

Business Insurance

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

Entire contents copyright © 2000 by
Crain Communications Inc. All rights reserved.

Insurers can seek to rescind film financing contracts: Court

LONDON—Insurer participants in a film financing program may rescind their contracts if they can show that policyholder Chase Manhattan Bank or its broker misrepresented facts about the program before its placement, an English court has decided.

In a preliminary ruling in one of several film finance disputes, a judge in London's High Court of Justice this week allowed insurers to pursue claims that Chase and

See Updates on next page

IRS offers new 401(k) loan guidance

By JERRY GEISEL

WASHINGTON—The Internal Revenue Service has finalized some rules and proposed others designed to help employers administer 401(k) and other defined contribution plan loan programs.

In particular, the rules, which will apply to loans made after Jan. 1, 2002, detail when a loan is considered in default and the tax consequences of a default. Published in the July 31 edition of the Federal Register, the rules also explain how certain situations—such as plan participants tem-

porarily leaving a company for military service—affect the amount of time they have to repay a loan.

For employers, the rules provide welcome government guidance, benefit experts say.

"This takes care of a lot of issues," said Kyle Brown, an attorney with Watson Wyatt Worldwide's Research and Information Center in Bethesda, Md.

"The IRS has clarified and provided welcome guidance on a lot of issues," Mr. Brown added.

Under federal law, employers can allow employees to borrow

from their 401(k) and other defined contribution plan account balances. According to Hewitt Associates L.L.C., more than 80% of 401(k) plans have loan provisions.

Generally, the law allows employees to borrow up to half of their vested account balances, or \$50,000, whichever is less.

First in 1995 and later in 1998, the IRS published rules on a variety of loan administration issues, such as when a loan is considered to be in default and the tax consequences of making certain administrative mistakes.

The rules published this year, in

several areas, finalize the earlier proposed rules and also propose guidance in other areas.

Under the final rules, employers are allowed to give their employees a grace period, beyond which the outstanding loan would be considered a "deemed distribution" and thus taxable income to the employee.

This grace period, which the final regulations term a "cure period," cannot extend beyond the last day of the calendar quarter following the calendar quarter in which the required installment is due. For example, if a loan pay-

ment was due on Jan. 31, the payment would have to be made no later than June 30 to prevent the outstanding balance from being considered a deemed distribution.

The final rules also explain how much of a loan is considered taxable when more than the maximum amount is borrowed. For example, if an employee with an account balance of \$200,000 borrowed \$70,000, he or she would be considered to have received a deemed distribution of \$20,000—the excess over the \$50,000 limit—and would be taxed on that

See Loans on page 22

Bush's record may attract businesses

By MARK A. HOFMANN

WASHINGTON—Although he didn't spend much time discussing issues of interest to risk and benefit managers as he accepted the Republican presidential nomination last Thursday night, Texas Gov.

one of his major campaign issues when he first sought his state's highest office in 1994. He proceeded to deliver on his promises shortly after being sworn in, despite the fact that he faced a Legislature dominated by Democrats.

"In terms of a theme, he has been favorably disposed toward supporting civil justice reform. From the perspective of the business community in Texas, that would be viewed as very positive," said David M. Farmer, senior vp-federal affairs in the Washington office of the Alliance of American Insurers.

"It's obvious that Gov. Bush was able to work with the Legislature in a bipartisan fashion," Mr. Farmer said. As a result, Gov. Bush was probably able to accomplish more of his agenda than might have been expected, he said.

"Given his popularity even before he announced for the presidency, we've been able to

See Bush on page 21



George W. Bush has accumulated a considerable record on such issues during his five and one-half years in office.

Employers find the governor's record on business issues—particularly tort reform—encouraging. In fact, Gov. Bush chose tort reform as

Higher retiree costs to hit employers

HMOs dump Medicare

By MICHAEL PRINCE

The withdrawal by many health maintenance organizations from the Medicare+Choice program will hit employers in a familiar place—the wallet.

Health care experts say that employers can expect to pay more for their retiree health care plans because fewer individuals will be enrolled in low-cost Medicare HMOs next year, when the pullouts take effect.

Despite the pullouts, experts agree that, in markets where Medicare+Choice HMOs remain available, they are still a good way for employers to reduce retiree health care costs.

According to the Health Care Financing Administration, the federal agency that administers the Medicare program, of the 6.2 million people enrolled in Medicare HMOs, about 934,000 are af-

Medicare+Choice fallout

Enrollees affected by HMO withdrawals in 2000: **934,000**

Enrollees with other HMO option: **775,000**

Enrollees with no other HMO option: **159,000**

Enrollees affected by HMO withdrawals in 1999: **327,000**

Enrollees affected by HMO withdrawals in 1998: **407,000**

Source: William M. Mercer, Health Care Financing Administration

ected by the pullouts announced in 2000. Of those, about 83%, or 775,000, are in areas where other Medicare HMOs will continue to operate. The remainder will have to return to traditional Medicare.

The two biggest health insurers withdrawing from the Medicare+Choice program are CIGNA Corp. and Aetna U.S. Healthcare Inc. Together, those two insurers

cover almost half of the affected beneficiaries, HCFA said.

Aetna said its move affects 355,000 members, or 54% of its total Medicare+Choice members. CIGNA said that about 109,000 beneficiaries are affected by its withdrawals, representing about two-thirds of the beneficiaries in its Medicare HMOs.

See Medicare on page 22

Oil giant merges captives

ExxonMobil to combine two Vermont facilities

By RODD ZOLKOS

MONTPELIER, Vt.—Resolving a key issue arising from last year's Exxon Corp.-Mobil Corp. megamerger, Exxon Mobil Corp. has combined its two Vermont-domiciled captives into a single multibillion-dollar entity.

The captive merger, approved last month by Vermont regulators, sees the coverages previously written by Mobil's Bluefield International Insurance Inc. and Exxon's Ancon Insurance Co. Inc. combined within the Ancon captive.

Exxon formed the Ancon captive in 1989. Mobil formed Bluefield in 1986.

ExxonMobil

"Essentially, it's a result of the extension of the Exxon-Mobil merger," said Rich Filippi, manager of finance and compliance for Irving, Texas-based Exxon-Mobil. "Both Exxon and Mobil had Vermont captives."

Because the two captives covered very similar sets of risks, the efficiencies that could result from

a merger of the two captives were readily apparent to the company, Mr. Filippi said.

"From an administrative point of view, it made sense to merge the two companies as quickly as we could," he said.

"With the merger, Ancon essentially increased its capital and surplus to about \$2 billion," Mr. Filippi said. "Nothing else is changing. Ancon will assume the liabilities of the former Bluefield company effective Jan. 1."

Ancon will write coverage for its co-

To Subscribe Call

1-888-446-1422 in the U.S. or

1-313-446-0450 outside the U.S. or

go online to www.businessinsurance.com

UPDATES

Film contracts rescindable: Court

Continued from previous page

broker Heath Group P.L.C. fraudulently or negligently misrepresented film finance risks.

Under the deals covering such box office flops as Barbra Streisand's "The Mirror Has Two Faces," the insurers agreed to repay movie industry borrowers' bank loans if the movies failed to recoup their costs.

Chase has filed a \$21.9 million claim for losses on "The Mirror Has Two Faces" and is seeking millions more for several other films produced by Phoenix Pictures Inc. and others (BI, June 5).

HIH Casualty & General Insurance Ltd., AXA Colonia Versicherung A.G. and other insurers charged that Chase and Heath misled them about the terms of the program and the loss experience of previous deals.

While Chase maintained that it is not responsible for any non-disclosures, the London court ruled that insurers can rescind their coverage for fraudulent or negligent misrepresentations. The court also ruled that the insurers may seek damages from Heath for intentional misrepresentation, but may not seek damages from Chase for breach of duty of utmost good faith.

The London action is one of several lawsuits—many pitting Chase against AXA Group units—arising from film financing losses that may reach \$1.5 billion industrywide.

Aetna's first-half profits lower

HARTFORD, Conn.—Despite rising revenue, Aetna Inc.'s first-half net income fell, largely due to higher-than-expected medical costs.

Gross revenues rose 37.9% to \$16.0 billion during the first half of this year. The increase reflects Aetna's acquisition of Prudential HealthCare during the second half of 1999. Net income dropped 8.1% to \$355.8 million from the same period a year earlier.

Aetna attributed the decline to higher-than-expected medical costs for its commercial and Medicare health maintenance organization business. The company last month announced it was withdrawing from numerous Medicare HMO markets to help stem these losses.

For its commercial business, Aetna is looking to raise rates to offset the higher medical costs, and rates will increase on average 13% for fourth-quarter renewals compared with the same period of 1999, an Aetna spokeswoman said.

Total membership in Aetna's managed care plans dropped 3% for the first six months of this year to 17,212.

Meanwhile, Aetna said it is pushing ahead with its plan to make the insurance company more friendly to both plan members and health care providers. As part of this initiative, Aetna is investing its regional heads with more authority as well as making them responsible for their territory's results. The move reflects its philosophy that a decentralized approach can better respond to local health care trends, the spokeswoman said.

Also, the company is introducing more open-access plans for 2001, responding to the demand by members for a less restrictive approach.

CNA to retain life businesses

CHICAGO—CNA Financial Corp. has decided to retain the individual life insurance, long-term care and retirement services businesses, after conducting an exploration of a possible sale of the businesses.

The Chicago-based insurance company said it will continue to explore the separate sale of its viatical settlements and life reinsurance businesses.

"Having completed a comprehensive evaluation, we maintained our basic business discipline and decided not to sell these businesses for less than they are worth to CNA," CNA Chairman and Chief Executive Officer Bernard L. Hengesbaugh said in a statement.

CNA announced in March that it was studying the sale of the life insurance businesses, a move the company said at the time fit with others it has made toward focusing on commercial property/casualty lines.

Health spending on rise: EBRI

WASHINGTON—Health care spending is on the rise and that trend is likely to continue, according to a report by the Employee Benefit Research Institute.

The Washington-based EBRI reported that national health care expenditures in the United States increased 5.6% between 1997 and 1998—up from 4.7% between 1996 and 1997—reaching a record high of \$1.1 trillion in 1998.

The July issue of EBRI Notes cites data from the Health Care Financing Administration indicating that the private sector accounted for 54.5% of national health care spending, while the public sector accounted for 45.5% in 1998.

The EBRI report noted that the public sector data may significantly understate the real amount that the public sector actually spends on health care. For example, EBRI stated, it has been estimated that public-sector employees contributed \$63.2 billion to the purchase of employment-based health insurance.

See Updates on page 22

Bakery plans to appeal big racial bias award

By SALLY ROBERTS

SAN FRANCISCO—Interstate Brands Corp. has no employment practices liability insurance to cover the nearly \$130 million in damages that the wholesale bakery was ordered to pay last week to 21 employees who brought racial discrimination charges against the company.

Kansas City, Mo.-based IBC, a wholly owned subsidiary of Interstate Bakeries Corp. and the producer of Wonder and Home Pride breads and Twinkie snack cakes, denied all the allegations and said it would appeal the verdict—which included a punitive award

of \$120 million.

Judge Stuart Pollack of the San Francisco Superior Court cut the original \$11 million compensatory award to \$5.8 million last Wednesday but denied a stay of the judgments, IBC said.

Of the 21 African-American plaintiffs at three IBC operations in California, the jury found that IBC had acted with malice and oppression toward 17 of them, who will subsequently share the punitive award. All 21 will share the compensatory award.

In a statement, IBC said, "We believe that plaintiff's counsel failed to produce any evidence upon which punitive damages

could be granted." The company also said that it believes the verdict "was not supported by the company's record and that the allegations are unsubstantiated."

IBC "has a strong record of ensuring that every employee works in an environment free from discrimination," according to the statement. "We are committed to equal opportunity and diversity and, therefore, we cannot and will not tolerate discrimination under any circumstances. IBC takes all allegations of discrimination seriously, and we have policies and procedures in place to address workplace allegations quickly.

See Damages on page 6

Former judge replaces Quackenbush

New regulator in California

By JUDY GREENWALD

SACRAMENTO, Calif.—The appointment of a highly regarded retired judge to replace former Insurance Commissioner Chuck Quackenbush, who left his post last month amid mounting allegations of corruption, is expected to go a long way toward restoring both the reputation and efficacy of the California department.

Gov. Gray Davis' appointment of Harry W. Low, 69, to the \$132,000-a-year post of insurance commissioner is expected to be confirmed by the Legislature.

Mr. Low, who retired from the 1st Appellate District in San Francisco in 1992, has received judicial appointments by both Democratic Govs. Pat Brown and Jerry Brown as well as Republi-

can Gov. Ronald Reagan during his career.

His experience includes a brief stint in 1966 as commissioner of California's Workers Compensation Appeals Board. Most recently, he was an arbitrator and mediator with the San Francisco-based Judicial Arbitration & Mediation Services.

Mr. Low would replace Clark Kelso, a professor at the University of the Pacific McGeorge School of Law in Sacramento, whom Mr. Quackenbush named interim commissioner shortly before he left office (BI, July 10).

A spokeswoman for Mr. Low said that he preferred not to be interviewed, pending his approval by the Legislature. It could not be immediately learned whether he

See Low on page 20



PHOTOS: AP/WIDE WORLD

Gov. Gray Davis (left) named Harry W. Low California's new insurance commissioner.

Directory of surplus lines insurers and wholesalers approaching

Business Insurance will publish its annual directories of surplus lines insurers and wholesalers in the Sept. 11 issue, which will also include a Spotlight report on the surplus lines marketplace.

The directories are published as an editorial service, and there is no charge to be included. To be listed in the directory of surplus lines insurers, insurance companies must receive at least 50% of their premium vol-

ume or \$10 million of gross premiums, from policies issued on a direct, non-admitted basis covering commercial risks.

To be listed in the directory of wholesalers, a company must serve retail brokers as a wholesale broker, managing general agent or underwriting manager, regardless of whether it primarily uses admitted or non-admitted markets. A wholesaler must report premium volume and total gross revenues to be listed.

If your company meets the requirements for one of these directories and has not received a questionnaire, please request one immediately by calling Directory Editor Kevin Edison at 312-649-5279.

Copies of the questionnaire also can be printed from the directories area of the BI Web site, www.businessinsurance.com.

Completed questionnaires must be submitted by the extended deadline of Aug. 16.

INSIDE

● Employers must reconsider how employee benefits fit into a recruitment and retention role, a new survey suggests. **PAGE 4**

● Businesses should begin now to explore and manage the potential risks that will emerge for them as the human genome is uncoded, this week's editorial says. **PAGE 8**

● In Perspectives, Anna M. Rappaport of William M. Mercer Inc. offers suggestions for how employers can tap the talents of employees nearing retirement age. **PAGE 13**

● Risk managers see a greater role for themselves in managing intellectual property, corporate brands, reputations and other non-traditional risks. **PAGE 15**

Departments

Advertiser Index 20
Classifieds 18

Commentary	21
Datebook	14
For the Record	23
Global Briefs	15
Insurance Services Guide	16
International	15
Letters	8
Opinions	8
Perspectives	13
Products & Services	10

Business Insurance (ISSN 0007-6864) Vol. 34, No. 32, is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Periodicals postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance*, Circulation Department, 665 E. Jefferson Ave., Detroit, Mich. 48207. \$4 a copy and \$89 a year in U.S., \$108 in Canada and Mexico (includes GST). All other countries \$209 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444. Printed in U.S.A. Copyright 2000 by Crain Communications Inc.

Insurer ordered to defend trade group in gun suits

By MICHAEL BRADFORD

AUSTIN, Texas—Scottsdale Insurance Co. has a duty to defend a trade association named as a defendant in lawsuits against gun manufacturers, a federal appeals court has ruled.

Without ruling on whether coverage the insurer wrote for the National Shooting Sports Foundation Inc. would apply to any claims that arise from the suits, the 5th U.S. Circuit Court of Appeals ruled July 11 that Scottsdale must defend its policyholder.

The NSSF, a Newton, Conn.-based non-profit trade group for the firearms and recreational shooting industry, is named in about a dozen suits that seek to recover the costs that municipal government plaintiffs allege stem from the unauthorized use of handguns.

The association is named be-

cause the cities are suing to recover costs that include the marketing and promotion of firearms. Among the charges in the complaint are those that the NSSF and other defendants were negligent because they did not warn about the "risks of guns and the proper storage" of firearms; failed to develop safety features, including one that would prevent guns from being fired by unauthorized users and discouraged others from developing such features.

The coverage case began in September 1999 when Scottsdale filed a request for summary judgment in U.S. District Court in New Orleans, arguing that general liability policies it wrote for the NSSF contained exclusions that prevented coverage for any claims that might arise from the gun suits. In response, the NSSF filed a motion asking the court to find

the insurer responsible for paying defense costs in the gun suits. The suit was filed in New Orleans because the NSSF is named as a defendant in a suit the city filed against the gun industry.

The court denied Scottsdale's motion, and while it did not rule on whether the insurer would actually have to pay any damages that might be awarded in the suits, it agreed with the NSSF that the insurer was liable for defense costs.

The court ruled that "since there is a potential for coverage," there is a duty for the insurer to provide a defense, according to Jerold Oshinsky, an attorney for the NSSF and a member of the Washington firm Dickstein, Shapiro, Morin & Oshinsky L.L.C. Scottsdale appealed the decision, and a three-judge panel of the 5th U.S. Circuit Court of Appeals unanimously upheld the lower court's ruling. The panel ruled on the appeal in a hearing held in Austin, Texas.

The insurer has filed a motion
See Defense on page 20



Shake-up at SAFECO

Management focusing on improving performance

By MEG FLETCHER

SEATTLE—A management shake-up at SAFECO Corp. is expected to help the insurer refocus its efforts to improve the profitability of its property/casualty business, which includes commercial insurance.

Chairman and Chief Executive Officer Roger Eigsti announced last week that he intends to retire effective Dec. 31. In addition, Randy Stoddard, president of SAFECO's property and casualty companies, "submitted his resignation effective immediately," according to a SAFECO statement. Additional details about Mr. Stoddard's plans were not immediately available.

SAFECO President and Chief Operating Officer Boh Dickey will assume Mr. Stoddard's responsibilities as president of

the Seattle-based insurer's largest business unit.

"We believe that a different style of leadership and executive involvement is required to restore SAFECO to its historic levels of profitability," according to a statement by William G. Reed Jr., who was appointed in May to serve as lead independent director for the insurer's board of directors.

"The directors have been disappointed with SAFECO's financial performance for several quarters. We expect SAFECO to be among the industry leaders in terms of financial performance," Mr. Reed said.

For the first six months of this year, SAFECO's gross revenues grew 6.1% to \$3.64 billion from the same period in 1999. Net income, however, dropped 69.3% to \$58.9 million from a year earlier.

The insurer reported that increased property/casualty underwriting losses, particularly in the Midwest, offset improved results by subsidiary American States Financial Corp., which SAFECO acquired in 1997. While SAFECO is implementing rate increases across most of its lines of business, the company expects the rate hikes will take time before they are reflected in the company's financial results.

The insurer is looking both inside and outside the company to replace Mr. Eigsti, and Mr. Dickey is a candidate, said Mr. Reed.

As one securities analyst described it, the board's action was "a wake-up call" that it wants leaders with "a more aggressive posture to turn around the company's underwriting dynamics."

Child care center grows

Amgen builds new onsite center to handle employee needs

By CLEO BURTLEY

Once upon a time, fathers brought home the bacon, mothers stayed at home with the kids, and employers didn't worry about offering child care benefits to employees.

But today, low unemployment and a strong economy—with an intense demand for employees with technical skills—are prompting employers like Amgen Inc. to enhance their work/life benefit packages.

For Amgen, the drive for "a real recruitment and retention tool" led the company to expand its child care facilities recently by opening an enlarged center onsite, according to a spokesman for the Thousand Oaks, Calif.-based biotechnology and pharmaceuti-

cal company.

"We had several expansions" prior to the new center, he said. The company decided to take advantage of advances in computer technologies and "build a state-of-the-art facility," he said.

Called "Camp Amgen," the new child care center can handle far more children than Amgen's previous center of the same name, which it opened in 1992. The 44,856-square-foot new center opened in June. Roughly 300 children, ranging in age from 6 weeks to 5 years, currently use the facility full-time, up from 70 in 1992.

Amgen's growth as an employer played a large role in its need to expand its child care offerings to employees. In 1992, when its first Camp Amgen opened, Amgen employed about 1,250 workers and

generated gross revenues of \$1.09 billion. By the end of 1999, the company's workforce swelled to 6,400 and Amgen's gross revenues topped \$3.34 billion.

For employees in Southern California, many of whom face long commutes by car, the child care center is a time-saver.

"We draw employees from 50 miles north to 50 miles south," and when an employee's child is sick, the parent need not go far to be assured the child is receiving proper attention, the spokesman noted.

The Amgen spokesman would not comment on costs related to construction and maintenance of the Camp Amgen.

Bright Horizons Family Solutions Inc., a child care manage-
See Amgen on next page

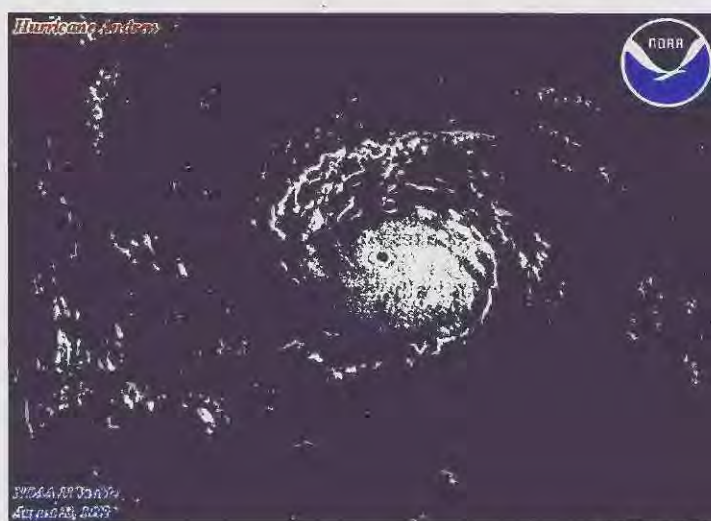


PHOTO: NOAA

Storm tracking

ISO compiles 50 years of hurricane data

NEW YORK—A compilation of U.S. hurricane loss information for the past 50 years was issued by Insurance Services Office Inc. on July 24.

The 32-page booklet, "A Half-Century of Hurricane Experience," contains historic information on the cumulative effect of Atlantic and Pacific hurricanes that made landfall in the United States, as well as information on individual hurricanes.

For example, from 1949 to 1999, catastrophic hurricanes caused insured property losses of \$37.9 billion in the United States, the booklet states. And three of the five most costly hurricanes of the past 50 years—Andrew, Hugo and Georges—occurred between 1989 and 1999.

Despite the large losses in the 1990s, the 1950s produced the largest number—nine—of intense hurricanes in the Atlantic that made landfall in the United States. Intense hurricanes are defined as storms carrying sustained winds of 111 mph or more.

The booklet also contains detailed information on the 30 largest hurricanes of the past 50 years in terms of insured losses.

The information is derived from ISO's own statistics as well as information from the National Hurricane Center and other sources.

Also contained in the booklet is information on mitigating hurricane losses, catastrophe modeling and insurance.

Single copies of the booklet are available for free by calling ISO at 800-888-4476.

—By Gavin Souter

Specialists gathering at comp conference

MARINA DEL RAY, Calif.—A diverse group of more than 30 risk managers, ergonomists, loss control specialists and attorneys will share their insights about the lat-

management at Weststaff in Walnut Creek, Calif.

The formal conference will be preceded by the annual Employers' Private Roundtable, a popular event at which employer representatives can candidly discuss pressing problems and seek advice from their colleagues.

That session will be moderated by Kathryn J. McIntyre, publisher and editorial director of *Business Insurance*. She co-chairs the conference along with Meg Fletcher, a *BI* senior editor, with assistance from IBF President and CEO Alexandra Scott, and IBF Vp Jennifer Fauci.

The interactive spirit of the roundtable is encouraged throughout the conference, and attendees are invited to ask questions and seek advice from the event's more than 30 individual speakers or panelists.

The conference will begin with a keynote speech by Dan Kugler, director of risk management for Snap-On Inc. of Pleasant Prairie, Wis. In a presentation titled "Security on the Road to Recovery," Mr. Kugler will discuss his company's management approach to helping workers following their job-related injuries.

In addition, developments in effective ergonomics programs will be discussed by two winners of
See Conference on page 21

THE EIGHTH ANNUAL
Business Insurance
WORKERS COMPENSATION
AND
DISABILITY MANAGEMENT
CONFERENCE

est strategies for preventing and managing workers compensation risks during the upcoming *Business Insurance* Workers Compensation and Disability Management Conference.

The eighth-annual event, which is co-sponsored by International Business Forum of Rockville Centre, N.Y., will be held Oct. 16-18 at the Ritz-Carlton Hotel in Marina del Rey, Calif.

