

Business Insurance®

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Oregon passes bill imperiling employer health care mandate

SALEM, Ore.—The Oregon Legislature last week passed a key bill to implement the state's universal health care program, though a provision in the bill could scrap an employer mandate included in the original 1989 Oregon Health Plan.

H.B. 5530, which Gov. Barbara Roberts indicated she would sign soon, directs the state to seek an ERISA exemption in order to implement the mandate that employers offer health benefits, said Sen. Bob Shoemaker, D-Portland, chairman of the Senate

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Health reform stymied: Jackson Hole leader

By CHRISTINE WOOLSEY

JACKSON, Wyo.—For a ski weekend, this is still the place to be. The town's standing as the intellectual center of a health care revolution, though, may be fading.

HMO guru Dr. Paul Ellwood and other members of the Jackson Hole Group now readily acknowledge that President Clinton's health care reform proposal will differ significantly from what they had originally envi-

sioned—and Mr. Clinton appeared to embrace—during last year's presidential campaign.

Moreover, they say, whatever reforms the president does introduce this fall are unlikely to be accepted by Congress—or by the American people.

"I can say this to you, what will be coming out of the task force will not pass," Dr. Ellwood said during a recent gathering of HMO executives in Michigan. "The White House knows it and has acknowledged it to the Re-



"I can say this to you, what will be coming out of the task force will not pass."

—Paul Ellwood

publican leadership in the Senate. They've been trying to make a deal with the conservative and moderate Democrat leadership, but the prospects are very poor."

Other Jackson Hole Group members agree. "The task force will deliver something that is dead on arrival," predicted Sean Sullivan, president of the National Business Coalition on Health in Washington.

Mr. Sullivan said the the Jackson Hole Group was "very

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Merck alliance raises concerns

By CHRISTINE WOOLSEY

The proposed \$6 billion acquisition of one of the largest prescription drug cost-containment firms by pharmaceutical colossus Merck & Co. Inc. is causing some benefit managers and consultants to worry about conflicts the new alliance may generate.

For example, some say that Medco Containment Services Inc. may become no more than a clearinghouse or sales arm for Merck products if the acquisition passes antitrust concerns. If Merck gains this competitive advantage, other drug manufacturers—like Glaxo, Bristol-Myers-Squibb, Pfizer and Marion Merrell Dow—may be unwilling to continue offering desirable discounts to Medco and its corporate customers, they say.

"Maybe today Medco isn't going to push only Merck products, but I see it as a good sales arm for Merck in the future," said Dennis Nirtaut, manager of employee benefits at Continental Bank Corp. in Chicago, which is not a Medco client. Both companies are dominant players in the prescription drug marketplace, and if they decide to "come in and low-ball" together, they could push their competitors out of the market, he commented.

Merck currently has about a 10% share of the outpatient drug marketplace, and drug makers whose products directly compete with those produced by Merck may be at a competitive disadvantage due to the merger, con-

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Protecting the pontiff's visit

Risk manager readies coverage, loss control for 500,000-person gathering

By JOANNE WOJCIK

DENVER—The organizers of World Youth Day are in good hands should anything short of divine intervention disrupt Pope John Paul II's upcoming visit to this Rocky Mountain vista.

A risk manager with event-planning expertise will coordinate insurance, loss control and risk management needs for the week-long event that is expected to attract as many as 500,000 people to a climactic Aug. 15 papal Mass in Cherry Creek State Park.

But even Alexander Berlonghi admits his extensive experience coordinating the risk management of events as large as the Olympic Games have hardly prepared him for what he has affectionately dubbed "a Catholic Woodstock."

World Youth Day is an annual international religious gathering sponsored by the Roman Catholic Church. Last year's event was in Poland, where there was virtually no risk management. The event is seldom held



Photo by Randy Brown

Alexander Berlonghi is managing the risks posed by this week's 'Catholic Woodstock.'

in the United States, and "the Church has been surprised by the amount of controls that authorities impose on events of this kind," said Mr. Berlonghi.

Because President Clinton has decided to

join the festivities, almost all federal agencies from the Secret Service to the State Department (as head of the Vatican, the pope is considered a head of state) will be

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Insurer endorses alternative care

By NANCY P. JOHNSON

OMAHA, Neb.—Mutual of Omaha Insurance Co. headline-grabbing announcement that it will reimburse health care plan participants who enroll in an alternative therapy program for coronary disease is a novel decision, but not necessarily a breakthrough.

While news reports have noted that most health insurers do not reimburse patients for treatments or therapies not taught in traditional medical school curricula, insurers say that isn't so.

A more interesting topic, in-

surers suggest, is whether Mutual of Omaha's move signals a trend for indemnity insurers to cover preventive care, which they typically exclude.

In the last 10 years, insurers say, they have broken a lot of ground in reimbursing for treatments not taught in medical schools, as long as the treatments meet insurers' requirements for safe and effective care.

And, it is an individual health plan's contract language—not the insurer itself—that plays the bigger role in what procedures are or aren't covered, they say.

Late last month, Mutual of

Omaha announced its partnership in the alternative therapy program, which is said to be the only one proven to reverse heart disease without drugs or surgery. The insurer has paid \$100,000 to cover start-up costs to test the program at Immanuel Medical Center in Omaha for two years.

The three-month "Reversal Program," developed by Dr. Dean Ornish, president and director of the Preventative Medicine Research Institute of Sausalito, Calif., places patients on a strict vegetarian diet with very low fat and cholesterol. Patients exercise moderately, learn

how to manage stress through meditation and attend a support group to help them stick with these changes in lifestyle.

The program aims to prevent acute cardiac conditions and to eliminate the need for surgery.

What distinguishes Dr. Ornish's program from other "alternative" therapies is its clinical proof of effectiveness. The program was tested over a 17-year period in studies financed by private foundations in addition to the National Institutes of Health. In the first year of Dr. Ornish's program, 82% of pa-

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Update

Oregon moves on health reform

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Committee on Health Care.

However, the bill delays the effective date of the mandate to March 31, 1997, from July 1995 for employers with 26 or more workers, and to Jan. 1, 1998, for smaller employers. If the state has not received an ERISA exemption by Jan. 1, 1996, the employer mandate would be repealed.

H.B. 5530 also funds a study to be presented to the Legislature by 1995 that would lay out a complete plan for the employer mandate—including details of a basic benefit package—and an alternative that would replace the mandate. The "individual universal coverage" alternative would require that every uninsured Oregonian be covered under a health plan funded by an income tax.

Oregon in March received a waiver of Medicaid rules to allow it to implement its system of prioritizing Medicaid services (BI, March 22).

Teale faces 10 years in prison

MOBILE, Ala.—Insurance con man Alan Teale is facing 10 years in prison, and his wife, Charlotte Rentz, is facing 6½ years after pleading guilty last week to charges arising from a massive insurance scam.

As part of their plea agreements, Mr. Teale and Ms. Rentz will forfeit virtually all of their assets to pay restitution. This includes money in worldwide bank accounts, corporate assets, their house in Atlanta and its contents, and a London apartment. Ms. Rentz will be allowed to use proceeds from annuities she earned as a teacher to pay her legal expenses, said Assistant U.S. Attorney Richard W. Moore.

The couple will cooperate with ongoing investigations, which could reduce their sentences, he said.

The Justice Department has set up a fund for victims, holding assets forfeited by Mr. Teale and Ms. Rentz and assets that may be forfeited by other scam participants, Mr. Moore said.

Sentencing is scheduled for Dec. 2. Mr. Teale—who has been held without bail and has undergone heart bypass and other surgery since his arrest in January—will remain in custody. Ms. Rentz remains free on bond pending sentencing.

The two were indicted in Mobile on multiple mail fraud, money laundering and conspiracy charges stemming from a scam in which they bilked several thousand policyholders out of more than \$50 million (BI, Jan. 25). The couple also has agreed to plead guilty at a later date to racketeering charges related to the collapse of World Life & Health Insurance Co. of Pennsylvania (BI, July 1, 1991).

Prosecutors in Mobile last month sent letters to 3,000 of the estimated 10,000 victims of the scam notifying them of the guilty pleas and asset forfeitures (BI, July 26). Those who believe they have been defrauded can write to the U.S. Attorney for the Southern District of Alabama, 169 Dauphin St., Suite 200, Mobile, Ala. 36602.

AICPA moves E&O coverage

CHICAGO—The American Institute of Certified Public Accountants has withdrawn its endorsement of a professional liability insurance program underwritten for its members by Coregis Insurance Group, a Chicago-based unit of Crum & Forster Inc.

The program, which is brokered by Rollins Hudig Hall Group Inc., will be written by CNA Insurance Cos., an AICPA spokesman said. Specific coverage terms are now being negotiated, a CNA spokeswoman said.

The New York-based AICPA had endorsed the program written by Coregis, formerly known as Crum & Forster Managers Group, for 10 years.

While it is losing the endorsement, Coregis will remain a player in the accountant professional liability market, said Kevin A. Trapani, senior vp of Coregis in Chicago. Coregis will seek to renew individual accountants' policies as they expire throughout the year, he said.

Suit charges age bias at J&H

NEW YORK—Johnson & Higgins' mandatory retirement policy violates the federal Age Discrimination Employment Act, the Equal Employment Opportunity Commission alleges.

Since 1983, J&H has required directors to resign at age 62, or at age 60 if they have been directors for 15 years, the EEOC said in a suit filed last week in federal court.

"There are a number of individuals that have lost money because of this policy and there are a number of others that are coming up to 62 who will be affected," said Nancy Dean Edmonds, an EEOC lawyer in New York.

The complaint lists nine directors who retired between 1990 and 1992, including former Chairman Robert Hatcher, who were affected by the policy. The suit seeks an injunction against enforcing the policy as well as back pay, damages and interest.

The case was brought by the EEOC in the public interest, but the former directors have been informed, Ms. Edmonds said. J&H would not comment.

Updates continued on page 22

Errors & omissions

• A story about English & American Insurance Co. Ltd. in the Aug. 2 issue contained several errors. The International Policyholders Assn. was established in 1992, not 1982. About half of its 22 members, not all of them, are E&A policyholders. The IPA is one of five representatives on an informal policyholders committee that met with E&A's provisional liquidators recently. A scheme of arrangement for E&A will not be ready by October as stated in the article. Finally, the name of the IPA's counsel, Marialuisa Gallozzi, was misspelled in the article.

Pressure on Merrett builds

Loss review spurs calls for resignation from Lloyd's post

By STACY SHAPIRO

LONDON—An increasing number of London market executives are calling for the resignation of Stephen Merrett as deputy chairman of Lloyd's of London after the release last week of a loss review report on one of his syndicates.

One senior broker who did not wish to be identified said Mr. Merrett must step down as deputy chairman, echoing the views of many in the market. The broker particularly criticized Mr. Merrett's poor forecasting of his

own syndicate's results, something Mr. Merrett's underwriting agency acknowledged in its business plan (BI, July 19).

"At the time Stephen Merrett was appointed deputy chairman, the ALM expressed its objection because of his conflicts of interest. That view hasn't altered," said Roger Pascall, deputy director of the Assn. of Lloyd's Members.

Those conflicts include litigation filed by Lloyd's members against Mr. Merrett and members agents over their losses on Merrett-managed syndicates 418

and 421. Another potential conflict exists because of Mr. Merrett's position as a leading underwriter of member agents' errors and omissions insurance that could cover settlements with the litigating members.

"Mr. Merrett is under pressure, possibly from inside the market but certainly from outside the market," said Mr. Pascall.

Lloyd's Chairman David Rowland, who has supported Mr. Merrett's position, would not comment last week.

Mr. Merrett already has announced his resignation. *Continued on page 13*

Health insurance reporting rule may cost employers

Budget bill contains surprise

By MARK A. HOFMANN

WASHINGTON—A little-noticed health insurance reporting requirement tucked in President Clinton's economic package approved by the House late last week could cost employers billions of dollars.

A Senate vote was expected late last Friday.

Designed to save about \$1 billion by establishing a Medicare and Medicaid secondary payer data bank, the provision will require all companies with health care plans to report vari-

ous data about employees.

Most of the other benefits- and insurance-related portions of the tax bill were unchanged from earlier versions.

But one new provision, a tax measure that applies only to group health costs in New York state, effectively amounts to an ERISA waiver for the state. By denying tax deductions for all group health plans that do not pay all billed hospital charges, the bill would permit the state to tax employer health care plans to pay for medical care for the uninsured.

The proposed data bank is designed to ensure that Medicare and Medicaid do not pay for services that should be covered by other health plans. It would require any employer that provides or contributes to a health plan covering at least one employee to report:

- The name and taxpayer identification number of the participant.
- The type of group health plan coverage chosen by the participant.
- The name, address and iden-

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Blumeyer accused in N.J.

Ex-Bel-Aire chief played role in scam, associate alleges

By DOUGLAS MCLEOD

TRENTON, N.J.—An associate of indicted Missouri insurance executive Arthur A. Blumeyer III says Mr. Blumeyer played a central role in issuing allegedly fraudulent commercial auto in-

surance policies in New Jersey during the past two years.

"He's the senior principal. He's the No. 1 man," said Henry A. Hering, the associate who testified last week at a hearing on an administrative complaint by the New Jersey Insurance Department against Mr. Blumeyer and others.

New Jersey regulators issued the show-cause order earlier this year charging Mr. Blumeyer and several associates—including Mr.

Hering—with using a series of offshore insurers to write worthless auto policies for New Jersey corporations between 1991 and 1993.

The department is seeking to revoke Mr. Blumeyer's producer's license and impose fines on Mr. Blumeyer and several others involved in the alleged fraud.

Meanwhile, James L. Henderson, a former partner of Mr. Blumeyer, is also under investigation. *Continued on page 23*

Workers comp report to include two directories

Business Insurance will publish its annual directories of rehabilitation management service providers and safety consultants in the Oct. 18 issue, which will contain a special report on workers compensation topics.

The directories are published as an editorial service; there is no charge to be included. To be listed, companies must provide their services directly to employers on an unbundled basis.

Rehabilitation management services are defined as all services included in the medical management or vocational rehabilitation of an

injured or ill individual under workers comp or liability programs. It is not the delivery of physical rehabilitation or treatment, or case management for group life/health cases.

Safety consultants specializing in protecting people from injury also will be listed.

Companies wishing to be listed in either directory must fill out and return a questionnaire provided by *Business Insurance*. To request one, please call Kerry Dziubek at 312-649-5398.

The deadline for returning questionnaires is Aug. 27.

Inside

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Health care reform is latest drain on brokers' profits

By SALLY ROBERTS

If low interest rates, a sour economy and generally flat commercial insurance rates aren't enough to give brokers the summertime blues, the prospect of health care reform now is raining on their parade.

By taking a wait-and-see attitude on health care plan changes and cutting back their use of benefit consultants, clients have further damaged the already weather-beaten bottom lines of publicly held insurance brokers for the first half of the year.

Most notably, first-half consulting revenues, including those from benefit consultant William M. Mercer Inc., fell 6% for Marsh

BROKER 1st HALF RESULTS

& McLennan Cos. Inc. in 1993 to \$431.1 million from \$458.5 million in 1992.

Consulting revenues for Alexander & Alexander Services Inc. dropped 7.8% to \$94 million from \$102 million, said Frank R. Wiczynski, corporate secretary.

Demand for benefit consulting services has "absolutely disappeared," said Michael A. Smith, an insurance analyst at Lehman Bros. in New York, attributing that fact to "our friends in Washington."

The government "rose up and

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Clinton seeks Mertens reversal

New pension legislation introduced

By MARK A. HOFMANN

WASHINGTON—The Clinton administration wants Congress to overturn a Supreme Court ruling that says pension plan beneficiaries can't recover monetary damages from the plan's non-fiduciary advisers even if the advisers knowingly took part in a breach of fiduciary responsibility.

The Supreme Court's 5-4 decision in *Mertens et al. vs. Hewitt Associates*, handed down June 1, calls into question whether retirees have any effective means of recovering benefits lost through improper choices made by their pension plan fiduciaries, said Olena Berg, assistant secretary of labor for pension and welfare benefits (BI, June 7).

Appearing before the Senate

Labor and Human Resources Committee's Labor Subcommittee last week, Ms. Berg said the Mertens ruling coupled with lower court decisions "threaten a number of lawsuits brought by the secretary of labor and by former plan participants and beneficiaries against plan fiduciaries who purchased annuities from Executive Life Insurance Co. of California without complying with (the Employee Retirement Income Security Act's) fiduciary duties of prudence and loyalty."

Labor Subcommittee Chairman Howard Metzenbaum, D-Ohio, and Sen. Nancy Kassebaum, R-Kan., introduced a bill on July 29 that would give some ERISA protections for annuitants who had been covered by Executive Life, which is insol-

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Guilty plea expected from ex-risk manager in embezzlement case

By MICHAEL SCHACHNER

GARDEN CITY, N.Y.—A former risk manager for one of the largest U.S. financial holding companies is expected to plead guilty soon to federal charges that he embezzled about \$4.5 million in property/casualty insurance premiums over eight years.

James M. Doumas, former risk manager of Dyson-Kissner-Moran Corp., executed a scheme to defraud DKMC of premiums, alleges the U.S. Attorney's office in Garden City. The low-profile company had put the premiums into reserve accounts to finance additional premium charges due to acquisitions and unforeseen exposures.

DKMC reported \$3 billion in revenues last year.

Mr. Doumas, who was arrested July 3 as he tried to withdraw funds from a now-frozen bank account on Long Island, now is

under house arrest and is cooperating with authorities, prosecutors say.

A lawyer for DKMC said the company expects to eventually recover the full \$4.5 million either directly from Mr. Doumas or from other sources. The attorney, Charles McCaghey of Ryan, Ryan, Johnson, Clear & Deluca in Stamford, Conn., would not elaborate on the other sources.

At the time Mr. Doumas was arrested, the amount of money allegedly embezzled was estimated at \$1 million. In an official complaint, prosecutors alleged that Mr. Doumas instructed one of DKMC's insurance brokers, Jardine Emmet & Chandler New York Inc., now known as JIB Inc., to make five separate refunds to DKMC or various subsidiaries.

Two of the payments were made in 1987, one in 1988, one in 1989 and one in February of this

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Photo by Jack Stohman/Ladies Professional Golf Assn.

The LPGA tour tries to make its traveling child care center look the same at each tournament.

Golfers' kids join the tour

LPGA offers child care center at each tournament

By DEBORAH SHALOWITZ

Professional women golfers now can take both their kids and their clubs on tour.

A new mobile child care program offered by the Ladies Professional Golf Assn. is available to all 280 women on the LPGA tour. Thirty of the tour members are mothers to a total of 46 children.

"As a women's organization, we felt that it was important to provide our players with an opportunity to pursue their career and also to have a family," said LPGA Commissioner Charles S. Mechem Jr. "They shouldn't have to choose between the two. Because of the mobile nature of the LPGA tour, logistical problems and expenses formerly made having a family while regularly competing a difficult option."

At nearly all stops on the LPGA tour, the child care center is set up at the golf clubhouse, at the hotel where players are staying or a nearby facility like a YMCA.

Since the center began in January, an average of 10 to 12 children have been enrolled for each tournament, said a spokeswoman for the Daytona Beach, Fla.-based LPGA. They have ranged from infants through 9-year-olds.

Tony Verive, the center's director, packs the furniture, toys and other items needed to run a child care facility into an LPGA van before each tournament. At each new tournament site, he sets up the room the same. Mr. Verive even hangs

from the walls in each different location artwork that the children have previously made, the LPGA spokeswoman noted.

Mr. Verive, two assistants employed by the LPGA and two or three local volunteers staff the facility from 6 a.m. to 7 p.m. Tuesday through Sunday during a tournament. Except for events in Spain and Japan, the facility will be available at all 36 LPGA tour stops this year. Prize money on the 1993 tour totals \$21.4 million.

Funding for the center comes partly from fees paid by the players. An LPGA official would not discuss the fees.

J.M. Smucker Co. underwrites part of the cost of the center, though the company would not say how much it spends.

Smucker's relationship with women's golf extends to sponsoring the pro-am tournament after the LPGA Southern California Classic. "Our customers can relate to (the LPGA golfers)," said a spokesman.

Pro golfers have it better than Smucker's own employees: The company does not sponsor child care centers at its own facilities.

Women on the Ladies Professional Bowlers Tour also have no child care center. Nor does the association have any plans to set up a facility.

