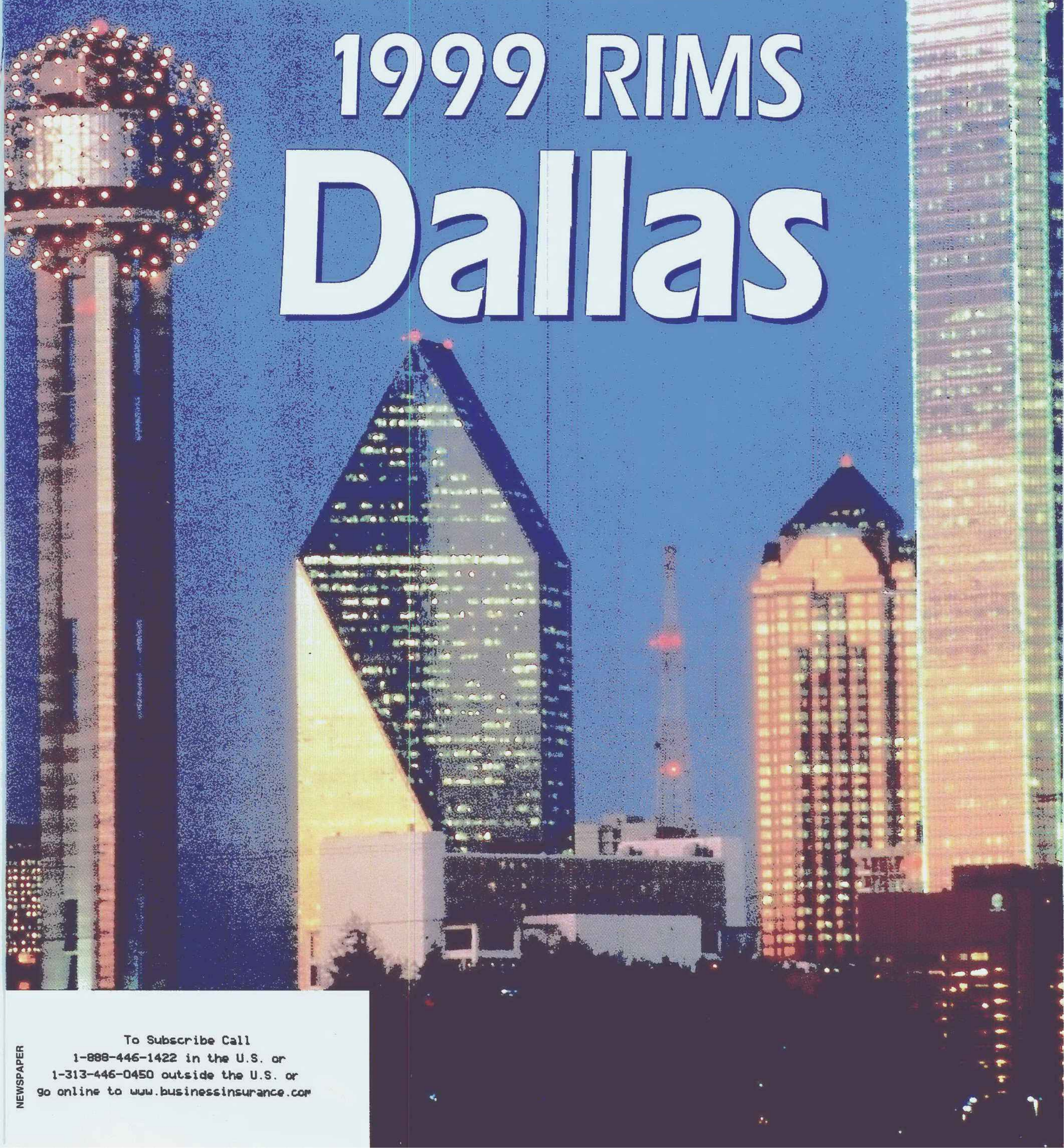
APRIL 5, 1999

Business Insurance®

conference preview inside

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

1999 RIMS Dallas



APRIL 5, 1999

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Updates

Deal to propel Hilb, Rogal upward in rankings of brokers

GLEN ALLEN, Va.—Hilb, Rogal & Hamilton Co. might break into the ranks of the world's 10 largest insurance brokers this year with its acquisition of American Phoenix Corp., the property/casualty brokerage subsidiary of Phoenix Home Life Mutual Insurance Co.

Glen Allen, Va.-based HRH signed a definitive agreement last week to acquire the Hartford, Conn.-based American Phoenix. The cash and stock deal is valued at between $96 million and $100 million.

See **Updates** *on next page*

Odyssey Re files civil suit against broker

By DOUGLAS McLEOD

NEW YORK—Turmoil in the workers ompensation reinsurance market may be preading as a London reinsurer charges hat a group of managing general agents nd brokers fraudulently used it as a dumpng ground for loss-plagued workers comp einsurance business.

Only weeks after the breakdown of the uge Unicover Managers Inc. reinsurance ool, Odyssey Re (London) Ltd. has filed a ivil racketeering lawsuit in a U.S. court harging that one of its own MGAs and ermuda-based broker Stirling Cooke rown Holdings Ltd. victimized it in a sees of reinsurance placements, including eals that originated with Unicover.

According to the suit, units of Stirling Cooke and several MGAs engineered reinsurance placements to be relatively profitable for ceding companies but disastrous for Odyssey Re, generating loss ratios as high as 1,118%.

The defendants also arranged Odyssey Re's own retrocessional protections in a way that will cause losses to spiral through several retrocessionaires and back to Odyssey itself, the suit charges.

Along the way, the suit alleges, Stirling Cooke and the other defendants stripped off fees and commissions totaling "well in excess" of $15 million. Odyssey Re, meanwhile, has been left with more than $35 million in losses, the reinsurer says.

The suit, filed last week in U.S. District Court in New York, names:

• Stirling Cooke Brown Holdings and several of its units, including Stirling Cooke Brown Insurance Brokers Ltd.; Stirling Cooke Brown Reinsurance Brokers Ltd.; Stirling Cooke North American Holding Ltd.; Stirling Cooke Brown North American Reinsurance Intermediaries Inc.; and Raydon Underwriting Management Co. Ltd.

• Nicholas Brown, a Stirling Cooke founder, major shareholder and managing director of its London brokerage units.

• Euro International Management Ltd., a London-based MGA for Odyssey Re; Euro International owner John H. Whitcombe; and Christopher R. Henton, an MGA employee.

• Centaur Underwriting Management Ltd., a Bermuda-based MGA for Phoenix Home Life Mutual Insurance Co. and Sun Life Assurance Co. of Canada. Along with its role in the Odyssey Re deals, Centaur also bound Phoenix Home and Sun Life as reinsurers on the Unicover program.

• WEB Management L.L.C., a Bloomfield, Conn.-based MGA for several U.S. insurers.

• JEH Re Underwriting Management (Bermuda) Ltd., an affiliate of James E. Hackett Reinsurance Corp. of Milford, Conn.; and Reginald Billyard, president of the Bermuda company. JEH Re, an MGA for John Hancock Mutual Life Insurance Co., is owned by Mr. Hackett, Mr. Billyard and a unit of Stirling Cooke, the suit says.

Kevin Salter, a lawyer representing the Stirling Cooke entities, Euro International and WEB, said he was still reviewing the complaint and could not comment. Mr. Salter is with Querrey & Harrow Ltd. in New York.

George Jones, Stirling Cooke's chief

See **Lawsuit** *on page 30*

Legislator pushing Arizona to be top captive domicile

By ROBERTO CENICEROS

PHOENIX—An Arizona legislator wants to make is state a captive insurance domicile that would ave instant bragging rights as home to more capves than any other domestic domicile.

Rep. Ted Carpenter, R-Phoenix, is proposing that rizona adopt legislation that would allow the forlation of captive insurers while also converting bout 400 existing credit life and disability reinsurs in the state to captive status.

Vermont, which currently is the largest onshore omicile, had 334 captives at year-end.

A captive insurance bill introduced by Rep. Carenter recently died in the Legislature, but the firstrm representative hopes to reintroduce the proposl as a means of boosting the Phoenix economy.

Since 1977, Arizona has allowed companies to set up facilities that 100% reinsure fronted credit life and disability risks. Many automobile dealers and some managed care companies have created such facilities, which are similar to captive insurers.

"The reality is, Arizona has been doing it since the 1970s; they just really never marketed themselves to the captive industry, even though this is very well suited to a number of (potential Arizona) captives," said Marc J. LaPointe, managing director for Aon Insurance Managers in Phoenix.

But alternative market experts outside the state say Arizona would have a tough time distinguishing itself from other states struggling to reap premium taxes and other economic benefits from captive insurance.

They point to states such as New York and Delaware that have found it difficult to encourage

See **Arizona** *on page 6*

Ban sends insurers into orbit

Satellite restrictions may ground coverage, some fear

By EDWIN UNSWORTH

FLORENCE, Italy—In an action hat satellite insurers say could hreaten the availability of some overages, U.S. officials in February placed their first-ever ban on a commercial satellite export order.

The ban on the order came just ahead of the publication March 22 of State Department final rules amending the U.S. International Traffic in Arms Regulations.

The ITAR amendments—which implement the Strom Thurmond National Defense Authorization Act of 1999—mandate that every U.S.-built communications satellite, other than those manufactured for the international space station, have an export license, on the grounds that satellites contain information and technology sensitive to U.S. security. The amendments also require mandatory licenses or authorization for the export of technical data to insurance providers and underwriters.

The 10th biennial conference on space, hosted by Italian insurer Assicurazioni Generali S.p.A. in Florence, Italy, late last month, was the first major gathering of members of the space industry and their insurers since this change. At the conference, numerous delegates expressed misgivings about the new requirements.

Although insurers fear the implications of the regulations, it became clear in speeches and question-and-answer sessions at the conference that no insurer has a clear intention to quit this sector of the market.

One of the strongest criticisms of the U.S. regulations came from Simon Clapham, managing director of the Marham Space Consortium in London. Mr. Clapham maintained that the regulations will preclude policyholders, especially in the United States, from taking advantage of today's high-

See **Satellites** *on page 10*

Kemper transaction may drive more cat bonds onshore

By MEG FLETCHER

CHICAGO—A precedent-setting, onshore sale of catastrophe securities may pave the way for future deals using U.S.-based facilities.

The structure of the offering not only will appeal to a broader range of U.S. insurers seeking to transfer risk to the capital markets but also is designed to be more attractive to investors than previous offshore transactions, observers say.

Under the transaction, unveiled last month, Kemper Insurance Cos. arranged $100 million of multiyear reinsurance protection for its Midwest earthquake exposures through the placement of insurance-linked securities by affiliated special-purpose reinsurers in the United States (*BI*, March 29).

The transaction involved two Aon Capital Markets director who executes and distributes the company's insurance-linked transactions.syndicates on the Chicago-based INEX Insurance Exchange, as well as a new Delaware company that actually oversaw the private placement. The offering was structured as 80% floating rate notes and 20% common stock, which tax experts say limits investors' liability for U.S. taxes.

"This groundbreaking insurance-linked securities offering provides an innovative structure that expands the capabilities of U.S.-based issuers to more efficiently transfer risk to a broader group of institutional investors," Kevin Callahan, chairman of Aon Capital Markets, the investment banking affiliate of Aon Corp., said in a statement. Chicago-based Aon Capital Markets structured, underwrote and distributed the offering.

The oversubscribed Kemper offering "broadens the potential class of investors, because certain investors are either prohibited or choose not to invest in non-U.S. investments," said Alan Levin, managing director of Insurance Rating Services for Standard & Poor's Corp. in New York. S&P assigned a BB+ rating to the notes.

The successful offering also broadens the potential group of insurers that can securitize their cat risks to include "a significant universe" of companies—including mutual insurers as well as regional and small insurers—that would find it "very difficult to get approvals to participate in offshore securitizations," from their boards of directors, said William Hickey, Kemper's senior vp and director of corporate development. The lead insurer of Kemper Insurance Cos. is Lumbermens Mutual Casualty Co.

In addition to being the first onshore securitization, the trans-

See **Deal** *on page 29*

Updates

HRH to buy American Phoenix

Continued from previous page

As a combined company, HRH and American Phoenix would have $254 million in pro-forma 1998 gross revenues. If the revenues for the top 10 brokers remain similar to last year, this would allow HRH to overcome the $244 million barrier set by number 10 in *Business Insurance*'s 1998 worldwide broker rankings (*BI*, July 20, 1998).

Andrew L. Rogal, president and chief executive officer of HRH, said the two brokers complement each other's middle-market customer focus.

"We also get a new strategic partner in Phoenix Home, which will expand our product offerings," Mr. Rogal said.

Upon completion of the transaction, HRH and Phoenix Home Life will enter into a strategic marketing relationship under which HRH will distribute selected Phoenix Home financial products, including individual life, annuity and group products.

Under the agreement's terms, HRH will exchange approximately $49 million in cash, $32 million of convertible notes and 1 million shares of common stock for all of American Phoenix's outstanding stock.

After the deal, American Phoenix will become approximately a 16% shareholder of HRH. Subsequent to the transaction, HRH plans to increase its board of directors by four to 13.

Martin L. Vaughan, American Phoenix's president and CEO, will join HRH as chief operating officer as well as a member of the board.

Judge OKs award against Aetna

SAN BERNARDINO, Calif.—Aetna Inc. is considering its options following a California judge's decision to leave intact the largest damages award—$120.5 million—ever returned against a health maintenance organization.

The case, *Teresa Goodrich vs. Aetna U.S. Healthcare of California Inc.*, stemmed from Aetna U.S. Healthcare Inc.'s refusal to pay for out-of-network cancer treatment for David Goodrich, who suffered from a rare form of stomach cancer (*BI*, Feb. 1).

The refusal came despite the fact that one of the plan's own physicians recommended the treatment. Mr. Goodrich died in 1995, and his widow sued Aetna a year later. A jury in January awarded her $120.5 million, $116 million of which was in punitive damages.

Aetna moved for a new trial, arguing, among other things, that the award was excessive.

But in his March 29 ruling, San Bernardino County Superior Court Judge Christopher Warner wrote that "while this court views the award of damages for wrongful death as being high, the court cannot say that the award is excessive."

A spokeswoman for the parent of Aetna U.S. Healthcare Inc., Aetna Inc. of Hartford, Conn., said, "We are considering all options; that would include a potential appeal."

Ms. Goodrich was allowed to sue the plan because the pre-emption under the Employee Retirement Income Security Act does not apply to government employees; Mr. Goodrich was a government employee.

Texas work comp rates down

AUSTIN, Texas—Some Texas employers are getting a break on workers compensation insurance rates.

Workers comp insurers in the state have cut filed rates by an average of 10.5% this year in response to new base rates issued by the Texas Department of Insurance.

In Texas, workers comp insurers set their own rates based on the rates issued by the Insurance Department for each of 350 job classifications.

The Department revised the rates last year for policies written or renewed after Jan. 1, 1999.

"Workers compensation claims costs have dropped substantially because of major reform laws that took effect in 1991," Texas Insurance Commissioner Jose Montemayor said in a written statement announcing the revised rates. "It's important to look at the losses for the various kinds of employment and adjust base rates accordingly. When claims drop, it is only fair to give employers a break on their workers compensation costs."

While some employers may see increases in their premiums, others could get reductions substantially greater than the 10.5% average, according to the Insurance Department.

Job classifications and factors such as accident experience affect premium amounts.

$80 million awarded in tobacco suit

PORTLAND, Ore.—Philip Morris Cos. will appeal an $80 million award to the family of a man who died of lung cancer after decades of smoking.

The state court jury in Portland, Ore., awarded $1.6 million in compensatory damages and $79.5 million in punitive damages to the family of Jesse Williams, a janitor who died in 1997. The compensatory award was then reduced to $521,480 because of statutory caps on such awards.

Mr. Williams began smoking at age 21 and died two years ago at 67.

The gap between the amounts of the compensatory and punitive awards appears to indicate the jury made an "emotional decision," John J. Mulderig, associate general counsel for Philip Morris, said in a written statement.

"Lawsuits like this should be decided on properly presented evi-

See **Updates** *on page 30*

House OSHA critic aims for targeted reforms

By MARK A. HOFMANN

WASHINGTON—Rep. Cass Ballenger, R-N.C., plans to pursue incremental reform of the Occupational Safety and Health Administration by introducing five targeted OSHA bills after Congress returns from its current recess.

By using this strategy, Rep. Ballenger—a longtime OSHA critic who chairs the House Education and the Workforce's Subcommittee on Workforce Protections—will be following the same course that brought him some limited victories on the issue in the previous Congress.

Rep. Ballenger in 1997 abandoned a goal of broad-based OSHA reform in favor of a series of more targeted reform bills. President Clinton in 1998 signed into law two of those bills—one of which prohibited OSHA from setting inspection or citation quotas for its inspectors and the oth which codified the popular con pliance assistance initiative.

A key staffer for Rep. Balleng said that the lawmaker intends introduce his quintet of refor bills soon, probably this montl The proposed bills are still on th drafting board. Rep. Ballenger office did, however, provide sun maries of each measure.

One of the more important bi from a risk management stanc point would provide protectic for employers that conduct sel audits to uncover hazards in th workplace. The summary of th

See **OSHA** *on page 2*

Buyers, sellers pushing innovation

Seeking more alternatives

By RODD ZOLKOS

CHICAGO—Although the traditional insurance market is awash in capital and marked by competitive pricing, the development of alternative risk financing tools still is being strongly pushed both by insurance buyers and sellers.

"What started as a real traditional response in the 1980s to a hardening market has developed as a real strategic response in the 1990s to the goal of managing risk," said Tobey J. Russ, president of the Risk Finance Division of American International Group Inc. in New York.

Mr. Russ was one of several participants on a panel discussing the development of strategic products for balance sheet protection at this year's Marsh Inc. Annual Review and Forecast Seminar last week in Chicago.

Joseph C. Peiser, senior vp with Marsh Global Broking (Bermuda) Ltd. in Hamilton, Bermuda, noted that the development of new risk financing products is "being driven both on the demand side and on the supply side."

On the demand side, he said, the search for products offering balance sheet protection is bein prompted by the effect of volatil ty on companies' stock value, th increasing magnitude and con plexity of risks facing many con panies, and a drive for increase financial efficiency.

Meanwhile, on the supply sid the move to offer enterprise ris financing is being pushed by th overabundance of capital in th insurance market and the fa that competition among insure promotes innovation, Mr. Peise said.

Other supply side factors ir

See **Forecast** *on page 2*

Policy covers cleanup: Court

By GAVIN SOUTER

CHICAGO—A first-party property insurance policy for a school board should cover asbestos removal costs, the Illinois Court of Appeals has ruled.

The appeals court ruling overturns a trial court ruling in favor of the insurer in the case, in which the school board is seeking $18 million in remediation costs.

The decision follows a precedent set by the Illinois Supreme Court and marks another victory for policyholders in asbestos-re-

See **Asbestos** *on page 4*

CBS offering cash balance

Stock options also offered now

By JERRY GEISEL and MARK A. HOFMANN

NEW YORK—CBS Corp. is offering employees a new stock option and a cash balance plan while retaining its traditional defined benefit plan for older, longer-service employees.

Meanwhile, Citigroup Inc. will switch next year to a cash balance plan.

CBS benefit executives say the stock option plan gives employees the opportunity to reap rich benefits, provided CBS prospers and its stock price rises significantly, which it has in recent years.

"If the company does well, employees will share in that," said Tony Ambrosio, vp-benefits with New York-based CBS.

At the same time, the new cash balance plan will provide CBS employees with a portable retirement benefit that is easy to understand, he said.

"Employees can better understand their benefits and how those benefits are growing. That was the principal appeal of a cash balance plan," Mr. Ambrosio said.

Under the stock plan, employ-

See **Plans** *on page 6*

Inside

• Despite the current robust financial health of the Pension Benefit Guaranty Corp., this is no time to cut PBGC premiums, this week's editorial says. **PAGE 8**

• Leading reinsurance and insurance companies and the world's largest brokers are forming a single global electronic network. **PAGE 26**

Departments

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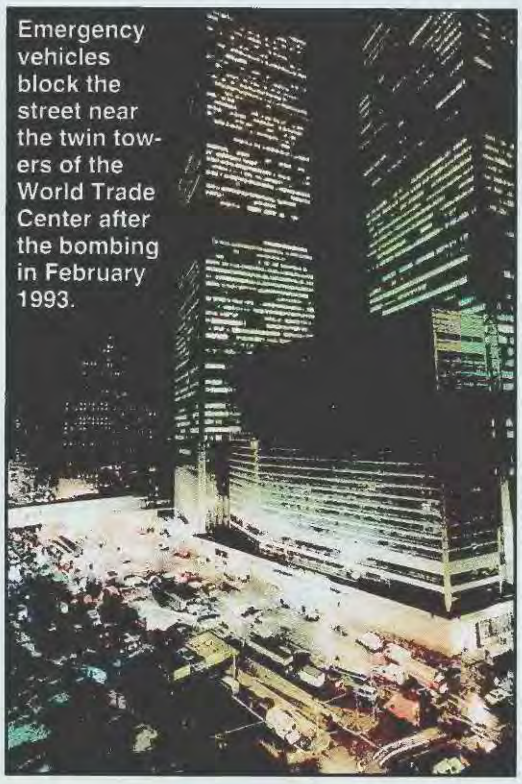
Key lesson from bombing: Importance of planning



Emergency vehicles block the street near the twin towers of the World Trade Center after the bombing in February 1993.

By GAVIN SOUTER

NEW YORK—Six years after the terrorist bombing of the World Trade Center in New York, there are still plenty of lessons to be learned from the disaster, a risk manager says.

The speedy restoration of many of the World Trade Center operations after the bombing was achieved by careful crisis planning prior to the bombing, says Barry H. Glick, manager-risk financing division, treasury department at the Port Authority of New York & New Jersey, which owns and is based within the complex. Mr. Glick spoke at a meeting of the Conference of Special Risk Underwriters last week.

The basic structure of that crisis plan still holds well as a model today, though a few modifications were made due to lessons learned at the time, said Mr. Glick, who stressed the importance of risk managers developing a crisis plan.

Insurers also can use the experience of bombing-related claims to learn how to more effectively underwrite business interruption exposures, he said.

The terrorist bombing of the World Trade Center shook New York City at 12:18 p.m. on Friday, Feb. 26, 1993. The blast killed six people and injured about 1,000 others.

The blast also cut five of the eight main power

See Bombing on page 29

Contamination case settled for $7 million

Deal rendered large jury award moot

By MICHAEL BRADFORD

DALLAS—A Dallas car dealer and a property owner will get $7 million in an environmental damage case that settled just before a jury awarded more than three times that amount.

The jury found that Texas Instruments Inc. had, since the 1940s, negligently allowed chemicals used in manufacturing to migrate from its facility and contaminate soil and ground water at Eagle Lincoln-Mercury Inc. The property, which is next to the plant, is owned by Three Birds Property Co. in Dallas.

The two plaintiffs were awarded $13.3 million in actual damages and $10 million in punitive damages when the state court jury in Dallas decided late last month that Texas Instruments had allowed the chemicals to contaminate the site and then fraudulently concealed the problem.

The award will never be paid, however, because negotiators meeting while jurors were deliberating came up with the $7 million settlement.

Plaintiffs sought damages that included lost profits for the dealership and a decrease in the value of the property owned by Three Birds. The dealership will receive $4.5 million of the settlement; $2.5 million goes to the property owner.

Even though the settlement is far less than the $23.3 million jury award, it spares the plaintiffs the expense of an appeal, said Mark S. Werbner, plaintiffs attorney with Sayles & Lidji P.C. in Dallas. It also means the cleanup can get under way, he noted.

See Settlement on page 32

Policy covers costs of aborted M&A deals

By JOANNE WOJCIK

HOUSTON—When the attempt by a Cooper Industries Inc. unit to acquire a London-based manufacturer was thwarted by a competitor's bid last fall, a new insurance policy helped reduce Cooper Industries' financial loss.

But it wasn't the company's insurance broker that brought the risk transfer mechanism to the attention of Cooper Industries' risk manager. Rather, it was the investment banker who was working on the deal with the company's London-based subsidiary.

And now that the claim has been paid, Cooper Industries' broker, Marsh Inc., is marketing Aborted Bid Costs insurance, or ABC insurance, in the United States. It is also available directly through TOI North America, a London-based managing general agent.

"We were looking to make an acquisition in the U.K.," recalled Robert Teets, vp-environmental affairs and risk management for Houston-based Cooper Industries. "The investment banker that brought us the deal told us about the coverage."

But when Mr. Teets asked brokers at Marsh about the coverage, they were not familiar with it.

After analyzing the coverage, a U.K. product underwritten by Lloyd's of London, Mr. Teets bought a policy. "It's a unique product and very valuable to companies involved in mergers and acquisitions like us," he explained.

And it was a good thing, too, because soon after Cooper U.K. Group P.L.C. made its offer for Thorn Lighting Group P.L.C., both London-based manufacturers of electrical components, another U.K. company, Wassall P.L.C., submitted a competing bid that ultimately was accepted by the acquisition target.

Because Cooper Industries bought the ABC policy, "we were able to recover our transaction costs," Mr. Teets said. "And if you think about all the money that goes into conducting due diligence in connection with an acquisition, that's a sizable sum."

See M&A on page 32

Insurers warn of Oregon rate hikes

Bill targets CGL policies

By SALLY ROBERTS

SALEM, Ore.—A bill introduced last week in Oregon would make it easier for policyholders to recover costs for environmental cleanups under their general liability insurance policies lacking a pollution exclusion.

Although advocates say the measure would expedite cleanup of contaminated sites, insurers say it could increase commercial general liability rates.

S.B. 1205, The Oregon Environmental Cleanup Assistance Act, was introduced in the state Senate Judiciary Committee. The bill, among other things, would require CGL insurers to provide defense costs and coverage for any fees and expenses incurred for a voluntary cleanup, regardless of whether it is a result of a direction or request by the Department of Environmental Quality or other third party—unless the policy expressly excludes pollution. Washington state implemented similar regulations aimed to speed up environmental claim settlements in 1995 (*BI*, April 10, 1995).

John DiLorenzo, an Oregon policyholder attorney and lobbyist who drafted the bill, said many insurers maintain they have no duty to defend and no duty to assist with cleanup costs if a lawsuit has not been filed against the policyholder.

"Insureds should not be prejudiced due to the fact that they cooperate with government authority," said Mr. DiLorenzo, an attorney with the Portland, Ore., law firm of Hagen, Dye, Hirschy & DiLorenzo.

That position from insurers "discourages voluntary compliance and encourages regulatory disobedience," he said. "That is just not a good public policy to pursue."

Mr. DiLorenzo emphasized that S.B. 1205's provisions are intended to apply only when the CGL policy is silent and when a court finds that the policyholder and insurer have no meeting of the minds. So, "if an insurer's policy is clear, these rules of construction will not apply," he said.

S.B. 1205 also would:

- Allow policyholders to provide, by certified mail, only a summary of the actions taken against it by the Department of Environmental Quality or other third parties to satisfy the notice requirements of a general liability policy.
- Provide that the policyholder will satisfy the timely notice requirements of a claim or potential claim

See Cleanup on page 21

Bargaining chips: Settle claims using the Internet

By MICHAEL BRADFORD

NEW YORK—There's a new alternative in alternative dispute resolution.

An Internet claims settlement service called cyber$ettle.com Inc. is taking the posturing out of the process and speeding up the time it takes for policyholders to get paid.

So far, the automated dispute resolution service has been used mostly to settle personal lines claims, but some commercial lines insurers are clearing claims on the Internet site, www.cybersettle.com, and self-insurers and municipalities are also bringing some of their claims there.

The brainchild of a plaintiff's attorney and a defense lawyer, cyber$ettle.com has been available since last August and, as of last week, had handled more than 1,000 claims. The service says about 41% of those cases were settled using cyber$ettle.com for amounts from a few thousand dollars to hundreds of thousands of dollars.

"That's a very exciting figure" that proves cases can be settled quickly when both sides can put their bottom-line figure on the table immediately, said James Burchetta, a plaintiff's attorney who quit practicing law when he developed cyber$ettle.com and became its chairman and co-chief executive officer. Charles Brofman, a former defense attorney, is co-CEO and president.

The system eliminates the traditional posturing that goes on with settlement negotiations as each side tries to determine the other's bottom-line figure, he explained. Furthermore, he said, the system avoids the slowdowns traditionally incurred in settling claims over the telephone and through the mail.

Mr. Burchetta explained that the newest version of cyber$ettle.com, available this month, allows either insurers or claimants to begin the settlement process by entering three rounds of settlement offers at the site. The system considers the three offers from both parties in each round, and if they come within 30% or $5,000 of each other, the difference is split and the claim is considered settled.

When an agreement has been reached, cyber$ettle.com notifies both sides.

"If it doesn't settle, neither side has been damaged," Mr. Burchetta said, because their blind offers are not revealed. He said the secure system means outsiders can't get a look at the numbers.

See Settle on next page

Asbestos

Continued from page 2

lated litigation, said Eugene Anderson, senior partner at Anderson, Kill & Olick P.C. in New York. He represented the school board.

"The most interesting thing to me about the case is that insurers are still battling these cases," he said.

The insurer currently is considering whether to petition for a rehearing at the appeals court, or possibly take the case to the Illinois Supreme Court, said James R. Swinehart, a partner at Clausen, Miller, Gorman, Caffrey & Witous P.C. in Chicago, who represented the insurer.

Insurers have successfully defended claims for asbestos removal under first-party policies in other states, he said.

In *Board of Education of Township High School District No. 211, Cook County, Illinois vs. International Insurance Co.*, the school district sought a reversal of the summary judgment ruling by the trial court.

International Insurance, previously owned by Crum & Forster Holdings Inc., insured the school district from April 1981 to March 1986 under two all-risk policies covering five high schools. International Insurance now is owned by TRG Holding Corp. and is in runoff.

In 1983, friable asbestos—asbestos that can be crumbled by hand—was discovered in three of the schools. The board then incurred about $18 million in cleanup costs over several years.

The board filed a claim with International Insurance, but the claim was denied.

The trial court granted summary judgment for the insurer, finding that the presence of asbestos in the school buildings did not constitute property damage covered by the policies, court papers say.

The appellate court in its ruling cited *United States Fidelity & Guaranty Co. vs. Wilkin Insulation*, a 1991 decision by the Illinois Supreme Court that held that asbestos fiber contamination constitutes physical injury to tangible property, including buildings and their contents.

The Wilkin case concerned a third-party property policy, but the coverage assessment also is valid for the first-party policy in the board's case, the appeals court said.

International Insurance also argued that coverage was not triggered, because no physical loss or damage occurred during the period the policies were in effect, court papers say.

"Here defendant asserts that the use of the asbestos. . .predates the issuance of the policies and that . . .plaintiff cannot claim coverage under the policies. We disagree," the appeals court said.

The defense cited a New Mexico Supreme Court case where the same argument was successful, in which the policyholder sought coverage for the diminution of value of a property prior to a policy taking effect, court papers say.

"In the present case plaintiff seeks coverage for asbestos removal costs allegedly incurred during the policy period," the ruling says.

The trigger period in the board's case begins with the installation of the asbestos and ends when the asbestos is removed, the court said.

Coverage issues with the board's other insurers during the trigger period have been resolved, Mr. Anderson said.

International Insurance also argued that it should not be liable for removal costs after the policies expired.

But the court disagreed. Under the continuous trigger, "defendant is jointly and severally liable to the extent of its policies' limits for the cos of removing the friable, fiber-relea ing asbestos materials present du ing the trigger period," court pape say.

The board now will seek at lea $18 million from International I surance in court, Mr. Anderson sai

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Board of Education of Township High School District No. 211, Cook County, Illinois vs. International In surance Co. No. 1-98-0084. Illinois Court of Appeals, First Division, March 22, 1999.

Settle

Continued from previous page

Insurers pick up most of the tab f the cyber$ettle.com process. There a $25 upload fee and an addition $75 charge when the claimant r sponds. If the claim settles, each si pays $200 from the settleme amount.

The number of cases handled by c ber$ettle.com is expected to sharp increase, Mr. Burchetta noted. T service has 2,000 claims represent tives from several insurance comp nies signed up to use the system.

Budget Rent A Car Corp. is amo the self-insured clients using the se vice, Mr. Burchetta said. A municip authority, The Port Authority of Ne York & New Jersey, also uses the se vice.

Travelers Property Casualty Cor has settled around 10% to 15% of t cases it has posted on cyber$ettle.co and is expanding its use of the site, a cording to Steve Rodriguez, senior v technical services at the Hartfor Conn.-based insurer.

The service works well in singl party cases with attorney represent tion, Mr. Rodgriguez said, and Trave ers has settled commercial lines a personal lines claims at cyber$ettle.

"It's another form of ADR," sa Mr. Rodgriguez. "We've had so success with it and will continue use it."

But Lawrence Postol, an employ attorney with Seyfarth, Shaw, Fai weather & Geraldson in Washingto said cyber$ettle.com's effectivene may be limited to claims with little a torney involvement.

"It may be for claims like car acc dents or where attorneys are deali directly with a claims adjuster," M Postol said. He said he doubts, howe er, that the service would work fo lot of large claims with more attorn involvement.

Mr. Postol, whose clients general are large self-insured employers, sa most of his clients want his involv ment, asking for his settlement advi in writing. "By and large, settleme offers are mailed, faxed" and sent b overnight courier services, he point out, and the process involving lar companies means there has to be "a torney-to-attorney" contact that t Internet can't replace.

Mr. Postol said there still are que tions about security over the Intern "How do you know it's secure a your settlement offers are not know to the world?" he asked.

Mr. Rodriguez said Travele checked the site's security feature and the insurer is satisfied that the i formation is as well-protected as a on the Internet. "We don't see a dow side in that."

And NAC Reinsurance Cor thought the idea was good enough invest in; the Greenwich, Conn., rei surer invested $8.5 million cyber$ettle.com.

NAC Re President and Chief Ope ating Officer Nicholas Brown Jr. sa in a written statement that "cyber$e tle is a great example of how innov tive thinking and new technology c dramatically improve the way bus ness is done in the insurance indu try." B


Scott Wildman
IDM Implementation
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Plans

Continued from page 2

ees each April 1 will receive CBS stock options equal to 10% of pay. The option will give employees the opportunity to purchase CBS stock based on the average share price for April 1. For example, assume an employee earns $80,000. If CBS shares, which trade on the New York Stock Exchange, were $40 on April 1, the employee would have an option to purchase 200 shares, or $8,000 worth.

Employees would have to wait three years before they could first exercise the stock option and would have an additional seven years in which to do so.

Last week, CBS shares were trading at a 52-week high of $41 a share.

While the stock option program will be offered to current and future full-time employees, the cash balance plan will be offered only to younger current employees. New employees will be covered in an existing 401(k) plan, which is offered to all employees.

Employees covered in the cash balance plan will receive an annual credit equal to 2% of pay. For example, if an employee earned $50,000 next year, he would receive a credit in his cash balance plan account of $1,000.

In addition, employees 40 and older will receive additional credits ranging from 0.5% of pay to 6.5% of pay. These additional, or transition, credits are based on age, service and pay and will increase by 10% per year.

For example, if an employee's initial transition credit was set at 4%, the credit would rise to 4.4% the next year. The higher pay-related credits for older employees are designed to compensate for the fact that they will have less time before retirement to earn basic credits in the cash balance plan than younger employees. In addition, younger employees will have more time to earn stock options to supplement their retirement income.

Employees' cash balance accounts will be credited with interest equal to the 30-year U.S. Treasury bond rate of the prior Nov. 1. On Nov. 1, 1998, that rate was 5.25%.

Both current employees who are at least 50 years old and those whose combined age and service total at least 70 can remain in the existing traditional defined benefit plan.

While the cash balance plan will produce lower benefit accruals compared with the existing plan, employees could receive compensation benefits at least equal to what they now get, if not greater, depending on the future performance of CBS stock.

Meanwhile, Citigroup co-chairmen John S. Reed and Sanford I. Weill noted that the move to a cash balance plan reflected the merger between Citicorp and Travelers Insurance Group to create Citigroup last year.

The new plan will cover Citibank's U.S. employees and Citigroup corporate staff, but not overseas employees or Citigroup's Salomon Smith Barney unit. Employees who on Dec. 31, 1999, are at least 45 years old, who have at least five years' service and the sum of whose age and service equals at least 60 years will remain covered by the existing pension plan.

In addition to the cash balance plan, all eligible employees rather than only senior managers will be able to participate in a stock option plan. Employees also will be able to participate in an enhanced 401 (k) plan, a capital accumulation plan and an existing stock purchase plan. BI

Arizona

Continued from page 1

the formation of captives.

Arizona also would face potential competition from a growing number of other states, including Nevada, that are evaluating legislation to create their own captive industries.

Within Arizona, the push to establish a captive domicile has encountered road bumps, and some officials are uncertain how the owners of credit life and disability reinsurers will react to changes in the law.

Rep. Carpenter in February introduced a bill, H.B. 2633, that outlined proposed regulations for the formation of captives.

He later amended his bill so that, rather than creating a law, it would form a nine-member committee to study the adoption of a captive law.

The new version of his bill cleared the House but died in the Senate because of opposition from a senator who dislikes study committees, according to Rep. Carpenter. He plans to revive the legislation, possibly by attaching it to another bill.

Rep Carpenter, who currently is in the first year of his first term, said he is pursuing the captive legislation to boost Phoenix's economy.

Operating captives in Arizona would be a natural industry for the state, as many business people already travel there to conduct conferences and play golf, he said.

Arizona Insurance Commissioner Charles R. Cohen said he had concerns about certain technical and conceptual aspects of the bill.

However, he added that he agrees that Arizona would be suitable for captive insurance facilities.

"Based on what I know about captive insurers, Arizona is a natural environment," he said. "We have a tourism-based economy here and elected officials who have it high on their priorities to attract new business."

Under Rep. Carpenter's legislation, the insurance commissioner would be a member of the captive study committee.

The biggest immediate obstacle to the legislative effort is likely to be ignorance about captives among state lawmakers, Rep. Carpenter said. To educate his colleagues, he has sent them a 14-page pamphlet on captives.

The legislation is backed by a group of businesses that provide services for Arizona's credit life and disability reinsurers, said Mr. LaPointe of Aon.

Credit life and disability insurance typically is offered by car dealerships, and the reinsurers thrive in Arizona because the state exempts them from numerous insurance regulations.

In recent years, managed care organizations have formed reinsurers under the law because in Arizona, disability coverage is broadly defined to include health risks, Mr. LaPointe said. The managed care companies use the reinsurance facility to indemnify losses stemming from health plan members that go out of network for medical care.

Mr. LaPointe noted that a captive law could also enable those managed care companies to self-insure their professional liability risks.

Mr. LaPointe said that if an Arizona captive law emerged that defined as captives the credit life and disability reinsurers, the state would have a competitive marketing advantage just by being able to say it has 400 captives.

But how the law will shape up a[…] whether the credit life and disabili[…] reinsurers will want to participate […] mains to be seen. This could depe[…] on the outcome of other legislati[…] currently being weighed, Commi[…] sioner Cohen said.

This other legislation would furth[…] lighten regulation for reinsurers wr[…] ing credit life and disability covera[…] if they are not affiliated with anoth[…] insurer. With that legislation tailor[…] just for them, they might not want […] subject themselves to broader capti[…] regulations, the commissioner said.

It is difficult for states to spawn […] thriving captive industry, said Ga[…] Osborne, senior vp of USA Ri[…] Group in Montpelier, Vt. To be su[…] cessful, a state needs the supporti[…] infrastructure and market experti[…] They also need to offer something e[…] tirely new, such as Hawaii did in 19[…] when it became the first West Coa[…] domicile and offered California bus[…] nesses an alternative to Vermont.

"They are all thinking this is eas[…] all you have to do is pass a bill," M[…] Osborne said of states wanting to h[…] captives. "Just by putting a law […] your books doesn't make you a dom[…] cile."

Yet Mr. Osborne doesn't want […] discourage Arizona—or any oth[…] state—from hosting captive insure[…] The more competition the better, […] said.

In fact, he supports current legisl[…] tion in Nevada aimed at making th[…] state a captive haven, and he is eag[…] to conduct business there. Nevad[…] more than Arizona or other states, […] likely to allow maximum flexibility […] captive licensing, he said.

Still, Mr. Osborne said he would[…] expect Nevada to emerge as home to […] significant number of captives. BI


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Opinions

Keep the PBGC's cushion

WHEN IS ENOUGH ENOUGH?

That question was raised last year when the Pension Benefit Guaranty Corp. reported that its surplus had grown fourfold from 1996 to 1997, to a record $3.48 billion.

The question is certain to be asked again this year by employers, benefit lobbying organizations and lawmakers after the PBGC reported that its 1998 surplus has topped the $5 billion mark (*BI*, March 29).

The underlying reasons for the federal pension agency's surplus are clear. A healthy economy has meant high investment returns on assets held by the PBGC. The strong economy also has meant a complete absence of terminations of massively underfunded plans and, thus, fewer new losses borne by the PBGC.

Simply put, the PBGC is in its best financial shape ever.

Indeed, its $5 billion surplus is a sea change from just five years ago, when it faced a nearly $3 billion deficit that triggered fears that it would need a bailout by the U.S. Treasury to honor its obligations to pay benefits to workers and retirees in failed pension plans.

The PBGC's financial turnaround is good news for employers with defined benefit plans. As the agency's financial condition deteriorated, the premiums employers pay the PBGC were raised repeatedly—and by substantial amounts. What was once an annual premium of $1 per participant has grown to $19 per participant today. And that is only the base premium, which is assessed on employers with fully funded plans. Employers that maintain poorly funded plans can be liable to pay the PBGC as much as several hundred dollars per year for each participant in their defined benefit plans.

With a $5 billion surplus, there is no question that employers will see no additional increases in the PBGC premium rate for years to come.

However, the PBGC's robust health does not mean those premiums should be cut. While a $5 billion surplus is impressive—especially given the agency's woeful financial condition of just a few years ago—it could easily and quickly disappear if the economy dramatically reverses course.

Even in these flush economic times, there are plenty of financially troubled companies whose big underfunded plans pose a risk to the PBGC. The agency says that these

companies sponsor plans with $15 billion to $17 billion in unfunded liabilities. We'd like to see that exposure much lower—or the PBGC's surplus much higher—before premiums are cut and the agency sees its financial cushion grow thin.

Rather than focus on PBGC premium reductions at this time, a better course of action for lawmakers would be to concentrate on a far more important pension problem: the continuing decline in the number of companies offering defined benefit plans.

Giving employers more incentives to offer defined benefit programs—by legislating such measures as allowing the funding of larger benefits, permitting greater flexibility in plan design, and reducing government red tape wherever possible—would be an important and needed step that lawmakers could and should take to begin to reverse that decline.

Defined benefit pension plans are very much worth saving, as they are the only type of pension plan to promise workers secure lifetime retirement benefits. Having a financially strong PBGC makes that defined benefit plan promise even more secure.

Letters

Courts are the wrong forum for legislation

To the editor: Legislatures legislate and courts interpret the law. This simple idea, taught to all of us in school as the "separation of powers," is a fundamental rule upon which this country's entire system of government relies. I made this point in a Feb. 22 article, "Liability for Guns Unclear," which discussed the recent lawsuits filed by a number of cities against gun manufacturers. I said that broad public policy decisions should be left to legislatures.

Guns are just the issue of the day. Before that, it was tobacco. Future targets could include alcohol, automobiles, or fast food. The target industries may change, but the bedrock "separation of powers" principle should not. There are sound reasons for keeping the functions of the various branches of government separate.

In a March 22 letter to the editor, an individual from California, William E. Murray Jr., responded to my comments by suggesting that the legislative branch of government, both state and federal, was no longer up to the task of deciding broad public policy issues because of "blockage" brought about by the political process. Such situations, he said, make litigation "inevitable."

Mr. Murray pointed to the active role of courts in securing civil rights for citizens, citing the landmark 1954 U.S. Supreme Court decision in *Brown vs. Board of Education of Topeka*. But, the Brown case and others like it involved courts interpreting the United States Constitution. The courts were not acting as substitute regulators in an open field of their own making. The civil rights analogy to recent social policy litigations is not only misplaced, but it trivializes the significance of the decisions that added true meaning to the phrase "equal protection of the laws."

Mark A. Behrens
Washington

Criticism of *BI* called 'ironic'

To the editor: I have just read the letter from Peter Sawyer (*BI*, Feb. 8) regarding HMO rate increases. I confess that we're a bit behind the times out here, but I have never before heard of a price hike referred to as "cost trending." I guess that means that HMO enrollees really won't have to pay more. That having been said, I find it amusing and ironic that Mr. Sawyer accuses *BI* of "[un]realistic reporting."

Len Stillman
Salt Lake City

Letters to the editor

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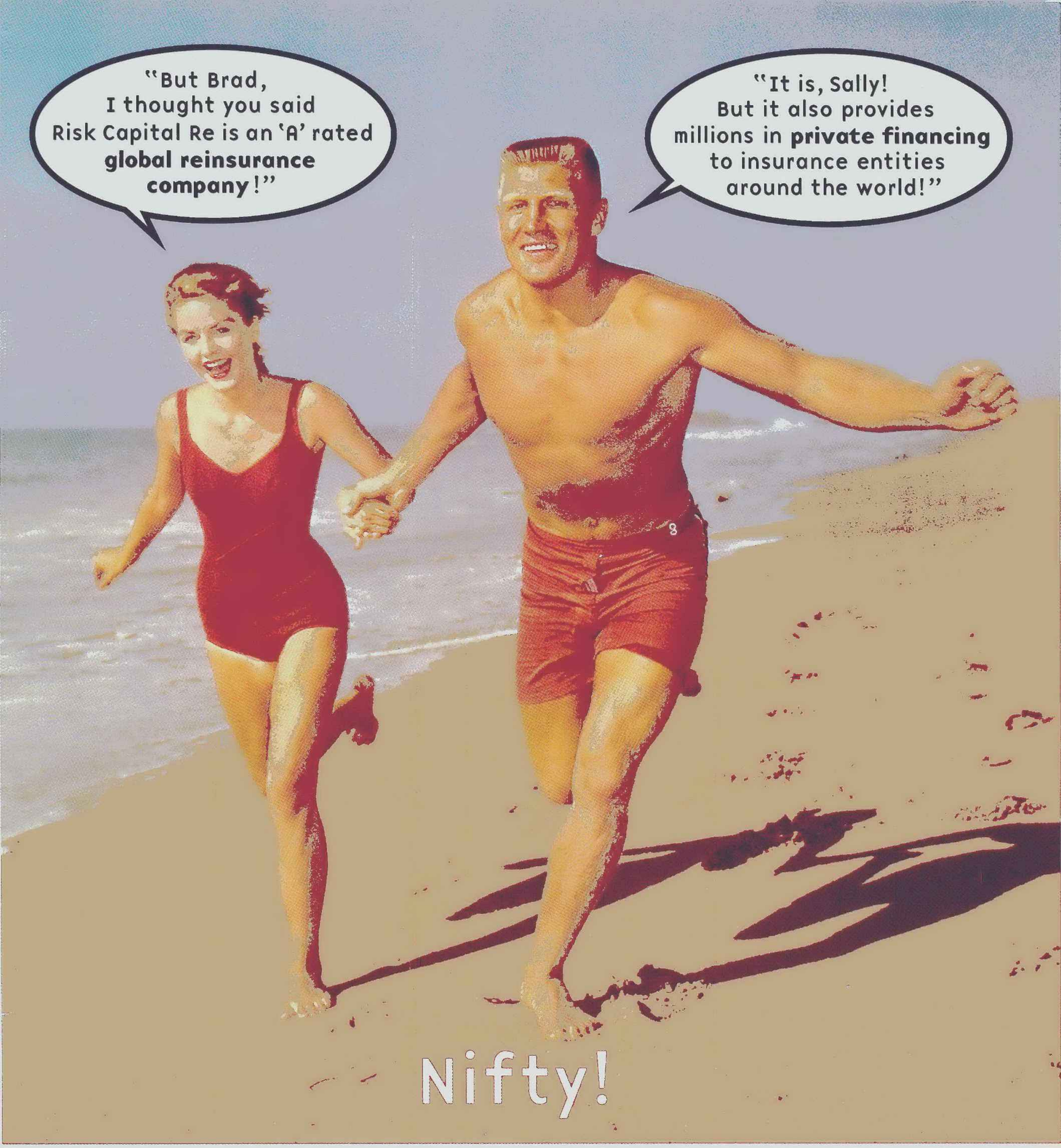

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Satellites

Continued from page 1

ly competitive space insurance market.

He said this is so because the current application of the regulations "inhibits the insured's ability to give us the confidence we need in order to provide insurance at acceptable terms and, if applicable, the ability to meet the market standards required for a proof of loss."

Mr. Clapham said he thinks the U.S. regulations go too far, as the technical details insurers require are only those needed to assess a risk, not to build a satellite.

