

Business Insurance

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

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New insurance facility formed for catastrophic product claims
 NEW YORK—A \$1.1 billion product liability insurance program for pharmaceutical, cosmetics and medical device manufacturers is being offered through a collaboration between Johnson & Higgins, American International Group Inc. and Berkshire Hathaway Inc.
 The traditional insurance facility will likely compete for a limited number of large policyholders with a capital markets-linked facility being formed by Capital Risk Strategies, Zurich Insurance Group companies
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Munich Re acquires American Re

By JUDY GREENWALD

PRINCETON, N.J.—Munich Reinsurance Co.'s \$3.3 billion offer to acquire American Re Corp. will give it a major U.S. presence while providing American Re with the financial backing of the world's largest reinsurance company as well as access to more international business.

Under terms of the deal, which is expected to close later this year, American Re will merge with a Munich Re subsidiary but retain its name and headquarters in Princeton, N.J. Paul H. Inderbitzin will continue as chairman, president and chief executive officer of American Re, which has 1,200 employees in 13 domestic and 16 international offices. The sale includes Am-Re Managers Inc., which services the alternative risk market, as well as all other American Re Corp. units.

American Re, which is 64.1% owned by leveraged buyout firm Kohlberg Kravis Roberts & Co., was the third-largest U.S. reinsurer last year, based on net premiums written totaling \$1.61 billion (BI, April 1). Munich Re is the world's largest reinsurer, with \$11.97 billion in net premiums written for the fiscal year ended June 30, 1995. Both companies are direct reinsurers.

Based on Munich Re officials' estimated projections of 1996 premiums of \$2 billion for American Re and \$1 billion for Munich Re's existing U.S. operations, the combined operation could become the second-largest U.S. reinsurer, behind only General Re Corp.

Munich Re's current interests in the U.S. reinsurance market include the eighth-largest domestic reinsurer, New York-based Munich American Reinsurance Co., but it has not been considered a major factor in

the U.S. market.

MARC will become part of American Re, but details have yet to be worked out, said MARC President and CEO John N. Lombardo.

Frank E. Berglas, president of New York-based Great Lakes American Reinsurance Co., a Munich Re-owned broker market reinsurer, said his company will continue to operate independently from American Re.

Speculation that American Re would be sold arose soon after General Re Corp.'s purchase of National Reinsurance Co. last month (BI, July 8). After first refusing to comment, American Re acknowledged Aug. 5 that it was considering "strategic alternatives," including

The biggest gets bigger
 Munich Reinsurance Co., the world's largest reinsurer, has agreed to acquire American Re-Insurance Co.
 (All figures for fiscal 1995)

Munich Re	American Re
Net premiums written* \$11.97 billion	Net premiums written \$1.61 billion
Policyholder surplus \$4.8 billion	Policyholder surplus \$1.10 billion
Net income \$160.8 million	Net income \$128.7 million
Combined ratio- 95.88%	Combined ratio- 121.0%

* Converted at applicable exchange rate. Fiscal year end June 30, 1995
 Source: Reinsurance Assn. of America and Business Insurance

GRAPHIC BY TONY BUCCINI

Dole's record shows benefits a tax target

By MARK A. HOFMANN

WASHINGTON—If the past is prologue, a Dole administration might find employee benefit programs a tempting source of tax revenue.

Robert J. Dole, a longtime deficit hawk and now the Republican presidential nominee, in the early and mid-1980s repeatedly advocated taxing employees on at least a portion of employer-provided benefits as a way to help shrink federal budgetary shortfalls. He also was instrumental in developing and getting legislation passed in the early 1980s that helped to shore up a faltering Social Security system by, among other things, boosting payroll taxes paid by employers and employees.

"Employers remember when Dole was head of the Senate Finance Committee," said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York. "Some employers feel that Dole really initiated the era of hyper-complexity in employee benefits."

For example, as committee chairman, Mr. Dole presided over the passage of legislation that required employers to subject benefit plans to a complicated test to ensure the plans did not unduly concentrate benefits on key employees, said Mr. Saveth.

But a Dole administration probably could be expected to push for legal and liability reforms risk managers want. In fact, the candidate made tort reform a centerpiece of his economic policy even before he formally received his party's nomination last week (BI, Aug. 12).

Sen. Dole was a key player in the bailout legislation that shored up the Social Security system during the Reagan administration. The reform package hiked employer-provided benefit costs by increasing the payroll tax by nearly a percentage point, to 7.65%

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Republican presidential and vice-presidential nominees Bob Dole and Jack Kemp wave to supporters at a San Diego rally last week.

AP/WORLD WIDE PHOTOS

Documents key in tobacco case

Verdict may encourage more lawsuits

By MICHAEL BRADFORD

Tobacco company documents that played a key role in a jury verdict against Brown & Williamson Tobacco Corp. earlier this month provide the evidence that plaintiffs attorneys say will be used to finally shatter the industry's legal defenses.

"This is the first case that's gone to a verdict where they have used—no pun intended—the smoking-gun documents that came out in the wake of congressional hearings," said Diane Cooley, a Washington-based plaintiffs attorney with the firm Coale & Van Susteren. "The jury looked at these documents, saw what the industry has been up to over the last 50 years and didn't like it."

"It's the first case that's been

tried in which so many internal documents have come to light," said Andy Berly, an attorney with the Charleston, S.C., law firm Neff, Motley, Loadholt, Richardson & Poole. "A jury finally had the opportunity to see what the company knew but was keeping from the public."

While the case is a stunning victory for opponents of the tobacco industry, plaintiffs attorneys say it does not provide a formula to follow in similar cases as much as the verdict shows the need to rely on the tobacco company documents to prove negligence.

The documents, which detailed studies of the effects of nicotine and came to light during congressional hearings that focused on the health effects of smoking, helped convince jurors that Brown & Williamson knew about

the addictive power of nicotine and was negligent in failing to warn the public about the dangers of smoking. The documents were created over several decades beginning in the 1950s by American Tobacco Co., which subsequently merged with Brown & Williamson.

The state circuit court jury in Jacksonville, Fla., also determined that the Lucky Strike cigarettes Grady Carter smoked for 44 years until he developed cancer in 1991 were "unreasonably dangerous and defective," according to the verdict.

The jury awarded Mr. Carter and his wife \$750,000 in compensatory damages, only the second time a cigarette maker has been found liable for damages. In the other case, a jury awarded \$400,000 to Rose Cipollone in 1988, which later was overturned.

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New employer duties under health reforms

By JERRY GEISEL

WASHINGTON—New federal health care reforms will mean that employers no longer will be able to deny coverage for newly hired employees who come to the job with pre-existing medical conditions.

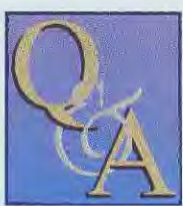
Employers, beginning next year, will have to fully open up their health care plans to the millions of employees who, until now, have been unable to get immediate coverage for pre-existing conditions.

The Health Insurance Portability and Accountability Act of 1996, which President Clinton is expected to sign this month, also means that employers will have to learn the ins and out of the most

sweeping federal health care legislation since the passage of the Consolidated Omnibus Budget Reconciliation Act a decade ago.

Employers will have to deal with issues like "creditable service," "continuous coverage," special rules for certain medical conditions, such as pregnancy, and certification of coverage statements.

"The devil will be in the details," said Terry Humo, a senior research consultant and attorney
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New product liability facility

Continued from previous page and others in New York.

The traditional insurance policy, named PharmaCat, will meet the requirements of policyholders looking for insurance coverage for the growing number of catastrophic product liability losses, said Fred Packer, senior vp and managing principal at J&H. Discussions with clients found "their strongest preference is for a straightforward simple insurance product," he said.

PharmaCat has limits of \$1.1 billion for each batch occurrence and will pay claims above \$650 million, which is the amount of product liability coverage currently available to pharmaceutical companies, said Mr. Packer, who would not reveal the definition of a batch occurrence.

The policy term is five years and the full premium is paid at the beginning of the coverage period. The capacity is shared by AIG and Berkshire Hathaway.

The average catastrophe products liability loss in the pharmaceutical and medical device market is approximately \$2 billion and the combination of large self-insured retentions, currently available capacity and the new facility should enable policyholders to cover losses of that magnitude, Mr. Packer said. "If there was a desire to enlarge the facility there would be support for that from other underwriters," he added.

The facility is aimed at about 40 large manufacturers and a critical mass of six policyholders is needed to make it successful, he said.

The definition of batch losses is one of the issues that has delayed the launch of Capital Risk Strategies' catastrophe product liability product, said David J. Watkins, chief executive officer of Capital Risk Strategies (UK) Ltd.

Capital Risk Strategies had planned to launch its product by July (BI, Dec. 11, 1995). The product is being modified to change the definition of a single occurrence and address taxation concerns of potential policyholders, and the limits for each loss are being increased, he said.

The policy as originally proposed would offer \$4 billion of shared limits to between eight and 15 large manufacturers with a limit of \$1 billion per occurrence. The policy would cover a 10-year term and include a profit sharing element for favorable loss experience.

An amended policy likely will be launched in September, Mr. Watkins said.

GM must give lifetime benefits

CINCINNATI—General Motors Corp. must supply lifetime health care benefits to about 50,000 retired employees, a federal appeals court has ruled.

Upholding a lower court decision, the 6th U.S. Circuit Court of Appeals ruled last week that GM's promise to provide free health care benefits as an inducement for employees to retire early "formed the basis of an agreement apart from the company's regular health care plan." In 1988, GM began charging its retirees a deductible and copayments for the insurance coverage, precipitating the suit.

The 6th Circuit's decision also sent back to the trial court the claims of 34,000 other former employees, who retired at the regular age. The federal district court had originally dismissed those retirees' claims.

A GM spokesman said the automaker is disappointed in the decision and will explore its options for appealing.

The lead attorney for the plaintiffs, Raymond C. Fay, in a statement called the decision "a tremendous victory for the 50,000 early salaried retirees who will now regain their right to full health care coverage and will recover for their money losses."

Two leave Prudential unit

ROSELAND, N.J.—The exit of two top executives from Prudential Health Care Group may be the harbinger of an eventual sell-off of the company, analysts say, but Prudential maintains it will fight on against competitive managed care rivals.

Prudential announced last week that William Link, chief executive officer of Prudential Health Care and Samuel Havens, the group's president, were taking early retirement. Arthur F. Ryan, chairman and CEO of parent Prudential Insurance Co. of America, will serve as a temporary CEO while seeking replacements.

The departure of the executives is proof that Mr. Ryan, dissatisfied with sluggish growth in health care, is beginning to demand subordinates achieve results reflected in quarterly earnings, said Steve Caulfield, a managing director with William M. Mercer Inc. in Boston.

"It's quite clear Mr. Ryan is speeding up the pulse rate at the place," he said. "It's either perform or move on."

Fireworks in the executive suite are overdue, said David Wilson, managing director of Princeton, N.J.-based The Apex Management Group, a health care consulting firm. "I think Prudential has been going backward in the health care side for quite a while now," he said. "They were one of the early players with POS (point-of-service) products... and they really haven't been doing anything new and they haven't been aggressive about trying to grow."

Prudential recently lost some major health care accounts, including Bell Atlantic Corp. and the state of New Jersey.

While both Messrs. Caulfield and Wilson said a sale of the unit is a distinct possibility, a Prudential spokesman said it not only wants to stay in health care but expand in it.

Buck payroll manager guilty

NEW YORK—The former payroll manager of George B. Buck Consulting Actuaries Inc., a unit of Buck Consultants Inc., will be sentenced in November after pleading guilty this month to embezzling more than \$560,000 from the company's pension plan.

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Regulators take sides in Lloyd's debate

SEC, DTI disagree on proper jurisdiction

By GAVIN SOUTER

RICHMOND, Va.—Regulators on both sides of the Atlantic are becoming embroiled in litigation between Lloyd's of London and dissident members in the United States.

The Securities and Exchange Commission earlier this month filed an amicus brief in a case in U.S. District Court in Richmond, Va., supporting the members' contention that their grievances should be heard in U.S. courts,

rather than in England, if membership in Lloyd's is deemed to be a security.

The SEC's move was quickly followed by another brief filed by the U.K.'s Department of Trade and Industry favoring Lloyd's position that all members previously agreed to have disputes with Lloyd's heard in London.

If the U.S. members are successful in their suit, it could overturn Lloyd's plans to cut off its past and start anew, the U.K. regulators' brief charges.

The case pending in Virginia, *Louis F. Allen et al. vs. Lloyd's of London*, itself was filed in June by nearly 50 U.S. members seeking to stymie Lloyd's reconstruction and renewal plan (BI, July 15).

U.S. names argue that their membership in Lloyd's and any investment in Equitas, the proposed company that would run off Lloyd's old liability claims, are securities and should be registered with the SEC.

"In offering the R&R proposal to the names, with its concomitant offer of an equity interest in Equi-

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Antitrust settlement spawns data

By DAVE LENCKUS

Late 1998 may be when risk managers, particularly those with public entities, see some concrete payoffs from the settlement of the massive antitrust lawsuit against the insurance industry almost two years ago.

That's when officials of the public entity risk database project hope to roll out their first data benchmarking product.

If they succeed, it would come more than 10 years after the antitrust lawsuit was filed—and after clearing some hurdles in collecting data from recalcitrant self-in-

sured public entity pools.

Officials of the project, created with \$5.2 million of seed money contributed by London defendants in the lawsuit, earlier this month hired a research firm to conduct a market survey. The officials plan to rely on the survey results to produce a benchmarking product for public entity risk managers in a relatively short time frame.

More complex projects will follow, possibly taking a few more years to develop.

In both cases, the database project will focus on collecting data and producing products and ser-

vices to help risk managers at public- and private-sector organizations better manage their workers compensation and liability exposures and costs.

Another, bigger project that also stems from the antitrust settlement is further behind in development. The Public Entity Risk Institute officially was created late last month, when state attorneys general and attorneys representing private plaintiffs in the antitrust suit appointed a board of directors for the project.

Insurer defendants in the antitrust case agreed to contribute

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Alpine gives up fight for California license

By DOUGLAS McLEOD

SOLVANG, Calif.—Alpine Insurance Co. is reorganizing its operations after giving up—for now—on efforts to win an insurance license in California, its largest source of business.

Alpine, a unit of Solvang, Calif.-based Exstar Financial Corp., withdrew its license application earlier this month after California regulators informed it that they intended to deny the application for the second time in two months.

The California Insurance Department initially denied Alpine's application June 24 after disallowing millions of dollars of its assets and reinsurance recoverables and finding it insolvent by nearly \$7 million as of March 31. Alpine challenged the decision, and a court ordered regulators to reconsider after reviewing additional Alpine financial filings (BI, July 22).

"Rather than argue it out with them, we decided we would just voluntarily withdraw the application," said Peter J. O'Shaughnessy, Exstar's chairman and chief executive officer.

Alpine now is working on a deal in which its California business, consisting mainly of contractors liability risks, will be moved on renewal to United Capitol Insurance Co., a unit of Frontier Insurance Group of Rock Hill, N.Y.

Frontier and a company controlled by Mr. O'Shaughnessy also will be 50/50 partners in a new Solvang-based company that will act as underwriting manager for United Capitol on the business transferred, officials of the two companies say. The business previously was managed for Alpine by TCO Insurance Services Inc., an Exstar affiliate.

Alpine eventually may reassume part of its California book as a reinsurer of United Capitol, company

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Anita Benedetti dies after battle with cancer

Anita Benedetti, risk management association leader and education advocate, died last week at age 47 after a long battle with cancer.



Anita Benedetti

Ms. Benedetti was deputy executive director of the Risk & Insurance Management Society Inc. and president of the Spencer Educational Foundation Inc.

During her 18-year career with RIMS, she directed research, education and international activities and was appointed deputy executive director in 1993, also assuming industry liaison activities.

She served as the staff liaison to the corresponding RIMS committees.

She was assistant secretary and later assistant secretary/treasurer of the International Federation of Risk Management Assns., coordinating RIMS' activities with international partners.

Ms. Benedetti also was president of the Spencer Foundation since 1985, a director since 1989 and chairman of the nominating committee since 1994. The Spencer Foundation, which promotes and encourages the study of risk management, has awarded more than 175 scholarships since it was founded in 1979. Under Ms. Benedetti's tenure, its assets grew to nearly \$1.9 million from \$103,000.

During her career, Ms. Benedetti served on the boards of the American Risk & Insurance Assn. and Gamma Iota Sigma, the national student risk management fraternity. She was a member of the

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• Sanctions against nations like Cuba and Libya are creating both difficulties and opportunities for political risk insurers. **PAGE 31**

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Property Loss Control

Recent arsons highlight churches' exposures

By MARK A. HOFMANN

A rash of church arsons, aimed primarily but not exclusively at African-American churches in the South, may have one salutary effect.

Heinous as the crimes are, they serve as reminders of the need to protect churches and other houses of worship against perils manmade and otherwise, risk managers, loss control consultants and insurers say.

"An average of 1,450 churches and synagogues per year are destroyed by fire in the United States," or an average of four per day, said Debbie Freedland, vp with Johnson & Higgins in Los Angeles and member of the National Fire Protection Assn.'s Committee on the Protection of Cultural Resources. She also chairs the NFPA's task group on the Protection of Places of Worship. Churches often are unoccupied with little or no security, she said.

"I think it is important to note that the numbers really aren't different than what we have year after year after year after year," said Ms. Freedland, emphasizing that the problem is not new. She cited an article from a 1933 security company publication that put the average daily number of church fires 63 years ago at five.

Structurally, churches present unusual loss control challenges compared with other public buildings. For example, churches generally are built of wood or other combustible materials, and even if the walls are masonry, generally the roof and steeple are wood, said Ms. Freedland.

Traditionally churches have been tempting targets for pyromaniacs, she said. Because a church steeple is often the tallest structure in a town, it is particularly tempting, she said.

Experts say sprinklers offer best protection

"And of course, that's the thing that's most spectacular if it was set on fire" by arsonists, she said.

Churches and other houses of worship "represent ideals, communities, values and lifestyles that some people wish to destroy," she said.

James Jacobs, director of risk control services for Adventist Risk Management Inc., the risk management service of the Seventh-day Adventist Church in Silver Spring, Md., said vandalism is "a growing concern. We're not a typical target, though by virtue of being a church that seems to be putting you in the category for being a target for vandalism."

In addition to these factors, churches face a big problem with concealed spaces, such as large lofts or attic spaces, said Richard E. Botts, national director-risk control consulting for Sedgwick James Inc. in Harrisburg, Pa. The spaces "essentially serve as chimneys" that can allow a fire to burn undetected, he said.

Adding to the fire hazard is the fact that churches are "notorious hoarders," said Robert Plunk, chairman, president and chief executive officer of Preferred Risk Group, a West Des Moines, Iowa-based insurer that has specialized in underwriting houses of worship since the 1950s. The insurer underwrites property and liability coverage for more than 40,000 houses of worship.

Mr. Plunk said when people donate boxes of magazines or old clothes, church officials store such items away "without realizing that spontaneous combustion can occur." He said the insurer's representatives do walk-throughs of churches to remedy such practices. Ecclesiastical hoarding can also lead to such unsafe practices as storing used cans of paint in furnace rooms, he said. Much of the loss control challenge for churches is "just good housekeeping," he said.

Even before this year's fires put new focus on arson, church groups had begun taking an increasingly hands-on approach to loss control.

For example, two years ago the Washington-based Congress of National Black Churches Inc. made The Church Insurance Partnership Agency Inc. a wholly owned subsidiary of its Church Management Services Corp. unit.

The agency, which was founded in 1984 and previously owned jointly by CNBC and Aetna Life & Casualty Insurance Co., administers a comprehensive insurance program underwritten by Preferred Risk.

The program includes providing loss control services to the congress' eight member denominations, which are the African Methodist Episcopal, African Methodist Episcopal Church of God in Christ, National Baptist Convention of America Inc., National Baptist Convention USA Inc., National Missionary Baptist Convention of America and the Progressive National Baptist Convention Inc.

The chief prescription for church fire exposures is hardly surprising: sprinkling systems. "The best thing you could do is build buildings with fire protection system sprinklers," said J&H's Ms. Freedland.

Churches generally are built without any kind of fire suppression sprinklers, even though they're easy to install during construction, they're effective and they require little maintenance, she said.

Sedgwick's Mr. Botts agreed. He noted that sprinkling does not need to alter a church's aesthetics. Pipes can be run along beams to minimize aesthetic disruption. He added that sprinkler heads themselves can be disguised by such techniques as placing them within ceiling rosettes.

In addition, technological advancements are providing capabilities for reducing the amount of piping, even pipe sizes, needed to provide fire suppression, said Mr. Botts. Loss control professionals can even put sprinklers in rural churches with small water storage tanks; a large building or elaborate water system is not necessary.

"Even within our diocese, we've got some buildings that probably would never suffer a total loss because of their construction," said Lisa Georger, director of insurance and risk management for the Roman Catholic Diocese

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AP/WORLD WIDE PHOTO

Construction key to building resilience

By MICHAEL SCHACHNER

The puzzle of protecting a new mill or industrial plant from catastrophic loss has four key pieces: solid construction, protection systems, maintenance and controlling occupancy.

But, no pun intended, construction is the foundation of keeping a new facility standing, according to engineers at the largest property insurers.

If a new mill is poorly constructed, regardless of properly maintained equipment and state-of-the-art protection devices, it still stands very little chance of surviving a raging fire, hurricane-force winds, a blizzard or a ground-shaking earthquake.

But industrial corporations are not entirely at the mercy of nature. Risk managers and their industrial risk insurers can make the commitment to building a better mill.

Roofing techniques exist today that will protect a mill's roof during 120 mph winds. Properly spaced fire walls with no breaches can save a mill from total destruction by thwarting the spread of a fire for long enough to allow sprinklers and firefighters to do their jobs. Concrete reinforced by more than just steel rods can much better handle an earthquake than standard reinforced cement.

But no matter how a plant is built, construction itself can only do so much, said several insurer engineers.

"At 1,000 degrees, steel warps and a mill can come crashing down. You could go with all reinforced concrete, which will resist a fire, but you'll burn out all your contents. So, construction is just one element of the equation," said Tom Lawson, manager of Arkwright Mutual Insurance Co.'s furniture and textile market segment in Atlanta. "But with rotten construction, you're off to a very bad start."

Engineers have been using some of the natural and man-made disasters in recent years to learn more about new construction. The Northridge earthquake in 1994 in California, for example, showed how prefabricated tilt-up walls can easily separate from ceilings.

Hurricanes Hugo and Andrew taught engineers the importance of securing roofs and flashing so as not to allow any room for wind to get under the roof and start a peeling process. And infernos last year at Malden Mills in Lawrence, Mass. (BI, Dec. 18, 1995), and at Miliken Mills in LaGrange, Ga., were both an education in how to better construct fire walls and separate production lines in hopes of avoiding a total loss.

"The first step is probably to figure out what your one big exposure will be and build for that," said Mike Burke, vp and chief engineer at Allendale Mutual Insurance Co. in

Johnston, R.I. "It's far easier to do the right thing during initial construction than during a retrofit or renovation."

Mr. Burke, like many of his Factory Mutual engineering counterparts, said step one is to ascertain the applicable building codes as defined by groups like the American Society of Civil Engineers. Often step two, he said, is to exceed the codes.

"Construction protocols are generally driven by building codes, which seem to accept that if a major catastrophe occurs, you're going to lose the building. The codes are not terribly demanding. But if you take the mind-set that you are not going to be subject to a total loss, you have options," he said.

With respect to building a structure to stand up to severe winds, which occur frequently and can result in costly water-related losses, the roof is the point of primary concern.

"With the roof, it's knowing where the weakest link is. It must be attached very securely to the steel structure, or it could peel off during wind. It's all about how well each piece of the roof is attached. And with flashing, it's all about not letting wind get underneath where peeling starts," said Dennis Anderson, vp and director of engineering at Protection Mutual Insurance Co. in Park Ridge, Ill.

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Spotlight on Property Loss Control

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Spotlight editor:
Mark Hofmann

Builders, manufacturers fight over EIFS

By MICHAEL PRINCE

It was supposed to be easy and clean, but it has turned out to be difficult and messy.

When it was introduced in the early 1970s, the Exterior Insulation and Finish System, EIFS, was touted as an easy, low-maintenance way to finish the exteriors of commercial and residential buildings.

Reality has proved otherwise.

An EIFS is made from layers of material affixed to the outside of a building.

First, gypsum board or plywood is attached to metal or wood studs on the building.

Glued or fastened to this is a one-inch-thick sheet of polystyrene

insulation. Atop the polystyrene is applied a cement base coat.

A fiberglass mesh is embedded in the cement, and a layer of acrylic finish coat is added to provide a stucco-like finish.

It is designed as a low-maintenance, high-durability building exterior. Because of this and its ability to be molded to make a customized look, the system became popular during the 1980s in constructing strip malls, condominiums and office buildings.

Although sales data is not widely available, an engineering publication reported that 1995 EIFS sales exceeded 260 million square feet.

But, what looked so promising in theory has proved troublesome in practice as EIFS, in many cases,

have failed to withstand the elements.

The failures have found their way into court. Also, North Carolina's restrictions are so stringent that the system virtually is banned there.

Despite its problems, buildings are being covered with EIFS every day. Recently, KFC Corp. started building fewer than 100 new restaurants with the material and remodeling about 150 older ones with EIFS.

Norb Paulin, director of construction for the Louisville, Ky.-based restaurant chain, said he is unfamiliar with any problems with EIFS.

EIFS has experienced two types of damage.

Primarily the damage involves

water penetrating the insulation layer and corroding the wood or gypsum sheets and the underlying building wall. The water also rusts the metal studs used to hold the sheeting to the building.

High winds also have ripped whole sections off buildings. A report about last year's Hurricane Opal prepared by the Boston-based Insurance Institute for Property Loss Reduction said, "many EIFS buildings had missing wall sections located well above the area of storm surge, clearly indicating that the damage was wind-induced."

The report also said the wind damage frequently occurred after water damage loosened the sheeting from the building. Opal lashed the Gulf Coast of the United States in

late September 1995, causing more than \$2 billion in insured damage (BI, Oct. 9, 1995).

So who's responsible? It depends on whom one asks.

Home builders lay the blame at the door of the manufacturers. They say EIFS cracks, allowing water to enter while lacking a way to drain it.

What looked so promising has proved troublesome as EIFS have often failed to withstand the elements.

"It was naive to expect homeowners to be able to maintain the system sufficiently to keep water out," said Peter Wilms, director of regulatory affairs for the North Carolina Home Builders Assn.

The manufacturers, however, blame poor installation or bad windows.

According to L. Douglas Mault, executive director of the EIFS Industry Membership Assn. in Yakima, Wash., installers don't properly waterproof around windows and doors.

Also, he said, often the windows themselves leak, allowing water to infiltrate the wall.

EIMA's membership includes most of the major EIFS manufacturers.

The report on Hurricane Opal supports the manufacturers' position. It states that EIFS "are quite sensitive to poor workmanship and water infiltration; however, correctly installed EIFS have performed very well in environments subject to extreme winds and high levels of precipitation."

Mr. Wilms agreed that poor installation has caused some of the problems, but he said that even where the installation was inspected and approved by the manufacturer, the EIFS sustained water damage.

North Carolina homeowners have filed several class-action suits against EIFS manufacturers, alleging water damage and rotting of the systems, according to Mr. Wilms. Similar suits are pending in South Carolina and Florida.

So far, insurance companies primarily are studying the problem before recommending any corrective measures, said Terry Cooper, principal engineer with Arkwright Mutual Insurance Co. in Waltham, Mass. A wind-resistance rating for EIFS similar to those for roofs would be a good idea, he said.

The manufacturers are more active.

In Chesapeake, Va., EIMA is working with the Tidewater Builders Assn. to train home builders, EIFS installers and municipal building officials to correctly install and inspect EIFS. These training sessions are scheduled for later this month.

"Education is the best resolution to the situation," said Mr. Mault.

Others believe in a more drastic solution.

Earlier this year, the North Carolina Building Code Council essentially banned EIFS from the state by ruling that any EIFS installed this year had to carry a 20-year manufacturer's warranty. No manufacturer offers such a warranty.

Starting in 1997, the regulations will require any EIFS in North Carolina to contain an internal water drainage system.

No manufacturer makes such a system, but according to Mr. Mault, several are in development. **BI**

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Higher loss exposure from coolants follows ban on production, imports of CFCs

By ROBERTO CENICEROS

An international ban on the production of chlorofluorocarbons, or CFCs, which are used in refrigeration systems and to cool commercial buildings, is creating a big new property loss exposure.

Awareness of the exposure remains very limited among risk managers, loss control consultants and other insurance industry observers. Several risk managers said CFCs aren't in their area of responsibility or so far haven't come up as an exposure.

But at least one insurer—Hartford Steam Boiler Inspection & Insurance Co.—is addressing CFC losses in its boiler and machinery breakdown policies.

The loss of the coolant has become a risk management issue because dwindling CFC supplies now are expensive, selling at 800% more than their cost in 1987, when the ban first was proposed, said Rick

and used.

CFCs normally do not wear out, but they can leak out if a seal is broken or due to system damage, explained Henry Febo, section manager of special hazards for the Standards Division of Factory Mutual Research Corp. in Norwood, Mass.

So far, Hartford Steam Boiler is the only insurer naming CFC losses in its policies, Mr. Kinner said. A check with other insurers confirmed several have not named CFC coverage, though engineers for other insurers say they have alerted underwriters of the need to consider such language.

Hartford Steam Boiler, under its policies, will pay for the cost of re-

placing CFCs or other refrigerants lost as a result of a peril or mechanical failure. The company also has a program that covers the cost of converting equipment to accept alternative coolants if that is more cost-effective after a loss.

Normally, exclusion of CFCs is not mentioned in policies, and naming their coverage may not be necessary, said Michael McIntyre, senior vp of marketing for Allendale Mutual Insurance Co. in Johnston, R.I. If a policy is written on a replacement-cost basis, the insurer must replace losses, such as Freon, at the market price at the time of the loss, he said.

"If you write a policy on a replacement-cost basis and you lose a

piece of machinery or something else and the price of that has gone up precipitously in the meantime, (the insurer has) to pay for the replacement piece of machinery or (the insurer has) to replace it with what was lost," he said. "That is what we are really talking about."

But Mr. Kinner argued that naming a potential loss in a policy is always better for the policyholder. Now that CFCs are so costly, they could become the object of policy disputes with some insurers more likely than in the past to question their replacement. He pointed out that policies often exclude materials whose cost has increased "due to law and ordinance."

