DECEMBER 11, 1989

Business Insurance®

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

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

Update

Texas judge refuses to dismiss insurance industry antitrust suit

AUSTIN, Texas—Texas Attorney General Jim Mattox expects to go to trial about a year from now with his antitrust suit against about one dozen insurance company and industry defendants.

A Texas state judge refused Thursday to grant a motion for summary judgment dismissing the antitrust suit filed last year (*BI*, March 28, 1988; Nov. 7, 1988).

State District Court Judge Peter Lowry denied the defendants' request

Continued on next page

RRA advocates hail new report from Commerce

By DOUGLAS McLEOD

WASHINGTON—Proponents of the federal Risk Retention Act are applauding a U.S. Commerce Department report on the act, while some state regulators express reservations about some of the report's conclusions.

The Commerce Department study, released last Monday, makes several recommendations for changes in the act. Most of these suggested changes mirror a Commerce Department discussion paper prepared by staff last year and are included in a bill to amend the act introduced last month by Sen. Robert W. Kasten Jr., R-Wis. (*BI*, Nov. 27; Nov. 21, 1988).

Among other things, the report recommends that Congress amend the act to provide that only one state be allowed to regulate purchasing groups and their insurers; to ensure that purchasing groups are controlled by their members rather than by insurers; and to establish minimum financial standards for purchasing group insurers.

The Washington-based National Risk Retention Assn., which has proposed some of the same changes, said it was pleased with the Commerce Department report.

The study is "terrific," said Michael Mullen, a lawyer with the Washington firm of Crowell & Moring, representing the NRRA. "It's a strong endorsement of the Risk Retention Act. It contains very constructive recommendations for modifying the act to assure effective but uniform operations."

Continued on page 38

Deals draw scrutiny of London, U.S. firms

Binding authority, reinsurance in question

By DOUGLAS McLEOD

Summit Home Insurance Co. is trying to enforce an $11.2 million default judgment against a Chicago insurance agent it accused of writing long-haul trucking business under a fraudulent binding authority.

Meanwhile, Americas Life Insurance Co. of Phoenix, Ariz., is hoping to convince Arizona regulators to lift a supervision order entered after regulators rejected Americas' request to cede accident and health business to a group of mostly offshore reinsurers.

These seemingly unrelated problems actually have a few things in common: Owners of both Summit Home and Americas were negotiating to sell their companies to a Florida corporation called Capital General Corp. when they ran into trouble.

Both insurers had been introduced to Capital General by Colin J. Youell, chief executive officer of Consortium of 89 Ltd., a London-based intermediary.

And, while sale negotiations were pending, both insurers had discussed acting as fronting companies for business that was referred by Mr. Youell and that was to be ceded to a group of mainly alien reinsurers Consortium of 89 had lined up.

Separately, Summit Home and Americas have spent months trying to correct an array of problems that followed.

Summit Home's default judgment against the Chicago insurance agent—whose license had been revoked in 1987 after he pleaded guilty to a felony charge stemming from an alleged conspiracy to ship arms to Iran—is only the latest development in a bewildering tangle of alleged fraud that has produced several lawsuits and that hastened Capital General's decision to withdraw its bid for Summit Home.

Capital General, incorporated in Florida and based in Irvine, Calif., is a holding corporation for insurance company and other acquisitions, its officers say.

Within weeks after Capital General first expressed an interest in acquiring Summit Home in April, a group of U.S. insurance agents started writing trucking and other business for the insurer under a binding authority supposedly granted by Consortium of 89, according to documents obtained by *Business Insurance* and interviews with some of those involved.

The trucking risks were to be 100% reinsured by a handful of reinsurers lined up by Consortium of 89.

Two of the U.S. agents—William R. Fowler Jr. of Chicago-based Magill Agency Inc. and John E. England of Roswell, Ga.-based International Business Consulting Ltd.—also purported to bind four other insurers as fronting companies on trucking risks in states where Summit Home was not admitted and where truckers needed proofs of insurance for state transportation regulators, documents show.

Continued on page 28

Health benefit tab rises 19% to new high

By JERRY GEISEL

WASHINGTON—Employers' health care benefit costs are increasing at a record pace, according to a new survey.

Medical and hospital benefits cost employers an average of $1,877 per employee in 1988, up 19% from $1,577 in 1987, according to the U.S. Chamber of Commerce in Washington, D.C.

That $300 per-employee increase for medical and hospital benefits is the largest the Chamber has found since it began surveying employers' benefit expenditures in the late 1940s.

Soaring health care costs were largely offset by a decrease of nearly a fifth in employers' retirement and savings plan expenses, leaving total benefit expenditures per employee up only slightly.

Last year total benefit costs, as defined by the Chamber, climbed just 0.4% to $10,750 per employee from $10,708 in 1987 (*BI*, Dec. 12, 1988).

In fact, 1988 benefit costs as a percentage of payroll dropped to 37% among surveyed employers from 39% in 1987.

The Chamber estimates that total benefit payments made by all of the nation's employers—not just those surveyed—was $891.5 billion last year, up 9.5% from $813.9 billion in 1987.

But health care costs are soaring.

Medical and medically related benefits—which include employees' and retirees' hospital and medical benefits, short and long-term disability benefits and dental and vision benefits—cost employers an average of $2,538 per employee last year, up 16% from $2,189 in 1987. That was 8.7% of payroll in 1988, up from 8% in 1987.

"These are increases that are very disturbing to employers," said Martin Lefkowitz, director of special projects at the National Chamber Foundation, the Chamber's research affiliate.

These figures are from the new Chamber survey of employers' benefit costs, its 27th since the late 1940s and the 11th since annual polls began in 1979.

The 1988 survey is based on usable responses of 932 companies with workforces ranging from fewer than 100 employees to more than 10,000. The survey was sent to 8,500 companies and 11.3% responded.

The survey lists exact per-employee expenditures for a broad cross-section of American commerce and industry.

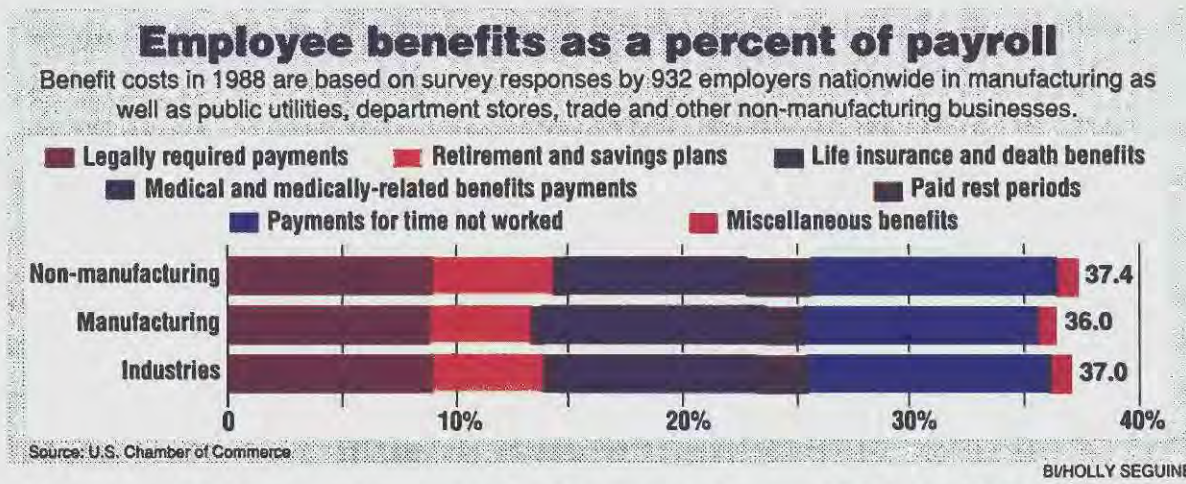
As a result, the survey is important to benefit managers, who use it to compare their companies' benefit costs to industry averages.

The most striking finding of the Chamber survey is the massive cost increases for health care-related benefits.

Looking at just medical, hospital and dental benefits, the Chamber notes that last year's $327 average increase in costs per employee to $2,052 from $1,725 is 25% more than the total employers spent per employee for health and life insurance benefits almost two decades ago. In 1969, employers spent an average of $260 per employee for health and life insurance benefits.

If the cost of life and health insurance benefits had increased at only the general rate of inflation,

Continued on page 36



Judge refuses to split pollution coverage litigation
Page 3

NAIC proposes limiting role of work comp rating agencies
Page 2

GAO study calls monitoring of insurer solvency weak
Page 2

Update

Texas antitrust case proceeds

Continued from previous page
for dismissal of the case without explaining his decision.

Insurers had asked for the dismissal on the grounds that the suit is baseless and is part of a personal attack by Mr. Mattox.

Defendants also cited the September dismissal of a similar antitrust suit in federal court (*BI*, Oct. 30).

Mr. Mattox denied that the suit is a "vendetta."

The attorney general "expects to have a scheduling order and trial date soon," a spokeswoman said. "We anticipate going to trial about a year from now."

Composite syndicates OK'd

LONDON—In an historic move, Lloyd's of London will allow syndicates to underwrite any class of business—marine, non-marine, aviation and motor—beginning in 1991.

However, as a safeguard, the Council of Lloyd's will require underwriters to join the market associations of each sector in which they wish to write business.

The decision to allow underwriters to run composite syndicates is "a major step to increase the attractiveness of the Lloyd's marketplace to Lloyd's brokers," the Lloyd's Council explained.

"The increasing tendency of clients to seek insurance cover for a wide range of risks on a single policy has been one of the major considerations leading to (the) decision."

Robert Keville, chairman of Lloyd's Insurance Brokers' Committee, welcomed the development. "It will make it much easier for brokers to place certain types of insurance at Lloyd's."

The Lloyd's Council decision will end the traditional market barriers Lloyd's implemented for motor business near the turn of the century; non-marine business in 1903; and aviation business around 1951, according to a Lloyd's spokesman. Until the turn of the century, all Lloyd's syndicates were marine syndicates.

In addition, Lloyd's is decreasing its premium capacity for the second year in a row. Next year's capacity will drop to at least 10.6 billion pounds ($16.5 billion) from 11 billion pounds ($19.9 billion at year-end 1988 exchange rates).

With at least 2,360 members expected to leave and 300 new members expected to join Lloyd's next year, total market membership will drop about 6.6% to 29,269 from 31,329. However, more than 5,000 existing names have increased their capacity for 1990.

Lloyd's Regulation Services predicted earlier this year that about 2,240 members would resign in 1990 (*BI*, Aug. 28).

Review sought of Playtex ruling

WASHINGTON—In a case that could dramatically affect which state courts can hear insurance coverage litigation, Playtex Inc. is asking the U.S. Supreme Court to review a Kansas Supreme Court decision denying Playtex coverage for $10 million in punitive damages awarded to a man whose wife died of toxic shock syndrome in 1983.

Stamford, Conn.-based Playtex is challenging the state court's authority to hear the litigation because neither the company nor its insurers are based in the state.

But, the court claimed jurisdiction over the coverage dispute because the underlying claim involved a Kansas woman who bought Playtex tampons in Kansas (*BI*, Sept. 4).

Insurance hot line launched

WASHINGTON—A first-of-its-kind toll-free hot line for commercial and personal lines insurance buyers with questions or complaints concerning property/casualty, health and life insurance will begin operations Jan. 2.

The project—the National Consumer Insurance Helpline—is being sponsored by three industry associations to help improve the industry's image, explained Richard Schweiker, president of the Washington, D.C.-based American Life Insurance Council, a sponsor.

Other sponsors so far include the New York-based Insurance Information Institute; the American Insurance Assn. and the Health Insurance Assn. of America, both based in Washington, D.C.; and the Alliance of American Insurers of Schaumburg, Ill.

The hot line will accept inquiries regarding any line of insurance, and the various industry associations will follow up on complaints about specific insurers, Mr. Schweiker said.

Licensed insurance agents cross-trained in property/casualty, health and life insurance will answer the telephones, he said.

The hot line is expected to handle roughly 100,000 calls and cost about $600,000 to operate during its first year, said Barbara Taylor, vp-consumer affairs for the III.

The telephone number has not yet been assigned.

BC/BS computer tracks doctors

CHICAGO—A computer program developed by Blue Cross & Blue Shield of Illinois will crack down on doctors who bloat fees by unbundling services into components.

BC/BS says it is the first U.S. insurer whose computers will detect such improper claims and rebundle the components.

Some Illinois physicians, primarily surgeons, have manipulated billing codes to double or triple the fees for a single procedure, the insurer says. This growing tendency by some doctors to unbundle costs Illinois residents up to $25 million a year, BC/BS estimates.

Continued on page 38

Errors and omissions

• Financial results attributed to St. Paul Reinsurance Management Corp. in the Dec. 4 issue are actually the results of the consolidated reinsurance operations of The St. Paul Cos. St. Paul Re is no longer releasing its financial results.

• Risk Engineering Inc. of Houston was omitted from the geographic index of property loss control consultants in the Nov. 20 issue.

Regulators faulted

GAO says solvency monitoring lax

By ADRIENNE C. LOCKE

WASHINGTON—State insurance regulators do not detect property/casualty insurer solvency problems early enough, according to the U.S. General Accounting Office.

Although insurance regulators use such monitoring tools as annual financial statements and field examinations, these checks are too infrequent and take too long to provide early detection of insurer solvency problems, the GAO contends in a new report.

In addition, inadequate funding and manpower has created a "serious problem" for some states attempting to fulfill their regulatory responsibilities, the GAO report asserts.

And many state insurance departments rely on some examiners who do not meet National Assn. of Insurance Commissioners standards, the GAO says.

The report also found that while states share information about multistate insurers during insolvencies, many do not keep each other fully informed and updated on problem situations early on.

"In this sequence of events, a company can have a problem for more than a year before a state regulator is aware of it," said the GAO in its report, "Insurance Regulation: Problems in the State Monitoring of Property/Casualty Insurer Solvency."

The NAIC, however, disputes many GAO findings and maintains that state insurance regulation is more effective than federal regulation.

The "utter failure" of federal regulation of savings and loan solvency points out the weakness of federal regulation and the strength of state oversight, said NAIC President Earl Pomeroy, North Dakota's insurance commissioner.

The report summarizes the GAO's routine surveillance of state insurance department actions, responses to a questionnaire sent to insurance departments of all 50 states and the District of Columbia and on-site audits of five state departments.

The GAO also extrapolated information from a 1988 NAIC survey of state insurance department operations.

The GAO study was conducted in response to an October 1987 request by Rep. James J. Florio, D-N.J., chairman of the House Subcommittee on Commerce, Consumer Protection and Competitiveness.

The GAO next will examine how states handle actual insurer insol-

Continued on page 35

NAIC mulls limiting scope of work comp rate groups

By MEG FLETCHER

LAS VEGAS, Nev.—The National Assn. of Insurance Commissioners is considering limiting the role of workers compensation rating organizations to providing insurers with only loss cost data, instead of fully developed rates that also include profits and expenses.

During its winter meeting in Las Vegas last week, the NAIC approved a two-pronged study next year of existing rate setting systems to test an NAIC working group's conclusion that permitting rating organizations to provide only rates based on loss costs would encourage increased cost and loss control service competition among workers compensation insurers.

However, some insurers and a few regulators fear that the added cost to insurers of factoring in their own profit and expense components may cause them to withdraw from the marketplace, reducing the number of competitors and the availability of workers compensation insurance.

In addition, critics of the proposal—including some regulators—fear that some workers comp insurers may reduce loss control services in an effort to cut costs in a more price competitive environment.

But a report reflecting the views of most members of the NAIC Workers' Compensation Advisory Organization Activities Working Group says that "workers' compensation insurance should not be treated differently from the other property/casualty lines with respect to permissible ratemaking activities of advisory organizations."

Advisory organizations for other property/casualty lines currently "are confined to the collection, compilation and distribution of prospective loss costs (including loss adjustment expenses), which

Continued on page 37

Claims manager pleads guilty to filing fictitious claims

By LINDA J. COLLINS

TRENTON, N.J.—A former Royal Insurance Co. of America claims manager awaiting sentencing for mail and wire fraud pleaded guilty last week to additional charges that he committed mail fraud as the New Jersey branch manager of a claims adjuster.

Ferdinand Cirillo Jr., 47, of Elmwood Park, N.J., faces a maximum 20-year prison term and a maximum fine of $1 million for submitting and approving more than $300,000 in false workers compensation claims between March 1984 and January 1988 for employees of various companies insured by Royal. Mr. Cirillo was the manager of workers comp claims for the insurer's Parsippany, N.J., office at the time.

Mr. Cirillo faces an additional maximum five-year prison sentence and $250,000 fine for admitted fraudulent acts while he was employed as the Mountainside, N.J., branch manager for Scott Wetzel Services Inc., a Bremerton, Wash.-based claims adjuster.

Continued on page 39

Inside

- A lawsuit challenges insurers' practice of classifying manic depression as a psychological rather than physical illness. **PAGE 4**
- American Airlines' approach to prefunding retiree health care benefits makes sense, says this week's editorial. **PAGE 8**
- Munich Re expects to report an increase in profits for fiscal year 1989/1990 despite the recent slew of disasters. **PAGE 17**
- The 1990s will see government involvement in insurance and expansion of alternative risk financing, a panel predicts. **PAGE 20**
- Roxani Gillespie says she will not enter the race for California's next insurance commissioner. **PAGE 21**
- In Perspectives, consultant F. Pierce Noble says that due to tax reform, pension projections may show a lower projected benefit than expected. **PAGE 23**
- In Perspectives, consultant James G. McDonald provides an overview of a successful industrial injury program. **PAGE 24**
- Delta America Re Insurance Co. stands to collect at least $12.3 million awarded in a judgment against its former parent. **PAGE 39**

Departments

Advertiser index 30
Around the states 21
Ask a risk manager 25
At issue 14
Benefit beat 6
Classifieds 34
Comings & goings: industry 15
Datebook 30
Info 34
Insider trading 37
Insurance services guide 35
Legal briefs 25
Letters 8
London 11
Markets 13
Opinions 8
Perspectives 23
Products & services 18
Washington 10

Vol.23, No.50—*Business Insurance* (ISSN 0007-6864) is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 313-446-1611. Copyright 1989 by Crain Communications Inc.

Insurers lose battle to split DuPont case

By STACY ADLER

WILMINGTON, Del.—The insurers litigating with E.I. DuPont de Nemours & Co. over coverage for the cost of cleaning up 12 hazardous waste sites may yet conquer, but they will no longer divide.

A trial court has ruled that the chemical giant can press its claims against more than 100 domestic and foreign insurers in comprehensive litigation in Delaware, rather than before courts in several states, as insurers wanted.

Insurers lost the battle to litigate separately in states where dump sites are located when Delaware Superior Court Judge Vincent J. Poppiti defeated a motion to dismiss Nov. 21.

Judge Poppiti rejected insurers' claims that consolidating litigation in Delaware, home to only one of 12 disputed waste sites, would cause great inconvenience.

Wilmington, Del.-based DuPont is suing more than 50 domestic insurers, several underwriters at Lloyd's of London and more than 50 foreign insurers.

An attorney representing several of the insurers said they will not appeal.

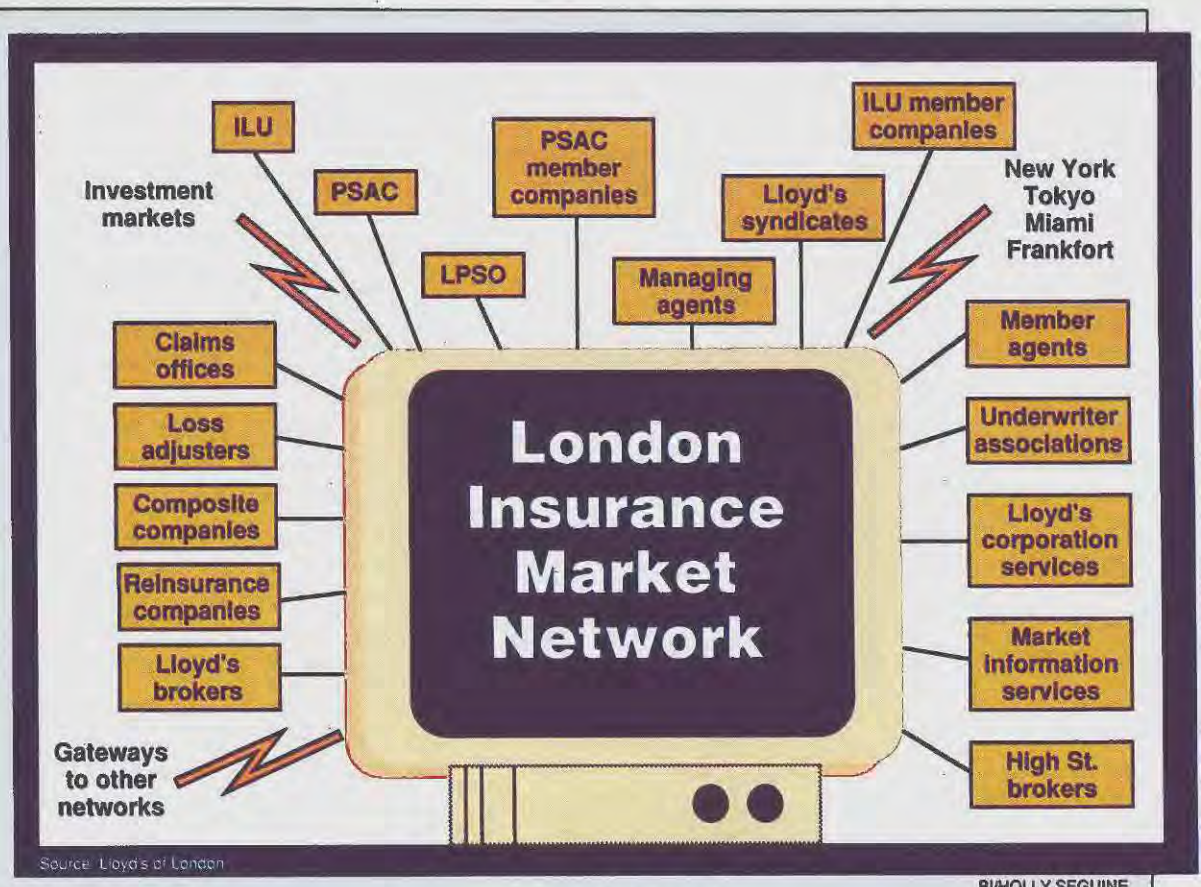
DuPont attorney William Greaney said: "This decision continues a recent trend on the part of courts toward accepting their responsibility to adjudicate these disputes in a comprehensive fashion.

"The decision sends a strong message that the judiciary is ready and able to adjudicate these cases," said Mr. Greaney of Covington & Burling in Washington, D.C.

The ruling noted that judges in other massive insurance coverage battles—including the litigation between Pittsburgh-based Westinghouse Electric Corp. and more than 140 property and liability insurers—rejected site-specific litigation, in favor of comprehensive adjudication.

In the Westinghouse case, a New

Continued on page 26



BI/HOLLY SEGUINE

Clients will benefit from LIMNET: Survey

By CAROLYN ALDRED

LONDON—A computer network linking brokers and underwriters in the London market will improve the quality of services offered to policyholders, London market executives agree in a recent survey.

In addition, the London Insurance Market Network—a centralized computer network that eventually will link virtually all brokers and underwriters throughout the London market—also will radically change trading methods within London's insurance market, predict respondents to the recent survey conducted by the accounting firm Ernst & Young in London.

For example, many market executives believe that the number of brokers scurrying through London's financial district clutching files of risk and claims information to show underwriters will drop dramatically.

However, "most respondents believe that the most significant long-term impact of LIMNET and other (computer) networks on the London Market will be an increased overall efficiency leading to improved service" for insurance buyers, said Ernst & Young.

The survey, titled "The Impact of LIMNET and Other Network Services on the London Insurance Market," was compiled by the accounting firm from the responses of 105 underwriting and brokerage organizations. Thirty-eight brokers, 24 London market reinsurance companies, 23 Lloyd's of London underwriters and 20 London company market insurers responded.

Of the survey respondents, nearly two-thirds—63%—already are connected to LIMNET, while more than 80% of those not yet connected expect to be on-line by the end of 1990.

LIMNET, proposed in 1987, will, among other things, allow the rapid electronic transfer of information and money throughout the London market, changing the way business currently is transacted in London (*BI*, Oct. 17, 1988; March 2, 1987).

Nearly three-quarters of the survey respondents—72%—predict that the introduction of LIMNET will increase the attractiveness of the London market to overseas policyholders.

For example:

- 75% of respondents predicted that the overall efficiency of the London insurance market will increase, leading to improved service for policyholders, while 8% disagreed.
- 69% think LIMNET will reduce the costs of servicing policyholders.
- 69% feel LIMNET will enable claims to be paid faster.
- 41% agreed that competition between underwriters will increase, while 29% disagreed.
- 36% agreed that competition among brokers will increase, while 25% disagreed.
- 26% agreed that new products and services will be developed, while 41% disagreed.
- 38% agreed that new distribution channels will be created, while 26% disagreed.

And, about 50% expect that LIMNET will enable

Continued on page 27

Former criticism called undeserved

Texas rebuilds regulatory unit

By MICHAEL BRADFORD

AUSTIN, Texas—New Texas insurance regulators are slowly rebuilding the State Board of Insurance after it was shattered by a huge insurer insolvency, an outside investigation and numerous resignations of board members and staff.

The agency's reputation took a beating from legislators who charged former Texas insurance regulators with mismanagement in the wake of last year's failure of National County Mutual Fire Insurance Co., the largest insolvency of a Texas property/casualty insurer.

But now, after all of the embattled regulators have left the agency, some observers say that they did not deserve much of that criticism.

They also say that the new board, despite its lack of insurance background, is showing strong leadership by implementing such new regulations as an early detection system for insurer insolvency.

A significant hitch remains, however, because State Board Chairman Paul Wrotenberry plans to resign March 1 to lobby for reforms of the board and the Texas insurance regulatory system. This leaves a leadership void at a time the agency needs it most, some observers say.

The board still has much work ahead of it to repair its image, acknowledges Kay Doughty, public counsel in the board's Office of Consumer Protection.

"I think one of the things they've got to do is generate public trust, which was definitely injured badly by the actions, or inaction, of last year," Ms. Doughty said.

Continued on page 31

Judge grants demand for policy history

By STACY ADLER

NEW YORK—Liberty Mutual Insurance Co. is contesting a federal judge's order to disclose materials related to the drafting history of the comprehensive general liability policy.

U.S. District Judge William C. Conner Nov. 16 found the drafting history "clearly germane" to product liability coverage litigation between Stamford, Conn.-based Champion International Corp. and Boston-based Liberty Mutual.

Judge Connor indicated he was motivated, in part, by a letter from a Champion attorney alleging that Liberty Mutual had itself requested drafting documentation in an unrelated 1982 insurance coverage case.

However, in requesting reargument last week, Liberty Mutual characterized the judge's reliance on information related to the 1982 case as improper and said that such information does not reveal any inconsistent behavior on the part of the insurer.

In his decision, Judge Connor said: "Although Champion may be unable to prove that defendants made representations which conflict with the plain meaning of the policy's coverage, the court must allow Champion to try."

Champion's position reflects a new legal tactic used by policyholders to sway courts in their favor: revealing inconsistent insurance company behavior (*BI*, Sept. 25).

The tactic was pioneered by policyholder attorney Eugene Anderson, whose firm—New York-based Anderson, Kill, Olick and Oshinsky—remains a leading practitioner as it argues for Champion.

"I invented the inconsistent positions theory," said Mr. Anderson, who added that he has been collecting insurer briefs for more than five years.

Charging insurers with inconsistencies 'is a desperation tactic,' said insurer attorney Mr. Brunner.

A few other law firms—including Covington & Burling in Washington, D.C.—have stirred the ire of insurer attorneys by following Anderson Kill's lead.

"This is a desperation tactic," said insurer attorney Thomas Brunner of Wiley, Rein & Fielding in Washington, D.C., referring to the policyholder strategy of charging insurers with inconsistent behavior. "Insurers have been winning these coverage disputes, and this is the policyholder's response."

He dismisses the inconsistent positions argument as "pure hokum."

In fact, some courts are ruling the material irrelevant, said Mr. Brunner, including the 8th U.S. Circuit Court of Appeals, which threw out a brief by Anderson, Kill discussing alleged insurer inconsistency in another case.

In most cases "where these issues are raised, the material is thrown out," said attorney Kirk Nahra, also of Wiley, Rein & Fielding.

Liberty Mutual attorney Peter J. McKenna of Skadden, Arps, Slate, Meagher & Flom in New York would not comment on the litigation.

However, policyholder attorneys maintain that insurers should be bound by any previous statements they have made regarding the meaning of standard form liability policies.

Having previously said many of the now-disputed claims were covered, insurance companies realized the "magnitude of the problem" and changed their positions, said David W. Steuber of Paul, Hastings, Janofsky & Walker in Los Angeles.

Mr. Steuber labeled this behavior a "bad-faith switch."

"Insurers have a quasi-fiduciary if not a fiduciary duty to act in good faith," said Nicholas Zoog-

Continued on page 37

Coverage suit raises ERISA issues

Manic depressives seek full cover

By STACY ADLER

CHICAGO—A lawsuit challenging the insurance industry's classification of manic depression as a psychological rather than a physical illness is now being pressed in federal court.

The suit, which seeks class-action status, was moved by insurers from state court to federal court because it raises issues governed by the Employee Retirement Income Security Act of 1974 (*BI*, Oct. 2).

"A lawsuit involving ERISA claims is appropriately dealt with under federal law," said a spokesman for Travelers Corp., one of the named defendants.

"ERISA opens some doors that might not have been available under state common law," said plaintiffs' attorney Robert Gettleman, a partner in D'Ancona & Pflaum of Chicago.

The lawsuit seeks unspecified compensatory damages from two units of Hartford, Conn.-based Travelers Corp.: The Travelers Insurance Co. and Travelers Insurance Co. of Illinois; New York-based Guardian Life Insurance Co. of America; and Chicago-based Blue Cross & Blue Shield of Illinois.

The lawsuit seeks increased health insurance benefits for all of the insurers' policyholders nationwide suffering from manic depression who have received reduced insurance benefits.

Between 1% and 2% of the population suffers from manic depression, according to the suit filed Dec. 4 in the U.S. District Court for the Northern District of Illinois.

Almost all insurers provide less coverage for health care claims stemming from psychological disorders than for claims involving physical disorders.

For example, Travelers Insurance Co. of Illinois pays only 50% of the costs of covered mental health care claims, including those related to manic depression. On the other hand, the insurer pays 80% to 90% of claims for physical ailments.

The plaintiffs allege that classifying manic depression as a psychological disorder is unlawful and contrary to modern medical opinion.

The National Depressive & Manic Depressive Assn. in Chicago, a nationwide non-profit organization that represents those suffering from the illness, joined the lawsuit.

Mr. Gettleman said settlement discussions are ongoing with the insurers.

The revised lawsuit also alleges that the insurers, acting as welfare plan trustees, have violated ERISA by failing to clearly state in summary plan descriptions that manic depression—also known as bipolar affective disorder—is not classified as a physical illness.

Section 102 of ERISA states that the summary plan descriptions must disclose conditions pertaining to eligibility to receive benefits and circumstances that may result in denial of any benefit that a participant might reasonably expect to be covered.

The insurers "intentionally concealed" that they "followed a practice of limiting or refusing to pay claims for the costs of covered medical and hospital care and other treatment for bipolar affective disorder on the basis. . .that such care was for a mental illness or condition," the suit says.

Because the plaintiffs are alleging ERISA violations, the judge could award up to $100 in fines for each day the insurers were found in violation of the law.

In addition, the Department of Labor has the power to levy an additional penalty for ERISA violations involving fiduciary duties, which may be applicable to this case.

However, the far more potent demand of the lawsuit lies in its request for a permanent injunction preventing the insurers from classifying manic depression as a mental illness.

"Clear modern medical opinion regards bipolar affective disorder as a physical or biological illness," according to the lawsuit.

By refusing to treat manic depressive claims as medical claims, the insurers are guilty of "arbitrary" and "capricious" behavior, according to the suit.

'Manic depression may be the first domino to fall,' says Henry Saveth of A. Foster Higgins.

"Manic depression may be the first domino to fall," said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

"The medical community believes much—if not all—mental illness derives from physical causes," he said.

If insurers are forced to cover manic depression as a physical illness they could be forced to treat all mental illnesses as physical, he explained.

"The costs would be enormous," said Mr. Saveth.

Guardian attorney Terence Lynch said he believes the insurers will win the lawsuit.

"The treatment received by the plaintiffs is properly subject to mental limitations notwithstanding it may be caused by a genetic or hereditary dysfunction," said Mr. Lynch, second vp-litigation counsel at Guardian.

"Limitations are related to the type of treatment and not the cause of the ailment," he said.

Furthermore, the practice of classifying claims stemming from manic depression as mental illness claims is virtually universal, he pointed out.

A spokesman for Blue Cross/Blue Shield of Illinois says the insurer has not yet been served with the lawsuit and would not comment.

•

John Doe vs. Guardian Life Insurance Co. of America, The Travelers Insurance Co. of Illinois, The Travelers Insurance Co., and Health Care Service Corp., doing business as Blue Cross & Blue Shield of Illinois, U.S. District Court for the Northern District of Illinois; No. 89 C 7955.

Finding D&O carriers isn't a problem.

Finding them after filing a claim is a different story.

When it comes to writing policies and collecting premiums, you'll find plenty of companies eager for your business.

But when it comes time to cover a loss, it's surprising how many would like to bury their heads in the sand.

At Great American Insurance, we approach claims handling with the same tenacity as we approach a prospective customer.

We respond quickly. We cooperate with our customers. And we know how to deal with complex legal issues.

So we can expedite claims without wasting your time and your client's patience.

If you're looking for a D&O carrier who doesn't lie down on the job, then we'd like to talk with you. Call (708) 330-6750, or write Great American Insurance Companies, Executive Liability Division, P.O. Box 66943, Chicago, IL 60666.

