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Updates

Pact would let Manville Trust resume paying asbestos claims

NEW YORK—A $2.2 billion class-action settlement awaiting court approval would end the four-year moratorium on claims payments by the Manville Personal Injury Trust.

The agreement covers four classes of plaintiffs and would compensate victims based on levels of impairment, with payments ranging from $12,000 to $200,000. Claimants who accept first offers from the cash-strapped trust will receive 10% of their entitled compensation, with the re-

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Employer wins jury verdict in comp dispute

By SALLY ROBERTS

ALBUQUERQUE, N.M.—In what appears to be a confusing and unwieldy verdict, a state court jury has awarded Allsup's Convenience Stores Inc. almost $20 million—including $12.5 million in punitive damages—in a suit over workers comp claims handling.

The defendants are: Crum & Forster Commercial Insurance, now known as Talegen Holdings Inc., and affiliates North River Insurance Co. and United States Fire Insurance Co.; broker Alexander & Alexander Services Inc.; and A&A's claims administration subsidiary Alexsis Inc.

On July 22, the jury found the defendants liable for, among other things, breach of contract; bad faith; and "unfair, deceptive and unconscionable" trade practices.

Second Judicial Court Judge Susan Conway is expected to review the verdict formally and enter a decision later this month. She could ultimately award the Clovis, N.M.-based convenience store chain more than $20 million in damages, including attorneys fees.

In general, the jury found the three provided poor advice and assistance in risk financing, claims administration, and loss control

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House gets reform bill

Vote may come next week; Senate still mired in debate

By JERRY GEISEL

WASHINGTON—The House of Representatives is poised to consider and vote on health care reform legislation unveiled Friday, while the Senate faces a partisan battle over reform efforts.

The House legislative package, based largely on a bill earlier approved by the Ways and Means Committee, includes a slew of provisions that would raise employers' health care costs. It would require employers to offer high-cost traditional indemnity plans, impose new premium taxes on insured and self-insured plans, virtually wipe out flexible benefit plans and require employers to maintain for a limited period of time benefits that exceed the minimum benefit package spelled out in the legislation.

The measure also would establish limited integration of group health plans and workers compensation benefits.

Meanwhile, Senate Majority Leader George Mitchell, D-Maine, last week was continuing efforts to create a reform proposal that would have a chance of approval, which could be unveiled sometime this week.

In unveiling the House measure, Majority Leader Richard Gephardt, D-Mo., emphasized the differences between the bill and the Clinton administration's health reform proposal. "This is a brand new bill. This bill contains no big bureaucratic alliances or endless red tape. And this bill relies on the private sector, not the government," he said, referring to the administration's proposed sys-

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AP/Wide World photo

As Congress crafted health care reform legislation last week, Hillary Clinton attended a sendoff of a caravan of reform supporters in Portland, Ore.

Insurance group taken over after proxy battle

By DOUGLAS McLEOD

TUCSON, Ariz.—Months after firing its president and seeing its stock price plummet, Pace American Group Inc., parent of one of the nation's largest surety underwriters, is being taken over by dissident shareholders following a bitter proxy war.

The dissident group is backed by Don H. Pace, former president of Pace American, whose dismissal earlier this year triggered a steep decline in the company's stock and helped inaugurate the proxy fight.

Mr. Pace and another Pace American officer were fired after being accused by company officials of taking commission and fee kickbacks from agents of American Bonding Co., Pace American's surety unit.

A preliminary investigation by Pace American also questioned Mr. Pace's business dealings with an Ohio insurance executive who has reportedly been investigated for alleged links to organized crime.

Mr. Pace vehemently denies the allegations, some of which the company is pursuing in a cross-claim against him in shareholder litigation now pending in federal court in Tucson.

A member of the dissident group said earlier this year that the group might hire Mr. Pace back as a Pace American consultant if it succeeds in taking over the company. However, that member now says Mr. Pace will not do any work for Pace American.

Meanwhile, insurance regulators in Arizona and California are sorting through the aftermath of the proxy fight.

Both insurance departments warned the shareholder group in June that it had failed to obtain prior regulatory approval of its attempt to take over Pace American.

Since then, however, regulators have consented to the dissident group taking control and applying for the required regulatory approvals after the fact, insurance department officials confirm.

"It's not (a situation) I'm familiar with ever having happened" before, an Arizona department spokeswoman said. "We're trying to feel our way through this very carefully, because it's an unusual situation."

Pace American, formerly known

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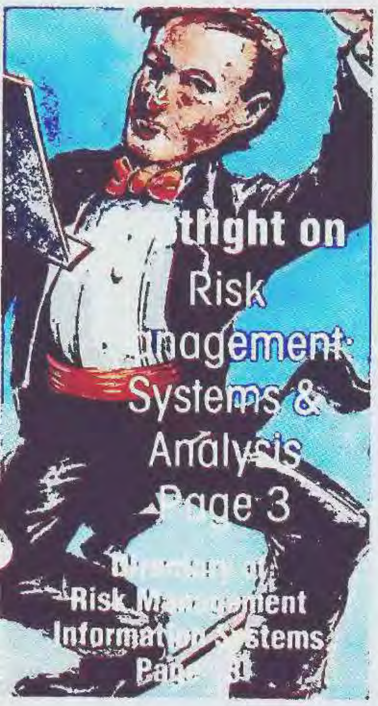

Genetic testing ordered in product liability case

By MEG FLETCHER

SAN JOSE, Calif.—A Santa Clara County judge's decision to require a mentally retarded teenager to undergo genetic testing for evidence in a product liability lawsuit could have broader implications for employers and insurers.

The request by a chemical supplier accused of causing the teenager's condition marks one of the first times that DNA testing has been ordered in a workplace safety lawsuit.

More requests are expected in the future as progress is made in analyzing the structure of human DNA and in analyzing and locating human genes. However, geneticists are expected to continue to debate the conclusiveness of such tests.

The California lawsuit also comes at a time when insurance regulators and legislatures nationwide are increasing their scrutiny of genetic testing and sometimes restricting its use as a tool for screening life or health insurance applicants.

In the California lawsuit filed in 1990, LeAnn Severson alleges that her son Darryl's birth defects arose from his prenatal exposure to numerous chemicals she worked with during 1980 while sorting electrical components, called "wafers," on the assembly line for what is now NEC Electronics Co., in

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Progress in analyzing human genetics may increasingly be used to defend product liability suits.

Photo by Larry Keenan Jr./Image Bank

Updates

Manville resolution advances

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mainder paid in the years to come if the trust has sufficient funds.

The agreement between the trust and 230,000 individual and corporate plaintiffs must be approved by U.S. District Judge Jack Weinstein of Brooklyn and U.S. Bankruptcy Judge Burton Lifland. A fairness hearing is set for Nov. 1.

Under the agreement, if a claimant and the trust cannot agree on the appropriate compensation, the dispute must be referred to alternative dispute resolution before litigation.

The covered classes are: plaintiffs with active claims against the trust; future claimants; former distributors of Manville asbestos products; and other former asbestos makers with claims against the trust.

The trust was established in 1988 with about $2.5 billion as part of the bankruptcy reorganization of Johns-Manville Corp. Less than two years later, the trust stopped paying claims when money ran short. An earlier settlement proposal was thrown out (*BI*, May 17, 1993).

U.K. reinsurers restricted

LONDON—A House of Lords ruling will make it more difficult for reinsurers to void contracts on the grounds that misleading information was supplied by ceding companies or intermediaries.

The law lords determined last week that reinsurers must prove any misleading information "influenced their minds" when writing the reinsurance contract. If the inaccurate information had no bearing on their decision, the underwriter cannot void the contract.

The ruling in the seven-year case centered on a series of excess-of-loss reinsurance contracts placed with Pine Top Insurance Co. covering Pan Atlantic's casualty account between 1980 and 1982.

Pine Top argued that Pan Atlantic's broker, Butcher, Robinson & Staples of London, failed to present material facts when it persuaded the reinsurer to renew the contracts in 1982. Figures given to Pine Top showed Pan Atlantic's outstanding losses were $235,768, when the total of paid and outstanding losses was actually $468,168, which the underwriter was not given.

Although the law lords decided that Pine Top could void the contract, the ruling could make it harder for other reinsurers to do so in the future, said Ian Robinson, a lawyer with Alsop Wilkinson in London who represented Pine Top. Prior to the law lords' decision, a reinsurer was only required to show that misleading information would influence a "prudent" underwriter. Now they must show the information influenced the actual underwriter involved, he explained.

Pine Top is an Illinois-domiciled insurer that entered liquidation in January 1987.

Pool Re may pay bomb losses

LONDON—Losses from two bombings last week likely will be covered by Pool Re, the U.K. reinsurer of terrorist risks.

Government-backed Pool Re will pay only if the government is satisfied that the bombings were terrorist attacks and only for losses exceeding 100,000 pounds ($153,250).

Under Pool Re rules, a terrorist attack must be "an act by a person or organization with the aim of overthrowing a government by force or violence." The perpetrators had not been identified late last week. Pool Re's coverage kicks in above 100,000 pounds in losses for each of four types of claims: buildings, contents, business interruption and expenses incurred as a result of stalled operations.

A spokesman for Guardian Assurance P.L.C., the lead property and business interruption insurer for the Israeli embassy in West London, the target of the first attack, late last week had no damage estimates.

Losses from the second attack, directed at Jewish and Israeli charitable organizations in north London, were not determined last week.

Class-action Norplant suit filed

DALLAS—A Texas filing last week is the third effort to bring a class action against American Home Products Corp. relating to complications with the removal of its Norplant contraceptive implants.

Nearly 1 million U.S. women have used Norplant, which works for up to five years via six hormone capsules placed in the upper arm.

Thousands of women have had to undergo painful and lengthy procedures to remove the device and some have suffered permanent nerve damage, disfigurement and scarring, the suits charge.

AHP's Wyeth-Ayerst Laboratories division, which makes Norplant, says that in almost all cases the capsules can be removed in a 15-minute office procedure under local anesthetic.

The suit filed in district court here seeks class certification only for women who had Norplant inserted in Texas, said attorney Steven Stodghill of Lynn, Stodghill & Melsheimer. Under state deceptive trade practice laws, those women could be entitled to triple damages.

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Errors & omissions

• Johnson & Higgins opened an office in Greenville, S.C., last year. The location was incorrectly reported in the July 18 issue.

• Norex Ltd. was incorrectly listed as a subsidiary of Kalvin-Miller International Inc. in the July 18 issue. Norex was acquired by Lowndes Lambert Group Holdings P.L.C. in 1993.

• In the July 18 profile of JIB Group P.L.C., the principal officers of JIB Inc. were incorrectly reported. The top officers are: David J. Batchelor, president and CEO; E. Paul Hansen, chief financial officer; and W. Michael Carroll, Sam Elliott and Jeffrey G. McKinley, executive vps.

• Dean Hansell is an attorney with LeBeouf, Lamb, Greene & MacRae in Los Angeles. His name and firm were incorrectly reported in a July 18 article.

Disagreement over EIRF may stall Superfund action

By MARK A. HOFMANN

WASHINGTON—Lawmakers and insurance companies alike are sending mixed signals on Superfund reauthorization efforts.

Although the president's reauthorization bill swiftly cleared the House Public Works Committee last week, the House Ways and Means leadership made clear it is in no rush to approve the legislation.

And, Ways and Means legislators heard executives of two insurance companies belonging to the American Insurance Assn. take virtually opposite positions on how taxes should be levied on insurers to pay for the proposed Environmental Insurance Resolution Fund.

Less than an hour later, the panel heard a representative of the National Assn. of Independent Insurers, which is opposed to the EIRF as a concept, offer its own proposal for taxing insurers to support the fund.

The NAII unveils its own reform plan for financing Superfund. Page 36.

"It seems incredible to me that the insurance industry can't agree to a solution," said a frustrated Rep. Amo Houghton, R-N.Y., after sitting through nearly four hours of conflicting testimony from insurers, the Treasury Department and the Environmental Protection Agency.

The EIRF is at the heart of the disagreement. Under the adminis-

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Discrimination alleged

EEOC probing denial of coverage for cancer treatments

By CHRISTINE WOOLSEY

ST. LOUIS—The Equal Employment Opportunity Commission in St. Louis is trying to determine whether Blue Cross & Blue Shield of Missouri in effect committed employment discrimination by denying coverage for a controversial treatment of multiple myeloma and metastatic breast cancer.

The federal employment agency has issued a subpoena requiring the Blues plan to turn over all claims documents relating to its coverage policy on high-dose chemotherapy with autologous bone marrow transplant.

The EEOC issued the subpoena in response to complaints filed by three BC/BS of Missouri policyholders who claim the plan's refusal to pay for their treatments violates Title VII of the 1964 Civil Rights Act, as well as the Americans with Disabilities Act.

Attorneys say plaintiffs in coverage denial disputes are increasingly turning to those two laws as a means to get coverage for treatments that have traditionally been classified as experimental or unproven. The dearth of case law in the area, however, makes it difficult to determine whether the plaintiffs' allegations of employment discrimination will prevail.

Two of the individuals argue that the BC/BS plan's denial of coverage of HDCT/ABMT treat-

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Insurers decline invite to help retire Garamendi debt

Hey, can ya spare $5,000?

By JUDY GREENWALD

LOS ANGELES—California Insurance Commissioner John Garamendi has been trying—without apparent success—to get the insurance industry to kick in for a $5,000-a-plate fund-raiser in Washington this week to pay his gubernatorial campaign debt.

The personal phone calls from Mr. Garamendi to various insurance groups have raised eyebrows in light of his often contentious relationship with the industry, as well as statements he has made in the past forswearing any industry contributions.

Mr. Garamendi's solicitations are technically not illegal, but some observers contend they raise ethical questions.

Although Mr. Garamendi is not running for re-election as insurance commissioner, his current term is not set to expire until the end of the year.

Mr. Garamendi, who headed President Clinton's California campaign, said he expects to get an administration job in Washington involving health, according to Michael Pinkerton, director of government affairs for the California Assn. of Life Underwriters, one of the organizations Mr. Garamendi has called for campaign contributions.

Meanwhile, none of the organizations solicited by Mr. Garamendi that have been contacted by *Business Insurance* said they plan to attend Thursday's fund-raiser. The banquet, which has

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401(k) directory deadline near

Business Insurance will publish its sixth annual directory of 401(k) plan administrators in the Sept. 5 issue.

Companies that provide enrollment services, daily maintenance of participants' accounts, account manipulation and similar services are eligible to be listed. A company must offer 401(k) plan services directly to employers on an unbundled basis, but companies do not necessarily have to also be responsible for investment management to be included.

There is no charge to be listed; however, to be included, 401(k) plan administrators must complete questionnaire provided by *Business Insurance*. To receive a questionnaire, please contact Editorial Assistant Ovie Dent at 312-649-5398.

The extended deadline for returning questionnaires is Aug. 8.

Inside

• Until Lloyd's "ring fences" past liabilities, Judge Stephen Breyer and other names will be left hanging, this week's editorial says. **PAGE 8**

• More small and midsize businesses are switching health insurers in an attempt to control their medical costs, a new survey shows. **PAGE 30**

• Some employers' long-term disability costs would increase under legislation that would cut off Social Security disability benefits to substance abusers. **PAGE 33**

• Nearly one of every six violent crimes is committed in the workplace, a study by the Bureau of Justice Statistics finds. **PAGE 35**

• The National Assn. of Insurance Commissioners expects to open more of its meetings to the public, in the wake of criticism of closed-door sessions at NAIC gatherings. **PAGE 38**

Departments

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Risk Management: Systems & Analysis

Orchestrating effective programs allows risk execs to toot their horns

Risk managers surprised at own ability to do more with less

By SARA MARLEY

If risk management were a concert hall, the risk manager would be a conductor—not a soloist—supervising staff, brokers, consultants and operating units to produce a symphony of protection for the organization.

Risk managers turn to an ever-growing ensemble of risk financing instruments—insurance, self-insurance, captives, deductibles, paid-loss retros and derivatives—to produce the music top management is yearning to hear: predictable, stable and manageable costs.

Many risk managers also help purchase and maintain the instruments, to audition the musicians and may even sweep out the hall after performances.

And they often have to perform those additional tasks—some directly related to risk management and some not—with a smaller staff.

When American Express Co. re-engineered its operations in 1991, the risk management staff was reduced from seven professionals to three, but those positions are more senior than they were before, said Mike Rubenstein, vp-risk financing of the New York-based financial services company.

Some day-to-day risk management functions were outsourced to a broker or eliminated altogether. For example, the company no longer internally tracks certificates of insurance.

"We restructured and streamlined so the staff is more substantive and can focus more on dealing with issues and less on low-level administrative analysis," Mr. Rubenstein said.

"We need to be as competitive as if they went to the market to buy risk management for the operating units," Mr. Rubenstein said.

Re-engineering, even when it leads to layoffs and outsourcing, can be an opportunity for risk managers to prove their worth to senior management.

"Re-engineering means change, and that needs to be quantified and measured," said Wolfgang Friedel, senior vp of marketing, sales and international operations at Arkwright Mutual Insurance Co. in Waltham, Mass.

"Because companies are re-engineering, more high-level risk management is needed," he said.

"The (risk management) function is marginally smaller, but there is more responsibility," said Jerry A. Miccolis, vp and practice leader for Towers Perrin/Tillinghast in St. Louis. "It's been pushed up, down and sideways in the organization."

Outsourcing "frees up your time" to address a broader scope of critical issues, said John F. Roskopf, senior vp and risk management consultant at Rollins Hudig Hall Inc. "You can let somebody else do the dirty work and concentrate on what's important." For example, risk managers might want to evaluate machinery before it is purchased to see if it meets the company's safety standards or to participate in training.

To make that type of high-level strategic decision, risk managers must be high ranking themselves.

"Risk managers tend to rank among the senior financial executives in an organization, but not as senior as they should be," said Dean R. O'Hare, chairman and CEO of Chubb Corp. in Warren, N.J. "I think history has not attached the importance to the kind of problems they are dealing with. History has a tendency to think of risk management in (terms of the) mundane, cookie-cutter types of coverages that were prevalent in the industry 20 years ago. But today that's not the case.

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Outsourcing regarded as a necessary evil by some risk managers

But not all tasks can be farmed out

By MICHAEL SCHACHNER

Risk managers overstretched from picking up the slack after staff reductions are finding it necessary to explore outsourcing to keep up with a heavier workload.

Outsourcing, whereby consultants and brokers are hired to perform functions that had been handled by the risk management staff, has become a necessary evil amid staff reductions to cut costs.

But, while outsourcing might be acceptable and cost-effective for certain tasks, like claims management and safety engineering, treasurers and chief financial officers who believe all risk management responsibilities can be competently handled by outside service providers for less money are mistaken, according to risk managers and consultants.

"Just like a carpenter might see another nail as the answer to every problem, brokers tend to believe buying insurance is the answer to everything," said John F. Riley, director of corporate risk management at The Dun & Bradstreet Corp. in New York.

"But this job entails so much more than that. Loss exposure analysis, catastrophe planning, deciding whether or not to self-insure are all our responsibilities as risk managers, and I just don't see how an outside broker can handle all of that," Mr. Riley said.

"Outsourcing risk management is a short-term, ineffective solution" to today's corporate budget woes, added Stephen Scammell, a senior consultant with Towers Perrin/Tillinghast in Saddle Brook, N.J.

"Once the risk assessment function is assumed from the outside, who really understands the company? What emerges is pure insurance buying, with the hope that it covers the risk," he said.

Risk managers throughout

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Glimpse of near future bodes well for RMIS

Risk managers hope for high-tech system enhancements

By SAMEERA KHAN

Every risk manager dreams of a risk management information system that is easy to use, creates a paperless work environment, offers links to internal departments as well as brokers and third-party administrators and provides access to all the information the job requires.

These dreams are about to come true.

By the year 2000 or even sooner, highly sophisticated risk management information systems will be available to U.S. risk managers, featuring almost every function they ever wanted. In fact, RMIS vendors say, keeping up with the new technology will put many a risk manager out of breath. Risk managers will have to upgrade their own skills to take advantage of the latest systems.

Meanwhile, software companies across the country today are conceiving, designing and producing state-of-the-art systems of the future. Each company is trying to outdo the other in creating the ultimate risk management information system.

Most U.S. risk managers say their present systems are useful, but they have a ready list of what more they'd like those systems to do.

"Interactive systems are the key. By the year 2000, I would like to see my RMIS interact with other disciplines, systems and other departments of the company like accounting and human resources. The stand-alone system of today is a hindrance," said Kenneth Gerrity, risk manager at Genstar Stone Products Co. in Hunt Valley, Md.

Risk management information systems today are so varied that changing insurers, brokers or RMIS vendors often causes problems for user companies. "In the future, one would like to see a universal network system that the entire industry uses so that if one chooses to change carriers or brokers, the change is not traumatic," Mr. Gerrity said.

For Paula Rawleigh, manager-risk insurance at Freeport, Ill.-based consumer products maker Newell Co., the frustrating part of the present-day RMIS is separation of the real-time system from the analysis system. "It's like having to walk into the same room using two separate doors," she ex-

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Managing

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Today you're dealing with potential risks and losses that are just mind-boggling."

Most risk managers report to the financial officers of the organization, such as the treasurer, chief financial officer or general auditor. Some report to the legal department through the general counsel, particularly in claims-oriented industries like trucking.

"Risk management is such an important function, it belongs directly reporting to the CFO, COO or CEO," said Dennis H. Chookaszian, chairman and CEO of CNA Insurance Cos. in Chicago. "I don't think it should be a buried administrative function. Risk management does not hold a lot of glamour in corporate life, unfortunately. It does not get the attention it deserves."

Risk management "is a function to itself. It should be at the same level as finance, treasury and other corporate functions," Arkwright's Mr. Friedel said.

The risk manager's direct supervisor plays a big part in how risk management is perceived in the organization.

"The entire focus of the risk management department takes on the persona of where it reports," said Doug Hoffman, managing director of Bankers Trust New York Corp. "If risk management reports to the legal department, often the risk management function becomes very litigation-oriented. If the risk manager reports to the controller, the entire orientation is how to account for the cost of risk."

Mr. Hoffman has reported to the general auditor for three of his five years as the Bankers Trust risk manager.

'History has a tendency to think of risk management in (terms of the) mundane, cookie-cutter types of coverages that were prevalent in the industry 20 years ago. But today that's not the case,' says Dean R. O'Hare.

"It often comes down to the personality and priorities of the person you report to," Mr. Hoffman said. "Given the right person, audit can be good because it gives you a broad perspective." However, the risk manager must be careful not to be viewed as an auditor by business lines.

Liz Taylor, group risk manager for Harrisons & Crosfield in Sussex, England, Reports to the director of human resources, which correlates with the corporate and risk management philosophies of the industrial company. "We concentrate on risk control, which is really about the human factor. It's very stimulating," Ms. Taylor said.

The shift came two years ago, when risk management was reporting to group finance.

At American Express, Mr. Rubenstein reports to a vp of exposure management, who oversees insurable and uninsurable risks and reports to the CFO. The department handling interest rate, currency and credit risk also reports to exposure management.

While there are some fundamental differences in the way the insurable and uninsurable risks are handled, "the two sides are definitely coming closer together," he noted. "Maybe in a couple of years they will be truly merged. Insurance is no more than a hedge.

"If somebody had the skill base, there's no reason at all why they can't be together. I think there are yet-to-be-proved synergies to putting it in one brain. Someone could report to the board the top 10 exposures. The board doesn't care whether they're insurable or not."

Getting the board of directors and senior executives to pay attention to risk management may not be easy. Senior executives and board members do not understand risk management as well as they understand other corporate functions.

"Risk management is not something people learn about as they develop their careers," Mr. Friedel said. "Among CEOs and senior executives very few are former risk managers."

Board members are not likely to give risk managers clear direction on running the department.

A risk manager "is much more likely to feed upwards ideas rather than anticipate that someone sitting at the board level will give clear direction," said Jim Phillips, group risk and insurance manager in Glasgow, Scotland, for Coats Viyella P.L.C., a textile manufacturer.

"I think the risk manager's greatest opportunity for career advancement is when the CEO or a board committee deals with the issue," said Mr. O'Hare of Chubb. Directors and officers liability insurance "is the perfect opportunity for the risk manager to convey to top management or the board the kind of high level importance that is attached to risk management. That is an area where you have the undivided attention of your board. As a CEO, my board is among the top items on my priority list."

Contemporary risk managers are also in tune with their corporation's philosophy.

"The risk manager today knows where the corporation is going," said Lawrence Geneen, managing principal with Johnson & Higgins in Miami. "If cash is critical, you can't put it all up to an insurance company."

Other corporate trends and practices present risk factors that must be managed. Just-in-time delivery is one example.

"If you buy from only one supplier instead of two or three, all of your eggs are in one basket," Mr. Friedel said. "You have greater dependency on one supplier."

"There is always an opportunity in an organization for competent people," said Mr. Geneen. "A risk manager can absorb more and more responsibility for non-insurance areas depending on individual talents."

Many risk managers have backgrounds in finance, human resources and operations, not in insurance, noted Mr. Miccolis of Towers Perrin/Tillinghast. "When a company is looking for a new risk manager, the last thing they look for is if they have initials," he said, speaking of professional designations. "What they need is an organizer, a communicator."

Risk manager as insurance

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Spotlight report

Managing

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buyer "is definitely a dying breed. Unfortunately quite a number of risk managers looking for employment have been that narrowly focused. It's one of the reasons they became dispensable.

"Those risk managers viewed as insurance buyers will be shoved further down in the organization. Those who view their role strategically and make risk management issues part of every business decision" will advance, he said.

At Bankers Trust, "we have hired more non-insurance professionals into our unit in recent years than those with technical insurance skills," Mr. Hoffman said. For example, he has hired a business continuity planner and a strategic planner.

The Risk & Insurance Management Society Inc. is advising risk managers to pursue more general management and financial education, said William J. Kelly, first vp of RIMS and senior vp of Morgan Guaranty Trust Co. in New York.

"To make yourself valuable, you have to have grounding in business issues," Mr. Kelly said. "You have to be secure enough to step out of traditional roles. If you can demonstrate you are a manager, you don't have to be limited."

In addition to corporate and fiduciary insurance, Mr. Kelly is also responsible for contingency planning, crisis management, micrographics and records management, tellers, translation and signing authority.

"A really good risk manager is an advocate of risk management. He doesn't have to say, 'I do it all.' Some view the position very narrowly, but it's a multidisciplinary area if there's ever been one," said Larry Gaunt, professor of risk management and insurance at Georgia State University in Atlanta. "If everybody in an organization had a risk management mentality, you wouldn't need a risk manager."

A centralized approach to risk management makes the most sense, agreed Robert H. Gruhl, chief financial officer and treasurer of Liberty Mutual Insurance Cos. in Boston.

"You should not divorce safety and loss prevention from insurance purchasing," Mr. Gruhl said. "When they are split, you don't end up with a cost-effective risk management function."

Health care system reform and the rise of 24-hour products that combine workers compensation and group health coverage are also bringing greater responsibility to some risk managers.

In the past, many companies have taken a fragmented approach to workers compensation, said CNA's Mr. Chookaszian.

"Corporations are realizing (workers comp) fits much more under risk management than benefits," he said. "You can develop risk management far broader to include responsibility not just for casualty but for the health care risk for individual employees."

"We're seeing the link between risk management and human resources becoming stronger, driven by workers comp," Mr. Miccolis said. There are opportunities for harmony between the two departments in benefits, safety, claims management, but "workers comp is still a big turf issue."

"Risk financing is risk financing," said John Gantz Jr., president of AIG Risk Management in New York. "In some companies the risk manager is best able to pull the pieces together." BI

A whole new meaning to 'property risks'

Risk manager oversees company's real estate, too

By SARA MARLEY

If Brec Woodbridge receives a telephone message that his broker called, it had better be more specific than that.

For the past four years, Mr. Woodbridge has used the services of both a national insurance broker and a national real estate broker in his role as risk and real estate manager at Advanced Micro Devices Inc.

Mr. Woodbridge, whose background is in risk management and insurance brokerage, joined AMD in 1978 to set up a risk management program.

In 1990, however, the Sunnyvale, Calif.-based manufacturer of integrated circuits underwent major layoffs. Mr. Woodbridge lost his staff of 1½. Between 1987 and 1991, AMD laid off more than a third of its employees. It currently has more than 11,000 workers.

A company attorney who had been handling real estate part-time was also laid off, so Mr. Woodbridge inherited that assignment. The primary responsibility was dealing with real estate brokers to secure or renegotiate leases for nearly 40 sales offices worldwide.

"I welcomed the idea to do something new, but it was a struggle," Mr. Woodbridge said. "I knew nothing about real estate."

Real estate and risk management have turned out to be more compatible than he first thought.

> **'The more I've gotten into (real estate and risk management), it makes sense,' says Brec Woodbridge.**

"The more I've gotten into it, it absolutely makes sense," he said. "As part of the risk management function, I reviewed contracts and leases."

Borrowing a tactic from risk management, Mr. Woodbridge set up an agreement with national real estate broker Cushman & Wakefield Inc. to handle the field sales offices, rather than work through a real estate broker in every city.

About a year after the layoffs, AMD began to turn itself around. With the company thriving again, real estate became a critical function.

Mr. Woodbridge bought and leased buildings near AMD's Sunnyvale plant to create a campus. He oversaw the construction of a 320,000-square-foot center for sales, marketing and adminis-

Continued on next page

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tration.

Also under his direction, AMD built an integrated circuits plant in Austin, Texas. The circuits are manufactured in the United States and assembled in Singapore, Malaysia and Thailand.

"Once we get a building underway, it dovetails into fire protection," Mr. Woodbridge said. "I put on my risk management hat."

Property maintenance does not fall under the real estate role, which makes it less than a full-time endeavor, Mr. Woodbridge said.

Overall, he splits his time evenly between risk management and real estate.

He reports to the assistant treasurer under the purview of the chief financial officer.

Risk management requires more day-to-day attention to things such as contract review and certificates of insurance. Real estate is more project-driven, particularly at the beginning of a venture when land must be acquired and plans drawn up.

For risk management services like safety, loss control and claims, Mr. Woodbridge relies heavily on broker Rollins Hudig Hall Inc.

"They are my risk management department," Mr. Woodbridge said. "I utilize them and their services to the hilt.

"My main role is to manage all of that," he explained.

"I'm the traffic cop who makes sure everything runs smoothly and fits with AMD corporate policy and direction. I have to stay in tune with what senior management wants to do. Real estate has helped dramatically. It's very high-profile." BI

Re-engineering the department

Risk manager links all units responsible for risks

By SARA MARLEY

Risk management at Cabot Corp. had already evolved from simply buying insurance when Karen Morrissey joined the company, but she took it a step further.

Ms. Morrissey, who now is Cabot's vp-human resources, joined the Boston-based specialty chemical company in 1981 to handle domestic property/casualty risk management. She was promoted to the senior position in the department when that risk manager left in 1986. And she began handling international insurance as well.

"Like at all good American companies, I didn't get to replace myself," Ms. Morrissey joked.

A new chairman and president came into Cabot in 1987 and two years later issued a challenge companywide to find better ways of doing things.

With 6,000 employees worldwide and just 110 in its Boston corporate headquarters, Ms. Morrissey had "good access to the people needed in order to make an impact."

In a proposal to the chairman, Ms. Morrissey said the company "didn't have our act together" regarding its approach to risk management, health, safety and environmental risks. As a chemical company, these areas are where the bulk of its future exposures lie, she said.

"We were doing the right things, but they weren't in one place," Ms. Morrissey said. "I told them it was a business issue as opposed to a technical issue. We should have one group of people work as a team in managing the risks of the company."

For example, the safety department reported directly to the president, while environmental reported to the general counsel and risk management to the treasurer.

Because of significant retentions, Cabot had a lot to gain by adopting a uniform approach to its risks, she argued. A committee of outside directors agreed, and in May 1990 Ms. Morrissey was named manager of safety, health and environment. A year later she was promoted to vp, reporting directly to the chairman.

Her unit consisted of the safety director, medical director, environmental manager, industrial hygienist, two attorneys and two risk managers.

"The age-old problem is that the risk manager is always the last to know," Ms. Morrissey said. "We avoided that because we were in on everything."

After creating a centralized unit, Cabot did something else unusual: It sent staff members of the safety, health and environment

'We should have one group of people. . . managing the risks of the company,' says Karen Morrissey.

department to the field to be closer to their operating units.

A safety and environmental specialist was sent to Atlanta, the North American headquarters for carbon black, a petrochemical used to reinforce rubber that is Cabot's largest product. Placing a department representative in Paris marked the first time a corporate staff member was based in Europe.

"We have to be close to our internal customers," Ms. Morrissey said. "We became a model in the company on how to be customer-focused and service-oriented."

The department also made operating units responsible for their costs by allocating 65% of its budget among the units.

After three years of overseeing her unit, Ms. Morrissey concluded that for the department to continue moving forward, it needed a manager with a background in technical operations to oversee it.

In September 1993, the vp of carbon black operations in the Pacific, an engineer by training, was brought in to replace her and Ms. Morrissey was asked to become vp of human resources and similarly re-engineer that department.

"If you look around in the organization, you'll see opportunities," Ms. Morrissey said. "Risk management is a unique function within the corporate staff. You know what is going on in business units like no other corporate function." BI

Opinions

Get members off the hook

THE SECOND GUESSING continues.

As a Senate floor vote on the nomination of Stephen Breyer draws closer, charges of ethical improprieties and potential conflicts of interest continue to emerge from his investment in Lloyd's of London.

But rather than someone exercising poor judgment, as many have alleged, we see Judge Breyer as one of the more visible victims of the problems that have haunted Lloyd's—and will keep haunting the market and its members until the problem of old-year liabilities is dealt with.

As we reported July 4, Judge Breyer, in fact, ended his active participation in the market at the end of 1988. But, like tens of thousands of other Lloyd's members, he remains on the hook indefinitely for an unknown amount of money while his syndicate keeps its 1985 account open.

The fact that Judge Breyer's participation in Lloyd's continues to be questioned underlines the dire need to implement the mechanisms the market has proposed for "ring fencing" liabilities from open years of account.

The deadline for Lloyd's proposed runoff reinsurer, NewCo, to be up and running is Dec. 31, 1995. Until then, many Lloyd's members will remain in limbo, unable to leave the market until their liabilities can be assessed and reinsured. The market currently is considering using NewCo to reinsure all open years of account, including 1986 and later years (*BI*, Feb. 14).

Not only will NewCo allow members to extricate themselves from a situation in which they are indefinitely liable, it also should allow Lloyd's to move forward, attract new investors and regain its stature in the global insurance marketplace.

The questions deserved to be asked about Judge Breyer's participation in the market and possible conflicts arising from not recusing himself from rulings on pollution cases. We are satisfied with his response but disappointed that it continues to be the source of speculation about potential conflicts on the bench and errors in judgment.

One newspaper last week claimed Judge Breyer displayed bad judgment when he failed to discover that while his syndicate was not directly involved in a pollution case he ruled on, it reportedly was a reinsurer of one of the insurers involved.

"I'M NOT DRYING, SENATOR.... JUST HANGING!!"

Another newspaper raised questions about the future, questioning whether Judge Breyer would recuse himself from potential S&L rulings before the Supreme Court. The paper noted that such cases could affect accountants' liabilities and that his syndicate wrote professional liability coverage for Deloitte & Touche.

And other critics, including Sen. Richard Luger, R-Ind., have even criticized Judge Breyer's judgment for investing in Lloyd's at all, arguing he should have realized that he could be stuck indefinitely with huge losses, and that he should have foreseen conflicts arising from investing in an insurer.

This sort of second-guessing is unfair. Few members could have anticipated the scope of losses that have socked Lloyd's in recent years. And, few judges can be expected to be aware of all potential consequences of their jurisprudence.

As insurer attorney Thomas Brunner of Wiley Rein & Fielding told *Business Insurance* in our July 4 article, "Unless you expect them to become Trappist monks, judges are always going to be ruling on issues that affect them in some way."

Letters

Benefits of guns to society outweigh the costs

To the editor: Today, it's no surprise that people with a political agenda against firearms, and those who pursue litigation for profit, look favorably upon product liability lawsuits against firearm manufacturers. But arguments made in support of such lawsuits in a June 20 article, "Taking Aim on Gun Manufacturers," were seriously flawed.

Evidence does not support the suggestion that the "social costs" of firearms "outweigh the social benefits." Criminologist Gary Kleck, 1993 recipient of the American Society of Criminology's Hindelang Award for his study of these "costs and benefits," has found that private citizens use firearms for self-defense more than 2.1 million times annually. By comparison, firearms are used in about 580,000 violent crimes (mostly robberies and assaults), representing only 30% of all violent crimes.

The Department of Justice has found that 40% of felons have not attempted some crimes, fearing their would-be victims were armed. States that permit private citizens to carry firearms concealed for self-defense have a 21% lower total violent crime rate overall.

Pretenses that so-called "assault weapons" are used frequently in crimes, that they are "very harmful" compared with other firearms or other weapons and that they are not "conventional" are erroneous.

Most firearms labeled as "assault weapons" are rifles, and these are used in less than 1% of homicides, while knives are used in 15%, bludgeons in 5% and hands and feet in another 5%. So-called "assault weapons" fire ammunition of the same (or less) power as other firearms commonly used for hunting, target shooting and self-defense.

The Bureau of Alcohol, Tobacco and Firearms has not identified the "top five assault weapons used in crime in 1993," as a chart accompanying the article indicates. Rather, numbers you cited as "crimes" committed with the firearms are instead the numbers of "traces" ATF conducted to identify a weapon's ownership paths.

