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Business Insurance

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Purchase of ASA to boost Aon's benefit consulting

CHICAGO—Aon Consulting Inc., in a move to bolster its pension and actuarial departments and obtain larger clients, announced last Friday that it will acquire Actuarial Sciences Associates Inc., a rapidly growing benefit consulting firm.

"It's a good, solid strategic fit for us," said Aon Corp. Senior Vp Joe Shenton in Chicago.

The deal is structured as an exchange of
See Updates on next page

HCFA to get tough with employers

By JERRY GEISEL

WASHINGTON—Federal regulators are being urged to take a tougher line, including imposing fines, on employers that ignore regulators' requests for health care coverage information on older employees.

Even though the Health Care Financing Administration has authority under a 1994 law to levy a \$1,000 penalty on employers for each employee for whom it is seeking coverage information, it has never done so, says the report by the Department of Health and Human Services' Office of Inspec-

tor General. HCFA also can report the employer to the Internal Revenue Service for additional excise taxes.

Not surprisingly, in the absence of any fines, more employers are not responding to regulators' requests for coverage information in what is known as the Data Match program.

The upshot is, the government lacks information that could enable it to recover as much as \$300 million in health care bills incurred by older employees that employer plans, not Medicare, should have paid, says the report.

For employers that have not re-

sponded to prior Data Match program coverage information requests, the Inspector General recommends HCFA impose penalties. And for the future, the OIG recommends tougher follow-up letters, more personal visits to non-responders and then, if necessary, assessing financial penalties.

Federal regulators concur and say they intend to pursue a test case with a "chronically noncompliant" large employer to better determine what kind of resources they would need to try to impose penalties on a large scale. The HCFA also said it will, through a

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Employers to bear assessment

Guaranty fund OKs levy

By ROBERTO CENICEROS

LOS ANGELES—Insured employers in California will be billed \$48 million in 2001, and possibly additional amounts in later years, stemming from the planned liquidation of Superior National Insurance Group Inc.'s workers compensation insurers.

In anticipation of claims on policies written by insolvent Superior National units, the California Insurance Guaranty Assn.'s board of governors voted Aug. 9 to assess workers comp insurers in the state the maximum amount allowable under law, said Lawrence Mulryan, CIGA's executive

director in Los Angeles.

CIGA is limited to annually assessing the state's workers comp insurers no more than 1% of net direct premiums, CIGA officials explained. The \$48 million assessment planned for 2001 is based on workers comp insurers' 1999 premium volume.

Also under state law, insurers must pass on the assessment to policyholders. Employers will receive their bill with their 2001 renewals.

Insurers will be obligated to send CIGA 50% of the assessment by Dec. 31 and the remainder by June 30, 2001, Mr. Mulryan said.

The California Insurance De-

partment's Conservation and Liquidation Office plans to begin the liquidation of Superior National's units in September (BI, Aug. 21). Claims will be paid with money from Superior's estate, augmented by CIGA funds.

Superior National was California's second-largest workers compensation insurer, with its five operating subsidiaries together writing \$482 million in premiums in 1999.

Although the planned \$48 million assessment is only a fraction of the \$7.1 billion in gross premiums written by all California workers compensation insurers in

See Guaranty on page 56

Pay for performance grows

Convergence changing CEO compensation

By LEE FLETCHER and CLEO BURTLEY

As financial services industries slowly converge, companies in the insurance industry are beginning to adopt the compensation approaches—including merit-based pay—traditionally used by their new peers, compensation experts say.

Ten years ago, in the insurance industry "there was so little CEO pay tied to performance. What's driving the change is the consolidation of the financial services markets in general. You're beginning to see the blurring of the distinction between banking and insurance," according to Jim Sil-

lery, a senior consultant with Watson Wyatt Worldwide in Chicago.

And Mr. Sillery said that financial services convergence is resulting in new competition for talent—and changes in the way insurance executives are compensated.

"If I'm a large bank and I want to hire somebody from a midsized insurance company to help start up my insurance business, I can not only offer them base salary but also cash incentives and stock options, which is something that insurance companies rarely did before," Mr. Sillery said.

Brooks T. Chamberlin, managing director and head of the glob-

al insurance recruiting practice at Korn/Ferry International in New York, agreed that the insurance industry will increasingly see a much greater emphasis on performance-based compensation than it has in the past.

"I think boards (of directors) are going to be tougher on the CEOs of non-performing companies, or the companies that haven't performed very well, in giving them a message in their compensation package for less-than-acceptable performance," Mr. Chamberlin said. And, he said, "those with nominal packages who perform well may be better compensated."

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PHOTO: SPORTSCHROME

The Sydney 2000 Olympic Park Stadium will be a key venue during the upcoming Summer Games in Sydney, Australia.

Risk manager in training for Olympic risks

By KATE TILLEY

SYDNEY, Australia—On Sept. 15, when the Olympic cauldron is lit to herald the start of the Olympic Games in Sydney, Australia, risk manager Peter Himmelhoch will

have done as much training as any top athlete.

In his line of work, that training involves

getting up to speed on managing potential risks to participants and attendees of the Games that run the gamut from slips and falls to terrorist attacks.

In the three and one-half years since he was appointed risk manager for the Sydney Organizing Committee for the Olympic Games, Mr. Himmelhoch has tried to think of every possible thing that could go wrong at the event and has implemented risk management plans to avoid, minimize or finance those exposures.

Effective communication and the successful integration of a variety of operating units are essential elements of the risk management program for the Games, which will involve 40 separate sporting venues, more than 10,000 athletes,

15,000 media representatives, 5,000 officials, 50,000 volunteers and 9 million spectators.

"The Olympics is a complex beast," Mr. Himmelhoch admitted.

Training SOCOG staff has

been a major exercise. "It's an enormous challenge, because the workforce comes together only once and for a relatively short time. Normally, it takes two weeks to familiarize yourself with a new job, but the Games are over by then," he said. "The human element of the project is pretty big."

Mr. Himmelhoch joined SOCOG in December 1996, after four years as a risk management consultant with PricewaterhouseCoopers. He did not have an opportunity before the appointment to visit Atlanta for the 1996 Games, though Gordon Young, who was assistant risk manager with SOCOG until last year, when he moved to facilities management, had been a risk manager for the Atlanta Games.

Mr. Himmelhoch's first job was to identify key risks for the Sydney Games. He classifies those exposures as physical, financial, operational, reputational and legal.

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SYDNEY OLYMPICS
Additional coverage in International on page 49

UPDATES

Aon Consulting to buy ASA

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stock, but terms were not disclosed.

Aon Consulting, a unit of Chicago-based Aon Corp., is known for its health care consulting, especially for smaller and midsize firms. ASA, a former AT&T Corp. subsidiary that became an independent firm in 1998, is known for its retirement plan and actuarial consulting services for large employers. AT&T continues to be a major ASA client.

"ASA's client roster offers a significant Fortune 500 presence in areas that are strategically important to Aon. . . ASA's expertise in these areas will allow us to provide enhanced consulting capabilities to larger clients," Aon Consulting Worldwide Chairman and Chief Executive Officer Donald C. Ingram said in a statement.

Last year, Aon reported benefit consulting revenues of \$576 million, making it the world's fifth-largest benefit consultant. ASA, which has about 600 employees in 11 locations, reported \$118 million in revenues last year.

Mr. Ingram will continue as chairman and CEO. Michael Gulotta, ASA's current CEO, will become chairman of North America employee benefits and compensation consulting at Aon Consulting.

The deal is expected to close within 60 days.

Pollution allocation upheld

NEW YORK—A federal appellate court has rejected several arguments by a general liability policyholder that contended that its pollution losses prior to the introduction of the pollution exclusion should not be allocated between it and its insurer.

But the panel of the 2nd U.S. Circuit Court of Appeals in New York also ruled that the coverage term "accident" in GL policies issued from the mid-1950s through 1969 provided coverage for losses due to gradual as well as abrupt pollution incidents.

The litigation pits pesticide maker Olin Corp. of Norwalk, Conn., against the Insurance Co. of North America, a unit of ACE Ltd. The case—the first coverage dispute over 100 polluted Olin sites nationwide that has come to trial—raises several coverage questions.

Cleanup costs at the sites could exceed \$500 million, an INA attorney said. Philadelphia-based INA insured Olin from 1956 through 1973, but an exclusion barred coverage for pollution losses beginning in 1971.

A North Carolina site is at the center of the 2nd Circuit case. A federal district court jury in 1997 ruled that \$3.7 million of soil damage at the site occurred from 1951 through 1985 but that Olin was not covered for damage occurring after 1957, because Olin expected or intended to cause the damage. The jury also found that \$360,000 of groundwater damage at the site occurred over the same period but that Olin was covered for the loss from 1958 through 1970, because the loss was unexpected and unintended.

On Aug. 17, the 2nd Circuit panel upheld the district court judge's decision to bar Olin from holding all of its policies jointly and severally liable and picking the policy that would provide the most coverage. Instead, without evidence that shows precisely when the damage occurred, liability must be allocated throughout the entire period that damage occurred, the 2nd Circuit panel ruled. The allocation also must account for those years that the policyholder was uninsured, the appellate panel ruled.

The decision would be applicable to other long-tail liability cases as well, said insurer attorney Laura A. Foggan, who represents the Insurance Environmental Litigation Assn.

In addition, the panel rejected Olin's argument that it should not be allocated any liabilities after 1969 because pollution coverage was not available. The court disagreed, ruling that environmental impairment liability coverage was available. That is a first-of-its-kind ruling from a federal appellate court, she said.

The appellate panel also upheld the lower court ruling that Olin must meet every deductible for every policy that would respond to the loss. Olin argued it should have to meet only one deductible.

Olin attorney Stephen A. Dvorkin said the ruling did not constitute a "wholesale abandonment" of policyholders' rights to hold all of the insurers that covered a risk jointly and severally liable for a loss. The ruling, however, will force policyholders to develop more evidence that shows that damage occurred during covered years, said Mr. Dvorkin, a partner with Dickstein Shapiro Morin & Oshinsky in New York.

Quackenbush probes continue

SACRAMENTO, Calif.—A legislative investigation report concludes that former California Insurance Commissioner Chuck Quackenbush and his senior aides subverted settlements collected from insurers to benefit Mr. Quackenbush and his associates.

The report, released last week, contains the final conclusions of the state Assembly Insurance Committee that began investigating in April the handling of \$14 million in insurer settlements, including those stemming from the management of claims resulting from the 1994 Northridge quake.

The report concludes that Mr. Quackenbush and his top deputies in the Department of Insurance "created an explosive enforcement structure." According to the report, evidence found during legislative hearings shows that, among other things, the former commissioner and his deputies: subverted the regulatory process; wielded state power to bolster the commissioner's political prospects and financially benefit his associates and friends; misspent and diverted money from insurers; and engaged in a cover-up when their practices came to light.

"The improper, and possibly unlawful, enterprise run out of DOI after Northridge developed in the spring of 1999," the report states. "Senior DOI officials started . . . laying the groundwork, however, two years earlier."

The Department of Insurance, the report says, required insurers to fund consumer outreach programs. Those funds went to vendors of political advertising who were members of Mr. Quackenbush's campaign team and friends of top deputies, the report says.

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Oregon mulls appeal

9th Circuit declines to review Risk Retention Act pre-emption

SALEM, Ore.—The Oregon Department of Justice is now deciding whether it will ask the U.S. Supreme Court to review a federal appellate court's ruling that certain Oregon laws illegally discriminate against risk retention groups.

Those laws require automobile dealers and distributors that sell vehicle service contracts in Oregon to purchase reimbursement policies from "authorized insurers."

To be authorized, an insurer

must be a member of the Oregon Insurance Guaranty Assn., which pays claims for insurers that become insolvent. But under the federal Risk Retention Act, which created RRGs, the groups cannot be members of guaranty associations.

Oregon's categorical exclusion of RRGs as a market option violates the Risk Retention Act, which sharply limits state regulation of the groups, a three-judge panel of the 9th U.S. Circuit Court of Appeals unani-

mously ruled (*BI*, June 12).

Last month, the full 15-member appeals court denied the Oregon Department of Justice's request to review the panel's decision in *National Warranty Insurance Co. RRG, a Risk Retention Group vs. Mike Greenfield*.

The Department of Justice now is evaluating whether to seek a Supreme Court review of the ruling. The Department has until the end of October to make that decision.

—By Jerry Geisel

Onshore advantages seen

Variety of factors may influence captive business offshore

By RODD ZOLKOS

BURLINGTON, Vt.—With captive domicile selection today more driven by business strategy than tradition, some captive parents find advantages in moving their insurance companies back onshore, while others gain benefits by operating multiple captives.

"When looking at domiciles to site a captive, the tendency is to say, 'They've always been offshore, let's site it offshore again,'" said Michael Douglas, vp of captive management at IRMG Americas Inc. in Woodbridge, N.J. "That's no longer the case."

Mr. Douglas, who moderated a panel at the annual conference of the Vermont Captive Insurance

Assn. earlier this month in Burlington, Vt., noted that many of the large Bermuda reinsurance

companies no longer hold the monopoly on creativity or favorable regulation they once seemed to enjoy.

The cost of doing business in some domiciles, changes in business strategy and mergers and acquisitions among captive parents are other reasons some companies are looking to move captives from one domicile to another, Mr. Douglas suggested.

Meanwhile, other factors, like the Organization for Economic Cooperation and Development's efforts to identify "tax havens" and H.R. 4192, the so-called "Chubb-Hartford" bill before Congress in the United States, "are throwing a shadow over the

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companies now have onshore operations, making them easily accessible to onshore captives.

And, he suggested, Bermuda

MBAs essential for employment: Expert

Job market tight for risk managers

By MICHAEL BRADFORD

NAPLES, Fla.—Looking for a job? Go west, risk manager—and take a master of business administration degree with you.

In a survey of chapters of the Risk & Insurance Management Society Inc., employer members in Los Angeles reported the highest number of risk management job openings, with 75 in 1999. Members in Dallas-Fort Worth reported 62 openings, and in Santa Clara, Calif., there were 30 available spots.

There were around 300 to 500 risk management openings in the United States in 1999, according to the non-scientific polling by Key Strategies L.L.C., a recruiting firm in East Hanover, N.J. The

firm provides career counseling services to RIMS members through an arrangement with the society.



2000 Florida Chapters 25th Annual Joint Educational Conference

That's not a lot of jobs, considering the number of risk management professionals in the marketplace, said Key Strategies President Michael Tannenbaum. "The job market is still generally very tight in risk management."

The market is loosening, howev-

er, Mr. Tannenbaum pointed out. A greater number of risk management openings appear to be coming available, particularly for senior-level positions, he said. "I think the future looks pretty good."

Speaking earlier this month in Naples, Fla., at the 2000 Florida Chapters 25th Annual Joint Educational Conference—sponsored by the seven Florida chapters of the Risk & Insurance Management Society Inc.—Mr. Tannenbaum gave risk managers a sense of what skills and credentials employers are looking for in new hires.

In Key Strategies' survey of employers, the paramount requirement, "by far, is general business

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INSIDE

● Employers should be allowed to use pension-plan funds to cover reasonable expenses of administering the plan, this week's editorial says. **PAGE 8**

● Lloyd's of London is headed for three straight years of losses, totaling more than \$4 billion, but the long-term prospects may be improving, according to Moody's Investor Service. **PAGE 49**

● One of the largest trade unions in the United Kingdom is urging its members to be on the lookout for new workplace diseases, hoping to be able to head off the next big thing. **PAGE 49**

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World's largest reinsurers

Ranked by 1999 net premiums written

| Company | Net reinsurance premiums written |
|--|----------------------------------|
| 1 Munich Re Group | \$14,402,366,000 |
| 2 Swiss Re Group | \$13,598,804,000 |
| 3 Berkshire Hathaway/ GeneralCologne Re | \$9,453,000,000 ¹ |
| 4 Employers Reinsurance Group | \$7,147,000,000 |
| 5 Hannover Re Group | \$4,433,138,523 |
| 6 Gerling Global Reinsurance Group | \$4,160,684,138 |
| 7 Assicurazioni Generali S.p.A. | \$4,073,047,800 |
| 8 Lloyd's of London | \$3,811,216,798 |
| 9 SCOR | \$2,621,619,000 |
| 10 Zurich Re Group | \$2,252,483,000 ² |
| 11 Transatlantic Holdings Inc. | \$1,498,524,000 |
| 12 Lincoln Re Group | \$1,435,400,000 ³ |
| 13 London Reinsurance Group | \$1,365,525,000 |
| 14 PartnerRe Ltd. | \$1,326,400,000 |
| 15 Reinsurance Group of America Inc. | \$1,315,600,000 |
| 16 CNA Re | \$1,274,800,000 |
| 17 AXA Reassurance Group | \$1,208,855,516 |
| 18 Everest Re | \$1,095,569,000 |
| 19 St. Paul Re | \$1,056,401,000 |
| 20 Toa Reinsurance Co. Ltd. | \$1,046,214,000 |

¹ Estimate of combined Berkshire Hathaway Reinsurance Group and GeneralCologne Re² Estimate of combined Zurich Re and Canre Solutions ³ Net premiums earned

Source: B/I Survey

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Reinsurance rate climate changing

Property cat programs can expect tough renewals after '99 losses

By DOUGLAS McLEOD

European reinsurers are warning of potentially large rate hikes and other changes to property catastrophe programs in the wake of last year's series of multibillion-dollar winter storm losses.

As the year-end renewal season approaches, the retrocessional market for European property cat risks has already tightened, and reinsurers battered by 1999 losses say they will look for double- and even triple-digit rate increases depending on a program's characteristics.

In the process, ceding insurers may see their retentions rise and may see reinsurers trying to tighten other contract terms, such as reinstatement clauses, market observers say.

"On the Continent, the echoes of last

year's storms will be pretty loud," predicted Dirk Lohmann, chief executive officer of the Zurich Re unit of Zurich Financial Services Group in Zurich, Switzerland.

"It's going to be a very difficult fall," added William J. Adamson, CEO of Chicago-based CNA Re. "Some (reinsurance buyers) are going to be shocked by their quotes."

The actual extent of the tightening remains to be seen, though, and depends in part on how determined the heavily capitalized reinsurers are to lift rates after years of intense competition.

"We are hearing a lot of noises of people making statements" about tightening market conditions, observed Michael Handler, head of the Continental European practice of Guy Carpenter & Co. Inc. in Zurich. "But come November or December, we will

see how sincere the intention was."

If the market tightens enough, some buyers may look to the capital markets or other alternatives to traditional reinsurance to fill parts of their programs, some reinsurance executives say. Such efforts would take time, though, and would likely not be in place until sometime next year.

Meanwhile, the devastating storms that swept through France, Germany and Denmark last December have had another effect: They have shown insurers and reinsurers that they have a larger exposure to cat losses than previously believed and have heightened interest in catastrophe modeling programs, market observers say.

"It just knocked the rose-colored glasses off the European market a little bit," noted James N. Stanard, CEO and chairman of RenaissanceRe Hold-

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Cedents not eager to buy online

By SALLY ROBERTS

Reinsurance, like virtually everything else these days, is now available in cyberspace. But, skeptics point out, shopping for books and buying reinsurance are worlds apart.

A handful of reinsurers have recently launched their own Web portals that allow cedents to use the Internet to submit underwriting information, receive quotes and, in some cases, bind reinsurance policies.

Most reinsurers moving onto the Web are starting with small facultative transactions, as the forms are simple and easily standardized. But the online players predict that, with advances in technology, the e-business world eventually will deal with all types of reinsurance—even sophisticated large-treaty business.

And with the recent enactment of a

law that generally gives electronic signatures the same legal status as their traditional ink counterparts, reinsurers may soon offer the full reinsurance underwriting process online, all the way up to signing on the virtual dotted line.

But although reinsurers extol the virtues of e-commerce and tout plans to expand their product lines, ceding companies contacted by *Business Insurance* say that, given the complexity of reinsurance transactions, they have no interest in purchasing reinsurance online.

Furthermore, reinsurers' proprietary portals must compete with emerging online reinsurance exchanges such as The Catastrophe Risk Exchange Inc., known as CATEX.

CATEX provides a neutral virtual marketplace where brokers, insurers, reinsurers and risk managers can negotiate deals and trade information

with one another.

Although it's still early in the game, consultants and brokers generally favor these neutral online exchanges, which they say allow quick and easy access to reinsurance capacity from competing markets.

Overall, the Web-ready reinsurers—most of whom are direct writers—say their portals support their existing direct customer base by giving them a quicker and more cost-efficient means of procuring reinsurance. They contend that interest among cedents in moving to an e-environment, though not yet strong, is growing.

"The environment is a very fluid one at the moment," said Joe Adajian, a vp for General Re/Cologne Re Group in Stamford, Conn., which launched its FacWorld portal last fall. "We've certainly seen an increase in interest and momentum for FacWorld ever since

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Reinsurers seek
bloc of business

Eastern European markets growing

By CAROLYN ALDRED

Reinsurers continue to jostle for presence in Central and Eastern European countries, a region viewed by many as an emerging market with huge potential.

Recent modernization and liberalization in the insurance industry, growing and more-stable economies, and the relatively low penetration of insurance in the region make Central and Eastern Europe an attractive long-term prospect for many reinsurers.

But the area is not without risk.

Insurance and reinsurance markets in the region are extremely competitive, and, political and economically, much of the region is still highly volatile. Furthermore, several markets are already dominated by a handful of Western insurers, restricting opportunities for reinsurers.

"There's a lot of commercial pressure among reinsurers to write business in the region. There's an inevitability that they have to be there and grow their portfolios there," said Simon Aubrey Jones, executive director of Willis Ltd. in London.

As a result, the markets there are "very competitive," Mr. Aubrey Jones said.

"There's substantial potential that we have identified. There should be very significant growth in a number of Eastern European territories," said David Lewin, senior vp in the Central and Eastern European department of Guy Carpenter Ltd. in London.

If judged by comparing the level of premiums written per capita in Eastern European countries with the levels in Western European states such as France or Spain, the

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Lloyd's bullish
on opportunities
as prices firm

By SARAH VEYSEY

Lloyd's of London has had an up-and-down year. While the *Jaffray vs Lloyd's* fraud case this spring recalled the turbulent period following Lloyd's huge losses in the early 1990s, the market is optimistic about its future.

"Lloyd's is now firmly re-established as an authoritative commentator. We are where we should be in the industry," said its chairman, Max Taylor.

But some observers predict Lloyd's will face some large losses. Moody's Investors Service Ltd. is predicting consecutive losses for the accounting years 1998 to 2000. Poor market conditions and higher claims will mean a £1 billion (\$1.62 billion) loss for the 1998 year, a £1.2 billion (\$1.94 billion) loss for 1999 and £700 million (\$1.13 billion) for 2000, Moody's said. Although Lloyd's 1999 year of account was predicted to be the bottom of the cycle and prospects for 2000 were brighter, there is no guarantee of a return to profit in the 2001 year, according to Moody's.

But despite its gloomy loss forecasts, Moody's still sees Lloyd's as an international reinsurance center. "The London market is certainly seen as one of the reinsurance centers, and Lloyd's is certainly right at the heart of that," said Dominic Simpson, senior analyst at Moody's Financial Institutions Group in London. "Lloyd's is still seen as an important reinsurance

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Market

Continued from previous page
ings Ltd. in Bermuda.

A year ago, competition remained the rule among European reinsurers, which hopefully described rates for property and liability coverages as "hitting bottom." Although several large reinsurers announced plans to re-underwrite their portfolios to shed underpriced risks, most buyers felt little impact.

Late 1999 may be remembered as the point this all changed, though.

In early December, a storm dubbed Anatol hit Denmark, causing half a billion dollars in damage. Later that month, Storm Lothar struck France, Switzerland and southern Germany, and it was followed immediately by Storm Martin, which battered France, Switzerland, Spain and Italy.

Among Continental Europe's costliest disasters, Lothar and Martin killed 140 people and resulted in a combined \$7 billion in insured damage.

Although the storm losses blew through the reinsurance programs of many European ceding insurers, cedents didn't feel the impact of the disasters at last Jan. 1's reinsurance renewals.

"It was too late for last year end," Mr. Handler noted. "Many of the European programs were quoted and placed when the storms took place."

That will change in the upcoming renewal season, though, as reinsurers react to the huge losses that developed during the first and second quarters of this year.

The first sign of what may lie ahead has been a further constriction of the retrocessional market, reinsurers report.

"The retro market has already increased rates in the last renewal," said Norbert Strohschen, chairman of Gerling Global Reinsurance Group in Cologne, Germany.

Gerling's own catastrophe retrocessional cover renewed in March and April, with an overall increase in cost of between 30% and 35%, Mr. Strohschen said.

Gerling found retro market capacity adequate, he added, but "the problem was not the capacity. The question was, were you willing to pay the price?"

Those market conditions may be tightening further as the end of the year approaches, other market observers say.

Along with retro rate increases of between 20% and 50%, market capacity is starting to shrink and may be reduced by as much as 25% to 35% as reinsurers pull out of the business

or cut back their exposure, Guy Carpenter's Mr. Handler said.

Among those no longer in the retro market are Odyssey Re (London) Ltd. and Reinsurance Australa Corp., which halted underwriting earlier this year after they were pummeled with losses from Lothar and Martin.

Zurich Re was recently asked to write a financial reinsurance layer for another reinsurer's retro program, according to Mr. Lohmann.

"I suppose it's probably the only avenue that's left, but even here, it's tight," he observed.

"Our modus operandi going into the next cycle is that (retrocessional protection) will not be available," Mr. Lohmann said.

Along with scarcer and more expensive retro protection, reinsurers' own losses will contribute to making the year-end market difficult for ceding insurers.

Some reinsurers actually fared worse than their clients in the wake of last year's winter storms, observed Donald Watson, a director with Standard & Poor's Corp. in New York.

For example, reinsurers' contracts often included free reinstatements of limits, meaning that those reinsurers found themselves paying out all or large parts of their limits for each of the series of storms, he explained.

"In many cases, they got hit worse than the primary companies," Mr. Watson noted.

The result will be increased demand for reinsurance protection—particularly against aggregations of losses—and increases in prices averaging 10% to 15%, he predicted.

Others forecast larger rate hikes, depending on the ceding company's experience and the characteristics of the program.

Ceding insurers that exhausted their limits last year and bought additional upper layers of coverage during the year could be looking at price increases of 50% to as much as 200% or 300%, depending on the program and layer being placed, Mr. Lohmann said.

"People are preparing themselves for radical rate increases," CNA Re's Mr. Adamson agreed, predicting that the cost of upper layers of cat programs could double to a 12% rate on line, for example, from last year's 6%.

Mr. Watson cautioned, though, that the largest percentage rate increases will likely be limited to specific companies or lines that have proven to be money-losers.

"The only reason you can get that size increase is that (the business) was woefully underpriced," he said.

European reinsurers cannot expect to get anything like a 50% increase in rates across the board for all cedents, Mr. Watson said. "The market would not sustain it. People would not pay it."

In the retro market, likewise, doubled rates may not be uncommon, "but that's from some very low pricing that's been driven by some (reinsurers) that are now out of the business," Mr. Stanard observed.

Mr. Stanard even expressed worry about a relapse into all-out competition. "I'm concerned that if we have a relatively light year (for cat losses), it could resume some pressure on prices. There's still a lot of capital out there waiting to be deployed at the right price," he said.

Stung by the winter storms' devastation, meanwhile, ceding insurers will likely be looking for higher catastrophe limits at year end, and reinsurers' willingness to provide the capacity is uncertain.

Buyers "will look for more capacity, which I do not think will be easily obtained," Gerling's Mr. Strohschen said.

Others predict that the limits will be available if cedents are willing to pay.

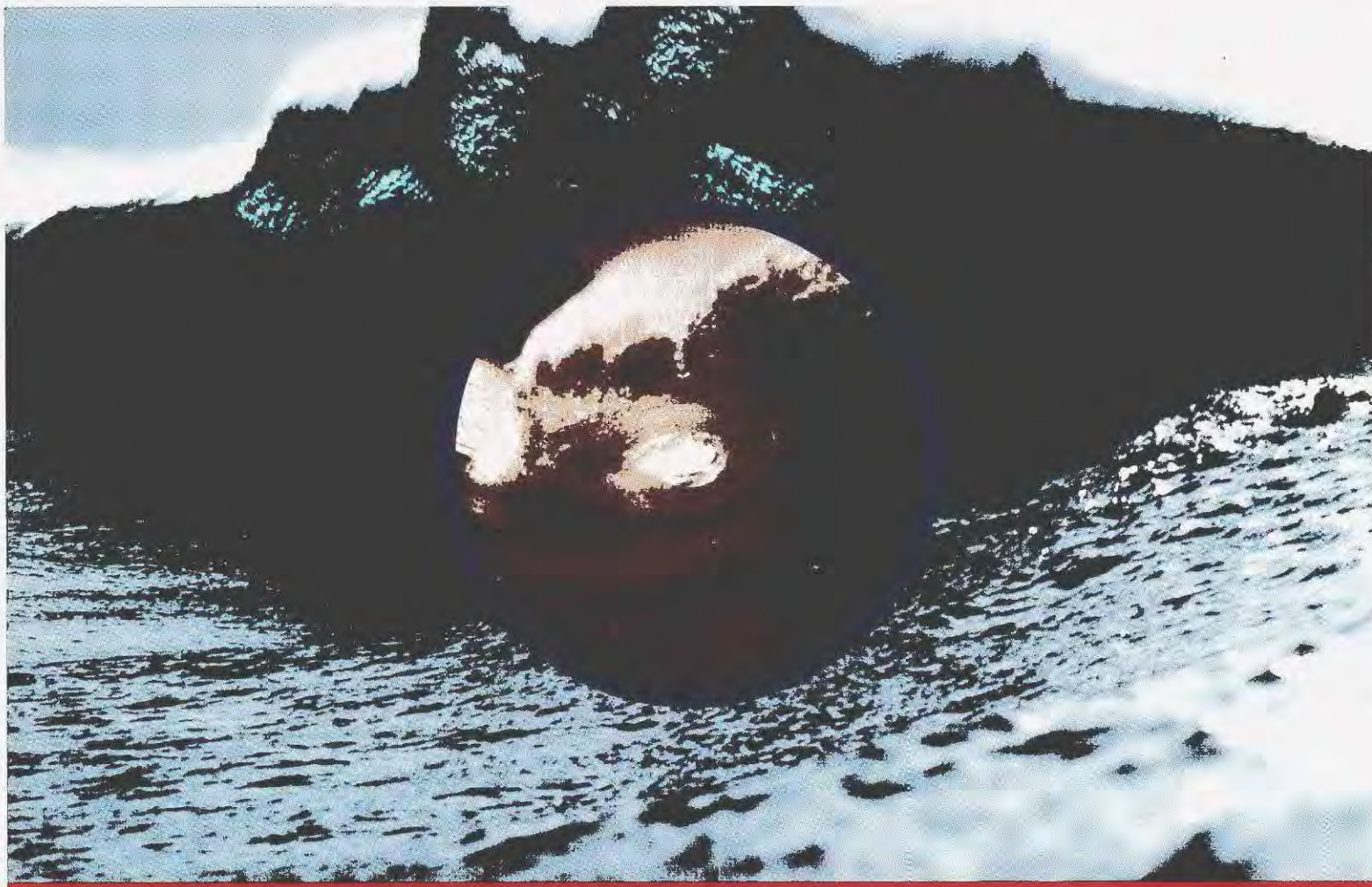
"There's capacity at an appropriate price," Mr. Stanard observed. "There's not as much capacity at pre-storm prices."

The rising cost of cat coverage will force insurers to re-examine their exposures and alter the structure of their reinsurance programs as they struggle to contain reinsurance costs Mr. Handler added.

"There will be a push to the top," as insurers seek to add upper-layer reinsurance limits, he explained. If the price of the additional coverage doubles, though, a cedent will have to look elsewhere in the program for savings, meaning that it will likely increase retentions at the bottom of its program.

This, however, will leave insurers more vulnerable to frequent, smaller losses that fall within the increased retentions.

See Market on page 1



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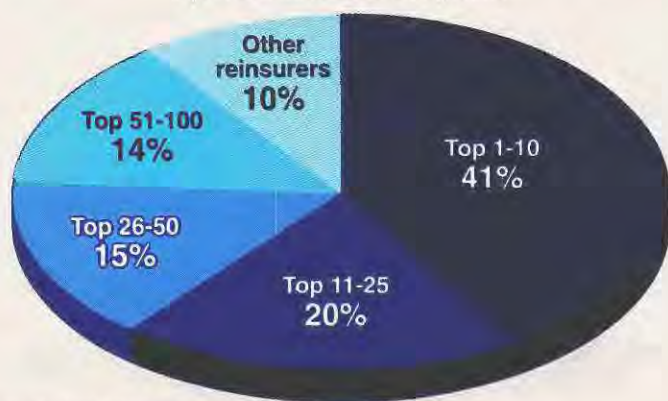


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Global reinsurance premium distribution of Standard & Poor's Top 100 reinsurance companies*



* Ranked by 1999 net premiums written
Source: Standard & Poor's Corp.

GRAPHIC BY JOHN HALL

Market

Continued from page 4

"The question is, how much can the companies take on that?" Mr. Handler noted.

As prices rise, reinsurers are also likely to seek restrictions of other terms, including cutting back free reinstatements of limits, some observers say.

"It's typical that as the market tightens, all the extra things people have loaded into contracts get yanked out," Mr. Adamson observed.

The tightening could be severe enough to make some insurers look at capital markets products, financial reinsurance and other alternatives to traditional covers to fill parts of their programs, some market observers say.

Insurers with \$100 million in catastrophe protection, for example, might

balk at the cost of an additional \$50 million in traditional coverage and opt for alternative protection for the added limits, Mr. Strohschen said.

But "capital markets solutions are not something you do with a month's time," Mr. Handler pointed out. "I believe we will see more of the transactions in the first part of next year."

Others, though, are not certain the traditional market will become expensive enough to justify the cost of alternatives to reinsurance.

"Companies may look," Mr. Starnard said, but "the most cost-effective purchase is through a reinsurance mechanism."

Another effect of the storms, meanwhile, has been to make stunned insurers and reinsurers aware of how large their exposures are and to renew interest in more accurate catastrophe modeling programs. European insurers have not used cat modeling as ex-

tensively as U.S. companies have, and European modeling software has generally been less accurate, lacking the detailed data and historical information developed in the United States since Hurricane Andrew slammed into Florida's coast in 1992, reinsurance observers say.

"I don't think their use was as widespread (in Europe) as it might have been," Mr. Lohmann said of cat models. "On the Continent, I think there has been a state of denial. The events in Denmark and France served as a wake-up call," he said.

Modeling is now something European insurers see as important, and the development of data and software will pick up, he suggested. "It's similar to what happened (in the U.S.) post-Andrew," he noted.

"It will happen over time," Mr. Watson agreed. "That's more than a one-year process."

While catastrophe business preoccupies the market as renewals near, other property and liability covers will likely see changes of their own.

Property proportional and per-risk excess reinsurance rates will also rise in response to the winter storm losses, reinsurers say. Insurers with exposures in Denmark, for example, should see rates double on that business, according to Mr. Strohschen.

"I do not know if that's achievable, but I think there should be a 100% increase," he said.

Risks in the French and south German markets likewise should see increases of between 20% and 60%, depending on the ceding insurer's loss experience, he added. Reinsurers are also pushing for improvements in underlying primary pricing on proportional business—in which they take a share of the underlying premium—and may also scale back the ceding commissions they allow insurer clients under their treaties, market observers say.

"The losses are clearly not acceptable to some of the larger companies," Mr. Handler said. "We have seen companies prepared to let go of business."

"A lot of that business is unsustainable unless you want to lose money," Mr. Adamson commented.

Casualty reinsurance will likely see less dramatic changes at year end, market observers agree.

"There is not as great a pressure on casualty as there is on short-tail lines" including auto business, Mr. Lohmann said.

Auto business, particularly in Germany, has been unprofitable, and original insurance rates have risen 5% to 7.5%, not counting the effect of discounts, according to Mr. Handler. A large amount of this business was traditionally reinsured on a quota-share basis, but reinsurers have increasingly shifted to writing it on an excess-of-loss basis to insulate themselves from deteriorating underlying results, he explained.

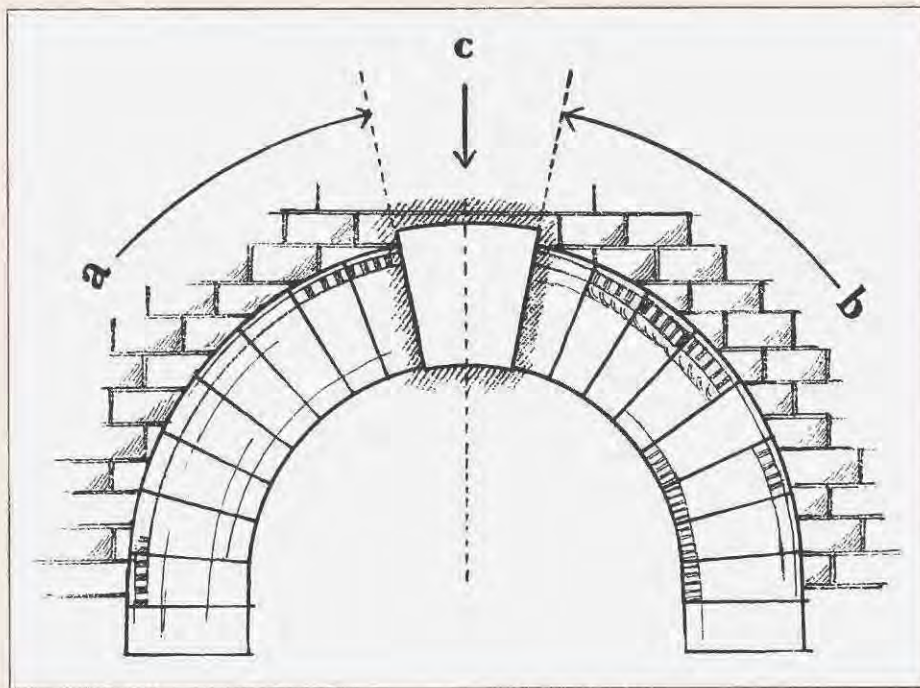
European reinsurers have also seen large losses on some U.S. business, including nursing home liability and medical malpractice risks, and the market for this business is tightening, Mr. Lohmann reported.

The reinsurance market for directors and officers liability business is also firming slightly, Mr. Lohmann and others say. Next Jan. 1 will see a number of multiyear D&O and professional liability reinsurance contracts coming up for renewal, and insurers could face tougher terms as the business is repriced for the first time in a few years, Mr. Adamson said.

"We are seeing a frequency and severity (of losses) that's unprecedented," he said.

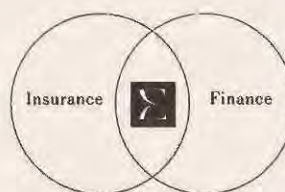
For the larger spectrum of general and products liability covers, though, little change is visible, reinsurers say.

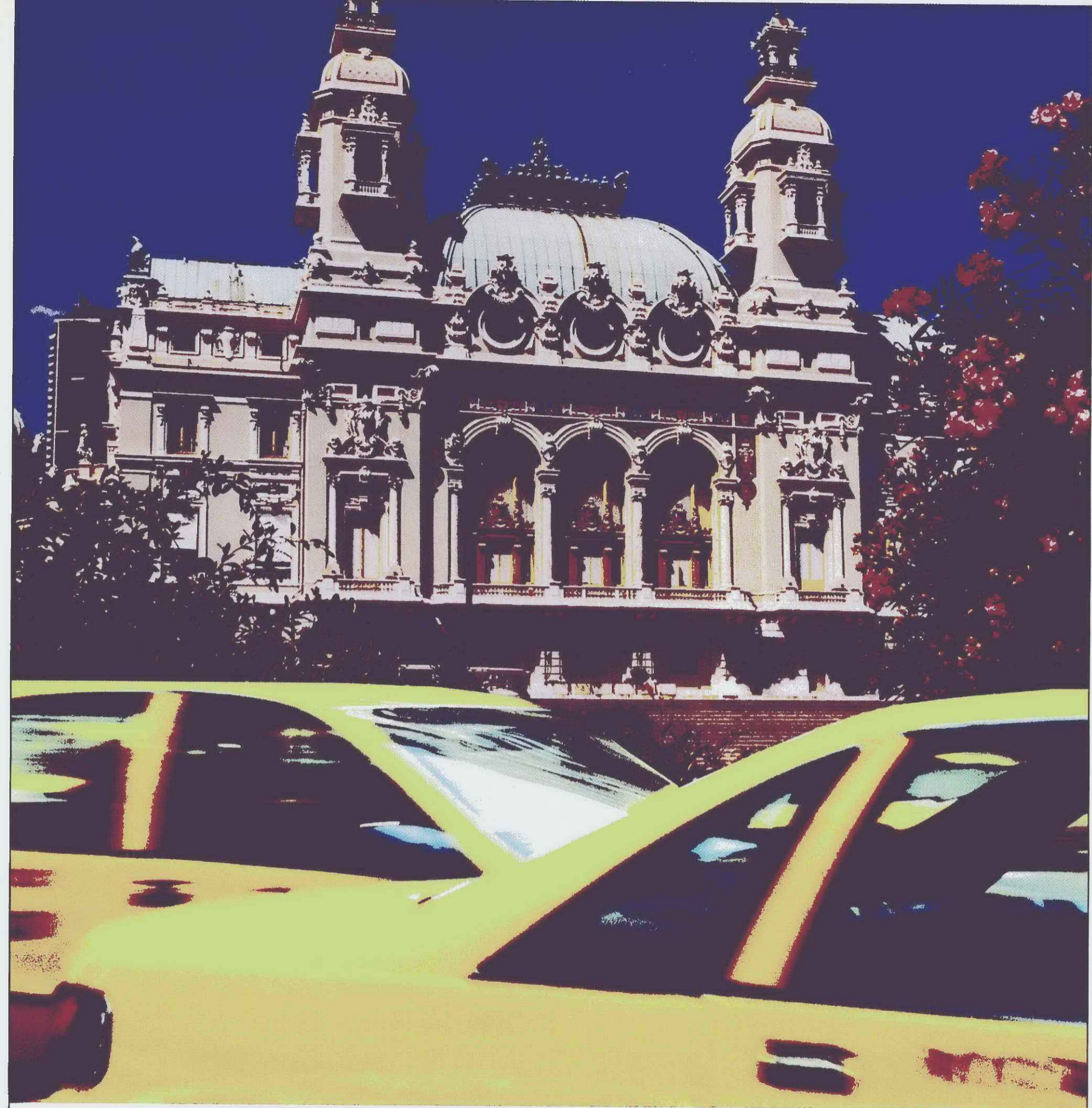
"The pressure for improving rates is not as strong as for property business," Mr. Strohschen noted. **B**



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OPINIONS

End pension repayment plan

ALTHOUGH EMPLOYERS should not be allowed to squander pension assets earmarked for benefits, they should be free to use plan funds to cover plan expenses that they deem reasonable and necessary.

