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update

Cross assumes top spot at IEA in Florida

MIAMI—Nicholas L.S. Cross is the new president and chief executive officer of the Insurance Exchange of the Americas.

Mr. Cross, who was unanimously approved for the position by the exchange's board of governors, was scheduled to take office today, replacing Arturo Toro Jr.

Mr. Toro's three-year contract expires later this month, but he is

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HHS chief Bowen urges state pools for the uninsured

By JERRY GEISEL

WASHINGTON—States should set up pools—subsidized by employers, insurers or individuals—to provide comprehensive health care coverage to high-risk uninsured individuals, the secretary of the U.S. Department of Health and Human Services recommends.

HHS Secretary Otis Bowen, in a sweeping report examining the nation's health care problems, is the first Reagan administration official to endorse establishing pools to provide coverage to the uninsured.

"Use of an insurance pool for high-risk individuals can be an effective way of reaching this small but medically and financially vulnerable population," according to the Bowen report, which was issued late last month.

Other Bowen recommendations include requiring employers to offer coverage to employees for catastrophic health care expenses, giving employers tax incentives to prefund certain post-retirement health care expenses, expanding Medicare coverage and giving individuals tax incentives to make contributions for so-called Individual Medical Accounts.



Mr. Bowen

Under the Bowen pool proposal, states could charge high-risk individuals, who can't obtain insurance in the conventional market, a premium equal to 150% of "small group rates" to obtain coverage through the pools.

The HHS report concedes that the premium paid by participants would not cover pool costs. As a result, employers, insurers or taxpayers would have to subsidize the pools, according to the report. However, the report does not specify which group should subsidize the pool.

Dr. Bowen's endorsement of subsidized health care pools gives new life to a concept opposed by employer lobbying groups and narrowly defeated by a conference committee during the closing moments of the recent congressional session, observers say.

"State health care pools are something that could happen" in the next session of Congress, says Deborah Chollet, senior research associate at the Employee Benefit Research Institute, a Washington-based benefits think tank.

"This (the pool proposal) is an idea that won't go away," adds Stuart J. Brahs, executive director of the Assn. of Private Pension and Welfare Plans in Washington.

In fact, Rep. Fortney (Pete) Stark, D-Calif., chairman of the House Ways and Means Health subcommittee, who championed the battle for employer-subsidized health care pools during the last congressional session, predicts that Congress will act on legislation to provide coverage for the uninsurable early in the session.

"Pete Stark is tenacious and not someone who likes to lose," said Mr. Brahs, noting that the Bowen recommendation will give additional encouragement to Rep. Stark and other pool advocates to act quickly on the issue.

Employers, though, also are alarmed by another Bowen report recommendation that would give states the authority to mandate coverage for catastrophic expenses in employer-provided health care plans.

Although employees could be required to pay for this

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British introduce legislation on EC product liability rule
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Minnesota court rejects $60 million property claim

By STEPHEN TARNOFF

MINNEAPOLIS—Cargill Inc. cannot collect a claim for $60 million, plus interest, from 16 property insurers for alleged damage and other losses at an underground Louisiana salt mine Cargill owned, a state court jury says.

After a 10-week trial, a Hennepin County District Court jury last month found that Cargill did not suffer a "loss occurrence" under the terms of the policies and that Cargill made material misrepresentations of fact to deceive and defraud the insurers.

Attorneys for the insurers say the Cargill case is believed to be the largest property insurance lawsuit ever filed in Minnesota, and one of the largest ever in the nation.

A spokesman for the Minnetonka, Minn.-based Cargill said last week: "Obviously, we're dissatisfied and disappointed with the verdict and are assessing our avenues of appeal."

He declined further comment.

'We're dissatisfied and disappointed with the verdict and are assessing our avenues of appeal,' Cargill says.

Cargill filed a claim with the insurers after notifying them it was permanently closing its Belle Isle salt mine in Franklin, La., because of "convergence and stability problems." The mine was closed Jan. 31, 1984.

Cargill claimed that two separate roof collapses were the result of a structural failure of the mine's main supporting area and that the mine was unreasonably dangerous for continued mining, said Stephen D. Marcus, the lead counsel for the insurers with the Chicago firm of Clausen Miller Gorman Caffrey & Witous.

Cargill sought to recover from its insurers for loss of use of the mine, all of its mining machinery and equipment abandoned both above and below ground, the loss of two mining shafts and resulting business interruption losses, Mr. Marcus added.

However, the insurers contended that an investigation conducted on their behalf found no physical loss or damage to any insured property and concluded that the mine was stable overall.

The insurers argued at trial there was no accident or occurrence that would trigger coverage under the insurance contracts. They also argued that the reason for Cargill's closing of the mine was a business decision, which is not covered under the policies, Mr. Marcus said.

At issue was the interpretation of manuscript policies written by 16 insurers for the Cargill mine that were in effect Feb. 1, 1983, to Feb. 1, 1984.

The policies, written in four layers, had combined limits of $60 million, with a $1 million deductible, according to Mr. Marcus.

St. Paul Surplus Lines Insurance Co. wrote 28.5% of the $10 million primary layer; Allianz Insurance Co. wrote 25%; Twin City Fire Insurance Co. wrote 21.5%; Imperial Casualty & Indemnity Co. wrote 20%; and Transit Casualty Co. wrote 5%.

Gibraltar Casualty Co. wrote 35% of a $10 million layer excess of $10 million; Columbia Casualty Co. wrote 30%; underwriters at Lloyd's of London led by syndicates 164 and 55 wrote 26%; and Admiral Insurance Co. wrote 9%.

The Lloyd's underwriters wrote 34% of a $20 million layer excess of $20 million; National Surety Corp. wrote 20%; Twin City wrote 15%; First State Insurance Co. wrote 11%;

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Nine-month results bode well for property/casualty insurers

By JUDY GREENWALD

Major property/casualty insurers' nine-month operating results are a favorable sign of continued rising profitability for the rest of this year and next, observers say.

The aggregate aftertax operating income for 25 major property/casualty insurers jumped 171% in the first nine months of 1986 to $3.7 billion. This is not a precipitous drop from the 216.2% increase reported by 24 of the insurers for the first half of this year, considering that rate hikes began significantly impact insurers' operating results in the third quarter of 1985.

"We expect the fourth quarter to be very strong, and we expect 1987 to be much stronger still because of all the rate increases," said Samuel J. Weinhoff, first vp at Shearson Lehman Bros. in New York.

