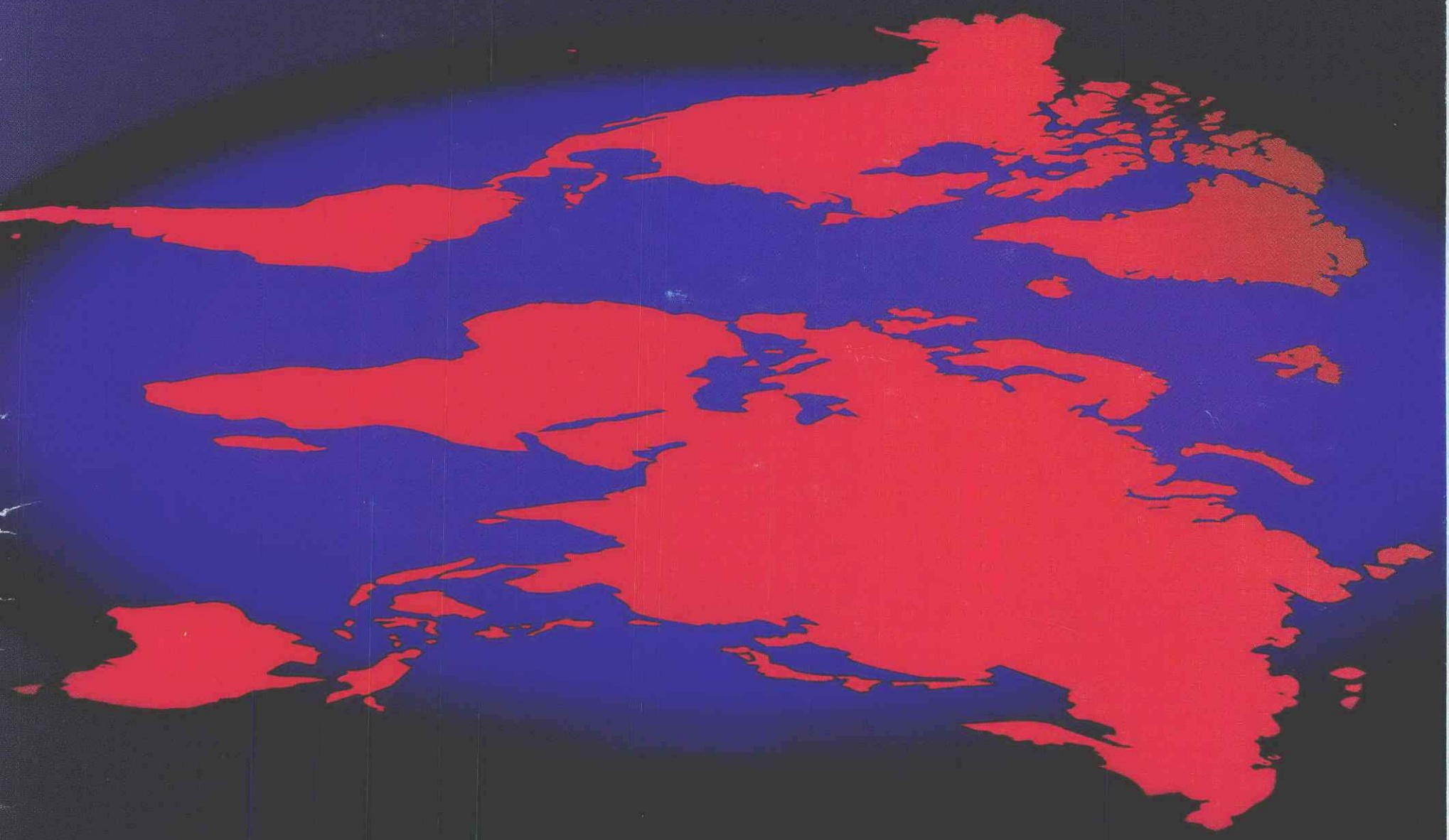
AUGUST 31, 1998

Business Insurance®

World's Largest Reinsurers

page 3

REINSURANCE



What's next on the horizon?

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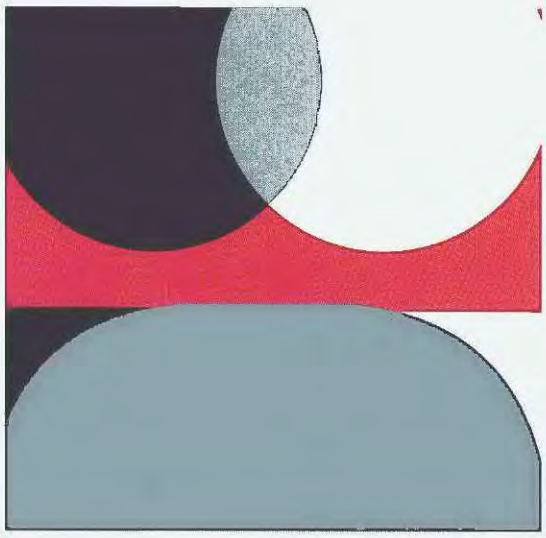
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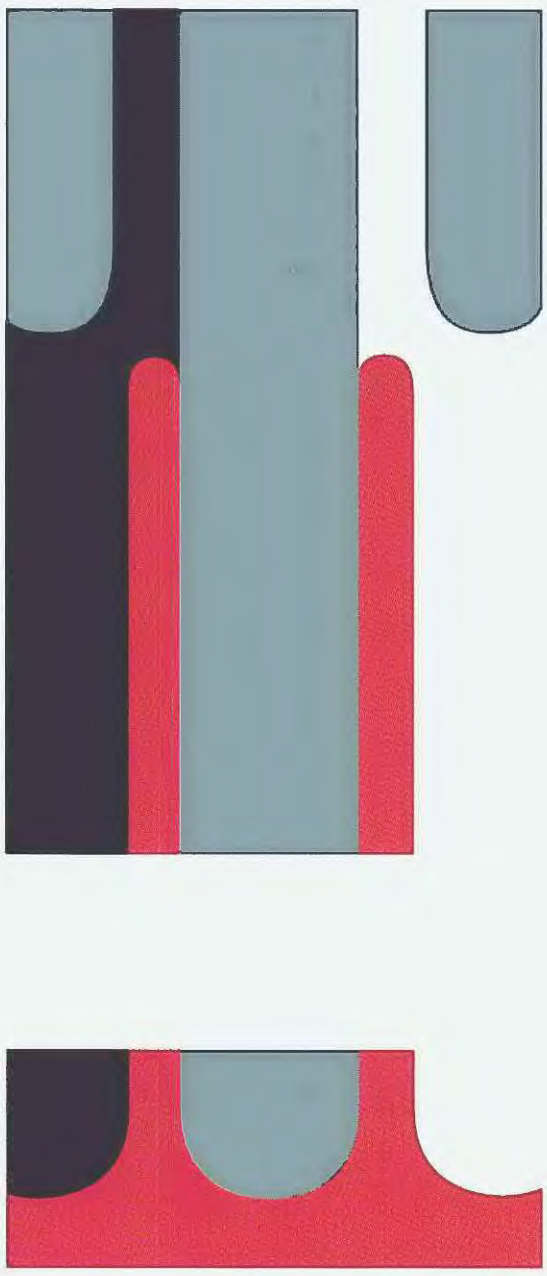
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Putting the Pieces Together





AUGUST 31, 1998

Business Insurance®

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

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Updates

Hannover Re to buy Clarendon to boost specialty business

NEW YORK—Hannover Re A.G. will acquire New York-based Clarendon Insurance Group in a move to boost the German reinsurer's U.S. program business and strengthen its position as a specialty reinsurer.

Hannover Chief Executive Officer Wilhelm Zeller called the $500 million acquisition "a lucky development," saying Clarendon had positioned itself as a profitable niche insurer.

Both companies will benefit from the deal, which lets Hannover branch into more profitable areas outside property risks, said Hans

See **Updates** *on next page*

M&M extends lead with Sedgwick

By SALLY ROBERTS

NEW YORK—The big just keep getting bigger.

Sedgwick Group P.L.C. announced last week that it will become part of Marsh & McLennan Cos. Inc., which offered to pay £1.25 billion, or about $2 billion, to acquire the world's third-largest broker, outbidding rival Aon Corp. in the process.

The deal, expected to close at the end of October, ends speculation over Sedgwick's independence in a world where M&M and Aon have acquired six of the world's top 20 brokers since 1996, giving new meaning to the term "megabroker."

Executives from M&M and Sedgwick say the combined firm brings together highly talented people, a broader depth of resources and more global reach.

Many clients of the two companies are generally positive about the deal and the added global strength it gives their brokers. But a number of risk managers, including clients, expressed concern in general about the potential for diminished choice and competition due to rampant consolidation in the commercial insurance marketplace (see story, page 62).

The deal comes as Sedgwick's future was again thrust in the spotlight by last month's announcement that rival independent Willis Corroon P.L.C. was the target of a bid by Trinity Acquisition P.L.C. to purchase a majority stake in the broker (*BI*, July 27). Last Tuesday, the day the M&M/Sedgwick deal was announced, Trinity extended its £951 million ($1.56 billion) offer by two weeks but the next day reduced the timetable and conditions of the deal (see story, page 63).

Most of the recent rumors surrounding Sedgwick involved a potential combination with either Willis or Aon. The deal with M&M, however, surprised few industry observers, who said it was only a matter of time before Sedgwick tied the knot with someone.

"It's the kind of surprise you get when your great uncle who's 96 dies," said Russell R. Miller, chairman of Russell Miller Inc. in San Francisco. "It's something everyone expected but didn't know when it was going to happen."

For M&M, acquiring Sedgwick comes as it completes the integration of Johnson & Higgins, which it acquired last year for $1.8 billion (*BI*, March 17, 1997).

Combined, M&M and Sedgwick create

See **M&M** *on page 62*

Industry CEOs earn 14.5% cash pay rise

By AMANDA MILLIGAN

Battling a soft market, insurers and reinsurers want shrewd strategic thinkers whose innovation can lead to stellar financial performance. And what a price they are willing to pay.

Hardly a week in the business world can pass without an announcement of a major merger or acquisition. The insurance industry is no exception, and the chief executive officers who mastermind these corporate unions are heftily rewarded, compensation consultants say, though insurers and reinsurers pay their CEOs comparably to other financial services companies.

Average CEO cash compensation for 1997 was $1,486,028, a figure that escalated 14.5%, nearly double the 7.3% increase in 1996, according to a *Business Insurance* survey of 44 insurers and reinsurers. CEO pay has fluctuated between marginal and impressive increases for the past few years, reaching a recent pinnacle in 1995 when the average pay swelled 23.0% from 1994 figures (*BI*, Sept. 2, 1996).

Overall, CEOs in 34 companies saw a jump in their total cash compensation. Thirty-five of the 44 insurers and reinsurers experienced a revenue increase, and 38 saw net income grow.

All three of the highest-compensated CEOs have recently orchestrated mergers and acquisitions or hinted at upcoming deals, according to the survey, which examined company annual reports and proxy statements.

With a salary of $1,025,000 in 1997, accompanied by a $6,168,034 bonus, Sanford I. Weill, chairman and CEO of New York-based Travelers Group Inc., ranks as the most highly compensated CEO. Mr. Weill's total cash compensation increased 18.3% over 1996 figures.

Travelers' mission, as stated in its annual report, bases its growth strategy on strategic acquisitions. For example, Mr. Weill appeared in the spotlight this April after announcing a proposed $70 billion

See **CEO pay** *on page 52*

Employers focus anew on vision care benefits

By JOANNE WOJCIK

An aging population and increasing use of computers in the workplace are prompting many employers to give vision care benefits another look.

While some employers began offering the perk in the early 1990s to make up for the introduction of restrictive managed care plans, other employers—particularly those in high-tech fields—now are finding it necessary to provide vision care benefits to keep and attract talented workers in today's competitive employment market.

In an effort to capitalize on the growth in third-party payment for eye care, numerous optometric networks and so-called "managed vision care" plans are sprouting up across the country. And competition for the growing vision care benefit market has triggered consolidation among vision plan providers and retail eyewear chains jockeying for market share.

"It's the demographic wave hitting the beach," observed Steve Swiercz, vp of Aon Consulting Inc. in Chicago. "The baby boomers are aging, so vision care is becoming more important to them. They are telling their employers, and employers are listening."

An estimated 155 million Americans, or 60% of the U.S. population, need corrective eyewear. In the coming years, an estimated 76 million baby boomers will be subjected to middle-age eye problems such as presbyopia, or far-sightedness.

Furthermore, the National Eye Institute

See **Vision** *on page 65*

In the storm's path

North Carolina has been struck by several of the most costly insured hurricanes.

Storm	Dates	Insured loss
Hurricane Hugo	Sept. 21-22, 1989	$4,195 million
Hurricane Fran	Sept. 5, 1996	$1,600 million
Hurricane Bob	Aug. 18-10, 1991	$620 million
Hurricane Gloria	Sept. 26-27, 1985	$418.8 million

Source: Property Claim Services; estimates of insured loss are not limited to damage in North Carolina.

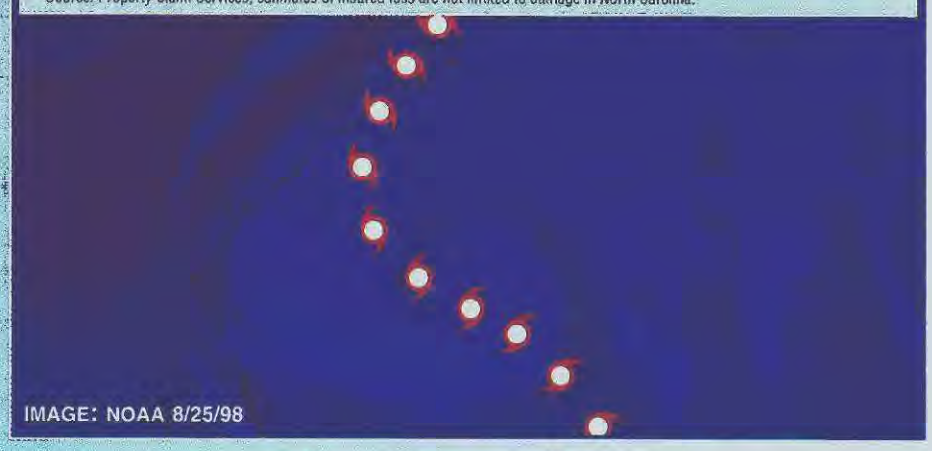


IMAGE: NOAA 8/25/98

Bonnie's damage less than feared

By MICHAEL BRADFORD and AMANDA MILLIGAN

WILMINGTON, N.C.—Property owners who escaped Hurricane Bonnie's winds now are waiting to see how high the water will rise.

The hurricane blew ashore last Wednesday, knocking down power lines, blowing over signs and drenching North Carolina's southern coast with rain. Early assessments indicated damage mostly stemmed from downed trees and winds that tore roofing from some homes and businesses.

Not long after the storm made landfall, packing winds of more than 100 mph, Bonnie blew away the roof of the Brunswick Community Hospital. The Holiday Inn in Atlantic Beach, N.C., suffered some flooding and extensive roof damage from high winds, a spokeswoman for the chain confirmed.

Thousands of people were housed in shelters throughout the coastal region and Carolina Power & Light Co. reported that as many as 245,000 customers—including some shelters—lost electricity.

North Carolina's Department of Emergency Management reported one death related to the storm, a 12-year-old girl who died when a tree

See **Bonnie** *on page 66*

Updates

Hannover Re to buy Clarendon

Continued from previous page

Rohlf, Hannover's managing director for North America. Clarendon traditionally transfers a great deal of its risk to reinsurers and is a financially sound company, which makes the deal attractive, he said.

Clarendon has a niche in program business—with strengths in non-standard auto; non-standard trucking; and marine business, including fishing fleets—which Mr. Zeller sees as particularly profitable. The program business focuses on low-limit, short-tail, high-premium and difficult-to-place risks, mostly conducted through managing general agents.

Clarendon is "one of the most successful entrepreneurial program companies," said Peter Wade, an analyst with Lehman Bros. in New York, which advised Hannover on the deal.

The deal also gives Clarendon capital to continue growing, said its president, Robert D. Ferguson. "There's nothing we can't be shown or be able to write," he said.

Clarendon's management owns 56% of the company, while the rest is owned by Kansa International Group of Finland, Mr. Ferguson said. He noted that Kansa's creditors have been liquidating Kansa's assets over the past few years.

In 1997, Clarendon had $1.1 billion in gross premiums and net income of $32 million.

Mr. Ferguson said Hannover is not planning to change Clarendon's top management and has given a group of top managers incentives to stay. He added that Clarendon chose Hannover from "a handful" of other suitors, which he would not name.

The acquisition is subject to regulatory approval.

No change in pension limits

WASHINGTON—The maximum benefit employees can fund through salary reduction to their 401(k) plans next year is likely to remain at the current $10,000 level, according to an estimate from consultant William M. Mercer Inc.

Other maximum pension benefit levels also are unlikely to change next year, including the $160,000 limit on employee compensation that can be taken into account when calculating pension benefits and contributions, the $30,000 limit on the maximum contribution to a defined contribution plan, and the $80,000 threshold on who is considered a highly compensated employee for pension non-discrimination testing purposes.

An official Internal Revenue Service announcement on 1999 maximum benefit and contribution limits will be published later this fall.

CIGNA Re invests in Lloyd's

LONDON—CIGNA Reinsurance has set up a syndicate at Lloyd's of London that starts operations this week.

Syndicate 1607 will cover accident and health risks and will be managed by Creechurch Underwriting Ltd., a Lloyd's managing agent.

CIGNA Re, the Hartford, Conn.-based unit of CIGNA Corp., will be the sole corporate underwriting member of the syndicate.

The syndicate will have a stamp capacity of £16 million ($26.5 million) in 1999 that will be increased to £19 million ($31.4 million) in 2000.

The underwriter for the syndicate will be Jonathan Thomas, who was previously with Brockbank Group.

Creechurch also manages two auto insurance units.

Launch failure a $250 million loss

CAPE CANAVERAL, Fla.—Last week's Delta III launch failure will cost insurers $250 million but is not expected to increase satellite insurance rates.

The Boeing Co.'s Delta III rocket exploded just over a minute into its maiden voyage, destroying PanAmSat Corp.'s Galaxy X, an HS 601 satellite, and scattering debris for 10 miles. "This was about as total a loss as you can get," commented Alden M. Richards, president and chief executive officer of broker Space Machine Advisors Inc. of Greenwich, Conn.

Space Machine Advisors last year placed a three-year combined launch and orbit program for PanAmSat. The program, valued at $4 billion, was insured with a consortium of underwriters in the United States, Europe and Asia, said Mr. Richards, and it covered 17 existing PanAmSat satellites and "seven or eight" future launches.

The Delta III rocket was the first to carry a commercial payload on its maiden voyage. According to a Boeing spokesman, it started losing control about 55 seconds into the launch, when it started tipping and burst into flames. Safety officers then commanded the rocket to self-destruct, about 10 miles up. Boeing has 18 contracts for Delta III launches and hopes to launch a replacement in about 18 months.

Galaxy X was to provide broadcast and telecommunications services across the United States and Caribbean, but most of its capacity will be filled by other satellites, according to a PanAmSat statement. "(PanAmSat) has a complete risk management plan" for failures, said Mr. Richards.

This latest loss brings the total insured satellite losses this year to more than $850 million, according to figures compiled by Airclaims Ltd. in London, not far off total estimated premiums of between $950 million and $1 billion. But Mr. Richards does not see the explosion stopping the falling premiums and softening terms and conditions. "If there are a couple more failures in the next six to 12 months, we may see capacity moving out and a market correction," he said.

Workers comp costs down

RONKONKOMA, N.Y.—Workers compensation insurance costs for U.S. manufacturers dropped about 12% to an average of $3.88 per $100

See **Updates** *on page 66*

Underwriting losses up 62% over 1997 levels

By JUDY GREENWALD

INSURER RESULTS
1st Half

They're back.

After an almost catastrophe-free 1997, catastrophes returned with a vengeance in the second quarter of 1998, burdening property/casualty insurance companies that are already contending with the effects of the soft market and fierce competition. And the stormy weather continued with last week's landfall by Hurricane Bonnie.

The catastrophes are unlikely to lead to any long-term price hikes, though, according to Robert M. Steinberg, chairman and chief executiv officer of Reliance Insurance Group in Ne York. "There may have been some harden ing in some of the catastrophe property ar eas, and if Bonnie hits hard, I guess you' see some more of that, but any time tha happens it's only been temporary," he saic

A record $3.4 billion in second-quarte catastrophe losses, as estimated by th Property Claim Services unit of Insurance Service Office Inc., is reflected in insurers' underwritin losses. During the second quarter, PCS logged 1

See **Results** *on page 6*

Ruling prohibits insurers from using staff lawyers

By GEORG SZALAI

LAFAYETTE, Ind.—While insurance interests want the ruling overturned, policyholders don't anticipate much effect from a trial court decision that prohibits insurers from using their own salaried defense lawyers to defend policyholders.

The Indiana Supreme Court last week said it would hear the appeal of a trial court case that disqualified one insurance company from using an in-house attorney to defend a policyholder and another insurance company from using its captive law firm. Oral arguments are set for Oct. 14.

Celina Insurance Group and Cincinnati Insurance Co. were found to be engaging in "the unauthorized practice of law," according to the June ruling from Tippecanoe Superior Court in Lafayette, Ind.

In 1996 and 1997, Celina, Ohio-based Celina Insurance had used an in-house lawyer, Keith Faber to defend a policyholder and subsequently represent her in media tion. The plaintiffs, displease with the meditation, filed a mo tion to disqualify Mr. Faber, at tacking his in-house role in th case.

At that time, Fairfield, Ohio based CIC filed a motion to joi the case, "claiming a direct an material interest," according t the trial court ruling. CIC own

See **Lawyers** *on page 6*

Swiss Re does basis swap

Windstorm losses are trigger for swap with other reinsurer

By MICHAEL PRINCE

NEW YORK—In an unusual reinsurance arrangement, Swiss Reinsurance Co. has created a basis swap with a New York reinsurance company for U.S. windstorm damage.

The transaction uses capital market techniques but not the capital markets. Its creators at Swiss Re say, though, that the transaction's form could be used to access capital markets in the future.

This basis risk reinsurance transaction allows the reinsurer—whose name was not revealed—either to receive from or pay to Swiss Re as much as $10 million.

The transaction rests on two triggers. The first is the amount of Southeast U.S. windstorm losses the unnamed reinsurer sustains over a 12-month period, beginning Aug. 22. The second trigger is the amount of Southeast U.S windstorm losses sustained by th overall industry over the sam time period, as calculated by th Property Claim Services unit o Insurance Services Office Inc. Th amounts of the triggers were no revealed.

If the company's losses excee their trigger but the industry' losses are below that trigge Swiss Re will pay the reinsure

See **Swaps** *on page 6*

Employee tenure increasing as workforce ages: Study

By GEORG SZALAI

Employers might want to think about new ways to structure benefit plans in light of a study showing that employees now are remaining on their jobs longer and that the workforce is aging, boosting benefit costs, a consultant says.

"They need to be cognizant of these trends and need to think about their compensation packages," said Sylvester Schieber, vp and director of research at Watson Wyatt Worldwide, the Bethesda, Md.-based benefit consulting firm that released the study, "Have Jobs Become Less Stable in the 1990s?"

Average job tenure in the years 1995 through 1997 is 13.4 years, up from 12.6 years earlier in the decade, according to the study. The percentage of workers staying with a company at least 10 years rose to 58.6% from 54.5%. Th percentage of employees stayin with the same employer for 2 years or more was 26.2% in th 1995-97 period, compared wit 25.6% earlier in the decade, th study showed.

The very largest companies, de fined in the study as having mor than 80,000 employees, have ha the highest average tenur throughout the 1990s. The late

See **Tenure** *on page 6*

Inside

- Insurers can ignore the new risk transfer tools only at the peril of losing business to reinsurers and investment banks, this week's editorial says. **PAGE 8**
- Insurers and brokers dealing with Russia aren't panicking, despite the ruble devaluation, a debt moratorium and the return of Viktor Chernomyrdin. **PAGE 57**
- Increased claims and higher expenses have been hard hits for Australian insurers MMI and GIO. **PAGE 57**

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Benefits of international expansion hit home

By JUDY GREENWALD

U.S. reinsurers are turning with increasing enthusiasm to international business as a way to grow despite the soft domestic market.

Although the international market is also soft, reinsurers believe there are still promising opportunities abroad, even if it is still too early to determine their ultimate success.

To date, the focus of U.S. companies has been primarily on the London and continental European markets. More attention is also being paid to the Asian and Latin American markets, though these are more often considered long-term rather than immediate revenue boosters. But wherever reinsurers write business, it is tailored to each market's particular needs, and is not a clone of their U.S. business.

U.S. reinsurers' focus on international business is part of the continuing globalization of the reinsurance market.

"Certainly in terms of the international environment, reinsurance has long been an international business, with risk transfer freely across national boundaries," said Ken Zuckerberg, an analyst at Moody's Investors Service Inc. in New York.

"Until recently, however, U.S. companies have mainly focused on national or regional markets, and they have, for the most part, not held large positions in a global context," said Mr. Zuckerberg.

But in recent years, "all the dominant direct writers have made major overseas acquisitions," including General Re Corp.'s acquisition of Cologne Re and Employers Reinsurance Corp.'s Frankona Re and Aachen Re acquisitions, he said.

The 12 years of the down cycle, as well as a lack of organic growth opportunities in the United States, have all encouraged the move toward international business, said Mr. Zuckerberg.

U.S. reinsurers are "just like everybody else," said Peter T. Pruitt, chairman and chief executive officer of Willis Faber North America Inc. in New York. "This is a very difficult market, and they're expanding their horizons," he said. "I would presume, for most U.S. reinsurers, writing international business is right at the top of their priorities from a strategic standpoint," said Mr. Pruitt.

About 30% of Risk Capital Reinsurance Co.'s premium now comes from non-U.S. ceding companies, according to Bonnie Boccitto, chief underwriting officer for the Greenwich, Conn.-based reinsurer.

"We definitely have the philosophy that we want to be a global reinsurer," she said. "I think that we need to. In order to grow one needs to diversify, and for us, diversification comes in two forms," which are business line diversification and geographic diversification.

Geographic diversification, said

See **Global** *on page 27*

Reinsurers ensuring future isn't a problem

Cedents evaluated for Year 2000 exposures

By EDWIN UNSWORTH

Global reinsurers are adopting a pragmatic approach to contract renewals when it comes to risks exposed to the Year 2000 problem.

While many reinsurance companies are hesitant to discuss their approach to the problem before notifying cedents of their views during the next renewal round, the common ground is turning out to be assessing each case on its merits.

This generally involves reinsurers trying to determine if ceding insurers have done their jobs of evaluating possible Year 2000 exposures and have either priced the primary policies accordingly or issued exclusions against related losses.

The Year 2000 problem stems from a former computer programming shortcut, in which two digits were used to denote the year. It is feared that unless computers are reprogrammed, which entails poring over thousands of lines of code, or replaced, many will read the year 2000 as the year 1900. If that happens, the systems they govern might crash or return erroneous data on Jan. 1, 2000.

Over the past few months, a number of leading reinsurers have been carrying out studies and determining how they will deal with the problem in the next round of renewals. Policies written at that time are most likely to feel the impact of any Year 2000 claims.

Munich Reinsurance Co., the world's largest reinsurer, is one such company. Claus Biebrach, a deputy member of its management team responsible for coordinating Year 2000 policy, said the reinsurer is preparing a strategy statement now that will be communicated to cedents before renewals in September.

Mr. Biebrach said Munich Re is "very concerned with the risk in all classes of business—property, liability, marine and credit," and it hopes to work with its ceding company clients to solve

See **Y2K risks** *on page 24*

Consolidation transforms Bermuda's cat reinsurers

By GAVIN SOUTER

Consolidation has radically changed the property catastrophe reinsurance market in Bermuda, where only four of an original eight reinsurers still operate independently.

Additional change has been stimulated by the soft market. Nearly all of the cat reinsurers have changed, or are trying to change, their portfolios of risks to include substantial amounts of non-property business.

Other factors may help change the market even further as the cat reinsurers try to buy and sell capital markets-linked products.

Still, among all the change remains one constant: Bermuda is now a respected and established reinsurance market.

Despite reductions in profit margins and revenues compared with their early days, the cat reinsurers continue to attract some good business and offer excellent security, reinsurance brokers say.

The Bermuda property catastrophe reinsurance market is now firmly entrenched as a well-disciplined market, said Willis King, vice chairman at Guy Carpenter & Co. Inc. in New York.

"The Bermuda market is holding its own very nicely, and it's getting shares on a lot of programs. . . .You have a lot of capacity in a very small place, which is always helpful when you are trying to syndicate programs," he said.

The reinsurers in Bermuda also put a lot of emphasis on computer modeling of catastrophe exposures, and most of them have developed their own proprietary systems, Mr. King said.

"It's a good value-added market," he said.

Many reinsurers in Bermuda also show discipline in their underwriting by reducing their exposure on programs in the soft market, said John N. Gilbert, president of Holborn Corp., a reinsurance intermediary in New York.

"They are sending the message that they are only going to give so much and they are drawing a line in the sand," he said.

But the number of reinsurers in Bermuda is diminishing. The consolidation that has taken place throughout the reinsurance industry also has led to some expansions and contractions in Bermuda.

Of the original eight: Tempest Reinsurance Co. Ltd. and Cat Ltd. have been bought by ACE Ltd.; Global Capital Reinsurance Co. Ltd. and Mid Ocean Reinsur-

See **Bermuda** *on next page*

Munich Re remains No. 1

Munich Reinsurance Co. remains No. 1 in *Business Insurance*'s annual ranking of the world's largest reinsurers for the 10th consecutive year, based on an estimated $12.47 billion of net reinsurance premiums in 1997.

Munich Re does not yet report American Re-insurance Co., which it acquired in 1996, as part of its consolidated results. *BI*, therefore, made a pro forma combination of the two, using American Re's results for the period comparable to Munich Re's fiscal 1997.

Munich Re Group's estimated premiums account for 18% of the $68.63 billion in net reinsurance premiums reported by the Top 20 for 1997.

Second-ranked Swiss Re Group reported $11.11 billion in net reinsurance premiums in 1997.

Employers Reinsurance Group moves up to the No. 3 position thanks to a 33% increase in net premiums to $7.87 billion. That figure does not include Kemper Reinsurance Cos., which Employers Re's parent, G.E. Capital Services Inc., offered to buy late last month (*BI*, Aug. 3). Including Kemper Re, Employers Re's net premiums would reach $8.67 billion.

Berkshire Hathaway Group's pending acquisition of General Reinsurance Corp. is reflected in a *BI* estimate of $7.5 billion in net premiums written, which ranks the combined entity as No. 4.

Assicurazioni Generali S.p.A. rounds out the top five, based on $6.42 billion in net reinsurance premiums written.

Two companies are gone from this year's rankings as a result of declines in net premiums: Caisse Centrale de Reassurance, which ranked as No. 18 a year ago; and Yasuda Fire & Marine Insurance Co. Ltd., which previously ranked as No. 20.

New to the rankings are: CNA Re, which is No. 16 with $976.3 million in net premiums; and Reinsurance Group of America, a life reinsurer that stands at No. 20 with $835.5 million in net premiums.

Not included in the *Business Insurance* rankings is Lloyd's of London, because it cannot provide comparable net reinsurance volume figures. However, Lloyd's would rank among the world's largest reinsurers based on $2.69 billion in gross treaty reinsurance premiums in 1996. That amount does not include reinsurance premiums paid to other syndicates.

A chart provided more detailed information on the results of the Top 20 reinsurers appears on page 50.

Also in this issue are articles on:

- Efforts by Bermuda companies to tap into capital markets risk financing, page 6.
- Prospects in the Latin American reinsurance market, page 12.
- Australian companies' growing role in international reinsurance, page 15.
- The International Underwriting Assn.'s plans for the future, page 23.
- Reinsurers' position regarding Y2K coverage questions, page 24.
- The 10th annual directory of international reinsurers, page 35.

World's largest reinsurers

Rank	Company	Net reinsurance premiums written 1997
1	Munich Re Group	$12,474,589
2	Swiss Re Group	11,114,948
3	Employers Re Group	7,866,000
4	Berkshire Hathaway/General Re	7,500,400
5	Generali	6,424,723
6	Hannover Re Group	3,733,810
7	Zurich Group - Reinsurance	2,724,306
8	Gerling Global Re	2,648,802
9	SCOR Group	2,348,172
10	Lincoln Re	1,335,300
11	London Reinsurance Group	1,317,866
12	Transatlantic Re	1,291,655
13	AXA RE	1,230,679
14	St. Paul Re	1,200,245
15	Everest Re	1,020,097
16	CNA Re	976,291
17	Toa Fire & Marine Re	889,240
18	Tokio Marine & Fire	873,504
19	Reinsurance Group of America Inc.	835,500
20	Winterthur Group	825,119
	TOTALS	$68,631,245

Spotlight report

Bermuda

Continued from previous page

ance Co. Ltd. have been bought by EXEL Ltd.; Partner Re Ltd. has greatly expanded its business outside of catastrophe reinsurance with the purchase of Societe Anonyme Francaise de Reassurances of Paris; Renaissance Reinsurance Ltd. has set up and bought primary insurers and only LaSalle Re Ltd. and International Property Catastrophe Reinsurance Co. Ltd. remain little changed in structure.

The consolidation in Bermuda has had little effect, however, on the capacity available in the market, Mr. King said. Most of the reinsurers in Bermuda focus on different areas of the catastrophe market, so to date there has not been much redundant business, he said.

Many of the Bermuda reinsurers also have taken part in the consolidation in Lloyd's of London by buying managing agencies and becoming corporate investors. Those investments enable them to access business that might not be shown to the Bermuda market, Mr. King said.

The consolidation in Bermuda will likely continue, said Peter T. Pruitt, chairman and chief executive officer of Willis Faber North America Inc. in New York.

"There is a natural consolidation going on in the whole industry, and there will probably be some more in Bermuda," he said.

But being outside of the consolidation moves does help independent reinsurers attract and maintain business, said Guy D. Hengesbaugh, president and chief operating officer of LaSalle Re.

"We prefer to operate in this independent mode because, if nothing else, we are seeing an increase in interest in LaSalle from clients and brokers as the consolidation is occurring," he said.

Cedents like to have a spread of reinsurers, and while LaSalle is one of the smaller reinsurers on Bermuda, it still offers good security, with about $550 million in capital, Mr. Hengesbaugh said.

But the added interest has not counterbalanced the reductions in premiums at LaSalle Re due to the soft market. In 1997 LaSalle wrote about $180 million in premiums, and this year it expects to write about $165 million, he said.

One of the products of consolidation is X.L. Mid Ocean Reinsurance Co. Ltd.

The company arose out of the reinsurance operations of EXEL Ltd. and Mid Ocean Reinsurance Co. Ltd., the purchase of which EXEL completed this month. EXEL's previous reinsurance operations included the former Global Risk Capital Reinsurance Ltd., which was one of the original eight Bermuda catastrophe reinsurers.

The newly formed reinsurer will have capital of at least $1 billion, said Henry C.V. Keeling, president and chief executive officer.

Mid Ocean had the largest maximum line of the two reinsurers—$30 million per program—and that will be the normal maximum line of the combined company, Mr. Keeling said.

X.L. Mid Ocean still is reviewing whether it will keep the former Mid Ocean's policy of accepting business only through Bermuda brokers, he said. Mid Ocean was the only catastrophe reinsurer to maintain this stance.

The two reinsurers each had portfolios made up of about 35% catastrophe business.

One of the benefits of being part of a larger group is that the extra resources available to X.L. Mid Ocean will help the reinsurer enhance its coverages, Mr. Keeling said.

For example, it will likely be more involved in offering financial products, such as securitization of risks, and it may write more casualty reinsurance, he said.

"We'll be providing comprehensive integrated risk solutions," Mr. Keeling said.

It also will continue to write marine, aviation and satellite reinsurance. About 55% of the business will be property-related, and about 45% will be non-property business, he said.

The consolidation in the reinsurance industry also is reducing demand for retrocessional coverage, said James N. Stanard, chairman, president and CEO of Renaissance Reinsurance Ltd.

As the number of reinsurers declines, so, too, does the number of retrocessional programs, he said.

As the market has softened, the pricing of retrocessional reinsurance business has deteriorated to unattractive levels for retrocessional writers, said Mr. Hengesbaugh of LaSalle.

LaSalle wrote retrocessional business since its start-up in 1993, but now it writes few contracts, he said.

Renaissance Re itself has substantially increased the amount of retrocessional coverage it buys. In the first half of 1998 Renaissance's gross premiums increased 6.3% to $165 million from the year-earlier period, but net premiums declined by 14.9% to $117.6 million.

"The retrocessional market has stabilized, and now that we are a mature company, we are able to put together a retrocessional program more easily than we were four years ago," Mr. Stanard said.

Gross premiums increased in spite of the soft market, thanks to Renaissance's diversification over the past two years, he said.

In 1996, Renaissance Re set up Glencoe Insurance Ltd. as a surplus lines insurer for California property business; in 1997, it set up DeSoto Insurance Co. to write a portion of business from the Florida Joint Underwriting Authority; and earlier this year, it bought the U.S. operating units of Nobel Insurance Ltd.

"They are still relatively small operations compared to our catastrophe reinsurance operations, which are still our bread and butter business," Mr. Stanard said.

While Renaissance Re is looking to diversify further, it is unlikely to complete anything in the near future, he said.

LaSalle Re also has sought to diversify, and now about 30% of its business is marine, aviation, and satellite business, and high-level casualty reinsurance, said Mr. Hengesbaugh.

International Property Catastrophe Reinsurance Co. Ltd. also has diversified outside of catastrophe reinsurance, but to a lesser extent than most of its rivals. About 80% of IPC's business is catastrophe reinsurance, and the rest is a mix of property risk excess, marine and aviation.

"In the catastrophe business, people are more confident and much more comfortable with consistency. They want consistency in underwriting discipline and (ownership), and we've fulfilled that," said James P. Bryce, senior vp.

Despite the consolidation and the attempts to diversify, property catastrophe reinsurers are seeing some increases in demand for their core products.

See **Bermuda** *on page 6*

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Bermuda

Continued from page 4

There is some increased demand for coverage in California and Florida as rates have fallen, said Mr. Stanard of Renaissance Re.

"There are buyers coming into the market that previously did not buy," he said.

And while catastrophe reinsurers have not faced huge losses this year, they have seen an upturn in activity, observed Mr. Bryce of IPC Re.

Flooding in Britain, Eastern Europe, China and Korea; windstorms in the United States; and the ice storm that hit Canada and the northern United States, with most of its damage occurring in Canada, all have produced significant economic losses, but they still have not severely affected catastrophe reinsurers in Bermuda. The Insurance Information Institute estimated last week that Hurricane Bonnie (see story, page 1) caused $375 million in insured damage.

"There's been an increase in medium- to low-severity losses, which reinforces the need for the catastrophe product," Mr. Bryce said.

In the first half of 1998, IPC incurred losses of $14.5 million, compared with $5.2 million in the first half of 1997.

There have been some requests for backup coverage from regional insurers that have suffered losses on their original coverage and reinstatements, he said.

Reinstatements in the first half of 1998 helped increase gross revenues at IPC by 1.1% to $90.8 million compared with the first half of 1997, despite rate reductions of between 15% and 20%.

The main aim for the Bermuda cat reinsurers is to ensure they are still in existence to reap the rewards of higher rates when the market turns, said Alan Murray, senior analyst at Moody's Investors Service Inc. in New York.

"They want to make as much money as they can in the interim, but the main thing is to stick around," he said.

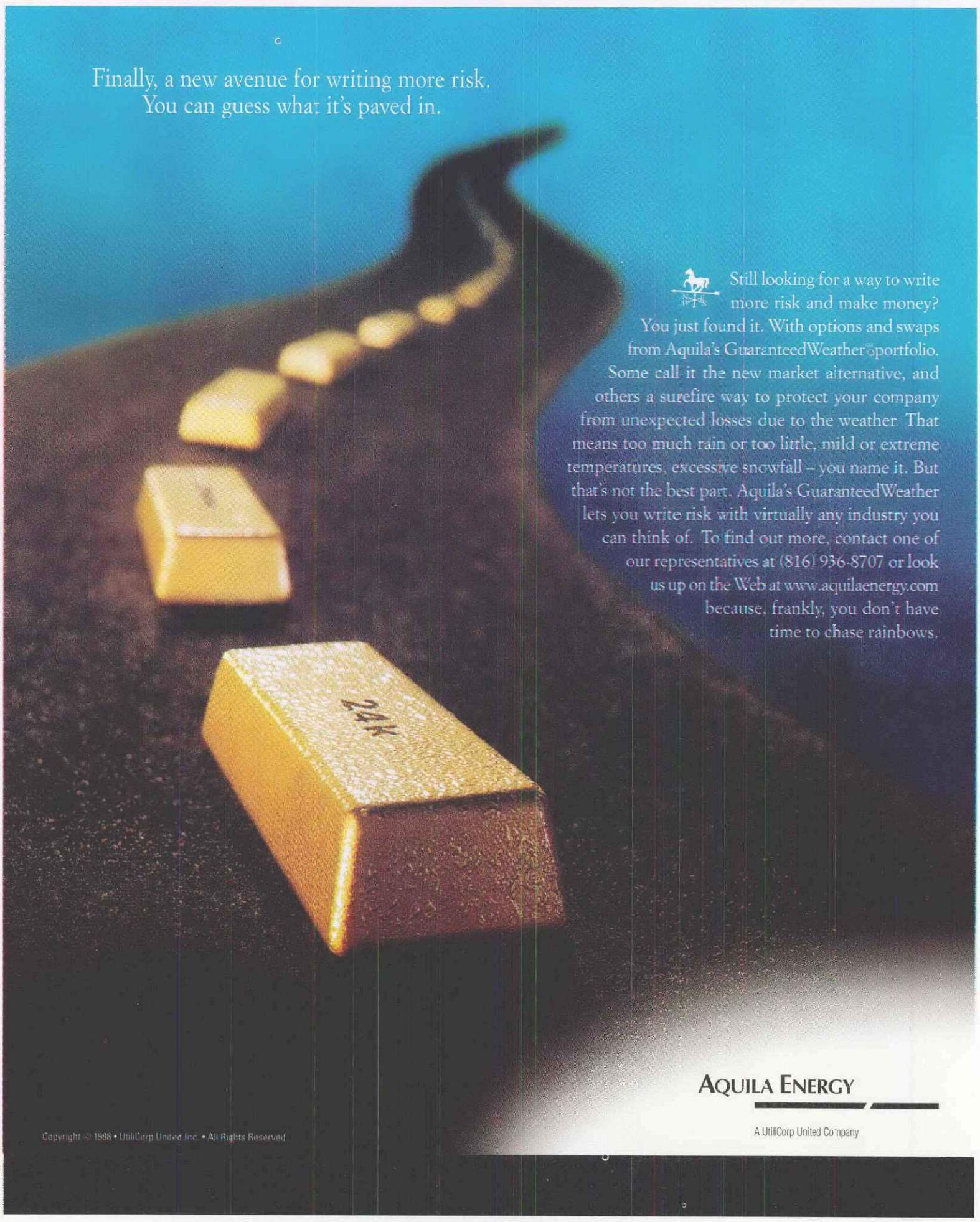
With that in mind, the cat reinsurers in Bermuda are underwriting selectively and managing their exposures with sophisticated models, Mr. Murray said.

In the future, the burgeoning securitization market will likely impact Bermuda. Several of the catastrophe reinsurers there are actively participating in the market. For example, X.L. Mid Ocean effectively bought retrocessional coverage through the capital markets within days of being established (*BI*, Aug. 17).

The increase in the number of securitization deals could have a detrimental affect on the Bermuda market in the future, suggested Mr. Murray of Moody's.

If the next hard market is started by a large catastrophe or series of catastrophes, the Bermuda market companies may not be able to write business at the huge profit margins they were able to achieve when they set up in the wake of Hurricane Andrew in 1992 and 1993, he said.

Competition from risk securitization companies in Bermuda and elsewhere may curb the ability of cat reinsurers to hike rates, Mr. Murray said. BI



Bermuda exploring capital markets

By GAVIN SOUTER

The jury is still out on the need for capital markets-based reinsurance products, but several interested companies in Bermuda are betting on a favorable verdict.

Two investment banks this year set up reinsurance operations in Bermuda that will focus on securitization of risks. The Bermuda Commodities Exchange commenced operations last year and conducted its first significant transaction earlier this month. The Bermuda government enacted legislation this year to attract more securitization business. And one of Bermuda's largest reinsurers bought significant retrocessional coverage in a capital markets deal earlier this month.

The flurry of activity in Bermuda could develop into a new arm of the reinsurance industry in Bermuda, said Don Watson, a director at Standard & Poor's Corp. in New York.

The involvement of the investment banks in particular could help develop the sector, he said.

"They are experts at selling capital markets products, so when they get the insurance products structured, they will be able to go to the market and sell them," Mr. Watson said.

So far, few actual deals appear to have been done in Bermuda, but several of the companies there are working on potentially interesting and attractive transactions, he said.

For example, capital markets-based insurance contracts are being considered for utility companies that would finance the risk of a warm winter curbing demand for power and reducing their revenues, Mr. Watson said.

"It will allow them to have more predictable earnings," he said.

One of the investment banks that has set up a Bermuda unit is Lehman Bros. Holdings Inc., which established Lehman Re Ltd. in June with $500 million in capital.

Lehman Re will offer capital markets-based products as well as write reinsurance in a conventional way and then retrocessionally reinsure it into the capital markets, said Michael Gelband, head of fixed income derivatives at Lehman Bros. in New York.

So far, Lehman Re has only been involved in a few deals, but the potential for capital-markets based coverage is significant, he said.

"The market is only soft by conventional reinsurance standards. It could get even softer, but we don't think that that is a problem for us," Mr. Gelband said.

Once the market is established, capital markets investors may take on risks at lower rates than reinsurers are prepared to consider, he said.

Capital markets investors are looking for a spread of risk outside of their other investments and would not be so severely affected as a conventional reinsurer in the event of a large reinsurance loss, Mr. Gelband said.

So far, Lehman Re has focussed on property catastrophe business, but it also plans to write life and annuity

See **Markets** *on page 10*

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Opinions

Insurers are losing ground

RISK MANAGERS who are interested in new risk financing options have only to look to the reinsurance market, where many reinsurers are at the leading edge of developing new means of transferring risk.

Reinsurers are leading the charge to tap the capital markets and develop a new array of financial instruments to spread risk. Their increasing experimentation and expertise with these new tools will only accelerate the trend among some large commercial buyers to deal directly with reinsurers and investment banks, bypassing insurance companies.

Indeed, while many insurance companies also have benefited from reinsurers' creativity with alternative risk transfer and have used such deals to sustain low property/casualty rates, only a handful have clearly seen the potential for developing these tools for their clients. They ignore this potentially huge market at their own peril; already, a significant chunk of the large commercial market has bypassed traditional insurance in favor of alternatives such as captives, pools and finite risk insurance, among others. That percentage of lost business is bound to grow with the allure of capital markets financing—and an increasing number of financial services entities eager to step in.

To date, a big part of the traditional insurance market has reacted to this shift among large commercial lines buyers by increasing its focus on middle-market business. But it is only a matter of time before risk managers of those businesses also put their sophistication to work and seek to take advantage of these new options.

Some of the recent deals include issuing bonds to finance catastrophe exposures, blending traditional and finite risk coverage, and trading options on multiperil-linked notes. In the latest twist, Swiss Re has entered into a basis swap with another reinsurer that protects both companies in the event of windstorm losses that reach a certain scale.



To date, risk managers have particularly expressed interest in alternative instruments to protect themselves from catastrophe losses. But there is also interest in alternative risk financing programs for environmental losses.