"That is a very appropriate exclusion for this exposure, because a CFC is a hazardous material," he said. "The loss has increased due to the law, which describes that you cannot (manufacture) this any-

more."

He expects other insurers will follow Hartford Steam Boiler's lead and begin addressing CFCs in their policy language. It's "a 'me, too' industry, and nothing any company designs is a sacred cow for very long."

For now, several brokers, loss control consultants and risk managers say the loss of CFCs has yet to lead to a coverage dispute. Some say it could become an issue, but loss prevention or insurance strategies to address it are not complete.

"This is not something that has come up," said Rick Moscicki, a consultant in the risk management unit of Tillinghast-Towers Perrin in Dallas. "It is an issue that we are beginning to look at ourselves as we consult with our clients. But it is not something I can say, 'Yes, I just got a call from a client yesterday.'"

See CFCs on next page

'It is an issue confronting (policyholders) that three years ago they did not have to be concerned with,' Rick Kinner says.

Kinner, Hartford Steam Boiler's second vp of marketing in Basking Ridge, N.J. CFCs now sell for about \$30 to \$40 a pound, compared with just cents per pound a few years ago.

Given that an air-conditioning system on a 20-story high-rise may contain more than \$100,000 worth of CFCs, it may be more costly to replace lost or contaminated CFCs than to replace the cooling machinery itself, said Mr. Kinner.

Also, an international black market for coolants like Freon could result in some contaminated CFCs entering the country. That might raise questions about coverage for damaged machinery if contaminated CFCs are found.

To make a sound decision about insurance coverage for cooling and refrigeration systems, policyholders need to consider the expense of replacing CFCs, not just damaged equipment, he added. In addition to higher prices caused by a dwindling supply, CFCs also are being taxed heavily to discourage their use. The labor expense of handling them also is rising because they are now federally classified as hazardous materials.

"This is a new exposure," Mr. Kinner said. "This is a new issue for many insureds. Therefore, you could argue it is a new insurance-buying decision. It is an issue confronting (policyholders) that three years ago they did not have to be concerned with."

Freon is the common trade name for CFCs found in automobiles and home cooling systems. CFCs originally were scheduled to be phased out by the year 2000. But four years ago, when new scientific data showed that Earth's ozone layer was disintegrating faster than previously thought, 50 developed countries—including the United States—agreed to implement a manufacturing and importation ban by the end of 1995. More than 100 other countries will ban production by 2010. However, existing stockpiles still can be purchased



SETTING THE STANDARD

CFCs

Continued from previous page

"It has not even raised its head," said Michael McDermott, president of Leslie & Godwin, a Toronto unit of Aon Group Inc. with clients in the energy and utility industry.

"In fact, I called CIGNA yesterday and asked them if it is an underwriting issue that is on the table upstairs and was yet to filter down to the underwriting department," Mr. McDermott said. "They were checking on it and had heard of it but were not sure of what was going on. London hasn't reacted either. Everyone is in the dark at the moment."

Engineers for insurers and policyholders are likely to know more about the ban on CFCs and its implications than are risk managers

and other financial decision-makers who do not work directly with machinery, said Michael E.G. Schmidt, a research consultant for Industrial Risk Insurers in Hartford, Conn.

"We are in the process of providing guidance to our field staff on the cautions one would use in a mechanical refrigeration system and we are trying to also provide some information on some precautions having to do with replacement refrigerants," Mr. Schmidt said.

Use of replacements could call for varying amounts of system retrofitting, depending on the type of system and the new coolant to be used, Mr. Schmidt and others said.

Potential substitutes also present more hazards than CFCs, which are non-toxic and non-flammable. For example, ammo-

nia is widely used in food industry refrigeration systems, but it is both toxic and flammable, Mr. Schmidt said.

Propane is also an excellent coolant used in the chemical industry, added John A. Davenport, assistant vp and director of research at IRI. But it is highly flammable and generally not suitable for industries that do not specialize in handling it.

For now, hydrofluorocarbons, known as HCFCs, are the most common replacement, Factory Mutual's Mr. Febo said.

"These are close to CFCs in user-friendliness and they are less hazardous to ozone," Mr. Febo said. "Where possible, that would be the risk management choice."

Some observers point out that the issue has not surfaced more often because a \$100,000 loss of Freon is not a huge concern for

large companies. But given the possible hazards associated with potential replacements and the fact that one insurer has already named CFCs in its policies means risk managers should take note, said Mr. Schmidt.

"It's something (they) need to find out about," he said. "Find out, as indeed it is most likely the case, that they have fluorocarbon refrigerants and what the implications are of retrofitting or having a replacement refrigerant."

"Knowledge is power and a risk manager has a lot to worry about, but it is one of those things that can be a serious risk," Mr. Schmidt said.

"And the fact that an insurer is putting the words in the policy ought to be a clarion call to (risk managers) that they need to know what their exposure really is," he said.

Mill

Continued from page 3

"Concentrate on the force holding down the roof," added Mr. Burke. "It's the screws, clips and glue that hold it down, so at five feet from the edge all the way around put down another set of screws. It's something like this that doubles your odds against damage."

Fire is another peril construction must address.

The two most common non-combustible materials used in new construction are steel and concrete. But even if these materials are used to build the frame, attention also must be focused on the roof.

"We've been reminded a couple times in recent years that you can have a good steel frame and tilt-up concrete walls, but if you mop on an asphalt roof, a fire can vaporize that thing and the building burns down from top to bottom," said Peter Willse, a research consultant with Industrial Risk Insurers in Hartford, Conn.

Fire also can get at and melt paneling if it's not properly faced, added Protection Mutual's Mr. Anderson.

"Very often plastic is used in an insulated 'sandwich panel.' If this happens, it's best to have steel or aluminum as the facing. Exposed foam or plastic is very bad. You can still have a fire burn off facing, so the key is a thick face that's securely fastened. The problem is even worse at the ceiling level. Without a thick facing, there is trouble. The roof is where the fire is hottest and it's where gravity is working against you," he said.

Arkwright's Mr. Lawson also recommended avoiding multi-story construction. "We really want to avoid concealed spaces and split levels. You stand a better chance with everything on the ground."

Allendale's Mr. Burke emphasized the importance of fire walls as a means of combating fire, noting that typical fire extinguishing systems like sprinklers can fail. But with fire walls, factory owners can subdivide one high hazard from another, and potentially protect against explosions.

"I don't think you should ever have more than X percent of production at risk at any time. Any good fire architect can deliver fire walls. They're easy and cheap to build during initial construction, but rather costly and difficult on renovation. But remember, a good fire wall is more than just a concrete wall," he said.

Mr. Anderson agreed, but with a warning. "A fire wall is not a fire wall is not a fire wall. The weakest link in these walls are where conveyor belts pass through or doors. You must make a special effort to protect these potential breaches," he said.

IRI's Mr. Willse noted that the National Fire Protection Assn. has issued codes calling for industrial facilities to have fire walls that can last a certain number of hours—usually two to four hours, depending on what is being protected.

"We look for a minimum of three hours between manufacturing areas and warehouses, and four-hour walls when flammable liquids and aerosols are involved," he said.

To protect against a collapsed roof caused by heavy snow, Mr. Willse and John Davenport, assistant vp and director of research at IRI recommended avoiding building structures of different heights adjacent to one another.

"Drifting snow to a lower roofline is a major problem. We suggest at least 20 feet of separation," Mr. Willse said.

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Opinions

Perseverance pays off

IF THERE EVER WAS an example of the importance of not giving up in the face of countless setbacks, the employer-led drive for pension simplification is it.

Seven years ago, the Assn. of Private Pension & Welfare Plans, an employer lobbying group, began the drive for simplification with the publication of a public policy paper recommending many changes to end what the group described as pension gridlock.

Many of those recommendations were incorporated in legislation introduced the next year by then-Rep. Rod Chandler, R-Wash., and Sen. David Pryor, D-Ark.

But what then followed was heartbreaking.

Three times over the course of about four years, Congress passed pension simplification packages. But each time—twice by President Bush and once by President Clinton—those packages were vetoed.

While the vetoes were unrelated to the pension provisions—the simplification packages in each case had been attached to broader tax and budget bills that the two presidents objected to—the effect was the same: they killed simplification efforts.

Given those setbacks, it would have been understandable if employer groups had given up efforts to lobby for pension simplification legislation. They didn't and continued to deliver their message to Congress that simplification was needed as much as ever.

Those efforts bore fruit last month when Congress once again passed a simplification package as part of a broader measure that also will raise the minimum wage and provide other new tax breaks.

And, this time, the president will sign the measure.

To be sure, the simplification package does not contain everything employers would have liked. But the changes it does offer, while modest, will begin to peel away the layers of complexity legislators have added over the years and eliminate illogical rules.

Employers, for example, will have a new, much easier way to run basic 401(k) non-discrimination tests, while employers that offer generous matches of 401(k) plan contributions will not have to run the test at all.

Other changes include a more simple definition of



“highly compensated employee” for non-discrimination testing as well as once again allowing tax-exempt employers to offer 401(k) plans.

Just as important as the reforms it makes, the legislation represents a welcome change in direction. Instead of making rules more complex, Congress is liberalizing them, a change that should encourage employers to maintain their pension programs and set up new plans.

The successful drive for pension simplification underscores the importance of having a view for the long term and not giving up.

While employers have been battling for a long time for pension simplification, that drive has been short compared with the 15-year effort—to date unsuccessful—to win enactment of a federal product liability reform bill.

Just as employers prevailed in their long drive for pension simplification because they refused to give up, we firmly believe they also will win enactment of tort reform legislation if they keep the fight for reform alive.

Letters

401(k) money not meant as ‘consumer’ credit

To the editor: Recently the news reported a plan developed by a national bank to offer individuals credit cards tied to the loan provisions of their employer-sponsored 401(k) plans. It is my opinion that this plan is irresponsible to uneducated and less sophisticated employees and raises serious questions about fiduciary liability to the employer sponsor and trustees of such plans.

If a retirement plan is intended to offer the employees a tax break for long-term investing, why would an employer let anyone use these funds for short-term, consumer-based needs? 401(k) loan provisions were intended to provide emergency liquidity for certain major financial needs, such as education, medical expenses and the purchase of a home.

When the IRS repealed the hardship withdrawal provision in 401(k) plans, the loan option became the only way to assure

employees easy access to money in emergency situations.

But this option was never intended to be a “Christmas club” method of meeting regular expenses, nor was it intended to provide credit for consumer purchases. What can be the intent in offering such an option except to rake in transaction and membership fees from unknowing and unsophisticated employees?

Consider these important consequences to any individuals for borrowing at all from their employer-sponsored 401(k) plans:

First, they have a significant opportunity cost in that the money that is removed and not invested in the plan will not grow with tax-free compounding in their intended investment choices.

Secondly, the interest paid to the plan for borrowing, even if it goes to the employee's account, is not tax-deductible and is no better than shifting one's own money from one pocket to another.

Finally, if employment is terminated for any reason, the entire loan balance must be repaid in full before the money can be rolled over into an IRA or another employer's 401(k) plan. Any unpaid loan balance becomes treated by the IRS as a preretirement distribution subject to income taxes and penalties.

I would strongly suggest to any employer that has the trustee or fiduciary responsibility of overseeing a 401(k) plan to reject

any employee's attempt to sign up for such an easily abused opportunity to mess up their retirement savings accounts. I would not wish to be the individual or employer being sued years from now for not knowing of, or not educating my employees on, such significant risks.

Fred C. Garfield
Partner, Employee Benefits Specialist
SMF Associates
Oakbrook Terrace, Ill.

RRGs' past shows need for regulation

To the editor: The continuous attacks by the National Risk Retention Assn. on efforts by the Louisiana Department of Insurance to protect the citizens of this state serve only to discredit the entire risk retention group industry.

It is interesting to note that the biased and self-serving comments of Rosita Steele that appeared in an article in the July 29 edition of *Business Insurance* under the headline, “Louisiana's Appeal of RRG Ruling is Questioned,” coincide with a notice issued by the National Assn. of Insurance Commissioners that the Osteopathic Mutual Insurance Co. RRG was placed in rehabilitation by the Tennessee Department of Insurance. Once again, policyholders in Louisiana have been put at risk by entities

See RRGs on page 28

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Churches

Continued from page 3

of Buffalo, N.Y. Buildings covered by the diocese's risk management program range from St. Joseph's Cathedral to wood frame buildings, she said.

She said that after a 1988 arson fire, many churches in the diocese had fire suppression systems installed.

"I think what's going on in the South is not limited to the southeast part of the United States," she said.

Ms. Georger said that risk management representatives annually visit the diocese's parishes and institutions to address the unique exposures of individual parishes and activities, such as overnight day camps.

"Each parish and/or institutions within the diocese has its own set of individual exposures, so we can't

make the same recommendation for St. Joe's as we would for St. Mark's," she said.

But sprinkling is an expensive proposition for many congregations, noted Adventist Risk Management's Mr. Jacobs.

"We have not pushed for retrofitting, primarily because of the costs involved," he said.

Preferred Risk's Mr. Plunk agreed it's too expensive to expect many churches to retrofit. Instead, "we frequently recommend a central reporting system—fire and smoke alarm—that reports to the fire department or a central reporting service," he said.

But churches don't always have adequate reporting systems, said J&H's Ms. Freedland. They often have no fire alarms at all, and some churches that do have fire alarms have devices that sound an alarm only inside the church, she said.

Further complicating matters is

the fact that local jurisdictions can exempt churches and other cultural institutions from adhering to fire codes, said Ms. Freedland. That comes into play when unlicensed volunteers do work like electrical repairs. The work isn't always up to code and fire ordinance standards, thus creating greater exposures, she said.

Preferred Risk's Mr. Plunk echoes that concern, particularly in regard to electrical systems. He emphasized having qualified inspectors review volunteers' work.

"We can rebuild a building, but if a life is lost or a fireman dies, we'll never forgive ourselves for not having taken adequate precautions," he said.

But even minor loss control steps often are not taken. Mr. Plunk said the insurer loss-control personnel also check refill dates on fire extinguishers "and very frequently we



AP/WORLD WIDE PHOTOS

Arson destroyed the historic Matthews-Murkland Presbyterian Church in Charlotte, N.C., where the Rev. Larry Hill is pastor.

find them out of date."

Another major concern—more important today because of conditions beyond churches' control—is church

security. Many churches used to be open every hour of every day so worshippers—whether members of the church or not—would have access to the sanctuary.

But that open-door policy led to problems beyond arson, particularly in urban neighborhoods, said Steve Scammell, a senior consultant with Tillinghast-Towers Perrin in Parsippany, N.J.

"They were an open invitation for somebody that needed something quick, fast and easy," he said. As a result, churches began rethinking their practices.

The problem has not been limited to urban churches, either.

Although fire remains the biggest concern of the First Baptist Church of Elmer, N.J., the church's insurer is insisting that the church put locks on its doors, "which we had not done in 80 years," said Harold H. Hofmann, chairman of the church's board of trustees.

Preferred Risk also advised the church to install a common lock system, meaning the same key would open all the locks, as a result of minor vandalism, he said. "We wanted people to be free to come and go, so the compromise was anyone who needed a key would be given a key," he said.

Special events can mean special exposures for houses of worship. For the members of Congregation Beth Jacob in Atlanta, the coming of the Olympics meant getting in contact with the Georgia Bureau of Investigation for advice on mitigating exposures, said David G. Adler, a member of the congregation's board of trustees who also is risk manager of the Atlanta-based Portman Cos. and who won a place on *Business Insurance's* 1993 Risk Management Honor Roll.

Among the steps recommended by the GBI were more vigilant posting and enforcement of tow-away signs and increased video surveillance for suspicious activities, said Mr. Adler.

The congregation also eliminated reserved parking spaces for clerical and lay leadership, he said.

"They don't want to spotlight whose vehicle might be the rabbi's vehicle or executive director's vehicle for fear that someone might tamper with it," explained Mr. Adler.

The congregation also stopped publishing the home addresses of key staff and lay leadership and enhanced supervision of children's activities, he said.

"The other thing that is of interest, in the Jewish religious environment we have a number of sacred items, particularly Torah scrolls, that are housed in the sanctuary. We—like I'm sure a number of other congregations—have taken additional and separate security measures to protect those," he said.

Adventist Risk Management's Mr. Jacobs also cited the danger of being too explicit with signs. Signs telling when church services and activities will occur are the most dangerous,

See Churches on page 14

PROPERTY

"Catastrophic" seems to be the best description of the past several years in the property marketplace. All over the country fires, floods, earthquakes, hurricanes and tornados have struck with a frequency unprecedented in recent memory.

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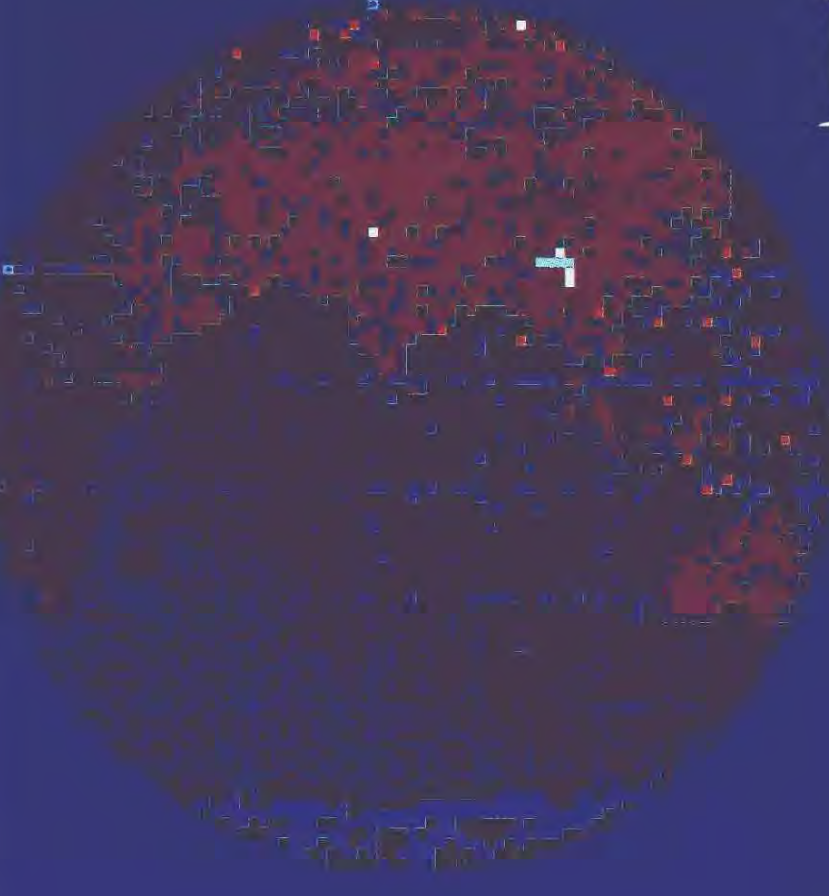
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Feb 20	Utilization Review Providers & Case Managers
Mar 6	Benefit Information & Claims Systems
Mar 20	Risk Management Consultants
Apr 3	Prescription Benefit Managers
Apr 24	Captive Managers
May 29	Alternative Facilities
Jun 12	Property Loss Control Consultants
Jun 26	EAPs & Mental Health Networks
Jul 17	Agents & Brokers
Jul 31	Dependent Care Resource & Referral Services
Aug 14	401(k) Plan Administrators
Aug 28	Leading Reinsurers Worldwide
Sep 11	Surplus Lines Insurers & Wholesalers
Oct 2	Environmental Risk Management Consultants
Oct 9	Safety Consultants & Rehabilitation Services
Oct 23	Reinsurance Brokers
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May 20	401(k) Plan Administrators
Jun 3	Alternative Risk Financing Facilities
Jun 24	EAPs & Dependent Care Resource and Referral Services
Jul 22	Agents & Brokers
Aug 5	Prescription Benefit Managers
Aug 19	Property Loss Control Consultants
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Oct 14	Reinsurance Brokers
Oct 28	Benefit Communication Systems
Nov 4	Safety Consultants & Rehabilitation Services
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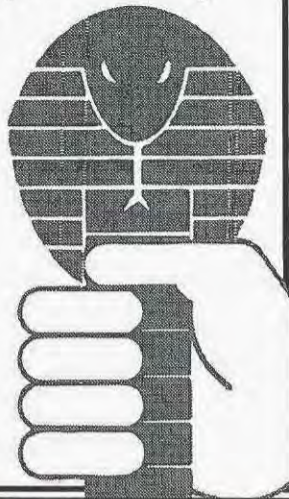
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Churches

Continued from page 12

he said. "Anyone with evil intent can read the postings" and know when the church will be in use and plan their crimes accordingly, said Mr. Jacobs.

"You do want to post the times of the services for promotional purposes. You must balance this and determine which services and activities to post," he said.

Keeping the church visibly occupied is another way to reduce the chances of vandalism, said Sedgwick's Mr. Botts.

Church leaders should encourage activities such as Boy Scouts and Girl Scouts or Alcoholics Anonymous groups.

"The more activity around the building, the better," he said. Such activities both decrease the oppor-

tunity for intrusion and further draw the church into the fabric of the community, he said.

"Probably the greatest exposure is how much of the time that they're unoccupied," said Thomas Hoge, supervisor/safety director-loss control for Church Mutual Insurance Co. in Merrill, Wis. The underwriter insures about 63,000 houses of worship.

"Just the landscaping around the church can isolate them" and allow people to hide and work without being seen, he said. Exterior lighting would always be recommended, and actual trim back of shrubs would be appropriate if the church has a problem.

"It's a judgment situation for them and us," said Mr. Hoge.

"We would always recommend a good Neighborhood Watch program," said Preferred Risk's Mr. Plunk. Adequate outside lighting—including motion detector lights that can be installed "relatively inexpensively"—can serve to deter vandals and arsonists alike, because both like to work in the dark, he said.

Towers Perrin's Mr. Scammell said elaborate security systems might not be the answer for fires such as those that have recently received attention in the South.

"Unfortunately, from what I've read in the press, a lot of these are very rural, isolated, and very difficult to watch," he said. Their location tends to diminish the value of central alarms because no one might hear the alarm and react in time, he said.

Instead, a more traditional approach using watchmen or volunteer patrols could be a more effective deterrent, he said.

If a threat is received, church officials should immediately notify local authorities, said Ms. Freedland. She advised against having a lone parishioner manning a building himself or herself.

In addition, "typically churches are not wealthy places," so a tendency to be financially conservative, by doing things like cutting off lights to save money, must be balanced with demands of safety," said Mr. Jacobs.

Churches have other unique exposures as well, pointed out Ms. Georger. A major concern in the Buffalo diocese is protecting stained-glass windows, she said. Some of the windows date from the 19th century.

"Our biggest concern would be the stained-glass windows in the older buildings that are irreplaceable," she said.

To protect these treasures, the diocese recommends churches coat them with a plastic coating that prevents shattering, she said.

Sometimes, churches inherit these exposures as they acquire property that once belonged to other denominations, said Mr. Jacobs of Adventist Risk Management. The value of the property may far exceed what a congregation would have spent otherwise, thus leading to a disparity between replacement costs and functional replacement costs, he said.

Mr. Jacobs also noted that the very nature of churches can have an impact on their members' approach to loss control.

"The faith factor sometimes presents a loss control factor," he said. Worshipers may take the attitude that God will take care of exposures faced by the church, an attitude that can result in a more relaxed loss control approach, he said.

The challenge for the church risk manager is to "try to find a balance between the faith factor and the practicalities of loss control." ■

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**Business
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Annual directory of property loss control consultants



AIG Consultants Inc.

72 Wall St., Ninth Floor, New York, N.Y. 10270; 212-770-7000; fax: 212-785-8287

1995 revenues

Total gross revenues	\$28,924,000
Property loss control/engineering	95%
Other	5%
Includes: industrial hygiene, safety training	

Staff

Total	169
Professionals	110
Includes: 3 ARMs, 12 ALCMs, 10 ASCEs, 34 ASSEs, 57 CSPs, 12 PEs, 10 SFPEs	

Clients

Total	4,000
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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, cargo protection audits.

Occasional services: Publications, research, client training.

Specialties: Health care, chemical manufacturing, warehousing, construction, utilities, retail, real estate, transportation.

Region served: Worldwide, 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.

Officers: William J. Frey, president; George Toth, COO/senior vp; Jan Young, Charles Benda, Steve Werner, vps.

Contact: Walid Sidani.

Alexander & Alexander Inc.

1185 Ave. of the Americas, New York, N.Y. 10036; 212-575-8000; fax: 212-238-1037

1995 revenues

Total gross revenues*	\$850,000
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Staff

Total	65
Professionals	65
Includes: 4 ARMs, 1 ASSE, 4 CSPs, 7 PEs, 41 SFPEs	

Clients

Total	3,000
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Loss control services began: 1899.
Parent: Alexander & Alexander Services Inc.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, boiler and machinery inspections.

Occasional services: Plant security inspections.

Specialties: High technology, pulp and paper, energy, oil, gas, petrochemical, telecommunications, pharmaceuticals.

Region served: Worldwide.

Branch offices: Los Angeles; San Francisco; Atlanta; Chicago; Kansas City, Kan.; Baltimore; Boston; St. Louis; Lyndhurst, N.J.; New York; Philadelphia; Dallas; Houston.

Officers: Ken Davis, chairman; Larry Burk, deputy chairman; Elliot Cooperstone, president/CEO; John Lumelleau, senior vp/national director-business development.

Contact: Bill Falkenhainer, vp-risk control services, 212-973-4057; Tom Ascherman, senior vp-risk control services, 813-273-5558.

* Loss control services only.

American Risk Consultants Corp.

1 Executive Drive Fort Lee, N.J. 07024; 201-592-7100; fax: 201-592-7859

1995 revenues

Total gross revenues	\$13,400,000
Property loss control/engineering	75%
Other	25%
Includes: engineering support for captives	

Staff

Total	151
Professionals	117
Includes: 2 ARMs, 3 CSPs, 17 PEs, 47 SFPEs	

Clients

Total	685
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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, program development.

Occasional services: Publications.

Specialties: Chemical, petrochemical,

food and grain, pulp and paper, wood products, electro-power (nuclear, fossil and hydro), mining and metals, pharmaceuticals, commercial real estate, manufacturing.

Region served: 38 countries, including the United States.

Branch offices: Sacramento and San Francisco, Calif.; Wilmington, Del.; Chicago; Prairie Village, Kan.; Louisville, Ky.; Plymouth, Mich.; Minneapolis; St. Louis; Somerville, N.J.; Cleveland; Livingston, Tenn.; Arlington and Freeport, Texas; Ellvue, Wash.; Melbourne, Australia; Toronto, Canada; Frankfurt, Germany; Weybridge, United Kingdom.

Officers: William F. Ramonas, president; Glenn H. Giles, executive vp; Philip H. Clark, general manager-U.K.; Douglas Wilkinson, managing director-Australia; Jim Armstrong, Thomas Cochran, senior vps.

Contact: William F. Ramonas.

Anti Fire, P.E.

Phillips & Associates

1963 Sycamore Trail, Las Vegas, Nev. 89108; 702-648-6757; fax: 702-648-6757

1995 revenues

Total gross revenues	\$3,700
Property loss control/engineering	100%

Staff

Total	1
Professionals	1
Includes: 1 CSP, 1 PE, 1 SFPE	

Clients

Total	3
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Loss control services began: 1974.

Frequent services: Fire prevention inspections, automatic fire detection consulting.

Occasional services: Onsite plant loss
Continued on next page

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Methodology of BI directory explained

The methodology for the directory of property loss control consultants and engineers differs from previous directories.

For the first time, to be listed *Business Insurance* required companies to report gross revenues. In requiring gross revenues to be reported, *BI* is striving to give its readers more complete information on the firms listed.

By setting a threshold for inclusion in our listings, *BI* intends to provide readers with a listing of the firms that have developed a substantial presence in a given marketplace. While big is not always better, exceeding a given threshold of business does suggest experience and the capability to meet our readers' needs.

Continued from previous page
prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training.

Specialties: Law firms.
Region served: Worldwide.
Contact: Patrick E. Phillips, owner/principal consultant.

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

1995 revenues	
Total gross revenues	\$765,000
Property loss control/engineering	45%
Other	55%
Includes: casualty risk control management consulting	
Staff	
Total	12
Professionals	10
Includes: 1 ARM, 3 ASSEs, 1 CSP, 2 PEs, 1 SFPE	
Clients	
Total	26

Loss control services began: 1985.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, publications, research, client training, flow test reviews, sprinkler coverage determination, disaster contingency planning.
Region served: Worldwide.
Branch offices: Los Angeles; Atlanta; Chicago; Kansas City, Kan.
Contact: Harry P. Mirjaniyan, president.



Bellcore
445 South St., Morristown, N.J. 07960;
201-829-4169; fax 201-829-5886

1995 revenues	
Total gross revenues	\$1,079,505

Staff

Total	6,200
Professionals	52
Includes: 2 ARMs, 1 ASCE, 5 PEs, 3 SFPEs	

Frequent services: Hazard identification; research; client training; risk analysis, including network, fire, power and environmental risks; disaster avoidance and recovery; business continuity planning.
Occasional services: Fire prevention inspections, building plan reviews, root cause analysis.
Specialties: Communications, high technology, network intensive businesses.
Region served: Worldwide.
Branch offices: 25 locations nationwide and in Canada.
Officers: George H. Heilmeier, president/CEO; Rod L. Everhart, senior vp/CFO; Sanjiv Ahuja, corporate vp-software systems; Gary J. Handler, corporate vp-professional services; Robert W. Lucky, corporate vp-applied research.
Contact: Diane Rusconi, business development director-disaster management services, 908-758-2450.

Biehl Engineering Inc.
N66 W12659 Ravine Drive,
Menomonee Falls, Wis. 53051;
414-251-8251; fax: 414-251-8251

1995 revenues	
Total gross revenues	\$200,000
Property loss control/engineering	25%
Other	75%
Includes: building design, safety investigations	
Staff	
Total	4
Professionals	2
Includes: 1 ASSE, 1 CSP, 2 PEs	

Loss control services began: 1960.
Frequent services: Hazard identification, building plan reviews, accident investigation, product liability critique.
Occasional services: Onsite plant loss prevention inspections, fire prevention inspections, publications.
Region served: United States, Guatemala.
Contact: Steven F. Biehl, president; Francis W. Biehl, vp.

