

business insurance

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Missouri regulator sues ex-Transit Casualty officials

LOS ANGELES—Transit Casualty Co.'s receiver has filed a lawsuit charging the insurer's former directors and officers and others with negligence, breach of fiduciary duties and unlawful dividend payments.

The suit, filed in U.S. District Court in Los Angeles, seeks \$171.7 million in damages and names 15 former Transit directors and officers.
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Jet crash to cost \$200 million

By STACY SHAPIRO
and LINDA J. COLLINS

ROMULUS, Mich.—Last week's crash of a Northwest Airlines Inc. jetliner near Detroit, which killed at least 156 people, is not expected to reverse the recent reductions in airline hull and liability insurance rates.

Although underwriters estimate the crash will cost aviation insurers about \$200 million in hull and liability losses, underwriters and brokers do not see a huge effect on either hull insurance rates, which have been dropping 25% to 40% on renewal, or aviation liability insurance rates, which have declined by 5% to 20%.

"We're in the midst of a fairly good year in the aviation market. It would be unusual for one incident to have a serious effect in either a hard or a soft market, because history shows there needs to be an accumulation of incidents," said Robert J. Tirone, vp of the aviation and aerospace division at Alexander & Alexander Services Inc. in New York.

The Northwest crash is the first major U.S. aviation disaster this year.

Northwest has \$700 million of aviation liability insurance and maximum hull insurance limits of \$120 million, according to industry sources. The hull was valued at \$25.3 million.

A Northwest spokesman would only comment that the airline's aviation coverage is "adequate" to cover any ensuing claims.

Approximately 55% of Northwest's hull and liability coverage was placed in the U.S. insurance market by Marsh & McLennan Cos. Inc.'s Minneapolis office, sources say. Marsh & McLennan would not comment on the coverage other than to confirm that it was responsible for placing coverage in the U.S. market.

Associated Aviation Underwriters in Short Hills, N.J., confirmed that it was the lead U.S. aviation underwriter and the claims lead for Northwest. Daniel M. IZARD, AAU president and chief executive officer, estimated that AAU wrote 15% of both the hull and liability coverage.

"The insurance distribution was widely spread throughout the aviation underwriting community worldwide," Mr. IZARD added.

Industry observers added that United States Aircraft Insurance Group in New York also wrote a substantial percentage of the coverage placed in the U.S. market. USAIG officials refused to comment.

Approximately 35% of Northwest's coverage was placed in the London mar-

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Photo: AP/Wide World

The ill-fated Northwest MD-80 jetliner plummeted to the ground shortly after takeoff from Detroit Metropolitan Airport, scattering debris along a road. At least 156 people were killed.

Employers demand COBRA changes

By JERRY GEISEL

WASHINGTON—Employers are demanding that the Internal Revenue Service revamp what they consider harsh and impractical proposed penalties for companies that fail to comply with COBRA.

The proposed regulations the IRS published in mid-June to implement the health care continuation provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 would force an entire corporate family to lose its federal tax deductions for health care expenses if just one affiliate does not abide by COBRA.

Even if the violation were inadvertent, involved just one employee and was quickly corrected, all members of the controlled group—companies under a common ownership—could lose a full year of their federal tax deductions for health care expenses.

In addition, all highly compensated employees of the controlled group would have the cost of their employer-provided health care expenses added to their taxable income if just one group member does not comply with COBRA, the federal law that requires employers to extend their group health care plans to former employees and employees' widowed, divorced or separated spouses.

COBRA first became effective for some employers on July 1, 1986. However, it became effective for most employers on Jan. 1, 1987.

As of mid-August, more than 500 employers had filed comments with the IRS on the COBRA regulations, with the overwhelming number of letters objecting to the IRS proposal to strip away a full tax deduction for annual health care expenses for just one COBRA

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'Right to know' standard to cover all companies

By DEBORAH SHALOWITZ

WASHINGTON—All employers must inform workers of the potential dangers of any hazardous substance used in the workplace, according to a new federal rule effective next spring.

The Occupational Safety and Health Administration's newly expanded hazard communication standard, which previously was applicable only to manufacturers, will cover a total of 32 million workers in 3.5 million locations when it becomes fully effective next spring.

OSHA estimates compliance with the expanded rule will cost employers \$687.2 million in the first year.

Employer representatives generally voiced support for the new, expanded "right to know" rule, though they noted that compliance will be particularly burdensome for small employers.

OSHA issued the expanded rule last week after the 3rd U.S. Circuit Court of Appeals in Philadelphia on May 29 ordered OSHA to expand the hazard communication standard to cover all employers (BI, June 15).

The rule issued last week, which affects all industries, requires employers whose workers are exposed to hazardous substances to establish a hazard communication program that includes:

- Labeling containers of potentially hazardous materials with appropriate warnings.
- Developing material safety data sheets (MSDS) that detail the substances' properties and the nature of the hazard.
- Making the MSDS available to employees.
- Developing written and oral training programs for employees on how to deal with potentially hazard-

ous substances.

Employers must comply with the new rule by May 20, 1988.

However, effective Sept. 24, manufacturers, importers and distributors of potentially hazardous substances must send material safety data sheets along with the substances to all "downstream" employers receiving the products.

This provision is "the regulatory equivalent of hanging a picture with a sledgehammer," charged Jim Anderson, director of governmental affairs for the National Assn. of Wholesaler-Distributors in Washington.

Since November 1985, manufacturers, importers and distributors of potentially hazardous substances have been required by OSHA to prepare MSDS to accompany materials they sell to manufacturers.

To require distributors and others to prepare MSDS within 30 days for all companies with which they deal is "absolutely unreasonable" and "unfeasible," claimed Mr. Anderson.

"The absolute minimum should have been 90 days" because the new rule exponentially increases the number of companies that must receive material safety data sheets, he explained.

Mr. Anderson emphasized that he does not object to expanding the overall hazard communication standard but, rather, to the time frame in which distributors and others will have to comply with it.

However, he added, compliance with the expanded rule is "going to be a tremendous burden on small and medium-sized companies."

Mark A. de Bernardo, manager of labor law for the U.S. Chamber of Commerce, agreed that smaller com-

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**BI stock portfolios show
insurer stocks lagging
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update

Transit liquidator sues directors

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cers; Beneficial Standard Corp., Transit's former parent; and several successor corporations to Beneficial Standard, which was liquidated in May 1985.

Transit's receiver, Missouri Insurance Director Lewis R. Crist, charges that the directors and officers were negligent and breached their duties in the creation and management of managing general agency programs that produced at least \$156 million in losses for Transit, which was ordered liquidated in December 1985.

In addition, the directors and officers negligently allowed Transit to pay \$15.7 million in illegal dividends to Beneficial Standard between 1982 and 1984, according to the complaint. The suit also charges that Beneficial Standard and its successor corporations improperly received the dividends.

Lawyers for Mr. Crist had said earlier that the lawsuit would be pursued if a settlement could not be reached with National Union Fire Insurance Co. of Pittsburgh, Pa., Transit's directors and officers liability insurer (BI, July 20).

National Union, a unit of American International Group Inc., wrote a primary D&O policy with limits of \$15 million, according to Charles E. Patterson, a lawyer with Lillick, McHose & Charles in Los Angeles, who represents the receiver. Transit had no D&O coverage excess of the National Union policy, Mr. Patterson said.

Robins officers sued

RICHMOND, Va.—The committee representing Dalkon Shield claimants in the A.H. Robins Co. reorganization is suing three Robins officers and directors, the company's auditor, Robins' long-time liability insurer and the company's subsidiaries to recover millions of dollars on behalf of the corporation.

The committee filed three separate suits in U.S. District Court in Richmond on its own right and on behalf of Robins.

Named in one suit are Chairman E. Claiborne Robins, President and Chief Executive Officer E. Claiborne Robins Jr., director William L. Zimmer III and Robins' auditor, McGladrey, Hendrickson & Pullen.

The suit alleges the former officers acted with gross negligence and breached their fiduciary duty concerning the manufacture and sale of the Dalkon Shield intrauterine device.

In another suit, the committee sued Robins' long-time liability insurer, Aetna Casualty & Surety Co., claiming Aetna should have known of the problems with the Dalkon Shield.

A third suit names Robins subsidiary Morton Manufacturing Co. and numerous Robins foreign subsidiaries.

The suits against Aetna and the Robins subsidiaries seek recovery for amounts paid or to be paid to Dalkon shield claimants.

A Robins spokesman said the officers and director acted in good faith and with diligence in matters relating to the Dalkon Shield.

IEA faces \$3 million suit

MIAMI—A suit seeking at least \$3 million from the Insurance Exchange of the Americas and exchange officials charges that the officials did not properly police its underwriting members.

The suit, filed earlier this month by Colony Insurance Co. of Warwick, R.I., in U.S. District Court in Miami, seeks to recover losses on financial guarantee insurance policies ceded to exchange syndicates between November 1983 and November 1985. The losses amounted to about \$3 million at the time the suit was filed, said Colony attorney Joseph Beasley, with the Miami firm of Kelly, Black, Black, Byrne & Beasley.

The suit charges, among other things, that the underwriters exceeded the amount of business they were permitted to write under IEA regulations.

The suit names former IEA President Arturo Toro, current Executive Vp Gene Witherspoon and others who were connected with the exchange when the business was ceded to the syndicates.

Mr. Witherspoon said last week that exchange officials were reviewing the suit but deferred comment until the IEA retains a legal representative to respond to the charges.

The suit also names directors and officers of AIG Syndicate Inc., B.G.H. Syndicate Inc., Syndicate Two Inc., Syndicate Three Inc. and Administrative Management Services Ltd. Inc.

Cargo rates rise in Persian Gulf

LONDON—Cargo war risk underwriters have introduced new minimum rates in the Gulf of Oman and increased minimum rates in portions of the Persian Gulf.

Following tanker damage from mines in the Gulf of Oman, the Cargo War Risk Rating Committee increased the minimum war risk rate to 0.1% for the Gulf of Oman from 0.025%.

The move followed Lloyd's of London hull war risk underwriters' decision to increase minimum rates in the area (BI, Aug. 17).

The increased use of mines by Iran to thwart oil shipments as the Iran-Iraq war escalates also caused the Cargo War Risk Rating Committee to increase its minimum Persian Gulf rates to: 0.2% from 0.1% of the cargo's value for sailings to Bahrain and the Saudi Arabian coast, and 0.375% from 0.25% for most of the Iranian coast.

Four charged in MGA theft

NEW YORK—Four New York-area residents have been charged with a \$112,500 theft from Capacity Managers International Inc., a former managing general agent of defunct Midland Insurance Co.

One of those indicted by a grand jury in New York State Supreme Court in Manhattan was Clifford N. Haughton, 47, of the Bronx, a supervisor in the MGA's premium accounting department. Also indicted were Steven A. Nash, 39, of Jersey City, N.J., and Pier

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Bailes indicted in attempt to sell ICA, other insurers

By DOUGLAS McLEOD

CHARLOTTE, N.C.—A Virginia man is facing criminal fraud charges stemming from attempts to sell several allegedly bogus insurance companies, including Insurance Corp. of America.

Robert Eugene Bailes, 47, was indicted earlier this month by a federal grand jury in Charlotte on various fraud charges relating to his efforts in 1983 and 1984 to sell ICA, Pocahontas Insurance Co. and American Eastern Insurance Co., which the indictment describes as "paper shells" and "virtually worthless."

Mr. Bailes—whose name also is spelled Bales in court and prison records—also is charged with perjury and with using false Social Security numbers to obtain a post office box, to open bank accounts in North Carolina, and to obtain an American Express Gold Card.

ICA, a West Virginia corporation not licensed as an insurer in any state, was sold in 1986 to A.R. Johnson and operates from offices in Boca Raton, Fla.

ICA—unrelated to a Houston, Texas-domiciled insurer of the same name—claims to be exempt from state regulation under two court decisions allegedly issued in 1911 and 1914 by a federal judge in Delaware (BI, Feb. 23; June 1.)

The decisions describe ICA, 71 of its insurance company subsidiaries and numerous other insurers, including Pocahontas, as "grandfathered insurance corporations" exempt from state and federal regulation. The two rulings also list deposits purportedly made by

ICA with various states as of May 1, 1911.

Although the decisions were stamped as true copies of court records by the clerk of the U.S. District Court for the District of Columbia, court officials since have been unable to locate the rulings. Federal court officials in Delaware also have been unable to locate the rulings.

Florida and Wisconsin are among the states purportedly holding ICA deposits, though insurance department officials in those states have said the states have no record of ever having received funds from ICA.

The Florida Insurance Department earlier this year obtained a court order enjoining ICA from selling insurance and enjoining Mr. Johnson and Ernest Scalise, an ICA vp, from conducting business on ICA's behalf. However, a state appellate court in West Palm Beach ruled the order defective earlier this month and remanded the case to the trial court.

A temporary injunction against ICA is in effect until Oct. 2 or until the trial court issues a permanent injunction, according to Susan Stafford, a lawyer with the Florida department.

The Insurance Department has filed a motion asking the trial court for a corrected order enjoining ICA's operation, along with a second motion asking the court to hold ICA, Mr. Johnson and Mr. Scalise in contempt of court for violating an earlier injunction, Ms. Stafford said.

ICA issued "easily 100 policies" in numerous states

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Oct. 5 issue to contain global listings

The Oct. 5 issue of *Business Insurance* will include two new features: a directory of global property/casualty insurers and a directory of multinational benefit networks.

The directories will be published in an issue to be distributed at the AEAI/RIMS International Risk Management Conference in Monte Carlo.

Listings in the directories are free of charge; however, companies and networks that wish to be listed must fill out and return a questionnaire provided by BI.

If your company provides global property/casualty underwriting services or is a member of an international benefit network and you have not yet received a questionnaire, please request one by calling Directory Editor Marilou Jones at 312-649-5279.

The deadline for submitting completed questionnaires to *Business Insurance* is Sept. 14.

TPA tax confuses Texas self-insurers

By MICHAEL BRADFORD

AUSTIN, Texas—A new 2.5% insurance administrative services tax in Texas is befuddling many third-party administrators and employers that self-fund risks and employee benefit plans over what is being taxed and who is responsible for paying the tax.

Many TPAs and self-funded employers interpret the new tax law to mean that both the administrative fees that TPAs charge clients and the amount of claims paid by a self-funded employer would be taxed under the new law.

If the tax indeed applies to self-funded employee benefit plans, it violates the Employee Retirement Income Security Act, they claim.

ERISA pre-empts all state regulation of self-funded employee benefit plans.

At least one claims administrator has said his company may ask a state court for a declaratory judgment to clarify the law's intent.

Last month, Gov. Bill Clements signed into law H.B. 61, which was passed during a special session of the Legislature (BI, July 27).

The law also included a two-year, 20% surcharge tax on Texas insurers' gross premiums and applied the state's 6% sales tax to some insurance services.

Another bill passed during the special session, H.B. 170, requires licensing of third-party administrators in the state.

Effective Sept. 1, the 2.5% tax will be levied against third-party administrators, insurance companies offering administrative-services-only arrangements and any other firms that provide services like claims payment, claims administration, clerical, management, advisory and technical support.

The tax, due to be collected in March 1988, is expected to generate

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inside

Costs associated with asbestos removal from buildings are not property damage but an "economic loss" that is not covered by general liability policies, a state trial court judge rules. **PAGE 6**

Noting that commercial insurers are organizing purchasing groups, this week's editorial says it was myopic of those who drafted and debated the law to assume that only buyers would form the groups. **PAGE 8**

A survey shows HMOs head the list of options corporate benefit officials plan to implement to control health care costs. **PAGE 12**

A church must pay \$240,000 in damages to the family of a boy who was intentionally injured while enrolled in the church's day-care facility, a jury ruled. **PAGE 15**

In Perspectives, Cynthia L. Polich, Laura Himes Iversen and Dr. Charles Oberg of Excelsior, Minn.-based Interstudy suggest that providing health care benefits to retirees can be an opportunity rather than a crisis despite the frighteningly large and increasing liability faced by employers. **PAGE 19**

Myron M. Picoult, senior vp and senior insurance analyst with Oppenheimer & Co., reviews second-quarter

property/casualty insurer result and notes a marked slowdown in premium growth but continued improvement in underwriting results. **PAGE 31**

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Steinberg unveils Hall rescue plans

By LINDA J. COLLINS

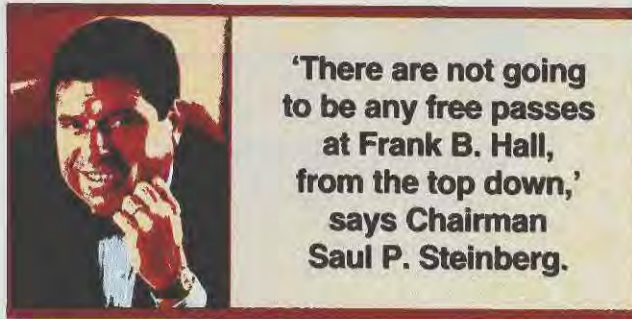
BRIARCLIFF MANOR, N.Y.—Saul P. Steinberg, newly elected chairman and chief executive officer of Frank B. Hall & Co. Inc., has aggressive plans for turning around the financially troubled insurance brokerage/employee benefits consultant.

In an exclusive telephone interview, Mr. Steinberg said he plans to:

- Improve Hall's balance sheet before year-end.
- Appoint two new people to handle current and potential litigation, most of which has arisen over discontinued Hall underwriting and underwriting management units.
- Begin an aggressive acquisition campaign.
- Implement an incentive plan for all Hall employees except top management.
- Terminate non-productive employees in Hall's domestic operations in the third quarter and in international operations during the fourth quarter.
- Recruit new employees in technical and sales areas.

Mr. Steinberg, who is chairman and chief executive officer of Reliance Group Holdings Inc., Hall's major stockholder, replaced John F. McCaffrey as top executive of the world's fifth-largest insurance brokerage on July 31 (BI, Aug. 3).

Mr. McCaffrey's resignation stemmed from differences of opinion over how to improve the company's financial perfor-



'There are not going to be any free passes at Frank B. Hall, from the top down,' says Chairman Saul P. Steinberg.

mance. Hall reported a second-quarter \$2.2 million net loss and a 60% decline in earnings in the first half of 1987 to \$5.6 million from \$13.9 million in the first half of 1986 (BI, Aug. 17).

Reliance Group Holdings holds 100% of Hall's preferred stock, 29% of its common stock and warrants which, if exercised, would increase its common stock ownership to 49%.

Reliance took its large position in Hall in 1985 and 1986 to rescue the broker from big debts. Now, Mr. Steinberg is committing his management savvy to Hall.

While Mr. Steinberg said he is uncertain whether he will remain as Hall's chairman and CEO permanently, he said he

will retain his positions indefinitely.

"My feeling, now, is that I have to be there for a long time. I'm spending four to five days a week on Hall business, and I'll do whatever is best for Hall," he said.

Mr. Steinberg plans to generate \$50 million in common equity for Hall through "a rights offering to all the existing shareholders. Reliance Group Holdings will take up all the rights that aren't exercised," he explained.

"Hall will have, when we put the \$50 million in, a shareholders' equity—a net worth, if you will—of \$170 odd million," he said. "Hall has \$27 million in common equity now. We'll put the \$50 million in, and we have \$100 million in preferred stock. So Hall will have a very respectable balance sheet and the bank debt will be paid down further."

Mr. Steinberg also is tackling major lawsuits facing Hall.

Three of the suits were brought against the brokerage following the insolvency of Union Indemnity Insurance Co. of New York, a discontinued Hall underwriting subsidiary (BI, Aug. 10; April 13; March 16).

In one of those suits, American Centennial Insurance Co. and two other insurers are suing Hall for \$80 million in connection with reinsurance they placed with Union Indemnity.

In addition, the New York Insurance Department has filed a \$140 million suit against Hall and others, charging they were responsible for the insurer's insolvency.