The conference will focus on the best practices of companies in preventing and managing the human and economic impact of job-related injuries. Conference topics were chosen and developed with the help of nearly two dozen members of an advisory board, which is chaired by Jeffrey W. Pettegrew, vp-insurance and risk

Amgen

Continued from previous page
ment and consulting firm, manages Amgen's child care facilities. Based in Cambridge, Mass., Bright Horizons services an estimated 250 clients, 75 of which are Fortune 500 companies, according to a spokeswoman.

"If you think about it statistically, you can almost count on three hands the people who build" onsite child care facilities, said Helen Darling, senior work/life consultant at Watson Wyatt Worldwide in Stamford, Conn. "Usually, someone gets revved up (in a company) once a year" and proposes an onsite or near-site child care program, she said.

While Ms. Darling foresees benefit and human resource managers "paying more attention to back-up care" programs for employees with no alternative means of temporary or

emergency child care, she cites a hierarchy of solutions for companies interested in making an addition to their work/life benefit plans.

As in the case of Amgen, large employers can see significant increases in productivity and loyalty by bring-

'You can almost count on three hands the people who build onsite' child care facilities, says Helen Darling.

ing a child care facility to the workplace, benefit consultants say. Depending on cost, employers may choose to manage the facility in-house or outsource it to a child care management firm. And some employers use near-site care centers

and referral services, with employees receiving discounts on enrollment, consultants note.

Before a company decides to jump on the child care bandwagon, however, a number of factors should be considered, said Rich Federico, vp and work/life practice leader at The Segal Co. in New York.

While there are "community pressures" and "CEOs who brag about" their work/life benefit programs, benefit managers "have to have a baseline before there can be a return," he said. Corporate data, such as estimates of employee absenteeism, "would be nice to know up front."

"Is it aligned with business issues? Is there a vocal outcry of the workforce who say, 'We badly need this?' It's no different than establishing a need for any other work/life benefit," said Mr. Federico. "You don't want to have to justify an expensive, unutilized" benefit. **BI**

Captive

Continued from page 1
company, including property, casualty, marine and directors and officers liability insurance.

'We're assessing all the lines that we write to bring them in line with the Exxon-Mobil merger,' says Rich Filippi.

"Right now, we're assessing all the lines that we write to bring them in line with the Exxon-Mobil merger," Mr. Filippi said.

Conducting business in more than 200 countries, ExxonMobil is engaged in the exploration and production of oil and gas, the manufacturing and marketing of fuels, lubricants and chemicals, electric power generation and coal and minerals operations.

The Ancon captive is managed by ExxonMobil Risk Management, while Bluefield International Insur-

ance Inc. had been managed by Marsh Inc. in Bermuda. Marsh Management Services Inc. in Burlington, Vt., was resident agent for both captives in Vermont and will continue in that role for the Ancon captive.

According to Derick A. White, assistant director of captive insurance in the Vermont Department of Banking, Insurance, Securities and Health Care Administration in Montpelier, captive mergers like the Ancon-Bluefield consolidation have occurred fairly frequently over the past year. The captive merger activity reflects the merger and acquisition trend prevalent in the broader business world, he said.

"We've had a lot of parent companies merge in the past 12 months and they both had Vermont captives, and they combined the captives into one," Mr. White said. "Some of them, when the policies come up for renewal, they write twice as much premium."

The captive merger, which was approved July 1, was done "very smoothly," according to Mr. White. "Rich Filippi came up here and explained it to us, and we have a lot of faith in them," he said.

"The Insurance Department in Vermont was very receptive to it," Mr. Filippi said. **BI**

Job seekers looking at more than salary

By LEE FLETCHER

For employers attempting to recruit talent in a tight labor market, selling job candidates on the advantages of the company is increasingly important, a new survey shows.

A key way to do that, the survey's authors contend, is promoting the employer's traditional and work/life benefit offerings.

The survey, which was developed by Menlo Park, Calif.-based temporary staffing service Accountemps, drew responses from 150 human resources and director-level executives from Fortune 1000 companies in the United States. It found that 98% percent of respondents believed that selling job candidates on the advantages of the company is more important now than it was only three years ago.

Sixty-nine percent of respondents said that touting the advantages of their company is "very important" in recruiting candidates, while 29% said it is "somewhat important," compared to three years ago.

"What we're finding is that job seekers have so many job options out there. Although salary is one factor, now they have more choices in front of them. They can decide whether they have career advancement opportunities and whether or not there are continual learning opportunities," said Reesa Statem, director of corporate communications and research manager for Accountemps in Merlo Park.

Ms. Statem said that job seekers consider such issues in addition to salary, so an employer must be prepared to highlight them during a job interview.

She pointed out that roles of job candidates and employers have reversed, with companies now selling themselves to applicants during the interview process.

"We're seeing the unemployment rates remaining low and companies making efforts to recruit people," Ms. Statem said.

"Now the tables have turned, and a job seeker might have three or four offers on the table, so the employer needs to be proactive and basically sell the candidate. It's beyond just an interview to get to know the candidate, it's also a little bit of a sales pitch to show to the potential em-

ployee that this is a place you want to work," Ms. Statem said.

A smart company, Ms. Statem said, will maintain a focus on traditional benefits and then supplement them with benefits that can create a more inviting corporate culture, such as flex time.

"People want to have it all right now—they want to be able to work, but also to have a personal life," Ms. Statem said, and recruiting efforts must address that desire.

According to Corey Sherman, an Atlanta-based principal with Buck Consultants Inc., employers need to change their attitude in three areas.

First, he said, recruitment and retention are no longer company-focused, and a candidate will not necessarily seek out an employer by virtue of its name-recognition factor. When recruiting, companies chiefly should "show how the company's interests and needs align with the prospective employees," Mr. Sherman said. "It's all 'me' focused, and that's reality."

Mr. Sherman also said that companies need to get beyond the idea of employee loyalty.

"It's dead. You're not going to find people and keep them there forever on the basis that they love you. It's more that they'll be in it as long as it's good for them—as long as they're stimulated and challenged. The biggest workforce sin in the 2000s is to be stuck in a boring job," Mr. Sherman said.

"We're now in the age of possibilities, and people have more choices than any generation has ever had," he said.

The idea of benefits, as they are generally understood, also is dead, according to Mr. Sherman.

Benefits "are a maintenance item. It's the way that you use them—it's not whether you have them or not. You have to think of benefits in a different way, as personal needs, life issues and even work preferences," Mr. Sherman said.

According to Mr. Sherman, the presentation of a benefit is more important than the benefit itself.

"Though it sounds counterintuitive, a benefit that's not as good, but is better communicated and understood is valued more highly than a great benefit that is not communicated as well," Mr. Sherman said. **BI**

Do you take the Road Less Traveled
with your alternative risk opportunities?



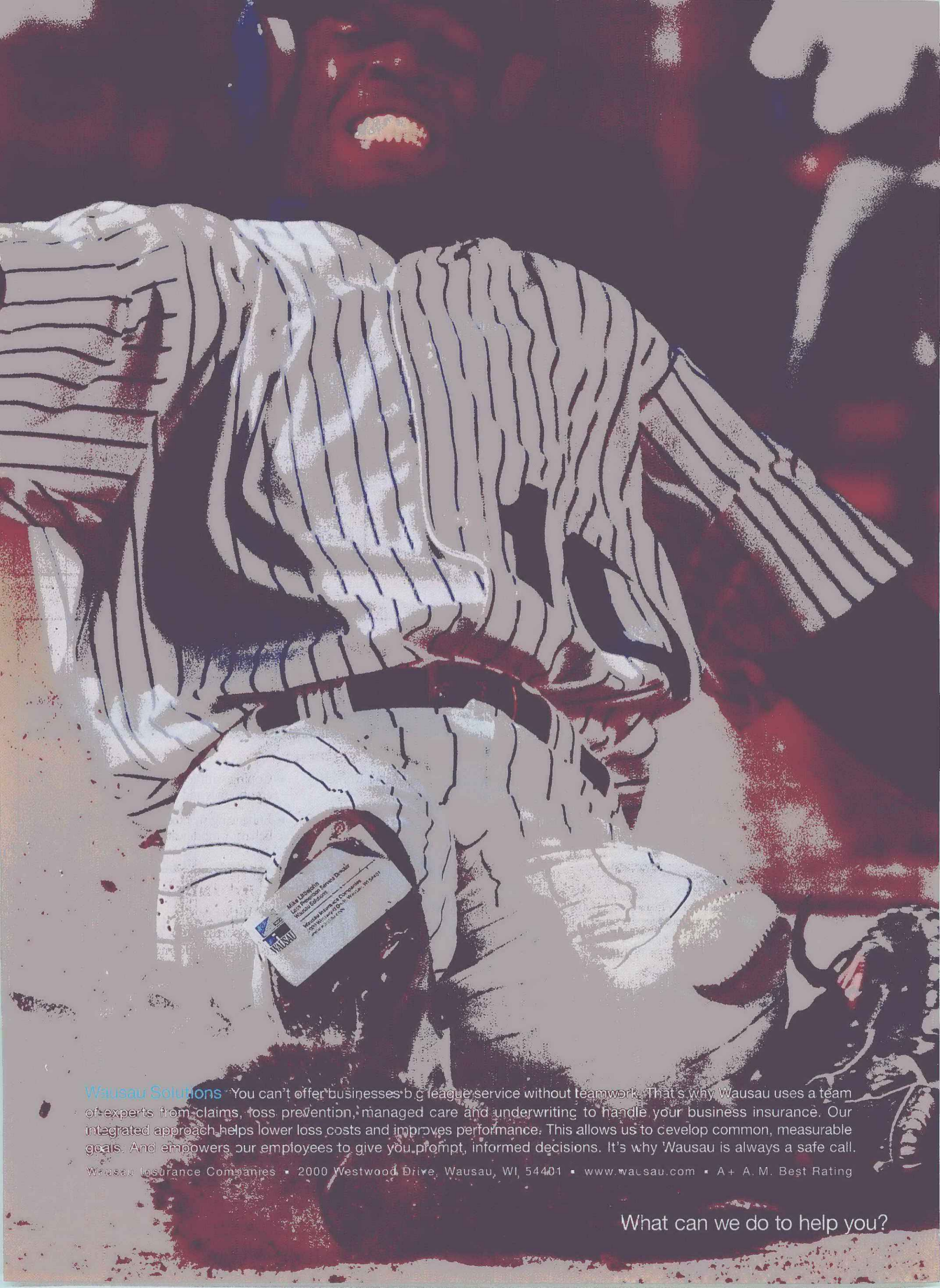
Frontier does. A long time player in specialty markets, Frontier is uniquely able to provide you with the expertise and insurance services vital to successful onshore/offshore risk-sharing vehicles such as: Captives • Rent a Captives • Risk Retention Groups and Other forms of Alternative Risk Transfer Options.

We work with you to customize coverages and services, including feasibility studies, fronting, reinsurance support, loss control, claims handling, and legal services that will give you the direction needed to safely navigate your alternative risk opportunities.

To take the road to success,
call Dick Marshall at 800-836-2100, ext. 5341.



Our programs are designed to safely travel a different road to success.



Mike Livingston
Loss Prevention Service Director
Wausau Solutions
Wausau Insurance Companies
200 Westwood Drive Wausau, WI 54401
www.wausau.com

Wausau Solutions You can't offer businesses' big league service without teamwork. That's why Wausau uses a team of experts from claims, loss prevention, managed care and underwriting to handle your business insurance. Our integrated approach helps lower loss costs and improves performance. This allows us to develop common, measurable goals. And empowers our employees to give you prompt, informed decisions. It's why Wausau is always a safe call.

Wausau Insurance Companies • 200 Westwood Drive, Wausau, WI, 54401 • www.wausau.com • A+ A.M. Best Rating

What can we do to help you?

Damages

Continued from page 2
and fairly."

Angela Alioto, the San Francisco-based attorney who represented 17 of the 21 plaintiffs, described IBC's employment practices as "insidious" and called the punitive damage award "reasonably based."

"This verdict is going to deter discrimination in the corporate workplace," predicted Ms. Alioto, of the law offices of Joseph L. Alioto & Angela Alioto. "There couldn't be a more-precise way of deterring this type of conduct."

"Discrimination in the workplace is totally out of control," Ms. Alioto added. "Human resource departments of huge corporations are not doing what they should be doing, and that is responding to (discrimination) complaints."

The plaintiffs wrote "letter after letter" to IBC's human resources department and to management complaining about the discrimination, but to no avail, Ms. Alioto said.

Most of the plaintiffs work or worked in IBC's San Francisco-based Wonder Bread plant. They allege, among other complaints, that they were subject to ongoing racial slurs and unfair working conditions for more than 30 years. They also alleged in their lawsuits that IBC hires African-Americans only for entry-level and low-level positions and consistently fails and refuses to promote them.

According to the two com-

plaints filed in 1998 and 1999 that were later consolidated, IBC has roughly 600 employees at its San Francisco plant, of whom 25 are African-American. Court papers said that, at the San Francisco location, only two African-American foremen hold positions above entry level.

'This verdict is going to deter discrimination' in the workplace, says plaintiff's attorney Angela Alioto.

The complaints note that, of the 48 salesmen in the San Jose, Calif., distribution plant, two are African-American, and of the 35 salesmen operating out of the Oakland, Calif., distribution plant, four are African-American. According to the court papers, no African-American in any of the three locations, some of whom have been with the company more than 20 years, holds a management position.

Gerald L. Maatman Jr., a partner at law firm Baker & McKenzie in Chicago, stressed the importance of having a diverse workforce, having African-Americans in management positions and having a workplace where everyone has equal opportunity. When a racial minority ends up on the negative end of the equation, Mr. Maatman said, the costs can be catastrophic.

"Texaco proved it three years ago," he said, referring to the \$176.1 million settlement of a race discrimination suit agreed to by the White Plains, N.Y.-based oil company in late 1996. "Race discrimination cases are a real danger for Fortune 500 companies."

Mr. Maatman, who serves as chairman of Baker & McKenzie's global labor, employment and employee benefits practice group, called the verdict a wake-up call for Fortune 500 risk managers who haven't purchased employment practices liability insurance. Still, he said, he does not believe that the punitive damage award will stand.

"The trial court judge will cut damages by 25% to 50% before the case gets up to the appellate court," Mr. Maatman predicted.

Allegations of race discrimination against IBC are not limited to California. Currently, the company is defending itself against three race discrimination suits, in Denver, New York and Orlando, Fla., an IBC spokesman confirmed. The spokesman also noted that a race discrimination suit in Indianapolis is on appeal after a judgment against the plaintiffs was rendered earlier this year.

Carroll et al. vs. Interstate Brands Corp. et al.; Superior Court of the State of California in and for the City and County of San Francisco, Case No. 995728.

Bryant et al. vs. Interstate Brands Corp. et al., Superior Court of the State of California in and for the City and County of San Francisco; Case No. 304142.

Boeing won't tap cover for settlement

By GAVIN SOUTER

CINCINNATI—The Boeing Co. will use corporate revenues for the up to \$54 million it agreed to pay to settle two lawsuits brought by the U.S. Department of Justice, a spokesman for the aircraft manufacturer said.

The suits allege that Seattle-based Boeing placed defective gears in Chinook helicopters, which caused the fatal crashes of two U.S. Army helicopters, which were valued at more than \$20 million in total. Five servicemen were killed in the crashes.

Boeing, which continues to deny the allegations, has product liability insurance coverage, led by Associated Aviation Underwriters Inc. in Short Hills, N.J. But, according to a Boeing spokesman, "Right now, the plan is for the company to pay the settlement."

The ultimate amount that Boeing will pay in the settlement remains unclear.

A Boeing statement said the company is seeking an appellate court ruling on whether liability issues stipulated in defense contracts are enforceable in lawsuits brought under the False Claims Act, under which both lawsuits

were brought.

The appellate court will rule "whether the Department of Defense self-insurance contract clause, known as the High Value Items Clause, under which the government assumes liability for the loss of high-value items due to defective components, applies to actions brought under the False Claims Act," the Boeing statement said.

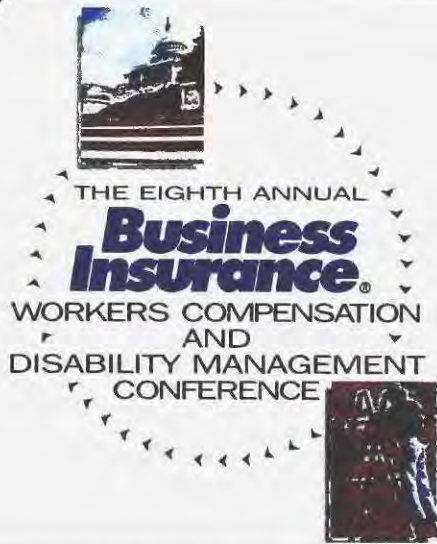
If the court rules in Boeing's favor, at least some of the \$54 million likely will be paid by the government, the company spokesman said.

The settlement covers alleged defects in transmission gears in the CH-47D helicopters, which were manufactured by two Boeing subcontractors.

One helicopter with the allegedly defective gears crashed in 1988 on a mission in Honduras, killing five servicemen, according to the Justice Department. Another Chinook with the gears crashed in Saudi Arabia during Operation Desert Shield in 1991, injuring two people on board.

The Justice Department filed its lawsuits in U.S. District Court in Cincinnati, near where one of the Boeing subcontractors is based.

SAVE THE DATE



AUDIENCE PROFILE:

Risk managers, loss prevention and safety managers, benefit managers, workers compensation and disability managers, along with representatives from state and local governments ... plus insurers, brokers, consultants, and representatives from HMOs and PPOs.

OCTOBER 16-18, 2000

The Ritz-Carlton Marina del Rey, California

PRESENTED IN CONJUNCTION WITH  International Business Forum

ADDRESSING THE LATEST DEVELOPMENTS IN WORKERS COMPENSATION AND DISABILITY MANAGEMENT PROGRAMS

INDUSTRY EXPERTS TO ADDRESS:

- ▶ Employer successes in improving workers compensation programs
- ▶ Coping with federal proposals on ergonomics and privacy
- ▶ Using medical networks to save health care costs
- ▶ Enhancing worker safety through behavior modification

EMPLOYERS' PRIVATE ROUNDTABLE:

Monday, October 16th

Employers Only - This roundtable session provides an opportunity for participants to voice concerns about their workers compensation programs and share information to find solutions to common problems.

WORKERS COMPENSATION AND DISABILITY MANAGEMENT CONFERENCE

Please register me to attend the The Eighth Annual *Business Insurance* Workers Compensation and Disability Management Conference, October 16-18, 2000.

I am a service provider - \$1,095 I am a risk, employee benefit or safety manager - \$795

Name: _____

Title: _____

Company: _____

Address: _____

City: _____ State: _____ Zip: _____

E-Mail: _____

Telephone No.: (____) _____ Fax No.: (____) _____

REDUCED RATE ACCOMMODATIONS: Please make your reservation directly with The Ritz-Carlton Hotel at (310) 823-1700. There is a special room rate of \$210 Single/Double, if you mention the conference. (Special rate cut-off date is September 15, 2000.)

Please photocopy for additional registrants. Send registration form (or a photocopy) and payment to:



IBF • International Business Forum
100 Merrick Road, Suite 500, West Bldg. • Rosville Centre, NY 11570
Telephone: (516) 594-3000 • Fax: (516) 594-5479 • Email: cathy@ibforum.com • Website: www.ibforum.com

Please invoice me. Check enclosed (Please make check payable to International Business Forum and write WC'00 on the check.)

PLEASE CHARGE TO: American Express MasterCard/Visa

Cardholder name: _____

Card No. _____ Exp. Date: _____

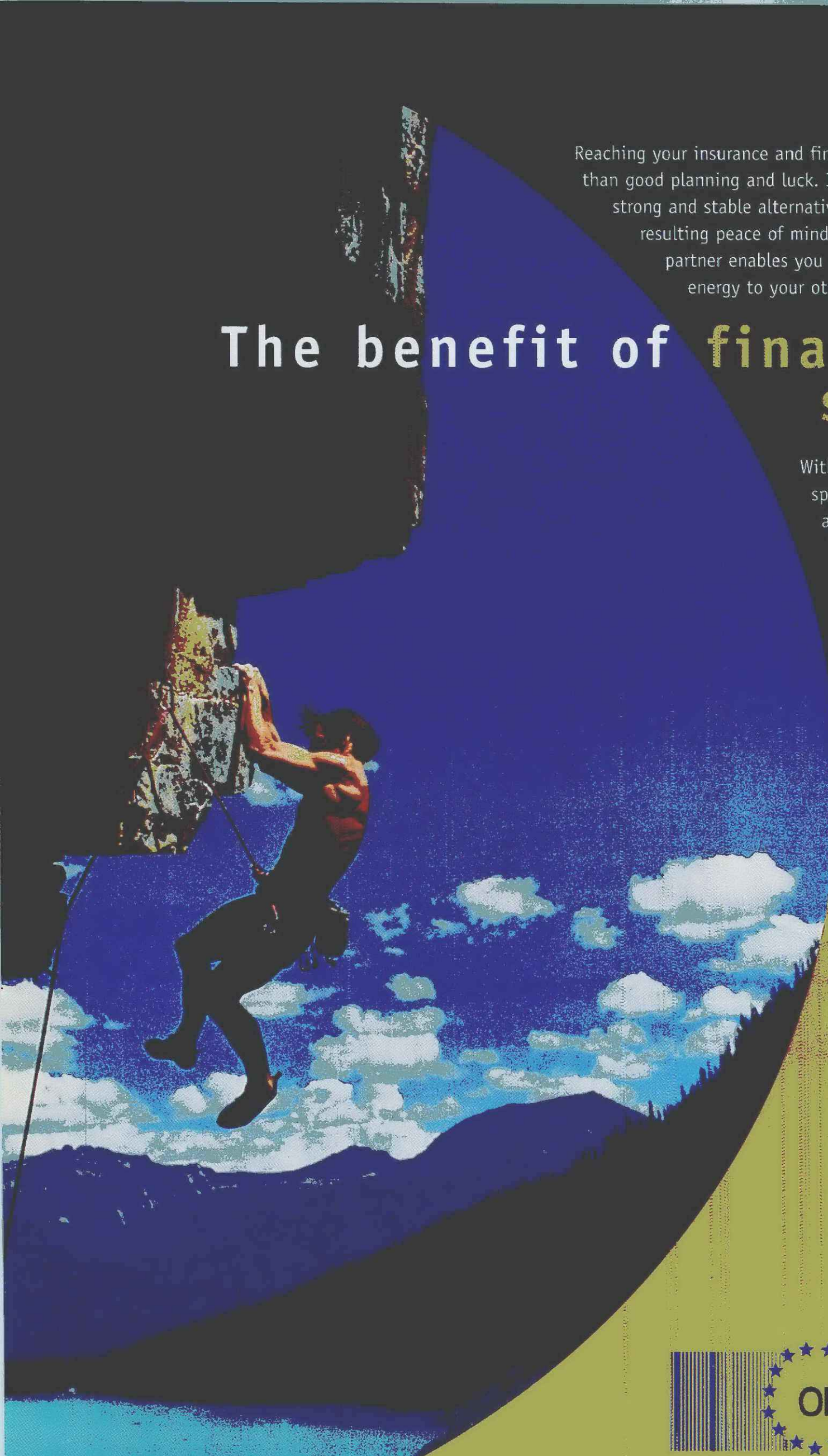
Signature: _____

Please forward information about table-top exhibits. Contact Julie Tarsi at BF (516) 594-3000 ext. 14

Please forward information on sponsorship opportunities. Contact Jennie Caratu at IBF (516) 594-3000 ext. 15

GROUP DISCOUNT: Register two or more people from your firm and receive a 10% discount off each registration fee.

(All parties must register at the same time and must attend to obtain the group discount offered. Cannot be combined with other discount offers.)



Reaching your insurance and financial goals requires more than good planning and luck. It also requires a financially strong and stable alternative market partner. The resulting peace of mind in finding the right partner enables you to devote more time and energy to your other priorities.

The benefit of **financial strength**

With over 40 years of specialization in the alternative market, Old Republic, with its strong balance sheet and above average financial ratings, has provided the stability and peace of mind necessary to help our clients achieve their insurance objectives.

To learn more about how you might benefit from our financial strength, see us at www.orm.com or call 262/797-3400.



Specialists in the alternative risk market.

OPINIONS

Beware new genetics risks

THE RECENT ANNOUNCEMENT that researchers have mapped most of the human genetic code opens up nearly limitless opportunities for a better quality of life for billions of people. It raises the hope that someday, genetically linked illnesses will join smallpox as plagues of the past, banished forever by skillful manipulation of human genetic material. It could be the scientific equivalent of the Holy Grail.

But—welcome as that possibility of a healthier world is—for risk and benefit managers, this scientific milestone also marks the beginning of a journey into a wilderness of unknown perils.