Gregory B. Bragg & Associates Inc.
1 Sierra Gate Plaza, Suite 250B,
Roseville, Calif. 95678; 916-783-0100;
fax: 916-783-0338

1995 revenues	
Total gross revenues	\$4,330,000
Property loss control/engineering	4%
Other	96%
Includes: risk management, risk control, claims management	
Staff	
Total	70
Professionals	3
Includes: 2 ARMs, 1 ALCM, 2 ASCEs, 1 CSP, 2 PEs	

Clients

Total	65
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Loss control services began: 1989.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, re-

Continued on next page

How to use this directory

The 10th 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. **1995 gross revenues** are provided along with the percent earned from unbundled property loss control consulting.

Information on **staff** members at year-end 1995, including professionals assigned to property loss control consulting and engineering services and some of their professional designations, is provided. The full name of professional designations abbreviated under staff are included below.

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

Details on frequent and occasional loss control **services** follow.

If a company specializes in consulting a particular type of business or industry, it is noted under the **specialty** heading. Listed next is the **geographic 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.

Business Insurance publishes the directory as an editorial service; there is no charge to be included.

Listings are based on each company's response to a *Business Insurance* questionnaire. Although every effort is made to provide complete and accurate information, *Business Insurance* 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.

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Spotlight report

Continued from previous page
search, client training, sprinkler system evaluations and testing.

Occasional services: Plant security inspections, building plan reviews.

Specialties: Public agencies, construction, manufacturing.

Region served: Western United States.
Branch offices: Chico, Fairfield, Redding, Sacramento, Stockton and Walnut Creek, Calif.

Officers: Gregory B. Bragg, president; Lee W. Collins, senior vp/secretary, Jeff Kimball, vp/CFO.

Contact: Jack Kastorff, 800-747-5847.

Morley Brickman & Associates

9221 Drake Ave., Evanston, Ill. 60203-1626; 847-674-2664; fax: 847-674-0096

1995 revenues	
Total gross revenues	\$190,000
Property loss control/engineering	100%
Staff	
Total	1
Professionals	1
Includes: 1 ASSE, 1 PE	

Loss control services began: 1986.

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

Officers: Morley Brickman, president.

British Safety Council

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

1995 revenues	
Total gross revenues	\$10,000,000
Property loss control/engineering	30%
Other	70%
Staff	
Total	120
Professionals	12
Includes: 2 ASSEs	

Loss control services began: 1957.

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

Region served: 27 countries.

Officers: James Brett, deputy director general; Tony Aler, training manager; Jim Wyllie, deputy training manager.

Contact: James Brett.

Ken Buhler Associates Inc.

11 Erita Lane, Smithtown, N.Y. 11787; 516-360-3770

1995 revenues	
Total gross revenues	\$1,000,000
Property loss control/engineering	75%
Other	25%
Staff	
Total	8
Professionals	5
Includes: 1 ASSE, 3 PEs, 2 S/Ps	

Loss control services began: 1976.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, building plan reviews, code consulting, cause and effect loss investigation.

Occasional services: Publications, research, client training.

Specialties: Electronics, retail outlets, warehouses.

Region served: United States.

Officers: Ken Buhler, president; Randy Buhler, Sandy Relkin, vps.

Cannon Cochran Management Services Inc.

2 E. Main St., Danville, Ill. 61832; 217-446-1089; fax: 217-443-0927

1995 revenues	
Total gross revenues	\$22,474,000
Property loss control/engineering	25%
Other	75%
Includes: claims administration, risk management services	
Staff	
Total	287
Professionals	30
Includes: 3 ARMs, 2 ALCMs, 30 ASSEs, 6 CSPs	
Clients	
Total	71

Loss control services began: 1978.

Frequent services: Onsite plant loss prevention inspections, hazard identification, publications, research, client training, industrial hygiene, ergonomics, customized program development, hazard-specific training.

Occasional services: Fire prevention inspections, plant security inspections, building plan reviews.

Specialties: Nursing homes, construction, manufacturing, governmental entities, contractors, transportation, restaurants, hotels/motels.

Region served: United States.

Branch offices: Little Rock, Ark.; Torrance, Calif.; Coral Springs, Fla.; Oak Brook, Ill.; Des Moines, Iowa; Metairie, La.; South Lyon, Mich.; North Kansas City and St. Louis, Mo.

Officers: Samuel P. Cannon, CEO; Robert L. Cowgill, president; Gary J. Schirmer, treasurer/executive vp; Jacqueline J. Cannon, secretary/executive vp; G. Bryan Thomas, senior vp/chief marketing officer.

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

1995 revenues	
Total gross revenues	\$217,000
Property loss control/engineering	100%
Staff	
Total	13
Professionals	13
Includes: 7 PEs, 1 SFPE	

Loss control services began: 1994.

Frequent services: Onsite plant loss prevention inspections, publications, client training, qualification of risks from technology, competitiveness profiling, litigation and claims support, operations and maintenance loss optimization.

Occasional services: Fire prevention inspections, hazard identification.

Specialties: Power, pulp and paper, waste-to-energy industries, financial institutions, government, insurance companies, brokers, risk management services, equipment supplies.

Region served: United States, England, Germany, Sweden.

Branch offices: Morgantown, W.Va.

Officers: William H. Pollock, Douglas M. Rode, managing directors.

Contact: Douglas M. Rode.

Capital Assurance Services Inc.

2 Columbus Center, 55 Alhambra Plaza, Coral Gables, Fla. 33134; 305-461-7410; fax: 305-461-4303

1995 revenues	
Total gross revenues	\$300,000
Property loss control/engineering	50%
Other	50%
Staff	
Total	7
Professionals	5
Includes: 2 ASSEs, 2 CSPs	
Clients	
Total	15

Loss control services began: 1983.

Parent: Skandia Group.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, building plan reviews, insurance underwriting surveys and services.

Occasional services: Hazard identification.

Specialties: Property and casualty insurance companies.

Region served: Florida.

Branch offices: Maitland, Fla.

Officers: R.C. Chaffin, president; Martin R. Lerner, vp.

Contact: Martin R. Lerner.

Chubb Services Corp.

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

1995 revenues	
Total gross revenues	\$2,600,000
Property loss control/engineering	12%
Other	88%
Includes: risk management, safety and claims administration	
Staff	
Total	12
Professionals	12
Includes: 2 ARMs, 7 ASSEs, 10 CSPs, 2 PEs, 1 SFPE	

Loss control services began: 1991.

Parent: Chubb & Son Inc.

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

Continued on page 20



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Spotlight report

Continued from page 18
training, property conservation programs.

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

Specialties: Electronics, food processors, nursing homes, biotechnology, metalworkers.

Region served: United States.
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.

CIGNA International, Risk Management Engineering Services

1601 Chestnut St., TLP 50, Philadelphia, Pa. 19192; 215-761-6697; fax: 215-761-5486

1995 revenues	
Total gross revenues	\$8,400,000
Property loss control/engineering	30%
Other	70%
Includes: insurance related services	

Staff	
Total	125
Professionals	95
Includes: 4 ARMs, 8 ASSEs, 3 CSPs, 9 PEs, 31 SFPEs	

Loss control services began: 1910.
Parent: CIGNA Inc.
Frequent services: Onsite plant loss

prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, computer building valuations, computer-aided drawings, client-focused performance review, customized recommendation management programs, property loss potential estimates, earthquake loss assessments.

Occasional services: Plan security inspections, publications, research.

Specialties: U.S.-based and multinational businesses, service and manufacturing industries.

Region served: Worldwide.
Branch offices: 35 locations worldwide.

Officers: Richard Wnek, vp-risk management engineering services.
Contact: Eileen Jud, 215-761-5337.

CONFIRM Inc.

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

1995 revenues	
Total gross revenues*	\$250,000
Property loss control/engineering	15%
Other	85%
Includes: specifications, RFPs, risk management	

Staff	
Total	5
Professionals	1
Includes: 1 ARM, 1 ALCM, 1 ASCE, 1 CSP	

Clients	
Total	4

Loss control services began: 1990.
Occasional services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, build-

ing plan reviews, publications, research, client training, simulated OSHA inspections.

Specialties: Health care, construction.
Region served: New York; New England.

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

* Estimate.

Construction Technology Laboratories Inc.

5420 Old Orchard Road, Skokie, Ill. 60077-1030; 847-965-7500; fax: 847-965-6541

1995 revenues	
Total gross revenues	\$13,562,000
Property loss control/engineering	32%
Other	68%
Includes: failure analysis, materials testing, structural engineering	

Staff	
Total	124
Professionals	40
Includes: 20 ASCEs, 23 PEs	

Clients	
Total	1,220

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.

Region served: United States, Argentina, Australia, Canada, Colombia, Guatemala, Hong Kong, India, Japan, Mex-

ico, Peru, Saudi Arabia, Spain, Sweden, West Indies.

Branch offices: Denver and Littleton, Colo.; Seattle and Tacoma, Wash.

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

Contact: W. Gene Corley.

Consulting Services Inc.

600 Eagleview Blvd., Exton, Pa. 19341-0640; 800-858-0853; fax: 610-458-7285

1995 revenues	
Total gross revenues	\$8,400,000
Property loss control/engineering	5%
Other	95%
Includes: bundled environmental consulting, property/casualty risk surveys and consulting, transportation/fleet audit and consulting	

Staff	
Total	60
Professionals	53
Includes: 2 ARMs, 1 ASCE, 3 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, publications, client training.

Occasional services: Fire prevention inspections, plant security inspections.
Specialties: Environmental industry.

Region served: United States.
Officers: William Kronenberg, president, Frank Pilliero, David Rosenberg, executive vps; James Splain, vp.
Contact: James Splain.

Crawford & Co.

5620 Glenridge Drive N.E., Atlanta, Ga. 30342; 404-847-4528; fax: 404-847-4127

1995 revenues	
Total gross revenues	\$10,000,000
Property loss control/engineering	65%
Other	35%
Includes: insurance related loss control services	

Staff	
Total	57
Professionals	4
Includes: 2 PEs, 2 SFPEs	

Clients	
Total	195

Loss control services began: 1981.
Frequent services: Onsite plant loss prevention inspections, hazard identification.

Occasional services: Fire prevention inspections, plant security inspections, building plan reviews, publications, research, client training, boiler and machinery consulting.
Specialties: Public entities, petrochemical, hazardous material, food process-

ing, mining, commercial property, marine terminals transportation, manufacturing.

Region served: United States, Caraca. Ergland, Europe, Mexico, Pacific Rim South America

Branch offices: Los Angeles; San Francisco; Hartford, Conn.; Orlando, Fla.; Atlanta; Chicago; St. Paul, Minn.; St. Louis; Clifton, N.J.; Winston-Salem, N.C.; Youngstown, Ohio; Philadelphia Dallas; Houston.

Officers: D.A. Smith, chairman/CEO; Jim Bryant, president.
Contact: Jim Bryant.

Mac Curless Co.

7623 E. 26th St., Wichita, Kan. 67223; 316-687-5533; fax: 316-687-3516

1995 revenues	
Total gross revenues	\$65,000
Property loss control/engineering	5%
Other	5%
Includes: code reviews and analysis, design development	

Staff	
Total	1
Professionals	1
Includes: 1 PE, 1 SFPE	

Loss control services began: 1995.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews.

Occasional services: Plant security inspections, publications, research.
Specialties: Petrochemical, chemical, food processing, grain handling, manufacturing.

Region served: Worldwide.
Contact: Mac Curless.



ESIS Inc.

1601 Chestnut St., TLP32, Philadelphia, Pa. 19132-2325; 215-761-6779; fax: 215-761-5476

1995 revenues	
Total gross revenues*	\$125,000,000
Property loss control/engineering	3%
Other	33%

Staff	
Total	215
Professionals	75
Includes: 31 ARMs, 7 ALCMs, 13 ASCEs, 23 ASSEs, 56 CSPs, 23 PEs, 49 SFPEs	

Clients	
Total	155

Loss control services began: 1953.
Parent: IMA Financial Services.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, build-

Continued on page 23

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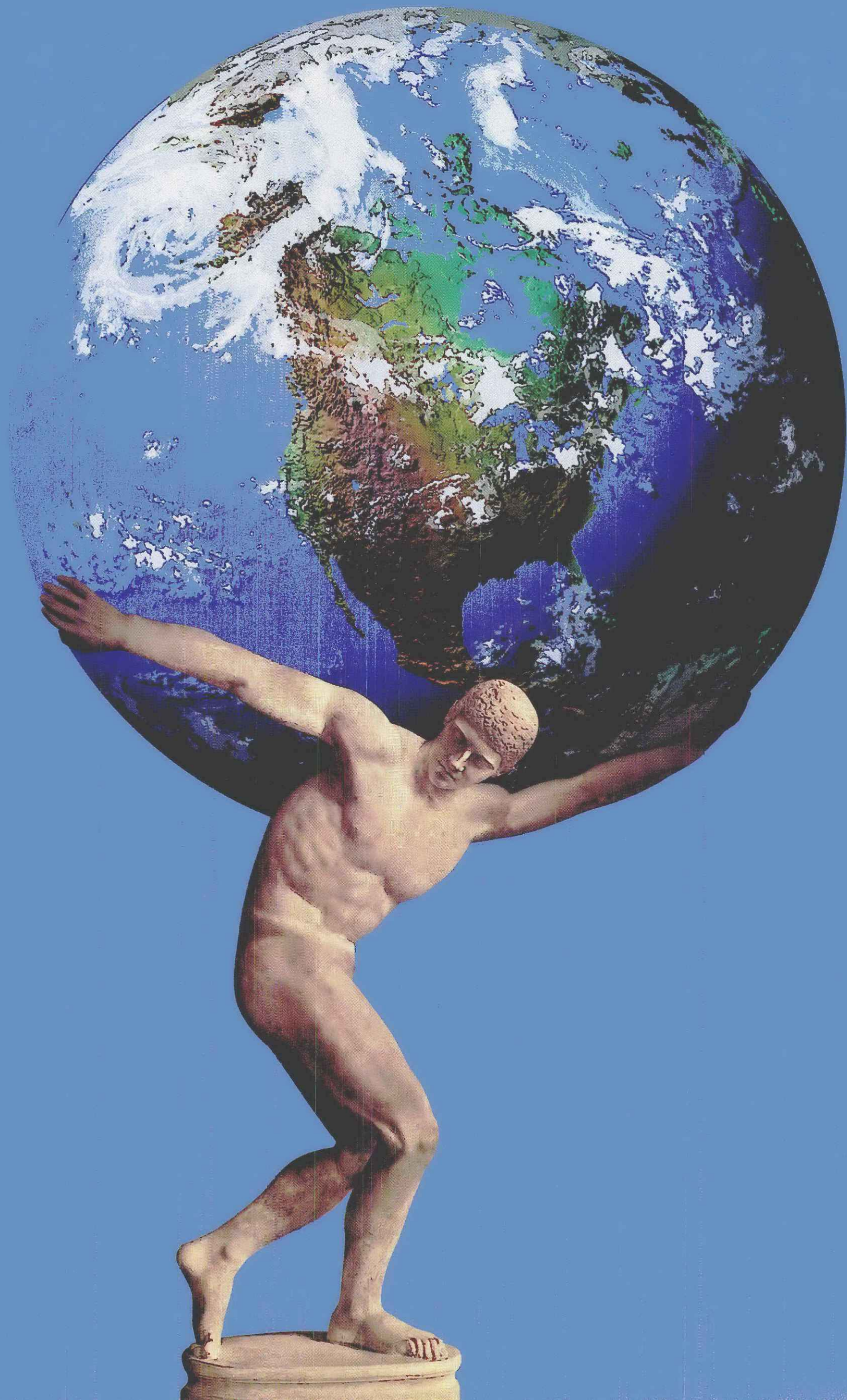
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A special editorial section sent exclusively to insurers and reinsurers



Back at the foot of the Hill

Insurers are regrouping to make another run at legislative reforms



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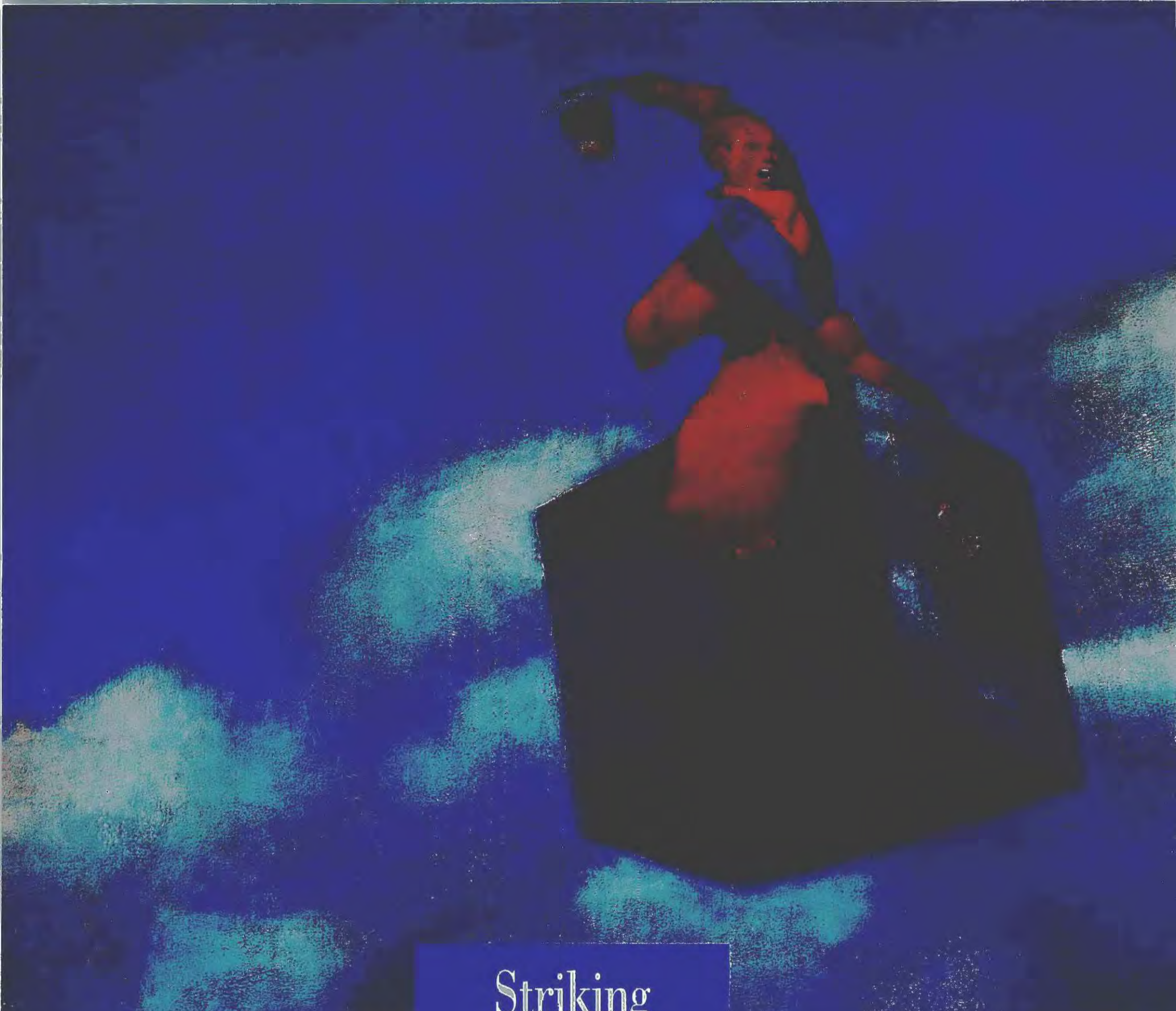
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ZURICH INVESTMENT MANAGEMENT

Insurer lobbyists hope for better year in '97

By MICHAEL BRADFORD

Despite poor results this session in achieving their legislative agenda, insurers say their relations with federal lawmakers generally are good.

The 104th Congress was dismal in terms of what insurers were able to shepherd through, with only a minor success in the passage of a product liability reform bill that ultimately died when President Clinton vetoed it (*BI*, July 29).

Reforms aimed at Superfund, the Occupational Safety and Health Administration, the legal system and natural disaster legislation all remain buried for now.

Issues that insurers pushed for in previous years—antitrust immunity and solvency requirements, for example—weren't broached in the recent Congress.

Nevertheless, with plenty of pro-business Republicans holding seats, insurers finally had a sympathetic ear for some of their concerns.

"It's more fun to talk to them when their goal is not to attack you," said David J. Pratt, senior

vp-federal affairs for the American Insurance Assn. in Washington. "There are some very positive relationships with leaderships on both sides."

Peter Lefkin, vp-government and industry affairs in Fireman's Fund Insurance Co.'s Washington office, pointed out that it's hard to generalize about relations with government officials because "there aren't many people in the federal government that understand our issues."

That lack of understanding means insurer relations with the U.S. Environmental Protection Agency, for example, are poor, said Mr. Lefkin. But relations are somewhat better at the National Highway Traffic Safety Administration and "average" at the Federal Emergency Management Agency, he added.

Insurers are regrouping, however, to figure out what went wrong this session and develop a game plan for the next round in Congress.

They also, of course, are keeping a close eye on the November elections.

"I think, frankly, if the Democrats win both houses of Congress and the White House, the chances of natural disaster legisla-

tion might be slightly better," Mr. Lefkin said. "For all the other issues, you might as well call it off."

One problem insurers agree on is that they underestimated the intensity of the fight. With a Republican Congress in place, insurers say they counted too heavily on their allies to fight for reform legislation.

"One of the stumbling blocks was that we thought things would be easier than they were," confirmed John C. Lobert, senior vp-government relations for the National Assn. of Independent Insurers in Washington. "After 40 years of fighting to stay alive, we had a Republican Congress we thought would be sympathetic."

And while Republicans did for the most part stand on insurers' side, Mr. Lobert pointed out that insurers underestimated "the natural gridlock that is built into the system. It's the same gridlock that saved our bacon for the last 40 years. But it means we've got a lot more work to do because we have got to overcome that gridlock."

The lesson here is it takes support from both sides to achieve reforms, insurers point out.

"I think that the reality is that insurers, like the rest of the busi-

ness community, failed to realize that major policy changes need to be made in a bipartisan fashion," said David M. Farmer, senior vp-federal affairs in the Alliance of American Insurers' Washington office.

"The lesson we learned is that reform needs to be bipartisan and it needs to come from the small-business community, from the bottom up instead of the top down," said Mr. Farmer. "Reform needs to be incremental in nature."

In some cases, insurers themselves couldn't agree on the solutions they were seeking.

"These are very, very complicated problems," Mr. Lobert said of issues like Superfund reform and natural disaster legislation. "They don't have simple solutions; they have complicated solutions."

"When you have complicated issues, you better have everybody on your side," he said, and not everyone in the insurer community was in agreement on the proposals they were presenting to Congress. The reaction from lawmakers faced with such indecision, Mr. Lobert added, is: "If you can't agree on what you want, don't come back until you can

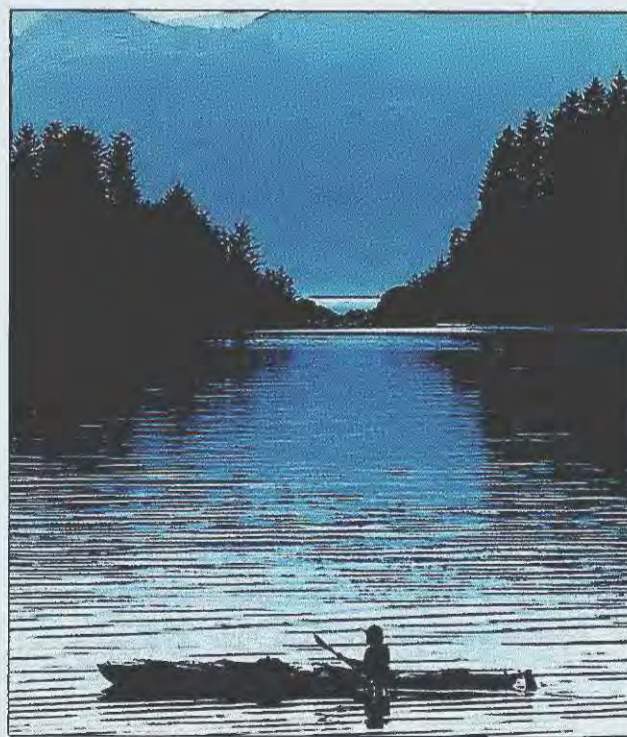
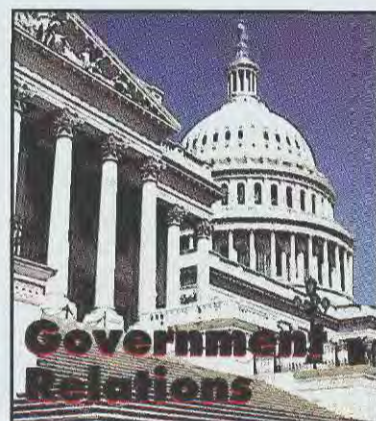
agree."

Some of reasons insurers were unsuccessful before the 104th Congress were beyond their control. Their efforts in some cases simply got bogged down in the political quagmire.

For example, lobbying efforts for product liability reform worked, but the bill was shot down by the president after insurers' hard work was done. "Your ability to influence the White House is extremely limited," Mr. Lefkin said. "Particularly when the president is so close to the trial bar. The president gave every indication that he would sign the bill, but when push came to shove and when it came time for doing the right thing or pleasing the trial bar, the trial bar won."

Presidential actions aside, insur-

See **Insurers** on next page



GET THE BROADER VIEW...

Insurers

Continued from previous page
 ance industry lobbyists found even that working with their allies was sometimes like wading through quicksand. The Republicans' Contract with America was filled with issues like regulatory and legal reforms that insurers long had wanted to see pass.

"All significant benefits for the industry," the AIA's Mr. Pratt said of the Contract proposals.

While those reforms were worth working for, it was time-consuming work that cost a lot of political capital, he noted. As with other issues, gridlock slowed things in the Senate, he said.

"Once the Contract was done, time was taken up with the budget fight," said Mr. Pratt. By the time insurers got an opportunity

to address issues like Superfund in February or March of this year, election-year politics were in the way.

"It was a period where both parties and the White House were calculating what was moving and what was not," said Mr. Pratt.

Property/casualty insurance issues were not placed high on lawmakers' and the president's list of election-year issues that would generate excitement.

"If we get the same administration back, we have to have a dialogue," stressed Mr. Pratt. "We have to know: 'Are you for this or not,'" with regard to insurers' concerns, he said.

However the election turns out, "policies need to be bipartisan," the Alliance's Mr. Farmer said. Insurers "have to make it understood that issues aren't Republican or Democrat, they are just policy issues." **BI**

Insurer CEOs fail to track fraud-fighting efforts: Study

By MICHAEL PRINCE

Despite advocating greater anti-fraud measures, a majority of insurance company chief executives fail to keep track of their own companies' efforts.

A recent study states that 70% of CEOs of mid-sized insurers help plan their company's anti-fraud efforts, but only 48% said top management kept track of the results of these plans.

The study, conducted by Conning & Co., a Hartford, Conn.-based insurance research firm, was based on survey responses from 78 insurers and interviews with 40 CEOs. The Conning study also found that more than half the respondents do not have reliable information about the amount of fraud perpetrated against them.

"In other words, although the majority of these insurers include fraud in their planning, less than half track their (special investigative unit's) performance in their annual reporting process," the report states. "Consequently, these executives may not know how their fraud-fighting efforts are affecting their bottom-line performance."

Conning estimates fraud costs the insurance industry \$120 billion per year, but that figure itself is not based on hard data.

"The focus of top management is not on fraud fighting," Nancy Carini, an assistant vp at Conning and author of the report, said in an interview. "The general effort in fighting fraud is a back-room approach."


"Far too many insurance companies are sitting on the sidelines," said Dennis Jay, executive director of the Coalition Against Insurance Fraud in Washington. "They have yet to be aware it's a problem or they don't know how to become aware to address the problem or they may not have a willingness to do it."

Ms. Carini says insurance companies fall into three equal categories.

One-third, she said, fight fraud aggressively. The second third say they are fighting fraud but in fact do very little. And companies in the last group either don't know what to do or deny they have a problem.

Chicago-based CNA Insurance Cos. has vigorously fought fraudulent claims.

Its special investigative unit has grown from one investigator in 1979 to 165 today, said Jay Williams, vp-special investiga-
See Fraud on next page



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Fraud

Continued from previous page
tions division of corporate claims.

CNA uses a team approach, which Mr. Williams calls "holistic," in which investigators, claims representatives and customers combat fraud together. This approach, started in 1994, has swelled the number of investigators.

CNA hired 48 new investigators in 1995 and plans to hire an equal number this year.

One advantage of the team effort is customer involvement. Customers represent the front line for combating fraud and often send suspicious claims to the investigative unit.

For example, suspicious workers compensation cases can involve claims of Monday-morning accidents when the person actually was injured over the weekend, claims made by workers about to be laid off or claims by people who never answer their home telephones though they say they cannot leave the house, according to Mr. Williams.

Although CNA does not have exact figures on how much money the investigative unit saves the company, Mr. Wil-

iams noted it can "save a hell of a lot of money."

A reputation as a tough fraud-fighter also deters fraudulent claims, experts say. Many false claims are filed by repeat abusers who go from company to company.

These people will drop claims against companies with tough reputations.

'There are people who slip and fall at a grocery store and when they find out who the insurance company is, they have second thoughts on their claims,' says Jay Williams.

"There are people who slip and fall at a grocery store and when they find out who the insurance company is, they have second thoughts on their claims," Mr. Williams said.

The increase in CNA's anti-fraud measures follows the path of other companies. In the past few years many insurance companies have expanded their investigative units and put greater focus on anti-fraud measures.

"It has become popular in the 1990s," said John DiLiberto, president of the National Insurance Crime Bureau in Palos Hills, Ill. "Many companies are doing

it and reaching greater levels of sophistication. And it has spread to mid-size and smaller companies."

The expansion partly results from companies' recognition of the problem and partly from state law. Twenty-nine states have fraud bureaus, according to the Coalition Against Insurance Fraud statistics; most of those

bureaus were established during the 1990s.

Eleven states now require insurers to have anti-fraud plans, with eight of those requiring investigative units, according to the information from the coalition.

Also, 42 states have passed immunity laws that protect insurance companies from bad faith suits brought by claimants who are investigated for possible fraud.