Increasingly, risk managers also are looking for ways to shift previously uninsured business risks, ranging from currency-related exposures to loss of revenues due to shifts in climate, among other risks. Even more basic needs, such as increasing a captive insurer's capacity, could be met with capital markets instruments.

Demand for alternative instruments is bound to grow. The race to develop new risk financing tools so far is being led by reinsurers, and they are the ones to which corporate customers increasingly will turn, unless insurers jump-start their engines.

Letters

AHPs would bring small employers relief. . .

To the editor: I read with interest your Aug. 17 editorial, "Trade Group Plans Worth a Look," in support of association health plan legislation. Congress finally has an opportunity to help rather than hurt the small-employer market. Hopefully, the Senate will adopt the House's language and send a bill to the president that includes relief for the larger segment of employers, the small employer.

As the chief financial officer of a small employer, I know firsthand how difficult it is to provide valuable health care to our employees. Although we have only 18 full-time employees, they are located in five states. This makes it practically impossible for us to offer uniform benefits similar to those of the large employers with whom we compete to recruit and retain qualified employees. We have virtually no choice; we are forced to offer our employees insurance plans that generally provide lower benefits and higher costs.

Permitting small employers to pool their resources through trade associations makes economic sense. That can only expand coverage to millions of employees who work for small employers. I can understand why state regulators and insurers would oppose a bill of this nature; it would provide competition in lieu of a monopoly and would undermine states' ability to load up ridiculous mandated benefits as part of their political agenda. Yes, it is time for the small employer to get a break. We hope to see this legislation passed and signed by the president.

Again, thanks for covering this important issue and for your obvious support. Let's hope that our politicians agree and have the guts to pass this legislation, and that our president signs it!

Wellington Hall
Chief Financial Officer
Kinder & Associates Inc.
Santa Ana, Calif.

. . . but create adverse selection

To the editor: Your Aug. 17 editorial supporting association health plans fails to address how these plans threaten to divide and destroy the small-group marketplace.

AHPs, as your editorial correctly notes, would be exempt from state-mandated benefit laws. Therefore, healthier groups offering fewer benefits would have a strong incentive to bypass state-regulated small-group insurance in favor of less expensive, less inclusive AHP coverage.

As a result, the pool of people in state-regulated small-group insurance would be smaller and less healthy than people in AHPs. This, in turn, would necessitate higher premiums, causing many small groups to drop their coverage.

Small business should continue to be able to band together to achieve economies of scale and to purchase coverage through state-regulated cooperatives. AHPs, on the other hand, would raise costs for less-healthy employees of small businesses and add thousands more people to the ranks of the uninsured.

Bill Gradison
President
Health Insurance Assn. of America
Washington

Letters to the Editor

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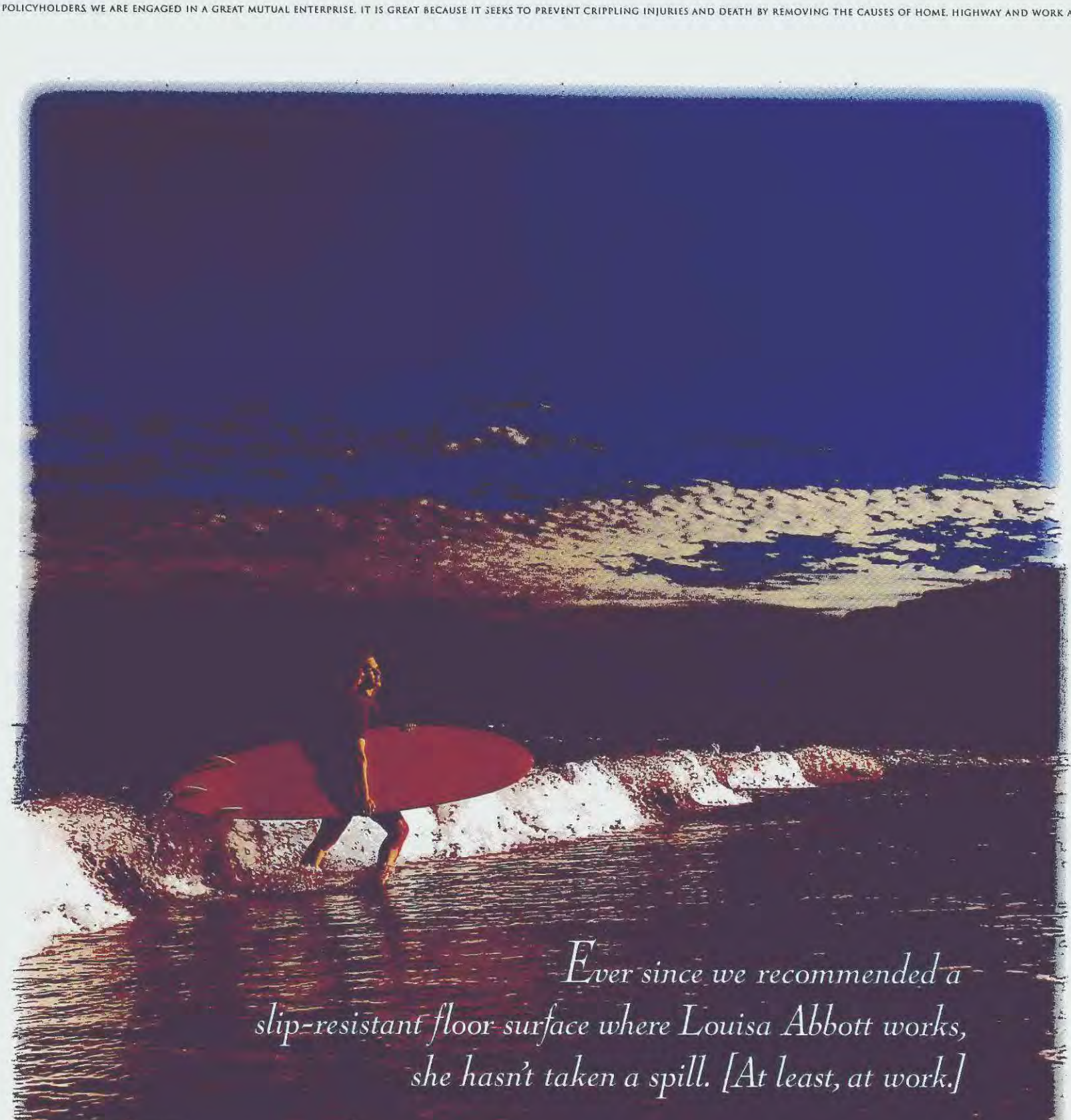
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Markets

Continued from page 6

coverage, political risk insurance, and finite risk coverage, he said.

In April, Goldman Sachs Group L.P. set up Arrow Reinsurance Co. Ltd. to transfer reinsurance risks to the capital markets by issuing securities or entering into derivatives contracts. Executives at Arrow Re would not comment on the progress of the company.

Bermuda's regulators are hoping to attract more securitization deals to the island.

Earlier this year, the Bermuda government amended its insurance regulations to enable investment in insurance derivatives without investors registering as insurers. Regulators believe that before the amendments took effect, Bermuda lost several insurance securitization deals to other domiciles, as it was not clear whether investors in the vehicles had to register as insurers in Bermuda (*BI*, March 30).

The Bermuda Commodities Exchange also is trying to bring capital markets deals to Bermuda.

The BCE was set up in October last year with 20 member companies drawn from financial services and reinsurance, including several of the Bermuda catastrophe reinsurers.

So far, there has been significant interest in the BCE, and a significant number of contracts have been offered, but no major programs have been covered, said Thomas C. Heise, president of the BCE.

However, earlier this month the first sizable contracts were traded on the exchange when two contracts offering $5 million each in limits for catastrophe coverage in the southeastern United States were traded.

Several of the catastrophe reinsurers in Bermuda also are showing an interest in capital markets-based coverage.

Most prominently, X.L. Mid Ocean Reinsurance Co. Ltd. bought about $200 million of retrocessional reinsurance in a deal placed with alternative market reinsurers and capital markets investors (*BI*, Aug. 17).

But it is still too early to tell whether the capital markets will be as quick to jump in if there is a significant catastrophe that causes a hardening in the reinsurance market, said Henry C.V. Keeling, president and chief executive officer of X.L. Mid Ocean.

"It's all very well for people to offer large amounts of capacity now with bonds and swaps, but we don't know how the market will react in the event of a loss, because it hasn't been tested," he said.

The capital markets may not react as speedily as traditional reinsurers if there is a large loss, said Alan Murray at Moody's Investors Services Inc. in New York. While the capital markets-based reinsurers could write the business quickly, they may face difficulties in laying off a complex blend of, say, Pacific earthquake and southeast United States hurricane risks to the derivative market, Mr. Murray said.

"That could be time-consuming," he said.

Talk about capital markets products still outweighs action, but the future of the sector will be clearer once the market suffers a large loss, said James P. Bryce, senior vp at International Property Catastrophe Reinsurance Co. Ltd.

"They have not had a major impact yet, but it is an interesting development. If there is a major market loss, it could be even more interesting," he said.

Both IPC Re and X.L. Mid Ocean are members of the BCE.

LaSalle Re Ltd. also is interested in developing capital markets expertise, said president and chief operating officer Guy D. Hengesbaugh.

"There is much more talk than action, but we have aligned ourselves in order to take advantage of gaps in the market," he said.

LaSalle Re has hired a capital markets specialist, and it will likely both buy capital markets-based coverage and offer capital markets products, Mr. Hengesbaugh said. BI

Bermuda adds new reinsurers

By GAVIN SOUTER

The latest covey of reinsurers to nestle in Bermuda face a tougher task than the group of catastrophe reinsurers that flocked to the island in 1993.

Back then, in the tight market for property reinsurance, the highly capitalized cat reinsurers needed to do little more than open their doors and wait for large amounts of highly profitable business to flood in.

The mixed bag of specialty reinsurers that set up over the past year, by contrast, are trying to drum up business in a nearly universally soft market, intermediaries say.

Each of the reinsurers is targeting a different niche.

Latin American Reinsurance Co. Ltd. is taking on risks solely from Latin America; RAM Reinsurance Co. Ltd. is a financial guarantee reinsurer; Annuity & Life Re (Holdings) Ltd. is a life reinsurer; Oracle Re is an employee benefits reinsurer and rent-a-captive facility; and Arrow Reinsurance Co. Ltd. and Lehman Re Ltd. are seeking to securitize risks (see related story).

"They can't just go down there, raise their hands and say, 'Send me business.' They will have to work very hard for it," said Willis King, vice chairman in charge of sales at Guy Carpenter & Co. Inc. in New York.

The property and casualty reinsurance market remains soft, the life market is over-capitalized, and investors, insurers and reinsurers are still figuring out securitization, he said.

Nevertheless, the new Bermuda reinsurers have as good a chance as any other start-up reinsurers in the soft market, said Steven Bolland, senior vp at Gill & Roeser Inc. in New York.

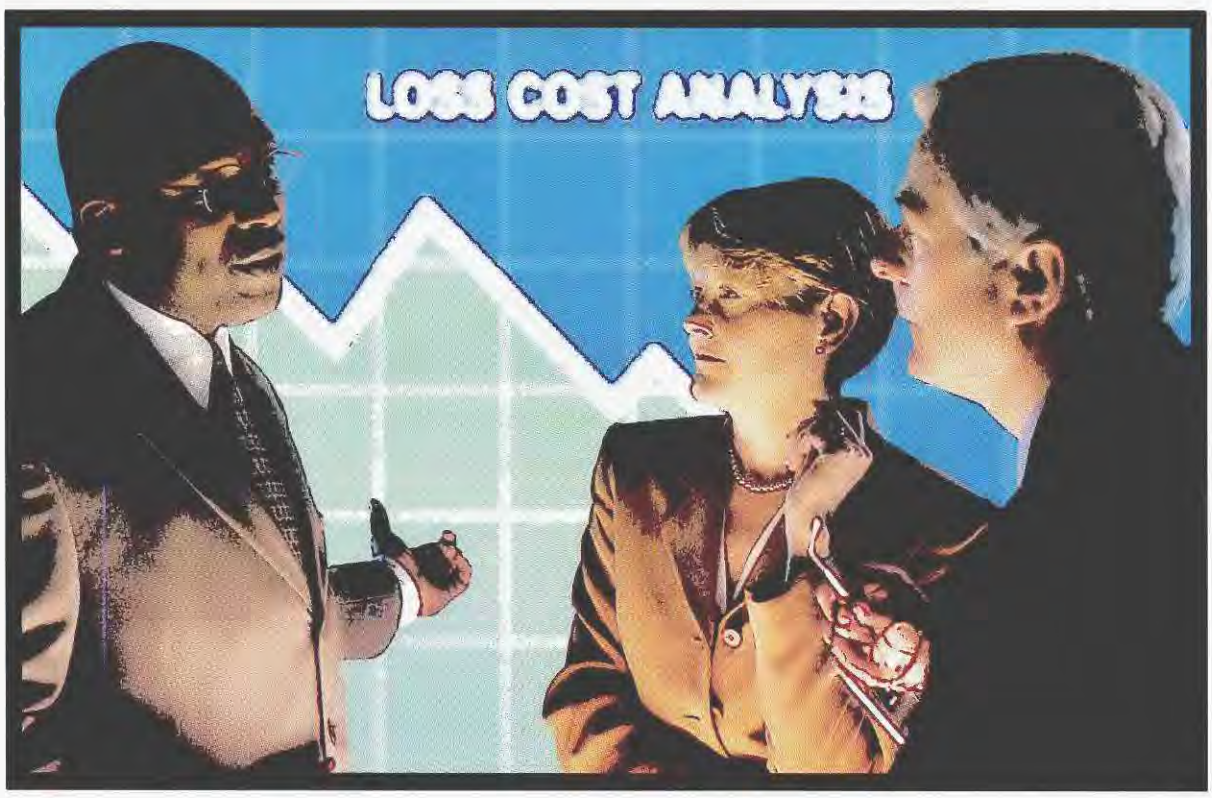
The reinsurers in Bermuda also have a tax advantage over their offshore competitors because they do not have to pay federal income tax, Mr. Bolland said.

The tax break provides a significant competitive advantage for Annuity & Life Re, said Lawrence Doyle, president and chief executive officer. "We can offer a lower price because we have very low overhead and a favorable regulatory environment," he said.

Annuity & Life Re set up in April with about $350 million in capital and in its first quarter made a $3 million profit. "I think that is pretty good for a start-up," he said.

The continued consolidation in the life reinsurance business over the pa

See **Entrants** *on page 1*



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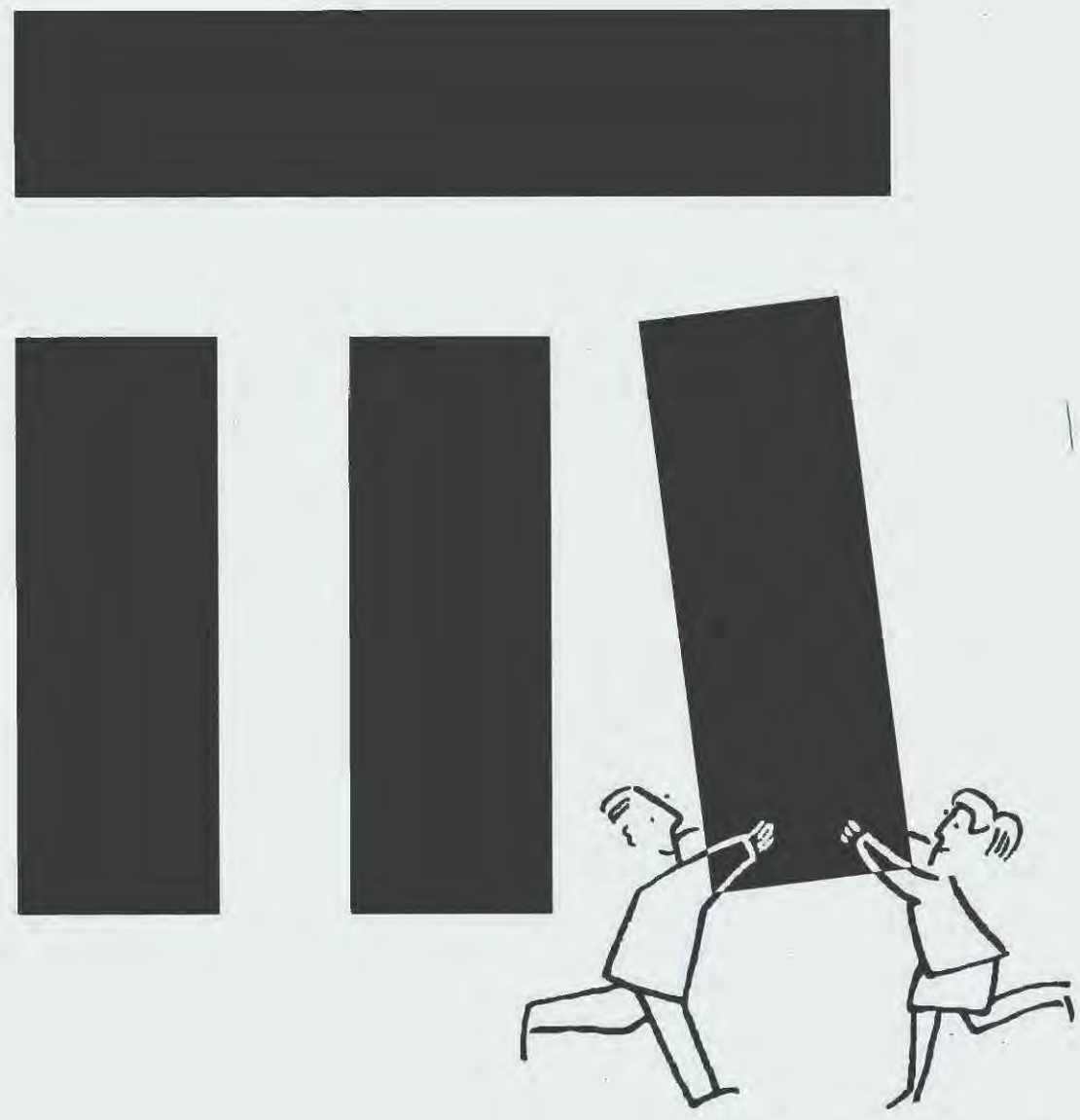
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Entrants

Continued from page 10
two years, with Swiss Reinsurance Co. taking a dominant position, has helped the Bermuda company, as buyers want to spread what are often huge contracts around several reinsurers, Mr. Doyle said.

The absence of federal income tax was also a significant factor in the decision to domicile RAM Re in Bermuda, said Robert A. Meyer, chief executive officer. "We needed to capitalize the company, and given the demands of the private market today, it seemed that the only way we could provide the returns they wanted was by domiciling in Bermuda," he said.

The company was established in February with $88 million in capital. Its four largest investors are Greenwich Street Partners, the venture capital arm of the Travelers Group; PMI Group; Continental Illinois Venture Capital, a unit of Bank of America Corp.; and London Reinsurance Group in London, Ontario.

But aside from tax advantages, Bermuda also is a sophisticated insurance market and geographically a good location for the financial guarantee reinsurer, which is seeking to attract business initially in the United States and Europe, Mr. Meyer said.

Latin American Re also enjoys the favorable tax environment in Bermuda, said Keith Shroyer, senior vp and chief underwriting officer. But it is relying more on its network of contacts in Latin America to win business, he said.

Mr. Shroyer previously headed the Latin American department at American Re-Insurance Co. in Princeton, N.J.

EXEL and Risk Capital Reinsurance Corp. in September 1997 established Latin American Re, which has surpassed its projected premium volume for its first year, Mr. Shroyer said. The projection was for $17.5 million in gross premiums; the reinsurer already has written $20 million, he said.

"We have been progressing quite satisfactorily considering the situation the reinsurance market is in right now," Mr. Shroyer said.

Ninety-nine percent of the business Latin American Re has written so far is proportional treaty business because the pricing for facultative reinsurance and catastrophe excess of loss business in Latin America is significantly underpriced and "not worth touching," he said.

When the market turns, Latin American Re's proportional business likely will make up about 80% of the book, Mr. Shroyer said.

Latin American Re also will write financial reinsurance, he said.

The bulk of its business currently comes for Colombia, where Latin American Re has an office; Chile, where Mr. Shroyer lived and worked for several years; and Puerto Rico.

The company plans to open offices in Argentina and Mexico later this year and in Brazil next year.

Oracle Re has written about $120 million in gross premiums since is set up in March, said Colin O'Connor, president and CEO. Most of the business is derived from the reinsurer's U.S. affiliates Safety National Casualty Corp. and Reliance Standard Life Insurance Co. BI

Latin American cedents prefer long-time reinsurance partners

By ROBERTO CENICEROS

When it comes to buying reinsurance, Latin American insurers are known for traveling to Europe and the United States for capacity not available in their homeland.

Even with deregulation of financial markets in Latin America, most local reinsurers tend to be small companies that can't compete with international players. At the same time, many of those local reinsurance companies are being acquired by large international reinsurers.

For the region's insurers, Europe has been a preferred market because of decades-old ties and European patience with Latin American cedents through loss-heavy years.

Latin America's insurers still shop for reinsurance coverage in the United States, and Miami has become a financial services shopping center for Latin American firms. The city hosts branch offices for many reinsurers and an increasing number of intermediaries that crave Latin American business.

Overall, however, many Latin Americans perceive North American reinsurers to have short-term vision, said several sources familiar with Latin American reinsurance purchasing habits. If U.S. reinsurers don't earn a profit immediately, they tend to withdraw their capacity or raise rates, many of those sources said.

"Europeans, they wait two, three, four or five years, and if they lose one year, no problem, they try to recover during the next couple of years," said Augustin O. Quevedo Corona, vp-international reinsurance and underwriting support for Seguros Comercial America S.A. de C.V., Mexico's largest insurer.

In his position, Mr. Quevedo actually oversees fronting arrangements in which U.S. insurers with multinational clients in Mexico reinsure policies written by Seguros Comercial America. In that way, the U.S. insurers provide the actual coverage for their clients, while complying with Mexican law requiring that policies be issued by local companies. The arrangement is a typical one throughout Latin America.

However, Mr. Quevedo also has worked in reinsurance purchasing for Seguros Comercial America and is familiar with the insurer's buying habits. Mexican insurers—like most Mexican businessmen, who often conduct transactions based on close personal relations—buy limited amount of reinsurance directly from close contacts within local reinsurance companies.

There is no need to work through intermediaries, and Mexican insurers receive favorable tax treatment for purchasing coverage from domestic reinsurers, Mr. Quevedo said.

Despite those incentives, there are still plenty of reasons why Mexican insurers turn to European or U.S. reinsurers.

Mexico is not a litigious society, so local reinsurers have little experience with specialized liability insurance products, such as those for directors and officers, Mr. Quevedo said. European and U.S. reinsurers have a much better understanding of those risks, he noted.

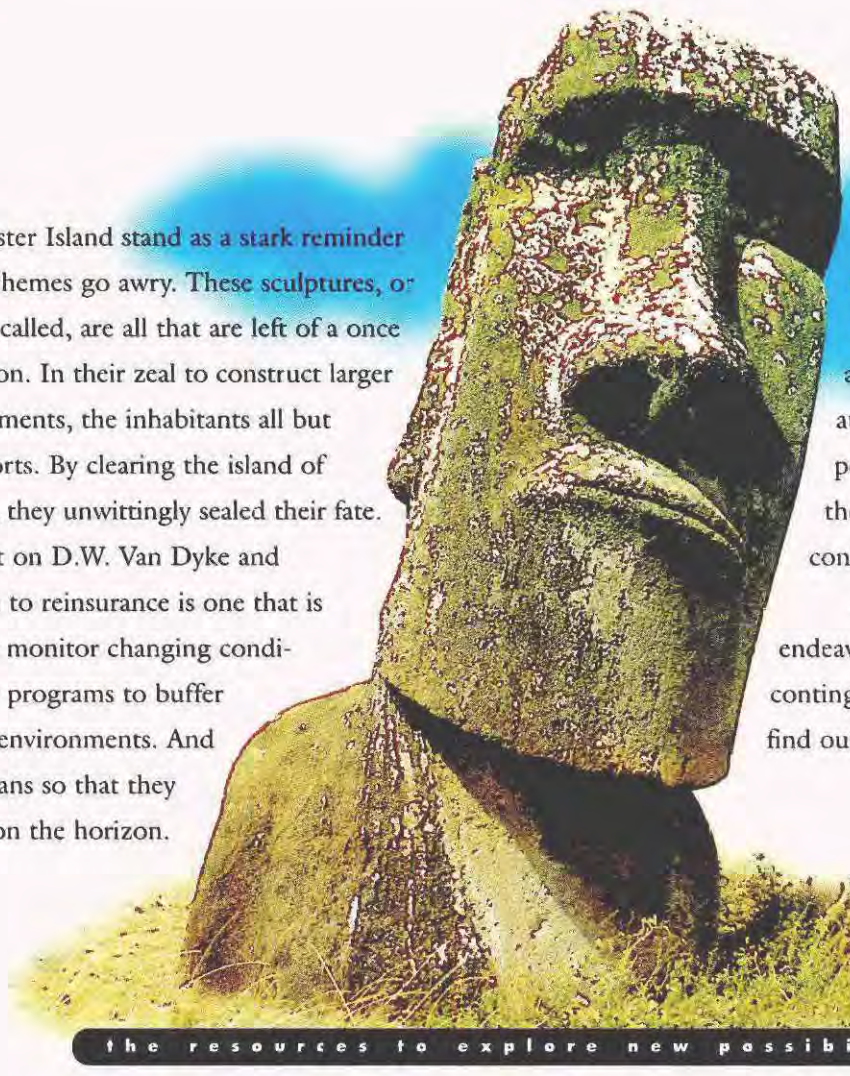
"Any special risks, like satellites or mining operations, they do not have," Mr. Quevedo said of Mexican reinsurers' experience. They are more familiar with standard coverages, such as those for fire, theft, earthquake, flood and transportation.

Additionally, Mexican reinsurers by law can accumulate only a certain amount of risk for each geographically defined earthquake zone throughout the country. With a huge earthquake, some local reinsurers could face hard times, so it is better for a ceding company to spread its risk, Mr. Quevedo said.

Seguros Commercial purchases about 80% to 95% of its reinsurance from European or U.S. reinsurers, Mr.

See **Reaseguros** *on page 14*

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The 600 statues on Easter Island stand as a stark reminder of what happens when grand schemes go awry. These sculptures, or moai as they are called, are all that are left of a once thriving civilization. In their zeal to construct larger and larger monuments, the inhabitants all but ignored the impact of their efforts. By clearing the island of trees to hoist their monuments, they unwittingly sealed their fate.

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Continued from page 12

Quevedo estimates.

A similar situation exists throughout Latin America.

Just a few years ago, there were a few fairly important Latin American reinsurers, said Manuel A. Eskildsen, general manager for Compania Internacional De Seguros S.A., a commercial and personal lines insurer in Panama. But many have been eliminated by international competition, coupled with Latin American currency devaluations and other economic factors.

"Most, if not all, Latin American reinsurers have been disappearing, given the globalization process and the consolidation of reinsurers," Mr. Eskildsen said. "Small Latin American reinsurers are finding it harder and harder to compete in the open arena."

In Panama, nearly all treaty and facultative reinsurance is purchased from European and U.S. reinsurers because of a lack of local capacity, Mr. Eskildsen said. He purchases only about 1% of his reinsurance from a Panamanian company, Reaseguradora del Istmo. "I'm sure that a lot of the other Panamanian insurance companies give them some business, but very limited," he said.

Purchasing reinsurance coverage in the international market also is becoming easier.

"The market is so soft and reinsurance so cheap you don't even have to travel any more to negotiate your treaties," Mr. Eskildsen said. "By fax, you can get a 50% or 60% reduction" in rates, he said.

On July 1, Mr. Eskildsen renewed excess-of-loss coverage for marine, property catastrophe and other lines of coverage. He saw a 35% reduction in rates after a 25% reduction a year earlier.

In addition to their loyalty through the tough years, European reinsurers have long maintained local offices throughout Latin America.

"The Munich Res, the Swiss Res, some of the English firms, some of Lloyd's, some of the French companies, they have been trading reinsurance partners in Latin America since the early postwar years, from the days of steamship travel," said Mark Gregory, senior vp for J&H Marsh & McClennan Global Broking in London.

To be fair, he said, U.S. reinsurers for years also have had offices in Latin America.

"In terms of indigenous reinsurance companies, there really aren't very many," Mr. Gregory said. "Mostly it's foreign companies investing locally."

The situation is similar for intermediaries.

"Local reinsurance brokers only can be local to the extent that they are a correspondent with an international reinsurance operation," said Alex Moczarski K., senior vp in Santiago, Chile, for Claro J&H Marsh & McLennan.

The arrival of worldwide reinsurers has discouraged the growth of local reinsurers, said a spokesman for La Caja Seguros in Buenos Aires, Argentina. La Caja is Argentina's largest insurer. The company writes life and property/casualty business, both personal and commercial lines.

La Caja purchases nearly 93.6% of its reinsurance from European companies, 5% from the United States and 1.4% from Latin American reinsurers.

"In general, U.S. reinsurers are more selective than European reinsurers," the spokesman said. "We feel that this difference may be due to a greater knowledge of the Latin American market by European reinsurers since they have operated longer in these countries."

Although many international reinsurers have long maintained offices throughout the region, Latin American cedents still have preferred to travel and to conduct their business face-to-face—even when an intermediary is involved—with the reinsurer's home office.

Until recently, Latin American buyers have been more wary of trading with U.S. reinsurers because of a perception that the U.S. companies lack commitment to long-term continuity.

But the growing presence of reinsurers in Miami targeting the Latin American market is changing that perception, Mr. Gregory said. There is growing confidence in Miami, where reinsurers are staffing new offices with workers who understand Latin American business.

Five years ago there were only a couple of reinsurance representatives there. Now there are about 20, along with a growing number of intermediaries, he said.

"These are guys who know that there is a lot of premium available to them in Latin America, and they know that the Latin Americans are increasingly looking at Miami as a burgeoning marketplace," Mr. Gregory said.

"They do a good job because they have Spanish speakers, and they are hungry because they are new operations and they have a budget to meet."

The Miami market is only in its infancy, but it is expected to grow in importance. Mr. Gregory said estimates show the Miami market is capable of providing about $500 million in capacity per account for the best class of risk.

Miami is easy to reach for Latin Americans, said David Hofmann, assistant director of Latin American operations for Hartford Re in Miami. Instead of traveling to several European countries and throughout the United States, or traveling throughout Latin America to reach a variety of reinsurers, Latin American insurers can meet with several sellers in one city.

"It's like a little supermarket," Mr. Hofmann said of Miami's reinsurance offices. Hartford Re opened a Miami office in January 1998 to show its commitment to Latin America, he said.

"We have been in Latin America for many years, and we expect to be there for many years," Mr. Hofmann said.

Meanwhile, many reinsurers are investing in Latin America by purchasing local companies. For example, Swiss Re recently bought Reaseguros Alianza, one of Mexico's top reinsurers.

Swiss Re already has an office in Mexico City, as well as in Bogota, Colombia; Buenos Aires, Argentina; Caracas, Venezuela; and Sao Paolo, Brazil. But Latin America's insurance market is expected to grow, and purchasing Reasegura Alianza fits Swiss Re's plan to expand in the region, said a Swiss Re spokesman in Zurich.

Brazil's Instituto de Resseguros do Brazil, a state-owned company with a monopoly, is probably Latin America's largest reinsurer, sources said. Observers said they expect it could be privatized in 1999, but whether it intends to maintain its monopoly has yet to be announced. BI



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Australian reinsurers look overseas

With soft domestic market, prospects for international growth more attractive

By YVETTE HIGGINS

Australia's reinsurers are increasing their business from international ceding companies and positioning themselves for long-term growth in the Asia region.

Australia-based reinsurers agree there is little growth in Australia's soft domestic reinsurance market, and they are looking elsewhere for profits.

GIO Re, a unit of GIO Holdings Ltd., is the largest Australian reinsurer, followed by Reinsurance Australia Corp. Ltd. and New Cap Reinsurance Corp. Ltd.

The three companies, all based in Sydney, dominated the Australian market for international business, writing $1.5 billion Australian ($929 million) in the year to June 30.

But several insurers, such as Sydney-based MMI Ltd., NRMA Insurance Ltd., FAI Insurances Ltd., and QBE Insurance Group Ltd., are also writing more reinsurance than they did in the past, said Paul Allison, managing director of the Sydney, Australia-based reinsurance broker MBR Reinsurance Pty. Ltd.

QBE Insurance Group Ltd.'s subsidiary, Sydney Reinsurance Co. Ltd., writes domestic and international reinsurance.

Greg O'Neill, general manager of Sydney Re, said the company's gross written premiums for the financial year to June 30 were $92 million Australian ($57 million), up $1 million Australian ($619,000) over the 1996 financial year. Domestic business made up 50% of its premium volume; the rest was mainly Asian business.

Paul L. Williams, deputy managing director of New Cap Reinsurance Corp. Ltd., said Australia attracts considerable reinsurance premiums from overseas, through the efforts of Australia's reinsurance brokers.

MBR's Mr. Allison said international insurers and brokers want to place reinsurance in Australia because it is politically stable and has "clean capital" that is secure. "Security and capacity go hand in hand," he said.

Mr. Allison also said Australian reinsurers have "world class" underwriting staffs and have developed a reputation for fast responses to claims. He noted, for example, that GIO Re was one of the first reinsurers to pay a claim after Hurricane Andrew hit the United States in 1992.

Most Australian reinsurers are writing very little domestic coverage. Mr. Williams said only 1.3% of New Cap Reinsurance Corp. Ltd.'s business is from Australian cedents.

Chris Sykes, Sydney general manager of Reinsurance Australia Corp. Ltd., said only 3% of ReAC's business is domestic. Mr. Sykes said the Australian arms of multinational insurers frequently place reinsurance with U.S. and European companies, reducing the domestic business available to Australian reinsurers.

While the Australian reinsurers are writing business from all major centers, including Europe and the United States, they see Asian markets as long-term opportunities for growth. Africa and the Middle East also are targets.

Nearly 22% of New Cap Re's premiums come from the United States, according to the reinsurer's annual report. But the company also is looking to Africa and the Middle East, which together accounted for about 3% of its 1997 business, for new business.

"There is a limit to how much United States business we want to write, because it is so heavily hurricane- and earthquake-exposed," he said.

Mr. Allison said other Australian reinsurers are also focusing on Africa, South Africa and the Middle East. And all see opportunities in Asia despite the economic downturn, he said.

Mr. Williams said New Cap Re sees long-term opportunities in Asia, but he has no plans to rapidly expand its Asian book of business. The company is "sticking a toe in the water, rather than taking a blind leap of faith," he said.

Mr. Allison said Indonesia and Malaysia present good opportunities for reinsurers, because those countries' standards of living are improving.

China also is an emerging reinsurance market, particularly for infrastructure projects, but brokers and insurers have to be patient and develop the market, he said. Mr. Allison said China has a high natural disaster exposure, which means catastrophe opportunities for reinsurers.

But Sydney Re's Mr. O'Neill is more cautious, saying China still is too underdeveloped and that he does not see any immediate opportunities.

Mr. Sykes said China has "true potential down the track," and ReAC plans to open an office in Hong Kong. ReAC expects approval from Hong Kong authorities in the next month.

Despite his reservations about China, Mr. O'Neill said there is growth potential in Asia. Sydney Re has a Singapore office, and it opened representative offices in Japan in May and South Korea in June.

Mr. O'Neill said he expects to see good growth from April 1 renewals next year in South Korea and Japan, but he would not give figures on current Asian business or on projected premiums.

New Cap Re also plans new offices, but Mr. Williams is coy about locations. "We want to make sure we get the right economy and the right team, and expansion will not detract from Sydney as the prime underwriting center," he noted.

ReAc has offices in Morocco and Miami. In July, ReAC moved its French office from Nice to Paris. Mr. Sykes said it was difficult to recruit staff in Nice, so ReAC shifted the office to a location where it could attract experienced staff. BI



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Lloyd's explores options as international reinsurer

By SARAH GODDARD

Despite falling premiums and rates, Lloyd's of London continues to be a contender in the international reinsurance market retaining business amid heavy competition from other markets.

The market also continues to aggressively explore new programs and ways of doing business to attract new business.

But the market still faces several challenges as it restructures to regain its prominence in the world of reinsurance (see story, page 20).

In 1996, the last full year for which statistics are available, Lloyd's wrote gross reinsurance premiums of £1.6 billion ($2.69 billion), a 16% drop on its 1995 total. These figures exclude facultative business, which is bundled in with direct insurance and not broken out in the annual figures.

Breaking the figures down further, U.K. business resulted in gross written premiums of £276 million ($463.4 million) in 1996, while U.S. business represented the greatest premium source, with £806 million ($1.35 billion) written in reinsurance during the year.

Other significant territories included £45 million ($75.6 million) from France, £36 million ($60.4 million) from Canada, £54 million ($90.7 million) from Germany, £43 million ($72.2 million) from Australia, £21 million ($35.3 million) from Italy and £19 million ($31.9 million) from Bermuda.

According to an analysis by Lloyd's commercial policy unit, the market got about 4% of the world's non-life reinsurance premiums in 1995, the last year that full figures are available.

Figures for business in the first three months of this year show that as a proportion of Lloyd's business, reinsurance is playing a slightly more important role, representing 33% of the market's premium volume, compared with 31% in the first quarter of 1997.

Despite comprising a larger share of Lloyd's overall volume, gross reinsurance premiums are down by a slight 0.9% to £620 million ($1.04 billion) for the first three months of this year. Facultative business has slid further, down almost 21% to £209 million ($350.9 million) for the first three months of 1998.

Market executives agree that falling rates are the main factor behind lower premiums and note that in certain cases, syndicates have been walking away from business because rates have fallen too far. Nevertheless, anecdotes still abound of underwriters writing business for cash flow rather than syndicate profitability.

One of Lloyd's problems is that it is not very good at writing "bouquet" business, according to Grahame McKean, director of Ballantyne, McKean & Sullivan Ltd., a Lloyd's broker. "Lloyd's is much more segmented," focusing on specific classes of business, rather than on offering a complete package, he said. The growing trend toward creating large syndicates with a number of different underwriters for various lines of business may help Lloyd's increasingly compete for multiline accounts, he said.

Many of Lloyd's customer relationships were forged over a number of years, and reinsurance buyers generally remained loyal to the market during its shaky loss-making years. These have been "valued relationships over a long period of time," commented Mr. McKean.

At the same time, new ceding companies are approaching Lloyd's underwriters to take on lines of their business in which those new buyers don't have expertise, relying on Lloyd's tradition of specialization. "Lloyd's has got a high degree of specialist skills in a variety of areas," said Mr. McKean.

John Charman, chief executive of ACE U.K. Ltd., agreed.

"Lloyd's has acknowledged global specialty underwriters and leaders," he said. In addition, the business continues to be relationship-driven.

Lloyd's network of licenses around the world is another attraction to customers, said Mr. Charman.

Recently, the market has been beefing up its international operations, opening new contact offices in Australia and South Africa, and it is considering setting up an operation in Singapore. Latin America and Eastern Europe also are commanding Lloyd's interest, said Lloyd's Chief Executive Ron Sandler.

Such moves are part of Lloyd's attempts to re-establish itself as a major competitor in the international markets. Mr. Sandler freely admits that Lloyd's took its eye off the competition leading up to and during its restructuring period but said he hopes the market now can redress that situation.

Moves such as opening local offices are "sowing the seeds," said Nick Bonner, underwriter with the Brockbank Group P.L.C. Expanding the Lloyd's network shrinks the world for Lloyd's and keeps the market in the forefront in different countries, he said. "It's important to have local representation," he added. Geographically, Lloyd's has diverse business sources all over the world. "At Brockbank, we have got an enormously diverse account from an enormous number of territories," he said.

At the same time, Lloyd's is looking at its distribution structure, assessing the role of the Lloyd's broker and investigating ways of cutting the cost of getting business into the market (*BI*, June 29). This could result in local brokers around the world becoming able to transact business direct with the market, for example, another mechanism which could increase the amount of business flowing into the market.

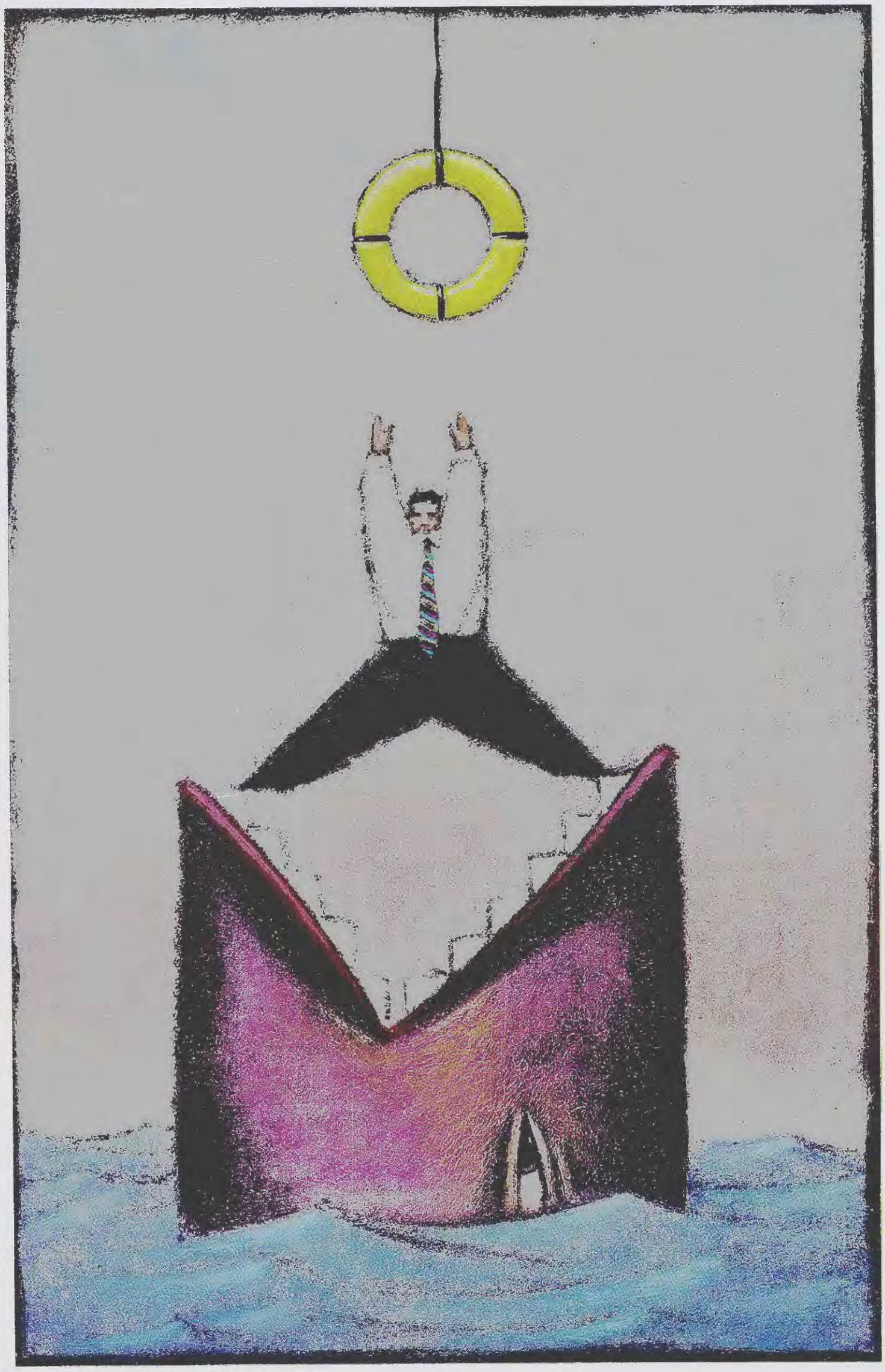
Despite such long-term possibilities, the market in the near-term is focused primarily on coping with the current soft rating environment.

"Certainly there's no sign of an upturn in the reinsurance market," commented Mark Hewlett, managing director of European property & casualty and reinsurance at Moody's Investors Services Ltd. in London. "Rates are weakening all the time. The feel of the market is akin to the late 1980s."

The absence of a London market excess-of-loss spiral—a major contributor to Lloyd's problems 10 years ago—lessens the danger of a catastrophic downside, but the larger vo

See **Lloyd's** *on page 2*





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Lloyd's

Continued from page 16
umes of spare capital mean certain syndicates may be retaining more business rather than ceding it out of Lloyd's, he said.

In contrast, Mr. McKean said he suspects syndicates are buying reinsurance "quite ferociously" as they take advantage of cheap rates elsewhere. Mr. Hewlett has identified more business being ceded to European reinsurers and a "fair amount" to the Australian market.

Although Lloyd's capacity has remained fairly constant over the past few years, capacity utilization is slumping, currently projected at 61.5% this year, down from 66.6% in 1997.

"If you look at Lloyd's as a market of last resort, it has quite a strong position," said Mr. Hewlett. "But when the insurance markets have surplus capacity, there is less need to use the Lloyd's market in that way. . .Lloyd's has to continue to think how it can offer added value and reposition itself accordingly while looking at how the quality of underwriting and skills are applied until the upturn."

This is partly manifesting itself by Lloyd's non-marine underwriters beginning to offer three-year contracts, which previously had been the preserve of the marine market.

At the same time, Lloyd's centrally is investigating the possibility of offering alternative risk financing products, though Mr. Sandler notes that the annual venture, whereby the capacity of Lloyd's is effectively reinvented each year, may be a barrier to providing long-term alternative risk financing programs.

"Within the confines of the annual venture, we are looking at ways to develop ART products and the required changes to bylaws," he said.

Few are prepared to predict when a turn in pricing might happen.

"Personally I think rates are stabilizing," said Mr. Bonner. "They're not far off the levels of the previous soft market," he added.

ACE U.K.'s Mr. Charman foresees the current market conditions lasting at least another 18 months.

"The fall is decelerating," noted Richard Keeling, chairman of Murray Lawrence Group P.L.C., though "market conditions are all over the shop."

Five years with no catastrophic losses have helped fuel the downward slide in rates, said Mr. Keeling, but it could well take more than a single catastrophe to make a difference to conditions. In the meantime, it remains a buyer's market. BI

Lloyd's resolving nagging problems

Chasing names, raising capital continues

By SARAH GODDARD

Two years after implementing its ambitious reconstruction and renewal plan, Lloyd's of London is still tying up loose ends to restore its prominence as a major reinsurance center.

Lloyd's continues to chase hundreds of former members for £130 million ($213.1 million) in underwriting losses they refuse to pay. And this month, the U.K. High Court made a high-profile name, refusenik member Anthony Gooda, bankrupt.

Mr. Gooda had worked alongside underwriter Derek Walker, putting names onto the Gooda Walker syndicates, which crashed with estimated liabilities of more than £500 million ($819.8 million) following the infamous excess-of-loss reinsurance spiral that contributed to Lloyd's huge losses and consequent overhaul.

As a name himself, Mr. Gooda was required to join the global settlement of Lloyd's pre-1993 losses but balked at paying the £490,000 ($803,355) premium to close his 1992 and prior-year liabilities into runoff reinsurer Equitas Ltd. Lloyd's legal proceedings against more than 550 steadfast holdouts brought about the bankruptcy order against Mr. Gooda. Mr. Gooda also owes Lloyd's a further £1.2 million ($2 million) for money it paid from its central fund for losses he refused to pay.

But Lloyd's still is only chasing £130 million out of the £600 million ($983.7 million) outstanding debt from names worldwide. For all intents and purposes, the market has written off much of the money due from overseas members, though it maintains that it will collect as much as possible as part of its business debt collection.

Mr. Gooda's bankruptcy appears to be the beginning of the end for recalcitrant names. This month, the High Court rejected non-paying names' attempt to appeal its decision, allowing Lloyd's to use bankruptcy orders on names who do not have enough assets to cover their debts.

