

# Business Insurance

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

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## The Home, NCCI give ground to settle residual market tab

NEW YORK—A settlement last week between The Home Insurance Co. and the National Council on Compensation Insurance over residual workers compensation payments will result in the NCCI getting much less than it expected but also in The Home paying more than it previously offered.

Last week, The Home announced a deal with the NCCI, its biggest creditor, that will save the defunct insurer nearly \$100 million.

The Home will pay \$60 million to settle with the NCCI, which is more than the  
*See Updates on next page*

## UPS seeks to deliver own pension package

By JERRY GEISEL

ATLANTA—Why would an employer be willing to pay hundreds of millions of dollars to withdraw from underfunded multiemployer pension plans and then incur the expense of setting up its own pension plan?

That is the question benefit managers and others have been asking since United Parcel Service of America Inc.'s demand to withdraw from its union-sponsored multiemployer plans—at a price tag to the shipping company of \$700 million in withdrawal liability payments—helped spur a strike by its 185,000-Teamster-repre-

sented employees.

The answer is one of benefit equity, say UPS benefit officials.

"UPS dollars should go to pay benefits of UPS employees," said Lea Soupata, senior vp of human resources at Atlanta-based UPS.

UPS itself said earlier this month that its \$1 billion in annual contributions to the Teamster plans are being used in part to subsidize benefits of retirees who never worked for UPS. That is a reference to the situation—not an uncommon one in the delivery business—when other employers in Teamsters multiemployer plans have gone broke and the remaining employ-

ers have had to pick up the benefit obligations of retirees and employees of bankrupt companies.

Late last week, though, UPS hinted it might drop its demand to withdraw from the multiemployer plans, several of which would take a big hit to their contribution base if UPS pulled out.

While benefit and legal experts accept UPS' explanation of why the delivery giant wants to withdraw from the multiemployer plans, they also say the explanation is only a partial answer.

Money is what is driving UPS to try to get out of its multiemployer plans  
*See UPS on page 39*

## Swiss giants plan to merge

But some analysts skeptical of bank/insurer partnership

By MARIA KIELMAS

### Banking on partnership advantages

Winterthur Insurance Co. and Credit Suisse Group say the proposed merger would expand their product offerings.

	Total assets*	Combined
Winterthur	\$72.09 billion	\$463.93 billion
Credit Suisse	\$391.84 billion	
Total liabilities		Combined
Winterthur	\$67.26 billion	\$447 billion
Credit Suisse	\$379.66 billion	
Estimated 1997 net profits		Combined
Winterthur	\$408.6 million	\$1.99 billion
Credit Suisse	\$1.58 billion	
Shareholders equity		Combined
Winterthur	\$4.75 billion	\$17 billion
Credit Suisse	\$12.18 billion	

\* Assets, liabilities and equity are as of Dec. 31, 1996  
Source: Credit Suisse Group and Winterthur Insurance Co.

GRAPHIC BY ADAM DOI

WINTERTHUR, Switzerland—Multinational corporations seeking one-stop shopping to meet their insurance and financial needs will have expanded options if the \$9.5 billion merger of two Swiss financial giants, Winterthur Insurance Co. and Credit Suisse Group, is approved by shareholders and regulators.

Commercial clients might see new alternative risk transfer programs and further development of employee benefits products as a result of this insurance-banking union. That potential is part of a larger strategic wish list that directors of the two companies introduced to a generally skeptical media and stock market in Europe.

Some analysts, in fact, speculate that the merger may never get off the ground.

"I don't think it will be easy to get a two-thirds majority of the shareholders after the stock price fell 10%. This re-  
*See Winterthur on page 41*

## RIMS to broaden 'classroom'

Geffen hired to explore Internet, other education alternatives

By MICHAEL PRINCE

Got a few minutes? Why not attend class?

Within a year, it could be that easy for risk managers to take part in continuing education programs sponsored by the Risk & Insurance Management Society Inc.

That's the goal of RIMS' new director of professional development, Amy Geffen.

Ms. Geffen took over the vacant position for the New York-based organization earlier this month and plans on

using technology to make it easier for risk managers to attend classes whenever they want.



Ms. Geffen

Although she is familiar with insurance by virtue of a previous job as a vp at The College of Insurance in New York from 1986 to 1990, Ms. Geffen is an expert at bringing

continuing education into the cyber age.

Under her guidance as an assistant dean at Westchester Community College in Valhalla, N.Y., for the past four years, Ms. Geffen developed the school's distance learning project. Distance learning involves education in which student and teacher communicate from different locations, such as by computer.

Before that, Ms. Geffen was the national director of training for the National Multiple Sclerosis Society from  
*See Geffen on page 36*

## Sprinkler heads under fire

Company reserves \$4 million to douse safety fears

By ROBERTO CENICEROS

LANSDALE, Pa.—By the time newspapers and television stations nationwide reported problems with Omega fire sprinklers last week, Central Sprinkler Corp. already had spent the last 18 months spreading the word itself in an attempt to limit potential liability damages.

Some of the Lansdale, Pa.-based manufacturer's sprinkler heads, which have been installed in buildings nationwide, have failed to operate during tests and actual fires.

But Central has improved its Omega model. It also sent letters to insurers, fire safety officials and sprinkler installation contractors and their associations advising that anyone with concerns about installed Omega sprinklers can obtain a kit from the company. The kit can be used to ship sample sprinkler heads either to Central or to Underwriters Laboratories for testing to ensure they work properly. Central Sprinkler reserved \$4 million for the program, a company spokesman said.

That strategy could help Central dampen potential liability should plaintiffs attorneys prove a cause of action related to the sprinkler heads' failure to operate, product liability attorneys and the company spokesman said.

"Not that we are totally driven by that," the Central spokesman said. "We are a company that is driven by safety. But by notifying and offering to test for free, and by working with the contractors at no cost or little cost we have been able to limit our liabilities."

Central and several of the fire sprinklers it manufactures are highly praised by loss-prevention experts. But building engineers, fire officials, property insurers and some risk managers have known for some time about potential problems with Omega sprinklers manufactured before June 1996.

Despite the company's efforts to get the word out,  
*See Sprinklers on page 38*



PHOTO: AFP

Central Sprinkler improved its sprinkler head design, far right, after two older types, on left, failed safety tests.

Spotlight on:

# Property Loss Control

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**Updates**

**The Home settles with NCCI**

*Continued from previous page*

\$40 million it offered to pay earlier this year but considerably less than the payment in full the NCCI demanded in May.

The NCCI also could receive an additional \$70 million from The Home's reinsurer, Centre Reinsurance Dublin, but not for more than 40 years and only if The Home runs out of assets to pay claims.

The negotiations between the NCCI and The Home began last year, when The Home offered to settle its obligation to the NCCI residual market workers compensation pool for about \$72.9 million—or about half the discounted value of its total obligation. The NCCI turned down that offer but said it would consider accepting \$130 million. Then, in March, The Home lowered its offer to \$40 million after the publication of its financial results revealed worse-than-expected losses and that the insurer was nearly \$552 million short of its risk-based capital requirements (BI, April 28).

In May, the NCCI wrote to The Home, demanding the total payment of its obligation to the pool (BI, May 12).

Later that month, the NCCI filed suit in New York seeking the payment. Negotiations then began between the insurer and the NCCI that resulted in last week's settlement.

The settlement should push The Home's statutory surplus back over \$100 million, said David Nichols, the examiner appointed by the New Hampshire Insurance Department to oversee the runoff of The Home. At the end of the first quarter, The Home's surplus had fallen to \$30 million, and the accounts included a provision for a larger payment to the NCCI than that to which the sides finally agreed.

The settlement was in the best interests of The Home and the NCCI as it will help keep The Home solvent, Mr. Nichols said. If The Home's surplus had dropped below zero, it would have been taken into receivership, and the NCCI likely would have received nothing, he said.

The settlement probably was the best the NCCI could hope for, but it highlights the problem of liability restructuring, said Peter A. Lefkin, vp government and industry affairs at Fireman's Fund Insurance Co. in Washington, which holds a seat on the NCCI board.

**Hudson uninsured for recall**

ROGERS, Ark.—Hudson Foods Co. does not have product recall insurance to cover the costs of its voluntary recall last week of 40,000 pounds of frozen ground beef patties it fears may be contaminated with a deadly strain of E. coli bacteria.

But late Friday, the U.S. Department of Agriculture expanded the hamburger recall to 1.2 million pounds because of new evidence of possible contamination with the deadly bacteria.

Twenty thousand pounds of the Hudson meat went to supermarkets in 33 states; the other 20,000 pounds were shipped to fast food restaurants, a spokesman from the Department of Agriculture said Friday.

Hudson Foods does not carry product recall insurance, said Kent Doss, director of risk management and human resources. A unit of Old Republic General Insurance Group is its general liability insurer.

At the end of last week, Hudson foods had "no basis to file a claim" under its liability policy, Mr. Doss said.

Most of the initial recall centered in Colorado, said David Siemens, Hudson's director of investor relations, where bacteria was first found in the burgers.

The frozen hamburgers came from one plant in Columbus, Neb., and were produced in three days at the beginning of June, the company said. Officials at Rogers, Ark.-based Hudson, which had \$1.4 billion in sales in 1996, mostly from its chicken, turkey and beef products, said the financial loss from the recall is negligible, though last week they did not know the amount.

Last month, a worker in a Denver supermarket suspected Hudson Foods' frozen hamburgers had made him ill, said Dr. Richard Hoffman, chief epidemiologist for the State of Colorado.

Neither Dr. Hoffman nor Mr. Doss of Hudson Foods could explain how the E. coli H7 bacteria, which lives in cows' intestines, got mixed into the hamburger.

Burger King Corp. of Miami announced last week it would participate in the recall. More than 1,200 hundred of its restaurants had received frozen hamburger patties from the same plant, a spokeswoman for Burger King said. However, Burger King bought meat produced on a separate line from that of the patties found with E. coli.

**Flood toll estimate rises**

FORT COLLINS, Colo.—Flood waters caused significantly more damage than first thought at Colorado State University, and preliminary estimates indicate repairs may cost as much as \$135 million.

A spokesman for the university in Fort Collins said the extent of damage from last month's storm that caused Spring Creek to flood its banks is becoming clearer as cleanup progresses. Current estimates put property damage at \$100 million to \$135 million, he said.

The university is sorting out who among private insurers and a state self-insurance fund will pay damages, the spokesman said.

The state has \$25 million in flood coverage with a \$5 million primary layer written by National Union Fire Insurance Co. of Pittsburgh, Pa., and excess layers totaling \$20 million written by Reliance Insurance Co. and Fireman's Fund Insurance Co. (BI, Aug. 4).

Damage to the school accounted for most of the commercial property damage in the area, while the flooding also soaked hundreds of cars

*See Updates on page 42*

**Errors & omissions**

• Due to a production error, a chart in the Aug. 11 issue incorrectly listed the first-quarter 1997 results of the large, publicly held brokers, instead of first-half results. The correct chart appears on page 42.

**Court rejects class in Liggett lawsuit**

By MICHAEL BRADFORD

CHARLESTON, W.Va.—Liggett Group Inc., in a failed bid to shield itself from future claims by smokers, is the first defendant to feel the fallout from a recent Supreme Court decision denying a class-action settlement of asbestos claims.

A ruling earlier this month by Chief Judge Charles H. Haden II in U.S. District Court in Charleston, W.Va., is the first to rely on the high court's ruling in *Amchem Products Inc. et al. vs. Windsor et al.* His decision vacated preliminary approval of a class-action settlement that would have shielded Liggett Group from future smokers' claims.

Liggett said the ruling will have no effect on the agreement it reached earlier this year to settle claims with 25 state attorneys general (BI, March 24). That agreement is to reimburse the states for the cost of treating smoking-related illnesses. Liggett's settlement is separate from the proposed \$360 billion settlement reached by other cigarette makers with state attorneys general.

The West Virginia case is Liggett's second attempt to reach a nationwide settlement of smokers' personal injury claims and protect itself from future litigation. An Alabama state court earlier this year granted preliminary approval to such a deal, but the court

*See Liggett on page 43*

**CSR wins day in court**

Aussie judge allows U.S. antitrust action against insurers

By JOANNE WOJCIK

NEWARK, N.J.—An Australian policyholder has successfully wrested its coverage case from its home courts by alleging its insurers—most of which also are foreign companies—violated U.S. antitrust law.

However, the recent Australian High Court decision permitting Sydney, Australia-based CSR Ltd. to pursue its coverage claims in the United States is unlikely to spark an international forum-shopping trend, legal experts say.

While jurisdictional disputes

occasionally arise in coverage cases involving multinational companies, the portion of the insurance contract pertaining to U.S. risks usually includes a provision saying disputes involving those risks be litigated in the United States.

"It's called a service of suit clause," explained Robert Schiff, a coverage expert with the San Francisco-based law firm of Fisher & Hurst.

What's rarer in this case is the assertion of federal antitrust law violations in a lawsuit alleging breach of contract by an insurer, he said.

"The antitrust allegations make it an unusual insurance coverage case. In most cases, policyholders can't allege antitrust violations under federal law because McCarran-Ferguson gives the states responsibility for regulating insurance companies," Mr. Schiff said. "But in this case, they alleged a boycott by CIGNA and London," among others. Insurers that engage in such conduct lose their immunity from antitrust liability under the McCarran-Ferguson Act.

"I think you are not likely to see  
*See Antitrust on page 37*

**Comp option made easier**

Tax law encourages settlements

By MEG FLETCHER

WASHINGTON—Self-insured and insured employers both will be able to benefit from a change in federal tax law that encourages use of structured settlements to resolve workers' job-related accident and illness claims.

However, state workers compensation administrators and labor spokesmen expressed a few concerns about the effect of the change on state-based workers compensation systems.

The new provision, included in the federal tax bill President Clinton signed earlier this month, amends the Internal Revenue Code to make it more tax-favorable for an employer to use structured settlements to resolve workers comp claims filed after Aug. 5 this year.

The provision, which began as a separate bill introduced in May, will allow employers—or their insurers—to assign a structured settlement to a financial institution rather than maintaining ownership of it on behalf of the worker as they often did under the old tax law.

Under a structured settlement, the employer purchases an annuity to cover what has been determined

*See Settlement on page 39*

**Baxter studies work/family concerns**

By SALLY ROBERTS

Employee conflicts arising from balancing work and family life extend well beyond the traditional need for child and elder care assistance, according to a study recently published by Baxter Healthcare Corp.

The Deerfield, Ill.-based medical device manufacturer surveyed more than 1,000 of its employees over an 18-month period ending in 1996 to evaluate its current work/life benefit programs and to better understand its employees' work/life needs.

It now is publishing the results of its research and offering advice to other corporations that seek to help employees balance work/life conflicts.

Overall, "employees view work and life as much more broad-based" and these issues affect "virtually everybody" in a corporation, said Alice Campbell, Baxter's director of work/life initiatives and one of the authors of the report.

*See Work/life on page 42*

**Inside**

• Both sides in the UPS strike are using incorrect information to portray the pension issue, this week's editorial says. **PAGE 8**

• Mexico moves to private pensions amid criticism of restrictions and managers' commissions. **PAGE 33**

• Two health plans are withdrawing from a state purchasing alliance in Kentucky. **PAGE 42**

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# Property loss control

## 'Just-in-time' approach exacerbates risk of contingent business interruption

By RODD ZOLKOS

**G**reater efficiencies and economic advantages are the obvious upsides of the "just-in-time" inventory practices that are all the rage with manufacturers.

Countering that upside, though, is a potentially dramatic downside in the greatly expanded range of contingent business interruption exposures the just-in-time practices bring.

For the risk manager of an operation relying on a just-in-time approach, that means the job of identifying, mitigating and transferring those business interruption risks doesn't end at the plant gate. It can reach far down the line of suppliers and suppliers' suppliers, and potentially far up

the line of customers and even those customers' customers, as well.

Events such as the recent disruption of shipping service at United Parcel Services of America Inc. stemming from the International Brotherhood of Teamsters' strike, or periodic reports of job actions by workers at plants manufacturing automobile components—which days later cause the shutdown of automobile manufacturing facilities—highlight the need for closely managing just-in-time exposures.

"It definitely makes the possibility of a contingent BI loss far more immediate than ever before," said Julian Stroud, vp-inter-rational property at Reliance National Insurance Co. in New York. "And it puts more pressure on good risk management practices all the way down the line."

"When it's a just-in-time type process,

you're looking at a more immediate possibility of a loss. There's no back-up stock or anything. Things stop fairly immediately," Mr. Stroud said.

"There have to be good contingency plans. Losses happen a lot more quickly when it's just-in-time."

"What they had better do is find out who all their vendors are, what components they get from them and what product lines are impacted by those components," said Robert B. Edgar, vp at Chubb & Son Inc. in Warren N.J. "Get a listing of everything they get from outsiders."

By itself, "insurance isn't going to do the job," Mr. Edgar said. "I've got to have a plan to stay in the marketplace, and business is just waking up to that."

A business-impact analysis is often the

See *Just-in-time* on page 6



PHOTO: AFP

The strike at United Parcel Service of America Inc. has forced some businesses to tap contingency plans to get components and supplies they need to operate.

## '47 Monsanto disaster illustrates change in claims handling

By HOLLY SIMPSON

**W**illiam Rooney recalls how the anchor of a French freighter ended up 6 miles away from Galveston Bay in Texas, where the ship was in port.

He also remembers when a high school gymnasium in the town of Texas City, Texas, was converted into a morgue for hundreds of dead.

Mr. Rooney, now 79, remembers many events like these, having written the insurance claim for what was the worst industrial disaster of its time—and one that today ranks seventh among the 20 deadliest fires and explosions in U.S. history.

April 16, 1997, marked the 50th anniversary of the Texas City disaster, which occurred when the S.S. Grandcamp exploded at a Monsanto Chemical Co. pier.

The blast's impact blew two small planes out of the sky, shattered windows up to 25 miles away, and killed 576 people in Texas City, whose population at the time was about 16,000. The city now has about 41,000 residents.

The Grandcamp, with its 2,300-ton cargo of ammonium nitrate fertilizer, was ignited by what investigators determined to be a discarded cigarette. The ship was destroyed, and the resulting

fire set off a series of subsequent explosions and fires that burned for a week.

Ammonium nitrate is the same substance used in the 1995 Oklahoma City bombing.

A second freighter, also docked at a Monsanto pier and holding 961 tons of ammonium nitrate, exploded early the next morning as efforts were in progress to tow the burning ship away from the fires on land.

The Monsanto plant alone suffered \$22 million in damage, and \$19.6 million of that loss was recovered from its insurers, Mr. Rooney said.

Edgar Queeny, Monsanto's chairman at the time, "directly credited the insurance claim with getting that money," said Mr. Rooney, who has one of the few known copies of the Monsanto claim, complete with copies of the property insurance policies issued for the facility by The Home Insurance Co., now in runoff.

The Home wrote \$14 million of property coverage and \$5 million of use and occupancy coverage for the Texas City plant, while underwriters at Lloyd's wrote varying amounts of excess coverage.

The first page after the claim's cover page reads, "Monsanto Chemical Company, the greatest sufferer in the Texas City Disaster of April 16, 1947, presents to the Home Insurance Co., through the Oil Insurance Assn., and to Underwriters at Lloyd's, its claim for the largest single risk loss in the history of insurance."

In addition to the destruction of its

See *Monsanto* on page 7



PHOTOS COURTESY OF WILLIAM ROONEY  
Monsanto's Texas City, Texas, plant before and after the explosion that destroyed it 50 years ago.

## Hailstorms' pummel can cost But risk managers can prepare in advance

By MARK A. HOFMANN

**P**rotecting structures against damage from hailstorms often starts at the very top.

Roofs and various rooftop elements—such as skylights and heating, ventilation and air conditioning units—often sustain the most serious damage when hailstones strike, say loss control experts.

Adequately protecting a structure's roof from damage can save more than roofing material, though. If a roof is damaged or destroyed, the contents of a warehouse, office or other commercial structure often are also exposed to the elements.

Not only is damage done to the structure itself, but contents also can be damaged if water inundates them because of roof damage, explained Mike Burke, vp and chief engineer at Allendale Mutual Insurance Co. in Johnston, R.I. In planning for hail, risk managers are trying to devise a plan that will protect contents, he said.

While hailstorms are not considered as threatening as hurricanes, earthquakes and some other natural perils, loss control experts warn against downplaying the exposure to hailstorm losses.

Hailstorms can cause hundreds of millions of dollars of damage in a few hours.

A case in point is a May 1995 hailstorm that raked the Dallas-Fort Worth, Texas, vicinity. The violent weather, which caused \$700 million in insured property damage in Texas, came only a week after a storm packing grapefruit-sized hailstones slammed through the same area, causing about \$275 million in insured property

damage, which included damage to 78 American Airlines Inc. planes that had to be grounded for repairs (*BI*, May 15, 1995; May 8, 1995).

Five years earlier, a hailstorm struck the Denver area during rush hour and ultimately caused \$625 million in insured property damage, according to the Property Claim Services division of the American Insurance Services Group Inc.

Major hailstorms in recent years also have struck Australia, Canada, Germany and Switzerland, according to natural hazards research by Munich Reinsurance Co.

Although there are ways to minimize hail damage to nearly all exposed property, risk managers don't always take the steps they can to mitigate the peril, said Mr. Burke.

"It almost always starts the same with any of these natural hazards: For years, people have come from the base that you can't do anything about these natural events," he said. But hail usually won't constitute a "terrible attack" on property if companies properly prepare for it, he added.

And risk managers can indeed prepare for hail, because it usually doesn't strike without giving some warning, said Paul Mircik, technical manager-property loss control services for AIG Consultants Inc., a New York-based unit of American International Group Inc.

There are certain predictors, such as humidity, temperature and Doppler radar, Mr. Mircik explained. But, he added, "whether you can predict directly when it's going to occur—once again, Mother Nature does what she does."

See *Hailstorms* on next page

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Spotlight Editor:  
Mark A. Hofmann

## Spotlight report

## Hailstorms

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Unlike earthquakes and hurricanes, which often are localized events, hailstorms can strike a wide swath of the country.

"From time to time, there are situations on the the East Coast as well as the West Coast, but for the most part, it would be in the central states," said Mr. Mircik. Hail usually accompanies tornadoes and large thunderstorms and is most common in spring, summer and fall. However, he said, it can strike in winter during snowstorms, as happened in New York during the Blizzard of 1996.

Experts point out that loss control for hail damage generally starts with the roof.

"One of the greatest concerns involves the roofs of industrial buildings," said Dennis Anderson, vp and

director of engineering for Protection Mutual Insurance Co. in Park Ridge, Ill. The traditional built-up insulated steel deck roof has hail protection in the form of a gravel surface, said Mr. Anderson. But some newer designs use various membrane systems that cannot be covered with gravel, he said. Some unreinforced membrane roofs, therefore, can sustain severe damage during hailstorms, he said.

Older roofs often sustain more damage than newer ones in a hailstorm, said Steve Sachs, senior vp and manager-risk management services division of Hobbs Group, a brokerage and consulting unit of Arkwright Mutual Insurance Co. That is because over time, roofs get brittle because of prolonged exposure to extremes of heat and cold, said Mr. Sachs, who also serves as risk manager for the Rouse Co., a Columbia, Md.-based real estate development company.

About 40% of all structures Fort

Worth owns were damaged in the May 1995 hailstorm, said Sue Nagle, risk management specialist for the Texas city. The damage ranged from minor to extremely severe, requiring roof replacement for some structures, she said. In all, the storm caused \$11.5 million in damage to city property.

The total included about \$500,000 in uninsured costs to repair city-owned vehicles. Damage to buildings was covered by the city's \$100 million property insurance program underwritten by Hartford, Conn.-based Hartford Fire Insurance Co. (BI, May 15, 1995). The coverage was in excess of the city's \$100,000 self-insured retention for hail, which was increased to \$250,000 as a result of the loss.

Lexington Insurance Co. is the city's current primary insurer in a multilayer program, underwriting the first \$5 million over the city's self-insured deductible, which is \$50,000 for fire and \$250,000 for hail, said Ms.

Nagle. Westchester Fire Insurance Co. underwrites the next \$10 million layer, Fireman's Fund Insurance Co. of Ohio underwrites the next \$15 million, Travelers Indemnity Co. underwrites the \$30 million to \$100 million layer, and Allianz Insurance Co. writes stop-loss insurance to \$300 million, she said.

To mitigate damage, Fort Worth now is converting all roofs that can be converted to two-ply modified bitumen, a roofing material, said Ms. Nagle. The two-ply roof protects the structure because when it's damaged by hail, the interior of the structure doesn't sustain damage. Also, building insulation isn't damaged. Although the two-ply roofing costs about 35% to 50% more than a single-ply roofing, the city considers it cost-beneficial, she said.

Allendale's Mr. Burke noted that manufacturers have developed stronger roof covers for buildings in

the part of the country most vulnerable to hail, notably the area drained by the Mississippi River system.

For older buildings, he recommends maintaining a thin layer of gravel, which also supplies a small amount of fire resistance as a bonus.

"I can't think of a time when an approved covering had a problem," he said, referring to coverings that meet standards approved by Norwood, Mass.-based Factory Mutual Engineering & Research Corp. Dick Davis, manager-construction section at Factory Mutual Research, said the facility performs tests to classify roofing materials as being able to withstand either moderate hail or severe hail.

Roofing materials and flashing should be applied and maintained in accordance with industry standards, such as those set by the National Fire Protection Assn., said AIG Consulting's Mr. Mircik. The standards recommend coverings of gravel and slag to reduce hail damage.

Mr. Mircik also recommends regular roof inspections, preferably on a quarterly basis, to assure adequate protection.

After hail strikes, roof drainage systems should be cleared as quickly as possible, particularly if they aren't designed for heavy snow loads, said Protection Mutual's Mr. Anderson. Heavy hails can plug up drains, flooding the roof, which in turn can lead to a collapse, he explained.

Another feature of some roofs—skylights—present a unique exposure.

Skylights are a "negative" from a hail loss prevention standpoint, said Mr. Anderson. He said the best protection is simply not to have them.

AIG Consulting's Mr. Mircik suggested using protective screening to prevent damage to skylights.

Protective screening also mitigates the hail peril to HVAC units, said Mr. Burke of Allendale. Even if hail penetrates the screening, the screen slows down the stones' speed and, thus, their potential to inflict damage.

Fort Worth installs hail screens on condenser coils of HVAC units on roofs to deflect hail from damaging the units, Ms. Nagle said. This saves the city thousands of dollars because labor costs alone can run into hundreds if not thousands of dollars to replace the units, she said. The process of installing hail screens, which began 10 years ago, still is under way.

Glass is, of course, also extremely vulnerable to hail—and not only in terms of breakage, noted Mr. Sachs of the Hobbs Group. After a Rouse property sustained damage during the Fort Worth hailstorm, Mr. Sachs had windows closely examined for scratches. Scratches can weaken windows, making them more subject to subsequent damage from wind and other stresses, he said.

Corporate fleets of the automotive and aviation variety also face the prospect of hail damage. But the approaches to protecting vehicles can vary considerably.

"Our airplanes are all hangared" anytime they're not being used, said Judith Payne, risk manager for the state of South Dakota in Pierre.

Motor vehicles can be another story, though, she explained. "They're located all over the state in pools," she said. There are no buildings or means of moving them into buildings when a hailstorm strikes some locations, she said. Unless there are broken windows or damage that affects the driveability, the state doesn't repair hail damage to the bodies of its vehicles, she said.

Fort Worth's Ms. Nagle said the city sustained about \$3.5 million in damage to its automobile fleet as a result of the 1995 hailstorm. It spent about \$500,000 replacing windows and performing body work on selected vehicles, but otherwise allowed the damaged vehicles to be retired and replaced through attrition. **BI**

## There are three sides to our story of success.

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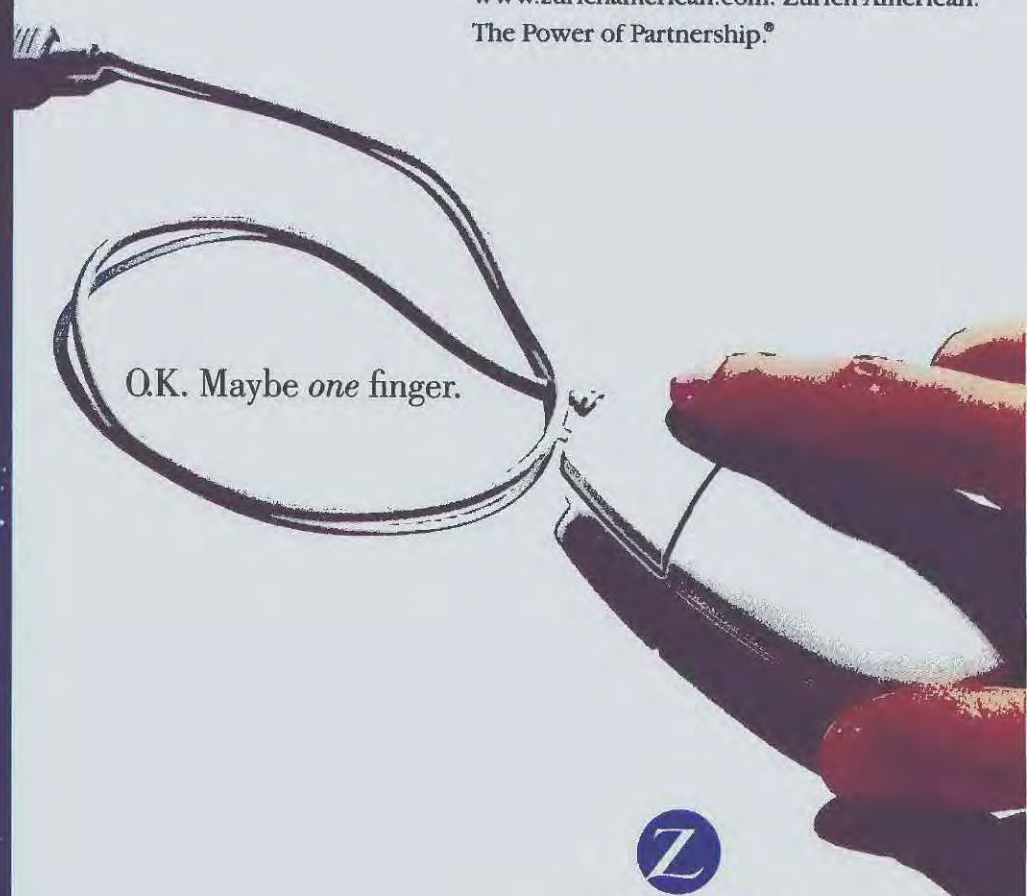
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O.K. Maybe *one* finger.



**ZURICH**

## Spotlight report

## Just-in-time

Continued from page 3  
first step in developing that continuity plan.

"The business-impact analysis is one of the early activities of a business continuity plan," said Craig Holmes, head of business continuity and planning for J&H Marsh & McLennan Inc. in Charlotte, N.C. "You have to reach an organizational consensus about the issues that face you."

During that process, the risk manager needs to ask questions throughout the organization about events that could harm the company, seeing where there is agreement and disagreement. Once a consensus is reached on those exposures, the risk manager should produce a report, then distribute it to the people who have been interviewed, asking them to refute, verify or expand on the information it contains.

"I think the challenge for the risk manager is to put themselves in the position to make a decision and get the buy-in from the organization so that they have enough information to know what is going on," he said. "I've been in situations where the risk manager didn't know how much 'just-in-time' their company had, and when they found out they were shocked."

Another important part of risk management in a just-in-time environment is to identify alternative suppliers for components or materials.

Those suppliers can be tough to find, because in today's manufacturing environment, components are often highly specialized for the needs of the particular customer, and a back-up supplier might not be able to start providing them on short notice.

Manufacturers working on government contracts, particularly those involving security clearances, might find the task even more complicated.

While noting that his company doesn't engage in just-in-time practices to the extent that an automaker might, Michael Newman, manager of property loss prevention for Johnson & Johnson Inc. in New Brunswick, N.J., said his company has taken steps to minimize inventories of raw materials as well as finished products.

Beyond that, product lines are being concentrated in plants, he said. "So what you're seeing is less and less spare capacity. Years ago, there was always more spare capacity. If something happened you could always go to another plant."

Although the magnitude of the situation varies with different product lines, "if something was to happen at one of our contact lens manufacturing operations, there's no place left to go," Mr. Newman said. "That causes worries all along the line as far as business interruption is concerned."

The response is identify exposures, he said, and take steps to reduce them. With numerous facilities in hurricane-prone areas of Florida and Puerto Rico, for example, "if you have a plant harden up, you can at least come back to a plant that's functional."

In the case of the UPS strike, J&J's efforts to put contingency plans in place well before the job action have minimized its impact on the pharmaceutical company, Mr. Newman said.

That sort of risk management also was sparing Austin, Texas-based Dell Computer Corp. any major fallout from the strike, a company spokesman said. There, a just-in-time approach has Dell bringing all of the components of its personal computer systems—joining the monitor with the computer and keyboard, for example—"on the dock or in transit."

"To suggest that the UPS strike has had no impact would be foolish," he said. "We did have alternative plans. Not necessarily anticipating a walk-out but anticipating some sort of interruption of shipments."

Dell uses "a multitude of carriers" of which UPS is "not the largest," the spokesman said, and "the alternate plan we went to was simply to take that (UPS) volume to other carriers."

While Dell has experienced some reports of delays of final shipments to customers, it has experienced "no serious interruption," he said.

When looking to reduce contingent business interruption exposures that just-in-time practices create, the risk manager should make a decision from a cost-benefit perspective, said Harry Taback, manager of loss control at J&H Marsh & McLennan in New York, weighing such options as eliminating the risk, buying insurance or changing suppliers.

"The last alternative is to buy insurance, and that (decision) is sort of the risk manager's role," Mr. Taback said. "The risk management decision is not just to buy or not buy insurance."

For example, if a manufacturing

process involves ethylene and the supplier shuts down and there is no alternate, "you have a catastrophe."

"You ultimately could lose market share," he said. "You can't buy insurance to replace market share."

"Insurance is probably your last option. There are business operational concerns," agreed Mr. Holmes. "Insurance is going to give you your money back, but it's not going to give you your business back."

Mr. Newman said that while "market share-driven" Johnson & Johnson buys business interruption coverage, "our ultimate goal is to have the customer not feel any effect" of an event that could disrupt production.

Contingent business interruption insurance is an important consideration in addressing the risks posed by a just-in-time system.

All too frequently, however, it's a consideration that's overlooked, said Tony Trivella, vp-commercial with

Hartford Steam Boiler Inspection & Insurance Co. in San Francisco. "The key mistake that some of our insureds make is often they don't consider contingent BI coverage when thinking about their commercial property insurance program or, if they do, they only purchase insurance on suppliers rather than customers," he said.

It's not enough to just look back in the process to suppliers, Mr. Trivella said. "Looking ahead also represents a contingent BI exposure."