Even though it will take decades for all of the major implications of this breakthrough to become evident, Congress has already begun considering the potential risks it presents. As we reported recently, bills that would ban “genetic discrimination” in the workplace have already been introduced in the House and the Senate (*BI*, July 24). Even though these Democrat-sponsored measures have next to no chance of winning passage this year, the issue isn’t going to go away.

And that’s very understandable. The question of how genetic information will be treated is a nexus among issues involving employee benefits, employment practices liability, privacy and business ethics.

Consider just a handful of the specific questions raised by the general issue of genetic discrimination: How should an employer respond if it learns that a job applicant’s genetic makeup predisposes that otherwise excellent candidate to a fatal disease that could significantly increase the employer’s benefits cost? How should an insurance company underwrite an individual who has a genetic predisposition to a costly illness that may not manifest itself for decades?

Who should have access to genetic information? What safeguards need to be put in place to prevent the unauthorized dissemination of genetic information, and what penalties should be exacted from those who violate privacy rules? Who is liable, and to what extent?

These and other questions ultimately will be an-



swered legislatively and judicially, but those answers won’t come soon.

Thus, it is imperative that employers become engaged as soon as possible in the debate that will provide the answers. The debate will not be over whether safeguards should be created, but rather, what those safeguards should be.

Employers have a lot at stake in that debate. The complexity of the issue guarantees that there will be wide variations in interpretations of their right to have access to such information and their liability for how it is used.

Employers have the luxury, though, of enough time to get their concerns out in front of lawmakers and the general public. They better take advantage of that opportunity, too, for to get involved in the debate now can help assure that the great scientific quest to unlock the genetic code doesn’t end with employers holding a grail that holds nothing but a bitter swallow of limitless liability.

LETTERS

Treat employees like consumers

To the editor: I am writing regarding the July 24 article “Health Care Plan Gives Consumers More Choices.” The subhead for the article, “Strategy Treats Employees Like Adults,” misstates the entire challenge we face in the improvement of the delivery and financing of health care. We need to treat adults like consumers.

Our current health care delivery and financing techniques are heavily skewed toward systems that have caused two generations of Americans to view government and the employer as “parents” who provide for the needs and wants of their “children” with no regard to the costs involved in providing these benefits. Defined contribution health plans will not reduce the costs of health insurance for employers, nor will they increase the attraction and retention of employees.

There was a similar debate in the 1980s, when employers saw health insurance coverage costs rising at double-digit rates with no

end in sight.

In that debate, escalating hospital and physician service costs were the poisons. Managed care was the elixir. “Flexible credits,” or a defined contribution health plan, was the spoon offering up the medicine. Prescription drugs and aging baby boomers are the current toxins causing health care cost increases.

Many companies in the late 1980s embraced the technique of defined contribution health plans only to find that the definition of “contribution” was “continued yearly increases” in health care premiums. We also saw a large number of employees who previously did not participate in employee benefits taking advantage of the credits employers were providing just because they were available. Many employees signed up for their companies’ health insurance or other “flex-eligible” coverages even though they had coverage through spouses or other

sources. These employees had no sense that they had been granted benefits, and employers’ benefit costs went up with the increased participation. Many flexible benefit plans were replaced by the traditional defined benefit approach.

We are now realizing that managed care has squeezed much of the excess out of the health care system. Physicians and other providers are resisting further cost containment by the insurance companies. Insured patients believe that managed care is depriving them of freedom and ease of access to health care. Have your employees heard the term “formulary?” If so, I bet they think this idea is as much fun as a barrel of monkeys. This perception of managed care is perpetuated by the interest groups that have a stake in the failure of managed care arrangements.

There is no argument that health care delivery and financing needs improvement.

See Letters on page 11

LETTERS TO THE EDITOR

Business Insurance welcomes letters to the editor. This section is intended to be a forum for readers’ opinions and comments. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Please send your letters to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; fax: 312-280-3174; e-mail: pwinston@crain.com

BI’S ONLINE FORUM

Visit BI’s Online Forum, which offers unmoderated discussion areas for readers to exchange ideas or information on risk management, employee benefits insurance and miscellaneous other topics.

The Online Forum is located at: <http://www.businessinsurance.com/forum/index.html/>

Business Insurance

Reporting weekly on corporate risk, employee benefit and managed health care news

Vice President/
Publisher/Editorial Director: Kathryn J. McIntyre, ARM (Chicago)

Vice President/
Associate Publisher/Advertising Director: Martin J. Ross III (New York)
Editor: Paul D. Winston (Chicago)

Editor-at-Large: Jerry Geisel (Washington)
Managing Editor: Regis J. Coccia (Chicago)
Graphics Editor: Kathy L. Barnes (Chicago)
Senior Editors: Meg Fletcher, ARM (Chicago)
Judy Greenwald (San Jose)
Dave Lenckus (Tucson)
Douglas McLeod (New York)
Joanne Wojcik (Denver)
Rodd Zolkos (Chicago)

Washington Editor: Mark A. Hofmann (Washington)
Bureau Chiefs: Roberto Cenicerias (Los Angeles)
Garvin Sauter (New York)
Edwin Unsworth (London)

Associate Editors: Michael Bradford (New Orleans)
Michael Prince (New York)
Sally Roberts (Denver)
Sarah Veysey (London)
Lee Fletcher (Chicago)

Staff Reporter: Kevin P. Edison (Chicago)
Directory Editor: Michel Schwartz (Chicago)
Assistant Directory Editor: Dermal Connolly (Chicago)
Copy Editors: Mary B. Nick (Chicago)
Matt Scroggins (Chicago)
Joe Walker (Chicago)

Assistant Graphics/Online Editor: Amy R. Kepka (Chicago)
Editorial Assistant: Shirley Henry (Chicago)
Assistant to the Publisher: Karen Brown Tucker (Chicago)
Editorial Cartoonist: Roger Schillerstrom (Chicago)

Midwest Advertising Manager: Robert L. Niesse (Chicago)
Eastern Advertising Manager: Blake Delany (New York)
District Managers: Karen Casco (New York)
Robert B. Murray (New York)
Deborah D. Neale (Chicago)
Allison Sidorsky (New York)

Classified Advertising Manager: Irais Amleshi (Chicago)
Sales Assistant: Lori Lieberman (Los Angeles)
Production Manager: Cheryl Magiera (Chicago)

Director of Communications: Ronnie I. Drachman (New York)
Promotion Manager: Elizabeth F. Ostrow (New York)

EDITORIAL: Chicago: 312-649-5398
Denver: 303-698-7601
London: 207-457-1400
Los Angeles: 323-651-3710
New Orleans: 504-364-1908
New York: 212-210-0100
San Jose: 408-774-1500
Tucson: 520-579-1937
Washington: 202-662-7200

ADVERTISING: Chicago: 312-649-5276
New York: 212-210-0228
Los Angeles: 323-651-3710
New York: 212-210-0132

COMMUNICATIONS: Detroit: 888-446-1422

Business Insurance is published by Crain Communications Inc.

Keith E. Crain
Chairman
Merrilee Crain
Secretary

Rance Crain
President
Mary Kay Crain
Treasurer

William A. Morrow
Executive Vice President/Operations
Robert C. Adams
Vice President/Production
Peter Johnson
Vice President/Circulation

G.D. Crain Jr.
Founder (1885-1973)

Mrs. G.D. Crain Jr.
Chairman (1911-1996)

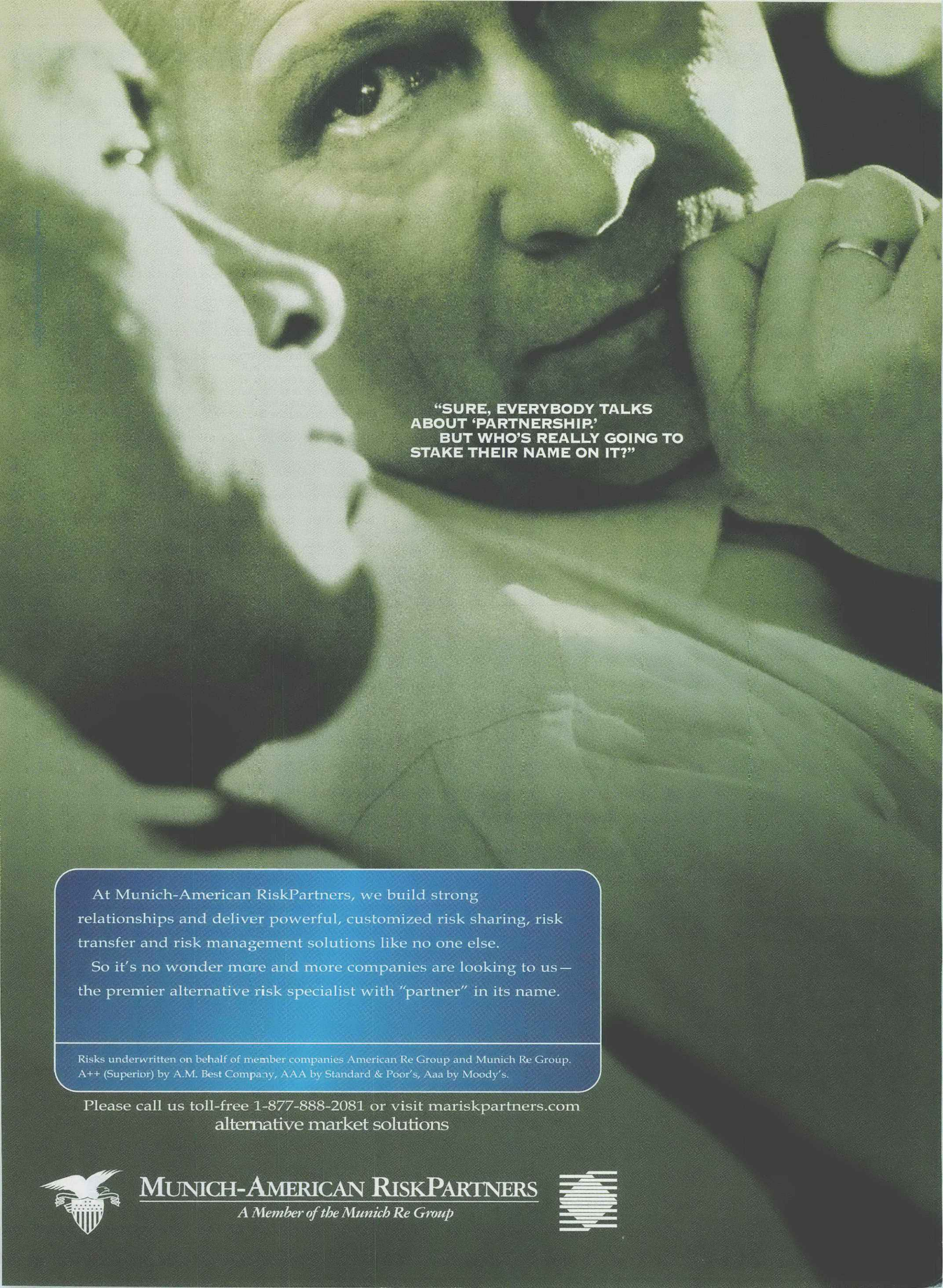
S.R. Bernstein
Chairman-executive committee (1907-1993)

Published weekly at 740 N. Rush St., Chicago, Ill. 60611-2590, Fax 312-280-3174, Email: biweb@crain.com, Offices: 711 Third Ave., New York, N.Y. 10017-5806, Fax 212-210-0704, CRAIN COM NYK; 473 Fairfield Ave., Gretna, IA 70056, Fax 504-364-1337; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax 202-638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048-4947, Fax 323-655-8157; 967 Bermuda Court, Sunnyvale, Calif. 94086-6750, Fax 408-774-1155; New Garder House, 78 Halton Garden, London EC1N 8LD England, Fax 207-457-1440; 8157 N. Torrey Way, Tucson, Ariz. 85743, Fax 520-579-3476; 777 E. Speer Blvd., Denver, Colo. 80203-4214; Fax 303-733-2244. \$4 a copy and \$89 a year in U.S. \$108 in Canada and Mexico (includes GST). All other countries \$209 a year (includes expedited air delivery). DON MIERENDORF, circulation manager. Four weeks’ notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich. 48207-3185, or phone 888-446-1422 or 313-446-0450, Fax 313-446-6777. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editoria content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: JOSEPH P. HANLEY, Crain News Service, 220 E. 42nd St., New York, N.Y. 10017-5806, 212-254-0890. For reprints or reprint permission contact: KAREN BROWN TUCKER, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, 312-649-5319, Fax 312-280-3174.

www.businessinsurance.com



TO SUBSCRIBE CALL: 888-446-1422 • 313-446-0450 outside of the United States



**“SURE, EVERYBODY TALKS
ABOUT ‘PARTNERSHIP.’
BUT WHO’S REALLY GOING TO
STAKE THEIR NAME ON IT?”**

At Munich-American RiskPartners, we build strong relationships and deliver powerful, customized risk sharing, risk transfer and risk management solutions like no one else.

So it's no wonder more and more companies are looking to us — the premier alternative risk specialist with “partner” in its name.

Risks underwritten on behalf of member companies American Re Group and Munich Re Group. A++ (Superior) by A.M. Best Company, AAA by Standard & Poor's, Aaa by Moody's.

Please call us toll-free 1-877-888-2081 or visit mariskpartners.com
alternative market solutions



MUNICH-AMERICAN RISKPARTNERS
A Member of the Munich Re Group



Where on earth can you find it?

Your best resource is right here!

1999 DIRECTORIES

Issue Date	Directory
Feb 1	Utilization Review/ Case Managers
Feb 15	Third-Party Administrators
Mar 1	Benefit Information Systems
Mar 15	Risk Management Consultants
Apr 12	Captive Managers
May 10	401(k) Plan Administrators
May 24	Environmental Risk Management Consultants
Jun 7	Alternative Risk Financing Facilities
Jun 28	EAPs & Dependent Care Resource & Referral Services
Jul 19	Agents & Brokers
Aug 2	Prescription Benefit Managers
Aug 16	Property Loss Control Consultants
Aug 30	Leading Reinsurers Worldwide
Oct 4	Surplus Lines Insurers & Wholesalers
Oct 18	Safety Consultants & Rehabilitation Services
Oct 25	International Insurers & Benefit Networks
Nov 1	Reinsurance Brokers
Dec 6	Risk Management Information Systems
Dec 13	Employee Benefit Consultants

If you're in immediate need, order now from our list of 1999 issues, while quantities last. Call Wendy Kobylarz at 1-888-446-1422.

Are you looking for a list of ... agents and brokers ... TPAs ... case managers ... risk management or benefit consultants ... captive managers ... reinsurers ... 401(k) plan administrators ... safety consultants and rehabilitation services ... international insurers ... benefit networks ... or other suppliers of insurance services?

Search no more. Every year, the editors of *Business Insurance* compile the most comprehensive directories of insurance services providers that you need.

But these issues are so popular they might not make it past the first name on your company's routing slip.

So when you're trying to locate lists of the suppliers you know must exist somewhere, don't go to the ends of the earth trying to find them. Just take a look at the exclusive directories *BI* offers.

You're sure to find the ones that are right for you ... To order your copies, call 1-888-446-1422.

2000 DIRECTORIES

Issue Date	Directory
Jan 24	Case Management Services
Feb 7	Environmental Risk Management Consultants
Feb 21	Third-Party Administrators
Mar 6	Benefit Information Systems
Mar 20	Risk Securitization Specialists
Apr 3	Risk Management Consultants
May 1	Captive Managers
May 22	401(k) Plan Administrators
Jun 26	EAPs & Dependent Care Resource & Referral Services
Jul 17	Agents & Brokers
Jul 31	Prescription Benefit Managers
Aug 14	Property Loss Control Consultants
Aug 28	Leading Reinsurers Worldwide
Sep 11	Surplus Lines Insurers & Wholesalers
Sep 18	Benefit Networks
Oct 16	Safety Consultants & Rehabilitation Services
Oct 23	Reinsurance Brokers
Nov 13	Policyholder-owned Facilities; International P/C Insurers
Dec 4	Risk Management Information Systems
Dec 11	Benefit Consultants

To reserve your 2000 directory issues, call Wendy Kobylarz at 1-888-446-1422. For directory information, contact Lee Fletcher at (312) 649-5398.

**Business
Insurance**
www.businessinsurance.com

Agent/Broker Topics

A monthly editorial section sent exclusively to agents, brokers and consultants

Inside:

Agents, insurers
eye legislative
activity

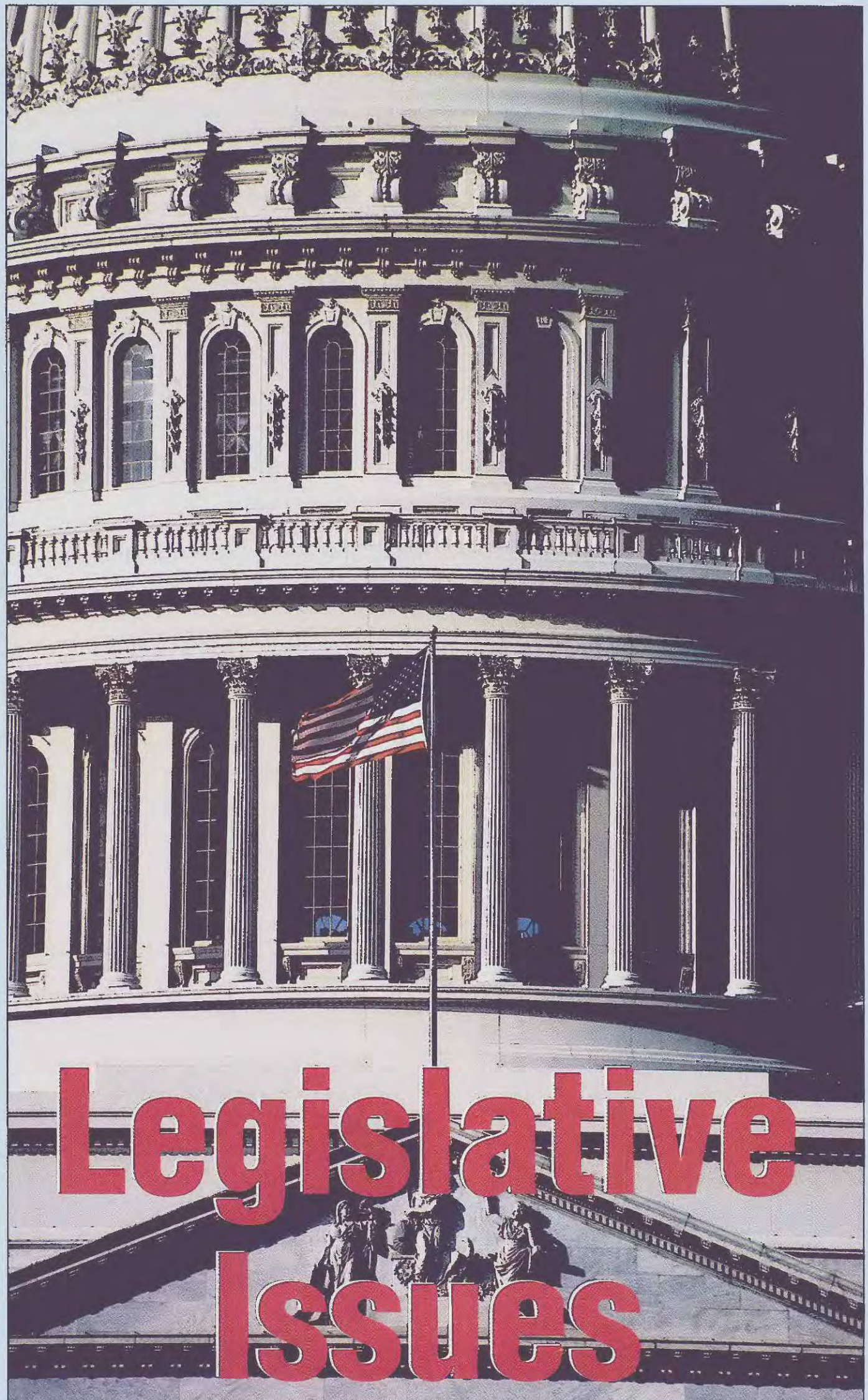
page 12B

Privacy issue
increasingly
in public eye

page 12D

For agencies,
it's survival of
the fittest

page 12F



Legislative battles loom on the horizon

By MICHAEL PRINCE

Agents, brokers and insurers will find themselves addressing a host of legislative concerns this year and next.

From privacy protection to agency licensing to the reform of tort, pension and workers compensation laws, intermediaries and insurers are gearing up for what many believe will be a busy state and federal legislative session next year. And the

outcome of some of these federal efforts, lobbyists note, will likely be affected by the results of November's presidential election.

Although 2000 has been a relatively quiet year for insurance-related concerns, activity at both the state and federal levels is expected to greatly increase next year, said Bob Zeman, vp of state legislative affairs for the National Assn. of Independent Insurers in Des Plaines, Ill. Many state legislatures were not in session in 2000, and, for those that were, this year's elections often pre-

cluded getting much work done.

"They held off acting on some issues this year," Mr. Zeman said.

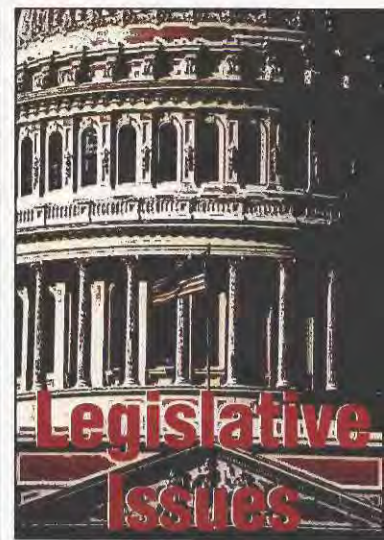
Perhaps the biggest issue the states will be addressing is privacy. In the wake of the Graham-Leach-Bliley Act that modernized the financial services industry, states will be required to pass legislation addressing the privacy of personal information, such as health care information (see story, page 12D).

Another significant issue that will be addressed at the state level is agent licensing. Currently, many

states have barriers to the licensing of non-resident agents, hindering the ability of individual agents to operate in multiple states.

"Agent licensing is an area that needs modernization," the NAII's Mr. Zeman said.

But many insurers, agents and brokers are concerned about a change from the current, state-based licensing system to a federal approach. Under the financial modernization law, unless at least 29 states pass laws by November 2002 to bring uniformity or reciprocity to



their licensing laws, Congress has the power to create a federal agency, the National Assn. of Registered Agents and Brokers, which would serve as a clearinghouse for multi-state licensing.

"It's a threat to the states," Mr. Zeman said.

If fewer than 29 states have passed such laws by the deadline, NARAB will be able to issue to agents licenses that every state will be required to recognize.

"It will be a passport for them to sell insurance in every jurisdiction," said Joel Wood, senior vp, government affairs, for the Council of Insurance Agents & Brokers in Washington.

And time is running out for the passage of state licensing laws. Adding to the pressure is the fact that six are not in session in 2002 and must pass the laws next year, lobbyists explained.

The individual states can either pass laws that are based on the model legislation drafted by the National Assn. of Insurance Commissioners or that extend licensing to any agent who is licensed in any other state. So far, two states—Kentucky and New Hampshire—have passed the NAIC model law, while Missouri and North Carolina have passed reciprocity laws.

"A lot more states are looking at legislation," said Nicole Allen, director of state affairs for the CIAB.

Insurers are pressing for passage of these laws to avoid a federal takeover of agent licensing. "We want to preserve state regulation for the business of insurance," Mr. Zeman said.

Several insurer and agent trade groups—including the Alliance, the CIAB and the National Assn. of Professional Insurance Agents—have banded together to promote passage of the state laws. As part of this joint strategy, each state has been assigned to a particular group that will spearhead the lobbying efforts there, explained John Lobert, senior vp, state government affairs for the Alliance of American Insurers in Downers Grove, Ill.

As part of the coalition's strategy, members of the various groups will meet with insurance regulators in the states and enlist their help in passing the bills.

"We plan to turn up the volume and get on with it," Mr. Lobert said.

One impediment, though, is opposition by agents who want to change the model law so that insur-

See **Laws** on page 12D

www.peace-of-mind-for-your-collector-clients.com

www.expeditious-and-knowledgeable-claims-handling.com

www.how-to-protect-and-preserve-a-collection.com

www.coverage-tailored-to-meet-your-client's-needs.com

www.all-brokers-welcome.com

www.axa-art.com

(or click here)



**Nordstern
ART**

collectors preserve culture. we insure it.



YOU SAVED THE SMITHS \$300 LAST YEAR. SO WHY AREN'T THEY GRATEFUL?

Nobody can fault your good intentions. After all, the Smiths wanted to save some money. And their house wasn't in a floodplain.

So it didn't seem necessary for them to buy flood insurance. That was fine with the Smiths. Until they lost everything in a flood. And you had to tell them their homeowner's policy didn't cover their loss.

Fact is, a flood can happen anywhere. In the past few years, they've hit all 50 states. And nearly one-fourth of all flood insurance claims came from areas no one considered high risk.