As Lloyd's seems to be resolving problems in one segment of its membership, others start to rear their heads. A constant theme of the past year has been whether Lloyd's will end the annual joint venture mechanism that allows unlimited liability members to trade in the marketplace.

Comments made earlier this year by Chief Executive Ron Sandler to the Assn. of Lloyd's Members that the annual joint venture's days are numbered met with protest from some names. Despite subsequent statements by both Mr. Sandler and Chairman Max Taylor that unlimited liability status would be available as long as a sufficient number of names wanted it, the ALM took the unusual step of threatening to call an extraordinary general meeting to overturn any such proposals.

Unlimited liability names also say Lloyd's billing changes are edging them out of the market. The Corporation of Lloyd's has started to bill members—corporate and individual—for services as they use them rather than on a flat-fee basis. Unlimited liability names, who now in addition must put up more in assets to back their underwriting capacity, are viewing the higher cost of membership as an attack on traditional forms of capital.

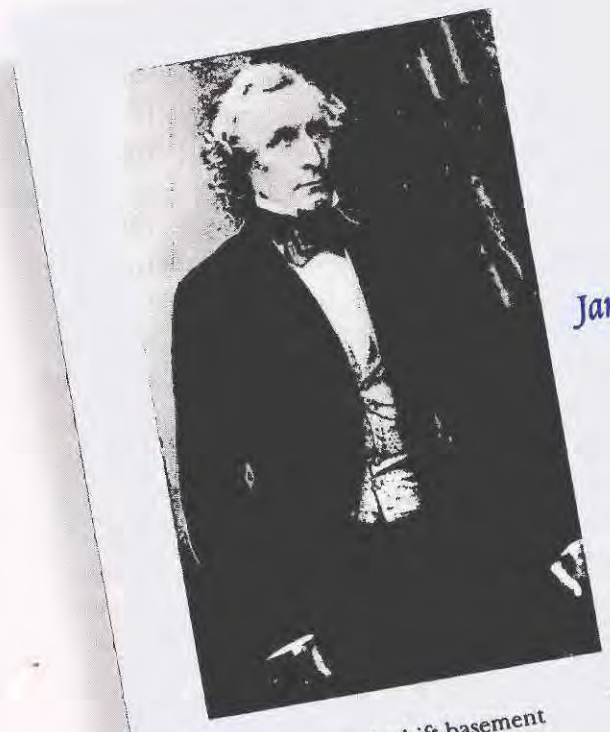
Corporate limited liability capacity now represents 60% of Lloyd's capital base, and Mr. Sandler has no doubt that it will increase next year.

"At the core is the belief that Lloyd's offers long-term secure profit," said Mr. Sandler. At the same time, corporate investors have been attracted by the "Lloyd's intellectual capital, market share, brand name, licenses and ability to compete."

The process that started four years ago, when Lloyd's changed its rules to

See **Names** *on page 22*

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Names

Continued from page 20

allow corporate investment in the market, has taken on a life of its own. From the early days of investment funds spreading their capacity over a number of syndicates, the market has evolved toward an exchange comprised of what are, essentially, Lloyd's insurance companies.

The combination of capital dedicated to specific syndicates—some set up for that purpose, while others are a result of corporate investors buying the shares of other investors in the syndicates—with the managing agencies of the syndicates has resulted in the Lloyd's integrated vehicle. Such vehicles operate like insurance holding companies, in which agency owners are corporate investors supplying capital to syndicates.

And their numbers are growing. Recent activity in the Lloyd's auctions, a process that allows members to trade their participation in syndicates to the highest bidder, has seen some corporate owners of managing agencies buying as much capacity on their syndicates as possible. At the same time, some corporate investors have been taking the deals out of the auction process and offering capacity holders cash or shares for their syndicate places.

Before the auction process started in July, market executives predicted corporate capital would take a dominant role in the market, and the future of the few members agencies left remains in question.

Sax Riley, chairman of Sedgwick Group P.L.C., which owns members agency Sedgwick Oakwood Members Agents Ltd., sees the agent's role changing as the number of unlimited liability names decreases.

It may be that the corporate vehicles set up by the agency for its names to convert into limited liability members of Lloyd's either buy or set up their own managing agency. Although this has been a practice for corporate capital providers, it is one of the first forays into underwriting by a conversion vehicle.

Mergers and acquisitions among capital providers and agencies have been a strong theme of Lloyd's over the past year. The deals give investors more control over their syndicate participations, particularly if they can buy out all the other syndicate members, and can give the so-called Lloyd's integrated vehicle critical mass within the market.

Other recent deals by corporate capital investors have included:

- LIMIT P.L.C. bought out the remaining shares of Bankside Insurance Holdings Ltd. and Janson Green Ltd. it didn't already own. LIMIT aims to merge the agencies next year. It has also sold LIMIT (No. 9) Ltd. to ACE UK Ltd.
- Syndicate Capital Trust P.L.C. bought SVB Associates Ltd.
- Aberdeen Lloyd's Insurance Trust P.L.C. bought Hayward Brick Stuchbery Holdings Ltd., the holding company for Chaucer Syndicates Ltd.
- NAC Re Ltd. is in talks to buy Denham Syndicate Management Ltd.
- ACE Ltd. bought Tarquin Ltd., the holding company for Charman Underwriting Agencies Ltd.
- Angerstein Underwriting Trust P.L.C. is merging with ML (Bermuda) Ltd., the holding company of the Murray Lawrence Group. Angerstein also has merged its two agency businesses, JE Mumford (Underwriting Agencies) Ltd. and PB Coffey (Underwriting Agency) Ltd.
- Lomond Underwriting P.L.C. merged with Atrium Cockell Group Ltd.
- Underwriters Reinsurance Co., a unit of Alleghany Corp., bought Venton Holdings Ltd
- SAFECO Insurance Co. of America is in talks with RF Bailey Holdings Ltd., which owns RF Bailey (Underwriting Agencies) Ltd.

Despite warnings of meager profits for 1997 and 1998, investors' enthusiasm for Lloyd's does not seem to have dampened. In fact, potential investors are waiting in line to find a home for excess capital in the market.

"There are signs that world capital is dying to find an inadequate return," said Grahame McKean, director of Lloyd's broker Ballantyne, McKean & Sullivan Ltd. And if the going gets tough, or returns appear more attractive in other markets, Mr. McKean foresees capital being moved elsewhere.

If one of the advantages of mergers is economy of scale, then ACE has seized the opportunity with both hands. John Charman, newly appointed chief executive of ACE U.K. Ltd. since it bought out Tarquin, has already put his mark on the company, reorganizing and streamlining the business in just a month.

Particularly in today's "extreme trading conditions," Mr. Charman recognized the organization needed to become a lot more efficient and had to cut costs dramatically. He has consolidated the ACE and Tarquin syndicates into three business units for the 1999 year onwards, at the same time laying off 60 people.

What ACE has started, other large businesses at Lloyd's will be forced to follow as the squeeze on profit margins continues, predicted Mr. Charman. And Lloyd's centrally will find itself forced to follow suit, he said.

Mr. Sandler agrees with this approach, emphasizing the Corporation must provide value for money, outsourcing operations where it makes sense and competing with other service providers. Recently, it has improved certain processing services, providing daily rather than weekly settlement of claims and premiums.

Lloyd's is in a more stable position having tied off the final loose ends after reinsuring past liabilities into Equitas two years ago. Outside the original deal were the liabilities of Lioncover Insurance Co. Ltd., an insurance vehicle set up by Lloyd's in 1987 to deal with losses arising from the infamous PCW syndicates.

Lloyd's and Equitas agreed at the end of last year to transfer these last pre-1993 liabilities to the reinsurer for a £601 million ($985.3 million) premium. More recently, Lloyd's paid £66 million ($108.2 million) to Equitas for a contingent liability from the reconstruction and renewal plan. This effectively seals off Lloyd's remaining liability to Equitas.

As for the future of Lloyd's, "we need a strong, healthy, vibrant market that is professional and profitable," said Mr. Charman.

BMS' Mr. McKean can see the advantages of insurers buying into the Lloyd's underwriting culture but warns that the pressures on Lloyd's businesses to perform could take the market closer to other insurers. "If they bought into Lloyd's for the difference, what's the point of changing it?" he asked.

"The key issue is not whether the capital is corporate or unlimited, it's the ability to develop permanent structures. . . .The trend will favor continuous capital," Mr. Sandler predicted. To help the process along, Lloyd's is exploring a system of annual accounting alongside its traditional three-year system and is discussing ways of allowing captive syndicates to trade in the market. BI



IUA plans to be operational by start of next year

By MATTHEW MacDERMOTT

Despite a "technical hitch," the process of creating a single association to represent London's international insurance and reinsurance market is moving along.

Executives of the new association, to be called the International Underwriting Assn. of London, are confident the technicalities will be ironed out by September and that the new body will be fully operational by the start of next year.

The IUA is being created by the merger of the London International Insurance & Reinsurance Market Assn. and the Institute of London Underwriters.

The merger aims to provide more cohesive representation of the London international insurance and reinsurance market to government regulators, insurance buyers and brokers throughout the world.

The IUA will become the world's largest representative body for international insurers and reinsurers, with 110 ordinary members and 80 associates from 40 countries.

The merger originally was planned to be finalized by July and the new association officially launched at the start of 1999. However, the process was delayed in June when both the ILU and LIRMA adjourned extraordinary general meetings before voting on the merger (*BI*, June 29).



Ms. Rossi

ILU members asked their association to first resolve questions regarding their liabilities for lease payments on the ILU's current London offices before they voted on the merger. LIRMA, in turn, adjourned its meeting until the ILU was ready to vote.

Marie-Louise Rossi, chief executive-designate of the IUA and project manager of the merger process, is adamant that the merger is "a done deal." She said the lease issue is only a "technical hitch," and she expects it to be resolved soon.

Both LIRMA and the ILU have taken unanimous informal votes in favor of the merger, and both associations should reconvene extraordinary general meetings in September to formally vote on the merger, according to Ms. Rossi.

She said the two associations will be run separately for the rest of the year, and that the IUA will be ready to start operating on schedule as a new entity from the start of next year.

In the meantime, all key appointments for the IUA have been made.

Tim Carroll, managing director of ERC Frankona (U.K.), the London-based subsidiary of Munich, Germany-based insurer Frankona Ruckversicherungs A.G., has been elected chairman-designate of the IUA. He has been deputy chairman of LIRMA since 1996.

Anthony Medniuk, managing director of the British Aviation Insurance Group, and Stephen Riley, managing director of Swiss Re UK Ltd., have been elected IUA deputy chairmen-designate.

Neither Ken Haddon, former LIRMA chairman, nor Stephen Redmond, former ILU chairman, sought election.

In total, LIRMA and ILU members have elected a 16-member board for the IUA. Ten of the new board members are former LIRMA board members, five are former ILU board members, and one is from outside the two associations.

Ms. Rossi, LIRMA's current chief executive officer, said the elections were based on merit and that there was no set ratio of how many people would be drawn from either organization.

She emphasized that LIRMA and the ILU are different organizations. LIRMA is a full trade association that represents companies' corporate interests, while the ILU is an institute of marine and aviation underwriters whose main focus is on research and technical matters, Ms. Rossi said.

She said about 30 companies are members of both LIRMA and the ILU.

"LIRMA has kept out of marine and aviation because there was another association (doing that)," Ms. Rossi said. The merger "is a logical step to bring cohesion and unity to the market."

Ms. Rossi said LIRMA represents a broader cross section of the London international insurance and reinsurance community and that, therefore, it is natural that it would have larger representation within the new IUA.

She said she believes that the election of a marine underwriter, Mr. Medniuk, as one of the new association's deputy chairmen should "help allay fears" of some marine underwriters that the ILU is simply being absorbed by the merger.

The cost of merging LIRMA and the ILU is estimated at £2 million ($3.3 million). Annual savings resulting from the merger are expected to be £1.5 million ($2.5 million).

But Ms. Rossi said the merger is about more than cost savings. "There will be some removal of duplication, there will be some cost savings, but that is not the driver (of the merger)," she observed. "The driver is to inject clarity into the way others outside the market see us—whether they be regulators, customers or brokers."

Mr. Carroll, IUA chairman-designate, agreed that the IUA is about ensuring that the insurance expertise in London is easily accessible to the rest of the world so that it remains a leading market-

See **London** *on next page*

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London

Continued from previous page
place.

"London continues to enjoy tremendous respect, but we must make ourselves more efficient, quicker and easier to understand for our customers," Mr. Carroll said.

The improved and more widespread use of technology throughout the London market will be a major focus of the new association.

The London Processing Center, which processes business on behalf of LIRMA and ILU members, will be a wholly owned subsidiary of the new association. LIRMA and the ILU now jointly own the center.

Ms. Rossi said the LPC is a very cost-effective service and that single ownership will allow even greater streamlining and efficiency.

She believes a single ownership structure also will allow the IUA to more easily demonstrate the value the LPC represents to insurance and reinsurance company and finance directors.

The IUA also is strongly supporting the proposed merger of the three electronic data exchange networks servicing the international insurance and reinsurance industry: the Reinsurance & Insurance Network, the London Insurance Market Network, and the World Insurance Network (*BI*, May 4).

Mr. Haddon, who retired as chairman of LIRMA and also as CEO of AXA Reinsurance UK P.L.C. in June, said there is a need to make the London market operate more efficiently through the more widespread use of technology.

'The IUA will be the only worldwide international insurance/reinsurance organization,' says Marie-Louise Rossi.

"There has been some resistance to technology in London," he said. "But Y2K and Euro currency issues have focused peoples' minds. The enthusiasm is now there."

Mr. Haddon said the main focus of the new association must be to reinforce the internationalism of the London market. "London has a trading market in place that no one else has," he said.

Ms. Rossi said Lloyd's of London is the historical reason why buyers came to the London market. But she said London is now essentially a marketplace of large international companies.

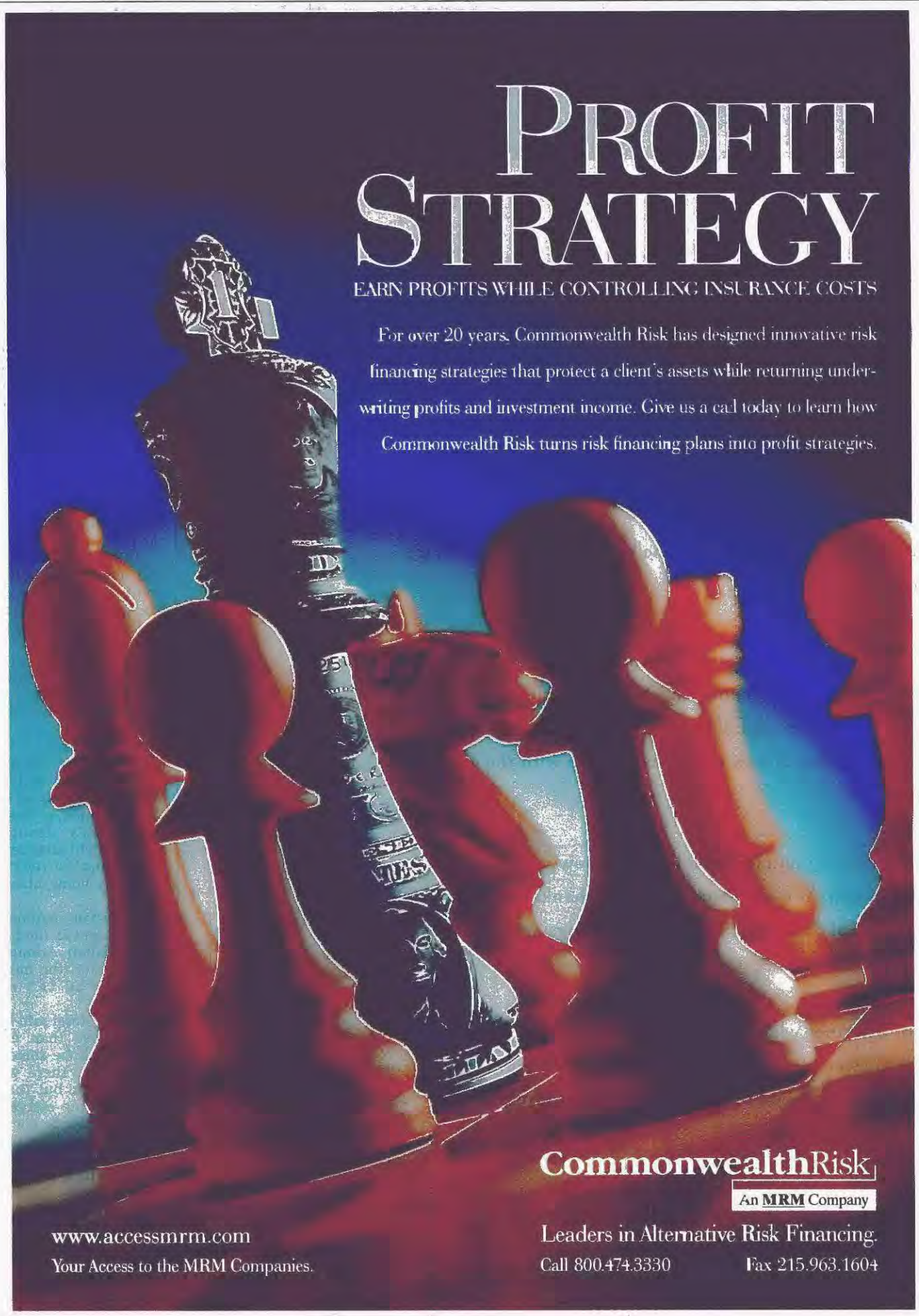
"London is becoming a virtual global market," she said. "Companies are run globally, and there are no limits on where capital can come from."

Ms. Rossi said London is internationally renowned for its insurance and reinsurance expertise and is still home to coverage for the unusual or hard-to-place risk. She said most large Bermudian, U.S. and European reinsurers have outlets in London.

Ms. Rossi said she believes the IUA will have no competition as an international trade association. Other associations, such as the Reinsurance Assn. of America and the Catastrophe Exchange in Bermuda, are more regionalized, Ms. Rossi said. "The IUA will be the only truly worldwide international insurance/reinsurance organization," she said. "Its membership is open right across the world."

Julian Philips, a consultant with the London-based risk management division of Tillinghast-Towers Perrin, believes the IUA is a very positive move for the London market's international position and reputation.

He said the merger should reinforce London's position as an international marketplace, as well as increase the general emphasis on improved efficiency and better customer service. BI



Y2K risks

Continued from page 3
those problems. However, he declined to comment on the contents of the statement before it is made available to cedents.

Another major German reinsurer, Hannover Reinsurance Group, said that though it continuously monitors insured exposures to the Year 2000 problem, its board of directors has developed an underwriting strategy for circulation throughout the group.

Under its reinsurance contracts, Hannover Re will cover bodily injury and property damage, including consequential loss, arising from all "normally covered perils," even if such losses result, in whole or in part, from the failure of hardware or software insufficiently prepared to deal with the Year 2000 problem.

However, economic losses are another matter. Hannover Re will decide on a case-by-case basis whether it will reinsure financial losses arising from neglected or insufficient preparation of hardware or software to recognize, process or store calendar dates. An important criterion in this respect will be how a cedent handles such risks. Hannover Re said it may insist that measures be implemented to reduce the exposure.

France's largest reinsurer, Paris-based SCOR, has adopted a very similar policy. Jean Alisse, SCOR general counsel in charge of supervising group policy on Year 2000, said SCOR also has prepared a reference chart for its directors in preparation for the next renewal season. He expected the chart to be issued before the end of this month.

SCOR's chart will have four categories of risk, with category one representing risks with almost no Year 2000 exposure and category four representing those with the highest exposure.

Once SCOR has categorized risks it will deal with each request for reinsurance coverage on a case-by-case basis. In this respect, its approach is similar to that of Hannover Re, with the decision to reinsure depending largely on the risk management actions of the primary insurer and whether it is deemed to have properly assessed the risk.

"Then we will probably use this chart with the behavior of each cedent. If the cedent does nothing, we would ask whether we should continue to work with that cedent. If the cedent is very concerned and has carried out a lot of inquiries, we will discuss with it where is the potential risk for them and for us," Mr. Alisse explained.

While SCOR would cover catego

See **Y2K risks** *on page 2*

"General Re's actions went far beyond the contract."



Robert Caldwell, left, with John Seibert, General Re

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Y2K risks

Continued from page 24

ry one and two risks, he said SCOR is unlikely to reinsure most category four risks without exclusions. Mr. Alisse said it is category three risks that are likely to be the most difficult for the reinsurer to decide on, because the risk, though high, will not be considered as great as in the fourth category.

Mr. Alisse maintained that SCOR's charting procedure certainly will result in some classes of risk being excluded for reinsurance protection. He said one possible candidate for exclusion is directors and officers liability coverage.

In contrast to the Assn. of British Insurers, which has drawn up Year 2000 sample exclusion clauses for those members who choose to use them, the London Insurance & Reinsurance Market Assn. has avoided any actions that appear to advocate either covering or not covering Year 2000-related risks.

Instead, in December 1997 LIRMA set up a Year 2000 subcommittee of its Technical and Underwriting Standing Committee to look at the underwriting and claims issues linked to the millennium date change.

David Watson, director and chief underwriter of London-based NAC Reinsurance International Ltd., heads the subcommittee. He emphasized that LIRMA had specifically avoided introducing more exclusions, particularly as many of its members also belong to the ABI, which offers its own exclusionary clauses.

"We tried to tackle other areas, such as awareness (of the risk) and quality underwriting information. And to be fair, if the industry was going to go down the exclusionary route, then a lot of this would not be an issue," he said.

Earlier this month, the work of the subcommittee culminated in the issuing of a LIRMA Y2K Index on CD-ROM for insurers and reinsurers to use as a benchmark for assessing Year 2000 exposures. The index provides underwriters with relative risk factors based on industry sectors and geographic location. It is meant to supplement underwriters' own individual assessments of particular risks by providing standards for exposures on industrywide and countrywide bases.

By indicating how a particular industry and a particular country are moving toward compliance, the index gives an underwriter a better feel for a particular exposure in comparison with similar exposures elsewhere, Mr. Watson explained.

The index, developed with Gartner Group, a Stamford, Conn.-based information technology consulting firm, has been updated quarterly over the past 12 months while it was in preparation, building up a picture as to how certain industry sectors in certain countries are moving toward eliminating their exposure to Year 2000 problems, Mr. Watson said.

Continued quarterly updates are planned throughout the year 2000 and possibly beyond.

In a booklet, "Business Risk Year 2000-Best Practice Guidelines," LIRMA cautions against believing that excluding Year 2000 exposures will be a panacea for reinsurers. The guidelines state that issuing exclusions cannot be guaranteed to be effective, may be used inappropriately or indiscriminately, and will lead to litigation over the validity of the exclusionary language.

On a personal level, Mr. Watson said he believes it unlikely that any reinsurer would totally exclude Year 2000 coverage. "I don't believe any reinsurer would choose to do that, but certainly they would expect a very well-thought-out strategy as to how their clients are addressing their Year 2000 exposures and controlling them," he said.

He echoed others in the sector in maintaining that, in general terms, reinsurers are seeking to work closely with cedents and to support them where they can. However, Mr. Watson said, there are certain areas where reinsurers might want to see primary insurers reviewing policy terms and, in certain cases, restricting coverage. Such areas include industrial all-risk policies, where property coverage should be restricted to named or defined perils; and on the casualty side, in policies covering such risks as product recall, and financial guarantees or losses.

While Lloyd's of London is leaving it up to individual syndicates to decide how they will deal with Year 2000 coverage, it does have a working party of underwriters trying to develop a common approach syndicates could choose to adopt.

'As this is a completely new animal, no one knows what form claims will take,' says David Clarke.

David Clarke, managing director of Lloyd's Non-Marine Assn. Ltd., said the Lloyd's Claims Steering Committee is working with a panel of lawyers to try to formulate a common approach for the market to follow. Mr. Clarke expects to have a standard ready before the next reinsurance renewal period.

"As this is a completely new animal, no one knows what form claims will take," said Mr. Clarke said of the millennium problem.

The NMA has devised model "clarification" clauses and has briefed some syndicates on Year 2000 issues. A spokesman emphasized, however, that the NMA's purpose "has not been to tell them what they should do, but to inform them, giving as much information as possible so they can make whatever decision they want."

U.S. reinsurers are among the most reticent about commenting on their approach to Year 2000. They, too, are looking to primary insurers to set out clearly in their policies how they will treat the matter.

The strategy of Employers Reinsurance Corp. of Overland Park, Kan., is typical of the sector. A company spokesman said, "We are handling the matter carefully and underwriting the accounts individually."

Swiss Re America said its parent, Swiss Reinsurance Co. of Zurich, Switzerland, is formulating an official Year 2000 response and that it is unable to comment until the response is in place.

Similarly, a spokesman for Chicago-based CNA Reinsurance said it "is working to determine our final position." The spokesman said the company hopes to be ready to report that position to agents and customers by late August or early September. BI



Globalize

Continued from page 3

Ms. Boccitto, "makes one somewhat more immune to cycles in the industry."

While "these cycles are becoming more and more closely tied as it becomes a more global industry. . .I still think we see enough differences in the cycles and the potentials around the world that it's still a very good strategy to diversify geographically," she said.

The factors driving the move toward international business are "the same that's driving the acquisition binge in much of the industry," said John Bailey, a partner in Pricewaterhouse Coopers' insurance practice in Chicago.

"Volumes are down, and consolidation in the primary industry keeps growing. And so you have companies out there looking to keep the pipeline flowing," said Mr. Bailey.

"You can't go to Bermuda or to Zurich without running into people you know from down the street," he noted.

Mr. Zuckerberg said the export of the U.S. concept of tort liability, which has made both directors and officers and employment practices liability coverage more popular internationally, also is encouraging U.S. reinsurers to expand internationally.

"These are high-severity events when they happen, so it's important the type of reinsurers that would cover such things would be really financially secure ones," said Mr. Zuckerberg, noting that reinsurers such as General Re fit the bill.

The globalization of reinsurance intermediaries has played a role, as well.

"It is somewhat easier to develop international business these days, because many of our U.S. brokerage firms have overseas affiliates or branches," said Risk Capital Re's Ms. Boccitto.

Willis T. King, vice chairman of sales at reinsurance intermediary Guy Carpenter & Co. Inc. in New York, said, "I think we have really been very successful in creating a global marketplace where just about every client wanting to buy reinsurance on a global basis now has access to that, and where people (who) want to acquire business from different parts of the world also have access."

Most people still feel a local presence is needed for working-layer business, said Mr. King. But this is no longer true for non-working layers. "A good, solid U.S. reinsurer in Iowa can write clash or contingency business just about everywhere in the world based on the knowledge and exposure information they can access from Iowa," he said.

The origins of the business are becoming less important, he added. "It's just a matter of tracking your aggregate exposure and deciding what your appetite is."

Reinsurers' approach to international business will depend upon their size, said Don Watson, a director at the rating agency Standard & Poor's Corp. in New York. The largest U.S. reinsurers, such as General Re and Employers Re, perhaps are less likely to make acquisitions at this point because "it's not clear how much extra value someone else would bring, particularly at today's prices."

Middle-tier companies, such as Greenwich, Conn.-based NAC Re Corp., however, "are seeking to develop a global franchise. . .so they're probably under more pressure to acquire," said Mr. Watson. "You're not going to get it by growing your own business. You're going to have to acquire someone else's companies," he said.

At the third tier, he said, companies such as Chartwell Reinsurance Co. and Trenwick America Reinsurance Corp., both based in Stamford, Conn., "don't have the capital to make big international acquisitions, so they're more likely to either be the target of an acquisition, or they're going to be making small investments," such as Chartwell's acquisition of Archer Managing Agency Ltd., a Lloyd's of London agency.

"It's a way for them to start bringing in a more diversified book of business, not in a big way, but in a fashion that allows them to get the benefit of an internationally diversified portfolio," said Mr. Watson.

The London and European continental markets remain the most popular destinations for U.S. reinsurers.

"I would say the London market is the No. 1 reason that the companies are looking to acquire business relationships," he said. Buying capacity at Lloyd's through the acquisition of a managing agency "seems to be a cheap alternative to buying a company," Mr. Watson added.

Richard E. Cole, Chartwell Re's chairman and CEO, said: "We picked the Lloyd's market as the way to develop worldwide for us. That's a platform to continue to develop business throughout the world."

Michael Satz, chairman of New York-based financial guarantee reinsurer Capital Re Corp., about one-third of whose business is now international, said he plans to stay focused primarily on Western Europe.

Among other reasons, he said: "I think culturally it's easier for us. It's where we have our best client relationships."

Asia and Latin America are considered less attractive right now by U.S. reinsurers. Continental Europe has a lot of wealth, which means that just one office "can obviously access one heck of a lot of business in terms of dollars," said Mr. King of Guy Carpenter.

"I think there's probably less incentive in Latin American and Asia," though a lot of Latin American business can be accessed through Miami, while Asian business can be accessed throughout the United States, said Mr. King.

"The American reinsurers are seen only intermittently throughout Asia," said Russell R. Miller of San Francisco-based Russell Miller Corporate Finance Inc.

"The Europeans seem to have a better foothold in Asia," said Mr. Miller. "For one thing, Europeans probably were more active in pre-World War II times with building networks," as well as in their colonies.

Reinsurers that already have a presence in Latin America include Risk Capital Re, which owns 25% of Latin America Reinsurance Co. Ltd., a reinsurance operation it helped to start along with Bermuda-based EXEL Ltd., according to Ms. Boccitto.

"Latin America is a longer-term investment play for companies because it's a developing market, which means the insured value in Latin America is small, relatively speaking," said Mr. Watson of S&P.

However, "the growth opportunities will occur as the economies develop," he said.

Alan Murray, senior vp at Moody's, said, "What we tend to find in emerging markets is there's a tremendous amount of capital and number of companies chasing a rather tiny volume of business. (Reinsurers) can move their capital to new markets much faster than these new markets can develop and mature and, therefore, the growth pace is severely

See **Globalize** *on next page*



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Globalize

Continued from previous page
constrained.

"On the other hand," he continued, "on a long-term basis, there are certainly sound arguments for making investments at this point in parts of the world that offer significant growth opportunities for the 21st century, including Latin America, Asia and Eastern Europe."

Because reinsurers in these geographic areas must understand the business that primary insurers are writing, and because the regulatory environment is less rigorous than it is in the United States and Europe, they must be more cautious.

"I think you're seeing a learning curve and a lot of slow growth" to date in Latin America and Asia among U.S. reinsurers, said Mr. Bailey of Pricewaterhouse Coopers. He noted, however, that "you're beginning to see a lot more activity," though with little fanfare.

Asia and Latin America both represent long-term opportunities, agreed William J. Adamson, CEO of CNA Re, a unit of CNA Financial Corp. in Chicago. While there are many things reinsurers can do in a mature market, the needs are more basic in emerging markets, he said. And as new companies come in, he noted, there is an opportunity to develop new relationships.

"I don't think you can be a global reinsurer without being in both developed and developing countries," said New York-based Peter Aubrey-Smith, senior vp-international operations with St. Paul Re, which has offices around the world.

The business that U.S. reinsurers write internationally is not necessarily a mirror of their domestic business.

Once in foreign countries, "U.S. companies, in general, seem to be really focusing on product innovation as a way to expand their international reach," said John L. Ward of the Cincinnati-based Ward Financial Group.

Whether reinsurers have an already-established international presence or are just putting together a start-up operation, "the angle they generally seem to be following is to look at the unique culture and economic situation of the foreign countries, which does vary quite a bit from country to country, and look for ways to creatively put a new reinsurance product together that meets the unique ways of that international marketplace," said Mr. Ward.

"It is certainly evident that people will do things in their overseas offices" that they will not write domestically, said Tal P. Piccione, president and CEO of reinsurance intermediary U.S. Re Corp. in New York.

In some instances, for example, they may write liability classes of business they would not write in the United States because of a more favorable foreign legal climate, "although that's changing," said Mr. Piccione. "The climate overseas is beginning to resemble what's happening in this country."

And on the property side, the frequency of hurricane losses is going to be a lot less in Europe than in the United States, which would influence the business written as well, said Mr. Piccione.

The products written depend upon the region, said St. Paul Re's Mr. Aubrey-Smith. Developed areas, including Europe, "have a need for more sophisticated products." They are seeking excess-of-loss products, including products with varying amounts of risk transfer, he said.

But in developing areas, "you find that companies are looking more for capital relief" and more proportional business, he said.

Mr. Aubrey-Smith said St. Paul Re constantly is trying to persuade clients in developing areas to move toward excess-of-loss business, because it helps the clients retain more premium and makes more effective use of their capital.

It is too soon to tell ultimately how successful the foreign ventures of U.S. reinsurers will be, say analysts.

There is still much more international presence in the United States than U.S. presence abroad, said Mr. Ward.

"I think the jury's still out," he said. "I would not characterize the success to date in that regard as relatively outstanding." U.S. reinsurers, he said, are now just beginning to evaluate the opportunities internationally.

Mr. Murray of Moody's said, "Even at the simplest level, the management of an overseas operation is a challenge. And many of these companies don't really have the scale where they can have complete infrastructures in all the markets where they do business, which raises questions about risk control and profitability."

Mr. Zuckerberg of Moody's agreed that the reviews are mixed on the success of U.S. reinsurers abroad. "It's very early in the process to know whether every company's joint venture or acquisition overseas has been a home run," he said.

But in light of several large-scale reinsurance mergers, including Berkshire Hathaway's acquisition of General Re, "what is ultimately clear is that there's shakeout at both the large and the small end of the reinsurance business, and there's definitely a need not only to have capital but to also have a geographic presence and direct relationships with clients," Mr. Zuckerberg said.

"What it means is that a company that doesn't have a game plan that is focused on being a global entity probably won't be able to survive by being a domestic player over the next five to 10 years," Mr. Zuckerberg said. "It's critical if you want to be in the top tier of reinsurers." BI

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Spotlight report

U.S. reinsurers buying and building internationally

By JUDY GREENWALD

U.S. reinsurers are taking advantage of opportunities to grow their international business wherever they present themselves.

This could mean through acquisitions, clearly the fastest route to building premium volume.

But it could also mean building an international presence through organic growth. It depends on the particular situation, and neither approach is necessarily mutually exclusive.

One appeal of making acquisitions is that it can be difficult to grow business in an environment of low rates.

If a reinsurer does not already have a strong client base in a particular country, "you have to provide them some reason to switch coverage from an existing carrier to you," said Don Watson, director at Standard & Poor's Corp. in New York.

"About the only way you can do it is by offering lower prices than the next guy, and that means your operating results are going to be worse than the next guy's, because you're going to be taking less profit," he said.

In Europe in particular, "it's going to be easier to build assets through acquisitions. . .because it's not very likely that somebody could move into Europe and seize a very substantial share of existing business from going concerns there. It's a fairly competitive market," said Tal P. Piccione, president and chief executive officer of reinsurance intermediary U.S. Re Corp. in New York.

"It's difficult to get business through organic growth because of the market conditions today," agreed Richard E. Cole, chairman and CEO of Stamford, Conn.-based Chartwell Reinsurance Co., which bought the Archer Managing Agency Ltd. a year and a half ago but continues to grow its international business organically as well. "Today, I would say most companies that are showing growth are doing it through acquisition."

"We chose the 'purchase the company' route," said James F. Billett Jr., chairman, president and CEO of Stamford, Conn.-based Trenwick America Reinsurance Corp., which in February bought Sorema U.K., a unit of the Sorema Group that has licenses in about 30 countries. The unit, which has been renamed Trenwick International, generated about $100 million in premium in 1997.

'It's difficult to get business through organic growth because of the market conditions today,' says Richard E. Cole.

"Basically, we found an attractive acquisition in terms of price and the terms and conditions under which we bought it. It had a good track record, strong staff and lots of potential. We felt it was a more efficient use of capital to acquire the business than to build the business from scratch," said Mr. Billett.

"We may be looking at additional acquisitions through Trenwick International of both smaller, local companies throughout the world as well as underwriting agencies around the world," he said.

Culture is a factor as well, said Alan Murray, senior vp at Moody's Investors Service Inc. in New York. "I think that experience has shown in the established markets such as Germany and France there are cultural issues, among others, that have made it virtually impossible to enter on an organic basis," he said.

"That largely explains why firms such as Gen Re and Employers Re made the acquisitions they did and paid a premium for those acquisitions, as the only way to enter the market in a significant way," he said.

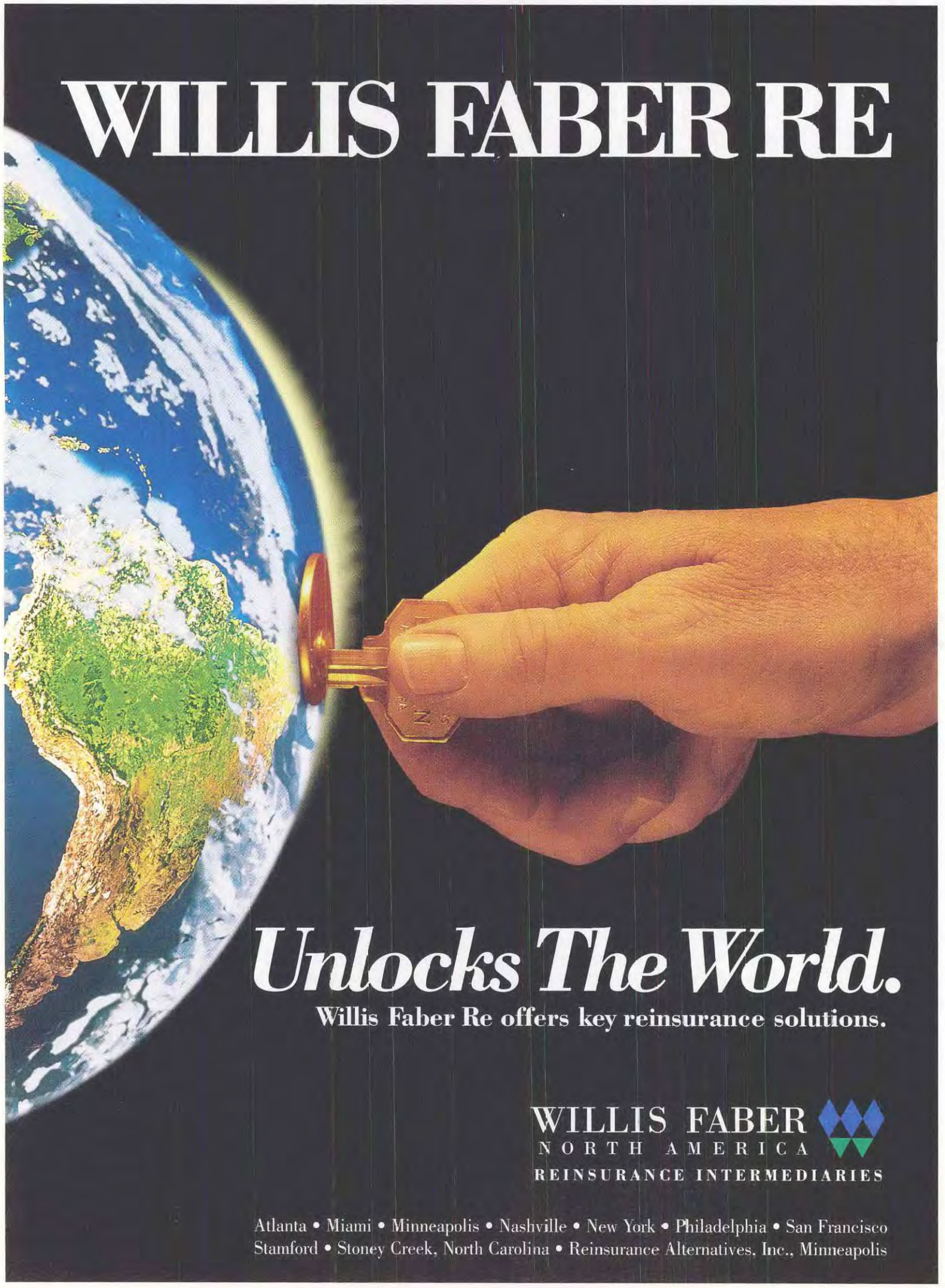
On the other hand, only a finite number of acquisition possibilities exist, and many of these come with hefty price tags. "There's only so much out there," said Peter T. Pruitt, chairman and CEO of Willis Faber North America Inc. in New York.

"From what we can tell, most of the U.S.-based reinsurers kind of plan to grow (organically) rather than through acquisition," said John L. Ward of the Cincinnati-based Ward Financial Group. "There's been a lot of global consolidation already. The opportunities for acquisition perhaps are not what they were a few years ago."

There are a variety of other factors that may make organic growth more appealing.

Acquisitions also can present

See **Expansion** *on page 32*









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Expansion

Continued from page 30

difficulties in absorbing a different corporate culture, which is a problem that does not arise with slow, steady growth.

"They've been doing it all along," said Mr. Pruitt of U.S. reinsurers' approach to international expansion. "Most of the U.S. reinsurers I can think of have been expanding in overseas offices organically."

"There are risks associated with taking on a book of exposures from prior years during a time in which the new owner did not have any control or knowledge of the quality of underwriting. Therefore, even though the quicker route would be acquisitions, the organic route could be much safer," said Moody's Mr. Murray.

In addition, in emerging markets in particular, "it's probably much easier for companies to do it organically, simply because the insurance and reinsurance are less developed. There aren't as many barriers to entry," Mr. Murray said.

'While growing organically is obviously a little bit slower, we found that cultural integration has been much simpler,' says William J. Adamson of CNA Re.

CNA Re opened its first London office in 1976 and has since expanded into locations such as Zurich, Switzerland; Milan, Italy; and Singapore, in addition to a Lloyd's operation, said William J. Adamson, CEO of the Chicago-based CNA Financial Corp. unit.

"While growing organically is obviously a little bit slower, we found that cultural integration has been much simpler, and we've been able to build a very solid organization which we think is profitable as well," he said.

Although CNA Re's international growth has been organic to date, said Mr. Adamson, "that's not to say we wouldn't make an acquisition. We have looked at many, but for various reasons we have not been able to put those to a final deal. So, in lieu of that, we also found opportunities to attract good people," some of whom have been displaced by other organizations.

Other reinsurers emphasize they are not necessarily wedded to any particular strategy.

"It will be a combination of the two," said Peter Aubrey-Smith, senior vp-international operations in New York for St. Paul Re, which has grown its business both organically and through acquisitions. "We will grow organically, but if there are good acquisition opportunities, St. Paul has always been open to looking at those," he said.

With the exception of the acquisition of a Lloyd's of London underwriting agency, all of financial guarantee reinsurer Capital Re Corp.'s international business, which now accounts for one-third of its total, has been organic, said chairman and CEO Michael Satz.

However, "I do not believe there is a clear, or demonstrable advantage between organic growth and growth through acquisition or merger," he said.

"I think the way you do it may be a function of what you think are your principal drivers at the time and opportunity," said Mr. Satz. "I would not agree with a company that says we only grow by acquisition. I think it's usually a mixture of both approaches."

Bonnie Boccitto, chief underwriting officer at Greenwich, Conn.-based Risk Capital Reinsurance Co., said the company plans to use both strategies in the future. "I don't think that one is necessarily better than the other," she said. BI

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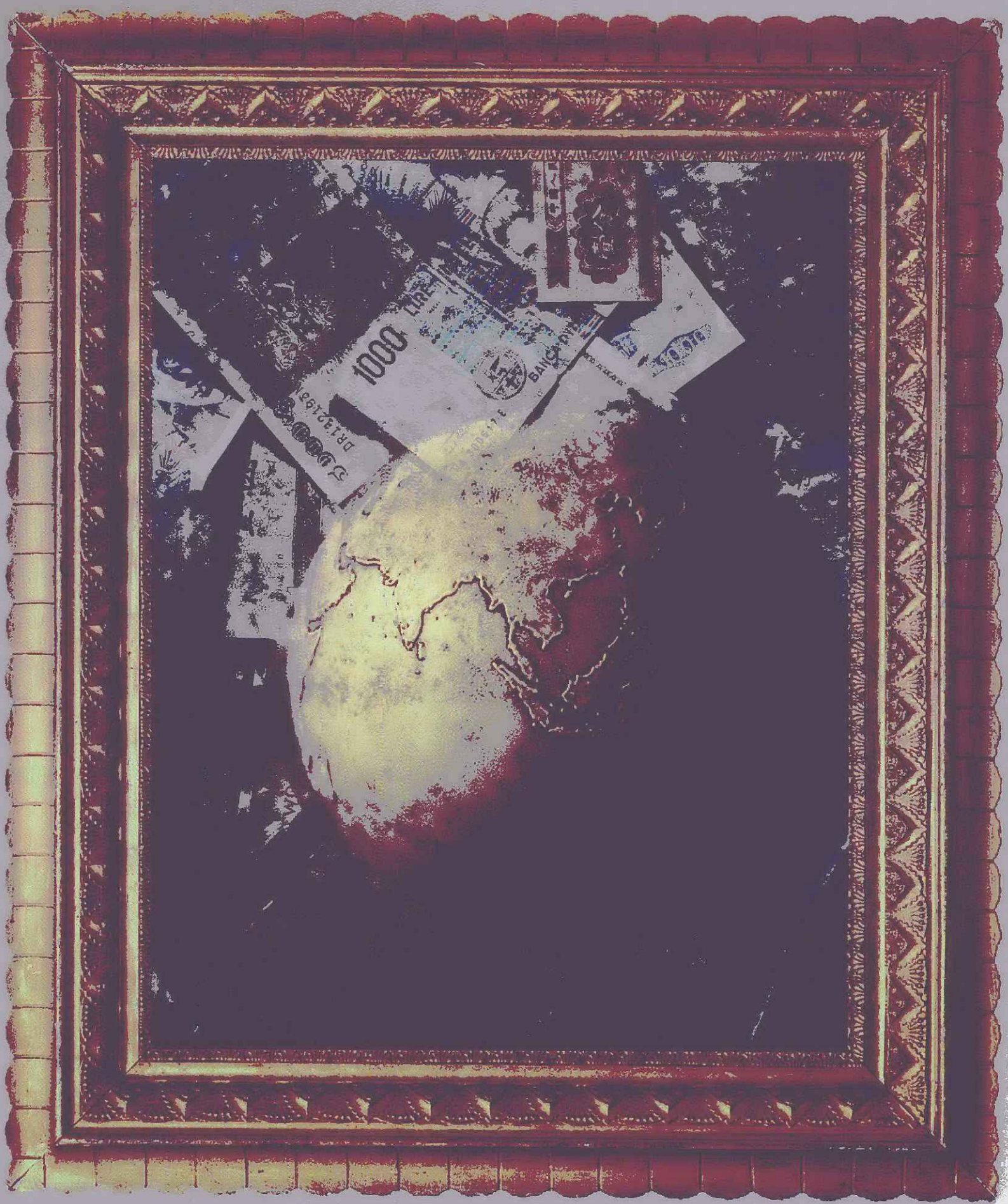
ART appreciation

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Cat options catching on in Europe
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Interest in ART concept growing
Page G6



GLOBAL FOCUS

Promoters eye capital markets to cover sports risks

By MATTHEW MacDERMOTT

Major international sporting events are emerging as a potential market for alternative risk financing products.

Demand among event organizers for capital market solutions is still at an embryonic stage, but interest is growing, driven by the rapidly increasing value paid for broadcast and marketing rights. If all or part of an event is canceled, organizers may have to reimburse those amounts to television stations and other broadcast outlets.

Sports insurance experts note, however, that securitization of sporting risks has not been done before and that traditional insurance markets remain event organizers' first choice for coverage.

But the capital markets are expected eventually to play a larger role in solving the problem of obtaining excess capacity for big-time international sporting events.

The 2000 Olympic Games, to be held in Sydney, Australia, and soccer's next World Cup in 2002, to be jointly hosted by Japan and South Korea, could become test cases for such capital market placements as part of the events' risk financing programs.

