AUGUST 28, 1989

Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives / $1.75 a copy; $70 a year

© Entire contents copyright 1989 by Crain Communications Inc. All rights reserved

Update

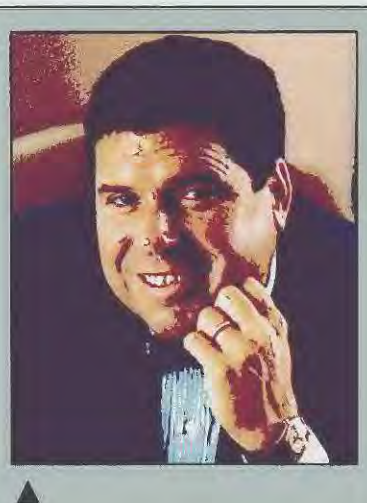
United Airlines' insurers reserve $250 million for liability losses

LONDON—Underwriters for United Airlines Inc. are reserving $250 million for liability losses stemming from last month's crash of a DC-10 in Sioux City, Iowa.

London underwriters said they were notified of the size of the liability reserve by Associated Aviation Underwriters in Short Hills, N.J., the lead underwriter on the U.S. portion of United Airlines' liability coverage.

United Airlines, a subsidiary of Elk

Continued on next page



Saul P. Steinberg
Reliance Group Holdings Inc.
$4.5 million



Marshall Manley
AmBase Corp.
$1.8 million



Robert D. Kilpatrick
CIGNA Corp.
$1.59 million

CEO compensation

Pay rises while insurers' profits decline

By MONIQUE PARSONS

Compensation paid to the chief executive officers of major commercial insurance and reinsurance companies continued to rise in 1988. even though the companies' profits started to fall.

The average cash compensation—salaries and cash bonuses—received by 30 major insurance and reinsurance CEOs increased 11.3% last year to $931,266 from an average of $836,705 in 1987, according to a *Business Insurance* study of the companies' proxy statements.

At the same time, the 30 companies reported a 12.1% decline in net income.

Compensation consultants point out that corporate directors often consider other, more complex factors, than net income when determining executive salaries and bonuses.

"In compensation, there's a lot more going on than meets the eye," said David C. Cates, a consultant with Lincolnshire, Ill.-based Hewitt Associates' executive compensation division.

For instance, many insurance and reinsurance companies have continued to increase executive compensation to keep pace with competitive salaries offered by other industries, consultants say.

"In a simple world, you would hope that a change

Continued on page 67

Captive owners plan to profit from tax ruling

By STACY ADLER

Some companies are considering restructuring their risk financing programs to take immediate advantage of a July court ruling that in essence allows corporations to deduct most of the premiums paid to their captive insurers.

Other companies, whose risk financing programs already meet standards outlined in the decision, plan to seek deductions for premiums already paid to captives.

But, risk managers, consultants and attorneys report that other companies are holding off on any action to see whether the ruling stands.

The 6th U.S. Circuit Court of Appeals on July 27 ruled that while parent corporations cannot deduct premiums they pay directly to their wholly owned insurance companies, their subsidiaries are entitled to such tax deductions (*BI*, Aug. 7).

In a case fought by the Humana Inc. hospital chain for nine years, the court found that the economic relationship between parent corporations and their captives bars tax deductions for premiums paid by the parent to a captive, but the relationship between sister corporations and captives does not bar such deductions.

While the decision is binding only on those taxpayers in the 6th Circuit—which is composed of Kentucky, Michigan, Ohio and Tennessee—companies in other states can cite the decision when battling with the Internal Revenue Service over tax deductions for premiums paid to captives.

As a result of the Humana ruling, companies that allocate captive premiums to their subsidiaries and meet other conditions outlined in the decision may be eligible to deduct those premiums.

For example, the captive must be owned by the parent company, not by subsidiaries. In addition, the captive must be adequately capitalized and there cannot be an indemnification agreement between the subsidiaries and the captive.

And, some companies already are considering allocating captive premiums and making other changes to their risk financing programs so that they meet the standard set down by the Humana decision.

Finally, observers say the Humana decision could cause some companies to set up captives, though they do not expect companies to form captives solely to take advantage of the ruling.

"The general reaction is one of enthusiasm and great interest," said Paul Van Zuiden, a consultant with The Wyatt Co. in Chicago.

The most immediate effect of the Humana decision may be new attempts by companies to deduct premiums already paid by subsidiaries to captives, according to consultants and attorneys.

"Companies in the 6th Circuit will certainly file amended tax re-

Continued on page 65

Dupont plaintiffs oppose defense pact

By LINDA J. COLLINS

SAN JUAN, Puerto Rico—Plaintiffs in the Dupont Plaza hotel fire litigation are seeking to void an agreement among 39 defendants to share the cost of any judgments or settlements up to $53 million, as well as some defense costs.

The Joint Defense and Judgment/Settlement Sharing Agreement, which was executed in June, also precludes its participants from presenting evidence or acting as witnesses supporting or opposing other parties to the agreement, as well as from filing any third-party claims against other members of the group.

Information concerning the secret defense agreement, which was sealed by the court on Aug. 5, was released Aug. 11 by San Juan U.S. District Judge Raymond L. Acosta, who is presiding over the litigation (*BI*, Aug. 21).

If the judge does not void the agreement, plaintiffs want permission to present the agreement as evidence to the jury in the trial.

Parties to the agreement represent nearly half of the 79 defendants currently standing trial to determine the liability of companies that supplied products or services to the hotel.

Settlements with other defendants so far have totaled more than $150 million, according to sources close to the litigation.

At least 20 other defendants that supplied products and services to the hotel settled with plaintiffs earlier this summer for nearly $9 million to escape mounting defense costs (*BI*, July 17).

In addition, corporate and individual owners, operators and alleged affiliates of the Dupont Plaza hotel; the hotel's insurers, units of American International Group Inc.; and former hotel owner Sheraton Corp. reached settlements in May totaling more than $140 million (*BI*, May 22; May 15).

The Dupont Plaza litigation stems from the 1986 New Year's Eve fire at the San Juan hotel that killed 97 people and injured more than 100 others (*BI*, Jan. 19, 1987; Jan. 12, 1987; Jan. 5, 1987).

The Plaintiffs Steering Committee, which

Continued on page 69

Munich Re holds big lead as world's largest reinsurer
Page 3



Lloyd's develops modern strategies while retaining 301 years of tradition
Page 3

NEWSPAPER

Update

Iowa crash reserve $250 million

Continued from previous page

Grove, Ill.-based UAL Inc., has $850 million in liability insurance, about 42% of which is placed in the London market (*BI*, July 24).

However, the insurers for the DC-10's manufacturer, McDonnell Douglas Corp., or for engine manufacturer General Electric also may pay claims stemming from the crash. All three are named as defendants in suits filed earlier this month (*BI*, Aug. 21).

The July 19 crash of Flight 232 at Sioux Gateway Airport killed 111 of 293 people aboard.

More Prop. 103 refunds due

SAN FRANCISCO—Forty more property/casualty insurers that would have to refund $510 million in premiums under Proposition 103 will have to defend their requests for exemptions from the premium rollback law in public hearings.

Six of those insurers will be among the first group of 13 insurers to defend their requests for exemptions. Those six insurers, which would have to refund $110 million, are Fireman's Fund Insurance Co.; CalFarm Insurance Co.; United Pacific Insurance Co.; United States Fidelity & Guaranty Co.; Government Employees Insurance Co.; and Century-National Insurance Co.

The Insurance Department previously had notified seven other insurers that they would have to defend requests for exemptions in public hearings. These seven insurers could owe rollbacks totaling $305 million, the department says (*BI*, Aug. 7). Public hearings for the 13 insurers will be completed before Nov. 8.

In addition, at the request of California Attorney General John Van de Kamp, requests for exemptions filed by 219 more insurance companies that the department had not planned to challenge will be reviewed. Those reviews have been placed on "a slower track" that could take as long as 10 years, said Insurance Commissioner Roxani Gillespie.

Proposition 103, passed by California voters in November, rolled back "charges" for most property/casualty insurance lines to 20% below November 1987 levels. But, the state Supreme Court ruled insurers could escape the rollbacks if the cuts denied a company "a fair rate of return" (*BI*, May 15; Nov. 14, 1988).

The Insurance Department is challenging requests for exemptions from Proposition 103 rollbacks when the insurer's rate of return on equity exceeds 11.2%.

W.Va. attorney general resigns

CHARLESTON, W.Va.—West Virginia Attorney General Charles G. Brown, one of 19 state attorneys general pursuing federal antitrust litigation against the insurance industry, resigned last week.

Mr. Brown also has been an outspoken proponent of repealing the McCarran-Ferguson Act, which gives the insurance industry limited antitrust immunity (*BI*, Nov. 15).

The resignation was part of an agreement to drop a grand jury probe into whether Mr. Brown gave false testimony during a child custody hearing, said Kanawha County Prosecutor Bill Forbes.

A spokeswoman for the attorney general's office said a replacement has not yet been named.

Con Edison covered for blast

NEW YORK—Consolidated Edison Corp. likely has at least $235 million in excess liability insurance and $500 million in property insurance to cover damage stemming from an underground steam pipe explosion in New York City that killed three people, a spokesman for the state's utility regulatory authority said.

Con Ed officials would not provide the details of the coverage because liability for the Aug. 19 blast has not been determined.

However, a spokesman for the New York State Public Services Commission said its April 1988 audit showed that Con Ed's $235 million in liability coverage was written by: Associated Electric & Gas Insurance Services Ltd., a New Jersey-based captive owned by utilities; Bermuda-based X.L. Insurance Co. Ltd.; and Bermuda-based A.C.E. Insurance Ltd. All three insurers still are on the account, *Business Insurance* confirmed.

A resident of a high-rise apartment building and two Con Ed employees were killed when a 24-inch steam pipe exploded, spewing debris throughout a two-square-block area in Manhattan. Twenty-four others were injured.

In addition, two apartment complexes and cars in the area were extensively damaged. City property—like traffic lights, parking meters and streets—also was damaged.

Damage "is very hard to estimate, but it is in the millions of dollars," said New York City Deputy Mayor Robert Esnard.

Con Ed's $500 million in property insurance was underwritten by Industrial Risk Insurers of Hartford, Conn., according to the audit.

Con Edison, which supplies electricity and steam power, is investigating the possibility that a leak in a city-owned water main adjacent to the steam main that ruptured could have triggered the explosion, a Con Ed spokeswoman said.

Continued on page 69

Errors and omissions

• A chart in the Aug. 21 issue depicting brokers' results should have listed Frank B. Hall & Co. Inc.'s first-half gross revenues as $193,119,000. The number was correctly reported in the accompanying story.

• The July 24 RMIS Commentary column incorrectly listed Gallagher Bassett Services Inc. as a vendor that only offered its claims administration system on a "bundled" basis. Gallagher Bassett has three clients using its system on an unbundled basis.

• An incomplete list of insurers for which Langan & Associates Inc. serves as a wholesale broker appeared in the Aug. 14 issue. A complete list appears on page 70.

Thames disaster claims may exceed insurance

By CAROLYN ALDRED

LONDON—Both the owners of a pleasure boat and a dredger that collided in the Thames River last week have liability insurance to cover losses from the disaster in which as many as 57 people drowned.

However, the pleasure boat's coverage may not be sufficient to cover its maximum liability.

Total compensation to injured victims and the families of those killed in the incident likely will be limited to a maximum of about 6.6 million pounds ($10.4 million)—5.7 million pounds ($9 million) for the pleasure boat owner and 653,000 pounds ($1 million) for the owner of the dredger—under an international maritime convention incorporated into British marine law, according to London maritime lawyers.

The Marchioness, a 90-ton riverboat, sank minutes after it was rammed by a 1,475-ton dredger, the Bowbelle, while both were passing under the middle arches of Southwark Bridge in London just before 2 a.m. on Aug. 20.

The Marchioness, which has a bar and a discotheque and is licensed to carry 149 passengers, had been hired for a London financier's 26th birthday party.

At least 79 partygoers survived the accident, but as many as 57 people last week drowned, a London police spokeswoman said.

The Marchioness is one of several Thames pleasure boats owned by London-based Tidal Cruises Ltd., and all are covered under a joint hull and liability insurance policy led by London-based Commercial Union Assurance Co. Ltd.

A Commercial Union spokesman refused to disclose policy limits. However, sources say the Marchioness has an insured hull value of about 95,000 pounds ($149,000), while the policy provides liability coverage limits of 5 million pounds ($7.8 million) per incident, which is less than its owner's maximum liability.

Commercial Union also writes Tidal Cruises' employers liability insurance, said the Commercial Union spokesman, who refused to comment on that coverage.

The Marchioness' skipper is presumed drowned, but two other crew members survived the accident.

Tidal Cruises' insurance was placed by Knighthood Assurance Consultants (Southern) Ltd., an intermediary based in East Grinstead, England.

Knighthood acts as a broker for more than 70 companies and 250 vessels operating on the River Thames, said Director Colin Westcott.

Mr. Westcott refused to comment on Tidal Cruises' coverage, but he confirmed that it was similar to other policies offered to members of the Thames Passenger Services Federation, of which Tidal Cruises is a member.

Tidal Cruises officials could not be reached for comment on the company's insurance program.

The Bowbelle, the dredger that struck the Marchioness, has unlim-

Continued on page 63

Latest pacts in phone strike include PPOs

By MICHAEL SCHACHNER

Two more regional telephone companies will require union employees to use preferred provider networks to preserve broad health care coverage rather than shift costs to the workers under tentative agreements.

The three-year agreements that Pacific Telesis Group reached with 42,400 workers and that Pennsylvania Bell, a unit of Philadelphia-based Bell Atlantic Corp., reached with 1,900 workers on Aug. 20 closely parallel agreements that other so-called Baby Bell companies already have reached with 202,000 unionized workers. In fact, the Pennsylvania Bell agreement is nearly identical to the contract Bell Atlantic signed Aug. 17 with 41,000 striking workers (*BI*, Aug. 21; Aug. 14).

In addition, the most recent agreement also includes benefit improvements and wage increases, as have agreements reached by the other telephone companies with their unionized employees.

The settlements reduce the number of telephone workers who are still on strike to 104,100 at three regional telephone companies.

About 9,100 unionized employees of Bell Atlantic subsidiary New Jersey Bell, nearly 35,000 employees of Chicago-based Ameritech and 60,000 employees of White Plains, N.Y.-based

Continued on page 71

Constellation liquidation by commutation in jeopardy

By JUDY GREENWALD

NEW YORK—Creditors opposing the New York Insurance Department's novel plan to speed up Constellation Reinsurance Co.'s liquidation by commuting all of its reinsurance contracts are winning some support from a state judge.

At a settlement conference last Thursday attended by department representatives and Constellation Re creditors, New York Supreme Court Justice Walter M. Schachman suggested that creditors seek a court hearing to force the department to show why it is not considering other liquidation proposals.

Judge Schachman asked Great American Reinsurance Co., Constellation Re's largest creditor and retrocessionaire, as well as other creditors to submit papers by Wednesday seeking a show cause hearing.

Judge Schachman earlier this month had refused to approve the liquidation plan submitted by the department's Liquidation Bureau because the department has not performed an audit of Constellation Re. The results of such an audit would be necessary to verify the department's liquidation plan is viable, he ruled.

He also blasted the bureau for not engaging in settlement discussions with creditors.

The bureau's two-step liquidation plan calls for it to

Continued on page 70

Inside

- Many of the world's largest reinsurance companies are poised to become the dominant providers of not only reinsurance but also of risk financing and risk management services provided to buyers of corporate insurance in the 21st century. **PAGE 8**
- Solving the property/casualty insurance industry's problems starts with quality underwriting, says Michelle Spingler of AIG Risk Management (Illinois) Inc. in Speaking Out. **PAGE 39**
- Insurer insolvencies can be blamed on fraud, uncollectible reinsurance, bad business judgment and inadequate regulation, a new report by the Congressional Research Service says. **PAGE 61**
- Concern over escalating health care costs is one of the major reasons the vast majority of employers do not currently offer long-term care insurance plans to their employees, a new study by the International Foundation of Employee Benefit Plans shows. **PAGE 62**

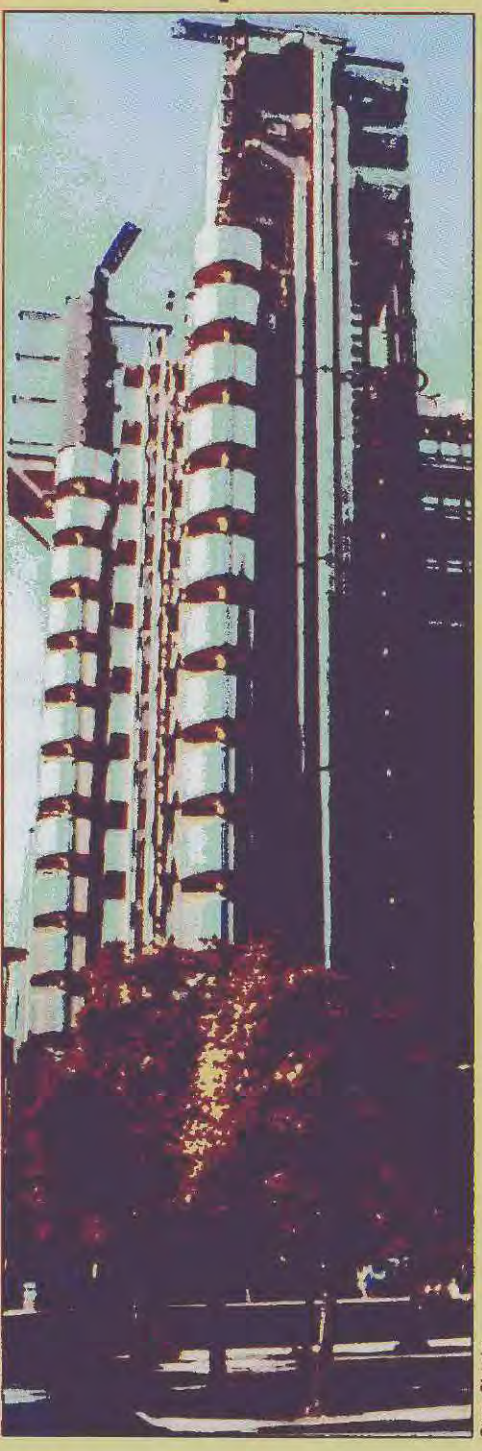
Departments

Advertiser index	50
A.R.M. exercises	40
Classifieds	66
Comings & goings: buyers	62
Comings & goings: industry	60
Datebook	64
Insurance services guide	70
Legal briefs	40
Letters	8
Markets	68
Opinions	8
Speaking out	39
Ticker	71
Washington	61

Vol.23, No.35—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 800-992-9970 or 313-446-1611. Copyright 1989 by Crain Communications Inc.

Lloyd's of London

Competition forces market to improve efficiency



Stacy Shapiro

By STACY SHAPIRO

LONDON—The winds of change are blowing across Lloyd's of London as the 301-year-old insurance and reinsurance market ponders its future.

The Council of Lloyd's and its scores of committees are considering ways to make the market leaner, more efficient, more profitable and more attractive to policyholders and Lloyd's members.

The catalyst for many of these changes is the electronic London Insurance Market Network or LIMNET, a computer system that will push the way business at Lloyd's is transacted into the 21st century, Lloyd's executives say.

Business representing about 80% of Lloyd's total premium volume will be on line with the network by year-end, with the remainder automated by the end of 1990, said a Lloyd's spokesman (see story, page 47).

Spurred in part by Lloyd's entry into the Computer Age, the Council of Lloyd's now is examining ways to:

- Reduce the cost of regulation and close the more than 115 open syndicate accounts—including that of Lloyd's underwriter Richard Outhwaite—to make membership more attractive to names.

For instance, the council earlier this month agreed to consider proposals from the Lloyd's Underwriting Agents Assn. that would encourage managing agents to close their syndicates' accounts.

- Increase the amount of personal lines and small commercial property/casualty insurance written at Lloyd's by allowing underwriters to deal directly with policyholders and/or non-Lloyd's retail brokers.
- Streamline the Corporation of Lloyd's, which provides support services to the market, as well as streamline market documentation and market procedures.

However, not everyone at Lloyd's agrees with the methods the council is considering to push Lloyd's into the 21st century.

For example, many Lloyd's brokers are opposed to "direct dealing" by underwriters because the brokers maintain they provide invaluable services to the market and to policyholders (see story, page 17).

Regardless of the outcome of the debates and discussions, "it's a fascinating time," noted Lloyd's Chairman Murray Lawrence.

"The old problems of Lloyd's—regulation and disciplinary matters—are behind us, and we can turn to developing the business," added Alan Lord, Lloyd's deputy chairman and chief executive.

In the last year, the Council of Lloyd's completed the market's long-standing focus on internal regulation by implementing nearly all of the recommendations made by a government panel headed by Sir Patrick Neill that had studied Lloyd's self-regulatory system, said Mr. Lord. (*BI*, Jan. 26, 1987).

"That means that we have effectively completed Neill," he said.

The one recommendation that Lloyd's has not acted on involves a statute of limitation for a criminal offense, which must first be addressed by Parliament.

In addition, Lloyd's completed the last of its "big" disciplinary cases when it expelled two executives and suspended two executives of former underwriting agency Bellew Parry & Raven (Holdings) Ltd., said Mr. Lord (*BI*, July 3; Dec. 12, 1988).

The council also rejected one of the biggest changes ever suggested in the market: to abolish unlimited liability for members.

Since Edward Lloyd established his coffeehouse in 1688, members have been unlimitedly liable—down to their proverbial last shirt buttons—for underwriting losses.

But, "the council looked at the question of limited liability at the end of the year and. . .at all the alternatives to it and came to the conclusion largely on commercial grounds that unlimited liability was the world's best selling proposition, and it did not see any case for changing it," said Mr. Lord.

"And that's still the policy. And there are still people out there who are saying. . . that liability ought to be limited. Well, that's not

Continued on page 4

Lloyd's volume shifts toward reinsurance

By STACY SHAPIRO

LONDON—Reinsurance is a growing part of Lloyd's of London's business, even though the market is making concerted efforts to increase the amount of direct personal lines and small commercial accounts it writes.

Reinsurance comprised 58.1% of Lloyd's net premium volume in 1988, up from 56.5% in 1987, according to information from Lloyd's Policy Signing Office.

Specifically, excess-of-loss reinsurance comprised 35.6% of Lloyd's 1988 net premium volume, up from 33% in 1987; facultative reinsurance comprised 12.4% of premium in 1988, down from 13.4% in 1987; and treaty reinsurance comprised 10.1% of premiums in both 1988 and 1987.

In addition, there has been a surge in reinsurance transactions during the first six months of this year, according to the LPSO. The number of reinsurance transactions that have passed through the LPSO in the first half of 1989 increased by 15.3% over the same period last year. At the same time, however, direct insurance transactions during the period declined 8% from last year.

Lloyd's has not yet released its estimated overall net premium volume for 1988, so it is impossible to calculate how much reinsurance volume was written by Lloyd's syndicates last year.

In 1987, Lloyd's wrote at least 1.75 billion pounds ($3.3 billion at year-end 1987 exchange rates) in net reinsurance premiums, based on the market's overall net premium volume of 3.1 billion ($5.8 billion). That would make Lloyd's the third-largest reinsurance market in the world, behind Munich Reinsurance Co. and Swiss Re Group (see story, page 3).

Overall, Lloyd's total net premium volume—including both direct and reinsurance business—fell about 14% in 1987 to an estimated 3.1 billion pounds ($5.8 million) from 3.6 billion pounds ($6.5 billion) in 1986.

The Lloyd's premium volume figures exclude reinsurance premiums paid by syndicates to close their accounts.

Meanwhile, Lloyd's is expected next

Continued on page 10

Munich Re leads list of largest reinsurers

Munich Reinsurance Co. holds a comfortable lead as the largest reinsurer in the world, with its closest competitor, Swiss Re Group, trailing by more than $1 billion.

The Munich, West Germany-based reinsurer wrote net reinsurance premiums of $5.7 billion in 1987, the most recent year for which financial statements are available.

Zurich, Switzerland-based Swiss Re Group wrote $4.5 billion in net reinsurance premiums in 1987, commanding a firm second place in the first annual *Business Insurance* ranking of the world's 20 largest reinsurance companies.

Swiss Re wrote nearly $3 billion more in net reinsurance premiums than the next largest reinsurer, U.S.-based General Reinsurance Co., which reports net reinsurance premiums written of $1.6 billion in 1988.

And, together, Munich Re and Swiss Re wrote more than a third of the $27 billion in net reinsurance premiums written by all 20 of the largest reinsurers.

However, if Lloyd's of London were ranked among the largest reinsurance companies, it would rank third with an estimated $3.3 billion in net reinsurance premiums written in 1987.

Four other reinsurers among the 20 largest worldwide wrote more than $1 billion in net reinsurance premiums written, according to their most current financial statements (see chart).

While the 20 largest reinsurers worldwide hail from eight different countries, the United States and West Germany dominate the global reinsurance marketplace as home to 11 of the 20 largest reinsurers generating $15.1 billion, or 56% of the volume of all 20. Six of the 20 largest reinsurers are based in the United States and five are based in West Germany.

Three of the 20 largest reinsurers are based in Japan and two are based in France.

Switzerland, Sweden, the United Kingdom and Italy each claim one of the 20 largest reinsurers.

The 20 largest reinsurers are ranked based on the most currently available reports of their consolidated worldwide net reinsurance premiums written, when available, including both property/casualty reinsurance and life/health reinsurance. The reinsurers responded to a *Business Insurance* questionnaire.

For more detailed financial information on these reinsurers, their comments on the outlook for the reinsurance marketplace and an explanation of how the reinsurers were ranked, turn to pages 55-57.

In addition, the first annual *Business Insurance* directory of leading reinsurers around the world appears in this issue. Information on reinsurers writing more than $300 million in net reinsurance premiums, including their home office addresses and financial and management information, is included in the directory, which begins on page 57.

World's largest reinsurers

Ranked by net reinsurance premiums written. All amounts in thousands of dollars.

Reinsurers	Net reinsurance premiums written
Munich Reinsurance Co. (W. Germany)	$5,706,773
Swiss Re Group (Switzerland)	4,541,244
General Reinsurance Co. (U.S.)	1,626,645
The Yasuda Fire & Marine Insurance Co. Ltd. (Japan)	1,576,881
Employers Reinsurance Corp. (U.S.)	1,312,390
Skandia International Insurance Corp. (Sweden)	1,239,000
Cologne Reinsurance Co. (W. Germany)	1,147,094
American Re-Insurance Co. (U.S.)	976,399
Mercantile & General Reinsurance Co. P.L.C. (U.K.)	971,484
Gerling-Konzern Globale Reinsurance Group (W. Germany)	917,609
Tokio Marine & Fire Insurance Co. Ltd. (Japan)	852,071
Societe Commerciale de Reassurance (France)	760,060
Continental Reinsurance Group (U.S.)	759,194
Frankona Reinsurance Co. (W. Germany)	750,300
Assicurazioni Generali S.p.A. (Italy)	742,600
Hannover Reinsurance Co. (W. Germany)	736,710
UAP Reassurances (France)	625,238
The Toa Fire & Marine Reinsurance Co. Ltd. (Japan)	601,091
F&G Re Inc. (U.S.)	601,020
Prudential Reinsurance Co. (U.S.)	569,000
TOTALS	$27,012,803

Source: BI survey

Lloyd's changes

Continued from page 3

the council's policy, and I don't see them changing it. I don't think the council will come back to that question for some time."

Despite the council's rejection of limited liability for members, the issue is not totally dead.

"We would like to see limited liability," said David Craig, managing director and chief executive of Lloyd's underwriting agency Stewart Underwriting P.L.C.

"We want rich people as members of Lloyd's who are prepared to write large lines, and it would be easier to attract them if the market had limited liability," Mr. Craig said. "I'm sure the topic will come up again."

Lloyd's now is turning its attention to making the market more attractive to members and to policyholders alike, according to Messrs. Lord and Lawrence.

Committees appointed by the Lloyd's Council, for example, are looking at ways to streamline the costs and reduce the risk of being a Lloyd's member.

Lloyd's members make up the capital base and the allocated premium capacity of the Lloyd's market. "If members resigned en masse in one year, there would be no Lloyd's," summed up Michael Wade, chairman of Lloyd's broker Holman Wade Ltd. and the youngest member of Lloyd's Council.

Lloyd's membership is steadily declining. For example, Lloyd's has 31,329 active members this year, down 6.6% from 33,532 in 1988 despite the addition of 951 new members at the start of 1989. As a result, Lloyd's total capacity dropped slightly this year to just less than 11 billion pounds ($19.8 billion) from just more than 11 billion pounds ($20.7 billion) last year.

And, Lloyd's Regulation Services Group expects that another 2,240 members will leave the market next year. Already, 750 members have resigned for next year—an increase of 50% over the 500 members who had resigned by this time last year.

Despite the resignations, Lloyd's total capacity is not expected to drop next year because new membership requirements call for members to have greater net worth, he said.



Mr. Lord

In addition, about 600 new members are expected to join Lloyd's next year, and another 3,000 current members will increase their capacity under the new capitalization requirements, according to Lloyd's Regulation Services Group.

"If you take the shape of the market over the next 10 years and saw the average member writing 850,000 pounds (rather than 200,000 pounds today), you will have a healthier capital base," said Mr. Wade, whose company specializes in stop-loss insurance for Lloyd's members. "The numbers of members will be less, but that isn't so bad."

"We seem to be in a bit of a pattern of the membership possibly falling in numbers, but being composed of fewer people writing bigger limits," said Mr. Lawrence. "It could mean that the names are stronger. . .and you end up with a stronger society."

However, Lloyd's underwriters are not interested in new capacity now that market conditions are soft, underwriters confirm. In fact, the marine and aviation markets are only using between 30% and 40% of their total allocated capacity, while the non-marine market is only writing about 75% of its overall capacity, said Mr. Craig.

However, Lloyd's wants to be able to attract members when the market hardens and more capacity is needed by underwriters, added Mr. Lawrence.

The market also wants to make membership attractive to working members who are sponsored by their employers because they are not wealthy enough to join Lloyd's on their own assets, he added.

Therefore, various initiatives are under way to bring confidence back to the membership of Lloyd's.

In particular, the Lloyd's Council agreed this month to consider proposals "aimed at reducing the number of years of account left open by Lloyd's syndicates beyond the normal three years."

As of Dec. 31, 1988, 115 years of accounts had been left open by 68 syndicates, with these losses totaling more than 180 million pounds ($325.8 million), according to statistics from Lloyd's and the Assn. of Lloyd's Members.

The open accounts include the 1982 underwriting year of syndicate 317/661 underwritten by Richard Outhwaite, whose members had to pay a cash call this year of 64 million pounds ($99.8 million) and face future cash calls (see story, page 26).

Open accounts represent "one of the most serious problems Lloyd's has, and we must resolve it," said Robin Eliot, chairman of Lloyd's Aviation Underwriters Assn. "It is the reason why some names are extremely unhappy."

The council is considering sanctions to deter underwriting agencies from keeping syndicate accounts open unnecessarily. The sanctions include holding profit commissions payable to a syndicate's managing agent for the unclosed years in an escrow account until the account is closed and preventing new syndicates from being established by a managing agent until the agent closes its other syndicates' open accounts.



Mr. Lawrence

In extreme cases, the council said it may consider deregistering managing agents altogether.

In addition, the council said it is considering "establishing an insurance vehicle" to write commercial reinsurance-to-close for syndicates that are no longer operating but still have not closed their accounts.

The council was "pressured" to act on open syndicate accounts by Lloyd's Underwriting Agents Assn., which sent the proposals now being considered to the market's executives this summer, confirmed LUAA Chairman John Gordon.

Meanwhile, Lloyd's also is looking at ways to reduce the overhead costs of Lloyd's membership, sources in the market concur.

For example, Lloyd's is considering ways to reduce the huge amount of paperwork now sent to members as dictated by market regulations, according to Mr. Lawrence. And, to reduce expenses, the market has set up a pilot project to allow Lloyd's members' agencies—rather than the Corporation of Lloyd's in Chatham, Kent—to manage their members' deposits (see story, page 47).

Lloyd's also is considering a "members' agency stamp," or "unitization," which will allow members' agencies to set up investment trusts to allow working members to invest in a basket of syndicates at smaller premium levels than external members, Mr. Lawrence confirmed.

"So we hope all this will produce a stronger and better members' agency community," he said. "I should think it will be a reduced number of more powerful members' agents in the future because the members' agency will have more and more duties put on it."

Meanwhile, Lloyd's underwriters and the Lloyd's Council are looking at ways to bring more business to the market. Currently, more than

Continued on page 6



The managed-cost professional, penny-pinching, nickel-nursing, dollar-stretching group.

We'll squeeze every cent out of your group benefit programs from Mutual of Omaha with state-of-the-art cost-containment procedures and a management analysis and reporting system that's the standard of the industry.

Mutual of Omaha Companies
Group Operation
The Managed-Cost Professionals.℠

For more information on Mutual of Omaha's pioneering cost-containment ideas, send your business card to Tom McKellar, Director of National Accounts, Mutual of Omaha Group Operation, Mutual of Omaha Plaza, Omaha, NE 68175

THE BEST INVESTMENTS TODAY ARE IN MENTAL DISORDERS, BAD BACKS AND HEART ATTACKS.



These days, the smart business investment is in rehabilitation. Because it can help disabled employees become productive once again.

At the same time, rehabilitation helps save a considerable amount of money on disability costs—now a $140 billion a year expense for American business.*

In fact, according to our recent study, disability costs for companies like yours can be reduced $30 for every $1 spent rehabilitating disabled employees.

At NWNL Group, we're looking at the disability process differently so we can find new ways to help you control costs.

For example, we make it our job to review every disability claim. And then we refer more than 63% of these claims to case management. A percentage we think is the highest in the industry.

And unlike most insurance companies, we get involved in disability cases early, before costs start piling up. This helps us get to know the people and their situation, and in many cases, enables us to help them reach a successful outcome earlier.

Rehabilitation is paying off, too. A joint effort between NWNL Group and Control Data Corporation is a prime example. After spending $1 million in NWNL's disability case management, Control Data Corporation's plan saved nearly $31 million in reduced disability benefits and reserves.

Our special study—Second Chance: Rehabilitating The American Worker—will tell you a lot more about rehabilitation. Just call or write Rick Naymark, NWNL Group, Box 20, Minneapolis, MN 55440, (612) 342-7137.

Because today, the best investment you can make is the one that results in a healthy return.

NWNL GROUP
Northwestern National Life Insurance Co.

*"Strategies for Managing Disability Costs," Washington Business Group on Health.

NWNL Group is a division of Northwestern National Life Insurance Company, Minneapolis, MN (not admitted in the state of New York). The North Atlantic Life Insurance Company of America, Jericho, NY (a member of The NWNL Companies, Inc.).

Lloyd's changes

Continued from page 4

55% of Lloyd's business is reinsurance, and the market wants to attract more personal lines and small commercial risks into the market, Mr. Lawrence said.

The council is helping the cause by easing its restrictions on how business is placed in the market.

For example, the council this year said it would allow motor syndicates to accept auto risks directly from policyholders and/or non-Lloyd's brokers instead of solely from Lloyd's brokers. In addition, Mr. Lawrence has said the council is considering whether to extend direct dealing to personal lines and small commercial property/casualty lines.

"We see it as a duty for the council not to put up obstacles, but to withdraw obstacles from trade and then for the market to make up its mind if it wants to take advantage of" the absence of obstacles, he said.

Largest Lloyd's syndicates

Based on 1989 gross allocated capacity in millions of pounds

Syndicate	Managing agency	Underwriter	Capacity[1] 1989		1988	
Marine 418	Merrett Underwriting Agency Management Ltd.	Stephen Merrett	£242.1	$438.2	£287.5	$540.5
Marine 206	R.W. Sturge & Co.	M.J.H. Maughan	193.8	350.8	235.5	442.7
Non-marine 210	R.W. Sturge & Co.	A. G. Lee	176.4	319.3	191.0	359.1
Non-Marine 190	Three Quays Underwriting Management Ltd.	R.D. Hazell	158.8	287.4	160.5	301.7
Non-marine 362	Murray Lawrence & Partners	R.J.R. Keeling	143.3	259.4	146.2	274.9
Marine 367	F.L.P. Secretan & Co. Ltd.	A.D. Pilcher	142.5	257.9	150.5	282.9
Marine 448	Wellington (Underwriting Agencies) Ltd.	D.A. Beaumont	130.1	235.5	139.3	261.9
Marine 483	Methuen (Lloyd's Underwriting Agents) Ltd.	P.R. Chandler	124.9	226.1	126.1	237.1
Marine 932	Janson Green Management Ltd.	Richard Youell	123.6	223.7	131.9	248.0
Non-marine 510	R.J. Kiln & Co. Ltd.	G.D. Gilchrist	114.9	208.0	120.0	225.6

[1]Converted at applicable exchange rate

Source: Lloyd's of London

Lloyd's underwriters also are setting up "satellite syndicates" in the Britain and Europe to write more personal lines and small commercial accounts outside the Lloyd's underwriting room. However, these accounts still must be placed with parent syndicates on the floor of Lloyd's by Lloyd's brokers after the account is written.

More than a half-dozen satellite syndicates now are operating, including one managed by the Lloyd's chairman's underwriting agency, Murray Lawrence & Partners.

But the initiatives are not yet totally successful.

For example, satellite syndicate 1104, managed by Merrett Insurance Services Ltd. and underwritten by Eddie Simner in Birmingham, north of London, opened its doors last year with 11.3 million pounds ($21.2 million) of allocated premium capacity but only wrote 544,000 pounds ($985,640 at year-end exchange rate) in gross premiums, said Mr. Simner in his syndicate's annual report.

The syndicate's small volume has not been able to support its overhead, he said. However, "a number of initiatives" have been made to improve business this year, he said in the report, without elaborating.

Mr. Lawrence, however, would like to someday see trading rooms outside London in the United Kingdom, in European Community countries and in the United States.

Meanwhile, Lloyd's is considering other methods of attracting more business to the market, such as:

- Eliminating the four-market structure and allowing the formation of "composite syndicates," which would write all classes of insurance and reinsurance.

But the idea faces some opposition.

"We support composite syndicates, but it should be a slow and gradual process and separate markets should continue to be in place as well as the separate market associations," said Robin Eliot, chairman of the Lloyd's Aviation Underwriters' Assn.

"If you talk to many brokers and many underwriting agents, you will find that they are very keen for Lloyd's to allow composite syndicates the day before yesterday," added Tim Holloway, chairman of Lloyd's Non-Marine Underwriters Assn.

"However, in the three major markets, including the non-marine market, there is a strong opinion that if this is to come at all, it should be by evolution rather than revolution. If all syndicates are allowed to write all business, rates will be under attack. . .and where will I get my expertise in my new composite syndicate? I will pinch them from other syndicates," Mr. Holloway said.

- Streamlining Lloyd's claims system. The market currently is implementing a unified claims service whereby all four markets will use the same procedure to process claims. In addition, a loss that involves more than one market will be processed by one claims office.

Moreover, Lloyd's now is considering establishing a claims settlement system whereby the lead underwriter would have the authority to settle the claim on behalf of the other Lloyd's underwriters on the risk.

"But most underwriters in the marketplace have strongly objected to this," said Mr. Holloway. "By far and away the biggest disagreement (in the market) is on the removal of the sovereign right of following underwriters to agree to claims." ■



Can one non-direct writer really be different from the rest?

Maybe you thought all non-direct writers were pretty much the same.

Yet one delivers valuable, state-of-the-art technical services — the kind only direct writers usually offer.

It's Allstate Re. Select us and you select more than a quarter-century of expertise: Our team of highly experienced claims consultants, able to expedite claims payments via wire transfer direct to your account. Our sophisticated actuarial services, supported by our unique statistical database. Our expert loss control analysis. Each provides precisely the information required for creative, comprehensive underwriting. And, all are accessible to intermediaries and their ceding companies. So when it comes time to review your reinsurance programs — remember. One non-direct writer brings superior technical services to the job. And that makes all the difference in the world.

Allstate®
Allstate Insurance Company,
Northbrook, Illinois

©1989 Allstate Reinsurance Division, 2 Allstate Commercial Plaza, 51 West Higgins Road, South Barrington, Illinois 60010 (312) 551-2500 Telex: 283513 or 253177 Fax: (312) 551-2844

Global economics demand worldly experience.

And at Reliance National's REVERSE HOME FOREIGN DIVISION, over $1.3 trillion of foreign investment in the U.S. market requires a link between your foreign investors and the everchanging subtleties within the U.S. economy. At Reliance National, our experienced REVERSE HOME FOREIGN underwriting team is well versed in worldly economic perspectives—an important factor when providing the connection between the overseas investor and the fluctuations in U.S. business. Our proximity to the marketplace enables our underwriters to react quickly, giving investors the timely and superior knowledge necessary for smooth and secure operations.

Let our flexibility and underwriting expertise make Reliance National...
THE CHOICE for your REVERSE HOME FOREIGN clients.



Coverages offered:
- Workers compensation
- Automobile
- General Liability
- Excess/Umbrella liability

Full Service Programs:
- Guaranteed Cost
- Paid Loss Retros
- Captives
- SIR'S
- Deductibles

THE CHOICE

Reliance National

A Reliance Group Holdings Company

77 Water Street, New York, N.Y. 10005

For further information write us or call (212) 858-3720

Reliance Insurance Company, Planet Insurance Company, United Pacific Insurance Company, Reliance Insurance Company of Illinois, Reliance Insurance Company of New York, and General Casualty Insurance Company

Opinions

Reinsurers expanding role

OUR RANKING of the 20 largest reinsurers in the world is more than just another snapshot of companies that dominate a marketplace.

Many of the reinsurance companies in *BI*'s first annual ranking of the world's largest reinsurers (see page 55) are poised to be the dominant providers in the next century of not only reinsurance but also of risk financing and risk management services provided directly to corporate insurance buyers.

While not dismissing the potential of the largest insurance companies in the United States and abroad to prosper—nor the perennial need for smaller niche players—increasingly it seems that the largest reinsurance companies will be playing a much bigger role in both the insurance and reinsurance marketplaces of the future.

Already, many of these reinsurers have special units dealing directly with corporate insurance buyers. Swiss Re Group, the second largest reinsurer in the world, led the way when it was among the first to support captive insurance companies with reinsurance. Now, Swiss Re also is in the business of managing captives with its controlling interest in International Risk Management Ltd.

Skandia International Insurance Corp. is building its facilities to serve the so-called alternative risk financing market, both writing reinsurance for captives and managing them.

Many other reinsurers have supported captives and self-insurance programs: General Reinsurance Corp., American Re-Insurance Co. and Prudential Reinsurance Co., to name a few.

Reinsurers' interest in dealing directly with corporate insurance buyers is driven by their desire to grow, recognizing that primary insurance companies are keeping more and more of their business for themselves. Reinsurers can expand only by directly tapping the corporate insurance buyers' need for risk financing.

These reinsurers have a lot to offer corporate insurance buyers. Reinsurers generally are extremely creative in solving risk financing problems. They are experienced at developing unusual solutions to unusual problems of their ceding companies. Therefore, they generally are less wedded to off-the-shelf products than primary insurers.

Also, faced with the need to be creative to solve ceding companies' problems, reinsurers have developed highly talented staffs. They are leaders in risk assessment and underwriting.

These large reinsurers also offer corporate insurance buyers unquestionable financial security and lower transaction costs, with fewer middlemen involved in the risk transfer.



Finally, with their vast financial and human resources, these reinsurers have the upper hand in prospering in the next century. If what they are planning today doesn't work, you can bet they will take another tack to dominate the risk financing business in the 21st century.

Regardless of whether these predictions come true, a ranking of the 20 largest reinsurers in the world today is of interest. These are the leading risk takers, whose capital makes large property and casualty insurance programs possible.

Not ranked among the 20 largest reinsurers because of its unique structure is Lloyd's of London. But Lloyd's cannot be overlooked. Its reinsurance premium volume makes it the third-largest reinsurance market in the world.

Lloyd's, too, is looking for ways to get closer to the corporate insurance buyer and improve its efficiency, as the report on Lloyd's in this issue reveals (see stories, beginning on page 3).

We're not writing off the household names in the insurance business, by any means. But we do know for sure that the insurance and reinsurance companies that will prosper in the next century will be those that do the most creative and efficient job of serving the risk financing and risk management services needs of business.

Letters

Boost employee pay, drop employee benefits

To the editor: Most of the editorials and letters to date on benefits legislation chop at a lot of trees but fail to recognize the forest, which is socialism by proxy. The die-hards of the Democratic Left know that trying to impose government-controlled social welfare (e.g., on the Swedish model) is political suicide.

Therefore, the alternative path to "Big Brother provides all" is to force private business to provide their employees with mandatory benefits, designed and prescribed by government.

Absolute socialist rubbish! It would be far better to abolish all group benefits, increase every employee's pay commensurately, and let employees be responsible for themselves in a free marketplace.

Kal Besenczky
Scottsdale, Ariz.

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.

Filing fee proposal shows lack of facts

To the editor: The following letter was sent to both Rep. Dan Rostenkowski, D-Ill., and Sen. Lloyd Bentsen, D-Texas, after your Aug. 14 editorial:

Today I read an article concerning Labor Committees approving new filing fees for filing Form 5500 on Employers Pension/Welfare Plans—a fee of $1,000 plus $250 for each misadventure.

Our firm of 57 employees has had in effect an employee stock ownership plan since 1981. Our ESOP now controls 32% of the stock of the firm, and we look forward to 70% control in 10 years.

The cost of administering these plans, mainly due to changes in the past five years, has increased tenfold. A lot of the additional cost is due to the fact that (on our side) we have hired professionals to do the work and, on your side, the U.S. government's untrained employees! These additional expenses could have been better spent on additional contributions to our ESOP.

If Congress wishes to put "small business" out of business, please tell us now so that we can at least save our health from the frustrations of government Tax/Labor Committees.

Another example of Congress' goofs is Section 89, where we wasted time and dollars to conform to what—nonsense!

Why does Japan beat us? Their management doesn't have the filing fee/tax monkey on its back!

William Kulesh
Chairman
National Coverage Corp.
Seaford, N.Y.

Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki *(New York)*

Associate Publisher/Editor: Kathryn J. McIntyre, A. R. M. *(Chicago)*
Managing Editor: James M. Burcke *(Chicago)*
Senior Editor: Jerry Geisel *(Washington)*
Assistant Managing Editor: Dave Lenckus *(Chicago)*
CHICAGO: Stacy Adler *(Associate Editor)*
Jeanne M. Bartels *(Graphics Editor)*
Karen Brown *(Assistant to the Editor)*
Linda J. Collins *(Agent/Broker Editor)*
Meg Fletcher, A.R.M. *(Associate Editor)*
Mark A. Hofmann *(Associate Editor)*
Karen Huelsman *(Copy Editor)*
Marilou Jones *(Directory Editor)*
Jacqueline LaSota *(Assistant Copy Editor)*
Laura Mazzuca *(Agent/Broker Topics Associate Editor)*
Amy Palmer *(Graphic Artist)*
Roger Schillerstrom *(Editorial Cartoonist)*
Paul Winston *(Copy Editor)*
Joanne Wojcik *(Copy Desk Chief)*
Christine Woolsey *(Associate Editor)*
DALLAS: Michael Bradford *(Associate Editor)*
LONDON: Stacy Shapiro *(International Editor)*
Carolyn Aldred *(Associate Editor)*
LOS ANGELES: Donna DiBlase *(Bureau Chief)*
Glenn Huntley *(Associate Editor)*
NEW YORK: Douglas McLeod *(Bureau Chief)*
Judy Greenwald *(Associate Editor)*
Collin Nash *(Editorial Assistant)*
Michael Schachner *(Associate Editor)*
WASHINGTON: Adrienne C. Locke *(Associate Editor)*
Deborah Shalowitz *(Associate Editor)*

Advertising Director: Donald A. Walsh *(New York)*
Midwest Sales Manager: Robert L. Niesse *(Chicago)*
CHICAGO: Deborah D. Neale *(District Manager)*
Margaret Hikido *(District Manager/ Classified Sales)*
Elmer Kerstowske *(Production Manager)*
Eastern Advertising Manager: Martin J. Ross *(New York)*
NEW YORK: Charles A. Horvath *(District Manager)*
Jack Forrest *(District Manager)*
Kathryn Premetz *(District Manager)*
Cynthia Bykowski *(District Manager)*
LOS ANGELES: Michael J. Sharpe *(Western Advertising Manager)*

Director of Communications: Ronnie I. Drachman *(New York)*

EDITORIAL: Chicago: 312-649-5398
Dallas: 214-363-1066
London: 01-404-4228
Los Angeles: 213-651-3710
New York: 212-210-0140
Washington: 202-662-7200
ADVERTISING: New York: 212-210-0133
Chicago: 312-649-5276
Los Angeles: 213-651-3710
COMMUNICATIONS: New York: 212-210-0132
CIRCULATION: Detroit: 313-446-1611

Published by Crain Communications Inc., Chicago

G.D. CRAIN JR.
Founder (1885-1973)

MRS. G.D. CRAIN Chairman
MERRILEE P. CRAIN Secretary
S.R. BERNSTEIN Chairman-executive committee
WILLIAM A. MORROW Senior Vp-operations
RANCE CRAIN President
ROBERT C. ADAMS Vice president-production
KEITH E. CRAIN Vice chairman
H.L. STEVENSON Corporate editor
MARY KAY CRAIN Treasurer
PENELOPE A. GEISMAR Corporate communications mgr.

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 6871241, Fax 312/280-3174, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 640207, Fax 212/210-0704, CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231, Fax 214/696-1936; Suite 814, National Press Building, Washington, D.C. 20045, Fax 202/638-3155; 6404 Wilshire Blvd., Los Angeles, Calif. 90048, Fax 213/655-8157; 20-22 Bedford Row, London WC1R 4EB, England, Fax 01/430-2176. $1.75 a copy. $70 a year in U.S. Canada and all other foreign add $32 for surface mail. Europe and Middle East only add $72 for air delivery. First-class mail to U. S., add $77; to Canada add $87. Bermuda only, $152 per year expedited delivery. WILLIAM STRONG, vp-circulation. SHEILA GORMLEY, circulation manager. JOHN HUFFMAN, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207, or phone 800-992-9970 or 313-446-1611, Fax 313/446-1650. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229, Fax 212/210-0704.

VBPA Member of Business Publications Audit of Circulation ABP

You don't want to buy a used car from Aetna.



A little while back, John Barracato went out car shopping.

He bought ten.

Then he did something really unusual.

He torched them.

You see, John happens to be one of America's leading arson experts. Not coincidentally, he also leads Aetna's Fire and Fraud Investigation Team.

And because he burned those cars, law enforcement agencies nationwide can more easily detect the difference between accident and arson.

As a result, this research has had the beneficial effect of putting more arsonists behind bars.

More tangibly for Aetna's customers, John's team is saving millions every year by identifying attempted arson and prosecuting the criminals who attempt to profit from it.

No other insurance company that we know of goes to the sometimes extreme lengths that Aetna does to fight fraudulent claims.

But that works to the advantage of every customer who invests in one of our many insurance policies.

If not one of our many used cars.

AETNA. WE GIVE NEW MEANING TO THE WORD DILIGENT.

AEtna

© 1989 AEtna Life and Casualty Company.

Lloyd's results

Continued from page 3

month to announce banner profits for the 1986 accounting year, which closed on Dec. 31, 1988, under Lloyd's three-year accounting system.

However, losses from syndicate accounts that have been left open have marred what would have been even better results.

Lloyd's Chairman Murray Lawrence told members at Lloyd's annual general meeting in June that the market will nearly treble its global profits to around 600 million pounds ($1.1 billion) for 1986 from 211 million pounds ($396.7 million) in 1985 (*BI*, July 17).

But the Assn. of Lloyd's Members says that the market could have posted 1986 pretax global profits of 839 million pounds ($1.5 billion) if losses of 180.3 million pounds ($326.3 million) from the runoff of syndicate years that have been left open hadn't been deducted. Because of the losses from the open years, the ALM predicts that Lloyd's will announce 1986 global profits of 658.7 million pounds ($1.2 billion).

The ALM prediction excludes losses from syndicates formerly managed by PCW Underwriting Agencies Ltd., which are reinsured by a wholly owned Lloyd's insurance company, Lioncover Insurance Co. Ltd.

Lloyd's Chairman Murray Lawrence told members at Lloyd's annual general meeting in June that the market will nearly treble its global profits to around 600 million pounds ($1.1 billion) for 1986 from 211 million pounds ($396.7 million) in 1985.

In the current 1989 underwriting year, Lloyd's has 401 syndicates, up from 376 syndicates last year.

However, Lloyd's gross allocated capacity has dropped slightly to 10.96 billion pounds in 1989 ($19.8 billion) from just more than 11 billion pounds last year ($20.7 billion).

Lloyd's active membership currently stands at 31,329, down from 33,530 in 1988, despite the addition of 951 new members on Jan. 1.

In addition, Lloyd's Regulation Services Group expects another 2,240 members to leave the market next year.

However, Lloyd's total capacity is not expected to drop in 1990, because about 600 new members are expected to join and another 3,000 current Lloyd's members are expected to increase the amount that they will underwrite, according to the RSG.

Of Lloyd's gross premium capacity this year:

- More than 4.5 billion pounds ($8.1 billion) is in the marine market.
- 4.3 billion pounds ($7.8 billion) is in the non-marine market.
- 973 million pounds ($1.8 billion) is in the aviation market.
- 820 million pounds ($1.5 billion) is in the motor market.
- 15.7 million pounds ($28.4 million) is in short-term life insurance syndicates.
- 330 million pounds ($597.3 million) is unallocated among the markets.

The marine market—the oldest and largest of Lloyd's four markets—has 134 syndicates this year, up from 132 syndicates last year.

Sources in London believe that the Lloyd's market provides about 40% of the world's marine insurance and reinsurance capacity (see story, page 22).

Lloyd's non-marine market, the second-largest market in terms of capacity, has 178 syndicates this year, up from 159 non-marine syndicates last year.

The non-marine market provides about 2% of the world's non-marine insurance and reinsurance capacity, sources say (see story, page 33).

Lloyd's aviation market, the third-largest market in Lloyd's, has 44 syndicates, up from 41 syndicates last year. Observers estimate that Lloyd's syndicates supply between 20% and 40% of the world's aviation insurance capacity (see story, page 49).

Lloyd's syndicates are managed by 166 registered managing agencies, of which 85 also own members' agencies. There are 77 independent members' agencies in the market.

Syndicates are shown business by 263 Lloyd's brokers, down from 275 brokers last year. Under new regulations, all of the brokers must be reregistered with Lloyd's by the end of 1991 (see story, 17). ■

A primer on Lloyd's currency conversion

LONDON—Attempting to convert Lloyd's of London results from British pounds to U.S. dollars can be confusing, to say the least.

Due primarily to the special nature of Lloyd's three-year accounting system, one cannot simply use the applicable year-end exchange rate to convert Lloyd's results into dollar terms.

To convert its results, Lloyd's uses the exchange rate at the end of the year in which the underwriting year closes. For example, since the 1986 underwriting year closes on Dec. 31, 1988, Lloyd's will use the year-end 1988 exchange rate of $1.81 to convert its 1986 results from pounds to dollars.

For underwriting years that have not yet closed, Lloyd's uses the exchange rate at the end of the underwriting year itself. For example, to convert results from the not-yet-closed 1987 underwriting year, Lloyd's uses the year-end 1987 exchange rate of $1.88 to convert pounds to dollars.