We oppose, therefore, a pilot program by the U.S. Labor Department to require employers to reimburse their pension plans for certain expenditures made in the course of administering a plan. Far from expanding this program, as the federal regulator is considering, the pilot effort should be halted.

As we have reported, the Kansas City, Mo., office of the Labor Department's Pension and Welfare Benefits Administration has begun a pilot program to require employers to reimburse their retirement plans for administrative expenses paid for with plan dollars (BI, Aug. 21). Ostensibly, the plan is designed to safeguard pension assets to assure they are used to meet benefit obligations and provide employees with adequate retirement income.

That is a noble goal, but will not be achieved by increasing employers' plan administrative expenses.

The delivery of pension benefits does not occur in a vacuum. Numerous administrative tasks and duties—many of them mandated by federal law and regulation—must be performed.

The Labor Department's quest for repayment suggests that it may believe these expenses to be inappropriate or wasteful or that they somehow unduly benefit the employer. That is hardly the situation, however. Most, if not all, of the administrative expenses are beneficial to pension plans and their participants. And many are required by the very federal agency that now wants employers to pay back such expenses.

One of the expenditures regulators are targeting is the cost of converting traditional defined benefit pensions to cash balance plans.

In our opinion, the fact this is on the Labor Department's agenda at all implies a bias against a perfectly legitimate, albeit controversial, pension plan design. While cash balance plan conversions have been the subject of complaints by employees who were vested in replaced plans, the fact is that in today's labor environment—where job hopping is increasingly common and there is fierce competition for a shrinking talent pool—these plans help employers meet their recruit-



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ment challenges.

Other targeted expenditures involve:

- Calculating benefit liabilities, as is required under accounting rules.
- Legal and consulting fees for providing assistance with government paperwork required of pension plans.
- Running non-discrimination tests on a plan.
- Shutting down a pension plan.
- Outsourcing administration of a pension plan.

These all are valid administration expenses. And as long as paying such expenses would not put a pension plan in financial jeopardy, it is reasonable for an employer to pay for them with plan resources.

If the government decides otherwise, and opts to continue and expand its pilot repayment initiative, then pension plans and their participants will suffer. Certainly this would be another reason—especially for smaller firms—not to offer a pension plan or to cut back on benefits.

That would hardly be in the interests of assuring that employees have adequate income when they retire.

LETTERS

Remove differences in benefits

To the editor: I am writing to follow up on the excellent letter by Randy McKnight, "Treat Employees Like Consumers," regarding the need to find new and better ways to provide and finance employee benefits (BI, Aug. 7).

There is one point that Mr. McKnight did not address, which is the issue of equity in the provision of employee benefits. This is a particularly important point in light of the recent passage of the Vermont "civil union" law, which essentially says that, since benefits are provided to the family of an employee, "same-sex marriages" must be allowed to prevent discrimination in the way benefits are provided.

I find it both sad and strange that, when the Vermont Supreme Court direct-

ed the Vermont Legislature to remedy the inequitable way in which employers provide benefits to their employees, Vermont was flooded with out-of-state financing to promote gay marriages, while those involved in providing and paying for employee benefits apparently missed the opportunity to implement constructive change.

What needs to be done? The problem is not related solely to the provision of medical and dental insurance. At companies at which employers provide free or subsidized day care for their employees' children, single workers do not directly enjoy that benefit and can justifiably feel that this is unfair. After all, there is no help for those employees with elderly parents.

Surely, the real solution should be to

remove all differences in the way employers provide benefits. Each employee, whether married, single or "unionized," should receive the same amount of benefit and then be allowed to choose how to spend it. Employees can then be educated to become more-disciplined consumers.

I would welcome feedback from readers. What are the barriers to employers submitting legislation in their state legislatures to ensure that all employees will receive the same benefit subsidy? Would this not have been a better remedy in Vermont?

Kathryn Westover
Director
Strategic Risk Solutions
Colchester, Vt.

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Online

Continued from page 3

the beginning of this year," he said. "We're in the process of spending much more time talking to our customer base around the world" about it, he said.

Greg Berg, e-business representative for the Americas division of Swiss Reinsurance Co. in Armonk, N.Y., said that he believes cedents are interested in purchasing small, simple reinsurance business online "because we all benefit from driving costs out of the business." He noted, however, that an education process is needed to generate interest in the approach.

"From our point of view, with electronic transactions you can't just put a reinsurance product on the site and expect customers to find their way and change their buying behavior," he

said.

With that in mind, Swiss Re is integrating its 9-month-old proprietary transaction platform—known as ELRiX—into its marketing program, and the reinsurer will be going out to its facultative customers talking with them about moving to an e-environment, Mr. Berg said.

"Some (cedents) will use it more than others, but it is part of keeping all of our clients happy," said Clare Brennen, group vp-communications and investor relations for SCOR S.A. in Paris, referring to the reinsurer's 5-month-old proprietary system called i-fac. "It's an additional distribution channel for our facultative business," she said. "It speeds up the service to a certain extent."

In the first three months after its launch, i-fac had 188 hits, Ms. Brennen said. "In less than one hour after our official launch, we had our first

submission."

While GeneralCologne Re, Swiss Re and SCOR are targeting facultative business, ERC Frankona—the Munich, Germany-based European arm of Employers Reinsurance Corp.—is offering treaty reinsurance capacity via its Reinsurance Online, or RIO, portal.

Cedents seeking treaty capacity can go onto the site and submit their qualifications, and they can instantly determine how much capacity ERC Frankona has to offer and at what price, explained Jochen Deiser, an underwriter and project leader for RIO.

"We offer the price, and it's up to you to buy or not," he said. "In three to four mouse clicks, you can bind coverage."

Reinsurers say that although online writings have so far generally been limited to just small reinsurance transactions, they plan to continue to

add products to their portals, believing that someday even the most complicated reinsurance transactions will be Web-enabled.

"We see a day when all forms of reinsurance will involve (some form of) electronic commerce, depending on the type of client and type of product," Swiss Re's Mr. Berg said.

Ceding insurers, however, are not embracing the concept with as much zeal.

"From FM Global's standpoint, because of the way we focus on our customers, I don't think online purchasing of reinsurance is valuable for us," said Tom Davies, reinsurance manager for the Johnston, R.I.-based mutual Factory Mutual Insurance Co., which operates under the name FM Global.

Central to FM Global's approach to purchasing reinsurance is conveying to the underwriter the uniqueness of

See Online on page 12

On the Web

A sampling of Web sites that offer online capacity:



CATEX: www.catex.com
A neutral online exchange bringing global insurance and reinsurance buyers together with sellers in a common electronic trading floor. The exchange is open to all lines of commercial insurance and reinsurance.



ELRiX: www.elrix.com
Swiss Reinsurance Corp.'s online transactional platform offering submissions and quotes for U.S. property facultative risks; global aviation risks; excess of loss property catastrophe risks in Europe and Israel; and global weather derivatives. The site also contains links to other Swiss Re online services, information and news.



FacWorld: www.facworld.com
GeneralCologne Re Group's online portal offering submissions and quotes for facultative transactions, in addition to an array of informational features including discussion forums, question and answer links and links to GeneralCologne Re research and various industry publications.

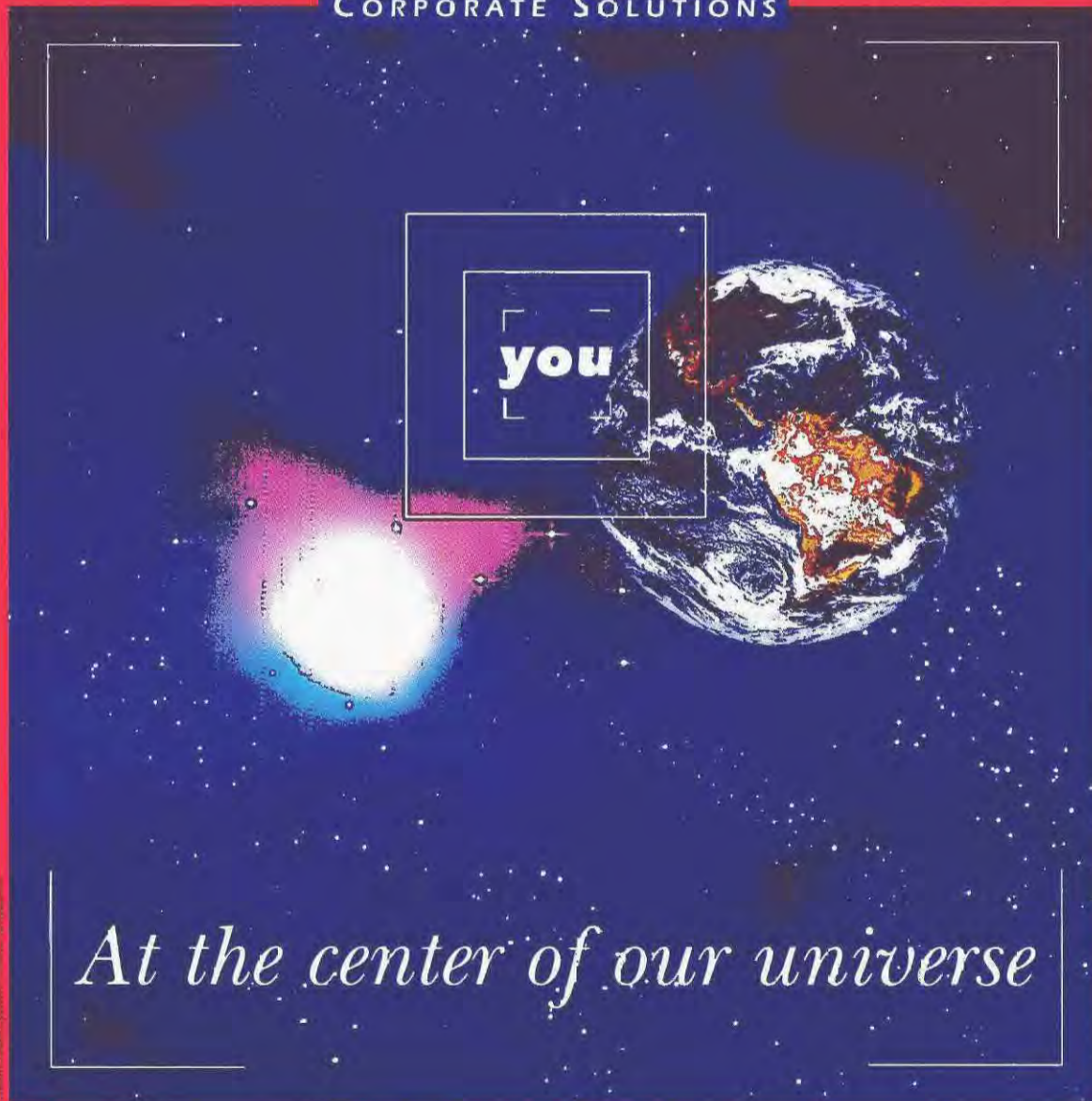


i-fac: i-fac.scor.com
SCOR's online distribution channel offering submissions and quotes on small facultative business in the United States and Canada.



RIO: www.erc-frankona.com/rio
ERC Frankona's online portal offering reinsurance capacity for aviation, space, non-marine energy and marine energy treaty business.

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Online

Continued from page 10

the account, Mr. Davies said. "You cannot buy reinsurance in a cost-effective way if you can't show the reinsurer the true exposure of what they are buying from you," he said.

"Personal relationships with reinsurers are extremely important," Mr. Davies said. "We do all we can to foster relationships, and at the end of the day, that's what drives down our costs."

David Robb, president of reinsurance operations for The Hartford Financial Services Group Inc. in Hartford, Conn., also is skeptical.

"I'm still a bit in the doubting Thomas camp on the application of Internet technology to reinsurance transactional activity," he said. Although direct placement of a relatively simple facultative account with a single reinsurer is likely to occur, there are hurdles that must be cleared before the bulk of treaty placements will move to the Internet, Mr. Robb said.

The complexity and individuality of the reinsurance transactions themselves, coupled with the need to negotiate all terms and conditions and the fact that reinsurance transactions take place basically two times a year, "will make it difficult to move forward too rapidly," Mr. Robb said.

When asked whether he would be interested in purchasing reinsurance online, R. Max Williamson, president of surplus lines insurer Scottsdale Insurance Co. in Scottsdale, Ariz., flatly said, "No way."

"I think it's so individualized and personalized and structured to what you want to do, and there are so many people involved in our treaties that it would be very difficult" to buy reinsurance online, he said. "If I had a one-line, low-limit deal... I suppose I'd do that, but in our case, it wouldn't make any sense."

But Swiss Re's Mr. Berg noted that comments like these are based on an understanding of current technology, which is admittedly limited. But with the widespread development of broadband Internet technology, the computers of tomorrow will be much more powerful and sophisticated than current systems, allowing the use of applications that are unimaginable today, he said.

"So when you say that complicated, large-treaty business isn't appropriate for e-commerce, that's inside today's frame of reference. In five years, it may not be very far-fetched," he said.

In addition to working to overcome an e-commerce learning curve among their customers, reinsurers also are facing competition from online exchanges. Such sites provide a forum in which cedents and reinsurance brokers post risks, allowing a variety of reinsurers to bid for the business.

While other neutral online exchanges are in the works, CATEX has been operating for almost two years.

Since its inception, 2,200 risks have been posted, and 550 transactions—representing \$473 million in premiums and \$2.7 billion in limits—have been completed on the exchange, said Heather Phillips, senior vp-marketing for CATEX in New York.

She said that treaty reinsurance represents a majority of the business posted. Roughly 60% of the transactions involve property risks, with 20% pertaining to casualty and the remainder falling into other lines, such as aviation, marine and health.

CATEX currently has 30 broker subscribers, half of which regularly post risks on the exchange, Ms. Phillips said. About 100 reinsurers and Lloyd's of London syndicates

subscribe to the exchange, and 75 of those regularly access the site a spokesman noted.

"Our vision is that if you create an online marketplace where everyone is coming to the same place" it promotes pricing transparency and offers transaction detail for all lines of reinsurance, Ms. Phillips said. "A global marketplace has certain advantages... over proprietary systems, which don't bring the neutral dynamism of everyone diving into the same portal."

Other observers agree that neutral online exchanges have advantages over proprietary systems, but they note that the model of choice for the future remains to be seen.

"I am in favor of the exchange model, personally, because it creates a marketplace where multiple players come to the table, as opposed to going directly to different reinsur-

ance companies," said Alyson Waldmar, senior manager-financial services practice for KPMG Consulting in Boston. Exchange models "take a

'Personal relationships with reinsurers are extremely important,' says Tom Davies of FM Global.

lot of work away from the consumer."

B.L. Ashley, executive vp of E.W. Blanch Co. Inc. in Dallas, agrees.

"In my personal view, to the extent that (reinsurers) try to implement their own exchange, it will never get off the ground," he said. "Clients do

not want to get on a multitude of systems to get the job done."

Blanch, one of the world's largest reinsurance brokers, is a significant investor in CATEX and offered more than 25% of its business over CATEX in 1999, Mr. Ashley said.

Rich Mayock, a partner for PricewaterhouseCoopers L.L.P. in New York, noted that although he thinks it "would not be unreasonable to see (reinsurer-owned portals) migrating toward an auction-like format" in the future, "anytime you wring out costs associated with the process and facilitate commerce, it's the model that will ultimately win the day."

John Greene, senior vp-marketing for Gray Carpenter & Co. Inc., another of the world's largest reinsurance brokers, said he thinks proprietary reinsurance portals will continue to exist in the future.

"We'll see a lot of market-owned

exchanges, which may be perceived to be somewhat biased, and they will have a tough time competing with neutral exchanges," he said. "However, there will be that flow of business that know that they want to work with a certain reinsurer, and that option will be available to them."

Although some reinsurers say that their focus at the moment will remain on developing their own portals, Swiss Re, for one, intends to keep its options open.

"There are going to be a variety of business models, and we are going to develop and support a variety of them, because we don't know which business models will be most attractive," Mr. Berg said.

"Our strategy is to both develop a proprietary platform and to have an open mind to a marketplace business model," he said. **BI**



The Maneki Neko is Japan's most popular symbol of good fortune. Traditionally, the figure is placed at the entrance of business establishments to beckon customers and welcome good fortune.

Holocaust settlements may constrain U.S. regulators

By MEG FLETCHER

Two proposed settlements of Holocaust-era insurance claims raise a significant foreign policy issue that challenges the appropriateness of some remediation efforts by several U.S. states.

Those efforts, by a handful of legislatures and insurance commissioners, have sought to pressure the U.S. subsidiaries of foreign insurers and reinsurers to encourage their parents' participation in negotiations of Holocaust-era claims.

Both tentative settlements, reached last month, would require companies to provide funds that would be used to pay claims and

provide humanitarian assistance to Holocaust-era survivors or their heirs. One settlement was reached with Assicurazioni Generali S.p.A. of Trieste, Italy. The other involved several German businesses, including insurers and reinsurers, all of which are joining with the German government's continuing reparations efforts by establishing a new German foundation for "Remembrance, Responsibility and the Future."

Each proposed agreement calls for the U.S. Justice Department to prepare a "statement of interest" for each participant. According to settlement documents, the proposed statement urges U.S. courts facing pending litigation on "all assorted

(Holocaust) claims" to dismiss them "on any valid legal ground," because that is in the best interests of U.S. foreign policy.

Experts point out, though, that under the U.S. doctrine of separation of powers, any such statement from the U.S. Justice Department is not necessarily binding on any U.S. courts or regulators.

"The effect (of such a statement) is similar to the Justice Department filing an amicus brief," said attorney Frederick Reif, who represents Gerling Global Reinsurance Corp. of America. Mr. Reif is in the New York office of Wilson, Elser, Moskowitz, Edelman & Dicker L.L.P. "The million-dollar question is: What will other courts do with

it?"

But Elan Steinberg, who is executive director of the World Jewish Congress in New York, expects that U.S. courts will acquiesce, saying that when Generali receives such a document, "for all intents and purposes, Generali will not be subject to lawsuits."

Regardless of how the courts respond to the Justice Department documents, the concept of leaving foreign affairs issues to federal policymakers already appears to be persuasive.

For example, at least two courts ruled in June that individual states should not meddle in U.S. foreign affairs.

In the first case, Judge William B.

Shubb of the U.S. District Court for the Eastern District of California in Sacramento cited state interference with federal foreign policy considerations as one of the reasons he barred California insurance regulators from enforcing the state's Holocaust law against several insurers, including American Re-Insurance Co., which is a unit of Munich, Germany-based Munich Reinsurance Co. The companies were facing suspension of their certificates of authority to conduct business in the state. California regulators are appealing that decision.

In another case, the U.S. Supreme Court held that a Massachusetts law restricting its agencies from purchasing goods or services from companies doing business in Myanmar—formerly known as Burma—is invalid under the Supremacy Clause of the U.S. Constitution, "owing to its threat of frustrating federal statutory objectives." Congress imposed sanctions on Myanmar in 1996 due to human rights violations.

"These court decisions raise questions about whether state laws will withstand legal scrutiny," said a spokesman for Allianz A.G. Holding of Munich, Germany.

The specifics of the preliminary Holocaust-related agreement with Generali call for the insurer to provide \$150 million in compensation for claims and humanitarian assistance through the International Commissioner on Holocaust Era Insurance Claims and through a trust in Israel.

As part of the agreement, Generali also is providing several thousand additional names of Holocaust-era policyholders to an ICHE-IC Web site, which will allow survivors and heirs to check for possible coverage.

"Generali views the resolution of this issue as a moral concern of the highest priority," General Manager Giovanni Perissinotto said in a statement.

"When finalized, we believe it will be the most efficient approach for payment of claims as well as disbursement of humanitarian funds," said Christopher Carnicelli, president and CEO of the Generali-U.S. Branch in New York.

Meanwhile, the German foundation will be funded with about \$5 billion, with contributions equally split among the newly participating German companies—including German insurance association members Munich Re and Gerling—and the German government. These funds are in addition to the \$100 billion in current U.S. dollars that the government has or is paying out in compensation, restitution and pensions for acts committed during the Nazi period, according to a statement by Stuart E. Eizenstat, the U.S. secretary of state for Holocaust issues.

The new funds will be directed to about 1 million individuals and their families who have never before been compensated for "historically grave wrongs," including forced labor, confiscation of property, medical experimentation and unpaid insurance policies, according to foundation documents.

Many state lawyers first got involved in attempting to recover residents' unpaid Holocaust-era claims—particularly those related to life and dowry insurance—following others' successes in resolving banking-related claims.

There are about 44,000 Holocaust survivors living in the United

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States, many of whom reside in New York, California and Florida, according to rough estimates by the U.S. Holocaust Memorial Museum.

U.S. state officials generally confined their efforts to two fronts.

The National Assn. of Insurance Commissioners was instrumental in establishing the International Commission in 1998, in conjunction with European regulators, Jewish organizations and several European insurance companies that wrote Holocaust-era policies, either directly or through affiliates. Those insurers included Allianz; Paris-based AXA Group S.A.; Generali; Winterthur International of Winterthur, Switzerland; and Zurich Financial Services Group Inc. of Zurich, Switzerland. In addition, Basler Lebensversicherungs Gesellschaft of Basel, Switzerland, joined, but it subsequently resigned from the commission.

As a part of joining ICHEIC, members signed a Memorandum of Understanding that outlines their duties and responsibilities, including the commission's goal of disseminating policyholder information on the World Wide Web and establishing a process that will speed resolution of unpaid claims for aged victims.

Although some reinsurers considered participating in the commission, none did. That is because their business dealings were with ceding insurers—rather than directly with policyholders—and, as a result, they were unable to provide the information requested, reinsurer spokesmen emphasize.

State officials' other approach was to address the issue through legislation. Six states—California, Florida, Maryland, Minnesota, New York and Washington—enacted laws related to Holocaust-era insurance claims.

"There is a range in the legislation," said Debra J. Hall, senior vp and general counsel for the Reinsurance Assn. of America in Washington. The thrust of most laws, however, was to require insurers to report to the state insurance department relevant policyholder claims data from its company or its affiliates. An insurer's failure to participate could result in serious penalties, including huge fines or revocation of insurance licenses. The laws also typically provided a safe harbor for insurers that participated in ICHEIC.

Lawmakers, however, tried to further the "laudable goal" of addressing the "heart wrenching" issue of victims' Holocaust-era losses by using unconstitutional methods, including imposing "very serious threats," such as license revocation, Ms. Hall said.

Reinsurers have argued that the statutes are unconstitutional for several reasons, including that the laws ignore due process by trying to hold reinsurers responsible for actions of their ceding companies or subsidiaries, and that they violate the Commerce Clause by trying to regulate commercial activity outside of a state's borders.

In addition, reinsurers argue that such state laws violated the Supremacy Clause by meddling in foreign affairs, which is the province of federal government.

In addition, the RAA's Ms. Hall said, such legislation may encourage other remediation efforts, such as those to provide reparations for genocide in Armenia.

State lawmakers and insurance regulators dispute such assertions, however.

Regulators typically argue that

'I believe anybody who has a valid insurance claim deserves to have that claim paid,' says Diane Koken.

their methods are legal.

"I believe that anybody who has a valid insurance claim deserves to have that claim paid," said Pennsylvania Insurance Commissioner Diane Koken, chair of the NAIC's International Holocaust Commission Task Force and an alternate to ICHEIC.

But, she said, allowances must be made in resolving Holocaust-era insurance claims due to several unusual factors, including the failure of concentration camps to issue death certificates as well questions about valuating currencies several decades after the claims occurred.

Ms. Koken recently asked the Pennsylvania Supreme Court to overturn a ruling requiring her to issue an immediate decision about whether American Re-Insurance Co. can acquire United National Group. However, department attorneys

sought to dismiss that request last week because the question became moot. Owners of United National terminated a year-old purchase agreement earlier this month due to her failure to act on the proposed deal (BI, Aug. 14).

A state court judge previously ruled that Ms. Koken improperly held up the proposed purchase as a means to pressure American Re's parent, Munich Re, into joining ICHEIC.

"The commissioner never insisted that Munich Re must join the commission, but that it demonstrate that its subsidiaries are paying claims in a reliable manner," a department spokeswoman said.

In Florida, meanwhile, a U.S. District Court in Tallahassee accepted Gerling's argument that the state's Holocaust reporting statute should not be enforced against six companies related to Gerling, Mr. Reif said. The department disagrees and is appealing the case.

In light of the foreign policy questions raised by the proposed settlements, it remains to be seen how U.S. state officials will respond.

Leslie Tick, a senior staff counsel with the California Insurance Department, said she would be opposed to extending the legal protections contained within the German foundation agreement to regulatory actions by state insurance departments. The foundation's protections primarily address individual and class-action lawsuits and not regulatory activities, she said.

In addition, she said she believes that the ICHEIC Memorandum of Understanding "doesn't preclude

regulatory action."

But Pennsylvania Commissioner Ms. Koker said regulators should work to provide a safe harbor for any company that signs the ICHEIC memorandum, in keeping with Section 10 of the agreement.

The participation of state insurance regulators in Holocaust-era claims negotiations has elicited mixed reviews from some observers.

From the point of view of Mr. Steinberg of the World Jewish Congress, there is no question about it, (U.S. state insurance regulators) are the critical element in bringing European insurers to the table."

While the largest part of the settlement has been completed—or is expected to be completed when the tentative settlements are resolved—survivors and their heirs are still waiting for similar proposals from AXA as well as Dutch and Swiss companies, he said.

However spokesman for several reinsurers say that they view the U.S. regulators' involvement as "inappropriate and unconstitutional."

"As a practical matter, it doesn't make sense for 50 insurance commissioners to attempt to compel disclosures from companies that don't do business within their borders or from their subsidiaries, which often do not have access to records or resources that insurance department requests demand," said a spokesman for American Re.

Such involvement by U.S. regulators "is the single greatest remaining hurdle to resolving the overall issue internationally," said Gerling's attorney Mr. Reif.

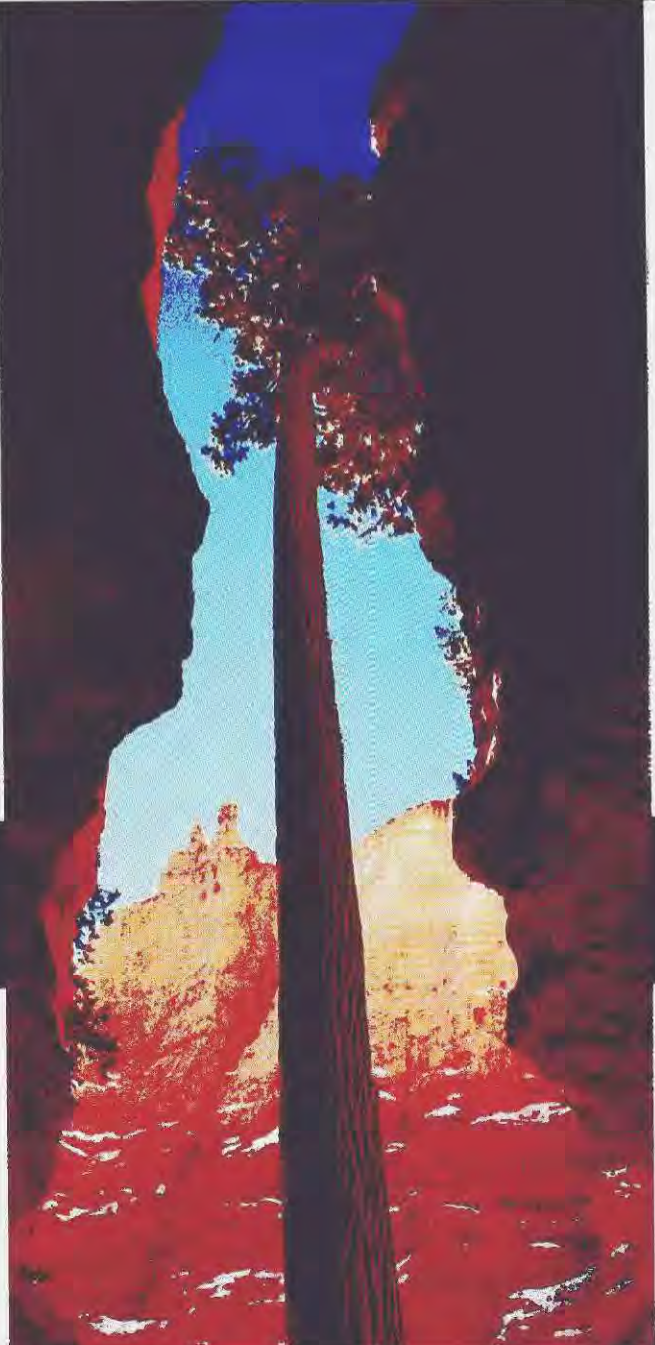
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New ERC chief to draw on general, eclectic background

By JUDY GREENWALD

When Ronald R. Pressman, the new president and chief executive officer of Employers Reinsurance Corp., meets people in the industry, they may wonder how long he is likely to stay in his position. So far, though, nobody has asked.

"To be honest, that particular point has not come up in any discussions," though it may be on the minds of some of those he meets, Mr. Pressman said.

In July, Mr. Pressman, 42, succeeded David L. Calhoun, who served as president and CEO of

Overland Park, Kan.-based ERC for less than a year before being named executive vp and chief operating officer of another General Electric Co. unit, GE Aircraft Engines.

Prior to taking over at ERC, Mr. Pressman, who has worked for GE since he graduated from college, was president of GE Capital Real Estate.

Mr. Pressman is reluctant to say how long he expects to be at ERC.

"I've learned over the years not to sign in blood on that question. However, candidly, I'm here to address a series of long-term and important strategic and operational challenges for our business, and I'm committed to that; GE's committed to that."

"And I guess time will tell how long I'm here, but I'm also at the

point in my career where duration in jobs is extending," said Mr. Pressman, noting that he held his previous post at GE Real Estate for four years.

One of the challenges ERC faces is that "we're coming off a cycle where the business grew increasingly competitive," Mr. Pressman said. Furthermore, over the past two years, reinsurers have "weathered perhaps unprecedented catastrophe events, which have certainly shaken the industry."

"We're fortunate to have a parent company like GE and the commitment and strength of a franchise at GE to work off of. These kinds of challenges are significant and are important opportunities for us to re-



Mr. Pressman

evaluate and then pursue strategies going forward, but, basically, we do so with a tremendous backdrop of strength and long-term credibility," Mr. Pressman said.

Although he has not previously worked in the insurance industry, Mr. Pressman has spent about one-third of his career working internationally, and he said he believes that experience is one reason GE picked him for the job.

"It certainly is a glove fit... from the standpoint this business is a major franchise in its industry segment. It has a global footprint, with a significant presence in Europe, here in North America, as well as in Asia, and the fact that I have spent a good portion of my career in all three zones is very helpful coming in day one, in understanding what the environment is from an environmental and macroeconomic standpoint," he said.

"I think the combination of leadership attributes that I've been fortunate to develop in my GE career, plus a great talent base across GE and international experience, will hopefully be a good equation for success going forward," Mr. Pressman said.

Learning a new business "has become a bit of a science for me over time," Mr. Pressman said. "We're spending a lot of time on immersion in the business," while at the same time trying to generate a business strategy to "rally around going forward," he said.

Mr. Pressman said he believes an individual need not be expert in a particular business to run it, "but with the caveat that you can't run a business unless you surround yourself...with terrific people who do have the expertise or blend of expertise, fresh thinking and long history. And I think we've got that blend here.

"We've got some people here with 25, 30 years" on ERC's leadership team, and those people bring "tremendous history and experience," he said. But, at the same time, there also are people who have been with ERC for only a couple of years, "some with a reinsurance background and some who are fresh to the industry—and that's a great dynamic to have on a leadership team," Mr. Pressman said. "My biggest job," he added, is getting the right people in place and managing capital effectively, and "those are transferable skills from industry to industry."

Earlier this month, ERC made several promotions, effective Sept. 1, and changed the name of its Munich, Germany-based subsidiary from ERC Frankona Ruckversicherungs-A.G. to GE Frankona Re. Bernhard Fink, CEO of ERC Frankona, will become chairman of the supervisory board of GE Frankona Re and CEO of ERC's European holding company. He will also expand his role as CEO of GE Germany. Robert J. Dellinger, currently executive vp and chief financial officer of ERC, will become CEO of GE Frankona Re. Marc Meiches will become ERC's new chief financial officer. He previously was executive vp, chief operating and financial officer at GE Capital Aviation Services. All three report to Mr. Pressman.

One of the areas Mr. Pressman plans to focus on at ERC is electronic commerce.

"There's absolutely no doubt across GE; we believe that e-commerce is...as big as the Industrial Revolution," he said.

GE's brand name is an important factor in the context of e-commerce, *See ERC on page 18*



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ERC

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Mr. Pressman said. "We're fortunate, with GE, to have one of the world's most significant and well-acknowledged and respected brands."

Mr. Pressman said he is also enthusiastic about the potential interplay between the reinsurance and capital markets, and he said he believes his real estate background will be helpful in that arena.

The use of capital markets "had been fairly active for at least the better part of the last six or seven years in the real estate industry, and I'm actually looking forward to seeing what opportunities we may have here at ERC-GE to embrace capital markets techniques and to be a significant leader" in the confluence between capital markets and reinsur-

ance, Mr. Pressman said.

Although ERC faces some formidable competition in the reinsurance business, Mr. Pressman said that pressure does not worry him.

"I've always had a philosophy of focusing on what we are and what we can do," while also recognizing competitors' strengths and potential weaknesses, Mr. Pressman said.

ERC's principal strengths, he said are its "tremendous size, global reach and stability and continuity in this industry, with great commitment and backing by GE."

"Secondly is our reliability," Mr. Pressman said. "The importance there is in continuing to be open and candid with our partners and customers about the reality of what's happening in our marketplace... and adjusting our relationships as appropriate over time." Another of ERC's strengths, he said, is its focus on cus-

tom service and the simplification of business processes. ERC is "somewhat fortunate to be able to embrace some terrific practices across GE to help us achieve that goal," he said.

Mr. Pressman's journey to ERC's suburban Kansas City headquarters began in upstate New York. The son of two educators, Mr. Pressman was one of four siblings, none of whom "was probably on a plane until they were at least out of college."

He joined GE after graduating in 1980 with a bachelor of arts degree from Hamilton College in Clinton, N.Y., where he was a biology major with a liberal arts emphasis. "I was really a black sheep as far as that goes... They should have known better right at that point," he quipped.

Before his stint as president of GE's real estate business, Mr. Pressman's other posts included general manager of GE's Central and Eastern

European Operations, based in London; and CEO of GE Power Systems, which included responsibility for GE Power Systems Global Power Plan business.

Mr. Pressman is married and has three children—a daughter, 12, and two sons, 9 and 6.

"I'm tremendously excited to be here," he said. "I've been in a dozen businesses over 20 years. Someone asked me recently what motivates me, and not knowing I was about to change, I said change was a big motivator for me.

"The opportunity to come into this industry and work with this team to learn a new business and to have the humbling responsibility for running such a significant franchise within the GE complement of companies is just a terrific opportunity," Mr. Pressman said, "and I look forward to the experience." **BI**

Analysts assess new CEO

Can someone without any industry background successfully run the world's fourth-largest reinsurer?

The answer, some analysts say, is "maybe." The benefits brought by a fresh perspective must be balanced against a lack of experience in a complex industry, according to analysts who have not yet met with Employers Reinsurance Corp.'s new president and chief executive officer, Ronald R. Pressman.

Mr. Pressman, who most recently was president of another unit of General Electric Co., GE Capital Real Estate, began his job in July. He replaced David L. Calhoun, who held the post for less than a year before being named executive vp and chief operating officer of GE Aircraft Engines.

Before Mr. Calhoun and Mr. Pressman each held the position, ERC—which GE acquired in 1984—had been run by experienced reinsurance executives, including Kaj Ahlmann, Tom Case and Michael Fitt.

The corporate philosophy of GE, which is now being extended to ERC, "is to rotate managers across business lines, believing that good managers can be effective regardless of the underlying business. And the corporate track record of GE is unsurpassed" in generating profitable growth and dominating the markets in which it operates, said Donald Watson, director at rating agency Standard & Poor's Corp. in New York.

"That being said, challenges for a newcomer to ERC are significant," including the strong earnings pressure on ERC and the reinsurance industry in general, Mr. Watson said.

One of the advantages Mr. Pressman brings to ERC is a willingness to exit an unprofitable line of business, Mr. Watson said, "regardless of its historical importance to the group," just as ERC exited the property facultative business under Mr. Calhoun (*BI*, Dec. 20, 1999).

On the other hand, given Mr. Pressman's lack of industry experience, "the possibility of underestimating the risk parameters in a new business venture could be significant," Mr. Watson said. It will be a real challenge for Mr. Pressman to "walk through the minefield" to find opportunities for profitable growth, Mr. Watson said.

Michael Smith, an analyst with Bear Stearns & Co. in New York, said that, although it may be good for GE to give its senior managers broader experience, "I'm not sure that it's necessarily good for some of those elements, such as Employers Re," to be led by an executive who is inexperienced in a particular business.

But John L. Ward of the Cincinnati-based Ward Financial Group Inc. said, "I think it's good for this industry to bring in management that brings a fresh, new perspective."

By Judy Greenwald

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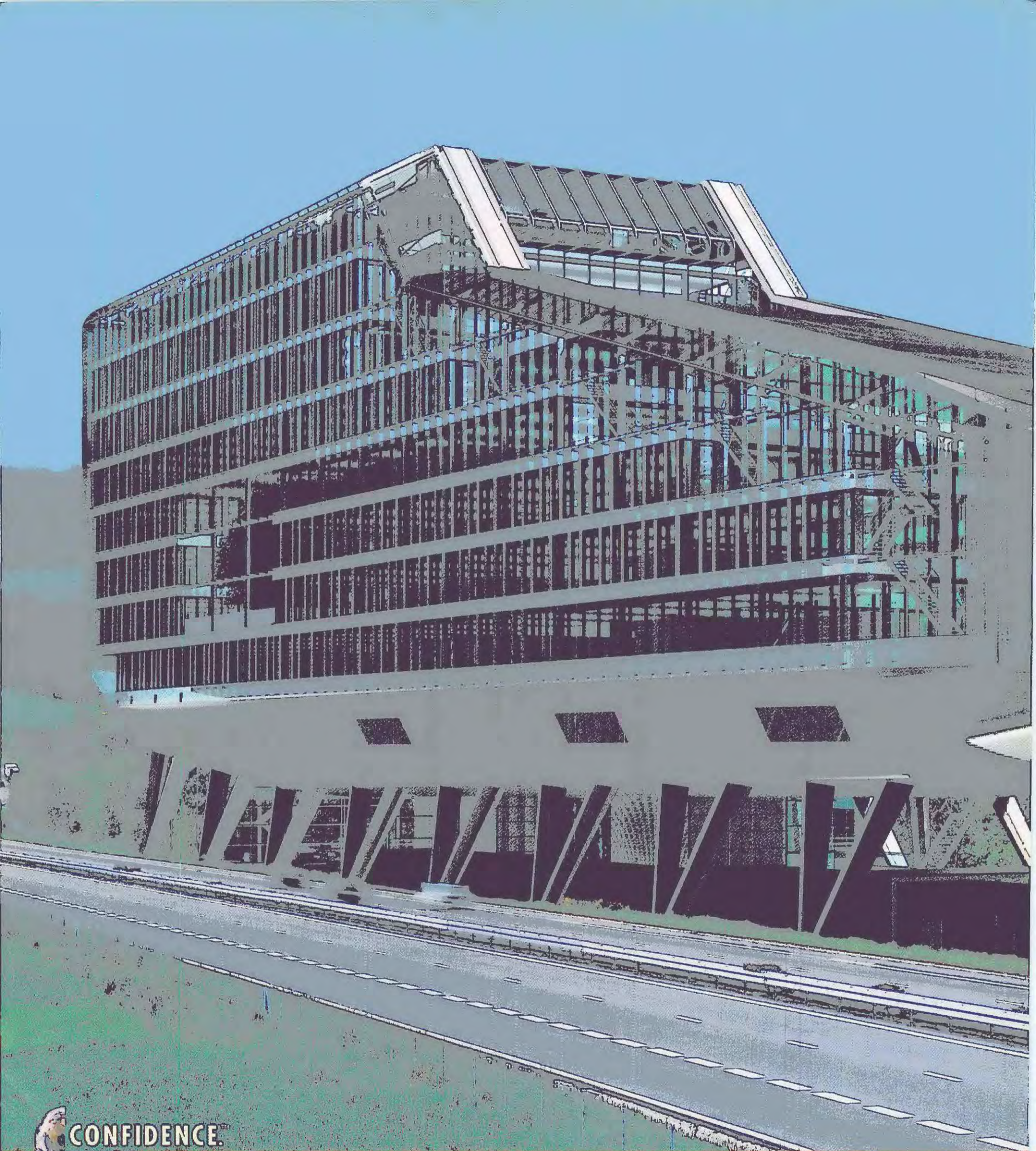
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Lloyd's

Continued from page 3

provider. Within Lloyd's itself, there is much less intersyndicate reinsurance, but there are certainly companies out there that look to Lloyd's for their reinsurance protection, and Lloyd's is still an important player."

Despite warnings of difficult times ahead and a spate of regulatory action against underperforming syndicates, market insiders are confident of attracting more corporate capital.

Most of the new capacity in London is going to Lloyd's rather than to the company market, according to a new report by Standard & Poor's Insurance Ratings in London. S&P's Market Profile for Europe report cites the example of

CGU P.L.C., which transferred its marine business to Lloyd's from the International Underwriting Assn. in January 2000. CGU, at the time the biggest marine underwriter in the IUA, announced it would transfer all of its London market marine business to Lloyd's managing agency Marlborough Underwriting Agency Ltd. and raise its shareholding in Marlborough to 60%. The S&P report describes this move as a blow to the IUA.

S&P also noted that more foreign companies are investing in Lloyd's syndicates. "The predominance of foreign-capital backing (notably from the United States and Bermuda) for companies and, increasingly, for Lloyd's syndicates, is a feature of the market, and is a trend that is likely to continue," according to S&P.