The threat of such suits, experts say, has prevented insurers from investigating suspected fraud.

A larger obstacle to fighting fraud is the lack of solid information available to CEOs on the amount of fraud or the effectiveness of anti-fraud measures. The insurance industry generally assumes 10% of claims are fraudulent, but experts say this is an estimate and not based on any data. "You go into a bank and rob it, they know to the penny how much is stolen," said the coalition's Mr. Jay. But such precise information is not available to insurance companies.

Conning's study states that 40 companies provided estimates of the cost of fraud to their companies, but their figures were not based on reliable data.

"In all but one case, the numbers were either a best guess, a percentage of written premium or a percentage of claims, all of which we consider soft data," the study said.

"For industry in general, the one lack of information is there has been little benchmarking of the amount of fraud that has infiltrated each line of business," said Conning's Ms. Carini.

If the information were available, it would reduce fraud because "top management would be better equipped to make smarter decisions about fraud-fighting efforts," according to the report.

One effort to address the lack of information was launched recently by the NICB. Called the ClaimSmart System, it is a database of claims filed against the bureau's members. If a member suspects a fraudulent claim, it can check the database for the claimant's name to determine if that person has filed a similar claim with another company.

ClaimSmart went online in April but will not be fully operational until the end of the year. This system, says Mr. DiLiberto, will help catch people who make repeated false claims, but its impact on determining the amount of false claims is not clear.

Establishing an investigative unit is a strong step but only the first step in fighting fraud, Ms. Carini said, and evaluation of their efforts, which insurance executives are not doing, is needed.

"The time is coming for individual insurance companies, now that they have set up anti-fraud units, to quantify what they are doing," Ms. Carini observed.

Copies of the study are available for \$495 from Laurie Ann Scotti, Conning & Co., CityPlace II, 185 Asylum St., Hartford, Conn. 06103-4105; 860-520-1521; fax: 860-520-1504.

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Mutual project paves the way for future electronic business

By REGIS COCCIA

Doing business electronically is a goal of many insurers, agents and brokers, and one joint venture is helping pave the way.

A project undertaken earlier this year by Chubb & Son Inc., Sedgwick James of California Inc. and Sun Microsystems Inc. to create a seamless flow of information between insurer, broker and risk manager could become a model for the insurance industry.

The three companies have been working together to lay the groundwork for future electronic commerce in a number of areas, including distributing a "memorandum of insurance" containing basic coverage information to fulfill requests for certificates of insurance. Other areas involved in the project include online directories of offices and contacts, loss run and policy data, loss control information and e-mail.

Requests for certificates that show proof of coverage often are presented to companies like Sun Microsystems by customers before contracting with the company. Satisfying numerous such requests can be a time-consuming, paper-intensive process for risk managers and brokers.

In fact, that's what led to the joint venture.

Mountain View, Calif.-based computer company Sun Microsystems initiated the project late last year as part of a strategy to streamline certain functions within the company. It turned to its longtime broker, Sedgwick James of California, and its insurer, Chubb & Son, for help.

"In its strategic thinking, Sun decided that they wanted to look real hard at two major projects," said Matt Davis, vp at Sedgwick James in San Francisco, who is responsible for all aspects of the Sun account.

Those two areas involved alternative risk—redesigning Sun's approach to insurance and developing a corporatewide risk retention strategy—and using information technology, Mr. Davis said.

Chubb & Son Inc., a unit of Warren, N.J.-based Chubb Corp., was an attractive partner for the project because Chubb is a prominent underwriter of high-technology risks and, as Sun's casualty insurer, writes the greatest volume of Sun business, Mr. Davis explained.

In looking at ways to streamline administrative functions, Carol Harrington, Sun's director-risk management, found that she could set up templates for certificates of insurance for liability, workers compensation and other lines, "so salespeople who get re-

quests for certificates can stop bugging the risk management department," explained Patrick Vice, proprietor of Toronto-based technology consulting firm Electric Coffee House.

Mr. Vice, who was consulting on multiorganizational projects at Sun, was hired to help coordinate the initial phase of the Sun/Chubb/Sedgwick project.

Ms. Harrington currently is on leave from Sun and could not be reached for comment.

On the Internet, Chubb set up a memorandum of insurance for Sun at a site administered by Sedgwick James. Sun contractors needing proof of insurance can obtain that information at <http://insuranceusa.icomnet.net/netpartners/index.html>.

The project's home page also contains an international directory of Sedgwick contacts involved in placing insurance for Sun Microsystems and links to the Internet sites of Sedgwick James North America and Chubb Corp.

Listed in the memorandum, among other things, are: the name, address and contact numbers of the producer, Sedgwick James of California, and the policyholder, Sun Microsystems; types of coverage; insurance companies providing the coverage; policy numbers and effective dates; and coverage limits.

For example, Sun has \$2 million in aggregate limits under its commercial general liability policy, which expires March 15, 1997.

Having this basic information available over the Internet is a big timesaver for Sedgwick James, which processes requests for certificates of insurance, Mr. Vice said.

Creating the online memorandum of insurance helps reduce the "administrative burden," Mr. Davis agreed. "That has significantly decreased the man-hours at Sun and Sedgwick" needed to produce certificates, which under the old way involved sending the customer to the risk management department and then to the broker.

One of the project's goals is "to produce certificates electronically, without ever touching a piece of paper," he said.

In certain cases, however, when additional coverage information is required, Sedgwick James staff will produce certificates manually and mail them out, Mr. Davis said.

"We think it amounts to some pretty dramatic results in only a few months," said Mr. Vice.

Two of the most important results of the project, according to Mr. Vice, were the memorandum of insurance and management of the project primarily via the Internet during the first phase.

Sun, Chubb and Sedgwick James communicated through e-mail, involving people on the East and West Coasts as well as in Canada,

Mr. Vice pointed out.

"By my reckoning, if we had to rely on phone and fax, this project would have taken 18 to 24 months," Mr. Vice said.

"We'd never be where we are today if had to rely on paper and phones" to organize the project, said Lynne Stypke, assistant vp of the Risk Management Group at Chubb & Son Inc. in Warren, N.J.

She pointed out that the "global connectivity" of the partners via Internet links helped streamline communications.

The project now is in Phase 2, which is "still being designed," Mr. Davis said. "Phase 1 was the proof of concept to see if the idea made sense. Now we're trying to identify what other functions can be automated—whether they're performed by an underwriter or a broker or a risk manager."

Chubb, Sedgwick and Sun meet

at least monthly, either in person or by videoconference, to discuss the project in depth, he said. The partners plan to meet later this month to outline strategies for the next phase.

Although the three companies are the only members of the partnership, they plan to share their findings with others in the industry.

In fact, at the 34th annual Risk & Insurance Management Society Inc. conference last April in Toronto, Chubb, Sedgwick and Sun reported their progress.

Many risk managers and brokers have expressed an interest in the project, Mr. Davis said.

The project also has had some important benefits for both Chubb & Son and Sedgwick, Ms. Stypke and Mr. Davis said.

"One of the No. 1 benefits is closer relationships with our clients and being able to communicate with them and our producers more easily," Ms. Stypke said.

The project also has helped improve the efficiency and productivity of communication between the partners. "We're no longer rely-

ing on paper. It's like killing multiple birds with one stone," she said.

"What Sedgwick is trying to do is take what we've learned from this and apply it to other initiatives" in information technology, such as risk management home pages for other clients, Mr. Davis said.

"The true benefit is for every one of us—Chubb, Sedgwick and Sun—to be able to take what we've learned and be able to expand it more broadly," Ms. Stypke said.

She added that the insurer hopes to implement elements of the Sun project with 25 other risk management clients this year.

"A lot of people are dabbling with (electronic commerce projects). What sets this one apart is we've formalized it and identified partners," said Mr. Davis.

Where the project goes in its next phase will depend on what the partners decide to explore, Mr. Davis said. "Once we've identified the things we want to do, that will dictate what happens in the future." **BI**

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ing plan reviews, research, client training, highly protected risk, pre-emergency planning, hydraulics analysis, sprinkler planning review, boiler/machinery risk and jurisdictional inspections.

Occasional services: Plant security inspections, publications.

Specialties: Petrochemical, public utilities, construction, communications, high risk residential, real estate holding, hotels, electronics, volume retailers, manufacturing, cogeneration.

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.

* Estimate.

Environmental Risk Ltd.

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

1995 revenues

Total gross revenues\$5,300,000
Property loss control/engineering30%
Other70%
Includes: property environmental site assessment and subsurface contamination investigations, ground water and soil remediation, environmental compliance audits

Staff

Total50
Professionals40
Includes: 4 PEs

Clients

Total300

Loss control services began: 1985.

Frequent services: Onsite plant loss prevention inspections, hazard identification, client training, pollution liability insurance surveys, environmental compliance audits.

Occasional services: Building plan reviews, publications, research.

Specialties: Pollution liability insurance companies, financial institutions, real estate developers, energy facility developers, industrial corporations.

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

Branch offices: Clifton, N.J.

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

Contact: David I. Brandwein.

Equifax Commercial Specialists

P.O. Box 419215, Kansas City, Mo. 64141-6215; 913-451-3222; fax: 913-451-3285

1995 revenues

Total gross revenues\$46,000,000
Property loss control/engineering40%
Other60%

Staff

Total800
Professionals351
Includes: 3 ARMs, 31 ALCMs, 16 ASSEs, 18 CSPs

Loss control services began: 1952.

Parent: Equifax Inc.

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

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

Region served: United States.

Branch offices: 39 locations nationwide.

Officers: Tony O'Keefe, senior vp; Herb Schmack, regional vp-operations; Tom Reagen, operations coordinator; Joe Cash, vp-commercial sales; David Greene, vp/controller.

Contact: Pat Steece, national survey manager, 913-663-8528 or Scott Miller, special projects coordinator, 913-663-8514.

Staff

Total1
Includes: 1 ASSE, 1 PE

Clients

Total20

Loss control services began: 1985.

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: Food processing, construction, fire/ambulance.

Region served: United States; Tokyo; Manila, Philippines; Singapore.

Contact: Michael J. Fagel, 630-897-0551.

FIREPRO Inc.

1 Van de Graaff Drive, Burlington, Mass. 01803; 617-270-5200; fax: 617-229-2922

1995 revenues

Total gross revenues\$1,200,000
Property loss control/engineering50%
Other50%
Includes: fire reconstruction and litigation support

Staff

Total14
Professionals8
Includes: 5 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 scene documentation.

Specialties: General business/industry, health care, property management, product manufacturers, insurance, law firms.

Region served: Worldwide.

Contact: Lee C. DeVito, president.

Flex Design Engineers

201 S. Naperville Road, First Floor E., Wheaton, Ill. 60187; 630-668-8998; fax: 630-653-5260

1995 revenues

Total gross revenues*\$150,000
Property loss control/engineering100%

Staff

Total5
Professionals3

Clients

Total63

Loss control services began: 1986.

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

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

Specialties: Municipalities, engineering firms, architects and developers.

Region served: United States.

Officers: Mark Bromann, president.

* Estimate.

Fulton Fire Engineering Inc.

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

1995 revenues

Total gross revenues\$120,000
Property loss control/engineering100%

Staff

Total1
Professionals1
Includes: 1 ARM, 1 PE, 1 SFPE

Loss control services began: 1990.

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

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

Region served: California, Nevada.

Contact: John C. Fulton, president.



Gage-Babcock & Associates

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

1995 revenues

Total gross revenues\$5,600,000
Property loss control/engineering10%
Other90%
Includes: fire protection engineering, security engineering consulting and design

Staff

Total55
Professionals35
Includes: 3 ARMs, 2 ASSEs, 4 CSPs, 21 PEs, 23 SFPEs

Loss control services began: 1952.

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

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

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

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

Officers: Thomas W. Jaeger, president; Alfred J. Longhitano, vp/treasurer; Mario A. Antonetti, secretary; Frederick C. Bradley, Michael A. Amar, directors.

Contact: Douglas J. Rollman, director-marketing.

Gallagher Bassett Services Inc.

2 Pierce Place, Itasca, Ill. 60143-3141; 708-773-3800; fax: 708-285-4000

1995 revenues

Total gross revenues\$138,398,000
Property loss control/engineering11%
Other89%
Includes: package programs, claims adjusting, appraisal services, sale of fire protection evaluation model software

Staff

Total1,633
Professionals63
Includes: 6 ARMs, 1 ALCM, 24 ASSEs, 12 CSPs, 1 PE, 3 SFPEs

Clients

Total390

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, building plan reviews, client training, property insurance underwriting surveys, claims loss and statistical studies, ergonomic and industrial hygiene surveys, security audits and analysis.

Occasional services: Publications, research.

Specialties: Institutional, municipalities, religious, commercial, food services, manufacturing, printing, hotels, telecommunications.

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

Branch offices: Los Angeles; Colorado Springs, Colo.; Miami; Atlanta; Schaumburg, Ill.; St. Louis; Melbourne and Sydney, Australia.

Officers: John G. Campbell, chairman; Peter J. Durkalski, president; Mike Billings, Rick Rothman, Fred Potenza, executive vps.

Contact: Tracy D. Mock, area vp-marketing services, 708-285-3593.

Gow Management Services Inc.

344 Delaware Ave., Buffalo, N.Y. 14202-1876; 716-856-6148; fax: 716-856-6179

1995 revenues

Total gross revenues\$1,200,000
Property loss control/engineering40%
Other60%
Includes: third party administration

Staff

Total23
Professionals3
Includes: 1 ARM, 1 ALCM, 1 ASCE, 2 ASSEs

Clients

Total87

Loss control services began: 1982.

Parent: S.H. Gow & Co. Inc.

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

Occasional services: Building plan reviews; publications; appraisals determining deductibles, programs and specialized coverages.

Specialties: Construction, municipalities and schools.

Region served: United States.

Branch offices: Rochester and Syracuse, N.Y.

Officers: Stephen H. Gow, chairman; Jeffrey J. Gow, president; Michael S. Gow, executive vp; Richard K. Mason, senior vp.

Contact: Richard K. Mason, 716-856-1100.



HSB Professional Loss Control

P.O. Box 585, Kingston, Tenn. 37763; 423-376-1131; fax: 423-376-5078

1995 revenues

Total gross revenues\$3,270,000
Property loss control/engineering45%
Other55%

Staff

Total55
Professionals38
Includes: 1 ASSE, 1 CSP, 17 PEs, 20 SFPEs

Clients

Total500

Loss control services began: 1976.

Parent: Hartford Steam Boiler Inspection & Insurance Co.

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

Occasional services: Building plan reviews, publications, research, client training, quantitative risk assessment, fire and explosion loss investigations.

Specialties: Heavy manufacturing, chemical, petrochemical, electric utility.

Region served: United States, Asia, Europe, South America.

Branch offices: San Francisco; Hartford, Conn.; Atlanta; Chicago; Basking Ridge, N.J.; Houston; Seoul, South Korea.

Officers: M.E. Mowrer, executive vp; Harvey Goranson, vp-consulting services; Wayne Holmes, vp-property engineering; Judy Solis, assistant vp-finance.

Contact: Larry Watrous, manager-business development.

Harrington Group Inc.

385 Killian Hill Road N.W., Suite B, Lilburn, Ga. 30247; 770-564-3505; fax: 770-564-3509

1995 revenues

Total gross revenues\$695,000
Property loss control/engineering100%

Staff

Total10
Professionals7
Includes: 4 PEs, 7 SFPEs

Loss control services began: 1986.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, design and acceptance of fire suppression and detection systems.

Occasional services: Publications, research, client training.

Region served: United States, Argentina, Chile, Uruguay.

Officers: Jeff L. Harrington, president; Michael W. Banham, James M. Rucci, vps.

Contact: Carol S. Millsaps or Jeff L. Harrington.

Hasting-Tapley Services Inc.

60 Gore St., P.O. Box 240, Cambridge, Mass. 02141-0902; 800-222-5963; fax: 617-494-1608

1995 revenues

Total gross revenues\$6,600,000
Property loss control/engineering10%
Other90%
Includes: claims administration, excess insurance brokerage, policy issuance services

Staff

Total66
Professionals9
Includes: 2 ARMs, 1 ALCM, 5 CSPs

Clients

Total27

Loss control services began: 1987.

Parent: Hastings-Tapley Insurance Agency Inc.

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: Governmental entities.

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. Burridge, COO; Jennifer L. Decker, corporate vp.

Contact: Ralph J. Gemelli, senior vp.

Helmsman Management Services Inc.

Riverside Office Park, 9 Riverside Road, Weston, Mass. 02193-2290; 617-243-7985; fax: 617-736-0256

1995 revenues

Total gross revenues\$63,800,000
Property loss control/engineering5%
Other95%
Includes: safety consulting, managed care, claims administration, risk information services

Staff

Total676
Professionals43
Includes: 5 ARMs, 3 PEs, 5 SFPEs

Clients

Total267

Loss control services began: 1983.

Parent: Liberty Mutual 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, retail, food service, construction.

Region served: United States, 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; Dan Lyons, vp/manager-field operations.



Impact General Inc.

1405 E. Chapman Ave., Orange, Calif. 92866; 800-688-1628; fax: 714-532-5734

1995 revenues

Total gross revenues\$3,100,000
Property loss control/engineering50%
Other50%

Staff

Total14
Professionals12
Includes: 2 ARMs, 5 ASCEs, 2 ASSEs, 4 CSPs, 4 PEs

Clients

Total99

Loss control services began: 1982.

Frequent services: Publications, client training.

Occasional services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, research.

Region served: Arizona, California, Nevada, New Mexico, Oregon, Texas, Utah, Washington.

Branch offices: San Ramon, Calif.; Houston.

Officers: William H. King Sr., president/CEO; Frederic J. Kakis, executive vp; William H. King Jr., vp-marketing/sales.

Contact: Tom Noonan.

Improved Risk Managers

4401 Barclay Downs Drive, Charlotte, N.C. 28209; 704-551-3000; fax: 704-551-3111

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Spotlight report

Continued from previous page
Independent Engineering Services Ltd.

1 Lime St., Lloyd's of London, Suite 699, London, England EC3M 7DQ; 44-171-621-1601; fax: 44-171-283-0982

1995 revenues	
Total gross revenues	\$3,000,000
Property loss control/engineering	100%
Staff	
Total	16
Professionals	13
Includes: 2 PEs	

Loss control services began: 1984.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, client training, risk review on behalf of underwriters, valuations and claims assistance on technical matters.

Occasional services: Building plan reviews, publications.

Region served: Worldwide.

Branch offices: Mexico City, Bahrain.
Officers: John F.P. Thorpe, chairman/ chief executive; Gordon Martin, Peter Coman, Robert Edwards, executive directors.

Contact: John Thorpe.

Inservo Insurance Services Inc.

3461 Market St., Camp Hill, Pa. 17011; 717-761-8018; fax: 717-763-5732

1995 revenues	
Total gross revenues	\$235,000
Property loss control/engineering	100%
Staff	
Total	10
Professionals	10
Includes: 2 ARMs, 1 ALCM, 2 CSPs, 2 PEs	

Loss control services began: 1986.
Parent: Penn National Insurance Cos.

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

Occasional services: Fire prevention inspections, plant security inspections, building plan reviews, fire suppression/detection system testing and evaluation.

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

Branch offices: Trenton, N.J.; Greensboro, N.C.; Pittsburgh.

Officers: Bob Conrad, executive vp; Mike Scheib, vp-operations; Pam Mitchell, director-finance; Joseph M. Boslet, vp-safety management services.

Contact: Joseph M. Boslet.

Insurance Control Systems Inc.

1118 N. La Brea Ave., Inglewood, Calif. 90302; 213-678-7115; fax: 310-673-3350

1995 revenues	
Total gross revenues	\$1,100,000
Property loss control/engineering	75%
Other	25%
Includes: risk management, legal witness, safety	

Staff
 Total: 13
 Professionals: 9
 Includes: 2 ARMs, 3 CSPs

Clients
 Total: 40

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.

Officers: Al Kirkpatrick, president; Valeta Paganelli, vp; Laura Patten, vp-operations; Velda Heitkamp, controller; Patty Traber, service director.

Contact: Laura Patten.

Insurance & Risk Management

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

1995 revenues	
Total gross revenues	\$12,500,000
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, hazard identification, client training, safety programming, OSHA-related compliance and training.

Occasional services: Fire prevention inspections, plant security inspections, building plan reviews, publications, research.

Region served: United States.
Branch offices: Indianapolis and Muncie, Ind.; Defiance and Sylvania, Ohio.

Officers: Bart Bircheff, CEO; Jim Van Dyck, Ron Harruff, Dewey Tagtmeyer, Harold Everett, account executives.

Contact: James E. Krouse.

International Risk Consultants Ltd.

3433 Monument Hill, Weybridge, Surrey, England, KT13 8RS; 44-1932-837-447; fax: 44-1932-837468

1995 revenues	
Total gross revenues	\$2,600,000
Property loss control/engineering	100%
Staff	
Total	18
Professionals	14

Clients
 Total: 64

Loss control services began: 1973.

Parent: European Risk Management/International Risk Management Group Ltd.

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

Specialties: Multinational corporations.

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

Branch offices: European Risk Management-Deutschland, Offenbach, Germany.

Officers: P. Holland, general manager; A. Milsom, assistant general manager; K. Moseley, district manager.

Contact: P. Holland.

William L. Jacobs Enterprises Inc.

1231 Tall Pines Drive, Osteen, Fla. 32764; 407-324-9245; fax: 407-324-9245

1995 revenues	
Total gross revenues	\$100,000
Property loss control/engineering	100%
Staff	
Total	2
Professionals	1
Includes: 1 CSP, 1 PE	

Loss control services began: 1987.

Frequent services: Hazard identification, research.

Occasional services: Onsite plant loss prevention inspections, building plan reviews, publications, client training.

Specialties: Retail, construction.

Region served: United States.

Branch offices: Fort Lauderdale, Fla.

Contact: William L. Jacobs, president or Karen E. Neubeiser.

Rolf Jensen & Associates Inc.

1751 Lake Cook Road, Suite 400, Deerfield, Ill. 60015; 847-948-0700; fax: 847-948-0866

1995 revenues	
Total gross revenues	\$14,292,000
Property loss control/engineering	10%
Other	90%

Staff
 Total: 133
 Professionals: 85
 Includes: 5 CSPs, 47 PEs, 47 SFPEs

Loss control services began: 1969.
Frequent services: Fire prevention inspections, hazard identification, building plan reviews, research, client training, fire investigations, code consulting, accessibility consulting, fire protection systems design.

Occasional services: Onsite plant loss prevention inspections, publications.

Region served: United States, Canada,

Spain, Portugal, Latin America, Mexico.

Branch offices: Walnut Creek and Yorba Linda, Calif.; Orlando, Fla.; Atlanta; Deerfield, Ill.; Boston; Springfield, N.J.; Houston; Fairfax, Va.

Officers: Mickey Reiss, president/CEO; Jim Quiter, Ralph Transue, Ray Grill, Randy Tucker, George E. Toth, senior vps.

Contact: George E. Toth.

Johnson & Higgins

125 Broad St., New York, N.Y. 10004; 212-574-7000; fax: 212-574-7711

1995 revenues	
Total gross revenues	\$1,082,700,000
Staff	
Total	240
Professionals	144
Includes: 6 ARMs, 2 ASSEs, 2 ASSEs, 2 CSPs, 19 PEs, 51 SFPEs	

Loss control services began: 1845.

Frequent services: Hazard identification, building plan reviews, research, client training, natural hazards exposure analysis, risk and business impact analysis, business continuation planning, boiler and machinery consulting, customized databases.

Occasional services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, publications, transit risk control.

Specialties: Utilities, pulp and paper, chemical, petrochemical, oil and gas, telecommunications, high technology, aviation.

Region served: Worldwide.

Branch offices: 24 locations nationwide.

Officers: Robert K. Meyers, senior vp/principal; Glenn D. Buser, vp-global loss control leader; Edd Gall, Dan Kett, Deborah Freeland, vp-regional discipline leader.

Contact: Glenn D. Buser, 201-257-4143; Edd Gall, 202-408-6175; Dan Kett, 313-393-6861; Deborah Freeland, 310-551-3830.

Collin A. Lewis-Fire Protection Consultant

P.O. Box 11625, Santa Rosa, Calif. 95406; 707-528-9617; fax: 707-528-1363

1995 revenues	
Total gross revenues	\$84,000
Property loss control/engineering	100%
Staff	
Total	1
Professionals	1
Includes: 1 ARM, 1 SFPE	

Loss control services began: 1986.

Frequent services: Hazard identification, building plan reviews, research, fire loss investigations.

Occasional services: Onsite plant loss prevention inspections, fire prevention inspections.

Region served: United States.

Contact: Collin A. Lewis.

Loss Control Associates Inc.

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

1995 revenues	
Total gross revenues	\$850,000
Property loss control/engineering	100%
Staff	
Total	10
Professionals	8
Includes: 2 CSPs, 8 PEs, 9 SFPEs	

Loss control services began: 1986.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, publications, research, client training, chemical plant and refining process safety management program audits, process plant hazard analysis.

Specialties: Chemical, oil refining, heavy industrial and handling storage, flammable and combustible liquids facilities.

Region served: United States, Asia, Europe, Middle East, South Africa.

Contact: Orville M. Slye Jr., president.

Loss control services began: 1975.
Frequent services: Fire prevention inspections, hazard identification, building plan reviews, client training.

Occasional services: Fire prevention inspections, hazard identification, building plan reviews, client training.

Region served: United States, Canada,

Spain, Portugal, Latin America, Mexico.

Branch offices: Walnut Creek and Yorba Linda, Calif.; Orlando, Fla.; Atlanta; Deerfield, Ill.; Boston; Springfield, N.J.; Houston; Fairfax, Va.

Officers: Mickey Reiss, president/CEO; Jim Quiter, Ralph Transue, Ray Grill, Randy Tucker, George E. Toth, senior vps.

Contact: George E. Toth.

The directory of property loss control consultants begins on page 16; terms are explained on page 17.

Loss Prevention Consultants Inc.

P.O. Box 54012, Jackson, Miss. 39288-4012; 601-878-2138; fax: 601-878-2394

1995 revenues	
Total gross revenues	\$200,010
Property loss control/engineering	85%
Other	15%
Includes: legal expert witness, accident investigation and reconstruction	

Staff
 Total: 4
 Professionals: 3
 Includes: 2 ASSEs

Clients
 Total: 50

Loss control services began: 1984.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, publications, research, client training, program design and implementation.

Occasional services: Plant security inspections, building plan reviews.

Specialties: Transportation, transportation of hazardous materials.

Region served: United States.

Contact: John R. Eubanks, president.

Mariner Management Group Inc.

42 W. Allendale Ave., Allendale, N.J. 07401-1718; 201-825-8883; fax: 201-825-9194

1995 revenues	
Total gross revenues	\$1,500,000
Property loss control/engineering	10%
Other	90%
Includes: marine insurance and adjusting	

Staff
 Total: 19
 Professionals: 2

Clients
 Total: 65

Loss control services began: 1991.

Services: Onsite plant loss prevention inspections; fire prevention inspections; plant security inspections; hazard identification; research; client training; marine surveys/appraisal, adjusting and crew training.

Specialties: Ocean marine.

Region served: United States.

Branch offices: San Francisco.

Officers: George Koons, CEO; Peter Mello, president/COO; Claudio Crivici, vp.

Contact: Claudio Crivici.

Maritime Risk Management Consultants

22 E. Taylor St., Savannah, Ga. 31401; 912-238-4636; fax: 912-238-4636

1995 revenues	
Total gross revenues	\$30,000
Property loss control/engineering	100%
Staff	
Total	2
Professionals	1

Loss control services began: 1989.

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

Occasional services: Building plan reviews, publications, research, client training.

Specialties: Maritime, warehousing, distribution.

Region served: United States.

Contact: Robert W. Smithers, owner.

Matrix Risk Consultants Inc.

3491 Newmark Drive, Miamisburg, Ohio 45342; 513-438-7200; fax: 513-438-7220

1995 revenues	
Total gross revenues	\$1,397,141
Property loss control/engineering	100%
Staff	
Total	15
Professionals	10
Includes: 1 ARM	

Loss control services began: 1975.

Frequent services: Fire prevention inspections, hazard identification, building plan reviews, client training.

Occasional services: Fire prevention inspections, hazard identification, building plan reviews, client training.

Region served: United States, Canada,

Spain, Portugal, Latin America, Mexico.

Branch offices: Walnut Creek and Yorba Linda, Calif.; Orlando, Fla.; Atlanta; Deerfield, Ill.; Boston; Springfield, N.J.; Houston; Fairfax, Va.

Officers: Mickey Reiss, president/CEO; Jim Quiter, Ralph Transue, Ray Grill, Randy Tucker, George E. Toth, senior vps.

Contact: George E. Toth.

Donald Mayo-Fire Protection Consultant

2300 Contra Costa Blvd., Suite 330, Pleasant Hill, Calif. 94523-4003; 510-685-3733; fax: 510-676-8780

1995 revenues	
Total gross revenues	\$305,115
Property loss control/engineering	100%
Staff	
Total	2
Professionals	2
Includes: 2 SFPEs	

Loss control services began: 1987.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, detection, suppression systems, specification writing, construction administration and review.

Occasional services: Research, client training.

Region served: United States, Canada, Netherlands, United Kingdom.

Officers: Donald Mayo, president/treasurer; Linda Mayo, co-owner/vp/secretary.

Contact: Donald Mayo.

Michigan Health & Hospital Assn. Service Corp.

6215 W. St. Joseph Highway, Lansing, Mich. 48917; 517-323-3443; fax: 517-323-0913

1995 revenues	
Total gross revenues	\$650,000
Property loss control/engineering	70%
Other	30%
Includes: fire safety survey, industrial hygiene monitoring	

Staff
 Total: 9
 Professionals: 6
 Includes: 1 CSP, 1 PE

Loss control services began: 1980.

Parent: Michigan Health & Hospital Assn.

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

Occasional services: Building plan reviews, client training.

Specialties: Hospitals, health care facilities.

Region served: Indiana, Michigan, Wisconsin.

Branch offices: Southfield, Mich.

Officers: Fritz Kellermann, executive vp/COO; Kathy Dickenson, senior vp-workers compensation insurance services; John Parks, director-workers compensation; Pier-George Zanon, director-occupational health/environmental safety.

Contact: Pier-George Zanon.

Occupational Safety & Health Consultants

183 Grand Ave., Lafayette, La. 70503-4636; 318-988-3490; fax: 318-988-3490

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Determination,

Perseverance,

Triumph.