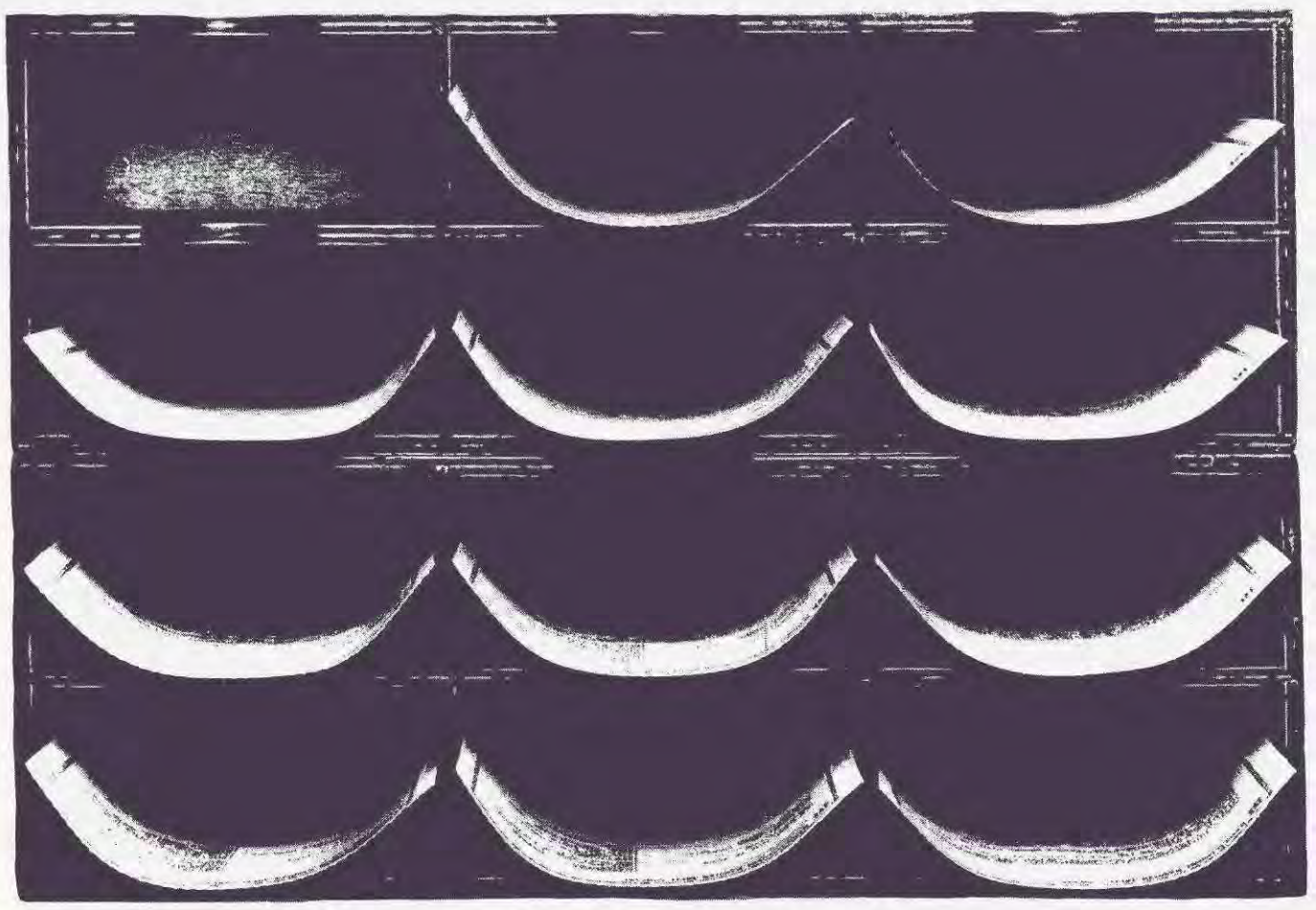
When the 1987 underwriting year finally closes at the end of this year, Lloyd's will then use the year-end 1989 rate to convert its 1987 results.

To determine its annual gross allocated premium capacity in terms of dollars, Lloyd's uses the exchange rate at the end of the preceding year. For example, for this year, Lloyd's uses the year-end 1988 exchange rate of $1.81 to convert dollars into pounds to measure whether a syndicate is exceeding its premium limits. Under this formula, Lloyd's 1989 gross capacity of 10.96 billion pounds equals $19.8 billion.

Throughout this special report on Lloyd's of London, *Business Insurance* follows Lloyd's currency exchange practices.

MANUFACTURERS HANOVER

Pacesetter



Letters of Credit have their place, but reinsurance is no longer one of them.

The Reinsurance Trust®—from Manufacturers Hanover Trust Company deserves a slot all its own.

As an alternative for unauthorized reinsurers and companies with self-insurance programs, it offers participation at a fraction of the cost of L/Cs. No annual renewal required, either. Furthermore, the trust fund not only protects the interests of all parties but also satisfies regulatory requirements.

Select our Reinsurance Trust, and other benefits fall neatly into place. Customization, for one. By effectively creating one fund out of many, we are able to provide each beneficiary with its own fund to claim, while offering the cost-effectiveness of a single fund. Personal service, for another. We service your account on a one-on-one basis, assigning an administrator to handle all aspects of the relationship. Accessibility, for still another benefit. A local phone call directly to our quality GEOPAC® reporting system allows you to generate your own reports.

Also, consider the track record we've established in the field of trusts. For decades, our staff has been known for its professionalism in servicing collateralized trust arrangements. In fact, the excellence of our performance over the years has made Manufacturers Hanover one of the world's largest providers of these complex, specialized services.

The Reinsurance Trust from Manufacturers Hanover. Now, you're no longer boxed in by the rising costs of reinsurance L/Cs.

For more information, contact John Hogan in New York at (212) 971-3316 or contact David Zell in London at (01)-315-6000.

© 1989 Manufacturers Hanover. All Rights Reserved.

In 1866, when the transatlantic cable linked two continents

The telegraph. In the mid 1800's, engineers dreamed of using it to bridge the gap between Europe and North America—to cut communication time from one month to seconds. But it wasn't until after nearly an eight-year saga of dedication and persistence that an Atlantic telegraph cable was successfully laid. And when the *Great Eastern* anchored at Heart's Content to send the first message, Allendale had been listening and responding to clients for 31 years.

In a changing world where events like this shape history, this is our way of reminding you of one progressive, stable company that' been in business since 1835.

Today, Allendale is an international company bringing engineer-



Allendale had been in touch with its customers for 31 years.

ıg expertise to clients around the world. We continue to shape he history of loss control with engineering, training, research and ɛsting, responsiveness and fairness in the way we do business.

Throughout the years we've been more than an ordinary in-urance company. Commitment to our insureds goes well beyond he property coverages we provide.

After a century and a half, that part of our philosophy is not about to change. Allendale Insurance, P.O. Box 7500, Johnston, Rhode Island 02919.

Allendale Insurance/Factory Mutual System

World leaders in property risk management since 1835.

Lloyd's veterans foresee vast changes

By CAROLYN ALDRED

LONDON—Lloyd's of London will experience unprecedented change during the next few years, predict four market statesmen.

Greater competition worldwide is bringing the 301-year-old market into the computer age and will lead to changes in how syndicates attract business, say the underwriters, all of whom plan to retire from the marketplace soon.

In addition, they predict that reduced profit margins will force many underwriting agencies to combine. They also predict that Lloyd's will lift restrictions that limit syndicates to writing the bulk of their business in one of four Lloyd's markets.

"It would be very exciting to be a young underwriter now. The market's going to change enormously in the next few years," said David Beaumont, a marine underwriter for syndicate 448, managed by Wellington Underwriting Agencies Ltd. Mr. Beaumont, a 41-year Lloyd's veteran who started work as an entry boy assisting Lloyd's underwriters, will retire next month.

While the underwriters look fondly back to the "good old days"—when claims disputes were settled over a cup of tea and a quill pen was more common than a calculator—they agree that those days are over and the market must now look ahead.

For example, during the last 35 years reinsurance has become increasingly competitive, noted Jonathan Pryke, who stepped down as underwriter of non-marine syndicate 404 last October. Mr. Pryke currently is chairman of Cuthbert Heath Underwriting Ltd., but he plans to retire at the end of the year.

And, the London market began to "lose its position" as the premier insurance marketplace in 1965 after Hurricane Betsy struck Florida, Mississippi and Louisiana, causing an estimated $715 million of insured property damage. London has "progressively lost market share as the U.S. and overseas reinsurance markets have prospered," Mr. Pryke said, explaining that rate hikes and reduced capacity in the wake of Hurricane Betsy encouraged the competition from other markets.

And, while profit margins gradually eroded, the insurance and reinsurance world witnessed an explosion in litigation, all of the underwriters said.

"There's far more litigation today among underwriters, brokers and policyholders because there are no longer enough profit margins to give people room to compromise," said Mark Loveday, who stepped down last year as marine underwriter for syndicate 573, managed by Mark Loveday Underwriting Agencies Ltd. Mr. Loveday plans to retire as a consultant to the Loveday agency and sister company Cater Allen Members' Agency Ltd. this fall.

Lawyers and the U.S. legal system have combined to exacerbate the litigation explosion, added Robin A.G. Jackson, former non-marine underwriter for syndicate 799, managed by Merrett Underwriting Agency Management Ltd. Mr. Jackson, who now is working as a director for Merrett Holdings P.L.C., plans to retire in the fall of next year.

"I was underwriting for 25 years before having to make my first deposition—now one does it regularly," he observed.

"The U.S. legal system has had enormous impact on Lloyd's because of our financial structure," Mr. Pryke said. Underwriters are forced to keep accounts open for years because they cannot quantify their liability losses.

"We could survive and manage in the old days, but the system has become unquantifiable. Insurance is the management of risk. We now are moving from risk assumption to speculation," he said.

However, "if only the London market can harness better its talents, we have nothing to fear. That means improving the non-underwriting parts of our business such as documentation and claims handling," Mr. Jackson said.

All four men predict that the increased use of computerization and the introduction of the London Insurance Market Computer Network —LIMNET—will help Lloyd's better compete with other world markets.

LIMNET is a computer network linking Lloyd's underwriters and brokers, insurance companies and reinsurance companies throughout London. The London market is gearing up to handle claims via the network, but several pilot programs already are under way to underwrite and place risks via the network (*BI*, Oct. 17, 1988).

"When I first started (at Lloyd's), documents were sent through the post or by cable, and a telephone call overseas had to be booked days in advance," Mr. Loveday recalled.

"The biggest single change is going to be the electronic market," Mr. Pryke predicted. "Electronic communication is going to change the way everyone does business."

Once LIMNET is used widely, there is "no way is a broker going to walk around and see 100 underwriters individually to place a risk," he said.

Although "there will always be negotiation on a one-to-one basis for a complicated risk, once the leading underwriters have agreed on terms, the risk will go on the screen" and be placed with following underwriters via computer, Mr. Pryke said.

After all, "only 10% of our business is that complicated, and economics demand that the market should change," he said.

Mr. Beaumont admits he does not love computers: "They gobble up my information and I can never find it again," he complained.

"I'd hate the idea of a broker push-

Continued on page 16



Many reinsurance companies offer you two options: take it or leave it.

That's because they view all of their customers alike.

Prudential Re knows better. So we come up with unique solutions, by tailoring our plans to fit your unique business needs.

We know about those needs because we also believe in close communication with clients, no matter how large or small.

So if you think your reinsurance company is overlooking some of your most important features, find another one. Prudential Re.

Prudential Re

Available directly or through an intermediary.

© 1989 Prudential Reinsurance Company, a subsidiary of The Prudential Insurance Company of America, Newark, New Jersey.

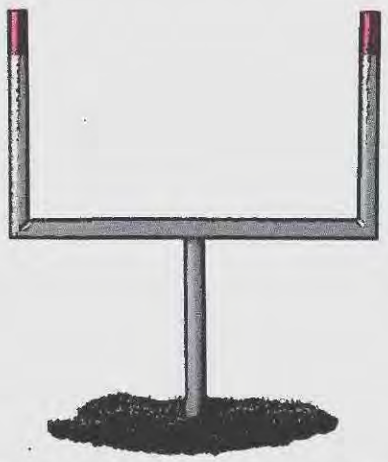
NAC RE'S FACULTATIVE GAME PLAN



The coach's strategy: Develop a facultative team committed to being a strong contender every season. The game plan: Use NAC Re's solid base of reinsurance experience, its Best's rating of "A" and over $175 million in statutory surplus to deliver superior service.



The execution: Veteran underwriters, with over ten years of experience on average, are tackling facultative reinsurance. We have established direct relationships with many of the leading property/casualty insurers. Limits capacity of $15 million for property and $5 million for casualty makes us a good choice for your first call.



Our facultative team is committed to helping you meet your goals. We'll listen carefully to your proposals. Then respond consistently regardless of market conditions. And we won't keep you waiting. Though some opportunities involve more lengthy review, 80% of clients' submissions over the last year received answers within a day. Contact us, and see how NAC Re's game plan can help you extend your winning streak.

GREENWICH
(203) 622-5200
FAX: (203) 622-1494

HARTFORD
(203) 293-6200
FAX: (203) 247-3634

CHICAGO
(312) 876-7200
FAX: (312) 876-1399

We'll be there when you need us.

NAC Reinsurance Corporation

Lloyd's future

Continued from page 14

ing a risk onto the screen and underwriters scrabbling to press the button first to make an offer. It would be disastrous and horrific, and I'm jolly glad it won't be me," Mr. Beaumont said.

But, he agrees that the market is "going to a computer age."

LIMNET will allow "underwriters to do more from their offices via the computer," he said.

Mr. Loveday predicts that narrowing profit margins will force the market to accept computerization.

"Lloyd's expense factor is fast going out the window. In this bloody building, a broker coming in and placing a risk individually with every underwriter is very time consuming," he said from his office in the Lloyd's building.

"It's inevitable that relatively simple renewals by following underwriters will be done on screens within a short period of time," Mr. Jackson agreed.

"The market no longer can afford the costs of the old-style methods," and the use of computers for claims processing and reducing duplication of effort will produce massive cost and time savings, resulting in a better service to policyholders, Mr. Jackson said.

Still, "computers won't replace people entirely," Mr. Beaumont stressed.

Mr. Jackson agreed. "New business and more sophisticated business will continue to be brokered face to face," he predicted.

But, "heaven knows what will happen to the Lloyd's building," when underwriters no longer need to see brokers face to face so often, Mr. Beaumont exclaimed.

"I don't believe we'll need that building by the turn of the century," said Mr. Pryke, pointing from his window in Cuthbert Heath's office's to Lloyd's futuristic building, built three years ago for nearly 200 million pounds ($362 million at year-end 1986 exchange rates).

Lloyd's also has to deal with how to attract more business to the market, the underwriters believe.

Much business that used to be written as direct business at Lloyd's now comes into the market as less profitable reinsurance business, Mr. Beaumont pointed out.

"It's so galling to get back what was once our business from markets like Norway in the form of reinsurance," he observed.

"Lloyd's is going to have to attract more business. The major Lloyd's brokers place very little of their business at Lloyd's, so we have got to get the business ourselves," Mr. Beaumont said.

"If the brokers are not going to show business to us, we are going to have to get it ourselves so we aren't starved of business," Mr. Beaumont said.

Currently, most business written by Lloyd's underwriters must be placed into the market by a Lloyd's broker. However, Lloyd's is relaxing rules to allow automobile and personal lines business to be written on a direct basis (see story, page 17).

And, many underwriters would like the rules further relaxed to allow them to also write small commercial business placed by non-Lloyd's brokers.

In addition, some underwriters have set up offices outside of London to attract new business.

"We are trying to think of methods of writing new business without incurring massive overheads," Mr. Beaumont said.

Another possible measure would be for several underwriters and managing agencies to combine forces and open offices in other cities or other countries, he pointed out.

"That's something that's being considered," he said.

"There are possible moves afoot to have collections of underwriters" operating together outside of London to share costs," Mr. Pryke said. "We're obviously looking at it. We can't rely on brokers. Brokers in London don't want to handle" small business.

Lloyd's no longer "can live on the exotic risks alone. We need some bread-and-butter business. We should be writing small commercial lines business worldwide," Mr. Pryke said.

"It is possible that Lloyd's has become too catastrophe-oriented, and that is one of the reasons agents are looking to attract more bread-and-butter business," Mr. Jackson suggested.

The underwriters also predict increased costs and declining profit margins in the market will make it more difficult for small syndicates and managing agents to operate and force a consolidation of units.

"We have to accept the inevitability of reduced numbers of underwriting agencies," Mr. Jackson said.

However, fewer and bigger syndicates "will make it easier for Lloyd's to react and will speed up the decision-making processes," which will mean that risks will be placed and claims will be settled much more quickly, he said.

"I fear larger and fewer underwriting units is inevitable," Mr. Loveday said. "We have to keep pace with what's happening in the outside world, and our customers are getting larger."

Mr. Beaumont concurred. "I can't see, with the hideous rising expenses (of the market), that small syndicates are going to be very viable unless they are specialist and very profitable," he said.

In addition, the larger syndicates may be allowed to write a much broader spread of business in the future, some of the underwriters predicted.

Lloyd's currently is divided into four distinct markets, with separate marine, non-marine, aviation and automobile syndicates. Syndicates can write only a limited amount of incidental business that falls outside of their market.

But, "that great big world out there"—including many Lloyd's policyholders—"doesn't understand separate markets. In fact, very few people in Lloyd's understand separate markets," Mr. Loveday said.

"The nonsense which currently exists with the non-marine and marine markets providing completely artificial internal divisions has got to go. And the sooner it goes the better," he asserted.

Mr. Loveday predicts the introduction of "composite syndicates" able to write marine and non-marine risks.

However, Mr. Jackson says he would regret seeing the market divisions eliminated. "I personally would regret the breakdown of the markets. It's a pity to have artificial divisions, but the problem is when one market tries to write another market's business, it tends to make a mess of it," he said.

"Unfortunately, it's an issue Lloyd's has got to grapple with. I suppose the market divisions eventually will go, but I am in favor of market divisions as a forced discipline," Mr. Jackson said.

Brokers and underwriters must work together to try and make Lloyd's more attractive to place business in, Mr. Jackson summed up.

"Lloyd's has got to go out of its way to make itself user-friendly. All the major managing agencies have the same concerns, and the brokers are getting more realistic," Mr. Jackson said.

But "I have no doubt that this market can still outperform everyone else. As far as international thinking is concerned, we are way ahead of everyone else. We are still the best-placed market for international reinsurance. We have to make the most of our assets," Mr. Jackson said. ■



Brokers defend role in marketplace

By STACY SHAPIRO

LONDON—Lloyd's of London brokers are defending their traditional role in the marketplace amid increasing debate over whether syndicates should be allowed to deal directly with policyholders or non-Lloyd's brokers.

Lloyd's allows only specially registered Lloyd's brokers to place business with Lloyd's syndicates. If a policyholder's retail broker is a non-Lloyd's broker, that broker must place the risk through a Lloyd's broker to gain access to Lloyd's.

However, underwriters complain that this sometimes cumbersome process costs Lloyd's business, especially personal lines and small commercial lines risks.

The Council of Lloyd's earlier this year ruled that underwriters could deal directly with non-Lloyd's brokers and/or policyholders when writing automobile insurance.

And, Lloyd's Chairman Murray Lawrence recently said the council plans to also allow underwriters to deal directly with policyholders and non-Lloyd's brokers for small commercial property/casualty and personal lines risks (*BI*, July 17).

In addition, Lloyd's is considering the possibility of eliminating the role of the wholesale Lloyd's broker altogether in certain instances, allowing the underwriters to deal directly with the policyholder's retail broker, no matter what country the retail broker is based in, Mr. Lawrence said.

However, despite the changes, Lloyd's brokers still maintain they are the best salesmen for the Lloyd's market and provide the best service for underwriters and commercial policyholders alike.

The brokers also contend that since Lloyd's is forcing all brokers to reregister to meet new, tougher standards, the market should not encourage the use of non-Lloyd's brokers.

"There is a lot of talk about direct dealing," summed up Antony Pinsent, chairman and managing director of Lloyd's brokerage group Leslie & Godwin Ltd., a subsidiary of U.S. broker Frank B. Hall & Co. Inc. "But I am uncomfortable with it for commercial business.

"I quite understand the need for direct dealing for personal lines, but commercial business should still be placed through Lloyd's brokers," he said. "We are not being protectionist. But the broker view is in the best interest of our clients and Lloyd's. And Lloyd's has got to become more competitive to attract the business."

Lloyd's brokers now are dutifully proceeding with the reregistration process, which started last October under the market's new broker regulations, pointed out Bob Keville, chairman of Lloyd's Insurance Brokers Committee.

About the only contentious topic involving reregistration is that all brokers, no matter what size, must contribute an equal amount to a contingency fund to finance the run-off of defunct Lloyd's brokers.

In addition, Lloyd's brokers are cooperating with the market in an "in-depth study" into the amount and kind of business Lloyd's brokers bring to Lloyd's, Mr. Keville said. This kind of information "will provide the market with opportunities."

But many brokers disagree that Lloyd's should consider "direct dealing" for commercial coverages, Mr. Keville noted.

"Why create another market force (in Lloyd's) when underwriters have the best marketing force in the world through Lloyd's brokers?" he said.

Despite the brokers' insistence that they are a necessary part of Lloyd's, others are seeking to find ways—with or without the traditional use of Lloyd's brokers—to cut the cost of attracting business.

"There's a strong feeling, certainly that I have, that for medium-sized commercial business we have got to find a means of shortening the chain to get Lloyd's closer to the retail broker who produces the business," said Mr. Lawrence, who also is chairman of an Lloyd's underwriting agency.

Lloyd's sometimes loses medium-sized commercial risks to other insurers because the local retail broker placing a risk at Lloyd's must go through a Lloyd's wholesale broker, which shares the commission, he noted. In addition, the retail brokers must send all relevant documents to London, where processing can take long amounts of time, he said.

By "shortening the chain," Lloyd's might be able to attract more of this business, Mr. Lawrence said. "And that means not only getting Lloyd's closer to the retail brokers, but I think that it's also a geographic thing." For instance, Lloyd's someday may maintain trading floors not only in London but also elsewhere in Britain, in Europe and in the United States, he said (see story, page 3).

"This opens the question of who should be Lloyd's brokers," he said. "For the retail brokers around the world, it would be worth their while to become Lloyd's brokers."

Lloyd's brokers traditionally are located in London, though new Lloyd's broker regulations specify only that the Council of Lloyd's must approve a broker's location, which may not necessarily be London.

And, although the regulations now stipulate that a Lloyd's broker must be a member of the Insurance Brokers Registration Council, which regulates British brokers under the Insurance Brokers (Registration) Act of 1977, exemptions from this requirement are being reviewed.

Already, nine Italian insurance brokers have formed a company, Consulenze e Servizi Assicurativi, to help administer a binding authority arrangement delegated to the brokers by Lloyd's underwriters, Mr. Lawrence said. Brokers Alexander Howden Group Ltd. and Willis Faber P.L.C. were the intermediaries for the non-marine and marine line slips.

CSA, which has opened offices in Genoa and Milan, expects this year to double the premium currently written by Lloyd's for direct Italian business to 8 billion lira ($5.7 million) (*BI*, Feb. 20).

"But if we are talking about a lot of retail brokers around the world becoming Lloyd's brokers, we need to look and see what regulation is relevant for them if we are going to regulate them or continue to regulate them as we do. . .Lloyd's brokers," Mr. Lawrence said.

He stressed that the wholesale broker in London does a "great job," has a "great necessity" and "adds value to the transaction" in many instances, particularly when dealing with large multinational insurance and reinsurance programs. "And he will last," Mr. Lawrence said.

But wholesale Lloyd's brokers "who are purely there to route business from A to B—and are there because they are the sole people who can do business with B—will find it very difficult to justify that, because they aren't necessary today," he said.

"It's going to be very difficult for

Continued on next page

Our umbrella program is based on the same principle.

Long term commitment. With some companies you sign a contract and the relationship stops there. When you sign an Umbrella Program Liability contract with American Re, it's the beginning of a relationship that will last.

We'll work closely with you to understand your needs and construct a facility to meet them. Offer flexible guidelines for underwriting and pricing. Training programs. A manual for endorsements. Claims services. Even back-office assistance. And we have over 20 years of professional experience in the Commercial Umbrella Program Liability business.
Call American Re. Because we believe in writing a relationship, not just a contract.

American Re-Insurance Company
American Re Plaza, 555 College Road East, Princeton, NJ 08543-5241. (609) 243-4200

Atlanta · Bogota · Boston · Cairo · Chicago · Columbus · Dallas · Hartford · Kansas City · London · Los Angeles · Melbourne · Minneapolis · Montreal · New York · Philadelphia · San Francisco · Santiago · Singapore · Sydney · Tokyo · Toronto

Largest Lloyd's brokerage groups

Ranked by 1988 Lloyd's brokerage revenues in billions of pounds

Parent	Lloyd's brokerage revenues[1] 1988		1987		Total revenues[1] 1988		1987		London subsidaries
Sedgwick Group P.L.C.	£164.9	$298.5	£95.5	$367.5	£597.9	$1,082.2	£550.9	$1,035.7	18 Lloyd's brokers
Willis Faber P.L.C.	159.3	288.3	69.9	319.4	267.0	483.3	198.6	373.4	10 Lloyd's brokers
Marsh & McLennan Cos. Inc	134.7	243.8	25.1	235.2	1,268.0	2,295.1	1,158.5	2,178.0	3 Lloyd's brokers (C.T. Bowring & Co. Ltd.)
Alexander & Alexander Services Inc.	86.4	156.4	84.0	157.9	684.4	1,238.8	627.7	1,180.0	10 Lloyd's brokers (Alexander Howden Group Ltd.)
Inchcape P.L.C.	54.9	99.4	62.1	116.7	94.8	171.6	79.4	149.3	3 Lloyd's brokers (Bain Clarkson Ltd.)
C.E. Heath P.L.C.	39.8	72.0	44.0	82.7	99.9	180.8	89.1	167.5	8 Lloyd's brokers
Jardine Matheson Holdings Ltd.	39.1	70.8	35.7	67.1	122.2	221.2	110.1	207.0	4 Lloyd's brokers (Jardine Insurance Brokers Ltd.)
Hogg Robinson & Gardner Mountain P.L.C.	36.8	66.6	21.9	41.2	85.5	154.8	82.4	154.9	4 Lloyd's brokers
The Frizzell Group P.L.C.	36.1	65.3	33.6	63.2	48.7	88.1	41.8	78.6	4 Lloyd's brokers
Lowndes Lambert Group Ltd.	30.1	54.5	29.1	54.7	37.5	67.9	38.9	73.1	8 Lloyd's brokers

[1]Converted at applicable exchange rate
Source: Lloyd's of London

Holly Seguine

Continued from previous page
him to justify his existence in the chain. What value does he add that somebody else couldn't?"

Mr. Lawrence agrees that under the new broker regulations, a Lloyd's broker can be based outside of the United Kingdom, though it will probably have a presence in London.

And, if a parent brokerage company in New York becomes a Lloyd's broker, all of its branches theoretically could be Lloyd's brokers.

So far, though, most parent companies are registering their London-based subsidiaries as Lloyd's brokers, rather than the parent company.

"Why can't Joe Higgins pick up the phone in Chicago and talk to a (Lloyd's underwriter)? It's going to happen. It's got to happen," he said.

Some underwriters go a step further and say that Lloyd's should not regulate brokers at all.

"I personally disagree with the regulation of Lloyd's brokers," said Tim Holloway, chairman of Lloyd's Non-Marine Underwriters Assn., adding that the non-marine market will be the most affected by direct dealing.

While allowing brokers outside London to become Lloyd's brokers is a move forward, "we can't keep as many people in the chain as we have," he added.

However, Mr. Holloway admits that Lloyd's brokers are an excellent marketing arm for the market.

"But what I want, which the electronic network can offer, is for a broker in Austria to place a risk without having to come to London to see me," he said. "There is no intention of the London underwriter doing away with the Lloyd's broker on complicated risks, however."

Meanwhile, Lloyd's is reminding Lloyd's brokers that they are expected to show a certain amount of their business to Lloyd's underwriters, even if it is subsequently placed in another market.

"Since the name and reputation of Lloyd's is an immensely valuable asset, we have a duty to monitor whether those brokers who carry it are doing everything they can to promote Lloyd's interests," Mr. Lawrence said at the Lloyd's annual general meeting in June.

While Mr. Keville of the Lloyd's Insurance Brokers Committee said he had not heard that Lloyd's is insisting that it see a certain percentage of all brokers' business, even if it is not placed at Lloyd's, he has "heard complaints that they don't see enough. But that is the same everywhere. Lloyd's is not out of kilter with any other insurance company."

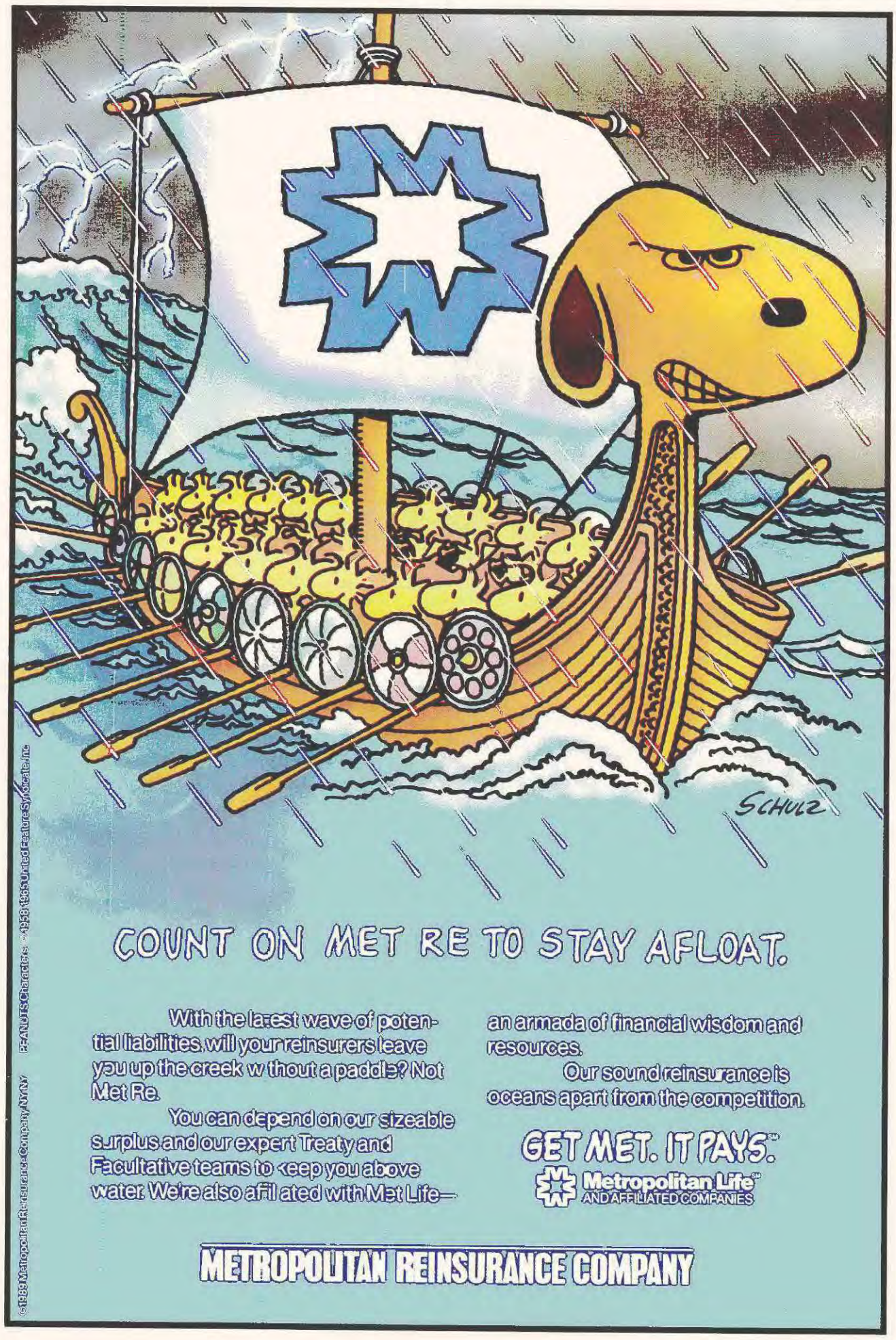
There currently are 263 Lloyd's brokers, down 12 from 275 last year, Lloyd's statistics show. The 10 largest Lloyd's brokerage groups together owned 72 Lloyd's brokers last year, Lloyd's said (see chart, page 18).

Lloyd's ranks the 10 largest Lloyd's brokerage groups based on the total amount of revenues produced by registered Lloyd's brokers within the group. Revenues can come from business that is not placed with Lloyd's.

Total brokerage revenues reported by the 10 largest brokerage groups dropped 4% to 782.1 million pounds ($1.4 billion) in 1988 from 818 million pounds ($1.5 billion) in 1987.

Missing from the ranking of the 10 largest Lloyd's brokerage groups in 1988 is The St. Paul Cos. Inc., which owns London-based Minet Holdings P.L.C.

Minet only reported nine-month revenues of 19.6 million pounds ($35.5 million) to Lloyd's for 1988 because Minet changed its fiscal year to Sept. 30 from Dec. 31. ■



Insurance

Service

National Reinsurance Corporation

Responsive Reinsurance

- Personal, responsive reinsurance tailored to your needs.
- Hands on consulting to manage your business more profitably.
- Professional, experienced staff available to write direct.

Rated "A" by A.M. Best Company.

777 Long Ridge Road, P.O.Box 10167, Stamford, CT 06904 203-329-7700 Fax: 203-329-9027 Atlanta • Chicago • Dallas • Hartford • Los Angeles • New York

Broker sees growth as key to survival



Henry Prentis and Antony Pinsent are Leslie & Godwin's two top officials.

By CAROLYN ALDRED

LONDON—Lloyd's of London broker Leslie & Godwin Ltd. hopes to boost brokerage revenues a hefty 60% by the end of next year, primarily through acquisitions.

Such growth would propel Leslie & Godwin's revenues to 40 million pounds ($62.4 million at current exchange rate) from 25 million pounds ($45.3 million at year-end 1988 exchange rate) in 1988.

The drive for growth is part of the broker's strategy for survival in the competitive London market brokering scene, said Chairman and Managing Director Antony Pinsent.

And that strategy was firmly reinforced last month when Leslie & Godwin completed a 9.7 million pound ($15.1 million) acquisition of Seascope Insurance Holdings Ltd., the insurance brokering subsidiary of merchant bank Henry Ansbacher Holdings P.L.C.

"There will be fewer brokers in the London market in the future," predicted Mr. Pinsent, adding that those that survive the shakeout will be the "larger multiline brokers and the small specialist brokers."

"We intend to be one of those larger multiline brokers," he stressed.

In 1978, Leslie & Godwin became one of the first Lloyd's brokers to be acquired by a major U.S. broker when Frank B. Hall & Co. Inc. purchased it.

"Frank B. Hall is a major international broker, and we would like our size to reflect Hall's size," said Mr. Pinsent. However, "organic growth in the current market environment, with the soft market conditions, is tough going," he noted.

So the company has taken to the acquisition trail to fuel growth.

The addition of Seascope will boost Leslie & Godwin's current revenues to 33 million pounds ($57.5 million) and will strengthen several areas of business for the Lloyd's broker, such as financial services, bankers blanket bonds, fine arts insurance, specie insurance and bloodstock insurance.

Meanwhile, the company is in acquisition talks with a small Lloyd's broker that specializes in financial reinsurance, said Mr. Pinsent, who declined to name the broker.

Leslie & Godwin also has recruited a team of aviation excess-of-loss brokers who formerly worked for Willis Faber P.L.C.

A new company, called Leslie & Godwin A.X.L. Ltd., is being formed in preparation for the team's arrival in October. The brokers include James Outram, Peter Lindsell, Paul Churchill and Mike Jillings.

And, to boost Leslie & Godwin's revenues from U.K. retail commercial insurance, the broker in January bought Walker Persson & Partners, a small regional broker in Plymouth, England, and is involved in acquisition talks with several other regional brokers.

Leslie & Godwin has nine offices throughout the United Kingdom and is targeting several areas for expansion, including Bristol in Western England; Yorkshire in the North; and the East Anglian region, said Deputy Chairman Henry Prentis.

Sister company Godwins Ltd., Frank B. Hall's U.K. employee benefits subsidiary, maintains about 20 regional U.K. offices.

However, Leslie & Godwin is very much an international Lloyd's broker, with international wholesale and reinsurance business accounting for 75% of revenues. U.K. retail business accounts for the remaining 25%.

Breaking down the wholesale and reinsurance portion of revenues, 24% is produced by marine risks; 16%, non-marine risks; 13%, aviation risks; and 22%, reinsurance business.

By 1990, though, Mr. Prentis predicts the brokerage revenue split will change to: U.K. retail 22%, marine 24%, non-marine 19%, aviation 16% and reinsurance 19%.

Messrs. Pinsent and Prentis currently are finalizing a restructuring of Leslie & Godwin to permit a successful integration of Seascope.

The restructured company will maintain the five key management areas of U.K. retail, aviation, marine, non-marine and reinsurance, said Mr. Pinsent.

In addition, Michael Eve, formerly chief executive of Ansbacher Insurance Holdings Ltd., Seascope's parent company, will be appointed to a key management position with Leslie & Godwin, said Mr. Pinsent.

Overseas, Leslie & Godwin manages reinsurance offices in Milan, Italy; Copenhagen, Denmark; Paris; Mexico City; Tokyo; and Singapore, where it opened an office in April 1988.

The company also has a minority interest in Lloyd Paulista, a reinsurance broker based in Rio de Janeiro, Brazil, and in Milan-based reinsurance broker Bruno Sforni.

Mr. Pinsent believes Leslie & Godwin and Hall, which manages most of its other international operations through Hall International Inc. of New York, are ready to take advantage of the opportunities of the forthcoming dismantling of trade barriers within the European Community. Their existing coordinated network of wholly owned, minority owned and corresponding brokers in Europe will become even more valuable when cross-border placements of insurance become a reality.

However, although Mr. Pinsent does not foresee rapid and immediate change in the way business is transacted in Europe, he warns that Lloyd's must keep pace with the changing times.

"Lloyd's is going to have to be more European. For example, Lloyd's will have to start issuing policies in other languages besides English," he noted.

However, Mr. Pinsent believes even the Europeans recognize that London likely will remain an important center of insurance and reinsurance.

"The fact that many companies in the London market, including those with European parents, are planning to set up a reinsurance and non-marine insurance bourse (exchange) in London demonstrates the fact that London still is considered to be the center of the insurance world," said Mr. Pinsent (see story, page 52). ■

J&H INFOLINE

INFORMATION AND IDEAS ON RISK MANAGEMENT AND EMPLOYEE BENEFITS FROM JOHNSON & HIGGINS NO.34

Avoiding the Financial Impact of Environmental Law.

Mergers, real estate deals need early evaluation.

Certain provisions of Federal, state and local environmental laws can pose the risk of significant financial loss in merger-and-acquisition and real estate transactions.

Fines for violations of environmental laws can reach as much as $25,000 per day per site.

Especially vexing is that an owner/operator of a newly acquired property can be liable for violations caused by a previous owner. This is a continuing problem for lending institutions and owners closely involved in operating decisions.

This makes a total evaluation of the environmental aspects of real estate or property transactions vital to both acquirers and lenders.

A buyer must be careful to avoid acquiring:

- Property contaminated by hazardous substances.
- Operations which produce products or by-products or waste that can contaminate and create liability.
- Operations with past practices of waste disposal that present liability potential.

Johnson & Higgins Casualty Loss Control consultants can help potential buyers and lenders by assisting with detailed environmental investigations, from identification and selection of an auditor through evaluation of report recommendations. By aiding effective decision-making on present and future environmental issues, J&H consultants can play a key role in avoiding liability which reduces the potential profitability of a deal.

For more information on how environmental aspects can affect transaction strategy, contact a local J&H office.

© 1989 Johnson & Higgins

Personal touches reflect Crawley Warren's style

By STACY SHAPIRO

LONDON—The colorful flower boxes on the windowsills and the fresh floral bouquets delivered daily to the offices of Lloyd's of London brokerage Crawley Warren Group P.L.C. reflect the company's style.

The floral displays "show that we care, about our clients, our employees and our presentation," said Bernard Warren, co-founder, chairman and chief executive officer.

Other little touches in the offices particularly impress North American clients, which account for 90% of brokerage revenues, he said.

The broker's offices on five floors of No. 8 Lloyd's Ave. are decorated with antique furniture—including Mr. Warren's 1810 English desk. The boardroom is filled with memorabilia such as a framed check from the Bank of California from 1872 and newspapers dating from the 1800s.

Also in the boardroom is an old Lloyd's underwriting box where Mr. Warren sometimes conducts meetings. The underwriting box, one of three the company bought at an auction, was once used by Lloyd's syndicate 438 managed by R.W. Sturge & Co., Mr. Warren said.

"We have North American visitors in here every week of the year" who enjoy the antiquity of Crawley Warren's offices, said Mr. Warren. "The Americans particularly like a bit of heritage and history."

Mr. Warren started in the London insurance market in the 1950s as a broker with Price Forbes Ltd. specializing in personal accident and health insurance and third-party liability coverage emanating mainly from the United States.

However, Mr. Warren left Price Forbes a year after it completed its 1972 merger with Sedgwick Collins Ltd., which formed Sedgwick Forbes Group. (Sedgwick Forbes merged with Bland Payne Ltd in 1979 to form what is now known as Sedgwick Group P.L.C.).

"The Sedgwick/Price Forbes merger was the first major merger in the London market and it was not up to everyone's expectation," Mr. Warren recalled. "Between 1973 (when the merger was announced) and 1974, quite a few people left."

Crawley Warren was formed in 1973 by Mr. Warren and Alan Crawley, who had specialized as an accident/health insurance broker at C.T. Bowring & Co. Ltd.

The brokerage had only three employees when it was established, pointed out Mr. Warren: "myself, Alan Crawley and a secretary."

Mr. Warren says his "specialty" in the firm has always been business management and expansion, while Mr. Crawley's "specialty" has been brokering and marketing.

While he was at Bowring, Mr. Crawley had placed commercial accident and health through several line slips. When Crawley Warren was formed, "we started those facilities again and the brokers were happy with the new line slips with the Crawley Warren name," said Mr. Warren. "It was our bread and butter."

Within a year, Crawley Warren had 10 employees and was approved as an accredited Lloyd's broker.

Today, Crawley Warren has 350 employees in London, the United States and Canada with total estimated gross revenues of about 11 million pounds ($17.2 million).

The company now is a medium-sized. "international specialist broker" with particular expertise in accident/health, aerospace and bloodstock programs. The company also places special property coverages for municipalities and universities as well as reinsurance.

Crawley Warren Group includes:

- Lloyd's broker Crawley Warren & Co. Ltd., which has seven subsidiaries, including a new marine division, headed by Director Peter Osborne, which places coverages primarily for American yachts, marinas and boat builders; and a new life reinsurance division, headed by Director Chris Lloyd.
- International Accident Facilities Inc., an underwriting agency based in Boston headed by Senior Vp-Production Terry Wright and Senior Vp-Underwriting Ron Seaborg with offices in Atlanta, Chicago and Dallas.
- Crawley Warren Insurance Services Inc. in San Francisco, headed by Senior Vp Cass Alimonti, a surplus lines brokerage.
- Reinsurance broker Crawley Warren Black Inc. in New York, a joint venture headed by President Peter Black.
- Hanleigh General Agency in Pearl River, N.J., headed by Henry Tafaro, which places substandard life and disability insurance.
- Voyageur Insurance Co. in Canada, which was incorporated in September 1987 with $10 million Canadian ($8.5 million) in capital and which is expected to produce approximately half of the parent company's profits in the future.

As a correspondent for Lloyd's syndicates, Voyageur had written accident and medical insurance for more than 20 years. Now, as an insurer, it places 50% of each risk via quota-share reinsurance.

Of the divisions of Lloyd's broker Crawley Warren & Co. Ltd. based in London, the largest is CW Accident & Health Ltd., which accounts for between 40% and 45% of the group's brokerage revenues. The division, with between 20 and 25 employees, is headed by Managing Director Roger Eckersley, formerly of Clarkson Puckle Ltd., which is now known as Bain Clarkson Ltd.

The accident/health division specializes in several types of business:

- High-limit and unusual risks.
- The accident/health line slips, which other London brokers can access. One line slip offers up to $30 million in limits on an individual person; another offers up to $150 million in key-man life insurance to companies; another offers up to $10 million in disability insurance limits.
- Professional sports. Crawley Warren is the London disability insurance broker for the National Hockey League and the National Hockey League Players' Assn.; the National Basketball Assn.; and is involved in the insurance programs of two major league baseball teams and one NHL franchise through London broker C.E. Heath P.L.C.
- Entertainment. Crawley Warren places London insurance packages,

Continued on next page



Stacy Shapiro

Crawley Warren Group P.L.C. co-founder Bernard Warren sometimes conducts meetings in an old underwriting box from Lloyd's.

US International Re
Reinsurance Worldwide
♦ New York ♦ Chicago ♦ Los Angeles ♦ Hong Kong ♦ London ♦ Toronto ♦
US International Reinsurance Co.
59 Maiden Lane, New York, New York 10038
A subsidiary of AMBASE CORPORATION

Crawley Warren

Continued from previous page
primarily brokered by American National General Agencies in Los Angeles, that cover film productions by such studios as 20th Century Fox, Walt Disney Corp. and MGM Inc. The broker also places contingency and non-appearance/cancellation insurance for single events.

• Stop-loss insurance for self-funded health care plans and multiemployer trusts.

Crawley Warren also specializes in aviation and satellite insurance through CW Aerospace Ltd., headed by Managing Director and Deputy Chairman John Howes, who joined Crawley Warren from Minet Holdings P.L.C. in 1981. CW Aerospace—considered one of the premier space and satellite insurance brokers in the world—has placed launch insurance for four satellites this year.

The division, with 15 employees, also was appointed broker for International Maritime Satellite Organization's satellite program.

CW Aerospace works closely with Corroon & Black Inspace in the United States to place satellite and space insurance programs. They own a joint venture, Inspace International, which allows them to make joint presentations to clients.

The division's aviation clients include Trans World Airlines, Butler Aviation and the Los Angeles Airport Authority, Mr. Warren said.

Other brokerage divisions of the Lloyd's broker Crawley Warren are:

• CW Property & Casualty, headed by Managing Director Malcolm Forbes-Wilson.

• CW Reinsurance Intermediaries Ltd., headed by Managing Director Mr. Crawley until he retires next June at age 60. Mr. Crawley, the company's second-largest shareholder, will sell his shares to the other shareholders upon his retirement. (Mr. Warren, 55, says he has no plans to retire).

• CW Bloodstock Ltd., headed by Managing Director David Howden.

Although a private company, the group publishes an annual report because "clients want to look and see who we are," said Mr Warren. The latest report is for the year ended June 30, 1988, because Crawley Warren is changing its year end to Dec. 31 and will produce an 18-month report at the end of the year.

Gross revenues at June 30, 1988, totaled 13.7 million pounds ($23.4 million), up from 12.9 million pounds ($20.9 million) at June 30, 1987. Of the fiscal 1988 revenues, 10.9 million pounds ($18.6 million) were generated from North America.

Pretax profits totaled 2.2 million pounds ($3.8 million) in fiscal 1988, slightly less than 2.4 million pounds ($3.9 million) in fiscal 1987.

Gross revenues in 1989 will be down compared with fiscal 1988 because Crawley Warren created the Canadian insurance company, thus reducing brokerage revenues but creating premium income. However, Crawley Warren expects its profits to double to roughly 4 million pounds ($6.24 million).

Crawley Warren was scheduled to go public on the London Stock Exchange on Oct. 23, 1987, but the stock market crash in London and New York four days earlier on Oct. 19 put a halt to the stock sale.

"Our big day was four days after the crash on Black Monday, so we withdrew the public offer," Mr. Warren recalled. "But we like being a private company. . .it brings us back to the flowers."

However, shareholders will consider in the next two or three years whether to go public or to take in a major shareholder.

But Crawley Warren has no plans to merge with an American broker. "We've had approaches from most major U.K. and U.S. brokers. . .but we don't want to take that path. We would lose our identity. We attract business because of who we are." ■

Bermuda

It's not just the world's best captive locale. It's one of the world's best banks.

Realistic legislative freedom and a highly developed infrastructure are two of the benefits that have brought more than half of the world's captive insurance companies to Bermuda.

But Bermuda is more than a place. It's the name of one of the world's most respected international banks.

The Bank of Bermuda. One of the few banks that truly understands your captive business needs.

We have been serving international business clients for nearly 100 years. Through our network of offices in Bermuda, New York, London, Hong Kong, Luxembourg and Guernsey, we are the international banking partner to more than half of the Fortune 500 companies or their subsidiaries.

This experience has given us the expertise you need in global asset management.

Our unique Bankline service lets you tap directly into our database so that all your cash management transactions can be done from your own desk.

We can also offer you our experience as managers of international investment portfolios and act as your custodian in settling security transactions anywhere in the world.

If you would like to find out more about the advantages we offer captives, talk to us.

Call John Swain, one of our captive specialists, at The Bank of Bermuda at (809) 295-4000.

THE BANK OF BERMUDA LIMITED
Bermuda, New York, London, Hong Kong, Luxembourg, Guernsey, Cayman and Isle of Man

Marine capacity abundant: LUA head

By CAROLYN ALDRED

LONDON—Several major marine losses currently spiraling through the London market eventually will reduce marine reinsurance capacity available at Lloyd's, predicts Derek Wills, chairman of Lloyd's Underwriters' Assn.

"I think the losses ultimately will affect reinsurance capacity, it's just a question of when," he said.

So far, however, the only contraction has been in the excess-of-loss reinsurance market, where prices have increased for high-layer coverage.

And, capacity in the marine market is surprisingly abundant following a series of huge losses, Mr. Wills said.

Several of those losses—including the July 1988 Piper Alpha North Sea oil platform explosion, which alone will total $1.4 billion—exceeded $300 million, he noted.

Among the major marine losses since January 1987 are:

• The $300 million loss of a platform owned by Petrobas S.A. in Brazil in April 1988 (*BI,* May 30, 1988).

• Claims hitting the marine excess-of-loss reinsurance market from October 1987's windstorm that devastated parts of Western Europe. Total claims from the storm are expected to reach $3 billion (*BI,* Oct. 26, 1987).


Mr. Wills

• The oil spill from the Exxon Valdez tanker off the coast of Alaska in March (*BI,* April 3).

• Claims stemming from Hurricane Gilbert, which were estimated at between $600 million and $1 billion (*BI,* Nov. 14, 1988).

• Fire damage at the Shell Oil Co. refinery in Norco, La., in May 1988 (*BI,* May 9, 1988). Damage to a catalytic cracker and liability losses are estimated at $215 million.

"Most of those losses—which likely will total close to $2.5 billion—are reinsured at Lloyd's," Mr. Wills pointed out.

Although the direct market paid most of the claims last year, the losses still "are looking for a home" in the reinsurance market, he said.

And, eventually, realization of London's high catastrophe exposure will lead to a "contraction in reinsurance capacity" among Lloyd's underwriters and London company underwriters, Mr. Wills predicts.

"I believe that all claims at Lloyd's will be paid, but I think that underwriters will review their positions," he said.

Indeed, some underwriters and brokers believe several syndicates will be forced to close or merge as Piper Alpha claims climb higher and higher into London's so-called excess-of-loss reinsurance spiral (*BI,* Nov. 16, 1987).

Several syndicates already are experiencing difficulties as a result of the massive loss. For example, marine syndicate 1084, managed by Cuthbert Heath Underwriting Ltd.—which only began underwriting last year—has told members that it has insufficient reinsurance protection to cover its Piper Alpha exposure.

The syndicate's former underwriter, Graham Naish, resigned last year (*BI,* June 19; Aug. 19, 1988).

Meanwhile, looking ahead to the 1990s, a bullish atmosphere currently pervading the shipping industry "could influence trading condi-

Continued on page 24

EVERY YEAR THERE'S ANOTHER SOLUTION TO THE HEALTH CARE CRISIS. SIMPLE. EASY. WRONG.

It's a rare crisis that responds to a small fix.

Yet, year after year, that's exactly what's been offered: cost-containment programs that were effective in the areas they targeted but not broad enough to truly slow surging medical costs.

At the CIGNA companies, we believe what's needed is a whole new framework for offering health care. And so we've created one:

Integrated Managed Care.

Simply put, we form a long-term partnership with each of our client companies and with local providers of medical services.

A partnership where each member is committed to two simultaneous goals: ensuring quality medical care and containing costs.

Then, drawing from a broad array of managed care products and services, we design health care programs to meet each client's short- and long-term objectives. And we implement them in a way that lets clients move at their own pace.

What does this mean for your company?

That at last there are health care programs that can help you contain escalating medical costs.

And what does it mean for your employees?

That they have access to quality medical care through the health care delivery system that's best suited to their needs.

To learn more about programs already benefiting companies nationwide, write the CIGNA Companies, Dept. R2, 1600 Arch Street, Philadelphia, Pennsylvania 19103.

And discover a long-term health care solution that may not be simple or easy, but does have one important thing going for it.

It's right.

CIGNA

Spotlight report

Marine market

Continued from page 22

tions" in the marine insurance market, said Mr. Wills.

"The fortunes of the world's shipping industry have started to take a significant turn for the better with demand for tonnage leading to new orders for building ships," he explained.

Other encouraging signs for the marine insurance market include a steady increase in the value of the dollar, "which will assist in addressing overcapacity," and a continuing steady expansion of world trade, which is growing at about 4% per year, Mr. Wills pointed out.

In addition, increased oil prices also will "stimulate growth in oil exploration," where significant premiums are earned, he said.

The recent increase in oil prices also is leading to increased demand for vessels such as tankers.

But, accidents such as the recent Exxon Valdez oil spill have alerted government and shipping authorities to the hazards of tankers, one of which is the increasing age of the vessels, said Mr. Wills.

"Much of the world's tanker fleet is aging. There has been hardly any tanker construction for 10 years, and tanker owners now are trying to extend the lives of tankers from 15 to 25 years," he explained.

"The environmental implications (of this) will have to be faced by consumers," he said, predicting that incidents such as the Exxon Valdez spill "could ultimately mean that some statutory bodies are unlikely to continue to allow old (tankers) to continue trading."

Meanwhile, the Lloyd's marine market's 1986 underwriting year, which closed this year under Lloyd's three-year accounting system, "has closed with a good result," Mr. Wills said.

However, the results are "somewhat less" than the bumper year of profits that had been expected, he admitted.

"For many syndicates, the reason for this is the fact that the pattern of settlement on old years of account has deteriorated," he explained.

Partly as a result of long-tail liabilities now beginning to snap back at many marine syndicates, "the actual underwriting profit is, in fact, only marginally better than that achieved in 1985," Mr. Wills noted.

"The market, however, enjoyed a modest profit on currency exchange instead of the substantial loss suffered in the previous year, and this has led to an increase in the bottom line profit," he said.

The Assn. of Lloyd's is predicting the Lloyd's marine market will report a total profit of 286.6 million pounds ($518.7 million at year-end 1988 exchange rates) for 1986. This estimate excludes underwriting agents' profit commissions and losses incurred by syndicates in runoff.

Total marine capacity at Lloyd's for 1989 is 4.5 billion pounds ($8.1 billion) spread among 134 syndicates. Total capacity in 1988 was 4.7 billion pounds ($8.8 billion) spread among 132 syndicates.

The largest marine syndicate in 1989 stamp capacity is syndicate 418, underwritten by Stephen Merrett, and managed by Merrett Underwriting Agency Management Ltd. However, the syndicate's stamp capacity was reduced to 242.1 million pounds ($438.2 million) this year from 287.5 million pounds ($540.5 million) in 1988.

In addition, for the second consecutive year, syndicate 418 has been unable to close its 1985 underwriting accounts because of uncertainties over runoff reinsurance policies it wrote during 1982.

Syndicate 206, which is managed by R.W. Sturge & Co. and underwritten by Michael Maughan, remains the second-largest marine syndicate at Lloyd's. But its premium capacity also fell this year to 193.8 million pounds ($350.8 million) from 235.5 million pounds ($442.7 million) in 1988.

Syndicate 367, managed by F.L.P. Secretan & Co. Ltd., and underwritten by Anthony Pilcher, remains the third-largest marine syndicate with a slightly reduced capacity of 142.5 million pounds ($257.9 million) from 150.5 million pounds ($282.9 million) in 1988.

The fourth-largest syndicate, which maintains its position from last year, is syndicate 448, managed by Wellington (Underwriting Agencies) Ltd. The syndicate, underwritten by David Beaumont, also reduced its capacity to 130.1 million pounds ($235.5 million) from 139.3 million pounds ($261.9 million) in 1988.

Meanwhile, the only new entrant among the five largest marine syndicates is syndicate 483, managed by Methuen (Lloyd's Underwriting Agents) Ltd., which moved up from the sixth position last year.