Although the broker for the next Olympics is taking a wait-and-see approach, the insurer for the World Cup is actively exploring capital markets financing for natural catastrophe exposures.

Since 1974, insurer Albingia Versicherungs A.G. of Hamburg, Germany, has provided insurance coverage to the Federation Internationale de Football Assn., the governing body of international soccer and organizer and promoter of the World Cup tournament.

Albingia, in conjunction with a range of co-insurers and reinsurers, has always covered FIFA's World Cup cancellation risks through traditional insurance programs. However, Albingia recently announced that it is looking to place some of the risk of future World Cup tournaments with international capital markets (*BI*, June 22).

The huge increase in the sums insured for the World Cup is driving the move to look beyond traditional insurance, said Juergen Goerling, head of Albingia's sports unit.

FIFA's latest insurance program, arranged by Albingia and German sports broker Himmelseher GmbH of Cologne, includes cancellation insurance of 2.1 billion Swiss francs ($1.4 billion) for the 2002 World Cup in Japan and South Korea, and 2.4 billion Swiss francs ($1.6 billion) for the 2006 World Cup, the host of which has yet to be selected.

Those sums insured are roughly four times the amount of coverage for this year's World Cup, which was held in France. The 1998 World Cup had cancellation coverage of 535 million Swiss francs ($355.8 million) (*BI*, June 8).

Mr. Goerling said the steep increase in the limits of cancellation insurance is mainly due to the escalating value of broadcast and marketing rights, which FIFA would have to reimburse in the event of a cancellation. The higher limits of the 2002 World Cup also is due to the greater risk of natural disasters, such as earthquakes and tsunami, as well as political unrest in the region.

Of the total 4.5 billion Swiss francs ($3 billion) in cancellation insurance placed for the next two World Cup tournaments, Albingia is looking to place up to 1 billion Swiss francs ($665 million) with capital markets investors by some form of risk securitization.

Mr. Goerling said Albingia is currently in discussions with international investment banks about potential securitization of the World Cup risk, but he would not reveal the names of any banks involved in the discussions.

He said the full details of the 2002 World Cup insurance program, including any securitization, still are being finalized.

Mr. Goerling did note, however, that Albingia's approach is to place as much of the risk as possible in traditional insurance markets before looking to the capital markets for excess capacity.

"The first choice is the insurance market," he said.

Mr. Goerling projected that the 2.1 billion Swiss francs ($1.4 billion) cancellation insurance program for the 2002 World Cup could possibly be structured this way:

See **Sports** *on page G4*



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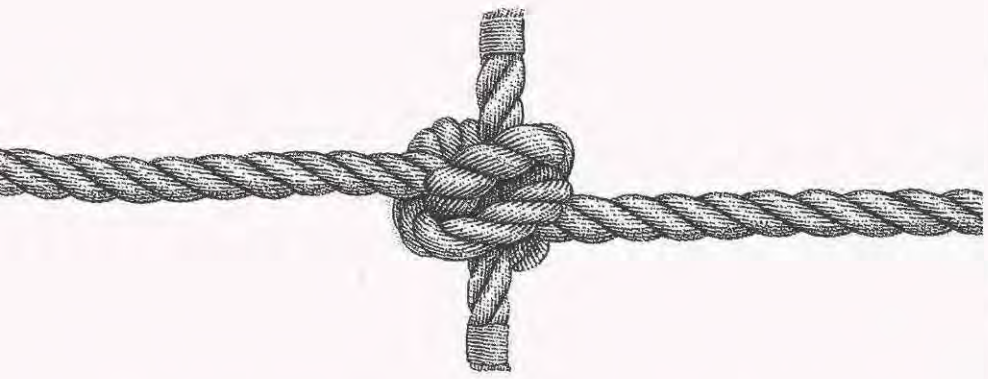
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Sports

Continued from page G2

- 1.5 billion Swiss francs ($997.5 million) in all-risks cancellation insurance from traditional insurance markets.
- 300 million Swiss francs ($199.5 million) in special-class earthquake insurance from traditional insurance markets.
- 300 million Swiss francs securitized in capital markets to cover natural catastrophes such as earthquakes, volcanoes and tsunami.

Taking into account that securitization of the risks of a major sporting event has not been done before, Mr. Goerling said he believes the capital markets are best suited to assuming the risk of natural catastrophes.

The capital securitization concept usually involves an insurer or reinsurer issuing bonds to financial institutions. Such a bond provides its investors with high returns but allows its issuers to withhold interest payments in the event of a loss.

Mr. Goerling said investment markets increasingly are keen to work in conjunction and, in some cases, compete with the traditional insurance market.

But he said it would be difficult for investment banks to provide the type of protection offered by all-risks coverage. Coverage for such an event as the World Cup includes exposures for political unrest and transportation strikes, as well as property and liability coverages.

A broker for the Olympic Games agreed.

Patrick Vajda, director of sports and events insurance for broker Gras Savoye S.A. in Paris, said the first option for event organizers should be to find as much capacity as possible in traditional insurance markets.

Cancellation insurance is not very expensive in the current market, he noted. Low rates are available, especially if organizers are able to prove they are good risks, he added.

"If you can find capacity (in the insurance market), you should go with that," he said. "But if the exposure is so high, you may have to look at a mixture of insurance and capital solutions."

Mr. Vajda said the rapid increase in the value of television rights for major international sporting events is forcing the organizers of such events, and their insurers and brokers, to look for new risk financing solutions.

Future insurance programs for major sporting events could involve a mixture of traditional insurance and capital securitization, he said.

Gras Savoye was insurance broker and risk consultant for the past five Olympic Games, and it is the broker for the 2000 Summer Olympics in Sydney.

Gras Savoye has always insured the Olympics' risks through placements with the traditional insurance market.

According to Mr. Vajda, the first Olympics with a substantial amount of television rights was the 1976 Montreal Games, which had television rights of $2 million. In comparison, television rights for the 2000 Olympics in Sydney are expected to be about $1 billion.

Such increases are subsequently pushing up the limits of cancellation insurance and, therefore, forcing sporting organizers and their insurance partners to look for excess capacity, Mr. Vajda said.

It is still "too early to say" whether capital market securitization will be used for some of the cancellation coverage for the 2000 Olympics, he said.

Securitization of sporting event risks is still developing and is a "bit secretive," according to Mr. Vajda, noting that not all such placements are publicized.

Nevertheless, he said he believes capital market securitization is a good option for sporting organizers seeking excess capacity.

"I think, in the future, we will be able to find such solutions, especially if organizers of the event have a good reputation," Mr. Vajda said.

The Olympic Games, for example, are a good risk because the security and design of modern stadiums has improved significantly over the years, he said.

"But it is not just a question of exposure to risk," he said. "It is a question of the worldwide capacity for this type of risk. There is not enough capacity for total cancellation."

As a result, he said, the move toward capital securitization "is only a question of capacity."

Mr. Vajda said the need for capacity from the capital markets is only relevant, however, to the largest international sporting events, such as the Olympics, the World Cup and, possibly, the World Track & Field Championships. A major exposition, such as the World Expo, could be another candidate for securitization of risk, he added.

There likely is enough capacity in the traditional insurance marketplace to cover other large sporting events, such as the Tour de France, as well as major concert tours, he said. BI

Alternative risk financing increasing in Europe

Deals tend to be varied, quirky and secretive

By EDWIN UNSWORTH

Europeans have discovered the "cat option," but only time will tell if it will be as popular as it has become in the United States.

This summer has seen a number of developments in the alternative risk transfer arena in Europe, and experts in the field believe it is a sector set for more growth.

Earlier this month, Hanson P.L.C., a London-based building materials group that is heavily involved in the United States, unveiled a risk financing program—part traditional insurance and part finite risk coverage—that provides $800 million of coverage for the cost of cleaning up U.S. pollution sites (*BI*, Aug. 10).

A month earlier, Alternative Risk Finance, a joint venture set up last summer between France's AXA Group and French bank Paribas S.A., placed what it hailed as Europe's first catastrophe option to provide $30 million of California earthquake coverage for an unidentified U.S. client.

In June, Chubb Insurance Co. of Europe S.A. announced the creation of Alternative Risk Consulting, a new unit involving an alliance with accounting firm Ernst & Young in London to service alternative risk programs for European clients (*BI*, June 15).

That same month, Winterthur Group of Switzerland bought an 80% stake in Alternative Risk Solutions Inc., a Waltham, Mass., unit of Arkwright Mutual Insurance Co. Winterthur said at the time that it intended to extend its "position and know-how in this growth sector."

Lloyd's of London has identified alternative risk financing as a key issue, and its Market

See **Alternatives** *on page G6*

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Alternatives

Continued from page G4

Board expects soon to help individual syndicates decide whether to offer alternative products.

According to Chris Mundy, client development and planning manager at Corporate Risk Solutions, a London-based unit of Sedgwick Ltd., the $800 million Hanson program, which Sedgwick helped arrange, was "as far as we are aware, the biggest that we have in the public domain" in Europe.

Mr. Mundy said his reply was qualified, however, because the bulk of alternative risk financing deals are not publicized. So it is almost impossible, he said, to know the full extent to which these programs have been adopted in Europe.

Mr. Mundy said he believes that only about 20% of alternative risk financing deals ever become public knowledge, and that it is even less common for their full terms to be disclosed. Secrecy stems from the fact that many of the deals are commercially sensitive—if disclosed, the transactions could send a company's stock price soaring. In addition, a company could lose a competitive advantage if competitors copy its risk financing program.

However, Mr. Mundy speculates that in some sectors where environmental or public liability exposures are particularly high—such as energy, utilities, motor manufacturers and pharmaceuticals—the vast majority of companies either have in place, or are considering, some type of alternative risk financing program. Overall, about 70% of the world's alternative risk transfer deals are done by U.S. companies, he estimated.

Chubb Europe's Alternative Risk Consulting unit is similarly reticent about naming names, but Marion Brown, a consultant with ARC in London, said the number of its clients is approaching 50.

She said the work done by ARC is tremendously varied; it includes "all the quirky stuff that no one could find a home for" in the conventional insurance market. Alternative solutions the consultant has explored for clients have ranged from multiline, multiyear programs using captives to loss portfolio transfers, to liability transfer for acquired employees to difficult-to-insure risks such as Year 2000 and environmental exposures.

Ms. Brown said ARC is "getting a huge amount of interest out of Europe." Other areas where European clients are showing interest in alternative risk financing include solutions to protect brand reputation, intellectual property rights, loss of key personnel and cost overruns from multiple projects.

James Olivo, head of global capital markets for Swiss Re Capital Markets Corp. in New York, said European interest in alternative risk financing solutions, while lagging behind that in the United States, is definitely on the increase.

"We are seeing more securitization of European risk. . .and we are seeing more European investor interest in securitization deals," he said.

> *'We are seeing more securitization of European risk. . . and we are seeing more European investor interest in securitization deals.'*
>
> — James Olivo

Mr. Olivo believes the European life insurance sector is further along in terms of embracing alternative risk financing products than the property/casualty sector. Life insurers are increasingly looking to alternative forms of shifting their risks as a result of deregulation, mergers and acquisitions, and the growth of new products.

One recent example is a £260 million ($424 million) bond issue by National Provident Institution, a U.K. mutual life insurer. The purpose of the bond, which is linked to National Provident's future profits, was mainly to help it absorb the heavy up-front costs incurred on life policies sold to customers.

Steve Isles, Paribas' London representative for its Alternative Risk Finance joint venture with AXA, said the July cat option that ARF structured was successfully placed with a small number of investors. He said the client involved may do more such transactions.

"Client interest is really picking up" in Europe, he said. ARF currently is working on a catastrophe bond for a European issuer and talking to a number of other companies about securitizing property and casualty exposures, he said.

Mr. Isles said most of the alternative risk financing solutions being developed in the United States are applicable in Europe and are likely to find their way over here. ARF has been marketing a number of products, including catastrophe bonds, securitized risks and weather-related bonds, among others. He said ARF is seeing a lot of interest in such products and, in particular, coverage of European weather-related exposures.

AIG Europe (UK) Ltd. has also been strengthening its team in London to deal with growing demand for alternative risk financing products in Europe.

John Nicholas, recently transferred from New York to become the London unit's managing director of risk finance, said AIG Europe's initial focus is going to be on such areas as insurance derivatives, weather hedges with both single and dual triggers, and loss portfolio transfers.

AIG is also marketing an integrated risks product, called COIN, or Commodity Embedded Insurance, for financing balance-sheet risks and traditional exposures in a single policy.

Mr. Nicholas said AIG is "looking at a number of transactions," but, like other companies, was unable to discuss them.

He said investor demand is definitely building, in large part because there is a growing band of investors who want a different asset class that is unconnected to equity markets or fixed income.

Sedgwick's Mr. Mundy said that if anything is holding back development of alternative products, it is not lack of investor interest but the current low cost of traditional insurance.

Mr. Mundy predicted that the prospects for growth of alternative risk financing solutions in Europe are good.

"The fertile ground for ART deals is where you have an increase in liabilities and where perhaps there is some doubt as to whether that liability applies, or as to its amount, or when it will fall," he said. BI

Interest in ART growing despite sketchiness: Survey

By SARAH GODDARD

Alternative risk transfer may be the term on everyone's lips, but it is not yet written in their hearts.

Although European risk managers are interested in the possibilities offered by risk transfer products other than traditional insurance, several factors are holding them back from dipping their toes in the water.

Not least is the mystique surrounding the concept. Swathed as it is in terms linked more to banking than insurance, risk managers are finding themselves deciphering foreign jargon. And the structure of the programs can appear complex and sometimes baffling to risk managers.

"As with any new concept, the language is airy and fuzzy," said John Canavan, group risk management director with London-based Cadbury Schweppes P.L.C. "People haven't really got their act together to put it across in a simple way."

Part of the problem may well be that there is no hard and fast definition of what "it" is. The term "alternative risk transfer" is applied to anything from captives to some catastrophe insurance products, and may include everything in between.

"It is in danger of getting an all-singing, all-dancing title," warned Clive Pracy, risk management consultant with Andersen Consulting in London. "I don't know that anyone really knows what it means."

A recent study published by the corporate risk solutions unit of Sedgwick Ltd. aimed to glean a clearer picture of risk managers' views of alternative risk transfer. In a questionnaire sent to about 650 major corporations, mainly in the oil and energy sector, Sedgwick tried to establish their attitude toward conventional vs. financial risk management.

Most companies responding to the survey said they believed financial and traditional insurance risks will remain separate, though there is consolidation between these two areas of the financial services industry. Even so, looking at the utilization of alternative risk transfer products by the respondents, most were more actively considering finite risk insurance.

"Interest varies inversely with product complexity," commented the Sedgwick report. "Finite risk is an insurance-based product grouping used mainly to stretch a traditional insurance contract and stabilize cash flow during the period. As such, it is the easiest ART product to integrate into a corporate risk management strategy. As the solutions become more exotic, they become increasingly difficult to integrate and require different skills and different levels of authority within the corporate management."

Other survey findings include:

- The majority of companies that want to access capital markets for risk financing are interested in catastrophe bonds.
- Companies with a high cost of risk generally are those not currently using alternative risk financing programs.
- Companies that currently buy a lot of insurance don't expect to use alternative risk transfer programs.
- For many companies, insurance products will be more relevant than alternative risk transfer arrangements for their risk financing requirements.
- Anticipated alternative risk transfer use over the next five years is an "all or nothing" situation. Companies either definitely will or definitely won't embrace such programs, the survey found.
- Environmental risks are the most likely to be suitable for alternative risk transfer solutions, though the survey authors note that this finding may be skewed by the number of energy companies surveyed. The next most popular areas for these products were balance sheet protection, business interruption and liability exposures.

Overall, Sedgwick found that "ART products are wanted to address issues that the current insurance markets are unable to address effectively, whilst also providing a real commercial alternative to conventional insurance, both in terms of cover and in terms of cost."

Currently, many risk managers see the cost issue as a major barrier against using alternative risk financing solutions.

"When the market changes, it may become an option," said Jeremy Meyrick-Jones, director of group risk management with British Aerospace P.L.C.

Farnborough-based British Aerospace is "keeping an open mind" about alternative risk transfer programs, though hasn't yet taken the plunge. "It really depends on what happens to the (insurance) market," said Mr. Meyrick-Jones, though there does in general seem to be an increasing interest in products to cover previously uninsured business risks, he added.

Whether that opportunity is met by insurers extending their product range or financial services organizations such as banks wanting a piece of the action remains to be seen. In Mr. Meyrick-Jones' view, though, insurers that do not expand their alternative offerings may be left behind by those that do.

It could be that the definition of alternative risk transfer automatically means accessing a non-conventional market, argued Mr. Pracy. This could well mean the capital markets, but "apart from the super-catastrophe levels. . . .I don't think the capital markets are there as a serious market at this stage."

One user of alternative risk transfer is Thierry van Santen, director of risk management for French food manufacturer Groupe Danone. Alternative risk transfer products allow an organization to better manage its self-insured risks, said Mr. van Santen.

Groupe Danone is using several programs that fall under the alternative risk transfer umbrella. Mr. van Santen said these include "captives, finite risk and some specific bonds from the market for specific risks."

He estimated that up to five other French corporations now have sophisticated alternative risk transfer programs in place, while progress by other organizations is hampered by risk managers' lack of understanding.

•

Free copies of the Sedgwick study, "Alternative Risk Transfer & Disaster Recovery," are available from Chris Mundy at Corporate Risk Solutions Sedgwick Ltd., 44-171-377-3456.



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	1997*	1996*
Prem. written	**$2,491,723,371**	$2,622,856,119
Prem. earned	**$2,488,891,900**	$2,497,846,313
Capital/surplus	**$2,301,404,018**	$2,167,726,800
Net income	**$196,336,496**	$356,352,607
Losses	**$1,712,952,630**	$1,685,676,229
Loss ratio	**68.8%**	67.5%
Expenses	**$878,296,642**	$815,980,330
Expense ratio	**35.3%**	32.7%
Combined ratio	**104.1%**	100.2%
Treaty	**72%**	68.7%
Facultative	**28%**	31.3%
Domestic	**82.6%**	83.1%
Foreign	**17.4%**	16.9%
Non-life	**100%**	100%

** Figures are pro forma and include American Alternative Insurance Co., Munich American Reinsurance Co. and Munich Reinsurance Co. U.S. Branch.*

Founded: 1917.

Parent: Munich Reinsurance Co.

Subsidiaries: American Re-Insurance Co. (Chile) S.A.

Employees: 1,557.

Locations: 13 domestic, 14 foreign.

Officers: Edward J. Noonan, president/CEO; Robert K. Burgess, executive vp/general counsel/secretary; Mahmoud M. Abdallah, Albert J. Beer, Gregory T. Doyle, executive vps; George T. O'Shaughnessy Jr., senior vp/CFO.

Contact: Tom Walker, senior vp, 609-243-4679.

AXA RE

39 Rue du Colisee, Paris 75008,
France; 33-1-40-75-5500;
fax: 33-1-40-75-5632

	1997	1996
Prem. written	**$1,230,678,792**	$1,396,904,348
Prem. earned	**$1,236,081,195**	$1,386,090,244
Capital/surplus	**$1,282,531,464**	$1,316,535,920
Net income	**$136,325,475**	$105,949,564
Losses	**$907,581,132**	$1,126,446,888
Loss ratio	**73.4%**	81.3%
Expenses	**$429,846,633**	$401,853,508
Expense ratio	**34.8%**	29%
Combined ratio	**108.2%**	110.3%
Life	**86%**	89%
Non-life	**14%**	11%

Founded: 1975.

Subsidiaries: AXA RE Asia, AXA RE Canada, AXA RE Finance, AXA RE France, AXA RE Latin America, AXA RE Life, AXA RE U.K. P.L.C., AXA RE U.S.A., CGRM, SPS RE.

Employees: 668.

Locations: Two domestic, seven foreign.

Officers: Jean-Marie Nessi, president/CEO; Jean-Pierre Benoit, COO; Eric Paire, chief life officer; Jean-Paul Guillaumie, CFO; Adrian Ballardie, CEO-AXA RE U.K.; B. Lippincott, CEO-AXA RE U.S.A.

Contact: T. Pucci, CFO, 212-493-9300.

B

Bavarian Re

Sederanger 4-6,
80538 Munich,
Munich D-80526, Germany;
49-89-3844-0; fax: 49-89-3844-2279
www.bayerischerueck.com

	1996*	1995*
Prem. written	**$1,598,660,000**	$1,648,040,674
Prem. earned	**$1,607,105,500**	$1,641,732,854
Capital/surplus	**$922,421,500**	$762,169,244
Net income	**$53,200,000**	$55,840,000
Losses	**$1,032,346,000**	$1,117,213,913
Loss ratio	**64.2%**	68.0%
Expenses	**$457,985,500**	$487,538,764
Expense ratio	**28.5%**	29.6%
Combined ratio	**92.7%**	97.6%

** Fiscal years ending 12/31/96 and 12/31/95.*

Founded: 1911.

Parent: Swiss Reinsurance Co.

Employees:** 420.

*** Reflects year-end 1996.*

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

Berkshire Hathaway Group

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

	1997	1996
Prem. written	**$955,400,000**	$715,500,000
Prem. earned	**$966,600,000**	$757,500,000
Capital/surplus*	**$37,239,500,000**	$26,079,600,000
Losses	**$675,800,000**	$572,900,000
Loss ratio	**69.9%**	75.6%
Expenses	**$163,000,000**	$192,400,000
Expense ratio	**16.9%**	25.4%
Combined ratio	**86.3%**	101%
Treaty	**97%**	97%
Facultative	**3%**	3%
Domestic	**75%**	75%
Foreign	**25%**	25%

** Capital and surplus figures represent the consolidated surplus for the Berkshire Hathaway Insurance Group.*

Founded: 1969.

Subsidiaries: Columbia Insurance Co., National Fire & Marine Insurance Co., National Indemnity Co.

Employees: 14.

Locations: One domestic, one foreign.

Specialties: Property catastrophe, finite risk, marine and aviation, excess of loss, limited pro rata, property facultative, portfolio transfers.

Officers: Ajit Jain, president; Scott Doerr, Scott Stirling, Brian Snover, Brian Garrison, vps; Thomas Bolt, European operations.

Contact: Scott Stirling, 203-363-5217.

C

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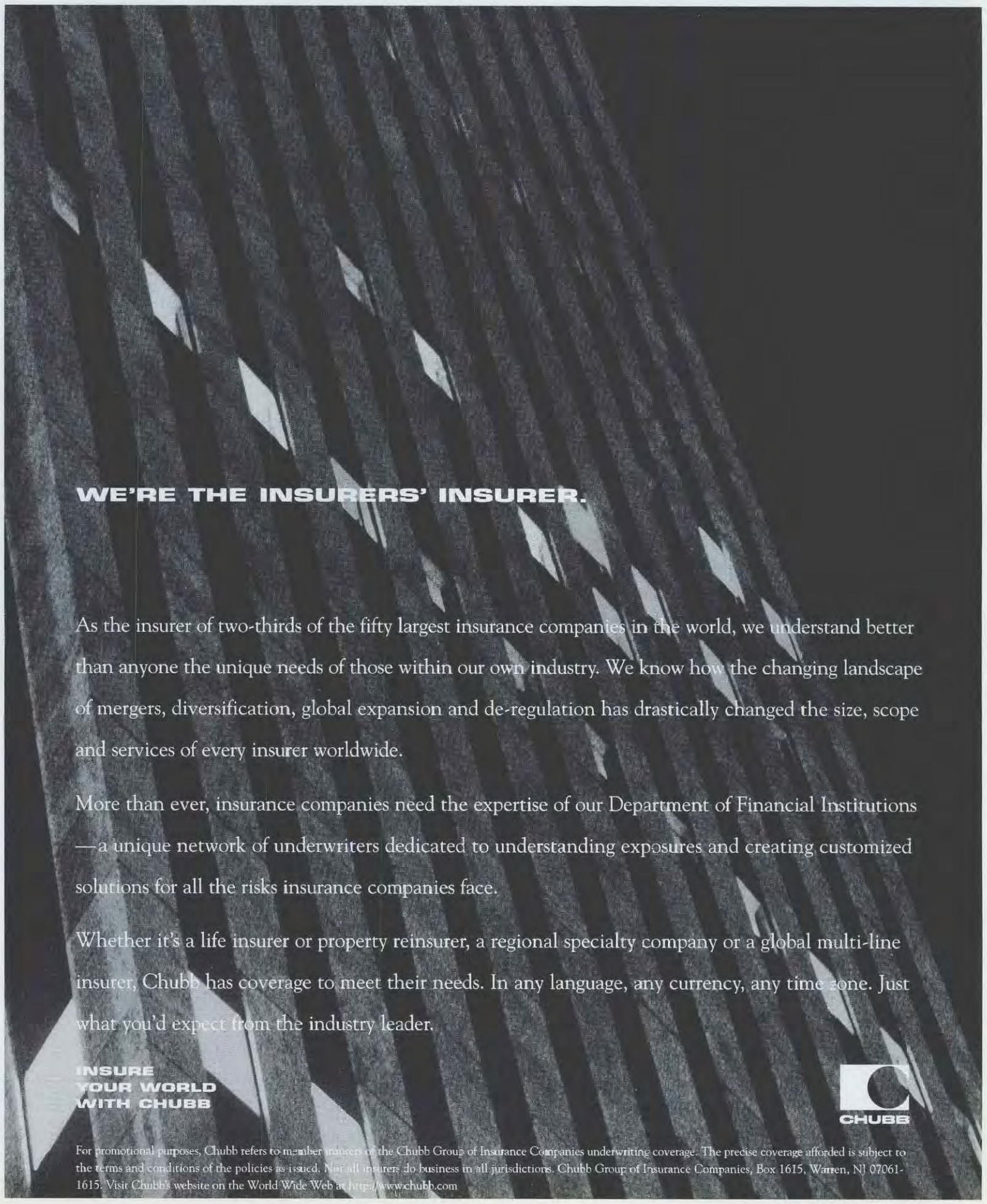
31 Rue de Courcelles, Paris
75008, France; 33-1-44-35-3100;
fax: 33-1-44-35-3131

	1997	1996
Prem. written	**$641,760,948**	$759,282,440
Prem. earned	**$613,110,069**	$864,447,612
Capital/surplus	**$612,886,059**	$663,799,864
Net incon	**$48,834,180**	$59,266,676
Losses	**$475,348,194**	$659,079,008
Loss ratio	**77.5%**	76.2%
Expenses	**$133,701,651**	$201,788,468
Expense ratio	**20.8%**	23.3%
Combined ratic	**98.4%**	99.6%
Treaty	**94.2%**	94.4%
Facultative	**5.8%**	5.6%
Domestic	**73.47%**	77.66%
Foreign	**26.53%**	22.34%

Continued on page 38

Exchange rates for figures in this directory

All figures appearing in the directory are listed in U.S. dollars. The year-end average exchange rates used for specified fiscal year-ends are: Australian dollar=$.782 (6/30/97), $.763 (6/30/96); Brazilian real=$.926 (12/31/97), $.99 (12/31/96); British pound=$1.638 (12/31/97), $1.56 (12/31/96); Canadian dollar=$.72 (12/31/97), $.733 (12/31/96); Danish krone=$.151 (12/31/97), $.172 (12/31/96); deutsche mark=$.625 (6/30/97), $.683 (6/30/96), $.575 (12/31/97), $.665 (12/31/96), $.698 (12/31/95); French franc=$.171 (12/31/97), $.196 (12/31/96); Italian lira=$.001 (12/31/97), $.001 (12/31/96); Japanese yen=$.008 (3/31/98), $.009 (3/31/97); Swedish krona=$.13 (12/31/97), $.149 (12/31/96); Swiss franc=$.689 (12/31/97); $.805 (12/31/96).



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Health care payer savings strategies

By Ron Gray

WHILE IT MAY SEEM that every medical provider in the United States participates in multiple managed care networks, health care payers collectively pay tens of billions of dollars in retail—non-discounted—claims each year.

For decades, payers have saved millions of dollars through preferred provider networks and usual and customary charge limitations. But faced with increased consumer sensitivity to cost-containment programs and growing regulatory oversight, health care payers are searching for savings solutions acceptable to all stakeholders in the current health care environment.

For years, "prompt-pay services" have sought minor discounts from medical providers in the interest of an expedited payment. This yielded low financial value and prompted payers to experiment with other options, primarily "passive networks" or "silent PPOs." In these "networks," providers are paid a "discounted" rate by the payer, with no negotiation occurring. Such practices have, understandably, been met with hostility from the medical provider community.

One cost containment solution that meets the need of payers, consumers and providers alike is the professional fee negotiation service. Fee negotiation lets payers save costs without polarizing the medical provider community. And, often, the health care consumers benefit because their out-of-pocket expenses are reduced.

Medical providers are supportive because, by definition, a negotiation is a mutually agreed upon reimbursement.

Health care payers obtain meaningful savings in a fee negotiation process if they are able to:

- Identify negotiable claims.
- Transmit claims to a professional negotiation vendor prior to payment.
- Process payments in a timely and accurate fashion after the negotiation process.

The results can make the required operational investments pay off handsomely. Fee negotiation firms are able to obtain typical discounts of 10% to 20% on facility bills and up to 20% to 30% on physician and ancillary bills.

Success rates will vary according to bill type, size and geographic location, but a rule of thumb success rate may be estimated at 50% of all bills submitted for negotiation. And payers could realize an overall average savings rate as high as 10% to 15%. How do these reductions compare with other cost-containment solutions?

The accompanying chart indicates the typical savings range of various cost-containment alternatives.

Negotiation of acute inpatient bills is a service more commonly sought by payers over the past decade. This is particularly true for large single-confinement bills with total charges exceeding $10,000. But these large bills represent only a small portion of those claims that are eligible for savings opportunities. Fee negotiators have equal success with smaller inpatient facility bills—as low as $4,000—and even smaller physician and ancillary bills of as little as $2,000.

Because the use of a usual and customary or allowable fee schedule has proved successful in mitigating the expense of physician bills, payers often have overlooked the potential of additional savings available through negotiation. Every day, medical providers are agreeing to accept, as payment in full, reimbursement significantly below allowable maximum fee schedules while writing off the subsequent reductions from the patient's account.

Cost Containment Program Comparison

Program type	Expected yield [1]	Consideration
Hospital bill audit [2]	1%-2% overall reduction	Delayed settlement, low yield
Prompt-pay service	1% overall reduction	Low yield
Passive network	10%-15% overall reduction	Moderate/high yield, potential legal risk, balance billing
Fee negotiation [2]	5%-15% overall reduction [3]	Moderate/high yield, no balance billing of patient

1 Considers both frequency of savings and average savings percentage. 2 Fee negotiation and hospital bill audit are compatible with proper coordination. 3 Overall reduction impacted by claim selection criteria

Some payers understand the impact of out-of-network expense and attempt to harness the savings potential internally. Most struggle with the challenge of merging the requisite databases, supporting the labor-intensive nature of a claim-by-claim settlement process, and then measuring their success. Others find capturing the required online data and managing extensive documentation to be a formidable task.

Effective fee negotiation services are supported by data warehousing, online historical notes, statistics and negotiation process mapping. Negotiation settlement information is recorded, documented and stored in flexible information systems, which are regularly probed by analysts for useful information.

Can a third party handle the idiosyncrasies of every payer's operations? This is a question that must be answered prior to employing an outsourced fee negotiation service. The prudent payer must use great care in selecting a vendor with the flexibility and depth to meet the special requirements unique to each payer organization. While the start-up costs of implementing an outside fee negotiation service are relatively small, the long-term expense of mismatched organizations is potentially expensive.

Small payers almost always will find outsourcing fee negotiations to be the most cost-effective option. Start-up costs should be negligible, and because most fee negotiation vendors charge a contingency fee, there is virtually no financial risk for the payer. Typically, fees are payable only when a negotiation results in savings.

Payers must be diligent in selecting a fee negotiation service. Selection is as important as qualifying a PPO network or a utilization management vendor. It is important to establish that each negotiation will be conducted individually and directly with the medical provider involved. A fee negotiation vendor that simply reprices claims based on agreements with passive provider networks should be avoided. Such arrangements may put the payer at risk.

A cautious and prudent payer should conduct a site visit of the prospective fee negotiation vendor's operations. Further, many vendors will arrange to demonstrate their capabilities on a test batch of claims at no charge if the payer demonstrates a potential for significant future claims volume. Preliminary research will produce the best returns and avoid costly mistakes.

Here are questions to ask a prospective fee negotiation vendor:

- Can you handle prospective, concurrent and retrospective cases?
- What are your success rates and your average savings?
- What are the qualifications of your negotiation staff?
- In what format can you provide savings performance information?
- What are your turnaround time averages?
- How do you comply with individual state regulatory requirements for claims adjusters or third-party administrators?
- What methods of claims transmittal are available?
- How long has your company been negotiating claims?
- What are the limitations on the size of the claim? Is that different for each type of medical provider?
- What is your typical volume? How many claims do you handle monthly? How many annually?
- Are all bill negotiations individually settled or are passive networks—blind PPOs—used?
- What type of liability coverage do you have in force?
- Are negotiations confirmed in writing with the medical provider?
- How do you prevent or handle "balance billing" of the patient?
- What percentage of successfully negotiated settlements does the medical provider cancel?
- Do you have any clients who will provide a personal reference?
- Can you demonstrate financial stability?

Whether a health care payer chooses to create its own internal negotiation unit or to use an outside fee negotiation firm, fee negotiation is a clear opportunity to reduce claims expense with minimal investment, while protecting relationships with employees and medical providers alike.

BI



Ron Gray is vp and general manager of Advantage Fee Negotiations, a division of Santa Ana, Calif.-based ADMAR Corp. and a subsidiary of Principal Financial Group.

Worker injured while on day off awarded comp benefits

Legal Briefs

A television crew member's injury sustained while downhill skiing on his day off was compensable on the grounds that skiing was a reasonable recreational activity incidental to living, according to the Court of Appeals of Wisconsin.

Richard Kamps was hired to work as a runner by CBS Inc. to cover the 1994 Winter Olympics in Lillehammer, Norway. This required Mr. Kamps to travel and work in Norway from Feb. 6 through Feb. 27, 1994.

On Feb. 21, 1994, CBS gave Mr. Kamps and the rest of the work crew the day off. He was free to do as he wished, as CBS placed no restrictions on his activities. Mr. Kamps and other members of the crew decided to go downhill skiing as a group. CBS provided them with the transportation, as well as free ski lift passes. During the ski outing, Mr. Kamps fell and injured his knee. He filed for and was awarded workers compensation benefits.

On appeal, CBS argued that Mr. Kamps was skiing for his own enjoyment and, thus, had deviated from his employment. CBS said courts never have permitted traveling employees to indulge in risky personal recreation and remain within the scope of their employment.

But the court said "traveling employees have never been required to remain idle...in order to avoid the risk of deviating from their employment."

The court emphasized that activities considered usual and proper include recreation. The court pointed out that Mr. Kamps was in Norway, the site of the Winter Olympics, where downhill skiing was a major venue. "It is not unreasonable," the court observed, "to expect that an employee, during lull time, would ski as a form of recreation." The workers comp award was affirmed.

CBS Inc. vs. Labor and Industrial Review, Court of Appeals of Wisconsin, Sept. 10, 1997 (BI/05/A.-$10). BI

These abstracts were prepared by Mayo H. Stiegler. Copies of these decisions are available by sending a $10 check payable to Mayo H. Stiegler, to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.

Continued from page 35

	1997	1996
Life	22.8%	19.7%
Non-life	77.2%	80.3%

Founded: 1946.
Employees: 161.

CNA Re

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

	1997	1996
Prem. written	$976,291,000	$957,500,000
Prem. earned	$861,207,000	$858,082,000
Losses	$600,400,000	NA
Loss ratio	69.7%	NA
Expenses	$305,368,000	NA
Expense ratio	35.5%	NA
Combined ratio	105.2%	NA
Treaty	97.5%	98.6%
Facultative	2.5%	1.4%
Domestic	64%	55%
Foreign	36%	45%
Non-life	100%	100%

Founded: 1954.
Parent: CNA Financial Corp.
Subsidiaries: CNA Reinsurance Co. Ltd., London.
Employees: 381.
Locations: Seven domestic, six foreign.
Officers: William J. Adamson, CEO; Debra L. McClenahan, executive vp/senior financial officer; Tim I. Madden, Randy Brown, executive vps.
Contact: Richard Mueller, vp, 312-876-5228.

Centre Solutions (Bermuda) Ltd. and Subsidiaries

Cumberland House, 1 Victoria St.,
P.O. Box HM 1788,
Hamilton HM HX, Bermuda;
441-295-8501; fax: 441-292-0951
www.centresolutions.com

	1997	1996
Prem. written	$1,488,647,000	$1,609,008,000
Prem. earned	$1,500,393,000	$1,453,492,000
Capital/surplus	$2,247,337,000	$1,631,352,000
Net income	$275,847,000	$152,835,000
Losses	$1,311,866,000	$1,267,255,000
Loss ratio	87.4%	87.2%
Expenses	$420,120,000	$349,294,000
Expense ratio	28%	24%
Combined ratio	115.4%	111.2%
Treaty	100%	100%
Domestic	10%	10%
Foreign	90%	90%
Non-life	100%	100%

Founded: 1988.
Parent: Centre Reinsurance Holding Ltd.
Subsidiaries: Centre Reinsurance Ltd., Bermuda; Centre Reinsurance Dublin; Centre Reinsurance International Co., Dublin; Centre Reinsurance (U.S.) Ltd., Bermuda; Zurich Reinsurance North America, Connecticut.
Employees: 400.
Locations: Two domestic, six foreign.
Specialties: Finite risk.
Officers: David Wasserman, CEO; Tom Dickson, chief underwriting officer.
Contact: David Wasserman, Centre Reinsurance Holding Ltd., 212-898-5300.
Information for Centre Solutions (Bermuda) Ltd. and Subsidiaries is included in the consolidated listing for Zurich Group-Reinsurance.

Chartwell Re Corp.

4 Stamford Plaza, P.O. Box 120043,
Stamford, Conn. 06912-0043;
203-705-2500; fax: 203-705-2710
www.chartwellre.com

	1997	1996
Prem. written	$268,260,000	$192,251,000
Prem. earned	$245,700,000	$209,503,000
Capital/surplus	$260,497,000	$225,990,000
Net income	$27,263,000	$20,989,000
Losses	$160,848,000	$150,621,000
Loss ratio	65.5%	71.9%
Expenses	$161,783,000	$119,834,000
Expense ratio	65.8%	57.2%
Combined ratio	131.3%	129.1%
Treaty	100%	100%
Domestic	87.1%	100%
Foreign	12.9%	NA
Non-life	100%	100%

Founded: 1989.
Subsidiaries: Chartwell Reinsurance Co.
Employees: 519.
Locations: Two domestic, one foreign.
Officers: Richard E. Cole, chairman/CEO; Steven J. Bensinger, president; Jacques Q. Bonneau, senior executive vp/chief underwriting officer; James A. Giordano, executive vp-regional accounts; Michael A. Hayes, executive vp-global accounts; Thomas A. Greene Jr., senior vp-specialty accounts; Bruce L. Kessler, senior vp-specialty accounts; Charles E. Meyers, senior vp/CFO; Michael J. Warfield, senior vp-controlled source accounts; Peter W. Wildman, senior vp/chief actuary.
Contact: Nancy B. Saltzman, vp-associate counsel/investor relations, 203-705-2532.

The Chiyoda Fire & Marine Insurance Co. Ltd.

No. 28-1, Ebisu 1-chome,
Shibuya-ku, Tokyo 150-8488,
Japan; 81-3-5424-9141;
fax: 81-3-5424-9381
www.chiyoda-fire.co.jp

	1997*	1996*
Prem. written	$396,540,387	$469,407,980
Capital/surplus	$1,131,816,000	$1,250,307,000
Losses	$314,749,398	$372,427,190
Loss ratio**	79.4%	79.3%
Expenses	$76,256,490	$80,455,405
Expense ratio**	19.2%	17.1%
Combined ratio**	98.6%	96.4%
Treaty	99%	99%
Facultative	1%	1%
Domestic	54.6%	57%
Foreign	45.4%	43%
Non-life	100%	100%

** Fiscal years ending 3/31/98 and 3/31/97. ** Ratios calculated using premiums written; premiums earned figure not available.*

Founded: 1897.
Subsidiaries: Chiyoda Fire & Marine Insurance Co. (Europe) Ltd. Figures from this subsidiary are *not* included in the figures above.
Employees: 40.
Locations: One domestic, three foreign.
Specialties: Property.
Officers: Masaharu Tanaka, chairman; Takashi Toyabe, deputy chairman/executive director; Koji Fukuda, president/executive director; Yoshihiko Arai, Masashi Kiyono, senior vps/executive directors.
Contact: James J. Morris, assistant secretary, 312-822-6557.

CIGNA Reinsurance

900 Cottage Grove Road,
Hartford, Conn. 06152-4026;
860-726-6000; fax: 860-726-3153
www.cigna.com/reinsurance

	1997	1996
Prem. written	$349,000,000	$301,000,000
Prem. earned	$347,000,000	$293,000,000
Capital/surplus	$254,000,000	$185,000,000
Net income	$41,000,000	$36,000,000
Losses	$236,000,000	$204,000,000
Loss ratio	69%	70%
Expenses	$80,000,000	$64,000,000
Expense ratio	23%	22%
Combined ratio	92%	92%
Domestic	83%	81%
Foreign	17%	19%
Life	28%	33%
Non-life	72%	67%

Founded: 1919.
Parent: CIGNA Corp.
Employees: 140.
Locations: Six domestic, four foreign.
Specialties: Personal accident, individual/group life, annuities, capitation risks of health care providers, morbidity risks, pool management.
Officers: Francine Newman, president; Bradley Miller, vp/CFO; Janet Duchaine, senior vp-life/annuity segment; George Hartz III, senior vp-personal accident segment.
Contact: Claudia Johnson, vp-marketing, 215-761-1403.

The Cologne Re

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

	1997*	1996
Prem. written	$3,489,675,000	$3,573,045,000
Prem. earned	$3,394,800,000	$3,507,875,000
Capital/surplus	$862,500,000	$845,880,000**
Net income	$109,250,000	$109,193,000**
Losses	2,300,000,000	$2,399,985,000**
Loss ratio	69%	69%
Expenses	920,000,000	$999,495,000
Expense ratio	29%	29%
Combined ratio	98%	98%
Treaty	91%	91%
Facultative	9%	9%
Domestic	35%	35%
Foreign	65%	65%
Life	39%	36%
Non-life	61%	64%

** 1997 figures are estimates. ** Estimate.*

Founded: 1846.
Parent: General Re Corp.
Subsidiaries: Cologne Holding Co. of America Inc.; Cologne Life Reinsurance Co., United States; Cologne Life Reinsurance Co. Ltd., London; Cologne Life Reinsurance Co. of Australia Ltd.; Cologne Reinsurance (Barbados) Ltd.; Cologne Reinsurance Co. Ltd., Dublin, Ireland and Hamilton, Bermuda; Cologne Reinsurance Co. of America; The Cologne Reinsurance Co. Ltd., London; Cologne Reinsurance Co. of South Africa Ltd.; Cologne Reinsurance Finance Holdings B.V., Amsterdam, Netherlands; Europa Re International Ltd., Dublin, Ireland; Europa Ruckversicherung Aktiengesellschaft, Cologne, Germany; Idealife Insurance Co. of America Inc.; Kolnische Gestion Immobiliere, Paris; Kolnische Ruck Wien, Ruckversicherungs-Aktiengesellschaft, Vienna, Austria; Kolnische Ruckversicherungs-Gesellschaft Aktiengesellschaft, Cologne, Germany; U.S. Health and Life Insurance Co.
Employees: 1,230.
Locations: Two domestic, 34 foreign.
Officers: Peter Lutke-Hornefeld, chairman; Hans-Peter Gerhardt, Richard H. Hinchcliff Jr., Rainer Isringhaus, Georg Lorenz, Jurgen Meisch, Franklin Montross IV, Egbert Willam, members-board of executive directors.

Constitution Reinsurance Corp.

110 William St.,
New York, N.Y. 10038;
212-225-1000; fax: 212-225-1109
www.constitution.com

	1997	1996
Prem. written	$438,277,805	$531,351,686
Prem. earned	$479,297,827	$535,866,796
Capital/surplus	$368,000,672	$364,437,585
Net income	$18,810,273	$39,805,356
Losses	$353,361,963	$363,323,139
Loss ratio	73.72%	73.4%
Expenses	$146,275,267	$161,547,323
Expense ratio	30.52%	30.15%
Combined ratio	104.24%	103.55%
Treaty	100%	92%
Facultative	NA	8%
Domestic	100%	100%
Non-life	100%	100%

Founded: 1940.
Parent: EXOR-CRC Inc.
Employees: 157.
Locations: One domestic.
Specialties: Nonstandard and standard automobile, property and multiperil coverages, workers compensation.
Officers: Bard E. Bunaes, chairman/CEO; Francis D. Ruyak, president/COO; William K. Lowry Jr., executive vp/CFO; James A. Crowe, senior vp/chief information officer; William F. Davis, senior vp/controller.
Contact: William K. Lowry Jr.

Copenhagen Re

7 Midtermolen,
Copenhagen 2100, Denmark;
45-35-47-4545; fax: 45-35-47-7272

	1997	1996
Prem. written	$235,196,694	$245,822,228
Prem. earned	$233,973,443	$245,350,260
Capital/surplus	$291,161,975	$253,239,728
Net income	$31,087,276	$26,995,588
Losses	$194,580,827	$199,534,729
Loss ratio	83.2%	81.3%
Expenses	$91,234,804	$90,307,912
Expense ratio	39%	36.8%
Combined ratio	122.2%	118.1%
Treaty	30%	30%
Facultative	70%	70%
Life	2%	4%
Non-life	98%	96%

Founded: 1915.
Parent: Alm. Brand A/S.
Subsidiaries: Copenhagen Re F.E., Singapore; Copenhagen Re U.K., London.
Employees: 143.
Locations: One domestic, four foreign.
Officers: Leif Corinth-Hansen, CEO; Matthew Petzold, Cheok Chin Hock, managing directors; David Lawrence, general manager.

E&S Reinsurance (Ireland) Ltd.

2 Custom House Plaza, IFSC,
Dublin 2, Ireland; 353-1-612-5715;
fax: 353-1-829-1400

	1997	1996
Prem. written	$137,761,950	$136,962,735
Prem. earned	$137,445,700	$135,415,280
Capital/surplus	$123,338,075	$139,047,510
Net income	$12,596,525	$13,401,080
Losses	$137,520,450	$77,042,245
Loss ratio	100%	56.9%
Expenses	$14,951,725	$60,469,115
Expense ratio	10.9%	44.6%
Combined ratio	110.9%	101.5%
Treaty	100%	100%
Foreign	100%	100%
Non-life	100%	100%

Founded: 1992.
Parent: E&S Ruckversicherungs-A.G. (E&S Rueck).
Employees: Eight.
Locations: One domestic.
Specialties: Financial reinsurance, balance sheet protection covers.
Officers: Reinhard Elers, managing director.

E&S Rueck

Karl-Wiechert-Allee 50, Hannover
30625, Germany; 49-511-5604-0;
fax: 49-511-5604-188
www.es-rueck.de

	1997	1996
Prem. written	$850,535,975	$817,661,390
Prem. earned	$851,856,750	$826,785,855
Capital/surplus*	$431,262,650	$449,692,950
Net income	$9,476,575	$10,041,500
Losses	$612,907,450	$673,747,410
Loss ratio	71.9%	81.5%
Expenses	$252,331,850	$201,136,560
Expense ratio	29.6%	24.3%
Combined ratio	101.5%	105.8%
Treaty	99%	99%
Facultative	1%	1%
Domestic	94%	68%
Foreign	6%	32%
Life**	20%	12%
Non-life	80%	88%

** Includes share capital subscription receivable and surplus debenture. ** Includes health business.*

Founded: 1923.
Parent: Hannover Re.
Subsidiaries: E&S Reinsurance (Ireland) Ltd.; Hannover Life Re of Australasia Ltd., Australia. Figures from these subsidiaries are *not* included in the figures above.
Employees: 190.
Locations: One domestic, two foreign.
Specialties: Motor, commercial liability, surety, fidelity, credit, aviation, marine, life, health, financial reinsurance.
Officers: Wilhelm Zeller, chairman; Udo Schubach, deputy chairman; Wolf Becke; Herbert K. Hass; Andreas-Peter Hecker; Jurgen Graber, deputy member.
Information for E&S Rueck and its subsidiaries is included in the consolidated Hannover Re Group listing.

