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UPDATES

Labor Department eases rule on benefit captives

WASHINGTON—The U.S. Department of Labor will propose that Columbia Energy Group be allowed to use the Vermont-domiciled branch of its Bermuda-based captive to reinsure its long-term disability benefits program. The proposal is expected to be published Wednesday in the Federal Register.

The long-awaited ruling marks a relaxation of the Department's two-decade-old requirement that, to fund benefits through

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Court broadens scope of ADEA

By JERRY GEISEL

PHILADELPHIA—A stunning federal appellate court decision could lead to a flood of suits against employers with retiree health care plans and, ultimately, to more plan terminations.

The 3rd U.S. Circuit Court of Appeals earlier this month ruled that the federal law that bars employers from discriminating against older employees in benefit offerings also applies to retiree health care plans.

Specifically, the court said that the Age Discrimination in Employment Act allows age discrimination suits against employers that provide lesser health care benefits to Medicare-eligible retirees than to other retirees.

The ruling involves a Pennsylvania county that offered younger retirees a point-of-service health care plan that gave retirees the ability to choose their own provider on a service-by-service basis. Medicare-eligible retirees, though, were covered only through a health maintenance organization, in which retirees must go to the HMO's provider network. A group of Medicare-eligible retirees brought suit in U.S. district court, charging that the employer's benefit offerings were discriminatory.

In order to defend itself against a charge of discrimination, the court ruled, an employer would have to prove that the benefits provided to early and Medicare-eligible retirees were equal or that the employer's costs for providing health care benefits for the two groups were equal. This so-called equal-benefit/equal-cost safe harbor is part of ADEA, though its relevance, prior to the appeals court decision, was only to benefits provided to active employees.

The three-judge panel's Aug. 1 ruling—almost certain to be appealed—stunned employee benefit experts, who have long believed that the ADEA applies only to employees and not retirees.

"The potential repercussions of this case are tremendous," said Nancy Ross, a partner with the law firm McDermott, Will & Emery in Chicago.

But the appeals court, while acknowledging that certain members of Congress viewed ADEA as inapplicable in regard to retirees' benefits, said "We see nothing in the language of the ADEA to indi-

See **Retire** *on page 30*

IC&S problems keep multiplying

By DOUGLAS McLEOD

DALLAS—The more things change for troubled International Casualty & Surety Ltd., the more they stay the same.

The New Zealand insurer, which last year saw a former owner convicted of bankruptcy fraud, now has its second new owner this year and faces an entirely new set of problems.

While claiming $22.1 million in new capital, for example, IC&S reports the capital contribution in a financial statement that features a phony audit opinion from the Mexico City office of PricewaterhouseCoopers, the accounting firm says.

Little is known about the new owner, Phoenix International Reinsurance Co. Ltd. The two Dallas businessmen now operating IC&S—John D. Precour and Robert E. Coon—have themselves filed for personal bankruptcy in the last year, court records show.

A.M. Best Co., which is required by New Zealand law to rate all New Zealand insurers, is reviewing its D rating of IC&S in light of the audit opin-

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Insurer's trip through time

IC&S history

- **1992:** IC&S formed in New Zealand by Jesse Maynard, owner of First Assurance & Casualty Co. Ltd. of the Turks & Caicos Islands.
- **1993:** First Assurance files for bankruptcy and Samuel B. Love replaces Mr. Maynard as IC&S director. Mr. Love and partner Donald P. Havenar own IC&S through a Cayman Islands holding company.
- **1998:** Messrs. Maynard, Love and Havenar are indicted on bankruptcy fraud charges related to First Assurance.
- **1999:** Messrs. Maynard and Love are convicted and sentenced to jail terms. Mr. Havenar, a resident of Mexico, remains free pending possible extradition to the United States.
- **2000:** Messrs. Love and Havenar sell IC&S to Axis Financial Services Ltd. A week later, Axis sells the insurer to Phoenix International Reinsurance Co. Ltd.

Paid testimony blasted

Ergonomics witnesses received $10,000 each

By MARK A. HOFMANN

WASHINGTON—A dispute over the propriety of paying witnesses to testify in favor of a controversial federal ergonomics standard is making the Washington summer that much hotter.

In fact, the disclosure that the Occupational Safety and Health Administration paid 28 witnesses $10,000 each to testify in favor of its proposed ergonomics rule could result in Senate hearings on the issue and has already led to an exchange of letters—the latest of which was dated Aug. 10—between the agency, the Labor Department, of which OSHA is part, and a congressman who opposes the rule.

In his Aug. 10 letter, Rep. David McIntosh, R-Ind., wrote U.S. Labor Secretary Alexis Herman, asking a series of questions involving, among other things, the cost of contract awards for the ergonomics rulemaking, the nature of Department of Labor editing of expert witnesses' draft testimony, the nature of "coaching" of expert witnesses and what steps, if any, the department takes "to ensure that its contractors have no conflict of interest in the outcome of a rulemaking."

OSHA

OSHA pledges to issue its final ergonomics standard page 28

Rep. McIntosh, who chairs the House Committee on Government Reform's Subcommittee on National Economic Growth, Natural Resources and Regulatory Affairs, is the GOP candidate for Indiana governor and will not be returning to Congress after this term.

OSHA held a series of public hearings on the controversial ergonomics proposal in several cities earlier this year. The Risk & Insurance Management Society Inc. was one of many employer groups that testified in opposition to the proposal (*BI*, April 10). Critics have charged that the proposal is inflexible, overly expensive to implement and not justi-

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Liquidation suit options outlined

Reinsurers win day in court

By DAVE LENCKUS

PHILADELPHIA—U.S. reinsurers are hailing a federal appellate court ruling that they say sends a strong message to insurer regulators that they cannot rewrite the reinsurance contracts of insolvent insurers in liquidation.

A 3rd U.S. Circuit Court of Appeals panel last week ruled that a non-U.S. reinsurer battling a coverage lawsuit filed by the liquidator of an insolvent U.S. ceding company may move the case from a state court to a potentially friendlier federal court, despite reinsurance provisions obligating the reinsurer to submit to "any court" in the United States.

The provisions, known as service-of-suit clauses, waive only the reinsurer's right to resolve the dispute in its home country, the court ruled 2-1 on Aug. 7, in a case triggered by New Jersey regulators' liquidation of Integrity Insurance Co.

Because of the provisions' ambiguous language and the foreign-relations implications of the case, the reinsurer cannot be barred from moving the dispute to federal court, the panel ruled.

The reinsurer, Munich Reinsurance Co. of Munich, Germany, wants to keep the dispute out of state court to avoid potential local prejudices and because federal courts typically are more willing

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NEWSPAPER

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UPDATES

Labor rules on Columbia captive

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an employer's captive, at least 50% of the captive's business be unrelated to the parent.

Virtually all the risks funded through Columbia's captive relate to Columbia Energy and affiliated companies.

But last year, signaling a shift in policy, a key Labor Department official said the department would be more flexible in reviewing employer requests to fund benefit coverages through their domestic captives. Meeting the 50% test no longer would be an absolute prerequisite to win department approval, he said.

Among other things, the department would consider the quality of the primary insurers used by a captive and whether plan participants would benefit from the arrangement.

In its filing with the department, Herndon, Va.-based Columbia Energy said, in anticipation of using its captive to reinsure the LTD program, it was sweetening LTD benefits and that the captive would reinsure LTD policies written by Liberty Mutual Insurance Co. unit Employers Insurance of Wausau.

If the Labor Department gives final approval to the arrangement, a wave of employers could follow Columbia Energy's lead, benefit experts say. Employers have long wanted to expand their captives to fund benefits to broaden their captives' premium base and, most recently, to reap tax breaks.

Columbia Energy Vp-Risk Management Nicholas Parillo has said the arrangement would ensure a better spread of risk for the insurance unit.

"There are about 30 companies lined up behind them waiting to take advantage of this," said Leonard D. Crouse, director of captive insurance in the Vermont Department of Banking, Insurance, Securities and Health Care Administration. These are "major, major corporations and most of them that are interested are Fortune 100s, 200s, 300s, 400s, 500s," he said.

The new captive development also would require officials to make some changes to Vermont's captive statute, Mr. Crouse said. Among those would be adjusting premium tax rates to fit the high premium levels likely to be generated by benefit plans in captives. "We're going to have to sit down and look at our tax structure," he said. "We're going to do it right."

Blues form multistate alliance

CHICAGO—Blue Cross & Blue Shield plans in six states are affiliating to form one umbrella organization.

The Blues alliance will cover about 10 million members, making it the largest non-profit health organization in the United States, the plans announced last week.

The entities that will join include Blues plans from Illinois, Texas, Washington, Oregon, Utah and Idaho. The Illinois and Texas plans are part of Health Care Service Corp., while the others are part of The Regence Group, which will be the name of the new organization.

While not legally a merger or acquisition, the combined plans will operate under one board of directors with a single management team. Back-office operations will be combined, but relationships with employers, members and providers will remain the province of the individual Blues plans, the organization announced.

"The Regence Group approach has been to combine functions that are invisible to the customer so that we can operate more efficiently and invest in enhancements to our service," Richard Woolworth, chairman and chief executive officer of The Regence Group, said in a written statement. Mr. Woolworth will become chairman of the new organization, which will be based in Chicago. Raymond McCaskey, president and CEO of Health Care Service Corp., will become the new CEO.

The announcement did not specify when the alignment will go into effect. A spokesman for the organization said the Blues plans hope the arrangement will help them better compete with national for-profit health plans.

United National cancels sale

BALA CYNWYD, Pa.—United National Group is no longer for sale after its owners decided Friday to terminate a year-old purchase agreement with American Re-Insurance Co., according to a spokesman for American Insurance Service Inc., the owners of United National.

Bala Cynwyd, Pa.-based United National's action stemmed from ongoing delays American Re faces in obtaining the approval of Pennsylvania Insurance Commissioner Diane Koken for the proposed $350 million deal, which American Re requested in September 1999.

A state court judge ruled recently that the commissioner has improperly held up the proposed purchase as a means to pressure American Re's parent, Munich Reinsurance Co., into joining the International Commission on Holocaust Era Insurance Claims (*BI*, June 5). Ms. Koken, who heads the National Assn. of Insurance Commissioner's International Holocaust Commission Task Force, is an alternate to that commission.

The Insurance Department is appealing the ruling before the state Supreme Court. A Department spokeswoman said state regulators never required commission membership but "wanted to see other actions" similar to joining the commission.

Regulators in Indiana and Wisconsin approved the buyout in late 1999.

A buyout by American Re would have been "a unique fit," a United National spokesman said. Since that agreement was terminated, however, "United National does not intend to put the company up for sale at all," he said.

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Non-profits to launch risk retention group

By JERRY GEISEL

SANTA CRUZ, Calif.—Charitable non-profit organizations are expected to have access to a new insurance vehicle next year, thanks to two foundations and the efforts of a California non-profit risk pool.

A new risk retention group, Alliance of Nonprofits for Insurance Risk Retention Group, plans to offer charitable non-profit groups up to $1 million in primary coverage for a wide range of risks, including general liability, miscellaneous professional liability, directors and officers liability, improper sexual conduct liability and commercial auto liability. Up to $10 million in umbrella coverage also is expected to be available.

The RRG, which intends to file for a license in Vermont, initially will offer coverage to charitable groups in Colorado, Delaware, the District of Columbia and Nevada. Eventually, the RRG plans to write coverage for groups in every state except California.

The vehicle is being modeled after the Nonprofits' Insurance Alliance of California, a Santa Cruz-based risk pool that was organized 11 years ago when charitable organizations in that state faced soaring premiums in the commercial market. NIAC now has 2,300 members, including organizations such as boys' and girls' clubs, homeless shelters, food bank centers, day care centers, afterschool programs and senior centers. NIAC, which is growing at the rate of one new member per day, insures about one in 10 charitable organizations in California with annual budgets of $25,000 or more. It now has an annual premium flow of about $15 million, according to NIAC.

Pamela Davis, president and chief executive officer of NIAC, said the risk pool approached non-profits in other states more than a year ago about their inter-

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Court expands duty in death case

Park found responsible for warning beach users of riptides

By JUDY GREENWALD

SAN FRANCISCO—A toy bucket was the basis for a federal appellate court decision that reinstates a wrongful death lawsuit filed against the federal government and a park management firm in connection with the drowning deaths of a girl, her mother and grandmother.

In April 1997, 11-year-old Ivy Pacheco was playing and wading in a calm section of the water at Pfeiffer Beach Day Use Area, a public recreation area in Big Sur, when a riptide swept her into the ocean. Her mother, Mary Pacheco, and grandmother, Judith Rombold, attempted to rescue her, but both were swept away as well.

When the family entered the park and paid the entry fee, it was given two buckets, including one that was perforated, apparently to let sea water drain out when used in the surf, according to the 9th U.S. Circuit Court of Appeals' July 31 decision in *David Pacheco vs. United States of America*.

The decision says that, although a bulletin board lists rules, there was no posted warning that this beach, which is part of Los Padres National Park, allegedly has particularly hazardous surf with strong riptides.

"Other visitors have allegedly been carried out to sea," including a man who had to be rescued by helicopter only a couple of months prior to the drownings, the decision says.

"For the unsuspecting, it is a cordial invitation to possible disaster because of a potential deadly hazard known to defendants who, in no way, made any effort to share their knowledge with visitors. A needless trap was created, with deadly consequences," the court said in its 2-1 decision, which overturns a lower court ruling dismissing the case.

"Those familiar with riptides appreciate that a riptide can suck the sand out from underfoot, cause you to lose your balance and then swiftly sweep you out to sea," the decision says.

See **Big Sur** *on page 28*

More rate hikes foreseen

HMO turnaround continues

By JUDY GREENWALD

Although managed care companies have generally regained a firm financial footing, employers still should brace for rate hikes of up to 12% next year, as health maintenance organizations seek to maintain—if not increase—their profit margins, analysts say.

Except for Hartford, Conn.-based Aetna Inc., whose earnings were lower than originally forecast, health maintenance organizations generally reported strong first-half results.

In addition, HMOs may be beginning to get more control over

HMO Results

rising pharmaceutical costs, thanks in part to the introduction of three-tiered co-payment systems for generic, formulary and non-formulary drugs.

And prospects also appear bright for the performance of HMO stocks, though gains are not expected to be as strong as in the first half of this year. Through Aug. 11, the seven HMO stocks tracked in the *BI* Stock Report had increased 35.5% for the year to date, compared with 20.0% for insurance industry stocks overall.

The industry's immediate outlook is good, say HMO executives and analysts.

"Our view is that the future looks very bright indeed for companies that focus on meeting customer needs," said John Cygul, vp of investor relations for Thousand Oaks, Calif.-based WellPoint Health Networks Inc.

"Right now, the business appears to be superb," said Michael LeConey, an analyst with Dirks & Co. in New York. "Rates are going

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INSIDE

• The Senate should pass a sweeping pension reform bill without attaching it to any broader measure, this week's editorial says. **PAGE 8**

• A longstanding battle over pigeon droppings has prompted a landmark British court ruling that could mean landowners in the United Kingdom are liable for nuisances caused by wildlife on their land. **PAGE 23**

• Japan is moving closer to a more open insurance marketplace. **PAGE 23**

• The Occupational Safety and Health Administration will issue its final ergonomics standard this year, the head of OSHA has promised. **PAGE 28**

Departments

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SPOTLIGHT REPORT

Property Loss Control

Risk managers urged to make wildfires a hot topic

By MARK A. HOFMANN

Hell hath few furies like wildfire.

Yet this peril, which currently is ravaging much of the Western United States, often doesn't get the respect it deserves. Unlike protecting against hurricanes and earthquakes, preparation for wildfire peril hasn't been terribly high on many risk managers' to-do lists.

And that needs to change, experts say, because the exposure is increasing as urban areas extend into rural areas, where conditions are more conducive to creating uncontrollable fires.

Anyone who doubts the seriousness of the peril needed only to have watched television news for a few moments during the past few months. This spring, a supposedly controlled fire raged out of control in the Los Alamos, N.M., area. The Insurance Services Office's Property Claim Services unit currently estimates that the fire caused $140 million in insured property damage. In the past few weeks, wildfires have ravaged portions of Colorado, Idaho and other states, as walls of flame consume tens—and sometimes hundreds—of acres in minutes, leaving nothing but smoke and ash in their wake.

Fortunately, there are proven approaches for addressing the peril.

Simply keeping underbrush and weeds under control can prove invaluable in mitigating wildfire risks, experts say. Having access to adequate water supplies, building with fire-resistant materials, coordinating with local fire authorities and keeping disaster response plans up to date also play key roles in dealing with the exposure.

Although wildfires are typically associated with the West—particularly California—and sometimes Florida, they can occur just about anywhere the conditions, notably drought, are conducive. Even areas such as Michigan aren't immune, pointed out Scott Settje, vp and engineering manager for property loss control consulting company LMG Property in Waltham, Mass.

Mr. Settje noted that drought not only increases the threat of wildfire by drying out vegetation, but it also diminishes the supply of water that is available to combat wildfires.

"It's even in the green areas, like Washington state, that there can be an exposure," said Dennis Bosman, loss control program manager at Fireman's Fund Insurance Co. in Novato, Calif. The greatest threat to commercial property tends to be in the "interface" between urban and rural areas, where warehouses and other large buildings often are located, said Mr. Settje. The exposure is "increasing because of the growth of urban areas into the rural mix," he said.

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PHOTO: NEWSMAKERS

The wildfire that raged out of control in the Los Alamos, N.M., area earlier this year resulted in an estimated $140 million in insured property damage.

New technology aiding loss control efforts

By JOANNE WOJCIK

Today's technology is making it easier for risk managers to keep a watchful eye on their property exposures.

For many risk managers, logging on to the Internet is fast becoming the next best thing to being there when a hurricane strikes the Florida coast, an earthquake hits California or heavy snow threatens a roof at a plant in the Northeast.

Together, video cameras, laser technology, wireless telephones and e-mail are giving risk managers so many pairs of eyes, it's almost like cloning, remarked Lance Ewing, senior director-insurance and loss prevention at GES Exposition Services in Las Vegas.

During one winter storm, "a camera tied into one of my loss control manager's laptops showed how much snow was building up on the roof" so that he could arrange for its removal to prevent a collapse, he recounted. When Hurricane Floyd threatened the Florida coast in September 1999, GES Exposition's insurer, Factory Mutual Insurance Co., used e-mail to alert Mr. Ewing every time the storm changed course.

And when Mr. Ewing goes on the road, he keeps in touch using a pocket-sized computer called the "Black Berry" that alerts him any time an e-mail is posted to his Internet mailbox.

"I take it everywhere," he said. "I can't live without it."

Insurers and other loss control experts are finding ways to adapt today's technology to property loss control in response to increasing demand by risk managers, according to Gail Norstrom, president of Hartford, Conn.-based Industrial Risk Insurers.

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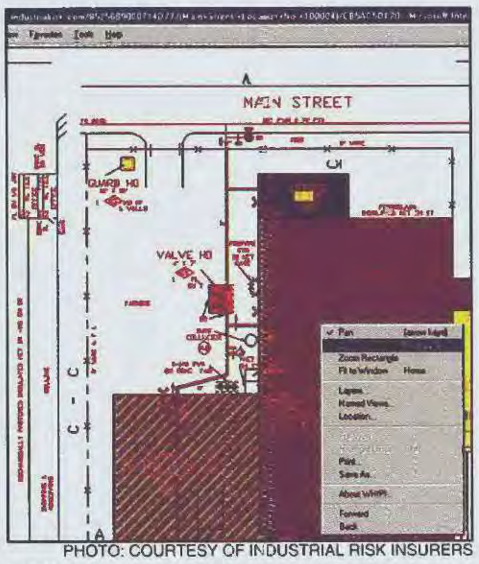

PHOTO: COURTESY OF INDUSTRIAL RISK INSURERS

Industrial Risk Insurers' IRInsight provides online loss control reports and information to policyholders.

California seismic rules shaking up hospitals

By ROBERTO CENICEROS

Strict seismic mandates now looming for California hospital buildings could hamstring their owners' efforts to mitigate other risks.

The massive amount of capital needed to retrofit or rebuild about 2,600 buildings over the next 30 years stands to deplete financial resources for other hospital projects, including risk management programs, said Michael Evans, vp for risk management of Sacramento, Calif.-based Sutter Health, which operates 27 hospitals in the state.

At the least, the requirements will force hospital risk managers to prioritize their risk mitigation efforts differently, Mr. Evans said. "Our concern is what are we not going to do as a result of having to comply," he said.

And risk managers report that their compliance efforts are not resulting in improved property insurance rates.

Passage of the 1994 Hospital Facilities Seismic Safety Act followed the earthquake that year in Northridge, Calif. That earthquake caused 23 of the state's 473 hospitals to suspend some or all of their services and resulted in about $3 billion in damages to hospitals. It also heightened fears that another large quake could cripple medical facilities at a time when they are most needed.

Complying with the seismic requirements will cost California hospitals at least $24 billion, according to the Sacramento-based California Healthcare Assn., which represents hospital interests.

And that is a conservative cost estimate, the CHA says. It does not include expenses such as loan financing, construction-project cost inflation and lost revenues during construction.

Under the law, general acute care hospital buildings at risk of collapsing during a strong earthquake must be rebuilt or retrofitted by 2008 to withstand a strong earthquake. By 2030, all hospital buildings in the state must meet even more-stringent earthquake safety standards. Facilities that fail to meet the requirements by 2008 will be closed or barred from housing patients overnight.

California hospitals are feeling the pressure already. By Jan. 1, 2001, hospital buildings must undergo engineering evaluations, after which they will be rated into one of five categories for both structural-performance and non-structural performance. Reports must be filed with the Office of Statewide Heath

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Technology

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"It fits the customer's way of doing business," Mr. Norstrom said.

In fact, IRI is one of many property insurers that makes loss control reports and other information available to policyholders online, so they don't have to wait for the mail or a visit from an account representative to see how they are doing.

"What used to take a couple of weeks now takes minutes" thanks to the Internet and high-powered desktop computer software, Mr Norstom explained.

The information, which is delivered in Adobe Acrobat portable document format, or PDF, through a program called IRInsight, is stored on IRI's private extranet and is password-protected to prevent unauthorized access.

"The customer dictates the security-clearance levels," explained Dana R. Parker, account consultant leader for IRI in Chicago.

IRI also customizes the way information is organized, allowing customers to navigate the site in the way they're comfortable with, he said.

Johnston, R.I.-based Factory Mutual, which does business as FM Global, also is beefing up its extranet to give its clients more sophisticated loss control information, according to Dennis Anderson, vp of engineering operations.

Riskmark Web, due to become available next month, will compare engineering data from individual locations with that of other locations in the same company or against other companies in the same industry.

"We'll give them a score like a Wine Spectator score," Mr. Anderson explained, referring to the magazine's 100-point rating system for wines. And the higher the score, the better. "So if it's below 75, you may not want to buy it," he quipped.

'What used to take a couple of weeks now takes minutes,' thanks to new technology, says Gail Norstrom.

The score will be especially useful to risk managers interested in benchmarking, Mr. Anderson said.

Risk managers will be able to do "robust benchmarking against all population groups insured by FM Global, all the companies like yours and in your industry," he said.

Riskmark Web, which is being demonstrated to FM Global customers around the United States this month, also identifies the deficiencies and hazards the company faces and plots how the score would change if those issues are addressed.

Also this summer, in addition to Riskmark Web, FM Global is introducing powerful new computer "toolkits" that loss control consultants can use to communicate hazard information to risk managers.

Among other things, the toolkits contain video clips of fire tests that are more convincing than a consultant's words alone, according to Mr. Anderson.

"Before, the engineers were armed only with. . .words," he said. "Now, there's a video showing what actually happens."

When one FM Global client was shown a clip depicting how quickly plastic could be ignited by an electric spark, "his jaw dropped and his eyes widened," Mr. Anderson described. "It brings the whole thing into perspective."

Impact Forecasting, a unit of Chicago-based Aon Corp. provides customized maximum-probable-loss estimates for the brokerage's clients in hurricane- and earthquake-exposed regions of the country, according to Drew Caldwell, head of operations.