"Even when (risk managers) do consider suppliers, often there's a need to look even farther back the chain and consider suppliers of suppliers," he said.

Another problem is many of those carrying contingent business interruption coverage fail to see the extent of their just-in-time exposures and fail to carry adequate limits, he said.

"I think most insurers are receptive to providing substantial amounts of

coverage if they get the right information," he said. "It's just that many times that information is not provided or is not available. I think there are situations where risk managers might even be fooled into thinking their exposure is less than it really is."

Another form of contingent business interruption coverage—utility service interruption—also can be key and frequently is overlooked, he said.

Although many see just-in-time as a recent trend in manufacturing, "this whole service interruption issue has been a form of just-in-time that's been around forever," Mr. Trivella said.

Many policyholders have limited service interruption coverage, however, covering only interruptions resulting from damage to their facility or within 1,000 feet of their business.

"Many of them don't buy service interruption coverage all the way back to the utility, and they should," Mr.

Continued on next page

A.M. Best Rating: A+



K

*Continued from previous page*  
Trivella said. "It's such an important exposure, but I would say the majority of commercial insureds are only partly insured for service interruption, and that is one of the things I think is most critical to protect, because that is one of the things that you have no control over."

Extra expense coverage also is important in transferring risk associated with just-in-time practices.

Chubb's Mr. Edgar noted that many times when a company can find an alternative supplier in a pinch, that supplier—being well aware of the customer's plight—might only deliver the component or material at a premium price. Contingent extra expense coverage responds in those situations.

William Krouslis, assistant vp in the business continuity services division of AIG Consultants, a unit of American International Group Inc., emphasized it's important that the company

calculate its business interruption and extra expense limits properly.

The risk manager should work closely with the company's broker to determine appropriate limits. Normally the business interruption limit should be the loss of net profits plus continuing business expenses, he said.

He said just-in-time practices force a risk manager to be aware of potential exposures lurking in the company's information systems. "From the risk manager's perspective, a just-in-time inventory system would be an information- and computer-dependent system," he said. "So they should be looking at the reliability and dependability of their information systems."

The risk manager must ensure the company's disaster recovery and business continuity plans address its information technology with an eye toward making sure a system is in place to back up the system on which the just-in-time processes rely. **B**

## Monsanto

*Continued from page 3*  
facility, the disaster claimed 227 Monsanto employees and contractors.

"The plant manager was very badly injured in the explosion, and others supporting him were killed. There was a lot of qualified manpower that was lost," Mr. Rooney, who now resides in the Chicago suburb of Wilmette, Ill., said in an interview.

To compound the difficulties, there was a nationwide telephone strike in progress, and there were no long-distance lines until the phone company set up emergency lines between Texas City and Monsanto's corporate headquarters in St. Louis.

A few days after the disaster, Mr. Queeny assigned Mr. Rooney

and a colleague, Wilbur Grosse, both based in St. Louis, to write the insurance claim for the Texas City plant. Mr. Grosse is deceased.

But Messrs. Grosse and Rooney were neither risk managers nor adjusters. Rather, they were on the company's in-house advertising staff.

"It was at the end of the war, and at that time, the federal government was renegotiating all the contracts that they had made with these people," recalled Mr. Rooney, referring to manufacturing companies that had agreed to operate on a non-profit basis to aid the U.S. war effort.

Monsanto's Texas City plant was one such manufacturing facility. It manufactured styrene, a chemical needed in the production of synthesized rubber. The war had made rubber more valuable but less available. By 1944, Mon-

santo was producing a quarter of the styrene essential to the Allied rubber supply.

The accident occurred, in fact, just days before an open house was scheduled to attract potential clients and begin the facility's post-war conversion to a for-profit enterprise.

Mr. Queeny's selection of the two advertising staffers was made in the same spirit of non-profit patriotism, explained Mr. Rooney. The Monsanto chairman thought using non-insurance personnel to write the claim would keep the process more objective.

"Edgar Queeny said this was going to be a totally honest claim," said Mr. Rooney, who noted that with some claims, "you'll get companies that ask for 10 times more than they expect they'll get. But (Mr. Queeny) wanted to have a totally honest presentation of the claim."

Monsanto did retain a man with an insurance background to serve as a consultant to the advertisers-turned-adjusters, Mr. Rooney said.

"We were now faced with the question of what was the format (of the claim) going to be? How was it going to look?" explained Mr. Rooney. "At that time, John Hersey had published the book 'Hiroshima.' It was published in its entirety in *The New Yorker*. . . I walked around reading this, and I saw in there the logic of the narrative," explains Mr. Rooney.

From this, Mr. Rooney began combining Mr. Hersey's narrative style with ideas from his own experience in World War II.

As an intelligence officer in the headquarters of the U.S. Army's XX Bomber Command, which flew B-29s, Mr. Rooney's task was to write combat mission reports. This function included drawing maps and diagramming information brought back from the combat missions, as well as extensive interpretation of aerial photographs.

"Every time the planes went out on a mission, I'd interrogate the crews, ask where the bombs were dropped, the location of the target, anti-aircraft, extent of the damage, prestrike and poststrike photographs. . . All of this was the format of a combat mission report."

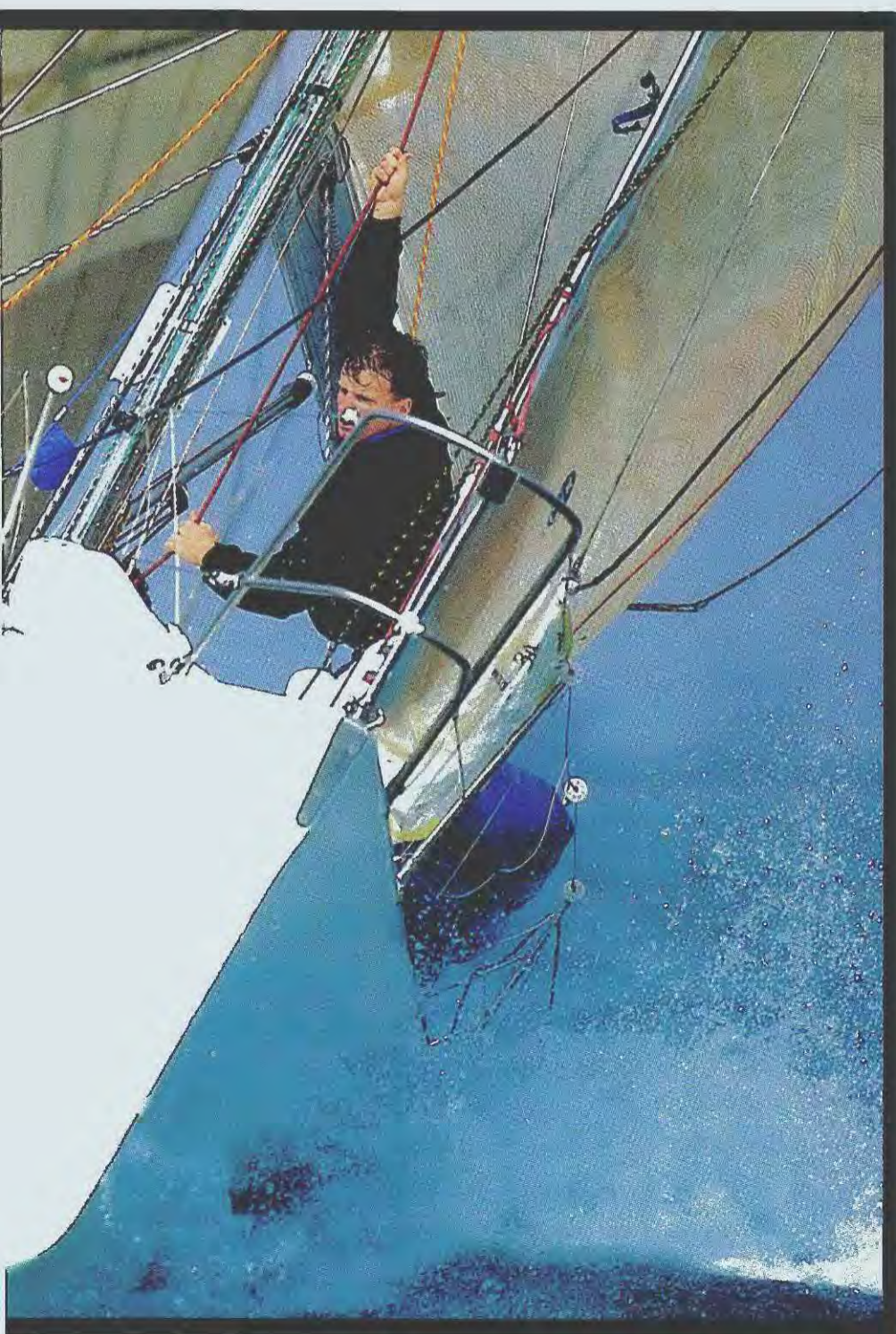
"This," says Mr. Rooney, lifting the edges of the nearly one-inch-thick Monsanto claim report, "is what a combat mission report looked like. Same color cover and everything."

The thick, yellowing pages of the 50-year-old claim are bound by a black string tied in a bow. The pages are printed on one side, filled with black and white before-and-after photography, as well as complete descriptions of the disaster itself, of the company's background and success since the plant's opening in March 1943, and of the safety features the plant had before the explosion. The claim report also includes detailed calculations of damages prepared by consultant Stone & Webster Corp. on repair and replacement costs, sales losses and property losses.

Two black-and-white aerial photographs of the plant fold out side by side at the front of the report. One on the left shows a sprawling industrial complex, with a tall cement smokestack, numerous office and production buildings, and docking areas. The one on the right shows mangled masses of steel or empty space where buildings, including the smoke stack, once stood, and

See Monsanto on page 19

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## Opinions

## Strike needs fact, not friction

REGRETTABLY—but perhaps inevitably—the Teamsters' strike against United Parcel Service of America Inc. has produced more rhetoric from both sides than reality, especially on pension issues.

The Teamsters have described UPS' proposal to create a new, single pension plan and withdraw from several dozen multiemployer pension plans—at a price of about \$700 million—as a “greedy pension grab.” A Teamsters' news release, for example, quotes one union member as saying that if there is extra pension plan money, it will be put in the pockets of UPS executives.

For its part, UPS has charged that the Teamster multiemployer plans are notorious for their bad management.

Both sides have it wrong.

If the Teamsters think company executives can pocket surplus pension funds, they are mistaken: Federal law bars removal of monies from an ongoing pension plan except to pay benefits.

Employers, to be sure, can terminate pension plans, but only after all promised benefits have been paid to participants. Any surplus that remains after that and federal and state taxes have been paid is likely to be very small.

The UPS charge of mismanagement of Teamster pension funds would be valid—had it been leveled years ago. Indeed, in the 1970s, the words “scandal-tinged” often preceded description of several Teamster pension plans. But that was a long time ago, and we don't think that tag is accurate anymore.

Amid the rhetoric, one fact in the debate is that the union workforce has changed dramatically in recent years.

The percentage of workers who are union members has dropped to less than 15% today from about 20% in 1983. That has to be alarming to organized labor, which needs new employers and new employees contributing to multiemployer pension plans to help fund the benefits of a growing pool of retirees.

In the trucking industry the changes have been particularly wrenching. Deregulation of the industry led to the bankruptcy or folding of dozens of companies with organized workforces. At the same time, deregulation gave rise to thousands of smaller trucking firms, whose workers typically have not been organized by the Teamsters.

UPS, though, is a dramatic exception within that industry. It is a rapidly growing company, adding 46,000 jobs in the past few years.

Given its situation, the shipper has taken a look at demographic trends and concluded that it makes far more economic sense—even at a cost of \$700 million in withdrawal liabilities—to have its own pension program rather than contribute to multiple plans with growing benefit costs.



While it may make sense for UPS to withdraw from the Teamster funds, its move should not be interpreted to mean multiemployer pension plans are in some sort of death spiral.

To be sure, many multiemployer plans will face greater economic pressures in the years ahead as the baby boom generation retires. But many single-employer plans—as well as Social Security—face those same pressures.

For all types of plans, those future problems can be minimized by responsible funding today to assure that pension money will be available to pay for the next generation of retirees without the need to seek massive future contributions as obligations come due.

In addition, funding problems can be alleviated if promised benefits are kept in line with what a pension plan and its sponsors can support.

Multiemployer plans have made huge progress on these fronts. Their funding has vastly improved since 1980, when Congress enacted tough legislation giving employers a powerful economic incentive—a withdrawal liability payment if they left underfunded plans—to improve plan funding.

For smaller firms, multiemployer plan participation can relieve them of the expense and bother of administering their own pension plan. And for employees—especially those in transient industries where workers hop from job to job—a multiemployer plan may be the only way they ever will earn a decent pension benefit.

Multiemployer pension plans can have their problems—as the UPS situation illustrates—but they should continue to be a vital part of the nation's pension system.

## Letters

## ELANY clarifies its role in surplus lines

To the editor: The Excess Line Assn. of New York reviewed with great interest the July 7 letters to the editor from Gary D. Westphalen, president of the National Assn. of Professional Surplus Lines Offices Ltd., and Beth Avery of

R.P. O'Brien & Co.

ELANY is a supporter of surplus lines deregulation, as well. In fact, in the recent past ELANY, in cooperation with the New York Insurance Department, has brought about the creation of an export list that eliminates the declination process for certain lines of insurance, as well as the elimination of the Part B (the insured) affidavit.

While ELANY generally appreciates and supports the comments Ms. Avery made in her letter, these clarifications are in order:

- ELANY is a not-for-profit industry advisory association that exists to encourage and facilitate compliance by New York-licensed brokers with the applicable New York laws and regulations.

- ELANY is not a branch of the Insurance Department.

- ELANY functions as a resource to licensed excess line brokers in New York who have questions regarding such things as the declination process, the eligibility of non-admitted insurers and to act as a liaison with the Insurance Department for the excess line broker members of the organization.

When questions are raised, such as those mentioned in Ms. Avery's letter, ELANY encourages its members to contact ELANY so that we can offer assistance where possible.

Daniel F. Maher Jr.  
Executive Director  
Excess Line Assn. of New York  
New York

*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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# Monsanto

Continued from page 7

debris coats the previously well-kept grounds (see photos, page 3).

Aside from Monsanto's devastation, Texas City itself was in ruins. Donations to relief funds allowed the town to rebound faster than expected, but insurers faced about 4,000 individual property loss claims, of which nearly \$4 million was recovered under fire insurance policies that had extended coverage endorsements for wind, explosion and smoke damage, said Hugh Stephens, associate dean of social sciences at the University of Houston.

"Most claims were paid under this clause people had in their insurance policies," said Mr. Stephens, whose book, "The Texas City Disaster, 1947," was published in April. "The insurance companies mounted an extensive program to handle policyholder claims, even including the National Board of Underwriters."

Those in the Gulf city who purchased the coverage endorsement did so with the threat of hurricanes in mind, said Mr. Stephens. After the disaster, though, such broad property insurance was more difficult to obtain, he said.

Claims like the comprehensive report that forms the basis for Monsanto's Texas City claim do not really exist anymore, said Tom Upman, vp, property division in the corporate claims department of CNA Insurance Cos. in Chicago. Even being printed on paper is a rarity today, and only then if they are printed from a computer file. Facts, numbers and underwriting language have replaced narratives and explanations, he said.

One aspect of the claims process that hasn't changed much in the intervening decades, though, is the reliance on photography.

"Photography plays a large role. It's always nice to have a before-the-fact (picture) of what was there and how it was configured," Mr. Upman said. He said still photography and videotaping are used extensively to help establish the scope of the damage and to put a dollar amount on the loss.

Mr. Upman said new coverages and technological advancements have changed claims handling in the 50 years since the Texas City disaster. Also, there is much more exposure in areas that previously were thinly populated.

"Before, coverages were pretty basic, and they have expanded dramatically over the past 50 years," he said. "A large percentage of us lives within a relatively close distance to coastlines. An amazing population lives in areas vulnerable to earthquakes."

Mr. Upman said his experience with Hurricane Hugo in 1989 was an eye-opener for him as well as others in insurance.

"We thought we knew where our book of business was, but we found out we really didn't," he said. "We now know better how to preplan as a hurricane is approaching."

The insurance industry has taken "lessons learned and applied them toward making improvements to their plans," said Mr. Upman. "It's amazing how much more professionally we can respond to an event now than we could 30 years ago."

Mr. Upman explained that insurance companies have traditionally dealt with catastrophes reactively, setting up temporary claim offices in affected areas after a disaster's occurrence. But insurers are now looking into better ways

to prepare for disasters.

While the Monsanto claim report lists extensively all the safety features and precautions taken when the plant was built four years earlier, neither Monsanto nor Texas City was prepared for the explosion.

Efforts to get comment from Monsanto were unsuccessful.

The long-term good that came to Texas City from the disaster was better emergency planning and a higher level of awareness among its citizens of the possibility of catastrophes.

Through a program called Com-

munity Awareness Response in Emergencies, sirens placed around Texas City sound off to alert its citizens of danger. Also formed was a mutual aid pact among local industries to assist one another in emergencies.

"The Industrial Mutual Aid System was formed in 1948, and it still exists," said Mr. Stephens, the University of Houston professor.

One aspect of claims administration that remains the same as 50 years ago is the need to place the liability for accidents on someone, even if it means going to court.

Monsanto sued the U.S. government, claiming the government was responsible for the explosion. Mr. Rooney explained this was because the ammonium nitrate fertilizer being loaded onto the Grandcamp was intended to be foreign relief to France from the United States.

"The fertilizer was coming from a U.S. munitions plant in El Dorado, Ark. It was being shipped as a foreign aid measure (after the war)," said Mr. Rooney.

According to the Mr. Stephens, a federal trial court judge found the government liable for the acci-

dent. But, he continued, the ruling was reversed by the 5th U.S. Circuit Court of Appeals, and the U.S. Supreme Court upheld the reversal.

While the U.S. courts denied Monsanto's claim, Congress passed a compensation act in 1955 that appropriated \$17 million to pay individual claims from the Texas City disaster. Most of the claims were in compensation for wrongful death, said Mr. Stephens.

Mr. Rooney hopes to donate his rare copy of the Monsanto claim to an archive society. **E**



# Business alliances plan new ways to weather storms

By BRUCE KELLY

**O**n a recent Wednesday morning in Wilmington, N.C., local risk managers and emergency management officials talked about preparing for emergencies.

Not because a tropical storm was moving up the coast. Not because

damaging winds and rains were about to blitz Wilmington, a coastal town hit by two hurricanes last year.

The meeting spelled a change in risk management for Wilmington. Proposed was the charter for the Wilmington/New Hanover Disaster Recovery Business Alliance or DRBA, a public/private partnership that promises better disaster relief by reaching a difficult goal: getting businesses running as soon as possi-

ble after a disaster.

Disaster recovery plans that involve businesses working together are becoming more popular as risk managers in more communities realize their organizations' interdependence after catastrophes.

"Planning an island of stability in an ocean of chaos does not work" as a model for catastrophe planning, said Stephen Baruch, one of the three co-founders of the DRBA, a

not-for-profit alliance based in Palo Alto, Calif.

"Contingency planners look at internal planning," Mr. Baruch said. "If there's a disaster, they ask, 'Will this building survive?'" Now, Mr. Baruch said, they need to ask, "Will the business in the building survive?"

The private sector appears to agree with Mr. Baruch's thinking. Businesses often depend on each other as well as government for vital services

during emergencies such as a hurricane.

"It's a cyclical relationship," said a spokeswoman from Carolina Power & Light Co. of Raleigh, N.C., which had 792,000 customers without power after Hurricane Fran hit Wilmington last September. "We need resources businesses offer in order to get power back on and they need power back on to provide resources."

"Businesses are not typically involved in planning," the spokeswoman said. "But they're the ones with the food and gas and housing" that make it possible for Carolina Power & Light's linesmen to respond to an emergency, she added.

With a budget of \$270,000 per year and funded by the Electric Power Research Institute also of Palo Alto, Mr. Baruch and his two co-directors crisscross the country and spread their message of comprehensive planning for disasters. Mr. Baruch works for EPRI.

Wilmington is one of five communities to respond. The others are Tulsa, Okla.; Evansville, Ind.; Memphis, Tenn.; and Westchester County, N.Y.

Mr. Baruch said most risk managers have done sound internal planning for their physical plants. What they need to think about now, he emphasized, is external planning.

"How do you get a business back on line?" echoed Will Brothers, chief-natural hazards planning for the North Carolina Division of Emergency Management, who helped plan the recent Wilmington meeting. "How do you get workers back to work if there is debris on the road?"

The variety of industries in Wilmington, Mr. Brothers pointed out, from banks to a nuclear power plant to a port that is used to ship munitions to Africa and Europe, makes Wilmington "one of the most vulnerable parts of the state," said Mr. Brothers.

Towns and municipalities across the United States are turning to comprehensive planning for emergencies.

"It seems like there has been a large number of natural and man-made disasters recently," said Dennis Kirschbaum, executive director of the Public Risk Management Assn. in Arlington, Va.

With 2,100 members including cities, towns, school and utility districts, Mr. Kirschbaum said emergency planning is a "hot topic" among municipal risk managers.

Something new has been added to plans for disaster recovery, Mr. Kirschbaum said. Responding to "terrorist-type risks is an emerging area" for municipal planners, he said. After mentioning the recent floods in North Dakota and bomb scares in Washington, Mr. Kirschbaum asked, "How is what happened in Oklahoma City different from an earthquake?" referring to the 1995 bombing of a federal building that killed almost 170.

Driving the movement for comprehensive catastrophe planning is the need to reduce the costs of disasters, said Gary Loomis, emergency operations team leader for the city of Los Angeles.

"The move nationally is toward mitigation efforts. The federal government and (Federal Emergency Management Agency) have said they can't afford recovery and reconstruction costs" from natural disasters, Mr. Loomis said.

The key to business resumption, said Mr. Loomis, is to take time to develop a plan that provides for catastrophes.

Basic points to cover, he said, See DRBA on next page

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## DRBA

*Continued from previous page*  
include storing computer records offsite; having an alternate facility if your physical plant is not habitable; and storing enough food, water and clothing to be self-sufficient for 72 hours.

Hiring a director with knowledge of key local industries and disaster recovery planning is the first step for many municipalities in comprehensive catastrophe planning.

At the recent meeting in Wilmington, Mr. Baruch announced that the state of North Carolina and North Carolina Power & Light each gave \$25,000 to kick-start the alliance. The \$50,000 would be used to hire a part-time director under his supervision, Mr. Baruch said.

The Wilmington/New Hanover DRBA plan will be completed by early 1998, according to Mr. Baruch.

"To be a DRBA, the industries have to have done an internal plan to show how vulnerable they are," said Mr. Baruch. They then do external planning, focusing particularly on their supply base, and realize how much more planning they must do, he added.

In 1995, Orange County, Calif.,

**'Clearly, having the plans in place helps mitigate losses,' says New York's Jerome Hauer.**

became the model for DRBA. Mr. Baruch said, and many companies, including a few in the Fortune 500, soon became aware of the shortcomings of their disaster plans.

Local businesses in Orange County tended to have suppliers in common, Mr. Baruch explained. "They each used the same office of the Postal Service," he said. If an earthquake destroyed the post office, how would these companies be able to do business? he asked.

DRBA still is young, and since it started in 1995, none of its five members has had to respond to a disaster, Mr. Baruch said.

Big cities also are investing in new plans and agencies to reduce the costs of business interruption. In March 1996, New York Mayor Rudolph Giuliani created the Mayor's Office of Emergency Management and hired Jerome Hauer as director. Mr. Hauer, a native New Yorker who worked in Indiana as the director of the State Emergency Management Agency from 1989 to 1996, leads an agency with 38 staff members and a \$3.1 million budget.

The agency can work as a "catalyst for coordinating the city's response to any major, multiagency incident," said Mr. Hauer last week in his downtown office. He kept one eye on the local 24-hour news channel as he spoke about the agency's comprehensive disaster plans.

Along with "hazard-specific plans" for heat waves, hurricanes and snowstorms, Mr. Hauer's agency is expected to work with businesses throughout the city. "Clearly, having the plans in place helps mitigate losses," he said.

The Mayor's Office of Emergency Management can help New York City's businesses by cutting

through red tape, Mr. Hauer said. When a fire broke out in NBC's Rockefeller Center Studios last October, the network panicked: It was set to broadcast the major league baseball playoffs and the network was down.

"We were able to work with the buildings department, the Land Marks Commission, Consolidated Edison, the fire department," Mr. Hauer said.

His staff worked with inspectors from various city agencies to obtain waivers on temporary wiring hanging outside NBC's building.

"They were able to get permits for certain things in hours," Mr. Hauer said.

Indianapolis and Boston have separate agencies to respond to emergencies, Mr. Hauer said, and Detroit and Los Angeles are planning to establish them. **BI**

# Plants turning to prevention to keep losses under control

## Strict standards paying off for chemical, petroleum industries

By MICHAEL BRADFORD

**C**hemical and petroleum plants are finding success in a new approach to extinguishing the risk of fires and explosions.

"The focus is not so much on mitigating losses, but preventing them," said Carmen D'Angelo, vp and director of the Chemical and Pharmaceutical Group of Arkwright Mutual Insurance Co.

Driven largely by the Occupational Safety and Health Administration's Process Safety Management Regulations, plants are taking more preventive measures rather than trying to control losses after a fire or explosion.

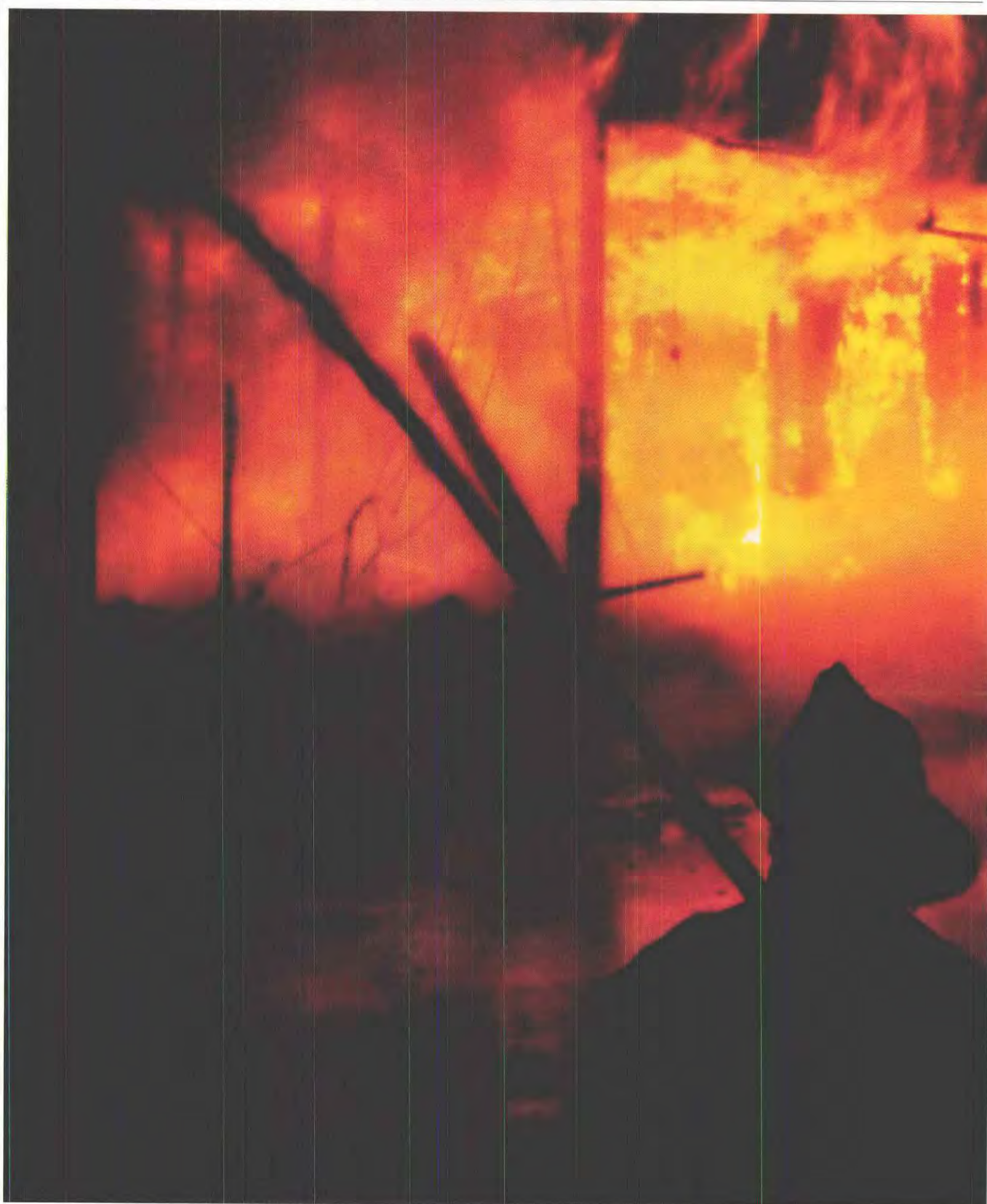
Process safety management has become the accepted method of loss control in the chemical and energy industries. Simply put, it is a way of preventing losses by implementing stringent standards of ongoing maintenance, inspections, hazard analyses and training.

Technology has helped hold down the threat as well, with improved systems available to detect and eliminate the possibility of a fire or explosion.

But insurers, engineers and oil and chemical industry risk managers agree that focusing on prevention has helped most.

The OSHA regulations "have probably had the biggest impact on loss control in the industry," said Jay J. Jablonski, program manager-chemical, oil and gas at

*Continued on next page*



Continued from previous page  
HSB Professional Loss Control in Houston.

Mr. D'Angelo said most fires and explosions result from mechanical failures, such as equipment breakdowns or pipe ruptures, that result in the release of a flammable chemical. "That's why it's important to prevent the release in the first place."

"If you don't have a release, you don't need fire protection," he emphasized.

The OSHA regulations coupled with conscientious risk management efforts have led to a decrease in fires and explosions in recent years, according to data recently released by J&H Marsh & McLennan Inc.

Information compiled by the broker in its 17th edition of Large Property Damage Losses in the Hydrocarbon-Chemical Indus-

tries, *A Thirty-Year Review*, shows 18 losses—nearly all from fires and explosions—cost \$1.48 billion from 1992 through 1996. That compares with 31 losses amounting to \$2.83 billion in the previous five-year period, from 1987 through 1991.

Process safety management procedures have helped ZEON Chemicals Inc. keep on top of preventive maintenance, according to Mark E. Bell, safety engineer at the Louisville, Ky.-based company.

"The chemical industry has done a lot of things around process safety management anyway," he noted. "It's just that the documentation wasn't there. (The OSHA-mandated procedure) forces you to do the documentation" called for in the federal regulations, he said.

The paperwork has helped turn what was largely an informal loss control review into a more struc-

tured one, Mr. Bell explained.

"It requires a lot of time by a lot of people, but we believe it's time well spent," he said.

ZEON suffered a \$1 million loss two years ago when a unit that

**"Part of the problem with insurance inspections is they focus on putting out the fire after it happened," says Henry Good.**

dries liquids into powder exploded. While OSHA regulations did not apply to the unit, Mr. Bell said the dryer had been scheduled to be checked as part of the process safety management procedure.

Chemical manufacturer Rohm &

Haas Co. also wants to eliminate rather than mitigate losses, according to Henry Good, director of insurance at the Philadelphia-based company.

"We as a company tend to spend more of the money on the preventive side than designing fire protection" systems that will be used after a fire starts, he said.

Mr. Good said Rohm & Haas had to have long talks with its insurers to convince them that their inspections needed to focus more on prevention. "Part of the problem with insurance inspections is they focus on putting the fire out after it happened."

After several discussions, Rohm & Haas told property insurers they were not allowed back until it was clear inspections were focusing on more than just the interest of the underwriters and reviewing the preventive aspects important to the company.

As a result, a new inspection system designed to focus more on preventing fires and explosions is being developed by the company and its insurers and will be in place sometime during the fourth quarter of this year, Mr. Good said.

An advantage to the documentation-intensive preventive maintenance approach is that it gives risk managers an idea of when during its lifespan a piece of equipment is likely to fail, said Kenneth Mosig, vp and chief engineer with the AIU Energy Division of American International Group Inc.

That's important to petrochemical companies and refineries that can't spend thousands of man-hours constantly checking equipment and miles of pipe, he pointed out.

Mr. Mosig explained that historical records of equipment performance may reveal that the machinery can reliably function to a certain number of months beyond a manufacturer's recommendation for maintenance. "It may show that you only need to look at it one time a year," instead of every six months, he said.

There may be instances where equipment fails ahead of the manufacturer's projection, Mr. Mosig said, "but most of the time the idea is to spread out the inspections. . . . Ideally, you would like to install a pump and not have to worry about it for a long time."

New technology also is playing a role in reducing the threat of fires and explosions.

"There is much better process control with computer technology" than 10 years ago, explained Mark Tschiegg, vp and managing director of field services at Industrial Risk Insurers in Hartford, Conn.

Computers in place in plants today can quickly detect a potential release of vapors, for example, and shut down systems so an accident does not occur, Mr. Tschiegg noted.

Also, new equipment is available to douse flames if they do erupt.

Mr. Jablonski of HSB Professional Loss Control pointed out that new water mist systems are replacing Halon systems since that chemical is no longer manufactured.

"They've been around, mainly in Europe," he said of the mist systems, and have arrived in U.S. plants in the past few years.

Infrared systems also are becoming widely available to detect gas releases, Mr. Jablonski said, and manufacturers are consistently upgrading equipment such as sprinkler systems to make them more responsive.

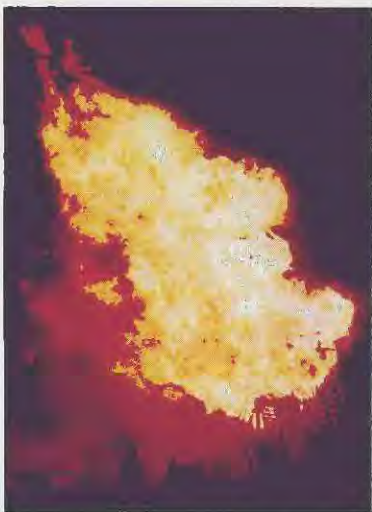
Recently, some of the business practices that have helped to save you money can actually put you at risk. For example, outsourcing can lead you to vendors that may not be integrated into your management program. Consolidation can result in inefficiency, and for those utilizing just-in-time inventory, there's no inventory if your manufacturing plant shuts down. And where do you store your product? Off the shelves.

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AP/WIDE WORLD PHOTOS

Preventive measures are helping to reduce the risk of explosions like this one in Texas last year.





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## Plan helps bank survive fire

By HOLLY SIMPSON

**A** contingency plan and quick action helped a Connecticut bank branch reopen a week after a fire destroyed its building.

"The specific request (from corporate executives) was let's not skip a beat in terms of customer service," said Dorothea Brennan, risk manager

and senior vp of Bridgeport, Conn.-based People's Bank. "We will have this done by the end of the week."

