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Updates

Deliberate blackout in Chicago might spur claims against utility

CHICAGO—A deliberate blackout of a sizable area of downtown Chicago last week could prompt numerous claims against the city's electric utility.

Business interruption claims appear unlikely, however, as the outage lasted too briefly to trigger coverage under most policies.

Chicago Mayor Richard M. Daley threatened that the city itself would sue the Commonwealth Edison Co. electrical utility to recover its losses, and he suggested numerous other ComEd customers would as well.

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UPS captive called tax dodge

Tax Court, IRS hit shipper for taxes on premiums paid to OPL

By DOUGLAS McLEOD

WASHINGTON—A massive tax judgment against United Parcel Service of America Inc. will not affect most captive insurers, though it underscores some important lessons for captive owners, tax experts say.

The U.S. Tax Court last week held that UPS improperly shifted nearly $100 million in income in 1984 to a Bermuda reinsurer it created to cover damage claims by its shipper customers.

The court found UPS liable for $64.9 million in additional taxes, along with penalties and interest that could push the total judgment as high as $300 million. Meanwhile, the Internal Revenue Service earlier this year notified UPS of similar underpayments for 1985 through 1990 and could find the same deficiencies for the years since 1990, UPS has disclosed.

The result, if the IRS ultimately prevails, could be hundreds of millions of dollars in additional tax liabilities for UPS.

While the company maintained that it had legitimate business reasons for creating Bermuda-based Overseas Partners Ltd.—now one of the world's largest reinsurers—UPS was able to produce little documentation to support its claim, according to the tax court's ruling.

Instead, the court found evidence that OPL was formed largely for tax reasons, to shift huge profits that UPS earned covering shipping damage risks to a tax-free offshore location. The evidence included memos outlining the tax benefits from UPS broker Frank B. Hall & Co. Inc., since merged into Aon Corp.

UPS also did not deal with OPL at arm's length, the

See **UPS** *on page 37*

Delivering for UPS

Overseas Partners Ltd. revenues in millions of dollars

	1998	1997	1996
UPS-related reinsurance			
Shippers' risk	$371.8	$366.7	$381.5
California work comp	50.6	[illegible]	52.6
Other reinsurance	330.6	[illegible]	97.0
Real estate and leasing	266.9	248.6	150.7
Investment income	238.2	[illegible]	166.0
Total revenues	**$1,258.1**	**$1,135.6**	**[illegible]**

Source: OPL and United Parcel Service of America Inc. financial statements

GRAPHIC BY ADAM DOI

Deadline missed on privacy rules

Congress may still act before HHS issues rules

By MEG FLETCHER

WASHINGTON—A nearly month-long recess by federal lawmakers means a deadline for Congress to approve medical records privacy legislation will be missed.

Ultimately, however, lawmakers later this year still may act on several pending bills designed to protect individuals' personally identifiable health information. Enactment of such measures would supersede any effort in the coming months by federal agencies to develop privacy rules.

Technically, Congress' failure to act before an Aug. 21 legislative deadline transfers rulemaking authority to the secretary of the U.S. Department of Health and Human Services, according to provisions of the Health Insurance Portability and Accountability Act of 1996 (*BI*, March 29; April 19).

While HHS is proceeding with plans to issue proposed regulations sometime this fall, it is also urging members of Congress to reconvene and pass legislation, a spokeswoman for the agency said.

When Congress reconvenes Sept. 8, some observers expect

See **Privacy** *on page 36*

Patient protection proposals

Pressure to act builds

By MARK A. HOFMANN

WASHINGTON—Health plans, but not employers, would be subject to new legal liability under new proposed managed care regulations, the measure's backers in Congress say.

Employers and health industry trade groups still see enough of a downside to the as-yet-unwritten GOP proposal, however, to give it a preliminary thumbs-down.

House Speaker J. Dennis Hastert, R-Ill., promised earlier this month that the proposal, based on principles put forth by Reps. Tom Coburn, R-Okla., and John Shadegg, R-Ariz., will come to the floor of the House for a vote next month (*BI*, Aug. 9).

The House GOP proposal currently consists of just a list of principles. According to a document released by Rep. Coburn on Aug. 6, the principles include:

- Patients would have "timely" access to an independent medical review of denied treatment.

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Patient protection legislation

Managed care bills pending in the House and Senate have similar provisions

Provisions	Coburn/Shadegg "Principles"	Norwood/Dingell "Consensus Managed Care Improvement Act"	Senate "Bill of Rights Plus Act"
HMOs can be sued if coverage decisions 'harm' patients	✔	✔	No
States can enact stronger protections	✔	✔	No
Independent external review for denied coverage	✔	✔	✔
Easier coverage for emergency room services	✔	✔	✔
Direct access to ob/gyns	✔	✔	✔

Spotlight on

Property Loss Control

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Tornado losses tallied

By SALLY ROBERTS

SALT LAKE CITY—Cleanup is well under way in Salt Lake City, where a freak tornado hit last Wednesday, causing more than $150 million in property damage, according to preliminary estimates from the office of the city's mayor.

The property damage figure does not include losses sustained by the Outdoor Retailer Summer Market Show, which was scheduled to begin last Thursday. Most of the injuries and the one confirmed death occurred in the block-long display tent being assembled for the exhibition.

Damage figures had not been determined as of late last week, but the show's organizer, San Francisco-based Miller Freeman Inc., said one of the show's two outdoor pavilions was destroyed and the other was severely damaged by winds that reached more than 100 mph. The tents were set up to house approximately 775 exhibit booths.

Miller Freeman has first-party property coverage with London-based CGU P.L.C. and a liability policy with American International Group Inc., said Steve Harden, insurance and risk manager for Miller Freeman. Marsh Inc. is the broker on both policies. Mr. Harden would not disclose the company's retention or limits on either policy, but he said

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PHOTO: AP/ WIDE WORLD

The Delta Center in Salt Lake City was damaged by the twister.

Updates

Chicago suffers blackout

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ComEd pulled the plug on 670 businesses in Chicago's Loop business area at 1:45 p.m. Thursday. The action came after multiple transformer problems caused two outages earlier that day in other downtown areas and raised the prospect of a more widespread blackout. Thursday's blackout was the latest in a mounting series of outages for ComEd.

The blackout forced many businesses, including the Chicago Board of Trade, to call an early end to their workdays. Although ComEd initially predicted the outage would last 18 to 22 hours, power was restored shortly after 3 p.m.

Business losses resulting from the blackout could reach $100 million, by an estimate from the Building Owners & Managers Assn. of Chicago. Paul Colgan, director of public affairs for the association, said his organization's estimate of the "potential loss" is based on losing half a day's business activity in downtown Chicago. "The real loss is probably substantially below that," he said. "But we don't know what that will be."

Because business interruption policies typically have a waiting-period deductible, last week's blackout shouldn't trigger many claims, said Ken Gladkowski, who was a senior vp at Sedgwick of Illinois and now is with Marsh Inc. in Chicago.

John Rowe, chairman and chief executive officer of Unicom Corp., Commonwealth Edison's parent company, said last week the utility would deal case-by-case with any claims from the recent outage.

"The issues of liability under this situation are not covered by the statute that applied to the other (outages)," Mr. Rowe said. Following a widespread outage July 30 to Aug. 2, he said his company would pay all reasonable claims from customers for blackout-related losses.

A ComEd spokesman noted that Thursday's outage did not meet Illinois law's requirements for reimbursing utility customers for losses suffered as a result of a service interruption.

General American under watch

ST. LOUIS—The Missouri Department of Insurance has placed General American Life Insurance Co. under voluntary supervision after the insurer notified the department it was unable to meet all its obligations.

The Insurance Department said it took the action to protect the financial interests of smaller policyholders and large institutional contract holders of the St. Louis-based insurer.

General American officials told the department last Monday the company was unable to liquidate assets quickly enough to meet the cash demands of 37 institutional contract holders, many of them money market funds holding short-term guaranteed investment contracts. Unmet demands were expected to reach $4 billion by last Friday.

An Insurance Department team headed by Steven C. Divine, the department's chief financial examiner, has set up operations in General American's St. Louis headquarters. The Missouri department must approve any major business decisions by the company, though it has told General American to conduct day-to-day business as usual.

The Missouri department said the administrative supervision does not reflect on the overall solvency of General American and its subsidiaries. General American is a mutual insurer but has publicly traded subsidiaries. The company has about 300,000 policyholders.

General American said in a statement that it is "in discussion with several potential strategic partners and continues to pursue these discussions and other options."

Court expands drug warnings

TRENTON, N.J.—A New Jersey Supreme Court decision concerning the advertising of prescription drugs could lead to new consumer lawsuits against pharmaceutical companies.

The court ruled Aug. 9, in *Saray Perez et al. vs. Wyeth Laboratories Inc.*, that drug companies that advertise directly to consumers must warn them in understandable language of the potential side-effects of the advertised drugs. The decision stems from a lawsuit by plaintiffs who allege they were injured by the Norplant contraceptive distributed by St. David, Pa.-based Wyeth-Ayerst Laboratories.

A company statement said the court went out of its way to explain that its ruling was focused merely on the duty to warn and did not add weight to the plaintiffs' claims. "Indeed, none of the plaintiffs whose Norplant cases had been selected for trial claimed that they had seen or been influenced by Norplant advertising," the statement said.

The court's decision is a radical departure from the established protection for pharmaceutical companies known as the "learned intermediary doctrine," explained Jay Spievack, a policyholder attorney and mass-injury specialist for the New York firm of Kronish Lieb Weiner & Helman. The learned intermediary rule has been recognized by virtually all states and holds that drug manufacturers are required to inform only doctors and not health care consumers. Mr. Spievack did not represent any parties in the case.

A lower court summary judgment dismissed the lawsuits against Wyeth-Ayerst, holding that the learned intermediary doctrine applied. That was upheld by a state appeals court, but the Supreme Court disagreed. The case has now been remanded to the lower court to address other issues, including whether Norplant caused the plaintiffs' injuries.

Lloyd's groups close to merger

LONDON—Lloyd's of London insurance group CLM Insurance Fund P.L.C. has announced it is in "advanced" merger talks with SVB Holdings P.L.C.

In a joint statement to the London Stock Exchange, the two organizations explained that the terms will be 1.185 SVB shares for each CLM share, representing a price of about 164 pence ($2.65) for each CLM share, though the deal is subject to due diligence on both sides.

CLM Chief Executive Michael Wade explained that merging the two entities would create a business with about £250 million ($403.1 mil-

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Reliance, Liberty revamping

By GAVIN SOUTER

NEW YORK—Two U.S. insurers—Reliance Group Holdings Inc. and Liberty Mutual Insurance Co.—are taking decisive steps to try to bolster sagging commercial property/casualty operations.

Dennis Busti was moved out of the top job last week at Reliance National Insurance Co. as Reliance Group attempts to stem losses on its commercial insurance business. The insurer also is dropping unprofitable business and cutting staff as it tries to recover from poor financial results.

Liberty Mutual also is realigning its commercial insurance operations in the face of continuing soft market conditions. The company intends to more closely integrate parts of Wausau Insurance Cos., which it took control of last year. The Boston-based insurer also will cut 1,500 staff as part of efforts to trim expenses by $150 million.

Mr. Busti, who has been president of New York-based Reliance National since its founding in 1987, will become vice chairman of Reliance Insurance Group, where he will focus on growing new business. His replacement has not yet been selected.

Mr. Busti's move away from the day-to-day management of Reliance National will enable him to concentrate on winning new business for all the insurers in Reliance Insurance Group, said Robert Steinberg, chairman and chief executive officer of the Philadelphia-based holding company.

"We made the decision that (Mr. Busti's) great strength is bringing in new business," said Mr. Steinberg, who will serve as

See **Changes** *on page 36*

More Fen-Phen suits likely

Texas verdict shows jurors' anger toward company: Attorneys

By MICHAEL PRINCE

MADISON, N.J.—American Home Products Corp. will likely face more lawsuits over one of the drugs in the "Fen-Phen" combination after losing a $23.4 million verdict in Texas to a woman who alleged she suffered heart problems from one of the company's diet pills, attorneys say.

Beyond sparking additional suits, the verdict's size—even if later reduced—could change how both plaintiffs' attorneys and the company view their cases, just as the first class-action trial over the issue gets under way.

On Aug. 6, a jury in Van Zandt County, Texas, awarded $23.4 million to Ms. Deborah Lovett against Madison, N.J.-based American Home because of heart problems allegedly stemming from her use of the diet drug Pondimin, or fenfluramine, taken as part of the popular Fen-Phen drug combination. The award consisted of $3.4 million in compensatory damages and $20 million in punitive damages.

American Home had settled a number of cases related to its diet drugs; the Texas case was the first jury verdict against it.

Both Pondimin and Redux (dexfenfluramine), another drug sold by American Home's Wyeth-Ayerst

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St. Louis buyers look at health care providers

Room for improvement

By JOANNE WOJCIK

ST. LOUIS—St. Louis-area employers expect to put more pressure on health plans to improve in light of a new report that shows the metropolitan area's health care delivery system is not performing as well as it could.

In fact, some members of the St. Louis Area Business Health Coalition, which spearheaded the study, say it will influence their buying habits by making them more cognizant of quality indicators in their future health plan contract negotiations.

"It's certainly ammunition," said William Duffe, director of personnel for the City of St. Louis and a member of the coalition's board.

Mark D'Amico, human resources specialist-managed care products for the Boeing Co. in St. Louis, agreed. "There's been a lot of interest in increasing the standards for the plans we do buy services from—for example, by requiring NCQA accreditation—but I think there's a lot more work to be done," he said. Mr. D'Amico also is a coalition board member.

The report, published earlier this month, is the first phase of an ongoing effort to compare the St. Louis area's health care to that of seven other metropolitan regions in the United States: Boston; Denver; Indianapolis; Minneapolis; Rochester, N.Y.; Seattle; and an average of eight metropolitan areas in California. The coalition used CHPS Consulting of

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Aviation rates to stay grounded

Brokers expect rates for fall renewal season to be flat or down slightly

By DAVE LENCKUS

The 5% rate hike that Federal Express Corp. negotiated with its lead aviation underwriter during the cargo carrier's Aug. 1 renewal portends another smooth fall renewal season for airlines worldwide.

Despite the aviation market's decade of underwriting losses, the Fed Ex renewal demonstrates that new aviation underwriters and market overcapacity on the direct and reinsurance side will continue to hold down rates and premiums. That's true even for many airlines with checkered loss records, according to aviation brokers.

Fed Ex's renewal "has to be some indication on what to expect," said one broker, who requested that he not be identified. The broker said Fed Ex's high five-year loss ratio, its increased exposure and the higher liability limits it purchased justified a much-steeper rate hike.

This fall, underwriters "would do a good job for their shareholders if they

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Inside

- Employers need to get involved in the legislative debate while health reform measures are being put together, not afterward, this week's editorial says. **PAGE 8**
- Product contamination scares and high-profile recalls this summer are increasing the demand for product recall insurance in Europe. **PAGE 31**
- Blue Cross & Blue Shield of Massachusetts is offering employers a new HMO option that will give employees direct access to specialists. **PAGE 34**

Departments

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PROPERTY LOSS CONTROL

Building code change kicks up storm

Coastal counties in Florida fight weaker standards in proposed uniform code

By MICHAEL BRADFORD

The possible adoption of a uniform building code in Florida is stirring a storm of controversy over what kind of windstorm provisions can best protect the state's hurricane-vulnerable coastal areas.

South Floridians, who generally opposed any weakening of the tough building codes adopted in four South Florida counties after Hurricane Andrew, won some concessions in their effort to alter a first draft of the code. In a meeting last week, the Florida Building Commission agreed that a statewide code should keep in place the construction requirements set by Dade, Broward, Palm Beach and Monroe counties to protect structures against high winds.

South Floridians, however, remain unhappy that the latest version of the proposal does not also include their stringent requirements for approving the products builders use in construction.

Others warn that new construction in coastal areas outside south Florida could be vulnerable to high winds under the current draft.

The current draft would allow other counties to implement some of the same stringent local requirements that are in place in Dade, Broward, Palm Beach and Monroe counties if those other counties could agree on changes by Jan. 1, 2001.

"That may sound good on paper, but it is very difficult to do," said a spokesman for Dade County Commissioner Miguel Diaz de la Portilla. "You need a long time frame for a county to analyze and adopt something."

A statewide code would have to be approved by the Florida Legislature. The Building Commission plans to have a final version of its proposal ready by early next year to submit to the Legislature.

The biggest snag for the South Florida counties is the omission of the product approval standards, the Dade County Commissioner's spokesman said. "The issue is still that the Florida Building Commission has not

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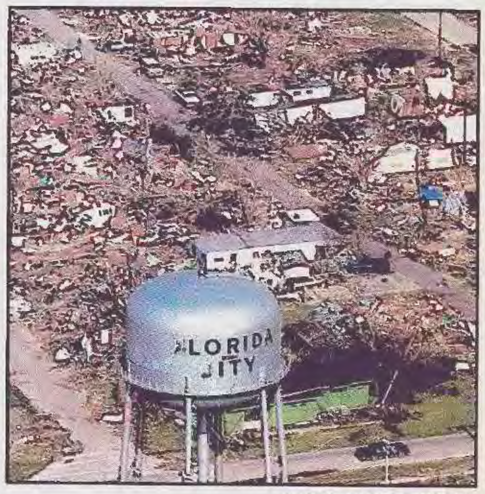

PHOTO:AP/WIDE WORLD

South Florida counties fear a uniform building code could result in lower standards for property exposed to hurricanes.

High technology brings new tools to loss control

By JOANNE WOJCIK

Wishing to move beyond traditional loss control techniques, sophisticated risk managers increasingly are turning to computer modeling to better analyze their property risks and improve their loss control solutions.

Both the public and private sectors are providing the high-tech tools these risk managers are seeking—tools that not only can predict the likelihood of catastrophic losses but also can quantify the costs and benefits of various loss prevention and control techniques.

Risk managers today generally fall into one of two categories, according to Ken Brock, senior vp-loss prevention at HSB Industrial Risk Insurers in Hartford, Conn. They are either solution seekers, who seek higher-level, more analytical services, or they are commodity buyers who want basic risk transfer and only as much loss control as necessary for an insurer to underwrite the risk, Mr. Brock explained.

"The bigger the customer, the more sophisticated they are and the more likely they are to do cost/benefit analyses" of risk control techniques, he said.

Dan Sobczynski, director of corporate insurance for Ford Motor Co. in Dearborn, Mich., says he definitely is among the solution seekers. His property loss control practice has become more esoteric as his team has become more sophisticated,

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New study of New Madrid zone doesn't move risk managers

By AMANDA MILLIGAN

Although new research about the New Madrid seismic zone is shaking up the scientific community, risk managers' and insurers' view of their New Madrid exposures generally remains unmoved.

The New Madrid seismic zone encompasses parts of Arkansas, Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee. Using global positioning systems technology, scientists Andrew Newman, Seth Stein and several colleagues were able to monitor the movement of plates in the zone for a seven-year period, beginning in 1991.

In an article published in the April issue of Science magazine, the scientists concluded from their study of earth movement that "the hazard from great earthquakes in the New Madrid zone has been significantly overestimated."

As a consequence, the researchers call for a reduction in the severity of the seismic hazard that is associated with the central United States. These hazard maps are used to determine building codes.

In spite of those conclusions, the insurance and risk management community is unlikely to revise its view of the exposure anytime soon.

John Aquino, executive vp for Aon Re Services Inc. in Chicago, said the scientific community "is going to have to create a consensus that will work its way into cat models" before property insurance premiums are affected or insurers change the way they look at the New Madrid risk.

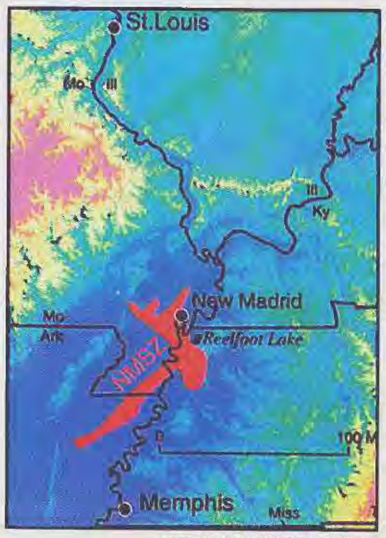
"Most of the insurance companies are looking at this risk through these models, and the models reflect a consensus rather than a single piece of new research," Mr. Aquino said.

Denis Julien, director of insurance with PCS Nitrogen Inc. in Memphis, Tenn., was not familiar with the new research, but said he was wary of the short timespan upon which the researchers based their conclusions.

"Seven years is nothing on the geologic scale," he said.

That is especially evident for

See New Madrid on page 12



U.S. GEOLOGICAL SURVEY

The earthquake hazard of the New Madrid seismic zone is overstated, new research contends.

PHOTO: CPSC

The Consumer Product Safety Commission has expanded its scrutiny beyond the Omega sprinkler.

Improved oversight of devices seen

Omega recall sparks new scrutiny

By ROBERTO CENICEROS

Long before federal officials last year sued to force a recall of the devices, engineers and other professionals in the fire protection industry say they suspected Omega fire sprinkler heads could fail.

"Quite frankly, it raised some eyebrows that a problem of the magnitude of the Omega problem could stay a semi-secret for as long as it did within the industry," said Joseph Hankins, engineering specialist for Factory Mutual Insurance Co. unit Factory Mutual Research Corp. in Norwood, Mass.

Now that the sprinkler head's shortcomings are out in the open, Omega's legacy may well be that its recall has sparked government scrutiny of all fire sprinklers and may lead to improved sprinkler testing standards, according to some observers.

Before the Omega debacle, the sprinkler manufacturing industry had been self-policed, and ongoing government testing of sprinkler products was unprecedented.

Omegas were made by Lansdale, Pa.-based Central Sprinkler Corp. and its subsidiary, Central Sprinkler Co. After growing industry concern about whether the sprinklers might fail in a fire, the manufacturer last October acknowledged they were defective and agreed to recall 20 Omega models and help fund the replacement of 8.4 million

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Spotlight report

Florida

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dealt with product approval."

In a written statement issued after the commission met, David Unnewher, senior research manager of the American Insurance Assn., said the second draft "does make key improvements" by leaving intact the windstorm standards already in effect in the four South Florida counties. But other counties might be endangered if the establishment of stronger codes is left up to local officials in each county, Mr. Unnewher said.

The commission's first draft drew a hail of protest from Mr. Diaz de la Portilla and others who protested the lack of tougher windstorm provisions.

The code as outlined in the first draft would have "put us at a pre-Hurricane Andrew level," said the spokesman for Mr. Diaz de la Portilla.

That 1992 storm caused widespread damage in south Florida and cost insurers billions of dollars. After the storm, south Florida counties began requiring builders to use stronger materials and techniques to strengthen roofs and other parts of structures against high winds.

Some proponents of a statewide code are asking South Floridians to sit tight.

The first draft "wasn't intended to reflect a finished product," said Lisa Maxwell, executive director of the Builders Assn. of South Florida. "We felt people overreacted."

The commission also is expected to consider a product approval process before submitting its final draft to the Legislature.

Ms. Maxwell said that while the association has for years pushed for a statewide code, it is not interested in one so lenient that it would put homes and businesses in jeopardy.

A uniform code would mean builders can construct homes and offices more efficiently and therefore keep buyers' costs down, she contends.

"Because there are literally thousands of codes, it makes for a very inefficient process," said Ms. Maxwell, explaining that communities next door to each other often have different building requirements. Having to contend with the myriad codes drives up the cost of construction while providing no additional value to the buyer, she argued.

Do Kim, director of technical services for the Institute for Business & Home Safety in Boston, said: "A uniform building code doesn't mean there will be one standard" for building every structure in the state. "It can take into account regional differences" while keeping a common methodology in one book, he added.

While the debate in Florida has centered on windstorm provisions, those are not the only standards that would be tied together by a uniform code.

Builders, owners and regulators face a mishmash of standards for all types of construction, said Herbert T. Bogert, president of Professional Safety Consultant Services Inc. in Ocala, Fla.

For example, the requirements for building stairways, where injuries are frequent, vary a great deal depending on the jurisdiction, he said.

"If somebody could get together and unify the good features of each of the codes, that would be great," Mr. Bogert remarked. "If they want to leave in the provision that local governments can make them more stringent, that would be fine."

Some with a stake in the outcome are waiting before taking a position on whether a statewide uniform code should be adopted.

Walter Industries Inc., a Tampa, Fla.-based home builder, "has not developed a position," said W. Michael McDonald, director of risk management. "We think there are pros and cons in both directions."

The idea that local codes could have more stringent requirements than a state code has some appeal, but "it would also be great to have a uniform code which would in effect serve to be a minimum standard in the state," Mr. McDonald suggested.

An insurer group formed to advocate stronger codes throughout the country is hoping to see a uniform code adopted in Florida.

The Insurance Building Code Coalition, whose members include insurance trade groups and the Building Officials and Code Administrators International, would like to see a uniform Florida code that "makes reasonable provisions" for areas with significant windstorm exposure, according to Keith Lessner, chairman of the coalition.

Mr. Lessner, who also is vp-safety and environment at the Alliance of American Insurers, said the coalition's aim is to "advance statewide building codes (nationwide). And that is our objective in Florida."

But the Florida code should allow for "reasonable measures" that must be taken so that structures can withstand natural disasters, he noted.

William Stander, government affairs representative for the Alliance, said in a written statement following last week's meeting that the association "is disappointed that the Florida Building Commission was unable to agree on building codes that provide stronger wind protection throughout the state."

Mr. Stander pointed out that the Alliance is pleased that strong standards remain in place in South Florida. He suggested that the commission's decision regarding the rest of the state is a "momentary setback. Public policy development on this issue will take time, but eventually people will become aware of how stronger building codes affect their safety and security, and they will come to demand higher standards."

George Smith, manager of building materials at Factory Mutual Research Corp. in Norwood, Mass., said Florida's most vulnerable areas need a strong code.

"In a state where hurricanes are a common occurrence from June to December, an extremely strong building code is a necessity," Mr. Smith said. Without one, catastrophic wind damage is inevitable, he added.

"There's no question that the state of Florida has substantial winds," Mr. Smith pointed out. "When you get into Dade and Broward, they are downright devastating."

If codes are weakened and windstorm losses pile up in parts of Florida, property insurance rates could rise. "I can't imagine not, if you have higher losses," he said.

At last week's meeting, David A. Yon, Florida counsel for the AIA, said strong statewide standards "will reduce the cost of insurance to Florida consumers and are critical to maintaining a strong and competitive property insurance market in the state. Otherwise, all Floridians will share in the cost of weaker standards through higher premiums, surcharges and assessments when large storms occur." BI

Opinions

Speak now on health reform

It would be understandable if employers and the managed care industry felt some nervousness after House Speaker J. Dennis Hastert, R-Ill., recently promised a House vote on patient protection legislation when members return next month.

With the Senate having already approved patient protection legislation, Rep. Hastert's decision certainly increases the likelihood that Congress will pass some form of managed care reform legislation in this session.

Given Congress' past mixed record in putting together health care legislation, it isn't surprising that the prospects of new intervention may be unsettling to some.

Indeed, Congress has produced such health care bombs as Section 89, which set ridiculously complex non-discrimination rules for health care plans, and the Medicare Data Bank, which required employers to file with the federal government voluminous and unnecessary health care plan enrollment information. Both laws were repealed before they ever were implemented, after employers mounted vigorous campaigns to convince legislators that the measures were disasters and worthy of repeal.

The lesson of those measures should be that employers—as well as the managed care industry, in this case—need to get involved in the legislative debate while health reform measures are being put together, not afterward.

Amid all the political posturing surrounding patient protection bills, we think it is inevitable that Congress will pass this legislation. Preventing alleged abuses by the managed care industry is an issue of vital concern to voters, and legislators are feeling the heat.

This interest in requiring managed care plans to abide by new standards is not necessarily a bad thing.

By now, we have become convinced that some federal intervention in this area is warranted. Simply put, enrollees in managed care plans do need federal protection to assure they receive coverage for justifiable services. Many state-based reforms have that same goal. But those reforms vary from state to state and are limited to insured health plans; self-insured health plans are exempt.

Managed care reform at the federal level would assure that employers, employees and insured health plans are not subject to a patchwork quilt of differing rules and coverage levels.