Syndicate 483, underwritten by Peter Chandler, has a stamp capacity of 124.9 million pounds this year (£226.1 million), compared with 126.1 million pounds ($237.1 million) in 1988. ■

Largest Lloyd's marine syndicates

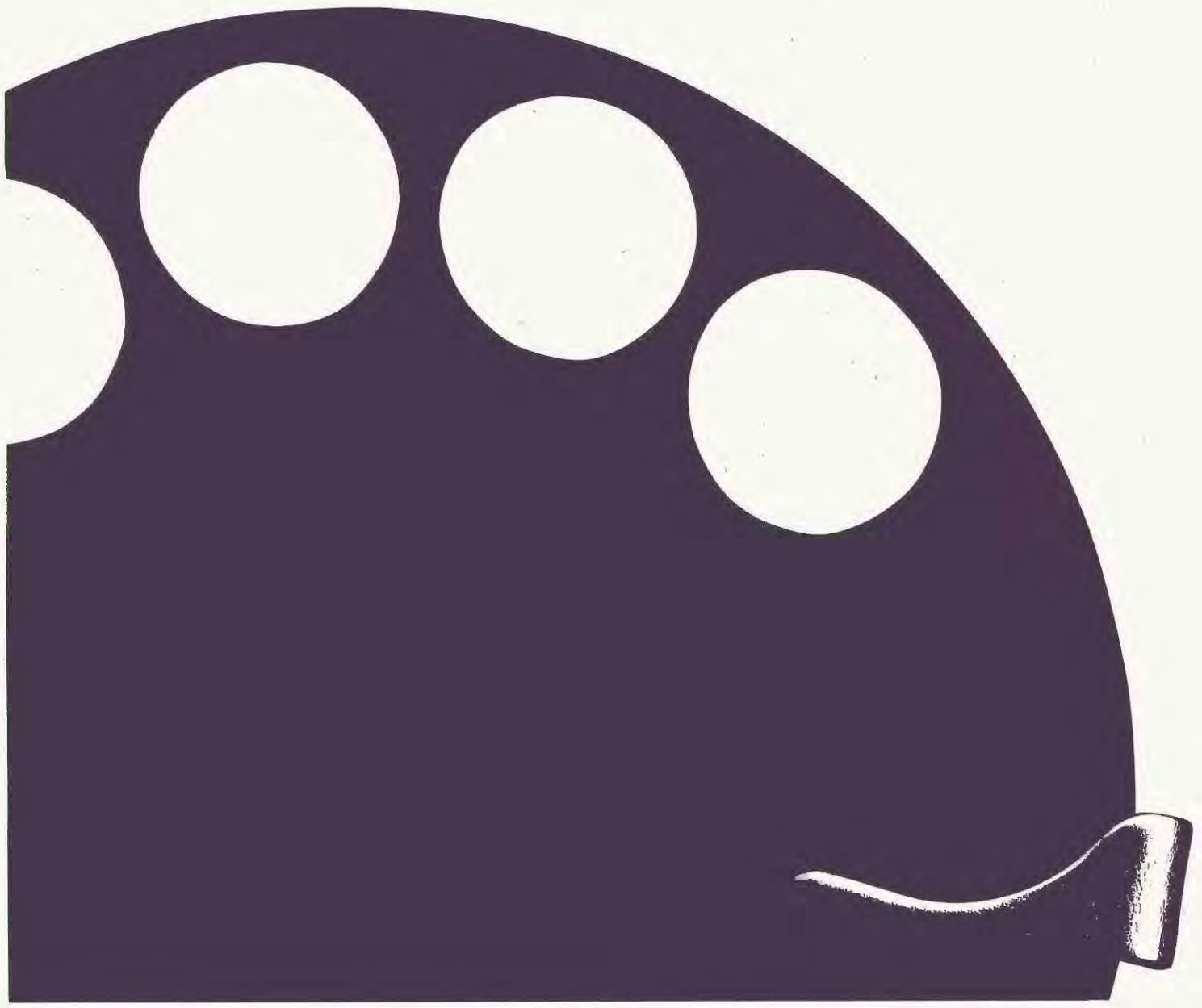
Based on 1989 gross allocated capacity in millions of pounds

Syndicate	Managing agency	Underwriter	Capacity[1] 1989		1988	
418	Merrett Underwriting Agency Management Ltd.	Stephen Merrett	£242.1	$438.2	£257.5	$540.5
206	R.W. Sturge & Co.	M.J.H. Maughan	193.8	350.8	235.5	442.7
367	F.L.P. Secretan & Co. Ltd.	A.D. Pilcher	142.5	257.9	150.5	282.9
448	Wellington Underwriting Agencies Ltd.	D.A. Beaumont	130.1	235.5	139.3	261.9
483	Methuen (Lloyd's Underwriting Agents) Ltd.	P.R. Chandler	124.9	226.1	126.1	237.1
932	Janson Green Management Ltd.	Richard Youell	123.6	223.7	131.9	247.9
406	Wellington Underwriting Agencies Ltd.	S.I. Cowley	110.6	200.2	115.5	217.1
488	Charman Underwriting Agencies Ltd.	J.R. Charman	105.5	191.0	106.0	199.3
282	M.J. Marchant Underwriting Ltd.	M.J. Marchant	100.6	182.1	103.2	194.0
65	H.G. Chester & Co. Ltd.	Geoffrey Welch	95.6	173.0	104.9	197.2

[1]Converted at applicable exchange rates

Source: Lloyd's of London

A lot has changed since C



Rome won't shy away from unusual risks

By CAROLYN ALDRED

LONDON—Lloyd's of London marine underwriter Chris Rome stands out among marine underwriters for several reasons—not the least of which is the type of risk he takes for his syndicate.

He "is one of the old breed of underwriters, someone who is still prepared to take a risk," says one Lloyd's marine broker.

As a result, Mr. Rome often is the first marine underwriter a broker approaches with an unusual risk.

Mr. Rome will consider underwriting anything from major oil rigs and satellites to bloodstock coverage for racehorses in transit to bankers' blanket bonds.

And, while he sometimes is criticized by fellow underwriters for relying too much on instinct and too little on meticulous study of a risk, those same underwriters still follow him on risks "they wouldn't have the courage to lead themselves," one broker observes.

Mr. Rome, 52, also is regarded by many people in the market as a possible future chairman of Lloyd's.

Mr. Rome's early career in the Lloyd's market, however, was the same as dozens of other underwriters.

"I left school at 17 and joined Antony Gibbs & Sons Ltd. insurance brokers as an office boy," he recalled over coffee in Lloyd's of London's Captain's Room.

Why insurance?

"Because my stepfather worked on an underwriting box at Lloyd's," is Mr. Rome's simple answer.

For three or four months he opened the mail and performed errands before being offered a job as a junior broker in the marine brokering division. He continued to broker marine risks for Gibbs for several years, with a two-year break for National Service.

Then, in 1962 when Mr. Rome was 24, he joined former Lloyd's marine underwriter Charles Kirby as his deputy.

At that time marine syndicate 926, managed by Bolton Ingham (Agency) Ltd., had a premium capacity of 220,000 pounds ($616,000 at year-end 1961 exchange rate).

By 1972 when Mr. Kirby retired and Mr. Rome succeeded him, the syndicate's premium capacity had grown to 1 million pounds ($2.6 million at year-end 1971 exchange rate).

Seven years later in 1979, Mr. Rome formed his own underwriting agency—C.W. Rome (Underwriting Agency) Ltd.—and a new syndicate, number 662, which he wrote in parallel to syndicate 926.

In 1986 syndicates 926 and 662 were of similar size and every risk written at Mr. Rome's underwriting box was divided equally between the two.

At the beginning of this year C.W. Rome took over the management of syndicate 926 from Bolton Ingham and merged the two syndicates into syndicate 662.

The combined syndicates have a stamp capacity of 93.5 million pounds ($169.2 million) for 1989, but likely will write premium volume of about 50 million pounds ($78 million) this year, said Mr. Rome.

C.W. Rome now employs 14 people in the underwriting box, including deputy underwriter John Willcox, and six people in the agency offices, including managing director Tony Debenham.

Also earlier this year fellow underwriting agency London Wall Holdings P.L.C. acquired a 40% stake in the Rome agency after a shareholding director sold his stake.

However, the shareholding is purely an investment and C.W. Rome is maintaining its independence, stressed Mr. Rome, adding that London Wall Chairman Robin Warrender was appointed a director of the Rome agency in December 1988.

Mr. Rome, who stepped down as chairman of the Lloyd's Underwriters' Assn. this year, now plans to concentrate on preparing the syndicate and agency for the future.

We are "going through a period of introspection. I will be 52 in November and I don't intend to be an active underwriter beyond the age of 60."

As a result, "now is the time to consider the structure of the box during the next five to six years," he said.

Currently, the syndicate follows traditional Lloyd's operations, with Mr. Rome making most of the important underwriting decisions.

"We are looking to change the old fashioned structure and I am considering introducing several specialists onto the syndicate, which is not something we've done in the past," he noted.

Mr. Rome believes many syndicates eventually will have to operate with several specialists.

However, "in my view most of the successful syndicates in the marine market tended to be dominated by one active underwriter. They've been more successful than syndicates where there have been a lot of people underwriting," he said.

But "I'm not sure that type of syndicate can operate in the 1990s, with different ways of doing business and marketing likely, we will have to look at a different approach," predicted Mr. Rome.

Mr. Rome also is considering opening a branch office outside London and "will need someone on the box capable of managing an outside agency."

"I think all underwriters are going to have to consider whether this is the way forward for Lloyd's," he said, referring to locating underwriters outside of the Lloyd's Underwriting Room in London.

"I believe that for various reasons Lloyd's has become less attractive for smaller business, such as small cargo business," said Mr. Rome. Lloyd's underwriters are striving to find ways to win back that business.

Also, the syndicate and agency are changing the computer system used in the box to prepare for the increased use of computer technology in the market.

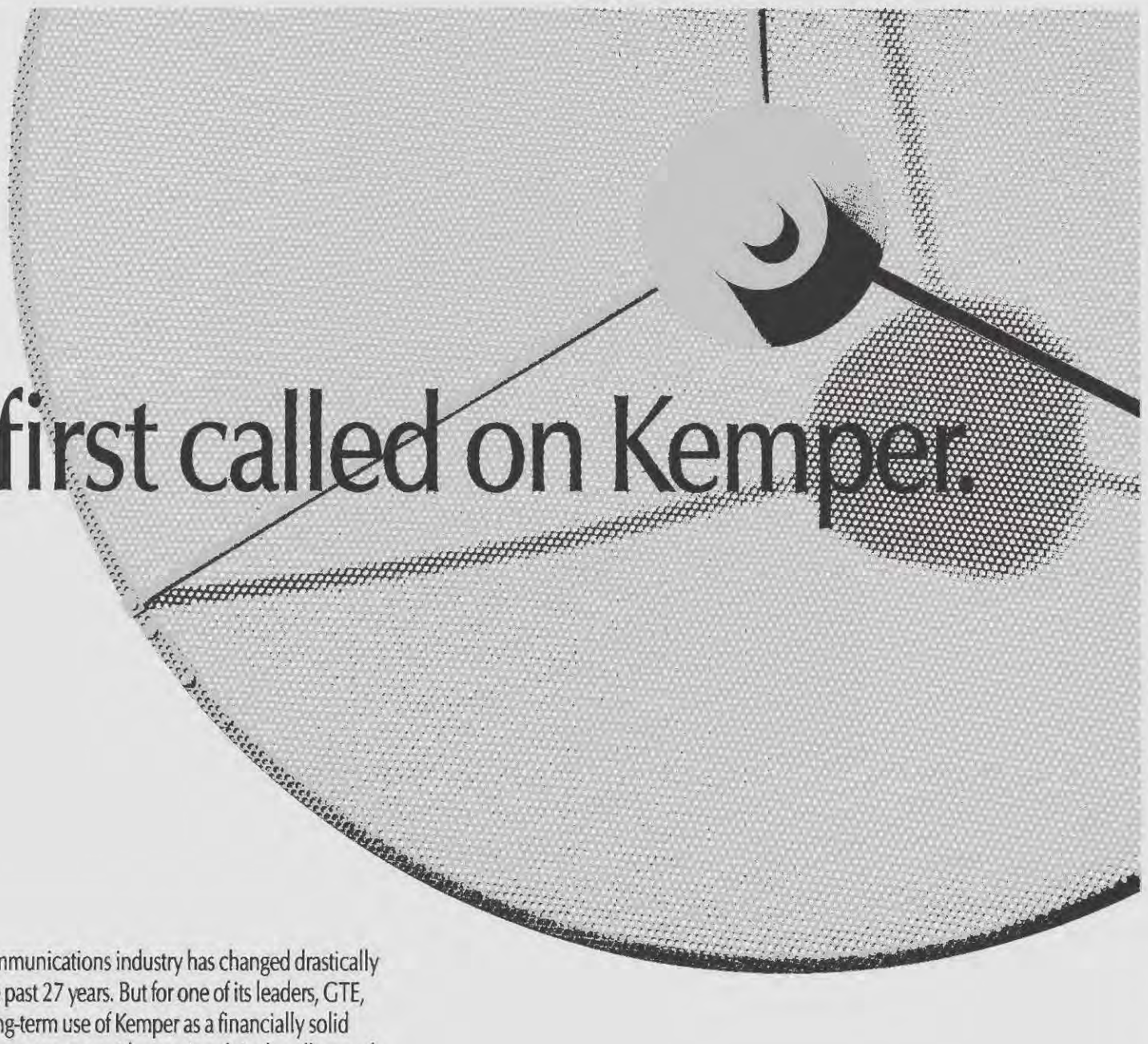
Underwriting box employee Alan Williams "has spent the last six months" working with computer consultants to make the system capable of underwriting via the London market computer network, which links brokers and underwriters in London.

However, "I have a distinct feeling that the sort of business London is good at—complicated commercial business and new forms of insurance—will continue to be placed through face-to-face negotiation," predicted Mr. Rome.

Nonetheless, there is "a great deal of administrative work which can be replaced by computer links such as documentation, reinsurance reinstatements and claims settlement, which will make Lloyd's more attractive to customers," he noted.

Mr. Rome expects the Rome agency

Continued on next page



The communications industry has changed drastically over the past 27 years. But for one of its leaders, GTE, their long-term use of Kemper as a financially solid insurance company with superior claim handling and loss control expertise has remained constant.

That's why, since 1962, GTE has called on Kemper for casualty insurance protection and management information that's tailored to its wide-ranging and changing needs.

We're widely recognized for our industry-leading expertise in specialty lines like Boiler & Machinery and HPR. And more and more companies are depending on us for an even broader range of coverages and services... both domestically and anywhere in the free world.

Ask your independent agent or broker how Kemper can serve your company and help control costs.



Kemper National P&C Companies

©1989 Lumbermens Mutual Casualty Company.

DENTAFITS, INC.
Can Provide
STOP LOSS COVERAGE FOR
►Dental ►Vision
►Prescription Drug
GROUP BENEFIT PLANS
For quotes or information call or write:
Debbie Boucher
P.O. Box 3209, 527 E. Rowland Ave.
Covina, CA 91722 (818) 967-2878
FAX (818) 332-5778

Rome

Continued from previous page
to grow during the next few years by starting new syndicates and possibly acquiring other agents, including a members' agency.

But, until Mr. Rome has secured the future of his syndicate and agency, he is ignoring calls to stand for membership on the Committee of Lloyd's.

"I could not contemplate standing for the Committee of Lloyd's in these difficult underwriting times. For the next year or two I need to concentrate on the job I'm good at, which is underwriting.

While "I would find being a member of the committee to be a very rewarding goal, I run an active syndicate and it would not be good for my business to go onto the committee," he added.

Very few underwriters can spare the time to serve on Committee of Lloyd's, which is made up of the working members of the Council of Lloyd's, and that presents Lloyd's with a "hideous dilemma," according to Mr. Rome.

"One of the great problems Lloyd's faces is finding people of sufficient expertise and quality to serve on the committee when underwriters' responsibilities are to their (syndicate) members first and not the market as a whole," he explained.

Mr. Rome currently devotes time to the market, serving on three working committees: the business issues committee, the external relations committee and the investment committee.

And, he clearly has not rejected long-term political ambitions in the market.

"I would love to serve on the committee," he said.

"It would be the culmination of may career to be chairman or deputy chairman of Lloyd's—indeed it should be everyone's ambition at Lloyd's," he said. ■

Outhwaite could face another legal fight

By CAROLYN ALDRED

LONDON—Beleaguered Lloyd's of London underwriter Richard Outhwaite could be facing a new legal battle before year-end.

An independent legal opinion prepared for members of syndicate 317/661 in the 1982 underwriting year, who face hundreds of millions of dollars of losses on runoff reinsurance policies issued by the syndicates, contends the members have adequate grounds to claim damages for negligence and breach of duty.

The legal opinion, prepared by three independent trial lawyers on behalf of the 900-member Outhwaite 1982 Names Assn., was issued earlier this month (*BI*, Aug. 14).

The opinion contends that Mr. Outhwaite "fell far below the standard of skill and competence reasonably expected of him" in writing 32 runoff reinsurance policies during the 1982 underwriting year.

In addition, the report recommends that the members should seek damages equal to the loss suffered by each member.

According to syndicate 317/661's 1988 accounts, 1982 members eventually will have to pay more than 170 million pounds ($265.2 million at current exchange rates) to cover liabilities that mainly stem from the runoff policies (*BI*, June 5).

"The claim should be advanced on the basis that, had Mr. Outhwaite properly discharged his duty of care, none of the 32 policies would have been written," say the lawyers who prepared the report: Anthony Boswood, Michael Hart and Michael Crane.

"We believe that R.H.M. Outhwaite (Underwriting Agencies) Ltd. will be held liable in damages," the lawyers add.

The massive losses faced by the 1982 members stem from dozens of runoff reinsurance policies Mr. Outhwaite wrote in the early 1980s for insurance companies and other Lloyd's syndicates providing excess-of-loss reinsurance, often on an unlimited basis, for past underwriting years.

Mr. Outhwaite is disputing claims from several runoff policies he wrote, many of which covered losses arising from asbestos and environmental pollution in the United States. Mr. Outhwaite contends the cedants did not fully disclose information about the risks to be reinsured.

Despite attempts by Lloyd's to initiate settlement talks between Outhwaite and about 20 Lloyd's syndicates that ceded their past liabilities to syndicate 317/661, several disputes still are headed for arbitration.

And, at least one policy already declared valid by an arbitration umpire is heading for trial in London's High Court (*BI*, July 3).

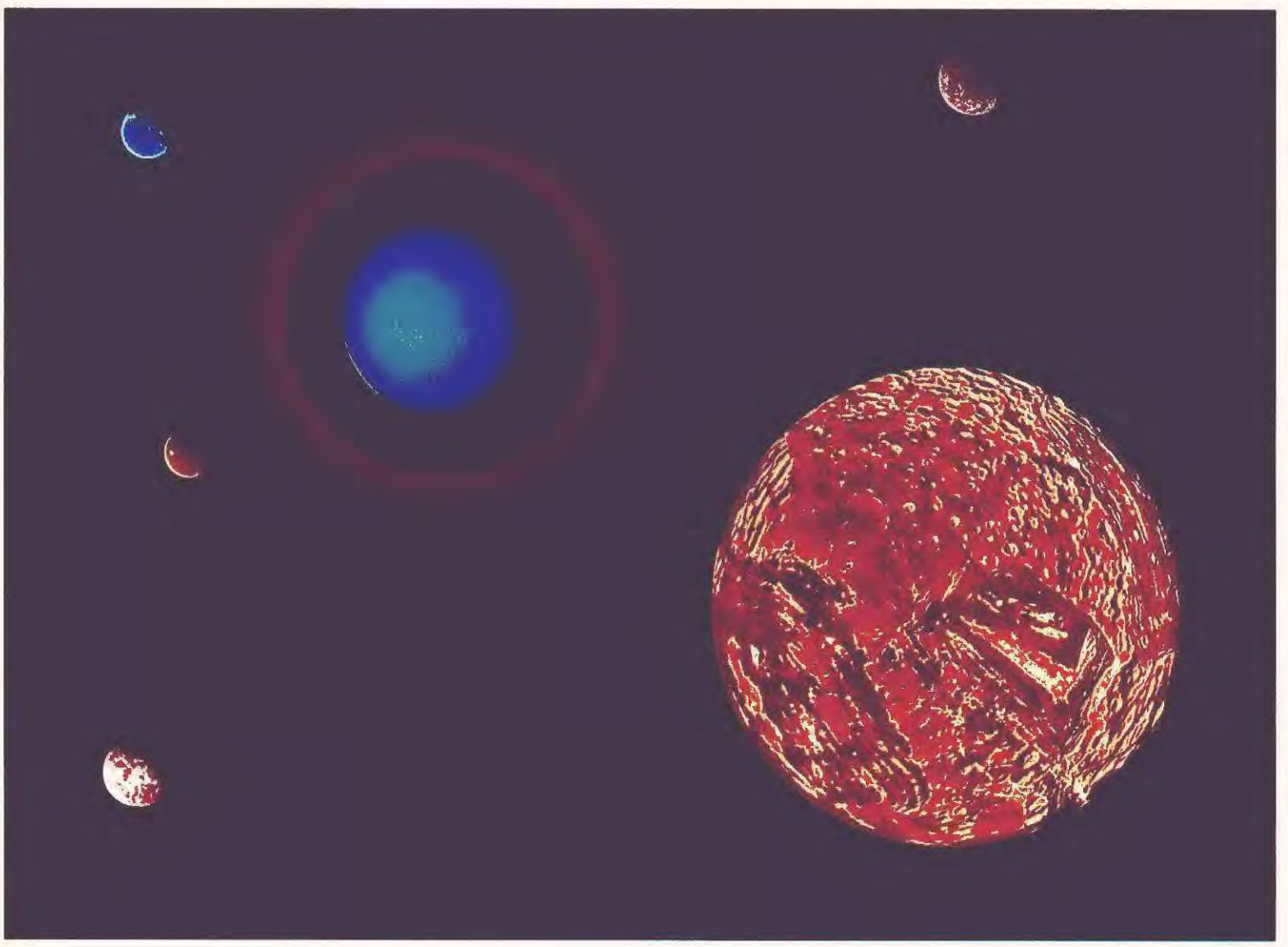
According to the 1982 Names Assn. report, a combination of several "unusual" features of the runoff reinsurance policies "ought to" lead to a finding of negligence against Mr. Outhwaite.

These unusual features include:

- All but six of the 32 policies contained unlimited liability.

"The reason why any prudent and careful underwriter would think long and hard before committing his syndicate to unlimited-

Continued on page 28



CELESTIAL VISIONS



What an awe-inspiring view of Uranus and five of its moons shot by Voyager II in 1986. What breathtaking scientific progress, considering that Uranus was only discovered in 1781. Who accomplished this remarkable feat? It was a son of Hannover, Friedrich Wilhelm Herschel, who detected the 7th planet. Mankind's unquenchable thirst for knowledge propels us on. We endeavour to recapture his spirit of determination, ingenuity and professionalism in our worldly universe of Reinsurance. May your Reinsurance protection always be under a lucky star.

HANNOVER RE · EISEN UND STAHL RE
Karl-Wiechert-Allee 50 · D-3000 Hannover 61 · West Germany
Telephone 49-511-5604-0 · Telex 922599 hres

REINSURANCE SERVICES

FROM REINSURANCE PROFESSIONALS

We understand your problems... Such as

Uncollected or Unbilled Reinsurance

Control of MGA's

Environmental Liability

DES, Asbestos

Difficulty Staffing Run-Offs

We can help solve your problems... through

Consulting Services:

- Evaluation of immediate and long term problems
- Staff evaluation and development
- Premium Audits
- Claims Audits
- Reinsurance Collection
- Commutations
- Litigation Support

Management Services:

- Complete range of run-off services
- Implementation of cost control systems
- Quarterly financial and statistical reports

We speak your language

We are reinsurance professionals with specialized expertise in addressing financial problems facing all reinsurers.

We are part of an internationally renowned insurance group with a network of offices in North America, Bermuda and England.

99 WALL STREET
NEW YORK, NEW YORK 10005
TEL 212-425-4400 FAX 212-425-4564

Spotlight report

Outhwaite

Continued from page 26

insurance or reinsurance speaks for itself: There is no way of knowing what the syndicate's liability will be in the worst case," the report notes.

- Mr. Outhwaite "took extremely large lines on the risks: 100% in 12 cases, 50% or more in a further 11, never less than 25%."

As a result, "risks previously spread across Lloyd's and (three insurance) companies were aggregated into one syndicate," the report notes.

- "It is clear that the cedants purchased the runoff policies because of their fears about asbestosis," whereas Mr. Outhwaite has "disclaimed any special knowledge or understanding of asbestosis problems."
- "There was an obvious risk of aggregation: If one of the runoff reinsurances went wrong, so in all probability would all the others," the report says.

Many of the 1,642 members of Outhwaite's 1982 syndicate plan to meet Sept. 14 to discuss the lawyers' report. Members who do not already belong to the 1982 Names Assn. have until Oct. 31 to decide whether to join in filing litigation, said Stuart Beare, a partner of London law firm Richards Butler, who is advising the association.

Litigation will be filed if more than 500 members agree to participate in the action by the end of October, said Peter Nutting, association chairman.

To pursue damages, members must sue the members' agent that placed them on the syndicate because the members' agent is "responsible in law for the acts and omissions of the Outhwaite Agency as its subagent," the report says.

However, "this does not involve any adverse comment on the skill, judgment or integrity of the members' agents concerned," the report stresses.

Under Lloyd's agency agreements, a Lloyd's member appoints a members' agent to conduct underwriting business on his behalf. The members' agent then places members on different syndicates through subagency agreements with the syndicates' managing agents.

For members placed on syndicate 317/661 by the Outhwaite members' agency—who are known as "direct names"—the position is "straightforward" because they can sue the Outhwaite agency directly, according to the report.

However, most of the 1982 names were "indirect names," placed on the syndicate by other members' agencies. As a result, they are required to sue their members' agent for any negligence committed by the Outhwaite agency, the report explains. The members' agencies then can sue Outhwaite.

According to the report, the indirect names may be more likely to collect damages because they will not be suing Outhwaite directly. In contrast, the direct names and members' agents will have to pursue what may be limited resources, the report notes.

"We do not know whether the assets, together with the errors and omissions insurance cover of the Outhwaite Agency, would be sufficient to meet even the direct names' claims," the report says.

"Furthermore, additional demands are likely to be made on the Outhwaite Agency assets and E&O cover when members' agents. . .seek an indemnity from Mr. Outhwaite and the Outhwaite Agency against such liability," the report says.

While the report does not specify the total assets of the 102 members' agents that placed 1982 names on the Outhwaite syndicate, David Lentaigne, secretary of the 1982 Names Assn., estimates that indirect names will be "able to recover up to 800 million pounds" ($1.2 million) from E&O coverage held by the members' agents.

Meanwhile, most members have agreed to pay a cash call of 64.8 million pounds ($101.1 million at current exchange rates) made by the Outhwaite agency in early June.

About 60% of the cash was paid by members as of the July 14 deadline, and most of the remaining members have "indicated their intention to pay," said Outhwaite's Chief Executive Edward Bloxham.

Under agency agreements, members are required to pay any losses called by syndicates or face suspension of their Lloyd's membership. However, the members may subsequently sue for damages relating to the losses.

Mr. Bloxham also pointed out that recent settlements reached with several cedants have helped reduce the uncertainty the syndicate faces over future liabilities.

For example, several of the settlements, including one with Fireman's Fund Insurance Cos. of Novato, Calif., have involved capping previously unlimited liability (*BI,* July 31).

"Every time we cap a contract it gets easier" to accurately assess the syndicate's liabilities, said Mr. Bloxham.

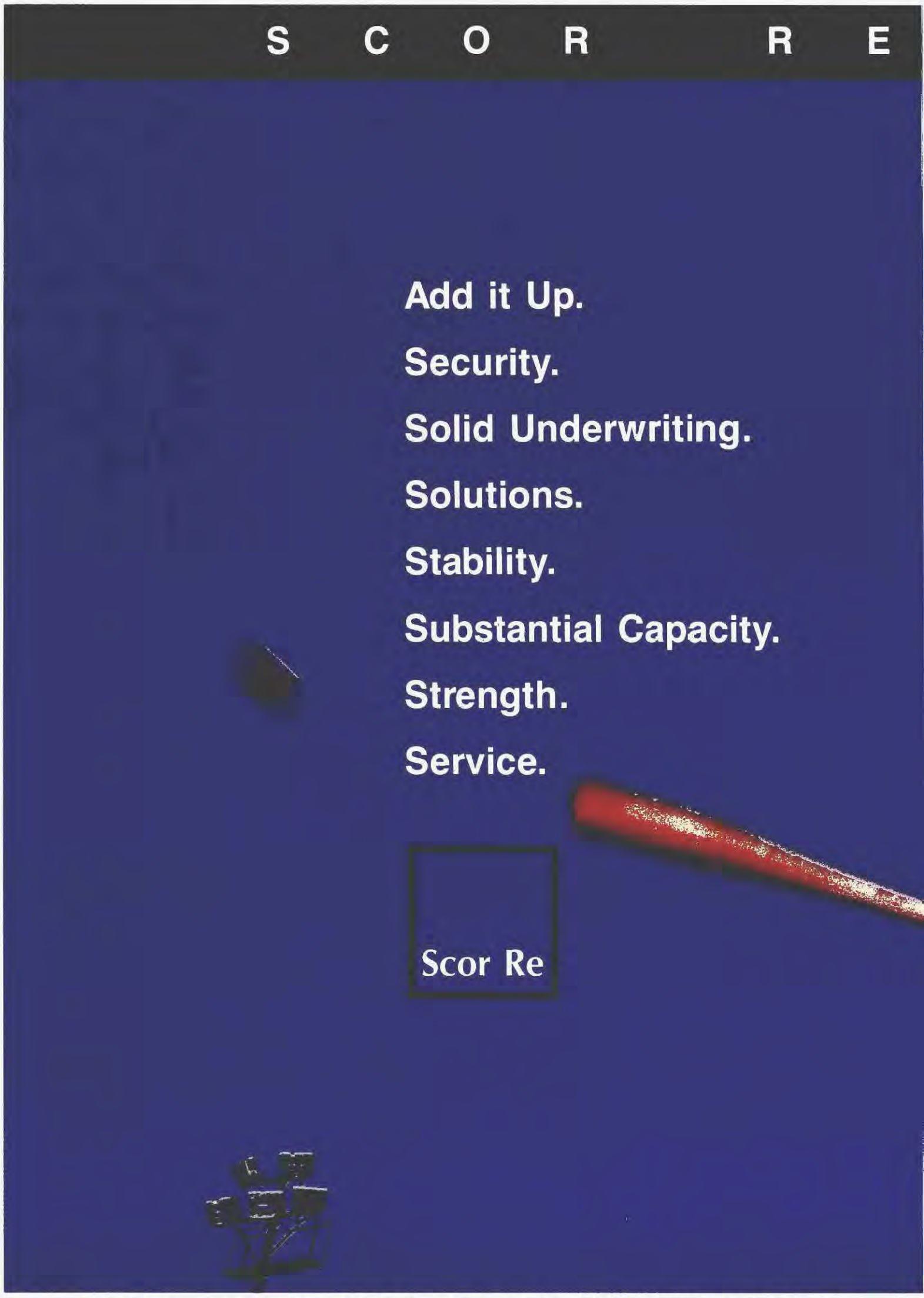
However, even if the syndicate manages to settle other disputes by capping the policies, Outhwaite will "not be able to close the 1982 account immediately," he said.

First, "it will be necessary to make sure the (losses on the policies) have stabilized," he said.

In addition, the Outhwaite agency "has undertaken not to close the 1982 account without consulting" members' agents who still have members on the syndicate, Mr. Bloxham noted.

In spite of success at capping some of the runoff policies, the 1982 Names Assn. is skeptical of Outhwaite's chances of capping the remaining contracts.

"It has been suggested that a settlement of the other 26 disputed contracts on terms similar to those applicable to Fireman's Fund would result in the liabilities of the syndicate being capped with no increased provision for losses necessary. That indeed would be satisfactory news for us all, but few people in the market seem to think that this is likely," wrote Mr. Nutting in a letter to members earlier this month. ■



Secretan prepares for second 200 years

By CAROLYN ALDRED

LONDON—Lloyd's of London underwriting agency F.L.P. Secretan & Co. Ltd. is looking firmly toward the future while celebrating its 200th year as an underwriter.

The oldest underwriting agency at Lloyd's is hoping to attract new business to the market by starting a new syndicate with an underwriter based in Solihull, England—more than 100 miles from Lloyd's underwriting room in London, said Secretan Chairman Anthony D. Pilcher.

Secretan also is being restructured into two companies to separate its syndicate management operations and its members' agent operations.

The new structure, due to be completed within a few weeks, "will take us into the future," said Chief Executive Roy Oliver.

Secretan currently manages six syndicates, including Lloyd's third-largest marine and fourth-largest aviation syndicates. Overall, syndicates managed by Secretan have premium capacity of more than 250 million pounds ($452.5 million at year-end 1988 exchange rates).

In addition, Secretan's members' agency looks after the underwriting interests of 380 Lloyd's members.

Secretan's new non-marine syndicate, which will begin underwriting next year, will broaden Secretan's spread of syndicates, said Director Robin C.G. Taylor.

Syndicate 1152, already approved by Lloyd's, will be underwritten by Patrick Gage. The syndicate will have premium capacity of 5 million pounds ($7.8 million at current exchange rates).

Before joining Secretan in September 1988, Mr. Gage was an underwriter responsible for U.K. business in the London market and provincial accounts at Willis Faber (Underwriting Management) Ltd.

The new syndicate will write mainly U.K. commercial short-tail business, traditionally a class of business that Lloyd's has been unable to attract, said Mr. Taylor.

This will include commercial property, pecuniary loss, shop keepers, jeweler's block, art dealers, contingency and homeowners risks.

Traditionally "U.K. domestic business has not been an area in which Lloyd's excels, with over 95% of commercial business being retained" by regional insurers rather than insured by underwriters at Lloyd's, according to the syndicate's prospectus.

However, to attract some of this business to Lloyd's, the syndicate is setting up an underwriting office in a manufacturing town in the middle of England.

"Agreement has been reached with Malvern Underwriting & Reinsurance Agencies Ltd., a successful underwriting agency in Solihull, West Midlands, for an underwriter employed by the syndicate to be based in their offices in order to develop an account from business written" via local brokers, the prospectus explains.

The new structure, as two companies, 'will take us into the future,' says Chief Executive Roy Oliver.

The agency's management believes more Lloyd's syndicate offices will be established outside of London in the future to attract small to medium-sized commercial risks from the United Kingdom and other countries.

At the moment, Secretan, like several other agencies, is "putting (its) toes in the water and testing the temperature," said Mr. Taylor.

"If it works, we will look at setting up in other areas," he added. But at the moment we are "watching our costs closely."

Eventually agencies may work together in setting up operations outside London, Mr. Oliver predicts, adding that some cost-sharing will be needed. "For an individual agency to have its own offices (in different places) will be extremely difficult."

But, if Lloyd's doesn't compete with major insurance companies to write risks other than large industrial risks or reinsurance "we will end up in a shrinking environment," said Mr. Taylor.

The syndicates that Secretan currently manages rank among the market's largest.

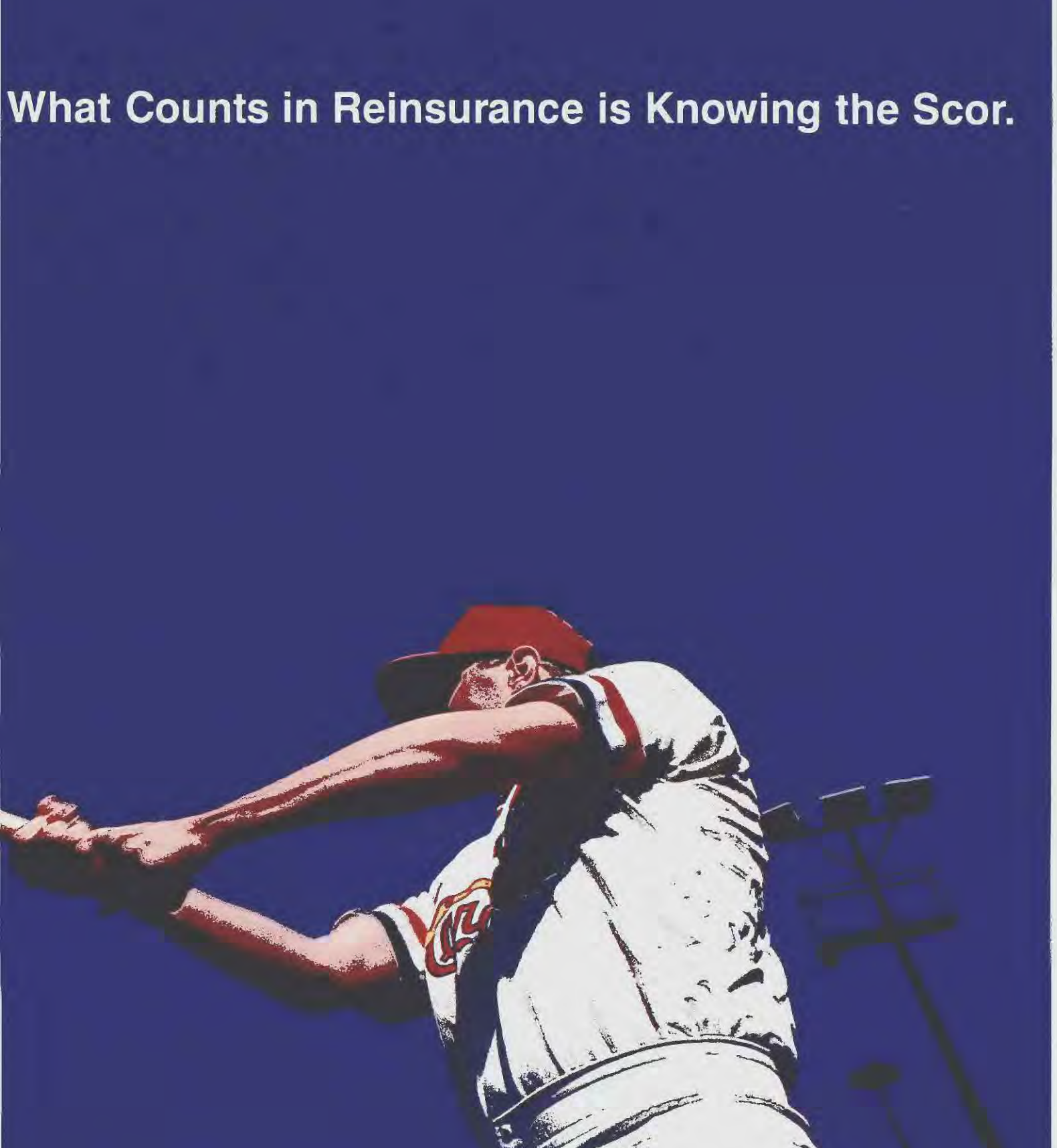
Mr. Pilcher underwrites for marine syndicate 367, Lloyd's third-largest marine syndicate with 4,600 members and a premium capacity of 142.5 million pounds ($257.9 million).

The syndicate "has for many years adopted a policy of underwriting a very broad spectrum of business," according to its annual

Continued on next page

I N S U R A N C E

What Counts in Reinsurance is Knowing the Scor.



Chicago 312-346-2189 • Dallas 214-401-1066 • Hartford 203-525-2300

7-17-89

$25,000,000
(Surplus)

Midwest Employers Casualty Co.

Has completed new financing which increased it's surplus to $25,000,000.

Providing
Excess Worker's Compensation for Self-Insured Employers

11457 Olde Cabin Road • St. Louis, Missouri
(314) 567-4575

Secretan

Continued from previous page
report.

"This does not mean we write everything, nor do we want to, but we consider that, when the pure marine side is under pressure, the broader spread of business is the safest and best policy for our names," Mr. Pilcher explained in the report.

For example, the syndicate writes, among other things, insurance for ships, rigs, yachts, dams, bridges, docks, construction risks on land, specie risks, exhibitions and jewelers, he said.

The syndicate also writes some non-marine liability coverage through package policies for major oil companies. And it writes war risk, bankers blanket bond, contract frustration and excess-of-loss reinsurance coverage.

The agency's second flagship syndicate is aviation syndicate 545, underwritten by Terry Pitron, the fourth-largest aviation syndicate at Lloyd's. The syndicate has 3,200 members and a premium capacity of 56.2 million pounds ($101.7 million).

The syndicate writes a broad range of aviation insurance and reinsurance.

However, Mr. Pitron notes in the syndicate's annual report that he is writing a "modest" amount of business until the "present alarming and depressing down-cycle passes."

Other syndicates currently managed by Secretan are:

- Marine syndicate 411, which is underwritten by J.N. Craig. The syndicate has 555 members and a premium capacity of 8.5 million pounds ($15.4 million).
- Aviation syndicate 1046, which is underwritten by Mr. Pitron. The syndicate has a capacity of 5.3 million pounds ($9.6 million) and 500 members.
- Non-marine excess-of-loss reinsurance syndicate 1005, underwritten by J.M. Ramage, with a capacity of 21 million pounds ($38 million) and 1,000 members.
- Motor syndicate 366, underwritten by L.F. Gray, with a premium capacity of 9 million pounds ($16.3 million).

Secretan is also looking back on results of a new marine syndicate it started last year that writes excess-of-loss reinsurance.

The timing of the syndicate's start-up—during the same year as the massive $1.4 billion Piper Alpha oil rig loss—could have been better, Mr. Pilcher pointed out in hindsight.

"The overall enormity of the Piper Alpha loss, coupled with the so called 'spiral' effect of the reinsurance assumed book of business, makes the ultimate outcome of the year difficult to predict," reported underwriter T.M. Jones, in syndicate 1097's annual report.

The syndicate underwrote a lot of "top catastrophe coverage" and "whether a loss the size of Piper Alpha will exhaust all of these protections is too early to say," he explained.

However, the syndicate this year increased its premium capacity to 10.5 million pounds ($19 million) from 7.9 million pounds ($14.9 million) in 1988. The syndicate currently has 600 members.

Although the agency's executives are looking ahead to future changes in the Lloyd's market, they have not let Secretan's bicentennial go by unnoticed.

The earliest mention of Secretan at Lloyd's is a 1789 list of members that includes F.S. Secretan, an underwriter who worked in partnership with Paul Le Mesurier under the name of Le Mesurier & Secretan.

Members of the Secretan family, originally from Holland, continued to work in the market until the 1920s, when underwriter Spencer Secretan retired, according to Mr. Pilcher.

Secretan's sense of history prevails in the agency's modern offices on the seventh floor of Lloyd's high-tech building.

Among the desks in the office is an underwriting box used by the agency in 1844 as well as a box last used in 1985, when Lloyd's moved out of its 1958 building.

To celebrate its bicentennial, the agency has sponsored an annual award of 1,000 pounds ($1,560) for the best essay on "business innovations in the Lloyd's market."

The Secretan Award is open to all people under age 40 who work in the Lloyd's market.

Other events celebrating Secretan's bicentennial this year include:

- A presentation of a silver bicentennial box to all Secretan's direct names.
- Cocktail parties held in April and June in London's Guildhall for Secretan members and business contacts.
- A dinner in November for Secretan employees and their spouses.
- Two boating parties. ■

A Stable and Proven Insurance Market

McGEE

Valued by Our Producers Since 1887

NOW MORE EFFECTIVE THAN EVER!

WM. H. McGEE & CO., INC. SINCE 1887 UNDERWRITING MANAGERS

- OCEAN MARINE
- INLAND MARINE
- PROPERTY COVERAGES
- RELATED RISKS

WORLDWIDE INSURANCE COVERAGE FROM
wm. H. McGEE & CO., INC.
UNDERWRITING MANAGERS SINCE 1887

Four World Trade Center, New York, N.Y. 10048
Telephone: 212-775-1300 • Telex: 12-9249 • Fax: 212-524-6805

Atlanta • Baltimore • Boston • Charlotte • Chicago • Clifton • Columbus • Dallas • Detroit
Hamilton, Bermuda • Hato Rey, P.R. • Houston • Los Angeles • Melville, L.I. • New Orleans
New York Regional • Philadelphia • Pittsburgh • San Francisco • Seattle • Syracuse
Montreal • Toronto • Vancouver

Correspondents throughout the world

If you would like a part of our talent show

AM-RE MANAGERS makes the top talent in the industry, and all the services of American Re, available on a consulting basis —for traditional and non-traditional clients, too.

Services like:

Actuarial: Internal Operations

Actuarial: Reserving Procedures

Actuarial: Pricing/Ratemaking Processes

Actuarial: Results Analyses/Financial Covers

Actuarial: Corporate Financial Analyses

Fire Investigation and Fraud Management

Property Excess Rating System: Auto Fac℠

Balance Sheet Protection:℠ Financial Reinsurance

Organizational Culture Profile

Medical Management of Catastrophic Injuries

Extended Occurrence/Product Liability and Pollution and Hazardous Waste Claim Management

Claims Settlement Management

Underwriting Management Services

Compensation Consulting

Litigation and Product Claim Management

Merger and Acquisition Analysis

Miror:℠ Management Insights Reflecting on Results

Reinsurance Portfolio Analysis

Value of Teamwork Workshop

AM-RE BROKERS, Inc.

Planning Table®

Tax Consulting Service

Call us.

Ken LeStrange (609) 275-2000

AM·RE MANAGERS INC
The American Re·Source
A subsidiary of American Re-Insurance Company.

American Re Plaza, 555 College Road East, Princeton, NJ 08543-5241

Spotlight report

Stewart vows to stay with underwriting

By STACY SHAPIRO

LONDON—Lloyd's underwriting agency Stewart Underwriting P.L.C. is a 67-year-old privately held company dedicated to underwriting, says Managing Director and Chief Executive David Craig.

"We will not diversify from underwriting. Our job is solely as underwriting agents," he asserts.

The company, which owns a managing agency and a members' agency, also does not plan to go public, Mr. Craig says.

Its managing agency unit, Stewart & Hughman Ltd., manages five Lloyd's syndicates with 140.9 million pounds ($255 million) in capacity, according to syndicate figures and the Assn. of Lloyd's Members' 1986 syndicate results.

The five syndicates are:

• Marine syndicate 15/16/17, underwritten by P.N. Chrismas.

The syndicate's total allocated capacity decreased 5% this year to 49 million pounds ($88.7 million) from 51.6 million pounds ($97 million) in 1988.

The syndicate traditionally has been a leader of direct hull insurance business. "However, in many parts of the world, this now comes to London as reinsurance," said Mr. Chrismas in his annual report for the year-ended Dec. 31, 1988.

The syndicate also writes cargo and oil rig business but will not write oil rig packages unless it has reinsurance for the liability sections of the packages, he said.

The syndicate nearly doubled its profits for 1986, the year being reported next month under Lloyd's three-year accounting system, to 5.3 million pounds ($9.6 million) from 2.7 million pounds ($5.1 million) in 1985.

However, in 1987 and 1988, the syndicate was hit—as were most marine syndicates—with a spate of losses, including a portion of the $1.4 billion Piper Alpha North Sea oil disaster. The disaster cost the syndicate $7.8 million: $3.1 million written in 1987 and $4.7 million written in 1988.

• Non-marine syndicate 15, underwritten by T.W. Brien. The syndicate's capacity this year was unchanged at 56.9 million pounds ($103 million). The syndicate's largest class of business is North American property business, which accounted for 28% of net premium volume written last year, he said in his annual report.

The syndicate also writes U.K. and overseas property risks; excess-of-loss reinsurance and facultative reinsurance treaties; U.S. physical auto damage; bankers blanket bonds; livestock/bloodstock; personal accident/medical; jeweler's block; and professional liability coverages.

Marine syndicate 16/17/18 and non-marine syndicate 15 are expected to enter into arbitration this autumn with syndicate 317/661, managed by R.H.M. Outhwaite (Underwriting Agencies) Ltd., to resolve disputes over two runoff reinsurance policies placed with syndicate 317/661.

Until the disputes are settled, Stewart & Hughman has left the two syndicates' 1984 years of account open, Mr. Craig confirmed.

• Aviation syndicate 172/173, underwritten by A.J. Medniuk. The syndicate's allocated capacity this year dropped slightly to 23.1 million pounds ($41.8 million) from 23.6 million pounds ($44.4 million) last year.

For the last three years the syndicate has mainly written aviation product liability coverage, which has generated approximately 34% of the syndicate's gross premium volume between 1986 and 1988.

Airline hull and liability coverage account for approximately 17% of its premium volume.

The remaining premium volume is generated by personal accident, other hull and airport coverages.

• Motor syndicate 378, underwritten by D. Allen. The syndicate has 6 million pounds ($10.9 million) of allocated capacity this year.

• New non-marine excess-of-loss reinsurance syndicate 1117, underwritten by B.P. Bartell. The syndicate also has about 6 million pounds of capacity this year, Mr. Craig said.

He stressed that none of the syndicates was established by purchasing other managing agencies.

However, the company's members' agency, Stewart Members Agency Ltd., has increased in size through acquisitions. Today the members' agency, under Managing Director Kenneth Combe, manages the affairs of approximately 800 Lloyd's members, Mr. Craig said.

In January 1988, the company sold about 24% of its privately held shares to institutional investors, although the company remains a private concern, he said.

The company earlier this year decided to change its name to Stewart Underwriting P.L.C. to reflect the Stewart family's role in the company, Mr. Craig noted.

The company, which was called River Clyde Holdings P.L.C. until last year, was founded in 1922 by A.B. Stewart, the father of Stewart Underwriting's current chairman, Brian A. Stewart. At its inception, the company owned managing agency Stewart & Hughman, which ran one marine syndicate.

In 1948, the Stewart family set up River Clyde Insurance Co. Ltd., which wrote insurance as an authorized U.K. insurer, primarily reinsuring a growing number of syndicates managed by Stewart & Hughman.

The company set up an aviation syndicate in 1938; a non-marine syndicate in 1950; a motor syndicate in 1980; and a non-marine excess-of-loss reinsurance syndicate this year. However, River Clyde ceased writing insurance in 1976, and all outstanding insurance liabilities were transferred to group marine syndicate 16/17/18.

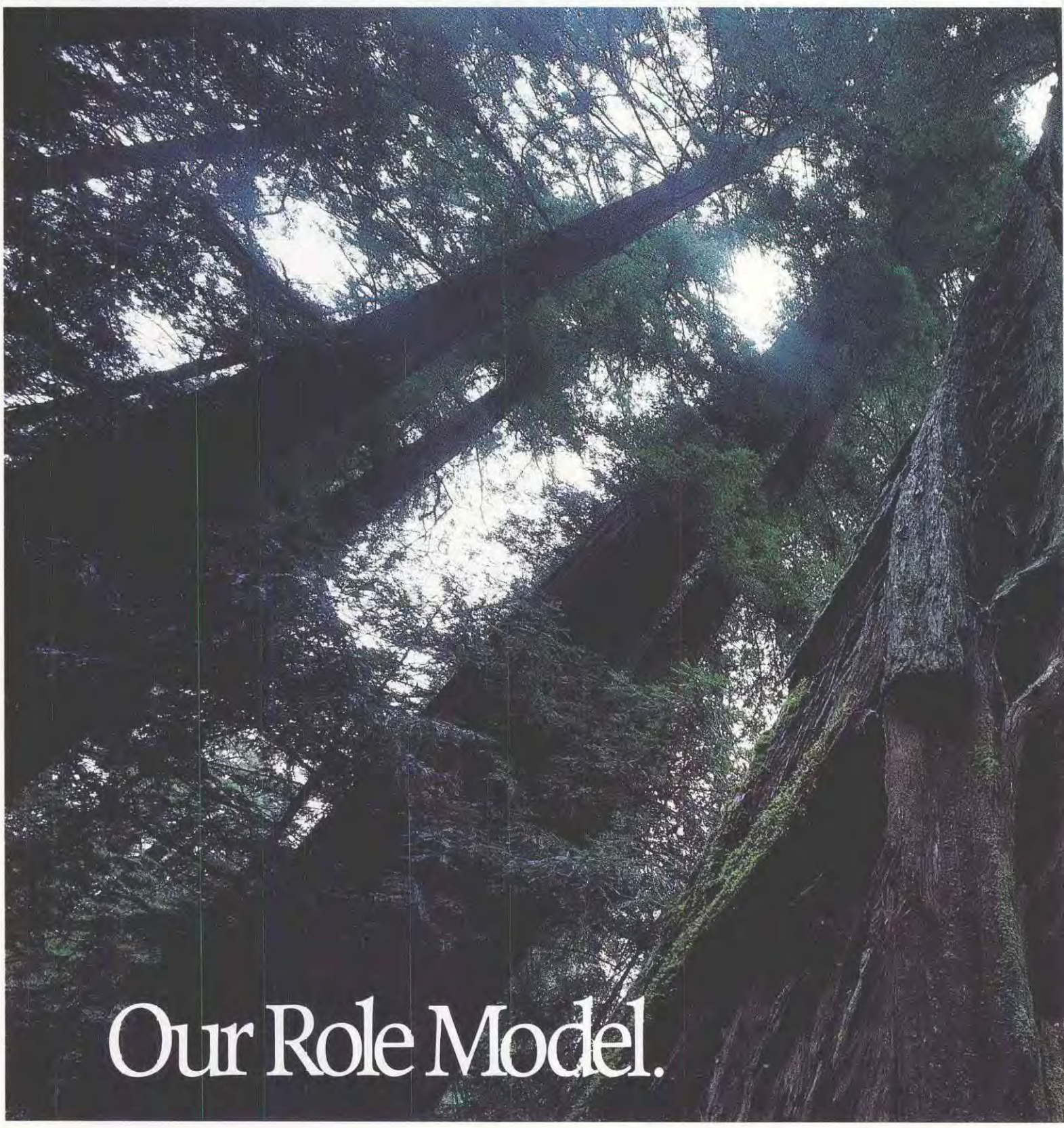
While committed solely to underwriting, there are some new avenues developing in the Lloyd's market that the agency could explore, Mr. Craig noted. For example, Lloyd's is considering whether more syndicate business should be conducted directly with the public rather than through brokers, as the motor market already is doing.

"That might be a new avenue for business," Mr. Craig said.

"We generally think that underwriters will have to spend more time getting the business, (especially) in the non-marine market."

Other market changes include the advent of LIMNET, the London Insurance Market Network, which will electronically link brokers and underwriters in the London market; and a unified claims service for each Lloyd's market.

Stewart believes that all of its syndicates should be leading syndicates in their fields to benefit from the changes at Lloyd's, according to Mr. Craig. ■



Let's face it.

A good reinsurance company isn't measured so much by its willingness to assume risk as its ability to absorb loss. Something that could become more rare in the current forest of reinsurers.

So, before you choose a reinsurer, look beyond today's tempting terms and conditions. Look at strength. Stability. Experience. And ERC.

Capacity abounds in non-marine market

By STACY SHAPIRO

LONDON—An abundance of capacity in Lloyd's of London's non-marine market is forcing underwriters to consider new sources of business, new types of coverage and new ways to attract business.

Some non-marine underwriters are telling members of their syndicates that they are "sitting tight" and not writing much new or renewal business at competitive rates in anticipation of a market hardening at the end of 1990 or the beginning of 1991.

However, other non-marine underwriters are interested in new ways to produce premiums for their syndicates, said Tim Holloway, chairman of Lloyd's Non-Marine Underwriters' Assn.

Lloyd's non-marine market this year had a total of 4.3 billion pounds ($7.8 billion) in allocated premium capacity, up from 4.2 billion pounds ($7.9 billion) in 1988, according to Lloyd's statistics.

However, only two-thirds to three-fourths of the premium capacity was actually used to write insurance and reinsurance programs this year due to overseas market competition.

"But we only write something like 2% of the world's non-marine business," said Mr. Holloway.

In contrast, Lloyd's marine market capacity of 4.5 billion pounds ($8.15 billion) dominates the worldwide marine insurance marketplace, he noted. "So expansion in the non-marine market is clearly greater than in the marine market," he said.

Non-marine underwriters are very interested in expanding their European business as insurance trade barriers fall under a European Community directive on freedom of insurance services, said Mr. Holloway.

"I genuinely believe that Europe should be our hunting ground in the future," he said. "But our proposed targeted expansion into Europe won't be at the expense of our business from the United States."

"Our underwriters have made various visits to the (European) Continent during the past 12 months, forging a number of bridgeheads, and at present we are very optimistic about the prospects," added Alan Lee, underwriter for syndicate 210, in his syndicate's annual report. The syndicate, managed by R.W. Sturge & Co. Ltd., is Lloyd's largest non-marine syndicate.

Also, many Lloyd's non-marine underwriters would like more personal lines business to come into Lloyd's on a direct basis rather than through Lloyd's brokers, said Mr. Holloway. He also noted that some Lloyd's underwriters are willing to write routine U.S. liability business on an occurrence basis rather than on a claims-made basis.

"There are major writers in the market who believe that the claims-made policy is the large part of the answer to the past," he said, referring to long-tail liability claims.