With the help of its property insurer and employees of its Bethel branch, People's Bank did just that.

On a Friday night in August 1996, an electrical fire caused by a severe thunderstorm burned everything in the bank, leaving only the building's structure, which was located in a strip mall. By the next Saturday, eight days

later, a bank—albeit temporary—complete with a safe, a teller counter, security cameras, fire alarms, computer systems, an automated teller machine and even a handicapped-accessible restroom, was in operation.

The process of restoring operations cranked into gear quickly. Ms. Brennan had numbers to reach all necessary employees, the insurer and other service providers over the weekend. Branch staff met the day after the fire to decide how to proceed.

On Sunday, the manager of facilities and environmental services sought out space for rent. Officials settled on a vacant former hair salon and signed a lease by Tuesday. Conversion of the hair salon began that day, bank officials said. Rather than bid out the work, bank managers chose contractors familiar with the bank to speed renovation.

The purchasing manager began ordering replacements for lost supplies Monday morning. By Friday morning, more than 1,000 items were in place.

"We do contingency planning, and we work with our vendors to be prepared in a case such as his," Ms. Brennan said. "We were at the site as soon as it was released by the fire marshal at 9 a.m. Monday." Because of the Labor Day weekend, however, the bank reopened Tuesday, Sept. 2.

"Until the place across the street was ready, we had picnic tables set up right outside the bank," said Judi Ogrinc, branch manager of the Bethel bank. Bank tellers braved the late August heat, with armed guards available "around the clock," until the exposed safe deposit boxes, which were not damaged in the fire, were moved to a more secure location, she said.

People's Bank's insurer, Waltham, Mass.-based Arkwright Mutual Insurance Co., covered the cost—after the deductible—of replacing equipment, furnishings and supplies, which was about \$500,000, said Laurie Fisher, a customer service executive in Arkwright's Norwalk, Conn., office.

People's Bank, which has 110 branches nationwide and assets of \$7.8 billion, has been insured by Arkwright for 10 years and had no other substantial claims before the fire.

Because the building space in the strip mall was leased to People's Bank, Arkwright was not responsible for structural damages, which were handled by the landlord's insurer, Travelers/Aetna Property Casualty Group of Hartford, Conn. The building sustained smoke and some structural damage, and the combined damages, Ms. Brennan said, were "in the moderate six figures." Travelers would not comment on the claim.

People's Bank rents the space in the mall from Steven Hoffman of Hoffman Brothers in Stamford, Conn.

While the building does not have a sprinkler system, "Arkwright looks at the entire risk of the bank," said Ms. Fisher. "The bank doesn't own all of their facilities, and we recognize that. The bulk of the properties are HPR quality."

People's Bank was in its temporary quarters until May, when renovation of the former location was completed.

"The bank is FDIC-insured," said Ms. Ogrinc. "But that has to do with customers losing money. No money, nothing in the safe deposit boxes, was ever destroyed. Everything was in fireproof vaults."

Most of the damage occurred to a room that housed the ATM. But, a thunderstorm the day before the fire had caused a power outage, so there were few transactions the rest of the day. Six ATM deposits were lost to the fire, but these were recovered because the ATM records account numbers of each transaction, the bank said. **BI**

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# Business Insurance annual directory of property loss control consultants



## AIG Consultants Inc.

99 John St., New York, N.Y. 10038; 201-402-7122; fax: 212-333-3171

### 1996 revenues

Total gross revenues	\$54,973,000
Unbundled property loss control/engineering	90%
Other	10%
Includes: workers compensation, environmental, behavioral safety, employment practices, disaster recovery, year 2000 consulting	

### Staff

Total	396
Includes: 3 ARMs, 12 ALCMs, 10 ASCES, 24 ASSEs, 37 CSPs, 12 PEs, 10 SFPEs	

**Loss control services began:** 1970.

**Parent:** American International Group Inc.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, emergency/contingency plan reviews, natural hazard evaluations, disaster recovery planning.

**Occasional services:** Publications, research, client training.

**Specialties:** Health care, construction, manufacturing/warehousing.

**Region served:** Worldw.de, primarily North America

**Branch offices:** Phoenix; Costa Mesa and Los Angeles, Calif.; Denver; Washington; Tampa, Fla.; Atlanta; Honolulu; Chicago; New Orleans; Boston; Southfield, Mich.; Parsippany, N.J.; Charlotte, N.C.; Cleveland; Portland, Ore.; Philadelphia; Dallas; Houston; Seattle; Montreal; Toronto.

**Officers:** George Toth, COO/senior vp; Harry J. Chororos, vp-client services; Ronald R. Bellows, vp-technical services.

**Contact:** Harry Chororos.

## Applied Risk Control Corp.

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

### 1996 revenues

Total gross revenues	\$735,000
Unbundled property loss control/engineering	45%

Other .....55%  
Includes: casualty risk control management consulting

### Staff

Total	12
Professionals	10
Includes: 1 ARM, 1 ASSE, 1 PE	

### Clients

Total	31
-------	----

**Loss control services began:** 1985.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, flow test reviews, sprinkler coverage determination, disaster contingency planning.

**Occasional services:** Plant security inspections, publications.

**Region served:** United States, nationwide.

**Branch offices:** Los Angeles; Atlanta; Chicago; Kansas City, Kan.

**Contact:** Harry P. Mirijanian, president.

## Architectural Risk Management

6290 Sunset Blvd., Suite 811, Los Angeles, Calif. 90028; 213-468-9900; fax: 213-468-9902

### 1996 revenues

Total gross revenues	\$325,000
Unbundled property loss control/engineering	100%

### Staff

Total	4
Professionals	3
Includes: 1 ASSE, 1 PE	

### Clients

Total	22
-------	----

**Loss control services began:** 1989.

**Frequent services:** Hazard identification, building plan reviews, research, waterproofing, crack isolation.

**Specialties:** Real estate, architecture.

**Region served:** United States, nationwide.

**Contact:** Robert G. Miller, president.

## Axia Services Inc.

101 Park Ave., New York, N.Y. 10178-0095; 212-297-6914; fax: 212-986-6815

### 1996 revenues

Total gross revenues	\$3,200,000
----------------------	-------------

Unbundled property loss control/engineering .....100%

### Staff

Total	30
Professionals	11
Includes: 1 ARM, 2 ALCMs, 8 ASSEs, 4 CSPs, 1 PE, 6 SFPEs	

### Clients

Total	65
-------	----

**Loss control services began:** 1986.

**Parent:** Tokio Marine & Fire Insurance Co. Ltd.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews.

**Occasional services:** Plant security inspections; research; client training; design, installation and HPR qualification of fire prevention systems.

**Specialties:** Manufacturing, warehousing.

**Region served:** United States, nationwide; Brazil; France; Mexico; Netherlands.

**Branch offices:** Los Angeles, Atlanta, Chicago, New York.

**Officers:** Shinichi Asami, chairman; Ramon Padron Jr., president; Fumiaki Nameakawa, treasurer; Jesse Kiefer, executive vp; Nicholas Galakis, senior vp-Eastern region loss control.

**Contact:** Charles Trudeau, vp-operations, 212-297-6920.



## Biehl Engineering Inc.

N66W12659 Ravine Drive, Menomonee Falls, Wis. 53051-5260; 414-251-8251; fax: 414-251-8251

### 1996 revenues

Total gross revenues	\$250,000
Unbundled property loss control/engineering	50%
Other	50%
Includes: building design	

### Staff

Total	4
Professionals	2
Includes: 2 ASCEs, 2 ASSEs, 2 CSPs, 2 PEs	

### Clients

Total	20
-------	----

**Loss control services began:** 1960.

**Frequent services:** Hazard identification, building plan reviews, technical investigation of losses.

**Occasional services:** Onsite plant loss prevention inspections, fire prevention inspections, client training.

**Region served:** United States, nationwide.

**Officers:** Steven F. Biehl, president; Francis W. Biehl, vp.

## British Safety Council

70 Chancellors Road, London W6 9RS, England; 44-181-741-1231; fax: 44-181-741-4555

### 1996 revenues

Total gross revenues	\$10,800,000
Unbundled property loss control/engineering	29%

Continued on next page

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## New criterion for inclusion

The methodology for this directory of property loss control consultants differs from that of previous directories in that, for the first time, *Business Insurance* required companies to report gross revenue figures.

In requiring gross revenues to be reported, *BI* is striving to provide readers with more comprehensive information about the companies listed.

Continued from previous page

Other	71%
Includes: training programs, membership services, publications, award schemes, safety products	
<b>Staff</b>	
Total	101
Professionals	18
<b>Clients</b>	
Total	300
<b>Loss control services began: 1957.</b>	
<b>Frequent services:</b> Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, publications, client training.	
<b>Occasional services:</b> Research.	
<b>Region served:</b> Africa, Europe, India, Indonesia, Middle East, United Kingdom.	
<b>Officers:</b> Neville Purvis, director general; Barry Mercer, financial controller.	
<b>Contact:</b> Siobhan Brown, membership services manager.	

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

<b>1996 revenues</b>	
Total gross revenues	\$750,000
Unbundled property loss control/engineering	100%
<b>Staff</b>	
Total	5
Professionals	5
Includes: 1 ASSE, 2 PEs, 2 SFPEs	

### Explanation of terms used in this directory

The 11th annual *Business Insurance* directory of property loss control consultants and engineers lists companies that provide loss control services on an unbundled basis to organizations directly utilizing the service; consultants that provide these services only in conjunction with other services, such as brokering insurance, are not listed.

Listings begin with the name, address, telephone and fax number of each company. **1996 gross revenues** are provided along with the percentage earned from unbundled property loss control consulting.

Information on **staff** members at year-end 1996 is provided, including professionals assigned to property loss control consulting and engineering services and some of their professional designations. The full names of professional designations abbreviated under staff are included below.

Next, the total number of property loss control consulting and engineering **clients** appears (if provided), 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, the specialty is noted under the **specialty** heading. Listed next is the **geographical region** served and cities and states of **branch offices** providing property loss control services. Names and titles of **principal officers** follow. For readers wanting more information on the company, a **contact** person is provided.

*BI* 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 publish complete and accurate information, *BI* is unable to verify all information received.

Here 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.

<b>Clients</b>	
Total	24
<b>Loss control services began: 1976.</b>	
<b>Frequent services:</b> Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, code consulting, sprinkler plan review.	
<b>Occasional services:</b> Publications, research, client training.	
<b>Specialties:</b> Consumer electronics, warehouses, retail outlets.	
<b>Region served:</b> United States, nationwide.	
<b>Officers:</b> Kenneth Buhler, president; Sandy Relkin, Randy Buhler, vps.	



**Cannon Cochran Management Services Inc.**  
2 E. Main St., Danville, Ill. 61832; 217-446-1089; fax: 217-443-0927

<b>1996 revenues</b>	
Total gross revenues	\$24,266,577
Unbundled property loss control/engineering	25%
Other	75%
<b>Staff</b>	
Total	304
Professionals	30
Includes: 8 ARMs, 2 ALCMs, 30 ASSEs, 3 CSPs	
<b>Clients</b>	
Total	71
<b>Loss control services began: 1978.</b>	
<b>Frequent services:</b> Onsite plant loss prevention inspections, hazard identification, publications, research, client training, industrial hygiene, ergonomics, customized program development, hazard-specific training.	
<b>Occasional services:</b> Fire prevention inspections, plant security inspections, building plan reviews.	
<b>Specialties:</b> Nursing homes, construction, governmental entities.	
<b>Region served:</b> United States, nationwide.	
<b>Branch offices:</b> Little Rock, Ark.; Margate, Fla.; Atlanta; Oak Brook, Ill.; Des	

Moines, Iowa; Metairie, La.; Brighton, Mich.; North Kansas City and St. Louis, Mo.; Las Vegas; Camp Hill, Pa.

**Officers:** Robert L. Cowgill, chairman/CEO; Gary J. Schirmer, vice chairman; Stephen W. Ferguson, president/COO; G. Bryan Thomas, executive vp/chief marketing officer; Steven F. Luebbert, executive vp.

**Contact:** Annie Mariage, 800-252-5059 ext. 200.

### Capital Asset Management L.L.C.

171 Market Square, Suite 109, Newington, Conn. 06111; 860-594-7183; fax: 860-594-7184

<b>1996 revenues</b>	
Total gross revenues	\$195,000
Unbundled property loss control/engineering	100%
<b>Staff</b>	
Total	3
Professionals	3
Includes: 2 PEs	

<b>Clients</b>	
Total	13
<b>Loss control services began: 1994.</b>	
<b>Frequent services:</b> Onsite plant loss prevention inspections, publications, client training, quantification of risks from technology, litigation and claims support, operations and maintenance cost optimization.	
<b>Occasional services:</b> Fire prevention inspections, hazard identification.	
<b>Specialties:</b> Power, pulp and paper, waste-to-energy industries.	
<b>Region served:</b> United States, nationwide; Germany; Sweden; United Kingdom.	
<b>Officers:</b> Douglas M. Rode, managing director.	

### Chubb Services Corp.

25 Independence Blvd., Warren, N.J. 07059; 908-903-7181; fax: 908-903-7187

<b>1996 revenues</b>	
Total gross revenues	\$1,330,000
Unbundled property loss control/engineering	46%

Continued on next page



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Continued from previous page

Other	54%
Includes: workers compensation	
<b>Staff</b>	
Total	8
Professionals	8
Includes: 3 ARMs, 7 ASSEs, 7 CSPs, 1 PE, 1 SFPE	

**Loss control services began:** 1991.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, client training, property conservation programs.

**Occasional services:** Plant security inspections, building plan reviews, publications, property appraisals.

**Specialties:** Electronics, biotechnology, metal workers.

**Region served:** United States, nationwide; Asia; Canada; Europe; Latin America.

**Branch offices:** Los Angeles; Atlanta; Louisville, Ky.; Westborough, Mass.; Warren, N.J.; Harrisburg, Pa.

**Officers:** Robert D. Felch, president; Patrick A. Pisano, executive vp; Sam K. Lee, Robert F. Santoro, Arthur Billington II, vps.

**Contact:** Arthur Billington, 908-903-7176.

<b>1996 revenues</b>	
Total gross revenues	\$14,000,000
Unbundled property loss control/engineering	32%
Other	68%
Includes: failure analysis, materials testing, structural engineering	
<b>Staff</b>	
Total	134
Professionals	40
Includes: 20 ASCEs, 40 PEs	

<b>Clients</b>	
Total	1,230

**Loss control services began:** 1987.  
**Parent:** Portland Cement Assn.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, building plan reviews, client training, structural review, determination of loss.

**Occasional services:** Plant security inspections, hazard identification, publications, research.

**Region served:** United States, nationwide; Argentina; Australia; Canada; Colombia; Guatemala; Hong Kong; India; Japan; Korea; Mexico; Peru; Saudi Arabia;

Spain; Sweden; West Indies.

**Branch offices:** Denver and Littleton, Colo.

**Officers:** John Fraczek, president; W. Gene Corley, vp; Marion J. Szczec, vp-finance/administration/secretary/treasurer.

**Contact:** W. Gene Corley.

**Mac Curless Co.**  
 7623 E. 26th St., Wichita  
 Kan. 67226; 316-687-5533;  
 fax: 316-687-3516

<b>1996 revenues</b>	
Total gross revenues	\$100,000
Unbundled property loss control/engineering	90%
Other	10%
Includes: building code review and consultation, design support service	

<b>Staff</b>	
Total	1
Professionals	1
Includes: 1 PE, 1 SFPE	

<b>Clients</b>	
Total	2

**Loss control services began:** 1995.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification.

**Occasional services:** Plant security inspections, building plan reviews, publications, building code and design reviews.

**Specialties:** Petrochemical, food processing, grain handling.

**Region served:** Worldwide.

**Contact:** Mac Curless.



**ECS**  
 11880 College Blvd., Suite 400,  
 Overland Park, Kan. 66210;  
 913-451-3222; fax: 913-451-3285

<b>1996 revenues</b>	
Total gross revenues	\$41,000,000
Unbundled property loss control/engineering	40%
Other	60%
Includes: premium auditing	

<b>Staff</b>	
Total	250
Includes: 3 ARMs, 31 ALCMs, 16 ASSEs, 18 CSPs	

**Loss control services began:** 1951.

**Parent:** ChoicePoint Inc.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, high-value property replacement cost valuations.

**Occasional services:** Plant security inspections, client training.

**Region served:** United States, nationwide.

**Branch offices:** Birmingham, Ala.; Phoenix; Los Angeles; San Francisco; Denver; Lauderdale Lakes and Orlando, Fla.; Atlanta; Chicago; Louisville, Ky.; New Orleans; Baltimore; Boston; Lansing, Mich.; Minneapolis; Great Falls, Mont.; Charlotte, N.C.; Albuquerque, N.M.; Yonkers, N.Y.; Columbus, Ohio; Philadelphia; Nashville and Memphis, Tenn.; Dallas; San Antonio; Richmond, Va.; Seattle; Milwaukee.

**Officers:** Scott Miller, director-marketing; Joe Cash, vp-commercial sales; Tom

Continued on next page

**CIGNA International, Risk Management Engineering Services**

195 Broadway, 10th Floor,  
 New York, N.Y. 10007;  
 212-618-5622; fax: 212-618-5624

<b>1996 revenues</b>	
Total gross revenues	\$9,500,000
Unbundled property loss control/engineering	40%
Other	60%
Includes: insurance-related services	

<b>Staff</b>	
Total	135
Professionals	105
Includes: 5 ARMs, 8 ASSEs, 4 CSPs, 10 PEs, 15 SFPEs	

**Loss control services began:** 1910.  
**Parent:** CIGNA Corp.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, computer building valuations, benchmarking programs, client-focused performance reviews, customized recommendation management programs, earthquake loss assessments.

**Occasional services:** Plant security inspections, publications, research.

**Specialties:** Multinational businesses, manufacturing, service industry.

**Region served:** Worldwide.

**Branch offices:** 38 locations worldwide.

**Officers:** Richard Wnek, vp-risk management engineering services; Mike Nolan, Mike Castellano, Ton Pruyssers, Bob Anderson, Mike Stones, directors-risk management engineering services.

**Contact:** Richard Wnek or Saira Sidqui, 212-618-5627

**CONFIRM Inc.**  
 30 Watervliet Ave.,  
 Albany, N.Y. 12206-1935;  
 518-459-0296; fax: 518-438-4042

<b>1996 revenues</b>	
Total gross revenues	\$150,000
Unbundled property loss control/engineering	100%

<b>Staff</b>	
Total	5
Professionals	1
Includes: 1 ARM, 1 ALCM, 1 ASCE, 1 CSP	

<b>Clients</b>	
Total	4

**Loss control services began:** 1990

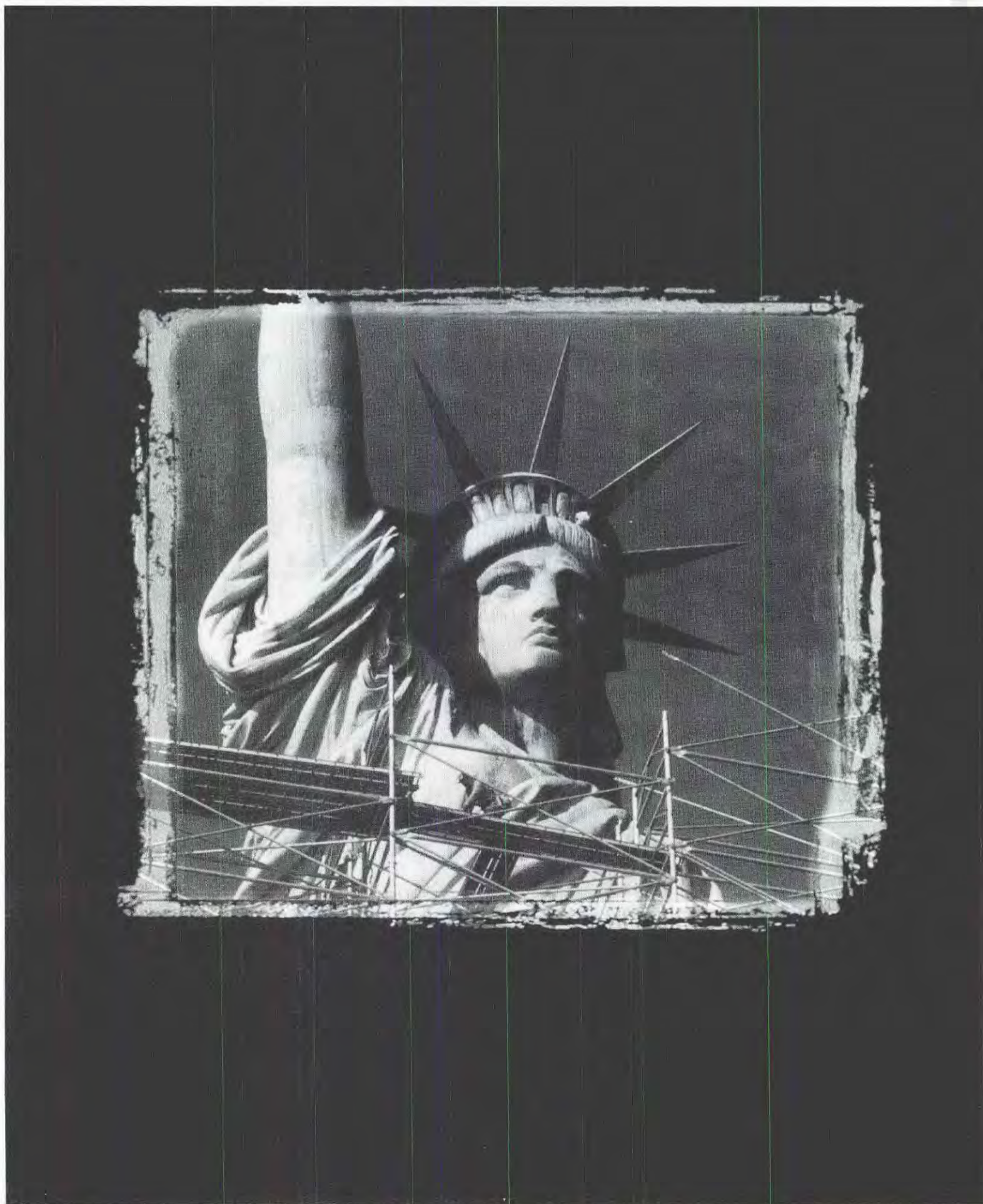
**Occasional services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training, simulated OSHA inspections, loss prevention training.

**Specialties:** Health care, construction.

**Region served:** New England region, New York.

**Officers:** James P. Faughnan Jr., president; Lawrence E. O'Brien, principal consultant; Paul J. Czesak, director-engineering services; Florence S. Smith, consultant.

**Construction Technology Laboratories Inc.**  
 5420 Old Orchard Road, Skokie,  
 Ill. 60077-1030; 847-965-7500;  
 fax: 847-965-6541



Continued from previous page

Reagen, coordinator-operations; David Greene, vp/controller.  
**Contact:** Scott Miller, 913-663-8514 or Pat Steece, 913-663-8528.

**ECS Risk Control**

600 Eagleview Blvd., P.O. Box 640, Exton, Pa. 19341-0640; 610-458-7280; fax: 610-458-7285

**1996 revenues**

Total gross revenues .....\$9,600,000  
 Unbundled property loss control/engineering .....5%  
 Other .....95%

Includes: bundled environmental, property/casualty risk surveys and consulting, transportation fleet audits/consulting

**Staff**

Total .....65  
 Professionals .....55

Includes: 2 ASSEs, 3 CSPs, 1 PE

**Clients**

Total .....15

**Loss control services began:** 1985.

**Parent:** Environmental Compliance Services Inc.

**Frequent services:** Onsite plant loss prevention inspections, hazard identification, client training.

**Occasional services:** Fire prevention inspections, plant security inspections, hazard identification, publications, research.

**Region served:** United States, nationwide.

**Officers:** William Kronenberg, president/CEO; Frank Piliero, executive vp/CFO; David Rosenberg, executive vp; James Splain, senior vp.

**Contact:** James Splain.

**ESIS Inc.**

1601 Chestnut St., TL32G, Philadelphia, Pa. 19192-2325; 215-761-6779; fax: 215-761-5476

**1996 revenues**

Total gross revenues .....\$145,000,000\*  
 Unbundled property loss control/engineering .....3%  
 Other .....97%

Includes: claim service, loss control, RMIS

**Staff**

Total .....206  
 Professionals .....78  
 Includes: 32 ARMs, 7 ALCMs, 24 ASCEs, 59 ASSEs, 29 CSPs, 28 PEs, 51 SFPEs

**Clients**

Total .....293

**Loss control services began:** 1971.

**Parent:** INA Financial Services.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, HPR, pre-emergency planning, hydraulic analysis, sprinkler plan review, boiler/machinery risk and jurisdictional inspections.

**Occasional services:** Plant security inspections, publications.

**Specialties:** Petrochemical, utilities, heavy construction.

**Region served:** Worldwide.

**Branch offices:** Los Angeles, San Francisco, Atlanta, Chicago, Boston, New York, Philadelphia, Dallas, Houston.

**Officers:** Raymond E. Hafner, president; Brian P. O'Hara, vp/CFO; Sharon E. Simpson, vp-marketing; James V. Young,

vp-claims.

**Contact:** William B. Hemphill, director-legal services.

\*BI estimate.

**Environmental Risk Ltd.**

120 Mountain Ave., Bloomfield, Conn. 06002; 860-242-9933; fax: 860-243-9055

**1996 revenues**

Total gross revenues .....\$6,000,000  
 Unbundled property loss control/engineering .....30%  
 Other .....70%

Includes: environmental site assessment/investigations, ground water/soil remediation, environmental compliance audits

**Staff**

Total .....46  
 Professionals .....36

**Clients**

Total .....100

**Loss control services began:** 1985.

**Frequent services:** Onsite plant loss prevention inspections, hazard identification, client training.

**Occasional services:** Building plan reviews, publications, research.

**Specialties:** Pollution liability insurance companies, financial institutions, real estate developers.

**Region served:** Canada, Central America, Europe, Japan, South America.

**Branch offices:** Roswell, Ga.; Clifton, N.J.

**Officers:** Richard S. Atkins, David I. Brandwein, Gordon T. Brookman, Mitchell M. Wurmbrand, principals.

**Contact:** David I. Brandwein.

**Fagel Safety Services**

680 Blackberry Ridge Drive, Aurora, Ill. 60506-8900; 630-907-2020; fax: 630-907-2021

**1996 revenues**

Total gross revenues .....\$60,000,000  
 Unbundled property loss control/engineering .....75%  
 Other .....25%

Includes: training classes

**Staff**

Total .....1  
 Includes: 1 ASSE, 1 PE

**Clients**

Total .....25

**Loss control services began:** 1985.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, client training, disaster management/planning, emergency management operations.

**Occasional services:** Building plan reviews, publications, research.

**Specialties:** Public safety agencies, research facilities.

**Region served:** United States, nationwide; Canada; Japan; Malaysia; Switzerland; Taiwan.

**Contact:** Michael J. Fagel.

**FIREPRO Inc.**

100 Burt Road, Andover, Mass. 01810-5920; 617-270-5200; fax: 617-229-2922

**1996 revenues**

Total gross revenues .....\$1,000,000  
 Unbundled property loss control/engineering .....50%  
 Other .....50%

Includes: fire reconstruction, litigation support

**Staff**

Total .....14  
 Professionals .....9

Includes: 4 PEs, 8 SFPEs

**Loss control services began:** 1970.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research, client training, fire litigation support, fire investigation.

**Specialties:** Health care, property management.

**Region served:** United States, nationwide; United Kingdom.

**Contact:** Lee C. DeVito, president.

**Flex Design Engineers**

P.O. Box 14, Wheaton, Ill. 60189; 630-668-8998; fax: 630-690-3966

**1996 revenues**

Total gross revenues .....\$160,000  
 Unbundled property loss control/engineering .....100%

**Staff**

Total .....5  
 Professionals .....3

**Clients**

Total .....70

**Loss control services began:** 1986.

**Frequent services:** Hazard identification, building plan reviews, publications, design of retrofit automatic fire suppression systems, water supply and system hydraulic analysis.

**Occasional services:** Onsite plant loss prevention inspections, fire prevention inspections, client training.

**Specialties:** Municipalities, engineering firms, architecture.

**Region served:** United States, nationwide.

**Officers:** Mark Bromann, president.

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**Fulton Fire Engineering Inc.**

2880 Northview Ave.,  
Arroyo Grande, Calif. 93420;  
805-489-8400; fax: 805-489-1424

<b>1996 revenues</b>	
Total gross revenues	\$150,000
Unbundled property loss control/engineering	100%

<b>Staff</b>	
Total	1
Includes: 1 ARM, 1 PE, 1 SFPE	

**Loss control services began:** 1989.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, fire/building code analysis.

**Occasional services:** Plant security inspections, publications, research, client training.

**Region served:** United States, nationwide.

**Contact:** John C. Fulton, president.

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**Gage-Babcock & Associates**

3975 Fair Ridge Drive, Suite 310,  
Fairfax, Va. 22033-2924;  
703-934-6440; fax: 703-385-6749

<b>1996 revenues</b>	
Total gross revenues	\$5,700,000
Unbundled property loss control/engineering	10%
Other	90%
Includes: fire protection engineering, security engineering design and consulting	

<b>Staff</b>	
Total	58
Professionals	37
Includes: 3 ARMs, 3 ASSEs, 4 CSPs, 21 PEs, 26 SFPEs	

<b>Clients</b>	
Total	25

**Loss control services began:** 1952.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention in-

spections, plant security inspections, hazard identification, building plan reviews, publications, fire modeling.

**Occasional services:** Research, client training, gas dispersion modeling.

**Region served:** United States, nationwide; Canada; Far East; Middle East; South America.

**Branch offices:** Los Angeles; San Francisco; Atlanta; Oak Brook, Ill.; Armonk, N.Y.; Fairfax, Va.; Vancouver, British Columbia.

**Officers:** Thomas W. Jaeger, president; Alfred J. Longhitano, vp-treasurer; Mario A. Antonetti, secretary; Frederick C. Bradley, director; Charles E. Hahl, principal.

**Contact:** Douglas J. Rollman, director-business development.

**Gallagher Bassett Services Inc.**

2 Pierce Place, Itasca,  
Ill. 60143-3141;  
630-773-3800; fax: 630-285-4000

<b>1996 revenues</b>	
Total gross revenues	\$145,193,000
Unbundled property loss control/engineering	11%

Other	89%
Includes: package programs, claims adjusting, appraisal services	

<b>Staff</b>	
Total	1,657
Professionals	25
Includes: 3 ARMs, 24 ASSEs, 11 CSPs, 3 PEs, 3 SFPEs	

<b>Clients</b>	
Total	390

**Loss control services began:** 1962.

**Parent:** Arthur J. Gallagher & Co.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, publications, client training, property insurance underwriting surveys, claims loss and statistical studies, ergonomic and industrial hygiene surveys, security audits and analysis.

**Occasional services:** Building plan reviews, research.

**Specialties:** Municipalities, religious, telecommunications.

**Region served:** United States, nationwide; Argentina; Australia; Canada; Fiji; Indonesia; Mexico; Puerto Rico; Singapore; United Arab Emirates; United Kingdom.

**Branch offices:** Los Angeles; Colorado

Spring, Colo.; Miami; Atlanta; Schaumburg, Ill.; St. Louis; Melbourne and Sydney, Australia.

**Officers:** John G. Campbell, chairman; Peter J. Durkalski, president; Mike Billings, Rick Rothman, Rich McKenna, executive vps.

**Contact:** Tracy D. Mock, area vp-marketing services, 630-285-3593.

**Global Risk Consultants**

1 Executive Drive,  
Fort Lee, N.J. 07024;  
201-592-7711; fax: 201-592-7859

<b>1996 revenues</b>	
Total gross revenues	\$15,177,000
Unbundled property loss control/engineering	75%
Other	25%
Includes: engineering support for captives	

<b>Staff</b>	
Total	164
Professionals	130
Includes: 2 ARMs, 3 CSPs, 17 PEs, 47 SFPEs	

<b>Clients</b>	
Total	685

**Loss control services began:** 1958.

**Parent:** American Risk Group Inc.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, research, client training, business continuation planning, infrared thermography, boiler and machinery jurisdictional inspections, hazardous chemicals and chemical process safety reviews, natural hazards exposure analysis, property loss control program development.

**Occasional services:** Publications.

**Specialties:** Chemical and petrochemical, food and grain, pulp and paper.

**Region served:** 40 countries, including the United States.

**Branch offices:** Los Angeles and Oakland, Calif.; Wilmington, Del.; Orlando, Fla.; Atlanta; Chicago; Prairie Village, Kan.; Louisville, Ky.; Plymouth, Mich.; Minneapolis; St. Louis; Somerville, N.J.; Winston-Salem, N.C.; Cleveland; Broomall, Pa.; Knoxville, Tenn.; Dallas; Houston; Fancy Gap, Va.; Issaquah, Wash.; Melbourne, Australia; Sao Paulo, Brazil; Toronto; Weybridge, England; Paris; Frankfurt, Germany; Bangkok, Thailand; Caracas, Venezuela.

**Officers:** William F. Ramonas, chairman/CEO; Glenn H. Giles, president; Philip Holland, general manager-U.K.; Douglas Wilkinson, managing director-Australia; Jim Armstrong, Thomas Cochran, senior vps.

**Contact:** William F. Ramonas.

**Gow Management Services Inc.**

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

<b>1996 revenues</b>	
Total gross revenues	\$1,200,000
Unbundled property loss control/engineering	40%
Other	60%
Includes: third party administration	

<b>Staff</b>	
Total	22
Professionals	3
Includes: 1 ARM, 2 ASSEs	

**Loss control services began:** 1982.

**Parent:** Hilb, Rogal & Hamilton Co.

**Frequent services:** Onsite plant loss prevention inspections, hazard identification, research, client training.

**Occasional services:** Fire prevention inspections, publications, appraisals determining specialized coverages, industrial hygiene services.

**Specialties:** Construction, municipalities, schools.

**Region served:** United States, nationwide.

**Branch offices:** Rochester and Syracuse, N.Y.

**Officers:** Richard K. Mason, president; Neil A. Schaefer, Patricia A. Goldwater, Robert J. McKeever, executive vps; Michael H. Ernst, vp.

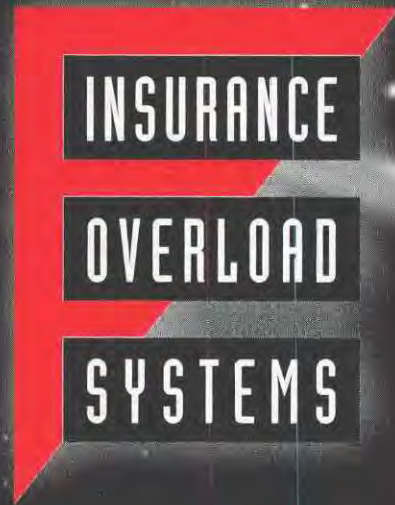
**Contact:** Michael H. Ernst.