Among other things, enrollees should have the right to appeal a health plan's coverage denials to an independent external review panel, whose prompt decision would be binding on the plan. We also approve of proposals calling for such panels to be composed of medical doctors with expertise in the area that is the subject of the claim.

Enrollees should be assured that emergency room services, when justifiable in the eyes of a lay person, should be covered. We also approve of requiring that plans provide women with direct access to obstetricians and gynecologists and give children access to pediatricians without first having to obtain a referral from a primary care physician.

"IT'S LIKE YK2... WE CAN'T STOP IT BUT WE'D SURE BETTER GET SOME SAFEGUARDS!!!"

Other so-called reforms that Congress is likely to consider as part of these legislative proposals, however, would do more harm than good.

Employers should voice their opposition to provisions that would leave solely to a patient's doctor the decisions on what is medically necessary. Such a requirement has everything to do with income protection for providers and little to do with providing quality care.

Employers also should lend their voice to health plans in opposing provisions that would allow health plans and perhaps even employers to be sued for coverage denials.

We think mandating independent external review for coverage disputes will eliminate the need for exposing health care plans to damages, including punitive awards, now allowed under state law.

Allowing such lawsuits would enrich some members of the plaintiffs' bar and drive up plan costs but do little to ensure that patients receive care when they need it, a point employers and others should now be driving home with legislators.

While some form of patient protection legislation may be inevitable, it is still within employers' power to shape how helpful—or damaging—such reforms are to their benefit programs.

Letters

DataLister's service helps customers

To the editor: As an independent agent, I take exception to your Aug. 2 article, "Who Should Get Data? Employers Want Proof-of-Coverage Information Confidential."

I can provide you with a long list of business owners in South Carolina whose businesses have benefited from this information being released. The public's access to coverage data has long served an important function for both citizens and businesses. In addition, open records increase compliance by businesses as well as competition among insurers.

As a customer of DataLister Inc., I can vouch for the value of their software. I can't understand those who say there is "plenty of competition." You can't have too much competition. Through the use of DataLister, I have been able to place many customers with insurance companies that provide better service at very competitive rates. You will not hear those businesses complaining. They have enjoyed significant savings and great service!

The bottom line is that DataLister software makes public data a useful business development tool. Make no mistake: The ultimate beneficiaries are business owners and employees in South Carolina.

Kent B. Moody
Insurance Services of Beaufort
Beaufort, S.C.

Letters to the editor

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

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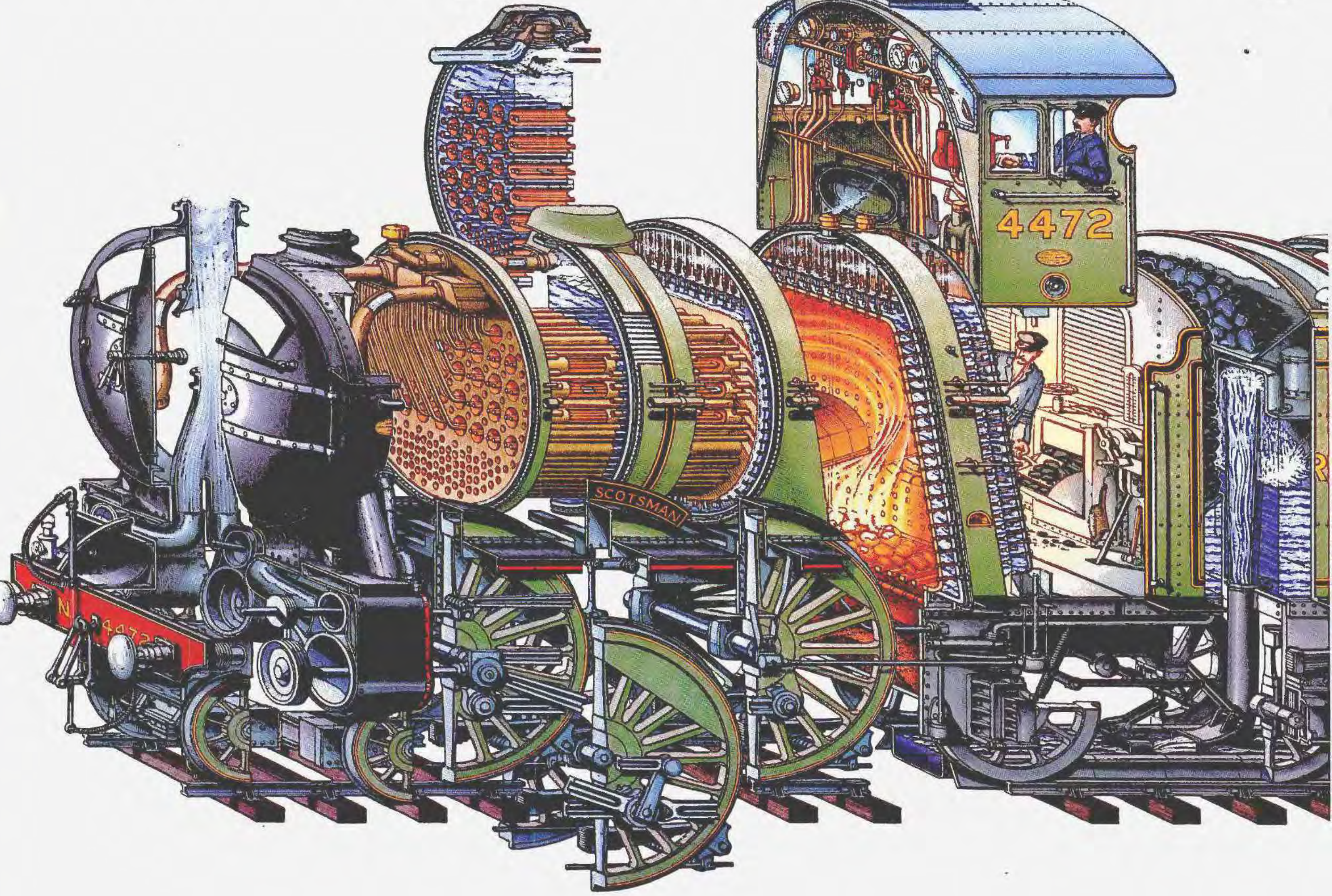

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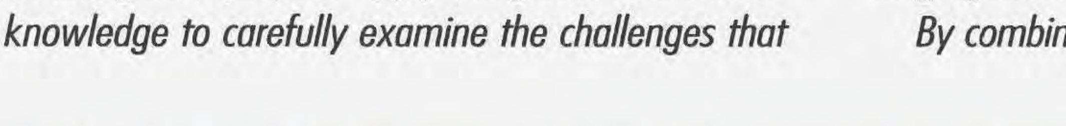

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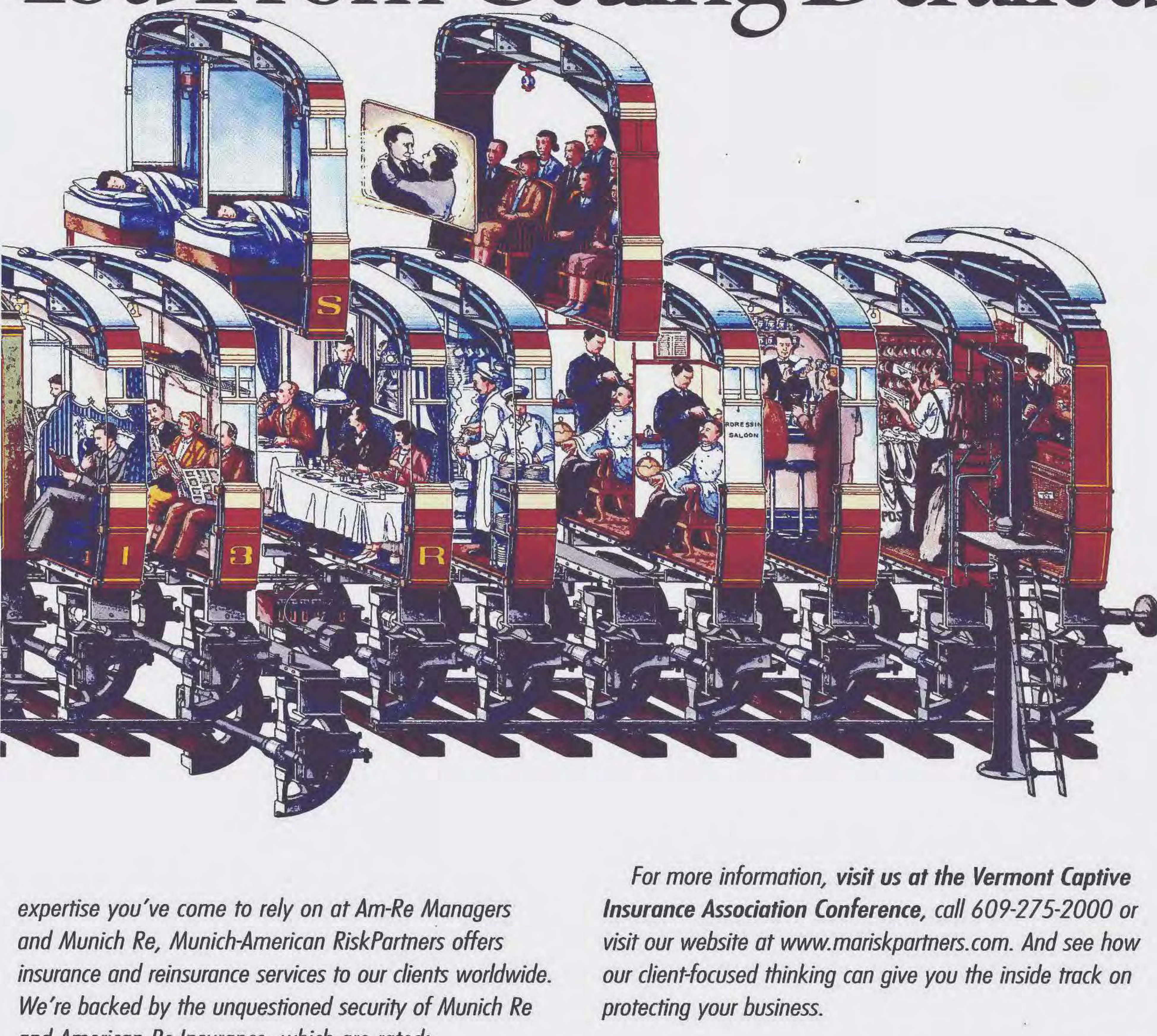

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New Madrid

Continued from page 3

the New Madrid zone, which has not seen a major quake in more than 100 years and experienced some of its most-severe ground shaking nearly 200 years ago.

In 1811 and 1812, four massive quakes—believed to have been the equivalent of magnitude 8—rocked the area near New Madrid, Mo.; the fourth quake destroyed the town, according to the U.S. Geological Survey. In 1895, a strong quake of magnitude 6.8 shook the New Madrid region, according to the USGS.

Eugene Schweig, a geologist with the USGS and central U.S. coordinator of the Earthquakes Hazard Program in Memphis, said evidence suggests the region experienced additional strong earthquakes of lesser magnitudes and aftershocks for a year after these larger quakes.

"We also see in the geologic record a very major earthquake has occurred every few hundred years," he said.

Mr. Schweig said he has received several phone calls from insurance industry representatives inquiring about the new research.

"It has focused the attention of the insurance industry on hazards in the New Madrid seismic zone," he said. "From the conversations, I don't think the industry is ready to change anything."

The new research "will galvanize us to do a lot more research, and that's good," he predicted.

Don Windeler, lead geologist for Risk Management Solutions Inc., a catastrophe modeling company in Menlo Park, Calif., said the new findings "simply serve to remind insurers of the uncertainly that surrounds these exposures in the middle U.S."

'A very major earthquake has occurred every few hundred years,' says Eugene Schweig of the U.S. Geological Survey.

The new research was based on measurements taken at various points in the New Madrid region using GPS technology. The scientists periodically calculated the horizontal and vertical positions of metal stakes, called "monuments," Mr. Schweig said.

By measuring the movement of the monuments, the researchers found little evidence of significant ground motion, which they believed would indicate sufficient geologic strain to produce one large earthquake or a series of smaller quakes, he explained.

Paul Thenhaus, a senior consultant and associate with EQE International Inc. in Evergreen, Colo., said there's nothing wrong with the methodology behind GPS seismic analysis but that the problem lies with how the results were interpreted.

"Mother Nature is much more stingy with her secrets in the New Madrid zone," he said.

Mr. Thenhaus noted that, under the traditional view of New Madrid hazards, Memphis has about the same moderate level of exposure to a severe earthquake as certain areas in eastern California.

However, a quake of the same magnitude could have more devastating results in the Midwest than in California, experts note.

Kenneth Linder, assistant vp-loss prevention technical services for HSB Industrial Risk Insurers in Hartford, Conn., said that, while opinions differ with respect to the New Madrid zone's seismicity, "it doesn't have to be a magnitude 8 or 7 event to create a major loss."

In the New Madrid region, Mr. Linder notes, building codes are not as stringent, and architects don't always take earthquake exposures into account.

Mohammad Yazd, director of earthquake modeling and research for Boston-based Applied Insurance Research Inc., said California's 1994 Northridge earthquake was of magnitude 6.7, but "a 6.7 in New Madrid will be felt in a much-larger area than in California."

This is due to a phenomenon known as attenuation, he said. Because of the composition of the earth in the New Madrid area, it would not absorb the seismic waves as quickly as would the earth in California, thus allowing the waves to travel a greater distance before dissipating, he explained.

In addition, Mr. Yazd, "it's not only the magnitude but also where it occurs." If a quake were to occur near Memphis or St. Louis, it could be devastating for those cities, he said.

A 1995 study conducted by the Insurance Services Office Inc. and Risk Management Solutions estimated that insured losses of more than $115.8 billion could result from a magnitude 8.5 earthquake in the New Madrid seismic zone.

Part of preparing for a severe earthquake is to assess the strategic importance of each facility, said Mike Burke, vp and chief engineer with Factory Mutual Insurance Co. in Johnston, R.I.

If a building is deemed important to company operations, loss control measures such as retrofitting and strengthening to withstand an earthquake are suggested, Mr. Burke said.

After an earthquake, fire is a tremendous hazard, he noted. Risk managers should look for ways to keep flammable gases and liquids from escaping their containers during quakes.

Additionally, any part of production equipment that might shift during a quake should be bolted into the foundation of the building. This, for example, could prevent incidents such as ruptured gas lines and damaged electrical equipment.

"The real challenge in New Madrid is really keeping the building up," Mr. Burke said.

Mr. Linder of HSB-IRI noted that the levels of exposure will vary depending on the property, including varying from one highly protected risk facility to another.

"Some industrial facilities have less-damageable interior finishes, such as wallboard and plasterboard," said Mr. Linder. "They're not as easily damaged in a moderate earthquake as other facilities."

On the other hand, David Williams, area vp for Arthur J. Gallagher & Cos.' International Special Risk arm in Itasca, Ill., said of the average older brick building: "it doesn't take much to bring it down."

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New Madrid

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Mr. Williams also said that earthquakes in the New Madrid region could wreak even more havoc on property if levees on the Mississippi River break and the river is overcome by intense wave movement.

Mr. Williams said he doesn't consider that scenario too far-fetched, noting that the 1811 New Madrid quake "did shift the Mississippi."

The new research "has not changed my approach at all," said Millie Workman, risk manager for Mueller Industries Inc. in Memphis. "I still think we need to be prepared for a large earthquake in this area."

There are some companies in the region that don't acknowledge the New Madrid exposure, Ms. Workman said. "They don't want to accept that this could happen, and they don't want to believe it could happen."

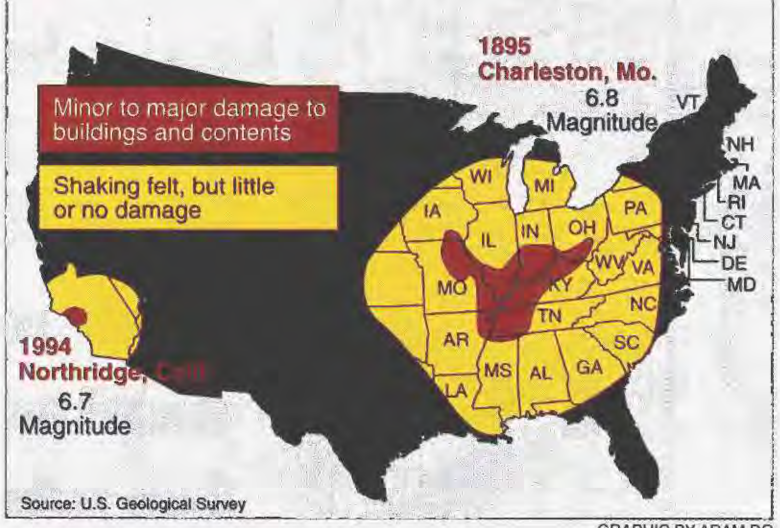
Awareness of the earthquake risk in the New Madrid region needs to be heightened, said Do Kim, director of technical services for the Institute for Business and Home Safety, a Boston-based group supported by the insurance industry.

Mr. Kim said that, in addition to engaging in retrofitting and nonstructural mitigation, companies should have contingency plans in place that address issues such as employees' response to the stress of a quake and the survival of electronic data.

"If they make a conscious decision not to manage it, they're taking a gamble on whether the company will be around" after a quake, Mr. Kim said.

New Madrid's wider reach

Although similar in magnitude, past New Madrid quakes have been felt over a wider area than recent California quakes.



Source: U.S. Geological Survey

GRAPHIC BY ADAM DO

St. Louis-based Ralston Purina Co. took a careful look at the New Madrid exposures of a facility in the St. Louis area, said Bill Drum, the company's vp and director of risk management. First, the company looked at the plant's exposure level at different earthquake magnitudes. It then assessed the need to retrofit the plant. Additionally, when the company decided to build an addition to an existing facility that would greatly expand the plant's size, Ralston Purina opted to exceed existing building code requirements.

Ralston Purina sold the plant in 1997, said Mr. Drum. Although this was Ralston Purina's only plant in the New Madrid region, the company also had to protect its corporate headquarters in St. Louis.

"Our major concern here was our information systems area," Mr. Drum said. To address this concern, Ralston Purina created an offsite facility—a "hot site"—just outside of Chicago. This site has systems, computer equipment and copies of crucial electronic data identical to those at the headquarters.

When asked whether New Madrid risks influenced the decision about where the center would be established, Mr. Drum said, "We wouldn't have located it in Memphis."

In the early 1980s, St. Louis-based Anheuser-Busch Cos. Inc. began to use in St. Louis the earthquake mitigation expertise it had developed in preparing its California facilities for quakes, said Stephen Daily, manager of risk control. Mr. Daily emphasized that there was an overall corporate commitment to earthquake readiness.

Mr. Daily said there's no cookie-cutter approach for what needs to be retrofitted in each building. For example, in St. Louis, Anheuser-Busch needed to figure out how to transfer quake energy away from its brewing tanks to the ground, outside of the building.

Also, the beer manufacturer has a contingency plan in place that involves transferring materials and workloads to other, unaffected facilities nationwide, Mr. Daily said. The company has 12 breweries in the United States. BI

High tech

Continued from page 3

he said.

"We have used quantitative modeling for risk analysis and risk optimization," Mr. Sobczynski said. "We're also doing more statistical modeling than in the past."

Such modeling allows the company, for example, to project its maximum probable loss and calculate how much various property loss control efforts could reduce that loss.

Ford also is participating in Project Alpha, the testing of a new software program developed by HSB that measures the theoretical results of loss control options.

The program, which was demonstrated in Dallas this year at the Risk & Insurance Management Society Inc.'s annual conference and exhibition, creates a risk profile of the company. The program then shows the gap between its "risk appetite" and how much risk it actually is assuming, HSB's Mr. Brock explained.

Project Alpha still is in its infancy, and Mr. Sobczynski said he had not yet decided what he thinks of it, but he hopes it will provide more information than his other risk management information systems do now.

Mr. Sobczynski's approach illustrates a change in thinking.

Today's property loss control "is more than just protecting property; it's protecting your business," observed Steve Sachs, senior vp of the Atlanta-based Hobbs Group L.L.C. and acting risk manager for the Rouse Co., a real estate developer in Columbia, Md.

'We have used quantitative modeling for risk analysis and risk optimization. We're also doing more statistical modeling than in the past,' says Dan Sobczynski of Ford Motor Co.

Property loss control today goes beyond simply installing fire protection; it now involves measuring the performance of the overall loss control program and how it affects the corporate bottom line, Mr. Sachs said.

"It gets into holistic risk management. . .what do you really worry about when you go to bed at night?" he explained.

According to Paul VanderMarck, vp at Risk Management Solutions Inc. in Menlo Park, Calif., the more corporations turn to the capital markets as an alternative to traditional insurance, the more they need a true understanding of their risks.

"To the extent that there are new alternatives to transfer risk—i.e., the capital markets—that requires a better understanding of risk than was needed before," Mr. VanderMarck said.

As a result, many businesses are approaching companies such as RMS, which traditionally has provided computer catastrophe modeling to insurers and reinsurers, to analyze the earthquake and windstorm exposures of their worldwide property portfolios.

As U.S. business grows and changes, so do its loss control needs, said HSB's Mr. Brock.

For example, as the automotive manufacturing industry uses more lightweight magnesium, HSB is doing burn tests at Underwriters Laboratories Inc. in Northbrook, Ill., to make sure the fire protection at plants is adequate, he said.

In addition to developing Project Alpha and the magnesium burn tests, HSB also is working with several universities on new fire and smoke modeling tools, Mr. Brock said.

The Disaster Warning Network and FM Connect are among developments in property loss control technology.

The insurer also is helping many companies develop corporatewide fire protection and loss control standards that help shield properties in emerging markets, where building codes often are less rigid, Mr. Brock explained.

As more companies build facilities in such places as Romania, Russia, China and Malaysia, "we're developing specific services geared to their needs," such as corporate building standards in areas of the world that have no or minimal such standards, Mr. Brock said. "More companies are going global, so they want services all over the world."

Johnston, R.I.-based Factory Mutual Insurance Co. owns the largest privately held fire testing lab in the world, where the insurer "burns all kinds of things on a regular basis," said Jeff Swaysland, manager of Web e-Business solutions for FM Global. The insurer uses the test results to advise clients entering new product lines, he said.

Factory Mutual also has been asked to analyze the exposures resulting from such manufacturing industry trends as just-in-time inventory and production consolidation into a single facility, he said.

But most recently, the insurer has developed a type of "risk cube," or three-dimensional matrix of data on their clients' locations.

For a client with 200 locations, for example, risk information could be collected and stored, along with recommendations on loss expectancy and associated loss control costs, Mr. Swaysland explained.

"The purpose of the risk cube is to give data to insureds," he said. The information is delivered through FM Connect, Factory Mutual's Internet-based information service.

"They can ask questions about the data. For example, if budget time is coming up and they have just $20 million to spend but $300 million in loss control is recommended, they can go to the cube and do a cost/benefit analysis to find out which investment in loss control will produce the biggest returns," Mr. Swaysland explained.

The risk cube also generates charts that risk managers can use to present loss control information to their corporate boards, he added.

"There's nothing like a graph to bring the advantages of loss control home," he said.

In recognition of the risk management community's increasing sophistication regarding property loss control, both the public and private sectors are developing and improving earthquake and windstorm modeling programs and other types of predictive systems.

For example, a Carlsbad, Calif., startup called Disaster Warning Network has been awarded the process patent for developing an early-warning system for earthquakes and other natural disasters.

The system generates an electronic signal that can be picked

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High tech

Continued from page 14

up by various devices with embedded-chip technology, including pagers, cellular phones and even smoke alarms, explained John Flannagan, the company's president.

The signal will warn those in the path of an impending disaster, he said.

For example, the system could have provided up to 20 seconds' warning in the case of the 1989 Loma Prieta earthquake in Northern California, according to Mr. Flannagan.

Waltham, Mass.-based Arkwright-Liberty Mutual Services Inc already faxes warnings of impending hurricanes to its policyholders with the help of NATCAT, a storm-monitoring program, according to Scott Settje, engineering manager.

"If we think it's imminent, we tell customers in the affected area via fax warning and advise on steps to take," Mr. Settje said.

For example, when Hurricane Bonnie was off the coast of North Carolina last August, ALM sent a checklist via fax to policyholders that might be affected recommending several loss control measures, including inspecting all fire protection equipment, such as sprinkler control valves and fire pumps; checking all necessary backup equipment, such as emergency generators and communication devices; and anchoring or moving any objects that could blow away or come loose and damage facilities.

Factory Mutual also provides its customers updated weather information via the Internet through FM Connect.

FM Connect provides clients updated weather information online.

Using 10 years of data on hurricane wind speeds and residential insurance losses, Peter Sparks, a professor of civil engineering at Clemson University in Clemson, S.C., is developing a computer model that will predict hurricane wind speed and project damage.

While the model can't predict the likelihood of a hurricane in a given year, "If you know there's a storm offshore and you get reports on wind speed from reconnaissance aircraft and coastal stations, the model will predict the likely speed when it hits the coast," Mr. Sparks explained.

The researchers plan to be able to make damage predictions within ZIP code-sized areas, he said.

So far, the model has been used to estimate the losses that would have occurred had Hurricane Hugo deviated just five degrees to the south—instead of the actual $2.6 billion in insured losses, the hurricane might have caused more than $4 billion in insured losses, Mr. Sparks said.

As for the $16 billion Hurricane Andrew, "we haven't dared move that one" to test how high damage would have been, he said.

Unfortunately, another public-sector project launched just last year has been stymied by a lack of federal funding.

Lockheed Martin Corp. of Bethesda, Md., was hired by the U.S. Department of Energy to build the world's largest disaster-simulation facility at the Idaho National Engineering and Environmental Laboratory in Idaho Falls. Using high-tech gadgetry, the $200 million facility would have been used to determine how solidly structures must be built to withstand the fury of hurricanes, tornadoes and earthquakes.

But a congressional committee recently "put the brakes on it" and decided it wasn't an appropriate use of government money, according to a Lockheed Martin spokesman. BI

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818-972-8389; fax: 818-972-8273

1998 revenues
Total gross revenues $2,600,000
Unbundled property loss control/engineering 15%
Unbundled property loss control/engineering revenues $400,000
Staff
Total 17
Professionals 15
Includes: 4 ARMs, 5 PEs, 8 SFPEs.
Clients
Total property loss control/engineering 200
Loss control services began: 1995.
Parent: Allianz Insurance Co.
Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, risk grading and qualification.
Specialties: energy and construction property risks.
Regions served: international.
Branch offices: Burbank, Calif.; Atlanta; Chicago; Princeton, N.J.; New York.
Officers: Wolfgang Schlink, chairman/president; Paul D. Kaduk, secretary/treasurer/CFO; Robert W. Hall, vp.
Contact: Robert W. Hall.

Applied Risk Control Corp.
15 N. Mill St.,
Nyack, N.Y. 10960;
914-365-2444; fax: 914-365-2478

1998 revenues
Total gross revenues $751,000
Unbundled property loss control/engineering 45%
Unbundled property loss control/engineering revenues $337,950
Staff
Total 12
Professionals 10
Includes: 1 ARM, 1 ASSE, 1 CSP, 1 PE, 1 SFPE.
Clients
Total property loss control/engineering 37
Loss control services began: 1985.
Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, publications, research, client training, flow test reviews, disaster contingency planning, sprinkler coverage determination.
Regions served: nationwide.
Branch offices: Los Angeles; San Francisco; Chicago; Atlanta; Kansas City, Kan.
Contact: Harry P. Mirijanian, president.

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

1998 revenues
Total gross revenues $300,000
Unbundled property loss control/engineering 80%
Unbundled property loss control/engineering revenues $240,000
Staff
Total 25
Professionals 3
Includes: 1 ARM, 1 ASSE, 1 CSP, 1 PE, 1 SFPE.
Clients
Total property loss control/engineering 23
Loss control services began: 1990.
Parent: Tokio Marine & Fire Insurance Group.
Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, research, client training, building code consulting, highly protected risk services.
Specialties: electronic, heavy industrial, hotels/resorts.
Regions served: nationwide; Belgium, Central America, Czech Republic, Mexico, United Kingdom, Venezuela.
Branch offices: San Diego, New York.
Officers: Ramon Padron Jr., president; Nicholaos S. Galakis, vp-marketing/engineering; Charles H. Trudeau, vp-operations.
Contact: Ray Padron; padronra@tokiom.com.