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Textron, unit sue over 50 insurers for waste site cover

By STEPHEN TARNOFF

PROVIDENCE, R.I.—Textron Inc. and a subsidiary are suing more than 50 of their primary and excess liability insurers over the past four decades to recover defense and indemnification costs arising from hazardous waste claims.

Two separate suits filed Aug. 14 by Providence, R.I.-based Textron and subsidiary Avco Corp. in Rhode Island Superior Court in Providence County seek defense and indemnification for liability claims involving approximately 70 hazardous waste sites nationwide.

The U.S. Environmental Protection Agency and several state agencies contend the two companies were involved in the contamination of the sites.

Court papers indicate that Textron and Avco own only a few of the sites involved.

Textron has substantial interests in aerospace technology, commercial products and financial services. Avco is primarily involved in aerospace technology and financial services.

The Textron lawsuit alone seeks defense and indemnification for liability claims involving nearly 60 sites whose cleanup has been ordered by various agencies. The EPA and state agencies want Avco to contribute to the cost of cleaning up about 14 sites, according to the Avco suit.

Cleanup at some of the sites could cost millions of dollars, while only nominal sums are involved at others. Textron already has paid to clean up some sites.

In addition, individuals and others who own property near the hazardous waste sites are suing Textron and Avco to recover for environmental damages to their property allegedly caused by the companies, the court papers point out.

Some of these claims also have been settled already.

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Purchasing groups set up by insurers draw criticism

By STACY ADLER

Insurance buyers could lose their purchasing clout if insurers—rather than buyers—take the lead in forming purchasing groups under a new federal law, some regulators and consultants fear.

Insurers are using the 1986 amendments to the Risk Retention Act of 1981, which exempts purchasing group underwriters from most rate and form regulation, "to avoid state control," asserts David A. Gates, Nevada commissioner of insurance.

Insurers selling policies to purchasing groups are not required to comply with the time-consuming and expensive process of filing rates in all jurisdictions in which purchasing group members are located.

Under the act, which has been in effect for almost a year, insurance buyers with similar risks may band together as a purchasing group to bargain collectively for liability coverage from an insurer.

But now insurers are not waiting for groups of buyers to come to them. Instead, insurers are organizing purchasing groups themselves.

Insurers and some risk management consultants contend that the Risk Retention Act not only allows buyers to initiate purchasing groups but it also allows insurers to create purchasing groups in anticipation of attracting buyers.

While the rates offered buyers under these purchasing groups may be higher than approved rates, buyers can benefit from the increased capacity created as insurers begin offering coverages through purchasing groups that they might not otherwise underwrite.

An insurer that domiciles a purchasing group in a state that does not require prior approval of rates and forms is required to file with the insurance department only four pieces of information: the group's domicile; address of the group's principal place of business, usually the un-

derwriter; the type of insurance being offered; and the name of the insurer.

The insurer then is free to write the coverage for purchasing group members in all 50 states and the District of Columbia without being subject to further state regulation.

"One potential for abuse of the Risk Retention Act is if insurers or insurance promoters start purchasing groups," asserts Ron Boggs, a consultant with The Wyatt Co. in Chicago.

"If an insurer or insurance promoter launches a purchasing group, there is no affinity among group members and buyers have lost their negotiating power," Mr. Boggs explains.

Mr. Gates agreed. "There very definitely a potential for abuse," he said.

But while one goal of the Risk Retention Act was to enable buyers of insurance to negotiate lower premiums, it also was intended to make it easier for insurance companies to develop new types of coverage and provide increased capacity, asserts Michael Mullen, an attorney with the Washington, D.C., law firm of Crowell & Moring.

"The law was intended to increase the options of both insurers and buyers," he explains.

If sponsoring a purchasing group reduces the number of regulations with which an insurer must comply, then "that was what the law intended," adds Mr. Mullen, who helped draft the amendments that expanded the Risk Retention Act of 1981 to include all lines of liability insurance except workers compensation.

Insurers that assist in forming purchasing groups are "properly using the authority of the act," according to Mr. Mullen.

Brady Young, a consultant with the Tillinghast Division of Towers, Perrin, Forster & Crosby Inc. in Darien, Conn., says:

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Insurer stocks continue to trail market

By KARI BERMAN and JUDY GREENWALD

To holders of property/casualty insurance stocks, the bulls' recent rampage down Wall Street more closely resembles a herd of cows out for a morning stroll to pasture.

While securities analysts point out that property/casualty insurance equities have rallied in recent weeks following months in the doldrums, the stocks' overall value has advanced only marginally in the past year.

The Standard & Poor's 500 stock index shot up 39% to 333.9 points on Aug. 14 from 240.2 points on July 25, 1986, but the *Business Insurance* stock index—a compilation of 54 insurance industry stocks—has decreased slightly to 512.8 points from 513.1 points a year ago.

And, based on the results of two hypothetical property/casualty insurance stock portfolios established by *Business Insurance* a year ago, investors would have been better off putting their money

in the major industrials or other sectors, not the property/casualty industry.

The total value of the *Business Insurance* Model Portfolio, which contains property/casualty stocks touted by analysts a year ago, increased only 3.4% over the past year to \$10,342 from the original \$10,000 hypothetical investment made on July 25, 1986 (see chart, page 25).

And, the portfolio has increased only 1.9% if dividends and interest are not considered (BI, Feb. 23; Nov. 3, 1986; Aug. 4, 1986).

In fact, investors may have fared better by selecting insurance stocks by chance. The total value of the *Business Insurance* Random Portfolio, which was established by picking names of insurers from a hat, increased 5.5% to \$10,553 on Aug. 14 from the original \$10,000 hypothetically invested on July 25, 1986. Not counting dividends and interest from leftover cash, the Random Portfolio's value rose only 3.1% in the past year.

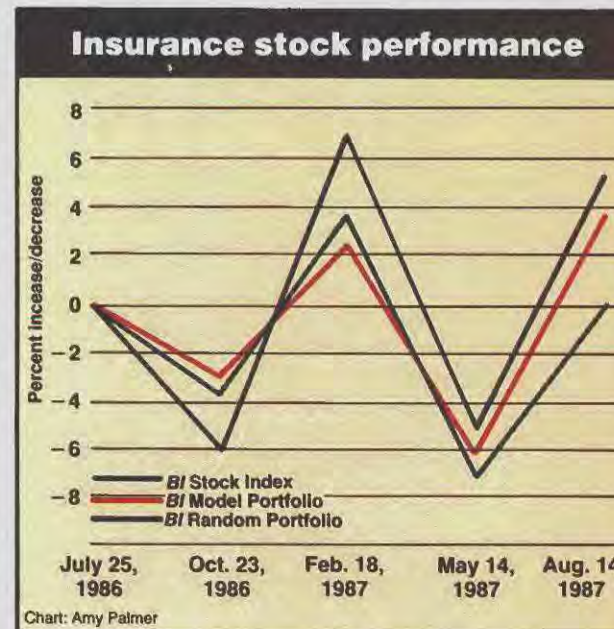
However, both portfolios have rebounded from losses earlier this year. For example, as of mid-May, the Model Portfolio's value had declined by 7.2% from the original \$10,000 investment, while the Random Portfolio's value had slipped 5.3% from its starting point.

Despite the stocks' generally lackluster performance, securities analysts specializing in property/casualty stocks are still recommending pretty much the same companies they did a year ago.

The favorites, picked by almost all the analysts surveyed both now and a year ago, are American International Group Inc., General Re Corp. and Chubb Corp. These three stocks comprise about 60% of the BI Model Portfolio based on the analysts' overwhelming recommendations.

However, some analysts now are recommending stocks that escaped widespread endorsements in the past year, including CIGNA Corp., Continental Corp. and The St. Paul Cos. Inc.

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'86 health care expenditures rise 8.4%

By DEBORAH SHALOWITZ

washington

WASHINGTON—Americans spent \$458.2 billion, or 10.9% of the gross national product, on health care in 1986, according to a government agency.

This represents an 8.4% increase from 1985 health care expenditures of \$422.6 billion, according to data from the Health Care Financing Administration. In 1985, health care expenditures accounted for 10.6% of gross national product.

"The 8.4% increase in spending

between 1985 and 1986 was the second lowest in the last two decades," said Dr. William L. Roper, administrator of the agency.

The 1986 figures translate into a \$1,837-per-capita expenditure, a \$127 increase over 1985.

Expenditures for hospital care in 1986 totaled \$180 billion, or 39% of health care expenditures. Physician services cost \$92 billion and

nursing home care cost \$38 billion.

Combs joins PWBA

Labor Secretary William E. Brock announced the appointment of Ann L. Combs as deputy assistant secretary of labor for the Pension and Welfare Benefits Administration.

Previously, Ms. Combs was a se-

nior legislative officer at the Labor Department responsible for advising the secretary and senior-level officials of the PWBA and the Pension Benefit Guaranty Corp.

The appointment follows President Reagan's nomination of David M. Walker to be assistant secretary of the agency.

Mr. Walker's nomination is expected to be considered by the Senate Labor and Human Resources Committee after the summer recess. If approved, Mr. Walker would replace Dennis Kass, who resigned in May.

The PWBA has jurisdiction over some 800,000 pension plans and 4.5 million welfare plans governed by the Employee Retirement Income Security Act.

Tax help for day care

Employers would be eligible for an annual tax credit to build and operate day-care centers under legislation introduced by Rep. William O. Lipinski, D-Ill., and Sen. Dennis DeConcini, D-Ariz.

Under the bill, H.R. 3005, employers could receive an annual tax credit against expenses equal to \$2,000 times the maximum number of children the day-care facility could accommodate.

The legislation specifies that at least 30% of the day-care facility's enrollees would have to be dependents of employees, the facility would have to be located on or near the employer's site and it would have to be operated by the employer.

ERISA panel vacancies

There will be five vacancies on the Labor Department's ERISA Advisory Council in November when the terms of retiring members expire.

The retiring members represent employee organizations, employers, corporate trusts, investment management and the general public.

Nominations and recommendations should be received by the Labor Department by Sept. 11. The materials should be submitted to Labor Secretary William E. Brock, 200 Constitution Ave., N.W., Washington, D.C. 20210.

BI appoints DiBlase chief of L.A. office

CHICAGO—Donna DiBlase, an associate editor in *Business Insurance's* Chicago office, has been promoted to Los Angeles bureau chief, Editor Kathryn J. McIntyre announced.

In her new position, Ms. DiBlase will direct *BI's* West Coast reporting efforts.

"Donna has exhibited strong leadership in her 2½ years at *Business Insurance*. She will enhance our reporting of developments on the West Coast," Ms. McIntyre says.

Ms. DiBlase, 25, joined *BI* in January 1985 as a proofreader in the Chicago office. She was promoted to staff reporter in November 1985 and to associate editor in January 1987. She has concentrated on reporting on employee benefits news and trends.

She graduated from Loyola University of Chicago in 1984, with a bachelor of arts degree in journalism.

Ms. DiBlase will begin work Sept. 21 in Los Angeles, where she can be reached at 213-651-3710. Until then, she will continue to work from the Chicago office.

In addition, Christine Woolsey joins *Business Insurance* today as an editorial assistant in the Chicago office. Ms. Woolsey, who will assist with production of the directories and other material appearing in the magazine, is a May graduate of the University of Illinois in Urbana.



Ms. DiBlase

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Asbestos removal not insured: Judge

By STEPHEN TARNOFF

CHICAGO—Costs of inspecting, containing and removing asbestos from buildings are not property damage but an "economic loss" that is not covered by comprehensive general liability policies, a state trial court judge says.

In addition, alleged damages arising out of asbestos in buildings are not caused by an "occurrence," which is required by the policy for coverage, Cook County Circuit Court Judge George Marovich ruled. Finally, he added, coverage is barred by various exclusions in the policies, including the pollution exclusion clause.

As a result of his Aug. 14 decision in *United States Fidelity & Guaranty Co. vs. Wilkin Insulation Co.*, Wilkin is not entitled to a defense or indemnification from its insurers in lawsuits seeking to recover for the costs of inspection, encapsulation or removal of asbestos.

The decision against the Mount Prospect, Ill.-based firm is only the second in coverage litigation between policyholders and their liability insurers over who will pay potentially billions of dollars for the removal of asbestos.

A federal court in New Jersey ruled in the other case that, under New Jersey law, insurers were liable for defense and indemnification of asbestos property damage claims if they were on the risk from the time products with asbestos were installed in buildings until the products were removed or contained (*BI*, Aug. 19, 1985).

The decision in *Lac D'Amiante Du Quebec vs. American Home Assurance Co.*, however, did not address whether asbestos containment or removal costs constituted property damage.

"We are planning on appealing," said Craig Mielke, with the Aurora, Ill., firm of Murphy, Huppp, Foote, Mielke & Kinally, which represents Wilkin. "We feel Judge Marovich's decision is wrong and is contrary to Illinois law and all prior law in asbestos and insurance coverage litigation."

Mr. Mielke emphasized that Judge Marovich did not address the company's contentions that the presence of friable or crumbling asbestos actively deteriorating in school buildings was property damage, nor did he address the broad duty to defend that insurers owe policyholders.

Another attorney representing policyholders in coverage litigation, Peter J. Kalis, said, "A decision such as that exalts form over substance and in all likelihood will be corrected on appeal."

"It is quite unlikely" that it will be followed by other jurisdictions, added Mr. Kalis, who is with the Pittsburgh firm of Kirkpatrick & Lockhart.

Attorneys for insurance companies, however, said the decision will be cited by insurance companies and courts in future asbestos property damage cases.

"It's the first decision that addresses whether there is property damage in these asbestos property damage cases," notes Cynthia Meister of the Chicago firm of Kiesler & Berman, who represents USF&G.

"I do think it is going to be a very significant decision," said Katherine Dedrick, who represents former Wilkin insurer Argonaut Insurance Co. and is with the Chicago firm of Hinshaw, Culbertson, Moelmann, Hoban & Fuller. "Judge Marovich followed the law of Illinois in determining an insurer's duty to defend and indemnify. The decision is not result-oriented."

Wilkin, a contract installer of in-

ulation, applied spray-on asbestos insulation at up to 150 sites in the Chicago area from 1958 to 1970.

The company has been named in more than 60 lawsuits by school districts and others seeking to recover costs for asbestos inspection, encapsulation or removal.

Most of these cases have been dismissed, however, and Wilkin faces only about eight suits.

In December 1984, USF&G filed a declaratory judgment suit against Wilkin contending that Wilkin was not entitled to coverage

in the building cases.

Wilkin's other liability insurers joined Baltimore-based USF&G in the lawsuit against Wilkin. The insurers, except for USF&G, have defended Wilkin under a reservation of rights.

The other insurers and their policy periods are: Menlo Park, Calif.-based Argonaut, which insured Wilkin from April 1, 1964 to April 1, 1973; Boston-based Commercial Union Insurance Co., from April 1, 1973 to April 1, 1976; Boston-based Employers Fire Insurance

Co., from April 1, 1976 to April 1, 1977; Hartford, Conn.-based Aetna Casualty & Surety Co., from April, 1, 1977 to Jan. 1, 1982; Schaumburg, Ill.-based Zurich Insurance Co., from Jan. 1, 1982 through Jan. 1, 1984; and USF&G, from Jan. 1, 1984 to Jan. 1, 1985.

Although the relevant language in Wilkin's policies differed depending on whether the 1947, 1966 or 1973 standard forms were used, the decision applies to all the policies.

An example of the language at

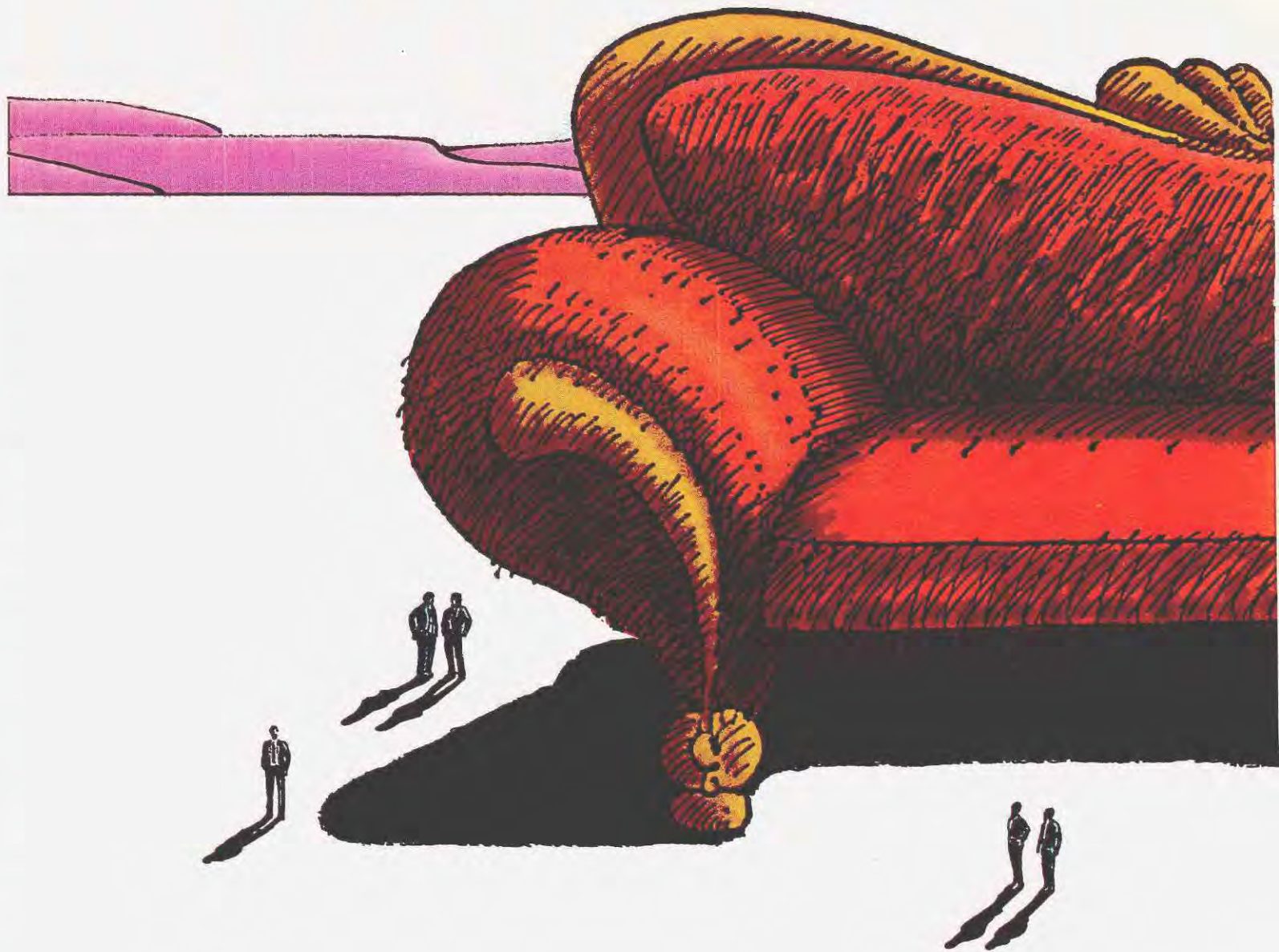
issue is the post-1973 policies issued by Aetna, Zurich and USF&G.

Under these policies, the insurers agreed to pay all sums Wilkin became obligated to pay as damages because of property damage caused by an occurrence. The policies define property damage as:

• Physical injury to or destruction of tangible property which occurs during the policy period, including the loss of use thereof at any time resulting therefrom; or

Continued on next page

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Continued from previous page

• Loss of use of tangible property that has not been physically injured or destroyed providing such loss of use is caused by an occurrence during the policy period.

The insurers argued that the costs for inspection, containment and removal of asbestos from buildings do not result from property damage recoverable under the policies.

According to the opinion, Wilkin argued that the presence of asbestos in a building poses a health hazard and thus constitutes property damage as defined in the policies.