"We were pleased with the premium growth, the investment income growth and the reserve strengthening and we feel that we've got a very good 1987 coming up," said David Seifer, vp at First Boston Corp. in New York.

Observers note, however, the outstanding nine-month results are at least partly attributable to relatively low catastrophe losses. This good luck "should not be expected to be continued," warned James B. Stradtner, a general partner with Alex. Brown & Sons in Baltimore.

Chubb Corp., for instance, says catastrophe losses amounted to $8.3 million for the first nine months of this year, or an amount equal to half of a percentage point of its nine-month statutory combined ratio of 99.2%.

In the first nine months of 1985, catastrophe losses cost Chubb $39 million, or 3.3 points of its 111.5% combined ratio for that period.

Good weather conditions, along with substantially better underwriting results, were also a major reason why Royal Group's U.S. operations increased its nine-month operating income more than 6,000% to $149 million from $2.2 million for the comparable period a year ago and posted a $2.9 million underwriting profit during the third quarter, said a company spokesman.

While other major property/casualty insurers' results were not as dramatic as Royal's, their nine-month results show the extent of the industry's recovery.

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Lowest combined ratios

Insurer	Nine months 1986	1985
Hartford Steam Boiler	85.8%	94.8%
Chubb Corp.	99.2	111.5
American International Group	101.3	106.1
Royal Group	102.3	114.8
General Re Corp.	104.1	112.7

Highest combined ratios

Reliance Insurance Group	120.8%	113.5%
CNA Financial Corp.	116.5	123.8
The Home Group Inc.	115.2	138.7
Commercial Union Insurance	113.7	122.5
Nationwide Mutual Insurance	112.1	112.7

Chart: Amy Palmer

update

New IEA president takes office

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leaving early to use vacation time. Mr. Toro was the second president to head the IEA, replacing Alan Teale in June 1984.

"We shall be actively seeking new investors to fuel the next stage of our growth, and to broaden our business base," said Mr. Cross in a release announcing his appointment.

The new president takes his position during a turbulent period in the exchange's seven-year history (*BI*, Sept. 1). Publicity created by litigation involving two of its syndicates has scared away potential investors and capacity has tightened since 1985.

Mr. Cross has worked as president and chief executive officer of First Palm Beach International Bank in Coral Gables, Fla., for the past two years. He has 20 years of experience in various capacities with Lloyd's Bank in four countries.

Hansen-Mercer merger plan

DEERFIELD, Ill.—A.S. Hansen Inc.'s senior officers will present recommendations Dec. 6 to its board of directors on whether it should approve a merger with William M. Mercer-Meidinger Inc.

However, 200 to 400 employees opposing a merger also will meet to prepare alternatives to submit to employees.

Even if the board approves the merger, a two-thirds approval vote of Hansen's shareholders still will be needed, said Melvin W. Borleis, Hansen's vp and director of benefit consulting. More than 100 Hansen employees are shareholders, about 10 of whom hold about 30% of the Deerfield, Ill.-based consultant's stock.

The board authorized detailed merger discussions with Mercer-Meidinger Nov. 17.

Some observers say merger discussions were prompted by several older Hansen executives who want to cash in their shares as they near retirement. But Hansen's Mr. Borleis said the principal reason is to provide better opportunities for staff.

Mercer-Meidinger is the world's largest benefit consultant, reporting $226 million in benefit consulting revenues in 1985. Hansen's benefit consulting revenues in 1985 were $48.4 million.

Bermuda to gain 100 insurers

HAMILTON, Bermuda—Registrar of Companies Verbena Daniels expects 100 new insurers and reinsurers to register in Bermuda this year. In the first 10 months of 1986, 94 new insurance and reinsurance companies incorporated in Bermuda, compared with 72 new companies in all of 1985, according to statistics released last week.

A total of 1,276 insurers and reinsurers were incorporated in Bermuda as of Oct. 31.

Net premiums written by Bermuda-based insurance and reinsurance companies increased 48% to $8.1 billion in 1985 from $5.4 billion in 1984, while gross premiums increased 34% to $10.1 billion in 1985 from $7.6 billion in 1984, the government says, based on annual financial statements filed by 937 insurers and reinsurers.

Meanwhile, these companies' capital and surplus increased 3% to $10.2 billion from $9.9 billion, while total assets increased 11% to $24.5 billion from $22.2 billion.

At Dec. 31, Bermuda had licensed 1,221 insurance and reinsurance companies. Among the 284 companies not included in the statistics are 80 dormant companies, the 72 new companies in 1985, 32 in runoff, 29 in liquidation and others that have filed since the statistics were compiled or are exempt from filing annual returns.

Transcon goes to J&H

HAMILTON, Bermuda—Transcon Insurance Ltd., a subsidiary of the Ford Motor Co., will contract for management services with J&H Ltd. beginning March 31.

Transcon is shutting down its management operation, following the decision to pull out of all commercial reinsurance underwriting as of Dec. 31. Two-thirds of Transcon's 1984 gross premiums of $34.5 million was generated by non-related risks, obtained through quota-share arrangements with non-U.S. insurers.

The only 1985 financial figures available was Transcon's net income: $11.5 million.

Transcon will continue to reinsure property risks on Ford property located overseas, a Ford spokesman said. In 1984, Ford-related risks generated $12.7 million in gross premiums for Transcon.

Judge dismisses Carbide suit

DANBURY, Conn.—A suit that charged Union Carbide Corp. did not inform shareholders about potential problems at its Bhopal, India, and West Institute, Va., chemical plants was dismissed by a federal judge last week.

Holding the company liable for not telling shareholders about safety defects "would constitute an overly expansive reading of the federal securities laws," explained U.S. District Judge John F. Keenan.

Meanwhile, Indian government attorneys said in Bhopal District Court they will seek $3.12 billion in compensation from Union Carbide, a company spokesman said.

"The $3 billion amount is without foundation and totally inconsistent with the government of India's previous demands. . . .This is a blatant effort on the part of the government and rank opportunism to avoid reaching the merits of the case," the spokesman said. Union Carbide had made a $350 million settlement offer.

128 dioxin claimants settle

ST. LOUIS—A $19 million settlement has been reached between 128 Missouri residents and several defendants in litigation stemming from dioxin contamination in the state.

The settlement, which was reached in mid-November, includes

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Electronics firms finance development of EIL facility

By ROBERT A. FINLAYSON

SANTA CLARA, Calif.—A group of large U.S. electronics companies is financing the development of a facility to provide the electronics industry with pollution liability insurance.