Eagle Star Re

60 St. Mary Axe, London EC3A
8JQ, England; 44-171-929-1111;
fax: 44-171-617-5506
www.eaglestarre.com

	1997*	1996*
Prem. written	$341,388,684	$307,031,400
Prem. earned	$332,477,964	$307,759,920
Capital/surplus	$381,329,676	$329,701,320
Net income	$33,483,996	($20,120,880)
Losses	$263,681,800	$331,255,080
Loss ratio	79%	108%
Expenses	$96,671,484	$74,638,200
Expense ratio	29%	24%
Combined ratio	108%	132%
Non-life	100%	100%

** All figures include both reinsurance and direct insurance business.*

Founded: 1993.
Parent: Eagle Star Insurance Co. Ltd.
Subsidiaries: The Threadneedle Insurance Co. Ltd., London.
Employees: 280.
Locations: Three domestic, four foreign.
Specialties: Non-life, including property, accident, casualty, engineering and marine.
Officers: Alan Howell, managing director; Susan Gwynne, planning/marketing director; Stephen Redmond, underwriting/claims director; Andrew Wainwright-Brown, finance director.

Employers Reinsurance Group (GE Global Insurance Holding Corp.)

5200 Metcalf, P.O. Box 2991,
Overland Park, Kan. 66201;
913-676-5200; fax: 913-676-5380
www.erc.com

	1997	1996
Prem. written	$7,866,000,000	$5,910,000,000
Prem. earned	$4,467,000,000	$4,648,000,000
Capital/surplus	$5,374,000,000	$4,760,000,000
Net income	$648,000,000	$567,000,000
Losses	$3,260,000,000	$3,373,000,000
Loss ratio*	70.4%	71.4%
Expenses	$1,439,000,000	$1,390,000,000
Expense ratio*	33.2%	30.6%
Combined ratio*	103.6%	102%
Domestic	64%	50.9%
Foreign	36%	49.1%
Life	49.9%	30.7%
Non-life	50.1%	69.3%

** Non-life only.*

Founded: 1914.
Parent: General Electric Capital Services Inc.
Subsidiaries: Core Insurance Group, ERC Aachener Ruckversicherungs-Gesellschaft Aktiengesellschaft, ERC Frankona Reassurance Ltd., ERC Frankona Reinsurance A/S, ERC Frankona Reinsurance Ltd., ERC Frankona Ruckversicherungs-Aktien-Gesellschaft, ERC Life Reinsurance Corp., Employers Reassurance Corp., Employers Reinsurance Corp., First Excess & Reinsurance Corp., Industrial Risk Insurers, Irish European Reinsurance Co. Ltd., Luxembourg European Reinsurance S.A., Puritan Excess & Surplus Lines Insurance Co., Westport Insurance Corp.
Locations: 20 domestic, 23 foreign.
Officers: Kaj Ahlmann, chairman/president/CEO; John M. Connelly, senior vp/general counsel/secretary; Robert J. Dellinger, executive vp/CFO; C. Alan Mauch, executive vp; Hoyt H. Wood Jr., senior vp-property/casualty division.
Contact: Kaj Ahlmann.

Everest Reinsurance Co.

477 Martinsville Road,
P.O. Box 830,
Liberty Corner, N.J. 07938-0830;
908-604-3000; fax: 908-604-3322

	1997*	1996*
Prem. written	$1,020,097,000	$1,036,340,000
Prem. earned	$1,039,975,000	$982,192,000
Capital/surplus	$908,764,000	$772,691,000
Net income	$193,057,000	$97,617,000
Losses	$733,385,000	$713,345,000
Loss ratio	70.5%	72.6%
Expenses	$328,566,000	$316,873,000
Expense ratio	31.6%	32.3%
Combined ratio	102.1%	104.9%
Treaty	89%	89%
Facultative	11%	11%

Continued on page 40

Explanation of directory terms used in the worldwide reinsurer listings

The tenth annual directory of international reinsurance companies lists organizations with a 1997 worldwide net reinsurance premium that exceeds $100 million 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 appears on page 35. Fiscal years that differ from the calendar year 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 1997 and 1996 and is based on the company's worldwide consolidated (unless otherwise noted) reinsurance operations.

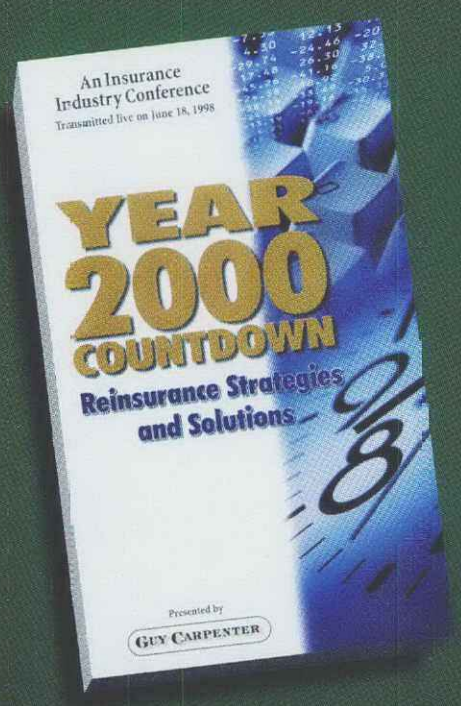
Net **premiums written**, net **premiums earned**, total **capital and surplus, net income, loss and loss adjustment expenses** and **underwriting expenses** are given. In addition, **loss ratios, expense ratios** and **combined ratios** for 1997 and 1996 are listed. The loss ratio is loss and loss adjustment 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.

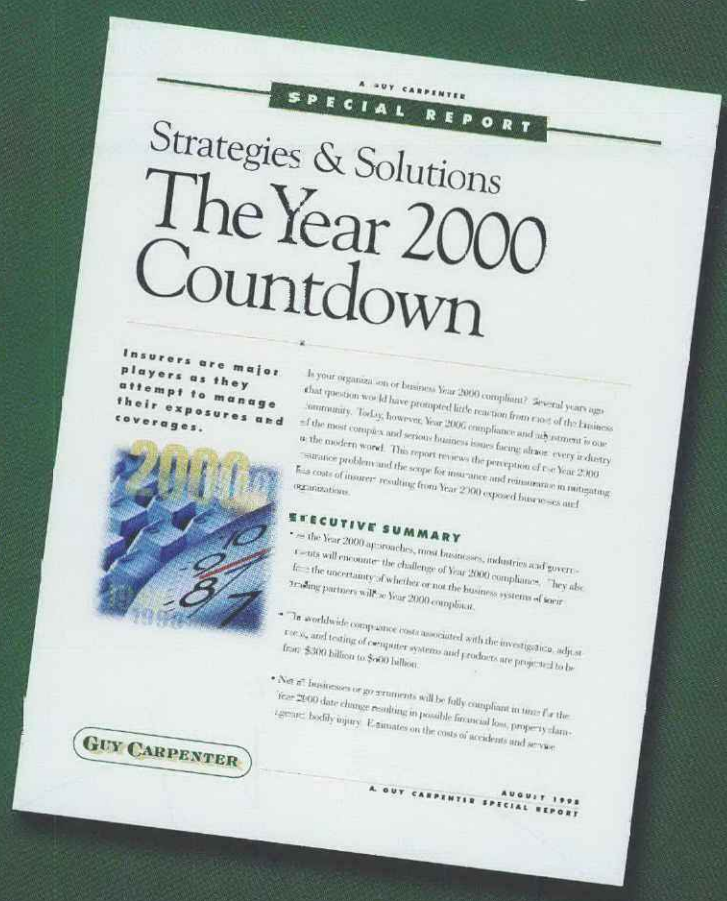
The percentage of business written on a **treaty** basis is provided, along with the percentage written on a **facultative** basis. In addition, business is broken out by percentage written in **domestic** vs. **foreign** markets and percentage written for **life** vs. **non-life** lines.

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 1997) 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.

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Topic: "Insuring All the Risks in One Basket- Integrated (Multiyear/Multiline) Products: Prospects for the Future"

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Program: The most exciting new products in the insurance market today are multiyear/multiline basket aggregate coverages. Today's cutting-edge products provide risk transfer for "market risks" and "business risks" as well as event risks, including risks associated with currency fluctuations, variations in the price of raw materials and inventories, and other fortuitous impacts upon the insured's bottom line.
Such products compete directly with hedging in the commodity and derivative markets but have the advantage of being provided in a single basket aggregate contract, leaving the insurer to do the hedging.
A panel of industry experts will discuss the issues and help you understand the prospects for future development, regulatory implications, and, most important, how you can stay ahead of the curve.

Panelists: John G. Gantz Jr., executive vice president and head of the Alternative Risk Transfer Division of Swiss Re; E. Randall Clouser, executive vice president and head of Zurich Corporate Solutions, Zurich-American Insurance Group; Tobey J. Russ, president of AIG's Risk Finance Division; Bryon Ehrhart, executive vice president of Aon Re Services; and Jeffrey Sandburg, director of risk management, Morton International, Inc.

Moderator: Kathryn J. McIntyre, publisher and editorial director, Business Insurance.
For more information: Call (309)438-3021 or (800)697-8692, or fax (309)438-7753.

Continued from page 38

	1997	1996
Domestic	65%	65%
Foreign	35%	35%
Non-life	100%	100%

** Figures are pro forma and reflect the inclusion of the Belgian and U.K. branches of Everest Re Ltd.*

Founded: 1973.
Parent: Everest Reinsurance Holdings Inc.
Employees: 377.
Locations: Five domestic, five foreign.
Officers: Joseph V. Taranto, chairman/CEO; Thomas J. Gallagher, president/COO; Janet J. Burak, senior vp/general counsel/secretary; Stephen L. Limauro, vp/comptroller; William A. Fischer, Steven A. Mestman, Mark S. de Saram, Larry A. Frakes, David E. Schmitt, senior vps.
Contact: Janet J. Burak, 908-604-3170.

All figures in the directory are listed in U.S. dollars. A list of the year-end average currency exchange rates used appears on page 35. An explanation of directory terms is provided on page 38.

F

Folksamerica Reinsurance Co.

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

	1997	1996
Prem. written	$273,751,000	$157,948,000
Prem. earned	$238,003,000	$143,270,000
Capital/surplus	$275,830,000	$223,178,000
Net income	$34,516,000	$19,371,000
Losses	$165,642,000	$103,234,000
Loss ratio	69.6%	72%
Expenses	$77,426,000	$43,423,000
Expense ratio	32.5%	30.3%
Combined ratio	102.1%	102.3%
Treaty	98%	93%
Facultative	2%	7%
Domestic	90%	85%
Foreign	10%	15%
Non-life	100%	100%

Founded: 1980.
Parent: Folksamerica Holding Co. Inc.
Employees: 111.
Locations: Three domestic, one foreign.
Officers: Steven E. Fass, president/CEO; Michael E. Tyburski, executive vp/CFO; Robert F. McGoldrick, executive vp-underwriting; James M. Willis, senior vp/Canadian branch manager; Rafael Saer, vp/Latin American branch manager.
Contact: Michael E. Tyburski, 212-312-2503.

G

General Re/Cologne Re Group

695 E. Main St., Financial Centre,
Stamford, Conn. 06901-6423;
203-328-5000; fax: 203-328-6423
www.genre.com

	1997	1996
Prem. written	$6,545,000,000	$6,661,000,000
Prem. earned	$6,607,000,000	$6,678,000,000
Capital/surplus	$8,161,000,000	$7,326,000,000
Net income	$968,000,000	$894,000,000
Losses	$4,671,000,000	$4,773,000,000
Loss ratio*	70.7%	71.5%
Expenses	$1,955,000,000	$1,928,000,000
Expense ratio*	29.6%	28.9%
Combined ratio*	100.3%	100.4%
Domestic	55%	53%
Foreign	45%	47%
Life	19%	16%
Non-life	81%	84%

** Ratios relate to property/casualty business only.*

Founded: 1921.
Parent: General Re Corp.
Subsidiaries: Cologne Reinsurance Co.; General Star Indemnity Co.; General Star National; Genesis Indemnity Insurance; Genesis Insurance; National Re Corp.
Employees: 3,593.
Locations: 23 domestic, 38 foreign.
Officers: Ronald E. Ferguson, chairman/CEO; James E. Gustafson, president/COO; Joseph P. Brandon, senior vp/CFO; Tom N. Kellogg, Peter Lutke-Bornefeld, executive vps; Franklin Montross IV, Hans-Peter Gerhardt, senior vps.

Assicurazioni Generali S.p.A.

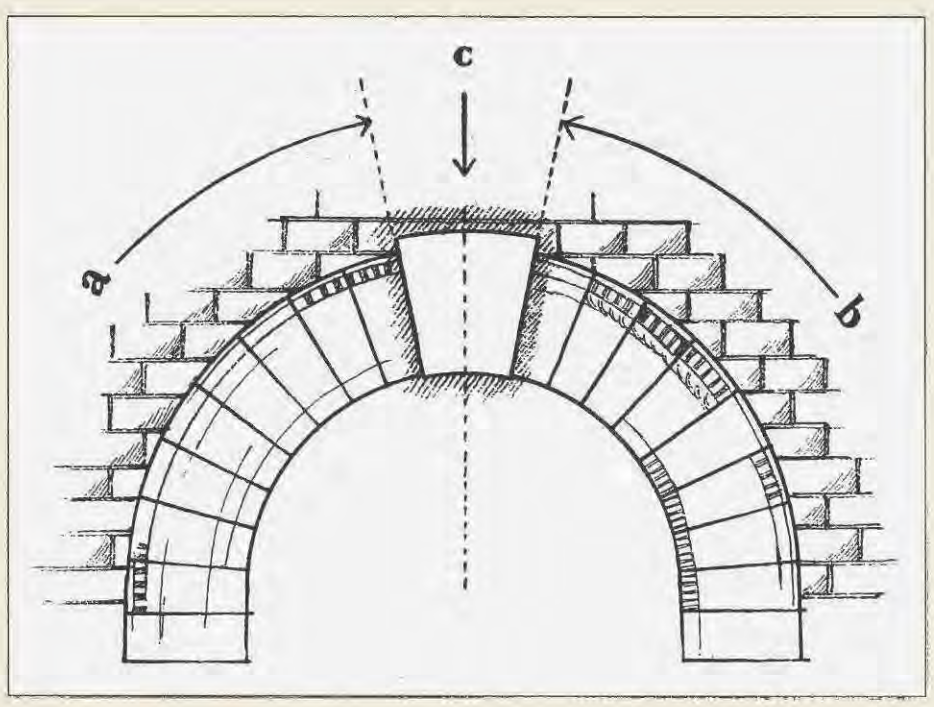
Piazza Duca degli Abruzzi 2, Trieste
34132, Italy; 39-040-67-1111;
fax: 39-040-67-1600
www.generali.com

	1997	199
Prem. written	$6,424,723,000	$5,950,398,00
Prem. earned	$6,471,848,000	$6,022,964,00
Capital/surplus*	$11,239,814,000	$10,563,606,00
Net income	$1,030,826,000	$1,437,683,00
Losses	$3,926,315,000	$3,758,890,00
Loss ratio	60.7%	62.4%
Expenses	$1,506,937,000	$1,479,884,00
Expense ratio	23.3%	24.6%
Combined ratio	84%	87%
Treaty	96.6%	94%
Facultative	3.4%	6%
Domestic	19.02%	19.73%
Foreign	80.98%	80.27%
Life	56.7%	53.4%
Non-life	43.3%	46.6%

** Includes profit for the year.*

Founded: 1831.
Subsidiaries: E.A.-Generali, General Ruck.
Locations: One domestic, six foreign.
Specialties: Space risks, bloodstock, fish farming.
Officers: Gianfranco Gutty, vice chairman/managing director/CEO; Fabio Cerchiai, managing director; Giovanni Perissinotto Benito Rocco, general managers.
Contact: Riccardo Nicolini, CEO.

Continued on page 42



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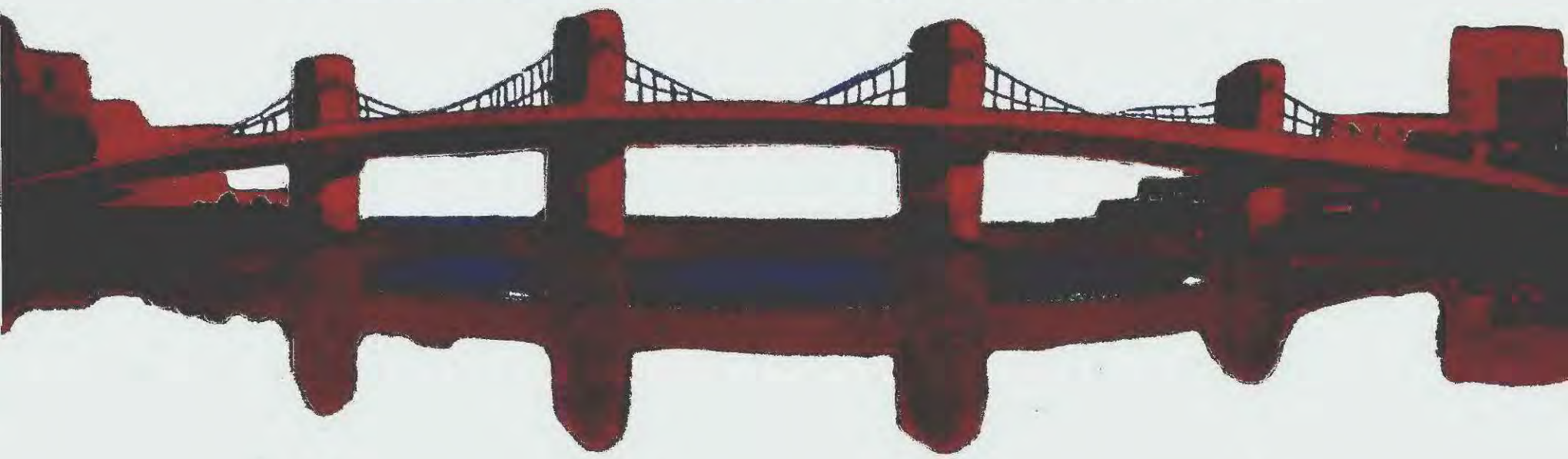
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Continued from page 40

Gerling Global Reinsurance Group

Gereonshof, D-50670
Cologne, Germany; 49-221-144-1;
fax: 49-221-144-66932
www.gerling-konzern.de

	1997*	1996*
Prem. written	$2,648,801,875	$2,583,796,513
Prem. earned	$2,598,235,625	$2,529,237,107
Capital/surplus	$804,391,250	$764,143,815
Net income	$28,310,625	$132,192,601
Losses	$1,813,313,125	$1,789,106,206
Loss ratio	69.8%	70.7%
Expenses	$772,201,250	$753,266,357
Expense ratio	29.7%	29.8%
Combined ratio	99.5%	100.5%
Domestic	52.6%	54.8%
Foreign	47.4%	45.2%
Life	24.2%	23.3%
Non-life	75.8%	76.7%

** Fiscal years ending 6/30/97 and 6/30/96.*

Founded: 1954.

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

Subsidiaries: Aterforsakringsaktiebolaget Sverige, Stockholm; Gerling Global General & Reinsurance Co. Ltd., London; Gerling Global International Reinsurance Co. Ltd., Bridgetown; Gerling Global Life Insurance Co., Toronto; Gerling Global Life Reassurance Co. Ltd., London; Gerling Global Life Reinsurance Co., Los Angeles; Gerling Global Life Reinsurance Co. of Australia Pty. Ltd.; Gerling Global Reinsurance Co., Toronto; Gerling Global Reinsurance Corp. of America, New York; Gerling Global Reinsurance Co. of Australia Pty. Ltd., Sydney; Gerling Global Reinsurance Co. of South Africa Ltd., Johannesburg; Gerling Globale Ruckversicherungs-Gruppe A.G., Zug, Switzerland; Gerling-Konzern Globale Ruckversicherungs-A.G., Cologne; Gerling-Konzern Welt Standard Ruckversicherungs-Gruppe A.G., Cologne.

Employees: 605.

Locations: One domestic, 25 foreign.

Officers: Norbert Strohschen, chairman-executive board; Klaus Bultmann, Uwe Eymer, Gerhard Niebuhr, members-executive board.

Contact: Charles D. Troiano, president-Gerling Global Reinsurance Corp. of America, 212-754-7500.

H

HDI Reinsurance (Ireland) Ltd.

2 Custom House Plaza,
Dublin 2, Ireland; 353-1-612-5715;
fax: 353-1-829-1400

	1997	1996
Prem. written	$163,916,400	$171,176,320
Prem. earned	$163,412,700	$173,090,190
Capital/surplus	$116,500,750	$105,248,885
Net income	$15,146,075	$24,405,500
Losses	$129,188,700	$136,522,505
Loss ratio	79%	78.9%
Expenses	$43,739,675	$32,840,360
Expense ratio	26.8%	18.9%
Combined ratio	105.8%	97.8%
Treaty	100%	100%
Foreign	100%	100%
Life	3%	NA
Non-life	97%	100%

Founded: 1992.

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

Employees: Eight.

Locations: One domestic.

Specialties: Financial reinsurance, balance sheet protection covers.

Officers: Reinhard Elers, managing director.

Information for HDI Reinsurance (Ireland) Ltd. is included in the consolidated Hannover Re Group listing.

Hannover Re

Karl-Wiechert-Allee 50, Hannover
30625, Germany; 49-511-5604-0;
fax: 49-511-5604-188
www.hannover-re.com

	1997	1996
Prem. written	$2,113,995,550	$1,876,481,040
Prem. earned	$2,130,747,025	$1,909,406,520
Capital/surplus*	$1,121,038,400	$1,15[illegible],704,190
Net income	$47,977,425	$50,343,825
Losses	$1,353,958,250	$1,302,187,040
Loss ratio	63.5%	68.2%
Expenses	$703,189,350	$542,427,865
Expense ratio	33%	28.4%
Combined ratio	96.5%	96.6%
Treaty	95%	97%
Facultative	5%	3%
Domestic	23%	37%
Foreign	77%	63%
Life**	32%	20%
Non-life	68%	80%

** Includes share capital subscription receivable and surplus debenture. ** Includes health business.*

Founded: 1966.

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

Subsidiaries: E&S Ruckversicherungs-A.G. (E&S Rueck), Germany; Hannover Life Re of Australasia Ltd., Australia; Hannover Reinsurance (Ireland) Ltd.; Hollandia Reinsurance Group, South Africa; Insurance Corp. of Hannover, United States; International Insurance Co. of Hannover Ltd., United Kingdom; Reassurance Co. of Hannover, United States. Figures from these subsidiaries are *not* included in the figures above.

Employees: 428.

Locations: One domestic, 17 foreign.

Specialties: Property super catastrophe XL layers, professional liability, surety, fidelity, aviation, marine, credit, life, health, financial reinsurance, alternative risk financing/securitization.

Officers: Wilhelm Zeller, chairman; Andreas-Peter Hecker, deputy chairman; Wolf Becke; Herbert K. Hass; Udo Schubach; Jurgen Graber, deputy member; Rudiger Mehl, underwriting officer-life/health; Hans Rohlf, underwriting officer-U.S.

Contact: Denis M. Burk, assistant vp; 847-310-3852.

Information for Hannover Re and its subsidiaries is included in the consolidated Hannover Re Group listing.

Hannover Re Group

Karl-Wiechert-Allee 50, Hannover
30625, Germany; 49-511-5604-0;
fax: 49-511-5604-188
www.hannover-re.com

	1997	1996
Prem. written	$3,733,809,650	$3,360,462,455
Prem. earned	$3,753,459,125	$3,341,895,655
Capital/surplus*	$1,485,065,725	$1,490,012,365
Net income	$65,478,125	$71,925,770
Losses	$2,525,478,775	$2,350,705,175
Loss ratio	67.3%	70.3%
Expenses	$1,152,175,225	$903,609,315
Expense ratio	30.7%	27.0%
Combined ratio	98%	97.3%
Treaty	95%	97%
Facultative	5%	3%
Domestic	31%	38%
Foreign	69%	62%
Life**	25%	17%
Non-life	75%	83%

** Includes share capital subscription receivable and surplus debenture. ** Includes health business.*

Founded: 1966.

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

Subsidiaries: E&S Ruckversicherungs-A.G. (E&S Rueck), Germany; Hannover Life Re of Australasia Ltd., Australia; Hannover Reinsurance (Ireland) Ltd.; Hollandia Reinsurance Group, South Africa; Insurance Corp. of Hannover, United States; International Insurance Co. of Hannover Ltd., United Kingdom; Reassurance Co. of Hannover, United States.

Employees: 982.

Locations: One domestic, 17 foreign.

Specialties: Property super catastrophe XL layers, professional liability, surety, fidelity, aviation marine, credit, life, health, financial reinsurance, alternative risk financing/securitization.

Officers: Wilhelm Zeller, chairman; Andreas-Peter Hecker, deputy chairman; Jurgen Graber, deputy member; Wolf Becke; Herbert K. Hass; Udo Schubach.

Contact: Denis M. Burk, assistant vp; 847-310-3852.

Hannover Reinsurance (Ireland) Ltd.

2 Custom House Plaza, IFSC,
Dublin 2, Ireland; 353-1-612-5715
fax: 353-1-829-1400

	1997	1996
Prem. written	$173,328,000	$141,563,205
Prem. earned	$165,294,100	$134,023,435
Capital/surplus	$150,049,700	$176,080,695
Net income	$25,399,475	$25,037,250
Losses	$133,803,650	$91,276,350
Loss ratio	80.9%	68.1%
Expenses	$49,123,400	$37,765,350
Expense ratio	29.7%	28.2%
Combined ratio	110.6%	96.3%
Treaty	100%	100%
Foreign	100%	100%
Life	4%	6%
Non-life	96%	94%

Founded: 1992.

Parent: Hannover Ruckversicherungs-A.G. (Hannover Re).

Employees: Eight.

Locations: One domestic.

Specialties: Financial reinsurance, balance sheet protection covers.

Officers: Reinhard Elers, managing director.

Information for Hannover Reinsurance (Ireland) Ltd. is included in the consolidated Hannover Re Group listing.

Hartford Re Co.

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

	1997	1996
Prem. written	$687,877,000	$570,616,000
Prem. earned	$645,460,000	$528,895,000
Losses	$473,248,000	$398,395,000
Loss ratio	73.3%	75.3%
Expenses	$201,464,000	$152,828,000
Expense ratio	31.2%	28.9%
Combined ratio	104.5%	104.2%
Treaty	98%	98%
Facultative	2%	2%
Domestic	81%	75%
Foreign	19%	25%
Non-life	100%	100%

Founded: 1982.

Parent: Hartford Fire Insurance Co.

Employees: 175.

Locations: Four domestic, six foreign.

Specialties: Alternative risk, professional liability, fidelity, surety, marine, non-standard auto.

Officers: John Donahue, chairman; Dennis Zettervall, CEO; John Sullivan, president/COO-HartRe North America; Radha Radhakrishnan, president/COO-HartRe International.

Contact: Dennis Zettervall, 860-520-2723.

I

IPCRe Ltd.

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

	1997	1996
Prem. written	$117,050,000	$111,569,000
Prem. earned	$112,486,000	$113,642,000
Capital/surplus	$529,163,000	$496,848,000
Net income	$101,743,000	$95,741,000
Losses	$14,708,000	$32,732,000
Loss ratio	13.1%	28.8%
Expenses	$20,755,000	$18,505,000
Expense ratio	18.5%	16.3%
Combined ratio	31.6%	45.1%
Treaty	100%	100%
Foreign	100%	100%
Non-life	100%	100%

Founded: 1993.

Parent: IPC Holdings Ltd.

Employees: 16.

Specialties: Property catastrophe excess-of-loss reinsurance, marine, aviation, property-per-risk excess and other short-tail property reinsurance on a worldwide basis.

Officers: John Dowling, president/CEO; James Bryce, senior vp/chief underwriting officer; John Weale, vp/CFO; Peter Cozens, Stephen Fallon, vps; Dennis Higginbottom, vp/secretary.

IRB-Brasil Re

Av. Marechai Camara, 171-Castelo,
20023-900 Rio de Janeiro, Brazil;
55-21-272-0200;
fax: 55-21-240-8775

	1997	1996
Prem. written	$557,039,930	$527,471,010
Prem. earned	$560,291,116	$536,321,610
Capital/surplus	$473,300,824	$467,003,790
Net income	$47,863,088	$72,373,950
Losses	$438,073,006	$327,459,330
Loss ratio	78.2%	61.1%
Expenses	$158,087,646	$263,012,310
Expense ratio	28.2%	49.0%
Combined ratio	106.4%	110.1%
Treaty	75%	75%
Facultative	25%	25%
Domestic	99.3%	99.4%
Foreign	0.7%	0.6%
Life	7.6%	7%
Non-life	92.4%	93%

Founded: 1939.

Employees: 560.

Locations: Four domestic, one foreign.

Officers: Demosthenes Madureira de Pinho Filho, president; Paulo Oscar Franca, executive vp; Francisco Aldenor A. Andrade, commercial director; Francisco Antonio Pinho de Barros, technical director; Marcio Netto Baeta, financial director; Hugo Rocha Braga, administrative director.

Contact: Joao Carlos Gahyva Rodrigues, president-United American Insurance Co., 212-486-0700.

K

Kemper Reinsurance Cos.

1 Kemper Drive, Long Grove, Ill.
60049; 847-320-2600;
fax: 847-320-2014
www.kemperre.com

	1997	1996
Prem. written	$807,054,824	$726,972,703
Prem. earned	$748,409,691	$700,390,775
Capital/surplus	$529,664,559	$512,036,130
Net income	$52,888,126	$(228,256,761)*
Losses	$560,224,141	$845,835,882*
Loss ratio	74.9%	120.8%
Expenses	$246,812,642	$195,416,756
Expense ratio	33%	27.9%
Combined ratio	107.9%	148.7%
Treaty	95%	94%
Facultative	5%	6%
Domestic	78%	72%
Foreign	22%	28%
Non-life	100%	100%

** Reflects $300 million addition to environmental and asbestos reserves.*

Founded: 1969.

Parent: Lumbermens Mutual Casualty Co.

Subsidiaries: Kemper Europe Reassurances S.A.; Kemper Reinsurance (Bermuda) Ltd.; Kemper Reinsurance London Ltd.

Employees: 295.

Locations: Two domestic, seven foreign.

Officers: Michael R. Pinter, chairman/CEO; James R. Miller, president/COO; William E. Flaherty, executive vp/CFO; Jeffrey J. Cooper, Philippe A. Guyot, executive vps.

Contact: William E. Flaherty, 847-320-4457.

L

LaSalle Re Holdings Ltd.

Continental Building, 25 Church St.,
Hamilton HM 11, Bermuda;
441-292-3339; fax: 441-292-1501
www.lasallere.com

	1997*	1996*
Prem. written	$163,693,000	$190,151,000
Prem. earned	$163,933,000	$195,141,000
Capital/surplus	$518,551,000	$486,918,000
Net income	$97,077,000	$81,485,000
Losses	$31,199,000	$51,477,000
Loss ratio	19%	26.4%
Expenses	$26,081,000	$27,268,000
Expense ratio	15.9%	14%
Combined ratio	34.9%	40.4%
Treaty	100%	100%

Continued on page 44



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Continued from previous page

	1997	1996
Treaty	60%	56%
Facultative	40%	44%
Domestic	78%	81%
Foreign	22%	19%
Life	89%	92%
Non-life	11%	8%

* *Estimate.*

Founded: 1973.

Parent: GenAm Corp.

Subsidiaries: RGA Life Reinsurance Co. of Canada; RGA Reinsurance Co.; RGA Reinsurance Co. of Australia Ltd.

Employees: 319.

Locations: One domestic, 10 foreign.

Specialties: Life reinsurance, financial reinsurance.

Officers: A. Greig Woodring, president/CEO; David B. Atkinson, executive vp/COO; Jack B. Lay, executive vp/CFO; Graham S. Watson, president/CEO-RGA International; Bruce Counce, executive vp/chief corporate operating officer.

Contact: Paul A. Schuster, senior vp-U.S. division, RGA Reinsurance Co.; 314-453-7310.

Renaissance Re Holdings Ltd.

Renaissance House,
8 E. Broadway,
Hamilton HM 19, Bermuda;
441-295-4513; fax: 441-292-9453
www.renre.com

	1997	1996
Prem. written	$195,752,000	$251,564,000
Prem. earned	$211,490,000	$252,828,000
Capital/surplus	$598,703,000	$546,203,000
Net income	$139,249,000	$156,160,000
Losses	$50,015,000	$86,945,000
Loss ratio	23.7%	34.3%
Expenses	$50,358,000	$42,893,000
Expense ratio	23.8%	17%
Combined ratio	47.5%	51.3%
Treaty	100%	100%
Foreign	100%	100%
Non-life	100%	100%

Founded: 1993.

Parent: Renaissance Re Holdings Ltd.

Subsidiaries: Renaissance Reinsurance Ltd.

Employees: 34.

Locations: One domestic, one foreign.

Specialties: Catastrophe excess of loss, property, excess of loss retrocessional, marine, aviation.

Officers: James N. Stanard, CEO/chairman; Keith S. Hynes, David A. Eklund, William I. Riker, executive vps; John M. Lummis, senior vp/CFO.

Contact: John M. Lummis.

St. Paul Re

195 Broadway, 28th Floor,
New York, N.Y. 10007-3181;
212-238-9200; fax: 212-238-9493
www.stpaulre.com

	1997*	1996
Prem. written	$1,200,245,000	$760,524,000
Prem. earned	$1,226,913,000	$735,786,000
Losses	$839,412,000	$553,316,000
Loss ratio	68.4%	75.2%
Expenses	$367,246,000	$228,894,000
Expense ratio	29.9%	31.1%
Combined ratio	98.3%	106.3%
Treaty	94%	95%
Facultative	6%	5%
Domestic	55%	55%
Foreign	45%	45%

* *Figures are pro forma to reflect the merger of The St. Paul Cos. Inc. and USF&G Corp. All other information reflects pre-merger St. Paul Re.*

Founded: 1983.

Parent: The St. Paul Cos. Inc.

Subsidiaries: St. Paul Reinsurance Co. Ltd.

Employees: 400.

Locations: 12 domestic, seven foreign.

Specialties: Traditional and finite risks, including property, casualty, marine, specialty lines and financial reinsurance.

Officers: James F. Duffy, president; Michael Schell, president-international; John Berger, president-North American & specialty; Peter Aubrey-Smith, senior vp-international; William Davis, senior vp-facultative; David Grefe, senior vp/CFO.

Contact: Peter Aubrey-Smith, 212-238-9275.

SCOR Group

1, Ave. du President Wilson,
Paris la Defense 92074,
France; 33-1-46-98-7000;
fax: 33-1-47-67-0409
www.scor.com

	1997	1996
Prem. written	$2,348,172,000	$2,314,172,000
Prem. earned	$2,294,820,000	$2,146,788,000
Capital/surplus	$1,689,822,000	$1,413,356,000
Net income	$161,082,000	$138,180,000
Losses	$1,658,700,000	$1,601,908,000
Loss ratio	72.3%	74.6%
Expenses	$724,185,000	$663,656,000
Expense ratio	31.6%	30.9%
Combined ratio	103.9%	105.5%
Treaty	76%	75%
Facultative	24%	25%
Domestic	18%	19%
Foreign	82%	81%
Life	13%	23%
Non-life	87%	77%

Founded: 1970.

Subsidiaries: Commercial Risk Partners, SCOR Asia Pacific, SCOR Canada, SCOR Deutschland, SCOR Italia, SCOR U.K., SCOR U.S.

Employees: 1,182.

Locations: One domestic, 29 foreign.

Specialties: Life, motor excess (Europe), facultatives.

Officers: Jacques Blondeau, chairman/CEO; Serge Osouf, president/COO; Pierre-Denis Champvillard, Francois Reach, group senior vps; Jerome Karter, president/CEO-SCOR U.S.; Romain Durand, COO-SCOR, Vie Divison.

Contact: Jerome Karter, 212-390-5200.

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DALLAS HARTFORD LOS ANGELES

Signet Star Reinsurance Co.

100 Campus Drive, P.O. Box 853,
Florham Park, N.J. 07932;
973-301-8000; fax: 973-301-8155

	1997	1996
Prem. written	$275,071,000	$264,356,000
Prem. earned	$263,721,000	$239,767,000
Capital/surplus	$297,500,000	$260,800,000
Net income	$24,174,000	$21,038,000
Losses	$189,419,000	$177,228,000
Loss ratio	71.8%	73.9%
Expenses	$78,722,000	$64,028,000
Expense ratio	29.8%	26.7%
Combined ratio	101.6%	100.6%
Treaty	87.5%	90.9%
Facultative	12.5%	9.1%
Domestic	89.6%	95.2%
Foreign	10.4%	4.8%
Non-life	100%	100%

Founded: 1993.

Parent: W.R. Berkley Corp.

Employees: 155.

Locations: Five domestic.

Specialties: Fidelity and surety; alternative markets; casualty/property facultative; Latin American and Caribbean reinsurance.

Officers: Edward D. Norris, president; Roger J. Bassi, Larry A. Hansen, James W. McCleary, Thomas Koalick, Charles E. Erickson, executive vps; Michael E. Lombardozzi, Gordon J. Oliver, Scott R. Wallace, senior vps.

Contact: Scott R. Wallace, 973-301-8110.

Sirius International Insurance Corp.

Stockholm S-113 96, Sweden;
46-8-458-5500; fax: 46-8-458-5599

	1997	1996
Prem. written	$315,291,990	$377,339,073
Prem. earned	$337,429,170	$373,767,096
Capital/surplus	$963,170,000	$1,040,020,000
Net income	$74,705,150	$78,083,599
Losses	$201,315,530	$224,430,207
Loss ratio	59.7%	60.1%
Expenses	$135,001,490	$148,239,951
Expense ratio	40%	39.7%
Combined ratio	99.7%	99.7%
Domestic	18%	20%
Foreign	82%	80%

Founded: 1945.

Subsidiaries: Scandinavian Reinsurance Ltd.

Employees: 112.

SOREMA S.A.

20 Rue Washington, Paris 75008,
France; 331-40-74-6600;
fax: 331-45-63-2547

	1997	1996
Prem. written	$513,638,172	$563,940,216
Prem. earned	$503,995,995	$558,995,152
Capital/surplus	$525,178,278	$535,178,980
Net income	$28,067,769	$38,133,368
Losses	$354,479,580	$375,887,624
Loss ratio	70.3%	67.3%
Expenses	$183,495,141	$203,122,052
Expense ratio	36.4%	36.3%
Combined ratio	106.7%	103.6%
Treaty	71.3%	72.3%
Facultative	28.7%	27.7%
Domestic	11.2%	11.1%
Foreign	88.8%	88.9%
Life	3.8%	4.1%
Non-life	96.2%	95.9%

Founded: 1978.

Parent: GROUPAMA.

Subsidiaries: SOREMA N.A., New York; SOREMA Canada Branch, Toronto; SOREMA Singapore Branch.

Employees: 421.

Locations: One domestic, 10 foreign.

Continued on page 48



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Continued from page 46

Specialties: Property, casualty, life.

Officers: Alexis Rassat, chairman/CEO; Anders Grabo, executive vp-Paris head office; Francois Chavel, president/CEO-SOREMA N.A.

Contact: Mark J. Purcell, senior vp/CFO/chief administrative officer-SOREMA N.A., 212-480-1900.

Swiss Re Group

Mythenquai 50/60, P.O. Box, Zurich CH-8022, Switzerland; 41-1-285-2481; fax: 41-1-285-2023

	1997	1996
Prem. written	$11,111,948,000	$10,794,245,000
Prem. earned	$11,213,475,000	$10,828,055,000
Capital/surplus	$9,731,733,000	$7,961,450,000
Net income	$1,457,924,000	$1,174,495,000
Losses	$9,017,632,000	$8,466,185,000
Loss ratio*	79%	77%
Expenses	$3,360,942,000	$3,353,630,000
Expense ratio*	31%	32%
Combined ratio*	110%	109%
Domestic	3.9%	4.4%
Foreign	96.1%	95.6%
Life	18.9%	15.1%
Non-life	81.1%	84.9%

*Ratios reflect non-life business only.

Founded: 1863.

Subsidiaries: Algemene Levensherverzekering Maatschappij N.V., Netherlands; Atlantic International Reinsurance Co. Ltd., Bridgetown, Barbados; Bavarian Reinsurance Co. Ltd., Munich, Germany; Bavarian Reinsurance Ireland Ltd., Dublin, Ireland; European International Reinsurance Co. Ltd., Bridgetown, Barbados; European Reinsurance Company of Zurich Zurich, Switzerland; European Reinsurance Corp. of America, New York; Reassurantie Maatschappij Nederland N.V., Amsterdam, Netherlands; Swiss Re America Corp., New York; Swiss Re America Holding Corp., New York; Swiss Re Australia Ltd., Melbourne, Australia Swiss Re Life & Health Canada, Toronto Swiss Re Southern Africa Ltd., Johannesburg, South Africa; Swiss Reinsurance Co Canada, Toronto; Swiss Reinsurance Co. UK Ltd., London; Union Reinsurance Co., Zurich, Switzerland.

Employees: 7,568.

Officers: Walter B. Kielholz, CEO/member-executive committee; Rudolf Kellenberger, Europe/member-executive committee; Michel M. Lies, Latin America; Heidi E. Hutter, North America; Pierre L. Ozendo, Asia; Erwin K. Zimmermann, Swiss Re New Markets; John R. Coomber, Swiss Re Life & Health; Stefan Lippe, Bavarian Re; Bruno Porro, reinsurance and risk/member-executive committee; Christoph Dorschel, member-executive committee; Peter P. Hugle; John H. Fitzpatrick, CFO.

Contact: Heidi Hutter, CEO/chairman/president.

T

TIG Reinsurance Co.

300 First Stamford Place, Stamford, Conn. 06902; 203-977-8000; fax: 203-356-0196

	1997	1996
Prem. written	$527,816,748	$547,948,391
Prem. earned	$528,815,379	$534,192,358
Capital/surplus	$508,358,382	$515,143,499
Net income	($12,892,746)	$66,587,067
Losses	$518,258,794	$366,362,770
Loss ratio	98%	72.3%
Expenses	$172,754,028	$161,758,536
Expense ratio	32.7%	30.3%
Combined ratio	130.7%	102.6%
Treaty	95.7%	100%
Facultative	4.3%	NA
Domestic	85.4%	94.7%
Foreign	14.6%	5.3%
Non-life	100%	100%

Founded: 1986.

Parent: TIG Holdings Inc.

Subsidiaries: TIG Re U.K. Holdings, London.

Employees: 21.

Locations: 10 domestic, two foreign.

Specialties: Property/casualty.

Officers: Michael G. Wacek, president/CEO; Roland W. Jackson, executive vp/CFO; Mark W. Hinkley, executive vp.

Contact: Mark W. Hinkley.

Tempest Reinsurance Co. Ltd.

Wessex House, Third Floor, 45 Reid St., Hamilton HM 11, Bermuda; 441-292-2603; fax: 441-292-2790 www.ace.bm

	1997*	1996*
Prem. written	$111,276,000	$137,808,000
Prem. earned	$114,648,000	$143,423,000
Capital/surplus	$696,274,000	$689,072,000
Net income	$117,637,000	$108,569,000
Losses	$10,121,000	$4,290,000
Loss ratio	8.8%	3.0%
Expenses	$19,795,000	$33,750,000
Expense ratio	17.3%	23.5%
Combined ratio	26.1%	26.5%
Treaty	100%	100%
Foreign	100%	100%
Non-life	100%	100%

*Fiscal years ending 11/30/97 and 11/30/96.

Founded: 1993.

Parent: ACE Ltd.

Employees: 14.

Locations: One domestic.

Specialties: Property catastrophe.

Officers: Don Kramer, president/CEO; George F. Rivaz, executive vp/COO; Elizabeth A. Murphy, senior vp/CFO; Jan van der Schalk, chief underwriting officer-international; Russell C. Fletcher, chief underwriting officer-North America.

Terra Nova (Bermuda) Holdings Ltd.

Richmond House, 12 Par-La-Ville Road, Hamilton HM 08, Bermuda; 441-292-7731; fax: 441-292-7572 www.terra-nova.com

	1997	1996
Prem. written	$483,545,000	$311,166,000
Prem. earned	$419,069,000	$278,756,000
Capital/surplus	$481,888,000	$398,759,000
Net income	$73,410,000	$63,906,000
Losses	$282,480,000	$178,274,000
Loss ratio	67.4%	64%
Expenses	$129,133,000	$92,569,000
Expense ratio	30.8%	33.2%
Combined ratio	98.2%	97.2%
Life	NA	0.5%
Non-life	100%	99.5%

Founded: 1994.

Subsidiaries: Terra Nova (Bermuda) Insurance Co. Ltd.; Terra Nova Insurance Co. Ltd., London; Compagnie De Reassurance D'ile De France, Paris.

Employees: 583.

Locations: One domestic, four foreign.

Officers: John J. Dwyer, chairman; Nigel H.J. Rogers, president/CEO; John Riddick, deputy chairman; William J. Wedlake, CFO; Jean M. Waggett, general counsel.

The Toa Fire & Marine Reinsurance Co. Ltd.

6 Kanda-Surugadai, 3-chome, Chiyoda-ku, Tokyo 101-8703, Japan; 81-3-3253-3179; fax: 81-3-3257-1448

	1997*	1996*
Prem. written	$889,240,000	$1,020,843,000
Capital/surplus	$248,016,000	$265,185,000
Net income	$17,184,000	$13,536,000
Losses**	$531,008,000	$615,042,000
Loss ratio***	59.7%	60.2%
Expenses	$341,488,000	$369,801,000
Expense ratio***	38.4%	36.2%
Combined ratio***	98.1%	96.4%
Domestic	86.1%	84.8%
Foreign	13.9%	15.2%
Life	1.6%	NA
Non-life	98.4%	100%

*Fiscal years ending 3/31/98 and 3/31/97. **Reflects paid losses only. ***Ratios calculated using premiums written; premiums earned figures not available.

Founded: 1940.

Subsidiaries: The Toa-Re Insurance Co. of America, Morristown, N.J.; The Toa-Re Insurance Co. (U.K.) Ltd., London. Figures from these subsidiaries are *not* included in the figures above.

Employees: 392.

Locations: One domestic, five foreign.

Officers: Hiroshi Ohashi, president/CEO; Koichiro Abe, senior managing director; Yoshio Shimizu, Sinhya Shimchira, Teruhiko Ohtani, managing directors.

The Tokio Marine & Fire Insurance Co. Ltd.

2-1, Marunouchi, 1-chome, Chiyoda-ku, Tokyo 100-8050, Japan; 81-3-5223-3158; fax: 81-3-3285-0132

	1997*	1996*
Prem. written	$873,504,000	$1,062,873,000
Capital/surplus	$18,896,360,000	$20,786,035,000
Domestic	71.7%	72.2%
Foreign	28.3%	27.8%

*Fiscal years ending 3/31/98 and 3/31/97.

Transatlantic Reinsurance Co.