Recent start-ups and mergers in

the Lloyd's market seem to bolster the claim that large, overseas corporations are keen to raise their presence at Lloyd's.

Lloyd's 'remains an attractive place for insurance companies to do business,' says Kevin Willis.

In June and July this year, a fierce bidding war was waged for Limit P.L.C., a so-called integrated Lloyd's vehicle, which is publicly traded. Wellington Underwriting Ltd. and Australian insurer QBE Insurance Group Ltd. fought fiercely for control of Limit, one of

the largest integrated vehicles. Despite the fact that Wellington and Limit had earlier agreed to a friendly merger, Sydney-based QBE came out the eventual winner, with a £375 million (\$558.0 million) bid for Limit.

In July, French reinsurer Socema S.A. launched a new Lloyd's corporate vehicle, Broadgate Underwriting Ltd. "We believe that the Lloyd's environment will best suit our strategic objectives of diversification and development of specialist lines of business," said Alexis Ruset, chairman of Socema, the reinsurance unit of Groupama-GAN S.A.

Patrick Gage, head of city and commercial lines at Groupama Insurances in London, said that the new syndicate would allow the company to develop its specialty business.

"To create a syndicate at Lloyd's gives us an entity in which we can develop a niche approach towards specialty business which is outside the mainstream business that Sorema currently writes," he explained. "In terms of the market, we believe the timing is excellent because we are seeing a significant firming of rates, and we think that there are reasonable prospects for profitable results."

Lloyd's Mr. Taylor said more corporate capital providers will seek to enter the market in the coming years. "I don't think that most of the big corporate capital players are here at all yet. First of all, I think we can reasonably expect those that are already here to want to increase their capital commitment to the market. Secondly, we are, of course, aware of a number of other organizations that are looking at Lloyd's the way I describe it, that I think you would find that pretty much every major insurer or reinsurer with any sort of international business or aspirations, somewhere or another, will have a project saying, 'What about Lloyd's?' Some of those will come to fruition and some of those won't," he said.

As the market turns, Mr. Taylor said, he expects to see more corporate investors upping their participation in the Lloyd's market. "I think people can see that the market is improving. There is no such thing as 'the right time' in the insurance cycle, but anticipating and expecting a turn in the market and increasing one's participation at that time has to be right," he said. "Secondly, I think there is a general recognition that Lloyd's, as a market, historically comes into its own" as the overall market hardens. "This is the point in the cycle at which insurers can become unresponsive and of course the great advantage of Lloyd's is that it remains a market, and Lloyd's underwriters historically have demonstrated their willingness to be flexible and reflect the benefit of long-term relationships," Mr. Taylor said.

But some Lloyd's participants have expressed concern about the presence of too much corporate capital in the Lloyd's market. "Corporate capital can pull out of Lloyd's very quickly, and that is a worry," said one managing agent.

"I think there is too much capital now provided by single corporate investors which, were it to start to move away, the market would have a problem finding alternatives to," said Kevin Willis, insurance analyst at Standard & Poor's in London. "The market remains an attractive place for insurance companies to do business, and that is why they are putting their money there. The reason that they would pull away from the Lloyd's insurance market is that it is not living up to those expectations. And if it is not living up to those expectations for professional insurance people, one might doubt whether other investors would be willing to put their money there as well."

A recent report by the Assn. of Lloyd's Members and A.M. Best International Ltd. revealed that syndicates backed by individual investors are in fact performing better than those backed by corporate capital.

For the 1997 year, traditional, or "bespoke," names made a profit of 0.2% of capacity, compared with a marketwide loss of 1.8%. Forecast figures for 1998 are a 3.8% of capacity loss for bespoke names, compared with a loss of 7.2% of capacity for corporate investors.

See Lloyd's on page 24

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Lloyd's

Continued from page 22

"The insurance companies that have come into Lloyd's aim to manage their syndicates in a conventional big-company way. The latest results demonstrate that this approach will produce an inferior financial performance," said Michael Deeny, chairman of the ALM. "We believe that many of the big insurance companies that come into Lloyd's are not suited to Lloyd's," he said. "Names have learned from experience, whereas some of the new corporates have not."

But the amount of capacity provided by individual names continues to wane. Private capital accounted for about 33% of Lloyd's capacity this year, down from 34% in 1999.

The share prices of integrated Lloyd's vehicles have performed badly in recent years. According to Chris Hitchings, insurance analyst at Commerzbank in London, the share prices of most Lloyd's vehicles are about 40% to 60% below their levels of two years ago.

In a special report for the ALM, Mr. Hitchings said that although the QBE bid for Limit has prompted a recovery in the quoted Lloyd's vehicle sector, corporate investors are shying away from putting their money into integrated Lloyd's vehicles. "On the corporate front, the rush of insurers anxious to buy up Lloyd's businesses has slowed and a few are now withdrawing," he said. "More to the point for the ongoing businesses, two or three years ago, unlimited amounts of capacity were available for almost any Lloyd's project."

Now, however, capital-raising proposals for Lloyd's see little interest, he said.

One corporate capital provider has found a way to continue its involvement in Lloyd's in a more hands-off fashion. In July, U.S. insurer Fairfax Holdings Inc. sold its Lloyd's managing agency Kingsmead Underwriting to Lloyd's capital provider Advent Capital. Under the terms of the deal, Fairfax will become a substantial "passive" shareholder in Advent. Fairfax has also agreed to a five-year commitment to Advent to support its B.F. Caudle Agencies business at Lloyd's and Kingsmead through a £110 million (\$163.7 million) letter of credit.

Keith Thompson, chief operating officer of Advent, said the deal gives Fairfax a way to maintain its involvement at Lloyd's and gives stability to Advent. "If a capital provider also owns the business, they are going to want to see it through," he said. "In the past, we have seen capital providers take the money and run when things get tough."

Lloyd's is still evolving in the new corporate environment, according to Mr. Taylor. "It is still a process that is happening. Have we all adjusted to each other? The answer is not yet, but we are all working on it. Clearly there is a difference between an internationally positioned insurer or reinsurer who creates a business at Lloyd's and an independent Lloyd's business. We are all getting used to this new environment."

In July, Lloyd's ordered a group of syndicates to increase their capital. Those managing agents and syndicates together represent about 15% of the market's 2000 capacity of £10.05 billion (\$16.22 billion). The punishment, called "loading," administered to businesses with excessive losses or poor

forecasting, requires businesses to increase their risk-based capital by up to 20% for the 2001 year of account. Managing agencies affected are: CNA Underwriting Agencies

are: Sterling syndicate 529; Chaucer Syndicates Ltd. 587; Wren Syndicates Management Ltd. 735; Marlborough Underwriting Agency Ltd. 744; Chartwell Manag. ng

would put syndicate 744 into runoff and accept no new business for the 2001 year.

In addition, Paul Archard, who is managing director of PXRE, resigned as deputy chairman of Lloyd's after the capital loadings were announced.

CGNU P.L.C., the product of the newly merged CGU and Norwich Union Group P.L.C., withdrew its support of the marine syndicate after the loadings were announced. It provided 80% of syndicate 744's capacity.

CGNU has not yet announced what it will do with its marine business.

"I think it (the loadings) is just a manifestation of an ongoing process. It is part of our regulatory role to ensure that when businesses in our view are inadequate in any way that we will take the necessary ac-

tion," said Mr. Taylor. "It is perhaps not surprising, given that the market conditions have deteriorated globally to the extent that they have, that you are seeing more activity as a result of that right now. It is really just the effect at this particular point in the cycle of a process that is ongoing. But we are sending a message very clearly. We expect high standards here."

Mr. Taylor, who is leaving the post of chairman in December to resume his broking career, warns that the 2001 renewal season will not be easy.

"The renewal season will be a very tough season. I think the 2000 renewal season was sort of a dress rehearsal really, and 2001 is going to be seriously tough," he said. "It is a very complicated process, and I think everyone accepts that it is going to be a real test." **BI**

'Two or three years ago, unlimited amounts of capital were available for almost any Lloyd's project,' says Chris Hitchings.

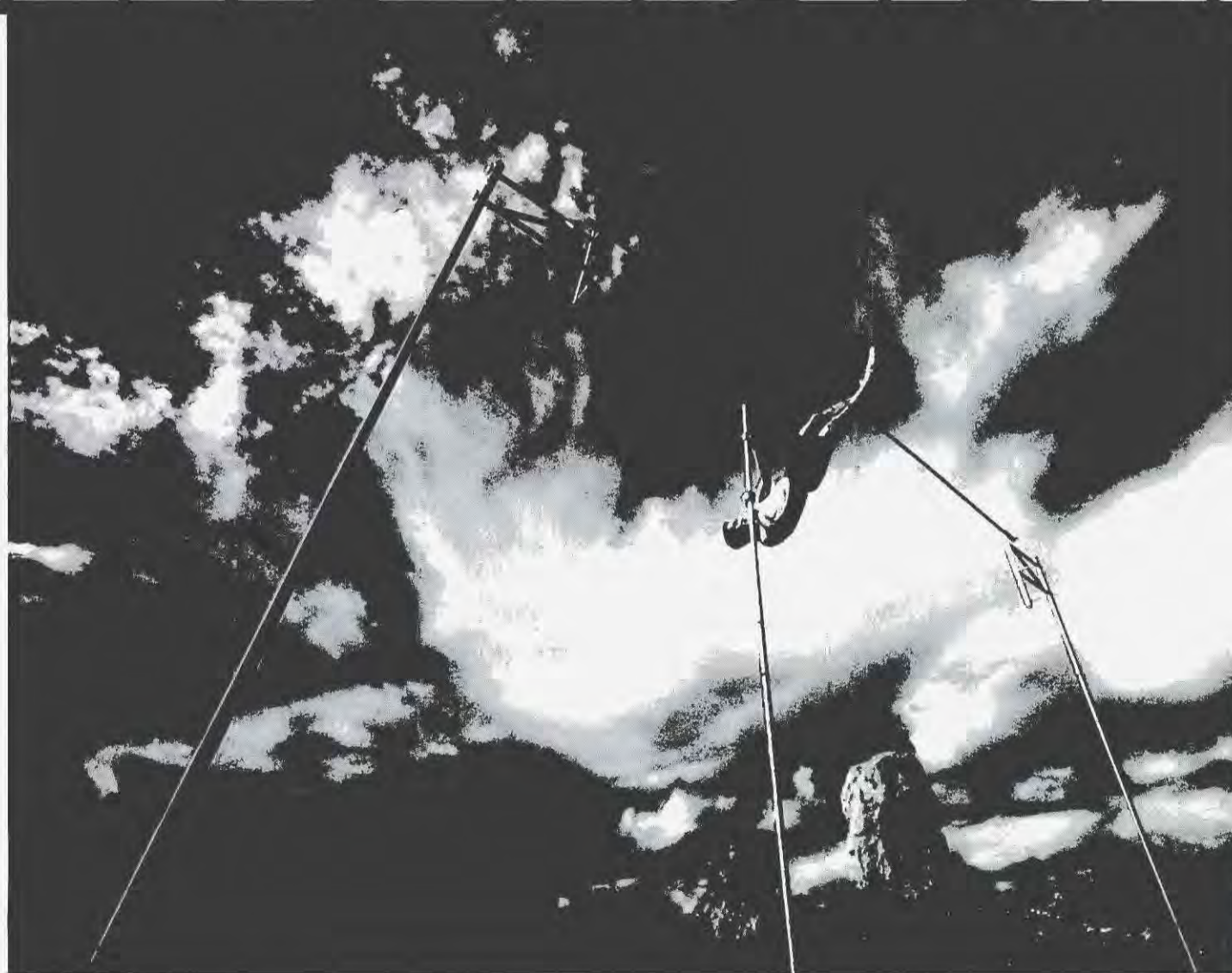
Ltd., Greenwich Managing Agency Ltd., Hardy (Underwriting Agencies) Ltd., KGM Underwriting Agencies Ltd., PXRE Managing Agency Ltd., and Sterling Underwriting Agencies Ltd.

Syndicates facing the loadings

Agents Ltd. 839; Crowe Syndicate Management Ltd. 1121 St. Paul Syndicate Management Ltd. 1211; PXEE 1224; and CNA 1229.

The effect of the loadings is already being felt in the market. In July, Marlborough announced it

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Courts hold up sale of Brazilian reinsurance monopoly

By GAVIN SOUTER

Four years after Brazil's Congress voted to open the country's reinsurance market to international reinsurers, Latin America's largest insurance market is still controlled by a state-owned monopoly, IRB Brazil Resseguros S.A.

Despite several aborted attempts to put the IRB up for auction earlier this year, it remains state-controlled and is now the subject of a court injunction that could delay its privatization indefinitely.

Still, foreign reinsurers remain hopeful that they will soon be able to tap the Brazilian insurance market.

While the IRB already retrocedes

some of its business overseas, the monopolistic nature of the market keeps other reinsurers from competing for the business directly and holds back the expansion of the market, foreign reinsurers say. Once the market is opened, they say, Brazilian insurers will enjoy lower rates and more choice in reinsurers and products, they say.

And the reinsurers that enter the market will gain access to an insurance market that is not exposed to hurricanes or earthquakes and has a large and growing premium base, the foreign reinsurers say.

In 1996, the Brazilian Congress voted to amend the country's constitution to allow other reinsurers to operate within the country. The legislation that was drafted at the time detailed

how the IRB, which is also the reinsurance regulator for Brazil, would be privatized.

Under the legislation, 45% of the total shares and 90% of the voting shares in the IRB would be sold to the highest bidder.

The minimum bidding price has been changed several times, causing the auction to be delayed. The last price suggested was 550 million reals (\$301.4 million). But the successful bidder would end up paying significantly more than that, because the remaining Brazilian insurance company shareholders in the IRB would have an option to sell their shares to the buyer for a total of about 300 million reals (\$165.1 million) three years after privatization.

The last date for the auction had been fixed at July 25. But on July 14, a Supreme Court judge ruled in favor of a leftist party in Brazil that argued that the Congress passed the wrong type of law to permit the privatization. The decision is expected to be reviewed by the whole supreme court before the end of August.

If the court upholds the ruling, it could delay the privatization indefinitely, because Congress would have to vote again on the legislation. And this time, to be passed as what the judge ruled would be the correct type of law, it would have to be approved by a wider margin of votes than had been required for the original legislation.

A group of four Brazilian and inter-

national companies are expected to bid for the IRB: Swiss Reinsurance Co.; Transatlantic Reinsurance Co.; Bradesco Seguros, a Brazilian insurer; and an investment group led by Banco Opportunity, a Brazilian bank.

Munich Reinsurance Co., which had previously expressed interest in bidding, has opted not to participate in the auction.

The existing legislation makes the IRB an attractive proposition for reinsurers seeking to expand in Brazil.

Under the terms of IRB privatization regulations published in December 1999, local reinsurers—which, at least for the first several months, will continue to be only the IRB—will be guaranteed the right of first refusal to 60% of all business reinsured in Brazil. That guarantee will stay in place for two years following the auction.

While in the past the IRB has written problematic business outside the Brazilian market through its foreign operations in London and New York, it has been profitable in recent years.

In 1999, the IRB's gross written premiums were 1.15 billion reals (\$636.6 million). It retroceded 488.1 million reals (\$270.2 million). After adjustments for exchange rates, the reinsurer had a 70.7% loss ratio. But even taking into account the exchange rate changes, its poor-performing international business had a 132% loss ratio.

Buying the IRB will give the successful bidder a good starting position in the Brazilian market, because it will initially have 100% of the reinsurance market in country, said Jean-Paul Schweizer at Swiss Reinsurance Co. in Sao Paulo, Brazil.

"You will not keep that, but it does mean that you are not starting from zero... and they have reasonable infrastructure and an ongoing operation," Mr. Schweizer said.

But Swiss Re has not yet decided whether it will make a bid for the IRB, Mr. Schweizer said.

Swiss Re has submitted more than 200 questions about the IRB to the Brazilian government and is still waiting for answers to many of them, he said.

In particular, the reinsurer is concerned about existing long-tail liabilities, including the liabilities for the IRB's credit insurance arm. Those are supposed to be fenced off prior to the sale, but that has not yet been done, Mr. Schweizer said.

"For Swiss Re, that would be a deal breaker," he said.

Transatlantic Reinsurance Co., which remains interested in bidding for the IRB, is optimistic about the Brazilian market.

"The attraction of Brazil is that it's a potentially \$2 billion market that will be privatized," said Steven S. Skalicky, executive vp and chief financial officer at Transatlantic in New York.

And the successful bidder for the IRB will have immediate access to the whole market and be guaranteed a certain portion of it for two years, Mr. Skalicky said.

"That gives a company a head start going forward," he said.

Munich Reinsurance Co. had considered bidding for the IRB earlier this year but has now decided against it, said Johann Hornisch, market coordinator for Brazil for the reinsurer in Munich, Germany.

It had submitted about 250 questions regarding the IRB, including questions about past liabilities, and received few answers, he said.

Rather than bid for the IRB or set up a branch in Brazil, Munich Re will continue to write Brazilian business at its head office in Munich and main-

See Brazil on next page

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Brazil

Continued from previous page
tain its service company in Brazil, Mr. Hornisch said.

"We do not wish to fund a local company, because we do not believe that we would get the return on the investment that we would want," he said.

Already, the average loss ratio for the Brazilian market is 70%, Mr. Hornisch said.

"The problem is the rate levels," he said.

And the premium levels will likely fall further when the reinsurance market is opened up to more competition, Mr. Hornisch said.

But the Brazilian insurance market has great potential for reinsurers, said Mr. Schweizer. Currently, it represents about 30% of the premi-

um income in Latin America, he said.

Swiss Re expects the reinsurance market in Brazil to grow by 12% to 13% a year for the next 10 years, due to economic development and structural changes resulting from the opening of the market, Mr. Schweizer said.

Even reinsurers that are not bidding for the IRB are showing an interest in Brazil, said Jorge Caminha, at Guy Carpenter & Co., the reinsurance brokerage unit of Marsh Inc., in Rio de Janeiro.

There are 19 foreign reinsurers with offices in Brazil and about 250 individuals, aside from employees of the IRB, who work in the reinsurance industry in Brazil, Mr. Caminha said.

One of the foreign reinsurers in Brazil is SCOR S.A.

"We are very interested in the market, firstly, because of its size and,

secondly, because it is not a country that is much exposed to catastrophes," said Jacques Blondeau, chairman and chief executive officer of

Swiss Re expects the reinsurance market in Brazil to grow by 12% to 13% a year for the next 10 years.

SCOR in Paris.

SCOR has had a representative office in Rio de Janeiro since 1996, Mr. Blondeau said, and the Brazilian business that SCOR writes has been profitable, he said.

SCOR has not been interested in bidding for the IRB due to the com-

plexity of the deal and concerns about potential runoff problems with the IRB's old liabilities, he said.

Furthermore, Mr. Blondeau said, former monopoly reinsurers in other countries historically lose much of their business after privatization, Mr. Blondeau said.

In addition to the prospect of gaining access to an already-significant market, foreign reinsurers expect to see a big increase in the available business, said Mr. Caminha of Guy Carpenter.

Currently, insurers in Brazil co-insure a substantial amount of business with each other, and that could be transferred to the reinsurance market, he said.

Also, as a monopoly reinsurer, the IRB does not aggressively seek new business, so there may be additional opportunities after privatization, Mr. Caminha said. And when the work-

ers compensation system in Brazil is privatized, as is expected, there will be a large influx of additional premium into the private insurance and reinsurance market, he said.

After privatization, market cedents will have a wider choice of coverage, because they will be able to buy both traditional reinsurance and non-traditional reinsurance, Mr. Caminha said. "We will offer the full range of products that we currently offer clients outside of Brazil," he said.

With the reinsurance market hardening in many sectors worldwide, though, cedents in Brazil may not see the large decrease in rates that they might have expected once competition is injected into the market, Mr. Caminha said. "But it is still likely that they will have lower reinsurance costs because of the competition," he said. **BI**

East

Continued from page 3

prospects for reinsurers must be good, particularly in the life and health sectors, Mr. Lewin said.

According to a recent "sigma" report on globalization, published this year by Swiss Reinsurance Corp., demand for insurance in Central and Eastern European countries has resulted in average annual growth rates that are "significantly higher than in the industrialized countries."

Of course, the growth rates vary from country to country within the region. For example, Poland's non-life premiums in 1998 totaled \$3.10 billion, a real growth rate per annum of 15.2% since 1991, compared with non-life premiums in Hungary in 1998 that totaled \$721 million, a per-annum growth rate since 1991 of just 0.9%.

According to Clemens von Weichs, an executive vp of Munich, Germany-based Allianz A.G. Holding, the opportunities for reinsurers in Central and Eastern Europe arise from four developments:

- The rapidly developing primary insurance market and an increasing awareness of insurance, which is resulting in the introduction of new insurance products and, consequently, the creation of a demand for reinsurance.

- The liberalization of insurance branches that were previously state monopolies.

- The introduction in many countries of compulsory insurance, such as third-party auto liability, which is creating a demand on the primary side that has to be covered by reinsurance.

- The stabilization of the economy, the growth in industrial production and the rise in private incomes, all of which are increasing demand for insurance and reinsurance, both for industrial and private lines.

Bearing this in mind, "it is not surprising that most leading reinsurers are active in these countries," Mr. von Weichs said.

Ivo Hux, a Swiss Re client manager for Central and Eastern Europe, pointed out that Munich Re, Swiss Re, General Cologne Re, ERC-Frankona, Partner Re, Hannover Re and SCOR all are leading reinsurers in the region, with non-proportional and facultative business also channeled to the London reinsurance market.

Western reinsurers are keen to "participate in a fast-growing emerging market," by developing close relationships with the better insurers in the area, Mr. Hux said. Indeed, "certain reinsurers have also opted for the strategy to invest in the share capital of local companies in order to secure reinsurance business

from the region," he noted. Furthermore, he said, "the quickly changing environment and the introduction of new lines of business, and the privatization and demonopolization of other lines of business open new chances to further develop business beyond existing portfolios."

Still, Mr. Hux said, "it has to be noted that the positions in the most prominent markets, like Poland, the Czech Republic and Hungary, have already been taken and that the market entry today is much more difficult than several years ago."

Indeed, 93% of the insurance industry in Hungary had come under the control of foreign companies by 1997, and there were only four non-life insurers in the country, according to a July 1998 "sigma" report from Swiss Re. By contrast, in Russia, where foreign companies have been excluded until recently, there were some 2,300 insurance companies in 1997, with the total market share of the three-biggest property insurers at only 17%.

Munich Re "has a very long and intensive relationship with many Eastern European countries," said a spokesman for the company. He noted that the company had dealings with Russia as far back as czarist times, as well as during the Communist era, when it was the largest reinsurer of the state insurance company Inkostrakh.

"Eastern Europe is one of our target markets we are trying to expand in. However, we plan to do it selectively, and not at any price," said the spokesman, who pointed out that "economic stability varies from country to country."

Manfred Brandmaier, a manager in Munich Re's Central and Eastern European department, agreed that the area is not homogeneous; it is, he said, a "mixture of markets, problems and cultures."

Reinsurance brokers agree that the region comprises a mixture of markets.

"We tend to look at opportunities differently in each country and have very different strategies in each country," said Mr. Aubrey Jones of Willis.

Poland, Hungary and the Czech Republic are the most-developed markets in the region and countries where foreign players are already becoming dominant. This is particularly true in Hungary, where the state insurer was broken up and sold in 1986. The presence of a few dominant foreign players in a market restricts opportunities for reinsurance brokers, Mr. Aubrey Jones noted.

Russia, meanwhile, is "a very exciting market for us," because the demand for commercial insurance and its facultative reinsurance is increasing, and "we haven't seen a

See East on page 30



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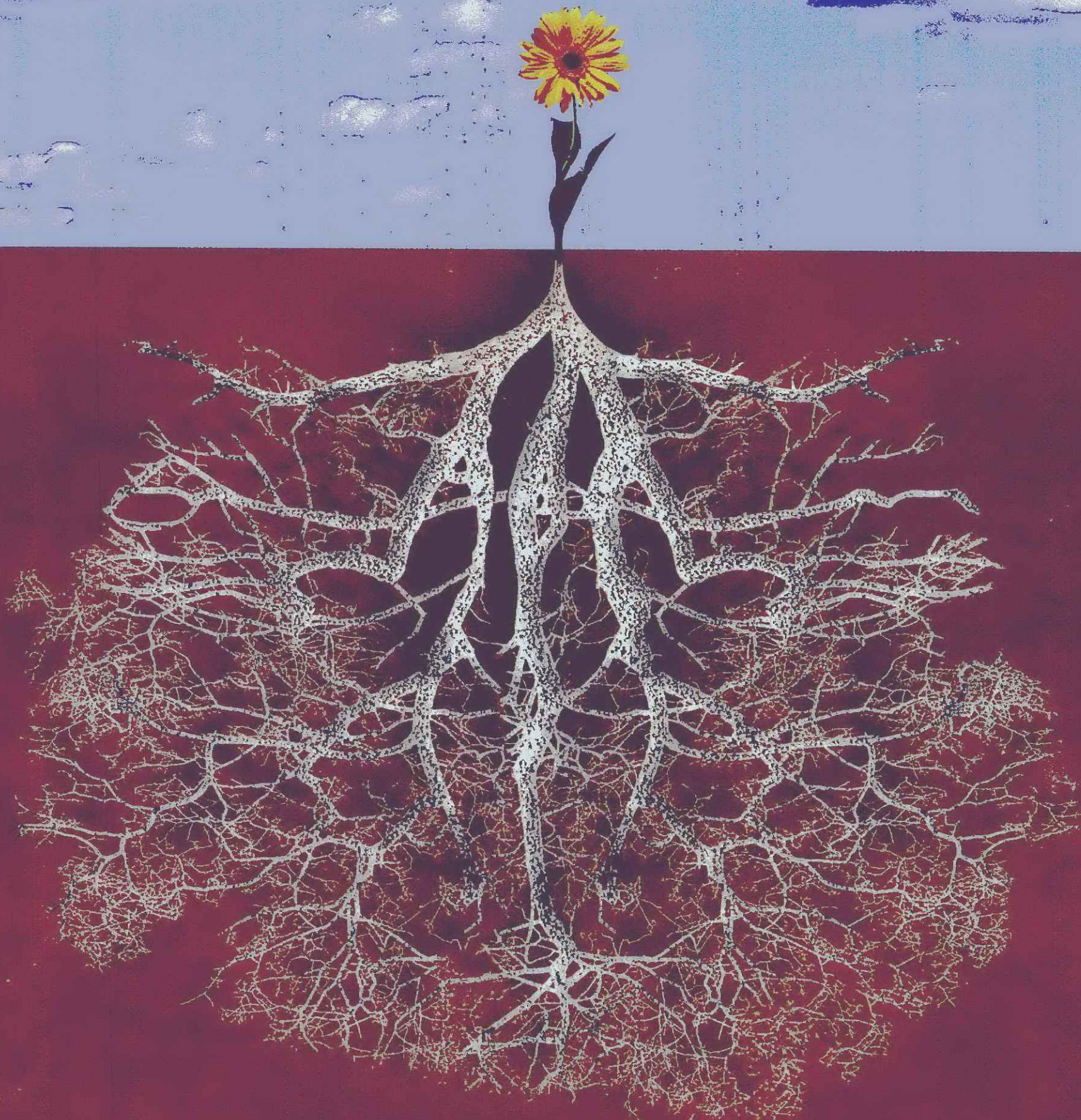
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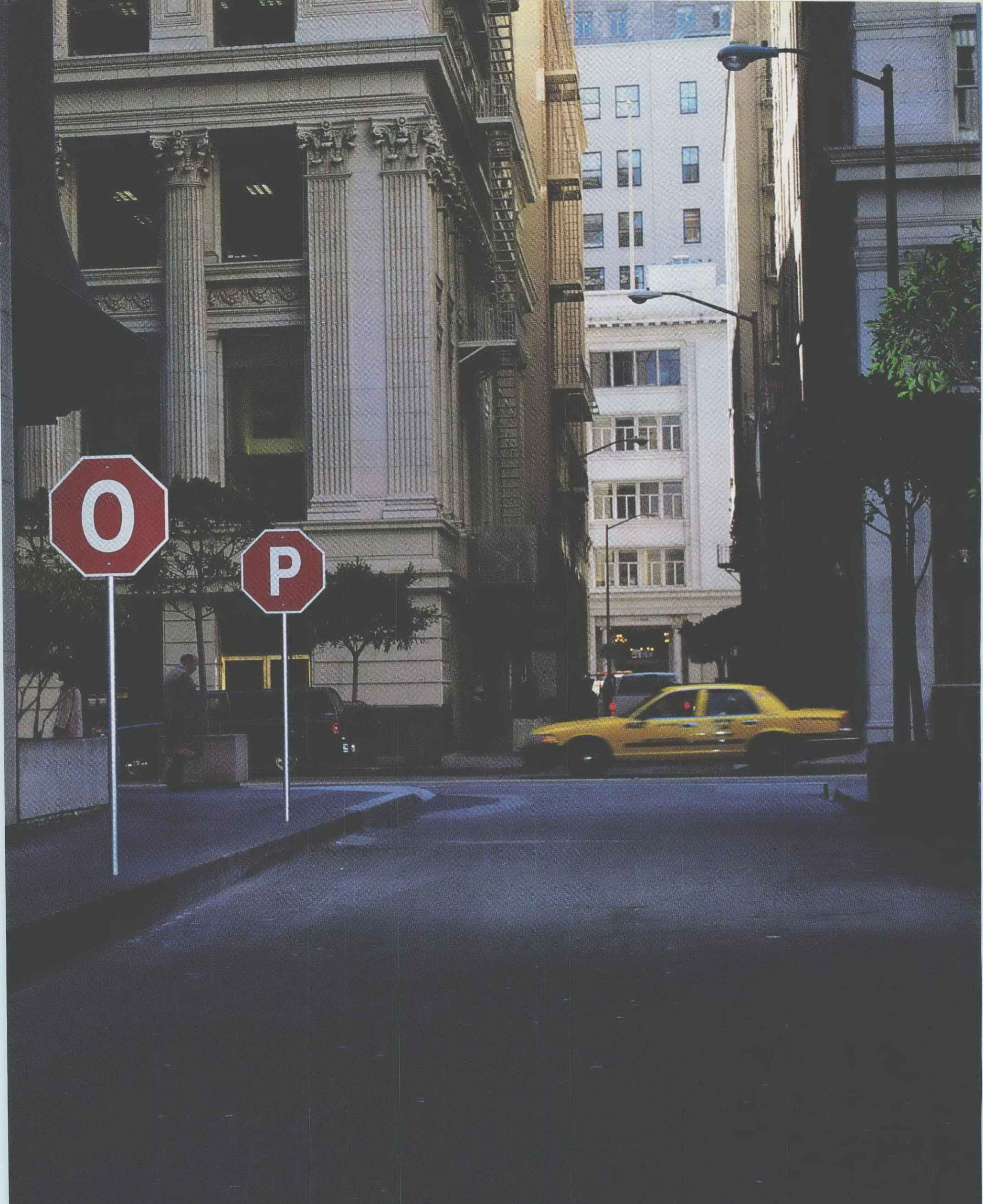
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East

Continued from page 30
ly insured party. As long as reputable companies or brokers assist in such operations and provide good arguments for the strict control of reinsurance, it remains difficult, at the same time, to fight against legal and bureaucratic obstacles for a liberal international reinsurance community in those markets," Mr. Hux said.

Meanwhile, broker and reinsurance executives agree, the whole region continues to suffer from severe competition, despite signs of a hardening global reinsurance market.

"The region now is no exception to the worldwide reinsurance cycle at its bottom, with certain shy signs of improving rates. Moreover, the market entry of new reinsurance players in the second half of the 1990s, together with stiffening local competition of the direct insurers, have led to substantial losses for many reinsurers," Mr. Hux said. "Even with now-hardening conditions, the rates for both proportional and non-proportional business remain below adequate level in many lines of business, despite increasing loss frequency and loss amounts."

"The reinsurance market there is highly competitive, with unsatisfying rates taken by reinsurers," said Munich Re's Mr. Brandmaier. He said he expects the market to harden a bit as reinsurers look at their results.

"I suspect some of the hardening of the reinsurance markets in Western Europe will filter through, although the change may not be so great, due to the competition among reinsurers for business in these developing markets," said Willis' Mr. Audrey Jones.

EI

Strong regional growth potential seen

Allianz, Munich Re expand on established links in Central and Eastern Europe

German companies Allianz A.G. and Munich Reinsurance Co. are two players that have long-established reinsurance links in Central and Eastern Europe and have taken leading positions in many of the nations of the region.

Munich, Germany-based Allianz reinsures subsidiary companies in Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania, Russia and the Slovak Republic, according to Clemens von Weichs, executive vp at Allianz.

The insurer continues to expand its operations in the region. In April, it announced the formation of a subsidiary, Allianz Romania S.A., in Bucharest to write property/casualty and life and health insurance.

With a population of 22.5 million, Romania is the second-largest country in Middle Europe, but only 0.7% of its gross domestic product is produced by the insurance sector. Romania has the lowest policyholder rate in the region, according to Allianz.

"The insurance market in Romania, consequently, promises high growth rates. Allianz A.G. expects the speed of privatization in key industries to increase

and the level of foreign investment in the Romania to increase within the next few years," said a company statement.

In July, Allianz also announced that it increased investment to 10% from 6% in Croatia's largest retail bank, Zagrebacka. This follows Allianz's 1998 acquisition of a majority share in Zagrebacka's insurance company, now called Allianz Zagreb.

Both the bank and the insurer "cooperate closely in the insurance business," and Allianz has accepted a seat on the bank's supervisory board, Allianz announced last month.

According to Allianz, the Croatian insurance market is expected to grow by 10% to 12% yearly, "despite all its economic problems."

Last month, Allianz acquired, with UniCredito Italiano, a controlling stake in Bulbank, Bulgaria's biggest bank.

Allianz A.G. will take a 5% stake and UniCredito a 93% stake in Bulbank. Allianz set up an insurance subsidiary, Allianz Bulgaria, in November 1998, and it now ranks as the third-largest insurer for life business and the second-largest for non-life business in Bulgaria.

"Through its cooperation with Bulbank, which has around

200,000 customers, 28 branches and 51 representatives, Allianz A.G. plans to further expand the life insurance and pension fund business," said a company statement. The statement noted that insurance penetration in Bulgaria is about 1.5%, compared with 7.1% in Western Europe.

In April, German reinsurer Munich Re announced that it had acquired from Alte Leipziger Holding A.G. a 60.1% stake in Alte Leipziger Europa Beteiligungsgesellschaft A.G., known as Al Europa, a management holding company with stakes in Central and Eastern European insurers.

Among Al Europa's 14 stakeholdings in eight countries, the Polish insurer Hestia is its most important subsidiary, with premium income of about 250 million deutsche marks (\$128.7 million) in 1999, making Hestia the third-largest Polish insurer, according to a Munich Re statement.

The Baltic companies in which Al Europa has shareholdings also have leading positions in their markets, according to Munich Re.

Al Europa, which Munich Re has supported since its formation, increased its premium income in 1999 by about 35%, to more than 400 million deutsche

marks (\$206.0 million).

"Central and Eastern Europe is an area with pronounced growth potential. We strengthened our traditional reinsurance activities there a year ago with the establishment of a service company for the Polish market. Through the acquisition of a majority stake in Al Europa, our group will now profit directly from the development of the insurance industry in the whole region," announced Hans-Juergen Schinzler, chief executive officer of Munich Re, at the time of the acquisition.

Munich Re established a company in Warsaw, Poland, in February 1999. Poland is expected to be among the first wave of Central and Eastern European countries to join the European Union, and Munich Re, "therefore, sees the Polish insurance market as an area with excellent long-term growth potential," according to a company statement.

The German reinsurer established links with the Polish market nearly 100 years ago. Following World War II, Munich Re resumed business in 1952 through an alliance with Warta Insurance & Reinsurance Co. Ltd., Poland's state-run insurer.

—By Carolyn Aldred

Standard & Poor's top 25 international reinsurer groups

Rankings based on 1999 net reinsurance premiums written. All figures in thousands of U.S. dollars.

| Company | Rating | Net reinsurance premiums written | | | Adjusted shareholders funds | | | Loss ratio | | Expense ratio | | Pre-tax operating income | | | Return on revenue | |
|--|--------|----------------------------------|--------------|----------|-----------------------------|---------------|----------|------------|-------|---------------|-------|--------------------------|-------------|----------|-------------------|------|
| | | 1999 | 1998 | % change | 1999 | 1998 | % change | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 | % change | 1999 | 1998 |
| 1 Munich Reinsurance Group | AAA | \$13,566,142 | \$14,647,149 | -7.4% | \$20,682,412 | \$21,367,442 | -3.2% | 88.2% | 75.8% | 30.7% | 29.9% | \$1,098 | \$1,651 | -33.5% | 0.0% | 0.0% |
| 2 Swiss Reinsurance Group | AAA | 12,838,750 | 11,839,855 | 8.4 | 11,111,250 | 9,427,536 | 17.9 | 85.0 | 80.0 | 31.0 | 34.0 | 217,500 | 183,333 | 18.6 | 1.5 | 1.3 |
| 3 Berkshire Hathaway Reinsurance Group | AAA | 9,452,500 | 7,069,000 | 33.7 | 47,502,775 | 40,113,169 | 18.4 | 92.1 | 71.2 | 24.2 | 31.3 | 1,177,804 | 1,154,710 | 2.0 | 13.4 | 13.4 |
| 4 Employers Reinsurance Group | AAA | 6,921,061 | 5,799,730 | 19.3 | 5,575,000 | 6,020,000 | -7.4 | 78.2 | 69.7 | 35.8 | 32.2 | 140,052 | 572,941 | -75.6 | 1.7 | 8.8 |
| 5 Gerling Global Reinsurance Group | AA- | 3,937,862 | 3,259,141 | 20.8 | 1,429,728 | 1,543,234 | -7.4 | 87.0 | 84.0 | 25.4 | 23.7 | (74,508) | 129,292 | -157.6 | -1.8 | 3.5 |
| 6 Lloyd's of London | A+ | 3,799,211 | 3,571,667 | 6.4 | 9,072,581 | 10,475,000 | -13.4 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| 7 Assicurazioni Generali Reinsurance Group | AA | 3,533,442 | 4,334,054 | -18.5 | 19,176,618 | 10,387,224 | 84.6 | 79.8 | 80.7 | 28.9 | 29.6 | 9,157,227 | -670,976 | N.M. | N.A. | -1.5 |
| 8 Allianz A.G. Reinsurance Group | AAA | 3,299,013 | 3,500,191 | -5.7 | 45,727,553 | 46,553,730 | -1.8 | 74.4 | 71.6 | 33.0 | 24.4 | 124,926 | 496,316 | -74.8 | 3.4 | 11.5 |
| 9 SCOR Reinsurance Group | AA- | 2,720,603 | 2,412,791 | 12.8 | 1,242,211 | 1,432,558 | -13.3 | 80.7 | 75.7 | 29.0 | 32.0 | 145,729 | 169,767 | -14.2 | 5.1 | 6.3 |
| 10 Hannover Reinsurance Group | AA+ | 2,564,375 | 4,517,966 | -43.2 | 1,241,940 | 1,305,071 | -4.8 | 71.1 | 74.0 | 24.8 | 27.5 | 100,496 | 156,541 | -35.8 | 2.1 | 3.3 |
| 11 Zurich Reinsurance Group | AA+ | 1,878,040 | 1,661,152 | 13.1 | 23,783,000 | 23,511,000 | 1.2 | 81.1 | 77.3 | 6.2 | 7.1 | 276,428 | 235,786 | 17.2 | 12.4 | 11.7 |
| 12 Transatlantic Holdings | AA | 1,498,524 | 1,393,700 | 7.5 | 1,642,517 | 1,610,139 | 2.0 | 77.4 | 73.9 | 27.8 | 27.4 | 153,304 | 202,452 | -24.3 | 8.9 | 12.6 |
| 13 AXA Reinsurance Group | AA | 1,141,575 | 1,212,558 | -5.9 | 1,272,463 | 1,350,834 | -5.8 | 93.0 | 86.0 | 28.0 | 29.0 | 139,130 | 181,568 | -23.4 | 10.9 | 12.2 |
| 14 PartnerRe Ltd. | AA | 1,326,410 | 687,025 | 93.1 | 1,840,711 | 2,113,434 | -12.9 | 77.1 | 56.9 | 32.7 | 28.6 | 66,851 | 253,402 | -73.6 | 4.1 | 28.8 |
| 15 CNA Reinsurance Group | A | 1,275,000 | 908,000 | 40.4 | 8,679,000 | 7,593,000 | 14.3 | 84.9 | 74.9 | 31.5 | 31.7 | (28,000) | 95,000 | -129.5 | -2.1 | 8.5 |
| 16 Everest Reinsurance Group | AA- | 1,095,569 | 1,016,599 | 7.8 | 1,327,482 | 1,479,204 | -10.3 | 72.0 | 72.9 | 31.5 | 30.3 | 213,342 | 213,441 | 0.0 | 16.1 | 16.2 |
| 17 St. Paul Reinsurance Group | AA | 1,056,401 | 1,056,229 | 0.0 | 6,448,000 | 6,621,000 | -2.6 | 69.0 | 65.9 | 31.2 | 32.8 | N.A. | N.A. | N.A. | N.A. | N.A. |
| 18 XL Capital Reinsurance Group | AA | 970,000 | 688,000 | 41.0 | 5,577,078 | 5,612,603 | -0.6 | 65.6 | 60.0 | 36.0 | 33.8 | N.A. | N.A. | N.A. | N.A. | N.A. |
| 19 Toa Reinsurance Co. Ltd. | AA- | 965,507 | 917,793 | 5.2 | 2,570,507 | 1,897,628 | 35.5 | 74.8 | 65.3 | N.A. | N.A. | 33,007 | 36,325 | -9.1 | 3.5 | 3.7 |
| 20 Korean Reinsurance Co. | BBB- | 837,056 | 627,277 | 33.4 | 290,356 | 216,358 | 34.2 | 75.2 | 73.5 | 23.4 | 27.2 | 38,160 | 3,738 | 921.0 | 4.1 | 0.6 |
| 21 Tokio Marine & Fire Reinsurance Group | AAA | 831,794 | 683,506 | 21.7 | 28,214,012 | 20,773,995 | 35.8 | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| 22 Overseas Partners Ltd. | N.R. | 819,683 | 908,995 | -9.8 | 2,547,383 | 2,524,669 | 0.9 | 94.0 | 54.1 | 14.9 | 13.4 | 9,402 | 320,473 | -97.1 | 0.8 | 29.6 |
| 23 Caisse Centrale de Reassurance | Api | 793,284 | 636,790 | 24.6 | 1,018,986 | 1,259,360 | -19.1 | 98.7 | 92.2 | 22.5 | 28.3 | 68,105 | 13,027 | 422.8 | 8.6 | 1.7 |
| 24 Hartford Reinsurance Co. | AA | 702,961 | 710,577 | -1.1 | 6,897,841 | 8,516,181 | -19.0 | 74.5 | 78.1 | 33.8 | 27.4 | N.A. | N.A. | N.A. | N.A. | N.A. |
| 25 QBE Insurance Group | A+ | 587,500 | 487,715 | 20.5 | 382,194 | 328,961 | 16.2 | 73.4 | 65.0 | 31.5 | 29.2 | 43,422 | 77,188 | -43.7 | 6.8 | 15.5 |
| Totals | | \$78,412,262 | \$4,547,459 | 5.2% | \$255,253,596 | \$234,033,331 | 9.1% | 80.3% | 73.0% | 27.9% | 27.8% | \$12,003,474 | \$3,825,974 | 213.7% | 5.2% | 9.4% |

Standard & Poor's has made every effort to capture reinsurance premium only for the companies included in the ranking. Adjusted shareholders' funds includes both primary and reinsurance results.