We'll help you find your place in the sun.

GREAT AMERICAN®
INSURANCE COMPANIES

In the face of rising health costs, Stearns remains buoyant.

Stearns Manufacturing Company, the nation's largest producer of personal flotation devices, works hard to control rising health-care costs. One way this St. Cloud, Minnesota, company does that is by working with Wausau on group health coverage.

"Without innovative thinking and the close working relationship we have with Wausau, having good health care at a competitive price just wouldn't be possible," says Roger Notch, Vice President of Human Resources at Stearns.

"Together, we're determining ways to help control costs. We've implemented ergonomic studies and employee-wellness programs. Today, our employees are healthier and our costs are being contained."

At Wausau, we realize our group health coverage can't always turn the tide of rising health-care costs. But, with our help, you can stay on top of them.

WAUSAU INSURANCE

Wausau Insurance Companies, 2000 Westwood Drive, Wausau, Wisconsin 54401 Telephone (715) 845-5211 A Member of the Nationwide® Group.

Chevron ESOP to fund savings plan

By MICHAEL SCHACHNER

Benefit beat

A new $1 billion leveraged employee stock ownership plan will fund Chevron Corp.'s existing profit sharing/savings plan.

Chevron will borrow $1 billion over a 15-year period from several yet undetermined banks to purchase approximately 17 million outstanding shares of Chevron common stock, according to Steve McLennan, manager-investor relations for the San Francisco-based oil and gas company.

The purchase will give the ESOP about 16% ownership in the company, Mr. McLennan said.

The stock issue will be held by an ESOP trust and will be allocated to individual employee accounts beginning in May 1990, when the company would normally make its profit sharing distribution for the first quarter of 1990.

The move follows congressional passage last month of budget reconciliation legislation that retains tax deductions on dividends paid by corporations on shares held by ESOPs.

Prior to creation of the ESOP, Chevron made cash contributions to the profit sharing/savings plan that were used to finance open market purchases of Chevron common stock.

Under Chevron's profit sharing/savings plan, employees may make pretax contributions of up to 2% of salary to the plan.

Chevron then contributes 2% of its pretax earnings, which is greater than a 1:1 match, according to Mr. McLennan.

Allocations to individual accounts are based on the amount employees contribute to the savings plan.

Chevron common stock last week was trading at $70.875.

Early retirement plan

About 6,000 managers at U.S. West Inc. are eligible to receive enhanced pension benefits under a voluntary early retirement plan designed to cut payroll at the regional telephone company.

U.S. West will add five years of age and five years of service to the defined benefit pension calculation for managers opting for the program, who must be at least 45 years old and have 20 years of service.

In addition, the company will increase the managers' pension benefits by 15% for the first five years of retirement or until the retirees reach age 65, whichever comes first, said a spokesman for the Englewood, Colo.-based company, one of the so-called Baby Bells.

And, U.S. West will waive the pension benefit discount that the company normally imposes on employees who opt for early retirement before age 55. The normal discount is 0.5% for retirees with fewer than 30 years of service and 0.25% for those with more than 30 years of service.

Under the early retirement plan, pension benefits will nearly double for the first five years of retirement for managers who are 60 years old or younger, according to U.S. West.

For example, without the discount waiver and the 15% benefit enhancement, a 50-year-old employee with 25 years of service who earned $40,000 on average in each of the last five years of service would receive a monthly pension benefit of $740.

However, under the enriched plan, the same employee would be credited with benefits for a 55-year-old with 30 years of service. With the 15% benefit increase, the monthly pension benefit would be $1,470 for the first five years after retirement and $1,280 from then on.

U.S. West's defined benefit pension plan, which does not require any employee contributions, will fund the 15% pension benefit increase.

To receive the benefit enhancements, managers must accept the terms of the offer before Jan. 31 and must be off the company payroll prior to Feb. 28, the spokesman said.

U.S. West President Dick McCormick said the early retirement plan will help the company "reduce costs and continue to streamline" operations.

Mr. McCormick could not predict how many of the 6,000 eligible managers would take the offer, but he noted that other companies that have offered similar incentives have commonly seen about 30% accept the offer.

In addition, U.S. West is offering 14,000 more managers the opportunity to take early retirement with five years of age and service added to their defined pension benefits calculation. However, these managers, who must be fully vested in the pension plan, are not eligible for the discount waiver or the 15% benefit increase. The U.S. West defined benefit pension plan has a five-year vesting schedule.

The bulk of U.S. West personnel eligible for the early retirement offers are employed in the U.S. West Communications unit, but the plan also is being offered to employees of U.S. West Inc.; U.S. West Business Resources Inc.; the U.S. West Information Technologies Group; U.S. West Marketing Resources Group Inc.; and U.S. West Direct.

U.S. West has telephone and communications operations in 14 Western states.

Long-term care

The number of employers offering long-term care insurance has more than tripled so far in 1989 to 35 from 11, according to a recent survey by the Health Insurance Assn. of America.

However, the survey by the Washington, D.C.-based trade association of 350 commercial health insurers found that the bulk of the long-term care policies are sold directly to individuals. Only 3% of all policies written in 1989 were employer-sponsored, and only 8% were sold through group associations, according to the survey.

The remaining 89% were obtained by individuals, and less than 1% of all long-term care policies were sold as riders to life insurance policies or through continuing care retirement communities.

Of the 35 employers that offered long-term care insurance, only the Ford Motor Co., in association with the United Auto Workers, picked up any of the cost of the coverage (*BI*, March 27). All other plans were entirely employee-paid.

Free copies of "The Consumers Guide to Long-Term Care" may be obtained by writing: Health Insurance Assn. of America, P.O. Box 41455, Washington, D.C. 20018. ■

McGEE INSURES ALL SIZES

Hardware...Software...Accessories...Owned...Leased...Transportation. Every policy custom-molded to the individual need. *We know how because we've been doing it since 1964.*

If you have a client who has a computer—*SEE McGEE*

WORLDWIDE INSURANCE COVERAGE FROM

wm. H. McGEE & co., inc.

UNDERWRITING MANAGERS SINCE 1887

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

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

Correspondents throughout the world

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

Beware of rabbits.

If solutions could be pulled out of a hat, you could be sure of one thing. Everybody would have one.

That's particularly true with pensions. Where things have become so complex, few providers offer the full range of administration, record-keeping and investments needed to operate a successful 401(k) or retirement plan.

Which brings us to the CIGNA companies.

We have the nation's largest network of sales and service specialists whose sole responsibility is to fulfill retirement plan needs.

Which means our people can be more knowledgeable about your program.

And how it will be affected by changing financial conditions and regulations.

What's more, they work out of local offices, not ivory towers. So they're available when you need them. Bottom line: From plan design to implementation and ongoing management, we achieve the kind of results that have kept our client and asset retention rates consistently over 93%.

For information, write Group Pensions, Dept. RE, 1600 Arch St., Philadelphia, PA 19103. You'll discover we have a lot of answers in our briefcase. And absolutely nothing up our sleeve.

We get paid for results.℠ CIGNA

Opinions

Facing a problem head-on

AT LEAST ONE major employer is intelligently confronting the problem of rising retiree health care costs and liabilities.

American Airlines Inc., a Fort Worth, Texas-based subsidiary of AMR Corp., will require about half of its active employees to make a contribution toward the cost of their retiree medical care benefits (*BI*, Dec. 4).

Employees who opt out of the prefunding plan, which begins in January, will not receive medical benefits under American's retiree medical care plan when they retire.

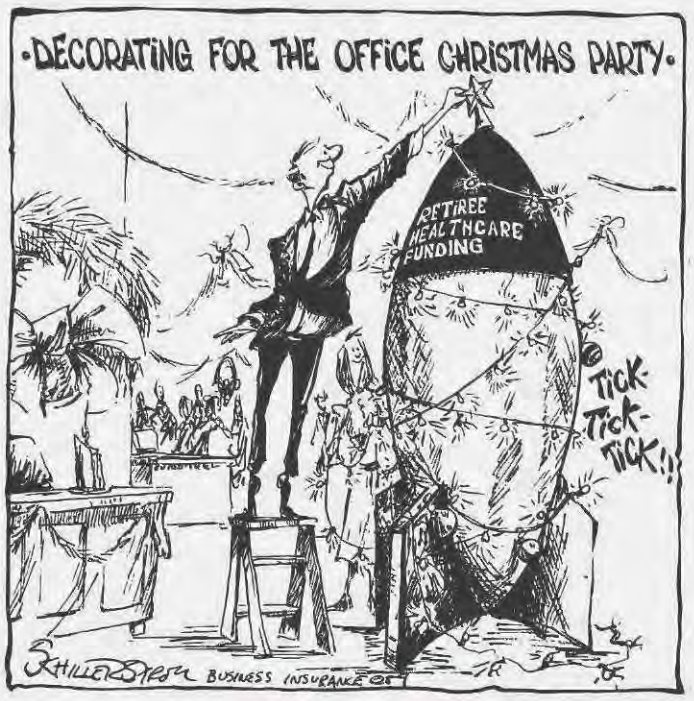
American adopted the prefunding plan after determining that it could not afford to shoulder the full burden of paying for retiree health care benefits. American estimates that without cost sharing changes, its retiree health care liabilities eventually could approach $800 million.

While many companies now require retirees to pay a portion of the premium for health care coverage, American is one of the first to require employees to share in the cost of funding health care benefits they will receive in the future.

The prefunding approach makes a lot of sense. Generally, active employees will be better able to afford to make health care contributions than retirees. At the same time, prefunding will help assure that funds will be available to pay for health care benefits when employees retire.

Sadly, though, many employers still have yet to take stock of the mountain of retiree health care bills they one day will have to pay.

Just 19% of employers recently surveyed by TPF&C, the benefits consulting division of Towers, Perrin, Forster & Crosby Inc., were able to measure



the impact proposed Financial Accounting Standards Board rules on recognizing the costs of retiree health care programs would have on their net earnings or net worth.

If a company doesn't know the extent of its retiree health care liabilities, how will it know whether it will be able to afford the promises it has made to its current and future retirees?

As we have said before, retiree health care liabilities are ticking time bombs. Companies that prepare for the future now by designing health care plans that they truly can afford will defuse those bombs before they can go off.

Letters

'New Start' would limit victims' rights

To the editor: I read with interest the editorial regarding "Project New Start" (*BI*, Nov. 20). From my perspective, this project is an idea whose time has come. . . and gone.

Your support appears to be no more than a front for the industry's imposition of unfair and unconstitutional limitations on the rights of people who are injured to recover adequate compensation.

For example, although a review of jury verdicts, at least in Ohio, indicated that as much as 60% to 75% of such verdicts compensate for non-economic damages, the best the industry can project for rate reductions under the "no-fault" system proposed by New Start is, at best, 30%. How can this be? How can it be that the elimination of one-half to three-quarters of the potential losses payable on a jury verdict or settlement can result in only a maximum 20% to 30% rate reduction?

Moreover, when the average person buys insurance, cost is as much, or more, a factor in that person's mind than the relative perceived improbability of the risk of a very serious and permanent injury. There is no doubt, based on studies of consumer risk perception, that the consumer is woefully unable to make an adequate evaluation regarding the potential for serious injury or death and the resultant loss of enjoyment of life and other non-economic damages that would be suffered as a result.

No doubt this accounts for the statement noted in the opinion that 99% of one insurance company's policyholders choose the limited no-fault option in the state of Kentucky.

The industry, I am sure, is no doubt aware that almost every consumer would buy the limited "no-fault" option because most consumers simply are not aware of the extraordinary impact that serious and permanent injuries would have on their entire lives. In short, those people who suffered severe injuries, the risk of which they could not adequately assess when buying the policy, would find themselves contractually cut off from obtaining adequate awards. From a legal standpoint, I seriously doubt that, at least under Ohio law, the scheme proposed could stand a constitutional scrutiny.

Taking away the right of a "tort-system" policyholder to bring a lawsuit before a jury in a civil case and substituting instead an arbitration-type system against that person's own insurer would violate several provisions of the Ohio Constitution.

Moreover, the statement that there is precedent for authorizing an employer to waive the right of the employee injured by another driver to seek civil damages is way off the mark. The no-fault system of workers compensation is predicated upon the idea that the employee has given up the right to bring a suit against the employer in exchange for the right to be compensated for any injury by the employer, notwithstanding the employer's fault. That is a far cry from allowing the employer to involuntarily preclude the employee from seeking adequate money damages from a culpable third party. Again, this part of the scheme would clearly violate constitutional provisions at least in Ohio.

But finally, the editorial expresses the opinion, long-held by the insurance industry, that has effectively thwarted the industry's efforts to arbitrarily cut off victims' rights. That expression is found in the comment that there should be a change in the "prevalent" attitude of people that "compensation for economic damages is not sufficient." Of course, this is only confirming the position of the insurance industry that economic damages should be sufficient.

The reason why the New Start initiative will fail is, ultimately, not because of constitutional concerns or, necessarily, because of the unfairness of the proposals themselves. The reason it will fail, as have most of these initiatives, is that the perception and attitudes of the industry run counter to 1,000 years of Anglo-American law. God help America when it is "sufficient" to prevent culpable individuals and corporations from paying for the enormous suffering that is every year caused in this country.

There are, perhaps, many things wrong with today's tort system. Reasonable people may differ as to the means for correcting some of those deficiencies. But it is neither a wise industry position nor is it reasonable to propose such an initiative or expect such an initiative to become law in these United States.

Michael Garth Moore
Attorney
Columbus, Ohio

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill., 60611.

Insurers should offer one policy to cover sick, injured workers

To the editor: The Nov. 27 issue of *Business Insurance* carried an article, "California Panel Suggests Merging Health, Comp Plans," about a California Senate committee that is recommending the blending of workers compensation, disability and group health insurance. These coverages would be merged into a new mandated state-run insurance pro-

Continued on page 10

Business Insurance®
Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki *(New York)*

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

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

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

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

Published by Crain Communications Inc., Chicago

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

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

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

VBPA Member of Business Publications Audit of Circulation ABP

Get a Grip on Specialty Risks

Call the underwriting pros at General Star today for primary and excess liability and property coverage.

GENERAL STAR℠

- *Market Stability*
- *Financial Strength*
- *Underwriting Quality*

General Star Management Company, Stamford, CT • Specialty underwriting for primary and excess risks through appointed surplus lines brokers
New York (212) 770-0150 • Chicago (312) 207-5400 • Hartford (203) 297-4100 • Los Angeles (213) 383-7734 • Stamford (203) 328-5700

© General Star Management Company 1989

A member of **General Re Group**

Cargill faces 146 safety charges

By ADRIENNE C. LOCKE

Washington

WASHINGTON—The U.S. Labor Department has proposed $754,000 in fines against Cargill Inc. of Minneapolis for 146 alleged willful and other violations at its California, Mo., turkey processing plant.

Cargill also was cited in October for violations involving cumulative trauma disorders at its Buena Vista, Ga., chicken processing plant (*BI*, Nov. 13).

The most recent alleged serious violations—which are those that have a possibility of causing serious injury or death—include:

- Safety violations involving building exits, personal protective equipment, dispensing of flammable liquids, lack of training, use of compressed air, machine guarding and electrical and hazard communications.

In addition, the company was cited for alleged willful violations that include:

- Failure to provide a safe and healthful workplace. Employees were required to work in an environment that made them susceptible to CTDs, and had delayed access to medical care for early treatment of the disorder.

Other alleged violations include:

- Failure to provide proper access to medical records, safety devices on industrial trucks, and machine guarding.
- Repeatedly violating electrical and machine guarding standards.

Cargill has already contested the fine before the Occupational Safety and Health Review Commission.

Fines proposed

Eastern Technologies Ltd. faces $172,000 in fines for numerous alleged job safety and health violations at its North Andover, Mass., storage tank manufacturing plant.

Most of Eastern Technologies' alleged violations breach basic health and safety standards, OSHA said.

Alleged serious violations of the general duty clause—hazards that have a probability of causing serious injury or death that an employer should have known about—include failure to:

- Provide employees with remote operation protection.
- Ensure proper grounding and bonding of equipment used to make explosives.
- Regularly clean equipment used to make explosives, and to properly identify equipment for maintenance.
- Run electrical power lines underground the required distance from magazines and buildings.

Alleged willful violations of the general duty clause include:

- Storing more explosives than necessary for the current operations and exceeding building limits.
- Allowing employees to work in a confined space without the proper safety procedures.
- Failure to ensure daily testing of shoes for conductivity.
- Failure to meet table of distances for explosives operation.
- Failure to ensure that employees wear appropriate clothing to prevent the hazard of static electrical discharge.

Alleged willful violations of the general industry standards include failure to:

- Properly store Class B explosives.
- Keep area around the storage magazines free of debris.
- Properly train employees in advanced firefighting and to properly protect employees engaged in advanced firefighting.
- Develop and implement a written detailed program on the proper use of a self-contained breathing apparatus.

Eastern Technologies has until Friday to contest its fines before the independent Occupational Safety and Health Review Commission. ■

Letters

Continued from page 8

gram.

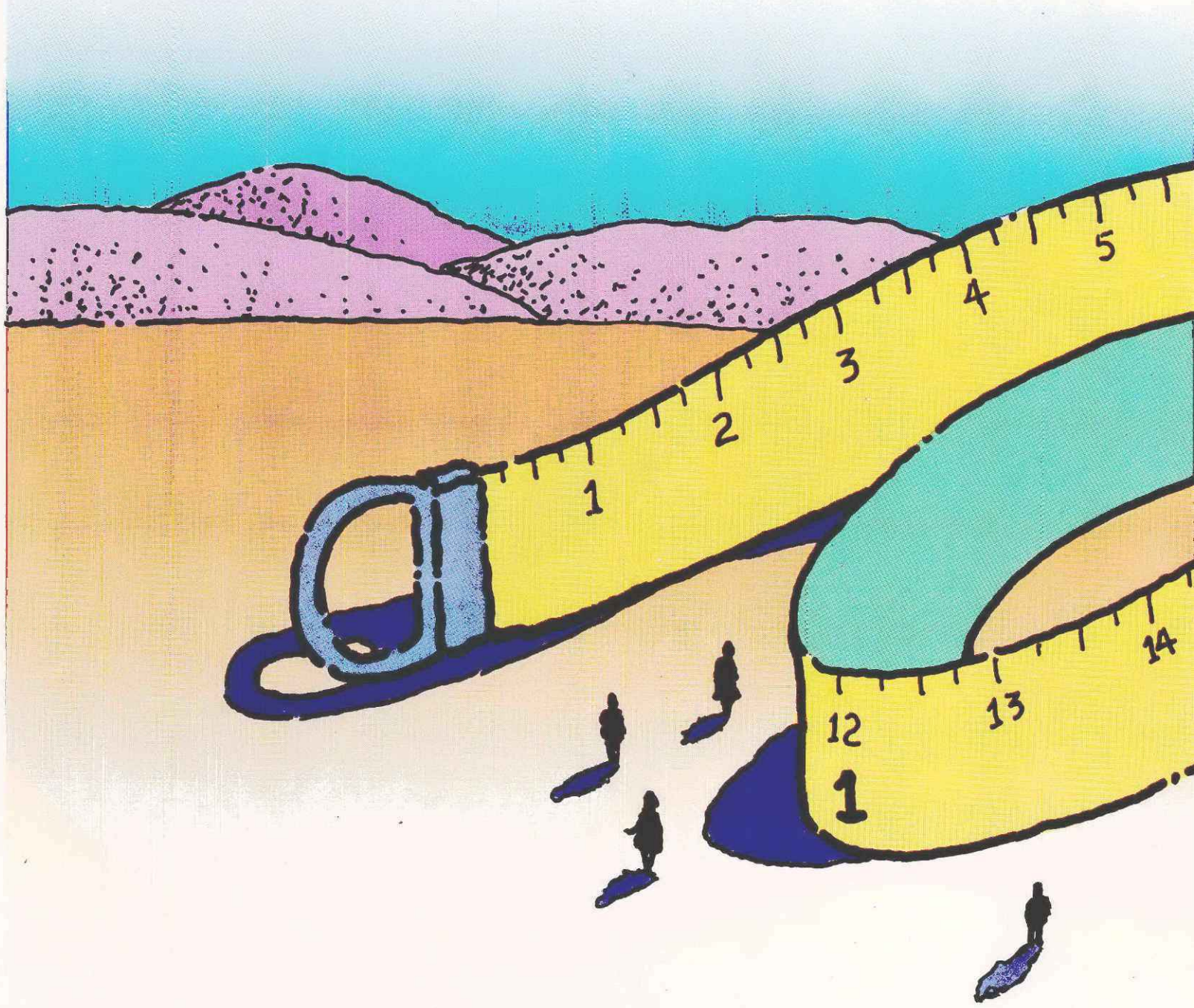
While I am not in total agreement with the idea of another mandated state-run insurance program, the idea of a combined workers' compensation/group health and disability insurance product has real merit. This is not a new idea. It has been advanced a number of times over the past few years with little headway being made. Opponents frequently cite a number of technical aspects that would have to be resolved before such a program could be implemented.

I believe that now is the time to change that. This industry has been devoid of innovation for too long. Granted, this concept will require changes; however, there are a number of benefits to be derived from this integrated product, not the least of which would be improved delivery of benefits to employees. If properly designed, it should also provide an excellent cost containment vehicle to employers.

I applaud the California Senate Committee that had the farsightedness to recommend this bold step. The insurance industry must now respond, in a timely manner, with a product worthy of its best efforts. If not, I fear we will have another mandated state-run insurance program.

Michael J. Moody
President
Hinz Consulting Service Inc.
Chicago

We tailor policies to fit.



Survey reveals LMX catastrophe spiral

By CAROLYN ALDRED

London

LONDON—Statistics from the Reinsurance Offices Assn. reveal the startling impact catastrophic losses have on the London excess-of-loss reinsurance company market.

Figures from London market reinsurance company members of the ROA for 1988 show gross losses from the destruction of the North Sea Piper Alpha oil platform in July 1988 totaled 414 million pounds ($749.3 million at year-end 1988 exchange rates).

However, net losses totaled just 42 million pounds ($76 million), about one-tenth of gross losses.

Similarly, gross losses stemming from Hurricane Gilbert, which devastated Jamaica in September 1988, totaled 122 million pounds ($220.8 million) for the responding reinsurers.

However, net losses were 47.9 million pounds ($86.7 million), about 39% of gross losses.

Gross 1987 losses arising from the windstorm that swept through Southwestern Europe in October 1987 totaled 183 million pounds ($344 million at year-end 1987 exchange rates), while net windstorm losses totaled 58 million pounds ($109 million), or 31.7% of gross losses.

The windstorm also produced gross losses in 1988 of 375.6 million pounds ($679.8 million at year-end 1988 exchange rates), while net losses totaled just 85.5 million pounds ($154.8 million), or 22.8% of gross losses.

"The LMX spiral, where gross losses get bigger and bigger" causes the difference between levels of net and gross losses from catastrophes, said Graham Lyons, the company actuary for CNA Reinsurance of London Ltd. and a member of the ROA's Statistics Sub-Committee.

The booklet, which contains 44 pages of charts and figures, is the third annual collation of London Reinsurance Market Statistics.

Copies of "Reinsurance Statistics 1982-1988" are 20 pounds ($31.24) each from the Reinsurance Offices Assn., Aldermary House, Queen St., London EC4N 1ST.

Lawrence re-elected

The Council of Lloyd's of London last week re-elected Murray Lawrence chairman of Lloyd's for a third successive year, to commence Jan. 1.

Mr. Lawrence, a former underwriter, is senior partner of underwriting agency Murray Lawrence & Partners.

The Council also elected Colin Murray senior deputy chairman of Lloyd's, succeeding David Coleridge.

Mr. Murray, formerly junior deputy chairman, is chairman of Lloyd's underwriting agency R.J. Kiln & Co. Ltd. Mr. Coleridge, who remains a Council member, is chairman of Sturge Holdings P.L.C.

Alan Jackson was elected junior deputy chairman. Mr. Jackson is a Lloyd's marine underwriter and deputy chairman of Wren Underwriting Agencies Ltd.

NCC forms new unit

Lloyd's of London broker Nicholson Chamberlain & Colls Ltd. has formed a new subsidiary that specializes in placing crime and terrorism coverages.

Nicholson Chamberlain Colls Special Risks Ltd. "will specialize in esoteric crime/terrorist insurance covers, notably product contamination and kidnap and ransom" coverages, the broker announced.

Jeffrey Green, formerly a director of Hogg Robinson & Gardner Mountain P.L.C.'s special risks division, will serve as chairman of the new subsidiary. Peter Dobbs, formerly a special risks underwriter for American International Underwriters (U.K.) Ltd. in London, has been appointed managing director.

"The demand for insurance in this area is growing, and we are delighted to have recruited Jeffrey Green and Peter Dobbs who have had many years' experience in this class of business," said NCC Chairman Alan Colls.

In addition to the new subsidiary, NCC has six other specialist operating subsidiaries, which focus on North American property and casualty business; aviation insurance; aviation reinsurance; financial institutions; non-marine insurance; and bank credit insurance.

British insurer expands

London-based credit and political risk insurer Pan Financial Insurance Co. Ltd. is branching out overseas.

The company has opened a New York office to further tap the North American market.

Meanwhile, it also is seeking licensing as an underwriter in West Germany, said Marketing Director Arthur J. Mannings.

Pan Financial U.S. Inc. in New York initially will specialize in insolvency catastrophe insurance, according to Mr. Mannings.

This type of insurance provides a layer of credit insurance above the amount of bad debts a large company would expect or is prepared to accept in any one year.

Pan Financial U.S. will write up to 4 million pounds ($6.25 million) per policy and also will offer political risk insurance.

Continued on next page

At Affiliated FM and Appalachian Insurance Companies we have the proven experience to tailor property policies for companies of different sizes. That's why brokers are starting to see Appalachian and Affiliated from a new perspective.

Affiliated FM and Appalachian are rated A+ by Best's. We offer a complete product line for property risks—including an "all risk" policy that's simple, comprehensive, and flexible. We have a proven track record of serving brokers who require fast, competitive, and complete service. We put you directly in touch with our underwriters who can tailor a policy to meet your clients' needs, then get it out the door quickly. We've even been known to hand-deliver a policy in a pinch. And, our claims handling is just as fast, just as efficient, and certainly, fair.

We can also make available our engineering resources—resources helpful in reducing or controlling property losses and in satisfying your clients' needs.

So, if you want insurers who provide capacity, coverage, and service, talk to one of our Commercial Property Operations Managers. And get a new perspective on property insurance.

Affiliated FM Insurance Company
Appalachian Insurance Company
Associated with Allendale Mutual Insurance Co.
A member of the Factory Mutual System.
East Central (216) 524-9300 **Midwest** (312) 572-0300
New York (201) 992-9700, (212) 233-8700
Northeast (401) 275-3000 **South** (404) 955-2700
West (818) 704-1133, (213) 873-1722
Affiliated FM Insurance Company
Canada (416) 494-7111, (514) 485-1520

A TIP:

In a Soft Market Take a Hard Look at the Bottom Line

hard market you won't be forced to move your business and lose commission income. With **Associated Programs, Inc.** there will be no surprises. We are committed to the nonprofit industry. We offer comprehensive coverage, competitive prices, quick reliable quotes and rapid issuance. So take advantage of a **TIP** from national experts in insurance programs for nonprofits. For more information **call 1-800-321-2122** or **212-688-9700.** Ask for a community service representative.

Even in today's soft market, you can **increase profitability, expand and stabilize your book of business** to include small and medium-sized nonprofits.

Offer your clients **TIP** The Insurance Program for **nonprofits**SM a unique liability and property insurance program. Even in a

"This program is the one best suited for the liability & property insurance needs of nonprofits." Partnership Umbrella, Inc.

PARTNERSHIP UMBRELLA, INC

Associated Programs, Inc.
A KORNREICH AFFILIATE
919 Third Avenue • New York, New York 10022-3970

NEW ENGLAND REINSURANCE CORPORATION

1989 9-Month Statutory Surplus
$266,086,874

A. M. Best Rating
A+

New England Reinsurance Corporation
60 Battery March Street
Boston, Massachusetts 02110

617 357-8400
FAX 617 357-9820
TELEX 94-0013

London

Continued from previous page

Pan Financial Insurance Co. currently offers limits of up to 7 million pounds ($10.9 million) of political risk insurance and Pan Financial U.S. likely will offer similar capacity, Mr. Mannings said.

The London-based parent hopes to receive the approval of West German insurance regulators to write credit insurance there by the end of the year. If authorization is granted, the insurer probably will establish an office in Frankfurt, he said.

Pan Financial Insurance Co., which also has an underwriting office in Paris, is jointly owned by Skandia Group of Sweden, Japanese insurer Yasuda Fire & Marine Insurance Co. and Finnish insurer Pohjola Group.

Pan Financial U.S. will be based at 1270 Avenue of the Americas, Suite 417, New York, N.Y. 10020; 212-767-0130.

Credit risk policy

London-based credit insurer Trade Indemnity P.L.C. is combining its domestic and export insurance policies into one multi-market policy in recognition of the forthcoming single European trading market.

Previously, policyholders insuring through Trade Indemnity were required to purchase a credit insurance policy to cover creditors in the buyer's home country and another policy to cover creditors overseas, a TI spokeswoman said.

However, because European Community trade barriers will soon be lifted, TI decided to introduce a policy combining domestic credit insurance and export credit insurance.

The Multi-Market Policy offers "protection against default of payment both at home and abroad, all in one policy," according to TI.

The policy provides coverage for credit risks in some non-EC countries. It would cover: Australia; Austria; Belgium; Canada; Denmark; Finland; France; Gibraltar; Greece; Iceland; Ireland; Italy; Japan; Lichtenstein; Luxembourg; The Netherlands; New Zealand; Norway; Portugal; Spain; Sweden; Switzerland; the United Kingdom; the United States; and West Germany.

Members' coverage

A new mutual insurer is offering Lloyd's of London members up to 25,000 pounds ($39,000) of personal stop-loss insurance each in response to a shortage of coverage in the traditional market.

The Stop Loss Mutual Insurance Assn., managed by Charles Taylor & Co. of London, hopes to write a lower layer of protection than is currently available to Lloyd's members from other stop-loss underwriters for the 1990 underwriting year.

The association will begin underwriting Jan. 1 if enough members are interested in subscribing, said John Rowe, a director of Charles Taylor. He estimated that the mutual needs about 1,000 initial members.

The mutual will operate two separate pools for members' agents that already have asked to participate: one with about 15 agents, the other with about seven. The agencies altogether represent about 7,000 members.

Members will be eligible to insure with one of the mutual funds if they are represented by one of the members' agents in the fund, Mr. Rowe explained.

For members with an allocated premium capacity of 200,000 pounds ($312,400 at current exchange rates) or more, the Mutual will offer 25,000 pounds ($39,000) of coverage for losses exceeding 5% of a member's underwriting capacity for a premium of 875 pounds ($1,367).

"The purpose of providing this level of cover is to give members some possibility of insuring losses which fall very much within the working layer," Mr. Rowe said.

The new coverage is designed to complement traditional stop-loss policies.

Traditional stop-loss policies have in the last few years generally required a member to pay 10% to 15% of premium capacity toward any loss, according to Charles Taylor & Co.

Stop-loss insurance capacity available to members of Lloyd's has decreased rapidly in recent years while rates have soared. Many of the 17,000 Lloyd's members who buy personal stop-loss insurance had severe problems renewing their coverage for the 1989 underwriting year (*BI*, Feb. 20).

Members with allocated premium capacities of 75,000 pounds to 200,000 pounds ($117,150 to $312,400) will be rated individually.

The mutual will not accept members with less than 75,000 pounds of underwriting capacity. ■

USF&G of Canada sells for $69 million

United States Fidelity & Guaranty Co. is selling its Canadian property/casualty operations to Central Capital Corp. of Canada.

The Halifax, Nova Scotia-based management and holding company is paying $80 million Canadian—$40 million Canadian cash, $40 million Canadian in a promissory note—($68.8 million) for USF&G Insurance Co. of Canada, said Alan Lenczner, executive vp for Central Capital.

The sale is pending regulatory approval and is expected to close by year-end.

Central Capital Corp., with assets of more than $16 billion Canadian ($13.8 billion), is a holding company for three lines of business—trust operations, insurance and asset management.

Toronto-based USF&G Insurance Co. of Canada specializes in surety business. With annual premiums of more than $100 million Canadian ($86 million), it will significantly increase Central Capital's insurance operations, Mr. Lenczner said.

As a result of the acquisition, "our Canadian operations will have annual premium income in excess of $350 million, invested assets of more than $650 million and capital and surplus of $220 million (Canadian)," he explained.

The sale includes nine USF&G Canadian offices in: Montreal; Toronto, Hamilton, London, Ottawa and Sudbury, Ontario; Saint John's, Newfoundland; Edmonton, Alberta; and Vancouver, British Columbia.

The USF&G offices will remain intact and employees will be retained. However, USF&G offices will take on the name of Central Capital's insurance arm. "Our intention is to amalgamate USF&G with Canadian General Insurance, which is our insurance company based in Toronto," Mr. Lenczner said.

Selling its Canadian insurance operations is part of USF&G Corp.'s announced strategy to focus on its core U.S. insurance business and to continue its diversification into corporate asset management activities in the United States and overseas, a USF&G spokeswoman said.

Baltimore-based USF&G Corp., through its subsidiaries, writes property/casualty and life insurance and sells financial services.

Ratings expanded

Standard & Poor's Insurance Ratings Services has expanded its operations to Europe with the opening of a new office in London.

Standard & Poor's Insurance Ratings Services (Europe) will provide claims-paying ability ratings and financial analysis and information on the worldwide insurance industry.

Roy Taub, managing director of the New York-based rating agency, said the new venture is in response to growing developments in the European insurance market as it prepares for greater cross-border trading in the 1990s.

"We're convinced that insurer ratings and in-depth financial analysis of industry conditions will be of growing importance to European policyholders, government regulators, insurance brokers and individual and corporate customers," Mr. Taub said.