Bowlers do not have the same travel demands as golfers, said a bowling tour spokeswoman. A mother who is a pro bowler either leaves her children at home with her husband or brings her husband and children with her, she said.

Search begins for top risk managers

Sixteen outstanding risk managers have been honored as the *Business Insurance* Risk Manager of the Year. A risk manager you know could be the 17th.

Business Insurance is accepting nominations for the 1994 Risk Manager of the Year, which will be announced in the April 19, 1994, issue of *Business Insurance*, which coincides with the annual Risk & Insurance Management Society Inc. conference.

The deadline for nominations is Nov. 19.

Each year, an outstanding risk manager is selected as the Risk Manager of the Year by a panel of 10 independent judges. Up to five other risk managers can be named to the *Business Insurance* Risk Management Honor Roll.

"While the Risk Manager of the Year Award is more than 15 years old, many people do not realize that anyone can nominate a colleague, client or friend they



admire," remarked *Business Insurance* Editor James M. Burcke.

"While a risk manager certainly can be nominated by his or her superior, a member of a risk management department can nominate his or her own boss. A risk manager can nominate a col-

league from another company with an outstanding risk management record. And, of course, a broker, insurer, consultant or claims administrator can nominate a client," Mr. Burcke said.

"The important thing is to recognize risk managers that have done outstanding jobs and to nominate them for this important award," he said. "The award not only recognizes the achievements of the Risk Manager of the Year and the members of the Risk Management Honor Roll, but it also recognizes the continuing advancement of the practice of risk management."

While anyone can nominate a worthy risk manager, all nominations must include a letter of endorsement by an executive of the risk manager's company or organization, either the candidate's superior or any higher-ranking official. The letter must

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Extent of losses clearing as waters recede

By SARA MARLEY

As the Mississippi River was expected to reach its final crests last week, many business were getting a clearer picture of their losses from the flood that began six weeks ago.

But for those still facing the flood risk, the business of loss control and disaster plans continues.

The Property Claim Services division of the American Insurance Services Group has not revised its estimate of \$655 million in insured damage, but it may survey insurers again in a few weeks concerning damage from the flooding affecting Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and Ohio (BI, Aug. 2).

Losses from July 8-16 that amounted to at least \$375 million in insured property damage are the

last of the four related catastrophes declared by the PCS since the flooding began in June.

A total of \$1 billion would not surprise John H. Snyder, senior vp of A.M. Best & Co. in Oldwick, N.J.

Large downtown businesses in larger cities probably bought broad policies—including flood and business interruption coverage—from large stock insurers. "No one company will be taking a big loss," Mr. Snyder said. Regional insurers generally do not write flood insurance.

The American Assn. of Railroads estimates that the rail industry will pay as much as \$200 million to repair track damage.

At least one damage estimate fell with the waters. The Federal Crop Insurance Corp. decreased its estimate of insured crop damage to \$575.4 million from \$680.7 million

because some areas initially thought to be completely damaged may now produce partial crops (BI, Aug. 2).

Meanwhile, businesses in the Missouri towns of St. Genevieve and Cape Girardeau are trying to contain losses from the catastrophe that is still playing out in their area.

Last week, sandbagging efforts in the area provided an unusual problem to a local utility.

Citizens Electric Corp. of St. Genevieve had to raise some lines and poles 15 feet and reroute others to keep the lines out of the way of people building levees, said Todd-Decker, general manager. "It was no small task, believe me."

Two substations flooded, but temporary ones were built. By the middle of last week, just 11 of 2,000 customers lacked power.

Flood coverage, which Mr. Decker

said is "not enough," is not dictating the utility's response to the catastrophe. "There hasn't been time to worry about it," he said.

Mercantile Bank of Illinois of Alton, Ill., will come near but likely not exceed its \$250,000 flood deductible, said A. Jesse Hopkins, chairman, CEO and president. "It's almost not like having insurance."

The bank has been pumping out its basement for five weeks to protect 5,000 safe-deposit boxes. Other basement offices were damaged when the force of the water sent it shooting eight inches through the reinforced concrete walls. The reinforced concrete, however, prevented serious structural damage.

Other businesses moved out of their buildings—at their own expense—in anticipation of flooding.

Cape Girardeau's Potashnick

Construction Co. moved to higher ground when the river was predicted to crest 17 feet above flood stage, said Larry E. Dunger, chairman and chief financial officer.

Potashnick plans to stay six months at the temporary site due to costs associated with relocation, like rerouting its telephone lines.

Sabreliner Inc., which maintains and repairs corporate aircraft, moved all customers' planes and engines to hangars it owns at Lambert-St. Louis International Airport before the small Spirit of St. Louis Airport in Chesterfield flooded.

Sabreliner's nearby office also flooded, but not before computers, desks, files and equipment had been moved to temporary quarters. The company says it is prepared to remain at the temporary facilities for several months.

Monsanto Co. shut down a food phosphates plant in south St. Louis in anticipation of flooding. The plant is located across the street from a drainage stream that flows into the Mississippi. "We moved our inventory to a warehouse," a spokeswoman said. "We couldn't take any chances with contamination."

Even after a few feet of water entered one corner of the building, employees kept reporting to work to ship products and to maintain equipment. But when propane tanks got caught in the flow at a Phillips Petroleum Co. plant a mile away, the entire area was evacuated. **BI**

New sales reps join BI staff

Two new advertising sales representatives are joining the staff of *Business Insurance*, announced Advertising Sales Director Martin J. Ross III.

Blake Delany, 28, is joining the New York-based sales staff on Aug. 11 as a district manager with responsibility for Connecticut and selected New York City accounts.

"Blake is an experienced advertising salesperson who will serve the Connecticut region well," said Mr. Ross.

Mr. Delany is a 1988 graduate of Ithaca College in Ithaca, N.Y., where he earned a bachelor of arts degree in speech communications. Most recently, he was a publisher's advertising representative with W.G. Holdsworth & Associates Inc. in New York.

Mr. Delany can be reached at 212-210-0134.



Mr. Delany



Ms. Mazzetti

In Chicago, Lisa Mazzetti, 23, has joined the sales staff as classified advertising manager. She also is responsible for the "Insurance Services Guide" advertising section.

"Lisa brings enthusiasm and eagerness to her new position with BI," said Mr. Ross.

Ms. Mazzetti is a 1991 graduate of the University of Wisconsin in Madison with a bachelor of business administration in marketing. Most recently she was a manager in the hospitality business.

Ms. Mazzetti can be reached at 312-649-5340.

Mr. Delany succeeds Thomas Loftus, who has joined the sales staff of USA Today. Ms. Mazzetti succeeds Margaret Hikido, who has accepted a sales position with American Drug Stores. **BI**



Crawford & Company's Mauldin named NAIW Claims Professional of the Year

Crawford & Company salutes Elise Mauldin, one of our people who make a difference. Elise has been named Claims Professional of the Year by the National Association of Insurance Women. She is Assistant Vice President and Regional Director for Risk Management Services in Crawford's Northeast Regional Office.



Workers
compensation
costs keep
rising,
and not
just by
accident.

At Wausau's free national satellite conference, we'll explore three strategies for controlling workers compensation costs. First, we'll show how to execute a Job Safety Analysis, even gain practical experience by watching a video of an actual work site. Then, we'll demonstrate how to minimize claim abuse and examine the sources of the problem, like fraud. Then, we'll review some of the important components of managed care, and the benefits of medical utilization management.

On August 11, more than 50 sites across the country will host Wausau's 4-hour satellite conference. And, businesses and organizations with satellite access will also receive the conference at their own locations. Wausau has earned a reputation as professionals in the field of workers compensation, and on August 11, we'll be sharing what we know.

Free Satellite Conference
"3 Strategies For Controlling Workers Compensation Costs"
August 11



Steelworkers agree to managed care plan

Benefit Beat

A six-year labor contract tentatively approved last week by the United Steelworkers of America and Bethlehem Steel Corp. and National Steel Corp. includes hefty pension benefit enhancements and the first-ever managed medical care for the union.

The pact was reached Aug. 1, just as the previous contract expired. The 17,000 union members employed by Bethlehem and National are expected to vote on the proposal later this month.

Under the contract, \$5 would be added to the monthly multiplier of future retirees' defined benefit pension calculation formula.

Pensions for retirees with 15 or fewer years of service would be based on a multiplier of \$26.50 per month per year of service, up from \$21.50. For retirees with 15 to 29 years of service, the new multiplier would be \$30.50. And, for those with 30 or more years of service, it would be \$34.50.

The new contract would also augment the wage-based pension calculation formula by about \$10,000 per year on average to reflect cost-of-living adjustments, a union spokesman said.

Managed care would be introduced for the first time under the new contract, the spokesman said. Union members now are covered by a first-dollar indemnity plan. Exactly what role managed care will play under the new pact and how restrictive health care options will be is still unclear.

—By Michael Schachner

Musician health plan

The National Academy of Recording Arts & Sciences recently launched the first health insurance purchasing cooperative for the music industry.

The cooperative is designed to cover more than 1 million musicians, engineers, producers, roadies, record company executives and music journalists and their dependents.

Already in place for the Chicago, Los Angeles and San Francisco chapters, the plan will be fully implemented by Jan. 1, 1994. It will use HMOs in larger cities and indemnity plans in rural areas.

Health plan deductibles are approximately 25% less than those for comparable health plans, according to NARAS.

Only about 40% of NARAS's 9,000 members who are working musicians currently have health insurance, said Michael Greene, president of Los Angeles-based NARAS. Similarly, only about 2,000 of the 12,000 members of the American Federation of Musicians Local 802 in New York subscribe to one of the two health plans the union offers.

Overseeing the new program will be MusiCares, a 3-year-old branch of NARAS that provides financial and social services for people affiliated with the music industry.

—By Mary E. Pflum

Retirement package

Many more employees than expected are taking Centerior Energy Corp. up on an early retirement offer.

More than 1,300 employees—at least 400 more than projected—have opted to take a early retirement program aimed at cutting the Cleveland electric utility's workforce and saving about \$96 million a year, beginning in 1994.

Originally, the company had expected 900 workers would retire

a severance package equivalent to 3% of their annual base pay multiplied by their years of service, in addition to a \$650-a-month supplemental payment until they reach age 62.

Most of those who took the offer left July 30. However, some will stay until Nov. 1 to help with the transition process.

—By Mary E. Pflum

Wellness jobs on rise

NEW YORK—A few large and midsize companies are creating new management positions within existing benefits and human resources departments to oversee lifestyle-related programs.

William M. Mercer Inc. recently surveyed 1,600 companies about,

among other things, their hiring of total quality executives, work and family program managers and wellness program directors to oversee various new lifestyle-related programs.

About 5% of the companies have recently hired a "Total Quality Executive" responsible for implementing various benefit programs. Mercer said duties within this job classification include program development, program implementation, auditing and quality improvement. Average cash compensation for this job is approximately \$105,000 per year.

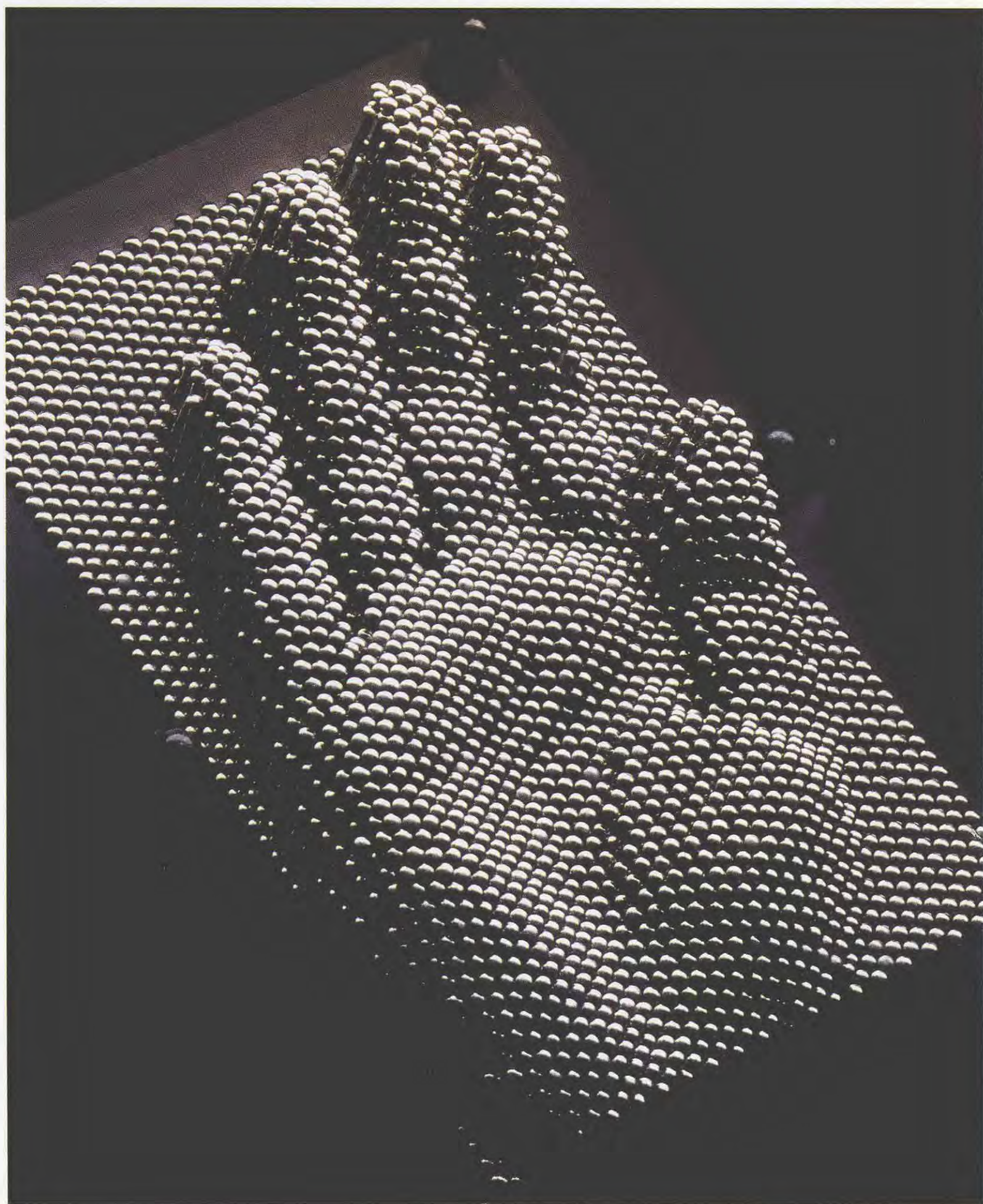
Wellness program managers have been hired at about 4% of the responding firms, the survey found. Job duties include promoting employee fitness and health,

developing communications programs and plan administration. Average annual salary for a wellness plan manager is about \$46,000.

Only 1.5% of respondents said they have recently hired a work and family program manager to develop and administer work and family benefit plans. For those companies that have created and filled such a position, \$47,000 is the average annual salary.

The "1993 Human Resource Compensation Survey," is available to survey participants for \$275 and to non-participants for \$525. Contact William M. Mercer Inc., 1166 Ave. of the Americas, New York, N.Y. 10036; 212-345-7584; fax: 212-345-7423.

—By Michael Schachner



Preventive steps

Continued from page 1

tients demonstrated overall reversal of coronary artery disease.

The program also offers impressive cost savings over surgical therapies. Participation costs \$3,500, plus an additional \$400 for a 40-week maintenance program.

In contrast, the average cost in Omaha for bypass surgery is \$43,000, while the average for angioplasty is \$18,000, said a Mutual of Omaha spokeswoman.

The insurer decided to approve the program because of its extensive clinical proof of effectiveness, she added.

"It made sense to back the program as a benefit for people who don't want invasive procedures," she said, noting that the program is cost-effective and wellness-oriented.

The insurer considers the program therapeutic—not preventive—be-

cause "it truly reverses the effects of heart disease," she explained. The insurer will reimburse individuals for the program who are diagnosed with coronary heart disease and who have a doctor's statement that the program is medically necessary, the spokeswoman added.

All Mutual of Omaha policies—under both indemnity and managed care plans—that cover treatment for heart disease will cover the program, she said.

Traditionally, indemnity insurers will reimburse for therapeutic care—the kind given in response to a diagnosed disease or injury. Preventive care, in which no disease or injury is established, is more likely to be covered under managed care plans.

But the dividing line between "therapeutic" and "preventive" apparently is a gray one.

Dr. Ornish's program "is preventative but also therapeutic because

it reverses heart disease," said Dr. David Ferriss, associate national medical director at CIGNA Health Plans in Bloomfield, Conn. And because the cost is so low, "insurance companies will be very interested in it."

Susan Brown, senior manager-actuarial benefits and compensation at Deloitte & Touche in Chicago, sees the move as a trend toward insurance reimbursement for preventive procedures, especially given the Clinton administration's support of coverage for preventive care.

"I think there is an industrywide trend for insurers to be more interested in preventative care," as evidenced in the growth of managed care plans, agreed the Mutual of Omaha spokeswoman. About 30% of the insurer's business is in managed care plans.

Insurers' interest in managed care is increasing, but it will only succeed if employers understand and seek

managed care plans as an investment in keeping health costs down, said Dr. Spencer Borden IV, senior medical consultant for The Wyatt Co. in Boston. Insurers will do what their employer customers want them to do, he explained.

Adoption of the alternative program for cardiac care "clearly is a great cost-reduction tool," especially when you look at the number of angioplasties performed annually, said Lawrence Hager, a consultant at Noble Lowndes in Newtown, Pa. In 1991, 303,000 angioplasties were performed in the United States, according to the American Heart Assn.

While Mutual of Omaha's announcement is not a real departure in how insurers look at reimbursing for alternative therapies, it does reflect an evolution, said a spokeswoman for the Washington-based Health Insurance Assn. of America.

Part of the evolution is due to

the growth in case management over the past decade, which has led insurers to cover alternative therapies on a case-by-case basis, the spokeswoman added.

Insurers are quick to point out other misconceptions about coverage decisions.

"Some procedures—like educational therapies and counseling—are not covered under health plans, depending on the structure of the benefit package" that a given employer chooses to purchase, said Naomi Aronson, director-technology evaluation at the Blue Cross & Blue Shield Assn. in Chicago.

And it isn't true that insurers will only cover treatments taught in traditional medical schools, said Kathy Worthington, manager-coverage policy at Aetna Health Plans in Hartford, Conn.

For one thing, many states require insurers to cover treatments provided by certain state-licensed providers who are not medical doctors, she explained.

Some state mandates include treatment or counseling provided by: acupuncturists, chiropractors, clergy, dietitians, Christian Science practitioners, homeopaths, massage therapists, naturopaths and psychiatric social workers.

Apart from state mandates, most of the larger health insurers have technology evaluation departments that conduct extensive reviews of proposed alternative therapies. An insurer then will reimburse for the therapy if it meets the insurer's criteria for proven effectiveness and safety.

For example, Aetna will cover acupuncture if it is used in place of anesthesia and if the provider is covered under the plan as a medical doctor or a licensed practitioner, Ms. Worthington explained.

In fact, Aetna would cover most of the individual services provided under Dr. Ornish's program like, for example, the exercise and stress-reduction counseling, Ms. Worthington said.

Validated clinical research makes the crucial difference between "alternative" and "experimental" therapies, with the latter expressly excluded under most health insurance policies, the HIAA spokeswoman said.

Such research is examined at the Blue Cross & Blue Shield Assn. in Chicago. Doctors and researchers at its technology evaluation and coverage department study alternative therapies and prepare reports that are reviewed by the association's national expert panel of medical directors.

The reports are then sent to the 70 independent Blues plans, which make their own coverage decisions, said Ms. Aronson.

BC/BS has five criteria for evaluating a proposed technology, she explained. It must:

- Be approved by the appropriate government agency, like the Food and Drug Administration.
- Have scientific evidence of effectiveness published in peer review journals and must be based on well-designed studies with consistent results.
- Improve net health outcomes.
- Be as beneficial as any other available treatments.
- Show that patients' improvements are attainable outside the clinical setting.

For now, other insurers are waiting with interest to see the results of Mutual of Omaha's two-year pilot program.

"If outcomes are what they say they are, we will be very interested," said CIGNA's Dr. Ferriss. At present, though, CIGNA probably would not reimburse policyholders for treatment under the program, he said.

