained 0.8% for the period; the Dow Jones 30 Industrials rose 1.7%; the Standard & Poor's 500 was up 1.3%; and the New York Stock Exchange Composite grew 1.1%.

British Issues

March 30 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Comml Union	375	13.0	25.3	6.7	378—374
Genl Accident	969	9.0	58.7	6.1	976—968
Gdn Royal Exch	215	11.1	13.3	6.2	216—214
Royal	418	13.0	30.0	7.2	425—417
Sun Alliance	1127	8.6	54.7	4.9	1129-1127
Brokers					
Bradstock	246	13.9	9.0	3.7	246—246
CE Heath	453	14.4	34.5	7.6	456—453
Hogg Robinson	160	14.2	8.7	5.4	162—160
Lloyd Thompson	211	16.2	8.0	3.8	211—210
PWS Holdings	71	19.2	4.6	6.6	73—71
Sedgwick Grp	242	20.0	16.0	6.6	246—242
Steel Brrl Jones	238	20.3	13.3	5.6	238—238
Willis Faber	229	17.0	15.3	6.7	232—229

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

U.S. insurers report 7.4% rise in net income

NEW YORK—U.S. property/casualty insurers reported net aftertax income of $14.8 billion in 1988, up 7.4% from $13.8 billion in 1987, according to the Insurance Services Office and the National Assn. of Independent Insurers.

That compares with a 10.1% decrease in aftertax operating income reported by leading commercial property/casualty insurers surveyed by *Business Insurance* (*BI*, March 20).

The entire property/casualty insurance industry reported a combined ratio of 105.4% for 1988, up from 104.6% in 1987. By comparison, the leading commercial property/casualty insurers surveyed by *Business Insurance* reported a 106.3% combined ratio for 1988, up from 105.1% the previous year.

The entire industry's pretax operating income rose 13.8% to $15.7 billion last year from $13.8 billion in 1987, according to the ISO/NAII survey, which covers 97% of the nation's property/casualty insurance business. Last year's operating income consisted primarily of $27.3 billion in net investment income and a pretax underwriting loss of $11.4 billion.

That $11.4 billion underwriting loss was 15.2% greater than the $9.9 billion pretax underwriting loss reported in 1987.

The $27.3 billion in net investment income in 1988 was a 14.1% gain from $24 billion in investment income the previous year.

The industry's consolidated surplus increased 12% to $116.5 billion at year-end 1988 from $104 billion at Dec. 31, 1987. ■