For more information, contact Michael Wetton, vp, 19 St. Swithin's Lane, London EC4N 7DA; 44-1-623-3226.

Group changes name

Scottish & York International Insurance Group of Wilmington, Del., has changed its name to The Lincoln Insurance Group.

The new name "more accurately describes our insurance operations and will end any confusion which may have existed between us and Scottish & York Holdings Inc. of Toronto, which hasn't been directly related to us for a number of years," explained William C. Wren, president of the group.

The Lincoln Insurance Group includes Guarantee Insurance Co., Lincoln Insurance Co., London & American Insurance Co., Scottish & York Insurance Services Inc. and Scottish & York Management Co.

Markets

EQUICOR PPO

EQUICOR Equitable HCA Corp. has created a new preferred provider network in Indianapolis.

EQUICOR Preferred has contracted with three hospitals in the Indianapolis area as well as more than 200 physicians in Central Indiana.

For more information, contact Michele Moreau, National PPO Product Manager, EQUICOR, 1801 West End Ave., Nashville, Tenn. 37203; 615-340-3254.

New offices

Rollins Burdick Hunter of Indiana Inc. has moved its South Bend, Ind., office to Valley American Bank Building, 211 W. Washington St., Suite 1910, South Bend, Ind. 46601; 219-233-3800.

Sandler Occupational Medicine Associates Inc., an occupational and environmental consulting firm, has moved its office to 275 Broadhollow Road, Suite 302, Melville, N.Y. 11747; 516-756-2204.

Commonwealth Risk Services Inc., an insurance and risk management consulting firm, has opened a new office in London to provide risk financing alternatives to corporate and association clients in the United Kingdom and continental Europe. **Commonwealth Risk Services (Europe) Ltd.** is located in Hamilton

Continued on next page

It's a little late for life insurance, but we can insure him for posterity.

He never gives up. Dead 65 million years and yet striking fear into the hearts of insurance companies everywhere. They're simply not armed with the capabilities to deal with him. It takes a specialist. An insurer who can write that one-of-a-kind policy for that odd, unusual or unwieldy risk.

At Atlantic Mutual our inland expertise derives from a long and active history in marine underwriting. In the last century and a half, we've insured just about every size, shape and species of marine risk there is. Each risk unique. Each one requiring the utmost in innovation and specialization.

While we believe there is no better "school" than marine for knowing how to assess and underwrite inland risks creatively, neither is there any substitute for up-to-the-minute technology. Our highly sophisticated computer system is one of the best in the business. It offers policyholders access to an unprecedented amount of claims information and helps in tracking losses—those that manage to escape our loss control services.

As many of our inland marine customers have found, being insured by Atlantic Mutual can be an unusual experience, too—you stand the possibility of receiving an annual dividend. We've issued dividends to one group or another every year since 1855.

If you have an inland or marine risk which other insurance companies find intimidating, call your agent or broker and ask about Atlantic Mutual. We don't scare easily. And we make no bones about it.

Atlantic Mutual, 45 Wall Street, New York, NY 10005.

AtlanticMutual

What insurance is supposed to be.

Coming & going: industry

Continued from previous page

and chief operating officer of The Baltimore Life Insurance Co. and a subsidiary, Life of Maryland Inc., named chief executive officer of both entities.

Agents/Brokers

Alexander & Alexander Inc. announced these appointments: **JoAnne Miller** named senior vp of Alexander & Alexander of New York Inc. and a manager of the account executive division in the New York office; **Margaret L. Webster** named director of quality control for A&A based in the corporate finance and administration office in Owings Mills, Md.; **David P. Maurer** named managing vp of A&A of New York Inc.'s upstate offices based in Albany; and **Thomas M. Redmond Jr.** named senior vp and director of new business and product development for A&A of New York Inc.

Peter C. Bance named president of Johnson & Higgins Bloodstock, a new Richmond, Va.-based division of Johnson & Higgins specializing in placing coverage for thoroughbred racehorses and breeding stock.

Five senior vps named in Johnson & Higgins' New York office: **Charles Brandyberry**, who is currently manager of captive reinsurance and the treaty division of the national property office; **Gilbert Buckley**, senior account manager in the account management department; **Dennis Connolly**, manager of the casualty department's law advisory division; **Craig Perry**, head of the newly formed risk analysis and strategy group; and **Herbert R. Selander Jr.**, deputy manager of the account management department. Also, **Paul P. Giunto** elected senior vp and named head of the company's Denver office.

Mr. Kerckhoff

Arthur C. Riedmann joined Schaefer-Smith-Ankeney Insurance of Phoenix, Ariz., as public entity manager.

J. Christopher Kerckhoff joined the Lockton Insurance Agency of St. Louis Inc. as vp and general manager.

Martin Horowitz named president of McAlear of Illinois Inc. in Chicago, a wholly owned U.S. wholesale brokerage subsidiary of Willis Faber P.L.C. of London.

Edward F. Griffin appointed senior vp-agribusiness and manager of the Ventura, Fresno, Bakersfield and Coalinga, Calif., offices of Andreini & Co. in San Mateo, Calif.

Richard L. Whynot appointed executive vp of managing agency Construction Industry Services Corp. of Mineola, N.Y.

Reinsurance

General Reinsurance Corp. announced these promotions to second vp: **Brian E. Flynn**, **Garick R. Zillgitt** and **Thomas S. Orr.** Messrs. Flynn and Zillgitt are based in New York, and Mr. Orr is based in Chicago.

Patrick J. Clark, **Vincent S. Potts** and **William J. Schleicher** were elected vps at Mercantile & General Reinsurance Co. of America in Morristown, N.J.

Mr. Spooner

Ms. Garber

Craig Eisenacher appointed senior vp and comptroller at Prudential Reinsurance Co. of Newark N.J. Mr. Eisenacher is also chief financial officer and joined Prudential from American Reinsurance Co., where he had been vp of finance.

HMOs/PPOs

Medical Value Plan of Ohio, a Toledo-based health maintenance organization, announced these changes: **Timothy Spooner** named manager of provider recruitment and contracting; **Barbara Garber** joined as head of customer service; and **Tricia McDonough** named head of the claims department.

Other suppliers

Buck Consultants Inc. announced these changes: **James I. Martin** joined the New York office as a benefits consultant; **Frank G. Pirrone** and **Lewis Borgenicht** joined the Secaucus, N.J., office as administrative consultant and compensation consultant, respectively; and **Frank Sanfilippo** joined the Wilton, Conn., office as a compensation consultant. Mr. Sanfilippo will be moving to Stamford in January.

Ms. McDonough

Mr. Harris

George A. Harris named executive vp-field operations at Sherman Oaks, Calif.-based Imperial Premium Finance Inc., a premium financing company.

Frank J. Webb appointed regional vp of CMA Consulting Group in Morristown, N.J.

Dennis J. Becker elected senior vp-insurance systems at MEDSTAT Systems Inc. of Ann Arbor, Mich., a health care consulting company.

Randall Elkins appointed risk management and insurance consultant at Walston & Associates Inc., a Smyrna, Ga.-based consulting company.

Gloria Aaberg-Sneath named president of ARS Benefits Inc., a third-party administrator of group health, pensions and cafeteria plans. The company is a subsidiary of Associated Risk Services Corp. of Atlanta.

Mr. Grant

Terry A. Grant promoted to president and chief operating officer of Lindsey & Newsom Claim Services Inc. of Tyler, Texas. Mr. Grant had been executive vp.

Deborah L. Perry promoted to manager of the Tallahassee, Fla., office of Lindsey & Newsom Claim Services Inc. of Tyler, Texas.

John C. Voit joined Yaffe & Co., Inc., a Baltimore-based benefit, compensation and human resources consulting firm, as a principal.

Elizabeth T. Bitka joined Aldrich & Cox, Inc., a Buffalo, N.Y., consulting firm, as an employee benefits consultant.

Carolyn Chin and **Russell LaDue** were promoted to vps at Omega Claims Services Inc. of Walnut Creek, Calif. ■

Thanks!

Seaboard Underwriters would like to thank all our producers for their support in 1989 and during the last 32 years. We look forward to a continuation of this relationship and wish you and yours a prosperous 1990.

SU

Seaboard Underwriters, Inc.

A XEROX Financial Services Company

In North Carolina 1-800-672-3644 • Countrywide 1-800-732-2673

2732 Anne Elizabeth Drive • P.O. Box 659 • Burlington, NC 27215
Phone 919-584-1465 • Telex 57-4498

Munich Re confident despite disasters

By STACY SHAPIRO

MUNICH, West Germany—Following a year of "gratifying results," Munich Reinsurance Co., the world's largest reinsurance company, expects to report an increase in overall profits for fiscal year 1989/1990 despite the major disasters that struck this year.

And, although the company is launching new shares on the West German stock market this month to increase its share capital 11% to 655 million deutsche marks ($368.8 million) from 590 million deutsche marks ($332.2 million), the new shares will have no effect on the expected earnings per share during 1989/1990, a company spokesman said.

Munich Re Chairman Horst K. Jannott planned to announce at the annual shareholders meeting last week that the company's overall profits will increase and the dividend it will pay shareholders will be maintained at 20% of the share price for the year ending June 30, 1990, despite losses from Hurricane Hugo, the California earthquake and several major fires in Europe and the United States, said a company spokesman in Munich.

Munich Re planned to tell the 500 of its 15,000 shareholders expected to attend the annual meeting last Friday that the reinsurer's results for the year ending June 30, 1989, were "gratifying."

For the 1988/1989 fiscal year, pretax profits jumped 14.7% to 185.7 million deutsche marks ($95.2 million at the appropriate exchange rate) from 161.9 million deutsche marks ($93.7 million at the appropriate exchange rate) for the year ending June 30, 1988.

Aftertax profits were virtually unchanged at approximately 62.7 million deutsche marks ($32.1 million), Munich Re announced. However, aftertax profits in dollars decreased from approximately $36 million because of exchange rate fluctuations.

Earnings before adjustments for outstanding claims and provisions for claims fluctuations increased to 402.1 million deutsche marks ($206.1 million) from 380 million deutsche marks ($220 million) at the year ending June 30, 1988.

The provision for expected claims fluctuations, major risks and earthquake risks was 176 million deutsche marks ($90.2 million), "the second-highest amount ever earmarked for these purposes," according to the reinsurer. Last year's provision for these risks was the highest ever, at 179 million deutsche marks ($103.6 million).

Total loss reserves increased 13.5% to 27.8 billion deutsche marks ($14.25 billion) from 24.5 billion deutsche marks ($14.19 billion) in 1988.

The company's gross premium volume increased 6.5% to 12.46 billion deutsche marks ($6.39 billion) from 11.7 billion deutsche marks ($6.77 billion) for the year ending June 30, 1988.

Munich Re attributed its premium growth in part to the strength of the deutsche mark against other currencies, noting that more than 45% of its premiums are from non-German business.

The reinsurance underwriting result also improved, although Munich Re reported an underwriting loss of 381 million deutsche marks ($195.3 million) compared with 444 million deutsche marks ($257.1 million) the previous year.

Investment income—excluding 536 million deutsche marks ($274.8 million at applicable rate) of investment income on premiums and provisions for expected claim fluctuations, etc.—increased to 1.6 billion deutsche marks ($820.2 million) from 1.5 billion deutsche marks ($868.5 million).

For the 1989/1990 year, which ends June 30, 1990, the underwriting result will be "heavily burdened" by the natural disasters of Hurricane Hugo and the California earthquake, Mr. Jannott planned to report to shareholders.

But "the general business result is again expected to more than compensate for this, enabling the company to maintain a dividend of 20%," the company stated.

Insured losses from Hurricane Hugo so far are estimated at approximately 8 billion deutsche marks ($4.5 billion at the current exchange rate), but Munich Re's share is only about 100 million to 150 million deutsche marks ($56.3 million to $84.5 million), the company spokesman said.

"A more precise estimate is not possible because of the wide area (the hurricane covered) and the multitude of small losses," he said.

"But our share of Hugo will be higher than (our share) of (Hurricane) Gilbert" which cost Munich Re about 100 million deutsche marks ($51.3 million at the appropriate exchange rate).

"It is not yet possible to say anything about the amount of economic and insured losses" from the earthquake, the spokesman added.

"Estimates up to now have been very rough. However, the quake losses are not expected to exceed those from Hugo," he said.

Meanwhile, the new shares that Munich Re will offer existing shareholders this month to boost the company's capital will cost existing shareholders only 250 deutsche marks ($140.75) per share. And the shareholders will be able to receive a retroactive dividend dated June 30, 1989, the Munich Re spokesman said.

Munich Re's share capital is being increased "to hold pace with the growth of the company," the spokesman said.

Munich Re is not necessarily increasing its capital to prepare for an increase in premium rates next year, "but it wouldn't astonish us" if the market hardened, he said. ■

Daycare owners offered liability cover

General Star National Insurance Co., a unit of General Reinsurance Corp. of Stamford, Conn., is seeking approval to offer licensed daycare providers in 21 states and the District of Columbia up to $1 million in claims-made general liability coverage.

The policy will provide up to $1 million of claims-made general liability coverage for facility owners, managers and employees found negligent in cases when other persons connected with the facility commit such acts as corporal punishment, sexual abuse and molestation.

In addition, the General Star National policy will include product liability coverage, which would cover the facility for damages that may result from serving food products; personal injury coverage; and incidental nurse's professional coverage.

Plus, the General Star National policy can be used by facilities with previous claims-made coverage as tail coverage for those policies, said Kevin Brooks, president of Stamford-based General Star Management Co., the underwriting manager for General Star National.

The policy, which is subject to approval by insurance regulators, would be an enhancement of a 4-year-old program formerly written by Continental Insurance Co., a unit of New York-based Continental Corp., said Fritz Seifert, vp of Marsh & McLennan Group Associates in New York, the Marsh & McLennan Cos. Inc. subsidiary that administer the program.

For example, defense costs would be outside of policy limits under the General Star policy. Defense costs were included in policy limits under the Continental policy.

In addition, all units of a daycare organization could be covered under one policy. Previously, each unit had to be underwritten separately, Mr. Seifert said.

And, daycare operators will be required within 60 days of the policy's inception to take a free risk management course provided by Jim Strickland, president of Austin, Texas-based Human Services Risk Management Exchange, who specializes in daycare risk management.

Rates will vary state to state based in part on the loss experience of daycare providers in that state and on a daycare facility's average annual enrollment, Mr. Brooks said.

The policy provides an automatic three-year discovery period, but daycare facilities can purchase an unlimited discovery period that would fully replenish the aggregate limit.

The General Star National program has been filed for approval in Alabama, Alaska, Arkansas, California, Colorado, the District of Columbia, Delaware, Georgia, Indiana, Iowa, Kansas, Kentucky, Michigan, Mississippi, Missouri, New Mexico, North Carolina, Oklahoma, Oregon, South Carolina, Tennessee and West Virginia, said Les Ross, senior vp of Professional Coverage Managers Inc. in New York, the wholesale producer and agent for General Star National.

"These are just our initial filings," Mr. Ross said. "We will be expanding the program into a number of additional states in the near future."

While 2,300 daycare facilities were insured by Continental, Mr. Seifert expects the number of policyholders under the General Star program to grow. "It's very attractive for medium to large centers, especially corporate supported and owned centers," he said.

Current policyholders' coverage is still in force, and policyholders will be offered coverage under the General Star National program.

The program did not fit into Continental's long-range underwriting plans, Mr. Seifert said.

For more information, contact Fritz Seifert, Vp, Marsh & McLennan Group Associates, 1166 Avenue of the Americas New York, N.Y. 10036; 212-345-4019.

Product & services

Mental health care

A managed mental health and substance abuse utilization review program specifically developed for self-insured employers is now available from United Behavioral Systems Inc.

With U/Review, self-insured employers can choose from a wide range of strategies, resources and tools—depending on the degree of cost control being sought—to tailor a plan to their needs, said Chuck Sherman, operations manager of the Minnetonka, Minn.-based subsidiary of United HealthCare Corp.

Buyers have the option of:

- A turnkey plan that helps employers structure benefits, develop a network of providers—for employee populations of 2,000 or more—in the community in which it operates and manage the total mental health care and substance abuse program.
- Combined or separate U/Review and employee assistance programs. United Behavioral Systems also can merge U/Review with existing EAPs.
- A precertification and case management program when the employer already has a provider network in place.

The service is billed on a per-employee, per-month basis.

U/Review costs approximately 50 cents per employee per month, Mr. Sherman estimated.

Developing and managing a provider network will cost about 30% to 40% more, he said.

For more information, contact Mary Young, Account Executive, United Behavioral Systems Inc., 3600 W. 80th St., Suite 210, Minnetonka, Minn. 55431; 800-433-0519.

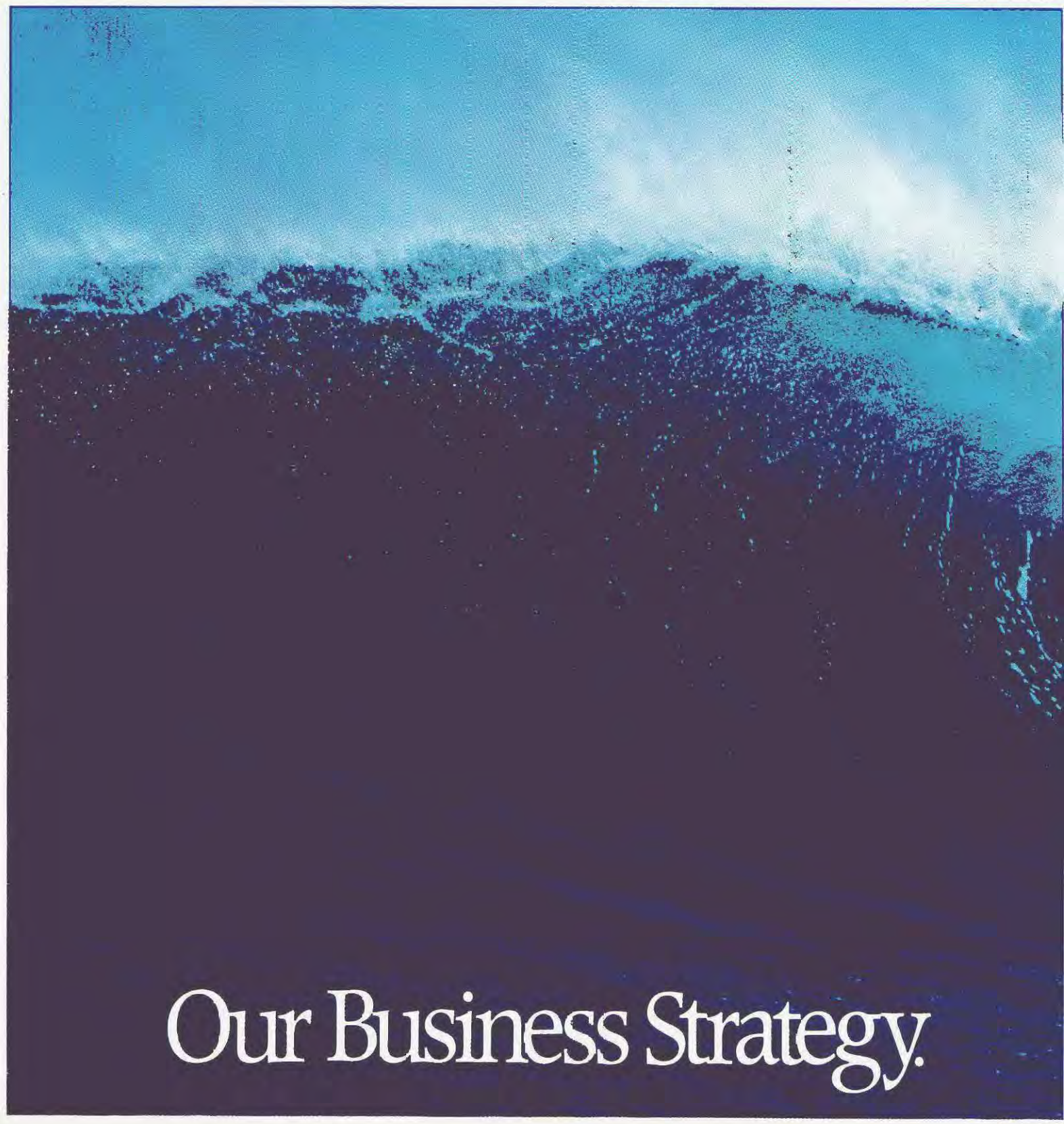
Crime index

A service that uses demographic data to analyze and predict a location's vulnerability to crime is now available to risk managers and insurers from newly formed CAP Index Inc.

The CAP Index Vulnerability Analysis is a computer model that uses street address, zip codes or census information to evaluate a site's vulnerability to crimes against people and property, explained President Robert Figlio.

The CAP Index predicts where crimes such as homicide, rape, robbery, aggravated assault, burglary, larceny and auto theft will most likely occur, Mr. Figlio said.

Continued on next page



It's based on a simple truth.

In reinsurance, reliability is everything. You must be there when a client needs you. To assume part of the risk, or absorb part of the loss.

So, before you choose a reinsurer, look beyond the tempting terms and conditions you may find today. Look at strength Stability. Dependability. And ERC. For almost 75 years, we've been a con-

Product & services

Continued from previous page

"The model has been validated in various sites across the country using crime reports from several locations," he said.

The analysis can be conducted by CAP Index, or insurers or property owners seeking to self-insure can purchase software and hardware to conduct the analyses in-house.

If conducted by CAP Index, analysis costs vary according to the number of locations.

For example charges range from $20 per site for a company with more than 1,000 locations; $70 per site when the locations number in the hundreds; and $300 per site for reports on fewer than 100 locations.

If purchased outright, the CAP Index software costs $15,000, and the compact disk read-only memory hardware costs $33,000.

However, such an investment will be cost-effective only if the projected number of sites to be analyzed is in the thousands, Mr. Figlio said.

The software, which also generates a report for each site being analyzed, rates vulnerability locally, nationally and in relation to other sites owned by the company, Mr. Figlio said.

For more information, contact Robert Figlio, President, CAP Index Inc., 1912 W. Eighth Ave., Suite K, King of Prussia, Pa. 19406; 215-354-9100.

Computer policy

Kemper International Corp. is introducing a computer insurance policy that combines traditional office data processing equipment coverages with coverage for factory production computers and robotics for U.S. companies with operations overseas.

"Many companies' computer equipment is not properly insured, because separate policies can duplicate coverages or, worse yet, may not cover the full gamut of potential losses," said Jim Walczak, product development manager for Kemper International, a unit of Long Grove, Ill.-based Kemper Group.

CompuPak responds to these concerns by combining boiler and machinery and inland marine coverages, he said. This combined coverage eliminates the need for two separate policies and reduces the chances of coverage overlaps and gaps, he said.

In a replacement cost coverage feature that exceeds "like, kind and quality" protection, CompuPak will cover an upgrade in equipment if comparable hardware or software is not available.

CompuPak also offers coverage options including:

- Computer virus coverage, designed to safeguard media from damage due to vandalism by hostile programs.
- Protection from electrical damage caused by power outages at the policyholders' public utility.
- Coverage for mechanical breakdown of computer hardware and software resulting from extreme temperatures, faulty construction and short circuits.
- Protection against dishonest acts by employees other than partners and officers and directors.

Buyers can obtain up to $7 million in limits per location under the CompuPak policy. Deductibles range from $200 to $500.

Kemper International is marketing the product to U.S. companies with foreign operations and companies based in the United Kingdom and Australia.

For more information contact any Kemper field representative or D. Roddy Colcord, home/foreign underwriting manager in New York; 212-313-4229.

Dental plan

The Canada Life Assurance Corp. is marketing a group dental plan designed to provide the services considered essential for good dental health while controlling costs.

"The wide range of choices and the appropriateness-of-charges concept around which Cost Containment is designed makes it unique among other group dental plans," said Don Barton, vp of U.S. Group Sales for the Toronto-based company.

By reimbursing the cost for only the procedures deemed appropriate for good dental care, the plan limits incentives for unnecessary treatments, said Karen Mason, group sales promotion manager.

Cost Containment, a group fee-for-service plan, seeks to achieve this by:

- Limiting the frequency of the most over-performed dental procedures. For example, it limits routine examinations to one every 12 months, rather than every six months.
- Realigning procedure categories so that higher employee coinsurance requirements apply. For example, procedures such as X-rays, which often are categorized as a preventive procedure that an employer might reimburse up to 100%, are treated as a "basic" procedure reimbursable at 90% under Cost Containment.
- Promoting the use of necessary and desirable treatments, as outlined by the American Dental Assn.

While these measures help control claims and costs, they also coax employees into becoming more "responsible, cost-conscious consumers," Ms. Mason said.

Cost Containment has generated the most interest among first-time sponsors, but it also is suitable for employers that have skyrocketing dental costs but are hesitant to eliminate the benefit.

Canada Life computes premiums according to group size, industry, and employee vocation. The plan is available throughout the United States and Canada.

For more information contact Karen Mason, group sales promotion manager, The Canada Life Assurance Co., Group Division, 330 University Ave., Toronto, Ontario, Canada M5G 1R8; 416-597-1456.

Books/videos

"The Bermuda Directory 1989/90," the **yearly report on Bermuda's international financial sector**, is now available. The 412-page volume includes information on the island's insurance industry, government regulation, as well as listings of companies that provide services to the financial sector, professional associations and generation information on the captive domicile. The directory is available in hardcover for $50 or softcover for $35, plus postage. Contact: the Bermuda Directory, P.O. Box HM 283, Hamilton, HM AX, Bermuda; 809-292-6386.

"Readings in Insurance Data Quality," published by the Insurance Data Management Assn., shows readers how to **measure the quality of property/casualty insurance industry data** in a variety of environments. While intended to accompany an IDMA self-study course on insurance accounting and data quality, the text can also be purchased separately. Copies are $50 for IDMA members, $75 for non-members. For further information on the text or IDMA's self-study courses, contact Richard L. Penberthy, Administrator, Insurance Data Management Assn., 85 John St., New York, N.Y. 10038; 212-669-0496. ■

stant in the industry. And we'll continue to be.

Because we believe the true measure of a reinsurer isn't what they can do for your premiums today.

It's whether they'll be there to pay recoverables tomorrow. And the day after. And the day after that.

EMPLOYERS REINSURANCE

5200 Metcalf, Overland Park, Kansas 66201

A General Electric Financial Services company.

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

Changes in the decade ahead

Insurance execs anticipate more government intervention

By MEG FLETCHER

CHICAGO—The 1990s will be a time of greater government involvement in insurance, expansion of alternative risk financing and other significant changes for property/casualty insurers and agents, according to a panel of industry executives.

"The next decade is going to dramatically alter not only how we do business but the very nature of the business that we are doing," said Jennie L. LeGates, co-owner and vp of Moore Insurance Agency Ltd. in Lake Forest, Ill.

Public ire over the cyclical nature of the property/casualty insurance business and the resulting unpredictability of insurance costs is contributing to many changes, including expansion of alternative risk financing techniques, said JoAnn L. Koster, vp-underwriting with American Re-Insurance Co. and new branch manager in New York.

Ms. LeGates and Ms. Koster aired their views during a panel discussion last month sponsored by the Chicago chapter of the Society of Chartered Property & Casualty Underwriters.

Another panelist, Gerald L. Maatman, president and chief insurance officer of Kemper Group's national property and casualty companies in Long Grove, Ill., predicted problems like insurer insolvencies and urban auto insurance would spur greater government involvement in insurance in the 1990s.

The federal government will 'get involved in regulating for solvency,' says Mr. Maatman.

"The federal government will almost certainly get involved in regulating for solvency," Mr. Maatman said.

Mr. Maatman also said he sees a "strong likelihood" that state funds will emerge to provide auto insurance coverage in urban areas, where drivers now have problems finding affordable coverage.

In addition, Mr. Maatman predicted that government-subsidized pools would be formed to help pay for the cleanup of toxic waste sites.

Such pools will prove necessary because courts increasingly will hold insurers liable for pollution costs, which will threaten the solvency of a significant number of property/casualty insurers, he said.

There also may be more state funds established to sell workers compensation insurance—"the next crisis line"—especially in problem states like Rhode Island and Louisiana, Mr. Maatman said.

In addition, new state funds will be formed unless broad-based coalitions agree to legislative workers compensation reforms, he said.

Congress will also modify the McCarran-Ferguson Act to restrict insurers' limited antitrust immunity, thus accelerating the demise of small insurers and producers, he predicted.

On the marketing side, Mr. Maatman said large insurance companies will develop international networks, while U.S. bank holding companies will be allowed to underwrite and sell property/casualty insurance, although most will not significantly penetrate the market.

Meanwhile, brokering property/casualty insurance in the 1990s will continue to be "significantly" altered by risk managers' increasing professionalism and their sophistication in exploring risk financing options besides commercial insurance, according to John R. Pacholick, chairman and chief executive officer of Rollins Burdick Hunter of Illinois Inc. in Chicago.

Women moving into risk management is a major factor in that trend, he said.

Having worked hard to overcome discrimination, women risk managers require a broker to offer more than merely fellowship and entertainment, according to Mr. Pacholick.

Insurance brokers will continue to compete with risk management consultants in the 1990s and must be able to justify their fees and commissions, he said

As a result, insurance brokers must expand their capabilities beyond risk analysis and be able to offer a complete range of services, including self-insurance claims administration, claims data analysis, trending of losses, captive management and international marketing.

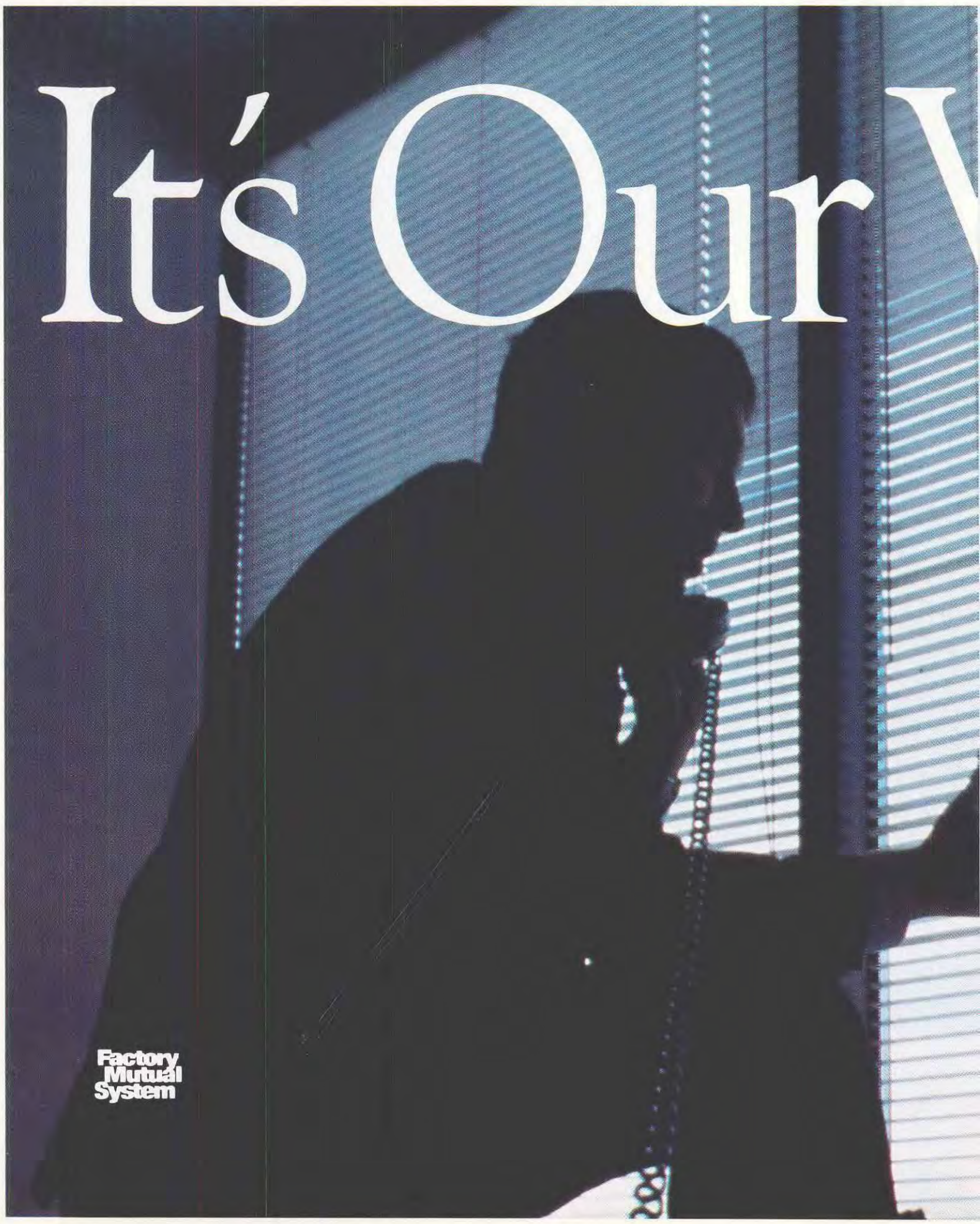
Agents, too, will be facing challenges as the ranks of independent agents dwindle because insurers seek to develop long-term relationships with producers that limit their markets to two or three insurers, Kemper's Mr. Maatman said.

Mr. Maatman predicted that agents' computerized dealings with insurers' will be done on a "real time" interactive basis, instead of with the batch interface that many agents prefer.

In addition, electronic interfaces in commercial lines will continue to be limited to functions like quoting rates, except for the processing of small package accounts, Mr. Maatman said.

Meanwhile, personal lines business will be machine underwritten and underwriters will spend their time managing blocks of agency business, he said.

Also participating on the Society of CPCU panel was Jim Taylor, personal lines manager at Near North Insurance Agency Inc. in Chicago. ■



California imposes territorial rating curbs

SAN FRANCISCO—Sweeping new regulations in California will prohibit territorial rating and curb rate increases for private passenger auto insurance in the state.