B

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1998 revenues
Total gross revenues $12,200,000
Unbundled property loss control/engineering 59%
Unbundled property loss control/engineering revenues ... $7,200,000
Staff
Total 130
Professionals 40
Clients
Total property loss control/engineering 9,600
Loss control services began: 1974.
Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting.
Regions served: Arabian Gulf, Asia, Europe, Indonesia, Malaysia, Philippines, South America, United Kingdom.
Officers: Neville Purvis, general director; Barry Mercer, general deputy director.
Contact: Angela Jenkins, membership manager.

Ken Buhler Associates Inc.
11 Erita Lane,
Smithtown, N.Y. 11787;
516-360-3770; fax: 516-360-3770

1998 revenues
Total gross revenues .... $1,000,000 (est.)
Unbundled property loss control/engineering 100%
Unbundled property loss control/engineering revenues ..... $1,000,000 (est.)
Staff
Total 5
Professionals 4
Includes: 2 PEs, 2 SFPEs.
Clients
Total property loss control/engineering 25
Loss control services began: 1976.
Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, client training, building code consulting, design and review of sprinkler systems.
Specialties: paper manufacturers, electronics, building supply.
Regions served: nationwide.
Branch offices: Boynton Beach, Fla.
Officers: Ken Buhler, president; Randy Buhler, vp.

C

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

1998 revenues
Total gross revenues $404,000,000*
Unbundled property loss control/engineering 3.6%
Unbundled property loss control/engineering revenues $14,544,000

Continued on next page

Insurer Topics

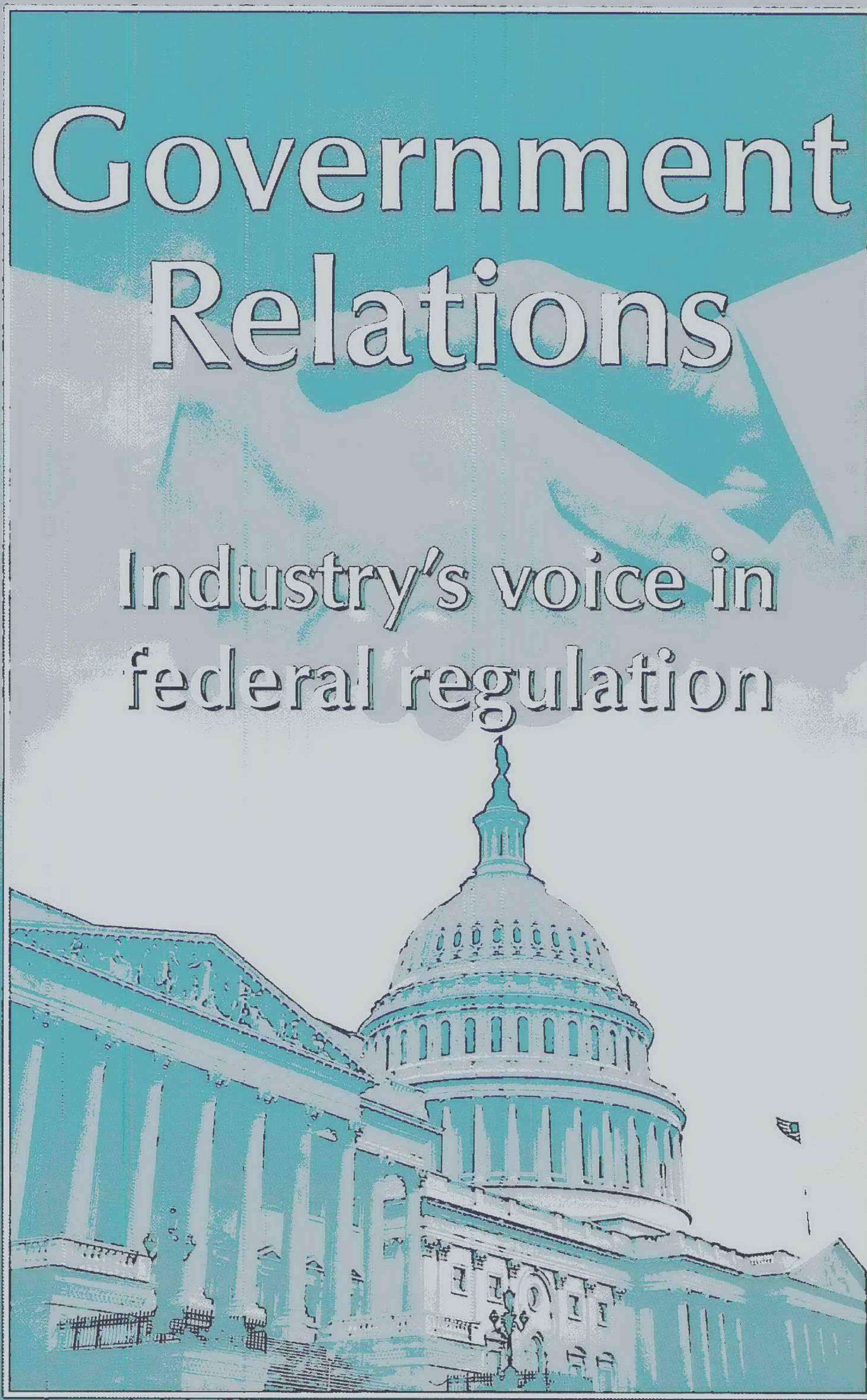
A special editorial section
sent exclusively
to insurers and reinsurers

Inside:

Insurance industry groups speaking out on financial services reform legislation

Associations are closely monitoring managed care legislation

Insurance company CEO becomes agency's 'servant' for a day



Banking on financial services reform

Insurance industry voicing its concerns as Congress debates

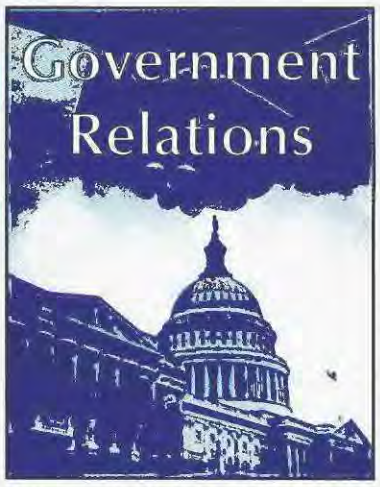
By SALLY ROBERTS

As financial services reform legislation is being hammered out in a House-Senate conference committee, various associations are hard at work on Capitol Hill making insurance industry voices heard.

On July 1, the House of Representatives passed "The Financial Services Reform Act of 1999," or H.R. 10, which repeals federal restrictions against affiliations among banks, securities firms and insurers.

In May, the Senate passed similar financial services legislation, S. 900. While there are differences in the measures, this marks the first time in several attempts that the House and Senate both have approved financial services reform.

Late last month, the Senate appointed its entire 20-member Senate Banking Committee to the conference. The House, meanwhile, has named 28 of its members as full-time members of the conference committee, and another 14 members as part-time conferees to address specific issues.



The conferees met earlier this month, but they won't meet again until Congress returns from its summer recess in early September. The version of financial modernization legislation that ultimately emerges from conference will be known as S. 900.

The outlook for financial services reform "changes day by day," said Joel Wood, senior vp-government affairs at the Council of Insurance Agents & Brokers in Washington. He noted that Senate Banking, Housing and Urban Affairs Committee Chairman Phil Gramm, R-Texas, has indicated that the bill might have to go through "a very long, very tedious conference" as House and Senate negotiators attempt to iron out differences between the two versions.

The Council of Insurance Agents & Brokers 'strongly prefers' the House version because it includes a provision for the creation of a new entity called the National Assn. of Registered Agents and Brokers.

— Joel Wood

"The only deadline (Sen. Gramm) sees is the adjournment of Congress in the year 2000, and he's exactly right—that's the only deadline that has to he reached," according to Mr. Wood.

Mr. Wood added that Sen. Gramm has indicated there are some major and many minor issues to address.

With that in mind, various associations are gearing up to lobby the conferees in the hope that issues in which they have a stake come out favoring the insurance industry.

The National Assn. of Mutual Insurance Cos., for example, lobbied successfully for a provision in the House measure that would allow mutual insurance companies to relocate from states without mutual holding company laws to states that have such laws, without prior approval from their current regulators.

The measure is significant, according to Charles M. Chamness, NAMIC's vp-public affairs, because the financial services affiliation envisioned in both the House and Senate versions of financial modernization legislation is based on a holding company structure.

In order to take advantage of the broadened business opportunities a financial modernization law would afford, a mutual insurer would have to be able to form a mutual holding company, Mr. Chamness said.

"This is the only way a mutual company can form a holding company to take advantage of the opportunities H.R. 10 allows," he said.

But the Senate version of the legislation did not include the mutual holding company provision, and NAMIC will be working hard to see that the final conference committee product does include such language.

The Council, on the other hand, favors enactment of either the Senate or the House measure but "strongly prefers" the House version because it includes a provision for the creation of a new entity called the National Assn. of Registered Agents and Brokers, Mr. Wood said.

The Council of Insurance Agents & Brokers will be lobbying for the inclusion of NARAB in the final bill. NARAB, which would act as a clearinghouse for multistate licenses, would make it much easier for an insurance agent to operate in more than one state.

Insurance industry organizations have been largely supportive of financial modernization legislation, but they have advocated keeping regulatory authority over insurance at the state level.

The American Insurance Assn., for example, has stressed the need to clearly define "insurance" and establish a mechanism that would ensure "the courts grant equal deference to state insurance regulators and federal banking regulators in disputes over whether a product is banking or insurance."

The National Assn. of Independent Insurers also has argued strongly for continued state regulation of insurance.

Speaking at the National Conference of State Legislatures' annual meeting in Indianapolis earlier this month, Michael Duncan, the NAII's senior vp, secretary and general counsel, said, "No case has been made for federal regulation, and dual regulation would be the worst possible outcome."

Continued on next page

Continued from previous page

The Independent Insurance Agents of America Inc. also is throwing its support behind H.R.

'If we have equality in this bold new world of financial services, everyone has to play by the same rules.'

— Robert A. Rusbuldt

10 with the view that supporting a bill that is slightly more advantageous than the status quo is better than opposing a proposal and jeopardizing state insurance regulation. The IIAA neither supported nor opposed S. 900.

"The vast majority of the insurance language is similar, but there are differences" between the House and Senate versions, noted Robert A. Rusbuldt, executive vp of the IIAA in Washington.

While the differences are minor, they are issues the conferees have to resolve, Mr. Rusbuldt said. "We want to make sure, in the areas where there are differences, it helps support functional regulation and state regulation of insurance, rather than giving the OCC the upper hand," Mr. Rusbuldt said, referring to the Office of the Comptroller of the Currency, which regulates national banking activities.

"If we have equality in this bold new world of financial services, everyone has to play by the same rules," Mr. Rusbuldt said. Any entity selling insurance, whether it's an agency owned by a bank or affiliated with a bank, needs to follow state rules, he said.

Mr. Rusbuldt said that, among other issues, the IIAA will attempt to clarify provisions regarding consumer privacy.

H.R. 10 provides certain safeguards to ensure that consumers' confidential information is protected as much as possible. For instance, the bill prohibits the release of insurance information to third parties without the consent of the customer.

But "there are problems with the House's privacy language," Mr. Rusbuldt said. "It's too vague. It needs more definition."

The National Assn. of Professional Insurance Agents supports H.R. 10 and remains neutral on S. 900.

"We believe (H.R. 10) is a modest improvement over the status quo for agents," said Dean Sackett, vp-government affairs for the PIA in Alexandria, Va. "The safe harbor and functional state regulation provisions are an improvement over current law."

In addition to containing various legislative declarations assuring that states will remain the primary regulator of all insurance sales activities—including those of national banks and their affiliates—H.R. 10 also establishes 13 "safe harbor" provisions that protect certain existing state laws from pre-emption by the OCC.

The National Assn. of Life Underwriters neither supports nor opposes the House and Senate modernization measures. The underwriters' association, however, will be encouraging members of the conference committee to improve the bills' insurance sales provisions.

Specifically, the NALU would like to see legislation grant equal consideration to state insurance commissioners in the event there is a pre-emption challenge by a federal bank regulator, said Michael L. Kerley, senior vp-government affairs for the NALU in Washington.

The "sad fact" is that, in cases where there is a dispute between banking and insurance laws, courts most of the time give greater consideration to the federal comptroller of the currency, Mr. Kerley said.

Provisions in H.R. 10 give state regulators equal deference on state laws enacted after Sept. 3, 1998. "We'd like to see some consideration given to commissioners prior to Sept. 3," Mr. Kerley said.

"We're still working with the powers that be on the House Banking Committee and the Senate Banking Committee and the leaders of the House and Senate to see if it is possible to create a little more equality with insurance commissioners and the comptroller of the currency," Mr. Kerley said.

•

Mark A. Hofmann and Rodd Zolkos contributed to this report.

Insurer Topics

Agency's efforts formally recognized

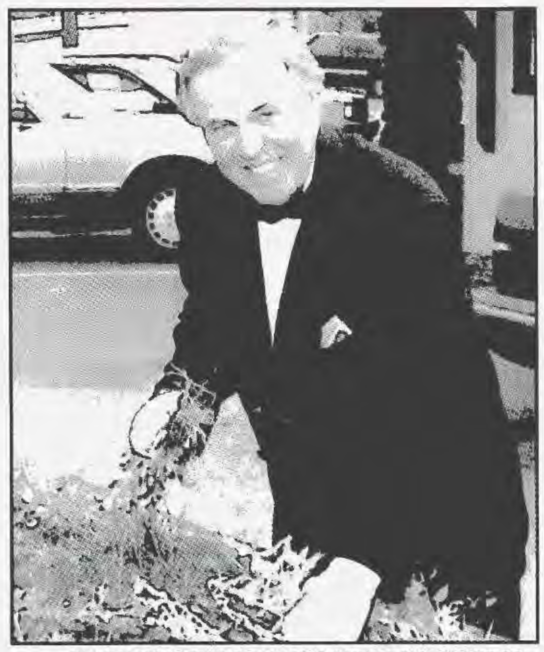


PHOTO: COURTESY OF MILLERS MUTUAL INSURANCE CO.

Michigan Millers CEO Bruce W. Herrick spent a day as a servant for Fred C. Haight Insurance Agency.

By ELIZABETH LINDSEY

When Bruce W. Herrick, president and chief executive officer of Michigan Millers Mutual Insurance Co. in Lansing, Mich., donned his tuxedo and gloves June 11, he wasn't headed to a black-tie party. He was going to spend the afternoon working at an insurance agency.

The Fred C. Haight Insurance Agency of Muir, Mich., won Michigan Millers' first-ever Most Valued Agent award, which entitled them not only to a plaque but also an afternoon's labor by Mr. Herrick.

Mr. Herrick said there are people who believe he shouldn't dress up and play servant because a CEO should have a more-dignified image—an opinion he considers "baloney." The award originated because the insurer, which writes both personal and commercial lines, wanted to demonstrate it was truly concerned about customer service.

So executives decided to establish a quarterly award that would include a visit from a company executive who would provide some special service to the winning agency. Mr. Herrick said the service won't always be a tuxedo-clad servant, but it will always be unique.

To win, an agency must demonstrate loyalty to, generate business for and maintain good communication with Michigan Millers. In addition, an agency must have a work atmosphere that would allow employees to enjoy the executive's visit.

The Haight agency met all of the award's requirements. There was no application process; Michigan Millers simply called the agency after selecting it as the winner.

According to a press release from Michigan Millers, the Haight agency has worked with the insurer since 1985. One indication of the good relationship between the agency and the insurer is the fact that the agency has generated about $60,000 in premiums for Michigan Millers since January, according to R. Alan Crooke, a Haight co-owner and agent. Mr. Crooke also serves on Michigan Millers' Presidents Council, which offers suggestions from the agents' perspective on how the insurer can improve.

When he arrived at the agency, Mr. Herrick discovered it indeed had the right atmosphere for his visit. He spent the day weeding flowers, washing windows, vacuuming, filing and even making an ice cream run.

"It was quite an honor to, A, be chosen as the first one and, B, have him come out," Mr. Crooke said.

The honor aside, agents weren't above teasing their guest a little. While Mr. Herrick was working as a receptionist, a woman came in to the office to register a complaint. She then announced that her problems were due to Michigan Millers.

When Mr. Herrick told her he was the president of Michigan Millers, she began to harangue him, his employees and his company in general. Eventually, after employees behind the counter began giggling, they explained to Mr. Herrick that the woman was related to one of the agency's owners and had no real complaint.

In spite of being teased, Mr. Herrick said, "I had a ball doing this." His good sportsmanship paid off. Mr. Crooke said everyone in the office—which employs 11 agents in addition to Mr. Crooke—enjoyed the day.

The Most Valued Agent award is not the only effort Mr. Herrick and the other executives at Michigan Millers have made to improve service to agents. When Mr. Herrick joined the company in late 1997, it was struggling to find its niche, and the executives decided to focus on customer service.

The company's problems began in 1992, when Hurricane Andrew hit Florida, becoming worse when the Northridge earthquake struck California two years later. Although the company remained financially sound, the two catastrophes did persuade it to stop writing coverage in those states.

After cutting California and Florida—its second- and third-largest business centers—from the list of states it served, the company began to struggle financially. When Mr. Herrick arrived, the company was in the midst of downsizing. In addition, many agents were looking to other companies to provide coverage for their clients.

"During this period of time, both the employees and the agents became unexcited and docile," Mr. Herrick said.

So Mr. Herrick, who describes himself as a hands-on executive, decided to speak with a large number of agents, both individually and in groups, to determine how the company could revitalize itself. They told him that service was really lacking in the industry.

In response to the company's difficulties and the input he received from agents, Mr. Herrick developed three goals for the company: stop the downturn in premiums, improve profitability and raise the morale of employees and agents.

Because he believed the company couldn't improve service or agents' morale without support from Michigan Millers' employees, he began a program to raise morale internally. The program was called the Great Michigan Millers Mutual Comeback.

The comeback campaign kicked off at one of the monthly meetings Mr. Herrick had instituted to discuss company goals. Before that meeting, the senior managers arrived at the office at 6 a.m. and plastered "Great Michigan Millers Mutual Comeback" stickers all over what Mr. Herrick described as a typical, conservative insurance office. They also had a balloon placed over the building.

When that morning's meeting started, employees encountered senior management wearing company windbreakers. Employees were given pompoms, and an office pep rally began.

"As much as they say they don't, people love that schmaltzy stuff," Mr. Herrick said.

In addition to providing some well-timed schmaltz, another big change Mr. Herrick made was to have employees ask agents when they need quotes and provide them by that time. Like many companies, Michigan Millers used to attempt to meet only internal standards and deadlines when asked for quotes.

That meant agents sometimes didn't receive their quotes until after their own deadlines.

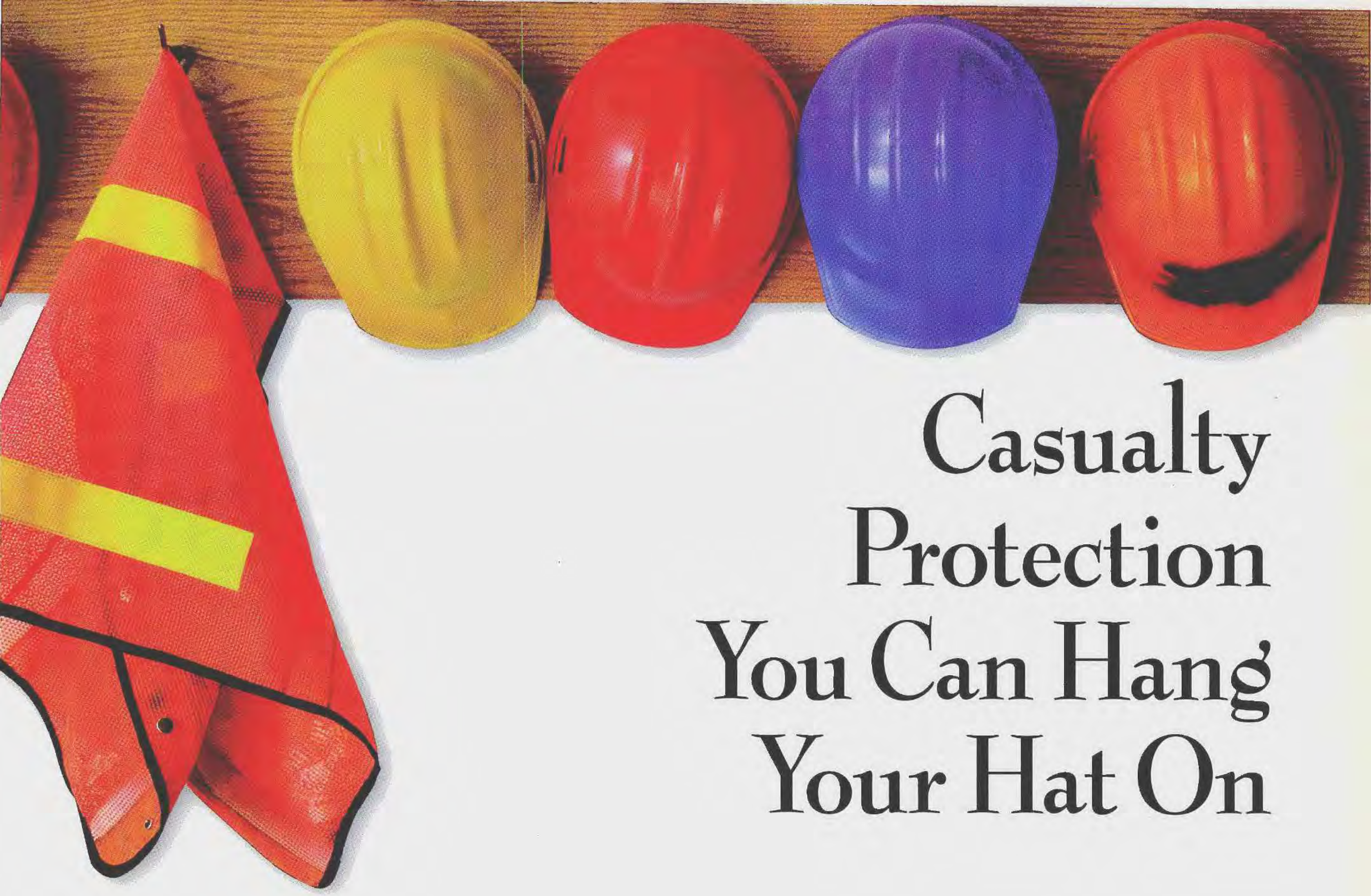
Mr. Herrick said that agents occasionally request a deadline that the insurer can't meet. In such cases, employees of Michigan Millers tell the agents up front that the insurer can't provide the quote by that time. He added that the insurer does meet agents' deadline expectations 99% of the time.

Mr. Crooke said that under Mr. Herrick's leadership, Michigan Millers has become much more focused on its agents. "It's like, 'How can I help you today?' instead of 'Why are you bothering me today?' " Mr. Crooke said.

The morale-boosting program has improved both customer satisfaction and the company's financial health. Mr. Herrick said that in 1997 the company lost $3.6 million, but last year it turned a $6.6 million profit. In addition, premium volume is up 3% from 1998.

Mr. Herrick said the internal campaign has been key to the turnaround. Agents used to tell Mr. Herrick they didn't want to do business with Michigan Millers because the company acted as though it didn't want to write insurance. Now agents are eager to deal with the company.

"There's a whole new attitude," Mr. Herrick said. BI



Continued from page 20

Staff
Total 350
Includes: 6 ARMs, 5 ALCMs, 16 ASSEs, 3 CSPs, 2 PEs.
Loss control services began: 1951.
Parent: ChoicePoint Inc.
Services: onsite plant loss protection inspections, hazard identification, commercial & residential property replacement cost valuations.
Regions served: nationwide; Puerto Rico; Caribbean; southern Ontario, Canada.
Branch offices: 27 branches nationwide.
Officers: Tammi Didlot, vp-sales; Mike Madden, assistant vp-operations; John Wright, director-marketing.
Contact: John Wright; john.wright@choicepointinc.com.
**Total 1998 gross revenues are from the parent company*

Cannon Cochran Management Services Inc.
2 E. Main St.,
Danville, Ill. 61832;
217-446-1089; fax: 217-443-0927
www.ccmsi.com
1998 revenues
Total gross revenues $22,700,000
Unbundled property loss control/engineering 2%
Unbundled property loss control/engineering revenues $450,000
Staff
Total 292
Professionals 21
Includes: 2 ARMs, 1 ALCM, 3 CSPs.
Clients
Total property loss control/engineering 71
Loss control services began: 1978.
Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training.
Regions served: nationwide.
Branch offices: Scottsdale, Ariz.; Little Rock, Ark.; Atlanta; Des Moines, Iowa; Danville and Oak Brook, Ill.; Kansas City and St. Louis, Mo.
Officers: G. Bryan Thomas, Steven F. Luebbert, Rodney J. Golden, Samuel P. Cannon, Frederick J. Jarosz, directors.
Contact: Karen Waclaw, 800-252-5059, ext. 1200.

Construction Technology Laboratories Inc.
5420 Old Orchard Road,
Skokie, Ill. 60007-1030;
847-965-7500; fax: 847-965-6541
www.c-t-l.com
1998 revenues
Total gross revenues $15,161,000
Unbundled property loss control/engineering 32%
Unbundled property loss control/engineering revenues $4,851,520
Staff
Total 125
Professionals 32
Includes: 20 ASCEs, 32 PEs.
Clients
Total property loss control/engineering 24
Loss control services began: 1987.
Parent: Portland Cement Association.
Services: onsite plant loss protection inspections, hazard identification, building plan reviews, client training, building code consulting, determination of loss, structural review.
Regions served: nationwide; Argentina, Australia, Canada, Colombia, Guatemala, Hong Kong, India, Japan, Mexico, Peru, Saudi Arabia, Spain, Sweden, Korea, Venezuela, West Indies.
Branch offices: Littleton, Colo.
Officers: John Fraczek, president; W. Gene Corley, vp; Marion J. Szczech, vp-finance/administration and secretary/treasurer.
Contact: W. Gene Corley.

Mac Curless Co.
P.O. Box 311,
Yachats, Ore. 97498-0311;
541-547-5225; fax: 541-547-5225
1998 revenues
Total gross revenues $102,000
Unbundled property loss control/engineering 100%
Unbundled property loss control/engineering revenues $102,000
Staff
Total 1
Professionals 1
Includes: 1 PE, 1 SFPE.
Clients
Total property loss control/engineering 2
Loss control services began: 1996.
Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, building plan reviews, building code consulting, expert witness service, forensic investigations.
Regions served: nationwide.
Contact: Mac Curless, owner.

E

ECS Risk Control Inc.
600 Eagleview Blvd.,
Exton, Pa. 19341;
800-858-0853; fax: 610-458-7265
www.ecsinc.com
1998 revenues
Total gross revenues $12,200,000
Unbundled property loss control/engineering 5%
Unbundled property loss control/engineering revenues $610,000
Staff
Total 94
Professionals 78
Includes: 4 ARMs, 7 CSPs, 1 PE.
Clients
Total property loss control/engineering 35
Loss control services began: 1985.
Parent: ECS Inc.
Services: onsite plant loss protection inspections, hazard identification, publications, client training.
Regions served: nationwide.
Branch offices: Long Beach, Los Angeles and San Francisco; Hartford, Conn.; Orlando and Tampa, Fla.; Atlanta; Chicago; Boston; Detroit; Toledo, Ohio; Dallas and Houston.
Officers: William Kronenberg, president/CEO; James F. Splain, senior vp.
Contact: James F. Splain; splainj@ecsinc.com.