Dennis Burnett, a partner in the Washington law firm of Pierson & Burnett L.L.P., said the processing of export licenses for satellite manufacturers has "slowed to a trickle" as a result of the new restrictions.

In situations where licenses previously would have been routinely approved, Mr. Burnett said licenses now are being denied on the grounds that satellites contain technology that in the wrong hands could threaten U.S. security.

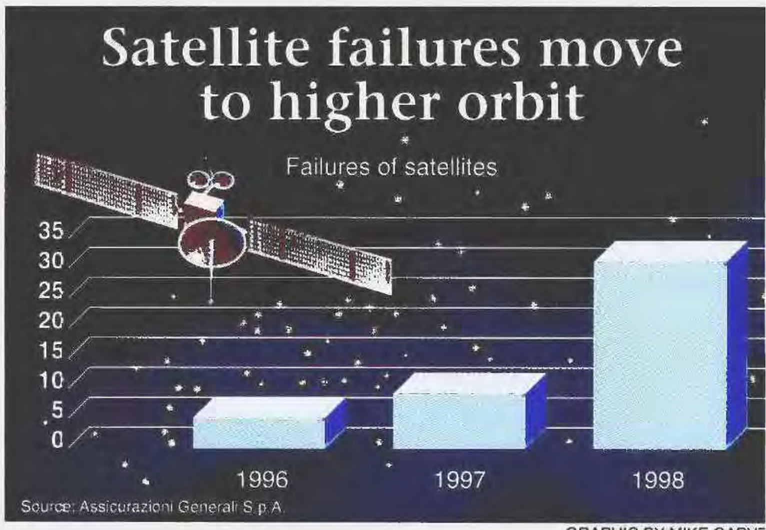
The implications for insurers are worrying, indicated Mr. Burnett. Under the law, a license or U.S. State Department approval is required for:

- U.S. brokers and underwriters to send technical data to non-U.S. underwriters.
- U.S. brokers and underwriters to participate in foreign launch or satellite failure investigations.
- Sharing the results of such investigations with non-U.S. underwriters.
- Claims containing technical data of U.S. origin to be made to non-U.S. underwriters.
- Non-U.S. underwriters who receive technical data to share or discuss it with other underwriters.

These requirements are made worse by the fact that it takes six months for such licenses to be approved by the Office of Defense Trade Controls in the State Department, Mr. Burnett warned.

He called on the satellite insurance industry to find a solution to this problem. Mr. Burnett advised members of the industry that their best hope lies in the U.S. State Department's invitation to hear out interested parties on the regulations. Although the ITAR regulations are in place, the State Department can alter them, if it chooses, without congressional approval.

The licenses denied in February were for two satellites built by Los Angeles-based Hughes Space & Communications International Inc. The satellites were to be launched in China aboard the Long March rocket for Asia Pacific Mobile Telecommunications, a Chinese-based consortium.



GRAPHIC BY MIKE GARVE

Barry Fagan, director of launch services acquisition at Hughes, warned that the restrictions are "a new and potentially serious risk that is proving to be very difficul to manage."

Mr. Fagan added that the regula tions could have a significant effe on global insurers, as "non-U.S underwriters, reinsurers and tech nology consultants may no longe have access to the technical dat they desire."

For Brian Moore, chairman o London-based Marsh Space Pro jects, a unit of Marsh Inc., the U.S measures, "if carried through t their logical conclusion. . .coul have a disastrous effect on the in dustry as a whole."

Peter Jackson, chief executive of ficer of Asia Satellite Telecommu nications Co. Ltd. of Hong Kong also expressed concern that insur ers might not be able get enoug information to underwrite risks However, he indicated an expecta tion that a solution would b found; this is more a short-term than a long-term problem.

Mr. Fagan said one thing Hughe is doing to minimize the problem i to encourage its customers to bu their satellites delivered in orbit He said Hughes often buys insur ance in quantity on a number of i satellites being launched, and s can pass on the savings to cus tomers. This should also enabl them to "avoid the learning curv and the infrastructure costs of con trolling data transfer," he said. BI

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Space insurers finding market is a black hole

Outstanding losses, 'kamikaze insurers' leading to a fiercely competitive state

By EDWIN UNSWORTH

FLORENCE, Italy—It may be "all systems go" for the space industry as the number and sophistication of satellite launches increase, but times are only getting worse for the insurers that help support these developments.

As competition increases and rates tumble, the situation is becoming so desperate for space insurers that they could start withdrawing capacity on a scale that would cause problems for the satellite industry, one insurance expert claimed late last month at the 10th biennial space conference, hosted by Italian insurer Assicurazioni Generali S.p.A.

Benito Pagnanelli, chief executive officer of London-based Generali Global, which encompasses the insurer's space division, said "there has been a great surge of competition in the market due to new, self-styled operators," which he called "kamikaze insurers."

"Should they continue to prevail, I can foresee very negative results for the future," he told some 450 delegates attending the conference.

Other insurers could start to pull out of the market or to reduce their underwriting capacity as early as this year, Mr. Pagnanelli warned.

He backed his claims about the desperate state of the market with figures showing that, in 1998, space insurers paid some $1.4 billion in claims and face another $400 million in outstanding losses for the year. That combined sum is more than twice the $850 million they received in premiums.

Results for the 20-year period ending with 1998 are scarcely any better. Over that period, premiums paid to space insurers totaled $6.5 billion, while claims paid on 150 significant losses totaled $5.6 billion. However, this total will certainly rise because about 15 losses have not yet been paid for, Mr. Pagnanelli said.

There is also significant overcapacity in the space insurance sector. Capacity today amounts to more than $1 billion, while the maximum value insured up to now during a satellite launch phase is slightly more than $500 million, he said.

This is fueling a dangerous level of competition among insurers, Mr. Pagnanelli said. "It is not unusual that, after having signed an insurance contract, the client or his broker asks to renegotiate its terms if, in the meantime, the market conditions are more favorable for them. . . .Regretfully, the same does not happen when market conditions worsen," Mr. Pagnanelli said.

In addition, the competitive space market is taking less care in policy wording, Mr. Pagnanelli noted. He said that, after havin adopted standard policy wording over many years, "lately, polic wordings are less cautious and de tailed and, therefore, can give ris to different interpretations an disputes."

Brian Moore, chairman of Mars Space Projects, a London-base unit of Marsh Inc., said, "We'v been living in a fools' paradise. He said that despite a series of un precedented losses in 1998, ther has been no reduction in under writing capacity, and that an such reduction "is unlikely to tak place when you have so man wanting a share of the risk."

Janet Sadler, senior vp and chie space underwriter for Associate Aviation Underwriters in Londo described 1998 as a "catastrophi year" for space insurers, charac terized by rates dropping to an all time low and relaxed policy word ings and terms. She acknowledge that new operators, such as th company she represents, are par of the problem.

However, Ms. Sadler predicted welcome move by those in th space industry toward "insurers o choice," where both parties bette understand one another and ca adopt practices that better reflec the risk profile.

A number of satellite insuranc buyers confirmed that rates hav fallen dramatically. Greg Gilmore vp-marketing and sales for Inter national Launch Services of Sa Diego, said that today, his compa ny can get launch insurance at un der 5% of the insured value; a fev years ago, it was 15%.

Giovanni Gobbo, manager o Generali's space department, not ed a troubling decline in the relia bility of satellites and satellit launches over the past three year and a corresponding rise in insur ance payouts.

He said the trend—eight satellit losses in 1996, 12 in 1997, and 39 i 1998—"leaves little hope for im provement in the immediate fu ture."

Not only are space insurers get ting poorer returns, but they ar also offering policyholders eve better terms and conditions, sai Mr. Gobbo. He cited as example the use of multiyear policies tha cover launches and a few years o in-orbit life, where an insurer ac tually returns a portion of the pre mium in case of the satellite is los before all the years of the contrac are complete or if no claims ar made; and advance commitment by insurers at fixed condition even before the terms of coverag or technical parameters have bee presented.

Also giving the buyer's point o view, Peter Jackson, chief execu tive officer of Hong Kong-base Asia Satellite Telecommunicatio Co. Ltd., called for insurers "t stop telling me there's to

See **Market** *on page 1*

Market

Continued from page 12

much capacity about."

He maintained that insurers and satellite operators are in the same boat—both facing the same problems in their individual industries of overcapacity and customers prepared to go elsewhere for a better deal. "You've just got to act as a competitive industry and be competitive. . . .Be practical," he concluded.

Satellite operators and insurers are in the same boat—both face problems of overcapacity and customers prepared to go elsewhere for a better deal, says Peter Jackson.

Looking ahead, Mr. Jackson predicted that the time will come when insurers and satellite operators will form closer partnerships to help reconfigure satellites already in space and to rescue lost satellites. However, he said, he was not giving any answers as to how, or even if, the costs of such efforts would be shared.

Ted Ignacy, Gloucester, Ontario-based vp-finance and treasurer for Telesat Canada, expressed a similar view. He said that while his company buys launch and in-orbit insurance, the financial compensation that the coverage provides in the case of a satellite failure is not enough if such a loss causes the company to lose millions of customers, such as wireless telephone users, to competitors.

Mr. Ignacy suggested that insurers, manufacturers, operators and end customers all could contribute to funding and placing in orbit a few small, strategically placed satellites. Then, he said, if an operator suffers a satellite failure, one of these "spare-sats" could be called into use until a replacement is launched. A possible incentive for insurers to contribute is that these satellites could be used to offset either business interruption insurance claims or the expense portion of other claims, Mr. Ignacy said. BI

In-orbit failures top list of challenges

By EDWIN UNSWORTH

FLORENCE, Italy—As the realms of commercial space activities increase, so, too, do the challenges for space insurers.

That was one of the messages for delegates to the 10th biennial conference on space activities, hosted by Italian insurer Assicurazioni Generali S.p.A.

Benito Pagnanelli, chief executive officer of Generali Global, warned that the number of cases of satellites malfunctioning in orbit is increasing "to an incredible extent" (see story, page 12). He placed the greatest blame on the "ruthless commercial competition" amon satellite operators and their exces sive haste to beat the opposition an cut costs. "Checks are much les frequent, and much-cheaper mate rials are used without the necessar preoperational testing," Mr. Pag nanelli said.

Paris-based Arianespace's chair man and CEO, Jean-Marie Lutor expressed similar concerns. He sai that, whereas in 1998 there were 5 satellite launches, by 2008, th number should treble to 150. Wit the combination of advanced tech nology and a supply that is exceed ing demand, prices for satellit users will come down, he said. An falling prices will fuel increase competition among satellite manu facturers and operators, Mr. Luto predicted.

Peter Nesgos, a partner with th New York law firm of Winthro Stimson, Putnam & Roberts, sai that recent experience with satellit in-orbit failures has underscore the importance of clarifying polic wordings and promoting claims set tlement.

Looking at what financiers c space projects would like to se from insurers, Mr. Nesgos sai lenders are particularly concerne about wordings relating to futur

losses and salvage. He suggested in surers make as clear as possible th type of future losses that are intend ed to be covered by launch and in orbit policies. On the issue of sal vage and partial loss, he called fo discussions among policyholders underwriters and brokers on "prepackaged salvage" approac that would allow coverage to remai in place or to be renewed on agree terms if a satellite fails or does nc meet its technical specifications.

Mr. Nesgos also said that, becaus most syndicated loans run for five to 10-year periods, lenders to satel lite projects would like to see insur ance policies of similar duration.

The current buyers' market i space insurance should be used as time to address not only less-chal lenging issues such as endorsement and the duration of coverage bu also to promote innovative ap proaches for claims settlement, sal vage and premium financing, Mr Nesgos suggested.

The insurance industry needs t evolve more rapidly to meet chang ing conditions in the satellite an launch services industries, accord ing to John Dealy, president of Th Dealy Strategy Group L.L.C. c Washington, D.C.

Mr. Dealy, too, called for close integration of financial packages t coordinate equity, debt and insur ance strategies. This coordinatio should include earlier and consis tent integration of the pro

See **Challenges** *on page 1*


what if I want to keep a close eye on costs?
what if we outgrow our plan?
what if paperwork makes me sick?
what if?
what if I need an HMO, PPO, and POS ASAP?
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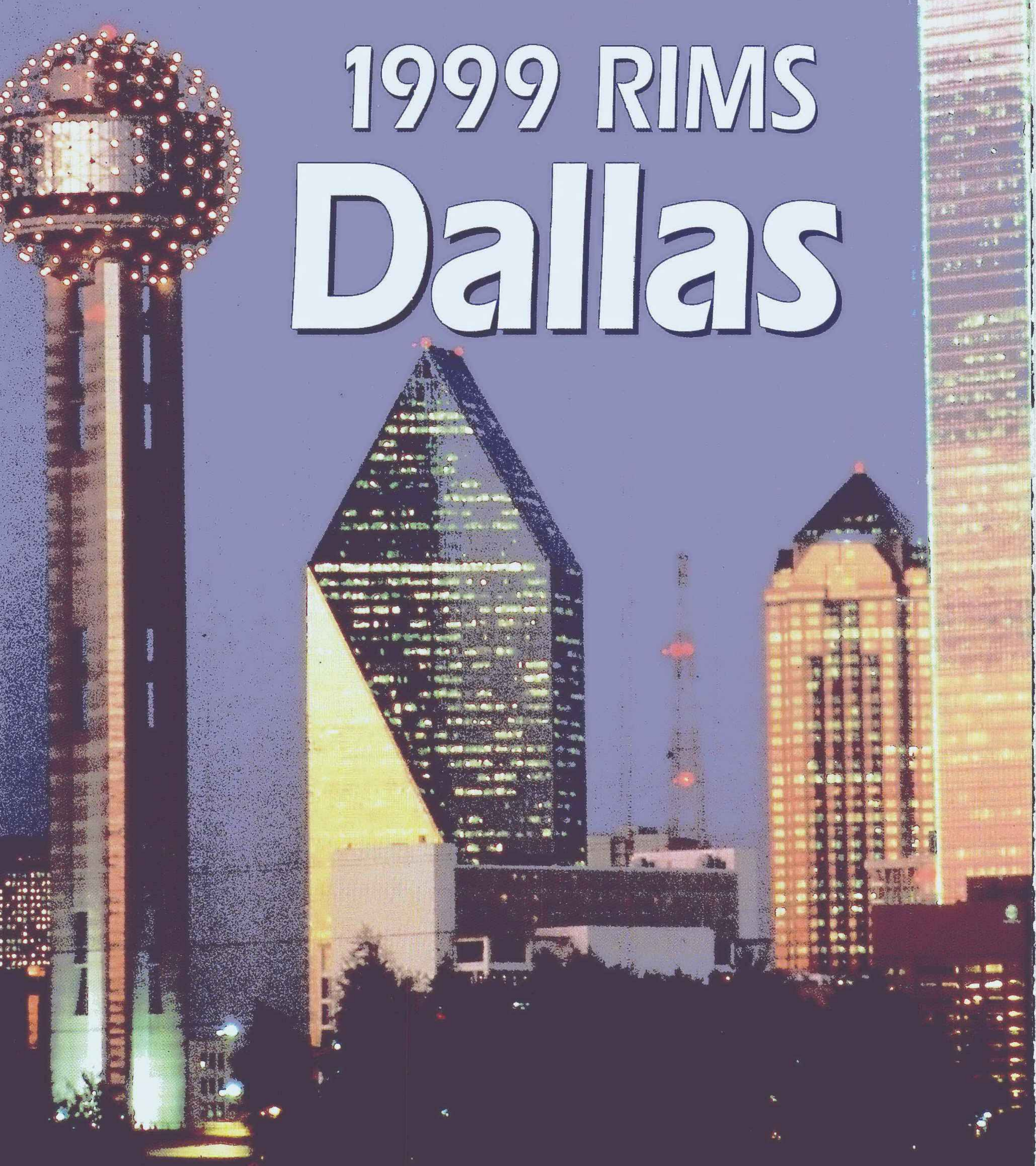

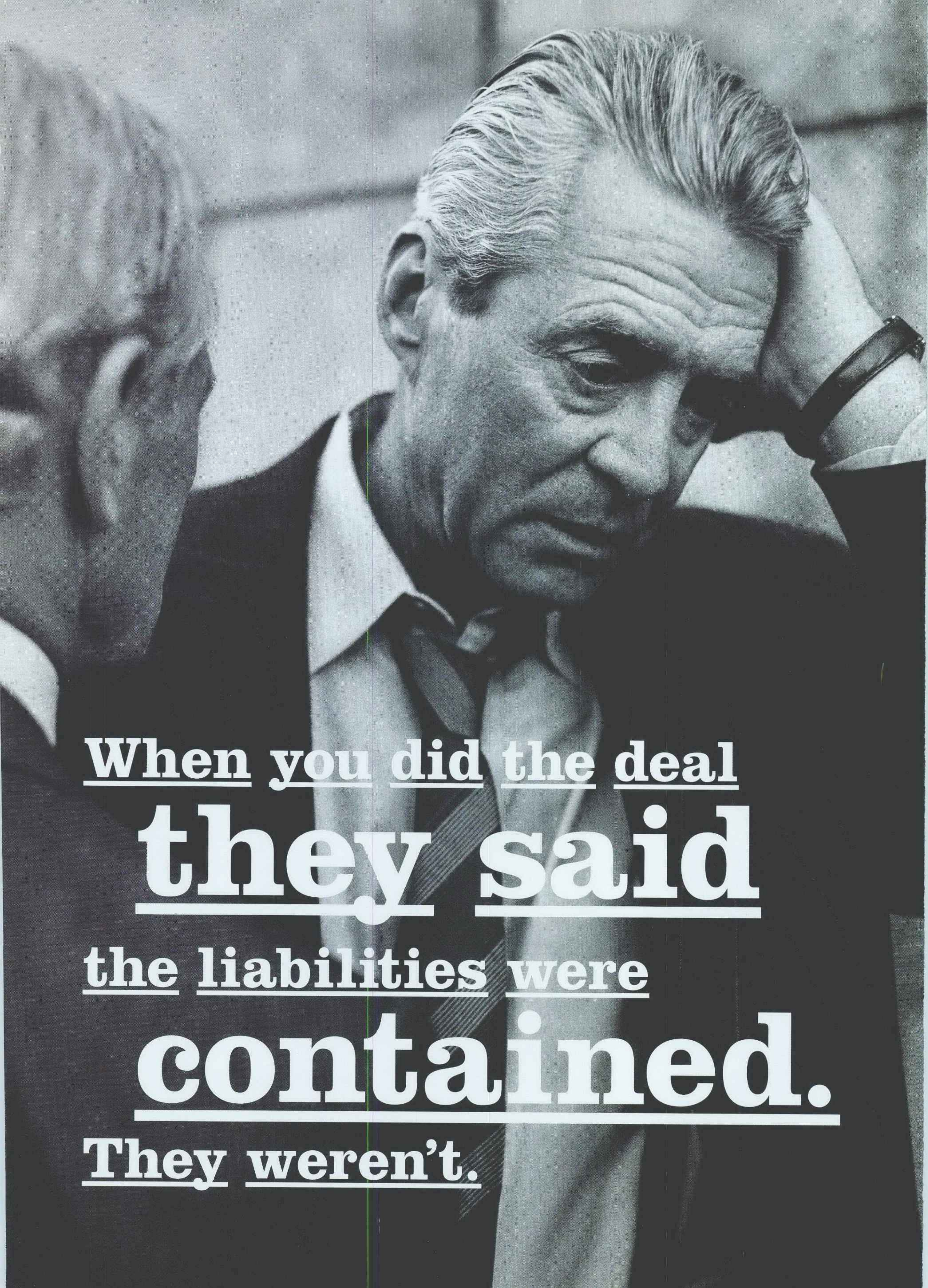
When you did the deal
they said
the liabilities were
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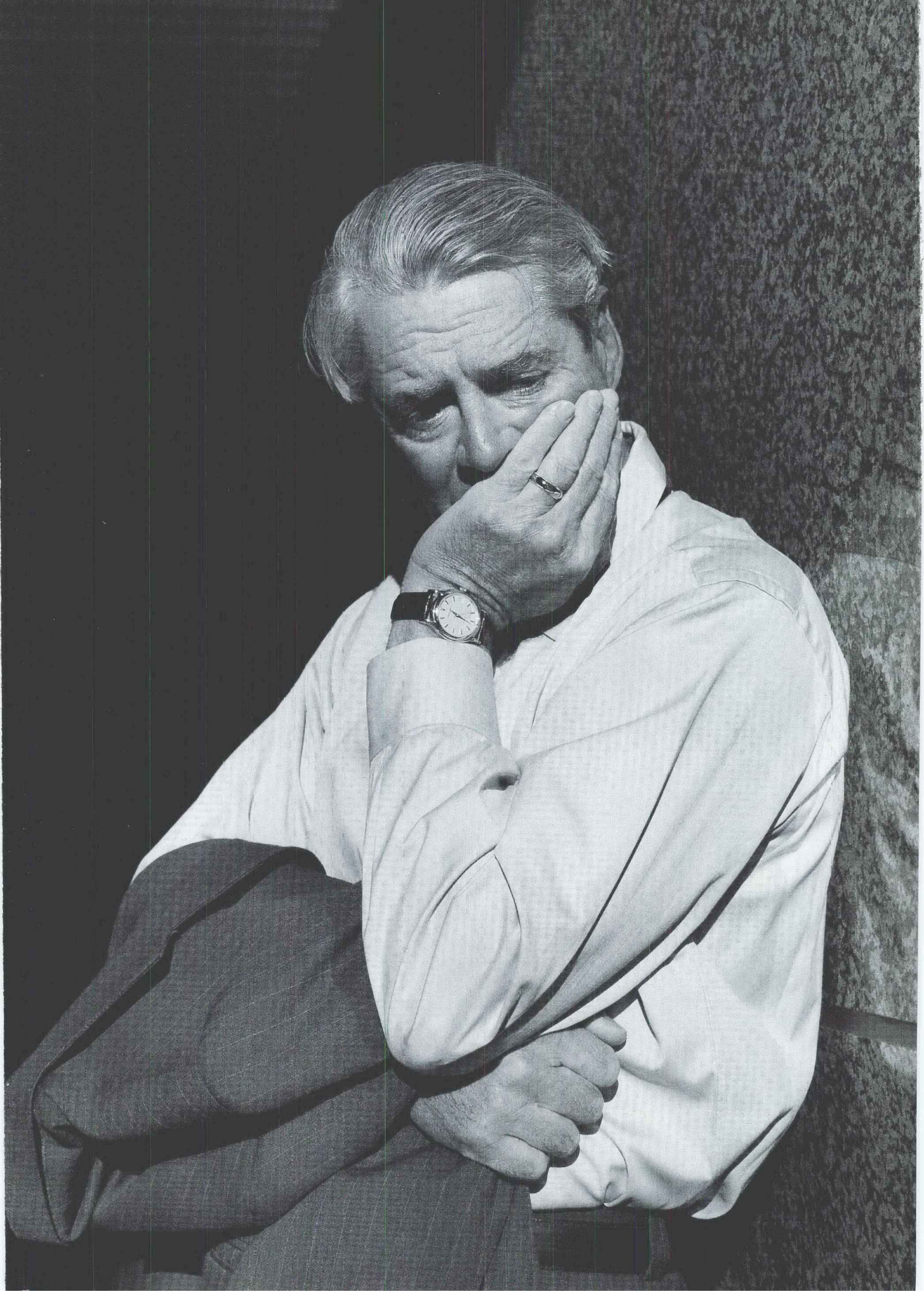
They weren't.



RIMS 1999 - Dallas

Inside:

Cover art:
Dallas Convention & Visitors Bureau

Conference team aims to expand educational opportunities

By RICHARD TROUT

The 37th annual Risk & Insurance Management Society Inc. annual conference and exhibition is taking place in a state where everything is said to be bigger.

And why not Texas? The definition of risk management is getting bigger, many brokers and insurers are getting bigger, and the Internet is making people's sense of community bigger.

While the debut of every new World Wide Web site or financial services product may appear to complicate the vast, growing network of insurance professionals, RIMS is here to remind risk managers that they all have a common destination. "Many Goals, One Direction" is the theme for this year's conference, to be held April 11 through April 16 in Dallas, with most activities at the Dallas Convention Center.

"We're all looking to do the best we can for our organizations, as diverse as those organizations are," said Mark A. DeLillo, outgoing RIMS president and vp-risk management for Celotex Corp. in Tampa, Fla.

"There are a lot of different facets to this conference, and each one of them has a different goal," said Diane Wolfson, RIMS vp-conferences and director of risk management and insurance for Domtar Inc., a pulp and paper company based in Montreal. "But, ultimately, what we're trying to do is bring people together to improve the appreciation and value of risk management. You've got to remain focused on that objective—you try to ask whether this goal fits or doesn't fit with that objective," Ms. Wolfson said.

For a risk manager at the RIMS conference, almost every experience is an educational session, she remarked. From the annual membership meeting to the industry sessions to the brown bag lunch to the exhibit hall, different forums provide different ways to learn about the risk management profession.

Even the most seemingly unlikely spot can offer a good learning opportunity, said Ms. Wolfson.

"Just taking the shuttle bus back to my hotel, I sit and find someone, and we start up a conversation about something that we heard about, and you come back with an idea that you can try to implement," she said. "It really is amazing."

As the Internet threatens the face-to-face bond insurance professionals share with their customers, business partners and peers, RIMS is trying to and each other during the various conference sessions.

During the past several years, a much-larger proportion of deputy members—as opposed to vendors—has sent in program suggestion forms, she said.

"It's switching the content control from the vendors to the risk managers. The way they've done that is by

PHOTO: COURTESY OF DALLAS CONVENTION & VISITORS BUREAU

Dallas is the site of the 37th annual conference and exhibition of the Risk & Insurance Management Society Inc.

enhance the human contact among risk managers at the annual conference as well as the bond between individual RIMS chapters and the RIMS board. This year's conference will up the ante when it comes to networking and bringing more risk managers into conference leadership roles, according to RIMS executives.

"I think (the conference programming committee) has built upon a trend that was started about four years ago of finding opportunities for risk managers to learn from other risk managers," said Susan R. Meltzer, RIMS' first vp and incoming president. She also is assistant vp-insurance and risk management at Toronto-based Sun Life Assurance Co. of Canada. There is more involvement with risk managers as speakers, and there are more opportunities for risk managers to interact with speakers involving the chapters in the RIMS committees that sponsor programs. If a chapter has done a really good seminar at home, we encourage them to come and do it at RIMS," Ms. Meltzer said.

"Participants are wanting more and more to have sessions that are going to allow them to share ideas, and not just to listen and to be informed on a subject matter. Members find that very valuable," Ms. Wolfson said. "If I think of my experiences at conferences and that of my associates, the greatest value I've gotten is if I've shared an idea with someone or if someone else has shared an idea," she said.

One of the ways RIMS has responded to a more-involved membership is by revising the lineup for its educational sessions.

The conference programming committee has created two new categories for educational sessions this year: the Tools Track and Employment Risks. The Tools Track emphasizes the practical, hands-on aspects of risk management, while Employment Risks combines the previously separate Employee Benefits and Workers Compensation categories into one that encompasses both (see story, page T18).

A total of 150 Core Educational Sessions are scheduled, each coded by category and experience level. In addition to the Tools Track and Employment Risks categories, other session categories include Claims Management, Finance, International, Insurance, Legal/Legislative, Loss Control and Risk Management. The four experience levels are: the 100 series, for those with limited experience; the 200 series, for all audiences; the 300 series, for those with significant experience with the topic; and the 400 series, which involves taking a conceptual or strategic approach to issues.

The conference programming committee is instrumental in fine-tuning the educational sessions to fit members' needs, said Karen Banks, chairwoman of the conference programming committee and director-risk management of San Francisco-based Shaklee Corp.

Recently, for example, a members' needs survey by the programming committee showed that experienced risk managers were looking for more sessions aimed at their level, said Ms. Banks. "We are raising the level a notch each year. For the sessions that we do repeat, we try to increase the level the following year, so even if it's something that someone attended the prior year, it's been added to and enhanced so that it will still appeal to them," said Ms. Banks.

The programming committee is made up of 11 RIMS members who reviewed all of the program suggestion forms submitted after last year's conference in San Diego. About 1,080 forms were submitted last year, noted Ms. Banks. During a four-and-a-half-day meeting in June, the committee determined the final program of 150 Core Educational Sessions and more than 30 Industry Sessions. The evaluation forms submitted during

See **Preview** *on page T16*

Got an opinion? Share it here

Sunday forum will allow RIMS members to discuss the society

By RICHARD TROUT

Think that RIMS could be improved? RIMS deputy members and associate members who want to air concerns, questions or complaints about the Risk & Insurance Management Society Inc. should head over to the Dallas Convention Center for the first-ever Member Forum on Sunday, April 11.

While the Annual Membership Meeting on Monday is a formal program, the Member Forum will provide an informal atmosphere for interaction. It will be held from 1 to 3 p.m. in Room C-243 of the convention center.

Chairing the event will be Mark A. DeLillo, outgoing RIMS president and vp-risk management for Celotex Corp. in Tampa, Fla. After a brief introduction, he will open the floor to RIMS members for a two-hour session.

Previously, the meetings held on Sunday primarily were aimed at allowing RIMS leaders to gather and discuss their concerns with each other. At the annual town hall-style meeting, for example, the board of directors would gather to discuss the governing of the society, followed by the formal board meeting, said Mr. DeLillo.

But now other RIMS members can participate in some of the society's politics.

"Members are going to be invited to come and say, 'This is what we like about RIMS; this is what we don't like about RIMS; here's what we need; can we go in this direction?' " said Susan R. Meltzer, RIMS first vp and incoming RIMS president. Ms. Meltzer also is assistant vp-insurance and risk management at Toronto-based Sun Life Assurance Co. of Canada.

Because so many RIMS members attend the annual conference, the conference programming committee decided it would be an ideal setting for members to voice their ideas, opinions and questions, noted Diane Wolfson, RIMS vp-conferences and director of risk management and insurance for Montreal-based Domtar Inc.

"Bringing them together in one room to share with each other. . .is really going to be a big deal," said Ms. Wolfson. "We're really proud of the fact that we've opened up another opportunity for members to get together," she said.

Mr. DeLillo stressed that the forum will be an opportunity for open discussion on any subject of interest to RIMS members.

"Our thought was to have some time on Sunday where the average member, who may not be

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RIMS 1999 - Dallas

RIMS leaders seek to build on the past as organization approaches milestone

By MICHAEL BRADFORD

PHOTO: DAVID LUBARSKY

Mark A. DeLillo will hand over the RIMS presidency next week in Dallas to Susan R. Meltzer.

There is a sense that these are not ordinary times at the New York headquarters of the Risk & Insurance Management Society Inc.

A crew is filming in the hallway and a photographer is in the boardroom. There is talk of a video and book that will commemorate the society's 50th year in 2000. Someone mentions that the profile of risk management is perhaps the highest it has ever been, largely because the mainstream press has begun paying more attention.

There is a feeling here that RIMS is positioned to move confidently into the new millennium.

In a recent interview at RIMS' headquarters, Mark A. DeLillo and Susan R. Meltzer talked about why the society is buzzing about its future.

Ms. Meltzer, assistant vp-insurance and risk management at Sun Life Assurance Company of Canada in Toronto, will assume the RIMS presidency when Mr. DeLillo turns over the gavel at this year's annual conference and exhibition in Dallas. The society will reach its half-century milestone during her tenure.

"We're at an interesting point," Ms. Meltzer said. The 50-year mark is an opportunity for the organization to tout its "rich past" and "the whole concept of building on what we've done so far," she noted.

Ms. Meltzer said she intends to emphasize the "continuum of leadership" that Mr. DeLillo established when he assumed the presidency a year ago in San Diego.

"There have been a few of us now in a row that really have a like mind about where the organization needs to go," she said of RIMS presidents in recent years. Initiatives, some of which Ms. Meltzer has been involved in, were begun in the areas of education, technology and quality during previous terms.

"The 50th anniversary gives us the opportunity to focus on those past initiatives" and move them forward, Ms. Meltzer stressed.

Mr. DeLillo, vp-risk management at Celotex Corp. in Tampa, Fla., said that during his term it was important to try to advance the movements in education, technology and quality that his predecessors had begun, rather than take on a specific theme.

"I think we have moved each of those forward significantly," Mr. DeLillo said. "And that really is what I wanted to accomplish in the year: the continuum—to show the membership and those outside the organization that there is some sense of direction, that we have a plan and we're moving it forward."

Those moves haven't all been without controversy. An initiative to improve the quality of products and services provided by risk managers' business partners created something of a stir last year.

At last year's annual conference, RIMS and the Quality Insurance Congress revealed the results of the first quality score card that showed how risk managers ranked their brokers, insurers, third-party administrators and reinsurers in terms of satisfaction. The effort drew both praise and complaints.

"We have gotten all sorts of response," Mr. DeLillo confirmed. "Some from carriers and brokers who felt that they may not have been given a fair shake in the evaluation, others who have claimed victory in it. Others have said: 'You know what? You're absolutely right. The customer is sending us a message, and we need to listen to it.' "

As a result of the score card, "We have seen more activity on carriers' and brokers' parts as a whole to improve quality in the industry in the last nine or 10 months than I recall in my entire career," Mr. DeLillo said.

The goal of the score card was not to bash the industry but to create a plan for continuous improvement over time, he noted. "We all need to move forward, risk managers included. And if we can show progress, then we have accomplished what we wanted to do initially with the score card. And I think we've seen a lot of that on all sides."

The next score card won't be released until after this year's conference, partly because responses have been heavy. There has been a "tremendous increase in responses," said Mr. DeLillo. "We want to give adequate time to make sure that we understand those responses."

A tool kit provided to risk managers as a follow-up to the score card provides instructions on how to work with business partners to improve the quality of products and services.

The kit provides a "framework for discussion," and "you can easily come out at the end of the discussion with a well-defined service agreement," Ms. Meltzer said. "We're using it in my company."

Mr. DeLillo said he has heard from some "senior" risk managers who have not been as active in RIMS as they once were but are encouraged by the society's current activities.

He said these risk managers have told him that "the direction of the organization—particularly with the release of the score card and with RIMS now exercising its voice as a strength in the industry—is positive, and they are very happy to see that progress."

In another move, RIMS made changes to its annual cost-of-risk survey this year, retooling it into a benchmark survey and conducting it with a new partner (*BI*, Feb. 8).

"There is some information in that survey that is going to be extremely useful to our membership," Mr. DeLillo said. "In our continuous quest for quality, we will look to improve that process as well."

Mr. DeLillo said the results of a member-needs survey taken during his term—the first such survey since 1995—indicate that the society has become more responsive to its membership. "The results were very satisfying because they identified significant increases in satisfaction levels of service delivered, which tells us that in '95 we took those results and listened to our customers."

Regarding contingent commissions paid to insurance brokers, the society took a big step toward addressing members' concerns when it reached an agreement with J&H Marsh & McLennan Inc. earlier this year under which the broker will disclose information related to those amounts (*BI*, Feb. 1).

"The organization, under Susan's leadership, took a huge step forward in calming a lot of the fears, concerns and perceptions about that issue with the understanding we reached with J&H Marsh," Mr. DeLillo said. "And now, if you notice, everyone is jumping in behind that, saying, 'Well, we have a policy for that, too.'

"Which is great. We never intended to point the finger at any one organization," he said.

Brokers "have shown that they are going to respond to the voice of the customer, and I think that calmed a lot of people down," Ms. Meltzer added.

Mr. DeLillo said the issue of contingent commissions may be a concern to some risk managers and not to others. "The fact that it's now in the open is where I think we were wanting to go anyway. RIMS as an organization used its strength, its voice, to serve its members in that instance. The organization may have been hesitant to do that in years past."

Raising the profile of risk management is one of the challenges that the society will take on in the next year.

"I think we're taking huge strides forward in increasing RIMS' profile and risk management as a discipline's profile in the mainstream press," Mr. DeLillo said. More inquiries from newspapers and magazines have come in during the past six months than "I think this organization has had in the last 15 years," he added.

"That will be a major theme of the 50th anniversary celebration that we'll launch in 2000," Ms. Meltzer said of promoting risk management.

RIMS began raising its profile in the legislative arena with its first Washington "fly-in" last month. Risk managers from around the country attended and made their concerns known to lawmakers.

"We considered 30 would be successful," Ms. Meltzer said of the number of attendees expected to arrive for the event. About 45 risk managers participated.

Talks were arranged with lawmakers and their staffers, and panel discussions and speakers were lined up to give risk managers information on how to make their voices heard in Washington.

Mr. DeLillo said the aim is to make risk managers more comfortable with the legislative process and encourage them to become involved with advancing their concerns to lawmakers.

"We hope to grow that; maybe we can have it twice a year," he said. "I think it's an important step in establishing RIMS as a voice, as a resource in the legislative and regulatory process. That's an element of risk management that we've not focused on as much as we should have."

RIMS' legislative concerns include issues related to health information privacy, Year 2000 computer liability, managed care regulations and reform of the Occupational Safety and Health Administration (*BI*, Feb. 1).

The fly-in was the brainchild of Anne B. Allen, who recently resigned her position as director of government affairs with RIMS to take a government-relations job with the Teachers Insurance & Annuity Assn.-College Retirement Equities Fund.

RIMS saw a major initiative come to fruition in the past year as the Fellowship in Risk Management designation program was unveiled. The program, which requires completion of 10 courses, some of which the student can choose, leads to a designation that will be conferred by the Global Risk Management Institute, a new RIMS subsidiary (*BI*, Dec. 21, 1998).

There are a handful of completed applications for the program, and

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See us online at www.corvel.com and visit us onsite at RIMS booth number 1013
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Presidents

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"we have had over 200 requests for applications in a relatively short period of time," Mr. DeLillo pointed out. "That is a large number, and I suspect that in a year's time we will have well over 500."

The program is under way after several years of planning.

Mr. DeLillo said that "bringing the FRM to fruition really required consensus-building. One of the reasons we were not able to launch an FRM in two or three years was because we had so many interests in that program going in certain directions. At one point we simply realized that we were not going to satisfy everybody, that we had to create a product for the membership that would meet the majority of needs."

"I think that really is the accomplishment of the year," he said of the program's launch.

For those members who decide not to pursue the FRM or take RIMS' professional development courses, the society last year began offering regional seminars. Response has encouraged RIMS to expand the number of topics that are explored at the seminars.

The one-day seminars originally were designed to be a convenient way for members who can't travel long distances to take professional development courses. The offerings have such titles as Using Risk Data to Learn and Improve; Directors and Officers Liability Loss Control; Relief for the Cost Allocation Headache; and Business Continuation Planning and Crisis Management.

> *'We have to have a pretty expansive menu of topics to reach membership and provide them with value.'*
> — Mark A. DeLillo

"Our membership is so diverse, the experience level is so wide and their educational needs so broad that we have to have a pretty expansive menu of topics to reach membership and provide them with value," Mr. DeLillo said.

There continues to be solid demand for RIMS' professional development courses that focus on basics such as fundamentals of insurance and techniques of risk management, "which tells me that we're getting interest at the entry level and we're providing a value to that segment of membership," Mr. DeLillo said.

Professional development courses drew about 300 participants in 1998, down from around 400 in the two previous years.

Ms. Meltzer pointed out that regional seminars and professional development courses will provide continuing education credits for the FRM program. That means topics for those offerings can be structured toward what a "risk manager needs to augment the formal education they got in the FRM program," she said.

> *RIMS' membership declines aren't as heavy as other associations, many of which are showing decreases of about 20%.*
> — Susan R. Meltzer

RIMS' membership slipped last year after an increase in 1997, but a new member designation is bringing new faces to the society.

There were 4,228 members at the end of last year, down from 4,313 at the end of 1997. Deputy membership fell as well, dropping to 7,746 from 7,848 in 1997.

Mr. DeLillo said the membership decline primarily is due to mergers and acquisitions among member companies. When consolidation occurs, two members often become one.

Even with the drop this year, RIMS' declines aren't as heavy as they are with many other associations, Ms. Meltzer pointed out. Many are showing membership decreases of about 20%, she said.

RIMS created its Associate of the Society membership category last year, and response has been heartening, Mr. DeLillo said, with 137 signing up as associates as of earlier this year.

"I look for that to grow tremendously," he added, with the possibility of 400 to 500 associates listed a year from now. "I get calls weekly from around the nation from people wanting information about it."

The new category allows insurers, brokers, consultants and other professionals to belong to RIMS and enjoy most of the benefits of membership (*BI*, Nov. 16, 1998). Associates may not hold office or chair society committees.

Associate members must join their local chapters if the chapters accept the associate membership. If not, the memberships are available in the national society.

As of mid-March, 58 chapters had approved the membership.

RIMS has 91 active chapters, the same as a year ago.

The society has begun a Healthy Chapter Program to strengthen chapters that are losing membership or having other difficulties. "Rather than go out and create chapters for the sake of increasing numbers, we need to focus on how we can help them meet the needs of their members locally," Mr. DeLillo said.

Under the program, chapters learn how to utilize the RIMS' resources in New York to stimulate interest at the local level, Mr. DeLillo explained.

The program covers such topics as compliance to bylaws, which explain among other things how to handle administrative functions and hold elections for officers "who are willing to serve and devote time to it," he said.

Risk managers at small companies often are hesitant to volunteer their time to chapter activities, Mr. DeLillo said, so the program shows chapters how to explain the time

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Presidents

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commitment to members.

RIMS continues to offer its Managing Business Risks program, but only four chapters used it in 1998 as a way to stimulate interest in the society from companies that aren't large enough to have full-time risk managers. It is aimed at part-time risk managers, such as treasurers, controllers, chief financial officers and others whose responsibilities include risk management.

"That is something we are moving online," Mr. DeLillo said. "We're hoping that by offering it online, we will increase the participation. . . .We needed to take that in a little bit different direction."

The society's first vp generally assumes the presidency; holding that position during Ms. Meltzer's term will be Roger Andrews, general counsel/director of risk management at Cynthiana, Ky.-based E.D. Bullard Co. Mr. Andrews telecommutes from Provo, Utah.

Mr. DeLillo remarked on how quickly the term passes. "It's hard to believe that it's been a year," he said.

He acknowledged that he underestimated the demands of the office. "The demands are tremendous; the challenges are tremendous. But I tell you what, I'd do it again in a heartbeat. It was really a great ride.

"My advice to Susan would be to enjoy every minute of it, because it flies by." BI

Jumping in feet first

Susan Meltzer will lead RIMS into its 50th anniversary

By MICHAEL BRADFORD

The road to the presidency of the Risk & Insurance Management Society Inc. began with a pair of tired feet for Susan R. Meltzer.

"I have a bachelor of arts in English and, like everybody else, stumbled into this," Ms. Meltzer said. "Literally stumbled into this. The true story is that I got into the insurance industry because I was looking for work after university and my feet were bleeding."

Ms. Meltzer found that pounding the pavement with her degree from Carleton University in Ottawa wasn't opening a lot of the doors she was knocking on.

"Somebody had said to me for the 14th time, 'You're overqualified,' and I started to cry and said, 'My feet are bleeding.' And she gave me a job. That's the real story of how I got into insurance."

Ms. Meltzer found more comfortable shoes and a position from 1975 through 1982 with Morris & Mackenzie Ltd., a regional broker in Toronto at the time.

From there, she made the move into risk management.

"I took some time off after I had my son," Ms. Meltzer said, "and a friend of mine called me and said, 'There's this profession called risk management; you ever heard of it?' I said no."

Her friend had news of an opening for a secretary in the risk management department at Canada Development Corp. in Toronto. With her insurance brokerage background, the position became more than a secretarial job, and Ms. Meltzer embarked on her career in the world of risk management in 1983.

Canada Development, which is no longer in business, was a company involved with petrochemicals, pharmaceuticals, mining, copier manufacturing and other pursuits that plague risk managers' dreams. "You name it; if it was risky, they were in it," Ms. Meltzer said.

The year she started with Canada Development was the same year Ms. Meltzer became active at the chapter level in the society. In 1986, she began committee work with the national society, and she has served on the Executive Council as vp-chapter and member services, vp-environmental, vp-international and research, and vp-conferences.

Ms. Meltzer, 44, spent 10 years in the risk management department at Bell Canada in Toronto before taking a newly created position at Sun Life Assurance Co. of Canada two and a half years ago in the same city. She serves as assistant vp-insurance and risk management for the insurer.

As she moves behind the podium as president of RIMS this year, Ms. Meltzer arrives at the post at a historic time. The society turns 50 in 2000 and will celebrate that milestone at the annual conference next year in San Francisco.

During her term, Ms. Meltzer said, she will focus on raising the profile of the society and of risk management as a profession.

She is pleased with the amount of coverage the society gets in specialized publications and the growing interest of more mainstream media in the risk management profession. "We have a fabulous in-house public relations team now" that helps get the word out regarding RIMS and the profession, she said.

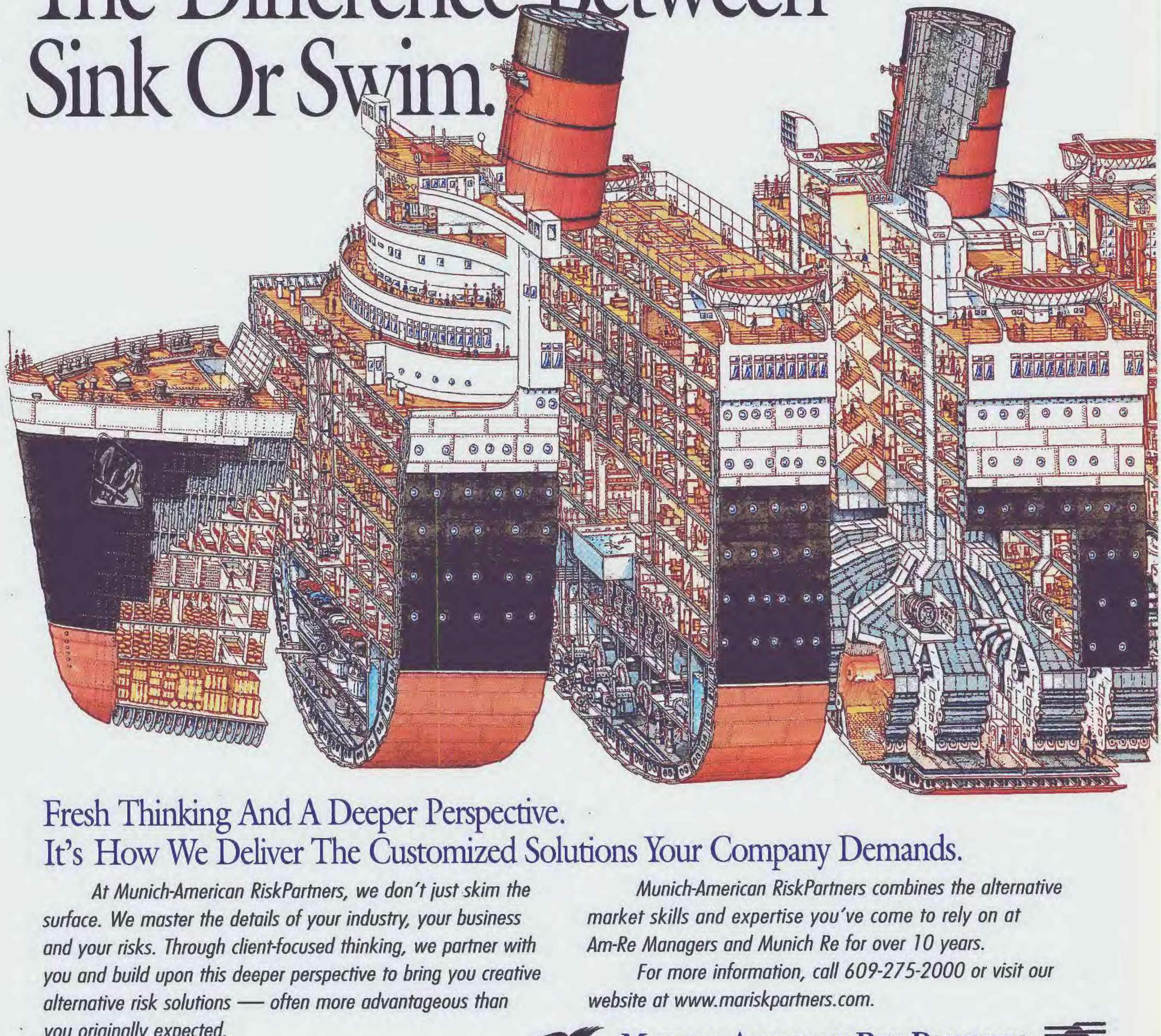
Ms. Meltzer hopes to take advantage of the publicity surrounding RIMS' 50th anniversary to leverage "our newfound fame in the press" while "raising the profile of risk managers and really helping create that vision of risk management in the corporation."

Ms. Meltzer said that the vision is changing and that RIMS needs to help educate its members about the value of enterprise risk management. The society should focus on helping deputy members bring that risk management approach to their organizations, she stressed.