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Financing alternative for captive owners

By JOANNE WOJCIK

Regulation 114 trusts less expensive than rising costs of letters of credit

VAIL, Colo.—Captive owners should consider Regulation 114 trusts as an alternative to the standby letters of credit that insurance regulators require to back captives' reinsurance obligations, bank executives say.

The trusts, which were created under regulations promulgated by New York regulators in 1984 to help banks reduce contingent liabilities, are less expensive than LOCs, the cost of which has been rising in recent years.

In addition, regulators throughout the United States will accept Regulation 114 trusts as adequate collateral for non-admitted reinsurance, as well as to secure foreign reinsurance transactions, the bank executives point out.

The benefits of using Regulation 114 trusts as an alternative to LOCs were discussed during a session on "What a Bank Can Do for Your Captive," held during the third annual captive conference sponsored by the Colorado Assn. of Captive Entities July 14-16 in Vail, Colo.

In most fronted captive programs, an admitted insurer issues policies and reinsures a portion—or sometimes all—of the risk with the captive, explained Carlyle E. Justus, vp in the international banking department at Comerica Bank in Detroit.

However, because most state regulators will not permit insurers to take credit for such non-admitted reinsurance on their balance sheets, the fronting insurer must use its own surplus to offset the liability or require the reinsurer to put up some form of collateral to secure its reinsurance obligation, he pointed out.

In most cases, such collateral takes the form of a letter of credit, which usually is issued by a bank, explained Leslie Kelly, vp of commercial lending for Colorado National Bank in Denver.

But the value of such LOCs fluctuates from year to year as reinsurance obligations change. For example, during the first seven to 10 years of a fronted captive program, an LOC requirement will grow nearly every year, reduced only when losses are paid or outstanding loss reserves decline.

In the past, banks issuing LOCs were not required to show a corresponding liability on their balance sheets, but stricter federal banking regulations have changed all that, Ms. Kelly said.

Since the 1991 adoption of the more restrictive guidelines, drafted by a collection of international banking regulators including the Federal Reserve Board, the Federal Deposit Insurance Corp. and the Comptroller of the Currency, banks must establish reserves to back LOCs, she said.

In addition, many Japanese banks that had been active in the LOC market are pulling out, "so the number of banks offering LOCs is declining," she added.

The end result is that "the cost of LOCs is going up," Ms. Kelly concluded.

Because banks now must maintain at least a 20% ratio of capital to standby letters of credit, captive owners may be forced to pay as much as 1.5% of the principal amount to obtain an LOC, up from as little as



0.125% of the principal amount before 1991, Mr. Justus said.

However, reinsurance trusts organized under provisions of New York State Regulation 114 can be a lower-cost alternative, he suggested.

"Demand for 114 trusts has been increasing in response to LOC costs going up," he said.

The custody and management fees for 114 trusts are generally much less expensive than LOC fees, he said.

As a result, a captive may pay as little as 0.1% of principal per year for management of a 114

trust, compared with as much as 1.5% of principal for an LOC.

"So a captive with \$10 million of required collateral could save well over \$100,000 per year" by using a 114 trust instead of an LOC, he calculated.

Mr. Justus also advises captive owners to establish Regulation 114 trusts with banks, rather than with the insurers used as fronting companies, "so you don't have the risk of putting all your eggs in one basket."

However, Regulation 114 trusts do have their drawbacks: The type of assets held in the trusts and the type of investments they can make must meet certain conservative guidelines,

Mr. Justus explained.

For example, the trust's assets can consist only of cash, certifi-

U.S. government securities.

In addition, the trust's investments must be valued at current market value and denominated in U.S. dollars and cannot be issued by the captive, its parent, the fronting insurer or any of their affiliates.

And there are severe limitations on investing captive funds in Eurodollar deposits, which are U.S. funds deposited in European banks and used to settle international transactions.

Other requirements for Regulation 114 trusts are:

- The fronting insurer, the captive and a bank that is a member of the Federal Reserve

Continued on next page

Many Japanese banks are pulling out, "so the number of banks offering LOCs is declining," says Leslie Kelly.

cates of deposit issued by U.S. banks or a London branch of a U.S. bank, or investments permitted under Section 1404 of New York insurance law, like

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CONFERENCE AGENDA

SUNDAY, OCTOBER 17

- 6:00 – EARLY REGISTRATION & WELCOME RECEPTION
7:30 p.m. Hosted by Commonwealth Risk Services, Inc. and General Rehabilitation Services, Inc.

MONDAY, OCTOBER 18

- 7:45 a.m. Registration & Continental Breakfast
9:00 a.m. OPENING REMARKS FROM THE CHAIR
Kathryn J. McIntyre
Vice President, Publisher & Editorial Director
Business Insurance
9:15 a.m. SHOULD THE WORKERS COMPENSATION AND GROUP HEALTH CARE SYSTEMS BE COMBINED?
Panel Moderator:
James M. Burcke, Editor
Business Insurance
Keith T. Bateman, Vice President
Policy & Development
Workers Compensation & Commercial Lines Division
Alliance of American Insurers
Harry Neer, President & Chief Operating Officer
USA Health Network Company, Inc.
Thomas E. Rankin, Director of Research
California Labor Federation, AFL-CIO
10:15 a.m. Mid-Morning Refreshments & Table-Top Exhibits
10:45 a.m. ESTABLISHING AND IMPLEMENTING A SUCCESSFUL ERGONOMICS PROGRAM
Michelle Robertson, Ph.D.
Assistant Professor of Human Factors
Institute of Safety and Systems Management
University of Southern California
Marie Robinson, M.S.
Corporate Ergonomist, Safety Staff
Pacific Bell
Neal Taslitz, JD, President
The Backcare Corporation
12:15 p.m. LUNCHEON FOR SPEAKERS AND ATTENDEES
Hosted by William M. Mercer, Inc. and Marsh & McLennan, Inc.
1:00 p.m. KEYNOTE LUNCHEON SPEAKER
Brent A. Winans, Vice President, Risk Management
Concord Services, Inc.
1:45 p.m. Break

Continued from previous page
system or chartered in New York state must enter into the trust.

- The trust can exist for the sole use and benefit of the fronting insurer, which retains full rights to withdraw any and all assets from the trust without notice to the captive.

- The captive gives the bank authority to buy and sell the assets in the trust, provided they comply with the regulation.

Because of the extensive regulations governing 114 trusts, Mr. Justus and Ms. Kelly recommend that captive owners use banks with experience in establishing those trusts and in meeting the specific portfolio management requirements associated with the funds held in them.

The session was moderated by John Kezer, special counsel to the law firm Wood, Ris & Hames in Denver. **BI**

Finite risk cover poses some risk for captives

By JOANNE WOJCIK

VAIL, Colo.—Captive owners should be careful when using financial reinsurance and finite risk transactions to back their facilities, a reinsurance expert warns.

The products, which are designed primarily for financial stabilization, provide only a limited—or finite—amount of risk transfer, explained Albert J. Beer, senior vp of American Re-Insurance Co. in New York.

"The function of the financial reinsurance market is not to pay losses; it's to help you manage your financial resources," Mr. Beer told a group of captive owners and service providers attending the July 14-16 captive conference in Vail, Colo., sponsored by the Colorado Assn. of Captive Entities.



While financial reinsurance transactions are a relatively new phenomenon in the captive market, they have been used for decades in London, where Lloyd's of London syndicates purchase time-and-distance policies, he said.

Time-and-distance policies guarantee ceding companies specific payments at specific times based on the initial premium paid and the investment returns expected by the reinsurer (BI, March 30, 1992).

Reinsurers began marketing financial reinsurance in other markets in the mid- to late-1980s when the then-hard market made it difficult for primary insurers to purchase standard reinsurance, according to Mr. Beer.

So, in effect, financial reinsurance is to insurers what captives are to policyholders: a type of alternative market that provides limited or virtually no risk transfer, allows investment income to be shared and is designed to provide financial stabilization, he analogized.

"That's the alternative market product," Mr. Beer said.

Financial reinsurance is most effective for a captive when used as an alternative to standard reinsurance for certain specialty risks like oil and gas, he said.

"Very few players feel more knowledgeable than the oil and gas industry about the oil and gas industry, so they essentially 'rent' the surplus of the reinsurer" through financial reinsurance, he said.

Mr. Beer likened financial rein-

surement to whole life insurance.

"From an actuary's point of view, there's virtually no timing risk (with term life), but there clearly is an amount risk. Conversely, with whole life, there is a timing risk, but no amount risk," he said.

"When you think about balancing your risk, it's as much timing risk as it is amount risk."

Financial reinsurance can provide numerous benefits to captives and other self-insured entities:

- It provides earnings and budget stabilization.
- It reduces net insurance costs.
- It provides coverage flexibility.
- It is tax-deductible.

"But these benefits are all financial. This isn't insurance," Mr. Beer reminded his audience.

That's why captive owners considering a financial reinsurance transaction should be careful, he warned.

Among the chief areas of concern are:

- The stability of financial reinsurance products and marketers being considered.
- The increased scrutiny of financial reinsurance transactions by tax and regulatory authorities.

Because financial reinsurance is not technically risk transfer, the Internal Revenue Service may soon begin to question premiums paid for it, Mr. Beer suggested.

For example, the Financial Accounting Standards Board earlier this year adopted a standard that calls for risk transfer in reinsurance contracts and may eliminate some kinds of financial reinsurance (BI, April 26).

- The relative size of the financial reinsurer compared with the policyholder.

"It's incredible to me that an entity one-tenth the size of the insured can attempt to smooth out the financial instability of a company 10 times its size," he observed.

- The duration of contract.

Because it is providing a method for leveling out risks paid out over a specific period of time, financial reinsurance requires a long-term relationship, Mr. Beer explained.

"If there's one thing financial reinsurance has done, it has forced the insurance industry to realize that insurance relationships require commitment," he said. **BI**

2:15 p.m. HOW TO INTEGRATE CASE MANAGEMENT INTO A WORKERS COMPENSATION PROGRAM

Peter C. Madeja, Vice President
General Rehabilitation Services, Inc.

3:15 p.m. Mid-Afternoon Refreshments & Table-Top Exhibits

4:00 p.m. MINIMIZING FRAUD AND ABUSE IN THE WORKERS COMPENSATION SYSTEM

Panel Moderator:
Joanne Wojcik, Los Angeles Bureau Chief
Business Insurance

Gregory L. Johnson, Principal
William M. Mercer, Inc.

Hank Krizl, Vice President - Claims
Fremont Compensation Insurance Group

J. William Strickland
Manager - Special Investigations Unit
Liberty Mutual Insurance Group

5:00 p.m. COCKTAIL RECEPTION

Hosted by USA Workers' Insurance Network

TUESDAY, OCTOBER 19

7:45 a.m. Continental Breakfast & Table-Top Exhibits

9:00 a.m. OPENING REMARKS FROM THE CHAIR

MID-MORNING CONCURRENT SESSIONS

9:15 a.m. INNOVATIVE STRATEGIES TO CUT WORKERS COMPENSATION COSTS

Case Study #1 BECHTEL CORPORATION

Lucy Gallagher, Risk Management Representative
for Bechtel Corporation
Alexander & Alexander

Thomas W. Manley, Labor Relations Supervisor
Bechtel Corporation

Case Study #2 WALT DISNEY COMPANY

Stephen M. Wilder, Assistant Treasurer
Risk Management
Walt Disney Company

Case Study #3 MERVYN'S

Michelle Patton, Director - Risk Management
MERVYN'S

10:30 a.m. Mid-Morning Refreshments & Table-Top Exhibits

11:00 a.m. Concurrent Session A: HOW TO EVALUATE AND SELECT A THIRD-PARTY ADMINISTRATOR

Carl Shogren, ARM
Vice President, Risk Management Services
Crawford & Company

Susan M. Werner, ARM
Director of Risk Management
Hardee's Food Systems Inc.

Concurrent Session B: HOW TO SELF-ADMINISTER YOUR CLAIMS

Arnold Davenport, Vice President, Risk Management
Marriott Corporation

12:30 p.m. LUNCHEON FOR SPEAKERS AND ATTENDEES

Hosted by Liberty Mutual Insurance Group

1:00 p.m. KEYNOTE LUNCHEON SPEAKER

Bill Kizorek, President
InPhoto Surveillance

1:30 p.m. Break

2:00 p.m. FINANCING ALTERNATIVES FOR WORKERS COMPENSATION

Panel Moderator:
Kathryn J. McIntyre, Vice President, Publisher
& Editorial Director
Business Insurance

Arnold Davenport, Vice President
Risk Management
Marriott Corporation

John Kessock, Jr., Chairman
Commonwealth Risk Services, Inc.

Vince Sanguinet, Executive Director
Inland Empire Schools Insurance Authority

Millicent W. Workman, Director of
Corporate Risk Management
Belz Enterprises

4:30 p.m. CONFERENCE ADJOURNS

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Captive conference lures 85 to Colorado

VAIL, Colo.—A total of 85 captive owners and service providers attended the third annual captive conference July 14-16 sponsored by the Colorado Assn. of Captive Entities in Vail, Colo.

The conference, titled "The Move Toward Alternative Markets," featured sessions on fronting issues, trends in reinsurance, the use of captives to insure employee benefit coverages and banking services available to the alternative market.

The date for next year's conference has not yet been determined, but will likely fall in mid-July, said CACE President John Kezer, special counsel to Wood, Ris & Hames in Denver.

For more information, contact CACE in care of RiskCap, 1571 Race St., Denver, Colo. 80206; 303-388-5688.

Merck acquisition

Continued from page 1

ceded James V. Manning, Medco's chief financial officer.

But, other pharmaceutical manufacturers are not likely to discontinue their relationship with Medco, he said. "I don't think those companies will spurn the opportunity to increase their volume just because Merck owns us."

"Only time will tell what the long-term impact of the acquisition will be. But, my major concern is, if Merck and Medco do come in with prices lower than the competition, I'd want to make sure they would guarantee the prices for the long term," Mr. Nirtaut said.

Other critics charge that a relationship in which a pharmaceutical manufacturer owns a distributor or delivery system could create a conflict of interest, much like the situation that would occur if an airline owned a travel agency.

"We are concerned about the pharmaceutical industry getting involved in the delivery mechanisms for drugs, like mail-order or retail pharmacies," said a benefits analyst for a Fortune 50 company with a carved-out prescription drug program. Such a relationship "calls into question how that provider will meet the customers' interests," she said.

"Customers wonder what your ultimate goals and objectives are" when your parent company makes the products that a company like Medco is supposed to be delivering objectively, said Kris Gibney, corporate vp of health cost management for Caremark Inc. in Northbrook, Ill., which like Medco offers managed pharmaceutical care services.

Similar concerns raised by hospital customers led health care manufacturer Baxter International Inc. to spin off Caremark as a separate publicly held corporation just a few years after it had purchased the home care equipment and prescription drug distributor, she noted (*BI*, July 20, 1992).

"If I were an employee benefits manager, I would wonder what Merck's real objectives are," said Henry Blissenbach, president of Diversified Pharmacy Services Inc., the prescription drug management unit of United HealthCare Corp. and a major Medco competitor.

"Merck risks alienating other key players in the health care game. They have gone to bed with a mail-order pharmacy, which is in itself relatively controversial in the pharmacy community," said Gary Erwin, senior director for pharmaceutical care management at the Philadelphia College of Pharmacy and Science. There will always be the perception that Medco will be pressured by Merck to push its products over its competitors' drugs, he said.

On the other hand, Merck is now fully equipped to offer clients one-stop shopping since it not only manufactures high-quality name-brand drugs and generics, but also offers a mail-order and retail distribution arm for those products, Mr. Erwin added.

Officials at Merck and Medco deny that they will pursue their business interests over customers' needs. In written statements, the firms said they will "provide the most medically appropriate and cost-effective medicines—patented, generic or over-the-counter—regardless of manufacturer" and will continue to work with all pharmaceutical manufacturers.

"Joining forces will expand our capabilities in assessing clinical needs, managing utilization and

researching medical outcomes, all of which will enhance our ability to deliver high-quality drug therapies and cost-effective health care coverage," Medco Chairman Martin J. Wygood said in a statement.

Medco already is discussing the acquisition with its clients.

"We have been assured by Medco management that they will continue to operate as an independent subsidiary," said Milt King, associate director of benefit development for Southwestern Bell Telephone Co., a Medco client since 1987. "Our concern is that our employees will continue to receive the same level of service they've become accustomed to. I don't think the conflict of interest argument has a lot of merit."

Mr. King said he doesn't expect Medco to shut out other drug manufacturers in favor of Merck products. "Medco may feel pressure from Merck," he said, but Merck

and Medco aren't likely to do anything to risk alienating clients given the competitive marketplace.

Nonetheless, Medco's new relationship with Merck "will be something corporations and the consultants working together with them will keep in mind when they are designing a managed prescription drug program or choosing a new vendor," noted Thomas Goss, manager of corporate benefits for Central & Southwest Services Inc. in Dallas, which is not a Medco client.

Meanwhile, the merger would fulfill Merck's desire to use Medco's data base to obtain better information on prescription patterns and drug usage, which the two companies say will produce valuable outcomes data. But, employers are raising concerns about Merck's access to confidential employee data.

"We are pretty careful about

going into data arrangements," said the benefit analyst for a Fortune 50 company. "Just because we are doing business with Medco doesn't mean Merck should have access to our data."

"Benefit managers are paranoid about employee data," Ms. Gibney said. They don't want Merck and Medco to figure out which employees aren't using Merck products and target their employers or the physicians that treat them with sales efforts designed to push Merck medications, she said.

While it's too early to tell whether the proposed acquisition marks the beginning of a trend among drug makers to buy prescription drug management firms, benefit managers and consultants say that consolidation seems to be the wave of the future in the health services industry.

Ms. Gibney of Caremark said rival drug manufacturers have

reacted to the merger—and the huge price Merck is offering to pay for Medco—with stunned silence.

"What (this acquisition) tells me is the industry realizes that in the future the management of prescription drug delivery through corporate benefit programs will be through managed drug programs," Mr. Goss said.

Further consolidation in the managed prescription drug industry also has its pitfalls, though. Some benefit managers worry that as the number of players in the industry shrinks, deciding with which supplier to contract will become more difficult.

Medco, which reported 1992 revenues of \$2.2 billion, manages pharmaceutical plans that serve more than 33 million people. The company says its clients include 100 of the Fortune 500.

By contrast, Merck last year reported revenues of \$9.7 billion. **BI**

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Merrett report

Continued from page 2

nounced he will resign as underwriter of Syndicate 418 next year, to be replaced by his deputy, Barnabas Hurst-Bannister.

But Willis Faber (Underwriting Management) Ltd., a members agent that controls 6% of syndicate 418's capacity this year, has said in a news report that it will no longer support Merrett Underwriting Agency Management syndicates 418, 1066, 1067, 1068 and 1184. Willis Faber did not return calls.

"We haven't declared our positions (for any syndicates) next year," said Colin Spence, managing director of Sedgwick Underwriting Agents Ltd., which controls 16% of syndicate 418's capacity. "They are very important syndicates, and we're reviewing our position."

The increasing pressure on Mr. Merrett coincides with the publi-

cation of the loss review report on the 1983 open year of account of syndicate 421, which was delivered to members last week.

Some 341 syndicate members in the 1983 underwriting year had to pay cash calls by Dec. 31, 1990, of 5.6 million pounds (\$8.4 million at current exchange rate), or 163% of the syndicate's 1983 capacity of 3.4 million pounds (\$5.1 million).

In particular, the report focuses on the underwriting of seven runoff reinsurance contracts that caused 36%, or 19.3 million pounds (\$28.9 million at current exchange rate), of the 22.5 million pounds (\$33.8 million) in gross losses in 1983.

The report also blasts the "inadequacy" of the syndicate's reinsurance-to-close premium, which aggregated all the future losses on the runoff contracts written between 1980 and 1982 into the 1983 account.

At the time the runoff contracts

were written, Mr. Merrett was the official underwriter for syndicate 421. However, the report says all of the contracts were signed by John Emney, who was the syndicate's excess-of-loss underwriter until 1985.

Syndicate 417/418 wrote an aver-



Stephen Merrett has publicly regretted that his syndicate wrote the runoff contracts, telling syndicate members in 1985 that it was 'a mistake.'

age of 80% of each runoff contract, while syndicate 421 wrote 20%.