Headed by Santa Clara-based National Semiconductor Corp., the group of 12 electronics concerns has hired Tillinghast/Towers, Perrin, Forster & Crosby; Rollins Burdick Hunter Management Inc.; and Morgan Guaranty Trust Co. to put together an initial offering for participation in the risk-financing mechanism, which will be either a captive or a risk retention group.

The goal of the offering will be to persuade 25 to 50 electronics companies to participate in the proposed facility.

The group hopes to launch the private offering in mid-December, with a projected start-up for the facility of April 1, 1987, according to Wayne C. Wickham, director of risk management and insurance for National Semiconductor and chairman of the group.

It has not yet been determined what form the facility will take or the policy form that will be offered, but Mr. Wickham says the group hopes to attract $250 million to $500 million in capital.

"Our intent is to start with a core group of companies with the objective of quickly growing to provide up to $50 million in primary limits, subject to various retention levels," he says.

Although the capital commitment required of the major participants in the facility is expected to be substantial, Mr. Wickham says special provisions will be made so that smaller companies can buy into the facility with a smaller monetary commitment.

Mr. Wickham would not disclose the names of the other companies financing the initial development of the facility, saying that they prefer to remain anonymous until the facility is capitalized.

The facility initially will target electronics companies, but plans call for it to expand eventually other industries.

"We feel real good about our risk assessment techniques and our risk control and underwriting capabilities in the electronic industry, and as we see how these relate to other industries, we'll expand in that direction," Mr. Wickham says.

"I think (eventually) we'll be able to take on anybody, with the exception of heavy chemical risks and oil refineries," he adds.

While Mr. Wickham and other members of the development team acknowledge that prior efforts to develop pollution liability captives have been largely unsuccessful, they say they are extremely optimistic about their chances for success.

"These things have a tendency to snowball, and we've structured it so it can snowball very quickly," Mr. Wickham says.

"We think the interest in the electronics industry is very high," says R. David Turner, president of RBH Management Inc., which will manage the facility. "We expect there's going to be a very strong commitment by a core group of large companies."

Mr. Turner and Mr. Wickham say that companies recognize now more than ever the need for pollution liability insurance.

"We know that the banking community, for example, is getting very concerned about people without this kind of insurance," Mr. Wickham says. And, he adds, "I think you'll see auditors starting to get concerned about companies without this type of insurance."

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Deadline near for *BI* listing of claim firms

The annual *Business Insurance* directory of claims specialists will be published in the Jan. 26, 1987, issue, which will contain a spotlight report on trends in self-insurance.

Companies that provide claims administration, adjusting and auditing services for self-insured clients are eligible to be listed. There is no charge to be included in the directory; however, companies that wish to be listed must fill out and return a questionnaire provided by *Business Insurance*.

If your company provides claims services to self-insurers and you have not yet received a questionnaire, please request one by writing Marilou Jones, Directory Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5279.

The deadline for returning completed questionnaires to *Business Insurance* is Dec. 15.

U.K. considers bill on EC liability rule

By STACY SHAPIRO

LONDON—The British Parliament is considering legislation to implement the European Community's product liability directive that requires EC member nations to impose strict liability standards on manufacturers and importers.

The United Kingdom may become the first European nation to adopt the EC directive, following the introduction of the Consumer Protection Bill in Parliament late last month.

As introduced, the bill would make British manufacturers strictly liable for product liability lawsuits, with no limits on the amount of damages that can be recovered. However, under the bill, manufacturers could use the state-of-the-art-defense when faced with a product liability suit.

The EC directive allows individual nations to decide whether to place caps on damages and whether to adopt the state-of-the-art defense.

Even though the bill would increase manufacturers' and distributors' liability, Trade and Industry Secretary Paul Channon does not believe that liability insurance costs will rise because of the legislation.

"I do not think there will be a rise in the cost of insurance," he said, noting that it is already difficult to obtain product liability insurance in Britain.

However, the bill "is a major gain for the consumer and not too good for industry," Mr. Channon admitted at a press conference late last month. But he added that implementation of the EC product liability directive will result in better products, which will make

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✓ A $54 million settlement ends years of litigation between MGM Grand Hotels Inc. and two property insurers over property damage from the 1980 fire at MGM's Las Vegas hotel. The nsurers had contended that MGM's claim included amounts spent to enhance and not just rebuild the Las Vegas hotel and casino. **PAGE 6**

✓ The pollution of the Rhine River last month following a fire at a Swiss chemical company exemplifies the need for cooperation among corporations, environmental experts, insurers and governments to prevent and control damage to the environment. **PAGE 8**

✓ Lloyd's of London broker C.E. Heath P.L.C.'s shareholders vote nearly 2-1 in favor of a merger with Fielding Insurance Holdings Ltd., thereby warding off an unfriendly takeover bid by Lloyd's broker PWS Holdings P.L.C. **PAGE 14**

✓ In the Ask a Benefits Actuary column, William J. Miner of The Wyatt Co. examines the impact the new tax law and the Consolidated Omnibus Budget Reconciliation Act will have on employee benefit plans. **PAGE 28**

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Taylor ordered not to solicit Sullivan clients

By STEVE TARAVELLA

SEATTLE—W.E. (Gene) Taylor, the former chairman of Sullivan Payne Co. who recently formed a new reinsurance brokerage, is under court order not to solicit or accept any business from Sullivan Payne clients.

A preliminary injunction enforcing an employment agreement allegedly signed by Mr. Taylor was issued Nov. 18 by King County Superior Court in Washington at the request of Sullivan Payne.

Sullivan Payne is the country's second-largest reinsurance intermediary and a subsidiary of Sedgwick Group P.L.C. in London.

Mr. Taylor had worked for John F. Sullivan Co., the predecessor firm to Sullivan Payne, for 23 years, including the last 12 years in positions as president, chief executive officer and chairman.

He is credited with leading the growth of the company and has a reputation as one of the best individual reinsurance brokers in the country.

Mr. Taylor resigned from Sullivan Payne July 31, following the July 1 merger of Sullivan with E.W. Payne Inc., part of Sedgwick Group's E.W. Payne Cos. Ltd., to form Sullivan Payne Co.

Mr. Taylor announced the formation of his own firm, Taylor Reinsurance Intermediaries Inc. in Seattle, in October (*BI*, Oct. 27).

Taylor Re already has landed four former Sullivan Payne clients whose business currently with Sullivan Payne is producing at least $440,000 in annual commissions this year, court papers show.

Sullivan Payne alleges Mr. Taylor is violating an employment agreement he signed in 1972—when Fred S. James & Co. Inc. acquired Sullivan—that prevents him from soliciting Sullivan Payne clients, accepting their business or disclosing proprietary information for three years after leaving the company.