ESIS Inc.
1601 Chestnut St., Suite TL32G,
Philadelphia, Pa. 19192-2325;
215-761-6784; fax: 215-761-5476
1998 revenues
Total gross revenues .... $190,000,000 (est.)
Unbundled property loss control/engineering 1%
Unbundled property loss control/engineering revenues $1,800,000
Staff
Total 180
Professionals 57
Includes: 28 ARMs, 7 ALCMs, 23 ASCEs, 49 ASSEs, 31 CSPs, 20 PEs, 41 SFPEs.
Clients
Total property loss control/engineering 206
Loss control services began: 1971.
Parent: INA Financial Services.
Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, pre-emergency planning, hydraulic analysis, sprinkler plan review, boiler/machinery risk and jurisdictional inspection.
Specialties: petrochemical, public utilities, heavy construction.
Regions served: nationwide; Canada, France, Italy, United Kingdom.
Branch offices: Los Angeles and San Francisco; Atlanta; Chicago; Boston; New York; Philadelphia; Dallas and Houston.
Officers: Richard Gardner, president; Thomas Barger, vp; W. Bruce Hemphill, director-legal services.

F

Fagel Safety Services
P.O. Box 209,
North Aurora, Ill. 60542-0209;
630-897-0551; fax: 630-897-0647
1998 revenues
Total gross revenues $150,000
Unbundled property loss control/engineering 90%
Unbundled property loss control/engineering revenues $135,000
Staff
Total 2
Clients
Total property loss control/engineering 20
Loss control services began: 1991.
Services: onsite plant loss protection inspections, plant security inspections, hazard identification, research, client training, disaster planning, OSHA compliance.
Specialties: food industry, refrigerated warehousing.
Regions served: nationwide; Canada.
Officers: Michael J. Fagel, owner.
Contact: mjfissaf@aol.com.

FIRECON
P.O. Box 231,
East Earl, Pa. 17519;
717-354-2411; fax: 717-354-7233
www.FIRECON.com
1998 revenues
Total gross revenues .... $200,000 (est.)
Unbundled property loss control/engineering 100%
Unbundled property loss control/engineering revenues .... $200,000 (est.)
Staff
Total 1
Professionals 1
Includes: 1 ASSE, 1 CSP, 1 SFPE.
Clients
Total property loss control/engineering 100
Loss control services began: 1980.
Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, client training.
Regions served: nationwide; Australia.
Contact: R. Craig Schroll, president; craig@firecon.com.

FIREPRO Inc.
100 Burtt Road,
Andover, Mass. 01810-5920;
781-270-5200; fax: 781-229-2922
1998 revenues
Total gross revenues $1,000,000
Unbundled property loss control/engineering 50%
Unbundled property loss control/engineering revenues $500,000
Staff
Total 9
Professionals 5
Includes: 4 PEs, 5 SFPEs.
Loss control services began: 1970.
Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, building code consulting, fire litigation support, fire scene examination.
Specialties: health care, insurance & law firms, 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
1998 revenues
Total gross revenues $150,000
Unbundled property loss control/engineering 100%
Unbundled property loss control/engineering revenues $150,000
Staff
Total 4
Professionals 3
Clients
Total property loss control/engineering 70
Loss control services began: 1986.
Services: fire prevention inspections, hazard identification, building plan reviews, client training, building code consulting, design of retrofit fire suppression systems, water supply and system hydraulic analysis.
Specialties: architects, developers, engineering firms.
Regions served: nationwide.
Officers: Mark Bromann, president.

Fulton Fire Engineering Inc.
2880 Northview Ave.,
Arroyo Grande, Calif. 93420-5560;
805-489-8400; fax: 805-489-1424
1998 revenues
Total gross revenues $125,000
Unbundled property loss control/engineering 100%
Unbundled property loss control/engineering revenues $125,000
Staff
Total 1
Includes: 1 ARM, 1 PE, 1 SFPE.
Clients
Total property loss control/engineering 120
Loss control services began: 1989.
Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, building code consulting.
Regions served: nationwide.
Contact: John C. Fulton, president.

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
1998 revenues
Total gross revenues $6,800,000
Unbundled property loss control/engineering 20%
Unbundled property loss control/engineering revenues $1,360,000
Staff
Total 75
Professionals 40
Includes: 1 CSP, 19 PEs, 26 SFPEs.
Clients
Total property loss control/engineering 60
Loss control services began: 1952.
Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training, building code consulting.
Regions served: nationwide; Africa; Canada; Far East; South America.
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, director-business development.

Gallagher Bassett Services Inc.
The Gallagher Center
Two Pierce Place,
Itasca, Ill. 60143-3141;
630-773-3800; fax: 630-285-4005
www.gallagherbassett.com
1998 revenues
Total gross revenues $149,000,000
Unbundled property loss control/engineering 11%
Unbundled property loss control/engineering revenues $16,390,000
Staff
Total 66
Professionals 50
Includes: 7 ARMs, 1 ALCM, 24 ASSEs, 12 CSPs, 2 PEs, 3 SFPEs.
Clients
Total property loss control/engineering 471
Loss control services began: 1962.
Parent: Arthur J. Gallagher & Co.
Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, claims loss & statistical studies, ergonomics & industrial hygiene survey, property insurance underwriting surveys, security audits & analysis.
Specialties: institutional, 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; St. Louis; Melbourne and Sydney, Australia.
Officers: Peter J. Durkalski, president; Richard McKenna, executive vp; Emil Bravo, vp.
Contact: Joe Slifka, executive vp-loss control; 630-285-3575.

Global Risk Consultants Corp.
Metro Park, 99 Wood Ave. S.,
Iselin, N.J. 08830-2715;
732-635-4400; fax: 732-635-1648
1998 revenues
Total gross revenues $22,745,000
Unbundled property loss control/engineering 90%
Unbundled property loss control/engineering revenues $20,470,000
Staff
Total 182
Professionals 102
Includes: 4 ARMs, 22 ASSEs, 15 CSPs, 21 PEs, 53 SFPEs.
Clients
Total property loss control/engineering 700
Loss control services began: 1958.
Parent: International Risk Management Group.
Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, building code consulting, boiler & machinery loss control, claims consulting, infrared thermographic analysis, jurisdictional mechanical inspections, process safety management consulting.
Specialties: energy & chemical, pulp & paper, food & grain.
Regions served: nationwide; Africa; Asia; Australia; Europe; South America.
Branch offices: 19 in the United States, 8 worldwide.
Officers: William F. Ramonas, CEO; Glenn H. Giles, president; Dennis G. McGowan, COO.
Contact: Glenn H. Giles.

Continued on page 24

Directory terms explained

The 13th annual *Business Insurance* directory of property loss control consultants and engineers lists companies that provide loss control services on an unbundled basis to organizations that directly use these services; consultants that provide these services only in conjunction with other services, such as insurance brokerage, are not listed.

Listings begin with the name, address, telephone and fax number of each company. **1998 gross revenues**, as well as the percentage derived from unbundled property loss control consulting, are listed next.

Information on **staff** members at year-end 1998, including professionals assigned to property loss control consulting and engineering services, is also provided. The full names of professional designations abbreviated under the staff heading are included below.

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

Details on frequent and occasional loss control **services** follow. If a company specializes in consulting for a particular type of business or industry, those **specialties** are noted. Listed next are the **regions served**, as well as the locations of **branch offices** providing property loss control services. The names and titles of **principal officers** are also provided. 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.

Following are the full professional designations and organizations for those abbreviated under the staff heading:

ALCM is Associate in Loss Control Management; ARM is Associate in Risk Management; ASCE is member, American Society of Civil Engineers; ASSE is member, American Society of Safety Engineers; CSP is Certified Safety Professional; PE is Professional Engineer; SFPE is member, Society of Fire Protection Engineers.

OUR MOTTO: CLAIMS MANAGEMENT IS NO PLACE FOR AMATEURS.

Each business day brings risks enough without having to factor in inexperience. So, before a Crawford claims adjuster or case manager ever touches a client's business, they have to prove themselves worthy. We even let clients watch. Or better yet, take part.

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Crawford

Continued from page 22

Gow Management Services
344 Delaware Ave.,
Buffalo, N.Y. 14202-1876;
716-856-6148; fax: 716-856-2313

1998 revenues
Total gross revenues $1,400,000
Unbundled property loss control/engineering 40%
Unbundled property loss control/engineering revenues $560,000

Staff
Total 15
Professionals 3
Includes: 1 ARM, 2 ASSEs.

Clients
Total property loss control/engineering 25

Loss control services began: 1982.
Parent: Hilb, Rogal & Hamilton Co.
Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, publications, research, client training.
Specialties: construction, municipalities, school systems.
Regions served: nationwide.
Branch offices: Rochester and Syracuse, N.Y.
Officers: Richard K. Mason, president; Michael H. Ernst, vp; Daniel K. Conley, assistant vp.
Contact: Michael H. Ernst; mernst@gow.com.

H

HSB Professional Loss Control
Box 585,
Kingston, Tenn. 37763;
423-376-1131; fax: 423-376-5013
www.hsbplc.com

1998 revenues
Total gross revenues $6,000,000
Unbundled property loss control/engineering 48%
Unbundled property loss control/ engineering revenues $2,900,000

Staff
Total 48
Professionals 2
Includes: 2 ARMs, 3 ASSEs, 3 CSPs, 15 PEs, 23 SFPEs.

Clients
Total property loss control/engineering 93

Loss control services began: 1976.
Parent: HSB Group Inc.
Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, building code consulting, cost-benefit analysis, engineering design services, life safety code services, quantitative risk assessments, risk-informed/performance-based analysis and design.
Specialties: heavy and light industry, oil and gas, nuclear.
Regions served: Southeast Asia, South America, Middle East.
Branch offices: Hartford, Conn.; Basking Ridge, N.J.; Kingston, Tenn.; Houston.
Officers: Michael E. Mowrer, executive vp; Harvey E. Goranson, vp; Wayne D. Holmes, vp.
Contact: Wayne D. Holmes; wayne_holmes@hsb.com.

I

Inservco Insurance Services Inc.
2 N. Second St.,
Harrisburg, Pa. 17105-3899;
717-230-8300; fax: 717-221-6060

1998 revenues
Total gross revenues $283,000
Unbundled property loss control/engineering 40%
Unbundled property loss control/engineering revenues $113,200

Staff
Total 7
Professionals 7
Includes: 3 ARMs, 6 ALCMs, 5 ASSEs, 4 CSPs, 2 PEs, 1 SFPE.

Clients
Total property loss control/engineering 27

Loss control services began: 1980.
Parent: Penn National Insurance Cos.
Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training, building code consulting, fire suppression and detection systems testing, property insurance rate reviews and audits.
Specialties: commercial agribusiness, municipal government, schools and universities.
Regions served: Delaware; Maryland; New Jersey; North Carolina; Pennsylvania; Virginia.
Branch offices: Hunt Valley, Md.; Greensboro, N.C.; Lawrenceville, N.J.; Harrisburg, Pa.
Officers: James Butler, president; Michael Sheib, vp-operations; Joseph Bosvet, vp-safety management services.
Contact: Joseph Bosvet.

Insurance & Risk Management
3811 Illinois Road, P.O. Box 1705,
Fort Wayne, Ind. 46801;
219-436-1616; fax: 219-432-4083
www.insuranceriskmgmt.com

1998 revenues
Total gross revenues $12,800,000
Unbundled property loss control/engineering 2%
Unbundled property loss control/engineering revenues $250,000

Staff
Total 4
Professionals 4
Includes: 2 ASSEs, 2 CSPs.

Clients
Total property loss control/engineering 150

Loss control services began: 1989.
Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, client training, construction site safety, computer based safety training.
Specialties: construction, manufacturing.
Regions served: nationwide.
Branch offices: Indianapolis and Warsaw, Ind.; Defiance and Sylvania, Ohio.

J

Officers: James Van Dyck, Dewey Tagtmeyer, James E. Krouse, executive vps.
Contact: James E. Krouse, jkrouse@irmgmt.com.

Rolf Jensen & Associates Inc.
549 W. Randolph St., 5th Floor,
Chicago, Ill. 60661;
312-831-8200; fax: 312-831-8862
www.rjagroup.com

1998 revenues
Total gross revenues $18,000,000
Unbundled property loss control/engineering 1.4%
Unbundled property loss control/engineering revenues $252,000

Staff
Total 159
Professionals 10
Includes: 81 PEs, 95 SFPEs.

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, institutional.
Regions served: nationwide; Africa; Asia; Australia; Europe; South America.
Branch offices: Los Angeles and San Francisco; Orlando, Fla; Atlanta; Chicago; Boston; Las Vegas, Nev.; New York; Houston; Fairfax, Va.
Officers: Martin H. Reiss, CEO/president; George E. Toth, Ralph E. Transue, senior vps.
Contact: Patrick Johnson, 312-831-8200; pjohnson@rjagroup.com.

L

Loss Control Associates Inc.
172 Middletown Blvd., Suite B-204,
Langhorne, Pa. 19047;
215-750-6841; fax: 215-750-6845
www.erols.com/lcainc

1998 revenues
Total gross revenues $900,000
Unbundled property loss control/engineering 100%
Unbundled property loss control/engineering revenues $900,000

Staff
Total 11
Professionals 9
Includes: 2 CSPs, 7 PEs, 6 SFPEs.

Clients
Total property loss control/engineering 48

Loss control services began: 1986.
Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, expert witness process safety management, fire investigation & root cause analysis, hazard operability studies, hazard analysis, preliminary hazard analysis, what-if studies.
Specialties: chemical, petrochemical, refining.
Regions served: Africa; Korea; Saudi Arabia; South America.
Officers: Orville M. Slye Jr., president; Anthony M. Ordile, consulting engineer.
Contact: Anthony M. Ordile.

Loss Prevention Consultants Inc.
P.O. Box 54012,
Jackson, Miss. 30288-4012;
601-878-2138; fax: 601-878-2394

1998 revenues
Total gross revenues $235,000
Unbundled property loss control/engineering 100%
Unbundled property loss control/ engineering revenues $235,000

Staff
Total 5
Professionals 3
Includes: 1 ASSE.

Clients
Total property loss control/engineering 50

Loss control services began: 1984.
Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, research, client training, building code consulting, accident reconstruction vehicle.
Specialties: heavy trucking and transportation.
Regions served: nationwide.
Contact: John R. Eubanks Jr., president.

M

Marsh Risk Consulting
1 World Trade Center, 100th Floor,
New York, N.Y. 10048-9302;
212-345-0450; fax: 212-345-0713

1998 revenues
Total gross revenues $75,000,000
Unbundled property loss control/engineering 20%
Unbundled property loss control/ engineering revenues $15,000,000

Staff
Total 350
Professionals 175
Includes: 50 ARMs, 150 ASSEs, 150 CSPs, 100 PEs, 150 SFPEs.

Clients
Total property loss control/engineering 2,500

Loss control services began: 1875.
Parent: Marsh & McLennan Cos. Inc.
Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, business continuity

Continued on page 28

THE SEVENTH ANNUAL

Business Insurance®

WORKERS COMPENSATION AND DISABILITY MANAGEMENT CONFERENCE

OCTOBER 18-20, 1999

The Ritz-Carlton Hotel
Marina del Rey, California

WHO SHOULD ATTEND

Risk managers, loss prevention and safety managers, benefit managers, workers compensation and disability managers, along with representatives from state and local governments ... plus insurers, brokers, consultants, and representatives from HMOs and PPOs.

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Deputy District Attorney
Assistant Chief, Insurance Fraud
County of San Diego

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Marriott Claims Services

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Marshall Sherman
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Aramark Corp.

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Bay Brook Medical Services — a division of QTC
Policy Management Systems Corporation
WAUSAU

PRELIMINARY AGENDA

MONDAY, OCTOBER 18

9:30 AM
GOLF TOURNAMENT*

3:00 PM
EARLY REGISTRATION

4:00 PM
EMPLOYERS' PRIVATE ROUNDTABLE
Moderator:
Kathryn J. McIntyre
Vice President, Publisher and Editorial Director
Business Insurance

5:30 PM
PRE-CONFERENCE WELCOME RECEPTION*

TUESDAY, OCTOBER 19

7:45 AM
REGISTRATION AND CONTINENTAL BREAKFAST
Hosted by: Specialty Risk Services

9:00 AM
OPENING REMARKS
Alexandra Scott
President & CEO
International Business Forum

9:05 AM
KEYNOTE: How Disney Does It — "It's all about dealing with people"
Stephen M. Wilder
Vice President, Risk Management
The Walt Disney Company

9:45
INTEGRATED DISABILITY MANAGEMENT
Robert Gelb
Vice President, General Manager
QTC Management Inc.

10:30 AM
TABLE-TOP EXHIBITS & REFRESHMENTS
Hosted by: Wausau Insurance Cos.

11:00 AM
WORKERS COMP 2000: CHANGES ON THE HORIZON
Jeffrey W. Pettegrew
V.P. Ins. & Risk Management
Westaff

Edward Frackiewicz
Director, Risk Management
Del Monte Foods

Larry L. Hansen
National Practice Leader
Wausau Insurance Companies

Kenneth R. Ross
Sr. VP, Product Development & Management
Intracorp

12:00 PM
LUNCHEON*

1:15 PM
BUILDING A WINNING TEAM
Barry E. Thompson
National Practice Co-Leader
WC Disability Management Services
Deloitte & Touche LLP

Dave Chetcuti
Director of Workers Compensation
Sysco Food Services

Bernadette Melchionne
Senior Corporate Insurance Administrator
Mattel, Inc.

Suzanne Guyan
Director of International Workers Compensation
Costco

2:30 PM
COMBATING FRAUD
Keith Neuman
Deputy Commissioner
California Department of Insurance

John P. Massucco, Jr.
Chief, Insurance Fraud Division
San Diego County
District Attorney's Office

Bill Strickland
Special Investigation Unit Manager
Liberty Mutual

3:30 PM
TABLE-TOP EXHIBITS & REFRESHMENTS
Hosted by: Bayne Consulting Group, Ltd.

4:00 PM
CONCURRENT SESSION: A OR B

Session A:
NIOSH ADVICE ON EASING THE IMPACT OF JOB STRESS AND SHIFTWORK SCHEDULES

Dr. Steven L. Sauter
Chief of Applied Psychology and Ergonomics
National Institute for Occupational Safety and Health

Dr. Roger R. Rosa
Research Psychologist
National Institute for Occupational Safety and Health

Session B:
HOW TO MEASURE PERFORMANCE OF EMPLOYER PROGRAMS

Anshell Boggs
Workers Compensation Manager
Pep Boys

Jill A. Dulich
Regional Director
Marriott Claims Services

Peter Rousmaniere
President
Rousmaniere Designs

Maria Bayne
President
Bayne Consulting Group, Ltd.

5:00 PM
COCKTAIL RECEPTION
Hosted by: GENEX Services Inc.

WEDNESDAY, OCTOBER 20

7:45 AM
CONTINENTAL BREAKFAST
Hosted by: Intracorp

9:00 AM
CASE STUDY: TEXTRON AUTOMOTIVE COMPANY WORKERS COMP 'BOOT CAMP'

Douglas Hamrick
Director of EH&S and Energy
Textron Automotive Company

10:00 AM
ERGONOMICS: EFFECTIVE WORKPLACE PROGRAMS
Winner of *"The 1998 Outstanding Office Ergonomics Award"*

Presented by:
The Center for Office Technology

Marynka S. Rojas
Safety and Ergonomics Manager
City of San Jose

11:00 AM
TABLE-TOP EXHIBITS & REFRESHMENTS*

11:30 AM
RETURNING INJURED WORKERS TO MEANINGFUL JOBS

Annette Sanchez
Vice President of Business Development
Specialty Risk Services, Inc.

Marshall Sherman
Director, Risk Management
Aramark Corp.

Philip B. Renaud, II
Vice President of Insurance
The Limited, Inc.

W. Tom Fogarty, M.D.
Sr. VP, Chief Medical Officer
Concentra Managed Care, Inc.

12:30 PM
LUNCHEON WORKSHOP
Hosted by: HNC Insurance Solutions
Alta Analytics

HIGH-TECH SOLUTIONS TO WORKERS COMPENSATION PROBLEMS

Paul Jester
Vice President
HNC Insurance Solutions

Dick Hughes
Director
Alta Analytics

Michael Gantt
Sr. Vice President
Claims and Benefits Solution Group
Policy Management Systems

2:00
CONFERENCE ADJOURNS

COMMENTS FROM SOME OF LAST YEAR'S ATTENDEES:

"The conference helped us to look at new ways of managing workers compensation and gave us a network, heads up on industry trends."
Babs Troutman • *Director, Risk Management* • Trans World Airlines, Inc.

"The conference was excellent with very well organized exhibits and great networking opportunities."
Nancy Geedey, RN, CCM • Managed Care USA

"The conference had a well rounded program with excellent and diverse employers attendance."
Karol Hosking • *Workers Compensation Claims Manager* • Catholic Healthcare West

REGISTRATION

To register or to receive more information, please write or call
IBF•International Business Forum
100 Merrick Road, Suite 500, West Bldg., Rockville Centre, NY 11570

TEL: (516) 594-3000 • FAX: (516) 594-5979
E-MAIL: cathyf@ibforum.com • www.ibforum.com

ACCREDITATION

IBF has been approved in prior years as a course provider by the California Insurance Board for CEU Credits and is awaiting approval for this year.

For sponsorship information contact:
Craig Simak, Conference Producer at IBF
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❑ Please forward information about table-top exhibits. Contact Julie Tarsi at IBF (516) 594-3000 ext. 14 • Email: juliet@ibforum.com

BI #6

Continued from page 24

planning, hazardous materials consulting, natural hazards consulting, process safety management.

Regions served: nationwide, international.

Branch offices: 125 branch offices.

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

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

Matrix Risk Consultants Inc.

3491 Newmark Drive,
Miamisburg, Ohio 45342;
937-458-7200; fax: 937-438-7220
www.matrixrc.com

1998 revenues
Total gross revenues $2,200,000
Unbundled property loss control/engineering 100%
Unbundled property loss control/engineering revenues $2,200,000

Staff
Total 17
Professionals 12
Includes: 1 ARM, 1 PE.

Clients
Total property loss control/engineering 8

Loss control services began: 1972.

Services: onsite plant loss protection inspections, fire prevention inspections, building plan reviews, publications, client training, AutoCAD diagrams, hydraulic calculations, impairment handling, loss estimates, premium allocation, underwriting reports.

Regions served: nationwide; Asia; Australia; Canada; Caribbean; Europe; Mexico; South America.

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

Contact: matrix@matrixrc.com.

Meadowbrook Inc.

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

1998 revenues
Total gross revenues $2,628,000
Unbundled property loss control/engineering 75%
Unbundled property loss control/engineering revenues $1,971,000

Staff
Total 23
Professionals 23
Includes: 6 ARMs, 2 ALCMs, 5 ASSEs, 4 CSPs.

Clients
Total property loss control/engineering 53

Loss control services began: 1983.

Parent: Meadowbrook Insurance Group Inc.

Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting.

Specialties: captives and rent-a-captives, alternative risk program specialists, self-insurance.

Regions served: nationwide; Canada.

Branch offices: Montgomery, Ala.; Cerritos, Clovis and Oakland, Calif.; Deerfield and Sarasota, Fla.; Overland Park, Kan.; Louisville, Ky.; Grand Rapids, Saginaw, Southfield and Traverse City, Mich.

Officers: Merton J. Segal, chairman; Robert S. Cubbin, president/COO; James R. Parry, Vp/chief marketing officer.

Contact: Mike Cascone, senior vp-corporate risk management; 248-204-8036.

N

NATLSCO

1 Kemper Drive, D-7,
Long Grove, Ill. 60049-0001;
847-320-3380; fax: 847-320-4271
www.natlsco.com

1998 revenues
Total gross revenues $14,000,000
Unbundled property loss control/engineering 14%
Unbundled property loss control/engineering revenues $1,960,000

Staff
Total 103
Professionals 82
Includes: 8 PEs, 52 SFPEs.

Clients
Total property loss control/engineering 15

Loss control services began: 1964.

Parent: Kemper Insurance Cos.

Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, disaster planning and recovery, property evaluation and appraisal.

Regions served: nationwide; Asia; Europe; Central America; South America.

Branch offices: Denver, Atlanta, Chicago, Boston, Cleveland, Philadelphia, Dallas, Seattle, Toronto.

Officers: Robert Lindermann, senior vp; Robert Hiltz, Phillip Davis, vps.

Contact: William Thomas; wthomas@kemperinsurance.com.

NetCare Services Inc.

60 Gore St.,
Cambridge, Mass. 02141;
800-222-5963; fax: 617-494-1608

1998 revenues
Total gross revenues $8,000,000
Unbundled property loss control/engineering 14%
Unbundled property loss control/engineering revenues $1,120,000

Staff
Total 89
Professionals 11
Includes: 2 ARMs, 1 ALCM, 3 ASSEs, 5 CSPs.

Clients
Total property loss control/engineering 5

Loss control services began: 1987.

Parent: Hastings-Tapley Insurance Agency Inc.

Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, building replacement cost evaluation, ergonomic evaluation.

Specialties: governmental entities.

Regions served: Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Virginia, Vermont.

Branch offices: Cambridge, Mass.; Albany, N.Y.; Richmond, Va.

Officers: David J. Lane, chairman; E. Donald Lewis, CEO/president; Marsha K. Burridge, executive vp.

Contact: Ralph J. Gemelli, senior vp.

O

Richard Oliver International

Park Place of Naperville,
1717 Park St., Suite 200,
Naperville, Ill. 60563;
630-637-1717; fax: 630-637-5003
www.richardoliver.com

1998 revenues
Total gross revenues $6,000,000
Unbundled property loss control/engineering 15%
Unbundled property loss control/engineering revenues $900,000

Staff
Total 50
Professionals 4
Includes: 2 ARMs, 2 ASSEs, 2 CSPs, 1 PE, 4 SFPEs.

Clients
Total property loss control/engineering 50

Parent: Willis Corroon Group Ltd.

Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, client training, building code consulting, cultural assessments targeting poor loss performance issues.

Specialties: agriculture, health care, manufacturing.

Regions served: nationwide; Argentina; Brazil; Canada; Mexico.

Officers: Robert Reilly, president; Pat Knight, executive vp; Rich Capizzani, senior vp.

Contact: Rich Capizzani, 630-637-8041; capizzani_r@richardoliver.com.

P

Professional Safety Consultant Service Inc.

424 S.E. 30th Ave.,
Ocala, Fla. 34471;
352-694-4601; fax: 352-694-3853

1998 revenues
Total gross revenues .... $100,000 (est.)
Unbundled property loss control/engineering 100%
Unbundled property loss control/engineering revenues .... $100,000 (est.)

Staff
Total 2
Professionals 1
Includes: 1 ASSE, 1 CSP, 1 PE.

Clients
Total property loss control/engineering 30

Loss control services began: 1975.

Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, expert witness services, litigation support.

Regions served: nationwide; Puerto Rico.

Officers: Herbert T. Bogert, president; Nancy A. Bogert, vp.

Contact: Herbert T. Bogert.

R

RPF Associates

20 LeRoy, St.,
Dix Hills, N.Y. 11746;
516-586-0778; fax: 516-586-5164
www.qpg.com/r/rpf

1998 revenues
Total gross revenues $220,000
Unbundled property loss control/engineering 50%
Unbundled property loss control/engineering revenues $110,000

Staff
Total 3
Professionals 2
Includes: 1 ARM, 1 ASSE, 1 CSP.

Clients
Total property loss control/engineering 40

Loss control services began: 1984.

Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training.

Specialties: construction, lumber yards/building material dealers, printing/paper box manufacturing.

Regions served: nationwide; Canada; Caribbean; Mexico.

Contact: Robert P. Firmbach, president.

RECON L.L.C.

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

1998 revenues
Total gross revenues $1,000,000
Unbundled property loss control/engineering 100%
Unbundled property loss control/engineering revenues $1,000,000

Staff
Total 8
Includes: 3 PEs.

Clients
Total property loss control/engineering 39

Continued on next page

Continued from previous page

Loss control services began: 1970.

Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting.

Regions served: nationwide; Dominican Republic; Guatemala; Honduras.

Officers: Kenneth A. Kosinski, president.

Contact: kakrecon@aol.com.

Regional Reporting Inc.

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

1998 revenues

Total gross revenues $13,000,000
Unbundled property loss control/engineering 50%
Unbundled property loss control/ engineering revenues $6,500,000

Staff

Total 130
Professionals 60
Includes: 2 ARMs, 4 ASSEs, 4 CSPs, 2 PEs.

Clients

Total property loss control/engineering 192

Loss control services began: 1963.

Services: onsite plant loss protection inspections, hazard identification.

Regions served: nationwide.