In words that should—but will not—put an end to anti-firearms activists' misstatements about traces, the bureau itself has said that "ATF does not always know if a firearm being traced has been used in a crime." The Congressional Research Service reports that traces can occur "for any reason, no crime need be involved. No screening policy ensures or requires that only guns known or suspected to have been used in crimes are traced."

When committing crimes, criminals deliberately misuse firearms in ways not intended by manufacturers and not duplicated by tens of millions of honest firearms owners. And, when a firearm-related crime is committed by a repeat offender who wasn't behind bars because a prosecutor plea-bargained, a judge's sentence was merely probation, or a parole board cut a prison sentence in half, should a jury find a firearm manufacturer responsible?

Mark H. Overstreet
Research and Information
National Rifle Assn. of America
Fairfax, Va.

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Outsourcing

Continued from page 3

North America point to the surge in corporate mergers and acquisitions as driving much of downsizing, making outsourcing a hot issue.

CFOs and controllers, they note, are tightening the purse strings of virtually all departments, frequently barring the replacement of people who leave the company voluntarily, and often calling for layoffs.

To avoid being swallowed up in downsizing themselves, risk managers are trying to increase their versatility and establish their departments as invaluable to the company. Good risk managers should not lose their jobs to brokers and consultants, they insist.

"It's the risk managers that are single-minded, task-oriented people that run the risk of being outsourced, because outsourcing generally involves peripheral services like claims and information systems," said Gregory Hidden, director-risk and insurance services with American General Hospitality Inc. in Dallas.

"From my point of view, outsourcing is often just an excuse to lay off a person who has not done as well as expected. With a full set of skills, people aren't getting fired and seeing their old job outsourced," said Bill Perry, president of Logic Personnel Associates, a New York-based executive search firm that specializes in the risk management profession. "People tell me they have been laid off due to outsourcing, but even though I don't tell them this, I already have a search assignment from their former employer."

While the basic logic behind outsourcing is that risk management-related duties can be handled for a fee less than what the company would pay a salaried individual, several risk managers offered examples of how farming out services to brokers and other vendors is not entirely cost-effective.

Paul Sprague, insurance director with Ciba-Geigy Corp., a pharmaceuticals and chemical manufacturer based in Ardsley, N.Y., said that despite exploring the option, he has found no tasks that he can outsource cost-effectively.

For example, he needs in-house staff to subrogate to recover physical damage costs to the company's commercial fleet of vehicles because the company doesn't buy physical damage insurance for its fleet.

"Over the course of the year, we bring in about $200,000 through subrogation, but if we were to outsource this service, we'd forfeit 25% to one-third of that in the fees we'd pay," he said.

Beyond that, Mr. Sprague said other than simply dismantling the entire risk management department and turning all chores over to a broker, outsourcing just doesn't make sense for Ciba-Geigy. "And, if we were to let our broker handle risk management, we'd lose all confidentiality with respect to mergers, divestitures and product liability cases," he pointed out.

With so many companies undergoing changes, risk managers also question how sensible it is for upper management to become so cost-conscious that they force risk managers to hire vendors that are not on the corporation's inside track.

James Duggan, risk manager with TEREX Corp., a heavy machinery manufacturer in Westport, Conn., said only "stagnant" companies can outsource heavily and not suffer. "If you're stagnant, maybe you can just hire an outside company to buy coverage for you and then renew it year after year. But for companies involved in buying and selling, and downsizing and upsizing, the risks are always changing, and you need someone on the inside to keep up."

Nonetheless, Mr. Duggan said brokers and consultants today have become fully staffed in all traditional risk management areas and are capable of providing some valuable services. "Even if you're not buying fire protection, safety and claims management services in full, you do probably need some outside help from time to time."

The biggest mistake CFOs can make is believing that they'll get all the risk management they need and cost savings to boot if they release their risk manager and pit two or more brokers against each other in a bidding war, said a consultant.

"There's a lot more to coverage than price, and price is what brokers know," said Robert Wilkinson, director with Moss-Adams Risk Management Group in San Francisco. "There's a noticeable trend toward outsourcing risk management and hiring brokers, but can a broker perform an honest feasibility study for self-insurance if they're not prepared to manage claims?"

Mr. Wilkinson said brokers and consultants have become more aggressive in selling risk management services because the market has stayed soft for several years and commissions have suffered. "Naturally, they then start selling themselves as consultants in order to keep revenues up."

Mr. Riley of Dun & Bradstreet has also noticed this over the past few years. "I think all the major brokers attended the same sales seminar to master the pitch line that they're now more than just brokers."

The bottom line, according to J. Andrew Telford, manager of tax and risk management with Interprovincial Pipeline Inc. in Edmonton, Alberta, which operates the largest liquid pipeline in North America, is that an internal staff affords a company expertise and continuity that is sacrificed when services are outsourced.

"Sure, there are some things we could outsource, but what would we gain in the long run?" Mr. Telford asked. "Personally, I feel that my underwriters will actually believe more when I talk to them about our risks and exposures than they would if a broker approached them, and that's not intended to disparage brokers. Some of them are quite good." BI

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Risk management assumes more financial dimension

Companies view risks in terms of dollars and sense

By RODD ZOLKOS

As the universe of alternative risk management techniques keeps expanding, the nature of the risk manager's job is becoming ever more financial.

From derivatives to catastrophe reinsurance futures, finite risk insurance to captives, many of the new tools in the risk manager's workshop could have come straight from the asset management side of the operation—and frequently do.

And in deciding which risks to insure, which to hedge and which to retain, risk managers are increasingly forced to think like financial officers, weighing such concerns as cost of capital and asset yield. Along the way, some see the risk manager taking on a broader role in the organization—liability manager.

"The business bets that companies are taking are starting to spill over and be reflected in the bets they are taking in their risk management area," said John B. Stites, vp/alternative risk transfer for Chubb & Son Inc. in Warren, N.J.

"I think risk managers on the liability side are starting to look over at some of the activities that asset managers are involved in and there are tools that they can be sharing and the possibility of offsetting transactions," Mr. Stites said. "There are some that are very close to it today and some that are miles away."

"Risk managers and brokers need to start thinking more like investment bankers," said Bruce A. Bunner, chairman of Centre Reinsurance Co. of New York. "Survivors are going to look at it that way."

"Why do we see captives becoming more popular lately?" Mr. Bunner asked. "I think it's because people were looking at this as a financing-type of mechanism. Clearly the risk manager needs to start thinking more this way."

To an extent, though, a financial approach is inherent in the very nature of covering risk, suggested Richard Klovstad, vp and risk manager at PNC Bank Corp. in Pittsburgh.

"At the end of the day, insurance is really nothing more than a pre-funded line of credit," Mr. Klovstad said. "Therefore, insurance decisions really do take on more of a financial spin."

According to J. Kimball Dietrich, associate professor of finance and business economics at the University of Southern California in Los Angeles, cost and the availability of alternative products are key factors in pushing the risk manager further into the financial arena.

"The driver is the development of markets for a wide range of risk," Mr. Dietrich said. "Rather than contacting an insurance company, there are a whole range of markets you can tap to hedge risk. You can replicate a lot of insurance products through the markets."

At the same time, increased costs in areas like health insurance and product liability coverage are becoming ever more significant for businesses.

"As the role of insurance-type factors in business become more important, companies are more involved in assessing whether they should bear the risk themselves," Mr. Dietrich said.

Mr. Stites thinks of the alternative risk financing options available to risk managers as a continuum from simple to complex. At the simple end are large deductibles and self-insured retentions. At the complex end of the scale are alternatives like captive insurers and finite risk products.

Interest in finite risk products emerged from the fact that "if you look at (managing risk) over longer time horizons, the opportunities grow," said Centre Re's Mr. Bunner.

With finite risk products, coverage is based on a multiyear contract that caps the insurer's liability and requires the policyholder to pay premiums that are considerably larger as a percentage of the maximum coverage than with traditional insurance.

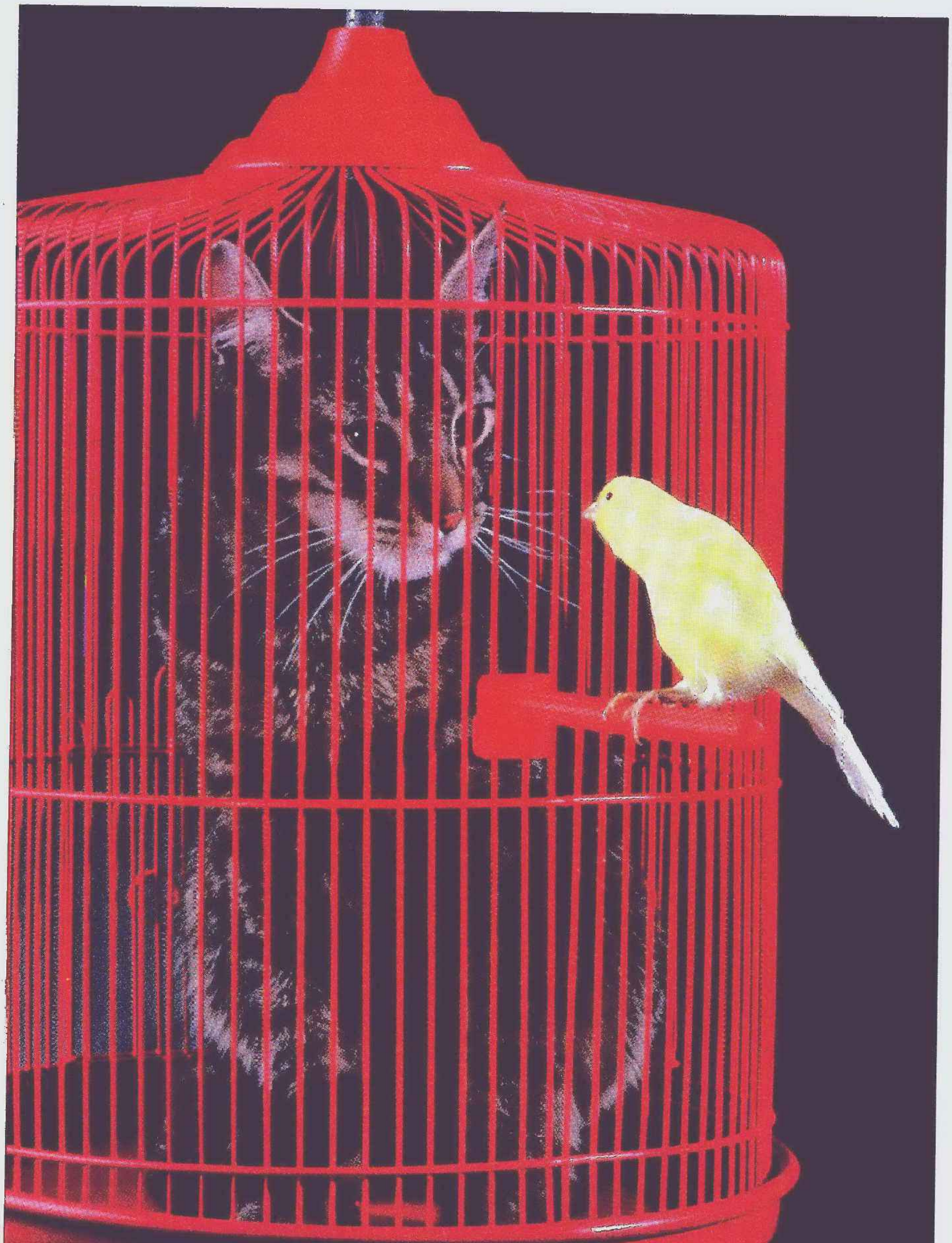
However, investment earnings on those premiums is a key underwriting factor in the finite risk structure and the policyholder can benefit from tax deductions on the premium payments. In addition, if there are no claims, the insurer will return a substantial portion of the premium to the policyholder at the end of the contract, though those funds are subject to taxation at that time.

Many companies using finite risk insurance and reinsurance are taking an aggressive look at "growing assets to meet their liabilities," Mr. Stites said.

And depending on the profile of the risk being covered, some buyers of finite risk products may look to more actively manage the funded assets in their finite risk program.

Financial accounting standards

Continued on page 14



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Spotlight report

Financial

Continued from page 12

and regulatory structures have slowed the development of finite risk coverage, but they haven't stemmed interest completely.

"We get questions every day from customers who are interested in some sort of finite risk cover," Mr. Stites said. Those questions typically involve risks that might be considered uninsurable in the traditional market, he said.

Merrill Lynch & Co. Inc. uses finite risk insurance, as well as "a lot of self-insurance" and a Vermont-domiciled captive to finance risk, said Carolyn Simpson, vp and director of risk management and insurance at the New York-based firm.

"We do a present value analysis on any alternative we've got when we have alternatives to traditional insurance," Ms. Simpson said. "We'll be meeting with some finite risk insurers in the next month to see if they're still doing deals. I think it's still worthwhile but the impact of our present value study might've changed just because of the way the accounting works."

Not surprisingly, many consider banks and financial institutions at the forefront of risk management's move to a more financial footing.

"I believe strongly that the financial institutions are sort of leading the charge in the blending of price risk or portfolio management with risk management," Mr. Stites said.

"Bankers tend to understand money," Mr. Stites said. "When they look at how much risk they're retaining in their lending operations and their investment banking, and then they look at how much risk they're retaining in their own operations, it's like night and day."

Banks 'are leading the charge in the blending of price risk' with risk management, says John Stites.

James M. Dineen, director of risk management for Barnett Banks Inc. in Jacksonville, Fla., said in his experience risk management is becoming more "risk assessment."

"It goes well beyond the normal risk management staff doing that," Mr. Dineen said. "You get into internal audit and all kinds of things."

"You still have your standard risk management—I manage the claims and everything," he added. "But it's not a matter of making sure everything's covered, it's a matter of understanding your risk."

At Barnett, the focus has been on throwing out some of the old auditing approaches to identifying risks and the old approaches to mitigating them.

"Your goal is in terms of where your real risk is and then you concentrate on the high-risk areas," Mr. Dineen said. "That's just a matter of companies trying to get the most out of their buck."

Out at the very tip of the complex end of Mr. Stites' alternative risk financing continuum, some risk managers are looking at how financial derivatives can be a substitute for traditional coverage.

According to Sykes Wilford, managing director at Chase Manhattan Bank in London, the development of financial derivatives—which are investment instruments that "derive" their value from some underlying assets such as securities or currencies—has provided a way to move some risk management techniques from the theoretical to the practical.

"Derivatives in all their different forms make liability management much cheaper," Mr. Wilford said. "What's going on now is that people in financial institutions are beginning to look at a lot of the different derivative instruments in portfolios."

Along the way, that process is linking the risk manager, who sees the instruments as hedging tools, with the asset manager, who views the derivatives as elements of the organization's portfolio.

"So the wall between the asset side and the liability side is really being broken down," Mr. Wilford said. "There's much more recognition that the liability side is really just the opportunity cost of the asset side. The technological development of the two sides is feeding off one another. That's what's really interesting."

"The hot topic of the '90s in finance is risk management," Mr. Wilford said. "Risk managers (in other areas) have a different kind of perception but it's still the same kind of tools. You've got a series of risks and how do you manage those risks?"

Derivatives may not be the absolute future of risk management, but many believe they're certainly a sign of things to come.

American International Group Inc. earlier this year formed a London subsidiary to focus on hedging financial and insurance risks with a combination of financial derivatives and traditional insurance for large corporate and institutional clients.

"I think it's probably a safe conclusion that risk managers are going to have to have a better understanding of such things as financial derivatives because they may be an integral part of future insurance programs," PNC Bank's Mr. Klovstad said.

Risk managers' understanding of derivatives is also critical if they are to play what some see as their proper role in their organizations' use of the instruments.

"Risk managers should certainly be involved in potential losses that would come out of hedging operations or any piece of the derivative market," said Dean R. O'Hare, chairman and chief executive officer of Chubb Corp. in Warren, N.J.

"If there is any one thing that scares me it's American business' commitment to derivatives. And the absolute lack of knowledge on the part of the CEOs of organizations that are knee-deep in the derivative market," Mr. O'Hare said. "And that clearly is an area that any good risk manager should try to understand and identify what kinds of risks are really present."

Not everyone is convinced about derivatives' place as a risk management tool, though.

"I think that's a bit futuristic at this point," said James A. Kellogg, executive vp of Old Republic Risk Management Inc. in Brookfield, Wis.

Whatever part derivatives play,

Continued on next page

Risk financing options are continuing to evolve

Interest rising in financial insurance, captives

By JUDY GREENWALD

The days of risk managers automatically shelling out premiums to cover non-catastrophic risks are ending, if not already dead and gone.

As risk management becomes increasingly sophisticated, many risk managers now can choose from a broad array of financing tools, with financial insurance products only the latest of a variety of approaches.

But, while the use of traditional insurance to deal with working layers of risk may be growing less frequent, there will probably always be a need for traditional coverage to handle catastrophic risks.

This trend is part of the risk financing evolutionary process, observers say.

"I guess the first movement was self-insurance of workers comp," said Joseph H. Albert, president of J.H. Albert International Insurance Advisors Inc. in Needham, Mass.

"Then, the next phase was captives for property insurance. Then, companies gravitated toward large deductibles on liability insurance and products insurance.

"Then they started using some of the newer companies' alternatives to standard traditional insurance," such as investing in Bermuda-based high excess liability facilities ACE Ltd. and X.L. Insurance Co. Ltd., said Mr. Albert.

Risk managers have moved continually toward self-insurance, using traditional insurance only for catastrophe coverages, he said.

"I would say most firms are moving away from the traditional forms of insurance," agreed Carolyn Simpson, risk manager for New York-based Merrill Lynch & Co. They are using "a combination of approaches, depending on what's right for their firm."

"A lot of companies are using captive insurance companies. Some of them are using financial reinsurance, or finite risk insur-

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Financial

Continued from previous page

risk management clearly is becoming more financial.

At the same time, though, basic insurance skills will always be essential for a successful risk manager, Merrill Lynch's Ms. Simpson said.

While it's possible to "build something that looks and tastes and feels like insurance," organizations will always have needs for some more traditional coverages, she said.

And beyond that, risk managers will always have to know their way around an insurance contract, she added.

"One thing you're going to want to be careful of is you can buy a really nifty finite risk deal but you're going to have an insurance contract and you want to have somebody with insurance contract experience," Ms. Simpson said.

"It is possible to buy a contract against a basket of future losses but it still has to be defined contractually," she said. "If it isn't, you will have bought something virtually worthless because any insurer in his right mind will want to provide as little real coverage as possible."

As insurers have responded to movement away from traditional coverage by unbundling the services they offer, that in turn has been "an enormous enabler" of the new direction in risk management, according to Chubb's Mr. Stites.

"You can buy anything a la carte today," he said. "In my mind it just lets the buyer blow up a traditional product and put it back together in whatever form makes sense."

And organizations are considering all sorts of new vehicles that demonstrate a financial view of managing risk.

One financial institution has approached Chubb about the possibility of creating a product that would protect it against interest rate spreads, said Mr. Stites. Another has asked the insurer about writing a product that would allow it to draw down from the policy in a bad quarter or invest in it during good times as a way of reducing the volatility in its operating results, he said. He noted, though, that Chubb has not yet programs for either type of risk.

As risk management continues to be viewed more in terms of an organization's bottom line and risk managers keep looking for alternatives to the products in the traditional marketplace, risk management will continue to evolve, Mr. Stites said.

"Ten years from now I think we'll be closer to a total risk management practice than we are today," he said.

Centre Re's Mr. Bunner has an even more dramatic view of the future. BI

Evolution

Continued from previous page

ance. Others are moving to self-insurance, and in some cases it's a combination of several of those techniques," she said.

It all boils down to retaining more risk, said Dick Heydinger, director of risk management services at Hallmark Cards Inc. in Kansas City, Mo. "Clearly, I think everyone is retaining a lot more risk than they used to, in financing themselves or in non-traditional forms by combining with others," he said.

"A lot of us that weren't real bullish on alternative mechanisms until the mid-'80s came along were sort of forced into it, and so we got our feet wet in it and we found out it can be done and it can be done safely," said Mr. Heydinger.

Now, even with the soft market, "I don't think you're going to find people unwinding those programs," he said.

The risk management profession in general is becoming more financially oriented (see story, page 12).

"I think risk managers are becoming more savvy when it comes to risk financing," said Todd Williams, a consultant with Arthur Andersen-Risk Management Consulting Services in New York.

The willingness to venture into these financial mechanisms also could reflect the desires of others in the organization.

"From our standpoint, we are finding on a more frequent basis that we are making presentations to not only risk managers, but to chief financial officers and in some instances chief executive officers. That clearly sends the message to me that insurance risk and the cost of insurance is of great concern right to the top of any organization," said Charles Caronia, chief executive officer of risk management consultant Caronia Corp. in Melville, N.Y.

The most recent development in the risk financing arena is the growing use of financial insurance or reinsurance. The purpose of financial insurance is to smooth companies' balance sheets by enabling them to predict and budget their liabilities and avoid sharp dips and turns. Investment income is a component of these programs, and the insurer's ultimate liability is capped.

Large companies, in particular, have embraced financial insurance.

"Fortune 100 companies certainly generally have more capital than most insurance companies," said E. Randall Clouser, executive vp of Continental Risk Management Services Inc. in New York.

In cases where the cost of transferring risk is costly, "why do they need to buy the capital of an insurance company when they certainly have ample capital to assume those risks?" he asked.

"I do think that there are more and more people that are exploring different types of financial initiatives for handling their risk management program, and I think that will increase over the next few years," said Richard Inserra, assistant treasurer at Union Carbide in Danbury, Conn.

"We're looking at financial insurance programs. We've got a study under way now to see whether it makes sense. We believe it has some merit for our particular company and are just doing the background work in preparation for going to management with a presentation," he added.

But financial insurance is not for everyone, said Charles Armstrong Jr., manager-corporate risk management at Xerox Corp. in Stamford, Conn. "I think this product has value, but I don't think it's a movement that's across the board."

Financial insurance makes sense for companies that want to spread the cost of a known, major risk over time, he said. It is also a good choice for companies in high-risk industries that "are not achieving the appropriate premium reduction from the conventional market," he added.

But Mr. Armstrong added that most companies, including Xerox, have modest risk, much of which can be retained with conventional insurance covering excess layers.

"Xerox is a relatively low-risk company, and we've investigated it a number of times and we haven't found any use for the financial (insurance) products that are being made available right now," said Mr. Armstrong.

> **'It's almost become a mindset that a captive is a traditional thing nowadays,' says Mark Charron.**

Nevertheless, even Xerox, as well as many smaller companies, use a host of other sophisticated risk financing tools, including high deductibles and captives, among other things.

"What we're seeing is certainly more and more risk managers, especially in the area of workers compensation, health insurance—if they're responsible for health insurance—and sometimes general liability insurance moving to the use of alternative risk financing programs," said William L. Granaham, senior consultant with Betterley Risk Consultants in Worcester, Mass., a unit of Milliman & Robertson.

"What's obviously different is that the risk manager now is becoming his own insurance company," via self-insurance or captive insurance mechanisms, he added. While not taking on all the risk via such programs, the risk manager is "taking on anywhere from half a million to. . .multimillion dollars of retention and buying excess insurance above it."

The trend is "to look more toward what your corporation can take on as a retention, what you can self-insure and buy excess insurance for," he said.

Formerly "alternative" vehicles like captives and rent-a-captives "have been to a degree almost mainstreamed the last few years, because it's becoming viable for many companies," said Mark Charron, a consultant with Deloitte & Touche in Hartford, Conn. Just a few years ago these approaches were out of reach for many companies, he noted.

"It's almost become a mindset that a captive is a traditional thing nowadays," he said, particularly for risks like workers comp, professional liability and some property coverage.

Paul Clancy, director of risk management at Boston University, said that since he assumed his position in 1988, the university has self-insured its workers comp exposures and has adopted a $500,000 self-insured retention on its general liability program. It may increase its retention at its next renewal.

"We're generally looking at what I would say pure insurance—insurance for the catastrophic, something that's going to wipe you out," said Mr. Clancy. "With the type of mostly excess insurance we're working into, we're really looking into the financing of the losses. We're buying insurance for the unexpected. The expected level of losses we think we're going to have, we're self-funding for that."

Despite the move toward greater retention of risk, there likely will always be a need for traditional insurance, if only to cover the catastrophic risks.

"I think you'll always need it on the catastrophic level," said Mr. Clancy. "You don't want the company to be wiped out by one loss."

"I don't think we'll ever abandon having catastrophic insurance in place," he said.

"I don't really foresee the day, at least within my working career, in which we'll totally move away from the idea of transfer of risk," said Hallmark's Mr. Heydinger.

"Every organization has a limited tolerance as to how much risk it can assume," he said. "There's definitely a need for professional risk bearers out there."

Furthermore, "only financially stable companies with sophisticated risk managers on board" are using traditional insurance less frequently, said Betterley's Mr. Granaham. Companies that are not financially stable or cannot afford a risk manager "will stay in the insured market." BI

Accessories to experience

Specialized courses may be added to ARM program

By DEBORAH SHALOWITZ COWANS

The Associate in Risk Management designation remains a relevant credential for today's risk managers and may become even more relevant for tomorrow's risk managers because of possible expansions of the program.

The Insurance Institute of America, which administers the educational program leading to the ARM designation, is considering adding some specialty risk management material to the general course work, according to George Head, vp of the IIA and the American Institute for Chartered Property & Casualty Underwriters.

The first specialty area the IIA is considering adding is public entity risk management, he said. Other specialties under consideration include risk management for non-profit institutions, financial institutions and international organizations. The IIA is also considering adding an advanced course in risk financing.

Mr. Head, who works in the institutes' Malvern, Pa., headquarters, said the specialty risk management material could be added to the basic three-semester ARM program in two to three years. The material could be woven into the existing program or it could be added as a separate course, he said.

The ARM program, which began in 1967, is made up of three courses:

- ARM 54-Essentials of the Risk Management Process.
- ARM 55-Essentials of Risk Control.
- ARM 56-Essentials of Risk Financing.

The program is kept up to date in two ways.

The 200-page ARM course guides, which include weekly lessons and exercises and accompany the textbooks, are revised every year, he said.

Because of this schedule, the IIA can do "interim updates" as needed.

For example, the ARM 56 course guide for the 1995 school year will include a section on surety bonds, which previously was not included. And the ARM 55 course guide for the 1994 school year discusses an international prohibition as of January 1994 on the production of halon, an effective yet environmentally harmful fire suppressant.

Mr. Head said the ARM textbooks are revised on a rotating basis each year. Currently, ARM 55 is being revised.

The textbooks do not need to be updated more frequently because they cover material that is of long-term significance, according to Mr. Head.

"I try to teach material in the ARM program that'll be worth knowing three years" later, he said. The IIA does not "want to burden people with things that are of fleeting importance."

Since it was established 27 years ago, approximately 14,000 people have received the Associate in Risk Management designation.

Often the most valuable part of the ARM course is the classroom experience, according to risk managers who have received the designation.

"When I went, I went with a whole group of people," including risk managers, brokers, loss control specialists, adjusters and other employees of insurance companies, said Judith McDonald, assistant vp for Comerica Inc., a Detroit-based bank holding company. Because of the variety of people in the class, "the discussions that went on were almost more valuable than the class itself." Ms. McDonald received her ARM in 1983.

Thomas E. Bell, director of risk management for the Middle Cities Risk Management Trust, an intergovernmental risk pool for schools in Lansing, Mich., agreed.

Mr. Bell, who received his ARM in 1992, said the most useful part of the course was the opportunity for interaction with the teacher and colleagues in the course.

Ms. McDonald was a member of the 1994 *Business Insurance* Risk Management Honor Roll, and Mr. Bell was a member of the 1993 Honor Roll.

The risk managers also said the ARM program provides a good overview of the field, which can be especially helpful for beginners.

"The basic benefit (of the ARM) is that it gives you a very broad exposure to the principles of risk management," said Dennis Kirshbaum, executive director of the Arlington, Va.-based Public Risk Management Assn. Mr. Kirshbaum received his ARM in 1992. "The ARM is really good for seeing the big picture of risk management."

However, in hiring decisions, few employers insist that risk managers have an ARM designation.

Ms. McDonald said that if she has to hire a risk management professional, she looks first for experience and then for creden-

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Future

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plained. While using the analysis system, Ms. Rawleigh has no access to the real-time system where the file notes and payments for the past 24 hours are logged.

A complete RMIS that requires "no going back and forth" from one system or function to another is her dream. It should be an RMIS with all software—word processing, graphics or spreadsheets—wrapped in one package.

More effective claims management is the desire of David Mitchell, corporate safety and workers compensation manager at The Pep Boys, a Philadelphia-based automotive component retailer.

The system should give risk managers the ability to see any reserve increase or decrease in claims as they happen in real time, he said. "Now claims management is a little cumbersome. We have to wait for the end of the month to see changes in claims. If we had the information at that very moment we could change and enforce policy quickly."

Every risk manager has unique preferences.

For example, Mari-Jo Hill, senior risk analyst in the finance division of SAS Institute Inc. in Cary, N.C., prefers to have a more integrated system that can track detailed information on losses, bring it up to date and do some forecasting.

But, Kenneth Kwidzinski, risk manager at Intel Corp., wants an easy-to-use system that offers flexibility. "One should be able to design one's own reports. I'm not in favor of picking out from canned menus," he said.

At Hudson's Bay Co. in Toronto, risk manager Kenneth Murphy is envisioning a paperless office. "My system supports the strategy I have in my mind, and what I want from it is quick information so that I can make decisions faster after analyzing that information," he said.

Mr. Murphy wants an integrated system that gives him online access to the department store company's outlets, third-party administrator and broker.

"Right now, our system is not compatible and smooth and one makes do with the limitations, but ideally we want refinement in the whole process of storing and collecting information," he said.

Another person tired of digging through files is Bill Johnson, risk financing manager at Hallmark Cards Inc. in Kansas City, Mo. "There's an explosion of paper. I wish we could just store and retrieve everything from our RMIS, including the insurance policy digests and manuals our broker sends us on a regular basis. One should be able to access something fairly current on a claim quite soon," he said.

Risk management information systems as they currently exist perform fairly generalized functions, dealing largely with claims and safety information. What Abdoul R. Sesay, risk manager of construction activities at Los Angeles County Metropolitan Transportation Authority, would like to see is an RMIS that can be tailored to suit the needs of his industry—construction.

About two years ago, the MTA commissioned an outside agency to design a specialized RMIS to conduct pre-construction surveys to assess potential liability. "In an urban environment that is litigious, one must use urban guerrilla risk management tactics. We used the RMIS as an offense tool to mitigate potential litigation," he said.

Mr. Sesay would also like to see an RMIS that can give a detailed analysis of how much is being spent on insurance as the company goes through a project. "The system should have the capability to compare those costs to costs of the overall project and to similar projects around the country."

RMIS vendors say what risk managers want will soon be in the market, partly thanks to Windows technology.

"Its graphical environment gives flexibility, one can open up multiple claims at same time, one has the ability to move around, have more tools available, tie into E-mail," said Ted Burns, director-product development at David Corp., a San Francisco-based RMIS vendor.

David Corp. will introduce a host of Windows-based RMIS products, the first of which, a basic claims processing system, will be introduced by the end of this year.

Risk managers will soon have to build up their skill sets and get acclimatized to the new systems available in the market, particularly the Windows client/server environment, noted Mark Dorn, president of Dorn Technology Group Inc., a software,

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ARM course

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tials. No matter how many paper credentials a person has, "unless they've had some actual experience, they don't know what (the field) is about."

Most experts said having an ARM does not translate into higher pay or faster promotions for risk managers.

"To be honest, I really haven't seen" offers of higher pay because a job candidate has an ARM, said Michael Tannenbaum, executive vp of Richard Meyers & Associates Inc., a risk management recruiting firm in Florham Park, N.J. However, "designations like the ARM can only be helpful," he added.

"The ARM is well thought of, but I'm not sure one would get X amount more dollars because of it," agreed Barry Citron, a vp with Logic Associates Inc., a New York-based executive search firm specializing in risk management positions.

However, "any additional letters one could put after one's name is always a plus in standing out from the crowd," Mr. Citron said.

Most employers that are looking for risk managers say an ARM or Chartered Property & Casualty Underwriter designation is preferred but not required, the executive recruiters said.

David Adler, risk manager for The Portman Cos., an international real estate development and management company based in Atlanta, said he thinks a broader professional designation, perhaps including business law, management and general finance, would be worthwhile for risk managers.

Mr. Adler, who received his ARM in 1985 and was named to the 1993 *Business Insurance* Risk Management Honor Roll, noted that the ARM is "more of a technical designation than a management designation."

Examples of "more rigorous programs" than the ARM within the insurance industry, he said, include those leading to the CPCU designation, as well as the Chartered Property Underwriter and Certified Employee Benefit Specialist designations. BI

Future

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services and consulting firm in Livonia, Mich.

Dorn Technology has just announced the release of a new Microsoft Windows-based risk management program, Riskmaster/Win, an integrated system that includes seven key modules for claims and policy management, actuarial and ad hoc reporting, graphics, image management and productivity improvement.

"Unlike most systems in the 1980s that were topic-specific, did only one type of function, the new system is tied together and run in the client/server mode," Mr. Dorn said. "It can run multiple data bases at the same time, has extensive graphic ability and has a data base feature for litigation management and image processing, besides supporting bench marking."

Mr. Dorn's system is designed for a multinational business environment. It supports international currency as well as international language and telephone applications, providing access to foreign data-bases.

The process of integrating systems has begun. Increasingly, systems will shift away from being just loss information systems and become more complete, handling additional losses, financial forecasting and analysis, and cost allocation, said Matthew Carden, director-risk management information services for Travelers Corp. in Hartford, Conn.

A single, integrated system that can be used by every participant on the total cost of risk team—brokers, insurers and clients—is what systems of the future will offer, said Bob Petrie, vp and manager-strategic systems for Johnson & Higgins in New York.

Clients can expect their systems to increasingly perform more tasks. New systems will allow risk managers to compare their risk cost against statistical industry-specific benchmarks, Mr. Petrie said. J&H expects to have a benchmarking product in the market by the end of this year, he said.

Risk management systems of the future will also be able to give more detailed information about the medical component of workers compensation, such as coding and provider information, Mr. Petrie said. To do this, though, third-party administrators need to make information more readily available to software vendors, he said.

David Chzaszcz, director-product development at Corporate Systems Ltd. in Amarillo, Texas, is already preparing for a future where companies will require a different type of executive information system.

By the end of 1995, Corporate Systems will release a new sophisticated Executive Information/Decision Support System that will be graphical in nature. Its output won't be rows and columns of numbers but graphic charts.

The Decision Support System, a modeling tool, will become an important means for risk managers to check net effects of the programs they put into place, Mr. Chzaszcz said.

In the future, CD-ROM will make it easier to manage a claim. It will help in storing more data and in different forms, including voice, image and text, giving risk managers information at their fingertips, he said.

At a later stage, artificial intelligence will also play a role in risk management information systems. That technology will enable the systems themselves to examine and point out certain trends to managers, Mr. Chzaszcz said.

Software vendors worry that in the future, the systems will become commodities as they age and resemble each other. "What will distinguish them will be the set of services and quality of services that is provided by vendors." BI

Listing of risk management information system vendors

A

A&S Consultants Inc.

292 Main St., Northboro, Mass. 01532; 508-393-8228; fax: 508-393-8010

Risk management systems since: 1980.
Software products:
■ RISKWATCH II
Price: $15,000.
System specifications: IBM compatible PC, single user or LAN. Operates in DOS or UNIX.
Customization optional.
First installation: 1987.
Total installations: 100.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Claims administration, loss development, loss forecasting, loss prevention, reserve tracking, risk analysis, loss trending, safety and loss control, incident reporting, check processing, diary, reconciliation reports, audit trails, 1099s, frequency and severity analysis and claim abstracts. Optional modules include ad hoc report writer.
User support: Onsite training, telephone assistance eight hours per day*.
* Included in system price.
Officers: Carol Nashawaty, president.

American Technical Services Inc.