"However, there is also a body of opinion—of which I am one—who don't think that claims-made is worth the paper it is written on. . . .I don't believe that claims-made will hold up" in U.S. courts when non-sophisticated buyers protest underwriters' denials of claims.

At the same time, some of Lloyd's major underwriters are waiting until the market hardens, which they think will be sometime next year or in early 1991, to write profitable business.

"We are prepared to let business go at uneconomic rates," Ken Barrett, non-marine underwriter for syndicate 1066, managed by Merrett Underwriting Agency Management Ltd., said in the syndicate's annual report. "We anticipate an upturn in the market cycle some time during 1991 and wish to be able to take full advantage of the opportunities that this will hopefully present."

"Looking ahead we know for sure that there will be a hardening of the market," added Stephen Burnhope, underwriter for Lloyd's 10th largest non-marine syndicate 1067, managed by Merrett. "It would be foolish to offer any predictions as to when this may begin to occur, but it is not impossible to countenance some time during 1990."

Meanwhile, Lloyd's non-marine market is expected next month to announce a huge global profit for the 1986 underwriting year, which closed Dec. 31, 1988.

The Assn. of Lloyd's Members is expecting Lloyd's non-marine market of 135 syndicates to report global 1986 pretax profits of 414.2 million pounds ($749.7 million), which reflects deductions for profit commissions but not for open account years.

But the huge profit could be marred by the inclusion of non-marine losses of marine and incidental non-marine syndicate 317/661 underwritten by Richard Outhwaite from his 1982 account that is still open.



Mr. Holloway

Most Outhwaite syndicate members agreed to pay 64.8 million pounds this year ($101.9 million at current exchange rates) in losses in a cash call made by the underwriter earlier this year (see story, page 26).

Last year, the ALM predicted a 1985 global profit for Lloyd's non-marine syndicates of 117.6 million pounds ($221.1 million), but Lloyd's announced an overall loss for non-marine syndicates of 5.3 million pounds ($10 million) after deducting 85.4 million pounds ($160.6 million) of losses from Mr. Outhwaite's syndicate for the 1982 underwriting year (*BI*, Aug. 29, 1988; Sept. 12, 1988).

Underwriters, Lloyd's executives and Lloyd's members all agree that the 1986 non-marine results could have been even more spectacular because rates had increased so phenomenally and capacity was scarce during that year. However, increased reserves for long-tail U.S. liability claims from asbestos-related injuries and pollution cut into those profits.

For example, former Lloyd's non-marine underwriter Robin Jackson, whose syndicate 799 ceased underwriting last year and split into three new syndicates, said that his syndicate produced a 1986 profit of 34 million pounds ($61.5 million) after syndicate expenses, or 22% of the syndicate total allocated capacity of 153.4 million pounds ($277.7 million).

However, the syndicate would have produced a profit of 30% of its total allocated capacity, or 46 million pounds ($83.3 million), if money had not been set aside to strengthen reserves for U.S. liability losses.

"It was necessary to put some additional funds back to strengthen reserves for earlier years," said Mr. Jackson in his annual report.

Mr. Lee of syndicate 210 also told his syndicate members, "The year (1986) is being closed with an excellent underwriting profit, made up by a sound profit from our U.K., Euro-

Continued on next page



For almost 75 years, we've stood firmly beside you through the best of times and the worst of storms. And we'll continue to stand.

We encourage you to take your time and compare. The others may get anxious.

But we'll still be here.

EMPLOYERS REINSURANCE

5200 Metcalf, Overland Park, Kansas 66201

A General Electric Financial Services company.

Employers Reinsurance Corporation and its subsidiaries, with offices located in: Atlanta / Boston / Chicago / Columbus / Copenhagen / Houston / London / Los Angeles / New York / Philadelphia / San Francisco / Toronto

RISK RETENTION - A PRACTICAL SOLUTION

PHONE MEMO

To AGENTS/BROKERS/CEOs/VENDORS Date WED.
Mr. LESLEA DURMER Phone 800-999-4505
of NATIONAL RISK RETENTION ASSOCIATION

TELEPHONED	✓	PLEASE CALL	✓
IMPORTANT	✓	URGENT	✓

Message SAVE OCT. 3,4,5 FOR - 3RD ANNUAL EDUCATIONAL CONFERENCE, WASHINGTON D.C. "HARD MARKET CRISIS NOW IMMINENT — DON'T LOSE YOUR BUSINESS — GET PREPARED — LEARN YOUR ALTERNATIVES, YOU REALLY SHOULD ATTEND. REGISTER NOW!" PHONE OR WRITE FOR DETAILS - P.O. BOX 37257, WASHINGTON D.C. 20007

Largest Lloyd's non-marine syndicates

Based on 1989 gross allocated capacity in millions of pounds

Syndicate	Managing agency	Underwriter	Capacity[1] 1989		1988	
210	R.W. Sturge & Co.	A.G. Lee	£176.4	$319.3	£191.0	$359.1
190	Three Quays Underwriting Management Ltd.	R.D. Hazell	158.8	287.4	160.5	301.7
362	Murray Lawrence & Partners	R.J.R. Keeling	143.3	259.4	146.2	274.9
510	R.J. Kiln & Co. Ltd.	G.D. Gilchrist	114.9	208.0	120.0	225.6
386	Janson Payne Management Ltd.	M.W. Payne	105.3	190.6	109.4	205.7
33	Roberts & Hiscox Ltd.	I.N. Thomson	94.0	170.1	93.3	175.4
839	Castle Underwriting Agents Ltd.	A. Sharp	92.5	167.4	89.8	168.8
484	Methuen (Lloyd's Underwriting Agents) Ltd.	R.E. Thomson	76.6	138.6	79.4	149.3
404	Cuthbert Heath Underwriting Ltd.	R.A. Lissenden	76.1	137.7	80.7	151.7
1067	Merrett Underwriting Agency Management Ltd.	S.J. Burnhope	74.4	134.7	N/A[2]	N/A[2]

[1] Converted at applicable exchange rate [2] Began underwriting as separate syndicate in 1989

Source: Lloyd's of London

John Hall

Non-marine

Continued from previous page

pean and international account, acceptable profit from Canada and finally an exceptional profit from the U.S.A. (But) the net result has suffered from a significant deterioration in the 1985 and previous years."

The factors that caused the deterioration include "the need to increase our reserves for U.S. asbestosis claims. . .(and) a significant number of new claims advices in respect of U.S. pollution," he said.

This year, seven of the 10 largest non-marine syndicates decreased their allocated capacity compared with last year, while only one increased its capacity (see chart).

However, the total number of non-marine syndicates at Lloyd's grew to 178 from 159 last year, according to Lloyd's statistics.

Because the largest syndicate in last year's ranking—syndicate 799 underwritten by Mr. Jackson—no longer exists, other non-marine syndicates moved up a notch.

Syndicate 799 was split into three new syndicates, including 10th-largest syndicate 1067, underwritten by Mr. Burnhope and managed by Merrett. The syndicate has 74.4 million pounds ($134.7 million) of capacity in its first independent year.

Capacity at Lloyd's largest non-marine syndicate this year, 210, dropped to 176.4 million pounds ($319.3 million) this year from 191 million pounds ($359.1 million).

Lloyd's second-largest nonmarine syndicate, 190, is underwritten by Richard Hazell and managed by Three Quays Underwriting Management Ltd. The syndicate decreased its capacity to 158.8 million pounds ($287.4 million) from 160.5 million pounds ($301.7 million) last year.

Lloyd's third-largest non-marine syndicate is syndicate 362, underwritten by Richard Keeling and managed by Murray Lawrence & Partners. The syndicate's capacity decreased to 143.3 million pounds ($259.4 million) this year from 146.2 million pounds ($274.9 million) last year, according to Lloyd's.

Lloyd's fourth-largest non-marine syndicate, 510, is underwritten by G.D. Gilchrist and managed by R.J. Kiln & Co. Ltd. The syndicate decreased its capacity to 114.9 million pounds ($208 million) this year from 120 million pounds ($225.6 million).

Lloyd's fifth-largest non-marine syndicate is syndicate 386, underwritten by Michael Payne and managed by Janson Payne Management Ltd.

The syndicate decreased its capacity to 105.3 million pounds ($190.6 million) this year from 109.4 million pounds ($205.7 million).

Only two non-marine syndicates among the Top 10 have left their syndicate accounts open for the 1985 underwriting year, and none has left them open for the 1986 year, although syndicate 362 has said it has a runoff policy with Mr. Outhwaite's syndicate 317/661.

Syndicates that left their underwriting accounts open for 1985 are sixth-place syndicate 33, underwritten by Ian Thomson and managed by Roberts & Hiscox Ltd. and eighth-place syndicate 484 underwritten by R.E. Thomson and managed by Methuen (Lloyd's Underwriting Agents) Ltd. ■

A tradition of service ...

With a presence in Bermuda for 130 years; Cayman for 20, and Guernsey for 17.
We are proud of this heritage and of our continued independence in
today's highly competitive financial services industry.
We view the success of our offshore industry as an integral part of our future growth.
The Bank of Butterfield is determined to meet the challenges of the future
through product innovation and a high level of personal service to our clients.
We welcome the opportunity to discuss any of the following with you:
letters of credit, credit facilities, money market instruments, investment portfolios,
treasury and corporate banking services.
Call Joe Gibbons, Senior Manager of our International Department
at (809)295-1111, ext. 3445.

...and guess who went to Monte Carlo!

THE BANK OF BUTTERFIELD
65 Front Street, Hamilton BERMUDA
. CAYMAN . LONDON .
HONG KONG . GUERNSEY

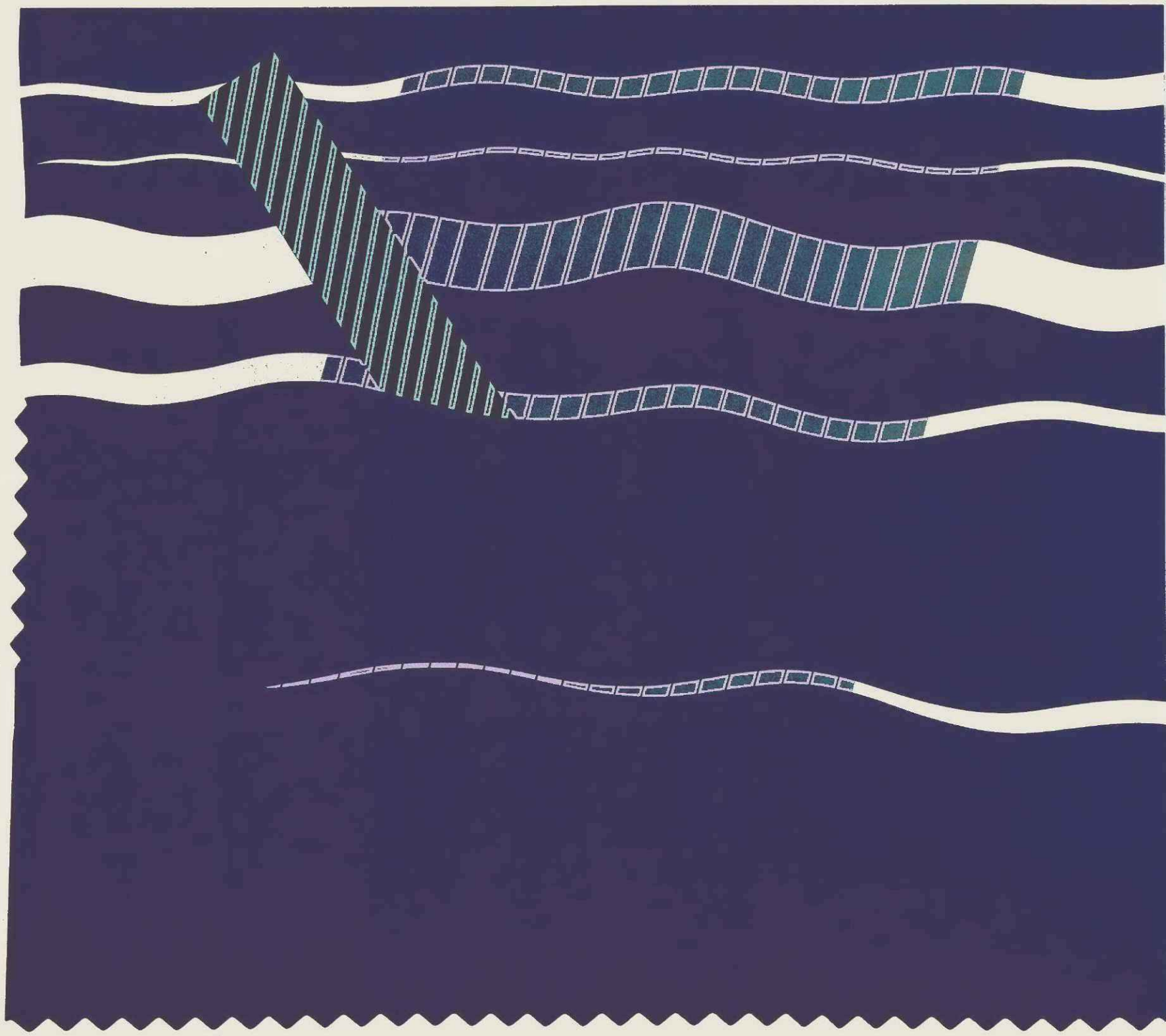




St Paul Re location

You can locate St Paul Re headquarters in the financial capital of the world, New York. And if you need to locate our regional underwriters you're apt to find them anywhere from somewhere behind the iron curtain to somewhere in front of the bamboo curtain. Specifically, each one in his region of specialization, in one of the 40 countries where we're active, doing what he does best; using his local knowledge, his hands-on experience, his creativity to bring new ideas in reinsurance programs to his region. So have your broker talk to us about your international reinsurance needs. It's easy to locate us. 212-238-9200. Take the risk out of your risk. St Paul Re

ST PAUL REINSURANCE MANAGEMENT CORPORATION • 195 BROADWAY, NEW YORK, NY 10007 • 212-238-9200

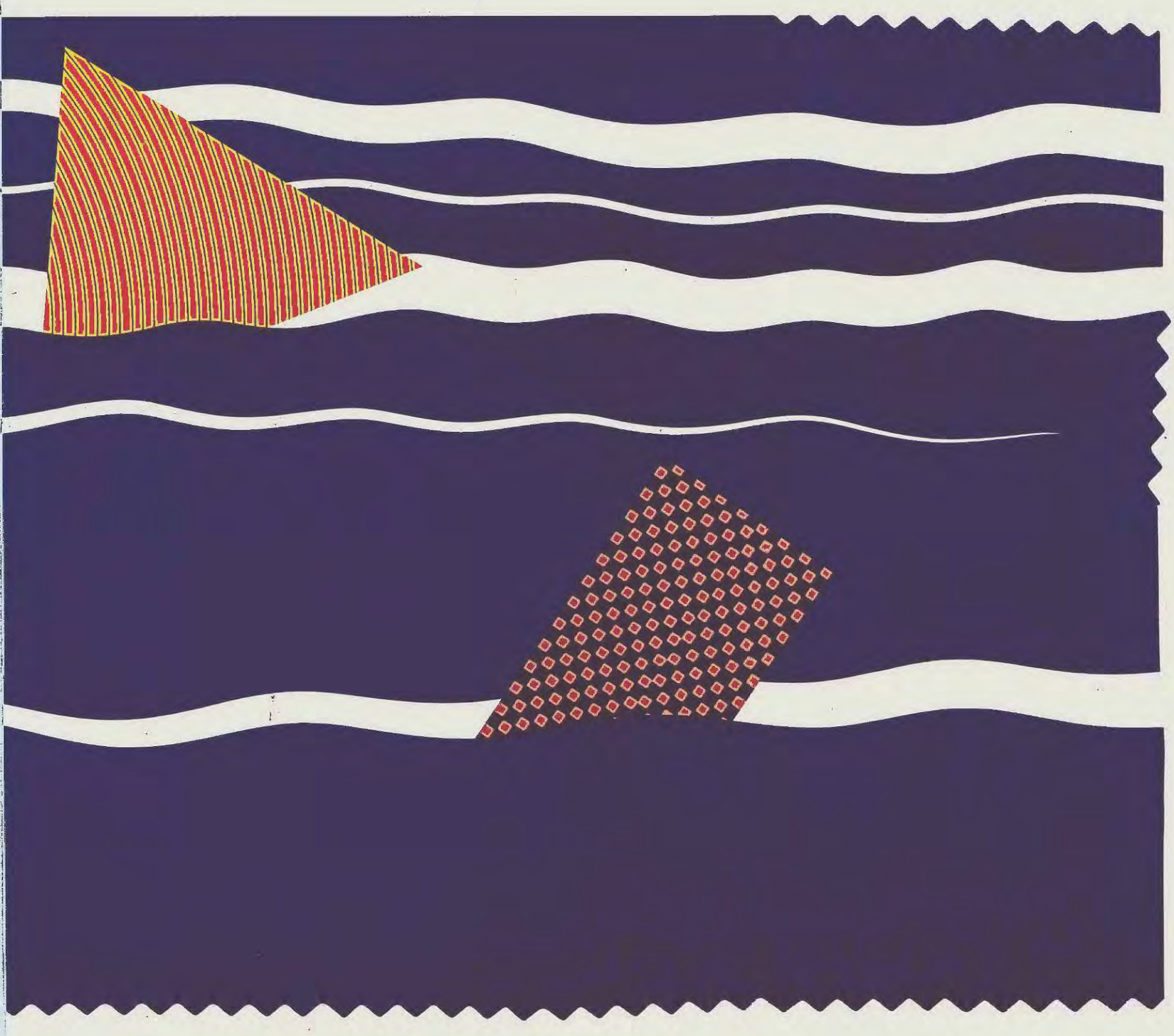


Dan Donovan 7 · 20 · 88

The market leader in finite

Assets

January 1988	$250,000,000
June 1989	$814,000,000



Working Layers

risk reinsurance.

Innovation in Reinsurance
Bermuda 809-295-8501
Barbados 809-429-3974

CentreRe

Underwriting

Continued from previous page
exceeding the maximum premium. This is offset, but never entirely, by losses below the minimum premium.

Funding for the costs of regulatory constraints is a mathematical exercise best done in the financial department at a corporate level, resulting in a factor that is loaded into all premiums as an item of expense. Professional underwriters must be aware of regulatory constraints and must faithfully include the corporate load into the price. To fail to do so results in only some customers subsidizing poor risks and creates a smaller pool to fund for these costs. Eventually, there comes a point where a profit cannot be made and insurance is unavailable.

The vast majority of those looking to underwriters for expertise can and should get individual consideration for their unique characteristics to the extent such consideration may make a difference. To the extent it does not, all should welcome the advent of more efficient, more accurate, more even-handed mechanisms such as expert systems, non-insurance cost distribution, formula rates, etc. To the extent such consideration does make a difference, the insurance industry needs highly qualified professionals in the underwriting function to earn the public trust.

Professional underwriters must be prepared to deal with highly complex, constantly changing circumstances as they solve the financial ruin dilemma —without bringing financial ruin to their employer. Effective underwriters have the following characteristics:

- They know or know where to find a vast store of technical details in their area of expertise.
- They know coverages and forms and how to match them.
- They understand the mathematics of probabilities and statistics.
- They understand the needs of the customers they serve and make every effort to meet those needs within the constraints of their own company's survival needs.
- They are flexible, capable of changing quickly as the world changes.
- They continually update their underwriting skills and make every effort to stay current.
- They know when a decision is beyond their level of experience and seek help in the form of a more experienced colleague or other reliable source.
- Most important, they know when underwriting skills will make a difference for a selection or pricing decision and when they will not.

The last down cycle produced a 10-year gap in the pool of underwriters solidly grounded in basic underwriting techniques and experienced in a broad spectrum of exposure situations. The so-called "cash-flow underwriting" era was a time when underwriting discipline often did not make a difference, even when it should have. Careful underwriting was no longer rewarded, qualified underwriters moved on or out and new underwriters never learned good underwriting techniques.

Now that the cycle has turned and we are all crying out for experienced underwriters we are finding that we are searching for a rare bird, indeed. Even as the law of supply and demand kicks in and underwriters can command a respectable wage, demographics is working against us. The Baby Boom generation has about run out, especially at the entry level. There are simply fewer bodies available to serve as a talent pool and more demand from all sectors of the economy for what bodies there are.

There is no doubt quality underwriting is crucial to our success as an industry, both financially as regards our own bottom line and professionally as providers of a service that is essential for our economy and for the security of members of society. We must find ways to attract, train and keep qualified underwriters or we will lose both the battle and the war.

Michelle Spingler is underwriting manager of AIG Risk Management (Illinois) Inc. in Chicago, a unit of American International Group Inc. This speech was delivered in May at the National Assn. of Independent Insurers' executive underwriting clinic.

Crisis management plans foresee perils

By The Insurance Institute of America

A.R.M. exercises

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.

The characteristics of crisis management plans—some features all plans share and some that vary with the organization and with the peril in question—are the subject of this month's question and answer, which is taken from a recent examination in ARM 55—Risk Control.

Q: Crisis management, like risk management, has both pre-event and post-event goals. To achieve these goals, an organization must develop several crisis management plans, with each plan tailored to a particular peril.

- Identify and briefly explain the importance of at least two pre-event goals of crisis management and at least two post-event goals of crisis management.
- Identify the two general characteristics of a peril that determine the nature of the crisis management plan appropriate for dealing with emergencies caused by that peril.
- Describe the differences between the appropriate crisis management plans for dealing with floods and fires, explaining how the differences in these perils account for the differences in the appropriate crisis management plans.

A:

- The goals of crisis management, in both the pre-event and post-event phases, are somewhat parallel to those of risk management, of which crisis management is a part. (Thus, economy of operations, keeping uncertainty within tolerable limits, meeting humanitarian concerns and complying with the law are pre-event goals of crisis management).

Of special importance in crisis management are such additional pre-event goals as remaining prepared for prompt response, emphasizing life safety whenever it conflicts with protection of property and assuring senior executives that the benefits crisis management will generate once an emergency strikes are greater than the costs of such management.

The post-event goals of crisis management emphasize organizational survival, continuity of operations and stability of cash flows after the emergency has passed. More specifically, in the wake of an emergency, crisis event management seeks to save lives and to preserve property—to minimize the organization's actual losses of physical and human resources—so that normalcy can be restored promptly.

- Perils that cause crises differ in the warning time typically available for preparations before they strike and in the types of resources required to minimize the harm they cause. Thus, periods of extreme tornado danger often can be forecast, while explosions cannot and the loss controls for impending tornadoes differ from those for explosions.
- The differences between flood and fire further illustrate these contrasts in proper crisis management. Floods often strike with significant warning times, during which an organization's personnel or a community's population can evacuate personnel or protect property from high water.

In contrast, fires typically occur with little or no warning and, therefore, require highly automated, non-human responses designed to reduce harm by extinguishing ongoing fires rather than removing people and property from the endangered area. Furthermore, because fire strikes quickly, special steps need to be taken to protect endangered human lives; floods allow more opportunity to rescue both people and property.

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.

Group life policy termination valid: Court

Legal briefs

Do the trustees of a group life insurance trust have a duty to notify a participant of termination of his life insurance coverage? The Supreme Court of Virginia ruled that they did not have such a duty.

Robert Lee Rowlett was employed by Hemingway Transport Inc. and was a member of the Teamsters Union. He was covered under a group life insurance policy issued as a part of a collective bargaining agreement between the employer and the union. Trustees of the union's health and welfare fund were the policyholders of the policy. The trustees were also trustess of a pension fund that provided disability benefits to the employees, including Mr. Rowlett. During his employment, the employer made weekly payments to the trustees for the premium payments on the group life insurance policy. The trustees then transmitted those payments to the insurance company. Mr. Rowlett terminated employment on May 5, 1972, because of total disability.

The employer stopped making payments to the trustees for the life insurance premiums at the end of the calendar month of his termination of employment.

Under the policy terms, Mr. Rowlett could extend coverage indefinitely beyond the period of one year after termination by annually submitting proof of his continuing disability. He did not do so nor did he convert under the policy terms. Mr. Rowlett died in April 1978. His widow applied for death benefits under the group life insurance policy but was denied. She sued and won in the trial court.

The state Supreme Court reversed. The court said that the trust relationship ceased when Mr. Rowlett terminated his active employment, adding that the trustees' duty to transmit premiums to the insurer clearly ended at that time. The court concluded that the trustees were under no duty to advise Mr. Rowlett of the termination of the trust. *Wilson vs. Rowlett,* Supreme Court of Virginia, June 10, 1988 (*BI*/05/May-$10)

These abstracts were prepared by Cases Unlimited Inc. Copies of these decisions are available by sending a $10 check payable to Cases Unlimited to Business Insurance, *740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.*



We calmly await your most beastly Reinsurance challenge.

Lockwood, Dipple & Green Incorporated

Reinsurance Underwriting Managers & Intermediaries

Woburn, Mass., (617) 938-9010 • New York, N.Y., (212) 921-5689 • Minneapolis, Minn., (612) 870-9284.

Spotlight report

Lloyd's lures company underwriters

By CAROLYN ALDRED

LONDON—Most insurance underwriters in the London market aspire to work at Lloyd's of London, say two former company underwriters who are starting syndicates at Lloyd's.

However, Lloyd's can learn a few things from London-based insurance companies, say non-marine underwriters Richard Jessel and David Lowe, both of whom have been lured to Lloyd's from the London company market to underwrite for new syndicates beginning in January.

Both men are moving to Lloyd's with their company market underwriting teams intact, subject to Lloyd's approval of their syndicates. Both teams have been recognized as major players in their particular areas of specialization.

"Without doubt, Lloyd's has an aura of the top. It still has the best sales angle of all: undoubted security," said Mr. Lowe, who will write professional liability insurance for a syndicate with an expected premium capacity of 12.5 million pounds ($19.5 million).

Lloyd's also offers underwriters greater flexibility and underwriting control, said Mr. Jessel, who plans to write non-marine reinsurance for a syndicate with a premium capacity of 10 million pounds ($15.6 million).

Mr. Jessel and his team left Eagle Star Insurance Co. Ltd. because they felt they were losing underwriting control, he said. Many insurance company underwriters, regardless of how much premium volume they generate, still must answer to four or five senior managers, he explained.

"At Lloyd's, that's different. Lloyd's recognizes that the underwriter is the key. The underwriter still is king," Mr. Jessel said.

"Lloyd's is a much better place for exercising control," he continued. "One of the great advantages Lloyd's has is that it is able to act quickly. A Lloyd's underwriter can see a niche and go for it. He doesn't have to swing a whole management team round to the idea."

Lloyd's always will attract good underwriters from the company market, whereas one rarely sees a good Lloyd's underwriter join an insurance company, he said.

But, Lloyd's can learn from underwriters' experience in the company market, Mr. Jessel contends.

For example, "Lloyd's has fallen behind the companies and will need to catch up" in the use of computer technology, he said.

Lloyd's also must learn to "have a closer contact between the underwriter and the client," he said.

"We are going to be pushing for a more professional and closer relationship between the client and underwriter," he said.

"Generally, Lloyd's has lost ground a great deal to the companies in the last 10 years. But Lloyd's can change that around," Mr. Jessel said.

Mr. Jessel's new syndicate will be managed by Gresham & Jessel Underwriting Ltd., a new managing agency whose major shareholder is Gresham Underwriting Agencies Ltd.

Working alongside Mr. Jessel will be his former Eagle Star colleagues Bob Rogers and Terry Kerrison.

About 65% of the syndicate's business will be non-marine excess-of-loss reinsurance, about 30% will be facultative reinsurance and direct insurance for primarily financial institution risks, and about 5% will be proportional treaty reinsurance.

"We plan to concentrate on specialist excess-of-loss areas, such as bloodstock, engineering and financial institutions," Mr. Jessel said.

Most of the syndicate's business will be property business, according to the syndicate's brochure.

U.S. risks will account for about 65% of the syndicate's total business, with much of that being London market business written by the syndicate as excess-of-loss reinsurance, Mr. Jessel said.

Mr. Jessel, who is 35, worked for Eagle Star's reinsurance division for 14 years. He worked his way up though the facultative department to the excess-of-loss reinsurance department. From 1984 to 1989, he worked as the company's treaty underwriter.

Mr. Jessel explained that he decided to enter the insurance industry because he did not want to follow in the footsteps of his father, who was chairman of once-prominent investment firm Jessel Toynbee Ltd. The business has since been acquired by another company and no longer exists as a separate entity.

Ironically, Mr. Jessel's father eventually became deputy chairman of Eagle Star after the insurer acquired the company he had joined after leaving the discount house.

Meanwhile, Mr. Lowe intends to bring to Lloyd's some of the methods he developed as a director and underwriter at Excess Insurance Co. Ltd., now part of London & Edinburgh Insurance Group.

Mr. Lowe, as well as former Excess Deputy Underwriter Alan Mitchell and Underwriter Administrator Derek Duke, were recognized as one of the London company market's most important U.K. and international professional liability underwriting teams.

While working for Excess, the team attracted much of its business through regional offices throughout the United Kingdom, a technique Mr. Lowe plans to bring to Lloyd's.

The new syndicate will lead a professional liability facility composed of eight syndicates.

The facility will be managed by Boncaster Ltd., a sister company of underwriting agency Christopherson Heath Ltd., which has offices throughout the country.

Initially, Mr. Lowe plans to locate underwriters employed by Boncaster in London; in Bradford, in the north of England; and in Glasgow, Scotland, in an attempt to attract business from non-Lloyd's brokers and Lloyd's brokers with offices in regional cities outside London, he said.

Boncaster, which will have binding authority for the facility, will then place the business with the eight Lloyd's syndicates through a Lloyd's broker.

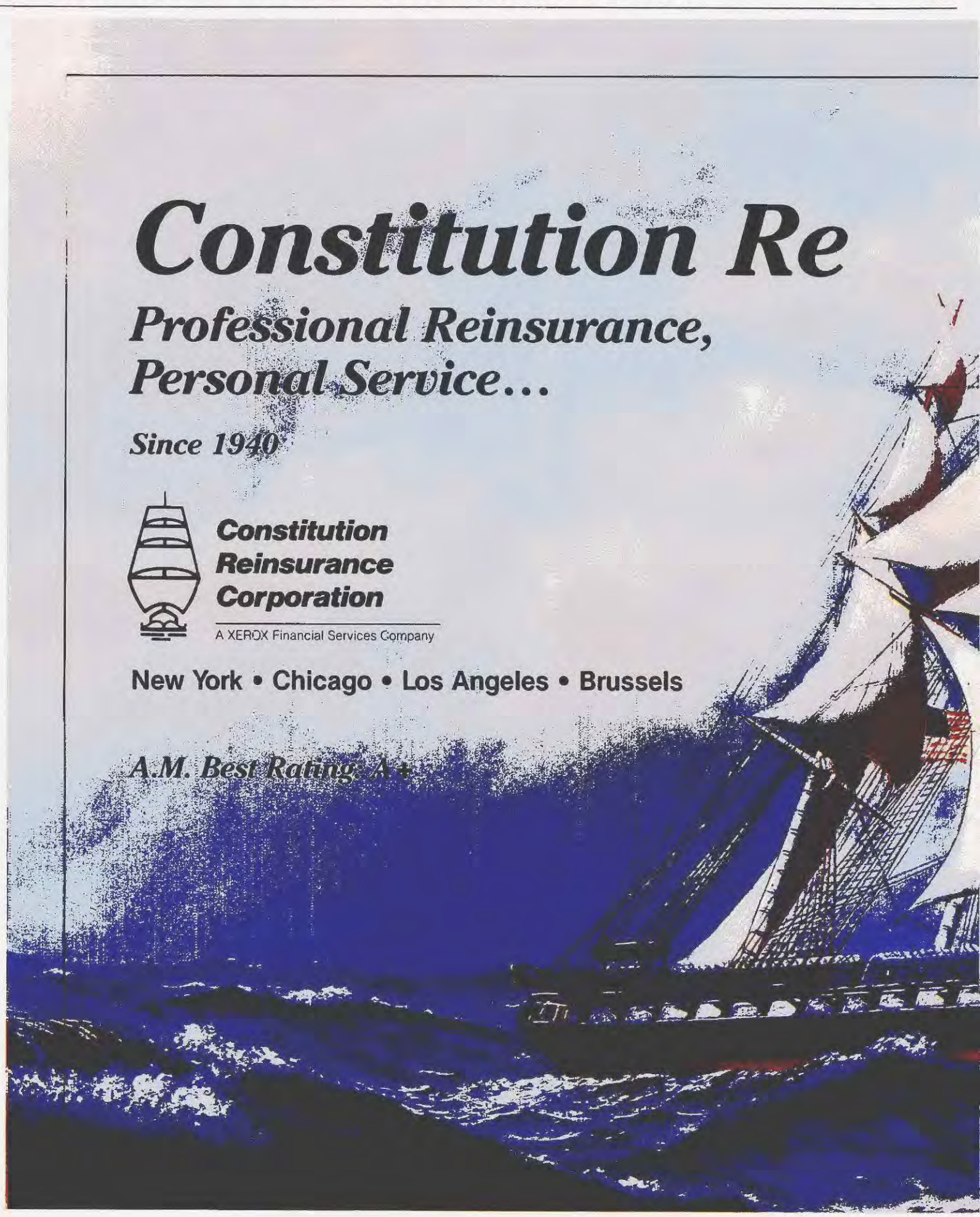
The facility, which began binding coverage April 1, currently is led by Lloyd's underwriter Rodney Stone and offers capacity of up to 1 million pounds ($1.6 million) per risk, according to Mr. Lowe.

Boncaster already manages motor insurance business placed with Christopherson Heath's motor syndicates.

By writing the professional liability business through a binding authority arrangement, the syndicates will be able to issue policy documentation in a week, greatly reducing the time Lloyd's policies usually take to be processed, Mr. Lowe said.

The syndicate "intends to concentrate primarily on establishing a portfolio of professional indemnity

Continued on next page



Continued from previous page
insurance on a claims-made basis," according to a syndicate brochure.

However, the syndicate will not write U.S. or Canadian professional liability insurance or any medical malpractice, Lloyd's brokers or underwriting agents errors and omissions, or directors and officers liability insurance.

Mr. Lowe also plans to make extensive use of computer-aided underwriting tools, using similar programs he helped develop while at Excess. The use of regional offices and computer-aided underwriting, while still relatively new among Lloyd's syndicates, will become increasingly common in the Lloyd's market, Mr. Lowe predicted.

"Lloyd's will have to explore alternative ways of producing business. Undoubtedly computerization will be the key to it," he said.

Mr. Lowe, who is 41, has specialized in professional liability insurance since becoming a senior broker in the professional liability department of Alexander Howden Insurance Brokers Ltd. in 1971.

He joined Stenhouse Marketing Services Ltd. in 1976 as manager of the company's professional indemnity department. Two years later he joined Excess as an underwriter and was appointed a director in 1984.

However, Mr. Lowe says working for Price Forbes & Co. Ltd. as a North American casualty broker from 1964 to 1970 was the most important period in his career.

"Price Forbes was a marvelous training ground, and if you look around the market now, so many of the leading executives began at Price Forbes," he said.

Mr. Lowe said he chose insurance as a career after he finished his schooling because he was more "impressed with the Price Forbes' operation" than with the operations of a local real estate agency and an accounting firm with which he had also interviewed at the time. ■

Loss adjusting exec remains a detective

By STACY SHAPIRO

LONDON—A loss adjuster sometimes must be part detective.

A case in point: Robert Bishop and several teams of employees from Robert Bishop Adjusters Ltd. have scoured the world for more than five years trying to locate $40.6 million worth of gold and jewelry stolen Nov. 23, 1983, from a Brinks-Mat Ltd. security warehouse near London's Heathrow Airport.

"We've had divers" scouring lakes and rivers looking for 26 million pounds worth of precious metals and gems, Mr. Bishop said. "We went to prison and interviewed two prisoners. We've been to Sarasota and Kansas City—spent a hell of a lot of time in the States—and Europe."

Brinks-Mat's insurers, led by Lloyd's of London syndicates managed by Merrett Holdings P.L.C., became the legal owners of the gold shortly after the robbery when underwriters paid the policyholder's claim (*BI*, Dec. 5, 1983).

Robert Bishop Adjusters—probably the best known loss adjuster in the London market—was chosen in the "specie" policy purchased by Brinks-Mat's American parent, Darien, Conn.-based Brinks Inc., to serve as an adjuster in case of robbery, noted Mr. Bishop, whose company is now owned by Merrett Holdings.

Robert Bishop Adjusters worked closely with the police to unravel the gold heist, one of the largest robberies in history, according to Mr. Bishop, a former policeman and the company's chairman.

Two of the thieves were sentenced last year to 25-year prison terms for their part in the robbery. Another man was sentenced to a 14-year term, while several others have been sentenced to lesser terms and still others are awaiting trial.

"There is a strong possibility that underwriters will get between 17 million pounds and 20 million pounds ($26.5 million and $31.2 million) back," said Mr. Bishop, though most of the recovery will be in cash and properties acquired with the stolen gold.

However, underwriters still face several court hearings through which they are seeking injunctions to seize bank accounts or property that is suspected to have been financed with the proceeds of the robbery, he explained.

The recoveries, he said, include 1.5 million pounds ($2.34 million) in a bank in Ireland; 1 million pounds ($1.56 million) in a bank in an Arab country; a house in the United Kingdom valued at 1 million pounds; about 20 other properties; and gold valued at more than 1 million pounds.

But in order to recover the money for underwriters, Mr. Bishop said his company has followed up "hundreds of calls. . .and the investigation has taken us all over the world."

He remembers some of the more unusual tips. "I got a call from a lady in Indiana at three o'clock in the morning with a vision," he said. "I was polite and said I would call back." Mr. Bishop did check out her story, but it led nowhere.

Mr. Bishop said he also got a call from Ian Hay Davison, then-chief executive of Lloyd's, who said that a broker in Berne, Switzerland, had a visitor "who said he knew the whereabouts of the gold." The visitor, who only wanted to be known as "Mickey Mouse," called Mr. Bishop and said that he would meet with him in London.

When the mysterious person entered the country, he called Mr. Bishop's secretary. "My secretary said, 'There's a Mr. Mickey Mouse on the line. Is he a nutter?' No, I said, 'I'm expecting him,' " Mr. Bishop recalled.

The person found his way to the Lloyd's building and told a Lloyd's waiter to call Mr. Bishop.

"The Lloyd's waiter said, 'There's a Mickey Mouse here for you.' I said I was expecting him and then I heard the waiter say to the guy, 'OK Mr. Mouse, go to. . . .' " Mr. Bishop chuckled.

The person finally entered Mr. Bishop's office accompanied by a woman dressed in red whose skin was so pale she looked dead, Mr. Bishop recalled. "She was swinging a piece of lead," he said. The man told Mr. Bishop that the woman could tell where the gold was by swinging the lead at the site of the robbery.

"So she went with four other people from our office and they spent four hours at the warehouse," said Mr. Bishop, only to find nothing.

"And this came from the Lloyd's

Continued on next page

Loss adjuster

Continued from previous page
chief executive."

Mr. Bishop, 55, has many similar tales to tell from his 24 years as an insurance and reinsurance loss adjuster.

For example, he helped uncover the 1979 scuttling of the tanker South Sun, whose name was changed to Salem, after 180,000 tons of crude oil owned by Shell International Petroleum Co. Ltd. was illegally sold to SFF Assn. Ltd., a government-owned company in South Africa.

The oil was offloaded in Durban, and the crew subsequently scuttled the ship off the west coast of Africa in an attempt to make it look like the ship had sunk with the cargo on board.

The oil was worth $56 million and was insured by 69 Lloyd's and 29 London cargo insurers. Mr. Bishop's company was appointed to adjust the loss (*BI*, May 6, 1985; Oct. 22, 1984; May 11, 1981).

Mr. Bishop said he and his team determined the ship had been scuttled when the crew later showed up in Dakar, Senegal, with duty-free shopping bags from Durban. The bags indicated to investigators that the Salem had made a non-scheduled stop in South Africa.

"And we had an informant," said Mr. Bishop.

Shell recovered $30 million of its loss from the South African government and tried to collect the other $26 million from the cargo insurers. However, because of the wording of the policy and the discovery of the fraud, coverage was denied after a long court battle that ended in the House of Lords, which acts as Britain's highest court.

No claim for the $24 million value of the hull ever was filed.

Mr. Bishop also investigated an alleged fire on board the ship Savonita in the early 1980's on behalf of a group of London reinsurers. The Norwegian car carrier left Savona, Italy, for Wilmington. Del., with more than 2,000 Fiat cars on board, Mr. Bishop recalled. Shortly after departure, there was a "small fire" and the ship turned back, he said.

A total of 301 cars were unloaded, but only 14 or 15 actually were damaged, he said. However, the London reinsurance market was notified of a claim for all 301 cars, he said, adding that some of the reinsurers wanted to pay the entire claim and others wanted Mr. Bishop to investigate.

"Through various factions, we bought one of the cars that had been offloaded in Italy and put it under wraps," he said.

"We then waited for the survey report which said the cars—including the one we had—had been burnt out," he said.

However, the claim eventually was paid after a long controversy.

The car has since been transported to the United Kingdom and has been sold to a Lloyd's underwriter "who I think still has it," Mr. Bishop said.

Mr. Bishop, in his role as a loss adjuster, also has conducted investigations into murders, kidnappings and insurance and reinsurance frauds.

But only once has Mr. Bishop said he felt his life was seriously threatened. He was investigating an alleged jewelry robbery that took place in Las Vegas, Nev., on behalf of Lloyd's underwriters who had written a jewelers block insurance policy covering the jewels. The local adjuster had asked for a bribe to settle the claim, he pointed out.

While in Los Angeles to track down a lead that the jewels had been "laundered" through the Mafia, Mr. Bishop and two others were in a car when an small explosion came from under the hood. The others escaped quickly, but Mr. Bishop had trouble with his seat belt and fled only a few seconds before the whole car ignited.

"This thing went up like a fireball," he said. "It was a beautiful Mercedes."

Mr. Bishop says he is pretty certain the explosion was caused by a bomb, but he doesn't know who planted it.

But Mr. Bishop never intended to become either a detective or a loss adjuster; he wanted to be a soccer player.

Born in a mining village just outside of Sheffield in northern England, Mr. Bishop says as a child he dreamed of becoming a professional soccer player, and he eventually achieved his goal: He played professional soccer for the Mansfield Town and Crystal Palace teams.

But, he says he realized he wasn't going to be a star player. "So when I realized I wasn't going to reach the top, I decided I would join the police," said Mr. Bishop.

After two years of mandatory National Service duty, Mr. Bishop joined the City of London police force when he was 22 and continued there for nine years until he met Max Becker, managing director of loss adjusters Douglas Jackson & Co., while working on a fraud case involving an investment bank.

Mr. Bishop said he had been working 16 to 18 weeks on the case. But, "after 10 or 15 minutes (Mr. Becker) had figured out how the fiddle had worked," Mr. Bishop said, adding that he soon accepted Mr. Becker's invitation that he join Douglas Jackson.

While tracking stolen jewels in Los Angeles, Mr. Bishop narrowly escaped a suspected bombing of his car.

After joining the company, "I wanted to undertake every type of claim in the office so I knew what was up," he said. "I wanted to know as much about insurance as I could and use my expertise as a policeman to investigate."

In 1964, he was sent to Australia by Lloyd's syndicates to investigate the largest Australian art theft on record. "The claim was never settled," he said. "Then I was on a gold job in Canada. . .and a machinery fiddle in Bolivia and suddenly all the crime-related investigations started coming my way."

In 1968, Mr. Bishop became the managing director of Douglas Jackson and in 1972 he tried to buy the company, but the bid fell through and Mr. Bishop later that year moved to loss adjuster Graham Miller & Co. Ltd., taking six employees with him.

Mr. Bishop eventually became the chairman of Graham Miller and marine surveyor Gellatly Hankey Marine Services, both owned by Esperanza Trade & Transport Ltd., which had about 55 to 60 offices around the world. He negotiated several acquisitions for Graham Miller, including the purchase of Rockwood Claims Agency in Pull River, N.Y., which was headed by Mike Woods, who Mr. Bishop described as a "larger-than-life" individual.

In January 1979, Mr. Bishop got a call from a deputy of Mike Woods who said Mr. Woods had died of a heart attack at the age of 48. He had left a wife and eight children.

"I was feeling low, so I went and sat in the reception of our offices and a board director came up to me and said 'you look down,' and I told him that Mike Woods had died. He said he was sorry, and as he walked away he turned to me and said, 'By the way, where is he based?'" Mr. Bishop recalls.

Mr. Bishop that night told his wife that night he would leave the firm. "Insurance is a very personal business, particularly in loss adjusting. It's the individual who counts," Mr. Bishop says, explaining that the director's comment showed the adjusting had become impersonal at Graham Taylor because the director did not know who Mr. Woods was.

He finally resigned effective July 1979 to form his own company, offering a "piece of the action" to Stephen Merrett, chairman of Merrett Holdings P.L.C.

Mr. Bishop had come to know Mr. Merrett during the investigation of a flood of New Jersey arson claims against the Sasse Syndicate at Lloyd's, which prompted a scandal that lasted for years. Mr. Merrett had represented other Lloyd's underwriters as the Sasse scandal unraveled, while Mr. Bishop investigated the claims on behalf of Instituto de Reasseguros do Brasil, one of the syndicate's major reinsurers.

Mr. Merrett agreed to put up initial capital of 150,000 pounds ($234,000 at current exchange rates) for two years without interest, in exchange for 19.9% of the new company, Robert Bishop Adjusters.

"We shook hands on it. After about a year, Stephen Merrett's accountants asked us, 'Where is the agreement?' and we said we had no written agreement. That's the measure of confidence we had in each other," said Mr. Bishop.

Within 18 months, Mr. Bishop had repaid Mr. Merrett's investment, though Mr. Merrett kept his 19.9% of the company and an option to buy the remaining 81.1% from Mr. Bishop.

In September 1986, Mr. Bishop sold his stake in Robert Bishop Adjusters to Merrett Holdings for an undisclosed price. Although there were other offers for the company, "I wouldn't have sold to anyone but Stephen Merrett."

Mr. Bishop subsequently became the chairman of Merrett Holdings' loss adjusting and insurance services business, which produced revenues of 7.2 million pounds ($13 million at applicable exchange rates) for the year-ended Sept. 30, 1988.

Merrett Holdings and Mr. Bishop developed the insurance services division by purchasing Graham Miller in April 1987; surveyor and loss adjuster Harris, Harding & Bickers Ltd. in January 1988; and establishing a joint venture, B&C Services Inc., with Caronia Corp. in April 1988. The joint venture provides assistance to the Liquidation Bureau of the New York Insurance Department in the runoff of insolvent syndicates on the now-defunct New York Insurance Exchange.

Merrett Holdings' insurance services division also handles other runoffs, including the runoff of the former Stetzel Thomson & Co. reinsurance pool in London.

But despite being the chairman of a rapidly expanding enterprise, Mr. Bishop says he still can't sit still behind a desk. Mr. Bishop receives telephone messages at several numbers, because more often than not he is on the road. ■

RCI Reinsurance Consultants International

Robert G. Schooley

Evan D. Bennett

and

Richard J. Weiner, Esq.

are proud to announce the formation of

Reinsurance Consultants International

To provide Quality Services to the
Insurance and Reinsurance Industry

To Include:

Treaty Review Services
Arbitration and Litigation Support Services
Audits of Assuming and Ceding Companies
Loss Commutation Reviews
Merger and Acquisition Reviews
Claims Monitoring
Reinsurance Recoverable Assistance
Services Pertaining to Regulatory Matters

401 Hackensack Avenue
Hackensack, N. J. 07601
(201) 342-5300
FAX: (201) 342-5687

One World Trade Center
Suite 10251
New York, N.Y. 10048
(212) 928-7879

(800) 624-9795 Outside of 201 Area

The Specialists for

- Run-off & Loss Portfolio Reinsurance
- Prospective Aggregate Covers
- Financial Reinsurance

Pinnacle

Pinnacle Reinsurance Company Limited
Barclays International Building
Church Street, P.O. Box HM1801
Hamilton HMHX, Bermuda.
Tel: 809-292-8600 Fax: 809-295-5019
Telex: 3572 ASSUR BA

Total Capital and Surplus in excess of US$50 million

Members' agents offer many services to names

By STACY SHAPIRO

LONDON—One of the largest members' agencies at Lloyd's of London is offering specialized services to its members.

Sedgwick Lloyd's Underwriting Agents Ltd. is one of only a handful of members' agencies that provides a syndicate monitoring service to analyze the syndicates the agency recommends to Lloyd's members. The Lloyd's syndicates are examined much the same way a stock analyst reviews companies traded on the stock market.

In addition, the agency is one of several members' agencies at Lloyd's involved in a pilot project set up late last month to allow members' agencies to manage Lloyd's members' deposits as a way to reduce overhead.

Until recently, agencies have managed Lloyd's members' personal reserves, but members' deposits have been kept by the Corporation of Lloyd's Deposits Department in Chatham (see story, page 47).

Members' agencies handle the affairs of the 31,329 Lloyd's members who invest the capital that allows syndicates to write insurance and reinsurance. For example, members' agencies recommend which syndicates a member should join.

Sedgwick Underwriting Agents vies with R.W. Sturge & Co. as the largest members' agency at Lloyd's, according to Lloyd's statistics.

Sedgwick is the largest in terms of number of members managed: 1,851, compared with Sturge's 1,596 members. However, Sturge members write more capacity—663 million pounds ($1.2 billion)—than Sedgwick members, which write 628 million pounds ($1.14 billion) in capacity.


Mr. Crispin

Some 160 of Sedgwick's members are Americans.

However, Sedgwick only ranks 51st out of 140 members' agencies in the Assn. of Lloyd's Members' first review of Members Agents Performance. Sedgwick produced an average 7% return on its members' allocated premium capacity in 1985, whereas some members' agencies produced returns as high as 19%, according to the ALM.

However, the ALM review "shows members that they have a choice" among members' agencies, remarked Julian Crispin, managing director of Sedgwick Underwriting Agents Ltd. And, even though the Sedgwick agency does not rank at the top of the profit chart, "we are seeing a lot of interest from members who want to transfer. Names must understand that they are not married to their members' agents," he said.

The Sedgwick agency, with 72 employees based on one floor of Aldgate House near Lloyd's, contributed 6.5 million pounds ($11.8 million) in revenues to parent Sedgwick Group P.L.C. last year, according to Sedgwick's 1988 annual report.

The role of the members' agency has grown since 1985, when Lloyd's brokers had to divest their managing agencies but could keep their members' agencies. While managing agents can also own members' agents, most members receive information about their syndicates through members' agents.

To become a Lloyd's member, a person—effective January 1990—must show that he or she is worth a minimum of 250,000 pounds ($390,000 at current exchange rates), though U.S. citizens must have assets of $1 million. The member, who accepts unlimited liability for any losses at Lloyd's, can then write up to 2 million pounds as long as 30% of the capacity he or she writes is set aside in members' deposits.

"But people have to feel comfortable with underwriting" to be members, said Mr. Crispin. "If they can't sleep at night (because of the risks), then they shouldn't join."

Some members who join think ot-

Continued on next page

Excellence In Full Service Management for Captives/Risk Retention Groups
TOLL FREE 800-USA-RISK
State's Largest Independent

Get the advantages of Vermont's largest and most experienced independent captive manager. Full service from formation to operation, regulatory reporting, accounting, reinsurance, investment. Exclusive providers of the most comprehensive and timely financial reporting available. Plus the choices and cost savings available only through an independent.

H. Lincoln Miller, CEO Michael T. Rogers, COO
Experts in alternative market mechanisms. Prime Movers of Law.
Vermont Insurance Management
P.O. Box 306, Montpelier, Vermont 05601

STRENGTH TO BUILD ON


International Museum of Photography at George Eastman House.

In earlier days, rebuilding after a natural disaster required massive quantities of physical labor.

Modern construction equipment has eliminated much of that backbreaking effort. And thanks to present-day property insurance, financing the new structure also is less burdensome.

At RLI we offer a broad line of excess and surplus lines coverage, including fire and DIC. The company has become a leading insurer by balancing significant new growth opportunities with heavy emphasis on fundamentals.

Substantial assets and ample reserves reflect the conservative values that have formed our foundation.

To put RLI's strength to work for you and your customers, write or call today for more information.

RLI

RLI Insurance Company, 9025 N. Lindbergh Dr., Peoria, IL 61615, 800/445-5468, In Illinois 800/322-7344
Atlanta, GA • Cherry Hill, NJ • Chicago, IL • Hartford, CT • Kansas City, MO • Los Angeles, CA • San Francisco, CA • St. Paul, MN

Sedgwick

Continued from previous page

their investment as a business and are asking questions every day about the state of the market, said Mr. Crispin. "And others say 'get on with it, and we will judge your overall performance."

Most potential members are introduced to Lloyd's by other Lloyd's members or through insurance-related connections, according to Mr. Crispin.

As a result, many of Sedgwick's U.S. names are involved in the Oklahoma oil industry and in other oil states because of Sedgwick's strength in oil and energy risks, said Sedgwick Names Executive Nigel Blackaby.

Other agencies have concentrations of U.S. names in other states, Mr. Crispin pointed out. "The country is big enough for all of us (agents)."

When a person decides to become a member, he contacts a members' agent. At Sedgwick Underwriting Agents, there are eight "names executives," like Mr. Blackaby, who are solely responsible for personal contact with members.

"The first part of becoming a member is informal," said Mr. Crispin. "We meet. Names executives go to the U.S. to meet people and find out why a member wants to join and whether he can and if he has the temperament to be a member."

Also, the member and the agent must size up each other and decide whether they can trust each other. For instance, both parties must look for competency, honesty and efficiency in dealing with paperwork, said Mr. Crispin. "The most important element is trust and a level of understanding the market."

The formalities begin when a person applies to become a Lloyd's member. All membership applications must be submitted by Aug. 31 for the applicant to be admitted as a member by the following Jan. 1.

Once the application is filed, the potential member must show Lloyd's his or her worth; file a deposit or, for overseas members, a letter of credit for the deposit; and be interviewed by a senior member of Lloyd's, usually a member of the Lloyd's Council, said Mr. Crispin.

The interview lasts about 15 minutes and "it's fairly formal," he said.

If the member passes the criteria and is approved by the interviewer, his or her name is put up for election at a Lloyd's Council meeting. However, this vote usually is only a formality, said Mr. Crispin.

There currently are very few openings on syndicates for new members, making it difficult for newcomers to join the market, according to Mr. Crispin. "There's overcapacity in the market, so some syndicates are saying they don't need new names." Some syndicates are telling members' agents that they can't even replace members who have left, he said.

As a result, Sedgwick Underwriting Agents will only be able to take on 50 new members this year, many of whom have transferred from other agencies, down from 70 last year, he said.

A member usually relies on his members' agent to choose the syndicates he or she will join. A member can spread his premium capacity over an average of 10 or 11 syndicates—though some members join as many as 50—to balance syndicates that may pose greater risks with relatively "safe" syndicates.

Sedgwick Underwriting Agents then chooses and monitors the syndicates its members support through its Syndicate Monitoring department.

Mr. Gordon recommended forming the department when parent Sedgwick Group P.L.C. combined its three members' agencies into one agency in 1986 after selling its managing agencies.

"We had managed a lot of syndicates before, and we thought we had carried out divestment quite well," said Mr. Gordon, who had joined Sedgwick in 1971 after being an external Lloyd's member and deputy chairman of Irish shipping company Palgrave Murphy.

"Afterwards, we were left with a pure members' agency, and so we went off and had a cold bath and thought to ourselves, 'What right have we got to be in this business? What is the added value to the member?' "

Mr. Gordon decided that the best service Sedgwick could give its members was syndicate analysis, which previously had been offered on an informal basis. Other syndicates now are considering doing the same.

"We decided to give members syndicate analysis of the syndicates they join and take a view of the syndicates as if we were investors in the outside world,' he explained.

Colin Spence, assistant treasurer at Esso U.K., a subsidiary of Exxon Corp. was named head of the department in July 1985 with the title of syndicates director.

Today, there are four syndicate analysts besides Mr. Spence.

"A names executive explains the program, but we lay down the guidelines for selecting the syndicates," said Mr. Spence.