**Great Lakes Educational Consultants Inc.**

3324 Olney St.,  
Kalamazoo, Mich. 49006-2832;  
616-382-2314; fax: 616-382-6495

<b>1996 revenues</b>	
Total gross revenues	\$178,000

Continued on page 22



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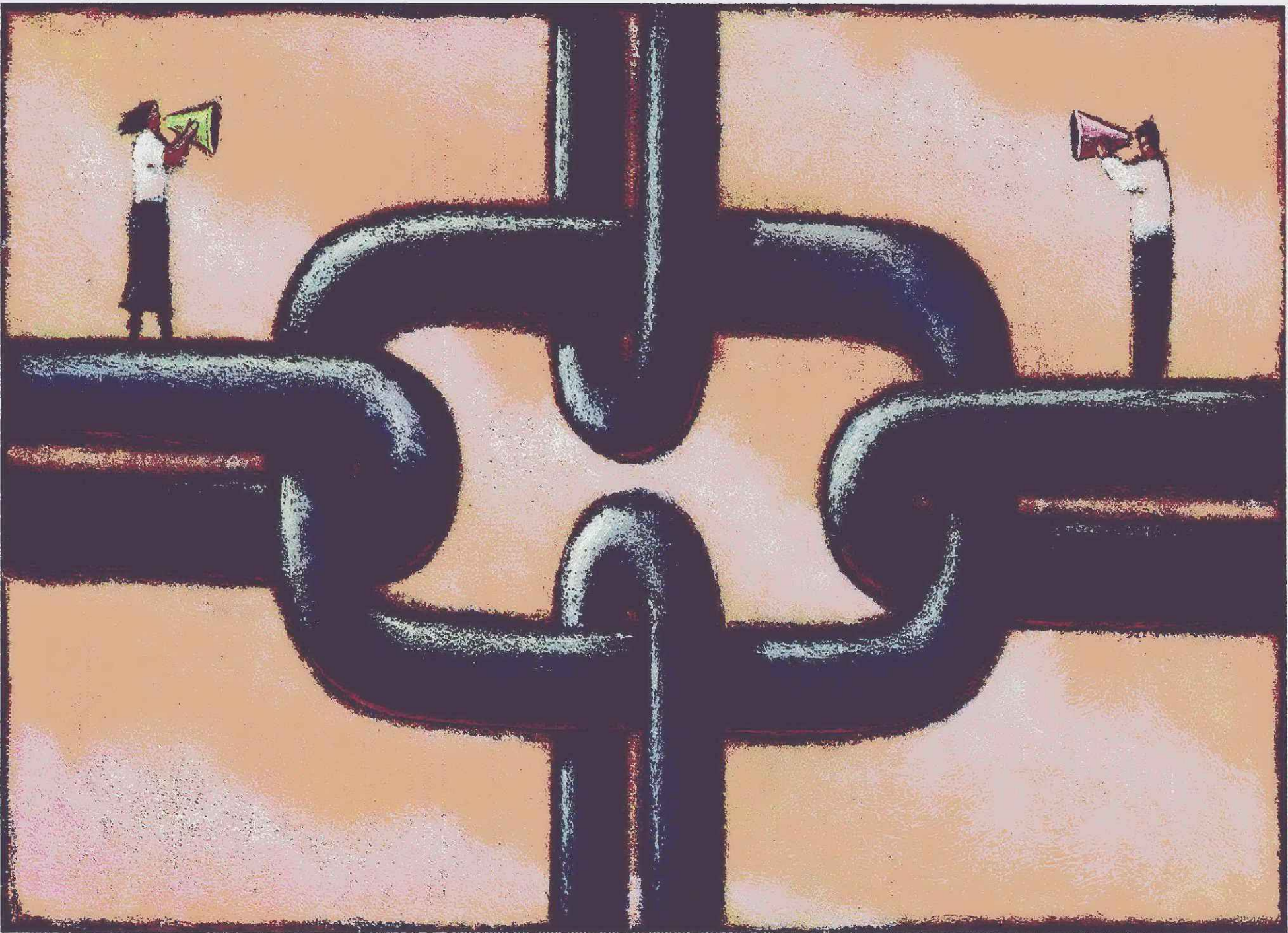
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## G&M Marine

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Continued from page 20

Unbundled property loss control/engineering	100%
<b>Staff</b>	
Total	3
Professionals	3
<b>Clients</b>	
Total	16

**Loss control services began:** 1978.  
**Frequent services:** Plant security inspections, hazard identification, building plan reviews, research, emergency plan development.  
**Specialties:** Schools.  
**Region served:** United States, nationwide; Latin America.  
**Officers:** Robert F. Jonaitis, president.



### HSB Professional Loss Control

P.O. Box 585, Kingston, Tenn. 37763; 423-376-1131; fax: 423-376-5013

<b>1996 revenues</b>	
Total gross revenues	6,100,000
Unbundled property loss control/engineering	50%
Other	50%
<b>Staff</b>	
Total	58

Professionals.....28  
Includes: 1 CSP, 17 PEs, 20 SFPEs

**Clients**  
Total.....80

**Loss control services began:** 1976.  
**Parent:** The Hartford Steam Boiler Inspection and Insurance Co.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, fire protection design/evaluation, computer-based fire and explosion modeling, fire hazards analysis, code compliance studies, fire protection training.

**Occasional services:** Publications, research, cost/benefit analysis, loss investigations.

**Specialties:** Manufacturing, power generation, chemical.

**Region served:** United States, nationwide; South America, Southeast Asia.

**Branch offices:** Hartford, Conn.; Atlanta; Basking Ridge, N.J.; Houston.

**Officers:** Bill Kerr, president/CEO; Bill Wolfe, vp-HSB Engineering Services; Mike Mowrer, executive vp-operations; Harvey Goranson, vp-consulting services; Wayne Holmes, vp.

**Contact:** Wayne Holmes, P.O. Box 5024, Hartford, Conn. 06102-5024.

### Helmsman Management Services Inc.

Riverside Office Park,  
9 Riverside Road, Weston,  
Mass. 02193; 617-243-7985;  
fax: 617-736-0256

<b>1996 revenues</b>	
Total gross revenues	\$89,200,000
Unbundled property loss control/engineering	11%
Other	89%
Includes: managed care, claims administration, risk information services	

**Staff**  
Total.....676  
Professionals.....43  
Includes: 5 ARMs, 3 PEs, 5 SFPEs

**Clients**  
Total.....222

**Loss control services began:** 1983.  
**Parent:** Liberty Mutual Insurance Group  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training, sprinkler protection analysis, life safety evaluations, emergency preparedness planning.

**Occasional services:** Plant security inspections.

**Specialties:** Manufacturing, transportation.

**Region served:** United States, nationwide; Canada; Mexico; United Kingdom.

**Branch offices:** 125 locations.

**Officers:** Gary L. Countryman, chairman/CEO; Edmund F. Kelly, president; Amy J. Leddy, vp/manager; Bobby J. Litke, manager-national account development; Daniel C. Lyons, vp/manager-field operations.

**Contact:** Amy J. Leddy.



### Inservco Insurance Services Inc.

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

<b>1996 revenues</b>	
Total gross revenues	\$240,000
Unbundled property loss control/engineering	20%
Other	80%
Includes: risk management consulting, occupational safety/health	

**Staff**  
Total.....10  
Includes: 3 ARMs, 4 ALCMs, 3 ASSEs, 5 CSPs, 1 PE, 2 SFPEs

**Clients**  
Total.....24

**Loss control services began:** 1980.  
**Parent:** Penn National Insurance Cos.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, client training, fire detection/suppression systems evaluation, emergency plan development.

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# Insurer Topics

A special editorial section  
sent exclusively  
to insurers and reinsurers



## Government relations

Insurers  
hopeful  
of reform,  
but clock  
is ticking

# Industry's legislative outlook a mixed bag

Federal legislation favorable to insurers awaits action, but time is running short

By REGIS COCCIA

Insurers' hopes are mixed on the passage this year of federal legislation favorable to the industry.

Even though several measures important to insurers are pending in the House and Senate, observers believe Congress may adjourn in October. That would leave relatively little time for legislation to make the rounds through each chamber.

The major associations representing property/casualty insurers continually monitor various issues, but a few pieces of legislation are getting immediate attention.

One common concern is protection of state regulation of insurance. At issue is financial services reform legislation pending in the House. H.R. 10, the Financial Services Competitiveness Act, would revamp decades-old laws governing banking and insurance. Insurers want to ensure that no federal

financial services reform supplants state regulation of the insurance industry.

"Financial services modernization probably is at the top of our screen as well as others," said John Lobert, senior vp-government relations in Washington for the National Assn. of Independent Insurers.

"Our take is that Congress needs to pass H.R. 10 in one or another. H.R. 10 needs to be enacted," Mr. Lobert said. "What we

don't support is federal pre-emption of state law."

Financial services legislation also is a major issue for the American Insurance Assn., an AIA spokesman in Washington said. "We do not want to see banking regulators, led by the Office of the Comptroller of the Currency, in effect becoming insurance regulators," he said.

David Farmer, senior vp of federal affairs for the Alliance of American Insurers in Washington, said

## Government Relations



the House Commerce Committee could mark up the financial services measure in the middle of next month. The Alliance also wants to ensure that the bill affirms the role of state regulation of insurance, he said.

Reform of Superfund's system of retroactive liability is an issue insurers long have hoped to achieve. In each of the past several congressional sessions, legislation addressing environmental liability was introduced but ultimately died.

"Superfund is kind of the wild card," the AIA spokesman said, adding that markup of a bill in the Senate could occur as early as Sept. 11.

"We're looking forward to markup of Superfund in the Senate. We're anxious to move Superfund along," said Mr. Farmer. The Alliance is "hopeful we can get some progress on Superfund reform."

The AIA spokesman said he believes legislators could pass a Superfund bill this year. "Once the bill starts rolling down the runway, it will get passed fairly quickly," he said. "If consensus is reached, it could be passed this year—assuming everything breaks our way, with bipartisan cooperation."

However, the NAII's Mr. Lobert was less optimistic. "It would have to be a miracle if anything on that happens this year," he said. "Partisanship is at an all-time high."

An "everlasting" issue for the NAII is natural disaster response legislation, Mr. Lobert said. "We're firmly committed to getting something done. However, there's no unanimity of opinion in Washington on what needs to be done" to address the industry's needs.

The AIA spokesman agreed, saying enactment of natural disaster response legislation is unlikely until the insurance industry can unite behind a proposal.

In the wake of events such as Hurricane Andrew and the Northridge, Calif., earthquake, which together caused about \$29 billion in insured damage, insurers with property exposures in catastrophe-prone areas have sought a federal response to help shoulder the enormous losses resulting from natural disasters.

One measure pending in a House committee would establish a federal reinsurance program to help catastrophe pools in states with large exposures, such as California, Florida and Hawaii.

"I'm not holding my breath" that it will be passed, Mr. Lobert said. "It's a complicated issue. I

See **Legislation** on page 22E.

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SCUDDER



## Consolidation has just begun: Study

### Financial services companies to play role in future broker acquisitions

By HOLLY SIMPSON

**B**rokers can expect mergers and acquisitions among their ranks to continue, according to a recent report.

The insurance industry also can expect increasing influence of financial services companies and more catastrophe losses, especially in the Eastern and Southeastern United States, according to the report, "Insurance Market Trends and Developments," from Memphis, Tenn.-based broker Sedgwick Inc., a subsidiary of Sedgwick Group P.L.C.

Charles Fiske, senior vp of Sedgwick Inc., said he thinks that it is too

early to tell what effect the megamergers of the past year will have on insurance markets.

Opportunistic buyers looking for sellers weakened by losses, buyers trying to enter niches and the increasing need to operate globally will drive the consolidations, the report says.

Ken Crerar, president of the Washington-based Council of Insurance Agents & Brokers, agreed that M&A activity will continue.

"I think we will continue to see consolidation on the agent/broker

side as much as we have in the last 18 months," Mr. Crerar said. "I think it will continue at a faster rate in part because of financial services entering the industry. It bodes well for a lot of mergers."

Mr. Fiske said insurance is the only piece of business that banks are missing, and their increasing involvement in property/casualty insurance will have a great impact in rural areas and smaller cities.

"Insurance companies make joint ventures with banks to produce policies on small businesses. It's really

nothing new," he said. "They've been doing it for years, selling life and disability insurance to banks."

Mr. Crerar said that while part of the rapid changes in the marketplace are a result of financial services moving into insurance, the insurance industry can learn some lessons by watching the banking industry.

"It's more a movement of insurance as a financial service than it is a movement of financial services into insurance," he said. "Banks are moving into our business in a big way. . . . It's a different perspective, and it will have an impact in the long run. The way to get bigger is to buy," he said.

"This industry is going through its maturing process," he said of bro-

kers, adding that other industries are undergoing the same. "It's good for our industry, and it's ultimately good for the client."

As competition continues to reduce insurance costs, attracting new customers is becoming more difficult.

Mr. Fiske said new business increasingly is harder for insurers to obtain, because though the incumbent can almost always match competitors' offers, customers are demanding incentives and lower prices.

Another trend the Sedgwick report looked at is catastrophe loss protection.

The report warned that catastro-

*Continued on next page*

## Legislation

*Continued from page 22B*

involves a lot of money—either capital or high retentions and large amounts. Time is moving on, and I doubt we'll see anything (on that issue) passed this year."

The Alliance is supporting a House appropriations bill that would bar temporarily the Occupational Health and Safety Administration from issuing an ergonomics standard (*BI*, July 28). At issue is the need for scientific studies of ergonomics and occupational injury before OSHA releases any standard, Mr. Farmer said.

"Employer groups and insurers have argued thus far that the studies have not been as scientifically based as they should be," he said. "There is a need for good science, and good science ought to drive regulation."

The Alliance supports "objective, good science that can occur by an objective, unbiased organizations such as the National Academy of Sciences," Mr. Farmer said.

"I would expect not to see final action on any of the issues, save for the ergonomics issue" this year, he said.

Chances for passage of product liability reform, another perennial goal of the insurance industry, are unclear this year following a disappointment in 1996. Although Congress approved a product liability bill last year, President Clinton vetoed the measure. This year, reform is possible, but it likely could pass only in a watered-down form.

"You always have to be optimistic," Mr. Farmer said. "The kind of reform the president is apt to sign in the environmental or tort reform area lead one to be uncertain about the outcome."

Although business in general is less likely to face adverse legislation in the current Congress, insurers can't rest as long as lawmakers are in session, Mr. Lobert said.

"We still have to fight the law of unintended consequences," he said, referring to bills that would create additional but unforeseen burdens for insurers. "It keeps us active."

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Continued from previous page  
phes, particularly along the East Coast from Cape Cod to Florida, will increase over the next several years, partially as a result of heightened development in coastal areas.

"I think, for example, in Florida, you'll see (hardening of) . . . catastrophe markets for wind and flood," said Mr. Fiske.

"I know that the commissioner of insurance in Florida is working hard to see that people have the protections they need for hurricanes," he said.

But, if it doesn't happen quickly enough, it's going to effect the market in Florida, decreasing the competition and making coverage harder to come by if catastrophe

programs aren't put together as in California, Mr. Fiske added.

In September, the state of California launched the California Earthquake Authority, a catastrophe pool for homeowners. The CEA's organizers had considered using the capital markets to finance high layers of coverage but in the end went with traditional reinsurance (*BI*, Nov. 25, 1996).

"I think it takes a huge burden off the domestic carriers to provide needed protection for the clients of that state," said Mr. Fiske. "It's only going to be good for the consumers, because they'll have more choices. It's more competitive, and I think in the end, both carriers and consumers win."

Increased catastrophes would tighten the property/casualty market, said The Council's Mr. Crerar, who added it's time to look at mitigating issues as a way to reduce potential losses in susceptible areas.

Natural disaster response legislation now pending in Congress would create a federal reinsurance program to help state catastrophe pools, a step that Mr. Crerar said is necessary to provide the needed coverage.

Free copies of "Insurance Market Trends and Developments" are available by writing Emily Trenholm at Sedgwick Inc., 1000 Ridgeway Loop Road, Memphis, Tenn. 38120.

## Brokers form network to boost performance, offer clients benefits

A group of highly productive independent agents and brokers has formed a new network called RiskProNet International.

The approximately 25 companies involved represent about \$1.5 billion in written premium and have an average revenue per

employee of about \$105,000, said Steve Tanner of Tanner Insurance Brokers in Pleasanton, Calif.

Mr. Tanner, along with John Langsfeld of Merritt & McKenzie Agency in Atlanta and Michael Flynn of Diversified Risk in Emeryville, Calif., founded the network. The idea is about a year and a half old, Mr. Tanner said.

Insurers and consultants were contacted to get ideas on high-performing agencies that might make good members, Mr. Tanner said.

He said such a network of strong partnerships is needed in order for agencies such as his to serve their clients as the major brokerages do. He noted that the Assurex International brokerage network is a "good model for where we are going."

Each member put up an equal amount of capital to launch the network, though Mr. Tanner declined to disclose the amount.

The RPN network will be connected through a unique and proprietary software program now operational and available to the founding members.

"We are extremely excited about the ability to directly communicate with each other on all kinds of issues," Mr. Langsfeld said in a statement.

The intranet software will allow members to deal with a host of issues in different states, including underwriting, marketing, product distribution, countersignature and new product development. Because the agencies are in different regions of the country, they are not competing directly.

"Eventually, we expect to have up to 30 agents located in key designated cities throughout the United States," said Mr. Flynn of Diversified Risk. "And we believe this network will give us a competitive edge in the future and will allow client access for service delivery and risk management assistance."

Membership, which is by invitation only, will not be limited to the United States. In fact, a large Montreal-based brokerage, B.F. Lorenzetti & Associates Inc., already has agreed to join the new organization as a founding member.

"During the next 12 months, we also expect to build a very strong network internationally," Mr. Tanner added in a statement. "And when we do, we will be a significant competitor in the marketplace, able to communicate with other members on a worldwide basis in order to serve our clients more effectively."

The network has a World Wide Web site at [www.riskpronet.com](http://www.riskpronet.com).

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# Hire an accounting expert to sort out the bills

By Henry J. Kahrs

Trustee can eliminate difficulty of apportioning consultant litigation costs

**I**NSURANCE COMPANIES increasingly are finding themselves involved in large litigation cases involving construction defects.

In these cases, the plaintiff usually is a homeowners' or condominium association or an apartment complex. The problem arises when several or all of the units have the same or similar defect.

The plaintiff files suit against

the general contractor, and many or all of the subcontractors are brought into the litigation. Each subcontractor has its own insurance company, and each insurer usually hires its own attorney to defend its case. We have seen as many as 25 insurance companies involved in the litigation of a single case.

To defend its case, the insurance companies usually hire many experts to try to find the cause of the defect. Rather than each

## IT Perspective

company hiring an expert in each area, there is often an agreement to split the experts' costs. The problem arises in calculating the amount each insurance company owes each expert.

Frequently the split varies for different time periods. The differences are based on the tender dates and settlement dates

for each insurer. For example, an insurer may owe 8% of an expert's June bill but only 7% of the July bill. If, for instance, 25 insurers are involved, each company must determine its portion of each bill from each expert—perhaps for 50 experts—billing each month and write a check to each expert.

But what happens if an expert is not paid or is paid twice? Experts often are not aware of the sharing agreement, and they don't know

whom to call with billing problems. Eventually, all of the insurers must reconcile their payments with what they owe. If they all do this, the work is duplicative and costly to everyone involved. But there is an easy, cost-effective solution: Hire a trustee.

Probably the best-qualified professional to do this is a certified public accountant. CPAs are independent and have the computer and technical expertise and appropriate level of staff to assist in this type of project.

The trustee will set up a database and input all invoices received from experts. Each month, the trustee should summarize the new and total billings for each expert and calculate the pro rata share owed by each insurance company. The insurer will receive one package that includes calculations for each expert and copies of new invoices. Insurers then pay one check to the trustee, who makes disbursements to the experts through a trust account. A separate trust account should be established for each litigation assignment in which the trustee is involved.

There are numerous benefits to this type of arrangement, including:

- **Cost-effectiveness.** Nobody likes to pay for something that is not worth their while. However, when dozens of organizations are spending their own time doing the same thing, the expenses add up, especially at the end when each insurer will have to reconcile its accounts with every other insurer and resolve any differences or duplicate payments. Because the trustee's invoice is split among all the insurers involved, it is a low-cost alternative for each company.

- **Accountability.** A trustee provides credible and reliable third-party documentation that each insurance company will have an opportunity to review and discuss with the trustee. Because one party, the trustee, is in charge, any discrepancies among insurers will be easily identified and remedied without getting everyone involved. Also, because a trust account is used, all monies can easily be traced through the system. A good trustee will reconcile the account monthly and provide the bank reconciliations to any involved party at their request.

- **Organization.** Without a trustee, each insurer will have to organize its own records and create its own schedules. This means pouring through a mountain of paperwork.

A trustee should provide each insurer with an invoice and the new expert invoices, of which the trustee will keep indexed copies. Anytime a person involved needs to refer to an invoice, it will be

See Kahrs on page 22H

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| <b>Issue Date:</b> October 6   | <i>Distribution:</i> Federation of European Risk Management Associations               |
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**Insurer Topics**

# Kahrs

Continued from page 22F  
neatly provided in the monthly package. Because the paperwork is stored in one central location, if an insurer cannot locate a missing invoice, a quick telephone call to the trustee will solve the problem.

• **Accuracy.** A trustee, especially if he or she is a CPA, will provide accurate, impartial data for all parties involved. If many

parties are trying to perform the same calculations, accuracy is not ensured.

• **Timeliness.** Without a trustee, there is no assurance that all insurers will receive the expert's bills on a timely basis or at all. A trustee can provide billings on a monthly or quarterly basis, or whatever timetable is necessary. A trustee also will ensure timely remittance to the experts involved.

• **Efficiency.** A trustee provides

efficiency, in the obvious way that no work is duplicated and the process is streamlined. But, probably even more importantly, it frees up the time of the adjusters, attorneys and experts to perform the jobs they have been hired to do. They no longer have to field telephone calls about invoices and

forced to withdraw from a case because he or she has not been paid. Prompt payment leads to happy experts and attorneys and the best possible service from all parties to ensure the best results in this kind of litigation.

Hiring trustees in construction defect litigation, where many insurers and experts are involved, is a low-cost, efficient, effective way to administer the billings and payments. It provides many advantages that

**If all the insurers reconcile their payments to experts with what they owe, the work is duplicative and costly to all involved. A cost-effective solution is to hire a trustee.**

payments.  
• **Satisfaction.** It has been my experience that, before a trustee is involved, expert and consultant invoices often do not get paid. This can cause severe problems for many of the experts hired. Because these cases often drag on for years, timeliness of payments becomes important.

If a trustee is managing the invoices and payments, it is unlikely that an expert would be

will help lead to the goal of the insurers involved: the best settlement at the lowest cost.

*Henry J. Kahrs is a partner in the Orange, Calif., office of RGL Gallagher L.L.P. As a forensic accountant with more than a decade of experience, Mr. Kahrs' expertise includes calculating economic damages and reviewing commercial insurance claims. He also has been engaged as an expert in numerous litigation support cases.*

## IT Briefs

### Leadership award

SEATTLE—Boh A. Dickey, president and chief operating officer of SAFECO Corp., is one of nine people nationwide to win the Gold Leadership Award from Junior Achievement.

Mr. Dickey won the award for his service to Junior Achievement of Greater Puget Sound and helping with regional and national efforts, according to a statement from Seattle-based Junior Achievement of Greater Puget Sound.

He has been active in Junior Achievement for 30 years, JA said. More than 225 chapters may submit nominations, which they select from among more than 100,000 volunteers.

Junior Achievement is a non-profit organization that promotes free enterprise, business and economics and works to inspire young people to be ready to enter the workforce.

"His paramount contribution may very well be his personal dedication to ensuring JA programs reflect the makeup of the community... this propelled our effort to actively recruit diverse student and volunteer participants," President Gil Folleher of the Greater Puget Sound JA said in the statement.

Seattle-based SAFECO also has contributed financially to the organization, and "more than 500 SAFECO employees have taught JA classes in recent years," the statement said.

### Carpenter award

MALVERN, Pa.—For the first time, a woman has won the Thomas S. Carpenter, CPCU, Leadership Award from The American Institute for CPCU and the Insurance Institute of America.

Jill Haynes Gidge, vp and commercial lines manager of Gidge Insurance Services of Nashua, N.H., received a plaque and a \$500 honorarium at a recent recognition luncheon held in San Antonio during the annual meeting of the National Assn. of Insurance Women.

Ms. Gidge was nominated by Claudette Brunetti, president of the New Hampshire Insurance Women's League. Ms. Gidge was the league's 1995-1996 president.

The award has gone annually since 1991 to a "field office manager or other insurance practitioner who has demonstrated outstanding leadership in the professional development of people in his or her company and community," the institutes said in a statement.

### College elections

NEW YORK—Four new members have been added to The College of Insurance's board of trustees.

The new elected trustees are:  
• E.W. Blanch Jr., chairman and chief executive officer of E.W. Blanch Holdings Inc. in Minneapolis.  
• Heidi E. Hutter, chairman, pres-

ident and CEO of Swiss Re America in New York.

• Jerome Karter, president, CEO and a director of SCOR U.S. Group in New York.

• Patrick J. Shouvlin, managing partner of the U.S. insurance practice for Price Waterhouse L.L.P. in New York.

The board now is made up of 34 members.

Officers of the school's board also were elected for 1997-98. They are:

• Chairman: Robert Clements, chairman of Risk Capital Reinsurance Co. in Greenwich, Conn.

• President: Ellen Thrower, president of The College of Insurance.

• Treasurer: William L. Munson, president of Mercantile & General Reinsurance Co. of America in Morristown, N.J.

• Assistant treasurer: Susan M. Cochran, vp of administration and finance at The College of Insurance.

• Secretary: Robert L. Sanford, president of Smyth, Sanford & Gerard Inc. in New York.

Also, continuing as assistant secretary is Charles D. Edinger, executive vp and assistant to the president of The College of Insurance.

### Teacher honored

ALEXANDRIA, Va.—A high school teacher from Orlando, Fla., has been named InVEST Teacher of the Year.

Judy Burton of Dr. Phillips High School was chosen for the honor by the Alexandria, Va.-based Independent Insurance Agents of America. The InVEST board of directors approved the selection.

"IIAA is proud to recognize Ms. Burton as an individual who has committed so much of her energy and talent to InVEST," Barbara Miller-Richards, the IIAA's national InVEST administrator, said in a statement. "She works hard to promote this program to other schools in Florida, and through her efforts hundreds of young people have been introduced to the insurance industry and have gained invaluable business skills."

As Teacher of the Year, Ms. Burton received \$500 for classroom materials and \$500 for personal use.

The IIAA administers the national InVEST program, which teaches insurance-related business skills to high school and college students in 20 states.

### NAMIC members

INDIANAPOLIS—The National Assn. of Mutual Insurance Cos. has added five members.

The board of directors of Indianapolis-based NAMIC voted in Edwardsville, Ill.-based Florists' Mutual Insurance Co; Sand Lake, N.Y.-based Community Mutual Insurance Co.; Turtle Lake, N.D.-based McLean County Farmers Mutual Insurance Co.; Wausau, Wis.-based Stettin Mutual Insurance Co.; and Thessalon, Ontario-based Algoma Mutual Insurance Co.

NAMIC's membership comprises about 1,200 companies. **BI**

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- REGISTRATION AND CONTINENTAL BREAKFAST: *Hosted by Kemper*
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- COMBATING FRAUD IN THE WORKERS COMPENSATION SYSTEM
- LUNCHEON: *Hosted by INTRACORP*
- RETURNING EMPLOYEES TO WORK
- THE TRENDS OF WORKERS COMPENSATION IN CALIFORNIA TODAY: WHERE IS REFORM GOING?
- CREATIVE INCENTIVES AND PAY-FOR-PERFORMANCE METHODOLOGIES
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- RISK MANAGEMENT INFORMATION SYSTEMS
- LUNCHEON: *Hosted by AIG Claim Services, Inc.*
- INNOVATIVE PRINCIPLES FOR REDUCING WORKERS COMPENSATION COSTS
- SCREENING OUT YOUR PROBLEMS—HOW FAR CAN YOU GO?
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# Watch for exposures in integration

## Multiyear programs may benefit policyholders, but they can result in unintended problems

By Marc S. Mayerson

**O**VER THE PAST TWO YEARS, there has been a dramatic increase in the availability of "integrated risk" solutions for companies wanting to insure a variety of exposures in one product. Last year, capacity in this market reportedly exceeded \$500 million. Integrated risk products are not entirely new, and several larger companies, aided by the leading American and London market brokerage houses, began utilizing such programs at least by the early 1980s.

What has changed over the past year or so is the expansion of capacity and the relative ease of access that substantial companies now have to integrated risk products. Since late 1995, we have seen the introduction of the Swiss Reinsurance Co. BETA program, the Risk Solutions program sponsored by X.L. Insurance Co. Ltd. and CIGNA Corp., and analogous products from American International Group Inc., Chubb Corp. and others.

Though integrated risk programs always are tailored to the needs of the buyer, they share several features:

- First, disparate coverages are combined into a single program. Accordingly, a single program may include combinations of general liability, property, hull, cargo, fidelity, crime, employment practices, errors and omissions and workers compensation lines, among others. For this reason, integrated risk programs are also called "cross-class" programs.

Integrated risk programs also can include harder-to-place lines, such as product recall or tampering, political risk or environmental liability.

- Second, integrated risk programs involve multiyear contracts and few insurers, and these contracts can take the form of direct writing or reinsurance of a captive.

- Third, integrated risk programs often utilize a single overall aggregate for all hazards, though some of the lines included in the integrated risk program may retain entirely separate limits.

Integrated risk programs have considerable advantages, and the expansion of capacity—albeit in a soft market—bodes well for the continued availability of this risk management tool.

Notwithstanding the dramatic expansion in capacity, many companies purchase additional excess coverage

**It behooves all involved in the insurance community to think through some of the issues surrounding the combination of integrated and monoline policies today rather than face legal battles later.**

for at least some lines covered by the integrated risk program.

A medical device manufacturer, for example, might well want to purchase additional limits for its product-liability exposure. Thus, integrated risk programs are more likely than not to be only partial; that is to say most companies will have an integrated risk program up to a certain dollar limit and then have individual policies providing additional limits sitting atop the integrated risk program on a monoline basis.

This combination of integrated risk and monoline coverage has the potential to create mischief when the policyholder presents a claim involving sufficient dollars as to warrant a "strategic" response by the monoline insurer or insurers. It behooves all involved in the insurance community—policyholders, brokers

and insurers—to think through some of the issues today, at the point of underwriting, rather than to face the otherwise inevitable battles in court at the point of claim. Those issues include:

- **Problems with underlying exhaustion.** A monoline policy sitting on top of an integrated risk program will set forth an underlying limit that must be reached before the policy has an obligation to respond. In more traditional programs, where a high-level carrier is sitting on top of a column of policies, in theory at least one exhausts layer by layer up the column seamlessly. The problem with an integrated risk/monoline program is that the underlying integrated risk layer can be exhausted by claims wholly outside the monoline coverage. Thus, the integrated risk layer may be validly and appropriately exhausted by the payment of fidelity, property, workers comp and other claims, such that when a products claim comes along there is no more available coverage. The policyholder in such circumstances naturally would turn to its next higher layer carrier, in this instance a monoline carrier, and request performance. That carrier may well take the position, however, that its obligation to perform is not ripe, because its underlying limit has not been reached.

In other words, the monoline carrier writing products coverage excess of a \$100 million integrated program may take the position that \$100 million of products claims must be paid before it performs. If the underlying layer is an integrated risk program that has been exhausted by property and other losses, the policyholder faces the prospect of having to fill the gap itself. In other words, due to the exhaustion outside of the monoline carrier's coverage, the policyholder may be exposed to self-insuring an amount up to the underlying limits.

- **Non-contemporaneous exhaustion.** Where the integrated risk program's limits apply on a multiyear basis and where the monoline carrier's policy period is not co-extensive with the integrated risk layer—e.g., the monoline is an annual contract—one has to be careful that the overlying monoline carrier will recognize exhaustion under the integrated risk layer that occurs for events/injury/claims outside its policy year.

In other words, if the integrated risk layer is written for three years and the overlying monoline policies are written on annual contracts, the overlying carrier may not recognize that its lower limit has been penetrated where the events/injury/claims for which payment has been made occur outside of its policy year.

Again, the policyholder in this situation has validly exhausted its integrated risk layer, but due to the mismatch in policy years, the overlying monoline carrier may well not recognize the exhaustion outside of its annual period as counting toward satisfying its underlying limit. Thus, the policyholder may face an uninsured gap under which it may be required to pay additional amounts for events/injury/claims in the monoline carrier's year before that carrier will respond.

- **Mismatched triggers.** Another problem with a combined integrated risk and monoline program is that the triggering provisions may not be identical. For example, the integrated risk program might be written on a claims-made basis and the monoline policy might be written on a reported-occurrence basis. In such a circumstance the policyholder is exposed to this problem: A few claims come in during the first integrated-risk period, and these turn out to be the start of serial, repetitive products-liability claims. After receiving a number of these claims, the policyholder determines that it potentially faces a big problem and, thus, declares an occurrence under its

reported-occurrence excess monoline policies. The excess reported-occurrence carrier could take the position that an earlier integrated risk period must pay all claims in the series up to the integrated-risk policy limits and that its own underlying limits are not exhausted by the payment of the policy limits in the earlier period. In this scenario, the policyholder is exposed to paying for an amount equal to the underlying limits of the later reported-occurrence policies out of its own pocket (of course only after the integrated risk insurers in the earlier period have paid their remaining policy limits).

- **What to do.** These problems concerning the

**There are several approaches to dealing with the problem of the ordering of policy exhaustion with a program that blends integrated risk and monoline policies.**

ordering of exhaustion when integrated risk and monoline programs are combined surely are not sufficient to justify abandoning the integrated risk approach, if it otherwise makes sense. The point here is that the virtue of the integrated risk program can also be its chief vice when it is combined with excess monoline policies.

In addition to arguing that extant policy language already avoids this problem, there are at least three other approaches to managing the risks concerning exhaustion described above.

First, the policyholder can negotiate with its monoline insurers and have them agree that exhaustion of the applicable integrated risk layer constitutes underlying exhaustion for purposes of the monoline policies. This type of agreement should recognize that exhaustion can occur both for hazards completely outside of the coverage of the monoline carrier and for losses occurring in different policy periods where the coverage is non-contemporaneous or where there are differing triggers under the integrated risk and monoline programs.

Second, the policyholder can negotiate with its integrated risk insurers and have them agree to a reinstatement of limits provision for hazards covered by excess monoline policies. Under this approach, once there is some or complete exhaustion of the integrated risk layer, the insured can buy-up its limits to the level of the applicable monoline carriers' lowest underlying limit.