"And we wouldn't mind having a nice party in San Francisco to celebrate our anniversary," she added. "I have to be honest."

Her job as a risk manager and her duties with RIMS take up a lot of hours; consequently, Ms. Meltzer produced a short list when asked what she does with her free time. She teaches risk management courses at the University of Toronto to those pursuing the Canadian Risk Management designation.

Apart from that? "Raise a teenager," she laughed. Her son, Jeremy, is 16. BI



RIMS 1999 - Dallas

Chapter funds education

By MICHAEL BRADFORD

Education is a high priority for the Dallas/Fort Worth chapter of the Risk & Insurance Management Society Inc.

The host chapter for this year's annual RIMS conference and exhibition is a frequent contributor to schools and organizations that promote the risk management profession.

Many of those contributions come from a fall fundraiser, explained Mel Bangs, president of the 34-year-old DFW chapter. "Our fundraiser supports our focus on education," she said.

Each year, the 200-member chapter provides scholarships and grants to area universities, said Ms. Bangs, who works in the risk management department at Wyndham International Inc. Five to eight scholarships typically are awarded to area schools that include North Texas State University, Southern Methodist University and the University of Dallas.

In recent years, the chapter also has provided educational and research grants to universities. Southern Methodist last year used grant funds from the chapter to hold a risk management seminar.

The DFW chapter's fall conference is an annual gathering where members and guests can hear prominent industry speakers and do a little socializing while raising money, Ms. Bangs pointed out.

"Half of the day is educational," she said, during which a theme is explored by guest speakers. For the second half of the day, attendees can play in a golf tournament or tour a member company.

The Dallas/Fort Worth International Airport is slated for this year's tour.

Students are invited to the fall conference along with members of the risk management and insurance industries. "We get a lot of involvement from insurance companies, brokers and students from local schools," Ms. Bangs said.

At its conference held last October, the DFW chapter began making good on its pledge to become a Millennium Leadership sponsor for RIMS' Spencer Educational Foundation Inc., which provides scholarships to students in risk management and insurance. The chapter donated $25,000 to the foundation, the first installment on its commitment of $50,000 over three years to achieve Millennium Leadership status. Donations of $12,500 this year and next year will fulfill their commitment.

Members of the Dallas/Fort Worth RIMS chapter. Seated, left to right: Judy Rogers, Sally Maloney, Mel Bangs, Cindy Salmon, Kathryn Childress. Standing: Paul Fox, Terry Yamada, Angela Nale, Lou Howell, Beverly Hill, Jim Green, Greg Dodd, Susan Casey.

Students and member companies are getting other help from the DFW chapter in the form of an internship program.

"We decided in January to form our internship program," said Ms. Bangs. "We put aside some money in our budget to allow one or two member companies to have a six-week intern in the summer."

The chapter's largess isn't limited to education. "We also have a community service focus," Ms. Bangs noted. The chapter helps Letot Center, a Dallas County Juvenile Department facility that provides services for underprivileged young people.

Last year, chapter members helped paint and decorate Letot facilities and donated $2,500 that was used at Christmas to buy gifts for children who might otherwise have had a bleak holiday.

As host chapter for this year's national RIMS conference, the DFW chapter is helping line up volunteers who could be called on to pinch hit.

The national RIMS organization has asked the local chapter to provide "emergency moderators" to step in and moderate discussions at educational sessions and the more intimate Brown Bag Luncheon if regulars can't make it. "We're putting together a database of volunteers who can do that," Ms. Bangs said.

Apart from Ms. Bangs, other officers of the DFW chapter are:

- Vice president Howard Stansell, director of risk management at Thousand Trails Inc.
- Treasurer Yvonne Tanak, risk and insurance manager at Dallas Semiconductor Corp.
- Secretary Sally Maloney, claims specialist at Southland Corp.
- Assistant Secretary Cindy Salmon, risk management specialist at Global Industrial Technologies.
- Terry Yamada, technical risk adviser at Caltex Corp., is the society director for the DFW chapter.

Members of the board of directors are:

- Susan Casey, director of risk management at Volvo Finance North America Inc.
- Kathryn Childress, risk manager at NorthPark Management Co.
- Greg Dodd, risk manager at Perot Systems Corp.
- Jim Green, risk manager at Justin Industries Inc.
- Angela Nale, risk manager at Dallas Market Center.
- Beverly Hill, risk manager at Cinemark USA Inc.

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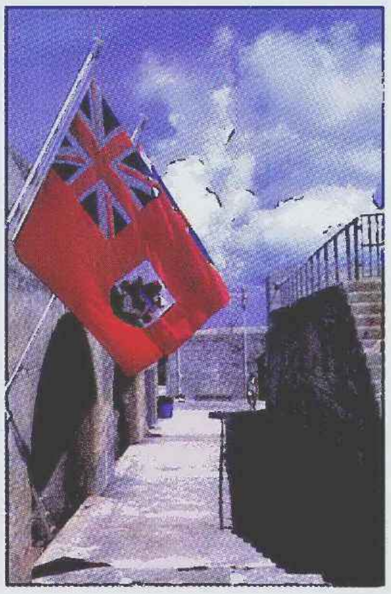

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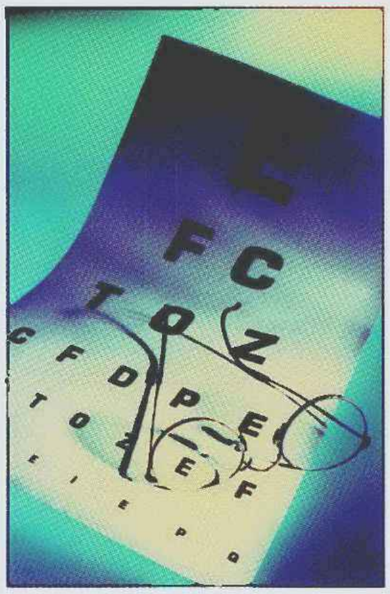
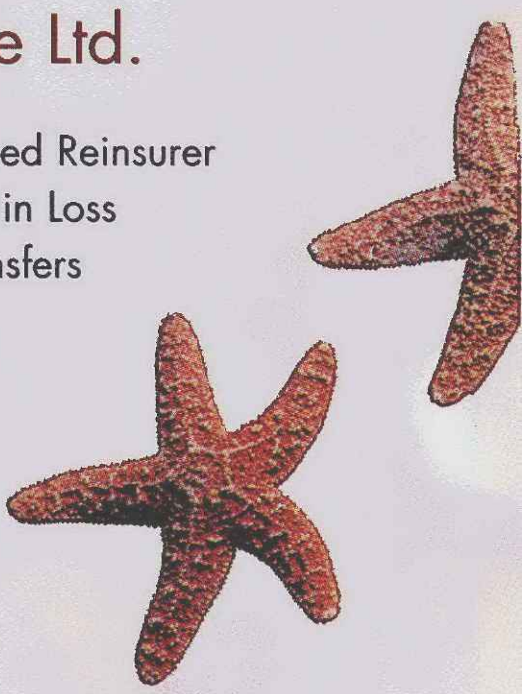




Pennsylvania Casualty Company

Serving General Casualty, Workers Compensation and Excess Casualty Risks

Dallas • Minneapolis • San Diego

Preview

Continued from page T5

the conference also were reviewed by the committee, which used them to help decide which sessions would be worth repeating, she said.

"The great majority of sessions are new. Generally, if they were well attended, highly reviewed and respected, we will repeat a certain percentage," said Ms. Banks. "Some are repeated because we have a lot of people who are coming to the conference for the first time or who are new to risk management. They need more-fundamental courses and sessions. We target repeating certain sessions for that audience," she explained.

Although there won't be an opportunity for members to provide feedback at the annual membership meeting on Monday afternoon, members can interact with each other, with the Executive Council and with RIMS staff during the Member Forum on Sunday afternoon (see story, page T5). It will be held from 1 to 3 p.m. in Room C-243 of the convention center.

"We thought this is a great opportunity to have them come together in one room and to share information about what it is that they expect from their society, to understand what's going on within their society, and also to provide their own personal input," said Ms. Wolfson.

Despite the formal nature of the annual membership meeting, RIMS has several surprises in store for this kickoff event, which will be held in

> *'The great majority of sessions are new. Generally, if they were well-attended, highly reviewed and respected, we will repeat a certain percentage.'*
> — Diane Wolfson

Exhibit Hall A of the convention center Monday, April 12, from 8:30 to 10 a.m., preceded by an 8 a.m. breakfast.

"We're going to unveil our logo for our 50th anniversary, which happens in the year 2000," said Ms. Meltzer. "And we're going to let everybody know what our plans are and how we're going to use the anniversary to raise the profile of risk management," she said. "Only about 10 people have seen the logo," she added.

The membership meeting also will include Ms. Meltzer's inaugural address as incoming president and will highlight award-winning chapter activities. In addition, the meeting will include the presentation of the Goodell Award for a lifetime of outstanding achievement in furthering the goals of risk management and RIMS.

The brown bag lunch will again take place at this convention because it has been so successful since its debut in 1994, said Ms. Wolfson. The lunch, to be held Wednesday, April 14, from noon to 1:15 p.m., offers attendees a chance to participate in a round-table discussion on topics such as environmental exposures, disaster recovery planning, managed care liability and year 2000 issues.

And, for the first time, exhibitors have been invited to attend the brown bag lunch, Ms. Wolfson added.

Those with a sweet tooth will be pleased to hear that the dessert reception, which debuted last year, also is being repeated. On Tuesday, April 13, from 1:45 to 3 p.m., the exhibit hall will feature several dessert bars providing cookies, cakes, ice cream, specialty coffees and other goodies.

The Solution Sharing Sessions, started at last year's conference, also were a big hit with members, said Ms. Wolfson. From 8:30 to 10:30 a.m. on Friday, April 16, a panel of experts and a moderator will interact with the audience, taking questions and comments about various topics, including joint ventures, global insurance programs, reinsurance, disability programs and risk management ethics. Immediately after the Solution Sharing Sessions, an Information Exchange Brunch will be held from 10:30 a.m. until noon. Here, copies of handouts from the educational sessions will be available.

Many insurance professionals likely will be intrigued by the conference luncheon on Tuesday, April 13, when retired General Colin L. Powell will serve as the keynote speaker. Widely known for his role in the 1991 Persian Gulf War as chairman of the Joint Chiefs of Staff, Gen. Powell will address RIMS members at the convention center. The luncheon begins at noon.

Another keynote speaker, not yet announced as of March 29, will address the conference luncheon scheduled for Thursday, April 15, from noon to 1:45 p.m.

This year, more than 30 Industry Sessions targeted to specific audiences are scheduled. These allow risk managers to interact and exchange ideas or questions with peers in their own fields of expertise—aviation, chemicals, hotels, managed care and retail, for example.

The exhibit hall will have more than 350 companies displaying the latest technology and other products and services. Insurance professionals can review and compare the different programs offered by captive managers, safety equipment suppliers, benefit consultants and third-party administrators, to name just a few. The exhibit hall in the convention center will be open on Monday, April 12, from 10 a.m. to 5 p.m.; on Tuesday, April 13, and Wednesday, April 14, from 9 a.m. to 5 p.m.; and on Thursday, April 15, from 9 a.m. to noon.

RIMSTV, produced by *Business Insurance,* will provide coverage of the Dallas conference.

Available Monday through Wednesday, RIMSTV will cover conference events and selected sessions that take place Sunday through Tuesday. A new one-hour program debuts each day—starting at 6 a.m. on Monday—and is played on a continuous loop for 24 hours.

Continued on next page

RIMS 1999 - Dallas

Continued from previous page

RIMSTV will be telecast in 18 conference hotels and at several locations in the convention center and exhibit hall. Television journalists will communicate conference news and provide feature reports on a wide variety of risk management and employee benefits topics.

Television is only one medium available to conference attendees.

Located in Hall C of the Upper Lobby of the convention center, RIMS InfoSource kiosks will enable attendees to leave messages for colleagues (by touch screen or by voice mail), pick up messages, locate attendees by last name or company, check evening hospitality events and search the exhibit hall for specific companies or products.

Audio recordings of many educational sessions will be available for purchase during and after the conference. Tapes can be purchased during the conference in Hall C of the Upper Lobby of the convention center.

To order tapes after the conference, call Audio Recording Services Inc., 410-643-4220, or e-mail the company at arsinc@crosslink.net.

Registration is set for noon to 6 p.m. on Sunday, April 11. Later that day, the opening reception will be held from 5 to 7 p.m. in the Chantilly Ballroom of the Wyndham Anatole Hotel. Here, conference attendees can meet, enjoy light hors d'oeuvres and make plans for the week ahead.

At the close of advanced registration, 3,555 people had paid the fees; total advance registration was 4,371, including 751 first-time registrants.

First-time attendees are urged to visit the First Timers' table, located in Hall C of the Upper Lobby. There will be a First Timers' Orientation on Sunday, April 11, from 4 to 5 p.m., and on Monday, April 12, from 10:30 to 11:30 a.m.

The cost to register onsite is $895 for the full week for RIMS members, $995 for RIMS associates, and $1,195 for non-members.

Partial-week registration costs for RIMS members are $775 or $800, depending on which of the three partial plans is chosen. For RIMS associates, partial-week registration is $875 or $900 onsite. For non-members, partial-week registration is $1,075 or $1,100 onsite. One-day registration costs $400 for RIMS members, $450 for RIMS associates, and $500 for non-members.

RIMS will accept VISA, MasterCard and American Express for onsite registration, as well as cash, checks drawn on U.S. banks and money orders. All payments must be in U.S. funds. BI

Conference schedule at a glance

Sunday, April 11

Registration hours:
Noon-6 p.m.

Special events:
First Timers' Orientation
4-5 p.m.

Opening Reception
5-7 p.m.

Monday, April 12

Registration hours
7 a.m.-5 p.m.

Special events:
Annual Membership Breakfast/Meeting
8-10 a.m.
First Timers' Orientation
10:30-11:30 a.m.

Lunch: Noon-1:15 p.m.
"Brown Bag" Lunch in Exhibit Hall

Sessions
1:45-5 p.m.

Exhibit Hall hours
10 a.m.-5 p.m.

Tuesday, April 13

Registration hours:
8 a.m.-5 p.m.

Special events:
Exhibit Hall Dessert Reception
1:45- 3 p.m.

Sessions
9-11 a.m.
3-5 p.m.

Lunch:
Noon-1:45 p.m.
Speaker:
Gen. Colin L. Powell (ret.)

Exhibit Hall hours
9 a.m.-5 p.m.

Wednesday, April 14

Registration hours:
8 a.m.-5 p.m.

Sessions
8:30-10 a.m.
10:15-11:45 a.m.
1:45-3:15 p.m.
3:30-5 p.m.

Lunch:
Noon-1:15 p.m.
"Brown Bag" Lunch in Exhibit Hall

Exhibit Hall hours
9 a.m.-5 p.m.

Thursday, April 15

Registration hours:
8 a.m.-4 p.m.

Sessions
9-11 a.m.
1:45-3:15 p.m.
3:30-5 p.m.

Lunch:
Noon-1:45 p.m.
Luncheon speaker: TBA

Exhibit hours
9 a.m.- Noon

Friday, April 16

Solution Sharing Sessions
8:30-10:30 a.m.

Information Exchange Brunch
10:30 a.m.-Noon

Forum

Continued from page T5

a chapter officer, and may not really know what's happening at the national level and what services are available to members, can come to the Member Forum and address questions directly to the Executive Council and to the executive director about anything—any matter whatsoever that is on their mind," said Mr. DeLillo.

Ms. Wolfson emphasized that RIMS also offers risk managers numerous channels throughout the year through which they can state their opinions and ask questions.

"They can provide their input through their chapters and through their society directors—they always have those opportunities—and directly by contacting any member of the Executive Council or any staff member or anyone else within the society," she said.

The Member Forum may actually serve as a catalyst for a more-active RIMS membership base, said Karen Banks, chairwoman of the conference programming committee and director-risk management of San Francisco-based Shaklee Corp. It's "a good recruiting tool to get more members involved in committee work. And that's something that would always be advantageous to both parties," she said. BI

Concert pledges hit $23,000

A band of brokers plans to tune up for RIMS with a concert in Atlanta to benefit the Spencer Educational Foundation Inc.

The Blues Brokers is made up of people from the Atlanta office of Marsh Inc. They will perform from 4:30 to 7:30 p.m. Thursday, April 8, at the Celebrity Rock Cafe in Atlanta.

Marsh is covering the event overhead. In addition, pledges that will go to the foundation were at $23,000 as of early March 31, with more expected from ticket and T-shirt sales.

Tickets are $5 in advance, $7 at the door. Get tickets at www.atlantarims.org or call the Atlanta RIMS chapter at 770-451-8562. Space is limited.

Spencer Foundation starts new internship program

The Spencer Educational Foundation Inc. is launching a student internship program.

The foundation is looking to chapters of the Risk & Insurance Management Society Inc. to monitor and administer the program, as well as to provide some of the internships, said Angela Sabatino, administrator for the foundation.

The foundation also wants to offer the program as a way for RIMS member companies who've undergone downsizing to bring aboard an intern, Ms. Sabatino said.

The foundation has a budget of $20,000 for the first year, so up to five $4,000 grants will be available for internships this summer or for the 1999-2000 school year, she said. The money will allow the a company to pay the intern and cover associated expenses.

The foundation, which also provides scholarships to students in risk management and insurance, hopes the program will grow, Ms. Sabatino said. "They'd like to spread this throughout the United States," she said.

The foundation asks that priority go to placing students with RIMS member companies or supporters and that the intern be assigned meaningful, educational work. Also, the student should have a grade-point average of 2.7 or better, and the internship should run at least eight weeks.

Interested RIMS chapters should submit to Ms. Sabatino a one- or two-page explanation detailing a current internship program, or how the chapter would create and monitor a program if it received a grant. The deadline to submit a proposal is May 31.

Students who wish to be considered should contact a RIMS chapter near them. Ms. Sabatino can assist, and she may be reached at 212-286-9292 or via e-mail at asabatino@rims.org. BI

Golf tournament offers 18 ways to give to Spencer

The news from Gallagher is good for Spencer, but bad for dilatory golfers: registration is closed for the eighth annual Spencer/Gallagher Golf Tournament.

This year's tournament will be held Sunday, April 11, at the Hyatt Bear Creek Golf and Racquet Club. The 355-acre facility, near the Dallas/Fort Worth International Airport, features two Ted Robinson signature 18-hole championship courses.

Buses to the club will depart promptly at 7 a.m. from the Hyatt Regency, the Adam's Mark and the Wyndham Anatole hotels in Dallas. Breakfast will be available at the club before the tournament, which is set to begin with a shotgun start at 8:15 a.m.

As in previous years, participants will compete in a best-ball, four-person scramble on the two, par-72 courses. The east course has a slope of 127; the west, 130. Prizes will be awarded to the top three teams. Ever forgiving of the occasional miscue, tournament officials will allow players to purchase up to two mulligans for $5 each.

Both courses will feature a variety of competitions: most accurate drive, longest drive, closest-to-the-pin competitions and several hole-in-one prizes. In addition, one hole on each course will have a $10,000 purse for any golfer able to sink a hole-in-one.

An "old-fashioned Texas picnic" awards luncheon will follow the tournament at 2 p.m. Buses back to the hotels will depart at 3 p.m.

The $250 entry fee covers the greens fee, golf cart, food and transportation.

Last year, the Spencer/Gallagher Golf Tournament raised more than $58,000 for the Spencer Foundation, which provides scholarships to students in risk management and insurance. Tournament organizer Dean Shrable of Arthur J. Gallagher & Co. in New Orleans said he expects this year's event to be "another outstanding success story."

For more information, contact Mr. Shrable at 504-888-1100.

—*By Matt Scroggins*

PHOTO: COURTESY OF BEAR CREEK

Golfers will tee off to support Spencer.

New categories focus on skills, employer risks

By RICHARD TROUT

While the increasing use of the Internet and high-tech tools may cast a sci-fi glamour on the way risk managers conduct business, the Risk & Insurance Management Society Inc. also aims to assure that managers have even more basic tools to get their jobs done.

This year, RIMS has created two new categories for its Core Educational Sessions, the Tools Track and Employment Risks categories, that focus on the nitty-gritty, hands-on work that needs to be done by risk managers in a increasingly high-tech world.

The Tools Track sessions emphasize the practical side of risk management, and Employment Risks focuses upon the day-to-day problems that arise when Employee Benefits and Workers Compensation intermingle.

"The Tools Track is a series of seminars that more closely relate to the 'how to' parts of our job," said Susan R. Meltzer, RIMS first vp and incoming RIMS president, who also is assistant vp-insurance and risk management at Toronto-based Sun Life Assurance Co. of Canada.

For Tools Track, the conference programming committee started out by looking at the skill set that risk managers have and then focused on the other skills they need, she said. They developed "something more than just 'here's the theory, here's the latest products, here's what people are doing in risk financing,' but rather 'how to do it.' "

"Give me the nuts and bolts of what I need to do to get this job done—that's what the Tools Track is meant to do," said Diane Wolfson, RIMS vp-conferences and director-risk management and insurance for Montreal-based Domtar Inc. "There are a number of really good, hands-on type of sessions," she said.

Some of the Tools Track sessions include: surviving a crisis situation, skill sets for a successful career, using technology as a marketing tool, advanced communication strategies and using the Quality Scorecard to rate vendors.

The Quality Scorecard is a customer satisfaction survey developed by RIMS and the Quality Insurance Congress, explained Ms. Wolfson. "What this is meant to do is to give people an understanding of what they can do with the scorecard and how they can use it as a tool to improve their relationship and their working environment with vendors," she said.

The other new category, Employment Risks, combines the formerly separate Employee Benefits and Workers Compensation categories into one that explores the interrelated nature of these issues.

RIMS realized that, in order to address the more-complex issues that have arisen during the 1990s and that probably will grow even more complex in the new century, it needs to get a handle on employment matters, Ms. Wolfson said. "When you deal with employment matters, you shouldn't be segregating workers comp from employee benefits. There is a real need to look at those two areas together. One definitely may have an impact on the other," she said.

During the 1990s, employment risks have become a more pressing and complicated issue for risk managers, said Karen Banks, chairwoman of the conference programming committee and director-risk management of the Shaklee Corp. of San Francisco.

"There's more litigation arising out of employee-related claims than there has ever been in the past," Ms. Banks said. "And also, the line between employee benefits and workers comp is really blurring. A workers comp claim can impact some of the things that employee benefit professionals are looking to control," she observed.

"As an example, it doesn't matter whether someone is off work because it's a workers comp claim or because it's a health-related claim. The bottom line is, they're off work, and you need to deal with it one way or another," she said.

Some of the sessions for Employment Risks include: telecommuter risks, downsizing for success, fraud detection and prevention, the proper approach for performing a claims audit, and Internet tools for managing workers comp.

Logic serves, Spencer receives in annual tennis fundraiser

Industry professionals who are as comfortable with baselines as they are with bottom lines may want to join the fifth annual Spencer/Logic tennis tournament.

The tournament will be held Sunday, April 11, at the Brookhaven Country Club in Dallas, and the first serves will be struck at 8 a.m. Transportation to the club will be provided from the Dallas Convention Center; players should gather at the convention center at 7:15 a.m.

As in previous years, women and men will compete separately and will be divided into two skill-based divisions—beginner and advanced.

The tournament will be played in a round-robin format, including playoffs for the finalists. In addition, it will feature fastest-serve and target-serve contests. Trophies will be awarded to tournament and contest winners.

A luncheon and awards ceremony will follow the finals. Spectators may attend the luncheon for $20. Transportation back to the Dallas Convention Center will depart after the luncheon.

The entry fee is $50 per player, and a few slots are still available. Each participant will receive a tennis bag, and racquet rental will be available.

Last year's tournament raised $8,000 for the Spencer Educational Foundation Inc. through the generous support of its corporate sponsors, said Barry Citron of New York-based Logic Associates Inc. Mr. Citron expects to top that figure this year. The foundation provides scholarships to students in the fields of risk management and insurance.

For more information about the Spencer/Logic tournament, contact Mr. Citron, Bill Perry or Abe Altschule at Logic Associates, 212-227-8000.

—*By Matt Scroggins*

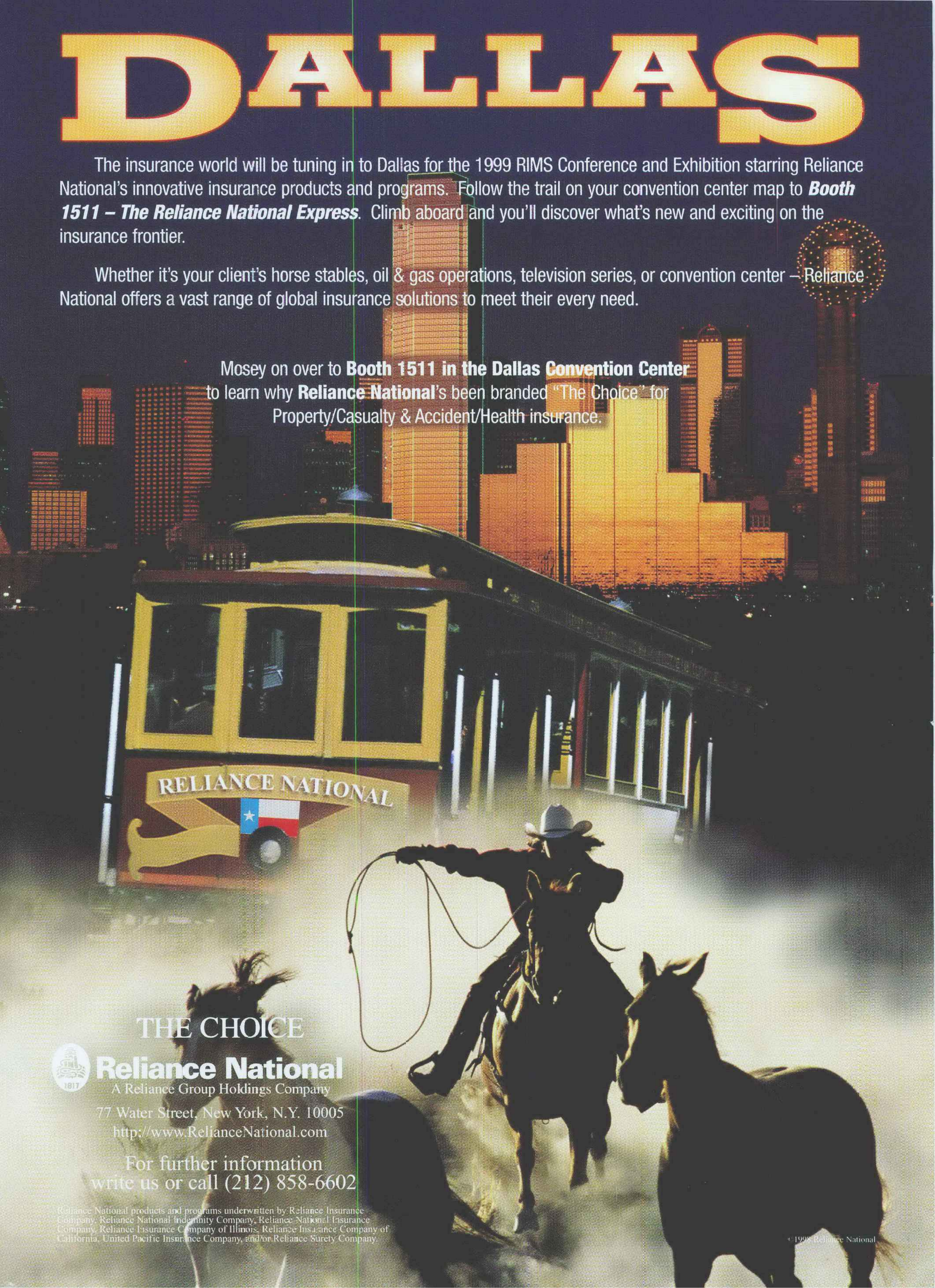
Locations of upcoming conferences

The 38th annual conference and exhibition of the Risk & Insurance Management Society Inc. will take place April 30-May 5 in San Francisco.

Other upcoming conferences:

- April 29-May 4 in Atlanta in 2001.
- April 14-19 in New Orleans in 2002.

For more information, call RIMS customer service at 212-286-9292 or visit the RIMS Web site at www.rims.org.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RIMS 1999 - Dallas

More than 400 organizations are set to exhibit at the 37th annual conference and exhibition of the Risk & Insurance Management Society Inc.

Among those exhibiting at the Dallas Convention Center will be insurers, brokers and consultants. Conference attendees will be able to meet with vendors and get information on products and services.

Access to the exhibit hall is included in the registration fee; also, for those not registered, a one-day pass to the hall costs $200 at the site. No one under 21 will be admitted to the exhibit hall.

Exhibit hall hours:

- Monday, April 12: 10 a.m.-5 p.m.
- Tuesday and Wednesday, April 13 and 14: 9 a.m. to 5 p.m.
- Thursday, April 15: 9 a.m.-noon.

Here is a list of exhibitors and their booth numbers as of March 29:

A & S Financial Services . . . 2810
A.M. Best Co. . . . 1613
Accelerated Receivables . . . 2815
ACE USA . . . 535
ACES Technologies L.L.C. . . . 2744
Acordia Inc. . . . 2411
ActecSystems/DriverCheck . . . 2724
Adjusters International . . . 1329
ADTS . . . 652
AEA/SOS . . . 1044
AFCO Credit Corp. . . . 2816
Albors & Associates Language . . 1752
Allianz . . . 645
Allmerica Financial . . . 623
ALTA Services . . . 2554
American Accreditation . . . 2729
American Appraisal Associates . 1718
American Credit Indemnity . . . 404
American Institute for CPCU . . . 2419
American International Group Inc. . . . 1743,1835
American Safety Technology . . . 414
American Specialty Health Plan . 2750
American Technical Services . . . 2523
Amerisure Cos. . . . 1347
AnciCare PPO . . . 2152
Aon . . . 2321
ALARYS-PANAMA . . . 1426
Arbitration Forums Inc. . . . 2437
Argonaut Insurance Co. . . . 2749
Argus Services Corp. . . . 2752
Arthur Andersen L.L.P. . . . 2153
Arthur J. Gallagher & Co. . . . 1935
ASCR International . . . 2715
ASI Services Inc. . . . 1854
Associated Aviation Underwriters . . . 2611
ATI Claim Services L.L.C. . . . 2555
Atlantic Footcare . . . 706
Atlantic Mutual Cos. . . . 545
Bank of Butterfield . . . 1549
Barbados . . . 1419
Becher & Carlson Cos. . . . 1245
Bermuda . . . 1447
Bermuda Commercial Bank . . . 1453
Biodynamic Research Corp. . . . 604
Blackburn Group Inc. . . . 749
BMS Catastrophe . . . 1144
Brinks . . . 441
British Virgin Islands . . . 2617
Buckhead Overspray Management . . . 1852
Bunch & Associates . . . 741
Business Finance Magazine . . . 1455
Business Insurance . . . 1813
Callan Salvage & Appraisal . . . 1755
CalyxCare Systems Inc. . . . 2728
Cambridge Integrated Services . . . 852
Canadian Litigation (CLC) . . . 456
CAP Index Inc. . . . 1253
Cayman Islands government . . . 919
CCN . . . 1035
CEI/ClaimsNet . . . 1748
Celerity Technologies Inc . . . 1250
Certificate Management Service . . 718
CFO Publishing . . . 1953
CGU Insurance . . . 635
Chubb Group of Insurance Cos. . 2123
CIGNA . . . 1923, 2023, 2029
Claims Magazine . . . 1152
Claims Verification Inc. . . . 1430
CNA . . . 935
College of Insurance (The) . . . 1653
Comerica Bank . . . 825
Commonwealth Risk . . . 2219
CompCure . . . 2711
Compensation Management Associates . . . 1754
Compliance & Filing . . . 1314
Computer Risk Management . . . 735
Computer Security Consultant . . . 759
Concentra Managed Care . . . 2335
Conning & Co. . . . 526
Consolidated Service Corp. . . . 1848
Contingency Planning Management . . . 429
CORE Inc. . . . 435
Corporate Claims Management . 1350
Corporate Systems Inc. . . . 1535
CorVel Corp. . . . 1013
Countrywide Services Corp. . . . 1411
Cover-All Technologies . . . 450
Crawford & Co. 605, 661, 1554, 2610
Creative Options USA Inc. . . . 451
CSC . . . 557
Cunningham Lindsey . . . 2429
Curtis Computer Products . . . 2819
Cybersettle.com . . . 1255
CyberStretch by Jazzercise . . . 700
DATA BASE Inc. . . . 2735
DATATRACKPLUS L.L.C. . . . 1053
DAVID Corp. . . . 1111
David Morse & Associates . . . 2247
Degenkolb Engineers . . . 1148
Deloitte & Touche L.L.P. . . . 1727
Delphi Technology Inc. . . . 2519
Dempsey, Myers & Co. . . . 2635
Detail Masters Inc. . . . 1354
Devil's Advocate (The) . . . 1955
DISA Inc. . . . 2713
Disability Mgmt. Employer . . . 657
Disaster Recovery Services . . . 2314
Disaster Resource Guide . . . 611
Disaster Services Inc. . . . 515
Dispute Resolution Mgmt. . . . 851
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EBI Cos. . . . 2837
EDS . . . 2745
Educational Video Conferencing . 1655
Employee Benefit News . . . 1714
Employers Reinsurance Corp. . . . 834
Engineering & Safety Services . . . 721
Envision Tech Solutions . . . 714
EQE International Inc. . . . 1621
ERASE Enterprises . . . 2826
Ernst & Young L.L.P. . . . 1441
EXAMCO Inc. . . . 1749
Exogen Inc. . . . 2625
Exponent . . . 2623
Facticon Inc. . . . 1619
Factory Mutual . . . 2313
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Fire Stop Systems . . . 1151
First Health . . . 2435
FleetSafe Corp. . . . 944
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Genesis Underwriting Management . . . 2213
GENEX Services Inc. . . . 1145
GenSource Corp. . . . 1720
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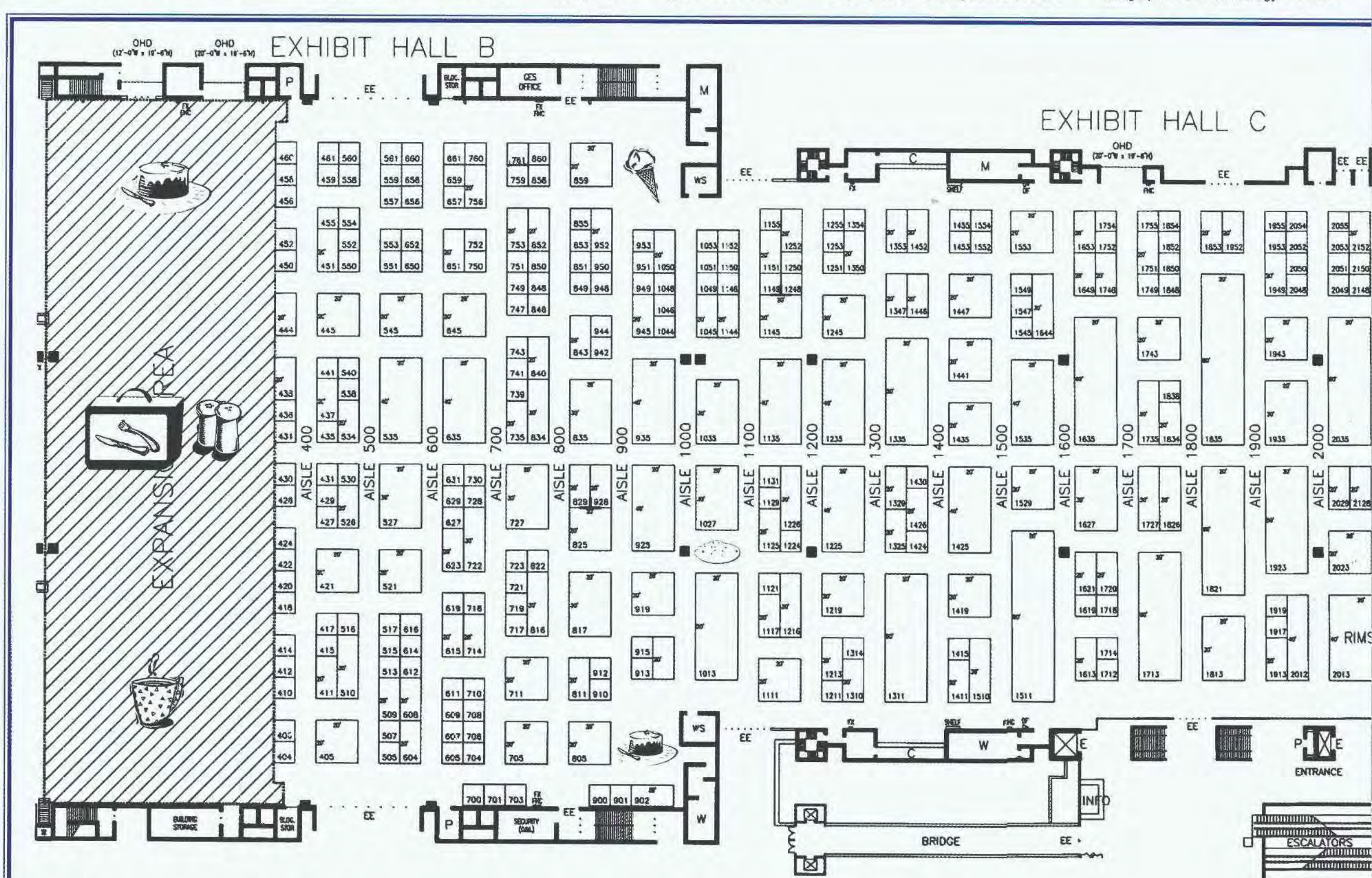

37th RIMS Annual Conference & Exhibition
April 11-16, 1999

Note: Dessert Station designations are only for the Dessert Bar reception
Floor plan as of March 11, 1999

RIMS 1999 - Dallas

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Global Emergency Medical 717
Global Reinsurance 1248
Global Risk Consultants 915
Goldsmith Group 2447
Great American Risk
Management 750
Grupo Nacional Provincial 1325
GSG Associates Inc. 704
Guernsey Financial Services . . . 2649
Harassment Hotline 2851
Harmon Solutions Group 2646
HARRIS Disaster Recovery 761
Hartford (The) 1627
Hartford Steam Boiler 1435
Hawkins & Parnell L.L.P. 901
HCX Inc. 2836
Health Direct Inc. 2546
HealthStar Inc. 2052
Hertz Claim Management 2318
HSB Industrial Risk Insurers . . . 1826
HNC Insurance Solutions 711
Homelink 1150
HSBC Insurance Management . . 2605
Hub Enterprises 552
Hubbard & Revo-Cohen Inc. 427
Humana Workers'
Compensation Services 843
Hutchings Court Reporters 912
IBM 445
IMC Health Care Inc. 853
IMI-NET 659
Impact Forecasting 2739
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Insurance Data Resources 619
Insurance Data Services 2835
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Intellectual Property Insurance . . 516
InteQuest Inc. 418
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Intertel Inc. 811
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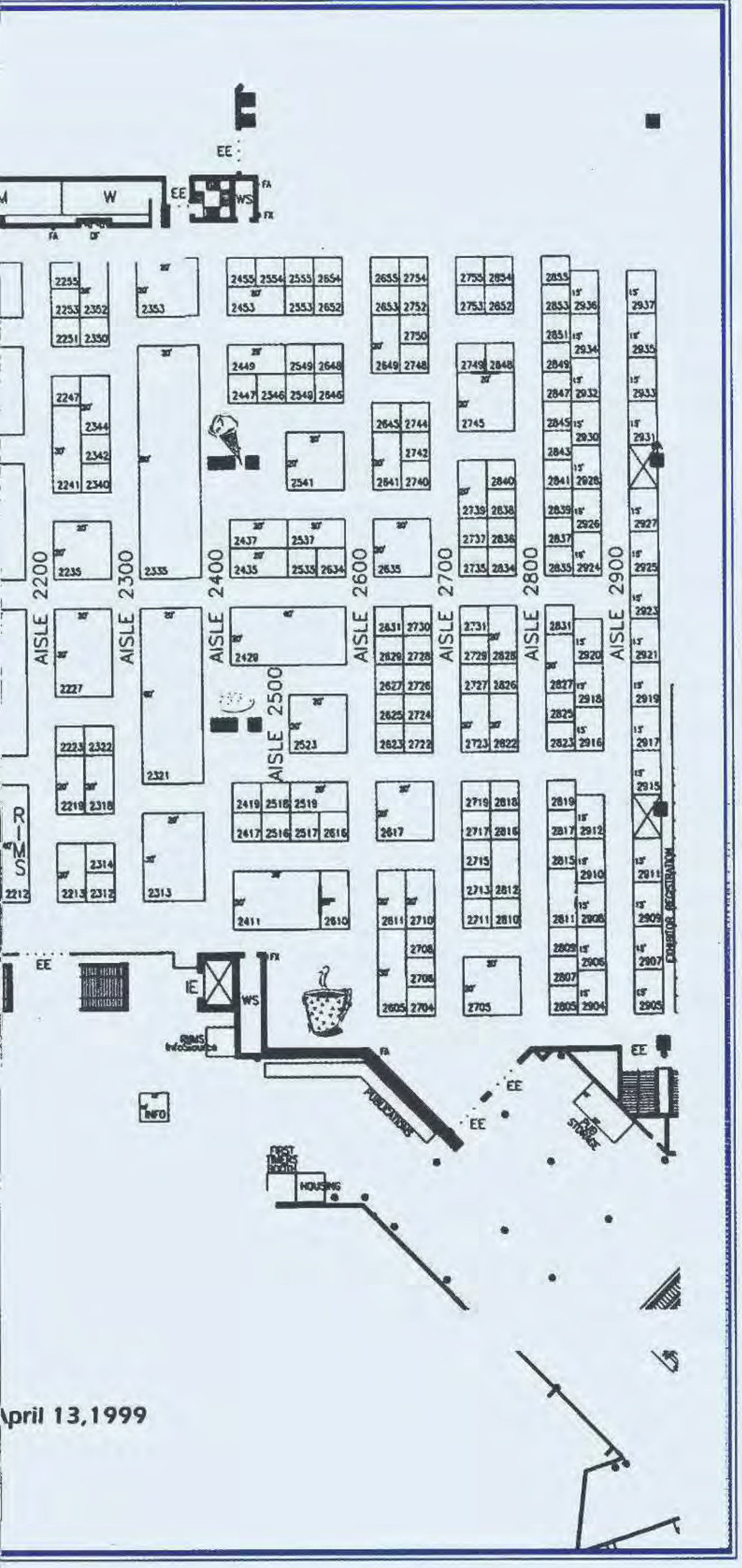

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Last year, the foundation awarded more than $100,000 in scholarships to 14 undergraduate and graduate students.

A list of 1999 Spencer Foundation contributors to date will be available at the Risk & Insurance Management Society Inc. booth during the conference. Contributions for Jan. 1 through Dec. 31, 1998:

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Big D's many diversions

Dallas offers visitors best of the West, and all the rest

By MICHAEL BRADFORD

If it were somehow possible to pinpoint the place where the Old West finally dissolved into the Modern Age, it likely would be somewhere around Dallas.

There still are remnants and recollections of the frontier spirit that brought Dallas to life: early resident John Neely Bryan's cabin sits proudly in a downtown canyon, a herd of bronze steer and ropers gallop through Pioneer Plaza, and Old City Park has a turn-of-the-century Main Street that is open for business.

All of this blends unobtrusively with the modern skyline, where towering office buildings break the flat land and stand watch over the suburbs that sprawl in every direction.

Dallas has grown from its frontier past to become a city known for big business and oil money. It boasts a lively arts scene and is a paradise for shoppers. Restaurant menus are respectable and varied. Nightlife throbs in Deep Ellum and along Greenville Avenue and moves at a more subdued and upscale pace along McKinney Avenue.

The city touts its cosmopolitan image, and its neighbor Fort Worth is just as proud to be called "Cowtown." A straight shot west of Dallas on the interstate, Fort Worth embraces and displays its heritage as a former frontier cattle town.

Dallas is a city widely known for three things: its National Football League team, a television character named J.R. and the site of a president's assassination.

President John F. Kennedy's death was the city's darkest hour. Ironically, though, it is perhaps Dallas' strongest link with history. Tourists from around the world still gather near the grassy knoll and point to the sixth-floor window of the former school book depository. After years of controversy, city leaders finally approved the opening of the Sixth Floor Museum, a heavily visited attraction that portrays the assassination in an interesting historical setting.

Just as linked to the city's image is the long-running television series "Dallas." Visit any far-flung village on the globe where a flickering TV can be found and mention the city's name. Chances are you will be asked about J.R. before JFK. What remains of the cunning TV oilman's legacy is Southfork, the ranch north of the city where filming took place and where fans can pay homage to the fictional Ewing family.

The Dallas Cowboys won't be suiting up at suburban Texas Stadium (where egotistic locals claim God watches his team through the hole in the roof) during the conference week, and the cheerleader tryouts are closed to the public. But it isn't hard to notice the city's devotion to the boys in silver and blue, even during the off season. Pick up a local paper; the sports editors know Cowboys news sells year 'round. Notice the abundance of Cowboys caps, jackets and other memorabilia in the shops. Or take a look at that silver and blue van, the silver star painted prominently on both sides and the driver's favorite player's number on the spare tire cover. Dallas can't get enough of its Cowboys.

Professional sports fans have some choices during conference week, with baseball, hockey and basketball all in season. There are pleasant diversions for the afternoons, such as a stroll through the Dallas Arboretum and Botanical Garden, or a spin on a rented bicycle around White Rock Lake. The city also has several challenging golf courses. Further afield, spectator sports include thoroughbred racing.

Museums are close to the convention hotels, and the city's West End district is a lively area with numerous restaurants, bars and retailers.

Away from the city, a day trip to Fort Worth provides an authentic glimpse into the Old West by way of a stroll through the stockyards and western shops in the area.

Dallas also is blessed with many fine restaurants, from those serving barbecue and Tex-Mex that can hardly be duplicated outside the state, to fine dining to suit any taste.

During the week of the annual conference and exhibition of the Risk & Insurance Management Society Inc., April 11-16, conference-goers will find a wide range of places to see and things to do. BI

RIMS 1999 - Dallas

Dallas-area maps and attractions

Shuttle bus service at RIMS

Complimentary shuttle bus service should make commuting between hotels and the Dallas Convention Center easier than falling off a horse, pardner.

RIMS-sponsored shuttle buses will be corralling folks from all 22 official conference hotels, using seven different routes to take them back and forth to the convention center. Bus schedules will be available at all conference hotels and at the convention center.

Roundups will take place at 20-minute intervals all afternoon and early evening on Sunday, April 11, from noon to 8 p.m.; and all morning Friday, April 16, from 7 o'clock to noon. From Monday, April 12, through Thursday, April 15, buses will be available for commuting caballeros at 15-minute intervals during the peak service hours of 7 to 11 a.m. and 2 to 6 p.m. From 11 a.m. to 2 p.m. on Monday through Thursday, shuttles will be available at 20-minute intervals.

Bus-riding buckaroos need to keep in mind, however, that shuttle service will end one hour after the conclusion of each day's sessions; there are no evening buses.