80 Pine St., New York, N.Y. 10005; 212-770-2000; fax: 212-248-0965 www.transre.com

	1997	1996
Prem. written	$1,291,655,428	$1,142,901,776
Prem. earned	$1,259,250,536	$1,130,633,255
Capital/surplus	$1,163,855,714	$952,706,694
Net income	$170,301,367	$135,486,395
Losses	$933,014,917	$841,611,101
Loss ratio	74.1%	74.4%
Expenses	$337,160,934	$307,491,396
Expense ratio	26.8%	27.2%
Combined ratio	100.9%	101.6%
Treaty	94%	90%
Facultative	6%	10%
Domestic	52%	60%
Foreign	48%	40%

Founded: 1952.

Parent: Transatlantic Holdings Inc.

Subsidiaries: Putnam Reinsurance Co., New York; Trans Re Zurich, Zurich, Switzerland; Transatlantic Re (Argentina) S.A.; Transatlantic Re (Brasil) Ltda.

Employees: 350.

Locations: Two domestic, 10 foreign.

Officers: Robert F. Orlich, president/CEO; Steven S. Skalicky, senior vp/CFO; Robert V. Mucci, senior vp/actuary; Paul A. Bonny, senior vp-international operations; Javier E. Vijil, senior vp-Latin American division.

Trenwick America Reinsurance Corp.

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

	1997	1996
Prem. written	$195,230,378	$226,363,644
Prem. earned	$190,156,361	$211,068,439
Capital/surplus	$322,849,603	$286,283,630
Net income	$42,797,060	$26,555,028
Losses	$109,554,174	$129,315,988
Loss ratio	57.6%	61.3%
Expenses	$74,680,492	$77,841,101
Expense ratio	39.2%	36.9%
Combined ratio	96.8%	98.2%
Treaty	98%	97%
Facultative	2%	3%
Domestic	100%	100%
Non-life	100%	100%

Founded: 1984.

Parent: Trenwick Group Inc.

Employees: 72.

Locations: One domestic.

Specialties: Specialty property and casualty.

Officers: James F. Billett Jr., chairman/president/CEO; James E. Roberts, vice chairman; Stephen H. Binet, Paul Feldsher, executive vps; Robert A. Giambo, executive vp/chief actuary; Alan L. Hunte, executive vp/CFO/treasurer.

Contact: Alan L. Hunte, 203-353-5545.

U

Underwriters Reinsurance Co.

26050 Mureau Road, Calabasas, Calif. 91302; 818-878-9500; fax: 818-878-9535

	1997	1996
Prem. written	$368,998,626	$334,988,890
Prem. earned	$342,675,623	$325,149,729
Capital/surplus	$659,353,792	$613,807,498
Net income	$33,179,727	$24,394,896
Losses	$248,168,426	$235,225,108
Loss ratio	72.4%	72.3%
Expenses	$109,761,727	$100,462,250
Expense ratio	32%	30.9%
Combined ratio	104.4%	103.2%
Treaty	95%	94%
Facultative	5%	6%
Domestic	85%	85%
Foreign	15%	15%
Non-life	100%	100%

Founded: 1977.

Parent: Alleghany Corp.

Locations: Six domestic, three foreign.

Officers: Steven H. Newman, CEO; Russell T. John, president/COO; Stephen C. Kolakowski, senior vp/CFO; Todd J. Hess, senior vp/chief actuary; Denise A. Coleman, F. Paul Japp, senior vps; Stuart M. de Haaff, general counsel/vp/secretary.

Contact: Stephen C. Kolakowski.

USF Re Insurance Co.

650 Town Center Drive, Suite 1600, Costa Mesa, Calif. 92626; 714-549-1600; fax: 714-556-0919

	1997	1996
Prem. written	$139,000,000	$108,800,000
Prem. earned	$134,000,000	$105,500,000
Capital/surplus	$112,600,000	$109,900,000
Net income	$7,100,000	$7,800,000
Losses	$105,000,000	$75,000,000
Loss ratio	78.5%	71.2%
Expenses	$36,300,000	$28,500,000
Expense ratio	27.1%	27.1%
Combined ratio	105.6%	98.3%
Treaty	84%	90%
Facultative	16%	10%
Domestic	100%	100%
Non-life	100%	100%

Founded: 1987.

Parent: The Centris Group Inc.

Employees: 40.

Locations: Two domestic.

Specialties: Medical stop-loss, buffer/working layer covers, international treaties.

Officers: David L. Cargile, chairman; John T. Grush, president; Jose A. Velasco, secretary; Charles M. Caporale, treasurer; Curtis A. Gabbard, executive vp.

Contact: Curtis A. Gabbard.

W

Winterthur Group

Gruzefeldstrasse 41, Winterthur CH-8401, Switzerland; 41-52-261-1111; fax: 41-52-261-5810 www.winterthur.com

	1997	1996
Prem. written	$825,119,094	$1,091,015,661
Prem. earned*	$16,818,145,500	$18,824,361,500
Capital/surplus*	$5,459,636,000	$4,163,621,000
Net income*	$519,368,200	$484,690,500
Losses*	$10,317,361,600	$11,383,505,000
Loss ratio*	76.4%	74.9%
Expenses*	$3,560,338,600	$4,143,174,000
Expense ratio*	28.9%	29.8%
Combined ratio*	105.3%	104.7%
Treaty	90%	90%
Facultative	10%	10%
Domestic	1%	1%
Foreign	99%	99%
Life	30%	34%
Non-life	70%	66%

*Figures are consolidated and reflect all insurance services.

Founded: 1875.

Parent: Credit Suisse Group.

Subsidiaries: Winterthur Life Re/Republic Vanguard Life, Dallas; Winterthur Reinsurace Corp. of America, New York.

Employees: 277.

Locations: One domestic, four foreign.

Specialties: Non-life: credit, surety, aviation, liability, engineering, agricultural risks, structured reinsurance. Life: investment products, annuities, major medical, financial, direct marketing.

Officers: Bruno Meyenhofer, corporate executive board member/head of reinsurance; Kurt Angst, head of underwriting (non-life), Winterthur Re; Henry Atzenucile, head of marketing-Winterthur Re; Kurt H. Roth, head of life reinsurance-Winterthur Re.; Hardial Singh, reinsurance manager-Singapore branch.

Contact: Gordon A. Jardin, president-Winterthur Life Re, 214-555-1800; Robert C. Wood, president-Winterthur Re, 212-416-5700.

X

XL Mid Ocean Reinsurance Co. Ltd.*

P.O. Box HM 1066, Hamilton HM EX, Bermuda; 441-292-1358; fax: 441-292-0876 www.midoceanre.com

	1997**	1996**
Prem. written	$505,483,000	$525,672,000
Prem. earned	$486,741,000	$436,097,000

The directory of reinsurers begins on page 35. An explanation of the terms used in this directory appears on page 38. A chart ranking the world's 20 largest reinsurers by 1997 net premiums written appears on page 50.

Continued on page 50

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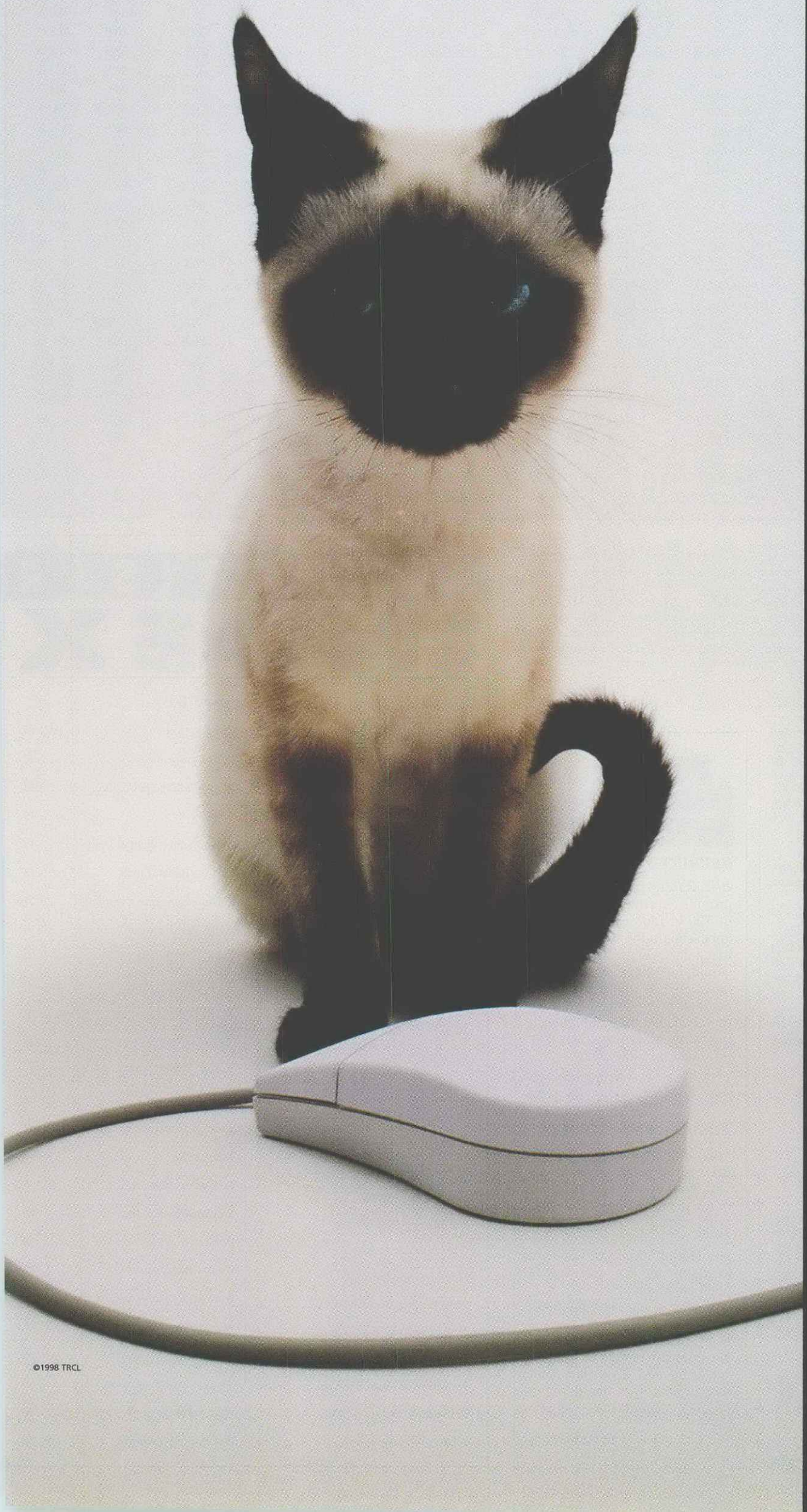
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World's largest reinsurers

Ranked by 1997 net reinsurance premiums written. Figures converted to U.S. dollars at 12-month average exchange rates. All amounts in thousands of dollars.

	Company Key subsidiaries	Net reinsurance premiums written 1997	Net reinsurance premiums written 1996	Net reinsurance premiums earned 1997	Net income 1997	Capital and surplus 1997	Loss & loss adjustment expenses 1997	Loss ratio 1997	Underwriting expenses 1997	Expense ratio 1997	Combined ratio 1997	Combined ratio 1996
1	**Munich Re Group** [1]	$12,474,589	$11,286,942	$12,220,106	NA	$8,867,481	$7,951,334	65.1%	$3,793,963	30.3%	95.4%	94.0%
	Munich Reinsurance Co. [2,3,4]	10,484,389	11,286,942	10,342,906	436,566	6,367,481	6,703,934	64.8	3,147,963	30.4	95.3	94.0
	American Re-Insurance Co. [5]	2,491,723	2,622,656	2,488,892	196,336	2,301,404	1,712,953	68.8	878,297	35.3	104.1	100.2
2	**Swiss Re Group** [6]	11,114,948	10,794,245	11,213,475	1,457,924	9,781,733	9,017,632	79.0	3,360,942	31.0	110.0	109.0
	Bavarian Re [7]	1,598,660	1,648,041	1,607,106	53,200	922,422	1,032,346	64.2	457,986	28.5	92.7	97.6
3	**Employers Reinsurance Group** [6]	7,866,000	5,910,000	4,467,000	648,000	5,374,000	3,260,000	70.4	1,439,000	33.2	103.6	102.0
4	**Berkshire Hathaway/General Re** [8]	7,500,400	715,500	7,573,600	NA	45,400,500	5,346,800	70.6	2,118,000	28.0	98.6	101.0
	General Re/Cologne Re Group [9]	6,545,000	6,661,000	6,607,000	968,000	8,161,000	4,671,000	70.7	1,955,000	29.6	100.3	100.4
	Berkshire Hathaway Group [10]	955,400	715,500	966,600	NA	37,239,500	675,800	69.9	163,000	16.9	86.8	101.0
5	**Assicurazioni Generali S.p.A.** [11]	6,424,723	5,950,398	6,471,848	1,030,826	11,239,814	3,926,315	60.7	1,506,937	23.3	84.0	87.0
6	**Hannover Re Group** [12]	3,733,810	3,360,462	3,753,459	65,478	1,485,066	2,525,479	67.3	1,152,175	30.7	98.0	97.3
	Hannover Re [12]	2,113,996	1,876,481	2,130,747	47,977	1,121,038	1,353,958	63.5	703,189	33.0	96.5	96.6
	E&S Rueck [12]	850,536	817,661	851,857	9,477	431,263	612,907	71.9	252,332	29.6	101.5	105.8
7	**Zurich Group-Reinsurance** [13,14]	2,724,306	2,786,105	2,785,627	197,054	NA	1,853,410	67.0	1,015,586	36.5	103.5	101.5
	Centre Solutions	1,488,647	1,609,008	1,500,393	275,847	2,247,337	1,311,866	87.4	420,120	28.0	115.4	111.2
8	**Gerling Global Reinsurance Group** [2]	2,648,802	2,583,797	2,598,236	28,311	804,391	1,813,313	69.8	772,201	29.7	99.5	100.5
9	**SCOR Group**	2,348,172	2,314,172	2,294,820	161,082	1,689,822	1,658,700	72.3	724,185	31.6	103.9	105.5
10	**Lincoln Re**	1,335,300	2,138,500	1,371,100	(74,500)	795,900	NA	NA	NA	NA	NA	NA
11	**London Reinsurance Group**	1,317,866	740,653	1,289,347	44,293	450,808	NA	NA	NA	NA	NA	NA
12	**Transatlantic Reinsurance Co.**	1,291,655	1,142,902	1,259,251	170,301	1,163,856	933,015	74.1	337,161	26.8	100.9	101.6
13	**AXA RE**	1,230,679	1,396,904	1,236,081	136,325	1,282,531	907,581	73.4	429,847	34.8	108.2	110.3
14	**St. Paul Re** [15]	1,200,245	760,524	1,226,913	NA	NA	839,412	68.4	367,246	29.9	98.3	106.3
15	**Everest Reinsurance Co.** [16]	1,020,097	1,036,340	1,039,975	193,057	908,764	733,385	70.5	328,566	31.6	102.1	104.9
16	**CNA Re**	976,291	957,500	861,207	NA	NA	600,400	69.7	305,368	35.5	105.2	NA
17	**Toa Fire & Marine Reinsurance Co. Ltd.** [17,18,19]	889,240	1,020,843	NA	17,184	248,016	531,008	59.7	341,488	38.4	98.1	96.4
18	**Tokio Marine & Fire Insurance Co. Ltd.** [17]	873,504	1,062,873	NA	NA	18,896,360	NA	NA	NA	NA	NA	NA
19	**Reinsurance Group of America Inc.** [20]	835,500	674,900	835,500	54,600	499,300	750,100	NA	176,500	NA	NA	NA
20	**Winterthur Group** [21]	825,119	1,091,016	16,818,146	519,368	5,459,636	10,317,362	76.4	3,560,339	28.9	105.3	104.7

FOOTNOTES: 1 All figures are *BI* pro forma estimates of Munich Re Group, including American Re results for comparable period. 2 Fiscal years ending 6/30/97 and 6/30/96. 3 Capital and surplus figure includes direct insurance business. 4 Net income figure reflects the Munich Re Group. 5 Figures are pro forma and include American Alternative Insurance Co., Munich American Insurance Co. and Munich Reinsurance Co. U.S. Branch. 6 Ratios reflect non-life business only. 7 Fiscal years ending 12/31/96 and 12/31/95. 8 All figures are *BI* estimates. 9 Ratios relate to property/casualty business only. 10 Capital and surplus figure represents the consolidated surplus for the Berkshire Hathaway Insurance Group. 11 Capital and surplus figure includes profit for the year. 12 Capital and surplus figure includes share capital subscription receivable and surplus debenture. 13 1996 figures are restated. 14 Net income figure is pre-tax. 15 1997 figures are pro forma to reflect the merger of The St. Paul Cos. and USF&G Corp. 1996 figures reflect pre-merger St. Paul Re. 16 Figures are pro forma and reflect the inclusion of the Belgian and U.K. branches of Everest Re Ltd. 17 Fiscal years ending 3/31/98 and 3/31/97. 18 Loss and loss adjustment expenses figure reflects paid losses only. 19 Ratios calculated using premiums written; premiums earned figurenotavailable. 20 Premiums written figures are estimates. 21 All figures except premiums written reflect consolidated figures relating to all insurance services. NA=Not available.
Source: *BI* survey

Continued from page 48

	1997**	1996**
Capital/surplus	**$1,372,961,000**	$1,117,199,000
Net income	**$245,008,000**	$211,644,000
Losses	**$216,171,000**	$211,888,000
Loss ratio	**44.4%**	48.6%
Expenses	**$139,855,000**	$104,527,000
Expense ratio	**28.7%**	24%
Combined ratio	**73.1%**	72.6%
Treaty	**100%**	100%
Foreign	**100%**	100%
Non-life	**100%**	100%

*** Fiscal years ending 10/31/97 and 10/31/96.*

Founded: 1992.

Parent: Mid Ocean Ltd.

Subsidiaries: Mid Ocean Reinsurance Co. Ltd., The Brockbank Group P.L.C.

Employees: 265.

Locations: Four foreign.

Specialties: Property catastrophe, property excess-of-loss, property pro rata, marine and energy, aviation and satellite.

Officers: Robert J. Newhouse Jr., chairman; Michael A. Butt, president/CEO; Charles F. Hays, senior vp/CFO; Henry C.V. Keeling, president/COO/chief underwriting officer-Mid Ocean Reinsurance Co. Ltd.; Mark E. Brockbank, CEO of The Brockbank Group P.L.C.

** X.L. Global Re and Mid Ocean Re merged to form X.L. Mid Ocean Reinsurance Co. Ltd. on Aug. 10, 1998; all information reflects Mid Ocean Ltd. only.*

The Yasuda Fire & Marine Insurance Co. Ltd.

26-1, Nishi-Shinjuku, 1-chome,
Shinjuku-ku, Tokyo 160-8338,
Japan; 81-3-3349-3970;
fax: 81-3-5322-6013
www.yasuda.co.jp

	1997*	1996*
Prem. written	**$628,298,386**	$739,035,227
Capital/surplus	**$2,082,104,000**	$2,283,822,000
Net income	**$105,896,000**	$110,439,000
Domestic	**82.24%**	87.40%
Foreign	**17.76%**	12.60%
Non-life	**100%**	100%

** Fiscal years ending 3/31/98 and 3/31/97.*

Founded: 1888.

Subsidiaries: Yasuda Re (Hong Kong). Figures from this subsidiary are *not* included in the figures above.

Employees: 78.

Locations: One domestic, three foreign.

Officers: Yasuo Goto, chairman; Koichi Ariyoshi, president; Masao Miyakawa, Tatsuro Fukushima, Shiro Tsuchiya, senior executive managing directors.

Zurich Group—Reinsurance

Mythenquai 2, Zurich 8002,
Switzerland; 41-1-205-2121;
fax: 41-1-205-3555
www.zurich.com

	1997	1996*
Prem. written	**$2,724,306,000**	$2,786,105,000
Prem. earned	**$2,785,627,000**	$2,579,220,000
Net income**	**$197,054,000**	$122,360,000
Losses	**$1,853,410,000**	$1,766,170,000
Loss ratio	**67%**	68.5%
Expenses	**$1,015,586,000**	$851,690,000
Expense ratio	**36.5%**	33%
Combined ratio	**103.5%**	101.5%

** Restated. ** Pre-tax.*

Founded: 1873.

Subsidiaries: Centre Solutions; Zurich Centre; Zurich Re, Cologne; Zurich Re, London; Zurich Re, North America; Zurich Re, Zurich.

Parent: Zurich Insurance Co.

Employees: 1,000.

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more financial might with ERC, a GE Capital Services Company.

more than traditional insurance — a new generation of balance sheet protection products and services.

more than underwriting. Understanding.[SM]

HSB Industrial Risk Insurers

CEO pay

Continued from page 1

merger with Citicorp, which focused attention on the issue of insurer/bank partnerships (*BI*, April 13). In November 1997, Travelers merged its securities broker unit, Smith Barney, with investment bank Salomon Inc.

Travelers Group's total revenues grew 16.0% in 1997 to $37.6 billion. Net income also rose to $3.10 billion from $2.95 billion, a 5.3% increase.

In November 1997, Travelers' stock split three-for-two, which as of Aug. 21, makes Mr. Weill's 14,778,491 beneficially owned shares worth $551,385,499.

BI's calculation of the market value of shares held excludes exercisable stock options, 401(k) and pension plan options.

Saul P. Steinberg, chairman and CEO of Reliance Group Holdings Inc., assumes the second-highest compensated insurer/reinsurer CEO slot from American International Group Inc.'s Chairman and CEO Maurice R. Greenberg. Mr. Steinberg's salary remained steady at $1.8 million in 1997, but his bonus of $3.5 million climbed 73.9% from $2.0 million in 1996.

Reliance Group Holdings Inc.'s 1997 total revenues were $3.42 billion, up 11.4% from $3.09 billion the year before. Net income, however, grew an astounding 375.9%, due, in part, to an aftertax gain following the sale of common stock of Prometheus Funding Corp., to $229.4 million from $48.2 million in 1996.

AIG's Mr. Greenberg is the third-most highly compensated CEO in 1997 among insurers and reinsurers. His salary remained constant at $1.0 million, but his total cash compensation rose 12.0%, due to a bonus of nearly $3.7 million in 1997 compared with a $3.2 million bonus a year earlier.

In the company's 1997 annual report, Mr. Greenberg outlined that while internal growth is a constant goal, New York-based AIG made three strategic acquisitions in 1997 and '98. Two involved global growth in Latin America and Thailand. The third acquisition, of SELIC Holdings Ltd., occurred early in 1998 and gave AIG the leverage to move excess lines insurer Starr Excess Liability Insurance Co. Ltd. into the U.S. market. Starr Excess Liability is a subsidiary of SELIC Holdings. Despite a failed bid to acquire American Bankers Insurance Group earlier this year, AIG's buying spree continued with the recent acquisition of SunAmerica Inc., a Los Angeles-based financial services company (*BI*, Aug. 24).

AIG's gross revenues in 1997 increased 9.5% from the prior year to $30.60 billion. Net income also rose by 15.0%, to $3.33 billion from $2.90 billion the year before.

Efforts to build shareholder value often point to a business strategy that involves pursuit of M&A activity. But when CEOs hold a large percentage of the shares, they may also reap the rewards of a successful transaction.

"The CEO can be handsomely rewarded for selling the company if they have sizable stock options," said Brooks Chamberlin, managing director and head of the global insurance recruiting practice for Korn/Ferry International, a New York-based executive recruiting firm.

But, depending on the success of the merger or acquisition, the rewards can taper off, said Brent Longnecker, national practice director for Deloitte & Touche L.L.P. in Houston. "You might have initial pop (after the announcement of a merger or acquisition) with everyone getting rewarded. . .(but) where your company goes over the long term can impact your stock and overall net worth" as a CEO.

Over the past few years, stock options have been the favored means of top executive compensation, consultants say. The trend moved away from emphasis on cash compensation because shareholders were tired of seeing CEOs line their pockets with overzealous salaries and bonuses, Mr. Longnecker said.

Shareholder groups that believe "stock is king" and the realization that they were in the middle of a bull market were the catalysts for the move toward granting options tied to financial performance, he said. But now that the companies have had sizable payouts, other compensation methods, such as restricted stock, could be favored.

Even for many CEOs who don't own more than 5% of company stock, the trend toward rewarding with stock options rather than just the traditional salary and bonus has paid off generously.

"The news isn't in the cash compensation award as much as it is in the stock," said Paul Gavejian, a principal and compensation consultant with Buck Consultants Inc. in Stamford, Conn. "Companies are throwing big piles of stock to reward CEOs for finding or executing the merger or making their company a player in the M&A market."

Mr. Chamberlin noted that by using stock options as a major form of CEO compensation, the industry may be prolonging the effects of the soft market by focusing on short-term gains—encouraging more M&A activity, forcing more mutuals to look at demutualization, and nurturing an environment conducive for smaller start-up companies, especially in the reinsurance arena.

"More and more decision-making in the property and casualty industry will be on a quarter-to-quarter basis or a year-to-year basis, rather than a long-term basis," he said. In the quest for business, insurers and reinsurers may take on risks that could involve a loss in the long run but would add desirable capital in the short term, such as long-tailed exposures.

Warren E. Buffett's 1997 cash compensation of $100,000 makes him the lowest-paid CEO in the survey. However, Berkshire Hathaway's top executive is a prime example of how much emphasis is placed on employee stock compensation within many publicly traded corporations. Mr. Buffett owns 474,998 shares, or 39.7%, of Berkshire stock, which as of Aug. 21 had a market value of $32,917,361,400.

In addition to Mr. Buffett, seven other of the 44 insurer and reinsurer CEOs beneficially own more than 5% of their company's common stock, the *BI* survey shows. They are: Merton J. Segal, 35.8% of

See **CEO pay** *on next page*

The highest-paid CEOs among leading commercial insurers/reinsurers

Rank	Rev. rank	CEO/Age	Company	1997 cash compensation	1996 cash compensation	% change from 1996	Market value of shares directly held [1]	1997 revenues	% change from 1996	1997 total net income	% change from 1996
1	1	Sanford I. Weill, 64	Travelers Group Inc.	$7,193,034	$6,078,786	18.3%	$804,541,050.00	$ 37,609,000,000	16.0%	$3,104,000,000	5.3%
2	15	Saul P. Steinberg, 58	Reliance Group Holdings Inc.	5,300,000	3,813,000	39.0%	459,324,515.14	3,422,636,000	10.7%	229,419,000	376.0%
3	2	Maurice R. Greenberg, 72	American International Group Inc.	4,650,000	4,150,000	12.0%	1,372,559,117.97	30,602,300,000	9.5%	3,332,335,000	15.0%
4	21	William R. Berkley, 52	W.R. Berkley Corp.	3,889,000	2,541,080	53.0%	124,140,687.00	1,400,310,000	14.3%	91,219,000	19.5%
5	3	Wilson H. Taylor, 54	CIGNA Corp.	3,270,200	3,517,900	-7.0%	4,106,180.44	20,038,000,000	5.7%	1,086,000,000	2.8%
6	8	Robert M. Devlin, 57	American General Corp.	2,566,154	1,365,385	87.9%	12,125,444.66 [2]	8,927,000,000	2.4%	542,000,000	-17.0%
7	10	Dean R. O'Hare, 55	The Chubb Corp.	2,424,401	2,105,999	15.1%	9,374,082.54	6,664,000,000	17.3%	769,500,000	50.1%
8	14	James F. Orr III, 55	UNUM Corp.	1,980,461	1,479,923	33.8%	13,065,696.00	4,076,700,000	0.8%	370,300,000	55.6%
9	9	Ronald E. Ferguson, 56	General Re Corp.	1,892,500	1,782,833	6.2%	19,953,984.75 [3]	8,251,000,000	-0.5%	968,000,000	8.3%
10	24	Brian Duperreault, 50	ACE Ltd.	1,731,258	1,118,720	54.8%	5,792,573.74	1,010,643,000	19.0%	461,400,000	59.3%
11	22	Joseph V. Taranto, 49	Everest Reinsurance Holdings Inc.	1,604,532	1,541,375	4.1%	17,611,497.48	1,299,200,000	11.1%	155,000,000	38.4%
12	25	James A. McIntyre, 65	Fremont General Corp.	1,588,700	1,768,800	-10.2%	194,034,100.00	974,295,000	22.4%	108,292,000	24.1%
13	11	Douglas W. Leatherdale, 61	The St. Paul Cos.	1,317,500	987,192	33.5%	4,616,518.80	6,219,273,000	8.5%	705,473,000	56.7%
14	23	Brian M. O'Hara, 49	EXEL Ltd.	1,300,000	1,550,000	-16.1%	24,892,363.80	1,159,026,000	18.0%	676,961,000	36.9%
15	28	Gordon W. Kreh, 50	HSB Group Inc.	1,268,654	662,692	91.4%	1,048,847.50	603,400,000	9.9%	66,300,000	24.2%
16	17	A.C. Zucaro, 58	Old Republic International Corp.	1,202,825	1,253,631	-4.1%	1,851,319.68	1,962,800,000	8.8%	298,100,000	29.4%
17	6	Ramani Ayer, 50	The Hartford Financial Services Group	1,198,917	825,000	45.3%	3,646,168.52	13,305,000,000	6.7%	1,332,000,000	1245.0%
18	39	Victor H. Blake, 62	LaSalle Re Holdings Ltd.	1,156,877	1,054,538	9.7%	1,450,387.98	197,785,000	-10.7%	97,077,000	19.1%
19	18	Jon W. Rotenstreich, 54	TIG Holdings Inc.	1,150,000	1,250,000	-8.0%	6,229,150.20	1,757,000,000	-3.7%	52,000,000	-34.2%
20	27	Herbert N. Haag, 51	PartnerRe Ltd.	1,150,000	900,000	27.8%	14,127,223.25	615,730,000	102.8%	271,078,000	8.6%
21	35	James N. Stanard, 49	Renaissance Re Holdings Ltd.	1,116,875	908,783	22.9%	35,137,863.00	254,726,000	-13.6%	139,249,000	-10.8%
22	16	John G. Turner, 58	ReliaStar Financial Corp.	1,114,326	1,130,577	-1.4%	8,035,819.50	2,510,300,000	14.6%	222,000,000	15.0%
23	12	Ian M. Rolland, 64	Lincoln National Corp.	1,062,308	1,003,077	5.9%	6,374,240.95	4,899,000,000	3.5%	934,000,000	81.7%
24	26	Ronald L. Bornhuetter, 65	NAC Re Corp.	1,032,283	973,733	6.0%	4,744,252.53	740,372,000	13.9%	95,677,000	35.7%
25	5	Dennis H. Chookaszian, 54	CNA Insurance Cos.	950,000	950,000	0.0%	40,500.00	17,072,000,000	0.5%	966,000,000	0.1%
26	37	Robert A. Mulderig, 45	Mutual Risk Management Ltd.	939,192	814,956	15.2%	18,905,836.00	214,786,000	36.2%	47,938,000	28.9%
27	42	Mark D. Mosca, 44	Risk Capital Holdings Inc.	930,000	880,000	5.7%	2,953,200.00	120,972,000	141.1%	2,039,000	-50.4%
28	13	Roger H. Eigsti, 55	SAFECO Corp.	901,830	733,334	23.0%	234,089.31	4,709,300,000	18.8%	430,000,000	-2.1%
29	19	W. Marston Becker, 45	Orion Capital Corp.	901,180	532,746	69.2%	924,473.50	1,590,535,000	6.5%	115 806,000	33.7%
30	36	James F. Billett Jr., 53	Trenwick Group Inc.	851,492	805,496	5.7%	7,574,656.00	240,872,000	-4.6%	35,252,000	4.1%
31	32	Stephen L. Way, 49	HCC Insurance Holdings Inc.	800,000	1,020,615	-21.6%	79,055,153.20	273,410,000	1.1%	49,751,000	29.1%
32	30	B. Frederick Becker, 51	MMI Cos. Inc.	794,000	707,000	12.3%	1,934,388.54	407,535,000	4.8%	34,360,000	-14.4%
33	38	David L. Cargile, 52	The Centris Group	737,601	691,825	6.6%	459,360.00	214,472,000	31.5%	15,212,000	1.3%
34	33	Stephen J. Sills*, 49	Executive Risk Inc.	689,144	631,221	9.2%	2,316,022.40	261,647,000	38.0%	36,525,000	30.0%
35	41	Gerald L. Radke, 53	PXRE Corp.	682,400	709,147	-3.8%	2,055,695.02	128,079,000	33.8%	44,253,000	32.9%
36	44	Alan I. Kirshner, 62	Markel Corp.	676,038	558,000	21.2%	20,614,880.00	41,992,000	17.0%	50,427,000	8.0%
37	31	Richard E. Cole, 58	Chartwell Re Corp.	657,109	846,193	-22.3%	785,321.75	322,400,000	21.9%	27,263,000	29.9%
38	40	John P. Dowling, 53	IPC Holdings Ltd.	635,000	450,000	41.1%	159,248.12	138,753,000	-5.2%	100,320,000	8.4%
39	4	Richard L. Huber*, 61	Aetna Inc.	631,731	1,532,885	-58.8%	6,935,245.94	18,540,200,000	22.0%	901,100,000	38.4%
40	20	Lauren N. Patch, 47	Ohio Casualty Corp.	600,898	577,441	4.1%	1,338,090.00	1,437,423,000	-1.5%	139,047,000	35.7%
41	34	Charles E. Rinsch, 65	Argonaut Group Inc.	550,000	541,500	1.6%	3,301,110.71	256,600,000	-5.9%	48,500,000	151.6%
42	43	Merton J. Segal, 69	Meadowbrook Insurance Group Inc.	509,850	440,000	15.9%	84,602,696.40	101,125,000	-7.4%	13,043,000	49.8%
43	29	Harry W. Rhulen*, 34	Frontier Insurance Group Inc.	188,000 [4]	190,000 [4]	-1.1%	2,135,886.06	427,188,000	40.1%	32,282,000	-19.4%
44	7	Warren E. Buffett, 67	Berkshire Hathaway Inc.	100,000	100,000	0.0%	32,917,361,400.00	$10,430,000,000	-0.7%	1,901,600,000	23.6%

*New CEO 1. Market value calculated based on Aug. 21 share price 2. Includes shares held in the company's thrift plan and the supplemental thrift plan 3. Includes undisclosed amount of family-held stock 4. Reflects salary in prior position of executive vp

CEO pay

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Meadowbrook Insurance Group Inc.; Saul P. Steinberg, 32.1% of Reliance Group Holdings; William R. Berkley, 13.3% of W.R. Berkley Corp.; James A. McIntyre, 11.5% of Fremont General Corp.; Stephen L. Way, 9.6% of HCC Insurance Holdings Inc.; Jon W. Rotenstreich, 7.7% of TIG Holdings Inc.; and James N. Stanard, 5.2% of RenaissanceRe Holdings Ltd.

While aggressive growth strategies account for some of the substantial cash compensation among insurer and reinsurer CEOs, one trend that continues to affect compensation plans is the aligning of pay with performance, said Larry Daniels, a compensation consultant at Milliman & Robertson Inc. in Seattle. The tightening of this relationship has benefits in the short and long term, and the larger the corporation, the more responsibility the CEO has to bear.

"If an executive is going to be paid handsomely, it is expected that others (in the company) will benefit as well," he said.

No matter how top executives are compensated, either with cash compensation or with stock options, "they are benefiting from mergers and acquisitions, provided the market puts a premium on it," said Richard Furniss, vp and director of the insurance compensation consulting practice of Towers Perrin in New York.

Three CEOs saw their cash compensation increase drastically in 1997. Gordon W. Kreh, president, CEO and director of HSB Group Inc., was rewarded 91.4% more cash compensation for helping the corporation exceed its financial goals. American General Corp. Chairman and CEO Robert M. Devlin took home 87.9% more in 1997 due to improved company performance and his assumption of the role of chairman.

Financial performance, common stock price and leadership ability factored into Orion Capital Corp.'s decision to raise Chairman and CEO W. Marston Becker's cash compensation by 69.2%, according to the company's proxy statement. Orion's common stock split two-for-one on July 7, 1997, making Mr. Becker's beneficially owned shares worth $924,474.

Mr. Devlin is one of nine CEOs whose pay increased despite a downturn in corporate revenue or profit. Nine corporations paid their CEOs less despite having solid revenue and net income growth.

Only one CEO, Aetna Inc.'s Richard L. Huber, experienced a significant drop in total cash compensation in 1997. According to Aetna's proxy statement, Mr. Huber's salary increased, but he elected to trade his performance-based bonus for stock options.

Because of retirements, a decision to go private and two mergers, a direct comparison with last year's CEO list is not possible. Zurich Reinsurance Centre Holdings Inc. was delisted from the New York Stock Exchange after ZRC's parent company took the unit private. USF&G Corp. was acquired by The St. Paul Cos. Inc., and Mid Ocean Ltd. merged with EXEL Ltd. Three new companies—HCC Insurance Holdings, MMI Cos. Inc. and Markel Corp.—have been added to the survey, and three new executives have been appointed to the position of CEO.

Harry W. Rhulen became president and CEO of Rock Hill, N.Y.-based Frontier Insurance Group Inc. in January 1998, following the illness and death of his father, former Frontier Chairman, President and CEO Walter A. Rhulen.

Mr. Huber was named CEO and president of Hartford, Conn.-based Aetna on July 28, 1997. He took on the additional title of chairman March 1 upon the retirement of former Chairman, President and CEO Ronald E. Compton.

Stephen J. Sills, president and CEO of Executive Risk Inc. of Simsbury, Conn., took over after the retirement of LeRoy A. Vander Putten from his position of chairman and CEO, in May 1997. The position of chairman is held by another Executive Risk executive, Robert H. Kullas. BI

HCFA postpones surety bond deadline

Will review GAO report on bond rule

WASHINGTON—Home health care companies that treat Medicare beneficiaries have won a temporary reprieve from complying with a requirement to obtain surety bonds demonstrating their financial stability.

Home care agencies question the effectiveness of the surety bond requirement, which the Health Care Financing Administration published in January in response to a 1997 law. HCFA has postponed the compliance deadline until Feb. 15, 1999, after already postponing the rule once earlier this year.

HCFA, which administers the Medicare program, plans to issue a new regulation for home health care agencies after reviewing a General Accounting Office report on its surety bond requirement. The GAO report—requested by the Senate Finance Committee—will be available in September.

The HCFA regulations would implement a provision in the Balanced Budget Act of 1997 that requires any home health care agency treating Medicare and Medicaid beneficiaries to obtain a surety bond. The compliance deadline already had been postponed to July 31 from the original date of Feb. 27.

HCFA first published a final rule in January, requiring that each home health agency participating in Medicare obtain a surety bond of $50,000, or 15% of the annual amount Medicare pays to the agency, whichever is greater. These bonds would help Medicare recoup any overpayments made to home health care agencies.

An additional final rule published in June limits the liability of surety companies. Penny Thompson, HCFA's director of program integrity, testified before a House subcommittee that the June rule would limit surety bond writers' liability to overpayments made in the year for which a bond is written. Also, the company would be liable only for those overpayment determinations made within two years after an agency leaves the Medicare program. The revised rule also would give a surety bond company the right to appeal overpayment assessments if a home care agency has not appealed itself and has failed to assign its right of appeal to the bond company.

About 40 percent of home health care agencies have already purchased the required bonds, according to Ms. Thompson's testimony.

The surety industry is concerned, however, about its liability for bonds already written if HCFA ultimately changes the regulations again and cancels the bond requirement, said Lynn M. Schubert, president of The Surety Assn. of America in Washington.

Surety companies would be liable for the period the bond was in effect unless the bondholder or HCFA gave them a release, Ms. Schubert said. Any premium rebates would be governed by state laws.

The surety industry would prefer that HCFA require an anti-fraud bond rather than a financial guarantee bond, Ms. Schubert said. Fewer home health agencies are likely to be able to purchase the financial guarantee bonds because underwriting criteria are more stringent and the bonds are more expensive than anti-fraud bonds, she said.

A spokesman for the National Assn. for Home Care in Washington said, "We're not convinced a surety bond is the way to go to address compliance issues." Because a surety bond demonstrates only that the home health provider had the capital to purchase one, better ways of ensuring compliance might be certification or education of home health agency administrators, the spokesman said.

If HCFA does require the bonds, the requirement should govern only those home health agencies that have been found to be in non-compliance, the spokesman said.

—By Roseanne White

Datebook

SEPTEMBER

SEPT. 9-11. Group Insurance and Managed Health Care Marketing and Sales conference in Toronto, sponsored by LIMRA International; $595 for members and $1,195 for non-members. LIMRA International Inc., attn: Patricia A. Kavalski, Meetings Registration Manager, P.O. Box 208, Hartford, Conn. 06141-0208; 860-688-3358.

SEPT. 10-11. Insurance Contract Law from Underwriting to Claim: An International Perspective seminar in London, sponsored by The British Insurance Law Assn. Colloquium; £525 for members and £575 for non-members. BILA Colloquium Office, The Coach House, 21 St. John's Road, Richmond, Surrey TW9 2PE, England; 44-181-332-7997.

SEPT. 12-16. Advancing America's Agents conference in Cincinnati, sponsored by the National Assn. of Life Underwriters; $300. NALU Convention Registration, P.O. Box 75048, Baltimore, Md. 21275; 410-752-3318.

SEPT. 13-18. "The Innovative Edge: Serving Medicare and Medicaid Beneficiaries Today and Tomorrow" conference in Baltimore, sponsored by the American Assn. of Health Plans; $975 for members and $1,175 for non-members. Contact the AAHP for more pricing options. AAHP, Department Number 0612, Washington, D.C. 20073-0612; 202-778-3269.

SEPT. 14-15. Integrated Risk Management seminar in New Orleans, sponsored by CIGNA Reinsurance; $1,395 for main conference. IBC USA Conferences Inc., 225 Turnpike Road, Southborough, Mass. 01772-1749; 508-481-6400.

SEPT. 14-16. Workers' Compensation in a Changing World conference in Crystal City, Va., sponsored by the National Foundation for Unemployment and Workers' Compensation; $450 for members and $500 for non-members. National Foundation for Unemployed Compensation and Workers' Compensation, 1201 New York Ave., N.W., Suite 750, Washington, D.C. 20005; 202-682-1517.

SEPT. 14-16. Marketing and Managing Specialty Niche Insurance Programs conference in Boston, sponsored by the International Quality and Productivity Center; $1,395. International Quality and Productivity Center, 150 Clove Road, P.O. Box 401, Little Falls, N.J. 07242-0401; 800-882-8684 or 973-256-0211.

SEPT. 14-17. American Society for Industrial Safety annual seminar in Dallas, sponsored by ASIS; $605 for members and $740 for non-members. ASIS International, P.O. Box 1409, Alexandria, Va. 22313; 703-519-6200.

SEPT. 14-18. Serving Medicare and Medicaid Beneficiaries conference in Baltimore, sponsored by the American Assn. of Health Plans; $975 for members attending one conference and $1,175 for non-members; $1,250 for members attending both Medicare and Medicaid conferences, and $1,475 for non-members. AAHP, Department Number 0612, Washington, D.C. 20073-0612; 202-778-3269.

SEPT. 14-18. Fundamentals of Global Benefits Management seminar in Brookfield, Wis., sponsored by the International Foundation of Employee Benefits Plans; $1,375 for members and $1,625 for non-members. IFEBP, Registration Department, P.O. Box 69, Brookfield, Wis. 53008-0069; 888-33-IFEBP or 414-786-6710, ext. 8257.

SEPT. 16-17. Employment Practices Liability Insurance seminar in New York, sponsored by American Conference Institute; $1,399. American Conference Institute, 41 W. 25th St., New York, N.Y. 10010; 212-352-3220.

SEPT. 16-18. Advanced pension conference in Bloomingdale, Ill., sponsored by Corbel; $695. Also **Feb. 17-19, 1999** in Orlando, Fla. Corbel, 1660 Prudential Drive, Suite 400, Jacksonville, Fla. 32207; 800-326-7235, ext. 1237.

SEPT. 16-20. "Mental Health Benefits and Practice in the Era of Managed Care" conference in Chicago, sponsored by the Institute for Behavioral Healthcare; $995. Institute for Behavioral Healthcare, 4370 Alpine Road, Suite 209, Portola Valley, Calif. 94028; 650-851-8411.

SEPT. 17-18. Tax Reserving for Life Insurance Companies seminar in Lake Buena Vista, Fla., sponsored by KPMG Financial Services Consulting; $1,195. Sandie Burke Shkukani, KPMG Peat Marwick LLP, 303 E. Wacker Drive, Chicago, Ill. 60601; 312-938-1202.

SEPT. 22. Provisional Standards Practice for Environmental Regulatory Compliance Audits seminar in Austin, Texas, sponsored by the American Society for Testing Materials; $350. Maureen Quinn, ASTM, 100 Barr Harbor Drive, West Conshohocken, Pa. 19428; 610-832-9725.

SEPT. 22-24. Fundamentals of Purchasing Reinsurance seminar in Dallas, sponsored by the Reinsurance Management Institute at the University of Dallas; $675. University of Dallas, Reinsurance Management Institute, Irving, Texas 75062; 972-721-5360.

SEPT. 22-26. Self-Insurance Institute of America annual conference in San Francisco, sponsored by the SIIA; $775 for members and $1,195 for non-members before Sept. 4, $1,095 for members and $1,395 for non-members after. SIIA, P.O. Box 15466, Santa Ana, Calif. 92735; 800-851-7789.

SEPT. 23. The Future of Underwriting symposium in New York, sponsored by the Chartered Property and Casualty Underwriters Society's Information Technology and Underwriting sections; $79 for CPCU section members, $89 for CPCU Society members and $99 for non-members. John Kelly, CPCU Society, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355-0709; 800-932-2728, ext. 2773.

SEPT. 23-25. Pension Basics program in Atlanta, sponsored by Corbel; $695. Corbel, 1660 Prudential Drive, Suite 400, Jacksonville, Fla. 32207; 800-326-7235, ext. 1237.

SEPT. 23-25. Miami Insurance Rendezvous in Miami, sponsored by the International Insurance Council; $450. IIC, 900 19th St. N.W., Suite 250, Washington, D.C., 20006; 202-682-2345.

SEPT. 24. The Internet and Health Care course in Schaumburg, Ill., sponsored by the Institute for Natural Resources; $81. Also **Oct. 22** in Indianapolis. INR, P.O. Box 4218, Berkeley, Calif., 94704-0218; 510-450-1650.

SEPT. 24-25. Medicare Compliance Congress in Washington, D.C. sponsored by The Institute for International Research; $1295 for conference only and $1795 for conference and workshop. IIR, P.O. Box 102914, Atlanta, Ga., 30368-2914; 888-670-8200.

SEPT. 24-25. Professional Liability Management seminar in Atlanta, sponsored by the Institute for International Research and Zurich Reinsurance; $1,395. Institute for International Research, P.O. Box 102914, Atlanta, Ga. 30368-2914; 800-999-3123 or 888-670-8200.

SEPT. 24-25. Executive Compensation and Benefit Issues program in Brookfield, Wis., sponsored by the International Foundation of Employee Benefit Plans; $550 for members and $650 for non-members. IFEBP, Registrations Dept., P.O. Box 69, Brookfield, Wis., 53008-0069; 414-786-6710, ext. 8257.

SEPT. 24-25. Life, Health and Disability/ERISA Litigation seminar in Chicago, sponsored by the Defense Research Institute Inc.; $540 for members and $590 for non-members. DRI, 750 N. Lake Shore Drive, Suite 500, Chicago, Ill., 60611; 312-944-0575.

SEPT. 24-25. Medical Liability seminar in Chicago, sponsored by the Defense Research Institute, Inc.; $540 for members and $590 for non-members. DRI, 750 N. Lake Shore Drive, Suite 500, Chicago, Ill., 60611; 312-944-0575.

SEPT. 28-29. Risk-Based Decision-Making Facilitating Real Estate Transactions and Brownfield Developments conference in Chicago, sponsored by RTM Communications Inc.; $795. RTM Communications Inc., 110 N. Royal St., Suite 301, Alexandria, Va., 22314; 800-966-7475.