P.O. Box 1575, Pinellas Park, Fla. 34664; 813-789-0015; fax: 813-787-4805

Risk management systems since: 1987.
Software products:
■ ATS/COMP.
System specifications: IBM compatible PC - single user or LAN, mainframe or RISC system. Online system. Operates in DOS, Windows, OS/2 or SCO.
Customization optional.
First installation: 1987.
Total installations: 60.
Claims/coverages managed: Workers comp.
Features: Claims adjudication, check processing and bank reconciliation, processing of all state and federal forms, diary, reserve and cost change tracking, ad hoc reports. Optional modules include permanent disability rating; case management; magnetic media reporting; and ATS/IMAGE which includes image scanning, fax integration and enhanced security.
■ ATS/PAC.
System specifications: IBM compatible PC - single user or LAN, mainframe or RISC system. On-line system. Operates in DOS, Windows, OS/2 or SCO.
Customization optional.
First installation: 1987.
Total installations: 40.
Claims/coverages managed: General liability, property, casualty, auto.
Features: Claims processing and reporting, claims screens, state and federal form preparation, bank reconciliation and check processing, diary, ad hoc report system, reserve and cost change tracking. Options include ATS/IMAGE which includes image scanning, fax integration and enhanced security.
■ ATS/Risk.
System specifications: IBM compatible PC - single user or LAN, mainframe or RISC system. On-line system. Operates in DOS, Windows, OS/2 or SCO.
Customization optional.
First installation: 1987.
Total installations: 80.
Claims/coverages managed: All risks, including general liability, property, casualty, workers comp and auto.
Features: Risk analysis plans, loss forecasting, allocation of premium, catastrophic analysis, cash flow comparison, standard deviation, underwriting plans, loss distribution and development, self-insurance comparisons and analysis, claim administration review, retained loss analysis, captive analysis, claims interface. Options include ATS/IMAGE which includes image scanning, fax integration and enhanced security.
■ ATS/UR.
System specifications: IBM compatible PC-386 or later model - single user or LAN, mainframe or RISC system. On-line system. Operates in DOS, Windows, OS/2 or SCO.
Customization optional.
First installation: 1992.
Total installations: Three.
Claims/coverages managed: Workers comp.
Features: Medical and hospital bill processing for case management. Provides disability and medical cost management through HMO/PPO set up, claim validation, fee schedule review, duplicate bill detection and access to claimant's treatment history. Options include ATS/IMAGE which includes image scanning, fax integration and enhanced security.
User support: Onsite training*, telephone assistance 11 hours per day*, toll free hot line*.
* Included in system price.
Staff: 20 total, six professionals.
Clients: 130 total. Sold systems to 30 clients in 1993.
Officers: Cheryll Wing, president; Craig

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How to use RMIS vendor directory

The ninth annual *Business Insurance* directory of risk management information systems lists companies that produce and supply proprietary software products to corporations in response to their risk management needs. To be listed, organizations must complete and return a *BI* directory questionnaire. The directory is published as an editorial service; there is no charge for companies to be listed.

The listings are organized by company and begin with the **company name and address,** the date the organization began offering risk management information systems and the parent company, if applicable.

Information on specific **software products** follows. Included in the description for each product are the average completely installed **price,** whether the software is sold with hardware, the **type of hardware needed** (personal computer, local area network, mainframe or online system) including **operating system and memory** requirements. Customization options are noted, where applicable. Also included are the year of the first installation, the **total number of installations** since the product's introduction and the total number of installations in corporate risk management departments. Next are the types of **claims or coverages** managed by the products and their **risk management functions and features.**

Following the product summaries is information on continued **user support,** risk management information system **staff** figures, **new clients** who purchased systems in 1993 and the number of those clients who are in risk management departments. Next are 1993 **gross revenues** and names and titles of **principal officers.** The names of people to **contact** at each organization for additional information complete the listings.

Every attempt is made to publish complete and accurate listings. However, *BI* is unable to verify all information supplied by the participating organizations.

If you wish to receive a questionnaire for next year's directory, contact Kathy Welyki, *Business Insurance,* 740 N. Rush St., Chicago, Ill. 60611-2590; 312-649-5279.

Continued from previous page
Zivolich, director-technology.
Contact: Don Cherry, vp-sales/marketing.

Anistics

1185 Ave. of the Americas, New York, N.Y. 10036; 212-238-1830; fax: 212-238-1040

Risk management systems since: 1977.
Parent: Alexander & Alexander Services Inc.
Software products:
■ ANISTICS OMEGA.
Price: $20,000-$50,000.
System specifications: IBM compatible PC, 6MB-12MB RAM; single user and LAN versions. Operates in Windows.
Customization optional.
First installation: 1994.
Total installations: Five, all in corporate risk management departments.
Claims/coverages managed: All lines, including general liability, property, casualty, workers comp and auto.
Features: Claims administration; property; loss development; loss forecasting, prevention and trending; policy and reserve tracking; allocation of premiums; risk analysis; self-insurance comparisons and analysis; safety and loss control; incident reporting; standard and ad hoc report generation; retention analysis; check processing; diary; litigation management; notes; third parties; first reports; state reports; medical fee scheduling; graphics; automated letters; certificate tracking; currency tracking and reporting in multiple or base currency. Can be linked to multiple locations and human resource/payroll system. Options include user-maintained organization and loss descriptors and ability to consolidate claims data from multiple insurers.
■ ANISTICS MICRO SOLUTION (AMS).
Price: $20,000-$50,000.
System specifications: IBM compatible PC, 540K RAM; single user and LAN versions. Operates in DOS.
Customization optional.
First installation: 1989.
Total installations: 220; 175 in corporate risk management departments.
Claims/coverages managed: All lines, including general liability, property, casualty, workers comp, auto.
Features: Antics Micro Solutions and Omega software offer the same features for different operating platforms. See Omega description above.
User support: Onsite training*, telephone assistance 10 hours per day*, remote system access to speed service.
* Included in system price.
Staff: 70 total, 55 professionals.
Clients: 225 total, including 190 corporate risk management departments. Sold systems to 60 clients in 1993.
1993 revenues: Risk management information system revenue: 3% from hardware sales, 77% from software sales, 20% from software services.
Officers: Peter Densen, managing director; Mary Villani, Harry Shuford, global directors; Roni Gossman, Stu Frank, vps.
Contact: Lee Topham, national sales/marketing director, 212-238-1821.

B

Benefit Software Inc.

212 Cottage Grove Ave., Suite A, Santa Barbara, Calif. 93101: 805-568-0240; fax: 805-568-0239

Risk management systems since: 1989.
Software products:
■ Comp Watch.
System specifications: IBM compatible PC, single user and LAN versions. Operates in DOS.
Customization optional.
First installation: 1989.
Total installations: 1,000, all in corporate risk management departments.
Claims/coverages managed: Workers comp.
Features: Collects information and prints data for first report of injury in all states; automatically produces, updates and maintains OSHA log; uses data from occupational injury and illness reports to create safety management reports for loss trending and control. Options include electronic data transfer, data base module for importing employee data and data claims history module for importing claims data from prior years.
User support: Telephone assistance eight hours per day*, user manuals**.
* First 90 days included in system price; ** Included in system price.
Staff: 16 total, 13 professionals.
Clients: 1,000 total. Sold systems to 476 clients in 1993.
Officers: Larry S. DuBois, president; Richard Diamond, programmer; Kim Rajala, technical support manager; Tom Hutchison, sales manager; Susan Marshall, marketing manager.
Contact: Susan Marshall.

C

California Interactive Computing Inc.

25572 Avenue Stanford, Valencia, Calif. 91355-1102: 805-294-1300; fax: 805-294-1310

Risk management systems since: 1977.
Continued on next page

Spotlight report

Continued from previous page

Software products:

■ GENIRIS, Integrated Risk Information System.
System specifications: IBM compatible PC, 16MB RAM; single user, LAN and workstation/server versions. Operates in UNIX/AIX.
Customization optional.
First installation: 1977.
Total installations: 356; 280 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto, group medical.
Features: Claims administration tools; accepts data from multiple sources; builds loss triangles using user-defined parameters for specified organization levels, lines of coverage and payment reserve categories; interfaces with other programs for actuarial analysis. Optional modules include bill review, loss forecasting, bill audit, permanent disability rating, PPO, billing and ICD9-DRG conversions.

■ GENRISK.
System specifications: IBM compatible PC, single user and LAN versions; workstation/server version. Operates in UNIX/AIX.
Customization optional.
First installation: 1984.
Total installations: 12.
Claims/coverages managed: General liability, property, casualty, workers comp, group medical.
Features: Central data storage system for organizations that process their own claims; accepts data from multiple sources; builds loss triangles according to user-defined parameters; interfaces with other industry programs.
User support: User groups/meetings*, onsite training*, telephone assistance 10 hours per day*.
* Included in system price.
Staff: 32 total, 28 professionals.
Clients: 250 total, including 95 corporate risk management departments. Sold systems to 20 clients in 1993.
1993 revenues: $3.3 million total; 5% from hardware sales, 50% from software sales, 45% from software services.
Officers: Jerry C. Buckley, president; Ralph M. Flygare, Eric Hoffberg, vps.
Contact: Jerry C. Buckley.

Cantor & Co.

9100 Wilshire Blvd., Suite 445 E., Beverly Hills, Calif. 90212; 800-553-7267; fax: 310-859-7415

Risk management systems since: 1982.
Software products:

■ Riskmap Risk Financing.
Price: $2,195.
System specifications: IBM compatible PC; single user-512K RAM, LAN-1MB RAM. Operates in DOS or Windows.
Customization optional.
First installation: 1983.
Total installations: 140; 90 in corporate risk management departments.
Claims/coverages managed: All risks including general liability, property, casualty, workers comp and auto.
Features: Risk financing, discounted cash flow analysis, comparative analysis, fully integrated automated graphics. Optional modules to model your own plans available.

■ Riskmap Loss Forecasting.
Price: $1,695.
System specifications: IBM compatible PC; single user-512K RAM, LAN-1MB RAM. Operates in DOS or Windows.
Customization optional.
First installation: 1984.
Total installations: 80; 30 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Frequency and severity forecasting, cost of property/casualty and benefit plans overall and by line of coverage computations, confidence intervals for analysis, fully integrated automatic graphics, self-insured retention and deductible analysis, integrates with Riskmap Loss Development.

■ Riskmap Loss Development.
Price: $1,695.
System specifications: IBM compatible PC; single user-512K RAM, LAN-1MB RAM. Operates in DOS or Windows.
Customization optional.
First installation: 1989.
Total installations: 20; five in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Produces development factors for total loss reserves and pay outs, generates graphics, includes fully integrated automated graphics, integrates with Riskmap Loss Forecasting.

■ Riskmap Captive Risk Financing
Price: $1,995.
System specifications: IBM compatible PC; single user-640K RAM, LAN-1MB RAM. Operates in DOS.
Customization optional.
First installation: 1984.
Total installations: Two.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Produces income, equity and available cash statements; loss reporting and payment; discounted cash flow analysis; fully integrated automated graphics.

■ MQMS Plus-Medical Quality Management System Plus.
Price: $6,000-$40,000.
System specifications: IBM compatible PC, 550K RAM; single user and LAN versions. Operates in DOS.
Customization optional.
First installation: 1987.
Total installations: 250.
Claims/coverages managed: General liability, property, casualty, workers comp, auto, professional liability, public risk.
Features: Incident reporting; safety and loss control; quality management; critical pathways; utilization management; risk management; concurrent review; custom reports library; trending analysis; integrated custom graphics, including control charts; statistical reports; custom forms and letters modules; automated internal and external correspondence; customizable data dictionaries; financial analysis and reporting. Optional modules include interface to external information systems, notebook, scanning, exposure base management and litigation tracking.

■ Hospital RIMS.
Price: $9,500-$35,000.
System specifications: IBM compatible PC; single user-550K RAM, LAN-1MB RAM. Operates in DOS or Windows.
Customization optional.
First installation: 1984.
Total installations: 13, all in corporate risk management departments.
Claims/coverages managed: General liability, professional liability.
Features: Claims management; financial analysis and reporting; transaction tracking, analysis and reporting; integrated automated actuarial analysis; reinsurance analysis; cost allocation.
User support: User groups/meetings**, onsite training***, telephone assistance eight hours per day*, training seminars on using computers in risk management.
* Included in system price; ** Included in MQMS system price, not applicable to Riskmap Captive Risk Financing system; *** Included in Hospital RIMS system price.
Staff: Eight total, seven professionals.
Clients: 250 total, including 200 corporate risk management departments. Sold systems to 30 clients in 1993.
1993 revenues: Risk management information system revenue: 3% from hardware sales, 57% from software sales, 40% from software services.
Officers: Alan B. Cantor, president; Judith J. Szarka, vp.
Contact: Alan B. Cantor.

Continental Risk Management Services

180 Maiden Lane, New York, N.Y. 10038; 212-440-3000

Risk management systems since: 1993.
Parent: Continental Insurance Co.
Software products:

■ RiskProbe.
System specifications: IBM compatible PC, modem.
Customization optional.
First installation: 1994.
Total installations: One.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Online system interacts with vendor's TPA services; combines claim data from various carriers and claim-related data into one system; provides reports for financial analysis, cost allocation, performance monitoring, loss development, loss prevention and control; provides online access to specific claims and credit reports; allows for report generation based on prior evaluation dates. Optional modules include exposure, policy processing and adjuster notes.

■ Claims Backer.
System specifications: IBM compatible PC, 640K RAM. Operates in DOS.
Customization optional.
First installation: 1985.
Total installations: 177; 83 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Online claims review system that interacts with vendor's TPA services; claim, draft and transactional inquiry; allows for claim corrections; ad hoc reporting for claim and draft information; data export; report library for financial analysis, performance monitoring and loss control. Optional module for E-mail.

■ Claims Backer Advantage.
System specifications: Software not available without hardware. Operates in OS/2.
Customization optional.
First installation: 1994.
Total installations: Three, all in corporate risk management departments.
Claims/coverages managed: Workers comp.
Features: Online system interacts with vendor's TPA services; provides access to: adjuster notes, first notice of loss, reserve history log, claim overview, information on employer/employee, medical provider/physician information, attorney/lawsuits, rehabilitation provider, rehabilitation, offset, witnesses, fraud indicators, three party first contact and statistical information. Optional module for E-mail.
User support: Onsite training*, telephone assistance 10 hours per day*, user manuals*.
* Included in system price.
Staff: 13 total, 10 professionals.
Clients: 110 total, including 83 corporate risk management departments. Sold systems to 25 clients in 1993.
1993 revenues: $300 million total.
Officers: Adrian M. Tocklin, president; D. Kay Smith, executive vp-services; Tim Mitchell, executive vp-underwriting/production; E. Randall Clouser, executive vp/chief production officer.
Contact: Donna Posuch, vp/chief information officer, 609-395-2384.

Control Software Group Inc.

3205 E. Dublin Granville Road, Columbus, Ohio 43231; 800-336-7475; fax: 614-890-8924

Risk management systems since: 1986.
Software products:

■ OSHA-Control Plus.
Price: $395.
System specifications: IBM compatible PC, 640K RAM. Operates in DOS.
First installation: 1993.
Total installations: 56.
Features: Safety and loss control; incident reporting; OSHA 101 and 200 management reports; data analysis by employee, shift, job task, injury type and body part.

■ Risk-Control Plus.
Price: $995.
System specifications: IBM compatible PC, 640K RAM. Operates in DOS.
Customization optional.
First installation: 1988.
Total installations: 81.
Claims/coverages managed: General liability, property, casualty, workers comp, auto and other risks.
Features: Loss trending; safety and loss control; incident reporting; diagnostic, cost, budget, statistical and OSHA 101 and 200 report generation; diagnostic, cost, budget and statistical data analysis. Optional modules include OSHA compliance, workers comp state first reports, ad hoc report generator and data transfer link.
User support: Onsite training, telephone assistance eight hours per day*.
* First 90 days included in system price.
Officers: John P. Nipps, president; John P. Nipps II, Melvin R. Irwin, vps; Randall C. Nipps, secretary/treasurer.
Contact: John P. Nipps.

Conway Computer Group

6360 Interstate 55 N., Suite 300, Jackson, Miss. 39211; 601-957-7400; fax: 601-957-9492

Risk management systems since: 1986.
Software products:

■ PACCASSO.
Price: $35,000-$80,000.
System specifications: IBM compatible 486 PC, single user and LAN versions. Operates on numerous client server platforms including DOS, Windows, UNIX or OS/400
Customization optional.
First installation: 1986.
Total installations: 50; 25 in corporate risk management departments.
Claims/coverages managed: General liability, property, workers comp, auto, professional liability, cargo.
Features: Check processing, reserve tracking, diary and note entry, litigation maintenance, full inquiry, loss development, safety and loss reporting, statistical and productivity reporting, incident reporting, reinsurance tracking.
User support: User groups/meetings, on site training, telephone assistance nine hours per day, source code*, remote diagnosis/support.
* Included in system price.
Staff: 75 total, 60 professionals.
Clients: 46 total, including 20 corporate risk management departments. Sold systems to 11 clients in 1993.
Officers: Jack Conway, president/CEO; Steve Kinsley, vp.
Contact: Ken Walz, marketing manager.

Coopers & Lybrand-Casualty Actuarial & Risk Management Consulting

1251 Ave. of the Americas, New York, N.Y. 10020; 800-232-2717; fax: 212-536-2163

Risk management systems since: 1984.
Software products:

■ EXHIBITMAKER 5.
Price: $12,000.
System specifications: IBM compatible PC, 2MB RAM. Operates in DOS 3.0 or later.
Customization optional.
First installation: 1984.
Total installations: 460; 30 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto, professional liability, medical malpractice, health, commercial multiple peril reinsurance.
Features: Loss development and aggregate loss reserve analysis; aids in assessment of loss trends; management reporting and presentation development; accommodates peer group analysis and benchmarking through industry data interfaces; cost allocation; reports developed on a gross, net and ceded basis; accepts loss, loss expense, claim count, salvage, subrogation, premium and exposure data.
User support: Onsite training*, telephone assistance eight hours per day*, user manuals*.
* Included in system price.
Staff: Seven total, four professionals.
Clients: 170 total. Sold systems to 17 clients in 1993.
1993 revenues: $14.2 million total. $500,000 from risk management information systems sales and services, 100% from software sales.
Officers: Reed Keller, vice chairman; Fred Kist, managing partner-casualty actuarial and risk management consulting; Phil Ben-Zvi, executive partner; Orin Linden, Terrance O'Brien, partners.
Contact: Ken Scalf, 404-870-1077.

Corporate Systems Ltd.

1200 Corporate Systems Center, Amarillo, Texas 79102-4410; 800-927-3343; fax: 806-376-4077

Risk management systems since: 1967.
Software products:

■ CS Online.
Price: $25,000-$3 million, based on size and complexity of account.
System specifications: IBM compatible PC-single user or LAN; or 3270 terminals. Operates in DOS, Windows or OS/2.
Customization optional.
First installation: 1967.
Total installations: 4,867, all in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto, short- and long-term disability.

Continued on next page

Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

Protecting most valuable assets

Brokerages aim to keep top producers with pay incentives, new challenges

By GAVIN SOUTER and ADRIAN LADBURY

As the soft property/casualty insurance market continues to cut into brokerage profits, insurance brokers on both sides of the Atlantic are doing all they can to keep what they've got.

Increasingly, that means ensuring that key rainmakers do not walk out the door to a rival broker and take clients with them.

Rather than rely simply on old-fashioned notions like employee loyalty to retain these workers, insurance brokerages—like other financial companies—find that money is the best incentive to retain valued employees.

And, while cost cutting has become a major theme at brokerages over the past several years, top producers rarely feel the ax.

Indeed, as brokerages fight to keep hold of business, executives handling profitable portfolios are finding themselves rewarded more and more.

In many cases, that increased remuneration is deferred as brokerages seek ways of locking in their key people, consultants say.

For example, London-based broker C.E. Heath P.L.C. recently adopted an incentive package under which senior executives must remain with the broker for several years to retain the full bonus.

"Nobody wants to lose key people, and you do what you have to to keep hold of them," said William Perry, president of Logic Associates Inc., an executive recruiting firm in New York.

And that is becoming more difficult as an increasing number of brokerage employees are switching companies, Mr. Perry said.

Last year, about 50 employees and top executives in the construction industry division of Willis Corroon Group P.L.C. defected to rival brokerage Rollins Hudig Hall Group Inc.

The move was disruptive enough to weaken Willis Corroon's first-quarter results. The London-based broker promptly filed a lawsuit, accusing four of the senior executives who moved to RHH of violating contracts and conspiring to steal clients, employees, trade secrets and other proprietary information. Willis Corroon is seeking $25 million in compensatory and punitive damages (*BI*, June 27).

Employee Recruiting & Development

Such employee shifts have affected other insurance brokers as well.

In London, for example, one of the more dramatic moves was the defection in October 1990 of a top team of 15 brokers specializing in energy business to Leslie & Godwin Ltd. from Alexander Howden Insurance Ltd., a unit of Alexander & Alexander Services Inc.

Team leader Ian Waite, former chairman of Alexander Howden Marine & Energy, was reported at the time to have received a package worth more than 1 million pounds ($1.5 million) to smooth the transfer. Other London brokers balked at this size of the compensation paid to the brokers, which one A&A spokesman described at the time as "telephone number salaries."

In the early 1990s, the London market excess-of-loss spiral was the source of untold riches for brokers with the right connections and quick feet. When the LMX market collapsed, however, it took with it the fortunes of thousands of hapless Lloyd's members—and LMX brokers.

As capacity fell, London brokers focused more on cutting costs and holding down wages than on spending millions of pounds to lure producers from other firms or make "golden handcuff" payments to retain them.

But in spite of calls for continued expense control, big payments sometimes have to be made to keep or attract top people at insurance brokerages.

"In some specialty areas, salary inflation is likely to pick up. . .with the transfer market becoming more competitive due mainly to the increased broking promised by rising capacity and to a number of groups looking to add teams," according to a report by London analyst S.G. Warburg Securities. "Nevertheless, such pressure is likely to remain relatively localized and we expect overall salary increases to remain subdued over 1994 and 1995 as the twin benefits of low inflation and managements' focus on broking margins continue to be felt," the analyst predicted.

In the United States, the increase in the number of brokers jumping ship is partly due to the soft insurance market, Logic Associates' Mr. Perry said.

"Any guy who is a producer is in demand. . . .In this day and age there is no such thing as company loyalty and people are out there selling themselves," he said.

And, as brokers seek to expand into new areas, they usually recruit from rival brokerages to build expertise in those target areas.

However, brokerage employees who are successful at finding better compensation elsewhere are frequently discovering that their current employers are willing to match those offers to keep them and their clients, said Michael Tannenbaum, executive vp at Richard Meyers & Associates, a recruitment consultant in Florham Park, N.J.

"One of the things that has become very prevalent is the counteroffer. Firms want to hang on to their valued employees and impede their competition's progress," he said.

Besides more money, employers are more frequently offering their producers increased responsibility and senior positions in an effort to keep hold of them, Mr. Tannenbaum said.

"Major insurance brokers are doing what they have to to hold on to people," he said.

In many cases, that means making sure that key executives are tempted to stay with their current employer for the prospect of future gains rather than join another brokerage for immediate gains, said William B. Clemens, managing director of Norman Broadbent International Inc. in New York.

Stock options are seen as one effective way of holding on to people, he said.

"It's been going on on Wall Street for years and it's a pattern that will continue among (insurance) brokers," Mr. Clemens said.

Stock plans and deferred compensation are seen as effective "golden handcuffs," agreed Mr. Perry of Logic Associates.

"In essence, you are saying to someone, 'If you stay and continue to do your job we will pay you more money but in a deferred form so that it is too expensive for you to leave,' " he said.

Deferred compensation and stock plans can often make it worthwhile for a broker to stay with his current company for another 10 years, Mr. Perry said. "They are the big things that hold on to people."

Brokerages are also trying to hold on to brokers by more effectively

Continued on next page

Agent/Broker Topics

Hire achievement from intern program

Gallagher sees success in growing its own brokerage talent

By SALLY ROBERTS

Brokers readily admit that one of the ongoing challenges they face is recruiting and developing skilled employees.

Although many brokers depend on recruiting experienced professionals from within the industry to build up their sales forces, Arthur J. Gallagher & Co. is one broker that builds much of its team from scratch.

For the past 29 years, the Itasca, Ill.-based broker has devoted a large portion of its recruiting time and effort to a summer internship program for college students. The

program gives interns an opportunity to learn about the insurance industry and to observe how insurance brokers work day in and day out, while giving Gallagher a pool of potential hires.

The internship program, which was the brainchild of Executive Vp John P. Gallagher in 1965, was created in response to the recognition that to grow into a national brokerage, Gallagher could not just "steal" producers from other brokerages, it also needed to bring new people into the business, said Terry Hennen, director of training and communications.

Since the program's inception, Gallagher has sponsored approximately 250 interns. Of those, more than half joined the brokerage after graduation and 50% of those are still with the company, he said.

Part of the program's success can be measured by the accomplishments of former interns.

Six former interns are now corporate officers within the company, including: J. Patrick Gallagher Jr., president and chief operating officer; Warren G. Van der Voort Jr., vp-mergers/acquisitions; Gary M. Van der Voort, president of the brokerage services division; James S. Gault, president of the national risk management sales division; Peter J. Durkalski, president of Gallagher Bassett Services Inc.; and Clark W. Johnson, area president of Gallagher's Southern California unit in Woodland Hills.

Gallagher has historically had a young sales force, said Mr. Hennen. Because Gallagher is "new business-oriented," the "vitality, enthusiasm, drive and hunger to go out and please" found in young professionals is necessary for the company, he added.

However, having a young sales force also brings some challenges. As the insurance business moves toward larger, more complex accounts, some clients are apprehensive about novice producers handling their accounts.

"This is beginning to be a problem" as Gallagher moves further and further away from smaller accounts, Mr. Hennen admitted.

To overcome this, new producers start on smaller, less sophisticated accounts or as a team with other, more experienced producers, he said. Gallagher is also "very big on training internally" and externally through insurance courses offered by colleges and universities and continuing education classes, he added.

Both of these tools enable young producers "after a few years to hold their own."

Another obstacle Gallagher's internship program is designed to overcome is the generally poor impression that many college students have of the insurance industry.

"Getting past the image is part of it," Mr. Hennen said. Gallagher sells the program to college students by explaining how being a producer is "really the exciting end of the business" and that if they take this internship opportunity they will experience everything a producer does and will "change their tune" about the industry, he said.

The eight-week internship begins with a week of classroom instruction in Gallagher's home office in Itasca, Ill. The interns first are given basic information about how insurance works and what a broker does. Basic business skills such as speaking and writing are also covered.

The seven weeks following that are spent in the field. The interns are assigned to various company branches to spend time with veteran brokers.

Interns are not expected to sell anything; rather, they are at Gallagher to gain a feel for the brokerage process, Mr. Hennen stressed. Much of their time is spent accompanying professional brokers as they make sales calls, meet with clients and negotiate with underwriters. They also work on other projects like gathering data for applications and helping prepare sales proposals.

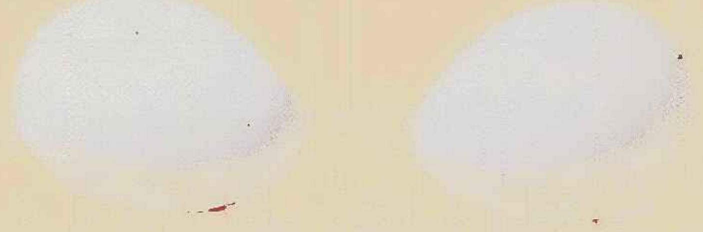
When the internship program started, only one or two interns participated during the summer, Mr. Hennen said. "Up until eight years ago, we had only seven or eight interns a summer."

This year, Gallagher is sponsoring 23 college students and has had as many as 30 interns at one time, Mr. Hennen said, adding that some of the interns who are between their sophomore and junior years will come back the following summer.

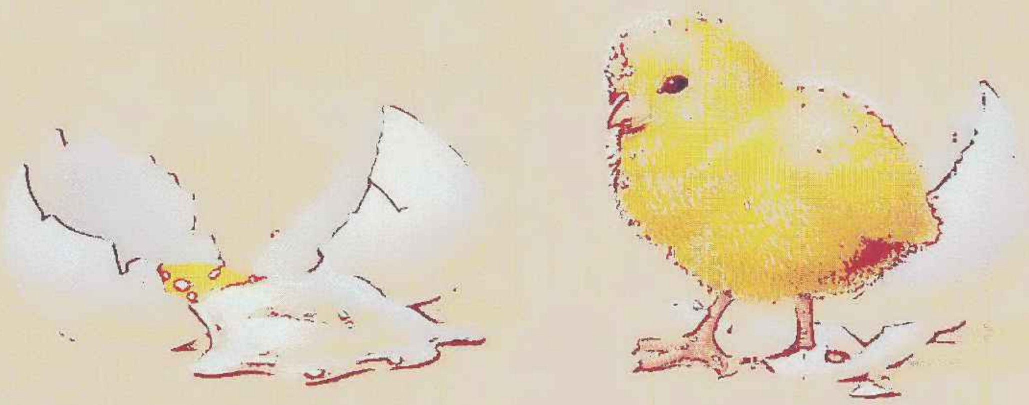
The program has also expanded into other Gallagher offices, Mr. Hennen said.

A few years ago, the summer intern program was limited to the Chicago area. This summer alone, interns have been placed in about 12 other cities, including; San Francisco, Los Angeles, Houston, Miami, Atlanta, Boston and Dallas, Mr. Hennen said.

The Gallagher internship program is open to all college students regardless of their major and pays $2,000 during the eight-week program. BI



Some Things Look The Same On The Outside



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Agent/Broker Topics

IIAA program taps campuses for recruits

By SAMEERA KHAN

Employee Recruiting & Development

Independent insurance agents are turning to direct recruiting of young people from college and university campuses to attract new blood to the industry.

The Independent Insurance Agents of America a year ago launched such a recruitment program, called "Future Force," to bring new people into insurance agencies.

The program also aims to convince agencies and insurance companies of the need to go to campuses and compete directly with big corporations to attract the best talent to the insurance industry, said Maureen McGeough, administrator of Future Force at the Alexandria, Va.-based IIAA.

The program, which currently operates in six states with about seven participating universities, is administered by each individual state's IIAA chapter, she said.

In the 1993-1994 school year, an estimated 85 students participated in the program, and about 58 were hired by agencies or insurers.

"In another year's time, we'd like to see 12 states participating in it, and by the year 2000 every state in America should hopefully be part of the program," Ms. McGeough said.

The program has its roots in a strategy adopted a few years ago by the Independent Insurance Agents of Kentucky and Eastern Kentucky University in Richmond.

Under the strategy, insurance agents visit the university, speak with students about the profession, collect the resumes of interested students and put them into a book that is then distributed to agencies and insurers.

"For students, it's a great way to have your resume distributed in the widest possible way, and for the insurance industry, it is a way to enhance business, particularly the marketing side of it," said Peter Kensicki, a professor and chairman of the insurance department at Eastern Kentucky University.

The university also takes the program a step further by offering personality profile testing to students to guide them and their prospective employers on the right role for them in the insurance industry. This year, 30% of the students tested showed an aptitude toward being producers, Mr. Kensicki said.

"The process allows companies to screen potential candidates very thoroughly," he explained.

Besides Eastern Kentucky, Future Force is also active at: Appalachian State University in Boone, N.C.; Indiana State University in Terre Haute; the University of Nebraska in Lincoln; Oregon State University in Corvallis; the University of Portland in Portland, Ore.; and the University of South Carolina in Columbia.

Scott Stewart, chairman of the Oregon chapter of Future Force, believes that the program serves an important purpose for the industry.

According to Mr. Stewart, the insurance industry is in a quandary, with an aging sales force—he estimates the average age of independent insurance agents to be 55—and relatively few bright, young people joining the industry.

"Our industry has not prepared well for the future. We need young, visionary people who have drive and initiative to represent the industry," he said.

At a recent career fair at the University of Portland, which 500 students attended, the Oregon chapter of the IIAA set up a booth explaining careers in the insurance industry.

George Johnson, vp-property and casualty marketing at Seattle-based SAFECO Insurance Cos., which contributed $10,000 to the Future Force program, sees the program as a positive step in recruiting new talent for the industry.

According to Mr. Johnson, recruiting is a big challenge because there is decreased interest among college graduates in insurance industry careers and few colleges offer an insurance curriculum.

Jack Reardon, vp-agency development at Indianapolis-based American States Insurance Co., which contributed $7,500 to Future Force, said the cause is an important one to support because young people hesitate to get into the insurance business for fear of sales work and making cold calls.

"They don't have the confidence to approach it as a career, so the industry must approach them." BI

Court cuts damages for agent's acts

By DOUGLAS McLEOD

An insurer is liable for its agent's misrepresentations but cannot be assessed treble damages if the misrepresentations were made unknowingly, Texas' highest court ruled.

The ruling affirms a lower court decision on the insurer's liability but overturns a portion of that ruling that awarded treble damages to a health insurance policyholder of Celtic Life Insurance Co. of Chicago.

The state Supreme Court ruling stems from a lawsuit filed by John D. Coats Jr., the owner of Austin-based Aloha Pools, over psychiatric benefits under a Celtic policy that Mr. Coats bought for employees through a Celtic agent, Kenneth Harrell.

Mr. Coats told Mr. Harrell in 1984 he wanted a policy that would give psychiatric benefits equal to or greater than the $20,000 in coverage his then-current policy provided.

Mr. Harrell offered a Celtic policy that included a $1 million maximum lifetime hospitalization limit. The policy also included a $10,000 limit on psychiatric care, but he told Mr. Coats' business manager that the sublimit applied only to outpatient services, court papers show.

Mr. Coats' son was later admitted to a hospital for inpatient psychiatric care and, despite Mr. Harrell's continued assurances that the $1 million hospitalization limit applied, Celtic paid only $10,000 of $27,000 in total medical costs, court papers say.

A Texas state court jury found that Mr. Harrell had misrepresented the policy's terms and awarded Mr. Coats $17,000 in damages. Although the jury also found that Mr. Harrell had not made the misrepresentations knowingly, it also trebled the award under the state deceptive trade practices law (*A/BT*, Oct. 4, 1993).

An appeals court affirmed the award, and on June 22, the Texas Supreme Court unanimously upheld the finding of liability against Celtic but threw out the treble damages.

Celtic argued unsuccessfully that it should not be held liable because Mr. Harrell was only a soliciting agent and did not have authority to bind coverage, and because he was acting outside the scope of his authority.

"There is no dispute that Harrell performed, on Celtic's behalf, at least some of the acts listed in (the state insurance code). Thus, under that provision, Harrell was clearly Celtic's agent," the Texas high court found. "An insurance company is generally liable for any misconduct by an agent that is within the actual or apparent scope of the agent's authority."

Apparent authority, the court noted, could include acts a reasonably prudent person might believe the agent was empowered to do.

"Celtic does not contend that Harrell's representations were so absurd that no reasonable person could have believed Harrell was acting within the scope of his authority," the Texas Supreme Court observed.

The court also rejected Celtic's argument that it had not authorized Mr. Harrell to make representations about specific coverage terms outside the terms of the written policy. "In determining a principal's vicarious liability, the proper question is not whether the principal authorized the specific wrongful act; if that were the case, principals would seldom be liable for their agents' misconduct. Rather, the proper inquiry is whether the agent was acting within the scope of the agency relationship at the time of committing the act."

The state high court also rejected Celtic's claim that Mr. Coats had failed to show his loss resulted directly from reliance on the misrepresentations, concluding that he need only show the misrepresentations were a "producing cause of damages."

But, the court overturned the treble damages award, finding that the state deceptive trade practices act and the insurance code require a misrepresentation to be made knowingly for treble damages to apply.

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Celtic Life Insurance Co. vs. John D. Coats Jr., Supreme Court of Texas; No. D-2775.

Lobbying for insurance industry change

Veteran lobbyist tells how P/C industry voices concerns

By MICHAEL SCHACHNER

E. John Cucci, vp-Northeast Region with the Alliance of American Insurers in New York, oversees the trade group's lobbying activities and public affairs in Connecticut, Pennsylvania, New Jersey and New York.

Mr. Cucci has been active in the property/casualty industry for 34 years, 26 of those as a state-level lobbyist and public relations specialist for the Alliance. He has worked out of the group's Manhattan offices since the early 1970s.

Mr. Cucci has also served on numerous advisory committees to the National Assn. of Insurance Commissioners and as a consultant to various insurance projects and groups.

On a day-to-day basis, Mr. Cucci is responsible for lobbying regulators and lawmakers in New York and Pennsylvania, while his associate, Sarah Phillips, handles New Jersey and Connecticut.

He has written articles on business, sociological, political and regulatory issues published in newspapers and trade journals throughout the country.

Mr. Cucci graduated from St. John's University in New York with a bachelor's degree in English and holds a master's degree in American studies from New York University. Prior to joining the Alliance, he was the advertising and public relations manager for a national insurance company.

He recently shared his views with New York Bureau Chief Michael Schachner on what goes into lobbying insurance regulators and legislators.

* * * *

How important to the Alliance are the four states for which you're responsible?

They're very important because they're big, urban states with progressive, cutting-edge issues and legislation. What happens here often is exported to other states.

Currently, what are the most important insurance issues in these four states?

In New York, it's definitely the *Dole vs. Dow Chemical* ruling, which between 1982 and 1992 cost employers $1.65 billion. This early-1970s ruling removed workers compensation as an exclusive remedy by allowing injured workers to sue the manufacturer that built a piece of equipment and then allowing that manufacturer to sue the employer for 50% (of the judgment). Thus, the employer pays twice in the form of workers comp benefits and half of a negligence judgment against the manufacturer. We need this repealed. The workers comp system was set up to take care of the worker, not a third party.

Lead paint liability is a sleeper issue. The New York Department of Health is about to promulgate standards for abatement, but there are no licensing requirements for those that will do the work. (The Alliance's position is) 'Don't put in standards before a licensing bill is passed.'

In New Jersey, (the most important issue) is retiring the $1.3 billion debt in the personal auto Market Transition Fund, and I think we're close to that via state bonds, surplus funds in the old Joint Underwriting Assn. and insurer assessments that are now in escrow.

In Connecticut and Pennsylvania, it's primarily getting significant workers comp reform packages that were passed over the past two years into full effect. The trial lawyers' bar is making it tough on us.

Do state legislators deal with insurance issues in a manner similar to federal lawmakers, and are the issues the same at the state level as they are in Washington?

At the state level, you have very professional staffs and lawmakers who are closer to the public they serve. They're more likely to fine-tune what exists in order to keep what's good. At the federal level, it's more of a meat cleaver approach that's driven by egos. It tends to be all or nothing.