BI Industry Stock Report

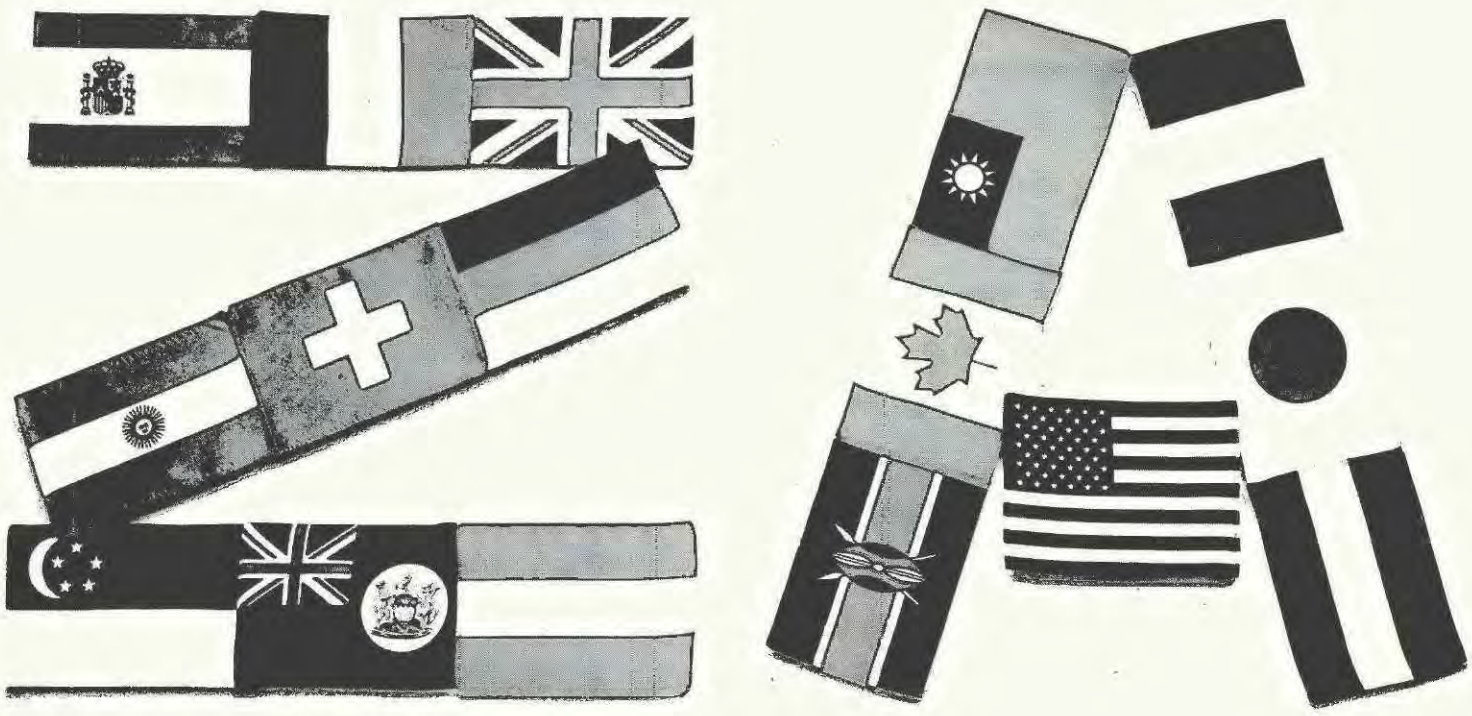
MARCH 30, 1989

3/24/89 THRU 3/30/89

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
BROKERS												
Alexander & Alexander Svcs	NYSE	25 63	4.1	9.1	25.75	22.63	235	1.00	3.9	16.3	3.71	6.91
Corroon & Black Corp.	NYSE	31.38	1.2	0.8	34.50	30.75	118	1.24	4.0	4.6	12.40	2.53
Gallagher Arthur J. & Co.	NYSE	17.63	-2.1	5.3	18.38	16.13	4	0.52	2.9	12.5	5.46	3.23
Hall Frank B. & Co.	NYSE	3.38	-3.4	17.4	4.63	2.50	32	0.00	0.0	-1.9	0.00	N/A
Hilb, Rogal & Hamilton	OTC	14.50	3.6	-4.9	15.75	13.75	1	0.00	0.0	12.6	4.60	3.15
Marsh & McLennan Cos. Inc.	NYSE	60.63	2.3	7.8	60.75	55.13	226	2.50	4.1	14.8	6.48	9.36
Poe & Assoc. Inc.	OTC	8.50	0.0	3.0	8.50	8.25	0	0.40	4.7	9.6	0.27	31.48
BROKERS	AVERAGE		0.8	5.5					2.8	9.7		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W R. Corp.	OTC	29.50	-2.5	0.0	33.25	29.38	200	0.40	1.4	6.3	20.24	1.46
Berkshire Hathaway Inc DEL	NYSE	4920.00	0.2	40.9	5050.00	3567.00	26	0.00	0.0	18.0	2492.68	1.97
ITT (Hartford Group)	NYSE	51.88	1.5	3.5	55.75	49.75	490	1.48	2.9	8.7	52.23	0.99
Sears Roebuck & Co. (Allstate)	NYSE	43.50	2.4	6.4	43.63	40.13	3026	2.00	4.6	18.1	34.74	1.25
CONGLOMERATES	AVERAGE		0.4	12.7					2.2	12.7		
INSURERS/REINSURERS												
Aetna Life & Cas Co.	NYSE	50.13	0.8	6.1	51.38	46.75	432	2.76	5.5	8.6	54.73	0.92
American General Corp	NYSE	33.63	1.9	12.6	34.50	29.50	312	1.50	4.5	9.8	28.04	1.20
Amer Heritage Life Invt	NYSE	27.50	2.8	6.8	27.50	25.00	1	1.08	3.9	11.4	22.47	1.22
Amer Indty Fin'l Corp.	OTC	9.50	-5.0	-9.5	11.25	9.75	1	0.56	5.9	6.2	17.06	0.56
American Int'l Group	NYSE	78.75	2.4	16.2	79.50	66.25	529	0.40	0.5	11.0	33.55	2.35
Aon Corp.	NYSE	29.75	1.7	6.3	29.63	27.00	109	1.40	4.7	9.4	15.13	1.97
Argonaut Group	OTC	51.75	-1.4	18.3	56.00	43.50	23	0.00	0.0	7.7	34.94	1.48
AVEMCO Corp.	NYSE	23.75	0.0	-8.2	26.13	23.63	12	0.40	1.7	11.6	9.20	2.58
Baldwin & Lyons Inc.	OTC	15.75	-1.6	5.8	16.00	14.50	1	0.20	1.3	6.3	17.57	0.90
Belvedere Corp.	AMEX	5.75	2.1	27.8	6.50	4.50	0	0.04	0.7	8.3	8.43	0.68
Chandler Insurance	OTC	9 13	2.8	-1.3	11.25	8.75	9	0.00	0.0	4.4	6.65	1.37
Chubb Corp.	NYSE	67 13	0.9	15.7	67.63	57.63	303	2.32	3.5	7.6	46.13	1.46
CIGNA Corp	NYSE	53 38	1.7	13.3	55.13	45.88	388	2.96	5.5	9.6	51.37	1.04
CNA Fin'l Corp	NYSE	60 63	2.1	0 2	61.38	57.63	122	0.00	0.0	9.6	46.40	1.31