Officers: Martin Myers, president; Louis Siegel, executive vp.

Contact: Martin Myers; marty@regionalreporting.com.

Risk Analysts Inc.

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

1998 revenues

Total gross revenues $300,000
Unbundled property loss control/engineering 40%
Unbundled property loss control/ engineering revenues $120,000

Staff

Total 55
Professionals 3
Includes: 1 ARM, 2 ALCMs, 3 ASSEs, 2 CSPs.

Clients

Total property loss control/engineering 60

Loss control services began: 1986.

Parent: Wisenberg Insurance & Risk Management.

Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, research, client training, building code consulting, design disaster and contingency plans, life safety assessment and surveys.

Specialties: distribution centers, health care, hospitality, manufacturing.

Regions served: nationwide.

Officers: Joe Williams, CEO/president; Jeff Pozmantier, Jay Williams, executive vps.

Contact: Nicholas P. Dalby, vp/director-risk control.

Risk Consultants Inc.

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

1998 revenues

Total gross revenues $5,000,000
Unbundled property loss control/engineering 80%
Unbundled property loss control/ engineering revenues $4,000,000

Staff

Total 105
Professionals 71

Clients

Total property loss control/engineering 500

Loss control services began: 1979.

Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, drug-free workplace, environmental, industrial hygiene, multimedia.

Regions served: nationwide; Latin America, Caribbean, England.

Branch offices: Ocala, Fla.; Chicago; Kansas City, Kan.; Jackson, Miss.; New York; Memphis, Tenn.; Dallas.

Officers: R. Michael Malone, CEO/president; Hugh P. Bagwell, vp.

Contact: R. Michael Malone; mike.malone@riskcon.com.

Risk Logic Inc.

235 Hudson St., Suite 1108,
Hoboken, N.J. 07030;
201-656-5450; fax: 201-656-4817
www.risklogic.com

1998 revenues

Total gross revenues $500,000
Unbundled property loss control/engineering 80%
Unbundled property loss control/ engineering revenues $400,000

Staff

Total 4
Professionals 4
Includes: 1 ARM, 3 PEs, 2 SFPEs.

Clients

Total property loss control/engineering 12

Loss control services began: 1997.

Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, construction follow-up visits, fire protection maintenance and testing, fire pump testing, HPR engineering inspections, maximum feasible loss and PML analysis.

Specialties: glass manufacturing, pharmaceutical manufacturing, furniture manufacturing.

Regions served: nationwide.

Officers: John Durante, president; Richard Cardile, vp-engineering; James Durante, environmental engineering specialist.

Contact: John Durante; risk_logic@msn.com.

Rode & Associates L.L.C.

66 Cedar St., Suite 104,
Newington, Conn. 06111;
860-594-7183; fax: 860-594-7184
www.rode-llc.com

1998 revenues

Total gross revenues $213,000
Unbundled property loss control/engineering 100%
Unbundled property loss control/ engineering revenues $213,000

Staff

Total 4
Professionals 4

Clients

Total property loss control/engineering 19

Loss control services began: 1994.

Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, building plan reviews, client training, operation/maintenance cost optimization, risk qualification.

Specialties: original equipment manufacturers and project developers, power generation, renewable energies.

Regions served: nationwide; Germany, Norway, Sweden, United Kingdom.

Officers: Douglas M. Rode, managing director; William J. Satterfield, vp/chief investigator.

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

S

Safety & Risk Control Services Inc.

395 Main St., Suite 4,
Metuchen, N.J. 08840-1806;
800-466-4025; fax: 732-906-2045
www.safetyrisk.com

1998 revenues

Total gross revenues .... $500,000 (est.)
Unbundled property loss control/engineering 20%
Unbundled property loss control/ engineering revenues .... $100,000 (est.)

Staff

Total 17
Professionals 15
Includes: 4 ARMs, 1 ALCM, 10 ASSEs, 5 CSPs.

Clients

Total property loss control/engineering 5

Loss control services began: 1989.

Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, building valuations.

Specialties: heavy manufacturing, real estate, transportation.

Regions served: nationwide.

Contact: Harvey S. Staple; president; srcsnj@aol.com.

Safety Consulting Inc.

150 S.W. 33rd St., Suite A,
Topeka, Kan. 66601-2789;
785-232-3887; fax: 785-233-1746

1998 revenues

Total gross revenues $300,000
Unbundled property loss control/engineering 100%
Unbundled property loss control/ engineering revenues $300,000

Staff

Total 2
Professionals 2
Includes: 1 ARM.

Clients

Total property loss control/engineering 50

Services: onsite plant loss protection inspections, fire prevention inspections, hazard identification, publications, research, client training, building code consulting.

Regions served: nationwide.

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

Schirmer Engineering Corp.

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

1998 revenues

Total gross revenues $3,000,000
Unbundled property loss control/engineering 100%
Unbundled property loss control/ engineering revenues $3,000,000

Staff

Total 32
Professionals 27
Includes: 4 ARMs, 1 ALCM, 1 ASCE, 5 ASSEs, 6 CSPs, 13 PEs, 26 SFPEs.

Clients

Total property loss control/engineering 35

Loss control services began: 1939.

Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, property loss control inventory software development, risk and hazard analysis.

Specialties: telecommunication, hospitality, retail.

Regions served: nationwide; Canada, Western Europe.

Officers: Carl F. Baldassarra, president; David P. Nugent, vp-loss control; Craig Zaleski, CFO.

Contact: Daniel J. Gormley, director-marketing; dgormley@schirmerengineering.com.

The directory begins on page 20.

SIGMA Associates Ltd.

105 Timber Ridge Blvd.,
Pass Christian, Miss. 39571;
223-452-4866; fax: 228-452-7202
www.sigmaassocltd.com

1998 revenues

Total gross revenues .... $625,000 (est.)
Unbundled property loss control/engineering 80%
Unbundled property loss control/ engineering revenues .... $500,000 (est.)

Staff

Total 5
Professionals 1
Includes: 1 PE.

Clients

Total property loss control/engineering 28

Loss control services began: 1978.

Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting, total risk management and human resources management.

Specialties: casino, government, marine.

Regions served: nationwide; Egypt; Saudi Arabia.

Contact: A.J. Scardino Jr., president/senior consultant.

T

TVA Fire & Life Safety Inc.

500 International Drive, Suite 321,
Mount Olive, N.J. 07828;
973-448-0900; fax: 973-448-1290
www.tvafiresafety.com

1998 revenues

Total gross revenues $9,000,000
Unbundled property loss control/engineering 7%
Unbundled property loss control/ engineering revenues $630,000

Staff

Total 93
Professionals 7
Includes: 1 CSP, 2 PEs, 2 SFPEs.

Clients

Total property loss control/engineering 5

Loss control services began: 1996.

Services: onsite plant loss protection inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, building code consulting.

Specialties: insurance, manufacturing, retail chain stores.

Regions served: nationwide.

Branch offices: San Diego; Atlanta; Farmington Hills, Mich.; Mount Olive, N.J.; Dallas.

Officers: Bill Tomes, chairman; Jim Tomes, CEO; Russ Leavitt, president.

Contact: Mitch Joplin, marketing manager; mjoplin@tvafiresafety.com. BI

INTERNATIONAL

Global Briefs

The Co-operators Group Ltd., a Guelph, Ontario-based financial services group, has set up a reinsurance subsidiary in Dublin, Ireland. Co-operators of Canada Reinsurance International Ltd., managed by Eurco Ltd., will enable Co-operators companies to centralize management of their reinsurance retentions within the group in a "favorable regulatory environment," said Co-operators President and Chief Executive Officer Terry Squire. . . .Rating agency Fitch IBCA has withdrawn its rating of **Hiscox Insurance Co. Ltd.**, part of the London-based Hiscox Group P.L.C., at the request of the insurer. Hiscox Insurance also is rated by two other agencies, and withdrawing the Fitch rating will save the company rating fees of £50,000 ($80,625), according to Group Chairman Robert Hiscox. . . .Lloyd's of London managing agency **Octavian Syndicate Management Ltd.**, part of Terra Nova Insurance (U.K.) Holdings P.L.C., has been cleared by a vote of members to merge its syndicates 959 and 1009. The merger still is subject to Lloyd's consent. . . . Richard Murphy has been appointed managing director of **Crowe Syndicate Management Ltd.** from the beginning of next month. He was previously general manager-monitoring in the Corporation of Lloyd's. . . . David Harries has resigned as a director of Lloyd's insurance group **Amlin P.L.C.** His move follows the departure of former Group Chief Executive and Underwriting Director Richard Keeling a few weeks ago. Tony Holt has been appointed underwriting director, subject to Lloyd's approval. In the meantime, James Illingworth has been appointed head of syndicate monitoring. . . .London-based rating agency Standard & Poor's has withdrawn its BBB rating, with negative implications, for **Liberty Re Ltd.**, the London-based reinsurance arm of Liberty Mutual Insurance Co. of Boston. Liberty Re went into runoff at the beginning of this year. The ratings were withdrawn at the company's request. According to S&P, Liberty Re has canceled, transferred or commuted the majority of its life and health contracts, and the remaining policies are expected to be commuted "in the near future." Liberty Re also is looking at transferring its remaining property and casualty contracts. In addition, Liberty Re has loaned £150 million ($241.9 million) of its "largely unimpaired" initial capital base of £250 million ($403.1 million) to its parent company, with the approval of the U.K. insurance regulator. . . .Australian insurer **HIH Ltd.** has purchased 49% of Manila, Philippines-based non-life insurer Insular General, part of the Insular Life Group. . . .London-based insurance broker **SBJ Group Ltd.** plans to diversify its business by offering training services to financial services organizations and current SBJ clients through the broker's Helix UK Ltd. subsidiary. Helix currently provides in-house training services to SBJ employees. . . . Greg O'Neill has been appointed group manager-corporate risks within Australian insurer **QBE Insurance Ltd.** Mr. O'Neill currently is general manager of Sydney Reinsurance Co. Ltd.; he will be replaced at Sydney Re Oct. 1 by Andreas Thiele, executive director at Aon Group Ltd. in London. . . .Stefan L. Volk has been named to succeed Claus-Michael Dill as chief financial officer of Cologne, Germany-based **Gerling Insurance Group Holding A.G.** Mr. Dill left Gerling in April to become executive board chairman of Cologne-based AXA Colonia Group. Mr. Volk is head of corporate financial institutions for Bank Paribas in Frankfurt, Germany. A date for the succession has not yet been determined.

Interest in recall cover rises

Coca-Cola scare fuels awareness of risks

By MARIA KIELMAS

Product contamination scares and high-profile recalls this summer are increasing the demand for product recall insurance in Europe.

Allegations of contaminated soft drinks and subsequent government bans on Coca-Cola products in Belgium and France prompted the largest recall in Coca-Cola Co. history. The Atlanta-based company withdrew millions of bottles and cans of its soft drinks in Belgium and France and later recalled a bottled water brand in Poland (*BI*, June 21).

The Coke recall closely followed an unrelated scare over dioxin contamination of Belgian meat and dairy products.

As a result, more companies are expressing interest in product recall liability insurance, according to underwriters.

"There is a greater recognition of the gap between a general liability policy and a property policy," said Iain Harrison, underwriter at Lloyd's of London managing agency Beazley Furlonge Ltd. Product recall insurance compensates for a drop in sales due to any product tampering or contamination.

"But a company needs to have a good crisis management," Mr. Harrison said, adding that a policyholder must plan ahead. "We look at a company's clients, we look at its ability to manage a crisis, at its public relations support, and at the recall plans it has in place."

The food scares have created a general crisis of confidence, Mr. Harrison said.

According to Fiona Davies, head of the food and drink practice at the London-based brokerage Willis Corroon Group, one of the lessons to be learned is that if a company fails to react quickly to a food scare, people and governments will jump to their own conclusions.

"In future, governments around the world will ban first and ask questions lat-

See **Coke** on next page

AP/ WIDE WORLD PHOTOS

Shelves were free of Coca-Cola products in June in this Brussels, Belgium, store. The company recalled products in three countries.

More risk education in schools urged

By CAROLYN ALDRED

LONDON—Safety experts are lobbying the U.K. government to provide more risk management education in schools.

The Health and Safety Executive, a government-funded body responsible for enforcing and monitoring workplace health and safety regulations, is seeking to integrate more risk management concepts into school curricula, beginning with the Primary School level for youngsters and continuing through the university level. The HSE announced last month that it wants "to equip pupils and students with the basic knowledge and skills they will need as a foundation for later work-based training."

At the same time, the Institution of Occupational Safety & Health, a Wigston, England-based organization of workplace health and safety professionals with 25,000 members, recently published a draft policy document discussing the benefits of educating young people about risk management and health and safety.

"The institution believes that a considerable amount of pain, suffering and financial loss could be avoided by ensuring that young people are suitably prepared to deal with the hazards and risks that they may face during their working lives," IOSH states in the document, titled "Preparing Young People for a Safer Working Life."

Among other things, IOSH recommends:

- Safety and health should be integrated into the school curriculum.
- Teachers should be trained in risk management.
- Every school should appoint a "safety champion" from the staff to ensure that health and safety issues are brought up in various school subjects.
- Health and safety should be further integrated into higher education, including degree-level education, as future senior managers will likely come from this educational background.

"The education of young people should help prepare them for the world of work by helping them to avoid accidents and work-related ill health," IOSH states in the report. "Preparing young people to recognize risk would avoid the pain and suffering and

See **Education** on next page

First-half profits gain at broker JLT

By SARAH GODDARD

LONDON—Pretax profits at Jardine Lloyd Thompson Group P.L.C. rose 16.4% for the first six months of this year, compared with the same period of 1998.

The London-based broker, No. 5 in this year's *Business Insurance* ranking of the world's 10 largest brokers, posted pretax profits of £33 million ($53 million). Revenues were £126 million ($202.4 million) for the period, up 6% from the same period last year.

JLT's successful reorganization is reflected in first-half results, says CEO Ken Carter.

Aftertax profits, including profits from associated companies, exceptional items and interest payable, leapt 23.7% to £25.6 million ($41.1 million).

The six-month figures are the first formal results to be issued by the broker since it reorganized its operations into three key areas: Risk Solutions, Corporate Risks and Services (*BI*, July 19).

JLT Chief Executive Officer Ken Carter said the Risk Solutions sector had "an exceptionally successful six

See **JLT** on next page

QBE still shopping despite rejection

By MATTHEW MacDERMOTT

SYDNEY, Australia—Australian insurer QBE Insurance Group Ltd. will continue to seek acquisition targets in the London market and elsewhere, after it was rebuffed last month when it approached Lloyd's of London insurance group Limit P.L.C.

Frank O'Halloran, QBE's managing director, said the Sydney-based insurance company made a preliminary overture in July to the directors of London-based Limit to see if they would allow QBE to carry out an initial due diligence. Limit owns and manages the Lloyd's underwriting agencies Bankside Syndicates Ltd. and Janson Green Ltd.

Mr. O'Halloran said it was disappointing that Limit's directors decided to make QBE's "introductory discussions" public by announcing to the London Stock Exchange that they had rejected the approach of an international insurer. Limit did not identify the insurer in its announcement.

"Further discussions and due diligence may have produced a proposition of value to shareholders of both parties," Mr. O'Halloran said in a statement to the Australian Stock Exchange after Limit's rejection of the approach.

QBE already has a presence at Lloyd's through its managing agency, QBE Underwriting Agency Ltd., which manages two Lloyd's syndicates. In December 1995, QBE purchased the right to manage the marine syndicate 2724 from Stewart Holmes and, one year later, established its own specialist non-marine syndicate, 1223. Recently, QBE has applied to Lloyd's for permission to create an "umbrella" syndicate for next year, comprising the two existing syndicates and a new non-marine reinsurance syndicate to be underwritten by Mark Harrington. The umbrella syndicate will be headed by John Lorberg, QBE's underwriting director.

Mr. O'Halloran said QBE remains interested in Limit but has a policy of not proceeding with acquisitions unless it can perform due diligence.

He said growth by acquisition is one of QBE's key strategies and that the company's discussions with Limit were consistent with its approach to other potential acquisition targets.

QBE will continue to examine acquisition opportunities in London as well as in Europe, the United States and Asia, Mr. O'Halloran said.

In April, QBE signed a memorandum of understanding to acquire a majority shareholding in Moldova's largest insurer, ASITO Insurance Joint Stock Co. of Moldova (*BI*, April 19).

Sarah Goddard contributed to this report.

Education

Continued from previous page

financial loss associated with accidents and ill health; employers would avoid disruption, upset and financial loss; while society as a whole would benefit from reduced treatment and support costs."

According to IOSH, examples of the way risk management could be incorporated into school education include using risk assessment in science; stressing the importance of ergonomics in information technology; discussing the development of health, safety and welfare legislation in history; using probability and statistics to illustrate accident rates and lost production in math; and looking at references to occupational diseases and accidents in literature.

The HSE also is pressing for more risk management to be incorporated into school curricula.

As part of its efforts, Bronwyn Freake, deputy head of Green Bank School, a residential school for children up to age 18 with special needs, is working at the HSE for a year "to develop a framework to educate children in risk control," said Julia Soave, head of training policy at the HSE.

The HSE also is in discussions with the Department for Education and Employment about ways to incorporate health and safety issues into school curricula. The DEE sets national educational standards and provides schools with broad curricula that they must cover. These curricula, which are re-examined periodically, are now under review.

Incorporating health and safety into education is just part of the HSE's strategy to "develop greater understanding throughout British society of the concepts of risk and risk control," the safety organization stated in its most recent strategic plan.

David Gamble, executive director of the Assn. of Insurance & Risk Managers, welcomed the HSE's initiative.

'We are very much in favor of greater risk awareness. Improved health and safety training through the education system will help,' says David Gamble of AIRMIC.

"We are very much in favor of greater risk awareness. Improved health and safety training through the education system will help," said Mr. Gamble.

But the education should be broad, Mr. Gamble stressed, "aiming to benefit people within their life overall, not simply for their later working life."

"One benefit of this pre-work risk education will be that those entering employment will be more attuned to the development of a risk management culture within an organization," he said.

However, "this initiative should not be seen to detract from the legal undertaking of employers. When people go to work, we would expect companies to train them appropriately," Mr. Gamble added.

Workplace training also is being targeted by the HSE. This includes assessment by the HSE and local authority inspectors of workers' and managers' safety competence and the adequacy of safety training provided by employers.

"There is evidence that inadequate competence in controlling risks underlies a great many workplace accidents, and HSE statistics show that lack of training is a direct cause of around 6% of all workplace injuries—equating to nine deaths and 175 major injuries a year. This is just the tip of the iceberg when all incidents where lack of competence played a part are taken into account," the HSE announcement stated.

Meanwhile, a recent HSE survey shows that "a quarter of all employees and, worryingly, a third of those with direct responsibilities for health and safety receive no health and safety training at all," according to the HSE. The HSE did note, though, that the absence of health and safety training exists mainly in smaller companies.

In a separate announcement last month, the HSE called for examples of best practices in employee involvement in health and safety.

The HSE is "on the lookout for examples of good-practice organizations large and small that can demonstrate active employee involvement in health and safety" for case study material for a future HSE publication.

"We are interested in examples of effective employee involvement in health and safety from all employment sectors, including small and medium-size enterprises," said Norman Byrom of the HSE's operation unit. Mr. Byrom said the HSE is "particularly keen to learn of experience in organizations which do not have all their employees under one roof."

Mr. Byrom, who said he will be seeking out examples through the end of September, can be contacted at Norman.Byrom@hse.gov.uk.

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A copy of "Preparing Young People for a Safer Life" can be obtained from the Institution of Occupational Safety & Health by telephoning 44-116-257-3100. For additional information, visit the IOSH Web site, www.iosh.co.uk. Details of the education policy of the Health & Safety Executive are available on the HSE's Web site, at www.open.gov.uk/HSE.

Coke

Continued from previous page

er," Ms. Davies said.

A spokeswoman for The Coca-Cola Co. in Atlanta said that the company does not have a crisis management consultant on retainer.

Coke's insured losses remain unknown, the spokeswoman said. "This is still up for debate," she said. Coverage information was not released.

While the immediate losses from the recalls have hit Coke's bottling operation, Coca-Cola Enterprises Inc., parent Coca-Cola Co. is also feeling ill effects. The Coca-Cola Co. owns 44% of CCE.

The recalls have tarnished the brand image of Coca-Cola beverages and have led Coca-Cola Enterprises to report a $103 million charge to its second-quarter earnings.

The Coca-Cola Co. reported a 21% drop in second-quarter net income, to $945 million, mainly because of sales problems in Europe and Asia. Coke estimated 25% of the profit decrease was due to the recalls.

Coke's failure to respond quickly to customer complaints in Europe has hurt its image, according to Clive Thompson, head of risk finance at AXA Global Risks. "Coca-Cola threw away the book on risk management. They refused to acknowledge there was a crisis," Mr. Thompson said.

The Coke spokeswoman in Atlanta replied to this criticism, saying that the company had held daily meetings with the Belgian government and was "very open and transparent" throughout the recalls.

"But in hindsight," the spokeswoman in Atlanta admitted, "we probably should have been more open with the customers. Ultimately, it is the customers who will judge."

'In hindsight, we probably should have been more open with the customers,' says a spokeswoman for The Coca-Cola Co.

In Mid-May, four people became ill after drinking bad-smelling Coca-Cola in a bar in Antwerp, Belgium. Their complaint was investigated by Coca-Cola Enterprises, which found no health risk.

Then, on June 10, a group of schoolchildren near Antwerp complained about feeling ill and some were rushed to the hospital. The complaints came just ahead of crucial general elections in Belgium. As Coca-Cola awaited the results of laboratory tests in Atlanta, on June 13 the newly elected Belgian government ordered millions of cases of Coke soft drinks withdrawn from the market.

Subsequent tests by Belgian academic institutions found traces of phenol and hydrogen sulfide on the cans but the amounts were too minute to have caused the reported illnesses.

As news of the suspected contamination was broadcast in Europe, local health authorities in Spain, Germany, the Netherlands and Luxembourg removed Coke drinks from the market.

Later in June, a fungicide was identified on the surface of Coke cans at a bottling plant in Dunkirk, France, resulting in a ban of the sale of Coke products in that country.

Coca-Cola Enterprises issued apologies in Belgian newspapers June 21 for not addressing customer concerns more quickly, and the government lifted its ban the next day. Other countries, including France, followed suit.

On June 28, supermarkets in Kenya withdrew Coca-Cola products originating from the European Union. And on June 29, Coca-Cola announced the recall of its Bonaqua bottled water in Poland after mold was found at the bottom of some bottles that had been improperly washed. After health checks and testing, the products were back on the market by July 13. BI

Lessons seen in recent recalls

Companies can draw several lessons from the recent product contamination scares and subsequent recalls in Europe, according to a Willis Corroon Group Ltd. report.

The London-based broker released a preliminary analysis last month citing the massive recalls of Coca-Cola soft drinks in Belgium. Willis estimated the crisis could cost Belgium about $850 million, or 0.5% of its gross domestic product, this year.

Among Willis' other conclusions:

- Product contamination can come from any source in the supply chain.
- Consumers won't necessarily wait for an analysis of a suspected incident before abandoning use of a product.
- Governments are likely to issue product bans first and investigate causes later.
- Contamination allegations can greatly reduce a company's profitability and possibly the value of its brands.

While most major food and drink producers have risk management and loss control plans in place, they should address several key questions, according to Willis:

- Does the company's risk management program include audits of links in the supply chain, such as suppliers and distributors?
- Are contracted entities adequately insured or financially able to meet their obligations?
- Can the company pursue other, non-contracted parties in the supply chain?
- Does the company's product recall liability policy cover accidental as well as malicious contamination? Will it respond if subsequent analysis shows no evidence that the product was capable of causing injury or disease?
- Can the company's risk management procedures respond quickly to adverse publicity or government bans?

Willis plans to issue a full analysis of the Coca-Cola contamination crisis later this year.

—By Maria Kielmas

PHOTO: AFP

Crews skim water around the tanker *Laura D'Amato*, which earlier this month spilled oil in Sydney Harbor in Sydney, Australia.

Shipowner accepts blame for oil spill

BY MATTHEW MacDERMOTT

SYDNEY, Australia—The owner of the Italian tanker *Laura D'Amato*, which spilled about 79,000 gallons of crude oil into Australia's Sydney Harbor, is insured for an estimated $5.2 million in cleanup costs and fines, as well as an undetermined amount of third-party damage claims.

The owner of *Laura D'Amato*, Fratelli D'Amato S.r.L. of Naples, Italy, has accepted full liability for the Aug. 3 spill. The shipowner is insured for pollution liability through The Standard Steamship Owners' Protection & Indemnity Assn. (Bermuda) Ltd.

The *Laura D'Amato*, built in 1991, spilled the crude Middle Eastern oil while unloading at an oil terminal operated by Shell Australia Ltd. at Gore Cove, which is in the harbor.

The spill, 30 times larger than the original estimate of 2,650 gallons, is the worst oil spill in Sydney Harbor in almost 20 years. It has created oil slicks stretching several miles along the scenic harbor.

The New South Wales government's Sydney Ports Corporation, which is coordinating the cleanup process, has launched an inquiry into the cause of the spill. The cleanup and inquiry both could take several weeks to complete.

Shell Australia Ltd. of Sydney is conducting its own inquiry into the spill with the aid of the international oil company's own marine experts.

A Sydney-based spokesman for Fratelli D'Amato said the spill was "most regrettable" and added that the company is fully cooperating with the Sydney Ports Corporation to establish how it occurred.

He said the corporation's preliminary findings show the spill came from open underwater valves on the *Laura D'Amato*.

"It would appear there was no technical malfunction of the valves and that human error or failing cannot be ruled out," the spokesman said.

He said the *Laura D'Amato* was manned by 10 Italian and 13 Filipino crew, who were all "very experienced and fully qualified."

The spokesman said there was "absolutely no evidence" to suggest there was a deliberate act of tampering with the tanker's unloading procedures.

The Standard Steamship Owners' Protection & Indemnity Assn. was required to post an $8 million Australian ($5.2 million) bond with the Sydney Ports Corporation before the *Laura D'Amato* was allowed to sail out of Sydney Harbor on Aug. 9.

The Fratelli D'Amato spokesman said the $8 million Australian will be held by the corporation to cover the costs of the harbor cleanup and any potential fines against the tanker's owners.

Under the New South Wales Protection of the Environment Operations Act, those responsible for oil spills can be fined up to $1 million Australian ($650,000) depending on the level of environmental damage. No court proceedings have yet been lodged against Fratelli D'Amato, but a suit from the Sydney Ports Corporation is expected once the cleanup is finished and the full extent of damage assessed.

The shipowner's spokesman said the cost of the cleanup cannot yet be fully estimated, as cleanup activities could continue for quite a while, particularly around the harbor's shoreline.

However, he said the company believes the total cost of the cleanup and fines will be less than the $8 million Australian bond.

The P&I club, however, also will pay any third-party claims against Fratelli D'Amato arising from the oil spill.

The insurer has appointed Sydney-based independent claims administrator Claims & Liability Management Services Pty. Ltd. to manage all third-party claims.

Max Fulton, CALMS claims manager, says a wide range of third-party claims are being filed.

He said property claims have been received from yacht owners whose vessels were moored in the harbor at the time of the spill and from owners of harbor-front properties that have suffered damage to retaining walls.

Mr. Fulton said there have also been "a couple" of claims from asthma sufferers who claim they experienced severe respiratory problems because of fumes from the oil spill.

Business interruption claims also have been lodged by Sydney Harbor fishing vessels and bait shops, as well as the Sydney Opera House, which was forced to cancel a performance of the opera "La Boheme" because of the fumes and odor from the oil spill.

Mr. Fulton would not reveal the cost of individual claims, nor estimate the total cost of third-party claims arising from the spill. BI

JLT

Continued from page 31

months," increasing revenues by 13% to £56 million ($90 million) for the six months ending June 1999 and attracting new business. "With the fewer number of insurance brokers at large, it is easier to get opportunities to quote" on new business, Mr. Carter said.

Risk Solutions, among other things, handles property insurance, reinsurance and alternative risk transfer for clients worldwide. Financial risks business "achieved very strong growth," according to the chairman's statement that accompanied the results. Other traditional classes, including property/casualty "exceeded expectations" in the soft market.