However, Judge Marovich said the amounts school districts were seeking to recover from Wilkin were not for property damages but for economic losses not covered under the policies. The underlying complaints against Wilkin do not allege damage to the structure of the buildings or other property, he noted.

"The claims allege no injury to or destruction of any 'property.' The cost of inspection, removal and/or replacement of the asbestos products amounts to economic loss only.

"Consequently, no coverage exists under the insurers' policies because the complaints filed against Wilkin do not allege 'property damage' as defined under the various policies."

Judge Marovich also held there was no coverage because the damage claims against Wilkin allege no "occurrence" that causes property damage under the policies.

The policy defines "occurrence" as an "accident, including continuous or repeated exposure to conditions which result in property damage or bodily injury, neither expected nor intended from the standpoint of the insured."

Judge Marovich said that the installation of asbestos-containing materials into the buildings is not an "accident."

"What we have here is a 'reaction' to the awareness that the asbestos in the insulation installed by Wilkin represents a threat to human health," Judge Marovich said.

"There is only a request for reimbursement for the costs incurred in complying with EPA regulations. The underlying complaints do not support the belief that damages were the result of an occurrence within the definition of the policies, and thus no coverage exists."

Finally, he said that because there is no property damage, the remaining issues on whether coverage is excluded are moot.

However, Judge Marovich added that if the decision is appealed and an appellate court finds there is property damage, other exclusions cited by the insurers preclude coverage for such claims. These include the pollution exclusion clause, the loss-of-use exclusion, the work product exclusion and the sistership exclusion. ■

Blanch gift to fund chair in insurance

MINNEAPOLIS—A \$1 million gift from reinsurance broker E.W. Blanch Co. will fund a new insurance curriculum at the College of St. Thomas.

Minneapolis-based E.W. Blanch, the third-largest U.S. reinsurance broker based on 1985 gross revenues of \$41 million (BI, Nov. 10, 1986), has endowed a chair in insurance at the college in St. Paul.

In addition to undergraduate courses, the college will offer a master's in business administration with a concentration in insurance and a continuing education certificate program, said a spokesman for E.W. Blanch. Students will be able to attend the first classes early next year.

"Specialized insurance education is essential to the prosperity of our industry as it faces such difficult issues as asbestosis, pollution and natural disasters, health epidemics and a host of professional liability issues," E.W. Blanch President Michael Cashman said in a statement.

"The insurance field is experiencing many changes. New concepts and markets are emerging in all financial services, especially insurance securities and banking. Such developments make state-of-the-art educational programs more important than ever," he said.

In an announcement regarding the endowment, Minnesota Gov. Rudy Perpich noted: "The Twin Cities are a major insurance and financial center in the Midwest, and this gift will help prepare those who serve in this industry. It's a wonderful investment in our community and our state by a corporate citizen of Minnesota."

A search is under way for a chairholder who will "bring it all together," said the E.W. Blanch spokesman. He explained that the chairholder probably will be "someone in the industry with the wherewithal to teach and develop the insurance program."

An advisory board formed to help select the chairholder also will help develop the curriculum.

Serving with Mr. Cashman on the board are: Howard Barnhill, chairman and chief executive officer of North American Life & Casualty Co. in Minneapolis; Roger Frank, president and chief executive officer of Farmers Home Mutual Insurance Co. in Richfield, Minn.; Gene Gopon, president of Northland Insurance Co. in St. Paul; Robert Haugh, chairman, president and chief executive officer of the St. Paul Cos. Inc.; Robert Hunstad, senior vp of Minnesota Mutual Life Insurance Co. in St. Paul; and Gordon Lindquist, chairman of MSI Insurance Co. in West Allis, Wis. ■

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opinions

It works both ways

WE'RE NOT AT ALL surprised—or shocked—that commercial insurers are organizing purchasing groups under the 1986 Amendments to the Risk Retention Act of 1981 (see story, page 3).

It was myopic of those who drafted and debated the law to assume that only insurance buyers would rally to form purchasing groups. Of course insurers would see the act as a new marketing opportunity, especially given the current trend among insurers to identify their niches in the marketplace and to try and develop those. So, insurance companies are seizing the opportunity to underwrite lines of insurance for purchasing groups by organizing purchasing groups and then offering the coverage to members that fit the profile of the group.

Furthermore, it was naive for anyone to assume that members of a purchasing group would always be able to bargain down the cost of liability insurance from approved rates.

By forming a purchasing group in a state that does not have prior approval of rates, insurers can establish whatever rate they want and then offer that rate nationwide without running afoul of other states' rating laws. And, the rate charged purchasing group members may be either higher or lower than rates approved in some or even all states for the line of insurance.

An initial reaction to insurers' charging purchasing group members higher rates than those approved in the various states could be: Unfair. Purchasing groups were supposed to save insurance buyers money.

However, what if insurers offer lines of coverage through purchasing groups that they otherwise would not write if they were subject to rate regulation in all the states? Isn't the creation of new capacity also a goal of the Risk Retention Act? We think so.

It would be ludicrous to attempt to legislate against insurers forming purchasing groups. That would be easily circumvented. Several insurance buyers could "front" for an insurer forming a pur-

chasing group by filing the required documentation on behalf of the buyers. Wouldn't that be an ironic twist, since insurers have been "fronting" for self-insurers for so many years to satisfy regulations that make self-insurance impossible or difficult?

Certainly there will be occasions when an insurer's rate quoted a purchasing group is too high in the opinion of potential group members. If there are no other commercial markets available, the buyers have another alternative under the Risk Retention Act. They can band together to self-fund their liability risks as a risk retention group. We think the competition in the commercial insurance business and this self-funding alternative will serve to keep insurers from price gouging insurance buyers through purchasing groups.

More important than fretting about insurers forming purchasing groups is the confusion over how much regulatory authority states have over purchasing groups not domiciled in their state but selling coverage to a resident. We agree with those

who interpret the Risk Retention Act to mean that only the state in which the purchasing group is domiciled has authority to regulate it. Therefore, we think states are wrong in trying to regulate any purchasing group selling coverage to a resident in its state.

In addition, some states are rejecting some purchasing group members' insurance when it is presented to meet financial responsibility requirements, contending that the insurer does not meet requirements.

We expect these issues to be addressed by Edward T. Barrett II of the U.S. Department of Commerce in his report to Congress on implementation of the 1986 Amendments to the Risk Retention Act, which is due Sept. 1. In addition, hearings should be held following his report seeking testimony from consumers, insurers and state insurance department officials on these issues. Ultimately, it may be necessary for Congress to amend the act to clarify this important legislation.

It was myopic of those who drafted and debated the law to assume that only insurance buyers would form purchasing groups. Of course insurers would see the act as a marketing opportunity.

letters

Insurance companies suffer from tunnel vision

To the editor: Regarding Myron Picoult's column, "Competition May Not Hurt Insurer Stock Performance" (BI, Aug. 10), am I missing something?

What insanity to state that brokers have a "micro" perspective of the marketplace, compared to the insurance company managements' "macro" point of

view. The opposite is true.

The broker's responsibility is to access, secure and maintain the best available risk transfer techniques for its clients. Inherent in fulfilling this task is to be knowledgeable of the workings of the entire marketplace, traditional insurance as well as non-traditional methods, keeping a keen eye on the competitive stance of all methods.

Insurance company management, on the other hand, is intent upon one basic premise—profit! It was well demonstrated during the recent hard cycle that

insurance company management had no qualms whatsoever about wholesale risk rejection, and certainly loyalty to its agent/broker force was virtually non-existent.

This is tunnel vision at its best and cannot be construed as a "macro" point of view to the marketplace. The "marketplace," at a minimum, should include the raison d'être for the insurance company itself.

Joyce Breazeale
Corroon & Black
Chattanooga, Tenn.

Underwriter weds bonds to excess policies

To the editor: It was with great interest that I read your article on self-insurance bonds, "Many Comp Self-Insurers Cannot Buy Surety Bonds" (BI, Aug. 3). We at Safety Mutual Casualty Corp. have been closely monitoring the phenomenon over the past several years.

We continually receive an increased volume of inquiries regarding our availability as a market for self-insurance bonds. Despite the instability of the overall marketplace we strive, as an accom-

modation, to provide these bonds for our excess workers compensation policyholders.

With over half of the major writers of this type of bond dropping out of the marketplace, the situation is rapidly becoming one of the premier topics of the insurance industry.

Matthew H. Davidson III
Vp-marketing
Safety Mutual Casualty Corp.
St. Louis

We welcome your letters

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill., 60611.

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Lincoln National links its 18 TPAs

Lincoln National Corp. of Fort Wayne, Ind., has created one of the nation's largest networks of third-party administrators by consolidating the 18 TPAs it has acquired under one banner.

Administrators Network expects to produce \$33 million in revenues by the end of 1987 and \$100 million in annual revenues within five years, according to Raymond H. Borst, president of ADN.

According to the 1986 *Business Insurance* ranking of third-party administrators, this would put ADN close behind top-ranked ALTA Health Strategies Inc. in Salt Lake City, which handled more than \$1 billion in claims in 1986 and posted revenues of \$36 million (*BI*, Jan. 26).

However, ALTA expects 1987 revenues to be "far in excess" of the \$36 million it produced in 1986, says Bob Shomer, vp at ALTA, who predicted ALTA's revenues will hit the \$100 million mark in 1988. "We are expanding very rapidly," he said.

Administrators Network expects to administer claims for 2 million employees, or more than 4.5 million persons including dependents, within the next five years, according to Mr. Borst.

markets

The TPA serves approximately 6,000 self-insured clients.

Besides benefits claims administration, the TPA can place stop-loss insurance for self-insured clients as well as offer wellness programs, employee benefit communications and liability and workers compensation claims administration services.

The TPAs that make up Administrators Network are:

- Concept Administrators Inc. in Sacramento and Redding, Calif., and Seattle.
- Creative Risk Management Corp. in Mount Clemens, Mich.
- Employee Services Inc. in Sioux Falls, S.D.
- Fringe Benefit Review in Charlotte, Raleigh and High Point, N.C.
- Group Benefits Inc. in Phoenix and Tucson, Ariz.
- Hagan-Bilbrey Inc. in Des Moines.
- Independent Benefit Plans Inc. in Beech Grove, Ind.
- Jackson, Long & Associates Inc. in Olympia Fields, Ill.
- J.W. Didion & Associates in

Westerville, Ohio.

- Leader Administrators Inc. in Wayne, Pa.

- Mutual Administrators Inc. in Las Vegas and Reno, Nev.

- Rowland Group Services Inc. in Shawnee Mission, Kan.

- Self Assurance Co. Inc. in Morton, Ill.

- Self Funding Administrators Inc. in Altamonte Springs, Fla.

- Susquehanna Administrators Inc. in Lancaster and Baltimore, Pa.

- Total Group Services Inc. in Grand Rapids, Mich.

- TPA of New England in Bedford, N.H.

- WHP—First in Employee Benefits in St. Petersburg, Fla.

Together, these TPAs offer services in 25 cities nationwide.

"Each TPA will retain its local identity," said Mr. Borst.

We don't anticipate additional acquisitions in the near term," he added. "Our diverse network of TPAs is complete."

For more information, contact Raymond H. Borst, president, Administrators Network, 1833 Magnavox Way, Fort Wayne, Ind. 46804; 219-427-5079.

man.

"One option is to take a for-profit subsidiary (such as CareAmerica) public," he added.

For more information, contact Jayne Sansevere, CareAmerica/ Great Lakes, Lafayette Place, 400 French St., Erie, Pa. 16507; 814-453-5041.

Met Life marketing

The Metropolitan Life Insurance Co. of New York has formed a new office in San Francisco dedicated to marketing pension services in the Western states.

Henry S. Jacobson has been named regional marketing director of the operation. Previously, Mr. Jacobson was a consultant and corporate marketing manager with benefit consultant Martin E. Segal Co. in San Francisco.

The marketing operation will be based at Metropolitan Life's Western head office in San Francisco. For more information contact Henry S. Jacobson, Metropolitan Life Insurance Co. P.O. Box 3873, San Francisco, Calif. 94119-3873; 415-243-0711.

Mergers/acquisitions

Rolling Meadows, Ill.-based broker Arthur J. Gallagher & Co. finalized its previously announced acquisition of **E&S Intermediaries Inc.**, a New York-based reinsurance brokerage. The company name has been changed to Arthur J. Gallagher Intermediaries Inc. Joseph DeChristofaro, who started Arthur J. Gallagher International Inc. in 1981, will be president of the new unit. Steven Gandle, founder of E&S Intermediaries will be executive vp.

The managing partners of **Bayly, Martin & Fay of Missouri Inc.** in Clayton purchased the company from parent **Bayly, Martin & Fay International Inc.** The new agency—named after the managing partners—is called **Engler, Hundhausen & Lockos Insurance Group Inc.**

Provident Mutual Life Insurance Co. of Philadelphia announced plans to acquire **Delfi American Corp.**, a Wilmington, Del.-based investment manager, through a newly formed subsidiary that will merge into Delphi.

Name changes

INA Reinsurance Co., the U.S. domestic reinsurance operation of CIGNA Property & Casualty Group in Philadelphia, has changed its name to **CIGNA Reinsurance Co.**

The four property/casualty companies of **Kemper Group**—Lumbermens Mutual Casualty Co., American Motorists Insurance Co., American Manufacturers Mutual Insurance Co. and American Protection Insurance Co.—are now known as the **Kemper National P&C Cos.** The first three companies pool their premiums, losses and expenses, while the last is a wholly owned subsidiary of American Motorists.

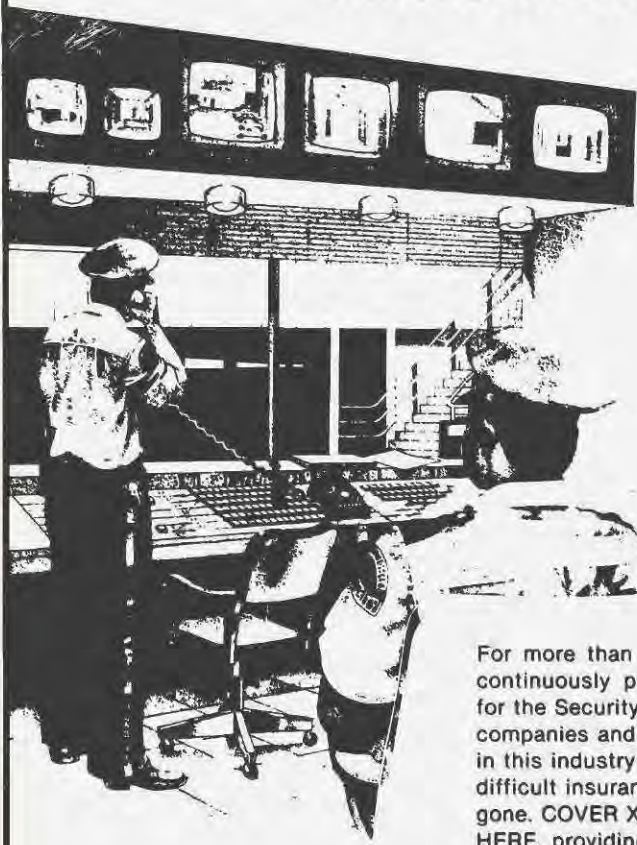
New offices

Buck Consultants Inc. has opened an office at Bank Western Tower, 1675 Broadway, Suite 1950, Denver, Colo. 80202; 303-592-5055. Cal Sackerson has been appointed to manage the office.

General Reinsurance Corp. has moved its Dallas office to Walnut Glen Tower/LB 67, 8144 Walnut Hill Lane, Dallas, Texas 75231; 214-691-3000.

I.C.I.S. claims adjusters and managers opened a new office at 243 Goolsby Blvd., Deerfield, Fla. 33442; 305-426-3977. ■

A BRIEF MESSAGE ABOUT INSURANCE PLACEMENTS FOR



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Olson steps down from Texas board

AUSTIN, Texas—Texas State Board of Insurance Chairman Lyndon L. Olson Jr. resigned Aug. 20 to take an executive post with an insurance holding company.

He is returning to his hometown of Waco, Texas, to become president and chief executive officer of National Group Cos., a holding company that primarily owns several property/casualty and life/health insurance companies that are admitted in most states.

Mr. Olson, 40, was chairman of the three-member board for most of the nine years he served on it. He was appointed to the board in 1978, 1981 and 1983 by governors from both major political parties. Mr. Olson's current term expired Jan. 31, 1987, although Republican Gov. Bill Clements asked him to continue serving through this year's legislative sessions.

"When Gov. (Dolph) Briscoe originally appointed me, I publicly stated that I would attempt to be fair and that when I left the State Board of Insurance I hoped my years of service would have at least produced stability," Mr. Olson said.

Mr. Olson was elected president of the National Assn. of Insurance Commissioners for a one-year term in 1982 and for the past five years has been chairman of its Reinsurance Task Force. He also chaired the NAIC's international insurance committee, helped the United States negotiate insurance trade agreements and participated as a U.S. delegate to conferences sponsored by the United Nations.

Mr. Olson's replacement has not been named.

New York regulations

NEW YORK—An amendment to New York state's claims-made regulation that focuses primarily on retroactive and extended reporting provisions has been approved by the New York Insurance Department.

The amendment clarifies Regulation 121, which permits restricted use of the claims-made form. The form may be used for lines including completed operations liability, directors and officers liability, employee benefit liability and errors and omissions coverage, among others.

"We're trying to reduce the confusion and the ambiguity here," said Deputy Superintendent Richard Hsia.

The New York department also requires insurers to offer an optional extended reporting period for claims and to notify policyholders they are buying a claims-made form (BI, July 21, 1986).

Among other provisions, the amendment explicitly states under what circumstances an extended reporting period must be offered.

For instance, if only part of the coverage has been terminated, the extended reporting period must be offered for that part, but not for the whole policy.

The amendment also states a retroactive date may not be changed "during the term of the claims-made relationship and any extended reporting period." Previously, the regulation had stated simply the retroactive date may not be changed.

The amendment also states more explicitly what kind of tail must be offered and how "bushy" it must be, said Mr. Hsia.

He noted that for the most part, Regulation 121 provides for a three-year tail, which reflects the statute of limitations within which a policyholder can be sued.

The amendment establishes sunset provisions in many cases where less than a three-year tail is now required.

around the states

The intent, said Mr. Hsia, is to eventually introduce the three-year tail.

Another provision states that where a policy contains an annual aggregate liability limit, coverage for the extended reporting period must be at least equal to the amount remaining in the policy's limit.

Another provision states that a person employed or affiliated with the policyholder, and covered by the policyholder's claims-made policy, continues to be covered even after changing jobs.

The amendment also states people must be provided with extended reporting period coverage if

a policy is terminated because a company goes into liquidation.

New York Insurance Superintendent James P. Corcoran also issued a regulation amendment intended to prevent the proliferation of legal defense cost offset provisions in liability insurance policies.

That amendment to Regulation 107 prohibits across-the-board use of these provisions except for specific uses and for policies with high liability limits.

In addition, according to the regulation, even when the offsets are permitted, they cannot exceed 50% of the policy's liability limits, unless the policyholder controls the defense, and the insurer still re-

mains responsible for all legal defense costs beyond that level.

Legal defense cost offset provisions may be included in a pollution and environmental impairment liability policy providing a limit of at least \$500,000.

Offset provisions also are permitted in the following cases, where the minimum policy limit is \$1 million: directors and officers liability; employee benefit liability; fiduciary liability; media, publishing and advertising liability; errors and omissions liability, for a policy issued or renewed prior to Jan. 1, 1989; and professional liability, other than medical malpractice liability, for a policy issued or renewed prior to Jan. 1, 1989.

In addition, offset provisions are permissible for most risks with policy limits of \$10 million or

more.