But Mr. Emney told the loss review committee that he discussed the contracts with Mr. Merrett, particularly the largest loss-producing "Fireman's Fund" contract.

Syndicate 421 wrote 12.5% of a unlimited runoff contracted covering the 1969 and prior years of account for syndicate 210 managed by R.W. Sturge Ltd., which was 50% reinsured by Novato, Calif.-based Fireman's Fund Insurance Cos. Originally the coverage was unlimited in excess of \$35 million, but the coverage was capped after arbitration at an unknown sum excess of \$210 million.

After rejecting several drafts of this runoff contract, placed by Hady Wakefield, currently chairman of Carpenter Bowring Ltd., Mr. Emney said he passed judgment on the final version to Mr. Merrett. "I may have put the stamp on the slip and wrote the line, but it was Mr. Merrett's decision to write it," Mr. Emney said.

"I would state quite categorically that I gave John no understanding, to the best of my recollection, and certainly no instruction, that he should write that contract," Mr.

Merrett told the committee.

The losses from the runoff reinsurance contracts related mainly to asbestos and environmental pollution claims in the United States. However, 90% of the losses in 1990 under the contracts—which gave rise to the loss review—was due to pollution claims.

Nevertheless, the loss review committee spent 26 of its 98 pages discussing what the Lloyd's market knew about asbestos claims before Mr. Merrett's syndicate wrote the contracts in the early 1980s.

The report noted, among other things, that Commercial Union Insurance Cos. in 1981 warned that if "just 1 million asbestos claims" were settled at the 1976-1977 average value of \$170,000, the total loss to insurers from asbestos would be \$170 billion.

Concerns were also raised at Lloyd's meetings in the early 1980s about the effect that asbestos claims would have on Lloyd's syndicates.

For instance, Ken Randall, then-manager of Lloyd's Underwriting Agents and Audit Department, suggested leaving 1979 accounts open if asbestos risks formed a material part of the syndicate's accounts. And, former Lloyd's underwriter Henry Chester raised concern about syndicates that reinsured asbestos liabilities of other syndicates, which he said could cause the "funneling" of a large amount of liability into a small number of names," the report notes.

Mr. Merrett has publicly regretted that his syndicate wrote the runoff contracts, telling syndicate members in 1985 that it was "a mistake."

However, Mr. Merrett told the loss review committee that his syndicates were not given adequate information from the ceding insurers to know about the full extent of the asbestos exposure. The Merrett underwriting agency was able to void one contract and cap others because of this non-disclosure, which could have saved members up to 100 million pounds (\$150.3 million) in losses, sources claim.

Besides, "had asbestosis been the only problem to develop, then the losses of the syndicate would not have been of the order that they subsequently developed to be, because so much of the deficiency arises through pollution and not through asbestos," Mr. Merrett argued.

The day the report was sent to syndicate 421 members, Mr. Merrett criticized it in a nine-page letter he sent to the members.

The review, which began in 1991, "has been very expensive in both money and time, and in our opinion the report produces virtually nothing that could be thought to be new and relevant information," Mr. Merrett wrote on July 29.

The Syndicate 421 (1983) Names Action Group called the Merrett loss review committee report a "disappointment." Samuel Wendell Pray, secretary for the action group, said, "It's very bland. We expected a more lucid report with more facts."

But the action group—consisting of about 200 members—believes the report "gives them a good base" for litigation that has been filed in the British High Court but has not been served on the defendants, Mr. Pray said. The lawsuit alleges that the runoff reinsurance contracts should never have been written and the underwriters were grossly negligent in writing them, he said.

Mr. Pray said Mr. Merrett may be headed for trouble since some members agencies have said they won't support his syndicates. "In 1980, he was considered a jewel in the crown. My, how that's changed."

Adrian Ladbury contributed to this story.

What's theirs?



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World Youth Day

Continued from page 1
involved.

"When you do the Olympics, people buy their own tickets, pay for their own hotels and provide their own transportation," explained Mr. Berlonghi, who owns Event Risk Management Inc. in Dana Point, Calif. "The only ones you have to provide coverage for are the athletes," which usually number about 10,000.

But what does it take to ensure the safety of some 165,000 young people from around the world being housed in 300 locations including hotels, private homes, schools, church halls—even a tent city—stretching across more than

100 miles?

"There's a zillion items to take care of," Mr. Berlonghi said, not the least of which is housing.

"Every one of these (housing) sites has to be inspected by the fire department, public safety and public works" to determine capacity and whether sanitary facilities are sufficient, he explained.

For example, an inspection determined that it would be possible to fit 2,500 people in a makeshift dormitory constructed in a four-level parking garage on the downtown Denver University of Colorado campus, Mr. Berlonghi said.

Risk assessments also had to be conducted of the 45 sites—including Denver's Mile High Stadium, the McNichols Arena and the Den-

ver Convention Center—where discussion groups, prayer services and classes will be held.

Each of these housing and conference sites had to be added to the organizers' general liability insurance to ensure their owners are indemnified should any one of the World Youth Day participants suffer bodily injury or damage any property.

The general liability and auto liability insurance for the event is written by TIG Holdings Inc., the former property/casualty unit of Transamerica Corp., through managing general agent K&K Insurance of Fort Wayne, Ind. Van Gilder Insurance Corp. of Denver, the broker for the Denver archdiocese, was selected to place the coverage after competitive bidding.

Van Gilder chose K&K because of its experience with sports and leisure activities coupled with its Transamerica connections. While the insurer has announced plans to exit the movie-completion bond business, it is still bullish on sports and leisure, said Warren Mead, vp of K&K's entertainment division.

Because World Youth Day organizers are providing transportation to participants, Mr. Berlonghi contracted with numerous local school districts for the use of approximately 400 buses and drivers, which will all be covered under the event's insurance program.

"We have arrival information on every participant so we have a general idea of how many are arriving by air or by train," he said.

"We also have a fleet of vehicles—120 autos and vans—donated for use by the papal party, bishops, cardinals and other non-local VIPs" who will be attending the Aug. 11-15 event.

The Saturday morning 14-mile pilgrimage from downtown to Cherry Creek State Park for the next day's mass would pose risks similar to those of marathon races—if all of the World Youth Day participants were seasoned athletes.

But since it is not known how well the diverse group of 13- to 39-year-olds will adapt to Denver's thin air and high altitude, Mr. Berlonghi has arranged for first-aid stations to be posted every mile or so along the route.

Approximately 500 medical professionals, including 230 National Guard and Reserve troops, will staff the stations, while an additional 300 "safety rovers" will scout for trouble along the way.

And McDonald's Corp. is providing food and beverage service along the hike. "They've created a special international menu for the event," Mr. Berlonghi said.

Cherry Creek State Park, where

the participants will camp out overnight, had no electrical or water facilities, but World Youth Day organizers arranged for their installation with Mr. Berlonghi's help.

Initially, weather risks were a primary concern, since the park site is "a wide-open expanse with no shelter of any kind," K&K's Mr. Mead said.

But after studying Denver-area weather data and finding it was virtually unpredictable, "the organizers decided that the event will go on rain or shine," he said. "The best approach we came up with was to be in close, continuous contact with the weather bureau."

Meanwhile, Mr. Berlonghi developed an evacuation plan to load everyone into buses should a freak storm hit—such as the one during the pope's 1991 visit to Miami.

Mr. Berlonghi also negotiated with the Cherry Creek School District to use their expansive campus across from the park. "This is where all the security, press and lost-and-found will be coordinated," explained Phillip J. Kersey, risk manager for the school district just south of Denver.

World Youth Day has named the school district as an additional insured on its liability policy, while the district's own liability insurance will serve as excess coverage.

No one connected with the event would reveal the World Youth Day policy limits nor the premiums paid. The coverage began June 1 and will run through Oct. 1, when the Denver World Youth Day office is closed.

Cherry Creek School District participates in a statewide Colorado School District Self-Insurance Pool. The pool, which has 94 members, provides general liability, professional liability, workers compensation and property coverage.

Security was a chief concern of the event's planners, especially in light of the World Trade Center bombing in New York earlier this year and recent terrorist acts in Italy, according to K&K's Mr. Mead.

To ensure the safety not only of the pope and President Clinton, but also of participants, independent security consultant Bruce Garamella and Denver-based Contemporary Services Corp. and DNL Entertainment Services were contracted to provide crowd control, ushering and other security services throughout course of the event.

"Almost all federal agencies are involved in some way or another—the FBI, the FAA, the FCC, even the Immigration Department," since many of the participants are

from other countries, Mr. Berlonghi explained.

City, county and state law enforcement personnel are also supplying security.

"Because of the overlap of different groups involved, there's tremendous potential for liability," Mr. Berlonghi said. "They all have to work pretty closely together."

To meet this end, Mr. Berlonghi has been acting as a conduit connecting World Youth Day's 60 Denver staff members and 5,000 local volunteers, the K&K underwriting and loss control staff, claims administrators from GAB Business Services Inc. in Denver and anyone else even peripherally involved.

"He's provided the direction and the risk management that they really need," said Donald Moore, vp of the Van Gilder agency, who had used Mr. Berlonghi as a consultant while bidding on the project.

Mr. Moore was introduced to Mr. Berlonghi by former Denver archdiocese Risk Manager Diane Daley, who was familiar with a voluminous event risk management manual Mr. Berlonghi had written in 1990. Mr. Berlonghi also serves as a senior associate, or independent contractor, to Gallagher Bassett Services, a division of Arthur J. Gallagher & Co. in Itasca, Ill.

"After talking to him, we realized that we needed his expertise even more," Mr. Moore said.

Since World Youth Day decided April 19 to hire him full time, "he's made a huge difference," Mr. Moore added. "I absolutely would use him again."

"He's been wonderful," agreed Rosemary Nelson, who replaced Ms. Daley as the Denver archdiocese's risk manager May 1. "But he's a bit overwhelmed, I think."

Indeed, the event, which is expected to draw at least 500,000 people to its culminating papal Mass at Cherry Creek State Park on Sunday, Aug. 15, is the largest gathering in which Mr. Berlonghi, K&K, Van Gilder or Ms. Nelson have ever been involved.

While K&K's Mr. Mead likened the event to the 1992 Republican National Convention in Dallas, World Youth Day "poses unique exposures."

Mr. Moore has tapped the services of five brokerage staff members to assemble the insurance program.

"The last event I planned was a Marian conference in Denver that attracted 10,000 people," recalled Ms. Nelson of the Denver archdiocese. "And I thought that was big then." Fortunately, "the Lord keeps preparing me with each big event," she said. **BI**

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ASK A BENEFITS MANAGER

Weighing benefits, costs of complying with 404(c)

Q

There is much discussion today regarding compliance with Section 404(c) of the Employee Retirement Income Security Act. From my understanding, compliance with 404(c) is not mandatory. What items should be

considered in deciding whether or not a plan should comply with 404(c)?

A

ERISA Section 404(c) provides plan fiduciaries relief from liability for losses incurred by plan participants in an individual account plan, such as a 401(k) plan, in which the participants control some or all of the investments in their own accounts. Because survey

data indicates that more than 90% of employers offer a 401(k) plan, most employers will need to review Section 404(c).

In order to comply with the regulations, the plan must meet provisions regarding structure and ongoing operation. The main design requirements of Section 404(c) relate to the participants' ability to exercise control over their accounts and requirements that ensure they will be able to make informed and independent choices (see related story).

The basic question to be answered by employers is: If the plan is changed to meet these requirements, what relief is gained by the plan fiduciaries? As indicated, compliance with 404(c) is voluntary. Even an employer that decides to comply with Section 404(c) will not be able to obtain complete assurance from the regulators that its plan complies in both design and operation. An employer's compliance will ultimately be judged by the courts on a case-by-case transactional basis.

Compliance with 404(c) by a plan should provide a defense against allegations that a participant's exercise of control resulted in a fiduciary breach. For example, if a participant invested his or her entire account in an aggressive equity fund and incurred a substantial loss under a Section 404(c) plan, the plan participant would lose the argument that the plan fiduciaries should have overridden his or her investment choice and diversified the account to avoid the loss. In a plan that chooses not to comply with 404(c), such an allegation might be successful on the grounds that not diversifying the participant's account violated the prudence and diversification requirements of ERISA.

Even if a plan complies with 404(c), plans have continuing responsibility for establishing and carrying out an investment policy consistent with plan needs. Fiduciaries are still subject to the ERISA prudence requirement and, therefore, have the same obligations to prudently select investment options, and to select and

Exercise of control and information requirements of Section 404(c)

Section 404(c) requires that participants must be able to exercise independent control over the assets in their accounts. To meet these requirements, an individual must have the opportunity to:

- Give investment instructions to an identified fiduciary and receive a written confirmation.
- Choose from a broad range of investment alternatives, consisting of at least three diversified investment alternatives, each with different risk and return characteristics.
- Make transfers among investment alternatives with a frequency based upon investment volatility, but not less frequently than once a quarter.
- Obtain sufficient information to make informed investment decisions.

To meet the information requirements under Section 404(c), the following information must be provided to participants and beneficiaries.

- An explanation that the plan is intended to meet Section 404(c) under the Employee Retirement Income Security Act and that a fiduciary will be relieved of liability for losses that are a result of a participant's investment instructions.

monitor the performance of trustees, investment managers and other experts. Also, fiduciaries are not relieved of liability for the way in which they carry out a participant's investment directions in a Section 404(c) plan. For example, if a plan delays the execution of a participant's investment change, the plan fiduciary could be held liable.

Even though compliance with 404(c) provides limited protection for plan fiduciaries, I can't help but think that in the event of a lawsuit, a plan that chooses not to comply would be more vulnerable than a plan that chooses to comply with 404(c). A plan choosing to comply with 404(c) could most likely put forth a stronger argument in most lawsuits.

If nothing else, compliance should help deter frivolous allegations of fiduciary mismanagement and make actual allegations of mismanagement more difficult to prove. Employee relations may be an issue to consider regarding 404(c) compliance. Many employees are probably generally aware of the concept of 404(c), even if they do not know it by name. Employers choosing not to comply with 404(c) are most likely putting themselves in the position of defending their non-compliance to employees and union officials if applicable, since the press in general is presenting 404(c) in a positive light.

The cost of compliance is another factor to be considered. It appears that many plans currently meet the "control" requirements, like the number and type of funds and the frequency of transfers.

Therefore, at a minimum, many plans will need to develop information packets with regard to their plan and distribute them to plan participants. While there is expense associated with this, the larger expense items are probably modifying plans and systems to

- A description of investment alternatives including investment objectives, risk and return characteristics.
 - An identification of any investment managers.
 - An explanation of investment procedures and any applicable restrictions.
 - A description of any investment transaction fees.
 - Information concerning the plan's confidentiality procedures for investment in employer securities and the fiduciary responsible to monitor confidentiality.
 - A prospectus following a participant's investment in an investment subject to the Securities Exchange Act of 1933.
 - Information regarding any voting or tender rights offered to a participant under the terms of a plan.
- In addition, participants or beneficiaries may request information including a description of annual investment operating expenses, prospectuses, financial statements and reports on investment alternatives, a description of assets comprising the portfolio of an investment alternative, and values of shares or units and investment performance of the various investment alternatives.

accommodate additional investment funds and more frequent fund activity.

In fairly short order, plan fiduciaries must decide whether to comply with 404(c). What needs to be weighed is the protection to be gained by compliance against the initial and ongoing cost of compliance since compliance with 404(c) is not a one-time effort.

If you decide to comply with 404(c), time is running out. Most plans take effect Jan. 1, 1994. **B**

Would you like advice from an experienced colleague on a risk management, benefits management or actuarial problem? Four quarterly features in the Perspective section of Business Insurance can give you some answers.

Ask A Benefit Manager, Ask A Risk Manager, Ask A Benefit Actuary and Ask A Casualty Actuary answer written questions from readers on risk and benefits management issues and actuarial problems.

This month's column on employee benefit management issues is written by Dennis J. Nirtaut, manager of employee benefits at Continental Bank Corp. in Chicago. Susan M. Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C., answers questions on risk management issues. William J. Miner, an actuary with The Wyatt Co. in Chicago, answers actuarial questions on benefits issues. And, Richard E. Sherman, president of Pacific Actuarial Resources (PAR) Excellence in Ashland, Ore., answers actuarial questions in the casualty field.



Mr. Nirtaut

Mr. Nirtaut's next column will appear in November. Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

Pennsylvania court denies workers comp coverage for "subjective" psychic injury

A psychic injury which was the subjective reaction to normal working conditions was not compensable under the Workmen's Compensable Act, according to the Commonwealth of Pennsylvania.

Robert Lilley, a 21-year employee of York International Corp., had never previously received any written reprimands concerning his work performance as an engine lathe operator. In June 1986, his employer changed Mr. Lilley's machine assignment to an automatic lathe involving the use of a control box. He did not want to change

Legal Briefs

lathes and had difficulty adjusting.

Thereafter, Mr. Lilley was subjected to a management productivity improvement program and received his first "notice of unsatisfactory performance." All told, he received four such notices. These upset him, resulting in a bout of depression and disability. It was established that Mr. Lilley had a preexisting obsessive-compulsive personality. His claim for workers comp

benefits was granted by a referee. However, the compensation board reversed on the basis that Mr. Lilley had not demonstrated that abnormal working conditions had caused his disabling psychic injury.

The appellate court said that to recover, Mr. Lilley had to prove that he suffered a psychic injury which was not caused by a subjective reaction to normal working conditions. Here the court observed, the cause of Mr. Lilley's upset was his dissatisfaction and disagreement with notices of unsatisfactory performance which he

subjectively believed were unjustified. The compensation board ruling was affirmed.

Lilley vs. W.C.A.B. (York Intern.), Commonwealth Court of Pennsylvania, Sept. 22, 1992 (BI/02/Au.-\$10).

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

Broker results

Continued from page 3

bit (brokers) on the (butt) and said 'Here I am,' Mr. Smith said. "And until the president finally unveils his grand plans for health care reform, no employer will be inclined to make radical changes to its benefit plans."

Once the Clinton plan is unveiled, though, it should generate "substantial business for consulting firms," contended Mr. Wiczynski.

In the meantime, brokers continue to cope with familiar foes: low interest rates, flat insurance rates and a far from robust economy.

"Overall, earnings were disappointing," said Ira Malis, a principal at Alex. Brown & Sons Inc. in Baltimore.

Fiduciary investment income "continues to drag" at M&M due to short-term interest rates, said J. Michael Bischoff, vp-corporate development. Investment income at M&M fell 15% to \$42 million from \$49.5 million in the first six months of 1992.

Fiduciary investment income dropped 25% in the second quarter at A&A, Mr. Wiczynski said.

And at Rollins Hudig Hall Group Inc., first-half fiduciary investment income fell "several million dollars" from 1992 levels, said Patrick G. Ryan, chairman and CEO of Aon Corp., RHH's parent.

Some brokerage executives say they are optimistic that the investment income slump will soon end.

"We've reached the bottom" and are starting to climb back, said Robert H. Hilb, president of Hilb, Rogal & Hamilton Co. Overall, investment income fell 2% in the first half for the Glen Allen, Va.-based firm, though it rose 5.7% in the second quarter.

And at Acordia Inc., investment income increased 5.1% in the first six months to \$4.1 million from \$3.9 million in 1992.

Despite all the problems, six of the seven publicly held brokerages reported higher first-half revenues and profits in 1993 than they did a year earlier. A&A is the lone exception.

The ongoing difficult operating environment is forcing many brokerages to continue curtailing expenses.

HRH, for example, cut expenses for compensation and employee benefits during the first six months to \$39.4 million from \$39.8 million. "We're very cautious about putting additional people on," Mr. Hilb said. "If we have to hire, we will; if we don't, we won't."

Watching headcount is also a large part of Arthur J. Gallagher & Co.'s continued effort to trim expenses, said Michael J. Cloherty, vp-finance. Salaries and benefits represent 75% of the broker's total expenses, which increased a modest 2.8% to \$127 million from \$123.6 million in the first six months of 1992.

Expense controls will persist throughout the year, brokers say, as they predict no dramatic market turns. Brokers and analysts do say that midyear renewals indicate some market changes (BI, July 19).

Compared with two years ago, when rates were declining 10% to 12%, the overall property/casualty market is flat, Mr. Cloherty said.

"The leveling-off effect has given (brokers) some relief," he added.

"The market is slightly different," said Mr. Bischoff, pointing to rate increases for property coverage for complex and catastrophic risks.