Corporate Risks, which provides risk management services for corporate clients at the national and international levels, showed marginal growth, with revenues up 3% to £70 million ($112.5 million), including adjustments for businesses sold at the end of last year. Those included its Jardine Maritime operation, a portfolio of U.K. yacht business and its Malaysian Environmental Risk Management business.

JLT Services achieved "good growth," according to JLT Chairman John Barton's report, extending its technology-based services, such as benefit administration and affinity group business, in the United Kingdom and United States. Mr. Carter said he sees this division as ripe for making acquisitions, particularly in U.S. third-party administration business.

Within the rest of the JLT group, "we are open-minded about making acquisitions," Mr. Carter said. "There is so much consolidation in the industry, and it is likely there is more to come."

He sees JLT role transforming from that of traditional insurance broker to risk transfer consultant. "The reorganization. . .hopefully, sets us on that path," Mr. Carter said. BI

Skandia move helps revenues

By SARAH GODDARD

STOCKHOLM, Sweden—Skandia Insurance Co. Ltd. is already seeing fruits from its decision to divest its property and casualty business, the company reports.

The Stockholm, Sweden-based insurer reported first-half revenues rose 84% to 62 billion Swedish kronor ($7.5 billion), as a result of focusing on life and various types of long-term savings products, said Skandia Senior Vp Harry Vos. Skandia divested the property/casualty business in March.

Property/casualty profits were badly hit by deteriorating claims experience in Norway, both in the size and the frequency of claims, said Mr. Vos.

Skandia is moving its property/casualty business into a new, unnamed Nordic property/casualty insurer with two other insurers from the region. Finland's Pohjola Group recently joined Skandia and Norway's Storebrand A/S to create what they hope will be a major player in the Nordic region.

"The rationale (behind the new insurer) is based upon the fact that, in property and casualty, there is no growth in top-line business," said Ulf Spang, executive vp and chief financial officer for Skandia in Stockholm, Sweden.

By combining the Skandia P/C operations with those of Pohjola and Storebrand, the new company likely will have a more than 20% market share of business from the Nordic countries of Sweden, Denmark, Norway and Finland, he said. The combined entity will have a combined premium volume of about 23.4 billion Swedish kronor ($2.75 billion) (*BI*, July 12).

No real growth in new business can be expected, but the move should bring cost savings by cutting bottom-line expenses and emphasizing disciplined underwriting, he said.

European Union regulators are expected to approve new entity this week, said Mr. Spang. Norwegian regulators have not approved the new operation but are expected to do so in September, he added.

Once the new insurer is fully up and running, Skandia will own 42% of the business, though that will be reduced when the new insurer has a public offering in 2001. "We have undertaken to release a certain volume," said Mr. Spang. Beyond that, "from the Skandia point of view, it will be an investment like any other investment."

Because it legally will be a Swedish company, it will be listed on the Stockholm Stock Exchange, Mr. Spang said. The partners have yet to decide which other exchanges the new insurer will be launched on, he said.

At present, the proposed operation would write about 6% of the Danish market business; Mr. Spang would like it to approach the goal of at least 20% in all target markets. Options include bringing one of the larger Danish insurers into the fold or acquiring some of the smaller property/casualty insurers in the country. Skandia also plans to sell its U.K. auto and commercial insurance arm, NIG Skandia, before the shares are floated, according to Skandia.

Mr. Spang said the new company plans to expand eventually into Estonia, Latvia and possibly Poland. BI

Massachusetts Blues offering direct access

By JERRY GEISEL

BOSTON—Blue Cross & Blue Shield of Massachusetts is offering employers a new HMO option that will give employees direct access to specialists.

Under the new option, called Access Blue, HMO enrollees can seek care directly from any of more than 12,000 primary and specialty physicians without first obtaining a referral from a gatekeeper, a basic requirement in traditional HMOs. Enrollees, though, will be liable for a $30 copayment for visits to specialists. No copayments will be assessed for certain preventive care visits.

Rates for Access Blue will be about 2% to 3% higher than for the insurer's traditional HMO. By contrast, rates for the Blues plan's point-of-service option, in which enrollees can get services out of network but with higher cost-sharing requirements, are about 7% more than the traditional HMO. Rates for its PPO are about 10% more than its traditional HMO.

BCBSMA, the largest health insurer in Massachusetts, is the first insurer in the state to offer a direct-access plan with a broad statewide network, its officials say.

"Many of our business customers have told us that they want a direct-access option for their employees," said BCBSMA Senior Vp Patrick Hughes.

Emphasizing this point, the Massachusetts Blues cites a survey published last month in the Journal of the American Medical Assn. While valuing the coordinating role of primary care physicians, patients said they have low trust in health plans that make it hard to see a specialist, according to the study.

That is a message other HMOs have been taking to heart as well. Other HMOs that give enrollees direct access to specialists include Oxford Health Plans Inc. and United HealthCare Group.

BCBSMA officials expect Blue Access to attract about 15,000 enrollees during its first year. That compares with about 900,000 enrollees in its other HMO products.

While enrollment in the new plan could be modest compared to its other HMO products, offering Blue Access will enable BCBSMA to differentiate itself from other HMOs in the state as well as boost enrollment, a spokeswoman said.

'Many of our business customers have told us that they want a direct-access option for their employees,' says BCBSMA's Patrick Hughes.

BCBSMA's decision to expand its HMO products comes at a time when it has begun to rebound from declining enrollment, which occurred a few years ago when subscribers began to flee en masse in the face of stiff rate hikes.

Realizing it had previously underpriced its products, BCBSMA in 1997 raised rates by an average of 8% to 11% and in 1998 raised them 7% to 9%. That need to raise rates came at a time when competitors' rate hikes were substantially less.

"What happened is that we went after membership at any price. In hindsight, that was not the best practice," according to BCBSMA Chief Financial Officer Gary St. Hilaire.

At the same time, BCBSMA tackled expenses and exited money-losing businesses such as processing Medicare claims for the federal government, consolidated 41 sales and claims offices into nine, and sold off health care centers.

"We wanted to focus on core business and apply vigorous discipline in underwriting and expense management," Mr. St. Hilaire said.

That strategy may be working. For the first six months of the year, BCBSMA reported net income of $19.4 million. Net income during the comparable period last year was $37.7 million, but much of that gain was attributable to the sale of a building, the insurer said.

Total membership now is creeping up, rising to 1.7 million currently from 1.65 million in 1998. And rate hikes in its HMO products this year have averaged roughly 5% to 7%, several percentage points less than other competitors' managed care plans. Those lower increases are a key factor in its enrollment growth.

"Growth was significant in 1999, and it was profitable at good, sound rates. Growth is terrific when it is sustainable and profitable," Mr. St. Hilaire said. BI

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE PETITION OF PHILIP JOHN SINGER AND AN DOUGLAS BARKER BOND,
AS JOINT PROVISIONAL LIQUIDATORS OF **THE CHARTER REINSURANCE COMPANY LIMITED**,
CASE NO. 99-B-44653 (CB)

NOTICE IS HEREBY GIVEN THAT IN CONNECTION WITH THE PETITION FILED PURSUANT TO SECTION 304 OF THE BANKRUPTCY CODE FOR **THE CHARTER REINSURANCE COMPANY LIMITED** (THE "COMPANY"), THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK (THE "BANKRUPTCY COURT") HAS ENTERED A PRELIMINARY INJUNCTION ORDER DATED AUGUST 6, 1999 (THE "ORDER"):

1. ENJOINING AND RESTRAINING ALL PERSONS AND ENTITIES FROM: (A) TRANSFERRING, RELINQUISHING OR DISPOSING OF ANY PROPERTY OF THE COMPANY IN THE UNITED STATES, OR THE PROCEEDS OF SUCH PROPERTY, TO THIRD PARTIES; (B) COMMENCING OR CONTINUING ANY ACTION OR OTHER LEGAL PROCEEDING (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, SETOFF, ATTACHMENT, GARNISHMENT, 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 AND RETROCESSION CONTRACTS; (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; AND (E) WITHDRAWING FROM, SETTING OFF AGAINST, OR OTHERWISE APPLYING PROPERTY THAT IS THE SUBJECT OF ANY TRUST OR ESCROW AGREEMENT OR SIMILAR ARRANGEMENT IN WHICH THE COMPANY HAS AN INTEREST IN XCESS OF AMOUNTS EXPRESSLY AUTHORIZED BY THE TERMS OF THE TRUST, ESCROW OR SIMILAR ARRANGEMENT;

2. REQUIRING ALL PERSONS AND ENTITIES 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 PETITIONERS;

3. REQUIRING ALL PERSONS AND ENTITIES THAT ARE BENEFICIARIES OF LETTERS OF CREDIT ESTABLISHED BY, ON BEHALF OR AT THE REQUEST OF THE COMPANY, OR PARTIES TO ANY TRUST, ESCROW OR SIMILAR ARRANGEMENT IN WHICH THE COMPANY HAS AN INTEREST, TO (A) PROVIDE NOTICE TO THE PETITIONERS' UNITED STATES COUNSEL OF ANY DRAWDOWN ON ANY LETTER OF CREDIT ESTABLISHED BY, ON BEHALF OR AT THE REQUEST OF, THE COMPANY, OR ANY WITHDRAWAL FROM, SETOFF AGAINST, OR OTHER APPLICATION OF PROPERTY THAT IS THE SUBJECT OF ANY TRUST OR ESCROW AGREEMENT OR SIMILAR ARRANGEMENT IN WHICH THE COMPANY HAS AN INTEREST, TOGETHER WITH INFORMATION SUFFICIENT TO PERMIT THE PETITIONERS TO ASSESS THE PROPRIETY OF SUCH DRAWDOWN, WITHDRAWAL, SETOFF, OR OTHER APPLICATION, INCLUDING, WITHOUT LIMITATION, THE DATE AND AMOUNT OF SUCH DRAWDOWN, WITHDRAWAL, SETOFF, OR OTHER APPLICATION, AND A COPY OF ANY CONTRACT, RELATED TRUST OR OTHER AGREEMENT PURSUANT TO WHICH ANY SUCH DRAWDOWN, WITHDRAWAL, SETOFF OR OTHER APPLICATION, WAS MADE AND PROVIDE SUCH NOTICE AND OTHER INFORMATION CONTEMPORANEOUSLY THEREWITH; AND (B) TURN OVER AND ACCOUNT TO THE PETITIONERS FOR ALL FUNDS RESULTING FROM SUCH DRAWDOWN, WITHDRAWAL, SETOFF OR OTHER APPLICATION, IN EXCESS OF AMOUNTS EXPRESSLY AUTHORIZED BY THE TERMS OF ANY CONTRACT, ANY RELATED TRUST OR OTHER AGREEMENT PURSUANT TO WHICH SUCH LETTER OF CREDIT, TRUST, ESCROW, OR SIMILAR ARRANGEMENT HAS BEEN ESTABLISHED; AND

4. PROVIDING THAT NOTHING IN THE ORDER SHALL IN ANY RESPECT PREVENT THE COMMENCEMENT OR CONTINUATION OF PROCEEDINGS AGAINST ANY PERSON OR ENTITY OTHER THAN THE COMPANY; PROVIDED, HOWEVER, THAT IF ANY THIRD PARTY SHALL REACH A SETTLEMENT WITH, OR OBTAIN A JUDGMENT AGAINST, ANY PERSON OR ENTITY OTHER THAN THE COMPANY, SUCH SETTLEMENT OR JUDGMENT SHALL NOT BE BINDING ON OR ENFORCEABLE AGAINST THE COMPANY OR ITS PROPERTY.

THE ORDER SHALL REMAIN IN EFFECT PENDING A HEARING SCHEDULED TO BE HELD ON NOVEMBER 17, 1999 AT 2:00 P.M. (THE "RETURN DATE") BEFORE THE HONORABLE CORNELIUS BLACKSHEAR, UNITED STATES BANKRUPTCY JUDGE, IN ROOM 601 OF THE ALEXANDER HAMILTON CUSTOM HOUSE, ONE BOWLING GREEN, NEW YORK, NEW YORK. ALL PAPERS SUBMITTED FOR THE PURPOSE OF OBJECTING TO CONTINUATION OF THE ORDER AFTER THE RETURN DATE SHALL BE FILED WITH THE BANKRUPTCY COURT, WITH A COPY TO THE CHAMBERS OF THE HONORABLE CORNELIUS BLACKSHEAR AND SERVED ON CHADBOURNE & PARKE LLP (ATTN: HOWARD SEIFE, ESQ. AND JONATHAN BANK, ESQ.), SO AS TO BE RECEIVED AT LEAST FOURTEEN (14) DAYS PRIOR TO THE RETURN DATE.

ANY PARTY-IN-INTEREST THAT HAS NOT RECEIVED A COPY OF THE PETITION, SUPPORTING PAPERS AND/OR THE ORDER SHOULD CONTACT COUNSEL FOR THE PETITIONERS AT THE ADDRESS BELOW:

CHADBOURNE & PARKE LLP
ATTORNEYS FOR THE PETITIONERS
30 ROCKEFELLER PLAZA
NEW YORK, NEW YORK 10112
(212) 408-5100
ATTN: HOWARD SEIFE, ESQ.
JONATHAN F. BANK, ESQ.
LISA C. DORR, ESQ.

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

NORTH ATLANTIC INSURANCE COMPANY LIMITED, F/K/A BRITISH NATIONAL LIFE INSURANCE SOCIETY LIMITED AND BRITISH NATIONAL INSURANCE COMPANY LIMITED,
Case No. 97-B-41602 (TLB)

NOTICE OF COMMENCEMENT OF ADVERSARY PROCEEDING AND COMPLAINT FOR INJUNCTIVE RELIEF TO IMPLEMENT SETTLEMENT

NOTICE IS HEREBY GIVEN that on August 4, 1999, Colin Graham Bird and Paul Anthony Brereton Evans as the Joint Provisional Liquidators of North Atlantic Insurance Company Limited filed a complaint (the "Complaint") commencing an adversary proceeding in which they seek injunctive relief pursuant to 11 U.S.C. §§ 105 and 304(b) which would enjoin permanently any person from asserting or prosecuting a claim against Northwestern National Insurance Company in respect of any insurance policy or reinsurance contract written by the United Kingdom Branch of Bellefonte Insurance Company (a "Policy"). By Order of the Bankruptcy Court dated August 9, 1999, if you are a person holding a Policy, you are required to file a response to the Complaint within thirty (30) days of the date of this notice, even if you did not receive a copy of the Complaint by mail. If you fail to properly respond within the time allowed, your failure will be deemed your consent to the entry of a judgment by the Bankruptcy Court, and judgment by default may be taken against you for the relief sought by the Complaint.

NOTICE IS FURTHER GIVEN that any response to the Complaint must be filed with the Clerk of Bankruptcy Court in the Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004, with a copy to the Attorneys for the Provisional Liquidators, Cadwalader, Wickersham & Taft, at the address given below. **Any person wishing to obtain a copy of the Complaint and further information should contact the Provisional Liquidators' attorneys at (212) 891-8890**

CADWALADER, WICKERSHAM & TAFT
100 Maiden Lane
New York, New York 10038
(212) 504-6000
(212) 504-6666
Attn: Ken Coleman
Stephen Doody

HELP WANTED

RISK MANAGER
Marathon County, WI
$45,000-$56,250

This is a professional, administrative position in central Wisconsin. Position requires bachelor's degree in risk management, insurance, loss control, or closely related field, and 3 years risk management experience involving varied insurance programs; OR equivalent combination of education and experience.

The Risk Manager is responsible for property/casualty insurance, employee benefit insurance, liability programs, loss control, claims management, and has input into the worker's compensation and safety programs.

Required application materials available at Marathon County Personnel Department, Courthouse, 500 Forest Street, Wausau, WI 54403-5568, (715) 261-1451, or on the County's web site at **www.co.marathon.wi.us**. Application deadline: 9/7/99.

BUSINESS OPPORTUNITIES

ATTENTION CALIFORNIA AGENTS & BROKERS

National used car casualty insurance program is looking for California agents, people with expertise/contacts to help grow business. Competitive commission and possible exclusive territories. Please respond by calling Greg Moore at 1(800)642-4432.

REQUEST FOR PROPOSALS

NEW YORK CITY HOUSING AUTHORITY

PUBLIC NOTICE • INVITATION FOR BID
CONTRACTORS POLLUTION LIABILITY INSURANCE

The New York City Housing Authority ("NYCHA") requests Bid Proposals from qualified INSURANCE CARRIERS for Contractors Pollution Liability Insurance Coverages.

Proposals shall be made in the format included in the Invitation For Bid packets containing instructions, specifications and detailed submission requirements. Packets may be obtained from **NYCHA's Insurance Consultant Marsh, Inc. 1166 Avenue of the Americas, 40th Floor, New York, NY 10036.** In order to be eligible, completed bid proposals must be received by September 7, 1999.

All inquires for additional information regarding the Invitation For Bid may be directed, in writing, to **Richard Klepper, Vice President, Marsh, Inc.** at the aforementioned address, or by calling (212) 345-4081.

NYCHA IS NOT SOLICITING QUOTES FROM BROKERS

Rudolph W. Giuliani, Mayor, New York City
John G. Martinez, Chairman, NYCHA

Profits up at M&M, Gallagher

First-half profits increased at Marsh & McLennan Cos. Inc. and Arthur J. Gallagher & Co. but dropped at Aon Corp.

The world's three largest publicly held brokers recently announced their six-month results.

Brokerage and consulting revenues for New York-based M&M rose 38.8% to $3.31 billion for the first six months of 1999. Including investment income and revenues from M&M's investment management company, Boston-based The Putnam Co., corporate revenues rose 30.2% to $4.61 billion.

BROKER RESULTS 1st Half

Corporatewide profits rose 7.5% to $456.0 million and reflect an $84.0 million pretax charge taken in the second quarter. The charge primarily relates to severance payments resulting from the acquisition of Sedgwick Group P.L.C. Excluding the special charge, profits for the first half of 1999 rose 20%.

In a statement, M&M said it expects to take another charge in the fourth quarter related to additional integration efforts.

Chicago-based Aon's brokerage and consulting revenues rose in the first half of 1999 8.6% to $2.33 billion, which includes corporate and fiduciary investment income. Corporatewide revenues, which includes Aon's underwriting operations, increased 7% to $3.42 billion. Corporatewide profits were down 28% to $201.0 million for the first six months. In the first quarter, Aon took a $163.0 million pretax charge for certain restructuring and other costs (*BI*, May 10).

Brokerage commission and fee revenues increased 7.4% to $261.0 million at Gallagher during the first half of 1999. Including investment and other income, corporate revenues rose 7.6% to $275.4 million.

The Itasca, Ill.-based broker reported a $1.5 million pretax gain in the second quarter from the first installment of the broker's sale of its real estate partnership interests (*BI*, May 10). Gallagher expects to receive the remaining installment from the sale, which will generate an additional pretax gain of $1.5 million, in the fourth quarter.

Profits for the first half of the year increased 17.9% to $25.8 million. Gallagher's 1998 figures have been restated for pooling of interests.

New York budget would cut insurer taxes

ALBANY, N.Y.—The New York Legislature has passed a budget agreement that would reduce taxes for insurers in the state.

Under the deal, which still must signed by Gov. George Pataki, the corporate franchise tax would drop to 7.5% from 9% over a three-year period. Also, the total state tax that insurers can be required to pay would drop to 2.0% from its current rate of 2.6% over the next three years.

This tax cut would cost the state of New York about $45 million, said Mary Griffin, assistant vp for the American Insurance Assn. in Albany, N.Y. But insurers elsewhere will also save money, because other states base their taxes on the New York rate, Ms. Griffin said.

The tax cut will allow insurers to expand their operations and encourage them to remain in the state, she said.

Proposals sought in public data project

COLUMBIA, Md.—The Public Risk Database Project has issued a request for proposals to develop what is to become the first national data warehouse of public sector risk management information.

The data warehouse will contain liability claims data and information about governments' exposure to various risks.

The PRDP will begin production of the warehouse as soon as a vendor is selected, and the project plans to accept data early in 2000 and showcase the warehouse at the Public Risk Management Assn.'s annual conference in June 2000.

The data warehouse RFP is available on PRDP's World Wide Web site at www.prdp.org, or by calling PRDP at 410-312-0880. Responses are due by 5 p.m. on Sept. 24.

The Columbia, Md.-based PRDP is a non-profit corporation created to collect, compile and disseminate liability loss and other information for state and local governments, as well as entities such as school districts and risk pools.

Ohio enacts patient protection law

COLUMBUS, Ohio—Gov. Bob Taft last month signed into law so-called patient protection legislation, Sub. H.B. 4, that establishes a broader independent review process without creating liability for health plans.

The law, among other things:

• Gives an enrollee the right to request an independent external review of a coverage denial when a health plan decides a service is not medically necessary.

• Authorizes the superintendent of insurance to determine whether the health service at issue is covered under the terms of the enrollee's contract. If it is, and if the requested service would cost more than $500, then the enrollee is entitled to an external review.

• Allows a health plan to choose an independent review organization from a list approved by the superintendent. The cost of the review is to be borne by the plan, and the decision of the reviewer is binding.

• Gives female enrollees direct access to participating obstetricians and gynecological services without first obtaining referrals from primary care physicians.

• Extends to all health plans Ohio's 1997 law mandating that health maintenance organizations pay for emergency screening and stabilization services based on a "prudent layperson" standard.

Court says firefighter can sue for injury

SAN FRANCISCO—A firefighter who was brain-damaged and blinded after she was trapped in a burning garage because of a defective garage door opener can sue its manufacturer, an appellate court in San Francisco said in overturning a lower court's decision.

Dallas-based GMI Holdings Inc., which does business as The Genie Co., will appeal the decision in *Melanie Stapper vs. GMI Holdings Inc.* to the California Supreme Court, said GMI lawyer Warren George of McCutchen, Doyle, Brown & Emersen in San Francisco.

After firefighter Melanie Stapper responded to a fire in a home in 1995, heat and smoke forced her and another firefighter to retreat to the garage door, only to discover it had been closed and would not open because of a worn screw device, according to the three-judge panel's decision.

By the time additional firefighters were able to open the door, the other firefighter was dead and Ms. Stapper was severely injured.

The trial court concluded the firefighters' rule, whose underlying legal principle is the firefighter's assumption of risk, barred Ms. Stapper's claims. But the appellate decision said it is not applicable in the case because Ms. Stapper alleges the door's malfunction "was independent of the fire, and not caused by the fire."

Comings & Goings: Industry

American Re-Insurance Co. of Princeton, N.J., has appointed Senior Vp **Thomas E. Smith** as the first president of Am-Re University, the company's new corporate university. He previously was head of Am-Re's claims division; replacing him in that post is **John W. Rogers**. . . **John F. Self** has been named vp-fidelity and surety underwriting at HartRe, a subsidiary of Hartford, Conn.-based The Hartford Financial Services Group Inc. He previously was vp-surety at First Excess & Reinsurance Corp. BI

Bills

Continued from page 1

• Plans could be taken to court and "held accountable when patients are harmed."

• States would be able to enact more-stringent patient protection provisions.

• Emergency room care would be covered if a prudent layperson would have believed that the symptoms required immediate medical attention.

• Women in plan networks would have direct access to their networks' obstetrician/gynecologists.

A statement issued by the speaker's office also noted that a principle guiding the bill will be increasing accessibility to health care by giving consumers more choices through medical savings accounts, tax deductions and other "common-sense provisions that will help the uninsured get the health care they need."

The House GOP's proposal would make more-significant changes to health plan operations than called for by the Patients' Bill of Rights Plus Act, which the Senate passed last month and which applies primarily to self-insured plans (*BI*, July 19).

For example, while both have similar provisions regarding external review, emergency room care and access to ob-gyns, the Senate bill would not permit lawsuits against health plans.

The two approaches also differ slightly on some specifics, such as access to pediatric care. The Senate bill would require that self-insured plans that cover routine pediatric care and require the designation of a primary care provider waive any referral requirements for routine pediatric care if the primary physician is not a pediatrician. The House principles simply say a parent could designate a pediatrician as a primary care physician.

A spokesman for Rep. Coburn emphasized that the House proposal's expanded liability provision is not aimed at employers, even though the measure, tentatively called the Health Quality and Choice Act of 1999, would apply to both insured and self-insured plans.

"It is a priority for Reps. Coburn, Shadegg and the speaker to protect employers from lawsuits. That's the principle that we're operating from. What we want to do is draft a narrowly tailored, precise liability provision that will not leave employers open to suits," the spokesman said.

The principles currently are being translated into legislative language by an all-GOP group that includes Reps. Coburn and Shadegg.

The speaker's embrace of managed care legislation came one day after a number of other Republican House members joined Reps. Charles Norwood, R-Ga., and John Dingell, D-Mich., in support of a bipartisan managed care regulation proposal. That bipartisan measure contains many provisions similar to the Coburn-Shadegg principles but also has others not in the principles (*BI*, Aug. 9).

For example, the Norwood-Dingell bill, which had 65 co-sponsors when Congress recessed on Aug. 6, would expose health plans to punitive damages if plans did not abide by decisions made during external reviews. The bipartisan measure, dubbed the "Consensus Managed Care Improvement Act," also would make a plan pay for emergency room care even when a problem "reasonably" deemed an emergency turned out to be less serious.

The Norwood-Dingell measure drew immediate fire from employer and health industry groups.

The Health Benefits Coalition, a Washington-based employer-insurer group, issued a statement blasting the proposal as "a threat to our private employer-based health care system and a threat to the health insurance of every working American."

President Clinton, however, praised the bipartisan proposal, calling it a "patients' bill of rights not just in name but in reality."

According to observers, the existence of the bipartisan measure forced the hand of the House leadership.

"The Republicans have their backs to the wall because of the defections within their own party and their slim majority in the House," said Henry Saveth, an attorney with William M. Mercer Inc. in New York.

"This is clearly going to be a negotiated settlement, and it's difficult to predict how the negotiations are going to turn out. The leadership, I think, would like as little as possible, but we really don't know what the rebels will demand. This initiative is the Republican leadership sticking its finger in the political dike," Mr. Saveth said.

"The idea that managed care is bad rather than it is good has taken on a life of its own. Once it takes on a political life of its own, the likelihood that anything useful will happen is very slim," said Helen Darling, health care practice leader in Watson Wyatt Worldwide's Stamford, Conn., office and a former benefit manager at Xerox Corp.

Paul Dennett, vp-health policy for the Assn. of Private Pension & Welfare Plans in Washington, said: "This is truly a case where the devil would be in the details. You can look at the principles and read into them your worst fears or your best hopes. We obviously are seriously concerned that the principles imply a course of action that is only marginally different than the Dingell-Norwood proposal."

The GOP leadership thought the Dingell-Norwood bill had "some appeal, if only temporary, for Republican members and were eager to again demonstrate that there will be responsible alternatives available to them in September. I think it was intended to give members an opportunity for a second or third thought about viewing Dingell-Norwood as the only game in town," Mr. Dennett said. "Time will tell as we see how each of these provisions gets flesh put on the bones."

Fleshing out the GOP principles will present numerous challenges, said Dennis J. Nirtaut, managing director of compensation and benefits for Arthur Andersen L.L.P. in Chicago.

Although the proposed independent appeals process is "something that would be a real plus for people going through the process," the big challenge would be performing the process in a timely manner, he said. Mr. Nirtaut also the raised the question of determining exactly who would carry out the review.

"I think the concept is fine" but applying it would be the big challenge, he said.

For Mr. Nirtaut and many other observers the most troubling aspect of the proposal would be the right to sue HMOs. He noted that expanded liability could mean increased rates for employers.

"If we drive up rates, it's going to reduce coverage and cost everyone more, not necessarily the outcome we're looking for," he said.

"Anything that increases the ability of patients to go after health plans is going to make (plans) that much more conservative," said Ms. Darling.

"The liability provision is an absolute non-starter for the employer community. We can't support any form of liability for employers and health plans," said Neil Trautwein, director-employment policy for the National Assn. of Manufacturers in Washington.

"The NAM and other employer and health groups will continue to work not only to oppose liability but also to encourage the House to adopt the best possible health care bill, one that carefully balances additional patient protections with the problem of continued decline of coverage in the present marketplace," he said.

The Health Insurance Assn. of America shared that sentiment.

The HIAA will continue to oppose any measures that would impose liability on health plans, said Sharon Cohen, senior vp-federal affairs for HIAA.