The computer software uses the "law of resonance" to determine how much movement a building can withstand before it collapses, he explained. The analysis takes into consideration such variables as how tall the building is, when it was constructed and the building materials used.

Reports can be delivered in either hard-copy format or electronically, allowing risk managers to manipulate the data as needed in making presentations to upper-level management, Mr. Caldwell said.

Mr. Ewing is using similar technology at GES Exposition to determine whether to renew leases on properties located close to major fault lines, he said.

"Granted, they're crystal-balling it," he acknowledged, "but it gives me more ammunition when I go to the real estate division."

Another company, Safe Roof Systems Inc., has developed laser-based technology that alerts property owners and managers of a possible roof collapse, similar to the way that smoke detectors alert homeowners of fire.

"We give building owners real-time knowledge to scientifically measure what's going on up on the roof," said Bill Kerensky, director of quality assurance for Safe Roof Systems in Mattapoisett, Mass.

Downward pressure causes a roof's steel beams to bend, and the system uses a pulse infrared laser to monitor the movement of the beams and gauge the stress on the structure. An alarm goes off when 70% of the structure's capacity has been met.

The system, which can be installed either during construction or as a retrofit, costs slightly more than it does to remove snow or water buildup on a flat roof, Mr. Kerensky said.

He estimated that it costs between 38 cents and 46 cents per square foot to remove snow and repair any damage to the roof membrane that results from snow removal.

By comparison, the laser roof monitor costs between 40 cents and $1 per square foot to install, depending on the ease of access to the roof structure, he said.

Property owners that have installed the system and are pleased with its effectiveness.

"It's a pretty phenomenal system," remarked Patrick Watson-Hogan, vp of Old Colony Construction Corp. in Taunton, Mass.

"It saved more than $1 million in damage" by alerting the owner of a movie theater to water buildup on the roof over its main electrical service, he said.

And that didn't include business interruption costs the company would have incurred as a result of the theater being closed during reconstruction, he pointed out.

NYE Lubricants Inc. of New Bedford, Mass., also installed the roof monitoring system because of concern about a large snowfall.

"I lived through the blizzard of '78," said James McGown, facilities manager. "And I can remember opening my garage door and finding 60 inches of snow."

Imagine how heavy a burden that would put on a roof, he said. BI

Retrofit

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Planning and Development, the state's hospital oversight agency.

The vast majority of hospital buildings cannot incrementally be brought into substantial compliance and will need to be rebuilt, according to the CHA.

And the two-phase requirements amount to a double blow for hospitals. While it will cost about $10 billion to meet the 2008 requirements, most hospital buildings—even after 2008 retrofit jobs—still will need modifications to meet 2030 requirements, resulting in another $14 billion in costs to the industry, explained Roger Richter, senior vp of professional services for CHA.

That $24 billion figure roughly equals the total combined assets of all of California hospitals, according to CHA. And the potential costs come at a time when California hospitals already face mounting financial pressures from managed care, a growing number of uninsured patients and cutbacks in Medicare payments. Nearly 36% of the state's urban hospitals and more than 50% of rural and inner-city hospitals are losing money from all sources of revenue, according to CHA.

The law creates certain financial risks for Sutter, Mr. Evans explained. It would be most detrimental if one or more other perils were to strike the hospital system when its resources are being spent on compliance.

Mr. Evans said that Sutter has already brought some of its buildings into compliance, and so far, it has not had to adjust its risk management or insurance arrangements.

But neither has Sutter benefited from lower insurance rates that might be expected from making safety improvements, he noted.

"We haven't seen any manifestation in reduced earthquake rates, or reduced fire hazard rates or any peril rates," Mr. Evans said. "So far, this is just an additional cost."

Compliance with the mandates is a huge problem for California hospitals, but so far, they have not seen reduced property rates from their compliance efforts, agreed Ron Hamburger, senior vp for risk management consulting company EQE International in San Francisco. EQE, which provides engineering and catastrophe modeling expertise, among other services, has helped several hospitals assess their vulnerability to earthquakes and then design structural upgrades, Mr. Hamburger said.

"No one has stepped forward and offered a break (in insurance rates) if they comply," he said.

Rates for earthquake coverage are driven by reinsurers with an eye to their total worldwide exposure, and not just to those in California, he noted.

Rating issues aside, California's law is viewed positively by at least one property insurer, because it reduces a tendency for complacency on the part of facilities with earthquake exposures.

"We are encouraged by the legislation," said Mike Gunty, national underwriting catastrophe manager in Hartford, Conn., for Industrial Risk Insurers. "Anything that improves the quality of those risks is a large plus from our perspective."

IRI also sees the law as an opportunity to work more closely with its policyholders in advising them on needed improvements, Mr. Gunty said.

In addition to structural retrofitting, the law calls for bracing and anchoring essential non-structural systems by 2002.

Additional requirements, which must be met by 2008, apply to fire sprinkler lines and storage equipment for chemicals and substances that could be hazardous if they were to mix in an earthquake, explained Ken Linder, IRI assistant vp loss prevention-technical services.

The huge cost of structural improvements may be overshadowing the positive aspects of preventing such hazards, Mr. Linder said.

Mr. Gunty agrees that one downside to the law it that it may deprive risk managers of their ability to decide what risks should be of greatest concern to their hospitals, he said.

As for the impact on property insurance pricing, there are several factors that need to be taken into consideration, Messrs. Gunty and Linder said.

Although property rates have firmed recently, they are still low, Mr. Gunty noted. It is hard to make price concessions for improvements if coverage pricing is already below where it should be for long-term rate stability, he said. In addition, although the requirements should strengthen hospital buildings, significant earthquake damage to buildings still is possible, he noted. Complying with the law, however, could help mitigate rate increases, he added.

The 1994 seismic mandates were adopted before their actual costs were known, according to CHA. Specific regulations were not finalized until 1997, and the financial impact was not understood until a year after that, when hospital evaluation reports, required under the law, were completed.

The 1994 law actually bolsters an earlier hospital seismic safety act that was adopted after a 1971 earthquake in Sylmar, Calif., collapsed a recently built hospital wing, killing 40 patients.

CHA originally supported the current Hospital Seismic Safety Act, but now that its costs are understood, the organization is sponsoring four bills aimed at mitigating the act's financial impact on hospitals.

- S.B. 1801, written by Jackie Speier, D-Hillsborough, would extend the 2008 deadline to 2013.
- S.B. 1886, written by Martha Escutia, D-Los Angeles, calls for the collection of financial data that would be used develop financial assistance for hospital compliance.
- S.B. 2006, written by Tim Leslie, R-Tahoe City, would extend deadlines for non-structural requirements, depending on geotechnical survey results.
- A.B. 2194, written by Martin Gallegos, D-Baldwin Park, would allow state licensing flexibility for hospitals using temporary buildings during retrofitting or rebuilding.

Each of the four bills already has passed through the legislative chamber in which it originated, and all are expected to pass, a CHA spokeswoman said.

Hospitals are concerned about the possibility of an earthquake resulting in widespread damages and the closing of facilities, Sutter's Mr. Evans said. But compliance with the law will not guarantee that hospitals will stay open after a big quake or that they will be accessible to employees, supply deliveries and patients if the transportation infrastructure crumbles.

Given such uncertainties and his industry's financial condition, Mr. Evans favors the legislation calling for deadline extensions. BI

OPINIONS

Pressing for pension reform

HIGH ON THE SENATE'S agenda, we hope, when legislators return to Washington next month after the August recess is a sweeping pension reform bill that the House overwhelmingly passed earlier this year.

There is little question that the Senate can pass the bill. The measure's House approval by a 401-25 margin illustrates the bipartisan support the bill enjoys. There is no reason to believe that the margin of approval in the Senate would be significantly different.

While the Clinton administration has said it does not support the bill, there is no indication that President Clinton would veto it. And, even if he did, the veto—at least judging by the House vote—could be easily overridden.

In fact, the real question is not whether the pension legislation can be passed but whether legislators want to pass the measure.

We are disturbed by comments by Senate Majority Leader Trent Lott, R-Miss., that the pension legislation might be attached to a broader measure known as the budget reconciliation bill. Other highly controversial proposals, including a phaseout of the estate tax and elimination of the so-called marriage tax penalty, also might be attached to that budget bill.

If that happens, President Clinton surely would veto the bill and Congress might lack the votes to override.

That might be just what some Republicans envision. According to some lobbyists, the GOP could use the veto to score points with voters as the November elections near, saying the administration prevented enactment of a popular retirement savings bill.

We hope such a scenario does not develop and that Republicans and Democrats alike see the pension measure as must-pass legislation rather than as a vehicle to score points off the other party. The easiest way that can be achieved is to pass the pension measure as a stand-alone bill.

Certainly, there is much to like about the bill, and its enactment would be in the national interest.

The centerpiece of the legislation is a set of provisions that would allow employees and employers to contribute more to defined contribution plans and for employers to fund bigger benefits in defined benefit plans.

For example, the maximum annual salary deferral limit to a 401(k) plan would gradually rise to $15,000 from the current $10,500 limit, while the maximum annual benefit that could be funded through a defined benefit plan would rise to $170,000 from $135,000.

These increases would be a first step toward reversing the disastrous moves Congress made in the 1980s in which legislators slashed benefits that could be provided through employer plans. That action may have slightly increased federal revenues but at an unacceptable cost: it has reduced the likelihood that employees will have sufficient retirement income.

The legislation, though, is not only about boosting retirement benefits. It also would do away with many of the annoying or administratively costly provisions in law that lack any rational basis.

Take the case of 401(k) and 403(b) plans. Both plans are very similar, with private-sector employers allowed to offer 401(k) plans and 403(b) plans offered by non-profit employers, such as universities. Given that the two plans are so similar, why shouldn't an employee working, say, for a university be allowed to roll over his or her 403(b) account balance after joining an employer in the private sector?

There is no logical reason. The current legislation recognizes that and would permit account balance transfers between the two types of plans when employees change jobs.

Also, current law requires a complicated non-discrimination testing procedure when a savings plan allows employees to make pretax and aftertax contributions. Why testing has to be so complicated is beyond us. The legislation would shed that needless complication and let employers run the same basic non-discrimination test on both pretax and aftertax contributions.

In sum, this is a bill that would ensure that more employees have more funds for retirement and that much of the red tape that complicates pension plan administration is eliminated.

This is a bill that Congress should pass quickly.

LETTERS

Tort reform would curb punitive awards

To the editor: Tort reform is long overdue.

I believe that, in most jurisdictions, punitive damage litigation requires the commission of intentional, malicious and egregious harmful acts; what could better define criminal behavior than such actions?

Assessing damages will not put an end to such behavior. The executives of the tobacco companies should receive long prison sentences for their actions. Monetary damages do no harm to them at all.

Over the years, members of the legal profession have come up with increasingly nonsensical theories to raise damages awards and, correspondingly, their fees.

Damages are supposed to be provable and quantifiable, but there is absolutely no way to quantify mental anguish. Nevertheless, the legal fraternity has sold the idea of punitive damages to members of the judiciary, who are, after all, simply attorneys who have advanced to the bench. Insurers long ago stopped trying to establish sound practice in the area of torts.

The legal system has violated the public trust. All that money comes from the public. Do something, America.

Richard K. Fox, Senior Consultant
R. K. Fox & Associates
Noblesville, Ind.

LETTERS TO THE EDITOR

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Fires

Continued from page 3

"Warehouses would be the main exposure," said Fireman's Fund's Mr. Bosman, because such structures are often built on the less-expensive property on the outskirts of urban areas. "From the standpoint that more and more buildings are constructed, typically they're moving further out" into the wildfire zone, he said.

In areas where conditions are conducive to wildfires, landscaping is not simply a matter of aesthetics, experts note.

One of the most significant defenses against the fires is "a program to keep the weeds down. It's like a slow, innocuous hazard that happens, and if you don't stay on top of it, all of a sudden, you can have a problem," said Mr. Bosman.

Risk managers "need to create a defensible space around the facility," said Dave Thoman, vp at Factory Mutual Insurance Co.—which does business as FM Global—in Woodland Hills, Calif. This doesn't mean, however, that every tree and shrub must be cut down.

In fact, vegetation can play a key role in protecting property. Although removing much of the greenery around a building may diminish the wildfire exposure, getting rid of all of it can be counterproductive, according to FM Global. If planted strategically, trees can slow down wind speed and create a barrier against radiant heat. They can also dampen sparks, depending on the type of tree, the canopy it creates and its retention of moisture, according to Factory Mutual.

And it's not only underbrush that risk managers need to keep on top of, either, said Mr. Thoman. "Of particular concern is yard storage of combustible material." In addition, "the building itself should be constructed with blank concrete or non-combustible walls," Mr. Thoman said.

Altering the landscape to aid in property loss control is a continual process, said John Watson, director-insurance and risk management for Pepperdine University in Malibu, Calif.

The university, whose primary campus covers 850 acres in the Santa Monica Mountains, maintains a belt of mowed lawn and landscaping that surrounds the the campus he said. In addition, "between the green belt and majority of the buildings we have a perimeter roadway," said Mr. Watson.

The university also has spray irrigation systems in the area where the green belt and chaparral meet. California native chaparral, which can grow to a height of 20 feet, is very drought-tolerant and burns very easily, Mr. Watson explained. In the arid climate, rains can end in May, he said. "By September, it's tinder-dry."

"All it takes is a spark from chemical equipment or an arsonist to ignite it." And once started, the fires can travel quickly. In September and October, winds come out of the desert and blow toward the ocean, sometimes at speeds of more than 50 mph, he said.

In fact, fire officials estimated that a 1993 wildfire in California spread at a rate of 100 acres per minute.

Mr. Watson said the university goes beyond the local fire agency's requirement that property owners maintain a mandatory 100-foot brush clearance from each permanent structure. "Depending upon known exposures, we'll clear several hundred feet," Mr. Watson said. "That's at least a twice-a-year, often three-times-a-year, prospect," he said.

The university also owns and operates its own fire department, said Mr. Watson.

Planning for the wildfire peril also includes addressing the issue of evacuation, said Mr. Watson. At Pepperdine, he explained, a decision was made to stay on the campus—rather than flee—in the event of a fire.

"With all of those loss control measures, we've taken a stance in association with the fire department that we will shelter our employees, faculty staff and students in place instead of evacuating," he said. The campus is safe, he said, and evacuation could present greater dangers than would staying put. "It avoids the hazards of putting several thousand vehicles on the only three roads that lead from the campus, each of which is only two lanes," he said, noting that the university is 25 to 40 miles from any major metropolitan area.

LMG Property's Mr. Settje also stressed the need to coordinate efforts with local fire departments. "They can assess your location and help you prepare it" so that employees will know what actions to take should a wildfire strike, he said.

Taking steps to make buildings as fire-resistant as possible also is critical, said Deborah Freedland, area vp for Arthur J. Gallagher & Co. in Woodland Hills, Calif.

Protection begins "with fire-resistive or non-combustible construction," Ms. Freedland said, nothing that this is particular important in regard to roof construction. "If you can't make anything else fire resistant, at least make sure the roof is," she said.

In addition, "providing fire shutters over openings such as windows" can be critical, as is using wired-glass windows that are less likely to shatter in conditions of extreme heat, she said. Also, fire-rated glass-block window structures that let in light can be an effective measure. Minimizing the size of windows in exterior walls can also help combat the exposure, Ms. Freedland said.

Exposure sprinklers, which are similar to regular fire sprinklers but are mounted outside the building, also generally help mitigate the risk of fire, provided they are not located under eaves or overhangs, she said. And, of course, facilities must be accessible to local fire departments. For larger facilities, it may be helpful to build a fire road or, in some cases, a helipad, which would allow fire-fighting helicopters to refill their water tanks.

Ms. Freedland stressed that not all wildfire-related damage is due to facilities burning and that risk managers should be prepared for such contingencies as loss of power or access to a facility.

"Obviously, at Los Alamos, things didn't burn, but they couldn't get in to do their business," she said.

Mr. Settje pointed out that smoke damage alone can shut down an operation for a considerable length of time. Consequently, risk managers should have "both an emergency response plan and, for businesses, a disaster recovery plan."

"Contingency planning is critical, even without a direct exposure," to cover lost utilities or loss of key suppliers said FM Global's Mr. Thoman. "This kind of preplanning, contingency planning, goes across all perils, not just earthquake, windstorm and the like." **BI**

PHOTO: BY DAVE SAVILLE/ FEMA

Rushing water from the Tar River washed out a section of road in Tarboro, N.C., in the aftermath of 1999's Hurricane Floyd.

Controlling flood damage crucial in hurricane season

By MICHAEL BRADFORD

Businesses and their insurers that suffered from the devastation of Hurricane Floyd have a new outlook when it comes to preparing for such storms.

They are now painfully aware that, when a hurricane hits, it can bring much more than high winds. In the worst case, which Floyd seemed to present along the East Coast last year, it can bring water—lots of water, and that can be just as destructive as the high winds.

With hurricane season once again upon them, insurers and policyholders are considering loss control measures that can prevent storm damage. Floyd taught those in its path a few lessons last year.

"These kinds of storms are not necessarily anything new," said Ken Linder, assistant vp-loss prevention technical services at Industrial Risk Insurers in Hartford, Conn. "But Floyd just sat there."

While it dawdled off the coast, Floyd's winds lost much of their ferocity. But the stalled storm produced rains so heavy that some areas from North Carolina to New Jersey saw devastating flooding. When the storm was over, much of the more than $2 billion in insured damage was attributed to the water.

"Floyd was unusual from the standpoint that we didn't see a lot of extremely strong winds, " Mr. Linder said. Instead, he said, the hurricane brought "lots and lots of rain."

"It was the size of Texas," said Mike Burke, vp and chief engineer at Factory Mutual Insurance Co.—which does business as FM Global—in Johnston, R.I. "We mobilized an enormous amount of people with the expectation of getting a violent windstorm. What we got was something very different from that."

"The rain," Mr. Burke recalled, "was a totally different story."

The storm arrived at Wilmington, N.C., on September 16 with wind speeds of 110 mph, and it drenched areas of South Carolina, North Carolina and Virginia with rainfall of more than 20 inches. Areas as far north as New England recorded as much as eight inches of rainfall, and rivers and creeks along the coast washed over their banks.

In some ways, it is very difficult to prepare for such flooding, sources agree. Waters rose in some areas that were so far away from flood zones that no one suspected there would be problems.

"Any time you have locations where there is flooding outside the flood zones and you get six to eight feet of water, there's not a lot you can do to prepare for these types of incidents," Mr. Linder said.

Mr. Burke stressed that Floyd provided a strong reminder that it is important to be ready for more than just wind when a hurricane approaches.

"Obviously, the lesson we learned is that, with these kinds of storms, you have to look at the possibility of two kinds of losses," he said. "You have to go at this with two separate efforts."

Property owners must consider both coastal and inland areas as subject to wind and water losses, Mr. Burke said. Both types of losses "deserve enormous respect," he said.

New Hanover County in North Carolina learned the hard way that high waters don't accumulate solely in flood zones. Following the devastation of Hurricane Floyd, the municipality undertook measures to ensure that its sensitive, expensive equipment won't again be damaged in the same way.

The county's 911 emergency communications building is not in a flood zone, explained Carleton Allegood, executive director of the Wilmington-New Hanover County Insurance Advisory Committee. Still, approximately 20 inches of rain from Floyd fell in the area over a 24-hour period, resulting in such an accumulation of surface water that pressure in the ground beneath the building increased until water burst through the floor.

The result was around $500,000 in damage to the 911 emergency

See **Floods** *on page 14*

Floods

Continued from page 12

system equipment, as well as the expensive decision to make sure flooding would not cause such damage again. Mr. Allegood explained that, even though the building was not in a flood zone and the possibility of a similar problem happening again is remote, the structure was torn down and rebuilt.

"We elevated the system another 10 feet and made a two-story facility out of it," he said. "The first story doesn't house any equipment."

Now, Mr. Allegood said optimistically, "I just cannot foresee that it could ever happen again because of what we've done."

Because of Floyd, FM Global's policyholders will be getting more pre-storm help to avoid flooding from hurricanes, according to Mr. Burke.

The insurer plans to take more advantage of the hours before a storm than it did during the period before Floyd struck land, Mr. Burke said. Doing so means stressing to customers that last-minute preparations need to focus on the potential for flooding as well as wind damage, he explained.

"Luckily, we put so much effort on flooding on a day-in, day-out basis," Mr. Burke said, that FM Global policyholders generally were pretty well-prepared for the high waters that Floyd brought. But, he acknowledged, the warning that customers got just before the storm arrived was focused more on the possibility of damage from wind than from rain.

Floyd also taught policyholders that, as they take pre-storm precautions, not all loss control measures have to be complicated. In some cases, all it takes is some plastic.

One IRI client, identified only as a North Carolina hospital, wrapped sensitive equipment in plastic as the storm approached. Over a 15-hour period, the storm pounded the area with high winds and about 20 inches of rain. When hospital employees returned, the plastic had done its job, protecting the hospital equipment from all but minor damage.

But, as an earlier hurricane showed, plastic does not provide adequate protection in all situations.

Mr. Linder said that when Hurricane Georges struck in 1998, another IRI client removed large skylights from a building under construction to create an opening large enough to allow heavy equipment to be moved inside the structure and out of the storm. But without any plan for resealing the opening, plastic and tarps were used. "That does no good," he said. "The loss was in the tens of millions."

"One of the things we stress is pre-planning," he said. "People need to plan ahead and be looking at what they might need to do to minimize this type of damage."

IRI policyholders are advised to take several steps to prepare for hurricanes. Among these are placing sandbags at building openings and around critical outdoor equipment, and moving important machinery and stock to higher elevations. Machinery that is too large to move can be coated with grease to help repel water.

The insurer also advises policyholders in the path of a storm to make sure that storage tanks are anchored to prevent them from washing away. In addition, electrical power should be shut off, and emergency generators should be filled with fuel. IRI also recommends that important computer records be backed up and moved to locations that are not expected to flood.

Flooding affects more than property, of course, and in Greenville, N.C., the lesson from Floyd centered on people.

City officials knew there would be flooding, said Don Fleming, risk administrator for the city. "We just didn't know how bad," he said.

In fact, the floodwaters were so bad that they poured into parts of the city where shelters had been established, Mr. Fleming said. "We've never had a situation where so many people had to go to shelters. While we have schools that normally are storm shelters, they flooded."