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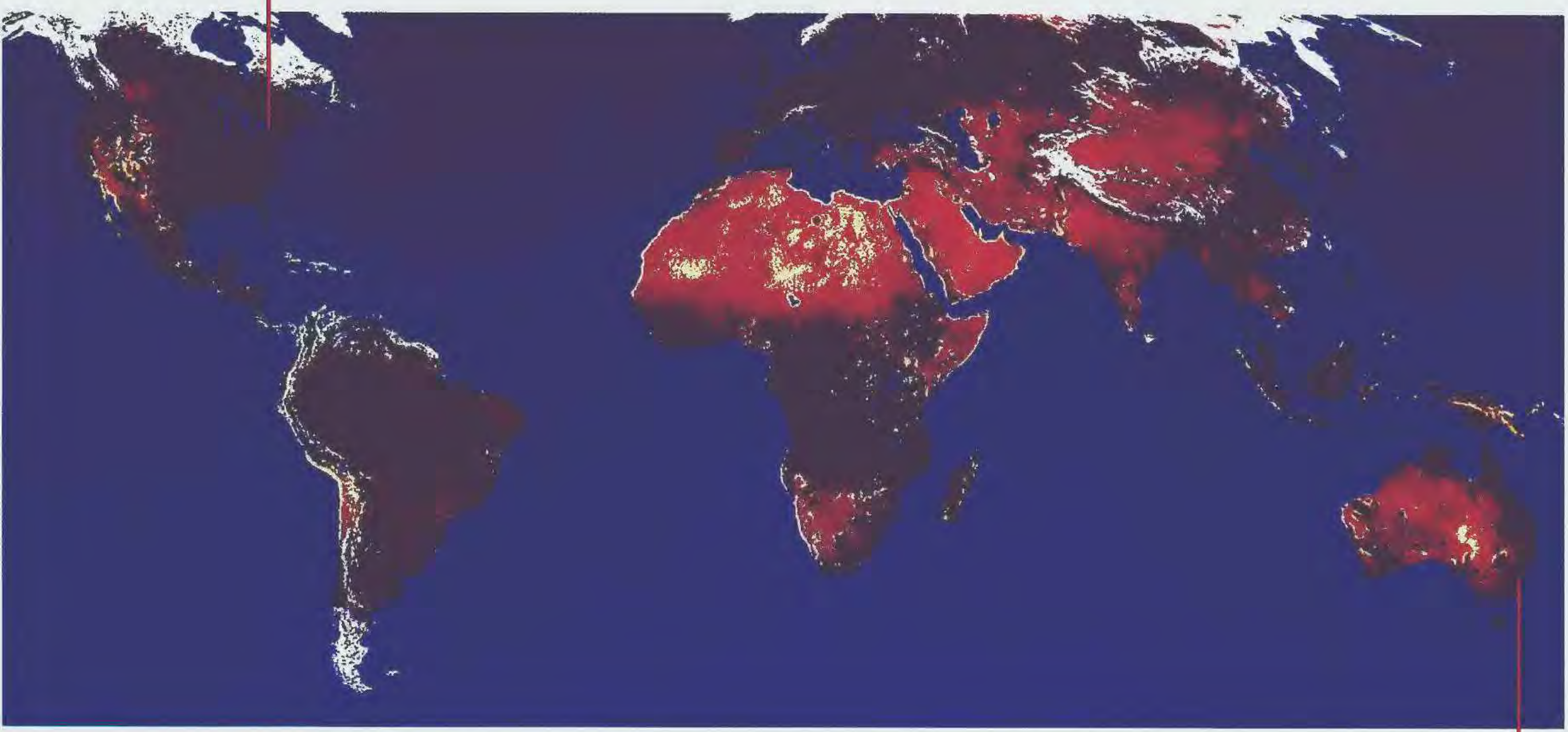

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Getting around Dallas

PHOTO: MICHAEL BRADFORD

McKinney Avenue Trolley

Dallas is a little behind many other major cities when it comes to ease of transportation, but progress is being made.

In most cases, today it's not as hard to get around Dallas as it once was. In recent years, a light rail network has begun snaking into the suburbs, supplementing the city's extensive bus routes. Cabbies won't always be at your beck and call, but be patient and you'll get one.

The easiest way to reach downtown from Dallas/Fort Worth International Airport is to hop in a cab.

The airport is a sprawling complex, and direction signs inside the terminals are sometimes confusing. Ask an airline employee or someone in an information booth for directions to the taxi queue.

You may have to wait, though. During busy periods there sometimes are shortages of available taxis. The ride downtown will cost around $25.

The private Super Shuttle service is cheaper, but it could take longer depending on the number of stops the van makes before reaching your destination.

If you're arriving at Dallas' Love Field, the cab ride is much shorter, as the airport is just outside downtown.

Check with a concierge about the availability of taxis at your hotel. They can be in short supply, and you need to know whether an early start is necessary to make a dinner reservation or other engagement on time.

Dallas Area Rapid Transit operates bus service throughout Dallas and surrounding areas. The basic one-way fare is $1, and route information is available from DART at 214-979-1111.

The jewel of Dallas' transportation system is DART's growing network of light rail lines. The city turn to a light rail system only a few years ago, and it is providing much-needed relief for overcrowded highways.

Today, the red and blue lines and Trinity Railway Express are helping ease traffic congestion with smooth-running and clean trains that cover about 30 miles of rail.

Downtown train stops are at the Convention Center, Union Station, West End and other points. Service runs parallel to the US 75 Central Expressway to the north and south and extends west to South Irving.

Basic train fares are $1 each way; call the DART number for route information.

If you're heading to the uptown area, the McKinney Avenue trolley is an interesting way to get there. Downtown you can board at Ross Avenue and St. Paul Street. For $1.50, the trolley delivers a round trip to the historic area known for its restored homes, a variety of restaurants and interesting galleries.

Driving in Dallas is much the same as in other major cities: lots of traffic at rush hour. Seemingly endless construction can make the Central Expressway a misnomer at any time of day. A main artery in and out of downtown, Central is prone to unexpected and lengthy bouts of gridlock. Avoiding this route during rush hour is always advised.

—By Michael Bradford

Historic and unique Dallas attractions

PHOTOS: MICHAEL BRADFORD

Dallas Arboretum and Botanical Garden

If Texas is the link between East and West, then Dallas is the state's link between the past and the present. Many Dallas attractions seem to radiate the pride the city has in its unique heritage, while others embrace the growth that Dallas has experienced as it has become a cosmopolitan hub.

The following are a few attractions worth visiting:

• **Old City Park**. A visit to Old City Park is a trip back in time to Dallas' frontier days.

The park, operated by the Dallas County Heritage Society, is a 13-acre layout with 35 restored structures and four reproductions that offer a look into the Texas lifestyle from 1840 to 1910.

With the Dallas skyline as its backdrop, the village is situated in a quiet spot just south of downtown. It is laid out to allow visitors to stroll through the old town and its buildings, enjoying the recreation of a culture from long ago.

The town features, among other attractions, a general store that looks just as it did in the last century. A print shop houses ancient typesetting equipment and a photographic display of the Dallas Morning News' adoption of high-speed production.

A blacksmith shed has a working forge with leather hand-pumped bellows, and the park has a resident potter who produces pottery that visitors can purchase.

Several historic homes also are situated in the park.

The Miller Log House, built near downtown for William Brown Miller, is more than 150 years old. Made of oak and cedar with a limestone chimney, it served as Mr. Miller's home for 15 years and was one of the first schools in Dallas County.

Another building, Millermore, features an adaptation of the Greek Revival architectural style popular at the time of its construction between 1855 and 1862. It houses a collection of fine furniture that shows how pioneer families improved their conditions not long after settling the area.

The Heritage Society was formed in 1966 to save and restore Millermore, the largest remaining antebellum home in Dallas County. The work led to the establishment of the park and the restoration of its other structures.

In addition, there are several other restored structures, including a dwelling for railroad crew, church, law office, school, barn and hotel.

The entrance to Old City Park is at 1717 Gano Road. It is open Tuesday through Saturday from 10 a.m. to 4 p.m., and Sunday from noon until 4 p.m. Information is available at 214-421-5141.

• **Age of Steam Railroad Museum**. All are welcome on board the vintage train exhibits at the Age of Steam Railroad Museum, operated by the Southwest Railroad Historical Society.

The museum, located in Dallas' Fair Park complex, features more than 28 vintage railroad displays. Visitors pay the $3 admission in Dallas' oldest remaining depot before stepping into the train yard that transports them back to a time when trains were the standard mode of travel.

See **Attractions** *on next page*

RIMSTV to air conference news

Business Insurance's RIMSTV will be shown on monitors in the exhibit hall at the Dallas Convention Center and on exclusive free TV channels in the following official conference hotels on April 12, 13 and 14:

Hotel	TV Channel
Adam's Mark Hotel Dallas	3
Adolphus Hotel	7
Aristocrat Hotel	6
Courtyard By Marriott	2
Dallas Grand Hotel	12
Embassy Suites/Dallas Market Center	2
Fairmont Hotel	17
Hampton Inn Dallas West End	14
Holiday Inn Market Center	21
Hyatt Regency Dallas	18
Le Meridien Dallas	21
Ramada Plaza Hotel	17
Renaissance Dallas Hotel	18
Sheraton Hotel Dallas Brookhollow	16
Sheraton Suites Market Center	15
Wilson World Hotel-Market Center	2
Wyndham Anatole Hotel	7
Wyndham Garden Hotel-Dallas Market Center	6

Online tours of the city

Before you rustle up your plane tickets and mosey on down to the Risk & Insurance Management Society Inc.'s annual conference and exhibition, you might want to take a gander at some of these World Wide Web sites for ideas on what's hot in the Lone Star state:

Welcome to the City of Dallas, *www.ci.dallas.tx.us*, and the **Dallas Entertainment Guide**, *www.un.com/dallas/*, tell sightseers where to go and what to do; both sites give a broad overview of the Dallas area.

Dallas Morning News, *www.dallasnews.com*, is the online version of Dallas' daily newspaper. This site gives the scoop on the ins and outs of Dallas news.

DART-Dallas Area Rapid Transit, *www.dart.org*, gives readers all they need to know to navigate Dallas by bus or by rail. Fares, maps and schedules are easily accessible here.

If you're interested in the cultural aspects of Dallas, these Web sites are a must-see.

The **Dallas Rail Scene**, *www.startext.net/homes/railscene/railscen.htm*, is the place for those interested in all things railroad, from the "professional railroader to rail fans, rail buffs, railroad enthusiasts and train nuts." While at RIMS, check out the Fort Worth and Western Railfan Weekend, April 10-11.

The **Kimbell Art Museum**, *www.kimbellart.org*, will be featuring an exhibit entitled "Matisse and Picasso: A Gentle Rivalry."

Information on the city is available from the Dallas Convention & Visitors Bureau at www.dallascvb.com

Deep Ellum, *www.deepellumtx.com*, the "eclectic, alternative and avant-garde" place in Dallas, lets visitors know what's up in this entertainment area.

Turn-of-the-century warehouses converted to shops, restaurants and bars can be found in Dallas' West End, and the best place to plan an outing there is provided by the **West End Assn.**, *www.dallaswestend.org*, which offers links to a calendar of events, attractions, dining, shopping, services, history and directions.

The largest collection of 1930s Art Deco exposition-style architecture in the United States can be found at **Fair Park**, *www.tgimaps.com/DALLAS/fairpark*.

Among the areas eight museums are: the African American Museum, Dallas Aquarium, Dallas Historical Society at the Hall of State Building, Dallas Horticulture Center, Science Place, Dallas Museum of Natural History, Dallas Wind Symphony, and the largest collection of cultural facilities in Dallas.

Go under the sea at the **Dallas World Aquarium and Zoological Garden**, *www.zooweb.net/dwa*. This 80,000-gallon saltwater exhibit boasts sharks, stingrays, jellyfish, giant groupers, octopi and a living reef.

Nearby, the **Fort Worth Stockyards**, *www.stockyardstation.com*, is a "Western Destination" for city folks and cowhands alike. A National Historic District, the Stockyards offer dining, shopping and authentic Western atmosphere.

And finally, for the sports enthusiast, check out the **Dallas Mavericks**, *www.nba.com/Mavericks/*. They'll be hooping it up against the Golden State Warriors, starting at 7 p.m. on Saturday, April 10, and against the San Antonio Spurs, starting at 7:30 p.m. on Tuesday, April 13. The **Dallas Stars**, *www.nhl.com*, hit the ice against the New York Rangers at 8:30 p.m. on Friday, April 9, and against the Los Angeles Kings at 3 p.m. on Sunday, April 11. The **Texas Rangers**, *www.texasrangers.com*, slug it out in a four-game series vs. the Anaheim Angels on April 9-12. For all your ticket needs, check out **Ticket Source**, *www.ticketsource.com*.

—By Amy R. Kepka

RIMS 1999 - Dallas

Attractions

Continued from previous page

Come to the Age of Steam Railroad Museum dressed to climb about—the museum encourages visitors to look inside sleeping cars, sit in the engineers' seats of powerful locomotives and walk through a dining car, among other attractions. Some of the trains are off limits during ongoing restoration work.

The Age of Steam Museum is open Thursday and Friday, 10 a.m. to 3 p.m.; and Saturday and Sunday, 11 a.m. to 5 p.m.; call 214-428-0101 for more information.

• **Dallas Arboretum and Botanical Garden**. One of the most beautiful places in Dallas to experience the arrival of spring is the arboretum and botanical garden.

The 66-acre site blooms near White Rock Lake with an array of flowers and plants that includes the largest publicly maintained azalea collection in the United States. Approximately 20,000 bushes of more than 2,000 azalea varieties comprise the Jonsson Color Garden.

An acre of shade-loving plants makes up the Palmer Fern Dell, located near a shady brook. It's a great spot to cool off on a hot day. A fine mist is sprayed at regular intervals, lowering the temperature by as much as 20 degrees.

The Lay Ornamental Garden is home to native Texas plants. It has a secluded limestone and fern grotto called the Hidden Garden, along with a collection of bronze animal statues commissioned and donated by Dallas businessman Trammell Crow.

Along with other garden spots, Dallas features the impressive DeGolyer House, a 21,000-square-foot home built in 1940 by Everette L. DeGolyer, a geologist and bibliophile. Listed on the National Register of Historic Places, the house's design exemplifies the Spanish Colonial Revival architectural style.

Public tours of the home are available daily from 10 a.m. until 5 p.m.

DeGolyer House overlooks White Rock Lake and the Woman's Garden. The Woman's Garden, the most formal at the facility, is dedicated to all women. A stroll past the reflecting pool and statuary in the garden reveals lovely views of the lake that were incorporated into the design of the site.

The arboretum and botanical society is located at 8525 Garland Road, and it is open from 10 a.m. to 6 p.m. daily. For more information, call 214-327-4901.

• **Deep Ellum**. The Deep Ellum section of Dallas, a warehouse district sandwiched between downtown and Fair Park, seems to thrive on being the wild side of town—a place where jazz clubs, tattoo parlors, eclectic specialty shops, reggae bars and fusion restaurants sit side by side.

Exercise some personal risk management and adhere to the adage of "safety in numbers" if venturing into the Deep Ellum area of Dallas, especially at night. This area is a celebration of diversity and uniqueness, but conservative risk managers may be put off by an evening in Deep Ellum. College students flock to some of the Deep Ellum bars that sport signs boldly stating "Must be 18 years old to enter and 21 to drink." Yet during the day, Deep Ellum is almost eerily unpopulated. For an interesting experience, try dinner at Deep Ellum Cafe and then hit the Angry Dog for a drink.

While parking is available in Deep Ellum, the parking lots at night resemble those to be found near a professional football stadium, complete with flag wavers beckoning to the lines of traffic. RIMS-goers who want to visit Deep Ellum should take taxis from their hotels. Taxis, while difficult to hail in many parts of the city, do frequent Deep Ellum on the weekends. During the week, plan to telephone for a cab to get back to the hotel.

• **McKinney Ave.** A restored trolley takes visitors through the upscale McKinney Ave. area. It's a part of Dallas that has become known as Uptown, a booming shopping and neighborhood development with such famous names as Hard Rock Cafe and lesser-known—but just as popular—spots such as LuLu's Bait Shack.

The brick-lined street is known for its boutiques and galleries, where you can find everything from artwork to rare maps to fine furniture.

Aside from shopping and eating, the McKinney Ave. area is known for its night life. Cocktails begin to flow as downtowners and uptowners emerge from work to gather and celebrate the end of another day. Stop in at LuLu's at 2621 McKinney Ave. for a drink in a casual setting, or try Sushi on McKinney at 4500 McKinney Ave.

Drop by 8.0 in the Quadrangle in the early evening and try one of their drink specials. Champagnes and exotic cocktails are listed on the board above the bar. Those in search of a quiet evening should know that 8.0 is a happening spot that can get loud as the night wears on. 8.0 is at 2800 Routh St.

Try to make it to Jennivine for dinner at least once. Reservations are suggested for this bistro, which serves a continental menu. The menu changes daily and reflects French and Southwestern tastes. It features delicious food and great wines. It's at 3605 McKinney Ave.; for additional information, call 214-528-6010.

• **Knox-Henderson**. Just north of downtown, the area known as Knox-Henderson has developed into a neighborhood of home furnishing stores, good restaurants, art galleries and antique shops.

Some of the big names in home furnishings are here, including Laura Ashley Home, Pottery Barn and Crate & Barrel, which has a very large location in the neighborhood. Restaurants in the area serve everything from standard Tex-Mex, steaks and burgers to more complicated offerings, such as the Latin American-and Asian-influenced fare of AquaKnox, prepared by chef Stephen Pyles. AquaKnox is at the intersection of Knox Street and Cole Avenue; call 214-219-2782 for more information.

There's a large and interesting antique market in the neighborhood that has an impressive selection of curios from years past. The market's book dealers offer a nice, if somewhat pricey, selection of leatherbound editions, children's books and classics.

When it's time for a break from shopping, Starbucks Coffee is right in the midst of it all.

• **West End Historic District**. Retail and specialty shops, museums, restaurants, an aquarium and a movie theater all are part of Dallas' West End. The West End, located where I-35 and Woodall Rogers intersect, spans 36 blocks in the downtown area and is a comfortable place to spend an afternoon or evening. Historians and conspiracy buffs will want to visit the area's Sixth Floor Museum and Conspiracy Museum. If your bent is ecological, the West End houses the Dallas World Aquarium, which offers a tour through a rainforest ecosystem.

Diners can opt for chain favorites Planet Hollywood and T.G.I. Fridays, or they can try one of the local establishments such as Hoffbrau Steaks, Sonny Bryan's Smokehouse or The Palm. The Blue Mule Casual Cafe and West End Pub both are relaxing places to sip a beer after a day of risk management seminars.

It is hard not to be gripped with emotion when visiting the Sixth Floor Museum. Nearly 400 photographs, artifacts, films and a looping tape of the Nov. 22, 1963, radio broadcast announcing the assassination of President John F. Kennedy in Dallas create a somber mood as the crowd threads its way around the sixth floor of the historic Texas School Book Depository Building.

The original pane from the window that the sniper fired from and the stairwell that the sniper fled down have been preserved as they were at the time of the shooting. Admission is $6 for a self-guided tour through the exhibits. A 90-minute audio tour is available for an additional $3. The Sixth Floor Museum is open seven days a week, from 9 a.m. until 6 p.m. The museum is located at 411 Elm St. Enter behind the former Texas School Book Depository Building. For additional information, call 214-747-6600.

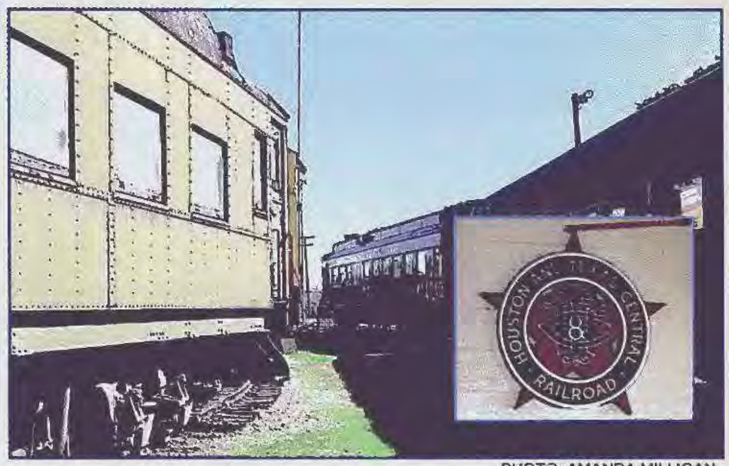

PHOTO: AMANDA MILLIGAN

The Age of Steam Railroad Museum returns visitors to a bygone era.

The West End Historic District is easily accessible from the DART light rail West End station stop, a mere two stops from the Dallas Convention Center. Parking also is plentiful and cheap.

• **Reunion Tower**. From a distance, the 50-story structure resembles a gigantic soccer ball balanced on top of concrete beams. But, like New York's Empire State Building, Chicago's Sears Tower and Seattle's Space Needle, Reunion Tower stands as Dallas' signature skyline landmark. Pick a clear day or evening and take a 68-second ride in a glass-encased elevator to the outdoor observation deck for the best view of the city. Admission is $2 for adults, $1 each for groups of 10 or more. The lookout is open Sunday through Thursday from 10 a.m. to 10 p.m., and Friday and Saturday from 9 a.m. to 12 a.m.

RIMS-goers who can't get enough of the view can dine at Antares, a revolving restaurant serving American fare. The restaurant makes a 360-degree revolution every 55 minutes. Dress is business casual after 6 p.m.; jackets are preferred. Reservations are recommended. Also consider visiting the Dome lounge, which opens at 2 p.m.

Access to Reunion Tower is through the Hyatt Regency Dallas, 300 Reunion Blvd., or through Union Station. For more information, call 214-651-1234.

• **Texas Hall of State**. A trip to this grand building, constructed in 1936 for the Texas Centennial Exposition, is worthwhile for history and architecture buffs alike. The Texas Hall of State, a T-shaped limestone structure, is one of the nation's best examples of Art Deco architectural design. Protecting the entrance to the hall is a regal statue of a Tejas warrior, highlighted against a Southwestern mosaic backdrop.

The grandeur of the building is further felt upon entering the hall and proceeding straight ahead into a four-story room that gives a pictorial history of a state that has been governed by six nations. An elaborate mural depicts Texas life, industry and agriculture over time. There is no admission fee, but a small donation to the Dallas Historical Society is expected. The Hall of State is open Tuesday through Saturday from 9 a.m. to 5 p.m., and Sunday from 1 to 5 p.m. The museum is closed on Mondays. The Hall of State is located two miles from the Convention Center, at 3939 Grand Ave. in Fair Park; call 214-421-4500 for more information.

—*By Amanda Milligan and Michael Bradford*

RIMS 1999 - Dallas

Relax, unwind, escape

Try White Rock Lake or Fort Worth historic district

When the rigors of meetings, deal-making and educational sessions get to be too much, Dallas and nearby Fort Worth can offer RIMS-goers a relaxing escape.

For a quiet afternoon, White Rock Lake provides a comfortable respite. And a short drive west will lead RIMS-goers to Dallas' companion city.

• **White Rock Lake.** A few miles east of downtown, White Rock Lake offers a rolling expanse of lawn on its east side, perfect for an outdoor meal in a shady spot or at a picnic table by the water. On sunny days, residents of the area use the lake as a place to relax, taking their kids or walking their dogs.

The Bath House cultural center, just off Buckner Boulevard, is a nice place to leave the car behind and take a stroll. And the lake's spillway, beside Garland Road, is a scenic spot. From there, a walk along the path used by joggers and cyclists leads to a shady spot that affords a good view of the rushing water and birds that sometimes flock there to frolic. Walkers can continue on if they like or just stop here and enjoy the sailboats and scenery.

The 10-mile paved trail around the lake is great for jogging, cycling or in-line skating. Gear-grinders who want a more intense workout than the mostly flat lake path provides can cycle into the neighborhoods on the lake's west side for a series of thigh-burning inclines. A longer ride or jog is available by crossing Northwest Highway to an extension of the trail, which continues for several miles through woods and parks.

Bike rentals are available at Jack Johnston's, 9005 Garland Road. A one-hour rental costs $9, with rates of $14 for two hours, $19 for a half-day and $29 for a full day. With a trail leading from the bike shop to the lake, it's a convenient location to saddle up on a rental.

And there's more to White Rock Lake than just scenery; the area has an interesting past. There once was an amusement park at the site, and decades ago a dance barge plied the calm waters. During World War II, a camp at the lake housed German prisoners of war.

If you're there in the evening, keep an eye out for the supernatural. Always a favorite spot for lovers, the lake has become known among Dallas romantics as home for a mysterious ghost called "the lady of the lake." One variation of the story had her a spurned lover who was killed at White Rock, and from time to time her misty form is claimed to have been spotted near the road or the water, as she restlessly wanders the site of her demise.

• **Fort Worth Stockyards National Historic District.** While Dallas and Fort Worth are less than 40 miles apart, each remains distinctive, with Dallas as the more cosmopolitan locale and Fort Worth as the more country and western. Fort Worth was dubbed "Cowtown" long ago, and this perception lingers still.

In the Fort Worth Stockyards National Historic District, for example, visitors can bet the ranch on seeing a rodeo every weekend of the year at the Cowtown Coliseum. The Coliseum, built in 1908, was the site of the world's largest rodeo in 1918. Wild West shows also are popular, and the Stockyards Museum chronicles the livestock tradition and history.

Follow the Texas Trail of Fame while wandering through the stockyards district. A guide, available at most stores, gives brief biographical sketches of all Texans honored for their accomplishments with bronze markers. Author Zane Grey, entertainer Gene Autry and artist Fredrick Remington are among those commemorated.

The Stockyards is a great place to find a hearty steak dinner; there are at least three steakhouses within the heart of this historic section of Fort Worth. Billy Bob's Texas, the world's largest honky-tonk, and the White Elephant Saloon are convenient watering holes in this area (*see story, page T31*).

For RIMS attendees looking to find Western wear, turquoise and silver jewelry or cowboy hats, Fort Worth's Stockyards district can accommodate. M.L. Leddy's, which opened up in the stockyards district in 1941, sells a pricey selection of Western gear, including bolero ties and saddles. Other little stores along the main thoroughfares of the stockyards district sell everything from moccasins, knives and belt buckles to cut-glass cactus statues, hot sauces and old-fashioned children's toys.

—By Michael Bradford and Amanda Milligan

PHOTO: AMANDA MILLIGAN

The Stockyards feature rodeos, steakhouses and Western goods.

Dallas plus April equals mild

RIMS conference-goers should employ the same prudent strategy for dressing for Dallas in April as for buying insurance for a big risk: make sure it's in layers.

Jamie Baker, public relations assistant at the Dallas Convention & Visitors Bureau, recommends that visitors pack light jackets to wear in the mornings, which typically are cool, and to remove as the days warm up.

Dallas in April tends to be mild; temperatures throughout the day average from a low of 55 degrees Fahrenheit to a high of 76 degrees. "We rarely get snow," Ms. Baker said, and "it's not really hot until the summer."

Still, a record low of 29 degrees and a record high of 95 degrees have been recorded for April. And dramatic shifts, a hallmark of area weather, demand preparedness. Ms. Baker quotes a popular saying: "If you don't like the weather in Dallas, wait a day and it will change."

Part of being prepared is keeping an umbrella handy. "It's going to shower a little, like everywhere," said Ms. Baker. The average rainfall for April is 3.9 inches spread out over an average of eight rainy days.

Even if some rain does fall during a day or two of the conference, the rest of the time should be pleasant. According to Ms. Baker, fog is almost unknown in Dallas. Most of the time the weather will be very clear, she promised, and there will be "lots of sunshine."

—By Mary B. Nick

A taste for recreation?

City has a rodeo, horse-racing, golf, professional sports

What's a trip to Texas without a little bull? It may not be deep in the heart of the Lone Star state, but Dallas can provide some authentic Texas-style entertainment. A short drive from downtown, the Mesquite Championship Rodeo is a calf-ropin', steer-wrestlin', bareback-ridin' good time.

Riders saddle up on April 10 and April 16 during RIMS conference week, with the gates opening at 6:30 p.m. and events beginning at 8 p.m.

Arrive early and try the barbecue, enjoy live music, shop for souvenirs and stroll by the petting zoo. Once the preliminaries are over, the action shifts to the center ring.

Professional bull riding is one of the rodeo's most popular events. Some of the sport's most talented riders participate. Once the cowboys hit the dirt, their lives often depend on how successful the colorful rodeo clowns are in distracting the bulls.

The rodeo is at 1818 Rodeo Drive in Mesquite. Information is available at 800-833-9339.

A different kind of duel involving man and beast takes place at Lone Star Park in Grand Prairie. Thoroughbred season opens April 15, just in time for those RIMS attendees who haven't had enough action during a busy week.

The park is a beautiful complex just north of Interstate 30, about 12 miles from Dallas. The Post Time Pavilion features a Las Vegas-style racebook and sports bar in a 36,000-square foot facility. The grandstand has glass-enclosed seating for 8,000, and there are penthouse suites and box seats.

Dinner reservations are available at Silks, the trackside restaurant, or lighter fare is available from six concession areas.

Race times and other information are available at 972-263-7223.

Golfers have several options in the Dallas/Fort Worth metroplex.

Dallas has a number of well-maintained and challenging public courses. The Tenison Park Golf Course in east Dallas, not far from White Rock Lake, is a citywide favorite. Close enough to downtown to allow an afternoon round, it's a rolling course with just enough water to keep it interesting but not too frustrating.

The city's courses are a bargain, with regular green fees of $14 and 4 p.m. twilight fees of $10 Monday through Thursday. On Fridays and weekends, the regular fee is $17 and the twilight fee is $12. The fee is only $7 if you tee off as late as 6 p.m. With Dallas' long days, twilight fees are a real bargain. RIMS goers who can't make it to the course early can still count on a round late in the day.

Golfers can walk the courses. For those who choose to drive a cart, however, the fees are $17 plus tax for 18 holes and $9 plus tax for nine holes.

Call the Tenison course for more information at 214-670-1402. For general information on city courses, call 214-670-8520.

Woodcrest Country Club in Grand Prairie, designed by pro golfer Don January, is a picturesque course about 30 minutes from downtown. Towering oaks shade portions of the 18-hole, 6,500-yard course. It's a par-72 course with a slope of 121 and a rating of 70.6.

Greens fees are $30 during the week and $40 on the weekend. Carts cost $11.85 every day. Tee times can be arranged two days in advance by calling 972-264-2974. The course is at 3502

See **Recreation** *on page 31*

PHOTO: COURTESY OF DALLAS CONVENTION & VISITORS BUREAU

Talented riders participate in the Mesquite Championship Rodeo.

A shopper's paradise

From specialty shops to outlet malls, Dallas has it all

If a person were to explore every shopping opportunity in Dallas, there would be no time to attend the RIMS conference.

But for hard-core shoppers seeking furniture, antiques, jewelry, etc., there is an abundance of shopping centers, malls and outlet stores in the Dallas-Fort Worth area. Specialty shops that cater to the Texas experience make it fun to shop for souvenirs such as pottery and Western wear, too. And, of course, Dallas also offers shoppers the big chain stores, including Neiman Marcus, which got its start in Dallas.

No matter where a visitor might go, traffic and crowds could frustrate even the most seasoned shopper. But those who truly want to shop the whole of Dallas will find themselves traveling from one end of the city to the other. Having a car to use for more than storage space, therefore, is essential.

In the heart of downtown Dallas, the 50-store **West End Marketplace** prides itself on its specialty shops. Authentic Texas souvenirs, such as smoked alligator, can be found at Calido Chili Traders. Flags from around the world brighten the storefront of Alamo Flag Co., and sports buffs can stock up on Dallas Cowboys garb in the team's official store. A 10-screen movie theater and a video arcade in the basement of the shopping complex can provide a break from it all. If you're driving, parking is readily available. If you're taking the DART, get off at West End station.

Nestled around an atrium that shelters an ice rink, the 45 establishments in the **Plaza of the Americas** complex offer conference attendees a mix of gifts, services and consumables. Although not a traditional mall, the Plaza can be a conference-goer's oasis, providing a cleaners, a one-hour photo developer, a bookstore, a card shop and a post office, among other amenities. Le Meridien Hotel also connects to the Plaza. If taking the DART, get off at Pearl Street.

Perhaps the Goliath of Dallas shopping is **NorthPark Center**, which has 160 specialty shops, restaurants and theaters. Shop here in department stores such as Lord & Taylor, J.C. Penney, Dillard's and Neiman Marcus, and in specialty shops such as Coach, Brooks Brothers and Tiffany & Co. What makes this mall unique are the extra touches that other shopping centers don't typically offer, such as the baby ducks and turtles that call the mall's fountains home. The mall also has a marionette puppetry theater for children that offers shows throughout the week. NorthPark Center provides a complimentary shuttle from the Park Lane DART station.

Deep Ellum is the place to go to look for furniture. Stores such as Hill Country Experience, which specializes in a hybrid decor called "Texas Country French," and The Arrangement, which claims to have the largest collections of furniture from New Mexico, Texas and Arizona, define the Texas way of life in a manner even city dwellers can understand. Casa Mexi Cana, just down Elm Street from these stores, sells bright and inexpensive handpainted Mexican pottery and hammered tin products. Linda's Treasures and Affordable Antiques is a great find, specializing in meticulous Art Deco kitchen appliances and furniture and antique dressing closets.

On Sept. 10, 1907, **Neiman Marcus** opened its doors in downtown Dallas. More than 90 years later, Neiman Marcus still is considered the belle of Dallas department stores. There are four locations in the Dallas area, with the original store located at 1618 Main St.

With a bevy of bargain-boasting stores, **Fort Worth Outlet Square** is one of several outlet malls in the Dallas-Fort Worth and Metroplex area. Situated in downtown Fort Worth, this mall offers more than 45 discount stores, such as outlets for Nine West, Mikasa, PrimeCo. and Bugle Boy. Dallas barbecue favorite Sonny Bryan's also has an eatery in the outlet mall. This mall even sports a branch of the Fort Worth Public Library and a public ice skating rink. Fort Worth Outlet Square Mall is between Taylor and Throckmorton streets.

PHOTO: AMANDA MILLIGAN
Fort Worth Outlet Square offers shoppers a host of discount stores.

Dallas' **Galleria** is perhaps the most difficult mall to find, despite the fact that it's right off Interstate 635. Local signage is good, but the roads leading to the mall are congested and are part of a tangle of one-way ramps that seem to shoot off in every direction. Once getting to the Galleria, shoppers can elect to leave the parking to a valet service. The exclusive Galleria is home to Saks Fifth Avenue, Macy's, Nordstrom and the Westin Hotel, in addition to a host of other stores. One exit east of the Galleria, on I-635, is **Valley View Center**, another mall complex containing J.C. Penney, Sears, Foley's and Dillard's.

Designer fashions are also represented in Dallas, especially at **Highland Park Shopping Village**, at E. Mockingbird Lane and Preston Road. This exclusive outdoor shopping center is located across the street from the Dallas Country Club. Here are to be found stores such Chanel, Prada, Escada and Calvin Klein. Valet parking is available.

Snider Plaza, also in the Highland Park area, is a horseshoe-shaped collection of specialty shops. Shoppers will delight in the small-town feel of this shopping complex. Wander through antique stores, home decorating stores, a bread shop and a variety of clothing shops. Snider Plaza is located in the University Park area, one block off Hillcrest Avenue, on Snider Plaza and Rosedale.

—By Amanda Milligan

Recreation

Continued from previous page

Country Club Drive in Grand Prairie.

Drive north to Plano, and you can play Chase Oaks Golf Club, one of the finest public courses in the area surrounding Dallas. It's at 7201 Chase Oaks Blvd. The 18-hole Blackjack course is a 6,269-yard par 72 with a 71.5 rating; the nine-hole Sawtooth is a 3,214-yard par 36 with a 70.1 rating.

Fees on the Blackjack course include a cart; they are: $49 Monday through Thursday, $55 on Friday, and $65 on weekends. The Sawtooth course charges $29 daily for greens fees and a cart. More information and tee times are available at 972-517-7777.

Several professional sports will be in play during RIMS week in Dallas.

Baseball fans can make a trip to The Ballpark in Arlington to watch the Texas Rangers play the Anaheim Angels at 7:05 p.m. on April 11 and 1:35 p.m. on April 12. Ticket prices range from $5 to $35, and seating information is available at 817-273-5100.

The Dallas Stars take the ice against the Los Angeles Kings at 2 p.m. on April 11, providing sports enthusiasts enough time to catch some hockey at Reunion Arena before heading to the ballpark. For ticket information, call 214-467-8277. If you want to watch the Stars, call ahead for tickets; most games sell out.

The Dallas Mavericks are at Reunion Arena on April 13 against San Antonio and on April 15 against Minnesota; games start at 7:30. Ticket information is available at 972-988-3865. BI

Dallas rocks at night

No matter what scene you prefer, Dallas' night life can accommodate. From the anything-goes attitude of Deep Ellum to the low-key McKinney Avenue area and everything in between, RIMS-goers are sure to be pleased with the variety of nighttime possibilities.

Broken down by neighborhood, here are a few places worth hitting:

Greenville Avenue

It isn't enough to ask the concierge for directions to Greenville Avenue—ask how to get to "lower Greenville." You probably won't see that designation on a map, and you'll sound more like a veteran of Dallas' night life.

The concierge will send you to an area that begins south of Mockingbird Lane, about five miles from downtown. It's a stretch of restaurants and bars that range from mainstream and classy to alternative and funky.

There's a second area, "lowest Greenville," which begins further south past Belmont Avenue. Here, the area is more of an eclectic mix of alternative shops and eateries. There are ethnic shops, vintage clothing stores, antique shops and bars, and it is a good place to get a tattoo or that body piercing you've been contemplating.

In the Greenville Avenue area, you can enjoy a nice meal for practically any taste and follow it with dancing, drinks, music or just hanging out. Be warned: If you don't like crowds or traffic, don't go on a weekend night.

If the weather's cooperative, a great way to start the evening is at one of the many restaurants that have outdoor seating. **Aw Shucks Oyster Bar** at 3601 Greenville is a good choice for briny bivalves and beverages, and **The Blue Goose**'s crowded sidewalk at 2905 Greenville is the scene for some of the best Tex-Mex in town.

If quiet, indoor eating is more to your liking, try **St. Martin's** at 3020 Greenville. It's small, quiet and sophisticated, with a nice wine list and delicious continental menu.

Those who prefer dinner and a movie—at the same time—should try the **Granada Theater** at 3524 Greenville. The pizzas and sandwiches are tasty and are served at your seat so you can dine and enjoy the show.

After dinner, it is time to check out the night life. You won't have to go far.

Many of the clubs are better suited for RIMS conference attendees who have as much experience in partying as in risk management. The crowds in some places tend to be young, drawing on the student body from nearby Southern Methodist University. If you find a spot is uncomfortably fraternity-like, keep looking, there are plenty more.

Stan's Blue Note at 2908 Greenville can be very lively late in the evening, particularly on weekends. It's a spacious and very casual place with two bars, pool tables and televisions that show sporting events. The food is not the biggest draw here, so eat before you arrive. Lots of mingling and flirting go on at Stan's.

If the crowd becomes too much at Stan's, slip next door to the **London Tavern** or the **Dubliner**. It's usually quiet, and homesick British or Irish RIMS attendees can find a reassuringly familiar ale in one of these two bars.

Music lovers have a number of options.

The Royal Rack at 1906 Greenville features live reggae and is open every day. Call to find out who's on stage, 214-824-9733. **Muddy Waters** at 1518 Greenville is a place for blues, 214-823-1518. **Greenville Bar & Grill** at 2821 Greenville has good bar food and a blues

See **Nightlife** *on next page*

Nightlife

Continued from previous page

jam on Mondays, 214-823-6691.

The Cavern at 1914 Greenville offers up rock, swing and other styles; call to see who's playing on the night you want to go, 214-828-1914. **Poor David's Pub** has a changing weekly lineup with acoustic artists, blues and other styles. The club is at 1924 Greenville, 214-821-9891, or check the Web site at www.poordavidspub.com.

The Red Jacket is for dance fans. It's the latest incarnation of the club at 3603 Greenville, and if you're still wearing your coat and tie from a RIMS session, you won't feel out of place. Pool tables and card games are diversions. Swing music on Thursdays; call for the style on other nights at 214-823-8333.

Perhaps the best way to enjoy Greenville Avenue is to just cruise for a while, see what looks interesting, and check it out. It's hard to go wrong—if one spot doesn't work out, there's another around the corner.

West End

•**West End Pub.** The West End Pub calls itself "the neighborhood pub without the neighborhood," and appropriately so, as it is located in an office and warehouse district situated near the historic book depository building. The West End historic district's row of restaurants is just a couple of streets over.

RIMS attendees will enjoy kicking back in this pub, which provides a complimentary buffet, valet service and an "attitude adjustment" period from 4 to 8 p.m. Monday through Friday. The pub also provides free transportation to the Dallas Stars hockey games.

A tremendous list of scotches, some of which are more than 20 years-old, is available; scotches range from $5.50 to $27. For the adventurous drinker, there's the Pubtini, a martini made with Monopolowa (or potato) vodka.

The pub's hours are from 11 a.m. to 2 a.m. Monday through Friday, and 12 p.m. to 2 a.m. on Saturdays. West End Pub is located at 211 N. Record, between Elm and Pacific Streets, 214-748-5711. If taking the DART, get off at West End Station.

•**Blue Mule Casual Cafe.** Situated in the heart of the West End historic district, Blue Mule Casual Cafe offers something for everyone.

This roomy pub has a good mix of domestic and import beer on draft, and also serves burgers, sandwiches, fajitas and ribs. During good weather, diners can enjoy outdoor service. The special house drink, Mule Fuel, a 24 oz., "91-octane" souvenir drink similar to a Long Island Iced Tea, is $8.

Live music, featuring Texas blues and rock, can be heard nightly. Interactive sports trivia, video games and billiards make the Blue Mule Casual Cafe a comfortable retreat for RIMS attendees.

The cafe is open 11 a.m. to 2 a.m. daily, and happy hour is from 4 to 8 p.m., Monday through Friday. Blue Mule Casual Cafe is located at 1701 N. Market St., 214-761-0101.

Deep Ellum

•**Angry Dog.** Angry Dog, a nine-year-old bar in the heart of Deep Ellum, is not as forbidding as its name suggests. Fitting in with the diversity of the area, the owner of Angry Dog says his clientele includes "lawyers, doctors and tattoo artists." House rules emblazoned on the menu include statements like "don't harass single women" and "no foul language."

Angry Dog has 20 kinds of beer on draft and 150 bottled imports, single malt scotch and whisky. Cigars also are available. Music is provided by a jukebox in the corner of the bar.

For a bar, Angry Dog has an extensive menu that ranges from traditional bar fare such as stuffed jalapenos to an "Angry" chicken Caesar salad.

Angry Dog, located at 2726 Commerce St., is open from 11 a.m. to 2 a.m. Monday through Saturday, and from noon to midnight on Sundays, 214-741-4406.

•**Copper Tank Brewing Co.** This giant brew pub on the fringe of Deep Ellum is a branch of the original Copper Tank Brewing Co., which began its operations in Austin, Texas.

The Dallas location, which opened in late 1995, has a tremendous bar nearly spanning the length of the building, and makes seven types of beer on site year-round, in addition to several seasonal beers. Avoid the pale ale, which has a very skunky taste that rivals cheap canned beer.

The brew pub also serves sandwiches, pizza, burgers and a large array of appetizers. It offers food and drink specials nightly.

Hours are Monday through Saturday 4 p.m. to 2 a.m.The brew pub is closed on Sunday. Copper Tank Brewing Co. is located at 2600 Main St., 214-744-2739.

Fort Worth

•**Billy Bob's Texas.** Dust off those snakeskin boots and pick up a 10-gallon hat on the way to a Fort Worth institution frequented by locals and tourists since 1981—Billy Bob's Texas, the largest honky-tonk in the world.

See performers such as Willie Nelson at the three-time winner of the "Club of the Year" award by the Academy of Country Music and Country Music Assn. Billy Bob's Texas also holds professional bull riding contests on Friday and Saturday nights from 9 to 10 p.m. The club also has pool tables, video games and a casino arcade.

Clientele is more family-oriented on the weekends, and caters more to single people during the week, said one worker. Admission ranges from $6.50 to $8.50 at night, depending on the scheduled performer, but daytime admission is just $1. Major credit cards are accepted.

Billy Bob's Texas is located at 2520 Rodeo Plaza, Fort Worth, 817-624-7117.

•**White Elephant Saloon.** Opening in the Fort Worth Stockyards National Historic District in 1974, this unique bar has been featured in

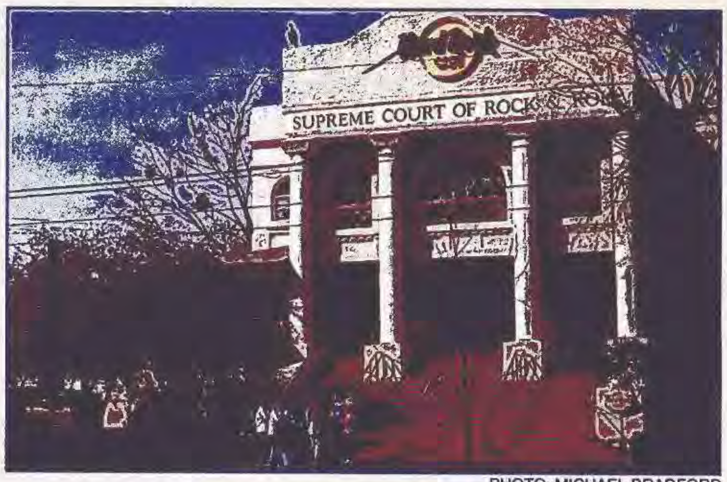

PHOTO: MICHAEL BRADFORD

The McKinney Avenue area is home to Dallas' Hard Rock Cafe.

the television series "Walker Texas Ranger" as "C.D.'s Bar & Grill" and was named to Esquire magazine's list of the 100 best bars in America.

Inside, the saloon is decorated in the style of the Old West and features a wall of elephants of various and shapes and materials. Another noteworthy feature is the collection of hats from locals who frequented the saloon over the years. At last count, there were more than 400 hats hanging from the saloon's ceiling.

There is no cover charge at White Elephant Saloon. Hours are Sunday through Thursday, noon to midnight and Friday and Saturday from noon to 2 a.m. The saloon's beer garden will be open in April. White Elephant Saloon is located at 106 E. Exchange Ave. in Fort Worth, 817-624-1887.

McKinney Avenue

The historic area marked by McKinney Avenue is called Dallas' uptown, and its restaurants and clubs are a short cab ride from the conference hotels.

The nightlife on McKinney Avenue has a different feel than the more raucous goings-on in Deep Ellum and on Greenville Avenue. Here, it takes on more of the subdued, after-work unwind time that gradually builds into boisterous talk around a bar or over food.

The Hard Rock Cafe is the area's most famous name. If you've been to any other location of this worldwide chain, you'll recognize the familiar elements: loud music, passable food and rock memorabilia.

Less famous but more interesting are some of the area's other watering holes. You can enjoy drink specials and catch some jazz at **8.0 in The Quadrangle**, a collection of restaurants and shops at 2800 Routh St. Call 214-979-0880 to find out who's playing. Other food and music possibilities at the Quadrangle include the **Dream Cafe**, 214-954-0486, and **Mediterraneo**, 214-979-0002.

There's live music and great food every night at **Avanti Ristorante**, 2720 McKinney. The entertainment complements fine Italian food, with veal and seafood the specialities. It's a great late-night spot, too, with a "moonlight breakfast," served from midnight to 4 a.m. Reservations at 214-871-4955.

If it's dancing you're looking for, **Club Babalu** has Latin dancing in an upscale atmosphere. The club, at 2912 McKinney Ave., is open every night from 8 p.m. to 2 a.m., 214-953-0300.

—By Amanda Milligan and Michael Bradford

Tex-Mex and more on the menu in Dallas

As a place that has four times more restaurants per capita than New York City, in Dallas, dining is about far more than just satiety.

Fiery Tex-Mex foods abound, both at high- and low-brow establishments, and wood-grilled meat and fish are popular on most menus. While regional cuisine is abundant, Dallas also is an international city capable of serving up fine versions of European and Asian cuisines. Fusion dining also is common in Dallas, where many trendy establishments tinker by pairing unrelated nationalities and regional favorites into inventive dishes.

For many Dallas residents, dining out with friends and family is a popular social activity. And because many restaurants cater to the upscale market, plan to dress up when going out to eat.

Downtown Dallas and the outlying areas are host to a number of fine restaurants. Below are a few of our favorites:

•**The Blue Goose Cantina**. On a warm Dallas afternoon, it's hard to beat a bite to eat at this corner cantina. While munching on crispy chips and salsa, consider generous portions of quality lean beef or chicken strips with melted jack cheese served up on the mesquite fajita sandwich and complemented with an au jus for dipping. For seafood lovers, there's the mesquite-grilled shrimp on a bed of rice served with drawn butter and a Mexican salad.

PHOTO: AMANDA MILLIGAN

The Blue Goose Cantina specializes in Tex-Mex dishes.

A short distance from the Southern Methodist University campus, this 15-year-old local favorite draws students, faculty and business associates. For sun lovers, there's plenty of outdoor seating. The interior is a bit cavernous but can be lively, especially around the tortilla machine.

Dress is casual, and reservations are not accepted. Lunch averages $7 per person; dinner costs about $10 to $12 per person. Hours are 11 a.m. to 11 p.m., Sunday through Thursday, and 11 a.m. to midnight, Friday and Saturday. Brunch is served on Saturday and Sunday from 11 a.m. to 3 p.m.

The Blue Goose Cantina is located at 2905 Greenville Ave., 214-823-6786.

•**Cattlemen's Fort Worth Steak House.** Avoid the slick new eatery on the corner of the Historic Stockyards district and dine instead at a restaurant that doesn't pretend to be anything other than an old-fashioned, quality steakhouse.

The restaurant was owned and operated until 1994 by a husband and wife who, coincidentally, sold insurance for commercial trucks before purchasing the restaurant in 1947. But, while it may have been a risky proposition for them to become restaurateurs, they developed their operations to include four more restaurants in the Dallas-Fort Worth area.

Juicy, corn-fed, aged steaks are grilled to order in the dining room, among huge pictures of prize-winning cattle. While waiting for your steak, try the house bleu cheese vinaigrette dressing, which goes remarkably well with the rye bread that accompanies the house salad. There's also an extensive list of red wines. Homemade apple and pecan pie are offered to those diners who manage to remain hungry after this ample meal.