Don't chance losing your clients' trust or facing Errors and Omissions exposure just to save them a few dollars. Because for around \$100 a year, depending on location and coverage, you can offer your clients the peace of mind that comes with National Flood Insurance.

We've made offering it easy and rewarding. And we'll support you with everything from advertising and leads to flood maps that help you determine risk zones and premium rates.

Find out more about the National Flood Insurance Program. It's the way to help your clients save for a really rainy day.

TO LEARN MORE, CALL NOW
1 (888) 724-6792
www.floodalert.fema.gov



FEMA's National Flood Insurance Program
working with Project Impact to build
disaster resistant communities.



SM

Laws

Continued from page 12B

ers' customer service representatives will have to become licensed, Mr. Lobert said.

Furthermore, the CIAB prefers state passage of the NAIC model law over that of a reciprocity law.

Failing the passage of state uniform licensing laws, "at this point, we would much prefer to see NARAB," rather than a patchwork of reciprocity laws, Ms. Allen said. Such a patchwork would not ease the licensing burdens of national brokers, she noted.

Also in the wake of the financial modernization law lies the issue of federal chartering of insurers.

The state licensing system now in place creates "barriers to interstate coverage," said Mr. Wood of the CIAB, whose members generally have a national presence and look favorably on federal licensing. State licensing means an insurer must file rate and policy changes with 50 different departments and await approval from each.

The issue is currently on the agen-

da in Congress, although it probably won't become law this year, Mr. Wood said. In the past, the forces that favored state regulation have been very strong. Now, though, with new entrants into the insurance field—primarily banks and other financial institutions—the pro-federal option is gaining more support.

"The political dynamic is shifting," Mr. Wood said.

"Next year, will probably see some proposals before Congress that will make (a shift to federal regulation) a more prominent issue," said Robert Dibblee, senior vp for government relations for the NAII in Washington.

Looking ahead, Mr. Wood said that if the Democrats take over the House, he expects that Rep. John Dingell, D-Mich., will become head of the Commerce Committee. Rep. Dingell, who has championed the issue in the past, would "very aggressively challenge the state regulatory system," he predicted.

Even if such a development does not result in the passage of any federal laws with regard to licensing, it could scare the states into harmo-

nizing their own licensing procedures, Mr. Wood said.

Without this federal action, Mr. Wood said, he's not sure the states will be moved to act. "Pressure needs to be applied by Congress to create the political dynamic that leads to national treatment," he said.

But not everyone prefers national licensing of insurers. The NAII, for one, favors a state-based approach, Mr. Dibblee said.

The class-action legal mechanism is another issue ripe for reform on the federal level, lobbyists said.

Class-action lawsuits can be quite costly to insurers, said Ann Spragens, senior vp for public policy development and general counsel for the Alliance. Possible federal legislation, if passed, could limit the venues in which attorneys for class actions could file their suits or decrease attorneys' incentives for bringing such suits, Ms. Spragens explained.

Two types of laws could serve as models for states to follow, she said. One would reduce the amount of money that a defendant would have to post to appeal a verdict. Such a measure was passed in Florida this year and was used by tobacco companies after they were recently hit with a \$145 billion verdict in the state.

Furthermore, some states have passed laws requiring the disclosure of fee arrangements between a state attorney general and the private attorneys hired to prosecute class-action suits on behalf of the state, Ms. Spragens said.

Insurers also advocate passage of

reform that "would allow class actions to be referred to federal courts from state courts," Mr. Dibblee said. Such a measure would prevent so-called forum shopping, in which attorneys seek to file suits in states most favorable to their clients.

A bill with such a provision has passed the House and the Senate Judiciary Committee and is awaiting action before the full Senate, although President Clinton opposes the bill. This is the furthest this provision has progressed in Congress in recent years, he said.

Because the two major presidential candidates hold opposing views about tort reform, the bill's future may be tied to the results of this fall's presidential election, Mr. Dibblee said. Texas Gov. George W. Bush supports tort reform, while Vice President Al Gore opposes it.

Also at the federal level, modernization of the Employee Retirement Income Security Act is looming in the future, said the CIAB's Mr. Wood. It's not moving ahead this year but could emerge next year, particularly if Gov. Bush, who supports the idea, is elected. Specifically, the proposals seek to eliminate, in some situations, the fiduciary liability of employers that provide investment advice about employees' 401(k) plans and to lower the number of employees required to permit the creation of self-insured health plans.

Agents and brokers also support the passage of the Portman-Cardin pension reform bill, which would make 401(k) plans more attractive to employers by relaxing certain restrictions on the plans. The bill

passed the House by a large margin, but it has yet to be approved by the Senate. Mr. Wood said that a vote in the Senate may take place sometime in September, but President Clinton has indicated he would veto the measure.

Mr. Wood predicted that a Bush presidency would probably aid passage of a pension reform law. That's because, even if the legislation doesn't reach the president's office this year, it likely will pass both houses of Congress next year.

"Early next year, this will be on the first tax bill to reach the president's desk," Mr. Wood said.

At the state level, insurers seek reform of workers comp laws in California. The insurers favor legislation that would reduce administrative costs and help them return to profitability, but have not yet been successful in passing such a measure. "But it will be back next year," the Alliance's Mr. Lobert predicted.

Deregulation of commercial lines is also an ongoing issue in the states. In recent years, 25 states have passed deregulation bills. But Mr. Lobert said he regards many of these as flawed, because they establish a premium threshold for deregulation that is too high—up to \$250,000 in some states. Insurers want to push through deregulation bills with lower thresholds, typically at levels of about \$25,000, he said.

Deregulation has been opposed by agents and brokers, as well as by consumer-advocate groups in some places. Despite this, Mr. Lobert said, insurers plan to make a major push in 2001 for the passage of deregulation laws. **BI**

We've got your commercial accounts covered (from high rises to main street)

You want to write business in the New York metro area. You know it's competitive and complex, but not out of your reach. Where do you turn? To GNY, of course.

GNY's experience in the real estate, hotel, retail, movie theatre, restaurant, food importers and distributor business, strip malls and light manufacturing make us an ideal market for these and so many other risks.

With statutory surplus of \$190 million and an A.M. Best "A+" rating to boot, GNY



has the experience and stability your clients will demand. Couple this experience with superior claims handling, and you will realize the tight control GNY can keep with your clients' insurance costs.

Working with GNY gives you the benefit of a company who knows its business and yours. It's a difference you'll see, and a difference you'll appreciate right away.

Discover why GNY has so many of your commercial accounts expertly covered. Welcome to GNY.



Greater New York Mutual Insurance Companies
Insurance Companies of Greater New York
A Stock Company

200 Madison Ave., New York, NY 10016 212-683-9700 Fax 212-685-0826

Privacy law unlikely this year

By **RODD ZOLKOS**

Although little state privacy legislation has been enacted this year, and chances are slim that a federal privacy measure will pass before year's end, the issue remains closely watched throughout the insurance industry.

The issue of privacy, whether it involves the Internet, financial information or health records, has become a hot-button topic with the public on many levels.

Consequently, those promoting the insurance industry's legislative interests anticipate further efforts to enact privacy laws that could have a significant impact on the way agents, brokers and insurers do business.

Last year's passage of the federal Gramm-Leach-Bliley Financial Services Modernization Act helped add fuel to the privacy fire.

The act, which permits previously-barred affiliations between banks and insurers, included a provision that allows the affiliated companies within a financial industry holding company structure to share a client's financial information. The client must be notified, however, and be given an opportunity to opt out before that information could be dis-

tributed outside the holding company "family."

The law also permits states to set additional requirements, prompting industry concerns of a worst-case scenario in which companies would face 51 different sets of privacy laws.

For now, with the legislative sessions of many states adjourned for the year, the pace of legislative privacy activity has slowed.

"We're now to the point of the year where most state legislatures have either adjourned or recessed, and we've actually seen very little with regard to enactments," said Rey Becker, vp of property/casualty for the Alliance of American Insurers in Downers Grove, Ill.

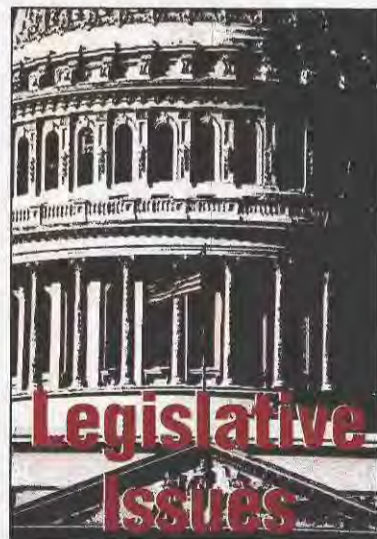
And of the measures that have been enacted, most have simply directed state insurance departments to promulgate privacy regulations or to conduct studies of the privacy issue, Mr. Becker said.

"It's a summer lull, but we haven't heard the last of it," said Robyn Rowen, senior counsel with the National Assn. of Independent Insurers in Washington.

The limited enactment of privacy legislation at the state level this year has not been for lack of trying.

"There were bills in about every state this year," Ms. Rowen said.

And the industry expects more of the same next year.



"I think this is an issue that is not going to go away," said Robert A. Rusbuldt, executive vp of the Independent Insurance Agents of America in Alexandria, Va. "I think it is an issue that may rise to the presidential level. You might see it in the debates."

"And it is not a Democrat or Republican issue," Mr. Rusbuldt said. "We're seeing some unusual alliances."

"I think those that stonewall this issue do so at their own peril," he said. "With the very invasive ability of the Internet now to get into people's records—either medical or fi-

See **Privacy** on next page

Privacy

Continued from previous page
nancial—I think people are going to demand that that information be protected in the future."

The medical records issue is at the center of several proposed measures in both houses of Congress that are a concern both to insurers and producers.

Of particular concern is a House bill sponsored by Rep. James A. Leach, R-Iowa, that would bar the distribution of health information and consumer spending information derived from health records without the consumer's approval. That bill has cleared the House Banking Committee.

"Right now, the hot issue is the medical privacy issue in Congress, because the House Banking Committee passed the Leach bill," Mr. Rusbuldt said.

Mr. Rusbuldt noted that the IIAA supported the Leach bill as originally submitted to committee, because the organization felt it addressed agent/broker concerns. But an amendment was added to that bill that would allow cause-of-action suits, making it unacceptable to most private-sector entities.

"The Leach base document—the bill he introduced that they worked off of—was actually a good bill," Mr. Rusbuldt said.

The top producer concern is that agents and brokers be allowed access to employee health information when employers are shopping their health plans, he said.

"There is no health provider that's going to bid on that without all that information," Mr. Rusbuldt said. "So, for the purpose of shopping health insurance only, the agent/broker should have access to that information." Otherwise, he said, the organization agrees that the employee should have complete control over his or her medical information.

Insurer groups also are watching the Leach bill.

"The Leach bill would affect us and, obviously, we have concerns about it," Ms. Rowen said.

High among insurers' concerns is that the current draft would limit their ability to share information for fraud-fighting purposes or in litigation situations.

With elections looming ever closer and time running short on this year's congressional session, most believe that federal privacy law will not be enacted this year.

"Congress only has a limited number of session days left, and they have to get a lot of things done," the Alliance's Mr. Becker said. "And this is just one of many things they have to deal with."

"I think it's highly unlikely that any privacy bill will be enacted this year," Mr. Rusbuldt said. "But I've got to tell you, when it gets near the end of the session and you get those big omnibus bills making their way through Congress, it wouldn't surprise me if someone tried to slip a privacy bill in."

With legislative activity on privacy apparently in a holding pattern,

the focus shifts to the activity of state regulators, with the National Assn. of Insurance Commissioners' Privacy Working Group developing a model privacy regulation.

"Probably the major venue for privacy regulation right now is the NAIC," Mr. Becker said.

The NAIC's working group on privacy is considering model regulations related to both financial and health information. "Those, for us, are both a cause for concern," the Alliance vp said. Both proposals, as currently written, are "overly broad," he said.

There's also concern about the NAIC's decision to apply the privacy regulations to information in-

volving workers compensation claimants.

The NAIC's Ms. Rowen said that her organization believes that if workers comp is included in the privacy regulations—as is the case in the current draft—it should be on only a very limited basis, requiring claimant approval before information is shared with non-affiliated third parties.

With insurance companies required to comply with Gramm-Leach-Bliley's privacy regulations by July 1, 2001, the industry is looking for the NAIC to promote a uniform approach to privacy among the states.

"We need direction from state

regulators," the NAIC's Ms. Rowen said. "And many of those regulators don't have authority in their states to implement" privacy regulations, as doing so would require legislative action, she said.

"This is such a tremendous test of state regulation. This is one issue where we really need uniformity," the group's senior counsel said. "If there are 40 sets of regulations floating around out there, I can guarantee you there's going to be a backlash. Companies are going to go to the federal government and say, 'One regulation, please.'"

Mr. Becker said the Alliance believes legislatures and the NAIC should get together and promote a

privacy approach that is consistent with the language in the Gramm-Leach-Bliley Act, giving those provisions a chance to work before interfering with them. He remains wary of the potential for the various state efforts to take a different turn in next year's legislative sessions, recalling that, though little was enacted this year, numerous bills were introduced.

"We dodged a bullet this year, but next year, we may not be so lucky," Mr. Becker said. "We're probably going to see a replay of what we saw this session, and that's a concern for us, because you can have a hodgepodge of 50 different state privacy regulations." **BI**



Our moves may surprise you.

Our speed and flexibility often surprise those who think of us mainly as expert underwriters backed by sound financial stability.

Fact is, bonding often requires creative problem solving. A surety has to know how to bend, be responsive.

Tell us what you need. Watch us move.

Challenge us.SM

CNA SURETY

www.cnasurety.com
CNA is a registered service mark and trade name of CNA Financial Corporation.

Insurers should seek out agencies with survival skills

By SALLY ROBERTS

To profit more from the agency distribution system, insurers only should work and support agencies that have the drive and attributes to be survivors, an agency consultant contends.

"Do not enable the weak and confused," said Virginia M. Bates, co-founder of Melrose, Mass.-based VMB Associates Inc.

Speaking to an audience of insurer marketing professionals at the recent Insurance Marketing Communications Assn.'s annual conference, held June 25-28 in Hilton Head Island, S.C., Ms. Bates discussed what agencies need to do to survive, what surviving agents are doing and what insurers can do to make the agency dis-

tribution system more profitable. To survive, the distributor of today must do several things better, Ms. Bates said.



A key one is that agencies should handle transactions seamlessly. The typical customer service representative processes numerous policy changes; provides many documents, such as certificates of insurance; and answers countless billing questions, Ms. Bates said. These inquiries come from multiple channels—including e-mail messages, telephone calls and customer walk-ins—and information then must be transmitted into the agency management system and

the insurer's system, she said. Instead of three to six data entry sessions per client—which is average for agencies today—all the steps should be tied into one single entry, Ms. Bates said.

Another survival skill is that agencies need to diversify into more products of related value to clients, she said.

Overall, Ms. Bates said, agencies that are survivors are increasing their productivity by hiring customer services representatives who are opportunity seekers, as opposed to order takers.

"We've hired people that take orders really well, but we haven't hired people that take on accountability," she said.

In a typical agency, revenue per employee is only about \$75,000, she said. "We've been told by some for years that it should be more like \$100,000. I don't think \$100,000 is enough... We need \$125,000," Ms. Bates said. If agencies are able to boost revenues, they will have enough money to pay people that can produce business, rather than simply process orders, she said.

The role of an agency is to nudge the customer into buying something that they'll be happy with later, Ms. Bates said. "That is the value and that is, in my opin-

ion, what we're not doing well."

"The typical CSR takes phone calls all day long," Ms. Bates said. "They are lucky to get one task from one phone call done before the next phone call comes in." While there are exceptions to this, "that's pretty sad," she said.

Surviving agencies also view their databases as sacred, Ms. Bates said. Such agencies, she said, demand error-free data from their staff, their vendors and their insurers.

These agencies also are willing to invest in a good Web site, she said.

Such agencies do not view the phone as the only access to clients, and they realize that whoever owns the online portal, owns the client, Ms. Bates said.

Most clients, she said, have two to three underwriters for their insurance program. "They don't want to go to all three Web sites to see what their entire insurance program looks like. They want to go to one system and find out everything," she said.

The survivor agencies also are creating a service plan for every client and are living by it, Ms. Bates said. "Every client has particular needs," she said.

Insurers, Ms. Bates said, should seek out those agencies that pos-

sess those higher standards of customer service and productivity. In some cases, insurers can aid agencies by assisting them with needed resources, financial incentives and education to raise these performance standards, she said.

Insurers should "give agencies underwriting authority and pay them," she said, predicting that, within 10 years, many retail agencies will be managing general agencies.

In addition, insurers should respect agency requirements for electronic data transmission, she noted.

Insurance companies also should require agencies to develop marketing and sales plans, she said. In addition, insurers should develop profit-based agency compensation structures. For example, agencies could be paid different percentages of commission based on five-year average loss ratios.

Finally, insurers also should use e-commerce approaches to make insurance a simple process, and they should eschew proprietary approaches, Ms. Bates said.

"I pity the poor CSR that has to know five to six agency management systems in order to work," she said. "We have to get rid of the proprietary way of looking at things." **BI**

Need a purchasing group formed?

Fast & accurate setup on a fixed quote basis

Don't staff for occasional needs...
OUTSOURCE IT!

- Preparation & submission of your purchasing group forms
- No obligation, same day Qwik quote
- No project too large or small



Compliance & Filing Solutions

Call 800-778-8100

Belton wins Golden Torch Award

About 180 insurance marketing professionals headed to the beach for the Insurance Marketing Communications Assn.'s 2000 annual meeting, held June 25-28 in Hilton Head Island, S.C.

In addition to playing golf and tennis and lounging poolside, marketers attended several educational sessions at the meeting. From "Reinventing Print" to "An Insider's Guide to Web Research" to "Media Crisis Management," attendees learned all

about the latest trends in insurance marketing and communications.



The IMCA conference once again played host to its annual Golden Torch Award and Showcase Awards Ceremony.

IMCA presented this year's Golden Torch Award to Edward F. Belton, director of research for RBC Underwriting Management

Services Inc. in Toronto. The award, which is presented annually, recognizes an individual who has helped light the way for others.

The Hartford Financial Services Group Inc. brought home the SAMMY—the Special Award from Members—for its commercial lines sales promotion directed to producers and agents, which also won a "Best of Show" award. The SAMMY is given annually to the Showcase Award entry that makes the greatest contribution to improving the quality of insurance marketing communications.

Of the 374 total entries, a total of 35 companies received 25 "Best of Show" awards and 66 "Awards of Excellence" at this year's meeting.

Next year's annual meeting will be held June 24-27 at the Paradise Point Resort in San Diego.

For more information, contact September J. "Temie" Seibert, IMCA's new full-time executive director in Mukilteo, Wash., at 425-353-8504. **BI**

Errors & omissions

• Due to a typographical error in a June 5 article about the 30th anniversary of ACORD, the name of John C. Dvorak, a technology writer and radio and television personality, was misspelled.

RETURN TO WORK:

- INTERNET-BASED
- NO UPFRONT COSTS
- PRIVATE LABELING

Find out how at
interlogics.com

CREATING A ZERO LOST TIME CULTURE



TECHNOLOGY FOR A PRODUCTIVE WORKFORCE

700 Inverness Ave., Suite 204, Nashville, TN 37204
Phone 615.292.3577 Fax 615.292.3351 interlogics.com

Agent/Broker Topics

ADVERTISER INDEX

Issue of August 7

ADVERTISER	PAGE #
AXA Nordstern Art Insurance	12B
Business Insurance	12H
CNA Surety Corp.	12E
Compliance & Filing Solutions	12F
Distinguished Program Dev.	12G
FEMA	12C
Greater NY Insurance Co.	12D
Interlogics	12F

A/BT BRIEFS

Online sureties

SAN FRANCISCO—Agents and brokers can now access the surety marketplace via a new Web site launched by San Francisco-based eSurety.com. By visiting the site, www.esurety.com, agents and brokers can procure surety bonds and receive commissions on their sales.

In addition, agency customers can access eSurety.com directly by providing an agent's "referral code" or using a link on an agency's Web site. This allows agents to better service both the occasional bond requirement or the large account, while still receiving commissions and full reporting on all transactions, according to the company.

In a statement, eSurety President Ted Hertz said that the company's goal is "to enable insurance agents and surety insurers to sell products over the Internet. We do not compete with agents; we give them tools to be more competitive," he said. eSurety.com is currently registering agents in California and will begin a national rollout soon.

New Synaxis member

ATLANTA—Westcott & Associates Inc. has joined Synaxis Group Inc., a Nashville, Tenn.-based brokerage network. The Atlanta-based property/casualty agency will combine its operations with Merritt & McKenzie Inc., an Atlanta-based brokerage, which operates Synaxis' hub in Georgia.

Synaxis links major regional brokers with strong community-based agencies in a "hub and spoke" network, which promotes cross-selling of products and services and streamlines administrative functions, according to Synaxis.

Through the arrangement, Westcott & Associates' clients will have access to a broader array of property/casualty and surety products and to comprehensive benefit programs, including group health, life and disability coverage, retirement plans, key-person protection and deferred compensation plans, according to the agency.

Synaxis' eight offices, which are located in Georgia, Kentucky and Tennessee, produce more than \$33 million in total annual revenues, according to the company.

Broker deals

The consolidation trend within the insurance intermediary industry has been hot this summer.

Chicago-based Acordia Inc. recently completed the acquisition of W.H. Plott Agency Inc., an insurance broker based in Tuscaloosa, Ala., that has expertise in the construction, real estate and public-entirety industries. Terms of the deal were not disclosed. W.H. Plott's operations will be integrated with Acordia/Duckworth Morris operations in the existing Tuscaloosa office.

Glen Allen, Va.-based Hilb Rogal & Hamilton Co. recently acquired almost all of the operating assets of

Red Hawk Insurance Services Inc., a San Diego-based agency. The transaction terms were not disclosed.

In a statement, HRH said that the addition of Red Hawk is part of its goal to attract companies that strengthen its specialty lines of business and expand its range of services. In addition to offering traditional insurance and risk management products and services, Red Hawk operates a managing general agency specializing in coverage for such industries as towing services and used car dealers.

Daytona Beach, Fla.-based Brown & Brown Inc. recently completed the acquisitions of Corporate Risk Management Services Inc. of Tallahassee, Fla., and Cunningham Insur-

ance Agency of Naples Inc. in Naples, Fla. Terms of the transactions, which were completed July 1, were not disclosed.

Also effective July 1, R&F of New York Inc. and Barrett, Richards & Fenniman Inc. of Bronxville, N.Y., became part of Short Hills, N.J.-based broker Bollinger Inc. With the additions of the two agencies, Bollinger's commission revenues will exceed \$37.5 million, according to Bollinger. Based on its 1999 brokerage revenues of \$33.2 million, Bollinger was the 36th-largest broker of U.S. business, according to *Business Insurance's* rankings.

Hermitage, Pa.-based F.N.B. Corp. recently acquired Altamura, Marsh

& Associates, a full-line insurance agency with offices in Clearwater and Fort Myers, Fla. Altamura Marsh, which recorded roughly \$3 million in 1999 gross revenues, will retain its name and operate as a division of Roger Bouchard Insurance, F.N.B.'s existing agency in Clearwater, Fla.

Joint convention

ALEXANDRIA, Va.—The Independent Insurance Agents of America Inc.'s upcoming annual convention will be held jointly with the National African-American Insurance Assn. and the Latin American Assn. of Insurance Agencies.

The event is an extension of the IIAA's commitment to the creation of market opportunities for multicultural agents, according to the association. IIAA's 105th Annual Convention & InfoXchange will be held Oct. 29-Nov. 1 at the Orlando World Center Marriott in Orlando, Fla.

Among other educational workshops, the convention will feature sessions on professional training for urban agents, including leadership skills, technology and personal development. A panel discussion titled "Winning Strategies for the Multicultural Agent" also will be held. More information and online registration is available via the Web at, www.independentagents.com. **BI**

**YOUR CLIENTS
CAN GET
A BETTER
UMBRELLA.**

Make sure it is from you.

It's always in the back of your mind. Even your most loyal clients could jump ship for a better offer. Don't let the umbrella policy cause them to doubt you and the competitiveness of the total program you have designed. If your clients include office buildings, industrial parks, shopping centers, residential real estate, hotels or contractors, you'll want to get your hands on one of our umbrella products before your competition does. We are the foremost developer of umbrella purchasing groups in the country. We offer group buying power that gives your clients the industry's best terms, limits from \$10 million to \$200 million and pricing that will astound you, all with the backing of markets rated "A-" or better. So let's talk before your clients find out about us from your competition. Call Carla Vel today.



THE DISTINGUISHED PROGRAMS GROUP

6 E. 43rd St., New York, NY 10017 • 888-355-4626 • email: cvel@distinguished.com

Get with the program.



www.businessinsurance.com ↓

Do you go out of your way to avoid volume like this?