And in matching syndicates with Lloyd's members, "we have a great

Continued on next page

Largest Lloyd's members' agencies

Based on 1989 premium capacity in millions of pounds

Members' agent	Number of names	Premium capacity[1]	
R.W. Sturge & Co.	1,596	£663.0	$1,200.0
Sedgwick Lloyd's Underwriting Agents Ltd.	1,851	628.3	1,137.2
Willis Faber & Dumas (Agencies) Ltd.	1,558	485.4	878.6
Fenchurch Underwriting Agencies Ltd.	933	426.0	771.1
Merrett Syndicates Ltd.	915	285.2	516.2
Bankside Members Agency Ltd.	782	273.1	494.3
Donner Underwriting Agencies Ltd.	512	243.3	438.6
Nelson Hurst & Marsh Agencies Ltd.	525	230.8	417.7
Murray Lawrence Members Agency Ltd.	781	225.6	408.3
Mocatta Dashwood Members Agents Ltd.	581	215.4	389.9

[1] Converted at applicable exchange rate



John Helland

Continued from previous page
belief in spread," said Mr. Spence. "And we put each syndicate that we are on into close focus."

Each analyst relies on "a deep intelligence system" to gather information about the syndicate and its underwriting team, said Mr. Spence.

The analysts also spend a lot of time reviewing the syndicates' results, procedures and reinsurance programs to see how the syndicates are faring, added Kate Harris, a syndicate analyst who formerly worked in Lloyd's marine market.

The analyst also tries to sit in a syndicate's underwriting box for a day, a courtesy that "underwriters have been happy to do so far," said Ms. Harris. "We are not there to check (premium) rates, because that's not our job. We're just checking procedure.

Every year, the department conducts a formal review of syndicates, comparing them with other similar syndicates, added Mr. Spence.

Because of its monitoring system, Sedgwick Underwriting Agents was able to quantify the estimated $1.4 billion loss of the Piper Alpha North Sea oil platform disaster the day after the platform exploded in July 1988. Then, the agency was able to deduce which syndicates had the greatest portions of the loss, Mr. Spence said.

The Sedgwick agency also tries to prevent losses for its members by notifying them that the agency no longer supports certain syndicates, Mr. Spence said. This year the agency has given such notice to between 15 and 20 syndicates, "which is always a painful experience," he said.

"We are increasingly concerned about the long-term viability of small syndicates which do not have a specialist edge," he added.

In the office, the syndicate analysts and their secretaries sit in an open area in the shape of a Lloyd's underwriting box to allow them to communicate easily and compare notes. All data on the syndicates are kept in a computer system especially designed for the agency.

This year, the department introduced a brief commentary on each of the syndicates the agency's members' support and published personalized pamphlets for each agency member that included the syndicate commentaries relevant to the member. The commentaries also were sent to the syndicates' underwriters, said Mr. Gordon.

"One or two of the underwriters have been upset. . .but we have had a fantastic response from names."

Three times a year, the department sends all of its members a bulletin about selected aspects of the market.

And, "we spend a lot of time on circulars," said Ms. Harris, referring to announcements that all agencies are required to send to members. Sedgwick color-codes these circulars so members can identify whether it contains important information or only general information. ■

Lloyd's maintains its corporate staff in rural location

By STACY SHAPIRO

CHATHAM, Kent—The Corporation of Lloyd's back room offices are about 40 miles southeast of London as the crow flies, away from the hustle and bustle of Lloyd's of London in the town of Chatham.

Chatham—an economically depressed town in Kent County, called the "garden of England"—rests on the shore of the River Medway.

A modern building on Gun Wharf houses about 1,100 people—most of Lloyd's support staff for Lloyd's Policy Signing Office, Lloyd's Regulatory Services and Lloyd's Computer Services.

It also is the home of some corporation administration and personnel staff and Lloyd's accounting department.

And, in its basement is Lloyd's "Archives"—records that date back as far as the 1800s when accounts were handwritten in leather-bound books.

The Chatham staff is about 10% smaller than a year ago, following Lloyd's decision to reduce overhead costs.

Lloyd's Chatham building, which most Lloyd's Corporation employees moved to in August 1978, is not as unusual as the controversial Lloyd's building designed by architect Richard Rodgers that houses the market in London. Unlike working in Mr. Rodgers' monolith, employees in Chatham enjoy light, airy offices that look out onto the river, two landscaped gardens tucked into the center of the building and a huge landscaped park next to the offices.

Also on the site is what was once a derelict house, which under terms of the sale of land to Lloyd's Corporation had to be restored and maintained.

Not needing the house, Lloyd's leased it to the Charrington brewery for a "peppercorn" rent of one barrel of beer per year, according to Lloyd's Chief Press Officer David Larner in London.

Charrington renovated the house and turned it into a riverside pub.

"I don't think there is anybody here who doesn't enjoy working in this building," said Keith Skidmore, manager of the non-marine department of the Lloyd's Policy Signing Office.

The only disadvantage is that it is difficult to be in touch with the "center of business" in London, he said. "We have had to adapt to working with people at a distance."

Lloyd's Policy Signing Office, dubbed LPSO, checks all policy documentation, processes the information, issues policies and logs all premium and claims payments for all insurance and reinsurance transactions at Lloyd's.

LPSO also:

- Works with underwriting associations on new procedures to upgrade claims and premium processing.
- Checks that the 700 private agreements that can apply to the processing of policies are followed. For example, an agreement could require that the following underwriters as well as the lead underwriter see changes in policy wording or premium before a renewal is agreed upon.
- Provides Lloyd's with the statistics to produce its global results.

LPSO's origin dates to World War I, when policies were administered and kept by the broker. But at the height of the war, it was suggested that a central office handle policy administration.

With male labor shortages due to the war, the office would be staffed by women. But, since women were not permitted in Lloyd's underwriting room until the 1970s, the office had to be located elsewhere.

The new Lloyd's Signing Bureau, or "The Bureau" for short, was based in London's Royal Exchange near the Lloyd's market.

The use of The Bureau was optional until a 1923 scandal at Lloyd's involving a syndicate writing financial guarantee coverage led the Com-

Continued on next page



There's nothing like knowing you just came through in the clutch.

You're the one who worked and re-worked the problem, even while some other people seemed to be backing away. But you wouldn't let go, and when the deal came together, the winner's circle was all yours.

Nice going.

And thanks for letting us help.

NEW ENGLAND RE

New blood, new spirit, and a new determination to be the best, while we serve the best.

THE HARTFORD
The Insurance People of ITT

60 Batterymarch St., Boston, MA 02110 617-357-8400 Telex 94-0013

Aviation market

Continued from previous page

of net premium income 10 years ago, partly because of the cost of self-regulation and computer technology, Mr. Eliot explained.

While the number of Lloyd's aviation syndicates grew by three in 1988 to 44 of a total of 401 Lloyd's syndicates, total allocated capacity for the aviation market dropped 2% to 973 million pounds ($1.76 billion) from 992.7 million pounds ($1.87 billion) in 1988, according to Lloyd's.

The aviation syndicates at Lloyd's mainly write airline hull and liability insurance and reinsurance. The market also writes aviation products liability insurance and reinsurance; some personal accident risks; hull and liability for corporate and private jets and helicopters; as well as various types of satellite coverage.



Mr. Eliot

Whatever business Lloyd's aviation syndicates do not write in the form of insurance usually returns to the market in the form of reinsurance, underwriters say.

For example, when an underwriter refuses to insure an airline insurance program at the current low rates, it is insured in other markets, which, in turn, cede the business back to the London market.

In addition, many foreign airlines' accounts are reinsured with Lloyd's underwriters because direct insurance must be written by domestic insurance companies.

Syndicate 960 underwritten by Mr. Beagley remains the market's largest aviation syndicate, even though its capacity dropped 12% to 95.9 million pounds ($173.6 million) from 109.5 million pounds ($205.9 million) last year.

However, the syndicate's profits for 1986 increased 160% to 34.7 million pounds ($62.8 million) from 13.1 million pounds ($24.6 million) in 1985, according to the syndicate's annual report for the year ended Dec. 31, 1988.

Syndicate 950, underwritten by J.C. Nevitt and managed by Oxford Syndicate Management Ltd., overtook syndicate 48 to become Lloyd's second-largest aviation syndicate this year. Syndicate 950 increased its capacity 6% to 66.5 million pounds ($120.4 million) from 62.6 million pounds ($117.7 million) last year.

1988 was 'gloomy' for the Lloyd's aviation market, says Sturge's Mr. Beagley. Rate reductions hit, 'in my judgment, crazy levels. . .the world market sank into anarchy, where normal business standards and principles did not apply,' he says.

Meanwhile, third-place syndicate 48, underwritten by Tim Salmon and managed by Methuen (Lloyd's Underwriting Agents) Ltd., slightly cut its capacity to 66.5 million pounds ($120.2 million) from 67 million pounds ($126 million) last year.

Syndicate 545, underwritten by Terry Pitron and managed by F.L.P. Secretan & Co. Ltd., remains Lloyd's fourth-largest syndicate, although capacity decreased to 56.2 million pounds ($101.7 million) from 57 million pounds ($107.2 million) last year.

Syndicate 97, underwritten by R.J. Morse and managed by Wellington Underwriting Agencies Ltd., remains the market's fifth-largest aviation syndicate. Its gross allocated capacity decreased slightly to 56 million pounds ($101.4 million) this year from 56.4 million pounds ($106 million) last year.

Only one new syndicate jumped into the Top 10 Lloyd's aviation syndicates based on 1989 gross allocated capacity reported to Lloyd's at the beginning of the year: Syndicate 431, underwritten by J.C. Lingham and managed by Wren Underwriting Agencies Ltd., with 1989 premium capacity of 29.1 million pounds ($52.7 million), replaced syndicate 271 underwritten by R.B. Pearson and managed by Langton Underwriting Agents Ltd. as the 10th-largest syndicate.

In 1988, syndicate 431 had premium capacity of 29.0 million pounds ($54.5 million). ■



AIRCRAFT BUILDERS COUNCIL, INC.

1989 FALL SEMINAR
September 24–26, 1989

Ritz-Carlton, Laguna Niguel
Laguna Niguel, California

TOPICS

Reflections on Apollo and Both Current and Future Space Projects

Plaintiff Lawyer's View of the Boyle Decision and the Government Contractor Defense

Update on Wind Shear Detection Technology and Other Related Subjects

Presentation on the X-29 Forward Swept Wing Aircraft Designed to Explore Advanced Technologies

Presentation on Proposed Design of the National Aerospace Supersonic Aircraft

ABC Underwriters Panel Discussion

ABC Products Liability Seminars and Claims Prevention Programs

The Aircraft Builders Council (ABC) supports an aerospace products liability insurance program and communicates its developments to aerospace manufacturers and product suppliers. The Fall Seminar is an informational forum for risk managers, brokers, and underwriters of aerospace insurance.

For additional information, please contact
Hillary Levine, Julie Taylor, or Angela Sabatino at:
Telephone—(212) 682-5110
FAX—(212) 986-9716

Aircraft Builders Council, Inc.
205 East 42nd Street, Suite 1504
New York, NY 10017



Advertiser Index

Issue of August 28

Advertiser	Page #
Aetna Life and Casualty	9
Aircraft Builders Council	50
Allendale Insurance	12-13
Alliance Insurance	57, 59, 61
Allstate Insurance Companies	6
American International Group	56
American Re-Insurance	16-17, 31
Aneco Reinsurance	61
AON Reinsurance Agency Inc.	49
The Bank of Bermuda Limited	22
The Bank of Butterfield	34
Bermuda Commercial Bank Ltd.	62
Bermuda Government	48
Centre Re	36-37
Chiltington	59
CIGNA	23
Constitution Reinsurance	42-43
Dentafits Inc.	26
Dorinco	51
Employers Reinsurance	32-33
General Reinsurance	11
Hannover Reinsurance	26
G L Hodson	48
Industrial Risk Insurers	65
Insurance Solvency International	54
Johnson & Higgins	20
Kemper Insurance Group	24-25
Lockwood Dipple & Green Inc.	41
Manufacturers Hanover Trust	10
Wm. H. McGee	30
Media/Professional Ins.	53
Merritt/BCS Management	27
Metropolitan Life Ins. Co.	18
Midwest Employers Casualty	30
Mutual of Omaha	4
NAC Reinsurance Company	15
National Reinsurance	19
Nat'l Risk Retention Assoc.	34
New England Re	46-47
North American Reinsurance	72
Northwestern National Life	5
Paige-Ruane, Inc.	57
Pinnacle Reinsurance	44
Prudential Insurance Co.	14
Reinsurance Consultants Int'l	44
Reliance National Risk Spec.	7
Re Systems Group	58
Risk and Ins. Mgmt. Society	63
RLI Corp.	45
Russell Reinsurance Serv. Inc.	63
St. Paul Re	35
Scor Reinsurance	28-29
Seguros America	60
Unum	38
U.S. International Reinsurance	21
Vermont Insurance Management	45

Business Insurance

of will not meet Lloyd's solvency re- minated, said Mr. Gifford. ■

Eliot following in father's path at syndicate 53

By STACY SHAPIRO

LONDON—Lloyd's of London aviation underwriter Robin F. Eliot is following in his father's footsteps.

"Most of my friends who had fathers at Lloyd's left the market," he said, because, like in any business, fathers and sons at Lloyd's often have differences in opinion.

In fact, Mr. Eliot said he could only think of a half-dozen other fathers and sons who have worked together at Lloyd's, including former Lloyd's underwriter Roy Merrett and his son, Stephen, chairman of Merrett Holdings P.L.C.; past Lloyd's underwriter Ralph Hiscox and his son, Robert, chairman of Roberts & Hiscox Ltd.; and former underwriter Peter MacKinnon and his son, Colin, currently a Lloyd's underwriter.

Mr. Eliot worked beside his father for 12 years at syndicate 53.

"My mother said, 'I don't know how you two survived,' " recalled Mr. Eliot, who also is chairman of the Lloyd's Aviation Underwriters Assn.

Mr. Eliot joined Lloyd's in 1961, working as a broker for former Lloyd's broker Gardner, Mountain, D'Ambrumenil & Rennie. Being a broker at Lloyd's before becoming an underwriter gave Mr. Eliot a chance to meet people and "understand the market," he said.

After 1½ years as a broker, Mr. Eliot left the London insurance market and traveled around the world for more than a year.

"I wanted to travel and see the world," he said. "But I knew that I would always come home."

During his time abroad, he worked on cattle and sheep ranches in Australia, on cargo ships across the Pacific Ocean and in glass factories in New Zealand. Mr. Eliot also bought a $99 bus ticket that allowed him to travel for 99 days throughout the United States. He roamed back and forth across the country three times, and specifically remembers being in Dallas the day before President Kennedy was assassinated.

When he returned to the United Kingdom in 1964, Mr. Eliot joined his father's underwriting box at Lloyd's. Mr. Eliot said he wasn't pushed into joining his father's syndicate, nor has he pushed his two sons to join him at Lloyd's.

"I'd never push them. I couldn't anyway," he said, adding that they both are embarking on banking careers.

Mr. Eliot began at his father's underwriting box on the claims side and later became an assistant underwriter. Mr. Eliot's father, who was a member of the Committee of Lloyd's from 1967 to 1970 and from 1972 to 1975, still was the syndicate's underwriter when he died in 1976. While deputy underwriter Robin Bell succeeded him, Mr. Bell left about 18 months later to write for another aviation syndicate and Robin Eliot took over as underwriter for syndicate 53 in 1977.

Things have changed since Mr. Eliot took over the syndicate's underwriting pen. For example, while his father was a leading helicopter insurance underwriter for 15 years, Mr. Eliot says he no longer writes most helicopter policies.

This year, syndicate 53 is the ninth-largest aviation syndicate at Lloyd's with 42 million pounds ($76.0 million) in stamp capacity, according to Lloyd's statistics. More than 2,200 members belong to the syndicate, Mr. Eliot noted.

The syndicate's capacity dropped slightly this year from 42.7 million pounds in 1988 ($80.3 million), but Mr. Eliot is not concerned.

"Personally I haven't taken on any new capacity in over three years," he said.

Mr. Eliot said there is no need for more capacity because the aviation insurance market remains incredibly competitive, as worldwide aviation premiums currently

Continued on next page

Set your dates with Business Insurance

SEPTEMBER

ISSUE	AD CLOSING	FULL-RUN SECTION	DEMOGRAPHIC SECTION
11	AUG 29*	PRODUCTS/SERVICES/LITERATURE — INFO SECTION Distribution: IIAA	
18	SEP 5*	REINSURANCE: MONTE-CARLO RENDEZ-VOUS REPORT	INSURER TOPICS: Preventing Fraud
25	SEP 13		

OCTOBER

2	SEP 20	Distribution: NACSA/NACSE	AGENT/BROKER TOPICS: IIAA Conference Report
9	SEP 26*	INTERNAT'L: BENEFITS & RISK MGMT; NACSA/NACSE REPORT Directory: International Insurers & Benefit Networks Distribution: RIMS/AEAI;SIIA AIM Studied Issue	

New York: 212 210-0228 Chicago: 312 649-5276 Los Angeles: 213 651-3710

What's in a name?

Financial security and reliability — if the name is Dorinco Reinsurance Company.

Dorinco Reinsurance Company is recognized by industry professionals as a financially solid and reliable reinsurance carrier that offers all levels of property and casualty treaty insurance.

More than 300 insurance companies make up its growing client list. That's why Dorinco Reinsurance Company expects to write premiums approaching $70 million in 1989.

A reassuring name in reinsurance.

The key to Dorinco Reinsurance Company's financial strength is its stable capital base. Since 1977, assets have climbed to $430 million. And, most importantly, its policyholders' surplus has soared to $118 million.

Armed with this financial clout, Dorinco Reinsurance Company will be there to see you through — whatever the economic climate, whenever the need.

A name to remember.

Dorinco Reinsurance Company is qualified as a reinsurer in most states and is on the U.S. Treasury list of approved reinsurers. Dorinco has also been rated "A-Excellent" by the A.M. Best Company since 1981.

Other professionals have taken notice. Shouldn't you? Remember Dorinco for reinsurance.

Dorinco: A Professional Reinsurer For Insurance Professionals.



Spotlight report

Eliot

Continued from previous page

are being slashed in half (see story, page 49).

Syndicate 53's annual report for the year ended Dec. 31, 1988, shows it will have used only about 61.4% of its gross allocated capacity, with premiums totaling about 26 million pounds ($40.6 million at current exchange rate), when the 1988 underwriting year closes at the end of 1990. And the syndicate expects to use only 25% of its gross allocated capacity this year.

But, the syndicate hopes to report a profit when the 1988 account closes, though profits for last year are likely to be "on a much reduced level," the report notes, because:

- Expenses have increased.
- The market is softer so fewer premiums are being collected.
- The syndicate has been notified by brokers of additional pollution claims, primarily from airports in the United States.

In contrast to last year, the aviation market in 1986—the year that closed Dec. 31, 1988, under Lloyd's three-year accounting system—enjoyed a worldwide shortage of capacity and increased premiums.

Syndicate 53 in 1986 wrote gross premiums of 27.8 million pounds ($50.3 million at applicable exchange rate), exceeding its net premium allocated capacity of 25.5 million pounds ($46.2 million), and made an underwriting profit of 7.8 million pounds ($14.1 million), up from 4.4 million pounds ($8.3 million) in 1985.

The syndicate "leads of lot of (aviation hull) war risk" insurance policies, said Mr. Eliot, as well as executive jets' hull and liability insurance.

Specifically, about 25% of the syndicate's 1986 gross premium income of 21.9 million pounds ($39.6 million) accounted for at the end of 1988 was hull coverage, while about 18% was aviation product liability, 5% was personal accident, and 52% was listed as "other" types of coverage, according to the syndicate's annual report.

Forty-one percent of the premium that the syndicate cedes to reinsurers is written by Lloyd's syndicates, 28% by insurance companies approved by the British Department of Trade and Industry and 31% by overseas companies.

Aside from Mr. Eliot, there are two deputy underwriters on the syndicate, Roger Bradley and Ian Crane, two assistant underwriters, Claims Manager Stan Brattman and his assistant.

Besides underwriting, Mr. Eliot is chairman of the syndicate's managing agency, G.P. Eliot & Co. Ltd.

In addition, G.P. Eliot's members' agency looks after the interests of 61 members on a total of 29 syndicates. According to an Assn. of Lloyd's Members survey of members' agencies, G.P. Eliot's members' agency generates the seventh-highest rate of return for its members. ■



London companies hope to maximize market efficiency

By CAROLYN ALDRED

LONDON—London-based underwriters are combining forces in two initiatives designed to strengthen London's position as a leading reinsurance and insurance marketplace.

Several dozen reinsurance and insurance companies plan to set up an underwriting center in London to house underwriters from throughout London's company market under one roof by mid-1991.

In addition, the Reinsurance Offices Assn., which represents more than 100 reinsurance companies, and the Policy Signing & Accounting Centre Ltd., which has 134 insurance and reinsurance company members, plan to merge.

The two separate moves will increase the efficiency of the London market and help London maximize its advantages, says Victor Blake, chairman and chief executive of CNA Reinsurance of London Ltd. and the driving force behind plans for a non-marine and reinsurance underwriting center in London.

Mr. Blake also is chairman of PSAC, which provides policy documentation, signing and accounting functions for the non-marine company market in London.

Almost 90 companies so far have expressed an interest in renting space in the planned underwriting center, which has initially been dubbed the reinsurance bourse, said Mr. Blake.

Eighteen reinsurers and insurers have formed a company called Market Building Ltd. to lease an office complex for the underwriting center.

The founding members include leading reinsurers in the London market such as The Mercantile & General Reinsurance Co. P.L.C.; CNA Re; Swiss Reinsurance Co. (UK) Ltd.; The Victory Reinsurance Co. Ltd.; Terra Nova Insurance Co. Ltd.; and Royal Reinsurance Co. Ltd.

Market Building Ltd. plans to sign a 25-year lease this fall for a 295,000 square foot office complex under construction in the heart of London's financial district.

MBL subsequently will sublet the building to other reinsurance and non-marine insurance companies, explained Mr. Blake.

The new building—at 3 Minster Court—is the largest of three Italianate-style office complexes being built in Mincing Lane, a few hundred yards from Lloyd's and the Institute of London Underwriters.

The offices, which are arranged on seven floors around a central atrium, are due for completion in mid-1991. Meanwhile, MBL plans to consult London brokers about how the central areas, such as the atrium, should be designed.

The building can easily be connected to a second building under construction on the same site if more companies choose to sublet offices in the underwriting center, said Mr. Blake.

Mr. Blake would not discuss the likely cost of the lease.

"However, an investment of this sort—totaling 200 million to 300 million pounds ($312 million to $468 million) over the next 25 years—demonstrates the commitment being shown to the London market," he said.

Initially, the center simply will be a structure to house London company market underwriters and will not operate as an exchange like Lloyd's or the ILU.

Eventually, perhaps, the center may develop regulatory or other centralized functions, said Mr. Blake.

Ever-increasing costs and competition in the insurance and reinsurance industry is forcing London market companies to "look ahead," said Mr. Blake.

London "has got to do things better and more economically," he explained, adding that London "can no longer afford to have brokers trotting around the market seeing hundreds of underwriters" to place a risk.

The London market should maintain its traditional advantage of allowing brokers to have face-to-face contact with underwriters but supplement it with modern means of doing business, such as increased use of computer technology, according to Mr. Blake.

Although some people in the market are opposed to change, "we can't sit on our hands and do nothing. We may make mistakes in finding the way forward but we must be prepared to take that risk to protect our business," he said.

The center will allow underwriters to take advantage of high-tech communication links and computer equipment. It also will make it more efficient for brokers to continue to negotiate on a face-to-face basis where that method of business proves more advantageous, he said.

Meanwhile, the proposed merger of the ROA and PSAC also will reduce duplication in the market, according to Mr. Blake.

A working party of ROA and PSAC members concluded unanimously "that it would be in the best interests of the membership of both bodies that the two organizations should merge and that this should take place at the earliest practicable opportunity," according to a joint statement issued by PSAC and ROA in early August.

The two associations now are setting up a new working party to consider the practical implications before bringing firm proposals to their memberships.

"PSAC and the ROA have found themselves increasingly working closer and closer together on a large number of issues," said Brian Prevost, chairman of the ROA.

Many committee members of the ROA also serve on committees of PSAC, which results in "an enormous amount of duplication of effort," he said.

In addition, 88 of the ROA's 105 members in London also belong to PSAC, he noted.

If the merger occurs, the new organization will include several different types of memberships to accommodate companies that currently belong to only one of the two organizations, Mr. Prevost said.

Currently ROA serves the reinsurance industry centered in London, providing representational, training, technical, educational and information services for members, explained ROA director Russell Chilvers.

PSAC acts as a policy signing and accounting bureau for 134 insurance and reinsurance companies in the London market.

The combined organization will represent both reinsurance and London market non-marine insurance companies, although about 80% of the premium revenues processed by PSAC probably are reinsurance premiums, estimated Mr. Chilvers. ■

London market must consolidate, ILU leader says

By CAROLYN ALDRED

LONDON—While London will continue to be the most important international marine insurance and reinsurance market, the number of separate underwriting units likely will decline, predicts the chairman of the Institute of London Underwriters.

The London marine market needs to consolidate to maintain its pre-eminent position, asserts John Parton, chairman of the ILU, whose members are insurance companies from around the world writing marine and aviation coverage in London.

Mr. Parton predicts that the number of Lloyd's of London syndicates will decline, with syndicates becoming larger in size, and that some London companies will pool their marine and aviation underwriting to reduce expenses.

London is facing a difficult situation with increased competition from overseas and some heavy losses in the last year or so, he pointed out.

"I have a great regard for London's technical and entrepreneurial skills, and I am not despondent that (the London market) is going to disappear," he said.

However, "it is obvious that in some way London has to be consolidated. It cannot sustain the number of units it has," Mr. Parton said.

The ILU currently has more than 100 members representing insurance companies from throughout the world, many of which maintain underwriting offices at 49 Leadenhall St. in London.

ILU members maintained premiums written of 2 billion pounds ($3.6 billion at year-end exchange rates), the same as in 1987, making the ILU as large as Lloyd's marine market.

About 40% of the ILU's business is reinsurance, ILU officials estimate.

Recognition of the ILU as a marine insurance and reinsurance marketplace has increased dramatically since March 1986 when marine and aviation underwriters from ILU member companies moved into one building, located fewer than 200 yards from Lloyd's.

Prior to acquiring the building—the former home of Lloyd's broker Alexander Howden Group Ltd.—ILU underwriters were located in their own company offices scattered throughout the City of London, London's financial center.

Like the Lloyd's market, ILU underwriters subscribe to a collective insurance policy, known as an ILU policy, which brokers carry from underwriter to underwriter until 100% of the risk is placed.

And, with all the ILU underwriters now in one building like Lloyd's, brokers can place an ILU underwriting slip in half a day instead of two and a half days (*BI*, Aug. 29, 1988).

But brokers say they prefer the ILU building to Lloyd's because of the comfortable seats and other amenities provided for their comfort, like televisions, magazines and newspapers.

In stark contrast, the underwriting boxes at Lloyd's rarely even provide seats for queuing brokers.

In the first nine months of trading in the ILU building, the institute increased its share of the marine market by 20%, ILU officials estimate.

Despite the continuing success of the ILU, Mr. Parton predicts that ILU underwriters and their colleagues in Lloyd's marine market face a testing time ahead.

The most significant development in the last year is the fact "that there haven't been sufficient changes in the state of the market," said Mr. Parton.

There is "no rhyme or reason why we have a situation where rating levels are so low when the market has paid some huge claims," he remarked.

For example, since 1987 the marine market has paid several losses, each totaling more than $300 mil-

Continued on next page

Editorial Index Service

The Business Insurance Editorial Index Service directs you to all news reports and feature articles published by Business Insurance newsmagazine.

The annual service includes 3 quarterly reports and a cumulative annual volume. In addition, article citations between publication of quarterly reports are available from BI's Information Centers in New York and Chicago. Complete alphabetical and chronological listings by company, person, subject and geographic location enables you to access data quickly and accurately.

Take advantage of this cost effective tool and fill out the coupon today or call 212/210-0137

Business Insurance

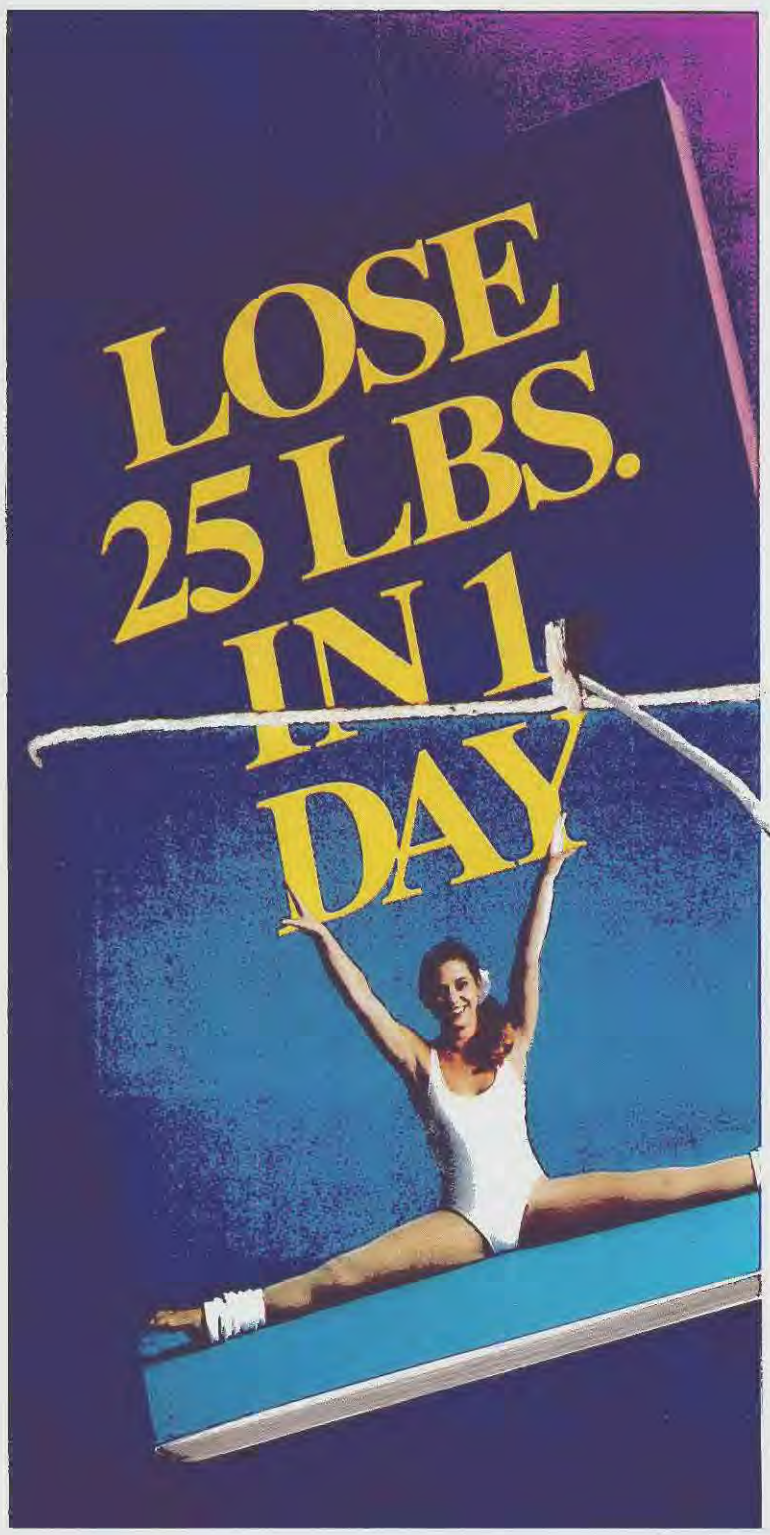
Business Insurance Editorial Index
220 East 42nd Street, New York, NY 10017

Please send me the following index(es):
Full Index Service at $100* ☐ 1989
Softcover edition at $100* each ☐ 1986 ☐ 1987 ☐ 1988
Hardcover edition at $150* each ☐ 1981 ☐ 1982 ☐ 1983 ☐ 1984 ☐ 1985

TOTAL ENCLOSED $_____
PAYMENT MUST ACCOMPANY ORDER —
☐ Visa ☐ Mastercard ☐ Optima
☐ American Express ☐ Check Enclosed
(make check payable to Business Insurance)
* foreign postage additional

Account # Exp. Date
Signature
Name
Title Phone
Company
Address
City State Zip

But words will never harm you.



Watch out! Your publishing client's how-to-do-it book may jump up and bite their budget. That exercise or first aid video could cause a slipped digit in the profit column. It's part of the liability epidemic, and though the claims sound wacky, they can be costly too.

And often enough, bodily injury and property damage claims arising out of the content of published, broadcast or exhibited matter may not be covered by a general liability or products policy.

Several years ago, Media/Professional pioneered specialized coverage for defective advice, imitation and incitement claims arising out of textbooks, technical publications, films, videos, and television and radio shows. We provide it as an option to our Media Special Perils Program, offered by A+ "Superior" rated SAFECO to media and entertainment companies.

Contextual E&O claims are no word game. They require special handling and a working knowledge of First Amendment Law. Let our in-house attorneys and our unique coverage help unscramble the legal jumble. Before "how-to" becomes "how-not-to."



Media/Professional Insurance, Inc.
Two Pershing Square, Suite 800 · 2300 Main Street
Kansas City, Missouri 64108 · 816-471-6118

America's E & O Authority

ILU

Continued from previous page
lion. The loss of the Piper Alpha North Sea oil platform alone produced losses of about $1.4 billion (*BI,* Sept. 12, 1988).

The Piper Alpha loss "still is percolating around the reinsurance market without anyone being obviously hurt to any great degree," said Mr. Parton, predicting that some "people will be hurt."

Mr. Parton believes a recent tightening in rates for high layer excess-of-loss reinsurance could herald a change in the plummeting fortunes of the marine market.

"I can just detect that underwriters are getting to the stage where they have come to the end of the line."

Meanwhile, underwriters must look ahead and gear themselves up to great changes likely to take place in the London market, he said.

For example, non-marine company underwriters and reinsurers are planning to set up an underwriting center similar to the ILU center. "I think it's partly the success of the ILU building that's got the companies to think about a non-marine center," he said.

However, as computers begin to play an increasing role in the London market, the new non-marine center, the ILU building and the new Lloyd's building all may become "great big white elephants," Mr. Parton suggested.

If underwriters and brokers begin to communicate more and more via the upcoming LIMNET computer network, it may no longer be necessary for underwriters to be located near each other, he noted (*BI,* Oct. 17, 1988).

In the future, a broker may need to only visit one or two leading brokers at a time, he said.

All ILU members must be linked up to the LIMNET—London Insurance Market Network—by December 1989, he noted. ■

Lloyd's societies offer market for activities

By STACY SHAPIRO

LONDON—Thirty-six "societies" within Lloyd's of London offer people in the market a chance to socialize and enjoy cultural and sporting activities ranging from art appreciation to train watching to yachting.

Societies, or social clubs, in the Lloyd's market include the Insurance Debating Society, the Lloyd's Art Group, the Lloyd's Choir, the Lloyd's Christian Union, the Lloyd's Mountain Pursuits Club, the Lloyd's Music Foundation and the Lloyd's Saddle Club.

For people in the market who want to volunteer for part-time reserve military duty, there is the Lloyd's Volunteer Forces, which is a branch of the British Territorial Army. And for war veterans, there is the Lloyd's of London Branch of the Royal British Legion.

People fascinated by trains can join the Lloyd's Railway Society, which organizes an unusual British hobby of watching trains and taking down their serial numbers.

And, for wine connoisseurs, or those who desire to be, there's the Lloyd's Wine Society.

Many of the societies sponsor at least one annual festivity, which range from theater productions to sporting events to small formal balls, with any proceeds going to charitable organizations or the clubs.

For example, the Lloyd's Dramatic, Operatic and Music Society produces a drama in the spring and a musical in the autumn every year, said Timothy Boles, secretary for the society and director of Lloyd's members' agency Hogg Robinson & Gardner Mountain P.L.C.

The club, founded in 1910 and one of the oldest clubs in the country, performed the British farce "Outside Edge" this spring and will stage "Hello Dolly" beginning Oct. 31 for five nights at the Jeanetta Cochrane Theatre. The opening night of "Hello Dolly" will benefit the Marie Curie Cancer Care charity.

Among the many sports that societies organize events around are cricket; croquet; field hockey; fly-fishing; golf, a favorite pastime among Lloyd's underwriters and brokers; lawn tennis; rowing; rugby; skeet shooting; skiing; soccer; squash; swimming; and yachting aboard the Lutine, the Lloyd's yacht.

And, these events can lead to important professional contacts.

For example, Guy Mannering-Burton, a London market excess-of-loss broker for Bain Clarkson Ltd., found his position through contacts in the Lloyd's Ski Club, which hosts ski races every year with other non-Lloyd's ski clubs.

About eight years ago, while Mr. Mannering-Burton was working for the Financial Times newspaper, he met some members of the Lloyd's Ski Club at the Rendez-Vous de Septembre in Monte Carlo. He joined the Financial Times team for the ski races held a few months later and ultimately found a job within the Lloyd's market.

The Lloyd's Ski Club, which was formed in 1958, used to ski in Fins, Switzerland, during January. Later, the races were moved to Courchevel, France, where local insurance and reinsurance companies organized the races. But, insurers and reinsurers found January a busy time for renewals, Mr. Mannering-Burton said.

So, for the last two years the club has organized its own races during March in Fins and invited insurance and reinsurance companies to enter teams, he said.

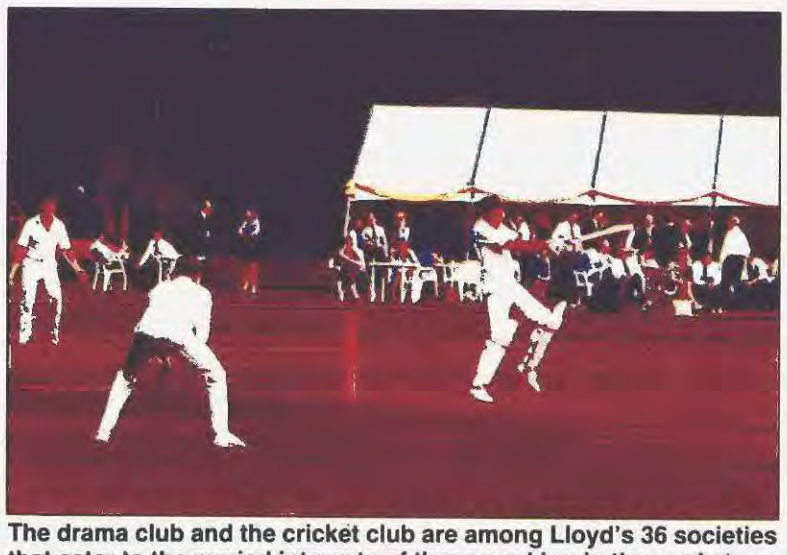
Normally, about 50 Lloyd's Ski Club members participate in the races, as well as representatives from the major insurance and reinsurance companies, he said.

Members of the Lloyd's Cricket Club—all of whom work in the market—also have played non-Lloyd's members for the last two years in the Lloyd's Names Cricket Match in Vincent Square in London, said Edward Vale of Lloyd's broker Holman Wade Ltd. The annual match, which was instituted last year for Lloyd's 300th anniversary, can last all day—as it did this past July.

Spectators are invited to purchase tickets for a four-course luncheon or the British custom of afternoon tea and cakes.

Lloyd's provides a directory of the societies, listing the society's address and the contact person and telephone number. ■





The drama club and the cricket club are among Lloyd's 36 societies that cater to the myriad interests of those working in the market.

Other Rating Agencies Don't Speak the Language.

Sure, they're good at letters: **A-, B+, Aaa, AA.** But they get a little tongue-tied when trying to unravel the complexities of international insurance. Unfamiliar accounting and reporting just don't fit into their mold for rating insurance companies.

At **Insurance Solvency International**, analyzing foreign companies doesn't intimidate us. Since 1981 we have been publishing solvency reports on over 1,000 international insurers and reinsurers. No one else even comes close.

Whether you need a report on a U.S. surplus lines writer, a London market reinsurer, or a Scandinavian marine insurer, you can expect high-quality, detailed analysis. Let us prove it to you -- send in the form below for a free sample report. Or call us in Hartford at (203) 247-5901 or in London at (01) 377-9293.

We're fluent in insurance security.

Visit us at Le Petit Salon at Loews in Monte Carlo

Send a free sample rating report to...

Name: _____

Title: _____

Company: _____

_____

Address: _____

_____

bi

Please return form to...

INSURANCE SOLVENCY INTERNATIONAL
One State Street, Hartford, CT 06103 U.S.A.

or...

INSURANCE SOLVENCY INTERNATIONAL
2 Eldon Street, London, England EC2P 2AY

ISI

Reinsurance overcapacity

Service, specialized products emphasized

By CHRISTINE WOOLSEY

Overcapacity continues to plague international reinsurers, which expect their premiums to be flat or fall through 1990 and perhaps beyond.

Barring major catastrophes, reinsurers do not expect to see a tightening of market conditions soon. Even the major losses caused by October 1987 windstorms in Europe and the Piper Alpha oil platform explosion in 1988 did not significantly increase rates.

"Capacity is more than sufficient for required reinsurance needs. Major catastrophes have been relatively few and not severe enough to have any major effect on pricing," wrote Alan M. Willemsen, senior vp at F&G Re Inc., responding to a *Business Insurance* survey of the 20 largest reinsurers in the world. The Morristown, N.J.-based subsidiary of USF&G Corp. ranks 19th in the world.

Observing a "generally soft market, particularly in the areas of property, marine and aviation," Claus R. Bingemer, president and chief executive officer of Hannover Reinsurance Co., predicted: "The reinsurance market in general will not see any tightening unless a major catastrophe event affects worldwide markets."

West Germany-based Hannover, which ranks 16th in the survey, would move up to seventh in the ranking if Hannover's reinsurance premiums were combined with those of Eisen & Stahl Reinsurance Co., with which Hannover has a joint underwriting agreement. Their premiums were not combined for purposes of this ranking because their ownership is not identical.

Creating overcapacity in the reinsurance marketplace is a desire by reinsurers to grow at the same time ceding insurers are increasing their retentions, buying less reinsurance.

As Ernesto Jutzi, executive vp of Zurich, Switzerland-based Swiss Re Group, the second-largest reinsurer in the world, observed: "Following a period of hard work at improving reinsurance technique, the market has shown an increased interest in growth. The timing for this change of policy may not have been ideal since capacity continues to be abundant and volume to be reinsured stagnating, due to the fact that insurers keep higher retentions and non-proportional reinsurance increasingly substitutes proportional cessions."

New York-based Continental Reinsurance Corp., whose reinsurance group ranks as the 13th-largest reinsurer in the world, commented: "We would characterize the domestic market as softening rapidly on the property side with a shrinking volume of available business as companies continue to up their retentions. On the casualty side, the so-called vanilla business is under increasing pressure, but some specialist classes such as D&O, E&O and product liability are holding prices. But even that could change by the latter half of 1989.

"On the international side, there never has been a genuine shortage of capacity and, after a brief respite in 1987-1988, competition has returned with a vengeance, reminiscent of the early '80s, although this time it is the well-established professional reinsurers who are pricing their products inadequately."

CIGNA Property & Casualty Global Reinsurance Operations, which fell short of the 20 largest reinsurers with worldwide consolidated premiums of $554 million, commented: "Increased capacity and higher ceding company retentions have intensified competition in many markets. This increased competition has resulted in varying degrees of lower prices and weaker terms and conditions in most international markets."

Reinsurers are not holding out much hope that their market conditions will change soon.

CIGNA says: "We would expect that the current competitive environment will continue into 1990, with further deterioration a possibility. Firming of prices is not expected until 1991, barring the effects of catastrophes."

'No recovery before 1992,' says Philipe Ferras, deputy general manager of UAP Reassurances.

Philipe Ferras, deputy general manager of UAP Reassurances, the 17th-largest reinsurer, says: "No recovery before 1992."

UAP's reinsurance operations are merging with those of Societe Commerciale de Reassurance, the 12th-largest reinsurer in the world. Together, the two will rank among the 10 largest reinsurers, operating under the name SCOR S.A. The merger is expected to be completed in November.

"Conditions generally will remain both difficult and competitive, at least for 1990," predicts Hiroshi Yokojima, deputy general manager of the international operations department at The Yasuda Fire & Marine Insurance Co. Ltd. in Tokyo, the fourth-largest reinsurer in the world.

One way reinsurers are trying to turn the spotlight on themselves in the overcrowded marketplace is by offering specialized products and services, reinsurers say.

"Capacity alone is no longer an adequate approach for the successful operation of a professional reinsurer," warned Richard Woltereck, chairman of the executive board of Gerling Global Reinsurance Group. The Cologne, West Germany-based reinsurer ranks 10th in the world.

Mr. Woltereck said only those reinsurers that act quickly in the sluggish market and develop innovative products and services will emerge as market leaders in the years ahead.

"Comprehensive advice concerning reinsurance programs, as well as consulting services regarding specific problems of risk assessment, are becoming more essential," he explained.

Other reinsurers agree.

Mr. Jutzi of Swiss Re noted: "The concentration of values and consequently higher loss exposure work in favor of more reinsurance. In this area, reinsurance is becoming more sophisticated (e.g. non-proportional coverages, facultative special risks, financial elements, services), which in turn offers a challenge to the real professional."

Mark Hinkley, senior vp at Skandia America Group in New York, said the trend for 1990 will be a "recognition by buyers that superior service and products are essential points of competition" among the world's largest reinsurers.

Skandia America's parent, Stockholm, Sweden-based Skandia International Insurance Corp., ranks sixth in the world.

Munich Reinsurance Co., the largest reinsurer in the world, points out that while services are becoming increasingly important in the general economy, they are particularly vital in the insurance industry.

"There is a continuous increase in the demand for additional services from those who provide insurance," said Horst K. Jannott, chairman, in his address to the annual general meeting of Munich Re shareholders. He said Munich Re plans to further diversify and specialize its services to meet specific clients' needs.

"As professional reinsurers we can and should offer more than just financial protection for large losses and catastrophes," Mr. Jannott added.

Continental Reinsurance Group predicts buyers will take this philosophy seriously in the next few years.

"We predict that the reinsurance buyer will become increasingly selective and, in addition to usual attributes of security and service, he will be looking for an innovative approach" by reinsurers to reduce costs.

Mahmoud Abdallah, senior vp and international division head of Princeton, N.J.-based American Re-Insurance Co., expects "large reinsurers will diversify into non-traditional products and services and, as a result, the definition and function of reinsurance will change.

"Balance sheet management, system development, claims and financial consulting are going to be valuable reinsurance products," Mr. Abdallah said.

American Re is the eighth-largest reinsurer in the world.

Many expect the largest reinsurers in the world to increasingly

Continued on next page

World's largest reinsurers

Ranked by net reinsurance premiums written. All amounts in thousands of dollars.

	Reinsurers	Net reinsurance premiums written 1988	Net reinsurance premiums written 1987	Net reinsurance premiums earned 1988	Net reinsurance premiums earned 1987	Policyholders' surplus 1988	Losses & loss adjustment expenses 1988	Loss ratio 1988	Underwriting expenses 1988	Expense ratio 1988	Combined ratio 1988	Combined ratio 1987
1	**Munich Reinsurance Co.[1,2]**	**$5,706,773**	**$5,692,421**	**$5,645,973**	**$5,520,152**	**$1,093,842**	**$4,332,071**	**76.7%**	**$1,697,913**	**29.7%**	**106.5%**	**105.6%**
2	**Swiss Re Group[3]**	**4,541,244**	**3,628,239**	**4,508,148**	**3,577,319**	**1,694,988**	**3,386,824**	**75.1**	**1,447,556**	**31.9**	**107.0**	**109.8**
	European General Reinsurance Co.[3]	684,722	448,895	680,577	451,845	65,983	557,071	81.8	178,984	26.1	107.9	114.1
	North American Reinsurance Corp.	623,611	647,467	679,178	654,921	623,401	464,370	68.4	213,277	34.2	102.6	104.3
	Bavarian Reinsurance Co.[3]	576,789	419,771	562,305	410,106	177,267	405,483	72.1	164,855	28.6	100.7	100.0
	Union Reinsurance Co.[4]	296,384	300,856	274,820	281,902	86,707	155,673	73.4	104,306	35.2	108.6	110.4
3	**General Reinsurance Corp.**	**1,626,645**	**2,040,174**	**1,752,668**	**2,123,122**	**2,218,354**	**1,218,948**	**69.5**	**474,313**	**29.2**	**98.7**	**98.9**
4	**The Yasuda Fire & Marine Insurance Co. Ltd.[5]**	**1,576,881**	**1,554,687**	**NA**	**NA**	**1,371,685[6]**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**
5	**Employers Reinsurance Corp.**	**1,312,390**	**1,354,118**	**1,332,098**	**1,368,035**	**1,045,300**	**996,478**	**74.8**	**341,493**	**26.0**	**100.8**	**102.3**
6	**Skandia International Insurance Corp.**	**1,239,000**	**1,296,000**	**1,069,000[7]**	**1,178,000[7]**	**1,017,699**	**894,000**	**83.6**	**430,000**	**34.7**	**118.3[7]**	**107.8[7]**
	Skandia America Reinsurance Corp.	234,306	380,348	252,134	306,051	309,934	175,358	69.5	81,872	34.9	104.5	104.6
7	**Cologne Reinsurance Co.**	**1,147,094**	**1,072,909**	**1,126,225**	**1,053,053**	**132,085[2]**	**859,938**	**76.4**	**308,746**	**26.9**	**103.3**	**104.0**
8	**American Re-Insurance Co.**	**976,399**	**1,045,217**	**990,843**	**1,050,504**	**583,697**	**742,615**	**75.0**	**263,185**	**27.0**	**101.9**	**100.3**
9	**Mercantile & General Reinsurance Co. P.L.C.[9]**	**971,484**	**1,016,224**	**NA**	**NA**	**295,800**	**315,300**	**72.9[10]**	**150,000**	**34.9**	**107.8**	**112.7**
10	**Gerling-Konzern Globale Reinsurance Group[6]**	**917,609**	**744,681**	**900,997**	**731,961**	**185,335**	**613,875**	**68.1**	**296,545**	**29.4**	**97.5**	**99.5**
11	**Tokio Marine & Fire Insurance Co. Ltd.[5]**	**852,071**	**907,428**	**NA**	**NA**	**20,820,280[6]**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**
12	**Societe Commerciale de Reassurance**	**760,060**	**639,284**	**719,144**	**687,398**	**455,773**	**542,519**	**75.4**	**253,678**	**33.4**	**108.8**	**107.4**
	SCOR U.S. Corp. and subsidiaries	110,649	103,104	112,063	88,817	131,345	73,718	65.8	35,691	29.4	95.2	90.6
13	**Continental Reinsurance Group**	**759,194**	**711,983**	**752,348**	**708,996**	**275,498**	**638,187**	**84.8**	**239,441**	**31.5**	**116.3**	**112.8**
14	**Frankona Reinsurance Co.[1,12]**	**750,300**	**768,000**	**714,300**	**738,100**	**202,400**	**464,400**	**65.0**	**201,600**	**36.5**	**101.5**	**104.9**
15	**Assicurazioni Generali S.p.A.[8]**	**742,600**	**586,500**	**500,206**	**454,928**	**1,167,704**	**391,950**	**78.4**	**140,903**	**27.7**	**106.1**	**99.4**
16	**Hannover Reinsurance Co.[3]**	**736,710**	**795,562**	**754,248**	**772,652**	**298,628**	**529,216**	**70.2**	**224,998**	**29.8**	**100.0**	**99.9**
17	**UAP Reassurances**	**625,238**	**609,557**	**568,596**	**574,796**	**189,532**	**397,581**	**69.9**	**215,674**	**34.4**	**104.3**	**104.3**
18	**The Toa Fire & Marine Reinsurance Co. Ltd.[2,11]**	**601,091**	**514,603**	**NA**	**NA**	**130,936**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**
19	**F&G Re Inc.**	**601,020**	**413,187**	**650,811**	**410,803**	**2,054,073[6]**	**441,391**	**67.8**	**171,942**	**28.6**	**96.4**	**98.4**
20	**Prudential Reinsurance Co.**	**569,000**	**707,000**	**596,064**	**712,836**	**414,696**	**466,676**	**78.3**	**203,261**	**35.7**	**114.0**	**111.7**
	TOTALS	**27,012,803**	**26,097,774**	**22,581,669**	**21,662,655**	**35,648,305**	**17,231,969**	**74.9**	**7,061,248**	**30.1**	**105.0**	**104.6**

All figures converted to U.S. dollars at fiscal year-end exchange rates. Unless otherwise noted, fiscal years ending Dec. 31, 1988; Dec. 31, 1987.

[1]Fiscal years ending June 30, 1988; June 30, 1987 [2]Not consolidated [3]Fiscal years ending Dec. 31, 1987; Dec. 31, 1986 [4]Acquired in 1988 [5]Fiscal years ending March 31, 1989; March 31, 1988 [6]Parent company capital and surplus [7]Estimate [8]Fiscal years ending June 30, 1987; June 30, 1986 [9]All figures except premiums written exclude life reinsurance [10]Losses incurred to net premiums written [11]Fiscal years ending March 31, 1988; March 31, 1987 [12]All figures except premiums written exclude subsidiaries

Researcher: Christine Woolsey

Source: BI survey

Do you have to return it?

If you're racing through this issue of Business Insurance because you have to return it soon,
why not have your own personal subscription?
Use the card in this issue or the coupon to
SUBSCRIBE TODAY.
Business Insurance
Circulation Dept. 965 E. Jefferson Detroit, MI 48207



Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here:)	Surface Mail	By Air
USA	☐ $70	☐ $147
Canada	☐ $102	☐ $157
Bermuda (air only)		☐ $152
United Kingdom		☐ $150 or £83
Europe/Middle East		☐ $150
All other foreign	☐ $102	Rates on request

☐ new subscription. ☐ renewal. ☐ payment enclosed.
☐ bill me. ☐ bill company.
☐ Please send information on your special 20%-off group rate for five or more subscriptions.

name (please print)
title telephone
company
nature of business
☐ business or ☐ home address
city state/country zip/postal code
☐ I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance, Circulation Dept., 965 E. Jefferson Ave., Detroit, MI 48207 4COU9

Top reinsurers

Continued from previous page
dominate the marketplace in the future.

However, Continental Re stressed that while it expects to see a "concentration of reinsurance market share in the hands of the world's Top 20 reinsurers, there should be room also for the highly focused smaller reinsurer, but the middle-sized generalists could be in trouble."

SCOR agrees that "smaller companies operating in specific market segments will survive and prosper since they will remain more flexible (than) the larger groups."

Opinions are somewhat split among reinsurers as to the effect the 1992 European Community directive will have on the international insurance marketplace, but the majority agree that changes will be gradual rather than sudden (*BI*, May 16, 1988).

As would be expected, the most notable activity is coming from the European market—namely West Germany, France and the United Kingdom—where an increase in mergers and acquisitions is taking place.