According to the regulation, the Insurance Department is concerned about the "escalating use" of these legal defense cost offset provisions. The regulation notes that in the majority of policies containing these provisions, "insureds are offered neither the option of selecting the defense attorney, nor the right to consent to any settlement."

As a result, the superintendent decided that "public interest demands" that these offsets be permitted only where they represent a significant portion of funds paid out by insurers, where the need to incorporate legal defense costs within liability limits can be demonstrated, and where such offset provisions are approved by the insurance superintendent. ■



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HMOs leading cost control list: Survey

By ALISON KITTRELL

Health maintenance organizations head the list of options corporate benefit officials plan to implement to control health care costs, according to a recent survey.

Some 13% of benefit officers said HMOs were among the two or three most important changes they are planning to make in their health care plans, according to "Health Care Cost Containment and the Role of Managed Care."

The survey—which polled 1,208 benefit managers and chief financial officers and 200 brokers and consultants nationwide—was conducted by EQUICOR, a joint venture of The Equitable Life Assurance Co. of America and Hospital Corp. of America that underwrites group health, life and disability insurance and operates HMOs and preferred provider organizations.

Twenty percent of the brokers and consultants surveyed said they are recommending the implementation of HMOs to their clients, and an even higher percentage—

36%—said they are recommending the implementation of PPOs.

Ten percent of the benefit managers said a PPO is among the two or three most important changes they plan to make.

Other changes include increased deductibles, planned by 12% of the benefit managers and recommended by 9% of the brokers and consultants; flexible or cafeteria benefit plans, planned by 12% of the benefit managers and recommended by 26% of the brokers and consultants; preadmission or precertification programs, planned by 7% of the benefit managers and recommended by 18% of the brokers and consultants; and utilization review plans, cited by 4% of the benefit managers and 15% of the brokers and consultants.

These changes are clearly the result of a continuing concern over the cost of medical care. The U.S. Department of Commerce and industry data put total health care expenditures by U.S. employers at more than \$100 billion for 1986, or an average of \$1,400 per employee.



And, EQUICOR estimates that employers' group health insurance costs will rise an average of 10% to 12% in 1987.

The survey also shows that 95% of the benefit officers and 99% of the consultants and brokers rank health care cost containment as a high priority.

Among the benefit officers, 19% said cost-containment was an extremely high priority for their companies, 49% said it was a very high priority, and 27% said it was a somewhat high priority. Only 4% said it was not a very high priority, and 1% said they did not know.

Twenty-nine percent of the brokers and consultants said cost containment was an extremely high priority for their clients, while 50% said it was a very high priority and

20% ranked it as somewhat high. Only 1% said it was not a very high priority.

"The results of this study clearly indicate the wide-ranging concern of corporate America with the relentless increases in health care costs," says Gilbert M. Reich, chairman and chief executive officer of EQUICOR.

"Although only part of the solution, managed care programs such as HMOs and PPOs have proven to be extremely important."

Almost half—47%—of the 1,089 benefit officers familiar with HMOs said their company had implemented an HMO at one or more locations.

HMOs were more common among larger employers: Some 88% of those with 5,000 to 10,000 employees and 86% of those with more than 10,000 employees had an HMO, compared with only 43% of those with fewer than 500 employees and 46% of those with 501 to 999 employees.

Implementation was highest among employers in the Northeast, where 61% had at least one HMO. HMO implementation was reported by 56% of benefit officers in the West, 51% of those in the Midwest, and 44% of those in both the East-Central and West-Central states. But, only 27% of the benefit officers in the South said their company offered an HMO.

And the benefit officers nationwide said that, on average, 32% of the employees eligible to join an HMO actually signed up.

Some 38% of the benefit officers whose companies offered an HMO said they offered only one. But 24% said their company offered two HMOs nationwide, and 15% said they offered three.

Five percent said their company offered four HMOs, 4% said they offered five, and 8% said their company offered six or more HMOs to employees nationwide.

Six percent of benefit officers said they were unsure how many HMOs their company offered.

A strong majority—70%—of the benefit officers whose companies offered HMOs said they found some types of employees are more likely than others to join the HMOs. Twenty-four percent said they found all employees equally likely to join, and 6% said they were not sure whether one group of employees was more likely than others to join an HMO.

The group most often named as most likely to join an HMO was families with young children, cited by 44% of the benefit officers who said certain groups of employees were more likely than others to join an HMO. Young people were also named by 38% of these benefit officers as more likely to join an HMO than other employees.

Other employee groups mentioned included: lower income or

blue collar workers, cited by 17%; single people, cited by 14%; healthy people, cited by 9%; sickly people, cited by 5%; and employees with no doctor, cited by 3%.

Among the benefit officers whose companies offered an HMO, the response was overwhelmingly good. Ninety percent of those benefit officers said that their company's experience with HMOs had been a positive one. Forty-three percent rated the experience as very positive, and 47% said it was somewhat positive.

Five percent of the benefit officers said their company's experience had been somewhat negative, and only 2% said it had been very negative. Three percent said they were not sure whether their company's experience with HMOs had been positive or negative.

Brokers and consultants appear to be similarly upbeat about HMOs. Three-fourths of the brokers and consultants surveyed said they had recommended implementation of an HMO to clients.

And 58% of the brokers and consultants said they expect an increase in the number of their clients that offer HMOs. Only 2% said they expected a decrease, while the remaining 40% said they anticipated no change.

Other survey findings include:

- The majority of benefit officers and consultants say that their companies' or their clients' health care costs are under control. Some 72% of the benefit officers and 84% of the brokers and consultants classified costs as somewhat under control, and an additional 13% of the benefit officers and 3% of the consultants and brokers said costs were completely under control.

But, 13% of the benefit officers and 12% of the consultants and brokers classified health care costs as somewhat out of control, and 1% of the benefit officers said they were totally out of control.

One percent of the benefit officers and 2% of the consultants and brokers said they were not sure whether costs were under control.

- Benefit officers said that second opinion programs were the most common cost-containment strategy implemented recently. Some 21% cited second opinion programs as the most significant change made to their health care plan during the last three years.

Other changes included increased deductibles, cited by 18%; preadmission or precertification programs, cited by 14%; HMO implementation, cited by 12%; and becoming self-insured, cited by 10%.

In contrast to the changes planned by benefit officers, only 4% noted PPOs and only 4% named flexible benefit plans as changes they had made during the last three years.

- Only 41% of the benefit officers surveyed said they foresee any changes in their health care plans during the next year or two, but 84% of the brokers and consultants said they are recommending changes to their clients.

Some 53% of the benefit officers said they plan no changes, but only 14% of the brokers and consultants said they are recommending no changes.

And 5% of the benefit officers and 2% of the brokers and consultants said they did not know whether they would implement or recommend health care plan changes during the next few years.

Copies of the survey, "Health Care Cost Containment and the Role of Managed Care," are available free from the National Marketing Department, EQUICOR-Equitable HCA Corp., 195 Broadway, New York, N.Y. 10007; 212-618-4998.

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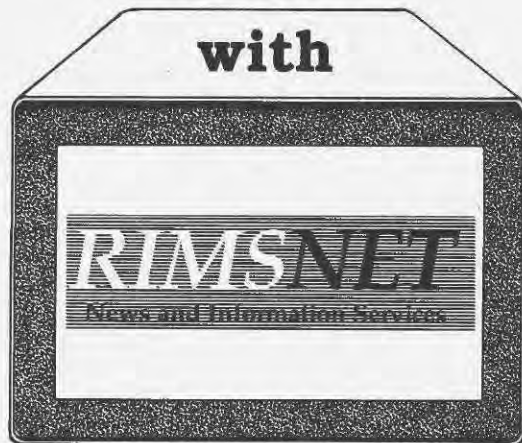
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Merrill named executive vp at Prudential

Richard G. Merrill has been elected executive vp and a member of the six-person Executive Office of The Prudential Insurance Co. of America in Newark, N.J.

Mr. Merrill succeeds **John K. Kittredge**, who will retire later this year.

In his new position, Mr. Merrill will oversee group insurance operations, governmental health program operations and the Enterprise Planning Unit, as well as three subsidiaries: Prudential Reinsurance Co., Dryden Guaranty Insurance Co. and Prudential Real Estate Affiliates.

Previously, Mr. Merrill was chairman and chief executive officer of Prudential Asset Management Co. Mr. Merrill joined Prudential in 1956 and was senior vp in charge of the company's Southwestern office in Houston before leaving in 1978 to become president and chief executive officer of The First National Bank of Houston. Mr. Merrill rejoined Prudential in 1985.

Scott Pierce, formerly vice chairman of E.F. Hutton & Co. Inc., will succeed Mr. Merrill as chairman and chief executive officer of PAMCO.

In other insurer changes:

Ted L. Dunn named vp and chief operating officer of the Los Angeles office of Provident Life & Accident Insurance Co. in Chattanooga, Tenn. Mr. Dunn succeeds **Ronald W. Moreland**, who has resigned.

Also at Provident, **Philip J. Anzalone** promoted to vp of the company's group life, health and managed care business in Chattanooga, Tenn. Previously, Mr. Anzalone was vp in the group department.

Salvator R. Curiale appointed executive director of the State Insurance Fund in New York. Previously, Mr. Curiale served as first deputy superintendent of the New York Insurance Department. Mr. Curiale succeeds **Arnold Kideckel**, who will practice law.

Richard E. Lindstrom appointed president of Columbia General Life Insurance Co., a subsidiary of PacificCare Health Systems, in Cypress, Calif.

Albert R. Kober elected president and chief operating officer of the Nationale-Nederlanden Property and Casualty Group in Keene, N.H. **Burton D. Reed Jr.** succeeds Mr. Kober, who was president and chief operating officer of Peerless Insurance Co. and The Netherlands Insurance Co. Members of the Nationale-Nederlanden Property and Casualty Group are Peerless Insurance Co. in Keene, N.H.; Excelsior Insurance Co. in Syracuse, N.Y.; Indiana Insurance Co. in Indianapolis; First of Georgia Insurance Co. in Augusta, Ga.; and The Halifax Insurance Co. in Toronto.

Peter J. Magee appointed senior vp at Associated Aviation Underwriters in Short Hills, N.J. Mr. Magee continues his responsibilities as director of claims and general counsel.

Terrence M. Jenkins and **Thomas C. Scott** elected senior vps at Washington National Insurance Co. in Evanston, Ill. Mr. Jenkins will continue as head of the health department and have re-

comings & goings: industry

porting officer responsibility in the ordinary life department. Mr. Scott will continue as head of the group operations department and have responsibility for the group agency department.

William E. Caulfield elected senior vp-corporate benefit services at John Hancock Mutual Life Insurance Co. in Boston. Previously, Mr. Caulfield was vp-group marketing operations.

Michael J. Billings named vp-risk management services at The St. Paul Cos. Inc. in St. Paul, Minn. Mr. Billings succeeds **J.F. "Jack" Callaway**, who has been named vp-marketing to oversee the marketing field operations of St. Paul

Fire & Marine Insurance Co. in St. Paul, Minn.



Mr. Billings

The following people were promoted to vps at CNA Insurance Cos. in Chicago: **William J. Adamson** in the reinsurance department; **Richard W. Garner**, in the life/health/pension product management services department; **E. Thomas Grimes**, in the group underwriting and administration department; **Richard W. Quehl**, in

the commercial lines underwriting management department; **Richard E. Ruddick**, in the federal employee health benefit plans department; and **Laurens F. Terry**, in the professional liability and excess claims operations department.

Paul G. O'Connell elected vp and actuary for the Crum & Forster Corp. in Morris Township, N.J. Mr. O'Connell will be responsible for loss analysis and loss expense reserve adequacy for C&F. He recently joined the company from Continental Insurance Co. in New York, where he was assistant vp and associate actuary.

James L. Hickey appointed vp and manager of the Detroit region for Wausau, Wis.-based Wausau Insurance Cos. effective Sept. 1. Previously, Mr. Hickey was regional sales manager of Wausau's Milwau-

kee region.

Akila J. "Ike" Misali promoted to regional vp in the group division of The Mutual Benefit Life Insurance Co. in Cincinnati. While continuing to head the Cincinnati office, Mr. Misali will oversee six of the company's regional group sales offices in the midwest.

Peter Moller rejoined North American Co. for Life & Health Insurance in Chicago as executive vp finance. Mr. Moller will be responsible for new product development and financial reporting. A former North American employee, Mr. Moller worked as vp and actuary from 1979 to 1982. He then worked as a vp and actuary for United Investors Life in Birmingham, Ala., until 1987.

Also at North American in Chicago
Continued on next page



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FIREMAN'S FUND
INSURANCE COMPANIES

comings & goings: industry

Continued from previous page

cago, **John S. Rosenbaum** promoted to senior vp and national director-structured settlements from vp.

Agents/brokers

At broker J Smith Lanier & Co. in West Point, Ga., **William T. Parr** promoted to vice chairman and chief financial officer; **D. Gaines Lanier** promoted to president and chief operating officer; **Gary E. Ivey** and **Thomas Yearian** promoted to vps.

At McDonough Caperton Insurance Group in Charleston, W.Va., the following people were appointed to new positions: **William G. Maclean** promoted to senior vp-MC Professional Liability Services; **Elwood T. Hughes Jr.** and **Albert A. Olshenske** promoted to senior vps in Pittsburgh; **Paul E. McCarthy** promoted to senior vp-Caperton

Special Risks; **J. Sterling Shuttleworth** promoted to senior vp-MC Risk Services; **Paul R. Turner** promoted to president-MC Wheeling; **Michael J. Waldron** promoted president-MC Kentucky; **Dennis J. Vogelsberger** promoted to president-MC Cleveland and Professional Liability Services; **James M. Pennington** promoted to president-MC Benefit Services.

Rodney D. Day III appointed managing director at Johnson & Higgins in New York. Previously, Mr. Day was a manager in the Philadelphia office.

Also at J&H, **Arthur J. Hubley**, **Donald W. Johnson**, **Robert H. Schilt** and **Robert D. Sullivan** elected vps in the New York



Mr. Day

property department.

Gary L. Burton promoted to vp at Frank B. Hall & Co. of Wisconsin. Mr. Burton will manage the sales and the fidelity/surety departments.

At Hall in Boston, **William F. Newell Jr.** elected president and chairman of the management committee.

John R. Patten named vp-marine in Hall's Los Angeles office. Mr. Patten was previously with Johnson & Higgins in Detroit. Mr. Lindsey was previously with Alexander & Alexander Services Inc. in Dallas.

Marivn R. Haven appointed president and chief operating officer of Hall's New York office.

Robert E. Kuntz appointed vp of risk management at Fred S. James & Co. in Irvine, Calif. Previously, Mr. Kuntz served on the Insurance School of Chicago faculty.

James R. Kesl promoted to chairman from vp and production manager at Corroon & Black Inc. of Seattle. **Richard E. Fitzgerald** promoted to executive vp from senior vp.

At C&B of San Diego, **Robert A. Myers** promoted to chairman and will continue as chief executive officer. **Brian A. Kawamoto** promoted to president and production manager from senior vp and production manager of C&B in Washington, D.C.

Lynn A. Anderson promoted to chairman from vice chairman at Corroon & Black of Salt Lake City.

At Corroon & Black Management Inc. in Nashville, Tenn., **Robert J. Jennings** promoted to president and chief executive officer. Mr. Jennings was vp of planning for C&B's benefits and specialty sales group.

Excess/surplus

Roger S. Walsh has returned as president of Glanvill Special Risk Insurance Brokers, a wholesale broker with branches in New York and San Francisco. He formed the brokerage, which is a unit of Jardine Insurance Brokers Group, in 1979. Most recently, Mr. Walsh was president of Stewart Smith East in New York.

Japanese market growing most quickly: Study

ZURICH, Switzerland—Japan produces the second-highest insurance premium volume behind the United States, according to a Swiss Reinsurance Co. survey.

The Japanese insurance market has grown more quickly over the last 20 years than any market in the world, according to Swiss Re's study on "Premium Growth and Structural Shifts in the Leading Industrial Countries, 1965 to 1985."

Countries covered in the study included the seven leading industrialized countries that belong to the Organization of Economic Cooperation and Development: the United States, Canada, West Germany, the United Kingdom, France, Italy and Japan. These

seven countries account for 95% of the world's premium volume.

In addition, Switzerland was also included in the study.

Japan's premium volume has increased sixfold in the last 20 years, and its share of world premium income has quadrupled to 18.2% from 4.2% in 1965, the study shows.

Premium volume—as measured in local currencies—either doubled or tripled in all eight countries surveyed by Swiss Re.

The United States is still the world's largest market, accounting for nearly half of the world's total premium volume. The U.S. market, however, only produced 50.1% of the world's premiums in 1985, down from 64.6% in 1965, the

worldwide

study shows.

Shifts in world market share were limited in other countries, with West Germany improving its share of international business slightly and Britain losing a small percentage.

The Swiss Re study also noted that the insurance industry has grown faster than any other industry in the last 20 years, with world premium volume more than doubling between 1965 and 1985.

"The dynamism of insurance demand can be seen more clearly when it is compared with the development of the gross national product," explains the study.

"In all countries, there was more growth in insurance during the last two decades than in total business. Its share of GNP has increased continuously," the study says, though it does point out that "the private insurance sector was also hit less hard by recessions" during the period.

Over the last 20 years, fire and marine insurance—the two "traditional" lines written by world insurance markets—have grown less than other lines in nearly all the countries surveyed. Life insurance, general liability insurance and lines of insurance lumped together under "other markets" are the growth sectors of the insurance industry in almost all the nations surveyed, according to the study.

"In spite of the fact that the degree of dynamism varies from branch to branch, the structural shifts were limited on a national level in the last two decades," said Swiss Re. "In no particular country was the gain or loss in share of a branch so great that the structure of the insurance market was fundamentally changed."

—By John Parry

Munich Re dividend

MUNICH, West Germany—Munich Reinsurance Co., the world's largest reinsurance company, expects to pay an 18% dividend to shareholders this year.

Following a 1.5% increase in premium volume to slightly below 12 billion deutsche marks (\$6.6 billion at June 30 exchange rate), Munich Re expects profits for the fiscal year ending June 30 will be sufficient to pay the same dividend as in 1985, said a letter to shareholders from the company.

Last year, Munich Re paid shareholders 9 million deutsche marks (\$4.1 million at June 30, 1986, exchange rate) on aftertax profits of 565 million deutsche marks (\$257.6 million).

Munich Re will present its final 1986-87 annual report and balance

sheet in November. Munich Re sent the letter to its roughly 15,000 shareholders to give them an idea of the '86-'87 results.

Without providing any figures, Munich Re said that:

- The growth in the company's premium income from its domestic business was less than in 1985-86. This was due to no rate increases in auto liability insurance this year and a slightly reduced property insurance premium volume.

- A decrease in Munich Re's overseas premium volume, primarily due to the strength of the deutsche mark against other currencies.

- A further deterioration in foreign liability claims.

However, Munich Re says that its profits are "satisfactory."

The letter said the company achieved satisfactory profits in aviation and forest property lines, noting the company was spared any major natural catastrophes like the Munich hailstorm in 1984 and the 1985 Mexico earthquake.

In addition, Munich Re will set aside "a very substantial allocation" to its claims reserves of at least the level of provision made last year of 107 million deutsche marks (\$49.2 million), the company said.

—By Stacy Shapiro

EC regulations

BRUSSELS, Belgium—The European Commission warns that it will increase its regulation of takeovers and mergers if EC member states fail to pass a new merger control law by this autumn.

The proposed merger legislation would affect insurance company mergers, particularly those across EC nation's borders.

The legislation first was proposed by the EC's Executive Commission in 1973. However, the legislation has been blocked since then because different member countries, particularly Great Britain, have maintained that mergers should be governed exclusively by national regulations.

The merger proposal under discussion would mean that EC officials could give clearance for cross-border mergers in advance or could prohibit takeovers that might lead to market dominance. The commission estimates that about 30 cross-border mergers per year would come under scrutiny, of which about three would be ruled illegal if the proposal becomes law.