N.R.-Not rated; N.A.-Not available; N.M.-Not meaningful.

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long-term. Integrated short- and long-term
disability. And integration with health
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and productive. Which ultimately gives
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and your employees, log on to

www.cigna.com/benefits

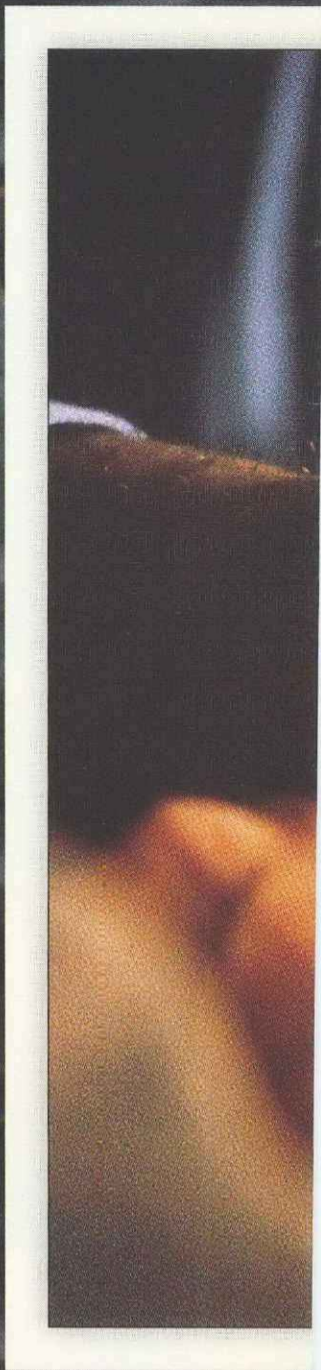


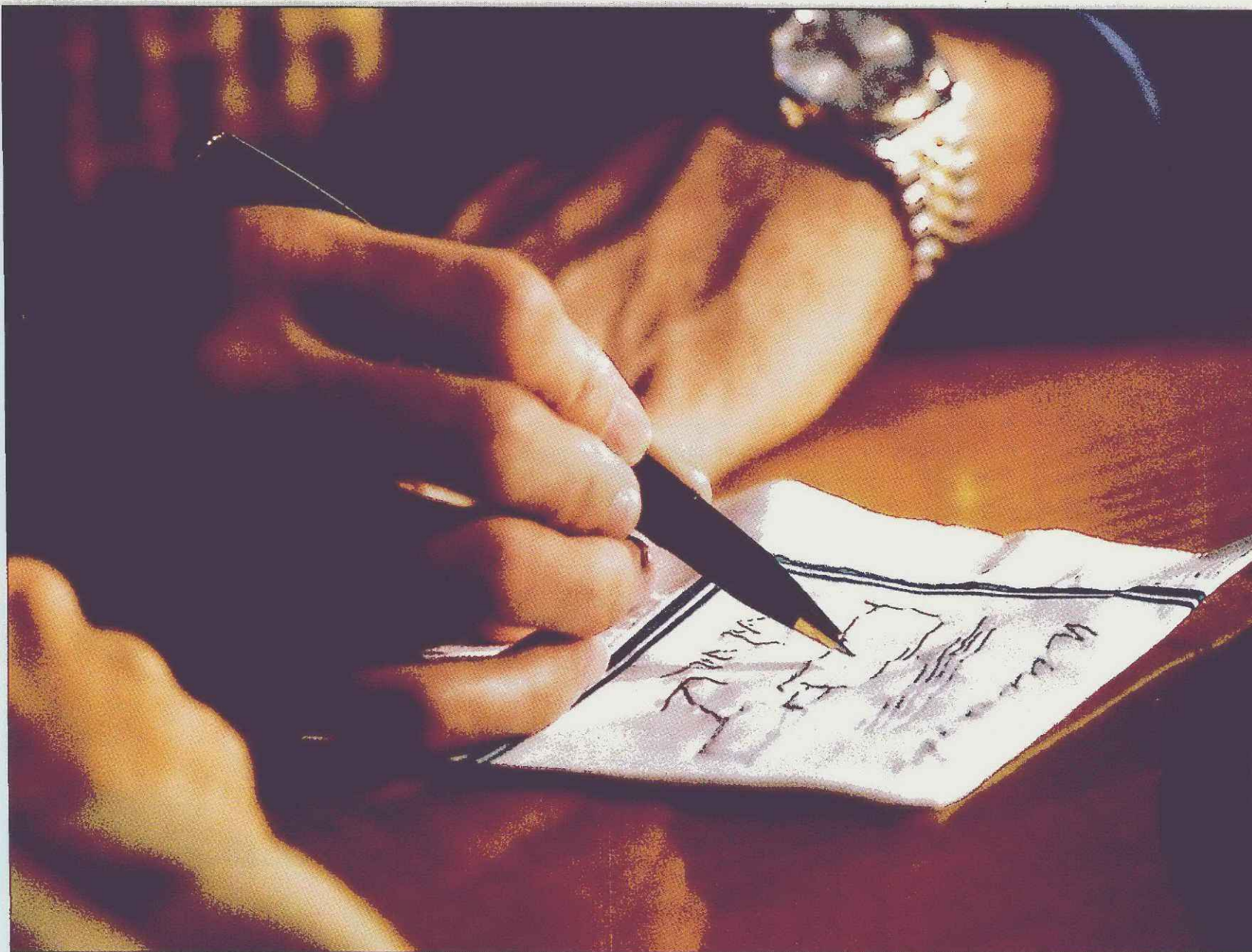
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Annual BI directory of worldwide reinsurers

A

AXA Reassurance Group

35 Rue du Colisee,
Paris, 75008 France;
33-1-56-43-3334; fax: 33-1-56-43-3086
www.axa.com

| | 1999 | 1998 |
|------------------|-----------------|-----------------|
| Premiums written | \$1,208,855,516 | \$1,225,872,500 |
| Premiums earned | \$997,953,363 | \$1,152,045,800 |
| Capital/surplus | \$6,106,108,096 | \$5,858,179,620 |
| Net income | \$106,388,436 | \$147,162,520 |
| Losses | \$940,670,401 | \$980,588,268 |
| Loss ratio | 94.3% | 85.1% |
| Expenses | \$238,810,605 | \$318,079,620 |
| Expense ratio | 24% | 27.6% |
| Combined ratio | 118.3% | 112.7% |
| Treaty | 91% | 89% |
| Facultative | 9% | 11% |
| Domestic | 1% | 2.5% |
| Life | 99% | 97.5% |
| Non-life | 6% | 9% |
| | 94% | 91% |

Founded: 1975.

Parent: AXA Reassurance S.A.
Subsidiaries: AXA Re Asia, Hong Kong; AXA Re Asia, Singapore; AXA Re Finance, Paris; AXA Re U.K., London; AXA Re U.S., New York; SPS Re, Paris.

Employees: 840.
Locations: 3 domestic, 5 foreign.
Specialties: asset based reinsurance, credit enhancement, crisis communication coverage, mortgage guarantee, niche products, program business, weather derivatives.

Officers: Jean-Marie Nessi, CEO; Jean-Pierre Benoit, chief underwriting officer; Eric Paire, executive vp-London and Paris runoff.

Contact: Robert Lippincott, executive vp-the Americas.

American Re-Insurance Co.*

555 College Road E.,
Princeton, N.J. 08543;
609-243-4200; fax: 609-243-4257
www.amre.com

| | 1999* | 1998* |
|------------------|-----------------|-----------------|
| Premiums written | \$2,821,260,576 | \$2,276,152,791 |

| | | |
|-----------------|-----------------|-----------------|
| Premiums earned | \$2,848,826,265 | \$2,288,532,352 |
| Capital/surplus | \$2,146,112,289 | \$2,507,839,481 |
| Net income | \$182,327,073 | \$319,361,211 |
| Losses | \$2,456,942,744 | \$1,561,450,146 |
| Loss ratio | 86.2% | 68.2% |
| Expenses | \$819,144,508 | \$812,163,396 |
| Expense ratio | 28.8% | 35.5% |
| Combined ratio | 115% | 103.7% |
| Treaty | 72.2% | 66% |
| Facultative | 27.8% | 34% |
| Domestic | 83.7% | 81% |
| Foreign | 16.3% | 19% |
| Non-life | 100% | 100% |

*Results provided on a statutory basis

Founded: 1917.

Parent: Munich Reinsurance Co.

Employees: 1,586.

Locations: 14 domestic, 14 foreign.

Specialties: customized, integrated treaty, facultative and finite risk reinsurance programs.

Officers: Edward Joseph Noonan, chairman/president/CEO; Robert Kyle Burgess, executive vp/general counsel/secretary; George Thomas O'Shaughnessy Jr., executive vp/CFO.

Contact: Tom Walker, senior vp; 609-243-4697.

*Information for American Re-Insurance Co. is included in the consolidated Munich Re Group listing.

B

Bavarian Re*

Sederanger 4-6,
Munich, 80538 Germany;
49-891-3844-0; fax: 49-891-3844-2273
www.bayerischerueck.com

| | 1999 | 1998 |
|------------------|-----------------|-----------------|
| Premiums written | \$1,283,429,957 | \$1,391,180,155 |
| Premiums earned | \$1,274,726,003 | \$1,410,577,725 |
| Capital/surplus | \$936,359,084 | \$1,456,799,111 |
| Net income | \$27,711,516 | \$514,182,116 |
| Losses | \$1,046,973,912 | \$1,090,165,151 |
| Loss ratio | 82.1% | 77.3% |
| Expenses | \$376,867,126 | \$445,275,134 |
| Expense ratio | 29.6% | 31.3% |
| Combined ratio | 111.7% | 108.6% |
| Treaty | 90.4% | 90.5% |
| Facultative | 9.6% | 9.1% |
| Domestic | 50.7% | 53.7% |

| | | |
|----------|-------|-------|
| Foreign | 49.3% | 46.3% |
| Life | 11.3% | 11.7% |
| Non-life | 88.7% | 88.3% |

Founded: 1911.

Parent: Swiss Re Group.
Subsidiaries: Bavarian Re Ireland, Bayerisch Ruck Norge.

Employees: 458.
Locations: 1 domestic,
Officers: Stefan Lippe, CEO.

*Information for Bavarian Re is included in the consolidated Swiss Re Group listing.

Berkshire Hathaway Reinsurance Group

100 First Stamford Place,
Stamford, Conn. 06902;
203-363-5200; fax: 203-363-5221
www.berkshirehathaway.com

| | 1999 | 1998 |
|------------------|------------------|------------------|
| Premiums written | \$2,410,000,000 | \$986,000,000 |
| Premiums earned | \$2,382,000,000 | \$939,000,000 |
| Capital/surplus | \$39,800,000,000 | \$39,600,000,000 |
| Losses | \$2,573,000,000 | \$765,000,000 |
| Loss ratio | 108% | 81.5% |
| Expenses | \$65,000,000 | \$195,000,000 |
| Expense ratio | 2.7% | 20.8% |
| Combined ratio | 110.7% | 102.3% |
| Treaty | 97% | 97% |
| Facultative | 3% | 3% |
| Domestic | 75% | 75% |
| Foreign | 25% | 25% |
| Non-life | 100% | 100% |

*Capital and surplus are reported on a statutory basis and represents the consolidated Berkshire Hathaway Insurance Group, excluding General Reinsurance Group and its affiliates; all other figures are GAAP.

Founded: 1969.

Parent: Berkshire Hathaway Inc.
Subsidiaries: Columbia Insurance Co.; National Fire & Marine Insurance Co.; National Indemnity Co.

Employees: 15.
Locations: 1 domestic, 1 foreign.
Specialties: aviation/marine, finite risk, property catastrophe, property facultative, run-off coverages.

Officers: Ajit Jain, president; Scott R. Doerr, senior vp, Brian Snover, vp.

Contact: Scott R. Doerr; 203-363-5207.

C

CCR

31 Rue de Courcelles,
Paris, 75008 France;
33-1-44-35-3100; fax: 33-1-44-35-3131

| | 1999 | 1998 |
|------------------|---------------|---------------|
| Premiums written | \$842,202,306 | \$646,214,020 |
| Premiums earned | \$814,187,154 | \$749,337,760 |
| Capital/surplus | \$633,030,827 | \$683,728,580 |
| Net income | \$25,168,396 | \$48,741,080 |
| Losses | \$723,256,347 | \$604,175,340 |
| Loss ratio | 88.8% | 81% |
| Expenses | \$189,127,884 | \$182,596,740 |
| Expense ratio | 23.2% | 24.4% |
| Combined ratio | 112% | 105.4% |
| Treaty | 93% | 94% |
| Facultative | 7% | 6% |
| Domestic | 72% | 74% |
| Foreign | 28% | 26% |
| Life | 26% | 26% |
| Non-life | 74% | 74% |

Founded: 1946.

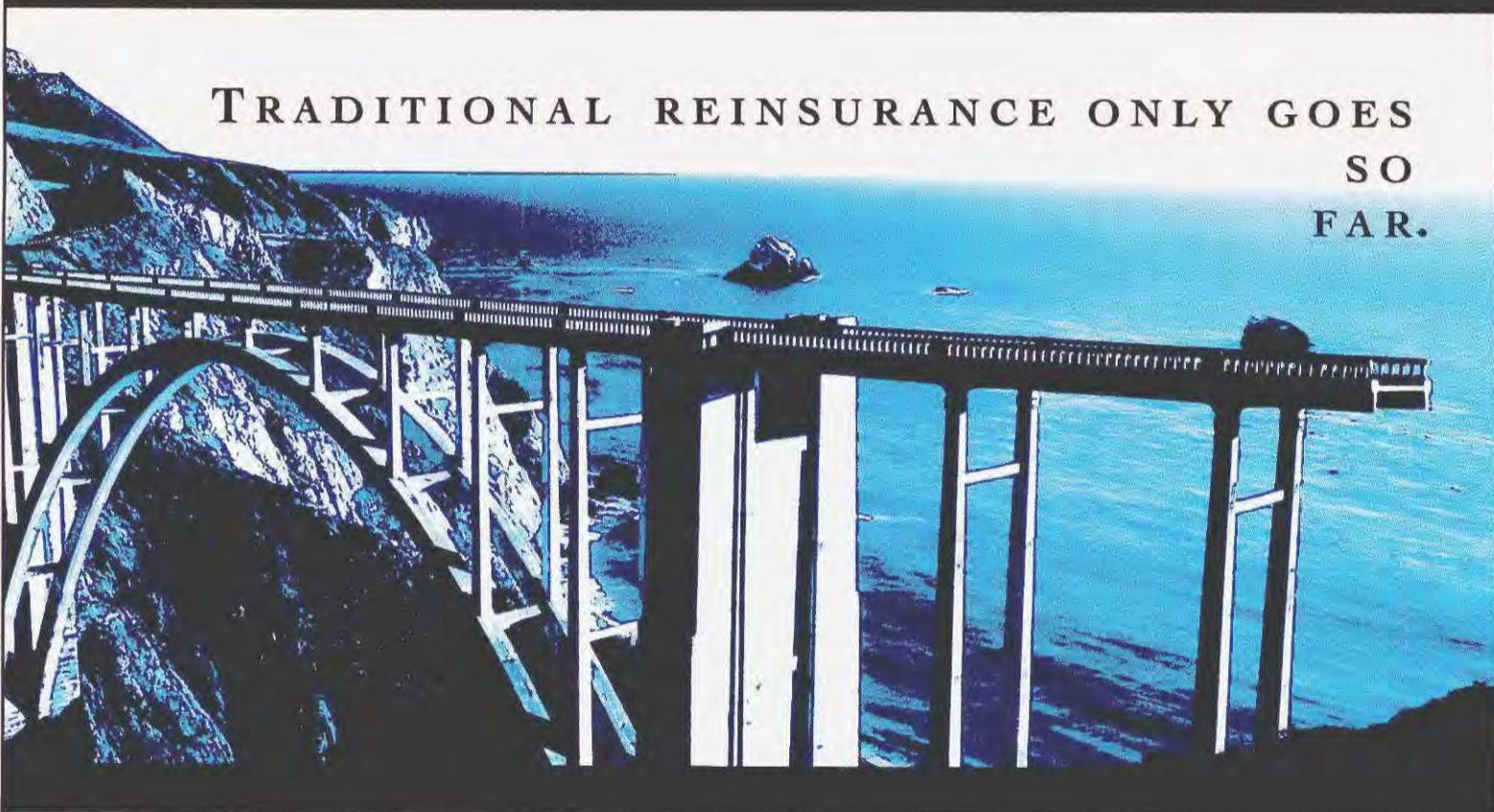
Employees: 184.

Locations: 1 domestic, 1 foreign.
Officers: Thierry Masquelier, chairman/CEO; Rene Vandamme and Jean-Paul Lasserre, executive vps.

Contact: Isabelle Delval.

Continued on page 38

TRADITIONAL REINSURANCE ONLY GOES SO FAR.



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St Paul Re

Exchange rates and conversions

All figures appearing in the directory are listed in U.S. dollars. The average exchange rates used in this report for converting various currency to dollars, and for specified fiscal-year ends, are: Australian dollar=\$0.625 (6/30/99), \$0.680 (6/30/98); British pound=\$1.618 (12/31/98), \$1.658 (12/31/99); Canadian dollar=\$0.675 (12/31/99), \$0.672 (12/31/98); Danish krone=\$0.142 (12/31/99), \$0.149 (12/31/98); euro=\$1.067 (12/31/99), \$1.180 (12/31/98); German mark=\$0.542 (12/31/99), \$0.570 (12/31/98); Italian lira=\$0.0006 (12/31/99), \$0.0006 (12/31/98); South Korean won=\$0.00086 (3/31/00), \$0.00081 (3/31/99); Japanese yen=\$0.009 (3/31/00), \$0.008 (3/31/99); Swedish krona=\$0.121 (12/31/99), \$0.126 (12/31/98); Swiss franc=\$0.662 (12/31/99), \$0.690 (12/31/98).

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Directory terms explained

The 12th annual directory of international reinsurance companies lists companies with 1999 worldwide net reinsurance premiums that exceed \$100 million in U.S. dollars. The listings are published free of charge as an editorial service.

All figures are reported in U.S. dollars using average exchange rates for each company's balance sheet fiscal year; a list of the rates used for this issue appears on page 36. Fiscal years that differ from calendar years also are noted.

Each listing begins with the company's home office address, telephone and fax numbers and World Wide Web site address. Financial information is provided for 1999 and 1998 and is based on the company's worldwide consolidated (unless otherwise noted) reinsurance operations.

Net premiums written, net premiums earned, total capital and surplus, net income, loss and loss adjustment expenses and underwriting expenses are given. In addition, loss ratios, expense ratios and combined ratios for 1999 and 1998 are listed. The loss ratio is loss and loss adjustment expenses divided by premiums earned. The expense ratio is underwriting expenses divided by premiums earned, except where noted. Combined ratio is the sum

of the loss and expense ratios.

The percentage of business written on a **treaty** basis is provided, along with the percentage written on a **facultative** basis. In addition, business is broken out by percentage written in **domestic** vs. **foreign** markets and percentage written for **life** vs. **non-life** lines.

The **year founded**, **parent company** and **major reinsurance subsidiaries** are listed after the financial information. If a company did not include results from subsidiaries in its financial information, a note to that effect follows the list of subsidiaries. The number of **employees** (in full-time equivalent for year-end 1999) and the number of **domestic** and **foreign locations** are also included. The term **domestic** refers to the country in which the company is based. A list of the risks in which a company specializes is provided under **specialties**. Names and titles of principal **officers**, as well as a **contact** person complete each listing.

Although *BI* makes every effort to publish complete and accurate information, we are not able to verify all information provided.

To obtain a questionnaire for the 2001 directory, please contact Assistant Directory Editor Michel Schwartz at 312-649-5313; mschwartz@crain.com

Continued from page 36

CNA Re

200 S. Wacker Drive,
Chicago, Ill. 60606;
☎12-876-5055; fax: 312-876-5429
www.cnare.com

| | 1999 | 1998 |
|------------------|-----------------|---------------|
| Premiums written | \$1,274,800,000 | \$908,000,000 |
| Premiums earned | \$1,176,000,000 | \$944,500,000 |
| Net income | \$8,500,000 | \$95,700,000 |
| Losses | \$998,100,000 | \$707,400,000 |
| Loss ratio | 84.9% | 74.9% |
| Expenses | \$370,900,000 | \$298,500,000 |
| Expense ratio | 31.5% | 31.6% |
| Combined ratio | 116.4% | 106.5% |
| Treaty | 91% | 95% |
| Facultative | 9% | 5% |
| Domestic | 55% | 63% |
| Foreign | 45% | 37% |
| Non-life | 100% | 100% |

Founded: 1954.

Parent: CNA Financial Corp.

Subsidiaries: CNA Reinsurance Co. Ltd., London.

Employees: 363.

Locations: 7 domestic, 6 foreign.

Officers: William J. Adamson, CEO; Henry Atzenweiler, Rory Cline, Debra McClenahan, Marcia Munn and Stephen Riley, executive vps.

Contact: Richard Mueller, senior vp/senior financial officer; 312-876-5228; richard.mueller@cna.com.

Centre Solutions (Bermuda) Ltd. & Subsidiaries

The Zurich Centre, 90 Pitts Bay Road,
Pembroke, HM 08 Bermuda;
441-295-8501; fax: 441-292-0951
www.centresolutions.com

| | 1999 | 1998 |
|------------------|-----------------|-----------------|
| Premiums written | \$374,483,000 | \$338,466,000 |
| Premiums earned | \$301,342,000 | \$272,216,000 |
| Capital/surplus | \$1,063,305,000 | \$1,196,842,000 |
| Net income | \$181,872,000 | \$177,337,000 |
| Losses | \$321,827,000 | \$328,656,000 |
| Loss ratio | 106.8% | 120.7% |
| Expenses | \$131,187,000 | \$76,420,000 |
| Expense ratio | 43.5% | 28.1 |
| Combined ratio | 150.3% | 148.8% |
| Life | 2% | 2% |
| Non-life | 98% | 98% |

Founded: 1988.

Parent: Zurich Financial Services Group.

Subsidiaries: Centre Insurance Co., U.S.;

Centre Insurance International Co. Ireland;
Centre Life Insurance Co. U.S.; Centre
Reinsurance International Co., Ireland; Centre
Reinsurance Ltd. (Bermuda), Centre Solutions
(Asia) Ltd., Hong Kong; Centre Solutions (U.S.)
Ltd., Bermuda; ZC Specialty Insurance Co. U.S.

Employees: 288.

Locations: 2 domestic, 5 foreign.

Specialties: collateralized debt obligations, health/life, project finance, property/casualty insurance and reinsurance, real estate, residual value insurance, structured asset finance.

Officers: David Wasserman, CEO; Tom Dickson, chief underwriting officer; Frank Pierson, chief technical officer.

Contact: David Wasserman; 212-898-5300.

Chubb Re

4 Essex Ave., Suite 300,
Bernardsville, N.J. 07924;
908-630-2700; fax: 908-630-2701

| | 1999 | 1998 |
|-----------------|-----------------|-----------------|
| Capital/surplus | \$2,972,312,219 | \$2,788,218,452 |
| Treaty | 100% | NA |
| Domestic | 45% | NA |
| Foreign | 55% | NA |
| Non-life | 100% | NA |

*Capital and surplus figures are those of Federal Insurance Co.

Founded: 1998.

Parent: Chubb Corp.

Employees: 22.

Locations: 1 domestic.

Officers: John Berger, president; Wayne Paglieri, Brian Hegarty, managing directors.

Contact: Brian Hegarty, 908-630-2785; brian.hegarty@chubbre.com.

Chubb Re is a management company formed in August 1988 writing in behalf of Federal Insurance Co.

Cologne Re Group

Theodor-Heuss-Ring 11,
Cologne, 50668 Germany;
49-221-9738-0; fax: 49-221-9738-494
www.gcre.com

| | 1999 | 1998 |
|------------------|-----------------|-----------------|
| Premiums written | \$3,737,701,000 | \$3,457,400,000 |
| Premiums earned | \$3,642,738,000 | \$3,464,480,000 |
| Capital/surplus | \$1,416,976,000 | \$1,322,730,000 |
| Net income | \$21,340,000 | \$36,530,000 |
| Losses | \$3,078,255,000 | \$3,017,250,000 |
| Loss ratio | 84.5% | 87.1% |
| Expenses | \$1,022,186,000 | \$1,034,850,000 |
| Expense ratio | 28.1% | 29.9% |
| Combined ratio | 112.6% | 117% |

| | | |
|-------------|-----|-----|
| Treaty | 97% | 95% |
| Facultative | 3% | 5% |
| Domestic | 23% | 29% |
| Foreign | 77% | 71% |
| Life | 49% | 43% |
| Non-life | 51% | 57% |

Founded: 1846.

Parent: Berkshire Hathaway Inc.

Subsidiaries: Cologne Holding Co. of America Inc., Stamford, Conn.; Cologne Reinsurance Co. of America, Stamford, Conn.; Cologne Reinsurance Co. Ltd., Dublin, Ireland; The Cologne Reinsurance Co. Ltd., London; Europa Re International Ltd., Dublin, Ireland; Europa Ruckversicherung A.G., Cologne, Germany; General & Cologne Life Re Australasia Ltd., Sydney, Australia; General & Cologne Re Africa Ltd., Kapstadt, Africa; General & Cologne Re of America, Stamford, Conn.; General & Cologne Life Re (Barbados) Ltd., Bridgetown, Barbados; General & Cologne Re (Bermuda) Ltd., Hamilton, Bermuda; General & Cologne Life Re U.K. Ltd., London; Gotheard Ruckversicherung A.G., Cologne, Germany; Idealife Insurance Co. of Wilmington, Wilmington, Conn.; Kolnische Ruck Wien A.G., Vienna, Austria.

Employees: 1,280.

Locations: 3 domestic, 39 foreign.

Officers: Peter Lutke-Bornfeld, chairman; Hans-Peter Gerhardt and Richard H. Hinchcliff Jr., executive directors.

Copenhagen Reinsurance Co. Ltd.

7 Midderrøden,
Copenhagen, DK-2100 Denmark;
45-35-47-4545; fax: 45-35-47-7272
www.copre.com

| | 1999 | 1998 |
|------------------|----------------|---------------|
| Premiums written | \$294,142,066 | \$265,008,420 |
| Premiums earned | \$283,621,996 | \$259,602,700 |
| Capital/surplus | \$228,504,554 | \$239,981,337 |
| Net income | (\$28,602,492) | \$3,902,608 |
| Losses | \$282,327,950 | \$228,104,100 |
| Loss ratio | 99.5% | 87.9% |
| Expenses | \$100,515,268 | \$92,812,994 |
| Expense ratio | 35.4% | 35.8% |
| Combined ratio | 134.9% | 123.7% |
| Treaty | 72% | 71% |
| Facultative | 28% | 29% |
| Domestic | 8% | 9.1% |
| Foreign | 92% | 90.9% |
| Life | 2% | 3% |
| Non-life | 98% | 97% |

Continued on page 40

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including Zurich American Insurance Company.
Certain coverages may be written on a nonadmitted basis.

Continued from page 38

Founded: 1915.
Parent: ALM Brand A/S.
Subsidiaries: The Copenhagen Reinsurance Co. Ltd., U.K. Branch, London.
Employees: 164.
Locations: 1 domestic, 8 foreign.
Specialties: engineering, financial institutions/banks.
Officers: Jan Hornsberg, CEO; Henrik Haugaard-Jensen, general manager; Robert Johnston, managing director.
Contact: Carsten Sonnichsen, area manager; carsten.sonnichsen@copre.com.



E+S Reinsurance (Ireland) Ltd.

2 Custom House Plaza IFSC, Dublin 1, Ireland; 353-1-612-5700; fax: 353-1-829-1400

| | 1999 | 1998 |
|------------------|---------------|----------------|
| Premiums written | \$149,288,238 | \$182,052,760 |
| Premiums earned | \$147,524,487 | \$178,318,060 |
| Capital/surplus | \$182,367,372 | \$217,576,660 |
| Net income | \$16,854,332 | \$16,658,060 |
| Losses | \$151,827,698 | \$242,276,720 |
| Loss ratio | 102.9% | 135.9% |
| Expenses | \$9,069,500 | (\$45,396,960) |
| Expense ratio | 6.1% | [25.5%] |
| Combined ratio | 109% | 110.4% |
| Treaty | 100% | 100% |
| Foreign | 100% | 100% |
| Non-life | 100% | 100% |

Founded: 1992.
Parent: E+S Ruckversicherungs-A.G.
Employees: 11.
Locations: 1 domestic.
Specialties: financial reinsurance.
Officers: Reinhard Elers, managing director.

E+S Rueck

Karl-Wiechert-Allee 50, Hannover, 30625 Germany; 49-511-5604-0; fax: 49-511-5604-1188 www.es-rueck.de

| | 1999* | 1998* |
|------------------|---------------|---------------|
| Premiums written | \$772,131,349 | \$878,565,460 |
| Premiums earned | \$775,741,010 | \$872,482,560 |
| Capital/surplus | \$476,681,183 | \$492,591,000 |

| | | |
|----------------|---------------|---------------|
| Net income | \$10,456,601 | N/A |
| Losses | \$610,737,995 | \$616,856,800 |
| Loss ratio | 78.7% | 70.7% |
| Expenses | \$211,829,376 | \$263,525,400 |
| Expense ratio | 27.3% | 30.2% |
| Combined ratio | 106% | 103.9% |
| Treaty | 97% | 98% |
| Facultative | 3% | 2% |
| Domestic | 70% | 70% |
| Foreign | 30% | 30% |
| Life | 15% | 18% |
| Non-life | 85% | 82% |

*German GAAP accounting

Founded: 1923.
Parent: Hannover Re.
Subsidiaries: E+S Reinsurance (Ireland), Dublin, Ireland; Hannover Life Re of Australasia Ltd., Sydney, Australia.

Employees: 207.
Locations: 1 domestic, 2 foreign.
Specialties: aviation/marina, commercial liability business, credit, financial reinsurance, life/health, motor business, special product partnerships in life/health, surety/fidelity.
Officers: Wilhelm Zeller, chairman; Udo Schubach, deputy chairman.
Information for E+S Rueck and its subsidiaries is included in the consolidated Hannover Re Group listing.

Employers Reinsurance Group

5200 Metcalf, P.O. Box 2991, Overland Park, Kan. 66207; 913-276-5200; fax: 913-676-5380 www.ercgroup.com

| | 1999 | 1998 |
|------------------|-----------------|-----------------|
| Premiums written | \$7,147,000,000 | \$5,984,000,000 |
| Premiums earned | \$6,896,000,000 | \$5,635,000,000 |
| Capital/surplus | \$5,575,000,000 | \$6,020,000,000 |
| Net income | \$720,000,000 | \$779,000,000 |
| Losses | \$5,385,000,000 | \$4,103,000,000 |
| Loss ratio | 73.1% | 69.7% |
| Expenses | \$2,357,000,000 | \$1,801,000,000 |
| Expense ratio | 34.2% | 32.2% |
| Combined ratio | 112.3% | 101.9% |
| Domestic | 58.6% | 55.9% |
| Foreign | 41.4% | 44.1% |
| Life | 23.7% | 27.1% |
| Non-life | 76.3% | 72.9% |

Founded: 1914.
Parent: General Electric Co.
Subsidiaries: Core Insurance Group; ERC Frankona Reassurance Ltd.; ERC Frankona Reinsurance A/S; ERC Frankona Reinsurance

Ltd. ERC Frankona Ruckversicherungs-Aktien-Gesellschaft; ERC Life Reinsurance Corp.; Eagle Star Reinsurance Co. Ltd.; Employers Reinsurance Corp.; Irish European Reinsurance Co. Ltd.; GE Reinsurance Corp.; Industrial Risk Insurers; Luxembourg European Reinsurance S.A.; Kemper Reinsurance London Ltd.; Kemper Reinsurance (Bermuda) Ltd.; Westport Insurance Corp.

Employees: 4,094.
Locations: 19 domestic, 26 foreign.
Officers: Ronald R. Pressman, CEO; Marc A. Meiches, CFO; John M. Connelly, senior vp/global chief legal officer.
Contact: Dean Davison, public relations and communications; dean.davison@ercgroup.com.

Everest Re

c/o ABG Financial & Management Services Inc. Parker House, Wildey Business, Wildey Road, St. Michael, Barbados; 908-604-3000; fax: 908-604-3412 www.everestregroup.com

| | 1999 | 1998 |
|------------------|-----------------|-----------------|
| Premiums written | \$1,095,569,000 | \$1,016,599,900 |
| Premiums earned | \$1,071,451,000 | \$1,068,010,000 |
| Capital/surplus | \$1,327,482,000 | \$1,479,204,000 |
| Net income | \$158,061,000 | \$165,197,000 |
| Losses | \$771,570,000 | \$778,404,000 |
| Loss ratio | 72% | 72.9% |
| Expenses | \$337,018,000 | \$324,120,000 |
| Expense ratio | 31.5% | 30.3% |
| Combined ratio | 103.5% | 103.2% |
| Treaty | 94.3% | 93.2% |
| Facultative | 5.7% | 6.8% |
| Domestic | 73% | 70% |
| Foreign | 27% | 30% |
| Non-life | 100% | 100% |

Founded: 1973.
Parent: Everest Reinsurance Holdings Inc.
Subsidiaries: Everest Indemnity Insurance Co., Liberty Corner, N.J.; Everest National Insurance Co., Liberty Corner, N.J.; Everest Insurance Co. of Canada, Toronto.

Employees: 384.
Locations: 6 domestic, 7 foreign.
Officers: Joseph V. Taranto, chairman/CEO; Thomas J. Gallagher, president/COO; Stephen L. Limauro, senior vp/CFO.
Contact: Janet J. Burak, senior vp/general counsel/secretary-Everest Reinsurance Co.; 908-604-3170.



Folsamerica Reinsurance Co.

1 Liberty Plaza, 19th Floor, New York, N.Y. 10006; 212-312-2500; fax: 212-385-2279 www.folsamerica.com

| | 1999 | 1998 |
|------------------|---------------|---------------|
| Premiums written | \$214,552,000 | \$212,559,000 |
| Premiums earned | \$210,991,000 | \$238,075,000 |
| Capital/surplus | \$338,472,000 | \$328,501,000 |
| Net income | \$48,604,000 | \$33,875,000 |
| Losses | \$166,050,000 | \$170,226,000 |
| Loss ratio | 78.7% | 71.5% |
| Expenses | \$72,775,000 | \$77,525,000 |
| Expense ratio | 34.5% | 32.6% |
| Combined ratio | 113.2% | 104.1% |
| Treaty | 96% | 98% |
| Facultative | 4% | 2% |
| Domestic | 85% | 91% |
| Foreign | 15% | 9% |
| Non-life | 100% | 100% |

*Figures reported on a statutory basis.

Founded: 1979.
Parent: White Mountains Insurance Group Ltd.
Employees: 117.
Locations: 3 domestic, 1 foreign.
Specialties: property/casualty.
Officers: Steven E. Fass, president/CEO; Michael E. Tyburski, executive vp/CFO; Robert F. McGoldrick, executive vp-underwriting.
Contact: Michael E. Tyburski; 212-312-2503.



GeneralCologne Re

695 E. Main St., Financial Centre, Stamford, Conn. 06904-6423; 203-328-5601; fax: 203-328-5061 www.gcre.com

| | 1999 | 1998 |
|------------------|-----------------|-----------------|
| Premiums written | \$7,043,000,000 | \$6,083,000,000 |
| Premiums earned | \$6,905,000,000 | \$6,095,000,000 |
| Capital/surplus | \$7,710,000,000 | \$8,591,000,000 |
| Net income | \$323,000,000 | \$2,317,000,000 |
| Losses | \$6,022,000,000 | \$4,607,000,000 |
| Loss ratio | 87.2% | 75.6% |
| Expenses | \$2,068,000,000 | \$1,896,000,000 |

| | | |
|----------------|--------|--------|
| Expense ratio | 29.9% | 31.1% |
| Combined ratio | 117.1% | 106.7% |
| Domestic | 53% | 54% |
| Foreign | 47% | 46% |
| Life | 25% | 21% |
| Non-life | 75% | 79% |

Founded: 1921.
Parent: Berkshire Hathaway Inc.
Subsidiaries: Cologne Reinsurance Co.; General & Cologne Reinsurance Australasia Ltd.; General & Cologne Re Compania de Reaseguros S.A.; General Re Europe Ltd., General Reinsurance Corp.; General Star Indemnity; General Star National, National Reinsurance Corp.; Genesis Insurance, Genesis Indemnity Insurance; National Reinsurance Corp.

Employees: 3,521.
Locations: 32 domestic, 39 foreign.
Officers: Ronald E. Ferguson, chairman/president/CEO; Joseph P. Brandon, Peter Lurke-Bornefeld, Hans-Peter Gerhardt, Tom N. Kellogg, Franklin Montross IV, executive vps.

Assicurazioni Generali S.p.A.

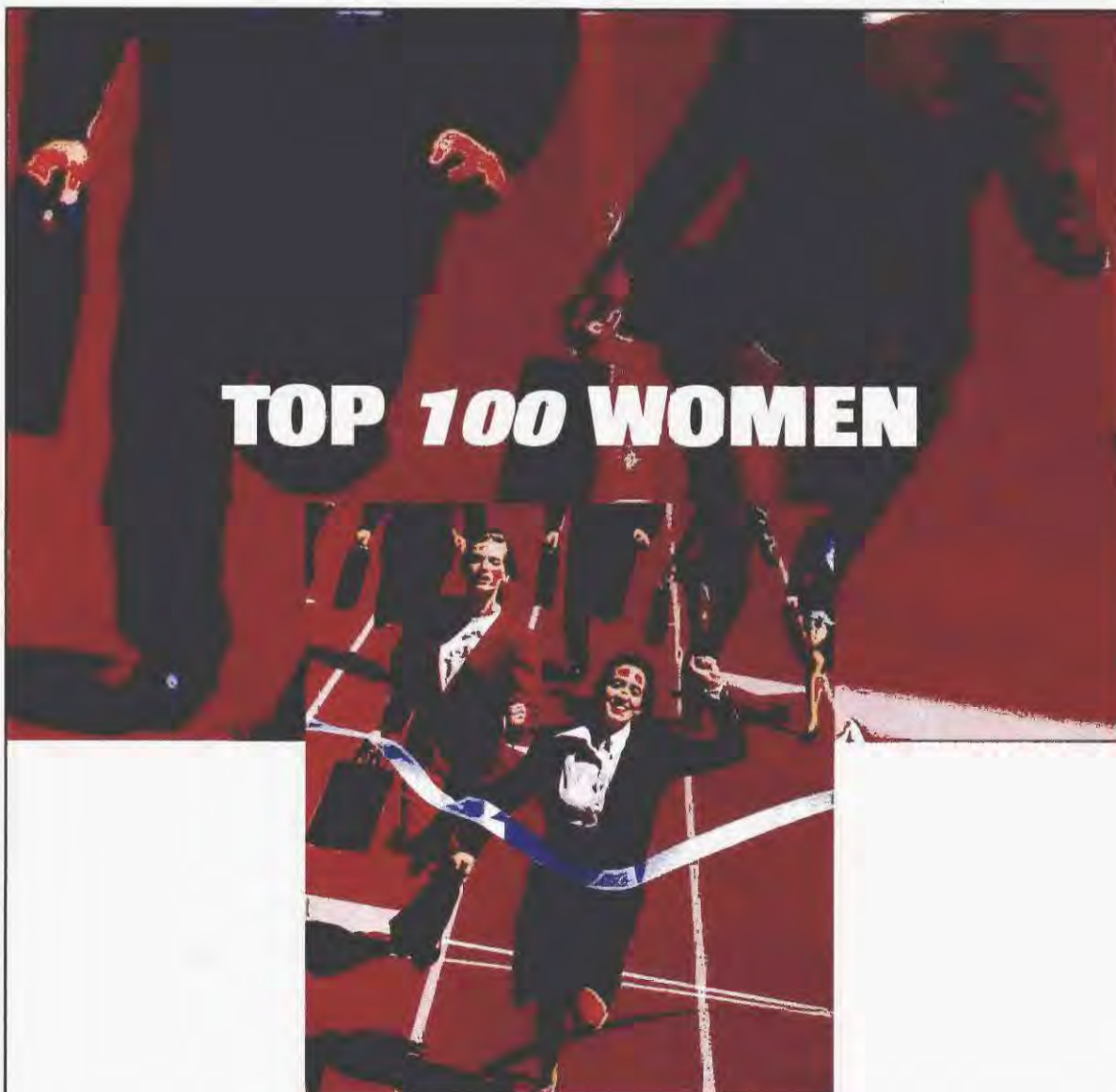
Piazza Duca Degli Abruzzi 2, Trieste, 34132 Italy; 39-040-67-1111; fax: 39-040-67-1600 www.generali.com

| | 1999 | 1998 |
|------------------|-----------------|-----------------|
| Premiums written | \$4,073,047,800 | \$4,298,515,200 |
| Premiums earned | \$4,128,081,000 | \$4,309,575,600 |
| Capital/surplus | \$8,307,196,200 | \$7,873,039,800 |
| Net income | \$950,815,800 | \$1,038,969,000 |
| Losses | \$2,759,689,800 | \$2,650,550,400 |
| Loss ratio | 66.9% | 61.5% |
| Expenses | \$1,158,217,800 | \$1,148,092,200 |
| Expense ratio | 28.1% | 26.6% |
| Combined ratio | 95% | 88.1% |
| Treaty | 96.6% | 98.6% |
| Facultative | 3.4% | 1.4% |
| Domestic | 16.1% | 17.4% |
| Foreign | 83.9% | 82.6% |
| Life | 49.2% | 54.3% |
| Non-life | 50.8% | 45.7% |

Founded: 1831.
Contact: Alessandro Moro.