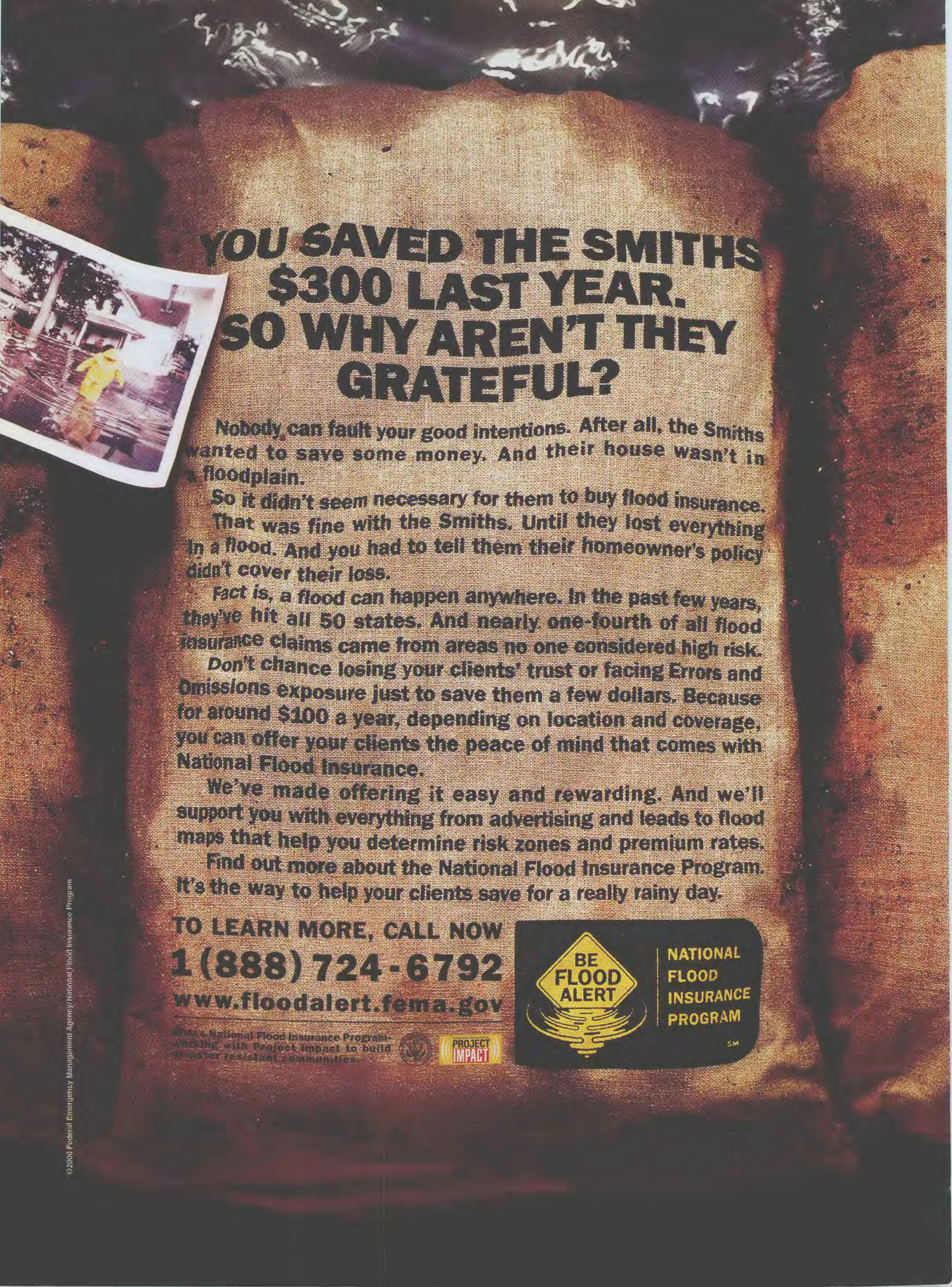
In an area known for serious hurricanes, Mr. Fleming said, "we've never had a storm like this before. Floyd came right behind Dennis," another hurricane that had already saturated the ground. "It caused problems that people never thought would happen," he said.

Mr. Fleming pointed out that "some of the outlying areas were the ones that flooded, and we couldn't get to them except by boat or helicopter." If another storm with the potential wallop of Floyd does threaten, "I think we will probably start evacuating somewhat earlier or have more centers ready."

Even so, Mr. Fleming recalled, "considering what we dealt with over those five to seven days, I don't know of a place that could have handled it any better than the city of Greenville."

The storm caused around $60 million in damage to public and private property in Greenville, according to Mr. Fleming.

"I can't foresee that ever happening again," Mr. Fleming said. "But if a storm stalls, what can you do?" BI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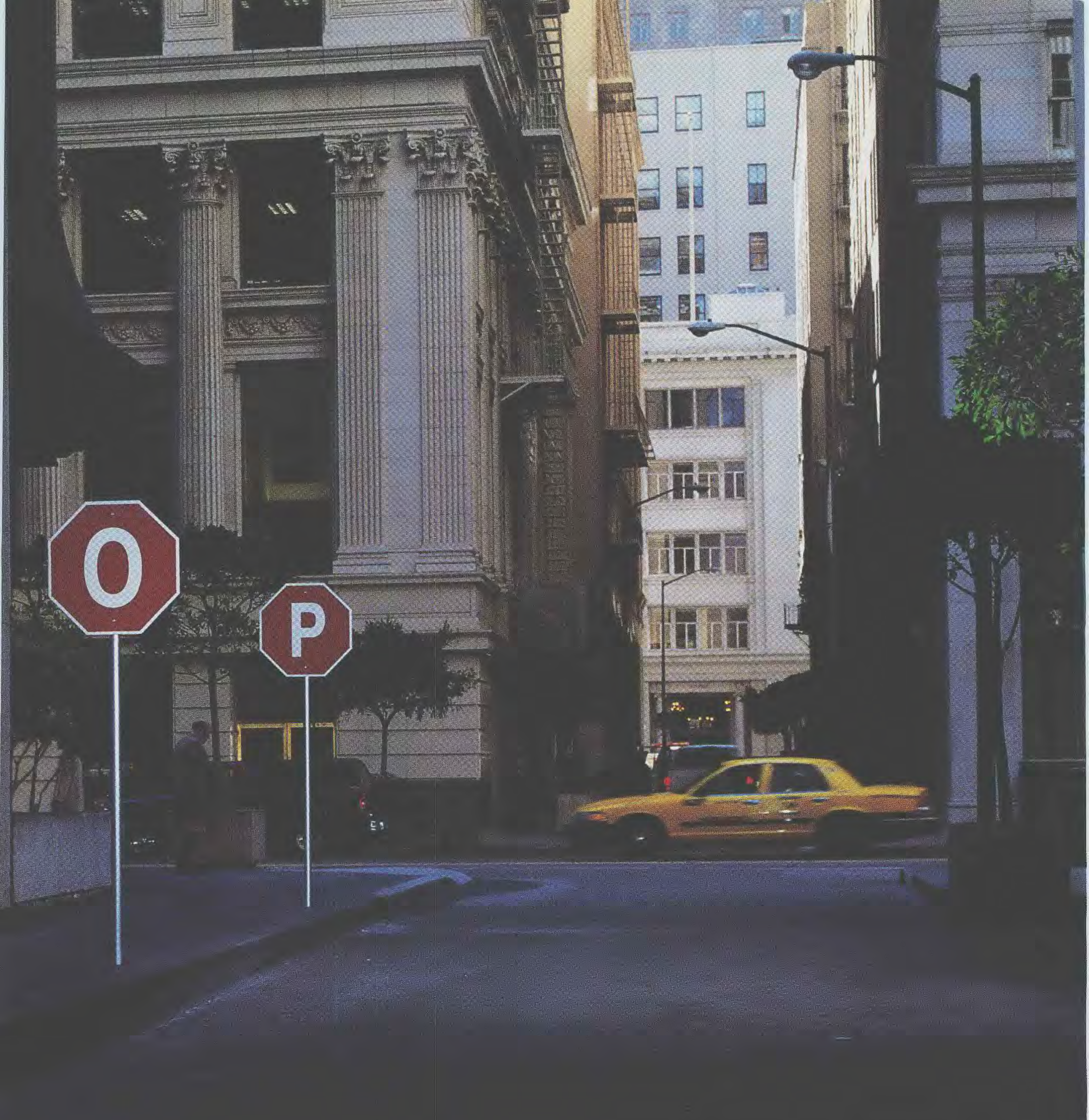
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1999 revenues
Total gross revenues $3,000,000
From unbundled property loss control/ engineering 30%
Unbundled property loss control/ engineering revenues $1,000,000
Staff
Total 20
Professionals 17
Clients
Total property loss control/engineering 100
Loss control services began: 1995.
Parent: Allianz Insurance Co.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training, fire suppression and detection systems testing, risk and hazard analysis.
Specialties: industrial.
Regions served: nationwide; international.
Branch offices: Atlanta; Chicago; New York; Mexico City.
Officers: Wolfgang Schlink, president/CEO; Paul Kaduk, CFO; Robert Hall, vp.
Contact: Robert Hall; rhall1@aic-allianz.com.

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1999 revenues
Total gross revenues $550,000
From unbundled property loss control/ engineering 100%
Unbundled property loss control/ engineering revenues $550,000
Staff
Total 3
Professionals 2
Clients
Total property loss control/engineering 3
Loss control services began: 1999.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, building code consulting, expert witness services, OSHA compliance, fire suppression and detection systems testing, litigation support, claims loss and statistical studies, risk and hazard analysis, disaster contingency planning.
Specialties: heavy industrial and high-hazard occupancies.
Regions served: nationwide; Belgium Germany, Mexico, Singapore, Spain.
Branch offices: Cincinnati; Canonsburg, Pa.; Dallas; Auburn, Wash.
Contact: Jesse Wilson, president; jwilson@allriskengineering.com.

Applied Risk Control Corp.
15 N. Mill St.,
Nyack, N.Y. 10960;
845-365-2444; fax: 845-365-2478

1999 revenues
Total gross revenues $850,000
From unbundled property loss control/ engineering 25%
Unbundled property loss control/ engineering revenues $213,000
Staff
Total 12
Professionals 10
Clients
Total property loss control/engineering 30
Loss control services began: 1985.
Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, OSHA compliance, fire suppression and detection systems testing, claims loss and statistical studies, risk and hazard analysis, disaster contingency planning.
Regions served: nationwide.
Branch offices: San Francisco; Atlanta; Chicago; Nyack, N.Y.; Washington.
Contact: Harry P. Mirijanian, president.

Axia Services Inc.
101 Park Ave., Seventh Floor,
New York, N.Y. 10178-0095;
888-525-2942; fax: 212-986-6815

1999 revenues
Total gross revenues $400,000
From unbundled property loss control/ engineering 75%
Unbundled property loss control/ engineering revenues $300,000
Staff
Total 6
Professionals 3
Clients
Total property loss control/engineering 45
Loss control services began: 1997.
Parent: The Tokio Marine & Fire Insurance Co. Ltd.
Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training, building code consulting, OSHA compliance, building valuations, fire suppression and detection systems testing, risk and hazard analysis, disaster contingency planning.
Specialties: heavy industry, hotels, manufacturing, residential and retail projects.
Regions served: nationwide; Argentina; Brazil; Central America; Chile, Europe; Japan; Mexico; Venezuela.
Branch offices: Los Angeles; San Diego; Atlanta; Chicago; New York; Houston.
Officers: Ramon Padron Jr., president; Nicholas S. Galakis, senior vp.
Contact: Ramon Padron Jr.; 212-297-6914; padronra@tokiom.com.

B

British Safety Council
70 Chancellors Road,
London, W6 9RS England;
44-208-741-1231: fax: 44-208-741-4555
www.britishsafetycouncil.org

1999 revenues
Total gross revenues $12,058,500
From unbundled property loss control/ engineering 41.5%
Unbundled property loss control/ engineering revenues $5,000,000
Staff
Total 140
Professionals 47
Clients
Total property loss control/engineering 2,000
Loss control services began: 1974.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training, OSHA compliance, claims loss and statistical studies, risk and hazard analysis, disaster contingency planning.
Regions served: Africa, Europe, India, Indonesia, Middle East, Philippines, United Kingdom.
Officers: Neville Purvis, director general; Mike Patrick, operations manager; Barry Mercer, deputy director general.
Contact: Jonathan Bowder; 44-208-600-5624; jonathan_b@britsafe.org.

Ken Buhler Associates Inc.
11 Erita Lane,
Smithtown, N.Y. 11787;
631-360-3770; fax: 631-360-3770

1999 revenues
Total gross revenues $500,000
From unbundled property loss control/ engineering 95%
Unbundled property loss control/ engineering revenues $475,000
Staff
Total 5
Professionals 4
Clients
Total property loss control/engineering 25
Loss control services began: 1976.
Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training, building code consulting, expert witness services, building valuations, fire suppression and detection systems testing, litigation support.
Specialties: electronic distributor, general merchandise and home furnishings retail stores and warehouses.
Regions served: nationwide.
Branch offices: Boynton Beach, Fla.
Officers: Ken Buhler, president; Randy Buhler, Sandy Relkin, vps.

C

CP Commercial Specialists
11880 College Blvd., Suite 400,
Overland Park, Kan. 66210;
913-451-3222; fax: 913-451-3285
www.choicepoint.net

1999 revenues
Total gross revenues $430,000,000*
From unbundled property loss control/ engineering 3.5%
Unbundled property loss control/ engineering revenues $15,050,000
Staff
Total 1,100
Professionals 350
Clients
Total property loss control/engineering 320
Loss control services began: 1951.
Parent: ChoicePoint Inc.
Services: onsite plant loss prevention inspections, hazard identification, building valuations.
Regions served: nationwide; Puerto Rico, Canada, Caribbean.
Branch offices: 30 branches nationwide.
Officers: Mark Turrentine, director-business development; Mike Madden, vp-operations; Bob Wickizer, vp-business development.
Contact: Mark Turrentine; 913-663-8514; mark.turrentine@choicepointinc.com; Pat Steece, national survey manager; 913-663-8528; pat.steece@choicepointinc.com.
**Parent company's revenue.*

Cannon Cochran Management Services Inc.
2 E. Main St.,
Danville, Ill. 61832;
217-444-1182; fax: 217-443-0927
www.ccmsi.com

1999 revenues
Total gross revenues $23,000,000
From unbundled property loss control/ engineering 5%
Unbundled property loss control/ engineering revenues $1,150,000
Staff
Total 292
Professionals 23
Clients
Total property loss control/engineering 2,500
Loss control services began: 1979.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, OSHA compliance, building valuations, claims loss and statistical studies.
Regions served: nationwide.
Branch offices: Lake Mary, Fla.; Danville and Oak Brook, Ill.; Des Moines, Iowa; Overland Park, Kan.; St. Louis.
Officers: G. Bryan Thomas, Steven Leubbert, Rodney N. Golden, directors.
Contact: George Peterson, loss control consultant; 217-444-1385.

Construction Technologies Laboratories
5420 Old Orchard Road,
Skokie, Ill. 60077;
800-522-2285; fax: 847-965-6541
www.ctlgroup.com

1999 revenues
Total gross revenues $15,000,000
From unbundled property loss control/ engineering 20%*
Unbundled property loss control/ engineering revenues $3,000,000*
Staff
Total 130
Professionals 20
Clients
Total property loss control/engineering 100*
Loss control services began: 1968.
Parent: Portland Cement Assn.
Services: expert witness services, litigation support, forensic investigations.
Specialties: construction, structural engineering.
Regions served: nationwide; international.
Branch offices: Baltimore; Washington.
Officers: A.E. Fiorato, president; W.G. Corley, vp; M.J. Szczech, vp.
Contact: Steve Blubaugh, director-marketing; sblubaugh@ctlgroup.com.
**Estimated.*

Mac Curless Co.
229 Spruce Ave., P.O. Box 311,
Yachats, Ore. 97498;
541-547-5225; fax: 541-547-5225

1999 revenues
Total gross revenues $110,000
From unbundled property loss control/ engineering 90%
Unbundled property loss control/ engineering revenues $100,000
Staff
Total 2
Professionals 1
Clients
Total property loss control/engineering 5
Loss control services began: 1996.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, building code consulting, expert witness services, litigation support, forensic investigations, risk and hazard analysis.
Specialties: educational and medical institutions, food service, petro/chemical.
Regions served: nationwide.
Contact: Mac Curless.

E

ECS Risk Control Inc.
520 Eagleview Blvd.,
Exton, Pa. 19341;
800-858-0853; fax: 610-458-7285
www.ecsriskcontrol.com

1999 revenues
Total gross revenues $12,568,000
From unbundled property loss control/ engineering 4%
Unbundled property loss control/ engineering revenues $532,000
Staff
Total 85
Professionals 4
Clients
Total property loss control/engineering 50
Loss control services began: 1985.
Parent: ECS Inc.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, research, client training, expert witness services, OSHA compliance, risk and hazard analysis, disaster contingency planning.
Specialties: chemical, light industrial, real estate.
Regions served: nationwide.
Branch offices: Los Angeles; San Francisco; Hartford, Conn.; Orlando and Tampa, Fla.; Atlanta; Chicago; Detroit; Charlotte, N.C.; Toledo, Ohio; Dallas; Houston; Seattle.
Officers: William Kronenberg II, president/CEO; James F. Splain, senior vp; Mark Zimmerman, vp.
Contact: James F. Splain; splainj@ecsinc.com.

F

Fagel Safety Services
125 Grant St., Suite 401, P.O. Box 209,
North Aurora, Ill. 60542-0209;
630-897-0555; fax: 630-897-0647

1999 revenues
Total gross revenues $100,000
From unbundled property loss control/ engineering 100%
Unbundled property loss control/ engineering revenues $100,000
Staff
Total 2
Clients
Total property loss control/engineering 10
Loss control services began: 1980.
Services: onsite plant loss prevention inspections, plant security inspections, client training, expert witness services, OSHA compliance, disaster contingency planning.
Specialties: food processing, government facilities.
Regions served: nationwide.
Contact: Michael J. Fagel, principal; mjfagel@aol.com.

FIRECON
P.O. Box 231,
East Earl, Pa. 17519;
717-354-2411; fax: 717-354-7233
www.firecon.com

1999 revenues
Total gross revenues $250,000*
From unbundled property loss control/ engineering 100%
Unbundled property loss control/ engineering revenues $250,000*
Staff
Total 1
Professionals 1
Clients
Total property loss control/engineering 400*
Loss control services began: 1980.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, client training, expert witness services, OSHA compliance, litigation support, forensic investigations, risk and hazard analysis, disaster contingency planning.
Regions served: nationwide; Australia.
Contact: R. Craig Schroll, president.
**Estimated.*

FIREPRO Inc.
100 Burtt Road,
Andover, Mass. 01810-5920;
781-270-5200; fax: 781-229-2922

1999 revenues
Total gross revenues $1,000,000
From unbundled property loss control/ engineering 50%
Unbundled property loss control/ engineering revenues $500,000
Staff
Total 9
Professionals 5
Loss control services began: 1970.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, building code consulting, expert witness services, fire suppression and detection systems testing, litigation support, forensic investigations, risk and hazard analysis.
Specialties: colleges and universities, health care, industrial, insurance, legal, manufacturing, property management.
Regions served: nationwide; United Kingdom.
Contact: Lee C. DeVito, president.

Flex Design Engineering
P.O. Box 14,
Wheaton, Ill. 60189;
630-690-4200; fax: 630-690-3966
www.flexfire.com

1999 revenues
Total gross revenues $200,000
From unbundled property loss control/ engineering 100%
Unbundled property loss control/ engineering revenues $200,000
Staff
Total 5
Professionals 4
Clients
Total property loss control/engineering 75
Loss control services began: 1986.
Services: fire prevention inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, expert witness services, fire suppression and detection systems testing, litigation support, risk and hazard analysis.
Specialties: developers, engineering, legal, municipal.
Regions served: nationwide.
Officers: Mark Bromann, president; Phil O'Bromowicz and Jeannine Nilo, property control managers.
Contact: Mark Bromann; markbro@owc.net.

G

Gage-Babcock & Associates Inc.
3975 Fair Ridge Drive, Suite 310 N.,
Fairfax, Va. 22033-2924;
703-934-6440; fax: 703-385-6749
www.gage-babcock.com

1999 revenues
Total gross revenues $7,000,000
From unbundled property loss control/ engineering 20%
Unbundled property loss control/ engineering revenues $1,400,000
Staff
Total 75
Professionals 40
Clients
Total property loss control/engineering 60
Loss control services began: 1952.
Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training, building code consulting, expert witness services, building valuations, fire suppression and detection systems testing, litigation support, risk and hazard analysis.
Regions served: nationwide; Africa, Canada, Dominican Republic, Europe, Indonesia, South America, South Korea, Thailand.
Branch offices: La Palma and Walnut Creek, Calif.; Norcross, Ga.; Oak Brook, Ill.; Armonk, N.Y.; Fairfax, Va.
Officers: Thomas W. Jaeger, president; Alfred J. Longhitano, treasurer; Mario A. Antonetti, secretary.
Contact: Douglas J. Rollman, vp-business development.

Gallagher Bassett Services Inc.
The Gallagher Centre, 2 Pierce Place,
Itasca, Ill. 60143-3141;
630-773-3800; fax: 630-285-4005
www.gallagherbassett.com

1999 revenues
Total gross revenues $169,000,000
From unbundled property loss control/ engineering 7%
Unbundled property loss control/ engineering revenues $11,830,000
Staff
Total 64
Professionals 50
Clients
Total property loss control/engineering 467
Loss control services began: 1962.
Parent: Arthur J. Gallagher & Co.
Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training, building code consulting, expert witness services, OSHA compliance, building valuations, fire suppression and detection systems testing, risk and hazard analysis, disaster contingency planning.
Specialties: commercial, municipal, religious.
Regions served: nationwide; Puerto Rico, Australia, Canada, Fiji, Indonesia, Mexico, Singapore, United Arab Emirates, United Kingdom.
Branch offices: Los Angeles; Denver; Miami; Atlanta; Boston; St. Louis; Fort Worth, Texas; Melbourne, New South Wales, Sydney and Victoria, Australia.
Officers: Rich McKenna, president; Emil Bravo, Joe Slifka, executive vps.
Contact: Joe Slifka; 630-285-3575.

Continued on next page

Continued from previous page

Global Risk Consultants Corp.

Metro Park, 99 Wood Ave. S.,
Iselin, N.J. 08830-2715;
732-635-4400; fax: 732-635-1648
www.globalriskconsultants.com

1999 revenues
Total gross revenues $23,233,000
From unbundled property loss control/ engineering 95%
Unbundled property loss control/ engineering revenues $22,071,350
Staff
Total 189
Professionals 108
Clients
Total property loss control/engineering 740

Loss control services began: 1958.
Parent: International Risk Management Group Ltd.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, building code consulting, expert witness services, fire suppression and detection systems testing, risk and hazard analysis, disaster contingency planning.
Specialties: agriculture, chemical, energy, metals, mining, paper, power generation, pulp.
Regions served: nationwide; international.
Branch offices: Lemon Grove, Calif.; Buena Vista, Col.; Newark, Del.; Atlanta; Bloomingdale, Ill.; Prairie Village, Kan.; Prospect, Ky.; Plymouth Mich.; Minneapolis; St. Louis; Las Vegas; Iselin, N.J.; Brecksville, Ohio; Livingston, Tenn.; Arlington, Texas; Issaquah, Wash.; Melbourne, Australia; Sao Paulo, Brazil; Waterloo, Ontario; Weybridge, England; Paris; Offenbach, Germany; Malaysia.
Officers: William F. Ramonas, CEO; Glenn H. Giles, president; Dennis G. McGowan, COO.
Contact: Glenn H. Giles.

H

HSB Professional Loss Control

1 State St., P.O. Box 5024,
Hartford, Conn. 06102-5024;
860-722-5621; fax: 860-722-5530
www.hsbplc.com

1999 revenues
Total gross revenues $5,000,000
From unbundled property loss control/ engineering 65%
Unbundled property loss control/ engineering revenues $32,000,000
Staff
Total 48
Professionals 36
Clients
Total property loss control/engineering 97

Loss control services began: 1976.
Parent: HSB Group Inc.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, building code consulting, expert witness services, OSHA compliance, fire suppression and detection systems testing, litigation support, risk and hazard analysis, disaster contingency planning.
Specialties: large commercial, heavy and light industry, nuclear facilities.
Regions served: nationwide; international.
Branch offices: Hartford, Conn.; Basking Ridge, N.J.; Kingston, Tenn.; Houston.
Officers: Michael Mowrer, executive vp; Harvey Goranson, vp-consulting services; Don Drewry, vp-inspection services.
Contact: Wayne D. Holmes, vp-business development; wayne_holmes@hsb.com.

I

Industrial Safety Concepts

120 W. Germantown Pike,
Plymouth Meeting, Pa. 19462;
800-220-3008; fax: 610-825-8149
www.clairodell.com

1999 revenues
Total gross revenues $20,000,000
From unbundled property loss control/ engineering 1.3%
Unbundled property loss control/ engineering revenues $250,000
Staff
Total 4
Professionals 2
Clients
Total property loss control/engineering 35

Loss control services began: 1996.
Parent: Mellon Financial Corp.
Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, publications, research, client training, OSHA compliance, risk and hazard analysis, disaster contingency planning.
Specialties: distribution and warehouses, health care, manufacturing.
Regions served: nationwide.
Officers: Frank D. Svitek, CEO; William Kanehann, COO; Matthew Winters, senior risk control consultant.
Contact: Matthew Winters; winters.m.cog@mellon.com.

Inservco Insurance Services Inc.