However, the commission has not indicated that if member states fail to agree to the new law, it will begin challenging cross-border mergers under the EC's antitrust

rules, which could lead to a declaration that a merger is illegal and the parties can be fined.

A commission report issued last month showed that the number of bank mergers increased sharply in 1986, whereas the number of mergers in the insurance sector fell. There were 12 insurance company mergers last year, compared with 15 in 1985.

Meanwhile, the EC Commission is drafting a new law that would regulate the conduct of takeover bids in the European Community. The new proposal is expected to be issued by year-end.

The draft law would establish minimum requirements for takeovers of both privately held and publicly traded companies, including insurers. It would force bidders to inform targeted companies at least four days in advance of launching a takeover bid. The bidder also would have to make certain information available to the target company, including what percentage of shares it hopes to acquire and what its plans are for existing personnel.

Currently, only France and Spain have legally binding rules on takeovers, while the United Kingdom and the Netherlands have voluntary codes of practice.

The EC Commission says that the urgency for this sort of legislation is growing, given the increasing amount of takeover activity in the European Community. In the United Kingdom, for example, there were 280 takeovers between March 1986 and March 1987, according to EC statistics.

—By Denise Claveloux

Jardine in Bahrain

LONDON—Jardine Insurance Brokers International Ltd. was appointed to manage the insurance brokerage interests of Bahrain Middle East Bank through the bank's Tylos Consultants Ltd. unit.

Jardine, along with Tylos, will work to develop major sources of insurance business in the Persian Gulf states of Saudi Arabia, Kuwait, Bahrain, Qatar, Oman, and the United Arab Emirates, especially facultative reinsurance to be placed in the London market, Jardine said.

Spearheading the Bahrain operation will be Geoffrey Whitton, whose 20-year insurance career includes three years with the Saudi International Insurance Co. as well as work in Oman as branch manager in an underwriting agency.

—By Stacy Shapiro

Contributing to this week's *Worldwide* column are *International Editor Stacy Shapiro* in London and *freelance writers John Parry* in Geneva, Switzerland, and *Denise Claveloux* in Brussels, Belgium.

In Focus:



Photo courtesy of Wells Fargo Bank History Room.

Earthquake & Fire—There's just one solution.

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Zurich-American offering exporters liability insurance

A new product liability insurance program has been developed by Zurich-American Insurance Group for foreign companies with U.S. import sales.

The program, designed for foreign companies that do not have U.S. operations, offers up to a \$1 million combined single limit with a minimum annual policy premium of \$1,000.

"We saw the need for a foreign product liability policy and created a program around it," says Vince DeConti, international manager of Zurich-American's Schaumburg, Ill., regional office.

"A new special unit has been set up to handle quotes and applications. Turnaround time on quotes is two weeks," he adds.

The new program offers claims-made coverage for hazardous products and occurrence coverage for less-hazardous products.

The program is open only to licensed Zurich-American agents and brokers. A relationship with Zurich in the home country is encouraged but not mandatory.

For more information, contact Mary Newton, Account Executive, Import Product Liability Program, International Division, Fourth Floor, Zurich-American Insurance Group, 231 N. Martingale Road, Schaumburg, Ill. 60196; 312-843-6407.

Contractors liability

A new Service & Artisan Contractors Liability Program is now available in California and Arizona through Anderson & Murison Inc., a managing general agent and surplus lines broker in Los Angeles.

Combined single limits of up to \$500,000 are available for primary coverage written on the Insurance Services Office's old occurrence form, according to Horst Lechler, senior vp at Anderson & Murison.

Minimum premium for the primary coverage is \$750, with a \$500 per-claim deductible.

In addition, Anderson & Murison is offering occurrence-based excess coverage of up to \$5 million over the \$500,000 primary layer at a \$1,000 minimum annual premium.

Although he declined to name the underwriter, Mr. Lechler said it is an "excellent" company rated A-plus by A.M. Best Co.

Subcontractors that qualify for the program include cabinet, carpentry, dry wall, electrical, masonry, painting, plastering, plumbing and stucco companies. The program also is available to caterers, fence installers, landscape gardeners, janitorial contractors, sign erectors, parking lot cleaners and window cleaners and tree trimmers.

However, the program is not designed for general or paper contractors, Mr. Lechler stressed.

For more information, contact Mr. Lechler, Senior Vp, Anderson & Murison Inc., 800 W. Colorado Blvd., P.O. Box 41911, Los Angeles, Calif. 90041; 213-255-2333.

COBRA software

Two new products have been developed by Houston-based Travis Software Corp. to enhance its Corporate Cobra Manager administration system: a custom letter writer and a custom report writer.

The custom letter writer is designed to permit users to create new letters or personalize any or all of the 29 different letters that are generated automatically by the Corporate Cobra Manager.

Similarly, the custom report writer allows users to create their

products & services

own customized reports or to change the format or content of any of the 16 styles of reports already generated by the system.

Both are priced at \$249.

Corporate Cobra Manager was developed to help employers comply with extended health benefit provisions of the Consolidated Omnibus Budget Reconciliation Act of 1986.

The software is designed to run on an IBM Personal Computer or fully compatible PC, and is available in two versions: as a single-employer version for use by individual corporations as an in-house COBRA compliance tool, and as a multiemployer version to be used as a basis for a COBRA administration service that might be offered by insurers or third-party administrators.

Another new software package recently developed by Travis Software is the Corporate Flex Manager, a flexible benefits administration system that cost \$2,995.

The system is a complete administration system for Section 125 plans, handling premium-only plans as well as flexible spending accounts with optional modules for discrimination testing and for 401(k) plan administration.

For more information, contact Travis Software Corp., 11221 Richmond Ave., Suite C-111, Houston, Texas 77082; 713-496-3737.

401(k) package

A package of generic 401(k) plan employee communications materials geared to small and medium-sized companies is now available through The New England's employee benefits division.

The materials include a poster and payroll stuffer, a generic question-and-answer booklet, a 10-minute sound/slide presentation and a computer-based personalized illustration system.

The communications package was designed specifically for those companies that cannot afford to produce custom materials for their new or existing 401(k) plans, according to Dale Bearden, director of 401(k) marketing at the Boston-based financial services company.

A "semi-custom" look can be obtained, however, by imprinting the company name and logo on the materials, Mr. Bearden added.

The materials are available to all companies, whether or not they obtain their plan services through The New England.

Price for the materials is negotiable, depending on workforce size and other services supplied by The New England, a company spokeswoman said.

For more information, contact Lillian Graffam, Consultant, The New England, 501 Boylston St., Boston, Mass. 02117; 617-578-2871.

Asbestos liability

Professional liability coverage for asbestos abatement consultants with limits up to \$500,000—on either a primary or excess basis—is available from United Capitol Insurance Co. of Atlanta.

Coverage is written on a claims-made basis with defense costs included in policy limits. In addition, policyholders have the option to purchase a 12-month extended reporting period.

Minimum premium for the coverage is \$50,000 annually, and a 25% deposit is required to bind coverage.

For information, contact Steven S. Zeitman, vp-excess casualty lines, United Capitol Insurance Co., 1400 Lake Hearn Drive, Atlanta, Ga. 30319; 404-843-5599. ■

Court finds church negligent in day care

By KARI BERMAN

KANSAS CITY, Mo.—A Kansas City church must pay \$240,000 in damages to the family of a boy whose leg was intentionally twisted and broken while enrolled in the church's day-care facility, a Jackson County Circuit Court jury ruled.

The jury, after hearing three weeks of testimony, found the Metropolitan Missionary Baptist Church negligent in the supervision of its We Serve Humanity day-care center, awarding \$200,000 to the now 3-year-old Marcus C. Miller Jr., \$25,000 to his mother, Geneva Miller, and \$15,000 to his father, Marcus C. Miller, according to the Rev. Wallace Hartsfield, the church's pastor.

The Millers charged that the church was negligent in its hiring of Lettie Ward, a woman who was held responsible for breaking the arms and legs of six children enrolled in the center two years ago, says R. Lawrence Ward, the church's attorney.

"There were 19 broken limbs in all," said Mr. Ward, who is not related to Lettie Ward. Ms. Ward, who ran the day-care center, has since been convicted and sentenced to 12 years in prison.

The church has liability insurance coverage for up to \$300,000 in bodily injury and property damages per occurrence with Insurance Co. of North America, a subsidiary of CIGNA Corp., according to Rev. Hartsfield. "We pay anything over \$300,000," he said.

An INA official declined to comment on the coverage. Although the Miller family had sought \$4 million for pain and suffering, Mrs. Miller said both she and her husband felt "vindicated" by the jury's decision.

"They were negligent," she said after hearing the verdict. "I think the truth has prevailed here."

The Rev. Hartsfield disagrees and describes the decision as "a blow to the church." He contends that when it hired Ms. Ward, it did so at the recommendation of trusted congregation members.

"She came to us highly recommended and she did not have a criminal record that we were aware of. I think it again shows the tremendous risk and cost to try to do good," he added.

A motion for a new trial is in the works, according to Mr. Ward. However, settlements may be reached in the four additional lawsuits filed by the parents of other abused children, he said.

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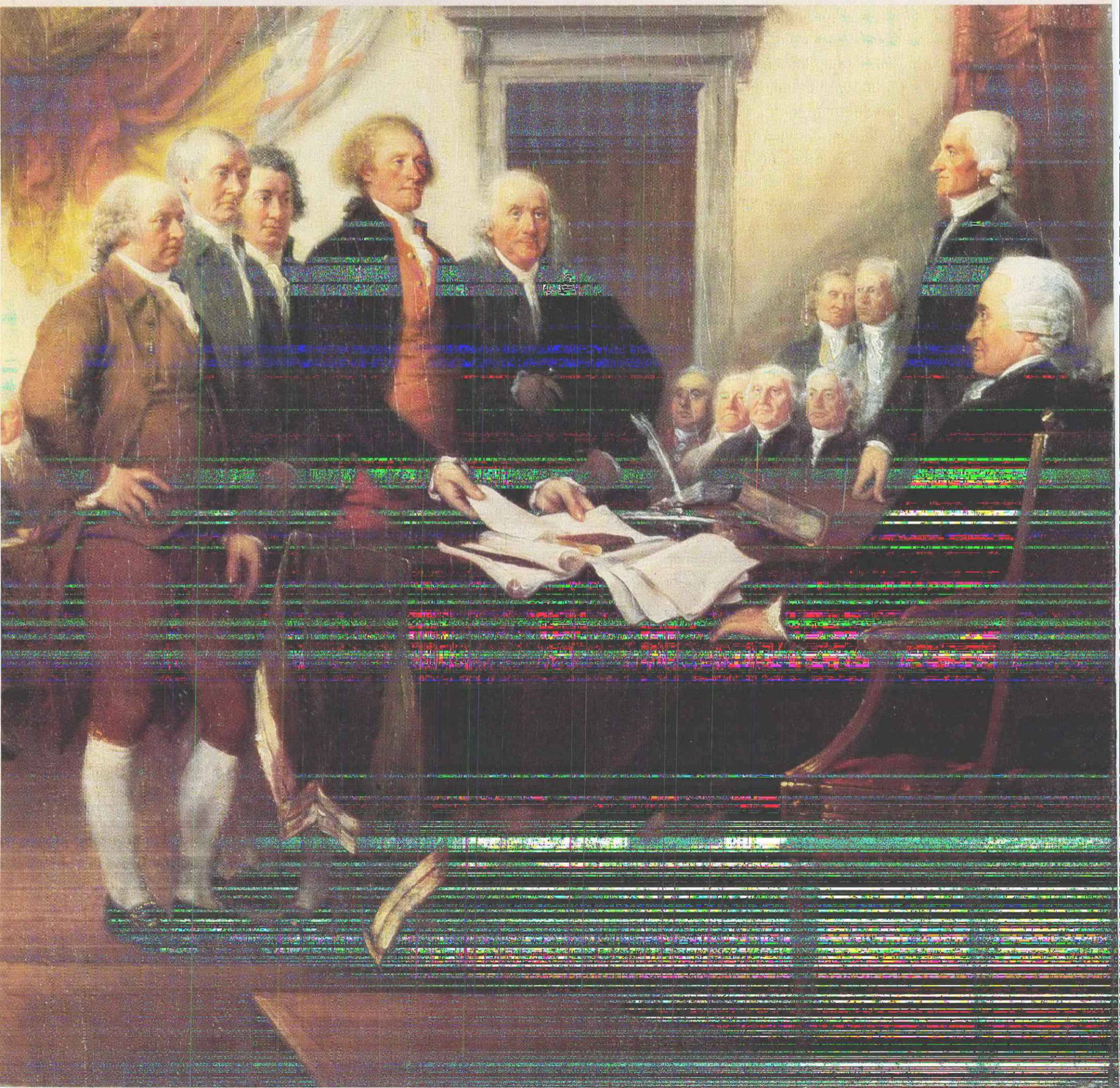
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ALL FOR ONE...

By Cynthia Polich,
Laura Himes Iversen
and Charles Oberg

IN THE LAST 25 years, the number of persons 65 and older has risen by more than 70%, and life expectancy has increased by nearly five years.

The "graying of America" and the consequent increased number of retirees have been accompanied by soaring health care costs. In addition, the government has intensified its efforts to shift costs to employees by making them the first payer of Medicare benefits for the working aged and by resolving at least some court cases with a ruling that employers cannot eliminate or reduce promised benefits.

Moreover, many employers simply have not foreseen the rising liability they would face and are therefore unprepared to evaluate and fund promised benefits. Estimates of unfunded retiree health care benefits range from \$125 billion to \$2 trillion.

Despite the frighteningly large and increasing liability faced by employers, providing health care benefits to retirees can be an opportunity rather than a crisis. Strong retiree health plans can assist employers in attracting and maintaining quality employees and improving their public image.

From the perspective of the government and the elderly, employer-funded health care is obviously important. Employer plans can significantly reduce Medicare and

Government must encourage firms to offer retiree health plans

out-of-pocket costs and make health care more accessible to a greater number of older persons.

Because of their importance, retiree health benefit plans should be encouraged and strengthened. The following recommendations should assist employers and the government in averting a retiree benefit crisis and developing an appropriate role for employers:

- The government should encourage employers to provide, finance and manage retiree health and long-term benefits.

As one important step in this direction, employers that do offer retiree health benefits should not be penalized by continually being forced to bear a higher proportion of total costs. A recent example of efforts to overburden employers that already provide at least some benefits is the proposal to increase the amount employers pay for Medicare Part B premiums: Employers that pay Part B premiums for their retirees are forced to pay more, while employers that do not provide that benefit pay nothing at all.

This type of cost shifting simply provides incentives for employers to abdicate all responsibility for financing a portion of their retirees' health care costs. Employers should be

rewarded, not penalized, for assuming the responsibility for costs that otherwise would be borne primarily by the public sector.

- Universal health care coverage of retirees by all employers should not be mandated.

Recent, repeated efforts to indiscriminately shift costs to employers can have serious adverse consequences for both employers and employees.

The costs of providing retiree health benefits can be a major financial burden and significantly add to the cost of doing business. In some industries this may reduce the competitiveness of American business in international trade.

In addition, such an expense can discourage entrepreneurship and inhibit the development of small business. Finally, such mandates likely will encourage labor force age discrimination to reduce retiree health liabilities.

Thus, while employers should be strongly encouraged to provide benefits, they should not be forced to offer retiree benefit plans.

- Once an employer has made the decision to offer retiree health benefits, those benefits must be guaranteed over time.

Employees' reliance on promised or

assumed benefits may preclude them from obtaining other sources of funding, such as setting aside private dollars for future medical expenses or purchasing private health or long-term care insurance at an earlier age.

It would be unfair and perhaps detrimental to substantially modify the benefits an employee expects to receive.

- To assure that benefits are guaranteed, employers must be given the tools for adequate pre-funding.

The Employee Retirement Income Security Act mandates the pre-funding of pension benefits, requiring employers to ensure adequate funding to fulfill current and future obligations. We recommend the same protections be applied to retiree health benefits. Before requiring pre-funding, however, appropriate legislative incentives must be in place. Tax incentives, pre-funding materials and/or innovative methods for funding retiree and working-age benefits will be needed.

A recent proposal by the Reagan administration, for instance, would allow employers to use excess pension assets to fund current retiree health benefits. Although this proposal does not pertain to pre-funding, it does indicate a willingness on the part of the administration to provide tax incentives for current retiree health benefits. But this is not enough. Pre-funding of benefits is clearly needed.

Continued on next page

'Legal wrong' contains four elements

By The Insurance Institute of America

The following question and answer are drawn from the curriculum for the Associate in Risk Management designation awarded by the Insurance Institute of America. They represent the type of question asked—and the possible answers—in one of the three examinations for the A.R.M. designation.

This month's material, taken from a May 1987 national examination, considers the elements of a legal wrong and examines a potential defamation action and a potential invasion of privacy action in light of those elements.

Q: A former patient of Sheltering Arms Hospital claims that the hospital has been using unfair practices—such as telephoning and writing the patient's employer and neighbors—to collect money that the hospital claims the patient still owes for past medical care. The patient believes the hospital's collection practices constitute a legal wrong against him.

✓ Identify the four elements common to all legal wrongs.

✓ With reference to each of the four elements in your answer above, describe specifically the facts the patient must prove to establish that the collection practices employed by the hospital

A.R.M. exercises

constitute:

- Defamation.
- Invasion of privacy.

A: ✓ Four elements must be present to show that a legal wrong has been committed. There must be a duty owed to one party by another. There must be a breach of that duty. Harm must result as a direct consequence of the breach of duty. And, finally, there must be a lack of an affirmative justification of the breach.

✓ For the former patient of the Sheltering Arms Hospital to establish that the hospital's collection practices constitute defamation, the patient would have to prove:

- That the hospital had an obligation not to defame the patient (the duty owed).
- That the hospital's staff had made verbal or written statements about the patient that were both malicious and untrue (thus breaching the duty).
- That the patient suffered a loss of reputation as a direct consequence of the hospital's statements or that those statements were clearly libelous (establishing harm).
- That there were no special

circumstances—such as protection of a greater right—that in effect gave the hospital the right to defame the patient (lack of an affirmative justification).

Similarly, for the patient to demonstrate that the collection practices employed by the hospital constitute an invasion of privacy, the patient would have to prove:

- That the hospital had an obligation to protect the patient's privacy with regard to the patient's neighbors and employer.
- That the hospital's staff disclosed information that the patient had not yet revealed to neighbors and the employer.
- That either the patient's reputation suffered or the patient had in some other way suffered a loss as a direct consequence of the actions of the hospital staff.
- There were no special circumstances that constitute an affirmative justification of the hospital's action.

The sample questions and answers used in this column are taken from the Associate in Risk Management designation curriculum of the IIA. For more information on the content of the A.R.M. program, write Dr. G.L. Head, Vp, Insurance Institute of America, P.O. Box 314, Malvern, Pa. 19355.

Retiree health plans should be encouraged

Continued from previous page

• Retiree health benefits should be vested or a mechanism should be developed for portable retiree health coverage.

Often, retiree health benefits are limited to those persons who retire from the firm, regardless of how long they have been with that employer. This is an advantage for older persons who have begun employment with the firm at a later age—they may receive full health care benefits even though they may have worked there for a relatively short time. It is a serious problem, however, for persons who have worked a long time for one firm and are laid off or transfer to another job that does not have a retiree health care plan. The non-vesting of benefits also may encourage age discrimination, if employers want to avoid paying retiree benefits.

Developing the most appropriate medium for funding is a subject for further study. One possibility, however, would be for employers to contribute to an individual medical account for employees who work in the firm for a specified number of years. These funds could be portable and contributions from more than one employer could be combined if an employee vested at more than one firm during his or her lifetime.

Tax benefits would be provided to the employer for the contributions and the contribution would not be considered taxable income for the employee. The fund could be used after retirement for health or long-term care expenses (or upon disability at a younger age).