Look at McCarran-Ferguson and

Continued on next page

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John Dingell's federal solvency campaign. Again, they're ego-driven, and they're basically both sham issues. They're rallying behind something without knowing what the impact will be on the states and small companies. If you take away McCarran-Ferguson, within 10 years there'll be about 10 large companies dominating the market. Do we really want that?

Are state regulators and legislators generally receptive to insurers' concerns?

To the degree that we can communicate to them that insurers employ people, buy state bonds and pay taxes, they're open to what we have to say. But this is only a recent realization on their part, which is probably our fault, to some extent.

What strategies do lobbyists employ to make their concerns known to state lawmakers and regulators, and what is the best way to approach them?

First, the approach must be honest and forthright. The day of the gift in the brown bag went by the wayside with Boss Tweed. Second, you must come to them with credible, timely and accurate information to help them make their decisions. It's really one strike and you're out. Once you have steered someone wrong, it's suicide.

The way we communicate is via personal meetings, phone calls and faxes. That's the way it's done today. Only when the timing and issue is appropriate do we look to a grass-roots campaign. That worked well for us on the workers compensation issue in Pennsylvania a few years ago.

Do insurers have a more powerful voice in America than 10 years ago? And, has this changed the way insurance lobbying is conducted?

Insurers have a diminished voice today. Most consumers know much more about insurance now than 10 years ago. Today, insurance is part of someone's overall financial portfolio. It's a concern just like savings, taxes and life insurance.

Also, more types of organizations are lobbying today. While we try to put our people as close to state legislators as possible, so are other organizations. There's a lot more competition today for the ear of the lawmaker, which has made our job a little more difficult.

Looking ahead, how do you foresee lobbyists' relationship with regulators and legislators evolving?

We have to look more toward creative ways to get our messages across. These people are not our adversaries. Insurers, regulators and legislators have a mutual concern, and that's the public.

We also have to change the perception that insurance is nothing more than a utility. As long as it's perceived like that, it will be regulated like a utility.

Over your two decades plus as a lobbyist, what have been your greatest successes as well as your greatest disappointments?

In terms of successes, three or four years ago when the federal tax laws were changed and limits were put on tax exclusions for reserves, there was going to be a great impact on insurers and their state taxes.

We were able to get the New York tax laws decoupled from the federal laws and it has saved our insurers a lot here.

Getting a verbal threshold in 1977 for auto liability cases was also very important. We went from a $500 medical expenses threshold to a definition of what a serious injury was. It has cut out most nuisance claims and has lowered rates.

One of my major recent disappointments was not getting a proper managed care plan attached to the workers comp package in New York. All we got was a pilot program that calls for no more than 24% of the workforce going into managed care and there's a 14-day opt-out. We wanted a lot more. BI

Using all available resources

Agents say they are often overlooked as part of insurers' marketing efforts

By SALLY ROBERTS

Insurance marketing executives should consult with agents and brokers prior to mass marketing new products and services to get a better grasp of customers' needs, brokers contend.

While some insurers do consult agents and brokers beforehand, many simply let their brokers find out about new products through company brochures, brokers complain.

"What carriers view as an opportunity might be different from what agents and brokers feel is a real true sales opportunity," said Gary Griffith, president and chief executive officer of Hogg Robinson Inc. in Boston. "Insurers need to work with the distribution network up front to hear what they have to say about new products."

"Agents are in effect the ears of the customer—they know what gets customers excited," said Michael B. Henning, executive vp of Acordia Inc. in Indianapolis.

Brokers "know exactly how to present the value of a product to the world," added Thomas W. Knaup, president of the Western region for Near North Insurance Brokers Inc. in Los Angeles.

In addition to consulting with brokers, insurers also should make sure the "internal structure" is solid before embarking on a marketing blitz with a new product or service, Mr. Knaup said.

"Nothing makes you look more foolish than if you can't follow through" on a promise after marketing a new product, he said.

During a session at the recent In-

Continued on next page

Marketing

Continued from previous page

surance Marketing Communication Assn. conference in Montreal, Larry Thompson and Charles W. Gross, both vps at Calco Insurance Brokers & Agents in San Mateo, Calif., suggested several other ways to improve commercial lines marketing to agents and brokers.

Among their suggestions: Commercial insurers should not spend marketing dollars on elaborate pictures and glossy stock for the brochures they send to agents and brokers.

"Brokers and agents are very reluctant to use brochures that are heavily company-driven," Mr. Thompson said. Most of the brochures are never seen by the ultimate insurance buyer and end up hidden in drawers because brokers want to maintain an independent stance.

And, because multiple brokers often represent the same insurer, many of the products and brochures are not proprietary, he said.

While brand awareness is important, it's more important after the sale, Mr. Thompson said. Before the sale, agents and brokers use the brochures to learn about new products, not to market them.

Other brokers suggest that insurers look at other media options, such as using videos, in lieu of brochures.

"Videos offer a much more powerful punch than printed brochures," Hogg's Mr. Griffith said, adding that "most insurers have missed this aspect."

While the videos won't be used with clients or prospects up front, they are a good tool for in-house training and for explaining a new product to agents or brokers, he said, adding that videos, like brochures, should focus on specific products and types of clients.

Another step in improving marketing communications is using computers, Mr. Griffith said. "I can't keep 250 brochures on my desk, but I can get one computer and get updated material on new products through that."

Near North's Mr. Knaup suggested that insurance companies use the mass media—for instance, by purchasing full-page ads—to highlight their products and to create awareness that their product and company exist.

Other brokers disagreed. Insurers should not spend their marketing dollars on advertising to the ultimate insurance buyer, Messrs. Thompson and Gross told attendees at the IMCA meeting.

The insurer's client is the agent or broker, they contend. Therefore, insurers need to sell the product to the agent first, who will in turn sell it the ultimate user. The best advertising in the world will not work if the agent is not on board, they say.

Some brokers suggested that rather than use general advertising, insurers are better off advertising a specific product at a specific time to a specific audience.

Messrs. Thompson and Gross also suggested that insurers can better market to agents and brokers by giving them a specific, unique niche, not a general area of business.

Other brokers say a partnership approach is a great way of doing business.

Agents and brokers have much better luck working with a specific insurer, with a specific market and a specific product, Mr. Griffith said.

Acordia's Mr. Henning suggested that after a broker finds what the customer's needs are, insurers can create a partnership with the broker to help develop a product that meets the client's needs.

Messrs. Thompson and Gross suggested other ways insurers can better market to agents and brokers:

- Instead of spending large amounts of money on expensive brochures, insurers could help local independent agents and the local offices of national brokers develop literature on strong agency capabilities. These brochures should feature the strengths of the agency, not the insurer's products and services, and the brochures should not have the insurer's name on them.

Messrs. Thompson and Gross say that an insurer's expertise can be put to use for the agents by offering free copywriting and design as well as sharing out-of-pocket expenses. These services can be negotiated as part of the sales and compensation plan for the year.

- Insurers should provide adequate supplies of meaningful materials to agents. Too often, insurers meet with agents and do not leave enough brochures for all the agents to get to know the new products. Insurers with limited budgets should first decide how many brochures they need, then decide how fancy they can be.

They also suggest that, in addition to brochures, insurers discuss new programs with each agent.

- Insurers should provide qualified leads or none at all. Too often, a "lead" is simply the name of an insurance buyer from a certain company, Messrs. Thompson and Gross said.

Insurers should instead develop an integrated sales program that includes lead qualification and marketing. Agents must totally support the process and be a partner for it to succeed, they advise.

- If a broker and an insurer are committed to developing an insurance program, the insurer should help the broker develop an effective direct mail program, they suggest. Because insurers are more likely to have greater resources, they are in a better position to help agents not only create programs but also to help alleviate the high cost involved, they said. They point out however, that it is important to create an understanding of the ground rules before launching the program.

- Insurers should not waste agents' time with ill-prepared meetings.

It sometimes seems like the insurance representative is stopping by to visit just so he or she can fill out a call report, brokers complained.

When insurers introduce a new program, they want to bring underwriter, loss control and claims people to meet with the agent's counterpart. But, too often the insurers have very little to say and are poorly prepared, they said. Overall, company people need to work on their marketing and presentation skills, they said. BI

P/C insurance companies continue to downsize despite improved financial results

By SARA MARLEY

Downsizing remains an integral part of many large insurers' strategies for 1994, despite an improving financial picture.

Nearly 70% of chief executive officers of property/casualty insurers with $1 billion or more in assets expect to continue downsizing this year. Only 43% of CEOs of smaller insurers anticipate further downsizing, according to a survey conducted by executive recruiting firm Dieckmann & Associates Ltd.

In addition, executives who expect their companies' financial results will improve in 1994 were twice as likely to say layoffs will continue as CEOs who predicted the same or worse financial results.

Overall, 53% of CEOs of property/casualty insurers surveyed predict continued downsizing. Although this is down significantly from 93% in 1993, it still surprised Ralph Dieckmann, president of the Chicago-based firm.

"We expected downsizing would have run its course," Mr. Dieckmann said.

Downsizing surpassed "continuing soft markets" as the force that will have the greatest impact on employment in the property/casualty industry in 1994, the survey indicates.

The continuing soft market ranked second overall, though it was still the top factor cited by executives of insurers with more than $200 million in assets. The U.S. economy and states' regulatory climates rounded out the list.

Dieckmann surveyed 115 chief executive officers and chief operating officers in February about their expectations for financial results and staffing throughout the year.

Of those responding, 22% were from insurers with assets greater than $1 billion; 32% from insurers with $200 million to $1 billion; 20% from companies with $100 million to $199 million; and 26% from companies with assets of $99 million or less.

Departments most likely to be targeted for layoffs were administrative and clerical workers and support staff, according to the executives.

Areas where staff would most likely be increased were claims, sales and marketing and information technology, the CEOs reported.

The executives put underwriting on both lists—a result that surprised Mr. Dieckmann.

"With the reduced income from investments because interest rates are so low, I thought everyone would be focusing on bolstering their profit through underwriting," he said.

Companies with less than $200 million in assets were more optimistic about their 1994 financial results than the largest insurers surveyed.

Three-quarters expected improved results, 18% predicted the same and only 7% forecast worse results.

Half of insurers with more than $1 billion in assets project improved results, 32% predict the same and 18% expect results worse than in 1993.

Overall, 62% of insurance executives surveyed project improved results, 27% predict the same and 11% forecast worse results.

Most CEOs were less optimistic about the property/casualty industry as a whole than about their individual companies. Overall, less than 30% expect the entire industry to better last year's results, 34% foresee the same results and 37% think things will get worse.

Many CEOs cited low rates in predicting their companies' and the industry's outcomes for 1994.

"Trends can no longer camouflage poor underwriting performance," wrote one CEO who anticipates worse results.

"Though re-engineering will provide some efficiencies, without rate increases, results will stay the same," commented another.

Finally, top executives were asked to identify the management weaknesses of the property/casualty industry today.

Lack of long-term perspective and too much short-term thinking topped the list, followed by:

- Forgetting insurance fundamentals.
- Paying too much attention to market share and too little to pricing and profitability.
- Lack of vision, creativity and "guts."
- Poor customer service.
- Lack of leadership and poor interpersonal skills, which resulted in "40 years of projecting the wrong culture to new employees and allowing the best people to leave," according to one respondent.
- Failure to anticipate and react to changing needs in the marketplace.

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Free copies of the survey of insurer CEOs are available from Dieckmann & Associates Ltd., 2 Prudential Plaza, Suite 5555, Chicago, Ill. 60601; 312-819-5900.

Some insurers working to prevent agent missteps

By MARK A. HOFMANN

Sometimes, it's the little things that can get a life insurance agent into the biggest trouble.

Maybe the agent's claim about a certain product's performance was a little too sweeping—perhaps downright misleading.

Or maybe saying that a particular service would be provided at "no extra cost" didn't quite tell the whole story. And perhaps that piece of advertising went out into the mail before it cleared the corporate legal department, which would have spotted major regulatory problems if it had been given the opportunity to review the ad.

It doesn't end with the agent, either, because the agent's troubles quickly become the insurance company's troubles as state regulators start looking into consumer complaints about sales practices.

Just look what happened to New York's Metropolitan Life Insurance Co., which has agreed to pay tens of millions of dollars in fines and restitution to customers because of the sales practices of some now-former agents in its Tampa, Fla., office (*IT*, Jan. 17).

In fact, MetLife officials recently had to appear before the House Energy and Commerce Subcommittee on Commerce, Consumer Protection and Competitiveness to explain to a skeptical Chairman Cardiss Collins, D-Ill., just how such a mistake could have occurred.

In an effort to make sure that sort of invitation never arrives at corporate headquarters in Des Moines, Iowa, marketing officers of The Principal Financial Group have been bolstering its internal ethics program, the principles of which date back decades.

A recently created task force has been visiting agencies to make sure that sales practices are up to company standards, said Barry Griswell, senior vp-individual.

"Our marketers welcome (the task force) with open arms," said Mr. Griswell.

Rather than being defiant, the agents "understand the serious nature" of the effort, he said.

To reinforce the message, The Principal Mutual Group published a manual for agents about three years ago called "Say It Right, Write It Right and Stay Out of Trouble." It bears the subtitle: "A Must-Know Manual for Anyone Who Communicates to People Outside The Principal Financial Group."

The manual goes out to all of the insurer's agents, who operate on an exclusive basis, and to the managers of brokerages involved with the insurer's products.

The manual covers everything from the typeface to be used on the insurer's logo to ethical standards for advertising material that mentions competitors to copyright law, the perils of desktop publishing and words that should never be used in advertising, even if they happen to be true.

For example, the word "all" should be avoided, and "most" used in its place. "Usually" or "generally" are better choices than "always."

The manual also stresses that agents are never to use unapproved advertising. "We do remind people what the rules are," said Mr. Griswell. Preapproved ads are easier for agents to use and, from a compliance standpoint, very helpful to the company in its dealings with regulators, he said.

The Principal's logo is also the subject of several pages that show how it should not be used. The manual notes that the logo is never to appear with another company's logo on a business card. The manual shows graphically why desktop publishing is not to be used in creating advertising materials: The desktop versions of the logo are blurred and rough around the edges.

The Principal's insistence on tight controls over advertising material is designed to make sure that neither its message nor reputation get blurred.

Stringent business ethics are "very much part of our core value. We place enormous emphasis on customer service and treating customers fairly," said Mr. Griswell.

Caution is required 'when you have a large group of people representing you,' says Barry Griswell.

He said the company has had a business conduct committee since the early 1980s. Career agents are required to sign an ethics statement called "Commitment to Excellence" every year to reinforce their commitment to the company's philosophy.

The company's Business Conduct Task Force was put into place in response to problems in the industry—not specific problems at The Principal—about six months ago, said Mr. Griswell. The task force consists of eight to 10 people who represent a cross-section of operations within the company that would be dealing with agency questions.

The task force looks "at what we are doing to make sure that we're adequately doing things" by going into agencies and reviewing practices, he said. Agencies have "welcomed the audits," he added.

The task force has uncovered no major problems. "We feel fairly good about where we are. You have to be a little cautious when you have a large group of people representing you all over the country," said Mr. Griswell.

Although ethical dealings have always been stressed at The Principal, the problems of MetLife and other life insurers sharpened the focus on ethics, Mr. Griswell said. Every insurer had to look at what happened, he said.

Despite the high-profile tribulations of some insurers, "I personally think the industry is very ethical," he said.

"I don't think this is a systemic problem." BI

Agent/Broker Topics

A/BT Briefs

Recruiting women

COLUMBUS, Ohio—Nationwide Insurance Cos. has begun a program intended to increase the number of women in the insurer's sales force.

Called "Women in Nationwide Sales," the program's goal is to recruit an equal number of male and female agents, starting in 1995. The insurer anticipates recruiting up to 200 agents next year. Also in 1995, Nationwide plans to appoint women to at least one-third of its new agency manager positions.

A task force has been formed to direct the effort, which will use special training, advertising and public relations campaigns to support the program, said Jack W. Wood, Nationwide's director of agency development and the WINS program.

The $1 million advertising and public relations campaign will appeal to common frustrations experienced by professional women ages 25 to 54 that could lead to a career change: for example, desire to own a business, lack of opportunity at their present employers and earning potential at their current jobs.

Color print ads are expected to appear in Working Woman, Money, Time, Newsweek, U.S. News & World Report, People, Working Woman and Working Mother magazines.

Nationwide began licensing women as agents more than 60 years ago, and in 1964 formed an all-woman sales district in New York, the first such district in the insurance industry.

The Columbus, Ohio-based multiline insurer has about 4,800 exclusive agents, about 8% of whom are women, in states east of the Mississippi, in Texas and in Arkansas.

Consultant acquired

MATTESON, Ill.—Applied Systems Inc. is acquiring Advanced Insurance Technologies Inc. on Aug. 1. Terms have not been disclosed.

Matteson, Ill.-based Applied Systems is a leading vendor of agency automation systems for independent agents. AIT, of Homewood, Ill., is an agency management consulting firm that serves both independent agents and insurance companies. The new AIT division of Applied Systems will offer products and services to improve the efficiency of agencies throughout the United States and Canada.

AIT conducts workshops on marketing, system utilization and agency financial management, and designs training systems for insurer-provided agency software.

Consulting firm formed

LAFAYETTE, Calif.—A new company has been formed to provide management consulting and strategic planning to agents, brokers and insurance companies.

The firm, Shoemaker-Weber Inc., was established by Richard Shoemaker, president of Fair Oaks, Calif.-based IR Group Cos., and Donald R. Weber, who was formerly executive vp and chief operating officer of JIB Inc., the U.S. unit of London-based broker JIB Group P.L.C. Prior to that, Mr. Weber had been chairman and chief executive officer of Financial Guardian Group, which was acquired by JIB.

Mr. Weber has been named president of the new management consulting firm, which is based in Lafayette, Calif.

"When I attend Greenbrier and other association meetings, I talk with those executives who are experiencing the challenge of taking regional operations to a larger scale. I have some ideas that I believe could maximize the progress of those firms and I am anxious to share them," Mr. Weber said.

Shoemaker-Weber Inc. is located at 3470 Mt. Diablo Blvd., Suite A-150, Lafayette, Calif. 94549; 510-284-3877, fax: 510-283-1465.

Philanthropist honored

SAN FRANCISCO—Richard N. Goldman, a San Francisco brokerage executive, was honored recently by the Insurance Industry Charitable Fund.

The fund, which evolved from the Insurance Council of Northern California for the City of Hope, has honored outstanding members of the insurance industry for the past eight years.

Mr. Goldman, chairman and chief executive officer of Richard N. Goldman & Co., one of the 100 largest U.S. insurance brokerages as ranked by *Business Insurance*, is an active philanthropist. He is also San Francisco's chief of protocol.

In 1989, Mr. Goldman and his wife, Rhoda, founded the Goldman Environmental Prize, an annual $360,000 award given to six "grass-roots heroes" dedicated to protecting the environment (*A/BT*, Oct. 4, 1993).

In addition to honoring Mr. Goldman, the Insurance Industry Charitable Fund also installed as its chairman James R. Woods, managing partner with San Francisco-based law firm LeBoeuf, Lamb, Greene & MacRae. Fred Dopfel, president of investment bank Russell Miller Inc., was installed as the fund's president.

E&O program

Expanded coverage and higher limits now are being offered under an errors and omissions program sponsored by Assurex International and the Council of Insurance Agents & Brokers.

The eight-year-old PAR Ltd. program for larger regional agents and brokers is underwritten by Fireman's Fund Insurance Co. The enhanced policies now offer limits of up to $10 million and cover a wider range of exposures. For more information, call Cathy Stone at Assurex, 614-888-4869.

Broker acquired

SAN FRANCISCO—USI Insurance Services Corp. has acquired Max Behm & Associates Inc. of Woodland Hills, Calif. Terms were not disclosed.

The July 1 acquisition of Max Behm & Associates, a broker that places commercial insurance for the film, television and music industries and other non-entertainment accounts, is part of USI's national growth strategy of acquiring brokers with niche specialization.

USI was formed last year by Bernard Mizel, former head of American Business Insurance. BI

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Agent/Broker Topics

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Issue of August 1

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   A ❑ Mfg/Svcs B ❑ Association C ❑ Union D ❑ Government E ❑ Educational Inst F ❑ Ins Agent G ❑ Ins Broker H ❑ Ins/Reins Co I ❑ Actry/Conslt J ❑ Attorney K ❑ Adj/Apprs L ❑ TPA M ❑ Health care Inst N ❑ Other ____
2. **Number of employees:**
   1 ❑ 150 or less 2 ❑ 151 - 499 3 ❑ 500 - 999 4 ❑ 1,000 - 4,999 5 ❑ 5,000 or more 6 ❑ Unknown
3. **My title is best defined as:**
   A ❑ Administrative Mgt B ❑ Financial Mgt C ❑ Risk Mgt D ❑ Benefits Mgt E ❑ Loss Prevention Mgt F ❑ Other ____
4. **My purchasing involvement for the requested products is to:**
   1 ❑ recommend only 2 ❑ specify 3 ❑ approve
5. **Do you now receive a personally addressed copy of *Business Insurance*?**
   A ❑ Yes B ❑ No, so please send subscription info

Circle the numbers below that correspond to the companies listed on our Advertiser Index for the **August 1, 1994** issue. Cards with more than 20 items circled will not be processed. This card expires **September 26, 1994.**

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Features: Claims administration, loss prevention, policy and reserve tracking, self-insurance comparisons and analysis, safety and loss control, incident reporting, online report generation, turnkey batch reporting service, laser check processing, diary and narrative, litigation management, supervisor/adjuster reporting, integrated word processing, vocational rehabilitation tracking, allocation of premium, external data conversion. Optional modules include interface with internal general ledger; employee census and location coding data bases; CS KnowlEDGE ad hoc report writer with a summary data base to be used in comparative analysis, matrix grid functions, downloading of data to spreadsheets and creation of graphics and presentation; CS FORESTAR with forcasting statistical and actuarial routines, including user-defined loss development triangles for claim frequency.

■ CS PRISM.
Price: $30,000-$500,000, based on size and complexity of account.
System specifications: IBM compatible PC network and IBM AS/400 file server versions. Operates in DOS, Windows or OS/2.
Customization optional.
First installation: 1986.
Total installations: 52, all in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: CS Prism offers the same features as CS Online but operates on a different platform. See CS Online description above.

■ CS + Managed Care.
Price: $10,000-$150,000 plus per bill charges.
System specifications: IBM compatible PC - single user or LAN; IBM AS/400 file server; or 3270 terminals. Operates in DOS, Windows or OS/2.
Customization optional.
First installation: 1989.
Total installations: 565, all in corporate risk management departments.
Claims/coverages managed: Workers comp, auto.
Features: Automated coding of diagnoses and procedures for physician, hospital, pharmacy and anesthesia bills; online review for normative patterns of treatment; rebundling of unbundled procedure codes; medical fee schedule review and repricing (database of state fee schedules, usual and customary fees, resource-based relative value system fees); duplicate identification; state rules for all fee schedule states; master drug data base; global PPO network management; utilization review module; ad hoc reporting from relational data base; laser check processing, including explanation of reimbursement. Optional modules interfaces with third party claims systems, CS Claims Administration systems and internal general ledger.

■ CS TeleClaim.
Price: $10,000-$50,000 plus per claim charges.
System specifications: IBM compatible PC - single user or LAN; IBM AS/400 file server; or 3270 terminals. Xerox or HP laser printer. Operates in DOS, Windows or OS/2.
Customization optional.
First installation: 1989.
Total installations: 495, all in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto, short- and long-term disability.
Features: Automated toll-free accident reporting and state form production for all states; ACORD or custom report production for liability, property and crime claims; disability form production for required states; coverage verification; location code editing; managed care intervention; special safety analysis coding; OSHA record keeping; ad hoc report generation; special forms production. Optional modules include a general ledger interface, employee census and location coding data bases.

■ CS Disability Management.
Price: $10,000-$100,000 plus per claim charges.
System specifications: IBM compatible PC - single user or LAN; or 3270 terminals. Xerox or HP laser printer. Operates in DOS, Windows or OS/2.
Customization optional.
First installation: 1991.
Total installations: 53, all in corporate risk management departments.
Claims/coverages managed: Short- and long-term disability.
Features: Unlimited plan designs for short-term disability, long-term disability, union, non-union and sick leave; employee demographics; check processing and fund management; disability duration guidelines; claims processing and record keeping; report generation; tax accounting; seamless interface with workers compensation for 24-hour coordination. Optional modules include general ledger interface, employee census and location coding data bases.

■ CS Certificates.
Price: $2,000-$50,000.
System specifications: IBM compatible PC, single user or LAN; IBM AS/400 file server versions. Operates in Windows or OS/2.
Customization optional.
First installation: 1994.
Total installations: One, in a corporate risk management department.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Multi-user application to issue standard and custom forms; allows unlimited comment and descriptive information; customized standard clauses for coverage, cancellation and description; owners and contractors protective type policy certificate support; management reporting; automated certificate renewal; export and electronic transfer of certificate information; tracking of received certificates; online help. Optional services include remote high speed bulk printing and shipping of annual renewal certificates.

User support: User groups/meetings*, onsite training*, telephone assistance 12 hours per day*, regional seminars, training courses, regular client conferences, user association.
* Included in system price.
Staff: 425 total, 350 professionals.
Clients: 4,867 total, all corporate risk management departments. Sold systems to 1,032 clients in 1993.
1993 revenues: $33.7 million total, all from risk management information systems sales and services, 5% from software sales, 95% from software services.
Officers: Guyon Saunders, founder; Johnny Mize, president/CEO; Scott Gilmour, vp-sales/marketing; John Champlin, vp-client services; Michael Unruh, vp-finance/CFO.
Contact: Scott Gilmour.

D

DAVID Corp.

580 California St., 23rd Floor, San Francisco, Calif. 94104; 415-362-4555; fax: 415-362-5010

Risk management systems since: 1984.
Parent: The Wyatt Co.
Software products:

■ CompPlus.
System specifications: IBM compatible PC, 386 or greater, 4MB RAM; single user and LAN versions. Operates in DOS, Windows or UNIX.
Customized system.
First installation: 1985.
Total installations: 150.
Claims/coverages managed: Workers comp.
Features: Claims administration and payment processing; online inquiry and reporting tools; state and federation forms (annual statements, 1099s, OSHA logs); loss control analysis for employer safety programs; provides basis for actuarial claims review. Optional modules include laser check printing, imaging, graphic report writing and analysis. Can be integrated with P&CPlus system.

■ P&CPlus.
System specifications: IBM compatible PC, 386 or greater, 4MB RAM; single user and LAN versions. Operates in DOS, Windows or UNIX.
Customized system.
First installation: 1986.
Total installations: 100.
Claims/coverages managed:
Features: Provides basis for actuarial claims review, stores policy informa-

Continued on page 24

Directory terms and methodology explained on page 18.

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ASK A BENEFIT ACTUARY

Passing ESOP dividends onto workers has benefits

Q **Should we pass through our employee stock ownership plan dividends?**

A This question comes from the chief financial officer of a major corporation. An employee stock ownership plan is a qualified defined contribution plan that invests primarily in employer's securities, either common or preferred stock. Dividends on stock held in a participant's account can be paid into the account under the ESOP or passed through the plan and paid to the participant. The chief financial officer's ESOP currently holds dividends under the plan and does not pass them through to participants. The chief financial officer is considering whether this plan provision should be changed.

The principal advantage of passing through dividends is that the corporation gets a tax deduction for the dividends if they are paid within 90 days after the close of the plan year. No tax deduction is available for dividends paid into a participant's account. For this corporation, the tax deduction for dividends paid would reduce its federal income taxes by approximately one-third of the dividends passed through.

The principal reason that the corporation has not passed through the dividends is because of its concern about retirement savings "leakage." At this organization, significant amounts go out of qualified retirement plans each year through hardship withdrawals and loans. The corporation did not want to have retirement savings further depleted because of passed through ESOP dividends.

One possible solution to lessen retirement saving leakage is to make use of 401(k) elections under its existing 401(k) plan. If dividends were passed through, they would be treated as taxable compensation to the employee. The corporation might allow employees to make a salary deferral election under the 401(k) plan in an amount equal to the ESOP dividends. The salary deferral election might provide for a percentage of pay contribution plus the ESOP dividend. By communicating to employees the need to save these dividends, the corporation might achieve the best of both worlds: the ESOP deduction for dividends passed through and the savings of these dividends by employees.

One possible solution to lessen retirement saving leakage is to make use of 401(k) elections. If dividends were passed through, they would be treated as taxable compensation to the employee.

ESOP dividends that are deferred under the 401(k) plan are subject to the same restrictions as other 401(k) deferrals. Total deferrals, including deferred ESOP dividends, can't exceed $9,240 in 1994. For this reason, employees already making the maximum salary deferral would not be able to defer their ESOP dividend. Deferred ESOP dividends would also be subject to the ADP test, the non-discrimination test for 401(k) plans. If non-highly compensated employees were to defer ESOP dividends, compliance with the ADP test might be enhanced.

Passing through ESOP dividends offers the corporation an opportunity to gain an additional tax deduction, thereby improving its bottom line. If this pass through is coupled with a salary deferral election under the 401(k) plans specifically tied to the ESOP dividends, retirement savings might not be diminished, making both the corporation and its employees winners. BI

Would you like advice from an experienced colleague on a risk management, benefits management or actuarial problem? Four quarterly features in the Perspective section of Business Insurance can give you some answers. Ask A Casualty Actuary, Ask A Benefit Actuary, Ask A Benefit Manager and Ask A Risk Manager answer written questions from readers on risk and benefits management issues and actuarial problems.

Mr. Miner

This month's column on actuarial issues in the benefits field is written by William J. Miner, an actuary with The Wyatt Co. in Chicago. Richard E. Sherman, president of Richard E. Sherman & Associates Inc. in Ashland, Ore., answers actuarial questions in the casualty field. Susan M. Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C., answers risk management questions. Dennis J. Nirtaut, manager of employee benefits at Continental Bank Corp. in Chicago, answers questions on employee benefit plans.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

U.S. insurance from the outside looking in

Books & Ideas

"Insurance in the United States: A Handbook for Professionals"
By Marshall H. Pinnix
Published by DYP Insurance & Reinsurance Research Group Ltd., Bridge House,
181 Queen Victoria St., London EC4V 4DD U.K.; 071-489-1487.
$125

By Kevin M. Quinley

SOMETIMES IT HELPS to see how others view us, not only those folks outside the insurance industry but also people outside the United States. A useful discussion of the domestic insurance market is offered by a British publisher in the form of "Insurance in the United States" by Marshall H. Pinnix.

The author is a Baltimore-based insurance consultant and former financial analyst with Alexander & Alexander Services Inc.

As a former brokerage employee, Mr. Pinnix seems to have a background that would well equip him for surveying the panorama of the American insurance industry.

At first blush, one might think that this text is aimed at U.K. insurance professionals who are seeking a quick introduction to the American insurance industry.

Although the book is produced by a British publisher, it would be a mistake to pigeon-hole it into that type of confining characterization. The truth is it offers a well-written panoramic survey for risk and insurance managers.

Do not mistake this handbook for an introductory text, however. Mr. Pinnix has subtitled his work, "A Handbook for Professionals." Presumably, this means insurance professionals.

It will be helpful to have some prior grounding in insurance before taking the plunge into "Insurance in the United States."

In line with the author's finance background, much of the book deals with the key issues of regulation and insurer solvency.

Readers wishing to brush up on risk-based capital, for example, will find a useful discussion here. Chapters include brief but informative treatments of "Surplus Lines Markets and Insurance Exchanges," "Alternative Markets," "Insolvencies and Financially Troubled Companies," and a detailed seven-chapter section on "Solvency Assessment of Property/Casualty Insurers."

As for weaknesses, there are few. The text is rather dense, and no one will mistake a tome like this for light summer take-to-the-beach reading. There are some typos, indicating lax editing. Some material—particularly on tax policy—consists of reprints of dated material.

The austere binding and printing job may appear forbidding to all but the most highly motivated readers.

The handbook is not a primer or an introductory text. At times, it is hard sledding.

On the other hand, the 22 chapters are typically concise and to the point.

Mr. Pinnix offers a useful "macro" view of the insurance industry, which is particularly helpful to those who view the insurance industry from the ground up.

There are some interesting observations, such as the fact that insurance company insolvencies spike right at the end of a soft market. Although today's soft market seems endless, one wonders if this past correlation will bear up.

Clearly the strength of Mr. Pinnix's handbook comes from its treatment of the financial vetting of insurers, offering insights on analyzing financial statements.

The text provides further background information on insurance regulation and insurer stability. This discussion has particular relevance against the backdrop of one survey showing that from 1963 to 1992, 312 U.S. property/casualty insurers became insolvent.

In 1993, 22 additional insolvencies triggered guaranty fund intervention.

Mr. Pinnix has condensed a lifetime of experience and knowledge into a single volume. "Insurance in the United States" not only covers the United States in depth but also examines the Canadian and Mexican insurance markets, a helpful addition in the age of the North American Free Trade Agreement.

"Insurance in the United States" is not an inexpensive book, but if it helps the risk manager avoid placing coverage with one financially teetering insurer, the investment in purchase price will have been repaid many times over. BI

Kevin M. Quinley is vp of risk services for MEDMARC Insurance Co. Inc. and subsidiary Hamilton Resources Corp., both of Fairfax, Va. Mr. Quinley holds the Chartered Property & Casualty Underwriter and Associate in Risk Management designations.

Spotlight report

Continued from page 21
tion and establishes reserves by line of business and coverage codes, tracks and issues certificates of insurance. Optional modules include laser check printing, imaging, graphic report writing and analysis. Can be integrated with CompPlus system.

■ DAVID for Windows.
System specifications: IBM compatible PC, 386 or greater, 4MB RAM; single user and LAN versions. Operates in Windows.
Customized system.
First installation: 1994.
Claims/coverages managed: General liability, property, casualty, workers comp, auto, professional liability.
Features: Combines the features and options of the CompPlus and P&CPlus systems (described above) in a Window's-based environment.
User support: User groups/meetings*, onsite training, telephone assistance 12 hours per day, quarterly newsletter*.
* Included in system price.
Staff: 50 total, 45 professionals.
Clients: 200 total.
Officers: Alan Burns, president.
Contact: Chris Zaballos, marketing manager.

DORN Technology Group Inc.

38705 Seven Mile Road, Suite 450, Livonia, Mich. 48152; 313-462-5800; fax: 313-462-5807

Risk management systems since: 1982.
Software products:
■ RISKMASTER Software Series.
Price: $18,000 PC version; $45,000 UNIX/LAN version.
System specifications: IBM compatible PC, 2MB RAM, single user and LAN; mainframe; and client server versions. Operates in DOS, Windows, UNIX, Novell, Windows NT or OS/2.
Customization optional.
First installation: 1982.
Total installations: 400 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Modular system supports daily loss control reporting and claims management functions, including reserving, loss forecasting, actuarial analysis, OSHA reporting, payment processing, exposure analysis, policy management, litigation management and medical cost containment; user-customizable data fields, data codes, free text and reports; integrates and manages related risk and claims management processes into centralized system for diaries, appointments, work assignments, follow-up activities, billing and messaging; integrated word processing and spreadsheet functions; generates letters and graphics. Optional modules include WordPerfect interface, Micrsoft Excel data integration and image management systems.
User support: User groups/meetings, onsite training, telephone assistance 12 hours per day, topic specific seminars, vender training plans.
Staff: 38 total, 35 professionals.
Clients: 737 total, including 400 corporate risk management departments. Sold systems to 65 clients in 1993.
1993 revenues: $4.1 million total, all from risk management information systems sales and services, 4% from hardware sales, 40% from software sales, 56% from software services.
Officers: Mark Dorn, president/CEO; Paul Hafeli, treasurer.
Contact: Mark Dorn.

E

EDS Insurance Services

13736 Riverport Drive, St. Louis, Mo. 63043; 314-344-8395; fax: 314-344-8691

Risk management systems since: 1972.
Parent: General Motors.
Software products:
■ ACS-Automated Claims System.
System specifications: Mainframe, online system. Operates in MVS/XA, OS/MVS or DOS/VSE.
Customization optional.
First installation: 1984.
Total installations: 11; two in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto, ocean marine, umbrella.
Features: Online claims processing and management; creates claim files; sets appropriate reserves; automatic check/draft issue for loss and expense payments; tracks subrogation and second injury recoveries, reinsurance, litigation and rehabilitation programs; automated diary, case workload monitoring and file remarks; loss control analysis through coded accident description; includes security functions.

■ MBR-Medical Bill Review.
System specifications: Mainframe, online system. Operates in MVS/XA or OS/MVS.
Customization optional.
First installation: 1988.
Total installations: Three; one in a corporate risk management department.
Claims/coverages managed: Workers comp.
Features: Online medical bill processing and review system; coordinates detail entry, editing and accumulation of charges; performs duplicate checking; calculates payables based on reasonable and customary or state allowances; services checked for appropriateness; additional edits can be performed based on user-defined rules; generates explanation of payment for providers; produces reports.

■ Workers Compensation Processing System.
System specifications: Online system, uses SUN, Sequent or Data General computers. Operates in UNIX.
Customization optional.
First installation: 1991.
Total installations: Two.
Claims/coverages managed: Workers comp.
Features: Online claims processing, cost containment, policy and billing system; coordinates daily processing and management functions; captures first report of injury information; creates claim files; reserve worksheets assist in setting reserves; issues checks and drafts for payments; tracks subrogation, second injury, litigation and rehabilitation programs; diary, E-mail and file comments provided; generates standard and ad hoc correspondence; includes cost containment modules and reporting functions.
User support: User groups/meetings*, onsite training*, telephone assistance eight hours per day*.
* Included in system price.
Staff: 64 total, 61 professionals.
Clients: 10 total, including two corporate risk management departments. Sold systems to one client in 1993.
1993 revenues: $8 billion total.
Officers: Larry Stern, account manager-insurance services.
Contact: Ken Ramsey, 314-344-8274.