Additionally, hearings continue on whether Insurance Commissioner Roxani Gillespie—who announced last week that she would not enter the race for insurance commissioner—can use a rate-of-return benchmark in considering insurer requests for Proposition 103 relief.

Regulations issued last week outlaw territorial or ZIP code rating and prohibit annual rate increases that exceed the previous year's inflation rate.

Insurer groups were uncertain of the private auto rules' impact on commercial lines, which the regulations did not mention.

Under the new rules, insurers will be able to factor in elements of territorial rating, such as population density, vehicle density, and repair and hospital costs.

The commissioner also ordered that auto rates be determined primarily by policyholder driving records, the number of miles driven annually and the amount of driving experience.

"On the surface I don't foresee any impact on commercial auto insurance. Insurers will still consider territory and other factors" in writing commercial insurance, said an Alliance of American Insurers spokesman in San Francisco.

"We fully expect some insurers to challenge the regulation and we expect some others to say: 'It's not fair but we'll try to live with it,' " he said.

The new rating plan "will require detailed study before its effects can be reliably estimated. The ruling will require much actuarial analysis by every insurance company before its effects are fully understood," the Sacramento-based Assn. of California Insurance Cos. said.

Several insurers also said they had to study the rules to determine their impact on policyholders.

Meanwhile, in announcing her decision not to seek election, Ms. Gillespie said she wanted "to serve the people of California unencumbered by the distractions of political fundraising and a divisive political campaign."

Proposition 103 mandated that the state insurance commissioner's post be elected by voters beginning next year.

Ms. Gillespie added that she would not return to work in the insurance industry when her term expires next November.

—By Louise Kertesz

Around the states

Comp filing rejected

RALEIGH, N.C.-State Insurance Commissioner Jim Long will have to explain his 1987 decision to drastically scale back a requested workers compensation rate increase, a state appeals court ruled last month.

Stopping short of a decision, the court sent back Mr. Long's 1987 filing—which cut a requested 16.8% rate increase to 4.4%—and asked the commissioner to provide his methodology and rationale in rejecting the increase proposed by the North Carolina Rate Bureau, said a rate bureau spokesman.

The state's insurers, as allowed under North Carolina law, raised rates in 1987 while they appealed the commissioner's decision. However, the insurers only raised rates 15.9% instead of 16.8%, after Mr. Long reduced the loss adjustment expense provision contained in their request to 11.8% from 12.5%.

Proceeds from the 15.9% rate increase will remain in escrow while the ruling is before the courts.

Should the court uphold Mr. Long's ruling, insurers will have to pay back to employers the difference between the 4.4% approved increase and the 15.9% applied increase, plus interest equal to the prime rate plus 3%, said the rate bureau spokesman.

The court did not set a deadline for replying to its request and the Insurance Department is preparing its response, a spokesman said.

—By Michael Schachner

Interim regulator

CHEYENNE, Wyo.—An interim Wyoming Insurance Commissioner has been named to replace Gordon Taylor, who resigned Dec. 1 after criticism of the department's monitoring systems surfaced.

Wyoming Gov. Mike Sullivan appointed Ralph Thomas of the state's Legislative Service Office to serve until a replacement is named.

Mr. Taylor, who had served four years as commissioner, said he was resigning because he felt he would be ineffective in dealing with the state Legislature in its upcoming budget session, said John McBride, attorney with the department.

Wyoming press reports have questioned the department's admission of assets for two insurers that subsequently were found to be inadequately funded.

Commercial General Insurance Co. and Oxford Indemnity Insurance Co., both of Casper, recently were placed in liquidation, Mr. McBride said.

—By Louise Kertesz

Indiana comp rates

INDIANAPOLIS—Workers compensation insurers will be allowed to increase rates for Indiana employers an average of 22.9% beginning Jan. 1.

Workers comp insurers "got the increase they were seeking. It was justified, based upon an actuarial study conducted by our in-house actuary," said Deputy Insurance Commissioner Bettye Foy.

On Sept. 1, Indiana changed to an advisory rating system from a prior approval system. Under the new competitive rating system, insurers "have some rate flexibility," explained Larry Hochstetler, director of government, consumer and industry affairs for the National Council on Compensation Insurance in Springfield, Ill.

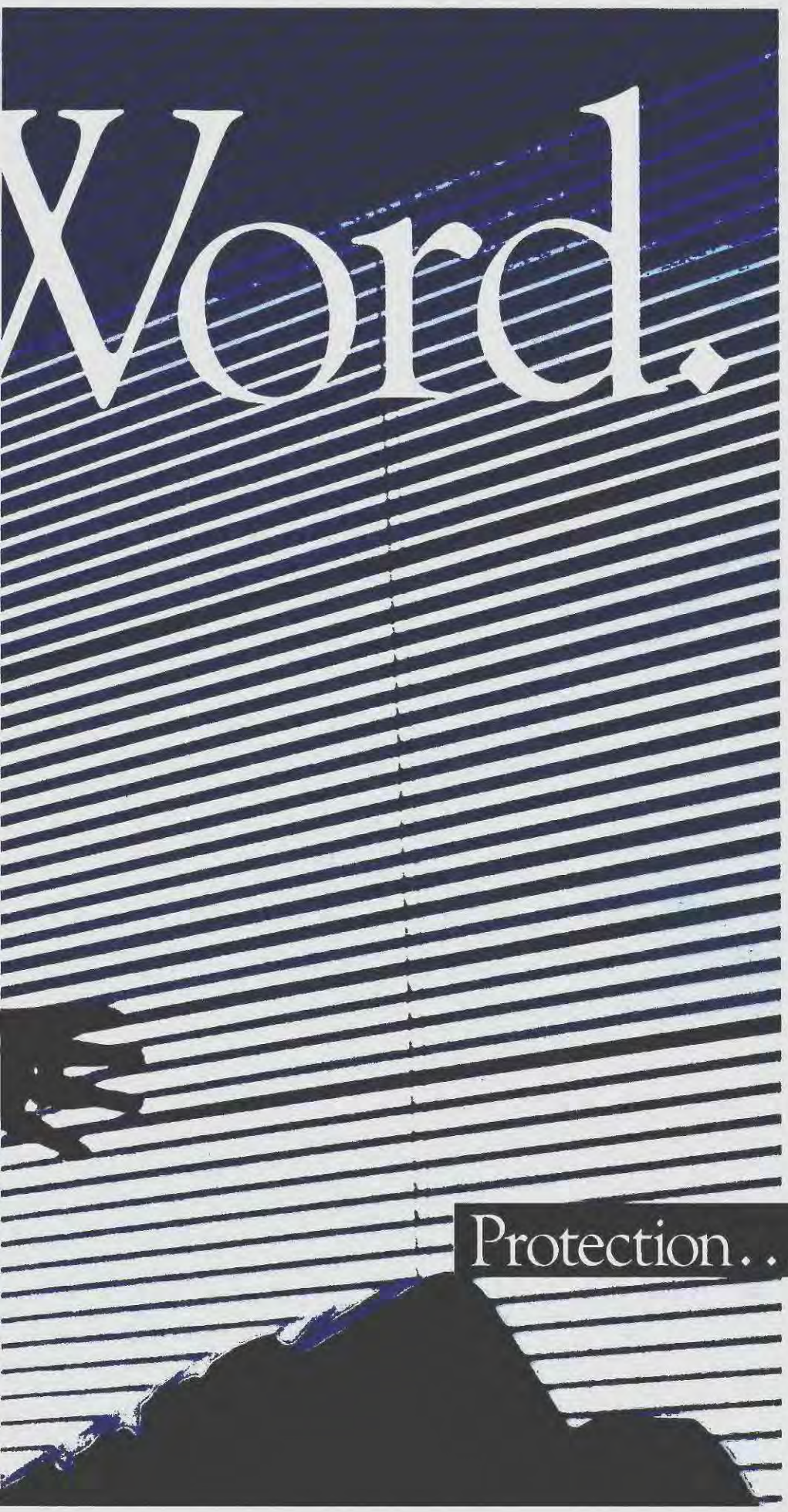
NCCI estimates the increase will cost employers $75.4 million.

But, "even though it is a competitive rating environment now, by law the commissioner can still disapprove rate filings," Mr. Hochstetler said. However, Commissioner John J. Dillon Jr. approved this rate proposal after insurers convinced him it was necessary, he added.

Most of the 22.9% average increase is related to adverse work comp experience in the state and increased medical costs nationwide, Mr. Hochstetler said.

And, 2.5% of the increase is attributable to a scheduled increase in workers compensation benefits the legislature approved in 1988 (*BI*, March 21, 1988), he said.

-By Linda J. Collins



We can say with pride, we live up to our name. Because our name represents our pledge that your investment in property insurance will bring tangible returns.

Your share in Protection Mutual's loss control strategy becomes an outstanding risk management value. Our team, together with your team, will minimize losses with engineering and insurance services that work in practice, not just on paper. You'll see ambitious customer service from knowledgable and experienced professionals. If you suffer a loss, we'll keep our end of the bargain. For the person entrusted with managing your company's risk, we offer unmatched services, unbeatable results.

It boils down to one word... protection. With physical *and* financial protection, we will secure the future of your business.

Dean E. Johnson
Chairman of the Board, President
and Chief Executive Officer

Protection... It's Our Word.

Protection Mutual

Part of the Factory Mutual System.

300 South Northwest Highway
Park Ridge, Illinois 60068

Few have managed long-term disability as well.

Think of a leader who has shown great strength and adaptability in dealing with long-term disability, and who do you think of?

The CIGNA companies should come to mind.

After all, we've been in the LTD business ever since there was an LTD business. And our clients have always had the benefit of working with disability specialists.

Our sales representatives are LTD professionals with field underwriting authority.

And they're backed by a network of specialty underwriters and field claims offices.

What's more, we can integrate some of the best cost-containment services with a wide range of managed healthcare programs.

It's no surprise we've become an LTD leader and earned one of the industry's highest customer retention rates.

To learn more, write CIGNA Companies, Department R9, 1600 Arch Street, Philadelphia, PA 19103.

And find out why no one can match our accomplishments with LTD.

With the possible exception of FDR.

We get paid for results.℠ CIGNA

Pension benefit statements

Tax reform alters projections for future retirees

By F. Pierce Noble

MANY COMPANIES sponsoring defined benefit pension plans distribute benefit statements to their employees that show projected pension benefits payable at retirement.

As plans are changed to comply with the new integration requirements of the Tax Reform Act of 1986, pension projections that are made—using the same procedures that have typically been followed in the past—are likely to show a lower projected benefit at retirement for employees under the new formula, even though that is not what is really expected to happen under actual operation of the plan.

Generally, those benefits have been estimated based on the assumption that earnings will continue unchanged to the future retirement date. Thus, the estimates include no projected increases in the Social Security wage base or benefits.

The rationale for this approach was that it was easy to explain to employees and it produced a benefit expressed in terms of the value of current dollars.

However, with the new approach to the integration required by tax reform, there are problems with this procedure for plans that used to have an offset for part of the Social Security benefit.

The Tax Reform Act of 1986 changed the requirements that apply to pension plans that coordinate or integrate the benefit formula with Social Security.

In the past, the most common plan design was an offset plan where the benefit would be defined as a percent of pay, minus a percent of the employee's primary Social Security benefit.

Recent Internal Revenue Service regulations

The Tax Reform Act of 1986 changed the requirements that apply to pension plans that coordinate or integrate the benefit formula with Social Security.

restrict the capability of plans to offset using the actual Social Security benefit.

Instead, plans will coordinate with Social Security by using an individual's covered compensation.

"Covered compensation" means an average of the Social Security wage base over a 35-year period that ends with the year in which an individual reaches Social Security retirement age.

In calculating a benefit for an employee who terminates before his Social Security retirement age, the covered compensation would be determined by projecting the wage base for future years to be the same as for the current year.

For example, the covered compensation for an employee who is now age 65 is $16,968. However, an employee who is now 30 years old would have a covered compensation of $48,000.

A new formula can be designed to provide approximately the same benefits at retirement as have been provided under a Social Security offset formula, based on expectations of future wage increases and increases in the Social Security wage base and benefits.

However, if benefit statements are prepared, assuming all those elements remain constant, the benefits under the new plan will still be significantly less than those projected under the old plan.

As an example, consider an employee who was born in 1950 with 1989 compensation of $50,000, who will have 30 years of service with the company at age 65.

For this worker:

- The old Social Security offset formula used to calculate his benefit would be 1.5% of final average earnings minus 1.5% of the primary Social Security benefit, multiplied by years of credited work service.
- The new offset formula would be 1.5% of final average earnings less 0.7% of covered compensation, multiplied by years of service.

Let's further assume the following about our hypothetical employee: his average annual salary increase is 6%, inflation is 4% and the increase in the Social Security wage base is 5%.

The benefits that would really be expected to be paid at age 65 for the old and new plans under the above assumptions would be almost identical: final average earnings would be $191,636; primary Social Security benefit would be $42,216; and covered compensation would be $87,492.

Under the old plan benefit, the formula would be: 0.015 × $191,636 × 30 − 0.015 × $42,216 × 30, or $67,239.

Under the new plan benefit, the formula would be: 0.015 × $191,636 × 30 − 0.0070 × $87,492 × 30, or $67,863.

However, under the typical method of producing benefit statements—which assumes that pay and Social Security remain constant—the following benefits would be shown: final average earnings of $50,000; primary Social Security benefits of $12,612; and covered compensation of $46,284.

Under the old plan benefit, the formula would be: 0.015 × $50,000 × 30 − 0.015 × $12,612 × 30, or $16,825.

Under the new plan benefit, the formula would be: 0.015 × $50,000 × 30 − 0.0070 × $46,284 × 30, or $12,780.

Thus, the benefit statement would show a 25% decrease in projected benefits under the new formula, even though the plan, in operation, is expected to provide similar benefits.

This problem will become very visible to employees because many plans will be changing from a Social Security offset approach and the new formulas could result in sharply lower projected benefit levels—especially for the highly paid individual who will not be retiring until well into the future.

One alternative method of computing the benefit for the employee would be to assume an inflation rate, compute the benefit in the future and then discount it back to the present assumed inflation rate.

For example, using the same formula as before and assuming a 4% inflation rate in both wages and prices, the benefit under the new plan would be $39,605.

Discounting this amount by the 2% assumed inflation for 26 years indicates that the $39,605 in 2015 is worth $14,285 in 1989 dollars.

But this kind of approach, involving inflation and discounting benefits to the present, is much more difficult to communicate to employees.

Comparing this benefit to the previous example, it can be seen that the real dollar estimate is somewhat higher than under the no-inflation assumption, but still substantially lower than the $16,825 that would have been projected under the old plan.

A third approach that could be used is to determine the ratio of covered compensation to the Social Security wage base, assuming some rate of wage inflation, and then compute an adjusted covered compensation to use in the year of retirement that holds the same ratio to the current Social Security wage base. This adjusted covered compensation is then used with a level earnings assumption.

Using this approach, with a 4% assumed annual increase in the Social Security wage base, the projected wage base at retirement of $132,000 and the projected covered compensation of $75,888 leaves a ratio of 0.57491. Furthermore, the current

The benefit statement would show a 25% decrease in projected benefits under the new formula, even though the plan, in operation, is expected to provide similar benefits.

wage base is $48,000 and assumed compensation $27,596.

The benefit under the new plan becomes: 0.015 × $50,000 × 30 − 0.0070 × $27,596 × 30, or $16,705.

This method produces a benefit that is almost identical to the $16,825 that was projected under the old formula.

However, there is a problem in that if the Social Security wage base stays the same, this approach will overstate the benefit. This method of calculating benefits is also very difficult to explain to employees.

A final alternative would be to show the expected benefit only as a percent of final average earnings, where the percentage is determined using realistic assumptions.

If we go back to the original example that was calculated using assumptions for salary increases as well as Social Security increases, we find that the benefit under the new plan is 35.4% of final average pay.

This compares favorably with the benefit under the old plan of 35.1% of final average pay.

The problem with this approach is that it is very difficult to explain how the percentage was derived and, what is worse, the percentage will change from year to year for an employee. Some years the percentage may decrease and other years it may increase. Employees may be concerned when the percentage decreases.

The result of the new regulations is that there is not likely to be any consensus on what is the best approach to use in projecting benefits. Employers will continue to struggle with the difficulty of explaining benefits in terms that employees can understand and, at the same time, giving them a realistic picture of what benefits are genuinely likely to be.

The best solution to the problem will vary from company to company—depending on the type of plan the company has, how benefits have been explained to employees in the past and the level of trust between employer and employees.

For some companies the best approach may simply be to not report projected benefits to employees for a year or two—until, in the natural course of things, increases in salary balance out the difference in the formulas and the benefit projected under the new system is not much different from the old. ■

F. Pierce Noble is managing director of Mercer Meidinger Hansen Inc. in Dallas.

Make work injury program multifaceted

By James G. McDonald

WHEN THE FIRST MAN burned himself trying to create a fire, little did he know that he also created the first industrial injury. In the thousands of years since the first industrial injury, man still does not have a solution to the many and varied problems associated with such injuries. The only thing that has remained constant throughout the years is this: As long as there is industry, there will be industrial injuries; and, as long as there are industrial injuries, there never will be a perfect solution to the problem.

While there may never be a perfect solution to the problems of industrial injuries, an organization can implement a comprehensive workers compensation program that will best meet the needs of its workers and the organization.

A comprehensive workers compensation program can be complex and expensive. Each area of the program has its own set of problems that you could spend years debating and discussing. However, I intend to provide a general overview of the areas of a successful workers compensation program that can be adapted to the unique characteristics of your organization.

A successful comprehensive industrial injury program will include the following four areas:

- Positive employee participation.
- A comprehensive loss prevention program.
- Aggressive claims handling and/or monitoring.
- A light- or modified-duty program.

Positive employee participation is the key element in a successful industrial injury program. Without this participation throughout the program you will experience ongoing difficulties. This is especially true if your organization works with unions, as you may need their support.

Seek employee participation as soon as you have decided to implement a comprehensive industrial injury program. When employees feel that they are involved in the creation of the program there will be less suspicion, which will increase participation in the program. This will create a more open atmosphere where employees will provide information needed to adapt the program to your organization.

The second element of a successful industrial injury program is to create and implement a loss prevention program. A loss prevention program is a system that identifies and tracks loss producing events within your organization and implements procedures to reduce or eliminate the risk of loss associated with those events. The size and complexity of your organization will dictate how detailed your loss prevention program will become, but all programs will have some similar characteristics.

A successful loss prevention program must have in place a system to identify loss producing events and procedures to identify solutions. Here again, positive employee participation is vital because your employees are the ones directly affected by identifying hazardous procedures or actions. You should also include a system by which customers and other outside sources can report unsafe acts or conditions.

The process for identifying loss producing events and solutions should be written and easily understood. Every department's responsibilities should be detailed and the person or persons responsible for making decisions clearly identified. Every loss producing event presented needs to be acted upon quickly and justification for the action should be readily explainable.

A good loss prevention program has procedures for implementing chosen techniques that reduce or eliminate unsafe acts or conditions. It is best to have written procedures that detail the process by which loss prevention techniques are chosen and implemented. The procedures should be easily understood and the person or persons responsible for making the decision identified. With this document, employees will have tangible evidence of your concern and of the process to become involved in the program.

A difficult task for any company implementing a loss prevention program is quantifying the costs/benefits associated with the program. It is often difficult to find data that shows a direct link to profitability from loss control techniques. But when proposing the creation of a loss prevention program you'll need to show the benefits.

While there may never be a perfect solution to the problems of industrial injuries, an organization can implement a comprehensive workers compensation program that will best meet the needs of its workers and the organization.

Advise management that by implementing the program you are sending a message to your employees, customers and stockholders that you are concerned about their safety and products. Point out any successes you have had in your present programs that may be preliminary elements of a full-scale loss prevention program. It also is helpful to point to successful programs in similar organizations.

Because a good loss prevention program needs a long-term commitment of both time and money, you will need to regularly brief upper management of the benefits associated with the program. In time, the successes of your programs will speak for themselves and will become an integral part of your organization.

Claims handling and monitoring is important in controlling costs and maintaining positive employee participation in your industrial injury program. Whether the organization is self-insured for workers compensation or the claims are handled by an outside organization, it is important to have a system to monitor the injury from beginning to end.

The most important contact with an injured employee occurs as soon as the injury occurs. How the employee perceives an organization's response to his/her injury will set the tone for the entire claim. If an employee feels that he or she is being treated fairly, there will be less time away from work and a greater willingness to participate in the workers compensation program.

This is why a good claims monitoring program should address the responsibilities of all personnel once an employee has been injured.

The first step once an employee has been injured is to be sure that the appropriate medical attention is obtained. Whether the injury requires only first aid or serious medical treatment, your program should have specific procedures for dealing with the injured worker. It is helpful to identify medical providers that are best for your organization's industrial injuries. Preferably, the providers will be located near your organization and be familiar with the types of injuries found at your organization. This will enable the medical providers to treat your employees more successfully.

When possible, the employee's immediate supervisor should accompany the employee to the medical provider. Once the supervisor is sure the employee's condition is stable and transportation arrangements have been made, the supervisor most likely can return to work. This short time commitment by the employee's supervisor is important in assuring the employee of his or her importance to the organization. The supervisor can also obtain immediate information regarding the employee's medical condition and encourage the employee to seek appropriate medical attention.

As soon as the employee's condition becomes stable, the employee should be advised about internal and/or external documents that need to be completed in order to file a claim. He or she should be advised of the benefits he will receive both from the workers compensation insurer and, if applicable, any in-house benefits. Employees should be told that the organization will assist them during all phases of their rehabilitation and assist them in the earliest possible return to their usual occupation.

The organization needs to develop a procedure for maintaining contact with the disabled employee. Optimally, weekly contact should be made in person. It is important that the employer maintain contact with the employee so that he or she does not feel separated from the organization, making a return to work more difficult. There should be a designated individual who regularly contacts the employee's medical providers to obtain a status of his treatment. This person should ask the provider for a specific treatment plan and an estimate of the duration of the worker's disability. This can deter the provider from taking a shotgun approach to treatment without any specific goals or timetables for recovery. This shotgun approach can leave an employee disabled for several months with no progress on his injuries.

You will also want to monitor the actions of the workers compensation insurer. Review its actions so that the appropriate steps are taken. Provide the insurer with information about a case that will assist it in making decisions. Send a message to the medical provider and the compensation insurer that you are concerned about your employees and your costs.

The last area for a good industrial injury program is a light- or modified-duty program. This is a program in which an employee can return to a restricted or modified job while he or she is recuperating from an industrial injury. Once an employee has been injured, the employer should advise the employee and the medical providers of the light-duty program. The employer should obtain an idea of the employee's physical restrictions and the medical provider's position regarding a release to a light-duty position. The employer should also contact the workers compensation insurer and advise it of the program so it can assist the employee return to a light or modified job.

The program can be rigid or flexible based on the characteristics of your organization. It is best to have the program as flexible as possible. This will allow the employee to return to work sooner and it has been well documented that it assists in the healing process. Because of statutory restraints, union restrictions or internal controls, some organizations cannot be flexible and you may have to create a specific light-duty position with a well-designed classification and pay.

However, the best option is to have the employee return to the same department at the same wage. This will reduce any confusion and anxiety associated with the light-duty program. Whatever the case, you will want to get the employee back to work. It is beneficial to the employee and the organization.

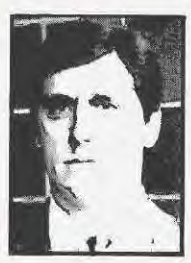
There are complex issues associated with implementing a comprehensive industrial injury program. The size and complexity of your organization will affect how difficult implementation will be.

However, a good industrial injury program will benefit your organization in many tangible and intangible ways. The tangible benefits will be easily documented. You should see a reduction in your industrial injury costs and in the severity and frequency of your injuries.

Intangible benefits are difficult to quantify, although the program will boost employee morale and increase your reputation throughout the business community.

All of this will make your organization more efficient and profitable. ■

James G. McDonald is the risk administrator for Pierce Transit in Tacoma, Wash. In addition, he serves as senior consultant for Risk Management Consulting. Mr. McDonald holds the Associate in Risk Management designation.



ASK A RISK MANAGER

Retentions help firms weather market cycles

Q **The hard market of a few years ago forced many companies to assume large retentions. Do you think large retention programs should continue in popularity even when the commercial market softens?**

A Ideally, the decision to take a greater share of one's loss exposures is made voluntarily. However, insurance cycles, being unpredictable and extreme in nature, often force the issue and organizations find themselves retaining significant exposures simply because other alternatives are not possible or practical.

Most organizations do participate in some form of retention program. Your question, therefore, presents an interesting dilemma that every organization involved with retaining substantial loss limits eventually will face.

The attraction to returning to the commercial insurance market is always strong when premium pricing becomes soft. Not surprisingly, today we find risk managers and their financial executives more astute about pricing practices because of the wild pricing swings of a few years ago. At the top of a risk manager's list of priorities is the desire to protect the organization from the adverse economic impact of extreme price fluctuations and a simultaneous commitment to control the actual losses incurred. The question then becomes how to arrange for this protection at a realistic and stable cost.

The focus should never be on a month-to-month basis, but rather long-term: year to year. Any risk manager involved with the corporate budgeting process can appreciate premium price stabilization as it relates to a five-year growth plan. An organization's interest in holding onto a large retention when the commercial market becomes competitive is influenced by several factors, the first of which is its financial strength. An organization must have the financial capacity to assume a significant level of retention without impeding its cash flows. Net worth, available lines of credit, earnings, liquidity of assets and investment expertise are specific financial considerations. If the bottom line can remain healthy even under extreme loss scenarios, the retention program can be considered realistic.

Another factor the risk manager and executive management must address is management's comfort level in assuming a greater degree of risk. To risk managers this concern is otherwise known as the "worry factor." How much risk are executives willing to take? Management must enter into this risk-taking business with its eyes wide open. To be sure, a "shock loss" is inevitable.

Arranging for preloss funding of losses, expected and unexpected, is critical to the survival of the organization and its retention program. Executives and other members of management should be made aware of what portion of losses are funded internally. How often has the comment been made within an organization that "the insurance company pays for our accidents." What a misleading and dangerous statement.

The risk manager's responsibilities expand to provide coverage (protection) and a funding arrangement that will not inhibit an organization's day-to-day operations or future expansion plans. Striking a balance between the comfort level and risk retention level is of utmost importance to the risk manager.

Now that we have the financial resources to accommodate a large retention program and executive management's willingness to buy into this approach, the next factor on our agenda is to identify the organization's attitude toward purchasing commercial insurance and utilizing services such as claims administration, loss prevention and a risk management information system provided by the insurer.

Involvement in a large retention program brings with it a heightened awareness of the need for sound loss prevention practices and efficient claims administration. A risk manager becomes more actively involved in both areas because the success or failure of both elements to perform at expected levels will directly influence an organization's profitability. When executive management is aware of the impact internal funding of losses has on the organization, the job of selling safety becomes profoundly easier. Instead of a "them and us" attitude, the focus is on "we, together."

Claims administration services in a large retention program are typically performed internally by employees of an organization or purchased from a third party administrator. The risk manager's personal involvement in directing or approving settlements is vital to a successful claims management program. The realism that the organization's own dollars are used to fund losses also emphasizes the importance of a risk management information system. If a system was previously offered by an insurer, the organization should establish an in-house system or subscribe to a system from an independent RMIS vendor. Sacrificing the receipt of reliable, meaningful loss data at the expense of not investing in an alternate system could prove fatal to the administration of a large retention program. Losses must be analyzed, trended and communicated in a meaningful format to management. Regular evaluation of frequency and severity patterns are necessary in determining if the current retention level is adequate.

Finally, a risk retention program must be flexible. Exposures do change, especially with the acquisition frenzy characteristic of today's business environment. A retention program must never be so rigid that it prohibits an organization from re-entering the commercial insurance marketplace if it makes more sense to insure an exposure rather than retain it. Keep your options open and stay in touch with market conditions.

As we head into a new decade, I believe the 1990s will find a significant number of risk managers remaining risk takers, providing their present risk retention programs are serving their organization's needs effectively. We, for the most part, prefer to control our own destinies without suffering through the headaches created by the unpredictable insurance cycle. ■

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

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

Ms. Werner

This month's column on risk management issues is written by Susan M. Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C. Joseph W. Duva, director of employee benefits at Allied-Signal Inc. in Morristown, N.J., answers benefits management questions. William J. Miner, an actuary with The Wyatt Co. in Chicago, answers actuarial questions on benefits issues. And, Richard E. Sherman, a principal with Coopers & Lybrand in San Francisco, answers actuarial questions in the casualty field.

Mr. Duva's and Ms. Werner's columns appear alternately on the second Monday of each month. Mr. Miner's and Mr. Sherman's columns appear alternately on the first Monday of each month.

Ms. Werner's next column will appear in February.

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.

Breaking work rules bars compensation

Legal briefs

An employee who injured her back while violating an employer's specific instructions was not acting within the scope of her employment when the injury occurred, according to the Supreme Court of Wyoming.

Dorothy E. Smith was employed as a cook, which required her to drain a five-gallon bucket of marinated chicken. She began to feel pain in her back and complained to her supervisor.

Ms. Smith was advised to see a doctor who prescribed muscle relaxants, rest and relaxation. This treatment was not successful. She then entered the hospital, where bed rest was successful in relieving her symptoms. She then returned to work as a waitress subject to her doctor's recommendation that she not lift more than 15 pounds.

Later, her employer conferred with her doctor about her returning to work as a cook. The doctor stated that she should not lift more than 15 pounds.

Ms. Smith was then hired as a cook conditional upon her agreement not to exceed the lifting restriction. She returned to work and generally followed the lifting restriction until October 1987 when she exceeded the restriction by lifting a bucket of chicken when the restaurant became extremely busy. This injured her back. She filed for workers comp benefits. The trial court ruled against her.

The appellate court held that an employee can be found to have acted outside the scope of employment by violating a work restriction when:

- The employer expressly and carefully informs the employee that she must not perform a specific task or tasks while in his employ.
- The employee knows and understands the specific restriction imposed.
- The employer has not knowingly continued to accept the benefit of a violation of the restriction by the employee.
- The injury for which benefits are claimed arises out of conduct that clearly violates the specific restriction.

The court found that all four elements were present here and, thus, denied Ms. Smith benefits. *Matter of Smith*, Supreme Court of Wyoming, Oct. 21, 1988 (*BI*/04/Sept.-$10).

These abstracts were prepared by Cases Unlimited Inc. Copies of these decisions are available by sending a $10 check payable to Cases Unlimited to Business Insurance, *740 N. Rush St., Chicago, Ill. 60611-2590. Please list the number for each opinion.*

Stable Markets for the Pest Control Industry

The 90's are bound to present another tight market. Brownyard stands on its record of *stability*. For Pest Contro' Professionals, we can provide liability written on an *occurrence* basis, Warranty coverage, Sudden & Accidental Pollution Liability, Care, Custody & Control, *No* Deductibles and much more.

And it's all underwritten by an A.M. Best Rated A+ (Class XV) company. That's stability your clients need.

Poised For The 90's

THE BROWNYARD GROUP

20 Fourth Ave., CN9175
Bay Shore, New York 11706-9175
In NY: (516) 666-5050, Outside: (800) 645-5820, FAX: (516) 665-5723

DuPont litigation

Continued from page 3

Jersey appellate court found that breaking apart the massive waste cleanup case would be "a most potent weapon" for insurers "whose primary and subversive aim is. . .endlessly delaying the day upon which the entire controversy will finally come to an end" (*BI*, May 29).

Also, in huge coverage disputes involving St. Louis-based Monsanto Co. and Knoxville, Tenn.-based North American Philips Corp., Delaware judges have decided to hear the cases comprehensively in one court.

These three cases will "make Delaware more attractive—at least procedurally—to policyholders," said Mr. Greaney, adding that the state's substantive law governing policy interpretation generally favors policyholders.

Mr. Greaney said comprehensive litigation creates a more uniform body of law than does site-specific litigation.

"These insurance contracts were marketed and sold on a standardized basis," therefore contract interpretation should also be standardized, he said.

"The function of the law is to provide uniformity, stability and consistency in commercial relationships," said Mr. Greaney. "Site-specific litigation only fosters delay, uncertainty and confusion."

However, attorneys representing insurers have contended that it is more convenient for the courts and witnesses for these cases to be litigated in each individual state where there is a waste site.

In his decision, Judge Poppiti noted that the plaintiff's choice of forum is "to be accorded great weight." DuPont's decision to sue in Delaware was to be upheld, unless insurers showed overwhelming evidence of inconvenience, the judge said.

The judge also noted that many of the relevant insurance policies specifically entitle DuPont to choose a forum for resolving coverage disputes.

Insurers argued that because all but one waste site is outside Delaware, the law of many other states might apply in the coverage disputes. However, the judge found that consideration alone did not warrant dismissing the litigation.

"Delaware courts are frequently called upon to apply the law of other states in deciding litigation in this state," he said, quoting an earlier decision.

'Site-specific litigation only fosters delay, uncertainty and confusion,' says Mr. Greaney.

Insurers argued that it would be inconvenient to bring in witnesses and evidence from other states containing waste sites.

That argument was dismissed as well. "I am satisfied that regardless of where this litigation is conducted, significant expenses will be incurred by all parties. The defendants have simply not been able to convince me that litigation in site-specific forums is significantly more convenient in this regard," Judge Poppiti said.

Numerous other insurer arguments also failed.

For example, insurers argued that Delaware state court, which lacks the power to subpoena witnesses from other states, would need to use extensive, inconvenient deposition testimony.

Similarly, insurers failed to persuade the judge that a Delaware jury would be hampered by its inability to view sites in other states.

"DuPont chose to file its complaint in Delaware and is entitled to have its case heard, in comprehensive fashion, in the Superior Court of Delaware," concluded Judge Poppiti.