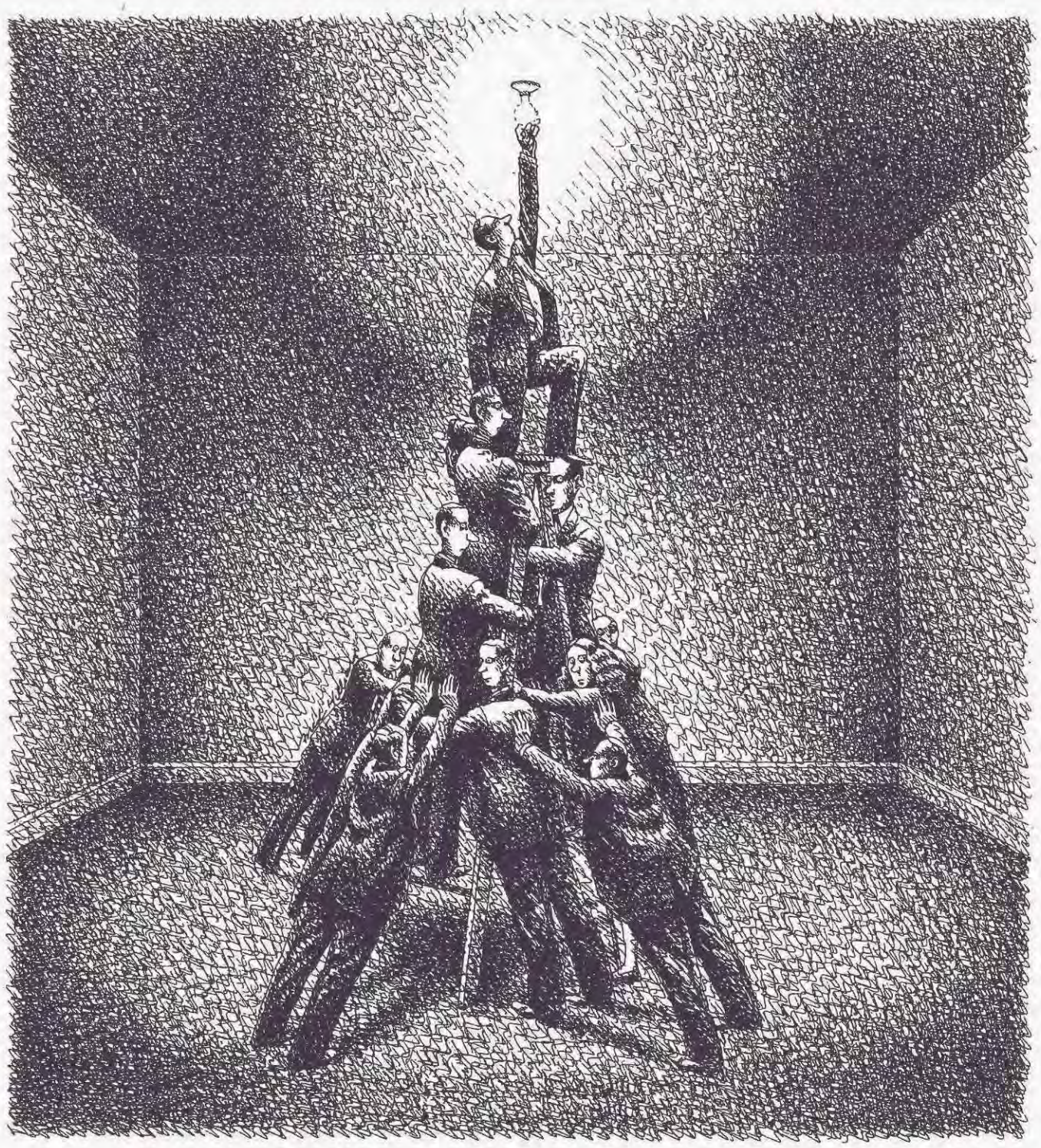
Munich Re, for example, recently acquired 99.8% of the share capital of New Reinsurance Co. in Geneva, according to Mr. Jannott.

In addition, Munich Re recently set up Great Lakes Reinsurance (UK) P.L.C. in London, which will function as an affiliate of Great Lakes Reinsurance Co. in Toronto.

"In Europe, mergers and acquisitions of insurance companies have created stronger financial organizations with significant net retention," said American Re's Mr. Abdallah.

"Basically," he continued, "the 1992 European Community directive will not have a significant effect on companies dealing purely

Continued on next page



Why have many do a job that one can do better?

Consolidate your international benefits with GMD.

If you're using more than one company to handle your international benefits, you're not as efficient as you could be.

Group Management Division (GMD) of the American International Group of insurance companies is one of the largest wholly owned benefits providers in the world.

By integrating our resources worldwide, we enable our offices around the world to act as one. That means peak efficiency, control, and service for our clients.

One phone call from anywhere in the world is all it takes to settle a benefits claim, usually within 48 hours. And since the AIG companies have offices in 130 countries and jurisdictions, we're able to service the on-site needs of our clients no matter the location, economic environment, or social climate.

For cost savings, enhanced control, and the unparalleled service only a tight-knit worldwide network can provide, write to GMD, American International Group, Department A, 70 Pine Street, New York, NY 10270. Or call (212) 770-5060.

You'll get teamwork that will help make the most of your international benefits plan. **Group Management Division AIG**

GMD is a division of American International Life Assurance Company of New York, a member company of American International Group, Inc.

Reinsurer reports vary by country

Ranking the 20 largest reinsurers in the world requires compromises.

Although *Business Insurance* requested that reinsurers provide financial information on their consolidated worldwide reinsurance underwriting, not all reinsurers report such information.

Munich Reinsurance Co., for example, does not release such information, nor would The Toa Fire & Marine Reinsurance Co. Therefore, their net written premiums are understated. In Munich Re's case, missing, for example, is $285 million in premiums written retained by Munich American Reinsurance Co., which is why MARC is not noted in the chart while major reinsurance subsidiaries of other reinsurers are noted.

In addition, although *Business Insurance* sought the most recent financial information from reinsurers, some financial information is as old as the fiscal year ended June 30, 1987. That was the most recent financial information available from Gerling-Konzern Globale Reinsurance Group.

Also, reinsurers around the world use different fiscal years: U.S. reinsurers and several European reinsurers use calendar years, while some West German reinsurers use June 30 and the Japanese use March 31.

Furthermore, fluctuating foreign exchange rates create problems. *Business Insurance* used the foreign exchange rates prevailing as of the balance sheet dates for each of the reinsurers to convert their results to U.S. dollars. Using different foreign exchange rates—such as the exchange rates prevailing on the same day for each of the reinsurers—would alter rankings somewhat.

Finally, reinsurers around the world value their assets differently so a comparison of reported policyholder surplus among the reinsurers also is deceiving. The West Germans, for example, value their assets at the lower of cost or market value at the balance sheet date, creating hidden reserves.

Acknowledging the distortions in results created by these problems, *Business Insurance* presents the ranking of the 20 largest reinsurers in the world as the most comprehensive effort to date on such a ranking.

Continued from previous page

in reinsurance."

However, Mr. Abdallah also pointed out that changes will affect the primary insurance market and, consequently, change will be felt in the reinsurance industry.

"Reinsurers' clients in Europe will be subject to tremendous changes as a result of the mergers and acquisitions phenomena that has been taking place," he said. "Financial strength, distribution networks and product development will be the critical success factors for both primary and reinsurance insurance companies.

"As a result, the European insurance market will ultimately be dominated by a few heavy capitalized companies with a strong network throughout Europe. Niche companies and experts in specialized fields should thrive."

Mr. Abdallah added, "It is quite unlikely to see a homogeneous European market by Dec. 31, 1992. It will take much longer than that."

Mercantile & General Reinsurance Co. P.L.C. suggests that any changes that do occur in the reinsurance marketplace as a result of 1992 will be the kind of structural changes that constantly take place in reinsurance markets.

London-based M&G, the ninth-largest reinsurer worldwide, discusses the directive's effect in its publication, "1992: The Implications for Insurance."

Smaller companies have been recognizing the need to merge resources with "similar sized operations, trans-border where necessary. . .(and) develop products and outlets to match and compete with the larger units," the publication states.

The Top 20 wrote $27 billion in net reinsurance premiums in 1988, up 3.5% over 1987.

"We predict some reduction in the volume of proportional business ceded, a trend already well-established amongst the larger European insurance groups, and an increased demand in the area of risk and particularly catastrophe excess-of-loss covers," the M&G publication says.

According to the first annual *Business Insurance* ranking of the world's largest reinsurers, the Top 20 wrote $27 billion in net reinsurance premiums in 1988, a mere 3.5% increase compared with 1987 (see chart, page 55 and related story on how the rankings were compiled, page 56).

Their collective combined ratio, meanwhile, inched up to 105% in 1988 compared with 104.6% in 1987.

(The collective combined ratios do not reflect loss and expense ratio figures for the three Japanese companies, which did not provide complete data.)

The $35.6 billion in capital and surplus calculated for the 20 reinsurers is greatly inflated because two of the reinsurance underwriters do not report allocated capital and surplus for their business but instead the total capital and surplus of their parent company: Tokio Marine & Fire Insurance Co. Ltd. reports $20.8 billion in capital and surplus, only a fraction of which supports its reinsurance underwriting, and F&G Re reports USF&G Corp.'s $2.1 billion in policyholder surplus.

However, other reinsurers understate the policyholder surplus supporting their reinsurance underwriting, including Cologne Reinsurance Co., which could not provide a consolidated capital and surplus figure. ■

Directory contains information on largest worldwide reinsurers

Aachener Reinsurance Co.

Schloss-Rahe-Strasse 15, D-5100 Aachen, West Germany; 241-186-0

	1987	1986
Premiums written	**$346 million**	$269 million
Treaty	**95.2%**	NA
Facultative	**4.8%**	NA
Premiums earned	**$341 million**	$261 million
Capital & surplus	**$81 million**	$63 million
Losses	**$230 million**	$172 million
Loss ratio	**67.5%**	66.1%
Expenses	**$111 million**	$78 million
Expense ratio	**32%**	28.1%
Combined ratio	**99.5%**	94.2%

Year founded: 1853.
Parent company: AMB Aachener und Munchener Beteilingungs-Aktiengesellschaft.
Employees: 146 (not consolidated).
Locations: Three.
Principal officers: Arno Morenz, chairman; Harry Hauptmann, Franz Schmitz and Hermann von Treskow, members of the board of management.

American Re-Insurance Co.

555 College Road E., Princeton, N.J. 08543; 609-243-4200

	1988	1987
Premiums written	**$976 million**	$1 billion
Treaty	**56%**	46%
Facultative	**44%**	54%
Premiums earned	**$991 million**	$1 billion
Capital & surplus	**$584 million**	$533 million
Losses	**$743 million**	$798 million
Loss ratio	**74.95%**	75.98%
Expenses	**$263 million**	$254 million
Expense ratio	**26.95%**	24.27%
Combined ratio	**101.9%**	100.25%

Year founded: 1917.
Parent company: Aetna Life & Casualty Co.
Employees: 997.
Locations: 22; 12 domestic; 10 international.
Principal officers: Edward B. Jobe, president/chief executive officer; Paul H. Inderbitzin, executive vp; James R. Fisher, senior vp/comptroller; Michael A. Jones and Harold S. Swann, senior vps.
U.S. contact: Victor M. Giuffre, 609-243-4280.

Assicurazioni Generali

Piazza Duca degli Abruzzi 2, 34132 Trieste, Italy; 39-40-671-1

	1988	1987
Premiums written	**$743 million**	$587 million
Treaty	**94.3%**	95.3%
Facultative	**5.7%**	4.7%
Premiums earned	**$500 million**	$455 million
Capital & surplus	**$1.2 billion**	$693 million
Losses	**$392 million**	$325 million
Loss ratio	**78.4%**	71.5%
Expenses	**$141 million**	$135 million
Expense ratio	**27.7%**	27.9%
Combined ratio	**106.1%**	99.4%

Year founded: 1831.
Employees: 6,400.
Locations: 56 worldwide.
Principal officers: Enrico Randone, chairman; Eugenio Coppola di Canzano and Alfonso Desiata, managing directors; Umberto Della Casa, Camillo Guissani and Luigi A. Molinari, general managers.
U.S. contact: Giorgio Balzer, 212-602-7600.

Bavarian Reinsurance Co.

Sederanger 4-6, 8000 Munich 22, West Germany; 89-3844-1

	1987	1986
Premiums written	**$577 million**	$420 million
Premiums earned	**$562 million**	$410 million
Capital & surplus	**$177 million**	$128 million
Losses	**$405 million**	$293 million
Loss ratio	**72.1%**	71.5%
Expenses	**$166 million**	$119 million
Expense ratio	**28.6%**	28.5%
Combined ratio	**100.7%**	100%

Year founded: 1911.
Parent company: Swiss Reinsurance Co.
Employees: 260.
Locations: One.
Principal officers: Peter Frey, Erich Herrgen, Walter Hofmann, Stefan Lippe, Inge Mahlstedt and Stefan Schroder, board members.

Caisse Centrale de Reassurance

31 rue Henri Rochefort, 75017 Paris, France; 1-40-54-2800

	1988	1987
Premiums written	**$405 million**	$468 million
Treaty	**96.44%**	97.36%
Facultative	**3.56%**	2.64%
Premiums earned	**$317 million**	$428 million
Capital & surplus	**$296 million**	$257 million
Losses	**$188 million**	$282 million
Loss ratio	**59.29%**	65.76%
Expenses	**$113 million**	$124 million
Expense ratio	**27.79%**	26.51%
Combined ratio	**87.08%**	92.27%

Year founded: 1946.
Employees: 127.
Principal officers: Alexis Ruset, chairman/general manager; Claude Thevenot, deputy general manager; Henri Robin, deputy manager; Gerard Boulier, Andre Renaudin and Janine Saladin, assistant managers; Henri Labory and Olivier Meyer, secretaries general.

The Chiyoda Fire & Marine Insurance Co. Ltd.

Kyobashi Chiyoda Building, No. 1-9, Kyobashi 2 Chome, Chuo-ku, Tokyo 104, Japan; 3-281-3311

	1988*	1987*
Premiums written	**$344 million**	$364 million
Treaty	**99%**	99%
Facultative	**1%**	1%
Premiums earned	**NA**	NA
Surplus**	**$554 million**	$514 million
Losses	**$252 million**	$277 million
Expenses	**NA**	NA

* Fiscal years ending March 31, 1989; March 31, 1988.

** Parent company capital and surplus.

Year founded: 1897.
Employees: 5,959, all operations.
Locations: 77 worldwide; 16 in Japan, 16 overseas.
Principal officers: T. Oshima, chairman; T. Toyabe, president/executive director; H. Goi, senior vp/executive director; O. Sato and K. Kurosawa, senior managing directors.
U.S. contact: Junichi Kumagai, 212-306-8748.

CIGNA Property & Casualty Global Reinsurance Operations

1 Franklin Plaza, Philadelphia, Pa. 19102; 215-523-6000

	1988	1987
Premiums written	**$554 million**	$512 million
Treaty	**89%**	92%
Facultative	**11%**	8%
Premiums earned	**$547 million**	$509 million
Capital & surplus	**$322 million**	$296 million
Losses	**$403 million**	$387 million
Loss ratio	**73.6%**	76%
Expenses	**$185 million**	$168 million
Expense ratio	**33.3%**	32.8%
Combined ratio	**106.9%**	108.8%

Year founded: 1947.
Parent company: CIGNA Corp.
Employees: 488.
Locations: 14 worldwide.
Principal officers: Norman M. Wayne, president-global reinsurance operations; Warren E. Coupland, president-international reinsurance operations; Harry J. Larzelere, president-North American reinsurance operations; Thomas J. Mahoney and Reginald Green, general managers.
U.S. contact: Warren E. Coupland, 215-523-4286.

Cologne Reinsurance Co.

Theodor-Heuss-Ring 11, D-5000, Cologne 1, West Germany; 221-7759-0

	1988	1987
Premiums written	**$1.1 billion**	$1.1 billion
Treaty	**90.28%**	90.21%
Facultative	**9.72%**	9.79%
Premiums earned	**$1.1 billion**	$1.1 billion
Surplus*	**$132 million**	$138 million
Losses	**$860 million**	$819 million
Loss ratio	**76.36%**	77.77%
Expenses	**$309 million**	$281 million
Expense ratio	**26.92%**	26.21%
Combined ratio	**103.28%**	103.98%

* Capital and surplus not consolidated.

Continued on next page

ONE-CALL 215-254-9890

FOR LONG-TERM AUTO LEASING INSURANCE



- Lessors Excess Liability
- Primary Physical Damage
- Lessors Contingent Liability
- Primary Liability Coverages
- Residual Value Insurance
- Contingent Physical Damage
- Interim Car Coverages
- **$5 MILLION CSL LIMIT AVAILABLE**

Be sure. Take advantage of our extensive experience with this difficult-to-place business. Designed specifically for the automobile leasing/rental industry, our program saves you time, cuts your costs, satisfies your customers. We do the work, you get the credit!

We invite your inquiry and your business. Write or call Ron Ruane.

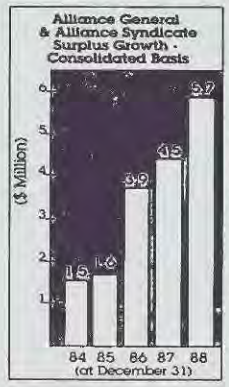
PAIGE-RUANE, INC.
Suite 616-The Woods
P.O. Box 6745 • Wayne, PA 19087
(215) 254-9890 • FAX # (215) 254-9893

Reliance Specialty Programs, Inc.

You maintain the very highest standards of quality and look where it gets you.

With 25% higher surplus than this time last year. You know, we started this company a couple of years ago with the notion that providing Surplus Lines Coverages reflecting the industry's highest standards of excellence would give us this tremendous feeling of accomplishment and keep our clients extremely happy all at the same time.

We were right.





ALLIANCE INSURANCE GROUP
Where High Performance Is Company Policy.

Alliance Insurance Group of Illinois, Inc.
200 West Adams, Chicago, IL 60606
(312) 269-0099

Alliance Insurance Services, Inc.
3435 Wilshire Blvd., Los Angeles, CA 90010
(213) 386-8747

Continued from previous page

Year founded: 1846.
Parent company: Colonia Versicherung Aktiengesellschaft.
Employees: 750.
Locations: 17 worldwide.
Principal officers: Jurgen Zech, chairman; Gerd Hofmann, Georg Lorenz, Lothar Meyer, Arnd Saacke and Wilhelm Zeller, members-board of executive directors.

Continental Reinsurance Group

180 Maiden Lane, New York, N.Y. 10038; 212-440-7800

	1988	1987
Premiums written	**$759 million**	$712 million
Treaty	**94.2%**	94.7%
Facultative	**5.8%**	5.3%
Premiums earned	**$752 million**	$709 million
Capital & surplus	**$275 million**	$313 million
Losses	**$638 million**	$547 million
Loss ratio	**84.8%**	77.2%
Expenses	**$239 million**	$253 million
Expense ratio	**31.5%**	35.6%
Combined ratio	**116.3%**	112.8%

Year founded: 1978.
Parent company: Continental Corp.
Employees: 334.
Locations: Six worldwide.
Principal officers: Nigel R.H.O. Harley, chairman/president; Gary French, executive vp; Walter J. Gross, senior vp/chief financial officer; Winifred A. Baker, Constance M. Curnow and Robert Y. Naylor, senior vps.
U.S. contact: Gary French, 212-440-7887.

The Dai-Tokyo Fire & Marine Insurance Co. Ltd.

1-6 Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan; 3-272-8811

	1988*	1987*
Premiums written	**$385 million**	$428 million
Premiums earned	**$379 million**	$416 million
Surplus**	**$607 million**	$507 million
Losses	**$343 million**	$374 million
Loss ratio	**90.65%**	89.8%
Expenses	**$60 million**	$69 million
Expense ratio	**15.61%**	16.08%
Combined ratio	**106.26%**	105.88%

* Fiscal years ending March 31, 1988; March 31, 1987.

** Parent company capital and surplus.

Year founded: 1918.
Employees: 6,679, parent company.
Principal officers: Isao Kosaka, president; Masanori Kayumi, executive vp; Hajime Izawa, Toshio Inoue and Masashi Fujita, senior managing directors.
U.S. contact: Ken-ichi Shibuya, 212-826-8110.

Eisen & Stahl Reinsurance Co.

Karl-Wiechert-Allee 50, D-3000, Hannover 61, West Germany; 511-5604-0

	1987	1986
Premiums written	**$415 million**	$393 million
Treaty	**99.4%**	99.5%
Facultative	**0.6%**	0.5%
Premiums earned	**$409 million**	$392 million
Capital & surplus	**$147 million**	$146 million
Losses	**$311 million**	$287 million
Loss ratio	**76%**	73.3%
Expenses	**$109 million**	$103 million
Expense ratio	**26.5%**	26.2%
Combined ratio	**102.5%**	99.5%

Year founded: 1923.
Employees: 106.
Parent company: Haftpflichtverband der Deutchen Industrie V. a. G. (HDI), 50.6%.
Locations: Three worldwide.
Specialties: Motor risks.
Principal officers: Claus R. Bingemer, president/chief executive officer; Theo Dielmann, U.S. business; Dieter Pfaffenzeller, worldwide underwriting; Winfried Kruger, treasurer; Udo Schubach, German underwriting; Jurgen Brenzel and A.P. Hecker, board members.

Employers Reinsurance Corp.

5200 Metcalf, Overland Park, Kan. 66201; 913-676-5200

	1988	1987
Premiums written	**$1.3 billion**	$1.4 billion
Premiums earned	**$1.3 billion**	$1.4 billion
Capital & surplus	**$1 billion**	$808 million
Losses	**$996 million**	$1.1 billion
Loss ratio	**74.8%**	80.8%
Expenses	**$341 million**	$292 million
Expense ratio	**26%**	21.5%
Combined ratio	**100.8%**	102.3%

Year founded: 1914.
Parent company: General Electric Financial Services.
Employees: 630.
Locations: 16 worldwide.
Principal officers: M.G. Fitt, chairman/chief executive officer; Kaj Ahlmann, chief general manager-Nordisk Re; Robin Snook, general manager-Employers Reinsurance Ltd.
U.S. contact: Ray Olsen, 913-676-5400.

European General Reinsurance Co. of Zurich

Mythenquai 50/60, 8022 Zurich, Switzerland; 1-208-2121

	1987	1985
Premiums written	**$685 million**	$449 million
Premiums earned	**$681 million**	$452 million
Capital & surplus	**$66 million**	$50 million
Losses	**$557 million**	$389 million
Loss ratio	**81.8%**	86%
Expenses	**$179 million**	$126 million
Expense ratio	**26.1%**	28.1%
Combined ratio	**107.9%**	114.1%

Year founded: 1918.
Parent company: Swiss Re Group.
Principal officers: Paul E. Christen, chairman; H.R. Kaufmann, T. Obrist and A. Saxer, directors.

F&G Re Inc.

55 Madison Ave., P.O. Box 1958; Morristown, N.J. 07962-1958; 201-898-9393

	1988	1987
Premiums written	**$601 million**	$413 million
Treaty	**100%**	100%
Premiums earned	**$651 million**	$411 million
Surplus*	**$2.1 billion**	$1.7 billion
Losses	**$441 million**	$296 million
Loss ratio	**67.8%**	72%
Expenses	**$172 million**	$109 million
Expense ratio	**28.6%**	26.4%
Combined ratio	**96.4%**	98.4%

* Parent company capital and surplus.

Year founded: 1983.
Parent company: USF&G Corp.
Employees: 42.
Locations: Four worldwide.
Principal officers: Paul B. Ingrey, president; James N. Stanard, executive vp; John R. Berger, Alan M. Willemsen and Roland W. Jackson, senior vps.

Frankona Reinsurance Co.

Maria-Theresia-Strasse 35, 8000 Munich 80, West Germany; 89-9228-0

	1988*	1987*
Premiums written	**$750 million**	$768 million
Treaty	**93.5%**	93.5%
Facultative	**6.5%**	6.5%
Premiums earned	**$714 million**	$738 million
Capital & surplus	**$202 million**	$198 million
Losses	**$464 million**	$483 million
Loss ratio	**65%**	65.4%
Expenses	**$202 million**	$217 million
Expense ratio	**36.5%**	39.5%
Combined ratio	**101.5%**	104.9%

* Fiscal years ending June 30, 1998; June 30, 1987.

Year founded: 1886.
Parent company: Gerling-Konzern Globale Versicherungs-Beteiligungs-AG, 50.4%.
Employees: 379.
Locations: Five worldwide.
Principal officers: Dr. Achim Kann, Klaus Bultmann, Robert E. Adams, Paul R. Whitters and David Williams.
U.S. contact: Karl Mayr, 816-346-6536.

General Reinsurance Corp.

Financial Centre, P.O. Box 10350, 695 E. Main St., Stamford, Conn. 06904-2350; 203-328-5000

	1988	1987
Premiums written	**$1.6 billion**	$2 billion
Premiums earned	**$1.8 billion**	$2.1 billion
Capital & surplus	**$2.2 billion**	$1.9 billion
Losses	**$1.2 billion**	$1.6 billion
Loss ratio	**69.5%**	74%
Expenses	**$474 million**	$509 million
Expense ratio	**29.2%**	24.9%
Combined ratio	**98.7%**	98.9%

Year founded: 1921.
Parent company: General Re Corp.
Employees: 2,200.
Locations: 39 worldwide.
Principal officers: R.E. Ferguson, chairman; John C. Etling, president/chief executive officer; J.E. Gustafson, T.N. Kellogg, K.J. LeStrange, D.W. Luby, T.J. McCarthy, P.M. Nance, P.W. Ness, J.S. Wilbourn and E.F. Rondepierre, senior vps.

Gerling-Konzern Globale Reinsurance Group

Geronshof, 5000 Cologne 1, West Germany; 221-144-1

	1987*	1986*
Premiums written	**$918 million**	$745 million
Premiums earned	**$901 million**	$732 million
Capital & surplus	**$185 million**	$146 million
Losses	**$614 million**	$519 million
Loss ratio	**68.1%**	70.8%
Expenses	**$ 297 million**	$ 214 million
Expense ratio	**29.4%**	28.7%
Combined ratio	**97.5%**	99.5%

Fiscal years ending June 30, 1987; June 30, 1986.

Year founded: 1954.
Parent company: Gerling-Konzern Versicherungs-Beteiligungs-AG
Employees: 234.
Locations: 18 worldwide.
Principal officers: Richard Woltereck, Uwe Eymer, Gerhard Niebuhr, Norbert Stronschen, Paul-Robert Wagner and Anton Weiler, executive board members.
U.S. contact: Wolfgang Schlaeger, 212-752-8900.

Hannover Reinsurance Co.

Karl-Wiechert-Allee 50, D-3000 Hannover 61, West Germany; 511-5604-0

	1987	1986
Premiums written	**$737 million**	$796 million
Treaty	**96.8%**	97.1%
Facultative	**3.2%**	2.9%
Premiums earned	**$754 million**	$773 million
Capital & surplus	**$299 million**	$300 million
Losses	**$529 million**	$550 million
Loss ratio	**70.2%**	71.2%
Expenses	**$225 million**	$222 million
Expense ratio	**29.8%**	28.7%
Combined ratio	**100%**	99.9%

Year founded: 1966.
Parent company: Haftplichtverband der Deutschen Industrie V.a.G.
Employees: 232.
Locations: Seven worldwide.
Principal officers: Claus R. Bingemer, president/chief executive officer; Theo Dielmann, U.S. business; Dieter Pfaffenzeller, worldwide underwriting; Winfried Kruger, treasurer; Udo Schubach, German underwriting; Jurgen Brenzel and A.P. Hecker, board members.

Continued on next page

DECISIONS, DECISIONS...

Having problems deciding on a software package for your reinsurance business? We'll make it easy for you. Consider these key decision points:

- **Ease of use**... Forget long, involved training schedules and complicated manuals. RSG is designed for reinsurers, not computer whizzes.
- **Flexibility**... Unlike other reinsurance systems, RSG can be easily tailored to your particular needs. And there's a built-in report generator to process your spontaneous requests quickly—without help from your DP staff.
- **Statistical displays**... Our on-line statistical displays are so powerful we call them the "Reinsurance Defense Initiative."
- **Reliability**... RSG is a proven system with the benefit of thousands of hours of terminal operations. You can count on it to perform well for you on a daily basis.
- **Freedom of choice**... With the RSG system, you're not limited to a single computer from one manufacturer. You have a choice of models from PCs to main-frames from most leading vendors, including IBM.

The RSG system scores on all these points. It is working successfully now for reinsurance companies of all sizes and it can do the same for you. So call today to find out more. We'll be glad to send you a brochure or to arrange for a demo. And you'll be glad you did. It just might be the best business decision you'll ever make.

RE Systems Group
229 East 79th Street #1D, New York, NY 10021
212/517/1807

Guide to directory

This first annual directory of the world's largest reinsurance companies lists reinsurers that responded to a *Business Insurance* questionnaire.

The listings are published free of charge as an editorial service; however, only reinsurers writing at least $300 million in net reinsurance premiums are included in the directory. Major reinsurance subsidiaries of the reinsurers ranked among the 20 largest in the world also are included in the directory.

Financial information was gathered from the companies' responses to the *BI* questionnaire, annual reports and telephone interviews. Figures are reported in U.S. dollars, using appropriate fiscal year-end exchange rates. Unless otherwise noted, fiscal years end Dec. 31, 1988, and Dec. 31, 1987.

The listings begin with the home office address and telephone number, followed by financial information based on the company's worldwide consolidated (unless otherwise noted) reinsurance operations.

Financial information related to reinsurance, including net premiums written, net premiums earned, total capital and surplus, loss and loss adjustment expenses, and underwriting expenses are given. Loss ratios, expense ratios and combined ratios also are included; as well as the percentage of reinsurance business written as treaty and as facultative reinsurance.

The company's **year founded** follows the financial information. The **parent company** (if any), **employees** at year-end 1988 and number of worldwide **locations** are included. Names and titles of **principal officers,** as well as a **U.S. contact** for non-U.S. domiciled reinsurers, complete the listings.

Although every effort is made to publish complete and accurate listings, *Business Insurance* was not always able to verify all the information provided by the reinsurers.

Continued from previous page

Kemper Reinsurance Co.

Long Grove, Ill. 60049;
312-540-2600

	1988	1987
Premiums written	**$309 million**	$389 million
Premiums earned	**$321 million**	$412 million
Capital & surplus	**$365 million**	$314 million
Losses	**$262 million**	$346 million
Loss ratio	**81.7%**	84%
Expenses	**$67 million**	$80 million
Expense ratio	**21.6%**	20.8%
Combined ratio	**103.3%**	104.8%

Year founded: 1969.
Parent company: Kemper Corp.
Employees: 215.
Locations: Seven worldwide.
Principal officers: David B. Mathis, chairman/chief executive officer; Donald R. Smith, president/chief operating officer; Michael R. Pinter, senior executive vp; George L. Messenger and Michel Y. Beyens, executive vps.

Mercantile & General Reinsurance Co. P.L.C.

Moorfields House, Moorfields,
London EC2Y 9AL, England;
1-628-7070

	1988	1987
Premiums written*	**$971 million**	$1 billion
Premiums earned	**NA**	NA
Capital & surplus	**$296 million**	$315 million
Losses	**$315 million**	$379 million
Loss ratio**	**72.9%**	80.3%
Expenses	**$150 million**	$153 million
Expense ratio	**34.9%**	32.4%
Combined ratio	**107.8%**	112.7%

* Figures for premiums written include life reinsurance; others do not.

** Losses incurred to net written premiums.

Year founded: 1907.
Parent company: Prudential Corp. P.L.C.
Employees: 1,450.
Locations: 24 worldwide.
Principal officers: John Lock, managing director; John Austin, Roger Sansom, Michael Harvey and Michael Brown, general managers.
U.S. contact person: Paul Hawksworth, 201-898-9480.

Munich Reinsurance Co.

Koniginstrasse 107, D-8000,
Munich 40, West Germany;
89-3891-0

	1988*	1987*
Premiums written	**$5.7 billion**	$5.7 billion
Premiums earned	**$5.6 billion**	$5.5 billion
Capital & surplus	**$1.1 billion**	$989 million
Losses	**$4.3 billion**	$4.2 billion
Loss ratio	**76.73%**	75.92%
Expenses	**$1.7 billion**	$1.7 billion
Expense ratio	**29.75%**	29.68%
Combined ratio	**106.5%**	105.6%

* Fiscal years ending June 30, 1988; June 30, 1987. Not consolidated.

Year founded: 1880.
Employees: 1,656.
Locations: More than 60 worldwide.
Principal officers: Dieter Spethmann, chairman-supervisory board; Horst K. Jannott, chairman-management board; Klaus Gerathewohl, Hans-Jurgen Schinzler, Klaus Conrad, Rudolf Ficker, Dieter Gobel, Edith Lukas, Dieter Nonhoff, Hans Raffler, Ralph Roth, Hans-Dieter Sellschopp, members of the board of management.

North American Reinsurance Corp.

237 Park Ave. New York, N.Y.
10017; 212-907-8173

	1988	1987
Premiums written	**$647 million**	$624 million
Premiums earned	**$679 million**	$647 million
Capital & surplus	**$623 million**	$505 million
Losses	**$464 million**	$440 million
Loss ratio	**68.4%**	67.1%
Expenses	**$213 million**	$241 million
Expense ratio	**34.2%**	37.2%
Combined ratio	**102.6%**	104.3%

Year founded: 1910.
Parent company: Swiss Re Group.
Employees: 450.
Branch offices: Atlanta, Boston, Chicago, Dallas, Los Angeles, Philadelphia and San Francisco.
Principal officers: N. David Thompson, president/chief executive officer; Charles E. Mabli, executive vp-finance; James P. Quinn, executive vp-special lines; William H. Stempson, group vp-treaty underwriting; Darrius G. Baker, group vp-facultative underwriting; Albert W. Davis, executive vp-marketing.
U.S. contact: Albert W. Davis, 212-907-8000.

Prudential Reinsurance Co.

100 Mulberry St., Newark, N.J.
07102-4077; 201-802-8888

	1988	1987
Premiums written	**$569 million**	$707 million
Treaty	**77.6%**	79.2%
Facultative	**22.4%**	20.8%
Premiums earned	**$596 million**	$713 million
Capital & surplus	**$415 million**	$396 million
Losses	**$467 million**	$593 million
Loss ratio	**78.3%**	83.2%
Expenses	**$203 million**	$201 million
Expense ratio	**35.7%**	28.5%
Combined ratio	**114%**	111.7%

Year founded: 1973.
Parent company: Prudential Insurance Co. of America.
Employees: 615.
Locations: 12 worldwide; eight domestic U.S., four foreign.
Principal officers: James E. Dwane, president; Peter J. Greene, Dewey P. Clark and Thomas J. Gallagher, senior vps.

SCOR U.S. Corp.

110 William St., New York, N.Y.
10038; 212-513-1777

	1988	1987
Premiums written	**$111 million**	$103 million
Treaty	**60%**	60%
Facultative	**40%**	40%
Premiums earned	**$112 million**	$89 million
Capital & surplus	**$131 million**	$117 million
Losses	**$74 million**	$58 million
Loss ratio	**65.8%**	64.8%
Expenses	**$36 million**	$25 million
Expense ratio	**29.5%**	25.8%
Combined ratio	**95.2%**	90.6%

Year founded: SCOR U.S., a holding company, was founded in 1981; SCOR Reinsurance Co., the operating company, was founded in 1974.
Parent company: Societe Commerciale de Reassurance.
Employees: 108 in SCOR Reinsurance Co.
Branch offices: Hartford, Conn.; Chicago; Dallas.
Principal officers: Jerome Karter, president; Sylvain Boueil, senior vp/chief underwriting officer; Nolan Asch, senior vp/actuary; Gennaro DiMauro, senior vp/controller; Michael Walsh, senior vp-investments/treasurer.

Skandia America Reinsurance Corp.

1 Liberty Plaza, New York, N.Y.
10006; 212-978-4700

	1988	1987
Premiums written	**$234 million**	$380 million
Treaty*	**71.2%**	72.2%
Facultative*	**28.8%**	27.8%
Premiums earned	**$252 million**	$306 million
Capital & surplus	**$310 million**	$276 million
Losses	**$175 million**	$244 million
Loss ratio	**69.5%**	79.6%
Expenses	**$82 million**	$95 million
Expense ratio	**34.9%**	25%
Combined ratio	**104.5%**	104.6%

* Based on gross premiums.

Year founded: 1900.
Parent company: Skandia International Insurance Corp.
Employees: 3,698.
Branch offices: Atlanta, Chicago and San Francisco.
Principal officers: Hans Dalborg, chairman; James F. Dowd, president and chief executive officer; Steven J. Bensinger, chief financial officer/executive vp; Charles H. Jaeger Jr., executive vp.

Skandia International Insurance Corp.

Sveavagen 20, P.O. Box 7693;
S-10395 Stockholm, Sweden;
46-8-788-4500

	1988	1987
Premiums written	**$1.2 billion**	$1.3 billion
Premiums earned*	**$1.1 billion**	$1.2 billion
Capital & surplus	**$1 billion**	$869 million
Losses	**$894 million**	$909 million
Loss ratio*	**83.6%**	73.8%
Expenses	**$430 million**	$396 million
Expense ratio*	**34.7%**	30.6%
Combined ratio*	**118.3%**	104.4%

* *BI* estimate.

Year founded: 1855 (parent company).
Parent company: Skandia Insurance Co. Ltd.
Employees: 3,698.
Locations: 18 countries.
Principal officers: Hans Dalborg, president/chief executive officer; James Dowd, John Engestrom, Arne Bernroth, Hakan Lindkvist, Jan R. Carendi, executive vps.
U.S. contact: Mark W. Hinkley, 212-978-2850.

Continued on next page

CHILTINGTON (AMERICA) INC.
Orlando, Florida

CHILTINGTON INTERMEDIARIES LIMITED
London, England

PROFESSIONAL SOLUTIONS TO REINSURANCE PROBLEMS WORLDWIDE

- Collection of Reinsurance Recoverables
- Commutation Negotiations
- Consultancy Advice to Regulatory Authorities
- Consultancy Advice to Liquidators and Rehabilitators
- Portfolio Run-off
- Technical Audit and inspection of Records

We are Immediately available to service your needs through our fully staffed offices in Orlando and London.

For additional information please contact:

North and South America
Paul Walther or Ken Hutchinson
Orlando - Telephone 407-895-0288

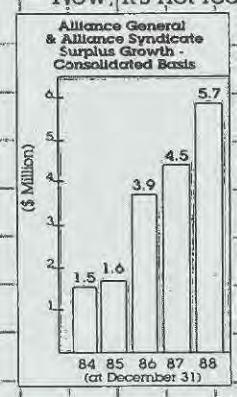
Europe and Asia
Ivor Kiverstein or Ian Marshall
London - Telephone 44-1-252-0316

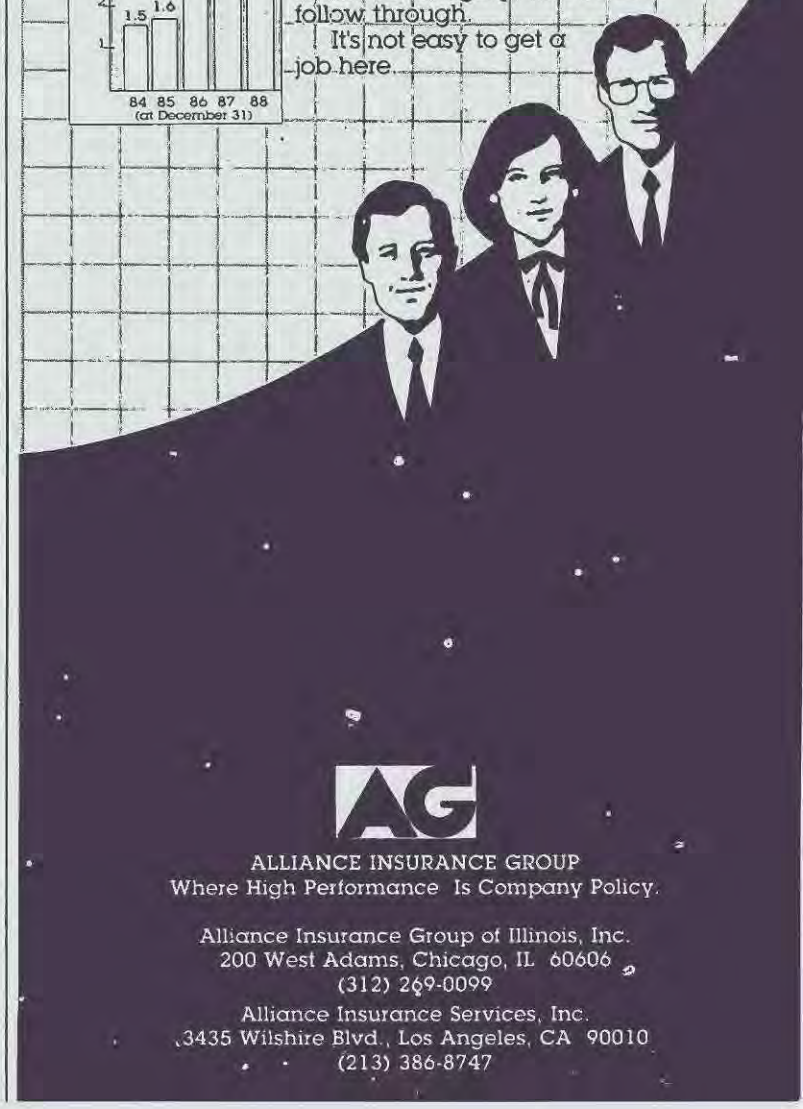
You hire top professionals with impeccable reputations and look where it gets you.

Operating with higher and higher levels of expertise.

Now, it's not really our intention to give our associates swelled heads, but the fact remains that they wouldn't have been hired if they weren't on par with the best in the industry. Each with proven mastery over the many complexities of underwriting Surplus Lines Coverages. Each with a long and proven track record for integrity, service and follow through.

It's not easy to get a job here.





ALLIANCE INSURANCE GROUP
Where High Performance Is Company Policy.

Alliance Insurance Group of Illinois, Inc.
200 West Adams, Chicago, IL 60606
(312) 269-0099

Alliance Insurance Services, Inc.
3435 Wilshire Blvd., Los Angeles, CA 90010
(213) 386-8747

Continued from previous page

Societe Commerciale de Reassurance

Immeuble SCOR, La Defense
Cedex 39, Paris 92074, France;
1-4291-0432

	1988	1987
Premiums written	**$760 million**	$639 million
Premiums earned	**$719 million**	$687 million
Capital & surplus	**$456 million**	$268 million
Losses	**$543 million**	$524 million
Loss ratio	**75.43%**	76.16%
Expenses	**$254 million**	$200 million
Expense ratio	**33.37%**	31.31%
Combined ratio	**108.8%**	107.47%

Year founded: 1969.
Employees: 736.
Locations: 26 worldwide
Principal officers: Patrick Peugeot, chairman/chief executive officer; Francois Negrier, president-reinsurance; Jaques Blondeau, president-operations; Serge Osouf, group senior vp.
U.S. contact: Jerome Karter, 212-513-1777.

The Sumitomo Marine & Fire Insurance Co. Ltd.

27-2, Shinkawa, 2-chome, Chuo-ku,
Tokyo 104 Japan; 3-297-6373

	1988*	1987*
Premiums written	**$388 million**	$334 million
Surplus**	**$1.2 billion**	$874 million
Losses	**$253 million**	$222 million

*Fiscal years ending March 31, 1989; March 31, 1988.

**Parent company capital and surplus.

Year founded: 1893.
Employees: 6,115, parent company.
Locations: 28 worldwide.
Principal officers: Sumao Tokumasu, president; Tadashi Konishi, Fumihiko Suzuki, Takashi Onoda and Kazumi Sato, executive vps.
U.S. contact: Tohei Shimoda, 212-612-4548.

Swiss Re Group

Swiss Reinsurance Co., Mythenquai
50/60, 8022 Zurich, Switzerland;
1-208-2121

	1987	1986
Premiums written	**$4.5 billion**	$3.6 billion
Premiums earned	**$4.5 billion**	$3.6 billion
Capital & surplus	**$1.7 billion**	$1.3 billion
Losses	**$3.4 billion**	$2.8 billion
Loss ratio	**75.1%**	77.1%
Expenses	**$1.4 billion**	$1.2 billion
Expense ratio	**31.9%**	32.7%
Combined ratio	**107%**	109.8%

Year founded: 1863.
Parent company: Swiss Reinsurance Co.
Employees: 3,194.
Locations: 14.
Principal officers: Walter Diehl, chairman/chief executive officer; Paul E. Christen, Rolf Gamper, Paul-Francis Niquille, Hermann Odermatt and Herbert Schonenberger, general managers.
U.S. contact: N. David Thompson, 212-907-8000.

The Toa Fire & Marine Reinsurance Co. Ltd.

11, Kanda-Surugadai, 3-chome,
Chiyoda-ku, Tokyo 101 Japan;
3-253-3171

	1988*	1987*
Premiums written	**$601 million**	$515 million
Capital & surplus	**$131 million**	$99.7 million

Fiscal years ending March 31, 1988; March 31, 1987.

Year founded: 1940.
Employees: 200.
Locations: Three worldwide.
Principal officers: Sumiyoshi Kusakabe, president/director; Hiroshi Kasahara, Teruo Tamaoki, Tetsu Nakatsukasa and Katsunori Mori, managing directors.

The Tokio Marine & Fire Insurance Co. Ltd.

2-1 Marunouchi, 1-Chome,
Chiyoda-ku, Tokyo 100, Japan;
3-212-6211

	1988*	1987*
Premiums written	**$852 million**	$907 million
Surplus**	**$20.8 billion**	$18.3 billion

*Fiscal years ending March 31, 1989; March 31, 1988.

**Parent company capital and surplus.

Year founded: 1879.
Employees: 11,026, parent company.
Locations: 39 worldwide.
Principal officers: H. Takeda, president; S. Kono and H. Kubota, executive vps; K. Matsushita and T. Kagawa, senior managing directors.
U.S. contact: Noriaki Itakura, 212-422-8400.

Transatlantic Reinsurance Co.

80 Pine St., New York, N.Y. 10005;
212-770-7000

	1988	1987
Premiums written	**$311 million**	$305 million
Premiums earned	**$299 million**	$287 million
Capital & surplus	**$174 million**	$150 million
Losses	**$244 million**	$232 million
Loss ratio	**81.6%**	81%
Expenses	**$73 million**	$73 million
Expense ratio	**23.6%**	24%
Combined ratio	**105.1%**	105%

Year founded: 1952.
Employees: 230.
Locations: 10 worldwide.
Principal officers: Joseph V. Taranto president; James D. Yulga and Robert F. Orlich, senior vps-treaty underwriting; Sylvester L. Kelly, senior vp-facultative underwriting; Richard M. Green, senior vp/controller.

UAP Reassurances

Tour Voltaire, Cedex 58, 92059
Paris La Defense, France;
1-49-07-7575

	1988	1987
Premiums written	**$625 million**	$610 million
Premiums earned	**$569 million**	$575 million
Capital & surplus	**$190 million**	$199 million
Losses	**$398 million**	$402 million
Loss ratio	**69.9%**	69.9%
Expenses	**$216 million**	$210 million
Expense ratio	**34.4%**	34.4%
Combined ratio	**104.3%**	104.3%

Year founded: 1919.
Parent company: UAP Group.
Employees: 414.
Locations: Five worldwide.
Principal officers: Robert Poupart-LaFarge, president; Gerard Francois, general manager; Philippe Ferras and Jean Masse, deputy general managers.

Union Reinsurance Co.

Genferstrasse 27, CH-8027, Zurich,
Switzerland; 1-209-9111

	1988	1987
Premiums written	**$296 million**	$301 million
Treaty	**96.4%**	98%
Facultative	**3.6%**	2%
Premiums earned	**$275 million**	$282 million
Capital & surplus	**$87 million**	$98 million
Losses	**$156 million**	$165 million
Loss ratio	**73.4%**	74.4%
Expenses	**$104 million**	$108 million
Expense ratio	**35.2%**	36%
Combined ratio	**108.6%**	110.4%

Year founded: 1923.
Parent company: Swiss Reinsurance Co.
Employees: 155.
Locations: Two worldwide.
Principal officers: Robert Holzach, chairman; Walter H. Diehl, vice chairman; Willi E. Schurpf, president; Michel H. Angelil and Peter C. Colombo, executive vps.

Unione Italiana di Riassicurazione S.p.A.

via dei Giuochi Istmici 40, 00194
Rome, Italy; 6-365-931

	1988*	1987
Premiums written	**$393 million**	$381 million
Treaty	**95.8%**	95.7%
Facultative	**4.2%**	4.3%
Premiums earned	**$344 million**	$339 million
Capital & surplus	**$176 million**	$173 million
Losses	**$266 million**	$260 million
Loss ratio	**77.5%**	76.8%
Expenses	**$122 million**	$115 million
Expense ratio	**31.1%**	30.1%
Combined ratio	**108.6%**	106.9%

*Forecasted results; both 1988 and 1987 are unconsolidated operations.

Year founded: 1922.
Employees: 430.
Locations: 12 worldwide.
Principal officers: Mario Luzzato, chairman; Antonio Longo and Enrico Randone, deputy chairmen; Arrigo Bianchi di Lavagna, general manager; Luciano Cristallini, deputy general manager; Gianfranco De Giusti and Ernesto Frey, senior managers.
U.S. contact: Umberto Saggese, 516-365-1127.

The Yasuda Fire & Marine Insurance Co. Ltd.

26-1, Nishi-Shinjuku, 1-chome,
Shinjuku-ku, Tokyo 160, Japan;
3-349-3111

	1988*	1987*
Premiums written	**$1.6 billion**	$1.6 billion
Capital & surplus	**$1.4 billion**	$1.3 billion

*Fiscal years ending March 31, 1989; March 31, 1988.

Year founded: 1887.
Employees: 10,214, parent company.
Locations: 30 worldwide.
Principal officers: Yasuo Goto, president; Hirotoshi Nishie, Takatsugu Kawashima and Hisakichi Yamamoto, senior executive managing directors.
U.S. contact: Shinya Shimohira, 212-466-6300. ■



Comings & goings: industry

Maryland Casualty Co. names new president

Michael G. Repoli has been named president and chief executive officer of Maryland Casualty Co. of Baltimore, a unit of Zurich-American Insurance Co. of Schaumburg, Ill.

Mr. Repoli succeeds Joe D. Heusi, who left the company.

Mr. Repoli previously was president of Maryland Casualty's Commercial Insurance Division, a position he assumed earlier this year. He joined Maryland Casualty in 1987 as executive vp-marketing.

In other insurer changes:

Carolina Casualty Insurance Co. of Jacksonville, Fla., a unit of W.R. Berkley Corp., announced the following promotions: **Conrad R. Jurgens** and **Charles E. Lanphear** to senior vps and **Donald B. Jones** to vp.

Patricia A. Drago named vp of The North River Insurance Co. of Basking Ridge, N.J., a subsidiary of Crum & Forster Inc.

Richard J. Spaulding Jr. promoted to vp of Firemen's Insurance Co. of Washington, D.C.

Fred C. Bosse and **John R. Hammond** appointed vps-government and industry affairs of United States Fidelity & Guaranty Co. of Baltimore.

Agents/brokers

Robert J. Smith Jr. promoted to president of Alexander & Alexander of New York Inc. in New York. He had been managing vp.

William C. Brouillard named senior vp and production manager at Alexander & Alexander Inc. in Boston.

Frank F. White Jr. appointed president and chief operating officer in the Benefits & Specialty Sales Group of New York-based Corroon & Black Corp.

Kent A. Nelson joined Frank B. Hall & Co. of Illinois in Chicago as president and chief executive officer. Mr. Nelson previously was area president and Chicago profit center manager of Arthur J. Gallagher & Co.

John H. Parsons joined Frank B. Hall of Louisiana Inc. in New Orleans as executive vp and chief operating officer.

Ian G. McGregor joined Frank B. Hall & Co. of California in San Diego as vp and director-association management. Most recently, Mr. McGregor was senior vp with Corroon & Black Management Inc.

Reinsurance

General Reinsurance Corp. of Stamford, Conn., announced the following promotions to vps: **Anthony J. Anastanio**, **Richard S. Patronik** and **Suzanne A. Turner** in Stamford; **James D. Doe** in Atlanta; and **Temple C. Stark** in Dallas.

HMOs/PPOs

S. Jeffrey Ackerman named vp and general manager of CIGNA Healthplan of Georgia (Atlanta) Inc.

Peter S. O'Donnell joined Preferred Health Network of Maryland Inc. of Baltimore as president and chief executive officer. Previously, Mr. O'Donnell was senior vp-managed care for ALTA Health Strategies. ■

Report assesses cause of insolvencies

By ADRIENNE LOCKE

WASHINGTON—The increasing number of property/casualty insurer insolvencies can be blamed on fraud, uncollectible reinsurance, bad business judgment and inadequate state regulation, a new congressional report asserts.

And, insurer insolvencies will increase if these problems are left unchecked, warns the Congressional Research Service in its recently released "Insurance Company Solvency" report.

The study outlines several factors that could exacerbate the insurer insolvency problem, including:

- Explosive claims from unexpected "mass tort" areas, like environmental pollution, acquired immune deficiency syndrome and asbestos, or unexpected claims resulting from natural disasters.
- Shortfalls created by uncollectible or inadequate reinsurance.
- Operating methods and products that compromise insurers' financial stability, like cash-flow underwriting, which relies more on investment performance than sound underwriting principles.

In addition, the growing trend toward self-insurance or establishing risk retention groups is eroding the market share of traditional insurers, the report adds.

The most well-known insolvencies during the 1980s—including the insolvencies of Baldwin-United Corp. units, Mission Insurance Co., Integrity Insurance Co., Transit Casualty Co. and National County Mutual Fire Insurance Co.—share common threads that led to their downfall, according to the report.

For instance, each insolvency was at least partly the result of alleged fraud among either the company's management, its brokers, reinsurers or managing general agents. Each of these companies had unrecoverable reinsurance problems. And in all cases, either too rapid expansion, diversification or underpricing contributed to the company's decline.

The number and size of insurance company insolvencies has increased dramatically in this decade, the report points out.

While the average annual number of property/casualty insurer insolvencies between 1970 and 1983 was six, that number grew to 21 in 1985, the report says, citing figures supplied by the National Assn. of Insurance Commissioners.

And, even though the number of insurer insolvencies dropped to 13 in 1987, the size of the insolvent companies increased, the report points out.

In addition, state guaranty funds are being tapped to pay a larger share of the claims filed by the policyholders of insolvent insurers, the report notes.

Guaranty fund assessments rose sharply to $917 million in 1987 from $82 million in 1984 and are expected to exceed $1 billion in 1988.

The report also expressed concerns that more insurers today are being targeted for regulatory attention.

In 1987, state regulators found that 21.4% of insurers required closer examination, up from 8.4% in 1978, according to the report.

But while closer observation by state regulators may serve as a deterrent, resources devoted to insurance regulation as a percentage of industry revenue have been declining over the years, the report notes.

Copies of the report are not available to the public.

Safety standards

The Occupational Safety and Health Administration has proposed updating 20-year-old general industry standards for personal protective equipment, such as hard hats, face shields, and safety glasses and shoes.

Washington

The proposed changes, published Aug. 16 in the Federal Register, reflect "changes in technology since the agency's personal protective equipment requirements were adopted," explained Labor Secretary Elizabeth Dole.

New general requirements would:

- Require that the equipment used be designed specifically for the potential hazards faced in the workplace.
- Prohibit the use of defective or damaged personal protective equipment.
- Mandate training for employees in the proper use of safety equipment.
- Require that, where employees provide their own equipment, the employer makes sure the equipment used is adequate and is maintained.

New eye and face requirements would:

- Require employees to use appropriate eye and face protection when exposed to flying particles, molten metal, liquid chemicals, chemical gases or vapors and potentially dangerous light radiation.
- Require the use of both front and side shields on such equipment.
- Prohibit the wearing of tinted or variable tinted lenses for employees who must pass between well-lit and dimly lit areas.
- Require that prescription lenses be part of the protective eye wear or that prescription lenses could be placed over protective eyewear without obstructing vision.
- Require filter lenses with the appropriate shade protection for employees who risk exposure to potentially injurious radiant energy.
- Require eye and face equipment to meet American National Standards Institute design specifications for protection or an equipment design offering equivalent protection.

New head protection requirements would:

- Require employees to wear protective helmets where there is a danger from falling or moving objects.
- Mandate use of special helmets designed for protection against electrical shock for employees working near electrical conductors.
- Require head equipment to meet ASNI design specifications for protection or a design that offers equivalent protection.

New foot protection requirements would:

- Require employers to make sure employees wear safety shoes where necessary.
- Require footwear to meet ASNI design specifications for impact, compression and puncture resistance, or an equipment design offering equivalent protection.

Compliance with current OSHA standards for protective equipment would prevent 82,000 of the approximately 411,000 injuries that involve protective equipment each year, while adoption of the proposed changes would prevent an additional 41,000 injuries, according to OSHA.

OSHA also is seeking public comment on these proposed changes as well the need for third-party certification of protective equipment and whether the agency should require the use of head gear known as "bump caps" that protect against minor impacts, as well as cuts and scrapes.

Comments and requests for a hearing, written in quadruplicate, can be sent to OSHA Docket Officer; Docket No. S-060; Room N2364; 200 Constitution Ave. N.W., Washington, D.C. 20210. All correspondence must be postmarked by Oct. 16.

Health care hearings

The U.S. Bipartisan Commission on Comprehensive Health Care—also known as the Claude Pepper Commission—has set up a tentative schedule of public meetings and field hearings.

The hearings, each of which has a different emphasis, are open to the public.

Three hearings focusing on long-term care problems for all age groups were scheduled outside Washington, D.C. They included two Aug. 22 hearings in Little Rock, Ark., and Des Moines, Iowa. Another hearing is scheduled for September in Pennsylvania.

Additional public hearings in Washington, D.C., will feature insurance industry experts giving their views on long-term care problems and possible solutions; testimony from those who currently have coverage problems; and testimony from health care interest groups.

The tentative dates and topics of these hearings are:

- Sept. 21 on problems faced in health and long-term care.
- Oct. 5 on long-term care options and financing.
- Oct. 24 on health care options and financing.

The commission was created to examine shortcomings in the health care delivery and financing systems that prevent access to comprehensive health care.