Continued on page 42

BI's annual directory of worldwide reinsurers begins on page 36.



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Continued from page 40

Gerling Global Reinsurance Group

D-50670 Cologne, Gereonshof, Cologne, Germany; 49-221-144-1; fax: 49-221-744-4665 www.gerling.de

| | 1999 | 1998 |
|------------------|-----------------|-----------------|
| Premiums written | \$4,160,684,138 | \$3,112,658,350 |
| Premiums earned | \$3,955,836,322 | \$3,096,563,190 |
| Capital/surplus | \$1,503,330,224 | \$1,469,004,570 |
| Net income | \$15,090,364 | \$130,220,490 |
| Losses | \$3,442,631,156 | \$2,601,573,620 |
| Loss ratio | 87% | 84% |
| Expenses | \$1,004,068,550 | \$733,526,160 |
| Expense ratio | 25.4% | 23.7% |
| Combined ratio | 112.4% | 107.7% |
| Domestic | 28.3% | 39.6% |
| Foreign | 77.7% | 60.4% |
| Life | 19.5% | 23% |
| Non-life | 80.5% | 77% |

Founded: 1954.
Parent: Gerling-Konzern Versicherungs-Beteiligungs A.G.

Subsidiaries: Gerling-Konzern Globale Ruckversicherungs-A.G., Cologne; Gerling Global General and Reinsurance Co. Ltd., London; Gerling Global Sweden Reinsurance Co. Ltd., Stockholm, Sweden; Gerling Global Life Reinsurance Co., Los Angeles; Constitution Reinsurance Corp., New York; Gerling Global Life

Insurance Co., Toronto; Gerling Global Life Reinsurance International Co. Ltd., Bridgetown, Barbados; Gerling Global Reinsurance Co. of Australia Pty. Ltd., Sydney, Australia; Gerling Global Life Reinsurance Co. of Australia Pty. Ltd., Sydney, Australia; Gerling Global Financial Products Inc., New York; Gerling Global Life Reassurance Co. (U.K.) Ltd., London; Gerling Globale Ruckversicherung A.G., Zug; Gerling Global Reinsurance Corp. of America, New York; Gerling Global Reinsurance Co., Toronto; Gerling Global International Reinsurance Co. Ltd., Bridgetown, Barbados; Rex Re Insurance Ltd., Hamilton, Bermuda; Gerling Global Reinsurance Co. of South Africa Ltd., Johannesburg, South Africa; Gerling Security Ruckversicherungs-Gesellschaft S.A., Luxembourg.

Employees: 1,011.
Locations: 1 domestic, 31 foreign.
Officers: Noubert Strohschen, chairman; Klaus Bultmann, Uwe Eyrer, Gerhard Niebuhr, executive board members.
Contact: Charles D. Troiano, president-Gerling Global Reinsurance Corp. of America; 212-754-7500.

Terms used in this directory are defined on page 38. The directory begins on page 36.

HDI Reinsurance (Ireland) Ltd.

2 Custom House Plaza IFSC, Dublin 1, Ireland; 353-1-612-5700; fax: 353-1-829-1400

| | 1999 | 1998 |
|------------------|---------------|---------------|
| Premiums written | \$214,602,509 | \$177,099,120 |
| Premiums earned | \$214,808,440 | \$173,496,580 |
| Capital/surplus | \$194,307,102 | \$217,576,660 |
| Net income | \$26,236,463 | \$29,779,660 |
| Losses | \$172,038,812 | \$133,161,820 |
| Loss ratio | 80.1% | 76.8% |
| Expenses | \$39,484,335 | \$42,738,420 |
| Expense ratio | 18.4% | 24.6% |
| Combined ratio | 98.5% | 101.4% |
| Treaty | 100% | 100% |
| Foreign | 100% | 100% |
| Non-life | 100% | 100% |

Founded: 1992.
Parent: HDI Haftpflichtverband der Deutschen Industrie V.a.G.
Employees: 11.
Locations: 1 domestic.
Specialties: financial reinsurance.
Officers: Reinhard Elers, managing director. Information for HDI Reinsurance (Ireland) Ltd. is included in Hannover Re Group listing.

Hannover Re

Karl-Wiechert-Allee 50, Hannover, 30625 Germany; 49-511-5604-0; fax: 49-511-5604-1188 www.hannover-re.com

| | 1999* | 1998* |
|-------------------|-----------------|-----------------|
| Premiums written | \$2,349,904,249 | \$2,240,093,120 |
| Premiums earned | \$2,365,035,376 | \$2,189,890,020 |
| Capital/surplus** | \$1,283,559,387 | \$1,298,997,100 |
| Net income | \$53,670,100 | \$56,411,080 |
| Losses | \$1,752,419,460 | \$1,434,170,820 |
| Loss ratio | 74.1% | 65.5% |
| Expenses | \$656,250,881 | \$681,780,400 |
| Expense ratio | 27.7% | 31.1% |
| Combined ratio | 101.8% | 96.6% |
| Treaty | 95% | 95% |
| Facultative | 5% | 5% |
| Domestic | 18% | 21% |
| Foreign | 82% | 79% |
| Life | 28% | 27% |
| Non-life | 72% | 73% |

*Figures using German GAAP accounting **Including share capital subscription receivable and surplus debenture.

Founded: 1966.
Parent: HDI Haftpflichtverband der Deutschen Industrie V.a.G.
Subsidiaries: Clarendon Insurance Group Inc., Wilmington, Del.; E+S Ruckversicherungs-A.G., Hannover, Germany; Hannover Life Re of Australasia Ltd., Sydney, Australia; Hannover Re Sweden Insurance Co. Ltd., Stockholm, Sweden; Hannover Life Reinsurance Africa

Ltd., Johannesburg, South Africa; Hannover Reinsurance Africa Ltd., Johannesburg, South Africa; Hannover Life Reassurance Co. of America, Orlando, Fla.; Hannover Reinsurance (Ireland) Ltd., Dublin, Ireland; Hannover Life Reassurance (Ireland) Ltd., Dublin, Ireland; Hannover Life Reassurance (UK) Ltd., Virginia Water, United Kingdom; Insurance Corp. of Hannover, Chicago; Insurance International Corp. of Hannover, London.

Employees: 489.
Locations: 1 domestic, 19 foreign.
Specialties: property super cat XL layers, professional liability, surety/fidelity, aviation/marine, credit business, life/health business financial reinsurance, alternative risk financing/securitization, program business.
Officers: Wilhelm Zeller, chairman; Andreas-Peter Hecker, deputy chairman.
Contact: Denis Burk, vp-U.S. Representative Office; 847-310-3852.

The results of the subsidiaries are not included in the above mentioned Hannover Re figures, but they are consolidated in the Hannover Re Group figures.

Hannover Re Group

Karl-Wiechert-Allee 50, Hannover, 30625 Germany; 49-511-5604-0; fax: 49-511-5604-1188 www.hannover-re.com

| | 1999* | 1998 |
|------------------|-----------------|-----------------|
| Premiums written | \$4,433,138,523 | \$4,270,574,580 |
| Premiums earned | \$4,460,004,516 | \$4,187,460,100 |
| Capital/surplus | \$1,318,523,910 | \$1,324,385,980 |
| Net income | \$215,063,243 | \$202,306,640 |
| Losses | \$3,171,773,803 | \$3,098,935,700 |
| Loss ratio | 71.1% | 74% |
| Expenses | \$1,189,919,467 | \$1,213,784,580 |
| Expense ratio | 26.7% | 29% |
| Combined ratio | 97.8% | 103% |
| Treaty | 95% | 95% |
| Facultative | 5% | 5% |
| Domestic | 20% | 31% |
| Foreign | 80% | 69% |
| Life | 33% | 31% |
| Non-life | 67% | 69% |

*Figures using U.S. GAAP accounting.

Parent: HDI Haftpflichtverband der Deutschen Industrie V.a.G.

Subsidiaries: Clarendon Insurance Group Inc., Wilmington, Del.; E+S Ruckversicherungs-A.G., Hannover, Germany; Hannover Life Re of Australasia Ltd., Sydney, Australia; Hannover Re Sweden Insurance Co. Ltd., Stockholm, Sweden; Hannover Life Reinsurance Africa Ltd., Johannesburg, South Africa; Hannover Reinsurance Africa Ltd., Johannesburg, South Africa; Hannover Life Reinsurance of America, Orlando, Fla.; E+S Reinsurance (Ireland) Ltd., Dublin, Ireland; Hannover Life Reassurance (Ireland) Ltd., Dublin, Ireland; Hannover Life Reassurance (UK) Ltd., Virginia Water, United Kingdom; Insurance Corp. of Hannover, Chicago; Insurance International Corp. of Hannover, London.

Employees: 1,518.
Locations: 1 domestic, 19 foreign.
Specialties: property super cat XL layers, professional liability, surety/fidelity, aviation/marine, credit business, life/health business financial reinsurance, alternative risk financing/securitization, program business.
Officers: Wilhelm Zeller, chairman; Andreas-Peter Hecker, deputy chairman.
Contact: Denis Burk, vp-U.S. Representative Office; 847-310-3852.

Hannover Reinsurance (Ireland) Ltd.

2 Custom House Plaza IFSC, Dublin, 1 Ireland; 353-1-612-5700; fax: 353-1-829-1400

| | 1999 | 1998 |
|------------------|---------------|---------------|
| Premiums written | \$352,117,469 | \$250,503,380 |
| Premiums earned | \$346,102,790 | \$236,227,740 |
| Capital/surplus | \$193,957,126 | \$217,576,660 |
| Net income | \$42,702,407 | \$30,572,620 |
| Losses | \$227,105,615 | \$193,655,700 |
| Loss ratio | 65.6% | 82% |
| Expenses | \$139,676,702 | \$65,300,020 |
| Expense ratio | 40.4% | 27.6% |
| Combined ratio | 106% | 109.6% |
| Treaty | 100% | 100% |
| Foreign | 100% | 100% |
| Non-life | 100% | 100% |

Founded: 1992.
Parent: Hannover Ruckversicherungs-A.G.
Specialties: financial reinsurance.
Officers: Reinhard Elers, managing director.

HartRe Co. L.L.C.

55 Farmington Ave., Suite 800, Hartford, Conn. 06105; 860-520-2700; fax: 800-520-2726 www.thehartford.com

| | 1999 | 1998 |
|------------------|---------------|---------------|
| Premiums written | \$702,961,000 | \$710,577,000 |
| Premiums earned | \$681,422,000 | \$715,721,000 |
| Losses | \$507,416,000 | \$559,319,000 |
| Loss ratio | 74.5% | 78.1% |
| Expenses | \$230,061,000 | \$196,101,000 |
| Expense ratio | 33.8% | 27.4% |
| Combined ratio | 108.3% | 105.5% |
| Treaty | 98.2% | 98.4% |
| Facultative | 1.8% | 1.6% |
| Domestic | 79.7% | 69.3% |
| Foreign | 20.3% | 30.7% |
| Non-life | 100% | 100% |

Founded: 1982.

Parent: The Hartford Financial Services Group Inc.

Employees: 200.
Locations: 5 domestic, 7 foreign.
Specialties: alternative risk transfers, non-standard auto, professional liability.
Officers: David Robb, chairman; Dennis Zettervall, CEO; John Sullivan, president/COO-North America.
Contact: Dennis Zettervall; Sue Honeyman, 860-547-4976.

IPCRe Ltd.

American International Building, 29 Richmond Road, Pembroke, HM 08 Bermuda; 441-298-5100; fax: 441-292-8085 www.ipcre.bm

| | 1999 | 1998 |
|------------------|---------------|---------------|
| Premiums written | \$93,346,000 | \$111,265,000 |
| Premiums earned | \$94,967,000 | \$120,125,000 |
| Capital/surplus | \$506,221,000 | \$566,708,000 |
| Net income | \$3,892,000 | \$68,530,000 |
| Losses | \$129,362,000 | \$61,459,000 |
| Loss ratio | 136.2% | 51.2% |
| Expenses | \$21,940,000 | \$26,824,000 |
| Expense ratio | 23.1% | 22.3% |
| Combined ratio | 159.3% | 73.5% |
| Treaty | 100% | 100% |
| Foreign | 100% | 100% |
| Non-life | 100% | 100% |

Founded: 1993.
Parent: IPC Holdings Ltd.
Subsidiaries: IPCRe Europe Ltd., Dublin, Ireland.

Employees: 18.
Locations: 1 domestic, 1 foreign.
Specialties: property catastrophe reinsurance, excess of loss basis.
Officers: James P. Bryce, president/CEO; Peter Cozens, vp-underwriting (international); Stephen Fallon, vp-underwriting (North America).

Korean Re

80 Susong-Dong, Chongno-Gu, Seoul, South Korea; 82-2-3702-6000; fax: 82-2-3702-6401 www.koreanre.co.kr

| | 1999 | 1998 |
|------------------|---------------|---------------|
| Premiums written | \$797,253,540 | \$623,431,890 |
| Premiums earned | \$781,414,060 | \$642,185,010 |
| Capital/surplus | \$276,549,340 | \$215,031,510 |
| Net income | \$25,653,800 | \$2,985,660 |
| Losses | \$587,877,080 | \$472,122,270 |
| Loss ratio | 75.2% | 73.5% |
| Expenses | \$186,175,380 | \$169,862,670 |
| Expense ratio | 23.8% | 26.5% |
| Combined ratio | 99% | 100% |
| Domestic | 95.1% | 94.3% |
| Foreign | 4.9% | 5.7% |
| Life | 15.1% | 17% |
| Non-life | 84.9% | 83% |

Fiscal years ending 9/30/00 and 9/30/99.

Founded: 1963.
Employees: 197.
Locations: 1 domestic, 1 foreign.
Specialties: life reinsurance.
Officers: Jong-won Park, chairman/president; Sung-Mo Yang, vice chairman/executive vp; Kyung-Duk Min, Chang-Jin Kim, managing directors.
Contact: J.G. Won, chief representative-Korean Re New York Office; 212-233-3252; newyork@koreanre.co.kr.

LaSalle Re Holdings Ltd.

25 Church St., Hamilton, HM 12 Bermuda; 441-292-3339; fax: 441-292-2656 www.lasallere.com

| | 1999 | 1998 |
|------------------|---------------|---------------|
| Premiums written | \$110,800,000 | \$147,500,000 |
| Premiums earned | \$126,600,000 | \$154,600,000 |
| Capital/surplus* | \$446,900,000 | \$506,000,000 |
| Net income | (\$5,700,000) | \$65,200,000 |
| Losses | \$131,100,000 | \$95,500,000 |
| Loss ratio | 103.6% | 61.8% |
| Expenses** | \$22,200,000 | \$22,700,000 |
| Expense ratio | 17.5% | 14.7% |
| Combined ratio | 121.1% | 76.5% |
| Treaty | 100% | 100% |
| Domestic | 53% | 48% |
| Foreign | 47% | 52% |
| Non-life | 100% | 100% |

Fiscal years ending 9/30/99 and 9/30/98.

* Capital and surplus figures are for the operating subsidiary LaSalle Re Ltd. ** All underwriting occurs in Bermuda.

Founded: 1993.
Employees: 32.
Locations: 1 domestic, 1 foreign.
Specialties: property catastrophe.
Officers: Guy D. Hengesbaugh, president

Continued on page 4

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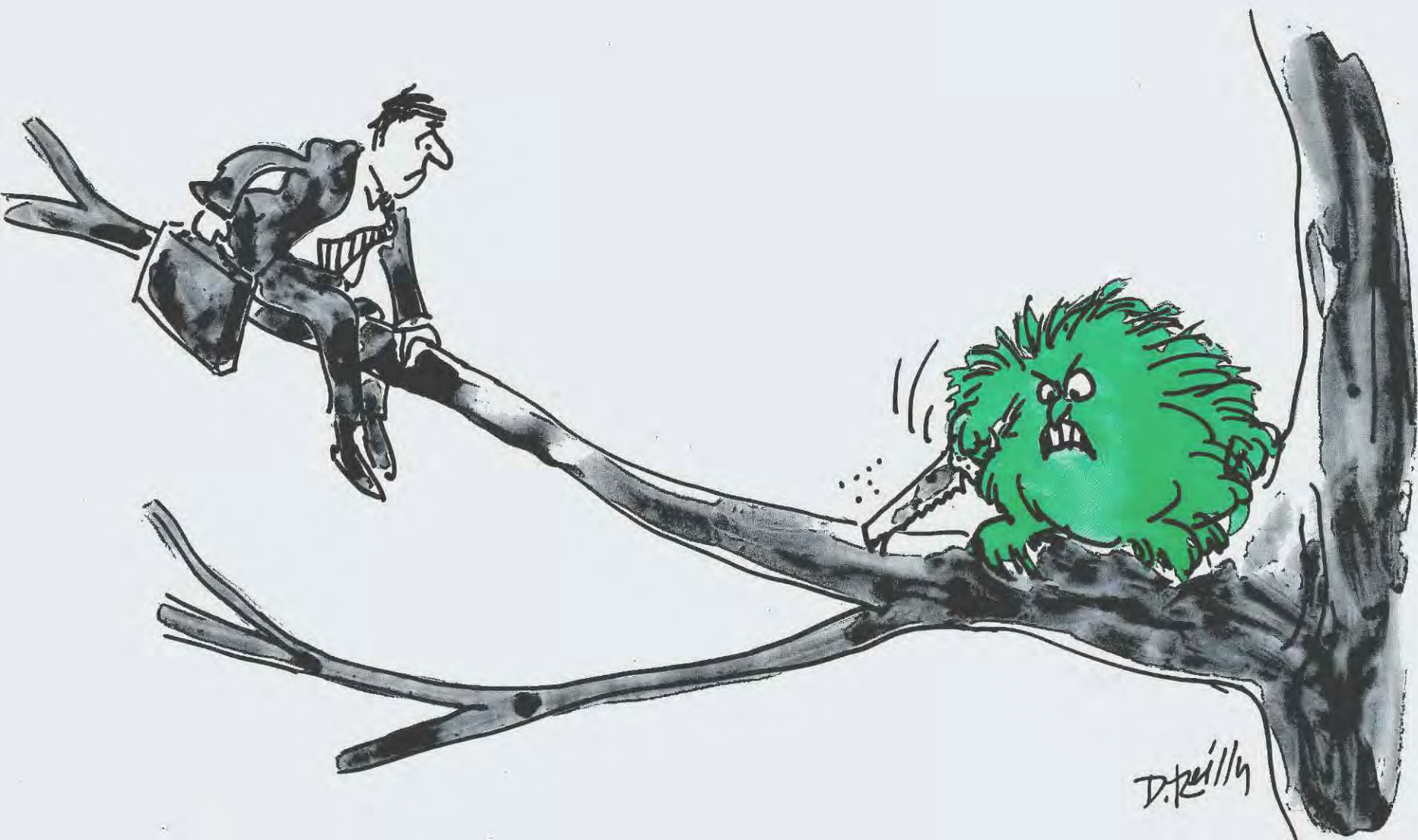
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Continued from page 42

CEO; Mark C. Stockton, senior vp/chief underwriting officer; Clare E. Moran, senior vp/ treasurer/interim CFO.

Lincoln Re

1 Reinsurance Place, 1700 Magnavox Way, Fort Wayne, Ind. 46804; 219-455-3211; fax: 219-455-9032 www.lincolnre.com

| | | |
|------------------|-----------------|-----------------|
| | 1999 | 1998 |
| Premiums written | \$1,425,000,000 | \$1,210,000,000 |
| Premiums earned | \$1,435,400,000 | \$1,220,600,000 |
| Capital/surplus | \$997,800,000 | \$628,900,000 |
| Net income | \$33,700,000 | \$102,200,000 |
| Treaty | 93% | 93% |
| Facultative | 7% | 7% |
| Domestic | 86.9% | 84.7% |
| Foreign | 13.1% | 15.3% |
| Life | 100% | 100% |

Founded: 1912.
Parent: Lincoln National Corp.
Subsidiaries: The Lincoln National Life Insurance Co.; Lincoln National Health & Casualty Co.; Lincoln National Reinsurance Co.; Lincoln National Reinsurance Co. (Barbados); Lincoln National Reinsurance Co. (Bermuda); Old Fort Bermuda; Solutions Reinsurance Ltd. (Bermuda).

Employees: 920.
Locations: 14 domestic, 11 foreign.
Specialties: employer stop-loss reinsurance, global reinsurance, health and life reinsurance.
Officers: Lawrence Thomas Rowland, president; William King Tyler, senior vp; Kenneth James Clark, senior vp-financial reinsurance.
Contact: James C. Weide, assistant vp-strategic planning and knowledge management; 219-455-3186.

Lloyd's of London

1 Lime St., London, EC3M 7HA England; 44-207-327-1000; fax: 44-207-626-2389 www.lloyds.com

| | | |
|------------------|-----------------|-----------------|
| | 1999 | 1998 |
| Premiums written | \$3,811,216,798 | \$3,553,094,000 |
| Domestic | 15.7% | 17.2% |
| Foreign | 84.3% | 82.8% |
| Non-life | 100% | 100% |

Founded: 1688.
Officers: Max Taylor, chairman; Nick Prettejohn, CEO.
Contact: Winifred A. Baker, president/director of distribution and development-North America unit; 590 Fifth Ave., 17th Floor, New York, N.Y. 10036; 212-382-4060, fax: 212-382-4070.

London Reinsurance Group

1 London Place, 255 Queens Ave., Suite 303, London, Ontario N6A 5R8 Canada; 519-435-7232; fax: 519-435-7230 www.lrg.com

| | | |
|------------------|-----------------|-----------------|
| | 1999 | 1998 |
| Premiums written | \$1,365,525,000 | \$1,778,112,000 |
| Premiums earned | \$1,297,350,000 | \$1,780,800,000 |
| Capital/surplus | \$471,150,000 | \$477,792,000 |
| Net income | \$47,925,000 | \$47,712,000 |
| Foreign | 100% | 100% |
| Life | 57% | 73% |
| Non-life | 43% | 27% |

Founded: 1991.
Parent: Great-West Lifeco Inc.
Subsidiaries: London Life & Casualty Reinsurance Corp., St. Michael, Barbados; London Life & General Reinsurance Co. Ltd., Dublin, Ireland; London Life International Reinsurance Corp., St. Michael, Barbados; London Life Reinsurance Co., Blue Bell, Pa.; Shippan International Insurance Co. Ltd., St. Michael, Barbados.
Employees: 72.
Locations: 1 domestic, 3 foreign.
Specialties: life, property/casualty, accident/health, annuity.
Officers: R. Thomas M. Allan, chairman/CEO; John F. Cartwright, executive vp-international reinsurance; Glenn A. Hickling, vp/CFO.
Contact: Monica Halner, president-London Life Reinsurance Co.; 212-542-7200.

M

Munich Re Group

Koeniginstrasse 107, Munich, 80802 Germany; 49-89-3891-0; fax: 49-89-399056 www.munichre.com

| | | |
|------------------|------------------|------------------|
| | 1999 | 1998 |
| Premiums written | \$14,402,366,000 | \$14,863,280,000 |
| Premiums earned | \$14,390,629,000 | \$14,884,520,000 |
| Capital/surplus | \$19,690,418,000 | \$19,073,520,000 |
| Net income | \$1,208,911,000 | \$1,416,000,000 |
| Losses | \$11,813,824,000 | \$10,640,060,000 |
| Loss ratio | 88.2% | 75.8% |
| Expenses | \$4,432,318,000 | \$4,522,940,000 |
| Expense ratio | 30.7% | 30.3% |
| Combined ratio | 118.7% | 102.2% |
| Domestic | 32.7% | 35.6% |
| Foreign | 67.3% | 64.4% |

Founded: 1880.

Subsidiaries: American Re Corp., Princeton, N.J.; American Re-Insurance Co., Princeton, N.J.; Great Lakes Reinsurance (UK) PLC, London; Munich American Reinsurance Co., Atlanta; Munich Reinsurance Co. of Canada, Toronto; Munich Reinsurance Co. of Africa Ltd., Johannesburg, South Africa; Munich Mauritius Reinsurance Co. Ltd., Port Louis, Mauritius; Munich Reinsurance Co. of Australasia Ltd., Sydney, Australia; Munichener Ruck Italia S.p.A., Milan, Italy; New Reinsurance Co., Geneva, Switzerland; Temple Insurance Co., Toronto.

Employees: 33,245.
Locations: 1 domestic, 60 foreign.
Specialties: asset management, primary insurance, reinsurance.
Officers: Hans-Jurgen Schinzler, chairman.

N

NAC Reinsurance Corp.

Seaview House, 70 Seaview Ave., Stamford, Conn. 06902; 203-964-5200; fax: 203-964-0763 www.nacre.com

| | | |
|------------------|---------------|----------------|
| | 1999 | 1998 |
| Premiums written | \$111,522,168 | \$481,340,097* |
| Premiums earned | \$290,297,427 | \$471,785,993* |
| Capital/surplus | \$440,103,500 | \$737,113,923 |
| Net income | \$102,923,303 | \$102,816,973 |
| Losses | \$281,012,214 | \$305,573,424 |
| Loss ratio | 96.8% | 64.7% |
| Expenses | \$55,524,971 | \$183,861,059 |
| Expense ratio | 19.1% | 39% |
| Combined ratio | 115.9% | 103.7% |
| Treaty | 80% | N/A |
| Facultative | 20% | N/A |
| Non-life | 100% | 100% |

*restated.
Founded: 1985.
Parent: XL America Inc.
Locations: 8 domestic, 1 foreign.
Specialties: property/casualty.
Officers: Nicholas M. Brown Jr., president/CEO; C. Fred Madsen, executive vp; Richard H. Miller, senior vp/CFO/treasurer.
Contact: Richard H. Miller; 203-964-5535.
Merged with XL Capital Ltd., June 1999. Entered a pooling agreement with XL New York, XL Specialty, Greenwich Insurance and Indian Harbor Insurance in July 1999.

O

Odyssey America Reinsurance Corp.

300 First Stamford P ace, Stamford, Conn. 06902; 203-977-8000; fax: 203-356-0196 www.odysseyre.com

| | | |
|------------------|---------------|---------------|
| | 1999 | 1998 |
| Premiums written | \$551,000,000 | \$650,300,000 |
| Premiums earned | \$569,600,000 | \$701,400,000 |
| Capital/surplus | \$855,800,000 | \$919,500,000 |
| Net income | \$56,500,000 | \$122,000,000 |
| Losses | \$493,800,000 | \$502,400,000 |
| Loss ratio | 86.7% | 71.6% |
| Expenses | \$198,200,000 | \$240,000,000 |
| Expense ratio | 34.8% | 34.2% |
| Combined ratio | 121.5% | 105.8% |
| Treaty | 89% | 89% |
| Facultative | 11% | 11% |
| Domestic | 82% | 85% |
| Foreign | 18% | 15% |
| Non-life | 100% | 100% |

*Figures reported on statutory basis.
Founded: 1900.
Parent: Fairfax Financial Holdings.
Subsidiaries: Compagnie de Transcontinentale de Reassurance; Newline Syndicate.
Employees: 281.
Locations: 7 domestic, 9 foreign.
Officers: Andrew A. Barnard, chairman; Michael G. Wacek, president/CEO; Roland W. Jackson, executive vp/COO.
Contact: Mark Hinkley, executive vp; 203-977-8018; mhinkley@odysseyre.com.

Overseas Partners Ltd.

Mintflower Place, 8 Par La Ville Road, Hamilton, HM GX Bermuda; 441-295-0788; fax: 441-295-7140 www.overseaspartners.com

| | | |
|------------------|-----------------|-----------------|
| | 1999 | 1998 |
| Premiums written | \$819,683,000 | \$908,995,000 |
| Premiums earned | \$807,709,000 | \$746,918,000 |
| Capital/surplus | \$2,547,383,000 | \$2,524,669,000 |
| Net income | \$232,795,000 | \$488,829,700 |
| Losses | \$759,231,000 | \$404,328,000 |
| Loss ratio | 94% | 54.1% |
| Expenses | \$120,256,000 | \$100,332,000 |
| Expense ratio | 14.9% | 13.4% |
| Combined ratio | 108.9% | 67.5% |
| Treaty | 90% | 90% |
| Facultative | 10% | 10% |
| Foreign | 100% | 100% |
| Non-life | 100% | 100% |

Founded: 1983.
Subsidiaries: Overseas Partners Assurance Ltd.; Overseas Partners Catastrophe Ltd; Overseas Partners Re Ltd.
Employees: 40.
Locations: 1 foreign.

Officers: Mary H. Hennessy, CEO/president; Mark Bridges, vp-finance; Mike Cascio, vp-underwriting.

P

PMA Reinsurance Corp.

Mellon Bank Center, 1735 Market St., Philadelphia, Pa. 19103; 215-665-5000; fax: 215-665-5009 www.pmare.com

| | | |
|------------------|---------------|---------------|
| | 1999 | 1998 |
| Premiums written | \$278,998,000 | \$234,010,000 |
| Premiums earned | \$293,862,000 | \$223,559,000 |
| Capital/surplus | \$287,635,000 | \$287,466,000 |
| Net income * | \$47,687,000 | \$55,954,000 |
| Losses | \$206,891,000 | \$154,062,000 |
| Loss ratio | 70.4% | 68.9% |
| Expenses | \$94,338,000 | \$77,823,000 |
| Expense ratio | 32.1% | 34.8% |
| Combined ratio | 102.5% | 103.7% |
| Treaty | 97% | 97% |
| Facultative | 3% | 3% |
| Domestic | 100% | 100% |
| Non-life | 100% | 100% |

*Pre-tax net income.
Founded: 1981.
Parent: PMA Capital Corp.
Employees: 170.
Locations: 1 domestic.
Specialties: facultative, finite risk and specialty reinsurance.
Officers: John W. Smithson, chairman/CEO; Stephen G. Tirney, president.
Contact: Anthony J. Grosso, senior vp; 215-665-5105; agrosso@pmare.com.

PXRE Group Ltd.

99 Front St., Hamilton, HM 12 Bermuda; 441-296-5858; fax: 441-296-6162 www.pxregroup.com

| | | |
|------------------|---------------|---------------|
| | 1999 | 1998 |
| Premiums written | \$138,845,000 | \$88,693,000 |
| Premiums earned | \$128,503,000 | \$92,386,000 |
| Capital/surplus | \$399,007,000 | \$477,228,000 |
| Net income | \$42,139,000 | \$2,679,000 |
| Losses | \$159,259,000 | \$57,793,000 |
| Loss ratio | 123.9% | 62.6% |
| Expenses | \$57,755,000 | \$39,876,000 |
| Expense ratio | 44.9% | 43.2% |
| Combined ratio | 168.8% | 105.8% |
| Treaty | 100% | 100% |
| Domestic | 33% | 45% |
| Foreign | 67% | 55% |
| Non-life | 100% | 100% |

Founded: 1982.
Subsidiaries: PXRE Reinsurance Co., Edison, N.J.; Lloyd's Syndicate 1224, London; PXRE Reinsurance Ltd., Hamilton, Bermuda.
Employees: 115.
Locations: 1 domestic, 5 foreign.
Specialties: combined property/casualty excess, aviation/marine, property catastrophe excess, structured/finite risk.
Officers: Gerald L. Radke, chairman/president/CEO; James Dore, CFO.
Contact: Gordon Forsyth, executive vp-North American operations; 732-906-6740; gordon_forsyth@pxre.com.

PartnerRe Ltd.

PartnerRe Building, 106 Pitts Bay Road, Pembroke, HM 08 Bermuda; 441-292-0888; fax: 441-292-6080 www.partnerre.com

| | | |
|------------------|-----------------|-----------------|
| | 1999 | 1998 |
| Premiums written | \$1,326,400,000 | \$687,000,000 |
| Premiums earned | \$1,338,000,000 | \$685,800,000 |
| Capital/surplus | \$1,841,000,000 | \$2,113,400,000 |
| Net income | \$94,800,000 | \$266,300,000 |
| Losses | \$1,130,100,000 | \$396,900,000 |
| Loss ratio | 84.5% | 57.9% |
| Expenses | \$411,700,000 | \$198,300,000 |
| Expense ratio | 33% | 28.9% |
| Combined ratio | 117.5% | 86.8% |
| Treaty | 94% | 94% |
| Facultative | 6% | 6% |
| Life | 17% | 7% |
| Non-life | 83% | 93% |

Founded: 1993.
Subsidiaries: Partner Reinsurance Co. Ltd.; Partner Reinsurance Co. of the U.S.; Societe Anonyme Francaise de Reassurances PartnerRe.
Employees: 631.
Locations: 3 domestic, 13 foreign.
Officers: Herbert N. Haag, president/CEO; Albert Benchimol, executive vp/CFO; Bruno Meyenhofer, COO-reinsurance operations.
Contact: Scott Moore, president/CEO-PartnerRe U.S.

Q

QBE Insurance Group Ltd. (Reinsurance Division)

82 Pitt St., Sydney, New South Wales 2000 Australia; 61-2-9375-4444; fax: 61-2-9375-4884 www.qbe.com.au

| | | |
|------------------|---------------|---------------|
| | 1999 | 1998 |
| Premiums written | \$698,500,000 | \$540,260,000 |

| | | |
|-----------------|---------------|---------------|
| Premiums earned | \$622,250,000 | \$484,840,000 |
| Capital/surplus | \$363,062,500 | \$367,676,000 |
| Net income | \$54,625,000 | \$46,920,000 |
| Losses | \$432,875,000 | \$315,860,000 |
| Loss ratio | 69.6% | 65.1% |
| Expenses | \$203,812,500 | \$142,324,000 |
| Expense ratio | 32.8% | 29.4% |
| Combined ratio | 102.4% | 94.5% |
| Treaty | 61.7% | 62.6% |
| Facultative | 38.3% | 37.4% |
| Domestic | 5.5% | 7.6% |
| Foreign | 94.5% | 92.4% |
| Non-life | 100% | 100% |

Fiscal years ending 6/30/99 and 6/30/98.
Founded: 1886.
Parent: QBE Insurance Group Ltd.
Subsidiaries: Sydney Reinsurance Corp., New York; QBE International Insurance Ltd., London; QBE Reinsurance (U.K.) Ltd., London; QBE Insurance & Reinsurance (Europe) Ltd., Dublin, Ireland; Sydney Reinsurance Co., Sydney, Australia and Singapore.
Employees: 640.
Locations: 1 domestic, 16 foreign.
Officers: Frank O'Halloran, managing director/CEO; Neil Drabsch, CFO; Greg O'Neill, general manager-corporate risks.
Contact: Christopher Fish, acting CFO-Sydney Reinsurance Corp.; 212-894-7543.

R

Reinsurance Group of America Inc.

1370 Timberlake Manor Parkway, Chesterfield, Mo. 63017-6039; 636-736-7309; fax: 636-736-7709 www.rgare.com

| | | |
|------------------|-----------------|-----------------|
| | 1999 | 1998 |
| Premiums written | \$1,315,600,000 | \$1,016,400,000 |
| Premiums earned | \$1,315,600,000 | \$1,016,400,000 |
| Capital/surplus | \$732,900,000 | \$748,500,000 |
| Net income | \$53,000,000 | \$89,700,000 |
| Losses | \$1,067,100,000 | \$797,900,000 |
| Loss ratio | 81.1% | 78.5% |
| Expenses | \$218,300,000 | \$188,500,000 |
| Expense ratio | 16.6% | 18.5% |
| Combined ratio | 97.7% | 97% |
| Treaty | 75% | 71% |
| Facultative | 25% | 29% |
| Domestic | 72.2% | 70.5% |
| Foreign | 27.8% | 29.5% |
| Life | 100% | 100% |

Founded: 1973.
Parent: Metropolitan Life Insurance Co.
Subsidiaries: RGA Reinsurance Co., Chesterfield, Mo.; RGA Life Reinsurance Co. of Canada, Toronto; RGA Reinsurance Co. of Australia, Sydney, Australia.
Locations: 1 domestic, 14 foreign.
Specialties: Life reinsurance; financial reinsurance, including annuities.
Officers: A. Greig Woodring, president/CEO; David B. Atkinson, executive vp/COO; Jack B. Lay, executive vp/CFO.
Contact: Julie Hardeman, executive director-marketing and communication; 636-736-7510.

RenaissanceRe Holdings Ltd.

Renaissance House, 8-12 E. Broadway, Hamilton, HM 19 Bermuda; 441-295-4513; fax: 441-296-5037 www.renre.com

| | | |
|------------------|---------------|---------------|
| | 1999 | 1998 |
| Premiums written | \$213,513,000 | \$195,019,000 |
| Premiums earned | \$221,117,000 | \$204,947,000 |
| Capital/surplus | \$600,329,000 | \$612,232,000 |
| Net income | \$104,241,000 | \$74,577,000 |
| Losses | \$77,141,000 | \$112,752,000 |
| Loss ratio | 34.9% | 55% |
| Expenses | \$62,268,000 | \$61,031,000 |
| Expense ratio | 28.1% | 29.6% |
| Combined ratio | 63% | 84.6% |
| Treaty | 100% | 100% |
| Foreign | 100% | 100% |
| Non-life | 100% | 100% |

Founded: 1993.
Subsidiaries: Renaissance Reinsurance Ltd., Hamilton, Bermuda.
Employees: 43.
Locations: 1 domestic, 3 foreign.
Specialties: property/catastrophe excess of loss; retrocessions; aviation/marine.
Officers: James N. Stanard, CEO/chairman; William I. Riker, COO/executive vp; David A. Eklund, chief underwriting officer/executive vp.
Contact: John M. Lummis, senior vp/CFO.

Rhine Re Group

Kornhausgasse 7, Basel, 4001 Switzerland; 41-61-268-2111; fax: 41-61-268-2277 www.rhinere.com

| | | |
|--|------|------|
| | 1999 | 1998 |
|--|------|------|

Continued from previous page

Locations: 1 domestic.
Officers: Goran Thorstensson, president/COO.

SOREMA S.A.

20 Rue Washington,
Paris, 75008 France;
33-1-40-74-6600; fax: 33-1-45-63-2547
www.sorema.fr

| | 1999 | 1998 |
|------------------|---------------|---------------|
| Premiums written | \$453,770,559 | \$448,363,420 |
| Premiums earned | \$433,043,017 | \$450,686,840 |
| Capital/surplus | \$419,072,786 | \$480,499,540 |
| Net income | \$79,696,364 | \$55,703,080 |
| Losses | \$462,522,093 | \$398,406,940 |
| Loss ratio | 106.8% | 88.4% |
| Expenses | \$188,184,656 | \$182,707,660 |
| Expense ratio | 43.5% | 40.5% |
| Combined ratio | 150.3% | 128.9% |
| Treaty | 85.3% | 81% |
| Facultative | 14.7% | 19% |
| Domestic | 9.1% | 10.5% |
| Foreign | 90.9% | 89.5% |
| Life | 3.8% | 3.2% |
| Non-life | 96.2% | 96.8% |

Founded: 1978.
Parent: GROUPAMA.
Subsidiaries: SOREMA N.A. Holding, New York.
Employees: 425.
Locations: 1 domestic, 12 foreign.
Specialties: accident/health, agricultural risks, alternative risk transfer, aviation/marine, bonding/credit, entertainment, industry loss warranty, life, nuclear/satellite, political risk.
Officers: Alexis Ruset, chairman/CEO; Anders Grabo, executive vp-Paris Head Office; Francois M. Chavel, president/CEO.
Contact: Deborah L. Brady, senior vp; 212-884-9022; dbrady@soremagrp.com.

Swiss Re Group

Mythenquai 50/60, P.O. Box CH-8022,
Zurich, 8022 Switzerland;
41-1-285-2481; fax: 41-1-285-2038
www.swissre.com

| | 1999 | 1998 |
|------------------|------------------|------------------|
| Premiums written | \$13,598,004,000 | \$11,273,910,000 |
| Premiums earned | \$13,163,208,000 | \$11,406,390,000 |
| Capital/surplus | \$11,769,036,000 | \$8,976,900,000 |
| Net income | \$1,846,318,000 | \$1,725,000,000 |
| Losses | \$10,892,548,000 | \$9,258,420,000 |
| Loss ratio | 82.7% | 81.2% |
| Expenses | \$4,261,956,000 | \$3,806,040,000 |
| Expense ratio | 32.3% | 33.4% |
| Combined ratio | 115% | 114.6% |
| Domestic | 2.8% | 3.7% |
| Foreign | 97.2% | 96.3% |
| Life | 28.9% | 20.4% |
| Non-life | 71.1% | 79.6% |

Founded: 1863.
Subsidiaries: European Reinsurance Co. of Zurich, Switzerland; Bavarian Reinsurance Co. Ltd., Germany; Swiss Reinsurance Co. U.K. Ltd., United Kingdom; Bavarian Reinsurance Ireland Ltd., Ireland; Algemene Levensherverzekering Maatschappij nv; Reassurantie Maatschappij Nederland nv, Netherlands; Atlantic International Reinsurance Co. Ltd.; European International Reinsurance Co. Ltd., Barbados; Swiss Reinsurance Co.

Canada; Swiss Re Life & Health Canada, Canada; European Reinsurance Corp. of America; Swiss Reinsurance American Corp.; Swiss Re America Holding Corp.; U.S.A.; Swiss Re Australia Ltd., Australia; Swiss Re Southern Africa Ltd., South Africa.

Employees: 9,010.
Officers: Walte B. Kielholz, CEO; Rudolf Kellenberger, Deputy CEO; John H. Fitzpatrick, CFO.
Contact: Stephen Dishart; 212-317-5640.



Tempest Reinsurance Co. Ltd.