Sure, we'll cover that.



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Photo by Chris Hamilton

We'll cover the athletes at the 1996 Atlanta Paralympic Games. We'll also cover the exposure to spectators and volunteers as well as provide the general liability, auto and workers' comp. The risk is unique, large-scale and complex – it's the perfect example of what the Fireman's Fund Specialty Division does best. Fireman's Fund is proud to join in "The Triumph of the Human Spirit".

**PROUD DONOR
'96 PARALYMPICS**



**Fireman's
Fund**

Spotlight report

Continued from page 24

Branch offices: Houma and New Orleans, La.

Officers: Donald G. Broussard, president/owner; Renee Darsey Broussard, treasurer/controller; Joseph McKillip, vp.

P

Professional Safety Consultant Service Inc.

424 S.E. 30th Ave., Ocala, Fla. 34471; 352-694-4601; fax: 352-694-3953

1995 revenues	
Total gross revenues	\$100,000
Property loss control/engineering	100%
Staff	
Total	2
Professionals	1
Includes: 1 ASSE, 1 CSP, 1 PE, 1 SFPE	
Clients	
Total	100

Loss control services began: 1975.
Frequent services: Onsite plant loss prevention inspections, hazard identification, expert witness for safety and security and loss control evaluation services.

Occasional services: Fire prevention inspections, plant security inspections, building plan reviews, publications, client training.

Region served: United States.
Officers: Herbert T. Bogert, president/consultant-safety/loss control; Nancy A. Bogert, corporate secretary/office manager.
Contact: Herbert T. Bogert.

Q

Qualitec Professional Services

4929 Jarry E., Suite 202, Montreal, Quebec H1R 1Y1, Canada; 514-327-7233; fax: 514-327-0928

1995 revenues	
Total gross revenues	\$425,000
Property loss control/engineering	100%
Staff	
Total	10
Professionals	2
Includes: 1 PE, 1 SFPE	
Clients	
Total	25

Loss control services began: 1988.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, product liability surveys, builders risk inspections.

Occasional services: Plant security inspections, building plan reviews, publications, research, client training.

Specialties: Property/casualty insurance companies and brokers.
Region served: United States, Canada, England, France, Italy, Portugal.
Officers: Daniel Nadon, president; Ross Ortona, vp.
Contact: Ross Ortona.

R

RPF Associates

20 LeRoy St., Dix Hills, N.Y. 11746-6644; 516-586-0778; fax: 516-586-5164

1995 revenues	
Total gross revenues	\$250,000
Property loss control/engineering	60%
Other	40%
Includes: OSHA consulting/expert testimony, DOT consulting, hazardous material training, audits, slip and fall accidents, retail store and office building safety	
Staff	
Total	6
Professionals	4
Includes: 1 ARM, 3 ASSEs, 2 CSPs, 1 PE, 1 SFPE	
Clients	
Total	117

Loss control services began: 1984.
Frequent services: Onsite plant loss prevention inspections; fire prevention inspections; hazard identification; publications; research; client training; automatic sprinkler plan review, design and

testing; warehouse design and planning; highly protected risk surveys; water flow analysis.

Occasional services: Plant security inspections, building plan reviews.

Specialties: Printers and graphic arts, liquor distilling and warehousing, petrochemical bulk storage, transportation facilities, hospitals and nursing homes, retail, construction, manufacturing, rolled paper storage.

Region served: United States.
Contact: Robert P. Fimbach.

Regional Reporting Inc.

111 Johr St., New York, N.Y. 10038; 212-964-5973; fax: 212-608-5074

1995 revenues	
Total gross revenues	\$8,885,093
Property loss control/engineering	100%
Staff	
Total	122
Professionals	79
Includes: 7 ARMs, 41 ASSEs, 11 CSPs, 2 PEs, 3 SFPEs	

Loss control services began: 1965.
Frequent services: Onsite plant loss

prevention inspections, fire prevention inspections, hazard identification, client training, construction site consulting.

Occasional services: Plant security inspections, building plan reviews, publications, research, industrial hygiene and health care facility consulting, environmental surveys.

Region served: United States.
Branch offices: Concord and Irvine, Calif.; East Windsor, Conn.; Marietta, Ga.; Naperville, Ill.; Randolph, Mass.; Mount Laurel, N.J.; Richardson, Texas; Mechanicsville, Va.

Officers: Martin Myers, president; Louis Siegel executive vp; Josephine Johns, Dave Toti, vps.
Contact: Martin Myers.

Risk Analysis & Insurance Services Inc.

3610 N. 44th St., Suite 250, Phoenix, Ariz. 85018; 602-956-3686; fax: 602-956-2003

1995 revenues	
Total gross revenues	\$550,000
Property loss control/engineering	25%
Other	75%
Includes: insurance products, consulting	

Staff	
Total	7
Professionals	2
Includes: 1 CSP	

Loss control services began: 1993.
Services: Onsite plant loss prevention inspections, fire prevention inspections, plant security inspections, hazard identification, research, client training, safety newsletter.

Specialties: Public and private schools, multiple site employee leasing companies.

Region served: United States.
Officers: Gregory B. Jacobs, president; Shirley A. Crane, Wallace C. Voight, vps.
Contact: Gregory B. Jacobs or Wallace C. Voight.

Risk Analysts Inc.

24 Greenway Plaza, Suite 1100, Houston, Texas 77046; 713-507-9400; fax: 713-507-4724

1995 revenues	
Total gross revenues	\$907,148
Property loss control/engineering	40%
Other	60%
Includes: workers compensation, general liability	

and occupational injury prevention services

Staff	
Total	64
Professionals	4
Includes: 2 ARMs, 1 ASSE, 2 CSPs	
Clients	
Total	100

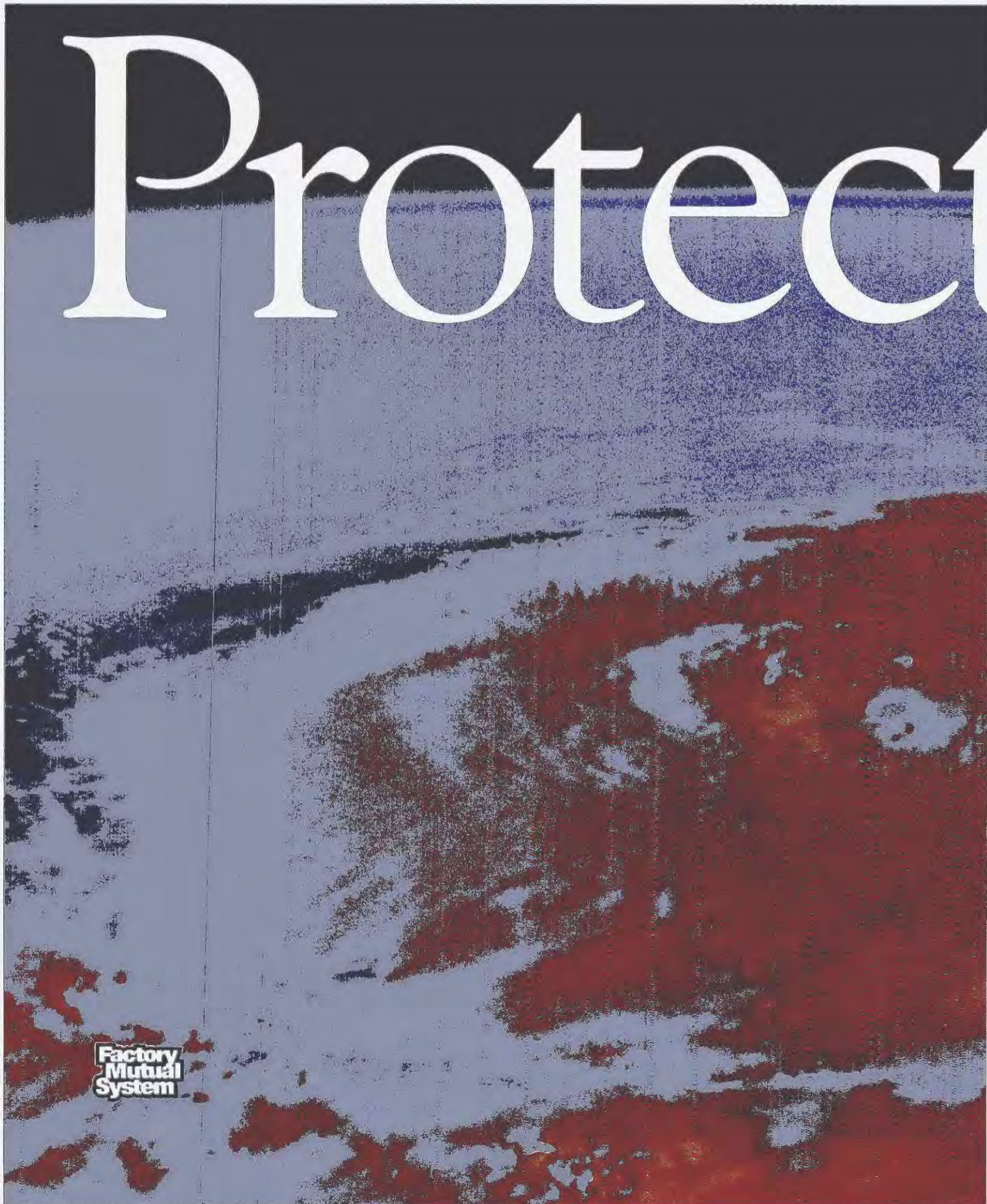
Loss control services began: 1934.
Parent: Wisenberg Insurance & Risk Management.

Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, research, client training, life safety assessment, design disaster and contingency plans.

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

Specialties: Warehousing, distribution centers, retail, manufacturing, hospitality, real estate, restaurants.

Region served: Southwest.
Officers: Irving Pozmantier, chairman; Joe Williams, CEO/president; Tom Francis, Jay Williams, executive vps; *Continued on next page*



Continued from previous page
 las P. Dalby, vp/director-risk control.
 Contact: Nicholas P. Dalby, 713-507-4792.

Risk Engineering Inc.

2000 Dairy Ashford, Suite 405,
 Houston, Texas 77077-5719;
 713-558-5000; fax: 713-558-4999

1995 revenues	
Total gross revenues*	\$600,000
Property loss control/engineering	100%
Staff	
Total	6
Professionals	3
Includes: 2 PEs, 3 SFPEs	
Clients	
Total	30

Loss control services began: 1985.
 Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, underwriting surveys, evaluation of highly protected risk loss control programs, business interruption/

property maximum foreseeable loss and probable maximum loss estimates, review testing and analysis of automatic extinguishing systems and water supply, fire protection engineering consulting.

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

Specialties: Chemical, coatings, pharmaceutical, tire, manufacturing, mining, hazardous waste processing, metalworking, electronic equipment manufacturing.

Region served: United States, Caribbean, Canada, Mexico, South America.

Officers: Peter Rollinger, president.
 * Estimate.



Safety Consulting Inc.

1403 S.W. Topeka Blvd., P.O. Box 2789,
 Topeka, Kan. 66601-2789;
 913-232-3887; fax: 913-233-1746

1995 revenues	
Total gross revenues	\$299,500
Property loss control/engineering	100%
Staff	
Total	5
Professionals	4
Includes: 1 ARM	
Clients	
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.

Officers: Craig S. Stromgren, president; Bryan E. Christensen, senior vp.
 Contact: Craig S. Stromgren.

Safety Management Services of Texas

13847 Purple Sage Road, Dallas,
 Texas 75240-5733; 214-661-1941;
 fax: 214-661-1947

1995 revenues	
Total gross revenues	\$500,000
Property loss control/engineering	90%
Other	10%
Includes: expert witness	
Staff	
Total	6
Professionals	4
Includes: 4 ASSEs, 3 CSPs, 3 PEs	

Loss control services began: 1985.

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

Occasional services: Fire prevention inspections, plant security inspections, building plan reviews.

Specialties: Manufacturing of semiconductors, vegetable oil food products and cosmetics.

Region served: United States, Korea, Singapore, Taiwan.

Officers: Roy H. Kinslow, president; Dennis Donegan, Bill B. Turney, vps; Jim Gordon, secretary; Roger Peyton, treasurer.

Contact: Roy H. Kinslow.

Schirmer Engineering Corp.

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

1995 revenues	
Total gross revenues	\$1,500,000
Property loss control/engineering	35%
Other	65%
Includes: fire protection and security design/consultation, casualty loss control consulting/engineering, code consultation	
Staff	
Total	83
Professionals	24
Includes: 2 ARMs, 5 ASSEs, 3 CSPs, 8 PEs, 11 SFPEs	
Clients	
Total	65

Loss control services began: 1939.

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

Specialties: Manufacturing, telecommunications, food processing, hospital-ity, retail, government, real estate, insurance.

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

Branch offices: Los Angeles; San Francisco; Washington; Atlanta; Dallas; field offices located nationwide.

Officers: Carl Baldassarra, president; David P. Nugent, vp-loss control; Mark Rochholz, Dan O'Connor, vps-engineering; Craig Zaleski, secretary/treasurer.

Contact: Judy Freeman.

Sedgwick James Inc.-Property Risk Control Consulting

P.O. Box 1675, Harrisburg, Pa. 17105;
 717-720-4561; fax: 717-234-1400

1995 revenues	
Total gross revenues*	\$1,409,907,000
Staff	
Total	120
Professionals	100
Includes: 23 ARMs, 4 ALCMs, 50 ASSEs, 35 CSPs, 6 PEs, 28 SFPEs	
Clients	
Total	30

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, retail, warehouse/distribution, utilities, manufacturing, wrap-up construction.

Region served: United States, Asia-Pacific, Australia, Europe.

Branch offices: 30 locations nationwide.

Officers: Richard E. Botts, national director-property; J. Steven Hunt, national director-casualty.

Contact: Richard E. Botts.

* Figure reflects parent company revenue.

Sigma Associates Ltd.

105 Timber Ridge Blvd., Pass
 Christian, Miss. 39571; 601-452-4866;
 fax: 601-452-7202

1995 revenues	
Total gross revenues	\$585,500
Property loss control/engineering	40%
Other	60%
Includes: risk management, human resource management	
Staff	
Total	7
Professionals	4
Includes: 1 ASSE, 1 PE	

Loss control services began: 1978.

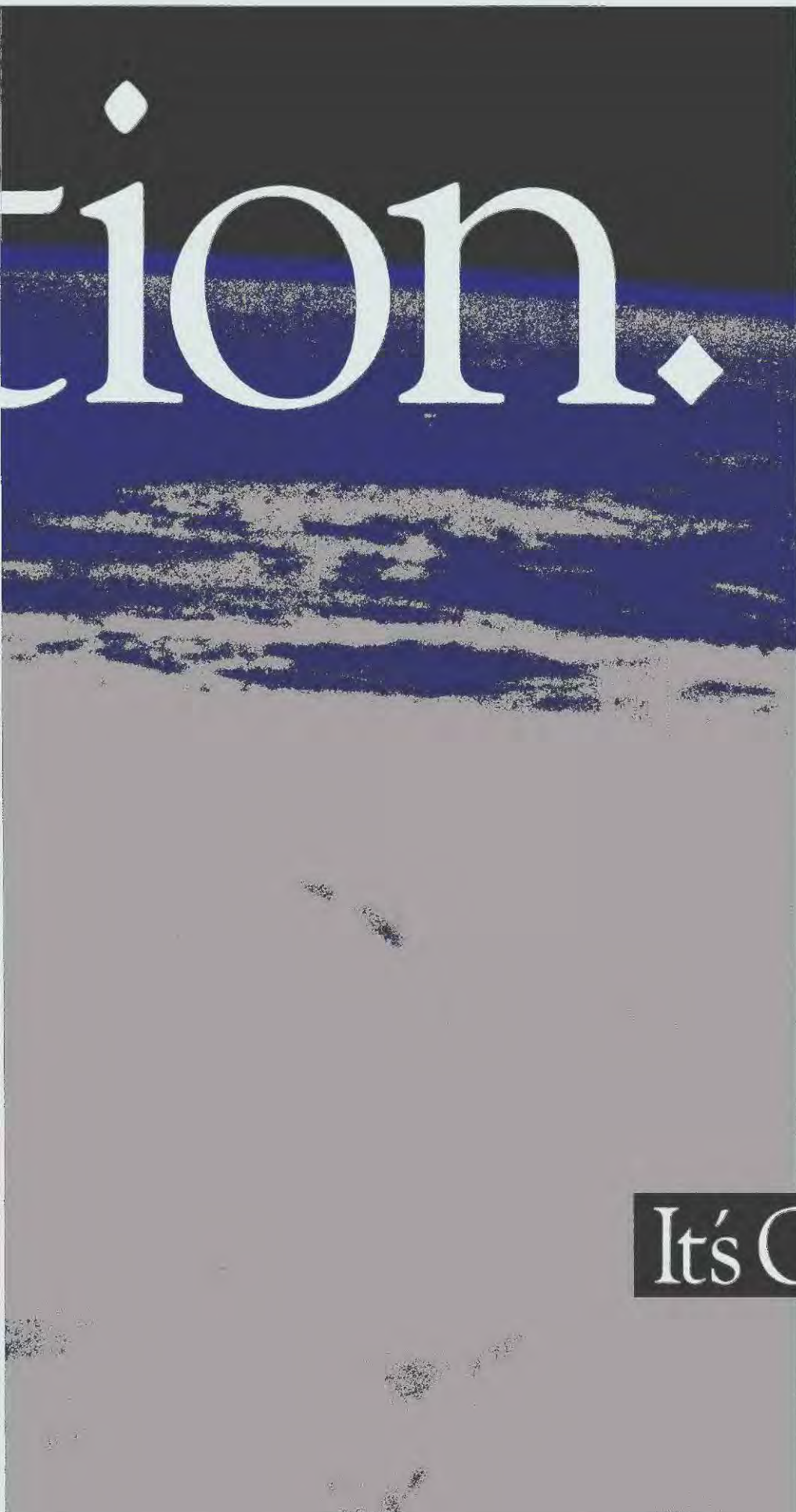
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, client training, valuations, ADA/asbestos compliance audits.

Occasional services: Plant security inspections, publications, research.

Region served: United States, Egypt, England.

Contact: A.J. Scardino Jr., president.

Continued on next page



"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.

For more than 100 years Protection Mutual has helped policyholders protect their property from the devastation caused by unstoppable weather conditions.

Through careful analysis of weather-related loss experience, Protection Mutual can help insureds minimize the effects of severe weather on their facilities. Our engineering service is supported by superior insurance coverage. And, in the event of a loss, our promise of protection is swift and equitable loss adjustment.

It comes down to one word . . .
 Protection.

With physical and financial protection, we will secure the future of your business.

It's Our Word.



Part of the Factory Mutual System

300 South Northwest Highway
 Park Ridge, Illinois 60068 708.825.4474

If your company was not listed in this year's directory, please call Richard Trout at 312-849-5483.

Spotlight report

Continued from previous page

System Engineering & Laboratories Corp. (SEAL)

12785 State Highway 64 E., Tyler, Texas 75707; 903-566-1980; fax: 903-566-4504

1995 revenues	
Total gross revenues	\$2,000,000
Property loss control/engineering	80%
Other	20%
Includes: product testing	

Staff	
Total	19
Professionals	6
Includes: 2 CSPs, 7 PEs	

Loss control services began: 1981.
Frequent services: Failure analysis.
Occasional services: Research, client training.
Region served: Worldwide.
Branch offices: Baton Rouge, La.; Memphis, Tenn.; Amarillo and Dallas, Texas.
Officers: Frank Johnson, president/CEO.
Contact: Tracie Bolton, manager-business development.

T

Technical Insurance Services

Main St., Box 127X, Jeffersonville, N.Y. 12748; 800-557-1147; fax: 914-482-4772

1995 revenues	
Total gross revenues	\$610,000
Property loss control/engineering	40%
Other	60%
Includes: casualty loss control services	

Staff	
Total	7
Professionals	7
Includes: 1 ALCM, 2 CSPs	

Clients	
Total	21

Loss control services began: 1982.
Frequent services: Fire prevention inspections, hazard identification, research.
Occasional services: Onsite plant loss prevention inspections, publications, client training.
Specialties: Social services, hotels/motels, apartments, hospitality, security.

Region served: Nationwide.
Officers: Robert L. Wasserman, president; Geoffrey Persten, vp/secretary/treasurer.
Contact: Robert L. Wasserman.

Tomes, Van Rickley & Associates (TVA)

8265-A Vickers St., San Diego, Calif. 92111; 619-576-6466; fax: 619-576-6465

1995 revenues	
Total gross revenues	\$6,200,000
Property loss control/engineering	52%
Other	48%
Includes: contracting, design, project management services	

Staff	
Total	82

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, research, client training.
Occasional services: Publications.
Specialties: Warehousing, automotive, retail, manufacturing.
Region served: United States, Guam; Honduras, Mexico, Taiwan.
Branch offices: Atlanta; Dearborn, Mich.
Officers: William J. Tomes, CEO; Russell B. Leavitt, Robert Caputo, presidents; James W. Tomes, executive vp; William Holden, CFO.
Contact: Terri L. Simmons, manager-marketing/sales.

W

Walker & Associates

P.O. Box 700, Willard, Mo. 65781-0700; 417-742-3303; fax: 417-742-3959

1995 revenues	
Total gross revenues	\$723,000
Property loss control/engineering	92%
Other	8%
Includes: insurance company surveys, consulting	

Staff	
Total	6
Professionals	4
Includes: 1 ARM, 1 ALCM, 1 CSP, 4 PEs, 4 SFPEs	

Clients	
Total	11

Loss control services began: 1991.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, building plan reviews, boiler and machinery underwriting reports.
Occasional services: Plant security inspections, client training, property loss investigations.

Specialties: Food processing; grain handling and processing; warehousing; subterranean facilities; oil, gas and petrochemical industries.

Region served: United States, Canada.
Branch offices: Asheville, N.C.; Youngstown, Ohio; Houston.
Officers: B.J. Walker, president; Thomas H. Brereton, vp.
Contact: B.J. (Bill) Walker.

Addendum

Risk Consultants Inc.

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

1995 revenues	
Total gross revenues	\$4,000,000
Property loss control/engineering	90%
Other	10%
Includes: incentive programs, industrial hygiene services	

Staff	
Total	110
Professionals	95
Includes: 50 ARMs, 95 ASSEs, 2 PEs	

Loss control services began: 1979.
Frequent services: Onsite plant loss prevention inspections, fire prevention inspections, hazard identification, air sampling, asbestos identification, lead analysis, noise levels analysis.

Occasional services: Plant security inspections, publications, research, client training.
Region served: United States, Cayman Islands.

Branch offices: San Diego; Miami, Orlando and Pensacola, Fla.; Norcross, Ga.; Detroit; Jackson, Miss.; Memphis, Tenn.
Officers: R. Michael Malone, president/CEO; Hugh P. Bagwell, executive vp.
Contact: R. Michael Malone or Ron Manford.

Benedetti

Continued from page 2

Insurance Institute of America's Advisory Committee for the Associate in Risk Management program, ARIA's Strategic Planning and Membership committees, the International Insurance Society Research Committee and the Insurance Information Institute's Data Base Advisory Panel.

In 1994, she was the first recipient of ARIA's President's Award.

Ms. Benedetti's contributions to RIMS and risk management were recognized in 1995 when RIMS awarded her its highest honor, the Dorothy and Harry Goodell Award. Ms. Benedetti was only the second RIMS staff member to receive the award, which has been presented annually since 1978.

"As deputy executive director, Anita was an extension of my office," said RIMS Executive Director Eugene U. Ricci. "However, her major contribution was as a close personal confidant, who brought her constant concern about the people involved with a strong and sincere affection. Her impact at RIMS is indelible, leaving a direction that will not soon be forgotten. Anyone touched by Anita's warmth has been marked for life."

"We've lost a guiding light at Spencer," said H. Felix Kloman, who had served on the Spencer Foundation with Ms. Benedetti and is editor of Risk Management Reports in Lyme, Conn. "She had a marvelous spirit and glow. The love she had for the Spencer Foundation carried through to everyone she met. She was a magnificent woman."

Anne M. Zug, chairman of the Spencer Foundation, said: "Spencer and each one of us are the better for having known her. She always followed through; she always went that extra mile."

As president of the foundation, Ms. Benedetti had "a unique sense of character and the ability to be diplomatic in whatever the situation may be," Ms. Zug said.

P. Richard Hackenburg, a former president of RIMS and current Spencer Foundation board member, commented on her deep commitment to education, noting that in addition to her contributions to education efforts she was the first RIMS staff member to earn the IIA's Associate in Risk Management designation.

"She tried to do what was best for risk management, for risk managers and for RIMS. That was the hallmark of her strength, and she never

let that become a weakness," said Mr. Hackenburg, president of Advanced Risk Management Services Inc., a unit of Willis Corroon Corp. in Nashville, Tenn.

On a personal note, he said: "She never lost her sense of humor. She always had an upbeat attitude. Her enthusiasm was her source of success."

James W. Smirles, retired brokerage marketing officer at Kemper National Insurance Cos. and a member of the Spencer board, said: "When you think of Spencer, you almost always think of Anita Benedetti. One of the main reasons for Spencer's success is because of Anita, because she had one of the most positive, can-do attitudes in the industry."

"That came through in her illness, too," he said, noting that she maintained a rigorous schedule between treatments during the past several years.

"She may have been small in physical stature, but she was a giant in the industry," he said. "She sure left her mark. We were blessed to have been considered a friend by her. We will miss her."

Richard C. Heydinger, also a former president of RIMS and a member of the Spencer board, said: "In all the years I knew her, she was always the same: a very professional lady, very loyal and genuinely interested in other people and their lives. You knew she really cared."

"I loved her good humor and wit," said Mr. Heydinger, who is director of risk management services at Hallmark Cards Inc. in Kansas City, Mo. "She was a real role model in how to work, how to live and even in how to die. She talked so openly about her illness, and how she was prepared for death. She had a strong faith."

Ms. Benedetti, a native New Yorker, was a graduate of the University of Hartford in West Hartford, Conn.

A funeral Mass was held last Friday in St. John the Martyr Roman Catholic Church in New York.

Ms. Benedetti is survived by her father, Anthony, of Summit, N.J.; her sister and brother-in-law, Marie and Anthony Panzera of Mendham, N.J.; a brother, Luddy, also of Summit; and two nieces and two nephews.

Donations in Ms. Benedetti's memory may be made to the Spencer Educational Foundation Inc., 655 Third Ave., New York, N.Y. 10017, Attn.: Angela Sabatino; or to the Ann Schreiber Ovarian Cancer Research Foundation Inc., P.O. Box 1220, James A. Farley Post Office Building, New York, N.Y. 10116. **BI**

Letters

RRGs

Continued from page 8
 that are allowed to operate under federal law without regulatory oversight.

My concern regarding risk retention groups is based on personal experience. When I became commissioner in 1991, I inherited Physicians' National Risk Retention Group, a medical malpractice reinsurer that was in receivership. This insolvent risk retention group was allowed to redomesticate to Louisiana and left hundreds of claimants without protection. Having been in the position of having to answer to the insureds and claimants of a failed risk retention group, I find the cavalier and condescending attitude of the NRRA offensive.

The financial solvency record of risk retention groups is unimpressive. An April 22 article, "RRGs Offer Safety in Numbers," cites figures

from the Risk Retention Reporter that 116 risk retention groups have been established since the federal act was amended in 1986. Of those, 17 never actually covered any risk. Of the remaining 99, at least 12 have had serious financial problems and at least 10 have been declared insolvent. Based on these numbers, risk retention groups have a disturbingly high failure rate of at least 10%.

The NRRA has lost credibility as anything other than a self-serving industry trade group that puts its members' interests ahead of the public. By continuing to claim that there is adequate regulatory oversight of risk retention groups, the NRRA is misleading the public and perpetuating a dangerous myth.

I intend to continue aggressively regulating risk retention groups doing business in Louisiana.

James H. Brown
 Commissioner of Insurance
 State of Louisiana
 Baton Rouge, La.

Carvill

Reinsurance Intermediary

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CONSISTENT PHILOSOPHY & PERFORMANCE

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Antitrust

Continued from page 2
 \$21 million to launch PERI, which is charged with developing technical, training and educational services for public entities.
 Despite insurers' growing appetite for public entity risks, the hard markets of the 1980s and 1970s have cemented the alternative risk-financing arrangements the entities have fashioned over the past couple of decades (BI, June 3).
 With only a small portion of the public entity sector buying primary insurance today, there is a "huge void of any type of relevant information" about the entities, like their workers comp and tort liability claims experience and risk-financing costs, said database project manager Gregory L. Trout, a principal with risk man-

agement, actuarial and benefit consultant Advanced Risk Management Techniques Inc. of Citrus Heights, Calif.
 As a result, the public sector, as a group, cannot say whether those costs are under control or where public entities are succeeding or failing in controlling costs.
 The database project could provide that measure and more, he said. Mr. Trout also envisions the database project as a clearinghouse of information on public entities' best practices for reducing costs.
 It also could help public entities measure how effective those practices, as well as state tort reforms, are from one jurisdiction to another, from state to state and from entity to entity, he said.
 Armed with that data, for example, a public entity risk manager could serve as a key adviser to city council members as they

consider new ordinances. The data may give council members a better idea of what risks a particular ordinance may create for the city, said project Chairman Donald L. Jones, director-center for member programs with the National League of Cities in Washington.
 The database also may enable public entity self-insurance pools to benchmark various metrics among each other, as well as allow individual members in pools to compare coverage costs between their pool and traditional insurers, said Ronald J. Guilfoile, vice chairman of the database project and risk and benefit manager for the city of St. Paul, Minn.
 ARM Tech's Mr. Trout said he is confident about the database project's potential because of his experience as project manager of a scaled-down version of the project in California. The California In-

There is a 'huge void of any type of relevant information' about public entities' claims experience and risk-financing costs, says Gregory L. Trout.

stitute for Public Risk Analysis has focused on providing workers comp data to public entities in California since its inception in 1990.
 But before the larger project tries to develop any product or service—or even collects any data—officials want to get some feedback from potential database users about their needs.
 The survey should help the database project zero in on the type of data it should focus on collecting.
 In turn, that should allow the project to introduce products and services more quickly than it could if it were to collect a broader field of data.
 That was "the biggest thing we learned from CIPRA," which collected data before conducting a market survey on users' needs, Mr. Guilfoile said.
 The market survey of 150 to 200 people, which will be conducted through early 1997, will solicit input from various public entity representatives beyond the risk management community. Those will include elected officials, financial officers and city managers. In addition, insurers, brokers, loss control consultants, actuaries and third-party administrators will be tapped.
 For the project to eventually operate in the black, it will have to also attract users from the private sector, according to Mr. Guilfoile.
 "We have to be sensitive that we need to generate revenue," and private-sector users likely will have more money to spend on the database than public entities will, he said.
 Such users might include the company that recently took over fire-protection services for a St. Paul-area community, Mr. Guilfoile said.
 In addition, actuaries, third-party administrators, brokers and insurers could garner information from the database to develop effective and appropriately priced loss control, claims handling, actuarial, and excess insurance products, Mr. Trout said.
 The information may entice even more insurers to begin writing primary insurance for public entities again, Mr. Guilfoile said.
 Ironically, the possibility of that scenario could lead to some data collection troubles for the project.
 "Public entities really guard their data, but they really need to share it. It's a big hurdle to overcome," Mr. Guilfoile said.
 Many self-insured pools do not want to lose members to insurers. Keeping their data away from insurers would help immensely.
 Mr. Guilfoile said pools have legitimate "historical concerns" about insurers, which severely restricted capacity for public entities in past hard markets.
 "But, a pool has to be competitive to its members," he said.
 Even if risk managers at public entities are happy with their current alternative risk-financing arrangements, the political reality is that they should be able to show government leaders or other supervisors that the entity is better protected under the status quo, he asserted. "Right now, you don't have that opportunity" because of the lack of information.