Third, the policyholder can accept the risk of uninsured gaps (and the policyholder in reality may have no choice but to accept this risk for the integrated-risk or the monoline carriers may not favorably respond to the either of the above options). Accepting the risk, willingly or not, does not suggest not planning for the uninsured gap. Rather, the policyholder could as part of its comprehensive risk management program establish some form of a difference in conditions/difference in limits program to fill in the gap when or if it occurs. Such a DIC/DIL program could be created simply by accruing reserves over time, by purchasing a DIC/DIL policy through some alternative market, or by accessing capital markets to fund the gap.

Integrated-risk programs appear here to stay—at least for a while. Good risk-management principles dictate that the company address the problem of marrying integrated risk programs with monoline excess coverage now, before claims have come in and before the problem of actual or asserted gaps arises. **BI**

*Marc S. Mayerson is a partner with the law firm Spriggs & Hollingsworth in Washington. He specializes in complex insurance coverage disputes.*

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Continued from page 22

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**Specialties:** Government, schools, commercial agri-business.

**Region served:** Delaware, District of Columbia, Maryland, New Jersey, North Carolina, Pennsylvania, Virginia.

**Branch offices:** Trenton, N.J.; Greensboro, N.C.; Fort Washington and Pittsburgh, Pa.

**Officers:** Bob Conrad, executive vp; Mike Scheib, vp-operations; Joseph M. Boslet, vp-safety management services.

**Contact:** Joseph M. Boslet.

## Insurance Control Systems Inc.

1118 N. La Brea Ave., Inglewood, Calif. 90302; 310-672-1334; fax: 310-673-3350

### 1996 revenues

Total gross revenues	\$1,000,000
Unbundled property loss control/engineering	50%
Other	50%
Includes: risk management, legal witness, safety	

### Staff

Total	6
Professionals	1
Includes: 1 ARM	

### Clients

Total	30
-------	----

**Loss control services began:** 1989.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training.

**Occasional services:** Plant security inspections, building plan reviews.

**Region served:** United States, nationwide.

**Officers:** A.D. Kirkpatrick, president; Valeta Paganelli, vp; Laura Patten, vp-operations; V. Heitkamp, controller; D. Paganelli, service director.

**Contact:** Laura Patten, 213-678-7115.

## Insurance & Risk Management

3811 Illinois Road, P.O. Box 1705, Fort Wayne, Ind. 46801; 219-436-1616; fax: 219-432-4083

### 1996 revenues

Total gross revenues	\$12,800,300
Unbundled property loss control/engineering	2%
Other	98%

### Staff

Total	4
Professionals	4
Includes: 2 ASSEs, 1 CSP	

### Clients

Total	100
-------	-----

**Loss control services began:** 1989.

**Frequent services:** Onsite plant loss prevention inspections, safety programming, OSHA-related compliance and training.

**Occasional services:** Fire prevention inspections, plant security inspections.

**Region served:** United States, nationwide.

**Branch offices:** Indianapolis and Muncie, Ind.; Defiance and Sylvania, Ohio.

**Officers:** James E. Krouse, James Van Dyck, Ron Harruff, John Hettwer, Harold Everett, managing partners.

**Contact:** James E. Krouse.

## International Risk Consultants Ltd.

31-33 Monument Hill, Weybridge KT13 8RS, England; 44-1932-837-400; fax: 44-1932-837-468

### 1996 revenues

Total gross revenues	\$3,050,000
Unbundled property loss control/engineering	100%

### Staff

Total	19
Professionals	15

Continued on page 28



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**Capital Markets Group**

Continued from page 26

**Clients**  
Total .....50

**Loss control services began:** 1973.  
**Parent:** International Risk Management Group Ltd.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, client training, infrared thermography, engineering risk analysis.

**Occasional services:** Plant security inspections.

**Specialties:** Telecommunications, mining, chemical.

**Region served:** Africa, Asia, Europe, Middle East.

**Branch offices:** European Risk Management-Deutschland, Germany; International Risk Consultants, France.

**Officers:** Philip Holland, general manager; Tony Milsom, assistant general manager; Ken Moseley, district manager-European Risk Management-Deutschland; Enrico Aliotti, district manager-International Risk Consultants-France.

**Contact:** Philip Holland.



**J&H Marsh & McLennan Inc.**

1166 Ave. of the Americas,  
New York, N.Y. 10036;  
212-345-6020; fax: 212-345-5785

**1996 revenues**  
Total gross revenues .....\$100,000,000

**Staff**  
Total .....600  
Professionals .....285  
Includes: 15 ARMs, 5 ASSEs, 10 CSPs, 105 PEs,  
250 SFPEs

**Clients**  
Total .....2,000

**Loss control services began:** 1845.  
**Parent:** Marsh & McLennan Cos. Inc.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training, business continuity planning, nat-

ural hazards risk analysis.  
**Occasional services:** Plant security inspections.  
**Specialties:** Petrochemical, utilities, communications.  
**Region served:** Worldwide.  
**Branch offices:** 45 locations nationwide; 35 countries worldwide.  
**Contact:** Harry Taback, managing director or Glenn Buser, senior vp, 212-574-8710.

**William L. Jacobs Enterprises Inc.**

1231 Tall Pines Drive,  
Osteen, Fla. 32764;  
407-324-9245; fax: 407-324-9245

**1996 revenues**  
Total gross revenues .....\$100,000  
Unbundled property loss control/engineering .....100%

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

**Clients**  
Total .....60

**Loss control services began:** 1987.  
**Frequent services:** Hazard identification, research, litigation support.  
**Occasional services:** Onsite plant loss prevention inspections, fire prevention inspections, building plan reviews, publications, client training.  
**Specialties:** Supermarkets, retailers.  
**Region served:** United States, nationwide.  
**Contact:** William L. Jacobs, president.

**Rolf Jensen & Associates Inc.**

549 W. Randolph St., Fifth Floor,  
Chicago, Ill. 60661; 312-831-8200;  
fax: 312-831-8210

**1996 revenues**  
Total gross revenues .....\$13,975,765  
Unbundled property loss control/engineering .....100%

**Staff**  
Total .....142

**Professionals** .....56  
Includes: 2 CSPs, 49 PEs, 98 SFPEs

**Loss control services began:** 1969.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, ADA consulting, fire protection systems design.  
**Occasional services:** Publications, research.

**Region served:** United States, nationwide; Belgium; Canada; Chile; China; Colombia; Ecuador; England; Indonesia; Korea; Malaysia; Mexico; Peru; Philippines; Puerto Rico; Spain.

**Branch offices:** Los Angeles; San Francisco; Washington; Orlando, Fla.; Atlanta; Boston; New York; Houston.

**Officers:** Martin H. Reiss, president; CEO; Raymond A. Grill, James R. Quiter, Ralph E. Transue, Randolph W. Tucker, senior vps.

**Contact:** George E. Toth or Patrick M. Johnson, 312-831-8200 ext. 202.



**Collin A. Lewis**

P.O. Box 11625, Santa Rosa,  
Calif. 95406; 707-528-9617;  
fax: 707-528-1363

**1996 revenues**  
Total gross revenues .....\$85,000  
Unbundled property loss control/engineering .....100%

**Staff**  
Total .....1  
Professionals .....1  
Includes: 1 ARM, 1 SFPE

**Clients**  
Total .....30

**Loss control services began:** 1986.  
**Frequent services:** Hazard identification, building plan reviews.  
**Occasional services:** Onsite plant loss prevention inspections, fire prevention inspections, research, client training.  
**Specialties:** Wineries, construction litigation.  
**Region served:** United States, nationwide.  
**Contact:** Collin A. Lewis.

**Loss Control Associates Inc.**

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

**1996 revenues**  
Total gross revenues .....\$900,000  
Unbundled property loss control/engineering .....80%  
Other .....20%  
Includes: legal expert witness

**Staff**  
Total .....12  
Professionals .....10  
Includes: 1 ASSE, 2 CSPs, 7 PEs, 7 SFPEs

**Clients**  
Total .....40

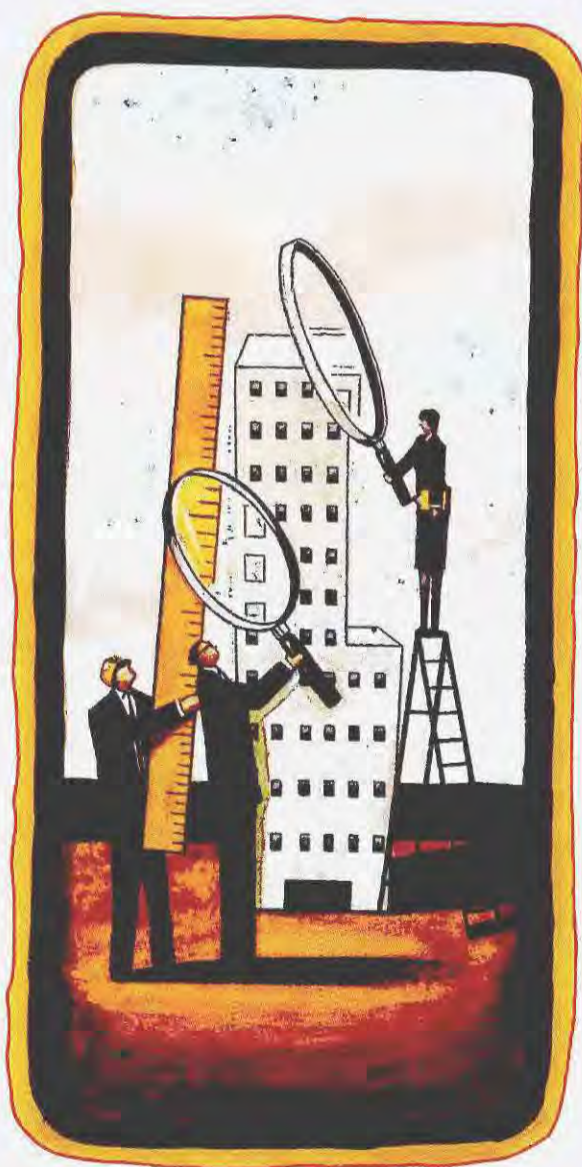
**Loss control services began:** 1986.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, expert witness, life safety analysis.  
**Occasional services:** Plant security inspections, publications, research, fire investigations  
**Specialties:** Chemical, petrochemical, oil refining.  
**Region served:** United States, Indonesia, Korea, Netherlands, Saudi Arabia, Taiwan, Venezuela.  
**Officers:** Orville (Bud) M. Slye Jr., president; Anthony M. Ordile, Dave W. Owen, Roger L. Meur, consulting engineers.  
**Contact:** Anthony M. Ordile.

**Loss Prevention Consultants Inc.**

P.O. Box 54012, Jackson,  
Miss. 39288-4012; 601-878-2138;  
fax: 601-878-2394

**1996 revenues**  
Total gross revenues .....\$100,000  
Unbundled property loss control/engineering .....90%  
Other .....10%  
Includes: legal expert witness

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Continued on next page

Continued from previous page

<b>Staff</b>	
Total.....	5
Professionals.....	3
<b>Clients</b>	
Total.....	75
<b>Loss control services began:</b> 1982.	
<b>Frequent services:</b> Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, research, client training, accident reconstruction, expert witness.	
<b>Occasional services:</b> Plant security inspections, building plan reviews.	
<b>Specialties:</b> Transportation, including hazardous materials.	
<b>Region served:</b> United States, nationwide.	
<b>Contact:</b> John R. Eubanks, president.	



**Maritime Risk Management Consultants**

22 E. Taylor St., Savannah, Ga. 31401; 912-238-4636; fax: 912-238-4636

<b>1996 revenues</b>	
Total gross revenues.....	\$50,000
Unbundled property loss control/engineering.....	100%
<b>Staff</b>	
Total.....	1
<b>Clients</b>	
Total.....	14

**Loss control services began:** 1989.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification.  
**Occasional services:** Plant security inspections, building plan reviews, publications, research, client training.  
**Specialties:** Maritime, warehousing, trucking.  
**Region served:** United States, nationwide.  
**Contact:** Robert W. Smithers, owner.

**Matrix Risk Consultants Inc.**

3491 Newmark Drive, Miamisburg, Ohio 45342; 937-438-7200; fax: 937-438-7220

<b>1996 revenues</b>	
Total gross revenues.....	\$1,600,000
Unbundled property loss control/engineering.....	100%
<b>Staff</b>	
Total.....	14
Professionals.....	10
Includes: 1 ARM, 1 PE	
<b>Clients</b>	
Total.....	16

**Loss control services began:** 1975.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, premium allocation.  
**Occasional services:** Publications.  
**Specialties:** Pulp and paper, manufacturing, telecommunications.  
**Region served:** United States, nationwide; Asia; Canada; Central America; France; Germany; Mexico; Netherlands; Puerto Rico; South America; United Kingdom.  
**Officers:** Walter P. Luker, president; Larry Jones, vp-engineering; Alan Rodeck, vp-marketing; Sheryl Hickman, secretary/treasurer; Keith Willoughby, associate vp-engineering.

**Meadowbrook Insurance Group Inc.**

26600 Telegraph Road, Suite 300, Southfield, Mich. 48034; 248-358-1100; fax: 248-358-1614

<b>1996 revenues</b>	
Total gross revenues.....	\$2,300,000
Unbundled property loss control/engineering.....	10%
Other.....	90%
Includes: catastrophe planning, appraisals	
<b>Staff</b>	
Total.....	30
Professionals.....	4

<b>Clients</b>	
Total.....	112
<b>Loss control services began:</b> 1980.	
<b>Frequent services:</b> Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training.	
<b>Region served:</b> United States, nationwide.	
<b>Branch offices:</b> Montgomery, Ala.; Ceritos, Calif.; Grand Rapids, Mich.; St. Paul, Minn.; Kansas City, Mo.	
<b>Officers:</b> Merton Segal, chairman; Robert Cubbin, Joseph Henry, James Parry, executive vps; Mike Cascone, vp.	
<b>Contact:</b> Mike Cascone.	

**Michigan Health & Hospital Assn. Service Corp.**

6215 W. St. Joseph Highway, Lansing, Mich. 48917; 517-323-3443; fax: 517-323-0913

<b>1996 revenues</b>	
Total gross revenues.....	\$690,000

<b>Unbundled property loss control/engineering.....</b>		<b>50%</b>
<b>Other.....</b>		<b>50%</b>
<b>Includes: workers compensation loss control, engineering services</b>		
<b>Staff</b>		
Total.....	8	
Professionals.....	6	
Includes: 1 CSP, 1 PE		
<b>Loss control services began:</b> 1985.		
<b>Frequent services:</b> Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training, incident trending, return-to-work program, industrial hygiene monitoring.		
<b>Occasional services:</b> Building plan reviews.		
<b>Region served:</b> Illinois, Indiana, Michigan, Ohio, Wisconsin.		
<b>Branch offices:</b> Southfield, Mich.		
<b>Officers:</b> Fritz Kellermann, COO; Kathy Dickenson, senior vp-workers compensation insurance services; Pier-George Zaroni, director-occupational health/environmental safety; Peggy Swirczek, manager-risk management; Terry Chartier, supervisor.		
<b>Contact:</b> Pier-George Zaroni.		

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

<b>1996 revenues</b>	
Total gross revenues.....	\$7,200,000
Unbundled property loss control/engineering.....	9%
Other.....	91%
Includes: claims administration, managed care, brokerage/underwriting services	
<b>Staff</b>	
Total.....	77
Professionals.....	11
Includes: 2 ARMs, 1 ALCM, 3 ASSES, 5 CSPs	
<b>Clients</b>	
Total.....	5
<b>Loss control services began:</b> 1987.	
<b>Parent:</b> Hastings-Tapley Insurance Agency Inc.	

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, research, client training, building replacement cost evaluation.  
**Occasional services:** Building plan reviews, publications.  
**Specialties:** Government.  
**Region served:** Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, Virginia, Vermont.  
**Branch offices:** Albany, N.Y.; Richmond, Va.  
**Officers:** David J. Lane, chairman; Frederick J. England Jr., CEO; E. Donald Lewis, president; Marsha K. Burrige, COO; Jennifer L. Decker, corporate vp.  
**Contact:** Ralph J. Gemelli, senior vp.

Continued on next page

If your company provides property loss control consulting or engineering services but was not included in this directory, call Matt Scroggins at 312-649-5483 and request a questionnaire for next year's directory.

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Continued from previous page



**Richard Oliver International**  
1590 N. Arlington Heights Road,  
Arlington Heights, Ill. 60004;  
847-577-2400; fax: 847-577-7443

<b>1996 revenues</b>	
Total gross revenues	\$3,700,000*
Unbundled property loss control/engineering	30%
Other	70%
Includes: occupational health safety, industrial hygiene, consulting, insurance/risk finance, enterprise risk consulting	
<b>Staff</b>	
Total	34
Professionals	3
Includes: 1 ARM, 2 ASCEs, 1 PE, 2 SFPEs	
<b>Clients</b>	
Total	10

**Loss control services began:** 1972.  
**Parent:** Willis Corroon Group P.L.C.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, boiler/pressure vessel management, management/review of insurer's services, claims management/loss mitigation.  
**Occasional services:** Plant security inspections, publications, business interruption audits.  
**Specialties:** Industrial manufacturing, petrochemicals, utilities.  
**Region served:** Africa, Australasia, Canada, Central America, Europe, South America.  
**Branch offices:** Adelaide, Melbourne and Sydney, Australia; Hong Kong, Auckland, New Zealand; Singapore; Woking, United Kingdom.  
**Officers:** Robert Reilly, president; Charles Valerio, Kathy Brody, senior vps; Norm Alesi, vp-risk consulting group.  
**Contact:** Norm Alesi.  
\* Estimate



**PENCO-Loss Control Services**  
26 Century Blvd., Nashville,  
Tenn. 37214; 615-872-3500;  
fax: 615-872-3522

<b>1996 revenues</b>	
Total gross revenues	\$750,300*
<b>Staff</b>	
Total	5
Professionals	4
Includes: 2 ARMs, 3 ALCMs, 4 ASSEs	
<b>Clients</b>	
Total	120

**Loss control services began:** 1976.  
**Parent:** Willis Corroon Group P.L.C.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training.  
**Specialties:** Government, schools, public entities.  
**Region served:** United States, nationwide.  
**Branch offices:** Rockford, Ill.; Reno, Nev.  
**Officers:** Lloyd Kelley, president/CEO; David Brawner, assistant vp-loss control services.  
**Contact:** David Brawner, 615-872-3536.  
\* Estimate

**Professional Safety Consultant Service Inc.**  
424 S.E. 30th Ave., Ocala,  
Fla. 34471; 352-694-4601;  
fax: 352-694-3853

<b>1996 revenues</b>	
Total gross revenues	\$110,000
Unbundled property loss control/engineering	100%
<b>Staff</b>	
Total	2
Professionals	2
Includes: 1 ASSE, 1 CSP, 1 PE, 1 SFPE	
<b>Clients</b>	
Total	100

**Loss control services began:** 1975.

**Frequent services:** Litigation support, expert witness.  
**Occasional services:** Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training.  
**Region served:** United States, nationwide; Canada; Puerto Rico.  
**Officers:** Herbert T. Bogert, president; Nancy A. Bogert, vp/secretary.  
**Contact:** Herbert T. Bogert.



**RPF Associates**  
20 LeRoy St., Dix Hills,  
N.Y. 11746-6644; 516-586-0778;  
fax: 516-586-5164

<b>1996 revenues</b>	
Total gross revenues	\$250,000
Unbundled property loss control/engineering	40%
Other	60%
Includes: OSHA consulting, DOT consulting, workplace	

safety evaluations

<b>Staff</b>	
Total	3
Professionals	2
Includes: 1 ARM, 1 ALCM, 2 ASSEs, 2 CSPs	
<b>Clients</b>	
Total	45

**Loss control services began:** 1985.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training, property conservation written programs, property self-inspection programs, emergency plans for evacuation.  
**Occasional services:** Building plan reviews.  
**Specialties:** Printing, liquor distillery, transportation.  
**Region served:** United States, nationwide.  
**Contact:** Robert P. Firmbach, president.

An explanation of the terms used in this directory appears on page 17.

**RECON Associates Inc.**  
9 Mott Ave., Suite 309,  
Norwalk, Conn. 06850;  
203-854-9962; fax: 203-866-3892

<b>1996 revenues</b>	
Total gross revenues	\$1,210,454
Unbundled property loss control/engineering	25%
Other	75%
Includes: property damage evaluation, claim preparation	
<b>Staff</b>	
Total	8
Professionals	5
Includes: 2 PEs	
<b>Clients</b>	
Total	20

**Loss control services began:** 1972.  
**Frequent services:** Building plan reviews, publications, property evaluations, furniture/fixture/equipment evaluations.  
**Occasional services:** Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, research, client training.  
**Region served:** United States, nation-

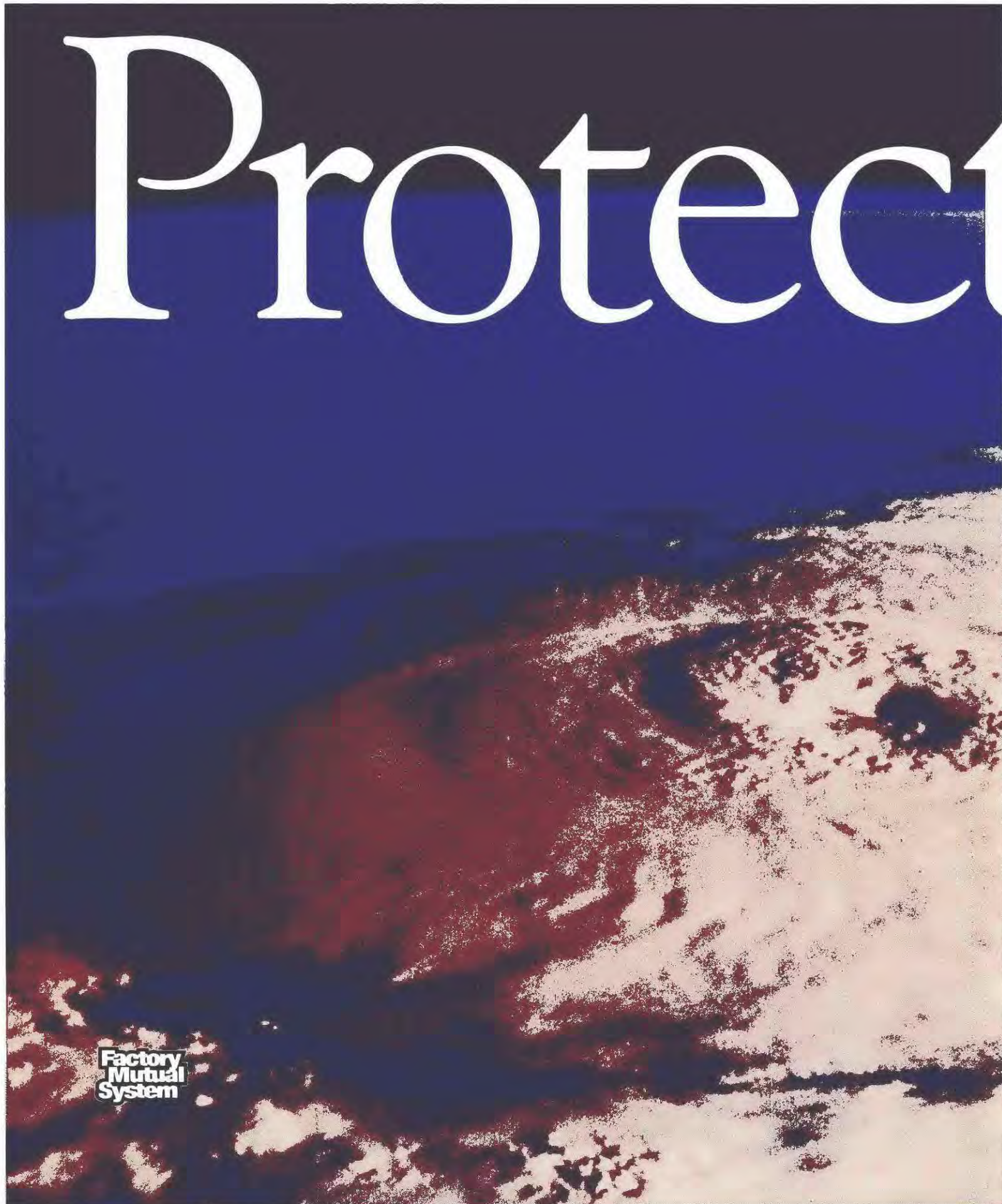
wide; Antigua; Canada; Jamaica; St. Thomas, Virgin Islands.  
**Contact:** Kenneth A. Kosinski, president.

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

<b>1996 revenues</b>	
Total gross revenues	\$11,000,000
Unbundled property loss control/engineering	50%
Other	50%
Includes: casualty, CIH, workers compensation training	
<b>Staff</b>	
Total	120
Professionals	90
Includes: 4 ARMs, 15 CSPs, 3 PEs, 1 SFPE	
<b>Clients</b>	
Total	20

**Loss control services began:** 1964.  
**Frequent services:** Onsite plant loss

Continued on next page



**Factory Mutual System**

Continued from previous page

prevention inspections, fire prevention inspections, hazard identification, research.

**Occasional services:** Plant security inspections, building plan reviews, publications, client training.

**Region served:** United States, nationwide.

**Branch offices:** Concord and Irvine, Calif.; South Windsor, Conn.; Marietta, Ga.; Naperville, Ill.; Boston; Mount Laurel, N.J.; Richardson, Texas; Mechanicsville, Va.

**Officers:** Martin Myers, president; Louis Siegel, executive vp; Josephine Johns, John Farinacci, Dave Toti, vps.

**Risk Analysis & Insurance Services Inc.**

3610 N. 44th St., Suite 250, Phoenix, Ariz. 85018; 602-956-3686; fax: 602-956-2003

1996 revenues	
Total gross revenues	\$750,000

Unbundled property loss control/engineering	25%
Other	75%
Includes: insurance brokerage	

<b>Staff</b>	
Total	10
Professionals	3
<b>Clients</b>	
Total	30

**Loss control services began:** 1992.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, client training.

**Occasional services:** Building plan reviews, publications, research.

**Specialties:** Professional employers organizations, school districts.

**Region served:** United States, nationwide.

**Branch Offices:** Colorado Springs, Colo.

**Officers:** Gregory B. Jacobs, president; Wallace C. Voight, vp; Bert Garcia, vp-underwriting; Roy Manns, risk manager.

**Contact:** Gregory B. Jacobs.

**Risk Analysts Inc.**

24 Greenway Plaza, Suite 1100, Houston, Texas 77046; 713-507-9400; fax: 713-507-4724

<b>1996 revenues</b>	
Total gross revenues	\$520,000
Unbundled property loss control/engineering	40%
Other	60%
Includes: workers compensation, general liability and occupational injury prevention services	

<b>Staff</b>	
Total	57
Professionals	3
Includes: 2 ARMs, 2 ASSEs, 2 CSPs	
<b>Clients</b>	
Total	100

**Loss control services began:** 1984.  
**Parent:** Wisenberg Insurance & Risk Management.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, research, client training, life safety assessment and surveys, disaster and contingency plan design.

**Occasional services:** Plant security inspections, building plan reviews, publications.

**Specialties:** Warehousing, distribution centers, retail.

**Region served:** Southwest.

**Officers:** Irving Pozmantier, chairman; Joe Williams, CEO/president; Tom Francis, Jay Williams, executive vps; Nicholas P. Dalby, vp/director-risk control.

**Contact:** Nicholas P. Dalby, 713-507-4792.

**Risk Consultants Inc.**

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

<b>1996 revenues</b>	
Total gross revenues	\$3,500,000
Unbundled property loss control/engineering	60%
Other	40%
Includes: industrial hygiene, drug-free workplace compliance training	

<b>Staff</b>	
Total	85
Professionals	65

Includes: 30 CSPs, 2 PEs	
<b>Clients</b>	
Total	150
<b>Loss control services began:</b> 1979.	
<b>Parent:</b> Risk Consultants Inc. of North America.	
<b>Frequent services:</b> Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, research, client training, industrial hygiene.	
<b>Occasional services:</b> Plant security inspections, building plan reviews, publications.	

**Region served:** United States, nationwide; Canada, Puerto Rico, Mexico, Virgin Islands.

**Branch offices:** San Diego; Miami; Norcross, Ga.; Chicago; Jackson, Miss.; Memphis, Tenn.

**Officers:** R. Michael Malone, president/CEO; Hugh P. Bagwell, executive vp.  
**Contact:** R. Michael Malone or Ron Manford.



**Safety Consulting Inc.**

1403 S.W. Topeka Blvd., P.O. Box 2789, Topeka, Kan. 66601-2789; 913-232-3887; fax: 913-233-1746

<b>1996 revenues</b>	
Total gross revenues	\$321,000
Unbundled property loss control/engineering	100%

<b>Staff</b>	
Total	5
Professionals	1
Includes: 1 ARM	
<b>Clients</b>	
Total	150

**Loss control services began:** 1971.

**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training.

**Occasional services:** Plant security inspections, building plan reviews.

**Region served:** United States, nationwide.

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

**Contact:** Craig S. Stromgren.

**Safety Management Services Inc.**

P.O. Box 51927, Lafayette, La. 70505; 318-235-6524; fax: 318-233-9772

<b>1996 revenues</b>	
Total gross revenues	\$200,000

<b>Staff</b>	
Total	4
Professionals	3
Includes: 3 ASSEs, 2 CSPs	
<b>Clients</b>	
Total	187

**Loss control services began:** 1981.

**Frequent services:** Onsite plant loss prevention inspections, hazard identification, research, audits/profiles of environment, safety and health programs.

**Occasional services:** Fire prevention inspections, plant security inspections, building plan reviews, publications, client training.

**Region served:** United States, nationwide; international by assignment.

**Officers:** Jack Barnidge, president; Fred De'Jean, vp.

**Contact:** Jack Barnidge.

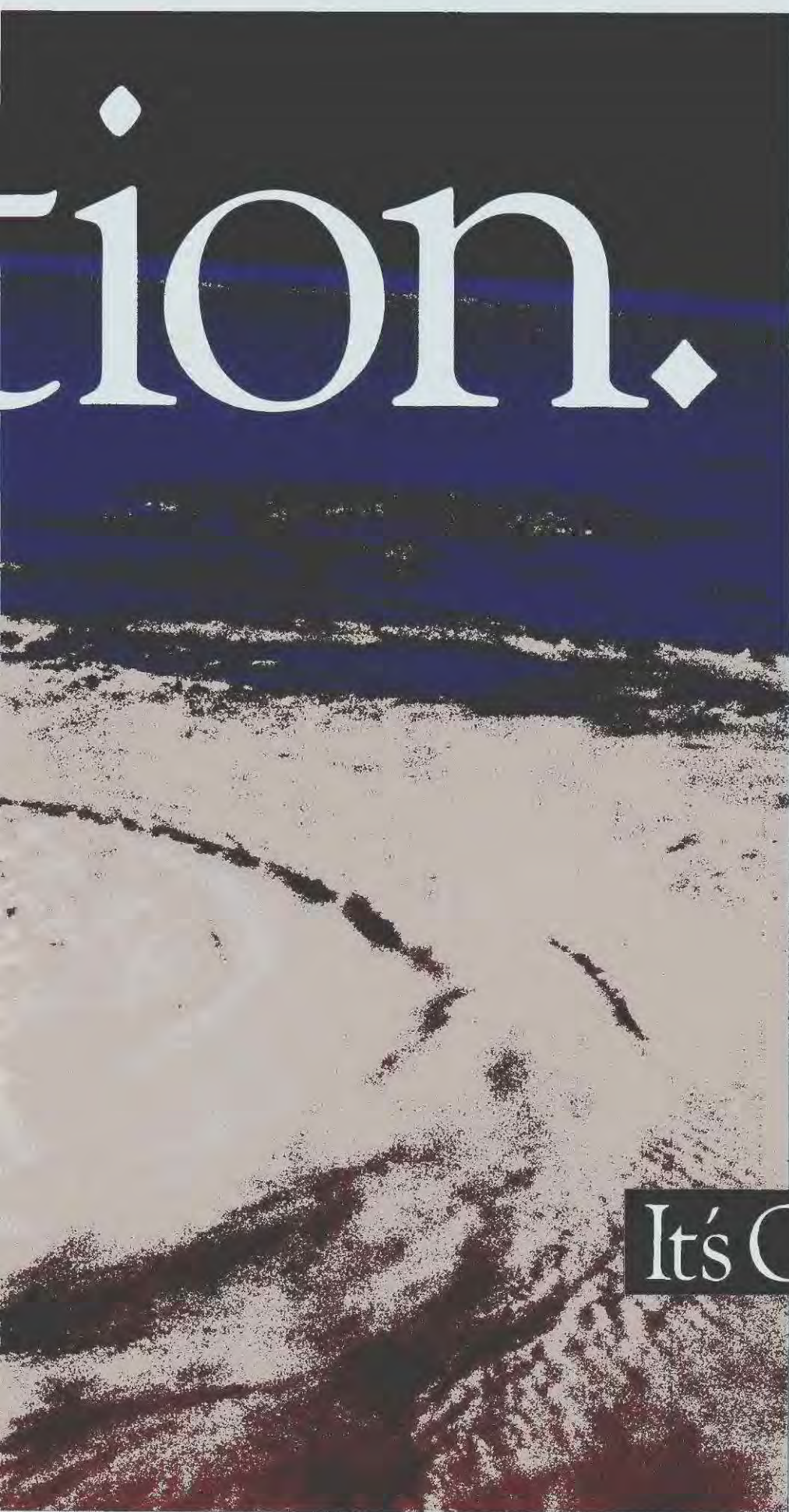
**Safety & Risk Control Services Inc.**

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

<b>1996 revenues</b>	
Total gross revenues	\$500,000
Unbundled property loss control/engineering	20%
Other	80%

Includes: safety consulting, underwriting risk assessments, safety training, program development, safety audits, association safety programs, annual safety management programs

<b>Staff</b>	
Total	16



tion.



"Everybody talks about the weather, but nobody does anything about it."

-Charles Dudley Warner, 1890

Early in this century, farmers in northern Italy tried to stop the hail that threatened their crops by blasting hot air into the clouds. Unfortunately, their attempts to control the weather were unsuccessful.

Today, we still try to do something about the weather, but even sophisticated tools such as satellite photography cannot halt the destructive force of a natural disaster.

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Park Ridge, Illinois 60068 708.825.4474

Continued on next page

Continued from previous page

Professionals.....	6
Includes: 3 ARMs, 7 ASSEs, 3 CSPs	
<b>Clients</b>	
Total.....	7

**Loss control services began:** 1983.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, client training.  
**Occasional services:** Plant security inspections, building plan reviews, publications, research.  
**Specialties:** Transportation, heavy manufacturing, real estate.  
**Region served:** United States, nationwide.  
**Contact:** Harvey S. Staple, president.