2 N. Second St., P.O. Box 3899,
Harrisburg, Pa. 17105-3899;
800-356-0438; fax: 717-221-6060
www.pennnationalinsurance.com/inservco/

1999 revenues
Total gross revenues $248,000
From unbundled property loss control/ engineering 56.1%
Unbundled property loss control/ engineering revenues $139,200
Staff
Total 5
Professionals 5
Clients
Total property loss control/engineering 146

Loss control services began: 1980.
Parent: Penn National Insurance Cos.
Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training, building code consulting, OSHA compliance, building valuations, fire suppression and detection systems testing, claims loss and statistical studies, risk and hazard analysis, disaster contingency planning.
Specialties: government; schools.
Regions served: nationwide.
Branch offices: Trenton, N.J.; Greensboro, N.C.; Pittsburgh.
Officers: Jim Butler, president; Mike Scheib, vp-operations; Joe Boslet, vp-safety management services.
Contact: Joe Boslet; 800-356-0438, ext. 4023; jboslet@pnat.com.

Insurance & Risk Management

3811 Illinois Road,
Fort Wayne, Ind. 46801;
219-436-1616; fax: 219-432-4083
www.insuranceriskmgmt.com

1999 revenues
Total gross revenues $12,800,000
From unbundled property loss control/ engineering 2%
Unbundled property loss control/ engineering revenues $250,000
Staff
Total 3
Professionals 3
Clients
Total property loss control/engineering 300

Loss control services began: 1988.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, client training, expert witness services, OSHA compliance, building valuations.
Regions served: nationwide.
Branch offices: Indianapolis and Warsaw, Ind.
Officers: John Hettwer, chairman; Dewey Tagtmeyer and Harold Everett, partners.
Contact: James E. Krouse, executive vp; 219-436-1114, ext. 214.

J

Rolf Jensen & Associates Inc.

549 W. Randolph St., Fifth Floor,
Chicago, Ill. 60661;
312-831-8200; fax: 312-831-8862
www.rjagroup.com

1999 revenues
Total gross revenues $20,000,000
From unbundled property loss control/ engineering 1.4%
Unbundled property loss control/ engineering revenues $280,000
Staff
Total 160
Professionals 10

Loss control services began: 1969.
Parent: The RJA Group Inc.
Services: fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training, building code consulting.
Specialties: commercial, industrial, and institutional.
Regions served: nationwide; international.
Branch offices: Los Angeles; San Francisco; Denver; Orlando, Fla.; Atlanta; Chicago; Boston; Las Vegas; New York; Raleigh, N.C.; Houston; Fairfax, Va.
Officers: Martin H. Russ, president/CEO; George E. Toth, Ralph E.Transue, senior vps.
Contact: Patrick Johnson; pjohnson@rjagroup.com.

L

LMG Property

51 Sawyer Road, Suite 410,
Waltham, Mass. 02453;
781-906-2611; fax: 508-641-2688

1999 revenues
Total gross revenues $180,000,000
From unbundled property loss control/ engineering 0.4%
Unbundled property loss control/ engineering revenues $700,000
Staff
Total 261
Professionals 60
Clients
Total property loss control/engineering 2,000

Loss control services began: 1940.
Parent: Liberty Mutual Insurance Cos.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, client training, building code consulting, fire suppression and detection systems testing, risk and hazard analysis.
Regions served: nationwide; China, Europe, Japan, Mexico, Philippines, Singapore, South Korea, Taiwan.
Branch offices: Los Angeles and Pleasanton, Calif.; Atlanta; Chicago; Overland Park, Kansas; Boston; New York; Columbus, Ohio; Philadelphia; Dallas; Houston; Milwaukee and Wausau, Wis.
Officers: Roy Mahlstedt, president; John Lawlor,

Continued on next page

A guide to terms used in this directory

The 14th annual *Business Insurance* Directory of Property Loss Control Consultants and Engineers lists companies that provide loss control services on an unbundled basis to organizations directly using the services; consultants that provide these services only in conjunction with other services, such as brokering insurance, are not listed.

Listings begin with the name, address, telephone and fax number of each company. Figures for the company's **1999 gross revenues**, as well as the percentage of revenues earned from its unbundled property loss control consulting, are provided next.

Information on **staff** members at year-end 1999, including professionals assigned to property loss control consulting and engineering services, is provided.

Next, the total number of property loss control consulting and engineering **clients** appears, followed by the year that **loss control services began** and the name of the **parent company**, if any.

Details about loss control **services** follow. For companies that specialize in consulting to particular types of business or industries, those **specialties** are noted. Listed next are the **regions served**, as well as the locations of **branch offices** providing property loss control services. Names and titles of principal **officers** follow. Finally, a **contact** person is provided for readers who want additional information.

Business Insurance publishes the directory as an editorial service; there is no charge to be included. Listings are based on each company's response to a *BI* questionnaire. Although every effort is made to provide complete and accurate information, *BI* is unable to verify all information received.

Continued from previous page

manager-operations; Scott Settje, manager-engineering.

Contact: Scott Settje; scott.settje@lmgproperty.com.

Loss Control Associates Inc.

172 Middletown Blvd., Suite B-204
Langhorne, Pa. 19047;
215-750-6841; fax: 215-750-6845
www.losscontrolassociates.com

1999 revenues

Total gross revenues	$700,000
From unbundled property loss control/ engineering	100%
Unbundled property loss control/ engineering revenues	$700,000
Staff	
Total	9
Professionals	7
Clients	
Total property loss control/engineering	43

Loss control services began: 1986.

Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, expert witness services, OSHA compliance, fire suppression and detection systems testing, litigation support, forensic investigations, risk and hazard analysis, disaster contingency planning.

Specialties: chemical, petrochemical, refining.

Regions served: nationwide; Africa, South Korea, Saudi Arabia, South America.

Officers: Orville M. Slye Jr., president; Anthony M. Ordile, consulting engineer.

Contact: Anthony M. Ordile; lcainc@erols.com.

Mariner Management Group Inc.

42 W. Allendale Ave.,
Allendale, N.J. 07401;
201-825-8883; fax: 201-825-9194

1999 revenues

Total gross revenues	$2,000,000
From unbundled property loss control/ engineering	5%
Unbundled property loss control/ engineering revenues	$100,000
Staff	
Total	20
Professionals	1

Loss control services began: 1992.

Services: client training, expert witness services, litigation support, risk and hazard analysis.

Specialties: marine.

Regions served: nationwide.

Branch offices: Oakland, Calif.

Officers: George Koons Jr., chairman/CEO; Peter A. Mello, president/COO; Claudio N. Crivici, senior vp.

Contact: Claudio N. Crivici; 201-825-8883, ext. 209; claudio@mariner-companies.com.

The directory of property loss control consultants begins on page 18.

Marsh Risk Consulting

1 World Trade Center,
New York, N.Y. 10048;
212-345-0450; fax: 212-345-0713
www.jhmarshmc.com

1999 revenues

Total gross revenues	$160,000 000
From unbundled property loss control/ engineering	50%
Unbundled property loss control/ engineering revenues	$80,000 000
Staff	
Total	1 000
Professionals	550
Clients	
Total property loss control/engineering	2,000*

Loss control services began: 1875.

Parent: Marsh & McLennan Cos. Inc.

Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, OSHA compliance, building valuations, fire suppression and detection systems testing, litigation support, claims loss and statistical studies, risk and hazard analysis, disaster contingency planning.

Regions served: nationwide; international.

Branch offices: 50 nationwide and 100 international branch offices.

Officers: James Connolly, Harry Taback managing directors; William Grimes, senior vp.

Contact: Harry Taback; harry.taback@marshmc.com.

**Estimated.*

Matrix Risk Consultants Inc.

3130 S. Tech Blvd,
Miamisburg, Ohio 45342;
937-886-0000; fax: 937-432-2099
www.matrixrc.com.

1999 revenues

Total gross revenues	$2,800,000
From unbundled property loss control/ engineering	100%
Unbundled property loss control/ engineering revenues	$2,800,000
Staff	
Total	20
Professionals	15
Clients	
Total property loss control/engineering	19

Loss control services began: 1972.

Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, client training, fire suppression and detection systems testing, risk and hazard analysis, disaster contingency planning.

Regions served: nationwide; Australia, Canada, Caribbean, Europe, Mexico.

Officers: Walter P. Luker, president; Larry D. Jones, vp-engineering; Alan J. Rodeck, vp-marketing.

Contact: matrix@matrixrc.com.

Donald Mayo-Fire Protection Consultant

2300 Contra Costa Blvd., Suite 330,
Pleasant Hill, Calif. 94523;
925-685-3733; fax: 925-676-8780

1999 revenues

Total gross revenues	$590,000
From unbundled property loss control/ engineering	100%
Unbundled property loss control/ engineering revenues	$590,000
Staff	
Total	2
Professionals	2
Clients	
Total property loss control/engineering	4

Loss control services began: 1987.

Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, client training, building code consulting, fire suppression and detection systems testing, risk and hazard analysis, disaster contingency planning.

Regions served: nationwide; Toronto, London, Roosendaal, Netherlands.

Officers: Donald Mayo, president; Linda Mayo, vp.

Contact: Donald Mayo.

Meadowbrook Insurance Group Inc.

26600 Telegraph Road,
Southfield, Mich. 48034;
800-482-2726; fax: 248-358-1614
www.meadowbrook.com

1999 revenues

Total gross revenues	$3,375,000*

Continued on next page

Continued from previous page

From unbundled property loss control/ engineering ... 60%
Unbundled property loss control/ engineering revenues ... $2,025,000
Staff
Total ... 29*
Professionals ... 23
Clients
Total property loss control/engineering ... 60**

Loss control services began: 1983.
Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, OSHA compliance, building valuations, fire suppression and detection systems testing, litigation support, claims loss and statistical studies, risk and hazard analysis, disaster contingency planning.
Specialties: alternative risk group programs, captive and rent-a-captive programs, self-insurance.
Regions served: nationwide; Canada.
Branch offices: Montgomery, Ala.; Cerritos, Fresno, Oakland and Sacramento, Calif.; Deerfield and Sarasota, Fla.; Overland Park, Kan.; Louisville, Ky.; Andover, Mass.; Grand Rapids, Greenville, Saginaw, Southfield and Traverse City, Mich.; Minneapolis.
Officers: Merton J. Segal, chairman; Robert S. Cubbin, president/COO; Joseph C. Henry, executive vp.
Contact: Mike Cascone, senior vp-loss control/corporate risk manager; mcascone@meadowbrook.com.
**Gross revenues and staff reflect property loss control consulting only. **Multilocation groups/associations.*

N

NATLSCO
1 Kemper Drive,
Long Grove, Ill. 60049;
847-320-2111; fax: 847-320-5460
www.natlsco.com

1999 revenues
Total gross revenues ... $240,000,000
From unbundled property loss control/ engineering ... 1%
Unbundled property loss control/ engineering revenues ... $2,000,000
Staff
Total ... 3,350
Professionals ... 100

Loss control services began: 1964.
Parent: Kemper Insurance Cos.
Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, client training, building code consulting, OSHA compliance, building valuations, risk and hazard analysis, disaster contingency planning.
Regions served: nationwide; Europe, Asia, Latin America.
Branch offices: Denver, Atlanta, Chicago, Boston, Cleveland, Philadelphia, Dallas, Seattle, Toronto.
Officers: Patricia Drago, senior vp-client services group; Philip Davis, vp-insurance services; Robert Hilts, vp.
Contact: Scott Babcock, director-sales and marketing.

O

Occupational Safety & Health Consultants
183 Grand Ave.,
Lafayette, La. 70503;
337-988-3490; fax: 337-988-3490

1999 revenues
Total gross revenues ... $1,065,000
From unbundled property loss control/ engineering ... 20%
Unbundled property loss control/ engineering revenues ... $213,000
Staff
Total ... 5
Professionals ... 3
Clients
Total property loss control/engineering ... 6

Loss control services began: 1984.
Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, client training, expert witness services, OSHA compliance, litigation support, forensic investigations, claims loss and statistical studies, risk and hazard analysis, disaster contingency planning.
Specialties: construction, marine, oil production (offshore and onshore).
Regions served: nationwide; Central America, Mexico, Venezuela.
Branch offices: Baton Rouge, Houma, Lafayette and New Orleans, La.; Houston.
Officers: Donald G. Broussard, president; Renee Darsey Broussard, treasurer; Mike Hampy, vp.

Richard Oliver International Inc.
1717 Park St., Suite 200,
Naperville, Ill. 60563;
630-637-1717; fax: 630-637-5003
www.richardoliver.com

1999 revenues
Total gross revenues ... $5,061,000
From unbundled property loss control/ engineering ... 13.8%
Unbundled property loss control/ engineering revenues ... $698,418
Staff
Total ... 12
Professionals ... 3
Clients
Total property loss control/engineering ... 45

Loss control services began: 1972.
Parent: Willis Group Ltd.
Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, expert witness services, OSHA compliance, building valuations, fire suppression and detection systems testing, litigation support, claims loss and statistical studies, risk and hazard analysis, disaster contingency planning.
Regions served: nationwide; Canada, Central America, Mexico, South America.
Officers: Robert Beerman, principal-risk engineering; Kathy Brody, senior vp.
Contact: Kathy Brody.

P

Professional Safety Consultant Service Inc.
424 S.E. 30th Ave.,
Ocala, Fla. 34471;
800-329-7233; fax: 352-694-3853

1999 revenues
Total gross revenues ... $100,000
From unbundled property loss control/ engineering ... 100%
Unbundled property loss control/ engineering revenues ... $100,000
Staff
Total ... 2
Professionals ... 1
Clients
Total property loss control/engineering ... 50

Loss control services began: 1975.
Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, research, client training, building code consulting, expert witness services, OSHA compliance, litigation support, forensic investigations, claims loss and statistical studies, risk and hazard analysis, disaster contingency planning.
Specialties: construction, industrial, manufacturing, retail.
Regions served: nationwide; international.
Officers: Herbert T. Bogert, president/treasurer; Nancy A. Bogert, vp/secretary.
Contact: Herbert T. Bogert.

R

RPF Associates
20 Leroy St.,
Dix Hills, N.Y. 11746;
631-586-0778; fax: 631-586-5164

1999 revenues
Total gross revenues ... $220,000
From unbundled property loss control/ engineering ... 50%
Unbundled property loss control/ engineering revenues ... $110,000
Staff
Total ... 3
Professionals ... 2
Clients
Total property loss control/engineering ... 30

Loss control services began: 1984.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training, expert witness services, OSHA compliance, building valuations, fire suppression and detection systems testing, litigation support, forensic investigations, risk and hazard analysis, disaster contingency planning.
Specialties: construction, retail lumber yards, motor carriers, printer and paper box manufacturers.
Regions served: nationwide; Canada, Caribbean, Mexico.
Officers: Robert P. Firmbach, president; Carol A. Firmbach, vp.
Contact: Robert P. Firmbach.

RECON L.L.C.
9 Mott Ave., Suite 309,
Norwalk, Conn. 06850;
203-854-9962; fax: 203-866-3892
www.recon-llc.com

1999 revenues
Total gross revenues ... $600,000
From unbundled property loss control/ engineering ... 10%
Unbundled property loss control/ engineering revenues ... $60,000
Staff
Total ... 4
Clients
Total property loss control/engineering ... 10

Loss control services began: 1993.
Services: building code consulting, expert witness services, building valuations, forensic investigations, disaster contingency planning.
Regions served: nationwide; Central America, South America.
Contact: Kenneth Kosinski.

Regional Reporting Inc.
111 John St.,
New York, N.Y. 10038;
212-964-5973; fax: 212-608-5074
www.regionalreporting.com

1999 revenues
Total gross revenues ... $14,000,000
From unbundled property loss control/ engineering ... 80%
Unbundled property loss control/ engineering revenues ... $11,200,000
Staff
Total ... 260
Professionals ... 205
Clients
Total property loss control/engineering ... 410

Loss control services began: 1963.
Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, research, client training, expert witness services, OSHA compliance, building valuations, fire suppression and detection systems testing, litigation support, risk and hazard analysis, disaster contingency planning.
Regions served: nationwide; Canada, United Kingdom.
Branch offices: Sacramento, Calif.; Hartford, Conn.; Atlanta; Chicago; Marlton, N.J.; New York; Cleveland; Dallas.
Officers: Martin Myers, chairman/CEO; Louis Siegel, president; Josephine Johns, executive vp.
Contact: Josephine Johns.

Risk Analysts Inc.
24 Greenway Plaza, Suite 1100,
Houston, Texas 77046-2401;
713-507-4792; fax: 713-507-9433
www.wisenberg.com

1999 revenues
Total gross revenues ... $300,000
From unbundled property loss control/ engineering ... 40%
Unbundled property loss control/ engineering revenues ... $120,000
Staff
Total ... 55
Professionals ... 3
Clients
Total property loss control/engineering ... 60

Loss control services began: 1986.
Parent: Wisenberg Insurance & Risk Management.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, research, client training, building code consulting, expert witness services, OSHA compliance, risk and hazard analysis, disaster contingency planning.
Specialties: distribution centers and warehouses, health care, hospitality, manufacturing, real estate, restaurant, retail.
Regions served: nationwide.
Officers: Joe Williams, chairman/CEO; Jeff Pozmantier, president; Nicholas P. Dalby, vp/director-risk control.
Contact: Nicholas P. Dalby; ndalby@wisenberg.com.

Risk Consultants Inc.
P.O. Box 490850,
Atlanta, Ga. 30349;
770-964-1226; fax: 770-969-7301
www.riskcon.com

1999 revenues
Total gross revenues ... $4,000,000
From unbundled property loss control/ engineering ... 60%
Unbundled property loss control/ engineering revenues ... $2,400,000
Staff
Total ... 90
Professionals ... 50
Clients
Total property loss control/engineering ... 300

Loss control services began: 1979.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training, building code consulting, expert witness services, OSHA compliance, building valuations, litigation support, claims loss and statistical studies, risk and hazard analysis, disaster contingency planning.
Regions served: nationwide; Canada, Caribbean, United Kingdom.
Branch offices: San Diego; Orlando, Fla.; Chicago; Memphis, Tenn.; Dallas.
Officers: R. Michael Malone, president/CEO; Hugh P. Bagwell, vp; Ron Manford, director-technical services.
Contact: R. Michael Malone.

Risk Logic Inc.
93 Apple Ridge,
Woodcliff Lake, N.J. 07677;
201-930-0700; fax: 201-930-8795
www.risklogic.com

1999 revenues
Total gross revenues ... $700,000
From unbundled property loss control/ engineering ... 100%
Unbundled property loss control/ engineering revenues ... $700,000
Staff
Total ... 7
Professionals ... 6
Clients
Total property loss control/engineering ... 16

Loss control services began: 1997.
Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training, expert witness services, building valuations, fire suppression and detection systems testing, litigation support, forensic investigations, risk and hazard analysis, disaster contingency planning.
Specialties: manufacturers.
Regions served: nationwide.
Branch offices: San Diego; Middletown, N.J.
Officers: John Durante, president; Rich Cardile, vp-engineering; Sandra Longo, vp-operations.
Contact: John Durante; risk_logic@msn.com.

Rode & Associates L.L.C.
66 Cedar St., Suite 104,
Newington, Conn. 06111-2646;
860-594-7183; fax: 860-594-7184
www.rode-llc.com

1999 revenues
Total gross revenues ... $204,000

Continued on next page

Continued from previous page

From unbundled property loss control/ engineering 100%
Unbundled property loss control/ engineering revenues $204,000
Staff
Total 3
Professionals 3
Clients
Total property loss control/engineering 17

Loss control services began: 1994.

Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, expert witness services, litigation support, forensic investigations, risk and hazard analysis, disaster contingency planning.

Specialties: power generation and renewable energy developers, investors and suppliers.

Regions served: nationwide; Finland, Sweden, United Kingdom.

Officers: Douglas M. Rode, managing director; William J. Satterfield, chief investigator; George Willis Moore III, director-property loss management.

Contact: Douglas M. Rode; rode@rode-llc.com.

S

Safety & Risk Control Services Inc.

395 Main St., Suite Four,
Metuchen, N.J. 08840-1806;
800-466-4025; fax: 732-906-2045
www.safetyrisk.com

1999 revenues
Total gross revenues $500,000*
From unbundled property loss control/ engineering 25%
Unbundled property loss control/ engineering revenues $125,000*
Staff
Total 15
Professionals 5
Clients
Total property loss control/engineering 8

Loss control services began: 1989.

Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, client training, OSHA compliance, building valuations, risk and hazard analysis, disaster contingency planning.

Specialties: commercial real estate, country clubs, hospitality, industrial.

Regions served: nationwide.

Contact: Harvey S. Staple, president; staple@safetyrisk.com.

**Estimated.*

Safety Consulting Inc.

150 S.W. 33rd St., Suite A, P.O. Box 2789,
Topeka, Kan. 66601-2789;
785-266-1006; fax: 785-266-1007

1999 revenues
Total gross revenues $300,000
From unbundled property loss control/ engineering 100%
Unbundled property loss control/ engineering revenues $300,000
Staff
Total 3
Professionals 3
Clients
Total property loss control/engineering 50

Loss control services began: 1971.

Services: onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training, building code consulting, expert witness services, OSHA compliance, litigation support, risk and hazard analysis, disaster contingency planning.

Regions served: nationwide.

Officers: Craig S. Stromgren, president; John Parkin, vp.

Safety Management Services Inc.

200 Travis St., Suite 104,
Lafayette, La. 70503;
337-235-6524; fax: 337-233-9772

1999 revenues
Total gross revenues $300,000*
From unbundled property loss control/ engineering 50%
Unbundled property loss control/ engineering revenues $150,000*
Staff
Total 5
Professionals 3
Clients
Total property loss control/engineering 36

Loss control services began: 1981.

Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, publications, research, client training, building code consulting, expert witness services, OSHA compliance, fire suppression and detection systems testing, litigation support, forensic investigations, claims loss and statistical studies, risk and hazard analysis, disaster contingency planning.

Regions served: nationwide.

Officers: Jack Barnidge, president; Fred DeJean, vp; Ben Pooler, specialist.

Contact: Jack Barnidge.

**Estimated.*

Schirmer Engineering Corp.

707 Lake Cook Road,
Deerfield, Ill. 60015;
847-272-8340; fax: 847-272-2639
www.schirmerengineering.com

1999 revenues
Total gross revenues $15,400,000
From unbundled property loss control/ engineering 20%
Unbundled property loss control/ engineering revenues $3,100,000
Staff
Total 130
Professionals 25
Clients
Total property loss control/engineering 40

Loss control services began: 1939.

Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, expert witness services, OSHA compliance, building valuations, fire suppression and detection systems testing, litigation support, forensic investigations, risk and hazard analysis, disaster contingency planning.

Regions served: nationwide.

Branch offices: Princeton, N.J.

Officers: Carl Baldassarra, president; Mark Rochholz, senior vp; David Nugent, vp.

Contact: Benjamin Polanski; 66 Witherspoon, Suite 229, Princeton, N.J., 08542; 609-488-6002; bpolanski@schirmereng.com.

SIGMA Associates Ltd.

105 Timber Ridge Blvd.,
Pass Christian, Miss. 39571;
228-452-4866; fax: 228-452-7202
www.sigmaassocltd.com

1999 revenues
Total gross revenues $580,000
From unbundled property loss control/ engineering 60%
Unbundled property loss control/ engineering revenues $348,000
Staff
Total 5
Professionals 3
Clients
Total property loss control/engineering 13

Loss control services began: 1978.

Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training, building code consulting, expert witness services, OSHA compliance, building valuations, fire suppression and detection systems testing, litigation support, forensic investigations, claims loss and statistical studies, risk and hazard analysis, disaster contingency planning.

Regions served: nationwide.

Officers: A.J. Scardino Jr., president/CEO; L.B. Scardino, secretary/treasurer; Albert Lagerda, senior associate.

Contact: A.J. Scardino Jr.

Stogniew & Associates

12225 28th St. N.,
St. Petersburg, Fla. 33716;
727-572-7400; fax: 727-572-7457

1999 revenues
Total gross revenues $1,000,000
From unbundled property loss control/ engineering 40%
Unbundled property loss control/ engineering revenues $400,000
Staff
Total 13
Professionals 9
Clients
Total property loss control/engineering 35

Loss control services began: 1980.

Services: onsite plant loss prevention inspections, plant security inspections, hazard identification, expert witness services, litigation support, forensic investigations, claims loss and statistical studies, risk and hazard analysis, disaster contingency planning.