In that sale, Mr. Taylor received 150,000 shares of James' stock, valued at more than $7.2 million at the time, according to court papers. James was acquired by Sedgwick last fall.

The preliminary injunction against Mr. Taylor—which does not restrict Taylor Re per se—will stand until the Sullivan Payne complaint is resolved at trial, according to Sullivan Payne's attorney, Henry C. Jameson with Ferguson & Burdell in Seattle.

No trial date has been set.

Mr. Taylor declined to comment on the litigation on the advice of his counsel.

According to court papers filed Nov. 4, Mr. Taylor has "diverted" business to Taylor Re from at least four Sullivan Payne accounts:

- Nautilus Insurance Co., a surplus lines insurer in Scottsdale, Ariz., part of W.R. Berkley Corp.

Nautilus generated brokerage income for Sullivan Payne totaling $109,000 through Sept. 30, and 1987 brokerage commission is projected at $400,000.

- California Reinsurance Management Corp. in Pasadena, whose business is expected to generate brokerage income this year of $92,000.

An Oct. 29 letter from California Re informing Sullivan Payne of its decision to move its account to Taylor Re accompanies the suit.

- The Oregon State Accident Insurance Fund (SAIF), which through August had generated brokerage income of $97,145.

A letter from SAIF Vp and Chief Operating Officer James M. Hannah in Salem also accompanies Sullivan Payne's suit, informing the broker that SAIF is moving its reinsurance business to Taylor Re effective Jan. 1, 1987.

- Independent Fire Insurance Co. in Jacksonville, Fla., whose brokerage income through September was $143,131.

But, because of the important role Mr. Taylor held at Sullivan Payne—and in the reinsurance marketplace in general—Sullivan Payne fears these four may be only the beginning.

"Mr. Taylor has been personally responsible for producing a large portion of plaintiff's business," says D. John Jolly, Sullivan Payne senior vp, in an affidavit filed with the court.

Sullivan Payne's accounts include U.S. and Canadian insurance companies, both regional and national.

Mr. Taylor was "instrumental" in producing business from various CIGNA Corp. companies that generated 1985 brokerage income for Sullivan of $5.4 million and are expected to generate income this year of more than $8 million, according to court papers.

Because of personal business contacts

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Insurer may not renew N.Y. cabs

By AVRA WING

NEW YORK—Yorktown Indemnity Co., which currently insures more than 2,100 of New York City's 12,000 taxicabs, may not renew liability coverage for as many as 1,500 vehicles at year-end to comply with regulators' requests to reduce its book of business.

Illinois-domiciled Yorktown has agreed not to renew those policyholders that have had more than one loss and—in some cases—those with only one loss, according to Kenneth Smith, deputy director of the Illinois Insurance Department's property and casualty division.

Yorktown is being examined by both Illinois and New York insurance regulators because of concerns about its financial condition and an apparent erroneous listing of stockholders filed with regulators (*BI*, Sept. 22).

Yorktown's "surplus, even as reported, wouldn't support the number of cabs (Yorktown) wrote last year," according to Mr. Smith.

"The bottom line is to make sure it's a reputable company," explained a spokesman for the New York Insurance Department. He added, however, that the department is "working on the assumption" that Yorktown will write coverage for cabs in 1987.

Yorktown reported a policyholders surplus of $2.1 million as of Sept. 30, according to the Illinois Insurance Department. Gross premiums for the first nine months of 1986 totaled $11.9 million, while net premiums totaled $10.7 million.

The insurer reported a $363,214 underwriting loss during the first nine months of the year while investment income totaled $448,843 for net income of $85,629, the Illinois department said.

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$4.7 million award to be reviewed

By MICHAEL BRADFORD

AUSTIN, Texas—The Texas Supreme Court will hear in January a case involving a Fort Worth taxi company that was ordered to pay a woman and her two children $4.7 million after she was raped and robbed by a cab driver.

Both sides appealed to the Supreme Court after the Fort Worth Court of Appeals ordered a new trial following a lower court decision. The appeals court found insufficient evidence to support testimony by a psychologist about the effect of the rape on the family. A jury in the 96th District Court in Fort Worth originally granted the award—which included $3.2 million in actual damages and $1.5 million in punitive damages—after ruling Fort Worth Cab & Baggage Co. was negligent in hiring Robert Leon Jenkins as a driver.

Mr. Jenkins was convicted of aggravated rape in the case and sentenced to 99 years in prison and fined $5,000.

The taxi company has only $1.8 million in liability insurance to cover any award, according to attorneys for both sides. They confirmed that Fort Worth Cab & Baggage has an $800,000 primary comprehensive general liability policy written by Guaranty National Insurance Co. in Englewood, Colo., and $1 million in excess coverage with Houston General Insurance Co. in Fort Worth.

The incident occurred in 1980 when Mr. Jenkins drove the mother and her two daughters to a secluded area near Fort Worth where he raped and robbed the woman.

The taxi company is charged with negligence in hiring a driver that had three previous convictions and was under indictment for attempted murder, said Paul Knisely, an attorney with the Austin law

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Lloyd's of London sues Texas insurer

By MICHAEL BRADFORD

AUSTIN, Texas—Lloyd's of London is demanding that a U.S. underwriting company stop using a name that Lloyd's says is "confusingly similar" to its own and is costing the London marketplace U.S. customers.

However, the company, Dallas-based Lloyd's U.S., argues that Texas law requires the company to include "Lloyd's" in its official identity.

In addition, Lloyd's U.S. charges in a counterclaim that Lloyd's of London fraudulently obtained its service mark in the United States and that the London marketplace is operating illegally in Texas.

The controversy now is in the pre-trial discovery phase in U.S. District Court for the Western District of Texas in Austin. The discovery phase is to be completed by March, according to one attorney connected to the litigation.

The Corporation of Lloyd's and underwriting members of Lloyd's of London sued in January for an injunction to stop Dallas-based Lloyd's U.S. from using any "service mark confusingly similar" to Lloyd's of London's.

Specifically, the action seeks to stop the Texas company from using "Lloyd's," "Lloyd's U.S.," "Corporation of Lloyd's," "Committee of Lloyd's" or any "colorable imitation thereof in connection with the promotion or provision of insurance underwriting services."

Lloyd's of London charges that Lloyd's U.S. has infringed upon the London marketplace's service mark registration with "the intent to cause confusion" and with "the particular intent to 'palm off' to the public their business and services as those of the plaintiff."