All types of property rates along the East Coast are rising, some very sharply, observed J. Hyatt

First-half 1993 broker results

In thousands

Broker	Gross revenues	% change	Net income	% change
Marsh & McLennan	\$1,617,200	7.7%	\$193,700	38.0 ¹ %
Alexander & Alexander	658,400	-1.5	26,100	-30.8
Rollins Hudig Hall	615,500	81.7	86,900 ²	81.8
Arthur J. Gallagher	145,075 ³	8.2	11,389	63.3 ³
Acordia	110,280	11.0	11,044	11.0
Hilb, Rogal & Hamilton	69,837	1.0	5,398	6.9
Poe & Brown	46,192	8.5	2,947	5.1

¹ 1992 figures restated to reflect adoption of FAS 106 and FAS 109. ² Pretax income. ³ 1992 figures restated for poolings of interests after two acquisitions. Source: Company reports

GRAPHIC BY CHRIS ROY

Brown, CEO of Poe & Brown Inc., which places more than 50% of its business in Florida.

Most brokers agree that while property rates in catastrophic areas have hardened, property rates in non-coastal areas and casualty lines remain soft, with no change expected in the near future.

One broker, though, does see things a bit differently: A market hardening is "just around the corner," Mr. Hilb predicts. "And the longer we go without change the more gut-wrenching it's going to be."

First-half results for the publicly held brokers follow:

Marsh & McLennan

Gross revenues for the world's largest brokerage rose 7.7% for the first six months of 1993—to \$1.6 billion from \$1.5 billion in 1992.

Net income also rose, increasing 38% to \$193.7 million from \$140.4 million in 1992. However, excluding a \$40.1 million charge taken in the first quarter of 1992 reflecting the adoption of Financial Accounting Standards 106 and 109, M&M's net income rose 7.3%.

Key factors in M&M's first-half growth include increased revenues in its insurance services and investment management and continued efforts to contain costs, Mr. Bischoff said.

Insurance services revenues, which include brokerage, rose 11.2% to \$949 million from \$853.4 million in 1992. Mr. Bischoff attributed that increase partly to increased reinsurance rates abroad, especially in Germany and the United Kingdom.

The biggest increase in revenues, once again, came from The Putnam Cos. Revenues for the Boston-based investment management subsidiary rose 25% to \$237.1 million from \$189.9 million in 1992.

Expenses rose 8.3% to \$1.3 billion from \$1.2 billion last year. Mr. Bischoff linked all but 1% of that increase to the 1992 acquisition of U.K.-based Frizzel Group Ltd.

Alexander & Alexander

First-half operating revenues fell 1.5% to \$658.4 million from \$668.3 million in 1992. Net income also fell, plummeting 30.8% to \$26.1 million from \$37.7 million.

If exchange rates, specifically the weakening British pound against the dollar, are not taken into account, first-half revenues would have been \$26 million higher, Mr. Wiczynski said.

But exchange rate fluctuation works both ways. First-half operating expenses, which declined 1.5% to \$612.3 million from \$621.5 million, "aren't as good as they look" when they are adjusted for foreign exchange, he said. Without the adjustment, expenses increased 3.5%.

Also contributing to the reve-

nue decline was a 25% decrease in fiduciary investment income in the second quarter and loss of revenues from operations sold in 1992, Mr. Wiczynski said.

Rollins Hudig Hall

Revenues soared 81.7% to \$615.5 million from \$338.7 million in 1992 due to the acquisition of Frank B. Hall & Co. Inc. However, RHH's revenues rose only 6.1% from the \$580.2 million reported in the first half of 1992 by former Rollins Burdick Hunter Co. and Hall combined.

Pretax income for RHH's insurance brokerage and consulting services catapulted 81.8% to \$86.9 million from \$47.8 million in first-half 1992. Aon does not break out net income figures for its units.

Contributing to Chicago-based RHH's success: retail brokerage revenues increased 73.1% to \$403.4 million from \$233.1 million in 1992; reinsurance and wholesale revenues increased 73.1% to \$126.9 million from \$73.3 million; and benefit consulting revenues grew 81.7% to \$615.5 million from \$338.7 million in 1992.

Even without the Hall purchase, revenue grew in all areas, said Mr. Ryan.

The integration of Hall, Hudig-Langeveldt Group b.v. and RBH is going faster than anticipated, he added, saying the process is about 75% to 80% complete.

Arthur J. Gallagher

First-half gross revenues rose 8.2% to \$145.1 million from \$134.1 million in 1992.

Net income also increased, jumping 63% to \$11.4 million from

\$7 million in 1992.

Results from 1992 have been restated to recognize the May acquisitions of The Great Lakes Agency Inc. of Chicago and The Woodsmall Cos. of Kansas City, Mo. Combined, the two brokerage added 200 new employees and an estimated \$16 to \$17 million in annual revenues, Mr. Cloherty said.

Net income for the second quarter alone leaped 126.4% to \$7.2 million from a restated \$3.2 million in 1992.

These results received a \$4.1 million boost when the broker restructured its U.K. pension plan to a defined contribution plan from a defined benefit plan, he said.

Also contributing to the Itasca, Ill., firm's healthier bottom line was a continued effort to curtail expenses and to focus on new business and account retention, Mr. Cloherty said.

Acordia

Gross revenues rose 11% to \$110.3 million from \$99.4 million in 1992. First-half net income also increased 11% to \$11 million from \$9.9 million.

Earnings per share were up in the first six months to 84 cents from 75 cents in 1992. Excluding the FAS 106 charge of \$776,000, or 6 cents per share, that the Indianapolis broker took in the first quarter, earnings per share were up 20%, said Patrick M. Sheridan, executive vp and chief financial officer.

Contributing to Acordia's growth was a combination of new sales and revenues from recent acquisitions, Mr. Sheridan said, noting the latter contributed about a third to the growth.

Mr. Sheridan pointed to Acordia's employee incentive program—where bonuses depend on a 15% growth in net earnings—as another catalyst to the growth.

Hilb, Rogal & Hamilton

Gross revenues remained essentially flat for the first six months of 1993, increasing only 1% to \$69.8 million from \$69.1 million in 1992.

First-half net income rose 6.9% to \$5.4 million from \$5 million.

HRH gained "a couple of hundred thousand dollars" in additional revenue in the second quarter from the proceeds of the sale of its Dayton, Ohio, office in June, Mr. Hilb said.

Compared with the entire first six months, which was basically

flat, the second quarter was "a bit of a disappointment," conceded Mr. Hilb.

The biggest disappointment was a computer system that was installed for its third-party administrator, Hilb, Rogal & Hamilton Employee Benefits Inc. What was expected to be a "marvelous method of adjudicating claims... just didn't work," Mr. Hilb said. It was loaded with bugs, which ended up costing additional money to fix.

Reflecting this added cost, expenses for the second quarter rose 5.7% to \$9 million from \$8.5 million in 1992, compared with only a 2.6% rise for the first six months.

In addition to the extra computer-related costs, expenses also rose due to an "unusual merging quarter," Mr. Hilb said. In the past three months, HRH has completed five acquisitions, increasing the broker's size by 10%. HRH acquired two more companies in the first quarter.

Poe & Brown

Gross revenues rose 8.5% in the first six months of 1993 to \$46.2 million from \$42.6 million in 1992. Net income also rose 5.1% to \$2.9 million from \$2.8 million last year. Figures for 1992 represent combined totals from Poe & Associates and Brown & Brown Inc., which merged in April.

According to Mr. Brown, the merger is complete and all current and anticipated costs have been "written off."

But while the merger is a done deal, it has left its mark. The cost to combine the two brokers totaled nearly \$1.2 million, the bulk of which were accruals for lease cancellations, Mr. Brown said. In total, six offices were closed in Florida and Georgia to eliminate duplicative locations.

And while how many jobs will be eliminated is not known, Mr. Brown said that, when duplicative positions have been recognized, the broker "picked the best person" to fill the job.

In addition to consolidating offices, the Tampa, Fla., brokerage also sold two of its smallest operations in Tallahassee, Fla., and Los Angeles for an aggregate net gain of \$818,000 in the second quarter, Mr. Brown said. Both operations were affiliated with Poe & Associates.

With the merger complete, Mr. Brown expects stronger earnings in the next quarter. **BI**

Actors' union narrows benefits eligibility

NEW YORK—Facing steep premium increases from its health insurers, the union that represents about 30,000 stage actors nationwide is severely restricting members' eligibility requirements for health benefits.

Due to an increasing number of AIDS cases among actors and general health care inflation, the Actors' Equity Assn. health care plan is struggling severely with rising costs.

Alan Eisenberg, executive secretary of New York-based Actors' Equity, an affiliate of the AFL-CIO, said the monthly deficit between member contributions and health insurance premiums has been more than \$1 million since the beginning of the year. He says the insured plan was faced with only two choices for survival: dramatically reduce benefits or tighten benefit eligibility to survive.

Trustees of the plan chose to tighten benefit eligibility.

Beginning in September, the plan, which is insured by various

Blue Cross & Blue Shield insurers and Washington-based Union Labor Life Insurance Co., will be open only to association members who have logged 20 weeks of employment in one year or have earned \$14,000 during the year. Currently, the plan is open to actors with 12 weeks of employment or \$5,000 in annual earnings.

The new eligibility changes are expected to save the plan about \$9 million to \$10 million in the first year by reducing eligibility to about 6,500 members from about 10,500 members. Actors eligible for the plan will still be able to receive one year's worth of paid benefits after employment ends.

"The skyrocketing cost of health insurance has seriously affected the fund," Mr. Eisenberg said recently in the association's monthly newsletter. "Blue Cross premiums are up 12% and ULL premiums have increased 27.9%, and they're expected to go up again (this year)."

Overutilization by a few plan participants is one of the biggest problems plaguing the plan, he said. For example, just 27 individual participants received more than \$2.7 million total in health benefits last year.

"No one wanted to reduce coverage or benefits, but in order to maintain the plan at all, drastic measures had to be taken," Mr. Eisenberg said.

Meanwhile, discussions aimed at providing greater benefits with dwindling resources are ongoing among the plan's trustees. However, efforts to change the structure of the plan have been eschewed due to underwhelming support for managed care among association members.

If the plan is eventually overhauled, a likely successor would be a two-tiered plan that would offer comprehensive health care benefits at higher out-of-pocket costs to some Actors' Equity members while offering only basic benefits to others.

—By Michael Schachner

INTERNATIONAL

Fonditaria revives financing plan

By MARIA KIELMAS

FLORENCE, Italy—Shareholders of Italy's third-largest insurer, Fonditaria S.p.A., approved a planned 1.058 trillion lire (\$660.7 million) capital increase at an extraordinary general meeting held Aug. 2 in Florence.

The shareholder rights issue will be underwritten by a consortium of Italian banks—Banca Commerciale, Banca di Roma, Credito Italiano and Istituto Bancario San Paolo di Torino—and will be led by Milan-based merchant bank Mediobanca.

In a change from the original plan, the holding company GAIC S.p.A., which is jointly controlled by the highly indebted Ferruzzi family and the heirs of the late Italian entrepreneur, Camillo de Benedetti, will subscribe to part of the rights issue.

GAIC's Fonditaria stake will fall to between 34% and 36.6% from a stake totaling 51% of direct and indirect holdings are included. Had GAIC opted not to subscribe to a half-share of the rights issue, its stake would have fallen to 17%.

The share offering had been opposed by GAIC shareholders who also are Fonditaria shareholders. They complained that GAIC's stake in Fonditaria would be diluted by the offering (BI, July 26). As a result of the pressure from shareholders and from Milan magistrates are investigating the widespread corruption scandals in Italy, GAIC decided to subscribe to the issue.

Fonditaria will issue 162 million new ordinary shares priced at 6,500 lire (\$4.03) each. The closing price for Fonditaria shares on Aug. 2 was 29,000 lire (\$18). Fonditaria said in a statement that the funds from the rights issue will be used partly in debt reduction and partly in recapitalizing Fonditaria's three operational subsidiaries: La Previdente Assicurazioni, La Fonditaria Assicurazioni and Milano Assicurazioni.

Fonditaria's debt was estimated in July at 1.26 trillion lire (\$799.4 million) by Paolo Baccanello, Italian equities analyst at London stockbroker Carnegie International.

Mr. Baccanello said this was the company's net debt after the disposal of its holdings in German insurer Aachener und Munchener Beteiligungs. Fonditaria has not provided an updated figure for its total debt.

The rights issue brings Fonditaria firmly under the control of Mediobanca and out of the Ferruzzi family empire, according to Mr. Baccanello. "There is a general expectation in the market that Fonditaria is effectively under Mediobanca control and will be run as a satellite of (Italian insurer Assicurazioni) Generali," he said.

Allianz's new approach improves 1992 results

By DON LEWIS KIRK

MUNICH—Allianz A.G. Holding narrowed its underwriting loss in 1992 through structural changes and rate increases, and the company is continuing to take steps to improve its performance in the difficult European insurance market.

Plagued by an increase in the number and size of claims from international and domestic business—particularly automobile theft claims in Germany, weather-related and industrial property claims—and the ongoing cost of assimilating the former East German state insurer, Allianz's overall underwriting loss reached 1.68 billion deutsche marks (\$1.04 billion) in 1992. But that still was a 5.6% improvement over the 1991 underwriting loss of 1.78 billion (\$1.17 billion).

Aftertax profits dropped 18.3% in 1992 to 857.9 million deutsche marks (\$529.9 million) from 1.05 billion deutsche marks in 1991 (\$693.1 million).

"The insurance industry felt the effects of economic stagnation and recession in industrial countries," said Henning Schulte-Noelle, chief executive of Allianz Holding. "We will use every possibility (to return to underwriting profitability), including rate increases, cutting back the extent of coverage in non-profitable insurance areas, higher de-

mands for safety and risk management in facilities and jettisoning (client relationships) which lose money in the long term."

Allianz increased its worldwide premium volume in 1992 by 12.3% to 54.7 billion deutsche marks (\$33.79 billion at the appropriate exchange rate) from 48.7 billion deutsche marks (\$32.15 billion) in 1991. Domestic premium volume increased 14.7% to 29.1 billion deutsche marks (\$17.98 billion), while international premium volume grew 9.9% to reach 25.6 billion deutsche marks (\$15.81 billion).

"Our improvement in sales was due more to an increase in price than an increase in the number of policies," Mr. Schulte-Noelle said.

Non-life premium volume is expected to increase between 6.5% and 7% this year, but claims are expected to rise at the same rate. As a result, Allianz will increase rates in 1993 in several sectors, including industrial property, automobile insur-

ance and theft, he said.

One particular concern is large claims from storms. "The situation has worsened," the chief executive said. Allianz's claims for storm damage that occurred in January were 150 million deutsche marks (\$87.9 million at current exchange rate), or 140% above January 1992.

At the same time, another burden is easing. Allianz's business in eastern Germany is improving, Mr. Schulte-Noelle said. Allianz's premium volume from its east German subsidiary, Deutsche Versicherung A.G., increased 21.5%, largely due to an increase in rates.

Allianz restructured its domestic non-life insurance business last year to improve its underwriting results. Instead of organizing its operations by coverage—like liability, automobile and property—the insurer has divided sales operations into commercial and personal lines clients.

"We are focusing on target groups

Continued on next page

Members agents lose bid to bar suits

By ADRIAN LADBURY

LONDON

LONDON—Lloyd's of London members agents have lost their appeal of the British High Court's ruling that Lloyd's members do not have to pay their losses before they can sue their managing and members agents.

The Court of Appeal last week supported Justice Saville's May decision in a case brought by the Gooda Walker Action Group and Feltrim Names Assn. The justice said is was no valid reason for preventing members from suing their agents before they have paid their losses.

Most litigating members have not paid all their cash calls, and many are unable to do so. If the Court of Appeal had overturned Justice Saville's earlier decision, the number of plaintiffs and the value of the claims in the various actions against members agents would have been decimated.

Suits against members agents, mainly on the huge loss-making LMX syndicates of the late 1980s, are believed to total about 1.8 billion pounds (\$2.70 billion).

Finance chief resigns

The winds of change at Lloyd's of London are blowing as hard as ever as the corporation's finance director, David Bruce, resigned late last month after only four months on the job.

While a Lloyd's spokesman said Mr. Bruce resigned due to "managerial differences" with the Lloyd's management team, it is rumored that the cause was a personality clash with Chief Executive Peter Middleton. A Lloyd's spokesman, personi-

fying the new no-nonsense Lloyd's style, said: "When you are building a new management team, if you discover that you have a problem, you rectify it sooner rather than later."

Part of Mr. Bruce's job was to investigate the best ways of wooing corporate capital into the market.

Before joining Lloyd's, Mr. Bruce was an executive with London stockbroker Cazenove & Co.

Lloyd's denies that Mr. Bruce's departure will hamper the arrival corporate capital.

"As finance director, part of his role was to get involved with corporate capital," said a Lloyd's spokesman, "but the situation evolved since his arrival in March. We decided to set up a corporate capital unit under Deputy Chairman Robert Hiscox, and since then this has been strengthened further by the arrival of Ewen Gilmour (from the corporate finance department of Charterhouse Bank in June).

"Mr. Bruce did not leave because of the way corporate capital was going," added the spokesman.

Lloyd's has not wasted any time finding a temporary replacement.

Mr. Bruce officially left his post on July 31, and Stephen Hall, who recently retired as a partner in the Ernst & Young accounting firm, filled the vacant post Aug. 2. A full-time replacement will be appointed "as soon as possible."

Names' voting rights

The planned introduction of corporate capital at Lloyd's of London threatens to radically change the society's political as well as capital base.

Lloyd's announced last Monday that it had established the committee to review members' voting power and representation, and to specifically address how corporate members that will be allowed to join the market as of next year should win the ear of the powers that be.

Mark Sheldon, joint senior partner of London law firm Linklaters & Paines and immediate past president of the U.K. Law Society, has been appointed chairman of the panel. He will be supported by a team of eight others, including representatives of the Society of Lloyd's, external members, corporate capital contributors and an academician.

"A consequence of our plans for new capital will be the need to review the present voting rights of members," Lloyd's Chairman David Rowland said when he announced the intention to create the committee in late June. "Indeed, it is somewhat curious that we have not done (that) already, as we still have a system of 'one member, one vote,' unrelated to the scale of the members' participation in the society."

"With the removal of the upper limit for underwriting and the introduction of new forms of capital, we need to review this, keeping in mind the interests of the whole membership," he said at the time. **BI**



Photo by Chin Wai-Lam/The Image Bank

If a traveler has a mishap while vacationing at a Spanish resort the U.K. tour operator may have to pay up.

British tour operators are raising a red flag over risk from new law

By ADRIAN LADBURY

LONDON—U.K. vacation-tour operators and their insurers are bracing for a possible sea of litigation as travelers begin to grasp an easier route to sue for vacation mishaps.

Under a law recently passed by Parliament, U.K. package-tour organizers are liable for the actions or inaction of suppliers of all services—such as air travel and hotel accommodations—in a vacation package. They can then recover their losses through subrogation.

Previously, a vacationer had to sue the subcontractor under its national jurisdiction, which was an expensive, time-consuming and frequently fruitless exercise because the negligent party often did not have insurance.

The U.K. law was prompted by an earlier European Commission directive.

The Assn. of British Travel Agents has had its own strict liability code since 1989. But the code was not compulsory for travel agents, and consumers weren't aware of it. Now that the law will catch the public's attention, tour operators are beefing up their risk management and running to find new insurance coverage.

Other E.C. nations that do not already operate under strict liability systems are expected to follow the U.K.'s legislative lead.

Because of their extended liability, U.K. tour operators now face the prospect of much higher liability insurance premiums and severely contracted liability insurance capacity.

Even if they are covered, U.K. tour operators fear that the often big differences in damage awards between countries will mean that U.K. operators pay out much more than they recover through subrogation. U.K. personal injury awards, while nowhere near as high as U.S. awards, are much higher than those in most of the southern European

Continued on page 19

INTERNATIONAL

Allianz

Continued from page 17

and moving away from lines-oriented business," Mr. Schulte-Noelle said. "Our focus is (either) business, industry or private sectors." The new customer-driven approach is necessary to prepare for the move toward a single European trading area, which will allow insurers to write business across national borders, bringing more competition into Allianz's markets.