At *Business Insurance*, we love bumper-to-bumper traffic because we know that a steady stream of visitors to our Web site is one of the most significant benefits we can offer our advertisers.

Now the industry's leading newsmagazine offers daily news updates, insightful commentary and a searchable article archive, making us the most up-to-date, comprehensive and informative online destination.

Only *BI* has the power to drive users to your banner ad and keep them coming back for return trips.

Stop avoiding rush hour. When it comes to online advertising, take the road most traveled. Ride with www.businessinsurance.com ... taking the business of insurance in a whole new direction.

Retirement now a series of changes

By Anna M. Rappaport

BUSINESS TODAY IS FACED with a great challenge: Finding needed talent. The war for talent is everywhere, and the situation is likely to worsen as baby boomers retire and there are fewer workers to replace them.

The traditional definition of retirement has assumed it is a one-time event: an employee works full time for many years before retiring from the workforce. But for many Americans, retirement is a different story—a time of options, when full-time, year-round employment is replaced by more leisure time, some work, and new careers. To many individuals, retirement has become a process or series of changes over several years and most businesses have not formally recognized this change.

Until recently, most businesses were happy to see older workers retire early, without any provisions for gradual phase out. Often employees were encouraged to leave early and were rewarded with extra benefits during early retirement window periods, or given special severance benefits during business transitions. When jobs had to be eliminated, it was considered better to encourage those who were eligible to retire rather than to terminate younger employees. The incentive to retire was extra benefits and severance pay.

Employees are often pleased with the extra benefits, but sometimes they leave feeling the buyout is the best of imperfect choices. As the recent labor shortage emerged, many of them have chosen to move on to new jobs elsewhere. These new jobs, called bridge jobs, have become much more common. Many Americans are building their own personal "phased retirement" programs, usually without the support of a formal employer program.

Looking at these patterns, business is seeing an opportunity to support their firms from both a cultural and productivity perspective. Some organizations, like utilities and communications companies, often have many employees nearing retirement age. In many such organizations, phased retirement options would help improve productivity and support a culture that gives employees options. Unfortunately, most of the employees who want to keep working, but at a reduced rate, go elsewhere because their current benefit plans do not support phased retirement; the employer has not thought through the job design and how to manage the program management issues. Discomfort with the current situation is now motivating these employers to consider phased retirement.

Meanwhile, public policy is sending messages that are distinctly in favor of phased retirement. Social Security amendments enacted earlier this year allow employees over age 65 to retire for purposes of Social Security but continue to work at the same or a new job while collecting full Social Security benefits. Workers aged 65-69 had been losing a percentage of their Social Security benefits for earnings over a specified amount.

The purpose of this article is to encourage discussion of formal phased retirement programs and to provide ideas to encourage their development. What is a phased retirement program? A program that allows an employee to gradually reduce his or her work schedule (and possibly duties as well) so that there is a gradual transition between a full-time job and retirement. Strategies can include delayed retirement with a redefined work schedule, rehire of retirees, or hiring other companies' retirees.

A formal program would include: a method of redefining job duties and/or schedule; criteria for program participation; eligibility requirements and, potentially, time limits for eligibility; approval processes; and adjustments in pay and benefit plan provisions. The goal of such a program is generally

either to encourage people to stay longer or to leave earlier. Formal phased retirement programs are common in academia, but they focus on encouraging people to leave earlier, effectively a tenure buyout. In business, the concern today is usually with keeping people longer, and that is our focus here.

If a phased retirement program is to be successful, each new job must fit well with the organization's needs and each participating employee's needs. The following four factors are needed for an effective program:

- First, as is true for all major human resource initiatives, a phased retirement program needs support from management.
- Second, the basic pension and compensation systems need to be compatible with the program and both sides need to think they are fair. Pension issues may be the most difficult and are discussed below.
- Third, health benefits must be available to the phased retiree and need to link well to any post-retirement health benefit program.
- Fourth, both the employer and employee need to be able to assess whether the employee is performing well in the job. In most cases, the normal performance evaluation systems should suffice, but in some restructured jobs, these systems may need to be refined.

The labor shortage is expected to get worse and the federal government is enacting policies to promote phased retirement.

The discussion above focuses on phasing-out work before retirement benefits are collected. There is another alternative—letting employees retire and collect benefits and then return to work later.

Some businesses have quietly been rehiring retirees, often as consultants, or temporary, or part-time employees. A company wishing to consider rehiring retirees as a method of phased retirement needs to be sure that a bona fide employment termination took place, that the arrangement is not simply a continuation of the prior job. Otherwise, there is a potential problem of prohibited in-service distributions from qualified plans.

One successful model for such programs is a retiree temporary pool, where retirees fill in when employees are out sick or on vacation, when there are peak workloads, or under other circumstances. A company may wish to impose a time limit before rehire and/or to limit the amount of work that a rehired employee can perform. An example of such a limit would be to limit work to under 1,000 hours in a year.

A key question in the event of rehire is what to do about pension benefits. The benefits of former employees rehired as regular employees prior to normal retirement must be suspended. But after normal retirement, should the benefits be suspended or should payment continue? Repeal of the Social Security earnings limit provides a strong example promoting continued payment.

Pensions are a big-ticket item in decisions about whether to leave an employer and seek other work once the individual becomes eligible for retirement. Traditional pension plans, based on final average earnings, are a barrier to continued part-time work in the same company prior to retirement. Further, the prohibition on in-service distributions in defined benefit plans prior to normal retirement age takes partial pensions off the table, but proposed legislation could change that. The economic incentives in many of these plans encourage early

retirement and full-time employment with another company until age 65.

So how can we tailor pensions to fit the needs of these programs? There is no problem with an account-based program—whether it is defined contribution or cash balance. That's why if phased retirement is a key objective and if such a plan meets other business needs, the best choice is to move to an account-based design and to reduce the normal retirement age. Such a plan will be age-neutral with regard to retirement incentives and can be designed to allow in-service withdrawals and distributions along with continued work after normal retirement age.

If that is not an option, then traditional plans can be patched—even though there are severe limits on what is feasible. Although these plans work best with full-time work until retirement, it is possible to allow pro-rated service and annualized pay when an employee works less than full time.

It also may be useful to consider a pension purchase option if the organization sponsors a defined contribution plan. If so, the defined benefit plan can be amended to allow retirees to transfer all or a portion of the defined contribution account balance to the pension plan. Retirees who return to work can use the annuitized value of the account balance to supplement their income under the reduced work schedule. This works best if the retiree is over normal retirement age and the plan allows for in-service distributions.

The labor shortage is expected to get worse and even the federal government is enacting policies to promote phased retirement. Why then are there still so few programs? Employers have been reluctant to implement such programs. They see individual arrangements as offering more flexibility. With such arrangements, each operating unit makes its own decision and meets its own needs. Traditionally, there has been a fear of making programs available to the entire workforce, because of a concern that some older workers are not productive and adaptable to change. Old stereotypes about aging workers are still an influence, but individual arrangements enable companies to choose people with specific skills without making changes in policy.

In summary: How can a company capitalize on the talents of employees nearing retirement age?

- Evaluate whether this is a worthwhile opportunity for your company. What is the available pool of retirees, and do their skill sets match open positions?
- Focus on the reasons for the program and set goals for it. This will help you establish a return on investment so you can build a business case for having a program.
- Identify the organizational and benefit plan barriers to making the program work and develop strategies to eliminate them. If this step is skipped, you may spend more time and money later trying to overcome the barriers.
- Build a program that will address the goals. Make sure to look at the effect on all benefit and compensation plans, and the implications for human resources policy.
- Try a pilot program and work out any problems. Because the program will probably run counter to a lot of traditional thinking and behavior, change will need to be managed carefully.
- Fine-tune the program as needed, and retest using the pilot group.
- Implement the program throughout the organization.

BI

Anna M. Rappaport is a principal with William M. Mercer Inc.'s Chicago office. She specializes in strategy for retirement programs. She was also president of the Society of Actuaries in 1997-98.

DATEBOOK

AUGUST

AUG. 14-16. Construction Industry Benefits Conference in Carlsbad, Calif., sponsored by International Foundation of Employee Benefit Plans; \$720 for members and \$870 for non-members. IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis., 53009-0069; 262-786-6700; fax: 262-736-8670; www.ifebp.org.

AUG. 15-16. e-Property and Casualty Insurance Conference in San Francisco, sponsored by the International Quality & Productivity Center; \$1,599. Leah Lovett, IQPC, 150 Clove Road, P.O. Box 401, Little Falls, N.J. 07424-0401; 800-882-8664; fax: 973-256-0205; www.iqpc.com.

AUG. 28-31. Voluntary Protection Programs Participants' Assn. 16th Annual Conference in Seattle; VPPPA, 703-761-1146; www.vpppa.org/conference.

AUG. 29. Business Life Insurance and Retirement Benefit Planning Course in Wethersfield, Conn., sponsored by Independent Insurance Agents of Connecticut; \$100 for members and \$150 for non-members. Independent Insurance Agents of Connecticut, 30 Jordan Lane, Wethersfield, Conn. 06109; 860-593-1950; fax: 860-563-6730.

AUG. 29. Long-Term Care Symposium in Milwaukee, sponsored by American Assn. for Long-Term Care Insurance; \$125. AALTCI, 888-599-5997; e-mail: info@AALTCI.org.

SEPTEMBER

SEPT. 10-13. Benchmarking Conference in Bermuda, sponsored by PricewaterhouseCoopers; \$1,605. Cheryl Bailer, 800-599-4950; fax: 212-967-8021.

SEPT. 12-13. Customer Relationships Conference in Chicago, sponsored by PricewaterhouseCoopers; \$1,495. Cheryl Bailer, 800-599-4950; fax: 212-967-8021.

SEPT. 12-14. Reinsurance Seminar in Irving, Texas, sponsored by the University of Dallas Graduate School of Management; \$795. Bruce Evans, 372-721-

5360; bdevans@gsm.udallas.edu.

SEPT. 13-16. 17th International Conference of the International Society for Quality in Health Care in Dublin, Ireland, sponsored by Department of Health and Children, Lilly and Healthcare Risk Resources International; ISQua, fax: 61-3-9417-6851; www.isqua.org.au.

SEPT. 17-20. 19th Annual Employee Benefits Symposium in San Diego, sponsored by International Society of Certified Employee Benefit Specialists; \$650 for members and \$700 for non-members. ISCEBS, 18700 W. Bluemound Road, P.O. Box 209, Brookfield, Wis. 53008-0029; 262-786-8771.

SEPT. 18-19. Variable and Fixed Annuities Conference in Boston, sponsored by Institute for International Research; \$1,495. Sarah De Vos, 212-661-3500; fax: 212-599-2192.

SEPT. 19. Insuring International Risks Seminar in Wethersfield, Conn., sponsored by Independent Insurance Agents of Connecticut. \$55 for members and \$80 for non-members. IIAC, 30 Jordan Lane, Wethersfield, Conn. 06109; 860-593-1950; fax: 860-563-6730.

SEPT. 19-22. John Hancock International Group Program Seminar in Boston, \$670 before Aug. 28. Barbara Peterson, 617-572-8666; fax: 617-572-8628; bpeterson@jhancock.com.

SEPT. 22. Property Underwriting Course in Wethersfield, Conn., sponsored by Independent Insurance Agents of Connecticut; \$250 for members and \$350 for non-members. Independent Insurance Agents of Connecticut, 30 Jordan Lane, Wethersfield, Conn., 06109; 860-593-1950; fax: 860-563-6730.

SEPT. 26-28. Advanced Pension Conference in Chicago, sponsored by Corbel/PPD; \$775. Lesley Mauldin, 800-326-7235, ext. 1237; e-mail: educational.services@corbel.com; www.corbel.com.

SEPT. 27. Trust in Online Trade's Inaugural Summit in San Francisco, sponsored by American International Group Inc., Cambridge Technology Partners and Trade Card; Steven Longworth, 212-593-6349; www.the.trustforum.com.

OCTOBER

OCT. 10-12. Defined Contribution 401(k) West Coast Conference in San Diego, sponsored by Pensions & Investments and the International Business Forum; \$1,295 for service providers and \$695 for plan sponsors. IBF, 516-594-3000, ext. 17; e-mail: craigs@ibforum.com.

OCT. 12-13. Frauds and Abuses in Life Insurance Seminar in Washington, sponsored by National Assn. of Insurance Commissioners; \$325 for government employees and \$525 for non-government employees. NAIC, Education and Training Department, 2301 McGee St., Suite 800, Kansas City, Mo. 64108-2604; 816-783-8200; fax: 816-460-7544; www.naic.org.

OCT. 11-13. Product Management Skills and Techniques Seminar in Atlanta, sponsored by Dorman Consulting Associates; \$995. Richard W. Dorman, 1 Haverhill Court, Beachwood, Ohio 44122; 216-464-5678; fax: 216-464-2727.

OCT. 13. Property Underwriting Course in Wethersfield, Conn., sponsored by Independent Insurance Agents of Connecticut; \$250 for members and \$350 for non-members. IIAC, 30 Jordan Lane, Wethersfield, Conn. 06109; 860-593-1950; fax: 860-563-6730.

OCT. 16-18. Premium Audit Forum in Charleston, S.C., sponsored by Insurance Services Office Inc.; \$550 for members and \$650 for non-members. ISO; 800-856-7730; www.iso.com.

OCT. 16-17. Pricing and Rate Making in Plain English Seminar in Atlanta, sponsored by Dorman Consulting Associates; \$895. Richard W. Dorman, 1 Haverhill Court, Beachwood, Ohio 44122; 216-464-5678; fax: 216-464-2727.

OCT. 17-18. The 11th Annual PricewaterhouseCoopers Executive Forum for the Life Insurance Industry in New York, sponsored by The Conference Group Ltd. and PricewaterhouseCoopers; \$1,200. The Conference Group Ltd., 3409 Meadow Bluff, Charlotte, N.C. 28226; 704-541-2800; fax: 704-541-2888; www.conferencegroup.com.

OCT. 17-18. e-Health and Life Insurance Summit in New Orleans, sponsored by International Quality & Productivity Center; \$1,599. IPQC, 150 Clove Road, P.O. Box 401, Little Falls, N.J.

07424-0401; 800-882-8684; fax: 973-256-0205; www.iqpc.com; e-mail: info@iqpc.com.

OCT. 18. 10th Annual Insurance Executive Forum-Breakfast Seminar for Insurance Executives and Risk Managers in Chicago, sponsored by Illinois State University's Katie Insurance School; 309-438-3021; bacopes@ilstu.edu.

OCT. 19-20. Online Liability Conference in Chicago, sponsored by American Conference Institute; \$1,499. ACI, 47 W. 25th St., New York, N.Y. 10010; 888-224-2480.

OCT. 22-25. National Assn. of Independent Insurers Annual Meeting in Lake Buena Vista, Fla.; \$400 for members and \$500 for non-members. National Assn. of Independent Insurers, 847-297-7800; fax: 847-297-5064; www.naii.org.

OCT. 23-25. Medicare Compliance Conference in McClean, Va., sponsored by Institute for International Research; \$1,395. IIR, Shari Rosen, 708 Third Ave. New York, N.Y. 10017; 212-661-3500; fax: 212-599-2192.

OCT. 25-26. Third Annual Data Mining Conference in Ponte Verda Beach, Fla., sponsored by Shelter Island Risk Services; \$950. Richard F. Denning, 631-749-1535; rdenning@sirisk.com.

OCT. 29-NOV. 2. Insurance Conference and Exhibition in Las Vegas, sponsored by The Health Insurance Assn. of America; \$595 for members and \$795 for non-members. Health Insurers Assn. of America, 555 13th St. N.W., Suite 600 E., Washington 20004-1109; fax: 202-824-1720.

OCT. 30-NOV. 2. Isotech Technology Conference in Las Vegas, sponsored by Insurance Services Offices Inc.; \$650. ISO, 800-856-7730; fax: 212-898-6606; www.iso.com.

NOVEMBER

NOV. 2. Texas Long-Term Care Symposium in Dallas, sponsored by American Assn. for Long-Term Care Insurance; \$125. 888-599-5997; www.aaltci.org; e-mail: info@AALTCI.org.

NOV. 2-3. Pricing and Rate Making in Plain English Seminar in Chicago, spon-

sored by Dorman Consulting Associates; \$895. Richard W. Dorman, 1 Haverhill Court, Beachwood, Ohio 44122; 216-464-5678; fax: 216-464-2727.

NOV. 3. Property Underwriting Course in Wethersfield, Conn., sponsored by Independent Insurance Agents of Connecticut; \$250 for members and \$350 for non-members. IIAC, 30 Jordan Lane, Wethersfield, Conn. 06109; 860-593-1950; fax: 860-563-6730.

NOV. 13-15. World Captive and Alternative Risk Financing Forum in Palm Beach Gardens, Fla., sponsored by Business Insurance, Skandia/SINSER and Tillinghast-Towers Perrin; \$975 for members and \$1,250 for non-members. World Captive Forum; 952-928-4653; fax: 952-929-1318; www.captive.com/captiveforum.

NOV. 13-15. Product Management Skills and Techniques Seminar in Chicago, sponsored by Dorman Consulting Associates; \$995. Richard W. Dorman, 1 Haverhill Court, Beachwood, Ohio 44122; 216-464-5678; fax: 216-464-2727.

NOV. 16-17. Controlling Health Risks in the Workplace symposium in Scottsdale, Ariz., sponsored by the American Society of Safety Engineers; \$495 for members and \$545 for non-members. ASSE, 847-699-2929; www.asse.org.

NOV. 28-29. The 11th Annual PricewaterhouseCoopers Executive Conference for the Property-Casualty Industry in New York, sponsored by The Conference Group Ltd. and PricewaterhouseCoopers; \$1,200. The Conference Group Ltd., 3409 Meadow Bluff, Charlotte, N.C. 28226; 704-541-2800; fax: 704-541-2888; www.conferencegroup.com.

The Datebook is compiled from notices sent to Business Insurance. Notices for meetings should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Please include the cost, if any, to attend the meeting and information on registration for interested readers. Business Insurance reserves the right to select meetings of greatest interest to its readers and cannot guarantee that notices will be printed. Datebook listings also are available on the World Wide Web at www.businessinsurance.com.

World Captive

and Alternative Risk Financing Forum

November 13-15, 2000 • PGA National Resort and Spa • Palm Beach Gardens, Florida

Join us in celebrating the 10th anniversary of the World Captive and Alternative Risk Financing Forum. The three-day Forum brings together the most innovative captive sponsors as well as the leading experts serving the risk financing needs of corporations and institutions to examine cutting-edge programs and to explore the future.

Preliminary Schedule Summary

MONDAY, NOVEMBER 13

Golf Tournament and Golfers' Luncheon on Masters Lawn
Captives 101: The Benchmark Course or Basics of E-Commerce and E-Business
Registration and Welcome Reception with Exhibitors

Business Insurance

Skandia
SINSER

Tillinghast-Towers Perrin

TUESDAY, NOVEMBER 14

Continental Breakfast
Keynote Address: "Into the 21st Century"
Beverage Break
Group Captives or
Capital Markets and Risk Management
Buffet Luncheon
New Ways to Use Your Captive/
Decontrolling Captives or
New Risks: A Healthcare Perspective
Beverage Break
Rent-a-Captives or
Employee Benefits/Pensions and Captives
Cocktail Reception
Dinner and Entertainment

WEDNESDAY, NOVEMBER 15

Continental Breakfast
Captive Case Studies
Beverage Break
Reinsurance or Enterprise Risk
Buffet Luncheon
New Tax Developments
Conference Roundup

For further information, including exhibit and sponsorship opportunities, contact:
Tina Gassman, Conference Director
4248 Park Glen Road, Minneapolis, MN 55416
Telephone: 952.928.4659
Fax: 952.929.1318
or visit www.captive.com/CaptiveForum

Into the
21st
Century

Join us for the 10th World Captive Forum

\$2,750	EXHIBIT BOOTH (INCLUDES ONE FREE REGISTRATION)
\$750	2ND AND 3RD EXHIBITOR REGISTRATION
\$975	RISK MANAGER REGISTRATION
\$1,250	NON-RISK MANAGER REGISTRATION
\$975	SECOND AND SUBSEQUENT REGISTRANTS FROM SAME COMPANY
\$150	GUEST REGISTRATION (NON-INDUSTRY GUESTS ONLY)
\$200	GOLF TOURNAMENT FEE (INCLUDES BREAKFAST AND LUNCH)

GLOBAL BRIEFS

Sterling Underwriting Agencies Ltd. has ceased underwriting on its Lloyd's non-marine syndicate 529 after Lloyd's regulatory board revoked syndicate 529's license. The revocation prohibits Sterling from underwriting or renewing business at Lloyd's. Sterling suspended underwriting pending a written explanation from Lloyd's and is reported to be considering an appeal. Syndicate 529 was one of 19 ordered to increase its capital for the 2001 underwriting year. . . . **CGNU P.L.C.** was hit by £90 million (\$136.3 million) in claims from the December windstorms in Northern Europe, the insurer reported last week in announcing its first-half results. CGNU's non-life operating profit fell 11.6%, to £327 million (\$495.0 million), for the first six months of this year, compared with the first six months of 1999. On the life side, CGNU fared better, with operating profit rising 24%, to £754 million (\$1.14 billion). . . . **British Aviation Insurance Group Ltd.** is to buy U.S. aviation and satellite insurance specialist Associated Aviation Underwriters Inc. for an undisclosed sum. The trading names of both groups will be retained, but the holding company for the two will be renamed Global Aerospace Underwriting Managers Ltd. BAIG will assume management control of Short Hills, N.J.-based AAU and the two groups will be integrated into a single unit starting Jan. 1, 2001. "This deal means there will be a truly global insurer to support an increasingly global aviation industry," said Tony Medniuk, chief executive officer of BAIG. . . . U.K. broker **Jardine Lloyd Thompson Group Ltd.** has reported a 7% increase in pretax profits, to £34.4 million (\$52.1 million) for the first six months of this year, compared with the first six months of 1999. Brokerage revenues increased 9% over the same period, to £137.9 million (\$208.8 million). . . . Assicurazioni Generali S.p.A. has announced that it has set aside \$100 million to pay **Holocaust-era life insurance claims** and to make donations to humanitarian funds. Trieste, Italy-based Generali also said it would make public its archives and a list of Holocaust-era policyholders. . . . Paris-based **Assurances Generales de France**, a subsidiary of Munich-based Allianz A.G. Holding, saw first-half gross revenues rise by 13.6%, to 7.75 billion euros (\$7.43 billion), compared with the first half of 1999. AGF's non-life revenues grew 5.5%, to 3.89 billion euros (\$3.73 billion), while life revenues grew 26.8%, to 3.09 billion euros (\$2.96 billion). . . . **Royal & SunAlliance Group P.L.C.** saw a 17% increase in global non-life net premiums for the first half of 2000, compared with the first half of 1999. The London-based insurer said non-life premiums rose to £4.3 billion (\$6.51 billion), but property/casualty insurance premiums in the United Kingdom fell 6%. "The double-digit rate increases we have been imposing, particularly in the motor and risk managed accounts, resulted in a loss of some business," said Bob Mendelsohn, RSA's chief executive officer. . . . A group of 26 U.K. customers plans to **sue fast-food chain McDonald's Corp.** because they allege they were scalded by drinks served at excessively high temperatures. Some of the 26 allege that they suffered third-degree burns. In the United States in 1994, a woman was awarded punitive damages of \$2.7 million for burns she received when a cup of McDonald's coffee fell into her lap. The award was later reduced by a judge.

Intangibles a growing concern

Risk management needed for intellectual property, brand image, reputation

By CAROLYN ALDRED

LONDON—Intellectual property, brand image and reputation represent the most-valuable assets of many companies, and the successful management of such risks is becoming recognized as crucial to a company's future.

These and other operational and intangible risks are of growing concern in corporate boardrooms, said Alan Fleming, the new chairman of the Assn. of Insurance & Risk Managers. Mr. Fleming said that risk managers should be acting as facilitators to manage these risks, as well as the more-traditional exposures that companies face.

"As we enter the 21st century, the nature of risk management is becoming more complex, more interconnected with corporate objectives and bottom-line performance figures," Mr. Fleming said. "Risk management needs to be instilled as a culture within organizations from board level downwards."

Mr. Fleming took up the post of chairman of London-based AIRMIC in late July.

"Traditional risk managers definitely have an opportunity to be movers and shakers in the area of intangible risks," said Mark Butterworth, group risk insurance manager of Prudential Corp. P.L.C. in London and past chairman of AIRMIC. "Risk doesn't have to have a traditional insurance response" to be the risk manager's responsibility, he added.

"It is indicative that, in recent surveys by AIRMIC and other organizations within the risk management sector, the loss of intellectual property, brand image and reputation are highlighted as among the most important threats to U.K. business," Mr. Fleming said.