Continental Corp.	NYSE	32.00	0.8	-1 2	36.00	31.50	382	2.60	8.1	15.3	42.10	0.76
Durham Corp.	OTC	32.50	0.0	-1.5	33.75	30.00	1	0.92	2.8	33.9	26.23	1.24
Fireman's Fund Corp.	NYSE	33.38	1.5	14 1	34 25	29.00	45	0.60	1.8	7.1	30.91	1.08
Forum Re (Bermuda)	OTC	1.38	0.0	-15.3	1.75	1.38	1	0.00	0.0	3.8	2.58	0.53
Fremont Gen Corp.	OTC	16 88	0.0	26.2	18.25	12.13	21	0.60	3.6	10.8	16.06	1.05
Frontier Insurance Group	OTC	13 00	0.0	4 0	13 75	12 25	14	0.00	0.0	6 4	7.53	1.73
General Re Corp.	NYSE	65 00	0.8	17 1	66.13	54.38	464	1.36	2.1	12 9	27 10	2.40
Home Group Inc.	NYSE	14 00	0.0	27.3	14 50	11 00	282	0.20	1.4	5 9	18 66	0.75
Hanover Ins Co.	OTC	27.75	1 8	3 7	30 25	26 00	42	0.36	1 3	5.1	31.47	0.88
Harleysville Group Inc.	OTC	21 00	0 6	16 7	21 38	17.75	41	0.48	2 3	7 6	18.24	1.15
Hartford Steam Boiler	OTC	41.38	-0 9	12 6	42 50	34.75	174	1.40	3 4	12 0	13 04	3.17
Kans City Life Ins	OTC	33 50	0.0	-2 9	35 00	32.75	2	0.00	0 0	10 7	39.22	0.85
Kemper Corp.	OTC	32 50	4 0	35 4	32 50	22.75	251	0 84	2 6	9 3	28 91	1.12
Lawrence Ins. Group	AMEX	7.88	1.7	0 0	8 50	7.38	3	0 24	3 0	17.5	2 90	2 72
Liberty Corp. S.C.	NYSE	35.50	0.7	-1.4	38.00	34.75	15	0 80	2 3	13 9	20 76	1.71
Lincoln Nat'l Corp.	NYSE	49.00	0.5	11.4	50.50	42.75	135	2 48	5 1	11 9	37.11	1.32
NAC Re Corp.	OTC	36.50	-0.7	15.0	37.50	31.00	315	0 00	0 0	14 5	22.06	1.65
Navigators Group	OTC	22.50	0.0	12.5	22.50	20.50	1	0 00	0 0	11.2	14 79	1.52
Nobel Ins Ltd.	OTC	2.00	-33.3	-57 9	5.00	2.13	109	0 42	1.0	-7 7	7 76	0 26
Northwestern Nat'l Life	OTC	30.13	-0.8	-3.2	32.00	26.88	233	1.12	3 7	7.5	35.05	0 86
Ohio Cas Corp.	OTC	39.75	0.0	11 2	45.25	35.50	34	2 08	5 2	6 1	33.30	1.19
Old Rep Int'l Corp.	OTC	24.25	-2.5	1 0	28 88	23.75	68	0.74	3 1	12 1	26.50	0 92
Orion Cap Corp.	NYSE	20.63	1.9	34.1	20.88	15.38	18	0.76	3 7	6.9	12 93	1 60
Phoenix Re Corp.	OTC	10.00	0.0	5 3	11.00	9.25	12	0.00	0.0	5.2	12 49	0.80
Protective Life Corp.	OTC	13.38	1.9	1 0	14 50	12 88	119	0 70	5 2	16 3	17 25	0 78
Re Capital Corp.	AMEX	10.00	1.2	9 5	10 88	9 13	2	0.00	0 0	22 2	11 93	0 84
RLI Corp.	NYSE	8.50	-4.3	11.4	9.25	7.50	20	0.36	4.2	7.0	10 71	0.79
Provident Life & Acc Ins Co.	OTC	21.88	0.0	13 7	23.50	19.13	214	0 68	3 1	12 0	21.96	1.00
St. Paul Cos. Inc.	OTC	48.00	-1.0	10 3	48 75	43.00	424	2 20	4 6	6 6	43 47	1 10