And German insurers face a freer market environment as a result of new E.C. regulations, said Mr. Schulte-Noelle. As of July 1, 1994, German insurers will no longer need to have policy rates and terms approved by domestic insurance regulators before marketing the policies.

"Product competition among insurers will increase greatly," he said. "The former supervisory system

guaranteed that products were comparable. It will be more difficult in the future for the consumer to know what he is getting."

Allianz's strategy calls for beefing up its life and health insurance business to make up for slow growth in liability lines. In 1992, life/health insurance premium volume increased 26.3%, while liability and accident insurance premium volume increased only 4.8%. Life/health insurance constitutes 39% of Allianz's business.

Allianz's good showing in health insurance was due largely to the 1992 majority acquisition of health insurer Deutsche Krankenversicherung. Allianz expects Deutsche Krankenversicherung's 1993 health premium volume to increase 11.4% to 4.1 billion deutsche marks (\$2.40 billion) from 3.69 billion deutsche marks (\$2.28 billion) in 1992.

In Germany, Allianz is introduc-

ing health insurance for long-term nursing care of the chronically ill in anticipation of legislation requiring all German private health insurers to offer long-term care coverage to all of its policyholders (BI, July 26; May 31).

"Allianz insurance coverage meets the costs of monthly nursing care of a 30-year-old," says Mr. Schulte-Noelle. "We wanted to give a political signal (that Allianz is taking steps to provide long-term care coverage). We're convinced it will be a substantial share of our life and pension insurance schemes."

Foreign subsidiaries helped Allianz improve its underwriting results last year, despite "the exceptional claims from Hurricane Andrew and Iniki," said Mr. Schulte-Noelle. Allianz companies in North America, net of reinsurance, paid claims of \$117 million for the storms.

The U.S. market now accounts

for 41.3% of Allianz's foreign business. "We are still waiting for a real upturn in the economy," he said.

Allianz will undertake some restructuring in international markets. This year, it plans a merger of both its Swiss property insurers—Allianz Versicherung (Switzerland) A.G. and Allianz Continentale. In Spain, a merger of Madrid-based Allianz Industrial Compania de Seguros y Reaseguros S.A. and Barcelona-based Allianz RAS S.A. de Seguros y Reaseguros C/Aragon is planned.

Allianz says its U.S. merger of life insurers Fidelity Union Life Insurance Co. of Dallas and North American Life & Casualty Co. in Minneapolis with Allianz Life of North America is complete. It also plans to reduce personnel as a result of that merger. Overall, Allianz will cut 500 U.S. jobs.

"The U.S. market did not allow rate increases last year," said Mr.

Schulte-Noelle. "Only in the areas threatened by natural catastrophes was it possible to increase the level of premium. For that reason, and facing the sluggish economic recovery, we expect only a moderate increase in growth in the property insurance sector this year."

For Allianz Life of North America, Mr. Schulte-Noelle said he expects a "normalization of sales growth" after a boom year in 1992.

In addition, Allianz plans to step up expansion in the Pacific Rim. In Japan, Allianz plans a joint-venture with that country's largest retail chain, Nichii Group, to sell insurance. The German insurer plans to eventually sell accident and personal liability insurance in all 150 of the chain's stores.

Allianz cut worldwide staff by 4,000 in 1992. In 1993, it plans to cut staff by another 3,000, reducing total employees to 60,000. **BI**

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IN THE MATTER OF THE LIQUIDATION
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COMPANY, IN LIQUIDATION AND
VILLA PREMIUM BUDGET PLAN, INC.,
IN CONSERVATION:
93 CH 003963

NOTICE OF CLAIMS
DATE AND PROCEDURES

PLEASE TAKE NOTICE, that on June 16, 1993 an Agreed Order Of Liquidation With a Finding of Insolvency was entered against State Security Insurance Company ("State Security") by the Circuit Court of Cook County, Illinois. Stephen F. Selcke, Director of Insurance of the State of Illinois ("Liquidator") is the statutory and court affirmed Liquidator of State Security.

TAKE FURTHER NOTICE, that on July 19, 1993, the Circuit Court of Cook County, Illinois, entered an Order Fixing the Final Date for the Filing of Claims ("Fixing Order"). Pursuant to the terms of the Fixing Order, all rights and liabilities of State Security and its creditors, policyholders and stockholders, and all other persons interested in its assets, are fixed as of June 16, 1993, unless otherwise provided in a subsequent order of the Court.

TAKE FURTHER NOTICE, that all persons and entities, who have or may have, claims against State Security, or the property of State Security, shall have the right to present and file with the Liquidator, proper proofs of claim on or before 4:30 p.m., C.S.T., on June 16, 1994.

TAKE FURTHER NOTICE, that the form of, and required contents of, all proofs of claim are described in 215 ILCS 5/209 (1993); Ill. Rev. Stat. 1993, Ch. 73, Par. 821. Proof of Claim, together with supporting documents, if any, are to be filed with, and may be secured from, the Liquidator of State Security Insurance Company, In Liquidation, 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654. Filing shall occur upon the receipt of the Proof of Claim by the Liquidator. 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 State Security 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 HAVING OR CLAIMING TO HAVE ANY CLAIMS AGAINST STATE SECURITY INSURANCE COMPANY, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY, UNLESS SUCH CLAIMS ARE PROPERLY FILED WITH THE LIQUIDATOR ON OR BEFORE JUNE 16, 1994 AT 4:30 P.M., C.S.T.

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Vice-Presidents, General Managers
and Other Administrative Personnel . . . 4,166

Financial:
Chief Financial Officers and Vice-presidents of Finance . . . 2,526
Secretaries, Treasurers, controllers and other Financial Personnel . . . 3,735

Risk/Employee Benefits:
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations . . . 15,035
Sub-total . . . 28,114

Associations . . . 392
Government, Unions and Educational Institutions . . . 1,120

Commercial Consumers
Sub-total . . . 29,626

Insurance Agents and Brokers . . . 8,788
Insurance Companies . . . 7,977
Accountants, Actuaries, Attorneys & Consultants . . . 3,572
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers . . . 1,849

Others Allied to the Field . . . 968
Single Copies . . . 0

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* Source Business/Occupational breakdown of qualified circulation, November 30, 1992 issue, as submitted to BPA for December 1992 BPA Publisher's Statement.

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Nominations

Continued from page 3
certify the accuracy of the information.

Business Insurance created the Risk Manager of the Year award in 1977 to mark the publication's 10th anniversary. Four years later, the Risk Management Honor Roll was created to recognize achievements in risk management among different types of organizations.

The judges score each nominee according to 10 criteria (see box). The nominee with the highest score is named Risk Manager of the Year. The top-scoring nominees in each employment category not represented by the Risk Manager of the Year are then named to the Risk Management Honor Roll, subject to the judges' discretion.

The categories are: corporations with sales exceeding \$300 million, corporations with sales of less than \$300 million, government entities, tax-exempt or non-profit institutions, financial institutions, and self-insurance funds and pools.

Risk managers from organizations worldwide can be nominated. A candidate need not handle risk management on a full-time basis, but he or she must be a full-time employee of their organization.

All nominations will be held in confidence, with only the honorees' names announced.

Ten criteria are used to score the nominations submitted for the *Business Insurance* Risk Manager of the Year Award and Risk Management Honor Roll.

The 10 independent judges of the competition score each candidate according to how well he or she:

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- Tackled and solved one or more major problems for his or her organization.
- Innovatively applies the diverse tools of risk management and insurance.
- Creatively and effectively uses the insurance markets to structure an insurance program that serves the needs of the organization.
- Established an intelligence system inside and outside the organization, generating a flow of information about events and activities that affect the organization's risk management and insurance.
- Skillfully performs management functions in the overall organization and within the risk management/insurance department.
- Achieves the most effective program at the optimum cost over the long term.
- Developed technical expertise in any or all of the broad categories included within risk management, leading to a better managerial grasp of the operational aspects of the job.
- Exhibits an attitude and performs activities fostering the advancement of the risk management profession.
- Develops in his or her career.

names announced.

Mr. Burcke advises those who want to nominate a risk manager to begin today by requesting a nomination package. "To ensure that the best possible candidates are selected Risk Manager of the Year and are named to the Risk Management Honor Roll, very detailed information about the candidates and their risk management programs is required. It takes time to collect the information necessary for a successful nomination."

For a nomination package, write to Karen Brown, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611 or call 312-649-5319. **BI**

INTERNATIONAL

Tour liability

Continued from previous page
countries that U.K. tourists visit, and insurers believe the problems will be even worse in non-E.C. countries.

"The difference between the awards is a big problem, and recovery from the individual who is at fault is the biggest problem from our point of view," said Brian Coates, group insurance director of the U.K.'s biggest tour operator, Thompson Corp. P.L.C.

Martin Brackenbury, chairman of the Tour Operators Study Group set up under the ABTA, agreed that the industry is worried about subrogation. "Most tour operators have taken action, under pressure from their insurers, to make sure suppliers are insured because of the subrogation problem," he said.

"With third-party liability, there is certainly more risk management being carried out, because the onus of responsibility for the actions of suppliers has changed," he added.

Owners Abroad, the third-biggest U.K. tour operator, is polishing up its risk management to try to limit potential damage at the source. "I used to make sure the holiday-makers were having a good time, but all I seem to do now is attend seminars on fire safety precautions and wander around hotels with a clipboard trying windows and doors," complained one manager.

The ABTA also warns that the directive, which became U.K. law on Dec. 23, 1992, will encompass thousands of amateur organizers that are not aware of their liability under the directive's wider definition of "organizers."

According to the European Commission, any company or organization that puts together three key elements in a vacation package—travel, accommodations and any other service not ancillary to the other two—is a tour organizer and could be held liable.

Specialty brokers in the field report that many small operators falsely believe that their current standard property/liability policies cover the extended liability. Others refuse to pay the new minimum pre-

miums, which can be 10 times what the buyer had previously paid.

One broker said when the operators comprehend the potential extent of their new liability, they find it difficult to obtain the necessary coverage because most insurers refuse to write it.

After the European Commission made its intentions clear in the late 1980s, the ABTA pre-empted the directive and introduced a strict liability clause in its own code in 1989. But the code is voluntary and not all organizers are ABTA members.

The E.C. law on the U.K. statute book has brought the issue into the foreground. "There are a lot of organizers running around like headless chickens at the moment, trying to find coverage for the new liabilities after their normal insurers have told them they don't cover it," said Peter Hayman, managing director of specialist travel broker P.J. Hayman & Co. Ltd.

Most U.K. insurers refused to extend new wordings to cover the new liability when the ABTA introduced its code. Since then, capacity has evaporated, leaving a small band of specialists to cover the risk at a price, Mr. Hayman said.

Insurers also predict that more hazardous pursuits, such as sporting and adventure vacations and tours to exotic but dangerous locations, could become uninsurable if U.K. courts apply the same level of damages they would to a similar injury suffered in the United Kingdom.

"One possible defense yet to be tested in the courts is if it were taken to its illogical conclusion, all destinations would be judged on U.K. standards, and this could be very expensive. But if the courts adopted a comparative standard—the expected level of risk—it would be far better," said Carol Lennox, divisional director at Willis Corroon London Ltd., who specializes in the travel field.

Ms. Lennox believes Parliament's adoption of the legislation will have a dramatic effect. "Consumers are increasingly aware of the law from reading brochures, watching holiday television programs, through the citizens' advice bureau and things like that. There has already been an in-

crease in litigation, but this year will be worse."

The original source of concern among U.K. tour organizers, according to the ABTA, is the European Commission Council Directive of June 13, 1990, on package travel, package holidays and package tours.

That directive contains measures designed to protect consumers, such as the compulsory purchase of bonds to guarantee against insolvency. That requirement in itself has caused headaches for the tour industry, which generates annual revenues of 6 billion to 7 billion pounds (\$8.93 billion to \$10.42 billion). Insurers have steeply increased the price for the bonds and imposed stiff new requirements on marginal players because of the high level of recession-induced bankruptcies in this industry.

But, according to the ABTA, the hardest hit will be the mass of small and medium-size organizers that are either underinsured or uninsured.

"Lots of travel agents will now be classified as tour operators who were not before," said an ABTA spokesman.

"We ran a series of seminars throughout the country to highlight the point and have published a mass of documentation, but there are still plenty of people organizing group travel who are not aware of either the bonding or liability requirements."

The ABTA believes the directive is good for the consumer but "is weak because it establishes the responsibility but" is not compulsory.

Mr. Coates of Thompson agreed. "We and the other big operators have encompassed (the extended liability) into our policies, and it was not easy. But some tour operators do not realize how wide the responsibility is and could find themselves in trouble. It's ridiculous that it is not compulsory," he said.

Ms. Lennox confirmed many operators are exposed and conceded that for smaller firms cost is often a factor. "Beforehand, they paid only 50 pounds a year (\$74.43) for standard property/liability policy, but now there is a minimum premium of 500 pounds (\$744.30)." **BI**

Risk Managers of the Year

 **Richard C. Heydinger**
Director of Risk Management
Hallmark Cards Inc. 

 **Millicent W. Workman**
Director of Corporate Risk Management
Belz Enterprises 

 **Arnold L. Davenport**
Vp-Risk Management
Marriott Corp. 

 **Stephen M. Wilder**
Director of Corporate Risk Management
The Walt Disney Co. 

 **Jeffrey W. Pettegrew**
Risk Manager and Chief Administrative Officer
Contra Costa County Municipal Risk Management Insurance Authority 

 **William L. Mather**
Administrator of Risk Management
The Gillette Co. 

 **Edith F. Lichota**
Senior Vp
Irving Trust Co. 

 **Donald Nelson**
Director of Risk Management
ARA Services Inc. 

 **Harold C. Lang**
Director of Insurance and Risk Management
Leaseway Transportation Corp. 

 **Richard M. Inserra**
Director of Insurance and Risk Management
American Can Co. 

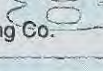
 **John A. O'Connell**
Executive Director and Risk Manager
Holy Cross Shared Services Inc. 

 **Eckart Russell**
Risk and Insurance Manager
Alcan Aluminium Ltd. 

 **Duane E. Allen**
Assistant Treasurer
Hanna Mining Co. 

 **Thomas V. Hallett**
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David McNeely joins DWG Corp.

David McNeely, 43, has joined DWG Corp. in Miami Beach, Fla., as vp-risk management. Mr. McNeely handles all aspects of risk management for DWG, a holding company for businesses including: Arby's Inc.; Royal Crown Cola Co.; and Graniteville Co., a fabric manufacturer. He reports to William Pollert, senior vp-administration. Before joining DWG, Mr. McNeely was corporate risk manager for Sonoco Packaging Co. in Hartsville, S.C. He holds the Associate in Risk Management designation. He earned a

bachelor's degree in industrial engineering from the Georgia Institute of Technology in Atlanta and a master of business administration degree in marketing from Georgia State University in Atlanta.

Anne E. Hayden has been named a senior vp at Metropolitan Life Insurance Co. in New York. She is responsible for the human resources

Comings & Goings: Buyers

program, including employee benefits, corporate employee communications, compensation, recruiting and staffing, and training and development. Ms. Hayden joined MetLife after college in 1970 and held a series of human resources posts before being promoted to assistant vp in 1985. She was named vp in 1988, and in 1991 became head of the corporate human resources department. Ms. Hayden reports to Catherine Rein, executive vp. Ms. Hayden serves on the Employee Relations Committee of the Business Roundtable and is a member of the Labor Policy Assn., a group of human resource executives that study federal labor policies. She has lectured on human resource planning and development at New York University's School of Continuing Education. She earned a bachelor's degree in English from the University of Missouri in Columbia.

Carolyn E. Brownawell has been promoted to director of corporate compensation and benefits at MITRE Corp. in Bedford, Mass. She oversees the design, communication, compliance and financial aspects of the compensation, group insurance and benefit programs for MITRE, an independent not-for-profit systems engineering firm under contract with government agencies. She reports to Ralph Delio, vp-human resources and administration. Ms. Brownawell joined the company in 1987 as a senior compensation and benefits staff member. She was named manager of corporate compensation and benefits in 1990. Before joining MITRE, she held senior compensation analyst positions with Fidelity Investments Inc. in Boston and with the former Zayre Corp. Ms. Brownawell, who holds the Certified Compensation Professional designation, is a director of the New England Employee Benefits Council. Other professional affiliations include the Boston Human Resources Assn. and the American Compensation Assn. Ms. Brownawell earned a bachelor's degree in psychology from Mount Holyoke College in South Hadley, Mass., and an MBA degree from Boston University.

We'd like to report on staff changes in your company's risk management, safety and employee benefits departments. Write to Roseanne White, Copy Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, or call 312-649-7785. Please send a photograph.

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IRI's Outreach '93: Register Now to Get the Seminar You Want

HARTFORD, CT—In response to customer requests, Industrial Risk Insurers has created Outreach '93, a two-day program of four seminars, which will be introduced in Phoenix, Arizona, preceding the November 14-17, 1993 NFPA (National Fire Protection Association) Fall Meeting.

IRI's two-day traveling program, scheduled for November 12 and 13, has been designed to address the needs of risk and insurance managers, plant managers, plant engineers, managers of safety and security, plant fire chiefs and others responsible for implementing

or overseeing industrial fire protection.

Registrants may select from three one-day seminars or choose the two-day seminar. Registration is free for IRI insureds with a materials fee per seminar of \$75. Others will be charged \$150, which includes the materials.

The two-day "Industrial Fire Control Concepts" seminar, held on November 12 and 13, will explore all aspects of the industrial fire problem with special emphasis on how to manage it.

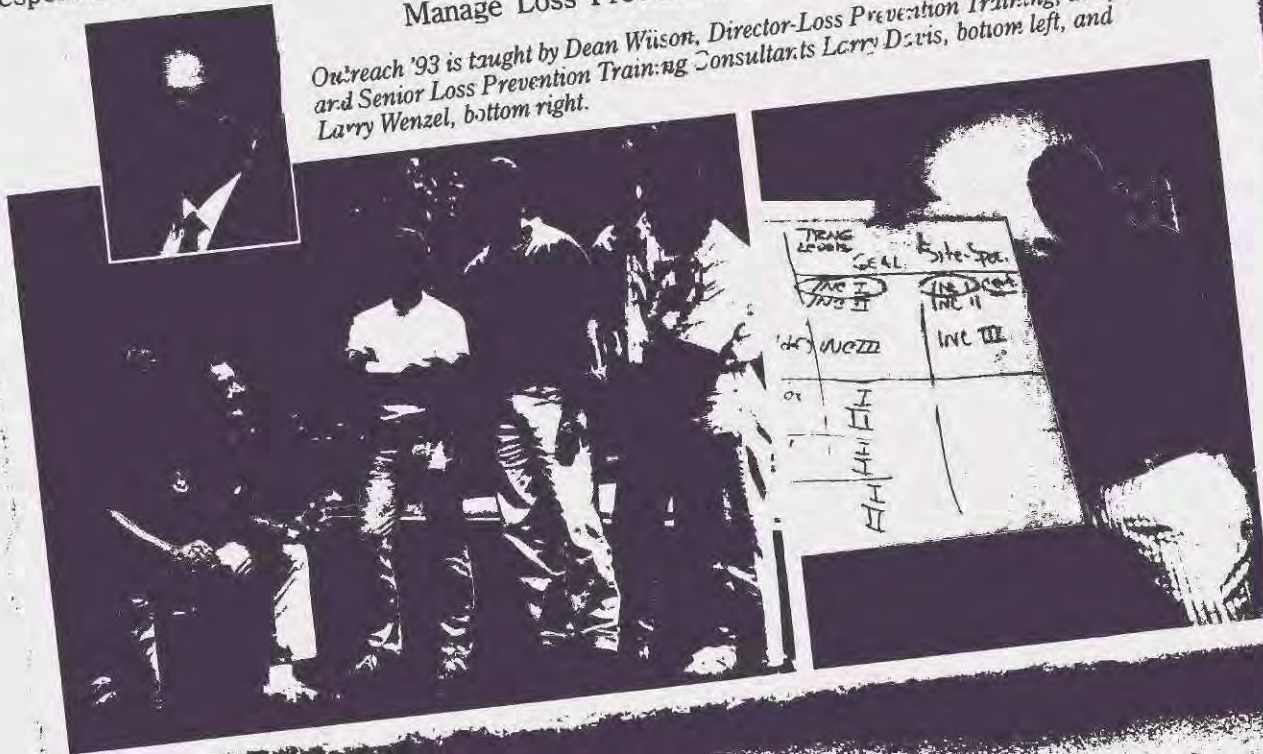
On Friday, November 12, other registrants will examine "OVERVIEW: A Strategy to Manage Loss Prevention and

Control". This seminar will help IRI customers apply modern management techniques to the protection of property, production and profits.