Attire is casual. Lunch entrees range about $5 to $11; dinner entrees are about $14 to $29. The restaurant is open from 11 a.m. to 10:30 p.m., Monday through Thursday; 11 a.m. to 11 p.m., Friday and Saturday; and 1 p.m. to 9 p.m. on Sunday. Cattlemen's is located at 2458 N. Main St., Fort Worth, 817-624-3945.

•**Dakota's.** This half-hidden treasure, which resides below street level at the corner of San Jacinto and Akard streets, serves up wood-grilled steak, fish, chicken and wild game. Wine enthusiasts can enjoy several types by the glass or by the half or whole bottle. In addition to the usual domestic and imported beers, some local brews are also on the menu.

For starters, the sampler platter offers tasty morsels such as barbecue shrimp, grilled portobello mushrooms and venison sausage quesadillas; it is recommended for a minimum of two diners. Salads at Dakota's are more than just a prelude to dinner and are large enough to share. The house specialty salad, made of spinach and goat cheese, is a tasty choice. Servers also are generous with Dakota's homemade rolls.

It's difficult to choose from among the selection of pastas, wood-grilled meats and other specialty dishes. Atlantic salmon, delicately smoked so as not to overwhelm its natural flavors, is comple-

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Dining

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mented with roasted corn crab sauce and fresh asparagus. Dakota's signature pasta, smoked chicken penne, is outstanding; roasted peppers and a white wine sauce make this dish flavorful but not too heavy.

Dakota's wide-ranging selections don't stop with the main course. Check out the extensive cordial and after-dinner drink menu. The dessert menu also tempts diners with a nationally acclaimed key lime pie or a scrumptiously smooth Grand Marnier flan, which features a delicious yet restrained sauce that doesn't drown the custard in syrupy overindulgence.

The restaurant takes its name from the eight million pounds of Dakota mahogany granite that defines the restaurant's interior and exterior decor and its downtown Lincoln Plaza neighborhood. Gaslight wall sconces cast a soft glow over the restaurant's stately adornments, giving Dakota's an intimate atmosphere.

Reservations are recommended, and attire is smart business casual. Entrees range from $10 to $30. Lunch hours are 11 a.m. to 2:30 p.m., Monday through Friday; dinner hours are 5 p.m. to 10 p.m., Monday through Thursday; 5 p.m. to 10:30 p.m., Friday and Saturday; and 5:30 p.m. to 9 p.m. on Sunday. Complimentary valet parking is available. Dakota's is located at 600 N. Akard St., 214-740-4001.

•**Deep Ellum Cafe**. Situated in the nicer part of the eclectic area called Deep Ellum, even the most traditional diners will find themselves at ease in this airy restaurant along Elm Street, where one can listen to strains of jazz and people-watch.

The abbreviated wine list is just as unconventional as the spiky-coiffured waitress who serves it. For starters, avoid the disappointing herbed goat cheese with roasted garlic and olive tapenade. The garlic is served chilled and the olive tapenade is really just a diced mixture of black and green olives.

But the entrees make Deep Ellum worthy of a trip across town. Baked rainbow trout with tomatillo coulis, tequila-marinaded lemon wedges and jasmine rice is a popular selection. The black bean ravioli in a chipotle cream sauce is a lively example of fusion cooking, but is not for the unadventurous. For dessert, try the artistically designed lemon curd tart.

Attire is ranges from casual to semi-dressy—anything goes at the Deep Ellum Cafe. Lunch entrees range from $5 to $10; dinner entrees are about $10 to $15. The restaurant is open for lunch only on Sundays and Mondays, 11 a.m. to 3 p.m. It is open all day on Tuesday through Thursday, 11 a.m. to 10 p.m. and Friday and Saturday, 11 a.m. to midnight. Deep Ellum Cafe is located at 2706 Elm St., 214-741-9012.

•**Enigma**. Dining at Enigma is a unique experience. You'll be served with a crazy but classy combination of mismatched china and utensils. Order the same dish as your companion and the two meals will be prepared differently.

The food and decor are great, if puzzling. The menu, a bit pricey, includes exotic game such as elk and alligator.

This a great spot for something different, and if you go early, it can be a quiet place to relax over a nice wine and forget the rigors of the conference week.

Dinner at Enigma costs between $30 and $50. Not far from downtown, Enigma is at 3005 McKinney Ave. Dinner is served Monday through Saturday, 5:30 p.m. until midnight. Reservations are available at 214-999-0666.

•**Terilli's**. The martini set swears by the concoctions at Terilli's, but the drinks merely whet the appetite for the fine Italian dishes served at this Greenville Avenue eatery.

A popular spot, it's fairly easy to get a seat without reservations for lunch. But don't try arriving without a reservation in the evening, unless you don't mind sipping martinis or extra-cold draft beer while waiting for a table. You might pass the time with some star-spotting, as local celebrities such as Dallas Cowboys quarterback Troy Aikman are sometimes spotted here.

You can go to hear the live jazz at night, or you can simply enjoy watching some of Dallas' chic set who stop by Terilli's.

The restaurant is just as popular with those who are more concerned with what's being served than how they look; Terilli's owners aren't picky about a dress code.

Scampi, escargot and calamari are all great starter choices. Salads are large and well prepared. There's always a ravioli special; if you don't order it, encourage someone at your table to try it so you can have a bite. Lasagnas, pasta with chicken and seafood, veal dishes and daily creations round out the entrees.

Entrees average around $12. Terilli's is open until midnight, Sunday through Thursday; and until 1 a.m., Friday and Saturday. It's at 2815 Greenville Ave., 214-827-3993.

•**The Grape**. Across from Terilli's, the Grape is perhaps the finest wine bistro in Dallas. A small restaurant with a separate bar, it offers a great selection of wines and an eclectic menu that changes weekly.

It's a softly lit, romantic spot. The servers will tell you that, on occasion, a diner has been known to drop to one knee and pop the question to a starry-eyed companion.

A recent menu included lemon grass ahi tuna, taro root grouper, shellfish bouillabaisse, mint-rubbed venison and Cuban pork chops as entrees. A five-course meal with five half-glasses of wine costs $49.95.

The Grape is at 2808 Greenville Ave., 214-828-1981. Dinner is served until 9:30, Sunday through Thursday and until 11 p.m. on Friday and Saturday.

•**311 Lombardi's**. Situated in a corner storefront in the West End district, Lombardi's Italian fare is good but lacks inventive flavor combinations, even in its daily specials.

Homemade focaccia bread cooked in Lombardi's wood-burning oven is fresh and toasty with a dash of olive oil but is overpriced at $4.50. Pasta trio is a selection of pastas with bolognese, creamy pesto and lemon chicken alfredo sauces. Pizza con pollo features grilled chicken, feta cheese and black olives resting on a focaccia crust swabbed in pesto sauce. For wine enthusiasts, the reasonably priced list features by-the-bottle and by-the-glass selections.

Traditional Italian dolci are available for diners who still have room after dinner; tiramisu and a Tuscan bread pudding are two examples.

Service was attentive and courteous, and a speedy kitchen crew kept the crowd moving. Reservations are not needed, but the dinner rush began around 7:30 p.m., making tables scarce.

Lunch entrees range in price from $8 to $15; dinner entrees are about $10 to $25. Casual to dressy casual is acceptable attire. Parking is plentiful nearby. Hours are Monday through Thursday, 11 a.m. to 11 p.m.; Friday, 11 a.m. to midnight; Saturday, 5 p.m. to midnight; Sunday, 5 p.m. to 10 p.m. Lombardi's is located at 311 Market St. at Ross Ave., 214-747-0322.

•**Mansion on Turtle Creek**. Come to this nationally famous Dallas dining establishment dressed to fit in with the Dallas socialite crowd, with a wallet prepared to take a sizable hit, and with a palate eager to be tantalized by the exquisite creations of chef Dean Fearing.

The award-winning Mansion, adorned with orchids, stucco and Mexican tile, is an appropriate backdrop for Fearing's culinary perfection, which consists of basic Southwestern ingredients such as chilies, peppers and traditional smoking techniques.

PHOTO: AMANDA MILLIGAN

Mansion on Turtle Creek

Although the clientele can be a bit haughty, the waitstaff isn't, instead focusing on customers' every whim.

The signature tortilla soup is a vital component of the Mansion experience. Made with New Mexican chilies, chicken stock, strips of tortilla and other ingredients, it is topped with chicken, avocado and cheddar cheese. The honey-glazed rolls are a perfect companion to this superb blend of flavors.

For lunch, entrees range from $15 to $22. Among the succulent choices are a warm lobster taco with yellow tomato salsa, and jicama salad, which makes an appearance on the dinner menu as an appetizer. For salad lovers, the Southwest grilled chicken salad with warm cornbread-crusted goat cheese and burnt honey ranch dressing raises salad-making to a high art.

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Dining

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Dinner entrees range from $26 to $55, but a chef's four-course tasting menu is a bargain at $75. The most unusual dish is the winter game trio, with venison chop, pheasant breast and ostrich steak with chestnut pudding and huckleberry sauce. Fish and steak also make up a big part of the dinner menu.

The dessert menu changes from lunch to dinner. If it's available, try the divine raspberry creme brulee, which comes nested in a custard shell.

Reservations are a must, and valet parking is available. Attire is dressy, both for lunch and dinner, and a jacket is required for men. The Mansion is open for lunch from noon to 2:30 p.m., Monday through Saturday; a Sunday brunch is served from 11 a.m. to 2:30 p.m. Dinner is served nightly from 6 p.m. to 10:30 p.m.

The Mansion on Turtle Creek is located at 2821 Turtle Creek Blvd. at Gillespie St. in the hotel complex; 214-559-2100 or 800-527-5432.

•Mother Pearl's Seafood House & Oyster Bar. Finding well-prepared and affordable seafood in a land-locked city is not always easy. Mother Pearl's, a casual eatery in the Oak Lawn area, does a good job of filling that niche.

Mother Pearl's two-story facility provides the feel of the sea in an area populated with ethnic and mainstream restaurants. Among the specialties are blackened fish, fried catfish and oysters on the half shell.

Dinner costs about $10 to $15. Hours are Sunday through Thursday, 11 a.m. to 10 p.m.; and Friday and Saturday, 11 a.m. to 11 p.m. Reservations are not necessary. Mother Pearl's is at 3903 Lemmon Ave.; 214-559-0101.

A similar menu in a smaller location is available at a sister restaurant, Half Shell's Oyster Bar & Grill in Snider Plaza, near Southern Methodist University; 214-691-8164. Half Shell's is open Sunday through Wednesday, 11 a.m. to 10 p.m.; and Thursday through Saturday, 11 a.m. to midnight.

•Sonny Bryan's. Hungry risk managers arriving at Dallas/Fort Worth International Airport around lunchtime should know that the most convenient way to sample Dallas' best barbecue is to stop at Sonny Bryan's on the way downtown. Just off I-35, Sonny Bryan's is an institution in the city and a world-class barbecue joint.

Like all good barbecue pits, this Dallas landmark looks as though a swift kick could bring it down. Noon brings long lines for the ribs, brisket and sandwiches. Diners can sit inside at converted school desks or outside at picnic tables. A meal of sandwich, fries and soft drink costs $6.75. Posted hours are Monday through Friday, 10 a.m. to 4 p.m.; Saturday, 10 a.m. to 3 p.m.; and Sunday, 11 a.m. to 2 p.m. But don't wait too late in the day to try the restaurant; the doors are locked when the food runs out.

The other Sonny Bryan's is located in the West End at 302 N. Market St., closer to convention hotels. It serves the same savory sauce but lacks the ambience of the original location. The West End Sonny Bryan's is open Monday through Thursday, 11 a.m. to 10 p.m.; Friday and Saturday, 11 a.m. to 11 p.m.; and Sunday, noon to midnight.

Don't bother with reservations. If it's late, though, call the original location to make sure they're still cooking, 214-357-7120. The telephone number for the Market Street location is 214-744-1610.

•Uncle Julio's. If you're looking to scratch your Tex-Mex itch, find an Uncle Julio's. Along with the Blue Goose, Uncle Julio's stirs up some of the city's finest Mexican fare.

The fajitas are a specialty; they arrive still-sizzling in onions and a sauce that no other Tex-Mex outfit seems able to duplicate. The rest of the menu is nicely done, too, and includes the standard fare of burritos, enchiladas, tacos, etc. The brain-freezing margaritas are delicious. The service is great, and the portions are large.

Dinner is about $15. Uncle Julio's has three locations. The original location, which is the closest to downtown hotels, is at 4124 Lemmon Ave.; 214-520-6620. It's open Monday through Thursday from 11 a.m. to 10:30 p.m.; Saturday, 11:30 a.m. to 11:30 p.m.; and Sunday, 11:30 a.m. to 10:30 p.m. Be warned, Uncle Julio's can be quite crowded on weekends.

—By Amanda Milligan and Michael Bradford

A portion of Dallas' culinary wealth

RIMS-goers won't go hungry in Dallas/Fort Worth.

The area offers plenty of restaurants, with a wide selection of menus and atmospheres. Steak and Tex-Mex lovers especially will find a wide range of choices. For a closer look at some of the most notable places, turn back to page T32.

Adelmo's
4537 Cole Ave., Dallas
214-559-0325

Mediterranean (Italian and French). Quaint, intimate decor with white table linens and candlelight. Specialties include a 20 oz. veal chop. Average dinner for two with wine and gratuity: $100. Attire: jackets are optional. Lunch: Monday-Friday, 11:30 a.m.-2 p.m. Dinner: Monday-Thursday, 6 p.m.-10 p.m.; Friday-Saturday, 6 p.m.-10:30 p.m. Reservations are recommended. Parking is available. All major credit cards are accepted.

Alessio's
4117 Lomo Alto Drive, Dallas
214-521-3585

Italian. Romantic candlelit dining. Specialties include veal, fish, pasta dishes, steaks and wild game. Average dinner for two with wine and gratuity: $80. Attire: casual. Lunch: Monday-Friday, 11:30 a.m.-2 p.m. Dinner: 6 p.m.-10 p.m. Reservations are recommended. Complimentary valet parking. Visa, MasterCard and American Express are accepted.

Antares
300 Reunion Blvd., Dallas
214-712-7145

New American. Located in the Reunion Tower at the Hyatt Regency Dallas offering a view of the city's skyline. Current music nightly. Specialties include classic cocktails, steaks and seafood. Average dinner for two with wine and gratuity: $100. Attire: business casual. Lunch, 11:30 a.m.-2 p.m. Dinner: 6 p.m.-11 p.m. Brunch: Sunday, 10:30 a.m.-2:30 p.m. Reservations are recommended. Valet parking for $3 with validation. All major credit cards are accepted.

Anzu
4620 McKinney Ave., Dallas
214-526-7398

Eclectic. Sleek, minimalist, Asian-inspired. Specialties include fresh grilled seafood and sushi. Average dinner for two with wine and gratuity: $60. Attire: casual. Lunch: Monday-Friday, 11:30 a.m.-2 p.m. Dinner: serving begins at 6 p.m. Reservations are recommended. Valet parking. All major credit cards are accepted.

AquaKnox
3214 Knox St., Dallas
214-219-2782

Seafood. Management has carried over what it calls "global water cuisine" into the restaurant's dining room, which features "waterwalls" and an aquarium. Specialties include Asian, Mediterranean and South American seafood dishes. Average dinner for two with wine and gratuity: $120. Attire: semi-formal. Bar: 5 p.m.-midnight. Dinner: 6 p.m.-10:30 p.m. Reservations are recommended. Complimentary valet parking. All major credit cards are accepted.

Avanti Ristorante
2720 McKinney Ave., Dallas
214-871-4955

Italian. Casual, yet elegant and romantic, with candlelight, table linens and fresh flowers. Live music, usually jazz. Specialties include veal, fish and pasta dishes. Average dinner for two with wine and gratuity: $70. Attire: casual. Lunch: Monday-Friday, 11 a.m.-2:30 p.m. Dinner: Monday-Thursday, 5 p.m.-10:30 p.m.; Friday-Sunday, 5 p.m.-4 a.m. Reservations are recommended. Complimentary valet parking. All major credit cards are accepted.

The Balcony of Ridglea
6100 Camp Bowie Blvd., Fort Worth
817-731-3719

French/Continental. Fine dining. Specialties include rack of lamb and chateaubriand. Average dinner for two with wine and gratuity: $100. Lunch: Monday-Friday, 11 a.m.-2 p.m.; Sunday, 11 a.m.-2 p.m. Dinner: Monday-Thursday, 5 p.m.-9 p.m.; Friday-Saturday, 5 p.m.-10 p.m.

Barclays
2917 Fairmont, Dallas
214-855-0700

Modern British. The unpretentious, romantic atmosphere of a small Victorian home. Specialties include rack of lamb and toffee banana crumble. Average dinner for two with wine and gratuity: $125. Dress code: guests are asked to dress "smartly." Dinner: Tuesday-Saturday, 5 p.m.-11 p.m. Reservations are recommended. Valet parking. Visa, MasterCard, American Express and Diners Club are accepted.

Beau Nash
400 Crescent Court, Dallas
214-871-3240

Eclectic. Intimate. Casual, yet elegant, with candlelight, dark wood and green marble. Specialties include grilled corn, chicken soup and angel hair pasta. Average dinner for two with wine and gratuity: $70. Attire: business casual. Dinner: Monday-Thursday, 6 p.m.-10:30 p.m.; Friday-Saturday, 6 p.m.-midnight; Sunday, 6 p.m.-9 p.m. Reservations are recommended. Valet parking. All major credit cards are accepted.

The Blue Goose Cantina
2905 Greenville Ave., Dallas
214-823-6786

Tex-Mex. Casual dining at a corner cantina. Specialties include mesquite-grilled fajita sandwiches, mesquite-grilled shrimp, pork kabobs, fajitas, and Mexican and domestic beers. Average dinner for two with drinks and gratuity: $35-$40. Attire: casual. Hours: Sunday-Thursday, 11 a.m.-11 p.m.; Friday-Saturday, 11 a.m.-midnight. Brunch: Saturday-Sunday, 11 a.m.-3 p.m. Reservations are not accepted. Parking is available. All major credit cards are accepted.

Bob's Steak and Chop House
4300 Lemmon Ave., Dallas
214-528-9446

Steakhouse. A masculine and clubby atmosphere. Specialties include Texas steaks. Average dinner for two with wine and gratuity: $100. Attire: "neat casual," with men often in coats and ties. Dinner: Monday-Saturday, 5 p.m.-11 p.m. Reservations are recommended. All major credit cards are accepted.

Bombay Cricket Club
2508 Maple Ave., Dallas
214-871-1333

Indian. Attentive, English-style service with savory cuisine. Specialties include tandoori chicken. Average dinner for two with wine and gratuity: $40. Attire: casual. Lunch : Monday-Thursday, 11 a.m.-2 p.m. Dinner: Monday-Thursday, 5:30 p.m.-10 p.m.; Friday-Saturday, 5:30 p.m.-10:30 p.m.; Sunday 5 p.m.-10 p.m. Reservations are recommended on weekends. Parking is available. All major credit cards are accepted.

Butcher Shop Steakhouse
808 Munger Ave., Dallas
214-720-1032

Steakhouse. Upscale, yet casual. Diners can prepare their own steaks or have them cooked by the staff on the open grill. Average dinner for two with wine and gratuity: $60. Dinner: Sunday-Thursday, 5 p.m. to 10 p.m.; Friday, 5 p.m. to 10:30 p.m.; Saturday, 5 p.m. to 11 p.m. Reservations are recommended. Parking is available. All major credit cards are accepted.

Cadillac Bar
1800 N. Market St., Dallas
214-999-0662

Tex-Mex. Very laid back, yet festive. Dancing to live salsa music on Saturdays and to a D.J. on Thursday and Friday. Specialties include fajitas and ice-cold margaritas. Average dinner for two with drinks and gratuity: $30. Attire: casual. Hours: Sunday-Thursday, 11 a.m.-10 p.m.; Friday-Saturday 11 a.m.-midnight, with the bar open until after 1 a.m. Reservations are not usually necessary. No parking is available. All major credit cards are accepted.

Cafe Pacific
24 Highland Park Village, Dallas
214-526-1170

Contemporary Continental. An elegant atmosphere with marble, brass and etched glass. Specialties include crab cakes, lobster and the catch of the day. Average dinner for two with wine and gratuity: $75-$125. Attire: business casual; coats and ties recommended. Lunch: Monday-Friday, 11:30 a.m.-2 p.m.; Saturday, 11:30 a.m.-2:30 p.m. Dinner: Monday-Wednesday, 5:30 p.m.-10 p.m.; Thursday, 5:30 p.m.-10:30 p.m.; Friday-Saturday, 5:30 p.m.-11 p.m. Reservations are recommended. Complimentary valet parking. All major credit cards are accepted.

The Capital Grille
500 Crescent Court, Suite 135, Dallas
214-303-0500

Steakhouse. Club-like atmosphere with mahogany, dark leather and oil paintings. Specialties include prime aged steaks and an array of seafood. Live piano music in the lounge Tuesday-Saturday evenings. Average dinner for two with wine and gratuity: $125. Attire: business casual. Lunch: Monday-Friday, 11:30 a.m.-3 p.m. Dinner: Sunday-Thursday, 5 p.m.-10 p.m.; Friday-Saturday, 5 p.m.-11 p.m. Reservations are recommended. Complimentary valet parking and validated underground self-parking. All major credit cards are accepted.

Cattlemen's Steak House
2458 N. Main St., Fort Worth
817-624-3945

Steakhouse. Old Western decor in the heart of Fort Worth's famous Stockyards. Specialties include steaks, ribs and seafood. Average dinner for two with wine and gratuity: $45-$75. Attire: casual. Reservations are recommended for groups over eight. Parking is available. All major credit cards are accepted.

Chamberlain's Steak and Chop House
5330 Belt Line Road, Addison; 972-934-2467

Steak and seafood. Elegantly sophisticated, with white table linens, dark woods and gas lamps. Specialties include grilled beefsteak mushrooms, filet mignon, deviled crab cakes, lobster, pan-seared ahi tuna steaks and creme brulee. Average dinner for two with

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PHOTOS: AMANDA MILLIGAN

Cattlemen's Steak House in Fort Worth is a local tradition.

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wine and gratuity: $100. Attire: business casual. Dinner: Monday-Friday, 5:30 p.m.-10 p.m.; Saturday, 5:30 p.m.-10:30 p.m.; Sunday 5 p.m.-9 p.m. Reservations are recommended. Complimentary valet parking. Most major credit cards are accepted.

Chez Gerard
4444 McKinney Ave., Dallas
214-522-6865
French. Romantic, country French atmosphere. Specialties include grilled salmon, sweetbreads, veal medallions and souffles. Average dinner for two with wine and gratuity: $40. Attire: casual to dressy. Lunch: Monday-Friday, 11:30 a.m.-2:30 p.m. Dinner: Monday-Saturday, 6 p.m.-10:30 p.m. Reservations are recommended. Parking is available. All major credit cards are accepted.

Chuy's
4544 McKinney Ave., Dallas
214-559-2489
Tex-Mex. Relaxed yet festive atmosphere with '50s memorabilia. Specialties include chicken chili rellano. Average dinner for two with wine and gratuity: $30. Attire: casual. Hours: Sunday-Thursday, 11 a.m.-10:30 p.m.; Friday-Saturday, 11 a.m.-midnight. Reservations are not accepted. Parking is available, with valet parking on Fridays. All major credit cards are accepted.

Dakota's
600 N. Akard St., Dallas
214-740-4001
Eclectic. The restaurant has a sublevel marble floor and rich woodwork. Diners may choose to be seated indoors or outside on a patio that features a waterfall. Specialties include mesquite-grilled cuisine, swordfish, lamb and key lime pie. Average dinner for two with wine and gratuity: $75. Lunch: Monday-Friday, 11 a.m.-2:30 p.m. Dinner: Monday-Thursday, 5 p.m.-10 p.m.; Friday-Saturday, 5 p.m.-10:30 p.m.; Sunday, 5:30 p.m.-9:30 p.m. Reservations are recommended. Complimentary valet parking. All major credit cards are accepted.

Deep Ellum Cafe
2706 Elm, Dallas
214-741-9012
Eclectic/New American. Located in the ultra-trendy Deep Ellum area. Specialties include Southern-fried steak. Average dinner for two with wine and gratuity: $40. Attire: casual. Brunch: Sunday-Monday, 11 a.m.-3 p.m. Lunch: Tuesday-Friday, 11 a.m.-5 p.m. Dinner: Tuesday-Thursday, 5 p.m.-10 p.m.; Friday-Saturday, 5 p.m.-midnight. Reservations are recommended. Metered street parking and local pay lots are available. All major credit cards are accepted.

Del Frisco's Double Eagle Steak House
5251 Spring Valley, Dallas
214-526-9811
Steaks. Laid back yet elegant. Specialties include prime rib and lobster. Average dinner for two with wine and gratuity: $100-$150. Attire: casual business. Dinner: Monday-Thursday, 5 p.m.-10 p.m.; Friday and Saturday, 5 p.m.-11 p.m. Closed Sunday. Reservations are recommended. Valet parking. All major credit cards are accepted.

8.0 Restaurant & Bar
111 E. Third St., Fort Worth
817-336-0880
2800 Routh St., Suite 165, Dallas
214-979-0880
Eclectic. Artsy yet extremely casual, with patio seating available. Entertainment Thursday-Saturday. Daily specials. Average dinner for two with wine and gratuity: $30. Attire: "casual to a fault." Hours: 11 a.m.-2 a.m. Reservations are not necessary. Parking is available. All major credit cards are accepted.

Enigma
3005 McKinney Ave., Dallas
214-999-0666
Eclectic. Highly original with food served on attractively mismatched dishes. Specialties include alligator and other, less-exotic cuisine for the not-so adventurous. Average dinner for two with wine and gratuity: $90-$120. Attire: casual. Dinner: Monday-Saturday, 5:30 p.m.-midnight. Reservations are recommended. Parking is available. Most major credit cards are accepted.

Ewald's at the Stoneleigh
2927 Maple Ave., Dallas
214-871-2523
Eclectic. Old World charm in a relaxing, inviting atmosphere. Specialties include pasta dishes, seafood and steaks. Average dinner for two with wine and gratuity: $75. Attire: casual. Hours: 11 a.m.-10 p.m. Reservations are recommended. Complimentary valet parking. All major credit cards are accepted.

Fausto's Oven
300 Reunion Blvd., Dallas
214-712-7144
Italian. Contemporary yet cozy and relaxed atmosphere. Specialties include pizza, pasta and other Northern Italian dishes. Average dinner for two with wine and gratuity: $50. Attire: casual. Dinner: Monday-Saturday, 5 p.m.-11 p.m. Reservations are not accepted. Valet parking for $3 with validation. All major credit cards are accepted.

Firehouse
1928 Greenville Ave., Dallas
214-826-2468
Eclectic. An elegant but unstuffy dining room with white linen and candlelight; a bar with upbeat jazz and swing music; patio seating is available. Specialties include hot and spicy cuisine. Average dinner for two with wine and gratuity: $50-$70. Attire: casual to dressy. Hours: opens daily at 5:30 p.m.; kitchen closes on the weekends at 11:30 p.m. Reservations are strongly recommended. Valet parking Wednesday-Saturday. Visa, MasterCard, American Express and Transmedia accepted.

Fish
302 S. Houston St., Dallas
214-747-3474
Seafood. Elegant, medium-sized restaurant. Piano room open Thursday-Saturday. Specialties include fresh fish. Average dinner for two with wine and gratuity: $75-$125. Attire: casual to dressy. Lunch: Monday-Friday, 11 a.m.-2 p.m. Dinner: Sunday-Thursday, 5:30 p.m.-11 p.m.; Friday-Saturday, 5:30 p.m.-midnight. Reservations are recommended. Valet parking for $3. Visa, MasterCard and American Express are accepted.

Joe T. Garcia's Mexican Dishes
2201 N. Commerce, Fort Worth
817-626-4356
Mexican. Elegant grounds, with tile floors and fountain pools. Specialties include traditional Mexican dishes. Average dinner for two with wine and gratuity: $25. Attire: casual. Hours: Monday-Thursday, 11 a.m.-2:30 p.m. and 5 p.m.-10 p.m.; Friday, 11 a.m.-11 p.m.; Saturday, 11 a.m.-11 p.m.; Sunday, 11 a.m.-10 p.m. Reservations are recommended for groups of more than 20. Parking is available. No credit cards are accepted.

The Grape
2808 Greenville Ave., Dallas
214-828-1981
Eclectic. Small wine bistro with a menu that changes every other week and an outstanding selection of wines. Average dinner for two with wine and gratuity: $75-$100. Attire: casual. Lunch: Monday-Friday, 11:30 a.m.-2 p.m. Dinner: Sunday-Thursday, 5:30 p.m.-10 p.m.; Friday-Saturday, 5:30 p.m.-11 p.m. Reservations are recommended. Complimentary valet parking every night except Monday. All major credit cards are accepted.

The Green Room
2715 Elm St., Dallas
214-748-7666
French. Eclectic, funky, ultra-hip atmosphere. The "Feed Me" special is a four-course, prix-fixe dinner that changes from table to table; it is available for $36. Average dinner for two with wine and gratuity: $80-$100. Attire: upscale casual. Dinner: 5:30 p.m.-11 p.m. Bar: 4:30 p.m.-2 a.m. Reservations are recommended on weekdays and required on weekends. Valet parking. All major credit cards are accepted.

Kathleen's Art Cafe
4424 Lovers Lane, Dallas
214-691-2355
American. Low-key, good for people-watching. Specialties include sesame-crusted catfish with black bean and cilantro chile sauces, homemade meatloaf, fresh salads, seafood, and chocolate chip cookies with ice cream. Average dinner for two with wine and gratuity: $50. Attire: casual. Breakfast: Monday-Thursday, 7 a.m.-10:30 a.m. Lunch: Monday-Thursday, 11 a.m.-3 p.m. Dinner: Monday-Thursday, 5:30 p.m.-11 p.m.; Friday-Saturday, 5 p.m.-1 a.m.; Sunday, 5:30 p.m.-11 p.m. Brunch: Saturday, 8 a.m.-4 p.m.; Sunday, 8 a.m.-3 p.m. Reservations are recommended, especially on weekends. Parking is available. Only credit cards accepted are MasterCard and Visa.

Kirby's Steakhouse
3525 Greenville Ave., Dallas
214-821-2122
Steakhouse. Dark wood and etched glass. Specialties include prime steaks, fresh seafood, premium cigars and fine wine. Attire: upscale casual; no jackets or ties required. Bar opens at 4:30 p.m. Dinner: Sunday-Thursday, 5:30 p.m.-10 p.m.; Friday-Saturday, 5:30 p.m.-11 p.m. Reservations are recommended. Valet parking. All major credit cards are accepted.

Kostas Cafe
4914 Greenville Ave., Dallas
214-987-3225
Greek. Upscale setting. Specialties include a Greek combo plate, consisting of mousaka, dolmas, souvlaki, Greek potatoes, and soup or salad. Average dinner for two with wine and gratuity: $42. Attire: casual to dressy. Hours: Monday-Thursday, 11 a.m.-2:30 p.m. and 5 p.m.-10 p.m.; Friday, 11 a.m.-2 p.m. and 5 p.m.-11 p.m.; Saturday, noon-11 p.m.; Sunday, 5 p.m.-10 p.m. Reservations are recommended on weekends and for large parties. Parking is available. All major credit cards are accepted.

La Valentina de Mexico
14866 Montfort Drive, Dallas
972-726-0202
Mexican. Dramatic Mexican hacienda-inspired decor made up of handmade materials shipped from Mexico, including saltillo floor tiles, carved stone, antique wood beams and cantera handcrafted fountains. Strolling marachis Thursday-Friday. Specialties include beef, seafood and chicken cooked according to traditional Mexican high-cuisine recipes. Average dinner for two with wine and gratuity: $85. Attire: between casual and dressy. Lunch: Monday-Friday, 11 a.m.-2 p.m. Dinner: Saturday-Sunday, 5 p.m.-11 p.m. Bar: Friday-Saturday, 5 p.m.-1 a.m. Reservations are recommended. Parking is available. All major credit cards are accepted.

Landmark Restaurant
3015 Oak Lawn Ave., Dallas
214-521-5151
Eclectic. Spacious and airy, located in the lobby level of Dallas's historic Melrose Hotel. Specialties include seafood. Average dinner for two with wine and gratuity: $75-$100. Attire: business casual. Breakfast: Monday-Friday, 6:30 a.m.-11 a.m. Lunch: Monday-Friday, 11 a.m.-2 p.m. Dinner: Monday-Thursday, 6 p.m.-10 p.m.; Friday-Saturday, 6 p.m.-11 p.m. Brunch: Sunday, 11 a.m.-2 p.m. Reservations are recommended. Complimentary valet parking. All major credit cards accepted.

Laurels
12720 Merit Drive, Dallas
972-385-3000
Eclectic. Located in the Westin Park Central Hotel, this elegant restaurant received a five-star rating from The Dallas Morning News. Specialties include the five- or seven-course "Chef's Whim" menu and the Grand Marnier souffle. Average dinner for two with wine and gratuity: $160. Attire: dressy, though jackets are not required. Dinner: Tuesday-Saturday, 6 p.m.-10 p.m. Reservations are required. Complimentary valet parking. All major credit cards are accepted.

Lavendou
19009 Preston Road, Suite 200, Dallas
972-248-1911
French. Cozy Provencal atmosphere. Specialties include roast duck and chicken, veal medallions, souffles and creme brulee. Average dinner for two with wine and gratuity: $40. Attire: casual to dressy. Lunch: Monday-Friday, 11:30 a.m.-2:30 p.m. Dinner: Monday-Saturday, 5:30 p.m.-10:30 p.m. Reservations are recommended. Parking is available. All major credit cards are accepted.

Lefty's Lobster & Chowder House
4021 Beltline Road, Addison
972-774-9518
Seafood. Bustling atmosphere. Specialties include shellfish and lobster. Average dinner for two with wine and gratuity: $60. Attire: casual. Lunch: Monday-Friday, 11 a.m.-2 p.m. Dinner: Monday-Thursday, 5 p.m.-10 p.m.; Friday-Saturday, 5 p.m.-11 p.m.; Sunday, 5 p.m.-9 p.m. Reservations are recommended. Parking is available. All major credit cards are accepted.

Lombardi Mare
5100 Beltline Road, Addison
972-503-1233
Seafood/Italian. Aquatic and fun yet elegant. Specialties include cioppino, risotto and lobster. Average dinner for two with wine and gratuity: $80. Attire: between dressy and casual. Hours: Monday-Thursday, 11 a.m.-11 p.m.; Friday-Saturday, 11 a.m.-midnight, Sunday, 11 a.m.-10 p.m. Reservations are recommended. Parking is available. Most major credit cards are accepted.

Mansion on Turtle Creek
2821 Turtle Creek Blvd., Dallas
214-526-2121
Southwestern/Eclectic. A five-star, five-diamond restaurant situated in a restored 1925 Italian Renaissance-style mansion. Specialties include tortilla soup, warm lobster tacos with yellow tomato salsa and jicama salad, and creme brulee. Average dinner for two with wine and gratuity: $185. Attire: jackets are required, ties are recommended. No jeans, sneakers or shorts. Breakfast: Monday-Sunday, 7 a.m.-10:30 a.m. Lunch: Monday-Saturday, noon-2:30 p.m. Dinner: Sunday-Thursday, 6 p.m.-10:30 p.m.; Friday-Saturday, 6 p.m.-11 p.m. Brunch: Sunday, 11 a.m.-2:30 p.m. Reservations are recommended. Complimentary valet parking. All major credit cards are accepted.

May Dragon
4848 Belt Line Road, Addison
972-392-9998
Chinese. Contemporary and stylish. A pianist performs on Friday and Saturday evenings. Specialties include Szechuan, Hunanese and Mandarin dishes. Average cost of a dinner for two with wine and gratuity: $40. Attire: "nice but casual." Hours: Monday-Friday, 11 a.m.-10:30 p.m.; Saturday noon-11 p.m.; Sunday, noon-10:30 p.m. Reservations are recommended. Parking is available. All major credit cards are accepted.

Mediterraneo
18111 Preston Road, Dallas
972-447-0066
Mediterranean. Upscale yet casual and colorful, with flavors imported from all parts of the Mediterranean. Specialties include lobster napoleon, quail risotto, crabmeat-crusted halibut, grilled lamb chops and creme brulee. Attire: between casual and dressy. Lunch: Monday-Friday, 11:30 a.m.-2 p.m. Dinner: Monday-Friday, 6 p.m.-10 p.m.; Saturday, 6 p.m.-10:30 p.m. Closed Sunday. Reservations are recommended. Free valet parking. The Discover credit card is not accepted.

Modo Mio
18352 Dallas Parkway, Dallas
972-671-6636
Northern Italian. Very upscale but

See Eateries *on next page*

RIMS 1999 - Dallas

Eateries

Continued from previous page
warm and relaxed, with a display of artwork of the Riviera beach. Average dinner for two with wine and gratuity: $80. Attire: casual to elegant. Dinner: Monday-Thursday, 5 p.m.-10 p.m.; Friday-Saturday, 5 p.m.-11 p.m. Reservations are recommended. Parking is available. All major credit cards are accepted.

Monica's Aca y Alla
2914 Main St., Dallas
214-748-7140
Mexican. Healthful Mexican, steaks, seafood, pasta and some Italian dishes. Live music Thursday-Sunday. Specialties include tula chicken, Mexican lasagna, garlic potatoes and Greene pasta (named for owner Monica Greene, Greene pasta is a spinach fettucini with chicken and julienned vegetables in a rich cream sauce). Average dinner for two with wine and gratuity: $50. Attire: casual. Lunch: Tuesday-Friday, 11 a.m.-2 p.m. Dinner: Tuesday-Thursday, 5 p.m.-10 p.m.; Friday-Sunday, 5 p.m.-midnight. Brunch: Sunday, 11 a.m.-3 p.m. Reservations are recommended. Self-parking is available daily, and valet parking is available on weekends. All major credit cards except Diners Club are accepted.

Mother Pearl's Seafood House & Oyster Bar
3903 Lemmon Ave., Dallas
214-559-0101
Seafood. Casual. Specialties include blackened fish, fried catfish and oysters on the half-shell. Average dinner for two with wine and gratuity: $30-$40. Attire: casual. Hours: Sunday-Thursday, 11 a.m.-10 p.m.; Friday and Saturday, 11 a.m.-11 p.m. Reservations are not accepted. Parking is available. All major credit cards are accepted.

Nana Grill
2201 Stemmons Freeway, Dallas
214-761-7479
Eclectic. Located on the 27th floor in the Wyndham Anatole Hotel and overlooking downtown Dallas, this restaurant received a five-star rating from The Dallas Morning News. Specialties include lamb, seafood, prime porterhouse steaks, and a nightly seven-course tasting menu. Average dinner for two with wine and gratuity: $100. Attire: upscale casual. Hours: Sunday-Thursday, 6 p.m.-10 p.m.; Friday-Saturday, 6 p.m. to 10:30 p.m. Reservations are recommended. Complimentary valet parking. All major credit cards are accepted.

Nate's Seafood & Steakhouse
14951 Midway Road, Addison
972-701-9622
Seafood. Casual and laid back, located in "the ugly pink building," as management calls it. Specialties include fresh Gulf of Mexico seafood, available grilled, blackened or fried; Chicago beef; and crawfish in season. Average dinner for two with wine and gratuity: $45. Attire: "shirt, shoes, pants and a wallet." Hours: Monday-Thursday, 11 a.m. to 10 p.m.; Friday-Saturday, 11 a.m. to 11 p.m.; Sunday, 5 p.m. to 10 p.m. Reservations are not accepted. Complimentary valet parking. All major credit cards accepted.

Newport's
703 McKinney Ave., Dallas
214-954-0220
Seafood. Specialties include lobster bisque, teriyaki salmon, sweet corn and curry crabcakes and Maine lobster. Average dinner for two with wine and gratuity: $85. Attire: business casual. Lunch: Monday-Friday, 11:30 a.m.-2:30 p.m. Dinner: 5 p.m.-10:30 p.m. Reservations are recommended. Parking is available. All major credit cards are accepted.

Old San Francisco Steak House
10965 Composite Drive, Dallas
214-357-0484
Steakhouse. Reminiscent of California's Barbary Coast in the 1800s; twin baby grand pianos and a girl in a red velvet swing round out the unique atmosphere. Specialties include steaks, fresh seafood, prime rib, lamb and duck. Hours: Monday-Friday 4:30 p.m.-10:30 p.m.; Saturday, 4-10:30 p.m.; Sunday 4-10 p.m. Reservations are recommended. Complimentary valet parking. All major credit cards are accepted.

The Old Warsaw
2610 Maple Ave., Dallas
214-528-0032
French and Continental. A dining landmark in Dallas since 1948. Specialties include rack of lamb, veal chops, chateaubriand and an extensive selection of international and domestic wines. Average dinner for two with wine and gratuity: $150. Attire: jackets are required. Hours: 5:30 p.m.-10:30 p.m. Reservations are required. Valet parking. All major credit cards are accepted.

The Palm
701 Ross Ave., Dallas
214-698-0470
American. Dallas' version of the New York original. Specialties include steak and lobster. Average dinner for two with wine and gratuity: $75. Attire: business casual. Hours: Monday-Friday, 11:30 a.m.-10:15 p.m.; Saturday, 5:30 p.m.-10:30 p.m.; Sunday, 5:30 p.m.-9:30 p.m. Reservations are recommended. Valet parking. All major credit cards are accepted.

Patrizio
25 Highland Park Village, Dallas
214-522-7878
Italian. A rustic Italian dining room with Renaissance artwork, oriental rugs and marble tables. Specialties include pasta dishes. Average dinner for two with wine and gratuity: $35. Attire: casual. Hours: Sunday-Thursday, 11 a.m.-11 p.m.; Friday-Saturday 11 a.m.-midnight. Reservations are not necessary. Valet parking. All major credit cards are accepted.

Peggy Sue BBQ
6600 Snider Plaza, Dallas
214-987-9188
Barbecue. Decor from the '50s that isn't just for effect; Peggy's has been in business for 45 years. Specialties include fried pies and oak-smoked meats. Average dinner for two with wine and gratuity: under $25. Attire: casual. Hours: Sunday-Thursday, 11 a.m.-9 p.m.; Friday-Saturday, 11 a.m.-10 p.m.

Rooster Restaurant
3521 Oak Grove, Dallas
214-521-1234
Eclectic. Location in a 1930s-era home surrounded by crepe myrtles and a wrap-around porch, this place has lots of Southern charm. Specialties include molasses- and pecan-encrusted catfish. Average dinner for two with wine and gratuity: $75-$100. Attire: business casual. Lunch: Monday-Friday, 11:30 a.m.-2:30 p.m.; Sunday, 11 a.m.-2:30 p.m. Dinner: Monday-Saturday, 5:30 p.m.-10 p.m. Reservations are recommended. Valet parking. All major credit cards are accepted.

Routh Street Brewery & Grill
3011 Routh St., Dallas
214-922-8835
Brew pub. A lodge atmosphere with dark woods, Texas limestone, brick floors, antler chandeliers and two garden patios complements the Texas hill country cuisine. Specialties include a mushroom strudel appetizer, peppercorn salmon, roasted pork tenderloin, venison duo and weinerschnitzel. Average dinner for two with wine and gratuity: $65. Attire: casual. Hours: Monday-Wednesday, 11:30 a.m.-10 p.m.; Thursday-Saturday, 11:30 a.m.-11 p.m. Brunch: Sunday, 11 a.m.-2:30 p.m. Dinner: Sunday, 5 p.m.-9:30 p.m. Reservations are recommended. Complimentary valet parking on weekends Visa, MasterCard, American Express and Diners Club accepted.

Saint-Emilion Restaurant
3617 W. Seventh St., Fort Worth
817-737-2781
French. Elegant yet cozy, with a kitchen visible from the dining room, this has been the highest-rated restaurant in Fort Worth by Gourmet magazine for the last three years. Specialties include fresh fish, roasted duck, rack of lamb and a very extensive wine list. Average dinner for two with wine and gratuity: $90. Attire: casually elegant; no jackets are required. Hours: Tuesday-Saturday, serving starts at 6 p.m. Reservations are recommended. Parking is available. All major credit cards are accepted.

Sambuca
15207 Addison Road, Addison
972-385-8455
Mediterranean. A trendy jazz cafe that offers international cuisine and live music seven nights a week. Specialties include zebra pasta and sea bass. Average dinner for two with wine and gratuity: $75. Attire: casually elegant. Lunch: Monday-Friday, 11:30 a.m.-2:30 p.m. Dinner: Sunday-Wednesday, 6 p.m.-11 p.m.; Thursday, 6 p.m.-midnight; Friday-Saturday, 6 p.m.-1 a.m. Reservations are recommended. Complimentary valet parking. All major credit cards are accepted.

Sipango
4513 Travis, Dallas
214-522-1049
Italian. Upbeat Italian food fixed California-style. Live entertainment as well. Specialties include oak-grilled meats, fish, pizzas and pastas. Average dinner for two with wine and gratuity: $80-$100. Attire: casual. Hours: Monday-Wednesday, 5:30 p.m.-10:30 p.m.; Thursday, 5:30 p.m.-11:30 p.m.; Friday-Saturday, 5:30 p.m.-2 a.m. Reservations are recommended Valet parking. All major credit cards are accepted.

650 North
650 N. Pearl St., Dallas
214-855-1708
Eclectic/New American. Located in Le Meridien Hotel, 650 North was recognized by The Dallas Morning News as "The Best Hotel Dining Restaurant in Downtown." Specialties include fresh seafood, chicken, shrimp and pasta dishes. Average dinner for two with wine and gratuity: $90. Attire: casual. Lunch: 11 a.m.-2 p.m. Dinner: Sunday-Thursday, 5 p.m.-10 p.m.; Friday-Saturday, 5 p.m.-11 p.m. Reservations are recommended. Valet parking. All major credit cards are accepted.

Sonny Bryan's
2202 Inwood Road, Dallas
214-357-7120
302 N. Market St., Dallas
214-744-1610
Barbecue. Sit inside at an old school desk or take your meal outside to a picnic table. Specialties include barbecue and ribs. Average dinner for two with drinks and gratuity: $15. Attire: extremely casual. Lunch: Monday-Friday, 10 a.m.-4 p.m.; Saturday, 10 a.m.-3 p.m.; Sunday, 11 a.m.-2 p.m. Reservations are not accepted. Parking is available. All major credit cards are accepted.


PHOTO: MIKE BRADFORD
Terilli's Restaurant, located in Dallas' Greenville Avenue area.

Star Canyon
3102 Oak Lawn Ave., Dallas
214-520-7827
Southwestern/New Texas cuisine. An upscale Southwestern restaurant that manages to make barbed wire and leather booths look good. Specialties include bone-in ribeye; venison; duck; salmon; tuna; sea bass; and "heaven and hell" dessert, consisting of seven layers of devil's food cake, angel's food cake and peanut butter mousse covered in chocolate. Average dinner for two with wine and gratuity: $140. Attire: business casual; no sneakers or shorts. Dinner: Monday-Thursday, 6 p.m.-10 p.m.; Friday-Saturday, 6 p.m.-10:30 p.m.; Sunday, 6 p.m.-9:30 p.m. Reservations are highly recommended, especially on the weekends. Complimentary valet parking. All major credit cards are accepted.

Sushi at the Stoneleigh
2927 Maple Ave., Dallas
214-871-7111
Japanese. Traditional Japanese cuisine with the option of fabulous outdoor dining. Specialties include sushi and what management says is Dallas' largest selection of sake. Average dinner for two with wine and gratuity: $50. Attire: casual. Lunch: 11 a.m.-2 p.m. Dinner: 6 p.m.-10 p.m. Reservations are recommended. Complimentary valet parking. All major credit cards are accepted.

Table Five
400 Decorative Center, Dallas
214-698-3001
Eclectic. High ceilings, brick floors, modern art and an outside patio at this lunch-only establishment. Specialties include Thai barbecue chicken, roasted salmon, pasta dishes and Vietnamese tacos. Average dinner for two with lunch and gratuity: $25. Attire: casual. Hours: Monday-Friday, 11:30 a.m.-2:30 p.m. Reservations are not necessary but are recommended. Parking is available. All major credit cards are accepted.

Terilli's Restaurant
2815 Greenville Ave., Dallas
214-827-3993
Italian. Specialties include "Italchos," the Italian nacho, which consists of pasta dough cut into squares, fried and covered with tomato sauce, mozzarella cheese and the diner's choice of toppings. Average dinner for two with wine and gratuity: $45. Lunch: 11:30 a.m.-3 p.m. Dinner: Sunday-Thursday, 5 p.m.-11 p.m.; Friday-Saturday, 5 p.m.-midnight. Bar is open until midnight Sunday-Monday and until 2 a.m. Tuesday-Saturday. Reservations are accepted only for parties of six or more. Valet parking. All major credit cards except Discover are accepted.