OCTOBER

OCT. 2-6. Managed Care: Conflicting Paradigms—Cost and Quality conference in Orlando, sponsored by the Pharmaceutical Care Management Assn.; $895 before Sept. 2 and $1195 after. PCMA, 2300 Ninth St. South, Suite 210, Arlington, Va., 22204-2320; 703-920-8480.

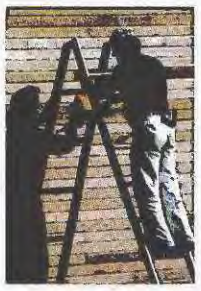
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THE SIXTH ANNUAL

Business Insurance® WORKERS COMPENSATION CONFERENCE



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The Ritz-Carlton Hotel Marina del Rey, California

WHO SHOULD ATTEND

Risk managers, loss prevention and safety managers, workers compensation and benefit managers, plus insurers, brokers, consultants and representatives from HMOs, PPOs and state and local governments.

PROGRAM AGENDA

MONDAY, OCTOBER 26

9:30 AM
GOLF TOURNAMENT
Hosted by: Deloitte & Touche LLP and SAC³

3:00 PM
EARLY REGISTRATION

4:00 PM
EMPLOYER'S PRIVATE ROUNDTABLE
Moderator:
Kathryn J. McIntyre
Vice President, Publisher and Editorial Director
Business Insurance

5:30 PM
WELCOME RECEPTION
Hosted by: Integra Group

TUESDAY, OCTOBER 27

7:45 AM
REGISTRATION AND CONTINENTAL BREAKFAST
Hosted by: Bayne Consulting Group, Ltd.

9:00 AM
OPENING REMARKS
Alexandra Scott
President & CEO
International Business Forum

9:05 AM
KEYNOTE
Bruce G. Sundquist
Vice President
American Re-Insurance Company

CHALLENGING TRADITIONAL WORKERS COMPENSATION PARADIGMS

9:45 AM
THE NEW WORLD OF WORKERS COMPENSATION
Moderator:
Maddy E. Bowling
Independent Consultant

William Granahan
Senior Consultant
Milliman & Robertson Inc.

Barry E. Thompson
National Practice Co-Leader
Workers Compensation and Disability Management Services
Deloitte & Touche LLP

Daniel J. McVey
President
Missouri AFL-CIO

Greg Owen
Manager, Claims Administration
Risk Management
Harrah's Entertainment Inc.

Scott Lund
Vice President, Marketing
SAC³

10:30 AM
TABLE-TOP EXHIBITS
REFRESHMENTS
Hosted by: Paradigm Health Corporation

11:00 AM
THE DECISION WHETHER TO IMPLEMENT AN INTEGRATED DISABILITY MANAGEMENT PROGRAM
Moderator:
Terry R. Bolz
Vice President, Casualty Managed Care
Wausau Insurance Companies

Tom Parry
President
Integrated Benefits Institute

Victor Paganucci
Director, Integrated Disability Systems
Champion International Corp.

Joanne L. Pomerleau, B.S., RN
Workers Compensation Coordinator
Maine Employee Health and Benefits

Arthur Wilcox
Director, Public Employee Division
New York State AFL-CIO

12:00 PM
MEETING THE CHALLENGES CREATED BY THE AMERICANS WITH DISABILITIES ACT AND FAMILY MEDICAL LEAVE ACT
Moderator:
Betsy Robinson
Vice President
Product Development and Management
GENEX Services Inc.

Robert B. Steggert
Vice President, Casualty Claims
Marriott Corporation

Ken Mitchell
Vice President, Return-to-Work Programs
Provident Insurance Company

Marylou Kinlen
Manager of Disability Plans
Norwest Bank Corp.

Sharon Kaleta
Director of Risk and Benefits
Paragon Steak House Restaurants Inc.

12:45 PM
LUNCHEON
Hosted by: Intracorp

1:45 PM
LUNCHEON SPEAKER
Susan K. Moreland
Director of Risk Management
San Francisco Newspaper Agency

A CASE STUDY ON REDUCING WORKERS COMPENSATION LIABILITIES

2:15 PM
BREAK

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- InPhoto Surveillance
- Integra Group
- Paradigm Health Corporation
- SAC³
- Specialty Risk Services / The Hartford
- TravelersPropertyCasualty/ Constitution State Services
- Wausau Insurance Companies

2:30 PM
CONCURRENT SESSIONS: A OR B

Session A:
ALTERNATIVE DISPUTE RESOLUTION

Moderator:
Duncan Ballantyne
Senior Analyst
Workers Compensation Research Institute

Ed Zutler
Vice President, Integrated Benefits
AIG

Pat McGinn
Senior Business Representative
Regional Council of Carpenters

Mike Massey
Assistant Executive Director
Piping Industry Progress and Education Trust Fund

Session B:
ARE YOU USING THE RIGHT REPORT CARD?

Moderator:
Peter F. Rousmaniere
President
Rousmaniere Designs

Nicholas J. Lannutti
Senior Vice President, Corporate Actuary
National Council on Compensation Insurance Inc.

Alex Swedlow
Research Consultant
California Workers Compensation Institute

Eloise Lincicum
International Workers Compensation/ Employers' Liability Manager
Apple Computer Inc.

Fred Scardellette
Vice President, Information Management Services
Intracorp

3:30 PM
TABLE-TOP EXHIBITS REFRESHMENTS
Hosted by: Wausau Insurance Companies

4:00 PM
CONCURRENT SESSIONS: C OR D

Session C:
FUNDING MECHANISMS

Moderator:
Jeffrey W. Pettegrew
Vice President
Insurance and Risk Management
Western Staff Services

Robert B. Hill
President
Professional Underwriters

Darin R. Haines
Manager, COSE Workers Compensation Program
Greater Cleveland Growth Association

John R. Keenan
Chief Executive Officer
Keenan & Associates

Session D:
EVALUATING ERGONOMICS PROGRAMS

Moderator:
Alexandra R. Charish
President
Charish Ergonomics Inc.

Soha Sadek, Ph.D.
Ergonomist Consultant
Applied Risk Management Inc.

Sam Fulginiti
Risk Manager
Godiva Chocolatier

5:00 PM
COCKTAIL RECEPTION
Hosted by: GENEX Services Inc.

WEDNESDAY, OCTOBER 28

7:45 AM
CONTINENTAL BREAKFAST
Hosted by: TravelersPropertyCasualty/ Constitution State Services

9:00 AM
KEYS TO RESPONSIVE RETURN-TO-WORK PROGRAMS

Moderator:
Dr. Thorv Hesselund
Director of Vocational Programs
Paradigm Health Corporation

Jean M. Long, RN, COHN, CCM
Manager, Loss Control
Fireman's Fund Insurance Company

Clifton Matsuno
Administrator for Rehabilitation Services
Pretect Physical Therapy

Marshall Sherman
Director, Risk Management
Aramark Corporation

Soraya M. Wright
Corporate Risk Manager
The Clorox Company

John J. Larkin Jr., M.D.
Vice President, Clinical Affairs
Integra Group

10:00 AM
TABLE-TOP EXHIBITS REFRESHMENTS
Hosted by: Specialty Risk Services/The Hartford

10:30 AM
DOING WHAT'S BEST FOR THE WORKER: CAUGHT BETWEEN THE EMPLOYER, THE TPA, INSURANCE COMPANY AND THE OCCUPATIONAL HEALTH PROVIDER

Moderator:
Stephen M. Holcomb
Senior Vice President
Specialty Risk Services/The Hartford

Panelists:
Leo Costantino
Workers Compensation Manager
UCLA

Jerry L. Thomas
Managing Director, Workers Compensation
American Airlines/AMR Corp.

Maria Bayne
President
Bayne Consulting Group Ltd.

11:30 AM
WORKERS COMPENSATION INSURANCE FRAUD: SPECIFIC STEPS AND SOLUTIONS TO COMBATING FRAUD

Moderator:
Dominic Dugo
San Diego County District Attorney

William Kizorek
President
InPhoto Surveillance

Jeff Nale, Esq.
Bello, Tade & Nale

Kevin Saucier, R.S.A., REA
Director of Environmental, Health and Safety
Guess? Inc.

12:30 PM
LUNCHEON
Hosted by: AIG American Home Assurance/ Specialty Workers Compensation

1:30 PM
LUNCHEON SPEAKER
Jerry L. Thomas
Managing Director, Workers Compensation
American Airlines/AMR Corp.

THE AMERICAN AIRLINES SUCCESS STORY; BEST PRACTICES AND LESSONS LEARNED

2:00 PM
BREAK

2:15 PM
LOW BACK TREATMENT GUIDELINES

Moderator:
Edward C. Woodward
President
California Workers Compensation Institute

Nancy Geedey, RNC, CCM
Director, Case Management
Managed Care USA Services

Michael D. Roback, M.D.
Diplomate, American Board of Orthopaedic Surgery
Industrial Medical Council of California

3:15 PM
CONFERENCE ADJOURNS

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"Everything you included on the agenda was interesting and informative."
Sam Fulginiti • *Risk Manager* • GODIVA CHOCOLATIER

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❑ **Please forward information about table-top exhibits, or call Julie Tarsi at IBF (516) 594-3000, ext. 14**

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INTERNATIONAL

Global Briefs

The **People's Insurance Co. of China** will be disbanded as part of insurance reforms in China. Three PICC units—property, life and reinsurance—are expected to become independent companies, operating under a state insurance regulatory commission. . . .**Zurich Financial Services**, the new company being created by the merger of Swiss insurer Zurich Group and the financial services business of B.A.T Industries P.L.C. (*BI*, Aug. 3), is expected to start officially operating as a new entity Sept. 7. Both Zurich and B.A.T expect all necessary regulatory approvals to be met before then. . . .About one in four **Lloyd's of London syndicates** will record losses on their 1998 and 1999 years of account, according to syndicate analysis by Moody's Investors Service. About one-third of syndicates forecast to make profits of less than 5% of capacity. "Many of these could easily move into the red if a serious catastrophe loss impacts Lloyd's," said Mark Hewlett, managing director of Moody's European property/casualty and reinsurance division. Assuming a "normal" incidence of loss, Moody's is forecasting an overall Lloyd's global profit of between 1.9% and 2.8% of capacity in 1998 and 1999. Lloyd's 1998 capacity is £10.13 billion ($16.71 billion). . . .A total of £231.8 million ($379.6 million) of **Lloyd's market capacity** for 1999 was successfully auctioned last week. The auction was the fourth in a series of six being held in London from July to September to raise syndicate capacity for Lloyd's 1999 underwriting year (*BI*, July 20). . . .Jean-Paul Lasserre has been appointed executive vp of Paris-based **Caisse Centrale de Reassurances**. Mr. Lasserre most recently was general manager of French reinsurer SOREMA and previously worked for French reinsurer SCOR in Paris and Toronto. . . .The **London P&I Club**, a protection and indemnity mutual insurer for shipowners, said its latest financial results justify its continued conservative underwriting policy. The club's 1997-1998 annual report shows a 15% increase in returns on investment, total assets of $447 million, up 10%, and accumulated reserves of $127 million, up 23%. Chairman John Lyras said the P&I club continues to turn away the majority of business offered to it, instead focusing on well-established shipowners operating in bulk trades from major shipping centers. . . .Estonian insurer **Nordika Insurance Ltd.** has sold 30% of its capital to investment funds managed by Scottish investment manager Hodgson Martin Ltd. The funds have invested $2 million in Nordika and, depending on the insurer's performance, will make another $1 million investment in a year's time. Alan Hodgson, managing director of Hodgson Martin, said Estonia's financial sector has had difficulties but that there are still exciting growth opportunities. . . .Australian life insurer **Colonial Ltd.** has acquired the Australian and New Zealand life business of U.K.-based insurer Prudential Ltd. for $1.35 billion Australian ($762.5 million). The purchase will make Colonial the second-largest life insurer and fourth-largest fund manager in Australia and New Zealand. . . .A Lloyd's of London disciplinary tribunal has banned and fined **Michael Cowie**, former managing director of the aviation division of Bain Hogg International Ltd., for alleged embezzlement. Between 1987 and 1996, Mr. Cowie channeled premiums totaling at least $500,000 from French insurer Groupe d'Interet Economique Aviafrance through a third-party commission account to private bank accounts belonging to an Aviafrance executive, according to the tribunal. In return, Mr. Cowie received payments totaling at least $100,000, the tribunal charged. Bain Hogg fired Mr. Cowie on Nov. 8, 1996, after learning of the payments. He has since repaid the money plus interest. Lloyd's has fined Mr. Cowie £80,000 ($131,000) and ordered him to pay costs of £17,578 ($28,787). Details relating to the case have been passed to the City of London Police.

No panicking over Russia

Little exposure for most foreign insurers, though domestic shakeup expected

By MARIA KIELMAS

MOSCOW—Insurers and brokers dealing with Russia are keeping a cool head amid the deepening crisis following the ruble devaluation, a debt moratorium and the firing of Prime Minister Sergei Kiriyenko.

"We are not doing anything drastic, like telling our clients to hold off," said Simon Gibbon, head of country risk at London-based credit insurer Trade Indemnity P.L.C.

Most foreign insurers and reinsurers have a limited exposure to Russia relative to their business with other emerging markets. Nevertheless, Mr. Gibbon said, the political upheaval, including the reinstatement of Viktor Chernomyrdin as prime minister, the incorporation of industrial and financial vested interests into the government, the lack of effective government and the lowered confidence of foreign investors, will have long-term consequences to everyone in business and the rest of Russian society.

The crisis in Russia coincides with a big shake-up in the domestic insurance sector. After Jan. 1, 1999, the capitalization requirement for insurance companies will rise to between 3 million and 5 million rubles ($381,600 and $636,000 as of Aug. 25 exchange rate) from 100,000 rubles ($12,720), depending on the line of business.

This is likely to prompt consolidation within the domestic insurance sector, cutting the number of companies to around 500 from an estimated 2,500 today, predicted Anatoly Zlubin, formerly first vp of state reinsurer Ingosstrakh and now an adviser to Aon Corp. in Moscow.

Ingosstrakh is likely to take a number of troubled domestic insurers under its wing, Mr. Zlubin said.

On Aug. 17, former Prime Minister Kiriyenko and Central Bank President Sergei Dubinin announced:

• The ruble would be allowed to float within a band between 6.0 and 9.5 rubles to the U.S. dollar, prompting a rapid devaluation. Previously, the band was 5.7 to 7.13

See **Russia** *on next page*



PHOTO: AFP

Devaluation of the ruble is causing currency exchange losses for Russian businesses.

Expenses, claims hit MMI, GIO results

By YVETTE HIGGINS

SYDNEY, Australia—A surge in losses and higher expenses have led to losses for two large Australian insurers, and one plans to raise capital to restore its balance sheet.

Sydney-based MMI Ltd. last week announced a $119.3 million Australian ($67.4 million) aftertax loss for the fiscal year ending June 30, which MMI Chairman John Curtis said was because "a combination of negative events occurred in one year."

The insurer subsequently announced a share issue to raise $150 million Australian ($86.4 million) to help restore its balance sheet. Although MMI remains within regulatory solvency requirements, the company was unhappy with its internal solvency level following the loss. For the year ending June 30, 1997, MMI reported a year-end profit of $42.2 million Australian ($24.3 million).

MMI Ltd. is not affiliated with Deerfield, Ill.-based insurer MMI Cos. Inc.

Earlier this month, Sydney-based GIO Australia Ltd. recorded an aftertax loss of $27 million Australian ($15.2 million) for the year to June 30, after seeing substantial losses from reinsurance, property/casualty and workers compensation. For the previous fiscal year, GIO Australia Ltd. recorded a net profit of $222.4 million Australian ($125.6 million).

Last week, GIO's board rejected a $3.01 billion Australian ($1.70 billion) takeover bid from Australia's largest life insurer, AMP Ltd. (see story, page 59).

MMI Ltd. attributed its losses to a combination of unfavorable market conditions across most market segments, reduced investment results, adverse Asian economies and the high cost of building its personal insurance telephone marketing program, DirecDial. In a statement, MMI said the start-up costs of DirecDial, which had

See **Losses** *on page 59*

E.U. initiative helps countries enforce environmental laws

By DON LEWIS KIRK

Complying with stricter environmental regulations ultimately will benefit businesses in Central and Eastern Europe, say two environmental officials who are pushing for tougher enforcement of existing pollution laws.

The full impact of environmental laws on businesses in Central and Eastern European countries may hinge on how well those countries tackle enforcement, said Rob Glaser, a Dutch state environment inspector and an adviser for the initiative.

A new European Union initiative to encourage enforcement of environmental rules, dubbed AC-IMPEL, is geared to help participating Central and Eastern European countries monitor, inspect and apply sanctions.

Despite the many changes that members of the AC-IMPEL initiative hope to bring about, Mr. Glaser is convinced that the better enforcement will benefit industry.

"Policy changes are an essential part of doing business, and companies must be prepared for them. For image reasons and economic reasons, pollution control is good business," he said.

Enforcement is where more effort is needed, Mr. Glaser said.

"Generally, we can say most Central and Eastern European countries have environ-

See **Laws** *on next page*

Few flood losses insured



PHOTOS: AFP

Severe flooding along China's Yangtze River this summer has caused at least 3,000 deaths, displaced more than 1million people and forced thousands of businesses to shut down. A broken dike, at top, led to the flooding of China's main oil fields. Munich Reinsurance Co. estimates the total insured flood loss at $400 million, compared with economic damage of about $25 billion. Most of the coverage was placed within China.

Russia

Continued from page 57
rubles to the U.S. dollar.

- Trade in treasury bills, known as GKOs, and government bonds, known as OFZs, would be halted.
- A 90-day moratorium would be instituted on some repayments of foreign debt, including repayments of commercial bank loans.
- Temporary restrictions would be placed on foreign exchange operations by Russian residents.

The immediate impact on local insurance companies was an increase in reinsurance costs and doubts about when premiums could be paid.

"It will be mostly a problem of foreign exchange for local Russian companies, who have to pay more rubles," said Victor Tarasov, Moscow office head of broker J&H Marsh & McLennan.

Domestic Russian insurers typically have collected premiums from their clients in rubles, exchanged these immediately into dollars and paid their reinsurance premiums via the brokers, Mr. Tarasov explained.

But that process can take five days or more, resulting in big losses for insurers and brokers alike in times of currency turbulence, Aon's Mr. Zlubin noted. "Let's say 10 days ago our clients received insurance premiums from their insureds at a rate of 6.2 rubles to the dollar. They paid us within five days, when the rate was 7.0 rubles to the dollar. Now we have to buy dollars to pay for their reinsurance at a rate of 7.7 to the dollar (as of Aug. 25). We lose, our brokerage and the insurance companies lose, too," Mr. Zlubin said.

But the local insurance companies have little clout when buying dollars, even though in most cases they are affiliates of large banks, noted Peter Muller, director of business at the Moscow office of Munich Reinsurance Co. The halt to trading in government debt instruments such as GKOs and OFZs has hit insurance companies' claims-paying abilities. Russian insurance regulations stipulate that local insurers keep most of their reserves in GKOs, said Mr. Muller. Until the new government publishes its regulations for holding and/or selling government debt, the insurance sector has little idea of how to proceed.

Rudolf Shuravin, deputy chairman of Ingosstrakh in Moscow, said the Russian insurer so far has not been directly affected by the currency crisis because the insurer keeps much of its funds outside Russia. Ingosstrakh also receives most of its premiums in dollars on cargo, aviation and hull coverage, he said.

Ingosstrakh is expecting to absorb some of the smaller Russian insurers, "but only those with a good client base. It depends on the situation," Mr. Shuravin said. "If Russian companies collapse, this will mean a substantial increase in business for Ingosstrakh."

During a period of currency instability, Western companies that have joint ventures with Russian partners in Russia must be very careful how they draw up their joint venture contracts or joint operating agreements to reflect which partner is in charge of insurance premium payments and which receives claims compensation, said Mark Benjamin, associate director of non-marine reinsurance at Aon Corp. in London.

This is because of difficulties in transferring premium payments from Russia to the West and the question of which partner receives the claims compensation.

"Some contracts don't even refer to insurance, and then it's every man for himself. The contract itself could be shaky, and we try to avoid that," Mr. Benjamin said.

If the Western partner bears the lion's share of the capital investment, then that partner could ensure that it pays the insurance premiums and receives the claims. But companies must be careful on two points, noted Mr. Benjamin. They must not impinge on local regulations that do not permit non-admitted policies—those written by companies not registered in Russia, and they must not expose themselves to currency fluctuations in an unstable economy.

"There is a subtle difference between this and saying you don't trust your Russian partner, but you have to do it," said Mr. Benjamin.

On the political risk insurance side, Germany's Hermes Kreditversicherung has a total exposure of 3.65 billion deutsche marks ($2.03 billion) in short-term trade-related insurance coverage in Russia, a company spokesman said. For its medium- and long-term insurance, Hermes stipulated a ceiling of 1.5 billion deutsche marks ($833.3 million) for 1998. The trade insurance is not included in this ceiling, the spokesman said. He was unable to confirm figures for Hermes' guarantees to German commercial banks.

Hermes has insured trade with Russia on the receipt of a guarantee from Russian private sector banks such as SBS Agro and the International Moscow Bank. Now that the banks are facing a liquidity crunch, Hermes is considering asking for government guarantees on new business.

Hermes' future policy toward Russia was expected to be decided at a ministerial meeting scheduled last week, the spokesman said. The outcome will be announced today, he said.

According to German government sources, German commercial banks have a total of 55 billion deutsche marks ($30.55 billion) in loan exposure in Russia. Of this, 80% to 90% is covered by Hermes, said Jean Sassus, banking analyst at London-based stockbroker SG Securities. Compared with the 1997 German gross domestic product of 3.80 trillion deutsche marks ($2.11 trillion), Hermes' exposure to Russia represents about 1.2% of German GDP, he added.

But Mr. Sassus noted that most of this exposure represents either old rescheduled foreign debts of the former Soviet Union or project loans to joint ventures in Russia involving German companies and with the guarantee of the German state. The losses are not a result of banks being rash in their lending, he said. "You are lending money to clients with a minimum of risk. German banks have not been stupid lending to Russian companies," said Mr. Sassus.

Trade Indemnity's Mr. Gibbon said, "No one with any sense would bet their farm on Russia."

The British, French and Italian state political risk insurers have little new exposure to Russia. But Italy's Sezione Speciale per l'Assicurazione del Credito all'Espotazione, or Sace, has about 10.60 trillion lire ($5.97 billion) of exposure to Russia, virtually all of it rescheduled debt of the former Soviet Union that had been assumed by Russia, said Pascuale Petrella, deputy managing director in charge of insurance at Sace.

"We are following the situation but have not taken any new decisions. They (the Russian government) have assured us they will keep up with the payments," Mr. Petrella said. No new risk assessment committee meetings are planned to discuss the Russian situation. In contrast to Hermes, Sace has insured loans on projects involving only the Russian public sector, not the private sector. "We were going to think about covering the private sector, but now we will think very carefully," Mr. Petrella said.

Paris-based Coface also has little exposure other than rescheduled Soviet-era debt, a company spokesman said. Coface also demands a sovereign guarantee to cover short- and medium-term risks to Russia. Existing debt payments have been made on time by Russia, with the last payment Aug. 20, the Coface official said. He declined, however, to give figures for Coface's total exposure to Russia or its limits on coverage.

British state insurer Export Credit Guarantee Department also demands a government guarantee before granting coverage to Russia. But the demand for existing insurance has been almost non-existent. Following a visit to Russia last year by British Prime Minister Tony Blair, the ECGD granted an extra £500 million ($819.8 million) of capacity for insurance of Russian projects involving British companies. None of this extra coverage has been used, the ECGD spokesman said. "It's not a question of being able to pick and choose what to support; it's just a question of the demand not being there," he said.

Lloyd's of London underwriters also have seen little business go to Russia.

"We are not seeing too much demand. But our view is pretty negative at the moment," said Geoffrey Lynch, head of political risk at the Wellington Underwriting Agencies Ltd. Wellington has insured prepayments on hard commodities such as oil and metals. Since these are short-term deals and cover terms shorter than the 90 days stipulated in the Russian debt moratorium, Mr. Lynch believes Wellington syndicates are unlikely to face claims immediately from the crisis.

Trade Indemnity's Mr. Gibbon echoes this. "The business we are doing is trade finance-related and all under 180 days. In direct terms, we should not be affected," he said.

Munich Re's Mr. Muller stressed that his company is committed to Russia for the long term. BI

Laws

Continued from page 57
mental laws in place. The question now is really how committed the countries are to enforcement. It must be a top-down priority."

"It's one thing to have a law, and another to enforce it," Mr. Glaser said. "While most Central and Eastern European countries have environmental legislation and inspection systems in place, enforcement is not the best."

"Fear is growing that the CEE countries could dump goods they produce cheaply because they do not adhere to environmental protection," said Mr. Glaser, adding that enforcement pressure is needed.

Should companies fear change? Eckart Meyer-Rutz, a German IMPEL representative and an official of the German Environment Ministry, doesn't think so.

"Changes like this are sometimes difficult, but experience shows industry does well if changes come step by step and are fair and equal," he observed.

Mr. Meyer-Rutz pointed out that while new rules and legal precedents in the European Union have strengthened environmental liability, enforcement actually varies depending on national policy needs. "Some countries, such as Greece and Portugal, have lax enforcement compared to Germany," he said.

AC-IMPEL is an outgrowth of the European Union's own network, established in 1992, which has helped advance enforcement of European Commission environmental regulation in member states. Since its inception, the European Network for the Implementation and Enforcement of Environmental Law—known as IMPEL—has been a key factor in promoting the enforcement of industrial waste management laws.

IMPEL is a network of 15 representatives from 15 regulatory authorities of E.U. member states plus one European Commission representative. The network promotes exchange between E.U. member states at general meetings, where the representatives advise each other on ways to inspect, monitor and enforce environmental laws.

To help solve the enforcement problem, the European Union established AC-IMPEL on Jan. 19, 1997. It is a network of regulatory authorities for accession states—countries slated to enter the European Union. AC-IMPEL advises Eastern European countries in the transposition, implementation and enforcement of E.U. legislation. All 10 accession states are members. The first working group includes representatives from the Czech Republic, Lithuania, Poland and the European Commission.

In February, Mr. Glaser met for the first time with a working group in Szentendre, Hungary, to help define the role and scope of AC-IMPEL. Areas AC-IMPEL is particularly interested in include hazardous substances, solid waste, and water and air pollution.

AC-IMPEL also is working on promoting conditions for environmental inspections, which, in some cases, have not been defined; there is no obligation for authorities to carry out checks regularly. Authorities in countries including Hungary, Poland and Slovenia are not yet required to draw up waste management plans—even with respect to hazardous waste.

Another concern is that water laws in Hungary often do not contain any systematic plans for continuing improvement of water quality, as stipulated by the European Union AC-IMPEL could speed up programs with practical measures to improve the quality of water.

"If experience in the European Union is any indication, AC-IMPEL will shift priorities in Central and Eastern European countries," said Mr. Meyer-Rutz. "Today, E.U. legislation affects essentially all aspects of industrial life," he said. "If a tannery wants to operate in the European Union, it must obey E.U. regulations."

For that very reason, Mr. Meyer-Rutz said the transition will not be easy. "If our experience with dirty sites in East Germany is any indication, it's going to require some tough decisions. Basically, countries must recognize that former state-owned factories are not holy," he said.

Enforcement is a constant process, said Mr. Meyer-Rutz, and often more important in Central and Eastern European countries, where the process of enforcement is weaker despite environmental laws that are sometimes more advanced than those of some E.U. countries.

Since 1989, the Czech Republic has enacted far-reaching legislation, including the Clean Air Act and the Waste Management Act. The standards of the Waste Management Act are as much as two times more stringent than those in the advanced states of the European Union. Czech companies are strictly liable for damage to the environment.

In Poland, the Law on Protection and Formation of the Environment, passed in 1980, established penal or administrative sanctions, generally in the form of fines paid to government funds, for the protection of the environment. Poland has strict liability for heavy and light industries, including chemical and pharmaceutical manufacturers, steel and consumer goods manufacturers.

In Hungary, many ecological directives are closer to E.U. standards than are the regulations of some of the European Union's member states. For example, the 1995 Environmental Protection Act compels companies to use "precaution" as a fundamental basis for environmental protection, and liability regulations provide that the "polluter pays." The pollutant content of the air is governed by limits laid down by the European Union.

By comparison, the E.U. executive body only last year began the legislative processes to introduce strict liability, with polluter pays principles that grant plaintiffs more lenient criteria of proof.

In at least one country, Hungary, regulations on hazardous substances apply only to toxic materials. If the European Union's wider definition of hazardous substances is adopted, regulations will also affect packaging and labeling, risk analysis and good laboratory practices. BI

Captive offers cover

OSLO, Norway—Norwegian captive insurer Norsk Energiverk Forsikring plans to launch a special policy to protect hydroelectric power companies from losses due to drought.

"The dry-year policy will be tied to the energy company's profits in relation to rainfall recorded during the year covered by the policy," said NEF Chief Executive Officer Knut Odegaard. "If profits differ greatly from the profits during a year with normal rainfall, we will cover the additional cost."

The coverage, NEF's first venture into third-party business, will be triggered if profits decline by 20%, and all claims are subject to an independent audit.

Power companies usually sell electricity on futures contracts. However, in an unusually dry year, hydro plants may be unable to deliver enough power to meet the power company's promise. In such an event, the power company may have to buy replacement electricity, either from other power producers or the spot energy market. NEF's policy will cover the cost of buying additional power.

Mr. Odegaard said the insurer expects to write the first policies by year end. "We hope to have the details ready by the end of August. We will then begin marketing the new policies during the autumn.'

NEF was created in 1995 as an Oslo-based captive of power producer Norsk Energiverk.

—By Gerard O'Dwyer

Losses

Continued from page 57

just recorded its first full year of operation, were significant and expected to continue for several years.

DirecDial recorded an operating loss of $16 million Australian ($9.2 million) for the fiscal year ended June 30, and MMI wrote off $10.3 million Australian ($5.9 million) n start-up costs.

The statement said MMI received $69 million Australian ($39.8 million) less in investment income than the previous year, because of declines in interest rates and Australian stocks.

Mr. Curtis said extreme price competition had continued in commercial lines, with average rates in various classes falling by approximately 10% in the last year.

MMI's workers compensation premiums for the year was down $28.5 million Australian ($16.4 million) and was consistent with other insurers' experiences, he said.

A dramatic increase in common-law claims in Western Australia, because of changes to legislation in 1993 which allowed injured workers to sue their employers if they suffered an economic loss of more than $104,000 Australian, contributed to the loss. The Western Australia Government has drafted legislation designed to limit common-law claims but it has not been passed yet. The rise in claims occurred this year due to their long-tail nature, an MMI spokesman said.

Not counting the exceptional items, which included workers comp claims, DirecDial costs and restructuring expenses, MMI would have had a $40 million Australian ($22.6 million) pretax loss.

MMI filed Aug. 25 with the Australian Securities & Investments Commission to float a revocable rights issue to raise approximately $150 million Australian. MMI plans to use the capital meet its internal minimum solvency benchmark and replace the reduction in shareholders' funds caused by the loss. Australian insurance regulators did not take any action on MMI as the company continued to meet regulatory solvency requirements.

'Most of these reinsurance losses can't be attributed to bad luck,' says GIO's Nick Steffey.

Nick Steffey, GIO Ltd. chief executive officer, said GIO Ltd.'s $189 million Australian ($106.7 million) pretax loss for the latest fiscal year in reinsurance resulted from a rise in claims, particularly aviation, and the implementation of a more conservative approach to reporting profit.

Air crashes involving Korean Air, Federal Express, Silk Air and China Air in 1997 contributed to aviation hull and liability losses of $60 million Australian and other aviation losses totaled $125 million Australian ($70.6 million), he said.

Canadian ice storms were primarily responsible for property catastrophe losses totaling $9 million Australian ($5.1 million).

"Most of these reinsurance losses can't be attributed to bad luck," Mr. Steffey said. "They are due to poor underwriting in reinsurance business."

But Brian Crews, national president of the Assn. of Risk & Insurance Managers of Australasia Ltd., said he was "not overly concerned" about either company's losses because they were not indicative of the entire market's performance.

Mr. Crews said GIO's and MMI's poor results were probably caused by the soft market, and poor results may be the turning point in the insurance cycle.

"I don't feel there is a need to raise the alarm bells," Mr. Crews said. "There is a lot of consolidation in the market and I don't expect to see (the losses) as a trend." BI

AMP's $2 billion bid rebuffed by GIO

SYDNEY, Australia—A proposed $3.01 billion Australian ($2.0 billion) takeover of GIO Australia Holdings Ltd. by AMP Ltd. would create Australia's largest commercial non-life insurer.

Sydney, Australia-based AMP last week announced the takeover bid for GIO Australia Holdings, but GIO's board of directors urged shareholders to reject the offer, calling it "unwelcome and clearly inadequate."

AMP's stock transaction would give GIO shareholders two AMP shares for nine GIO shares.

If successful, the acquisition would increase AMP's annual premium volume to about $1 billion Australian ($564.8 million) a year. AMP already is Australia's largest life insurance company. Its non-life operations rank 11th among the nation's non-life insurers.

GIO shareholders will decide next month whether to accept the offer.

George Trumbull, AMP Ltd. chief executive officer, said AMP's plans call for combining the property/casualty and financial services businesses of both companies to realize substantial cost savings.

GIO reported a $27 million Australian ($15.3 million) loss in its fiscal year-end results, stemming mainly from large losses in its reinsurance division. AMP said it would review GIO's reinsurance operations for possible sale, if the takeover bid succeeds.

—By Yvette Higgins

Allianz embarking on acquisition trail

MUNICH, Germany—German insurance giant Allianz A.G. Holding is targeting the United Kingdom and Asia-Pacific region for expansion.

Allianz Chief Executive Officer Henning Schulte-Noelle announced a series of measures in July to boost the insurer's capital by 100 million deutsche marks ($56 million) to facilitate acquisitions.

Mr. Schulte-Noelle said Allianz wants to consolidate its U.K. presence by buying up additional insurers. Currently, the company's U.K. premium volume is about 3.4 billion deutsche marks ($1.9 billion).

A spokeswoman said that the company would like to have a more significant presence in the U.K. market and is seeking a "good opportunity." Allianz already owns several U.K. insurers, including London-based Cornhill Insurance P.L.C.

By the year 2000, Allianz also plans a "big acquisition" in Asia, according to Michael Diekmann, the company's manager for the Asia-Pacific region. The acquisition will help Allianz fulfill its plans to derive 3% of its premium volume from Asia by then. Currently, Asia provides 682 million deutsche marks ($382 million), or 0.8%, of Allianz's total premium volume. Mr. Diekmann said the company is looking primarily at life insurance companies in Taiwan, South Korea and Japan.

Allianz's ambitious acquisition plans call for an increase in overall premium volume to 100 billion deutsche marks ($56 billion) by the year 2000 from 85.3 billion deutsche marks ($47.8 billion) in 1997. The company will exceed that goal this year once Allianz consolidates its acquisition of Paris-based Assurances Generales de France. AGF's 1998 premium volume is estimated to be 26 billion deutsche marks ($14.6 billion).

Europe's largest insurer expects record profits of more than 3 billion deutsche marks ($1.7 billion) in 1998, up from 2.6 billion deutsche marks ($1.5 billion) last year.

Allianz has "a strong basis for the planned expansion," said Mr. Schulte-Noelle. The insurer, which trades its stock on the German market, was listed on the Paris exchange as of June 12, and it plans to be listed on the New York Stock Exchange within two years. Allianz wants to "make its stock better known in other international markets," he said. The move will give the company access to more capital for further acquisitions.

—By Don Lewis Kirk



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Tenure

Continued from page 2

figure, covering the 1995-97 period, is 14.6 years.

The study analyzed the employment records of 51 midsize and large companies for the beginning and the end of a five-year period running from the early through the later 1990s. The starting points for the analysis of the company records differed, ranging from 1990 to 1992. The size of companies in the study ranged from 1,000 employees to nearly 200,000 workers.

Tenure was particularly affected and driven by age, said Mr. Schieber. "Older people tend to stay in their jobs longer," he said. So, "age and tenure tend to go up together."

More importantly, both factors influence the costs of benefit plans, Mr. Schieber said. "Older people use more health care benefits than younger people; older people contribute more to 401(k) plans that the employer matches," he said. The older the workforce and the longer their tenure, the higher the benefit costs, especially for health care, pension and 401(k) plans, he said.

Because the rising benefit costs conflict with the goal of retaining long-serving, experienced employees, companies must weigh benefit costs against tenure, evaluate both against the backdrop of their business strategies and potentially introduce changes, Mr. Schieber said. "Many companies could keep people longer" in a more cost-effective way, he said.

At the moment, for example, high-tech companies need "young, cutting-edge, absolutely current people," he said. "They don't want to tie up people for long. But this might change in the next century, when the workforce will grow more slowly."

If a company moves to a new business strategy, benefits then should be restructured in a way that makes them effective in retaining more people, Mr. Schieber said.

Benefit managers described different approaches in weighing the retention of longtime employees against the bigger burden on the benefits plans

AT&T Corp. had reduced average job tenure through its downsizing efforts in the 1990s, said George Fromme, the company's director of benefits planning in Morristown, N.J. Offering employees voluntary packages to leave the company AT&T knew it would "lose some experience," he said. "But we had to get rid of the head count." Also, "we were losing experience, but some (of that) was from the 'old world.' We need people from the 'new world.' It was a business decision," Mr. Fromme said.

Benefit costs did not drive the downsizing of Brentwood, Tenn.-based Murray Inc. in the early 1990s, said Russell Woodyard, vp-human resources. Although the company offered two early retirement programs as part of its downsizing, "the age of people has never been a consideration," he said. Rather, Murray pursued the goal of taking out specific layers of management, he said. Long-term employees cost more through higher salaries and their use of benefits that is "more than the average, maybe, but there is no substitute for (their) know-how and work ethic," Mr. Woodyard said.

Neither Mr. Woodyard nor Kenneth Pederson, global process leader for staffing and selection at Midland, Mich.-based Dow Chemical Co., analyzed the effects of age and tenure on their benefit programs.

Dow has progressively downsized over the past five years, but "we have a stated preference (by the chief executive officer) to have long-term employment relationships," Mr. Pederson said. One of the reasons was the nature of the industry, he said.

"Our kind of business takes a while to learn and become effective. . . .We spend quite a lot on employee development and training, and the returns on the investments are substantial," he said.

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Free single copies of the study, "Have Jobs Become Less Stable in the 1990s?" are available by calling Watson Wyatt Worldwide at 800-388-9868.

Swaps

Continued from page 2

the amount by which the individual trigger is exceeded. On the other hand, if the company's losses do not exceed its trigger but the industry loss trigger is exceeded, the company will pay Swiss Re an amount determined by a formula.

"If the losses from neither side exceed the trigger, then nothing happens," explained Gail Belonsky, director at Swiss Re New Markets in New York, an alternative risk transfer unit of Swiss Re. Swiss Re New Markets put the deal together, but Zurich, Switzerland-based European Re, another Swiss Re unit, will assume the risk.

If both the company's and industry's losses exceed their respective triggers, the two reinsurers will pay each other, possibly resulting in a wash.

An advantage the deal offers the reinsurer is a lower premium than a standard catastrophe reinsurance program.

Ms. Belonsky said she is unaware of any other transactions similar to this one. In this deal, Swiss Re looks to the New York reinsurer for payment if industry losses exceed their trigger, but in the future Swiss Re could also look to other reinsurers or to the capital markets, Ms. Belonsky said.

Joining the two parts of the transaction into one deal is "definitely not common," said Tony Rettino, director of Aon Capital Markets in Chicago.

Mr. Rettino added that this type of transaction, where capital market concepts are applied to reinsurance, will grow in popularity in the future. "Certainly, we are seeing a broad application of the capital market concepts in the reinsurance markets," he said.

Donald Watson, director and head of the global reinsurance group at Standard & Poor's Corp. in New York, said, "It's a neat strategy for hedging your risk." He added, "This allows (reinsurers) to provide cat protection at a cheaper price."

Bringing in the capital markets will take some time, "but this type of transaction can make it easier to be done in the future," Mr. Watson said. BI

HMO access woes studied

SACRAMENTO, Calif.—Ignorance is the primary reason patients and doctors criticize health maintenance organizations for not providing easier access to specialists.

Many HMO patients don't know how to gain access to specialists, don't always know when referrals are appropriate and don't know how to appeal if they have trouble getting referrals. And many physicians don't adequately explain the referral process to patients because they themselves don't understand how it works.

Those were some of the findings of Consumer Health Access, a joint research project that seeks ways to give patients easier, more appropriate access to specialists without increasing HMO premiums.

Researchers concluded that the problem is two-sided: Patients are frustrated because they think the referral process takes too long, and doctors are frustrated because they think their patients have unrealistic expectations as to whether referrals really are needed. Doctors add that many patients don't understand the turnaround time in getting non-emergency appointments with busy specialists, who may be booked up weeks in advance.

"There has been a lot of criticism of the way HMOs provide access to specialists," said Kurato Shimada, a board member of California Public Employees Retirement System, one of the sponsors of the research project. "But so far as we know, this is the first time any major, professional study has tried to find out precisely what the problems are, why they are occurring, and how to solve them."

The findings are the result of Phase One of the research project, which consisted of telephone surveys and focus groups to find out what problems patients and physicians are encountering.

While more than two-thirds of the patients participating in the telephone surveys and focus groups said they were satisfied with their HMOs, one-third said they have had problems with referrals to specialists.

Phase Two, now under way, will attempt to identify possible solutions to the problems uncovered by Phase One. Phase Three, which could take another year to complete and will start after completion of Phase Two, involves implementation of some of the proposed solutions in a pilot project. Phase Four will measure and evaluate how well those solutions work and will recommend best practices that will be disseminated to health care organizations throughout the nation.

No firm date has been set for completion of the four-part research project. A full written report on the Phase One findings will be released in late September.

In addition to CalPERS, other participants in the project include Health Net, the HMO arm of Woodland Hills, Calif.-based Health Systems International Corp.; California Health Decisions, a non-profit public education organization based in Orange, Calif.; Alta Bates Medical Group of Berkeley, Calif.; Hill Physicians Medical Group Inc. of Palo Alto, Calif.; Scripps Medical Associates of San Diego; and the Long Beach regional office of Med/Partners Inc. of Birmingham, Ala.

—By Joanne Wojcik

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Lawyers

Continued from page 2

and operates a captive law firm, Berlon & Timmel, that it uses to defend its policyholders.

The trial court's June ruling disqualified Mr. Faber from representing Celina's policyholder and required Celina to stop using staff lawyers rather than counsel hired from professional corporations to defend policyholders. The court also found that CIC, by running its captive law firm, was "engaging in the unauthorized practice of law," and had to stop this practice.

The ruling cited the Professional Corporations Act in Indiana, which allows "one or more attorneys (to) form a professional corporation to render services that may legally be performed only by an attorney." The ruling noted that the state Supreme Court issued a regulation in keeping with that act, which "leads to the inference that non-professional corporations may not practice law."

CIC's captive was found to purport "to be an independent law firm when it is an office for in-house counsel," the ruling stated.

Kentucky and North Carolina have similar laws.

Most insurance policies say the insurer must defend a policyholder against a lawsuit and that the insurers are allowed to choose the lawyers, said Mark Huller, senior counsel and general manager of CIC's legal department-trial division. The trial division is the Berlon & Timmel firm.

Mr. Huller criticized the trial court's decision. "Whether you pay an attorney a salary or hire him from the outside doesn't change anything," he said. "The individual attorney is practicing law, not the insurance company."

The American Insurance Assn., the American International Group Inc., and the National Assn. of Independent Insurers were among many who have filed amicus briefs in support of the insurers.

"The only other way (to defend a policyholder) would be to hire a licensed outside attorney," said Stef Zielezienski, senior counsel for the AIA in Washington. It would be nearly impossible to do that in a cost-effective way that would ensure a hired lawyer's expertise in insurance issues, he said.

'The individual attorney is practicing law, not the insurance company,' says Mark Huller.

But risk managers have showed little concern.

"If we have large claims, we have our own in-house counsel," said David L. Lancey, manager-corporate risk management at Columbus, Ind.-based Arvin Industries Inc., a manufacturer of automotive parts. "We wouldn't rely on the insurance company's attorneys."

Lawrence Cistrelli, director of risk management at Ball State University, said he did not expect the court ruling to affect policyholders.

"I can't see where it would make any difference for a policyholder," he said. Because all lawyers, whether in-house or outside, must follow certain ethics rules, the ruling would not affect the quality of representation, he said.

One risk manager, however, applauded the trial court finding.

"I would be in favor of that (court) ruling," said Coral Hostetler, who is responsible for risk management at The Commodore Corp., a Goshen, Ind.-based manufacturer of mobile homes. "We have an agreement with our insurer that they can't use" their lawyers, he said. While "they have expertise with insurance and liability issues," they do not have expertise in manufacturing, or when it comes to defending a case on its merits, he said.

Kent D. Syverud, dean and Garner Anthony professor at the Vanderbilt University Law School, said he thinks staff counsel are "the most economical way to handle routine insurance cases. It is troublesome to impose one form of economic organization on the delivery of legal services."

The real reason behind legal disputes about staff counsels is a "distrust that they might not exercise independent judgment," but might be controlled by insurers, Mr. Syverud said. "But in most cases, there are no conflicts."

•

Cincinnati Insurance Co. vs. Wills, Indiana Supreme Court, No. 79S00-9808-CV458.

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LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

Petition of Anthony James McMahon and Philip Wedgwood Wallace, as the Foreign Representatives of OSIRIS INSURANCE LIMITED, f/k/a ORION INSURANCE (GENERAL) LIMITED and ORION INSURANCE (GENERAL) PLC,
Subject of a Foreign Proceeding.

In a Proceeding Under Section 304 of the Bankruptcy Code

Case No. 98-B-45518 (SMB)

SUMMONS: TO ALL INSURANCE, REINSURANCE AND RETROCESSION CREDITORS OF THE COMPANY: A petition dated July 31, 1998 (the "Petition") in a case ancillary to a foreign proceeding was filed in the United States Bankruptcy Court for the Southern District of New York, The Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004-1408 (the "Bankruptcy Court"), requesting an order pursuant to 11 U.S.C. § 304 (the "Order") giving full force and effect in the United States to the scheme of arrangement (the "Scheme of Arrangement") dated August 26, 1998 between OSIRIS INSURANCE LIMITED, f/k/a ORION INSURANCE (GENERAL) LIMITED and ORION INSURANCE (GENERAL) PLC ("the Company") and its creditors in respect of insurance, reinsurance and retrocession liabilities (the "Scheme Creditors") and making the Scheme of Arrangement binding on and enforceable against all Scheme Creditors in the United States.

YOU ARE SUMMONED and required to submit to the Clerk of the Bankruptcy Court a motion or answer to the Petition, within 20 days after the service of this summons, at Room 534 of the Bankruptcy Court. At the same time you must also serve a copy of your motion or answer on the petitioners' counsel at the address listed below. If you make a motion, your time to serve an answer is governed by FRBP 1011(c). If you fail to respond to this summons, the Order will be entered.

The foregoing summons is served upon you by publication pursuant to an order of the Honorable Stuart M. Bernstein, United States Bankruptcy Judge, dated August 19, 1998, and filed with the Petition and other papers in the office of the Clerk of the Bankruptcy Court.