The 11 insurance companies that brought the motion to dismiss were seven units of American International Group Inc. (AIU Insurance Co., American Home Assurance Co., Granite State Insurance Co., The Insurance Co. of the State of Pennsylvania, Landmark Insurance Co., Lexington Insurance Co. and National Union Fire Insurance Co. of Pittsburgh, Pa.), Republic Insurance Co., Stonewall Insurance Co., United States Liability Insurance Co. and St. Paul Fire & Marine Insurance Co.

●

E.I. Du Pont de Nemours & Co. vs. Admiral Insurance Co. et al., Superior Court for the State of Delaware in and for New Castle County; No. 89C-AU-99.

MARKET REPORT:
EMPLOYEE BENEFITS
December 18, 1989

BI editors will evaluate market conditions affecting group health and managed care, forecast how much group health care costs will rise, and examine other benefits including dental plans and long-term disability plans. BI editors will rank and profile the 10 largest consulting firms in our annual Directory of Benefit Consultants. This issue will provide executives with a clear picture of how to plan and implement their strategies for the coming year.

THE YEAR IN REVIEW
December 25, 1989

BI editors will recap the events of the past 12 months — how these events have shaped the commercial insurance industry at home and abroad. The Year in Review serves as a barometer tracking news and trends: legislation and regulation; tort reform; section 89 prep 103; pollution liability and the dramatic impact of the Valdez oil spill, hurricane Hugo and the San Francisco earthquake. This recap issue will provide readers with details of events and trends that will help shape the future.

MARKET REPORT:
RISK MANAGEMENT
January 1, 1990

BI editors will look at where property/casualty insurance rates are heading during year-end renewals. Will the spate of disasters that occurred in 1989 mean higher insurance prices as we enter the '90's? Editors will talk to insurers, brokers, reinsurers, surplus lines market executives, London market officials and risk managers for their views. To take the pulse of the property/casualty insurance marketplace readers turn to BI.

AD CLOSING: DECEMBER 18

1989
INTO
1990

Only Business Insurance provides news, information, projections and assessments needed to deal with the complex issues that face the commercial insurance industry.

Each week financial and administrative executives, corporate risk and benefit managers, agents, brokers and consultants, plus thousands of insurance and reinsurance executives rely on BI for information on cause and effect, impact and implications that they need to make sound business decisions.

Reserve space today and join 155,000* Business Insurance readers as we enter the next decade.

*includes pass along

Business Insurance
a publication of Crain Communications Inc

New York: (212) 210-0228 Chicago: (312) 649-5276 Los Angeles: (213) 651-3710

LIMNET survey

Continued from page 3

brokers and underwriters to concentrate more on complex risks and renewals because routine placements and renewals largely will be automated.

As a result, 40% of the respondents agreed that the London insurance market's share of the world market will increase, while 28% disagreed.

Thirty-six percent agreed that the volume of direct insurance business will increase, while 27% disagreed, and 30% agreed that the volume of reinsurance business will increase, while 36% disagreed.

The survey also found that 41% of the respondents believe brokers will be able to capture new business, both domestically and internationally, by using LIMNET to link up with other networks.

Many respondents agreed that LIMNET will produce sweeping changes in the London insurance market, according to Ernst & Young.

The survey presented several possible scenarios and asked respondents to gauge the likelihood that each would develop after the introduction of LIMNET.

For example, 32% of respondents say it is likely that underwriters will develop systems that bypass brokers and directly link them with policyholders, while 39% said this was an unlikely scenario. Other answers were not reported.

And 45% of the respondents expect that brokers will only place business with underwriters that can electronically receive risk information, although 30% did not agree.

Sixteen percent of respondents said they think "underwriters will cease to require an underwriting room" with the advent of LIMNET, but 64% said underwriting rooms will remain an integral part of the London market.

Ernst & Young found that many market participants already are prepared to abandon traditional face-to-face negotiations and paper underwriting slips for many transactions.

"This survey suggests that the market has already accepted that, for certain types of risk, those time-honored principles may be set aside sooner rather than later," Ernst & Young said.

"There is a general acceptance that network services will replace many of the procedures and change a lot of practices in the market today," the survey authors note.

For example, nearly 70% of London market companies that responded to the survey predicted that most insurance renewals and endorsements likely will be placed electronically throughout the market within several years.

"This endorsement for electronic placing systems suggests that the market has accepted the arguments of the technocrats in favor of network services to support the risk placing process," Ernst & Young says.

While none of the survey respondents currently uses LIMNET to circulate and "stamp" underwriting slips, about 28% expect to be able to do so next year. And, 52% expect to be able to electronically circulate and sign underwriting slips by 1991, while 62% expect to have this capacity in 1992, and 83% hope to do so after 1992.

Similarly, while the amount of risk information currently transferred between underwriters and brokers via LIMNET is negligible, 34% of respondents expect to be able to use the system to transfer risk data beginning next year. And 81% expect to be able to start sending risk data via LIMNET sometime after 1992.

Likewise, 89% of the survey respondents expect that underwriters will be able to question brokers' risk files via LIMNET after 1992.

In addition, although only 4% of the respondents now electronically transfer premium payments from account to account, 81% expect to do so after 1992.

And, while 67% of respondents predicted that LIMNET would increase their operating costs during the next five years, 72% expect their costs to decline afterward.

But, "perhaps the most significant finding of the survey is the number of respondents who believe that the big players in each section of the market stand to gain the most from LIMNET," Ernst & Young said.

For example, nearly 65% of respondents said large brokers would benefit most from LIMNET, while only 5% felt small brokers would receive the greatest benefit.

In addition, 57% of respondents predicted large syndicates and insurance companies would benefit most from the network, while only about 10% believe small underwriting organizations would gain the most.

"This suggests that there will be increasing pressure on the smaller organizations to focus their activities on niche markets. . .those smaller organizations which fail to identify their niche(s) will be unable to compete technologically with their bigger competitors and we see this as a factor which will increase the pace of consolidation in all sectors," the survey authors predict.

Another "finding which is of concern is the apparent ambivalence of brokers toward the opportunity to acquire and service business direct from assureds. We believe that if brokers do not service clients electronically it may increase demands by underwriters for direct dealing" with clients using no intermediary, Ernst & Young says.

Meanwhile, Lloyd's of London has warned syndicates that they must process claims via the LIMNET system beginning in January 1991 (*BI*, Nov. 27).

"You need to be able to receive electronic claims messages by the end of 1990 because after that date they will not be available in any other form," explained the Lloyd's Network Steering Group in a newsletter sent earlier this year to all Lloyd's syndicates.

LIMNET "will speed up business processing, ultimately reduce costs and be a means to attracting more business. Unless you participate in the network, you are liable to lose business opportunities to competitors. If you cannot handle your claims effectively you will, ultimately, be unable to trade," the newsletter warned.

So far, about 250, or 39%, of Lloyd's 638 syndicates have been connected to LIMNET, according to Lloyd's.

And, about 160, or 64%, of a total of 251 Lloyd's brokers are connected to LIMNET, according to a spokesman from the Lloyd's Insurance Brokers Council.

In addition, the Policy Signing and Accounting Centre Ltd.—which represents more than 130 insurance and reinsurance companies in the London market—also has advised member companies that all claims must be handled via LIMNET as of January 1991.

Virtually all PSAC companies are connected to LIMNET and most already are processing some claims via the Electronic Loss Advice and Settlement System administered by PSAC, according to Roger Foord, manager of market relations for PSAC.

In addition, 110 marine insurance company members of the Institute of London Underwriters are connected to LIMNET, Mr. Foord said.

PSAC companies and brokers now are using LIMNET to process about 100 claims daily, but it is expected that the number of claims the system will handle handle will increase dramatically over the next six months.

For example, PSAC pilot programs to use LIMNET for such routine placements as excess-of-loss reinsurance renewals are scheduled to begin early next year, Mr. Foord said.

Meanwhile, Lloyd's Business Issues Committee recently agreed that documentation on reinsurance that syndicates have purchased from other syndicates may be transmitted via LIMNET next year on an experimental basis, said non-marine underwriter Terry Hayday, chairman of the Corporation of Lloyd's Network Steering Group.

And initiatives will begin early next year to process all premium and claims notices to Lloyd's underwriters via LIMNET, ridding Lloyd's of the thousands of computer punch cards now used for this purpose, according to Mr. Hayday.

The Corporation of Lloyd's, PSAC, ILU and the LIBC are working together to "cut into the paper mountain in the market and enable cost savings and efficiencies to be made," Mr. Hayday said.

However, it is up to market participants themselves to decide how much of their activities should be computerized, he added.

Already, several brokers, insurers and Lloyd's underwriters are running trial computerized risk placements, Mr. Hayday noted.

"The market will develop computer technology in the way it suits itself, but those that are blind to computer technology will be left behind," he said.

Lloyd's currently is conducting a massive campaign in the market to increase underwriters' awareness of the development of LIMNET and its advantages.

For example, the Network Steering Group held a series of market presentations earlier this year to explain the Lloyd's strategy for networking, dubbed Stratnet.

The NSG also produces monthly newsletters to keep the market informed about LIMNET's progress.

Within Stratnet "there are proposals for processing all types of business using LIMNET. These include support for the placing of risks and the electronic processing of syndicate reinsurance, endorsements and claims," one NSG newsletter noted.

For example, Lloyd's is currently developing a system to electronically transfer written information to support risk placements. A prototype placing support system likely will be "ready for demonstration purposes in the early part of 1990," the NSG announced in a newsletter last month.

However, Lloyd's has emphasized that—at least for the time being—paper underwriting slips will continue to be taken around the Lloyd's market and that risks will be negotiated on a face-to-face basis.

"The face-to-face contact between broker and underwriter is a major asset to the London market and enables underwriters to make fast, well-informed decisions. If, however, the market chooses to move toward less face-to-face contact—and it probably will for certain types of high volume, low premium business—there is nothing to prevent it," NSG stated in one newsletter.

"The whole question of the electronic slip is under consideration, including the legal requirement. Therefore, for now, the paper slip will remain," it added.

•

Copies of "The Impact of LIMNET and Other Network Services on the London Insurance Market" are available for 50 pounds ($78) from Gloria Nippard, Ernst & Young Management Consultants, Beckett House, 1 Lambeth Place Road, London SE1 7EU; 01-928-2000.

EXCESS & SURPLUS
COONEY, RIKARD & CURTIN, INC.
P. O. Box 59689
Birmingham, AL
35259-9689
(205) 870-7790
1-800-982-6210 AL
1-800-824-1709 US
TELEX: 782670
FAX: (205) 879-3739

NEW NEW

POLICE PROFESSIONAL LIABILITY

- A Wide Range of Limits of Liability
- A Wide Range of Deductible Options
- A Highly Respected Insuror
- A Broad Definition of Insured
- Jail Facilities Coverage
- Full Civil Rights Coverage Optional
- First-Aid Coverage Included
- Insureds Right to Select Legal Counsel
- Insureds Right to Reject Settlement
- Realistic, Yet Competitive Pricing
- Prompt Quotations
- Retroactive Dates Available for Claims-Made Policies

Our long years of experience and research and development in this class of business assures you a quality product. Our professional underwriting and claims staff assures you of service both before and after the sale. Here's another opportunity to . . .

be the competition . . . come to Cover X

For further information or applications call or write . . .
COVER X CORPORATION
P.O. Box 5096, Southfield, Michigan 48086
Telephone: (313) 358-4010
Facsimile: (313) 358-2459

COVERAGE MAY NOT BE AVAILABLE IN ALL STATES

Summit Home

Continued from page 1

Two of these insurers have since been seized by state regulators and the other two—like Summit Home itself—have declared the purported coverage invalid, sending trucking companies scrambling to find replacement coverage.

One North Dakota trucking company is now suing Mr. England, IBC and Magill Agency in U.S. District Court in Atlanta for $1.6 million in compensatory and punitive damages, alleging fraud, negligence and breach of contract.

Mr. England and IBC have in turn filed a third-party complaint against London-based broker Bramston Ltd. and its principal, Michael A. Sammons, who allegedly granted binding authority for Summit Home.

Mr. Sammons has said he received his authority through Consortium of 89.

Capital General President Stephen L. Goodman and Mr. Youell confirm that they discussed producing business for Summit Home on an interim basis while the proposed sale was pending.

Mr. Youell also confirmed that Consortium of 89 passed $300,000 to $400,000 in premiums along to reinsurers on the trucking risks alleged to have been fraudulently bound.

He said these reinsurers included Charter Marine Life & Casualty Insurance Co. Ltd. of Montserrat; Wilmington National Assurance Co. Ltd., Wilmington Marine & General Insurance Co. Ltd., Unified Assurance & Casualty Ltd. and Premier Assurance & Casualty Co., all of the Turks & Caicos; and Polaris Insurance Co. of Tortola (see story, page 29.)

However, Mr. Youell denied that Consortium of 89 granted binding authority for Summit Home to anyone and denied involvement in the use of other insurers' names on the business, blaming the Summit Home debacle on "maverick" agents in the United States.

"The thing became one almighty mess," Mr. Youell observed.

Mr. Youell is no stranger to this kind of controversy: he and several others were sued earlier this year by State Surety Co. of Des Moines, Iowa, in a London court for allegedly binding business in State Surety's name without authorization. At roughly the same time, Mr. Youell was implicated in the unauthorized binding of business for Korean Reinsurance Co. of Seoul, South Korea (*BI*, July 10, July 17).

He has denied wrongdoing in both cases.

Meanwhile, the Americas Life problem has produced no litigation or fraud allegations, but the Arizona department's rejection of a reinsurance treaty arranged by Consortium of 89 was a major reason Americas was placed in supervision, sources familiar with the case confirm.

The treaty was intended to provide 100% reinsurance of several blocks of accident and health business for multiple employer trusts that Americas—with Capital General's approval—had agreed to front while sale negotiations were pending, said Capital General's Mr. Goodman.

The MET business, produced by California agents, was referred to Americas by Mr. Youell and generates gross premiums of about $2.5 million per month, said Mr. Goodman, who observed that this was more than Americas could retain without approved reinsurance.

Americas reported policyholder surplus of $1.6 million at the end of 1988.

Mr. Goodman confirmed that some of the Americas MET business was referred to the insurer by M.M.M. Management Corp. of Tarzana, Calif.

Martin Levine, an M.M.M. vp, did not return phone calls for comment on this story. Mr. Levine is a former principal of American Benefits Ltd. Trust, which collapsed in 1982 in one of the largest self-funded MET failures on record (*BI*, Oct. 4, 1982).

The California Insurance Department revoked Mr. Levine's life/disability insurance agent's license on Sept. 6, 1986.

Michael I. Lesner, president of M.M.M., said he was not familiar enough with M.M.M.'s life/health operations to answer questions.

Mr. Youell blames the Summit Home debacle on 'maverick' agents in the United States.

Reinsurers that were lined up by Consortium of 89 for Americas and rejected by Arizona regulators included: Charter Marine; Unified Assurance; Premier Assurance; the Wilmington companies; Firestone Insurance Co. Ltd. of Antigua; American Insurance & Indemnity Co. of Lexington, Ky.; Summit Home; and three Indonesian reinsurers, Arizona Insurance Department documents confirm.

Mr. Goodman suggested that Americas made a mistake in binding the MET business before Arizona regulators had approved the reinsurance treaty, as required.

"I think they believed they had it in place. I think Mr. Owens was careless in doing it before he had the approval from the state," Mr. Goodman said, referring to B.D. Owens, president of Americas Life.

However, Mr. Goodman added that it did not occur to Capital General to suggest Americas wait until the reinsurance treaty was approved.

Mr. Owens did not return several phone calls for comment.

Americas has since proposed new reinsurance arrangements to replace the rejected treaty, according to John L. Hay, a lawyer with Allan, Kimarer & LaVelle in Phoenix, representing the insurer.

The new proposal calls for Northern Commercial Fire & General Insurance Co. of the Turks & Caicos to reinsure 100% of Americas' MET business. Northern Commercial formerly was known as American Transportation Insurance Co. Ltd., one of a group of offshore insurers that had been managed by Alan Teale (*BI*, July 25, 1988).

In addition, Duncanson & Holt Inc., a New York-based manager of A&H reinsurance pools, has agreed to provide stop-loss reinsurance for Americas, Mr. Hay said. A Duncanson & Holt official, who requested anonymity, confirmed that the company provides "very high excess" reinsurance for Americas' MET business.

Capital General and Americas broke off acquisition talks late last month, according to Mr. Hay, who confirmed that Americas believed that Capital General had breached certain terms of the agreement.

Capital General notified Arizona regulators Nov. 22 that is was withdrawing its acquisition proposal.

However, Mr. Goodman said last week that Capital General has ironed out financing difficulties that had snagged the deal and hopes to revive acquisition talks.

The financing problem, Mr. Goodman said, was finding an Arizona bank to fund a letter of credit secured by Capital General assets and issued by an Indonesian bank he identified as Bank Duta. An Arizona bank recently agreed to fund the LOC, Mr. Goodman reported.

Capital General was acquired last year by Marvin A. Rosenblum of Edison, N.J. In an interview, Mr. Rosenblum said he bought Capital General to act as a holding company for the purpose of acquiring other corporations, including insurance companies. Capital General has not yet made any such acquisitions, he said.

In a June 30, 1988, financial statement filed with the Securities and Exchange Commission, Capital General reported a total of $2.1 million in "tangible and intangible" assets, consisting mainly of film, music and book rights and "a variety of early 20th century items having nostalgic value."

These assets include intellectual property rights to Shirley Temple movies, nostalgic records and an inventory of nostalgic sheet music, 50,000 collectible movie posters, 100,000 marketable motion picture photos and 600 musical short subject films, according to documents filed with the SEC.

These items still account for the bulk of Capital General's assets, according to Mr. Rosenblum, who added that the firm's asset base will expand with its planned acquisition of Norcross Inc., a greeting card company Mr. Rosenblum said he also heads.

Mr. Rosenblum would not disclose the net worth of Norcross—explaining that the company is privately held—but said the number is in excess of the "medium seven figures."

Capital General will also acquire additional assets, though Mr. Rosenblum said he could not publicly disclose these.

The convoluted Summit Home debacle began after Mr. Youell introduced officials of Capital General and Summit Home and acquisition talks got underway last spring, according to interviews and documents obtained by *Business Insurance*.

Capital General's Mr. Goodman says Mr. Youell introduced him by phone to Summit Home President Thomas O'Connell in early April and that Capital General sent Summit Home a letter of intent to acquire the insurer later that month.

In mid-July, Capital General filed its application with the Minnesota Commerce Department to acquire Summit Home—which reported $3 million in policyholder surplus at year-end 1988—through an intermediate holding company, Utah-domiciled Beacon Financial Inc.

The binding authority problems on trucking and other business developed in the interim.

Mr. Goodman and Mr. Youell both say they talked with Mr. O'Connell about producing business for Summit Home on a "fully reinsured basis" while the sale was pending.

Both men also say that Mr. Youell was never given binding authority for Summit Home and that any business produced was subject to approval by the insurer.

In a May 8 letter to Mr. Youell—a copy of which was obtained by *Business Insurance*—Mr. O'Connell specifically refused to delegate binding authority.

"Summit Home Insurance Co. is unable to grant The Consortium of 89 Ltd. binding authority of any type at this time," Mr. O'Connell wrote. "Consider the possibility of insuring mentioned risks on a 'funds held basis.' This is acceptable to Minnesota and if Steve Goodman is agreeable, it is fine with me. Please note that all risks must be underwritten by Summit and approved in writing by the company."

On June 6, Mr. Goodman wrote to William J. Little, Summit Home executive vp, about producing business on an interim basis.

"We have met with all the various state commissions with jurisdiction over Summit Home and feel that we can close this transaction within the next three weeks," Mr. Goodman wrote. "In the meantime, both Colin Youell and I have spoken with Tom about 'booking' interim business, on a 100% reinsured basis, through Summit, in order to assist us in maintaining some momentum of revenues upon our acquisition of the company. . . .Mr. Colin Youell will be contacting you with the particulars of the coverage and evidence of its 100% reinsurance."

Mr. O'Connell and Mr. Little did not return phone calls.

The same day, however, Mr. O'Connell wrote to Mr. Youell com-

Continued on next page

Talk to Genelco about our extraordinary health claim processing and group administration systems on the IBM® Application System/400.™

Our present systems will be delivered on the IBM Application System/400™ to give you the best efficiency, productivity and reduced administrative costs.

Genelco's claim processing system provides real-time adjudication of your medical, disability, dental, vision and prescription drug claims. In addition, our administration system is integrated for individual and group insurance plans for complete control.

If you want the performance of a contemporary computer coupled with a proven health claim processing software system, contact Jeff Blades at 314/962-2040 to obtain information.

Genelco

1600 South Brentwood Blvd., St. Louis, MO 63144

Business Partner
Authorized Application Specialist Program

©1989 Genelco. IBM is a registered trademark. IBM Application System/400 is a trademark of the International Business Machine Corporation.

Summit Home

Continued from previous page

plaining that several individuals—"all of whom are apparently connected to you in some manner"—were purporting to have binding authority for Summit Home.

By the end of August, Summit Home had filed lawsuits charging Magill Agency's Mr. Fowler and IBC's Mr. England with improperly binding Summit Home on numerous trucking risks.

Mr. Fowler operates Magill Agency despite the fact that the Illinois Insurance Commissioner revoked his license on Jan. 30, 1987, *Business Insurance* has learned.

Documents filed during the revocation proceedings noted, among other things, that Mr. Fowler had pleaded guilty to a felony charge of making a false statement to U.S. Customs officials regarding the final destination of export items. Mr. Fowler was one of several people charged in U.S. District Court in Chicago in 1984 with conspiring to sell aircraft parts, weapons and other military equipment to Iran.

IBC's Mr. England, meanwhile, has also been described as a major producer of business for Savoy Reinsurance Co. Ltd. of the Turks & Caicos Islands, which was barred from writing business in two states earlier this year (*BI*, June 19).

Summit Home's suit against Mr. Fowler and Magill Agency, filed in U.S. District Court in Chicago Aug. 22, alleged violations of the federal Racketeer Influenced and Corrupt Organizations act and charged that Mr. Fowler fraudulently represented himself as being authorized to bind Summit Home on 23 separate trucking risks.

Mr. Fowler collected premiums on the trucking business but didn't pay any of the money to Summit Home, and filed fraudulent certificates with the Interstate Commerce Commission on behalf of truckers purportedly insured by Summit Home, the lawsuit alleged.

The complaint also charged that Mr. Fowler conspired with Messrs. England and Youell in the course of the alleged racketeering scheme, though the suit does not name either of the two men as defendants.

U.S. District Judge Paul E. Plunkett issued a default judgment against Mr. Fowler and Magill Agency on Nov. 16, awarding Summit Home $3.6 million in actual and special damages, trebled to $10.9 million under RICO. The judge also awarded Summit Home $300,000 in punitive damages.

Summit Home is now planning further legal action to discover assets of Mr. Fowler and Magill Agency that can be used to cover the judgment, according to Charles H. Cole, a partner with Hinshaw, Culbertson, Moelmann, Hoban & Fuller in Chicago, representing the insurer.

Mr. Fowler did not return numerous phone calls for comment.

Summit Home sued Mr. England and IBC separately in Fulton County Superior Court in Atlanta and obtained a temporary restraining order on Aug. 4 barring Mr. England from quoting or binding business in Summit Home's name or making filings with the Interstate Commerce Commission reporting Summit Home as an insurer on trucking risks.

In documents and interviews, agents involved in the allegedly bogus Summit Home transactions trace their purported authority back to Mr. Youell.

Mr. England, for example, relied on what he perceived to be evidence of written authority for Summit Home presented by Mr. Fowler, according to James E. Goodman, a lawyer with the Atlanta firm of Goodman & Bush, representing Mr. England and IBC.

Mr. Fowler told Mr. England in a June 12 letter that "this memorandum will serve as your authority through Magill Agency Inc./Mapex International to quote, bind, make filings as required on various risks, within the scope granted me by Bramston Ltd./Mike Sammons," the London broker that was purportedly given binding authority for Summit Home by Consortium of 89.

In a follow-up letter on July 5—after a Summit Home lawyer had begun investigating the purported binding authority—Mr. Fowler appeared to retreat somewhat, telling Mr. England he had authority to quote business but that there would be "no official binding" until Mr. Fowler received submissions and discussed them with Bramston Ltd.

"You currently have in file a copy of Bramston authority from Consortium 89, who have arranged said cover from Summit through the new owners of the company," Mr. Fowler wrote to Mr. England, apparently referring to Capital General.

Business Insurance has also obtained a copy of a "permanent open cover note" issued to Bramston by Consortium of 89 and signed by Mr. Youell. The cover note appears to bind Summit Home effective May 1, 1989, to "all business as may be declared by Bramston Ltd. in respect of trucking and charter buses," with physical damage limits of $100,000 per vehicle and liability limits of $1 million per vehicle.

Mr. Youell, however, denies delegating any binding authority for Summit Home, describing the document issued to Bramston as a "proforma cover note" that was not valid until approved by Summit Home.

'To this day I don't know these people or know where they got binding authority,' Mr. Goodman says.

Mr. Youell observed that it would be illegal for him to sign a cover note, since this would be considered acting as an insurer without approval from the British Department of Trade and Industry.

Asked why the cover note contains nothing explaining that it is "proforma," Mr. Youell replied that "if you do business with us, you would understand that that is the only way we work." He added that Bramston understood the cover note to be "proforma."

Bramston's Mr. Sammons says he believed that Mr. O'Connell of Summit Home had granted binding authority to Consortium of 89 on an interim basis while the sale was pending, but that Mr. O'Connell apparently later changed his mind.

Mr. Sammons confirmed that he received roughly $370,000 in premiums on the trucking business net of agents' commissions, and that he passed this money along to Consortium of 89 to be distributed to roughly a dozen reinsurers.

Despite allegations that the business was fraudulently bound, reinsurers did not return this money because it represented deposit premiums that reinsurers considered earned upon receipt, according to Mr. Sammons, who added that the reinsurers were actually at risk on the trucking business for a brief period and that some claims had been paid from the premium funds.

Documents filed with Summit Home's Chicago lawsuit also identify a third agency that purported to bind trucking business for Summit: Interocean Risk Systems Inc. of Van Nuys, Calif., headed by Michael S. Eisenstadt.

Mr. Eisenstadt said in an interview that he also received his authority from Mr. Youell, adding that he was told that Summit Home was being sold and that the "new owners had the authority to give us the authority."

Mr. Eisenstadt—whom Summit Home has not sued—said he bound about 32 risks before the binding authority dispute came to light, at which point he stopped writing.

Interocean is the parent company of Unified Assurance & Casualty of the Turks & Caicos Islands, which has assumed reinsurance business through Consortium of 89. However, Mr. Eisenstadt added that—contrary to what Mr. Youell said—Unified did not reinsure Summit Home on any of the trucking business.

Meanwhile, court documents also show that Mr. Fowler and Mr. England used the names of four other insurers to front trucking business. These insurers are:

- Western International Insurance Co. of Huntington Beach, Calif. Western International filed a RICO complaint in U.S. District Court in Los Angeles Sept. 25 against Mr. England and IBC, charging that they fraudulently used the insurer's name to issue dozens of trucking policies generating several hundreds of thousands of dollars in premiums.

The suit seeks $2 million in actual damages, which could be trebled to $6 million under RICO.

- Republic Insurance Co. of Dallas, a unit of Winterthur Swiss Group. After threatening to sue Mr. Fowler, Republic settled for an indemnification agreement in which Mr. Fowler agreed to reimburse the insurer for any liabilities arising from Mr. Fowler's and IBC's use of Republic's name.
- Oxford Indemnity Insurance Co. of Casper, Wyo. Oxford Vp Daniel J. DeNoux wrote several letters in July denying liability on business purportedly bound through IBC.

The Wyoming Insurance Department last month froze Oxford's assets and later ordered it liquidated (*BI*, Nov. 27).

- American Insurance & Indemnity Co. of Lexington, Ky. AIIC Chairman A.R. Johnson said in an interview he knew nothing about the IBC trucking business and that the agency had fraudulently used AIIC's name.

The Kentucky Insurance Department obtained a court order seizing AIIC's assets on Oct. 3 after concluding that a transfer of $1.5 million to the insurer's parent company had reduced AIIC's surplus to $1.2 million, below the statutory minimum.

Mr. Johnson formerly headed Dyna Span Corp. and Insurance Corp. of America, both of which were hit with cease and desist orders in several states (*BI*, June 1, 1987).

James Goodman, Mr. England's lawyer, said Mr. England received authorization to use these insurers from Mr. Fowler and Mr. Sammons.

"John didn't come up with these names just out of the air," he said. "It was based on what somebody else told him he could do."

Mr. Sammons denies giving anyone authority to use the insurers' names.

Capital General's Mr. Goodman said the uproar over the trucking business came as a surprise to Capital General and was one reason the company decided in August to withdraw the application it filed with the Minnesota Commerce Department to acquire Summit Home.

Minnesota regulators "blind-sided" him with questions about the binding authority problems, asking why Capital General was causing the trucking business to be bound, Mr. Goodman said.

"I really feel we got a bum rap from the state of Minnesota," he said.

"To this day I don't know these people or know where they got binding authority," he added, referring to Mr. Fowler and Mr. England. ■

How Consortium of 89 does business

By DOUGLAS McLEOD

LONDON—Consortium of 89 Ltd. produces business for more than a dozen mainly alien reinsurers domiciled from the Turks & Caicos Islands to Indonesia, though the exact nature of Consortium's relationship with these reinsurers is difficult to pin down.

Consortium of 89 is not an underwriting manager, since it does not have binding authority for any of the reinsurers it represents, according to Chief Executive Officer Colin J. Youell.

Instead, Consortium of 89 submits individual risks to the reinsurers for their approval, he said.

Mr. Youell adds, though, that Consortium of 89 also is not a broker.

It is not registered with the U.K. Insurance Brokers Registration Council, and Mr. Youell confirmed that no Consortium of 89 employees—including himself, Barry F.G. Toomey and David Gale—are registered with the IBRC.

Mr. Youell was removed from the IBRC registry for unprofessional conduct in September 1984 after a public hearing into complaints about his operation of broker Mortgage General Marine & Co., according to Alison Carr, IBRC deputy registrar.

Mr. Youell was also a director of MGM Underwriting & Reinsurance of Wareham, England, a major producer of business for the now-defunct St. Eustatius Insurance Co. of the Netherlands Antilles.

Asked in an interview to describe Consortium of 89's function, Mr. Youell seemed hard-pressed, explaining that the company is somewhere between a "general managing agent" and an intermediary.

"We talk and negotiate on (reinsurers') behalf," he said.

Business Insurance has obtained financial statements for several reinsurers with which Consortium of 89 does business. These include:

- Charter Marine, Life & Casualty Insurance Co. of Montserrat, British West Indies.

An audited June 30, 1988, financial statement reports more than $117 million in Charter Marine assets, including $75.9 million in bonds.

However, the statement also shows $75.9 million in "encumbrances" on invested assets—which are not described in detail—along with roughly $10 million in additional liabilities, including $5.8 million owed to Charter Marine's holding company on a loan.

The financial statement—stamped "Confidential—Not to be copied or reproduced. For company use only."—also reports premiums of $1.8 million for fiscal 1988.

The statement was audited by CPA Jerry L. Berg, whose address is not shown on his letterhead.

- Firestone Insurance Co. Ltd. of Antigua, formed in October 1988.

An audited Dec. 31, 1988, financial statement reports a total of $235.9 million in assets, including a $200 million gold certificate, $25 million in stocks, $10 million in certificates of deposit and $697,776 in accounts receivable and accrued interest receivable.

Liabilities totaled $569,192, including $505,440 in unearned premiums.

Earned premiums from Oct. 8, 1988, to Dec. 31, 1988, totaled $107,550, the statement says.

The statement was audited by CPA Jim Dougan of Rowlett, Texas.

Firestone is represented by Amfirst Intermediaries Inc., a managing general agency based in Mississauga, Ontario, near Toronto, according to Mr. Youell. John St. Gelais, Amfirst's president, did not return a phone call for further information about Firestone.

- Wilmington Marine & General Insurance Co. Ltd. and Wilmington National Assurance Co. Ltd., both of Turks & Caicos.

Wilmington Marine & General is a unit of Lexington-Ky.-based American Financial Co. According to the insurer's audited Nov. 30, 1988, financial statement, American Financial "comprises subscribers of assets which those involved have provided to provide as asset base for insurance companies subsequently incorporated."

Wilmington Marine & General reported $74.3 million in total assets as of last Nov. 30, including $45.4 million in bonds, $17.1 million in "other investments" and $3.2 million in real estate consisting of rental property and 685 acres of undeveloped land at a location not disclosed in the statement.

However, the insurer also reported liabilities and reserves totaling $53.2 million, including $49.4 million in encumbrances relating to "the periodic hypothecation of certain investments to satisfy specific contractual obligations."

Wilmington Marine & General reported premiums of $2 million for the year ending Nov. 30, 1988, up from $1.3 million the previous fiscal year.

In its statement, Wilmington National reported total assets of $108.1 million as of Nov. 30, 1988, including $66 million in bonds, $24.8 million in "other investments" and $4.6 million in real estate. Liabilities and reserves totaled $77.3 million, including $71.8 million in encumbrances on invested assets.

Wilmington National wrote premiums of $2.7 million in the 1988 fiscal year, up from $1.9 million the previous year, the statement says.

The auditor for Wilmington National is Rostelle Goodgame of Goodgame & Bennett P.C. in New York.

Robert Campbell, an official of American Financial in Lexington, did not return several phone calls for additional information on the insurance group.

American Financial is also the parent of Northern Commercial Fire & General Insurance Co. of Turks & Caicos, which has been proposed as a reinsurer for U.S. multiple employer trust coverages written by Americas Life Insurance Co. of Phoenix, Ariz. (see story, page 1).

- Unified Assurance & Casualty Co. Ltd. of Turks & Caicos.

A June 30, 1989, Unified financial statement reports total assets of $19.5 million, including $6.8 million in over-the-counter stocks and U.S. Treasury bills, $6 million in demand deposits, time deposits and certificates of deposit and $3.5 million in real estate.