Individual medical accounts could be advantageous for employers as well as employees and retirees because a fixed contribution, rather than a fixed benefit, would be provided. This allows the employer to plan for a defined, fixed cost—not necessarily

subject to health care inflation.

Furthermore, it frees employers from the task of managing health plans if the employer is not able or willing to do so.

• Employers should consider a variety of options when developing and maintaining retiree health and long-term care benefits.

The most dramatic options employers might consider is to assume full responsibility for funding, providing and managing retiree benefits. At present, health maintenance organizations and competitive medical plans are the only types of organizations authorized under the Tax Equity and Fiscal Responsibility Act to assume responsibility for providing health care to Medicare beneficiaries on a prepaid, capitated basis.

Chrysler Corp. and others have proposed, however, that they be allowed to enter into these types of contracts for their Medicare-eligible retirees. Under these arrangements, employers would be "at risk" for the services provided. Thus, risk contracts would give employers strong incentives to control costs (*BI*, July 13; Feb. 16).

Risk contracting is not yet available to employers, but it may be in the near future. Tentatively, the 1987 Medicare Expanded Choice Act would modify TEFRA to include private health plan options.

In addition the federal Health Care Financing Administration is seeking congressional authorization to set up Medicare-insured group demonstration projects. Under these plans, groups, such as employers and unions, would be allowed to participate in risk contracting, with reimbursement based on 95% of the average projected cost, based on prior health care cost and utilization for the retiree group.

Because risk contracting has the potential to control retiree health care costs and expand benefits available to older persons, we recommend that employers explore the possibility of entering risk contracts. Employers may wish to follow and/or endorse pertinent legislation and pursue options as they become available, depending on a company's interest and ability to effectively manage health care benefits.

Employers that are not able or willing to fund retiree health benefit packages still have the opportunity to provide some very important care services to their retirees. Employers can play an important role in educating younger and older workers about health and long-term care needs and financing. Pre-retirement planning programs should be provided that include information on what health benefits can be expected from the firm; how these relate to Medicare and other sources of funding; what needs are likely to require private financing (e.g., long-term care); and what financing options are available.

Such information is badly needed among employees and retirees. Survey after survey has shown that many people overestimate the degree to which Medicare or private insurance will cover long-term care.

Employers also can offer short-term educational programs on selected long-term care topics, such as Alzheimer's disease or care-giving. These programs may benefit employers as well as employees by improving staff morale and productivity.

• Employers should gain a better understanding of the current and future health care costs associated with retirees and working aged individuals.

A surprising number of employers are apparently unaware of these costs

and their possible implications. Until more knowledge is gained, measures to control costs will be difficult to design and assess.

• Employers should continue to encourage the enrollment of retirees and workers in prepaid plans. Prepaid plans have a strong record of holding down costs and their quality is comparable to fee-for-service providers. In addition, they have the potential to address the unique health care needs of the elderly because of their emphasis on preventive and coordinated care.

Some 152 HMOs currently offer comprehensive health care coverage to retirees at premiums ranging from \$0 to \$50 per month. Employers with retiree health plans may be benefitted by encouraging their retirees to enroll in these HMOs.

• Finally, research should be conducted to determine how the role of employers can best be coordinated with other public and private providers and funders of health care to the elderly.

The current health and long-term care system is a confusing mix of fragmented, uncoordinated programs. Medicaid funds certain acute and long-term care needs for the poor; Medicare funds certain acute care services for the elderly; private insurance, employers and out-of-pocket payments fill in the large gaps. Cost-containment measures often simply shift costs from one program to another.

The role of employers in funding health care for the elderly must be designed to be more compatible with other sources of funding.

Cynthia L. Polich is a vp, Laura Himes Iversen is research associate and Dr. Charles Oberg is health policy analyst at Interstudy, a health care research firm in Excelsior, Minn.

COBRA*Continued from page 1*
violation.

In often emotionally charged comments, filed with the IRS over the last two months, employers say the tax penalties for COBRA violations are brutal and unfair and should be revised.

They say it is inevitable that employers—especially those with far-flung operations—will inadvertently violate COBRA and that the penalties go far beyond what is necessary or justifiable.

"I find the latest regulations issued under COBRA to be an appalling slap in the face," wrote Thomas L. Slade, president and chief executive officer of Moorman Manufacturing Co. in Quincy, Ill.

"As part of the federal bureaucracy, I am sure you are well aware that errors can be made despite the best of intentions. Try to imagine the IRS attempting to operate under a system that is so restrictive that they are penalized for oversights lasting no more than one day! It would be ludicrous to penalize a company millions of dollars in tax deductions for a mere one-day, one-time mistake," Mr. Slade added.

"At a time when employers are struggling to keep abreast of all the federal and state requirements, the severe penalties that COBRA provides are inappropriate. Even the best intentioned of employers occasionally make a mistake," agreed James Brescia, vp for personnel with Harcourt, Brace Jovanovich in Orlando, Fla.

"A good faith oversight affecting one employee which is subsequently corrected should not cause an employer to lose its tax deduction for all employees' health care benefits costs and should not unjustly penalize highly compensated employees who share no responsibility for such an error," argued Robert W. Lee, vp of compensation and risk management with Vulcan Materials Co. in Birmingham, Ala.

"The penalties are brutally harsh and need to be modified so that inadvertent clerical and other mistakes will not eliminate an employer's ability to deduct... the cost of providing health care coverage benefits," wrote Anthony Derezinski, corporate counsel and vp with Mercy Health Services in Farmington Hills, Mich.

"COBRA was conceived and implemented without input from those most affected by it—employers. Please don't compound this oversight, and please recognize that honest mistakes should not receive penalties reserved for deliberate and willful violations," said J.D. Oliver, manager of employee benefits at First Mississippi Corp. in Jackson, Miss.

"We believe that the proposed penalty for non-compliance under COBRA is overly harsh... There is no distinction between an employer who never made provisions for COBRA coverage versus an employer who made an administrative error in good faith efforts to comply with the law," said an official at Ameritech Corp. in Chicago.

Many employers also are angered by an IRS interpretation of COBRA under which all employers that participate in collectively bargained multiemployer welfare plans would lose their tax deductions if just one plan member or the plan administrator does not meet COBRA's requirements.

They say it is especially unfair to impose tax penalties in situations where they—as part of a multiemployer plan—have little or no control in the offering of COBRA benefits.

"Employers have little control over plan trustees and administrators and no control over unrelated, participating employers. Employers can do nothing to assure compliance... by other employers or even by the plan administrator,"

said Edward J. Davey, a vp with Johnson & Higgins in New York.

"There are too many unknowns at the present time. With everyone attempting to follow the minimal guidelines established, it is shocking to think that any one of the employer groups or worse—all employers of a multiemployer (plan)—would lose their tax deductions for health care expenses through an inadvertent error with regard to one eligible," said Denise L. Knapp, executive director of Delta Dental Plan of Alaska in Anchorage.

"The inappropriateness of the penalties is magnified by the provisions of the proposed regulations related to collectively bargained multiemployer plans," wrote D.J. Crispin, vp of employee benefits, insurance and taxes at The Boeing Co. in Seattle.

"To penalize an employer for a COBRA violation when that employer simply contributes a re-

*Continued on next page***Global**

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SEPT. 2-3. Economics and Social Choice conference in Chicago, sponsored by the Alliance of American Insurers; \$275 for Alliance members; \$325 for non-members. Mary Ann Johnson, Alliance of American Insurers, 1501 Woodfield Road, Suite 400 W., Schaumburg, Ill. 60195-4980; 312-490-8500.

SEPT. 8-11. Reinsurance Accounting and Finance for Ceders and Assurers seminar in Tarrytown, N.Y., sponsored by Robert W. Strain Seminars Inc.; \$1,295 (includes lodging and meals). Robert W. Strain Seminars Inc., P.O. Box 1000, Wingdale, N.Y. 12594; 914-832-9384 or 212-677-5974.

SEPT. 9-11. New Age Retirement Planning workshop in Chicago, sponsored by Retirement Advisors; \$495; \$395 if registration is made three weeks in advance. Also Oct. 14-16 in New Orleans, Nov. 11-13 in New York. Retirement Advisors, 919 Third Ave., New York, N.Y. 10022; 212-421-2400.

SEPT. 10. Controlling Your Workers Compensation Costs workshop in Chicago, sponsored by the Illinois State Chamber of Commerce; \$90 for ISCC members; \$135 for non-members. Also Sept. 30 in Springfield, Ill. Illinois State Chamber of Commerce, 20 N. Wacker, Chicago, Ill. 60606; 312-372-7373.

SEPT. 10-11. 1987 Casualty Loss Reserve Seminar in Minneapolis, co-sponsored by the American Academy of Actuaries and the Casualty Actuarial Society; \$300. Casualty Loss Reserve Seminar, 1720 I St. N.W., Seventh Floor, Washington, D.C. 20006; 202-223-8196.

SEPT. 11. Managing and Controlling Asbestos Contamination course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$160. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

SEPT. 12-16. 73rd Annual Convention of the International Assn. of Industrial Accident Boards & Commissions in Hartford, Conn.; \$185 for IAIABC members; \$250 for non-members; \$100 for companions. International Assn. of Industrial Accident Boards & Commissions, P.O. Box 4335, Hamden, Conn. 06514.

SEPT. 13-16. Computerized Plan Administration Institute in Dallas, sponsored by the International Foundation of Employee Benefit Plans; \$525 for IFEBP members; \$600 for non-members. Registrations Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

SEPT. 13-16. Marketing Management Conference in Savannah, Ga., sponsored by the Alliance of American Insurers; \$300 for Alliance delegates; \$125 for family members. Donna G. Pillstrom, Alliance of American Insurers, 1501 Woodfield Road, Suite 400 W., Schaumburg, Ill. 60173-4980; 312-490-8595.

SEPT. 14. Managing Healthcare Today and Tomorrow conference in Chicago, sponsored by WEB, a Network of Professionals Working in Employee Benefits; \$125 for WEB members; \$175 for non-members (applies toward membership). Karen Kay Barnes, McDermott, Will & Emery, 111 W. Monroe, Chicago, Ill. 60603.

SEPT. 14-15. Health Care Cost Containment workshop in Cleveland, sponsored by the Health Research Institute; \$495. Also Oct. 5-6 in Boston; Oct. 26-27 in San Francisco; Nov. 9-10 in New York; and Dec. 7-8 in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

SEPT. 14-16. Product Safety and Liability Prevention: The Role of Human Factors Engineering seminar in Madison, Wis., sponsored by the College of Engineering, University of Wisconsin at Madison; \$695. Engineering Registration, The Wisconsin Center, 702 Langdon St., Madison, Wis. 53706; 800-262-6243; 800-362-3020 within Wisconsin.

SEPT. 14-16. Training Methods and Techniques in Occupational Safety and Health: Training the Trainer course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$420. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

SEPT. 14-16. Fundamentals of Reinsurance seminar in Irving, Texas, sponsored by the Reinsurance Management Institute at the University of Dallas; \$525. Bruce Evans, Reinsurance Management Institute, University of Dallas, Irving, Texas 75061; 214-721-5370; 214-721-5299.

SEPT. 14-18. Eighth Conference of the International Bar Assn. Section on Business Law in London; 375 pounds (approximately \$596) for SBL members; 450 pounds (approximately \$717) for non-members. Also Sept. 17: **Joint Meeting of the Outer Space and Insurance Law Committees of the International Bar Assn.** in London; 100 pounds (approximately \$159) for joint session only. Larry S. Kaplan, Coklin & Adler, 100 W. Grand, Chicago, Ill. 60610; 312-670-0220.

SEPT. 14-18. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; \$500. Also Nov. 16-20. John Garis, NATLSCO, K-3, Long Grove, Ill. 60049; 800-323-9585; 312-540-2400 within Illinois.

SEPT. 16. Financial Services—Today and Tomorrow conference in London, sponsored by Insurance & Reinsurance Research Group Inc.; 195.50 pounds (approximately \$311). Caroline Atkinson, Insurance & Reinsurance Research Group Inc., Bridge House, 181 Queen Victoria St., London EC4V 4DD.

SEPT. 16. Advanced "Post Graduate" Cost Management workshop in Cleveland, sponsored by the Health Research Institute; \$250. Also Oct. 7 in Boston; Oct. 28 in San Francisco; Nov. 11 in New York; and Dec. 9 in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

SEPT. 16-18. Controlling Your Business Insurance Costs conference in New Orleans, sponsored by the Southern Louisiana Chapter of the Risk & Insurance Management Society; \$95 for RIMS members; \$115 for non-members. Barry L. Zichichi, Louisiana Power & Light Co., P.O. Box 60340, New Orleans, La. 70160; 504-569-4943.

SEPT. 17. Weathering the Storm: Building for Today and Tomorrow seminar in Garden City, N.Y., sponsored by the New York Property Insurance Underwriting Assn.; free. Bob Burke, 212-208-9800.

SEPT. 17. Assessing Vendors (HMOs, PPOs, Utilization Review Firms, etc.) workshop in Cleveland, sponsored by the Health Research Institute; \$250. Also Oct. 8 in Boston; Oct. 29 in San Francisco; Nov. 12 in New York; and Dec. 10 in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

SEPT. 17. Risk Management and Safety Techniques for Public Agency Recreation Programs and Facilities seminar in San Diego, sponsored by Risk Management Seminars; \$150 in advance; \$175 at the door. Also Oct. 15 in Anaheim, Calif.; Oct. 29 in Pleasanton, Calif.; Nov. 18 in Sacramento, Calif.; Nov. 19 in Fresno, Calif. Risk Management Seminars, P.O. Box 1601, Sonoma, Calif. 95476-1601; 415-943-1405.

SEPT. 17. Cost Containment Through Communications and Education workshop in Cleveland sponsored by the Health Research Institute; \$250. Also Oct. 8 in Boston; Oct. 29 in San Francisco; Nov. 12 in New York; and Dec. 10 in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

SEPT. 17-18. Labor/Management Cost Containment workshop in Cleveland, sponsored by the Health Research Institute; \$495. Also Sept. 17-18 in Cleveland; Oct. 8-9 in Boston; Nov. 12-13 in New York; and Dec. 10-11 in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

SEPT. 17-18. 17th Annual Employee Benefits Institute in New York, sponsored by the Practising Law Institute; \$425. Practising Law Institute, Dept. 22, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

SEPT. 17-19. Management Challenges in Mental Health Service Delivery seminar in Minneapolis, sponsored by the Group Health Assn. of America; \$430 for GHAA members; \$500 for non-members. Group Health Assn. of America, 1129 20th St. N.W., Suite 600, Washington, D.C. 20036; 202-778-3200.

SEPT. 20-23. 1987 Canadian Risk Management Conference: Expo I-A Risk Management Exposition in Vancouver, British Columbia; \$275 Canadian (approximately \$207). Barbara Wallwork, 604-668-4225.

SEPT. 20-23. 42nd Annual Workers Compensation Educational Conference in Orlando, Fla., sponsored by the Florida Workers' Compensation Institute Inc.; \$95. James M. McConaughay, Florida Workers' Compensation Educational Conference, P.O. Drawer 229, Tallahassee, Fla. 32302-0229; 904-222-8121.

SEPT. 21-22. Health Care Services: Buying Right in a Competitive Market conference in Chicago, sponsored by Charles D. Spencer & Associates Inc.; \$400 for subscribers; \$485 for non-subscribers. Charles D. Spencer & Associates Inc., 222 W. Adams St., Chicago, Ill. 60606; 312-236-2615.

SEPT. 21-22. Utilizing the New CGL Forms: Negotiating, Pricing and Structuring Liability Insurance and Reinsurance Programs conference in New York, sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

SEPT. 21-25. Developing and Managing a Basic Safety and Health Program course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; \$550. Also Nov. 2-6. Tommy Thomas, NATLSCO, K-3, Long Grove, Ill. 60049; 800-323-9585; 312-540-2400 within Illinois.

SEPT. 28-29. Managed Healthcare: Who's In Control? seminar in Washington, D.C., sponsored by the American Assn. of Preferred Provider Organizations; \$450 for AAPPO members; \$495 for non-members. American Assn. of Preferred Provider Organizations, 1101 Connecticut Ave. N.W., Suite 700, Washington, D.C. 20036; 202-857-1128.

SEPT. 28-29. The Property & Casualty Insurance Tax Institute conference in New York, sponsored by Executive Enterprises Inc.; \$875;

\$775 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

SEPT. 28-30. Audio-Visual Media for Safety and Health: Developing and Producing Inexpensive Programs course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$420. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

SEPT. 29-30. Recent Developments in Insurance and Reinsurance Disputes in the Property & Casualty Industry conference in New York, sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same organization. Also Oct. 15-16 in San Francisco. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

OCT. 1-2. Insurance Market Prospects for 1988—Home and Overseas conference in London, sponsored by the Insurance & Reinsurance Research Group Ltd.; 373.75 pounds (approximately \$594). Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD; 01-236-2175.

OCT. 1-2. Ergonomics: Building Efficiency and Safety in the Workplace in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$300. Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

OCT. 2. Insurance Market Prospects for 1988 conference in London, sponsored by Insurance & Reinsurance Research Group Ltd.; 325 pounds (approximately \$516). Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD.

OCT. 3. Promoting Safety and Health in Today's Economy course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$150. Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

OCT. 5-6. Environmental Risk Management Course: Minimizing and Insuring Against Pollution Liability Exposures conference in Washington, D.C., sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

OCT. 5-7. Insurer Solvency Assessment conference in London, sponsored by the Insurance & Reinsurance Research Group Ltd.; 506 pounds (approximately \$804). Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD; 01-236-2175.

OCT. 6-7. Personnel Law Update 1987 seminar in Boston, sponsored by the Council of Education in Management; \$495; \$475 each for two or more from the same organization. Also Oct. 7-8 in Denver; Oct. 13-14 in Philadelphia; Oct. 14-15 in Chicago; Oct. 20-21 in Los Angeles; Oct. 27-28 in Seattle; Nov. 4-5 in Detroit, Morristown, N.J., Honolulu; Nov. 10-11 in San Diego; Nov. 17-18 in San Jose, Calif., Minneapolis; Dec. 1-2 in Tampa, Fla.; and Dec. 8-9 in Phoenix, Ariz. Karen Nelson, Council on Education in Management, 321 Lennon Lane, Walnut Creek, Calif. 94598; 415-934-8333.

OCT. 7. Health Improvement/Wellness workshop in Boston, sponsored by the Health Research Institute; \$250. Also Oct. 28 in San Francisco; Nov. 11 in New York; and Dec. 9 in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

OCT. 7-8. Fourth Annual Banks and Insurance Conference in New York, sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

OCT. 7-9. Recognition of Accident Potential in the Workplace Due to Human Factors course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$435. Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

OCT. 9. Current Trends in the Legal Environment of Workers Compensation seminar in New York, sponsored by the National Council on Compensation Insurance; \$165 for NCCI members; \$205 for non-members. Mary Ellen Robinson, National Council on Compensation Insurance, 1 Penn Plaza, New York, N.Y. 10119; 212-560-1066.

OCT. 11-14. Remembering the Past . . . Anticipating the Future: The Society of Chartered Property & Casualty Underwriters' 43rd Annual Meeting and Seminars in San Antonio, Texas; before Sept. 14: \$275 for Society of CPCU members, \$170 for spouses/guests; after Sept. 14: \$325 for Society of CPCU members, \$170 for spouses/guests. Society of CPCU, Kahler Hall, Providence Road, CB#9, Malvern, Pa. 19355-0709.

OCT. 11-14. Risk Management Forum: Association European des Assures de l'Industrie and the Risk & Insurance Management Society Inc. International Conference in Monte Carlo; 2,300 French francs (approximately \$368) for university members or students; 4,600 French francs (approximately \$735) for members of a risk management department; 6,300 French francs (approximately \$1,007) for insurers, brokers, adjusters and other professions other than those listed. AEAI/RIMS Monte Carlo Conference, SOCFI, 14 Rue Mandar, 75002 Paris, France.