Pools also are concerned about protecting the confidentiality of individual members' data. But, "claims confidentiality can be addressed easily by collecting aggregate data without individual claims identifiers," Mr. Trout said.
 If pools remain reluctant to share their data, "we may have to get the politicians involved here," Mr. Guilfoile said.
 Indeed, "this is one of the reasons, very frankly, why we have general public entity management represented" on the project's board, said Kathleen Foote, a deputy attorney general for California and a database project board member. "While one party may want to prevent insurers from competing, the city—who is the client—might very well have a different interest."
 The project, meanwhile, is reaching out to various constituents. It sponsored a forum in June in Baltimore and conducted a session on its mission at a Public Risk Management Assn. conference July 31-Aug. 2 in Ponte Vedra Beach, Fla.
 "We have no mandate here, so there's a need for outreach," Mr. Jones said.
 At the PRIMA conference, representatives from about 25 pools offered their assistance to the project, noted Michelle Lefeld, the assistant project manager and the manager-center for public risk management for Arlington, Va.-based PRIMA.
 Project officials also have to determine eventually how they will collect data.
 Another question for the project is whether it should find a facility, like a university, to store the data it collects, or purchase its own computer system.
 Meanwhile, PERI has been developing more slowly than the database project for two reasons, said Ms. Foote, who also is a PERI board member and is on the three-member steering committee for the project.
 The idea for PERI was conceived several months after the London defendants agreed to finance the database project.
 In addition, there was some "wheel-spinning for a time on the part of the (attorneys general)" after the antitrust case was settled because a lot of work had backed up on them during the litigation, she said.
 The PERI board was appointed July 24, 14 months after the database project's board was installed. Besides Ms. Foote, the PERI board consists of Mr. Guilfoile; Cheri J. Hawkins, retired risk manager of Weyerhaeuser Co. and now a consultant; H. Felix Kloman, editor of Risk Management Reports in Lyme, Conn.; Thomas G. Dunne, retired city manager of Walnut Creek, Calif.; and Gerald W. Hyland, a Fairfax County, Va., supervisor.
 The board's initial task will be to create a non-profit entity to oversee the project. The board, which will first meet in October, also is expected to select an executive director soon, said project manager Gregory Berg, a principal in the risk management consulting unit of Tillinghast-Towers Perrin in Simsbury, Conn. **BI**

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Portability

Continued from page 1
with Sedgwick Noble Lowndes in Roseland, N.J.

To help employers with those and other details, *Business Insurance* Editor-at-Large Jerry Geisel interviewed experts for their answers to benefit managers' most frequently asked questions about the measure.

What is the basic intent of the health care portability legislation?

To ensure that individuals changing jobs are not denied coverage for pre-existing medical conditions when they move from one health care plan to another.

Exactly how would this work?

Under the legislation, a newly hired employee could be denied coverage for a pre-existing medical condition for up to 12 months.

However, this 12-month exclusion would be offset by health care coverage—known as "creditable coverage"—that the employee had from a prior employer or from an individual health insurance policy the employee previously purchased.

For example, assume a new employee was covered under a prior employer's health plan for six months. The maximum period that the new employer could deny coverage for a pre-existing medical condi-

tion would be six months.

Are there exceptions?

Yes. Prior coverage would not have to be credited or counted against this 12-month denial of coverage for a medical condition if "continuous coverage" was not maintained.

The legislation says if an individual lets coverage lapse for 63 days or more, a new employer does not have to count that individual's prior coverage as an offset against the pre-existing condition exclusion.

For example, assume an employee was covered for five years under a group health care plan. Then, the employee was laid off and decided not to purchase COBRA coverage from his or her former employer or buy an individual policy.

Three months later, the individual was hired by a new employer. If the individual had a pre-existing medical condition, the new employer could deny coverage for up to 12 months for that condition.

Would some medical conditions have to be immediately covered by a new employer's health care plan regardless of the general 12-month rule?

Yes, pre-existing condition exclusions cannot be applied to pregnancy, as long as the woman did not have a 63-day or longer break in coverage. And, pre-existing medical condition exclusions cannot be ap-

plied to newborns or adopted children under age 18 as long as those individuals became covered within 30 days of the birth or adoption.

Can a health care plan charge higher premiums for individuals with pre-existing conditions?

The legislation bans such a practice. But, employers may offer premium discounts or rebates for participation in wellness or other health care promotions.

How would newly hired employees prove to their employers that they had prior continuous coverage?

The burden of providing that evidence would fall on the employee's former employer, and the legislation sets specific reporting or certification requirements for employers.

Certification statements—detailing when the employee was covered under the plan—must be provided when the employee no longer is covered by the plan, while a second statement would have to be provided when COBRA coverage ceases.

Employers also have to provide yet another certification statement if their former employees request one within 24 months of the time their health care coverage ceases.

John Piro, a consultant in the Rowayton, Conn., office of Hewitt Associates L.L.C., advised employer to get their tracking systems in order.

When do these curbs of pre-existing condition exclusions take effect?

Generally speaking, the effective date is for plan years starting after June 30, 1997. Since most health care plans operate on a calendar-year basis, they would have to come into compliance by Jan. 1, 1998.

However, health care coverage prior to Jan. 1, 1998, would be included as an offset against the 12-month maximum exclusion for pre-existing medical conditions.

What kind of financial penalties are imposed for violating the law?

Generally, the Internal Revenue

Service can slap an employer with a fine of \$100 per day per beneficiary.

The government also has authority to impose penalties of \$500,000 or 10% of the amounts paid under a health plan, whichever is less, in situations where an employer has repeatedly violated the law.

Can insurers impose pre-existing condition exclusions on employees who terminate group coverage and want to buy coverage in the personal lines market?

Insurers cannot impose pre-existing condition exclusions on individuals as long as the individual has met certain conditions. For example, the individual must have prior creditable health care coverage of at least 18 months and is no longer eligible for group or COBRA coverage.

What other health care-related changes does the bill mandate?

The legislation lays out new rules affecting disabled employees and their eligibility for expanded COBRA benefits.

Under federal law, employees who become disabled at the time they are eligible for COBRA can receive COBRA coverage for 11 months beyond the standard 18-month coverage period. Employees who receive this additional 11 months of coverage can be charged a premium equal to 150% of the group rate.

In a twist to current law, employ-

ees who become disabled within 60 days of becoming eligible for COBRA also will be able to buy the additional 11 months of coverage.

What will the cost impact of the new curbs on pre-existing medical condition exclusions be for employers?

In general, the impact over the long term should be minor, benefit experts say.

"The impact will not be that great," said Ed Hancock, a technical consultant with Towers Perrin in Valhalla, N.Y.

"In the end, it is kind of a wash," concurred Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

That is because employers will absorb the costs of covering new employees' pre-existing medical conditions. But those costs will be offset by two other factors:

- More employees who may have been reluctant to leave a job because of concerns about coverage of pre-existing conditions will be more likely to move on.

In addition, employees with pre-existing medical conditions who move on to new jobs will give up their COBRA coverage because their new employers' health care plans will cover those conditions.

Employers, in effect, will trade health care dollars, said Rich Stover, a principal with Buck Consultants Inc. in Secaucus, N.J. **BI**



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Lawmaker groups target stop-loss act

State legislators worried about defining the difference between legitimate self-insurance programs and commercial health insurance now have broader support for their concerns.

Two legislator-dominated organizations—the American Legislative Exchange Council and the National Conference of Insurance Legislators—have developed policies that either oppose, or recommend a change to, the National Assn. of Insurance Commissioners' "Stop Loss Insurance Model Act."

The NAIC's model act, adopted in September 1995, calls for a minimum \$20,000 attachment point for specific stop-loss coverage bought to protect self-insured health care plans. If the attachment point is lower, the policy is deemed health insurance and subject to state regulations, including benefit mandates.

The act also requires calculating similar attachment points for aggregate stop-loss policies for employers with 50 or fewer employees.

For employers with 51 or more covered employees, their stop-loss protection is considered health insurance—and thus not exempted from various state laws by the Employee Retirement Income Security Act—if it has an aggregate attachment point lower than 110% of expected claims.

State insurance regulators contend that insurers offering low attachment points are not providing true risk transfer but are merely circumventing state small group health insurance laws that mandate certain benefits and require small group insurers to guarantee renewability and offer modified community rating (BI, Feb. 5).

Opponents of the model, which include groups representing stop-loss insurance underwriters or service providers, emphasize that ERISA denies states the authority to regulate attachment points.

They also note that the proposed regulations could financially destabilize an employer's self-insured health plan by encouraging it to assume too high a level of risk. Such rules could

also subject many self-insured employers to state health insurance laws and increase premium taxes.

In February, states' authority to enact stop-loss regulation was challenged for the first time in federal court. A U.S. District Court judge in Baltimore ruled that a Maryland insurance regulation, similar to the NAIC's model act, was pre-empted by ERISA (BI, March 4).

Among state legislators, the most sweeping opposition to the NAIC model act came from the Washington, D.C.-based American Legislative Exchange Council.

ALEC adopted a formal resolution in June that "encourages state legislators not to support state legislation or regulations that would hurt employees and their families by imposing arbitrary limits on stop-loss coverages issued to self-funded plans."

ALEC acknowledged ERISA's oversight and noted that "one of three small business establishments with fewer than 100 employees self-fund their health benefit plans, which are covered" by ERISA.

"ALEC believes in the preservation of a free-market, voluntary employer-based health benefit system in which employers prudently choose to self-fund health benefits for their employees and their families at financially viable risk retention levels."

Last month, the National Conference of Insurance Legislators adopted a policy recommending one change to the NAIC's model act, but otherwise supporting it.

NCOIL recommended lowering the attachment point to \$10,000 from \$20,000.

As a result, an insurance policy with an attachment point below \$10,000 is deemed health insurance and subject to state regulations.

NCOIL legislators did not consider the federal court ruling, according to Robert Mackin, NCOIL's Albany, N.Y.-based executive director.

About 20 states regulate stop-loss insurance in some way, according to ALEC.

—By Meg Fletcher

INTERNATIONAL

Sanctions stir up political risk market

By MARIA KIELMAS

Political risk insurers are both optimistic and pessimistic about the effects of two new laws that strengthen existing U.S. sanctions against Cuba, Libya and Iran.

The laws have been attacked vehemently by foreign governments that charge their effects reach beyond U.S. jurisdiction, place sanctions on third-party nations and corporations, and are effectively a secondary boycott.

Insurance coverage against the actions of a third-party government on business dealings between a corporation of one state and a government of another do not yet exist in the market, political risk underwriters and brokers say.

Such coverage "is possible, but I don't see many underwriters falling over themselves to provide cover against the actions of the U.S. government," said Russell Winter, political risk specialist at London-based broker Nelson Hurst Political & Credit Risks Ltd. a division of Nelson Hurst P.L.C.

But it is possible that the effects of the arbitrary acts of a third-party government could be insured against.

"Some policy wordings may be broad enough to respond to this" since policy wordings are open to interpretation, said Raymond Dewmar, active underwriter at Lloyd's Syndicate 1028, managed by Wellington Underwriting Agencies Ltd. "It takes a stroke of a pen to amend the name of a particular government," he said, meaning that the policies can be written against any government the underwriter approves.

These sanctions may provide difficulties for the political risk market, but they also provide opportunities, Mr. Dewmar said. "Arbitrary acts of government are the things we cover. If there is a demand, the political risk market will respond."

The two laws under discussion are:

- The Cuba Liberty and Solidarity Act, signed by President Clinton on March 12 and known as

the Helms-Burton Law. President Clinton has delayed implementation of the law's extra-territorial provisions until February 1997.

These provisions bar from the United States any alien who has traded with property or assets confiscated by Cuba's government and to which U.S. citizens have a claim certified by the U.S. Foreign Claims Settlement Commission. It allows for actions in the U.S. courts only by certified claimants against new investors in Cuba and in those expropriated assets. The individuals to be barred from the United States include those who "traffic" with confiscated assets, corporate officers, principals, shareholders with a controlling interest. The confiscated assets include unreturned property and debt repudiated by the Cuban government.

- The Iran and Libya Sanctions Act, signed by the president on Aug. 5 and known as the D'Amato Act. This places specified sanctions on the U.S. business of foreign companies when they do new busi-

ness investing more than \$40 million a year in the oil and gas industries of Libya and Iran.

U.S. firms have been restricted from doing business in Libya since 1986 and from Iran since last year.

In addition, there is a growing fear among U.S. corporations working in Colombia that the U.S. government will impose sanctions on that country.

U.S.-Colombian relations have been deteriorating over the last two years.

U.S. investors in new projects in Colombia can no longer receive credit and political risk insurance from the Export-Import Bank or the Overseas Private Investment Corp. Earlier this year, Eximbank exposure in guarantees and insurance to Colombia—which are unaffected by the sanctions—was \$945 million.

But private sector political risk underwriters in the United States say U.S. corporations will still be able to buy political risk coverages for Colombia.

The U.S. private sector insurers

do a lot of business in countries, including Mexico and China, where U.S. agencies do not provide coverage—and at comparable rates, one U.S. political underwriter said.

Political risk underwriters in the London market moved quickly in March to protect themselves from the consequences of the Helms-Burton Law.

Initially the Cuba Act made "it look like the market could not continue to transact business with Cuba as before," Mr. Dewmar said.

But underwriters found that they could protect their interests from any U.S. legal action, and carry on business almost as normal, by requiring a potential policyholder to sign a document stating that they were not investing in property in Cuba that had been expropriated by the Castro government and was consequently subject to a claim in the United States.

"The onus of proof is on the assured," Mr. Dewmar said.

Underwriters are now expecting claims on existing contract frustration policies in Cuba, which have been affected by the Helms-Burton Law. Contract frustration policies protect the policyholder if the ac-

See Political on page 34

Sedgwick unit launches joint venture to offer health care consulting in India

By SAMEERA KHAN

BOMBAY, India—U.K.-based benefit consultant Sedgwick Noble Lowndes Ltd. is launching one of the first health care consulting operations in India.

Sedgwick Noble Lowndes, a unit of broker Sedgwick Group P.L.C., has entered into a joint venture with an Indian father-son team to provide a complete range of health care consulting services to Indian companies, including design and implementation of medical benefits as well as benefit management and administration services.

Sedgwick is partnered with Dr. Ramnik Parekh, an occupational health specialist and former chief medical officer for Unilever Group in India, and his son, Nimish Parekh, former vp with Citicorp Securities Inc. in New York.

The new company, Sedgwick Parekh Health Management Ltd., will be an 80/20 joint venture, with the majority ownership held by Sedgwick. Both

partners have contributed an initial total investment of \$500,000. The company has projected revenues of \$4 million over the next three to four years.

SPHM will operate throughout the country, catering to the needs of companies that employ India's 35 million industrial workers and 1 million white-collar workers. The consultant aims to target public sector and private sector corporations, which currently are the largest buyers of health care services in India.

"Our aim is to devise cost-effective medical plans for employers, which, while ensuring high quality services levels, are tailor-made for the particular environment of the client," said Nimish Parekh, who is managing director of SPHM.

For every client, SPHM plans to develop and maintain an up-to-date database of participants, including all medical and claims history.

"Since you can't manage what you can't measure, we will first set up a system database that

will allow us to monitor reimbursement trends, analyze disease profiles and track levels of absenteeism due to illness in a company," said John Sellars, chairman-international health care practice for Sedgwick Noble Lowndes and an SPHM director.

One of the biggest costs for businesses worldwide is sickness-related absenteeism, which has hardly been measured in India, Mr. Sellars said. "Corporations in the U.K. incurred £8 billion (\$12.39 billion) in productivity losses due to sickness absenteeism. Our attempt will be to make corporations here understand this link between sickness and productivity," he said.

SPHM also will handle claims administration for its client companies, besides providing health screening and occupational health services. It also will offer some services not currently available in India. One example of a new service is the Help Desk, a telephone informa-

See India on page 33

Brokers avoid specifics, but generally anticipate more big mergers ahead

By EDWIN UNSWORTH

LONDON—U.K. brokers continue to say consolidation is necessary among the world's largest brokers.

In the past two weeks, Sedgwick Group P.L.C. and Willis Corroon Group P.L.C. have denied they are in merger talks with each other, though both also say they believe that due to the competitive market there will have to be some merger and acquisition activity in the ranks of the world's top six brokers.

Sedgwick Chief Executive Sax Riley said last Tuesday that "we are not interested in merging with Willis Corroon at all" but maintained that there is room for no more than three or four top global insurance brokers rather than the six that dominate the market today.

Mr. Riley also said Sedgwick, the world's third-largest broker according to *Business Insurance's* annual rankings (*BI*, July 22), was not interested in merging with

Willis Corroon, the world's fifth-largest broker, because of a difference in their strategies and because Sedgwick believes it is strong enough to survive on its own.

However, the broker might consider merging with another company, he said, if a prospective partner shared Sedgwick's strategy of moving toward more fee-based consulting and risk management services and reducing the volume of commission-based services.

Just days earlier, Willis Corroon Executive Chairman John Reeve said: "Notwithstanding considerable speculation as to the benefits of mergers between the big six global brokers, we have concluded, after analysis of the issues involved, that arguments in favor of such combinations are not compelling. In particular, cost economies of scale from such mergers are not likely to be sufficient to confer significant competitive advantage."

See Brokers on next page

Cause of U.K. train crash probed

By SARAH GODDARD

LONDON—Liability for the Aug. 8 Watford train crash is expected to be clarified in the next several weeks, after the launch today of an investigation by the U.K. railways' infrastructure operator, Railtrack P.L.C., into the cause of the accident.

Railtrack's committee of inquiry will be headed by David Maidment, a director of consultant International Risk Management Services, a specialist in transportation risks, and a former controller of safety policy at both Railtrack and British Rail.

In addition, the U.K. Health and Safety Executive will be carrying out a separate inquiry in the crash.

Neither organization would comment on possible causes until their

inquiries are completed.

Investigators from both Railtrack and the HSE spent three days inspecting the scene of the accident for clues indicating how the two trains hit head on.

The railway carriages were finally removed from the track last Sunday evening to be given a more thorough investigation. So-called black boxes, similar to recorders found in aircraft cockpits, were recovered from the trains and analyzed to gather any clues as to what may have happened.

The accident occurred on a major rail route between London and the northwest of England and resulted in a full passenger carriage hanging precariously over a railway embankment. One person was killed and 60 injured in the accident, though most passengers walked

away with minor cuts and bruises (*BI*, Aug. 12).

While Britain's entire rail network is in the midst of privatization, North London Railways, which operates the trains involved in the crash, has not been sold. A railway spokesman could not provide insurance coverage details. Once the railroads are privatized, operators are required to purchase 155 million pounds (\$239.2 million) in liability insurance.

Vic Coleman, the deputy chief inspector of railways at the HSE, is leading the safety agency's investigation. "Our investigation will be thorough and will continue until we have found the reason for the accident," said Mr. Coleman. "It is too soon to speculate about how long our investigation will take, but we will publish a special report." ■



AP WORLD WIDE PHOTOS

Investigators continue to search for the cause of an Aug. 8 train crash near Watford, England. Liability for the crash, which killed one passenger and injured 60, is expected to be determined within a month.

INTERNATIONAL

Growth potential in Mexico draws \$153 million from U.S. investors

MEXICO CITY—Growth opportunities in the Mexican insurance market still outweigh economic problems in the country, according to a group of U.S. investors—including Travelers Corp.—that are investing \$153 million in one of Mexico's largest insurers.

"Our investment in this venture reflects our view of the significant growth opportunities in Latin American insurance markets, particularly in Mexico," said Marc P. Weill, chief investment officer at Travelers in New York.

The investment will help seal the merger of Seguros Comercial America with Aseguradora Mexicana, which is also known as Asemex, according to Raul Farias, chief financial officer of Pulsar International, which is the parent company of Seguros

Comercial America.

Asemex was taken over by government regulators early last year when the company ran into financial problems (*BI*, March 13, 1995).

Pulsar International bought 70% of Asemex in May 1996 for \$129 million.

Much of the new investment will be used to repay the loan Pulsar International took out to make the purchase, Mr. Farias said.

Other investors in the group are: Hicks, Muse, Tate & Furst Inc., an investment firm in Dallas; Greenwich Street Capital Partners L.P., an affiliate of Travelers in New York; Princes Gate Investors L.P., an investment pool affiliated with Morgan Stanley; and TCW Group, an investment group in Los Angeles.

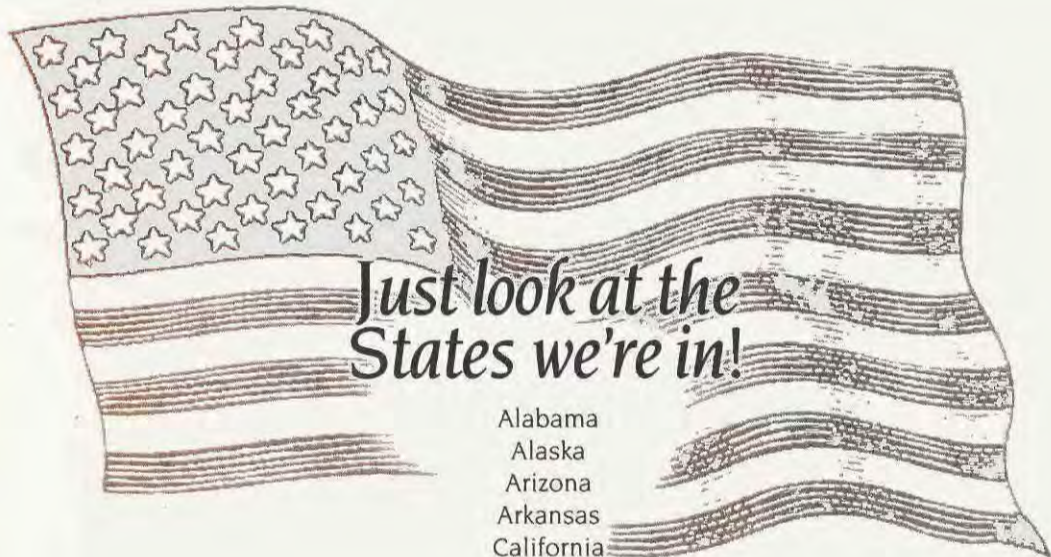
The U.S. investment group will own 13.3% of the merged company.

Prospects for growth in the Mexican insurance market look promising despite the devaluation of the peso in December 1994, said Adrian Paez, president of Seguros Comercial America.

Gross premiums written by Mexican insurance companies has virtually doubled over the past several years, rising from \$1.9 billion in 1988 to \$3.7 billion in 1995, according to Mr. Paez.

Legislation that was designed to encourage private insurance companies to take over part of the government pension system has been approved and will accelerate that growth in 1997, Mr. Paez pointed out.

—By Gavin Souter



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P&I club members seek lower overspill exposure

By SARAH GODDARD

LONDON—A growing number of shipowners are seeking to further limit their financial exposure to losses that exceed their pooled reinsurance and insurance programs.

Two protection and indemnity clubs, The London Steam-Ship Owners' Mutual Insurance Assn. Ltd. and The West of England Ship Owners Mutual Insurance Assn. (Luxembourg), surveyed their shipowner members and won backing for a proposal to lower their exposure to so-called overspill losses from a current \$20 billion level.

Overspill refers to general losses that exceed P&I clubs' reinsurance coverage. These losses currently are pooled among P&I club members.

The debate about limiting overspill exposure has been a hot topic in the P&I community for a number of years.

After three years of wrangling, the International Group of P&I Clubs last year agreed to a \$20 billion limit per event, implemented this February.

Many saw this level as a compromise, because if it were ever called, it still could bankrupt a number of shipowners.

Recently, several P&I clubs have polled their members to find out what they think are more realistic limits.

London Club members were overwhelmingly in support of lower overspill limits, according to a survey conducted in April.

Members representing 72% of the club's insured tonnage responded to the survey.

Of that number, 90% said they favored reducing limits per event to 2% to 3% of ships' property damage limits—liability limits for

damage other than loss of life or personal injury—under the 1976 Limitation Convention.

Another 4% wanted the limits reduced to just 1% of the convention limits, while about 6% favored limiting liability to the club's reinsurance limits.

The London Club has \$1.5 billion of reinsurance, though it says it could increase this amount to \$2 billion "at reasonable cost."

West of England members have shown similar support for reducing the limits.

Of the 65% of members who voted in a questionnaire distributed in May, nearly half favored limits equal to 2% property damage limits.

Another 19% wanted a greater reduction, to 1% of convention limits, and more than 14% supported a cap equal to the club's reinsurance coverage.

The West of England club also has \$1.5 billion of reinsurance coverage.

About 14% of its members supported limits between 3% and 4%, while less than 2% of those who voted favored maintaining the current level.

According to a London Club spokesman, other P&I clubs have found similar responses in polls of their members.

And, he added, the Asian Shipowners Forum, an umbrella organization representing 10 shipowners' associations in the region, has added its voice to the demands for lower limits, as has the Chinese national shipping company, China Ocean Shipping Co.

In the same way that the International Group's hand was forced on the \$20 billion issue, it may find that the growing support for reducing limits even further will strong-arm it into action, according to the spokesman. **BI**

Brokers

Continued from previous page

Willis Corroon's strategy will be to continue growing in chosen sectors around the world, he added.

This will be pursued through: building leadership positions in chosen market sectors; raising profitability through a range of revenue- and margin-enhancement programs, and cost reduction and service improvement initiatives; and pursuing growth op-

portunities locally and geographically in existing and new product areas.

In July, another major U.K. broker, Bain Hogg Group P.L.C., the world's 11th-largest broker, revealed it plans to be demerged later this year from its parent, Inchcape P.L.C.

The demerger will take place by transferring Bain Hogg shares to Inchcape's existing shareholders and was chosen as the preferred

route rather than a stock market flotation or a merger with another major broker. Bain Hogg Chief Executive Ron Forrest said that once this is achieved, a merger with another broker will not be "on the agenda."

Sedgwick made its comments as it unveiled a 2% rise in pretax profits for the six months ended June 30, 1996, to £64.1 million (\$99.5 million) from £63.1 million (\$100.6 million) in the same period last year. Revenue from brokerage and fees improved 3.7%, to

There is room for no more than three or four top global insurance brokers rather than the six that dominate the market today, says Sax Riley of Sedgwick.

£467.3 million (\$725.2 million) from £450.7 million (\$718.9 million).

Willis Corroon's pretax profits for the same period improved by 6% to £70.6 million (\$109.6 million) from £66.3 million (\$105.7 million).

Revenue from brokerage and fees was £365.2 million (\$566.8 million), up 2% from £357.7 million (\$570.5 million) in the first half of 1995. **BI**

INTERNATIONAL

India

Continued from page 31

tion service that will be staffed by experienced administrators and qualified nurses who can assist the employees of client companies with filing claims, providing advice on health care alternatives and options and guiding them to the right resources.

SPHM is also setting up Healthnet, a provider network similar to a U.S.-style PPO that will be customized to fit individual clients' needs. Employees will be able to seek care outside the network.

"This will help in standardizing the level of care that is made available to employees. While maintaining high quality, we will avoid unnecessary costs," said Mr. Parekh. SPHM will review the appropriateness of medical treatment and plans to establish a peer review committee within Healthnet to develop standards of treatment.

For many employers in India, health care cost containment does not seem to be a growing concern. Research among companies by SPHM revealed that "while for some, cost containment was a major issue, most were not feeling the pinch yet, and a few feeling the pinch couldn't see alternatives," said Mr. Parekh.

"There is little awareness that it's an issue affecting their productivity and bottom lines," he added.

Health care expenditures are low in India—just 2.5% of the gross domestic product—with government spending restricted to 1.3%. An average white-collar family of four spends 8,000 to 12,000 rupees (\$224 to \$336) on health care per year. But health care costs are rising rapidly. In major cities, they are rising by 20% to 25% per year, in other places they are increasing by 15% to 20%.

"Our research showed that most corporations pay for managers' expenses within a certain limit and these are beginning to feel the pinch," said Mr. Sellars.

"The real question for Indian employers is whether to ignore health care costs as a relatively small expense of corporate budgets now and manage them when they really start hurting, or look upon it as a rising cost to be controlled," he said.

SPHM's first client is the pharmaceutical giant Sandoz (India) Ltd., a Bombay-based subsidiary of Basel, Switzerland-based Sandoz Ltd.

So far, Sandoz has managed its own medical benefits plan for officers, who are entitled to reimbursement on all primary care expenses up to a limit. The levels of reimbursement for hospitalization claims are treated on a case-by-case basis.

Signing up with SPHM, "we believe would provide value to our existing medical benefits scheme," said Geeta D'Souza, manager-personnel and human resources at Sandoz (India) in Bombay. "Outsourcing the health care management service also means reduction in administrative work, leaving time for productive activities, while enhancing the health care service to our people," she added. According to the human resources executive, Sandoz (India)'s medical benefit plan for employees remains the same, with SPHM simply helping managing the plan better and recommending improvement.