311 Lombardi's
311 Market, Dallas
214-747-0322
Northern Italian. Friendly and contemporary. Specialties include fresh fish. Average dinner for two with wine and gratuity: $60. Attire: casual. Hours: Monday-Thursday, 11 a.m.-11 p.m.; Friday, 11 a.m.-midnight; Saturday, 5 p.m.-midnight; Sunday, 5 p.m.-10 p.m. Reservations are recommended. Valet parking. Most major credit cards are accepted.

Truluck's Steak & Stone Crab
2401 McKinney Ave., Dallas
214-220-2401
American. A '40s-style chop house with a clubby atmosphere and a diner look. Specialties include steaks, stone crab and fresh seafood. Average dinner for two with wine and gratuity: $70-$100. Attire: casual to dressy. Hours: opens daily at 11 a.m. Reservations recommended. Complimentary valet parking. All major credit cards accepted.

Two Rows Restaurant & Brewery
5500 Greenville Ave., Dallas
214-696-2739
Brew pub. A sports bar that also has a bustling patio. Specialties include brick-oven pizzas and hand-crafted beers. Average dinner for two with drinks and gratuity: $30. Attire: casual. Hours: Sunday-Tuesday, 11 a.m.-midnight; Wednesday-Saturday, 11 a.m.-2 a.m. Reservations are not accepted. Parking is available. All major credit cards are accepted.

Uncle Julio's
4124 Lemmon Ave., Dallas
214-520-6620
Multiple locations.
Tex-Mex. Huge portions. Specialties include the sizzling fajitas in sauce. Average dinner for two with wine and gratuity: $40. Attire: casual. Hours: Monday-Thursday, 11 a.m.-10:30 p.m.; Saturday, 11:30 a.m.-11:30 p.m.; Sunday, 11:30 a.m.-10:30 p.m. Reservations are accepted. Parking is available. Most major credit cards are accepted.

Ziziki's
4514 Travis St., Suite 122,
Dallas; 214-521-2233
Greek/Mediterranean. Small, intimate bistro with an open kitchen. Specialties include grilled rack of lamb, calamari and souvlaki. Average dinner for two with wine and gratuity: $60-$70. Attire: casual. Hours: Monday-Sunday, 11 a.m.-11 p.m. Reservations are accepted only for and are required for parties of six or more. Valet parking. Visa, MasterCard, American Express and Diners Club are accepted. BI

EMERGENCY PROCEDURE

IF CUSTOMER EXPERIENCES FOOD POISONING:

1) SKIP LUNCH.

2) GET A CRISIS REPRESENTATIVE ON-SITE ASAP.

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Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

Inside:

Agent/Broker Topics

Patience is a virtue in agency M&A

Broker says acquisitions can be risky if done 'just for the sake of expanding revenue'

By **RICHARD TROUT**

Agency mergers and acquisitions can bring trouble if companies fail to look carefully at all of the issues involved, say some of those involved in such deals.

"I urge my clients to have a great deal of caution relative to deals," says Timothy J. Cunningham, a principal in Chicago with INSIGHT Consulting Group, a Kansas City, Mo.-based financial services consulting firm.

Looking at "firms that are in trouble, that are having significant financial difficulty. ...if you rework it backwards, you'll find that the root cause of many of their financial difficulties were poorly structured deals," he said.

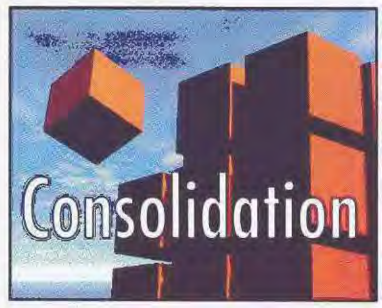
So what does an agency need to look out for to avoid an ill-conceived deal? What factors can make or break a company's future?

As the merger frenzy continues and agencies feel the pressure to join in the hunt, some have noticed where companies can go wrong.

"Most of the areas of concern with an acquisition of a broker surround the people, because, essentially, it's a business where 90% of the assets walk out the door every night with their briefcases," said Thomas Golub, president and chief executive officer of Atlanta-based broker Hobbs Group L.L.C.

Those assets can be "the key producers, technicians, account executives and other critical personnel committed to remain with the firm after the merger or acquisition is complete. As is the case in most businesses, something that approximates the 80/20 rule applies. Twenty percent of your people are responsible for 80% of the results," Mr. Golub said.

"So, identifying the key people in the organization and then working individually with those people to ensure that they, in fact, intend to be part of the organization going forward is critical. If, in fact, they're not, it's an enormous risk factor," said Mr. Golub.



Allowing the financial picture to dominate the decision to merge is another pitfall.

A deal can be risky "if you buy revenue just for the sake of expanding revenue. Every deal should pass a litmus test by the firm making the acquisition of quantifying and identifying precisely how this will add value for their customers," Mr. Golub said.

"That could be proprietary software, or a proprietary skill set and knowledge base that the acquired company has that would, indeed, be applied to your customers. It could be efficiencies in terms of ways of doing business that the acquired company has that brings efficiency to your operation and allows you to deliver a better and more consistent product to your customer," he said.

"In the absence of (such advantages), you are, essentially, just adding revenue, and that doesn't help the customer. And, therefore, in the long run, it's going to be dilutive to the quality and value of your company," Mr. Golub said.

"There are a whole bunch of rules related to deals," but only two encompass the entire process, said Mr. Cunningham.

The first rule is that companies should avoid falling prey to the pressure to integrate, Mr. Cunningham said. Because that pressure can lead to imprudent decisions, managers need to keep repeating to themselves, "I don't need to make this deal," he said.

Although the numbers are critical to any deal, there's often not enough attention paid to the quality of the deal, said Mr. Cunningham. When the human capital is taken into account as much as the financial capital, agencies may find it's not a good idea to integrate, he said.

"Many firms really haven't defined why they're going to do it. Doing deals is really glamorous. It's fun. It's kind of like being in the hunt. The tough part is integrating them," said Mr. Cunningham.

"The second rule, which is equally important, is that it is absolutely critical that there is fit and affinity between the players," he said. "I'm not saying, if I'm going to buy you, that you and I are going to be best friends. But if I fundamentally don't like you and trust you and share the same values as you, it's probably going to be a very difficult deal," he said.

This can involve differences as basic as how an agency services its accounts.

"If there's not a high similarity between how you service your accounts vs. how we service our

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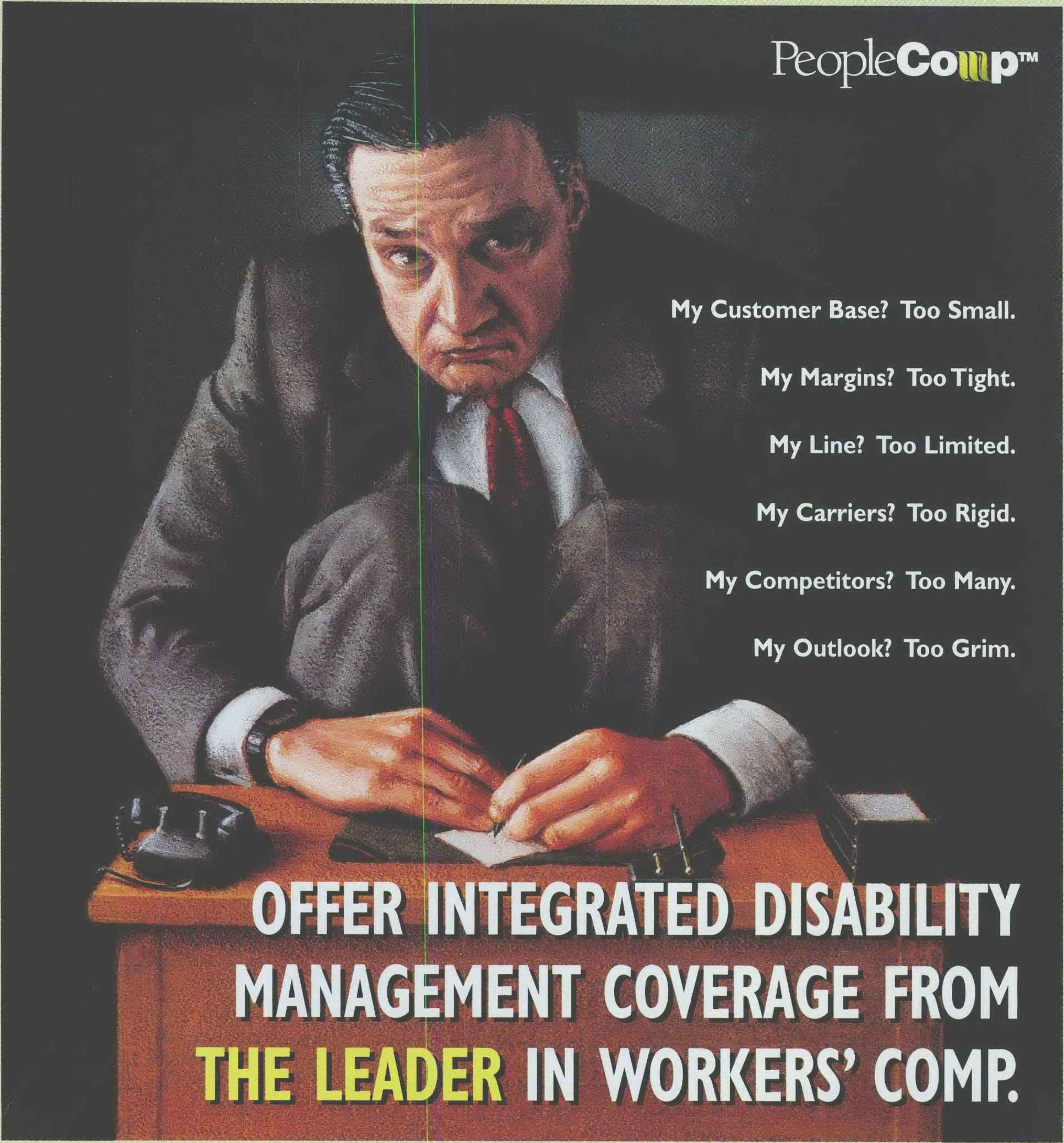

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Deals

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accounts, there are going to be some future difficulties," Mr. Cunningham said. "What's going to happen to your staff? If you were a real laid-back organization and I was a real 'runner and gunner' kind of firm, there's probably going to be a big cultural clash. There's going to be a kind of butting of the heads," he said.

"Beyond even those issues is, do I have a very decentralized kind of an organization, where yours is very structured? Do I make massive use of technology, and your people are kind of in the Dark Ages?" he said.

"I think where a lot of people make mistakes in deals is buyers or their advisers believe, far too unwittingly, that they can adjust for any of these weaknesses or difficulties of the seller by monkeying around with the purchase price or monkeying around with the structure," Mr. Cunningham said. "A lot of bad deals happen because there's too great a focus on the hard issues and not enough focus on these soft issues.'

"Here's the difficulty: What people fail to realize is that, when you make an acquisition, it's damn near permanent. Once it is closed, it is virtually impossible to unwind," Mr. Cunningham said.

While fundamental cultural questions are vital to any deal, it's also important to be meticulous when examining financial statements. The devil's in the details, according to one consultant.

'A lot of bad deals happen because there's too great a focus on the hard issues,' says Timothy J. Cunningham.

For example, one risk an agency has to look out for is misleading results fueled by contingent income, said John M. Wepler, vp-merger and acquisition services at Marsh, Berry & Co. Inc., an agent/broker consultant in Concord, Ohio. "The agency could look very profitable, but without those contingents, maybe it's not profitable, maybe it's less profitable than it should be. That revenue source is not entirely under the control of the agency," he said.

Given the nature of such income, in one year a company could have a large contingent income, but very little the next, said Mr. Wepler.

"We like it when an agency has high contingents, but we try to make sure they're not too dependent on those contingents to cover their expenses. Because if there's one year where that contingent declines, they're not going to be able to cover their expenses," he said.

High miscellaneous income is another red flag.

"If you're looking at somebody's financial statements, and they grew by 10% last year, you'd think they did pretty well. But maybe they sold a book of business and there's some non-recurring revenue coming in for one year. You don't want to be misled into thinking this agency is very profitable when that revenue is not going to come back year after year. It's only one year," Mr. Wepler said.

Another example of potentially misleading miscellaneous income is a large commission expense on a company's financial statement, he said. This expense actually could be brokered business, in which an outside agent is placing the business for the agency you want to acquire.

"If I come in and buy your agency, I only want to pay for something that I can take possession of. I don't want to pay you for the fact that you have a broker in Kansas City, because you don't have the right to sell it to me. You don't even own it," said Mr. Wepler.

Another detail to look out for is payroll expense masquerading as "deferred compensation" on a company's balance sheet, he warned.

"Some agencies, when a shareholder retires, will pay deferred compensation to him, such as $100,000 a year for 10 years. . . .If you were audited, it would get booked. But most agencies wouldn't book that future-payment liability on their internal statements. You might be looking at an agency that has a balance sheet that says they only have $100,000 in debt (for the year.) They might really have $1 million in debt because they owe somebody deferred comp for the next 10 years that they haven't booked as a liability," Mr. Wepler said.

The best way to accomplish a successful acquisition is by practice, or by gaining a "core competency" at making acquisitions, according to Charles L. Ruoff, senior vp at Indianapolis-based Acordia Inc. Mr. Ruoff said his agency follows a precise, well-rehearsed pattern that has improved over time.

"If you really don't have a successful, well-managed organization in the insurance brokerage business, it's hard to make an acquisition successful. One of the things we think we have at Acordia is a core competency in acquisitions. If you're doing acquisitions as a part-time operation, you can find yourself with the wrong acquisition or an inability to merge them into your operation successfully," Mr. Ruoff said. "We effectively have a full-time M&A

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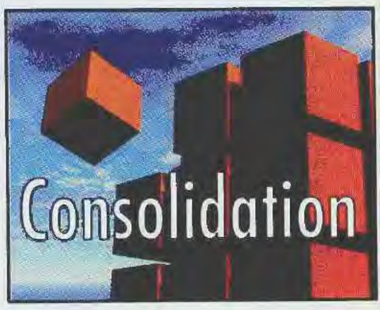
Idea behind M&A 'is to build on the strengths'



By MICHAEL BRADFORD

Agents and brokers scouting for acquisitions need to step carefully to avoid potential land mines.

The idea is to grow by buying a company that will make the combined entity smarter and faster, increase market share and make more money. It's a tricky, complicated process that involves careful planning and execution, experts agree.

"There's no question that one of the prime motivating factors is to increase profitability," said Bill Weiland, managing director at Hales Capital Advisors L.L.C., an investment banking firm in Oak Park, Ill.

"It's not so much to reduce costs, although cost reductions do occur. It's to grow the business and increase expertise. The idea of a merger is to build on the strengths" that each brings to the marketplace, he stressed.

"There's a very active market in mergers and acquisitions," Mr. Weiland said. "It's been a tough marketplace, tough to grow in," he added, and many agents have taken the path to growth through acquisitions.

Numbers provided by Marsh, Berry & Co., a consulting firm in Concord, Ohio, show that mergers and acquisitions are trimming the number of agencies at a respectable clip.

The firm counted 35,000 agencies doing business in the United States in 1991 and projects there will be 24,000 by the end of this year. By 2005, that number will be down to 17,000, predicts Marsh, Berry.

"There are a massive number of transactions," said John M. Wepler, vp-mergers and acquisitions at Marsh, Berry. "We're involved in more transactions than we have ever been."

By and large, he noted, most transactions are successful when the buyer's motivation is clear and its methods are well thought out.

Mr. Wepler said he advises his clients that are looking for acquisitions to find the highest-quality agency and pay a fair price for it. Otherwise, he said, a successful transaction will be much harder to achieve.

See **Acquire** *on next page*

Deals

Continued from previous page

acquisition team, and that goes from the very start of identifying prospects from our field operations."

Recently, he said, banks have served as a poor example when it comes to acquiring insurance agencies.

Mr. Ruoff says he thinks some acquisitions of agencies by banks serve as examples of deals made without the crucial study and due diligence necessary for success. Such deals, he said, illustrate that banks don't know as much as they should about how a brokerage operates.

For instance, a bank's purpose in entering the brokerage business usually has been to foster a closer relationship with its bank clients by writing their insurance business. "I think what happened is that the banks really didn't know how to manage and run a successful insurance agency. But if you acquire a group of brokers and then let them run on their own as separate entities, then you don't really reap the benefits of a consolidated operation," he said.

Although agencies should be very patient during the due diligence process and examine many factors before making an acquisition, Mr. Ruoff offers a helpful reminder: Most agencies can't afford not to integrate.

Generally, Acordia finds a prospect by determining its most fierce competitor in a given market and then considering whether it is a firm it would like to acquire, he said. "And, sometimes, there's reasons why that competitor may want to be acquired or may want to join forces," he said.

"If you look at our acquisition list, you will see there are a number of cases where we acquired companies in the same city. One of our strategies as a company, plain and simple, is to be the big fish in the little pond," said Mr. Ruoff.

"Where we choose to compete, we need to be a major factor in that city. You can't compete effectively if you're the sixth-largest broker in a particular town or location. You've got to be one, two or three," he said. BI

Acquire

Continued from page 16E

A number of privately held brokers are taking on venture partners and scooping up other companies with an eye to going public down the road, he said. Some of the buyers are "bottom feeders," Mr. Wepler noted, with the idea of paying cheap prices for agencies that need to be stripped down in order to become profitable.

"We find that a difficult way to go," he said. Mr. Wepler urges clients to find agencies with histories of good earnings. "Don't bottom-feed; it's a wasting asset. You have to cut people and cut costs to make it profitable."

Mr. Weiland pointed out that, in some cases "firms look to mergers for mergers' sake" and don't "study who the partner is. They try to merge different types of cultures."

"Matching cultures is very important," he said. If, for example, the long-term growth strategies of the two agencies are different, the success of the merged entity could be in peril.

Timothy J. Cunningham, a principal with INSIGHT Consulting Group in Chicago, pointed out that, in many deals, the seller can't be counted on as a resource after the transaction, because he or she is "checking out physically and mentally, even if they say they're not."

Mr. Cunningham said the deals often are "exit strategies for the sellers" regardless of what their stated intention is for selling. "I urge my clients to be very cautious about doing acquisitions."

There are other pitfalls that loom around acquisitions, Mr. Cunningham warned. In many cases, he said, "some of the alleged benefits are not, in fact, there."

Often, Mr. Cunningham said, "not enough attention is paid to what's behind the numbers. How stable is the resource base? Does (the agency) have the capacity to grow? How solid are the producers and the customer base?"

He warned, too, that when buyers calculate cost savings that they expect from the merged operations, those calculations often are short-sighted. Some of the "economies of scale are illusory," Mr. Cunningham said.

For example, a buyer may figure he has just enough room to absorb the operations of another agency, forgetting that there will be no more space to accommodate a growing business. "When you use up that capacity, what happens?" he asked. It could mean an expensive move into much-larger quarters even when only a small amount of extra space is required.

Mr. Cunningham said many cost-savings calculations in an acquisition fail to include some of the "baggage that comes with it. That baggage is there forever, or has the prospect of being there forever."

The cultural fit, for example, may work at the top management level, but it can cause problems if staffers can't see eye to eye, he pointed out. Differing technology and administrative procedures are other types of baggage that could cause lingering problems, Mr. Cunningham noted.

"If you do a good job of due diligence, you can find those things," he said.

But sometimes the baggage is too heavy, and there is regret that an acquisition was ever undertaken. "I hear that from time to time privately," Mr. Cunningham said. "It's hard to get people to admit it publicly."

Mergers and acquisitions among agents and brokers are a mixed blessing for insurance buyers. When things work the way they should, greater expertise can be brought to their account, and larger clout with insurers might mean lower premiums.

Mr. Weiland said acquisitions typically create a more financially stable company that broadens the capabilities of the agency. The deal often means an agency can expand into other areas—employee benefits, for example—that can mean additional services for clients.

Or, it could work the other way, according to Mr. Wepler.

He said smaller agencies may suffer from the dominance of the big brokers that influence the rates that insurers charge. When brokers get rates that cause insurers to write business at a loss, insurers must recover the losses in other ways, he explained.

"We believe that, in short order, if it hasn't already occurred, that companies under pressure from (large brokers) are going to have to pass on the costs," Mr. Wepler said. For example, insurers may reduce contingent commissions paid to the smaller agencies, he noted.

As agencies see profits fall, they will cut back on the services they offer to their clients, Mr. Wepler said. Loss control or other value-added services may get cut, he pointed out. BI

Execs offer differing views on distribution

By SALLY ROBERTS

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

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

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

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

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

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

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

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

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

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

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

By 1997, Mr. Duperreault said, ACE's distribution channels had broadened, but in order to reach its goal of becoming a "global powerhouse," it needed a physical presence in the United States. That came with its 1998 acquisition of Atlanta-based surplus lines insurer Westchester Specialty Group, which has since been renamed ACE USA.

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

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

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

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

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

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

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

"We do not want to be limited to one source of distribution," he said. "The spread of distribution within CIGNA P&C does that for us."

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

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

"We do love them both," he quipped.

He reiterated that ACE, however, does not want to rely on just that source of distribution. "We keep close to the ultimate client, and we continue to deliver services at the highest level. The client takes care of it for you," he said of distribution channels.

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

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

See **Channels** on next page

Channels

Continued from previous page

proceed accordingly," he said.

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

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

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

Given that, the insurer supports what it considers its ultimate client—the local independent agent.

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

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

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

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

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

For example, in one region, Cincinnati Financial supports two different agencies, Mr. Scherer said. One agency is a $30 million shop to which the insurer recently gave a letter of credit to take part in a worldwide captive arrangement and loaned the agency $2 million to fund its expansion.

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

Agency value equations must reflect the times

By Tom Arnold

A/BT Perspective

All owners want to boost their agencies' values—but first, they have to know what it's worth today.

In a recent conversation with an agency owner—let's call him Mike—I asked what ever happened to the agency down the street that had asked Mike to buy his agency. The owner was close to retirement age and wanted to sell, but insisted on a price two times the agency's revenues. Mike, who had acquired several small agencies, said that after reviewing the agency's financial statements, he wasn't willing to pay the asking price—it just wasn't worth it. That was almost a year ago. Shortly thereafter, the owner became ill, missed work, and most large accounts were lost. He still wants to sell but continues to insist that his agency is worth twice the remaining revenues.

The question of how an agency's value is determined is one of the most frequently asked in the insurance industry.

For agency principals, there are two primary benefits to agency ownership. One is current income, a bounty realized as month-to-month income. The second is the appreciation in value of an asset—the agency itself—which is realized only upon selling the agency's stock.

But agency owners also should look at their agencies as an investment, because they are precisely that. Every day that a principal comes into the office, he or she is investing in that asset instead of putting the cash value of the agency in other investments. Therefore, agency owners must be aware of the factors that affect the value of their investments so they can make their investments grow. Judging from the number of inquiries we receive as to agency value, however, few owners have more than a passing knowledge of objective evaluation of their most major asset.

The myth of agency value

Virtually all sophisticated buyers value insurance agencies in roughly the same manner. Those valuations are based on profitability, and future profits are what buyers acquire.

Yet many owners still claim their agencies are worth a multiple of revenues, such as 1.5, without an in-depth look at pro forma operations. This is a simple, straightforward valuation method, and it was valid when it was formulated in the 1970s and early 1980s.

At that time, even poorly run insurance agencies were profitable. When the agencies went on the market, they were sold at multiples that averaged 1.5 times their annual commission income. The "1.5 times" valuation became the standard during that era, but in reality, valuation was based on how the publicly traded insurance brokers were acquiring agencies, which was a multiple of profits. Those megafirms purchased an agency, then reduced expenses by eliminating excess owner payroll

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Value

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and other non-recurring costs, and could consistently achieve a 30% pretax profit.

In those years, the corporate tax rate was about 50%, and the publicly traded firms were buying agencies based on a "10 times" historical price/earnings ratio. The result was a purchase price that equaled 1.5 times revenues, calculated as follows.

If the agency's net revenues were $1 million, after deducting $700,000 in expenses it would show a $300,000—or 30%—pretax profit, which was a very common result for agencies back then. After the 50% tax, the owner would show $150,000 in net profit. Multiplied by the 10 times traditional P/E, the agency would have been valued at $1.5 million, or 1.5 times revenues of $1 million.

Today, the most common method of valuing agencies is to use that same, historically popular standard—a multiple of pro forma profits—even though agencies are not nearly as profitable now. Consequently, the average price paid for agencies is much less than 1.5 times revenues because sellers' profit margins have declined considerably.

We should note, too, that profit margins for insurance agencies have been squeezed during the past decade by the soft market and increased competition from countless sources, including direct writers, Internet providers, and banks and other financial institutions. Although revenues have been depressed, costs have continued to increase, albeit at a slower rate than the decrease in revenues. This lack of profitability is evidenced by the number of agencies that no longer exist since the "glory days" of insurance, the 1970s and 1980s.

AVERAGE PRICES PAID FOR INSURANCE AGENCIES

1986	1.50 times revenues
1988	1.33 times revenues
1990	1.25 times revenues
1992	1.00 times revenues
1994	1.00 times revenues
1996	1.20 times revenues
1998	1.15 times revenues

Source: Marsh, Berry & Co. client database

Calculating true agency value

An insurance agency's value is correlated to its profit as an ongoing business; that profit is generated by the revenue stream from its book of business. Those profits are equal to the sum of commissions an agency can expect to realize in the future, less expenses. The Internal Revenue Service defines the value of a business as "the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell; both parties having reasonable knowledge of relevant facts."

The IRS sees this valuation as legitimate because neither the seller nor the prospective buyer is under any undue pressure that undoubtedly would influence price. So, the prospective buyer is interested only if he or she sees a profit potential and the ability to collect those profits to recoup that investment within a reasonable amount of time.

In any acquisition, the agency's actual profit-and-loss statement is adjusted by the prospective buyer to reflect changes that the buyer expects to make to achieve a pro forma profit situation. The pro forma profit is then multiplied by a factor similar to the P/E ratio in the stock market. Practically speaking, this figure customarily represents the number of years of future profits the buyer expects it will take to recoup his or her investment. Typically, the multiple is between eight and 12 times the pro forma aftertax profits, depending on the buyer's (or appraiser's) perception of risk that the pro forma profits actually will be achieved.

The lower the perceived risk, the higher one might expect the potential multiple to be, because the buyers are more confident that they will recoup their investment and can afford to wait several years before they can enjoy profits, while the early profits are paying for the initial investment. If the target agency's sustained profit level is doubtful, then the buyer will offer a price based on a much lower profit multiple.

After profits, the second major component of an agency's value is its tangible net worth, which is the agency's equity minus any intangible assets on the balance sheet. Equity must be considered, because as every agency owner knows, not all agencies adhere to the same philosophies regarding profits. Many owners return earnings to the business, thereby adding to their investment, while others remove excess profits. Some agencies even have a negative tangible net worth because they have taken out too much profit or have grown primarily through acquisition and still have an intangible asset of a purchased agency or non-compete agreement on the balance sheet. Obviously, a positive TNW increases the agency's value and a negative TNW reduces value. Simply stated, agency value equals the value of the book of business, as a multiple of pro forma profits, plus or minus the TNW of the agency's balance sheet. Of course, there is legitimate disagreement in the calculation of pro forma profit and the multiple that is applied to this profit.

Agency values: Growing or shrinking?

Consulting firm Marsh, Berry & Co. represents several buyers and sellers each year, and our valuations are consistent with real-life marketplace activity. Therefore, we have tracked the values of our client database and found that values have fluctuated somewhat.

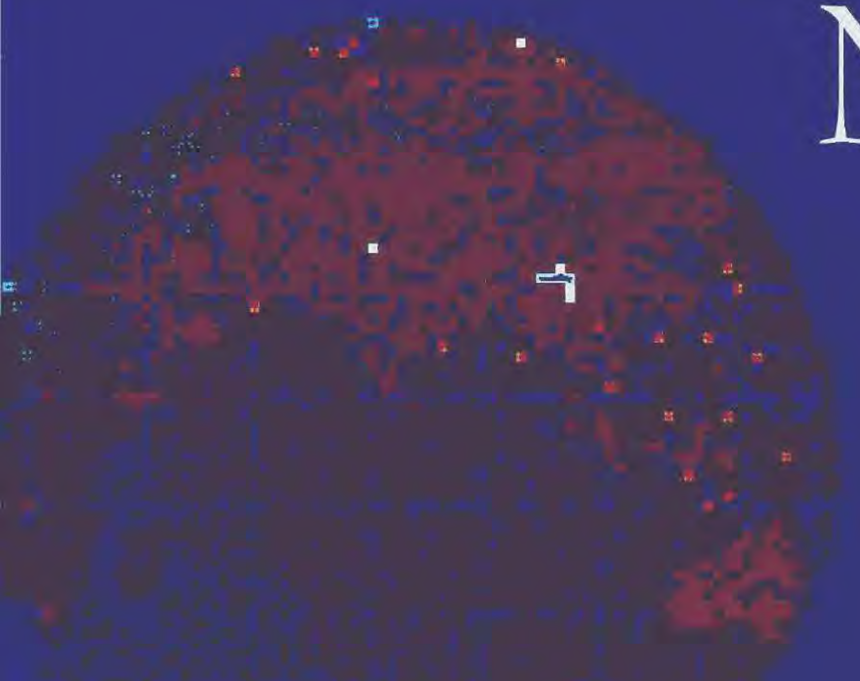
But, agency values are calculated as a multiple of pro forma profits, plus or minus TNW. This value may then be expressed as a multiple of revenues. From 1986 to 1992, values decreased by one-third, mirroring decreased profitability, and stayed steady through the next two years. In 1996, however, the values increased again and showed only a slight decrease in 1998.

We believe the average prices paid for agencies rose after 1994 because the weakest performers no longer existed; the soft market, competition and rising expenses simply put them out of business. Those that remain are stronger, more profitable agencies, a healthy trend for the industry.

We do not see any major economic factors that would reverse or accelerate this trend dramatically in the next few years. Many of the valuations Marsh, Berry performs are for astute agency owners who constantly seek to enhance their agencies' value. They view the valuation as a baseline for measuring gains in value. For them, the valuation by an objective third party sharpens their focus on strengths to exploit and weaknesses to address to ensure that their investment brings the highest possible returns.

Going back to the two agencies at the beginning of this article, Mike was able to build his agency through acquisitions because he profitably folded in smaller agencies that he acquired at reasonable purchase prices based on the acquired agencies' future profits. The agency down the street would have been much better off if the principal had known how to improve his agency's value through improved profit potential. He could have achieved a sale price much closer to his expectations. BI

Tom Arnold is a senior consultant at Marsh, Berry & Co. in Concord, Ohio. He has expertise in agency valuations, mergers and acquisitions, perpetuation planning, agency structure and general management consulting.



'Agent to agent' television series begins

WASHINGTON—The National Assn. of Professional Insurance Agents unveiled the first five programs in its "Agent to Agent" television series, produced jointly with the Insurance Broadcast System.

The series of programs airing on the insurance industry satellite television network encourages dialogue on issues of concern to professional insurance agents as well as the entire insurance industry.

"Agent to Agent" debuted March 17 with an hour-long discussion on what agencies and insurers must consider when dealing with the so-called millennium bug.

The next program, "Marketing Insurance Products to Diverse Communities," will air April 14. The program will discuss what the insurance industry is doing and failing to do to expand its marketing efforts to minority communities, including African-Americans and Latin Americans.

The three programs listed below will be aired in May, June and July respectively, but specific dates have not been set. The programs are:

- Agent/Company Relationships Today, which will look at the current status of the agency/company relationship.
- Workers Compensation Issues for Agents, which will look at issues faced by agents who sell workers comp, with a special focus on the need for agents to function as risk managers for their workers comp clients.
- Agent Issues and Auto Choice Reform, which will look at both sides of the debate revolving around the legislation that would allow drivers the option of purchasing lower-cost automobile insurance policies by forfeiting their right to sue for punitive damages.

To subscribe to IBS, contact Andrew M. Witt at 310-820-3303, ext. 204, or access the IBS World Wide Web site at www.ibstv.com.

A/BT briefs

Two acquisitions

Two independent insurance agency giants recently expanded through acquisitions.

Poe & Brown Inc. announced earlier this month that Chancy-Stoutamire Inc. has become part of the Daytona Beach, Fla.-based agency.

Chancy-Stoutamire, with offices in Monticello and Perry, Fla., will expand Poe & Brown's services capabilities in North Florida and broaden its exposure to the logging industry, J. Hyatt Brown, chairman, president and chief executive officer of Poe & Brown, said in a statement.

Rick Chancy and Ric Stoutamire will continue to operate the Monticello and Perry offices as free-standing Poe & Brown offices.

And, Glen Allen, Va.-based Hilb, Rogal & Hamilton Co. announced that it has recently purchased all of the outstanding capital stock of Stevenson Insurance Services Inc., a Houston-based agency specializing in providing benefit coverage to associations throughout Texas.

Terms of the deals were not disclosed.

Countersignature bills

JACKSON, Miss.—Mississippi Gov. Kirk Fordice last month signed into a law two bills that remove the requirement that an insurance agent be a resident of the state in order to countersign policies for non-resident agents.

A similar bill repealing countersignatures in Georgia passed the state legislature last month and is awaiting Gov. Roy E. Barnes' signature.

According to the American Insurance Assn., nine states still require a countersignature on insurance policies: Alabama; Florida; Louisiana; Massachusetts; Nevada; South Carolina; South Dakota; West Virginia; and Wyoming.

"We believe that countersignature laws are obsolete, anti-competitive regulations that undermine business efficiencies without guaranteeing some greater protection for insurance customers," an AIA spokesman said.

Losing ground

HARTFORD, Conn.—Insurance agents' share of life insurance sales is expected to drop dramatically as insurers move to a variety of different distribution channels over the next five years, according to a recent study.

While agents accounted for virtually all life insurance sales 20 years ago, they account for only 82% today, and that percentage will dwindle to 68% over the next five years, according to Conning & Co. of Hartford, Conn.

"We've seen agents lose about a percentage point of the business each year over the last 10 or so years," Mark Trencher, vp at Conning and author of the study, said in a statement. "But now that pace is escalating to more than a 2% drop for agents each year. It's becoming a much more precipitous change, and it's not slowing down."

Conning attributes the agency decline in life sales to such new distribution channels as financial planners, stock brokers, banks, direct marketing and the Internet.

According to the study, insurers said they expect that, within five years, financial planners, stock brokers and banks will account for roughly 20% of life insurance sales; direct marketing will account for roughly 6%; workplace marketing will account for about 2%; and quote services, the Internet and generated leads will account for about 4%.

The study, *Life Insurers' Distribution Strategies—Testing the Waters*, is available from Conning for $550 by calling 860-520-1521.

Conning's study can also be purchased through the company's World Wide Web site at www.conning.com. BI

Challenges

Continued from page 14

curement contract, debt financing and insurance terms. Mr. Dealy also called on satellite and launch service providers to become more involved in telling the insurance industry what it can do to better serve the insurance needs of service providers.

Walter Flury, head of the mission analysis section at the European Space Agency in Darmstadt, Germany, warned that space activities are increasingly at risk from the growing amount of man-made space debris.

The waste left in space as a result of more than 4,000 rocket launches since 1957 and the more than 150 in-orbit fragmentations of spacecraft and rocket upper stages means there are now more than 100,000 objects larger than one centimeter in space. Although the risk still is low, Mr. Flury said, there is an increasing possibility that any one of these objects could destroy or seriously damage a satellite on high-speed impact.

The problem could be reduced by measures such as a code of conduct, international agreements or greater self-regulation by space users. And Mr. Flury advised insurers that they could add pressure by linking premium rates to compliance with debris standards.

Mark Borota, senior vp and general manager of Motorola Mobile Satellite Communications Group in Chandler, Ariz., warned of new challenges for insurers coming from the growing practice of putting in place entire constellations of satellites to establish global communications systems. He said this practice poses different risks than the traditional single satellite launch, and thus requires different areas of expertise for insurers. Motorola is interested in the insurers' response because it shares risks with its customers; Motorola sells the availability of satellites rather than the satellites themselves.

Barry Fagan, director of launch services acquisition for Hughes Space & Communications International Inc. in Los Angeles, said prospective risks will come from new, untried satellite and launch technologies; larger and more-expensive satellites and satellite constellations; and new, reusable launch vehicles.

This will create new challenges in risk management, particularly because, over the next five years, the value of all commercial satellite systems in operation could total between $50 billion and $80 billion, he said.

"We must never underestimate the importance of risk management to the satellite operator, his customers, the satellite builder, the launch industry, and the insurance community," Mr. Fagan said. BI

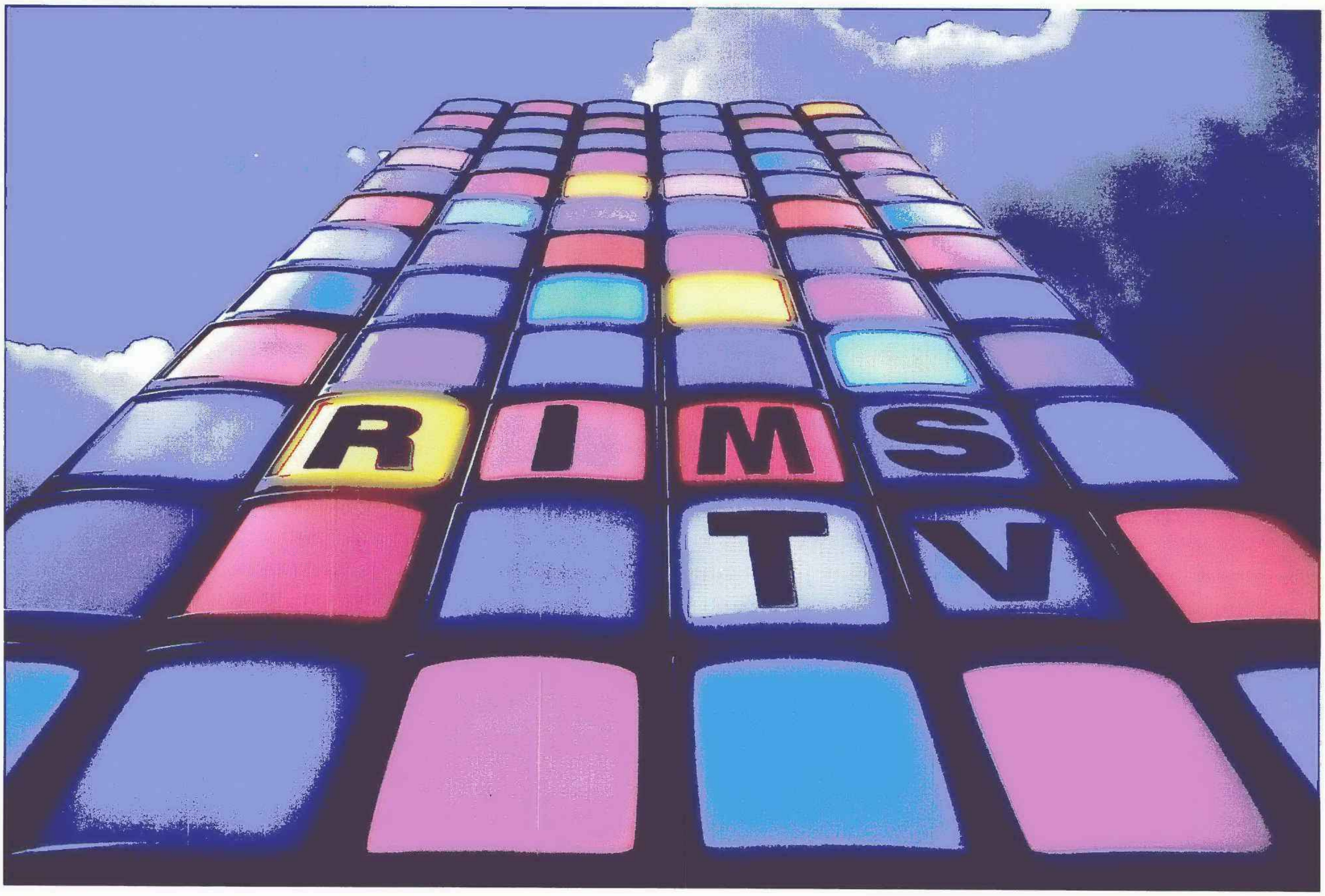
FHS sale of PBM finalized

LOS ANGELES—Foundation Health Systems Inc. on Wednesday closed its deal with Irving, Texas-based Advance Paradigm, selling its prescription drug management business for $70 million in cash.

Los Angeles-based Foundation sold the assets of Foundation Health Pharmaceutical Services Inc., the parent company of Integrated Pharmaceutical Services Inc., which was Foundation's PBM. Advance Paradigm will, in turn, provide integrated PBM services for about 6 million individuals formerly covered by FHS (*BI*, March 8). Services will include claims processing, a clinical formulary, a pharmacy network and mail order.

FHS will have access to Advance Paradigm's disease management programs and clinical research. IPS will negotiate in cooperation with Advance Paradigm to receive discounts and rebates from pharmaceutical manufacturers.

At RIMS in Dallas everyone will be watching *Business Insurance's*...



Look for special monitors at the Dallas Convention Center

Since 1995, *BI's* expanded news coverage of the Risk and Insurance Management Society's Annual Conference & Exhibition has included televised conference reporting.

Business Insurance's RIMSTV will be produced in Dallas and shown on exclusive channels in the following conference hotels on April 12, 13 and 14:

HOTEL	TV CHANNEL	HOTEL	TV CHANNEL
Adam's Mark Hotel Dallas	3	Hyatt Regency Dallas	18
Adolphus Hotel	7	Le Meridien Dallas	21
Aristocrat Hotel	6	Ramada Plaza Hotel	17
Courtyard By Marriott.	2	Renaissance Dallas Hotel	18
Dallas Grand Hotel	12	Sheraton Hotel Dallas Brookhollow	16
Embassy Suites/ Dallas Market Center	2	Sheraton Suites Market Center	15
Fairmont Hotel	17	Wilson World Hotel — Market Center	2
Hampton Inn Dallas West End	14	Wyndham Anatole Hotel	7
Holiday Inn Market Center	21	Wyndham Garden Hotel — Dallas Market Center	6

Business Insurance's RIMS® TV

ASK A RISK MANAGER

Q **Legislation, both state and federal, can negatively affect my company. Should risk managers be concerned about legislative results, and if so, what can we do to effect outcomes?**

A Funny you should ask. The Risk & Insurance Management Society Inc. just sponsored its first-ever "fly in," called "RIMS on the Hill," with great success (*BI*, March 22). It gave risk managers a unique, focused opportunity to try to influence legislative outcomes in those areas related to their jobs and to the firms that employ them. With more than 50 risk managers in attendance, RIMS approached 41 legislators and/or their staff members to discuss key pending legislation and to outline members' views on the related issues.

While RIMS tracks dozens of pieces of legislation at any one time, its focus for the fly in centered on three hot issues: Y2K liability, managed care reform, and medical record privacy. All three issues are moving through Congress at varying speeds and are at different stages of development.

After members spent the morning learning about those issues in particular and from guest speaker experts "how to lobby," they were able to speak intelligently to their representatives about the effects these issues would have and have had on their firms. And the legislators listened.

This experience goes to the heart of the above question. Risk managers often overlook legislative issues and their potential effects; reasons range from a lack of time to job descriptions that don't provide responsibility for legislative lobbying. Many mid-size and most large entities have dedicated government affairs types and or paid lobbyists that focus exclusively on selected legislation. But my experience is that these individuals can concentrate on only a limited number of issues. Appropriately, they are those that are integral to their firms' interests and that have the greatest potential impact on stakeholder value.

This results, however, in many issues, such as those listed above, possibly being ignored. That creates the opportunity for risk managers to try to influence outcomes in areas related directly and indirectly to their job descriptions. It may not be critical to the risk manager's success, but a diligent practitioner will attempt to fill the gap where others leave off.

So how should risk mangers approach this objective? The first step is to figure out within your firm how legislative and regulatory issues are addressed. Find out if you have any dedicated resources within the firm or under contract to lobby for company interests. This responsibility may rest in any of several departments—public relations, public affairs, government affairs, communications, or even within the office of the chief executive officer. Meet with the people involved, find out what issues they are tracking and whether any that affect your realm of responsibility are being overlooked. It is equally important to make your case to those same representatives as to why "your" issues matter to the company. Then you can put your heads together, figure out which issues you should chase, and how you might get assistance in doing so.

Take the time to get educated by these experts about how they approach the process. Spending what is likely to be full-time effort on influencing lawmakers, they are uniquely qualified to get you off to a good start and to provide guidance in your future efforts to make a difference for your organization. One thing you'll learn is that lawmakers move very slowly and cautiously as they consider proposed bills and constituent opinions in formulating the positions they take. The result often will be something other than total alignment with the position you might favor. Therefore, if you want to have any measure of success, "compromise" and "negotiation" will become key terms in your lexicon. In fact, you could say the entire lawmaking process is a function of this give and take.

Patience will be another important virtue you'll want to develop, as substantive movement and resolution on some issues, such as product liability reform, can take years, and sometimes decades. After all, product liability reform has been on Capitol Hill now for more than 18 years.

So what about a specific process for addressing key issues? We all have very limited resources we can devote to this, and we'll often get little credit for spending time in this area. That means efforts will consist primarily of long-distance contacts with legislators via telephone, e-mail, U.S. mail and faxes.

In using these necessary alternatives to in-person contact, the key to being effective is a focused strategy. The starting point is recognizing that legislators and their staffs get hundreds of thousands of contacts each year from their constituents. Thus, your strategy should focus on cutting through the clutter of contacts they'll get on any issue. Your communication should stand out as sincere, interested and original. It should not appear obviously to be a part of some larger, mechanical, mass-contact campaign; if identified as such, it will get short shrift.

And don't be fooled into thinking it won't be apparent if it is a mass-contact effort. Lawmakers and, most particularly, their staffs have become experts at ferreting out such campaigns.

Some points to remember when making remote contacts with legislators include:

- Personalize your correspondence.
- Use company letterhead when permitted.
- Use correct protocol in addressing letters. Make sure you have the proper titles.
- Make specific reference to the bill number and name.
- Make it clear why the legislator should listen to and respond to your opinion. Answer such questions as: Are you in the lawmakers' district? Did your firm help the lawmaker get elected? and the like.
- Never use a form letter.
- Find out the name of key legislative staffers and address those individuals specifically. It is almost always staffers who read documents, interpreting and summarizing them when briefing legislators on issues.
- Provide details, then clearly and concisely summarize your position.
- Be timely and efficient in your contacts. There's no point in spending time on issues that already have been decided or in addressing those legislators who are hopelessly wedded to positions contrary to your interests.

It is a given that face-to-face, personal contact will go much further than any amount of remote contact. Thus, your tactical plan should ideally include personal contact as well.

Contact with federal legislators in Washington is somewhat difficult. But, as the fly-in proved, it can be very effective. On the one hand, with some diligent effort, you should be able to meet with, at least, a legislator's staff member. After all, if you are a constituent, it is a staff member's job to listen to your opinions. But you need not be from the lawmaker's district to get his or her attention. For example, having company operations in lawmakers' districts will usually be enough to get some attention.

Before you meet with legislators or their staffs, make sure you've done your homework on the issues to be discussed. Be able to talk intelligently about them. Nothing will cause your considerable efforts to fail more than coming across as not knowing what you're talking about.

Having said that, you can find some relief in the fact that the average legislator will not know the issues on which you will be speaking as well as you do, unless he or she is a bill sponsor or has some other unusual attachment to the bill's origin or direction. While somewhat less true, the same can be said of staff members, who are usually tracking more issues than they can possibly be experts in. Therefore, making your case, even in person, is very doable for every risk manager with this mission at hand.

Regardless of whether or not you succeed in meeting lawmakers in Washington, you can, in most cases, be even more effective getting personal meetings with them on their home turf. That's because there are fewer distractions in their home districts than on Capitol Hill, where legislators' best intentions to meet can often be scuttled by the process requirements of the House and Senate. You're also more likely to get more time with legislators outside Washington and to make a more direct connection for them as to why they should listen to your position.

Regardless of where you meet them, though, be prepared and on time. While legislators often make visitors wait, they don't like to be kept waiting; a typical day for a legislator is filled with dozens of 15- and 30-minute meetings with constituents. As a result, it is also important that you leave something behind that will allow them to review your issue after you leave; that way, there's a better chance they will remember who you are and what your position is. Always follow up a personal meeting with a note of thanks that includes a reiteration of your main points. Be sure to mention your gratitude at the legislator's willingness to meet and recognize the attentiveness of his or her staff in response to your inquiries.