Specialties: financial institutions.

Regions served: nationwide.

Officers: Gerald F. Stogniew, executive director; Mac Fleming, director; Kristen J. Stogniew, general counsel.

Contact: Gerald F. Stogniew; Mac Fleming.

T

TVA Fire & Life Safety Inc.

200 Valley Road, Suite 306,
Mount Arlington, N.J. 07856;
973-398-1445; fax: 973-398-1442
www.tvafiresafety.com

1999 revenues
Total gross revenues $9,400,000
From unbundled property loss control/ engineering 8%
Unbundled property loss control/ engineering revenues $730,000
Staff
Total 120
Professionals 10
Clients
Total property loss control/engineering 8

Loss control services began: 1996.

Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, expert witness services, OSHA compliance, building valuations, fire suppression and detection systems testing, litigation support, forensic investigations, claims loss and statistical studies, risk and hazard analysis, disaster contingency planning.

Specialties: electronics, manufacturing, petrochemical, retail, semi-conductor.

Regions served: nationwide; Australia, Canada, France, Germany, Italy, Mexico, Netherlands, Spain.

Branch offices: San Diego; Atlanta; Farmington Hills, Mich.; Minneapolis; Dallas.

Officers: William J. Tomes, chairman; James Tomes, CEO; Russ Leavitt, president.

Contact: Mark Musikoff; mmusikoff@tvafiresafety.com.

Z

Zurich Services Corp.

1400 American Lane,
Schaumburg, Ill. 60188;
800-982-5964; fax: 847-605-7736
www.risk-engineering.com

1999 revenues
Total gross revenues $3,000,000
From unbundled property loss control/ engineering 22%
Unbundled property loss control/ engineering revenues $660,000
Staff
Total 260
Professionals 80
Clients
Total property loss control/engineering 11

Loss control services began: 1912.

Parent: Zurich Financial Services Group.

Services: onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, OSHA compliance, building valuations, fire suppression and detection systems testing, forensic investigations, risk and hazard analysis, disaster contingency planning.

Specialties: electronics, health care, oil and chemical.

Regions served: nationwide; international.

Branch offices: San Francisco; Atlanta; Chicago; New York; Philadelphia.

Contact: Dave Czartoryski; senior vp-risk engineering; 847-605-6638. BI

GLOBAL BRIEFS

CGNU P.L.C. has stopped writing new business through its London-based global risks division and will close existing accounts when they come up for renewal. The insurer said the move was in line with its strategy to exit unprofitable areas of business. About 250 jobs will be lost. The move follows the reporting of CGNU's disappointing half-year results last week.... Standard & Poor's Corp. has revised its outlook to stable from negative for Zurich Financial Services, the holding company for the **Zurich Financial Services Group Inc.** S&P cited the group's improved non-life operating performance and the successful reduction of its expense ratios. The revised outlook also applies to Zurich Insurance Co., Zurich International (Bermuda) Ltd., ZCM Matched Funding Corp. and Zurich Capital Markets Co. S&P also affirmed its AA long-term counterparty credit rating on ZFS....Moody's Investors Service has downgraded its performance rating of Sterling Underwriting Agencies Ltd.'s troubled **syndicate 529** to C- from C+. Lloyd's earlier revoked the syndicate's license for the 2000 year of account....London-based ACE Global Markets has joined with Hammond Suddards Edge, one of the United Kingdom's largest commercial law firms, to launch a dedicated claims service for solicitors. The new venture, which will be called **Solicitors Practice Protection Ltd.**, will provide a national claims help line, access to legal advice, claims information via a secure extranet and assistance with risk management. SPPL will be based at Lloyd's of London....Two underwriters have resigned from **Limit P.L.C.**, the Lloyd's of London integrated vehicle that is being taken over by Australian multiline insurer QBE Insurance Ltd. John Hamblin, active underwriter of property/casualty syndicate 566, has resigned from the Limit board and will join Cathedral Capital P.L.C. Cathedral announced last week that it had applied to set up a new syndicate for the 2001 year of account with a proposed stamp capacity of £70 million ($105 million). Barnabas Hurst-Bannister, active underwriter of Limit's composite syndicate 79, has also resigned. Limit said this departure was in accordance with plans agreed to earlier in the year.... Banks will be able to enter **India's newly deregulated insurance sector**. The Indian government has announced that insurance qualifies as a form of business that comes under the country's 1949 Banking Regulation Act....U.K. savings and loan society **Halifax Group P.L.C.** has received two licenses to set up a non-life and a life insurance company in Ireland. The group was awarded the licenses by the Shannon Development Corp. and has received approval from the Irish insurance regulator, the Department of Enterprise, Trade and Employment. Halifax said it intends to launch the new companies in January 2001.... Michael Crowe will retire as chairman of Lloyd's of London managing agency **Crowe Insurance Group** at the end of the year. Mr. Crowe, who founded the company that now manages six syndicates at Lloyd's, agreed to his departure 18 months ago, when Crowe Insurance was acquired by Bermuda-based reinsurer Stockton Reinsurance Ltd. Mr. Crowe will remain on the management board of Crowe's auto syndicate 963 for the 2001 year....Cologne, Germany-based Gerling Konzern Globale Ruckversicherungs A.G. has received permission from Chinese regulators to open a **representative office in Shanghai**.

Japan liberalizing market

By MICHAEL BRADFORD

TOKYO—Japan is moving closer to a more open insurance marketplace under a trade agreement reached with the United States last month.

Among the changes called for under the agreement, which addressed non-insurance industries as well, is a plan to liberalize the accident/health sector of Japan's insurance market. The United States also won some concessions in its efforts to change the way Japan's state-run life insurance company operates.

"It's a huge market that, in the past, has not been very open," said David Snyder, assistant general counsel with the American Insurance Assn. in Washington. But with the talks, progress is being made toward liberalizing the marketplace, Mr. Snyder said. More talks are scheduled for October.

Moves to deregulate the Japanese market are seen as positive for insurance buyers, said Roger Andrews, president of the Risk & Insurance Management Society Inc.

Mr. Andrews, who was in Japan in February as part of group that presented two risk management seminars, said he found, in talking with Japanese executives, that "everybody is optimistic that deregulation will broaden the market for the buyer," as new products are developed. He said the new openness should spark competition that will bring down prices.

"I think it will be good for the buyer," said Mr. Andrews, who is general counsel and director-risk management at E.D. Bullard Co. in Cynthiana, Ky. Mr. Andrews predicted that deregulation will boost interest in risk management, as buyers are offered more ways to protect their exposures.

Foreign insurers are closely watching as Japan moves toward an open marketplace, following the country's "Big Bang" of financial services deregulation, which began in 1996. The AIA points out that foreign insurers underwrite only about 3.9% of the Japanese market, because the market has been closed until recent developments began cracking it open.

"The whole aim of the Big Bang is to put Japan on a comparable basis with other international centers," said Ron Akhurst, president of Watson Wyatt Insurance Consulting in Tokyo.

But insurers may have to be patient, because, as Mr. Akhurst pointed out, "there has been a fair amount of comment in Japan about how fast the government is willing or unwilling to progress down that road as far as insurance is concerned."

Sources point out, though, that the recent agreement reached during trade talks is an encouraging development.

Mr. Snyder noted that Japan's so-called third sector, which is made up of insurers writing personal and group medical coverages, has been dominated by a few foreign

See **Japan** *on page 25*

Liability comes home to roost

Company liable for cleanup after pigeons

By SARAH VEYSEY

LONDON—A longstanding battle over pigeon droppings has prompted a landmark High Court ruling that could mean landowners in the United Kingdom are liable for nuisances caused by wildlife on their land.

Earlier this month, Mr. Justice Gibbs ruled that Railtrack P.L.C., the operator of the United Kingdom's railway infrastructure, was responsible for pigeon droppings caused by birds nesting on Balham High Road railway bridge in southwest London.

PHOTO: AFP

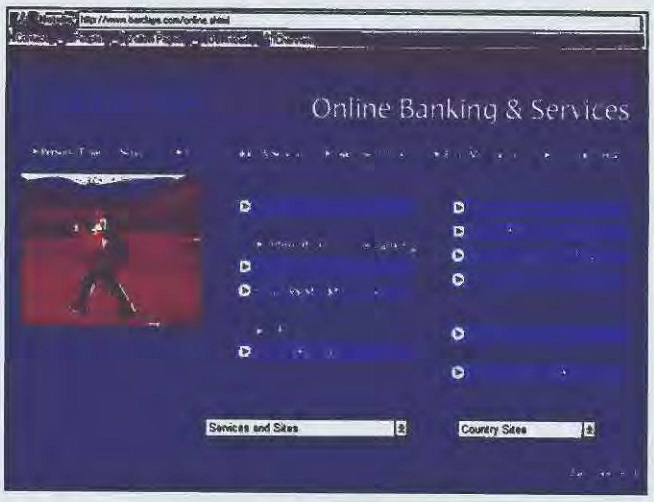
Following years of complaints from pedestrians, local residents and businesses about the mess surrounding the bridge, the Wandsworth Borough Council, the local council for the Balham area, took Railtrack to court over the matter in July. The council was seeking to recoup the £12,000 ($18,000) per year in cleaning costs resulting from the mess. It currently cleans the pavement under the bridge seven days a week using jet sprays.

The rail operator was ordered to pay to install netting under the bridge to prevent pigeons from nesting and to repay the council's legal costs as well as damages. Although the exact amount of damages will be set later, the netting alone is estimated to cost up to £10,000 ($15,047).

Wandsworth Borough Council claimed in its suit that Railtrack had a responsibility to use netting to prevent pigeons from nesting on the bridge. The judge ruled that, "while it is true that the defendants have no control over the general pigeon population in the area, they clearly do have the means to control and, indeed, prevent pigeons roosting under their bridge."

Mr. Justice Gibbs ruled that Railtrack should act immediately.

See **Pigeons** *on page 25*



Security lapses highlight IT risks

By SARAH VEYSEY

LONDON—Internet security risks have been making headlines in the United Kingdom in recent weeks, following embarrassing online security lapses at two major companies.

In July, a customer paying his bill online to the gas and electricity utility Powergen P.L.C. reported that he was able to access confidential data about other Powergen customers. Powergen immediately closed down its Web site and ordered a review of its systems. The site remains closed.

In early August, the bank Barclays P.L.C.—the United Kingdom's largest Internet bank, with 1.2 million online customers—also reported security problems.

Seven customers contacted the bank's help desk to say that they were able to view a summary of other customers' online transactions. The security lapse was caused by faults in an upgraded system that Barclays had released on July

See **Breaches** *on next page*

Growth in emerging markets foreseen

By EDWIN UNSWORTH

International primary insurers have made significant inroads into emerging markets over the last decade, but considerable opportunities exist for further expansion in those same countries, according to a recently released study.

The study, titled "Emerging Markets: The Insurance Industry in the Face of Globalisation," predicts that additional business opportunities in Asia, Central and Eastern Europe and Latin America will arise out of the ongoing elimination of regulatory barriers, consolidation in the insurance markets due to increased requirements in regard to capital and expertise, the partial privatization of social security programs and general economic growth.

The study, which is part of the Sigma series published by Swiss Reinsurance Co., says that international primary insurers have been intensively expanding into emerging markets since the beginning of the 1990s, when most Latin American and Central and Eastern European countries began removing barriers to entry into their insurance markets.

Expansion into Asia was spurred by the liberalization of markets there following the region's economic crisis in 1997-98. In Latin America and Asia, some local insurers have also sought out suitable foreign partners in recent years, as regulations have increasingly stressed solvency control and as the local creation of new areas of business have raised capital and expertise requirements. As a result, the market share held by insurers that are either partly or fully foreign-owned has tripled in both Latin America and Central and Eastern Europe since the beginning of the 1990s, to 47% and 41%, respectively. In Asia, the average is 12%.

The annual growth of foreign insurers in emerging markets averaged over 20% in the 1990s, more than doubling their market share. This growth was achieved, in particular, through acquisitions and participating interests, according to the study.

The study cites "the high growth potential in the emerging markets" as one major factor behind such activity. Additional factors are insurers' need to follow their global customers beyond national borders and their search for better risk diversification

See **Sigma** *on page 25*

Breaches

Continued from previous page

29, the company said. After receiving the calls from concerned customers, Barclays suspended the new system on Aug. 1. The company's online banking service was interrupted for a few hours as the bank restored the original system, which remains in use.

Although each company eagerly reassured its customers about the safety of its online facilities, both currently are reviewing their systems to ensure that the problems do not recur.

"Initial investigations showed that the information which had been accessed was in a file which, due to a technical error, was temporarily outside of the security gate of the system," said Mike Wagner, Powergen's retail managing director, in a statement. "This was immediately corrected and new procedures introduced to eliminate the possibility of it happening again. There was no breach of the security of our main customer database."

Powergen has commissioned International Business Machines Corp. to conduct a security review of the site, which will remain closed until further notice. "We have still got the online payment part of our Web site closed down, because of the IBM security review and because of the higher likelihood that would-be hackers will be paying attention to the Powergen site," said a Powergen spokesman. "Until we have gone through and made sure. . .that it is as secure as it could be, we don't want to take the chance of putting it back up and having another problem," the spokesman said.

Powergen has advised all 7,000 of its customers who pay their bills online to change their credit card information. "We are recommending that they change their credit card numbers as a precaution. We don't think that all of the customers who have paid their bills online have had their data downloaded, but better safe than sorry at this point in time," said the spokesman.

Powergen has offered all 7,000 customers £50 ($75) each in compensation for the inconvenience of changing their credit card numbers.

A spokeswoman for Barclays confirmed that the company was in talks with the seven customers affected by its security glitch but would not comment on whether any compensation would be offered to them.

"We recognize that people place a lot of trust in us. We don't take our responsibilities lightly. We have got a responsibility to our customers to ensure that their data is not compromised," the spokeswoman said. Barclays has briefed staff on its help desks to reassure worried customers and has posted an explanation of the problem on its online banking Web site.

"We will not release the upgrade until we are absolutely sure that the problems have been fixed," the spokeswoman said.

Barclays suffered further embarrassment on Aug. 2, when one of its online customers contacted the bank to say that he was able to view details of another customer's accounts. But this mistake was clerical in nature, according to the bank said.

"The two customers lived in the same street and had the same post code and, as a result, their accounts had accidentally been tied together. This was a purely manual clerical error which, with 13 million customers, can happen from time to time," Barclays said in a statement. "We very much regret this mistake, and the timing of it is particularly unfortunate in the light of the technical issue we experienced on Saturday. However, we were able immediately to amend our customer records and rectify the mistake. We are working to put in place improved procedures to help ensure such incidents are further minimized in future."

'Hackers are always one step ahead. What man can create, man can break,' says Chris Cotterell.

But as British society becomes more litigious, embarrassment could become the least of a company's worries when it experiences a security breach, said Chris Cotterell, founder and director of the specialty Internet insurance broker Safeonline. Companies, he explained, "have a liability for the information that they hold that they could potentially get sued for. And that might happen. Certainly, we are getting to the litigation stage in this country where it might become a problem. . . .People will start getting very touchy about their personal details, especially banking details, being exposed."

Mr. Cotterell said he set up Safeonline in July to address the insurance needs of companies with online operations. He noted that a startling number of companies are, as yet, exposed to potential security breaches.

"Last year, people were rushing to set up their online businesses in order to have an online presence without any thought about security," he said. "Now they know that it is a problem; it has become quite apparent from recent incidents that any company has exposure to software problems and to people's data being accessed."

But, Mr. Cotterell pointed out, many companies are unwilling to admit the extent of their potential exposures.

"We know of companies that won't actually go down the road of having a risk assessment done on their business for fear that it is going to expose so many different problems that they are trying to fix, that they wouldn't even be able to get insurance," he said. "They are keeping mum and trying to get at least a base level of security on their systems, so that they can then get a risk assessment done and then buy insurance. There is nothing worse than an (information technology) director having to turn around and say to his managing director, 'Our security is so lax that we are not even in a position to buy insurance.' "

Data security is a huge issue for companies that have a Web presence, Mr. Cotterell said. "Anything anyone does on the Internet, potentially, a hacker can get hold of. You can put up all sorts of (security) firewalls, but it is a challenge for these people to try to get in."

In addition, he said, "there are people who can get hold of that information accidentally if software fails, as in the case of Barclays."

A recent survey published by the U.K. National Consumer Council revealed that 54% of the 2,000 adults polled were concerned about releasing credit card information online. "It is especially worrying that Internet users are more—not less—likely to harbor doubts about shopping online," said Anna Bradley, director of the NCC.

"For instance, almost four out of 10 adults see the need to release credit card details as a major disadvantage of Internet shopping. Among Internet users, more than half feel the same way," Ms. Bradley said. "Unless the total online shopping environment—sites and payment mechanisms—is made more secure, some consumers will never have the confidence to explore the opportunities."

A company with a Web presence must reassure its customers of the safety of transacting business online, Mr. Cotterell said. "Insurance has always been seen as a defensive marketing tool to protect you should you have some financial loss. But we can offer a warranty. . .offering some form of indemnity should there be any security breach," he said. "What a company like Barclays should do is say to its clients, 'We will make good for anything that happens should there be a breach of our security.' That gives people confidence, and that is what everyone has to do—to look to put trust behind their business. Going back to people after the event doesn't help."

And demand for Internet liability insurance is growing, according to Mr. Cotterell. "Everyone we talk to has interest in some form, whether it be just a straight liability policy protecting them against their media liability—defamation, libel, slander, copyright infringement. Everyone who has an online presence has to have that coverage."

Mr. Cotterell noted that venture capitalists who back startups frequently stipulate that the new companies have insurance. "What we are seeing is that a lot of the startup companies are being made to buy some form of insurance to protect their intellectual property," he said.

Despite new security features, such as data encryption, companies must always beware hackers, Mr. Cotterell said. "Hackers are always one step ahead. What man can create, man can break," he said. "It is the same with your house—you always get the most up-to-date locks and security features, but you still buy contents insurance, because you know that potentially someone could break into your house."

The recent problems at Barclays and Powergen have highlighted the fact that large companies are not immune to breaches of security. And even some insurance industry companies do not have airtight security, according to Mr. Cotterell. He cited the recent case of a U.K.-based insurance broker whose Web site was hacked. The hackers linked the site to various pornographic sites and ensured that, once visitors to the broker's site were in the pornography site, they could not get out of it. "But the site stayed up there for three days; the company did nothing for three days," he said.

As more sophisticated security features are developed, hackers will learn to circumvent them, Mr. Cotterell said, and a company must constantly be on guard, monitoring traffic to its site. BI

Explosion judgment appealed

By KATE TILLEY

SYDNEY, Australia—A mine owner and its insurer are both appealing a court ruling that found the insurer and its lead reinsurer must pay $22.5 million in claims arising from a 1994 gold mine explosion caused by a subcontractor at the mine.

The New South Wales Supreme Court late last year held that Papua New Guinea insurer Nuigini Insurance Corp. must pay claims arising from the explosion because the subcontractor was an insured party under the mine owner's policy (*BI*, Jan. 31; Aug. 3, 1998). Nuigini was 100% reinsured by Munich Reinsurance Co., which the court found had helped draft the policy's contract language.

The mine's owner—the Porgera Joint Venture, a consortium of mining companies working the Porgera gold mine in Papua New Guinea—is appealing the ruling, arguing that the $22.5 million figure is insufficient. The insurer, however, is appealing to reduce the amount it must pay.

The Porgera Joint Venture in 1996 had sued an onsite explosives subcontractor, Sydney-based Dyno Nobel Asia Pacific Ltd., seeking to force it to pay damage and business interruption claims.

Dyno denied it was liable and argued that because it was an insured under the Porgera mine's coverage, the mine's policy should cover losses from the blast.

In his Dec. 24, 1999, ruling New South Wales Supreme Court Judge Bob Hunter agreed, citing the policy's contractual language.

Mark Sheller, an attorney with Sydney law firm Phillips Fox, who represents Dyno, said the Porgera Joint Venture has appealed the ruling, arguing that the amount of damages awarded was not calculated correctly.

Andrew Peters, an attorney with the Brisbane law firm Carter Newell, who represented Nuigini Insurance Co., said the insurer also was appealing the amount of business interruption losses claimed, as well as some issues relating to "remoteness of the damage." Nuigini will argue that damage to some facilities should not be covered, as those facilities were too far from the mine site, he explained.

The 1994 explosion killed 11 people, all employees of Dyno, and caused extensive damage to the mine site, which is the largest gold mine outside South Africa.

The claim went to court after several attempts to mediate and settle the claim failed.

At a hearing in the New South Wales Court of Appeal July 20, the parties were told that it was likely to be six months before their appeals, which will be heard concurrently, would be heard by the appeals court judges.

INTERNATIONAL

Japan

Continued from page 23

companies. The recent agreement calls for opening that portion of the market through the granting of licenses to more Japanese and foreign companies, beginning Jan. 1, 2001.

Mr. Akhurst said that, when the sector is opened up, the "general expectation is that it will become very competitive."

The AIA also is encouraged by changes with regard to Japan's government-run life insurance operation, which is administered by the Ministry of Post and Telecommunications. The trade group, however, would like to see more-drastic changes to the operation of the Postal Life Insurance Service, which is nicknamed "Kampo."

AIA members, which include some Japanese insurers, are concerned about a recent move to allow the state-run insurer to begin selling its first non-life insurance product—coverage for moped owners.

The AIA worries that the moped coverage could signal a move into property/casualty lines by the huge insurance operation; the trade group would like to see Japan curtail the operations of Kampo and eventually dissolve it. There's no place for a large government-run insurer in a market as sophisticated as Japan's, Mr. Snyder said.

"Japan's plan is to move it to the private sector," he remarked. "We just feel that, whatever you call it, they still should move toward dissolving it. It's a very, very important matter; it's a huge part of the life market and could become a huge part of the property/casualty market."

While no commitment has been made to dissolve the insurer, Mr. Snyder said Japan did agree that Kampo would not write coverages that could be handled by the private sector.

Mr. Akhurst said he sees no indication that the state-run operation is going away any time soon, though. "At the moment, the government doesn't seem too disposed to clip its wings. In fact, it seems to be going the other way, allowing it to develop other coverages."

'It's a very interesting moment of opportunity for American companies in Japan,' says Ron Akhurst.

Several insurance regulatory changes were agreed upon during the recent talks.

Mr. Snyder pointed out that Japanese regulatory agencies now have to respond with a "no-action letter," where appropriate, when a company has a question about operating in the Japanese market. In other words, if regulators approve of something new an insurer is planning, the letter must be issued to indicate that no action will be taken to prevent it.

Japan has agreed to bring more lines under its rating system, which closely resembles the file-and-use system in the United States, Mr. Snyder said. Under that setup, Japanese insurers can notify regulators "of what they want to do and go ahead and do it," he explained.

Other provisions of the agreement include an accelerated schedule for processing insurance licenses, more written guidance for insurers operating in the marketplace and, in general, more openness in insurance regulations.

"There's a growing amount of transparency in Japanese insurance regulation," Mr. Snyder said. "There's been a lot of progress there. They are continuing to make the regulatory system more open and accessible to everyone."

"It's a very interesting moment of opportunity for American companies in Japan," Mr. Akhurst said. "Various companies are picking their moments and picking their partners."

The opportunities for insurers in Japan are especially tempting on the life side, he remarked, because "capital is one of the issues for local companies" that could benefit from the financial muscle that U.S. partners could bring.

"On the non-life side, it's tougher, because major local companies are very well capitalized," Mr. Akhurst said. Foreign insurers entering the property/casualty market have to be prepared to spend a lot of money on distribution and advertising to make their names recognizable to Japanese buyers, he added.

"Still," Mr. Akhurst said, "it's a very big market." BI

Sigma

Continued from page 23

and economies of scale.

The world's largest insurers, led by American International Group Inc. and Allianz A.G., dominate such investment, accounting for approximately half of the premiums written by foreign insurers in emerging markets. In general, foreign insurers hold a higher market share in life insurance than they do in non-life lines in emerging markets. That's largely because this is where the greatest opportunities lie and because insurers in developed markets have greater experience in life business than do local insurers in emerging countries. In Latin America and Central and Eastern Europe, demand for new life, health and workers compensation products, in particular, is rising because of the privatization of social security systems.