"When incurred, such loss can damage overall performance results and blunt an organization's competitive edge. Although the intellectual property may still be held by an organization, its commercial value is significantly reduced once its

substance is known to others," he pointed out.

"Equally, where business innovation occurs, such as we are seeing presently in the e-commerce and (information technology) fields, the opportunities for commercial growth are increased. And this heightens concern about the management of such risks," Mr. Fleming said.

Mr. Butterworth said, "Risk managers' role is to protect the balance sheet, and if there's a balance-sheet value to an intangible risk, they would be neglecting their duty to ignore it."

"Corporate risk management has been raised to board level, and the role of risk management is changing," said Charles Johnson, director in the London-based operational risk services practice of PricewaterhouseCoopers. Global risk management consulting is one of PwC's growth areas, according to a PwC spokesman.

"Risk management is expanding be-

See Intangibles on next page

Government e-monitoring criticized

By CAROLYN ALDRED

LONDON—British companies fear that government proposals to increase authorities' powers to surveil e-mail and e-commerce transactions will expose industry to high costs and potentially huge liability claims.

Several industry groups are lobbying the U.K. government as it nears final passage of the Regulation of Investigatory Powers Bill 2000, which proposes tighter and closer surveillance and permitting the interception of communications by law enforcement and security agencies.

Under the bill, Internet service providers would be required to install equipment that would allow the British government to monitor electronic communication to protect the national security and to prevent or detect crime. If requested, companies or individuals would have to decode data for authorities and, in some cases, supply encryption keys to allow the authorities to decode any electronic communication. Failure by a

company or individual to decode data when requested to do so by a law enforcer could result in a two-year prison sentence. The United Kingdom is one of the first Western countries to introduce such strict legislation.

A statement issued by the Alliance for Electronic Business endorses the policing of crime committed with the use of telecommunications but takes issue with the bill's approach.

"With the extraordinary development of technology in recent years, sophisticated criminals and terrorists have taken advantage of telecommunications to commit serious offenses. There is an overall need, therefore, to revise the law, enabling enforcement agencies and intelligence services to continue the detection and preven-

tion of all serious crime committed through the use of telecommunications," said the alliance's statement.

"However," the statement continued, "the Alliance for Electronic Business fears that high cost, undue restriction on legitimate business activities, security of information and compliance in handing over keys could be detrimental to businesses" under the proposals in the RIP Bill.

The Alliance for Electronic Business includes the Confederation of British Industry, the Federation of the Electronics Industry, and the Computer Software & Services Assn.

Meanwhile, the British Chambers of Commerce warned that the proposals could expose companies to liability claims. Law firms, financial companies and other businesses that hand over encryption keys used to decode the private documents of clients could be at risk from damage suits for breaches of confidentiality, the British Chambers warned early in July. The British

See Monitoring on next page

Canadians labor over RSI strategies

By MEG FLETCHER

TORONTO—There is growing concern in Canada about upper-extremity repetitive strain injuries, despite differences of opinion about the seriousness of the problem and how best to resolve it.

Although Canada has a universal health care system, work-related injuries are paid for by separate provincial and federal compensation funds. In addition, some work-related claims may be eligible for more than health care, including wage loss, return to work, vocational rehabilitation and perhaps even comp-related pension benefits.

Most provinces treat work-related RSI injuries as compensable, although the provinces and territories have varying definitions of what is regarded as an RSI. For example, several lump together upper- and lower-extremity ailments, along with back injuries.

RSIs of the upper extremities "are an increasing problem as we move from a manufacturing economy to an information-based economy," contends Jeff Caldwell, a consultant with Caldwell O'Hearn Inc., a disability and vocational rehabilitation provider in Kanata, Ontario.

Workers see the growth of upper-extremity RSIs as "an alarming issue," said Karl Crevar, president of the Ontario Network of Injured Workers Groups, a worker-support and lobbying organization.

Mr. Crevar contends that RSIs taken as a group—including upper- and lower-extremity RSIs and some back injuries caused by repetitive motion—are a leading cause of workers compensation claims in Canada.

To address the problem, the organization, which represents more than 20,000 workers, is lobbying for wider recognition of RSIs as a compensable injury by Canadian administrators of both provincial and national workers compensation systems.

The injured workers also want employers and provincial system admin-

See RSI on page 18



Anaconda settles with Lloyd's, starts Fluor talks

By DAMIEN TOMLINSON

PERTH, Australia—Australian mining company Anaconda Nickel Ltd. has tapped insurance to cover production delays stemming from problems with a newly built mine, and now is seeking additional compensation from the mine's contractor.

ANL is seeking as much as \$1 billion Australian (\$588.9 million) from project contractor Fluor Australia Pty. Ltd. for delays and problems associated with Fluor's construction of part of the nickel and cobalt mine in Western Australia. ANL already has drawn down a \$45 million Australian (\$26.5 million) letter of credit issued by Fluor to cover some of its costs.

Fluor Australia, formerly named Fluor Daniel Pty. Ltd., contends that it met the terms of its contract and that the delays encountered are little more than "teething pains" associated with making the new mine operational.

Under the terms of their contract, the two parties must submit their dispute to arbitration, which could begin as soon as next month.

Perth-based ANL last month settled a claim with underwriters at Lloyd's of London for some of the cost of fixing problems on the project and losses from lack of production. The settlement, which followed lengthy arbitration proceed-

See Mine on next page

INTERNATIONAL

Monitoring

Continued from previous page

Chambers of Commerce represents businesses throughout the United Kingdom.

The future of e-commerce depends on having a means of trading that ensures confidentiality and protection of information. Businesses, ISPs and software makers have been devising techniques to ensure that confidential business information is safe when being stored and transmitted electronically.

'Encryption is already used extensively in the financial sector and over the Internet,' says John Drummond.

Many businesses are adopting data encryption approaches for their confidential information. Data is encrypted through the use of an algorithm; encrypted data can be unscrambled easily only by a holder of an encryption key. To someone without the key, an encrypted file is gibberish.

Encryption is becoming the standard tool for transmitting and storing sensitive information, according to those in the computer security industry.

"Encryption already is used extensively in the financial sector and over the Internet," said John Drummond, group information technology manager for the pharmaceutical company Glaxo Wellcome P.L.C. in London.

Glaxo Wellcome uses encryption when corresponding electronically with suppliers or with the U.S. Food and Drug Administration.

Initially, many of the encryption systems were proprietary, but as the use of e-commerce becomes

more widespread, there is an increased need for open standards, Mr. Drummond said.

Some large companies, especially those with large IT structures and information-based businesses such as accountants, also use encryption internally, said Charles Johnson, director in operational risk services for the London office of PricewaterhouseCoopers. PwC already has implemented encryption techniques for internal communication, he said.

Mr. Johnson said he understands "why business is concerned about the RIP Bill." The whole system of security is breached by being obliged to hand over the encryption keys, he said.

The extent to which government should have access to confidential business information has been causing concern in Europe for some time. Worries heightened after the European Parliament's Justice Committee published a report earlier this year about the United States' satellite listening network, code named Echelon. Echelon, run by the U.S. National Security Agency, is linked to security networks in Great Britain, Canada, Australia and New Zealand. The 100-page report claimed that Echelon, which can intercept telephone calls, fax transmissions and e-mails, may have been intercepting sensitive European commercial communications and using the information to help U.S. companies to win contracts that had been destined for European firms.

Last month, the European Parliament voted to start in September an eight-month investigation into the alleged Echelon electronic espionage.

Meanwhile, the French government confirmed that legal action has been brought in the Tribunal D'Instance at the Paris Parquet court by Airbus Industrie S.A. of Toulouse, France, alleging unfair use of Echelon to monitor the company's business. Airbus would not comment. **BI**

Intangibles

Continued from previous page

yond belief, and risk managers are finding that the risk management function is being taken on by the chief executive and financial director," said Lloyd's of London underwriter Robert Chase.

But, Mr. Chase said, "there are opportunities for really good risk managers to take their expertise and help change corporate culture and reach really senior levels."

"We have an opportunity to grasp risk management issues and embed risk management culture into companies," said Stuart Martin, chairman of AIRMIC's special-interest group on e-commerce. Increasingly, companies will incorporate risk management in every management decision, Mr. Martin predicted.

Meanwhile, "more and more these days, risk managers are becoming facilitators rather than specialists, pulling together the specialist departments" to look at risk, Mr. Martin said.

There exists a need for greater coordination of all the risks companies face, said Mr. Johnson of PwC. "One of the main reasons companies (fail) is lack of coordination."

Companies "need a coordinated plan and response" to critical situations, he said. They also need "one particular individual that has overall responsibility for risk management," Mr. Johnson said. He noted that some companies are setting up risk management committees with representatives from several different departments.

Mr. Fleming said he believes that risk professionals increasingly should work together to manage the broadening corporate risks. Indeed, AIRMIC itself is improving its links with other professional organizations through seminars and joint initiatives with the Assn. of Corporate Treasurers, the Institute

of Occupational Safety & Health and the Institute of Chartered Accountants in England and Wales.

"Risk is everyone's problem and opportunity, but a partnership approach with other professional disciplines can result in a solution that is greater than the sum of the parts when each area is operating

independently," he said.

"The positive strengths and talents within a company's key functions need to be focused, perhaps through such means as a risk committee, to combat and control risks which have been identified as key threats to future success," Mr. Fleming said.

Policies address market change

In 1975, a survey of Fortune 500 companies showed that tangible assets represented 60% of the companies' total market capitalization. By 1995, this had dropped to less than 25%, according to Lloyd's of London underwriter Robert Chase.

In response to this change in the market, Mr. Chase, underwriter of the specialty risk division of syndicate 510, managed by R.J. Kiln & Co. Ltd., developed a series of business continuity policies.

Kiln created the policies because "risk managers increasingly were talking about concerns which we were not familiar with, such as reputation, brand value and all sorts of intangible risks," Mr. Chase said.

Kiln calls the series of policies in its business continuity line The 4 Portfolio. The coverages include:

- 4Thought, which "provides a new kind of insurance specifically designed to protect the value of intellectual property to a company or an individual." The types of intellectual property covered include patents, trademarks and copyright; rights in protectable databases; regulatory approvals and authorizations; and trade secrets and know-how. Coverage is granted against governmental action that prevents or prohibits a policyholder's exploitation of its intellectual property rights; legal challenges to the policyholder's intellectual property; and adverse pub-

licity that damages the policyholder's ability to exploit its intellectual property rights and associated brands.

"Intellectual property is increasingly recognized by companies as their most-valuable revenue-generating corporate asset," according to the prospectus, which points out that "intellectual property will appear on more company balance sheets as new accounting standards...in the U.K. begin to bite."

- 4Sight, a trade-disruption policy that provides contingency insurance to protect a company's income stream. The coverage takes into account risks such as the introduction of a "just in time" operation, dependence on a single or sensitive line of supply, and manufacturing in an undeveloped or politically unstable location.

- 4Close, which provides short-term insurance coverage during a period of fundamental change, such as a merger.

- 4Cast, which protects a business against financial loss from extreme weather conditions.

In the "new, knowledge-based economy, risk managers and financial directors are spending more time worrying about intangible risks. Traditional risk management (of tangible assets) is becoming a less-important part of the action," Mr. Chase said.

—By Carolyn Aldred

Products & Services Guide

To place your ad, contact Irais Amleshi

Phone: (312) 649-5340 Fax: (312) 649-7937

E-Mail: iamleshi@crain.com

CPCU® IIA and CIC candidates

You'll learn more faster with The Burnham System for CPCU, INS, AIA, APIC, AIM, ARM, AU, ALCM, AAS, ARP, APA, AAPM, AIT, ARE, AFSB, ASL, and more. Guaranteed! Call 1-888-BURNHAM Now!

WELLER SALVAGE

- Autos
- RV's
- Heavy Trucks
- Heavy Equipment

1-877-725-8243

www.wellersalvage.com

Publishing August 14

Business Insurance

www.businessinsurance.com

Property Loss Control

Directory:

Property Loss

Control Consultants

Closing: August 8

Call now to reserve

your ad space!

(312)649-5340

Mine

Continued from previous page

ings in London, was for \$113 million Australian (\$66.5 million) on an "extended liquidated damages" policy with limits of \$150 million Australian (\$88.3 million). The coverage was designed to pay \$10 million Australian (\$5.9 million) for each month the project's completion was late, up to \$150 million Australian. Mr. Dennis declined to name the syndicates that wrote the coverage.

The mine, named the Murrin Murrin Nickel Cobalt Project, is located about 450 miles northeast of Perth in Western Australia. ANL is a specialized producer of nickel and cobalt using a technology called acid pressure leaching. The metals are refined through the acid leaching of mixed metals in large, pressurized autoclaves.

Construction of the Murrin Murrin project began in May 1997, with the signing of a \$1.2 billion Australian (\$706.6 million) contract with Fluor Daniel Pty. Ltd. for engineering, procurement and construction of stage one of the new mine. The company is a unit of Irvine, Calif.-based Fluor Corp.

Stephen Dennis, ANL's general manager, said that after Fluor completed the project, it became apparent that part of the processing plant was not operating, including more than 40 separate

failures of the system for moving metals from the autoclaves, which is central to the acid pressure leaching process.

Fixing the problems caused production delays of up to 12 months and "unlimited" rectification costs, he said.

"Fluor Daniel was hired to complete a task, for which we paid a huge amount of money, and the result was extremely disappointing," Mr. Dennis said.

"The facility was delayed for about 12 months. The costs of the losses from that, together with

'You can't expect a billion-dollar plant to start perfectly at the flick of a switch,' says Richard McDonald.

other extensive rectification costs, make up the bulk of our claim against (Fluor Daniel)."

To date, ANL has lodged claims of more than \$300 million Australian (\$176.7 million) against Fluor, but Mr. Dennis said total claims of up to \$1 billion Australian are "not unreasonable."

Fluor Australia executives suggest that such a claim is unlikely to succeed.

Richard McDonald, company

secretary of Perth-based Fluor Australia, said the terms of its contract were fully completed and that ANL should have expected there to be "teething problems" at the completion of the project.

"As far as we are concerned, we met our contractual obligations with ANL. The startup problems are issues for ANL to take up," Mr. McDonald said.

"You can't expect a billion-dollar plant to start perfectly at the flick of a switch. There are always teething problems to overcome," he said.

Mr. McDonald said Fluor is prepared to take its argument through the arbitration process, where it also hopes to reclaim the \$45 million Australian (\$26.5 million) letter of credit.

Australia's High Court last December declined to hear an appeal of a Victoria State Court of Appeal decision that upheld ANL's right to draw down the funds.

Mr. McDonald said he "completely rejected" the likelihood of a \$1 billion claim against Fluor Australia by ANL being successful.

Stage two of the Murrin Murrin project is now in progress, with an additional capital cost of \$1 billion Australian.

When the project is completed, it will be the third-largest nickel producer and the largest cobalt producer in the world.

Make an Impact!

Advertise in BI's

Products & Services Guide
312-649-5340

Business Insurance



teamwork

(it sure helps to have the right partners pulling for you)

All hands pulling together, focused on a common goal ... that's the definition of a team.

But the secret to winning is choosing the right partners. That's why insurers choose strong reinsurance companies to stand behind them ... and why savvy executives choose *Business Insurance*.

Nearly 136,000* commercial insurance and reinsurance executives, risk managers, brokers, intermediaries and other executives know that reading *BI* each week is the secret to staying up-to-date on industry news.

* includes pass-along readership

And when these top players want to get a firm grip on the reinsurance market, they'll reach for *BI*'s reinsurance spotlight reports for the most focused coverage of this field.

Want to be part of a dream team? Make sure you choose the right teammate. Advertise in the only newsmagazine that can help you achieve your goals and gain new ground ... *Business Insurance*.

Don't let this opportunity slip through your hands. Call to reserve your space in these upcoming issues:

Reinsurance: International Markets

Directory: Leading Reinsurers Worldwide

Distribution: Monte Carlo Rendez-Vous

Publishing: August 28, 2000

Ad closing: August 16

Reinsurance: Rendez-Vous Report

Directory: Benefit Networks

Distribution: ISCEBS

Publishing: September 18, 2000

Ad closing: September 6

Reinsurance: Trends & Issues

Directory: Reinsurance Brokers

Distribution: Baden-Baden, CPCU Society, NAI

Publishing: October 23, 2000

Ad closing: October 11

New York - T. 212-210-0134
F. 212-210-0704

• Chicago - T. 312-649-5276
F. 312-649-7937

• Los Angeles - T. 323-370-2456
F. 323-655-8157

**Business
Insurance**
www.businessinsurance.com

RSI

Continued from page 15

istrators to provide workers with greater access to compensation benefits by lowering the thresholds for compensable injuries. In addition, they want to encourage the widespread adoption of injury prevention and safety programs.

An independent research organization disputes the assertion that the number of RSI claims is quickly escalating, though.

"There has been no dramatic overall increase in the number of upper-extremity RSIs in Canada," according to Terry Sullivan, president of the Toronto-based Institute for Work & Health, an independent, non-profit research organization affiliated with three universities.

In addition, he said, the RSI cases that do occur have been "fairly restricted" to certain business sectors, such as auto manufacturing.

Overall, upper extremity RSIs "are less of a problem in Canada than in the United States," Mr. Sullivan said.

According to the most recent figures available from the Workplace Safety and Insurance Board of Ontario, the five occupations experiencing the highest number of "repetitive bodily motion" claims in 1997 were: product fabricating, assembling and repairing; clerical occupations; machining and related occupations; service occupations; and manufacturing and processing occupations.

The five leading types of RSIs that workers in those industries sustained

were: tendinitis, sprains and strains, carpal tunnel syndrome, epicondylitis, and tenosynovitis.

Repetitive bodily motion "accidents" in Ontario during 1997 resulted in 4,261 compensated lost-time injuries with an average cumulative cost of \$9,630 Canadian (\$6,500) and an average of 69 lost-workdays each, according to the institute's data. The lost-workdays figure is skewed, however, by a few extreme cases, as about half of all RSI claims resulted in 26 or fewer lost days.

Canada's province-based workers compensation and health systems generally accept workers' claims of job-related RSIs, though workers complain that compensability requirements have been raised in some provinces, including Ontario.

However, there is general support for efforts to prevent losses and support research projects to help define, treat and prevent such injuries.

Canada's decentralized approach to handling upper-extremity RSIs sustains controversies about how such claims are defined and counted.

Few of Canada's 10 provinces and two territories have written policy guidelines that clearly define upper-extremity RSIs for purposes of compensation. The guidelines that do exist sometimes create confusion, observers say, because they use different definitions of RSIs, which can limit researchers' ability to analyze data.

There are signs, however, that some officials are increasingly interested in determining how best to handle RSIs.

The province of British Columbia, for example, adopted new policy lan-

guage earlier this year that requires workers comp administrators to consider more-objective measurements for adjudicating a broad range of workers' RSI claims, said Jay Rowland, client services manager in the Occupational Disease Services unit of the Vancouver-based Workers' Compensation Board of British Columbia.

While the previous language "was vague," the policy now spells out four principal risk factors for compensating most soft-tissue disorders of the limbs. Those risk factors, Mr. Rowland explained, are repetition, force, posture and vibration. If a worker diagnosed with hand-wrist tendinitis/tenosynovitis had occupational exposure to two of the described risk factors while performing particular tasks immediately before being disabled by that condition, that worker is entitled to the presumption that the ailment is work-related, Mr. Rowland said. This clarification should provide "greater assurances that appropriate claimants are being handled properly," he said.

According to the Institute for Work & Health's Mr. Sullivan, "British Columbia is still the most advanced in terms of having ergonomic policy guidelines."

Most provinces, though, are like Saskatchewan, where the workers comp administration has no specific policy to address compensation of RSIs, according to an administration spokeswoman.

At the federal level, the Canadian national government voted in late June to revise its labor code to recognize ergonomic hazards and to develop standards to protect the relatively

few workers under its jurisdiction. Affected would be those workers that are employed by a few national industries, such as airlines and railroads.

Canada, however, is not expected to develop any kind of broad, federally mandated program for compensating and preventing RSIs and other musculoskeletal disorders, similar to the pending ergonomics standard proposed by the U.S. Occupational Safety and Health Administration, said Mr. Caldwell, the rehabilitation consultant. "It's not on the political agenda here," given Canada's long tradition of province-based workers comp and health care systems, he said.

Meanwhile, Mr. Crevar said, workers would like to see more provincial legislation encouraging prevention of RSIs by requiring employers to assess the RSI risks to workers, eliminating or reducing RSI risks, providing education and training and evaluating the outcome of those efforts.

Workers are not alone in wanting to improve the situation.

"Employers are generally frustrated by this (upper-extremity RSIs issue)," said Mr. Caldwell. Claims can be expensive, treatment results can be unsatisfactory, and research studies have focused more on back injuries than on these types of injuries, he said.

However, some employers feel removed from the issue, in part because of the way Canada's workers comp system operates. Although a company's workers comp premium typically is based on the type of work it does, as well as its own loss experience, other factors limit employer involvement.

For example, companies are not

permitted to self-insure their coverage, thus reducing their awareness of claims. And most risk managers are not much involved, because workers comp claims typically go through companies' human resources departments, said Claude Boudreault, director of risk management and insurance for SNC Lavalin Group Inc., a Montreal-based engineering and construction firm.

"For us in Canada, workers compensation has not been a concern," he said, though it could become one if an employer has a lot of claims and its premium costs rose.

Also, workers compensation administrators "have created a system that is extremely hard to fool," so few frivolous claims are made in Canada, according to Mr. Boudreault.

Other employers, however, are more concerned about RSIs.

"Employers in Canada are as concerned about preventing injuries as those based anywhere else," said Robert Patzelt, general counsel and group risk manager for Scotia Investments Ltd. in Halifax, Nova Scotia. His holding company operates 22 operations, most in manufacturing, in seven provinces.

"We care about repetitive strain injuries because they are common, recurring and very preventable," he said.

"Employers take an interest in their employees' health and well-being, regardless of the workers comp system, because absenteeism or injury creates hidden costs for employers, who must replace the lost productivity," Mr. Patzelt said. **BI**

Professional Marketplace

www.businessinsurance.com

To place your ad, contact Irais Amleshi

Phone: (312) 649-5340

Fax: (312) 649-7937

E-Mail: iamleshi@crain.com

Business Insurance, Classified Department,
740 N. Rush Street, Chicago, IL 60611-2590

Call for details on Blind Box
and Internet Advertising

LEGAL NOTICES

LEGAL NOTICES

ANNOUNCEMENTS

ANNOUNCEMENTS

HELP WANTED

HELP WANTED

**THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION
IN THE MATTER OF THE LIQUIDATION
OF AMERICAN HEALTH CARE PROVIDERS, INC.
NOTICE OF CLAIM FILING DEADLINE AND PROCEDURES**

PLEASE TAKE NOTICE, that on May, 11, 2000, the Circuit Court of Cook County, Illinois, entered an Agreed Order of Liquidation With a Finding of Insolvency and Injunctive Relief against American Health Care Providers, Inc. ("AHCP"). Nathaniel S. Shapo, Director of Insurance of the State of Illinois, is the statutory and court affirmed Liquidator of AHCP ("Liquidator")

TAKE FURTHER NOTICE, that on July 12, 2000, the Circuit Court of Cook County, Illinois, entered an Order Fixing Rights and Liabilities and Providing for the Filing of Claims and the Setting of Claim Filing Deadlines (Fixing Order). Pursuant to the Fixing Order, all rights and liabilities of AHCP and its policyholders/enrollees, creditors and stockholders, and all other persons interested in its property or assets, are fixed as of May 11, 2000, unless otherwise provided in prior or subsequent orders of the Court.

TAKE FURTHER NOTICE, that all persons, companies or entities who have, or may have claims against AHCP, its property or assets, or against an enrollee or policyholder, shall have the right to present and file with the Liquidator proper proofs of claim on or before May 11, 2001 at 4:30 p.m.

TAKE FURTHER NOTICE, that the form and required contents of all proofs of claim are described in 215 ILCS 5/209. Proofs of claim, along with supporting documents, if any, are to be filed with, and may be obtained from, the Liquidator of AHCP, c/o the Office of the Special Deputy Receiver, located at 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654. A proof of claim shall be deemed "filed" with the Liquidator upon the Liquidator's receipt thereof. The Liquidator reserves the right to require such additional information with respect to any claim filed with him as he may deem necessary. The Liquidator further reserves any and all defenses available to AHCP upon all filed claims. All proofs of claim must be duly sworn to before an officer authorized to take oaths.

THE LAST DATE FOR THE FILING OF PROOFS OF CLAIM WITH THE LIQUIDATOR IS SET FORTH ABOVE. NO PERSONS, COMPANIES OR ENTITIES HAVING OR CLAIMING TO HAVE ANY CLAIM AGAINST AHCP, ITS PROPERTY OR ASSETS, OR AGAINST AN AHCP POLICYHOLDER, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY UNLESS SUCH CLAIMS ARE PROPERLY FILED WITH THE LIQUIDATION ON OR BEFORE MAY 11, 2001 AT 4:30 P.M.