The two other sessions on Saturday, November 13 will include a seminar on "Developing Fire Brigade Training Programs" and one on the "Industrial Application of NFPA 72-1993, National Fire Alarm Code®." The fire brigade session offers proven methods that form the framework for a successful training program. The other seminar helps registrants develop a property protection surveillance plan.

Registration deadline for all seminars is October 29, 1993.

Outreach '93 is taught by Dean Wilson, Director-Loss Prevention Training, at left, and Senior Loss Prevention Training Consultants Larry Davis, bottom left, and Larry Wenzel, bottom right.



To register, telephone (203) 520-6027. For a brochure concerning Outreach '93, contact your servicing IRI office or call (203) 520-6027.

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Jackson Hole

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naive." And, he added, it's no secret the President's Task Force on National Health Reform did not accomplish what it set out to do. "They were like laboratory scientists who attempted to build the perfect man and wound up with Frankenstein."

Earlier this year, it was nearly universally agreed that the Clinton administration would introduce significant health care reforms based on a model created by Alain Enthoven, a Stanford University economist, and many thought that Congress could approve the reforms by the end of 1993 (*BI*, March 26).

That optimism has clearly faded. In fact, many now view the prospect of federal health care reform warily. And skeptics jokingly refer to the Clinton plan as "mangled competition" rather than managed competition.

Not long ago, the Jackson Hole Group was frequently summoned to the White House and even referred to in press accounts as Hillary Rodham Clinton's "intellectual brain trust." Now the group has faded from the political spotlight.

A collection of physicians, academics, insurance and HMO executives, and business leaders who favor market-based reform over government regulation, the group has met dozens of times over the years. The host for the meetings was Dr. Ellwood, a Minneapolis neurologist who pioneered health maintenance organizations nearly 30 years ago and founded Interstudy, a health policy research firm.

Today, Dr. Ellwood says, most of the group's members believe that meaningful health care reform remains a long way off.

"What we'll end up with instead of a set of proposals is a set of weak incentives for consumers and weak incentives for providers and weak controls with little political appeal," Dr. Ellwood predicted in his Michigan speech. The president's proposal will not be "aggressive enough to deal with the economic problems of the health care business or the political problems."

Others in the loose-knit group say meaningful reform is doomed

because Congress lacks the courage to risk alienating the American public.

"All the political rhetoric in the world won't cover up the facts, and the facts are that unless you provide universal coverage of all health care services for all Americans, you won't win their approval," commented Bernard Tresnowski, president of the Blue Cross & Blue Shield Assn. in Chicago and a longtime ally of Dr. Ellwood.

Congress will probably wind up passing incremental reforms, like prohibiting pre-existing condition clauses, and "they'll call it comprehensive national reform," he said.

Dr. Ellwood said many of his colleagues who were welcomed into the White House to contribute to the Health Reform Task Force have returned to the real world feeling suspicious about the policy-development process.

"We started out this year feeling generally euphoric about health care reform," Dr. Ellwood said. "It appeared as though the president was set to take on health care for us. He embraced the idea of managed competition because, I suspect, it made him a 'new' Democrat."

"But the process of planning has been very, very depressing," said Dr. Ellwood, an outspoken critic of the task force approach.

"Beyond the mechanics of trying to coordinate 500 largely naive people trying to get a grip on the largest industry in the world, as far as I can tell the task force never 'got it,'" he said. "The whole idea was to take the huge private health system and motivate and organize it so it would help the public by keeping costs down while improving access to and the quality of health care."

"But you don't move people in this direction by excluding people from the process," he said.

The task force "ended up reinventing government rather than concentrating on stimulating the private sector to reorganize and help to reform the system," Dr. Ellwood charged. "And they dealt with it in a partisan, compartmentalized, secret and unduly complex fashion. It was almost like they were building a nuclear weapon."

In addition, Dr. Ellwood said, people involved in the task force failed to anticipate how the major players in the health system would

a knowing participant in a fiduciary breach, and courts then rule that lawsuits against a knowing participant are preempted by ERISA," she said.

Under questioning by Sen. Metzenbaum, Ms. Berg said she thought the Mertens decision greatly impaired the Labor Department's ability to protect plan participants ensnared in situations such as the one that emerged when Executive Life collapsed.

She also assured Sen. Kassebaum that the Labor Department was "not looking for an expansion of damages" beyond that which plan participants had been allowed to seek before the Mertens decision. That would indicate that the administration would not favor allowing participants to seek punitive damages.

Representatives of two Washington-based employer groups, the Assn. of Private Pension & Welfare Plans and the ERISA Industry Committee, said later in the hearing that they could support S. 1312 provided it retained its narrow focus and that certain ambiguities in its language were clarified. **BI**

Childbirth pains hit Jackson Hole

JACKSON, Wyo.—Affordable health insurance for small businesses is a critical component to national health care reform. And, managed competition proponent Paul Ellwood and his colleagues in the Jackson Hole Group, which formally employs nine staffers, now know first-hand how difficult it is for small employers to get insurance.

"One of our employees is an Irish physician who arrived on the scene pregnant. We tried to get insurance and we couldn't get it," Dr. Ellwood told a recent gathering of HMO executives in Michigan. "We found out having a baby in Jackson, Wyo., was going to cost \$7,500. Furthermore, we couldn't even get insurance if she had complications in connection with this pregnancy."

The mother-to-be is on leave and is back in Dublin to deliver her baby.

"So even the great Jackson Hole Group couldn't get decent insurance for a small group of employees," Dr. Ellwood said with a grin.

—By Christine Woolsey

resist change.

"They believed in presidential magic. They assumed they could will a transformation of the health care system and impose global budgets or price controls on the health care industry just by sheer presidential power and support of Americans who think providers are greedy and deserve to be punished," he said. "I think they misjudged the ability of this industry to circumvent almost anything you do to it."

Not everyone in the Jackson Hole Group shares Dr. Ellwood's pessimism.

"I guess the question is, is the glass half full or half empty?" said the Blues' Mr. Tresnowski. Even

though the White House reform proposal likely will differ from the original managed competition proposal, it will still probably involve some type of health care purchasing alliances and accountable health plans.

"(That) may not be what Paul (Ellwood) and Alain (Enthoven) want, but it's a move in the right direction," Mr. Tresnowski said. "I don't think we ought to fall on our sword just because we can't turn the system around 180 degrees."

However, the political process itself will be a major obstacle hindering passage of comprehensive reforms, Mr. Tresnowski said. "The (Clinton) proposal will get into

Medicare reporting

Continued from page 2

tifying number of the group health plan.

- The name and taxpayer identification number of each other individual covered under the participant's coverage.

- The period the coverage was in force.

- The name, address and taxpayer identification number of the employer.

The requirements take effect on Jan. 1, 1994, and expire on Sept. 30, 1998. Employers that don't provide health care coverage aren't required to participate.

Some business lobbyists and benefit consultants were unaware of the reporting requirement late last week, but those who were familiar with it had strong opinions.

"It's legislative overkill. It's making the system far more complex at the same time, ironically, that we're trying to look at administrative simplification as part of health reform. It's just going to push up administrative costs for health care," said Sharon Canner, assistant vp-industrial relations for the National Assn. of Manufacturers.

"This is an example of legislation at its worst," said Frank McArdle, a Hewitt Associates consultant in Washington who contends the data bank costs would greatly outweigh its benefits.

"Because it's designed to capture Medicare and Medicaid information, it's totally untargeted," he said. Employers will be required to report information on "tens of millions" of people who won't be eligible for Medicare for decades and even more who will never be eligible for Medicaid, he said.

Companies would have to set up new systems to compile data, said Mr. McArdle. Especially hard-hit would be retailers and other companies with high employee turnover. Businesses will spend more money complying with the requirement than the government will save, he said.

He predicted that the provision would be one of the first targeted for repeal when Congress reconvenes.

One powerful lawmaker, House Ways and Means Committee Chairman Daniel Rostenkowski, is widely believed to dislike the provision. "It was clearly one of the things that he was less enthusiastic about," said a committee spokesman.

Meanwhile, the New York group health provision would effectively overturn a federal court ruling that New York's system of hospital bill surcharges to subsidize the state's Blue Cross & Blue Shield plans violated the Employee Income Retirement Security Act of 1974, which requires that benefit plans act in the "sole and exclusive" interest of participants (*BI*, Feb. 8).

New York officials had sought an ERISA waiver to continue the surcharges, but Senate rules prohibit including "non-germane" amendments in budget bills. Tax provisions, though, are considered germane.

"It's not an ERISA waiver, but it accomplishes the same thing for most employers. It's a strange but effective way to legislate," said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

Of the four states—Hawaii, Maryland, Minnesota and New York—that had sought ERISA waivers, only New York's bid was included in the final conference committee bill (*BI*, May 17). But the Democratic members of the Washington state congressional delegation did introduce a separate bill last week that would provide for an ERISA waiver to allow the state to enact its health care reform program (*BI*, Dec. 7, 1992; Aug. 17, 1992).

Business lobbyists were quick to criticize the de facto New York waiver.

In a letter to members of Congress, Mark Ugoretz, president of the ERISA Industry Committee,

Congress and everyone will debate the arcane parts, like whether basic benefits should include coverage for abortion and what the level of mental health coverage should be—and it'll bog down. I am arguing for passage of things that aren't under debate."

Delay, rather than poor planning or misjudgment, will be the real reason behind the failure to pass major health system reform, asserted Mary Jane England, president of the Washington Business Group on Health and a Jackson Hole Group participant.

"The more we delay, the more the confidence in the president and his package erodes and the easier it becomes for vested interest groups to continue to mobilize against change," she said.

However, Dr. England does not completely share Dr. Ellwood's pessimism.

"Reform is coming," says Dr. England, a psychiatrist. "It may not be in the form of a federal legislation, but it will occur."

She credits President and Mrs. Clinton with spurring grassroots reform efforts among employers and providers. "We've already seen dramatic growth at the local level of moving toward organized systems of care. And we've seen a move toward accountable health plans. The providers have gotten the message that there will be a change in the health care system."

Mr. Sullivan agreed. "Between the states and the employer coalitions, it's full speed ahead with health care reform." **BI**

employees covered under employer-provided plans would actually bear the burden of the change in "higher than necessary out-of-pocket expenses when they are ill, higher contributions to their health plans, or reduced coverage as these higher costs are absorbed by benefit plans."

Mr. Ugoretz added that the provision does not require that revenues raised go to health care, and could this "be used for virtually any purpose."

Other provisions in the final bill were expected and had been debated for months. These include:

- Reducing to \$150,000 from the current \$235,840 the amount of employee compensation that could be recognized in setting defined benefit pension plan formulas and making contributions to defined contribution plans.

- Imposing the 1.45% Medicare portion of the Social Security payroll tax on an employee's total wages. Currently the tax—which is paid by both employers and employees—is imposed on only the first \$135,000 of salary.

- Raising to 85% from 50% the percent of Social Security benefits subject to taxation for individuals with total incomes of \$34,000 and couples with incomes of \$44,000.

- Making employer-provided educational assistance benefits tax-free retroactive to June 30, 1992, through Dec. 31, 1994. The bill would still impose a \$5,250 ceiling on tax-free benefits.

- Requiring employers that covered the cost of pediatric vaccines under their health plans as of May 1 to maintain that coverage.

- Making the excise tax on certain vaccines permanent as a means of funding the Vaccine Injury Trust Fund.

- Allowing businesses to deduct 100% of the value of their intangible assets—like the customer lists held by insurance brokers—over 15 years. **BI**

Fiduciary liability

Continued from page 3

Sen. Metzenbaum had been expected to introduce such a bill after his attempts to tack a more sweeping measure to the budget bill failed (*BI*, Aug. 2). Sen. Kassebaum said she hoped the bill, S. 1312, would win approval shortly.

Ms. Berg said Congress should amend ERISA to overturn the Mertens decision. Amendments are needed to "clarify that participants and beneficiaries who suffer a loss of benefit payments as a result of a fiduciary breach would have a meaningful remedy for such breach," she said.

"Moreover, the amendments we support would also make clear that knowing participants in a fiduciary breach are liable for damages under ERISA, even if they are non-fiduciaries," she said.

"I know of no principle of equity that says that a person who participates in a harm to another person should be able to thumb his nose at the victim. But that may well be the result if the Supreme Court rules that there is no remedy under ERISA against

Embezzlement

Continued from page 3

year. The last one was the largest: about \$430,000.

All of the checks were sent to Mr. Doumas, who then diverted the funds to phony corporate accounts that he had set up, according to the July 2 complaint. Later, he transferred the money to personal accounts he jointly owned with his wife.

Since his arrest, prosecutors say they have discovered another \$3.5 million in premium refunds that Mr. Doumas received from other brokers, including Sedgwick James Inc.

"We do not, at this point, believe the brokers were acting in concert with Mr. Doumas. It is our belief that the various DKMC brokers were simply doing what they were instructed to do by Mr. Doumas," said Assistant U.S. Attorney Charles Hammerman of the U.S. District Court for the Eastern District of New York.

Don Webber, chief operating officer at JIB in San Francisco, said refunding the additional premiums DKMC had paid is standard procedure in the insurance business.

"We did exactly what we were instructed to do by the client. We followed those instructions all the

way through. What we did was a normal procedure," he said.

Sedgwick would not comment.

Exactly how much of the money due DKMC still is sitting in frozen bank accounts is unclear. Mr. Hammerman said a good portion of the money was used by Mr. Doumas to purchase homes and other personal items.

"It was quite an elaborate scheme. Mr. Doumas is going to do some jail time. There's no doubt about that," he said.

Mr. Doumas could not be reached. His attorney, Richard Asch, of Litman, Asch, Lupkin & Gioiella, did not return repeated phone calls. **BI**

For the Record

Japan quake to cost insurers \$17 million

TOKYO—Insured losses from the earthquake and tidal wave that rocked Japan July 12 total just under 1.8 billion yen (\$17.1 million), Japanese insurers said last week.

The Non-Marine Insurance Assn. reported that 745 policies covered damage from the quake, which struck the southeast coast of the large northern island of Hokkaido and devastated Okushiri Island, 35 miles to the west (*BI*, July 19). Insured losses against these policies totaled 580 million yen (\$5.5 million). Of these losses, 222 million yen (\$2.1 million) were earthquake claims, 319 million yen (\$3 million) were hull claims, 17 million yen (\$162,146) were fire claims and 22 million yen were claims from other causes (\$209,836).

Fire insurance does not cover a loss caused by a fire following an earthquake, except if a building is destroyed, in which case 5% of the loss is covered up to 3 million yen (\$28,614).

Also, the National Mutual & Agricultural Cooperatives Union reported last week that cooperatives paid nearly 1.2 billion yen (\$11.4 million) in losses on 398 policies.

Administrative costs in hospitals assailed

CAMBRIDGE, Mass.—Administrative costs for U.S. hospitals are higher than estimated and more than twice as high as those in Canada, accounting for \$63 billion of the \$256 billion spent on hospital care in 1990, a new study reports.

Nationwide, administration accounted for an average of nearly 25% of each hospital's fiscal 1990 spending, according to the study, conducted by Drs. Steffie Woolhandler and David U. Himmelstein for the Center for National Health Program Studies at Cambridge Hospital and the Harvard Medical School. The researchers, who advocate a single-payer national health care system, say higher HMO enrollment and more competitive bidding for managed care contracts do not seem to lower administrative costs.

Therefore, the researchers suggest, President Clinton's proposed managed competition health care reforms will do little to alleviate the nation's administrative cost burden. But, adopting a national health system like Canada's—in which taxes pay for most health care—could save the United States \$50 billion a year in hospital costs alone, they say.

\$35,000 awarded in lead paint case

NEW YORK—A federal magistrate has awarded more than \$35,000 in attorneys' fees to a poli-

cyholder and claimant in an environmental lead poisoning coverage case after finding that the insurer erroneously denied coverage under the pollution exclusion.

In an affidavit submitted to support its reliance on the pollution exclusion to deny coverage, Mount Vernon Fire Insurance Co. cited two cases that post-date the claimant's filing, the magistrate found.

Furthermore, U.S. Magistrate Judge John L. Caden found coverage could not be denied, basing his decision on a February 1992 decision in *Continental Casualty Co. vs. Rapid-American Corp.*, which held that the pollution exclusion did not preclude coverage for claims against an insured for asbestos-induced respiratory injuries.

Mount Vernon had sought a declaratory judgment that it was not obligated to defend or indemnify Chezpar Realty Corp. in a lead poisoning action filed in New York state court by tenants Daisy Valencia and her mother, Marianne Viruet. The tenants had sued the property owner for personal injuries sustained by Ms. Valencia's ingestion of lead-based paint between July 1985 and June 1989.

A federal court in February ruled that the insurer had a duty to defend the suit and indicated that the policyholder and claimant should be awarded attorneys' fees.

In his July 6 decision, the magistrate awarded Chezpar \$16,973.24 in attorneys fees and the tenants \$19,583 in sanctions.

ERISA pre-empts Louisiana law: Court

NEW ORLEANS—A recent appeals court decision marks a continuing trend to uphold ERISA pre-emption of state laws.

A Louisiana law that regulates insurance is not exempt from ERISA pre-emption, according to a July 27 decision by the 5th U.S. Circuit Court of Appeals.

In *James M. Tingle et al. vs. Pacific Mutual Insurance Co.*, a U.S. District Court ruled in favor of James M. Tingle Sr., who sued for coverage under his group health plan for costs incurred in 1988 by his wife.

When Ms. Tingle herniated a disc in her back after pulling on a girdle, Mr. Tingle filed a claim for \$71,300 with Pacific Mutual. The insurer denied the claim and notified Mr. Tingle that his policy had been retroactively canceled because he had misrepresented Ms. Tingle's medical history, which included back problems, on his insurance application.

On appeal, Pacific Mutual argued that the Employee Retirement Income Security Act of 1974 pre-empts the Louisiana law, which requires an actual intent to deceive in order to bar recovery from an insurer. Mr. Tingle countered that the state law is exempt from ERISA

pre-emption because it falls within ERISA's "insurance-saving clause," which expressly exempts from ERISA pre-emption state laws that regulate insurance.

But, the appeals court found that the Louisiana law did not meet all the requirements of the insurance-saving clause, and therefore is pre-empted. The court reversed and remanded the case to the district court with instructions to apply federal law instead of Louisiana law.

Title insurers subject to antitrust law: Court

PHILADELPHIA—In a continuation of a case that has already been considered by the U.S. Supreme Court, an appellate court says insurance regulators in Arizona and Connecticut did not actively supervise rates set by title insurers for title search and examination services.

As a result, a group of title insurers are not entitled to immunity from federal antitrust laws under the state action doctrine, the 3rd U.S. Circuit Court of Appeals said in *Ticor Title Insurance Co. et al. vs. Federal Trade Commission*.

The court also found that in setting these rates, the insurers were not exempt from antitrust law under the McCarran-Ferguson Act, which provides immunity when insurers are involved in the "business of insurance," nor under the Noerr-Pennington doctrine, which provides immunity when an agreement to influence legislative, judicial or administrative action is involved.

Last year, the U.S. Supreme Court decided in the same case that Wisconsin and Montana had not actively supervised rates for the procedures, but remanded the case back to the appellate court for further determination concerning Arizona and Connecticut (*BI*, June 22, 1992).

Information in brief

FHP International Corp. has filed a registration statement with the Securities and Exchange Commission to issue \$100 million in senior notes due in 2003. . . . More than 55,000 Minnesota employers will begin receiving payments totaling \$5.06 million as part of a refund of surplus funds the state's assigned risk plan received from the **Minnesota Workers Compensation Reinsurance Assn.** . . . **SCOR S.A.** is doubling the capitalization of **Commercial Risk Partners Ltd.** with an infusion of \$50 million. Commercial Risk's capital will be increased to more than \$100 million, enabling the specialty insurer and reinsurer to write more business. . . . Texas regulators have ordered Miami-based **Life General Security Insurance Co.** to stop writing new Texas policies until it pays a backlog of unpaid claims and solves other financial problems. **BI**

Update

Auditor's S&L tab is \$82 million

CHICAGO—Arthur Andersen & Co. will pay the Resolution Trust Corp. \$82 million to settle two claims that its negligent audits led to the collapse of several thrifts.