**Sedgwick Inc.-Property Risk Control Consulting**  
 P.O. Box 1675, Harrisburg, Pa. 17105; 717-720-4561; fax: 717-234-1400

<b>1996 revenues</b>	
Total gross revenues.....	\$12,950,000
Unbundled property loss control/engineering.....	40%
Other.....	50%
Includes: casualty risk control consultation, specialty consultation, loss investigation/analysis	
<b>Staff</b>	
Total.....	130
Professionals.....	110
Includes: 33 ARMs, 7 ALCMs, 60 ASSEs, 38 CSPs 7 PEs, 25 SFPEs	
<b>Clients</b>	
Total.....	300

**Loss control services began:** 1858  
**Parent:** Sedgwick Group P.L.C.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training.  
**Occasional services:** Disaster/business recovery planning, loss estimates, rate analysis, building code review, protection system design and analysis, protection system specifications.  
**Specialties:** Public entities, health care, warehouse/distribution.  
**Region served:** United States, nationwide; Asia-Pacific; Australia; Europe.  
**Branch offices:** 30 locations nationwide.  
**Officers:** Richard E. Botts, national director-property; J. Steven Hunt, national director-casualty; Jane H. Fleming, senior vp-national resources.  
**Contact:** Richard E. Botts.

**Sigma Associates Ltd.**  
 105 Timber Ridge Blvd., Pass Christian, Miss. 39571; 601-452-4866\*; fax: 601-452-7202\*  
**1996 revenues**  
 Total gross revenues.....\$500,000  
 Unbundled property loss control/engineering.....46%

Other.....	60%
<b>Staff</b>	
Total.....	5
Professionals.....	3
Includes: 1 ASSE, 1 PE	
<b>Clients</b>	
Total.....	38

**Loss control services began:** 1978.  
**Frequent services:** Onsite plant loss prevention inspections, plant security inspections, hazard identification, client training.  
**Occasional services:** Fire prevention inspections, building plan reviews, publications, research.  
**Specialties:** General industry, construction, maritime.  
**Region served:** United States, nationwide.  
**Officers:** A.J. Scardino Jr., president; Dave McIntosh, associate; L.B. Scardino, secretary/treasurer.  
**Contact:** A.J. Scardino Jr. or Dave McIntosh.  
 \* Area code changes to 228 Sept. 15, 1997.

**Stogniew & Associates**

12225 28th St. N., St. Petersburg, Fla. 33716; 813-572-7400; fax: 813-572-7457

<b>1996 revenues</b>	
Total gross revenues.....	\$1,200,000
Unbundled property loss control/engineering.....	30%
Other.....	70%
Includes: risk management evaluations, risk surveys, claims assistance, investigations and expert witness testimony	
<b>Staff</b>	
Total.....	15
Professionals.....	7
<b>Clients</b>	
Total.....	15

**Loss control services began:** 1980.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, safety inspections, disaster recovery plans/procedures.  
**Occasional services:** Building plan reviews, research, client training.  
**Specialties:** Financial institutions, hospitals, nursing homes.  
**Region served:** United States, nationwide.  
**Officers:** Gerald F. Stogniew, president; Kristen S. Stogniew, general counsel; Mac Fleming, Dennis Sherfy, senior consultants.  
**Contact:** Gerald F. Stogniew.

**F.J. Szymanski-Safety Services**

386 Backwater Trail, Nekoosa, Wis. 54457; 715-325-7570

<b>1996 revenues</b>	
Total gross revenues.....	\$13,000*

Unbundled property loss control/engineering.....100%  
**Loss control services began:** 1984.  
**Frequent services:** Onsite plant loss prevention inspections, hazard identification, client training, property-liability.  
**Region served:** Wisconsin.  
**Contact:** Frank J. Szymanski, principal.  
 \* Estimate.



**Technical Insurance Services**

P.O. Box 127X, Jeffersonville, N.Y. 12748; 800-557-1147; fax: 914-482-4772

<b>1996 revenues</b>	
Total gross revenues.....	\$711,000
Unbundled property loss control/engineering.....	25%
Other.....	75%
Includes: liability loss control, premium audit services	
<b>Staff</b>	
Total.....	19
Professionals.....	16
Includes: 2 ARMs, 2 ALCMs, 3 CSPs	
<b>Clients</b>	
Total.....	28

**Loss control services began:** 1983.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification.  
**Occasional services:** Publications, research, client training.  
**Specialties:** Social services, agriculture, day care.  
**Region served:** United States, nationwide.  
**Officers:** Robert L. Wasserman, president; Geoffrey Persten, vp.  
**Contact:** Robert L. Wasserman.

**Tomes, Van Rickley & Associates**

8265-A Vickers St., San Diego, Calif. 92111; 619-576-6466; fax: 619-576-6465

<b>1996 revenues</b>	
Total gross revenues.....	\$9,047,633
Unbundled property loss control/engineering.....	45%
Other.....	55%
Includes: construction	
<b>Staff</b>	
Total.....	97
Professionals.....	6
Includes: 6 PEs, 2 SFPEs	
<b>Clients</b>	
Total.....	148

**Loss control services began:** 1985.  
**Parent:** Fire Design Group Inc.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews,

client training, HPFI evaluations.  
**Occasional services:** Publications, research.  
**Specialties:** Warehousing, large box retail.  
**Region served:** United States, nationwide; Guam; Honduras; Korea; Mexico.  
**Branch offices:** Carlsbad and San Francisco, Calif.; Atlanta; Detroit; Mount Olive, N.J.; El Paso, Texas; Tijuana, Mexico.  
**Officers:** William J. Tomes, CEO; Russell B. Leavitt, president; James W. Tomes, CFO; William Holden, vp.  
**Contact:** Terri L. Simmons, manager-marketing/sales or Kelly Tucker, marketing coordinator.



**Walker & Associates**

P.O. Box 700, Willard, Mo. 65781-0700; 417-742-3303; fax: 417-742-3959

<b>1996 revenues</b>	
Total gross revenues.....	\$520,000
Unbundled property loss control/engineering.....	92%

**Geffen**

Continued from page 1  
 1991 to 1993.  
 One new way of holding a class is over the Internet, Ms. Geffen said. This works by conducting parts of the class online in "discussion threads," where the instructor and students exchange questions and answers in a virtual classroom discussion. Also online will be course syllabi and assignments.

Students can submit assignments and take tests online as well. As in a traditional class, however, students will read, research and perform projects and field work on their own.

Online discussion groups can be held either in "synchronous" mode, where the participants exchange messages in real time, or in "asynchronous" mode, where the teacher and students post messages others can read and answer at any time.

Virtual classrooms have a number of advantages over regular classrooms for the busy risk managers, she said. These classes, especially asynchronous ones, do not have a fixed time and place. Therefore, a student can "attend" class at his or her convenience to keep tabs on the discussion and post his or her own thoughts. So, she said, someone can go to class 10 minutes a day for five days rather than one day for 50 minutes.

"People are not bound by time" with the virtual classroom, Ms. Geffen said. "People can get on when they can and are not forced to be at a certain place and at a certain time."

"Most people are busy, not just with work but with families and other activities. So people find it more difficult to be at one place at one time," she added.

Ms. Geffen plans to introduce a pilot project for RIMS continuing education by next year's national conference in April. Shortly thereafter, more classes will be developed for RIMS members.

"It will take longer to develop the first one," she said. "Once you do the first one, the rest take less time to develop."

Another use of technology is holding classes by videoconference. This allows each participant to see and talk to the others without having to travel to the same location.

Using new technology "is a great idea," said David Mair, risk

Other.....	8%
Includes: insurance company surveys, special consulting fees	
<b>Staff</b>	
Total.....	5
Professionals.....	3
Includes: 1 ARM, 1 ALCM, 1 ASSE, 3 PEs, 3 SFPEs	
<b>Clients</b>	
Total.....	20

**Loss control services began:** 1991.  
**Frequent services:** Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, property premium allocation services.  
**Occasional services:** Plant security inspections, client training, property loss investigations, boiler/machinery underwriting reports.  
**Specialties:** Food processing, grain handling/processing, subterranean facilities.  
**Region served:** United States, nationwide; Canada; Puerto Rico.  
**Branch offices:** Freehold, N.J.; Youngstown, Ohio; Houston.  
**Officers:** B.J. (Bill) Walker, president; Thomas H. Brereton, vp.  
**Contact:** B.J. (Bill) Walker. **BI**

manager for the United States Olympic Committee in Colorado Springs, Colo., and the vp-industry liaison and treasurer for RIMS.

"It's a way to bring education to the risk manager instead of making the risk manager pack up and go to where the education is," he said.

Steve Hewitt, director of risk management at L.L. Bean Inc. in Freeport, Maine, said the easier access to the classes is useful and

**'People are not bound by time' with a virtual classroom, says Amy Geffen of RIMS.**

might lead him take a class in the future.

"If this can provide more flexibility, it certainly can be an alternative," he said.

Ms. Geffen also will help in the development of a previously announced new risk management designation, the Fellow in Risk Management.

RIMS Executive Director Linda Lamel has made the FRM designation one of her top priorities (BI, April 14). Attaining the FRM will require passing seven classes in addition to the three required for the ARM certification.

Ms. Geffen said RIMS plans to offer the first FRM classes sometime next summer. Universities will provide the classes, and RIMS will provide the delivery system, Ms. Geffen said. RIMS currently is looking for schools that want to offer the classes.

Besides the new designation, Ms. Geffen plans to expand the range of courses that RIMS offers. One plan is to hold seminars jointly with brokers to discuss risk management topics.

She also will talk to RIMS members to get their input on what kinds of classes RIMS should offer. Currently, two classes have been added, with more to come in the future.

All of Ms. Geffen's initiatives lead to her ultimate goal: more people attending more and better classes. "I want to increase participation in our programs by our members and by those not members of our organization," she said.

**Zurich Re (UK) Limited — Announcement!**

Zurich Re (UK) Limited is part of the global Reinsurance Network within the Zurich Group. As part of an alignment of the company names within the Network our company name has changed as of **15th August 1997** to

**Zurich Reinsurance (London) Limited**

Please note this change of name has no impact on the business of the company. Our Account Teams will continue to write both insurance and reinsurance business.



## INTERNATIONAL

**Costs, restrictions criticized in Mexico's pension reform**

By GAVIN SOUTER

MEXICO CITY—Mexico's shift from a state-run, pay-as-you-go pension system to one based on private retirement savings officially is under way, with workers allowed to make their first contributions to private savings plans as of July 1.

Two of the primary concerns being raised since the private system began last month are the amount of management fees workers will pay to the private fund managers and whether older workers will be disadvantaged by the switch.

The privatization of Mexico's pension system ultimately will provide for more secure pensions for employees, said Guillermo Montes Avila, director of human resources at Eli Lilly Cie De Mexico in Mexico City.

"There was a fiscal problem with the social security system in Mexico, and the possibility of the government defaulting on the payment of pensions in the future was high," he said.

The problem of maintaining a heavily burdened, government-sponsored defined benefit plan has now been alleviated by replacing it with a system of mandatory private

pension plans for all working Mexicans.

As under the state pension system, retirement funds will be built up through contributions from the government, employers and employees. Employers contribute 3.15% of a worker's total salary, employees 1.125% and the government 0.226%. Contributions will be deducted from workers' paychecks, but the contributions will be deposited to accounts handled by private asset managers, Administradoras del Fondo para el Retiro, or AFOREs, that have been established by financial institutions to administer workers' retirement accounts.

The heavily regulated AFOREs will strive to secure superior investment returns to attract workers' funds. As a result, workers are expected to receive larger pensions than those that would be paid under the old state pension system, Mr. Montes said.

Yet despite the competitive market forces, the AFOREs are charging large commissions for their services, said Jesus Molina, director of personnel at Hewlett Packard de Mexico S.A. in Mexico City.

The more than one dozen

AFOREs that have been established earn commissions in a variety of ways, and each of them released its final structure last month.

One common commission structure is to charge up to 1.7% of a worker's salary as a commission. Another is to charge up to 30% of the investment gains an AFORE manages to attain for a worker. In effect, the AFOREs charge more than 20% of the workers' contributions.

"They justify that by promising high returns," Mr. Molina said. Many workers are concerned that the AFOREs may be promising higher returns than they will be able to deliver, he added.

The high commissions are necessary to properly service the accounts, according to Eduardo Silva, director general of Profuturo, an AFORE owned by insurer Grupo Nacional Provincial in Mexico City. Profuturo charges each of the 1 million workers in the AFORE a commission of about 1.5% of salary.

"It's a large commission, but it is the only charge that we impose and we need it to manage the funds," he said.

The commission levels are comparable to those charged in Chile, which has a pension system similar to the one just implemented in Mexico, Mr. Silva said.

The new system could also cause problems for workers who are nearing retirement and will not have had enough time to save sufficient retirement funds in the AFOREs to fund an adequate pension, said Ignacio Cano, director of employee benefits services at Tillinghast Towers Perrin in Mexico City.

Under the regulations released in March, the new scheme ostensibly allows workers to re-enter the old social security system when they retire if calculations show that they would receive a larger benefit with a state pension than under the new private system. In reality, though, some of the details of the law will prevent a large number of workers from re-entering the old system, said Mr. Cano.

To re-enter the system, the workers must give their AFORE contributions to the state and then the state will pay the old level of pension. However, in order to re-enter the system, workers must

See Pensions on page 36

**Willis, Sedgwick plan to keep their distance**

By EDWIN UNSWORTH

LONDON—The two biggest London-based brokers—Willis Corroon P.L.C. and Sedgwick Group P.L.C.—continue to dampen speculation they will merge with each other, though they do not rule out closer ties with other brokers.

Comments on their roles in the consolidation trend were included in the brokers' midyear results, released earlier this month.

John Reeve, executive chairman of Willis Corroon, said in a statement that a merger with Sedgwick would be difficult to achieve because "the two groups have pursued different strategies."

When Sedgwick reported its results, a statement from Chairman Sax Riley concurred. "Their strategy is quite decided," he said of Willis Corroon, and "they're not interested in consolidation."

Mr. Riley emphasized that while Sedgwick "would like to get bigger," its goal in any merger or acquisition remains foremost to deliver long-term shareholder value.

Sedgwick does not want to merely acquire minority stakes in other entities where it has no control over day-to-day operations or dividend policy, Mr. Riley said.

He added that this did not necessarily preclude a deal in which Sedgwick would have minority ownership, citing its recently announced plans for a joint venture covering southern Europe and Latin America with Gruppo Nikols of Italy, in which Sedgwick will have a 49% stake but voting control (BI, Aug. 11). See Brokers on page 36

**New code might imperil ship cover**

By EDWIN UNSWORTH

LONDON—Insurers soon may refuse to cover large numbers of merchant shipowners.

That action, combined with warnings from governments of key trading countries, including the United States and the European Union, that they will bar their ports to certain ships would effectively prevent merchant shipowners from plying their trade.

The potentially dire situation results from a code adopted by the International Maritime Organization, the London-based shipping unit of the United Nations. The code, which goes into effect in less than a year, is designed to force the operators of substandard ships to improve the quality of their vessels and management systems.

Known as the International Ship Management Code, it takes effect

July 1, 1998, by means of amendments to the IMO's Safety of Life at Sea Convention of 1974, to which 134 countries, including the United States, are parties.

So far, only about 11%, or slightly more than 2,000, of the approximately 19,000 merchant ships the ISM Code will affect next July have compliance certificates. Many of the remainder may not be able to meet the deadline, because it takes an estimated 12 to 14 months to meet compliance criteria.

P&I clubs, the protection and indemnity mutuals that provide liability coverage for most of the world's merchant ships, have not decided if they will continue to cover members that have not received their ISM certificates by next July.

John Riley, chairman of the In-

See IMO on next page

**Replacing UNISON partner key for Jauch**

By DON LEWIS KIRK

HAMBURG, Germany—After a difficult year in which it managed to grow revenues in spite of the soft market, broker Jauch & Huebener KGaA faces a new challenge in finding a new international brokerage partner.

Replacing its former UNISON network partner Johnson & Higgins is the most pressing need for Jauch & Huebener at the moment.

While that effort is ongoing, the Hamburg-based broker also continues to reorganize its operations and shift its emphasis to providing risk management ser-

vices to better serve clients and attract new business.

Jauch & Huebener Partner Christian Dahms declined to name his options for a new partner, but said the broker has narrowed the field to specific brokers with a strong presence in North America, South America and Asia.

Originally set to be named in June, Mr. Dahms said now it could be September before a decision is made. Reaching agreement with all parties, including shareholders, is taking longer than expected, he said.

The leading German broker lost such a partner when Marsh

& McLennan Cos. Inc. bought Johnson & Higgins in March for \$1.8 billion, taking J&H out of UNISON (BI, March 17).

In recent weeks, there was a rumor that Jauch & Huebener perhaps would merge with French broker Gras Savoye S.A., which also is a UNISON partner. But Gras Savoye earlier this month announced a link with Willis Corroon Group P.L.C., which has agreed to acquire a 33% voting stake in the French broker.

Mr. Dahms hinted that the broker may consider forging an alliance that would limit its own independence.

"There will always be indepen-

dent brokers... for local business... but those who want to do international business must join the top four networks or create a fifth," he said.

For now, Jauch & Huebener will continue to conduct international business through UNISON, with the network's remaining minority partners. It also will maintain offices or share operations with Johnson & Higgins in Austria, Hungary, the Czech Republic, Slovakia and Russia. Johnson & Higgins has not yet abandoned its role as a partner in these locations.

Whatever its choice as a part-

See Jauch on page 36

**Global Briefs**

U.K. businesses already are preparing for hits to their profits as a result of the government's decision to remove tax credits from pension funds. Last week, engineering and construction company Glynwed International P.L.C. warned investors that contributions into the organization's pension plan will be increased in the second half of this year, likely lowering returns to shareholders... Corporate capital investors in Lloyd's of London will have greater representation on the Council of Lloyd's, the organization's ruling body, in 1997. In elections set for later this year, an extra seat on the Council will be made available for corporate capital members, though this still brings their total representation to only two places, compared with five representing the interests of traditional unlimited liability names... Ton van der Minnen has been appointed treaty underwriter at the Amsterdam office of CNA International Reinsurance Co. Ltd., and Barbara Frei has been appointed assistant casualty underwriter at the reinsurer's Zurich office as part of CNA's European expansion program... The Assn. of British Insurers and the Assn. of Insurance & Risk Managers have mustered forces to lobby government to avert the flood threat facing London. Ground water levels are rising by almost 10 feet each year, according to AIRMIC, threatening London's subway, telecommunications systems and buildings. AIRMIC and the ABI, along with London companies, have proposed a London-wide solution, including digging a number of boreholes, which are sunk into aquifers, and providing that water for general supply... CIGNA Corp. has opened a third representative office in China, in Guangzhou... Rating agency Standard & Poor's Corp. has affirmed its AA- rating for Royal & Sun Alliance Insurance Group P.L.C. as a reflection of what it called the group's very strong market position, good earnings potential and robust capitalization. Long-term goals and strategies still are to be set, following last year's merger of Royal Insurance P.L.C. and Sun Alliance Group P.L.C., though S&P expects the group to continue improving efficiencies. RSA is aiming for annual savings of £175 million (\$276.3 million) as of 1998 as a result of the merger... S&P also has confirmed its AAA rating for Munich Reinsurance Co. A.G. and its subsidiaries Munich Reinsurance Co. of Australia Ltd., American Re-insurance Co. and American Alternative Insurance Corp. Rating factors include Munich Re's pre-eminent position in the global reinsurance market, its acquisition of Am Re and the proposed merger of Hamburg-Mannheimer Versicherungs and Deutsche Krankenversicherungs with Victoria Versicherungs and D.A.S. Versicherungs to form the Ergo insurance group, which S&P anticipates will "considerably improve Munich Re's risk and business profile."

# Murray Lawrence successfully woos investors State Farm, Fund American

By STACY SHAPIRO

LONDON—One of Lloyd's of London's largest underwriting agency groups has attracted one of the largest U.S. insurance companies as a major shareholder.

Murray Lawrence Holdings Ltd. announced last week that a group of strategic investors led by State Farm Mutual Automobile Insurance Co. and Fund American Enterprises Holdings Inc. was investing £40 million (\$63.1 million) in capital. State Farm and Fund American have invested 85% of the new capital to develop Murray Lawrence's insurance operations, including syndicate 2001, which writes all classes of business.

The investors will have a "sig-

nificant minority interest" in Murray Lawrence, though how much has not been disclosed. However, "we will remain independent and privately owned," said Tony Hobrow, who became managing director of Murray Lawrence last month. Former Managing Director Paul Archard has become deputy chairman of the group's insurance services and runoff management subsidiary, the Whittington Group.

The investment is "good for us and good for Lloyd's" because it attracts one of the world's

largest insurance companies, State Farm, said Mr. Hobrow.

"We look forward to building on a foundation of common in-

esting state in Lloyd's history," added Jack Byrne, chairman of Fund American, which has stakes in six regional or special-

ty insurers mainly in the United States through its wholly owned subsidiary, White Mountains Holdings Inc.

Murray Lawrence, one of

Lloyd's largest operations, has three main divisions, namely managing agency Murray Lawrence & Partners Ltd., which manages syndicate 2001 with a 1997 capacity of £529.6 million (\$897.3 million); the

Whittington Group, with estimated 1997 revenues of £30 million (\$50.8 million); and a few members agencies, which collectively provide capacity of £730 million (\$1.24 billion) throughout the market.

At year-end March 31, 1997, Murray Lawrence Holdings had pretax profits of £6.5 million (\$10.3 million) after a £14.6 million (\$24.7 million) deduction for the exceptional contribution to Lloyd's reconstruction and renewal plan.

This is Murray Lawrence Holdings' second attempt to find new investors. Last year, the group and Lloyd's corporate investor Masthead Insurance Underwriting P.L.C. were unable to agree on a merger (BI, Oct. 10, 1996).

**'We believe that our investment in Murray Lawrence will help its development at an interesting state in Lloyd's history,' says Jack Byrne, chairman of Fund American.**

terest and working together for mutual benefit," stated Roger Joslin, chairman of Bloomington, Ill.-based State Farm.

"We believe that our investment in Murray Lawrence will help its development at an inter-

## IMO

Continued from previous page

International Group of P&I Clubs, which represents 15 clubs accounting for 90% of world merchant shipping, says the subject still is under discussion within the group.

"The question of cover is a point we're still working on," he said, adding that "at the moment I wouldn't say that we've got conformity of view."

The United Kingdom Mutual Steam Ship Assurance Assn. (Bermuda) Ltd., the world's largest P&I club and a member of the international group, also has not decided if it will make ISM Code compliance a condition of coverage. Hareward Lawford, a director of the club's managers, Thos R. Miller & Son (Bermuda), said a decision is unlikely before the club's annual meeting in October.

Hull underwriters, too, are considering what position to adopt on ISM Code compliance.

Richard Palengat, an underwriter in London Jansen Green Ltd. and a member of the Joint Hull Committee representing underwriters in the insurance company and Lloyd's of London markets, said the committee "will shortly be forming a view on what we think is the way to proceed on this matter."

It is waiting first to hear what is said on the subject at the annual meeting next month in Paris of the International Union of Marine Insurers.

However, the committee only can make recommendations to underwriters rather than agree to any binding policy.

In a press statement last May about the ISM Code, the U.S. Coast Guard said, "U.S. companies and their ships which operate with safety management systems (a requirement of the Code) also would see reductions in company liability insurance costs; P&I insurance claims; lost man-hours; hospitalized personnel; medical sign-off of ship's personnel; pollution discharges and accidents; fines from pollution spills; ship casualties; cargo damage claims; and in claims associated with damaged containers."

To comply with the ISM Code, a shipowner or ship management

company and its vessels must pass inspection, usually by a body such as one of the independent ship classification societies that already inspect ships and issue classification certificates proving their seaworthiness.

The leading societies are members of the International Assn. of Ship Classification Societies; the association has yet to decide if its members should make ISM compliance a condition of ships meeting their general classification requirements.

IACS Chief Executive James Bell said he expects the association to reach a decision at a meeting in December. He emphasized that if IACS were to make ISM compliance a condition of class and a ship were to fail to get its ISM certificate by next July, it

**'We are uneasy that some ships will not have obtained the necessary certification,' says William O'Neill.**

would be suspended from class, which certainly would invalidate its insurance.

As of next July, ISM Code compliance becomes compulsory for tankers, bulk carriers, gas carriers, high-speed cargo vessels and passenger ships of 500 gross tonnage or more.

This amounts to about 19,000 ships globally. From July 2002, another 21,000 ships will be affected when the Code is extended to merchant ships and mobile offshore drilling units above 500 gross tonnage.

IACS said that as of mid-1997, just 2,010 of the 19,000 ships subject to the code in July had been certified—despite the fact that the ISM code was adopted in May 1994.

Given that it takes an average of at least 12 months to bring a vessel into compliance, this suggests that the bulk of affected shipping will not be certified by the July 1 deadline.

This prompted the IMO General Secretary William O'Neill to write in July to the heads of the 25 countries with the largest tonnage of merchant ships registered to

express his concerns about the slow rate of ISM compliance.

In his letter Mr. O'Neill states, "From the information we have received, we are uneasy that some shipping companies and ships concerned will not have obtained the necessary certification under the code."

Mr. O'Neill has asked countries where ships are registered to provide the IMO with details of compliance by Sept. 15 and to estimate prospects for compliance by the deadline.

U.S. authorities have declared that, come next July, they will not allow ships without ISM certificates into U.S. waters.

Rear Admiral Robert North, assistant U.S. Coast Guard commandant for marine safety and environmental protection, has said there will be no exemptions or grace period. Vessels without ISM certificates from July 1 will be either denied entry into U.S. waters or detained and fined, he warned.

The roots of the ISM Code go back largely to the Herald of Free Enterprise ferry disaster of 1987, when a roll-on/roll-off passenger ferry capsized in the English Channel.

While the vessel's operators and operating procedures were proven to be at fault, an unclear line of command made it difficult to pin down the blame. Therefore, a key principle of the ISM Code is that shipping companies must designate a person ultimately responsible for safety matters.

Shipowners and managers also must establish a safety management system designed to ensure compliance with all internationally agreed upon safety requirements.

The SMS must include:

- A safety and environmental protection policy.
- Defined levels of authority and established lines of communication between shore and shipboard personnel.
- Procedures for reporting accidents.
- Procedures for responding to emergencies.
- Procedures for internal audits and management reviews.

A shipowner or operator who passes inspection is issued a document of compliance and a safety management certificate, copies of which must be kept on ship. **BI**

## P&I clubs to reduce shipowner liability

By EDWIN UNSWORTH

LONDON—The International Group of P&I Clubs, whose 15 member protection and indemnity mutuals insure approximately 90% of the world's merchant shipping fleet, have agreed on a united response to the European Commission's threat to end their exemption from E.U. antitrust rules.

The International Group said last week that all its members have now agreed to reduce shipowner member's exposures to large claims.

The E.C. Competition Directorate had given the group until Sept. 16 to respond to its claims that they were restricting competition by charging members too much for liability coverage.

In a major concession to the European Commission, all the P&I clubs agreed to reduce their members' overspill lim-

it—the amount of losses for which shipowners are held liable in excess of the International Group's pooled reinsurance coverage—to 2.5% from 20% of each vessel's limitation fund.

This equates to aggregate exposure for the International Group's members of about \$2.25 billion excess of the current reinsurance limit of \$2 billion. Under the 20% limit set in February 1996, their combined exposure was approximately \$20 billion.

John Riley, International Group chairman, said the lower exposures should be acceptable to E.C. officials in Brussels, Belgium, because they "have been pitched at a level which is both tolerable and sustainable."

However, the International

Group refused to bow to an E.C. call to abolish a rule discouraging the movement of shipowners among P&I clubs.

Mr. Riley said that if the Commission had its way, "the whole P&I system would be threatened" and there would be "significant increases in insurance costs and substantial reduction in cover."

The P&I clubs have agreed to resist an E.C. challenge to their International Group Agreement. That agreement stipulates that a shipowner switching coverage from one club to another must pay contributions during the first year with the new club at the previous rate.

The clubs say the IGA is crucial to its pooling arrangements for sharing claims.

The International Group had received a 10-year exemption period from E.C. competition rules, but this expired in February 1995. Since then, the clubs have been operating as usual, pending a decision by the E.C. Competition Directorate on whether to renew the exemption.

However, in June, E.C. Competition Commissioner Karel van Miert issued a "Statement of Objections," claiming the P&I clubs' liability limit was too high at 20%.

Mr. van Miert gave the International Group until Sept. 16 to respond.

Mr. Riley said the clubs' united stand on these issues "shows how important they are to the future of the P&I system."

The European Commission has not said how soon after its Sept. 16 deadline it would reach a decision on whether to accept the International Group's submissions.

**If the E.C. had its way, 'the whole P&I system would be threatened,' says the International Group's John Riley.**

# REINSURANCE

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## INTERNATIONAL

## Jauch

Continued from page 33

ner, Jauch & Huebener is in a stronger position to negotiate this year than last, when a sluggish economy and a soft market combined to squelch revenue growth.

Forced to realign its focus from its core industrial clients, such as steel large chemical companies, it sought new business in the upper-middle and upper market sectors and found it.

"We expanded business at every level, gaining market share from everywhere: other brokers and insurance agents. We had better arguments, better service and possibly better prices," Mr. Dahms said.

The broker boosted 1996 revenues 2.6% to 318 million deutsche marks from 310 million deutsche marks in 1995. That was improved from a 1.3% drop in revenues in 1995 (BI, July 22, 1996).

However, when converted to U.S. dollars, Jauch & Huebener's 1996 gross revenues dropped 2.3% to \$211.5 million.

Although ranked as the world's

13th largest broker a year ago based on its 1995 gross revenues, the company narrowly missed making the *Business Insurance's* 1997 ranking of the world's 10 largest brokers, in spite of significant consolidation higher in the ranks (BI, July 21).

The 1996 turnaround in revenues was the year's highlight, according to Mr. Dahms, who admits the task was formidable. "Not only were our clients more cost-conscious, there's a predatory price war going on that's been fueled by overcapacity on the reinsurance side," he said.

In some sectors of the German market, especially property insurance, rates nose-dived, with insurers offering companies with good industrial risks 50% to 80% lower rates. Insurers outside Germany managed to lure away 20 to 30 top risks from the German insurance market with better rates for highly protected risks.

As a result, leading German commercial insurers, such as Gerling A.G. and Allianz Holding A.G., developed defensive strategies to compete for the best risks with low prices and discounts for high loss prevention standards.

Mr. Dahms estimated Jauch & Huebener's revenues would have been 10% to 20% higher if not for the drop in property rates for German risks, but the broker also profited from the market shift. "This kind of underwriting gave us access to individual markets of the most diverse kind; not just one bunched solution," he says, refer-

**'We expanded business at every level, gaining market share from everywhere,' says Christian Dahms.**

ring to the method in the past of setting standard rates regardless of the difference in risk.

Demand from companies for risk assessment advice in order to improve their loss prevention also brought new business, he said.

While property rates fell, casualty rates went up, said Mr. Dahms. One factor was German environmental liability insurance. German law extends corporate liability for environment impairment further than other countries.

Jauch & Huebener clients are typically large German industrial companies. But since 1990 the brokerage has been extending its reach to attract clients from a broader base.

Jauch & Huebener plans to set up a holding company under which self-managed units will be responsible for reinsurance, retail and employee benefits.

Mr. Dahms said Jauch & Huebener would soon implement measures that would organize the

broker's business by size, including large clients, middle-market clients and smaller clients—those with less than 50 million deutsche marks (\$27.8 million) in revenue.

He confirmed Jauch & Huebener is working with insurers to develop basic all-risk policies and other products for small commercial clients to help it boost business in that sector.

Today, of its approximately 8,000 clients, about 10% are reinsurance, and 5% to 6% are employee benefit clients. The rest are mostly commercial retail clients.

One difficult area for revenue growth last year for the broker was reinsurance. As a result, Jauch & Huebener is looking to new markets, particularly in South America and the Far East, for insurance clients.

Mr. Dahms said the fall in reinsurance rates over the last few years continues and is due to soon reach "rock bottom." Last year, rates fell 25% below 1995 levels, which attributed to fewer catastrophe losses and, hence, overcapacity.

The brokerage also is aiming to boost reinsurance brokerage business with new computer technology. High-tech solutions for primary insurer clients include software that models various reinsurance scenarios for clients.

Mr. Dahms acknowledged the broker has had troubles over the last five years building up the electronic systems it needs. But it now has ready-made software in place for data processing and communications. Internet plans are just now taking shape. A World Wide Web site is near completion and will provide information for clients and potential customers.

Like other brokerage executives, Mr. Dahms said Jauch & Huebener's strategy is to move away from the classic role of insurance broker and increasingly become a full-service risk adviser to its commercial clients.

As a sign of consulting's importance for the company, Jauch & Huebener transferred all of its risk management activities to its risk management services unit in April.

That unit, J&H Risk Management Consultants GmbH, provides property and environmental loss control services, risk assessment and risk management consulting, quality management consulting and claims handling.

Jauch & Huebener also expects to increase captive insurance company management, claims administration and risk management consulting for self-insured clients.

To improve profits, which Mr. Dahms will not disclose, the broker continues to cut costs and hopes will reduce overhead by 3% to 5% in two years. Last year, the broker kept down its material costs, reduced its domestic staff and increased its foreign staff. It also closed its Dresden office. Overall, Jauch & Huebener now has about 1,400 employees, unchanged from year-end 1996.

Jauch & Huebener currently has 20 subsidiaries—ranging from retail brokerage and personal lines units to risk management consulting, claims administration services and personnel-related administration services, including retirement plans.

It plans to reduce that number after restructuring. It did not open offices last year and does not plan to open any this year. **BI**

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## Pensions

Continued from page 33

have made at least 24 years' pension contributions, under either or both systems.

"In Mexico, we have a very large, informal economy and people go in and out of the formal economy," Mr. Cano said. Consequently, on average workers only contribute to the social security system for 16 years over the course of their working lives, he said.

As a result of this provision, Mr. Cano said, many older workers will not be able to re-enter the system and will suffer a reduction in pension benefits.

"In macro-economic terms, the new system will encourage long-term savings, and we need to cre-

ate long-term savings in Mexico, but in terms of benefits... there will be some reduction under the new system," he said.

Also, workers are not confident that, even with 24 years of contributions, the government will make good its promise to allow them to re-enter the old system when they retire, said Mr. Molina of Hewlett Packard.

During the transition period between relying partially on the old system and partially on their savings in the AFOEs, workers will likely suffer some reduction in retirement benefits, he said.

But, over the long term, the new system "is the right thing to do," Mr. Molina said.

"New workers and people leaving college now will really benefit," he said.

The state-run death and disabil-

ity system was also changed on July 1 and the new system should significantly boost insurance premiums in Mexico.

Under the new system, pensions paid to disabled workers, widows and orphans will now be paid through private insurance company annuities, which will be funded through a lump sum payment from the government.