Finally, a great way to get educated on key issues and to understand the status of those issues in the legislative process is to visit the many World Wide Web sites maintained by trade associations that track issues important to their members. RIMS' Web site, at www.rims.org, includes extensive information on current bills, including the actual wording of many of the bills themselves. The Web site also provides access to "Capital Alerts," which give members guidance on important issues and explain how to influence their outcomes. Go there, get educated and learn to lobby for your firm's best interests. You'll become a more well-rounded risk manager in the process. BI

Would you like advice from an experienced colleague on a risk management, benefits management or actuarial problem? Four quarterly features in the Perspective section of Business Insurance can give you some answers.

Ask A Risk Manager, Ask A Benefits Manager, Ask A Benefit Actuary and Ask A Casualty Actuary answer written questions from readers on risk and benefits management issues and actuarial problems.

This month's column on risk management issues was written by Christopher E. Mandel, director-global risk management at Tricon Global Restaurants Inc. in Louisville, Ky., and vp-external affairs for the executive council of the Risk & Insurance Management Society Inc.

Mr. Mandel

Dennis J. Nirtaut, managing director of compensation and benefits for Arthur Andersen L.L.P. in Chicago, answers questions on employee benefit plans. William J. Miner, an actuary with Watson Wyatt Worldwide in Chicago, answers actuarial questions on benefits issues. And Richard E. Sherman, president of Richard E. Sherman & Associates Inc. in Ashland, Ore., answers actuarial questions in the casualty field.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

Book looks at challenge of natural disasters

"Paying the Price: The Status and Role of Insurance Against Natural Disasters in the United States"
Edited by Howard Kunreuther and Richard J. Roth Sr.
Published by Joseph Henry Press, 2101 Constitution Ave. N.W., Lockbox 285, Washington, D.C. 20055, 800-624-6242
$47.95

By Kevin M. Quinley

Stuff happens, to paraphrase a popular bumper sticker.

Few know this as well as risk managers. In many cases, what stands behind a company's solvency in the face of a natural disaster is . . .deft risk management and a solid insurance policy. The challenge posed to risk managers by floods, earthquakes and hurricanes is portrayed in a recent book, "Paying the Price: The Status and Role of Insurance Against Natural Disasters in the United States."

This book considers the effectiveness of insurance coverage for low-probability, high-impact events such as natural disasters. Further, it discusses how insurance programs can successfully be used with other tools—such as building codes and standards—to create effective loss control measures.

Books & Ideas

"Paying the Price" is the culmination of 25 years of study in the field of natural disasters. Editor Howard Kunreuther is a professor of decision sciences and public policy at the Wharton School of the University of Pennsylvania. Co-editor Richard Roth Sr. is a retired insurance executive and property/casualty insurance actuary. Drawing upon a panel of experts in natural hazards assessment, the book details the reasoning behind the dramatic increase in the past 10 years of insured losses from natural disasters.

The authors discuss the reasons behind the dramatic increase in insured losses from natural disasters since 1989, as well as the concern that insurers have about their ability to provide coverage against such events in the future. The book also explores the increasing demand for hazard insurance and what types of coverage private insurers are willing to offer. In addition, the authors discuss the role of reinsurance and private-/public-sector initiatives at the state and local levels for providing protection to victims of natural disasters. Finally, the book identifies new initiatives for reducing future losses and providing funds for recovery through cooperation by the involved parties.

Detailed case studies focusing on the effects of Hurricane Andrew in Florida and the 1994 Northridge earthquake in California reveal the challenges faced by insurance companies and other stakeholders, such as risk managers.

The book includes sections on earthquake protection in California, hurricane protection in Florida, mitigation and catastrophe insurance. Appendices include a useful discussion of commercial insurance, an evaluation of catastrophe models and the addresses of relevant World Wide Web sites.

Risk managers preparing for "the big hit" would do well to invest some time in reading "Paying the Price." BI

Kevin M. Quinley is senior vp of risk services for MED-MARC Insurance Co. Inc. and subsidiary Hamilton Resources Corp., both of Fairfax, Va. He holds the Chartered Property & Casualty Underwriter and Associate in Risk Management designations.

Short book frank in blasting 'junk science'

"Silencing Science"
By Steven Milloy and Michael Gough
Published by the Cato Institute, 1000 Massachusetts Ave., N.W., Washington D.C. 20001; 800-767-1241
$8

By Mark A. Hofmann

Although this slender paperback doesn't address risk management directly, it's sure to raise more than a few bemused chuckles from risk managers, particularly those who've ever had a run-in with "junk science."

Junk science, according to authors Steven Milloy and Michael Gough, "is exaggerated or overinterpreted science used to advance some predetermined, often politically correct, politically desired, or financially lucrative conclusion. In the best light, junk science is poor science; in the worst light, it is fraud."

Messrs. Milloy and Gough aren't exactly the type to mince words. Mr. Milloy publishes the Junk Science Home Page (http://www.junkscience.com), and Mr. Gough recently retired as director of science and risk studies at the

Books & Ideas

Cato Institute.

The Cato Institute, which published the book, is a Washington-based libertarian think tank that advocates free market capitalism and limited government.

In addition to citing cases of junk science, the authors cite instance after instance where an interest group or government agency attempted—and in some cases succeeded—to suppress scientific findings with which it wasn't pleased, and the cost to the public be damned. They detail how the creative use of lawsuits has stopped scientific research dead in its tracks, even when the research happened to be undertaken by an institution as prestigious as the Mayo Clinic. They show how interested parties can apply pressure to the private and public bodies that fund scientific research to squelch inquiries they don't want to proceed.

So why should risk managers, or any other non-scientists, care about this sort of thing? Because, as the authors noted, "this 'silencing' is much more than an academic concern. Because we—all of us—are robbed of the benefits of true science."

That's a good reason both philosophical and practical for spending the hour or so needed to read this book. Even though the Supreme Court recently imposed new safeguards against the use of "expert" testimony in its decision in *Kumho Tire Ltd. et al. vs. Patrick Carmichael et al.*, dubious science is sure to seep into some courtroom sometime, and some risk manager is going to find his employer being sued under a dubious theory.

Readers who subscribe to the ancient doctrine of "Know your enemy" can do far worse in trying to understand that enemy by reading this slender volume. BI

Mark A. Hofmann is the Washington editor of Business Insurance.

Court: Patent infringement not 'advertising injury'

Legal Briefs

A liability insurance policy covering "advertising injury" did not include liability arising from patent infringement, the 6th U.S. Circuit Court of Appeals ruled.

Haworth Inc. and Herman Miller Inc. both design and produce modular office systems, paneling and furnishings. Haworth holds patents on a configuration of power supply modules with pre-fabricated office panels. In its promotional literature, Miller pictured a configuration of panels that, if so assembled, would have infringed Haworth's patent. Haworth sued Miller.

Miller requested its insurer, Travelers Indemnity Co. Inc., to defend it in this suit based upon their contract obligating Travelers to indemnify and defend Miller for any damages "caused by. . .advertising injury." Travelers declined to defend Miller. Miller then sued Travelers in Michigan courts, seeking approximately $48 million in damages. The case was removed to the federal court. The federal trial court ruled against Miller.

The appellate court said the insurance policy here included copyright infringement in its definition of "advertising injury." However, the policy did not mention patent infringement, the court said, although such mention could have been just as easily added to the policy had that been the parties' intention. The court said that coverage for trademark infringement could not be implicated by the given definition of "advertising injury." The trial court decision was affirmed.

Herman Miller Inc. vs. Travelers Indemnity Co. Inc., 6th U.S. Circuit Court of Appeals, Dec. 21, 1998 (*BI*/03/My.-$10).

Car accident injuries not compensable

An employee's injuries resulting from an automobile accident that occurred on his way home from an employer-authorized medical appointment occasioned by a prior compensable accident were not compensable, work-related injuries, according to the Missouri Court of Appeals.

Patrick Bear sustained a work-related injury in January 1993. Mr. Bear returned to work still under the rehabilitative care of his doctor. Five days after he returned to work, Mr. Bear's employer released him from work at 4 p.m. in order to go to a medical appointment. He attended his appointment and then drove home. While driving home, he was involved in an automobile accident and received injuries to his left leg and hip socket requiring surgical procedures. Mr. Bear filed a claim for workers compensation for the injuries he received as a result of the automobile accident. His claim was denied.

On appeal, Mr. Bear argued that his trip to and from the medical treatment for the prior injury was a natural and probable consequence of the prior injury and, as such, arose out of and in the course of his employment. The court said that, even if Mr. Bear was deemed to be in the course and scope of his employment while receiving treatment at the doctor's office for the prior compensable injury, the going-to and coming-home-from rule prevents recovery for injuries received while he was traveling home. The court said the workers compensation commission did not err in determining that injuries received while traveling home from a medical appointment are not compensable.

Bear vs. Anson Implement Inc., Missouri Court of Appeals, July 21, 1998, Motion for Rehearing and/or Transfer to Supreme Court Denied Sept. 1, 1998, Application for Transfer Denied, Oct. 20, 1998 (*BI*/04/My.-$10). BI

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

OSHA

Continued from page 2

›roposed bill notes that OSHA ıas encouraged employers to conluct such voluntary safety and ıealth audits since at least 1989. 3ut according to the summary,)SHA's enforcement policy actuılly discourages employers from ındertaking thorough audits be-:ause their findings can be used ›y the agency to penalize the ›usinesses.

The summary says that even if ın employer "has a process for ›rioritizing items in the audit and s addressing higher priority is-

'he bill would prohibit)SHA from using an employer's audits to 'ind potential violations, :he draft says.

sues, OSHA uses the audit to show :hat the employer knew of a hazırd or potential hazard and failed :o fix it."

The bill would prohibit OSHA from "using an employer's audits for a 'fishing expedition' to find potential violations, or to use the ıudit to assess higher penalties ıgainst an employer if the em›loyer has exercised 'good faith' ın addressing items identified in :he audit," according to the draft.

A second proposed bill of interəst to risk managers would insti-:ute rulemaking reform on two fronts:

• First, it would require OSHA to notify the industries that would be regulated by any proposed standard. OSHA already does this, but Rep. Ballenger holds that the agency does not follow the practice "consistently," according to the summary.

• Second, the bill would require that regulations on any industry be based on industry-specific information regarding costs and risks. "However, if OSHA does not have access to 'industry specific' risk information for an industry that is proposed for regulation, OSHA may meet the requirement by showing that the risks to workers in the industry are comparable to the risks to workers in an industry or workplace of which information is available," according to the summary.

The other three bills target more specific areas.

One would permit the creation of employer-employee safety committees—which the National Labor Relations Board has held to generally violate the National Labor Relation Act—if those committees only work together "to identify and evaluate safety-related conditions in the workplace, to propose, review, evaluate, and implement workplace safety and health rules and policies, and to assist an employer in compliance with the requirements" set by OSHA, according to the summary.

The other two proposed bills would enhance existing protections for workplace "whistle blowers" and provide some relief from OSHA penalties for small businesses. BI

Oregon

Continued from page 3

ınder the CGL policy as long as the ınsurer has not suffered actual prejudice.

• Provide that defense costs include all necessary and reasonable pre-tender and post-tender costs incurred in defending a suit, including any legal and environmental consultant or contractor costs, and fees or expenses the policyholder incurs in performing a remedial investigation, feasibility study or similar site investigation.

• Deem that a policyholder's primary insurance policy is exhausted for purposes of triggering excess or umbrella policies when the primary policy's limits for the same policy pe-

If the bill becomes law, 'rates will eventually go up,' says Keith Lessner of the Alliance of American Insurers.

riod have been exceeded.

In the event that the policyholder settles with a primary insurer for less than the full policy limits and releases the primary insurer from further coverage liability, the primary policy shall be deemed exhausted and the excess or umbrella insurer's coverage obligations shall be triggered for any liability in excess of the primary's full policy limits.

• Prohibit insurers from denying claims for pollution to ground water by using the owned-property exclusion in CGL policies. The bill says the right granted by state law to use surface water or ground water is not equivalent to ownership rights of such surface water.

• Provide for joint and several liability for indemnity and defense costs, up to coverage limits, in cases involving two or more insurers. The policyholder would not bear an allocable share of the judgment amount for periods when the policyholder had no coverage.

Mr. DiLorenzo said the bill has gained support from both industry and regulatory groups.

John Ledger, legislative representative for environmental affairs at Associated Oregon Industries in Salem, Ore., supports the bill. "I think it will expedite cleanup in the state," he said.

Insurer groups oppose the bill, however, saying that CGL policies were never meant to cover pollution claims and that, if enacted, S.B. 1205 will result in increased rates for CGL insurance.

"Historically, the insurance industry has had a great deal of problem with providing coverage when it never felt coverage was included and never collected premiums for it," said Keith Lessner, vp-safety and environment for the Alliance of American Insurers in Downers Grove, Ill.

If the bill becomes law, "rates will eventually go up," he said. "One assumes that Mr. DiLorenzo would not introduce a bill like this if there weren't many policyholders with claims out there."

Even if all the claims result in no damages, the bill "will certainly bring a lot more claims, which would cause insurers to have to spend money defending them," he said.

"It would certainly appear that (S.B. 1205) both rewrites insurance contracts and insurance law in the state of Oregon," observed Jack Munro, local counsel for the American Insurance Assn. in Salem, Ore.

He said that while the association still is evaluating the bill, one likely outcome would be rate hikes on CGL policies.

"Some people are required to have pollution coverage, like service stations," he said. "What effect the measure will have on that market, only time will tell. It might be damaging." BI

Lender policy allows bypass of environment tests

Products & Services

WEST HARTFORD, Conn.—Insurance broker Environmental Warranty Inc. is offering a new environmental risk transfer product to banks that make commercial real estate loans.

First Union Corp. and Wells Fargo Bank now provide this risk transfer solution for commercial developers nationwide, and eight banks have confirmed their participation in the program between now and Sept. 30.

The policy, Lender's Environmental Collateral Protection, allows developers to bypass the Phase I environmental engineer assessment. A Phase I assessment typically takes three to four weeks and must be purchased prior to getting a loan commitment, according to Environmental Warranty. But the lender's program allows a bank to bypass the assessment prior to making a loan commitment.

The bank charges a fee to the developer for the coverage that is less than the cost of a Phase I assessment, the coverage can be put in place for a development in two to three business days and the fee is paid by the borrower only when the loan has closed.

The lender's program includes four types of coverage: first-party property coverage on a loan default, which pays the lesser of the loan balance or onsite cleanup; direct liability protection for the bank; defense costs; and third-party liability coverage for onsite and offsite bodily injury claims, offsite property damage and personal property damage.

The environmental insurance used by the bank itself does not protect the borrower against loss due to environmental problems. It does, however, reduce the time it takes to get a loan and cost less than a Phase I assessment. Furthermore, the insurance doesn't have to be paid for unless and until the loan closes.

For more information, contact Charles Perry, president of Environmental Warranty, 860-521-4747, or visit the company's World Wide Web site, www.environmentalwarranty.com.

Disability product

KANSAS CITY, Mo.—Fortis Benefits Insurance Co. has launched a Voluntary Short-Term Disability product that can be linked with Fortis Benefits' Voluntary Long-Term Disability contracts to provide comprehensive disability coverage for employees.

Employees can purchase coverage equal to 60% of their weekly predisability earnings up to $600 per week, or more for those with a Fortis Benefits Long-Term Disability plan.

The Voluntary Short-Term Disability product also features Fortis Benefits' Managed Disability Solutions, which include:

• A Quality of Care Benefit de signed to assist in developing medical plan to diagnose and treat condition and return an employee t work more quickly.

• A Managed Rehabilitation Ben efit that pays more to the policy holder when he or she cooperates i a vocational rehabilitation plan.

The policy pays claims if the em ployee is disabled under either o two definitions of disability speci fied in the policy. One involve whether the disability prevents th claimant from reaching a certai earnings level; the other involve the ability of the claimant to per form the material duties of his o her regular occupation.

Fortis Benefits Insurance Co. spe cializes in non-medical employe benefits.

For more information, contac Jacquie Hill, marketing communi cations supervisor for Fortis Bene fits, 816-881-8968; or Lisa Earles product development project lead er, 816-881-8779.

Cat package

PRINCETON, N.J.—Munich American RiskPartners, formed las November from the consolidated al ternative market operations of Mu nich Re and American Re, has intro duced an integrated lead umbrell form to provide catastrophic pro tection for a broad range of casual ty and corporate liability exposures

Called CatPak, the form is de signed to encompass excess-of standard casualty coverage and most combinations of managemen and professional liability coverages CatPak can be used as a single poli cy to insure a number of individua or corporate exposures under a sep arate aggregate or shared aggregat retention.

CatPak is underwritten by Mu nich-American on behalf of Ameri can Alternative Insurance Corp and Great Lakes (UK) P.L.C., whol ly owned admitted and non-admit ted insurance companies of the Mu nich Re Group.

For more information, please con tact John Lupica, vp at Munich American, 609-243-4248, or visi the Munich-American RiskPartner Web site www.mariskpartners.com

Law firm program

PHILADELPHIA—Gray-Stone & Co. and Reliance Insuranc Group have teamed to offer a com prehensive insurance program fo law firms.

The Gray-Stone/Reliance Law Firm Program provides customize coverages for risks ranging fron midsize law offices to nationwid firms. Gray-Stone, based in Wood land Hills., Calif., specializes in lav firm business, handling underwrit ing, policy issuance and administra tion. Reliance provides coverage and claims management services.

Available coverages include property, general liability, commer cial auto, broad-form crime, fidu ciary liability, kidnap/ransom/ex tortion, umbrella liability and group personal umbrella. All poli cies are delivered in a single portfo lio, and business income coverag levels are based on billable hours.

To simplify administration, th program is offered on a direct-bil basis.

Reliance Insurance is a unit of Re liance Group Holdings Inc., base in New York.

For more information, contac Howard Stone, president of Gray Stone, 818-593-3333; or Andrej Krutainis, vp-product managemen at Reliance, 215-864-1518. BI

INTERNATIONAL

Global Briefs

The period for **Lloyd's of London** to consult with the Financial Services Authority over the best way to regulate the insurance market ended March 31, with bodies representing the various working sectors of the market all having made their views known. The governing council of Lloyd's has been granted an extension until mid-April to make its own submission, and the FSA is expected to publish its conclusions later in the summer. . . .London-based **war risk insurers** have declared Yugoslavia, Bosnia-Herzegovina and Croatia war zones. The Joint War Committee, made up of representatives of Lloyd's of London and several insurance companies, gave seven days' notice on March 29 of the cancellation of existing marine insurance cover in these areas, thus requiring ship operators traveling there to take out war risk insurance at an additional premium. . . .**LIMIT P.L.C.** is merging its wholly owned Lloyd's managing agencies, Bankside Syndicates Ltd. and Janson Green Ltd., for the 2000 year of account. They will be known as Limit Underwriting Ltd. and will manage eight Lloyd's syndicates with aggregate capacity of about £750 million ($1.21 billion) . . .French insurer **AXA Group** has confirmed its interest in buying a stake in Polish insurer Powszechny Zaklad Ubezpieczen when the Polish government puts 30% of the company up for sale later this year. AXA has had a link with PZU since 1992, when the companies set up a joint travel insurance venture. . . .Royal & SunAlliance Insurance Group P.L.C. said its Danish unit, **Codan Group Ltd.**, has written to Denmark's biggest non-life insurer, Tryg-Baltica A.S., to say it is interested in acquiring a stake. The offer is aimed a preventing Tryg-Baltica from carrying out plans to merge with Denmark's third-largest bank, Unidanmark A.S. (*BI*, March 15). . . .**Chubb Insurance Co. of Europe S.A.** has expanded its alternative risk operations. Its Alternative Risk Consulting unit, launched in June 1998, has added three members to its team and now offers structured financial insurance solutions. It also has added a new captive facility, Foundation Reinsurance (PCC) Ltd., based in Guernsey, Channel Islands. . . .**Chubb Corp.** has bought 27% of U.K. specialty insurer Hiscox P.L.C. for £89.9 million ($144.9 million). The shares were bought from Trident Partnership L.P. in a transaction agreed to last December. . . .**Reinsurance Group of America Inc.** has opened a liaison office in Taipei, Taiwan. The company said the office will provide traditional life reinsurance services as well as innovative reinsurance solutions. . . .**ACE Global Markets**, a unit of Bermuda-based ACE Ltd., has appointed Malcolm Brett as senior underwriter for Lloyd's syndicate 960. Mr. Brett previously was aviation underwriting manage for CIGNA Corp.'s aerospace department in London. . . .Reinsurance broker **U.S. Re Corp.** is moving its European operation from Copenhagen, Denmark, to Basel, Switzerland. The unit, Euro Re, was established in 1994. . . .**LaSalle Re Holdings Ltd.** will take a $35 million charge to earnings in its second quarter results. The charge is necessary to strengthen reserves for non-catastrophe liability business, said Victor H. Blake, chairman, president and chief executive officer of LaSalle in Bermuda. LaSalle will stop writing non-catastrophe business, he said.

Space results poor in 1998

By EDWIN UNSWORTH

LONDON—The Aviation Insurance Offices' Assn. comparison of 1998 space insurance results to something out of a horror movie is tempered by one saving grace for insurers: Losses helped stabilize rates.

The London-based association of 10 leading aviation and space insurance groups recently issued its 1998/99 annual report with comments on the past year. Of the space account, it said that though there were some large satellite launch failures, the worst impact came from the occurrence of an exceptional string of in-orbit anomalies and failures. The AIOA's chairman, Keith Selby, said in a statement that this situation raises concerns as to whether a trend is developing toward losses in an area that has previously not commanded a substantial premium base.

However, Mr. Selby also stated, "This serious aggregation of losses has had the effect of stabilizing a market that hitherto had suffered rapid pricing decline."

The AIOA expressed equal concerns about the 1998 results for the aviation market; it termed aviation results "disappointing in the extreme."

The AIOA said pressures arising from a market characterized by overcapacity and soft rates persisted throughout the year. Mr. Selby urged aviation underwriters to reprice their business in order to establish a viable premium base for what is a high-exposure line of business.

"This task needs to be addressed without further delay and ways found for an income commensurate with escalating exposures to be achieved," Mr. Selby said in the statement.

The scale of underwriters' exposures is shown in AIOA figures; the cost of major jet hull losses in 1998 rose to $889 million, up from $607 million in 1997. Included in the 1998 figure is the costliest aviation hull loss ever, the $155 million paid on the Korean Airlines 747-400 that was declared a total loss after crash-landing in August. The 1998 hull figure also includes $126.5 million paid for the Swissair MD-11 loss in September and $71.5 million for the loss of a China Airlines A300 in February.

Passenger and crew fatalities in 1998 from Western-built jet aircraft accidents reached 806, against 630 in 1997 and an average trend of 700 a year. BI

Lost in space

1998 in-orbit losses in millions of dollars

Satellite	Date	Insured value
Galaxy 10*	Aug. 27	$250.0
Echostar 4	May 18	219.3
Various Iridium	July 14, July 17, Aug. 19	177.3 (59.1each)
Palapa C1	Dec. 25	166.5
Galaxy 4	May 19	165.0
Globalstar*	Sep. 9	162.0
Kupon 1	March 17	84.3
Panamsat	Nov. 4	50.0

*Launch failures.

Source: Aviation Insurance Offices' Assn.

Merged insurers to float Vesta

By MARIA KIELMAS

Recently merged Skandia Insurance Co. Ltd. and Storebrand Skadeforsikring A/S have decided to float the property/casualty business of Skandia's 100%-owned subsidiary, Vesta Forsikring A/S, sometime in the second half of this year.

The move was widely expected following the merger because of Norway's competition rules. The decision to float shares in Vesta was made during a March meeting of the Storebrand and Skandia boards, said Ingvar Eriksson, Storebrand's financial manager.

Property/casualty business accounts for about 95% of Vesta's portfolio. After the floatation, the remainder, mainly personal lines, will be incorporated back into Skandia.

The Skandia board decided that floating all of Vesta's property/casualty business would best add value to Skandia, said Ulf Spang, Skandia's finance director.

Vesta has a 19.8% share of the Norwegian property and casualty market and 9% of the Norwegian life market. According to A.M. Best Co., Vesta wrote 4.2 billion Norwegian kroner ($570 million) in 1997 gross premiums.

Skandia has not decided what its participation in the float will be. "We would be prepared to stay on as one of the owners, but it is not a necessity," Mr. Spang said.

Skandia is not now considering a direct sale to another company, because Skandia thinks the floatation mechanism adds greater value.

"We have had a number of queries from other companies but have not taken any up," Mr. Spang said.

The new Skandia/Storebrand joint venture in property/casualty business, which created one of Scandinavia's largest commercial insurers (*BI*, March 1), also will be floated eventually, possibly in May 2000. The aim is to float 40% of that new company, leaving 60% in hands of Skandia and Storebrand, divided 56% and 44%, respectively.

Neither partner sees the new company as a potential takeover target. "Our interest in P&C is as an owner and not as an operator," Mr. Spang said.

Nevertheless, should an attractive offer be made, then the partners would have to consider it. "We have a responsibility to our shareholders," Mr. Spang said. BI

Vance damage in millions in Australia

By MATTHEW MacDERMOTT

EXMOUTH, Western Australia—Cyclone Vance, the strongest storm ever to cross the Australian coast, has caused millions of dollars in insured damage.

Vance, however, is not expected to generate major business interruption losses for the Australian oil and mining operations that were forced to shut down for only short periods.

The cyclone crossed the remote north of Western Australia's coast at Exmouth, 745 miles north of the state capital of Perth, on March 22. Vance had wind speeds of 165 mph, the strongest ever recorded on the Australian mainland.

Daryl Cameron, group manager, Western Australia and Northern Territory of the Insurance Council of Australia, the country's national insurer trade association, said early estimates indicate Vance and its associated flooding will cost Australian insurers "tens of millions of dollars," with most damage centered on domestic and farming properties.

Mr. Cameron said the massive job of cleaning up and assessing damage in the cyclone's aftermath is continuing. Australia's federal government already has committed $10 million Australian ($6.3 million) in relief funding to residents and businesses in Exmouth.

Offshore oil drilling platforms off the Western Australia coast shut down and evacuated staff for 24 hours while Cyclone Vance passed, but there were no reports of major dam-

See **Vance** *on next page*

Single global network intended to cut costs

By CAROLYN ALDRED

LONDON—Leading reinsurance and insurance companies, as well as the world's largest brokers, are forming a single global electronic network to boost efficiency and cut costs.

The new organization—as yet unnamed—will combine the efforts of the London Insurance Market Network, the Brussels-based Reinsurance & Insurance Network and the World Insurance Network, which is based in both New York and London.

The organization will maintain operations in in Brussels, London and New York. It expects to commence operation on June 1, the networks announced jointly on March 30.

"It will have, as its major objective, the driving out of unnecessary processing and administration costs and, in doing so, it will help its members to achieve their own goal of enhanced client service," a joint statement said.

The move to combine the electronic networks was welcomed by the Assn. of Insurance & Risk Managers, holding its annual conference in Nottingham, England, last week.

"It is excellent news. It is important to risk managers that efficiencies are capitalized on and that the insurance industry can get its act together to reduce costs," said Mark Butterworth, deputy chairman of AIRMIC.

The insurance industry historically has been notoriously slow at embracing new technology, said Mr. Butterworth, group insurance manager of the Prudential Group P.L.C. in London. If this move results in the speedier issuance of policy documentation and a reduction in costs, it will benefit risk managers, he added.

Convergence talks among the networks began last July through a steering committee composed of leading executives from Swiss Reinsurance Co., Aon Group Inc., Marsh Inc.,

See **Network** *on next page*

Network

Continued from previous page

Allianz A.G. Holdings, Benfield Greig Group P.L.C., Munich Reinsurance Co., Willis Corroon Ltd., Assicurazioni Generali S.p.A., and Lloyd's of London. The group also held discussions among more than 70 brokerages and underwriting companies throughout Europe and the United States.

"The overwhelming message from the market is that the new organization can provide the vision and leadership required to help participants realize the benefits of e-commerce in the global insurance and reinsurance market," said Kevin Ashby, chief executive officer-designate of the new organization and current CEO of LIMNET.

"Bringing together LIMNET, RINET and WIN into a single organization has been a personal goal for many years. I am delighted to see it happening," said RINET Chairman Fedor Nierhaus, who added that he believes that "the industry will benefit significantly from this long-overdue move."

The move also was welcomed by LIMNET Chairman Dieter Losse, who described it as a "very important step forward for the members of LIMNET (that) will provide an important focal point for e-commerce."

David Holbrook, chairman of the broker-owned WIN network, agreed that it is "a new venture that will carry forward electronic initiatives and substantially enhance the efficiency of the global insurance industry."

The importance of creating a global network in place of the existing networks was stressed by Lloyd's Chairman Max Taylor in an interview with *Business Insurance*.

"We need a single set of standards and protocols. If we are all speaking the same language, we will have a global network," said Mr. Taylor, who was a member of the steering committee.

Mr. Taylor said he believes that merging the three networks will create an open global network that will be used for all types of insurance transactions.

In its first year of operation, the new organization will have Rob White-Cooper as its chairman. He will combine the role with his existing position as chairman of global practices at Marsh Inc.

'The industry will benefit significantly from this long-overdue move,' says RINET's Fedor Nierhaus.

Mr. Ashby will serve as chief executive officer, and there will be an advisory board and a separate executive board that will, initially, have equal representation from brokers and underwriters.

Existing e-business products and services provided by LIMNET, RINET and WIN will be supported and promoted by the new organization.

In a statement last week, the new organization said it aims to:

- Promote the use of electronic commerce in the world of insurance and reinsurance.
- Facilitate the creation and implementation of—and adherence to—common international procedures and technological, messaging and security standards. This will be based upon the interconnectedness of the networks and will ensure freedom of choice for members in terms of software and network environments, said the statement.
- Initiate and encourage third-party development and delivery of applications, products and services that meet the common desire of all market participants.
- Stimulate full and open competition among service providers and software developers to give busine[ss] users access to the widest range [o] accredited product and servic[e] providers at the lowest possible cos[t].

LIMNET, the oldest of the existin[g] networks, was established in 1987 [to] make the London market more eff[i]cient. Jointly owned by Lloyd's [of] London, the London Internationa[l] Insurance & Reinsurance Mark[et] Assn. and the Institute of Londo[n] Underwriters, it processes more tha[n] 30 million transactions annually, i[n]cluding most non-marine and ma[]rine claims in the London market.

RINET began operating the fo[l]lowing year, providing an electroni[c] processing network mainly used f[or] European-based reinsurers.

In 1995, the world's largest insu[r]ance brokers formed WIN for ele[c]tronic placement and informatio[n] exchange.

By combining the three network[s] the industry hopes to dramaticall[y] increase the amount of insuranc[e] and reinsurance business transacte[d] electronically. BI

Colombian quake loss tallied

By MARIA KIELMAS

BOGOTA, Colombia—Insured losses from a devastating earthquake in central Colombia early this year will total $120 million to $150 million, Colombian insurers and brokers estimate.

The total economic losses from the Jan. 25 quake, which struck the nation's coffee-growing region could reach $2 billion, according to a spokesman at Medellin-based Cia. Suramericana de Seguros S.A. Suramericana is Colombia's largest insurer. The company expects to pay about 2,290 claims totaling $19.4 million, the spokesman said.

Measuring at a magnitude of 6.0, the quake's epicenter was in Armenia, Colombia, about 100 miles west of Bogota. The temblor resulted in at least 900 deaths and injured thousands.

A majority of the insured losses are expected to come from banks that bought quake insurance on mortgaged properties (*BI*, Feb. 1).

Although reinsurance is expected to cover about 90% of these claims, economic recession is restricting Colombian insurers' cash flow, and many are facing problems making the initial claim payments to clients, says German Aguirre, deputy manager at Bogota-based broker Aon Ossa Ltda., a division of Aon Corp.

The insurance industry and the government are also facing complaints from claimants over the 25% coinsurance provision on most quake policies written there, Mr. Aguirre explained.

As a result of the quake, insurers are reviewing their assumptions of probable maximum loss in different zones within the country. In the coffee region where the quake struck, there are few large industrial risks, Mr. Aguirre noted. That area comprises mainly small, family-run farms. In the area including Bogota, however, there is a great deal of industry and a higher concentration of commercial risks.

Aon Ossa and Suramericana de Seguros are separately creating maps of different seismic zones in Bogota, Cali and Medellin. These maps will be used in future earthquake risk assessments. Aon is conducting its study in conjunction with the Civil Engineering division at the Universidad de Los Andes in Bogota.

Alberto Sarria, a professor of earthquake engineering at the university, said that buildings constructed in line with Colombia's building code performed well in the earthquake, suffering little damage. "About 92% of these buildings were undamaged," he said.

Colombia introduced earthquake-resistance specifications into its building codes in 1984. Older buildings constructed of concrete frame and brick infill, a common design in Colombia, suffered some damage and largely can be repaired, Mr. Sarria said.

The worst damage occurred in buildings more than 30 years old that were constructed in a traditional Latin American style, with a heavy roof and unreinforced walls. "These buildings are a problem throughout Latin America," Mr. Sarria said.

The government has a program to reinforce public buildings against earthquake damage. The plan will begin with hospitals, schools and other educational establishments, he said. "But neither the U.S., nor Japan nor Colombia can afford to reinforce all their old buildings," Mr. Sarria added.

Meanwhile, some insurers are "trying to improve the quality of the buildings they insure," said Mr. Aguirre. BI

Insured claims low in Indian quake

BOMBAY, India—Commercial insured damage is likely to be low from an earthquake that jolted India's northern state of Uttar Pradesh last week, killing more than 95 people and injuring 200.

The quake, with a magnitude of 6.8, occurred at 12:35 a.m. March 29. Tremors lasted 40 seconds, causing severe landslides that toppled buildings and blocked roads in the seismically active Garhwal region. Forest fires also were reported to have started in the surrounding hills.

According to state government officials, damage estimates will not be available for at least another week. B.M. Vohra, commissioner of the Garhwal region, said, however, that more than 6,000 homes probably had been affected.

"I would say about 2,000 were completely destroyed. The bulk of property was private and residential. Many structures were semipermanent, made of stone, mud and mortar. Often the government has no record of them," he said. Mr. Vohra added that most private property was probably uninsured.

"Government property (roads, police, Public Works Department buildings, etc.) has also been destroyed, but the Indian government, by and large, does not insure its property. Usually losses are just written off. Only government vehicles are insured," Mr. Vohra said.

Kalyan Singh, Uttar Pradesh chief minister, canceled a Cabinet meeting to rush to the area. A spokesperson for the Indian government in Washington D.C. said, "The Union government has announced substantial payments of 100,000 rupees ($2,400) to families of earning members who were victims, half that amount to families of non-earning victims, and 25,000 rupees ($600) to those whose homes were damaged."

According to Mr. Vohra, "Payments of 10,000 rupees ($240) will also be made to seriously injured persons and 2,500 rupees ($60) to those with minor injuries."

—By Kaumudi Marathe

Vance

Continued from previous page

age to the platforms, Mr. Cameron said.

He said he doubted that any business interruption losses arising from the temporary shutdown of oil platforms would be significant.

Cyclone Vance, which turned into a heavy rain depression after crossing the coast, traveled over much of Western Australia, flooding farming and mining operations. Some areas of inland Western Australia recorded rainfalls of more than 6 inches.

The heavy rain associated with Vance reached Australia's major mining town, Kalgoorlie, 366 miles east of Perth, forcing most mining operations to stop because the ground was too soft to mine. But the strong winds that followed the rain dried out the ground quickly, allowing mining to resume within two to three days, according to a spokesman for the Western Australia Chamber of Minerals & Energy.

The spokesperson said most mines have stockpiles of ore to keep processing operations running while the ground is wet. Therefore, the economic impact on the mines would be minimal, the spokesperson said. Again, there were no reports of major damage to mining operations.

Mr. Cameron said most Australian oil and mining operations self-insure or use captives. Thus minor business interruption losses, if any, arising from Cyclone Vance, are not likely to be commercially insured, he said.

Exmouth, a tourism-oriented town with a population of 2,500, bore the brunt of Cyclone Vance. Mr. Cameron said he expects broad private insurance coverage to be in place for household and motor vehicle damage in the town. He said 100 homes were destroyed in Exmouth and 300 to 400 were severely damaged.

Some small commercial losses ar[e] expected in Exmouth, mainly to re[]tail shops and tourist accommoda[]tions. At Exmouth's Tourist Villag[e] Backpackers Park, seven trailer[s] and 35 cabins were destroyed by th[e] cyclone's winds. Mr. Cameron sai[d] last month that he could not yet pu[t] a figure on total commercial losses.

Cyclone Vance and its associate[d] rains also caused major infrastruc[]ture damage to roads and bridges i[n] Western Australia; those are self-in[]sured by the Western Australia an[d] federal governments.

Mr. Cameron said the Wester[n] Australia farming community wa[s] hit hard by the cyclone winds an[d] rain. Farmers' stock losses and fenc[]ing damage are not likely to be in[]sured, he said, because such cover[]age usually is too expensive fo[r] farmers to buy. But damage t[o] farmers' buildings and equipment[,] including dozens of windmills de[]stroyed by Vance, is likely to b[e] commercially insured, Mr. Camero[n] said. BI

INTERNATIONAL

Tunnel remains closed

By MARIA KIELMAS

PHOTO: AFP

A burned-out fire truck is towed last week out of the Mont-Blanc tunnel connecting France and Italy. Bulldozers were used to scrape away vehicles that had melted into the pavement. At least 40 people, including a French firefighter, died in the blaze, which broke out March 24. It took firefighters 53 hours to extinguish the blaze.

A deadly fire in France's Mont Blanc tunnel has forced officials to close the tunnel indefinitely and is prompting scrutiny of safety practices.

The March 24 fire in the road tunnel linking France and Italy has claimed at least 40 lives, including that of a French firefighter who was killed during a rescue attempt. Firefighters needed 53 hours to extinguish the blaze.

The fire's cause is under investigation, though early reports indicated a Belgian truck carrying flour and margarine caught fire shortly after entering the tunnel. The truck driver escaped injury.

Although the tunnel's operator, Paris-based Societe des Autoroutes et du Tunnel de Mont Blanc, has insurance coverage, losses were not known late last week, according to an ATMB spokeswoman.

Paris-based broker CECAR & Jutheau, a unit of Marsh Inc., placed the insurance program, a spokeswoman for the broker confirmed. She could not provide additional details.

The 11.6-kilometer (7.2-mile) Mont Blanc road tunnel runs between the towns of Chamonix in France and Courmayeur in Italy. It was built in 1965 as a single-bore tunnel, without a separate access tunnel that is common today. In 1991, 40 video cameras and 17 shelters were installed along the length of the tunnel to monitor and protect against fire and smoke.

The tunnel's ventilation system runs beneath the roadway, a system that tunnel experts say is outdated and dangerous.

"I think the accident was related to the ventilation system. The transversal ventilation system means that the smoke did not evacuate," said Bruno Pigorini, an engineer and tunnel expert who is head of the Italian Tunneling Society, based in Milan.

"Most people can get away from a fire, but smoke can always catch up with you," said David Wallace, associate director at London-based consulting engineering firm Sir William Halcrow & Partners Ltd. Mr. Wallace was U.K. project manager for the Channel Tunnel, which links Britain and France.

The French and the Italian governments have launched separate investigations, and the local public prosecutor in France is conducting an investigation into possible criminal charges.

About 15 small fires have occurred in the tunnel since 1965, but the recent fire was exceptionally difficult to combat because of "the toxicity of the smoke and the speed at which the fumes moved through the tunnel bore" toward France, the ATMB said in a statement.

While the European press and broadcast media questioned the tunnel's safety practices, a controversy has erupted over a 1998 report outlining the difficulties of controlling a fire in the Mont Blanc tunnel.

The report, by France's Haute Savoie departmental fire service, also urged the ATMB to improve traffic control and ventilation.

In a March 28 statement, however, the ATMB denied the existence of such a report. BI

INTERNATIONAL

Pursuit of justice aided by new U.K. conditional-fee policy

By CAROLYN ALDRED

LONDON—A new insurance product that allows companies and individuals to fund litigation for as little as an assessment fee of £200 ($323) will increase the use of no win, no fee arrangements, known as conditional fees, in U.K. courts, a government official believes.

Pursuit, a new policy developed by London-based Royal & Sun Alliance Insurance Group P.L.C., has been welcomed by the Lord Chancellor's office, the government department responsible for the U.K. legal system.

In an unusual modification of similar legal expense policies, premiums for Pursuit will be paid only by a successful plaintiff and only after the case is concluded.

The policy also is unique in that it can reimburse all or part of the plaintiff lawyer's costs should he or she lose under a no win, no fee arrangement, said Peter Smith, RSA's manager for legal expenses insurance.

"This will, I am sure, contribute to the development and use of conditional fees and thereby increase access to justice," said Geoff Hoon, minister of state at the Lord Chancellor's office.

The insurance has been devised in response to the government's moves to increase no win, no fee funding in many areas of civil litigation to widen access to the legal system and reduce legal aid expenditures.

Conditional fees were introduced in U.K. courts in 1995 but restricted to personal injury cases. The no win, no fee arrangements now are being extended to all non-criminal litigation involving financial settlements, other than family law.

However, development of an insurance market for conditional funding is essential to the success of the no win, no fee system, according to the Law Society, which represents lawyers in England and Wales.

This is because, in the United Kingdom, a losing party in a lawsuit is responsible for paying the successful litigant's legal fees as well as his or her own fees. Therefore, even if a plaintiff manages to persuade a lawyer to fight a case on a no win, no fee basis, the plaintiff runs the risk of having to pay the defendant's legal bill should he or she lose, as well as witness expenses and other court costs.

As a result, the Law Society several years ago developed its own insurance product, known as Accident Line, for personal injury cases. It covers costs incurred by a losing plaintiff.

Pursuit, the RSA policy, differs from the Law Society policy in that a non-returnable fee of £200 is charged to cover assessment of the case. However, if RSA accepts the case, Pursuit's premium—which is calculated based on an agreed-upon percentage of the total legal costs of the plaintiff's case—is charged only to successful plaintiffs.

If the plaintiff loses, the policy covers all of the plaintiff's own legal costs and all of the defendant's costs. Unusually, the policy may also pay all or part of the plaintiff's lawyer's costs for an additional premium.

In each case, the premium will be agreed upon before the outset on a scale reflecting the amount of risk and the likely legal costs. Also affecting the premium is whether the plaintiff's lawyer is insuring all or part of his or her costs.

"Having the premium payable at the end of the case, and only if it is successful, will add to the range of policies that are available," Mr. Hoon said in a statement. The policy will "provide a measure of protection" for lawyers accepting conditional fee cases, the statement continued.

"With Pursuit, customers are now able to enter into legal disputes with confidence and minimal outlay," said Mr. Smith of RSA.

"We believe that, because solicitors (non-trial lawyers who prepare cases) can dramatically reduce the threat to their income that losing a conditional fee agreement poses—without paying a hefty premium up front—many law firms will be encouraged to take more conditional fee cases, and so open the courts to more and more clients with deserving claims," he said.

Mr. Smith noted that "currently, at least 25,000 civil cases, other than personal injury, come before the courts which could be funded by conditional fees. And we expect Pursuit to help many of these, and many more which currently are not started for lack of funding."

The policy will be available for commercial contract disputes, consumer disputes, property and employment disputes, medical negligence and personal injury cases, among others. Defamation cases, injuries linked to pharmaceutical and tobacco products, and certain high-value cases will not be covered, according to the RSA.

The Law Society welcomed the new product. A spokesman for the society said, though, that the non-returnable fee of £200 is likely to make the policy more attractive to small and medium-sized companies rather than to individuals. In addition, the Law Society "remains concerned that conditional fees should not replace legal aid totally, as legal aid is designed to help those who cannot afford to pursue litigation by any other means," he said.

The spokesman noted that the Access to Justice Bill currently before Parliament proposes abolishing legal aid for all personal injury cases. BI

LEGAL NOTICE

LEGAL NOTICE

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF LIQUIDATION)
OF AAI SYNDICATE #1 LTD.) NO. 99 CH 1639

NOTICE OF CLAIM FILING DEADLINE AND PROCEDURES

PLEASE TAKE NOTICE, that on February 9, 1999, the Circuit Court of Cook County, Illinois, entered an Agreed Order of Liquidation With a Finding of Insolvency against AAI Syndicate #1 Ltd. ("AAI Syndicate"). Nathaniel S. Shapo, Director of Insurance of the State of Illinois, is the statutory and court affirmed Liquidator of AAI Syndicate ("Liquidator").

TAKE FURTHER NOTICE, that on March 17, 1999, the Circuit Court of Cook County, Illinois, entered an Order Fixing Rights and Liabilities and Providing for the Filing of Claims and the Setting of Claim Filing Deadlines ("Fixing Order"). Pursuant to the Fixing Order, all rights and liabilities of AAI Syndicate and its policyholders, creditors and stockholders, and all other persons interested in its property or assets, are fixed as of February 9, 1999, unless otherwise provided in prior or subsequent orders of the Court.

TAKE FURTHER NOTICE, that all persons, companies or entities who have, or may have claims, against AAI Syndicate, its property or assets, or against an AAI Syndicate insured or policyholder, shall have the right to present and file with the Liquidator proper proofs of claim on or before February 9, 2000 at 4:30 p.m. (C.S.T.)

TAKE FURTHER NOTICE, that any insured under an insurance policy issued by AAI Syndicate shall have the right to present and file with the Liquidator a proper proof of claim setting forth a contingent claim on or before February 9, 2000 at 4:30 p.m. (C.S.T). No contingent claim shall be allowed for purposes of participating in any distribution of estate assets that may be made a the fourth priority level [215 ILCS 5/205 (1) (d)] unless such claim has been liquidated and the insured claimant has presented and filed evidence of payment of such claim to the Liquidator on or before February 9, 2001 at 4:30 p.m. (C.S.T.). Any contingent claim for which a proper proof of claims is filed on or before February 9, 2000 at 4:30 p.m. (C.S.T), but which is not liquidated on or before February 9, 2001 at 4:30 p.m. (C.S.T.), may be estimated pursuant to 215 ILCS 5/209(4)(b) for purposes of participating in any distribution of estate assets that may be made at the fifth priority level [215 ILCS 5/205(1)(e)] unless otherwise directed by the court.

TAKE FURTHER NOTICE, that the form and required content of all proofs of claim are described in 215 ILCS 5/209. Proofs of claim, along with supporting documents, if any, are to be filed with, and may be obtained from, the Liquidator of AAI Syndicate, c/o the Office of the Special Deputy Receiver, located at 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654. A proof of claim shall be deemed "filed" with the Liquidator upon the Liquidator's receipt thereof. The Liquidator reserves the right to require such additional information with respect to any claim filed with him as he may be deem necessary. The Liquidator further reserves any and all defenses available to AAI Syndicate upon all filed claims. All proofs of claim must be duly sworn to before an officer authorized to take oaths.

THE LAST DATE FOR FILING OF PROOFS OF CLAIM WITH THE LIQUIDATOR IS SET FORTH ABOVE. NO PERSONS, COMPANIES OR ENTITIES HAVING OR CLAIMING TO HAVE ANY CLAIMS AGAINST AAI SYNDICATE, ITS PROPERTY OR ASSETS, OR AGAINST AN AAI SYNDICATE POLICYHOLDER, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY UNLESS SUCH CLAIMS ARE PROPERLY FILED WITH THE LIQUIDATOR ON OR BEFORE FEBRUARY 9, 2000 AT 4:30 P.M. (C.S.T.).

Peter G. Gallanis
Special Deputy Receiver

Suit against Weather Channel dismissed

WEST PALM BEACH, Fla.—The Weather Channel is not liable for the death of a man who went fishing off the Florida Keys and drowned in a storm after watching a forecast of good weather on the cable station, a federal judge has ruled.

U.S. District Judge James S. Paine ruled last month that a $10 million lawsuit filed by the family of Charles Cobb, 58, would expand the scope of tort law tremendously and "fails to satisfy even the very liberal federal pleading requirements." He dismissed the complaint without a trial.

Mr. Cobb and a friend died in June 1997 when they took a 12-foot aluminum boat on a fishing trip in the Keys. The suit contended that they based their decision to go fishing on a favorable but erroneous forecast on The Weather Channel.

Had the court agreed that The Weather Channel, which is based in Atlanta, had a legal duty to provide accurate information, responsibility "could extend to farmers who plant their crops based on a forecast of no rain, construction workers who pour concrete. . .or families who go to the beach for a weekend based on a forecast of sunny weather," the judge wrote.

The judge also wrote that weather predictions are "precisely that—a prediction," and that merely watching a television program in no way constituted a legal contract between the viewer and the supplier of information or advice.

Marsh packages e-commerce program

NEW YORK—J&H Marsh & McLennan Inc. has launched a $200 million property and liability insurance program to cover electronic commerce risks.

The program will cover exposures not covered adequately under traditional commercial insurance coverages, said Emily Freeman, a senior vp of J&H Marsh & McLennan in Portland, Ore.