ERIC Systems

12828 Northup Way, Suite 120, Bellevue, Wash. 98005; 800-283-3742; fax: 206-883-9178

Risk management systems since: 1984.
Software products:
■ ERIC Risk Manager.
Price: $9,995.
System specifications: IBM compatible PC, 4MB RAM; single user version. Operates in DOS, Windows or OS/2.
Customization optional.
First installation: 1984.
Total installations: 13; 11 in corporate risk management departments.
Claims/coverages managed: Workers comp.
Features: Claims administration: support for multiple time loss schedules; unlimited notes and diaries; tracks OSHA data and produces OSHA 200 reports; online AMA ICD-9 codes; supplemental modules for specific data requirements; summarizes payments to vendors for 1099 reporting; maintains single or multiple check logs; incident tracking module; supports up to five organizational levels per employer for multiple employers; litigation tracking module; calculates supplemental benefits with automatic cost of living allowance increases; unlimited user-defined check formats; numerous preformatted reports; automatic generation of most government mandated reports and forms. Optional modules include medical fee adjusting software; form generation and fill-in capability.
User support: Onsite training*, telephone assistance eight hours per day*.
* Included in system price.
Staff: 13 total, all professionals.
Clients: 13 total, including eight corporate risk management departments. Sold systems to four clients in 1993.
Officers: Frank P. Dee, president; Doug Peterson, senior programmer; Brian Hart, product manager.
Contact: Bruce Trinh, assistant product manager.

ESIS

1601 Chestnut St., Philadelphia, Pa. 19192-2075; 215-761-6767; fax: 215-761-5476

Risk management systems since: 1982.
Parent: CIGNA Corp.
Software products:
■ CRIS.
Price: $10,000-$16,000.
System specifications: IBM compatible PC, online system.
First installation: 1983.
Total installations: 380.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Medical cost containment reports, management summary overview, loss runs, claims management reports and customized analysis, frequency/severity monitoring, premium and policy management, property management, billing review, bonds, claim history detail, account design prints, cash flow program invoice backups, downloading capabilities.

■ CRIS Advanced Functions.
Price: $11,000-$24,000.
System specifications: IBM compatible PC, online system.
Customization optional.
First installation: 1982.
Total installations: 84; 59 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: All basic CRIS features; additional features include risk management performance analysis, cost of risk analysis, premium allocation, ad hoc reporting, litigation management, loss development reports, financial reports, safety and loss control analysis, time log reports, "as-of" reporting, benchmarking and performance monitor reports. Options include custom consulting support to build or modify client specific analysis capabilities.

■ OMNICLAIMS.
Price: $6,000-$10,000.
System specifications: IBM compatible PC, online system.
First installation: 1992.
Total installations: 85; 64 in corporate risk management departments.
Claims/coverages managed: General liability, casualty, workers comp, auto.
Features: Real time online inquiry to claims administration system; full claim detail; reserve and payment history; litigation information and registration detail; access to adjusters notes; diary and electronic interface to adjusters.
User support: User groups/meetings, onsite training*, telephone assistance 10 hours per day*.
* Included in system price.
Staff: 69 total, 43 professionals.
Clients: 380 total. Sold systems to 65 clients in 1993.
Officers: Raymond E. Hafner, president; Brian P. O'Hara, vp/CFO; Sharon E. Simpson, vp-operations/sales/services; Lawrence J. Keough, director-information products/services.
Contact: Lawrence Keough.

F

FARA Business Services Inc.

2360 Fifth Ave., Suite 100, Mandeville, La. 70471; 504-624-8383; fax: 504-624-8489

Risk management systems since: 1989.
Parent: F.A. Richard & Associates Inc.
Software products:
■ The Claims Expert.
System specifications: Alpha Microsystems application server. Operates in AMOS 2.X.
Customization optional.
First installation: 1989.
Total installations: 18; two in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Claims administration, including check issuance; loss fund/banking management; handles claims by policy number, type and/or insured/entity; loss ratio, trending, development and safety analysis; menu-driven or ad hoc reports; diary, claims and check listings; average weekly wage and benefit rate calculations; first report and state and federal form generation; form letters, electronic notes and mail; 1099 generation; supports self-insured programs, including specific and aggregate, with or without deductibles; ability to integrate with any PC or LAN environment. Optional features include automatic entry of medical bills using data import.
User support: User groups/meetings, onsite training, telephone assistance eight hours per day, support available during non-business hours.
Staff: 12 total, 10 professionals.
Clients: Three total, including two corporate risk management departments. Sold systems to one client in 1993.
Officers: Francis A. Richard, president; Reed Bell, vp/treasurer; M. Todd Richard, executive vp; David M. Richard, general manager.
Contact: David M. Richard.

Feedback Systems Inc.

1900 Emery St. N.W., Suite 304, Atlanta, Ga. 30318; 404-355-6883; fax: 404-875-8811

Risk management systems since: 1990.
Software products:
■ RMIS NEXT GEN.
Price: $10,000.
System specifications: IBM compatible PC - single user or LAN; mainframe; and client server versions. Online system. Operates in DOS, Windows or UNIX.
Customization optional.
First installation: 1983.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Claims administration, including incident reporting; premium allocation; experience rating; diary; loss tracking, comparison, analysis and trending; ad hoc query, report, database letters and graphs. Optional features include customizable screen formats.
User support: User groups/meetings*, onsite training*, telephone assistance*, off-site training*.
* Included in system price.
Officers: Chrissie Howell, president; Dave White, vp; Jack Hubert, secretary.
Contact: Chrissie Howell.

Frasin Ltd.

Bishops Court, 27-33 Artillery Lane, London E1 7LP, England; 44-71-782-0720; fax: 44-71-377-2139

Software products:
■ SOFINE.
Price: $15,000 standard, $42,500 enhanced.
System specifications: IBM compatible PC, 640K RAM; or Macintosh PC. Operates in DOS or Macintosh.
Customization optional.
First installation: 1991.
Claims/coverages managed: Bankers blanket bond, computer crime.
Features: Provides bridge between main office and branches to focus on crime and fraud exposures: identifies activities, exposures and security controls and systems to protect exposures; deals with regulation requirements; produces combined bankers blanket bond and computer crime proposal form. Optional features include facility to provide information to broker/carrier, receiving program for brokers/carriers.
User support: Onsite training, telephone assistance*.
* Included in system price.
Staff: Six total, three professionals.
Officers: K. Jones, I. Bracken, J. Bromfeld, J. Thompson.
Contact: Ian Bracken, manager.

G

GAB Business Services Inc.

9 Campus Drive, Parsippany, N.J. 07054; 201-993-3400; fax: 201-993-9579

Risk management systems since: 1975.
Parent: SGS North America.
Software products:
■ Centurion-Claim/Financial Reporting.
System specifications: Software not available without hardware.
Customization optional.
First installation: 1975.
Total installations: 900; 700 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto, product liability.
Features: Online system interacts with vendor's TPA services; includes policy and reserve tracking; allocation of premium; incident reporting; risk analysis; loss trending; claims, financial and quality measurement report generation; data analysis; diary; litigation, medical cost, catastrophe and crisis management; early medical intervention; check and 1099 processing. Optional modules/features include toll-free reporting service, online access, query and ad hoc reporting and electronic data transfer.
User support: User groups/meetings, onsite training, telephone assistance 9½ hours per day*, manuals*.
* Included in system price.
Staff: 100 total, 85 professionals.
Clients: 900 total, including 700 corporate risk management departments.
1993 revenues: $243 million total. $1.3 million from risk management information systems sales and services, 100% from software services.
Officers: Warren Coupland, chairman/CEO; William F. Bergs, president/COO; Joseph L. Rizzo; executive vp-operations; John F. Darden, CFO; G. Roger Eiler, senior vp-sales/service.
Contact: John M. Kardos, vp, 201-993-3738.

Gallagher Bassett Services Inc.

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

Risk management systems since: 1983.
Parent: Arthur J. Gallagher & Co.
Software products:
■ RISX-FACS.
System specifications: Leased, online system; accessed via IBM compatible PC with DOS.
Customization optional.
First installation: 1983.
Total installations: 843; 11 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Claims administration; loss forecasting and trending; reserve tracking; incident reporting; check processing; diary; litigation management; claim notes; claim payment and recoveries tracking; summary loss, loss and claim experience, specific excess, activity summary, claim activity, claim register, accident loss analysis and claim loss analysis report generation. Optional modules include Micro-FACS that allows 24 hour access to claim data.

■ Micro-FACS.
Price: $2,100 plus connect time and report charges.
System specifications: IBM compatible PC, single user version. Operates in DOS. Online system.
Customization optional.
First installation: 1986.
Total installations: 214.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Allows vendor's TPA clients to perform claim information retrieval, including total payments, recoveries, reserves and expenses by category; type, source, nature and part of body involved in claim; handling adjuster; check payment listing; history of changes in total reserves; reported date; accident date and time; location and description of the loss; client location and assigned claim; also allows for user-defined data selection. Optional modules include E-mail through TELE-FACS.
User support: Onsite training, telephone assistance 24 hours per day*, off-site training*, user manuals*.
* Included in system price.
Staff: 93 total, 81 professionals.
Clients: 843 total. Sold systems to 147 clients in 1993.
1993 revenues: $106.3 million total. $6.4 million from risk management information systems sales and services.
Officers: Peter J. Durkalski, president; John G. Campbell, chairman; Donald C. Klein, Richard Rothman, Fred Potenza, executive vps.
Contact: Tracy D. Mock, area vp-marketing services, 708-285-3593.

H

Health Management Technologies Inc.

1150 Moraga Way, Suite 150, Moraga, Calif. 94556; 510-631-6750; fax: 510-631-6789

Risk management systems since: 1986.

Continued on next page

Continued from previous page

Software products:

■ RETURN.

Price: $10,000-$20,000.

System specifications: IBM compatible PC, single user and LAN versions. Operates in DOS or Windows.

Customization optional.

First installation: 1988.

Total installations: 400; 250 in corporate risk management departments.

Claims/coverages managed: Workers comp, managed care.

Features: Provides management reporting for loss control, disability management, medical services and health documentation; utilization review; OSHA reports; financial accounting; regulatory compliance documentation; outcomes analysis; performance accountability; produces employers first report of injury by state; allows for electronic data transfer. Optional modules include job analysis, job return and job-based disability guidelines.

User support: User groups/meetings, onsite training, telephone assistance 10 hours per day.

Staff: 14 total, all professionals.

Clients: 400 total, including 250 corporate risk management departments. Sold systems to 65 clients in 1993.

Officers: Karen Wolfe, president; James Wolfe, chief marketing officer; Eric Wolfe, director-client services.

Contact: Kathy Conrotto, client services.

Helmsman Management Services Inc.

225 Borthwick Ave., Portsmouth, N.H. 03801; 603-431-8400; fax: 603-431-2071

Risk management systems since: 1985.

Parent: Liberty Mutual Insurance Group.

Software products:

■ RISKTRAC.

System specifications: Client server. Operates in DOS or Windows.

Customization optional.

First installation: 1985.

Total installations: 361; 350 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Claims management; reports include loss comparisons, development, frequency/severity analysis, repeaters, allocation and trending; ad hoc reporting; download capabilities; access to adjuster notes; electronic mail.

User support: User groups/meetings*, onsite training*, telephone assistance 10 hours per day*.

* Included in system price.

Staff: 38 total, 34 professionals.

Clients: 247 total, including 237 corporate risk management departments. Sold systems to 72 clients in 1993.

1993 revenues: Risk management information systems revenue: 2% from hardware sales, 52% from software sales, 46% from software services.

Contact: Michael N. Henry, director-RISKTRAC marketing.

Home Insurance Co.

59 Maiden Lane, New York, N.Y. 10038; 212-530-7000; fax: 212-530-3348

Risk management systems since: 1991.

Parent: Trygg Hansa SPP.

Software products:

■ RiskOptions/Professional Claim Inquiry/Adjuster Notes.

System specifications: IBM compatible PC; single user-8MB RAM, LAN-16MB RAM. Operates in DOS.

First installation: 1991.

Total installations: 140; 15 in corporate risk management departments.

Claims/coverages managed: General liability, casualty, workers comp, auto.

Features: Aggregate loss and loss control analysis; standard and custom report generation; claims tracking and reporting; allocation of loss costs by individual unit, unit groups and state; summarization of currently valued claims by line of business and policy period; interactive adjustor notes with risk manager diary; daily online claim inquiry.

User support: Onsite training*, telephone assistance eight hours per day*.

* Included in system price.

Staff: Seven total, all professionals.

Clients: 15 total, all corporate risk management departments. Sold systems to six clients in 1993.

Contact: Matthew T. Craig, 212-530-6867.

I

ITT Specialty Risk Services Inc.

55 Farmington Ave., Hartford, Conn. 06105; 203-520-2500; fax: 203-520-2503

Risk management systems since: 1981.

Parent: ITT Hartford Insurance Group.

Software products:

■ LASER (Loss Analysis System to Evaluate Risk).

Price: $8,000-$25,000.

System specifications: IBM compatible PC, single user version. Operates in DOS or UNIX. Online system.

Customization optional.

First installation: 1992.

Total installations: 120, all in corporate risk management departments.

Claims/coverages managed: General liability, workers comp, auto

Features: Provide claim management and risk analysis via online inquiry to vendor's TPA clients; access to adjuster notes; electronic mail communication; formatted and ad hoc report generation.

User support: User groups/meetings*, onsite training*, telephone assistance eight hours per day*.

* Included in system price.

Staff: 24 total, 15 professionals.

Clients: 50 total. Sold systems to 50 clients in 1993.

1993 revenues: 100% from software services.

Officers: Nanette Char, assistant vp-risk management information systems.

Insurance Software Packages Inc.

3625 Queen Palm Drive, Tampa, Fla. 33619; 800-237-8133; fax: 813-621-0652

Risk management systems since: 1985.

Parent: Pharmacy Management Services Inc.

Software products:

■ CompStar.

System specifications: IBM compatible PC, 4MB RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First installation: 1985.

Total installations: 193, all in corporate risk management departments.

Claims/coverages managed: Workers comp.

Features: Reinsurance tracking, auto indemnity payments, enhanced security, claims adjudication, fee schedule, full fee schedule rates integration, EOBs, PPO and correspondence module.

■ MediStar.

System specifications: IBM compatible PC, 4MB RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First installation: 1986.

Total installations: 95, all in corporate risk management departments.

Claims/coverages managed: Workers comp, auto.

Features: Utilization review, electronic filing, fee schedule validation of rules and values, medical bill history, duplicate checking, inquiry and enhanced reporting.

■ Multi-Star.

System specifications: IBM compatible PC, 4MB RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First installation: 1985.

Total installations: 26, all in corporate risk management departments.

Claims/coverages managed: Property, casualty, auto.

Features: Legal module, report writer, claims entry, reserve tracking, payment inquiry, correspondence module, reinsurance module, report generation.

User support: User groups/meetings*, onsite training*, telephone assistance eight hours per day*, carbon copy/online interactive support*.

* Included in system price.

Staff: 44 total, 36 professionals.

Clients: Sold systems to 20 clients in 1993.

1993 revenues: Risk management information systems sales and services revenues: 70% from software sales, 30% from software services.

Officers: George Cannon, vp.

Directory terms and methodology explained on page 18.

K

Kemper Risk Management Services

1 Kemper Drive, Long Grove, Ill. 60049; 708-320-2400; fax: 708-320-4330

Risk management systems since: 1980.

Parent: Kemper National Insurance Cos.

Software products:

■ Kemper Risk Management System.

System specifications: IBM compatible PC network. 240MB RAM. Operates in Windows.

Customization optional.

First installation: 1983.

Total installations: 244.

Claims/coverages managed: General liability, casualty, workers comp, auto.

Features: Tracking and reporting of losses, payments and medical cost containment.

User support: Onsite training*, telephone assistance 10 hours per day*.

* Included in system price.

Staff: 94 total, 76 professionals.

Clients: 244 total, all corporate risk management departments. Sold systems to 24 clients in 1993.

Contact: Robert S. Adamski, marketing manager.

M

MBA Inc.

36 Midvale Road, Suite 1G, Mountain Lakes, N.J. 07046; 201-335-6423; fax: 201-335-9665

Risk management systems since: 1985.

Software products:

■ Customized systems.

System specifications: IBM compatible PC, 512K RAM: single user version. Operates in DOS or Windows.

First installation: 1985.

Total installations: Two.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Generates reports for actuarial analysis; reports are used for loss development, loss forecasting, self-insurance comparisons and analysis, loss trending, reinsurance and layer of loss analysis. Also design systems for setting workers comp pension reserves.

User support: Onsite training, telephone assistance eight hours per day.

Staff: Five total, all professionals.

Clients: Two total.

Officers: Charles F. Cook, John A. Muetterties, Richard J. Gergasko, Mark J. Mahon, Peter A. Bennett.

Contact: Peter A. Bennett.

Marshall & Swift

1200 Route 22 East, Bridgewater, N.J. 08807; 908-231-8920; fax: 908-231-8934

Risk management systems since: 1988.

Software products:

■ 80 Series.

System specifications: IBM compatible PC, 640K RAM - single user or LAN; and mainframe versions. Operates in DOS 3.1 or later or VMS.

Customization optional.

First installation: 1988.

Claims/coverages managed: Property.

Features: Residential and commercial lines building ITV programs accessing Marshall & Swift database.

User support: Onsite training*, telephone assistance eight hours per day*.

* Included in system price.

Staff: 100 total.

Officers: Robert Dowdell, CEO; Kevin Keegan, COO; Jim Stephenson, CFO; Robert Crine, vp-sales.

Contact: Betty Jo Belzel, director-national account sales, 800-451-2367.

N

NRM Computer Systems Inc.

4309 Hacienda Drive, Suite 483, Pleasanton, Calif. 94588; 510-734-9400; fax: 510-734-8631

Software products:

■ Win-Comp.

Price: $25K.

System specifications: IBM compatible PC, 8MB RAM; single user and LAN versions. Operates in UNIX, Windows NT, AS/400, Windows, OS/2 and other platforms.

Customization optional.

First installation: 1994.

Total installations: 100.

Claims/coverages managed: Workers comp.

Features: Document imaging with OLE; extensive security; summary and detailed claim review screens; automated reminders to close a claim, issue checks or review a claim; individual sections for medical, managed care, legal, rehab and subrogation; claimant search and fraud detection; automated validating of employees, insurance policy, SIR and excess carrier; personnel section for interfacing with clients' systems; and report generation. Optional modules include imaging/document management and bar coding.

User support: Onsite training*, telephone assistance eight hours per day.*

* Included in system price.

Staff: 15 total, 12 professionals.

Clients: 100 total.

Officers: Frank E. Amatelli, president.

P

Paradigm Infosystems

15395 S.E. 30th Place, Suite 210, Bellevue, Wash., 98007; 206-746-4559; fax: 206-746-4826

Risk management systems since: 1991.

Parent: Risk Sciences Group.

Software products:

■ ParaRisk for Windows.

Price: $38,000.

System specifications: IBM compatible PC, 8MB RAM, network version. Operates in Windows, Windows NT, UNIX or OS/2.

Customization optional.

First installation: 1994.

Total installations: Three, all in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, can be customized to specific lines.

Features: Claims management and claims administration with a graphical user interface; policy management, exposure and property value tracking; incoming and outgoing certificate tracking and issuance; loss analysis; payroll history tracking; treatment history; user maintained medical charge tables; custom ad hoc reporting; electronic state forms, including first report of injury; graph generation; check processing with unlimited number of checking accounts; reserve worksheet calculations; integrated word processor, spreadsheet and diary system; allows for user-defined fields; interfaces with other systems; import/export capabilities.

■ ParaRisk for Macintosh.

Price: $38,000.

System specifications: Macintosh PC, single user and client/server versions.

First installation: 1991.

Total installations: 15; 12 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, cargo, can be customized to specific lines.

Features: ParaRisk for Macintosh and ParaRisk for Windows offer the same features for different operating platforms. See ParaRisk for Windows description above.

User support: User groups/meetings, onsite training, telephone assistance 12 hours per day, monthly newsletter.

Staff: 14 total, 12 professionals.

Continued on page 28

THE SECOND ANNUAL

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Risk managers, employee benefit managers, safety managers, insurers, claims administrators, workers compensation and loss control specialists, consultants, insurance brokers, lawyers and providers from a broad range of companies and organizations involved in workers compensation.

CONFERENCE AGENDA

WEDNESDAY, OCTOBER 19, 1994

- EARLY REGISTRATION & WELCOME RECEPTION

THURSDAY, OCTOBER 20, 1994

- Registration & Continental Breakfast
- NEW INITIATIVES FOR CONTROLLING WORKERS COMPENSATION HEALTH CARE COSTS
- DISABILITY MANAGEMENT
- LUNCHEON SPEAKER – ALLEN IAMPAGLIA RISK MANAGER, CITY OF GLENDALE, ARIZONA
- EMPLOYER CASE STUDIES
  - IN-HOUSE CASE MANAGEMENT WORKS
  - CARPAL TUNNEL SYNDROME CASES DON'T HAVE TO COST AN ARM
  - THE TRUTH AND CONSEQUENCES OF COMBATTING FRAUD
- FINANCING ALTERNATIVES FOR WORKERS COMPENSATION: HOW TO EVALUATE AND DECIDE WHICH FINANCING METHOD IS RIGHT FOR YOUR COMPANY
- Reception

FRIDAY, OCTOBER 21, 1994

- Continental Breakfast
- DEALING WITH CONTESTED CLAIMS
- CUMULATIVE TRAUMA DISORDERS: CONTROLLING THE WORKERS COMPENSATION MONSTER
- ESTABLISHING AND MANAGING THE CLAIMS AUDIT PROCESS
- LUNCHEON SPEAKER – DOUGLAS MCCOY RESIDENT VICE PRESIDENT, COMMERCIAL LINES, THE TRAVELERS CORPORATION
- APPLYING TOTAL QUALITY MANAGEMENT TO WORKERS COMPENSATION: UTILIZING BENCHMARKING TO STREAMLINE THE WORKERS COMPENSATION PROCESS
- Closing Reception

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BIWC4

Continued from page 25

Clients: 15 total, including 12 corporate risk management departments. Sold systems to seven clients in 1993.
1993 revenues: $350,000 total, all from risk management information systems sales and services. 15% from hardware sales, 75% from software sales, 10% from software services.
Officers: Jack Tatum, president-Risk Sciences Group; Richard Hoehne, president; Kenneth Elston, director-product development.
Contact: Richard Hoehne.

Premium Review Associates

35 Green Heron Lane, Nashua, N.H. 03062; 603-888-9361; fax: 603-891-0646

Risk management systems since: 1985.
Software products:
■ EMS II.
Price: $600.
System specifications: IBM compatible PC, 256K RAM; single user version. Operates in DOS.
Customization optional.
First installation: 1985.
Total installations: 1,000; 700 in corporate risk management departments.
Claims/coverages managed: Workers compensation.
Features: Calculation of the workers compensation experience modification.
User support: Telephone assistance eight hours per day*.
* Included in system price.
Staff: Four total, two professionals.
Clients: 700 total, all corporate risk management departments. Sold systems to 200 clients in 1993.
1993 revenues: Risk management information system revenue: 100% from software sales.
Officers: Norman Goodman.

Progressive Data Solutions Inc.

1320 N. Semoran Blvd., Suite 205, Orlando, Fla. 32807; 407-382-5920; fax: 407-382-5925.

Risk management systems since: 1987.
Software products:
■ Workers' Compensation Management System.
Price: $45,000.
System specifications: IBM AS/400, operates in OS/400.
Customization optional.
First installation: 1987.
Total installations: 20.
Claims/coverages managed: Workers comp.
Features: Claims maintenance; verified input; customized reserve and payment feature; recoveries, subrogation and SDF; scheduled indemnity benefits; online history; interactive check reconciliation. Also includes policy administration and accounting, including rating, quote, policy, endorsement processing, agent assignment/commissions, experience modification promulgation, NCCI statistical interface, renewal/rollover of policies, billing/accounts receivable features, reinsurance data management, data base and remark tracking system.
■ Workers' Compensation Managed Care.
System specifications: IBM AS/400, operates in OS/400.
Customization optional.
First installation: 1988.
Total installations: 25.
Claims/coverages managed: Workers comp.
Features: Medical bill processing according to state fee schedule, pre-certification and utilization review, PPO network management, claims administration, accounts receivable and invoicing for fee for service, data base and remark tracking system, integration with various medical data bases.
■ Rehabilitation Case Management System.
Price: $15,000.
System specifications: IBM AS/400, operates in OS/400.
Customization optional.
First installation: 1988.
Total installations: Seven.
Claims/coverages managed: Workers comp, liability.
Features: Tracks case history detail for workers' compensation liability and job placement.
■ Property and Casualty Management System.
Price: $15,000.
System specifications: IBM AS/400, operates in OS/400.
Customization optional.
First installation: 1988.
Total installations: Two.
Claims/coverages managed: General liability, property, casualty, auto.
Features: Billing and claims processing, automated rating, policy issue and data maintenance, financial and statistical reporting, data base and remark tracking system.
User support: User groups/meetings, onsite training*, telephone assistance 10 hours per day*, maintenance contract.
* Included in system price.
Staff: 20 total, 20 professionals.
Clients: 33 total.
1993 revenues: $2 million total. $1.5 million from risk management information systems sales and services, 20% from hardware sales, 50% from software sales, 30% from software services.
Officers: Tom Bittenbender, president.
Contact: Anne Ryan.

Pyramid Services Inc.

90 Grove St., Suite 207, Ridgefield, Conn. 06877; 203-438-3883; fax: 203-438-7128

Risk management systems since: 1987.
Parent: Aon Corp.
Software products:
■ Pyramid.
Price: $25,000.
System specifications: IBM compatible PC, 640K RAM; single user and LAN versions. Online system. Operates in DOS, Windows or on client servers.
Customization optional.
First installation: 1988.
Total installations: 165; 80 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Risk management features include loss forecasting, certificates, exposure management, cost allocation, policy management, report writer, data consolidation services. Claims functions for all coverages, functions include first report of injury and loss processing, check writing, report writer, online payment and reserve history, medical fee schedule and case management.
User support: User groups/meetings, onsite training, telephone assistance 11 hours per day.
Staff: 27 total, 22 professionals.
Clients: 165 total, 80 including corporate risk management departments. Sold systems to 20 clients in 1993.
Officers: William Kuebler, president; David Horton, Kenneth Luekens, Gary Michaels, Cathleen Turcotte, vps.
Contact: Gary Michaels.

R

Risk Data Corp.

111 Pacifica, Third Floor, Irvine, Calif. 92718; 714-753-8010; fax: 714-753-8020

Risk management systems since: 1987.
Software products:
■ MIRA (Micro Insurance Reserve Analysis).
System specification: IBM compatible PC—single user or LAN; or mainframe. Online system. Operates in DOS, Windows or OS/2.
Customization optional.
First installation: 1990.
Claims/coverages managed: Workers comp, auto.
Features: Automated loss reserving system for workers' compensation. Optional modules include automated loss reserving system for auto insurance bodily injury claims.
User support: User groups/meetings*, onsite training*, telephone assistance 24 hours per day*.
* Included in system price.
Staff: 107 total, 91 professionals.
1993 revenues: Risk management systems revenues: 3% from hardware sales, 95% from software sales, 2% from software services.
Officers: Mark Hammond, CEO; Sean Downs, vp-sales/marketing; Vince Bianco, vp-operations; Ken Saunders, CFO; John Huffman, vp-client services.
Contact: Sean Downs.

Risk Sciences Group Inc.

5620 Glenridge Drive, Atlanta, Ga. 30342; 404-847-4511; fax: 404-847-4028

Risk management systems since: 1973.
Parent: Crawford & Co.
Software products:
■ Sigma.
Price: $30,000.
System specifications: Online system. Operates in DOS, Windows or VM/CMS.
Customization optional.
First installation: 1978.
Total installations: 240; 235 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Data consolidation, code mapping, ad hoc reporting, claims administration, claim takeover processing, loss triangles and forecasting, safety analysis, check processing, diary, litigation management, GASB and FASB compliance, allocation, risk management consulting, quantitative analysis. Optional modules include allocation, expeditor, adjuster notes, managed care tracking, workers comp self-insured regulatory reporting.
User support: User groups/meetings; onsite training*; telephone assistance*; advisory board; intermediate, advanced and executive training.
* Included in system price.
Staff: 140 total, 120 professionals.
Clients: 240 total, 230 including corporate risk management departments. Sold systems to 30 clients in 1993.
1993 revenues: $16 million total. $1.5 million from risk management information systems sales and services, 30% from software sales, 70% from software services.
Officers: Jack Tatum, president; John Hueckstеadt, vp; Michael Keating, Leo Jeffers, Wayne Radcsky, vps; Roger Dunkin, Carol Eskola, assistant vps.
Contact: Jack Tatum.

Risk Technologies Inc.

2480 Highway 287 N., Mansfield, Texas 76063; 817-473-0204; fax: 817-473-7610

Risk management systems since: 1988.
Software products:
■ Risk Vision.
Price: $7,500-$35,000, varies with amount of customization.
System specifications: IBM compatible PC, 640K RAM-DOS, 4MB RAM-Windows; Macintosh PC; UNIX; single user and numerous LAN versions. Online system.
Customization optional.
First installation: 1989.
Total installations: 89, all in corporate risk management departments.
Claims/coverages managed: General liability; property; casualty; workers comp (including insured, S/I and longshoremen's); Texas non-subscriber injury benefits; auto liability; hospital incidents; student injuries; medical malpractice.
Features: Claims administration; check processing; custom claim input screens; laser check writing; vendor management and electronic transmission of 1099 information to IRS; electronic bank reconciliation transmissions and imprest fund management; custom reports; ad hoc report generation; data exports to ACSII, dBASE and 1-2-3 files. Allows remote access, laptop portability, reserve worksheets, notes and diary routines, exposure information management, premium and policy management, cost allocation, loss development and control, OSHA reporting and record keeping, state fee schedule verification and payment discounts and form letter generation features. Options include RiskVision EAS analysis system (listed below).
■ Risk Vision TPA.
Price: $15,000-$50,000, varies with amount of customization.
System specifications: IBM compatible PC, 640K RAM-DOS, 4MB RAM-Windows; Macintosh PC; UNIX; single user and numerous LAN versions. Online system.
Customization optional.
First installation: 1988.
Total installations: 18; nine in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp (including insured, S/I and longshoremen's), Texas non-subscriber injury benefits; auto liability; hospital incidents; student injuries; medical malpractice.
Features: Claims administration; check

Continued on next page

Continued from previous page

processing; custom claim input screens; laser check writing; vendor management and electronic transmission of 1099 information to IRS; integrated invoicing and accounting; TPA office management; E-mail; generation of state required forms and reports; state fee schedules or integration medical cost management service providers. Also provides electronic bank reconciliation transmissions; custom reports; ad hoc report generation; data exports to ACSII, dBASE and 1-2-3 files; remote access; laptop portability; reserve worksheets; diary and calendar functions; exposure information management; premium and policy management; cost allocation; loss development and control; OSHA reporting and record keeping and form letter generation features. Options include RiskVision EAS analysis system (listed below).

■ RiskVision EAS.
Price: $3,500-$8,500, varies with amount of customization.
System specifications: IBM compatible PC, 4MB RAM, single user or network with Windows 3.1, Windows for Work-Groups or Windows NT; or Macintosh PC. Online system.
Customization optional.
First installation: 1992.
Total installations: 12; 10 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp (including insured, S/I and longshoremen's), Texas non-subscriber injury benefits; auto; hospital incidents; student injuries; medical malpractice, 24-hour coverage.
Features: Performs claims analysis. Adaptable to any RiskVision claims gathering system.
User support: User groups/meetings, onsite training*, telephone assistance 11 hours per day*.
* Included in system price.
Staff: 12 total, nine professionals.
Clients: 117 total. Sold systems to 20 clients in 1993.
1993 revenues: 95% from risk management information systems sales and services, of which 5% is from hardware sales, 75% from software sales, 20% from software services.
Officers: Chuck Allen, president; Mickey Mikesell, executive vp; Leslie Holden, director-sales/marketing.
Contact: Leslie Holden.

Rollins Hudig Hall Co.
123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-4000; fax: 312-701-4580

Risk management systems since: 1984.
Parent: Aon Corp.
Software products:
■ ALARM.
Price: $12,000.
System specifications: IBM compatible 486 PC, 4MB RAM. Operates in DOS.
Customization optional.
First installation: 1989.
Total installations: 85; 60 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto, cargo.
Features: Claims administration; loss development; loss forecasting; reserve tracking; allocation of premiums; loss trending; incident reporting; report generation, including summaries, graphic, file exports, ad hoc and predefined reports; diary; multi-language; multi-currency; automated documentation; data import and export capabilities.
■ Riskan/Globetrac.
Price: $15,000-$125,000.
System specifications: IBM compatible 486 PC, 4MB RAM. Operates in DOS or Windows.
Customization optional.
First installation: 1984.
Total installations: 60; 40 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Loss development, forecasting, prevention and trending; policy and reserve tracking; allocation of premiums; risk analysis; self-insurance comparisons and analysis; safety and loss control; incident reporting; report generation; data analysis; diary features; litigation management. Optional modules allow for ad hoc report generation, data imports or exports to spreadsheets and graphics.
User support: User groups/meetings*; onsite training*, telephone assistance nine hours per day*.
* Included in system price; user groups/meetings available for Riskan/Globetrac only; telephone assistance available eight hours per day for Riskan/Globetrac.
Staff: 46 total, 30 professionals.
Clients: 340 total, including 100 corporate risk management departments. Sold systems to 67 clients in 1993.
Officers: Arthur F. Quern, chairman/CEO; Donald R. Bell, vice-chairman; Richard A. Riley, president.
Contact: ALARM: Neil I. Harrison, 44-71-705-7444 (London); Riskan/Globetrac: Frank Strenk, 312-456-1306 (Chicago).

S

Sedgwick James Inc.—Information Systems Division
1290 Ave. of the Americas, New York, N.Y. 10104; 212-830-1178; fax: 212-830-1290

Risk management systems since: 1979.
Parent: Sedgwick Group P.L.C.
Software products:
■ Inform.
Price: $20,000.
System specifications: IBM compatible PC or RS 6000. Operates in DOS or UNIX.
Customization optional.
First installation: 1979.
Total installations: 37; 22 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Risk, claims and premium allocations management; actuarial loss forecasting; exposure tracking; customized and ad hoc reports; risk finance and control. Options include litigation management
User support: Onsite training*, telephone assistance 10 hours per day*, RMIS consulting.
* Included in system price.
Staff: 10 total, nine professionals.
Clients: 35 total, 20 including corporate risk management departments. Sold systems to five clients in 1993.
Officers: R. Jane Hill, corporate senior vp/director-risk service; Alan R. Josefsek, executive vp-information systems.
Contact: Alan Josefsek.

Select Software Inc.
912 12th Ave. S., P.O. Box 907; Nampa, Idaho 83651; 208-463-8060; fax: 208-463-8015

Risk management systems since: 1993.
Software products:
■ Multi-Risk Manager.
Price: $25,000.
System specifications: IBM compatible PC, 8MB RAM; single user and LAN versions. Operates in Windows.
Customized system.
First installation: 1993.
Total installations: One, in corporate risk management department.
Claims/coverages managed: All lines, including general liability, property, casualty, workers comp, auto.
Features: Claims management and payment; risk tracking and financing; access to file contact, correspondence and documentation; loss control; litigation management; incident reporting; safety and loss prevention; policy and reserve tracking; allocation of premium; risk analysis; payment routing sign-off notification. Accepts input via disk, manual entry, scanners, faxes, modems, electronic mail and voice. Can be fully integrated with MS Word and MS Mail.
User support: Onsite training*, telephone assistance nine hours per day, assistance via modem, complete installation and integration services including data conversion.
* Included in system price.
Staff: Four total, two professionals.
Clients: One total, system purchased in 1993.
1993 revenues: $350,000 total. $45,000 from risk management information systems sales and services, 80% from software sales, 20 % from software services.
Officers: Joseph E. Weatherby.

Seligman Information Systems
234 Garden St., Roslyn Heights, N.Y. 11577; 516-484-5177

Risk management systems since: 1985.
Software products:
■ CTRACK-Certificates of Insurance Tracking.
Price: $695.
System specifications: IBM compatible PC; single user and LAN versions. Operates in DOS, Windows or OS/2.
Customization optional.
First installation: 1988.
Total installations: 130; 125 in corporate risk management departments.
Features: Tracks certificates received; follows up for renewal certificates as policies expire; management reports for tracking past, current and future activity; provides access to A.M. Best ratings for all property/casualty insurance companies.
■ Advanced CTRACK-Certificates of Insurance Tracking.
Price: $1,195.
System specifications: IBM compatible PC, single user and LAN versions. Operates in DOS, Windows or OS/2.
Customization optional.
First installation: 1989.
Total installations: 60; 50 in corporate risk management departments.
Features: Includes the same features as basic CTRACK plus automatic checking of certificates for compliance with requirements, checks and records coverage clauses and policy limits, tracks and verifies any type of form such as OSHA safety forms and drug testing forms.
■ ACCESS-The Claims Information System.
Price: $5,000.
System specifications: IBM compatible PC; single user and LAN versions. Operates in DOS, Windows or OS/2.
Customization optional.
First installation: 1986.
Total installations: 18; six in corporate risk management departments.
Features: Full-featured risk management information system for organizations managing insured accounts, providing third party administration or who are self-administered. Full financial and safety reporting, check/voucher writing system available for users issuing payments.
■ CERTS - Certificates of Insurance Issuing.
Price: $1,900.
System specifications: IBM compatible PC; single user and LAN versions. Operates in DOS, Windows or OS/2.
Customization optional.
First installation: 1987.
Total installations: 12; eight in corporate risk management departments.
Features: Designed to issue large volumes of certificates of insurance forms 25 and 25S as well as custom forms and letters; maintains an audit trail of certificates issued; management reports aid the issuing process.
User support: Telephone assistance 12 hours per day, training, consultation, data entry service.
Officers: Thomas Seligman.