Among accounting firms, only Ernst & Young's \$400 million S&L settlement is larger (*BI*, Nov. 30, 1992).

Chicago-based Arthur Andersen last week paid \$65 million to settle a government suit accusing the firm of negligence and breach of contract that led to the 1989 failure of Benjamin Franklin Savings Assn. of Houston. The global settlement also covers claims involving three other failed thrifts.

Separately, Arthur Andersen agreed to pay \$17 million to cover claims of negligence in the collapse of Lincoln Savings & Loan Assn. of Irvine, Calif. Last year, the firm paid about \$22.5 million to settle civil fraud suits related to the Lincoln failure (*BI*, March 23, 1992).

Arthur Andersen said last week that the RTC settlement "will be largely covered by insurance" and will not have a material impact on finances. It would provide no other coverage details.

Florida insurers' tax proposal

TALLAHASSEE, Fla.—The insurance industry has proposed its own solution to the Florida homeowners insurance crisis: levying a minimum 25% surcharge on policyholders to fund a state-run hurricane catastrophe coverage fund.

Policyholders in coastal areas, whose rates already have increased since Hurricane Andrew, would pay a higher surcharge.

Insurance Commissioner Tom Gallagher also has proposed a state fund, but he wants insurers to pay for it out of existing premiums.

The insurers' proposal was submitted to the Study Commission on Property Insurance and Reinsurance, which is expected to submit recommendations to Gov. Lawton Chiles by Sept. 15 in order to have a solution in place when a moratorium on non-renewals of homeowners' policies expires Nov. 15.

Construction firms held liable

WASHINGTON—Two construction firms and a surety insurer are liable for \$16.5 million in extra expenses incurred after one of the two firms pulled out of a construction deal, a federal court ruled.

Framingham, Mass.-based Perini Corp. and Flemington, N.J.-based Mergentime Corp. established a joint venture in 1985 for two subway construction contracts with the Washington Metropolitan Area Transit Authority. Perini, which was only a financial partner, pulled out two years later after saying it was not satisfied with the progress Mergentime was making. New bids were taken and Perini won the contract to finish the construction.

The U.S. District Court ruled July 30 that the two firms and Philadelphia-based Insurance Co. of North America, which wrote surety coverage for the joint venture, were liable for \$16.5 million that the transit authority paid to reprocure the contract and complete the job.

The court ruled that Mergentime would first be called upon to pay the sum. If it could not do so, then Perini would pay, and if Perini were unable, then INA would pay.

Perini is considering an appeal. INA has declined to comment, and Mergentime officials could not be reached.

Briefly noted

Damage estimates were not available for a fire that swept through part of an **Exxon Corp. refinery in Baton Rouge, La.**, last week killing two people. Exxon did say that any damages would be within its property insurance retention. . . . The **estimated maximum cost of treating people with HIV**, the AIDS virus, has risen 16.7% since 1992 to \$119,000 from the time of infection until death, said a federal study published in the *Journal of the American Medical Assn.* The cost is leveling off, though, because HIV-related complications now require shorter inpatient stays. . . . Catastrophes caused an estimated **\$1.13 billion in insured property damage** during the second quarter of 1993, reported the Property Claim Services division of the American Insurance Services Group. . . . The PCS also reported that wind and hail caused an estimated **\$15 million in insured property damage** to parts of Montana, notably in the Billings area, July 17-18. . . . Companion bills that would create a **federal reinsurance fund** to protect insurers against losses from natural catastrophes including earthquakes, hurricanes and floods, were introduced in the U.S. House and Senate last week. . . . The **National Assn. of Casualty & Surety Agents** will change its name to the Council of Insurance Agents & Brokers during the group's annual meeting at The Greenbrier in October. The name change was approved last week. . . . Phoenix Re Corp. has restated its 1992 results to reflect the impact of the Financial Accounting Standards Board's new rule on **multiple-year retrospectively rated reinsurance contracts** (*BI*, July 26). The restatement increases Phoenix Re's net loss for the year to \$3.9 million from \$50,000. . . . Dallas-based energy exploration services firm Halliburton Co. announced it will give up its year-long effort to sell its insurance unit, **Highlands Insurance Co.** (*BI*, Aug. 3, 1992). . . . A House subcommittee last week approved a bill that would basically delete a new court rule designed to **streamline civil litigation** (*BI*, July 26). . . . Jim Ulland will become commissioner of the **Minnesota Department of Commerce**, replacing Bert McKasy, who left Aug. 1 to run for U.S. Senate. . . . **Jewel Food Stores** has commercial property insurance to cover at least a portion of an estimated \$25 million loss from a blaze that hit a suburban-Chicago warehouse Aug. 1. The warehouse, which was destroyed, was the sole supplier of meat, fish, poultry, delicatessen items and dairy products except milk to Jewel's 192 Chicago-area stores. . . . Bermuda-based **Mid-Ocean Ltd.** sold 9.5 million shares at \$24.50 a share for a total of \$232.8 million in its initial public offering last week.

Blumeyer

Continued from page 2

meyer and another of those named in the order, revealed that federal prosecutors may be investigating the commercial auto book of business.

Mr. Henderson testified that he had turned over a copy of an agreement between himself and Mr. Blumeyer concerning the business to "the U.S. attorney."

In a later interview, he said he had provided the document to Kimberly McFadden, an assistant U.S. attorney in Newark, N.J. Mr. Henderson said he believes the U.S. Attorney's office in Newark is investigating the auto coverage.

Ms. McFadden said she could not confirm or deny an investigation.

Mr. Blumeyer was indicted by a federal grand jury in St. Louis in March on charges that he bilked policyholders of \$43.5 million using a succession of fraudulent insurers, including the now-insolvent Bel-Aire Insurance Co., which he owned (BI, March 22). He has pleaded not guilty.

Since 1992, Mr. Blumeyer's St. Louis-based Evergreen Management Services Ltd. has managed the American Assn. of Parents & Children, which earlier this year was soliciting casualty business formerly written by offshore insurers linked to Alan Teale (BI, March 1). Mr. Teale pleaded guilty to fraud charges in federal court in Mobile last week (See Update, page 2).

The New Jersey show-cause order, filed April 6, names Mr. Blumeyer and:

- MJAKS Ventures, a Florida partnership doing business as Assn. Group Benefits Trust, an organization Mr. Hering described as a predecessor to AAPC. Mr. Blumeyer was a partner of MJAKS.

- Michael D. Adkins, Keith A. Sharpe and Mr. Henderson, all MJAKS partners.

- Mr. Hering and HAVCO Specialists Inc. of Bossier City, La., which provided administrative services to AGBT.

New Jersey regulators charged that Mr. Blumeyer, assisted by the other respondents, shifted a book of commercial auto business through a series of offshore insurers that were either fraudulent or not authorized to write business in the state.

According to the complaint and Mr. Hering's testimony, the business was originally insured by Bel-Aire, which was placed in receivership in 1990 and ordered

liquidated last month (BI, July 19).

Between 1991 and 1993, the New Jersey risks were rolled over from one offshore insurer to another, in some cases as the previous insurer became insolvent or stopped paying claims, Mr. Hering testified. The insurers included:

- Winston-Hill Assurance Co. Ltd. of the Turks & Caicos Islands, which is now in liquidation. A New Jersey judge fined Mr. Henderson \$1.3 million in 1991 for placing business with Winston-Hill.

- Standard Indemnity Co. Ltd. of the British Virgin Islands.

- Marigot Casualty Co. Ltd. and Atlantic General Insurance Co. Ltd., both of Anguilla.

- Avalon Insurance Co. Ltd. of Bermuda.

'I was just a bit busy fighting a war in Jefferson City. I was never, ever involved in the day-to-day,' Arthur Blumeyer says.

- Olympian Insurance Co. Ltd. of Antigua. Mr. Hering said he now works for Olympian as an "underwriting auditor" and that Olympian selectively renewed business previously written by Avalon.

- Atlas Insurance Co. Ltd. of the Turks & Caicos, which wrote excess insurance over primary coverage from Olympian, according to Mr. Hering.

Mr. Hering indicated at several points in his testimony that Mr. Blumeyer played a central role in managing the business.

Among other things, he described a June 1991 meeting in St. Louis at which MJAKS partners discussed how they should respond to an earlier New Jersey department objection to their alleged unauthorized underwriting. Although some partners wanted to withdraw from New Jersey, Messrs. Blumeyer and Sharpe insisted on continuing, Mr. Hering testified.

Mr. Hering also said that when he complained to an Avalon underwriting representative about not receiving documents he needed, the representative, Scott Hauser, explained the delay by saying, "Art hasn't paid me."

In an interview, Mr. Blumeyer denied the accuracy of this statement. Mr. Hauser could not be reached.

Mr. Hering testified that he deposited premiums for Avalon in a Bossier City, La., bank account whose signatories included Messrs. Blumeyer, Sharpe and Adkins. Mr. Hering said he was later told by Avalon's president that Mr. Hauser never had underwriting authority for the insurer and that Avalon had never received premiums or reports of claims.

Mr. Blumeyer acknowledged that he "could have been" a signatory on the bank account but said he did not know if Avalon premiums went into the account or were forwarded to the insurer. He said Mr. Hauser was given underwriting authority through an Avalon affiliate, European International Management.

Messrs. Sharpe and Adkins could not be reached for comment.

Also testifying at the hearing was Frances Gauthier, owner of a Bound Brook, N.J., Budget Rent-a-Car franchise victimized by the alleged scam.

The Budget franchise's coverage was initially placed with Bel-Aire but was later rolled over into Standard Indemnity, Atlantic General and Marigot, she said. Atlantic General and Marigot have failed to pay \$50,859 in property claims and have not defended the company in nine pending liability suits, she said.

Responding to Budget's property damage claims, Atlantic General and Marigot instead delivered promissory notes, Ms. Gauthier testified. Budget received only two payments from each insurer before the money stopped coming.

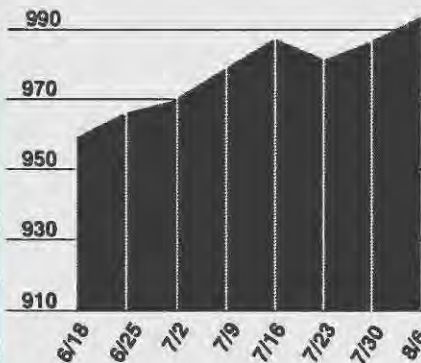
The Marigot note was signed by Mr. Hauser, and a Marigot check—showing a London address for the insurer—was drawn on a St. Louis bank account and signed by Mr. Blumeyer, according to testimony at the hearing.

Mr. Blumeyer confirmed that he signed checks drawn on St. Louis accounts of Marigot and Atlantic General but said they were claim payment accounts set up by the insurers' owners. He also denied managing the offshore placements.

"I was just a bit busy fighting a war in Jefferson City" over Bel-Aire's receivership, he said. "I was never, ever involved in the day-to-day," he maintained. "Basically, (Messrs. Adkins and Henderson) ran the show."

BI Insurance Index

1010



Base = 100 on Dec. 29, 1978

Source: Nordby International Inc.

Insurance industry stocks rose last week, as the *Business Insurance Index* climbed 5.8 points to 991.9 Aug. 6 from 986.1 on July 30. Advancing issues for the week were led by: Phoenix Re Corp., up 12.4%; Lincoln National, up 9.1%; and Mutual Risk Management Ltd., up 8.9%. Declining issues for the week followed: TakeCare Inc., down 7.7%; FHP International, down 7.3%; and Arthur J. Gallagher & Co., down 5.6%. The most active issue was U.S. Healthcare, 5.6 million shares traded. The BI Index was up 0.6%; the NYSE Composite was up 0.2%; the Standard & Poor's 500 was up 0.1%; and the Dow Jones 30 Industrials rose 0.6%.

British Issues

April 22 Companies	Price	P/E	Div.	Yield	High—Low
	pence		pence	%	pence/pence
Comml Union	645	NM	32.5	5.0	645—636
Genl Accident	685	NM	35.7	5.2	691—671
Gdn Royal Exch	205	NM	9.3	4.5	208—204
Royal	339	NM	6.7	2.0	339—333
Sun Alliance	391	NM	19.0	4.8	393—389
Brokers					
Bradstock	142	16.7	6.8	4.8	142—140
CE Heath	383	18.4	20.5	5.3	383—373
Hogg Group	217	19.2	10.9	5.0	217—216
JIB Group	212	21.0	10.0	4.7	214—212
Lloyd Thompson	331	26.7	7.5	2.3	331—329
Lowndes Lmbt	425	15.2	18.8	4.4	425—425
PWS Holdings	65	9.7	5.3	8.1	66—65
Sedgwick Grp	207	24.9	8.0	3.9	207—203
Steel Brt Jones	244	14.3	17.7	7.2	244—239
Willis Coroon	237	22.1	8.8	3.7	237—233

Source: Philip Olsen, London

BI Industry Stock Report

AUGUST 2, 1993 THROUGH AUGUST 6, 1993

BROKERS

BROKERS		Price	Weekly	Year to Date	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
			% change	% change	High	Low						
Acordia Inc.	NYS	24.88	4.19	15.70	24.88	15.13	126	0.44	1.77	15	7.01	3.55
Alexander & Alexander	NYS	25.13	0.00	-5.19	29.88	23.38	210	1.00	3.98	25	10.00	2.51
E.W. Blanch Holdings Inc.	NYS	19.00	4.11	N.A.	20.00	16.50	48	0.00	0.00	24	3.75	5.07
Gallagher Arthur J. & Co.	NYS	29.75	-5.56	5.31	37.38	21.88	114	0.72	2.42	18	6.35	4.69
Hibb, Rogal & Hamilton	NYS	12.38	3.13	-20.80	16.88	11.63	50	0.44	3.56	18	3.11	3.98
Marsh & McLennan	NYS	88.25	3.57	-3.42	97.63	77.50	404	2.68	3.04	20	14.40	6.13
Poe & Brown	OTC	19.75	2.00	17.91	21.25	11.25	3	0.40	2.03	35	2.64	7.48
BROKERS			0.9	1.6						2.4	22	

INSURERS/REINSURERS

ACE Ltd.	NYS	30.50	8.44	N.A.	32.00	25.50	182	0.40	1.31	8	25.37	1.20
AEGON N.V.	NYS	46.75	5.65	12.31	49.38	36.75	108	2.90	6.20	8	34.06	1.37
Aetna Life & Casualty	NYS	58.25	-0.21	25.27	60.00	38.00	1120	2.76	4.74	26	67.08	0.87
Allied Group Inc.	OTC	28.25	4.63	33.46	30.34	16.50	623	0.52	1.84	9	11.29	2.50
Allmerica Prop. & Casualty	NYS	57.75	-0.43	14.36	62.50	38.00	143	0.44	0.76	5	40.44	1.43
Allstate Corp.	NYS	31.00	0.00	N.A.	31.63	27.13	2385	0.00	0.00	-54	-	-
American General	NYS	31.50	1.61	10.53	33.25	23.63	1215	1.08	3.43	12	39.89	0.79
American Heritage Life Ins.	NYS	24.75	1.02	22.73	25.34	18.91	2	0.60	2.42	17	16.51	1.50
American Indemnity/Fin'l	OTC	15.25	0.00	154.17	15.75	4.75	139	0.12	0.79	5	14.43	1.06
American International (s)	NYS	95.63	4.08	23.65	95.88	61.75	2497	0.40	0.42	17	54.21	1.76
American RE Corp.	NYS	36.50	-0.34	-1.35	41.75	31.38	377	0.00	0.00	79	N.A.	N.A.
Aon Corp.	NYS	54.38	0.46	0.69	56.75	43.75	271	1.80	3.31	18	27.17	2.00
Argonaut Group	OTC	33.00	3.94	8.20	35.25	27.00	37	1.00	3.03	10	21.70	1.52
AVEMCO Corp.	NYS	17.75	-2.74	-24.06	27.00	17.75	156	0.44	2.48	20	7.33	2.42
Baldwin & Lyons Inc.	OTC	41.50	-1.19	13.70	42.00	29.50	14	0.48	1.16	10	30.85	1.35
Berkley W.R. Corp.	OTC	42.25	-0.59	-1.74	50.50	34.00	168	0.40	0.95	17	23.51	1.80
Berkshire Hathaway Inc.	NYS	16150.0	0.94	37.45	16200.0	9050.00	1	0.00	0.00	-	6437.25	2.51
Chandler Insurance	OTC	4.75	-5.00	0.00	5.13	3.50	13	0.00	0.00	16	8.63	0.55
Chubb Corp.	NYS	91.75	0.27	3.23	96.38	73.50	847	1.72	1.87	13	40.67	2.26
CIGNA Corp.	NYS	61.00	3.61	4.05	68.00	47.13	1061	3.04	4.98	11	81.73	0.75
CNA Financial Corp.	NYS	87.75	0.00	-10.46	102.88	86.63	140	0.00	0.00	-12	80.24	1.09
Continental Corp.	NYS	31.88	-1.16	18.60	34.75	20.00	1159	1.00	3.14	24	38.32	0.83
EXEL Ltd.	NYS	47.00	3.30	-0.53	52.25	35.13	733	1.00	2.13	8	N.A.	N.A.
Fund American Corp.	NYS	87.75	0.85	21.88	87.75	68.00	26	0.00	0.00	10	81.85	1.07
Fremont General Corp.	NYS	26.88	-0.46	-22.10	28.75	15.16	223	0.72	2.68	9	25.62	1.05
Frontier Insurance Group	NYS	45.88	1.38	5.46	46.38	29.31	19	0.52	1.13	17	13.97	3.28
Gainco Inc.	ASE	10.63	1.19	-24.78	18.56	9.41	494	0.04	0.38	13	2.65	4.01
General RE Corp	NYS	129.63	6.80	11.99	130.50	83.00	1305	1.88	1.45	18	46.07	2.81
Guaranty National Corp.	NYS	21.50	3.61	8.86	24.00	16.25	142	0.48	2.23	13	9.12	2.36
Harleysville Group	OTC	26.25	2.94	-7.08	32.75	20.00	168	0.64	2.44	16	16.77	1.57
Hartford Steam Boiler	NYS	49.38	-1.25	-14.50	59.88	46.50	211	2.12	4.29	24	19.74	2.50
HCC Insurance Holdings	OTC	25.75	-1.90	27.16	27.00	12.25	8	0.00	0.00	26	10.12	2.54
ITT (Hartford Group)	NYS	90.63	2.11	25.87	90.75	62.75	1072	1.96	2.16	-165	69.23	1.33
Kemper Corp.	NYS	35.50	4.03	19.83	43.00	20.75	2415	0.92	2.59	-8	37.66	0.94
Lawrence Insurance Group	ASE	5.88	-4.08	-31.88	10.13	5.50	11	0.32	5.45	-	4.66	1.26
Liberty Corp.	NYS	32.63	0.38	15.49	33.88	25.00	38	0.56	1.72	12	18.43	1.77
Lincoln National	NYS	43.50	9.09	-40.51	44.25	30.63	1157	1.52	3.49	10	58.92	0.74
Market Corp.	OTC	37.50	0.00	20.00	38.50	24.75	64	0.00	0.00	11	20.24	1.85

		Price	Weekly % change	Year to Date % change	Annual High	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
Mutual Risk Mgmt. Ltd.	NYS	43.00	8.86	6.17	46.00	30.38	137	0.28	0.65	23	7.51	5.73
NAC Re Corp.	OTC	36.00	6.67	-11.11	44.75	27.50	452	0.16	0.44	46	13.60	2.65
National Re Corp.	NYS	35.00	2.19	18.14	39.63	19.13	110	0.12	0.34	11	N.A.	N.A.
Navigator Group	OTC	32.50	0.00	0.00	35.75	28.50	2	0.00	0.00	24	15.69	2.07
Nobel Insurance LTD.	OTC	7.00	1.82	19.15	8.25	4.25	14	0.00	0.00	3	3.91	1.79
NWNL Companies	NYS	30.13	-0.82	18.43	32.44	18.13	326	0.80	2.66	12	22.94	1.31
Ohio Casualty Corp.	OTC	67.25	1.89	6.53	68.75	59.00	92	2.84	4.22	12	43.08	1.56



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