Wessex House, 45 Reid St.,
Hamilton, HM FX Bermuda;
441-292-2603; fax: 441-292-2790
www.tempestre.com

| | 1999 | 1998 |
|------------------|-----------------|-----------------|
| Premiums written | \$145,673,000 | \$92,812,000 |
| Premiums earned | \$140,094,000 | \$169,852,000 |
| Capital/surplus | \$1,151,406,000 | \$1,463,793,000 |
| Net income | \$52,654,000 | \$114,295,000 |
| Losses | \$96,935,000 | \$70,625,000 |
| Loss ratio | 69.2% | 41.6% |
| Expenses | \$34,132,000 | \$31,164,000 |
| Expense ratio | 24.4% | 18.3% |
| Combined ratio | 93.6% | 59.9% |
| Treaty | 94% | 99% |
| Facultative | 6% | 1% |
| Foreign | 100% | 100% |
| Non-life | 100% | 100% |

Founded: 1996.
Parent: Ace Ltd.
Employees: 36.
Locations: 1 domestic,
Specialties: property catastrophe.
Officers: John Engestrom, president/CEO; Elizabeth Murphy, CFO; George Rivaz, COO.

The Toa Reinsurance Co. Ltd.

6 Kanda-Suryadai 3 chome, Chiyoda-ku,
Tokyo, 101-8703 Japan;
81-3-3253-3171; fax: 81-3-3253-1208

| | 1999 | 1998 |
|------------------|-----------------|---------------|
| Premiums written | \$1,046,214,000 | \$978,720,000 |
| Capital/surplus | \$431,766,000 | \$295,608,000 |
| Net income | \$29,052,000 | \$32,248,000 |
| Losses | \$782,001,000 | \$638,992,000 |
| Loss ratio | 74.7% | 65.3% |
| Domestic | 75.4% | 79.5% |
| Foreign | 24.6% | 20.5% |
| Life | 9.4% | 6.7% |
| Non-life | 90.6% | 93.3% |

Fiscal years ending 3/31/00 and 3/31/99. Ratios calculated using premiums written, premiums earned figures are not available.

Founded: 1940.
Subsidiaries: The Toa Reinsurance Co. of America, Morristown, N.J.
Employees: 344.
Locations: 1 domestic, 6 foreign.
Officers: Shinya Yosnikoshi, president/chief executive; Yoshio Shimizu, senior managing director; Shinya Shimohira, managing director.

The Toa Reinsurance Co. of America

177 Madison Ave., P.O. Box 1930,
Morristown, N.J. 07962-1930;
973-898-9480; fax: 973-898-9495
www.toare.com

| | 1999 | 1998 |
|------------------|---------------|---------------|
| Premiums written | \$125,807,000 | \$100,454,000 |
| Premiums earned | \$120,673,000 | \$95,559,000 |
| Capital/surplus | \$281,578,000 | \$296,342,000 |
| Net income | \$14,688,000 | \$22,423,000 |
| Losses | \$96,022,000 | \$67,408,000 |
| Loss ratio | 79.6% | 70.5% |
| Expenses | \$39,665,000 | \$29,444,000 |
| Expense ratio | 32.9% | 30.8% |
| Combined ratio | 112.5% | 101.3% |
| Treaty | 87.7% | 88.5% |
| Facultative | 12.3% | 11.5% |
| Domestic | 96.4% | 100% |
| Foreign | 3.6% | 0% |
| Non-life | 100% | 100% |

Founded: 1982.
Parent: The Toa Reinsurance Co. Ltd.
Employees: 44.
Locations: 1 domestic, 1 foreign.
Officers: William L. Munson, chairman/CEO; Thomas M. Sheehy, senior vp/CFO; John J. Hayden, senior vp/secretary/general counsel; James A. Pilla, senior vp-underwr; **Contact:** Thomas M. Sheehy; 973-898-9489; tsheehy@toare.com.

Information for The Toa Reinsurance Co. of America is included in the consolidated listing for The Toa Reinsurance Co. Ltd.

Transatlantic Holdings Inc.

80 Pine St.,
New York, N.Y. 10005;
212-770-2000; fax: 212-742-9457
www.transre.com

| | 1999 | 1998 |
|------------------|-----------------|-----------------|
| Premiums written | \$1,498,524,000 | \$1,393,700,000 |
| Premiums earned | \$1,484,634,000 | \$1,380,570,000 |
| Capital/surplus | \$1,642,517,000 | \$1,610,139,000 |
| Net income | \$187,362,000 | \$247,523,000 |
| Losses | \$1,148,817,000 | \$1,020,888,000 |
| Loss ratio | 77.4% | 73.9% |
| Expenses | \$416,558,000 | \$381,827,000 |
| Expense ratio | 28.1% | 27.7% |
| Combined ratio | 105.5% | 101.6% |
| Treaty | 97% | 95% |
| Facultative | 3% | 5% |
| Domestic | 50% | 51% |
| Foreign | 50% | 49% |
| Non-life | 100% | 100% |

Founded: 1952.
Parent: American International Group.
Subsidiaries: Putnam Reinsurance Co., New York; Transatlantic Reinsurance Co., New York; Trans Re Zurich, Zurich, Switzerland.
Employees: 380.
Locations: 2 domestic, 12 foreign.
Specialties: reinsurance; specialty risks.
Officers: Robert F. Orlich, president/CEO; Paul A. Bonny, executive vp/president-international operations; Steven S. Skalicky, executive vp/CFO.
Contact: Seymour H. Katz, vp/assistant controller; 212-770-2078; skatz@transre.com.

Trenwick Group Inc.

1 Canterbury Green,
Stamford, Conn. 06901;
203-353-5500; fax: 203-353-5536

| | 1999 | 1998 |
|------------------|---------------|---------------|
| Premiums written | \$354,610,000 | \$250,219,000 |
| Premiums earned | \$325,114,000 | \$245,561,000 |
| Capital/surplus | \$462,249,000 | \$348,029,000 |
| Net income | \$11,048,000 | \$34,792,000 |
| Losses | \$254,538,000 | \$153,135,000 |
| Loss ratio | 78.3% | 62.4% |
| Expenses | \$133,484,000 | \$97,992,000 |
| Expense ratio | 41.1% | 39.9% |
| Combined ratio | 119.4% | 102.3% |
| Treaty | 99% | 70% |
| Facultative | 1% | 30% |
| Domestic | 45.3% | 67.6% |
| Foreign | 54.7% | 32.4% |
| Non-life | 100% | 100% |

Founded: 1984.
Subsidiaries: Chartwell Reinsurance Co., Stamford, Conn.; Trenwick America Reinsurance Corp., Stamford, Conn.; Trenwick International, London.
Employees: 408.
Locations: 1 domestic, 2 foreign.
Specialties: specialty property/casualty.
Officers: James F. Billett Jr., chairman/president/CEO; Steven J. Bensinger, Paul Feldsher, Robert A. Giambo, Alan L. Hunte, executive vps.
Contact: Alan L. Hunte.



XL Mid Ocean Reinsurance Ltd.

P.O. Box HM 1066,
Hamilton, HM EX Bermuda;
441-292-1358; fax: 441-296-0617
www.xlmidocean.com

| | 1999 | 1998 |
|------------------|-----------------|-----------------|
| Premiums written | \$428,818,000 | \$462,560,000 |
| Premiums earned | \$462,270,000 | \$454,377,000 |
| Capital/surplus | \$2,108,734,000 | \$2,011,236,000 |
| Net income | \$176,154,000 | \$299,862,000 |
| Losses | \$308,225,000 | \$206,454,000 |
| Loss ratio | 66.7% | 45.4% |
| Expenses | \$92,228,000 | \$79,532,000 |
| Expense ratio | 20% | 17.5% |
| Combined ratio | 86.7% | 62.9% |
| Treaty | 100% | 100% |
| Domestic | 3% | 2% |
| Foreign | 97% | 98% |
| Non-life | 100% | 100% |

Fiscal years ending 12/31/99 and 11/30/98.
Founded: 1998.
Parent: XL Capital Ltd.
Subsidiaries: Latin American Reinsurance, Hamilton, Bermuda.
Employees: 106.
Locations: 2 domestic, 7 foreign.
Specialties: aviation/space, energy, health/life reinsurance, low frequency/high severity risks, property catastrophe.
Officers: Henry C. V. Keeling, president/CEO; Robert L. Nason, executive vp/underwriter; James H. Veghte, executive vp/general manager-London branch.



The Yasuda Fire & Marine Insurance Co. Ltd.

26-1 Nishi-Shinjuku 1-chome,
Shinjuku-ku,
Tokyo, Japan;
81-3-3349-3970; fax: 81-3-5322-6013
www.yasuda.co.jp

| | 1999 | 1998 |
|------------------|-----------------|-----------------|
| Premiums written | \$585,929,368 | \$562,261,935 |
| Capital/surplus | \$2,936,070,000 | \$2,128,248,000 |
| Net income | \$115,794,000 | \$96,280,000 |
| Domestic | 82.4% | 81.7% |
| Foreign | 17.6% | 18.3% |
| Non-life | 100% | 100% |

Fiscal years ending 3/31/00 and 3/31/99.
Founded: 1888.
Subsidiaries: Yasuda Reinsurance Co. Ltd., Hong Kong.
Employees: 75.
Locations: 1 domestic, 3 foreign.
Officers: Hiroshi Hirano, president; Masao Miyakawa, deputy president; Eiji Nishiura, senior executive managing director.



Zurich Re

General Guisan-Quai 26,
Zurich, 8022 Switzerland;
41-1-639-9393; fax: 41-1-639-9090
www.zurichre.com

| | 1999 | 1998 |
|------------------|-----------------|-----------------|
| Premiums written | \$1,878,000,000 | \$1,561,200,000 |
| Premiums earned | \$1,699,700,000 | \$1,651,500,000 |
| Net income | \$264,200,000 | \$175,700,000 |
| Treaty | 89.1% | 90.7% |
| Facultative | 10.9% | 9.3% |
| Life | 3.6% | 3.5% |
| Non-life | 96.4% | 96.5% |

Founded: 1873.
Parent: Zurich Financial Services Group.
Subsidiaries: Zurich Re (North America) Inc., New York; Zurich Re, Cologne, Germany.
Employees: 719.
Locations: 1 domestic, 16 foreign.
Specialties: accident/health, life, agribusiness, e-commerce risks, facultative, professional risks, risk strategies.
Officers: Dirk Lohmann, CEO-Zurich Re; Richard Smith, CEO-Zurich Re (North America); Frank Schaar, CEO-Zurich Re (Cologne).
Contact: Richard Smith; 212-898-5021.
Figures do not include Centre Solutions (Bermuda) Ltd. & Subsidiaries.

Standard & Poor's ranks Top 25

Chart of S&P's 25 largest reinsurance groups by net premiums written in 1999 appears on page 32.

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C O U N S E L L O R S A T L A W

HARTFORD NEW YORK BOSTON PALM BEACH PROVIDENCE SHORT HILLS

CEOs

Continued from page 1

In 1999, insurance industry executives' total cash compensation averaged \$2.19 million, compared with an average of \$2.04 million for the same group in 1998, according to a *Business Insurance* survey. Cash compensation includes salary and any bonus paid.

The survey is compiled from 1999 annual reports and proxy statements filed with the U.S. Securities and Exchange Commission.

This year, eight brokers were included in the survey, whereas past surveys have analyzed only insurers and reinsurers. A total of 50 insurers,

reinsurers and brokers were analyzed.

"In many ways, I think that, in the past couple of years, many CEOs have been truly underpaid in relation to what they have been able to do in very marginal market conditions," Mr. Chamberlin said.

But, at the same time, "we have seen some CEOs get extremely well paid for doing a poor job where they really haven't produced the results required by the shareholders and the company," he said. Reliance Group Holdings Inc. CEO Saul P. Steinberg, for example, "was one of the highest-paid people last year and, arguably, he was significantly overpaid for his performance last year."

Even so, Mr. Steinberg's cash com-

penetration decreased in 1999 by nearly 74.6%, to \$2,150,000. Reliance's revenues during that period declined 6.4%, to \$3.15 billion. Reliance, which has been forced to sell business units to pay down corporate debt, may be facing bankruptcy (*BI*, Aug. 21).

Alan Johnson, managing director of Johnson Associates Inc., an executive compensation consulting firm in New York, said he expects insurance industry CEO compensation to increase over the next year.

"If you look at the insurance sector in general and some of the commercial firms, I think they had trailed many of the other financial service firms. I think, historically, insurance lagged behind other areas of financial

services in terms of pay," Mr. Johnson said.

As those once-separate industries continue to blend, insurance industry executives may see larger paychecks.

The two highest-paid CEOs in this year's survey were, in fact, the co-CEOs of Citigroup Inc., which is the first major example of that convergence.

New York-based Citigroup's former co-CEOs, John S. Reed and Sanford I. Weill, both saw increases in their total cash compensation from 1998 to 1999. Mr. Reed retained the No. 1 spot for a second year in *BI*'s CEO compensation ranking, while Mr. Weill jumped to the No. 2 spot from third place last year.

Mr. Reed's cash compensation in-

creased 2.4% to \$9,749,134 in 1999. Mr. Weill's cash compensation increased 35.3% to \$9,732,474 in 1999.

Mr. Reed retired from his co-CEO position in April, and Mr. Weill now serves as Citigroup's sole CEO.

Mr. Chamberlin predicts that, as the banking and insurance industries converge, CEO compensation will increase first in the life and annuity sectors, because of "a closer affinity between banking and life insurance, annuities and other investment products."

Although Mr. Chamberlin said that such activity will take longer to reach the property/casualty sector, he said he would not be surprised to see another combination like Citigroup.

See CEOs on next page

The highest-paid CEOs among leading insurers/reinsurers and brokers

CEOs ranked by salary and bonus for 1999

| Rank | Rev. rank | CEO/Age | Company | 1999 cash compensation | 1998 cash compensation | % change from 1998 | Market value of shares beneficially held ¹ | Total 1999 revenues | % change from 1998 | 1999 total net income | % change from 1998 |
|------|-----------|------------------------------|--|------------------------|------------------------|--------------------|---|---------------------|--------------------|-----------------------|--------------------|
| 1 | 1 | John S. Reed, 61 | Citigroup Inc. | \$9,749,134 | \$9,525,000 | 2.4% | \$573,632,472 | \$82,005,000,000 | 7.3% | \$9,867,000,000 | 69.9 |
| 2 | 1 | Sanford I. Weill, 66 | Citigroup Inc. | 9,732,474 | 7,192,816 | 35.3 | 1,633,963,390 | 82,005,000,000 | 7.3 | 9,867,000,000 | 69.9 |
| 3 | 9 | Edward D. Miller, 59 | AXA Financial | 7,179,802 | 5,747,019 | 24.9 | 32,971,995 | 13,370,600,000 | 22.5 | 1,126,100,000 | 35.2 |
| 4 | 13 | A.J.C. Smith, 65 | Marsh & McLennan Cos. Inc. ² | 6,500,000 | 2,700,000 | 140.7 | 217,422,587 | 9,157,000,000 | 27.3 | 726,000,000 | -8.8 |
| 5 | 2 | Maurice R. Greenberg, 74 | American International Group Inc. | 6,000,000 | 6,000,000 | 0.0 | 2,643,928,428 | 40,656,000,000 | 13.8 | 5,055,000,000 | 18.1 |
| 6 | 12 | J. Harold Chandler, 50 | UNUMProvident Corp. ³ | 5,850,000 | 1,788,846 | 227.0 | 49,759,847 | 9,242,500,000 | 9.2 | (182,900,000) | NM |
| 7 | 6 | Wilson H. Taylor, 56 | CIGNA Corp. | 5,173,100 | 4,869,000 | 6.3 | 153,347,010 | 18,781,000,000 | 6.4 | 1,774,000,000 | 37.3 |
| 8 | 10 | Robert M. Devlin, 59 | American General Corp. | 4,935,000 | 3,201,346 | 54.2 | 97,139,005 | 10,679,000,000 | 4.2 | 1,131,000,000 | 48.0 |
| 9 | 4 | Robert H. Benmosche, 55 | Metropolitan Life Insurance Co. | 3,714,200 | 1,451,846 | 155.8 | 0 ⁴ | 25,426,000,000 | -6.2 | 617,509,000 | 591.1 |
| 10 | 15 | Douglas W. Leatherdale, 63 | St. Paul Cos. Inc. | 3,227,885 | 855,769 | 277.2 | 57,741,178 | 7,569,000,000 | -1.8 | 834,000,000 | 833.4 |
| 11 | 14 | S.L. Brown, 63 | John Hancock Financial Services ⁵ | 3,000,000 | 2,000,000 | 50.0 | 559,889 | 7,857,500,000 | 13.8 | 153,200,000 | 192.8 |
| 12 | 23 | Brian O'Hara, 51 | XL Capital Ltd. | 2,500,000 | 1,900,000 | 31.6 | 75,644,074 | 2,510,987,000 | 24.0 | 470,509,000 | -28.3 |
| 13 | 41 | James N. Stanard, 51 | RenaissanceRe Holdings Ltd. | 2,283,807 | 2,361,314 | -3.3 | 75,621,891 | 270,235,000 | 3.7 | 104,241,000 | 39.8 |
| 14 | 22 | Brian Duperreault, 52 | ACE Ltd. | 2,200,000 | 2,062,500 | 6.7 | 10,482,727 | 3,016,990,000 | 596.3 | 364,963,000 | 53.0 |
| 15 | 21 | Saul P. Steinberg, 60 | Reliance Group Holdings Inc. | 2,150,000 | 8,450,000 | -74.6 | 9,096,641 | 3,153,256,000 | -6.4 | 310,546,000 | -4.9 |
| 16 | 16 | Patrick G. Ryan, 62 | Aon Corp. | 2,109,230 | 2,978,461 | -29.2 | 1,146,757,341 | 7,070,000,000 | 8.9 | 352,000,000 | -34.9 |
| 17 | 11 | Jay S. Fishman, 47 | Travelers P/C Corp. | 1,950,047 | 1,635,021 | 19.3 | 1,132,550 | 10,572,000,000 | 1.2 | 1,276,000,000 | -5.0 |
| 18 | 7 | Bernard L. Hengesbaugh, 53 | CNA Insurance Cos. ⁶ | 1,916,346 | 1,434,423 | 35.9 | 17,378,382 | 16,403,000,000 | -4.4 | (130,000,000) | NM |
| 19 | 17 | Jon A. Boscia, 47 | Lincoln National Corp. | 1,861,548 | 4,279,769 | -56.5 | 22,224,931 | 6,803,700,000 | 11.8 | 460,400,000 | -9.7 |
| 20 | 18 | Dean R. O'Hare, 57 | Chubb Corp. | 1,791,107 | 1,775,424 | 0.9 | 50,651,008 | 6,729,600,000 | 6.0 | 621,100,000 | -12.2 |
| 21 | 8 | Ramani Ayer, 52 | Hartford Financial Services Group Inc. | 1,776,417 | 1,781,000 | -0.3 | 82,787,966 | 13,528,000,000 | -10.0 | 862,000,000 | -15.1 |
| 22 | 3 | Richard L. Huber, 63 | Aetna Inc. | 1,680,000 | 1,359,096 | 23.6 | 32,523,274 | 26,452,700,000 | 28.2 | 716,900,000 | -15.5 |
| 23 | 20 | Carl H. Lindner, 80 | American Financial Group Inc. | 1,568,000 | 1,665,000 | -5.8 | 60,431,117 | 3,334,000,000 | -18.0 | 153,000,000 | 15.9 |
| 24 | 5 | Edward M. Liddy, 54 | Allstate Corp. ⁷ | 1,428,873 | 2,476,966 | -42.3 | 33,360,753 | 21,735,000,000 | 4.4 | 2,720,000,000 | -17.4 |
| 25 | 54 | A.C. Zucaro, 60 | Old Republic International Corp. | 1,408,700 | 1,545,768 | -8.9 | 2,690,784 | 1,818,509,000 | 2.6 | 226,839,000 | -29.9 |
| 26 | 28 | Herbert N. Haag, 53 | PartnerRe Ltd. | 1,050,000 | 1,225,000 | -14.3 | 50,917,109 | 1,630,400,000 | 85.4 | 94,800,000 | -64.4 |
| 27 | 42 | Edgar W. Blanch Jr., 53 | E.W. Blanch Holdings | 959,352 | 1,564,292 | -38.7 | 18,496,738 | 244,460,000 | 15.0 | 39,710,000 | 25.2 |
| 28 | 27 | William R. Berkley, 54 | W.R. Berkley Corp. | 920,000 | 980,000 | -6.1 | 94,069,947 | 1,673,668,000 | 5.8 | (34,048,000) | NM |
| 29 | 19 | Roger H. Eigsti, 57 | SAFECO Corp. | 900,000 | 882,163 | 2.0 | 3,003,379 | 6,717,100,000 | 4.1 | 252,200,000 | -28.3 |
| 30 | 26 | Robert F. Orlich, 52 | Transatlantic Holdings | 880,923 | 822,885 | 7.1 | 12,214,750 | 1,798,166,000 | 4.3 | 187,362,000 | -24.3 |
| 31 | 35 | James F. Billett Jr., 56 | Trenwick Group Inc. | 875,334 | 876,928 | -0.2 | 6,609,802 | 394,285,000 | 26.7 | (11,048,000) | NM |
| 32 | 32 | Gordon W. Kreh, 52 | HSB Group Inc. | 870,000 | 1,340,385 | -35.1 | 5,991,000 | 606,200,000 | 4.7 | 72,800,000 | -45.8 |
| 33 | 33 | J. Patrick Gallagher Jr., 48 | Arthur J. Gallagher & Co. | 850,000 | 750,000 | 13.3 | 19,904,948 | 605,836,000 | 8.3 | 67,753,000 | 16.5 |
| 34 | 29 | James A. McIntyre, 67 | Fremont General Corp. | 800,000 | 1,739,000 | -54.0 | 37,413,789 | 1,397,610,000 | 35.8 | (65,377,000) | NM |
| 35 | 37 | Stephen L. Way, 51 | HCC Insurance Holdings Inc./DE | 800,000 | 850,000 | -5.9 | 4,300,000 | 341,871,000 | 11.0 | 25,123,000 | -65.2 |
| 36 | 36 | Robert A. Mulderig, 47 | Mutual Risk Management Ltd. | 757,775 | 1,114,485 | -32.0 | 23,131,498 | 387,626,000 | 34.6 | 50,438,000 | -21.8 |
| 37 | 42 | J. Hyatt Brown, 62 | Brown & Brown Inc. | 718,745 | 669,963 | 7.4 | 142,909,803 | 176,413,000 | 11.0 | 27,172,000 | 11.6 |
| 38 | 41 | Andrew L. Rogal, 51 | Hilb, Rogal & Hamilton Co. | 709,975 | 797,126 | -10.9 | 6,277,960 | 227,226,000 | 29.6 | 19,486,000 | 30.4 |
| 39 | 46 | Guy D. Hengesbaugh, 41 | LaSalle Re Holdings Ltd. ⁸ | 662,000 | 450,000 | 47.2 | 2,049,875 | 161,077,000 | -17.2 | (2,834,000) | NM |
| 40 | 34 | Alan I. Kirshner, 64 | Markel Corp. | 637,500 | 654,770 | -2.6 | 16,231,664 | 524,321,000 | 23.1 | 40,614,000 | -29.1 |
| 41 | 38 | Mark C. Vonnahme, 50 | CNA Surety Corp. | 625,000 | 499,738 | 25.1 | 511,547 | 309,405,000 | 9.0 | 56,498,000 | 24.1 |
| 42 | 30 | Walter R. Bateman, 52 | Harleysville Group Inc. | 610,567 | 538,348 | 13.4 | 3,951,734 | 824,756,000 | 5.8 | 39,913,000 | 58.9 |
| 43 | 31 | Harry W. Rhulen, 36 | Frontier Insurance Group Inc. | 593,000 | 609,000 | -2.6 | 92,690 | 651,663,000 | 13.5 | (233,264,000) | 366.1 |
| 44 | 25 | Lauren N. Patch, 49 | Ohio Casualty Corp. | 569,692 | 562,124 | 1.3 | 3,849,822 | 1,900,800,000 | 30.9 | 114,141,000 | 34.4 |
| 45 | 43 | Gerald L. Radke, 55 | PXRE Group Ltd. | 564,000 | 475,000 | 18.7 | 2,709,593 | 175,500,000 | 59.1 | (42,139,000) | NM |
| 45 | 45 | Charles E. Rinsch, 67 | Argonaut Group Inc. | 564,000 | 565,000 | -0.2 | 8,426,250 | 164,300,000 | -38.5 | (15,200,000) | NM |
| 47 | 48 | Bruce D. Guthart, 44 | Kaye Group Inc. | 550,000 | 900,000 | -38.9 | 4,233,293 | 68,744,000 | 5.7 | 7,504,000 | 3.1 |
| 48 | 47 | Melvin G. Todd, 44 | Clark/Bardes Holdings Inc. ⁹ | 540,017 | 867,885 | -37.8 | 778,338,550 | 120,760,000 | 61.5 | 8,831,000 | 2048.7 |
| 49 | 24 | John J. Schiff Jr., 56 | Cincinnati Financial Corp. ¹⁰ | 505,498 | 669,100 | -24.5 | 445,764,185 | 2,128,223,000 | 3.6 | 254,722,000 | 5.5 |
| 50 | 44 | Merton J. Segal, 72 | Meadowbrook Insurance Group Inc. | 480,000 | 475,533 | 1.0 | 13,944,888 | 174,994,000 | 30.5 | 9,553,000 | 62.7 |

¹ Market value based on the Aug. 18, 2000, share price. ² Mr. Smith was succeeded as CEO by Jeffrey W. Greenberg in November 1999. ³ UNUM Corp. merged with Provident Cos. Inc. on June 30, 1999. ⁴ MetLife demutualized in 2000; New York law prohibits executives from beneficial ownership of stock for one year after IPO. ⁵ John Hancock Financial Services demutualized in 2000. ⁶ CNA's Mr. Hengesbaugh replaced Dennis H. Chookaszian as CEO in February 1999. ⁷ Mr. Liddy succeeded Jerry D. Choate as CEO in 1999. ⁸ LaSalle Re's Mr. Hengesbaugh succeeded Victor H. Blake as CEO in July 1999. ⁹ Mr. Todd served as CEO until September 1999, when he was succeeded by W.T. Wamberg. ¹⁰ Mr. Schiff succeeded Robert B. Morgan as CEO in April 1999. NM Not meaningful

Source: *BI* survey, company reports

CEOs

Continued from previous page with a major property/casualty company and bank joining in some way to provide a broader range of services.

In addition, as companies turn to e-commerce as a way to improve their results, the CEOs who successfully lead those efforts may see more pay, said Mr. Chamberlin.

"I think the CEO who is able to figure out how to best use the Internet to minimize costs—particularly product distribution costs—and build a sizable and direct business with the Internet will benefit in the growth of the company and the profitability—and, therefore, his or her compensation," Mr. Chamberlin said.

"I know Allstate is experimenting with that now, and we'll see where they come out and whether they're a winner. If so, that significantly will increase" CEO Edward M. Liddy's compensation, Mr. Chamberlin said. Mr. Liddy, 54, succeeded Jerry D. Choate as Allstate's CEO in January 1999.

Insurance industry executives' cash compensation in 1999 was mixed, according to the survey. Twenty-six chief executives saw a pay increase, while 23 experienced declines. One CEO, Maurice R. Greenberg of American International Group Inc., posted no change from 1998.

Forty of the 50 companies surveyed showed gains in total revenue in 1999. In terms of net income, however, less than half of those surveyed showed gains. Another trend that will likely affect CEO compensation is a move toward providing much of a CEO's compensation through stock options.

According to Mr. Chamberlin, cash compensation is only one component of compensation, and is becoming a less important component. "I think stock will become an even more important form of compensation than cash. Stocks are where the majority of CEOs will make their money over the long term," Mr. Chamberlin said.

Among the chief executives examined in BI's survey, several beneficially owned at least 5% of their company's stock: Mr. Steinberg of Reliance, 31.3%; J. Hyatt Brown of Brown & Brown Inc., 19.9%; William R. Berkley of W.R. Berkley Corp., 15.6%; James A. McIntyre of Fremont General Corp., 13.1%; Patrick G. Ryan of Aon Corp., 12.1%; Stephen L. Way of

HCC Insurance Holdings Inc., 9.9%; James N. Stanard of Renaissance Re Holdings Ltd., 8.1%; John J. Schiff Jr. of Cincinnati Financial Corp., 6.9%; Edgar W. Blanch Jr. of E.W. Blanch Holdings, 6.3%; and Bruce D. Guthart of Kaye Group Inc., 6.3%.

For some CEOs in the survey, total cash compensation paints a misleading picture of their actual compensation. For example, cash compensation for Mr. Schiff of Cincinnati Financial Corp. was \$505,498 in 1999, placing him in the 49th spot in the survey. However, Mr. Schiff beneficially owns 11,231,146 shares of the company's stock, for a total worth of \$445,764,185 at the Aug. 18 stock price of \$39.69.

In addition to Mr. Reed's departure from Citigroup, several other leadership changes have occurred in the industry over the past year.

H. Edward Hanway, 48, was appointed CEO of Philadelphia-based CIGNA Corp. in January, succeeding Wilson H. Taylor.

CNA Insurance Cos. of Chicago named Bernard Hengesbaugh, 53, to replace Dennis H. Chookaszian, 56, as CEO on Feb. 1, 1999.

William H. Donaldson, 68, was named chairman, president, and CEO of Hartford, Conn.-based Aetna Inc. on Feb. 25, replacing Richard L. Huber.

Richard H. Booth, 52, was elected president and CEO of HSB Group Inc. on Jan. 1, succeeding Gordon W. Kreh.

Guy D. Hengesbaugh, 41, was promoted to president and CEO of Hamilton, Bermuda-based LaSalle Re Holdings Ltd. on July 1, 1999, replacing Victor H. Blake. The cash compensation reported for Mr. Hengesbaugh in the BI survey reflects that he was CEO for only half of 1999.

William L. Woodall, 76, was named CEO of Ohio Casualty Corp. of Hamilton, Ohio, on Feb. 17, following the resignation of director and CEO Lauren N. Patch.

Mark E. Watson III, 35, was appointed president and CEO of Menlo Park, Calif.-based Argonaut Group Inc. on Jan. 21. He replaced the retiring Charles E. Ransch.

And Cincinnati Financial's Mr. Schiff, 56, was appointed president and CEO on April 3. Mr. Schiff, who previously was president and chief operating officer, succeeded Robert B. Morgan, who retired. **BI**

Jobs

Continued from page 2 skills," said Mr. Tannenbaum. "This really speaks to the trend in the risk management profession right now. Companies are looking for people who can apply risk management philosophies in a general business way. They want you to take what you know and develop it in the organization."

Financial skills ranked second among employers' requirements for candidates.

Employers indicated that the credential they are most interested in is an MBA—particularly one in finance—and Mr. Tannenbaum said senior-level prospects' chances are dim without such a degree.

"That is the name of the game right now. Every director of risk management position that I've worked on, every search that I do, they ask for an MBA in finance."

While it is possible to get a high-ranking job in risk management without an MBA, that job won't be with one of the top companies, Mr. Tannenbaum told his audience. "It's not going to happen if you don't have an MBA; it just won't happen. . . . Companies are looking for general business people who have strong financial skills and a strong business acumen."

Mr. Tannenbaum said that when risk managers do get hired, they shouldn't count on being in one place for an entire career. The average number of years a risk manager remains in a job is five to seven years, he explained.

"Now, you have to think about the implications of this. If you get a job today, your life expectancy in that position—I call it shelf life—is five to seven years," Mr. Tannenbaum remarked. "So that means, when you hit the five-year mark, the realization has to hit you that you've got maybe a couple of more years on average before you're going to make a move voluntarily or involuntarily."

Risk managers must realize, he emphasized, that "you just don't know what the future holds, and it's not as secure as it used to be."

When risk management professionals leave their jobs, it usually isn't because of a merger or a desire for more money, Mr. Tannenbaum noted. Instead, he said, a need for career growth generally is the impetus.

Most of the phone calls he receives from risk management professionals wanting to change jobs come from people who "are just not feeling good about their positions anymore. They're not feeling like they can really continue to move forward. They've mastered all their paths. . . and they're not able to keep progressing in the

company. So they want more growth."

Other factors also prompt risk management professionals to make career changes, Mr. Tannenbaum said, including money and quality-of-life concerns. "But they also want to continue to grow," he said. "And they also are thinking about having a family/worklife balance."

Mr. Tannenbaum is a proponent of hiring risk managers across industry lines, although he said he doesn't see that happening as often as he believes it should.

He advises employers to look beyond their own industry when seeking risk management employees. "You hear about this all the time—how hard it is to find good people. If good people are so hard to find, why is it so difficult for companies to consider candidates from other industries?"

Mr. Tannenbaum said he has seen few examples of risk managers who have crossed industry boundaries. "But isn't risk risk?" he asked. "Can't we apply what we do in one industry to another industry?"

He urged employers to consider candidates from other industries so as not to limit themselves "to the traditional thinking. . . . And if we're going to grow, we have to break down these barriers and we have to bring in people from other areas. That's how you get creativity and new ideas." **BI**

Price of drug benefits rising

Cost-saving approaches may bring employers some relief

By MICHAEL BRADFORD

NAPLES, Fla.—Employers are hoping some new weapons will aid them in the battle against the escalating costs of offering a prescription drug benefit.

Part of the problem is that "somewhere along the line, prescription drugs went from being a benefit to being an entitlement," said Todd N. Teixeira, director, benefits analysis and consulting services in the self-funded and carrier division of Express Scripts Inc. in Maryland Heights, Mo. And that expectation has been ac-

companied by steadily rising prescription drug costs.

For self-insured employers, although cost increases for many health care benefits have slowed somewhat in recent years, the cost of prescription drug benefits has skyrocketed, according to Dennis Slabaugh, corporate risk manager with Naples Community Hospital in Naples, Fla.

"We're spending a couple of million dollars a year to provide pharmacy services to 3,000 employees in our company," he said.

Speaking at the 2000 Florida Chapters 25th Annual Joint Educational Conference held earlier this month in Naples, Fla., Messrs. Teixeira and Slabaugh were members of a panel discussing the cost of prescription

drug plans and ways those costs can be kept down. The conference was sponsored by the seven Florida chapters of the Risk & Insurance Management Society Inc.

The panel also featured Michael R. Meredith, Atlanta-based senior vp for the South Atlantic Region at Willis Group Ltd. Mr. Meredith offered numbers that showed how quickly and how high drug costs have climbed.

"Prescription drug costs in 1985 or so were running between 4% and 6% of total health care costs," Mr. Meredith said. "That has changed dramatically. Depending on which employer you're with and what your situation is, we're seeing those costs anywhere

See **Drugs** on next page



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Drugs

Continued from previous page
from 16% to 25% of the total cost of health care, which is alarming."

One reason behind the escalation in costs is the proliferation of new drugs, Mr. Meredith pointed out. He said that from 1993 to 1995, 75 new drugs were approved for sale; from 1996 to 1998, 147 were approved. "That is staggering," Mr. Meredith said.

In addition, drug companies are spending more on advertising and are passing those costs along, he noted. Mr. Meredith said pharmaceutical companies spent \$920 million to reach consumers in 1997 and \$1.85 billion in 1999. In 2000, he said, the amount is expected to be well over \$2 billion.

Spending on research and development is way up as well, he pointed out. Those costs, which were

around \$2 billion in 1980, amounted to around \$24 billion in 1999. "Obviously, if they are spending that kind of money on research and development, what do you think that is going to do in terms of the cost?"

Projections show that employers will continue to pay a high price per patient for prescription drugs, according to Mr. Meredith. He said employers were shelling out just under \$200 per patient to provide the benefit in 1994, and it is estimated that the per-patient cost will increase to just over \$673 by 2003. "And there does not appear to be any end in sight."

Mr. Tiexeira and Jennifer Athmann, a pharmacist and clinical program manager in the self-funded and carrier division of Express Scripts in Bloomington, Minn., offered employers some suggestions on how to control the escalating expense.

By decreasing the size of the phar-

macy network available to employees, employers can chip away at the cost of providing drugs, Mr. Tiexeira pointed out. By removing "just one or two pharmacy chains from the network that a member is allowed to get their drugs from, that can often save at least 2%," he explained, because more employees will use the remaining pharmacies, and the higher utilization can lead to better discounts from those pharmacies.

He stressed, though, that "some sort of network analysis" should be conducted to determine what disruption to employees would result from limiting the size of the network. Mr. Tiexeira suggested that, when making changes, employers should study claims data to determine which pharmacies employees are using the most. Decisions as to which pharmacies will be kept should not be based upon employees' home ZIP codes, though, because employees often use drug

stores that are near work or close to schools their children attend, he said.

Mr. Tiexeira said employers should take a careful look at their plans if they feature a flat-dollar co-payment. If the co-pay is not increasing along with the inflation in drug costs, the increase is falling completely on the employer.

A type of "fourth-tier co-pay" is gaining popularity and can help stem rising plan costs, Mr. Tiexeira noted. Under tiered co-pay arrangements, employee co-pays differ based upon their types of prescription drugs used.

"A fourth-tier co-pay can often, but not always, be implemented at a level of 100% of the drug's cost," Mr. Tiexeira said. While that does not sound like much of a deal for the employee, it does offer some savings, he said. The employee, he explained, would pay the plan's cost for the drug, which is lower than the retail

cost. Such co-pays could be used for so-called lifestyle drugs, such as Viagra or those for non-life-threatening conditions, such as toenail fungus, he said.

Ms. Athmann recommended that plans require "step therapy," meaning use of a "first-line medication" to treat a condition before a more powerful and expensive medication is prescribed. For example, some arthritis conditions can be treated initially with pain relievers, and other drugs can later be used if the condition persists or worsens.

Employers also can consider using "half-tab programs," in which employees are prescribed half of a higher-strength tablet rather than an entire low-strength tablet, Ms. Athmann said. Often, cost-savings are realized by such an approach. "It is controversial, but it is an option, and a lot of companies are doing it."

The panel discussion was moderated by Mr. Slabaugh. **BI**

Planning urged in ergo programs

By MICHAEL BRADFORD

NAPLES, Fla.—If they aren't based upon a plan, office ergonomic changes can be a waste of time and money, an ergonomics expert contends.

"Simply said, make sure you plan, plan, plan before you do anything at all," advised Tracey Nelson, ergonomics specialist at Golder Associates Inc. in Jacksonville, Fla. That means first taking a look at the office work being done and the people doing it, rather than simply rushing out to buy office equipment that is marketed as being ergonomically correct, she said.

Achieving the right fit between equipment and worker is crucial, Ms. Nelson emphasized.

Ms. Nelson's remarks were made at the 2000 Florida Chapters 25th Annual Joint Educational Conference, sponsored by the seven Florida chapters of the Risk & Insurance Management Society Inc., which was held earlier this month in Naples, Fla. She urged employers to be careful when buying furniture and equipment as part of making ergonomic changes. "Just because something is called 'ergonomic' doesn't mean it is ergonomically correct."

Employers can waste a lot of money and time by buying equipment that doesn't fit office workers' needs, Ms. Nelson noted.

One way to make sure the equipment will do the job is to "test drive before you buy," she said. "Most vendors have no problem lending you stuff, because they want you to buy it. Don't ever buy anything without checking it out first." That way, em-

ployers can avoid spending thousands of dollars on equipment that doesn't yield any benefits, Ms. Nelson said.

Vendors will lend out furniture, keyboard trays, headsets and other items with "no problem," Ms. Nelson said.

She also urged employers to consider advice from a few ergonomics specialists when contemplating the purchase of equipment. In addition, she said, employers should examine research regarding the design and effectiveness of ergonomic equipment and furnishings.

And employers should remember that appearances can be deceiving. "Don't get swept away by good looks," Ms. Nelson said.

She also urged employers to consider the adjustability of furniture and equipment. Raising, lowering and making other adjustments helps

fit the equipment to the worker and the job. Having adjustable equipment also allows an employer to modify a workspace to fit another occupant when an employee leaves a job.

Offering a bit of advice that could help solve some office politicking, Ms. Nelson suggested to her audience that they are better off working in a well-designed cubicle than a well-appointed office.

Offices typically aren't made for working, but for meeting, she said. In fact, much of the time, offices are empty because the occupants are meeting in someone else's space. A workspace, Ms. Nelson contends, should be "defined by the task," and cubicles "are designed for corporate use."

The session was moderated by Ellen Rice, senior HR advisor in safety and health promotion for Jacksonville Electric Authority. **BI**

Conference draws 500

NAPLES, Fla.—The 2000 Florida Chapters 25th Annual Joint Educational Conference drew about 500 people to Naples earlier this month.

The Florida meeting is the largest risk management conference in the United States apart from the national annual conference of the Risk & Insurance Management Society Inc.

Next year's conference will be Aug. 6-13, 2001, at the Ritz-Carlton in Naples. Information is available from Chuck Magazine, risk manager for the city of Boynton Beach, Fla. and president of the Palm Beach RIMS chapter. He can be reached at 561-742-6042.



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Panelists: William H. Bolinder, member of the group executive board, Zurich Financial Services; K.C. Kidder, Risk Manager, Wells Fargo; Christopher J. Migel, Executive Vice President, GeneralCologne Re; Kenneth H. Pinkston, Vice Chairman of Willis Group Limited; and Cary McMillan, Chief Financial Officer, Sara Lee.