Specific Software Solutions Corp.
P.O. Box 198221, Nashville, Tenn. 37219-8221; 800-929-4052; fax: 615-793-7962

Risk management systems since: 1989.
Software products:
■ ModMaster Plus.
Price: $595.
System specifications: IBM compatible PC, 1MB; single user and LAN versions. Operates in DOS or Windows.
First installation: 1990.
Total installations: 800; 200 in corporate risk management departments.
Claims/coverages managed: Workers comp.
Features: Computes workers compensation modification factors.
User support: Telephone assistance 10 hours per day*.
* Included in system price.
Staff: Five total, two professionals.
Clients: 800 total, 200 including corporate risk management departments. Sold systems to 300 clients in 1993.
1993 Revenues: Risk management information systems revenue: 100% from software sales
Officers: Timothy L. Coomer, president; Sandra S. Coomer, corporate secretary.
Contact: Timothy L. Coomer.

Surplus Risk Services Inc.
3465 Torrance Blvd., Suite N, Torrance, Calif. 90503; 310-540-8803; fax: 310-543-2391

Risk management systems since: 1986.
Software products:
■ ForeRisk Claim Tracking.
Price: $4,495.
System specifications: IBM compatible PC; single user-640K RAM, LAN-512K RAM. Operates in DOS.
Customization optional.
First installation: 1991.
Total installations: 22;-18 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Claims administration, reserve tracking and audit trails, loss runs, claim size distribution and statistical reporting, unlimited ad hoc reporting. Optional modules include networking and check issuance.
■ ForeRisk Forecasting.
Price: $4,200.
System specifications: IBM compatible PC; single user-640K RAM, LAN-512K RAM. Operates in DOS.
Customization optional.
First installation: 1988.
Total installations: 52; 51 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Actuarial forecasting, time series analysis of reserve trends, IBNR estimates, spreadsheet capability.
■ ForeRisk Certificate of Insurance Tracking.
Price: $895.
System specifications: IBM compatible PC; single user-640K RAM, LAN-512K RAM. Operates in DOS.
Customization optional.
First installation: 1989.
Total installations: 110; 98 in corporate risk management departments.
Features: Tracks all required incoming certificates of insurance and other paperwork; allows automatic reminder letters, management reports, ad hoc inquiries and reviews of historical records. Optional modules include networking.
■ ForeRisk Cost Allocation.
Price: $1,495.
System specifications: IBM compatible PC; single user-640K RAM, LAN-512K RAM. Operates in DOS.
Customization optional.
First installation: 1992.
Total installations: 76; 70 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto, excess liability.
Features: Allocates of insurance costs between departments, subsidiaries, or other unlimited units of a corporate structure.
User support: Onsite training, telephone assistance nine hours per day*.
* First 90 days included in system price.
Staff: Nine total, all professionals.
Clients: 82 total, including 61 corporate risk management departments. Sold systems to 14 clients in 1993.
1993 revenues: $2 million total. $1 million from risk management information systems sales and services, 95% from software sales, 5% from software services.
Officers: Frederick Fisher, president; Aubrey Payne, vp.
Contact: Frederick Fisher.

T

The Travelers Inc.
1 Tower Square, 9CR, Hartford, Conn. 06183; 203-277-2770; fax: 203-277-2876

Risk management systems since: 1983.
Parent: The Travelers Inc.
Software products:
■ CARMA.
System specifications: IBM compatible PC; mainframe/timeshare system that can be accessed by single users and LANs. Operates in DOS or OS/2.
Customization optional.
First installation: 1983.
Total installations: 518; 131 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Claims management/loss analysis including adjuster's notes, worker's compensation lost time analysis, loss development and forecasting, loss prevention, reserve tracking, premium allocation, risk analysis, self-insurance comparisons and analysis, loss trending, safety and loss control, ad hoc reporting and ability to take in data from other sources. Options include exposure, policy, certificates of insurance, OSHA, managed care, litigation and claim self-administration features. Insurance and risk management analysis expertise available.
■ CARMA On-Line.
System specifications: IBM compatible PC; mainframe/timeshare system that can be accessed by single users and LANs. Operates in DOS or OS/2.
Customization optional.
First installation: 1994.
Total installations: 925; 801 in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Claims administration including adjuster's notes, loss prevention, reserve tracking, risk analysis, safety and loss control, litigation management, daily roster of new claims, lost time/medical analysis, frequency and severity analysis.
■ PC CARMA.
System specifications: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS or OS/2.
Customization optional.
First installation: 1986.
Total installations: Eight, all in corporate risk management departments.
Claims/coverages managed: General liability, property, casualty, workers comp, auto.
Features: Claims administration, exposure analysis, litigation management, loss prevention, policy and reserve tracking, allocation of premium, risk analysis, self-insurance comparison and analysis, safety and loss control, incident reporting, ad hoc reporting, ability to import data from other sources, certificates of insurance and OSHA reports. Options include loss development and forecasting, loss trending and claim self-administration features
User support: User groups/meetings*, onsite training*, telephone assistance 10 hours per day, quarterly newsletter*, assigned account information representative*.
Staff: 104 total, 78 professionals.
Clients: 1,451 total, 940 including corporate risk management departments. Sold systems to 135 clients in 1993.
Officers: Jack Gardner, vp; Matt Carden, director-RMIS.
Contact: Matt Carden.

V

Vaughan Co.
2532 Laguna Vista Drive, Novato, Calif. 94945-1526; 415-898-1229; fax: 415-898-2377

Risk management systems since: 1991.
Software products:
■ XSRater.
Price: $2,500.
System specifications: IBM compatible PC, 2MB RAM. Operates in DOS or Windows.
Customization optional.
First installation: 1988.
Total installations: 10.
Claims/coverages managed: General liability, property, casualty, workers comp, auto, E&O.
Features: Loss development and forecasting, experience rating, allocation of premiums, loss trending, excess layer costs report generation and graphing, excess ratings.
User support: Telephone assistance eight hours per day*.
* Included in system price.
Staff: Two total, two professionals.
Contact: Don Vaughan.

Venture Group Inc.
3840 Myers St., Riverside, Calif. 92503, 800-366-6157; fax: 909-352-9393

Risk management systems since: 1986.
Software products:
■ Workers Compensation Claims Management.
Price: $1,500-$30,000.
System specifications: IBM compatible PC; 8MB-single user, 16MB-LAN. Operates in DOS, Windows or UNIX.
Customization optional.
First installation: 1989.
Total installations: 55; 25 in corporate risk management departments.
Claims/coverages managed: Workers compensation.
Features: First report of injury, OSHA reporting, claims management, payment processing, property interlinking, litigation/investigation tracking, generation of 1099's, diary feature, reserving/trust fund accounting, state, monthly pre-formatted and ad hoc reports.

Continued on next page

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■ General Liability Claims Management.
Price: $5,000-$20,000.
System specifications: IBM compatible PC; 8MB-single user, 16MB-LAN. Operates in DOS, Windows or UNIX.
Customization optional.
First installation: 1986.
Total installations: 15, all in corporate risk management departments.
Claims/coverages managed: General liability.
Features: Claims management and processing.

■ Medical Managed Care/Utilization Review.
Price: $30,000-$60,000.
System specifications: IBM compatible PC; 8MB-single user, 16MB-LAN. Operates in DOS, Windows or UNIX.
Customization optional.
First installation: 1993.
Total installations: Nine; two in corporate risk management departments.
Claims/coverages managed: Workers compensation, 24 hour coverage models.
Features: Modular system offering enrollment, provider and credentialing, bill review and repricing, case management/utilization review, peer review and grievance modules. Supportive features, including diary, billing and automated data import and export available.

■ Professional Medical Malpractice Management.
Price: $20,000-$50,000.
System specifications: IBM compatible PC; 8MB-single user, 16MB-LAN. Operates in DOS, Windows or UNIX.
Customization optional.
Total installations: Nine.
Claims/coverages managed: Medical malpractice.
Features: Incident, claims and litigation management.
User support: User groups/meetings*, onsite training*, telephone assistance 24 hours per day*.
* Included in system price.
Staff: 14 total, seven professionals.
Clients: Nine total, including two corporate risk management departments. Sold systems to two clients in 1993.
1993 revenues: $1.4 million total. $1 million from risk management information systems sales and services, 10% from hardware sales, 80% from software sales, 5% from software services.
Officers: Niles F. Haton.
Contact: Niles F. Haton or Don Stone.

For an explanation of the risk management information systems directory terms and methodology, please refer to the detailed description on page 18.

W

WLT Software of Florida Inc.
831 N. Hercules Ave., Clearwater, Fla. 34625, 813-442-9296;
fax: 813-443-4936

Risk management systems since: 1981.
Software products:
■ CHEKCLAIMS Claims Editing System.
System specifications: IBM compatible PC; single user and LAN versions. Operates in DOS, Windows or OS/2.
Customization optional.
First installation: 1993.
Claims/coverages managed: Workers comp, group health plans, HMOs and PPOs, prescription drugs.
Features: Provider bill editing and billing system. Provides edits for appropriate diagnoses, procedure, place of service, age, sex, frequency and modifiers; checks primary and assistant surgeon fees and necessity; checks unbundled procedures for duplicate procedures, duplicate bills, frequency, cosmetic, incidental and elective procedures; looks at follow up days and non-specific diagnoses.
■ COMPCLAIMS Workers' Compensation Claims Administration System.
System specifications: IBM compatible PC; single user and LAN versions. Operates in DOS, Windows or OS/2.
Customization optional.
First installation: 1985.
Features: Workers' compensation claims administration system that includes reinsurance tracking; accounting; fee schedule and PPO processing; billing; claims processing; attorney tracking; management; administrative, government and safety engineering cost management reporting; bill review and 24-hour coverage.
User support: User groups/meetings, onsite training, telephone assistance 10½ hours per day*.
* Included in system price.
Officers: William L. Tiner Jr., president; Ann M. Tiner, vp; Thomas P. Brooks, national sales manager; Chuck W. Brooks, marketing manager.
Contact: Thomas Brooks or Chuck Brooks

X

Xordium Inc.
12465 Lewis St., Suite 104, Garden Grove, Calif. 92666; 714-748-9291;
fax: 714-748-9294

Risk management systems since: 1992
Software products:
■ Risk Controller.
Price: $2,995.
System specifications: IBM compatible PC, 4MB RAM; single user and LAN versions. Operates in DOS.
Customization optional.
First installation: 1992.
Total installations: Eight; two in corporate risk management departments.
Claims/coverages managed: General liability, property, workers comp, auto.
Features: Insurance policy management; monitors certificates of insurance issued and received; data management for property, hazardous materials inventory by facility, equipment, training, medical surveillance, personnel and safety/loss control; incident reporting; loss trending; reserve tracking; OSHA 200 management; report generation (specific and ad hoc); diary functions.
User support: User groups/meetings, onsite training*, telephone assistance seven hours per day*.
* Included in system price.
Staff: Seven total, two professionals.
Clients: 26 total. Sold systems to two clients in 1993.
1993 revenues: $450,000 total. $20,000 from risk management information systems sales and services, 40% from software sales, 60% from software services.
Officers: Karen J. Gillett, president; Fred C. Gillett, executive vp. BI

Garamendi

Continued from page 2

been dubbed "policy day," will focus on health-related issues and feature speakers including House Majority Leader Richard A. Gephardt, D-Mo.

The dinner is intended to help pay the $1.4 million debt generated by Mr. Garamendi's unsuccessful bid for the Democratic nomination for California governor, which was won by state treasurer Kathleen Brown.

Candidates vying to succeed Mr. Garamendi in the commissioner's post are state Senator Art Torres, a Democrat, and Assemblyman Chuck Quackenbush, a Republican, who won their respective parties' nominations in the June 7 primary.

Mr. Garamendi's calls evoked some surprise. "I was surprised by the phone call because on many issues when I tried to reach the commissioner, he never returned my call," said Michael S. Cabot, executive director of the Western Assn. of Insurance Brokers in San Francisco.

"I certainly wouldn't go to Washington and spend $5,000," Mr. Cabot added.

Those called by Mr. Garamendi said he did not use a "hard sell" technique.

However, the calls still trouble some observers.

"There's no question that the insurance commissioner's office should not be held by somebody who has taken contributions from the insurance industry, and that's kind of a basic standard the public needs to look at," said Harry Snyder, co-director of the Consumers Union in San Francisco. "My bet is it was just a mistake and the industry let him down easy by declining to contribute, and I hope this incident is blown over."

'My bet is it was just a mistake. . .the industry let him down easy' by not contributing, says Harry Snyder.

Mr. Garamendi did not return phone calls seeking comment.

Others who were invited to the fund raiser but declined include Metropolitan Life Insurance Co., the Health Insurance Assn. of America, the National Assn. of Independent Insurers, the Assn. of California Insurance Cos. and the Professional Insurance Agents of California and Nevada. The Alliance of American Insurers has also been invited but has not responded yet. BI

MetLife exec clears way for new leadership

By GAVIN SOUTER

NEW YORK—Signals are strong that the managed care subsidiary formed by Travelers Corp. and Metropolitan Life Insurance Co. will be run as an autonomous venture.

Thomas O. Pyle, 54, resigned last week as CEO of MetLife Health Care Corp., a unit of Metropolitan Life Insurance, becoming the second senior executive at MetLife or Travelers to resign since plans were announced for the joint venture earlier this summer (*BI*, June 20).

Mr. Pyle joined MetLife Health Care last year after 13 years as chief executive of Harvard Community Health Plan, a health maintenance organization.

However, when MetLife and Travelers announced their health care joint venture, Kennett L. Simmons, a former chief executive of United HealthCare Corp., was named CEO of the new managed care company.

If Mr. Pyle had stayed with the company, he would have been demoted to second in command under Mr. Simmons, according to analysts.

A MetLife spokesman said Mr. Pyle decided to pursue other interests after it became clear he was not going to be the new managed care company's leading executive.

Both New York-based MetLife and Hartford, Conn.-based Travelers have been slow in developing a managed care network, and senior management of the companies probably chose to inject new blood to accelerate the process, said Robert Riegel, assistant vp at Moody's Investors Service in New York.

And, the move makes it clear to potential investors in a future initial public offering that the joint venture is a stand-alone unit, he said.

"It will clearly be an autonomous company, so why would you want to keep the old MetLife management?" Mr. Riegel said.

"You have two companies that are both strong in health care and it makes sense for the new venture to be independent of either," the MetLife spokesman said.

Mr. Pyle's resignation comes one month after Richard H. Booth resigned as president of Travelers Insurance Co.

Mr. Pyle will remain as an adviser to MetLife. BI

Health insurer shopping paying off for small firms

By SARA MARLEY

More small and midsize businesses are switching health insurers in an attempt to control their medical costs, a new survey shows.

The survey of 747 owners of businesses with fewer than 500 employees found that group health care benefits are offered by 63% of the companies. Of those, 40% switched insurers in 1994, compared with just 22% in 1993.

That and other cost containment measures appear to be paying off. The average company responding to the study conducted by Arthur Andersen & Co.'s Enterprise Group and National Small Business United saw health care costs increase just 14% in 1994, down from a 22% increase in 1993.

Other cost control efforts also increased dramatically, including a switch to managed care plans like health maintenance organizations and preferred provider organizations by 26% of companies, up from 12% in 1993.

Some employers also sought to reduce health care costs by increasing plan deductibles, reported by 36% of companies in 1994 compared with 31% in 1993.

One-quarter of companies increased the size of employee contributions, up from 17%, while 22% introduced higher copayments, from 19% in 1993.

Despite the variety of efforts to cut costs, only 17% of employers decreased the level of coverage they offer to employees.

Nearly three-quarters of small employers maintained the same level of coverage and 11% increased it.

The cost of health care benefits is one of the top challenges to small businesses' growth and survival, according to 42% of the respondents.

"Small and mid-sized business owners are creatively managing the costs of providing health care coverage because there is still so much speculation about the specifics of the health care reform package," said Nancy Pechloff, managing director of the Enterprise Group in St. Louis. "These executives can't wait for change, so they are taking the initiative to make changes that will save them money right now."

Nearly three-fourths of small-business owners agree that the U.S. health care system needs to be reformed, but the majority oppose the three key elements in the Clinton administration proposal.

Seventy-eight percent oppose a tax on employer-provided health insurance, 73% oppose mandates to cover their employees and dependents, and 71% oppose mandatory purchasing alliances.

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Copies of the "Survey of Small and Mid-Sized Businesses" are available free of charge by contacting Laurence K. Hayward of Arthur Andersen's Enterprise Group at 312-507-1295.

INTERNATIONAL

Policies canceled due to reinsurance fiasco

By CAROLYN ALDRED

LONDON—A leading Lloyd's of London liability underwriter is canceling employers liability coverage with dozens of offshore contractors and operators because his reinsurer will not confirm coverage of the risks.

John Murphy wrote to policyholders on July 22 to give notice of cancellation on their policies, leaving many contractors that work in Britain's extensive offshore oil and gas fields searching for alternative coverage to protect their exposure to worker lawsuits.

Mr. Murphy, underwriter of syndicate 1156, managed by Bankside Syndicates Ltd., said he was being forced to give notice on the coverage because his reinsurer "is not in a position to confirm or otherwise whether a contract exists" to provide unlimited reinsurance cover for offshore employers liability risks.

Employers liability coverage in the United Kingdom is similar to the indemnity portion of workers compensation coverage in the United States.

"This is a very unprecedented step and is being taken to protect the integrity of the syndicate and its client base," Mr. Murphy said.

The possibility that legal action will be taken precluded much comment, but he confirmed that the problem concerns "a lot of policies."

At present, the syndicate "is continuing to have discussions with reinsurers to resolve the matter amicably," Mr. Murphy said.

The disputed reinsurance is led by Trieste, Italy-based Assicurazioni Generali S.p.A. and placed by London-based Houlder Insurance Brokers Ltd.

According to sources, Houlder had provided Mr. Murphy with a reinsurance cover note from Generali. Mr. Murphy would not confirm that.

No one in Generali's London office was available for comment on the matter last week.

Peter Venus, Houlder's corporate secretary, would only say that the matter was "subject to detailed investigation."

Mr. Venus would not confirm or deny whether the broker who personally placed the reinsurance coverage was suspended.

A colleague at the brokerage said the broker was unlikely to return to the office "for some months, if at all."

Mr. Murphy, who specializes in employers and public liability cover-

Continued on next page

Lloyd's member litigation

Law lords give names more time to file lawsuits

By STACY SHAPIRO

LONDON—Loss-plagued Lloyd's of London members have more time in which to sue underwriting agencies and auditors following a House of Lords ruling last week that allows concurrent claims to be filed under both contract and tort law.

The ruling in Britain's highest court lifts a six-year statute of limitations on bringing a suit from the time an alleged breach of contract occurred. Instead, a three-year statute of limitations from the time the losses manifest themselves, as specified in the Latent Damages Act 1986, will apply.

The decision reinforces in British law the 1964 ruling in *Hedley Byrne & Co. Ltd. vs. Heller & Partners Ltd.* that concurrent contract and tort litigation is allowed. And it pushes British law in the same direction as U.S. and Australian law, in which concurrent actions are already allowed.

Contract law applies to parties that have a written agreement for duties performed. Tort law applies to agreements made without a written contract that still must adhere to common law.

"If concurrent liability in tort is not recognized,

Continued on next page

Judge's Gooda Walker ruling may sway other members

By STACY SHAPIRO

LONDON—Thirteen weeks after it began, the Gooda Walker trial has come to an end with a decision expected from the High Court in September.

Many trial observers believe that the 3,095 members of the Gooda Walker Action Group have proved that the three underwriters of defunct syndicates managed by Gooda Walker Ltd. were negligent.

And, Justice Phillips seemed to indicate at the end of the trial last week that he has concluded the entire London excess-of-loss reinsurance market in the 1980s was negligent.

However, it is not clear whether the members will receive the entire 600 million pounds ($918.3 million) in damages—plus an indemnity for future losses from the Gooda Walker syndicates—that they are seeking.

Justice Phillips is expected to rule on the "quantum" of damages as well as on the liability of the 65 members agency defendants.

The outcome of the trial could encourage other members suing to recover their LAX losses to settle, especially if Gooda Walker members receive less than they would have if they had accepted Lloyd's settlement offer earlier this year. The Gooda Walker names rejected their portion of the 900 million pound ($1.38 billion) settlement offer—which accounted for about 23% of the amount—that was made to 22,800 members, which effectively killed the deal (*BI*, Jan. 24).

Lloyd's Chairman David Rowland has said that he

Continued on next page

Texaco refinery damage insured

LONDON—Texaco Inc. does not expect the damage from last week's explosion and subsequent fire at its Pembroke refinery to exceed the limits provided by its U.K.-based captive insurer, Heddington Insurance (U.K.) Ltd.

Monica Dobbie, manager of London-based Heddington, said that investigators had been allowed into the plant Wednesday, but did not have an accurate assessment of damage or know the cause of the fire as of late last week.

"On the basis of available facts" the property damage is unlikely to top Heddington's own coverage, and liability claims "certainly" will not, she said, declining to specify the amount retained via the oil company's captive.

Production was halted after the July 24 explosion, which may have been caused by lightning. Fires raged within the Welsh refinery for almost two days after the explosion. The main fire was extinguished late Monday night and smaller fires were allowed to burn themselves out Tuesday.

Some Texaco employees suffered minor injuries and nearby homeowners reported slight damage, including broken windows and missing roof tiles. Ms. Dobbie said that 75 third-party property losses had been recorded as of last Wednesday.

Heddington has "high-level" excess-of-loss and quota share reinsurance coverage for "several millions of dollars," according to Ms. Dobbie. The property coverage is led in Lloyd's of London and other coverage is led in European markets.

—*By Adrian Ladbury*

Munich Re, Allianz results improve

Underwriting losses narrow

By ADRIAN LADBURY

MUNICH—Allianz Group and Munich Reinsurance Co., Germany's insurance and reinsurance giants, have announced major improvements in underwriting results due to rate increases, tighter underwriting and good luck.

The two companies, which hold 25% stakes in each other, also reported strong growth in gross premium volume—13% at Munich Re and 19.8% at Allianz.

Munich Re predicts that the underwriting loss for the fiscal year ending June 30 for its core operating company, Munich Reinsurance Co., will be about half the size of its 1992 deficit of 1.1 billion deutsche marks ($721.7 million). The reinsurer will report its final results for fiscal 1993 in early November.

Allianz reported a 29.4% decrease in its underwriting loss for calendar-year 1993 to 1.2 billion deutsche marks ($691.1 million) from 1.7 billion deutsche marks ($1.05 billion) in 1992.

Both companies warned against complacency, however, and promised that they would not relinquish upward pressure on rates and would pay more attention to risk management and loss control.

Both also said last year's underwriting improvement was "mostly due to chance" noting that a number of natural catastrophes in 1993 occurred in underinsured regions.

Munich Re's 1992 underwriting

Continued on page 33

U.K. urged to drop income tax on D&O cover

By ADRIAN LADBURY

LONDON—British risk managers and insurers are lobbying the government to revoke income taxes that are levied on directors and officers liability insurance premiums and indemnification for uninsured D&O liabilities.

Risk management and insurance associations did not mince words in recent responses to a government discussion document that called for industry opinion on the taxes.

Currently, the Inland Revenue treats D&O premiums as a taxable benefit to individuals, levying a 40% tax on the premiums for those earning more than 23,700 pounds ($36,270) annually and a 25% tax for lower wage earners as long as they earn more than 8,500 pounds ($13,009). The income tax is assessed on the individual regardless of whether the coverage is bought by the individual or his or her employer.

In addition, if an exposure is uninsured and the company indemnifies directors or officers for any liability they incur, that payment is considered taxable income to the individual, at the same rates as the D&O premium.

Similar types of insurance, such as professional liability coverage, are not included as part of a professional's taxable income, which is one reason why risk managers and insurers oppose the taxes.

The Inland Revenue document explained that D&O exposures do not qualify for tax exemption because exemptions are only allowed for "expenses incurred wholly, exclusively and necessarily in the performance of the duties of the office or employment."

According to the tax authority, the "necessarily test" does not stand up, because many employees and directors are willing and able to carry out their duties without D&O coverage.

But, Stephen Dorrell, financial secretary to the treasury, called for a review of the rules following debate earlier this year in the House of Commons.

Government ministers recently realized that "a number of people who should have been paying the tax had not" and that the Inland Revenue had not been "taxing it aggressively," said a spokeswoman for the Inland Revenue.

Mr. Dorrell therefore asked the tax authority to assess whether the tax was justified.

Both the Assn. of Insurance & Risk Managers in Industry & Commerce and the Assn. of British Insurers are adamant that the tax is unjustified.

"There is no justification for con-

Continued on next page

Gooda trial

Continued from previous page

would be willing to broker another settlement offer if asked to do so.

The Gooda Walker trial, which started April 26, ended last week with closing arguments and numerous questions from Justice Phillips.

Geoffrey Vos, representing the members, concluded his case arguing that underwriters Derek Walker, Stan Andrews and Anthony Willard were "reckless" and "incompetent" when writing excess-of-loss reinsurance. He also charged they were "untruthful" when talking to Lloyd's loss review committee and to the court.

"Now that the evidence has been heard, our submission is amply borne out. . .that in many areas of their underwriting, each of these underwriters. . .wholly ignored basic principles of reinsurance underwriting," he said.

The underwriters—all of whom testified in their defense during the trial—failed to monitor their aggregate exposures and assess their probable maximum losses in the event catastrophes accumulated, Mr. Vos said.

Evidence "casts doubt" on whether they rated their LMX business properly or had adequate reinsurance programs for their LMX business, he added.

Justice Phillips noted that during the trial Ulrich von Eicken, former managing director of Munich Reinsurance Co. in London who testified for the plaintiffs, had said: "A competent reinsurer will not write XL on XL, save that he may go into the market for a bit of excitement."

The underwriter "may take advantage of the fact that part of the perversity of the market. . .(is) that if you are clever at arbitrage, having written your primary XL book, you can lay off cheaply a large part of the risk that you have written, leaving yourself in a position through the foolishness of others to profit for your names.

"I am bound to say I have a lot of sympathy with (Mr. von Eicken's position)," Justice Phillips said.

If an underwriter is gambling with names' money and writing risks at a rate that is too low, "I cannot see how that can be competent," the judge added.

The members want compensatory damages for underwriting losses plus interest, syndicate and runoff expenses they have paid and an indemnity from future losses.

To calculate members' damages, Mr. Vos suggested that the judge should compare the Gooda Walker underwriters' performance with that of other underwriters in the market. For example, he said, the judge could take an average of the LMX market's underwriting experience excluding the least and most profitable syndicates; or take an average of the entire Lloyd's market's underwriting experience at the relevant time in 1988 and 1989.

But Justice Phillips had trouble with Mr. Vos' suggested approaches. "Is it fair or reasonable to take the standard of those who did well as a guide to what the names should have achieved had there not been incompetence?"

It would be "quite wrong" in calculating damages to strip out any syndicates where incompetence is expected, because "it is the incompetent ones that enabled the others to do better than they would otherwise have done," Justice Phillips noted.

During closing arguments on behalf of managing agent Gooda Walker and the 65 members agents, barrister Bernard Eder said that the plaintiffs' case was founded on "hindsight."

However, he argued, "hindsight is not the relevant touchstone for negligence."

Mr. Eder noted that between 1965, when Hurricane Betsy caused huge losses in the London market, and 1988, "the (LMX) market did operate to a greater or lesser extent entirely successfully."

During the seven-year period before 1988, which is when catastrophe losses started rolling into the LMX market, Gooda Walker members on syndicate 290 "made huge profits" on the order of 1,000% of their premium limits, Mr. Eder said.

Everyone knew that LMX syndicates carried a higher risk than other syndicates, he said. The way names could have limited their exposure to the LMX market was to reduce their line on the Gooda Walker syndicates, which Mr. Walker warned they should have done if they were worried, Mr. Eder said.

And, no one "expected" the series of catastrophe losses that did occur to wipe out many Lloyd's LMX syndicates, Mr. Eder said.

And there was a "difference in philosophy" between the way the Gooda Walker underwriters conducted their specialist underwriting and the way conventional reinsurers like Munich Re conducted their business, he said.

LMX rating was difficult; great accumulations occurred; and reinsurance was necessary over a timed period. "The important point is that this whole (LMX) business was very, very special," said Mr. Eder.

"With hindsight, looking back on it, it is surely an aberration, is it not?" questioned Justice Phillips. "The same risk going round and round and round. . .so that you get Piper Alpha with 10 times the losses claimed in the LMX spiral from the original exposure that came in. It was not doing anybody much good, was it, except for those who were unloading their exposure,"he commented.

Mr. Eder noted that in weighing his decision, Justice Phillips must assume that members "were properly advised" by their members agents about Gooda Walker syndicates, since he did not allow members agents to testify during the trial on what was said to individual members.

Justice Phillips noted, though, that the defendants called Lord Strathalmond, chairman of members agent R.W. Sturge Ltd., "to assist me in forming a view as to the perception of the competent members' agent."

Mr. Eder also argued that if the judge finds the defendants negligent, the plaintiffs should not receive 100% of their losses of 600 million or 700 million pounds. They should instead be compensated for the losses caused by the seven specific catastrophes named in the plaintiffs action, he said.

"Our submission is that the burden lies on the plaintiffs to prove each and every loss" by each and every Gooda Walker underwriter, said Mr. Eder. Interest, syndicate and runoff expenses also should be excluded, he contended. BI

Law lords

Continued from previous page

a claimant may find his claim barred at a time when he is unaware of its existence," ruled Lord Goff of Chieveley.

Calling existing practice "outmoded," Lord Goff upheld the High Court and Court of Appeal's decision that Lloyd's members should be allowed to sue managing agencies concurrently under tort and contract law, unless there are restrictions on the contract.

The law lords also ruled last week that members agents can be held contractually liable for negligent underwriting by managing agents. This decision had already been leaked by the law lords to expedite the Gooda Walker trial (*BI*, April 18).

The law lords' recent decision particularly affects litigating members on long-tail liability syndicates where the losses occurred many years ago but the members were only liable for them in the 1980s.

The "long-tail" litigation includes 1,055 members of the Cuthbert Heath Names Assn. who recently filed suit against 81 defendants to recover losses on defunct syndicate 404, which is facing extensive exposure to U.S. asbestos and pollution claims. The suit names as defendants managing agent Cuthbert Heath Underwriting Ltd. and syndicate auditors Arthur Andersen.

Without last week's decision, many members of defunct syndicate 418/417 also would have been barred from proceeding against members agency Merrett Syndicates Ltd. and managing agency Merrett Underwriting Agency Management Ltd., said John Mays, chairman of the Merrett 418 (1985) Names Assn.

Nearly 2,000 Merrett members have filed several lawsuits complaining of the negligent closure of the 1982 underwriting year and the underwriting of 11 runoff reinsurance contracts in that year. The lawsuits also name auditor Ernst & Whinney.

The Merrett trial will now proceed as scheduled in the High Court on March 27, 1995.

The law lords' decision "affects not merely a lot of Lloyd's litigation but a huge mass of English litigation and is of importance to any insurer of professional liability," said Michael Deeny, chairman of the Gooda Walker Action Group. Under British contract law, plaintiffs must file lawsuits within six years of the alleged breach of the contract, "and if you find out about the breach too late to issue proceedings, there isn't anything you can do under contract law," he said.

But, when there is no binding contract, there is a duty in tort and a plaintiff can sue under the Latent Damages Act. And that act states that parties have up to three years to file lawsuits from the time losses manifest themselves.

"A lot of the members' litigation involves what happened at Lloyd's in the early 1970s and 1980s," said Mr. Deeny.

The ruling also applies to members who plan to sue their auditors, since auditors' alleged breaches often take place several years before the damage becomes known.

Following the ruling, the Gooda Walker Action Group announced that it would sue its syndicates' auditor, Littlejohn Frazer. BI

D&O income tax

Continued from previous page

tinuing to tax D&O insurance premiums paid by a company to cover indemnities given in accordance with the law to its directors, officers, senior employees and auditors," AIRMIC said in its response to the document.

"Tax relief should be available on premiums for liability insurance to indemnify the losses and costs of employees or directors from actions taken to discharge their responsibilities and duties as employees or directors whether paid by the company of the employee or director," the ABI stated.

AIRMIC's reasons for wanting the tax lifted include:

- The tax revenue raised is negligible.
- D&O coverage should not be singled out for income tax while other coverages are not.
- The United Kingdom must bring its tax laws into line with E.U. standards soon anyway.
- Company law reflects that such insurance is in the public interest, and so should the Inland Revenue's rules.
- Continued taxation will discourage growth in D&O insurance.

The Inland Revenue will review opinion submitted by more than 70 organizations and individuals and advise the financial secretary to the treasury whether it believes law changes are required. If the Revenue believes the taxes should be lifted and the financial secretary agrees, then the government would need to amend the Income and Corporations Taxes Act, which would require the permission of parliament. BI

Reinsurance

Continued from previous page

age for the U.K. and Irish markets, had "cornered the market" for offshore employers liability coverage during the last six to eight months, since he was the only leading underwriter continuing to offer unlimited coverage, according to London marine brokers.

Virtually all reinsurers have withdrawn unlimited liability coverage for offshore employers liability risks during the last 2½ years. The loss of the Piper Alpha offshore oil platform in 1988 alerted reinsurers to the massive accumulation potential of employers liability claims in the North Sea (*BI*, Feb. 22, 1993; July 11, 1988).

However, Mr. Murphy continued to provide unlimited cover for policyholders with offshore workers, believing that he had reinsurance protection.

In a letter sent to all affected policyholders on July 22, Mr. Murphy wrote that syndicate 1156 has been advised by Generali that "there are concerns about. . .the reinsurance protection in respect of this syndicate's offshore account. As a result, they say they are not in a position to confirm their acceptance of, inter alia, the reinsurance placed on behalf of this syndicate."

The syndicate has "been seeking clarification of the position, but it appears that, in the short term at least, we will be unable to obtain unconditional confirmation that the syndicate's reinsurance protections in respect of its offshore account are in place," Mr. Murphy wrote.

As a result, "we must give notice of cancellation," leaving the syndicate "off cover," he said.

According to the letter, the notice period is due to expire on Aug. 21.

"If it is possible to obtain confirmation of reinsurance coverage before the expiry of the notice period, we will revoke the notice of cancellation and reinstate coverage for the remaining period of the insurance (without alteration of terms) and advise you immediately. Alternatively, we hope to be writing to you with details of the coverage that we will be able to offer you," he wrote. BI

LTD costs could shift

Bill would cap federal benefits for substance abusers

By JERRY GEISEL

WASHINGTON—A congressional drive to cut off Social Security disability income benefits to alcoholics and drug addicts could increase some employers' long-term disability costs.

Legislation now awaiting final congressional approval would place a 36-month limit on substance abusers' eligibility for Social Security disability benefits. Social Security last year paid more than $350 million in disability benefits to chronic substance abusers.

"This provision sends a clear message that federal assistance cannot last forever," said Rep. Gerald Kleczka, D-Wis.

But that provision, which is included in broader legislation that would make the Social Security Administration—now part of the Department of Health and Human Services—an independent agency, could mean higher long-term disability costs for a small percentage of employers.

Most employers now integrate LTD and Social Security disability benefits, meaning that the employer reduces LTD benefit payments by the amount of Social Security benefits a disabled employee receives.

Integration is an integral part of LTD plan design so that disabled employees do not receive more benefits by staying off the job than by working.

But if Social Security disability benefits are cut off after 36 months—as they would be for chronic substance abusers under the federal legislation—there would be no Social Security benefit for employers to use to reduce their LTD benefits to disabled employees who are substance abusers.

However, most employers—about 85% to 95%—would be protected from such an automatic increase in LTD benefits.

More than a decade ago, insurers selling LTD policies and employers that self-fund LTD benefits began to cap the length of time they would pay LTD benefits for employees who are disabled because of alcoholism, drug abuse or mental or emotional disorders, said Dennis Sullivan, a vp with Alexander & Alexander Benefits Services Inc. in New York.

"These caps have been around for a long time," agreed Mary Case, a partner with Kwasha Lipton in Fort Lee, N.J.

Typically, LTD benefits are limited to 24 months for disabilities that are the result of alcoholism, drug abuse or mental or emotional disorders. Often, confinement in a hospital or institution licensed to provide care and treatment for those disorders is not counted as part of the 24-month limit.

"A 24-month cap has become a standard," said Brian Fuller, an associate in the Glen Allen, Va., office of William M. Mercer Inc.