"Our philosophy is the private sector can and does work and the various bills in the guise of patients rights are nothing less than an attempt to reconstruct the health care system through government mandates."

"All of these so-called 'rights' are no good if you don't have coverage," she said.

A spokesman for the Washington-based American Assn. of Health Plans, which represents HMOs, noted that the proposals shouldn't be taken as the final word on the issue.

"We believe that, when the members return to their districts and are faced with the real questions about the health care system—what are you doing about Medicare and the uninsured—they may realize that there are other health care issues that are of greater importance to their voters," he said. BI

Tornado

Continued from page 1

"our limits are more than adequate" to cover any damages. Mr. Harden added that Miller Freeman's parent company, London-based United News & Media P.L.C., carries an umbrella liability policy over Miller Freeman's coverage.

Miller Freeman contracted with Roder USA Inc. of Hollywood, Fla., for the temporary tents, Mr. Harden said. Calls into Roder last week were not returned.

The tornado, which cut a three-mile long, half-mile wide swath through Salt Lake City's downtown, was classified as an F-2 on the Fujita scale, which means wind speeds reached between 113 mph and 157 mph. The last time an F-2 tornado struck Salt Lake County was in 1965.

The Property Claim Services division of New York-based Insurance Services Office Inc. had yet to declare the tornado a catastrophe as of Friday morning. In order to be classified as a catastrophe by PCS, the tornado had to have caused at least $25 million in insured property damage.

Utah Gov. Mike Leavitt declared the city a disaster area and requested federal assistance the day after the storm.

Salt Lake City Mayor Deedee Corradini's press secretary said it will cost the city approximately $1.1 million to clean up the damage.

In addition to the Outdoor Retailer Summer Market Show, the twister damaged the Delta Center, home to the Utah Jazz and Utah Starzz professional basketball teams, and it heavily damaged six other downtown buildings. Dozens of other buildings had broken windows, and at least 121 homes were damaged—34 of which are uninhabitable, according to press accounts.

Long sections of the roof of the Delta Center were torn away, and glass was shattered on several sides, said Bill Moreton, executive vp of Fred A. Moreton & Co., the Salt Lake City-based broker for the Delta Center. Metal doors were completely torn off their hinges, and there was water damage on the court and in other parts of the arena's ground level, he said.

The Delta Center confirmed that adjusters from Factory Mutual Insurance Co., its property insurer, made preliminary estimates that damage to the arena was in the range of $1 million to $5 million.

Mr. Moreton said that, in addition to the Delta Center, a 200-foot crane being used to build a new Assembly Building by The Church of Jesus Christ of Latter-Day Saints was destroyed and another crane was damaged by the tornado.

The cranes were owned by three local construction contractors: Jacobsen Construction Co., Okland Construction Co. and Layton Construction Co.

Mr. Moreton, the broker for the venture, said losses from those cranes will be in the range of $500,000 to $1 million.

Despite the fact that some 800 to 1,000 construction workers were at the site at the time the tornado hit, only two injuries were reported, Mr. Moreton said.

The Salt Palace Convention Center, which had been scheduled to house part of the Outdoor Retailer Summer Market Show, sustained minimal damage as a result of the tornado.

The city engineers and fire department pronounced the building structurally sound and in good shape, according to the convention center.

The Salt Palace sustained between $200,000 and $250,000 in damages to the roof and from broken windows, said Jon Diach, director of finance at the Salt Palace. The convention center's property policy is covered by the county.

Coleen Cronin, risk manager in the office of the district attorney for Salt Lake County, said the county does not disclose the identity of its insurers. She said, however, that the Salt Palace is fully insured for the damages above its $5,000 retention.

The Outdoor Retailer Summer Market Show delayed its scheduled opening until last Friday. Those exhibiting in the Salt Palace convention center are inviting those without booths to share their space.

The Wyndham Hotel also was hit by the tornado but sustained no significant structural damage, a hotel spokeswoman said. The hotel closed its doors for repairs but was expected to reopen today.

Meanwhile, insurers are beginning to tally claims from the tornado.

As of last Friday, Allstate Corp. had received 45 automobile claims, mostly due to broken glass and scratches. Allstate had also taken 18 homeowner claims, a spokesman said.

State Farm Group had received 94 homeowner claims and 104 automobile claims, as of last Friday, according to a spokeswoman.

Allstate is bringing in extra claims adjusters from Arizona and Colorado, and State Farm has called in members of its national catastrophe team.

Travelers Property Casualty Co. and Chubb Corp. reported only minimal losses from the claims reported to them last week.

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Elizabeth Lindsey contributed to this report.

Changes

Continued from page 2

interim president and CEO of Reliance National while the holding company seeks a replacement.

The insurer decided to move Mr. Busti now, rather than after a new head is recruited, as several other changes are also being made at Reliance National, Mr. Steinberg said.

In particular, Reliance Group Holdings announced in its second-quarter results that it would increase loss reserves for some commercial lines by $227.2 million. Reliance National is the principal commercial insurer in the Reliance Group.

The increase in loss reserves contributed to a $156.9 million second-quarter net loss for Reliance, compared with a $65.3 million profit the year-earlier. The company also paid stop-loss reinsurers $67.1 million as additional compensation for assuming $172.1 million in environmental liability, property and trucking losses.

In addition to the reserve strengthening, Reliance plans to drop $300 million in premiums from unprofitable business.

The unprofitable business includes $100 million in property insurance; environmental insurance written by underwriting manager ECS Inc., which XL Capital Ltd. bought in June (*BI*, June 7); and treaty reinsurance, Mr. Steinberg said.

The reduction in business also will lead to an unspecified number of job reductions, Mr. Steinberg said.

Despite the efforts to turn around its commercial insurance business, Reliance's insurance units still could face a downgrade from Standard & Poor's Corp., said Matthew Coyle, a director at the rating agency in New York.

S&P is reviewing its A rating of Reliance's financial strength and may soon reduce it to A- or BBB+, Mr. Coyle said.

"We have concerns about the capital of the operating company and about profitability," he said.

Reliance currently has a statutory surplus of $1.3 billion, compared with $1.75 billion at year-end 1998.

A.M. Best Co. also recently reviewed Reliance. It affirmed its A-rating but removed its "positive outlook" tag.

Any downgrade in the company's ratings below an A would hinder the insurer from writing coverage for large companies and long-tail risks, which the company would likely move to prevent by boosting capital, a broker says.

See **Changes** on next page

Privacy

Continued from page 1

it will take up and pass medical records privacy legislation by the end of the year. Others, though, say Congress is more likely to extend its deadline to come up with privacy legislation.

Such congressional action would "trump" any proposed HHS regulations, said Michael Ferguson, a government relations and public affairs representative in Washington for the Self-Insurance Institute of America.

Under HIPAA, final guidance on medical records privacy must be issued by Feb. 21, 2000. That date is now considered more important than the August deadline Congress is expected to miss.

Four bills addressing medical records privacy have been introduced in Congress; three are in the U.S. Senate Committee on Health, Education, Labor and Pensions. The fourth bill is pending in the U.S. House Commerce Committee, and another is expected to be introduced into the Health Subcommittee of the U.S. House Ways and Means Committee.

Controversial provisions common to several of the bills include ones that would impose criminal sanctions on violators and establish federal minimum guidelines for guaranteeing the confidentiality of personal health information, observers said.

Employers and insurers are pleased that they have managed to get favorable changes in two leading proposals to minimize the proposals' impact on workers compensation.

"We are cautiously optimistic that when Congress addresses medical confidentiality, it will include appropriate recognition that property/casualty lines and workers compensation should remain fully regulated at the state level," said Eric Oxfeld, president of UWC Inc., a Washington-based business advisory and research organization.

That would continue to allow employers and insurers access to workers' health data so they could pay workers comp claims in a timely way, said John Savercool, a vp with the American Insurance Assn. in Washington.

A requirement that a worker would first have to authorize release of information could result in claims-payers being unable to meet those deadlines.

Stan Smith, director of risk management for Boyd Gaming Corp. in Las Vegas, said that, because of this progress, he is "hopeful" final proposals would not restrict employer access to workers comp treatment information.

To keep the pro-business momentum going, though, more employers need to voice their concerns about that risk with their elected officials, Mr. Smith urged.

Before recent progress, employers and insurers also feared reduced access to a worker's health record would make it difficult to determine an employer's liability and to treat a worker with a medical condition like diabetes which typically requires a longer healing time, said Keith Bateman, vp and director of workers comp for the Alliance of American Insurers in Downers Grove, Ill.

In addition, "it would be easier for someone to beat the system if they can control the flow of information," Mr. Savercool said.

At the same time, companies generally need to protect the confidentiality of workers' personal medical records, especially in-house, Mr. Smith said. While he said he thinks his company does a good job of that, he knows other employers do not.

A medical records privacy bill is "a very difficult" measure to pass, because many interest groups hold strong views that have not yet been reconciled, Mr. Savercool said. BI

Fen-Phen

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Laboratories division, were withdrawn from the market in September 1997 after studies showed they could cause heart valve damage to patients when taken in combination with phentermine, another diet drug. Phentermine, which never was associated with the problems to which Pondimin and Redux have been linked, still is on the market. American Home is the sole manufacturer of fenfluramine and dexfenfluramine.

In the Texas suit, the company argued that Ms. Lovett had a history of heart valve illness prior to taking the Fen-Phen combination.

The verdict's size and the resulting publicity will prompt more suits against American Home, attorneys predict.

Kip Petroff, one of Ms. Lovett's lawyers, said that since the verdict was handed down, numerous people have called him seeking to file cases against American Home.

"People on the sidelines will probably get in the game now," he said.

In addition, he predicted that larger verdicts will be awarded, with some verdicts reaching $100 million in punitive damages.

Despite this possible onslaught, the company is not about to throw in the towel, according to Louis Hoynes Jr., general counsel for the drug company. At a recent press conference, Mr. Hoynes said the verdict was unsupported by the evidence and that the company's actions "were entirely appropriate." He said American Home will seek to reduce the $20 million punitive damage award, appeal the decision based on erroneous jury instructions made by the trial judge and continue to defend aggressively the hundreds of suits pending against the company. The company would not comment on insurance coverage for the award.

Mr. Hoynes pointed out that Texas law caps punitive damages, meaning the verdict will be reduced to "a small fraction" of the $20 million awarded by the jury.

Mr. Petroff agreed, saying that under the law, the punitive damages award probably will be cut to less than $5 million.

What is driving the speculation about additional suits is the nature of the Texas verdict. The $20 million in punitive damages stemmed from the jurors' anger at the company, particularly at how American Home marketed its drugs and what information it revealed to the public about possible side effects, plaintiffs attorneys say.

"This jury was upset at what it saw American Home doing," said Arnold Levin, partner with Levin, Fishbein, Sedran & Berman in Philadelphia. Mr. Levin is co-lead counsel for the combined federal Fen-Phen cases pending in Philadelphia.

"It shows their sense of what is right and what is wrong," he added.

The verdict also sent a message to American Home that other large verdicts could follow if the company continues to litigate, he said.

"I hope that it would get their attention," he said.

Another lawyer representing plaintiffs in diet pill cases, Michelle Parfitt, a partner with Ashcraft & Gerel in Washington, also said the large punitive damage award showed that the jury focused on the company's conduct. That potentially poses a bigger problem for American Home than would a large compensatory award, she said. While a large compensatory award could indicate a jury swayed by the emotion of the plaintiff's injuries, a large punitive damage award shows that the jury disliked the company's conduct regarding disclosure of information, Ms. Parfitt said.

That will be an issue in every case against them, she said.

"The evidence produced by the plaintiff in this case on the conduct of the company can be replicated in other trials, and will be replicated in other trials," she said.

Mr. Petroff agreed with these assessments. The verdict "is driven by anger at the company and not sympathy for the plaintiff," he said.

Other cases, such as one involving a young mother without a history of heart problems who underwent open heart surgery to repair damage allegedly caused by the diet drugs, could also win jurors' sympathy, driving up both the compensatory and punitive damages awards, Mr. Petroff said. In addition, numerous suits have been filed in states without punitive damage caps, he noted.

This alleged anger came from an accumulation of several internal American Home documents and testimony of the company's own personnel, Mr. Petroff contends. For example, he said, one internal company document stated "labeling will be a key for our success."

This document, he contends, told jurors that the company looked to limit information printed on the warning labels regarding possible side-effects.

The Texas verdict kicks off what could be a tumultuous period of litigation for the company. Last week, the first class-action trial over the diet drugs commenced in a New Jersey state court. And the Texas verdict could influence both jurors and the strategies adopted by both sides in future trials, some attorneys say.

"The verdict basically knocks the entire landscape in flux," said Michael Hausfeld, a partner with the Washington law firm of Cohen, Milstein, Hausfeld & Toll who represents plaintiffs in numerous diet pill suits.

In addition, the combined federal cases that have been quietly progressing under the authority of a federal judge in Philadelphia are nearing the end of discovery. Those cases soon will return to their original courts, where trials could begin later this year, Mr. Hausfeld said. And other state court trials are scheduled to begin in September and October throughout the country.

As a result of the Texas verdict, these cases "could be in a far better position," he said, and the company's overall exposure has increased.

At least one lawyer disagrees about the significance of the Texas verdict.

A large verdict driving more suits frequently is a concern, said James Schaller, head of the insurance practice group at Jackson & Campbell in Washington. But he said the Texas verdict probably is an anomaly and does not indicate the beginning of a trend toward large verdicts against American Home.

"I don't think people ought to read a whole lot into this one verdict." BI

Commentary

Odd human behavior eclipses solar event

Just when we think we have evolved into an advanced species—one capable of peaceful co-existence, space travel, genetic manipulation and improvement and the creation of microfibers, the Internet and fat-free potato chips—along comes an event that starkly reminds us that we still have plenty in common with our *homo sapiens* ancestors.

I'm not talking about fur-wearing, opposable thumbs or fear of large, sharp-toothed animals . I'm instead referring to the planetwide fascination with last week's total eclipse at the sun.

For a few minutes last week, millions of people from Canada to India paused and gazed at the sky, mouths agape.

I find it surprising that this by-now-routine winking of our solar system brings out such primitive fascination in people, especially as we approach the end of a millennium. Do folks not realize that we celebrated last month the 30th anniversary of our first small steps on the surface of the moon?

Try as I might, I have a hard time getting revved up about a solar eclipse; I am far more interested the reaction of people to this periodic darkening of the sky.

One sun worshiper named Jim Brightwell told the Reuters news service that he has seen 10 total eclipses since 1979 and regards the experience as better than sex. I strongly recommend this poor soul invest more time in the darkness of his bedroom with a partner before his delusion continues another 20 years.

Paul D. Winston

In Mexico, government officials felt it necessary to remind some sectors of the population that the coming solar eclipse was a natural and harmless occurrence and did not signal the end of the world.

"There is absolutely no scientific evidence that eclipses are related to, or associated with, disasters or catastrophes," a statement from Mexico's Interior Ministry said, issued in response to a propaganda campaign waged by some doomsayers. Of course, some took such official denial to mean the exact opposite.

While the celestial power outage may not mean the end of the world (we all know that honor is reserved for the impending Year 2000 crisis), it is not without health hazards.

The most obvious occur as a result of staring directly at the sun, which is still a bad thing to do, even if only part of its candlepower is reaching the surface of your eyeball. You know this already if, like me, you convinced yourself as a kid that you somehow had the superhuman ability to stare at the sun without going blind.

The Aug. 7 edition of the British Medical Journal warned about just this sort of misconception. It singled out children, teen-agers and "people who have been drinking or using recreational drugs" as particularly at risk of retinal injury—no doubt because of a shared belief in the invincibility of their eyeballs.

Looking directly at the sun, which has a surface temperature of about 10,000 degrees Fahrenheit, can raise the temperature of one's retina by about 39 degrees Fahrenheit, the journal warned. Using binoculars or a telescope heats up one's vision by about 77 degrees Fahrenheit, which in cooking parlance is "medium rare." To anyone who has ever focused the sun's power through a lens on paper, leaves or small bugs, this is not news.

The British Medical Journal recommended instead viewing the solar eclipse the way we were taught in grammar school, by making a pinhole in a piece of paper and watching the gradual eclipse of light projected onto another piece of paper. Not only does this never really work, but it also is boring compared to the excitement of risking gruesome eye injury to see the real thing.

Last week's solar eclipse also revealed other health hazards.

A man in Germany apparently thought that being roughly 100 feet closer to the sun, which on average is more than 490 billion feet away from the earth, would afford him a better view. To do this, however, he climbed a high-voltage power pylon, grasped a 20,000-volt electric cable for support and suffered severe burns of far more than his eyeballs. Warning: touching high-voltage power lines in any weather is bad, bad, bad.

In Egypt, a man became so upset that his wife was engrossed in watching the eclipse on television rather than making him tea that he strangled her. I suspect he'll soon be in a place where he'll wish for even a glimpse of the sky.

Finally, the Frankfurt Zoo reportedly urged its patrons to help its limited staff observe the behavior of animals during the eclipse. It wanted to know, for example, whether nocturnal creatures would become active, while diurnal animals would retire, or whether there were any other strange behaviors.

After witnessing the hoopla surrounding last week's eclipse, I think perhaps the zoo's instructions were backwards.

Editor Paul D. Winston's Commentary appears fortnightly. He can be reached at pwinston@crain.com

Changes

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Meanwhile, Liberty Mutual is cutting expenses and realigning commercial insurance operations as it seeks to better compete in the soft market.

The realignment will better integrate key parts of Liberty Mutual with parts of Wausau, said Gary Gregg, executive vp and manager of Liberty Mutual's commercial markets operations.

The 1,500 job cuts will come from the 15,500 people employed in Liberty Mutual and Wausau commercial markets operations, he said. Most of the jobs will be lost in areas where the two insurers are combining units, Mr. Gregg said.

The combined units will be: large-account operations; integrated disability management; and specialty risk operations, which includes surety, property and Bermuda offshore products, he said. That business will be written by Liberty Mutual using its direct sales force and through brokers.

The insurers' middle-market operations—which are defined as $75,000 to $2.5 million in premium—will remain separate, with Liberty Mutual using its direct sales force and Wausau using brokers and agents to distribute products.

"We believe that through this reorganization we are positioning ourselves well and will be effective through all of our distribution channels," Mr. Gregg said.

Also, the companies will be more focused and better able to compete in the generally soft commercial insurance market, he said.

"Despite what a lot of people are saying, there is not a whole lot of firming going on. There is still plenty of competition on all lines of business," Mr. Gregg said. BI

UPS

Continued from page 1

judge found, citing expert opinions that United Parcel Service charged substantially more for shipper's risk coverage than it could have negotiated from a commercial insurer.

The strongly worded opinion labeled the transactions, fronted by an American International Group Inc. unit, a "sham" that had "no economic substance or business purpose."

UPS is reviewing the ruling and has not yet decided whether to appeal, though it believes there are grounds for doing so, a spokesman said.

"What mainly is so disturbing to us is that this judge would describe anything that this company did as a sham," the spokesman said. "The very idea that anyone (at UPS) would set out to engage in a sham against the U.S. government is insulting, and we feel very strongly about that."

The spokesman also strenuously denied that UPS overcharged customers for shippers risk coverage: "Nobody has ever offered excess value insurance at a better rate to the customer than UPS," he said.

UPS and Overseas Partners Ltd. continue to operate the shipper's risk program as they have since 1984 and are not discussing changes to the program's structure in light of the ruling, according to the spokesman, who said that such discussions would be "premature."

The tax ruling also will not affect the pending initial public offering of stock by employee-owned UPS, he added. In a share registration filing with the Securities and Exchange Commission, however, the company disclosed that the tax litigation "could result in significant costs to us."

The tax decision poses little risk to most captive owners, given the peculiar structure of the UPS program, tax experts say. While many companies face the issue of whether they can deduct captive premiums, for example, UPS in this case never reported the money it collected from customers for shipper's risk coverage as income or took a deduction for amounts it forwarded to AIG. Instead, UPS treated the customer payments as transactions between its customers and AIG, the tax court ruling said.

"It's not really germane to the typical captive," observed Tom Jones, a partner with McDermott, Will & Emery in Chicago. "It's a very special fact situation."

Still, the case offers important lessons to captive owners.

"It's a real good example of how important it is to document the business reasons for what you are doing and to follow what was documented," said Roy Sedore, a partner with Baker & McKenzie in New York.

Mr. Jones agreed: "Most of (UPS') arguments center on trying to assert and justify, long after the fact, plausible business reasons for forming OPL," he wrote in a memo to the Captive Insurance Cos. Assn.

The ruling also shows the importance of dealing at arm's length with a captive, including using "actuarial reports and other documentation as appropriate to demonstrate adherence to an 'unrelated party treatment' standard," Mr. Jones' memo says. "Such an approach would have avoided the opinion's lengthy discussion and ultimate conclusion that (UPS) substantially overcharged its customers for this 'excess value' coverage as a means of allocating more profits to a tax advantaged offshore affiliate."

UPS—the world's largest package delivery service, with about $24.8 billion in 1998 revenues—formed Overseas Partners Ltd. in Bermuda in 1983 but quickly spun off ownership to UPS employee/shareholders, granting them one share of OPL stock for each UPS share owned.

OPL now has approximately 88,000 shareholders, most of them UPS employees. The reinsurer's officers and directors include many current or former UPS employees.

OPL's main business for years was reinsuring shipper's risk for UPS customers, though it has since branched out into other reinsurance lines, real estate and leasing, and has grown substantially.

Last year, it reported $1.26 billion in revenues. In addition to UPS-related shipper's risk and California workers compensation reinsurance premiums, these included a growing volume of aviation, property and marine reinsurance risks as well as accident and health, automobile and financial reinsurance programs, according to OPL's annual report.

Before organizing OPL, United Parcel Service itself retained the risk of damage to customers' packages in transit, covering $100 per package at no additional cost to the shipper. For packages with declared values above $100, UPS charged 25 cents per $100 of excess value. Until 1984, UPS reported these excess value charges as income on its tax returns, according to last week's tax court ruling.

That changed in 1984, when months of UPS discussions with Frank B. Hall led to the launching of OPL.

Under the program that took effect that year, UPS continued collecting excess value charges from its customers and adjusting and paying claims. Now, however, it remitted the balance of the funds after claim payments to National Union Fire Insurance Co. of Pittsburgh, Pa., an AIG unit with which Hall negotiated a shipper's risk policy. National Union—which had no role in claims administration—collected a fronting fee and ceded 100% of the risk to OPL.

In 1984, UPS generated $99.8 million in excess value charges and paid $22.1 million in claims. After a $1 million fronting fee to National Union and other deductions, OPL received net payments totaling $60 million, according to the ruling. UPS no longer reported the excess value charges as income.

The Internal Revenue Service first challenged the program in 1995, when it notified UPS of a $64.9 million tax deficiency for the 1984 tax year. Litigation followed, leading to U.S. Tax Court Judge Robert P. Ruwe's decision last week.

In court, UPS argued that it had a valid business reason for creating OPL: The company was concerned that state insurance regulators might find the excess value program illegal, since UPS was neither a licensed insurer nor broker.

Judge Ruwe dismissed this claim, though. Even after the creation of OPL, he noted, UPS continued to sell the shipper's risk coverage, collect premiums and adjust claims, all without insurance licenses.

"It strains credulity to believe that (UPS) attempted to avoid the requirements of state statutes by restructuring its excess value activity in a manner that arguably caused (UPS) to remain in violation of state statutes," Judge Ruwe found.

In addition, UPS produced no evidence of its purported regulatory concerns apart from a brief 1982 discussion between a UPS insurance executive and a Hall broker. The UPS executive conceded in testimony that the company had never sought a legal opinion on the issue, the judge said.

By contrast, evidence showed that UPS and Hall officials repeatedly discussed the tax benefits of forming OPL and that UPS "seriously considered and was motivated by the reduction of federal income tax," the ruling found.

Judge Ruwe also weighed whether UPS had an arm's-length relationship with OPL, and concluded that it did not.

Several expert witnesses testified for the IRS that the 25 cents per $100 rate charged by UPS for excess value insurance was far higher than a commercially negotiated rate would have been. One witness noted that UPS collected $845 million in excess value premiums under the National Union policy between 1984 and 1989 but paid only $281 million in claims, producing a 33% loss ratio.

It is "extremely unlikely that any insurance broker that permitted an insurer to generate such profits at the expense of its client could expect to retain that client for very long," the witness said.

"We are persuaded. . .that the price of 25 cents per $100 was far in excess of the price that could have been negotiated by (UPS). This is another indication to us that (UPS') arrangement with (National Union) and OPL was a sham," Judge Ruwe ruled.

Along with the back taxes, Judge Ruwe found UPS liable for extra interest and penalties for negligence or intentional disregard of tax rules and underpayments stemming from tax-motivated transactions.

He also refused to allow UPS to deduct the fees it paid to National Union, ruling that "expenses incurred in furtherance of a sham transaction are not deductible."

He did, however, allow UPS an $11.2 million deduction—challenged by the IRS—for premiums paid to Liberty Mutual Insurance Co. on UPS California workers comp business that also was ceded to OPL.

United Parcel Service of America Inc. vs. Commissioner of Internal Revenue, U.S. Tax Court; 15993-95. Aug. 9, 1999.

Aviation

Continued from page 2

can get the rates where they are already," said David Binks, executive director of Aon Group Ltd. in London.

An unusual July renewal by Korean Air Lines Ltd., however, shows there may be some exceptions, brokers said. Loss-plagued KAL renewed four months early, at terms extremely favorable for underwriters.

If the brokers' expectations pan out, the all-important fall renewal season will be much softer than the aviation market had hoped for last spring.

In March, lead markets in the United States managed to impose hefty rate hikes against Dallas-based Southwest Airlines Co., which has an exemplary loss record.

The competition that overcapacity is expected to fuel among following underwriters during the fall renewals—which is the busiest time of year for aviation underwriters—foreshadows another year of poor underwriting results for the market, brokers say.

The aviation market generates approximately 75% of its worldwide premiums during the fourth quarter, with Nov. 1 as the busiest renewal date.

About half of the 65 to 70 U.S. national, regional, charter and cargo airlines renew during the fourth quarter, generating 70% of the aviation market's U.S. premium volume, according to Brian Glod, a vp in the Marsh Inc. aviation division in New York.

Available capacity for a good risk is 200% to 250%, estimated Peter Biccars, chief operating officer of the aviation division at Marsh Ltd., the London retail brokerage unit of Marsh & McLennan Cos. Inc. That means a good risk can find at least two different groups of underwriters willing to write the coverage it needs.

Even so, in March and April, underwriters predicted the market would hike rates throughout the year.

Those earlier market forecasts allowed Southwest's U.S.-based lead underwriters to impose rate hikes of up to 30% on the no-frills carrier, market sources noted. While part of Southwest's coverage was underwritten at flat or lower rates, the airline's overall premiums for its coverage increased, a source said.

Southwest's coverage, though, contains a rate-relief provision that the airline can invoke if the market's resolve to firm up rates through year end fails to materialize. A review clause allows Southwest to cancel its coverage at year end and buy new coverage at lower rates.

Southwest was able to negotiate that provision because the airline "is regarded as a very fair insurance buyer," said Ric Parker, a Greenwich, Conn.-based reinsurance consultant for captives and reinsurance brokers. Mr. Parker specializes in alternative risk financing for aviation and aerospace risks.

Southwest Treasurer Laura Wright, the airline's risk manager, declined to comment on the carrier's renewal.

Since Southwest's renewal in March, underwriters' resolve to push up rates "has settled down pretty much," observed Steven Doyle, associate director of Aon Group Ltd. in London.

Overall, brokers say that rates should be flat or slightly lower during fourth-quarter renewals. Airlines with good loss records should expect lower rates overall, though rates likely will not fall as much as they have in recent years.

Airlines, though, should expect continued rate differentiation between their lead and their following underwriters.

Lead underwriters will insist on rate hikes but will accept a reduced level of participation on placements in exchange, brokers agreed.

"They can't have their cake and eat it, too," Mr. Parker observed.

Based on precedent this year, lead markets will try to achieve rate hikes of 20% to 30%, Mr. Parker said.

Those markets' major leverage over airlines is that they provide the claims services that many other underwriters do not offer, brokers explained.