Besides the injunction, Lloyd's of London is asking that Lloyd's U.S. "deliver up for destruction" all policies and other material bearing the contested titles.

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Competiton returning for property lines: Panel

By DOUGLAS McLEOD

NEW YORK—Competition is returning to the market for primary property coverages, though the markets for catastrophe reinsurance and casualty coverages will remain tight, a panel of experts says.

Even in the relatively competitive property market, though, some coverages—such as earthquake and flood—continue to be expensive and difficult to place, the experts observe.

"We are already seeing indications that some companies are reducing rates for quality property business," said Lawrence S. Doyle, president of Boston-based First State Insurance Co., a unit of Hartford Insurance Group. "I would expect the primary property market to be more competitive at year-end."

Mr. Doyle and several other speakers last month addressed an audience of about 200 at a seminar entitled "Capacity, Coverage and Pricing: The Property/Casualty Market-1987," sponsored by Johnson & Higgins.

Mr. Doyle added that "the reinsurance market is still very tight," with reinsurers maintaining high rate levels for property catastrophe covers.

However, any softening in the market for casualty risks—which have experienced the biggest rate increases and most serious capacity shortages—is not likely for at least another year, others note.

"A downturn of casualty prices is most likely not to appear in 1987 and possibly not until 1988 or after," said Bruce Friedberg, vp and chief financial officer for national accounts at Fireman's Fund Insurance Cos. in New York.

Gail P. Norstrom, a vp with Hartford, Conn.-based Industrial Risk Insurers, confirmed that market conditions are changing somewhat in the

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Proposed EIL facility

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Mr. Wickham also points to increasing pressure from Congress and federal and state environmental regulators for companies to obtain pollution liability insurance.

And, while companies are increasingly recognizing the need for pollution liability coverage, the commercial insurance market for such coverage continues to be extremely limited, Mr. Wickham says.

He maintains that the environmental impairment liability limits currently available in the commercial market—$10 million through American International Group Inc.—are not adequate.

The 12 backers of this proposed facility began holding formal discussions about putting together a pollution liability captive or pool last February.

At that time the group was gathering engineering and pollution loss data as part of an effort to determine how pollution liability coverage could be underwritten.

Mr. Wickham says that, after months of collecting and reviewing this data, the group decided to hire a consultant, captive manager and financial adviser to move the plan forward. That team was put together in early October.

"I watched some of these other megacaptives formed, and it seemed like we could sit there and do the technical side of this forever without getting the damned facility formed. So we decided we needed to bring some professionals in," Mr. Wickham says, referring to Tillinghast, RBH and Morgan Guaranty.

Mr. Wickham says that the proposed facility will emphasize risk management and environmental engineering as the means of preventing losses.

"It's built around a risk management model, and we think on that basis we can make it a profitable entity," he says.

Mr. Wickham explains that companies that want to participate must show a commitment to environmental loss control.

"We really have to see the commitment—not only the engineering and the risk control side of it, but we need the corporate commitment. It's a real important part of our analysis of the potential companies," he says.

Underwriting will be on a site-by-site basis and all locations will be evaluated by an outside engineering firm. That firm has not yet been selected, Mr. Wickham says.

Most of the engineering data and loss information being used to develop the rating and underwriting guidelines was collected and provided by the 12 electronics companies backing the facility.

Using this data, Tillinghast is working with environmental consultant Environ Corp. in Washington and Radian Corp., the loss control engineering subsidiary of The Hartford Steam Boiler Inspection & Insurance Co., to develop the engineering and rating guidelines for the facility, explains James D. Blinn, a consultant with Tillinghast.

"There's a real focus here to try to develop engineering standards for the facility," Mr. Blinn says.

Mr. Blinn says these guidelines will focus on the chemicals used by the participating companies.

"It's a process that can be replicated for any industry, but the focus was just on these specific industries that, generally, have a well-defined group of chemicals they use and the exposures associated with them are generally well known," Mr. Blinn says.

"So its a matter of controlling the exposures through how these chemicals are stored and managed, he adds." ■



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Cargill suit

Continued from page 1

Great American Insurance Co. wrote 10%; and Zurich American Insurance Co. of Illinois wrote 10%.

Aetna Casualty & Surety Co. wrote 50% of a $20 million excess of $40 million layer; Employers Insurance of Wausau wrote 25%; and Gibraltar wrote 25%.

The policies covered Cargill against all risks of physical loss or damage and business interruption arising from physical damage to insured property at the Belle Isle mine, according to the lawsuit filed by the insurers to seek a declaratory judgment that Cargill was not entitled to recovery.

The policies did not cover land, property otherwise insured, merchandise, raw materials, stock in process or finished stock, usual or incidental to the insured's business, according to the lawsuit. The policies also excluded loss or damage caused by ". . .deterioration, inherent vice, ordinary wear and tear and shrinkage."

The policies provided business interruption coverage where there was an "actual loss sustained by the insured resulting directly from necessary interruption of business as a result of physical damage caused by the perils insured against hereunder to real or personal property situated as described herein. . . ." the suit says.

According to the lawsuit, Cargill ceased operations at the mine on Jan. 31, 1984, and subsequently abandoned it.

Just prior to the closing of the mine, Cargill notified the insurers of a claim for an alleged loss and damage related to its closing. According to court papers, Cargill suffered a $196 million loss because of the mine closing.

However, in August 1984, the insurers denied Cargill's claim and filed the declaratory judgment action.

In their lawsuit, the insurers argued the Belle Isle salt mining operation did not sustain an occurrence of physical loss or damage during the policy year that would be covered under the terms of the policies.

In the alternative, they argued that if there was physical loss or damage, it was property excluded under the policies or that it was caused by perils excluded from coverage.

The insurers also charged in their suit that Cargill was required to completely inform the insurers of all material facts that would influence the insurers in making the contract, estimating the risk or fixing the rate of insurance.

However, the insurers contended that Cargill, from about December 1976, knew the Belle Isle mine was experiencing "convergence" within the mine and surface subsidence above the mine at rates that caused concern to Cargill and led to its retaining outside consultants to investigate.

One of those consultants concluded in 1976 that certain pillars in the mine had failed, the suit alleged, adding that the consultant periodically issued reports concerning the stability and integrity of the mine.

Cargill knew about these defects in the mine and, therefore, owed a duty to the insurers to inform them of these material facts, which would influence them in agreeing to the contract, estimating the risk or fixing the rate for the coverage, the suit said.

Under the language of the policies, the coverage is considered void if the policyholder willfully conceals or misrepresents any material fact or circumstances concerning the insurance, the suit added.