OCT. 11-16. Fundamentals of Employee Benefits Management conference in Brookfield, Wis., sponsored by the International Foundation of Employee Benefit Plans; \$900. Registrations Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

OCT. 12-16. Management and Administrative Skills for the Occupational Safety and Health Professional course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$735. The Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

OCT. 14-15. Constructing, Processing and Marketing Variable Insurance Products conference in New York, sponsored by the Institute for International Research Inc.; \$895. Institute for International Research Inc., 310 Madison Ave., Suite 1212, New York, N.Y. 10017; 800-345-8016; 212-883-1770.

OCT. 19-23. Recognition of Occupational Health Hazards course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$735. The Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

OCT. 20-22. Cargo Insurance Clauses Workshop in London, sponsored by the Insurance & Reinsurance Research Group Ltd.; 506 pounds (approximately \$804). Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD; 01-236-2175.

OCT. 22-23. Advanced Employee Benefits Workshop in New York, sponsored by the Practising Law Institute; \$475. Practising Law Institute, Dept. 22, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

OCT. 22-24. 11th Annual Employment Law Seminar in Napa, Calif., sponsored by the Defense Research Institute Inc.; \$525 for DRI members; \$550 for non-members. Defense Research Institute Inc., 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

OCT. 26-27. Insurance Company SEC Accounting and Reporting course in New York, sponsored by Peat Marwick Main & Co.; \$725. Peat Marwick Registrars, Executive Education Department, 3 Chestnut Ridge Road, Montvale, N.J. 07645-0435; 800-762-3932.

OCT. 26-28. Government Risk Management Seminars: Basic Fundamentals, Advanced Techniques or School Risk Management in Washington, D.C., sponsored by the Public Risk & Insurance Management Assn.; \$350 for PRIMA members; \$400 for non-members. Public Risk & Insurance Management Assn., 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

NOV. 1-4. Insurance Technical Conference in Boston, co-sponsored by the Alliance of American Insurers and the American Assn. of Insurance Services; \$275 for Alliance/AAIS members/subscribers; \$100 for family members; \$325 for non-members. Donna G. Pillstrom, Alliance of American Insurers, 1501 Woodfield Road, Suite 400 W., Schaumburg, Ill. 60173-4980; 312-490-8595.

NOV. 2-6. Sampling and Evaluating Airborne Asbestos Dust course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$725. Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

NOV. 5-6. Integrating and Expanding the Role of Employee Health Care conference in San Antonio, Texas, sponsored by the American Hospital Assn.; before Sept. 4: \$320 for AHA members, \$420 for non-members; after Sept. 4: \$395 for AHA members, \$495 for non-members. American Hospital Assn., P.O. Box 98946, Chicago, Ill. 60693; 312-280-6083.

NOV. 8-11. Legislative Research Commission's Third Biennial Workers Compensation Seminar in Louisville, Ky.; before Oct. 9: \$150; after Oct. 9: \$190. Charlene Collins, Legislative Research Commission, Fourth Floor, Capitol Building, Frankfort, Ky. 40601; 502-5640-8100.

NOV. 9-10. The Solution to the High Cost Claim—Medical Case Management conference in New York, sponsored by Intracorp; \$385; \$340 per additional registrant from the same organization. Jackie Mazoway, Intracorp, Chesterbrook Corporate Center, 701 Lee Road, Wayne, Pa. 19087; 800-345-1075.

The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.

Textron suits

Continued from page 3

Some attorneys believe the litigation is part of a new trend of policyholders filing massive coverage suits when faced with extensive environmental liability claims for multiple sites.

The Textron and Avco suits are smaller but similar to two massive lawsuits filed by Westinghouse Electric Corp. in New Jersey Superior Court in June (*BI*, June 15).

In that litigation, Westinghouse is suing more than 140 of its liability and property insurers to recover for the cost of cleaning up 74 hazardous waste sites nationwide and for responding to hundreds of bodily injury claims.

However, the Textron and Avco suits do not name the companies' property insurers.

Meanwhile, Purex Industries Inc. recently sued more than 30 of its liability insurers since 1948 to recover cleanup costs. That litigation was prompted by a New Jersey state statute requires that property be cleaned up whenever it is a sold (see related story).

The Textron and Avco suits seek unspecified damages, attorneys' fees and costs in the coverage litigation.

Textron is suing the insurers that wrote its liability insurance between 1960 and 1987, while Avco named the underwriters that insured its liability risks between 1950 and 1987.

Among the insurers named that wrote coverage for a substantial number of years for the companies are Aetna Casualty & Surety Co. of Hartford, Conn.; underwriters at Lloyd's of London; Fireman's Fund Insurance Co. of Novato, Calif.; and several units of American International Group Inc. of New York.

A spokesman for Textron declined to comment on the litigation. Textron's outside counsel in the litigation also declined to comment.

Attorneys for some of the insurers named in the complaints could not be reached for comment or declined because they had not seen the suits.

An example of the sites at issue in the Textron and Avco litigation is a municipal dump in Belvidere, Ill.

In March 1985, the EPA sent a request for information concerning waste disposal at the site to a Textron division called Camcar that used the site to dispose of waste materials during the 1960s.

The extent of contamination at the site, if any, is unknown, court papers say. "Significant exposure is expected," the papers add.

Efforts are being made to identify other responsible parties.

Another site for which Textron may be liable for cleaning up is located in Springfield, Vt. The EPA has notified Textron that two of its entities are potentially liable for damages because hazardous wastes generated by one of the entities ended up at a dump site.

Only two other parties are involved in dumping wastes at the site, so Textron's potential liability is extensive, court papers say.

The cost of cleaning up the site is unknown, but the cost could total millions of dollars, according to court papers.



Photo: Belvidere Daily Republican

Textron says the extent of the contamination at a municipal dump in Belvidere, Ill., where waste materials were disposed in the 1960s, is not known although 'significant exposure is expected.'

The court papers in the Avco suit note that the EPA has indicated it may designate the company's Williamsport, Pa., engine production facility and an adjacent municipal well-field as a site to be cleaned up under the Superfund Act.

According to the two suits, each of the insurers named has failed to honor—or has disputed or will dispute—its obligation to defend and indemnify the companies in full.

The suits assert that each of the named insurers is obligated to fully defend or pay the defense costs of Textron and Avco in the various actions—including the costs of investigation—if any part of the injury or damage process is alleged to happen or could have happened during policy periods the insurers covered Textron and Avco.

Textron and Avco also contend that each insurer must indemnify them for all sums they have paid or may be obligated to pay to clean up the sites, unless the insurer can show that no portion of the alleged injury or damage process happened during the period the insurer covered the companies.

Textron and Avco also contend that they can designate the policy under which the insurers must defend and indemnify them.

In addition to seeking a declaratory judgment from the court, the suits allege that the insurers breached their insurance contracts with Textron and Avco.

Attorneys last week said they expect to see more companies that face extensive hazardous waste liability claims file massive coverage lawsuits.

"I don't know if there's a trend, but we will see more of these types of cases," said John Heintz of the Washington, D.C., office of Popham, Haik, Schnobrich & Kaufman, who represents policyholders in insurance coverage litigation.

Mr. Heintz said that companies must balance the potential for resolving all coverage questions in one setting with the attendant complexity that the many sites and insurers involved bring.

"It makes sense from a judicial resources standpoint and the parties' resources standpoint," said Peter J. Kalis of the Pittsburgh firm of Kirkpatrick & Lockhart. Mr. Kalis represents Westinghouse as well as other policyholders in coverage litigation. "To do otherwise results in needless duplication and raises the possibility of inconsistent results.

"It doesn't create any unnecessary complications," he said. "It's not only inevitable, but it is the preferred course of action."

Whether companies file such all-encompassing suits may also depend on business considerations such as their willingness to undertake large-scale litigation and the enormous litigation costs, Mr. Heintz added.

Textron, Avco suits name many insurers

PROVIDENCE, R.I.—Liability insurers that wrote coverage for Textron Inc. between 1960 and 1987 and have been sued by Textron for environmental contamination claims are:

Aetna Casualty & Surety Co.; Agricultural Excess & Surplus Insurance Co.; Allianz Insurance Co.; American Home Assurance Co.; American International Underwriters Corp.; Appalachian Insurance Co.; Associated International Insurance Co.; certain British insurance companies; Commercial Union Insurance Co.; Continental Casualty Co.

Also, Employer's Liability Assurance Corp. Ltd.; Employer's Mutual Liability Insurance Co. of Wisconsin; Employers Insurance of Wausau; Falcon Insurance Co.; Federal Insurance Co.; Fireman's Fund Insurance Co.; First State Insurance Co.; General Reinsurance Corp.; Granite State Insurance Co.; Hartford Casualty Insurance Co.

Also, Home Insurance Co.; Industrial Indemnity Co.; Insurance Co. of North America; Insurance Co. of the State of Pennsylvania; International Insurance Co.; underwriters at Lloyd's of London; Massachusetts Bonding & Insurance Co.; Hanover Insurance Co.; National Indemnity Co. of Minnesota; National Union Fire Insurance Co. of Pittsburgh, Pa.

Also, New England Insurance Co.; Northbrook Excess and Surplus Co.; Allstate Insurance Co.; X.L. Insurance Co. Ltd.; and Zurich International Ltd.

In addition to many of those insurers named in the Textron complaint, a similar suit by Avco Corp., a Textron subsidiary, also names American Excess Insurance Co.; American Motorists Insurance Co.; American Re-Insurance Co.; Atlanta International Insurance Co.; Central National Insurance Co. of Omaha; Fidelity & Casualty Co. of New York; Great American Insurance Co.; Hartford Accident & Indemnity Co.; Highlands Insurance Co.

Also, Lumbermen's Mutual Casualty Co.; New England Reinsurance Corp.; New Hampshire Insurance Co.; North River Insurance Co.; Northbrook Indemnity Co.; Northstar Reinsurance Co.; and Royal Insurance Co. of America.

In addition, the complaints state that either Textron or Avco, or both, were insured by Integrity Insurance Co.; Midland Insurance Co.; Mission National Insurance Co.; Transit Casualty Co.; and Union Indemnity Insurance Co. of New York but that those insurers are not named because they are in liquidation.

Purex sues liability insurers for cleanup costs at 3 sites

By STEPHEN TARNOFF

PATERSON, N.J.—A New Jersey statute that requires property owners to clean up their sites before transferring or selling them is prompting Purex Industries Inc. of Carson, Calif., to sue its liability insurers to recover the costs of cleaning up three sites.

In separate suits filed in July and early August, Purex is suing more than 30 insurers that have written liability coverage for Purex since 1948. Two of the sites for which Purex is seeking coverage are sites that Purex recently sold and one is leased.

The suits contend that Purex is entitled to defense and indemnification costs under its policies.

The suits seek unspecified damages caused by the insurers' alleged breach of contract.

The New Jersey law that led to the suits, the Environmental Cleanup Responsibility Act, requires an owner or operator of an industrial establishment planning to sell or transfer operations to implement a sampling and cleanup plan. That plan must then be approved by the New Jersey Department of Environmental Protection.

Upon approval, the owner or operator must post financial security to guarantee performance of the cleanup plan in an amount equal to the estimated cost of the remedial work.

If an owner or operator fails to comply with the requirements the DEP can void the sale and subject the owner or operator to penalties of up to \$25,000 per day until the site is cleaned.

"We think it is the first case that raises coverage questions under ECRA," said Purex attorney David Berz, with Weil, Gosthal & Manges in Washington.

"The ramifications in this case on the coverage resolution question are very, very significant," he said. Purex is seeking recovery for:

- Cleaning up hazardous substances found at manufacturing facilities owned it owned in Paterson, N.J. So far, Purex has incurred costs of more than \$50,000, and the company expects that there will be more

costs. • Cleaning up hazardous substances at a site in South Kearney, N.J., which already has cost the company \$24,000 and could cost Purex \$85,000 more.

- Cleaning up a hazardous substance found at a repair facility it leased at the municipal airport in Millville, N.J. Purex has incurred costs of \$300,000 and estimates costs of cleanup may exceed \$3 million.

Purex also is suing the insurers for indemnification of any costs it may incur if it must clean up a site in Kearney, N.J., but that suit was not prompted by the New Jersey statute. Purex has been named as a third-party defendant in an action connected with that site brought under the federal Superfund Act.

In addition, another suit Purex brought against its insurers is pending in Superior Court in Los Angeles over coverage for costs associated with an additional five or six sites, according to Mr. Berz.

Insurers named in the complaints include: American International Underwriters Insurance Co.; American Re-Insurance Co.; Associated International Insurance Co.; Central National Insurance Co. of Omaha, Neb.; Century Indemnity Co.; Employers Mutual of Wausau; Falcon Insurance Co.; Federal Insurance Co.; Fireman's Fund Insurance Co.; First State Insurance Co.; Harbor Insurance Co.

Also, Highlands Insurance Co.; The Home Insurance Co.; Houston Fire & Casualty Insurance Co.; Integrity Insurance Co.; certain underwriters at Lloyd's of London; Midland Insurance Co.; Mission National Insurance Co.; National Union Fire Insurance of Pittsburgh, Pa.; the New Jersey Property Liability Insurance Guaranty Assn.

Also, North Star Re-Insurance Corp.; Pacific Indemnity Co.; Pine Top Insurance Co.; Republic Insurance Co.; Reserve Insurance Co.; Safety Mutual Casualty Corp.; Stonewall Insurance Co.; Transamerica Premier Insurance Co.; Transit Casualty Co.; Transcontinental Insurance Co.

Also, The Travelers Indemnity Co.; U.S. Aviation Insurance Group; and Zurich International Insurance Co.

Northwest crash

Continued from page 1
ket by Lloyd's of London broker Bowring Aviation Ltd. and led by the Ariel syndicate at Lloyd's.

The remaining 10% of the coverage is believed to have been placed in the French market, led by La Reunion Aérienne.

Northwest renewed its airline hull and liability insurance on July 1 and received nearly a 30% reduction on hull rates compared with last year, while liability rates were reduced about 18%, London sources say.

Airline hull and liability rates began plummeting in April as competition among world aviation underwriters heightened (BI, April 20). It marked the first time airline rates had been reduced en masse since July 1983 (BI, July 11, 1983).

About \$700 million in hull and liability losses in 1983, compared with premiums of \$500 million to \$550 million, and a tightening reinsurance market forced rate increases in 1984 of up to 150% for some airlines (BI, March 26, 1984; Feb. 11, 1985).

Rates continued to climb by as much as 300% through 1986 because of the record \$1.1 billion in airline losses in 1985, compared with only \$850 million in premiums (BI, Feb. 7, 1987).

However, improved loss experience in 1986—premium volume totaled \$1.2 billion, while claims amounted to only \$280 million—brought rate reductions this year.

Most observers say aviation insurance rates will continue to fall despite the Northwest crash.

"We do not believe that, following a year-and-a-half of great experience, the Northwest crash will affect current rating levels. It can be taken in stride by the market," said L.H. Wilcox, chairman of international operations for Frank B. Hall & Co. Inc.'s International Aviation Division in New York.

The Northwest disaster, the second-worst single-airliner crash in U.S. history, "will have no effect whatsoever" on rates' trek downward, added a London broker who asked not to be named.

"There has been such a dramatic turnaround" in loss experience "that I don't think the Northwest (crash) will have any impact at all," said A. Kent Robinson, senior vp of Johnson & Higgins of New York.

"I don't think (the Northwest disaster) will have a near-term effect on rates by itself," said R. Craig Sutherland, vp at Corroon & Black Corp. of New York and manager of its aviation unit.

"With its worldwide capacity, the aviation market can sustain a

\$200 million loss and it would not necessarily even put the U.S. ratio in a negative situation," Mr. Sutherland said.

He added that because many major U.S. airlines have already renewed their coverages this year, the airlines that have not renewed their coverages will want the same rate reductions. "It would be difficult for the market to refuse that reduction," he observed.

"The trend downward probably will not continue as sharply," said one London underwriter who did not wish to be named. However, the crash "will not reverse (the trend). That would take two or three losses of this magnitude to halt rate reduction."

However, one U.S. aviation broker, who also holds a commercial pilot's license, pointed out the liability reserve may have to be increased from the current estimate of \$175 million and the impact on rates may be greater if pilot error caused the crash.

"The impact on rates could be much greater down the road if this were the case. If it was determined to be gross pilot error on the part of the cockpit crew, I think the size of the suits could be much larger. . . and reserves may have to be strengthened," said Duncan MacGillivray, assistant vp and aviation insurance specialist for Corroon & Black of California's Los Angeles Division in Pasadena.

He added that there would "certainly" be an impact on Northwest's rates following such a finding and could potentially be an impact on the rates charged other airlines.

Last week, National Transportation Safety Board investigators announced that neither the flaps or the slats on the jetliner were extended. The flaps and slats generate the lift that allows an airplane to take off.

In addition, investigators say flight recorders recovered from the wreckage indicate the crew did not check the position of the slats and the flaps prior to takeoff.

However, another Northwest pilot who saw the plane take off said late last week he believes the flaps and slats were extended to the proper positions.

While investigators have indicated that suspected problems with the flaps and slats may have been sufficient to cause the crash, other factors that officials said may have contributed to the crash include:

- The fact that the plane was taking off in adverse weather conditions with the possible presence of wind shear. Wind shear is strong downdrafts that has been cited as the cause of several airline disasters, including the 1985 crash of a Delta Air Lines jetliner near Dallas that killed more than 130 people (BI, Aug. 12, 1985).

- The weight of the plane, which was fully loaded with passengers and Northwest employees.

- Last minute re-routing of the plane by air traffic controllers to a shorter runway because of shifts in the wind.

The Northwest MD-82 jetliner—a new version of the McDonnell Douglas Corp. DC-9 aircraft—lost altitude on takeoff, hit an Avis rental car facility and then crashed into a highway bridge immediately after takeoff from Detroit Metropolitan Airport, killing 145 passengers and nine Northwest employees, including six flight crew members and three employees riding on passes.

The Wayne County Sheriff's Office also has confirmed that the two passengers in vehicles that were struck by the plane's debris were killed and another was injured.

One passenger aboard the jetliner, a 4-year-old girl, survived the crash and is expected to recover fully from her injuries. However, her father, mother and brother were killed in the crash. ■

update

Four charged in MGA theft

Continued from page 2

Glover, 23, and Talmadge Glover, 27, both of Brooklyn.

Mr. Haughton substituted "payees of his choice" on premium refund checks and then he and the other defendants cashed several of the checks, the indictment alleges.

Shipbuilder faces bankruptcy

JERSEY CITY, N.J.—Todd Shipyards Corp. and a subsidiary, Todd Pacific Shipyards Corp., filed for bankruptcy last week, citing as a factor their inability to secure workers compensation coverage for 2,600 workers beyond Sept. 1.

Todd Shipyards said it will have to suspend all operations at its shipyard facilities on Sept. 1 if negotiations with its current insurer continue to be unsuccessful. A spokesman for the shipbuilder would not identify the insurer.

Todd has shipbuilding facilities in Galveston, Texas; San Pedro, Calif.; and Seattle.

States generally provide companies that cannot obtain workers compensation insurance in the open market with coverage through an assigned risk plan or other alternative.

When questioned about these alternatives, the spokesman said if there were any lag time between expiration of the company's current coverage and the start of coverage through the assigned risk plan, "we would be forced to shut down."

Travelers sues state auto pool

BOSTON—Travelers Corp. is suing the Massachusetts high-risk auto insurance pool, charging that the state assessed the insurer for more than its fair share of the pool's liabilities.

Travelers charges it was charged \$11.4 million more in 1984 and 1985 than it was responsible for as a pool member. The pool, which became effective in 1984, bases assessments on 1982 market share with adjustments for subsequent changes in market share.