SAFECO Corp.	OTC	28.13	1.4	19 0	28 75	23.13	643	1 08	3 8	7 8	24 87	1 13
SCOR US Corp.	NYSE	8.50	3.0	-6 9	9 13	7.50	22	0 20	2 4	6 3	10 35	0 82
Seibels Bruce Group Inc.	OTC	11.75	0.0	3 3	13.00	11.25	17	0 80	6 8	7 5	13 42	0 88
Selective Ins Group Inc.	OTC	23.75	2 2	3 3	24 50	21.75	17	1 24	5 2	5 3	22 33	1 06
Statesman Group Inc.	OTC	3.06	2.0	-2 2	2.00	1.44	50	0 05	1 6	30 6	3 48	0 88
Tokio Marine & Fire Ins	OTC	79.50	2.3	-13 0	95.50	75.75	7	0 22	0 3	48 2	0 00	N/A
Torchmark Corp.	NYSE	32.50	0.8	6 6	33 63	30 00	84	1 20	3 7	10 2	12 24	2 66
Transamerica Corp.	NYSE	33.38	-0.4	-1.5	35 38	32.75	121	1 88	5 6	7 8	27 36	1 22
Travelers Corp.	NYSE	38 88	1 3	11 9	39 38	34 50	261	2 40	6 2	9 4	45 28	0 86
Trenwick Group Inc.	OTC	14.00	1.8	-3 4	15 25	13.75	1	0.24	1.7	8.7	16 91	0 83
United Fire & Cas Co.	OTC	29.00	-1.7	-4.9	30 75	29.00	0	1 08	3 7	5 1	22 56	1 29
United States Fid & Gty	NYSE	31.38	-0.8	10 1	32.88	28.50	224	2 80	8 9	8 8	22 15	1 42
UNUM Corp.	NYSE	30.75	2.5	13 9	31 13	26.63	209	0 48	1 6	10 8	30 64	1 00
USLIFE Corp.	NYSE	40.38	2 9	15 8	40 13	34 13	183	1 36	3 4	10 6	46 77	0 86
Washington Nat'l Corp.	NYSE	27.00	0.0	0 0	27 50	25 25	12	1 08	4 0	-19 3	32 33	0 84
Zenith Nat'l Ins Corp.	NYSE	18.00	0.0	2 9	19.00	16.75	24	0 80	4 4	8 5	13 61	1 32
INSURERS/REINSURERS	AVERAGE		0.0	6 4					3 3	10 0		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International Corp.	OTC	21 88	1 8	80 4	24 88	11 75	70	0 00	0 0	12 0	3 54	6 18
HMO America Inc.	OTC	2 25	56 3	139 4	0 91	0 47	129	0 00	0 0	-3 6	1 12	2 01
Maxicare Health Plans	OTC	0 28	-26 3	-62 7	0 81	0 13	484	0 00	0 0	0 0	0 00	N/A
Pacificare Health Systems	OTC	22 50	4 7	83 7	23 50	12 25	18	0 00	0 0	18 0	6 35	3 54
Safeguard Health Ent.	OTC	5 38	2 5	-2 2	8 25	4 00	11	0 00	0 0	10 8	2 96	1 82
Sierra Health Services	AMEX	2 25	0 0	38 0	2 63	1 50	29	0 00	0 0	17 3	1 59	1 42
United Health Services	OTC	7 00	3 7	55 6	3 88	2 06	344	0 00	0 0	3 1	2 59	2 70
United Medical Corp.	AMEX	6 00	0 0	14 3	6 75	5 13	9	0 00	0 0	11 8	4 11	1 46
U.S. Healthcare	OTC	10 00	9 5	72 1	4 94	2 63	1789	0 20	2 0	83 3	2 87	3 48
Western Health Plans Inc.	AMEX	0 81	0 0	17 4	1 13	0 50	3	0 00	0 0	-0 4	0 82	0 99
HMOs	AVERAGE			5 2	43 6				0 2	15 2		
ALL COMPANIES	AVERAGE			0 8	11 3				2 8	10 8		

System design: Communications Research Group

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