PLEASE TAKE NOTICE that copies of the Scheme of Arrangement, together with the related Explanatory Statement dated August 26, 1998, the Summons, the Petition, and a form of the Order are available upon written request to the petitioners' counsel:

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Sub-total	32,154
Associations	286
Government, Unions and Educational Institutions	1,019
Commercial Consumers Sub-total	33,459
Insurance Agents and Brokers	8,083
Insurance Companies	6,933
Accountants, Actuaries, Attorneys & Consultants	2,705
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers	1,578
Others Allied to the Field	757
Total Qualified	53,515
Non-qualified/Paid Subscriptions	14
Single Copy Sales	27
TOTAL CIRCULATION	53,556

★ *Source Business/Occupational breakdown of qualified circulation, November 24, 1997 Issue, as submitted to BPA for December 1997 BPA Publisher's Statement*

M&M

Continued from page 1

an even larger behemoth in the insurance brokerage world, with total 1997 brokerage and consulting revenues of $5.95 billion and roughly 46,000 employees in about 600 offices.

The integrated entity will serve a huge percentage of commercial insurance buyers.

M&M/Sedgwick together accounts for some 33% of the brokerage revenues generated by the Top 100 U.S. brokers, according to *Business Insurance*'s annual survey of agents and brokers (*BI*, July 20). Among the world's 10 largest brokers alone, the combined entity generates 45% of total brokerage revenues. The other megabroker—Aon—draws 30% of the top 10's brokerage revenues, and 23% of the top 100 revenues.

The combined M&M/Sedgwick will retain the J&H Marsh & McLennan name in North America and be known as Sedgwick Marsh & McLennan throughout the rest of the world, with some exceptions based on local languages.

"Our strategy has always been to expand our range and depth of our services," said A.J.C. Smith, chairman and chief executive officer of M&M in New York. "Sedgwick is a company that has professional strength internationally in a way that we think rivals our own and rivals the kind of professional strength J&H in the U.S. brought to us."

John T. Sinnott, CEO of J&H Marsh & McLennan, added that Sedgwick brings to the table a very strong middle-market business, which J&H Marsh & McLennan has been trying to penetrate, and a strong claims management services operation, which J&H Marsh & McLennan has unsuccessfully dabbled in in the past.

Furthermore, Sedgwick adds strength all over the world and compliments many of M&M's specialty businesses in London, Mr. Sinnott said, pointing specifically to credit and political risks, marine, energy and aviation insurance services.

'Our strategy has always been to expand our range and depth of our services.'



—A.J.C. Smith

By joining forces, M&M and Sedgwick will bring clients "extremely high-level and high-quality expertise," Mr. Sinnott said.

"Our clients need the best professional advice they can get. And when you put quality people together and let them use their intellectual capital together, you get a higher level of professional advice," he said.

Sedgwick, which was not shy about its desire to partner with another company, approached M&M regarding a potential merger, said CEO Rob White-Cooper, who will become chairman of Sedgwick Marsh & McLennan upon completion of the deal.

"To drive Sedgwick forward and to invest in the future on behalf of our clients. . .we needed a partner," he said.

After talking with a variety of different firms, including Aon, "M&M was our preferred partner," he said, pointing out that Sedgwick employees liked and had respect for a number of J&H Marsh & McLennan people whom they knew from competing against them and through various joint initiatives.

Under terms of the transaction, which is subject to regulatory approval and other conditions, M&M will pay 225 pence ($3.68) for each Sedgwick share and £11.25 ($18.42) for each American Depositary Share.

Based on Sedgwick's 142.5 pence ($2.33) stock price last Monday, the day before the deal was announced, M&M's offer represents a 58% premium. Sedgwick's stock price hit 212 pence ($3.47) last Friday.



'To drive Sedgwick forward and to invest in the future on behalf of our clients...we needed a partner.'

—Rob White-Cooper

Executives say the deal will strengthen many M&M operations in addition to brokerage services.

The combination of William M. Mercer Cos. L.L.C., an M&M subsidiary and the world's largest benefit consulting firm, with Sedgwick Noble Lowndes will create an even more dominant force in the employee benefit arena (see story, page 63).

Guy Carpenter & Co. Inc., M&M's reinsurance brokerage arm, also will receive a boost from the addition of Sedgwick Re. Combined, however, they are not likely to unseat Aon Re Worldwide from its position as the world's largest reinsurance intermediary.

M&M also will gain Sedgwick Claims Management Services Inc., a leading workers comp claims administrator that was ranked as the third-largest third-party administrator, based on $2.18 billion in claims paid on behalf of self-insurers in 1997 (*BI*, Feb. 16).

While executives at both firms acknowledge there are some redundancies between their global operations, they have yet to determine how many offices will close and how much head count will decrease.

M&M's Mr. Smith, however, said he anticipates a smooth integration.

"We are pretty pleased with the way we put together J&H and M&M," he said. "We expect the same kind of thing to happen with Sedgwick."

Mr. Smith added that he anticipates the Sedgwick deal will yield about $225 million in annual savings for the broker, the same amount in savings that J&H brought to the table.

Sedgwick Chairman Sax Riley will become a director of M&M's board, joining Mr. White-Cooper, upon completion of the deal. Quill Healey, chairman and CEO of Sedgwick Inc. in the United States and vice chairman of the parent company, will become chairman of J&H Marsh & McLennan (Americas), working closely with Robert J. Newhouse III, president of the operation. BI

Clients' views vary on deal, consolidation

By ROSEANNE WHITE

Risk managers have conflicting feelings about the latest in a string of mergers and acquisitions among large brokers.

Many clients of the two companies welcome the deal and the added global resources it will bring to Marsh & McLennan Cos. Inc. and Sedgwick Group P.L.C. But a number of risk managers, including some clients, say that while they have no complaint with this particular deal or the players involved, they are opposed to continued broker consolidation because it will leave the market with fewer choices and less competition.

Some risk managers have even raised the question of whether the continued consolidation deserves Federal Trade Commission scrutiny.

Other insurance brokers, though, say they welcome the consolidation because they stand to gain new clients and staff who may seek alternatives to the ever-growing megabrokers.

Clients of M&M and Sedgwick are generally receptive to the deal.

Marsh & McLennan and Sedgwick "are both very reputable brokerage houses. I don't have a problem with either of them or this particular deal," said Michael Tawney, executive vp-risk management at Houston-based Loomis, Fargo & Co., a Sedgwick client. Mr. Tawney was on *Business Insurance*'s 1996 Risk Management Honor Roll.

M&M's acquisition of Sedgwick will give the broker a "much, much stronger presence worldwide," noted Pat Evers, director-global risk management at Fort James Corp.

The Deerfield, Ill.-based consumer products company uses J&H Marsh & McLennan for insurance placements in Europe, Russia and Turkey.

And despite an often-heard complaint that customer service may suffer in a merger or acquisition, Ms. Evers says that has not been her experience.

Fort James benefited from the increased international strength that resulted from M&M's acquisition of Johnson & Higgins and expects to benefit further if the proposed Sedgwick purchase goes through, she said.

"I think, generally, the acquiring brokers have been very concerned to maintain relationships with existing clients," said Henry Labram, head of insurance for British Petroleum Co. P.L.C., which deals with all the major brokers. "On the whole, the continuation of service has been very good," he said.

A bigger broker with more resources "is more likely to have wider global coverage and stronger centers of excellence in a particular field," Mr. Labram said.

The merger of M&M and J&H did not diminish the high level of service that United Biscuits (Holdings) P.L.C. previously received from M&M alone, said David Finch, group insurance manager and risk adviser to the Middlesex, England-based company.

United Biscuits continues to deal with nearly the same broker team as before that merger. J&H Marsh & McLennan took "great pains to provide us with that continuity," because it knows the client demands that, Mr. Finch said.

He acknowledged, however, that as a former employee of Marsh & McLennan, he may be able to more effectively express his demands to the broker than can other risk managers.

While satisfied with their own brokers, some clients are wary of the consolidation trend overall.

"I'm opposed in general to consolidation. The more consolidation we see in the industry, the more it's going to be choking off creative solutions," said Mr. Tawney of Loomis, Fargo & Co.

Fort James' Ms. Evers said there "needs to be competition in order for all risk management professionals to make certain they are getting the services they need."

"We're disappointed that for a multinational company such as we are, there's a reduction in options available," said Mr. Finch of United Biscuits. While United Biscuits' sole broker is J&H Marsh & McLennan, the company likes to have the option to put its account out for bid periodically, he said. With less choice among large brokers, however, the company will have to consider other options.

One possibility, Mr. Finch said, would be to go without a full-time broker and simply purchase brokerage services as needed. Another option would be to use smaller brokers that could partner with other independent brokers to provide local service across the approximately 20 countries where United Biscuits does business.

We're "not going to be held to ransom" by the megabrokers, he stressed.

Christopher Duncan is the director of risk management and field security for Frito Lay U.S. in Dallas. He was sufficiently concerned about the effects of consolidation that he posted an e-mail on RISKWeb last Tuesday, encouraging risk managers to contact the FTC's Bureau of Competition with their opinions.

"It's not a matter of whether this deal is a good or bad deal but that the choices are decreasing," Mr. Duncan said in an interview about the latest acquisition.

Risk managers "are very concerned about the continuing consolidation in the brokerage industry and what that means for the future of the insurance market," he said. "At the end of the day, we in the risk management group have an obligation to discuss our opinion of the health and future competition of the insurance marketplace. We should make our voices heard. We haven't taken enough action."

Mr. Duncan's e-mail generated quite a bit of discussion on RISKWeb, he said. Shortly after its posting, several people responded that if Mr. Duncan were to draft a letter detailing buyer concerns regarding brokerage consolidation to William J. Baer, director of the FTC's Bureau of Competition, they would sign it.

Frito Lay is a Sedgwick client in Dallas, while its parent, PepsiCo Inc., is a client of J&H Marsh & McLennan.

Mark A. DeLillo, president of the Risk & Insurance Management Society Inc., said the key issues raised by consolidation are whether the trend results in a lack of choice for buyers and whether the megabrokers' clout gives them undue influence in the insurance marketplace.

Risk managers must "make a determination as to whether mergers and acquisitions have a material impact on their programs and the way business is conducted. From that point, the market will dictate what's appropriate," he said.

RIMS' mission "is to educate our members and other commercial insurance purchasers and let them make an informed decision," Mr. DeLillo said.

He said RIMS tells members to explore the options available to them for voicing their concerns and to do what's in the best interest of their organizations.

Mr. DeLillo, vp-risk management at Celotex Corp. in Tampa, Fla., does not deal with either J&H Marsh & McLennan or Sedgwick.

David Gamble, executive director of the U.K. Assn. of Insurance & Risk Managers, said that while some of AIRMIC's members are concerned about reduced choice, others are not worried about the deal.

"A number of very large companies aren't really very concerned" generally because they self-insure a lot of their business, Mr. Gamble said. Those with mainly U.K. operations also aren't too worried, he said.

Big multinational companies, however, are concerned about a reduced choice of brokers capable of meeting their needs. "The strongest concern is lack of choice for global programs," Mr. Gamble said.

Other brokers, particularly regional companies, are ready to pick up any slack.

"I don't believe that it's particularly good for the industry overall for two megabrokers to get considerably larger than what they are," said William Cohen Jr., CEO of Insurance Management Associates Inc., a Wichita, Kan.-based regional broker. There is considerable pressure on the distribution system and on how insurance companies respond to the megabrokers vs. other agents and brokers, he said.

"On the other hand, it's absolutely great for the large regional brokers such as ourselves," Mr. Cohen said. Not only are insurers going to respond more to the second-tiered brokers but also there will be a "release of entrepreneurial people from those companies that do not want to be involved in a large conglomerate."

So, for regional brokers, the deal will create "big, big advantages over the next few months that we've not experienced before," he said.

John McGrath, president of Hobbs Group of California in San Francisco, agreed. All the consolidation "is not necessarily great for the customers or for markets, but I think it is great for regional brokers in the risk management field," he said.

"These mergers always create opportunities for Lockton," said David M. Lockton, president of Lockton Cos., a Prairie Village, Kan.-based broker.

He said that this week, Lockton, Sedgwick and M&M are scheduled to make competing proposals to a company. "It will be interesting to see how they manage that," he said.

Large international brokers also see opportunities as a result of consolidation among the megabrokers.

The M&M/Sedgwick deal "really reinforces our strategic position as now the third-largest global broker," said Kenneth Pinkston, chairman of Willis Corroon Corp. in Nashville.

"I think we're in a position to grow," he noted, adding that despite the difference in size, 'we will be able to compete with Marsh and Aon effectively."

This latest deal "reinforces our position as one of the very few remaining independent brokers with international and global capabilities across all sectors," echoed William Wilks, finance director of Lambert Fenchurch Group P.L.C., which will become the world's seventh-largest broker as a result of the M&M/Sedgwick deal. "It has removed one of our major competitors."

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Sarah Goddard and Sally Roberts contributed to this report.

Deal will put Mercer far ahead of rivals

Consultant also will become stronger in key markets

By JERRY GEISEL

NEW YORK—William M. Mercer Cos. L.L.C.'s position as the world's largest benefit consultant will be solidified with the acquisition of Sedgwick Group P.L.C. by Marsh & McLennan Cos. Inc.

Mercer also will gain strength in several key overseas markets as a result of the deal.

With 1997 consulting revenues of roughly $1 billion, Mercer is more than one-third larger than Towers Perrin, its closest competitor.

Folding Sedgwick's benefit unit—Sedgwick Noble Lowndes, with 1997 consulting revenues of about $325 million—will considerably widen Mercer's lead as the largest benefit consultant, a longtime Mercer goal.

"We want clear daylight between us and our competitors. We want to be No. 1 in every major market. That is the nature of this organization," said Mercer President Peter Coster in New York.

The impact of the acquisition will be greatest outside the United States, where Sedgwick Noble Lowndes derives more than 75% of its consulting revenues. By acquiring Sedgwick Noble Lowndes, which its officials say is the largest benefit consultant in United Kingdom and Ireland, Mercer will assume the top position in those countries while adding to its lead as the largest consultant in Australia. Mercer currently is the second-largest benefit consultant in the United Kingdom and Ireland.

While Mercer and Sedgwick Noble Lowndes are market leaders in several key countries abroad, their market position and operations differ markedly in the United States.

Last year, Sedgwick Noble Lowdnes ranked as the 10th-largest U.S. benefit consultant with about $78 million in revenues, while Mercer ranked as the second-largest U.S. consultant with nearly $600 million in revenues.

More than size of operations separates the two consultants in the United States. While the client profile of the two firms is similar abroad, Sedgwick Noble Lowndes' U.S. clients tend to be much smaller—generally firms with 100 to 2,000 employees—than Mercer's.

'We want to be No. 1 in every major market. That is the nature of this organization.'



—Peter Coster

In addition, a good chunk of Sedgwick Noble Lowndes' U.S. business is brokering of group health and other group insurance products. M&M's J&H Marsh & McLennan unit, rather than Mercer, typically performs that function.

Indeed, in the United States, "I view Sedgwick Noble Lowndes far more as a brokerage than a consulting organization," said Donn Bleau, a principal at Global Resources Group, a San Diego-based executive recruiter.

For Sedgwick Noble Lowndes clients, especially in the United States, the benefits of the consultant's absorption by Mercer are obvious: access to a much greater depth and range of services. Sedgwick Noble Lowndes, for example, lacks a compensation practice and has only a tiny communications practice, while Mercer has large compensation and communications practices.

"This will bring enlarged resources to our clients. There will be a wider global spread of offices and consulting capabilities. We would hope our clients see this as a win-win situation," said Rob White-Cooper, Chief Executive at Sedgwick Group in London.

Some Sedgwick Noble Lowndes' clients agree.

"Mercer is very large and very reputable," said Tom Roth, executive vp of human resources at Loomis Fargo & Co. in Houston; Loomis used Sedgwick for benefits-related work connected to the merger of Wells Fargo Armored Services and Loomis Armored Inc.

Mercer's absorption of Sedgwick Noble Lowndes, which should be completed by the end of the year, will be the second time in the past year and a half that Mercer has taken over a competitor.

Last year, as part of M&M's $1.8 billion purchase of Johnson & Higgins, Mercer acquired J&H's benefit consulting unit, A. Foster Higgins & Co. Inc.

Mercer's Mr. Coster said the lesson from the Foster Higgins absorption is to merge operations as quickly as possible.

Because consultants at both firms are very busy with client projects, Mr. Coster doubts there would be any significant layoffs as a result of the merger. If there are reductions in staff, those would be more likely to occur in the administrative area, he said.

The merger of Mercer and Sedgwick Noble Lowndes is only the latest in a series of acquisitions and consolidations that have swept the ranks of the nation's benefit consultants.

Those changes began early last year when Coopers & Lybrand L.L.P. acquired Kwasha Lipton L.L.C. Since then, Coopers & Lybrand, which last year was the world's fifth-largest benefit consulting unit, merged with Price Waterhouse L.L.P., with Kwasha becoming a part of the merged firms.

Also in 1997, Mellon Bank acquired Buck Consultants Inc.; Aon Group acquired Alexander & Alexander Services Inc.'s benefit consulting unit as part of its purchase of A&A; and Mercer acquired Foster Higgins.

Despite fewer large consulting firms from which to choose, buyers still enjoy a competitive market.

"I still think there are enough choices in the benefit community to promote healthy competition. The choices have not been so reduced that the industry has become monopolistic," Mr. Bleau said.

"Competition is very intense," Mercer's Mr. Coster said.

For employees at some consulting firms, though, it may seem that no sooner than they are at one firm they soon become part of another. BI

Willis deal closer to done despite rumors

Trinity reduces timetable, desired voting rights

By SALLY ROBERTS

LONDON—Willis Corroon Group P.L.C. came a step closer to closing its deal with Trinity Acquisition P.L.C. last week, even as rumors about potential pressure that could unravel the deal spread throughout the market.

While most eyes were focused on Marsh & McLennan Cos. Inc.'s $2 billion offer to acquire Sedgwick Group P.L.C., several market observers turned their attention to the potential effects the M&M/Sedgwick deal might have on Trinity's £951 million ($1.56 billion) offer last month for a majority stake in Willis (*BI*, July 27).

Speculation centered around the disparity between the prices offered for each broker, raising eyebrows that Willis' shareholders may not accept Trinity's original offer. That speculation was exacerbated when Trinity announced it would extend its offer for another two weeks, leading to speculation that a counterbid for Willis might emerge.

Last Wednesday, however, Trinity shortened the timetable and reduced acceptance conditions, effectively sealing the deal.

Marsh's 225 pence ($3.68) per share offer for Sedgwick represents a 58% premium for shareholders based on Sedgwick's 142.5 pence ($2.33) stock price last Monday, the day before that deal was announced.

Comparatively, Trinity, a consortium led by U.S. private equity firm Kohlberg Kravis Roberts & Co. L.P., offered 200 pence ($3.27) per Willis share, which represents a 12% premium over a stock price of 178.5 pence ($2.92) on July 21, the day before the deal was announced.

Willis shareholders originally had until last Monday to tender 90% of Willis' voting rights to Trinity, but only 65% of Willis stock had been tendered.

As a result, Trinity extended its offer until Sept. 7 but subsequently shortened the timetable to Sept. 2 and reduced the acceptance condition to more than 50% of voting rights from 90%.

Under the rules of the Securities and Exchange Commission, Trinity is required to give five business days' notice of such a change in the acceptance condition.

As a result, if Trinity has at least 50% of the voting rights of Willis and all regulatory approvals are received, the deal will be completed Wednesday.



'It would be quite Machiavellian' to think either the Marsh or Willis deal would be in reaction to the other.

—Kenneth Pinkston

As of last week, all necessary regulatory consent had been received, with the exception of approval from the U.K. Treasury Department, which was expected last Friday.

Kenneth Pinkston, chairman of Willis Corroon Corp. in Nashville, Tenn., said that the timing of the two announcements was coincidental.

He said all the plans with Trinity had been made ahead of the acquisition announcement by M&M and that it was anticipated in advance that the deal could change.

"It would be quite Machiavellian" to think that either of the deals made by Marsh or Willis would be in reaction to the other. "Everyone is conducting their own business," he said.

Mr. Pinkston pointed out that Willis Corroon has received no other counteroffers.

However, shareholders who have already tendered their acceptances could still change their minds by Wednesday, Mr. Pinkston said.

In a press release giving Trinity's five-day notice of the change in the acceptance condition, "holders of Willis Corroon securities who have already accepted the offer but whose willingness to accept would be affected if the acceptance condition were reduced to a lower level than 90%, may wish to consider withdrawing their acceptances now." BI

Top compensation/benefits execs average $136,000: Survey

By ROSEANNE WHITE

Top corporate compensation and benefits executives earn a median total cash compensation of $136,000, according to a survey.

The median annual total cash compensation, including salary and bonus, for top corporate benefits executives without compensation responsibilities is $124,700, the survey shows.

The 1998 Human Resource Management Compensation Survey was compiled by New York-based William M. Mercer Inc. in conjunction with the Society for Human Resource Management in Alexandria, Va.

The survey is among the benefit consultant's 100-plus compensation reports on salaried positions by job function, industry and geographic area.

Mercer does not offer comparisons to previous years because the survey population is not constant from year to year, a spokes-man said.

The data reflect 1,011 employers in the private sector, government, education and non-profit arenas, representing 24,127 employees.

Total cash compensation varies among the 18 industry categories analyzed in the survey.

To cite several examples: the median for top corporate compensation and benefits executives in the banking and financial services industry is $165,000; for those holding that position in the hospitality, media and entertainment group, the median is $156,400.

At the lower end of the range for this position, the median is $95,000 in professional services and $78,600 in transportation.

Top corporate benefits executives in durable goods manufacturing have a median total cash compensation of $151,700, while those in non-durable goods manufacturing have a medi-an cash compensation of $134,500.

At the lower end of the range for this position, the median is $105,000 in professional services and $91,800 in the energy, mining and petroleum group.

The median 1998 total cash compensation for other benefits positions are:

- International compensation and benefits manager: $92,700.

An individual in this position, according to the report, develops, implements and administers compensation and benefits programs for international employees, including primarily expatriates and third-country nationals, and may be responsible for local nationals.

- Employee benefits manager: $83,000
- Compensation and benefits manager: $81,700
- Work and family program manager: $79,200
- Employee assistance program manager: $79,100
- Wellness program manager: $56,000
- Benefits planning analyst: $54,000
- Benefits administrator: $40,700.

The 1998 Human Resource Management Compensation Survey is available for $700, or $400 for organizations that participated in the survey, by calling 800-333-3070.

Commentary

Megamergers in Wonderland

I joked during a speech almost two years ago that the investment bankers would keep driving mergers among the insurance brokers until there was only one left, and then J.P. Morgan would buy McAon.

I got a decent laugh at the time.

Now my quip doesn't quite sound so funny. Or so far-fetched.

My reaction to the latest news, that Marsh & McLennan Cos. Inc. is buying Sedgwick Group P.L.C., is similar to that of Alice during her visit to Wonderland: "Curiouser and curiouser!" she says, after growing abnormally tall.

Alice, puzzled by her size and all the odd events occurring around her, decides to test whether she knows all the things she used to know. "Let me see: four times five is 12, and four times six is 13, and four times seven is—oh dear! I shall never get to 20 at that rate," she laments.

In the "The Annotated Alice," author Martin Gardner explains that, indeed, Alice never will get to 20 if she keeps it up, because Lewis Carroll had created a nonsense progression that stops at 19.

("Alice in Wonderland" was my favorite book as a child, both when it was read to me and when I could read it for myself. Now I am quite entertained by "The Annotated Alice.")


Kathryn J. McIntyre

Please do not take our decision to stop ranking the world's 20 largest brokers as proof that we consider all the mergers and acquisitions nonsense.

We sliced our rankings to the 10 largest brokers last year because we were concerned that, with all the mergers among the largest brokers, we could not accurately identify the brokers around the world that deserved to be ranked numbers 11 through 20.

But, as I have said before in this column, it remains to be seen if the mergers among the brokers, and the insurers and reinsurers for that matter, will create companies that can deliver improved profits to their shareholders and improved service to their clients, as is being promised.

At the risk of carrying this Alice analogy too far, the people working in the companies buying and selling also must feel a bit like Alice during her adventures in Wonderland.

One day Alice complains that "being so many different sizes in a day is very confusing." So must it be confusing being swallowed up by another brokerage or being the employee of a company that grows by leaps and bounds every few months.

Certainly, any employee of a brokerage in the midst of a merger or acquisition must be as concerned about his or her job as Alice was that she would become the object of the Queen of Hearts' exhortation: "Off with their heads!"

As for the clients, they may feel as though they are guests at the Hatter's tea party. The empty seats at the table are reminiscent of all the brokers that once were. How many remember the names Nordstrom Larpenteur, Emett & Chandler, or Financial Guardian, all of which were ranked among the Top 20 just 20 years ago?

And the conversation between Alice and the March Hare is rather relevant. ". . .You should say what you mean," the March Hare advises Alice. "I do," Alice responds. "At least, I mean what I say—that's the same thing, you know." The March Hare begs to differ. "You might just as well say that 'I like what I get' is the same thing as 'I get what I like.' "

Clients must be thinking, if only that were so.

Perhaps it's not worth lamenting the loss of so many companies in the insurance business, or wishing that, like Alice, we would wake up to report merely on the events of a "curious dream."

It seems only appropriate for those working in the business of insurance and their clients to remember those few choice words of advice for Alice from the Caterpillar:

"You'll get used to it in time."

Publisher and Editorial Director Kathryn J. McIntyre and Editor Paul D. Winston publish columns on alternate

Vision

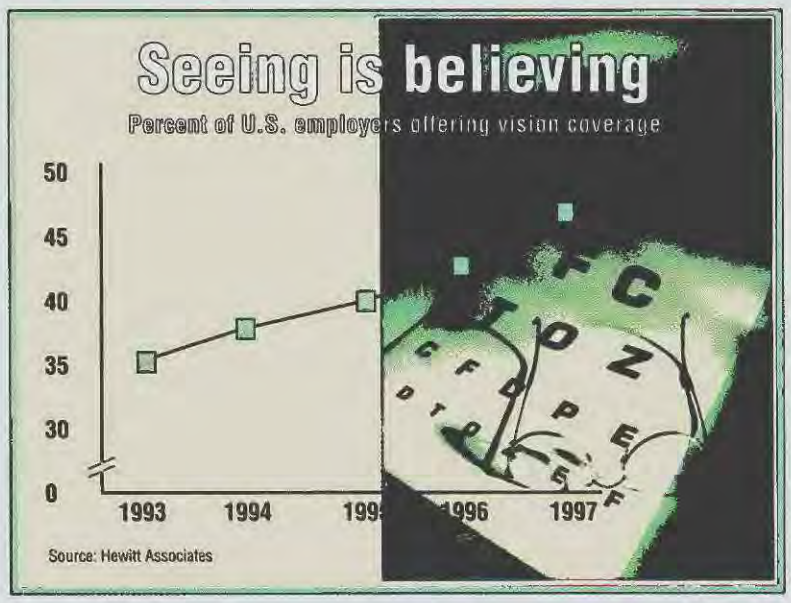
Continued from page 1

predicts that with the aging of the United States, nearly 10 million people may have some form of macular degeneration by the year 2030—more than double the 4.4 million diagnosed with the disorder in 1996. Macular degeneration, the leading cause of blindness in the United States, gradually destroys sharp, central vision.

"The other driving force (behind the growth of vision coverage in employee benefit plans) is technology," according to Aon's Mr. Swiercz. "Employees using PCs are complaining that they're suffering from eye strain."

Indeed, "computer vision syndrome"—eye pain or irritation, headaches, blurred or double vision, and excessive tearing or dry eyes—now plagues nearly 90% of employees who work at computers, according to the American Optometric Assn.

"In the last year, when employers surveyed employees about their benefits, vision almost always comes back as the No. 1 need," Aon's Mr. Swiercz concurred. "Even employers who already have a vision plan are going back and improving their packages by adding coverage for options such as scratch coatings or increasing frame allowances."



Towson, Md.-based Black & Decker Corp. added vision care to its benefit menu in 1991, at the same time that it rolled out a new point-of-service program, according to Raymond Brusca, vp-benefits. "We took some of the savings and gave it back to employees in the form of an additional benefit," he said.

The plan, which is available to all 13,000 of Black & Decker's U.S. employees and their dependents, makes up less than 1.5% of the manufacturer's total annual health plan costs, he estimated.

The indemnity-style coverage is administered by CIGNA Healthcare, which pays for annual eye exams above a $10 copayment and provides an allowance for eyewear.

The Tampa, Fla.-based Employers Purchasing Alliance, a group of health care purchasing coalitions representing more than 460 employers in six states, recently contracted with Eye Care International to provide discounted eye care services to approximately 1 million employees and their dependents.

For a $28 per-employee annual premium, the five-year-old vision plan based in Largo, Fla., gives members access to a network of more than 10,000 ophthalmologists that provide free or reduced-price examinations and eyewear.

"At a time when insurance programs are reducing benefits, ECI offers a great advantage," said Frank M. Brocato, director of the purchasing alliance.

Redwood Shores, Calif.-based software maker Oracle Corp. has provided vision care as part of its standard benefit package "for years," according to Aldy Duffield, benefits manager.

"It's pretty much expected" in the high-tech industry, she explained. "Benefits are becoming more competitive as employees move from company to company."

Indeed, vision has become a much-sought-after benefit, much as dental care did during the late 1970s and early 1980s, observed William J. Mancini, the recently appointed director of SightCare, Sight Resource Corp.'s managed care division.

Mr. Mancini, who has 18 years' experience managing health plans and products, joined SightCare last month because he sees vision benefits as the next managed care growth area.

"Growth of managed vision care is following the same pattern as managed health care," he said, adding that "vision care is now where mental health, dental and pharmacy benefits were 15 years ago."

Though fewer than half of large employers offer vision care coverage, the percentage that does has grown significantly in recent years, according to surveys by Lincolnshire, Ill.-based consultant Hewitt Associates L.L.C.

In 1997, 47% of U.S. employers surveyed by Hewitt said they offered the benefit, up from just 35% in 1993 (see chart).

Employers in the West are the most likely to offer vision benefits, with 61% doing so, according to the Mercer/Foster Higgins National Survey of Employer-Sponsored Health Plans. These benefits are often included in an HMO's package of services, and employers that offer one or more HMOs are more likely to provide vision benefits, at 43%, vs. employers that don't offer an HMO, at 30%, the survey found.

"But vision is one of the few benefits where the employer can see an almost immediate return on investment," points out Clarke Marcus, president and chief executive officer of Eyecare International. "Offering vision benefits can enhance productivity."

Vision care also can be an integral part of managed care, according to Ric Steere, vp-sales for Rancho Cordova, Calif.-based Vision Service Plan, the nation's largest and oldest vision plan, with 14,500 employer contracts covering a total of 25 million individuals nationwide.

"The eye is your window to wellness," according to Mr. Steele, who noted that an employee is often more likely to visit an eye doctor than a primary care physician.

With more and more employees receiving vision care coverage, the "three Os"—opticians, optometrists and ophthalmologists—have started to join more vision plans in an effort to maintain or increase their patient volume, according to 20/20, a vision care industry trade publication.

Today the average vision care provider participates in 11.1 vision care plans, up from 7.3 vision care plans in 1997, 6.1 plans in 1996, and 5.9 plans in 1995, according to surveys conducted by 20/20, which is published by New York-based Jobson Publishing.

In 1996, the American Academy of Ophthalmology introduced PrimeSight, the first national physician-led vision care network.

"Managed eye care is one response to controlling costs. The basic concept is to control utilization by giving the right care at the right time," explained Don Koenes, vp-sales and marketing for the San Francisco-based vision plan.

"PrimeSight was specifically formed for this purpose, responding to the need for medically sound, market-sensitive eye care programs," he explained.

PrimeSight, which is being marketed to both employers and health plans, recently signed a two-year contract with Cole Managed Vision, whose network includes Pearle Vision, Sears Optical and Montgomery Ward Vision Centers.

Competition for the growing eye care market has prompted consolidation and partnering among vision plans and retail chains, as well as among independent eye care providers. For example, Sight Resource, launched in 1995 as a laser-surgery provider, has been on an acquisition fast track for the past three years, buying up existing eyewear chains to secure a place on the retail side of the business, a company spokesman said.

Other recent acquisitions include Cole's 1997 purchase of 163 AVC/Nu-Vision stores; LensCrafters' purchase of 10 Lens Lab units in the East and the Northwest from Paris Miki USA; and Sterling's purchase of 31 Singer Specs locations. Also, the management company that has been operating Texas State Optical acquired the 100-store America's Best Contacts chain.

"The eye care market is strong. With aging baby boomers and a growing senior population, the entire spectrum of eye care needs is growing," summed up PrimeSight's Mr. Koenes. BI

Exams pay off

A thorough eye examination can detect many other potentially serious medical conditions in their earliest stages, says Ric Steere, vp-sales for Rancho Cordova, Calif.-based Vision Service Plan.

Among the conditions an eye exam can detect:

- Albinism, the congenital deficiency or absence of pigment in the skin, hair, choroid, retina and iris
- Alcohol abuse
- Arteriosclerosis, or hardening of the arteries
- Atherosclerosis, a type of arteriosclerosis in which cholesterol and lipids build up in the arteries. It is the most common form of heart disease.
- Diabetes
- High blood pressure
- Nerve disorders
- Nutritional disorders
- Parasites
- Toxic reactions
- Tumors
- Viral and bacterial infections
- Vitamin deficiencies.

—By Joanne Wojcik

Results

Continued from page 2

catastrophes, or events that caused more than $25 million in insured property damage, led by a series of windstorms May 30-June 1 (*BI*, July 20).

Losses increased 61.8% for the 22 commercial property/casualty insurers surveyed by *Business Insurance* to $2.06 billion during the first half, compared with the year-earlier period. This compares with a 5.9% increase in first quarter underwriting losses compared with the 1997 quarter (*BI*, May 25).

"I think for a while in '97, where the economy was so strong and the cat losses were at all-time record lows, that some of the industry sort of forgot about how weak some of the fundamentals are," said John L. Ward of Cincinnati-based Ward Financial Group.

"With the return of the catastrophes, we're back to the reality of dealing with overcapacity, excess capital and soft market prices and that will only make the environment more difficult for companies to operate in profitably and at reasonable pricing levels," he said,

Among other first-half results for the property/casualty companies surveyed:

- Premium volume increased a modest 3.9% to $49.92 billion. This compares with 3.3% growth in the first quarter and 5.5% in all of 1997 (*BI*, March 23).
- Investment income fell 8.6% to $7.99 billion. This compares with a 14.8% drop in the first quarter and a 17.1% increase in 1997. Excluding Nationwide Mutual's 69.9% drop in investment income, which was related to a special dividend in the first quarter, insurers' investment income increased 5.4% during the half.
- Policyholder surplus among the 20 insurers reporting this data increased 20.2% to $73.88 billion.
- The 19 insurers that reported net income posted just a 0.6% increase for the first half, to $6.6 billion. This compares with the 16.9% increase reported by insurers in the first quarter and last year's 46% increase.

It was a "relatively shabby quarter," Michael Lewis, an analyst with Warburg Dillon Read in New York, said of second-quarter results. There was a combination of weather-related and company-specific problems, he said. "I think that the best way you can put it is some of the inadequate pricing in the commercial property/casualty area is starting to come home to roost," he said.

'I think that the best way you can put it is some of the inadequate pricing in the commercial property/casualty area is starting to come home to roost,' says analyst Michael Lewis.

Mr. Wars, said, though that "While in some ways the comparison of the first six months of '98 to '97 tends to look unfavorable to the industry with regards to most individual companies, we should remember that '97 was one of the best years on record."

"We always knew it would be tough to improve the record results of '97, but the story for the first half of '98 tends to be dominated by most companies being negatively impacted by catastrophe losses," said Mr. Ward.

Furthermore, "for the commercial lines companies, the soft market cycle continues in full force, and in many ways is becoming more competitive," he said. "The one real positive about the six-month results is that investment gains continued very strong."

Mr. Ward added, "When you look at most companies' results for '98, you see a very flat to modest growth in the premium line, which is a reflection of the continued soft market conditions, and generally negative downward trends in the net income line, which is largely a function of the record-setting cats in the second quarter."

"The big story in the first half is nothing's changed in terms of too much capacity chasing too few premium dollars," said Matthew Coyle, a director at rating agency Standard & Poor's Corp. in New York. Mr. Coyle said he anticipates only about 2% in premium growth for the industry this year, which would actually be a decline after inflation is taken into account.

In addition to lower prices, "you also have expanded coverage, broader terms, higher retentions, and all these things are occurring for companies trying to compete," said Mr. Coyle.

One insurer sees the conditions setting the stage for some firmer pricing.

Rick Quagliaroli, president of the commercial insurance operations at The Hartford Financial Services Group Inc., said, "We're seeing some definite changes in terms of market receptivity to (higher) pricing," particularly in the middle-market area.

"Depending on what an individual company's mix of business activity is, that kind of price movement may not be sufficient to improve their financial performance, but in our case it's a real plus for us," said Mr. Quagliaroli.

But others see the pricing outlook as unchanged.

"We really haven't seen much change at all in the marketplace as far as pricing is concerned," said George P. Yonker, vp-finance for SAFECO Corp. in Seattle.

"There isn't anything that suggests a turnaround in commercial lines. We've been talking about this since the mid-80s," but the industry remains overcapitalized, with "too much money chasing too little business," said Mr. Yonker.

"I see pricing remaining difficult and competition intensifying. It's hard to predict how cats will roll out, but I think it's reasonable to expect that they'll be impacting results for the rest of the year," said Mr. Ward.

Although it is hard to say where the next problems will crop up, "the industry is going to continue to be faced with shortfalls in the numbers. . .almost every quarter going forward until there's a change in the pricing mechanism," said Mr. Lewis of Warburg, Dillon Read.

"You're going to find companies that have problems outside the straight weather-related area. It's harder and harder to sustain decent earnings growth in the face of the increasingly soft pricing environment," he said.

"Until you take some capital out, or until the results worsen even further, I don't see any change in the standard commercial lines overall," Mr. Lewis said. This will encourage further merger and acquisition activity, he said.

"If you can't grow the business there's more and more of a tendency to buy production, and that should obviously continue," he said. "We would look for ongoing industry consolidation."

A declining stock market could turn things around, said S&P's Mr. Coyle.

"Right now capital in the industry is immensely supported by burgeoning stock market portfolios" and their unrealized capital gains, he said.

"I think what's happening is the overcapacity is allowing insurers to finance their business with surplus, or at least justify maintaining that business," said Mr. Coyle.

This allows insurers to not only stay in the insurance market, but also make acquisitions and go to the debt markets more often and more cheaply, he said. It also permits insurers to pursue business that "in another time period when capital wasn't so strong they may not have."

But a devaluation of the stock market, he said, may have an impact on pricing by reducing this overcapacity.

Mr. Steinberg agreed this is a possibility. A decline in the value of insurers' investment portfolios will not only drive capital out of the business, but also "may make companies refocus on what their primary purpose is, and that's make an underwriting profit, or as close to it as possible."

Mr. Steinberg also pointed to declines in insurers' stock prices in recent weeks. "I am hopeful that as the equity prices of the property/casualty insurance companies come down, that maybe it's a wakeup call for some of the chief executives to not let pricing continue to drop. Wall Street's not going to accept that." BI

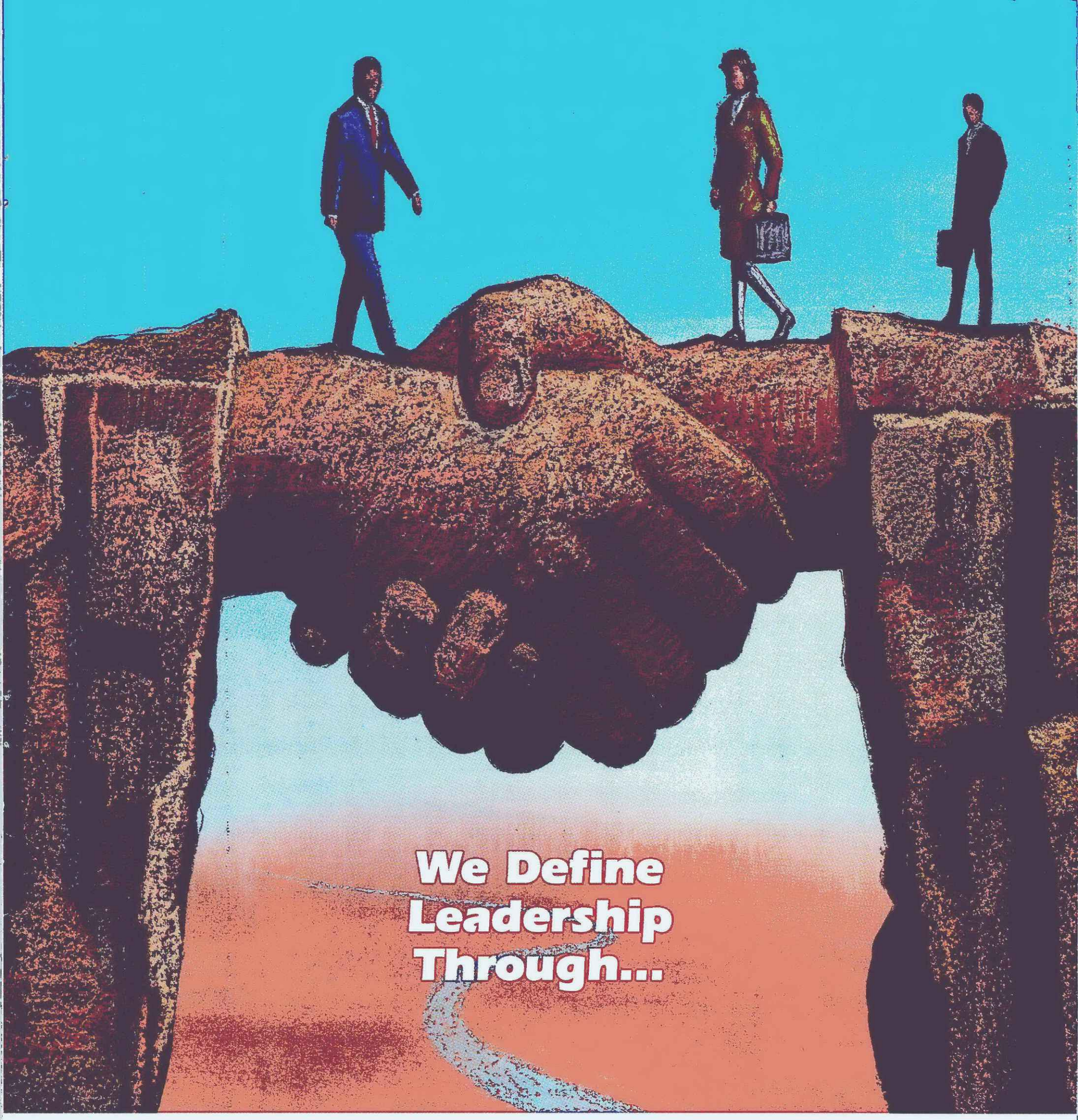
Major property/casualty insurers' first-half 1998 results

Ranked by change in net income. All amounts in thousands of dollars.

Rank 1998		Corporate: Net income 1998	Corporate: Percent increase (decline) 1997-1998	Property/casualty operations: Consolidated revenues 1998	Property/casualty operations: Combined[1] ratio 1998	Property/casualty operations: Combined[1] ratio 1997	Property/casualty operations: Net premiums written 1998	Property/casualty operations: Percent increase (decrease) 1997-1998	Property/casualty operations: Pretax underwriting income (loss) 1998	Property/casualty operations: Percent increase (decline) 1997-1998	Property/casualty operations: Pretax investment income 1998	Property/casualty operations: Percent increase (decrease) 1997-1998	Property/casualty operations: Policyholders surplus 1998	Property/casualty operations: Percent increase (decrease) 1997-1998
1	Reliance Ins. Co. and subs.	265,679	291.0	1,825,731	100.9	100.9	1,210,189	18.7	(11,962)	13.1	144,424	11.8	1,705,799	38.1
2	Hartford Steam Boiler	93,700	191.0	439,400	88.9	90.9	183,800	(23.3)	20,900	(2.3)	31,200	86.8	661,600	125.9
3	Argonaut Insurance Co.	55,102	47.9	127,792	111.4[2]	108.9[2]	64,819[2]	11.8	(10,883)	(135.9)	16,095	(24.3)	622,119	13.6
4	CIGNA Corp.	803,000	41.6	10,732,000	100.6	100.0	1,652,000	1.8	(9,000)	-	170,000	(8.1)	1,950,000	(1.5)
5	Fremont General Corp.	55,218	24.8	357,384	96.6	91.1	271,520	8.6	9,236	(55.8)	84,778	62.0	601,238	33.1
6	Sentry Insurance Cos.[2]	52,034	22.2	693,921	106.1	107.4	488,532	(12.6)	(33,689)	26.6	101,577	1.2	1,557,359	13.6
7	Travelers P/C Corp.	659,600	20.1	5,126,400	102.0[2]	102.3[2]	4,012,500[2]	0.3	(137,500)[2]	28.8	1,027,000	2.2	6,640,000	15.0
8	American International Group	1,828,543	13.8	15,831,929	95.9	96.1	6,998,633	2.1	280,875	10.9	1,002,749	11.1	N/A	N/A
9	General Re Corp.	526,300	10.3	3,794,600	100.4	100.7	2,485,600	(11.7)	(8,800)	56.7	586,200	0.5	6,637,100	11.1
10	CNA Financial Corp.	443,000	7.5	8,760,000	109.6	110.0	5,820,000	5.6	(687,000)	64.1	945,000	(3.1)	7,020,000	10.6
11	Old Republic Int'l	161,982	5.5	1,043,137	99.0	97.8	431,235	-	(4,545)	(373.9)	96,799	(1.4)	1,482,040	2.8
12	Berkshire Hathaway Group	434,000	3.8	3,100,000	94.8	92.7	2,810,000	8.1	136,000	(17.1)	484,000	17.2	N/A	N/A
13	Royal & SunAlliance USA[2]	161,500	3.5	1,008,900	105.9	102.4	725,400	4.3	(39,400)	(3,180.8)	173,500	(2.7)	2,877,900	16.5
14	Chubb Corp.	376,000	(1.3)	3,184,900	98.2	95.8	2,769,800	(0.7)	26,400	(68.4)	370,300	6.4	2,689,600	2.0
15	TIG Holdings	63,000	(16.0)	863,000	102.2[2]	102.1[2]	774,000	0.7	1,000	107.7	143,000	(7.7)	1,037,000	2.6
16	SAFECO Corp.	180,800	(21.0)	3,311,110	103.6	97.4	2,146,400	76.9	(75,300)	(343.7)	240,500	72.4	3,139,100	29.1
17	Hartford Financial Services Group	500,000	(35.7)	7,221,000	104.3	102.4	3,841,000	3.7	(165,000)	(68.4)	480,000	10.1	8,696,000	73.7
18	Ohio Casualty Corp.	41,528	(37.9)	717,456	108.3[2]	103.6[2]	641,281[2]	2.4	(45,676)	(91.2)	83,236	(3.7)	1,168,905	6.9
19	The St. Paul Cos. Inc.	(102,603)	(122.4)	4,701,008	118.9[2]	105.0[2]	3,399,841	(2.9)	(595,816)	(303.9)	662,893	0.8	4,570,274	(1.5)
	-Nationwide Mutual Ins. Co.[2]	N/A	N/A	N/A	103.6	103.8	4,335,966	6.6	(168,806)	(0.6)	488,757	(69.9)	11,077,851	31.0
	-Kemper Insurance Cos.	N/A	N/A	2,211,511	107.4[2]	107.1[2]	1,825,266[2]	2.6	(147,175)[2]	5.7	216,939[2]	(1.7)	2,503,226	26.2
	-Liberty Mutual Ins. Co.[2]	N/A	N/A	N/A	113.1	110.3	3,033,652	3.6	(398,690)	(22.0)	538,094	4.4	7,245,639	18.2
	Cumulative	6,598,383	0.6	75,051,179	103.8	102.0	49,921,434	3.9	(2,064,831)	(61.8)	7,987,041	(8.6)	73,882,750	20.2

[1]After dividends [2]Statutory [3]Before dividends N/A-Company did not provide data

Source: *BI* survey



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