The study considers the three geographic areas in detail and hails Asia as "the darling of global insurers." It says that the Asian economic crisis of 1997/98 accelerated the process of insurance industry liberalization and deregulation, prompting many global insurers, particularly those based in Europe, to take an interest in the area.

The study says that although non-life insurance market penetration in Asia is generally lower than the global average for countries with comparable per-capita incomes, "emerging Asia markets are generally high on the global scale, in terms of life insurance penetration."

This creates considerable room for global insurers to expand into life business in Asia, where there is an emerging middle class and a growing demand for life policies but a lack of public sector-operated retirement programs.

"The huge population size of the region, combined with a disproportionate number of elderly people, a tradition of frugality and the lack of state-sponsored pension schemes all point to the prospects of sustained growth in life insurance business in the near future," says the study.

The Asian economic crisis accelerated the process of insurance industry liberalization, says a Swiss Re study.

But, the study notes, global insurers are finding it more difficult to break into Asian markets for commercial insurance. Asia's business culture, which is based on long-established contacts, has rendered the expansion of commercial lines "more than difficult," the study notes.

The participation of global insurers in Latin America follows similar lines, with growth being led by life operations. In the countries studied, there are, by and large, no longer any restrictions on the stakes that can be held by foreign insurers or on the foundation of subsidiaries, although there are some exceptions in the case of Mexico, the report says.

"The stabilization of the economy, in tandem with a pickup in economic-growth momentum, the harnessing of inflation, the privatization of state-owned companies, the partial privatization of the health and occupational accident insurance sectors, were all factors fueling demand for private insurance," the study says.

Of all the emerging markets covered in the study, the area where insurers with foreign owners hold the highest market share is Latin America. In non-life business, their market share ranges from 30% in Brazil to over 70% in Chile; in life business, from just under 30% in Colombia to more than 80% in Argentina.

The development of insurance markets in Central and Eastern Europe has followed a similar pattern to that found in Latin America. It has been characterized by deregulation and liberalization, the removal of entry barriers to foreign insurers and regulatory conditions that are beginning to move toward European Union standards.

The demand for insurance in Central and Eastern Europe has also risen in the wake of economic reforms. On average, the annual real growth rates for non-life business amounted to 3.9% between 1990 and 1998. That rate is significantly higher than that seen in more developed markets, although it is lower than the rate in the other emerging economies covered in the study.

In some Central and Eastern European countries, former state monopolies are slated to be privatized, or at least partially sold to foreign investors. "This will provide foreign insurers with an opportunity to gain a strong foothold in these markets," the study says.

The Sigma study notes that non-life insurance penetration is high in Central and Eastern Europe compared with other emerging markets. Nonetheless, the study says, the low penetration in life business "indicates above-average growth potential for the immediate future."

In all of the Central and Eastern European markets studied, regulations permit foreign companies to own majority shareholdings in local insurance companies. Countries in the area that are considering possible entry into the European Union are currently dismantling the final barriers to foreign insurance companies. Consequently, the study says, "a further increase in foreign insurers' investments is to be expected."

•

"Emerging Markets: The Insurance Industry in the Face of Globalisation" is publication No. 4/2000 in the Sigma series. Copies are available from Swiss Reinsurance Co., Economic Research & Consulting, P.O. Box CH-8022, Zurich, Switzerland. The study is also available from Swiss Re's Web site at www.swissre.com.

Pigeons

Continued from page 23

"The bridge has become so infested with pigeons so as to cause or amount to a nuisance. But the defendant has omitted to remedy it within a reasonable time at all."

While the ruling has raised fears that landowners will come under increasing pressure to control nuisances caused by wildlife on their properties, the judge made it clear that such cases must be treated on an individual basis. "It is a matter of fact and degree in every case whether nuisance is established," he said.

"This was an extremely important test case, which could have ramifications for local authorities up and down the country," said Maurice Heaster, deputy leader of Wandsworth Borough Council.

But a Railtrack spokesman pointed out that the ruling does not mean that the company will necessarily face similar fines in relation to other railway bridges.

"While this could set a precedent, each bridge must be judged on the facts of the case. For example, the judge highlighted another bridge in Granville Road, Wandsworth, saying that the problems there did not amount to a nuisance."

Railtrack argued that, in the case of the Balham railway bridge, the excessive number of pigeons at the site was caused by the presence of food sources in the street. "We have always said there was a problem under this bridge but have argued whether we should be responsible for wild animals attracted by food sources in the high street," the spokesman said.

The costs associated with the ruling will be met by Railtrack's maintenance fund. BI

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LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE PETITION OF JOHN C. MCKENNA, AS PROVISIONAL LIQUIDATOR OF NEW CAP REINSURANCE CORPORATION (BERMUDA) LIMITED, AND PETITION OF JOHN GIBBONS, AS ADMINISTRATOR OF NEW CAP REINSURANCE CORPORATION LIMITED.
CASE NOS. 99-B-42745 (CB) AND 99-42752 (CB)
(JOINTLY ADMINISTERED)

NOTICE IS HEREBY GIVEN THAT IN CONNECTION WITH THE PETITION FILED, PURSUANT TO SECTION 304 OF TITLE 11 OF THE UNITED STATES CODE, BY JOHN C. MCKENNA, AS PROVISIONAL LIQUIDATOR OF NEW CAP REINSURANCE CORPORATION (BERMUDA) LIMITED (THE "COMPANY") AND THE MOTION OF JOHN C. MCKENNA AND GARETH HOWARD HUGHES (THE "LIQUIDATORS"), AS THE JOINT LIQUIDATORS OF THE COMPANY, FOR A PERMANENT INJUNCTION AND ORDER PURSUANT TO 11 U.S.C. §304, THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK (THE "BANKRUPTCY COURT") ENTERED A PERMANENT INJUNCTION AND ORDER PURSUANT TO SECTION 304 ON JULY 20, 2000 (THE "ORDER"):

1. GRANTING THE PETITION FILED, PURSUANT TO SECTION 304 OF TITLE 11 OF THE UNITED STATES CODE, BY JOHN C. MCKENNA, AS PROVISIONAL LIQUIDATOR OF THE COMPANY, IN THE BANKRUPTCY COURT ON APRIL 27, 1999 (THE "PETITION");

2. PERMANENTLY ENJOINING ALL PERSONS AND ENTITIES FROM (A) TRANSFERRING, RELINQUISHING OR DISPOSING OF ANY PROPERTY OF THE COMPANY IN THE UNITED STATES, OR THE PROCEEDS THEREOF, TO THIRD PARTIES; (B) COMMENCING OR CONTINUING ANY ACTION OR OTHER LEGAL PROCEEDING (INCLUDING, WITHOUT LIMITATION, ARBITRATION, OR ANY JUDICIAL, QUASI-JUDICIAL, ADMINISTRATIVE OR REGULATORY ACTION, PROCEEDING OR PROCESS WHATSOEVER), INCLUDING BY WAY OF COUNTERCLAIM, AGAINST THE COMPANY, OR ANY PROPERTY IN THE UNITED STATES THAT IS INVOLVED IN THE FOREIGN PROCEEDING, OR ANY PROCEEDS THEREOF, AND SEEKING DISCOVERY OF ANY NATURE AGAINST THE COMPANY; (C) ENFORCING ANY JUDICIAL, QUASI-JUDICIAL, ADMINISTRATIVE OR REGULATORY JUDGMENT, ASSESSMENT OR ORDER OR ARBITRATION AWARD AGAINST THE COMPANY, AND COMMENCING OR CONTINUING ANY ACT OR ACTION OR OTHER LEGAL PROCEEDING (INCLUDING, WITHOUT LIMITATION, ARBITRATION, OR ANY JUDICIAL, QUASI-JUDICIAL, ADMINISTRATIVE OR REGULATORY ACTION, PROCEEDING OR PROCESS WHATSOEVER) OR ANY COUNTERCLAIM TO CREATE, PERFECT OR ENFORCE ANY LIEN, ATTACHMENT, GARNISHMENT, SETOFF OR OTHER CLAIM AGAINST THE COMPANY, OR ANY OF ITS PROPERTY IN THE UNITED STATES, OR ANY PROCEEDS THEREOF, INCLUDING, WITHOUT LIMITATION, RIGHTS UNDER REINSURANCE OR RETROCESSION CONTRACTS; AND (D) DRAWING DOWN ANY LETTER OF CREDIT ESTABLISHED BY OR AT THE REQUEST OF THE COMPANY IN EXCESS OF AMOUNTS EXPRESSLY AUTHORIZED BY THE TERMS OF THE CONTRACT OR OTHER AGREEMENT PURSUANT TO WHICH SUCH LETTER OF CREDIT HAS BEEN ESTABLISHED;

3. REQUIRING EVERY PERSON AND ENTITY IN POSSESSION, CUSTODY OR CONTROL OF PROPERTY OF THE COMPANY IN THE UNITED STATES, OR THE PROCEEDS THEREOF, TO TURN OVER AND ACCOUNT FOR SUCH PROPERTY OR ITS PROCEEDS TO THE LIQUIDATORS; AND

4. CLOSING THE ANCILLARY PROCEEDING COMMENCED BY THE FILING OF THE PETITION, SUBJECT TO REOPENING UNDER SECTION 350(B) OF THE BANKRUPTCY CODE.

COPIES OF THE ORDER AND PETITION ARE AVAILABLE UPON WRITTEN REQUEST TO THE UNDERSIGNED COUNSEL BELOW.

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LEGAL NOTICES

IN THE SUPREME COURT OF BERMUDA CIVIL JURISDICTION
1983: NO. 29
IN THE MATTER OF THE COMPANIES (WINDING-UP) ACT 1977 AND
IN THE MATTER OF THE INSURANCE ACT 1981 AND
IN THE MATTER OF DOVER INSURANCE COMPANY LIMITED - IN LIQUIDATION
NOTICE TO CREDITORS OF INTENTION TO DECLARE DIVIDEND

TO: All persons who (a) appear from the records of the company to have contractual relationships with the company AND (b) have not filed a proof of debt in the liquidation of the company

TAKE NOTICE that a fourth interim dividend is intended to be declared in this matter. The dividend is likely to be 3 cents.

The Liquidator has previously notified of the claims filing deadline established as March 31, 1991 and no claim was filed by you. Consequently, the Liquidator may proceed to distribute the dividend only to those creditors who have lodged proofs of debt within the filing deadline, unless (a) you lodge a proof of debt within 14 days of this notice and (b) you show just cause why the proposed dividend should not be declared and paid as proposed.

Dated this 9 day of August, 2000

Lorraine Alexander,
for and on behalf of
Charles W. Kempe, Jr.
Liquidator

LEGAL NOTICES

THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION
IN THE MATTER OF THE LIQUIDATION
OF AMERICAN HEALTH CARE PROVIDERS, INC.
NOTICE OF CLAIM FILING DEADLINE AND PROCEDURES

PLEASE TAKE NOTICE, that on May, 11, 2000, the Circuit Court of Cook County, Illinois, entered an Agreed Order of Liquidation With a Finding of Insolvency and Injunctive Relief against American Health Care Providers, Inc. ("AHCP"). Nathaniel S. Shapo, Director of Insurance of the State of Illinois, is the statutory and court affirmed Liquidator of AHCP ("Liquidator").

TAKE FURTHER NOTICE, that on July 12, 2000, 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 AHCP and its policyholders/enrollees, creditors and stockholders, and all other persons interested in its property of assets, are fixed as of May 11, 2000, 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 AHCP, its property or assets, or against an enrollee or policyholder, shall have the right to present and file with the Liquidator proper proofs of claim on or before May 11, 2001 at 4:30 p.m.

TAKE FURTHER NOTICE, that the form and required contents 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 AHCP, 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 deem necessary. The Liquidator further reserves any and all defenses available to AHCP upon all filed claims. All proofs of claim must be duly sworn to before an officer authorized to take oaths.

THE LAST DATE FOR THE FILING OF PROOFS OF CLAIM WITH THE LIQUIDATOR IS SET FORTH ABOVE. NO PERSONS, COMPANIES OR ENTITIES HAVING OR CLAIMING TO HAVE ANY CLAIM AGAINST AHCP, ITS PROPERTY OR ASSETS, OR AGAINST AN AHCP POLICYHOLDER, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY UNLESS SUCH CLAIMS ARE PROPERLY FILED WITH THE LIQUIDATION ON OR BEFORE MAY 11, 2001 AT 4:30 P.M.

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RRG

Continued from page 2

est in forming a program similar to NIAC's.

"We wanted to bring the same benefits of experience and services to non-profits in other states that were only available to non-profits in California," Ms. Davis said.

Ms. Davis, who helped launch NIAC with $1.3 million in low-interest loans from various foundations—including a $250,000 loan from the David and Lucile Packard Foundation—garnered $5 million donations from both the Packard Foundation and the Bill & Melinda Gates Foundation to create the new insurance program.

The $10 million in grants will go toward the capital and surplus of the RRG and the development of a new association captive, National Alliance of Nonprofits for Insurance. The association captive, which will be controlled by a board of directors drawn from the boards of NIAC and the RRG, also is expected to be based in Vermont.

Under current plans, the captive would reinsure NIAC and the RRG and then purchase reinsurance from GeneralCologne Re and Swiss Reinsurance Co., which are the NIAC's current reinsurers.

In addition to the RRG and the association captive, a third organization—Alliance Member Services—has been formed to provide claims handling, underwriting, accounting and risk management services to the RRG, the association captive and NIAC.

Ms. Davis said that a risk retention group is an ideal risk financing vehicle for non-profit organizations, because risk retention groups can, under federal law, write coverage for members nationwide after meeting the licensing requirements of one state.

That aspect of the law eliminates for the RRG the burden of meeting the licensing requirements of each

'We wanted to bring the same benefits of experience and services to non-profits in other states,' says Pamela Davis.

state in which it wants to provide coverage to members or purchasing a policy from a fronting insurer. About 70 RRGs currently are operating in the United States, with more than half domiciled in Vermont.

Based on the experience of NIAC, the RRG will offer charitable organizations several advantages over coverage offered in the traditional market, Ms. Davis said.

For example, she said, the RRG will offer better loss control and risk management services than those the organizations are receiving from commercial insurers, while also providing better policy terms and a stable source of coverage.

Loss prevention, in fact, will be a key element of the RRG.

"We want to use more money for risk management and safety programs, and that should mean that there will be fewer claims to pay," Ms. Davis said.

RRG members will receive such loss prevention services as driver training, proper personal practices and safety training for special events.

Effective risk management and safety training at NIAC has kept roughly 95% of claims below NIAC's $150,000 retention, Ms. Davis said.

In a statement announcing the $5 million grant, Packard Foundation President Richard T. Schlosberg III said: "NIAC has developed an impressive 10-year record of service to non-profits in California. This expansion will help the small and mid-sized community non-profits in other states control the costs and availability of insurance and bring stability to an important financial service."

Bill Gates Sr., co-chair of the Bill & Melinda Gates Foundation, said the foundation supports the "work of NIAC, which will provide opportunities for non-profits nationwide to be able to purchase smart liability coverage at a stable, reasonable price." BI

HMO

Continued from page 2

up faster than costs, and it's just inherently, finally, a very real turnaround in the basic economics of the business."

"Results were very solid," as was the case in the first quarter, said Todd Richter, managing director at Banc of America Securities L.L.C. in New York. "As long as the companies continue to push pricing up as quickly as they have been pushing pricing up, I think you're going to see more of the same," including minimal revenue growth, stable medical loss ratios and improving administrative expense ratios.

HMOs "should be able to build upon the favorable results of the first half of the year into the second half," said Douglas L. Meyer, senior director at Fitch IBCA Inc. in Chicago. It is usually not clear by the end of the first quarter whether HMOs' pricing assumptions were adequate. But the favorable trend among HMOs' first-half results "seems to support that they were on top of it this year," said Mr. Meyer.

John Penshorn, director of capital market communications for Minneapolis-based UnitedHealth Group, provided a less optimistic assessment. "I think the outlook for the industry is mixed. The opportunity is to differentiate. . .by offering the leading products, and many of the product sets that are out there are stable and are simply being repackaged, but lack true consumer focus."

Among the first-half results reported by HMOs were:

- Oxford Health Plans Inc. reported net income of $86.2 million for the first half, compared with $12.3 million over the same period in 1999. For the quarter, it reported $4.5 million in net income, compared with a $2.0 million loss in the year-earlier period.
- Kaiser Foundation Health Plan Inc. reported first-half net income of $299.0 million, a 171.8% increase from last year's first half. For the second quarter alone, net income increased 220.4%, to $157.0 million.
- RightCHOICE Managed Care Inc. reported $16.0 million in net income for the six-month period—an 86% increase—while it posted a 117.7% increase in net income to $8.5 million for the second quarter.
- Humana Inc. reported $40.0 million in net income, a 33.3% increase from last year's first half. For the second quarter, the company reported $19.0 million in net income, which was a 32.2% decline from the same period in 1999.
- United HealthGroup reported $344.0 million in net earnings, a 28.8% increase for the first half. For the quarter, net income increased 25.9% to $170.0 million.
- WellPoint Health Networks Inc. reported $163.3 million in net income, an increase of 34.3%, for the first half. For the second quarter, it reported $83.7 million in net income, a 17.7% increase.
- CIGNA Corp.'s employee health care, life and disability benefits business segment, which includes its HMO and indemnity operations, reported first-half operating income of $356 million, up 10.9%. For the second quarter, the segment reported $181.0 million in operating income, up 11.7%.
- Foundation Health Systems Inc. posted a 4.1% increase in net income to $72.8 million. For the second quarter, net income increased 38.3%, to $38.7 million.
- PacifiCare Health Systems Inc. posted $143.8 million in net income, up 0.7% from last year's first half. For the quarter, the company reported $69.2 million in net income, a 0.4% increase from last year.
- Aetna U.S. Healthcare—which includes Aetna's managed health care, indemnity and group insurance operations—reported $205.8 million in operating earnings for the first half, excluding certain items. That represents a 2.1% decline from the comparable period a year ago. For the quarter, the unit reported $74.0 million in operating earnings, excluding certain items, a 28.9% decrease from last year's second quarter.

'I think employers should expect high premium increases,' in the 8% to 12% range, says Patrick Finnegan of Moody's.

It was "another very strong quarter," said Rob Mains, an analyst with Advest Inc. in Albany, N.Y. This past quarter was unlike some in previous years, when strong first-quarter earnings "turned out to be somewhat nebulous," resulting in earnings drops in the second quarter, he said.

Although investors' fears were stoked by Aetna's announcement last month that increased costs would dampen its results, other companies' earnings either met or exceeded expectations, said Gary Frazier, an analyst with Deutsche Bank Alex Brown in New York.

"The quality of the earnings also seemed to be quite good. There didn't seem to be any gamesmanship with reserves," said Mr. Frazier.

"We continue to see pretty good results from the key players overall," said Patrick Finnegan, senior vp with rating agency Moody's Investors Service Inc. in New York. "It was clear these companies have been able to, thus far, stay out in front of the health care cost trend curve."

"Earnings, for the most part, were above our expectations over the quarter," with the exception of Aetna, said Joshua Raskin, a research analyst with New York-based Lehman Brothers.

Employers, meanwhile, will continue to see at least high single-digit rate hikes, observers say.

For instance, FHS President and Chief Executive Officer Jay M. Gellert said during a conference call with analysts last week that rates will increase at least 8% in its markets.

The high rate increases the HMOs have imposed over the past couple of years will be the same "or possibly even enhanced in 2001," as medical costs show no signs of abating, said Mr. Mains.

"Employers are stuck between a rock and hard place, because if they want to hold down health care costs by slimming benefits, they risk alienating employees in a tight labor market," he said.

"I think the rate at which health care costs are trending upward is going to lead to continued aggressive pricing for the foreseeable future, so I think employers should expect high premium increases" in the 8% to 12% range, Mr. Finnegan said. "That's the only way these companies are going to be able to continue to maintain their cash flow and their earnings."

But, UnitedHealth's Mr. Penshorn said, "Employers and consumers are not victims of health care cost inflation—they are choosing richer products."

"The underlying cost to deliver health care has risen over the past couple of years, and consumers want the latest technological innovations, big networks. . .access to big formularies," Mr. Penshorn said. He expects his company's small- to mid-market commercial risk pricing to increase 10% to 11% next year.

Employers should expect rate hikes of around 10% next year, and margins are expected to increase to 4% to 6% next year from 2% to 3% this year, Mr. LeConey said. "I think it's pretty clear from talking to everybody that. . .the cost-price squeeze is over, finally," he said.

Peter Costa, an analyst with ABN AMRO Inc. in Boston, said he expects to see rate hikes that will be in the high single digits. "I think the industry is in a period of premiums rising faster than medical cost trends, and that increases the spread, leading to margin advancement."

But Jack Reichman, a director at Standard & Poor's Corp. in New York, said he does not believe HMOs will necessarily be able to increase their margins. HMOs have faced "tremendous pressure" from hospitals to increase their payments, which "would tend to temper any increase in margins," said Mr. Reichman, who anticipates rate increases of 5% to 10% next year.

Deutsche Bank's Mr. Frazier said he does not expect to see improved profit margins in light of today's hyperinflationary health care environment.

"The industry's going to continue to have to deal with the cost of technology and drugs and the aging of the baby boomer population, so in that kind of environment, I continue to expect that cost trends will also trend upwards with the premiums," he said.

Furthermore, in light of scrutiny from both lawmakers and plaintiffs attorneys, HMOs have no incentive to show "massive margin expansion," he said. They do not want to appear too profitable, said Mr. Frazier, who anticipates hikes of about 9% for the rest of the year and increases of about 10% in 2001, though he said he has heard of some companies seeking 11% to 12% rate hikes.

Meanwhile, there are indications that HMOs are getting a better handle on pharmaceutical costs.

Mr. Gellert said FHS has been able to hold its prescription drug cost increases to 9%, thanks in part to a tiered copayment system and higher copayments, as well as, to a lesser degree, tighter formularies.

"I would not say that the problem is over, but I would say they're in better shape than they were a year ago," said Mr. Raskin.

The three-tiered copayment system has helped moderate the massive explosion in prescription costs that was seen in 1996 and 1997, said Mr. Frazier. That, combined with the expiration of patents on some major drugs and a stabilization in the Federal Drug Administration's drug approval rate, should lead to continued success in keeping pharmaceutical cost increases to the low double digits, said Mr. Frazier.

HMOs' strong stock market performance is expected to continue, observers say. Investors are becoming wary of technology stocks and are shifting into less aggressive areas, including the managed care stocks, said Mr. Richter. "I think the stocks will do reasonably well," but not as well as they did in the first half, he said.

"Health insurance stocks now trade at fairly substantial premiums to other forms of insurance, particularly property/casualty," said Mr. Richter. As a result, the stocks are not the bargains they had been, and "investors, therefore, have other reasonable alternatives."

David Olson, FHS' vp-investor relations—who noted the company's stock is now trading at about $14 a share, up from about $8 in March—said that even though the stocks have had a "wonderful run so far this year," they are now "entering a period that traditionally is reasonably weak."

"I think you might see it slow up a little bit here but then reignite in the fall," he said. BI

OSHA

Continued from page 1

fied by scientific evidence. OSHA plans to issue a final standard by the end of this year (see related story).

Sen. Mike Enzi may hold hearings on the matter, said a spokesman for the senator. The spokesman said that the Wyoming Republican, along with Rep. McIntosh, has requested a review of the matter by the General Accounting Office, the non-partisan congressional agency that audits federal programs. Sen. Enzi, like Rep. McIntosh, has been an outspoken critic of the OSHA proposal.

Some critics of the proposal, including risk managers, hold that the money paid to witnesses could have been better spent researching the rule itself before the proposal was issued, rather than hiring people to defend it after the fact.