Moderator: Paul D. Winston, Editor, Business Insurance

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GLOBAL BRIEFS

Paris-based AXA S.A. has announced the formation of **AXA Corporate Solutions**. The new unit comprises the former operations of AXA Re, AXA Global Risks and AXA's reinsurance buying arm, AXA Cessions. AXA Corporate Solutions will operate as a global entity, with the parent company headquartered in Paris and offices in London; Labuan; Miami; Milan, Italy; Montreal; New York; Sydney, Australia; Singapore and Washington. It will be headed by Jean-Marie Nessi, chairman and chief executive officer of AXA Re. . . New York-based American International Group, has been granted a license to operate a **non-life insurance company in Ukraine**. AIG said AIG Ukraine will offer a full range of property/casualty products to Ukrainian commercial entities and consumers. Igor Kovalenko, formerly the marketing director of Ukrainian insurer Aska, will be general manager of AIG Ukraine. The company will be headquartered in Kiev. . . **AMP Ltd.** has posted a profit of \$525 million Australian (\$313.3 million) for the first six months of this year. The results are a welcome development for the Sydney-based financial services giant, which recorded a \$398 million Australian (\$263.4 million) net loss in the first half of 1999, following its hostile purchase of GIO Australia Holdings Ltd. in 1998. Disastrous performance by GIO's reinsurance division ultimately cost AMP more than \$1 billion Australian (\$572.4 million). . . London-based Royal & SunAlliance P.L.C. has announced a new **training initiative for energy brokers**. A group of 18 brokers took part in the first RSA master class earlier this month. The three-day training course was conducted by RSA energy specialists, Lancaster University and customer relations consultants PN Associates. RSA said it expected 100 more brokers to enroll for the course before the end of the year. . . Jacques Dubois, chairman of Swiss Re Life and Health North America, and Peter Ward, president of the Insurance Institute of London, have been appointed non-executive directors of London-based **Swiss Re GB P.L.C.** and its operating companies, Swiss Re Life & Health Ltd. and Swiss Re U.K. Ltd. . . **Internet fraud, e-mail abuse, hacking and computer viruses** are among the crimes set to increase over the coming 20 years, according to new research published by the Assn. of British Insurers. The research report, prepared for the ABI by the Building Research Establishment Ltd., also highlighted illegal uploading and downloading of content on Web sites as a growing hazard. Mary Francis, executive director of the ABI, welcomed the new research and said that, while insurance products are evolving to meet the demands of new technology, companies should be on the lookout to prevent these crimes taking place in the first place. . . **Sonja Fink** has been named the new controller of Lloyd's Agents. Ms. Fink starts the new job at the end of October. The Lloyd's agency network has been in existence for 190 years and now has 400 principal agents located in major shipping ports around the world. The network provides information on shipping movements and a marine surveying service. Ms. Fink, an independent marine insurance consultant, will succeed Mike Stott, who is retiring after a 42-year career at Lloyd's. . . Paris-based credit insurer Coface S.A. has entered into partnership with Dutch bank ABN Amro to provide **coverage for e-commerce trading** between companies in the Asia-Pacific region. The new service will offer coverage to companies carrying out transactions of between \$1,000 and \$100,000.

Using foresight, site by site

Venue-based risk management teams plan for the Olympics' varied exposures

By KATE TILLEY

SYDNEY, Australia—The 40 venues of the 27th Modern Olympiad include such diverse locales as dormitories, a velodrome, concert halls, a marina, beach-volleyball courts, an equestrian center and a whitewater kayaking course.



Risk management for the Olympics has to take into consideration the distinctive characteristics of each of the sites.

Key exposures at the various venues for the Games, to be held next month in Sydney, Australia, include the structural integrity of buildings, electrical safety, fire safety and crowd control.

Every venue has prepared a safety manage-

ment plan, which includes comprehensive checklists, and each location will have volunteer safety officers on duty at all times during the Games. The Olympic Coordination Authority, set up by the New South Wales government to oversee the building of all facilities for the Games, has conducted property inspections, as has the New South Wales Fire Brigade.

Accident prevention strategies are in place for all sites, including the main venue for the Games, the 1,900-acre Homebush Bay site, 10 miles upriver from the Sydney central business district. While many venues are new, purpose-built facilities, others are temporary but will be used for "high-density operations" during the Games, said Peter Himmelhoch, risk manager of the Sydney Organizing Committee for the Olympic Games.

Olympic facilities include \$320 million Australian (\$188.3 million) worth of temporary structures. For example, a velodrome has been expanded to accommodate 6,000 spectators instead of its original 3,000, and a field hockey fa-

cility will seat 15,000 spectators during the Games, instead of its usual capacity of 4,000.

Mr. Himmelhoch said the "diligence level" did not vary much, whether the potential risk is "food spills, the classic way to get caught with slip and trips, or catastrophic issues, like a stand collapsing."

"The processes are there to make sure the catastrophes shouldn't happen," he said. "We've implemented a lot of contingency planning."

Plans are in place, for example, for the emergency evacuation of venues and for any medical incidents.

Mr. Himmelhoch said the size of the Olympics means that simple tasks can become complex. "The Olympics environment can be daunting, it's totally overwhelming," he said.

For example, he said, without direct access to public transportation from venues—transit facilities are at the perimeter of venues to accommodate crowds—it would not be possible to call a taxi to take home a person who may have col-

See Venues on page 51

Moody's predicts Lloyd's losses

By SARAH VEYSEY

LONDON—Lloyd's of London is heading for three straight years of losses, totaling nearly £3 billion (\$4.64 billion), but the market's long-term prospects may be improving, according to Moody's Investors Service Ltd. in London.

The ratings agency predicted a loss of £1 billion (\$1.66 billion) for the 1998 year of account, £1.2 billion (\$1.94 billion) for 1999, and £700 million (\$1.04 billion) for 2000. Under Lloyd's three-year accounting system, the next accounting year to close, 1998, will close on Dec. 31.

Furthermore, Moody's said that although the 1999 year of account was expected to see the bottom of the cycle and prospects for 2000 were brighter, there was no guarantee of a return to profit for the 2001 year.

In the "Moody's Lloyd's Global Forecast (August 2000)," Moody's blamed poor market conditions and underpricing for the predicted losses. "The large losses forecast for Lloyd's are testament to the severity of this current down cycle that has affected insurance and reinsurance worldwide," said Mark Hewlett, managing director of Moody's European insurance division in London. "Although market conditions are generally improving, a sizable loss is cur-

rently forecast for 2000, and we continue to believe that a significant hardening in rates will need to occur if the 2001 year of account is to return a profit."

Lloyd's forecaster Chatset Ltd. in London is also predicting a series of heavy losses ahead. Though its estimates are somewhat more conservative than those made by Moody's, Chatset has forecast a loss of £714 million (\$1.18 billion) for 1998, and £557 million (\$899.7 million) for 1999, based on performance as of December 31, 1999. "We have seen a profit of £578 million (\$959.2 million) from the 1996 year turn into a loss of £210 million (\$339.2 million) (from 1997), and an even larger loss is forecast for 1998 of over £700 million (\$1.16 billion). Only a slight improvement is promised for 1999, and there is no realistic hope of a return to profits before 2003," Chatset said in its annual forecast, released earlier this year.

Moody's has placed loss warnings on 76% of the syndicates underwriting in 1998, 74% of those underwriting in 1999, and 66% of those underwriting in 2000. About 40% of those predicted to return losses for 1998 and 1999 are expected to have losses in excess of 15% of capacity, Moody's said.

While some classes of business, such as auto and retrocessional lines, are beginning to

See Moody's on page 52

Vigilance urged on worker illnesses

By SARAH VEYSEY

LONDON—One of the United Kingdom's largest labor organizations is urging its members to be on the lookout for new workplace diseases, in a bid to identify "the next asbestos."

In a new campaign, the London-based Trades Union Congress is encouraging union safety representatives to ask their co-workers about any health problems they are experiencing.

"Industrial diseases identified by unions have historically led to tens of millions of pounds paid in compensation by employers or the government to victims, and the older diseases are now, at last, being prevented by health and safety laws," said the TUC, an association of labor unions, in a statement announcing the initiative. "But the process can be very slow—asbestos was first recognized as hazardous at the end of the 19th century—but it wasn't banned completely until last year."

The TUC said it is calling upon trade unions to be "on the lookout for new workplace diseases, in the hope of discovering the next big thing" after repetitive strain injury and stress.

"This isn't scaremongering; it's about finding out what's hurting and killing people at

work, and stopping it before more lives are needlessly put in danger," John Monks, general secretary of the TUC, said in the statement. "Medical studies often lag behind new diseases, and we need to get ahead of the game. We need to listen to the real experts, the workers themselves."

The TUC said the effort was prompted, in part, by a report from the government's Health and Safety Commission on occupational health that urged unions to do more to raise awareness of occupational health issues on behalf of their members.

"The idea behind this push is to get individuals and their unions to think much more carefully about the kinds of work that they do, not so they can all run down to court and take their employers to court, but so that they can work together to look at ways of working to, ultimately, move towards making work safer for everyone else," said a TUC spokeswoman.

"On the basis that RSI and stress were, if you like, the big industrial diseases of the late 1990s, there is obviously something else out there, and if it can be identified before it becomes a problem, then you potentially stop thousands of people from even going down that road and

See Health on page 52

Concorde crash class action considered

By EDWIN UNSWORTH

MOENCHENGLADBACH, Germany—An attorney representing victims of the July 25 Air France Concorde crash outside Paris has said he may file a lawsuit—seeking class-action status—in the United States on behalf of some of the 113 killed.

Christof Wellens, an aviation specialist with the Moenchengladbach law firm of Dr. Backes, represents the families of 15 crash victims and is in talks with the families of another 35 victims. Mr. Wellens said he expects to enter negotiations with Air France's liability insurers within the next few weeks. He said he hopes the possibility of bringing a

class-action suit in the United States—where court awards are generally considerably higher than elsewhere—will help his case.

Clause 28 of the Warsaw Convention, which governs air crash payouts, sets four criteria for choosing the forum of a compensation claim—where the ticket was sold, where the airline is based, the location of the airline's principal place of business, and the final destination of the ticket (BI, July 31). Mr. Wellens said he believes there are grounds for making a claim in the United States.

He cites three reasons: while most of the crash victims were German, one was

See Concorde on page 52



PHOTO: REUTERS

The July 25 crash outside Paris was the first-ever for a Concorde plane.

Subway plans on track despite HSE concerns

LONDON—London Underground Ltd. says that a letter from the U.K. Health & Safety Executive outlining alleged shortcomings with its safety efforts will not derail its plans for a partial privatization in 2001.

London Underground, operator of the city's subway system, says that it already has an agenda for addressing many of the issues raised in the letter.

The safety warning from the HSE was contained in a letter to London Underground that was leaked to the public last week.

The letter was sent on Aug. 7 by the HSE's principal inspector of railways, Stanley Hart, and its

contents were reported by the British Broadcasting Corp. later in the day.

While emphasizing that the HSE does not consider the problems sufficiently serious to order a halt to underground services, it did say the HSE did not "have full confidence" in the London Underground subway's operating systems.

The alleged safety problems identified in the HSE letter include uncertainty about the chain of command for safety matters following a recent management reorganization; an increasing problem of litter; lax signal maintenance; and dangerous conditions in sta-

tions, mainly due to obscured signs and painted safety lines.

An HSE spokeswoman said these safety problems make it currently impossible for the executive

Current media reaction to the HSE's letter amounts to 'alarmist scaremongering,' says Derek Smith.

to approve London Underground's "safety case," which is an official

certification that its services have been found to be running safely.

London Underground responded to the letter with a public statement, noting that the subway operator had already provided HSE with a comprehensive response as to how it would address the concerns raised in the Aug. 7 letter. London Underground Managing Director Derek Smith said a detailed program of action addressing each issue has been sent to the HSE.

Mr. Smith stressed that safety would not be compromised as a result of Public Private Partnership, the government's plans to partially privatize the London Under-

ground. Those plans call for the government to continue operating the underground network as a public-sector service but with the private-sector taking over three infrastructure companies.

Mr. Smith said current media reaction to the HSE's latest letter amounted to "alarmist scaremongering." Mr. Smith said safety will remain the purview of the public sector after implementation of the Public Private Partnership, with the private infrastructure companies having "contractual and legal responsibility to discharge their safety duties as directed by London Underground."

—By Edwin Unsworth

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REQUEST FOR PROPOSAL

REQUEST FOR PROPOSAL

REQUEST FOR PROPOSALS (RFP)

The Bi-State Development Agency requests proposals for:

00-RFP-2538-ET
RMIS & Claims Administration System

Proposals are requested from qualified Risk Management Information System (RMIS) software vendors to provide a comprehensive Claims Administration and Risk Management Information System. The selected Proposer shall furnish all software, hardware installation services, and materials necessary to implement and successfully operate a complete system, inclusive of data conversion and training of Agency personnel.

PRE-PROPOSAL CONFERENCE

2:00 p.m. CDST
Tuesday, September 19, 2000
6th Floor Board Room
Bi-State Development Agency
707 N. First Street • St. Louis, MO 63102

PROPOSALS DUE

4:00 p.m. CST
Monday, October 30, 2000

Email requests for copies of the RFP and for submission of technical questions prior to proposal due date to etowe@bsd.a.gov or via facsimile at 314/982-1558 beginning Tuesday, September 12, 2000.

Proposals will be received by the Contracts & Procurement Office, Mail Stop 131 of the Bi-State Development Agency, 707 N. First Street, St. Louis, MO 63102. Any proposals received after the dates(s) and time(s) referred to above will be returned to the sender unopened. The right is reserved to accept any proposal or any part of parts thereof or to reject any and all proposals. Acceptance of any proposal is subject to concurrence by the Illinois Department of Transportation (and the United States Department of Transportation)

DISADVANTAGED BUSINESS ENTERPRISE (DBE) GOAL

The Agency has determined that a Disadvantaged Business Enterprise participation goal is not recommended. However, the Agency is committed to maximizing DBE participation. All Proposers are strongly encouraged to afford these firms the maximum opportunity to participate as partners. All DBE firms are invited to fully participate in this procurement as a primary Proposer or as a partner with another firm.

Contractor will be required to comply with all applicable Equal Employment Opportunity laws and regulations.

Any contract resulting from this RFP is subject to financial assistance contracts between the Bi-State Development Agency, the United States Department of Transportation and the Illinois Department of Transportation.

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Olympics

Continued from page 1

cal property and business interruption at venues, public liability, transportation problems, major incidents, security risks, technological risks and risks associated with the SOCOG's massive workforce.

A comprehensive property/casualty insurance program was placed with Sydney-based insurer AMP Ltd., which is a sponsor of the Games. Mr. Himmelhoch said the coverages are not too dissimilar to regular commercial insurance policies, but with "pretty broad wordings," limited exclusions and low deductibles. The low deductibles are necessary, the risk manager said, "basically because we can't recoup losses, and we need certainty in our budget."

The program includes coverage of installation and marine transit risks, as most of the Games' temporary grandstands were imported to Australia from Europe.

The owners and operators of most Olympic venues have obtained their own commercial insurance coverage, Mr. Himmelhoch noted.

For example, the construction and operation of Stadium Australia, a key venue for many Olympic sporting events, is financed by a bond issue. The construction and development costs of \$519 million Australian (\$305.3 million) were met by the bond proceeds, and the New South Wales government also will incur costs of \$77 million Australian (\$45.3 million) for some initial design and construction work and the reconfiguration of the stadium after the Games.

Stadium Australia Management Ltd. of Sydney had a contract to build the stadium and will operate it until 2031, when ownership passes to the New South Wales government. SAML is responsible for insuring the venue, which is in the heart of the Olympic Park at Homebush Bay.

Most Olympic venues are owned by the New South Wales government, so risk management and loss control for those facilities are the responsibility of the government's Treasury Managed Fund, a self-insurance fund established by the NSW government on June 30, 1989. The TMF insures assets valued at \$38.15 billion Australian (\$22.44 billion) and workplace liabil-

ty for 326,000 employees. The TMF is managed by the Sydney-based insurer GIO Australia Ltd., a subsidiary of AMP Ltd.

Policies purchased by SOCOG from AMP General Insurance Pty. Ltd. include property coverages with limits of \$2 billion Australian (\$1.18 billion), public liability, directors & officers coverage for SOCOG officials, professional indemnity, medical malpractice, aviation (charterers' liability), motor, marine and marine transit.

"It's relatively simple in insurance terms, just voluminous," Mr. Himmelhoch said of SOCOG's insurance program. Core policies were negotiated and placed by September 1998.

Scott Turner, AMP's Olympic project manager, said the property policies cover the Olympic venues for the duration of the "exclusive-use period." That period varies by venue, according to the work required to convert the facility to Olympic use and dismantle equipment later. For example, the Sydney Aquatic Centre has been closed for public use since July, while temporary grandstands are being installed.

Mr. Turner said that part of AMP's sponsorship deal for the Sydney Games involved paying the premiums on SOCOG's behalf. He would not disclose the amount of premium, nor the value of the sponsorship deal.

He also would not disclose the amount of reinsurance purchased by AMP for the Games' insurance program, revealing only that it is "a very large amount." The "bulk" of the reinsurance coverage, Mr. Turner said, is placed with the Australian offices of international reinsurers. Some excess-layer coverages were placed directly into the London market.

SOCOG used Sydney broker Chambers Gallop McMahon Pty. Ltd. as a consultant, and AMP used Heath Reinsurance Broking Pty. Ltd. and the reinsurance arm of Marsh Pty. Ltd. to place reinsurance.

Mr. Turner, who was appointed AMP's Olympics project manager in December 1998, said that a key property risk is the international broadcasting center.

He said negotiations for the coverages were "difficult," because "we wanted the broadest possible cover for SOCOG. Because of the sponsorship arrangement, it was not a normal commercial arrangement."

venue, with ambulance and fire brigade personnel responsible for their respective areas.

"Police are the lead agency, and they coordinate with fire and medical personnel," Mr. Himmelhoch said.

Every venue manager has been drilled on what to do if something goes wrong with computer hardware or software. They also have been tested on managing the relationships involved. "With people inputting data, for example, if there are breakdowns in communication, (venue managers) know how to amend the problems."

With masses of data to be recorded and transmitted, there is ample opportunity for a problem to occur with the information systems at each of the venues. Data will be fed to broadcasters in the 70,000-square-meter international broadcasting center and broadcast internationally "almost immediately." It will also be fed to journalists at every competition venue and the main press center.

The Sydney Olympic Broadcasting Organization, a division of SOCOG, will broadcast television and radio signals to rights holders globally.

Mr. Himmelhoch said he is confident there will be no glitches. "Outside broadcasting is a relatively robust medium; it's tried and tested technology," he said.

"Redundancy is built in," Mr. Himmelhoch said. "At the aquatic events, for example, there are 23 separate

But the wordings were based on regular coverages, along with a broad range of endorsements and some particular wording changes to suit SOCOG's circumstances. For example, the professional indemnity insurance policy is written on an occurrence basis, rather than a claims-made basis, because of the short duration of the SOCOG organization.

"Most available endorsements were purchased and applied," Mr. Turner said.

'There will be small property losses, I'm sure, and a few slips and trips,' says AMP's Scott Turner.

In contrast to the practice in past Olympic Games—including the 1996 Summer Games in Atlanta and the 1998 Winter Olympics in Nagano, Japan—SOCOG chose not to purchase cancellation and abandonment coverage (*BI*, Aug. 31, 1998).

Mr. Himmelhoch said the likelihood of cancellation was assessed and is considered a "residual risk outside our own business interruption cover" that did not warrant paying for coverage. The price and capacity available for coverage of the risk "didn't stack up," he said.

Andrew Mellors, New South Wales manager for Oceanic Underwriting Pty. Ltd. in Sydney, which writes contingency coverage, said it is "the first time anyone can remember contingency covers not being bought by the Olympic organizing committee itself."

Mr. Mellors, who has been placing contingency coverage in Australia and London for 15 years, said that coverage would typically have been purchased in the London market, where there exists sufficient capacity. But SOCOG, he estimates, would likely have been required to pay a minimum premium of \$10 million Australian (\$5.9 million) to "protect all contingencies."

Mr. Mellors said that underwriters had expected SOCOG to place coverage for potential problems resulting from a breakdown of television broadcasts caused by, for example,

terrorism or other political risks that could interrupt the networks' ability to provide global coverage.

Fees paid by broadcasters, which are a primary source of revenue for Olympic organizers like SOCOG, might be contractually reduced by such an interruption. In the area of public liability, Mr. Himmelhoch's key concerns are injuries to individuals, whether they are competitors, employees of SOCOG or spectators.

SOCOG placed a public liability insurance policy with AMP, and SOCOG employees also are covered by statutory workers compensation coverage. A personal accident policy was arranged for volunteers, and contractors are responsible for obtaining workers comp coverage for their own employees.

The cost of medical care for the entire "Olympic family"—10,200 athletes, 5,100 coaches and team officials and more than 100 representatives of international sporting bodies and the International Olympic Committee—is insured through an extension of Australia's government-funded health plan, Medicare.

Mr. Himmelhoch said the Medicare arrangement offered a low-cost way of providing medical coverage for any injured athlete or official, and it had been a selling point in Australia's initial bid for the Games. National teams also may have their own, separate coverage arrangements. The U.S. team, for example, receives free health care coverage under a deal with the Chicago-based Blue Cross & Blue Shield Assn. (*BI*, Feb. 2, 1998).

Mr. Himmelhoch said that, statistically, he expects few medical claims. Claims levels were very low in Atlanta, he said.

Although the Olympics is one of the biggest public events ever staged in Australia, Mr. Himmelhoch's risk management team is relatively small. It consists of a core team of four individuals, who are augmented by the use of consultants. "We don't need the resource for long, so we contract in, get the job done and move on," he said. "We have rapid spurts of growth, and you can't staff for that, so we need to outsource."

One of Mr. Himmelhoch's personnel challenges, he said, was finding "good safety people." Mr. Himmelhoch said he found it difficult to find "technicians who could translate issues into

actions."

When claims occur, the initial, primary communication will come from a venue's loss investigator. "When something does go wrong, we need to get information quickly and look at the potential claims at the scene," Mr. Himmelhoch said.

During the games, a claims team made up of risk management, insurance and legal personnel will meet daily to "decide our strategy on each claim."

AMP's Mr. Turner said the daily incident review meeting will look at every incident and assess the likelihood of claims. "We'll report on open and running claims and make decisions on the appointment of investigators or adjusters, using external legal representatives as required," he said.

While Mr. Himmelhoch called a zero claims target "unrealistic," he said that his research shows Atlanta had about 1,200 incidents, of which only 40 resulted in liability claims. "All organizing committees are different, but that's not an unreasonable 'guesstimate' level" for Sydney, he said. All were public liability claims, he noted, with "some minor property claims."

"It was a profitable exercise for the insurer," he noted.

AMP's Mr. Turner said he is expecting the claims process to "run very well. . . . There will be small property losses, I'm sure, and a few slips and trips."

Mr. Turner said the insurer is at a distinct advantage because of the daily meeting schedule. "Most clients don't have a live incident reporting system. This gives us the opportunity to get in and proactively manage claims and mitigate losses. It's real-time claims handling," he said.

While SOCOG's insurance policies are in effect until March 2002, Mr. Turner is confident that most claims will be "wrapped up" by January or February of next year. "I expect there'll be a few claims after the games that slip through the incident reporting network," he said.

Mr. Himmelhoch said he also expects his job to be finished by January 2001, but that goal "depends on the tail" and being sure that the underwriters have all the data required to wrap up any outstanding claims.

And then, Mr. Himmelhoch said, he plans to take a vacation. **BI**

Venues

Continued from page 49

lapsed but doesn't need an ambulance.

Bad weather is a potential risk, but Mr. Himmelhoch said he is "an eternal optimist." Nonetheless, plans are in place, particularly at the outdoor venues, to deal with inclement weather. There are practical concerns from the weather, such as the likelihood of mud being tracked onto the stands, parking problems at offsite lots, and technological worries, such as damage to electrical equipment, that have been considered and planned for.

The management team from each venue has been taken through scenarios that range from safety hazards to personnel problems.

"How do we deal with classic human resources issues, like unfair dismissal claims, sexual harassment, for example? With 60,000 contractors and 46,000 volunteers, the job is large," Mr. Himmelhoch said.

Major-incident planning has occurred at every venue, and emergency services personnel have been drilled. Mr. Himmelhoch said that the system differs from that used in Atlanta because it is "a clear, simple model." A senior New South Wales police officer, at the level of inspector or chief inspector, will be in charge of coordinating emergency services at every

cameras."

And that is only for the international broadcast that will be fed to the 180 rights holders. Australia's Channel 7, which has the exclusive right to broadcast the Games within Australia, has its own equipment to catch moments of significance to Australia. The resulting coverage becomes, Mr. Himmelhoch said, a seamless mix of "the international and the parochial."

For example, when Australian swimmer Kieran Perkins won a gold

'Our aim is to get problems resolved quickly to reduce complaints,' says SOCOG's Peter Himmelhoch.

medal in the 1,500-meter freestyle at the 1996 Games in Atlanta, the image of his joyful girlfriend—now his wife—crying in the stands was beamed into almost every home in Australia. That image was probably provided by the Australian network, with coverage of the race itself coming from the international signal, Mr. Himmelhoch said.

The Olympic broadcasting organization has responsibility for its own contingency planning, but it is not

"operating in a total vacuum," he said.

SOCOG is relying on a bus/rail/ferry network to take participants and spectators to Games venues; private transportation is not permitted. Mr. Himmelhoch conceded that, while parking issues were resolved, an incident in the public transportation network could create a domino effect.

The Olympic Roads & Transport Authority is responsible for traffic and transportation concerns, but it coordinates with SOCOG and the venue management teams. Every venue has a transportation manager, and Mr. Himmelhoch said that communication channels "must be robust" to ensure there is no breakdown. "Our aim is to get problems resolved quickly to reduce complaints," he said.

Mr. Himmelhoch said the transportation authority had "done a lot to address actual and perceived transport problems" at Atlanta. Still, he said, there could be "no absolute assurance that everything will be right."

To plan for major incidents, the SOCOG risk management team assembled an advisory group of experts. The group includes Peter Bush, chief operating officer at Arnott's Ltd., an Australian cookie manufacturer that suffered a major extortion and product tampering incident in 1997 (*BI*, March 24, 1997).

The risk management team put together powerful presentations for members of venue management

teams, Mr. Himmelhoch said. The scenarios served to "bring to life difficult situations and tragedies," he said.

In addition, a series of information packets was released regularly to the venue teams. The teams worked through the packets, developing responses to hypothetical situations. Each venue team held simulation exercises to test communication strategies and interactions with police, and they worked through "desk-top scenarios" on computers.

In July, SOCOG held a three-day, non-stop simulation exercise to test what Mr. Himmelhoch described as "middle-of-the-road issues." The exercise included a combination of what he called "regular" incidents. "They could all happen, but not all at once," he said. The incidents included a gas leak, mechanical failure on the Sydney Harbor ferries, sexual harassment complaints and bad weather.

Good communications and an absence of fatigue are important factors in "making good decisions when things go wrong," Mr. Himmelhoch said. In the simulations, they allowed those involved to "make better judgment calls in the heat of the battle."

Consequently, Mr. Himmelhoch said, valuable lessons were learned and "sensible changes" were made that would make the occurrence of such incidents "more survivable." "I'm bloody glad we did it then, not in the Games," he said. **BI**

Health

Continued from page 49
suffering ill health," the spokeswoman said.

The Leicester, England-based Institute of Occupational Safety & Health, an professional organization for health and safety managers, said it was producing a policy statement on occupational health for its members. "One of the recommendations of (the policy statement) is that safety professionals should undertake more training for health issues," said Hazel Harvey, head of professional affairs at IOSH. "Also recommended is working with safety representatives, not just union-based, to bring occupational health issues more to the attention of employers."

As part of its initiative, the TUC is encouraging safety representatives to use a technique called "body mapping," in which an employee marks where on the body he or she is experiencing pain or discomfort. "The idea, with body mapping, is to get people to think much more closely

about their bodies and the kind of job they do, the way they sit, the way they stand, the height and width of their work stations, that kind of thing," said the TUC spokeswoman.

The TUC's latest occupational health initiative coincided with the release of results of an investigation into health problems suffered by workers at a plastics factory owned by Vinatex in Chesterfield, England. The study into the health of workers at the factory, which closed in 1986, was carried out by a local trade union, the Trade Union Safety Team, and researchers at nearby De Montfort University.

The two-year study, which was completed this year, looked into the liver function of former workers at the Vinatex plant who came into contact with vinyl chloride monomer, a chemical used in the production of car seats and plastic wrap, among other things, and that is the base ingredient of polyvinyl chloride. The TUC helped fund the study, which was prompted by fears that cancer rates among former Vinatex workers were unusually high. The study found

that "substantial numbers" of former Vinatex workers were suffering from "cancers of the liver, bladder, skin and other organs, as well as respiratory and psychological problems."

254,000 women in the U.K. experience work-related back strain each year, says the Trades Union Congress.

As a result of the study, John Knight, the chairman of the Trade Union Safety Team, said he would be asking the Health and Safety Commission to draw up a checklist of work-related health questions for use by general practitioner physicians.

"One of problems... is that the last question (a general practitioner) will ask is, 'Where do you work?'" Mr. Knight said. "If they asked, 'Where do you work?' as the first question, then they would start to get clues, get

a diagnosis. But we have actually interviewed doctors, and they tell us that they don't look at a person's work history to see what might be the matter."

"One of the things we will campaign to do is to make (general practitioners) more aware of the possibility of working people being exposed to all sorts of substances," he said. "We are going to ask the HSC to draw up a checklist for (general practitioners) to have at their (offices) that they can look at and where there might be the possibility that a person might have a condition caused by their work. Then they can go to the checklist and identify the cause. It should be a relatively easy thing to do."

In October, the TUC will launch a nationwide campaign to tackle the problem of back strain at work. The TUC estimates that back strain costs businesses in the United Kingdom 44 million lost-work days annually. It said that the problem is prevalent in Continental Europe as well, and that back strain affects 30% of workers—some 44 million individuals—across

Europe.

The TUC campaign against back strain will target women, who the organization says are mistakenly perceived to be less at risk from back problems than men.

A TUC study on back strain in younger workers revealed that young women are more likely to experience back strain than are men—35% of women, compared with 30% of men in the age group of 16 to 24 years. According to the report, individuals who work in nursing are just as likely to have to lift or move heavy loads as are those who work in construction. The report also revealed that 28% of women in the United Kingdom have to lift or move heavy loads for more than one-quarter of their time at work, and that 51% of young women at work have to lift or move heavy loads. The TUC also discovered that 254,000 women experience work-related back strain in the United Kingdom each year. Additional results of the study, which was completed earlier this year, will be released when the campaign is launched. **BI**

Moody's

Continued from page 49
see drastically improved rates, recovery is patchy in other sectors, according to Moody's. The auto sector, however, is predicted to return a 21% loss in 1999. Moody's predicts that sector will record six consecutive losing years, from 1995 to 2000.

Marine business was singled out by Moody's as the class that is likely to be the worst performing in 1999 and 2000, due to the fierce competition and rock-bottom pricing that has been prevalent in that line in recent years.

"The marine sector is improving very slowly. It is certainly one sector where, if you look at hull business or energy business, things have probably bottomed out and the upward turn is happening, but it is happening very slowly at the moment," said Dominic Simpson, senior analyst at Moody's in London. "It has been so competitive for the last few years that rating levels have really dropped to very, very

low levels. It is a good example of the fact that, yes, you can have 5% to 10% rate increases, but you need much more in a number of those classes."

'We are extremely delighted that Moody's have extended their... ratings to Lloyd's,' says John Charman.

"One exception," Mr. Simpson said, "is marine reinsurance, where the results have been very, very bad and there has certainly been a hardening of rates—that has had to happen. In marine in 1999, rates continued to fall further. As for 2000, we haven't really seen signs of much improvement. Hopefully, that is going to change much more significantly for 2001."

Mr. Simpson said that there was a chance that Lloyd's could return to profitability in 2001, but not

without a significant increase in rates across the board.

"The way we see it is that 1999 is the bottom of the cycle, that rates generally are improving for 2000. But such was the depth to which rates fell up until 1999 that there is a very long way to go," he said. "If we are currently forecasting a loss of £700 million for 2000, then going from that to a profit in one leap can be done—of course, it can be done—but I think we think that we would need to see a significant hardening in rates."

Mr. Simpson said that there certainly is the potential for rates to recover significantly for 2001, and he added, "I think we could see a much more marked improvement of 2001 over 2000 than 2000 over 1999."

But he warned that there is still a long way to go before the market can realistically hope to show a profit. "It is still patchy," he said. "And where people say things have

bottomed out now—well, OK, at least things aren't going down—but there is still a long way to go up."

"We are not saying that there will not be a significant hardening in rates—there could be, and, I think, there needs to be to get the result into profit," Mr. Simpson said.

Mr. Simpson noted that Moody's predictions were based on normal loss experiences for 2000 and 2001. "Obviously, if 2001 had a very good loss experience, then that would help considerably. Conversely, it could have a very poor loss experience," he said. "I think we are just trying to tell people that there has been a lot of talk that 2001 could be a big turning point—and I hope that is the case; it could be the case—but to talk in the same breath that Lloyd's is definitely returning to profit, I think, is maybe a bit premature against what we have seen for 1998, 1999 and 2000."

Meanwhile, Moody's last week awarded a financial strength rating

to a Lloyd's syndicate for the first time. ACE Ltd. unit ACE Global Markets composite syndicate 2488, the largest at Lloyd's, with £600 million (\$969.2 million) in capacity for the 2000 year of account, was awarded an Aa2, or excellent, rating. The financial strength rating is directly comparable to those awarded to other insurance entities.

"We are delighted that Moody's have extended their established and widely recognized insurance ratings to Lloyd's syndicates," said John Charman, chief executive officer of ACE Global Markets in London.

Copies of "Lloyd's League Tables and 2000 Auction Review" are available for £103 (\$155.53) from Chatset Ltd., Peninsular House, 36 Monument St., London EC3R 8LT; 011-44-207-648-4549. The Moody's report is available only to the company's subscribers.

Concorde

Continued from page 49
American, and that the victim's relatives could take their case to the United States, with other victims named in a class-action suit; the victims had one-way Concorde tickets to New York, because they were on a fly-cruise holiday that was returning to Europe from South America on another airline; and the Concorde's

burst tire, which is suspected as the cause of the accident, was manufactured by the Goodyear Tire & Rubber Co. in the United States.

Mr. Wellens refused to disclose the level of compensation he would seek, saying only that it would be "significant."

He said his firm is seeking a U.S. law firm to join in the negotiations.

Insurance coverage for Air France is placed on a combined

hull-and-liability basis, according to a spokesman for the Paris-based Federation Francaise des Societes d'Assurances, an insurance trade group. The spokesman said the primary insurers were La Reunion Aeriennne, an aviation pool; Assurances Generale de France and its German parent Allianz A.G. Holding; and AXA Group S.A.

Reinsurance coverage was led in the London market by British Aviation Insurance Group Ltd. **BI**

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If market turns, you'll know it

Is the property/casualty marketplace really turning the corner? I'll believe the current talk of rising rates and shrinking capacity in the property/casualty insurance and reinsurance marketplaces when I see it.

It has been so long since doing business was anything but cutthroat that I wonder if people in the commercial insurance business can really recognize a tightening market.

Those who are old enough to have lived through a tight market may have forgotten its characteristics, given that many of these individuals must be approaching the age when the memory fades or, at least, plays tricks. Many others involved in the business of insurance and reinsurance today have never worked in a so-called tight market.

Think about it. The last broad-based tight property/casualty market ended in 1987. If we assume a minimum age of 22 for getting into the business, it follows that anyone under 35 hasn't worked in a tight market.

Add in a couple more years for graduate school, combined with a few years spent working in some other business before entering risk management, insurance or reinsurance, and, realistically, we can say that nearly everyone under the age of 40 in the business is unschooled in the ways of a tight market.

To remind those who have forgotten what it means to do business in a tight market and to enlighten those who have never worked in one, let me share with you what I think will be some clear signs that the marketplace again belongs to the sellers.

It is not just about pricing, either. Never mind that a sure sign of a hard market is that the insurer gets the order for a higher rate than was quoted. There are many more seismic shifts that occur in a marketplace where the seller is king than merely the doubling and tripling of rates.

For starters, a new civility erupts in the marketplace. Risk managers say "please" to

their brokers and mean it. Brokers not only say "please" but they are actually polite to their insurers and reinsurers, treating them with newfound respect. And no one argues over policy wording.

New skills are brought to bear in a hard market. Underwriters no longer price business based on what will land the account; they actually underwrite the risk. Brokers exercise the art of negotiation, not intimidation. And risk managers once again spend time differentiating their risks from those of other companies in the same industry.

Who picks up the tab is reversed in a hard market. Risk managers buy their brokers lunch, and brokers grab the tab when dining with insurers—in the few instances when anyone has a spare moment to eat out.

Whose job is at stake changes. The risk manager fires the broker instead of the underwriter, even though the underwriter isn't returning the risk manager's telephone calls anymore. And the risk manager who took credit for insurance that was priced below its loss costs is definitely looking for a new job.

Who is higher on the food chain at sporting events is turned topsy-turvy. The best seats a risk manager can get from a broker at any sporting event cause nosebleeds. The brokers' center-court/50-yard-line seats are occupied by the underwriters. And nobody has time to play golf.

One-stop shopping no longer exists. The broker admits that the expertise of another company is needed to help place or service a piece of business. And underwriters return to the practice of quota-sharing risk.

The language of the business also changes. Risk managers start talking about self-insured retentions, not guaranteed-cost policies. Loss histories are considered meaningful. And so-called long-term relationships exceed 12 months.

Furthermore, there is a whole new hierarchy at industry conferences. Risk managers show up at booths of brokers and insurers toting bags full of trinkets sporting their company logos in the hopes of being moved up the list of clients' calls to return. And all the hospitality suites at the conferences are BYOB.

I may be exaggerating, but if you can't see yourself doing business under these conditions, the good news is that it's a great time to make a career change while the overall economy is hot and employers in many industries are begging for new hires.

It might be easier for some to learn rocket science than to change habits learned over the last 13 years in the buyer-is-king and lower-price-for-all property/casualty marketplace.

Publisher and Editorial Director Kathryn J. McIntyre's commentary appears fortnightly and on www.businessinsurance.com. She can be reached at kmcintyre@crain.com



Kathryn J. McIntyre

Domicile

Continued from page 2
offshore domiciles," Mr. Douglas said.

Pat Stangle, director-risk management for Conran Corp./NL Industries Inc. in Houston, reviewed his company's experience with relocating and consolidating captives. Conran has two Vermont-domiciled captives, both of which were previously domiciled in Bermuda, he noted.

Mr. Stangle explained that in 1990, when the company was divesting itself of a subsidiary, one of its Vermont captives, NL Insurance Ltd. of Vermont, was formed as a unit of a Bermuda captive, NL Insurance Ltd., that originally was a unit of the company being spun off.

The company determined it wanted to consolidate the operations of the Vermont captive and its Bermuda parent in a single domicile. "We were either going to move everything to Bermuda or everything to Vermont," Mr. Stangle said.

In deciding where to locate the captive operation, some of the considerations were the two domiciles' willingness to accept third-party business, their investment and reserving restrictions, costs, coverage flexibility, tax ramifications and various subjective issues.

"Both companies had a good chunk of third-party business," Mr. Stangle said. And, he noted, "one of the captives had securities of the parent that were being used to meet capitalization requirements."

Ultimately, the company decided to liquidate the Bermuda company

and consolidate all the captive operations in the Vermont captive.

One of the steps involved in the liquidation of the Bermuda company was a portfolio transfer of its assets and liabilities to the Vermont company.

The liquidation also required the execution of assignment agreements—which transfer insurance coverage in force—by all ceding companies and reinsurers doing business with the Bermuda captive. "I will tell you, this was by far the most painful part of the process for us," Mr. Stangle said.

Based on his company's experience, Mr. Stangle had several suggestions for companies considering redomestication:

- Never underestimate the time it will take to complete such an undertaking.

- Expect every party that must execute an assignment agreement with the captive to use that as leverage to gain something for themselves.

"It's human nature: 'If you want me to do something, what's in it for me?'" Mr. Stangle said.

- Work with attorneys who have done such transactions before to make sure all the necessary details are attended to up front.

- Meet with regulators early in the process and determine what they will require to approve the plan and what aspects might trouble them.

- Pick a good captive manager.

Now, Conran is examining the possibility of moving one of its two Vermont captives to Dublin so it can write coverage on a direct basis for its European Union operations.

"It gives us the opportunity to see if we learned anything the first time," Mr. Stangle said.

Corning Inc. has had a captive in Bermuda for 25 years, according to Brian D. Casey, director-risk management and loss prevention at the Corning, N.Y.-based company. Last year, however, Corning formed a Vermont captive, and now the company is exploring the possibility of forming one in Dublin next year.

The moves are not a reflection on Bermuda, Mr. Casey suggested, but rather a reflection of Corning's growth and changes in its focus.

"I don't want to give anyone the impression Bermuda's dying," Mr. Casey said. "It's still a very creative and dynamic market for captives and business in general."

Often, Mr. Casey noted, companies may "unconsciously" find themselves with multiple captives because of mergers and acquisitions, changes in law, local regulations or a lack of redomesticating laws in certain domiciles.

But, he said, "Obviously the best decisions are conscious decisions. Do your homework and check out the domiciles."

Some of the factors that could contribute to a decision to operate multiple captives are: opportunities to benefit from specific regional advantages, decentralization of the company's risk management, different classes of business in different areas or the world, tax management issues, or specific purposes for the different captives, Mr. Casey said.

And, he noted, "It's always good risk management practice to have more than one option." **BI**

Web holds captive uses

Internet could aid information flow, reduce costs: Speaker

By RODD ZOLKOS

BURLINGTON, Vt.—Much as the Internet is changing other aspects of life and business, it stands to play a significant role in the future of captive insurance.

"It's safe to say that e-commerce and e-business in general is changing the way we live," said Frecrik Motzfeldt, who moderated a panel on the "e-captive environment" earlier this month at the annual conference of the Vermont Captive Insurance Assn. in Burlington, Vt.

"The consumer has access to a wide variety of resources and a wide variety of products," Mr. Motzfeldt said, and if those options are available to the general public, why not in the captive industry?

For captives, Mr. Motzfeldt said, there are to be two obvious types of e-business strategies: crafting a Web-enabled captive with the World Wide Web serving as an information facilitator and a lead generator; or tapping into a Web-generated revenue stream with the Internet presence serving as a means of generating quotes and promoting business.

"It's my opinion that either one could be a valid e-captive strategy," Mr. Motzfeldt said.

"The traditional risk management captive process tends to be paper-driven and tends to be very time-consuming," Mr. Motzfeldt said. "The customized Web could give your clients access to live, up-to-date information from the risk management department."

And the risk manager could benefit from taking the captive business online as well, he said. "You, as the risk manager, can also use the Web to very effectively monitor what your local subsidiaries are doing," Mr. Motzfeldt said.

Among the reasons for developing a captive e-strategy, according to Mr.

Motzfeldt are:

- Improved control of the flow and quality of information between subsidiaries.

- Cost reduction. "The Web allows you to be more places at the same time," Mr. Motzfeldt said.

- Efficiency, comfort and convenience.



- Internal and external expectations. As customers grow to expect ease of access to information, "if you don't deliver you're going to become invisible," said Mr. Motzfeldt.

- Competitive pressure.
- Technology, which has made it easier and less expensive to have a Web site.

Obstacles to an effective captive e-strategy could include the time and effort involved in creating the system, limited interaction, changes to the status quo, security concerns, the lack of universal access to the Internet, legal and regulatory obstacles, or traditional distribution channels—"local fiefs"—according to Mr. Motzfeldt.