The beneficiaries will be able to choose the insurance company from which the annuities will be purchased.

The change will lead to a significant increase in business for insurers, said Jose Monroy, sales manager at Pensiones Comercial America, a subsidiary of Seguros Comercial America S.A. de C.V. in Mexico City.

"This market is around 30,000 cases a year," he said. **BI**

## Brokers

Continued from page 33

By contrast, Willis Corroon recently opted to acquire a one-third minority stake in French broker Gras Savoye S.A., which Willis Corroon will increase to a majority stake within 12 years (BI, July 28).

The results of the two brokerages also highlight their contrasting strategies, including their very different performances in the United States.

In the first six months of 1997, Sedgwick posted a pretax profit of \$66.5 million (\$108.7 million), a 4% increase from \$64.1 million (\$98.1 million) in the first half of 1996.

This was achieved after a strong U.S. performance, with Sedgwick's U.S. pretax profits rising 31.9% to

£15.7 million (\$25.7 million) from £11.9 million (\$18.2 million).

Overall revenues for the broker were little changed at £465.4 million (\$760.9 million), compared with revenues of £467.3 million (\$715 million) in the first half of 1996.

Over the same six-month period, Willis Corroon saw its pretax profits slip by 12% to £60.2 million (\$98.4 million) from £70.6 million (\$108 million) in the year-earlier period.

Operating profits from North America were more than halved to £5.8 million (\$9.5 million) from £13.5 million (\$20.7 million).

Revenues declined 8% to £335.8 million (\$549 million) from £365.2 million (\$558.8 million).

Willis blamed "continuing acute pressures," particularly in North America, and the strength of the

British pound.

Mr. Reeve indicated that improvement should arise out of Willis Corroon's strategic objective of reaching leadership positions in chosen market sectors.

He cited as examples of this objective two Willis Corroon investments—its Gras Savoye investment and the increase to 100% of its stake in York Willis Corroon Corretores de Seguros S.A., Brazil's third-largest broker.

Mr. Reeve said that other strategic developments which should help Willis Corroon's performance include the acquisition of new teams and producers in a number of its U.S. operations, the continuing restructuring of U.K. retail business and a recently announced joint Independent Financial Advisory with British bank Abbey National Plc. **BI**

# Antitrust

Continued from page 2

a flood of this type of case arising in the U.S. It was an unusual set of facts," agreed Dean Hansell, a partner in the Los Angeles office of LeBoeuf, Lamb, Greene & MacRae.

It took more than three years for CSR to win its day in New Jersey court, where it will try to prove CIGNA Australia Ltd. conspired with London underwriters to boycott the company to avoid paying claims for asbestos-related injuries.

The case had been tied up in Australian courts since 1994, when CSR's pre-1978 insurers, led by New Zealand Insurance Co. Ltd., won an injunction from Judge J. Rolfe in New South Wales, Australia, that

stopped the policyholder from pursuing its coverage dispute in Middlesex County, N.J.

While the injunction was on appeal in Australia, CSR settled its case against NZI.

Meanwhile, CSR filed a second suit against its post-1978 insurers in New Jersey.

"We didn't have it completely served when the insurers went back to court in New South Wales and got another anti-suit injunction from the same judge," recounted Gita Rothschild, a partner with McCarter & English in Newark, N.J., who represented CSR in the U.S. coverage action.

Even after days of hearings in which the policyholder asserted that the suit belonged in the U.S. court system because it contained allega-

tions of U.S. antitrust law violations, "the judge refused to allow the case to go forward," she said. "He said the plaintiffs were 'vexatious and harassing.'" She found this noteworthy because the Australian High Court said in its Aug. 4 opinion that it was the insurers—not the policyholders—that were "vexatious and harassing."

CSR appealed Judge Rolfe's decision to the intermediate Australian court, but it, too, sided with the insurers.

"Then we appealed it to the High Court, and the High Court stayed the proceedings with Justice Rolfe," Ms. Rothschild said. "The court found that the U.S. was the only appropriate jurisdiction for this case" because of the antitrust claims.

The court also awarded the policyholder court costs and legal fees,

which by this time had reached "into the millions," according to Ms. Rothschild.

"But it took more than three years to get to this point," she said. "And we still haven't even begun the coverage case."

No date has been set for trial in New Jersey.

To prevent the insurers from diverting the case to Australia again, "the next day we went to court, and we got a restraining order to prevent the defendants from going anywhere else in the world to try to stop these proceedings."

Meanwhile, the insurers have filed a motion for reconsideration with the Australian High Court. No hearing date for that has been set, but if the insurers win, the case could be returned to Australia.

"It's an Australian insured in an Australian insurance program put together here—here being Sydney," asserted Kevin Coughlin, a partner with McElroy, Deutsch & Mulvaney in Morristown, N.J. Mr. Coughlin is leading the insurers' legal representation in the United States.

"We believe Australian law provides the remedy for the allegations—if they can be proved," he said, adding that "the witnesses, the documents, everything is in Sydney."

Mr. Coughlin said the insurers see CSR's attempt to seek hearing of the case in New Jersey as forum-shopping, because U.S. jurisdictions typically are more favorable for policyholders than other countries.

However, CSR sees its insurers' attempt to keep the case in Australia as a diversionary tactic.

"They tried to get it out of U.S. reach to avoid the Sherman Act claims," said Ms. Rothschild.

Indeed, the case is unique in that it contains antitrust violations—something rarely asserted in insurance coverage suits because of the McCarran-Ferguson Act, according to Mr. Schiff of Fisher & Hurst. The 1945 law gives insurers some protection from antitrust action, with the exception of boycotts, coercive actions, or violation of the Sherman and Clayton acts.

In the suit, CSR vs. Federal Insurance Co., the policyholder alleges that CIGNA Australia threatened CSR with non-renewal of its liability coverage as long as the policyholder pressed for coverage of asbestos bodily injury claims.

To date, CSR has spent more than \$20 million to settle about 2,000 U.S. claims. More than 40,000 asbestos bodily injury claims have been asserted in the United States against CSR and/or CSR America Inc., its U.S. subsidiary.

CSR, a diversified company engaged in the sugar and building materials businesses, sold raw asbestos

fiber to U.S. companies—primarily Denver-based Johns-Manville Corp.—from approximately 1948 through 1966.

Prior to 1978, CSR was insured against general and product liability by predecessors to New Zealand Insurance Co.

CSR sought such coverage from Insurance Co. of North America in 1978, before the INA Group of Cos. became affiliated with the Connecticut General Group under the new CIGNA Corp., formed in 1982.

INA, now a CIGNA subsidiary, initially refused to issue any coverage without an asbestos exclusion. But when CSR balked, INA capitulated and confirmed to CSR that it would write the coverage on an occurrence basis without any asbestos exclusion.

On Nov. 29, 1991, CSR wrote to CIGNA Australia and its other insurers formally requesting coverage for asbestos-related claims asserted to that date.

At or about the same time, CSR was seeking to renew its general and product liability coverage for the year beginning March 1992.

But, according to court documents, "instead of investigating or acknowledging its coverage obligations, or entering into good faith settlement discussions with CSR... the CIGNA organization, acting on behalf of itself and other underwriters, informed CSR's insurance broker, Richard Oliver International Pty. Ltd. 'that CIGNA finds it inopportune to discuss any proposal to consider renewal or review of the existing liability program for C.S.R. Ltd. (because) the Legal Department of C.S.R. has lodged with us serious claims relating to compensation paid by C.S.R. and monies that may be payable in the future to persons suffering asbestos-related conditions as a result of the inhalation of asbestos fibers.'"

After scouring the market for coverage from other sources, the broker found that "no other insurer was willing to consider coverage for CSR as long as CSR was asserting asbestos coverage claims against the policies," according to court papers.

In order to secure renewal of its liability coverages, CSR's deputy managing director executed "under duress and coercion" a letter provided by CIGNA's lawyers withdrawing the 1991 claims, the company argues in legal documents.

The temporary restraining order preventing the insurers from obtaining another foreign court injunction was issued Aug. 8 by U.S. District Court Judge Harold A. Ackerman.

CSR Ltd. and CSR America Inc. vs. Federal Insurance Co. et al., U.S. District Court, District of New Jersey; Civil Action No. 95-2947 (HAA).

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# Sprinklers

Continued from page 1

The Associated Press, followed by other media outlets, last week reported that the sprinkler has had a 31% failure rate in Underwriters Laboratories tests and a 35% failure rate in tests conducted for the Fairfax County Fire and Rescue Department in Virginia. Various fire departments around the country are investigating their use.

The failure rate is significant enough that he would advise customers who have Omegas to replace them, said Ken Buhler, president of Ken Buhler Associates Inc., a Smithtown, N.Y.-based risk management consulting company that specializes in fire sprinkler system analysis.

Other loss prevention specialists say testing to make sure they work may be enough.

"Where we identify these heads, we ask (customers) to have them tested, and if the test results are unsatisfactory, we recommend that they replace them," said Mark A. Tschiegg, vp and managing director of loss prevention field services for Industrial Risk Insurers in Hartford, Conn. "If the test results are OK, then we ask that they test them frequently."

Early last spring, IRI sent out a cautionary advisory to risk managers, warning that Omega sprinklers may not operate as designed and that building facilities may be in jeopardy.

The advisory states that IRI will help arrange shipping Omega sprinkler heads manufactured prior to June 1996 to UL for free testing.

While UL has found problems with the Omega model manufactured before June 1996, the independent product research group certified a newer model manufactured after that date. The new model is made with a silicone O-ring. The older models were manufactured with rubber rings that can swell and grip a plunger too tightly, requiring higher water pressure to force them open.

UL began investigating Omega sprinklers in May 1996 after learning about potential problems at a fire safety trade show, a UL spokesman said. There are no other sprinklers it is currently cautioning about.

While UL has certified the new model, Factory Mutual Engineering & Research in Norwood, Mass., has not approved it, nor did it approve the older model with the rubber O-ring, said Carl Miller, chief operating officer of Factory Mutual.

Arkwright Mutual Insurance Co. has had instructions to its field engineers since 1990 to advise customers to use sprinklers other than the Omega model or replace them, said Frank J. Suppe, vp in engineering and risk management for Arkwright in Waltham, Mass.

Omegas have been used widely in buildings considered low hazard by insurers, such as hotels, office buildings and hospitals, Mr. Suppe said.

"The bad news is from a life safety standpoint," he said. "You really want zero defects when you are trying to protect those types of occupancies. You really are protecting people as much as the property."

"If a new project kicks off, we recommend using Factory Mutual-approved heads, and we basically would end up not having Omegas," said Dennis Anderson, vp and director of engineering for Protection Mutual Insurance Co. in Park Ridge, Ill. "If we come in after the fact, we recommend replacing any unapproved sprinklers with FM-approved heads."

While the Factory Mutual System companies recommend using approved models, spokesmen for several of the companies said they can sometimes make underwriting adjustments for buildings that already have the sprinklers installed.

Like others in his field, Mr. Anderson praised Central and sympathized with it for the media attention the manufacturer has recently received.

"They have large numbers of sprinklers that are Factory Mutual-approved, and they have been very proactive in recent years, advancing sprinkler technology," he said. "It's kind of a classic case of the media hooking onto something the technical community has been aware of for a long time."

To date, Central has not faced any lawsuits related to the failure of an Omega head, the company spokesman said. The company is insured for

product liability and has a \$50,000 self-insured retention. It will not seek coverage for the \$4 million it already has reserved against earnings to address its Omega woes, the spokesman said.

The widespread publicity, along with independent tests documenting problems with the sprinklers, could contribute to a plaintiffs attorney deciding to file a lawsuit, said Ed Greenberg, a defense attorney with Daller, Greenberg & Dietrich in Fort Washington, Pa.

"It may be one more thing to deal with when they get the feeling that a manufacturer or a product line are vulnerable, since they are highly motivated people who work on contingent fees," he said. "They publish information in their journals about companies and products that are in reports."

Insurers that pay for property damage resulting from fires where Omegas are in use could also look to the manufacturer for subrogation, several attorneys agreed.

But Central likely lessened potential damages by changing the materials used in its sprinklers and by warning insurers and customers about sprinklers manufactured before those changes were made, said Kevin Dunne, a partner and product liability expert for the San Francisco firm of Sedgwick, Detert, Moran & Arnold.

However, some state courts allow a manufacturer's subsequent remedial

change to a product to be used as evidence of a defect in a strict liability cause of action, Mr. Dunne said. That, however, does not apply in federal courts, he added.

Changing a product but not warning about problems with existing models can worsen matters for a manufacturer, Mr. Dunne noted. Plaintiffs can sue for failure to warn, or they can argue the manufacturer had a conscious disregard for others. In some courts, proving conscious disregard for the safety of others can result in punitive damages.

Some users of fire sprinklers are not taking any chances.

Marriott International Inc. replaced Omegas in its hotels after one head failed in a Marriott Courtyard guest room during a May 1995 fire in Romulus, Mich. While the head nearest to the fire did not discharge, another one nearby did, said Arnold L. Davenport, vp of risk management for the Bethesda, Md.-based Marriott.

"Because Marriott has always prided itself as being a leader in life safety, we looked into it and said, 'We are not going to take any chances,' and we went ahead and replaced the heads," Mr. Davenport said. "We corrected the problem."

Changing the sprinklers can cost about \$10 to \$15 a head, including the sprinkler and installation labor, several experts said. However, others said things such as water cleanup and variations in labor costs can add to that amount. **BI**

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**Sub-total** ..... 30,511  
Associations ..... 290  
Government, Unions and Educational Institutions ..... 946

**Commercial Consumers**  
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Insurance Agents and Brokers ..... 8,588  
Insurance Companies ..... 7,327  
Accountants, Actuaries, Attorneys & Consultants ..... 2,831  
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# UPS

Continued from page 1  
covering Teamster employees, some say.

"I suspect UPS has done an economic analysis and concluded its costs would be a lot less with its own plan," said Bill Ecklund, a benefits attorney and president of the law firm of Felhaber, Larson, Fenlon & Vogt in Minneapolis.

Tom Brand, a principal in the Chicago office of William M. Mercer Inc., added, "I assume they envision that they can get a lot more bang from the buck."

UPS' Ms. Soupata, though, said last week at a Washington press briefing that she couldn't estimate the cost of a new plan, noting that the company's annual costs would depend on such variables as investment return on assets contributed to the new plan.

In addition, while \$700 million would be a whopping price to get out of a pension program, it could be a relative bargain for UPS compared with future costs if it believes more companies in the plan will collapse, leaving remaining companies with an even greater share of the burden of providing benefits.

"If you believe a plan is on a death spiral, the withdrawal liability may seem cheap" compared with what contributions could be

later, added Bob Walter, a principal and benefit consultant with Buck Consultants Inc. in Secaucus, N.J.

In fact, UPS estimates that if it waits until 2002 to leave the multi-employer plans, its withdrawal liability tab could be as much as \$2 billion, an analysis that obviously assumes the failure of more companies contributing to the multi-employer plans and a growing number of retirees collecting benefits.

Whatever the size of the numbers, the pension dispute, which along with UPS' growing use of part-time employees led to the strike, has an importance beyond UPS and its Teamster-represented employees.

"To the best of my knowledge, an employer of this stature has never sought to withdraw from a multi-employer plan. Whether UPS succeeds or fails, it could send a signal to other employers," Mr. Walter said.

The UPS situation illustrates problems facing some multi-employer plans and why some companies appear willing to pay such a high price to leave the plans.

The underlying premise of multi-employer plans is that they spread benefit risks of employers in the same or similar industries. If one company goes out of business, another is likely to spring up and join the multi-employer plan, keeping the number of employers contributing to the plan fairly steady.

But the decline in the percentage of employees enrolled in unions, a trend that accelerated over the past two decades, has at least somewhat undermined that theory. In 1983, for example, about 20% of the workforce belonged to unions. In 1996, that percentage was down to 14.5%, according to the U.S. Bureau of Labor Statistics.

"There are just not that many new employers who have organized workforces. There has been a migration of union work to non-union shops all around the country," said Mercer's Mr. Brand.

That decline in union membership is reflected in new enrollments in multiemployer defined benefit plans. For example, the number of employees covered in multiemployer plans plunged to 4.5 million in 1993, the last year for which information is available, down from 7.1 million in 1975, according to the Labor Department.

During the same period, though, total enrollment in the plans has remained nearly steady, declining just slightly to 8.1 million from 8.5 million. That reflects a growing proportion of retirees into the plans.

Indeed, in some multiemployer plans, such as the Central States, Southeast and Southwest Areas Teamsters Pension Fund—to which UPS is a major contributor—through 1995 the number of retirees

and survivors receiving benefits and those eligible to retire slightly exceeded the number of active employees.

The Teamsters and other trucking industry pension plans have been hit especially hard by deregulation in the early 1980s, which led to the collapse of dozens of organized employers and the establishment of thousands of smaller delivery companies, whose employees have stayed out of the union, one trucking industry source said.

That unfavorable demographic trend and the prospect that the trend could worsen undoubtedly is behind UPS' efforts to get out of the Teamsters' pension plans, despite the stiff price, observers say.

"If an employer sees its risk as getting worse, the employer still has an incentive to pay the withdrawal liability fee and not be the last one out of the plan. UPS likely has enough data to conclude that it would be better off financially in a single-employer plan," Buck's Mr. Walter said.

But others note that it would be a mistake to conclude from the UPS situation that all employers are eager to rush out of multiemployer plans or that the plans are headed for a collapse.

While few new employers may be joining the plans, there has not been an exodus of employers already in the programs, especially

from plans that are well-funded, Mr. Walter said.

And the plans themselves—thanks to the threat of the withdrawal liability and stronger investment returns—are better funded today compared with the past decade (see story, page 40).

"There has been a dramatic increase in the level of funding and a drop in unfunded benefits," says Robert Ridley, a principal and benefits attorney with the law firm of Farmer & Ridley in Los Angeles.

At the same time, the plans remain appealing to smaller unionized firms that lack the resources necessary to administer their own plans.

"They make sense for small employers who feel they can't run their own plan," said Tom Hendricks, administrator of the Southern California IBEW-NECA Trust Funds, a multiemployer plan in Los Angeles covering the electrical construction contractor industry.

For employees in transient industries, such as construction, where employees move from one company to another as contracts are won and lost, multiemployer plans—where benefits are portable—always will be attractive.

"The primary advantage of the plans is their inherent benefit portability," said Dallas Salisbury, president of the Employee Benefit Research Institute in Washington. **BI**

# Settlement

Continued from page 2

to be the amount owed the worker, and the worker receives a stream of tax-free periodic payments rather than one lump sum.

In purchasing the annuity, the employer can depend upon the interest that will be earned on the principal to meet the required amount of the settlement. That allows the employer to pay a lesser amount up front, taking advantage of what is called the time value of money to pay the claim.

"It's really difficult to quantify the exact dollar savings implicit in any structured settlement transaction from an employer's point of view," said Andrew Larsen, executive vp with First Colony Life Insurance Co. in Lynchburg, Va.

"However, most employers will benefit from the opportunity to fix their loss costs and transfer the mortality and investment risks associated with long-term disability claims," Mr. Larsen said.

Life insurers that sell annuities can better manage mortality and investment risks because those insurers have a broad pool of claimants, which allows them to take advantage of the law of large numbers, he added.

Under the new provision, an employer would be able to immediately write off the present value of the entire settlement, rather than recognizing the expense as payments are made to the worker. An employer would pay a separate fee to a financial institution to administer the settlement for the worker (*BI*, Aug. 4).

The change could benefit workers, too, because the financial institution possibly would be more financially secure than a single employer, according to supporters.

According to Randy Dyer, executive vp of the National Structured Settlements Trade Assn., the question is: "Would an injured worker rather have his annuity held by a secure annuity company or Joe's Trucking Co.?"

In addition, workers receiving periodic payments from struc-

ture settlements potentially would come out ahead in terms of taxes because they would have less tax-free money in one lump sum to use for income-generating activities, such as stock purchases in which dividends are taxed.

The little-noticed tax change was pushed primarily by the structured settlements trade group, spokesmen for bill sponsors said.

The association estimates that expanding the use of structured settlements in workers compensation could annually add \$6 billion to \$8 billion in new business to the structured settlement industry's \$25 billion to \$30 billion of existing business, Mr. Dyer said.

But the trade group is not the only beneficiary of the tax law change.

"For most employers of for-profit companies, structured settlements (of workers comp claims) are advantageous because it eliminates the administration of payouts that could last for years," said Billie Fae Fuschi, assistant director of workers comp for Memphis, Tenn.-based Methodist Health Systems Inc., which operates health care facilities in Tennessee and Mississippi.

Such settlements also eliminate most employers' need to periodically check the continued eligibility of claimants, such as widows or students who may lose benefits if their status changes.

However, her own not-for-profit organization actually uses structured settlements infrequently, in part on philosophical grounds and partly due to its competent in-house administration program that is familiar with handling periodic payments, she said.

Currently, the overwhelming majority of workers comp cases are settled after a worker reaches maximum medical improvement and includes compensation for all medical care, several sources said. "Some kind of structured settlements are probably used in every state," said Michael LeFever, president of the International Assn. of Industrial Accident Boards & Commissions. He is also executive director of the Workers

Compensation Commission in South Carolina.

Each state has its own rules about the use of structured settlements; however, no national data is available about the use of structured settlements in workers compensation cases.

Structured settlements are especially used to resolve claims categorized as "doubtful and disputed," on which neither side wants a full hearing, Mr. LeFever said.

"This was a squeaky clean issue," said Scott Spear, chief of staff for Rep. Clay Shaw, R-Fla. Rep. Shaw was one of the bill's chief sponsors. There was no opposition from the U.S. Treasury Department or anyone else, Mr. Spear said.

In fact, few employer or insurer groups apparently knew about or focused on the measure. However, representatives say they are generally supportive of the tax law change.

"Normally, employers have been supporters of periodic payments rather than lump-sum payments," for all types of court awards, including tort and medical liability cases, said Anne Allen, state legislative counsel for the Risk & Insurance Management Society Inc. in New York.

Workers have favored lump-sum settlements, though employers have been wary of them because at least one study found that 90% of lump-sum recipients had dissipated the money within five years, said Ms. Allen.

The National Assn. of Independent Insurers in Des Plaines, Ill., "mildly supported" the provision, said Nancy Schroeder, the organization's director of workers compensation. However, state administrators and labor spokesmen raised a few concerns.

The fear that a worker would dissipate a lump-sum award "is sort of a paternalistic argument that is disappearing" as a concern among administrators, said the IAIABC's Mr. LeFever. For example, adjudicators in his state of South Carolina generally support letting injured workers control their own destinies and will award benefits in lump sums.

"For some individuals who want to restructure their futures with lump sums, a structured settlement prevents them from making the up-front investment in changing their lives," said Melody Cathey, director of education and research for the IAIABC.

"As far as labor is concerned, we are not opposed to (the tax change). We just don't want to see this being used in any way to encourage any more settlements than are already the case today," according to Jim Ellenberger, assistant director for the AFL-CIO's department of occupational safety

and health in Washington.

Overall, though, the tax law change will not "materially affect the manner and speed" in which workers comp claims are settled, Mr. LeFever estimated. That is primarily because tax incentives appeal primarily to "the bean counters" and not the claim handlers and lawyers who are directly involved in resolving workers comp cases.

Mr. Dyer of the structured settlement association said he plans to launch a campaign to educate the workers comp community about the tax law change. **BI**

## Illinois work comp law protects beneficiaries

SPRINGFIELD, Ill.—A workers compensation recipient in Illinois does not need the protection of a new state law that shields structured settlement beneficiaries from being preyed on by unscrupulous third parties.

The Illinois' workers comp act already protects a workers comp recipient from third parties that might want to purchase his or her rights to future payments at a deep discount, according to the Illinois Industrial Commission, which administers the act.

Recent legal research, prompted by *Business Insurance's* questions, found that the Illinois workers comp act "has prohibited a workers comp claimant from assigning their benefits" since at least 1936, said Susan Piha, the commission's manager of research and education.

That finding is a surprise to a bill sponsor and state insurance regulators, who initially said the new law may apply to workers compensation recipients.

The new law is based on H.B. 1410, which Gov. Jim Edgar signed earlier this month. It prohibits any person who is

the beneficiary of a structured settlement "for personal injury" from assigning the settlement's payments without prior approval of a circuit court. The law also requires court approval for companies holding the settlement annuity from making payments to anyone other than the designated recipient.

Under a structured settlement, an injured person receives damages in the form of a stream of periodic payments from a financially secure institution; payments are tailored to meet his or her future medical and living needs, according to the National Structured Settlements Trade Assn. in Washington.

The law is designed to protect recipients from the unscrupulous and unregulated practice of third parties buying for cash—at a sharp discount from present value—the right to receive one or more future settlement payments. Such transactions also can expose unsuspecting structured settlement beneficiaries to serious risks involving tax and credit issues, the association said.

—By Meg Fletcher

# Law makes UPS' proposed plan withdrawal costly

By JERRY GEISEL

WASHINGTON—The whopping \$700 million that United Parcel Service of America Inc. says it would pay to exit underfunded multiemployer pension plans covering its Teamster-represented employees is the direct result of a 1980 federal law.

That law—the Multiemployer Pension Plan Amendments Act—was enacted by a Congress worried that a failure of dozens of multiemployer plans and the saddling of the federal Pension Benefit Guaranty Corp. with tens of billions of dollars in unfunded benefits lay just around the corner.

At the time, federal officials said such a scenario could unfold as a "last man out" psychology gripped employers in the plans. That kind of mindset could have developed be-

cause of the old rules that governed multiemployer plans.

Under those old rules, an employer's obligation when leaving a multiemployer plan was limited—based on the collective bargaining agreement covering it and other employers—to a contribution of a certain amount of dollars and cents per employee. Unlike today, there was no added financial penalty for withdrawing from an underfunded plan.

That limited liability, critics of the old system said, encouraged employer negotiators to seek the lowest contribution rates possible. At the same time, union representatives were fighting for increased benefits.

Such a system worked, though, as long as existing employers remained in the plans and new employers continued to join the plans.

But federal officials in the late 1970s feared that the old liability system eventually would lead many multiemployer plans to fail. That could have occurred, for example, if an entire industry suffered an economic decline and there were no new employers to join the plans and replace those going out of business.

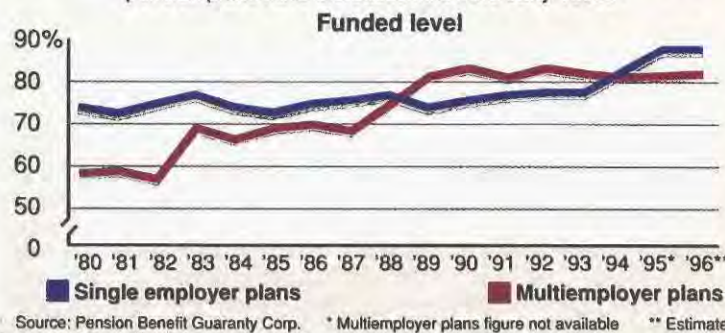
With fewer contributors, the remaining companies would have had to increase their contributions substantially to pay for promised benefits. However, as costs escalated, a kind of mob psychology to flee the plans could have developed.

If a multiemployer plan did collapse because of a mass withdrawal of employers, the PBGC ultimately would have been stuck with the tab for covering participants.

The MEPPA was supposed to pre-

## Funding level improves

How the funding levels of underfunded single-employer and multiemployer pension plans have increased since the early 1980s



GRAPHIC BY ADAM DOI

vent such scenarios from developing, and to a large extent, it has. That law imposed withdrawal liability on employers leaving underfunded plans, which requires employers that leave underfunded plans to pay a share of the plans' unfunded obligations.

The underlying premise of withdrawal liability is that if employers know they can be hit with a huge bill when they leave an underfunded plan, they will take a more active role in improving the plan's financial condition by boosting contributions and holding down costly benefit improvements.

Withdrawal liability "has made employer trustees very careful about improving benefit increases," said Bill Ecklund, president of Minneapolis law firm Felhaber, Larson, Fenlon & Vogt and chairman of the attorneys committee of the International Foundation of Employee Benefit Plans.

The premise of withdrawal liability

has by and large become reality—albeit with some significant exceptions. Plan funding has vastly improved. A 1996 survey by The Segal Co. found that multiemployer plans between 1990 and 1995 on average were between 95% and 97% funded.

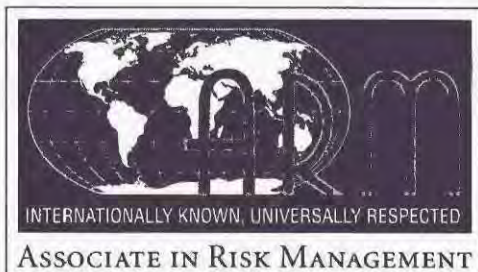
In addition, underfunded plans over time have become less so. In 1996, assets in underfunded plans covered 82% of promised benefits, according to a PBGC estimate, a huge improvement from 1980, when the plans covered just 58% of vested benefits.

Still, while multiemployer plan funding has improved, thanks to increased employer contributions and a booming stock market that has boosted the value of assets, a growing retiree population and employer reluctance to enter plans that have big unfunded liabilities could spell future problems for some plans. **BI**

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# Winterthur

*Continued from page 1*

action will make it difficult for further mergers between banks and insurance companies," said Franco Catanzaro, banking analyst at Bank Sarasin in Basel, Switzerland.

The Swiss market has become wary of mergers in the financial sector, which have been costly and have taken many years to implement, at a low return to investors, according to Mr. Catanzaro. One example has been the takeover by Credit Suisse of Bank Leu which required "many years of restructuring" he said.

Winterthur, Credit Suisse and the Swiss Reinsurance Co. have been cooperating since 1995 on various insurance/banking products for large corporate clients and personal lines customers. Swiss Re recently confirmed that it held 5% of Winterthur, while Credit Suisse CEO Lukas Muhlemann said last week that Credit Suisse holds 10% of Swiss Re.

When the merger was announced on Aug. 11, stock market analysts interpreted it as the culmination of a five-year fight against Winterthur by activist shareholder Martin Ebner, a well-known Swiss corporate financier and head of the Zurich-based investment group, BZ Group.

"They (Winterthur) were afraid of a predator. There was no guarantee that they would remain independent, so they turned to their closest ally," said Michael Lindsay, insurance analyst at the London office of investment bank Lehman Brothers.

BZ Group and its closest clients held a total of 30% in Winterthur prior to the merger announcement. The weekend before the merger was announced, Mr. Ebner had sent Winterthur shareholders a letter detailing three proposed options for the insurer's future: the BZ group could take majority control of Winterthur; Credit Suisse could take it over; or a foreign insurer could take it over. In response, Credit Suisse and Winterthur accelerated their merger plans.

According to a joint statement by the two companies, based on first-half 1997 results, the merged entity would have a consolidated shareholders equity of 23 billion Swiss francs (\$15.16 billion), total assets of about 700 billion Swiss francs (\$461.4 billion), assets under management of about 700 billion Swiss francs, and a market capitalization of more than 50 billion Swiss francs (\$33 billion).

Winterthur Insurance Co. had non-life gross premiums of 15.45 billion Swiss francs (\$11.47 billion) last year, life gross premium volume of 10.50 billion francs (\$7.80 billion) and reinsurance premium volume of 2.14 billion francs (\$1.59 billion).

Credit Suisse Life had a 1996 gross premium volume of 924.6 million francs (\$686.4 million).

The merged company, which would serve more than 15 million customers worldwide, would be one of the top providers of comprehensive financial solutions for multinational corporations and the world's third-largest asset manager after Boston-based FMR Corp., better known as Fidelity Investments, and AXA-UAP.

Winterthur will become an independent operating company under Credit Suisse Group's existing holding structure. The other two operating companies will be the banks, Credit Suisse and Credit Suisse First Boston, the latter including the Credit Suisse asset management company.

During an Aug. 14 presentation to investment analysts in London, Winterthur and Credit Suisse executives explained that they had been considering closer collaboration for some time. Mr. Muhlemann and Thomas Wellauer, who will take over as Winterthur chief executive Oct. 1, said that ideally they would have preferred to wait another 12 months before an-

nouncing a merger, but recent events took the timing out of their control.

"Back in 1995 we decided that bancassurance (banking and insurance) was the way to go forward. Then we realized that a lot of things were more difficult if we had two groups of shareholders. We would have preferred to wait 12 months, and we would have moved to unite distribution systems in Switzerland and foreign markets and implement some joint ventures," said Mr. Wellauer.

## Winterthur's insurance statistics 1996

Non-life premium volume	\$11.47 billion
Life premium volume	7.80 billion
Reinsurance premium volume	1.59 billion
Total premium volume	20.85 billion

Source: Winterthur Insurance Co.

GRAPHIC BY ADAM DOI

Mr. Muhlemann explained that for banking and insurance to succeed, three conditions are necessary:

- The parties should be committed to end all competitive conflicts in the organization. Thus the new group will combine their existing life insurance companies, Credit Suisse Life Insurance Co. and Winterthur Life Insurance Co., under the latter.

- The parties must share a customer base.

- The parties should not work in opposition to one other, such as fighting over the profit and loss statement in which a certain item will appear.

The sharing of customer bases will be an important factor in developing services for corporate clients, Mr. Wellauer believes. The new group is eager, for example, to combine the employee benefits services provided on the insurance side with the asset management strength on the banking side.

"We know the key to developing employee benefits globally is global asset management. We are a major asset manager," Mr. Wellauer said.

Existing cooperation agreements between the merged companies and Swiss Reinsurance Corp. also should be reinforced by the merger, according to Credit Suisse Financial Director Richard Thornburgh.

Winterthur International, which specializes in developing industry-specific solutions for multinationals in property, liability, accident, health and life insurance, and acts as a consultant in risk management, was established as an independent profit center in June. It will continue to work with Reinsurance Finance Co., a joint venture between Credit Suisse, Swiss Re and Winterthur for alternative risk transfer products, project finance, credit and bonding. Winterthur International generated 1996 gross premium volume of 1.11 billion Swiss francs (\$824.1 million) of which 60% were non-life and 40% were life. The bank's derivatives unit, Credit Suisse Financial Products, a joint venture between Credit Suisse and Swiss Re, is expected to work more closely with Winterthur International.

This kind of specialized financial engineering is expected to be the real benefit for commercial clients of both the bank and insurer.

"These are the real benefits on the reinsurance side, to be able to develop finite risk reinsurance and derivatives. You put together banking and intellectual capital," says J.P. James, senior associate at Boston-based management consultants A.P. Kearney. "Smaller insurers do not understand these and cannot offer these to clients."

Mr. James does not believe that this service will make a large return relative to the total earnings of a group as

large as Credit Suisse. "But you see this in terms of a long-term market. This is the future," he adds.

Further joint undertaking will include expanding life insurance and pensions in the growing Southern and Central European markets, as well as emerging markets such as China.