As a result, employers that are currently cutting off LTD benefits after 24 months for chronic substance abusers would be unaffected by the federal legislation.

"For many employers, the legislation will be a virtual non-issue," said Craig Dolezal, a consultant in the Atlanta office of Hewitt Associates.

The small percentage of employers that do not place a time limit on LTD benefits for chronic substance abusers may want to do so if the Social Security legislation becomes law.

A conference committee recently approved a compromise bill that melded different bills earlier passed by the House and Senate. The House and Senate now must vote on the conference agreement.

Employers that do add such a time limit to their LTD policies would not be "leading the market, but just catching up to what has taken place some time ago," said Mr. Dolezal.

These developments are occurring as the LTD market continues to be highly competitive, benefit consultants say.

Rates have been flat or even slightly downward, said Rosanna Milley, a principal at The Apex Management Group in Princeton, N.J.

"The market is becoming more and more competitive," agreed A&A's Mr. Sullivan.

The competition is being driven by several factors. More insurers are interested in building up their share of the LTD market because of worries that health care reform legislation—if enacted—could drive them out or reduce their presence in the health insurance market.

"Health insurers are looking to build market shares in other areas," Mr. Sullivan said.

Rates are also going down because insurers are doing a better job of controlling claims costs through more effective rehabilitation programs and managed care, consultants say.

In addition, disabled workers themselves may be returning to work sooner because of fears that their jobs will be eliminated, said Mercer's Mr. Fuller. BI

INTERNATIONAL

Results

Continued from page 31

result, by contrast, was hammered by losses from Hurricane Andrew.

"The insurance industry's exposure to large catastrophe losses was quickly demonstrated again by the Los Angeles earthquake this year and the windstorm and flood damage in Germany that also occurred at the beginning of the year," Munich Re Chairman Hans-Juergen Schinzler wrote in a statement on the interim results.

"And, of course, other very large losses are always on the cards, too, such as the failed Ariane launch of Jan. 24, 1994, with gross claims costs of 75 million deutsche marks ($47.6 million at current exchange rate) for Munich Re alone. There are thus no grounds for relaxing our efforts to determine and implement risk-commensurate prices," he said (*BI*, Jan. 31).

Mr. Schinzler said that "several years of unsatisfactory results" have led to a dramatic fall in the supply of reinsurance capacity. This has allowed his company and others to raise rates to more profitable levels, especially in international lines like industrial fire.

Increased rates in this area helped Munich Reinsurance Co. boost premium volume 12.7% to 18 billion deutsche marks ($10.54 billion) in 1993 from 16 billion deutsche marks ($10.5 billion) in 1992.

Mr. Schinzler noted the arrival of fresh capacity in Bermuda and London, especially for catastrophe reinsurance coverages, but said that "this recent capacity growth has not yet offset the capacity shrinkage that preceded it."

Although Munich Re estimates a record number of catastrophes occurred in 1993—600 loss events compared with the previous record of 509 in 1992—the insurance industry "got off relatively lightly" because most of the losses occurred in regions with low insurance density, he said.

Munich Re Group, which includes the reinsurer's direct German life and non-life insurance subsidiaries, will show an approximate 12% increase in gross premiums to more than 28 billion deutsche marks ($16.4 billion).

Meanwhile, Allianz managed to increase gross premiums earned last year by 19.8% to 65.5 billion deutsche marks ($37.7 billion).

"The growth stemmed primarily from the necessary, although still not adequate, adjustment of property and casualty premiums to the further increases in claims expenditure as well as from the marketing success of the annuity insurance products of its life operations," a report from the insurer stated.

Allianz's life and health business jumped as a proportion of the total to almost 45% last year from 39.3% in 1992. Life and health premiums grew by 36.7% to 29.39 billion deutsche marks ($16.9 billion) from 21.5 billion deutsche marks ($13.3 billion). The growth in property and casualty premiums of 8.9% to 36.16 billion deutsche marks ($20.82 billion) from 33.2 billion deutsche marks ($20.51 billion) in 1992 was sluggish in comparison.

The shift in the balance of business was assisted by the inclusion for the first time of results from Allianz's health insurer subsidiary, Deutsche Krankenversicherung A.G., which accounted for 500 million deutsche marks ($287.95 million) of the company's overall life and health premiums. But it was also because of a perceived fundamental shift in European economies that Allianz hopes to exploit.

"In Germany, a considerable stimulus is expected from both annuity insurance and supplementary long-term care insurance in 1994. In Italy and France, private pension schemes are gaining more and more in importance, too, opportunities for an expansion of business are presenting themselves in Western Europe and increasingly in Eastern Europe as well," said Henning Schulte-Noelle, chairman and CEO of Allianz.

While Allianz's life and health units look forward to fast expansion, the future for its property and casualty units will be more complex.

Like Munich Re, Allianz noted that last year was the worst on record for natural catastrophes and that the industry was lucky to come "off relatively lightly" with insured losses totaling $11.6 billion.

But, catastrophes are not the only threat to insurers' balance sheets. Allianz said increased crime, rising health care costs and the changing insurance needs of big industrial customers demand new techniques and responses from insurers. BI

Datebook

AUGUST

AUG. 8-9. Health Care Capitation & Risk Sharing conference in Boston, sponsored by the Institute for International Research; $1,295. Conference Coordinator, Institute for International Research, 708 Third Ave., Fourth Floor, New York, N.Y. 10017-4103; 800-345-8106 or 212-661-8740.

AUG. 8-12. Fundamentals of Employee Benefits Management course in Brookfield, Wis., sponsored by the International Foundation of Employee Benefit Plans; $1,125 for IFEBP members; $1,250 for non-members. IFEBP, 18700 Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008; 414-786-6710, ext. 257.

AUG. 10. The Process of Crisis Management Planning seminar in Itasca, Ill., sponsored by Gallagher Bassett Services Inc. and Logical Management Systems Corp.; $195. The Center for Risk Management Training, Dawn Carlson, Registrar, The Gallagher Centre, 2 Pierce Place, Itasca, Ill. 60143-3141; 708-285-3586.

AUG. 13. Advanced Case Management seminar in Rolling Meadows, Ill., sponsored by the Foundation for Rehabilitation Certification; $125. Helen Carpenter, FRC, 1835 Rohlwing Road, Suite E, Rolling Meadows, Ill. 60008; 708-394-2104, ext. 129.

AUG. 14. Life Care Planning and High-Risk Maternity/Infant Care case management seminar in Arlington Heights, Ill., sponsored by the Foundation for Rehabilitation Certification, Education and Research; $125. Helen Carpenter, FRC, 1835 Rohlwing Road, Suite E, Rolling Meadows, Ill. 60008; 708-394-2104.

AUG 15-16. How to Audit Your Insurance Program: Getting Your Money's Worth seminar in Washington, sponsored by the American Management Assn.; $1,050 for AMA members, $1,210 for non-members. **Also Sept. 12-13** in Chicago, **Oct. 6-7** in San Francisco, **Oct. 24-25** in Atlanta, **Nov. 3-4** in Phoenix and **Nov. 14-15** in New York. American Management Assn., P.O. Box 319, Saranac Lake, N.Y. 12983; 518-891-0065.

AUG. 15-17. Eighth Annual Conference for Risk Retention Pools in Dana Point, Calif., sponsored by Advanced Risk Management Techniques Inc.; $425. Sandra Dick, ARM Tech, 23701 Birtcher Drive, Lake Forest, Calif. 92630-1783; 714-472-8324.

AUG. 16-18. Basic Commercial Lines workshop in Wethersfield, Conn., sponsored by the Independent Insurance Agents of Connecticut; $195 for IIAC members, $225 for non-members. Independent Insurance Agents of Connecticut Inc., 30 Jordan Lane, Wethersfield, Conn. 06109; 203-563-1950.

AUG. 16-19. Vermont Captive Insurance Assn.'s 9th Annual Conference in Burlington, Vt.; $340 for VCIA members, $540 for non-members. Diane Leach, Executive Director, Vermont Captive Insurance Assn., P.O. Box 763, Stowe, Vt. 05672; 802-253-2263.

AUG. 21-23. Customer Relations & Managed Care: Moving Member Services into a New Age of Health Care Consumerism conference in Snowbird, Utah, sponsored by the Group Health Assn. of America; $785 for GHAA members, $885 for non-members. GHAA/Registrar, 1129 20th St., N.W., Suite 600, Washington, D.C. 20036; 202-778-3232.

AUG. 21-23. Creating the Future: 5th Annual National Conference on Treatment Initiatives in Rockville, Md., sponsored by the National Treatment Consortium; $325 for NTC members, $385 for non-members. NTC, P.O. Box 1294, Washington, D.C. 20013; 202-434-4780.

AUG. 21-24. American Risk & Insurance Assn. 1994 Annual Meeting in Toronto; $90 for ARIA members, $145 for non-members. Patricia A. Cheshier, Executive Director, ARIA, School of Business Administration, California State University, Sacramento, Calif. 95819-6088; 916-278-6609.

AUG. 22-23. Advanced VDT Workstations: Ergonomics, Health, Safety & Productivity seminar in Monterey, Calif., sponsored by the University Consortium for Continuing Education; $795. University Consortium for Continuing Education, 16161 Ventura Blvd., M/S 752, Encino, Calif. 91436; 818-995-6335.

AUG. 23. Insurance and Legal Issues in Employee Benefits seminar in Los Angeles, sponsored by the International Foundation of Employee Benefit Plans; $150. **Also Aug. 24** in San Francisco. Registrations Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6710, ext. 257.

AUG. 28-31. Benefits Discovery '94 national conference in Las Vegas, sponsored by Coopers & Lybrand; $650. Coopers & Lybrand, 1251 Avenue of the Americas, New York, N.Y. 10020; 1-800-820-1101.

AUG. 29-31. Benefit Plan Professionals Institute in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; $595 for IFEBP members, $670 for non-members. Registrations Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6710, ext. 257.

SEPTEMBER

SEPT. 1-2. Disaster Planning and Preparedness Workshop in Atlantic City, N.J., sponsored by Factory Mutual Engineering & Research; $495. **Also Oct. 13-14** in Norwood, Mass., **Dec. 8-9** in Santa Clara, Calif., and **Dec. 12-13** in Los Angeles. Factory Mutual Engineering & Research, Training Resource Center, Training Department Enrollments, P.O. Box 9102, Norwood, Mass. 02062; 617-255-4606.

SEPT. 11-13. The Second National Primary Care Conference in Dallas, sponsored by the U.S. Department of Health and Human Services; $250. Rose Salton, Social & Scientific Systems, 7101 Wisconsin Ave., Suite 1300, Bethesda, Md. 20814; 301-986-4870.

SEPT. 11-14. Behavioral Healthcare Tomorrow conference in Washington, sponsored by the Institute for Behavioral Healthcare; $595. IBH, 4370 Alpine Road, Suite 108, Portola Valley, Calif. 94028; 415-851-8411.

SEPT. 12-13. Understanding Personnel Law seminar in Oklahoma City, sponsored by the Council on Education in Management; $395. **Also Sept. 19-20** in Arlington Heights, Ill., and **Sept. 21-22** in Milwaukee. Council on Education in Management, 325 Lennon Lane, Walnut Creek, Calif. 94598-2418; 510-934-8333.

SEPT. 12-13. Mergers, Acquisitions & Alliance for Healthcare Payors forum in Atlanta, sponsored by the Institute for International Research; $1,195. Conference Coordinator, Institute for International Research, 708 Third Ave., Fourth Floor, New York, N.Y. 10017; 1-800-345-8016 or 212-661-8740.

SEPT. 12-14. Fundamentals of Insurance course in San Francisco, sponsored by the Risk & Insurance Management Society; $650 for RIMS members, $750 for non-members. **Also Oct. 17-19** in Charlotte, N.C., and **Dec. 12-14** in Denver. Risk & Insurance Management Society Inc., Education Department, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 14-16. Techniques of Risk Management course in Seattle, sponsored by the Risk & Insurance Management Society; $650 for RIMS members, $750 for non-members. **Also Dec. 5-7** in New York. Risk & Insurance Management Society Inc., Education Department, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 18-20. Public Risk Management Assn. Midwestern Miniconference in Itasca, Ill.; $175 for PRIMA members, $225 for non-members. Lynne Armstrong, PRIMA, 1117 N. 19th St., Suite 900, Arlington, Va. 22209; 703-528-7701.

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Financial	
Chief Financial Officers and Vice Presidents of Finance	2,359
Secretaries, Treasurers, controllers and other Financial Personnel	3,700
Risk/Employee Benefits:	
Vice Presidents, Directors, Managers, and other realted department personnel of: insurance, risk employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	15,138
Sub-total	**27,859**
Associations	371
Government, Unions and Educational Institutions	986
Commercial Consumers Sub-total	**29,216**
Insurance Agents and Brokers	8,607
Insurance Companies	8,258
Accountants, Actuaries, Attorneys & Consultants	3,576
Managers & Health Care Providers	1,941
Others Allied to the Field	1,351
TOTAL	**52,949**

★ Source Business/Occupational breakdown of qualified circulation, November 29, 1993 Issue, as submitted to BPA for December 1993 BPA Publisher's Statement.

Violence a big threat to workers, study says

By SALLY ROBERTS

Nearly one in six violent crimes occurs in the workplace, a recent study finds.

Nearly 1 million people fall victim to acts of violent crimes in the workplace every year, accounting for about 15% of the more than 6.5 million total acts of violence experienced annually by Americans over 12 years of age, according to the Bureau of Justice Statistics' annual national crime victimization survey. That results in 1.8 million days of missed work for the victims every year, the study says.

The study found an estimated 8% of all rapes, 7% of all robberies and 16% of all assaults occur in the workplace.

Those that work in private companies are most likely to become workplace victims. According to the study, workers in private companies account for 61% of all workplace victims of violent crime. Federal, state and local government workers, who make up nearly 20% of the total United States work force, account for 30% of all workplace victims.

The study says that government workers—especially those in such occupations as public safety personnel—are at high risk of victimization.

An estimated 8% of all rapes, 7% of all robberies and 16% of all assaults occur in the workplace.

The remaining 9% of the workplace victims are either self-employed or are working without pay.

Homicide was the leading cause of workplace deaths among women and the third-leading cause of deaths among all workers nationwide behind motor vehicle and machinery accidents during the 1980s, according to a study last year by the National Institute for Occupational Health and Safety (*BI*, Nov. 8, 1993). Some 7,603 workers were slain on the job during the 1980s, NIOSH found.

In addition to violent crimes, approximately 2 million personal thefts and more than 200,000 motor vehicle thefts take place every year while the victims are at work, the study said.

The Bureau of Justice Statistics, which is part of the U.S. Department of Justice, conducted more than 100,000 interviews with individuals 12 years or older. Fifty-six percent of the respondents did not report the incidence to police.

Of those that did not report the crimes, a majority said they believed the incident to be a minor or a private matter. Others said they did not report the incident to police because they reported the victimization to another officer, such as a company security guard.

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For a free copy of "Violence and Theft in the Workplace," contact the Bureau of Justice Statistics' clearing house at Box 179, Annapolis Junction, Md. 20701-0179; 800-732-3277.

Genetics

Continued from page 1

Sunnyvale, Calif.

Specifically, she blames methyl ethyl ketone, a solvent allegedly distributed to NEC by defendant KTI Chemicals Inc., a unit of Danbury, Conn.-based Union Carbide Corp. She is seeking $5.6 million.

"This case is a product liability action. It is strictly a failure-to-warn case," said Kevin Mayer, an attorney at Lane Powell Spears Lubersky in San Francisco who represents KTI.

Ms. Severson had tried to bring a civil suit against her employer but was blocked by state workers compensation statutes, he added.

Two other chemical suppliers also were named in her lawsuit.

Markem Corp. in Keene, N.H., is still a defendant, though it did not join KTI in its request for the genetic testing, said Mr. Mayer. A third company, Allied Chemical Co., settled previously for $50,000.

Both sides presented medical evidence to explain why Darryl was born with "microcephaly," an abnormally small head. Also, he has an IQ of 40, which is considered indicative of moderate mental retardation.

Darryl Severson's attorneys—Amanda Hawes and Flora Chu of Hawes & Chu in San Jose—argue that the cause was his mother's exposure to MEK. They say that the U.S. Environmental Protection Agency considers the chemical "a developmental toxicant" capable of causing an embryo or fetus to die or have skeletal abnormalities.

"MEK's potential to cause birth defects and related fetal harm has been well known to chemical manufacturers for almost 20 years," Ms. Hawes argued in court papers.

However, Dr. Jon Aase, who examined Darryl as KTI's medical consultant, reported he observed "several physical and behavioral characteristics suggestive of the Fragile X Syndrome," the most common cause of mental retardation.

Dr. Aase suggested KTI go a step further and have Darryl undergo tests to find out if his condition could be due to a "genetic syndrome or chromosomal abnormality," rather than prenatal exposure to toxic chemicals. Specifically, KTI requested that medical personnel draw two 10 cc blood samples from Darryl at a hospital in Spokane, Wash., near his current home. The blood samples would undergo genetic tests to determine the presence of a marker for a gene linked to Fragile X syndrome, which could indicate that his retardation was unrelated to his mother's exposure to chemicals.

KTI has not previously sought genetic testing in case alleging birth defects or in other cases alleging injury from its products, said a Union Carbide spokesman.

Darryl's attorneys opposed the test, viewing it as "a fishing expedition" for several reasons, including the fact that the presence of DNA changes associated with Fragile X would not establish that this condition caused the boy's impairments.

The test is particularly burdensome because the teenager reacts with "incontrovertible terror and resistance around needles and invasive procedures," court papers say.

The court disagreed and granted KTI authority to take Darryl's blood sample.

It remains to be seen, though, whether the permission will result in a successful blood sampling. The first attempt to take the blood samples earlier this month was "unsuccessful," Ms. Chu said. "It was too traumatic for the kid. He didn't understand what was going on and fought. The pediatrician called it off.

Mr. Mayer, KTI's attorney, declined to comment on whether the company would schedule another appointment to take the samples.

Geneticists debate the usefulness and conclusiveness of some genetic test results, though at least one physician supports the right of defendants to have the tests performed.

"The defense has a right to make its own investigation," said Dr. Philip Reilly, who directs the Shriver Center for Mental Retardation in Waltham, Mass. It's "ludicrous" for plaintiffs seeking millions of dollars in damages to say the defense shouldn't take the sample because the teenager is afraid of a needle stick, he said. There are ways to perform the procedure as painlessly as possible, Dr. Reilly said.

"Unquestionably, I see more genetic testing in workplace exposure cases," he said. In addition, more birth defects in the future will be explained as genetic defects, which is "a boon to the defense," he said.

Genetic testing may become a larger issue for property/casualty insurers that write liability coverages. It already is an issue for life and health insurers, though it has recently increased in importance.

Bob Haberle, vp-technical claims with the Home Insurance Co. in New York, said Home has never had a case in which it has utilized genetic testing as part of its defense. However, he said that improvements in science and technology make genetic testing an avenue worth exploring.

"On a case-specific basis, it could apply. It must be explored and possibly employed in certain cases, but it's definitely not something that should be a blanket element of every defense. If the tests are verifiable and accurate, such tests can be helpful in getting at the truth," he said.

A spokeswoman for ITT/Hartford Group Inc. in Hartford, Conn., said, "We have been performing Fragile X testing for years, but only under three conditions. The state must permit it, we must be sure it will be accurate and the case must be appropriate."

She said Hartford most commonly employs genetic testing in medical malpractice cases, but "certain product liability cases could also benefit from genetic testing."

At least nine states have passed legislation limiting insurers' ability to genetically test applicants for insurance coverage purposes: California, Florida, Louisiana, Maryland, Montana, North Carolina, Ohio, Tennessee and Wisconsin. In addition, several other states considered but did not pass similar legislation.

The National Assn. of Insurance Commissioners recently established a work group to review insurance issues raised by genetic testing.

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Michael Schachner contributed to this story.

NAII Superfund plan tries to improve EIRF

By MARK A. HOFMANN

WASHINGTON—Although the National Assn. of Independent Insurers remains opposed to the proposed Environmental Insurance Resolution Fund, the trade group has a proposal for making the EIRF slightly more palatable to its members.

The EIRF is at the core of the Clinton administration's Superfund reform proposal as a means of reducing pollution coverage litigation that now saps most cleanup dollars. Under the administration's plan, insurers would pay an as-yet-undetermined mix of prospective and retrospective taxes into the EIRF. Qualified policyholders would receive a settlement offer from the EIRF in return for dropping any suits against their underwriters.

But what was intended to end policyholder suits has caused an outbreak of insurer bickering as companies and trade associations stake out widely differing positions on which premiums to tax. Some companies and groups favor purely retrospective taxes, some purely prospective. Even within trade groups like the American Insurance Assn., insurers are divided on the best approach.

The NAII's proposal, which Howard E. Steinberg unveiled during a House Ways and Means Committee hearing on Superfund last week, would get rid of prospective and retrospective taxes altogether. Instead, the NAII believes that the EIRF should be funded through a special commercial insurance tax and a claims settlement tax, said Mr. Steinberg, senior vp and general counsel of Reliance Group Holdings Inc. in New York.

The commercial insurance tax would fall on insurers writing general commercial liability and commercial multiperil policies. Each insurer would be required to determine the portion of its total net premium that is derived from pollution-related policies. The result would be taxed. According to Mr. Steinberg, the tax would raise about $2.6 billion over 10 years.

The claims settlement tax would be levied on insurers that have Superfund-related claims settled through the EIRF. "A total tax amount would be set for each year of the EIRF's operation and then each property/casualty insurer having claims resolved by the EIRF would pay a tax equal to their proportional share," Mr. Steinberg said.

Jack Ramirez, the NAII's executive vp, stressed that the proposal does not represent a change of heart regarding the EIRF. "We don't like the EIRF, we think it's not going to work even assuming you could get PRPs to participate in it. We still would like to see the basic underlying issue of retroactive liability solved," he said.

Mr. Ramirez said the NAII also wants to make clear that the tax shouldn't be imposed until the EIRF actually exists. The administration proposal would create the EIRF, begin collecting taxes from insurers, but not settle any claims until 85% of the potentially responsible parties that can recover from the EIRF agree to do so. If an insufficient number of potentially responsible parties agreed to participate, the taxes would be refunded and it would be back to litigation as usual.

He added that the NAII proposal, which has not been endorsed by any other insurance group, seeks to dovetail with the administration's stated aim for the EIRF, which is to make sure that those insurers that benefit most from the reduction in litigation also pay the largest share of funding the pool.

"Even though we don't like the EIRF and we'd prefer to see a more rational approach to this, certainly if there's going to be a tax on the insurance industry, we want it to be fair," he said. BI

EEOC suit

Continued from page 2

ment for breast cancer creates a disparate impact on women and therefore constitutes sex discrimination under Title VII. And, all three allege the plan's denial of coverage for their cancer treatments constitutes disability discrimination under Title I of the ADA.

"We are investigating how BC/BS of Missouri goes about deciding which cancers they will cover HDCT/ABMT for and which they won't," explained Gretchen Huston, a regional attorney with the EEOC in St. Louis.

The Blues plan says it denied the three treatments in question because they are considered experimental for breast cancer and multiple myeloma, a malignant disease of the bone marrow.

"We are looking to see whether their claim that HDCT/ABMT is experimental for some cancers—vs. all cancers—violates the ADA," Ms. Huston said. The agency wants to investigate all documents that explain how BC/BS of Missouri decides to approve or reject any claims for payment for HDCT/ABMT.

The individuals each obtained health insurance coverage through fully insured policies sponsored by their employers.

Michael Carlton sued BC/BS in 1993, alleging the plan's denial of insurance coverage for the treatment of multiple myeloma violated the ADA. Mr. Carlton obtained the insurance coverage through his employer, the city of Cape Girardeau, Mo.

Separately, Stephen Harris sued on behalf of his wife, whose treatment for breast cancer was not covered. Mr. Harris obtained family health insurance from BC/BS of Missouri through his employer, Bridge Information Systems Inc.

And, Joy LaVancy, an employee of the Lindberg School District, sued in 1993 challenging BC/BS of Missouri's decision to deny treatment for her breast cancer.

The company agreed to pay the bills for the treatments under court orders.

"We agreed to make the payment with the proviso that we could sue to get the money back later, in a more impartial setting," a BC/BS of Missouri spokeswoman said.

Now, the individuals and their health care providers are looking to the EEOC to prevent BC/BS of Missouri from recouping the payments.

The company has until Aug. 5 to respond to the EEOC subpoena. So far, it has agreed to release general information addressing the issue of whether HDCT/ABMT is an experimental procedure, primarily medical journal articles, as well as claim information on the three plaintiffs. But, the company refuses to provide information on any other policyholders who were covered for HDCT/ABMT treatments, claiming it would violate confidentiality.

The St. Louis-based plan also will not provide information on other BC/BS plans that do cover HDCT/ABMT for multiple myeloma and/or breast cancer.

But the EEOC argues that information is essential to its investigation.

"Certainly, information concerning claims where BC/BS decided that HDCT/ABMT was not an experimental procedure and thus (covered) are relevant both to claims of sex discrimination under Title VII and disability discrimination under the ADA," the EEOC argues in its motion showing cause for the subpoena.

"Such information is essential to determine if BC/BS is applying a more stringent standard for claims by persons afflicted with multiple myeloma and/or metastatic breast cancer than for other disabilities."

Since breast cancer is found almost exclusively in women, the EEOC argues, the information is "clearly relevant under both Title VII and the ADA using a disparate treatment theory of analysis."

Both laws prohibit employers from adopting practices that would unfairly impact a certain class of individuals, like women, minorities or those with disabilities.

But, BC/BS of Missouri is questioning whether it must comply with the subpoena or the two laws because it is not an "employer" within the meaning of Title VII and the ADA.

The EEOC's own interpretive guidance on the two laws, as well as previous case law, establishes that the law applies to insurers, asserted Sheldon Weinhaus, an attorney with Weinhaus & Dobson in St. Louis who is representing the plaintiffs. "If an insurance company is just a third party administrator for an employer, I agree that its acts shouldn't fall under the scope of the ADA," he said.

But, court decisions have made clear that an insurer under contract to provide benefits to a direct employer's employees is also covered both under Title VII and the ADA as an agent of that employer, Mr. Weinhaus noted.

In one recent case, *Mason Tenders District Council Welfare Fund vs. Donaghey*, the U.S. District Court for the Southern District of New York ruled that a self-insured multiemployer health plan was considered a covered entity under the ADA (*BI*, Nov. 29, 1993).

These issues are relatively new to the world of insurance coverage disputes, but their appearance on the scene isn't surprising, said Tom Johnson, an attorney with Baird & Holm in Omaha, Neb., who frequently defends insurance companies.

Over the last few years, insurers have made a concerted effort to clarify ambiguous contract language concerning coverage for "experimental" treatments (*BI*, June 6). The insurers' hope is to avoid the multimillion dollar jury awards some health plans—such as Health-Net of California (*BI*, Jan. 4)—have been hit with for denying coverage of HDCT/ABMT for breast cancer.

But patients seeking coverage for treatments excluded under their health insurance plans are "looking for alternative lines of attack" and tapping into employment discrimination laws "seems to be their new strategy," Mr. Johnson said, referring to plaintiffs alleging discrimination under Title VII and the ADA.

"The premise of their argument is that employers, through their insurers, are discriminating against them as a class of individuals," he explained. "But, the insurance policy exclusions are a classification based on the treatment's characteristics, not the individuals' characteristics.

"It was not the intent of the ADA to void insurers' exclusionary provisions," Mr. Johnson added. "The rationale that underlies" decisions to deny payment for certain treatments "doesn't have anything to do with the person, it has to do with the soundness of the treatment. It is not a subterfuge to exclude a person or class of persons from the workplace."

Other attorneys aren't so sure.

"These are novel uses of these laws, but they may be consistent with the overall intent of the laws," commented John R. Thomas, an associate with de la Parte, Gilbert & Bales, a Tampa, Fla.-based law firm that has represented plaintiffs in coverage disputes. BI

Superfund

Continued from page 2

tration's plan, policyholders who agreed to drop suits against their underwriters for cleanup costs would be able to get a portion of their costs paid by the fund without having to sue. The EIRF would be financed by a new tax on insurers. The fund would not be activated, though, until 85% of the eligible potentially responsible parties agreed to use it.

The House Public Works and Transportation Committee wasted little time in approving H.R. 3800, the Superfund reauthorization bill, last Thursday. That occurred one day after its Water Resources and Environment Subcommittee rejected an amendment that would have eliminated Superfund's controversial retroactive liability section.

The amendment, which had been offered by Rep. Bill Zeliff, R-N.H., attracted bipartisan opposition. In fact, the strongest criticism came from a fellow Republican, Rep. Sherwood Boehlert of New York.

Rep. Boehlert said that the American taxpayer would be the "big loser" if retroactive liability is removed from Superfund, because the federal government would have to find about $1 billion per year in revenue from other sources to cover cleanup costs now paid by PRPs.

The Zeliff amendment fell on a 25-to-13 vote.

Most other amendments passed the subcommittee with little controversy. The only exception was an amendment by Reps. Glenn Poshard, D-Ill., and Tim Hutchinson, R-Ark., which removed language from H.R. 3800 that would have subjected "pollutants and contaminants" to Superfund liability rather than retaining such liability only for "hazardous" substances. The amendment passed on a 20-to-18 vote, despite opposition from Democrats on the panel.

After three hours of discussing various amendments, the subcommittee approved the bill by voice vote. The full Public Works Committee followed suit Thursday, passing H.R. 3800 on a voice vote after beating a second attempt by Rep. Zeliff to eliminate retroactive liability.

The quick, bipartisan approval of the bill by the House Public Works Committee was a personal victory for Chairman Norman Mineta, D-Calif., who said earlier that he wanted to get a bill to the House floor before the August recess, which is slated to begin Aug. 15.

However, the House Ways and Means Committee during hearings last Monday showed no inclination to move before Congress' second summer vacation. Noting that the Clinton administration wants a bill approved before the break, Rep. J.J. Pickle, D-Texas, said bluntly, "That ain't going to happen." He cited "endless litigation, waste and mismanagement" as hallmarks of the current Superfund program.

He also said that Superfund's principle of "polluter pays" had been carried to an "utterly ridiculous extreme" by the EPA.

Committee Chairman Sam Gibbons, D-Fla., shared his colleague's sentiment that more work needs to be done before a bill is passed.

Both lawmakers also expressed extreme doubt about the administration's desire to collect 70% of the money needed to fund the EIRF through retroactive taxes. As proposed, such taxes would be levied on applicable commercial liability insurance policies issued between 1971 and 1985, with the rest coming from a prospective tax on insurers.

The skepticism of the committee leaders led Treasury Department officials to offer assurances that the exact breakdown of retroactive and prospective taxes wasn't set in stone.

While the Treasury Department believes that the 70/30 split "strikes a logical balance between retrospective and prospective fees," the administration doesn't want "the particular financing provisions for the resolution fund to be an obstacle to passing Superfund reform this year," said Alicia H. Munnell, assistant Treasury Secretary.

The insurance industry's division over retroactive taxes was evident.

John Mascotte, chairman of both the American Insurance Assn. and Continental Corp. in New York, told the Ways and Means panel that he endorsed a purely prospective tax to fund the EIRF.

Richard D. Smith, chairman of the AIA's Superfund committee and president of Chubb Corp. in Warren, N.J., argued in favor of the administration's plan of relying on a retroactive tax to fund 70% of the EIRF and a prospective tax to fund 30%.

He spoke on behalf of a new group called the Coalition for a Sound Insurance Resolution Trust Fund, composed of six insurers that also belong to the AIA's Superfund Improvement Project.

American International Group Inc. Chairman Maurice R. Greenberg told the panel that a prospective tax would be grossly unfair and would penalize insurers that have not yet even been formed. He also characterized the proposal as little more than a subsidy to foreign insurers, notably Lloyd's of London syndicates, that had written extensive pollution coverage in the 1970s and early 1980s.

But when Rep. Barbara Kennelly, D-Conn., asked whether he would support H.R. 3800 if it were based on a purely retroactive tax, Mr. Greenberg replied "probably not," because, he said, retroactive liability is itself a bad idea.

The National Assn. of Independent Insurers, which opposes the EIRF, also weighed in with a plan to create two new insurance taxes to fund the pool. Howard E. Steinberg, senior vp and general counsel of Reliance Group Holdings in New York, said most of the taxes under the NAII proposal would hit insurers that actually benefited from the EIRF (see story, page 36).

Insurance industry observers also differed over the importance of the Ways and Means Committee's threat of withholding action on the bill until after Labor Day.

"It's terrific news, because we don't like the bill that's on the table, we have some serious problems with the EIRF and the financing of the EIRF, and if this thing were to die of its own gross weight, we'd be quite happy," said Julie A. Rochman, assistant vp and lobbyist for the Alliance of American Insurers in Washington.

However, Joel Wood, vp-government affairs for the Council of Insurance Agents & Brokers in Washington, said, "It's somewhat unlikely that Ways and Means is an unsurmountable roadblock for the bill—and I say that as someone who opposes the bill."

Both Ms. Rochman and Mr. Wood noted the committee could carve out the part of the bill dealing with EIRF funding and leave those details for later, even as late as the next session of Congress.

However, Mr. Wood said he doubted that would be the case.

"The compelling political dynamic is to get it all done," he said. Too many people and organizations have too much at stake to leave the bill hanging, he added.

If there's no sure funding for the EIRF, many PRPs would be "reluctant" to withdraw lawsuits against underwriters without being assured of payment, pointed out Peter Lefkin, vp-federal affairs for Fireman's Fund Insurance Co. in Washington. Fireman's Fund supports prospective taxation.

"We think that the division within the industry probably signals a very compelling need for the industry groups to sit down together and try to come forward with a proposal that deals with both liability and taxes," said Mr. Lefkin, who called the rift "very, very unfortunate."

Jack Ramirez, executive vp of the NAII, said it would be "unfair" to reauthorize Superfund and create an EIRF without a financing system.

"The EIRF and its financing should go as package. If they're not going to pass the financing, they should carve out the EIRF," he said.

The next move will be made by the Senate Environment and Public Works Committee, which has scheduled a vote on its version of the bill, S. 1834, for Wednesday. BI

Takeover

Continued from page 1

as American Insurance Group Inc., went public in 1992 with an initial public offering of 1.84 million common shares.

The company's subsidiaries include American Bonding Co., one of the 20 largest surety writers in the country with $38.4 million in net written premiums in 1993 and $15.2 million in year-end surplus; Insurance Co. of the Americas, an inactive Florida insurer formerly known as Ormond Reinsurance Co.; and American Sentinel Insurance Co., a California property/casualty insurer.

The turmoil at Pace American began in February, when the company announced that Mr. Pace and Greg Kaplan, the company's chief financial officer, had been suspended by the board of directors while Pace American investigated allegations that they had engaged in "improper transactions." A month later, they were both fired by the board.

The allegations were outlined in a Jan. 28 report to Pace American's general counsel by Ernest P. Mansour, a Cleveland lawyer. It included allegations that:

• A company controlled by Mr. Pace received roughly half of the 5% override commission American Bonding paid to Commercial Surety Insurance & Bond Agency Inc., a California agency owned by an American Bonding director.

The alleged kickbacks totaled about $133,000 in 1991, according to the report, and Pace American has since alleged that they amounted to roughly $450,000 between 1990 and 1993.

Mr. Pace also lied about these payments in a questionnaire the company used to prepare for its initial public offering, answering "no" to a question about whether he had received commissions or other compensation on business written by Pace American units, the company charged in proxy materials.

Mr. Pace, Mr. Kaplan and others also formed two companies—California Risk Management Inc. and Arizona Risk Management Inc.—that split "risk management" fees charged to American Bonding clients by another of the insurer's agents, the company alleged.

In an interview, Mr. Pace denied these charges, saying money he received from Commercial Surety, CRM and ARM was unrelated to American Bonding business. He also said he had an agreement with the company that allowed him to pursue independent business interests even if they conflicted with Pace American's business.

• Mr. Pace authorized payments totaling $443,375 to Century Surety Co. of Cleveland "for unspecified reasons." The payments were over and above the ceded premiums that American Bonding owed Century under an agreement that added American Bonding to a Century reinsurance treaty for one year, according to Mr. Mansour's report.

Before he was fired, Mr. Pace had also proposed acquiring Century Surety.

Century Surety is owned by Alliance Holding Corp., a company headed by Joseph E. LoConti.

Mr. LoConti, a Cleveland lawyer, has been a target of federal investigations into his alleged links to organized crime, according to Mr. Mansour's report, which cites several articles published in the Cleveland Plain Dealer. Mr. LoConti was indicted in 1990 with Andrew Shission—a business partner and national treasurer of the Hell's Angels—on charges of fraud, attempting to obstruct a grand jury investigation and failing to file income tax returns. He was acquitted of these charges but convicted on two misdemeanor counts of late filing of tax returns.

Mr. LoConti could not be reached for comment, but has previously denied involvement with organized crime figures.

Roswell Ellis, president of Century Surety, said Mr. LoConti's only contact with alleged mobsters was through his criminal law practice, which he gave up several years ago.

Mr. Ellis and Mr. Pace say that the $443,375 payment to Century Surety was not for "unspecified reasons" but was a commission paid to the Cleveland insurer for allowing American Bonding to be added to its reinsurance treaty.

Mr. Ellis also dismissed the idea of Pace American acquiring Century.

"It might have been serious on their part. We always thought it was a joke," he said.