The insurer's lawsuit seeks to eliminate the capping procedure and recover \$11.4 million.

As of July 1, Fireman's Fund Insurance Cos. units stopped writing new or renewal business in Massachusetts. Although the insurer did not cite automobile insurance rates specifically, most observers agree that the state's auto rates are too low and losses under its assigned risk auto plan are too large (BI, July 6).

Liberty Mutual continues fight

AUGUSTA, Maine—Liberty Mutual Insurance Co. will try to convince the Insurance Department this week that rates charged by the workers compensation assigned risk plan are inadequate.

Boston-based Liberty Mutual, which writes about 32% of both the assigned risk and voluntary market in Maine, wants to stop writing work comp business in the state because it lost about \$130 million on Maine work comp policies over the past six years, says Liberty Mutual attorney Tom Driscoll.

The Insurance Department has scheduled a hearing for Thursday at which the insurer will present its case. The department scheduled the hearing at the urging of a state court judge who earlier this month considered, but did not rule on, the department's request for a preliminary injunction to stop Liberty Mutual from withdrawing from the assigned risk plan.

Liberty Mutual plans to cancel policies written through the assigned risk plan on Sept. 23, according to letters the insurer sent to policyholders. It sent a similar notice to its voluntary market policyholders with a cancellation date of Sept. 22, Mr. Driscoll said.

Following that letter, Liberty refused to accept new assigned risk plan policyholders. However, it resumed writing new risks after the court hearing earlier this month.

Briefly noted

A memorial service for **Ambrose B. Kelly**, former chief legal officer of the Factory Mutual System, will be at noon Wednesday at Brown University in Providence, R.I. Mr. Kelly died of cancer on Aug. 7. . . . The Internal Revenue Service is investigating the tax-favored status it accorded a **General Motors Corp. pension plan** in 1986, because employees that GM transferred to Electronic Data Systems Corp. of Dallas were no longer eligible to accrue certain GM benefits. . . . **LTV Steel Co.** issued supplemental payments to nearly 10,000 retirees, following the denial by an appeals court of a government request for a stay of a new labor contract. The payments are retroactive to the date of termination, but a special hardship payment issued in April was deducted from the total payment. . . . **Union Carbide Corp.** has proposed depositing \$1.6 million with the Bhopal district court in response to its request for interim aid for the Bhopal disaster victims, according to a spokesman. . . . U.S. Bankruptcy Court Judge Charles E. Matheson rejected a motion filed by **Kaiser Steel Corp.**'s former chairman, Monty H. Rial, to liquidate the company under Chapter 7 of the Federal Bankruptcy Act rather than proceeding with reorganization under Chapter 11. Unions representing the company's workers are now fighting the company's application to terminate four pension plans as part of its bankruptcy petition (BI, Aug. 10). . . . Under a regulation that takes effect Sept. 4, insurance companies in New York will be prohibited from testing applicants for individual or group health coverage for antibodies to the virus believed to cause AIDS. . . . Appliance retailer **Polk Bros. Inc.**'s \$15.5 million property insurance claim for its Melrose Park, Ill., store/warehouse destroyed by fire is still under investigation by insurers (BI, June 8). Crum & Forster, the primary and top-layer excess insurer, would not comment on the settlement, but a spokesman for Transamerica Corp., which wrote the first excess layer, said: "We are waiting for the primary insurer to finish adjusting the claim."

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Insurer premium growth slows in second quarter

By MYRON M. PICOULT
Special to Business Insurance

WE RECENTLY RAN into an old friend who used to work in the property/casualty business. We know him as Otto Von Bungle. We soon found out that he now goes under the name of Dr. Otto Von Bungle.

"Old Bungle," as he was affectionately known to his close friends, was the chief underwriter of the now infamous Nearly Defunct Fire & Casualty Insurance Co. Nearly Defunct was an offshore insurance company that was formed just prior to the heydays of the last underwriting cycle. Old Bungle and his colleagues got carried away with their underwriting prowess, and Nearly Defunct soon became "Really Defunct."



Mr. Picoult

Although Otto had the opportunity to return to the business—onshore this time—he subsequently decided to return to his old alma mater in order to obtain a Doctorate in Phobiacology.

He felt that he had become so expert in the cyclical nature of the property/casualty industry that he could go into the consulting business and aid those who had, or might develop, "P/C Cycophobia." This is more commonly known as the fear of property/casualty underwriting cycles.

We had always been of the opinion that Otto had lost a few marbles somewhere along his career path. This latest adventure convinced us that we were right. Nonetheless, Old Bungle had a few interesting perspectives as we traded thoughts about the state of the current cycle.

"OB," as some called him, ranted and raved about how this cycle was likely to be different from the others and how managements were more attuned to the real world. His most interesting insight, however, was that perhaps it really isn't bad for companies to shrink in size if pricing and underwriting parameters turned South.

Myron M. Picoult is senior vp and senior insurance analyst with Oppenheimer & Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts.

In fact, OB even commented that "... perhaps it would be cheaper to send the underwriters out to the golf course every day rather than let them expose the firms' capital."

We are in full agreement with OB on that point. However, the environment need not even reach that state if more fellows in the executive suites would emphasize in direct, face-to-face communication to their underwriting staffs that they are not under pressure to write business. By not communicating effectively, some of the fellows in the underwriting trenches may be getting the wrong message.

The second-quarter results for the insurance industry showed a marked slowdown in premium growth and improvement in underwriting ratios, notwithstanding expense ratio creep.

The favorite analyst question directed toward insurance company officials today is, "How much of a volume drop are you willing to absorb and when will you begin to cut back on your staffs?"

As we have said in the past, smaller is not necessarily bad. Furthermore, dismantling a good intact underwriting and servicing team is not a particularly swift move. In the long run, it will be cheaper to declare golf holidays.

Our review of the second-quarter numbers showed the following:

- On average, net premiums written for the 21 companies we survey slowed to a 9.7% increase. We saw everything from an 8% decline at The Home Group Inc. of New York to a 26% increase at New York-based American International Group Inc. Earned premiums, still reflecting the benefits of earlier rate gains, rose 14.9%

- Net investment income expanded 10.9%, which was in line with the first-quarter figures.

This basically reflected some improvements in cash flow and a pick up in yields. Many companies are continuing to struggle with the implications of the Tax Reform Act of 1986 and the best way to maximize the tax effects of net operating losses.

- The combined ratio improved to 104.9% from 107.2%. All of the improvement was in

the loss ratio as the expense ratio actually rose 0.5%. This was the same pattern that prevailed in the first quarter.

Several underwriters posted combined ratios below par. They included: American General Corp., 99.7%; AIG, 99.3%; Chubb Corp. of Warren, N.J., 94.6%; and GEICO Corp. of Washington, D.C., 93.2%. The GEICO figure was the best among the companies surveyed while Fireman's Fund Insurance Cos. of Novato, Calif., was the worst at 114.4% by virtue of its reserve strengthening. Perhaps Fireman's Fund's experience suggests that some other players might not be as well off as they pretend to be.

- Looking at some statutory ratios, the premium-to-surplus ratio improved slightly to the 2.2-to-1 level, while the reserves-to-surplus ratio eased to about 2.6-to-1. It should be noted that this particular screen is not completely finished. Several companies are woefully slow in

providing statutory data. Loss reserves increased 18.8%, while paid claims, on average, rose 3.9%. One wonders whether managements are really being conservative in their reserve postures or if they are seeing some subtle developments that make them uneasy!

- As expected, property/casualty earnings were up strongly at 123.7%. It should be stressed that the 1986 figure was not all that healthy. Furthermore, it should also be noted that the "Fresh Start" adjustment had something to do with the gain. When looking at consolidated earnings, the gain for our group of companies was about 95%. When the "Fresh Start" adjustment is pulled out, the increase moderates to the 60% level.

The industry's underwriting results have clearly benefited from a remarkably low level of catastrophe losses. The early stages of the third quarter provide some hint that the tide may be reversing a little. A slowdown in premium growth and a pick-up in losses will squeeze cash flows. Effective justification of premium figures, both plus and minus, is becoming increasingly critical. Some companies are doing a relatively good job at explaining their volume figures. However, more than a few are skirting the issue. That has to change!

The second-quarter results showed a marked slowdown in premium growth and improvement in underwriting ratios, notwithstanding expense ratio creep.



Insurance industry stocks rode the crest of the bull market last week as the Business Insurance stock index rose 8.7 points to close at 521.5 points on Aug. 20, up from 512.8 points on Aug. 13. The stocks posting the biggest gains during the trading period were: Aneco Reinsurance Co. Ltd., up 29.3%; NAC Re Corp., up 13.1%; Transamerica Corp., up 10.9%; Northwestern National Life Insurance Co., up 8.2%; and USF&G Corp., up 7.9%. The stocks posting the biggest losses included: Scor U.S. Corp., down 10.0%; UNUM Corp., down 6.6%; Orion Capital Corp., down 6.3%; Durham Corp., down 4.6%; Washington National Corp., down 4.4%. The most active insurance stocks were Transamerica Corp., with 4.4 million shares trading; Sears, Roebuck & Co., 4.1 million shares; The St. Paul Cos. Inc., 3.6 million shares; USF&G Corp., 2.9 million shares; and ITT Corp., 2.6 million shares. The BI index rose 1.7%, more than the major market averages. The Dow Jones 30 Industrials rose 0.6%, while the Standard & Poor's 500 index rose only 0.1% and the New York Stock Exchange composite did not change.

British Issues

Aug. 18 Companies	Price	P/E	Div. %	Yield %	1 Week High-Low	
					price	price
Comml Union	361	12.4	17.8	4.9	366-360	
Genl Accident	965	10.5	38.3	4.0	1012-973	
Gdn Royal Exch	993	12.4	46.5	4.7	1025-993	
Royal	487	8.3	21.2	4.4	519-487	
Sun Alliance	973	11.2	32.2	3.3	1025-973	

Brokers	Price	P/E	Div. %	Yield %	1 Week High-Low	
					price	price
CE Heath	510	15.2	34.5	6.7	520-510	
Hogg Robinson	233	12.9	15.7	4.1	235-225	
JH Minet	397	13.0	12.9	3.3	408-397	
Sedg Grp	314	14.7	16.4	5.2	327-314	
Stew Wrightson	578	17.3	17.8	3.1	603-578	
Willis Faber	384	13.5	14.8	3.8	405-384	

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

Aug. 20, 1987 8/14/87 thru 8/20/87

BROKERS	Company	NYSE	Weekly		Year to Date		Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
			Price	% change	% change	High	Low							
Alexander & Alexander Svcs	NYSE	26.25	1.4	-0.9	32.00	22.38	519	1.00	3.8	23.2	2.62	10.02		
Baldwin & Lyons Inc.	OTC	17.50	-2.8	-20.5	27.00	17.25	9	0.20	1.1	7.0	16.40	1.07		
Corroon & Black Corp.	NYSE	31.50	-0.8	-3.5	37.25	26.63	281	0.84	2.7	14.7	5.39	5.84		
Gallagher Arthur J & Co.	OTC	20.75	-1.2	-21.0	31.00	19.00	20	0.40	1.9	15.6	4.81	4.31		
Hall Frank B. & Co.	NYSE	11.00	-3.3	-24.1	19.00	8.75	82	0.00	0.0	15.6	0.00	N/A		
Marsh & McLennan Cos. Inc.	NYSE	71.00	1.8	16.9	72.00	56.00	1177	2.40	3.4	18.4	5.15	13.79		
Poe & Assoc Inc.	OTC	11.75	0.0	-2.1	13.25	11.75	0	0.00	0.0	18.4	0.00	N/A		
BROKERS AVERAGE			-0.7	-7.9					1.8	15.7				
CONGLOMERATES & HOLDING COMPANIES														
Berkley W.R. Corp.	OTC	29.00	2.7	10.5	37.00	24.25	783	0.28	1.0	8.2	14.08	2.06		
Berkshire Hathaway Inc.	OTC	4077.00	0.9	44.6	4200.00	2510.00	152	0.00	0.0	28.1	62.53	4.24		
CIGNA Corp.	NYSE	69.13	0.6	25.7	69.38	55.00	898	2.80	4.1	8.9	37.79	1.83		
CNA Fin'l Corp.	NYSE	60.38	0.2	12.3	64.38	47.25	145	0.00	0.0	12.2	36.16	1.67		
General Re Corp.	NYSE	56.00	-2.7	4.5	68.88	47.63	1600	1.00	1.7	15.6	23.47	2.47		
ITT (Hartford Group)	NYSE	64.75	-2.1	21.3	66.38	50.00	2643	1.00	1.5	14.1	44.08	1.47		
Sears Roebuck & Co. (Allstate)	NYSE	58.13	-1.1	46.2	59.50	39.88	4140	2.00	3.4	14.1	32.94	1.76		
Transamerica Corp.	NYSE	49.75	10.9	52.5	48.63	31.50	4396	1.76	3.5	10.1	26.94	1.85		
CONGLOMERATES AVERAGE			1.2	27.2					1.9	13.9				
INSURERS														
Aetna Life & Cas Co.	NYSE	63.63	3.5	12.4	68.13	55.75	2343	2.76	4.3	9.0	44.75	1.42		
American General Corp.	NYSE	40.50	-1.5	9.8	44.75	34.88	1232	1.25	3.1	10.8	27.13	1.49		
Amer Heritage Life Inv.	NYSE	31.75	0.8	23.7	34.00	25.75	34	0.96	3.0	15.6	20.37	1.58		
Amer Indty Fin'l Corp.	OTC	14.00	2.7	-22.2	19.00	12.75	18	0.56	4.0	15.6	20.40	0.69		
American Int'l Group Inc.	NYSE	79.50	1.4	30.1	82.00	60.00	2163	0.25	0.3	15.8	0.00	N/A		
Aneco Reins Lid.	OTC	3.88	29.3	82.2	4.38	2.13	121	0.00	0.0	15.8	2.27	1.71		
AON Corp.	NYSE	29.38	3.5	11.4	29.88	23.25	505	1.20	4.1	10.2	6.94	4.23		
Argonaut Group	OTC	50.88	0.8	142.3	52.13	21.00	76	0.00	0.0	15.7	14.60	3.48		
AVEMCO Corp.	NYSE	24.00	2.1	-8.6	25.25	13.25	34	0.28	1.2	15.1	0.00	N/A		
Business Mens Assur Co.	OTC	42.50	6.3	64.2	48.25	25.25	258	1.10	2.6	15.1	39.52	1.08		
Chubb Corp.	NYSE	68.75	1.9	16.0	73.50	53.75	806	1.68	2.4	9.7	1.54	44.84		
Continental Corp.	NYSE	49.88	4.5	11.5	54.88	40.38	1022	2.60	5.2	9.9	41.62	1.20		
Durham Corp.	OTC	31.00	-4.6	12.0	34.00	27.38	13	0.92	3.0	20.3	39.22	0.79		
Farmers Group Inc.	OTC	50.50	1.0	30.3	51.00	38.75	1274	1.20	2.4	15.3	19.95	2.53		
Firemans Fund Corp.	NYSE	39.50	-1.0	12.4	42.75	33.50	660	0.40	1.0	15.3	23.55	1.68		
Fremont Gen Corp.	OTC	20.50	14.75	17.2	20.50	14.75	172	0.60	3.3	15.3	0.00	N/A		
Home Group Inc.	NYSE	19.38	4.8	-7.7	24.88	17.50	652	0.20	1.0	4.2	16.36	1.18		
Hanover Ins Co.	OTC	35.50	0.0	11.8	37.25	29.50	189	0.36	1.0	8.1	20.22	1.76		
Hartford Steam Boiler	OTC	31.50	-2.3	33.6	36.63	23.50	103	1.00	3.2	13.0	10.17	3.10		
Kansas City Life	OTC	30.50	2.5	18.4	31.00	25.75	0	0.00	0.0	13.0	0.00	N/A		
Kemper Corp.	OTC	34.50	3.0	38.0	38.75	25.00	1062	0.60	1.7	11.0	23.48	1.47		
Liberty Corp.S.C.	NYSE	50.00	6.4	36.1	50.75	36.50	44	0.80	1.6	19.4	19.96	2.51		
Lincoln Nat'l Corp.	NYSE	60.00	5.0	29.4	59.63	44.38	332	2.16	3.6	12.0	44.85	1.34		
NAC Re Corp.	OTC	28.00	13.1	6.7	32.25	22.50	116	0.00	0.0	35.9	18.12	1.55		
Nobel Ins Ltd.	OTC	13.75	-3.5	-15.4	18.50	10.75	24	0.00	0.0	35.9	0.00	N/A		
Northwestern Nat'l Life	OTC	29.63	8.2	-4.4	32.38	24.00	672	0.96	3.2	8.3	33.26	0.89		
Ohio Cas Corp.	OTC	46.00	1.1	19.1	49.25	38.50	290	1.68	3.7	11.2	26.80	1.72		
Old Rep Int'l Corp.	OTC	32.50	0.0	18.7	33.63	23.63	146	0.80	2.5	9.8	21.79	1.49		
Orion Cap Corp.	NYSE	22.25	-6.3	-18.0	31.00	20.00	117	0.76	3.4	9.8	9.39	2.37		
Protective Corp.	OTC	16.00	6.7	-11.1	21.25	12.38	624	0.70	4.4	13.8	16.51	0.97		
Provident Life & Acc Ins Co.	OTC	23.13	1.7	-6.1	28.75	19.13	420	0.84	3.6	18.1	27.00	0.86		
St. Paul Cos. Inc.	OTC	52.75	-0.5	31.1	55.00	40.25	3652	1.76	3.3	9.8	29.89	1.76		
SAFECO Corp.	OTC	32.00	4.9	-40.2	32.50	24.38	1976	0.96	3.0	11.1	39.36	0.81		
SCOR US Corp.	OTC	13.50	-10.0	17.4	16.25	11.00	142	0.00	0.0	12.4	8.08	1.67		
Seibels Bruce Group Inc.	OTC	16.00	0.0	8.5	19.00	14.25	266	0.80	5.0	10.6	11.88	1.35		
Selective Ins Group Inc.	OTC	26.50	-0.9	21.8	27.50	21.00	67	1.08	4.1	8.4	16.02	1.65		
Statesman Group Inc.	OTC	6.88	3.8	44.8	7.06	3.88	293	0.05	0.7	8.4	5.71	1.20		
Tokio Marine & Fire Ins	OTC	77.75	4.2	39.1	103.38	63.88	38	0.19	0.2	65.9	0.00	N/A		
Torchmark Corp.	NYSE	34.00	-1.1	30.8	36.75	23.75	918	1.20	3.5	12.2	13.01	2.61		
Travelers Corp.	NYSE	48.13	-1.3	7.8	52.63	41.50	961	2.28	4.7	9.9	45.00	1.07		
Trenwick Group Inc.	OTC	14.00	-3.7	-15.2	19.13	11.50	58	0.00	0.0	17.3	13.44	1.04		
United Fire & Cas Co.	OTC	31.00	0.8	-6.1	33.00	26.50	34	0.96	3.1	9.1	18.32	1.69		
United States Fid & Gty	NYSE	44.38	7.9	11.6	48.75	37.00	2863	2.48	5.6	9.5	20.19	2.20		
UNUM Corp.	NYSE	24.88	-6.6	-7.4	31.38	20.38	389	0.40	1.6	9.5	26.61	0.93		
USLIFE Corp.	NYSE	43.50	3.0	0.0	47.63	34.75	210	1.12	2.6	11.1	43.09	1.01		
Washington Nat'l Corp.	NYSE	32.38	-4.4	1.2	34.88	23.25	38	1.08	3.3	18.9	32.80	0.99		
Zenith Nat'l Ins Corp.	OTC	22.75	0.0	-14.2	26.25	18.75	0	0.80	3.5	12.3	11.19	2.03		
INSURERS AVERAGE		</												

"Help build your property business? Well, perhaps if I knew your market, maybe we could, uh..."



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