"Despite the aforementioned duty, Cargill did not advise the in-

Continued on page 6

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Cargill suit

Continued from page 4

surers of these material facts. . .but instead, 'misrepresented, concealed or withheld' the material facts relative to the condition of its property which said misrepresentation increased the risk of loss," the suit added.

As a result, the suit asked that the court void the policies. It also asked that the policies be voided because there was no "meeting of the minds" concerning the condition of the insured property.

The jury, following 1½ days of deliberation, specifically found that:

- Cargill did not suffer a loss occurrence caused by an insured peril between Feb. 1, 1983, and Feb. 1, 1984, resulting in physical loss or damage to the covered property.
- Cargill made a material misrepresentation of fact with the intent to deceive and defraud the insurers.

Mr. Marcus said last week that if Cargill was entitled to any coverage for the Belle Island mine under the policies, it would have been for physical damage and business interruption losses stemming from the roof collapses.

However, he added these losses were in the range of $15,000 to $25,000, far short of Cargill's $1 million deductible.

Mr. Marcus added that the roof collapses were never the focus of Cargill's claim and Cargill never made a separate claim for these losses. Rather, Cargill's claim was for the structural instability of the mine, he said.

'Despite the aforementioned duty, Cargill. . ."misrepresented, concealed or withheld" the material facts relative to the condition of its property,' the insurers' lawsuit says.

The insurers argued that the mine was stable and that Cargill closed the mine not for safety reasons, but for business reasons, for which there is no coverage under the policies, Mr. Marcus added.

"We argued that there was a wearing out of the mined-out area not affecting the global stability of the mine," he said.

He added the size of the claim made it "one of the largest property cases" handled by insurers.

Mr. Marcus also noted that Transit Casualty, which wrote a portion of the excess coverage and was originally named in a counterclaim, did not participate in the litigation after a Missouri court ordered the liquidation of the insurer last year. ■

MGM, insurers settle property damage suits

By STEPHEN TARNOFF

LAS VEGAS, Nev.—A settlement with two excess property insurers finally ends several years of litigation by the MGM Grand Hotel Inc. and the insurers stemming from the 1980 fire at the Las Vegas hotel.

The $54 million settlement was finalized in October with excess insurers American Protection Insurance Co. of Long Grove, Ill. and Insurance Co. of North America, a unit of Philadelphia-based CIGNA Corp.

Details of the settlement were worked out by representatives of MGM and the insurers, although attorneys were nearby, according to MGM attorney Steve Morris.

The principals included Fred Benninger, former MGM Grand chief executive; Alfred K. Kenyon, senior vp of the Kemper Group, the parent of AMPICO; and E. Clarke Farrell, vp of INA.

Spokesmen for AMPICO, INA and MGM either did not know or would not reveal the proportion of the $54 million paid by each insurer. However, as part of the settlement, all the parties agreed to end litigation against each other.

The settlement brings to $196 million the amount that MGM has received for property damage and business interruption resulting from the Nov. 21, 1980, fire that killed 85 people and injured more than 700 (*BI*, Dec. 1, 1980).

MGM, which had $215 million in property and business interruption coverage at the time of the fire, had sought to recover $211 million.

The litigation with the excess insurers involved allegations by AMPICO and INA that MGM's claim included money spent to enhance—and not just rebuild—the hotel and casino.

AMPICO, a Kemper Group affiliate, paid MGM $92 million on the claim and then sued MGM in U.S. District Court in Las Vegas for a ruling on the amount of the claim.

MGM responded with a countersuit, seeking the $33 million difference between $92 million it received from AMPICO and the full limits of the $125 million layer written by AMPICO, excess of $50 million (*BI*, March 1, 1982).

MGM received full payment from the six insurers who wrote the first $50 million in coverage.

In a separate action, MGM Grand also sued INA for refusal to pay $36 million of MGM's claim. INA wrote a $40 million layer excess of $175 million.

A spokesman for Kemper said the impact of the settlement on Kemper Corp. will be negligible because AMPICO's share of the settlement is reinsured on facultative basis.

"This is a final, global settlement of these claims and the attendant litigation, with all parties involved giving up any right to sue again in the future," said Kemper's Mr. Kenyon in a prepared statement.

"The high cost of continuing the litigation was a primary factor in motivating the parties involved to reach an out-of-court settlement," he said.

MGM attorney Mr. Morris said MGM had paid for the reconstruction work as it was done and expected to be reimbursed for the entire $211 million from its insurers.

But, since it received only $196 million from its insurers, it was not reimbursed for about $15 million of the repair work, added Mr. Morris, with the Las Vegas firm of Lionel Sawyer & Collins.

Mr. Morris also said the principals, not attorneys, concluded the settlement because of the ill will generated primarily between MGM and AMPICO attorneys.