"It's fair to say that there a number of obstacles that we have to overcome before we can go forward full-force with an e-captive strategy," Mr. Motzfeldt said. "One of the big ones is time and effort."

Jim Boone, risk manager of J.S. Alberici Construction Co., a St. Louis-based heavy industrial and general building company, noted that business-to-business online enterprises are popping up in the construction industry with increasing frequency. Services provided on those sites "really run the gamut," he said.

And his own company is looking at

ways it can tap e-business, Mr. Boone said, including its risk management and captive applications.

"We look at e-commerce as improving our processes and improving our efficiencies," Mr. Boone said. "Anything technology can do to remove stress and remove burdens from our people, again, think of it as a risk management strategy. Our people are the biggest asset we have."

E-business will make the risk manager's life considerably easier, "because there's going to be information available, we know where to get it, it's going to be consistent," Mr. Boone said.

"At the present time, doing business online is really taking a back seat to accessing information and moving information on a more timely and efficient basis," the risk manager said.

At J.S. Alberici, "The intranet has become our accepted methodology of communicating within the company," Mr. Boone said.

The company uses its intranet to post manuals and rate information, provide information about safety performance and lessons learned, to provide a forum for "toolbox talks" and human resources information, and to post relevant articles.

The use of the intranet to disseminate safety information is "absolutely huge," Mr. Boone said. "It's also an area of concern."

On one hand, "The best way to improve your safety performance is to learn from something that has gone wrong," he said.

But on the other, "When you develop the information, the lessons learned, you have essentially done an accident investigation," the risk manager added. "Now you're posting it out there for everybody. I've got a few issues from a discovery standpoint." **BI**

Analytical methods best for setting risk retentions

By RODD ZOLKOS

BURLINGTON, Vt.—There are various rules of thumb for setting risk retention levels, but a better approach is to base retention decisions on an examination of the types of risks involved, statistical analysis and an understanding of the organization's risk tolerance.

That more painstaking approach to determining how much risk to retain becomes particularly important as organizations move toward managing risks on an enterprise-wide basis, according to a panel of speakers who discussed setting captive insurer and parent company retentions at the annual meeting of the Vermont Captive Insurance Assn. earlier this month in Burlington, Vt.

"Setting the retention level is an exercise that involves three different things," noted Richard M. Inserra, assistant treasurer at Union Carbide Corp. in Danbury, Conn., and the panel's moderator.

Those three elements are the organization's financial capacity to assume risk, its expected and potential retained losses, and premium reductions it might realize by taking higher retentions.

Peter M. Densen, a principal in risk management consulting at Aon Risk Consulting in New York, noted that risk retention capacity can be defined as the maximum amount of unexpected loss that can be tolerated by an entity's key stakeholders, such as a company's management, shareholders, creditors and clients.

Beyond that, "there are contributing influences that have to be paid attention to," Mr. Densen noted. Among them are analysts' expectations. "The stock market is difficult to predict," he said.

Other contributing influences are industry characteristics and management's risk aversion, "something that's very hard to measure but, of course, enters into it," Mr. Densen said.

Three relatively common rules of thumb for determining risk retention capacity are 5% of earnings, 2% of net worth or 3% of operating cash flow, Mr. Densen said. It's possible that an organization might find that one of those characteristics in particular is the defining constraint in its risk retention decision-making.

"A lot of these measurements depend on how will this affect the ability of the company to finance itself going forward," Mr. Densen said.

He noted that the rules of thumb are "not exactly cookie-cutter precise."

"There are lots more rules of

thumb," he said. "You just need to know your company and which rules of thumb might apply, depending on the particular financial characteristics of your particular organization."

And, he said, "Rules of thumb give you guidance but they really are only that—guidance. You really have to know the characteristics of the particular company to know what's important to them."

"There's no cookbook," added Paul T. Goularte, managing director at Marsh Inc.'s Marsh Risk Finance unit in New York. "It would be nice if there was something that said, 'Here's the 28 things you can put in your captive,' but there's not."



The objectives of modeling a risk retention structure should include quantifying the variability of each risk and determining interactions among the risks, Mr. Goularte said.

It's also necessary to view risks in total rather than in isolation, and to develop consistent and effective risk management strategies. "Look at the big picture with the whole objective of developing a consistent and effective risk management strategy," he said.

In considering putting risks other than traditional property/casualty exposures—foreign exchange risks, for example—into a captive, probably the most critical risk retention consideration is the correlation of certain financial risks such as some currencies that are highly correlated and tend to move together, like the French franc and the German mark, Mr. Goularte said.

Others, like the Canadian dollar and the Japanese yen, show very little correlation, "which is good if you're putting this kind of risk in the captive," he said. "Ideally what you want is negative correlation."

In evaluating risk retention capacity, Mr. Goularte emphasized that organizations should:

- Avoid a narrow approach to risk identification.
- Use statistical methods instead of a qualitative "worst case" approach.
- Consider the portfolio effect of correlation among risks.
- Give risk managers strategic decision tools.
- Coordinate risk mitigation and risk finance practices across func-

tions.

• Measure the company's overall tolerance for risk.

Determining a captive's risk retention capacity can involve consideration of different factors than the risk retention decisions for the parent company, such as regulatory guidelines, economic or market conditions, or practical matters that are related to the captive operation, Mr. Densen said.

At the same time, however, "clearly, the captive company as a member of that parent group can't take more risk than the group itself can," Mr. Densen noted.

In discussing moving into enterprise risk management, Mr. Densen observed that while the concept has been around for some time, few examples of it remain in place.

To move toward such an approach, a company's senior management must initiate the process from the top, he said.

The working hypothesis behind an enterprise risk management approach, he noted, is that "risk is risk."

In taking that approach, "The financial risks and the hazard risks are very subject to being analyzed in a similar way," Mr. Densen said. "There are markets to lay off those risks."

A company's stakeholders expect the retention of "fortuitous" risks, those risks that could produce a favorable outcome for the company, Mr. Densen suggested, and won't penalize the organization for hanging on to them. "That's what you're in business to do," he said.

With that in mind, those making retention decisions also must ask such questions as whether hazard/fortuitous is a useful distinction in weighing risks, as well as the potential differences between continuous and one-time risks.

"These are distinctions that need to be kept in mind in thinking about 'How much risk do I bear?'" Mr. Densen said.

Once the risk retention decisions are made, in communicating them with the various stakeholders in the organization, it's important to understand where those stakeholders fit in the organization's hierarchy, and to recognize that different groups of stakeholders are motivated by different factors, Mr. Densen said.

"Each of these stakeholders has a different way of looking at what they might consider capacity for bearing risk," he said.

Mr. Inserra said, "If you go to a CFO or a treasurer or a board of directors and you're not talking with facts and figures, you're dead."

In explaining risk retention to top management, Mr. Inserra noted that executives, as a rule, are conservative risk managers, and many extrapolate their personal insurance experience to corporate practice.

Ultimately, Mr. Inserra said, "we have to move away from some of the old traditions" and develop retention methods based on data, analysis and impact.

Mr. Inserra urged risk managers to update and expand their methods of risk retention determination and to move their organizations to quantify operational and statistical risks and to gather data to correlate risks based on actual performance.

And he suggested they develop risk retention processes for their organizations, including an understanding of the full range of relevant risks and create opportunities for their captives. **BI**

UPDATES

Quackenbush probe continues

Continued from page 2

The report also makes several recommendations, including restricting how regulators can use insurer settlement money. Mr. Quackenbush faces other ongoing investigations, including one by California Attorney General Bill Lockyer.

Also last week, S.B. 1899, which would extend the statute of limitations by one year for Northridge earthquake insurance claims, passed the Assembly.

Reliance, regulators reach deal

NEW YORK—Regulators stepped up their supervision of Reliance Insurance Co. through an agreement with the troubled insurer.

Under the agreement, announced last week, Philadelphia-based Reliance will submit a detailed business plan and significant future transactions, including the payment of dividends, to the Pennsylvania Insurance Department for "review, comment, and/or approval."

Reliance has already requested approval to pay dividends later this month, when bank payments are due, and said it will make a similar request in November, when bond payments are due. The Pennsylvania Insurance Department, which is the primary regulator for Reliance, has not yet decided whether to permit the dividend payments.

The agreement, which is not an administrative action, also details other conditions in the tightened regulatory oversight of Reliance, including that: by Aug. 31, Reliance must submit a detailed business plan setting forth the anticipated sale of its business units and projections for its future operations; the insurer can neither make any payments nor engage in any transactions with its New York-based parent, Reliance Group Holdings Inc., or its sister companies, without approval; Reliance cannot enter into any new reinsurance agreements or alter its corporate ownership without approval.

Also last week, Reliance Group Holdings announced that creditors have granted an extension, to Nov. 10, on \$237.5 million in bank debt that was due Aug. 31. A Reliance spokesman would not comment on whether other debt terms have been changed.

Court rules on arbitration case

SAN FRANCISCO—Employers can force workers to resolve employment-related disputes through arbitration, but they must provide a fair process and allow employees the opportunity to collect as much money as they would in a jury trial, California's Supreme Court ruled late last week.

In the closely watched case, for which both plaintiff and employer groups filed amicus briefs, the court, in *Marybeth Armendariz vs. Foundation Health Psychcare Services Inc.*, stopped well short of banning mandatory arbitration agreements in the workplace.

But the San Francisco-based court's unanimous decision does create safeguards for employees and requires that the arbitration process be fair if employees are to give up their right to sue employers, court records show. For example, the court said that when an employer requires workers to sign arbitration agreements as a condition of hiring, employees cannot be required to pay for expenses that they would not incur in court proceedings. Therefore, employers must pay the cost of hiring arbitrators.

The *Armendariz* case stems from a sex discrimination complaint filed by two heterosexual female workers. They claim they were fired in 1996 because of discrimination by homosexual supervisors and co-workers at Foundation Health, a San Rafael, Calif., managed care company.

The employees had signed agreements that required arbitration and capped the damages they could collect. Yet the agreements allowed the employer to pursue unlimited damages in court. The "unlawful damages provision and a unilateral arbitration clause" amount to unequal treatment, rendering the agreements unenforceable, the high court ruled.

PBGC terminating Singer plan

WASHINGTON—The Pension Benefit Guaranty Corp. is taking over and terminating an underfunded pension plan sponsored by sewing machine manufacturer Singer Co., which is having financial difficulty.

Singer Co. N.V., a Netherlands Antilles-based corporation, is in bankruptcy reorganization and is liquidating the U.S. subsidiary that sponsored the plan. The plan, which has about 11,000 participants—including 8,000 retirees—is underfunded by about \$52 million, with assets of \$78 million and liabilities of \$130 million. To settle all of PBGC's claims on behalf of the plan, Singer's reorganization plan would give the agency convertible preferred stock—valued at \$17 million—in the reorganized company. The PBGC also has an unsecured claim of \$35 million.

The termination is the largest since 1997, when the PBGC took over an Allis-Chalmers Corp. plan that had \$63 million in unfunded liabilities.

Briefly noted

James E. Gustafson, president and chief operating officer of The St. Paul Cos. Inc., is leaving the insurer after joining it last year. The company, which said Mr. Gustafson's departure was a mutual decision, will conduct an external search for a successor. . . . **Ameritech Corp.**, of Chicago will pay about \$175 million to settle a suit charging that it miscalculated pension benefits owed to about 17,000 employees who retired since 1994. Ameritech, while not acknowledging fault, agreed to the settlement to put the issue behind it, a spokesman said. . . . Legislation aimed at **limiting campaign contributions** that insurers can make to insurance commissioner candidates passed the California Assembly Appropriations Committee last week. S.B. 953, which was introduced by Sen. Jackie Speier, D-Hillsborough, would limit campaign contributions by insurers that have regulatory hearings before the Department of Insurance to \$250 in a 12-month period. The bill's introduction follows the scandal that resulted in the resignation of former Commissioner Chuck Quackenbush. . . . California legislators last week confirmed the nomination of **Harry W. Low** as insurance commissioner.

David Provost awarded Captive Crusader Award

BURLINGTON, Vt.—The 15th annual conference of the Vermont Captive Insurance Assn. drew approximately 800 attendees to Burlington, Vt., Aug. 8-11. Among those attending were 180 first-time attendees and 150 captive owners.

During the conference's opening session, the VCIA presented its annual Captive Crusader Award, given for exceptional service to the association, to David Provost, assistant regional director-U.S. onshore at AIG Insurance Management Services Inc. in Bur-

lington.

The association's other annual award, the Industry Service Award, was given to Roger Phelps, former president of Alcoa Securities Corp.'s Three Rivers Insurance Co. captive.

The VCIA also recognized the 10th anniversary of Leonard D. Crouse as director of Vermont's captive insurance division.

Next year's VCIA conference will be held August 7-10, 2001 at the Sheraton Hotel & Conference Center in Burlington. For more information, call the VCIA at 802-658-8242.

UPS ruling hangs over premium deductibility

If properly structured, captive deductions should be 'permissible transaction'

By **RODD ZOLKOS**

BURLINGTON, Vt.—It should be possible, under current tax law, for captive insurance company owners to deduct premiums from properly structured transactions involving captives, a panel of insurance tax experts contends.

Concerns remain for taxpayers and the insurance industry, however, said the panel, which discussed federal tax issues at the annual conference of the Vermont Captive Insurance Assn. earlier this month in Burlington, Vt.

Topping the list of concerns is last year's U.S. Tax Court ruling that United Parcel Service of America's arrangement for offering excess value insurance to its customers through a program fronted by National Union Fire Insurance Co. of Pittsburgh, Pa., then reinsuring the risk via a UPS captive was a tax dodge (*BI*, Aug. 16, 1999).

"If we structure properly... we can feel pretty assured that we have a permissible transaction should we be challenged" by the Internal Revenue Service, said Mark E. Anderson, a partner at KPMG L.L.P. in Atlanta.

From a tax perspective, premium deductibility at the time of payment is a policyholder's primary goal in making premium payments to a captive or other self-insurance arrangement, he noted.

Premium payments by policyholders to properly structured, adequately capitalized captive insurance arrangements are deductible for U.S. federal income tax purposes, and an accountant examining such an arrangement can issue a "should" opinion for the taxpayer, indicating that the program should pass federal tax deductibility muster, Mr. Anderson said.

Still, noted Stephen C. Eldridge, a West-Conn.-based adviser on tax and financial matters to both the traditional and alternative insurance markets, there is no guarantee that the IRS will agree with the accountant's opinion.

Mr. Anderson agreed the IRS may still challenge deductions, but its appetite for litigation over such arrangements has decreased.

But "at the agent level they don't understand this," said William Mooney, senior vp

and group tax director at Willis North America Inc. in Nashville, Tenn. "From what I've seen, the (IRS) agent will normally set up the issue and you have to settle on appeals."

Mr. Anderson noted that neither the Internal Revenue Code nor the regulations established under the code define the term "insurance" or "insurance contract."

The U.S. Supreme Court, however, did es-



establish a definition for insurance in its 1941 ruling, *Helvering vs. LeGierse*, 312 U.S. 531. The ruling created a two-part test for insurance involving the existence of an insurance risk and the presence of risk shifting and risk distribution.

"That's the landmark decision that we always look to," said Mr. Anderson.

Risk shifting is defined as shifting an identifiable risk from a policyholder to an insurer. Risk distribution is defined as the spreading of an insurer's risk of loss with respect to a particular policyholder through the issuance of multiple contracts.

"My problem with that is, do I not have insurance if I go to Allstate and they don't distribute my risk properly?" Mr. Eldridge asked.

Mr. Anderson noted that the IRS subsequently established a so-called "economic family theory."

In its Revenue Ruling 77-316, the IRS took the position that in the case of related-party risks, if such risks are insured or reinsured by a related insurance company, the premiums involved can't be deducted from federal taxes because risk has not shifted from the policyholder to the insurer.

"Since 1985, case law has been more favorable," Mr. Anderson added. Since then, judicial decisions favoring taxpayers have gradually carved out two exceptions to the economic family theory. One is in the case of

company relationships, such as "brother/sister" relationships. The other exception involves third-party risk.

Federal courts have held that policyholders and insurers that are brother/sister to each other have independent balance-sheet movement and consequently satisfy risk-shifting criteria, Mr. Anderson said.

In the case of third-party risk, federal tax court decisions have concluded that if a captive insurance company insures 30% third-party risk, based upon premiums, risk shifting has occurred, Mr. Anderson said.

And, he said, the IRS has been conceding captive insurance company cases on both relationship and third-party risk fact patterns. "That is assuming that you have structured close to the case law and you have done all the details that you need to do," Mr. Anderson said.

"There are still things happening that could cause us problems down the line," he said. "Most notably, UPS."

The UPS case has its origins in an insurer that UPS initially created as a wholly owned subsidiary, then in the early 1980s spun off so that the shipping company and the Bermuda-domiciled Overseas Partners Ltd. captive had a brother/sister relationship under the common ownership of UPS' shareholders.

For regulatory reasons, according to Mr. Anderson, the company utilized a fronting arrangement with National Union in selling excess-value insurance to UPS customers. National Union reinsured the exposures in the OPL captive.

In selling the insurance, UPS acted as agent for National Union and administered claims but took no fee for doing so.

The Tax Court held the arrangement lacked business purpose and was an economic sham. "They took a fronting arrangement and put it back on the backs of UPS," Mr. Anderson said. "That is what concerns us."

Mr. Eldridge noted that the ruling ignored fees UPS paid to National Union. "That's saying this transaction was nothing but a tax dodge," he said. "That's what the judge said."

"It would seem, based upon what the IRS is saying publicly about the decision, that the Tax Court decision even surprised

them," said Mr. Anderson.

He noted that the IRS has begun citing the decision to conclude that "seeming valid insurance" can be ruled invalid for purposes of tax deductibility if it is tax-motivated.

The IRS also has been raising questions about the validity of fronting arrangements that had not previously been questioned, Mr. Anderson said.

"Now how many of us who have captives have fronting arrangements?" asked Mr. Anderson. "I would presume more than one."

In its UPS decision, the Tax Court appeared to replace the risk shifting/risk distribution test for insurance with a business purpose/economic substance test, Mr. Anderson said, "a different landscape" from what companies previously faced.

The question, he said, is whether an arrangement that transfers risk from UPS customers to a third-party insurer unaffiliated with UPS is indeed an insurance contract having economic substance for federal tax purposes.

He noted that National Union and OPL took on the excess-value insurance risk. And, he said, the transfer and distribution of risk under the UPS arrangement is consistent with previous taxpayer-favorable court decisions.

The speakers suggested that among the aspects of the arrangement that seemed to trouble the court was that UPS administered the insurance policies for no fee from National Union.

But Mr. Eldridge noted it was natural for UPS to serve in that function, as it was responsible for the first \$100 on any customer claims.

"There's a lot of little stuff in here that really bothered the court," Mr. Mooney said. "You keep hearing about 'bad facts.'"

"The sum total of all these little facts seemed too good to the judge," Mr. Eldridge said. "I think what the taxpayer might have done is taken some fees for what they had done," particularly "if they had contracts in place."

In general, Mr. Eldridge advised captive parents looking to secure tax deductibility to "do your paperwork as best you can and document up front."

"There's a lot of ways you can justify (such transactions) from a business purpose standpoint, and if you do that, it should be all right," Mr. Mooney added. **BI**

BI Industry Stock Report AUG. 21, 2000, THROUGH AUG. 25, 2000

| BROKERS | Price | Weekly % change | Year to date % change | Year to date | | | Price | Weekly % change | Year to date % change | Year to date | | | Price | Weekly % change | Year to date % change | Year to date | | | | | | | |
|----------------------------|---------|-----------------|-----------------------|--------------|----------|-----------|-------|--------------------------------|-----------------------|--------------|--------|-----------|--------|-----------------|-----------------------|----------------------------------|---------|-----------|-------|--------|-------|-------|------|
| | | | | High | Low | Vol.(000) | | | | High | Low | Vol.(000) | | | | High | Low | Vol.(000) | | | | | |
| Aon Corp. | NYS | 36.38 | -1.36 | -9.06 | 42.75 | 20.69 | 2161 | Gainsco Inc. | NYS | 3.75 | -15.49 | -30.23 | 6.94 | 3.75 | 268 | Vesta Insurance Co. | NYS | 4.88 | 6.85 | 25.81 | 7.88 | 3.44 | 172 |
| Brown & Brown | NYS | 27.50 | 4.89 | 43.56 | 27.50 | 15.38 | 81 | Harleysville Group | NDQ | 19.25 | -0.32 | 35.09 | 20.25 | 11.63 | 174 | XL Capital Ltd. | NYS | 67.06 | 0.19 | 29.28 | 72.38 | 39.00 | 1225 |
| Clark Bardes Holdings | NDQ | 10.00 | -1.23 | -30.43 | 21.00 | 8.50 | 45 | HSB Group Inc. | NYS | 39.88 | -0.16 | 17.93 | 40.63 | 21.50 | 1596 | Zenith National Ins. | NYS | 23.44 | 1.08 | 13.64 | 24.94 | 18.75 | 23 |
| E.W. Blanch Holdings Inc. | NYS | 21.13 | -1.46 | -65.51 | 70.75 | 16.56 | 704 | HCC Insurance Holdings | NYS | 21.00 | -2.33 | 59.24 | 22.94 | 8.00 | 523 | INSURERS/REINSURERS | AVERAGE | | -0.40 | 3.39 | | | |
| Gallagher Arthur J. & Co. | NYS | 47.63 | 2.14 | 47.10 | 50.00 | 23.06 | 741 | ING Group N.V. | NYS | 68.00 | -0.64 | 11.48 | 69.94 | 46.81 | 292 | HEALTH MAINTENANCE ORGANIZATIONS | | | | | | | |
| Hilb, Rogal & Hamilton | NYS | 39.88 | -0.31 | 41.15 | 42.13 | 22.38 | 76 | IPC Holdings Ltd. | NDQ | 17.13 | 5.38 | 15.13 | 22.50 | 9.75 | 182 | Foundation Health Systems Inc. | NYS | 17.19 | 3.77 | 72.96 | 17.56 | 6.25 | 2164 |
| Kaye Group Inc. | NDQ | 8.25 | -2.22 | -1.49 | 11.88 | 5.00 | 7 | Hartford Financial Services | NYS | 63.25 | -3.44 | 33.51 | 69.50 | 29.38 | 2127 | Humana Inc. | NYS | 7.94 | -0.78 | -3.05 | 11.08 | 4.75 | 1455 |
| Marsh & McLennan | NYS | 117.06 | -0.48 | 22.34 | 127.38 | 61.75 | 2114 | John Hancock Financial Service | NYS | 22.94 | 1.38 | 34.93 | 24.75 | 13.44 | 3600 | Oxford Health Plans | NDQ | 27.50 | -9.09 | 116.75 | 33.25 | 9.75 | 4159 |
| | | | | | | | | LaSalle Re - Holdings Ltd. | NYS | 18.63 | -2.61 | 12.88 | 19.38 | 10.88 | 63 | Pacificare Health Sys. | NDQ | 51.56 | -4.73 | -2.71 | 72.31 | 31.13 | 865 |
| BROKERS | AVERAGE | | 0.43 | 14.52 | | | | Lincoln National | NYS | 46.75 | -3.86 | 16.88 | 52.00 | 22.63 | 2667 | Sierra Health Services | NYS | 2.75 | 2.33 | -58.88 | 13.25 | 2.44 | 627 |
| | | | | | | | | MAIC Holdings Inc. | NYS | 12.13 | 0.00 | -42.77 | 29.05 | 10.00 | 317 | United HealthGroup | NYS | 89.75 | -1.78 | 68.94 | 94.63 | 39.38 | 3478 |
| INSURERS/REINSURERS | | | | | | | | Market Corp. | NYS | 146.19 | -2.22 | -5.69 | 191.88 | 11.50 | 68 | Wellpoint Health Networks | NYS | 81.94 | -3.18 | 24.27 | 92.31 | 48.25 | 2455 |
| ACE Ltd. | NYS | 33.81 | -4.59 | 102.62 | 37.25 | 14.06 | 3121 | MBIA Insurance Group | NYS | 62.44 | -1.77 | 18.22 | 66.88 | 36.31 | 802 | HMOs | AVERAGE | | -1.92 | 31.18 | | | |
| Accel International Corp. | NDQ | 0.59 | -5.12 | -40.70 | 1.50 | 0.50 | 45 | Maadownbrook Insur. Group | NYS | 4.38 | -2.78 | -33.33 | 13.00 | 4.13 | 31 | ALL COMPANIES | AVERAGE | | -0.63 | 16.36 | | | |
| Acceptance Insurance Cos. | NYS | 5.13 | 15.49 | -10.87 | 15.31 | 2.75 | 89 | MetLife | NYS | 23.63 | -0.79 | 65.79 | 25.13 | 14.25 | 6313 | | | | | | | | |
| AEGON N.V. | NYS | 39.63 | 0.48 | -17.02 | 49.13 | 31.50 | 574 | Mutual Risk Mgmt. Ltd. | NYS | 21.06 | -4.53 | 25.28 | 30.75 | 9.81 | 512 | | | | | | | | |
| Aetna Life & Casualty | NYS | 55.50 | -2.52 | -0.56 | 84.31 | 38.50 | 2449 | Navigator Group | NDQ | 12.00 | 3.78 | 23.08 | 16.00 | 8.63 | 2 | | | | | | | | |
| AFLAC Inc. | NYS | 53.69 | -1.83 | 0.57 | 58.94 | 33.56 | 1791 | NYMagic Inc. | NYS | 14.31 | 2.23 | 8.53 | 15.75 | 12.25 | 120 | | | | | | | | |
| Allmerica Financial Corp. | NYS | 58.38 | -0.53 | 4.94 | 62.75 | 35.06 | 394 | Ohio Casualty Corp. | NDQ | 6.97 | -9.35 | -56.61 | 18.50 | 6.94 | 1665 | | | | | | | | |
| Allstate Corp. | NYS | 26.69 | -2.22 | 19.22 | 36.69 | 17.19 | 6662 | Old Republic Int'l | NYS | 23.38 | -2.35 | 71.56 | 24.63 | 10.63 | 1309 | | | | | | | | |
| Ambac Financial Group | NYS | 62.69 | -1.76 | 20.12 | 68.69 | 38.88 | 897 | Partner Re Ltd. | NYS | 40.63 | -2.25 | 25.24 | 42.31 | 28.38 | 228 | | | | | | | | |
| American Financial Group | NYS | 23.94 | -0.52 | -9.24 | 33.63 | 18.38 | 227 | Penn-America Group Inc. | NYS | 7.50 | 1.69 | -3.23 | 10.38 | 6.63 | 5 | | | | | | | | |
| American General | NYS | 69.44 | -2.20 | -8.48 | 82.19 | 45.63 | 2239 | PMA Capita Corporation | NDQ | 17.75 | -3.40 | -10.69 | 21.00 | 15.50 | 80 | | | | | | | | |
| American Intl Group | NYS | 84.56 | -2.73 | 17.31 | 89.94 | 52.38 | 10644 | Philadelphia Cons. Holding | NDQ | 16.81 | 1.89 | 15.95 | 21.63 | 10.81 | 136 | | | | | | | | |
| American Safety Insurance | NYS | 4.13 | 1.54 | -36.54 | 8.19 | 3.75 | 48 | PXRE Corp. | NYS | 13.75 | 0.46 | 5.77 | 17.75 | 9.94 | 53 | | | | | | | | |
| Argonaut Group | NDQ | 15.81 | 0.40 | -20.44 | 26.63 | 14.44 | 202 | Reliance Group Holdings | NYS | 0.28 | -12.50 | -95.75 | 7.75 | 0.13 | 9582 | | | | | | | | |
| AXA-UAP Group | NYS | 77.25 | 0.98 | 8.80 | 81.50 | 53.75 | 385 | ReliaStar Financial Corp. | NYS | 53.75 | 0.47 | 37.18 | 53.75 | 23.75 | 967 | | | | | | | | |
| Baldwin & Lyons Inc. | NDQ | 18.25 | -1.35 | -17.51 | 23.94 | 15.25 | 7 | Renaissance Re Holdings Ltd. | NYS | 47.88 | -3.77 | 17.13 | 51.13 | 33.19 | 61 | | | | | | | | |
| Berkley W.R. Corp. | NDQ | 25.13 | 7.20 | 20.36 | 26.25 | 14.00 | 1147 | RLI Corp. | NYS | 38.19 | 2.35 | 12.32 | 39.63 | 26.25 | 28 | | | | | | | | |
| Berkshire Hathaway Inc. | NYS | 57650.00 | -6.41 | 2.76 | 66900.00 | 40800.00 | 1 | St. Paul Cos. | NYS | 45.81 | -2.79 | 35.99 | 49.56 | 21.31 | 3379 | | | | | | | | |
| Capitol Transamerica Corp. | NAS | 11.00 | -6.38 | 9.32 | 14.75 | 9.38 | 25 | SCOR | NYS | 41.69 | 1.68 | -5.79 | 53.63 | 38.38 | 37 | | | | | | | | |
| Chubb Corp. | NYS | 73.00 | -2.42 | 29.63 | 79.56 | 43.25 | 3304 | SAFECO Corp. | NDQ | 24.81 | -1.49 | -0.25 | 38.50 | 18.00 | 1955 | | | | | | | | |
| CIGNA Corp. | NYS | 97.38 | -3.77 | 20.87 | 105.94 | 60.75 | 2603 | SCPIE Holdings Inc. | NYS | 21.38 | -0.58 | -33.46 | 36.94 | 19.00 | NA | | | | | | | | |
| Cincinnati Financial Corp. | NYS | 37.56 | -5.35 | 17.84 | 43.31 | 26.19 | 969 | Seibels Bruce Group | NDQ | 1.13 | 33.64 | -35.71 | 4.94 | 0.53 | 114 | | | | | | | | |
| Citigroup | NYS | 75.94 | 1.59 | 36.36 | 78.31 | 41.19 | 36265 | Selective Ins. Group | NDQ | 18.00 | 1.77 | 4.73 | 20.38 | 14.63 | 122 | | | | | | | | |
| CNA Financial Corp. | NYS | 38.38 | -3.46 | -1.44 | 42.13 | 24.56 | 199 | Tokio Marine & Fire | NDQ | 53.75 | 4.62 | -9.09 | 67.00 | 45.00 | 76 | | | | | | | | |
| CNA Surety | NYS | 11.38 | 2.82 | -12.50 | 15.25 | 9.75 | 262 | Torchmark Corp. | NYS | 26.94 | -0.23 | -7.31 | 36.00 | 18.75 | 1336 | | | | | | | | |
| EMC Insurance Group Inc. | NDQ | 9.00 | 0.00 | -1.37 | 13.00 | 6.81 | 3 | Transatlantic Holdings | NYS | 85.63 | -0.94 | 9.69 | 91.56 | 68.75 | 50 | | | | | | | | |
| ESG Re Limited | NDQ | 3.13 | -7.41 | -54.95 | 16.75 | 2.50 | 56 | Trenwick Group Inc. | NYS | 19.19 | -3.46 | 13.28 | 24.28 | 12.00 | 58 | | | | | | | | |
| Enhance Financial Services | NYS | 15.88 | -0.39 | -2.31 | 22.63 | 8.63 | 258 | Unico American Corp. | NDQ | 6.88 | 0.00 | -1.79 | 10.25 | 4.50 | 155 | | | | | | | | |
| Everest Reinsurance | NYS | 39.88 | -2.15 | 78.71 | 44.00 | 20.50 | 503 | United Fire & Casualty | NDQ | 18.75 | -2.60 | -17.13 | 25.25 | 15.50 | 14 | | | | | | | | |

HCFA

Continued from page 1

federal contractor, send tougher warning letters to employers that don't respond to information requests.

The OIG report has its origins in a series of measures Congress passed during the 1980s to shift to employer plans some health care costs previously paid by Medicare.

Under those laws, employer plans became the primary payer of health care for employees who stayed on the job after reaching age 65. Medicare then became the secondary payer.

Those laws also made employer plans primary for some non-elderly employees with permanent kidney failure and certain other disabilities for whom Medicare previously was the primary payer.

Congress passed those laws to save the then-financially ailing Medicare program billions of dollars. But those savings were not totally realized because Medicare, in some cases, continued to pay claims for beneficiaries who were no longer covered primarily by Medicare—generally workers

older than 65 and their spouses.

Congress, concerned that savings were not being reaped, gave HCFA authority—in conjunction with the IRS and Social Security Administration—to scour payroll records after 1986 to spot individuals with job-related income after they turned 65.

HCFA, as part of the Data Match program, has sent letters to about 2 million employers asking whether they had group health care plans. HCFA later wrote to employers asking if specific individuals were covered under the group plan. Between 1991 and 1997—the years that OIG examined—using this employer-provided information has resulted in savings of \$2.5 billion to Medicare.

Some of these savings were achieved when HCFA discovered—through the employer-provided data—that Medicare improperly paid a hospital bill that an older employee's group health plan should have paid. The government then contacted the employer or its third-party claims administrator for reimbursement. In other cases, the information prevented HCFA and the insurance company contractors it uses to process Medi-

care claims, from paying bills that hospitals incorrectly sent them.

In many cases, though, the Data Match letters did not result in any savings for the government. That could happen when hospitals, for example, billed both Medicare and the employer plan and both parties paid the bill.

However, 13%—or 200,000—of employers contacted by HCFA for Data Match information ignored the requests, the OIG said. Assuming that recoveries from non-responding employers would have been at the same rate as responding employers, this failure to obtain coverage information may have cost the government nearly \$300 million between 1991 and 1997.

Even though the government may slap non-responding employers with fines of \$1,000 per affected employee, no fines have been assessed, the OIG said. By not fining unresponsive employers, "the incentive for employers to respond may be reduced," the report said. This may already be occurring. While 10% of employers failed to respond to Data Match requests in 1991, 16% ignored requests in 1997.

If HCFA assesses fines, "employers

would be more likely to respond to the legislatively mandated request for information, resulting in substantial savings for the government," OIG said.

But even less drastic measures may boost compliance with Data Match and save the government money. For example, in 1997, HCFA authorized its Data Match contractor to send a toughly worded letter to 267 non-compliant employers. The letter warned not only of the \$1,000 fine for each employee named in the inquiry but also the possibility that business records could be subpoenaed and that the employer could be reported to the IRS for imposition of an excise tax.

As a result of the mailing, 125, or 47%, of the 267 non-compliant employers responded, while 50—or 20%—requested additional questionnaire copies or more time to comply.

While the tough follow-up letter "produced meaningful results," the OIG said, HCFA has not authorized its use on a regular basis. HCFA says it now intends to use the toughly worded letter on an annual basis.

The OIG also found that a personal follow-up, such as a telephone call or

a visit to non-responding employers, significantly increases compliance.

It called 33 employers that did not respond to the Data Match questionnaire. Eighteen of those employers said they either did not receive the questionnaire or were unaware of it. Many of the individuals the OIG spoke to were new to their positions in their company's benefit department and said a follow-up letter probably had been received by a staff member no longer working in that location.

Seven other employers said they didn't respond because of difficulty completing the questionnaire, while five said they were in the process—a year after the questionnaire went out—of completing it. Three employers said their records were incomplete or missing.

Ultimately, 13 of the 33 non-responding employers the OIG contacted later submitted completed questionnaires.

Since a personal follow-up was successful, HCFA, the OIG said, should incorporate a personal contact in its follow-up procedures for employers not responding to written requests for Data Match information. **BI**

Guaranty

Continued from page 1

1999, it will be felt by employers, a business representative says.

When combined with rising workers comp rates and proposed legislation that would increase workers comp benefits, the guaranty fund assessment gives California employers something to grumble about, said Dominic DiMare, legislative advocate and workers comp specialist in Sacramento for the California Chamber of Commerce.

"Add that to a list of things we are grumpy about," he said.

CIGA officials also say it is likely that Superior National assessments will be levied beyond 2001.

In California, claims for Superior National could eventually amount to

the largest payout ever by CIGA, Mr. Mulryan said. The largest payout involved Mission Insurance Co., which failed in 1985. The total Superior National bill will not be known for years, though, and the amount will depend on several factors, such as how much will come available from Superior National's estate.

CIGA has not assessed workers compensation insurers since 1990.

Concerns now developing in the state are over whether CIGA's 1% annual assessment cap will provide adequate funds in the event other struggling workers comp insurers become insolvent.

"If Superior were to be an isolated incident that would be one thing," said Mark E. Webb, vp-state affairs in Sacramento for the American Insurance Assn. "But there are some concerns it won't be."

CIGA has never missed a claim payment in its 30-year history, and the guaranty fund would only face exhaustion of its resources if many insurers collapsed simultaneously, CIGA officials said.

In that case, however, CIGA could resort to other fund collection methods, such as asking the state to issue bonds on its behalf.

Concern about the health of the state's workers comp insurers is not without cause.

Insurers with business concentrated in California's workers comp market are struggling with combined ratios of around 135%, noted Bill Wilt, vp and senior analyst for Moody's Investors Service Inc. in New York.

Moody's has stepped up scrutiny of such insurers and recently downgraded some. But Mr. Wilt said he does not have specific knowledge of other com-

panies facing insolvency and the threat of liquidation.

Despite recent increases in workers comp rates, insurers in the state still could find premiums inadequate to offset claims and expense costs, California comp data suggests.

In July, the Workers' Compensation Insurance Rating Bureau of California submitted its annual, pure-premium rate filing to the Department of Insurance, advising a 5.5% rate increase for 2001.

Because of market volatility, though, that advisory rate increase amount could be further raised when new data becomes available, stated a WCIRB letter accompanying the rate filing.

"Notwithstanding an increase in insurer statewide average rates of 19% this year, and irrespective of the proposed 5.5% increase in pure premium

rates for 2001, insurer average statewide rates for 2000...are approximately 7% below pure premium rates and 30% less than the projected cost of benefits and total insurer expenses," said a July 31 press release from WCIRB President Robert G. Mike.

With that consideration, employers in the state are bracing for rate increases on top of the Superior National assessment.

"Employers are going to see some significant increases, not just because of one carrier, but because of the market," said Lori Kammerer, managing director of the California Coalition on Workers Compensation in Sacramento.

For employers, another impact on rates could result from Senate Bill 996, which seeks to increase benefits and carries a \$2.6 billion price tag, according to CCR. **BI**

FTR FOR THE RECORD Excerpts from BI's Daily Online Updates, Aug. 21 - Aug. 25, 2000



PHOTO: AFP

The Gulf Air jet that crashed in the Persian Gulf last week, killing all 143 aboard, was insured by an aviation insurance pool.

► **GULF AIR CRASH** The four Arab states that own the Gulf Air passenger jet that crashed into the Persian Gulf last week are covered for the loss through an aviation insurance purchasing consortium. The downed 6-year-old Airbus A320 was built by Airbus Industrie of Toulouse, France, and was powered by two CFM56-5 engines built by CFM International. The jet crashed just a few miles north of Bahrain after circling the airport in Manama a couple of times at the completion of a flight from Cairo, Egypt. All 135 passengers and eight crew members perished. Gulf Air participates in the Gulf Corp. Council, a group of several Arab airlines that have joined together to purchase liability and hull coverage. The consortium, which last renewed its coverage on Nov. 16, 1999, has \$2 billion of liability coverage. ACE Ltd.'s Lloyd's of London underwriting facility, ACE Global Markets, leads Gulf Air's li-

ability and hull coverage. London brokers Willis Group Ltd., Aon Group Ltd. and Marsh Ltd. were involved in placing the coverage. Underwriters are estimating the A320 hull loss at \$36.5 million. Gulf Air is not a signatory to the International Air Transport Assn.'s intercarrier agreement that waives airlines' limited liability for passengers harmed on international flights. Consequently, the airline's liability would be limited to either the \$10,000 per passenger limit established by the 1929 Warsaw Convention or the \$20,000 limit established by the 1955 Hague Protocol, which amended the Warsaw Convention, explained airline attorney George N. Tompkins Jr. Those limits, though, could be higher for any passengers whose travel was routed through the United States, noted Mr. Tompkins, of Schnader Harrison Segal & Lewis L.L.P. of New York. In addition, under the Warsaw Convention, plaintiffs' recoveries can be unlimited if they can prove that passengers were harmed because of an airline's "willful misconduct."

► **HARASSMENT BILL** The California Senate last week approved an Assembly bill that would overturn a 1999 state Supreme Court ruling that found only employers or their supervisors and not co-workers can be sued for sexual harassment. The legislation is supported by the Consumer Attorneys of California, the American Civil Liberties Union and several women's rights organizations. It was opposed by several employer associations, including the California Chamber of Commerce and the California Manufacturers & Technology Assn. Opponents argue

the legislation would only lead to more lawsuits while proponents argue it would hold people accountable for their own actions. A.B. 1856 now goes to Gov. Gray Davis. The governor has not taken a position on the bill, a spokesman said. The bill was sponsored by Sheila Kuehl, D-Santa Monica. It would make harassers pay damages to victims under the state's Fair Employment and Housing Act.



PHOTO: AFP

The National Transportation Safety Board last week held public meetings on the Flight 800 investigation.

► **FLIGHT 800 PROBE** A fuel/air explosion inside an overpressurized center wing tank—not a bomb or missile—blew apart TWA Flight 800 in 1996, national safety authorities announced last week. Authorities reached that "inescapable conclusion" after four years of tests ruled out the possibilities that the flight was downed by a high-energy explosive or a structural failure and resulting

decompression, said Bernard S. Loeb, director-office of aviation safety for the National Transportation Safety Board in Washington. Safety officials have not definitively identified the ignition source in the tank, but Mr. Loeb said that the "most likely" cause was that faulty wiring outside of the tank transferred excessive voltage into the tank through wiring for the fuel-quantity indication system. All 230 passengers and crew aboard Flight 800 were killed when the 25-year old Boeing 747 exploded in midair shortly after taking off from John F. Kennedy International Airport in New York en route to Paris on July 17, 1996. According to U.S. Department of Transportation documents, TWA's coverage was led by U.S. Aircraft Insurance Group, which wrote 25.0% of the risk. Lloyd's of London and other London underwriters, including Westminster Aviation Group, covered 23.4% of the risk. Other insurers on the risk are La Concorde Compagnie d'Assurance de Paris, 20.0%; Assurance France Aviation and Associated Aviation Underwriters, 10.0% each; American International Group Inc. subsidiary Illinois National Insurance Co., 5.0%; New York Marine & General Insurance Co., 4.6%; and Somerset Aviation Inc., 2.0%. **BI**

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**Long-Awaited Mystery Sequel.
Worldwide Book-Signing Tour.
Location Of Book Shipment Also A Mystery.**

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