"It's not just about controlling costs but using rupees invested in

health more widely and wisely," said Rob White-Cooper, chairman of Sedgwick Noble Lowndes Group and vice chairman of Sedgwick Group P.L.C. in London.

SPHM also will encourage employer clients to monitor employee wellness and set up preventive care programs that can address medical risks created by lifestyle problems, he said.

Health care consulting also may be a steppingstone for Sedgwick to expand its services in India, where plans to liberalize the nation's insurance industry, which currently has no private players, are on the table (BI, Nov. 20, 1995).

"When that happens, we hope insurance brokers will be allowed into the market. . . . We'd like to be there not just in insurance broking but in risk services as a whole," said Mr. White-Cooper. **BI**

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THE RIGHT DECISION

INTERNATIONAL

Political

Continued from page 31
tions of a government prevent the terms of a contract from being completed.

Insurers and brokers are still coming to terms with the latest U.S. sanctions against Iran and Libya. Mr. Dewmar noted there is still a limited amount of private sector political risk coverage available for Iran and Libya.

Export credit and political risk insurance provided by European government agencies have not provided coverage for Libya since 1986 and only sporadically cover risks in Iran and Cuba.

The U.K.'s Export Credit Guarantee Department does not provide medium-term coverage for Iran, Libya or Cuba.

Cardiff-based NCM Insurance Ltd., the ECGD's privatized former short-term credit division, provides just short-term coverage to firms dealing with Cuba.

A spokesman for the ECGD in London said the agency has had inquiries from British exporters that are seeking coverage for business in Iran, and the agency is planning to review the risk in the near future.

Insurers and brokers say that as a result of the new U.S. sanctions, corporations that do business in countries like Cuba, Libya and Iran may have to choose between these countries and the United States, if they have operations in the latter.

"Some foreign banks in Cuba may decide that they cannot afford to risk their U.S. exposure and will

pull out of Cuba," Mr. Winter said. One of the largest foreign investors in Cuba is a Canadian mining company, Toronto-based Sherritt International Inc. A spokesman for the company would not comment on the U.S. sanctions issue but its executives have indicated to other media that they intend to remain in the country.

Matters are more complicated for European companies investing in Libya and Iran. "Many European companies invested heavily in Libya before any sanctions came into force and now they cannot afford to pull out," said James Webb, a London-based oil industry consultant. "They are not going to walk away from their investments." Libya is also the primary oil supplier to Germany and Italy.

A spokeswoman at Gelsenkirchen, Germany-based oil company Veba Oil, which has extensive investments in Libya, confirmed that. "The U.S. sanctions do not affect us because our investment is not new, it is several years old."

The Paris-based oil company Total S.A. also has investments in Iran and Libya. "Our contract in Libya was signed in 1994 and in Iran in 1995. As long as sanctions are not retroactive, they do not concern us." He added that the new sanctions will not affect any of Total's suppliers or subcontractors in its Iranian and Libyan projects, and neither will any future joint venture partners be affected, since what matters is the date of the original contract in relation to the date the U.S. sanctions come into force.

U.S. sanctions can be quite effective

in limiting economic investment. For instance, sanctions against Sudan have worked, Mr. Webb noted. Two Canadian oil companies that invested in that country have found it impossible to acquire funding for their operations on the international capital mar-

'These sanctions entangle the whole of insurance and finance industries,' a London political risk underwriter says.

kets, he said.

Elsewhere, the prospect of U.S. sanctions against Colombia has prompted a number of U.S. corporations working there to lobby the Commerce Department. In a letter dated July 30, 11 U.S. corporations—The Bechtel Group Inc., BP America Inc., The Chevron Cos., Dresser Industries Inc., Drummond Co., Fluor Corp., FMC Corp., Halliburton/Brown & Root, Occidental Petroleum Corp., Texaco Inc. and Triton Energy Ltd.—said there seems to be a real prospect of a "downward spiral of sanctions, retaliations and recriminations, which could undermine the ability to overcome the common challenges facing both democratic nations."

The letter added that the companies are "apprehensive at the security consequences for our U.S. expatriate and Colombian employees and their families should the vari-

ous terrorist groups exploit the tensions between the two governments to further target our facilities and people."

Insurers and bankers in Colombia fear that the United States may place restrictions on electronic banking transactions between Colombia and the United States. Such a measure could impact local financial institutions, as well as affect the regular business transactions of all companies working in the country.

European Union member countries are preparing legislation designed to counter the extra-territorial aspects of the two recent U.S. sanction laws. The United Kingdom and Canada already have such legislation in place.

E.U. ministers will meet Sept. 7 to hammer out preliminary details.

Insurance underwriters and brokers are unclear on how legislation to counter the U.S. laws will complicate political risk insurance issues.

The United Kingdom is the only country to have legislation in place to counter secondary boycotts. According to information from the U.K. Department of Trade and Industry, the 1980 Protection of Trading Interests Act is designed to resist attempts by overseas countries to extend their jurisdictions into the territorial area of the United Kingdom in circumstances that are damaging to U.K. interests, and to provide protection against foreign awards of multiple damages.

But insurance executives say that a policyholder cannot simultaneously claim for compensation under

this law and a political risk insurance policy.

"You can't win twice over. It's difficult to see how you can claim on a political risk policy as well as be compensated under the law," said Mr. Winter.

E.U. sources in Brussels say that the European Union is considering such measures as preventing the recovery by U.S. citizens of monies awarded against European companies in U.S. courts, and to create a checklist of U.S. citizens filing such claims against European companies and persons.

The potential explosion of claims and counter-claims, and the legal morass created as a result of all the tradition sanction activity concerns many insurance executives.

"This whole area is very troublesome," said AIG's Mr. Salinger.

"There is no central advice anywhere in Lloyd's to give specific information on how to deal with this," said a London political risk underwriter. "These sanctions entangle the whole of insurance and finance industries."

That the insurance industry has taken some time to realize the implications of sanctions and the possibility that there will be a trade war between Europe and the U.S. because of the differences on this issue is due to misconceptions about the U.S. laws in the first place.

The market "tended to think that these laws were illegal outside of the U.S. and that therefore they will not matter. But in practice, they matter a lot," said the London political risk underwriter. **BI**

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Sub-total 29,775

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Total Qualified 53,248
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For the Record

Oregon must offer partner benefits

PORTLAND, Ore.—The state of Oregon is deciding if it will appeal a judge's decision that the partners of all gay or lesbian state employees should be offered health, dental and life insurance benefits.

Circuit Court Judge Stephen Gallagher earlier this month barred the state from withholding insurance coverage from the domestic partners of gay and lesbian employees whenever the same benefits are given to spouses of heterosexuals.

The ruling is viewed as the first time in the nation that a court has ordered statewide availability of insurance benefits for homosexual partners of state workers. The decision arose from a suit filed by three lesbian state employees who claimed that their partners were unfairly denied state insurance benefits.

Although writing that the issues were "difficult and troublesome to resolve," Judge Gallagher observed that the three plaintiffs had long-term, committed relationships with their partners and would be married if Oregon law allowed it. Due to denial of state insurance, the women's partners had to buy more expensive and lower-quality insurance through private companies.

Extending benefits to gay partners won't drastically increase the state's costs because only a tiny minority of state workers will likely want to take advantage of it, said Carl G. Kiss, a Portland attorney who represented the plaintiffs. "The cost fear that a lot of employers have is totally not based on experience," he said.

To qualify for benefits, Judge Gallagher said, gay couples must meet certain requirements, including having a lifelong exclusive commitment for a close personal relationship and joint financial accounts.

The attorney general's office, which has until September to decide whether to appeal, does not believe restricting benefits to married couples is discriminatory, said a spokesman for the state Justice Department. "There's a lot of laws in Oregon and across the country that differentiate between groups of people based on their marital status," he said.

Comp act pre-empts injury-related suit

LOS ANGELES—Disability discrimination complaints filed by an employee under the federal Fair Employment and Housing Act are pre-empted by the state Workers' Compensation Act, a California appeals court ruled Aug. 8.

In the case of *David Cammack vs. GTE Corp.*, the 2nd District Court of Appeals in Los Angeles ruled in favor of GTE, finding that the type of discrimination at issue—discrimination based on a work-related injury—is specifically addressed by workers comp law. The appeals court upheld a lower court decision.

The case dates back to July 1991, when Mr. Cammack suffered from carpal tunnel problems. He left work because of the disability and later returned to his job and requested work station accommodations. The accommodations were denied and he was later terminated, according to his complaint.

In June 1994, the U.S. Equal Opportunity Employment Commission issued him a right to sue letter and Mr. Cammack filed suit against GTE for disability discrimination. He claimed that other GTE employees received workstation accommodations for similar disabilities.

GTE filed a demurrer to Mr. Cam-

mack's suit, arguing workers comp was the exclusive remedy for his claim. The employer noted that a claim regarding the same injury was pending before the Workers' Compensation Appeals Board. The trial court upheld the demurrer.

While the appeals court noted that there are exceptions to the exclusive-remedy provision of workers comp law, it found that none applied to Mr. Cammack. The exceptions include sexual harassment, religious discrimination, sexual discrimination, whistle blower violations and false imprisonment. The court also noted that a 1993 amendment to the FEHA states that the federal act is not meant to replace any state laws, such as workers comp statutes, that address discrimination.

Washington regulator reinstates license

OLYMPIA, Wash.—Washington Insurance Commissioner Deborah Senn has ordered that United Southern Assurance Co.'s license be reinstated after the company agreed to post a \$1.5 million deposit to guarantee its obligations in the state.

Ms. Senn's Aug. 6 order lifted a cease-and-desist order issued earlier this year (*BI*, July 15). Melbourne, Fla.-based United Southern specializes in multiple lines of property casualty insurance, primarily for commercial trucking companies. The insurer wrote about \$1.3 million of premiums in Washington during 1995, the commissioner said.

United Southern is an affiliate of Concord General Corp. of Concord, Calif., which also owns Classic Fire & Marine Insurance Co. of Crown Point, Ind. Under a plan approved earlier this year by Illinois Insurance Exchange officials (*BI*, Jan. 8), United Southern became a unit of Classic Fire & Marine. Also under that restructuring, Geneva Assurance Syndicate Inc. withdrew from the IIE and merged with its parent, Classic Fire & Marine.

Florida hearing set on surveillance case

TALLAHASSEE, Fla.—The Florida Department of Insurance is turning to the courts to try to force an insurer to explain why it hired a private investigator to shadow a state regulator.

Executives of Bankers Insurance Co. failed to appear at a July 15 evidentiary hearing related to the insurer's use of an investigator to gather information on Kevin McCarty, former supervisor of the state's Joint Underwriting Assn. of homeowners. Mr. McCarty is now deputy director of insurer services at the Insurance Department.

A hearing was scheduled in state court in Tallahassee for Aug. 16 where Bankers Insurance executives will be called on to explain why they failed to respond to regulators' request for information.

The St. Petersburg, Fla.-based insurer has acknowledged the attempt to find information on Mr. McCarty that would lead to his firing by the insurance commissioner (*BI*, July 1). No illegal activity by the former JUA head was uncovered.

Instead of appearing at the July 15 meeting, Bankers Insurance executives sent an attorney who argued that the Insurance Department did not have the authority to hold the hearing.

Information in brief

Underwriting units of Everest Reinsurance Holdings Inc., formerly Prudential Reinsurance Holdings Inc., have become the first members of *Catastrophe Risk Exchange Inc.*, a

facility set up to allow insurers and reinsurers to swap catastrophe risks. After consulting with potential members, CATEX will also allow more traditional reinsurance purchases through the exchange... A California Assembly committee has voted to quash a bill that would have required HMOs to cover 48 hours of

hospital stay for normal maternity care. A.B. 1841 had already passed the state Senate... Netcom On-line Communication Services Inc. and Church of Scientology affiliate Religious Technology Center have reached an undisclosed settlement in their **copyright dispute**. In November, a federal district court in San

Jose, Calif., held that online service providers could be held liable for contributory copyright infringement (*BI*, Dec. 11, 1995)... President Clinton told high-tech executives Aug. 8 in California that he opposes **Proposition 211**, a ballot initiative that would make shareholder lawsuits easier to file. **BI**

AIDS claims remain flat: Study

After years of steady increases, growth in the volume of AIDS-related claims paid by group health and life insurers was relatively flat in 1995, a new survey shows.

Group health and life insurers in 1995 paid slightly more than \$1 billion in claims stemming from acquired immune deficiency syndrome, virtually unchanged from 1994, according to a new survey by the Health Insurance Assn. of America and the American Council of Life Insurance.

Claims paid by group life insurers rose slightly last year to \$571.4 million from \$562.9 million, while those paid by group health insurers remained un-

changed at \$446 million.

The 1995 survey, the 10th conducted by the Washington-based ACLI and HIAA, is based on the responses of 341 insurers and does not include self-insured employers or most Blue Cross & Blue Shield plans.

The new statistics provide yet more evidence that AIDS-related claims, while costly, are unlikely to ever pose a threat to the solvency of commercial insurers.

In fact, the ratio of AIDS-related claims as a percentage of total claims paid by health and life insurers has fallen. In 1995, AIDS-related claims represented 0.9% of group health claims, down from 1% in 1994

and 4.2% of group life claims last year, down from 4.4% in 1994.

Benefit experts attribute much of the slowdown in AIDS-related costs to improvements in medical management and better case management. Including statistics from insurers writing ordinary life and individual health policies, commercial life and health insurers paid \$1.56 billion in claims related to AIDS in 1995, down from \$1.59 billion in 1994.

More information about the AIDS claims survey is available from the American Council of Life Insurance, Media Relations Department, 202-624-2433.

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Lloyd's

Continued from page 2

tas, defendants have solicited and are continuing to solicit a proxy or consent or authorization subject to SEC regulation on an issue central to the operation and future of Lloyd's," the members allege in court papers.

However, Lloyd's is proposing that U.S. members pay premiums to Equitas without registering with the SEC, court papers say.

The suit also alleges that Lloyd's has not given U.S. members sufficient information for them to assess Equitas.

"Defendants have acted with this intent because they want to have as many names accept Lloyd's R&R proposal and to invest in Equitas as possible, regardless of whether such a decision is in the best interest of each individual name," according to court documents.

Lloyd's members have until Aug. 28 to accept the proposal.

The case originally was filed against Lloyd's and Equitas. However, last week Equitas was dropped from the action after Lloyd's argued that the proposed reinsurer had not yet conducted any business in the United States, said Richard R. Cheatham, an attorney at Kilpatrick & Cody in Atlanta who is representing the members.

"But that doesn't matter," Mr. Cheatham said. "We still have Lloyd's and we are still attacking the Equitas transaction."

In its amicus brief, the SEC reiterated its stand made in an amicus brief filed in a similar case in May that if Lloyd's membership is deemed a security, members have a right to sue in U.S. courts (BI, May 13).

The SEC says that even if members agreed to have disputes with Lloyd's heard in England, the anti-waiver provisions of U.S. securities

laws prevent them from giving up their right to have the disputes heard in the United States.

"The commission takes no position whether these plaintiffs actually have such rights—that is, whether they have invested in or are being asked to invest in securities, or, if so, whether they have a viable securities law claims," the SEC's court filings say.

The Department of Trade and Industry has responded to the SEC brief with an amicus brief of its own.

In the brief, the DTI says that Lloyd's of London comes under the supervision of the DTI, and the department is satisfied that the reconstruction and renewal proposals offer the best solution to Lloyd's problems. The DTI also says that the *Allen* suit in federal court in Virginia could deal a fatal blow to the R&R plans.

"The plaintiffs' complaint should be dismissed on the grounds that it is inconsistent with the names'

agreement to the exclusion jurisdiction of the English courts and/or that, given considerations of *forum non conveniens* and international comity, England is the most appropriate forum for the consideration of plaintiffs' claims," the DTI filings say.

Any delay in finalizing the plan would create uncertainty among names as well as leading to a further depletion of Lloyd's Central Fund, court papers say.

"In that event, it will be clear that Lloyd's policyholders worldwide are likely to suffer very considerable economic loss," according to the DTI court papers.

The two amicus briefs have cre-

ated a new element to disputes between Lloyd's and its U.S. members, said Richard Blatt, a partner at Blatt, Hammesfahr & Eaton in Chicago, who is not involved but has been following the case.

"It seems that the two regulatory interests are beginning to bump into each other," Mr. Blatt said.

In general, amicus briefs can impact legal cases especially if they are filed by prominent agencies, said Desmond Barry, a partner at Condon & Forsyth in New York.

"They can make the court sit up and take notice. But if you have someone of equal stature on either side, they can balance each other," he said. **BI**

Black is named CEO at Protection Mutual

Comings & Goings: Industry

James W. Black, vp and chief operating officer of Protection Mutual Insurance Co., was named president and chief executive officer, succeeding **Dean E. Johnson**, who is retiring after 30 years with the Park Ridge, Ill.-based mutual insurer.

Other insurer changes:

James R. Pouliot named executive vp at Guaranty National Corp. in Englewood, Colo., and will succeed **Roger B. Ware** as president and chief executive officer upon his retirement at the end of the year.

James F. Smith joined Guaranty National as vp of its California claims operations. Previously, he was president of Biller-Smith Associates Inc., a California-based claims adjusting company.

Christopher V. Greetham joined EXEL Ltd. in Hamilton, Bermuda, as senior vp and chief investment officer. Previously, he was senior vp, president and chief financial officer of OIL Investment Corp. Ltd.

Nicholas J. Zangari named president of Firemen's Insurance Co. in Washington, a wholly owned subsidiary of W.R. Berkley Corp.

Robert Matza joined Travelers Group as vp and treasurer, succeeding **Jerome Fadden**, who resigned from the New York-based insurer. Mr. Matza formerly was chief financial officer of Lehman Bros. Inc.

Agents/brokers

N. Bruce Burdett named deputy branch manager and senior vp of Johnson & Higgins of Texas Inc. in Dallas.

Catherine M. DiMauro joined Near North Insurance Brokerage Inc. as vp in its workers compensation cost containment practice in Chicago. Previously, Ms. DiMauro was a consultant at Lynch, Ryan & Associates Inc. in Westboro, Mass.

Todd D. James named chairman and CEO of Fitzgerald, Clayton, James & Kasten Inc. & APL, succeeding **Charles V. James**, who was named chairman emeritus. Also at the Milwaukee-based agency, **Dale E. Van Dam** named president, treasurer and chief operating officer, and **Karen A. Rechlicz** named vice chairman and secretary.

Reinsurance

Andrew A. Barnard joined Skandia America Reinsurance Corp. as president and chief operating officer in New York. Previously, he was executive vp and chief underwriting officer of Transatlantic Holdings Inc. and Transatlantic Reinsurance Co.

Michael D. Covney named senior vp and chief actuary at Gerling Global Reinsurance Corp. in New York. He formerly was vp and chief

actuary at Re Capital Reinsurance Corp.

James P. Hamilton and **Elizabeth A. Monrad** named senior vps at General Reinsurance Corp. in Stamford, Conn.

Gerd Strecker joined Mid Ocean Reinsurance Co. Ltd.—a subsidiary of Mid Ocean Ltd.—in Munich, Germany, as senior vp responsible for developing reinsurance business in Europe.

John O. Parker named president and chief operating officer of IOA Re in Plymouth Meeting, Pa.

G. William Davis named senior vp-worldwide facultative at St. Paul Re, the New York-based reinsurance operation of The St. Paul Cos.

HMOs/PPOs

Mark C. Covington named president and CEO of Inter Valley Health Plan, a non-profit health maintenance organization in Pomona, Calif. Mr. Covington succeeds **James Taylor**, who retired.

Dr. Bill Thompson named vp-medical affairs at Beech Street Corp. in Irvine, Calif. Also, **Christy L. Meza** named director of workers compensation account management.

Henry Loubet named senior vp and CEO of health plan operations for United HealthCare Corp.'s California, Washington, Oregon, Nevada, Alaska and Hawaii markets.

Norman P. Becker named president and chief operating officer of Blue Cross & Blue Shield of New Mexico and its HMO New Mexico unit in Albuquerque.

Other suppliers

R. Thomas Ackman named vp and chief information officer of Willis Corroon Administrative Services Corp.'s property/casualty division in Nashville.

Mark W. Dundee joined the Los Angeles office of Buck Consultants Inc. as a principal and tax and legal consultant. Previously, he served as a tax attorney with Towers Perrin.

Stephen Moritz named global director of Anistics, Alexander & Alexander Services Inc.'s risk management information systems and analytical consulting unit in New York.

Jim Wilson named vp-employee benefits consulting practice in the Seattle office of Sedgwick Noble Lowndes.

Hadley Reivich named president of Preferred Administrative Services Inc., a Kansas City, Mo.-based third-party administrator.

Harold J. Ryan was named president of National Insurance Services, a third-party health claims administrator in Tampa. **BI**

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Benefits

Continued from page 1

from 6.7% over a six-year period and subjecting wages deferred under 401(k) plans to Social Security taxes.

Dole and Sen. Daniel Patrick Moynihan, D-N.Y., "broke an impasse back in the early 1980s, and (Dole) was key to reaching a bipartisan solution to Social Security—and it's bipartisan solutions that we need more of in Medicare and other things," said Frank McArdle, a consultant with Hewitt Associates L.L.C. in Washington. "Dole has been good at putting together packages that can win support on both sides."

But Social Security was far from the only fiscal crisis facing Washington in the early 1980s—the deficit was growing rapidly, too, explained Mr. McArdle. President Reagan had campaigned on a program of tax cuts to which Congress agreed in 1981.

A surge in the size of the deficit sent Congress back to seeking new taxes, and "much of that was borne by the whole area of employee benefits," said Howard Weizmann, a managing consultant with Watson Wyatt Worldwide in Washington.

"I think Sen. Dole saw the entire area of employee benefits as an unnecessary drag on the tax system," he said. Mr. Weizmann recalled hearing Mr. Dole speak at a meeting of the Assn. of Private Pension & Welfare Plans in Washington during the 1980s and "saying essentially, 'I know these benefits go to the highly paid,' with the implication that such benefits were little more than tax shelters."

"If you look at what he is presently proposing as tax cuts, it almost looks like a repeat of 1981-82,"

said Edward J. Davey, a principal with Buck Consultants Inc. in Se-caucus, N.J.

The deficits engendered by the tax cuts of the early Reagan administration sent Congress scrambling for new tax sources. That search for new revenues culminated in the passage in 1982 of the Tax Equity and Fiscal Responsibility Act. That law, among other things, snipped away at some of the tax advantages of pension plans and added certain new regulatory requirements for pension plans.

Mr. Davey said Mr. Dole's deficit-reducing instincts and his campaign promise to cut tax rates will cause a certain tension within the candidate. While "certainly they won't talk about tax revenue-raising measures in the campaign," Mr. Davey said, "I don't think there's any question about the past being prologue" as far as a President Dole would be concerned.

"When you're going to cut rates, you're going to look to other areas to raise revenue," with benefits numbering among the chief targets, Mr. Davey added.

"We might have a revisiting of the whole philosophical debate that occurred in the early '80s," which revolved around the concept of horizontal vs. vertical equity, he said. Some in the Reagan administration thought "if you work for an employer, you have an unfair tax arrangement" regarding benefits and supported moves toward individual arrangements, such as individual retirement accounts, rather than group or employer-sponsored, tax-favored plans, Mr. Davey added.

Throughout most of his tenure as Senate Finance Committee chairman, a period that lasted from 1981 until he succeeded Sen. Howard Baker, R-Tenn., as Senate majority leader after President Reagan's 1984

re-election, Sen. Dole looked toward tax-exempt benefits as a source of revenue enhancement.

As Senate Finance Committee Chairman, Sen. Dole introduced legislation to make employer-provided health care benefits part of an employee's taxable income. As part of a deficit-reduction package, the Kansas championed placing fixed limits on the contributions employers could make to reserves held by Voluntary Employee Beneficiary Assns.

VEBAs—also known as 501(c)(9) trusts—allow employers to receive a tax deduction for money they contribute to the trust to fund benefit obligations. The assets in the trust accumulate interest on a tax-free basis.

Sen. Dole also suggested in 1984 that employer contributions for benefit plans that exceed \$260 a month be treated as taxable employee income.

Mr. Dole's running mate, former Rep. Jack Kemp, R-N.Y., also viewed a few—but only a few—employer-provided benefits as potential revenue sources as he sought to institute a flat-tax system.

For example, in 1984, then Rep. Kemp co-sponsored flat-tax legislation that maintained the tax-free status of employer-provided health benefits but subjected workers compensation payments to income taxes. He also backed legislation in 1984 and 1985 that would have subjected employees to taxation for the costs of employer-provided van-pooling and legal benefits.

Watson Wyatt's Mr. Weizmann said that while Rep. Kemp didn't lead any assault on the tax status of benefits, any flat tax proposal "ultimately winds up being antithetical to the way we put together our employee benefits" system, because it limits or eliminates tax preferences.

"I think with Bob Dole, what you saw is what we'll get. I think a leopard can't change his spots as you or I can change a coat. In this sense, I would be surprised if Mr. Dole, if elected, didn't return to his basic instincts, which are that of a budget balancer," said Mr. Weizmann.

He added that despite Mr. Dole's record, the former majority leader never has been doctrinaire and always has been willing to work on compromises.

"I'd say his record is mixed. He was not a Bob Packwood, who was defender of benefits and he was trying to squeeze wherever he could," said Mr. McArdle, referring to former Sen. Robert Packwood, R-Ore., who succeeded Mr. Dole as Finance Committee chairman.

Sen. Dole's approach to more recent health-care reform efforts has fallen more along the business line, pointed out Jack Strayer, director of federal affairs for the Council for Affordable Health Insurance, a small-insurer trade group in Alexandria, Va.

Sen. Dole, Mr. Strayer noted, has been a strong backer of medical savings accounts. In addition, Sen. Dole was an outspoken critic of the Clinton administration's complex health care reform package.

Mr. Dole's views on risk management issues, though lower on his agenda than revenue issues, generally followed positions supported by risk managers.

For example, both Mr. Dole and Mr. Kemp have a history of supporting product liability reform legislation, pointed out Victor Schwartz, counsel to the Arlington, Va.-based, business-backed Product Liability Coordinating Committee.

Mr. Schwartz noted that Mr. Dole has taken his commitment to legal reform beyond the product liability arena, notably in his economic plan

released earlier this month.

The plan calls for, among other things, limiting punitive damages in almost all civil cases to \$250,000 or three times economic damages, eliminating joint and several liability for non-economic damages and encouraging early settlement of civil suits through limits on lawyers' contingency fees.

In addition, Mr. Dole has been "supportive of responsible reform of Superfund," said Tom O'Day, associate vp of the Alliance of American Insurers in Washington.

Paul Brown, director of government affairs for the Risk & Insurance Management Society Inc. in New York, echoed that assessment. He noted that Sen. Dole opposed the proposed Environmental Insurance Resolution Fund, which was supposed to provide some liability relief by imposing special taxes on property/casualty insurers, in 1994. He noted that Mr. Dole continued to support liability reforms during the current Congress as well.

In one area of concern to risk managers, captive insurers, then-Sen. Dole took a position contrary to that of RIMS.

During the search for revenue sources in 1983, Sen. Dole's staff suggested barring employers from taking tax deductions for premiums paid to their captive insurance companies.

While the proposal never was spelled out in much detail, some worry that the issue could resurface amid cries for deficit reduction.

"Whenever you have a battle for revenue, captives are an alluring source" of tax dollars, said Jon Harkavy, who served as RIMS director of government affairs at the time and who is vp and general counsel in the Washington office of USA Risk Group, a captive and risk retention group manager. **BI**

Tobacco

Continued from page 1

Despite asking for \$1.5 million, Mr. Carter was awarded \$500,000 for pain and suffering and his wife \$250,000 for "mental anguish, loss of her husband's services, comfort, society and attentions."

Brown & Williamson said in a statement that the verdict is "subject to appeal, with a very good possibility that the verdict will be reversed." As of late last week, no appeal had been filed.

Mr. Carter, who sued Brown & Williamson in 1995, testified he was motivated to file the lawsuit after watching tobacco executives tell Congress in 1994 they believed nicotine was not addictive. Documents used in his trial were made public as part of those congressional hearings.

The cigarette maker said the Carter trial was "prejudicially tarnished by allowing the jury to receive inadmissible evidence and to hear testimony based on speculation."

A Brown & Williamson spokesman would not identify the "inadmissible evidence" referred to in the statement or say whether the internal documents were that evidence.

Philip Morris Cos. responded with a statement that called the verdict "an aberration." The statement said jurors in previous cases "have traditionally used their common sense in weighing the evidence and deciding not to award money damages to plaintiffs who made the decision to smoke."

Admitting the documents into the case was "completely wrong," said Gregory D. Hopp, a partner in Chicago-based insurance law firm Blatt, Hammesfahr & Eaton, who has observed the litigation.

He pointed out that Brown & Wil-

liamson did not own American Tobacco, the maker of the cigarettes Mr. Carter was smoking, at the time the documents were created.

Nevertheless, it may not be long before it becomes clear how crucial such evidence becomes in litigation against cigarette manufacturers, Mr. Hopp noted. "I wouldn't be surprised if in relatively short order we have a better idea of how juries are going to deal with this kind of evidence."

"The jury was angry at what was exposed in those documents," said Edward L. Sweda, senior attorney with the Tobacco Products Liability Project based at Northeastern University Law School in Boston. The verdict and the availability of the documents "portends very ill for the tobacco industry," he added.

Indeed, plaintiffs attorneys are encouraged by the verdict and predict it will lead to similar decisions and more suits filed against the industry.

"I think it's huge," said Marc Rosen, a plaintiffs attorney with Scanlan & Rosen in Baltimore. "The time is coming when the tobacco industry will be responsible for what it is doing to people."

The verdict is "the first of many that we will see in that direction," agreed Neff, Motley's Mr. Berly.

The verdict will give other plaintiffs and attorneys incentive to take on the tobacco giants, said Ms. Cooley of Coale & Van Susteren.

While it has been difficult for smokers to find attorneys to represent them in the complex and expensive cases, "people looking for attorneys will not have trouble finding them now," she suggested.

The "landmark verdict proves that it is economically viable for any good attorney to take on the tobacco industry virtually anywhere in the United States and to win," agreed Richard Daynard, chairman of the Tobacco Products Liability Project.

The legal strategy of the Carters' attorney, Norwood Wilner, included asking for \$1.5 million in compensatory damages only; no punitive amounts were sought. In addition, trial evidence showed Mr. Carter

'I wouldn't be surprised if in relatively short order we have a better idea of how juries are going to deal with this kind of evidence,' Gregory D. Hopp says.

bore some responsibility for his habit but could not shake his addiction.