Members include 12 congressmen, led by Chairman Sen. John D. Rockefeller IV, D-W.Va., and three presidential appointees.

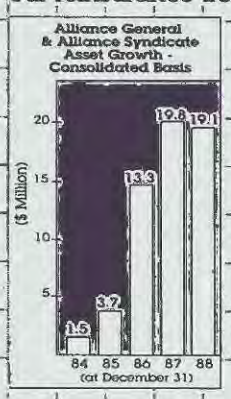
For additional information about the Pepper Commission and its schedule, contact Philip Shandler, Public Affairs Director of the commission at 715 House Annex 1; New Jersey and C Streets S.E.; Washington, D.C. 20515; 202-226-3387. ■

ANECO
RE INSURANCE

AN Exciting CO mpany
RE insuring
captives

You place your reinsurance with the most prestigious companies in the world and look where it gets you.

In a highly stable position.
At the beginning of every year we renew our reinsurance treaties and every year we're able to go back to the same companies, Lloyds of London and several other carefully selected A+ companies.
Now if you're thinking that companies like Lloyds are highly selective, unbelievably picky and notoriously cautious over whom they choose to reinsure.
You're right.





AG
ALLIANCE INSURANCE GROUP
Where High Performance Is Company Policy.

Alliance Insurance Group of Illinois, Inc.
200 West Adams, Chicago, IL 60606
(312) 269-0099
Alliance Insurance Services, Inc.
3435 Wilshire Blvd., Los Angeles, CA 90010
(213) 386-8747

Caterpillar establishes risk management post

Comings & goings: buyers

Joseph A. Negro, 40, named director of risk management at Caterpillar Inc. in Peoria, Ill. In this position he will oversee the company's newly created risk management department, with responsibility for corporate property/casualty insurance and risk management as well as for the company's two insurance subsidiaries: Caterpillar Insurance Co. Ltd. and Caterpillar Insurance Services Inc. Mr. Negro is president of both CICL and CISL. He reports to Frank N. Grimsley, vp-finance. Mr. Negro joined the agricultural and construction machinery manufacturer in 1974 in its Treasury Department. He was named vp of CICL in 1985 and president of the Bermuda-domiciled reinsurer in 1987. Mr. Negro holds a bachelor of business administration degree and a master of business administration degree from Illinois State University in Normal. He is a deputy member of the Risk & Insurance Management Society.

* * *

Gary M. Raymond, 36, named senior insurance analyst for Diebold Inc. in Canton, Ohio. In this position he is responsible for making recommendations to senior management regarding the company's property/casualty insurance. He replaces **Paul Antal**, who left the company, and reports to Harry O. Seitzinger, vp and controller. Prior to joining Diebold, which manufactures automated transaction systems and security equipment, Mr. Raymond was a commercial claims representative with Allstate Insurance Co. in Akron, Ohio. He received a bachelor of business administration degree from Grove City College in Grove City, Pa. In addition, Mr. Raymond holds the Associate in Claims and Associate in Risk Management designations. He is working toward his Chartered Property & Casualty Underwriter designation. Mr. Raymond also is a deputy member of the Risk & Insurance Management Society and is a member of the Akron Claims Assn. and the Society of Insurance Educators and Trainers.

* * *

Barry Minkin, 46, named director-benefits and compensation at PLY GEM Industries Inc. in New York. In this newly created position he is responsible for the design, administration and communication of corporate employee benefit and compensation programs. He reports to Herbert Dooskin, executive vp. Prior to joining PLY GEM, which manufactures and distributes specialty wood products, furniture components and filtration products, Mr. Minkin served as corporate benefit and risk manager at Pirelli Cable Corp. in Union, N.J. Prior to that he was manager of group insurance programs at SCM Corp. in New York and Western Union Corp. in Upper Saddle River, N.J. Mr. Minkin received a bachelor of arts degree in sociology from Hunter College in New York and is a past officer of the New Jersey Chapter of the Risk & Insurance Management Society.

* * *

Douglas A. Lopapa, 25, named workers compensation specialist at Franciscan Health System in Chadds Ford, Pa. In this newly created position he is responsible for the development and management of FHS' workers compensation program, including claims review and implementation of loss control. He reports to Lorrie J. Neiburg, manager of insurance programs. Prior to joining FHS, which is a health care system sponsored by the Sisters of St. Francis of Philadelphia, Mr. Lopapa was a claims examiner/account executive with Argonaut Insurance Co. in Bala Cynwyd, Pa. Prior to that he served as a claims representative for American International Adjustment Co. Mr. Lopapa received a bachelor of science degree in business administration from West Chester University of Pennsylvania in West Chester, Pa.

•

We'd like to report on staff changes in your company's risk management, safety and employee benefits departments. Just drop a note to Paul Winston, Copy Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, or call 312-649-5442. Please send a photograph, too.

LETTERS OF CREDIT?



TELEPHONE: (809) 295-5678

FAX: (809) 295-8091
TELEX: 3336 COMBK BA

We are affiliated to one of the world's oldest and largest banking organisations with over 5,000 offices in 84 countries worldwide.

Through Barclays in New York or London, we provide competitively priced Letters of Credit - without leaving the island.

Whether your needs are international or local, we have the services to meet your demands.

Contact Trevor Allwood or Brian Rogerson about Letters of Credit or Treasury and Investment Management Services.

Bermuda Commercial Bank is always ready to talk to you.

BERMUDA COMMERCIAL BANK LIMITED Affiliated to BARCLAYS

Head Office: **Barclays International Building, 44 Church Street, Hamilton HM 12, Bermuda.**
Postal Address: **P.O. BOX HM 1748, Hamilton HM GX, Bermuda.**

Only 2% of firms offer employees LTC coverage

By DONNA DiBLASE

Concern over escalating health care costs is one of the major reasons many employers do not offer long-term care insurance plans to their employees, a new study shows.

However, many employers that are considering offering a long-term care insurance plan to their employees say that their most important motive for offering the benefit would be to encourage employees to plan ahead for their own potential long-term health care costs.

While long-term care insurance is widely misunderstood by both employers and their employees, "employers are realizing that their employees are facing some tough odds in the area of paying for long-term health care," such as the cost of nursing home care for themselves or their dependents, said Craig J. Davidson, a research associate at the International Foundation of Employee Benefit Plans in Brookfield, Wis.

In a survey titled "Long-Term Care Insurance in the Workplace," the IFEBP polled 656 employee benefits professionals and received 331 responses. Almost all of the respondents—98%—said their organization currently does not offer long-term care insurance to employees.

The 2% that do offer long-term care plans reported varying levels of employee interest in the plan: 41% of these respondents said employee interest was weak, while 21% reported moderate employee interest and only 4% said employee interest was strong. And 34% said that they didn't know how interested employees are in the plan.

Of the respondents that don't offer long-term care insurance, only 22% said they were considering offering the coverage, while 68% said they were not considering offering a plan and 10% gave no response.

Of those considering offering long-term care coverage, 79% said they most likely would require employees to pay the full cost of the coverage. Another 20% said they would likely require a combination of employer and employee contributions toward the premium and only 1% said the company would pay the full cost of the coverage.

Also, of those considering offering long-term care insurance, 14% said they would offer a plan in less than a year; 63% said they probably would offer a plan within one to three years; and 23% said a plan would not be available for more than three years.

For those employers that are not planning to offer long-term care insurance, the reasons cited for their decision varied.

For example, 23% said that their concern for existing health care costs—such as those under group health plans—overshadows their consideration of long-term care coverage. One-fifth of the respondents—20%—said they simply were not offering any new benefits at this time, and 26% said they had a combination of reasons for not offering long-term care coverage. Other reasons cited by respondents included a lack of tax incentives to offer long-term care insurance and lack of employee interest in the benefit.

When asked what was—or what would be—the most important reason for offering long-term care insurance, 37% said they wanted to encourage employees to plan ahead for long-term care expenses, while 18% said employee interest was the most important reason. Another 16% said they felt a sense of corporate responsibility to offer the benefit, while 11% said they had a combination of reasons.

And, another 5% said they didn't know what their reasons were, while another 5% had reasons other than those listed in the survey and 8% didn't answer.

The respondents also reported that they support one or more health policy initiatives for financing long-term care benefits.

For example, an overwhelming majority—75%—support tax-favored treatment of employer contributions toward long-term care plans, similar to that of health insurance plans.

And, 63% support the creation of long-term care savings accounts, under which individuals would receive tax credits for their contributions. In addition, 38% support penalty-free withdrawals from individual retirement accounts for the purchase of long-term care insurance.

Also, 31% said they support the expansion of Medicare to include long-term care coverage, and 19% support the expansion of long-term care coverage under Medicaid programs.

The survey also asked the respondents' opinions about several common employer concerns about long-term care insurance.

On the issue of whether the federal government within the next five years will mandate that employers provide long-term care insurance, only 23% said they expected such a mandate, while 61% do not and 16% had no opinion.

Asked whether the lack of current long-term care plan experience will cause costs to rise faster than premiums, thus jeopardizing the economic viability of some plans, more than half—54%—said it would, while 15% disagreed and 31% had no opinion.

Interestingly, 78% of the respondents agreed that employees do not understand long-term care coverage and policies, while 10% disagreed and 12% had no opinion on this issue.

And, despite the scarcity of long-term care insurance in the workplace today, 54% of the respondents said they believe that the benefit will become a commonplace benefit offered by employers within the next 10 years.

An additional 29% said they believe that long-term care insurance may have good growth potential, but that this growth will not be in the employer setting. Only 4% said they believe that long-term care insurance doesn't have growth potential. And 13% did not know what will be the future of long-term care insurance in the workplace.

•

For more information on the survey, contact Terri L. Hanke, Associate Director, Public Relations and Advertising, International Foundation of Employee Benefit Plans, 18700 W. Bluemound Road, Brookfield, Wis. 53005; 414-786-6700.

Tail cover extends named perils only: Judge

By STACY ADLER

SEATTLE—The "tail" portion of a claims-made liability policy extends coverage only for named perils, not for all risks covered by the original policy, a federal judge has ruled.

In one of the first judicial interpretations of an extended reporting provision in a claims-made policy, a federal judge in Washington ruled that tail coverage written by International Surplus Lines Insurance Co. does not extend the claims reporting period for the entire policy, but only for bodily injury and property damage as specified in the tail policy.

Therefore, even though the original policy issued by Chicago-based ISLIC covered pollution claims, the tail policy does not, U.S. District Judge Carolyn R. Dimmick ruled.

"The ERP option clause at no point states a general provision of extended coverage. On the contrary, the sole description of the effect of extended reporting provision coverage is to extend the applicable 'policy period' for claims of bodily injury and property damage," Judge Dimmick said.

However, the judge held that ISLIC violated the Washington Consumer Protection Act by waiting five months to deny a pollution claim filed under the tail policy.

In her decision, Judge Dimmick said there was no merit to the policyholder's argument that ISLIC was obligated to specifically state that the tail coverage did not cover pollution claims. "The contract's failure to emphasize the limited coverage conferred by the extended reporting provision does not create ambiguity," the judge said.

ISLIC's attorney, Gregory DeGullis of Bivona & Cohen in New York, said: "In the pollution context, this is the only case I know of dealing with the extended reporting provision."

And, he predicted that more litigation surrounding tail coverage for claims-made policies will emerge.

"This is the first case in what could become a bigger body of law," Mr. DeGullis said.

The case stemmed from a dispute between Wolf Bros. Oil Co. Inc. of Seattle and ISLIC over the coverage of an $85,000 claim for an oil spill on Wolf Bros.' property.

Wolf Bros. operated a gasoline service station in Renton, Wash.

Wolf Bros. purchased claims-made liability coverage from ISLIC extending from October 1985 through October 1986, and from October 1986 through October 1987, with limits of $1 million per claim and $2 million aggregate.

The company also purchased tail coverage from ISLIC from October 1987 through October 1988 with the same limits as the primary policies.

On May 10, 1988, Wolf Bros. learned that there was petroleum hydrocarbon contamination in the soil and groundwater beneath its Renton service station.

The policyholder filed a claim with ISLIC under its tail coverage.

After delaying for five months, ISLIC denied the claim.

ISLIC asserted that while the original policy provided coverage for bodily injury, property damage and pollution, the tail coverage applied only to bodily injury and property damage.

Judge Dimmick agreed: "Plaintiff obtained the ERP option for roughly one-half of the price that it paid for regular policy coverage for a period of equal duration. From this disparity alone it is obvious that the risks anticipated by the ERP option were not identical to those anticipated by the policy-in-chief."

Wolf Bros. has not decided whether it will appeal the decision, said attorney Kristi Wallis of Culp, Guterson & Grader in Seattle.

Although Judge Dimmick ruled that ISLIC acted in bad faith by waiting five months to deny the Wolf Bros. claim, she said that such a delay is not tantamount to agreeing to coverage.

"While there appears to be no authority directly on point, logic would dictate that even a lengthy delay in resolving an insurance claim could not, in the absence of other factors, amount to a representation of coverage," ruled Judge Dimmick.

A bad faith trial is scheduled for Jan. 8, 1990, to determine how much ISLIC owes Wolf Bros. for delaying its response to the policyholder's claim. ■

Thames accident

Continued from page 2

ited liability coverage through The North of England Protecting & Indemnity Assn. Ltd. of Newcastle-Upon-Tyne, in Northern England.

The dredger is owned by South Coast Shipping Co., a unit of London-based conglomerate R.M.C. Group P.L.C., which is a member of the P&I club, confirmed a club spokesman.

The spokesman refused to comment on the policy but confirmed that no dredger crew members were killed in the incident.

The Bowbelle suffered little damage in the accident, sources say.

Officials at South Coast would not comment on the company's insurance program.

South Coast Shipping and Tidal Cruises refused to comment on the possible cause of the accident while police, port and government investigations continue.

The Thames Passenger Services Federation also would not comment on why the accident happened. However, a spokesman did say: "Our immediate concern is why the Bowbelle did not see the Marchioness."

Even if owners of both boats are proven liable for the accident, total compensation payments could be limited to about 6.6 million pounds ($10.4 million) under the British Merchant Shipping Act of 1979, said a lawyer from the London law firm of Clyde & Co., which specializes in maritime law.

"Negligence will need to be established in order for any claimant to be entitled to compensation," the lawyer said.

However, it is likely that plaintiffs will be able to prove negligence, lawyers agree.

"If you have a collision of two boats, one or both parties will be to blame," said Patrick Griggs, a senior partner of London law firm Ince & Co., which is representing relatives of one of the drowning victims.

In the case of the Marchioness, an international maritime convention incorporated in the British Shipping Act limits total liability to 46,666 special drawing rights ($58,332) multiplied by the number of passengers the ship is authorized to carry, or 6.95 million special drawing rights (5.5 million pounds or $8.7 million), according to the Clyde & Co. lawyer.

But, if passenger claims exceed the liability limits, a general liability limit for all passenger and non-passenger ships based on their tonnage could be added to Marchioness' passenger liability limit, lawyers agree. Based on the pleasure boat's tonnage, the Marchioness' liability limit could be increased by 200,000 pounds ($312,000), bringing its total liability to 5.7 million pounds ($9 million), the lawyer said.

If only the Bowbelle, which was not a passenger carrying vessel, is found to be liable for the accident, the act would limit liability based on the dredger's gross tonnage of 1,475 tons, he explained.

In that case, the act would limit death and injury claims to a total of 653,000 pounds ($1 million) and property claims to 253,000 pounds ($395,000), the lawyer said.

And, if both vessels are found liable, "there is no valid reason why the claimants should not proceed against both vessels," bringing the limit under the act to a total of about 6.6 million pounds, he pointed out.

Because of the difference in liability limits applied to the two boats, "there will be a lot of pressure to get some sort of liability attached to the Marchioness," noted Christian Wells, a partner in the London law firm of Lovell White Durrant.

The liability limits can be "broken only if there's some sort of gross recklessness" by either party, Mr. Wells noted.

"The right to limit is lost if willful misconduct can be proved," agreed Mr. Griggs of Ince & Co.

However, proving willful misconduct would be very difficult in an accident such as this, one lawyer noted.

Claims filed on behalf of crew members of the riverboat, though, probably would not be subject to any limit against the boat's owners, the Clyde & Co. lawyer noted.

The Marine Accidents Investigation Branch of the U.K.'s Department of Transport is investigating the accident but likely will not report its findings for several weeks, said a department spokesman.

"It is too early to draw any conclusions about the causes of the Marchioness accident," said Cecil Parkinson, the British secretary of state for transport.

A police investigation into the accident was due to be released to the Crown Prosecution Service late last week, a spokeswoman for the Metropolitan Police said.

The spokeswoman would not comment on whether criminal charges would be filed against the crew of either boat or the boat owners.

Blood tests of surviving crew members from both vessels showed no traces of alcohol, she said.

Meanwhile, Mr. Parkinson immediately introduced two measures "to improve passenger safety on Thames vessels."

Mr. Parkinson said he plans to impose regulations requiring charter boat operators to provide passengers with information about emergency procedures and leave a passenger manifest ashore before sailing. ■

RUSSELL REINSURANCE SERVICES, INC.

THE AMERICAN CENTER
27777 FRANKLIN ROAD
SUITE 420
SOUTHFIELD, MI 48034

TELEPHONE (313) 353-6040
RAPIFAX: (313) 353-3568
TELEX: 23-0453
("RUSS RE SOFD")

AN EXPERIENCED AND STABLE TREATY REINSURANCE MANAGEMENT COMPANY

REPRESENTING
THE FIRST REINSURANCE CO. OF HARTFORD

WHY RIMSNET?

"RIMSNET is my window to the world of information. It gives me the chance to react on short notice."

—V.P., Risk Mgmt.
Pittsburgh, PA

RIMSNET
News and Information Services

RIMSNET is an electronic news, information and communication service designed to serve the needs of professionals and corporations in the risk management, insurance, and employee benefit field.

For more information contact:
RIMSNET Manager,
205 East 42nd Street,
NY, NY 10017
(212) 286-9292

Risk and Insurance Management Society, Inc.

* a demo diskette is available upon request.

Datebook

SEPT. 5. Risk Financing course in New York City, sponsored by the Risk & Insurance Management Society Inc.; $175 for RIMS members; $235 for non-members. Julie Taylor, RIMS 205 E. 42nd St., Suite 1504, New York, N.Y. 10017; 212-286-9292.

SEPT. 5-8. Reinsurance Contract Wording seminar in Tarrytown, N.Y., sponsored by Robert W. Strain Seminars Inc.; $1,445. Robert W. Strain Seminars Inc., P.O. Box 1000, Wingdale, N.Y. 12594; 914-832-9384.

SEPT. 6-8. Making Sense of Environmental Regulations course in Kansas City, Mo., sponsored by The University of Kansas Division of Continuing Education; $595; 20% discount for three or more attendees from the same organization. **Also Nov. 13-15** in Tampa, Fla. University of Kansas, 6600 College Blvd. Suite 315, Overland Park, Kan. 66211-1522; 913-491-0221.

SEPT. 6-8. Fundamentals of Insurance course in Boston, sponsored by the Risk & Insurance Management Society Inc.; $540 for RIMS members; $640 for non-members. **Also Dec 6-8** in Atlanta. RIMS, 205 E. 42nd St., Suite 1504, New York, N.Y. 10017; 212-286-9292.

SEPT. 7-8. Workers Compensation Congress in Philadelphia, sponsored by the National Council on Compensation Insurance; $250. Edith Lichota, Congress Coordinator, National Council on Compensation Insurance, Public Affairs Department, 1 Penn Plaza, New York, N.Y. 10119; 212-560-1000.

SEPT. 7-8. Brief Reinsurance Course in New York City, sponsored by The College of Insurance; $195 for College sponsors; $245 for non-sponsors. The College of Insurance, Professional Programs, 101 Murray St., New York, N.Y. 10007-2132; 212-962-4111, ext. 201.

SEPT. 7-9. Utilization Management: Responding to New Challenges conference in San Diego, sponsored by the Group Health Assn. of America Inc.; $450 for GHAA members; $510 for non-members. GHAA Inc., 1129 20th St., N.W., Suite 600, Washington, D.C. 20036; 202-778-3228.

SEPT. 10-12. Annual American Assn. of Preferred Provider Organizations' Fall Forum: Managed Healthcare—Who's Setting The Standards conference in San Francisco; $495 for AAPPO members; $595 for non-members. AAPPO, P.O. Box 809109, Chicago, Ill. 60680-9109.

SEPT. 11-12. Improving Insurance and Reinsurance Claims Handling conference in New York City, sponsored by Executive Enterprises Inc.; $990. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

SEPT. 11-12. Understanding Property/Casualty Loss Reserving course in New York City, sponsored by Executive Enterprises Inc.; $990. **Also Oct. 4-5** in Boston, **Nov. 9-10** in Chicago. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

SEPT. 11-12. Asset/Liability Management for Insurance Companies in New York City, sponsored by the Institute for International Research Inc.; $995. Conference Administrator, IIR, 331 Madison Ave., Sixth Floor, New York, N.Y. 10017; 212-370-0257.

SEPT. 11-12. Occupational Safety Congress & Exposition in Lafayette, La., sponsored by Acadiana Safety Assn.; $75 for one day; $125 for two days. Acadiana Safety Assn., P.O. Box 52874, Lafayette, La. 70505; 318-234-4640.

SEPT. 11-12. Employee Welfare Benefit seminar in New York City, sponsored by the Practising Law Institute; $475. **Also Sept. 25-26** in Chicago, **Oct. 19-20** in San Francisco. Ann Tracy, PLI, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, Ext. 232.

SEPT. 11-12. How to Audit and Check Insurance Policy Costs and Coverages meeting in New York City, sponsored by the American Management Assn.; $750 for AMA members; $850 for non-members. **Also Sept. 25-26** in Minneapolis. Stewart Veale, AMA, 135 W. 50th St., New York, N.Y. 10020; 212-903-8214.

SEPT. 11-13. Techniques of Risk Management course in St. Louis, sponsored by the Risk & Insurance Management Society Inc.; $540 for RIMS members; $640 for non-members. **Also Nov. 8-10** in Atlanta, **Dec. 6-8** in Scottsdale. RIMS, 205 E. 42nd St., Suite 1504, New York, N.Y. 10017; 212-286-9292.

SEPT. 11-14. Disability Management Workers Compensation Workshop in Kansas City, Mo., sponsored by the Menninger Return to Work Centers; $2,500 includes lodging. Menninger Return to Work Centers, 700 Jackson, Topeka, Kan. 66603; 913-233-2051.

SEPT. 12-13. Pollution Risk Management workshop in Copenhagen, Denmark, sponsored by the Risk & Insurance Research Group Ltd.; $450. RISG, 4 Henrietta St., Covent Garden, London WC2E 8PS; 01-836-0614.

SEPT. 13-14. Managing Risk Communications seminar in Williamsburg, Va., sponsored by E.I. du Pont de Nemours & Co.; $925; $795 for two or more attendees from the same organization attending the same session. **Also Oct. 11-12** in San Francisco, and **Nov. 8-9** in Dallas. Du Pont, Suite A, Attn. CAK, 1300 First State Blvd., Wilmington, Del. 19804; 800-248-7020.

SEPT. 13-15. Loss Control Business Issues conference in Tempe, Ariz., sponsored by the American Insurance Services Group Inc.; $195. AISG, 85 John Street, New York, N.Y. 10038; 212-669-0419.

SEPT. 13-15. Techniques of Loss Control course in San Diego, sponsored by the Risk & Insurance Management Society Inc.; $540 for RIMS members; $640 for non-members. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 13-15. 18th Annual AMA Compensation and Benefits Update: Issues in Employee Benefits conference in New York City, sponsored by the American Management Assn.; $725 for AMA members; $835 for non-members. **Also Oct. 11-13** in Chicago. American Management Assn., P.O. Box 319, Saranac Lake, N.Y. 12983; 518-891-0065.

SEPT. 14-15. Defending and Resolving the Legal Malpractice Claim conference in San Francisco, sponsored by the American Bar Assn. Standing Committee on Lawyers' Professional Liability; $250. Gwen Austin, American Bar Assn., 750 N. Lake Shore Drive, Chicago, Ill. 60611; 312-988-5763.

SEPT. 14-16. Retirement and Deferred Compensation Plans for Employees of Tax-Exempt and Governmental Employers course in Washington, D.C., sponsored by the American Law Institute-American Bar Assn. Committee on Continuing Professional Education; $525. Registrar, American Law Institute-American Bar Assn., 4025 Chestnut St., Philadelphia, Pa. 19104; 800-253-6397; 215-243-1661.

SEPT. 15. Pollution Liability-The Law and Available Insurance seminar in Bryn Mawr, Pa., sponsored by The Society of Chartered Property & Casualty Underwriters and the Greater Valley Forge Chapter of the Society of CPCU; $125 for Society of CPCU members; $155 for non-members. $15 late registration fee after Aug. 25. Mari Jennings, The Society of CPCU, Kahler Hall, 720 Providence Road, CB#9, Malvern, Pa. 19355; 215-251-2741.

SEPT. 17-19. Consumer Affairs at the Crossroads conference in Cincinnati, sponsored by the Insurance Consumer Affairs Exchange; $225 for member company participants; $275 for non-members. Mary Rose McArdle, Corporate Communications, The Travelers Cos., 1 Tower Square, 6 SHS, Hartford, Conn. 06183-1060; 614-891-8305.

SEPT. 17-20. 75th International Assn. of Industrial Accident Boards & Commissions Convention in Baltimore; $250 for IAIABC members; $300 for non-members; $100 for spouses. Robert S. Bedding, P.O. Box 5191, Baltimore, Md.. 301-547-1802.

SEPT. 17-22. Advanced Reinsurance Course in White Plains, N.Y., sponsored by The College of Insurance; $1,230 for College sponsors; $1,330 for non-sponsors. The College of Insurance, Professional Programs, 101 Murray St., New York, N.Y. 10007-2132; 212-962-4111, ext. 201.

SEPT. 18. The National Assn. of Insurance Commissioners' 90 Day Rule: A New Financial Awakening breakfast briefing in New York City, sponsored by Peterson, Ross, Schloerb & Seidel; no charge. Ann E. Meredith, Peterson, Ross, Schloerb & Seidel, 200 E. Randolph Drive, Suite 7300, Chicago, Ill. 60601-6969; 312-861-1400.

SEPT. 18-19. The Fundamentals of Statutory Insurance Accounting course in Cambridge, Mass., sponsored by Executive Enterprises Inc.; $990. **Also Oct. 16-17** in Chicago. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

SEPT. 18-22. Fundamentals of Employee Benefits Management course in Brookfield, Wis., sponsored by the International Foundation of Employee Benefit Plans; $1,000 for the five-day Fundamentals Course, $600 for the three-day Intermediate Course. **Also Oct. 2-6.** Registration Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

SEPT. 19-20. Reinsurance Claims management Course in Chicago, sponsored by The College of Insurance; $595 for College sponsors; $695 for non-sponsors. Professional Programs. The College of Insurance, 101 Murray St., New York, N.Y. 10007-2132; 212-962-4111, ext. 201.

SEPT. 19-20. Crisis Communication Management seminar in San Francisco, sponsored by E.I du Pont de Nemours & Co. Management Services; $1,045 including seminar materials luncheon and refreshments. **Also Oct. 24-25** in Washington, D.C. and **Nov. 14-15** in Atlanta. Du Pont, Attn. CAK, 1300 First State Blvd., Suite A, Wilmington, Del. 19804; 800-248-7020.

SEPT. 19-21. Fundamentals of Reinsurance Seminar in Irving, Texas, sponsored by the University of Dallas Graduate School of Management; $545. Bruce D. Evans, Associate Professor of Management; 214-721-5360.

SEPT. 19-22. 16th Annual Safety, Health & Compensation Seminar in Palm Springs, Calif., sponsored by the Public Agency Safety Management Assn.; $195. PASMA, P.O. Box 6218, Fullerton, Calif. 92634; 213-421-9929.

SEPT. 20. 10th Annual Compensation Conference: Practical Approaches to Compensation Issues of the '90s in Cincinnati, sponsored by the Hay Group; $375 for the first participant from an organization; $275 for each additional participant from the same organization. **Also Sept. 21** in Chicago, **Sept. 21-22** in New York City, **Sept. 22** in St. Louis, **Sept. 25** in Seattle, **Sept. 26** in Philadelphia and San Francisco, and **Sept. 27** in Long Beach, Calif. The Hay Group Seminar Center; 215-875-2338.

SEPT. 20-21. Eighth Annual Hazardous Substances Insurance Conference in New York City, sponsored by Executive Enterprises Inc.; $990. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

SEPT. 20-22. Property/Casualty Statutory Financial Statements course in Cambridge, Mass., sponsored by Executive Enterprises Inc.; $895 plus $95 non-refundable registration fee per organization. **Also Oct. 18-20** in Chicago, **Nov. 13-15** in New York City, **Nov. 29-Dec. 1** in Los Angeles and **Dec. 11-13** in Orlando, Fla. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 212-645-8689; 800-831-8333.

SEPT. 20-22. Claims Management course in Washington, D.C., sponsored by the Risk & Insurance Management Society Inc.; $595 for RIMS members; $645 for non-members. **Also Nov. 15-17** in Orlando, Fla. RIMS, 205 East 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 20-24. 1989 National Assn. of Professional Surplus Lines Offices Ltd.'s Annual Convention in New York City; $350. Mark Graham, NAPSLO, P.O. Box 28660, Kansas City, Mo. 64119; 816-455-3210.

SEPT. 21-22. Health Care Risk and Insurance Management: Constructing the Comprehensive Program seminar in Boston, sponsored by the American Society for Healthcare Risk Management; $345 for ASHRM members; $465 for non-members. Trudy Goldman, ASHRM, 840 N. Lake Shore Drive, Chicago, Ill. 60611; 312-280-6430.

•

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. Please include the price, if any, of the meeting and information on registration for interested readers. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.



INTERNATIONAL
Benefits & Risk Management
Publishing: October 9

With 1992 around the corner, corporations and insurers are gearing up for new opportunities presented by the relaxation of trade barriers in Europe. Businesses with global operations will rely even more heavily on the commercial insurance market for the protection they need.

Every influential corporate insurance buyer will turn to BI's October 9th International feature for news and trends. Editors will report on global property and liability insurance programs and risks that companies face when operating overseas; and, foreign employee benefits programs and international benefit networks. They'll also examine other factors that impact risk and employee benefits management overseas.

Directory: International Insurers & Benefit Networks
Issue Distribution: RIMS/AEAI Conference, Monte Carlo
SIIA Conference, San Diego, California

Reach the readers who have special information needs about developments at home and abroad — multi-national decision makers who turn to BI first. They won't miss this issue. Reserve space today!

Business Insurance

Ad Closing: September 26

New York: 212-210-0228 Chicago: 312-649-5276
Los Angeles: 213-651-3710

Captive ruling

Continued from page 1

turns," predicted tax attorney James Cameron of Baker & McKenzie in New York.

"And, companies outside the 6th Circuit will be braver in taking deductions because there is now more legal authority for captive deductions," he said.

Lucien P. Laborde Jr., president of the research and development division of Corroon & Black Corp.'s Advanced Risk Management Services unit in Nashville, Tenn., agreed: "If a company has a similar fact pattern as Humana, it will seek tax deductions" for premiums paid by subsidiaries to the parent company's captive.

Other corporations also are studying whether to restructure their risk financing programs so that subsidiaries pay premiums to captive insurers to take advantage of the Humana decision, consultants say.

Mr. Laborde said he would recommend this restructuring because even if the decision is overturned, the restructuring could have lasting risk management benefits to the corporation.

"Even if the tax benefit is lost, restructuring will benefit the individual insureds," agreed D. Hugh Rosenbaum, a consultant with Tillinghast in Stamford, Conn., the insurance and risk management consulting division of Towers, Perrin, Forster & Crosby Inc.

The long-term benefit of restructuring would be "increased awareness of the role of risk financing as it affects the individual divisions in a multidivisional, single-parent program," he explained.

Because most parent companies' captives insure subsidiaries' risks, "the effort to restructure will go a long way toward recognizing the benefits to the individual division within the group," he said.

The Humana decision may also foster an increased interest in establishing new captives or reviving dormant captives, according to consultants.

"Some firms that have looked at captives and rejected them may now reconsider them because of the additional incentive," said Wyatt's Mr. Van Zuiden.

For example, a large self-insured company—one with more than $10 million in self-insured losses annually—that has a sophisticated cost allocation arrangement among its subsidiaries might consider forming a captive, he explained.

Moreover, companies with dormant captives may consider reactivating the facilities in the wake of the Humana decision, he said.

"However, unless a firm can immediately take advantage of this ruling with little cost and trauma, most firms would think the risk is too great," he said, referring to the cost and administrative burden of setting up a captive.

"I don't think many companies will totally restructure to take advantage of this, unless losses are a significant part of the operating costs," he said. "Most companies are going to look at all of the issues involved in having a captive. Tax deductibility is just one issue."

Mr. Laborde agreed, saying he does not foresee a lot of companies "jumping out of other risk financing mechanisms because this has occurred."

"You can't build strategy around tax purposes," he observed.

"You don't base having a captive on tax deductibility," concurred Ted Surdam, a financial analyst at Cambridge, Mass.-based Polaroid Corp., which does not plan to reactivate its dormant captive as a result of the Humana ruling.

Polaroid deactivated its Bermuda-based captive, PRD Insurance Co. Ltd., on Jan. 1, 1986. The captive had written property and business interruption coverage for the company.

Observers also point out that some companies may not make any move until the uncertainty over the tax deductibility of premiums paid to captives is resolved.

"Companies are reluctant to take any action until it is clear what the law of land will be," Mr. Van Zuiden said.

Tax attorney Bruce Wright of LeBoeuf, Lamb, Leiby & MacRae in New York agreed. "People are concerned with what will ultimately happen."

One big remaining question is whether the IRS will ask the U.S. Supreme Court to review the Humana decision. The IRS had not decided whether to seek a review as of late last week.

And even if the Humana ruling is upheld by the Supreme Court, the IRS "will go immediately to Congress and change the law," predicted Mr. Cameron of Baker & McKenzie.

Also contributing to the uncertainty over the deductibility of premiums paid to captives are other, still-ongoing battles between parent companies and the IRS, noted attorney Tomas Russell of Hopkins & Sutter in Chicago.

For example Chicago-based Sears, Roebuck & Co. is suing the IRS claiming it does not owe $52.4 million in back federal income taxes, about one-third of which relates to premiums Sears paid to insurance subsidiaries that primarily write coverage for unrelated entities (*BI*, March 13).

A possible effect of the Humana decision may be an increased interest in captives, consultants say. 'Some firms that have looked at captives and rejected them may now reconsider them because of the additional incentive,' says Mr. Van Zuiden.

And, Sar. Francisco-based Harper Group is suing the IRS over deductions for $2.7 million in premiums its subsidiaries paid to the group's Hong Kong captive.

As a result, "large corporations are going to sit on the sidelines until a firm principle is established," predicted Mr. Russell, who helped draft Illinois' captive statute.

"We will wait to see if there is an appeal" before making any changes, said William Mather, director of risk management at Gillette Co. in Boston. Gillette's Bermuda-based captive, Chancery Co., reinsures foreign property and earnings risks.

"We are interested in the Humana decision because down the road it could be beneficial," he said.

Cleveland-based Eaton Corp. has not made any changes as a result of the Humana decision.

"We are reviewing the situation, but we have not made any decisions," said Jay B. Waters, manager-corporate insurance. Eaton owns Saturn Insurance Co. Ltd., a Bermuda-based captive that writes a variety of coverages, including property and general liability insurance.

"Eaton has always maintained that premiums paid to wholly owned captives should be deductible," Mr. Waters said.

William D. Irle, assistant secretary and executive director at Sara Lee Corp. in Chicago, said "it is premature" for the company to consider making any changes in its risk-financing program based on the Humana decision.

Sara Lee International Corp., a subsidiary of Sara Lee, owns Complex Insurance Co. Ltd., a Bermuda-based captive that writes property and business interruption insurance for Sara Lee.

"Our tax people will have to study the Humana ruling and see how it applies," Mr. Irle said. ■

PLAN AHEAD

A Fire Pump Malfunctioned in a multimillion dollar facility of a manufacturer of flight instruments. Plant management immediately notified IRI. Shortly thereafter, an IRI loss prevention representative was on the scene, working with the insured to maintain the facility's production levels. Watchman rounds were increased, cutting and welding stopped and other hazardous operations were restricted. These actions are prescribed in IRI's RSVP (Restore Shut Valves Promptly) program, in which IRI works with plant management to provide the greatest amount of protection during an impairment. In this case, insured and insurer combined to arrange temporary protection after alerting the local fire department. The firefighters prepared a response to a potential fire and provided portable pumps until the impaired pump could be fixed. A week later, the repaired pump was installed and tested while an IRI representative assisted. There were no local headlines about large losses or spectacular fires, the customer resumed operations and IRI had completed another routine job.

RSVP Helps You Plan Ahead. Three types of impairments – hidden, emergency, planned – occur every day by the tens of thousands in commercial, industrial and institutional properties around the world.

- **A Hidden Impairment** is the most serious type. Some examples: the system could be shut down and inadvertently left out of service upon completion of work, shut down without proper notification, or maliciously shut down. A good inspection program can reveal the Hidden Impairment, thus allowing prompt restoration of vital protective equipment.
- **An Emergency Impairment** occurs when an unforeseen incident or accident partially or totally impairs the effectiveness of a protective system, e.g., a system is shut down to repair a sudden break in the piping or a fire pump malfunctions, as reported in the above case history.
- **A Planned Impairment** occurs when it is necessary to shut down a fire or explosion protective system for maintenance or modification, such as adding sprinklers. While this may seem to be a straightforward operation, loss experience has shown that it is not so simple. Improperly handled Planned Impairments greatly increase the extent of loss while the system is impaired.

IRI's RSVP Program Can Help You Handle Impairments Properly. Refer to Section 1 of OVERVIEW, IRI's total management program for loss prevention and control. For details about the OVERVIEW Manual and Forms Kit, contact Mrs. P. A. Sasso, IRI, 85 Woodland St., Hartford, CT 06102, (203) 520-7412.

Industrial Risk Insurers

66,000 properties insured worldwide

The professional marketplace

RATES AND CLOSING TIME:

Rates: *Display classified is $101.50 per column inch, minimum of one inch. Straight classified is $8.25 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $17.50 charge for all blind box ads. Only those reponses which fit into a business size envelope will be forwarded. Responses are forwarded daily.*

Closing: *Published every Monday. Copy must be in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for straight advertisements. Mail ads to Margaret Hikido, Classified Advertising, 740 N. Rush St. Chicago, IL 60611. For more information call 312-649-5340. FAX 312-280-3189.*

CAROLYN DAVIS ASSOCIATES, INC.

STAFFING CONSULTANTS TO THE INSURANCE INDUSTRY

701 Westchester Avenue
Suite 317W
White Plains, NY 10604
914-682-7040

MAXIMIZE YOUR CAPABILITIES, MINIMIZE YOUR RISKS.

Professionals Serving Professionals In Risk & Insurance Management Recruiting.

RICHARD MEYERS & ASSOCIATES, INC.

EXECUTIVE SEARCH CONSULTANTS

573 Springfield Avenue,
Summit, NJ 07901
201 — 522-9444
Fax 201 — 273-5630

AGENCY MANAGER

Top 20 P&C National broker seeks person to direct operational activities of their **SOUTHWEST** facility. Requires commercial sales and sales management experience, marketing experience, plus exposure/experience in budget and "bottom line" responsibilities. Starting salary negotiable DOE with BONUS incentives.

GILBERT-HAFNER & CO.
Insurance Staffing Consultants
6060 N. Central, #470
Dallas, TX 75206 - AC214 361-9341

TRUCK AGENTS

Stop Wasting Your Time
Improve Your Hit Ratio
Increase Your Market Share
We Sell Truckers X-Dates "NATIONWIDE"
800-288-XDATES (9328)
Not Available In All States

OHIO

PROPERTY & CASUALTY CHARTER AVAILABLE

Two year old clean property & casualty shell company for sale.

For information call:
1/800-325-9159
Ask for Mr. Ellis

INSURANCE EXECUTIVES

Small aggressive midwestern insurance company active in P&C market place as well as A&H excess risk and related products seeks chief operating officer for each division. Strong financial or actuarial background a plus. Knowledge of off shore captives also helpful. Salary and benefits negotiable.

Contact or send resume to:

Donald C. Matz, Ph.D., RHU
26600 Emery Industrial Parkway
Cleveland, Ohio 44128
(216) 464-8098
FAX (216) 464-8481

INSURANCE AGENCY REPRESENTATIVE

Excellent opportunity to manage a growing Syracuse, NY, insurance agency marketing innovative insurance and benefit products to 8,000 subscribers. Responsibilities include screening, evaluating, and marketing insurance and insurance-related products suitable for subscriber base.

Candidate must have minimum 10 years' experience including marketing of insurance products and administration. Marketing or business degree and appropriate licenses required. Refined presentation skills and excellent interpersonal skills are essential. Individual must be creative, analytical, and have ability to develop a detailed understanding of product and marketing issues.

Salary commensurate with experience and qualifications. Comprehensive benefit. Non-smoking environment. Send resume and salary history to:

Box 2551, Business Insurance, 740 Rush St., Chicago, IL 60611-2590

Equal opportunity employer

PART-TIME WORK
O'HARA & ASSOCIATES
INSURANCE LITIGATION CONSULTANTS

Our expanding business requires ADDITIONAL INSURANCE PROFESSIONALS, located throughout the United States to work with our clients, plaintiff and defense law firms, for consultation and expert testimony on insurance litigation matters.

We need specialists in all classes of Insurance including Underwriting, Claims, Agency and Brokerage.

Liberal hourly fees paid on a case by case basis. If you are retired, semi-retired or self-employed and interested in this exciting and rewarding field, call or send your resume with emphasis on your specialty area to:

Jack Samuel
6355 Topanga Canyon Blvd.
Suite 531
Woodland Hills, CA 91367
(800) 288-1906

WINNER'S CIRCLE PROFESSIONAL RESUME SERVICE

Winning Resumes

Composed by insurance professionals. Designed and laserset to convince potential employers to invite you for an interview. Call Winner's Circle today for more information.

1-800-476-3963
24 HOUR SERVICE

EXECUTIVE DIRECTOR

The Independent Insurance Agents of Illinois, a trade association with approximately 1500 members are searching for a qualified candidate to fill the position of Executive Director. Interested candidates should submit a resume with salary requirements, educational background and prior employment to the Chairman of the Search Committee. Resumes must be postmarked prior to Nov. 1, 1989. Candidates will be interviewed after November 15, 1989. The position will be available April 1, 1990. Send replies to:

James M. Hardesty
Chairman Search Committee
416 N.E. Jefferson
Peoria, IL 61603

HELP WANTED

ADMINISTRATOR

Municipal league risk pool. The Alaska Municipal League Joint Insurance Association, Inc. seeks a qualified individual to administer a statewide, pooled-risk management program. The AML/JIA began offering all lines of property and casualty coverage to Alaska's municipalities and school districts effective July 1, 1988. Qualifications include three years minimum experience in public entity risk management, insurance, and local government management. Working experience in public entity pools and private, non-profit organizations and a degree in public administration, finance, or related field preferred. Salary: $50,000's, DOE, with excellent benefits. Excellent opportunity to further develop a young and exciting program in the most beautiful state. Job description available. Position available immediately (8/4/89) and will be filled as soon as possible. Send resume and three professional references to **Scott A. Burgess, AML Executive Director, AML/JIA, 217 Second Street, Suite 200, Juneau, ALaska 99801, (907) 586-3222.**

CASUALTY MANAGER

for City of Chicago to develop, implement & adm. City's Casualty Ins. program. REQUIRES BA in Bus., Finance, Health Care Adm. or related fld. 3 yrs. exp. in Public sector wrkrs' comp, liability & property ins. procurement, claims and safety related fields. City residency required on date of employment. $38,736, entry rate. FOR APPLICATION contact: **James O'Hern, City of Chgo, Recruitment Mgr., 121 N. LaSalle, Rm 1101, Chgo., IL 60602; (312) 744-4890.** EEO/AA employer, Sect. 504 comp.

SAFETY AND TRAINING COORDINATOR

Office and extensive field work in accident investigation (Liability and Workers' Compensation claims); work includes pursuit of subrogation claims, statistical analysis, facility inspections and implementing safety program. Requires excellent interpersonal, interrogation and communication skills. Requires attention to detail and ability to organize large amounts of information and knowledge of Florida's Workers Compensation Laws. Assist in employee training and development. Salary: Starting mid-twenties and commensurate with experience. Education: B.A. in Business Administration (Risk Management, Human Resources a plus), criminal justice or safety/industrial engineering or related field. Prior experience in investigations or claims a plus. Apply: **Personnel Department, City of Hallandale, 308 S. Dixie Hwy., Hallandale, FL. 33009.** Applications will be accepted until the position is filled. Equal Opportunity Employer M/F/H/V.

POSITIONS WANTED

INSURANCE AGENCY UNDERWRITER/MARKETER

Property-Casualty background, thoroughly experienced, desires downtown Chicago or Western Suburbs. Reasonable Salary. Reply to: **Box 2493, Business Insurance, 740 Rush St., Chicago, IL 60611-2590**

LEGAL NOTICES

INSURANCE LAWYERS

West Coast law firm with practice emphasis in insurance matters, including broker's and agent's liability, errors and omissions, contractual disputes, insurer insolvency and liquidation proceedings, agent and broker/company disputes and regulatory matters, available for representation. **Daniel Warriner & Associates, 575 Anton Blvd., Suite 710, Costa Mesa, CA 92626, (714) 662-1001**

BUSINESS OPPORTUNITIES

SURETY BOND PRODUCERS
SOUTHERN CALIFORNIA

Well established, successful Midwestern Agency seeks aggressive, knowledgable individuals who are interested in producing Surety business. We have two locations with seasoned underwriters and in-house underwriting authority. **Box 2554, Business Insurance, 740 Rush St., Chicago, IL 60611-2590**

Business Insurance

Circulation Breakdown*

Commercial Consumers

Administrative:
CEO's Presidents and Owners 2,431
Vice-Presidents, General Managers and Other Administrative Personnel 3,650

Financial:
Chief Financial Officers and Vice-presidents of Finance 2,745
Secretaries, Treasurers, controllers and other Financial Personnel .. 4,446

Risk/Employee Benefits:
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations 10,687

Sub-total 23,959

Associations 548
Government, Unions and Educational Institutions 1,299

Commercial Consumers
Sub-total 25,806

Insurance Agents and Brokers 10,745
Insurance Companies 7,557
Actuaries, Consultants, Attorneys, Adjusters, Appraisers and Third Party Administrators 3,580
Others Allied to the Field 2,688

TOTAL 50,376

* Source Business/Occupational breakdown of qualified circulation, November 28, 1988 issue, as submitted to BPA for December 1988 BPA Publisher's Statement.

Associate Risk Manager

Brown and Caldwell, a national environmental consulting firm has an immediate opening for an Associate Risk Manager.

Candidates should have a minimum of 5 years insurance industry or risk management experience; preferably related to the engineering field. The successful candidate must have a Bachelor's degree (Engineering degree helpful) and have excellent writing skills. Preference will be given for CPCU or ARM designations.

Duties include: identifying, analyzing and quantifying exposure to risk, developing and implementing effective and efficient methods to assume, transfer or finance risk, coordinating loss prevention and control activities and managing contract review and claims.

Send resume to: **ARM Staffing, Brown and Caldwell, P.O. Box 8045, Walnut Creek, CA 94596-1220.** An equal opportunity employer.

BC **BROWN AND CALDWELL**
CONSULTING ENGINEERS

PROPERTY FACULTATIVE MANAGER

Old Republic Insurance Company's facultative reinsurance unit is seeking a seasoned property facultative manager, with a minimum of 15 years' experience in property underwriting, to direct its property facultative operations on a going-forward basis out of either its Hartford or New York locations. The individual selected for this position will be responsible for all phases of underwriting the business, directing staff, setting corporate policy, and dealing with retrocessionaires.

The ideal candidate should have an extensive facultative property background with experience in both primary and facultative reinsurance and a proven track record in a managerial capacity. The individual should also possess good communication skills and leadership characteristics, along with sound business judgments that fit in with the Old Republic corporate policy.

An undergraduate degree is required and a professional designation in insurance or reinsurance is highly desirable.

Compensation will be commensurate with experience.

To be considered for this position please send your resume (including salary history) in confidence to:

Joseph F. Bowden, President
Old Republic Reinsurance Management Corporation
90 William Street, 8th Floor, New York, New York 10038

RETAIL PRODUCERS WANTED
SPECIALTY PROGRAMS ARE NOW AVAILABLE

Target States

AL. IN. MS. TX. DE. KS. NE. WA. GA. LA.
OH. WI. ID. MI. OK. WV. IL. MO. SD. WY.

Target classes for Liability Coverage

Campgrounds
Day Care Centers
Go Kart Tracks
Insurance Agents
Limousines
Mini Golf Courses
Real Estate Agents
Refuse Haulers
Restaurants & Bars (Liquors)
Riding Academies & Stables
Roofers
Service Stations (Pollution)
Rental Car Agencies
Special Events
Strategy Games
Taxi Cabs
Trade Contractors
Water Parks & Water Slides

Protected Territories are available to qualified Producers for most Classes

For more information regarding these Programs call:

Toll Free 1-800-272-7230
In Missouri 1-314-997-3666

Or Write To:
A. B. Carter Inc.
10420 Old Olive Rd., P.O. Box 66842
St Louis, MO 63166

The best-paid CEOs among leading commercial insurers

Rank	Firm rank	CEO/age	Company	1988 cash compensation	1987 cash compensation	% change from 1987	Market value[1] of shares held	1988 total revenues (in millions)	% change from 1987	1988 net income (in millions)	% change from 1987
1	13	Saul P. Steinberg, 49	Reliance Group Holdings Inc.	$4,498,000	$4,272,000	5.3%	$345,273,954	$3,730.4	10.9%	$23.6	(81.3)%
2	17	Marshall Manley, 48	AmBase Corp.	1,803,444	1,755,805	2.7	2,215,340	2,978.0	19.3	87.0	(49.5)
3	2	Robert D. Kilpatrick, 65[2]	CIGNA Corp.	1,587,000	1,259,700	26.0	983,186	17,889.4	4.6	472.2	(35.2)
4	5	Edward J. Noha, 61	CNA Financial Corp.	1,373,607	1,276,880	7.6	36,731	8,204.0	15.2	546.1	38.8
5	6	James R. Harvey, 54	Transamerica Corp.	1,300,000	1,300,000	--	641,124	7,879.0	8.1	346.4	(1.9)
6	3	James T. Lynn, 62	Aetna Life & Casualty Co.	1,136,538	1,046,885	8.6	1,237,309	17,820.2	(0.6)	713.3	(22.1)
7	14	John J. Byrne, 56	Fireman's Fund Corp.	1,124,539	491,231	129.0	61,987,500	3,704.0	(16.5)	235.0	(35.0)
8	12	Harold S. Hook, 57	American General Corp.	1,089,000	1,059,300	2.8	5,515,246	3,823.0	12.4	442.0	(18.1)
9	18	Ronald E. Ferguson, 47	General Re Corp.	979,351	835,443	17.2	698,601	2,735.8	(11.8)	480.0	(6.0)
10	4	Maurice R. Greenberg, 63	American International Group Inc.	975,000	875,000	11.4	322,818,135	13,613.0	18.9	1,217.9	16.8
11	15	Robert J. Haugh, 63	The St. Paul Cos. Inc.	919,267	851,567	8.0	1,400,584	3,630.8	7.9	355.3	0.3
12	9	Jack Moseley, 57	USF&G Corp.	909,887	873,266	4.2	558,972	5,581.8	15.7	247.4	(11.4)
13	1	Edward H. Budd, 55	Travelers Corp.	840,000	875,500	(4.1)	2,894,674	19,000.0	5.6	103.0	(72.5)
14	10	Dean R. O'Hare, 46	The Chubb Corp.	794,431	New CEO	NA	719,245	3,980.5	7.5	359.6	9.0
15	28	Ronald L. Bornhuetter, 56	NAC Re Corp.	787,437	473,407	66.3	1,515,200	197.6	21.5	20.8	87.4
16	25	William R. Berkley, 43	W. R. Berkley Corp.	786,100	723,850	8.6	61,915,036	533.6	2.4	59.4	0.3
17	21	James F. Orr III, 46	UNUM Corp.	780,156	453,903	71.9	756,920	2,198.5	5.0	134.8	42.2
18	7	Ian M. Rolland, 55	Lincoln National Corp.	757,737	717,642	5.6	948,741	7,312.3	5.1	146.7	(38.1)
19	26	Wilson Wilde, 61	The Hartford Steam Boiler Inspection & Insurance Co.	679,230	619,232	9.7	3,581,078	446.6	6.4	70.7	16.7
20	8	John P. Mascotte, 49	Continental Corp.	601,538	512,700	17.3	606,400	5,877.8	0.9	0.9	(99.6)
21	29	Pierre D. Croizat, 48[3]	Scor U.S. Corp.	574,269	331,300	73.3	NA	127.7	25.2	17.3	(0.6)
22	24	Alan R. Gruber, 61	Orion Capital Corp.	528,786	498,729	6.0	1,545,474	762.3	43.1	25.4	(1.6)
23	30	James F. Billett Jr., 44	Trenwick Group Inc.	490,444	438,263	12.0	1,879,271	120.3	(0.7)	13.7	30.5
24	16	Bruce Maines, 62	SAFECO Corp.	484,334	442,331	9.5	1,295,100	3,017.7	10.7	268.6	6.2
25	27	James A. McIntyre, 56	Fremont General Corp.	483,994	404,905	19.5	4,345,071	407.6	3.7	14.5	288.3
26	19	Patrick G. Ryan, 51	Aon Corp.	471,923	658,447	(28.3)	311,524,782	2,732.4	10.7	179.5	14.9
27	11	Joseph E. Leucke, 62	Kemper Corp.	415,696	356,906	16.5	4,023,219	3,861.4	5.3	223.8	(11.0)
28	22	Joseph L. Marcum, 65	Ohio Casualty Co.	352,750	New CEO	NA	36,944,493	1,431.4	(0.9)	128.0	63.1
29	23	William R. Stover, 66	Old Republic International Corp.	312,983	288,241	8.6	53,818,283	1,107.5	2.4	50.9	(51.4)
30	20	Warren E. Buffett, 58	Berkshire Hathaway Inc.	100,549	100,275	0.3	3,962,157,350	2,333.2	(2.9)	399.3	70.3

[1] Stock values as of Aug. 21 [2] Retired as CEO on Nov. 1, 1988; remains chairman [3] Resigned Nov. 3, 1988 NA=Not available Research: Monique Parsons

Source: Company proxy statements

Cynthia Watson

Compensation

Continued from page 1

in profit would result in a corresponding change in executive compensation," said Mr. Cates. However, "we really don't live in a world that simple."

The top-paid CEO in the insurance industry last year came as no surprise: For the third consecutive year, Saul P. Steinberg, 49, CEO of Reliance Group Holdings Inc., led the group with 1988 cash compensation of $4.5 million, a 5.3% increase over 1987 compensation of $4.27 million, even though Reliance's net income plunged 81.3% in 1988.

A Reliance spokesman would not comment on Mr. Steinberg's compensation.

Mr. Steinberg was the third most highly compensated CEO of a publicly held U.S. company in 1988, according to a Forbes magazine survey. Mr. Steinberg's compensation trailed only the $11.4 million collected by Reebok International Ltd.'s Paul B. Fireman and the $7.5 million pocketed by The Walt Disney Co.'s Michael D. Eisner.

Mr. Steinberg also held 45.4 million shares, or 60.5%, of Reliance's common stock as of Feb. 13. That stock was worth $345.3 million as of Aug. 21.

In addition, the Steinberg Group—which includes Mr. Steinberg, his family and an affiliated trust—holds 78.8% of Reliance's common stock, which was valued at $447.7 million last week.

Marshall Manley, 48, CEO of AmBase Corp., formerly The Home Group Inc., was the second most highly compensated insurance CEO, also for the third consecutive year.

Mr. Manley received cash compensation of $1.8 million in 1988, up 2.7% from $1.76 million the previous year, even though the company's net income dropped 49.5% last year.

Robert D. Kilpatrick, 65, who retired as CEO of CIGNA Corp. in November 1988 but will retain his title as chairman until November of this year, was the third most highly compensated insurance CEO. His 1988 compensation of $1.59 million represented a 26% increase from $1.26 million in 1987.

CIGNA Corp.'s net income decreased by 35.2% last year to $472.2 million. Mr. Kilpatrick's compensation included long-term incentive payments that reflected the company's 1987 performance, said a CIGNA spokeswoman.