Cathleen M. Travis
Special Deputy Receiver

The Insurance and Reinsurance Practice Group

of

EDWARDS & ANGELL, LLP

is pleased to announce that

JOHN P. DEARIE, JR.

practicing in corporate, commercial and regulatory matters
for the insurance and financial services industry

has joined the Firm as Counsel
in its New York, New York Office
(212) 756-0255
or e-mail at jdearie@ealaw.com

Hartford New York Boston Providence Palm Beach Short Hills



Claims Vice President Berkshire Hathaway Homestate Companies

We have an excellent opportunity for an experienced claims officer or attorney to manage our Claims Operation in Omaha, Nebraska. Our business is regional in nature and today we actively write commercial insurance business in 15 states.

The position will involve managing the claims operation. The individual will have responsibility for a few significant claims, will be involved in determining settlement value on all significant claims, and will approve all coverage denials. The position reports to the President and will be an integral member of the management team.

Solid academic credential with a minimum of 10 years experience in claims management, litigation practice with a law firm and/or insurance company is strongly preferred.

Submit resume and salary history in confidence to:

Debi Niess, Human Resources
Berkshire Hathaway Homestate Companies
9290 West Dodge Rd., Ste. 300
Omaha, NE 68114

A member of the Berkshire Hathaway group of insurance companies

For Classified Advertising Information e-mail

iamleshi@crain.com

FOR SALE

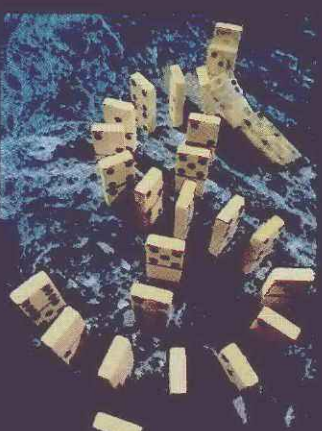
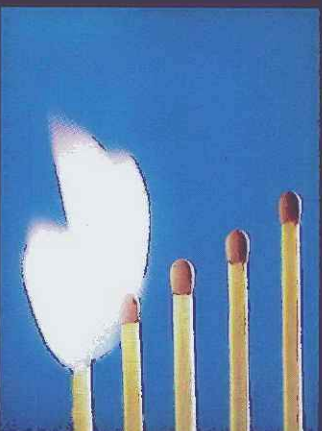
FOR SALE

Grandfathered Texas MGA License. Clean history, no business written under license in last eight years. No liability tails. Call Jim Golden (915)335-3410.

www.businessinsurance.com

For all the latest in Corporate Risk, Employee Benefit and Managed Health Care News Visit
BI online for a host of in-depth news and services that include Updates, Datebook,
Classifieds, Article Archive and more.

New York: Tel: 212-210-0134 • Fax: 212-210-0704 • Chicago: Tel: 312-649-5276 • Fax: 312-649-7937
Los Angeles: Tel: 323-370-2456 • Fax: 323-655-8157



**THE FOLLOWING PREVIEW HAS
BEEN APPROVED FOR ALL AUDIENCES.**

**COMING SOON IN
BUSINESS INSURANCE...**

Issue Date	Editorial Feature	Demographic Section	Ad Closing
Jun 19	PRIMA Report	IT Employee Recruiting & Training	Jun 7
Jun 26	Benefits: Balancing Work & Life <i>Directory: EAPs & Dependent Care Resource & Referral Services</i> <i>Distribution: IMCA; SHRM</i>		Jun 14
Jul 3	Midyear Market Report: Property/Casualty & Health Care	ABT Marketing Strategies	Jun 21
Jul 10			Jun 27
Jul 17	Agent/Broker Profiles <i>Directory: Agents & Brokers</i>	IT Marketing Strategies	Jul 5
Jul 24			Jul 12
Jul 31	Benefits: Managed Care Trends & Issues <i>Directory: Prescription Benefit Managers</i>		Jul 19
Aug 7	<i>Distribution: Vermont Captive Insurance Association</i>	ABT Legislative Issues	Jul 26
Aug 14	Property Loss Control <i>Directory: Property Loss Control Consultants</i>		Aug 2
Aug 21	Wards Results	IT Legislative Issues	Aug 9
Aug 28	Reinsurance: International Markets <i>Directory: Leading Reinsurers Worldwide</i> <i>Distribution: Monte Carlo Rendez-Vous</i>		Aug 16
Sep 4		ABT Fighting Fraud	Aug 23
Sep 11	Surplus Lines <i>Directory: Surplus Lines Insurers & Wholesalers</i> <i>Distribution: IUMI; NAIC; NAPSLO</i>		Aug 29
Sep 18	Reinsurance: Rendez-Vous Report <i>Directory: Benefit Networks</i> <i>Distribution: ISCEBS</i>	IT Fighting Fraud	Sep 6

"...the most valuable, most credible and most timely
newsmagazine in the industry."

"★★★★... A must-read ... Don't miss a single issue."

**RESERVE YOUR AD SPACE TODAY.
CALL A SALES OFFICE NEAR YOU.**

**Business
Insurance**
www.businessinsurance.com

New York: 711 Third Ave., NY 10017-4036 ■ Tel: 212-210-0134 ■ Fax: 212-210-0704
Chicago: 740 N. Rush St., IL 60611-2590 ■ Tel: 312-649-5276 ■ Fax: 312-649-7937
Los Angeles: 6500 Wilshire Blvd., CA 90048-4947 ■ Tel: 323-370-2456 ■ Fax: 323-655-8157
Circulation: 965 E. Jefferson Ave., Detroit, MI 48207 ■ Tel: 888-446-1422 ■ Fax: 313-446-6777

Defense

Continued from page 3

asking the court to reconsider the case, according to Albert Giraud, Scottsdale's attorney, who is with the Metairie, La., firm of Ungarino & Eckert L.L.C.

"It's not final yet," Mr. Giraud said.

The implications of the appeals court's decision on other gun cases is not clear, according to Mr. Oshinsky.

The appeals court decided not to publish the opinion, which means that while it is binding, attorneys in other cases who use the ruling will have to find it and provide a copy of the decision to the court, he said. He explained that the court chose not to publish the opinion because it merely duplicates what already are "well-settled principles" of law.

"It's an appellate court decision by one of the most prominent courts in the country," Mr. Oshinsky said. "It's good as gold whether it's published or not," he said, adding that attorneys are still trying to determine the full impact that the decision not to publish the case could have for other cases.

Other insurers also face litigation over coverage in gun cases.

Beretta U.S.A. Corp. is seeking coverage from its insurers for suits brought by municipalities. The gun maker filed suit last year in federal court in Maryland seeking to recover defense costs and indemnification for any damage awards from Federal Insurance Co. and Great Northern Insurance Co. (BI, Sept. 27, 1999).

The insurers, both units of Chubb Corp., have filed a motion to have the case dismissed.

Mr. Giraud would not discuss Scottsdale's reasons for seeking

the summary judgment, but the appeals court decision states that the insurer argued that a professional services exclusion in the NSSF's liability coverage meant there is no coverage in the gun suits.

'It's good as gold, whether it's published or not,' Jerold Oshinsky says of the 5th Circuit's recent ruling.

The professional services exclusion, according to court papers, excludes coverage for property damage, personal injury or advertising injury "due to the rendering or failure to render any professional service."

The court wrote, however, that nothing in the suit or the policies Scottsdale wrote "specifies what professional services NSSF performed, if any," and the complaint "does not clearly allege that NSSF's purported bad acts occurred in relation to NSSF's rendering of professional services."

In its petition for rehearing, attorneys for Scottsdale are asking the court to consider that as a trade organization, NSSF's only purpose is to provide professional services to its members. "Thus, any activities for which it would be liable would of necessity have to arise from the provision of professional services or failure" to provide them, the petition argues. "Likewise, a trade organization promoting the use of firearms, which allegedly failed to warn of the danger of firearms, can of necessity only have allegedly been guilty of a breach of a professional

service."

The papers also refer to Scottsdale's argument that the suit filed by New Orleans, which is similar to the suits filed by other municipalities, does not allege damages as defined in the coverage. The judges rejected the insurer's contention that policy provisions require the party seeking damages to be the one that suffered bodily injury.

"The complaint alleges that because of the bodily injuries to its citizens, the city of New Orleans had to incur additional costs," the court ruled. "This allegation arguably is covered by the policies."

A spokeswoman for Scottsdale said the insurer would not comment on the litigation.

Scottsdale Insurance Co. vs. National Shooting Sports Foundation Inc., 5th U.S. Circuit Court of Appeals, Case No. 99-31046. 99-CV-90-J.

Low

Continued from page 2

has any plans to run for the commissioner's post when the term he is completing expires in two years.

There also is a move afoot to return the post to an appointed one, though the Legislature, which must approve such a measure before it is presented to voters, is not expected to act on legislation that would make this change during the current session.

In nominating Mr. Low, Gov. Davis said, "At the end of the day, I believe that if anyone can restore our trust and confidence in the Department of Insurance, Justice Harry Low can."

Mr. Low's experience is impressive, said Sam Sorich, vp and western regional manager for the National Assn. of Independent Insurers, who is based in Sacramento.

"We're impressed by his experience and by his integrity, and we're pleased that Gov. Davis appointed somebody of such high qualifications, and also the fact that Justice Low has spent most of his professional life making tough calls," which he will also be called upon to make as commissioner, Mr. Sorich said.

Furthermore, he said, the NAI is pleased that some of the political controversy that has surrounded the department is likely to be quelled with Mr. Low at its helm. Mr. Low would approach issues, in a "professional, judicial man-

ner," rather than politically, said Mr. Sorich. The insurance marketplace needs "a nice political cooling-off period," he said.

The Sacramento-based Assn. of California Insurance Cos., whose members include workers compensation and personal lines insurers, said in a statement that

The insurance marketplace needs 'a nice political cooling-off period,' says Sam Sorich of the NAI.

"we are pleased the governor has acted promptly in appointing an insurance commissioner, hopefully the first major step in restoring the department to an effective and credible regulator of California's insurance industry."

Thomas C. Vance, risk manager for the city of Anaheim, Calif., said he hopes the new commissioner "puts his efforts into doing the right thing, even if doing the right thing isn't the same set of actions which might necessarily get you re-elected. I know that's very optimistic, because the nature of politics is re-election, but that's what I would hope for to see out of a change."

Mr. Low clearly faces some major challenges. The most obvious of those is improving the morale and operation of the department, said NAI's Mr. Sorich.

A second issue, Mr. Sorich said, is getting market conduct examinations of insurers "back on track

in the department—making sure they're operating properly and restoring some of the trust that is essential between the Department of Insurance and the insurance companies."

Mr. Sorich noted that portions of the exams of Allstate Insurance Co., Farmers Home Mutual Insurance Co., State Farm General Insurance Co. and 20th Century Insurance Co. are now posted on the Web site of the Senate Judiciary Subcommittee on Bad Faith Liability and Consumer Rights. Mr. Sorich said that this information was improperly leaked from the department. Included are evaluations of the insurers' claims handling procedures in connection with the 1994 Northridge earthquake.

The third important area is workers comp, Mr. Sorich said. The commissioner "really has to review what is being done to regulate that market," said Mr. Sorich.

Mr. Quackenbush has been charged with permitting insurers to pay \$12.8 million into a non-profit foundation instead of perhaps billions in fines in connection with mishandled claims stemming from the Northridge quake. Substantial amounts from that foundation were used to pay for political consultants and public-service television advertisements featuring the commissioner, according to testimony at legislative hearings.

Federal prosecutors from the U.S. Attorney's office and the FBI have joined California Attorney General Bill Lockyer in his investigation of the department under Mr. Quackenbush. **BI**

Jury pins liability on bowling alley

By TERRY KOSDROSKY
Crain News Service

DETROIT—In a case that may be the last of its kind in Michigan, the insurance company and owners of a defunct Canton Township, Mich., bowling alley could get stuck for a nearly \$2 million jury award.

A Wayne County Circuit Court jury awarded the damages June 27 to the estate of Judy Rosin, who died at age 17 after a November 1995 auto accident in Canton Township. Jerome Larente of Redford Township, who police say caused the accident and had a blood alcohol level of 0.17, pleaded guilty to negligent homicide and is serving a prison sentence.

Ms. Rosin's family sued Mr. Larente and the two bars that served him that night. One settled out of court but the other, Redford Lanes in Canton Township, fought the case. Redford Lanes has since closed and the owners have sold the liquor license.

Redford Lanes' attorney, Douglas Moseley, argued that Mr. Larente was an admitted alcoholic and didn't appear to be intoxicated at the bar. But the jury found Mr. Larente and the bar liable.

But how liable is the question to be answered next. Michigan's dram shop law was changed in

1996 to let juries award percentages of liability. Usually, the drunken driver pays most of the liability and liquor liability insurance companies aren't paying the million-dollar awards they used to.

Before 1996, all defendants were held liable under "joint and several" language. That meant the liquor license holder or its insurance company would be responsible for any amount the co-defendant driver couldn't pay.

But plaintiff's attorney Lee Turner, a partner in the Southfield, Mich., law firm of Turner & Turner P.C., argues that Redford Lanes or its insurance company should pay any amount Mr. Larente can't pay because the lawsuit was filed before the law changed. Mr. Larente was driving without a license and didn't have insurance.

"In this case, the award should be joint and several because it was filed before they changed the law," said Mr. Turner. "It definitely could be the last one like this."

Mr. Moseley, partner in the Birmingham law firm of Kallas & Hank P.C., said the award should follow the jury's assignment of liability. The jury found Redford Lanes 9% liable and Mr. Larente 88% liable. Ms. Rosin was found 3% liable because she wasn't wearing a seat belt.

"Under my interpretation, Redford Lanes is responsible for 9% of the amount Mr. Larente is not able to pay," Moseley said. "We're going to be in court arguing that."

One legal observer said the judge will have to decide whether lawmakers intended the 1996 change to apply to pending cases or only new cases. Wayne County Circuit Judge Paul Teranes is presiding.

"The answer has not come up yet in a dram shop case as far as I know," said Randall Whately, an attorney at the Detroit law firm of Honigman Miller Schwartz & Cohn. "What they're going towards is whether there's language about whether the statute was intended to be remedial."

Whatever Judge Teranes' decision on the issue, Mr. Moseley said he will appeal the jury's verdict.

Terry Kosdrosky is a reporter at Crain's Detroit Business, a sister publication of Business Insurance.

ADVERTISER

INDEX

Issue of August 7

ADVERTISER	PAGE #
AIG Corporate	24
American Arbitration Assoc.	11
Blue Cross of California	12R
Burnham Systems	16
Business Insurance	6,10,12,14,17,19
Frontier Insurance Co.	4
Munich-American Risk Partners	9
Old Republic Risk Management	7
Wausau Insurance Company	5
Weller Salvage	16

"Be sure that you return it."

If you're racing through this issue of *Business Insurance* because you "borrowed" it from a colleague, you should have your own subscription. Then you'll be first on the list. You can take as much time as you like with all of *Business Insurance's* exclusive worldwide news of loss prevention, risk financing and benefit management every week.

To subscribe, use the card in this issue
or Call 1 (888) 446-1422 Toll-Free.

Ask about our special 20%-off group subscription rate for five or more subscriptions. A great way to save money. And avoid pass-along problems.

Subscription Rates in U.S. Dollars for 1 year, 52 Issues.

USA	\$89
Canada*/Mexico	\$108
All other countries by expedited air.	\$209
* Price includes Canadian GST.	

Business Insurance

Subscription Dept.
965 E. Jefferson
Detroit, MI 48207
Outside the USA
Call (313) 446-0450

Is there a doctor in the playhouse?

A Michigan hospital reportedly has come up with a novel idea for improving customer satisfaction with emergency room care that could solve disgruntlement with the whole health care mess if it is adopted and expanded on by more parties in the system.

According to USA Today, a hospital in Dearborn, Mich., is making a pledge to provide medical care to emergency room customers in 30 minutes or less. If the Oakwood Hospital and Medical Center fails to keep that promise, patients kept waiting will receive an apology and a couple of free passes to the movies!

It's not clear whether these films are short public health care features created by the U.S. government in the 1950s to be shown in the hospital's auditorium, or real first-run movies out at the local gigaplex. But who cares? Entertainment is entertainment, no matter one's physical condition. And a free ticket to the show sure beats watching the soaps, talk shows, multilingual insurance form battles or whatever else might pass for entertainment after spending hours in a hospital's waiting room.

I know that given a choice between receiving urgent care for, say, a sucking chest wound and going out to see a movie (after I'm stabilized, of course), I would jump at a free trip to the movies. Probably only a sharp stick in the eye would make me

think twice about whether the value of those tickets exceeded seeing a doctor—no pun intended.

According to the USA Today report, the Oakwood hospital assures the public that people most urgently in need of care will still be seen immediately, as one might expect in an emergency room. But this ticket offer might be so attractive to some people that they might actually reject quick efforts to treat them if it means forfeiting their prize. ("Get your hands off me, nurse! I'm gonna see 'Coyote Ugly' if it kills me. Come back when 31 minutes have passed.")

Some might even reject medical attention as long as possible to finagle extra passes, much like people waiting to see how high an airline will up the ante when trying to bump passengers off a plane. Indeed, I know people who have waited many hours to receive care in an emergency room and would not have felt their time was wasted if they had come out of it with a dozen free movie passes.

Of course, the hospital would have to weed out the many malingers who simply come to the emergency room for mild complaints, in the hopes of securing free tickets, when seeing a doctor during visiting hours would suffice. Thank goodness that sort of thing doesn't happen now, preventing people who truly need emergency care from receiving it!

Once other hospitals in the area see Oakwood drawing in all the patients, they'll have to start competing or watch their revenues dwindle.

One way to vie for patients could be to cut the time threshold, lowering the bar to 20 minutes, 15 minutes, 10 minutes—until ultimately if an injured person isn't tackled by a doctor the moment they walk in the door, he or she would be showered with free movie passes. Heck, maybe movie theater chains can simply start partnering with hospitals, creating onsite urgent care clinics, and eliminate the need for movie passes entirely.

Another way to compete might be to offer free medical services for people kept waiting. Over 30 minutes? Get free treatment for those ingrown toenails. Over 60 minutes? Appendectomies R Us. Ninety minutes or more? How about a free arterial plaque-scraping session?

This apology-and-gift concept will go a long way toward solving other thorny and contentious issues in health care, as well.

Some other examples where such an approach could smooth over ruffled feathers might include:

- Free pizza coupons to HMO executives who agree to take in Medicare patients.
- Colorful sports bottles to physicians who agree to participate in managed care networks.
- Bumper stickers to patients who agree to accept generic equivalents of their prescribed medications.
- Souvenir key chains to patients who agree to go to an in-network gatekeeper or receive a second surgical opinion.
- And free video rentals and microwave popcorn for patients whose claims are denied and who don't retain an attorney.

Editor Paul D. Winston's commentary appears fortnightly and at www.businessinsurance.com. He can be reached at pwinston@crain.com.

Bush

Continued from page 1

hold him out as a model to the leaders of other states, and other governors have taken notice of that," said Sherman Joyce, president of the American Tort Reform Assn. in Washington.

Gov. Bush managed to win tort-related victories in both of his terms of office, Mr. Joyce pointed out.

Among the more-significant reforms pushed by Gov. Bush and approved by the Texas Legislature were:

- A cap on punitive damages to \$200,000 or twice the amount of economic damages, plus an amount equal to any non-economic damages up to \$750,000.

- The elimination of joint liability for defendants found to be less than 51% at fault.

- Restrictions on so-called "forum shopping" by out-of-state plaintiffs who sought to file suits in what had been considered plaintiff-friendly Texas courts.

- New penalties for frivolous lawsuits.

- And a limit on the liability faced by businesses and municipalities that made good-faith efforts to identify and mitigate potential problems stemming from the Year 2000 computer problem.

agement Honor Roll in 1998.

"At the urging of business, he opted not to create a new tort that would have allowed employers to be sued for voluntarily providing a health care plan. Gov. Bush was responsive to the employer community," said Mr. Green. He pointed out that Gov. Bush faced considerable criticism for his initial veto.

'I'd rather have more detail than less, and, so far, he has not put much detail on the table. So far, it is a little hard to figure out what this means,' says Sylvester Schieber.

After the veto, the governor "came up with a package that was not as dangerous, from a risk management standpoint, as the bill he vetoed," Mr. Green said. The new measure—which allows managed care plans to be sued for coverage denial—does not expose employers to new liability, he said.

Mr. Green pointed out that, constitutionally, the Texas governor's office is one of the weakest among the states. Despite the constitutional limits of his power, Gov. Bush was able to get ap-

On another benefits-related issue, Gov. Bush has drawn considerable attention for his proposal to partially privatize Social Security accounts.

"In terms of moving the discussion onto the political agenda, that is a step forward," said Sylvester Schieber, director of research and information for Watson Wyatt Worldwide in Bethes-

da, Md., and a member of the federally created Social Security Advisory Board.

"In that regard, I think he's done us all a great service," Mr. Schieber said. But he also noted the sketchy nature of the GOP nominee's plan.

"I'd rather have more detail than less, and, so far, he hasn't put much detail on the table. So far, it's a little hard to figure out what this means," Mr. Schieber added, that he found Gov. Bush's support for funding individual accounts "encouraging."

The governor's record on insurance regulation has been rather low profile, noted the Alliance's Mr. Farmer.

"The governor made appointments not just in insurance but in other areas that impacted on the insurance community that would be characterized as fair-minded individuals," and the governor allowed them to "exercise their independent judgment," he said.

"From the perspective of a regulated industry and companies that do business in the state, that's all you can really expect," Mr. Farmer said.

But, despite his support for reform, Gov. Bush did veto a measure that would have liberalized Texas laws for licensing insurance agents. The governor cited as the reason for his veto of the bill a last-minute, unrelated amendment that would have significantly limited the liability of bail bondsmen. **BI**

'We've been able to hold him out as a model to the leaders of other states, and other governors have taken notice of that,' says Sherman Joyce of ATRA.

Gov. Bush's commitment to limiting liability extended to health care as well, said Jim Green, risk manager for Fort Worth-based Justin Industries and chairman of the External Affairs Team of the Risk & Insurance Management Society Inc.

Although Texas was the first state to enact a "patients' bill of rights," Gov. Bush vetoed an earlier version of the measure at the behest of employers, said Mr. Green, who was also named to *Business Insurance's* Risk Man-

proval for legislation he favored, he said.

But Gov. Bush did not veto a 1999 measure that allows physicians to collectively negotiate with health plans on contract measures. Texas was the first state to enact such a measure, and similar federal legislation has drawn considerable criticism from employers and insurers, who fear that it will unnecessarily increase benefit costs without producing a corresponding increase in the quality of medical care.

Conference

Continued from page 3

the 2000 Outstanding Office Ergonomics Award, which is presented by the Alexandria, Va.-based Center for Office Technology. This year's winners are Seattle City Lights, the municipality's electrical utility, and the Prudential Insurance Co. of America, based in Parsippany, N.J.

Several other sessions will discuss various ways to manage workers comp and related disability, including strategies for reducing health care costs and fighting fraud in a changing regulatory environment that is increasingly concerned about protecting the right to privacy.

Eric J. Oxfeld, president of Washington-based UWC Inc., will discuss the latest developments on Capitol Hill with regard to proposed privacy regulations and other issues employers face. UWC is a national business association that lobbies on workers comp and unemployment issues.

Terrence Delehanty, general counsel of the National Council on Compensation Insurance in Boca Raton, Fla., also will discuss other privacy challenges employers are facing.

Panelists also will address the new challenges stemming from changing employment relationships, specifically the emergence of professional employer organizations, or PEOs, which are an outgrowth of employee leasing arrangements.

In addition, a new panel featuring several attorneys will offer advice on how employers can avoid problems with claims. That panel will be moderated by Paul F. Buckley, treasury director-risk management for Lucent Technologies Inc. in Murray Hill, N.J., who is the 2000 *Business Insurance* Risk Manager of the Year.

As some workers comp claims cannot be avoided, a pan-

el of consultants and risk managers will discuss best practices with regard to measuring the performance of their disability management programs. The discussion will focus on ways to determine whether the programs are effectively meeting the needs of employers and workers alike.

In addition, a luncheon workshop will feature a discussion of innovative technologies that aim to save money and empower workers to help prevent and manage workers comp and disability claims.

Experts generally agree, though, that the best workers comp claim is the one that doesn't happen. John Leonard, president of the Maine Employers Mutual Insurance Co., will be among the panelists discussing ways to implement safety and loss prevention strategies.

The conference registration fee for a risk manager, employee benefit manager or safety manager is \$795 and \$675 for IBF conference alumni. The fee for a service provider is \$1,095 and \$930 for IBF alumni. Group discounts also are available.

The registration fee entitles an attendee to two lunches, two cocktail receptions, two continental breakfasts as well as refreshment breaks throughout the conference. An attendee may also be able to participate in the pre-conference golf outing, though space is limited and is available on a first-come, first-served basis.