Mr. Wilner could not be reached to comment on the case.

Other plaintiffs attorneys say they won't necessarily be able to duplicate Mr. Wilner's strategy because each case is different and laws in various states differ on issues like punitive damages.

"I don't know that the strategy of what he asked for had an impact on the jury," said Ms. Cooley. "I don't think they said, 'This is reasonable; let's give him what he asked for.' He was able to prove the damages."

Mr. Rosen pointed out that attorneys in product cases also have to consider whether a state has adopted the doctrine of comparative or contributory negligence to help determine their chances of success.

In Florida, where comparative negligence is considered the law with very few exceptions, an award can be reduced by the amount the jury determines the plaintiff was responsible for an injury. In some states that have adopted the doctrine of contributory negligence, a claim may be barred if the plaintiff is as much as 1% at fault. States, however, have different varieties of the doctrine.

In the Carter case, Brown & Williamson withdrew comparative fault as a defense because it would have created an inconsistency in the tobacco company's case, according to Robert Spohrer, an attorney with

Spohrer, Wilner, Maxwell, Maciejewski & Stanford.

"It would be inconsistent to argue that their product is not dangerous and on the other hand argue that the victim was negligent for using the product as intended," he explained.

Mr. Rosen said his firm is considering taking on tobacco cases but is waiting to see how current cases unfold. "Our feeling is we're not going to reinvent the wheel," he said. "We feel we are going to wait and see what happens."

While attorneys say Mr. Wilner's strategy might not work in every case, they also agree that using the now-public tobacco company documents is a powerful weapon that will be used to try to influence other juries.

Mr. Berly, whose firm represents several state attorneys general in suits filed against the tobacco industry, said the verdict confirms what his firm believes about the importance of the documents and offers encouragement as the states' litigation proceeds. "The effect of the case will be very helpful to the AGs' cases."

A Texas attorney general's office spokesman agreed, saying the state

will use "the same information that was provided for the jury in Florida. We may have even more evidence than was provided in Florida."

"This obviously energizes all of the attorneys involved in the Castano group," said Suzanne Foulds, New Orleans-based administrator for the Castano Plaintiffs Legal Committee. The committee, formed after the 5th U.S. Circuit Court of Appeals ruled the Castano case was too large to be tried as a single suit (*BI*, May 27), is filing suits nationwide against cigarette makers on behalf of plaintiffs.

"We are obviously pleased with the indication that the tide is changing in the tobacco litigation," Ms. Foulds said, adding that the documents used in the Carter case will play a role in suits the committee is filing.

"In all prior tobacco litigation, any documents were strictly controlled and were under heavy orders," she said. "But that seems to be changing now. It seems that almost weekly there are new documents that show the tobacco industry knew for many years the addictive qualities of nicotine and put money into research to enhance those qualities."

While tobacco litigation in some ways parallels litigation that has surrounded asbestos and breast implants, insurers are not as likely to get dragged into the tobacco fray, according to Mr. Hopp.

"Hopefully, it doesn't mean anything for insurers," he said. "Hopefully, they were smart enough to write health-hazard exclusions" into any coverage written for tobacco companies, he added.

Mr. Hopp pointed out that the jury in the Carter case determined that Brown & Williamson expected its product to cause cancer. "There's no coverage for that" even if health-hazard exclusions aren't included in policies, he said. **BI**

Munich Re

Continued from page 1

ing a possible sale or merger.

Munich Re had been considered among the likely candidates to acquire the reinsurer, but it initially denied it was in a bidding process for the reinsurer (*BI*, Aug. 5).

James R. Fisher, American Re's chief financial officer, said Munich Re "acted decisively and quickly" once American Re said it was considering a sale.

Commenting on the deal, Hans-Juergen Schinzler, Munich Re's chairman, said the company has the "greatest respect" for American Re's qualities and the acquisition "will allow us to offer the best service to our clients and outstanding opportunities for our employees."

Mr. Inderbitzen said: "I'm delighted to have American Re become part of the Munich Re organization. This transaction recognizes the substantial value that American Re already provides to its clients... which will be enhanced by American Re's new affiliation with the world's largest reinsurer. Munich Re's global stature and integrity are well known and I believe the strengths of the two companies will complement each other very well."

"American Re has always been known for client focus and client service," said Mr. Fisher. "I think the merger will expand our global capabilities," he said. "It will increase our risk appetite on both a gross and a net line basis, that will enable us to better serve our clients by being able to take larger portions of risk."

Furthermore, with Munich Re's financial backing, "I believe our conservative retrocession buying habits will change over time. We have a lot of excellent trading partners who are retrocessionaires of ours whom we're not going to abandon," but the degree and magnitude of American Re's retrocession buying will be altered because of its affiliation with Munich Re, he said.

Mr. Fisher could not provide details yet on possible layoffs or office closings. "Right now, our intention is to run the business the way we have been running it," he said. "We've been growing and we intend to continue to grow."

"In one bold stroke, Munich Re has leapfrogged ahead in the U.S.," said MARC's Mr. Lombardo, who said he will play a meaningful but still undefined role in American Re.

Other observers also praised the deal as a good one for both Munich Re and American Re.

"You have two companies that will work really well together and are a great match of skills and geographic territories," said Alice Schroeder, vp at Oppenheimer & Co. in New York. "American Re complements Munich Re beautifully by giving it a strong U.S. presence and Munich Re gives American Re the international heft that it needed and didn't have."

For its part, American Re had not yet achieved a commanding presence in Europe on its own, noted Ronald Frank, an analyst with Smith Barney Shearson in New York.

Munich Re will also have the financial flexibility to support American Re, "which has certainly got to be comforting to a lot of their customers," said Jack Snyder, senior vp at A.M. Best Co.

American Re gives Munich Re 'a strong U.S. presence and Munich Re gives American Re the international heft that it needed and didn't have,' says Alice Schroeder.

Others agree. While Munich Re has done business here, "American Re definitely gives them the foothold that they wanted and probably need to be a global force in the U.S. market," said Craig Elkind, an analyst with Standard & Poor's Corp. in New York.

Beyond that, American Re is one of the top two domestic facultative reinsurers and has a solid core of regional and national treaty relationships, he added. It is active in alternative risk and finite risk business, as well.

American Re offers its clients a wide range of consulting services, including in the audit, claims and actuarial areas, and has an asset management division and a brokerage arm. "They're basically one-stop shopping," he said.

"I think American Re can benefit from Munich Re's presence and client base, but Munich Re, I think, can really get into the 21st century by adopting American Re's management principles, underwriting philosophies and client relationship skills," Mr. Elkind said.

The move transforms Munich Re from an "also-ran" in the U.S. market, said Ted Collins, a senior analyst with Moody's Investors Service Inc. in New York. "If you're the leading global reinsurer, it's important to have a substantial U.S. presence."

Not only does the deal vault Munich Re into the top tier of the U.S. market, it helps the reinsurer internationally, as well, said Michael Morrissey, a principal with Firemark Consultants Inc. in Morristown, N.J.

Acquisitions aside, "American Re is in and of itself the most international of the major American reinsurers," he said. "They will be able to help Munich Re outside the U.S. in a number of markets."

in Oldwick, N.J.

Addressing the acquisition's impact on the market, Firemark's Mr. Morrissey said, "There's no reason to think that being owned by Munich Re is going to make American Re more aggressive on price, but when American Re and another reinsurer have competitive bids on a primary company's business, the fact that American Re is now an affiliate of by far the world's largest reinsurer, with very deep pockets, will win them accounts from time to time."

The sale also moves American Re's ownership to a reinsurer from a leveraged buyout firm.

"I'm not surprised KKR chose to exit at this time," commented John L. Ward, CEO of the Cincinnati-based Ward Financial Group. "I think they're an opportunist from an investor perspective, and with the latest merger activity in the reinsurance industry, it would be logical to look at this period of time as kind of a peak in value for U.S.-based reinsurers."

At least one other reinsurer was interested in buying American Re.

Kaj Ahlmann, chairman, president and CEO of Employers Reinsurance Co. in Overland Park, Kan., said the reinsurer was outbid by Munich Re. "We didn't like the price," he said.

Observers also believe it likely that Swiss Reinsurance Co. was interested, but a spokesman could not be reached for comment.

"Employers Re has plenty of things going on," said Gary Ransom, senior vp at Conning & Co. in Hartford, Conn. "They did the Frankona and Aachen Re deals and I wouldn't say that they're left behind at all." As for Swiss Re, "that'll just mean Swiss Re will have to rebuild itself on its own." **BI**

Updates

Buck payroll manager guilty

Continued from page 2

Over a five-year period, Donna Moreno fraudulently prepared 226 pension checks made out to deceased and former plan participants, according to the U.S. Department of Labor. Ms. Moreno then cashed the checks against the New York-based benefit consultant's petty cash fund, which she also controlled, the department said.

Ms. Moreno is scheduled to be sentenced in November. She faces a term of up to five years in prison, a fine of at least \$250,000 and an order to make complete restitution to the plan, which has about \$83 million in assets and more than 1,250 participants.

Buck officials declined to comment.

HIV/AIDS settlement approved

CHICAGO—A federal judge has granted preliminary approval to a settlement of a class action suit that will pay thousands of hemophiliacs who contracted HIV through tainted blood-clotting products.

Judge John F. Grady approved the settlement between hemophiliacs and four manufacturers, Baxter Healthcare Corp., Bayer Corp., a unit of Bayer A.G., The Armour Pharmaceutical Co. unit of Rhone-Poulenc Rorer Inc. and the Alpha Therapeutic Corp., a unit of the Green Cross Corp. of Japan, which would pay \$100,000 each to hemophiliacs who used the products between 1978 and 1985 and then became infected with HIV, or to the survivors of those who died from AIDS.

The settlement differs from the companies' earlier proposal, which would have capped payments at \$600 million (*BI*, April 22). Although a spokesman for the manufacturers said they anticipate paying \$600 million under the new agreement, based on 6,000 claims, they will pay more if the number of claims is higher; there is no cap on the total amount. The agreement also calls for paying \$40 million for expenses and legal fees.

The four companies will divide the payments based on their market share of the products. Bayer will contribute 45%, Alpha 15%, and Baxter and Armour 20% each.

The settlement still could be scuttled, however. A hearing is scheduled for Nov. 25, at which time each company can withdraw the offer if they think too many claimants have opted out of the settlement to pursue claims independently.

U.K. judge denies R&R review

LONDON—Lloyd's of London has cleared what may be the final legal hurdle in the United Kingdom to its reconstruction and renewal plan.

Lord Justice Brooke on Thursday threw out an application for judicial review of the R&R plan filed by the Paying Names' Action Group, an association of paid-up names who think they are being unfairly treated under the proposals (*BI*, Aug. 5).

In a hearing delayed two days to allow the PNAG time to muster £500,000 (\$774,650) should they lose the case, the group argued that the R&R plan did not treat names as sole traders, instead mutualizing their funds to pay for the Equitas premium, among other things.

Lord Justice Brooke decided he had no jurisdiction in public law over Lloyd's R&R proposals and, even if he had, in his view Lloyd's had acted within its power.

The PNAG also waited too long to bring the action, he said.

PNAG representatives refused to say whether they would appeal the decision. Should they do so, the appeal will be heard this week.

Transatlantic buys Guardian

NEW YORK—Transatlantic Reinsurance Co., a wholly owned subsidiary of Transatlantic Holdings Inc., confirmed it is the company that is acquiring Swiss reinsurer Guardian Ruckversicherungs-Gesellschaft from U.K. insurer Guardian Royal Exchange P.L.C. for about \$105 million.

While the reinsurer's sale was previously announced, GRE had refused to identify the buyer until the U.K. Department of Trade and Industry had approved the deal (*BI*, Aug. 12).

GRE Re was established 20 years ago but has contributed about £12 million (\$18.6 million) in losses since 1994.

Transatlantic Re's president and chief executive officer, Robert F. Orlich, said: "Guardian Re is a strategic fit within Transatlantic's expanding European network. With both a complementary portfolio and territorial mix, the company will work in close harmony with our Paris-based continental European branch, which successfully commenced operations late last year."

Briefly noted

Insurance executive-turned-fugitive **Stephen D. Coker** has pleaded not guilty to defrauding policyholders of roughly \$30 million through a network of companies, some of them operated by the late swindler Alan Teale. Mr. Coker was extradited from Portugal, where he was arrested in May after fleeing his 1994 indictment (*BI*, Oct. 24, 1994)... **New insurance commissioners** Charles N. Blossom of New Hampshire and Alfred W. Gross of Virginia were sworn in Aug. 1. Before taking office, Mr. Blossom was president of Concord General Life Insurance Co. in Concord, N.H. Mr. Gross was Virginia's acting commissioner since May 1, after serving as the department's deputy commissioner for financial regulation... **New York-based Skandia America Reinsurance Corp.** plans to change its name to **Odyssey Reinsurance Corp.** effective Sept. 1, said James F. Dowd, chairman and CEO. The reinsurer was acquired by Fairfax Financing Holdings Ltd. from Skandia Insurance Co. Ltd. in May (*BI*, Feb. 26). Skandia America also named a new president and chief operating officer, Andrew A. Barnard, who was formerly executive vp and chief underwriting officer of Transatlantic Holdings Inc. and Transatlantic Reinsurance Co.

Railroad companies lose cover dispute over hearing-loss claim payments

BALTIMORE—Railroad operator CSX Transportation Inc. cannot aggregate payments it made for employees' noise-induced hearing-loss claims over several decades into a single occurrence under individual policies, Maryland's highest court has ruled.

The coverage dispute began when a group of more than 30 insurers led by the former Continental Insurance Co., now a unit of CNA Financial Corp., sought a court order that they did not have to reimburse Jacksonville, Fla.-based CSX and its predecessors for the more than \$130 million the railroad operators had paid to resolve employees' noise-induced hearing-loss claims filed under

the Federal Employers' Liability Act from the 1950s to the 1980s.

The Aug. 7 ruling by the Court of Appeals of Maryland upholds a lower court decision. The lower court jury found that CSX and its predecessors could not aggregate payments to claimants to satisfy the companies' self-insured retentions. The retentions on the policies at issue ranged from \$100,000 to \$3 million per occurrence, court papers show. The jury determined there was a minimum of 20,235 claims and said CSX failed to prove the claims were "a series of accidents" that could be viewed as part of a larger occurrence.

"This the first hearing-loss case

tried in the country," said Thomas G. Wilkinson, an insurer attorney with Cozen & O'Connor in Philadelphia. The court decision is expected to have important precedential value for other railroads seeking coverage for hearing-loss claims, which have cost railroads more than \$500 million so far, he said.

Following the jury's decision, CSX entered into a confidential settlement with its insurers on certain matters. The outcome of the settlement was not material to the railroad's financial health, a railroad spokesman said. CSX is reviewing the recent court decision, he added.

—By Meg Fletcher

Alpine

Continued from page 2
officials add.

The extent of this reinsurance, though, will depend on the results reported in long-delayed audited 1995 and 1996 financial statements for Alpine.

Audited results for Alpine and its parent company, Transco Syndicate #1 Ltd. of the Illinois Insurance Exchange, have been delayed for a re-evaluation of their loss reserves, which the insurers contend are overstated, said Steven C. Shinn, president of Exstar, which owns Transco.

Exstar itself has not yet filed a 1995 10-K report or 1996 quarterly reports with the U.S. Securities and Exchange Commission. The Alpine and Transco statements should be ready within two weeks, and Exstar's SEC filings will follow, Exstar officials say.

United Capitol will cede business back to Alpine at an "appropriate level" based on its financial condition, though this likely will amount to less than a 50% participation, said Walter A. Rhulen, Frontier's chairman.

Alpine "will only take that part of the business it can support with its current surplus," Mr. O'Shaughnessy said.

Illinois-domiciled Alpine is already operating under restrictions agreed to with the Illinois Insurance Department. Under the agreement, Alpine must get written approval from the department before making any cash dispersal other than routine claims payments; entering into any transaction that creates a liability for Alpine, like a lease or investment deal; and entering into any transaction with an affiliate, department officials say.

Jack Messmore, deputy insurance department director, said the Illinois department has been informed of the United Capitol deal and that department approval will be required.

Meanwhile, Mr. O'Shaughnessy said the company intends for Alpine to assume the business of its parent, Transco, which ceased underwriting on the IIE earlier this year.

Transco was the IIE's fourth-largest syndicate in 1995, with gross written premium volume of \$22.6 million.

Alpine wrote gross direct premiums of \$52.5 million last year, including \$34 million written in California on a surplus lines basis.

Alpine hasn't had an easy time in Califor-

nia: The insurer applied in March 1995 to be on the state's list of eligible surplus lines insurers and was denied last December. Alpine challenged the denial and in a settlement with regulators agreed to apply instead to be licensed as an admitted insurer.

The California department denied the license application June 24, finding that Alpine was insolvent.

Among other things, the department disallowed:

- \$13.5 million in reinsurance recoverable at year-end 1995 from Transco, a non-admitted reinsurer from which Alpine had not obtained required letters of credit or other collateral.

- \$15.2 million in reinsurance recoverable from Signet Star Reinsurance Corp. under a contract that regulators said violated state insurance law and accounting guidelines. For one thing, regulators said the contract included an unacceptable provision that allowed 15-day cancellation if a proposed loan agreement between Signet Star and Exstar was not completed by last Dec. 31.

- \$1.9 million in Alpine assets pledged to secure reinsurance assumed from an unaffiliated ceding insurer.

The net effect of the department's review was a conclusion that Alpine, instead of having the \$17.5 million in surplus it reported at year end, was actually insolvent by \$11.4 million at Dec. 31 and by \$7 million at March 31.

California regulators also objected to a number of Alpine investments with other Exstar affiliates, including:

- \$4.2 million in receivables from TCO, Exstar and Transco at year-end 1995, an amount that increased to \$5.5 million by March 31.

- Investments of \$671,000 in bonds issued by affiliates Alpine Premium Finance Co. Inc. and Transco Premium Finance Co. Inc.

- \$993,343 in "problematic" loans to affiliates, including a real estate development affiliate of Exstar and a loan to Transco.

The Insurance Department also concluded that Alpine's loss reserves may be understated by about \$6.2 million as of the end of last year.

Exstar's Mr. Shinn disputed these conclusions.

Alpine's reinsurance with Transco, though not collateralized, is "secure," and the department's conclusions about the Signet Star recoverables are incorrect, he said.

He also defended the value of the affiliated premium finance company bonds and

the other investments.

For example, California real estate backing the loan to the Exstar affiliate is being liquidated, and a loan loss reserve will more than cover any loss on the sale, Mr. Shinn said.

Mr. Shinn also disputed the contention that Alpine is underreserved, saying instead that the insurer is in fact overreserved.

Alpine changed actuarial consultants from Milliman & Robertson to William M. Mercer Cos. Inc. after an independent review found Alpine to be overreserved, according to Mr. Shinn.

Mercer has been re-evaluating the Alpine and Transco reserves "from scratch," and this has delayed the completion of audited statements for the insurers and SEC filings by Exstar, he said.

"It's a question of how much we are overreserved, not whether we are underreserved," he said.

Officials of Milliman & Robertson and Mercer could not be reached.

Meanwhile, the affiliate transactions questioned by California regulators are not the only such deals involving Exstar and its subsidiaries, SEC filings show.

Last year, Exstar, Transco and TCO bought several pieces of property from Mr. O'Shaughnessy for total consideration of \$3.5 million. The deals will allow him to keep a large part of the profit if the companies sell the properties later, Exstar's third-quarter 10-Q filing shows.

In the largest of these deals, Exstar acquired Mr. O'Shaughnessy's 12,000-square-foot Santa Ynez, Calif., house, which is on eight acres and includes a pool, tennis court, stables, volleyball court and go-cart track, according to a real estate listing.

In the \$2.1 million purchase, Exstar assumed \$1.8 million in mortgages and paid off \$355,591 that Mr. O'Shaughnessy had borrowed from TCO.

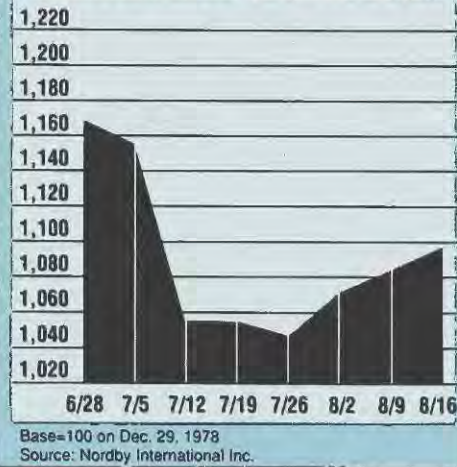
If Exstar later sells the property, Mr. O'Shaughnessy will be entitled to all profits made on a sale price up to \$2.8 million, and will split profits 50/50 with Exstar on any gains above the \$2.8 million threshold.

The house is now on the market for \$3.3 million.

Mr. O'Shaughnessy and Mr. Shinn said the deals represent a concession granted by Exstar and its affiliates in return for a "substantial" pay cut to be taken by Mr. O'Shaughnessy. Neither would comment on the extent of the cut.

Mr. O'Shaughnessy received a \$1 million salary in 1994, Exstar's proxy shows. **BI**

BI Insurance Index



PCS catastrophe options

As of Aug. 16			
Call spread	Price bid/ask	Call spread	Price bid/ask
Eastern September 1996			
40/60	1.8/3.2	California Annual	
50/70	1/2	40/60	.6/1.3
80/100	.6/1.2	80/100	.4/1.1
Southeast Sept. 1996			
40/60	1.6/3.0	Western Annual	
80/100	.5/2.2	40/60	.8/1.5
Texas June 1996			
40/60	.7/1.4	Northeast Sept. 1996	
80/100	.3/1	40/60	.5/1.2
		80/100	—
Total volume: 104 Total open interest: 3,635			
For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.			
Source: Chicago Board of Trade			

British Issues

Aug. 15	Price	P/E	Div.	Yield	1 week
Companies	pence	pence	%	high—low	
Comm Union	618	11.9	35.3	5.7	624—615
Genl Accident	679	10.2	38.8	5.7	684—664
Gdn Royal Exch	246	9.1	11.3	4.6	246—244
Independent	520	9.7	14.1	2.7	520—490
Royal & Sun	390	9.3	21.6	5.5	390—386
Brokers					
Bradstock	71	11.8	7.1	10.0	71—71
Fenchurch	95	6.4	10.6	11.2	95—95
CE Heath	92	10.8	6.3	6.8	92—92
JIB Group	104	10.3	9.4	9.0	104—104
Lloyd Thmpson	183	11.2	11.3	6.2	184—183
Lowndes Lmbrt	130	8.5	10.5	8.1	130—130
Nelson Hurst	185	11.3	9.8	5.3	185—185
Sedgwick Grp	126	9.8	8.1	6.4	130—125
Steel Bri Jones	39	5.1	5.6	14.3	39—39
Willis Corroon	139	12.5	8.3	6.0	140—139
Source: Phillip Olsen, London					

BI Industry Stock Report AUG. 12, 1996, THROUGH AUG. 16, 1996

BROKERS						INSURERS/REINSURERS						HEALTH MAINTENANCE ORGANIZATIONS											
Company	Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)	Company	Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)	Company	Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)			
Accordia Inc.	NYS	31	0.40	4.20	33.75	23.50	10	EMC Insurance Group Inc.	NDO	11.75	2.17	-14.55	15.25	10.13	5	RLI Corp.	NYS	24	1.05	-4.00	25.88	21.75	18
Alexander & Alexander	NYS	16.25	-2.99	-14.47	25.50	16.00	447	Everest Reinsurance	NYS	26	5.58	11.23	26.50	18.50	886	St. Paul Companies	NYS	52.375	0.72	-5.84	60.50	48.88	766
E.W. Blanch Holdings Inc.	NYS	19.5	3.65	-16.58	25.50	17.25	107	Executive Risk Inc.	NYS	34.75	-2.46	19.83	38.25	20.25	114	SAFECO Corp.	NDO	33.8125	1.69	-1.99	39.75	29.13	1921
Gallagher Arthur J. & Co.	NYS	32.125	-0.39	-13.76	39.50	30.00	59	EXEL Ltd.	NYS	34.875	0.72	14.58	36.88	26.50	489	Seibels Bruce Group	NDO	2.125	0.00	41.67	4.25	0.44	169
Hilb, Rogal & Hamilton	NYS	13.25	0.95	-0.93	14.38	11.38	74	Frontier General Corp.	NYS	26.5	-0.93	8.16	27.00	17.75	271	Selective Ins. Group	NDO	32.625	-0.38	-8.10	38.75	31.00	44
Kays Group Inc.	NDO	5.375	7.50	-32.8	8.75	4.63	346	Frontier Insurance Group	NYS	38.25	4.08	19.53	38.38	27.50	71	Sphere Drake Holdings	NYS	8.25	0.00	-41.07	19.13	8.13	22
Marsh & McLennan	NDO	93.375	1.36	5.2	101.63	77.75	381	Gainsco Inc.	NYS	10.375	1.22	-8.79	12.38	8.31	72	TIG Holdings	NYS	29	2.20	1.75	34.25	24.13	386
Poe & Brown	NDO	24.5	0.51	-1.51	25.50	22.75	7	GCE Holding Ltd.	NDO	23.25	1.64	NA	27.25	19.75	103	Titan Holdings, Inc.	NYS	15	-0.83	4.35	16.63	12.50	36
BROKERS AVERAGE						1.1	-8.8	General PE Corp.	NYS	151.375	1.25	-2.34	159.25	138.13	664	Tokio Marine & Fire	NDO	57.25	-0.43	-13.26	69.25	50.88	13
INSURERS/REINSURERS								Gryphon Holdings	NDO	12.75	6.25	-33.77	20.25	12.00	167	Torchmark Corp.	NYS	43.5	-0.29	-3.87	49.88	38.50	334
ACE Ltd.	NYS	47	1.35	18.24	50.38	29.63	766	Guaranty National Corp.	NYS	14.5	1.75	-5.69	18.13	13.38	75	Transatlantic Holdings	NYS	72.375	1.58	-1.36	75.25	62.38	47
Acceptance Insurance Cos.	NYS	17.375	-1.42	16.81	18.63	13.13	17	Harleysville Group	NDO	26	4.52	-19.69	33.00	24.50	181	Transnational Re Corp.	NDO	24	5.49	-2.04	27.25	20.88	93
AEGON N.V.	NYS	47.825	-2.06	8.24	50.38	33.25	34	Hartford Steam Boiler	NYS	45.75	3.98	-8.50	52.50	43.25	126	Travelers Aetna Property	NYS	27.25	0.93	NA	28.50	23.13	640
Aetna Life & Casualty	NYS	68.375	6.01	-1.26	78.75	55.38	3765	HCC Insurance Holdings	NYS	27.625	-7.92	49.32	31.25	11.75	174	Travelers Corp.	NYS	45.625	0.55	9.28	47.25	30.88	2914
AFLAC Inc.	NYS	34.75	1.83	19.83	36.50	24.38	1822	IPC Holdings Ltd.	NDO	19.625	0.00	NA	22.25	19.00	179	Trenwick Group Inc.	NDO	52.875	4.70	-6.00	57.50	46.00	208
Allied Group Inc.	NDO	38.25	-2.55	6.25	44.25	28.75	124	ITT Hartford Group	NYS	53.625	-0.46	10.85	55.00	44.50	619	Unico American Corp.	NDO	7.5	3.45	20.00	7.75	5.50	11
Allmerica Prop. & Casualty	NYS	28	7.18	3.70	28.00	21.88	91	LaSalle Re Ltd.	NDO	22.875	-0.54	NA	23.63	19.50	30	Unionamerica Holdings	NYS	17.75	0.71	NA	18.13	14.75	12
Allstate Corp.	NYS	45.75	-0.81	11.25	47.00	30.25	2241	Lincoln National	NYS	44.75	1.13	-16.74	57.00	39.88	588	United Fire & Casualty	NDO	34	-2.86	21.43	40.00	20.38	3
AMBAC Indemnity Corp.	NYS	54.25	6.37	15.73	55.25	40.75	415	Markel Corp.	NDO	86	-1.71	13.91	94.50	64.00	19	Unilirin	NDO	48.75	0.52	1.56	51.75	44.25	190
American Bankers Ins.	NDO	44.125	-0.34	13.14	45.50	32.50	507	MBA Insurance Group	NYS	80.625	2.71	7.50	81.25	65.38	326	UNUM Corp.	NYS	63.125	-0.20	14.77	63.88	45.38	461
American Financial Group	NYS	30.375	0.00	-0.82	34.50	25.88	179	Meadowbrook Insur. Group	NYS	29.375	2.17	-12.31	34.13	24.00	48	US Facilities Corp.	NDO	16.75	0.00	-21.64	23.38	14.88	213
American General	NYS	36.25	-0.68	3.94	39.13	31.00	1000	Mid Ocean Ltd.	NYS	41.875	1.82	12.79	43.00	31.13	205	USF&G Corp.	NYS	16.125	-0.77	-4.44	19.50	14.25	532
American Heritage Life Ins.	NYS	19.25	0.65	-15.85	24.25	18.88	111	MIMI Cos. Inc.	NYS	33	0.38	37.50	33.38	20.00	77	USLIFE Corp.	NYS	30.5	-0.81	2.09	33.25	26.88	260
American Indemnity/Fin'l	NDO	10.25	-2.38	2.50	13.38	9.13	2	Mutual Risk Mgmt. Ltd.	NYS	31.25	12.61	-8.93	34.88	26.63	265	Washington National	NYS	29.125	0.87	5.43	30.50	21.88	176
American International	NYS	100.125	0.63	8.24	103.38	72.75	2259	NAC Re Corp.	NYS	36.875	6.88	2.43	39.00	28.50	1068	Zenith National Ins.	NYS	28.125	-1.32	31.58	28.88	20.00	30
American Re Corp.	NYS	63	9.33	54.13	63.00	35.00	5331	National Re Corp.	NYS	52.25	0.72	37.50	52.25	30.00	337	Zurich Reinsurance Centr.	NYS	29.5	3.06	-2.88	32.63	28.13	85
Aon Corp.	NYS	48.375	-0.26	-3.01	56.00	37.13	437	Navigators Group	NDO	19.125	2.00	8.51	20.25	13.50	28	INSURERS/REINSURERS AVERAGE				1.4	3.2		

Ever get the feeling that it's not going to be a good day?

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