The fact that CEOs' compensation rose in 1988 while profits dropped "doesn't mean there's not a strong relationship between performance and pay this year," pointed out Richard F. Meischeid, a vp of TPF&C, a benefit and compensation consulting unit of Towers, Perrin, Forster & Crosby Inc. in Philadelphia.

Bonuses, for example, are based on whether executives achieve certain goals designated by the company's board of directors during the previous year, Mr. Meischeid said. And, CEOs may have been awarded sizable bonuses this year for keeping profits from slipping even farther than they have, he said.

"The industry continues to be beset by problems," Mr. Meischeid said. "These are problems that aren't solved in one year."

At a few companies, however, CEO compensation did rise or fall in line with the companies' earnings.

For example, the compensation collected by Edward H. Budd, 54, CEO of Travelers Corp., dropped 4.1% in 1988. Mr. Budd participates in a management incentive plan that is based on the company's performance.

"Business was down in 1988," said a Travelers spokesman, referring to the insurer's 72.5% decrease in net income last year. "Mr. Budd's salary reflects that."

On the other hand, UNUM Corp. CEO James F. Orr III received a 71.9% increase in compensation in 1988 because of the company's strong performance last year, said a company spokesman. UNUM's net income rose 42.2% in 1988.

Edward J. Noha, 61, CEO of CNA Financial Corp., received a 7.6% increase in compensation, which reflected the insurer's 38.8% jump in net income in 1988, according to a CNA spokeswoman.

"It reflects CNA Financial Corp.'s record of sustained performance and financial strength," she said.

Michael Emig, principal consultant with The Wyatt Co. in Washington, D.C., warned against drawing hasty conclusions from comparing executive compensation with a company's earnings performance.

CEO compensation is a function of many circumstances, he explained, ranging from the CEO's age and experience to a company's profitability.

And, commenting on compensation trends among insurance industry CEOs is difficult, he said, because "it borders on irresponsible" to analyze salaries and bonuses "without knowing the circumstances and history" of each company.

However, Mr. Emig pointed out that generally there is "no rationale" for determining executive compensation, and added that boards of directors should more carefully analyze their compensation decisions and communicate this to shareholders.

"What is there to hide?" he asked. "Few things are more important for boards and shareholders to know than the basis for selection and compensation of executives."

Consultants noted that many insurers are concerned with keeping up with the compensation paid by other industries.

Insurers are aiming at "a moving target" in trying to match "corporate America's compensation levels," said Mr. Cates, who added that insurance industry executive compensation generally "lags relative to other industries."

"They're not closing the gap," he said.

While many insurance companies have implemented long-term incentive plans to increase executive pay, "most are not as aggressive yet" as other companies in other industries, Mr. Meischeid said.

Such incentives are even more crucial when insurers' profits are suffering if insurers are to retain and attract the most qualified executives, consultants point out.

"Unfortunately, when they're having problems, improving compensation doesn't look good. Hopefully, in the long run, this (strategy) will pay off," Mr. Cates said.

Consultants also noted that some of the increases in individual CEO's compensation were "anomalies" that require additional explanation.

For example, Pierre D. Croizat, who resigned as CEO of SCOR U.S. Corp. in November 1988, received a 73.3% increase in compensation in 1988. Mr. Croizat, 48, received additional compensation, totaling $330,000, as "a bonus paid on his departure," a spokeswoman explained.

SCOR's net income fell 0.6% in 1988.

In addition, Fireman's Fund Corp. CEO John J. Byrne, 56, received a 129% increase in compensation in 1988 to $1.13 million from $491,231 in 1987, even though the company's net income dropped 35% in 1988. The increase was based on Mr. Byrne's investment and management performance, which was "brilliant" in 1987, said a company spokesman.

At some insurers, other executives earned more than the CEO.

R.W. Bruce III, Fireman's Fund's vp and chief investment officer, received $1.28 million in cash compensation in 1988, more than any other Fireman's Fund executive.

Two Fremont General Corp. executives were more highly compensated than Fremont CEO James A. McIntyre in 1988. Mr. McIntyre, 56, received $483,994 in compensation in 1988, while his father, Fremont Chairman L.E. McIntyre, received $527,179 in compensation, and his brother, Fremont Insurance Group Inc. President and CEO David L. McIntyre, was paid $510,177 in 1988.

And, Warren E. Buffett, CEO of Berkshire Hathaway Inc. and the lowest-paid CEO in the survey for the third consecutive year, received far less than one of his employees.

Mr. Buffett, 58, received cash compensation of $100,549 in 1988, up 0.3% from $100,275 the previous year. Meanwhile, Berkshire Hathaway Vp Michael A. Goldberg received almost $3 million in cash compensation in 1988, which places him behind Reliance's Mr. Steinberg but ahead of AmBase's Mr. Manley in the overall insurance industry compensation rankings.

And, Mr. Goldberg's 1988 cash compensation was a slight decline from $3.06 million the previous year.

Despite the disparity in pay, Mr. Buffett isn't suffering. Mr. Buffett controlled 516,242 shares of Berkshire Hathaway stock as of Feb. 1, or 45% of the company's outstanding stock. Those shares were valued at $3.96 billion as of Aug. 21, up 74.4% from a portfolio value of $2.27 billion a year ago.

Berkshire Hathaway's net income increased 70.3% in 1988.

Three other insurance company CEOs—besides Messrs. Steinberg, Manley, Kilpatrick, Noha and Byrne—received more than $1 million in 1988 cash compensation:

- Transamerica Corp.'s James R. Harvey, 54, received $1.3 million in compensation in both 1988 and 1987. The company's net income dropped 1.9% in 1988.

A Transamerica spokesman explained that Mr. Harvey's salary increased to $800,000 in 1988 from $700,000, while his bonus decreased to $500,000 last year from $600,000 in 1987.

- Aetna Life & Casualty Co.'s James T. Lynn, 62, received $1.14 million in 1988 compensation, an 8.6% increase over $1.05 million the previous year. The company's net income dropped 22.1% in 1988.
- American General Corp.'s Harold S. Hook, 57, received $1.1 million in compensation in 1988, a 2.8% increase from $1.06 million in 1987. American General's net income dropped 18.1% last year.

In addition, Wilson H. Taylor, 45, who succeeded Mr. Kilpatrick as CIGNA's CEO in November, earned $1.08 million in cash compensation in 1988.

The only other CEO surveyed besides Travelers' Mr. Budd whose cash compensation decreased in 1988 was Aon Corp.'s Patrick G. Ryan.

Mr. Ryan, 51, received $471,923 in 1988 cash compensation, a 28.3% decrease from $658,447 in 1987. Aon's net income increased 14.9% in 1988.

Mr. Ryan could not be reached for comment, and an Aon spokeswoman would not comment on the change.

Beside Mr. Buffett and Mr. Steinberg, other insurer CEOs with large portfolios of their companies' stock include:

- Maurice R. Greenberg, 63, of American International Group Inc. Mr. Greenberg owned 3.63 million shares of AIG common stock as of Jan. 31, or 2.22% of the outstanding shares. That stock was valued last week at $322.8 million.
- Aon's Mr. Ryan, who owned 8.71 million shares of Aon common stock, or 13.5% of outstanding shares, as of Feb. 28. That stock was valued at $311.5 million last week. ■

New Transamerica facility to cover films

Woodland Hills, Calif.-based Transamerica Insurance Co. has created an entertainment insurance facility to insure movie and television productions.

The facility will offer cast insurance, which protects against extra costs incurred when shooting is delayed because a key performer is disabled.

The facility also will write policies covering props and sets.

Other available coverage includes errors and omissions coverage to protect clients against copyright infringement claims, and abandonment and cancellation insurance, which covers refunds paid when an event is canceled or interrupted.

The facility earlier this year began insuring film and television completion guarantees for financial investors, assuring them that the project will be completed and distributed by a specified date and for a specific cost.

The coverage will be underwritten in the United States by Transamerica and internationally by Sun Alliance & London Insurance P.L.C. of London.

Albert G. Ruben & Co. Inc. of Los Angeles, which specializes in placing entertainment insurance coverages, is the exclusive agent for the program and will serve policyholders directly.

For more information, contact Robert Jellen, President, Albert G. Ruben & Co. Inc., 2121 Ave. of the Stars, Los Angeles, Calif. 90067; 213-551-1101.

Markets

Program manager

ABI Special Risk Inc. has been formed by San Francisco-based American Business Insurance Inc. as a program administrator and underwriting manager for specialty property/casualty insurance programs.

The new company, based in the Chicago area, initially will focus on insurance programs for non-profit organizations, including YMCAs, social service organizations and mental health agencies.

Some of the special coverages offered to non-profit groups include professional liability for social workers, and liability coverage for volunteers and for off-premises fund-raising activities, said President Rodney A. Harvey.

ABI Special Risk has complete underwriting authority for Great American Insurance Co. in Cincinnati. Policy underwriting began in July.

For more information, contact Mr. Harvey, President, ABI Special Risk Inc., 1821 Walden Office Square, Suite 310, Schaumburg, Ill. 60172; 312-397-3200.

New Hall division

Frank B. Hall & Co. of California in San Francisco has opened a new division specializing in insurance and risk management services for utilities and public entities.

The new unit will assist all types of public entities seeking insurance coverages outside of the conventional marketplace.

"We work with public entity groups to come to grips with the long-term problems they're facing which cannot be met by the conventional insurance industry," said D. Michael Enfield, chairman and chief executive officer of Hall's San Francisco office.

"We help them develop a suitable alternative mechanism that will allow them to deal with fortuitous loss in a practical manner," Mr. Enfield said.

The new division, which will maintain offices in Los Angeles as well as in San Francisco, also will provide full-service risk management consulting services for public entities seeking to set up non-traditional insurance mechanisms.

Wendall K. Wong, who has been named director of public entity activity, will manage the new, 12-person division.

For more information, contact Mr. Wong at 1 Market Plaza, Spear Street Tower, Suite 2100, San Francisco, Calif. 94105; 415-543-9360.

New A&A unit

New York-based Alexander & Alexander Inc. has formed a new National Public Entity Division that will operate out of its Atlanta office.

The new division is designed to provide public sector clients with property, casualty and marine insurance brokering services, according to Leland L. Robinson, the director of the new division.

For more information, contact Mr. Robinson at 2 Piedmont Center, 3565 Piedmont Road N.E., Atlanta, Ga. 30363; 404-264-3255.

Mergers/acquisitions

UNUM Corp. of Portland, Maine, has acquired **Thomas L. Jacobs & Associates Inc.** of Chicago.

Hilb, Rogal & Hamilton Co. of Richmond, Va., has acquired **Moore & Canion Insurance Agency** of Port Lavaca, Texas.

Polar International Brokerage Corp. of New York has acquired **Meadowbrook-Richman Inc.** in New York.

Tampa, Fla.-based **Poe & Associates Inc.** has acquired Atlanta-based **Berger & Washburne Insurance Agency Inc.**

Facilities & Services Corp. of Los Angeles has acquired **Insurance Rating Dynamics** of Laguna Hills, Calif.

New offices

CAIR Systems of Irvine, Calif., has opened an office at 1117 Perimeter Center W., Suite 503, Atlanta, Ga. 30338; 404-372-3403.

Business & Commerce Insurance Inc. of Indianapolis has moved its offices to 7240 Shadeland Station, Suite 120, Indianapolis, Ind. 46256; 317-577-6755.

Piscataway, N.J.-based **Geo. M. Ruddy & Co.**, a consultant and appraiser for self-insurers, has opened an office at Spring House Corporate Center, Suite 1, 321 Norristown Road, Ambler, Pa. 19002; 215-540-4111.

Wexford Underwriting Managers Inc. of New York has relocated to 111 John St., Suite 2400, New York, N.Y. 10038; 212-962-3086.

Schaumburg, Ill.-based **Zurich-American Insurance Group**, a subsidiary of **Zurich Insurance Group** of Zurich, Switzerland, is opening a service office in Seattle at 2101 Fourth Ave., Seattle, Wash. 98121.

Los Angeles-based **Ringler Associates Inc.** has moved its corporate headquarters to 5000 Birch St., Suite 300, Newport Beach, Calif. 92660-2130; 714-833-1821. The Newport Beach branch office has also been moved to 5000 Birch St., Suite 320, Newport Beach, Calif. 92660-2130; 714-833-3910. ■

Frequent flier...



bonus miles

ISSUE	CLOSE*	MEETING/CONFERENCE	LOCATION
Mar 13	Feb 28	International Captive & Reinsurance Forum	Bermuda
Apr 10	Mar 28	Risk & Insurance Management Society	Atlanta, GA
May 22	May 9	Public Risk & Insurance Management Assn.	Nashville, TN
May 29	May 17	National Assn. of Insurance Brokers	Sea Island, GA
Jun 5	May 23	National Assn. of Insurance Commissioners	Cincinnati, OH
Jun 12	May 31	Group Health Assn. of America/GHI	Atlanta, GA
Jun 19	Jun 7	National Assn. of Insurance Women	Honolulu, HI
Aug 28	Aug 15	Monte-Carlo Rendez-Vous de Septembre	Monte-Carlo
Sep 11	Aug 29	Independent Insurance Agents of America	Los Angeles, CA
Oct 2	Sep 20	National Assn. of Casualty & Surety Agents & Executives	Greenbrier, WV
Oct 9	Sep 26	RIMS/AEAI	Monte-Carlo
Oct 9	Sep 26	Self-Insurance Institute of America	San Diego, CA
Oct 16	Oct 4	Chartered Property & Casualty Underwriters	Anaheim, CA
Oct 23	Oct 11	National Assn. of Professional Insurance Agents	Las Vegas, NV
Oct 23	Oct 11	Baden Baden Conference	Baden Baden, W. Germany
Nov 6	Oct 24	National Assn. of Independent Insurers	Seattle, WA
Dec 4	Nov 21	National Assn. of Insurance Commissioners	Las Vegas, NV

Every week Business Insurance covers the globe ... reporting worldwide news events for readers on every continent.

Our bonus distribution issues reach these important executives even while they travel to industry meetings and conventions. These issues give advertisers wider reach and greater impact.

Join our 1989 itinerary. Get more mileage out of your advertising in Business Insurance. The choice is crystal clear.

Business Insurance
a publication of Crain Communications Inc

*For advertising information call: Don Walsh, Ad Director 212-210-0133
For circulation information call: Customer Service 800-992-9970

Dupont Plaza

Continued from page 1

represents all plaintiffs in the litigation, filed two motions on Aug. 11 opposing the defense agreement.

One motion seeks to have the defense agreement voided on the grounds that "the document. . .poses a grave risk to the ultimate legitimacy of these proceedings" and "constitutes a thinly disguised agreement not to settle by the participating defendants."

Wendell Gauthier, chairman of the PSC and an attorney with Gauthier, Murphy, Sherman, Chehardy & Ellis in Metairie, La., explained that the PSC "moved to void the agreement because we feel it is detrimental to any resolution of the litigation and also very detrimental to the presentation of evidence" in the trial.

The PSC's second motion asks the court to disclose the terms of the defense agreement to the jury as evidence, because its participants "have omitted from their pretrial filings all witnesses, documents and evidence which were probative of the liability of their co-conspirators, with the express intention of skewing the picture to be presented to the court and the jury in the phase of the trial currently under way."

However, William H. Champlin, a partner with the law firm of Tyler, Cooper & Alcorn in Hartford, Conn., and one of the administrators of the defense agreement, said that the agreement was made to "streamline trial procedures," attempt to reach a global settlement and to resolve "claims between and among the defendants in the litigation."

And, defense attorney Christopher Bechhold, a partner with Thompson, Hine & Flory in Cincinnati, which represents two participants, notes that the agreement accomplishes three primary objectives:

- "First, it provides that, by entering into the agreement, we settle all cross claims against each other. This reduces the trial in terms of future litigation," he said.
- "Secondly, it puts together a coordinated defense team where two to three (defense) attorneys address a single issue at trial rather than having 80 to 90 defendants address the same issue. In this respect, it is a case management tool," he explained.
- "Thirdly, it provides a mechanism wherein if any member or members of the group are held liable, the group as a whole agrees to share in that liability or judgment."

Under the liability sharing mechanism, each defendant named by hotel fire plaintiffs, which are referred to in the agreement as "first-party" defendants, will pay a maximum of $1.5 million to a pool from which any judgments will be paid. "Third-party" defendants, such as subcontractors and insurers that subsequently were brought into the litigation by other defendants, will pay a maximum $500,000 to the pool.

Participants in the agreement will be responsible for these amounts even if they are found not liable for damages or are ordered to pay a lesser amount. However, defendants will not have to make payments until after all appeals are exhausted.

Defendants found liable for awards that exceed the funds available in the shared liability pool will be responsible for paying the remaining portion of their own judgments.

Mr. Bechhold refers to the agreement as "a form of reinsurance through the insurance carriers, excess carriers or self-insurance programs of individual participants," adding that several of the participants are self-insured.

Insurers for the participating defendants have agreed to the plan, Mr. Champlin pointed out.

The agreement also stipulates that, in the event of a group out-of-court settlement, no first-party participant shall be required to contribute more than $250,000, and no third-party participant more than $83,333 toward a group settlement offer, unless the participant agrees in writing to contribute a larger amount.

While the defense agreement also originally prohibited participants from reaching individual, out-of-court settlements with plaintiffs or other parties to the litigation, that provision was amended in early August, Mr. Bechhold explained.

Participants are now permitted to settle out-of-court. However, if a the amount of an individual settlement is less than the basic shared liability amount established in the agreement, participants could later be assessed the additional amount up to the maximum contribution, if necessary.

The agreement was made to 'streamline trial procedures,' says attorney William H. Champlin.

Because of this, "several participants to the agreement have directly expressed a desire to explore settlement with plaintiffs, but have stated they are prohibited from doing so because of the penalties contained in the agreement," the PSC noted in its motion to void the agreement.

One of the participants in defense agreement, Bally Manufacturing Corp., did settle with plaintiffs for $2.1 million before the portion of the trial dealing with products and service providers began in July. But because its settlement exceeds the $1.5 million basic shared liability limit per first-party defendant set by the agreement, Bally is under no further contractual commitment.

With only four third-party defendants participating in the agreement, and with Bally having settled already, the potential amount of funds to be collected is $53 million.

While participants in the defense agreement had asked the court to extend its Aug. 5 order sealing the agreement, Judge Acosta released the document, stating in part that the defendants "have completely failed to show what prejudice they faced by the disclosure to third parties of information that non-signatories, namely the PSC, already have."

"In addition, we feel that fairness dictates that the other defendants who are not signatories to the Joint Defense Agreement should know exactly how their co-defendants and respective counsel have endeavored to affect the conduct of this case," Judge Acosta concluded.

Under the terms of the agreement, participants "agree that the contractual obligations created by this agreement supersede the rights and obligations of the participants under any and all claims which constitute this litigation."

It further bars participants from admitting liability or aiding "the plaintiffs or the hotel by attempting to assert liability against any other participant, nor will any participant provide witnesses, technical support or assistance, documents or any other evidentiary materials to the plaintiffs and/or the hotel."

And, the agreement also stipulates that its monetary terms, responsibilities and duties apply to any participants dismissed from the trial.

Judge Acosta indicated in his order that the agreement's provision prohibiting participants from presenting evidence or asserting liability against each other "appears to encourage a skewed and perhaps unethical presentation of the facts to the jury."

However, Mr. Champlin, who is one of the administrators of the agreement, said that would only be the case if participants were at odds with each other. In this case, the defendants agree "that none of them has any liability to the plaintiffs, that none of them was responsible and that the plaintiffs have already been paid a reasonable amount" through previous settlements, he said.

Mr. Champlin, who does not represent any of the individual defendants, said that a pretrial evaluation the defendants conducted of each plaintiff's claim using a panel of risk managers, claims people and defense attorneys in the United States and Puerto Rico arrived at a total "fair value" settlement figure amounting to less than the settlements made to date.

First party defendants besides Bally Manufacturing that signed the agreement include: Allied Signal Inc.; BASF Corp.; Brintons Carpets Ltd.; Collins & Aikman Corp.; Crain Western Inc.; Dan River Inc.; The Dow Chemical Co.; Drexel Heritage Furnishings; E.I. du Pont de Numours & Co.; Forms & Surfaces Inc.; Foss Manufacturing Inc.; Future Foam Inc.; General Felt Industries (Knoll International Holdings Inc.); The Goodyear Tire & Rubber Co.; Hytex Industries; International Textile; Lamin-Art Inc.; Lee Foam Products; Lewis Industries; The Ohio Mattress Co.; Olin Corp. and Otis Elevator Co.

Also, PPG Industries Inc.; Piedmont Corrugated Specialty Inc.; Quantum Chemical Corp.; Sealed Air Corp.; SICO Inc.; Tech-Aerofoam; The Trane Co. and Trane Export d/b/a Trane Western Hemisphere; Union Carbide Corp.; Uniroyal Plastics Co. Inc.; Western Benchcraft Inc.; Wilson Art; and Wolf-Gordon Inc.

Third-party defendants that signed the agreement were: Georgia-Pacific Corp.; Henley Paper Co.; Innerpac of North Carolina; and Reliance Universal Inc.

Overall, about 120 defendants remain in the litigation, including other third-party defendants, explained Suzanne Foulds, administrator of the trial's Joint Document Depository.

Meanwhile, Judge Acosta denied a defendants' motion to remove himself from the case. The defendants had alleged there was a conflict of interest because two of his clerks are related to attorneys in law firms representing plaintiffs (*BI*, Aug. 14). ■

Illinois department's Smith dies

SPRINGFIELD, Ill.—Kenneth W. Smith, deputy director of the property/casualty division of the Illinois Insurance Department, died Aug. 18 of a heart attack.

The 44-year-old insurance regulator spent 20 years with the Illinois Insurance Department. He was assistant deputy director of the division his first 10 years with the department.

Chief Deputy Director James Schacht said Mr. Smith "was one of those men who did a lot, especially for insurance regulation."

Mr. Smith was active with the National Assn. of Insurance Commissioners: For example, he served as chairman of the Study Group on Property/Casualty Reinsurance, represented Illinois on the Blanks Task Force and was a member of the Fire and Casualty Blanks Technical Group.

In addition, he was involved with the Property/Casualty Financial Ratios Profitability and Loss Reserve Discounting working groups.

Mr. Smith held the Chartered Property & Casualty Underwriter and Associate in Insurance Accounting & Finance designations.

Mr. Smith also was a member of MENSA.

He received a bachelor's degree from Millikin University in Decatur, Ill. ■

Update

Surety insurers face liquidation

TALLAHASSEE, Fla.—The Florida Department of Insurance expects to begin liquidating two surety bond underwriters after a hearing scheduled for Friday in Leon County Circuit Court.

Southeastern Casualty & Indemnity Insurance Co. and Southeastern Reinsurance Co. Inc., both of Plantation, Fla., together are insolvent by about $8 million, said Dennis Threadgill, chief attorney in the Insurance Department's division of rehabilitation and liquidation.

The insurers were placed under the Insurance Department's control earlier this month. Mr. Threadgill advised "anyone with Southeastern bonds that can get replacement bonds, do so."

Meanwhile, New Jersey Insurance Commissioner Kenneth D. Merin has been named rehabilitator for affiliate Southeastern Casualty & Indemnity Insurance Co. of New Jersey in Livingston, which was insolvent by at least $4.4 million as of March 31.

The three companies are units of Southeastern Insurance Group Inc. of Plantation. They pooled surety bonds guaranteeing completion of construction and other projects, such as asbestos abatement.

Under laws in both states, insurance guaranty funds do not respond to claims involving surety bonds.

Exxon to fund oil spill study

WASHINGTON—Several state and federal agencies will collaborate on a $35 million Exxon Corp.-funded study of the environmental damages caused by the Exxon Valdez oil spill.

The findings could add to the company's cleanup costs by identifying the extent of environmental damage and assessing costs for restoration, such as rebuilding wildlife populations.

Exxon has reported it expects to spend about $1.3 billion on cleanup efforts by mid-September. The company's pollution liability insurance is expected to cover only $400 million of the costs (*BI*, July 31).

The environmental assessment is scheduled to begin in October and conclude in February 1990, the Interior Department announced last week. Participating agencies include the U.S. Agriculture and Commerce departments, the U.S. Environmental Protection Agency and the Alaska Department of Fish and Game.

Meanwhile, nine environmental groups allege in a new lawsuit filed in U.S. District Court in Anchorage, Alaska, that Exxon has failed to adequately clean up polluted beaches and waterways and ask the court to take charge of the cleanup if Exxon does not implement a satisfactory plan. Unlike an estimated 150 lawsuits filed by other plaintiffs, the latest lawsuit does not seek to recover damages.

The groups filing suit include the Sierra Club, the National Audubon Society and Greenpeace U.S.A.

An Exxon spokesman declined to comment on the lawsuit.

P&I club considers runoff

HAMILTON, Bermuda—International Tanker Indemnity Assn. Ltd., the Bermuda-based protection and indemnity club that provides pollution cleanup coverage to major oil companies, will decide in October whether it should run off its business.

However, the move was not triggered by the March 24 Exxon Valdez oil spill, stressed Sir Bayard Dill, president of the 20-member P&I club. Rather, it was based on improvement in the worldwide market for cleanup and pollution liability coverage, he said.

The club wrote $400 million in pollution cleanup coverage for Exxon Corp. (*BI*, April 17; April 3).

The future of the P&I club's underwriting activities had been under consideration before the oil spill, said ITIA Chairman Martin Flink.

The P&I club was formed in 1969 when the oil companies "voluntarily got together to respond to what they saw as a need for oil pollution insurance," Sir Bayard said. "There seems to be much more commercial coverage available than there used to be," added Sir Bayard, who is a founding partner of Conyers Dill & Pearman.

Agencies appeal payment order

WASHINGTON—Two Wyoming insurance agencies are asking the U.S. Supreme Court to decide whether they owe unpaid premiums due on policies written by insolvent Iowa National Mutual Insurance Co.

The agencies, Doubletree and Alden Insurance Agency, are appealing a May decision by the Iowa Supreme Court in a suit filed in 1987 by Iowa Insurance Commissioner William D. Hager, Iowa National's liquidator.

The agencies contend that the Iowa statute that calls for them to pay the unpaid earned and unearned premiums for the now-canceled policies violates their rights of due process as Wyoming corporations that never issued any policies in Iowa.

The department is now preparing a brief opposing the petition.

But, in a related case, the U.S. District Court in Des Moines, Iowa, ruled on July 14 that Mr. Hager is not entitled to uncollected, unearned premiums from former Iowa National agents (*BI*, July 24).

However, the court ruled that the liquidator is entitled to both collected and uncollected earned premium, collected unearned premium and unearned commissions paid or credited to the agents.

The department has not decided whether to appeal that ruling, a department spokesman said.

Briefly noted

The **Reinsurance Assn. of America** is delaying release of its quarterly survey of U.S.-based reinsurers' results pending an analysis of the California attorney generals' draft insurance antitrust guidelines (*BI*, July 31). . . .A group of 900 women injured by the Dalkon Shield intrauterine device say they will ask the U.S. Supreme Court to review the **A.H. Robins Co. reorganization plan**, because the plan bars any future lawsuits against Robins' officials, attorneys or the company's former insurer, Aetna Life & Casualty Co. The appeal will delay funding of the Dalkon Shield Trust Fund and will cost claimants $500,000 a day in lost interest income. . . .**The National Council on Compensation Insurance** is searching for a new president following Kevin Ryan's recent announcement that he is resigning.

Constellation Re

Continued from page 2

'irst try to collect approximately $74 million in reinsurance balances owed to Constellation Re by commuting all of its hundreds of rectrocessional contracts.

The bureau would then begin making commutation payments to Constellation Re's hundreds of cedants.

The Liquidation Bureau has estimated that the reinsurer's creditors could end up collecting roughly 84 cents on the dollar for their claims under the plan.

The New York plan is believed to be the first time a state insurance department has attempted across-the-board commutations to dispose of all of the business of a U.S. reinsurer in liquidation (*BI*, Feb. 6).

However, Great American, a unit of American Financial Corp., has proposed that it acquire Constellation Re's assets and liabilities. Great American's attorneys suggest this plan could result in Constellation Re's creditors receiving 100 cents on the dollar for their claims (*BI*, Feb. 20).

Constellation Re entered liquidation in February 1987 and is insolvent by an estimated $39 million. The former unit of Santa Fe Southern Pacific Corp. was at one point among the 20 largest U.S. reinsurers based on net premium volume.

Peter Bickford, a partner with Bickford, Hahn & Hayes in New York, which represents creditor Gibraltar Casualty Co. in the case, said creditors are concerned both because they do not have enough information on the Liquidation Bureau's proposal and because they do not understand why the bureau would not consider Great American's proposal.

Commenting on last week's conference hearing, Mr. Bickford said: "The judge is reflecting the frustration of the creditors in not understanding why the Liquidation Bureau will not consider an assumption plan."

The creditors want to "get the creditors their money back in the best way possible," Mr. Bickford said, and the assumption of all of Constellation Re's liabilities is the best possible answer.

However, "the department will not give us an answer as to why they will not consider it, and that is very frustrating," Mr. Bickford said.

"We're a little perplexed as to what is going to happen next," an Insurance Department spokesman said.

On Aug. 7, Judge Schachman refused to approve the Liquidation Bureau's plan and suggested that it consider other liquidation proposals after Great American asked the court to reject the department's plan and to direct the bureau to solicit proposals from companies willing to assume Constellation Re's assets and liabilities and to permit Great American to present its own buyout proposal.

In refusing to approve the liquidation bureau's plan, Judge Schachman says: 'Any rational view of the liquidator's duties requires that it have an audit performed before any proposal is presented, so that he can support this plan with facts.'

Other creditors submitted affidavits supporting Great American's position.

In explaining his refusal to approve the liquidation bureau's plan, Judge Schachman said: "Any rational view of the liquidator's duties requires that it have an audit performed before any proposal is presented, so that he can support this plan with facts.

"The court cannot, and will not, exercise its supervisory functions in a vacuum," the judge said.

Judge Schachman added that more information is necessary to determine whether the plan is appropriate.

"Whether the plan provides for equality of treatment and seeks to compromise doubtful or uncollectible claims or sums within the superintendent's discretion cannot be discerned on this record," the judge said.

"On the basis of this incomplete record, the court will not approve the plan," he ruled.

But this does not mean that the bureau must consider the Great American plan, Judge Schachman ruled.

While the court may veto any proposed plan, "it has no authority to undertake a discretionary act," he said.

"Nonetheless, the court cannot help but suggest strongly that further exploration of these options may prove fruitful," the judge commented.

Judge Schachman also chastised the bureau for refusing to engage in settlement discussions with creditors, calling its position "unreasonable."

Judge Schachman pointed out that the liquidator has a fiduciary responsibility to ensure equitable treatment for Constellation Re's creditors.

"It is hard to conceive how this may be accomplished if the liquidator refuses to meet with creditors he purports to represent for this very purpose.

"At the very least, no harm will come from such meeting and perhaps a final resolution of this three-year old liquidation may be accelerated."

The judge subsequently scheduled last Thursday's settlement conference.

However, Judge Schachman refused to rule, in response to a Great American motion, that the department had acted in an arbitrary and capricious manner, explaining such a ruling would be premature.

Creditors said they were pleased with Judge Schachman's Aug. 7 decision.

Creditors "should not be held hostage to a jurisdictional fight between the liquidator and Great American," said James Veach of New York-based Mound, Cotton & Wollan, who represents several insurers in the case.

"It seemed to us both of them were digging in their heels" without anyone benefiting, Mr. Bickford commented, referring to the department and Great American.

"I think the judge's decision reflects the concerns of the creditors, and could be very helpful" in bringing about a resolution satisfactory to all parties, Mr. Bickford said.

"There's something really good that could be done here if the parties could get together and talk about it on a reasonable basis," Mr. Bickford said.

Attorney Jonathan Rosen of New York-based Carter, Ledyard & Milburn, who represents creditor H.S. Weavers (Underwriting) Agencies Ltd., also described Judge Schachman's ruling as "a triumph for Constellation Re's creditors." ■

Insurance services guide

Paskins, Ragnes & Associates

PR

Professional Insurance and Reinsurance Consultants

Call or write for our brochure.

Travelers Express Tower
1550 Utica Ave. So., Ste. 740
Minneapolis, Minn. 55416
Telephone 612/542-9350
Facsimile 612/542-9833

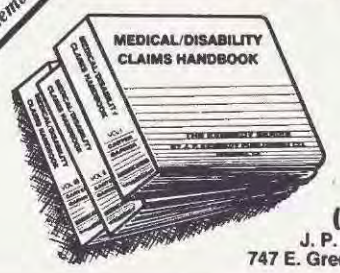
ENVIRONMENTAL CLAIM AUDITS & RISK ASSESSMENTS
ACTUARIAL CONSULTING
Financial Evaluation of Environmental Losses
TILLER CONSULTING GROUP, INC.
2833 N. Geyer Road / St. Louis, MO 63131-3320 314/567-7480

InPhoto Surveillance
USA
800-822-8220
FAX: 800-752-0720

Insurance Services Guide Works

CASUALTY ACTUARIES, INC.
• Loss Reserve and Rate Evaluations for Insurance Companies and Self-Insureds.
• Statutory letters of opinion on loss and loss expense reserves.
12115 Lackland Road, Suite 370
St. Louis, Missouri 63146-4012
(314) 878-5002

IF YOU INSURE TRUCKING COMPANIES...
D & A Consultants.
Truck safety and truck accident consultants. Hdqrs. Phoenix, AZ
P.O. Box 32675
Phoenix, AZ 85064
(602) 257-8824

NEW! SAVE 45% pre-publication price Ends September 15, 1989
The Medical/Disability Claims Handbook
A CLAIMS PAYING LIBRARY IN 3-VOLUMES


SPEED UP CLAIMS HANDLING •
IMPROVE ACCURACY •
MAINTAIN CONSISTENCY •
DEVELOP GUIDELINES •
Special Topics include
AIDS •
CHIROPRACTIC CARE •
CHEMICAL DEPENDENCY •
(213) 681-3300
J. P. Kennedy Publishing Co.
747 E. Green Street, Pasadena, CA 91101

RISKMASTER™ Software
by
Tillinghast
a Towers Perrin company
ONSITE TRAINING
ONGOING SUPPORT
■ GENERAL CLAIMS
■ WORKERS' COMP
■ VEHICLE ACCIDENTS
■ CHECK WRITING
■ EXP. MODIFICATION FACTORS
■ ACTUARIAL REPORTING
FOR PC/MINI/MAINF
Installed in Over 38 States & Canada
For Marketing Questions or to Attend a Free Seminar, Call (313) 567-6616

Temporary Claims Examiners
Qualified, experienced medical & dental claims examiners are available nationwide to assist you with claims processing.
On-site or off-site staff is available during regular hours, after hours and on weekends. Examiner skills are exactly matched to your requirements on manual or on-line systems.
As the leading national firm devoted exclusively to temporary assistance in claims processing, we have been the proven answer to claim backlog problems for over 500 companies. Call us to find out about how we can be a part of your solution.
Claim Services Resource Group, Inc.
800-331-5039

INSURANCE SOFTWARE PACKAGES, INC.
Value Leaders In Risk Management Software
Employee Health Benefits Management System
Ideal For Self Insureds, TPA's, Associations & Carriers
○ Eligibility Determination
○ Fully Adjudicating
○ Validates ICD-9 & CPT-4 Entries
○ Identifies Duplicate Claims
○ Produces Checks & EOB's
○ Automatically Prints Form Letters
○ Management & Ad Hoc Reports
○ Lag Study Reports
○ Unlimited Claims Capacity
○ Easy Installation & Conversion
○ Full Training & Continuing Support
○ And Much More...
Installations Coast To Coast - Call For A Free Demo Diskette
INSURANCE SOFTWARE PACKAGES, INC.
5118 N. 56th Street, Tampa, FL 33610
US (800) 237-8133 FL (813) 621-6069

WLT
Software of Florida, Inc.
Insurance Software Specialists
• SOPHISTICATED SOFTWARE
• QUALITY SERVICE
• AFFORDABLE PRICING
■ HEALTH CLAIMS ADMINISTRATION AND BILLING
■ WORKERS' COMPENSATION CLAIMS ADMINISTRATION
■ FLEXIBLE BENEFITS ADMINISTRATION
■ COBRA ADMINISTRATION
MINI, MICRO AND NETWORK BASED SOFTWARE
CALL FOR MORE INFORMATION OR A FREE DEMONSTRATION
(813) 797-7814
2087 U.S. 19 NORTH / SUITE D, CLEARWATER, FLORIDA 34623

For advertising information in the INSURANCE SERVICES GUIDE Contact: Margaret Hikido,
740 N. Rush Street, Chicago, Illinois 60611. Telephone (312) 649-5340

Directory listing not complete

An incomplete list of insurers for which Langan & Associates Inc. serves as a wholesale broker was printed in the directory of wholesale marketers in the Aug. 14 issue.

Langan primarily serves as a broker for Admiral Insurance Co., Affiliated FM Insurance Co., American International Group Inc., Allianz Underwriters Inc., CIGNA Corp., California Union Insurance Co., Canadian Universal Insurance Co., Century Indemnity Co., Colony Insurance Co., Columbia Casualty Co., Employers Reinsurance Co., Fireman's Fund Insurance Cos., First State Insurance Co., General Star Indemnity Co., The Home Group Inc., Illinois Insurance Exchange, International Insurance Co., International Surplus Lines Insurance Co., Lexington Insurance Co., Reliance Insurance Co., Royal Indemnity Insurance Co., Transamerica Insurance Co., United States Fire Insurance Co., United Capitol Insurance Co. and Zurich-American Insurance Co.

Bell benefits

Continued from page 2

NYNEX Corp. remained off the job late last week.

Talks between labor and management at both New Jersey Bell and Ameritech were scheduled late last week. However, no talks were scheduled between NYNEX and labor.

The agreement San Francisco-based PacTel reached with members of the Communications Workers of America union ended a walkout against the company's Pacific Bell and Nevada Bell units that began Aug. 5 when workers balked at company efforts to require employees to contribute to the cost of their health care coverage under the company's self-insured indemnity plan. PacTel also had proposed implementing a 5% copayment for emergency room care and the first week of hospitalization.

Under the agreement, hospitalization and nearly all major medical charges by health care providers in a new preferred provider network would be covered in full, according to a PacTel spokesman.

There would, however, be a $10 copayment per physician office visit.

Workers who obtain care from providers outside of the network and earn $28,000 or less annually would be required to pay a $150 individual deductible or a $450 family deductible.

Workers who earn more than $28,000 annually and obtain health care from providers outside of the network would have to pay a $300 individual deductible or a $600 family deductible.

The out-of-pocket annual maximum for workers who receive health care from providers outside of the network and earn $28,000 or less is capped at $1,000 per individual and $4,000 per family.

And, the out-of-pocket annual maximum for the higher paid workers is capped at $1,500 per individual and $4,500 per family.

After the deductible is met, PacTel would pay 70% to 80% of incurred expenses, depending on services provided.

The agreement also calls for improved benefits.

For example, employees will pay $10 for eye examinations and $25 for glasses from providers in a new vision care network.

PacTel also agreed to initiate a pretax dependent care spending account to which employees could defer up to $5,000 annually.

Workers also would be allowed to take a one-year unpaid leave for dependent care with full health care benefits during the first six months and guaranteed re-employment rights at the end of the leave.

The agreement also calls for the company to increase annual lump sum bonuses based on profits to 4% of workers' earnings in the first year, 4.5% the next year and 5% in the final year of the contract, up from 3.7% in the final year of the expired contract.

The telephone company expects to meet its profitability goals and pay the bonuses, according to a spokesman.

Wages also would be increased on average by 3.1% in the first year of the contract, 3.7% in the second year, and 2.6% in the third year.

The CWA expects to ratify the agreement by Sept. 22., a spokeswoman said.

Meanwhile, Pennsylvania Bell reached an agreement with 1,900 members of the International Brotherhood of Electrical Workers that is identical to the contract its parent company, Bell Atlantic, reached with 41,000 CWA members on Aug. 17. However, the Pennsylvania Bell agreement is contingent on New Jersey Bell—another Bell Atlantic unit—coming to terms with 9,100 IBEW members.

The IBEW/Pennsylvania Bell agreement calls for establishing a preferred provider network of hospitals and physicians. Workers who use the network would not be required to pay deductibles for hospitalization.

However, workers would be required to make a $10 physician office copayment, after which all charges would be covered.

An employee can obtain services outside the network but must pay a $250 deductible per person per household, regardless of the number of covered lives, after which all expenses are covered in full.

Pennsylvania Bell also agreed to create eight new family care programs, including unpaid leaves of absence with continuation of health care benefits for a portion of the leave period and pretax dependent care reimbursement accounts.

In addition, pension benefits under the agreement would be increased 13% in 1990 for workers retiring on or after Aug. 6, according to a Bell Atlantic spokesman.

And, the company agreed to establish a profit sharing plan under which workers would be paid $600 annually in lump sums.

Base wages also will be increased 3% in the first year of the contract and 2.25% in each of the remaining years plus an undetermined cost of living adjustment.

The company and union would not release further details, pending ratification. ■



Insurance industry stocks surged last week as the *Business Insurance* stock index rose 4.0 points to 593.4 on Aug. 24 from 590.4 on Aug. 17. Advancing stocks were led by Pacificare Health Systems, up 16.1%; W.R. Berkley Corp., up 9.7%; and FHP International Corp., up 8.5%. The largest declines were reported by HMO America Inc., down 6.4%; Frontier Insurance Group, down 6.0%; and RLI Corp., down 5.4%. The most active issue was Sears Roebuck & Co. (Allstate Insurance Group), with 2.7 million shares traded. The 0.5% gain in the *BI* index trailed the performance of the overall market: The Dow Jones 30 Industrials rose 2.1%, while the New York Stock Exchange Composite rose 1.7%.

HMO provides coverage to Empire policyholders

NEW YORK—Health maintenance organization Independent Health Assn. of Williamsville will cover the 5,200 health insurance policyholders enrolled in an indemnity plan written by now-shuttered Empire Benefit Plans Inc.

A New York Supreme Court judge in June shut down Empire because it was operating without a license (*BI*, July 10).

IHA will assume Empire's $1.9 million in assets and will continue to cover the enrollees—employees of small businesses that did not offer group health insurance—through Thursday, explained a New York Insurance Department spokesman. The HMO then will offer employers within its operating area coverage under its own HMO plan. Other regional HMOs that operate in areas not covered by IHA also are expected to offer coverage, the spokesman said.

The spokesman would not comment on whether the department would bring civil or criminal proceedings against Empire officers. ■

Broncos sideline Elway to satisfy coverage terms

DENVER—Quarterback John Elway is back in the Denver Broncos' lineup after replacing a protective knee brace needed to satisfy the terms of a Lloyd's of London disability policy the team purchased for Mr. Elway.

Mr. Elway did not play in a preseason National Football League game earlier this month against the San Francisco '49ers at Candlestick Park because the brace was stolen or misplaced before the matchup.

Mr. Elway wears the brace as a precautionary measure on his left knee, on which has had surgery three times.

A spokesman for the Broncos confirmed team owner Pat Bowlen's statement that a Lloyd's policy covering Mr. Elway is rendered void if the quarterback plays without the custom-fitted brace.

However, the spokesman could not provide policy details.

British Issues

Aug. 24 Companies	Price pence	P/E	Div. pence	Yield %	1989 High—Low pence pence
Commi Union	422	—	29.3	6.0	450—335
Genl Accident	1035	—	70.7	5.8	1065—858
Gdn Royal Exch	235	—	15.7	5.7	235—183
Royal	455	—	34.0	6.8	459—382
Sun Alliance	308	—	17.0	4.1	337-247
Brokers					
Bradstock	250	—	10.0	4.9	250—185
CE Heath	495	—	34.5	7.3	495—418
Hogg Robinson	150	—	9.3	4.3	177—131
Lloyd Thompson	219	—	8.0	3.0	232—189
PWS Holdings	46	—	3.3	—	138—35
Sedgwick Grp	257	—	16.7	6.2	279—227
Steel Brrl Jones	229	—	15.3	5.8	243—209
Willis Faber	220	—	15.3	6.9	265—214

Note: P/E ratio not available this week.

BI Industry Stock Report

AUGUST 24, 1988 **8/18/88 THRU 8/24/88**

BROKERS		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk value
Alexander & Alexander Svcs	NYSE	29.38	2.2	25.0	29.63	22.63	430	1.00	3.4	18.1	2.90	10.13
Corroon & Black Corp.	NYSE	37.00	1.0	18.9	37.38	30.75	118	1.24	3.4	15.9	7.62	4.86
Gallagher Arthur J. & Co.	NYSE	22.88	-0.5	36.6	24.75	16.13	17	0.52	2.3	16.1	5.33	4.29
Hall Frank B. & Co.	NYSE	3.50	0.0	21.5	4.63	2.50	89	0.00	0.0	-1.7	0.00	N/A
Hilb, Rogal & Hamilton	OTC	19.38	-0.6	27.1	19.75	13.75	74	0.20	1.0	16.9	4.60	4.21
Marsh & McLennan Cos. Inc.	NYSE	69.50	-0.2	23.6	72.13	55.13	389	2.50	3.6	17.1	6.48	10.73
Poe & Assoc. Inc.	OTC	8.50	0.0	3.0	8.75	8.25	0	0.40	4.7	9.7	1.43	5.94
BROKERS	AVERAGE	0.3	22.2					2.6	13.1			
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	38.00	9.7	28.8	37.75	29.25	369	0.40	1.1	8.0	21.28	1.79
Berkshire Hathaway Inc. DEL	NYSE	8000.00	2.2	70.2	8175.00	7996.00	165	0.00	0.0	27.6	2468.63	9.21
ITT (Hartford Group)	NYSE	63.88	2.8	27.4	64.00	49.75	1679	1.48	2.3	10.7	56.33	1.13
Sears Roebuck & Co. (Allstate)	NYSE	45.50	-1.4	11.3	48.00	40.13	2700	2.00	4.4	15.5	36.09	1.26
CONGLOMERATES	AVERAGE		3.3	34.4					2.0	15.4		
INSURERS/REINSURERS												
Aetna Life & Cas Co.	NYSE	58.75	-0.2	24.3	60.13	46.75	864	2.76	4.7	8.6	58.11	1.01
AmBase Corp.	NYSE	16.00	-2.3	45.5	16.38	11.00	321	0.20	1.3	5.6	18.66	0.86
American General Corp.	NYSE	38.00	0.7	27.2	38.50	29.50	603	1.50	3.9	9.8	28.04	1.36
Amer Heritage Life Invt.	NYSE	26.50	1.0	2.9	27.88	25.00	2	1.20	4.5	10.1	22.47	1.18
Amer Indty Fnl Corp.	OTC	10.00	0.0	-4.8	13.00	9.50	3	0.56	5.6	6.4	17.38	0.58
American Int'l Group	NYSE	96.75	1.7	42.8	96.63	66.25	1048	0.48	0.5	12.2	33.55	2.88
Aon Corp.	NYSE	36.25	1.0	29.5	38.00	27.00	278	1.40	3.9	12.0	16.67	2.17
Argonaut Group	OTC	63.50	-0.2	45.1	64.25	43.50	31	1.00	1.6	8.3	36.83	1.72
AVEMCO Corp.	NYSE	27.25	7.9	5.3	26.13	22.63	75	0.40	1.5	14.7	9.20	2.96
Baldwin & Lyons Inc.	OTC	20.50	1.2	37.8	20.50	14.50	18	0.20	1.0	6.9	17.57	1.17
Belvedere Corp.	AMEX	4.88	-4.9	8.4	6.50	4.50	7	0.04	0.8	7.6	8.43	0.58
Chandler Insurance	OTC	10.50	0.0	51.3	10.88	7.00	102	0.00	0.0	5.9	9.53	1.10
Chubb Corp.	NYSE	77.38	1.6	33.4	78.50	57.63	409	2.32	3.0	8.4	53.50	1.45
CIGNA Corp.	NYSE	60.50	-0.6	28.4	63.88	45.88	571	2.96	4.9	10.4	53.08	1.14
CNA Fin'l Corp.	NYSE	86.50	5.5	43.0	84.88	57.63	162	0.00	0.0	10.5	54.52	1.59
Continental Corp.	NYSE	36.88	-0.7	13.9	38.63	31.50	320	2.60	7.0	25.1	42.10	0.88
Durham Corp.	OTC	31.75	-0.8	-3.8	34.00	30.00	3	0.92	2.9	28.1	26.32	1.21
Fireman's Fund Corp.	NYSE	36.63	-0.3	25.2	38.75	29.00	292	0.60	1.6	9.6	32.74	1.12
Fremont Gen Corp.	OTC	16.13	-1.5	20.6	18.25	12.13	115	0.80	5.0	230.4	17.61	0.92
Frontier Insurance Group	OTC	19.75	-6.0	58.0	21.75	11.13	42	0.00	0.0	10.2	7.53	2.62
General Re Corp.	NYSE	78.75	4.3	41.9	76.63	54.38	613	1.36	1.7	13.0	29.04	2.71
Hanover Ins Co.	OTC	28.13	0.5	5.2	30.25	25.75	212	0.44	1.6	6.7	31.47	0.89
Harleysville Group Inc.	OTC	22.38	0.0	24.3	22.50	17.75	15	0.60	2.7	7.5	18.94	1.18
Hartford Steam Boiler	OTC	52.25	-0.5	42.2	55.75	34.75	192	1.60	3.1	14.0	13.04	4.01
Kans City Life Ins.	OTC	35.25	0.0	2.2	36.00	32.75	1	1.04	3.0	12.2	39.22	0.90
Kemper Corp.	NYSE	43.88	3.2	82.8	47.25	22.75	243	0.84	1.9	7.6	28.91	1.52
Lawrence Ins. Group	AMEX	7.88	3.3	0.0	8.50	6.63	6	0.24	3.0	16.4	3.19	2.47
Liberty Corp. S.C.	NYSE	35.63	0.0	-1.0	38.00	32.50	14	0.80	2.2	20.4	21.17	1.68
Lincoln Nat'l Corp.	NYSE	54.75	0.7	24.4	56.88	42.75	131	2.48	4.5	14.0	39.21	1.40
NAC Re Corp.	OTC	33.00	3.9	56.0	32.00	20.63	111	0.20	0.6	15.1	15.21	2.17
Navigators Group	OTC	26.25	1.0	31.3	27.25	20.50	19	0.00	0.0	9.8	15.22	1.72
Nobel Ins Ltd.	OTC	2.00	6.4	-57.9	5.00	1.50	101	0.42	1.0	-7.7	7.76	0.26
Northwestern Nat'l Life	OTC	37.75	-1.6	21.3	40.63	26.88	249	1.20	3.2	12.5	37.50	1.01
Ohio Cas Corp.	OTC	49.50	-2.0	38.5	50.75	35.50	254	2.08	4.2	7.4	33.30	1.49
Old Rep Int'l Corp.	OTC	26.50	2.9	10.4	28.88	23.38	88	0.74	2.8	12.7	26.50	1.00
Orion Cap Corp.	NYSE	26.63	0.0	73.1	27.50	15.38	29	0.84	3.2	7.0	12.93	2.06
Phoenix Re Corp.	OTC	9.88	-3.6	4.0	11.00	8.75	54	0.00	0.0	5.8	12.99	0.76
Protective Life Corp.	OTC	15.25	0.0	15.1	16.25	12.88	37	0.70	4.6	37.2	14.54	1.05
Re Capital Corp.	AMEX	12.25	3.1	34.2	12.88	9.13	5	0.00	0.0	10.9	12.60	0.97
RLI Corp.	NYSE	8.75	-5.4	14.7	9.38	7.13	12	0.40	4.6	8.3	10.71	0.82
Provident Life & Acc Ins Co.	OTC	27.13	0.9	40.9	28.50	19.13	1130	0.68	2.5	9.2	23.24	1.17
St. Paul Cos. Inc.	OTC	58.00	0.9	33.3	59.75	43.00	573	2.20	3.8	7.4	32.00	1.81
SAFECO Corp.	OTC	33.13	-2.6	40.2	34.75	23.13	858	1.20	3.6	7.9	24.88	1.33
SCOR U.S. Corp.	NYSE	10.75	-1.2	17.7	11.50	7.50	75	0.20	1.9	8.1	10.35	1.04
Seibels Bruce Group Inc.	OTC	11.88	-4.0	4.4	13.63	10.25	94	0.80	6.7	12.9	13.42	0.89
Selective Ins Group Inc.	OTC	25.50	2.0	10.9	26.50	21.75	28	1.44	5.6	5.4	22.33	1.14
Statesman Group Inc.	OTC	3.06	2.0	-2.2	4.00	2.38	92	0.05	1.6	30.6	3.48	0.88
Tokio Marine & Fire Ins	OTC	73.00	-2.7	-20.1	95.50	66.00	8	0.23	0.3	44.2	0.00	N/A
Torchmark Corp.	NYSE	45.25	-1.1	48.4	49.00	30.00	265	1.40	3.1	13.3	12.24	3.70
Transamerica Corp.	NYSE	44.75	-0.8	32.1	45.50	32.75	814	1.88	4.2	9.8	30.70	1.46
Travelers Corp.	NYSE	42.63	0.0	22.7	45.00	34.50	1022	2.40	5.6	7.5	44.85	0.95
Trenwick Group Inc.	OTC	19.25	-1.3	32.8	19.50	13.75	10	0.36	1.9	10.1	16.91	1.14
United Fire & Cas Co.	OTC	33.00	1.5	8.2	33.13	29.00	5	1.20	3.6	7.0	22.56	1.46
United States Fid & Gty	NYSE	32.13	-0.8	12.7	34.00	28.50	654	2.80	8.7	17.1	22.57	1.42
UNUM Corp.	NYSE	37.00	-2.3	37.0	39.13	26.63	212	0.60	1.6	10.9	30.64	1.21
USLIFE Corp.	NYSE	47.13	-1.3	35.1	48.13	34.13	122	1.40	3.0	11.0	54.27	0.87
Washington Nat'l Corp.	NYSE	28.13	-0.4	4.2	29.13	24.00	25	1.08	3.8	-20.1	32.33	0.87
Zenith Nat'l Ins Corp.	NYSE	19.25	-1.3	10.0	20.00	16.75	15	0.84	4.4	8.9	13.61	1.41
INSURERS/REINSURERS	AVERAGE		0.1	23.5					3.2	15.0		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International Corp.	OTC	41.50	8.5	242.1	41.00	11.75	537	0.00	0.0	21.2	3.54	11.72
HMO America Inc.	OTC	9.13	-6.4	19.7	10.63	0.88	683	0.00	0.0	-8.0	1.12	8.15
Pacificare Health Systems	OTC	49.63	16.1	305.1	52.50	12.25	87	0.97	2.0	30.3	6.35	7.82
Safeguard Health Ent.	OTC	9.38	-2.6	70.5	9.75	4.75	142	0.00	0.0	15.9	2.99	3.14
Sierra Health Services	AMEX	7.50	0.0	360.1	8.25	1.50	75	0.00	0.0	-6.1	1.59	4.72
United HealthCare Corp.	OTC	12.25	6.5	179.7	12.38	4.13	701	0.00	0.0	-5.5	0.31	39.52
United Medical Corp.	AMEX	5.75	0.0	9.5	6.75	5.13	6	0.00	0.0	1.7	4.11	1.40
U.S. Healthcare	OTC	13.38	5.9	130.3	13.88	5.25	782	0.20	1.5	43.2	2.87	4.66
Western Health Plans Inc.	AMEX	0.19	0.0	-72.5	0.56	0.06	24	0.00	0.0	-0.1	0.82	0.23
HMOs	AVERAGE		3.1	138.3					0.4	10.2		
ALL COMPANIES	AVERAGE		0.6	37.2					2.8	14.4		

System design: Communications Research Group

How Many Approvals Does A Fac Quote Need?



Facultative quotes are supposed to be *fast!*

Yet some reinsurers have so many approval layers, even routine fac quotes can get hung up in the bureaucracy.

On the 25th Anniversary of our first fac quote, North American Re is a leading provider of both pro-rata and excess coverage.

Routine facultative quotes are handled virtually automatically.

So the next time your fac quote gets snarled up in red tape, call North American Re.

Where fast Facs are a fact.

NORTH AMERICAN RE

Choosing A Reinsurer Shouldn't Be A Risk

NORTH AMERICAN REINSURANCE CORPORATION 237 PARK AVENUE, NEW YORK, NY 10017 (212) 907-8000
ATLANTA BOSTON CHICAGO DALLAS LOS ANGELES NEW YORK PHILADELPHIA SAN FRANCISCO