The statement also reports $3.4 million in liabilities and $16.2 million in policyholder surplus.

Unified is owned by Interocean Risk Systems Inc. of Van Nuys, Ca., which is headed by Michael S. Eisenstadt.

In an interview, Mr. Eisenstadt confirmed that Interocean has accepted reinsurance business from Consortium of 89 on behalf of Unified & Premier Assurance & Casualty Co., another offshore reinsurer for which Interocean was an underwriting manager.

Mr. Eisenstadt said he believes that Premier is owned by a Panamanian trust company, though he said he does not know who controls the trust.

In addition to these reinsurers, several other companies have been lined up for business produced by Consortium of 89, according to documents obtained by *Business Insurance*.

These reinsurers include Polaris Insurance Co., which Mr. Youell described as a Tortola insurer with $121 million in assets; and several Indonesia-based reinsurers including P.T. Maskpai Asuansi Djakarta 1945. ■

Ex-Consortium exec sought by police in gold theft inquiry

LONDON—Geoffrey J. Greenlees, a founder and former director of Consortium of 89 Ltd., is being sought by London police for questioning in a massive 1983 gold bullion robbery.

London police have already arrested two others in the case, according to Peter Brant, deputy chief inspector of the Specialist Operations Task Force.

Jean Savage and Karen Lynn Massett, both of West Kingsdown, Kent, were arrested in October and charged with conspiring to dishonestly handle more than 16 million pounds in cash ($25 million) representing proceeds of the sale of stolen gold, Mr. Brant confirmed.

Mr. Greenlees is being sought for questioning on the same matter, according to Mr. Brant, who would not say whether Mr. Greenlees also will be charged.

Mr. Brant declined to provide further details of the charges against Ms. Savage and Ms. Massett, citing British law restricting such disclosures.

However, Mr. Greenlees, Ms. Savage and Ms. Massett were all named in a lawsuit filed earlier this year by security firm Brinks-Mat Ltd., victim of the robbery in which roughly $40 million in gold bullion and diamonds were stolen from a warehouse at London's Heathrow Airport (*BI*, Dec. 5, 1983).

The Brinks-Mat lawsuit, filed in London's High Court, seeks to recover money in a Dublin bank account that at one time had been in the names of Ms. Savage and Ms. Massett and on which Mr. Greenlees was a signatory (*BI*, July 17).

Originally, the lawsuit had also named Consortium of 89, though the company was dropped from the suit when investigators determined it had no connection to the account at Bank of Ireland Finance Ltd., according to Robert McCaunn, a lawyer with Shaw & Croft in London, representing Brinks-Mat.

The Bank of Ireland account and another account at an Abu Dhabi bank are believed to contain roughly 4 million pounds ($6.24 million) in proceeds from the Brinks-Mat robbery, Mr. McCaunn said.

Mr. Greenlees was one of two directors of Consortium of 89 when the company was formed in January, according to records on file with British regulators.

Colin J. Youell, Consortium's chief executive officer, was added as a director May 30, records show.

In an interview, Mr. Youell said Mr. Greenlees was fired several months ago and was "physically thrown out of our offices and we do not want to see hide nor hair of him again."

—By Douglas McLeod

Regulators find several Capital General firms

NEW YORK—State regulators reviewing Capital General Corp.'s bid to acquire Summit Home Insurance Co. had more than one Capital General to contend with.

The Capital General that has attempted to acquire Summit Home and Americas Life Insurance Co. of Phoenix, Ariz., is a Florida corporation with an office in Irvine, Calif. The company is headed by Marvin Rosenblum, chairman, and Stephen Goodman, president.

However, state records show three other companies named Capital General Corp. incorporated in Delaware, Nevada and Texas. All three are controlled by Samuel A. Longo of Malibu, Calif.

Mr. Rosenblum, Mr. Goodman and Mr. Longo all say that their companies are unrelated.

Coincidentally, though, Mr. Longo says he was approached earlier this year about a financing deal that would have involved insurance coverage arranged through Consortium of 89 Ltd.

A Consortium of 89 executive also introduced Mr. Goodman as a potential buyer to two insurance companies that have since run into trouble for different reasons (see story, page 1).

In an interview, Mr. Longo said a Florida agent proposed a deal in which one of Mr. Longo's Capital General companies would make loans to companies looking for "financial enhancement." Insurers represented by Consortium of 89 would issue financial guarantees securing the loans, Mr. Longo said.

However, Mr. Longo said he was not impressed by the insurers Consortium of 89 proposed for the deal and, after a due diligence examination, decided against the proposal.

Mr. Longo said he has never done business with Consortium of 89.

> **'We heard about another Capital General Corp. from one of the regulators,' says Mr. Rosenblum.**

In the course of reviewing the Florida Capital General's application to acquire Summit Home, officials of the Minnesota Commerce Department asked Mr. Rosenblum about the other Capital General companies, Mr. Rosenblum said.

"We heard about another Capital General Corp. from one of the regulators and we could not say we knew of them," he recalled.

While noting that the existence of another company with the same name is not surprising, Mr. Rosenblum conceded that "it certainly is a coincidence" that a company with the same name would also have had contacts with Consortium of 89.

"I can assure you that there is no relationship between us," Mr. Rosenblum said.

"I know Key Largo. I've never heard of Sam Longo," Mr. Rosenblum quipped.

Mr. Longo was similarly emphatic about the companies being unrelated.

"I can not stress that strongly enough. We have no connection and have had zero communication," Mr. Longo said.

He added that the common contact with Consortium of 89 is not surprising, explaining that he sees many proposed transactions that have been "shopped around" to many potential participants.

"It's really not uncommon," Mr. Longo said.

In an separate matter, Mr. Longo was indicted earlier this year by a federal grand jury in Albuquerque, N.M., on charges of conspiring with several others to embezzle more than $1.5 million from pension plans covering employees of Lundberg Industries Ltd. of Carlsbad, N.M.

Nearly $1 million of the allegedly stolen pension plan funds were paid to one of Mr. Longo's Capital General companies, the indictment says.

The U.S. Attorney's office in Albuquerque recently agreed to dismiss the charges against Mr. Longo in exchange for a no contest plea to a misdemeanor charge of aiding and abetting an effort to conceal pension plan financial transactions, First Assistant U.S. Attorney Don Svet confirmed.

—By Douglas McLeod

SECURITY GUARD & ALARM COMPANIES

GENERAL LIABILITY INSURANCE PROGRAM

NAPSI, The National Association of Private Security Industries, Is A Purchasing Group Serving The Private Security Industry.

AGENT AND BROKER INQUIRIES INVITED

For Complete Information Call

214-243-8525

2711 LBJ Freeway Suite 356 Dallas, Texas 75234

Datebook

JANUARY

JAN. 13. CPCU Exam Review Day in Chicago, co-sponsored by the Chicago, Northwest Suburban and West Suburban chapters of The Society of Chartered Property & Casualty Underwriters; $30 before Jan. 5; $40 after Jan. 5. Carole Batterman West, CPCU Review Day, Insurance Co. of Illinois, 175 W. Jackson Blvd., Suite A-1425, Chicago, Ill. 60604; 312-341-6000, ext. 9-6064.

JAN. 14-17. Medical Issues/Data Management Conference in Tampa, Fla., sponsored by the American Managed Care & Review Assn.; $395 for AMCRA members; $500 for non-members; $130 for spouses. AMCRA, 1227 25th St. N.W., Suite 610, Washington, D.C. 20037; 202-728-0609.

JAN. 14-17. Insurance Marketing Communications conference in Phoenix, Ariz., sponsored by the Insurance Marketing Communications Assn.; $285 for IMCA members; $325 for non-members. William Hadley, Executive Director, IMCA, 62 Northgate Road, Wellesley, Mass. 02181; 617-266-8400.

JAN. 18. Park and Recreation Risk Management Seminar in Syracuse, N.Y., co-sponsored by the Florida, New York and Pennsylvania chapters of the Public Risk Management Assn.; $150 for PRIMA members; $225 for non-members. **Also Jan. 22** in Orlando. PRIMA, 1117 N. 19th St., Suite 900, Arlington, Va. 22209; 703-528-7701.

JAN. 18. Maximizing Coverage; Minimizing Costs seminar in Irving, Texas, sponsored by The Society of Chartered Property & Casualty Underwriters; $95 for Society of CPCU members; $145 for non-members. Bonnie Kinsley, Continuing Education Coordinator, The Society of CPCU, Kahler Hall, 720 Providence Road, CB No. 9, Malvern, Pa. 19355; 215-251-2735.

•

Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Please include the price, if any, of the meeting and information on registration for interested readers. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee a notice will be printed.

There are many good reasons to "invest" in an Excess & Surplus Lines Company. A critical one is:

Ownership!

TBK Partners, a private partnership with capital in excess of $150 million, is the largest investor in Investors. The four General Partners of TBK also operate Tweedy Browne Co. L.P./New York — one of the nation's top three money managers of the last five years. These people — and other successful investors — have chosen to invest in Investors.

Another reason —

YOU can invest in Investors!

INVESTORS INSURANCE GROUP

100 METRO PARK SOUTH, CN-007
LAURENCE HARBOR, NEW JERSEY 08878
(201) 566-1800/(800) 243-6869
FAX (201) 566-0181

Exclusively Through Professional Wholesale Brokers

Advertiser Index

Issue of December 11

Advertiser	Page #
Affialated FM/Appalachian	10-11
American Reinsurance	14-15
Associated Programs Inc.	12
Atlantic Mutual Insurance	13
Brownyard Brothers	26
Chubb Group of Insurance Co.	17
CIGNA	7, 22
Corporate Risk Management	32
Cover X	27
CRC	27
Employers Reinsurance	18-19
Genelco	28
General Star Management	9
Great American Insurance Co.	4
Hartford (New England Re)	12
Investors Insurance Group	30
Wm. H. McGee	6
NAPSI	30
Protection Mutual Ins. Co.	20-21
Seaboard Underwriters	16
Third Party Administrators	31
Wausau Insurance Company	5
Zurich-American Insurance Co.	40

Business Insurance

Texas Board

Continued from page 3

But, "overall, I give this board very high marks," Ms. Doughty said. "They have come further in six months than anybody thought they would. There's nothing they are afraid to tackle."

"This board is a lot more aggressive than the previous board in providing leadership," said Ernest Stromberger, executive director of the Independent Insurance Agents of Texas.

"I think the progress that has been made under the new board has gotten them back to where they were before the problems surfaced and led to the resignations," he said.

Problems at the State Board first came to light when National County was found insolvent by around $54 million (*BI*, Nov. 7, 1988).

The insolvency prompted charges of mismanagement and ineffective regulation, particularly from Sen. John Montford, D-Lubbock.

Sen. Montford said that regulatory problems at the State Board were "an open invitation to those intent on committing fraud to come to Texas and prey on unknowing insurance purchasers and policyholders" (*BI*, Jan. 23).

In his zeal to change the insurance department's methods of operating, Sen. Montford initiated an investigation by a former FBI agent into the board's management practices.

In a subsequent report, Sen. Montford said that throughout the investigation, the now-former regulators—Chairman Edwin J. Smith Jr., board members Jim Nelson and David Thornberry and Commissioner Doyce Lee—"appeared to be either misinformed or uninformed of the waste, cronyism and patronage which apparently permeates throughout the agency." Sen. Montford eventually called for the resignations of all of the regulators.

The board responded to Sen. Montford's report with a statement calling such an allegation "puzzling. . .given the fact that the investigator never interviewed any member of the board nor afforded any member an opportunity to respond."

Mr. Smith said the nature of the report "suggests a witch hunt rather than an objective inquiry."

Mr. Lee resigned as commissioner in December 1988, a month after he agreed to temporarily step aside during an "administrative inquiry" into the handling of the National County Mutual insolvency. Mr. Lee was replaced the next month by Deputy Commissioner A.W. "Woody" Pogue.

An independent consultant who headed the inquiry said he did not find any evidence of criminal wrongdoing related to the insurer's collapse (*BI*, Dec. 26, 1988).

Gov. Bill Clements in March named Richard Reynolds, a former Texas state legislator, to fill the board vacancy left when Mr. Smith resigned from the board earlier that month (*BI*, March 27; March 13).

Gov. Clements appointed Mr. Wrotenberry, a former Texas budget director, to the board as chairman in late April (*BI*, May 1). Mr. Wrotenberry actually filled the vacancy left when Mr. Nelson's term expired in March.

Jo Ann Howard, an Austin attorney, was appointed to the board in July, succeeding Mr. Thornberry, whose term expired in March (*BI*, July 31).

However, some observers now say much of the controversy over the board's alleged mismanagement was exaggerated.

"I think, frankly, that the whole National County thing was overblown," said Richard S. Geiger, a Dallas attorney and lobbyist for insurers.

"I think these people have overcome that stigma," he said, referring to the new regulators.

James E. Green, risk manager at Justin Industries Inc. in Fort Worth, a manufacturer of Western footwear and building supplies, agreed that "a lot of it was overblown."

"The biggest crises that we have seen are in the tort area and workers comp, which are closely intermingled—not in the case of a single insurer that goes under," said Mr. Green, who has been active in pursuing reform of the Texas workers compensation system.

The Texas Legislature last week was in a special session attempting to overhaul the state's workers comp system. Businesses are leaving the state rather than paying for a system criticized as expensive and inefficient (*BI*, Nov. 28, 1988; June 20, 1988).

Robert Blevins, executive director of the Texas Life Insurance Assn. in Austin, said he does not believe the prior board "was in near as bad of shape as what it was portrayed to be. Everybody was investigated with regard to any possible wrongdoing and they came up with absolutely nothing. Contrary to what some believed, we were not as bad off as some thought we were."

"We feel like those problems are behind," the IIAT's Mr. Stromberger said.

And, the current board has managed some significant changes in its short tenure.

Three of the regulators "are brand new and uneducated in the intricacies of insurance and insurance regulation," said Mr. Geiger, the insurer lobbyist.

"All three have been on a crash course to learn. I give them reasonably good marks."

The TLIA's Mr. Blevins singled out the early warning system to detect financially troubled insurers that the board put in place last month as a sign of progress.

Mr. Stromberger of IIAT agreed that the board is to be commended for the establishment of the early warning system.

"My sense is that they've made a lot of progress in that area," Mr. Stromberger said.

And, "the attention they've given the work comp area is unheard of," Mr. Stromberger said.

Late last month, the board amended rules governing the Texas Workers Compensation Assigned Risk Pool and, among other things, called for establishment of a loss control division to work with policyholders to reduce losses.

In addition, the board established the Small Employers Safety Assn., which will enable small businesses to obtain work comp coverage more easily than if they had to buy it through the assigned risk pool as a whole.

Insurers that want to issue policies to small businesses under this program will have to seek certification by the board.

Charles R. McKay, general manager of the assigned risk pool, said rules are still being developed for operation of the association.

But, he explained, small business will run into less red tape when they purchase workers comp coverage through the association. For example, an agent can sell the coverage without proof that the employer has been rejected by the voluntary market, Mr. McKay said.

The association "is an effort to provide service to any business that is having difficulty obtaining coverage because they are small," Mr. McKay said.

Rates for the coverage will be the same as those charged by the entire assigned risk pool.

The board "has jumped into the problem of the assigned risk pool," Mr. Stromberger said.

"Traditionally, the board has never been aggressive in solving problems. They have reacted to problems in the past," Mr. Stromberger said.

And, Mr. Blevins praised the new statutes that the board helped draft

Continued on next page

Texas' system of regulation complicated

AUSTIN, Texas—The Texas State Board of Insurance is a lone cowboy among state insurance departments.

While authority over insurance regulation is fairly straightforward in most states, which simply appoint an insurance commissioner or director, it is a little more complicated in Texas.

The Texas State Board is the only insurance department with four representatives to the National National Assn. of Insurance Commissioners—although it has only one vote.

In Texas, the governor appoints three full-time board members to serve six-year terms, with one board member up for appointment every two years.

The governor designates one of the board members to serve as chairman.

Although the chairman has a title and the other two are known only as members, the chairman holds no statutory authority over the pair. The three members are required to act as a unit.

However, the chairman does have the power to call meetings, preside over them and set the agenda.

The board members appoint a commissioner, and the commissioner serves at their pleasure.

The board has three main areas of responsibility: It holds the authority to set rates, establish rules and policy, and is a quasi-judicial body that hears appeals from the commissioner.

In other states, an appeal of an insurance commissioner's ruling would ordinarily go to a state appellate court.

The commissioner is the board's chief executive officer. His duties include enforcing rules and regulations set by the board and day-to-day administrative affairs like hiring within the department.

Most matters relating to regulation of insurers for solvency are under the original jurisdiction of the commissioner.

—By Michael Bradford

Do you have to return it?

If you're racing through this issue of Business Insurance because you have to return it soon,
why not have your own personal subscription?
Use the card in this issue or the coupon to
SUBSCRIBE TODAY.
Business Insurance
Circulation Dept. 965 E. Jefferson Detroit, MI 48207

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here:)	Surface Mail	By Air
USA	☐ $70	☐ $147
Canada	☐ $102	☐ $157
Bermuda (air only)		☐ $152
United Kingdom		☐ $150 or £83
Europe/Middle East		☐ $150
All other foreign	☐ $102	Rates on request

☐ new subscription. ☐ renewal. ☐ payment enclosed.
☐ bill me. ☐ bill company.
☐ Please send information on your special 20%-off group rate for five or more subscriptions.

name (please print)
title telephone
company
nature of business
☐ business or ☐ home address
city state/country zip/postal code
☐ I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance, Circulation Dept., 965 E. Jefferson Ave., Detroit, MI 48207 4COU9

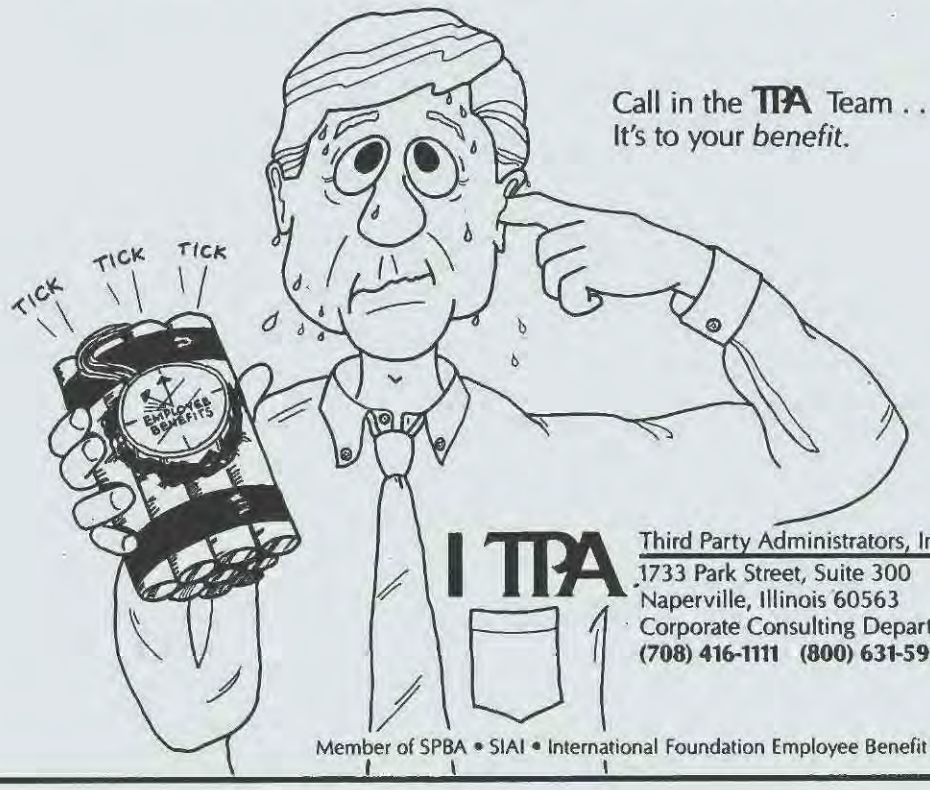
Do You Feel As Though The Employee Benefit Market Is About To Explode?

In today's volatile employee benefit climate, your customer could be one "tick" away from a major explosion.

TPA offers a fully-insured package—underwritten by The EPIC Life Insurance Company—especially designed to meet your clients' benefit needs:

TPA's Employer Preferred Plan offers:
- Coverage for groups of 15–100 lives
- Choice of deductible and co-insurance, 12-month rate guarantee
- Options, including Well Baby Care and Dental
- Service– **TPA**'s fast, efficient claim service

The **TPA** Team has expertise and products to defuse your employee benefit crisis. We will create a customized benefit program that won't explode.



Call in the **TPA** Team . . .
It's to your *benefit*.

TPA Third Party Administrators, Inc.
1733 Park Street, Suite 300
Naperville, Illinois 60563
Corporate Consulting Department
(708) 416-1111 (800) 631-5917

Member of SPBA • SIAI • International Foundation Employee Benefit Plans

Info

• **"AIDS: An Employer's Guidebook"** is published by the U.S. Chamber of Commerce and addresses employee benefit considerations. It includes information on health and life insurance costs, benefit plan design and the legal issues surrounding testing for acquired immune deficiency syndrome. The guidebook also offers examples of documents employers can use for AIDS education in the workplace and question and answer material for use at employee meetings. "AIDS: An Employer's Guidebook" is $20 for members and $33 for non-members; reduced prices are available for bulk orders. Publication No. 0088 may be ordered through the U.S. Chamber of Commerce, Publications Fulfillment, 1615 H St. N.W., Washington, D.C. 20062; 202-463-5533.

• A second edition of **"The Worker Who Becomes Physically Disabled: A Handbook of Incidence and Outcomes"** has been published by the Menninger Return to Work Center. The study is based on a major long-term disability insurer's claims data from 1982 through 1985. The updated research shows that 6.6 workers per 1,000 will become physically disabled in a year and that the average age of workers becoming disabled is increasing. The data base also examines rehabilitation systems and probable recoveries from certain injuries and illnesses. Copies of the report, TMF-T008-33, are available for $35 each from the Menninger Return to Work Center, 700 Jackson, Ninth Floor, Topeka, Kan. 66603; 913-233-2051.

• Benefit consultant Kwasha Lipton has published **"A Handbook on Postretirement Medical Benefits"** from a fall 1989 conference. The manual examines the Financial Accounting Standards Board's proposed accounting methods for postretirement medical benefits. In addition, the presentation offers steps a company needs to take to estimate its potential liability, plan design alternatives that can reduce the effect of the new FASB standards on a company's balance sheet, ways to fund for future postretirement benefits and ways to replace traditional postretirement medical designs with other meaningful types of benefits. Free copies of the manual are available from Barbara Hubert, 2100 N. Central Road, P.O. Box 1400, Fort Lee, N.J. 07024-1400; 201-592-1300, ext. 563. ■

The professional marketplace

RATES AND CLOSING TIME:

Rates: *Display classified is $108.50 per column inch, minimum of one inch. Straight classified is $9.00 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $17.50 charge for all blind box ads. Only those reponses which fit into a business size envelope will be forwarded. Responses are forwarded daily.*

Closing: *Published every Monday. Copy must be in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for straight advertisements. Mail ads to Margaret Hikido, Classified Advertising, 740 N. Rush St. Chicago, IL 60611. For more information call 312-649-5340. FAX 312-280-3189.*

For a
Concise
and
Logical
Approach
to
Risk Management Recruiting

LOGIC
Associates, Inc.
EXECUTIVE SEARCH CONSULTANTS
170 Broadway
New York, N.Y. 10038
(212) 227-8000

ALLIED DEALER INSURANCE SERVICES
CLAIMS PROFESSIONALS
National insurer of Franchised Auto and Truck Dealerships is seeking several additions to it's claims department. If you have multi line property and casualty experience, especially with dealership business we are interested in you.

Ideal central California location with a small town atmosphere where homes are still affordable.

Please send your resume to:
Barbara J. Smith
Administrative Manager
Allied Dealer Insurance Services
P.O. Box 201002
Stockton, Ca. 95201-9002
(800) 776-8301

LESLIE KAVANAGH
ASSOCIATES, INC.
Nationwide specialists in Employee Benefits and Insurance recruiting
- Health and Welfare
- Pension
- Communications
- Actuarial
- Underwriting
- Legal and Research

Respond in confidence to:
Diana Schechtman
Leslie Kavanagh Associates, Inc.
505 Fifth Avenue
New York, NY 10017
(212) 661-0670

MARKETING VICE PRESIDENT
Major premium finance company located in Philadelphia, PA is searching for a Vice President of Marketing and Sales.

To qualify for this position you must have a minimum of ten years experience in the Premium Finance and/or Insurance Industry - agency or company. The right candidate will be creative, aggressive and have the experience required to manage a nationwide sales force. Some travel is required.

A very attractive compensation and benefit package are offered. Forward your resume including salary history in confidence to:
Ted Elliott, Sr. Vice President
Cananwill, Inc.
P.O. Box 08036
Philadelphia, PA 19101
EOE

Sill
PROPERTY ADJUSTER
The Alex Sill Company, a leader in the public adjusting industry, has an opportunity available in its corporate office, located in Cleveland, Ohio for an experienced property adjuster. You should have a minimum of ten years experience in the adjustment of major property and business interruption claims. This immediate opening offers opportunities for advancement plus complete benefit package. Salary commensurate with experience. Please call or write:
Jack Kunz
Alex Sill Company
6155 Rockside Road, Cleveland, OH 44131
800-524-0006

CHILTINGTON (AMERICA) INC.
Chiltington (America) Inc., an expanding reinsurance accounting and technical consulting firm, is seeking additional insurance/reinsurance professionals with experience in the Underwriting, Claim, and Accounting areas. Minimum of 5 years experience with either a reinsurance or surplus lines company.

Positions will involve significant travel and require strong analytical and communication skills involving on site investigations and review of client company records. A challenging environment, competitive salary, and excellent benefit package await the right candidates.

Interested candidates should forward detailed resume with salary requirements to:
S. Evans, Chiltington (America) Inc., 3751 Maquire Blvd., Suite 151, Orlando Florida 32803.

Ryder System, Inc., a multi-billion dollar diversified transportation and business service company, is seeking exceptional professionals for the following positions at its suburban Miami headquarters:

RISK MANAGER

This position will be responsible for managing the Corporation's insured and self-insured general/automobile liability and workers' compensation programs.

The successful candidate will have extensive knowledge of commercial automobile insurance and retrospective rating plans. Strong communication skills are necessary. A Bachelor's degree is needed; ARM and/or CPCU designations are a plus.

WORKER'S COMPENSATION CLAIMS MANAGER

This position will work for Ryder Services Corporation, an in-house Workers' Compensation claims subsidiary. Candidates should have a minimum of 7 years multi-state Workers' Compensation claims handling experience; expertise with Workers' Compensation claims administration; and excellent communication, analytical and organizational skills. Nationwide claims administration and CICS systems experience a plus.

Ryder System, Inc. offers comprehensive benefits including medical and dental plans, stock purchase, life insurance, tuition assistance, relocation assistance and more. Candidates will be required to pass a pre-employment drug test. For consideration, please send resume to:

RYDER SYSTEM, INC.
Corporate Employment-2C, RYD369
3600 N.W. 82nd Ave.
Miami, FL 33166

RYDER SYSTEM

An Equal Opportunity Employer M/F/H

DIRECTOR OF RISK MANAGEMENT AND PERSONNEL
Maine based trucking company is looking for a qualified individual to manage the development and administration of the Company's Risk Management and Personnel Programs through coordination of loss prevention, safety engineering and claims administration activities including the hiring, training and supervision of the Company's drivers and owner operators.

Candidates should have a college degree or equivalent experience in insurance or risk management, 5 years of experience with interstate trucking, claims administration, experience and demonstrated ability to manage a department. Knowledge of federal, state and local laws regulating risk management and employee benefit functions (e.g., Dept. of Labor & Industries, Worker's Comp., etc.). Thorough knowledge of all DOT and state experience helpful.Please send resume and salary history to:
President, P.O. Box 877, Bangor, Maine 04401

RETAIL PRODUCERS WANTED
SPECIALTY PROGRAMS ARE NOW AVAILABLE

Target States
AL. DE. GA. ID. IL. IN. KS. MI. MO. MS. NE. OH. OK. SD. TX. WA. WI. WV. WY.

Target classes for Liability Coverage

Campgrounds
Contractors' Bonds
Day Care Centers
Go Kart Tracks
Insurance Agents
Limousines
Mini Golf Courses
Real Estate Agents
Refuse Haulers
Restaurants & Bars (Liquors)
Riding Academies & Stables
Roofers
Service Stations (Pollution)
Rental Car Agencies
Special Events
Strategy Games
Taxi Cabs
Trade Contractors
Water Parks & Water Slides

For more information regarding these Programs call:
Toll Free 1-800-272-7230
In Missouri 1-314-997-3666

Or Write To:
A. B. Carter Inc.
10420 Old Olive Rd., P.O. Box 66842
St Louis, MO 63166

CARRIERS NEEDED!
Administrative manager of several associations seeks front/participating carrier(s) for large, profitable blocks of commercial casualty business. Please respond to:
Box 2564, Business Insurance, 740 Rush St., Chicago, IL 60611-2590
All responses will be contacted.

CAREER OPPORTUNITY IN INSURANCE
One of the 10 Best Companies in America is searching for an associate to compliment its Worker's Compensation and PL/PD staff in Preston, MD.

The ideal candidate will possess the following qualifications:

A minimum of 3 years experience handling workers compensation claims.

A minimum of 1 year experience handling PL/PD claims.

Strong communications skills - written and oral.

College degree preferred.

This is an exciting opportunity that offers an excellent compensation and benefits package.

Send resume with salary history to:
Preston Trucking Company
c/o Insurance Department
151 Easton Blvd.
Preston, MD 21655

GET RESULTS!
ADVERTISE IN THE PROFESSIONAL EXCHANGE.

POSITIONS WANTED

CLAIMS MANAGER
whose contract will soon expire due to self-insured corp. now out of business seeks mgmt. position. 25 years of all line claim exp., including 8 yrs. developing computerized operations. Willing to relocate. **141 S. Almar Dr., Wilton Manors, Fl 33334. (305) 568-9697**

HELP WANTED

CLAIMS EXAMINER
North Dallas Insurance Organization seeks individual with a minimum of 10 yrs. multi-state experience in workers compensation, A/L and G/L. Supervisory experience required; insurance construction experience a plus. Some travel necessary. Salary is negotiable. Send resume to **Claim Examiner, P.O. Box 516007, Dallas, TX 75251.**

CHIEF FINANCIAL OFFICER MUNICIPAL LEAGUE RISK POOL
Financial executive to manage programs and systems of large municipal league intergovernmental risk pool. 5+ years experience, insurance/finance management, CPA and audit experience strongly preferred. Reply: Susan Winn, Fleming Associates, P.O. Box 161615, Austin, TX 78716, (512) 329-2501

The Professional Marketplace TARGETS your BEST JOB Candidates

---

Advertise in
BI Classifieds

600 Third Avenue - 7th Floor
New York, New York 10016
(212) 557-3232

person's shoulders, he said. "Shared responsibility is the only way you can do it."

Another lobbyist was more blunt.

"There is not a thing wrong with the way this board is structured. Mr. Wrotenberry is dead wrong there," said Robert Blevins, executive director of the Texas Life Insurance Assn.

lems for an insurer," Mr. Dorais said, noting the high current high rate of health care inflation.

However, both Ms. Howard and Mr. Reynolds say that rising health care costs must be studied.

Ms. Howard predicted that employers and the insurance industry in Texas will focus on health care costs next year. ■

GAO report

Continued from page 2

vencies and liquidations.

According to GAO findings, regulators consider insurers' annual statements and on-site examinations the two most important ways they have of uncovering insolvency problems.

In fact, half the responding regulators said annual statements were the only information they received regularly—other than supplementary forms for accident and health coverage—"regardless of the financial condition of an insurance company," according to the GAO report.

But relying primarily on annual statements to spot potential problems could permit a failing insurer to go unnoticed for months, the report said.

"For example, if a company had developed a problem in February 1989, it would not show up on an annual statement until the end of the year. The state regulator will not receive the year-end 1989 statement until March or April 1990 and might not review it" for several weeks, said the GAO.

Indeed, it may take between six weeks and three months for a state to review all annual statements filed, the report said. And if a problem is suspected, the chief examiner or senior examiner will take an additional two to three weeks to review the case in question, the GAO report said.

The GAO uses the failures of Transit Casualty Co. and Mission Insurance Co. as examples of the consequences of a slow review process.

"In both situations, intervals between field examinations and the length of time needed to complete them led to a period during which a company believed to have problems was allowed to continue doing business," the GAO noted.

"This situation created more policyholder claims and increased the eventual burden on the state guaranty funds."

The two insurers are estimated to be insolvent by $1.5 billion apiece (*BI*, April 24).

In an appendix to the GAO study, the NAIC said that "a time lag is inherent in any financial reporting system and that many insolvencies take more than a year to develop."

However, the GAO report noted that some industry experts say insolvencies can develop in a matter of months.

"Under these circumstances, the time lag inherent and reliance upon annual statements for detection of solvency problems may not be acceptable," the GAO said.

To speed up annual statement review, the NAIC is encouraging insurers to file their statements on computer disks. Fifteen states now require all insurers to file statements on computer disks, and five require it only of domestically domiciled insurers.

NAIC computer capabilities are increasingly being improved so insurers' financial data is more readily available not only to its central office but also to states, said outgoing NAIC President and Nevada Commissioner David Gates.

In an effort of reduce delays in detecting insolvencies, half of the 48 departments responding to the GAO survey now require quarterly financial reports from all domiciled companies.

However, the GAO criticized the reliance on quarterly statements because these condensed versions of annual reports lack the supporting data of the yearly financial filings.

The GAO also found that many state regulators accept data that has not been independently verified, although the NAIC recommends that state insurance departments require property/casualty insurers to submit a statement by an unaffiliated certified public accountant attesting to the validity of the financial statements.

For example, in the 1988 NAIC survey, 37 states had no such requirement, nor did the five states the GAO visited.