Brokers said that following markets also will seek rate hikes. Some brokers, including Aon Group Ltd.'s Mr. Binks, said that the following markets will try to prevent any greater widening in their rate differentiation from lead markets.

Based on precedent this year, lead aviation insurers will try to achieve rate hikes of 20% to 30%, says Ric Parker.

But other brokers, including Marsh's Mr. Glod, maintained that following brokers will not succeed. Those markets, especially new markets, need to generate premium to cover their fixed operational costs, including their reinsurance. That will force those underwriters to compete and cut rates.

The deterioration in the resolve of aviation underwriters was evident in July, a slow month for the aviation market. A few airlines renewed at flat rates and premiums or for small reductions, Aon Group Ltd.'s Mr. Doyle noted.

Fed Ex's Aug. 1 renewal, though, laid out the course that the fall renewal season likely will run, brokers said.

Fed Ex negotiated a 5% rate increase with its lead underwriter even though Fed Ex's five-year loss ratio exceeded 350%, sources said. Its latest loss was an Airbus that crashed on landing June 28 in Manila, Philippines. Lloyd's of London syndicate 270, managed by Chartwell U.K. Managing Agents Ltd., leads the coverage, according to sources.

Another lead market obtained a 30% rate hike, a source said.

In addition, Fed Ex's fleet value has risen 11% this year, and the cargo carrier boosted its liability limits 25% to $1.25 billion from $1 billion.

Under the multiyear deal, Fed Ex can renew the coverage next August at its current rate, unless its loss ratio exceeds 50%, a source said. In that case, the carrier would face a 20% rate increase.

Fed Ex, however, agreed to take a $100,000 per occurrence liability deductible, a rarity in this soft market, a source said.

A Fed Ex spokeswoman did not respond to requests for comment.

The aviation market, though, has its breaking point, as KAL's July 10 renewal demonstrates. Accidents involving the Seoul, South Korea-based airline have claimed more than 600 lives over the last 16 years. The latest incident was the April 15 crash of a cargo plane in Shanghai, which killed three crew members and six people on the ground.

KAL in July canceled the hull and liability coverage it purchased last Nov. 1 and replaced it with coverage that expires Oct. 31, 2000, at a significant hike in rates. In addition, the airline's underwriters will not have to return unearned premium from the canceled policy.

KAL opted to take its lumps in July rather than risk facing an even more punitive renewal in November.

A KAL spokeswoman confirmed those details and added that the airline "is spending hundreds of millions of dollars in hard costs and man-hours to improve its safety record and regain the confidence of passengers, alliance and business partners, regulatory agencies and investors."

Among other things, the airline has signed a $30 million flight training contract with FlightSafety Boeing Training International and is equipping its fleet with "cutting-edge technology" that will warn pilots about potentially dangerous situations, the spokeswoman said.

With the exception of liability limits, airlines should not expect many changes in the terms and conditions they can negotiate this fall, brokers said. Brokers expect airlines to purchase higher limits.

Aon Group Ltd.'s Mr. Binks said most U.S. airlines purchase at least $1.5 billion in limits.

Mr. Doyle noted that in 1998, 123 airlines—a 50% increase from 82 the year before—purchased at least $1 billion in limits.

Market overcapacity and the expected resulting downward pressure on rates this fall will not be the only force holding down the market's premium volume. Airline industry consolidation also is eating away volume.

Many large airlines have acquired smaller carriers and have folded them into their insurance programs. Underwriters can avoid raising rates and even can cut rates for large programs and still increase their premium volume somewhat if those airlines' exposures, such as fleet values and revenue per kilometer, have increased.

Underwriters are more successful at holding firm or increasing the rates of smaller airlines, Aon Group Ltd.'s Mr. Doyle said. But when those airlines are acquired, underwriters lose those opportunities to increase rates, which minimizes their opportunities to generate additional premium.

The aviation market has lost nine airline placements due to airline industry consolidation over the past 12 to 18 months, according to Marsh's Mr. Glod. In addition, a few airlines have ceased operating, he said.

The aviation market has set a premium volume goal of $1.4 billion for the year, according to Aon Group Ltd.'s Mr. Doyle.

But most brokers said they do not expect underwriters to reach that mark.

For example, Marsh Ltd.'s Mr. Biccars said he expects worldwide premium volume in 1999 to top out at $950 million. He said he expects that losses for the year will exceed premium volume. Individual losses already total $300 million, Mr. Biccars said. In addition, attrition, or anticipated damage that occurs on the ground, likely will total another $300 million, he said.

Mr. Doyle's outlook was more optimistic. He predicted that, at best, the aviation market would generate $1.1 billion in premium this year. If losses of $75 million to $150 million per month continue, underwriters could break even this year, he said.

Marsh figures show that commercial aviation underwriters worldwide have reported a total underwriting loss of $1.3 billion from 1990 through 1998, even factoring in underwriting gains in 1993, 1995 and 1996.

Updates

Lloyd's groups close to merger

Continued from page 2

lion) in assets and about £400 million ($645 million) in managed capacity across the five syndicates. That would mean the merged organization would be the second-largest listed vehicle operating in the market, which would make it more popular with investors, he said. "There are currently about 14 listed vehicles. . . .The Stock Exchange wants just four or five," he added.

The two CLM syndicates and the three SVB syndicates show little overlap in their books of business, said Mr. Wade. After the merger, expected to be completed next month, the five syndicates will be kept separate rather than brought under an umbrella arrangement.

CLM provides all the capacity to its syndicates and about 10% of the SVB capacity, Mr. Wade said. Earlier last week, SVB announced it was increasing the total capacity of the syndicates by £23 million ($37.1 million) to £326 million ($525.7 million) for the 2000 year of account and that it had recruited several underwriters to diversify its business next year.

OSHA cites chemical maker

ALLENTOWN, Pa.—Specialty chemical manufacturer Concept Sciences Inc. faces a penalty of more than $640,000 after the Occupational Safety and Health Administration cited the company with 20 safety violations in a fatal explosion earlier this year.

A distilling tank holding 750 pounds of a chemical additive used in microprocessors exploded Feb. 19 at a Hanover Township, Pa., facility operated by Allentown, Pa.-based CSI. The additive, hydroxylamine, is as explosive as TNT, according to OSHA. The blast killed four CSI employees and a worker from a nearby business.

According to a statement from the Chemical Safety Board, an independent federal agency investigating the blast, the explosion leveled the CSI plant and damaged several other businesses, causing an estimated $4 million to $5 million in property damage.

Eleven of the 20 violations are what OSHA classifies as "willful violations" of its process safety management and the hazard communication standards. These violations cumulatively carry a penalty of $616,000.

The other nine violations are classified as serious violations, totaling $25,200.

A CSI spokeswoman said, "At a minimum, we certainly intend to appeal all willful-violation classifications." In a statement, CSI said "adequate" safety systems were in place and that employees were educated in the manufacturing process.

CSI would not disclose insurance coverage information.

Demutualization rumors denied

LONDON—Senior executives at Lloyd's of London have strenuously denied media reports that they are planning to demutualize the institution, though management is examining various ways of modernizing Lloyd's.

The Corporation of Lloyd's already has reshaped many of its services into business units, charging on a "user pays" basis instead of funding them centrally from member levies.

The Corporation also is disbanding some divisions. For example, the communications department was slimmed and merged into Lloyd's marketing function this summer, and the broker regulation function will be abolished next year when the General Insurance Standards Council takes over U.K. intermediary regulation and Lloyd's brokers unique status is eliminated.

But demutualization, which would entail privatizing all central services—including the management of Lloyd's' central fund and the maintenance of Lloyd's' network of international license agreements—would be a much greater step and one Lloyd's denies it will take.

In a statement, Lloyd's said: "Our objective is to create a market in which businesses can thrive. To achieve this, we are looking at all sorts of ways in which we can modernize the way the market does business. However, demutualization is not currently being discussed."

Robert Hiscox, chairman of Hiscox P.L.C. and a former deputy chairman of Lloyd's, said he was "delighted" to read in U.K. newspapers that the Corporation might be privatized, as that would help create a more commercial environment.

By contrast, Michael Wade, chief executive of CLM Insurance Fund P.L.C. and a former member of the Council of Lloyd's, said demutualizing is "a slightly unrealistic prospect," because part of the Corporation's role is to manage the central fund that protects policyholders if syndicates are unable to pay claims.

Briefly noted

US Airways Inc. announced it will offer employees **domestic partner benefits**. USAir is the third major U.S. airline to offer the benefits over the past two weeks, following moves by United Airlines and American Airlines. USAir has yet to determine when or what type of benefits will be offered, a company spokesman said. . . .A Superior Court jury in Los Angeles last week **acquitted Michael J. Lightman** and **Dr. James W. Eisenberg**. They were arrested three years ago and accused of operating one of California's largest workers compensation fraud mills through law offices and health clinics associated with Amerimed Medical Corp. The jury deadlocked on tax evasion charges, and prosecutors say they may retry the two on those charges. . . .Zurich U.S. last week announced the appointment of **John Kelm** as chief executive officer of its Enterprise Risk unit. . . .Tennessee Insurance Commissioner **Douglas Sizemore** has resigned effective Oct. 31. The Insurance Department spokeswoman said Mr. Sizemore, who was appointed by Gov. Don Sundquist in 1994, never intended to serve through Gov. Sundquist's second term and that the resignation is unrelated to Franklin American Corp.'s collapse. Gov. Sundquist has not yet named a successor.

St. Louis

Continued from page 2

Columbia, Md., to collect and analyze the data. Later phases in the effort will focus on hospitals, physicians and physician groups, and the role that employers play in purchasing health care.

The regions used for comparison were selected because of their comparability in terms of size and composition, strong academic medical center presence and the maturity of the health plan market, said James C. Stutz, executive director of the St. Louis Area Business Health Coalition.

The study was deliberately skewed, however, because the markets selected for comparison are considered to be above the national average in terms of their performance, with several representing best practices, Mr. Duffe said.

"We purposely used a biased sample, comparing ourselves with the best," he said.

It was somewhat disappointing to find out that "we're not getting the best bang for the buck here considering the amount of resources we are spending" for health care, Mr. Duffe said. While the St. Louis region's premiums were 7% below the average of the comparison regions, when adjusted for the cost of care, St. Louis premiums were actually 1% higher than those areas, the study found.

In addition, the average cost of prescriptions per member per month in the St. Louis region is 11% above the comparison group's average, the study found.

The health plans "really seem to be retreating from the role that we hired them for," he said. "Managed care has retreated back into the old indemnity mode, at least in this area."

For example, even though the St. Louis market has a high health maintenance organization penetration rate—more than 40%—the report found that diabetics in St. Louis are almost 40% less likely than those in the comparison markets to be screened for eye problems associated with diabetes that can lead to blindness.

In another area of health care prevention—considered one of the hallmarks of managed care—women are 13% less likely to be screened for cervical cancer in St. Louis than the average of the comparison regions.

The study also found higher utilization of certain health care services as compared to other parts of the country.

For example, St. Louis-area women are 107% more likely to have coronary artery bypass surgery than women in the other regions.

At the same time, St. Louis men are 64% more likely to have coronary artery bypass surgery than the average for the seven other regions.

While some of the high utilization rates, especially in the area of heart disease, may be partly due to public health issues—"this is called the 'Barbecue Belt,'" quipped Mr. D'Amico—that doesn't explain the low rate of preventive services by health plans, according to the coalition.

"It's in their business interest to do an eye exam for diabetic patients rather than take corrective measures later," Mr. Duffe said. "It hopefully will help their bottom line as well as ours."

But Mr. D'Amico also suggested that the poor results may be due in part to poor documentation, rather than poor care. For example, some primary care doctors may be performing some preventive care services but not reporting them.

"We need to validate some of the findings," he said.

Regardless of these questions, the coalition report still will serve as a benchmark, said the coalition's Mr. Stutz.

"What we plan to do is to look at the markets that have the best performance in the various indicators and then select those that would have the best likelihood of making a difference here. It's a benchmarking effort to find out what we should be doing differently," he said.

For example, "it looks like on preventive services, especially, East Coast cities seem to do much better, and that's where the whole HEDIS measurement system grew up," said Mr. Stutz, referring to the NCQA's Health Plan Employer Data & Information Set.

At the same time, some lessons can be learned from West Coast plans, which appear to be the most cost-effective plans, he said. California, for example, has enacted legislation to stimulate competition in the small-group market, and its statewide employer coalition—the Pacific Business Group on Health—has exerted significant pressure on health plans to keep costs down.

In a few areas, the study did look at how St. Louis compared with the overall national average. For example, the length of inpatient hospital stays for St. Louis-area health plans was 186.32 days per 1,000 patients, slightly lower than the national average of 191.59 inpatient days per 1,000 patients. The group of seven markets used for comparison scored better than both, however, with an average of 176.64 inpatient days per 1,000 patients.

The St. Louis-area plans also performed fewer tonsillectomy procedures—6.21 per 1,000 patients under age 9—than the national average of 6.74 per 1,000 patients under 9.

At least one St. Louis-area health plan, Mercy Health Plans, already is disseminating the study findings to its 2,300 physicians in an effort to stimulate quality improvement efforts.

"I think the findings are a fair representation of what happens in St. Louis as compared with other markets," said Tom Kelly, president and chief executive officer of Mercy Health Plans, a subsidiary of the Sisters of Mercy Health System-St. Louis with about 78,000 enrollees.

"A good chunk of our HMO business is open-access and not traditional managed care," in which gatekeepers determine which services patients should receive, he said. "So the St. Louis market hasn't had the same dose of HMO discipline that other markets have had."

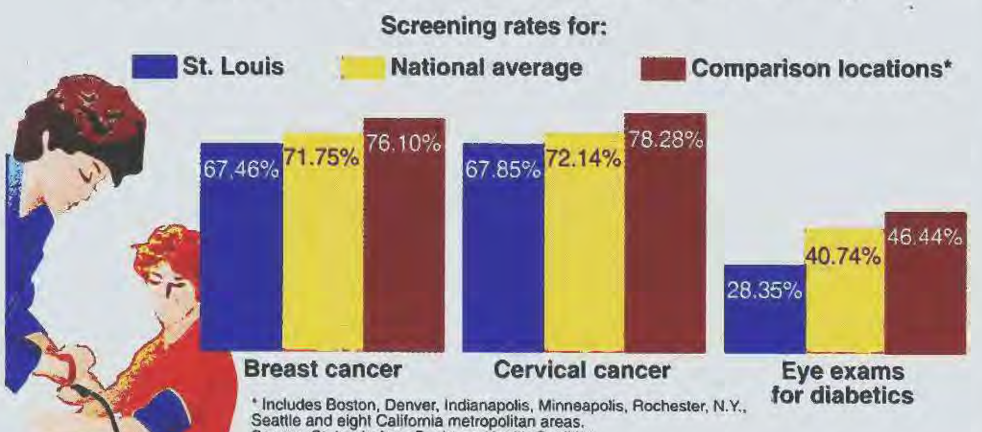
Other coalitions were encouraged by the St. Louis employer group's work.

"It's good work," said Steve Wetzell, executive director of the Buyers Health Care Action Group in Bloomington, Minn. BHCAG was one of the coalitions used for comparison in the study.

"Anything employers and coalitions can do to benchmark for quality is welcome as long as the data is solid," he said. BI

Benchmarking quality care

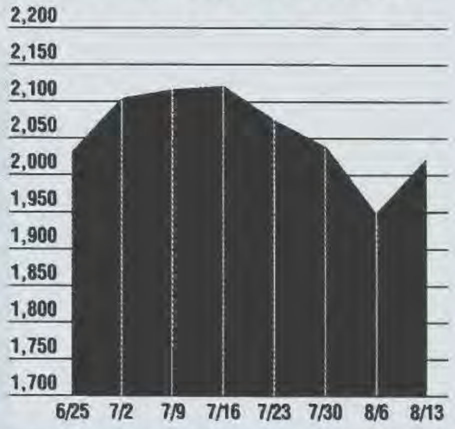
The St. Louis Business Health Coalition compared area providers' screening rates with those of a select group of other locations, and the national average.



* Includes Boston, Denver, Indianapolis, Minneapolis, Rochester, N.Y., Seattle and eight California metropolitan areas.
Source: St. Louis Area Business Health Coalition

GRAPHIC BY MIKE GARVEY

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: *Nordby International Inc.* (nordby.com) Boulder, Colo.

PCS catastrophe options

As of Aug. 13

Call spread	Price bid/ask
National Annual 1999	
40/60	15.0/19.5
60/80	8.0/16.0
80/100	3.0/—
150C	4.30/6.0
200/250	1.5/6.0
Southeastern September 1999	
40/60	0.8/—
60/80	0.6/1.7
Eastern September 1999	
60/80	1.5/—
80/100	0.6/1.7

Call spread	Price bid/ask
California Annual 1999	
60/80	0.6/0.8
80/100	0.2/0.7
100/150	0.2/1.3
Western Annual 1999	
80/100	—/1.9
National Annual 2000	
100/150	6.7/—
150C	5.0/—
190/195	0.3/0.5
200/250	3.0/—

Total volume: 58 Total open interest: 10,287

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

Companies	Price pence	P/E	Div. pence	Yield %	52-week high-low
Gdn Royal Exch	360	5.6	4.3	1.2	423-227
Legal & Gen	156	19.1	3.6	3.0	237-142
Royal & Sun	501	17.4	23.0	5.7	633-455
Brokers					
Lmbrt Fenchurch	83	8.2	4.2	6.3	94-58
JLT	255	11.2	12.0	6.0	255-166

Note: Prices are Aug. 13 closings; other numbers from Aug. 12.

Source: *Nordby International Inc.* (nordby.com) Boulder, Colo.

BI Industry Stock Report AUG. 9, 1999, THROUGH AUG. 13, 1999

BROKERS		Price	Weekly % change	Year to date % change	Year to date High	Low	Vol.(000)
Aon Corp.	NYS	36.31	2.47	-2.84	46.69	32.19	1768
Clark Bardes Holdings	NDQ	23.00	-4.17	36.20	24.00	18.63	5
E.W. Blanch Holdings Inc.	NYS	65.06	-0.86	39.36	71.75	34.88	263
Gallagher Arthur J. & Co.	NYS	53.13	0.24	21.43	56.00	34.88	261
Hilb, Rogal & Hamilton	NYS	23.13	2.78	24.16	23.38	15.56	82
Kaye Group Inc.	NDQ	9.00	2.86	24.14	9.13	5.00	9
Marsh & McLennan	NYS	74.25	5.98	25.58	81.50	43.38	2436
Brown & Brown	NYS	34.88	1.27	-0.18	40.13	29.31	23
BROKERS	AVERAGE		2.04	22.41			
INSURERS/REINSURERS							
ACE Ltd.	NYS	23.88	7.30	-26.96	36.00	21.00	4434
Accel International Corp.	NDQ	1.50	9.09	-50.00	3.38	1.25	19
Acceptance Insurance Cos.	NYS	13.88	-5.13	-30.19	22.94	12.06	54
AEGON N.V.	NYS	84.63	7.29	-30.60	130.13	69.25	3129
Aetna Life & Casualty	NYS	79.06	-3.07	-0.94	99.88	60.19	2276
AFLAC Inc.	NYS	44.75	-2.32	1.70	56.75	25.13	1743
Allmerica Financial Corp.	NYS	59.75	2.80	5.52	75.25	38.38	577
Allstate Corp.	NYS	35.75	1.78	-7.14	48.38	34.00	8736
AMBAC Indemnity Corp.	NYS	57.31	7.88	-4.38	62.38	40.88	1423
American Bankers Ins.	NDQ	54.88	0.23	14.92	60.19	30.13	264
American Financial Group	NYS	30.00	-5.14	-27.16	43.88	30.00	546
American General	NYS	75.19	2.30	-3.91	81.38	52.38	1839
American Heritage Life Ins.	NYS	31.31	0.40	30.13	31.38	18.63	524
American Intl Group	NYS	88.06	2.18	13.05	107.19	51.88	12028
American Safety Insurance	NYS	8.13	3.17	-14.47	11.38	6.63	31
Argonaut Group	NDQ	25.25	-2.42	5.21	31.75	21.25	414
AXA-UAP Group	NYS	60.88	11.06	-14.93	80.25	38.25	161
Baldwin & Lyons Inc.	NDQ	21.94	5.72	-6.15	26.00	18.50	6
Berkley W.R. Corp.	NDQ	23.88	-1.04	-29.26	36.50	23.38	436
Berkshire Hathaway Inc.	NYS	66100.00	3.77	-3.22	81100.00	57000.00	1
Capital RE Corporation	NYS	13.88	4.72	-29.07	34.13	11.94	199
Capitol Transamerica Corp.	NAS	13.94	2.29	-21.20	21.25	12.50	13
Centris Group Inc.	NYS	7.94	-11.81	-15.33	14.06	7.94	88
Chartwell Re	NYS	16.25	-3.70	-30.11	29.63	13.25	87
Chubb Corp.	NYS	59.44	-0.21	-8.47	76.38	54.00	1630
CIGNA Corp.	NYS	88.00	3.76	13.18	98.63	57.19	3042
Cincinnati Financial Corp.	NYS	40.50	7.82	13.49	41.88	30.50	1567
Citigroup	NYS	45.81	7.95	35.91	51.75	19.00	43832
CNA Financial Corp.	NYS	37.00	5.71	-5.88	45.31	33.00	473

		Price	Weekly % change	Year to date % change	Year to date High	Low	Vol.(000)
CNA Surety	NYS	13.44	-0.46	-10.04	16.00	10.19	263
EMC Insurance Group Inc.	NDQ	10.25	-8.89	-19.61	13.63	9.00	42
ESG Re Limitec	NDQ	14.75	-7.09	-25.55	22.25	12.75	110
Enhance Financial Services	NYS	21.25	-0.87	-29.75	33.13	17.31	268
Everest Reinsurance	NYS	30.00	-1.64	-18.23	43.50	28.75	552
Fremont General Corp.	NYS	16.69	-1.11	-30.83	26.75	15.88	633
Frontier Insurance Group	NYS	12.88	-6.36	3.00	18.75	10.88	798
Gainsco Inc.	NYS	6.00	1.05	-4.95	8.06	3.94	68
Harleysville Group	NDQ	19.50	-0.64	-23.53	27.25	17.00	71
HSB Group Inc.	NYS	37.56	-3.22	-6.53	50.38	34.75	242
HCC Insurance Holdings	NYS	16.38	-20.85	-3.32	25.13	16.00	2575
ING Groep N.V.	NYS	53.69	9.71	-11.99	70.13	36.06	251
IPC Holdings Ltd.	NDQ	21.19	4.95	-6.87	27.38	17.38	126
Hartford Financial Services	NYS	50.81	-0.37	-8.96	66.44	37.63	1878
LaSalle Re Holdings Ltd.	NYS	15.69	0.40	-23.94	32.13	11.63	79
Lincoln National	NYS	48.00	0.00	15.84	57.50	33.50	1896
MAIC Holdings Inc.	NYS	26.94	-4.86	-15.82	33.13	23.25	100
Markel Corp.	NYS	184.50	-1.86	2.36	193.00	132.00	12
MBIA Insurance Group	NYS	52.38	-3.46	-21.02	71.88	46.06	1784
Meadowbrook Insur. Group	NYS	12.38	0.00	-24.14	28.75	11.06	104
MMI Cos. Inc.	NYS	13.63	-9.92	-18.35	19.06	13.63	100
Mutual Risk Mgmt. Ltd.	NYS	28.38	9.13	-25.21	43.25	25.38	1148
Navigators Group	NDQ	15.25	-4.69	0.00	18.25	13.25	11
NYMagic Inc.	NYS	13.75	-5.17	-34.13	26.63	12.00	27
Ohio Casualty Corp.	NDQ	17.00	3.03	-17.33	21.69	15.81	711
Old Republic Int'l	NYS	15.94	-1.92	-25.66	25.56	15.94	2020
Orion Capital Corp.	NYS	47.63	0.13	21.53	47.88	27.56	1099
Partner Re Ltd.	NYS	35.56	-0.35	-21.30	46.88	33.63	141
Penn-America Group Inc.	NYS	9.81	-3.09	6.08	12.88	8.13	5
PMA Capital Corporation	NDQ	20.38	-0.61	4.15	21.13	16.63	247
Philadelphia Cons. Holding	NDQ	20.38	-1.21	-4.12	25.50	18.63	410
PXRE Corp.	NYS	14.50	-0.43	-42.57	29.88	13.94	54
Reliance Group Holdings	NYS	5.13	6.49	-60.39	16.19	4.50	3454
ReliaStar Financial Corp.	NYS	45.19	6.01	0.98	49.81	29.00	1567
RenaissanceRe Holdings Ltd.	NYS	36.44	-1.02	0.87	47.31	30.00	318
Risk Capital Holdings	NDQ	14.94	4.60	-29.29	25.00	12.00	47
RLI Corp.	NYS	36.50	-1.18	9.36	40.25	27.88	32
St. Paul Companies	NYS	31.44	-1.57	-10.18	37.50	28.06	2631
SCOR	NYS	47.25	0.93	-27.31	68.50	45.88	24
SAFECO Corp.	NDQ	35.69	-0.52	-16.03	47.50	35.13	2240

		Price	Weekly % change	Year to date %change	Year to date High	Low	Vol.(000)
SCPIE Holdings Inc.	NYS	29.69	0.21	-1.25	33.00	23.69	NA
Seibels Bruce Group	NDQ	4.13	-2.94	17.86	6.25	2.69	9
Selective Ins. Group	NDQ	18.69	3.10	-7.72	23.00	16.69	267
Terra Nova Ins Co. Ltd.	NYS	25.94	-5.03	6.41	30.13	21.25	147
Tokio Marine & Fire	NDQ	57.25	0.66	-2.76	62.88	39.00	46
Torchmark Corp.	NYS	32.38	-0.77	-6.83	45.50	30.69	1072
Transatlantic Holdings	NYS	74.19	0.42	-1.90	94.50	72.50	92
Travelers Property Casualty	NYS	36.88	-1.50	20.41	41.88	24.13	1089
Trenwick Group Inc.	NDQ	21.00	-5.62	-33.60	35.50	19.25	198
Unico American Corp.	NDQ	9.63	-5.52	-16.53	14.13	8.63	101
United Fire & Casualty	NDQ	24.50	-2.97	-26.38	38.50	22.25	20
Unitrin	NDQ	35.50	-3.97	0.18	42.38	27.88	598
UNUM Corp.	NYS	37.31	-5.54	-37.75	62.50	33.50	5662
Vesta Insurance Co.	NYS	5.06	-4.71	-11.96	15.88	3.38	297
XL Capital Ltd.	NYS	53.63	6.45	-25.07	79.88	49.25	1162
Zenith National Ins.	NYS	22.25	-3.26	-3.78	26.69	20.31	48
INSURERS/REINSURERS	AVERAGE		-0.33	-10.20			
HEALTH MAINTENANCE ORGANIZATIONS							
Foundation Health Systems Inc.	NYS	14.75	-3.28	34.09	20.06	5.88	1865
Humana Inc.	NYS	9.56	-5.56	-49.50	22.13	9.44	5030
Oxford Health Plans	NDQ	16.25	-1.52	16.07	24.25	5.81	2342
Pacificare Health Sys.	NDQ	68.75	1.48	-3.85	100.38	55.63	2011
Safeguard Health Enter.	NDQ	3.88	-6.06	8.77	6.13	2.34	19
Sierra Health Services	NYS	10.88	-13.86	-47.90	24.94	10.44	236
United HealthGroup	NYS	62.94	1.72	41.23	70.00	29.56	4487
Wellpoint Health Networks	NYS	80.88	-1.67	-5.82	97.00	50.50	975
HMOs	AVERAGE		-3.59	-0.86			
ALL COMPANIES	AVERAGE		-0.63	3.78			

Top advancing issues: AXA-UAP Group, ING Groep N.V., Mutual Risk Mgmt. Ltd. Leading decliners: HCC Insurance Holdings, Sierra Health Services, Centris Group Inc. Most active issue: Citigroup. The *BI* index rose 3.6%; the Dow Jones 30 Industrials rose 2.4%; the S&P 500 was up 2.1%, and the NYSE Composite increased by 1.7%. Average P/E: Brokers, 18.8; Insurers/reinsurers, 18.7; HMOs, 16.1.

Source: *Nordby International Inc.* (nordby.com), Boulder, CO