Coverages under the Net Secure program include: loss or theft of electronic information assets, including intellectual property; loss of income due to network and Web site disruptions or interruptions; theft of credit card information; third-party financial losses associated with computerized business links and inter dependencies; breach of privacy and unauthorized release of personal information; and multimedia or content injury, such as Web-related defamation, copyright infringement and false advertising.

The program also includes access to consultants at International Business Machines Corp. and other consultants to address security issues and redress problems, Ms. Freeman said.

The program is underwritten by units of American International Group Inc.; units of Chubb Corp.; Fidelity & Deposit Cos., a unit of Zurich Financial Services Group; and syndicates at Lloyd's of London.

The coverage can be written on a primary or difference-in-conditions basis, Ms. Freeman said.

Crum & Forster in D&O market

MORRISTOWN, N.J.—Crum & Forster Insurance is entering the directors and officers liability market with $10 million in primary or excess capacity.

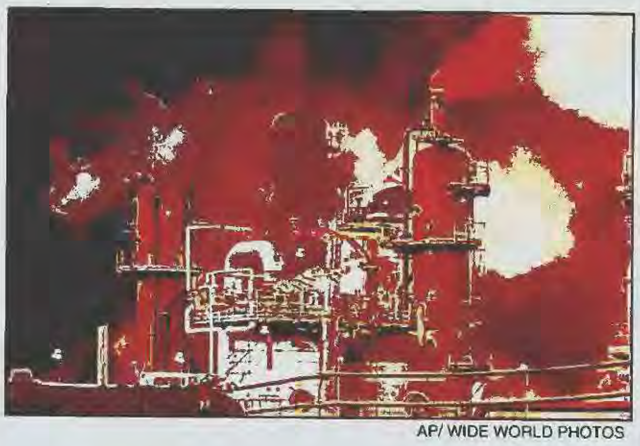
The Morristown, N.J., insurer also is starting to offer $5 million in liability coverage for not-for-profit organizations.

Both new products enable Crum & Forster to increase profits by writing coverages that usually are more profitable than mainstream commercial liability coverages, said Larry Jones, director of professional liability.

"There is still a lot of competition in the market, but the loss ratios on D&O historically have been much more favorable than standard lines," he said.

Both products offer broad coverage, Mr. Jones said.

Crum & Forster is a unit of Fairfax Financial Holdings Ltd.



AP/ WIDE WORLD PHOTOS

Damage not known in explosion

RICHMOND, Calif.—Damage assessments relating to a March 25 refinery explosion in Richmond, Calif., were not complete as of April 2.

The refinery, owned by Chevron Products Co., a subsidiary of San Francisco-based Chevron Corp., exploded about 2:30 p.m. local time in California. A fire caused by the explosion took two hours to contain, but hot spots burned until Saturday, a spokeswoman for the refinery said last week.

Preliminary investigations point to a leak in the piping system for the hydrocracking unit; however, the unit had to be cooled down before investigations could begin, the spokeswoman said. "We don't know the cause, but we do know the fire started in the hydrocracking unit."

The hydrocracking unit, which processes gas oil into gasoline and jet fuel, has been shut down indefinitely, she said. The rest of the facility is functioning.

The Richmond facility employs 1,450 people, all of whom were accounted for after the explosion. Two Chevron firefighters were treated for minor injuries.

The results of the investigation will dictate any changes in safety or operations, the spokeswoman said, noting that "this has been a big concern for us."

Chevron has property damage and business interruption insurance, but the spokeswoman said "it is far too early to tell" what any claim would be.

Rival bids for Colorado Blues plan

DENVER—Blue Cross & Blue Shield of Colorado signed a definitive agreement March 29 to become part of Anthem Inc. of Indianapolis, but a rival bid for the Blues plan has been made to its parent company.

The new bid, made last week by WellPoint Health Networks Inc. for BC/BS of Colorado parent Rocky Mountain Hospital & Medical Service, has a value between $200 and $240 million. Of this amount, $140 million would go to a Colorado charitable organization set up after the Blues plan becomes for-profit. An organization becoming for-profit in Colorado must do this to reimburse the public for the its prior tax-exempt status.

Anthem initially offered $165 million, with $100 million of that set to go to the charity (*BI*, March 15), but in the definitive agreement, this amount was boosted to "at least $140 million," Anthem said in a news release.

As stipulated by the definitive agreement between BC/BS of Colorado and Anthem, Anthem has the right to match the amount of any other offer the Blues plan may select. WellPoint's earlier offer, the BC/BS of Colorado spokesman said, was significantly less and did not offer the immediate capital infusion the Blues plan demanded. He said the Denver-based health insurer will seek further information from WellPoint.

Colorado Attorney General Ken Salazar, who received notice of the WellPoint counter-offer, expressed written concern that BC/BS of Colorado refused offers by WellPoint and Blue Cross of California that guaranteed more money to the charitable organization. Blue Cross of California is operated by WellPoint.

Colorado is a particularly attractive market for WellPoint, said a company spokesman, because of the state's growing population base and a positive regulatory climate. Additionally, he said, "There are fewer and fewer insurers in that particular market."

BC/BS of Colorado is the state's largest health insurer.

Comings & Goings: Industry

American International Group Inc. of New York has announced the election of **Ernest T. Patrikis** as senior vp and general counsel. Mr. Patrikis had previously been an alternate member of the Federal Open Market Committee and first vp of the Federal Reserve Bank of New York. He joined AIG in 1998 as special adviser to the chairman on regulatory matters. . . . Arthur J. Gallagher & Co. of Itasca, Ill., has announced that **Phillip N. Norton** has joined the company as president of its professional liability division. Mr. Norton has held various management positions with Sedgwick Inc. and Watson Wyatt Worldwide.

Information in brief

Douglas W. Leatherdale, chairman and chief executive officer of The St. Paul Cos. Inc., is the 1999 recipient of the International Insurance Award from the International Insurance Council. The award will be presented at a lunch in New York on May 5. BI

Worst U.K. polluters identified in list

By CAROLYN ALDRED

LONDON—The British Environment Agency has begun a policy of publicly naming companies found guilty of the largest pollution offenses.

Topping the first "Hall of Shame" list, which was sent as a news release March 22 and printed in national newspapers, was ICI Chemicals. ICI is a London company that was fined £382,500 ($633,994) for pollution offenses last year. Also on the list of heavy polluters were several waste management companies, water companies, energy companies and construction firms.

ICI said in a statement that it took action after last year's pollution events to prevent recurrence. ICI also said that in the past three years it has reduced by one-third legal emissions from its more than 40 U.K. plants and has spent £140 million ($228.9 million) to do so.

The national list comprises 20 companies. The BEA also sent out regional lists.

"Businesses must understand that they have a responsibility to protect the environment and need to be held to account. The companies included in our Hall of Shame have let down the public, the environment and their own industry," Archie Robertson, the Environment Agency's director of operations, said in a statement.

Meanwhile, the agency's chief executive, Ed Gallagher, criticized the low level of fines the courts are imposing on polluters.

"Tough action by the Environment Agency in the field needs to be matched by tougher penalties being imposed by the courts. The average fine for a prosecution last year was £2,786 ($4,618). Clearly, this is not sending out a strong enough message to deter large businesses that have the potential to seriously damage the environment," Mr. Gallagher said in a statement.

In 1998, the agency prosecuted 744 cases, resulting in total fines of just over £2 million ($3.3 million).

Forecast

Continued from page 2

clude the convergence of insurance and the capital markets, flatter and more diversified insurance company organizations and the development of new analytical tools and program structuring technology.

While noting that it's not always obvious which enterprise risks are the best candidates for managing, J. Bernard Friemann, president of the Financial Risk Management Division of Reliance National Insurance Co. in New York, noted that the insurance industry has been working to develop appropriate products.

He cited Reliance's recent development of its enterprise earnings protection product, as one example. "These and other products, which are sure to follow, take a large leap down the path to true enterprise and holistic risk management," Mr. Friemann said.

Bruce P. Reich, principal and head of insurance marketing at Swiss Re New Markets Corp. in New York, said that in the new market for risk, from the client's perspective "the distinction between traditional risks and other risks is really blurring."

Despite the capital markets' increasing involvement in risk transfer, however, there isn't really a "new market for risk," he suggested.

"I think we'll see that the traditional insurance companies will remain," Mr. Reich said.

With companies facing an increased emphasis on meeting earnings targets and insurers seeing value in addressing the solvency and liquidity issues facing businesses, there's been a genuine effort in the 1990s toward developing alternative risk financing solutions, said AIG's Mr. Russ.

And, Mr. Peiser suggested: "The state of the market is real. It's not just hype."

Still, Mr. Russ said he's occasionally amused by the fact that the new techniques generating the most discussion are often the ones being used the least.

Holistic risk insurance is one such example, he said, noting that the going has been slow in trying to convince insurance buyers of the benefits of a holistic risk management approach.

Holistic risk management also has been slowed in some organizations by the difficulty of breaking down barriers between the treasury function and risk management, which is necessary to managing risk across the entire spectrum of an organization's exposures, Mr. Russ said.

Nevertheless, Mr. Russ said he believes in holistic risk products, and he thinks the market ultimately will embrace them.

Insurance securitization is another area where Mr. Russ believes the degree of discussion is disproportionate to the amount of actual market activity. "In part because the insurance industry is so cheap," he added.

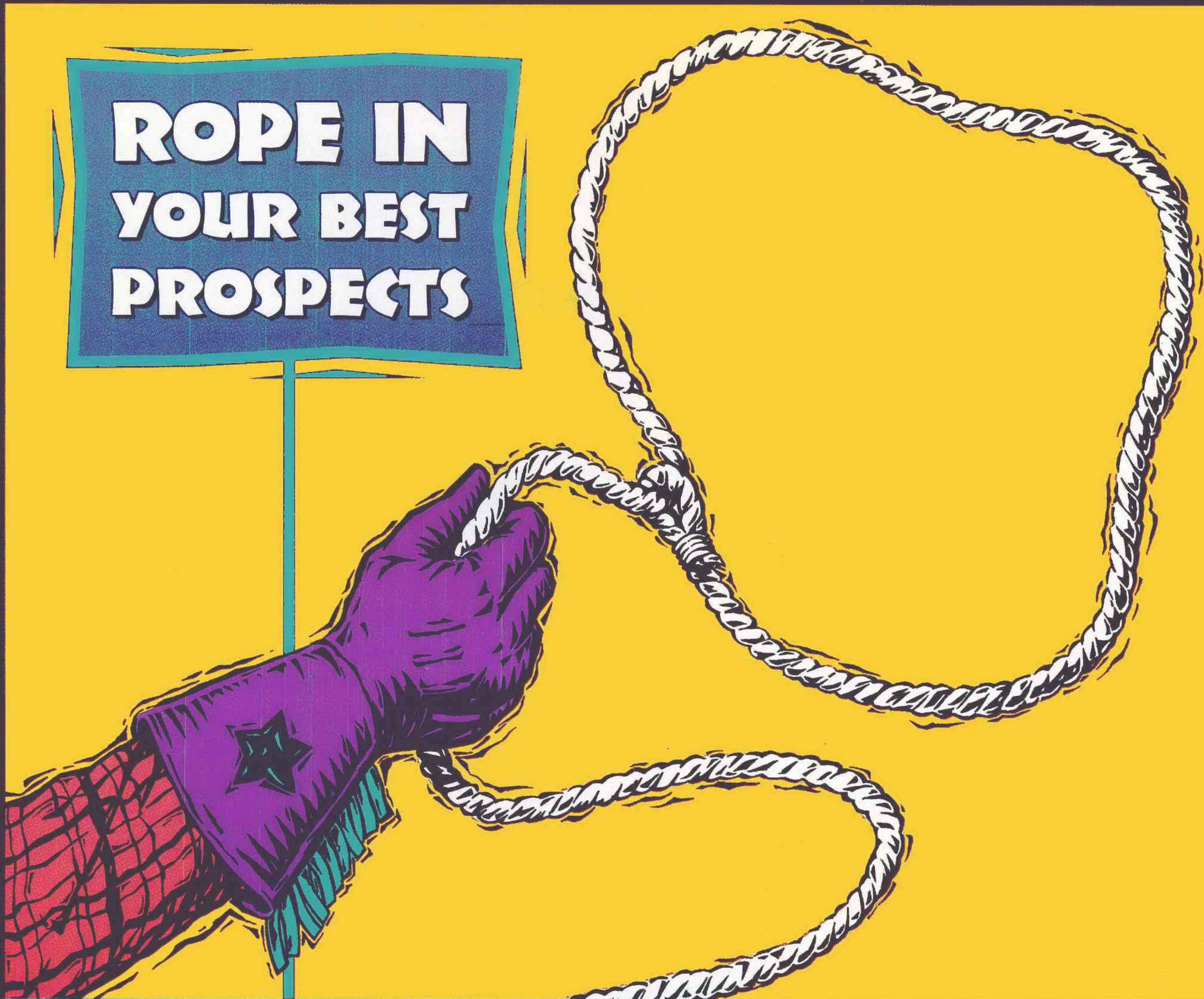
With traditional insurance and reinsurance so inexpensive, it will be difficult to convince risk managers to transfer risks to the capital markets, Mr. Russ said. But, he added, "I don't think it is all too far away before you see securitization programs done for corporate clients."

In its 1999 forecast, Marsh suggested that for property insurance, buyers still can achieve price reductions, broader terms and affordable catastrophe coverage, though some buyers that have seen price reductions of 30% to 40% in recent years may see further reductions limited to 10% to 15% in the future.

On the primary casualty front, a soft market should prevail as well, Marsh predicts, though the pace of softening will slow and in some areas—such as workers compensation, where costs have been increasing—prices could be flat at renewal.

There will be continued price reductions in the excess casualty market this year as well, the forecast predicts, though they will be less dramatic than those of recent years, likely in the 5% to 10% range.

Among the predictions on employee benefits is that the uniformly soft medical insurance market of recent years will fragment, with midsize employers likely to feel the brunt of health insurance rate hikes first, and the poorest risks seeing premium increase of 20% or more. BI



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Issue Date: April 12 • Ad Close: March 31
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RIMS REPORT: EMPLOYEE BENEFITS & WORKERS COMP
Issue Date: April 19 • Ad Close: April 7

RIMS REPORT: RISK MANAGEMENT
Issue Date: April 26 • Ad Close: April 14

Commentary

A few listening tips from a meeting vet

The final version of the program booklet to be distributed at the Risk & Insurance Management Society Inc. conference next week in Dallas includes a section on "Session Etiquette." This is the second year that RIMS has tried to remind its conference attendees to mind their manners when attending sessions.

As a 22-year veteran of the annual RIMS conference, where I have been both a speaker and a session attendee whose presentation or attention has been disrupted by ill-mannered conference attendees, I believe RIMS' advice on session etiquette is long overdue. And RIMS' advice to registrants should be picked up by conference sponsors everywhere, because every conference I've attended has been disrupted at one point or another by registrants who seem to have no respect for the speakers or their fellow attendees.

On the off chance that this column may result in a little more respect for others at the RIMS meeting and at other conferences, I am providing RIMS' advice and a little of my own.

As RIMS says, "Arrive at your session early and be seated toward the front of the room. This will keep sessions from appearing full when there are seats available."

I would add that, as a speaker, I find it disconcerting to look at 10 empty rows in the front of the room. The message the speaker receives is: Everyone expects this to be a deathly dull session, so they are strategically seated to make a quick escape. If you expect the session to be dull, don't go. On the other hand, if you're really interested, you'll get more out of the session if you sit up front.

Kathryn J. McIntyre

The second point from RIMS: "Do not enter or leave a session that is in progress. Arriving late or leaving early distracts the speakers and your fellow attendees." This is so true. Unfortunately, fire codes prevent the locking of doors at the beginning of sessions to deter this rude behavior. If you have another appointment, don't go to the session.

"Please turn off your cell phone and beeper to avoid interruptions during the session," RIMS says. Many session moderators also remind the audience of this simple gesture of respect. But if the person arrives late and doesn't hear the reminder, is it any wonder that that person's cell phone rings during the session? If a call is that important, you probably should wait in your room for it and not rely on a cell phone.

RIMS limits its etiquette advice to attendance at sessions, although there is plenty of room for improvement in social manners while participating in a conference.

As a hostess of functions, I find my biggest gripe is people's failure to respond "yes" or "no" to an invitation. Why can't an individual pick up a phone or send back a reply card? Has no one read "Letitia Baldrige's New Complete Guide to Executive Manners"? As Ms. Baldrige advises, "Invitations should be responded to within a week of their receipt."

Once someone has accepted an invitation, especially to a luncheon or dinner party, his or her death is one of the few acceptable reasons in my book for not showing up. Most likely, everyone has an assigned seat, so not showing up leaves vacant spaces at tables that have been carefully planned. Short of death, anyone still breathing should be sure that the host or hostess is notified as soon as possible that it will be impossible to attend the event, even if it means leaving a message at the restaurant. Table seating can be juggled at the last minute if the host knows someone will be a no-show.

While no-shows at functions are a particular concern of mine, Ms. Baldrige backs me up on this.

If you don't have a copy of Ms. Baldrige's book, buy it. Everyone can learn something from her advice on "codes of behavior that can make or break the future of a rising star on the business horizon."

I will close with one code that is particularly appropriate for RIMS: "Be a sport. Always give your own name. Since there is a possibility—maybe even a probability—that the person you know, who is standing with some people you don't know, has forgotten your name and therefore can't introduce you, help him out. Stick out your hand and give him your name."

Just be sure the session hasn't begun when you introduce yourself.

Publisher and Editorial Director Kathryn J. McIntyre's Commentary appears fortnightly.

Bombing

Continued from page 3

lines that served the complex, buried the center's huge air conditioning chillers, and covered the contents of many of the offices within the twin 110-story skyscrapers with debris and smoke.

The offices in the center were emptied, and the total income lost by displaced tenants of the two towers was about $1 million a day, Mr. Glick said.

The property claim for the bombing took five years to settle, and today hundreds of liability claims remain outstanding, he said.

The Port Authority had $600 million in property insurance and $400 million in liability insurance (*BI*, Mar. 8, 1993).

The main lesson risk managers should learn from the bombing is the importance of having a detailed crisis management plan in place before a disaster occurs, advised Mr. Glick.

"Its elements must be incorporated into the company culture and embraced by top management," he said.

The key areas the plan must address are: internal and external emergency notification of affected and relevant people; emergency response and evacuation; business impact analysis; public and press relations; data center recovery; and business continuation planning, Mr. Glick said.

The plan should include items such as agreements with contractors and alternative work sites, he said.

By having such a plan on the Monday morning after the bombing, the Port Authority was able to move its investment department to an alternative site in Jersey City, N.J., its accounting department to Staten Island, and its senior management to offices across the street from the twin towers, Mr. Glick said.

As a result, "On Tuesday the Port

A detailed crisis management plan must be 'embraced by top management,' says Barry H. Glick.

Authority went ahead with a planned $100 million bond sale," he said.

The bombing also brought to light some weaknesses in the plan. But the Port Authority has since corrected those, Mr. Glick said later in an interview.

For example, after the blast, lights went out in many of the stairwells that the 40,000 people in the building had to walk down, he said. Now the stairwells are painted with fluorescent paint to enable people to more easily navigate the stairs in a blackout.

The Port Authority has also installed battery lighting in elevators, Mr. Glick said.

For insurers, the main lesson to be learned from the bombing is to focus more on business interruption underwriting, he said.

Property underwriters often focus on the potential property damage from such events as earthquakes and floods, but few spend much time on business interruption issues, Mr. Glick said.

Given the huge potential losses from business interruption coverage, property insurers should query policyholders on issues such as business resumption plans, crisis management teams, disaster response rehearsals, the updating of any plans, and the turnover of personnel involved in crisis management at a policyholder company, he said.

Casualty underwriters should check to see that the crisis plans address evacuation, medical facilities, and contacting tenants and other potential claimants, Mr. Glick said.

The structure of the Port Authority's insurance program remains largely the same six years after the bombing, though some of the insurers have changed, Mr. Glick said.

In 1993, the main primary property insurers were American Home Assurance Co., a unit of American International Group Inc., and The Home Insurance Co. The Home has since gone out of business, but American Home remains the main primary insurer.

The excess property coverage was led by CIGNA Corp. in 1993, but now the largest share of the excess property program is covered by Reliance Insurance Co., Mr. Glick said. BI

Deal

Continued from page 1

action scored three other "firsts," according to David Reilly, an Aon Capital Markets director who executes and distributes the company's insurance-linked transactions. Those are:

- Investors' returns are linked through a multiyear, indemnity-based earthquake program.
- The deal is designed to protect predominantly commercial lines business.
- It is the first to specifically securitize Midwest earthquake losses.

Previous capital markets transactions have had to use offshore special-purpose reinsurance facilities to issue notes to investors to avoid tax and regulatory problems, though U.S. insurance commissioners are working to create a more-favorable climate for onshore capital markets financing (*BI*, Feb. 15).

Under the terms of the transaction, Domestic Inc., a newly formed special-purpose Delaware corporation, issued $80 million in floating rate notes due April 30, 2002, and $20 million in common stock.

Domestic Inc. used the $100 million proceeds from the offerings to capitalize a subsidiary, Domestic Re L.P., a special-purpose limited INEX syndicate created for this transaction.

Domestic Re deposited the funds in trust to fully collateralize a reinsurance obligation assumed under a retrocessional agreement with Kemper Secure Ltd., an INEX syndicate that Kemper Insurance Cos. established in 1997 with the long-term goal of facilitating alternative risk transactions. Kemper Secure then passes on the benefits of the fully collateralized retrocessional agreement to Kemper Insurance Cos.

The key to limiting investors' U.S. tax liability was having Delaware-based Domestic Inc. sell 20% of the offering in the form of its common stock. By doing so, U.S. tax officials are expected to accept the sale of equities as a sufficient source of capital for that company, said Kemper's Mr. Hickey.

As a result, tax officials are expected to treat the other $80 million in notes as debt, rather than equity, for tax purposes, said James E. Tait, INEX president and chief executive officer. As a result, Domestic Inc. can essentially deduct the interest it pays on the notes as a business expense.

Note holders will earn an annual interest rate of the London Interbank Offered Rate plus 369 basis points, according to market sources.

In the event of a loss that triggers the coverage, however, note holders'

Issuing securities onshore offers opportunities for enhanced security and U.S. regulatory oversight, says James E. Tait of INEX.

interest and principal is at risk.

By limiting the purchasers of the common stock to taxable corporations, those investors become eligible for a "dividends-received deduction," because Domestic Inc. has already paid the taxes due on the company's earnings prior to paying dividends to common stockholders.

This structure's viability in limiting investors' U.S. tax liability has been supported by a private tax attorney's opinion, said Kemper's Mr. Hickey.

In addition, Moody's Investors Service Inc. research, which rated the $80 million in notes Ba2, stated: "Moody's legal analysis provided comfort that investors are unlikely to be adversely impacted by Domestic's U.S. tax-paying status, as well as its accountability to the regulatory authority of INEX and the state of Illinois."

The coverage significantly expands Kemper's catastrophe reinsurance protection.

The $100 million excess-of-loss reinsurance contract will attach above an underlying catastrophe reinsurance program that provides Kemper with $229.7 million in coverage. Kemper has a 10% co-participation share in the $100-million level provided by the investors.

The reinsurance covers Midwest earthquake losses for 37 months beginning May 1. The triggering event for the INEX coverage is an earthquake of 5.0 or greater magnitude with an epicenter in one of seven states in the New Madrid Seismic Zone: Arkansas, Illinois, Indiana, Kentucky, Mississippi, Missouri or Tennessee. Kemper has never had an earthquake claim in the covered states.

The deal provides reinsurance protection for the vast majority of Kemper's commercial book of business in the covered states, of which 93% of insured properties are considered highly protected risks.

The deal also includes a "post-event reset feature," under which the occurrence of a quake will cause Boston-based catastrophe modeling company Applied Insurance Research Inc. to evaluate the Kemper's property portfolio immediately prior to the event using updated exposure data with its basic Midwest earthquake model. "That maintains a relatively constant risk profile for investors through the life of the deal," Mr. Reilly said.

The securitization transaction "allows us to prudently diversify our access to catastrophic reinsurance capacity," said William D. Smith, Kemper president and chief operating officer, in a statement. "We obtained fully collateralized reinsurance protection on a multiyear basis against our Midwest earthquake exposures more efficiently than we could have in an offshore transaction," he said.

The coverage would have been a part of Kemper's aggregate catastrophic reinsurance treaty in the past, according to Kemper's Mr. Hickey.

Investors were attracted to the offering for a variety of reasons.

One is the interest rate on the notes. Also, the high quality of Kemper's data, including its exposure information, resulted in the notes' "very favorable" ratings, said Aon's Mr. Reilly.

Moreover, issuing securities onshore "offers opportunities for administrative efficiencies, enhanced security and U.S. regulatory oversight," said INEX's Mr. Tait.

"Seeing a transaction come to fruition certainly will support our efforts to do this kind of deal," said Jack Messmore, deputy director of the Illinois Insurance Department's financial corporate regulatory division. BI

Lawsuit

Continued from page 1

financial officer, said, "We don't believe we have done anything wrong, and, obviously, we will be fighting it."

"In my opinion, they don't have a leg to stand on," added Chuck Bastan, a WEB Management official.

Andy Hartley, an officer of Centaur Management, said he could not comment.

Mr. Brown and officials of JEH Re could not be reached.

Trouble has been brewing for a while with U.S. personal accident and workers comp business handled by Stirling Cooke units: In its 1998 10-K filing with the Securities and Exchange Commission, Stirling Cooke reports that reinsurers have commenced "several" arbitrations in England against its ceding insurer clients over business written from 1993 to 1996. Stirling Cooke is directly involved in only one of the arbitrations—a case in which one of its underwriting units assumed part of the risk—but it could be sued by the ceding insurers if reinsurers succeed in voiding their reinsurance contracts, the filing says.

Some of the ceding insurers and reinsurers had already filed seven complaints against Stirling Cooke in English courts last year to toll the statute of limitations pending the outcome of the arbitrations, the filing says.

The reinsurers charge that they have been hit with unexpected losses caused by a spiral of claims in the London excess-of-loss reinsurance market, and that Stirling Cooke misrepresented or failed to disclose the impact of the spiral, the filing reports.

The 10-K report does not name any of the companies involved.

Stirling Cooke was founded as a broker of workers comp "alternative" products in London in 1989 by Mr. Brown and Nicholas Mark Cooke, a former employee of Lloyd's of London broker Blackwell Green Ltd.

In 1993 testimony before a House subcommittee investigating insurance fraud, convicted con man Carlos I. Miro identified Mr. Cooke as the Lloyd's broker handling reinsurance placements for Anglo-American Insurance Co., Mr. Miro's fraudulent Louisiana-based workers comp insurer. Mr. Miro claimed that Mr. Cooke knew that Anglo-American was fraudulent and that he later solicited Mr. Miro as a potential investor in the start-up of Stirling Cooke.

Mr. Cooke, who could not be reached, denied Mr. Miro's account to congressional investigators and said he would never deal with Mr. Miro again.

Stirling Cooke's Mr. Jones added of Mr. Miro's testimony, "I wouldn't put any credibility in that."

In 1995, Stirling Cooke Brown Holdings was formed as a Bermuda holding company, and operations expanded rapidly. Investment funds affiliated with Goldman Sachs L.P. took an equity stake in the company the following year, and in 1997 Stirling Cooke completed an initial public offering of common stock, raising $26.8 million.

Along with the brokerage and underwriting management units named as defendants in Odyssey Re's suit, Stirling Cooke's complex network of subsidiaries includes several U.S. MGA units; Bermuda-based Realm Investments Ltd. and New York-based Realm National Insurance Co.; and Comp Indemnity Reinsurance Co. Ltd., a Bermuda-based workers comp reinsurer.

Odyssey Re's troubles with workers comp business began in late 1996, when it was a unit of Sphere Drake Holdings Ltd. It granted a binding authority to Euro International to write what it thought would be low- to moderate-risk personal accident insurance and facultative reinsurance, according to the lawsuit. Odyssey Re (London) is the successor to Sphere Drake Insurance P.L.C., formed after Fairfax Financial Holdings Ltd. bought Sphere Drake in 1997.

The agreement contained several limitations, Odyssey Re says, including that Euro International not write retrocessional treaty covers, that Odyssey Re follow a recognized lead insurer, that original premium volume be limited to £2 million ($3.2 million) and that Odyssey Re receive at least 60% of the original gross premium after commission and other deductions.

In fact, Euro International ignored all these limitations and instead conspired with the other defendants to funnel huge amounts of high-risk, "grossly underpriced" workers comp reinsurance to Odyssey Re, with Stirling Cooke generating about 92% of the business, the reinsurer charges.

This business, the suit says, included four 1997 contracts reinsuring Lincoln National Life Insurance Co., one of the participants in the ill-fated Unicover pool.

'In my opinion, they (Odyssey Re) don't have a leg to stand on,' says Chuck Bastan, a WEB Management official.

Unicover, a Lisle, Ill.-based MGA, managed workers comp reinsurance facilities in which reinsurer participants kept small portions of their risks and retroceded the vast majority to others, most of which retroceded the business again (*BI*, March 15).

Unicover facility members have all suspended their participations since the beginning of the year, after Unicover's volume exploded in late 1998. Cologne Reinsurance Co., parent of one participant, reported a $275 million pretax loss related to Unicover, and analysts have estimated the pool's total losses at $1.5 billion or more.

Through the Lincoln National program and other contracts, Odyssey Re has been "unwittingly and fraudulently ensnared" as a direct or indirect retrocessionaire of Unicover business, the suit alleges.

Other programs cited in the complaint include:

• An eight-layer 1997 excess-of-loss treaty program reinsuring John Hancock, produced through JEH Re and Stirling Cooke. Euro International bound the program despite statistics showing it would be "catastrophically loss-making." In the three years before 1997, for example, the first layer alone would have generated premiums of $858,000 but incurred losses of $54 million, the suit says.

• A three-layer 1997 excess-of-loss treaty program reinsuring American Reliable Insurance Co. and providing unlimited reinstatements. As of last Dec. 31, Odyssey Re had been hit with more than $20 million in claims under the program, which generated reinsurance premiums of slightly more than $1 million, the suit says.

Because American Reliable also participated in the John Hancock program, Odyssey Re's reinsurance of American Reliable had the effect of "dramatically increasing" its exposure to huge John Hancock-related losses, the complaint says.

• A four-layer 1997 excess program for Phoenix Home Life—one of the Unicover reinsurers—on which Euro International bound Odyssey Re as the lead with 90% participations and unlimited reinstatements. Statistics for the three years before 1997 showed that the program would have generated $600,000 in premiums and $92 million in losses.

The defendants also concealed the fact that the remaining 10% of the Phoenix Home Life program was reinsured by American Reliable, which, in turn, passed it on to Odyssey Re, according to the suit.

• A 1998 retrocessional program—one of several produced through WEB Management and Stirling Cooke—covering All American Life Insurance Co. on business written by UNICARE Workers' Compensation Insurance Co. of Costa Mesa, Calif.

The program, as designed, produces a guaranteed profit for All American while generating a 400% loss ratio for Odyssey Re, the suit charges. "In simple terms, it amounts to nothing more than an agreement to sell Odyssey Re (London)'s dollars. . . for 25 cents per dollar," the reinsurer alleges.

After paying Stirling Cooke a $2.5 million commission and Euro International a $2.1 million fee on this program, Odyssey Re expects to receive $11.4 million in premium and to be hit with $42 million in losses.

• A four-layer retrocessional program covering CIGNA Re that is structured to shift so much of the risk on severely underpriced business to Odyssey Re that CIGNA Re will experience a 48% loss ratio on its retention while Odyssey Re will have a 1,118% loss ratio on the first layer and 189% on the second.

Other insurers ceding business to Odyssey Re through Stirling Cooke and the other defendants are Clarendon National Insurance Co.; Stirling Cooke's Realm National; and Bridgefield Employers Insurance Co., a unit of Liberty Mutual Insurance Group.

Along with the disastrously loss-ridden business pouring into Odyssey Re, the defendants also engineered "illusory" retrocessional protection for the reinsurer, the complaint charges.

For example, Stirling Cooke and Euro International trapped Odyssey Re in a reinsurance spiral by retroceding some of its business to American Reliable, which in turn retroceded to Phoenix Home Life, which in turn retroceded it back to Odyssey Re, with premiums eroded by fees and commissions at each step, the suit alleges.

In addition, Euro International bound Odyssey Re to some contracts on a "risks attaching" basis, meaning that the reinsurer is liable for claims on business attaching during a specified period regardless of when the loss occurs. Virtually all of its retrocessions, however, were placed on a "losses occurring" basis, meaning it can recover only on losses occurring during that period. The effect is that Odyssey Re has no reinsurance for losses occurring after Jan. 1, 1999, the suit says.

Odyssey Re charges that Stirling Cooke, Euro International and the other MGA defendants conspired to violate certain conditions in Euro International's binding authority in order to dump business they knew to be unprofitable into the reinsurer.

The defendants manipulated the ceded reinsurance business and Odyssey Re's own retrocessions to siphon out millions of dollars in brokerage and underwriting fees and commissions for themselves, the reinsurer charges.

Over the roughly two years that the alleged scheme continued, Euro International and other defendants repeatedly concealed the true nature of the business Odyssey Re was assuming and misrepresented the extent of its exposure, the reinsurer's suit charges. In January 1998, for example, Euro International's Mr. Whitcombe produced a report falsely describing the "core of good-quality direct personal accident business" the company was underwriting, the suit says.

Odyssey Re's complaint charges violations of the federal Racketeer Influenced and Corrupt Organizations law—which provides for treble damages—and seeks to rescind all of the reinsurance agreements. BI

Updates

$80 million awarded in tobacco suit

Continued from page 2

dence, not on sympathy," Mr. Mulderig said.

Evidence presented at the trial indicated Mr. Williams was well aware of the risks of smoking even before he began, according to Mr. Mulderig.

The verdict is the second large award recently handed down against the company. A San Francisco jury earlier this year awarded a smoker $51.5 million in a case Philip Morris is appealing (*BI*, Feb. 15).

U.K. miners to get $2.67 billion

CARDIFF, Wales—The U.K.'s largest industrial-injury case, involving about 70,000 former coal miners, was settled late last month.

A government plan to compensate the former British Coal Corp. workers for lung diseases caused by coal dust was approved March 26 in the Cardiff High Court, the Department of Trade and Industry announced.

The agreement allows the former miners to share a record settlement of £1.65 billion ($2.67 billion), according to law firm Irwin Mitchell, which represented many of the miners.

Under the settlement plan, approved by Justice Turner, miners who contracted chronic bronchitis and emphysema as a result of their work underground will be assessed under an agreed medical procedure.

Each worker will receive payments of up to £50,000 ($80,765), depending on work history and the effects of smoking and other medical conditions, the DTI announced.

"This is the largest industrial injuries compensation case ever, settled in a record 14 months, thanks to the government's determination that the 65,000 ex-miners who have already claimed should get fair compensation," said Secretary of State for Trade and Industry Stephen Byers. He noted that "British Coal, under the previous government, fought the case, refusing to accept the liability for seven years."

Meanwhile, lawyers representing the ex-miners have set up a telephone help line for those who have not yet registered claims.

The compensation plan follows a similar plan set up earlier this year for ex-miners suffering from a repetitive stress condition known as "vibration white finger" (*BI*, Feb. 1).

Briefly noted

The California Department of Insurance will hold a hearing in early May on workers compensation reinsurance issues arising from the recent unraveling of reinsurance facilities operated by **Unicover Managers Inc.**, an Insurance Department official confirmed. Regulators in other states also are examining the Unicover case. Also, the Connecticut Insurance Department last month clarified a bulletin barring domestic life insurers from writing workers comp "carve-out" reinsurance, noting that the bulletin does affect existing reinsurance contracts. . . .**Kymn Astwood**, the Bermuda registrar of companies, is resigning as Bermuda's insurance regulator to become the president of Arrow Reinsurance Co. Ltd. beginning June 1. Arrow Re is the insurance and reinsurance securitization subsidiary of Goldman Sachs Group L.P. . . .Virginia Gov. James Gilmore has signed into a law a measure that partially **deregulates workers compensation plans** for large risks, which the new law defines as those paying at least $250,000 in annual workers comp premiums. The governor also amended a measure that would require court approval for the transfer of structured settlements by adding a specific definition for a federal hardship standard, a move that was supported by the insurance industry and others. The General Assembly will meet this week to consider changes the governor made to bills passed during the regular sessions. Lawmakers can accept or reject the amendments. If they reject amendments, bills become law as originally passed . . . .Colorado Gov. Bill Owens is expected to sign into law a **commercial property/casualty deregulation bill**, which was approved by the Colorado Senate last week. H.B. 1310, among other things, will exempt policyholders from rate and form regulations if they employ a risk manager either through a full-time staff position or a contract consultant. . . .A federal judge last week sentenced former insurance executive **John D. Nordstrom** to 30 months in prison and payment of $163,000 in restitution for his role in generating about $100 million in premiums for fraudulent offshore insurers through International Insurance Underwriters Inc., a now-defunct brokerage he owned. Former IIU officials Lawrence Hoehne and Robert Thul were sentenced earlier for their roles in the scam. . . .**William Sharkey Jr.**, who was Chicago-based CNA Financial Corp.'s senior vp and chief marketing officer, recently "left the organization," according to a CNA spokesman. There is no immediate plan to replace the position Mr. Sharkey vacated, he added. . . .**Nationwide Mutual Insurance Co.** of Columbus, Ohio, will sell its reinsurance operations to Park Ridge, Ill.-based American Agricultural Insurance Co. Terms of the transaction were not disclosed. . . .The Occupational Safety & Health Administration should reconsider its **proposed ergonomics program standard** and discuss ways to satisfy safety concerns while eliminating negative impacts on states' workers compensation systems, according to a recent formal position of the International Assn. of Industrial Accident Boards and Commissions. . . .**The Angus Robinson Jr. Memorial Foundation** raised $18,560 from its annual St. Patrick's Day raffle, which was held in conjunction with Aon Corp.'s Chicago celebration of the Irish holiday. The foundation awards scholarships to academically qualified students of insurance and risk management who show financial need to continue their educations.

M&A

Continued from page 3

In Cooper Industries' case, the policy, which cost just £27,000 ($43,516), paid out £500,000 ($805,850).

Cooper Industries is just one of a handful of U.S. companies that have bought ABC coverage since it was imported to this country earlier this year. The product was introduced last July in the United Kingdom by Lloyd's broker Prentis Donegan.

"We talked to investment bankers, lawyers and brokers in the U.S. at year-end to feel out the U.S. market potential," recalled Jeremy Culverhouse, director of London-based Prentis Donegan.

The first U.S. policy was written in January. Since then, about 20 other companies have bought the coverage, he said.

"It could be anything from a group of dentists doing acquisitions to a large utility," Mr. Culverhouse said.

Mr. Culverhouse said he first discovered it was possible to underwrite such risks about two years ago, when Patrick Tatro, the president of TOI North America of Carson City, Nev., showed him some securities data.

"'You can write this business,' he said. 'You will pay a sizable amount in claims. But because there's no industry without this exposure, there's an enormous market potential,'" Mr. Culverhouse said.

And up until Cooper Industries told its broker about the coverage last fall, "(there was) no one else selling it," Mr. Culverhouse pointed out.

According to Mr. Tatro's research, about one in eight potential corporate merger or acquisition deals fails. A company involved in one of these failed deals stands to lose anywhere from 1% to 4% of the merger's value in transaction costs. So, in a $100 million transaction, between $1 million and $4 million in transaction costs are at risk.

ABC Insurance will pay 100% of these costs, up to $10 million, with the reinsurance facility Prentis Donegan has assembled. And, in some cases, the broker can provide up to $20 million in limits, according to Mr. Culverhouse.

The reinsurance is led in Lloyd's by the Meacock syndicate. Also participating on the slip are the Beazley, Venton and Jago syndicates and ACE Insurance Co. Ltd. of Bermuda, Mr. Culverhouse said.

Premiums for the coverage range from 3% to 10% of limits, depending on the nature of the transaction and variables involved. For example, if the acquiring company is in an industry with numerous competitors, the premium may be higher, Mr. Culverhouse explained.

An application for the coverage must be submitted no later than five business days after the signing of a letter of intent to make a transaction. The policy pays if the deal fails due to regulatory intervention, failure of the second party to meet agreed closing conditions, a competing bid for the second party, withdrawal by the second party for any reason, or a vote of disapproval by shareholders of the second party.

The insurance pays for the fees and expenses of attorneys, accountants, consultants, financial institutions, investment bankers, lobbyists, public relations firms and proxy solicitors involved in the transaction.

To date, all of the companies that have purchased ABC Insurance have done so on a first-dollar basis, though Mr. Culverhouse said he currently is working on a utility industry deal that may involve some co-insurance.

Because few U.S. brokers are familiar with the product, TOI North America is marketing it directly at the upcoming Risk & Insurance Management Society Inc. annual conference and exhibition in Dallas.

"Risk managers need to tell their senior management now" about the availability of this risk transfer mechanism, because risk managers "often don't know about a transaction until it's completed," Mr. Culverhouse said.

He also pointed out that ABC coverage could reduce a corporate board's exposure to director and offi-cer liability suits. "There's nothin worse than when you do get a D& suit to find out it was possible t transfer the risk for a relatively sma sum of money," he said.

Alternatively, "companies could b exposed to increased D&O liability the company knew about the avai ability of the coverage, didn't buy and then had a failed transaction th caused a significant impact on th company's financials," Mr. Culve house pointed out.

So far, as if in recognition of that in creased liability, about 70% of th U.S. companies that have been intro duced to the coverage have purchase ABC policies. That compares wit 95% of U.K. companies that have op ed to buy the coverage after becomin aware of it. BI

Settlement

Continued from page 3

"The jury deliberated five or six hours," Mr. Werbner said, and settlement negotiations were finalized during that period that ended an eight-day trial.

The plaintiffs filed the suit in state court in 1996, contending that Texas Instruments was negligent in handling and disposing of chemicals that included carbon tetrachloride and other substances used in making semiconductors. The suit charged that the company misled regulators at the Texas Natural Resource Conservation Commission by falsely claiming Texas Instruments was negotiating with the plaintiffs to monitor the contamination.

In a counterclaim, Texas Instruments charged that the dealership, which operated a body shop at the site, appeared to have "caused or contributed to the contamination that they accuse Texas Instruments of causing on the Eagle Property."

Further, the counterclaim charged that the operation contaminated Texas Instruments' property and asked for damages for the costs the company incurred in investigating and remediating the contamination.

A spokeswoman for Texas Instruments said, however, that attorneys for the company tried to show that while some of the damage may have been caused by chemicals from the plant, "we believe most of the harm was caused by other businesses" in the area.

The Texas Instruments plant is now owned by Raytheon TI Systems Inc. Raytheon bought the property as part of its 1997 purchase of Texas Instruments' defense business. While Raytheon was named in the suit, it was not the target of the plaintiffs' demands, according to Mr. Werbner.

"The trial focused on Texas Instruments," he explained. "Raytheon was a party, but the issues were directed against TI."

However, Mr. Werbner said that because Raytheon had assumed environmental liability when it purchased the facility, it agreed to fund the settlement. When the jury announced its verdict, it had assigned Texas Instruments 100% liability for the contamination.

In a written statement, Texas Instruments called a news release touting the jury verdict "very misleading. The case was settled out of court by Raytheon for $7 million—without any admission of liability. There was no jury verdict." BI

Datebook

APRIL

APRIL 11-13. American Assn. of Insurance Services Annual Conference in Amelia Island, Fla.; $495. AAIS, 1035 S. York Road, Bensenville, Ill. 60106; 800-564-2247.

APRIL 11-14. The Assn. for Advanced Life Underwriting's 1999 annual meeting in Washington, D.C.; $845 for registrant and $225 for spouse. AALU, 1922 F St. N.W., Washington, D.C. 20006-4390; 202-331-6081.

APRIL 11-16. 37th Annual Risk & Insurance Management Society Inc. Conference and Exhibition in Dallas; $945 for associates and $1,145 for non-members. RIMS Customer Service, 655 Third Ave., New York, N.Y. 10017-5637; 212-286-9292 ext. 215.

APRIL 12-13. Environmental Law in Latin America seminar, sponsored by ABS Group Inc.; $999. ABS Group Inc., Government Institutes Division, 4 Research Place, Suite 200, Rockville, Md. 20850; 301-921-2345.

APRIL 14-15. Using the Balanced Scorecard for Insurance Companies conference in Chicago, sponsored by Balanced Scorecard Advisory Council; $1,595. International Quality & Productivity Center, 150 Clove Road, P.O. Box 401, Little Falls, N.J. 07424-0401; 800-882-8684.

APRIL 18-21. Annual Human Resources Conference in Anaheim, Calif., sponsored by the American Compensation Assn. and the International Assn. for Human Resources Information Management; $1,245 for members and $1,370 for non-members. AMA International, P.O. Box 169, Saranac Lake, N.Y. 12983; 800-262-9699.

APRIL 18-21. Insurance Fraud Management Conference in Tampa, Fla., sponsored by Insurance Services Office Inc.'s American Insurance Services Group unit and the National Insurance Crime Bureau; $625. Dot Knap, AISG, 700 New Brunswick, Rahway, N.J. 07065; 732-388-5700.

APRIL 18-26. Intermediaries & Reinsurance Underwriters Assn.'s Spring Conference in Ponte Vedra Beach, Fla.; $595. Mary K. Clancy, Intermediaries & Reinsurance Underwriters Assn., 223 Courtyard Drive, Somerville, N.J. 08876; 908-203-0211.

APRIL 19-20. Data Management seminar in Philadelphia, sponsored by the Insurance Data Management Assn.; $400 for members and $500 for non-members. IDMA, 85 John St., New York, N.Y. 10038; 212-669-0496.

APRIL 19-21. Annual Pension Consultants Conference in Stuart, Fla., sponsored by Charles D. Spencer & Associates; $690. Charles D. Spencer & Associates, 250 S. Wacker Drive, Suite 600, Chicago, Ill. 60606-5834.; 800-555-5490.

APRIL 19-22. ISO 9000 Bootcamp in Orlando, Fla., sponsored by ABS Group Inc.; $1,395. ABS Group Inc., Government Institutes Division, 4 Research Place, Suite 200, Rockville, Md. 20850; 301-921-2345.

APRIL 20-22. Fundamentals of Purchasing Reinsurance seminar in Irvin Texas, sponsored by the Reinsuranc Management Institute at the University Dallas; $795. Bruce Evans, Reinsuranc Management Institute, 1845 E. Northga Drive, Irving, Texas 75062; 972-721-5360

APRIL 21-23. Strategic Media Relatio conference in Washington, sponsored b Lawrence Ragan Communications In and PRSA; $895. Lawrence Ragan Com munications Inc., 212 W. Superior S Chicago, Ill. 60610-3533; 800-878-5331.

APRIL 21-23. Prescription Drug Ut lization Management workshop in Scott dale, Ariz., sponsored by Pharmacy Bene fit Management Institute Inc.; $700 fo members and $750 for non-member Pharmacy Benefit Management Institu Inc., P.O. Box 9427, Scottsdale, Ari 85252-9427; 602-730-0814.

APRIL 22-23. Alternative Dispute Re olution seminar in New York, sponsore by the American Law Institute-America Bar Assn. Committee on Continuing Pro fessional Education; $695 and $590 fo AILTO members. Registrar, ALI-ABA 4025 Chestnut St., Philadelphia, P 19104-3099.; 800-253-6397.

APRIL 22-23. Antitrust/Intellectua Property Claims in High-Tech Marke seminar in Boston, sponsored by th American Law Institute-American Ba Assn. Committee on Continuing Profe sional Education; $591 for members an $695 for non-members. ALI-Registra ALI-ABA, 4025 Chestnut St., Philade phia, Pa. 19104-3099; 800-253-6397.

APRIL 22-23. Export Packing and Ma rine Insurance Seminar in Chicago, spon sored by the World Trade Institute; $89 Registrar, World Trade Institute, 1 Worl Trade Center, 55th. Floor, New York, N.Y 10048; 888-722-3984.

APRIL 22-23. Annual Benefits Consu tants Conference in Stuart, Fla., sponsore by Charles D. Spencer & Associates; $48 Charles D. Spencer & Associates, 250 S Wacker Drive, Suite 600, Chicago, Il 60606-5834.; 800-555-5490.

APRIL 26. ISO 9000 Overview semina in Cleveland, sponsored by ABS Grou Inc.; $395. ABS Group Inc., Governmen Institutes Division, 4 Research Place, Sui 200, Rockville, Md. 20850; 301-921-2345.

APRIL 26-27. 401(k) and DC Applica tions for Multiemployer Administrator seminar in Brookfield, Wis., sponsored b the International Foundation of Employe Benefit Plans; $480 for members and $58 for non-members. IFEBP, Registration Dept., P.O. Box 69, Brookfield, Wi 53008-0069; 888-334-3327.

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