• Mr. Pace personally received an $18,740 payment owed to American Bonding by Afianzadora Mexicana, a Mexican surety underwriter controlled by Mauricio Madero, a Pace American director and later a member of the dissident shareholder group.

American Bonding found out about the payment when it contacted Afimex about the past due amount and was told it had been wired to an Ohio bank account maintained by Mr. Pace, Mr. Mansour's report says.

Mr. Pace said the money he received represented an expense reimbursement from Mr. Madero and not the amount Afimex owed American Bonding.

"It's another one of those bogus charges," he said.

Mr. Mansour's report notes that American Bonding later offset the receivable against amounts it owed Afimex.

Mr. Pace generally denied the charges in the Cleveland attorney's report.

The report correctly described him as president of Pace American, "but once you get beyond those facts, it's the nicest piece of fiction I've seen," he said.

Nevertheless, Pace American fired Mr. Pace and Mr. Kaplan in March as troubles at the company were mounting.

Pace American's stock, traded on NASDAQ, plummeted from $7.75 a share to $4.25 the day after its Feb. 1 announcement that it was investigating the two men. The stock has drifted downward since, closing at $2.81 last Thursday.

Following the stock drop, a shareholder class action suit was filed in U.S. District Court in Tucson, naming Pace American, Mr. Pace, Mr. Kaplan and several other Pace American directors and officers.

Pace American has since filed a crossclaim against Mr. Pace and Mr. Kaplan, charging that their alleged concealment of commission and fee kickbacks should make them liable for any judgment against the company in the shareholder suit.

Pace American has a $5 million directors and officers liability policy written by Evanston Insurance Co., according to Dando Cellini, Pace American's executive vp and general counsel.

The firings also set in motion the proxy war, launched in May by a "concerned shareholders committee" headed by Afimex's Mr. Madero and his brother, Pablo Madero.

The dissident group sought to oust Pace American's board, charging that it had wrongly terminated Messrs. Pace and Kaplan; had failed to pursue a proposed acquisition of Afimex by Pace American; and had rescinded an offer to sell Pace American stock to Mr. Pace at $10 per share, placing the stock instead with other investors at "depressed" prices.

The proxy fight quickly turned bitter, with each side trading charges about the other's character and motivations.

Hartley Lord, a member of the dissident group and now a Pace American director, wrote to the Securities and Exchange Commission in April accusing unnamed Pace American directors and officers of conspiring to collapse Pace American's stock price to take control of the company.

In its own proxy materials, though, Pace American raised numerous questions about the dissident group.

For example, it charged that several members of the group had personal reasons for wanting to oust the board. In its proxy, Pace American alleged that:

• Mr. Madero wanted to complete Pace American's acquisition of his company, Afimex, a transaction the Pace American board had resisted.

• Robert Lucia, a member of the dissident group and now a Pace American director, wanted to acquire Pace American's Florida insurance subsidiary, Insurance Co. of the Americas. Mr. Lucia also heads Credit General Insurance Co. of Cleveland and was an investor with Mr. Madero and Mr. LoConti in a Pace American preferred stock offering related to the Florida company.

Mr. Lord says Pace American now has no plans to pursue Afimex or any other acquisitions.

Mr. Lucia conceded that he wanted to acquire the Florida unit last year because of its California license, but said he is no longer interested.

Pace American's proxy had also questioned whether the dissident shareholders should be entrusted with the company, noting that Mr. Lord and two supporters of the group were charged by the SEC in 1981 with using inside information to manipulate the price of an oil and gas company's stock.

Without admitting or denying guilt, Mr. Lord agreed in a consent order not to violate securities laws in the future.

Though Mr. Pace was not a member of the "concerned shareholders committee," Pace American also charged that he was in fact part of the dissident group and quoted Mr. Lord as saying that the group might rehire Mr. Pace as a consultant if it gained control of the company.

Mr. Pace, the company's largest single shareholder, confirmed that he voted his stock with the dissident

Continued on next page

NAIC to reduce closed-door sessions

BY MEG FLETCHER

The National Assn. of Insurance Commissioners may open more of its meetings to the public following criticism of closed-door sessions at NAIC gatherings.

The most recent criticism came in the form of a July 15 resolution by the National Conference of Insurance Legislators that its executive committee adopted at a recent meeting. The resolution calls for the NAIC "to open its meetings in their entirety to the public and the news media."

Open meetings lead to greater public input and public discussion and to more acceptable and effective public policies, the resolution says. NCOIL's resolution was prompted, in part, by the NAIC's Financial Standards and Accreditation Subcommittee scheduling of 11 hours of closed meetings and only one hourlong open meeting during the NAIC's Spring meeting in Denver.

On July 12, NAIC President David Walsh sent a memo to NAIC members, asking them to commit themselves to "an open NAIC."

"Naturally, we will always need to close some meetings, as when a group is discussing the financial condition of an individual company or personnel issues," he wrote. "However, our responsibility to the insurance consumers of this nation makes it incumbent upon us to keep closed meetings to an absolute minimum."

A copy of that memo also was sent to NCOIL's president, New Hampshire State Sen. Leo W. Fraser Jr., R-Pittsfield.

The specifics of the latest NAIC policy on open meetings likely will be worked out by members of the NAIC's Zone Coordination Subcommittee.

At a June summer meeting, subcommittee members concluded that "it would be better to discourage the number of 'regulators-only' sessions at the NAIC meetings," according to meeting minutes. The subcommittee then directed NAIC staff to develop a definitive policy statement regarding when it is appropriate to schedule or designate a working group, task force, subcommittee or committee meeting as "regulators only."

NAIC staff members are expected to present a report on this at the subcommittee's September meeting in Minneapolis.

—By Meg Fletcher

Retro plan

Continued from page 1

for Allsup's retrospectively rated workers comp program, said the company's lawyer, Ron Morgan, who has his own firm in Albuquerque.

William Van Ark, an actuary for The Wyatt Co. in Southfield, Mich., who testified as an expert witness for Allsup's, compared claims data from three periods: in 1984-1987, before the company hired Alexsis; 1987-1990, when Alexsis was its claims administrator; and 1990-1993, after its relationship with Alexis had ended and the company began to self-insure its workers comp program.

According to Mr. Van Ark, Allsup's workers comp loss cost in Texas was $7.57 per $100 of payroll from 1984-1987. From 1987-1990, the cost was $13.84, and from 1990-1993, it was $2.49.

In New Mexico, the cost was $5.97 per $100 of payroll from 1984-1987, $8.72 from 1987-1990, and $6.13 in 1990-1993.

Based on those statistics and other evidence, Mr. Van Ark concluded that in the 1987-1990 period, when Alexis was administering claims, Allsup's "total losses were approximately $2 million too high, resulting in a retro premium $1 million too high."

Both Crum & Forster and A&A knew that Alexsis was not doing a good job investigating claims or controlling costs, but neither told Allsup's and no one fixed the problem, contends Mr. Morgan.

The defendants "knew what a mess it was (the claims handling) and no one told us about it," said Barbara Alsup, owner of the chain.

The jury awarded punitive damages of $2 million against Alexsis; $4.5 million against Crum & Forster; and $6 million against A&A, which Mr. Morgan described as the "symphony conductor—responsible for arranging and managing the entire program."

Defense lawyers said they would not discuss the verdict in detail until the judge enters her decision.

A spokesman for A&A said, "We don't believe the verdict is sustained by evidence, and we're seeking and expect relief from the judge. If necessary, we will appeal."

Jim Kraus, a lawyer with Crum & Forster, said he would not comment "because of the uncertainty of the conclusions reached by the jury and the uncertainty as to the judgment that is going to be rendered."

At the heart of the suit is a retrospectively rated workers comp policy Allsup's bought through A&A from North River Insurance Co. Under these policies, a standard premium is charged based on the policyholder's previous loss experience. Then, depending on the actual loss experience during the coverage period, the policyholder may receive a refund or have to pay more to the insurer.

Allsup's bought retro policies from Crum & Forster and North River from 1984 through 1990. From 1987 until 1990, A&A was Allsup's broker for the program and Alexsis was the claims administrator.

From March 1987 to March 1990, Allsup's paid a total of $5.9 million in standard premiums to North River for its incurred loss retro plan.

In March 1990, the insurer billed Allsup's an additional $1.2 million, which, according to legal documents, the insurer thought was reasonable based on the incurred losses reported for the three-year period.

Allsup's did not pay the additional amount, contending the total amount billed was made excessive by inadequate claims handling and supervision on the part of North River, Alexsis and A&A.

The jury concluded specifically that Allsup's was overbilled by $4.8 million over the three-year period.

Allsup's first became concerned about Alexsis' claims handling after it received a bill from Crum & Forster in January 1990 for additional incurred losses over the three-year period, Mr. Morgan said. At the same time, Allsup's had loss runs from Alexsis that showed Allsup's losses were $200,000 less than what Crum & Forster billed, he said.

After Allsup's refused to pay the additional amount, Crum & Forster drew on its letter of credit the company had provided under the retro plan, Mr. Morgan said.

However, letters of credit are generally applied to paid-loss programs, not incurred-loss programs, Mr. Morgan said. Allsup's had a paid-loss retro program from 1984 to 1987. The jury determined that Crum & Forster breached its contract by improperly drawing on the letter of credit for Allsup's incurred-loss program during the three years in question.

In addition to breach of contract, the jury found Crum & Forster guilty of bad faith, breach of fiduciary duty and unconscionable trade practices. A&A was found guilty of professional negligence; bad faith; negligent and intentional misrepresentation; breach of fiduciary duty; and unfair, deceptive and unconscionable trade practices. Alexsis was found guilty of breach of contract; bad faith; negligent and intentional misrepresentation; and unfair, deceptive unconscionable trade practices.

To arrive at these verdicts, the jury had to wade through an unwieldy series of nine special verdict forms, each containing multiple questions on the issues presented in the case.

The judge will determine how to allocate the compensatory damages.

Before switching to Crum & Forster, Allsup's workers comp coverage was underwritten by Texas General Indemnity Co., an American Indemnity Co. unit in Galveston, Texas.

In 1985, Texas General sued Allsup's for nearly $300,000 for incurred losses and expenses that Allsup's had failed to pay on its workers comp policy.

According to court documents, Allsup's claimed certain claims reserves were set too high, too much was being paid for various claims and its insurance agents had not explained how the policy worked.

Allsup's ultimately settled the claim, Texas General confirmed.

"The cases are not similar at all and were not allowed in the case," Mr. Morgan said. BI

Takeover

Continued from previous page

group, but said he has not been contacted about doing any work for the company.

Mr. Lord also said last week that Pace American will probably not hire Mr. Pace after all.

After winning its proxy battle, the dissident group last week installed a new six-member board of directors at Pace American that consists of Mr. Madero and his brother; Mr. Lord; Mr. Lucia; Ralph Cobey, chairman of an Ohio company that makes crushing and mining equipment; and Ronald Aller, an insurance agent.

The board named Mr. Cobey as Pace American's new chairman, Mr. Madero president and chief executive officer, Mr. Aller executive vp and chief operating officer and Mr. Lord assistant secretary.

Along with the other hurdles it faces, Pace American's new management must obtain approval for the takeover from Arizona and California regulators.

While prior regulatory approval is usually required for changes in control, the two departments are allowing the new management to take over while they review the change. Regulators say Pace American will not be allowed to engage in transactions outside the "normal course of business"—such as mergers or acquisitions—until the review is complete.

The Arizona department has hired Norman Koefoed, a former Illinois Insurance Department official and former president of Prestige Casualty Co., to help conduct the review (*BI*, Aug. 16, 1993). BI

Updates

Class-action Norplant suit filed

Continued from page 2

About 50 women have contacted Mr. Stodghill since the suit was filed. An estimated 50,000 Texas women have Norplant, he said.

More than 800 women have joined a national class action in Cook County Circuit Court in Illinois since it was certified in June.

Philadelphia-based Wyeth-Ayerst has challenged that suit's class-action status, arguing that each removal is a unique event.

A suit in U.S. District Court in Miami also seeks class-action status. The suits all charge negligence, consumer fraud, misrepresentation and breach of express and implied warranties.

Liability limited in 1988 fire

CHICAGO—Ameritech Corp. is not liable for economic damages caused by a month-long 1988 phone outage at a west-suburban Chicago switching station, the Illinois Supreme Court has ruled.

Reversing its own 1993 decision, the court ruled that Ameritech's contract with corporate customers limits liability to refunding the service charge paid during the interruption. More than 40,000 suburban Chicago customers lost phone service after a fire in a Hinsdale, Ill., switching station (*BI*, June 13, 1988).

Last year, the court heard arguments in a class-action suit by affected businesses. That suit had been dismissed at both the trial and appellate court levels (*BI*, Jan. 18, 1993).

Ameritech, formerly known as Illinois Bell Telephone Co., has refunded $4 million to customers and reimbursed businesses $800,000 for out-of-pocket expenses required to set up temporary telecommunications systems.

RTC opposes recovery reform

WASHINGTON—Resolution Trust Corp. is opposing congressional efforts to raise the standard of misconduct for which federal regulators can recover monetary damages from the directors and officers of failed financial institutions and their advisers.

As House and Senate conferees worked out differences on H.R. 3241, a banking reform bill approved by the conferees last week, they agreed to a House Judiciary Committee amendment that would permit federal banking regulators to recover damages only by proving fraud—rather than the current standard of gross negligence—on the part of officials of failed thrifts and banks. The new standard would also apply to accountants and other professionals involved with failed financial institutions. In turn, the amendment would give regulators up to five years to bring suit for fraud, overriding shorter state statutes of limitation.

John A. Ryan, RTC's acting chief executive officer, said the RTC would lose about $200 million in recoveries if the standard of misconduct were changed.

Prestige Casualty liquidated

CHICAGO—A Chicago judge has ordered Prestige Casualty Co. liquidated after Illinois regulators concluded it was insolvent by $14.7 million at year-end 1993.

Judge Everette A. Braden ordered the liquidation last Tuesday after a four-day trial in which the taxi and restaurant insurer contested the Illinois Insurance Department's findings. Prestige, which wrote $13.9 million in direct premiums in 1993, has 30 days to appeal.

Regulators argued that Prestige was underreserved by at least $8.2 million and that the insolvency was worsened by uncollectible intercompany debts owed by Prestige's parent and affiliates.

Prestige was acquired in 1992 by a group that hired convicted insurance con man John V. Goepfert as a consultant (*BI*, Aug. 16, 1993).

Briefly noted

General Motors Corp. will not be allowed to alter current benefits or copayments of a group of early retirees while the automaker appeals a federal judge's ruling that GM must provide the group free medical benefits for life (*BI*, Feb. 7)... The Pension Benefit Guaranty Corp. intends to terminate two underfunded pension plans sponsored by **Schwinn Bicycle Co.** The plans have about 1,000 participants and about $9 million in unfunded liabilities. The PBGC has a secured claim of $240,000 against Schwinn as part of an earlier agreement... Senior managers of **Harvard Community Health Plan** in Brookline, Mass., and **Pilgrim Health Care** based in Norwell, Mass., last week were discussing a possible merger... Vertical integration in the prescription drug benefit market continues with **Value Health Inc.**'s announcement that it will purchase two mail-order pharmacy firms. Value Health, a specialty managed care company based in Avon, Conn., will acquire Prescription Drug Service Inc. of Hauppauge, N.Y., and its affiliate, Chandler, Ariz.-based Prescription Drug Service West Inc... The **Texas Workers Compensation Insurance Facility** will rebate another $40 million to member companies, in addition to a $200 million rebate announced earlier... Managed care company **Foundation Health Corp.** will acquire Tucson, Ariz.-based Intergroup Healthcare Corp. and its majority shareholder, Thomas-Davis Medical Centers P.C. in a stock-for-stock transaction valued at about $720 million... **ACE Ltd.** posted a $205.3 million net loss in the quarter ending June 1994, largely due to a $200 million increase in ACE reserves to pay future losses related to breast implant litigation (*BI*, July 25)... Two works by 19th century **English landscape painter Joseph Turner** were stolen last Thursday from the Schirn Kunsthalle museum in Frankfurt, Germany. The paintings, each valued at 10 million pounds ($15.3 million), are insured in the London market, led by Lloyd's of London syndicate 33 managed by Hiscox Syndicates Ltd... A New York bill that would have allowed financial guarantee insurers to confer their AAA ratings on lower-rated **guaranteed investment contract** issuers never came up for a vote before the New York State Senate adjourned July 3 (*BI*, May 9).

Health reform

Continued from page 1

tem of mandatory government health alliances.

Rep. Gephardt added, though, that President Clinton and Hillary Rodham Clinton deserve credit for making health care reform a top priority. "Without their leadership we would never have reached this point."

Employee benefits lobbying groups, though, were less enthusiastic.

"They (legislators) never seem to learn. The legislation is going to be fraught with problems," said James Klein, executive director of the Assn. of Private Pension & Welfare Plans in Washington, referring to the plan's complexity and likelihood that it would raise employers' costs. "It is going to be another Section 89," said Mr. Klein.

Section 89 was a set of complex benefit regulations Congress enacted in 1986, without the slightest idea of its details, and then repealed three years later amid a wave of employer protests.

But some legislators are determined to avoid a similar fiasco.

Senate Minority Leader Robert Dole, R-Kan., demanded that the Senate have a week of "uninterrupted time" to study the health care reform bill before voting on it.

While not directly saying Senate Republicans would filibuster, Republicans may "have to have another course of action" if the request for a delay is denied, Sen. Dole said.

Most of the attention last week, though, was on the House's health care reform package assembled by the Democratic leadership. Key provisions include:

- All employers—except small firms, which could purchase coverage through a new federal program called Medicare Part C—would have to offer both a traditional indemnity plan with an unlimited choice of providers and a managed care plan.

Employers also could offer a low cost plan with a high-deductible. The difference in employer costs between that option and the other plans would be put in medical savings accounts for employees.

Employers would be required to pay at least 80% of premiums for each type of plan. Small, low-wage employers would receive special tax credits to partially offset premium costs.

- Under the employer mandate provisions in the bill, employers with more than 100 workers would not have to contribute to employee health insurance premiums until Jan. 1, 1997. For companies with fewer than 100 employees, the effective date would be Jan. 1, 1999.
- The nationally guaranteed benefits package would include individual and family deductibles of $500 and $750, respectively, for physician services and 20% coinsurance for most services.

Inpatient hospital services would have to be fully covered without deductibles or coinsurance. Prescription drug benefits would be subject to a $500 deductible and 20% coinsurance with a $1,000 out-of-pocket maximum.

Most services provided through the managed care plan would generally have a $15 coinsurance requirement.

- The Democratic leadership estimates that the premium for individual coverage would be $2,140 while the premium for a single-parent family would be $4,170 and premiums for two-parent family would be $5,570.

The government would subsidize health insurance premiums for low income individuals.

- Health insurance premiums, including self-insurance, would be slapped with a 2% tax.
- While the measure would keep all state workers compensation laws in place, injured workers would receive treatment through the plan they select for their guaranteed benefit package. Additional details were unavailable.

In addition, a commission would be created to study the feasibility of fully integrating workers comp and health benefit programs.

- States would be given the option of establishing a single-payer program to cover all state residents.
- Employers with fewer than 100 employees could not self-insure their health care benefits programs.
- Certain maintenance of effort requirements would be set limiting the ability of employers to reduce benefits once reforms take effect. For example, employers that now offer health care benefits exceeding the mandated benefits package would not be able to reduce those benefits for a five-year period.

House Democratic leaders said last week they are still working out details on the government taking on some of the health care costs for workers who retire before they are eligible for Medicare and are now covered under employer-provided programs.

- Medical benefits could not be offered through flexible benefit plans or flexible spending accounts.

The House bill does not include a provision earlier approved by the Ways and Means Committee that would require health maintenance organizations to offer a point-of-service option to enrollees.

However, certain managed care plans would have to offer contracts to "any willing provider" meeting plan qualifications and agreeing to the plans' terms.

The measure also calls for the establishment of a national commission that would recommend ways to control health care costs if cost increases exceeded certain targets.

The package also includes a broad range of insurance market reforms, including limiting the ability of self-funded employers and insurers to deny coverage for pre-existing medical conditions.

Debate on the House's health care reform package is likely to begin on Aug. 8 or 9, with the final votes to conclude on Aug. 12 before the House goes on its scheduled summer recess until after Labor Day.

Sen. Mitchell, meanwhile, has warned lawmakers that he will keep the Senate in session through August until it passes reform legislation.

Sen. Mitchell has to craft a legislative compromise that somehow can bridge the different approaches to achieving universal coverage taken by the Labor and Human Resources and Finance Committees. The Labor and Human Resources Committee measure would require all but the smallest employers to pay 80% of premiums, while the Finance Committee bill would not impose a mandate—though it would impose many requirements on employers that voluntarily agree to offer health care plans.

One compromise that Sen. Mitchell is considering would require employers to pay 50%—rather than 80%—of premiums. In addition, that employer mandate only would go into effect if voluntary measures did not boost the percentage of the population covered by health insurance plans to 95% by 2001.

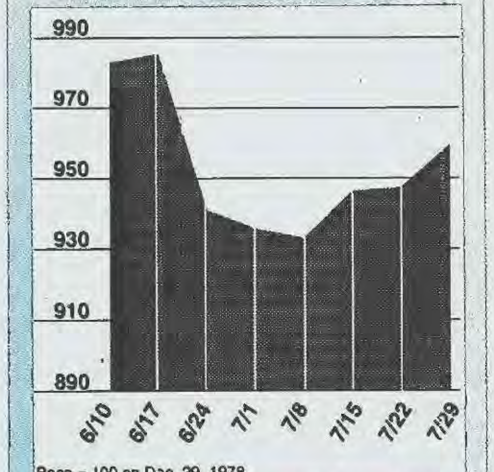
Sen. Mitchell's task also is complicated because the rules governing debate are much looser than in the House. Dozens of amendments could be debated and added to the Senate bill.

In addition, support for health care reform legislation is considerably weaker in the Senate than in the House.

Regardless of the obstacles, Sen. Mitchell, who is retiring from the Senate when his term expires this year, is determined to press on.

"He is a man with a mission. His mission is to leave the Senate with a health care reform bill that is enacted into law," said Frank McArdle, a consultant with Hewitt Associates in Washington. BI

BI Insurance Index



Base = 100 on Dec. 29, 1978

Source: Nordby International Inc.

Insurance stocks rose last week, as the *Business Insurance* Index gained 12.1 points to 959.2 July 29 from 947.1 on July 22. Advancing issues were led by: Penn-America Group Inc., up 10.7%; Reliance Group Holdings, up 10.0%; and RLI Corp., up 9.5%. Declining issues for the week followed: Wellpoint Health Networks, down 14.8%; Lincoln National, down 12.0%; and Aetna Life & Casualty, down 8.4%. The most active issue was U.S. Healthcare, 11.0 million shares traded. The *BI* Index rose 1.3%; the Dow Jones 30 Industrials gained 0.8%; the NYSE Composite rose 1.0%; and the Standard & Poor's 500 increased 1.1%.

British Issues

July 28 Companies	Price pence	P/E*	Div.* pence	Yield %	1 week high—low
Comml Union	547	17.4	31.0	5.7	547—541
Genl Accident	598	12.0	34.4	5.7	613—595
Gdn Royal Exch	189	12.1	9.5	5.0	191—187
Independent	243	7.9	10.4	4.3	245—243
Royal	252	10.9	9.4	3.7	260—252
Sun Alliance	331	14.8	18.4	5.5	335—328
Brokers					
Bradstock	90	10.1	6.9	7.7	90—89
Fenchurch	147	11.4	9.0	6.1	147—144
CE Heath	301	10.8	20.0	6.6	301—300
JIB Group	139	12.1	9.4	6.8	139—136
Lloyd Thmpson	166	11.2	8.4	5.1	167—166
Lowndes Lmbrt	385	12.1	18.8	4.9	385—384
Nelson Hurst	157	15.4	7.0	4.4	157—157
PWS Holdings	40	N/M	2.5	6.3	42—40
Sedgwick Grp	168	18.6	7.5	4.5	168—165
Steel Brl Jones	116	N/M	11.3	9.7	117—116
Willis Corroon	137	12.6	8.3	6.0	142—137

Source: Philip Olsen, London * Actual 1993 figures

BI Industry Stock Report JULY 25, 1994, THROUGH JULY 29, 1994

		Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt./Bk. value
BROKERS												
Acordia Inc.	NYS	25.13	-5.19	2.03	28.75	21.00	32	0.60	2.39	13	10.22	2.46
Alexander & Alexander	NYS	19.75	0.64	-0.63	25.63	14.00	407	0.10	0.51	-	6.73	2.93
E.W. Blanch Holdings Inc.	NYS	20.13	-1.83	15.83	23.50	15.75	108	0.32	1.59	19	4.10	4.91
Gallagher Arthur J. & Co.	NYS	31.63	5.42	-11.54	37.13	28.13	81	0.88	2.78	15	7.52	4.21
Hilb, Rogal & Hamilton	NYS	12.00	0.00	-8.57	15.13	11.13	45	0.48	4.00	16	4.51	2.66
Marsh & McLennan	NYS	85.25	-0.58	4.76	91.88	77.00	702	2.90	3.40	18	16.76	5.09
Poe & Brown	OTC	21.75	-3.33	20.83	21.75	16.88	21	0.40	1.84	18	3.02	7.20
BROKERS	AVERAGE		-0.7	3.2					2.4	14		
INSURERS/REINSURERS												
ACE Ltd.	NYS	23.38	-1.06	-23.36	36.00	22.75	362	0.44	1.88	-31	28.74	0.81
Acceptance Insurance Cos.	NYS	13.13	-2.78	12.90	15.63	11.13	28	0.00	0.00	16	9.65	1.36
AEGON N.V.	NYS	54.75	0.46	0.00	58.50	44.13	9	2.95	5.38	10	34.71	1.58
Aetna Life & Casualty	NYS	51.50	-8.44	-14.52	66.25	49.75	2236	2.76	5.36	-8	71.84	0.72
Allied Group Inc.	OTC	29.50	8.76	18.00	32.75	22.75	514	0.60	2.03	7	10.45	2.82
Allmerica Prop. & Casualty	NYS	16.00	-3.03	-25.73	22.16	14.25	73	0.16	1.00	9	56.97	0.28
Allstate Corp.	NYS	25.00	-3.38	-15.97	34.25	22.63	882	0.72	2.88	15	18.43	1.36
American General	NYS	28.63	-1.29	0.44	36.50	24.88	763	1.16	4.05	22	22.09	1.30
American Heritage Life Ins.	NYS	17.13	0.74	-8.05	24.88	16.75	31	0.60	3.50	11	12.42	1.38
American Indemnity/Fin'l	OTC	10.25	-4.65	-21.15	16.25	10.00	5	0.24	2.34	4	16.18	0.63
American International	NYS	94.25	3.71	6.95	100.25	81.75	2174	0.46	0.49	15	45.25	2.08
American Re Corp.	NYS	28.00	-7.82	-0.88	37.50	23.50	105	0.00	0.00	15	14.80	1.89
Aon Corp.	NYS	33.25	-1.12	3.37	39.00	30.00	254	1.28	3.85	11	33.10	1.00
Argonaut Group	OTC	28.75	-5.35	-5.74	35.50	26.25	102	1.16	4.03	8	27.65	1.04
AVEMCO Corp.	NYS	15.00	0.84	-20.00	21.25	13.75	26	0.44	2.93	11	8.13	1.85
Baldwin & Lyons Inc.	OTC	15.13	2.54	1.68	16.25	13.75	2	0.24	1.59	9	12.59	1.20
Berkley W.R. Corp.	OTC	37.75	2.72	15.27	48.00	32.00	106	0.44	1.17	16	28.12	1.34
Berkshire Hathaway Inc.	NYS	19600.00	7.25	20.06	19600.00	15150.00	1	0.00	0.00	-	8115.28	2.42
Capital Re Corporation	NYS	22.63	1.12	-12.14	28.50	18.50	26	0.20	0.88	9	21.66	1.04
Capsure Holdings Corp.	NYS	13.00	-7.96	-3.70	19.38	12.75	172	0.00	0.00	12	13.08	0.99
Chubb Corp.	NYS	74.88	1.18	-4.77	93.25	70.75	1958	1.84	2.46	26	46.59	1.61
CIGNA Corp.	NYS	68.50	-6.96	8.30	74.00	57.00	1599	3.04	4.44	16	78.23	0.88
CNA Financial Corp.	NYS	62.13	0.40	-21.11	90.00	61.00	46	0.00	0.00	-30	77.92	0.80
Continental Corp.	NYS	15.50	-1.59	-43.89	34.63	14.13	675	1.00	6.45	17	38.39	0.40
EMC Insurance Group Inc.	OTC	9.00	-5.26	-5.26	10.25	8.50	10	0.52	5.78	10	N.A.	N.A.
Emphesys Financial Gr. Inc.	NYS	30.50	-3.17	NA	33.13	21.25	184	0.60	1.97	8	N.A.	N.A.
EXEL Ltd.	NYS	40.00	4.58	-11.11	49.38	36.00	426	1.20	3.00	8	33.81	1.18
Fremont General Corp.	NYS	24.00	1.59	-0.52	28.38	21.50	96	0.76	3.17	7	23.40	1.03
Frontier Insurance Group	NYS	35.63	3.26	-18.80	36.00	25.41	57	0.48	1.35	17	16.33	2.18
Gainsco Inc.	ASE	8.63	0.00	-4.17	12.16	7.84	103	0.04	0.46	12	3.49	2.47
General Re Corp.	NYS	115.63	5.11	8.82	133.38	101.75	766	1.92	1.66	16	55.54	2.08
Guaranty National Corp.	NYS	16.38	6.50	-6.43	24.75	13.75	68	0.50	3.05	10	11.81	1.39
Harleysville Group	OTC	20.75	0.00	-27.19	30.25	19.75	151	0.64	3.08	14	18.35	1.13
Hartford Steam Boiler	NYS	45.25	4.93	1.69	53.38	42.38	159	2.12	4.69	57	15.80	2.86
HCC Insurance Holdings	OTC	20.25	-1.82	0.41	23.84	15.00	102	0.00	0.00	17	14.94	1.36
Home Holdings Inc.	NYS	13.13	-3.67	-23.91	18.50	10.63	17	0.00	0.00	-4	19.96	0.66
ITT (Hartford Group)	NYS	85.75	2.08	-6.54	95.97	78.63	1009	1.98	2.31	11	57.11	1.50
Kemper Corp.	NYS	60.38	0.21	68.29	65.00	33.13	1569	0.92	1.52	-	38.98	1.55
Lawrence Insurance Group	ASE	2.50	0.00	-31.03	6.50	1.50	0	0.00	0.00	-6	4.26	0.59
Lincoln National	NYS	37.63	-11.99	-12.50	48.25	36.75	3244	1.64	4.36	9	32.53	1.16
Markel Corp.	OTC	42.81	1.93	11.20	44.50	36.75	42	0.00	0.00	10	24.68	1.73
Mid Ocean Ltd.	OTC	25.75	-2.83	-8.85	34.75	25.00	82	0.00	0.00	13	20.24	1.27
Mutual Risk Mgmt. Ltd.	NYS	24.25	4.86	-19.17	32.75	21.13	34	0.28	1.15	15	5.71	4.25
NAC Re Corp.	OTC	28.00	6.41	-3.86	37.00	24.00	174	0.16	0.57	15	19.24	1.46
National Re Corp.	NYS	26.38	-1.86	-13.88	37.13	24.25	25	0.16	0.61	10	17.51	1.51
Navigators Group	OTC	17.00	1.49	-51.43	39.00	16.00	2	0.00	0.00	-11	16.99	1.00
Nobel Insurance Ltd.	OTC	7.88	0.00	3.28	8.50	6.63	3	0.20	2.54	5	6.84	1.15
NWNL Companies	NYS	32.75	-2.60	0.77	38.75	27.00	275	0.90	2.75	12	23.97	1.37
Ohio Casualty Corp.	OTC	30.88	9.29	-3.14	36.00	26.50	211	1.46	4.73	13	23.84	1.30
Old Republic Int'l	NYS	22.63	0.56	0.56	27.63	21.50	137	0.48	2.12	8	23.57	0.96
Orion Capital Corp.	NYS	34.25	0.74	10.93	37.50	28.63	29	0.72	2.10	9	27.43	1.25
Penn-America Group Inc.	OTC	7.75	10.71	0.81	9.50	6.50	50	0.00	0.00	9	6.21	1.25
Phoenix Re Corp.	OTC	26.25	0.00	-4.55	38.25	18.50	353	0.30	1.14	8	19.99	1.31
Provident Life	NYS	27.13	0.46	-14.23	31.88	24.38	65	1.04	3.83	-11	26.38	1.03
Re Capital Corp.	OTC	12.88	3.00	-5.50	15.50	12.25	55	0.32	2.49	12	16.88	0.76
Reliance Group Holdings	NYS	5.50	10.00	-29.03	10.38	4.88	522	0.32	5.82	7	4.22	1.30
RLI Corp.	NYS	23.00	9.52	-14.02	27.75	20.63	33	0.56	2.43	-45	22.91	1.00
St. Paul Companies	NYS	42.75	6.21	-4.74	49.00	37.69	837	1.50	3.51	9	57.84	0.74
SAFECO Corp.	OTC	55.33	-3.06	1.37	65.75	48.50	1387	1.96	3.54	10	41.59	1.33
SCOR U.S. Corp.	NYS	11.75	0.00	-6.93	16.88	10.13	4	0.36	3.06	45	16.08	0.73
Seibels Bruce Group	OTC	2.19	9.38	25.00	2.19	0.31	49	0.00	0.00	-2	1.90	1.15
Selective Ins. Group	OTC	25.50	3.03	-15.70	31.00	23.00	75	1.12	4.39	13	23.11	1.10
Sphere Drake Holdings	NYS	15.75	0.00	-4.55	21.63	14.63	4	0.12	0.76	7	12.17	1.29
Statesman Group Inc.	NYS	14.88	0.00	19.00	15.25	10.25	170	0.10	0.67	6	8.65	1.72
TIG Holdings	NYS	19.00	-5.00	-16.02	28.00	17.25	191	0.20	1.05	-14	18.49	1.03
Titan Holdings Inc.	NYS	9.50	2.70	-12.64	13.38	7.75	36	0.25	2.63	8	8.93	1.06
Tokio Marine & Fire	OTC	64.38	-1.90	19.21	67.00	49.25	4	0.41	0.63	-	57.72	1.12
Torchmark Corp.	NYS	38.88	1.30	-13.13	59.75	36.75	659	1.12	2.88	10	17.35	2.24
Transatlantic Holdings	NYS	55.88	1.36	4.68	61.50	45.38	73	0.36	0.64	15	29.60	1.89
Travelers Corp.	NYS	33.13	-0.75	-14.79	49.50	31.00	2425	0.60	1.81	8	33.35	0.99
Trenwick Group Inc.	OTC	39.13	3.64	0.97	47.75	33.25	84	1.00	2.56	14	26.00	1.50
United Fire & Casualty	OTC	40.00	0.00	11.11	44.00	36.00	0	1.08	2.70	10	28.96	1.38
Unitrin	OTC	41.25	5.77	-2.94	46.25	38.50	292	1.40	3.39	29	38.90	1.06
UNUM Corp.	NYS	46.38	4.21	-11.67	60.13	43.00	1036	0.96	2.07	11	27.55	1.68
US Facilities Corp.	OTC	12.88	-1.90	8.42	14.63	8.25	187	0.00	0.00	14	10.48	1.23
USF&G Corp.	NYS	12.75	0.00	-15.70	18.88	11.69	1207	0.20	1.57	14	10.60	1.20
USLICO Corp.	NYS	18.25	1.04	10.61	20.50	15.75	26	0.24	1.32	8	25.22	0.72
USLIFE Corp.	NYS	36.88	0.68	-4.84	45.75	34.88	68	1.24	3.36	8	41.73	0.88
Washington National	NYS	21.13	1.20	-12.89	26.13	20.63	30	1.08	5.11	8	28.40	0.74
Zenith National Ins.	NYS	23.50	2.17	6.21	28.75	20.63	31	1.00	4.26	10	17.71	1.33
Zurich Reinsurance Centr.	NYS	27.25	-0.91	-3.54	34.00	24.25	56	0.00	0.00	-	24.41	1.12
INSURERS/REINSURERS	AVERAGE		0.8	-4.7					2.4	9.7		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	24.50	-3.92	-5.77	29.75	18.25	1631	0.00	0.00	15	11.43	2.14
Pacificare Health Sys.	OTC	50.75	5.73	34.44	60.25	30.50	467	0.00	0.00	20	11.15	4.55
Safeguard Health Enter.	OTC	13.25	0.00	6.00	15.50	9.25	17	0.00	0.00	15	5.71	2.32
Sierra Health Services	NYS	26.25	9.38	17.98	30.75	15.13	363	0.00	0.00	17	4.60	5.71
TakeCare Inc.	OTC	77.75	0.00	42.66	78.25	38.00	0	0.00	0.00	24	18.69	4.16
United Healthcare Corp.	NYS	45.50	4.30	21.74	50.75	26.00	4926	0.03	0.07	33	10.64	4.28
U.S. Healthcare	OTC	37.88	5.21	-1.20	47.50	26.66	10990	0.68	1.80	17	6.21	6.10
Wellpoint Health Networks	NYS	25.88	-14.81	-16.19	37.00	24.00	2337	0.00	0.00	12	10.94	2.37
HMOs	AVERAGE		0.7	12.5					0.2	17		
ALL COMPANIES	AVERAGE		0.3	3.7					2.5	12		

System design: Nordby International Inc.