For its part, OSHA defends its practice. In a letter sent to Rep. McIntosh in late June, Charles N. Jeffress, the assistant secretary of the Department of Labor in charge of occupational safety and health, said that OSHA's use of paid expert witnesses has been expressly authorized by Congress and the courts. Mr. Jeffress also defended what Rep. McIntosh and others have blasted as OSHA's "coaching" of expert witnesses. "OSHA works with its experts to ensure that they are prepared to explain to the public the reasoning and assumptions on which OSHA relied in developing the standard." Mr. Jeffress also wrote that the paid witnesses had "no apparent financial conflict of interest in the outcome of the ergonomics rulemaking."

The disclosure that OSHA had paid witnesses to testify in favor of its proposal prompted the National Assn. of Manufacturers to send the agency an invoice for $10,000 for its testimony against the proposed standard. OSHA has not paid the invoice.

Jenny Saunders Krese, director of employment policy for the NAM, said the amount—$10,000—paid to the experts was critical, because fees in excess of that must undergo more rigorous oversight.

"Ten thousand is the critical level, because below that, agencies can just write out the check. Over that, there's a bidding process and more stringent selection," Ms. Krese said.

"We find the idea of paid witnesses is troubling. This is the government; this is taxpayer money. It isn't just that they got a $10,000 check—they were coached," she said.

"We think it's peculiar that 28 witnesses were paid $10,000 each. We would sleep easier at night if there were two witnesses paid even $50,000 each, because we would know that the process by which they were chosen would have been competitive and more stringent than those simply chosen within the $10,000 limit," she said.

"If they had a properly developed, properly supported by scientific research proposal, they wouldn't need to hire professional witnesses. Professionals would have come forward voluntarily to testify in support," said Jim Green, risk manager for Fort Worth, Texas-based Justin Industries and chairman of the RIMS External Affairs Team.

"Had they spent the money to hire experts to help them develop a reasonable and supportable rule, that's a sound and reasonable expenditure. But to pay those dollars to hire professional witnesses to support their own position is unconscionable," Mr. Green said.

David Farmer, senior vp-federal affairs in the Washington office of the Alliance of American Insurers, stressed the underlying problems with the proposal rather than the controversy surrounding the witnesses. The Alliance opposes the proposed standard.

Despite the money spent on the expert testimony, "our focus as an association remains on the substance of the proposed rules," said Mr. Farmer. "We believe that the worker-removal provision would substantially impact on state workers compensation systems and that the agency lacks authority under the Occupational Safety and Health Act to implement such a provision," Mr. Farmer said.

The worker-removal provision would require that workers suffering ergonomic-related injuries receive 100% of their wages for a designated period of time. Mr. Farmer said the Alliance and other insurance organizations believe that the provision would create a federal workers comp system that paralleled the existing state system.

"We additionally believe that the larger public policy goal of how to reduce injuries from repetitive motion will not be enhanced by the adoption of the rule as it is presently written," Mr. Farmer said. BI

Ergonomics standard promised

By MARK A. HOFMANN

WASHINGTON—The Occupational Safety and Health Administration will issue its final ergonomics standard this year, the head of OSHA promised a gathering of health care professionals last week.

Charles N. Jeffress, the assistant secretary of labor in charge of OSHA, criticized opponents of the proposed standard as he addressed those attending a Washington conference of the Atlanta-based Frontline Healthcare Workers Safety Foundation.

Those opposed to the standard "would have us believe" that ergonomics-related injuries stem from workers playing tennis or softball on the weekend, and not from workplace conditions, Mr. Jeffress said. "Make no mistake about it, the fight over ergonomics is a fight over your health," he said.

"We will complete an ergonomics standard this year," Mr. Jeffress pledged.

Mr. Jeffress said that 600,000 serious workplace injuries lead to lost work time each year; of those, 65,000 such injuries are suffered by health care workers. "It's more dangerous today to be a nurse in a nursing home than a worker at a construction site," he said.

The proposed ergonomics standard has drawn complaints from risk managers, employers and insurers. Opponents fear that implementing the standard, as it is currently written, would be unjustifiably expensive. They have also criticized the proposed standard for being too rigid and lacking adequate scientific backing.

Mr. Jeffress did not confine his remarks to ergonomics. "Good health care and good occupational protection go hand in hand," he said, before he described OSHA's efforts to reduce the incidence of needlestick injuries.

The OSHA head pointed out that, on average, a health care worker has a one-in-seven chance this year of suffering a needlestick injury—an injury that can expose its victim to hepatitis, HIV and other communicable diseases. Mr. Jeffress noted that, in a 1998 address to the same group, he'd asked for comments on how to prevent needlestick injuries.

OSHA received nearly 400 responses, he said. As a result, the workplace safety agency updated its bloodborne pathogen directive, with an emphasis on reviewing facilities' exposure-control plans annually in order to keep up with changes in technology and exposures, he said.

The agency has also reviewed the dangers presented by glass capillary tubes and latex gloves. Mr. Jeffress noted that at least 8% of health care workers either have or will develop an allergy to latex at some point in their careers.

The Atlanta-based Frontline Healthcare Workers Safety Foundation is a non-profit private organization that promotes efforts to improve working conditions and minimize occupational risks to nurses and other health care workers. BI

ADVERTISER

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Big Sur

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But the Pacheco family, which was visiting from Kansas, "was not familiar with the danger lurking beneath the blue waters at the beach. It is not necessary to go into deep water, or even venture far into the surf, to be at the mercy of riptides," the decision continues.

Distributing the buckets "could support a claim based on a theory that the defendants actually invited children to play. . .and, therefore, had a duty to warn the Pachecos of the dangerous condition and breached this duty," the opinion notes.

"Regardless whether under California law anyone may be responsible for this tragedy, it is absolutely clear that the slightest bit of care, thought, trouble and expense by the defendants could have saved the lives of the three victims," states the court's opinion.

In a dissent, though, Judge Susan P. Graber said that, because they "did not create or control the deadly riptide, defendants had no duty under California law to warn of its existence."

Commenting on the case, attorney Richard Gregg of the San Jose, Calif.-based Boccardo Law Firm, who represented the plaintiffs, said, "The court, I think correctly, said that if people are encouraged to use that facility and you control access to it, that you really do have a responsibility to warn of a known danger to you right there in the vicinity."

John N. Dahlberg of San Francisco-based Dillingham & Murphy, who is the attorney for defendant Templeton, Calif.-based Parks Management Co. and its owner and general manager, Paul Kaleth, said, "We're studying our options."

A spokesman for the U.S. attorney general's office in San Francisco had no comment.

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David Pacheco vs. United Sates of America, Paul Kaleth and Parks Management Co., 9th U.S. Circuit Court of Appeals; 00 C.D.O.S. 6308.

COMMENTARY

Honoring women in the industry

We are going to publish a special report in October that would not have been possible when I started with *Business Insurance* in 1977: We are going to identify 100 women who are movers and shakers in the business of risk management, employee benefits, insurance, reinsurance and related fields.

Women have moved up the ranks in this business in just the last 20 some years, which is a somewhat slower pace than seen in other businesses.

I remember a CEO of an insurance brokerage firm complaining to me in the early 1980s that he did not have enough women to promote to executive positions in his company. I was so brazen to ask how many women his firm had recruited out of colleges in recent years to build a talent pool. His answer was no answer.

When I started at *BI*, I found that I was often the only woman—or, at best, one of a handful of women—at any given meeting I was assigned to cover. The business of risk management, employee benefit management and insurance was clearly an old boys' club.

Men in the business whom I interviewed were often taken aback that a young woman had been sent to interview them. They were even more surprised to hear probing questions about the specific coverage provisions of a new directors and officers liability insurance form. And they could be downright uncomfortable when pressed for answers on the public policy issues as well as financial implications for the insurance industry of a proposal requiring group health plans to cover pregnancy as they would any other medical condition. Yes, there was a time that group health plans routinely excluded coverage for pregnancies, or provided less coverage for pregnancy than for other medical conditions.

Kathryn J. McIntyre

Yet, I have to admit that it was quite an advantage in the early days of my career to be a young woman reporter in this field because, in their effort to explain these complex issues to me, my sources often said more than they might have otherwise.

It was, at times, a nice competitive advantage while it lasted. But thankfully, times have changed. In the last 10 years, the number of women at functions we attend has grown steadily, as has their standing in their companies. There are still too few women in top executive ranks in the industry, as is the case in all businesses.

This fact, however, does not belittle how far women have come. To recognize the achievements and advancement of women in risk management, employee benefits, insurance and reinsurance arenas, *Business Insurance* will to identify the top 100 women in these and related fields. We will select them based on their contributions to their own organizations and to their fields of expertise.

The *Business Insurance* staff is currently compiling the list of these 100 women. While we are not seeking formal nominations, we welcome your suggestions. Just call or e-mail me or any other *BI* editorial staff member.

These "Top 100 Women" will be featured in our Oct. 2 issue. On Oct. 10, we're sponsoring a luncheon in Chicago, where we hope many of these women and their colleagues will gather to celebrate their achievements.

I have been warned that this project is a somewhat risky venture, because any number of deserving women could escape our recognition. I hope that does not happen.

But I am willing to take this risk for the opportunity to shine the spotlight on pioneering women in the fields we cover and women who are emerging as leaders today.

We embrace this project with the same enthusiasm we had when we created the Risk Manager of the Year award in 1977. At that time, some critics contended that it would be impossible to objectively single out pioneers and creative thinkers in risk management and that it would hurt those not selected. Our 23 Risk Managers of the Year, the scores of Risk Management Honor Roll members named over the years and the risk management community's response to them have undeniably proven those critics wrong.

These two projects are very different in scope and process, but they are both intended to recognize the accomplishments of individuals and to identify them as role models.

Everyone needs role models, from those new to these specialized fields who are trying to find their way to veterans who may sometimes wonder, in these chaotic and uncertain times, why they chose their current careers.

Stay tuned to these pages. You are going to meet a lot of interesting people.

Publisher and Editorial Director Kathryn J. McIntyre's commentary appears fortnightly and on www.businessinsurance.com. She can be reached at kmcintyre@crain.com.

Ruling

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to let litigants arbitrate.

Munich Re's reinsurance treaties with Integrity contain mandatory arbitration clauses governed by a United Nations covenant. U.S. civil code allows parties subject to such contractual provisions to move lawsuits involving those contracts to federal court.

Several liquidators in recent years have argued that service-of-suit clauses bar non-U.S. reinsurers from moving disputes to federal courts. Liquidators hope that state liquidation courts then will sympathize with their arguments that reinsurers' contractual arbitration rights should be ignored for public policy reasons, explained Munich Re attorneys David M. Spector and Dennis G. LaGory of Hopkins & Sutter in Chicago.

Most courts have ruled in favor of reinsurers, but liquidators won in a 1996 Utah federal district court case and in a 1998 Missouri state appellate court case, noted Debra J. Hall, a senior vp and general counsel for the Reinsurance Assn. of America in Washington.

The 3rd Circuit panel's decision is only the second time a federal appeals court has ruled on the issue. In 1991, the 5th Circuit ruled similarly. The 3rd Circuit covers Delaware, New Jersey, Pennsylvania and the U.S. Virgin Islands. The 5th Circuit covers Louisiana, Mississippi and Texas.

The ruling greatly improves Munich Re's chances of arbitrating its dispute with Integrity's liquidator.

Additionally, the ruling "calls a significant portion of the final dividend plan into question," said Ms. Hall, referring to New Jersey regulators' final liquidation plan for Integrity. That plan still awaits court approval.

The liquidation plan would alter the arbitration rights of Integrity's reinsurers, she said. "This ruling underscores that isn't OK."

Because the case centered on the U.N. arbitration convention, the ruling legally applies only to non-U.S. reinsurers waging coverage battles with insurer liquidators in the 3rd Circuit.

But, it also has significant implications for U.S. reinsurers, Ms. Hall said. The RAA filed an amicus brief in the case.

"U.S. reinsurers are concerned about being the deep pockets" in liquidations, she said. That concern has grown as liquidators have "tried to modify or eliminate" reinsurers' contract rights by attempting to both quash reinsurers' arbitration rights and accelerate liquidations by collecting reinsurance coverage immediately based on estimates of insolvent insurers' contingent liabilities, rather than on claims experience.

The 3rd Circuit panel's decision to uphold Munich Re's arbitration rights is "significant" for all reinsurers, Ms. Hall said. She said the fear of reinsurers in this case was: "If you can modify this contract right, how far can you go?"

Regulatory consultant Jonathan Bank agreed that some regulators and cedents in recent years "have become more aggressive in looking for loopholes" in the traditional reinsurance contracts that insolvent insurers had.

The 3rd Circuit panel's ruling does not offer "favorable precedent" to a party wishing to take that position, said Mr. Bank, the national regulatory coordinator for PricewaterhouseCoopers in Los Angeles. In his previous law practice, Mr. Bank represented regulators in at least a dozen states on various issues.

But Thomas S. Novak, the liquidator's attorney, said the 3rd Circuit panel did not intend to limit regula-

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IC&S

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ion, said Selina Man, a Best regional manager.

Mr. Precour and Mr. Coon could not be reached.

M. Irvin Boncamper, a St. Kitts, British West Indies, businessman identified in the financial statement as IC&S's sole director, declined to discuss the insurer, citing the island's confidentiality laws. He added, though, that he knows nothing about the audit opinion or who produced it.

IC&S has had more than its share of troubles in its seven years in business.

In financial statements throughout the 1990s, IC&S reported a variety of allegedly worthless or overvalued assets, including stock in a bankrupt tire recycling company and shares in a company that was capitalized with "government bonds" from a non-existent island nation, the Dominion of Melchizedek.

Last year, Samuel B. Love, a Scottsdale, Ariz., businessman and co-owner of IC&S's former parent company, was convicted of bankruptcy fraud involving an alleged IC&S predecessor company, the now-defunct First Assurance & Casualty Co. Ltd. of the Turks & Caicos Islands.

Found guilty last year by a federal jury in Oklahoma City of helping to siphon millions of dollars away from First Assurance before and during its 1993 bankruptcy, Mr. Love was sentenced to 63 months in prison. He has been released on bail pending appeal.

Meanwhile, though, Mr. Love confirmed that he was jailed for about 45 days earlier this year for contempt of court for failing to turn over documents in a separate civil lawsuit brought by an IC&S policyholder.

The policyholder, a Detroit-area gas station owner, won a $243,000 judgment against IC&S after the gas station burned to the ground. The policyholder is now trying to collect the award from IC&S, Mr. Love and his management company, Premier Administrators Inc., in litigation in a Phoenix state court, according to Geoff Walker, a Phoenix lawyer representing the policyholder.

In an interview, Mr. Love said he was unable to produce the documents because he had already turned them over to IC&S's new owners.

"I did ask for them, but they didn't give them to me," Mr. Love said.

Mr. Love and IC&S's other former co-owner, Donald P. Havenar of Hermosillo, Mexico, sold IC&S in February to Axis Financial Services Ltd. Mr. Boncamper, the St. Kitts accountant, took over as IC&S chairman.

A week later, Axis sold the insurer to Phoenix International Re, according to IC&S's most recent financial statement, prepared as of Feb. 29.

According to the financial statement, Phoenix International Re recapitalized IC&S with $22.1 million in new assets, including a $17.8 million "surplus debenture" that is not described further in the statement.

There are problems with this financial statement, though. For one thing, it includes a clean audit opinion on letterhead of PricewaterhouseCoopers' Mexico City office that is a fake, according to Abraham Fuentes, a Mexico City-based PricewaterhouseCoopers partner.

"This is a false opinion," said Mr. Fuentes, who has reviewed purported IC&S audit letters bearing the dates Feb. 29 and May 11. "We have sent (IC&S) several letters saying they must stop issuing these opinions because they are false."

Who produced the audit letters remains a mystery. Mr. Boncamper said he is not familiar with the Feb. 29 financial statement.

Details about IC&S's current owner also are scarce. The financial statement provides no information about Phoenix International Re, and A.M. Best has no data on that company, according to Ms. Man.

Since its sale, though, IC&S has been operated by Mr. Precour and Mr. Coon through a Dallas-based company, Francisco Management Corp.

The two men have told at least one IC&S producer that Phoenix International Re is a captive of another company, which they identified as "Sienna" and which, in turn, is controlled by "wealthy and politically connected Mexican businessmen," according to William V. Larsen, president of Garwood, N.J.-based broker Larsen Global Marine Inc.

Mr. Precour and Mr. Coon would not identify the Mexican businessmen or the directors or officers of Phoenix International Re or Sienna, Mr. Larsen said.

Both IC&S representatives have had financial problems of their own.

Mr. Precour filed for Chapter 13 personal bankruptcy in August 1999, according to records at the U.S. Bankruptcy Court in Dallas. Several creditors later filed claims totaling $766,916, including a $144,678 claim by the Internal Revenue Service and a $9,494 claim from a Irving, Texas, Mercedes-Benz auto dealer, court records show.

A bankruptcy judge threw out Mr. Precour's Chapter 13 filing July 10 following a motion by one of the creditors to dismiss the case and after Mr. Precour failed to appear at a creditors' meeting. Mr. Precour had previously filed for Chapter 13 protection in October 1998 and January 1999, and those petitions were also dismissed, court records show.

Ronald W. Roberts, Mr. Precour's lawyer, said Mr. Precour intentionally missed the creditors' meeting after deciding not to contest the motion to dismiss. Mr. Coon, meanwhile, filed for Chapter 13 protection in December 1999 and earlier this year converted the petition to a Chapter 7 liquidation, claiming that he has no assets to pay creditors. Three credit card companies filed claims totaling $17,623, and a bankruptcy judge discharged Mr. Coon's debts and closed the case May 9, court records show.

While mulling questions about IC&S' financial condition, its producers also face uncertainties over who is legally responsible for managing IC&S.

Mr. Boncamper, Mr. Precour and Mr. Coon have contacted brokers since the change in ownership requesting payment of premiums due IC&S and discussing the handling of outstanding claims, interviews and IC&S documents show.

Earlier this year, Mr. Precour and Mr. Coon also hired a Dallas lawyer, John Osorio, to represent IC&S on at least one premium collection and claims dispute. In an interview, Mr. Osorio said he no longer represents the insurer because his fees were not paid.

At the same time, though, a Phoenix judge hearing the gas station owner's case against IC&S has ruled that Premier Administrators' management contract with IC&S remains in effect despite the insurer's sale.

The judge appointed a Phoenix-based company, Stanfield-Pinel Associates Inc., to act as a receiver overseeing Premier's operations, and Stanfield-Pinel and Mr. Love have since written to brokers demanding that outstanding premiums be remitted to Premier.

Receiver Bertrand Stanfield-Pinel said he knows nothing about IC&S's new owners but that "technically, the administration contract that Premier Administrators is operating under is still in full force and effect."

How IC&S's producers respond remains to be seen. BI

Ruling

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tors in liquidation proceedings. The court noted that this case was a reinsurance contract dispute that would not interfere with Integrity's liquidation proceedings in New Jersey state Superior Court, pointed out Mr. Novak, a partner with Sills, Cummis, Radin, Tischman, Epstein & Gross P.A. in Newark, N.J.

In the future, insurer liquidators will not be able to argue that service-of-suit clauses waive reinsurers' right to move litigation to federal courts, Ms. Hall said. Most states' credit for reinsurance laws now stipulate that those clauses should not be interpreted as waivers of reinsurers' right to move litigation to federal court, she noted.

The 3rd Circuit panel's ruling also "very much dovetails" with the Interstate Compact Uniform Receivership Law, said Mr. Spector, Munich Re's attorney. The law, which reinsurers support, incorporates "important features" of a new British model to accelerate liquidations while still waiting "a decent time" for liabilities to develop to obtain a true picture of the insolvent insurer's claims experience, Mr. Spector said.

Only Illinois, Michigan and Nebraska have adopted the law, but it appears to be on state legislators' radar screen for next year, said Robert Mackin, executive director of the National Conference of Insurance Legislators.

Because New Jersey's regulators were still evaluating the decision, a spokesman said he could not comment on the case.

Integrity, which a New Jersey Superior Court ordered into liquidation in 1987, was insolvent by $796 million at year-end 1999, according to New Jersey regulators.

New Jersey Banking and Insurance Commissioner Karen L. Suter, who is Integrity's liquidator, wants to accelerate Integrity's liquidation by decades by estimating the insurer's contingent liabilities and immediately recover $723 million from reinsurers.

Munich Re contends the liquidation plan overestimates reinsurers' obligations by at least threefold. From 1978 through 1985, Munich Re wrote quota-share and excess-of-loss reinsurance treaties that covered excess and umbrella liability insurance written by Integrity.

The service-of-suit case developed in December 1996, when Integrity's liquidator billed Munich Re $6.8 million for various claims, including $2.8 million of disputed defense costs. The reinsurer refused to pay not only the disputed claims but also the undisputed $4 million portion of the bill, apparently to offset other defense costs that Munich Re says it erroneously paid, according to court papers.

The liquidator sued in New Jersey's state liquidation court. Munich Re moved the case to federal court because its treaties with Integrity contained arbitration clauses governed by the United Nations' 1970 Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

But the federal district court last year ruled the reinsurance treaties' service-of-suit clauses waived Munich Re's right to move the case out of state court.

The 3rd Circuit panel overturned that ruling.

In an opinion written by Judge Walter K. Stapleton, the 3rd Circuit panel found that the clauses were worded too ambiguously to deny Munich Re its right to move the case. The panel said Munich Re could have been barred from moving the case only if the reinsurer "expressly" had waived its right to do so.

The 3rd Circuit panel emphasized the disparate arbitration philosophies of state and federal courts and said upholding the U.N. convention is an important foreign-relations issue.

Referring to the U.S. Supreme Court's 1985 decision in *Mitsubishi Motors Corp. vs. Soler Chrysler-Plymouth Inc.*, the 3rd Circuit panel explained: "Given the historical hostility of state courts to arbitration, it can be argued that doubts concerning waiver of removal rights under the convention act should be resolved in favor of the federal forum. Such an argument is particularly persuasive in the context of arbitration agreements under the convention, as the Supreme Court has indicated that international arbitration agreements are even more favored than domestic ones and that therefore courts must sometimes enforce them even where 'a contrary result would be forthcoming in the domestic context.'"

The ruling "minimizes the danger" that foreign courts will rely on ambiguous contract wording to thwart U.S. interests' efforts to arbitrate contractual disputes and stay out of foreign courts, the panel asserted.

The panel distinguished its decision from the court's 1991 ruling that a service-of-suit clause did waive a reinsurer's right to move a liquidator's complaint to a federal court on diversity of citizenship grounds. The earlier case did not involve the special federal concerns for international comity and consistency of interpretation that are central to any case involving the U.N. arbitration convention, the panel explained.

Such concerns, the panel said, are similar to those that the court found paramount in a 1994 case in which the court refused to bar a litigant from moving a case from state to federal court under the provisions of the Foreign Sovereign Immunities Act. The FSIA governs disputes between U.S. interests and foreign states or enterprises largely owned by foreign states.

The 3rd Circuit panel also rejected the New Jersey liquidator's argument that moving the case to federal court would impair the New Jersey Liquidation Act, which gives the state liquidation court sole jurisdiction over insurer delinquency proceedings. The panel ruled that the Munich Re case is a reinsurance contract dispute and not a delinquency proceeding.

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Karen L. Suter vs. Munich Reinsurance Co., 3rd U.S. Circuit Court of Appeals; No. 99-5611, Aug. 7, 2000.

Retire

Continued from page 1

cate that these statements are accurate, and we do not find them to be persuasive."

In ruling against Erie County, the appeals court remanded the suit to the U.S. District Court for the Western District of Pennsylvania, which originally ruled against the retirees. Erie County still could prove that its health care plan did not discriminate against Medicare-eligible retirees, but only if it satisfies the equal-benefit or equal-cost safe harbor.

If the decision is not overturned—either by the Supreme Court or congressional action—and is adopted by other courts, it could lead to more suits and, perhaps, to the demise of retiree health care plans, experts say. Such plans, whose costs are escalating, already are being terminated at a rapid clip.

"This decision lays out the groundwork for similar types of suits," and many plans would be vulnerable, said John Piro, a consultant in the Rowayton, Conn., office of Hewitt Associates L.L.C.

Rather than risking litigation or attempting to meet the safe harbor requirements, many employers would simply eliminate retiree health care plans, some benefit experts say.