Also, 38 of the 48 insurance departments responding to the GAO survey follow NAIC recommendations to require an actuary's statement confirming the validity of the reserves of all domiciled insurers.

The GAO also charged that field examinations are time consuming and too infrequent.

According to the 1988 NAIC survey, departments in 24 states and the District of Columbia require that domestic insurance companies submit to a field examination once every four years; two require field exams every three years; 14 require exams every five years; four require exams but did not specify how often; three had no requirements and three did not respond.

While field exams for small property/casualty insurers may take one or two examiners a month or less to complete, examination of larger companies may take five to eight examiners eight months or longer, the report said.

The report also noted instances of examinations that took more than five years to complete.

Experts cited by the NAIC said the timing of field examinations should be based on need rather than on a uniform schedule.

Inadequate funding and personnel also inhibit state regulators, according to the GAO.

For example, 21 of the 51 departments responding to the 1988 NAIC survey reported difficulty in obtaining adequate state funding to pay examiners.

And, among those reporting difficulties were insurance departments in two states in which insurers wrote more than $10 billion in premiums, compared with an average of $3.9 billion per state.

The GAO also found that examiners in the five states studied were carrying enormous workloads.

The report found one examiner for every 792 annual statements in Arizona; one for every 499 in Texas; one for every 416 in Rhode Island; one for every 227 in Ohio; and one for every 79 in Connecticut.

Collectively, the five states employed 29 staff members to analyze 6,450 annual statements—a ratio of one staffer to 222 statements, the report found.

"To monitor solvency effectively, it is vital that states have a sufficient level of resources. While we know of no generally accepted criteria for determining how much states should spend on solvency regulation, what we have found indicates that some states may not be allocating sufficient resources to these areas," the GAO said.

"State monitoring of property/casualty insurers' solvency cannot be maintained or improved without sufficient resources," the GAO said.

Because of funding problems, some states hire examiners as independent contractors in addition to, or instead of, their own staff, the report said.

While the practice can save money and circumvent hiring restrictions, it can also be detrimental to the quality and efficiency of the examination, the GAO said.

The GAO also asserts that many insurance department examiners may not be adequately qualified.

The NAIC dictates, among other requirements, that examiners must be certified as an Accredited Financial Examiner by the National Society of Financial Examiners, and that the examiner-in-charge must be a Certified Financial Examiner, the GAO said.

But not every field examiner in 35 of the 46 states responding to the GAO question are certified as either AFEs or CFEs.

The GAO also found that state insurance regulators do not adequately exchange information.

"We have found. . .that states do not fully coordinate with each other. Some states release full information to other states about problem insurers, while other states concerned about the possible disruptive consequences of releasing information share almost no information," the GAO report said.

"NAIC has tried and is trying to encourage coordination and to provide mechanisms for it, but both NAIC authority and success is limited."

For example, 13 of 47 respondents to the question on the GAO survey would not tell other insurance departments, either formally or informally, whether an insurer based in their own states had a strong probability of insolvency. Almost all other departments surveyed, however, would tell whether an insolvency of a domiciled insurer was imminent, the GAO said.

Also, only 15 of 48 department respondents would provide full information to other states about problem property/casualty insurers.

Improving the NAIC's solvency regulation is the key goal of Mr. Pomeroy and new NAIC Vp Jim Long, North Carolina insurance commissioner.

Now, a commissioner in a state where a troubled insurer is domiciled will have to answer to other commissioners on the Exam Oversight Task Force. If a commissioner fails to act, other states may step in, Mr. Pomeroy said.

The GAO report also found that state insurance departments give the NAIC's Insurance Regulatory Information System varying marks on effectiveness.

The system consists of ratios developed from insurers' annual statements and a review of the annual statement based on various factors chosen by an NAIC examination team.

The team analyzes the annual statement, decides whether the insurer should be designated for regulatory attention and develops a synopsis of the evaluation for the insurer's home state insurance department.

When asked by the GAO about the system's importance and the reliability of IRIS' ratios, 27 state insurance regulators rated them as having great or very great importance in helping them become aware of a potential solvency problem involving a insurer domiciled in their state. Fifteen rated them moderately important, and six somewhat important. The remainder said they were of little importance or did not answer.

Thirty-three insurance departments reported that the ratios are of great or very great importance in monitoring out-of-state insurers, nine said the ratios were moderately important, while four rated them as somewhat important. The remainder said they were of little importance or did not answer.

Twenty-two insurance departments rated the systems' ratios as highly reliable indicators of property/casualty insurer solvency; 17 rated them as moderately reliable; and eight rated them as somewhat reliable.

Twenty-nine insurance departments rated the examiner team reports as highly reliable indicators of solvency; 16 rated them as moderately reliable; and three found them somewhat reliable.

•

Copies of "Insurance Regulation, Problems in the State Monitoring of Property/Casualty Insurer Solvency," GAO/GGD 89-129, can be obtained from the U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, Md. 20877; 202-275-6241. The first five copies are free; additional copies are $2 each.

Railroad ordered to pay $7 million

CHICAGO—Soo Line Railroad Co. is self-insured for the first $2 million of $7.1 million in damages an Illinois jury ordered the railroad to pay a 36-year-old man who lost most of his right leg in a train accident.

The railroad has commercial insurance above the $2 million, but a railroad attorney would not elaborate.

Ronald Ziarko was injured in 1982 when his truck was struck by a Chicago, Milwaukee, St. Paul & Pacific Railroad Co. train in the railroad's Bensenville, Ill., yards.

A Cook County Circuit Court jury late last month found that Milwaukee Road, which Minneapolis-based Soo Line acquired the after the accident, had engaged in "willful and wanton" conduct that led to Mr. Ziarko's accident and should pay 95% of the award.

Evidence showed that railroad workers violated company rules—on the day of the accident as well as for years—by not having a worker walk beside a string of cars being pushed to ensure that the track was clear, said Philip Corboy, an attorney with Corboy & Demetrio in Chicago, who represented Mr. Ziarko.

The jury also found that Milwaukee Motor Transportation Co., a Milwaukee Road subsidiary that oversaw trucking-related operations, should be responsible for 5% of the award for its actions in the incident. Soo Line subsequently acquired this company, too.

A spokesman said the railway company is reviewing the decision and considering what action to take.

The jury originally found Mr. Ziarko 3% at fault for his contributory negligence in the accident and reduced his award by that amount. However, Judge James E. Sullivan did not allow the reduction because at least one defendant acted willfully and wantonly.

—Meg Fletcher

Insurance services guide

Advertise in
The Insurance Services Guide
FAX your advertisement for the next issue
FAX: 312/280-3189
PHONE: 312/649-5340
Contact Margaret Hikido
to reserve space.

InPhoto Surveillance
USA
800-822-8220
FAX: 800-752-0720

RISKPAC
CLAIMS MANAGEMENT SOFTWARE FOR CITIES, COUNTIES AND SELF INSURED ENTITIES
Call our Toll Free Number or Write for a Free Demo Disk
Self Insured Management Systems, Inc.
9320 S.W. Barbur Blvd. • P.O. Box 19730-171 • Portland, OR 97219-9898
Toll Free 1-800-345-0811 • (503) 245-9756

CSRG CLAIM SERVICES RESOURCE GROUP
TEMPORARY CLAIMS EXAMINERS
Qualified, experienced medical & dental claims examiners are available nationwide to assist you with claims processing.
Staff is available during regular hours, after hours and on weekends. Examiner skills are exactly matched to your requirements on manual or online systems.
As the leading national firm devoted exclusively to temporary assistance in claims processing, we have been the proven answer to claim backlog problems for over 600 companies. Call us to find out about how we can be a part of your solution.
CLAIM SERVICES RESOURCE GROUP • 800-331-5039

ISP
INSURANCE SOFTWARE PACKAGES, INC.
Value Leaders In Risk Management Software
Employee Health Benefits Management System
Ideal For Self Insureds, TPA's, Associations & Carriers
- Eligibility Determination
- Fully Adjudicating
- Validates ICD-9 & CPT-4 Entries
- Identifies Duplicate Claims
- Produces Checks & EOB's
- Automatically Prints Form Letters
- Management & Ad Hoc Reports
- Lag Study Reports
- Unlimited Claims Capacity
- Easy Installation & Conversion
- Full Training & Continuing Support
- And Much More...

Installations Coast To Coast - Call For A Free Demo Diskette
INSURANCE SOFTWARE PACKAGES, INC.
5118 N. 56th Street, Tampa, FL 33610
US (800) 237-8133 FL (813) 621-6069

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Margaret Hikido, 740 Rush Street, Chicago, Illinois 60611
Telephone (312) 649-5340

Benefits survey

Continued from page 1

the two benefits today would cost only $880 per employee.

Dental insurance benefits alone averaged $175 per employee in 1988, up 18.2% from $148 in 1987.

Employers in nine different industries last year spent well in excess of $2,600 per employee for medical and medically related benefits.

They include: primary metal industries, $5,491 per employee, up 9.7% from $5,004 per employee in 1987; petroleum, $4,083, up 27.8% from $3,196; rubber, leather and plastic products, $3,972 down 15.1% from $4,681; transportation equipment, $3,805, down 6.6% from $4,076; public utilities, $3,787, up 15.7% from $3,273; chemicals and allied products, $3,724, up 15.5% from $3,223; electrical machinery, equipment and supplies, $3,477, up 33.4% from $2,606; fabricated metal products, $2,845, up 20.3% from $2,364; and instruments and miscellaneous manufacturing industries, $2,839, up 4.5% from $2,717.

Industries that spent the least last year on medically related benefits include: department stores, $1,013 per employee, up 19% from $851 per employee in 1987; printing and publishing $1,375, down 22.7% from $1,779; and textile products and apparel, $1,493, up 36.2% from $1,096.

Of the $2,538 per employee that employers spent on average for medical and medically related expenses, nearly three-quarters—$1,877—went toward the cost of providing medical and hospital benefits.

In 1988, employers in eight different industries—up from seven in 1987—spent more than $2,000 per employee on medical and hospital benefits (see chart).

Industries that spent more than $2,000 per employee for medical and hospital coverage last year included: transportation equipment, $2,883, up 31.3% from $2 195 in 1987; public utilities, $2,745, up 14% from $2,410; petroleum industry, $2,709, up 15.6% from $2,344; chemicals and allied products, $2,450, up 13.1% from $2,167; primary metal industries, $2,383, up 6.3% from $2,242; electrical machinery, equipment and supplies, $2,362, up 35% from $1,750; fabricated metal products, $2,360, up 29.9% from $1,817; and instruments and miscellaneous manufacturing industries, $2,252, up 6.5% from $2,115.

Employers spending the least on employee medical and hospital benefits in 1988 included: department stores, $846 per employee, up 41.7% from $597 per employee in 1987; printing and publishing, $1,165, down 21.4% from $1,482; banks, finance companies and trust companies, $1,217, up 9.1% from $1,115; textile products and apparel, $1,291, up 39% from $929; and trade (wholesale and retail), $1,378, up 33.1% from $1,035.

However, these changes in costs in each industry could be influenced by the changing mix of respondents to the Chamber survey each year.

The cost of providing health care to retirees appears—at first glance—quite modest: payments for retiree health care benefits last year among surveyed employers averaged just $233 per active employee, up 24.6% from $187 per employee in 1987.

However, calculating retiree health care costs on a per-employee basis obscures what companies actually spent on retiree health care benefits.

Companies with a low number of retirees may report a small per-employee cost for retiree health care benefits, despite providing a generous benefit package.

In contrast, the cost of retiree health care benefits was enormous for surveyed employers in the primary metals industry—an industry that has a huge pool of retirees, Mr. Lefkowitz notes.

For example, employers in the primary metal industry, which includes steel manufacturers, last year spent an average of $2,612 per employee on retiree health care benefits, up 15.1% from $2,269 in 1987.

In contrast, employers in the machinery industry (excluding electrical) spent an average of $32 per employee for retiree health care benefits, down 57.9% from $76 in 1987.

Other industries with hefty retiree health care costs included: chemicals and allied products, $979 per employee, up 45.9% from $671 in 1987; rubber, leather and plastic products, $563, down 36.6% from $888; and electrical machinery, equipment and supplies, $429, up 263.6% from $118.

Besides machinery, other industries with low retiree health care costs—on a per-employee basis—included: hospitals, $58, up 480% from $10; and department stores, $69, down 48.1% from $133.

While employers' health care costs are soaring, retirement and savings plan expenditures are coming down. Last year, employers spent an average of $1,463 per employee on their retirement and savings plans, down 19.6% from $1,820 in 1987.

As a percent of payroll, retirement and savings plan benefits totaled 5% in 1988, down from 6.6% in 1987.

And for one component of retirement and savings plans—defined benefit pension plans—employers in eight of the 21 surveyed industries decreased their contributions.

Overall, employers last year contributed an average of $586 per employee to their defined benefit plans, down 14.7% from $687 per employee in 1987.

Defined benefit pension plan expenditures have dropped in recent years because a high percentage either are fully or overfunded. As a result, companies can scale back their contributions.

"The lower percent of payroll contributed to these plans may be the result of the strong stock market in recent years that may have helped many firms fund their pension plan at lower costs than what might have been expected," according to the Chamber survey.

Industries making the largest contributions to their defined benefit plans in 1988 included: petroleum industry, $2,520 per employee, up 52.8% from $1,649 per employee in 1987; public utilities, $1,379, down 23.2% from $1,796; rubber, leather and plastic products, $993, up 30% from $764; fabricated metal products, $686, up 200.9% from $228; and electrical machinery, equipment and supplies, $659, up 106.6% from $319.

Employers with the lowest defined benefit pension plan expenditures in 1988 included: chemicals and allied products, $63 per employee, down 82.7% from $365 in 1987; transportation equipment, $144, down 94% from $2,392; department stores, $191, up 306.4% from $47; instruments and miscellaneous non-manufacturing industries, $195, up 6.6% from $183; and primary metal industries, $215, down 93.3% from $3,223.

Other survey findings include:

- Industries with the highest benefit costs as a percentage of payroll in 1988 included: petroleum, 46.1%, up from 38% in 1987; primary metals, 42.8%, down from 54.2%; public utilities, 42.3%, up from 41.8%; trade (wholesale and retail), 42.3%, up from 36.6%; and rubber, leather and plastic products, 41.1%, down from 45%.

Industries with the lowest benefit costs as a percentage of payroll in 1988 included: printing and publishing, 30.4%, down from 33.5% in 1987; banks, finance and trust companies, 31.9%, up from 31.5%; hospitals, 33%, down from 33.9%; textile products and apparel, 33.3%, up from 28.5%; and pulp, paper, lumber and furniture, 33.7%, up from 33.5%.

- Industries with the highest benefit costs per employee in 1988 included: Petroleum, $18,381, up 28.2% from $14,335 in 1987; public utilities, $15,195, up 4.5% from $14,546; transportation equipment, $14,273, down 17.3% from $17,269; primary metal industries, $13,635, down 17% from $16,434; and chemicals and allied products, $12,544, down 6.8% from $11,748.

Industries with the lowest benefit costs per employee in 1988 included: department stores, $5,923, up 28.1% from $4,625 per employee in 1987; textile products and apparel, $6,605, up 25.9% from $5,248; trade (wholesale and retail), $7,294, up 22.6% from $5,950; printing and publishing, $8,282, down 1.5% from $8,411; and hospitals, $8,731, up 21.2% from $7,201.

- Benefit costs as a percentage of payroll varied by geographic region. The highest benefits cost as a percentage of payroll were incurred by employers in the West where they averaged 39.1% in 1988, up from 37.9% in 1987.

Benefit costs as a percent of payroll in other regions include: Southeast, 37.9%, down from 39.2%; East North Central states (Illinois, Indiana, Michigan, Ohio and Wisconsin), 36%, down from 44.1%; and Northeast, 35.2%, down from 36.2%.

- Employer contributions to 401(k) salary reduction plans averaged $268 per employee in 1988, up 22.4% from $219 in 1987. Employers' 401(k) contributions were highest in the instruments and miscellaneous manufacturing industries, where contributions last year averaged $697 per employee, up 93.6% from $360 per employee in 1987. Contributions were the lowest in the textile products and apparel industry with contributions per employee averaging just $21, virtually unchanged from 1987 average contributions of $20 per employee.

- Other benefit categories in the Chamber study, as a percentage of payroll, include: payments for time off, like vacations, holidays and sick leave, 10.6% in 1988, down from 11% in 1987; legally required benefits, like Social Security payroll taxes and workers compensation, 8.9%, down from 9%; paid rest periods and lunch periods, 2.3%, down from 2.7%; miscellaneous benefits, 0.9%, down from 1.1%; and life insurance and death benefits, 0.6%, unchanged from 1987.

•

Copies of "Employee Benefits: 1989 Edition," are available from the U.S. Chamber of Commerce, Publications Fulfillment (RKVL), 1615 H St., N.W., Washington, D.C. 20062; 1-800-638-6582. From Maryland, call 1-800-638-1450. The cost is $25 per copy. Discounts are available for bulk orders. Prepayment is requested. Sales tax should be included for deliveries in California and the District of Columbia.

Medical costs per employee

	1988	1987	% change
Transportation equipment	$2,883	$2,195	31.3
Public utilities	2,745	2,410	14.0
Petroleum industry	2,709	2,344	15.6
Chemicals & allied products	2,450	2,167	13.1
Primary metal industries	2,383	2,242	6.3
Electrical machinery, equipment & supplies	2,362	1,750	35.0
Fabricated metal products	2,360	1,817	29.9
Instruments & misc. manufacturing industries	2,252	2,115	6.5
Pulp, paper, lumber & furniture	1,991	1,691	14.2
Rubber, leather & plastic products	1,886	2,120	-11.0
Stone, clay & glass products	1,740	1,964	-11.4
Food, beverage & tobacco	1,676	1,685	-0.5
Hospitals	1,635	1,228	33.1
Insurance companies	1,625	1,411	15.2
Machinery (excluding electrical)	1,581	1,656	-4.5
Miscellaneous non-manufacturing industries	1,492	1,204	23.9
Trade (wholesale & retail)	1,378	1,035	33.1
Textile products & apparel	1,291	929	39.0
Banks, finance companies & trust companies	1,217	1,115	9.1
Printing & publishing	1,165	1,482	-21.4
Department stores	846	597	41.7

Source: U.S. Chamber of Commerce Research Center

BI / CYNTHIA WATSON

Benefit costs per employee

	1988	1987	% change
Petroleum industry	$18,381	$14,335	28.2
Public utilities	15,195	14,546	4.5
Transportation equipment	14,273	17,269	-17.3
Primary metal industries	13,635	16,434	-17.0
Chemicals & allied products	12,544	11,748	6.8
Rubber, leather & plastic products	12,380	12,311	0.6
Electrical machinery, equipment & supplies	11,658	10,587	10.1
Instruments & misc. manufacturing industries	11,408	10,907	4.6
Fabricated metal products	11,330	10,804	4.9
Machinery (excluding electrical)	10,972	9,694	13.2
Food, beverage & tobacco	10,274	9,110	12.8
Insurance companies	10,018	9,560	4.8
Miscellaneous non-manufacturing industries	9,905	10,128	-2.2
Stone, clay & glass products	9,599	8,419	14.0
Pulp, paper, lumber & furniture	9,283	8,474	9.5
Banks, finance companies & trust companies	8,746	7,692	13.7
Hospitals	8,731	7,201	21.2
Printing & publishing	8,282	8,411	-1.5
Trade (wholesale & retail)	7,294	5,950	22.6
Textile products & apparel	6,605	5,248	25.9
Department stores	5,923	4,625	28.1

Source: U.S. Chamber of Commerce Research Center

BI / CYNTHIA WATSON

Editorial Index Service

The Business Insurance Editorial Index Service directs you to all news reports and feature articles published by Business Insurance newsmagazine.

The annual service includes 3 quarterly reports and a cumulative annual volume. In addition, article citations between publication of quarterly reports are available from BI's Information Centers in New York and Chicago. Complete alphabetical and chronological listings by company, person, subject and geographic location enables you to access data quickly and accurately.

Take advantage of this cost effective tool and fill out the coupon today or call 212/210-0137.

Business Insurance

Editorial Index Service **Business Insurance**
220 East 42nd Street, New York, NY 10017
Please send me the following index(es):
Full Index Service at $100* ☐ 1990
Softcover editions at $100* each:
☐ 1986 ☐ 1987 ☐ 1988 ☐ 1989
Hardcover editions at $150* each:
☐ 1981 ☐ 1982 ☐ 1983 ☐ 1984 ☐ 1985
* foreign postage additional
TOTAL ENCLOSED $_____
PAYMENT MUST ACCOMPANY ORDER —
☐ Visa ☐ Mastercard ☐ Optima ☐ American Express
☐ Check Enclosed (payable to Business Insurance)

Account # Exp. Date

Signature

Name

Title Phone

Company

Address

City State Zip

Policy history

Continued from page 3

man, also of Anderson, Kill, Olick & Oshinsky. "To fulfill their obligation of good faith, insurers cannot act inconsistently,"

The litigation between Champion and Liberty Mutual stems from two product liability cases Champion settled for a total of $3 million. The cases alleged property damage caused by gradual delamination in wood siding products Champion manufactured.

In March 1987, Champion sued its primary and excess liability insurers from 1969 to 1979 seeking indemnification for the settlements. Liberty Mutual was the primary insurer during this period.

Excess insurers included Unigard Insurance Co. of Seattle, a unit of John Hancock Mutual Life Insurance Co.; Continental Casualty Co. of Chicago, a unit of CNA Financial Corp.; Northbrook Excess & Surplus Lines Insurance Co., a unit of Allstate Insurance Co. in Northbrook, Ill.; International Surplus Lines Insurance Co. of Chicago, a unit of Crum & Forster Insurance Cos.; and several underwriters at Lloyd's of London.

Liberty Mutual also brought Aetna Casualty & Surety Co. into the fray because Aetna wrote primary liability coverage for Champion from 1979 to 1980.

In addition, Home Insurance Co. of New York wrote excess coverage for Champion in various years. However, Home Insurance is a non-party to the litigation, meaning it has an interest in the case but is not being sued.

The coverage litigation turns on a dispute over which policy periods are triggered when the property damage is allegedly continuous. Similar arguments are made in coverage disputes over asbestos personal injury claims.

As a result, Champion is trying to force Liberty Mutual to reveal, in discovery, documents related to the drafting history of the terms "occurrence," "trigger" and "date of loss," among others.

Champion hopes the court will adopt a continuous trigger, which would allow it to tap all policies from the time the defective wood siding was installed until it was removed or fixed.

"Champion believes that the drafting history documents will show that the continuous trigger was intended by the insurance companies and their representatives who were drafters of the 1966 policy form," said Champion attorney Jay Spievack, also of Anderson, Kill, Olick & Oshinsky.

And, "the drafting history also will show that insurance companies are now making inconsistent statements" regarding coverage, he added.

Furthermore, Champion says it can separately show Liberty Mutual has argued in asbestos bodily injury coverage cases that the continuous trigger was appropriate for property damage claims.

Both asbestos litigation and the current dispute involve the same standard form liability policies, and Champion argues that Liberty Mutual should be bound to its earlier statement.

Most recently, the two sides have been battling over whether the court can order disclosure of drafting history documents.

'Champion believes that the drafting history documents will show that the continuous trigger was intended by the insurance companies and their representatives who were drafters of the 1966 policy form,' says Champion attorney Mr. Spievack.

Liberty Mutual contends that the drafting history documents are irrelevant to the Champion dispute.

In the course of the disagreement, Champion wrote to Judge Connor revealing that in a separate 1982 lawsuit involving American States Insurance Co., Liberty Mutual itself specifically requested drafting history documents.

During the 1982 litigation, Liberty Mutual sent an interrogatory —a written question—to American States asking the insurer to, among other things, "identify each person from 1965 to present who has drafted your policy language with respect to property damage and/or personal injury. . . ."

Champion attorney Kevin Walsh of Anderson, Kill wrote that "the interrogatories constitute a clear concession on the part of Liberty Mutual as to the relevance of this material to coverage disputes."

Because "Liberty Mutual has itself sought this material in discovery in the past, we believe that its opposition to drafting history discovery in the objections presently before the court is ill-founded and should be overruled," Mr. Walsh said in his letter to the judge.

Champion attorney Mr. Spievack agreed: "If Liberty Mutual seeks information in one case and says it is relevant, how is it not relevant for the policyholder to seek the same information?"

Liberty Mutual, though, counters that the interrogatories in the American States case "do not seek documents at all, but rather merely sought the identity of persons who drafted the policy language at issue in that case.

"Liberty Mutual respectfully but strenuously objects to the court's reliance on these interrogatories and to the court's description of and conclusions drawn from these interrogatories," said the insurer in its request for reargument.

"To find 'concession' in a single discovery demand served seven years ago in an action in another district without any information as to the background of the case, the matters in dispute, and the prior proceeding in the case. . . .is unjustified," Liberty Mutual said.

Furthermore, the insurer argues that it should have been allowed to respond to Champion's allegations relating to the interrogatories.

Liberty Mutual also argued that even if Judge Connor decides not to change his order, he should delete from the record any discussion of the interrogatories served in the American States litigation.

"The omission of this portion of the opinion will not affect the substance of the opinion since the court had already found the drafting history documentation relevant. On the other hand, a correction or clarification of that portion of this court's opinion relating to the American States interrogatories is particularly important, because, if unchanged, the opinion may well be cited by plaintiff's counsel and other counsel in other litigation."

•

Champion International Corp. vs. Liberty Mutual Insurance Co., U.S. District Court for the Southern District of New York; No. 87 Civ. 1634 and 88 Civ. 5041.

Work comp advisory rates

Continued from page 2

can be adjusted for development and trend," noted a resolution the NAIC adopted last week.

The New York-based Insurance Services Office Inc., the largest property/casualty insurance rating organization for non-workers comp lines, voluntarily adopted such an approach in response to the recommendation of a similar NAIC working group (*BI*, April 10).

In June, the NAIC formally adopted a policy that advisory organizations should be prohibited from filing fully developed rates in all property/casualty lines except workers comp.

The NAIC decided to address workers comp separately because of its "unique characteristics," including that it is a state-mandated coverage.

One phase of the newly authorized NAIC study will involve a four-state examination of the methods and operations of the New York-based National Council on Compensation Insurance, the largest workers compensation advisory rate-setting and statistical organization.

The study of NCCI operations in Maine, Florida, Utah and Nebraska "could validate certain activities as well as provide the basis for recommendations on how other activities might be improved to better serve insurers and employers," said the working group report.

The examination is expected to be completed by the end of 1990 or early 1991, with its cost charged to the NCCI, according to Nebraska Insurance Director William McCartney, chairman of both working groups on advisory rates.

The other phase of the study will involve an NAIC staff economic analysis of the workers comp marketplace during 1990 to determine the probable economic effects of implementing a loss-cost system.

The staff will examine the current structure and performance of state and national marketplaces and analyze the theoretical role of advisory and rating organizations.

Effects of a loss-cost system on competition, rates, profitability, availability, loss prevention and small employers in states that already have instituted such systems will also be analyzed.

"Upon completion of the economic analysis and the NCCI examination, the position of the working group on permissible ratemaking activities of advisory organizations in workers' compensation insurance may be revised," said the working group report, which entailed five months of study and three public hearings.

Most members believe the industry has not made a "clear and convincing argument as to why workers' compensation should be treated any differently from other property/casualty lines with respect to permissible activities of advisory organizations," the report said.

"The fact that workers' compensation is mandated is insufficient justification for uniform or advisory rates. In principle, insurers should know what their expenses and profit needs are for every line of insurance that they write," the report said.

The working group noted that under NAIC recommendations, "advisory organizations would be allowed to do much of what they had done already, short of filing final rates. Advisory organizations would be allowed to collect historical loss information from insurers, adjust these data for development and trend and distribute or file this 'prospective' loss cost information with the commissioner."

They "also would be allowed to develop and file supplementary rating information, rating manuals (excluding final rate pages) and policy forms and endorsements," the report said.

But, "insurers would be required to determine, individually, their own expense and profit factors and file their final rates," according to the working group's proposal. Insurers' rate filings, though, could refer to the prospective loss cost and supplementary rating information filed by the advisory organization.

A loss cost-only approach "seeks to promote competition and maximize benefits to consumers by preserving efficiencies gained through the joint collection and analysis of loss information, while enforcing independence in the areas of expenses and profits, which should be based on each insurer's specific methods of operation," the report said.

However, some regulators disagree.

For example, the New York Insurance Department "believes that ensuring availability of coverage and loss prevention services, along with other factors, are legitimate reasons for allowing advisory organizations to file final rates in workers' compensation," the report said.

In addition, other regulators are concerned that eliminating fully developed advisory rates could lead to reduced availability of coverage for small employers if some insurers are forced out of the market or forced to limit coverage to large employers by the added costs of developing final rates, the report said.

Some regulators also fear that "loss prevention service might also suffer if greater competition causes insurers to take a short-term view in cutting expenses without appropriate consideration of the long-term effect on claim costs," the report said.

"However, other members of the working group questioned whether insurers emphasize loss prevention even under the current system," the report added.

'The fact that workers compensation is mandated is insufficient justification for uniform or advisory rates. In principle, insurers should know what their expenses and profit needs are for every line of insurance that they write,' the report says.

The study "shouldn't be viewed as a threat to the NCCI," said Mr. McCartney, chairman of the two NAIC working groups, in an interview. "It has the potential to be very constructive," he added.

"We are proud of the process in place and are more than willing to discuss it with anyone," said Michael Camilleri, NCCI senior vp and general counsel.

"If someone can build a better mousetrap, we are more than willing to look at it," he said.

The NCCI says it can provide whatever type of rate a regulatory environment requires: fully developed rates or loss costs only. The NCCI now provides different types of loss cost-only data in several states that have some form of competitive rating.

However, the NCCI "is concerned that the NAIC's studies might divert attention from the immediate need for system reform in some states," Mr. Camilleri said. "We certainly hope that won't happen."

According to the working group report, "there are much greater concerns about fundamental problems within the workers' compensation system itself than the filing of advisory or bureau rates."

The working group heard testimony from industry representatives, regulators and consumers at three hearings this year in Boston, Wilmington, Del., and Washington, D.C.

At the Washington hearing, Maine Insurance Superintendent Joseph Edwards stressed the need for regulators to better understand why workers comp insurance costs are escalating and to evaluate NCCI operations.

Last week the NAIC adopted a model law and regulation enabling insurance commissioners to collect claims data for analyzing the costs of the workers comp system.

Representatives of insurers and state work comp administrators unsuccessfully sought to delay adoption of those models by the Workers Compensation Task Force, complaining of insufficient time to review the latest drafts.

However, Mr. Edwards, who heads the task force, said he would be willing to consider their comments in the future.

"The Alliance of American Insurers would prefer to retain full advisory rates, but is not opposed to the move to loss costs," said Steven Millikan, vp and director of workers compensation.

However, workers compensation should be treated differently from other property/casualty lines because of insurers' need to preserve a uniform data base with sufficient detail on an individual policyholder's losses and premiums to allow for proper underwriting of each risk, he said.

The Alliance is currently reviewing the new models to see if they meet insurers' data collection needs, Mr. Millikan said. ■

Insider trading

Hilb, Rogal & Hamilton Co.: Robert S. Ukrop, director, purchased 1,000 shares of common stock at $23.63 per share on Nov. 1. Mr. Ukrop also indirectly purchased 800 shares of common stock at $23.63 per share the same day, and now indirectly and directly holds 9,920 shares. Hilb stock was trading at $25.25 per share Dec. 6.

Kemper Corp.: Gerald Maatman, director, sold 7,500 shares of common stock at $47.75 per share Nov. 15 and now directly holds 17,133 shares. Kemper stock was trading at $45 per share Dec. 6.

Lincoln National Corp.: Reed P. Miller, vp, exercised an option for 500 shares of common stock at $39.94 per share on Nov. 6 and now indirectly and directly holds 817 shares. Lincoln National stock was trading at $59.875 per share on Dec. 6.

RLI Corp.: John S. McGuinness, director, purchased 400 shares of common stock at $7.38 per share Nov. 2 and now directly holds 4,350 shares. RLI Corp. stock was trading at $9 per share Dec. 6.

•

Insider Trading, prepared by Invest/Net Group Inc. of Miami from reports filed with the Securities and Exchange Commission, tracks stock sales and purchases by insurance industry directors and officers.

Risk Retention Act

Continued from page 1

In a statement, NRRA President Robert L. Larsen said, "I believe the Kasten bill, together with the (Commerce Department's) comprehensive report and a currently stable liability insurance market, gives Congress an opportunity to deal with these issues in a thoughtful, measured way.

"Delay can only serve to heighten the prospect that the process will be overtaken by events and dominated by a crisis atmosphere," Mr. Larsen said, referring to the possibility that Congress may not act on the proposed amendments next year.

Robert Esenberg, vp-governmental affairs with the Risk & Insurance Management Society, expressed support for the Commerce Department proposals on purchasing groups and their insurers, including the recommendations for single-state regulation and heightened financial standards.

"A strengthening there would certainly be beneficial to the members," he said. "We would not be opposed to such strengthening, so long as it is reasonable."

However, the report got mixed reviews from some state insurance regulators attending the National Assn. of Insurance Commissioners' winter meeting in Las Vegas, Nev., last week.

Though it did not release the report publicly until Dec. 4, the Commerce Department delivered copies to members of the NAIC's Risk Retention Working Group as they arrived in Las Vegas Dec. 2, according to Edward T. Barrett II, a Commerce Department official and co-author of the report.

minimum requirements for purchasing group insurers, including capital and surplus requirements.

Regulatory opposition to purchasing groups would decrease if such standards were in place, he said.

Standard forms for regulators to use in registering risk retention groups and purchasing groups, which were prepared by Mr. Hager's working group, were approved last week by the NAIC with the recommendation that states adopt them.

The Commerce Department's Operations Report on the Liability Risk Retention Act of 1986 is its second report to Congress on the implementation of the act. The first report was submitted in September 1987 (*BI,* Oct. 5, 1987).