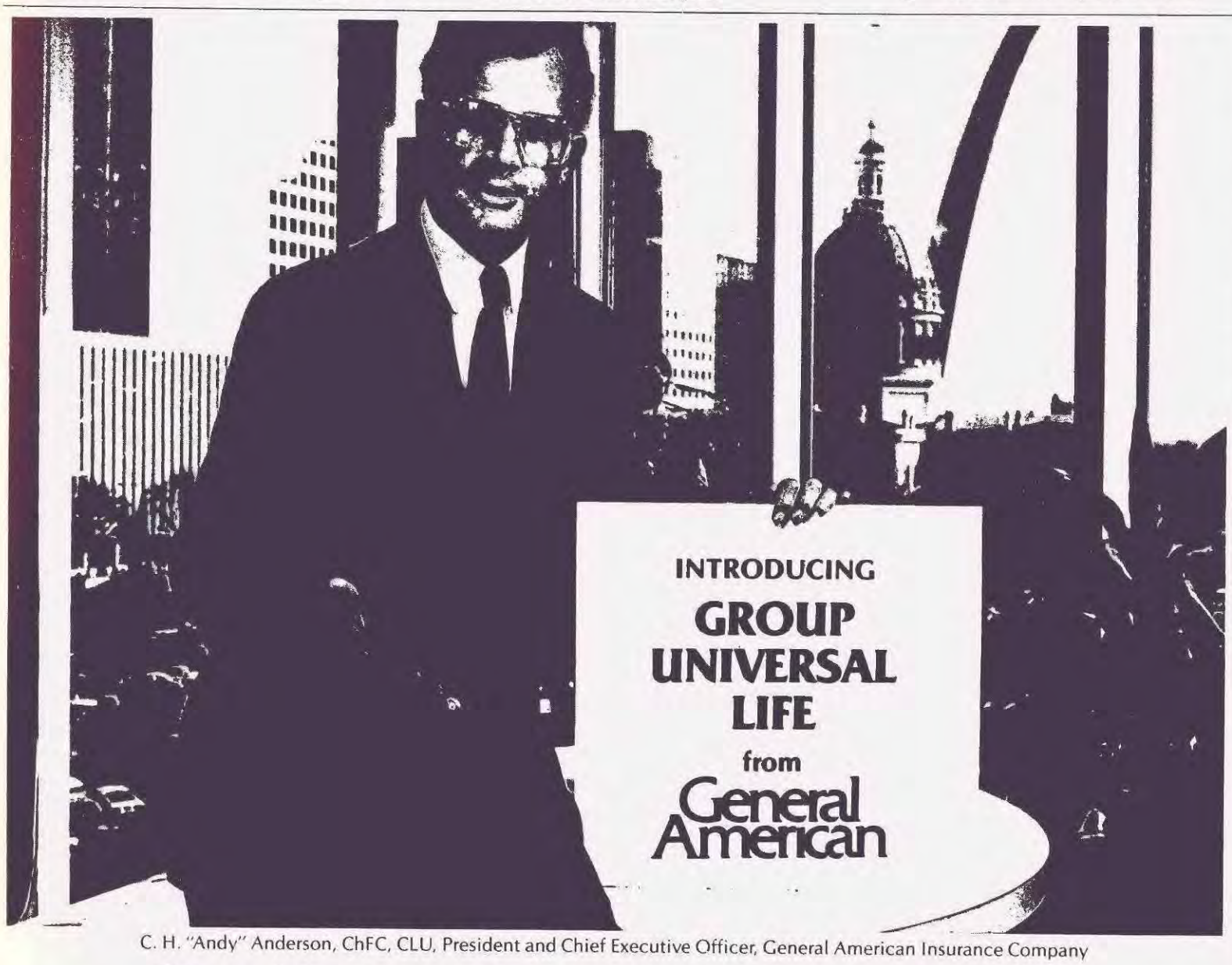
But, he added, "We were on the premises."

All litigation involving MGM related to the fire has been settled, including personal injury cases, litigation with retroactive liability insurers and the property insurance dispute.

However, the settlement does not end all the litigation from the fire.

In April 1983, AMPICO sued 15 firms that furnished building materials to build the original MGM Grand hotel to recover money paid by it and other property insurers to rebuild the hotel (*BI*, April 18, 1983).

That suit, filed in U.S. District Court in Las Vegas, is still pending, a Kemper spokesman said. ■



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Heath shareholders opt for Fielding merger

By CAROLYN ALDRED and STACY SHAPIRO

london

LONDON—Lloyd's of London broker C.E. Heath P.L.C. will merge with Fielding Insurance Holdings Ltd., warding off an unfriendly takeover bid by Lloyd's broker PWS Holdings P.L.C.

The Heath shareholders voted nearly 2-1 in favor of the Fielding merger at a Nov. 21 shareholders meeting.

Investment bank Hambros P.L.C., which owns 81% of Fielding, was able to vote as a Heath shareholder after it purchased earlier in the week 1.33 million Heath shares held by Prudential Corp. P.L.C. After the vote, Hambros sold the shares at a 500,000 pound ($725,000) loss, sources say.

Hambros will own 16.8% of Heath and Fielding when the merger is consummated. John Clay, vice chairman of the bank, will join the Heath board.

Fielding Chairman Richard Fielding will become Heath's chief executive, while Derek Newton, who has been chief executive as well as chairman, will remain chairman. Peter Methley, chief executive of Heath's brokerage division, has resigned.

Heath also expects to hire two or three people to head its North American division following the merger, said Mr. Newton. Heath's reputation for placing North American business has suffered since three top U.S. casualty brokers left Heath in August, including North American division Chairman Nigel Chamberlain, who went to Stewart Wrightson Holdings P.L.C. (*BI*, Sept. 22).

"The PWS bid inhibited possible recruits from joining the company," said Mr. Newton. "We are confident that we (now) will be able to recruit suitable persons for the North American division."

Heath, the world's 13th-largest broker, had urged shareholders to approve the Fielding merger for 71 million pounds ($103 million) and reject an unfriendly takeover attempt by PWS (*BI*, Oct. 27; Nov. 10; Nov. 17).

The monthlong takeover battle turned into a shouting match as each side presented the issues to shareholders. PWS Chief Executive Ranaan Ben-Zur warned Heath shareholders that the price for Fielding was too high and said that PWS could offer a North American brokerage team, which Heath lacked. On the other hand, Heath warned that PWS lacked experience in handling the large U.S. brokerage accounts.

PWS's offer for Heath lapsed on Nov. 25. "We are out of it now," said a PWS spokesman. "But, Mr. Ben-Zur wishes Mr. Fielding the best of luck in restoring the good name of C.E. Heath."

Lloyd's syndicates

Lloyd's of London is allowing two more suspended syndicates to resume underwriting this year.

The syndicates, along with four others, were ordered by Lloyd's to stop writing most new and renewal business for the remainder of 1986.

Lloyd's last month rescinded the underwriting suspensions affecting non-marine syndicate 1031, managed by Janson Green Ltd., and syndicate 1041, managed by Bolton Ingham (Agency) Ltd. and underwritten by John Wetherell.

The syndicates were told to stop writing because they were likely to exceed premium limits.

The two syndicates write U.S. casualty risks, including professional liability and directors and officers liability policies. According to Mr. Wetherell, the syndicates had a total capacity this year of about 39.3 million pounds ($57 million) (*BI*, Sept. 29).

Lloyd's earlier rescinded underwriting suspensions affecting three other syndicates. They are syndicate 989, managed by Janson Green Ltd; syndicate 279, managed by Crescent Underwriting Agencies Ltd; and syndicate 650, managed by Scimitar Underwriting Agencies. All the syndicates are underwritten by Bill Maitland (*BI*, Nov. 10).

However, syndicate 799, managed by Merrett Underwriting Agency Management Ltd. and underwritten by Robin A.G. Jackson, is still prohibited from writing most business for its 1986 account. The syndicate already had voluntarily stopped writing 1986 business before the suspension. In addition, Lloyd's has told syndicate 799 that it can write only 85% of its allotted premium capacity in 1987.

Merrett is appealing the limit on its 1987 underwriting, claiming the committee failed to fully consider underwriting controls it has implemented this year (*BI*, Nov. 17).