"Employers already are struggling to try to manage the expense of retiree health care. If that expense takes a fantastic turn upwards, that would be the straw that broke the camel's back," said Henry Saveth, an attorney with William M. Mercer Inc. in New York.

Experts, though, caution employers against taking any rash action.

Some say that the decision is so contrary to congressional intent in passing ADEA that legislators will rewrite ADEA to make clear that the law does not extend to retiree health care plans, particularly if other appeals courts follow the 3rd Circuit.

"Retiree health care plans already are declining. Surely Congress would be very concerned about anything that furthers that trend. I think this could trigger congressional action," said Helen Darling, a former congressional staffer and a consultant with Watson Wyatt Worldwide in Stamford, Conn.

No one knows exactly how many employers potentially could be affected by the ruling, but the number likely is enormous.

"Very few retiree health care plans do not make distinctions in benefits between Medicare-eligible retirees and other retirees," said Ms. Ross of McDermott, Will & Emery.

That is because the benefit needs of the two groups are fundamentally different. In the case of younger retirees, employers often will provide the same health care coverage as they do for active employees.

But there is no need to provide such coverage for older retirees, as those 65 and older are covered by Medicare, which provides basic coverage for medical and hospital care. Many employers, however, do supplement Medicare by providing coverage for at least some of the health care-related expenses it does not cover, particularly prescription drugs.

In addition, some employers shape their plans so that the combination of Medicare and their own supplementary programs will be equal to what younger retirees and active employees receive. Such plans, which are declining in number, would qualify for the equal-benefit safe harbor.

On the other hand, many employers—including Erie County—offer Medicare-eligible retirees coverage only through HMOs, while still others have terminated health care plans for Medicare-eligible retirees but have retained coverage for retirees under age 65.

Attempting to qualify for the equal-benefit or equal-cost safe harbor could be extremely difficult, experts say.

Indeed, in the Erie County benefit program, the HMO provided to Medicare-eligible retirees offered richer benefits than the POS that was available to other retirees. But retirees in the HMO said the plan was "inferior" to the POS because they could not select their own providers.

"It would be extremely time-consuming and burdensome to constantly examine if benefits are equal. Think, for example, of all the valuations an employer would have to do," Ms. Ross said.

And employers would face unknowns in trying to establish that plans provided to early and Medicare-eligible retirees are equal in cost. For example, there currently is no guidance on whether an employer could include its payment of Medicare payroll taxes in calculating costs related to providing health care benefits to Medicare-eligible retirees.

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Erie County Retirees Assn. and Lyman H. Cohen vs. The County of Erie, Pa., and the Erie County Employees' Retirement Board, 3rd U.S. Circuit Court of Appeals; No. 99-3877.

UPDATES

Aetna funds research on errors

BLUE BELL, Pa.—Following through on a pledge made earlier this year, Aetna U.S. Healthcare and Aetna Foundation are issuing $840,000 in grants to five academic institutions to study certain health care issues, including reducing medical errors.

Blue Bell, Pa.-based Aetna U.S. Healthcare said in January that it would provide up to $1 million to researchers to develop strategies to reduce medical errors. Its announcement followed the release of the 1999 Institute of Medicine report, which estimated that medical errors are responsible for 44,000 to 98,000 deaths each year in the United States.

John T. Kelly, Aetna U.S. Healthcare's director of physician relations, said the insurer "has a tremendous opportunity to play a role in this important national initiative through our activities as the nation's leading health insurer and a funder of outcomes-based research."

The studies, which will begin by Oct. 1 and be funded for up to two years, will look at reducing medication errors, controlling infection in long-term care facilities and improving safety for surgical patients. The grant recipients are: the University of Washington in Seattle; Emory University in Atlanta; University of Alabama at Birmingham; University of Texas' Houston School of Public Health; and the Mount Sinai School of Medicine in New York.

Lloyd's dominant in London

LONDON—Most of the new capacity in the London insurance market is going into Lloyd's of London syndicates rather than into the company market, according to a report by Standard & Poor's Corp.

"The London market is slowly becoming Lloyd's," said Rob Jones, a director in the London office of S&P.

Lloyd's has several advantages over the insurers and reinsurers in London, according to "Insurance Market Profiles," which S&P released last week: a strong global brand, a worldwide network of licenses and back-office support that lets syndicates set up at a low cost.

Also, syndicates' pre-1993 long-tail liabilities are handled separately by runoff reinsurer Equitas Ltd., whereas the results of companies in London are still being eroded by the need to increase reserves for old asbestos and pollution losses, the report says.

Class-action reform debated

WASHINGTON—Federal and state judges need to be more willing to throw out frivolous lawsuits, a plaintiffs attorney contended during a discussion of class-action law last week.

Few judges "have the guts" to dismiss frivolous cases, said John P. Coale, partner in the Washington law firm Coale, Cooley, Lietz, McInerny & Broadus P.C.

"It's their job. They're the ones who should slap down the lawyers, and they don't do it," Mr. Coale said during the discussion, which was sponsored by the National Assn. of Manufacturers. He also criticized the recent class-action suit against tobacco companies in Florida, in which a jury levied $145 billion in punitive damages (*BI*, July 24; July 17).

The verdict "will never be upheld," said Mr. Coale, who himself has participated in high-profile cases against tobacco companies. He said "an error a week" had been made in the case as the judge consistently ruled against the defendants. "If you win a clean case," the verdict will stand, he said. "There's no way in hell that verdict is ever going to be upheld."

Mr. Coale debated class-action lawsuit reform last week with Victor Schwartz, senior partner in the Washington law firm Crowell & Moring L.L.P. and general counsel to the American Tort Reform Assn. Mr. Schwartz suggested so-called know-your-lawyer legislation—expected to be introduced by Rep. Chris Cox, R-Calif.—as one way to curb abuses in class-action litigation. Such legislation calls for attorneys in class-action suits to get permission to represent everyone in the class being formed and to notify all members of the class what the plaintiffs—and the attorney—will receive if the suit is successful.

Nader calls for McCarran repeal

WASHINGTON—Green Party presidential candidate Ralph Nader issued a position paper late last week blasting what he calls "tort deform" and calling for repeal of the McCarran-Ferguson Act and changes to the Employee Retirement Income Security Act.

He blasted his Republican opponent, Texas Gov. George W. Bush, for signing bills that Mr. Nader said "severely reduced injured consumers' rights, greatly reducing liability risks for Texas corporations," by capping punitive damages and limiting joint and several liability.

Mr. Nader also criticized his Democratic opponent, Vice President Al Gore, for President Clinton's signing of legislation that limited businesses' liability for certain losses arising from the Year 2000 computer problem and set an 18-year statute of repose for general aviation aircraft.

Mr. Nader called on Congress to amend ERISA "to allow patients injured by their employer-provided managed care plans to sue their HMOs for malpractice" and to "repeal the special privileges enjoyed by the property/casualty insurance industry, including the McCarran-Ferguson Act, which exempts the unharnessed and grossly unscrutinized insurance industry from federal antitrust laws."

Former M&G Re CEO dies

Richard F. Gilmore, the former chief executive officer of Mercantile & General Reinsurance Co. of America, died Aug. 5 at age 67.

Mr. Gilmore led the U.S. unit of London-based Mercantile & General Reinsurance Co. P.L.C. from 1975 until his retirement in 1988. He also was instrumental in setting up the Brokers & Reinsurance Markets Assn. and was its first chairman in 1986. After his retirement from M&G Re, Mr. Gilmore became active in reinsurance dispute resolution.

A memorial service was held last week in Sebastopol, Calif. In lieu of flowers, Mr. Gilmore's family requests that donations be made to the Catherine L. Gilmore Foundation, c/o Cathy Sanders, 621 Alta Vista Drive, Healdsburg, Calif. 95448.

FOR THE RECORD

Excerpts from *BI*'s Daily Online Updates, AUG. 7 - AUG. 11, 2000

PHOTO: NEWSMAKERS

Last week's recall involved 6.5 million tires.

▶ TIRE RECALL NOT INSURED Bridgestone/Firestone Inc. has no product recall insurance to pay for the recall of 6.5 million tires that are allegedly defective. Instead, the Nashville, Tenn.-based tire manufacturer will pay for the recall out of corporate revenues, said John Marcum, risk manager at Bridgestone/Firestone in Nashville, Tenn. The cost of the recall has not yet been determined, Mr. Marcum said. The recall was ordered last week, following complaints that the tires, which are used mainly on sport-utility vehicles, have caused hundreds of accidents. As of early last week , the National Highway Traffic Safety Administration had received more than 270 complaints about the tires, including allegations that they had caused 80 injuries and 46 deaths. The NHTSA started its investigation into the complaints in May, an NHTSA spokeswoman said. The recall is for all Firestone Radial ATX and ATX II tires, size P235/75R15, produced in North America; and Wilderness AT tires, size P23/75R15, which were produced at a Decatur, Ill., plant. Many of the tires were used on Ford Explorers. Gary Crigger, executive vp at Bridgestone/Firestone, said the company had not determined what the problem is, if any, with the tires.

▶ ASSUREX GROWS Assurex International, one of the oldest and largest privately held commercial brokerage networks, has added two North American broker partners. Joining Assurex are T.J. Adams Group L.L.C. of Oak Brook, Ill., and The Addis Group of King of Prussia, Pa. Columbus, Ohio-based Assurex, with combined 1999 gross revenues of $1.2 billion, now has a network of nearly 70 of the largest independent insurance brokers in the United States and Canada, as well as Assurex Synergy Group Partners located in nearly 60 countries. With the addition of the new partners, Assurex is "strategically positioned in every major commercial center on the globe," Thomas W. Harvey, president and chief executive officer of Assurex, said in a statement.

▶ PPO ACCREDITATION The National Committee for Quality Assurance last week launched its Preferred Provider Organization Plan Accreditation program and announced that five organizations—covering more than 8 million enrollees—have agreed to undergo accreditation reviews. The accreditation program is designed to recognize organizations that focus on network quality, access and customer service, according to an NCQA statement. "This is a rigorous process, and the PPOs stepping forward to undergo surveys are to be commended," NCQA President Margaret E. O'Kane said in the statement. NCQA's PPO program incorporates many of the same requirements as its existing managed care organization accreditation program, including those pertaining to access, service as well as the quality of health care providers. PPO plans that have agreed to participate in the program include Medical Mutual of Ohio, Hawaii Medical Service Assn., Personal Choice, Blue Cross & Blue Shield of Michigan, and Private Healthcare Systems Inc.

▶ CNA RESULTS MIXED CNA Financial Corp.'s sale of its personal lines business to Allstate Corp. last June helped push down first-half revenues at the Chicago-based commercial insurer, CNA reported last week. Revenues were further depleted by a reduction in business in other lines. But profits soared as the insurer cut expenses and increased its emphasis on "improved underwriting discipline," Bernard L. Hengesbaugh, chairman and chief executive officer of CNA, said in a statement. For the first six months of 2000, CNA reported gross revenues of $7.35 billion, a 15.3% drop from the same period in 1999. In addition to the sale of its personal lines business, CNA also decided to drop business in several lines for which it deemed the premiums too low, the CNA statement said. Net written premiums declined in its specialty operations, reinsurance and large commercial operations, the statement said. CNA's profits, however, rose more than 200% to $471 million. A "steady improvement in the fundamentals of our business" helped boost profits for the first half of 2000, Mr. Hengesbaugh said.

▶ BONDHOLDER SUIT A class-action lawsuit filed on behalf of bondholders of Reliance Group Holdings Inc. last week alleges that the troubled insurer issued misleading information about its financial condition that inflated the price of its bonds. Reliance already faces several shareholder class-action suits involving similar allegations. The lawsuit was filed in federal court in Manhattan by Berger & Montague P.C., a Philadelphia-based law firm. "The complaint alleges that the defendants issued materially false and misleading information regarding the company's liquidity and ability to repay and refinance its debt, causing the prices of Reliance Bonds to be artificially inflated," a statement from the law firm says. Bondholders who purchased Reliance bonds between Feb. 8, 1999, and July 19, 2000, are eligible to join the action.

▶ XL POSTS GROWTH XL Capital Ltd. has seen its premium volume grow in virtually all of its business segments this year, fueling a big increase in profits for the first half. The Hamilton, Bermuda-based insurer's gross premiums increased more than 30%, to $1.62 billion, from the first half of 1999. Net income for the six months that ended June 30 jumped 34.4%, to $366.2 million. Underwriting profits, however, fell 44.5%, to $45.3 million. The underwriting results reflect a loss of $11.2 million, related to an intercompany stop-loss agreement, XL reported. XL's insurance operations posted gross premiums of $493.1 million for the first half, up 84% from the same period the year before. Reinsurance operations' gross premiums grew 31.0%, to $806.0 million. The company reined in its operations at Lloyd's of London, however. First-half gross premiums in this segment fell 11.3%, to $295.6 million.

▶ HIPAA SOFTWARE VENDOR A new company, HIPAA Corp., has been established to develop software products for third-party administrators that offer Health Insurance Portability and Accountability Act compliance services to employers. HIPAA Corp., formed in June, will provide software applications for HIPAA administration that aim to ease the transition from paper documentation to electronic documentation. "The whole movement is to move health care away from labor-intensive, paper-based systems to more productive and cost-effective electronic systems," Ed Jones, president and chief executive officer of Atlanta-based HIPAA Corp., said in a statement. BI

▶ To get breaking news as it occurs, visit Business Insurance's free online Updates at www.businessinsurance.com. All of the material in the For The Record column, as well as other content in this week's issue, is generated from daily news postings that appeared on the Web site in the previous week.

Find daily coverage on Corporate Risk, Employee Benefit and Managed Health Care News at www.businessinsurance.com

BI Industry Stock Report AUG. 7, 2000, THROUGH AUG. 11, 2000

BROKERS

		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)
Aon Corp.	NYS	37.75	-3.21	-5.63	42.75	20.69	4887
Brown & Brown	NYS	53.44	7.41	39.48	53.44	30.75	112
Clark Bardes Holdings	NDQ	10.13	2.53	-29.57	21.00	8.50	196
E.W. Blanch Holdings Inc.	NYS	24.00	-16.52	-60.82	70.75	16.56	1749
Gallagher Arthur J. & Co.	NYS	48.88	-1.51	50.97	50.00	23.06	318
Hilb, Rogal & Hamilton	NYS	40.13	-1.83	42.04	42.13	22.38	699
Kaye Group Inc.	NDQ	10.00	48.15	19.40	11.88	5.00	47
Marsh & McLennan	NYS	123.50	0.46	29.07	127.38	61.75	3919
BROKERS	AVERAGE		6.02	20.02			

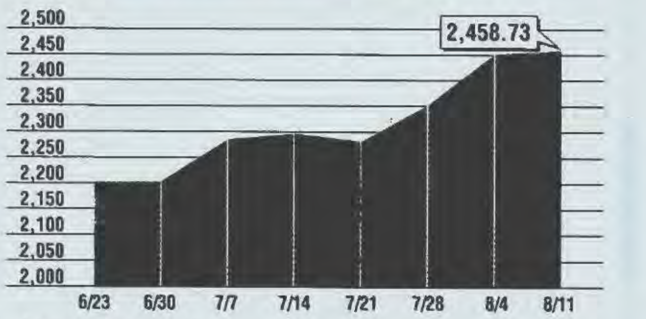
INSURERS/REINSURERS

		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)
ACE Ltd.	NYS	34.13	0.74	104.49	37.25	14.06	4321
Accel International Corp.	NDQ	0.63	0.00	-37.50	1.50	0.50	4
Acceptance Insurance Cos.	NYS	4.38	-4.11	-23.91	15.31	2.75	127
AEGON N.V.	NYS	39.19	1.62	-17.93	49.13	31.50	500
Aetna Life & Casualty	NYS	58.31	-2.00	4.48	84.31	38.50	3111
AFLAC Inc.	NYS	56.31	1.35	19.34	56.75	33.56	3707
Allmerica Financial Corp.	NYS	61.25	5.95	10.11	62.00	35.06	1133
Allstate Corp.	NYS	28.94	-1.91	20.26	36.69	17.19	12975
Ambac Financial Group	NYS	67.13	0.94	28.62	67.88	38.88	1669
American Financial Group	NYS	25.06	0.00	-4.98	33.63	18.38	214
American General	NYS	73.31	6.25	-3.38	82.19	45.63	4583
American Intl Group	NYS	86.63	-2.26	20.17	89.94	52.38	12202
American Safety Insurance	NYS	4.25	-2.86	-34.62	8.19	3.75	40
Argonaut Group	NDQ	16.38	6.07	-17.61	26.63	14.44	82
AXA-UAP Group	NYS	74.81	-3.70	5.37	81.50	53.75	494
Baldwin & Lyons Inc.	NDQ	17.13	6.61	-22.60	23.94	15.25	24
Berkley W.R. Corp.	NDQ	24.31	-1.77	16.47	26.25	14.00	643
Berkshire Hathaway Inc.	NYS	62400.00	-0.48	11.23	67500.00	40800.00	2
Capitol Transamerica Corp.	NAS	12.13	7.18	20.50	14.75	9.38	69
Chubb Corp.	NYS	78.44	-0.71	39.29	79.56	43.25	3789
CIGNA Corp.	NYS	105.19	4.86	30.57	105.19	60.75	3077
Cincinnati Financial Corp.	NYS	40.00	0.00	25.49	43.31	26.19	1071
Citigroup	NYS	72.44	-1.45	30.08	74.44	41.19	32977
CNA Financial Corp.	NYS	40.63	7.08	4.33	42.13	24.56	1157
CNA Surety	NYS	11.06	0.57	-14.90	15.25	9.75	275
EMC Insurance Group Inc.	NDQ	8.75	-6.67	-4.11	13.00	6.81	12
ESG Re Limited	NDQ	3.00	-9.43	-56.76	16.75	2.50	244
Enhance Financial Services	NYS	16.63	5.56	2.31	22.63	8.63	526
Everest Reinsurance	NYS	42.69	1.04	91.32	44.00	20.50	1224
Fremont General Corp.	NYS	3.88	-6.06	-47.46	17.50	3.88	1412
Frontier Insurance Group	NYS	0.50	6.67	-85.45	14.75	0.44	656
Gainsco Inc.	NYS	4.75	11.76	-11.63	6.94	4.13	164
Harleysville Group	NDQ	18.56	-1.00	30.26	20.25	11.63	107
HSB Group Inc.	NYS	39.75	10.23	17.56	40.63	21.50	1429
HCC Insurance Holdings	NYS	22.06	-3.29	67.30	22.94	8.00	910
ING Groep N.V.	NYS	67.44	2.86	10.55	69.00	46.81	324
IPC Holdings Ltd.	NDQ	16.25	0.00	9.24	22.50	9.75	104
Hartford Financial Services	NYS	65.63	-2.33	38.52	69.50	29.38	4411
John Hancock Financial Service	NYS	23.19	1.92	36.40	24.75	13.44	5032
LaSalle Re Holdings Ltd.	NYS	18.25	5.80	10.61	18.25	10.88	221
Lincoln National	NYS	47.94	4.78	19.84	52.00	22.63	3717
MAIC Holdings Inc.	NYS	11.13	-7.29	-47.49	29.05	10.00	197
Markel Corp.	NYS	153.00	2.43	-1.29	191.88	111.50	74
MBIA Insurance Group	NYS	65.38	5.34	23.79	65.38	36.31	2311
Meadowbrook Insur. Group	NYS	4.50	-10.00	-31.43	13.00	4.50	29
MetLife	NYS	24.00	18.15	68.42	24.38	14.25	24065
Mutual Risk Mgmt. Ltd.	NYS	18.19	0.69	8.18	30.75	9.81	1053
Navigators Group	NDQ	10.13	2.53	3.85	16.00	8.63	97
NYMagic Inc.	NYS	14.38	-1.71	9.00	15.75	12.25	94
Ohio Casualty Corp.	NDQ	8.75	-9.09	-45.53	18.50	8.38	1545
Old Republic Int'l	NYS	23.94	3.79	75.69	24.38	10.63	2801
Partner Re Ltd.	NYS	41.00	5.13	26.40	42.31	28.38	2365
Penn-America Group Inc.	NYS	7.56	-3.97	-2.42	10.38	6.63	12
PMA Capital Corporation	NDQ	17.38	-3.47	-12.58	21.00	15.50	35
Philadelphia Cons. Holding	NDQ	17.00	3.03	17.24	21.63	10.81	128
PXRE Corp.	NYS	14.38	8.49	10.58	17.75	9.94	223
Reliance Group Holdings	NYS	0.19	-40.00	-97.17	7.75	0.13	4225
ReliaStar Financial Corp.	NYS	53.63	0.59	36.84	53.63	23.75	2493
RenaissanceRe Holdings Ltd.	NYS	50.06	5.67	22.48	50.06	33.19	556
RLI Corp.	NYS	36.75	-0.51	8.09	38.13	26.25	61
St. Paul Cos.	NYS	47.75	1.06	41.74	49.56	21.31	5929
SCOR	NYS	40.94	1.71	-7.49	53.63	38.38	27
SAFECO Corp.	NDQ	25.88	1.22	4.02	38.50	18.00	2400
SCPIE Holdings Inc.	NYS	21.50	0.88	-33.07	36.94	19.00	NA
Seibels Bruce Group	NDQ	0.56	-55.00	-67.86	4.94	0.56	114
Selective Ins. Group	NDQ	17.81	-1.38	3.64	20.38	14.63	130
Tokio Marine & Fire	NDQ	53.00	4.95	-10.36	67.00	45.00	67
Torchmark Corp.	NYS	27.13	1.88	-6.67	36.00	18.75	1891
Transatlantic Holdings	NYS	86.19	1.92	10.41	91.56	68.75	63
Trenwick Group Inc.	NYS	18.75	4.17	10.70	24.28	12.00	372
Unico American Corp.	NDQ	6.75	3.85	-3.57	10.25	4.50	134
United Fire & Casualty	NDQ	19.00	4.11	-16.02	25.25	15.50	36
Unitrin	NDQ	30.00	2.35	-20.27	39.75	27.19	485
UNUM Corp.	NYS	22.06	-6.12	-31.19	52.50	11.94	8119
Vesta Insurance Co.	NYS	5.25	1.20	35.48	7.88	3.44	290
XL Capital Ltd.	NYS	67.31	-2.27	29.76	72.38	39.00	2936
Zenith National Ins.	NYS	23.56	0.53	14.24	24.94	18.75	17
INSURERS/REINSURERS	AVERAGE		-0.03	4.48			

HEALTH MAINTENANCE ORGANIZATIONS

		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)
Foundation Health Systems Inc.	NYS	16.06	10.78	61.64	16.19	6.25	2429
Humana Inc.	NYS	7.44	4.39	-9.16	11.06	4.75	3715
Oxford Health Plans	NDQ	29.81	9.40	134.98	29.81	9.75	8953
Pacificare Health Sys.	NDQ	56.31	-5.85	6.25	72.31	31.13	2374
Sierra Health Services	NYS	3.00	-2.04	-55.14	13.25	2.75	979
United HealthGroup	NYS	92.25	5.20	73.65	92.25	39.38	4447
Wellpoint Health Networks	NYS	90.06	1.69	36.59	91.00	48.25	1940
HMOs	AVERAGE		3.37	35.54			
ALL COMPANIES	AVERAGE		3.12	20.01			

BI Insurance Index



Base=100 on Dec. 29, 1978

Top advancing issues: Kaye Group Inc., MetLife, Gainsco Inc. Leading decliners: Seibels Bruce Group, Reliance Group Holdings, E.W. Blanch Holdings Inc. Most active issue: Citigroup. The *BI* Index increased 0.3%; the Dow Jones 30 Industrials rose 2.4%; the S&P 500 went up 0.6%; and the NYSE Composite increased 1.1%. Average P/E: Brokers, 22.0; Insurers/reinsurers, 23.3; HMOs, 14.8.

Source: *CNET Investor* (investor.cnet.com) Boulder, Colo.

With some brokers, your complex property renewal may put you in an uncomfortable position. At Hobbs Group, our market expertise means we can offer our clients a wide range of innovative solutions. That could be why blue chip clients like Staples® turn to us for their commercial property insurance. Maybe you should too.

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NOT THE LACK THEREOF.

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