What has been obvious to Mr. James and major insurers has not always convinced Mr. Muhlemann. He has been famously skeptical about the European trend to merge banking and insurance. Earlier this year when asked if Credit Suisse would take over Winterthur, he referred to the two companies' existing cooperation agreements and asked: "Why buy a cow when you only need a glass of milk?"

After having his words thrown back at him when the merger was announced, Mr. Muhlemann told London analysts, "I've become used to answering questions on the dairy industry."

Mr. Muhlemann explained that the real architect behind the merger was Mr. Wellauer, who up to his designation as Winterthur CEO has been a director at management consultants McKinsey & Co. in Zurich. He has worked closely with Winterthur since 1992.

"It took a while to convince me. We view this merger as a five-year commitment. It is not going to come overnight," Mr. Muhlemann added.

The merged entity would result in pretax cost savings of about 300 million to 350 million Swiss francs (\$196.7 million to \$229.4 million) over three years, the bulk of which will come from cost cuts within Switzerland, according to conservative estimates, says Mr. Wellauer. The employee count will be reduced by about 500, due to attrition rather than through layoffs, according to the two companies.

This figure has not impressed some analysts. "That is not enough," said Jean Christian Huard, insurance analyst at Paris-based Societe Generale Equities & Derivatives. All investors are wondering about the future structure of the group." Despite Mr. Muhlemann's past position as CEO of Swiss Re prior to joining Credit Suisse earlier this year, the capital markets do not see him as an insurance/reinsurance man but as an organizational expert who, like Mr. Wellauer, honed his skills at McKinsey.

"Mr. Muhlemann is a strategist. I hope he finds something more innovative" to do with the resources of the merger, says Mr. Huard.

But Mr. Muhlemann remains

adamant about the success of the merger. "As a major shareholder, loaded up to here with stock options," he said, pointing to the top of his head, "I got excited and changed my mind about the cow."

If the companies had not merged and Winterthur was taken over by another company, the existing cooperation agreement with Credit Suisse would have ended. Information to shareholders provided by the companies states, "The existing cooperation agreement between Winterthur and Credit Suisse Group is governed by an umbrella agreement which includes a change of control clause, under which if one party were to come under substantial influence from a third party, the other party would have the right to terminate the cooperation agreement and be entitled to a lump-sum compensation in the amount of 300 million (Swiss francs) (\$130.3 million)."

The future of Winterthur's operations in the United States is the subject of discussions between Credit Suisse Group and the Federal Reserve. Under current U.S. law, Credit Suisse will have to halt its banking operations or sell Winterthur's U.S. subsidiaries, which are: Uniguard Insurance Co., Republic Insurance Co., General Casualty Insurance Co., Southern Guaranty Insurance Co., and Blue Ridge Insurance Co. There are two U.S. reinsurers, Winterthur Reinsurance Corp. of America, based in New York, and Winterthur Life Reinsurance Corp. of America, based in Dallas.

Selling the insurance companies or getting out of banking in the United States are the two extreme solutions to this problem, says Mr. Muhlemann, "but there are several ways out of this." He expects the Federal Reserve to grant a grace period of between two and four years to sort out the situation.

Shareholders of the two companies will decide Sept. 5 how the merger will proceed. The deal also needs regulatory approval. The share price of Credit Suisse fell 10% to 186.25 francs (\$122.8) in just four days following the merger announcement, reflecting the cool reaction to it in Europe.

"I think they (the Winterthur and Credit Suisse managements of the two companies) expected a boost and it has been a huge disappointment. They may now step back from the deal. There will be problems at the general meetings (of shareholders)," Mr. Catanzaro said. If the deal is approved, "I think in the long term the strategy might work out, but the syn-

ergies are very marginal."

If approved by at least a two-thirds majority of the voting rights at each meeting, Credit Suisse Group will make an exchange offer to Winterthur shareholders at a ratio of 1 to 7.3. Based on the closing price of Credit Suisse Group shares on Aug. 8, of 208.50 francs, (\$138.11) the exchange ratio equates to 1,522 francs (\$1,008.17) per Winterthur share.

Credit Suisse's offer was criticized in the Swiss media as expensive, given that the Winterthur share price has nearly doubled over the last six months due to the speculation about the merger. But some stock market analysts believe the deal is priced relatively low. "They haven't paid a takeover premium. People don't want to pay for good will anymore. That just happened in the 1980s," says Mr. Lindsay.

The amalgamation of the two companies is to be realized through an exchange offer mainly to save on legal costs and to avoid tax implications for private investors. At least 98% of Winterthur shares are required to be offered for exchange. If this percentage is not achieved, the merger will be effected at a slightly reduced, though unspecified, exchange ratio. It will be taxable but institutional investors will be able to claim back taxes paid to the Swiss government. The merger will be effective retroactively from July 1 and completed around the end of the year.

Standard & Poor's Corp. has reaffirmed its long- and short-term ratings for Winterthur and Credit Suisse. "While the stand-alone characteristics of Winterthur will not immediately improve following the merger, Winterthur will benefit from its affiliation with the Credit Suisse Group and there will be significant opportunities to realize financial and operational synergies," an S&P statement said.

Credit Suisse's profitability will remain robust "reflecting the group's strong international and domestic franchise and management's firm control on the bank's cost base," the statement said.

The merger has sparked off numerous rumors in Europe of further banking/insurance takeovers. Deutsche Bank recently refuted reports that it is interested in buying the French insurer Assurances Generales de France. But it does say it is searching for an insurance vehicle. Germany's Commerzbank, a partner in life insurer DBV Winterthur, which is 45% owned and controlled by the Swiss insurer, is also speculated by German analysts to be a takeover target. **BI**

## HMO ratings, profits dropped in '96

By JOANNE WOJCIC

**PALM BEACH GARDENS, Fla.**—The security ratings of nearly one in four health maintenance organizations reviewed by Weiss Ratings Inc. have been downgraded based on their year-end 1996 data.

Of the 404 HMOs reviewed, 97 were downgraded while 34 were upgraded. The ratings of the remaining HMOs were unchanged.

Notable downgrades include CIGNA Healthcare of California Inc., whose rating was lowered to C+ from B-; HealthAmerica Pennsylvania Inc., whose rating was lowered to D from C-; and U.S. Health Care Systems of Pennsylvania, whose rating was lowered to C+ from B-.

HMOs receiving upgrades include Blue Shield of California, which was raised to A- from B+; Oxford Health Plans Inc., to C from C-; and HealthNet, the HMO subsidiary of Health Systems International Inc., whose rating was

raised to B- from C+.

The downgrades were directly related to the declining profitability of U.S. HMOs, according to Martin Weiss, chairman of the Palm Beach Gardens, Fla.-based ratings agency.

"This was the second year of declining profits after six years of steady profit growth," he said. "The reason is, health care expenses went up, but HMOs were unable to raise premiums accordingly due to increasing competition in the managed care industry," he explained.

According to the Weiss report, U.S. HMOs suffered a 60% decline in profits in 1996—down to \$700 million from \$1.8 billion in 1995. At the same time, HMOs paid out 88.8 cents in medical expenses per dollar of premium, up from 88.1 cents in 1995 and 86 cents in 1994.

These medical expenses, when combined with administrative overhead, exceeded premium income for the industry. As a result, companies were forced to tap capi-

tal resources, causing a 5.8% decline in capital during 1996, the report found.

"This means that, in order to avoid further profit declines, HMOs are now under pressure to raise rates, cut medical services or both," observed Mr. Weiss in an Aug. 4 news release announcing the findings.

None of the HMOs *Business Insurance* contacted would comment on their Weiss rating changes.

Weiss issues safety ratings on more than 16,000 financial institutions, including HMOs, life and health insurers, Blue Cross & Blue Shield plans, property/casualty insurers, banks and brokers. Weiss reviews HMOs' financial, security based on capitalization, liquidity, profitability and stability.

For more information on the financial safety of a specific HMO, contact Weiss Ratings at 800-289-9222. Weiss safety ratings are also available at many local libraries or through insurance agents and brokers.

# Work/life

Continued from page 2

According to Baxter's findings, all types of employees—men and women, singles and married people, lower income and higher income, and all ethnic groups—are affected in some way by work/life conflicts. These conflicts, Baxter found, arise from lack of respect, a lack of balance, a lack of flexibility and a lack of programs within the workplace.

Respect issues—whether employees are treated with dignity and as a "whole" person who has a life outside of work—are considered the most "painful" experience for employees, Baxter says.

This was especially evident with Baxter's hourly shift workers, who must adhere to an attendance policy that penalizes employees for absences and tardiness for circumstances beyond their control, the report says.

Baxter suggests some "best demonstrated practices" for employers to help solve these respect conflicts. They include: voluntary overtime offered before mandatory overtime required; 24-hour advance notice for overtime; the ability to pool paid time off; and a 7-minute grace period before being charged as late.

The second most "painful" conflict, according to the report, results from a lack of balance, or whether the ratio of time between work and non-work activities is comfortable.

To solve these balance conflicts, Baxter recommends: adopting a "take as much time as you need" attitude; implementing alternative work arrangements; and offering voluntary

overtime to anyone qualified, regardless of their department.

Lack of flexibility over the parameters of when and how work is to be accomplished against a variety of personal needs—is the next most serious conflict.

To solve flexibility conflicts, Baxter suggests: shift swapping; making up time; incremental time off; pooled paid time off; and four hours of time off for school visitation.

The least serious conflict for employees resulted from lack of work/life programs, which include financial and health assistance and time off.

The best practices to curb these types of conflicts include: back-up child care; casual days; vacation day rollovers; fitness centers; and use of sick days to care for ill family members.

Building on these four conflict components, Baxter created what it calls the "work and life pyramid of needs."

Likened to psychologist Dr. Abraham Maslow's Hierarchy of Needs, the components of the work and life pyramid have a hierarchal relationship. At the base of the pyramid lies the "root" component—or lack of respect issues—which needs to be addressed first because they cause the most conflict for employees, according to Baxter. After that is addressed, employers should then address balancing and flexibility issues and then look at implementing specific programs.

"We're essentially recommending to take a look at work/life issues that affect employees and address the root causes," Ms. Campbell said. If an employer does not first address any re-

spect issues, the benefits or programs offered instead will be perceived as "lip service," she warned.

According to Baxter's findings, employees who believed they did not receive the respect they were entitled to reported turnover, apathy, low productivity, vandalism, self-focus and an unwillingness to "go the extra mile."

As a result of its own findings, Baxter initiated several new and enhanced several of its existing work/life programs.

For example, when Baxter employees call a toll-free number to listen to all open job positions within the company, they now can also press a button and hear a list of all jobs available with alternative work arrangements, Ms. Campbell explained.

Before, an employee would have to listen to all the available job openings and then determine if a job offered alternative working arrangements.

The company also developed an emergency back-up child and elder care program for its about 4,000 employees in northern Illinois. That program is ending its first year in pilot and likely will be adopted, she said.

Also as a result of its initiative, Baxter developed an alternative working arrangement kit to assist employees in how to propose an alternative work arrangement and to assist managers in how to determine a good or bad proposal, Ms. Campbell said. The kits were distributed in December 1996.

Copies of "The Work and Life Pyramid of Needs" are available for \$50 by contacting Baxter Healthcare Corp. at 800-422-9837.

# Health plans leave alliance

## Overutilization prompts exit of Anthem Blues, United HealthCare

By SALLY ROBERTS

FRANKFORT, Ky.—Citing overutilization and operating losses, Anthem Blue Cross & Blue Shield, Kentucky Operations, and United HealthCare of Kentucky Ltd. have withdrawn their health plans from a state purchasing alliance's 1998 offerings.

The health plans parted ways with the Health Purchasing Alliance during annual renewal negotiations last month.

The Alliance, formed under the 1994 Kentucky Health Reform Act, became effective July 1995 and covers about 275,000 lives in the state. Of the total, 80% represent active workers and pre-Medicare retirees of the state school system and government.

Anthem BC/BS and United HealthCare have offered their plans since the Alliance's inception and together represent nearly 30% of its business.

A spokeswoman for Anthem BC/BS said the company experienced "significantly higher" than expected utilization with its preferred provider organization products.

After the failure of negotiations

over a proposal to offer more cost-effective health maintenance organization products in place of its PPO, Anthem withdrew its submission, she said.

"Benefit design and pricing are the key issues we couldn't come to terms with," she said.

The Louisville, Ky.-based health care company "suffered \$22 million in claim losses with the Alliance in 1996. We felt it necessary to cut some losses," she said.

United HealthCare of Kentucky also experienced higher utilization than it expected with its HMO and point-of-service products offered through the Alliance, said Budd Fisher, chief executive officer of the Lexington, Ky.-based health care company.

About 60% of the members elected the "highest benefit plan" offered with a \$5 copayment, he said. That compares with only about 10% of the commercial market electing that plan, he noted.

That plan is "very, very rich" in benefits and "fosters overutilization," he said. "We'd been talking to the Alliance about our alarm for several months." However, "there is no flexibility under program rules to

change much of anything."

While he has no exact figures, Mr. Fisher said he knows "there are operating losses associated with the Alliance."

"We feel it is better for us to concentrate on the commercial market," he said.

Julia Costich, interim executive director of the Alliance in Frankfort, said Anthem and United HealthCare's withdrawals from the Alliance do create an inconvenience for members, many of whom will have to fill out new applications and find new health care providers.

However, she added that the Alliance has accepted two new health plans—Medquest Trover Health Plans and Healthsource Kentucky—that will replace Anthem and United HealthCare. The nine other health plans offered through the Alliance in 1997 renewed for 1998.

Meanwhile, speculation continues that Kentucky Gov. Paul Patton will call a special legislative session as a result of Anthem and United HealthCare's moves to discuss the state's health care laws.

A spokesman for the governor's office said no decisions have been made. **BI**

# Updates

## Flood toll rises

Continued from page 2

and homes. Most businesses and residences in the area did not carry flood insurance, according to the National Flood Insurance Program.

## Plaintiff loses implant suit

SANTA ROSA, Calif.—A Superior Court jury in Santa Rosa, Calif., last week returned a verdict in favor of defendants Bristol-Myers Squibb Co. and Medical Engineering Corp. in a case involving a ruptured silicone breast implant.

In her suit, Deborah Sterling, a breast cancer patient, claimed a ruptured silicone breast implant had contributed to her contracting a serious immune system disorder.

However, the jury of nine women and three men rejected her claims for strict liability, fraud and negligence.

Meanwhile, in New Orleans, a jury began deliberations Friday in the first implant class-action suit to go to trial against Dow Chemical Co. The trial, in which women are seeking damages for illnesses related to the silicone implants they received, began March 27.

The implants were manufactured by now-bankrupt Dow Corning Inc., a joint venture of Dow Chemical and Corning Inc. The suit claims Dow Chemical is liable because it allegedly tested silicone compounds in its laboratories for the joint venture and withheld evidence that they could be harmful.

## Filing requirements eased

WASHINGTON—A provision in tax legislation exempting employers from filing certain benefit forms with the Labor Department will go into effect retroactively, the department says.

Effective Aug. 5, the day President Clinton signed into law the Taxpayer Relief Act of 1997, employers no longer have to file copies of summary plan descriptions and summaries of material modifications with the Labor Department.

The elimination of that requirement will save employers about \$2.5 million annually, the department estimates.

The department said last week that employers should immediately cease filing SPDs and SMMs with the department, even if an event triggering a filing occurred before Aug. 5.

Take the case of an employer that significantly overhauled its pension plan on July 1. Even though the event occurred before Aug. 5, filing an SMM—normally due within 210 days after the close of the plan year—would not be required with the department.

The new federal law, though, does not relieve employers of their obligation to provide copies of SPDs and SMMs to plan participants and to the Labor Department if the department requests the documents.

## Briefly noted

The Antigua government has struck **Tangent Insurance Co. Ltd.** and **Westwood Insurance Co. Ltd.** from its register of international business corporations. Gary Pigot, an official with Tangent manager Sussex Insurance Group in Barbados, said he was unaware of the May 7 government action and that Tangent has continued to operate (*BI*, Feb. 24). Westwood, capitalized with worthless World War II-era Philippine notes, closed its U.S. management office last year (*BI*, Aug. 12, 1996). . . . A petition has been filed with California's 4th Appellate District court in Santa Ana, Calif., seeking a rehearing of its decision in *Michael J. Marks vs. Loral*, in which it says companies can replace older, higher-paid employees with younger, lower-paid workers for economic reasons without violating **age discrimination laws**. . . . **Lawrence R. Hoehne** has pleaded guilty to a mail fraud charge connected to his operation of the bogus Trelawney Insurances Ltd. of Ireland (*BI*, June 23). Mr. Hoehne is scheduled for sentencing Oct. 20 and faces a maximum of five years in prison. . . . Hannover Reinsurance Co. has commuted its reinsurance agreements with the Bermuda liquidators of **Electric Mutual Liability Insurance Co.** Terms were not disclosed. The commutation follows similar EMLICO deals with General Re Corp. units and Allstate Insurance Co. . . . Florida lawmakers will hear from small business interests, attorneys and others during **tort reform hearings** being set for the last four months of the year. Legislators expect to draft new laws related to the tort system as it affects small business in the state. . . . A U.S. District Court judge in the District of Columbia has certified two sets of class-action claims **alleging age discrimination** against Charlotte, N.C.-based First Union Corp. The class consists of former employees of First American Bank, who were over 40 when they lost their jobs during the period May 1993 and December 1994 after First Union bought the Washington-area bank and its subsidiaries. The second class consists of job applicants over 40 who were not hired by First Union during the same period. First Union denies any wrongdoing. The trial is expected to begin later this year. . . . Los Angeles city officials have identified twice the amount of Northridge Earthquake-related **sewer line damage** as originally estimated. The findings will require another \$53 million in repairs added to the \$147 million already being paid for by the Federal Emergency Management Agency. . . . A jury in Texas has ruled that a 60 Minutes broadcast from 1995 was truthful and three plaintiffs could not collect damages in their **libel suit**. The three plaintiffs, a developer and two owners, claimed the broadcast dealing with housing developments along the Mexican border damaged their reputation. . . . National Diagnostics Inc., a Brandon, Fla.-based medical imaging company, is in discussions with the NASDAQ exchange about whether it continues to meet NASDAQ listing requirements as a result of its investment in stock of **Equisure Inc.** The American Stock Exchange suspended trading in Equisure stock Aug. 4 amid an investigation of Equisure's accounting practices and possible manipulation of its stock by insiders (*BI*, Aug. 11). If Equisure stock proves valueless, National Diagnostics' shareholders equity may no longer meet NASDAQ listing requirements, Mr. Hult said.

## First-half broker results

(in millions of dollars)

	Gross revenues	% change from 1996	Net income	% change from 1996
Marsh & McLennan	\$2,669.5	26.2%	\$309.4	19.8%
Aon Group	1,803.7	90.4	91.0 <sup>1</sup>	(24.2)
Arthur J. Gallagher <sup>1</sup>	228.1	4.6	22.0	41.8
Hilb, Rogal & Hamilton	92.2	13.9	8.9	14.1
Poe & Brown	66.2	11.6	9.2	17.6

Source: Company reports. <sup>1</sup> Pretax. 1996 figures are restated

## Broker chart correction

Due to a production error, information in the first-half broker results chart appearing in the Aug. 11 issue of *Business Insurance* was incorrect.

The chart at left contains the correct first-half 1997 financial results, as reported by the companies listed.

# Liggett

Continued from page 2

later put the proposal on hold when objectors succeeded in obtaining a stay until Liggett could prove it had only a limited fund to pay claims. When the state court deal stalled, Liggett turned to federal court in West Virginia. Approval from either court would give Liggett the protection from litigation the company seeks.

Although the Alabama case is on hold, a Liggett spokesman said the company still plans to try to win approval in that court.

The tobacco company also plans to continue its efforts to settle the West Virginia litigation, filed in February by plaintiff Earl William Walker Jr. The suit proposed a class consisting of all users of Liggett tobacco products and those who suffer current or future injuries from those products or from secondhand smoke from a Liggett cigarette.

Bennett S. LeBow, chief executive officer of Liggett parent Brooke Group Ltd., said in a statement, "We believe that we will be able to address and resolve the technical issues the court has raised and that Liggett's limited fund settlement will ultimately be upheld by the courts."

Leslie Brueckner, an attorney with the Washington-based Trial Lawyers for Public Justice, said, "It's a very significant decision, not only because it puts an end to this proposed settlement, which is one of the worst examples of class-action abuse I've ever seen" but also because it reinforces the message delivered by the Amchem ruling that defendants can't use such settlements to "buy global peace" and deprive individual plaintiffs of the right to pursue their claims.

In the Amchem decision, the Supreme Court rejected a \$1.3 billion class-action settlement of asbestos claims. The judges in a 6-to-2 decision determined that the diverse class of claimants did not meet the requirements of certification under Rule 23 of the Federal Rules of Civil Procedure, which governs civil cases.

Liggett argues that the Amchem decision should not apply in its case because Amchem did not involve a limited fund settlement as the tobacco company has proposed. In such a settlement, the plaintiff stipulates that the defendant's assets are insufficient to pay all claims and therefore proceeds must be limited.

In Liggett's case, the tobacco company proposed, among other things, paying 25% of pre-tax profits for the next 25 years into a fund for distribution to claimants. In exchange, all present and future claims would be ended and, together with the settlement with state attorneys general, all litigation against Liggett would be resolved.

Judge Haden had granted preliminary approval of the federal court settlement in May prior to a motion asking for reconsideration based on the Amchem ruling. In vacating that preliminary approval, Judge Haden focused little of his 18-page opinion on Liggett's argument regarding a limited fund settlement.

The judge determined that while plaintiffs have a common interest in "maximizing the limited fund available from defendants," there remained "substantial conflicts among class members relating to distribution of the fund and other key concerns" that made class certification inappropriate.

Judge Haden wrote that the proposed settlement class in the Walker case "dwarfs that considered by the Supreme Court" in the Amchem case and, therefore, created similar concerns regarding a settlement for such a diverse class.

The judge wrote that "The class is so uniquely expansive as to hold within its confines persons ranging in age from infants in utero to individuals such as Ali Mohammed Hussein (reported to be more than 100 years old), who smokes 60 cigarettes every day. The various combinations of subclasses within this gargantuan assembly of plaintiffs would appear to defy definition, much less division."

A key concept in the Amchem case, also referred to as Georgine from its lower court cases, "is adequacy of representation," said John Coffee, a professor at Columbia University Law School in New York. That case also is clear on the notion that no single law firm can adequately

represent so many plaintiffs with different claims and legal rights, he noted.

The Amchem decision also focused on the problem of different interests regarding payouts within the single class. That ruling noted that while those currently suffering injuries want an immediate payment, it would be in the best interest of future claimants to establish a fund structured to keep pace with inflation. "That same problem exists in Liggett," Mr. Coffee said.

The West Virginia case underlines the trend of courts to frown on mass tort settlements.

"It's only a district court decision, but it's another nail" in the coffin of attempts to end mass tort litigation with class-action settlements," Mr. Coffee said.

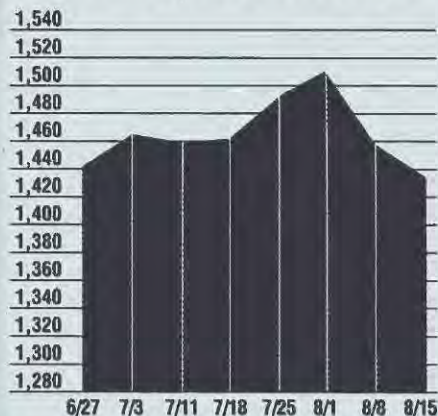
"Large mass tort cases have always been difficult to settle, even when you could define the present population," said Stanley Levy, a plaintiffs lawyer and partner with the New York law firm Levy, Phillips & Konigsberg.

"When claimants started to include (future claimants), it created a whole new type of settlement that made it difficult to deal with legally and morally. How do you settle with people who don't yet know they are sick?" he asked.

The Amchem opinion "raises serious questions about whether you can use a class action at all for really large settlements," Mr. Levy said.

*Earl William Walker Jr. et al. vs. Liggett Group Inc. et al., U.S. District Court, Southern District of West Virginia, Charleston Division, No. 2:97-0102, Aug. 5, 1997.*

## BI Insurance Index



Base=100 on Dec. 29, 1978  
Source: Nordby International Inc.

## PCS catastrophe options

As of Aug. 15			Call spread	Price bid/ask
<b>Eastern September 1997</b>				
40/60	1.8/3.4	932	6.5	3/1.6
60/80	1.4/3.0	80/100	-2.3	-1.3
<b>National Annual 1997</b>				
80/100	-4.5	Western Annual 1997		
60/80	2.2/6.0	40/60	4/1.8	
<b>Southeastern September 1997</b>				
40/60	1.9/3.0	50/70	-1.0	
60/80	1.2/2.2			
80/100	-2.0			

Total volume: 40 Total open interest: 16,763

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
Comm Union	740	11.2	35.8	4.9	764-583
Genl Accident	932	6.5	35.4	4.8	978-631
Gdn Royal Exch	278	4.1	12.2	4.3	311-244
Independent	970	10.2	14.2	1.9	970-520
Royal & Sun	531	14.8	19.7	4.6	561-390

Brokers	Price	P/E	Div. pence	Yield %	52-week high-low
Bradstock	84	12.0	6.4	9.9	90-54
CE Heath	142	9.2	1.5	1.3	143-74
Lmbrt Fenchurch	134	8.6	8.4	8.2	135-101
Lloyd Thompson	182	NA	NA	NA	206-163
Nelson Hurst	179	16.3	8.6	6.0	192-121
Sedgwick Grp	127	9.9	7.4	6.1	144-115
Steel Brl Jones	28	9.7	1.5	6.7	39-22
Willis Corroon	125	12.5	6.6	6.7	165-117

Note: Prices are Aug. 15 closings; other numbers from Aug. 14.

Source: Nordby International Inc.

## Ex-smoker awarded \$2 million

SAN FRANCISCO—Lorillard Inc. and the manufacturer of filters for Kent cigarettes must pay \$2 million to the estate of a smoker whose lung cancer was blamed on asbestos filters, a California appeals court has ruled.

The 1st District Court in San Francisco last week upheld the 1995 award of \$1.3 million to Milton Horowitz and his wife for compensatory damages and loss of consortium. That amount was ordered to be paid equally by the tobacco company and the manufacturer of the filter, Hollingsworth & Vose Co. The jury also assessed punitive awards of \$560,000 against Lorillard and \$140,000 against Hollingsworth & Vose.

Mr. Horowitz, who died while the appeal was pending, began smoking Kent cigarettes in 1952 and quit smoking altogether 11 years later. Kent Micronite filters made between 1952 and 1956 contained blue crocidolite asbestos, later found to be a

highly carcinogenic form of asbestos.

Mr. Horowitz developed mesothelioma, a cancer of the lung's lining, in 1994.

The appeals court noted last week that testimony indicated Mr. Horowitz began smoking because of advertising that suggested the cigarettes were safe, "good for one's health" and more successful than other brands at filtering tar and nicotine. Physician friends also persuaded Mr. Horowitz that "Kents were the cigarette(s) to smoke," court papers stated.

The appeals court determined in upholding the punitive award that the defendants were aware in 1954—a time when the connection between asbestos and cancer already was well known—that the asbestos fiber in the filter was emitted from the cigarettes.

Lorillard officials did not return calls seeking comment.

—By Michael Bradford

## BI Industry Stock Report AUG. 11, 1997, THROUGH AUG. 15, 1997

BROKERS	Price	Weekly % change	Year to date % change	Year to date			Price	Weekly % change	Year to date % change	Year to date			Price	Weekly % change	Year to date % change	Year to date							
				High	Low	Vol.(000)				High	Low	Vol.(000)				High	Low	Vol.(000)					
Aon Corp.	NYS	51.81	-1.78	25.10	58.13	31.88	840	Enhance Financial Services	NYS	46.50	-5.10	27.40	51.75	27.88	155	St. Paul Companies	NYS	74.69	0.34	27.40	82.81	50.63	1623
E.W. Blanch Holdings Inc.	NYS	29.50	4.89	46.58	30.63	18.00	78	Everest Reinsurance	NYS	38.19	0.33	32.83	40.38	23.75	697	SCOR	NYS	42.75	0.59	24.36	44.50	34.00	22
Gallagher Arthur J. & Co.	NYS	36.25	4.32	16.94	37.75	29.13	109	Executive Risk Inc.	NYS	60.25	2.34	62.84	60.25	33.38	124	SAFECO Corp.	NDO	47.38	1.88	20.13	49.38	32.13	2191
Hibb, Rogal & Hamilton	NYS	16.50	0.38	24.53	17.25	12.13	88	EXEL Ltd.	NYS	54.63	1.16	44.22	58.25	31.75	411	Seibels Bruce Group	NDO	8.13	0.00	-1.52	11.25	5.88	226
Kaye Group Inc.	NDO	8.13	8.03	54.76	8.13	4.38	6	Fremont General Corp.	NYS	37.13	-1.16	19.76	43.44	25.38	235	Selective Ins. Group	NDO	53.50	0.94	40.79	54.00	32.00	3
Marsh & McLennan	NYS	70.61	-3.08	38.18	78.25	45.50	1302	Frontier Insurance Group	NYS	33.00	-2.58	72.55	35.00	18.00	1684	Sphere Drake Holdings	NYS	8.75	-2.10	-1.41	10.50	8.13	165
Poe & Brown	NDO	38.25	4.08	44.34	38.50	23.75	26	Gainsco Inc.	NYS	8.75	0.72	-9.09	10.88	8.13	201	TIG Holdings	NYS	31.50	-0.98	-7.01	38.00	26.38	1450
Sedgwick Group PLC	NYS	10.31	8.55	-0.60	10.88	9.38	14	General RE Corp.	NYS	193.31	-1.37	22.54	208.88	140.75	658	Titan Holdings, Inc.	NYS	21.44	0.00	29.92	25.00	12.75	642
Willis Corroon Corp.	NYS	10.06	-1.23	-12.50	13.50	9.38	792	Gryphon Holdings	NDO	16.63	-2.92	17.70	17.75	12.13	598	Tokio Marine & Fire	NDO	64.13	0.59	37.53	66.00	42.00	54
BROKERS	AVERAGE		3.28	26.28				Guaranty National Corp.	NYS	28.44	4.12	69.78	28.44	13.75	22	Torchmark Corp.	NYS	55.75	-3.87	41.58	40.00	20.75	1203
								Harleysville Group	NDO	38.00	-0.49	24.59	39.13	24.50	171	Transatlantic Holdings	NYS	70.56	-1.48	31.48	75.38	44.38	110
								Hartford Steam Boiler	NYS	52.94	-1.74	14.15	56.00	42.75	137	Travelers Property	NYS	42.06	0.00	18.90	43.56	26.50	322
								HCC Insurance Holdings	NYS	26.38	-7.66	9.90	32.75	21.50	790	Travelers Corp.	NYS	65.88	-0.38	45.18	73.63	31.63	8423
								IPC Holdings Ltd.	NDO	29.13	-1.69	30.17	30.50	19.50	117	Trenwick Group Inc.	NDO	36.50	-1.35	18.38	39.63	30.75	57
								ITT Hartford Corp.	NYS	82.25	-3.16	21.85	88.51	50.00	1544	Unico American Corp.	NDO	11.00	-2.22	1.15	11.50	7.38	68
								LaSalle Re Ltd.	NDO	34.13	-1.44	16.67	35.00	22.38	127	Unionamerica Holdings	NYS	20.75	-1.19	16.90	22.75	14.75	14
								Lincoln National	NYS	67.56	-1.46	28.69	73.00	43.13	1088	United Fire & Casualty	NDO	38.75	-1.90	9.93	40.50	29.75	2
								MAIC Holdings Inc.	NYS	47.25	-0.53	39.48	50.00	28.25	26	Unitrin	NDO	59.38	-2.46	6.50	64.75	47.75	290
								Markel Corp.	NYS	136.00	-4.23	51.11	147.50	83.00	7	UNUM Corp.	NYS	40.69	-5.52	12.63	48.44	30.50	1386
								MBIA Insurance Group	NYS	113.44	-1.36	12.04	122.00	79.13	447	USF&G Corp.	NYS	23.00	2.22	10.18	25.50	15.75	2342
								Meadowbrook Insur. Group	NYS	25.25	-0.98	20.24	29.63	15.25	30	Vesta Insurance Co.	NYS	50.25	-4.85	60.16	54.00	27.50	114
								Mid Ocean Ltd.	NYS	57.13	-2.25	8.81	61.00	39.25	131	Washington National	NYS	29.06	0.22	5.68	30.75	27.13	439
								MMI Cos. Inc.	NYS	25.38	-3.10	-21.32	33.38	20.75	33	Zenith National Ins.	NYS	26.38	-0.24	-3.65	28.38	24.63	30
								Mutual Risk Mgmt. Ltd.	NYS	46.44	-3.51	25.51	49.63	28.25	123	Zurich Reinsurance Centr.	NYS	33.31	0.00	25.80	39.50	28.38	18
								NAC Re Corp.	NYS	48.13	2.67	42.07	49.50	32.63	169	INSURERS/REINSURERS	AVERAGE		-1.49	22.05			
								Navigators Group	NDO	19.25	1.65	5.48	20.63	15.75	109								
								Nobel Insurance Ltd.	NDO	14.50	2.65	15.42	15.38	11.25	10								
								NYMag Inc.	NYS	23.25	-3.13	29.17	24.13	17.00	83								
								Ohio Casualty Corp.	NDO	45.63	-2.93	28.52	48.06	31.75	481								
								Old Republic Int'l	NYS	36.31	3.20	35.75	37.00	21.50	751								
								Orion Capital Corp.	NYS	41.00	2.50	34.15	42.25	24.50	202								
								Partner Re Ltd.	NYS	41.50	0.15	22.06	42.50	27.63	167								
								Penn-America Group Inc.	NDO	18.63	-3.25	73.26	19.38	10.13	159								
								Philadelphia Cons. Holding	NDO	39.25	0.64	88.82	42.25	17.25	27								
								PXRE Corp.	NYS	29.56	-4.84	19.44	31.88	22.88	36								
								Reliance Group Holdings	NYS	12.19	1.04	33.56	13.88	7.50	766								
								Reliastar Financial Corp.	NYS	75.44	0.42	30.63	79.00	43.63	536								
								Renaissance Re Holdings Ltd.	NYS	44.89	2.29	35.42	46.13	26.75	80								
								Risk Capital Holdings	NDO	21.50	3.61	10.97	22.13	15.88	689								
								RLI Corp.	NYS	36.25	-3.17	8.61	39.63	23.88	46								

Top advancing issues: Sedgwick Group P.L.C., Kaye Group Inc., Wellpoint Health Networks. Leading decliners: HCC Insurance Holdings, American Heritage Life Ins., AEGON N.V. Most active issue: Oxford Health Plans. The BI Index dropped 1.6%; the Dow Jones 30 Industrials dropped 4.2%; the S&P 500 decreased 3.5% and the NYSE Composite dropped 3.0%. Average P/E: Brokers, 17.5; Insurers/reinsurers, 40.8; HMOs

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