In addition, conference participants can earn 12 continuing education credits from the California Insurance Board.

Registration deadlines are Sept. 15 for a special \$210 room rate at the Ritz-Carlton Hotel and Sept. 29 for golf, unless capacity has already been reached. Registrants can reserve a room by calling the hotel at 310-823-1700.

For additional details on the program and registration details, contact Ms. Fauci at IBF, 516-594-3000, ext. 19, or jenniferf@ibforum.com.

—By Meg Fletcher

Loans

Continued from page 1
amount.

In addition, the final rules provide guidance on repayment of loans that are taken out by employees who later go on a leave of absence.

Employers can change the required installments when an employee returns so that the account balance will be paid off in accordance with the original schedule.

Under an IRS-provided example, an employee with an account balance of \$80,000, takes out, on July 1, 2002, a \$40,000 loan from his defined contribution plan and agrees to make monthly payments of \$825 over five years. After making nine monthly payments, the employee goes on a one-year leave of absence.

The new monthly payments would be increased to \$1,130

when the employee returns so the loan could be repaid by June 30, 2007.

Alternatively, the employee—after returning to work—could continue to make the original \$825 monthly payments and then make a balloon payment on June 30, 2007 so the loan was repaid by

'The clock is essentially ignored during the period of military service,' says Kyle Brown of the repayment rules.

the due date.

The IRS has proposed, though, that in the case of a leave of absence due to military service, the period of time in which the loan would have to be repaid would be extended by the length of military service.

"The clock is essentially ignored during the period of military service," Mr. Brown said.

Under another example provided by the IRS, an employee on July 1, 2001, borrows \$40,000 from his employer's defined contribution plan. He agrees to make monthly payments of \$825 over five years.

After making nine payments, the employee, on April 1, 2002, begins military service and remains in the military until April 2, 2004.

The employee resumes active employment on April 19, 2004 and continues the monthly \$825 installments. On June 30, 2008, the employee repays the full balance due—\$10,527—with a balloon payment.

To avoid making a balloon payment, the employee, upon resuming active employment on April 19, 2004, could increase the monthly payment to \$983 in order to repay the loan by June 30, 2008. **BI**

Medicare

Continued from page 1

The HMOs are pulling out of the program because government payment rates are too low, said Kenneth Abramowitz, health care analyst for Sanford C. Bernstein & Co. Inc. in New York. If HCFA payments increase, "the turnaround will be very quick," he said.

Currently, the American Assn. of Health Plans, a Washington-based managed care trade group, is lobbying Congress and the Clinton administration to increase payment rates.

The problem stems from the Balanced Budget Act of 1997, which created the Medicare+Choice program. Before that, Medicare HMOs existed and were growing in popularity because federal funding was generous, said Joe Martingale, a principal with Towers Perrin in New York.

Medicare+Choice was an attempt by Congress to experiment with the private health care sector as an alternative to the public Medicare system. Its goal was to create options for retirees by opening up the Medicare market to more HMOs and other types of managed health care plans, such as preferred provider organizations.

For employers, it was seen as a good opportunity to get more retirees covered by managed care plans, rather than through their own retiree health care plans that supplemented traditional Medicare benefits. Because some of the Medicare HMOs offered such rich benefits, employers were able to cut back on benefits to the retirees who enrolled in the HMOs, lowering corporate retiree health care costs.

Despite its promise, the Medicare+Choice program has been disappointing. No PPOs were started, and the Medicare HMOs that formed are now pulling out of the program in droves, Mr. Martingale said.

"The law has not fulfilled its promise," Mr. Martingale said. "What we have today is fewer alternatives for Medicare than when the law was adopted."

For employers, the moves by the HMOs will hurt their bottom lines. Employers favored Medicare HMOs because the premiums the HMOs charged, if they charged any, typically were substantially lower than those charged to employers by the supplemental Medi-

care plans they offered retirees.

But, with the pullout of so many Medicare HMOs, this lower-cost option will be available to fewer retirees and their former employers.

In addition, many Medicare+Choice HMOs next year will be sharply raising the premiums they charge. As many employers pay some or most of the premium, the premium hikes will mean higher costs for employers.

Because many HMOs have been charging retirees very little above what they had been receiving from the government, next year's pre-

mium increase, though not large in terms of total dollars, will be dramatically higher in percentage terms.

Indeed, due to the uncertainty now surrounding Medicare+Choice plans, few health insurers are pushing ahead to add them.

"I don't see many people that are going forward to add Medicare+Choice HMOs," Mercer's Mr. Wagoner said.

Mr. Martingale of Towers Perrin still recommends that employers consider Medicare HMOs for their retirees, but he advises them to study the plans and the premiums they charge carefully before signing up.

Beyond higher premiums, employers also should expect additional administrative costs from handling the return of retirees, formerly covered by the HMOs, to their own supplemental benefit plans, Mr. Sinni said.

In addition, employers are bound to face a rash of questions from retirees who are confused about the termination of their HMOs, said Sibyl Bogardus, vp and director of national benefit resource for Willis North America in St. Louis. She recommends that employers refer retirees with questions to the HCFA's help line, at 1-800-Medicare, or to www.medicare.gov.

"There is a lot of confusion when it comes to retirees and health care," Mr. Sinni agreed.

One long-term effect of the pullout is that overall health care costs for employers will go up, Ms. Bogardus said. Rising Medicare costs, combined with pressures by the federal government to control these costs, means the government will try to shift more costs to the private health insurance system, she said.

This could be accomplished by charging a retiree's private insurance a greater percentage of the cost for treatment when that person has both Medicare and private insurance coverage, Ms. Bogardus said.

To prevent this and other cost-shifting efforts, employers "have to stand up and be counted" and fight the government's attempt to underfund Medicare, Mr. Abramowitz said. **BI**

States hit hardest

Top five states affected by Medicare HMO withdrawals by total enrollees affected

Texas	180,749
Pennsylvania	89,641
Florida	87,727
Ohio	65,617
New York	64,329

Source: Health Care Financing Administration

mium increase, though not large in terms of total dollars, will be dramatically higher in percentage terms.

"Many premiums will increase 100%," Mr. Martingale said.

And, for those people who have no other Medicare HMO option, they will be forced back onto traditional Medicare with supplemental plans offered by employers. This is, of course, only for the dwindling number of employers that have agreed to provide retiree health plans.

"So, either way, the employer is going to pay more in 2001 than in 2000," Mr. Martingale said.

In order for an employer to keep its costs steady, it will have to charge retirees a greater percentage of the cost of the plan's premium, said George Wagoner, a principal in the Richmond, Va., office of William M. Mercer Inc. Or the employer could ultimately terminate the retiree health plan for future retirees, a move that is being made by more and more companies.

According to a Mercer survey, only 28% of employers in 1999 offered retiree health benefits to those eligible for Medicare, down from 40% just five years earlier.

Despite the withdrawal of

UPDATES

Health spending on rise: EBRI

Continued from page 2

but HCFA assigns this expenditure to the private sector.

Private-sector health spending in 1998 was reported as \$626.4 billion, an increase of \$40.4 billion, or 6.9%, from the prior year.

Of this amount, direct consumer spending accounted for 31.8%, while private health insurance accounted for 60% and the remainder was from other private expenditures. By contrast, EBRI noted, in 1970 the amount of total health expenditures generated by direct payments was 54.7%, while private health insurance accounted for only 35.8%, with the rest from other sources.

According to EBRI, HCFA is projecting that national health spending will amount to \$1.23 trillion in 1999 and \$2.18 trillion by 2008.

"Future national health expenditures are difficult to estimate precisely," EBRI President Dallas Salisbury said in a statement. "For instance, these projections assume that current laws will remain in effect."

Mr. Salisbury said future expenditures could be affected by future legislation as well as technological innovation or changes in the economy.

Aon sees revenue, profit gains

CHICAGO—Strong organic growth and firming insurance prices contributed to Aon Corp.'s 7% rise in brokerage revenues to \$2.50 billion for the first six months of 2000. Corporatewide revenues, which include Aon's underwriting operations, increased 6% to \$3.63 billion.

The Chicago-based brokerage giant reported a 25% increase in net income, to \$252 million, over the comparable six-month period in 1999.

In a statement, Chairman and Chief Executive Officer Patrick G. Ryan noted that, in addition to organic growth and firmer pricing, results from Aon's European insurance services segment "were especially strong" and that demand for Aon's employee benefit and human resource consulting services "has been robust."

Broken out into segments, revenues from Aon's insurance brokerage operations—which includes its retail and reinsurance brokerage units—were up 6% to \$2.14 billion for the first six months.

Pretax income declined 3% to \$362 million, due in part to the rollout of Aon's new retail brokerage computer system and the prior year's benefit of reinsurance revenues from Unicovert Managers Inc., the company said. Taking into account Aon's \$119 million special charge taken in the first quarter of 1999, pretax income for the six months increased 43% for the segment.

In the statement, Mr. Ryan noted that the rollout of Aon's retail brokerage system in the United States "has progressed well, and we anticipate improved margins from increased productivity in the future."

Consulting revenues from Aon Consulting Worldwide increased 12% to \$356 million for the first half of 2000. Pretax income increased 17% to \$42 million. Taking into account the \$44 million special charge taken in the first quarter of 1999, the percentage increase for the first half of 2000 is even higher.

Briefly noted

Mia Shernoff, managing director of AonLine, Aon Corp.'s risk management extranet service, left the brokerage late last month to become chief executive officer of a new dotcom company called Freeup L.L.C. The company, which is a \$20 million joint venture between Houston-based Compaq Computer Corp. and Andover, Mass.-based CMGI Inc., offers a business-to-employee Web site, www.freeup.com, aimed at boosting productivity among employees by helping them share knowledge and more easily collaborate on projects. . . . William Gray, a nationally recognized hurricane expert from Colorado State University in Fort Collins, has again changed his **hurricane predictions** for the season. Mr. Gray and his team are forecasting 11 named storms, seven hurricanes and three major hurricanes this year, which was the original prediction they made last December. In June, Mr. Gray had raised the number in each category of storm by one. . . . Jack Ehnes, **Colorado's director of risk management and employee benefits**, is leaving his post Sept. 1 to become vp-government relations for Great-West Life & Annuity Insurance Co. in Denver. Mr. Ehnes served as Colorado's Insurance Commissioner from 1994 to 1999. . . . The New York Insurance Department has fined **HealthNow New York Inc.** \$500,000 for violating state law governing health plans. The plan, which operates under the names Blue Cross Blue Shield of New York in Western New York and Blue Shield of Northeastern New York in the Capital District, violated the law between Jan. 1, 1995, and Feb. 1, 2000, the Insurance Department states. Specifically, HealthNow underpaid for psychiatric services, failed to pay interest on late payments to providers and deleted thousands of claims from its computer system without processing them, according to the Insurance Department. . . . Standard & Poor's Corp. has lowered its rating of **Fremont General Corp.** to BB+ from BBB. The downgrade reflects likely adverse loss development on prior-year business at the workers compensation insurer, S&P said. . . . **Markel Corp.** reported gross revenues of \$464.6 million for the first half of 2000, a 71.4% increase over the same period in 1999. But the Richmond, Va.-based insurer made a loss of \$3.7 million in the first half compared with a \$26.6 million profit in the first half of 1999. The results were affected by the acquisition of Terra Nova P.L.C. in March, which boosted revenues but dragged down profits due to underwriting losses.

FTR FOR THE RECORD

Excerpts from BI's Daily Online Updates, July 31 - Aug. 4, 2000

▶ OIL SPILL INSURED Pembina Pipeline Corp. has nearly \$70 million of pollution liability coverage to respond to claims from an oil pipeline that ruptured in British Columbia last week. Although oil from the 13-mile slick on the Pine River started seeping past containment booms last Wednesday, claims resulting from the rupture will likely fall well under the limits of Pembina's coverage, said Jim Watkinson, general counsel at the Calgary, Alberta-based pipeline operator. "I don't think this will get over \$5 million Canadian (\$3.4 million)," he said. The \$1 million Canadian (\$675,000) primary coverage and \$100 million Canadian (\$67.5 million) excess coverage is placed at Lloyd's of London. Mr. Watkinson would not disclose the lead syndicates. The rupture occurred 62 miles upstream from the town of Chetwynd, British Columbia, whose population of around 3,000 draws its water supply from the river. Pembina estimates that about 6,300 barrels of crude oil escaped into the river. Soon after the spill, Pembina, which only finalized the purchase of the pipeline last Monday, began vacuuming oil from the river and set up containment booms 12, 24 and 28 miles from the rupture. But by Wednesday some oil had started to seep through the booms, said a spokesman for the British Columbia Department for the Environment. As a precaution, a four- to six-week supply of fresh water has been pumped into Chetwynd's reservoir, he said. The cause of the rupture is not yet known.

▶ UNITEDHEALTH POSTS GAINS UnitedHealth Group has reported total revenues of more than \$10.3 billion for the first half of 2000, a 6.7% increase from the first six months of 1999. Net earnings for the year's first six months were \$344 million, a 28.8% increase from 1999, including a net permanent tax benefit related to the contribution of Healthcon Corp. common stock to the UnitedHealth Foundation. Excluding that benefit, net earnings were \$330 million for the first half of the year, a 23.6% increase from 1999's first six months. The company's achieved revenue of more than \$5.2 billion for the quarter ending June 30, a 7.4% increase from the company's second-quarter 1999 revenue.

▶ NAC RE NAMES PRESIDENT C. Fred Madsen has been named president of NAC Reinsurance Corp., the Stamford, Conn.-based reinsurance unit of XL Capital Ltd. The promotion became effective immediately following its announcement last week. His appointment comes after the prior week's promotion of the former president of NAC Re, Nicholas M. Brown, to chief executive officer of all the insurance operations of XL. Mr. Madsen joined NAC Re in 1985; most recently, he served as executive vp and chief underwriting officer.

▶ WEATHER REPORT Swiss Reinsurance Co. discusses the impact of tornadoes and other violent weather on property, people and the insurance industry in a new publication titled, "Twister! The Dimensions of Devastation." The 35-page report points out that for many insurers "the annual net aggregated losses caused by tornadoes could possibly exceed those caused by a major hurricane or earthquake in any given year." With so much at stake, Swiss Re is offering information on tornadoes, thunderstorms, hail, supercells, microbursts and other weather phenomena. With text, maps and graphs, the report covers the impact of past storms in the United States and Canada, then moves on to subjects including tornado forecasting and tracking.

In a section on reinsurance coverage issues, Swiss Re presents information on the frequency and severity of tornadoes, the reinsurer's Frequency Protection Cover and other topics, including the effects of climate change and how occurrences are defined. An appendix outlines methods such as building codes and shelters that are used to help increase the survival rate in tornadoes. Copies of the publication can be downloaded from www.swissre.com.

▶ ACE QUADRUPLES PREMIUMS ACE Ltd. reported gross written premiums of \$3.95 billion for the first six months of 2000—more than four times the premiums reported for the same period in 1999. The huge leap was largely due to Hamilton, Bermuda-based ACE's acquisition of CIGNA Corp.'s property/casualty and international business in July 1999, which created ACE INA Holdings Inc. Profits for the first half increased 45.6% to \$288.4 million. "As we celebrate the first anniversary of the ACE INA acquisition, the evidence is clear that the transaction and subsequent restructuring efforts have firmly established ACE as a truly global enterprise and significantly enhanced the profit potential of the group," ACE Chairman and Chief Executive Officer Brian Duperrault said in a statement.

▶ CIGNA SEES INCOME GAIN CIGNA Corp. reported \$544 million in operating income from continuing operations for the first half of the year, compared with \$480 million for the comparable period in 1999, a 13.3% increase. The \$544 million in operating income excludes \$127 million in non-recurring charges associated with the runoff of its retained reinsurance business. During the second quarter, CIGNA sold its life reinsurance business to Life Reassurance Corp., a Stamford, Conn.-based unit of Swiss Reinsurance Co., for about \$170 million in cash. The sale resulted in an aftertax gain of about \$85 million that will be recognized over the next 10 to 15 years. Reinsurance business that was

not part of the sale, including global accident, domestic health and non-U.S. life and health reinsurance, was placed in runoff. The \$127 million charge primarily reflects reserve strengthening for certain lines of business. Last year's first-half results also exclude a \$43 million gain associated with the sale of a partial interest in a business. In its employee health care, life and disability segment, which includes CIGNA's health maintenance organization and indemnity operations, the company reported \$356 million in first-half operating income, a 10.9% increase from the \$321 million posted for the comparable period a year ago.

▶ JLT REVENUES RISE Jardine Lloyd Thompson Group P.L.C. has reported brokerage revenue of £137.9 million (\$205.7 million) for the first six months of 2000, a 9.4% increase over the same period last year. Pretax profits, excluding exceptional items, increased 7.0% to £35.4 million (\$52.8 million). Overall operating revenue for London-based JLT, which includes investment income, grew 8.9% during the first half of this year to £147.4 million (\$219.9 million). Each of the company's two main operating divisions increased its brokerage revenue over the comparable period last year. JLT Risk Solutions generated £67.3 million (\$100.4 million) during the six months ending June 30, a 12.0% increase. Meanwhile, JLT Corporate Risks & Services reported a 7.0% increase in brokerage revenue to £70.6 million (\$105.3 million). "The strong brokerage increase achieved in the first half reflects a good stream of new business wins and the continued focus of the group on sustainable growth opportunities," JLT Chairman John Barton said in a statement.



PHOTOS: AP/WIDE WORLD

Oil from a ruptured pipeline breached booms placed on British Columbia's Pine River in an attempt to contain the massive oil spill.



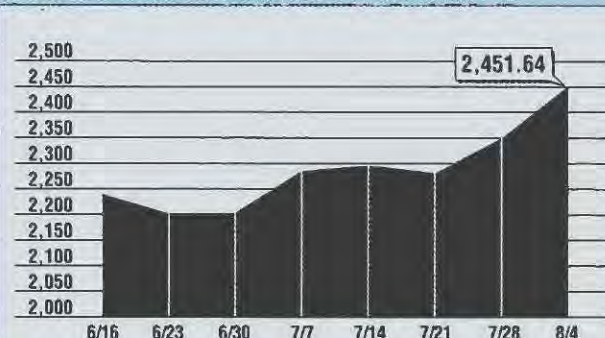
▶ To get breaking news as it occurs, visit Business Insurance's free online Updates at www.businessinsurance.com. All of the material in the For The Record column, as well as other content in this week's issue, is generated from daily news postings that appeared on the Web site in the previous week.

Find daily coverage on Corporate Risk, Employee Benefit and Managed Health Care News at www.businessinsurance.com

BI Industry Stock Report JULY 31, 2000, THROUGH AUG. 4, 2000

BROKERS				INSURERS/REINSURERS				HEALTH MAINTENANCE ORGANIZATIONS				ALL COMPANIES			
Company	Price	Weekly % change	Year to date % change	Company	Price	Weekly % change	Year to date % change	Company	Price	Weekly % change	Year to date % change	Company	Price	Weekly % change	Year to date % change
Aon Corp.	NYS 39.00	11.63	-2.50	ACE Ltd.	NYS 33.88	-4.58	103.00	AXA-UAP Group	NYS 77.69	5.88	9.42	Foundation Health Systems Inc.	NYS 14.50	-0.43	45.91
Brown & Brown	NYS 49.75	4.87	29.85	Accel International Corp.	NDQ 0.63	0.00	-37.50	Baldwin & Lyons Inc.	NDQ 16.06	3.63	-27.40	Humaná Inc.	NYS 7.13	0.88	-12.98
Clark Bards Holdings	NDQ 9.88	-1.25	-31.30	Acceptance Insurance Cos.	NYS 4.56	-3.95	-20.85	Berkley W.R. Corp.	NDQ 24.75	3.66	18.56	Oxford Health Plans	NDQ 27.25	15.96	114.78
E.W. Blanch Holdings Inc.	NYS 28.75	5.50	-53.06	AEGON N.V.	NYS 38.56	1.15	-19.24	Berkshire Hathaway Inc.	NYS 62700.00	10.00	11.76	Pacificare Health Sys.	NDQ 59.81	-4.40	12.85
Gallagher Arthur J. & Co.	NYS 49.63	1.40	53.28	Aetna Life & Casualty	NYS 59.50	7.33	6.61	Capitol Transamerica Corp.	NAS 11.31	-1.63	12.42	Sierra Health Services	NYS 3.06	-3.92	-54.21
Hill, Rogal & Hamilton	NYS 40.88	8.28	44.69	AFLAC Inc.	NYS 55.56	3.98	17.75	Chubb Corp.	NYS 79.00	6.76	40.29	United HealthGroup	NYS 87.69	8.01	65.06
Kaye Group Inc.	NDQ 6.75	9.09	-19.40	Allmerica Financial Corp.	NYS 57.81	-2.94	3.93	CIGNA Corp.	NYS 100.31	2.10	24.52	Wellpoint Health Networks	NYS 88.56	2.31	34.31
Marsh & McLennan	NYS 122.94	4.75	28.48	Allstate Corp.	NYS 29.50	7.03	22.80	Cincinnati Financial Corp.	NYS 40.00	7.38	25.49	HMOs	AVERAGE 2.63	29.39	
BROKERS AVERAGE		5.66	13.97	Ambac Financial Group	NYS 66.50	5.77	27.43	Citigroup	NYS 73.50	7.59	31.99	AVERAGE	AVERAGE 4.03	15.65	
				American Financial Group	NYS 25.06	3.08	-4.98	CNA Financial Corp.	NYS 37.94	0.17	-2.57				
				American General	NYS 69.00	-0.18	-9.06	CNA Surety	NYS 11.00	2.33	-15.38				
				American Intl Group	NYS 88.63	3.60	22.95	EMC Insurance Group Inc.	NDQ 9.38	0.00	2.74				
				American Safety Insurance	NYS 4.38	-4.11	-32.69	ESG Re Limited	NDQ 3.31	-3.84	-52.25				
				Argonaut Group	NDQ 15.44	1.65	-22.33	Enhance Financial Services	NYS 15.75	-0.40	-3.08				
				AXA-UAP Group	NYS 77.69	5.88	9.42	Everest Reinsurance	NYS 42.25	7.30	89.36				
				Baldwin & Lyons Inc.	NDQ 16.06	3.63	-27.40	Fremont General Corp.	NYS 4.13	0.00	-44.07				
				Berkley W.R. Corp.	NDQ 24.75	3.66	18.56	Frontier Insurance Group	NYS 0.47	0.00	-86.36				
				Berkshire Hathaway Inc.	NYS 62700.00	10.00	11.76	Gainco Inc.	NYS 4.25	0.00	-20.93				
				Capitol Transamerica Corp.	NAS 11.31	-1.63	12.42								
				Chubb Corp.	NYS 79.00	6.76	40.29								
				CIGNA Corp.	NYS 100.31	2.10	24.52								
				Cincinnati Financial Corp.	NYS 40.00	7.38	25.49								
				Citigroup	NYS 73.50	7.59	31.99								
				CNA Financial Corp.	NYS 37.94	0.17	-2.57								
				CNA Surety	NYS 11.00	2.33	-15.38								
				EMC Insurance Group Inc.	NDQ 9.38	0.00	2.74								
				ESG Re Limited	NDQ 3.31	-3.84	-52.25								
				Enhance Financial Services	NYS 15.75	-0.40	-3.08								
				Everest Reinsurance	NYS 42.25	7.30	89.36								
				Fremont General Corp.	NYS 4.13	0.00	-44.07								
				Frontier Insurance Group	NYS 0.47	0.00	-86.36								
				Gainco Inc.	NYS 4.25	0.00	-20.93								

BI Insurance Index



Top advancing issues: Reliance Group Holdings, Seibels Bruce Group, Oxford Health Plans. Leading decliners: SCOR, Vesta Insurance Co., ACE Ltd. Most active issue: Citigroup. The BI Index increased 4.3%; the Dow Jones 30 Industrials rose 2.4%; the S&P 500 went up 3.0%, and the NYSE Composite increased 2.9%. Average P/E: Brokers, 21.6; Insurers/reinsurers, 20.8; HMOs, 14.6.

Source: CNET Investor (investor.cnet.com) Boulder, Colo.



THE GREATEST RISK IS NOT TAKING ONE.

What does it take to break through a foundation of thinking that's been accepted for years? A bold stroke. But, it doesn't mean turning things on their heads without understanding all the possible consequences. It takes a complete understanding of what lies on the other side. No one is in a better position to help guide clients than AIG. With operations in 130 countries and jurisdictions throughout the world, we have an unmatched knowledge of local conditions and regulations to help manage risks. So, when you're ready to take on a risky venture, contact AIG. We'll help knock down the barriers that may be holding you back.

WORLD LEADERS IN INSURANCE AND FINANCIAL SERVICES

Insurance and services provided by members of American International Group, Inc., 70 Pine Street, Department A, New York, New York 10270.

AIG
WWW.AIG.COM