In support of the proposed changes in the act, the latest report evaluates the act's effectiveness to date and summarizes comments from regulators, brokers and insurance buyers on the proposed changes.

Since 1986, more than 60 risk retention groups and 300 purchasing groups have been formed, the report says, citing figures compiled by the Risk Retention Reporter.

Risk retention groups had more than 11,000 policyholders generating about $269 million in premiums in 1988, while purchasing groups had 315,000 members generating $575 million in premiums.

Despite criticism that the act has had little impact on availability or affordability of some lines of insurance, the Commerce Department concluded that it has been a major help in resolving these problems for many insurance buyers.

"The act is already providing a needed service to many businesses," the report says. "With amendments, a strengthened regulatory environment and more attentive users, it all states in which a purchasing group has members (*BI,* June 27, 1988; Oct. 5, 1987).

This change is included in the Kasten bill.

- Establishment of qualifications for purchasing group insurers, including minimum capital and surplus requirements.

The Commerce Department staff had earlier proposed a $3 million minimum capital and surplus requirement in a discussion paper, and this minimum requirement is included in the Kasten bill.

The Commerce Department report recommends that Congress hold hearings to determine what the appropriate minimum financial standards should be.

The Commerce Department report also recommends that certain insurers be allowed to write purchasing group coverages, including alien insurers listed by the NAIC's Non-Admitted Insurers Information Office and surplus lines insurers willing to submit to rate and form regulation in one state.

- Requirements that purchasing groups provide more information to state regulators than is presently mandated. Such information should include names and addresses of insurers, officers of the purchasing group, the name and address of any purchasing group manager and a certification of related business activity of group members.

Risk retention groups and purchasing group insurers also should be required to file statutory financial statements with domiciliary states that conform to NAIC standards, "to the extent appropriate."

The Commerce Department also recommends steps that state regulators should take in overseeing risk retention groups and purchasing groups. These include:

- More effective regulation of groups operating under the act.

"The financial problems which have arisen have been or could have been halted through the use of existing authority," the report contends. "Where problems have persisted, the cause has frequently been inattention rather than lack of authority."

- Strengthening state regulation of insurer solvency and financial stability.

The report notes that the NAIC is taking steps to improve regulation in these areas.

For example, Mr. Pomeroy said at the Las Vegas meeting last week that the NAIC plans to study New York Insurance Superintendent James Corcoran's idea that domestic and foreign insurers be granted licenses in all states after meeting the licensing standards of a single "port of entry" state and filing business plans and solvency certificates in the other states.

The Commerce Department report cited such a "port of entry" structure as an example of the single-state regulatory approach that was intended for risk retention groups and purchasing groups and that would "permit states to have more faith in the regulatory practices of sister states."

- Establishing a central coordinating office within the NAIC to collect information on risk retention groups, purchasing groups and purchasing group insurers to pass along to individual states.

The Commerce Department report also urged insurance buyers taking advantage of the act to "operate responsibly."

Noting that the act is "deregulatory in nature," the report observed that "members of risk retention groups need to pay the same kind of attention to the operation of the group as they pay to running their own businesses. Members of purchasing groups need to make sure their insurance arrangements are credible, stable and appropriate for the liability insured."

•

Chicago-based Associate Editor Meg Fletcher contributed to this report.

'With amendments, a strengthened regulatory environment and more attentive users, (the Risk Retention Act) should provide a workable alternative for insurance buyers in the future,' says the Commerce Department report.

"We believe the Commerce Department has an incomplete understanding of the solvency issues for risk retention and purchasing groups," said Earl R. Pomeroy, North Dakota insurance commissioner and recently elected NAIC president.

Mr. Pomeroy added that he takes "serious exception" to the Commerce Department's conclusion that the insolvencies of one risk retention group and a handful of purchasing group insurers reflect poor regulation rather than problems with the risk retention framework.

Iowa Insurance Commissioner William Hager also complained about the report's criticism of state regulation, noting that the Risk Retention Act's provisions for purchasing group regulation are ambiguous and that Congress imposed the burden of regulating the groups on states with little direction.

"We don't apologize for the ambiguity. It was caused by poor draftsmanship," said Mr. Hager, who is chairman of the NAIC working group.

State regulators have had to resort to litigation to clear up some ambiguities and protect policyholders from the "ongoing solvency peril" that some groups pose, he said.

For example, the Iowa Insurance Department in July won a federal appellate court ruling that a purchasing group insurer must be licensed in Iowa before it can write coverage for a purchasing group with members in the state. The insurer, Swanco Insurance Co., had argued that the Risk Retention Act exempted it from such licensing requirements (*BI,* July 24).

However, Mr. Hager also said he supports the report's recommendations calling for greater member control of purchasing groups and should provide a workable alternative for insurance buyers in the future.

Citing shortcomings in several areas of the original act, the Commerce Department delivered several recommendations for action by Congress, state regulators and insurance buyers taking advantage of the act.

According to the report, congressional amendments to the act should include:

- Redefining "risk retention group" and "purchasing group" to emphasize the importance of member control of the groups.

This has been less of a problem with risk retention groups—in which members are both owners and policyholders—though the law should be refined to prevent individual members from controlling the groups.

The act should also bar insurer-controlled purchasing groups, which "lack independence and cannot achieve the bargaining power a group is designed to permit."

Though the Commerce Department staff had earlier proposed these changes in a discussion paper, Sen. Kasten's bill—adopting the NRRA position—omits such amendments.

- Elimination of ambiguities in purchasing group regulation. The report recommends that purchasing groups and their insurers—like risk retention groups—be subject to single-state regulation.

For example, the Commerce Department has proposed that purchasing group coverages be subject to rate and form regulation only in the state where the group maintains its principal place of business.

Such a provision would effectively overturn a 1987 New York federal court decision that some say allows rate and form regulation by

Update

BC/BS computer tracks doctors

Continued from page 2

Improperly itemized bills will be repackaged to charge the usual and customary fees set by the American Medical Assn. codes that facilitate automated claims processing. Weekly reports from the program will "enable us to find the chronic offender," said a spokesman.

The software will be installed in Illinois Jan. 1, and the insurer will share it with other Blues nationwide.

Rating may help Farmers bid

NEW YORK—Standard & Poor's Insurance Rating Service's affirmation last week of its AA+claims-paying rating for AXA Midi Assurances S.A. will give the French insurer a "tremendous boost" in its stalled $4.5 billion bid for Farmers Group Inc., said AXA Midi Chairman Claude Bebear.

The rating service's reassessment should help "establish our credibility once and for all in the eyes of the financial and regulatory communities in the U.S.," Mr. Bebear said, noting that Farmers' rating is AA.

AXA Midi, the principal subsidiary of Paris-based AXA Group, announced plans in August to buy Farmers, a B.A.T Industries P.L.C. unit, from Hoylake Investments Ltd. if Hoylake purchases B.A.T.

S&P had placed AXA-Midi's AA+rating on CreditWatch in October, concerned that the proposed Farmers buyout would leave AXA Midi overleveraged. But, AXA Midi has shown that it "would be able to restore financial leverage and interest levels appropriate for this rating category" in a reasonable time if regulators approve its Farmers bid, S&P said last week.

Nine state insurance commissioners are deciding whether AXA-Midi is a suitable buyer for Farmers. If the commissioners rule in favor of AXA Midi, Hoylake will be allowed to redraft its failed takeover bid of B.A.T and offer it again to B.A.T shareholders (*BI,* Oct. 16).

New pollution endorsements

LAS VEGAS, Nev.—New pollution coverage endorsements the Insurance Services Office Inc. plans to introduce will limit insurers' obligations to pay policyholder defense costs but may not succeed in increasing availability of pollution coverage.

Defense costs are included within limits under one endorsement and defense costs are outside of policy limits but are capped under the other endorsement.

Both endorsements could be used with ISO pollution forms CG 00 39 and CG 00 40 but not with commercial general liability forms.

ISO, which unveiled the endorsements last week at the National Assn. of Insurance Commissioners meeting in Las Vegas, plans to introduce the endorsements nationwide soon.

ISO hopes the endorsements will provide "a valuable" addition to pollution coverage options and increase availability of pollution coverage, ISO representatives said.

However, the key to increasing pollution coverage is clarifying the definition of a pollution risk under the CGL policy, said Howard Greene, acting director of governmental affairs for the Risk & Insurance Management Society Inc.

Cover for Soviet joint ventures

WARREN, N.J.—Two units of Chubb Corp. and two Soviet state-owned insurers are now coinsuring property/casualty risks of joint ventures between Soviet and Western companies, including U.S. companies, according to Chubb.

Coinsurance contracts for most classes of property/casualty insurance for risks in the Soviet Union will be issued jointly by Chubb's Federal Insurance Co. and Chubb Insurance Co. of Europe, Soviet insurer Insurance Co. of the U.S.S.R. (Ingosstrakh) Ltd. and its London-based unit Black Sea & Baltic General Insurance Co. Ltd.

Policies will be written on Chubb forms at its rates for joint ventures in the Soviet Union, said Warren, N.J.-based Chubb. Black Sea & Baltic and Ingosstrakh will adjust and settle claims upon Chubb's agreement.

The policy will not cover agricultural ventures, private homes and passengers traveling by air, rail or sea.

Briefly noted

Fireman's Fund Corp. changed its name to Fund American Cos. Inc. effective last Friday. Chairman John Byrne said the change would help end confusion between the holding company and subsidiary Fireman's Fund Insurance Co., which will retain its name. . . .Denver-based **Manville Corp.** will not purchase $500 million of preferred stock from the Manville Personal Injury Trust because the parties could not agree on a fair price. The trust is investigating other ways to improve its liquidity to pay asbestos personal injury claimants. . . .Richard M. Miller was named chairman of **Corroon & Black Corp.**, effective Jan. 1, succeeding retiring Robert F. Corroon, who will remain a director and a consultant. Mr. Miller also will remain chief executive officer, but Chief Operating Officer John R. Lamberson will become president. . . .**Credit Local de France**, a French government-owned financial institution, plans to acquire 4.9% of the common stock of White Plains, N.Y.-Based **MBIA Inc.** The two companies also have signed a joint venture agreement to develop business in Europe and the United States, under which MBIA would form a licensed insurer in France next year. . . .The Alaska District Attorney will not prosecute **Exxon Valdez** Third Mate Gregory Cousins, who was at the tanker's helm when it ran aground last March in Alaska's Prince William Sound causing the nation's worst oil spill. . . .**Allegheny International Inc.** says its directors and officers liability insurance will cover a $6.25 million settlement a Pittsburgh federal court approved to resolve all pending shareholders' derivative and class-action lawsuits. . . .California Insurance Commissioner Roxani Gillespie has asked a Superior Court judge for a temporary restraining order prohibiting Farmers Group Inc. from raising auto insurance rates 5.9% on Dec. 1 while other insurers in the state remain subject to a six-month rate freeze (*BI,* Oct. 16). Ms. Gillespie accused insurers of "a concerted effort. . .to delay and hinder" the process of implementing **Proposition 103**.

Delta Re wins return of dividends

By MICHAEL BRADFORD

FRANKFORT, Ky.—The liquidator of Delta America Re Insurance Co. stands to collect at least $12.3 million awarded in a judgment against the defunct reinsurer's former parent.

National Distillers & Chemical Corp.—now known as Quantum Chemical Corp.—was ordered to hand over the $12.3 million in a judgment issued late last month by Judge William L. Graham of Franklin Circuit Court in Frankfort, Ky. The $12.3 million represents dividends Delta America Re paid its parent from 1980 until the reinsurer was sold in 1983.

Attorneys for New York-based Quantum Chemical had not filed an appeal as of late last week.

Delta America Re, which was declared insolvent by $66.7 million in 1984, is now estimated to be insolvent by $156 million.

Louisville-based Delta America Re operated under the name of Elkhorn Re Insurance Co. until its sale for $18 million in 1983 to Delta Holdings Inc., a group of U.S. and European industrial corporations.

The liquidator of Delta America Re pointed out that the reinsurer had paid National Distillers $12.3 million in dividends from 1980 to 1983 even though the reinsurer was actually insolvent. As a result of the reinsurer's insolvency during the period the dividends were paid, the liquidator argued that the "dividends are properly assets of NDCC's now-defunct subsidiary and are recoverable and applicable to the outstanding indebtedness of that subsidiary."

National Distillers admitted that the reinsurer was insolvent at year-end 1984, but said at the end of each year from 1980 through 1983, Delta America Re's assets exceeded liabilities.

National Distillers argued "that since Delta America Re believed it had sufficient capital to declare and pay the dividends in question, the dividends were proper and cannot now be recovered." To rule otherwise, National Distillers argued, "would result in directors of an insurance company being unable to declare dividends with any certainty."

Noting that for purposes of this motion it was stipulated that errors in the estimates of assets and liabilities had been "made in good faith," Judge Graham agreed with the liquidator's contention that "it is immaterial whether the dividends in question were based upon good faith estimates or not. The critical issue is whether those dividends were declared when the company's actual assets were less than its actual liabilities."

To interpret Kentucky law as National Distillers wanted "would permit shareholders of a corporation to benefit from the mistakes of their managers at the expense of innocent creditors and the corporation," the judge said.

The court also rejected National Distillers' contention that to force the return of the dividends would make it difficult for directors of an insurance company to declare dividends.

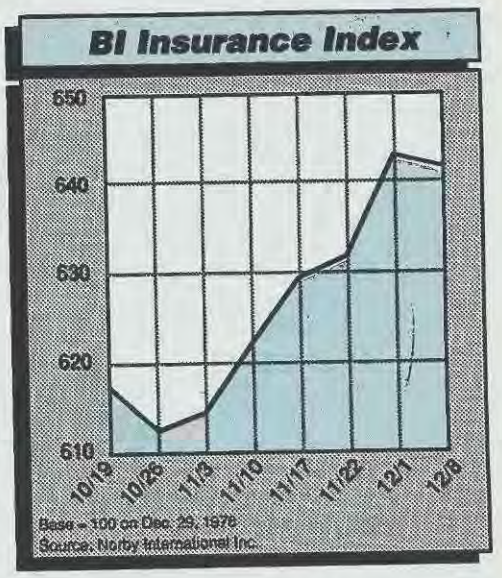
"The applicable statutes afford the directors of an insurance company ample protection in declaring a dividend provided they act reasonably in doing so," Judge Graham ruled.

The court was further persuaded by the liquidator's examples of previous cases in which a shareholder who received part of a corporation's assets through an improper dividend was found to have no right to it over creditors.

"Moreover, no wrong is done to the shareholder to require it to repay these monies," Judge Graham wrote, when the funds are needed to cover the debts of an insolvent subsidiary.

"This decision requires nothing more than that the shareholder of an insolvent insurer return monies to the company which it would not have been entitled to if the true financial status of the company had been known when the purported dividends were paid," Judge Graham ruled.

Several other lawsuits filed by the liquidator to recover funds for Delta America Re are still pending (*BI*, May 15). ■



Insurance industry stocks fell last week, as the *Business Insurance Index* dropped 1.1 points to 642.0 on Dec. 8, from 643.1 on Dec. 1. Advancing issues were led by Poe & Associates Inc., up 16.6%; Selective Insurance Group, up 6.0%; and Chubb Corp., up 5.2%. Declining issues followed Trenwick Group Inc., down 8.7%; Statesman Group Inc., down 6.4%; and Chandler Insurance Co., down 6.0%. The most active issue during the period was Sears, Roebuck & Co. (Allstate), 2.6 million shares traded. The *BI Index* lost 0.2% for the period; the Dow Jones 30 Industrials fell 0.59%; the Standard & Poor's 500 was down 0.55%; and the New York Stock Exchange Composite lost 0.4%.

Claims fraud

Continued from page 2

Mr. Cirillo, whose $25,000 bail was continued after he pleaded guilty last week to the additional mail fraud charges, is scheduled for sentencing on all charges Feb. 5 in the U.S. District Court in Trenton, N.J.

Mr. Cirillo, who worked for Royal for more than 25 years, admitted to U.S. District Court Judge Clarkson S. Fisher July 7 that he had established bank accounts in the name of Eastern Nurses Registry in which he deposited the workers comp claim payment checks Royal issued based on the false claims he submitted.

A Royal spokesman said the insurer has not recovered any of the $300,000 that it paid out to Mr. Cirillo but that it still is trying to do so.

Royal has fidelity coverage to protect it against losses resulting from fraudulent acts by employees, but it "has a fairly high deductible," the spokesman said.

And, last Wednesday, Mr. Cirillo pleaded guilty to submitting and approving five fraudulent personal injury claims totaling more than $30,000 between February and May while he was employed as a branch manager for Scott Wetzel Services.

The claims were submitted under fictitious names of customers of Wayne, N.J.-based Grand Union Co., a self-insured retail food chain for which Scott Wetzel administers liability claims.

Mr. Cirillo deposited these checks into a different Eastern Nurses Registry bank account than the one in which he deposited the checks that Royal had issued.

Scott Wetzel discovered the fraudulent claims during a claims audit it performed after learning that Mr. Cirillo had been involved in legal difficulties while employed at Royal, according to Scott Wetzel attorney David Kott, who is with McCarter & English in Newark, N.J.

Randy Pendras, assistant vp of corporate security for Scott Wetzel, said the company was not aware of Mr. Cirillo's activities at Royal when he was hired in April 1988.

Mr. Pendras would not discuss whether Mr. Cirillo was fired or if he resigned.

According to Mr. Pendras, Scott Wetzel is liable for the fraudulent claims paid by Grand Union, but a portion of the loss could be recovered under the adjuster's fidelity bond.

But, Mr. Pendras also noted that the company is anticipating taking additional legal actions to recover the money.

Scott Wetzel in July obtained a preliminary injunction restraining Mr. Cirillo from transferring or selling his property, said attorney Debra Patalkis with McCarter & English.

The adjuster sought the injunction under the federal Racketeer Influenced and Corrupt Organizations law and common law fraud, Ms. Patalkis explained.

"Fred recognized his wrong and pleaded accordingly," said Stephen S. Weinstein of Morristown, N.J., one of Mr. Cirillo's attorneys.

However, he said: "Under the recent federal mandatory guideline, trial judges have minimal discretion in sentencing. Compassion, psychological motivation, burnout and stress are only diminutive components of the larger picture required for punishment," he said.

The U.S. Attorney's Criminal Division in Trenton, N.J., which is handling the case, credited postal inspectors of the Postal Inspection Service with developing the case. ■

British Issues

Dec. 7 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	477	26.5	29.3	6.1	489—477	
Genl Accident	1185	16.9	68.0	5.7	1191—1185	
Gdn Royal Exch	245	19.3	15.7	6.3	247—237	
Royal	503	24.2	34.0	6.8	503—495	
Sun Alliance	321	11.1	17.0	5.3	323-318	
Brokers						
Bradstock	222	15.2	10.0	4.5	222—220	
CE Heath	515	14.5	34.5	6.7	515—510	
Hogg Robinson	171	12.0	9.7	5.6	172—168	
Lloyd Thompson	273	18.2	9.3	3.4	273—269	
PWS Holdings	48	13.0	2.7	5.6	48—48	
Sedgwick Grp	300	22.2	16.0	5.3	308—300	
Steel Brrl Jones	276	17.3	15.3	5.6	278—261	
Willis Faber	270	19.0	15.3	5.7	279—269	

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

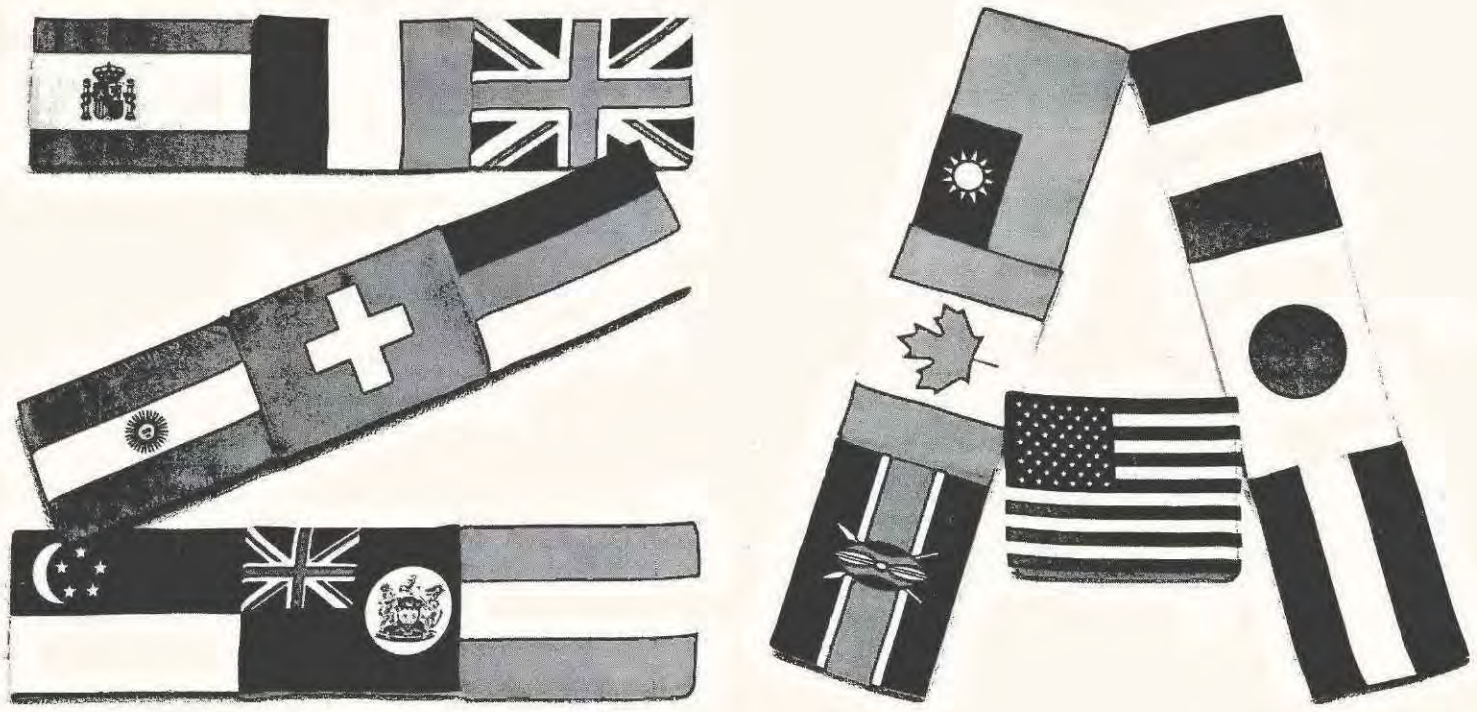
BI Industry Stock Report

DEC. 8, 1989 — 12/4/89THROUGH 12/8/89

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
BROKERS												
Alexander & Alexander	NYS	33.75	1.12	45.16	34.00	22.63	223	1.00	2.96	21	9.18	3.68
Corroon & Black	NYS	39.13	-0.63	23.23	41.00	29.13	136	1.24	3.17	18	12.73	3.07
Gallagher Arthur J. & Co.	NYS	25.25	-1.46	48.53	26.50	15.88	6	0.52	2.06	18	5.33	4.74
Frank B. Hall	NYS	3.00	-4.00	0.00	4.63	2.50	74	0.00	0.00	-1	-2.80	-1.07
Hilb, Rogal & Hamilton	OTC	25.00	0.00	80.35	25.75	13.25	100	0.32	1.28	22	4.60	5.43
Marsh & McLennan	NYS	86.50	-0.14	55.86	89.75	55.00	291	2.48	2.87	21	10.56	8.19
Poe & Associates	OTC	12.50	13.64	42.86	12.50	8.00	32	0.40	3.20	12	1.43	8.74
BROKERS	AVERAGE		1.2	42.3					2.2	16		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	46.25	0.82	56.12	46.50	29.25	246	0.40	0.86	10	25.06	1.85
Berkshire Hathaway Inc.	NYS	8375.00	0.60	80.11	8900.00	4625.00	1	0.00	0.00	27	2869.00	2.92
ITT (Hartford Group)	NYS	60.75	0.00	21.20	64.50	49.75	1410	1.60	2.63	10	56.33	1.08
Sears (Allstate)	NYS	38.00	-1.94	-5.88	48.13	37.25	2637	2.00	5.26	13	37.75	1.01
CONGLOMERATES	AVERAGE		-0.1	37.9					2.2	15		
INSURERS/REINSURERS												
Aetna Life & Casualty	NYS	60.88	-1.02	29.87	62.50	46.00	1008	2.76	4.53	10	58.11	1.05
Ambase Corp.	NYS	13.63	-0.91	22.47	16.38	10.50	199	0.20	1.47	5	29.08	0.47
American General	NYS	32.88	-2.23	9.58	38.50	29.50	1175	1.48	4.50	10	34.68	0.95
American Heritage	NYS	29.00	0.00	13.73	29.00	25.00	2	1.20	4.14	11	22.60	1.28
American Indemnity/Fin'l	OTC	8.50	3.03	-19.05	13.00	8.00	2	0.56	6.59	-6	17.38	0.49
American International	NYS	108.38	-2.69	62.66	112.00	65.25	612	0.48	0.44	13	41.92	2.59
Aon Corp.	NYS	40.88	3.15	47.96	43.25	26.00	418	1.40	3.43	12	19.62	2.08
Argonaut Group	OTC	68.88	0.92	58.33	69.50	43.25	33	1.00	1.45	8	36.83	1.87
AVEMCO Corp.	NYS	23.75	-3.55	-7.32	27.50	20.38	23	0.40	1.68	14	9.52	2.49
Baldwin & Lyons Inc.	OTC	21.75	0.58	50.00	22.25	14.38	6	0.28	1.29	7	20.80	1.05
Belvedere Corp.	ASE	5.50	0.00	22.22	6.50	4.25	133	0.04	0.73	17	8.03	0.68
Chandler Insurance	OTC	11.75	-6.00	56.67	13.25	6.88	19	0.00	0.00	6	9.53	1.23
Chubb Corp.	NYS	98.63	5.20	70.78	98.63	56.63	981	2.32	2.35	10	55.49	1.78
CIGNA Corp.	NYS	62.63	-3.47	35.41	66.75	45.75	612	2.96	4.73	11	66.64	0.94
CNA Financial Corp.	NYS	103.00	-2.14	75.32	108.75	57.63	89	0.00	0.00	10	54.87	1.88
Continental Corp.	NYS	33.13	-2.21	3.52	38.63	31.50	400	2.60	7.85	68	41.36	0.80
Durham Corp.	OTC	32.75	0.00	2.34	34.75	30.00	3	0.92	2.81	21	26.32	1.24
Fireman's Fund	NYS	34.63	0.36	18.88	40.75	28.75	204	0.60	1.73	12	32.74	1.06
Fremont General Corp.	OTC	19.38	0.00	55.00	19.75	12.13	229	0.80	4.13	18	19.09	1.01
Frontier Insurance Group	NYS	19.75	2.60	77.37	21.75	10.25	9	0.00	0.00	10	7.29	2.71
General RE Corp.	NYS	92.75	-1.33	68.64	96.25	54.38	591	1.36	1.47	15	29.04	3.19
Hanover Insurance Co.	OTC	32.13	1.18	21.23	33.00	25.75	29	0.44	1.37	7	32.03	1.00
Harleysville Group	OTC	28.25	1.35	59.15	28.50	17.50	30	0.60	2.12	9	18.94	1.49
Hartford Steam Boiler	OTC	54.13	3.59	46.28	59.25	33.00	147	1.60	2.96	14	18.94	2.86
Kansas City Life Ins.	OTC	35.50	0.00	3.65	36.00	32.25	9	1.04	2.93	19	39.22	0.91
Kemper Corp.	NYS	45.50	-2.15	93.62	51.88	22.75	128	0.84	1.85	10	29.97	1.52
Lawrence Insurance Group	ASE	7.13	-1.72	-10.94	9.25	6.63	2	0.28	3.93	15	3.29	2.17
Liberty Corp.	NYS	37.38	-0.66	2.75	39.25	32.50	34	0.80	2.14	16	31.82	1.17
Lincoln National	NYS	59.88	-4.39	38.44	62.88	42.75	163	2.60	4.34	11	49.19	1.22
NAC Re Corp.	OTC	39.25	0.64	89.93	41.00	20.25	166	0.20	0.51	17	22.81	1.72
Navigators Group	OTC	28.25	1.35	37.80	28.25	19.25	6	0.00	0.00	11	15.22	1.86
Nobel Insurance LTD.	OTC	2.25	0.00	-51.35	5.38	1.50	70	0.00	0.00	0	7.76	0.29
NWNL Companies	OTC	43.38	-0.29	41.06	44.13	26.88	351	1.20	2.77	10	37.50	1.16
Ohio Casualty Corp.	OTC	49.75	-1.00	39.16	52.50	35.00	162	2.08	4.18	7	33.30	1.49
Old Republic Int'l	OTC	29.00	1.75	27.55	30.38	22.63	173	0.72	2.48	15	30.70	0.94
Orion Capital Corp.	NYS	24.75	2.59	54.69	28.50	13.88	24	0.84	3.39	7	19.72	1.26
Phoenix RE Corp.	OTC	14.75	-2.48	51.28	15.50	8.75	232	0.20	1.36	12	12.99	1.14
Protective Life Corp.	OTC	14.38	0.88	8.49	16.25	12.88	13	0.68	4.73	27	14.54	0.99
Provident Life	OTC	29.63	-0.84	52.90	30.13	17.75	374	0.80	2.70	10	23.24	1.27
Re Capital Corp.	ASE	14.63	0.00	58.11	14.88	8.88	27	0.00	0.00	13	12.60	1.16
RLI Insurance Corp.	NYS	9.00	-2.70	16.03	9.50	6.88	13	0.40	4.44	8	10.71	0.84
St. Paul Companies	OTC	61.88	-1.79	43.90	63.50	42.00	400	2.20	3.56	8	43.47	1.42
SAFECO Corp.	OTC	38.50	4.76	64.71	38.63	23.13	1249	1.20	3.12	9	24.87	1.55
SCOR U.S. Corp.	NYS	14.25	4.59	65.22	14.25	7.00	98	0.40	2.81	14	10.61	1.34
Seibels Bruce Group	OTC	10.75	0.00	-4.44	13.63	10.25	214	0.80	7.44	-51	13.75	0.78
Selective Ins. Group	OTC	19.88	6.00	-13.59	19.88	14.50	172	0.96	4.83	7	15.72	1.26
Statesman Group Inc.	OTC	2.75	-6.40	-4.35	3.63	1.88	43	0.16	5.82	7	4.19	0.66
Tokio Marine & Fire	OTC	79.50	-2.90	-13.35	95.50	66.00	14	0.92	1.16	34	70.93	1.12
Torchmark Corp.	NYS	56.25	1.58	84.43	56.63	30.00	181	1.40	2.49	15	13.23	4.25
Transamerica	NYS	42.75	-5.00	28.09	48.00	32.75	1022	1.92	4.49	10	34.63	1.23
Trenwick Group Inc.	OTC	23.50	-8.74	64.91	26.88	13.50	31	0.36	1.53	11	16.91	1.39
United Fire & Casualty	OTC	32.50	-1.52	6.56	34.50	29.00	66	1.20	3.69	8	22.56	1.44
USF&G Corp.	NYS	29.63	-2.07	2.16	34.00	28.25	833	2.80	9.45	46	22.87	1.30
UNUM Corp.	NYS	48.00	2.13	79.44	49.00	26.38	969	0.60	1.25	13	31.20	1.54
USLIFE Corp.	NYS	44.75	-3.76	30.18	48.13	32.88	161	1.48	3.31	10	54.34	0.82
Washington National	NYS	27.50	2.80	3.29	29.13	24.00	54	1.08	3.93	-	32.90	0.84
Zenith National Ins.	NYS	18.75	-0.66	6.38	21.50	16.00	33	0.84	4.48	9	13.81	1.36
INSURERS/REINSURERS	AVERAGE		-0.4	33.0					2.9	11.8		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	44.50	-5.82	278.72	52.75	10.88	255	0.00	0.00	21	3.54	12.57
HMO America Inc.	OTC	7.63	-1.61	712.90	10.63	0.94	162	0.00	0.00	-33	1.12	6.81
Pacificare Health Sys.	OTC	27.00	-0.92	116.00	30.38	6.00	190	0.00	0.00	28	6.35	4.25
Safeguard Health Enter.	OTC	9.00	-2.70	67.44	12.50	4.75	46	0.00	0.00	14	2.99	3.01
Sierra Health Services	ASE	9.00	-1.37	453.85	9.63	1.38	147	0.00	0.00	-9	0.62	14.52
United Healthcare Corp.	OTC	11.75	-5.05	176.47	12.63	3.88	392	0.00	0.00	24	0.34	34.56
United Medical Corp.	ASE	6.38	4.08	18.60	7.25	4.25	5	0.00	0.00	2	5.70	1.12
U.S. Healthcare	OTC	14.50	0.00	157.78	15.50	5.25	957	0.20	1.38	35	3.07	4.72
HMOs	AVERAGE		-1.7	247.7					0.2	10		
ALL COMPANIES	AVERAGE		-0.2	31.0					2.5	11.1		

System design: Nordby International Inc.

Who Covers International Service From A to Z?



Zurich-American. We're committed to providing unsurpassed international service.

In fact, as part of the worldwide Zurich Insurance Group, one of the largest property/casualty insurance organizations, we can offer you 550 offices in 37 countries, plus cooperating partners in 40 more.

And insurance is our only concern. So you're assured of in-depth understanding, commitment and professionalism, both for foreign branches of American firms and American subsidiaries of foreign corporations.

Make sure you're covered from A-Z. Just ask about Z-A. Zurich-American.

ZURICH-AMERICAN
INSURANCE GROUP

American Creativity. Swiss Dependability.

Zurich Insurance Company • American Guarantee and Liability Insurance Company • Executive Offices, Schaumburg, IL 60196

A MEMBER OF THE WORLDWIDE ZURICH INSURANCE GROUP