The appeal is expected to be heard next month, a Lloyd's spokesman said.

Oil platform coverage

A soon-to-be built offshore oil platform will be insured during its construction only for about one-quarter of its nearly 13 billion Norwegian krona ($1.7 billion) value, according to owner Statoil in Norway.

Statoil will insure its 27% interest in the platform, Gullfaks C, said Gunmar Sletvold, Statoil's treasurer, but the Norwegian government, which owns 73% of the platform, decided to self-insure its portion of the project.

"We told the Norwegian government that it was unwise to self-insure," said Hakon Lavik, a Statoil official who is considered in his country to be an authority on oil and gas exploration. "But, the likelihood that they will reverse their decision in the next few years is very low."

Sources also say Statoil will purchase about $100 million of liability coverage during the platform's construction. Statoil gave an evening presentation to about 200 underwriters from the London insurance market early last month about the Gullfaks project at the request of the company's London broker, Sedgwick Group P.L.C.

Statoil is a 14-year-old energy company set up by the Norwegian government, said Mr. Lavik. The company, whose only shareholder is the Norwegian Ministry of Energy, will employ close to 10,000 people next year, he said.

Statoil is spending about $8.4 billion on the Gullfaks project to build three platforms—Gullfaks A, B and C—to produce oil and gas, noted John Adlum, director of the Gullfaks project.

Gullfaks A is expected to be

Continued on page 16

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Continued from page 14
pumping by next year and Gullfaks B by 1988, he said.

Both are smaller projects than the Gullfaks C.

Trading across borders

The European Court of Justice will decide Dec. 4 whether to break down the trade barriers in the European insurance market and allow Lloyd's of London and other European insurers to trade freely across borders.

The court will issue its landmark decision on cases brought by the European Commission against West Germany, France, Denmark and Ireland. The commission, which is backed by Britain and the Netherlands, seeks to declare illegal existing national regulations that block the cross-border provisions of non-life insurance services.

Already, Sir Gordon Slynn, the European Court's senior advocate general, has produced a preliminary opinion supporting the commission.

But the court is not obligated to follow the advocate general's opinion (*BI*, May 26).

Satellite coverage

A London manager of protection and indemnity clubs for ship owners is launching a mutual club for satellite owners to increase capacity for satellite launch insurance.

Charles Taylor & Co. registered the Space Mutual Insurance Co. Ltd. in Bermuda in September to write satellite launch insurance for member companies, confirmed John Rowe from Charles Taylor.

However, Mr. Rowe said Space Mutual has not released details on how companies can join the insurer or what advantages it will offer members. Mr. Rowe said he hopes to publish details—such as the capacity it will offer and the rates it will charge—early this month.

The idea for the mutual came earlier this year following the Jan. 28 explosion of the space shuttle Challenger, which killed the five astronauts aboard, but before the May 30 failure of an Ariane rocket carrying an $82 million satellite, said Mr. Rowe.

"We were approached by an Ariane customer before the loss of the Ariane rocket and after the shuttle loss," he said. "The concept (of a mutual) was put to us and we came to the conclusion that certainly the launch phase of a rocket launch is a classical mutual situation," referring to the lack of capacity for satellite launch insurance and the fact that satellite owners face similar risks.

Capacity for satellite launch insurance has been greatly reduced and rates have skyrocketed following nearly $800 million in losses over the last two years.

Insurers say they have collected only about $500 million in premium for launch risks since the early 1970s.

Some major satellite insurers have stopped underwriting launch coverage, while others seek tighter restrictions (*BI*, June 9)

"The mutual is open to any customer of the Ariane," he said. "But we haven't publicized it yet because we want to make sure that the product fits the need."

Currently the Ariane rocket, operated by the European space agency Arianespace, is the only option for companies with satellites to be launched.

Charles Taylor & Co. is a partnership in London which manages P&I clubs and other marine-related mutuals, said Mr. Rowe. Recently, the company decided to diversify and form mutuals for other sectors of the industry.

BBC show accident

The family of a man killed while rehearsing a stunt scheduled to be broadcast live by the British Broadcasting Corp. is awaiting the result of a police inquiry before deciding whether to sue the British national television network.

Michael Lush fell to his death while practicing a stunt for the Noel Edmonds Late, Late Breakfast Show, a light entertainment program broadcast live on Saturday evenings throughout Britain.

The popular show, which has been canceled as a result of the accident, invited members of the public to perform daring stunts after training by professional stunt men.

Mr. Lush was practicing an escape from a sealed box suspended from a crane 120 feet in the air when he fell to his death.

Graham Leslie, insurance manager at the BBC, said last month no claim has been filed and no negotiations over liability have been held. He said any claim would be covered under the company's general liability coverage.

Mr. Leslie refused to name the insurer, and a spokesman for the BBC's broker, Sedgwick Group P.L.C., also refused to comment on the coverage.

But, sources in the London market estimated that the BBC has 5 million to 10 million pounds ($7.2 million to $14.3 million) in liability coverage.

Mr. Leslie admitted that the stunts performed on the Late, Late Breakfast Show had been the subject of talks with the BBC's insurers.

"People had expressed concern about the safety of such stunts, and we had discussed it with our insurers," he said.

He added that, although there have been several minor accidents since the series began, the show never has resulted in a liability claim.

The show has been canceled by the BBC. Bill Cotton, managing director of BBC-TV, said both he and the show's host, Noel Edmonds, felt it would be inappropriate to continue.

Mr. Leslie said that the program, like most BBC programs, is not covered by cancellation or abandonment insurance.

"We rarely take abandonment insurance because of the spread of the number of programs we produce," he said. "We sometimes arrange cover for major productions, especially costly drama series, but not for regular series."

Market sources add cancellation and abandonment coverage generally is purchased when a program is made by the BBC and other producers, rather than by the BBC alone.

Comings & goings

David Graham has been appointed a director of C.E. Heath & Co. (North America), the North American division of the Lloyd's of London broker.

Andrew Duguid has been appointed head of Lloyd's regulatory services, succeeding **David McWilliam**, who has resigned. Mr. Duguid currently is undersecretary in charge of the companies division at the Department of Trade and Industry.

C.H.C. Kirkland has been appointed a deputy chairman of Lloyd's reinsurance broker E.W. Payne Cos. Ltd. following the retirement of E.W. Payne Deputy Chairman **David N. Vermont**. As previously reported, **Roger D. Espe** also has been named a deputy chairman. Mr. Vermont will remain on the board as a non-executive director. ■



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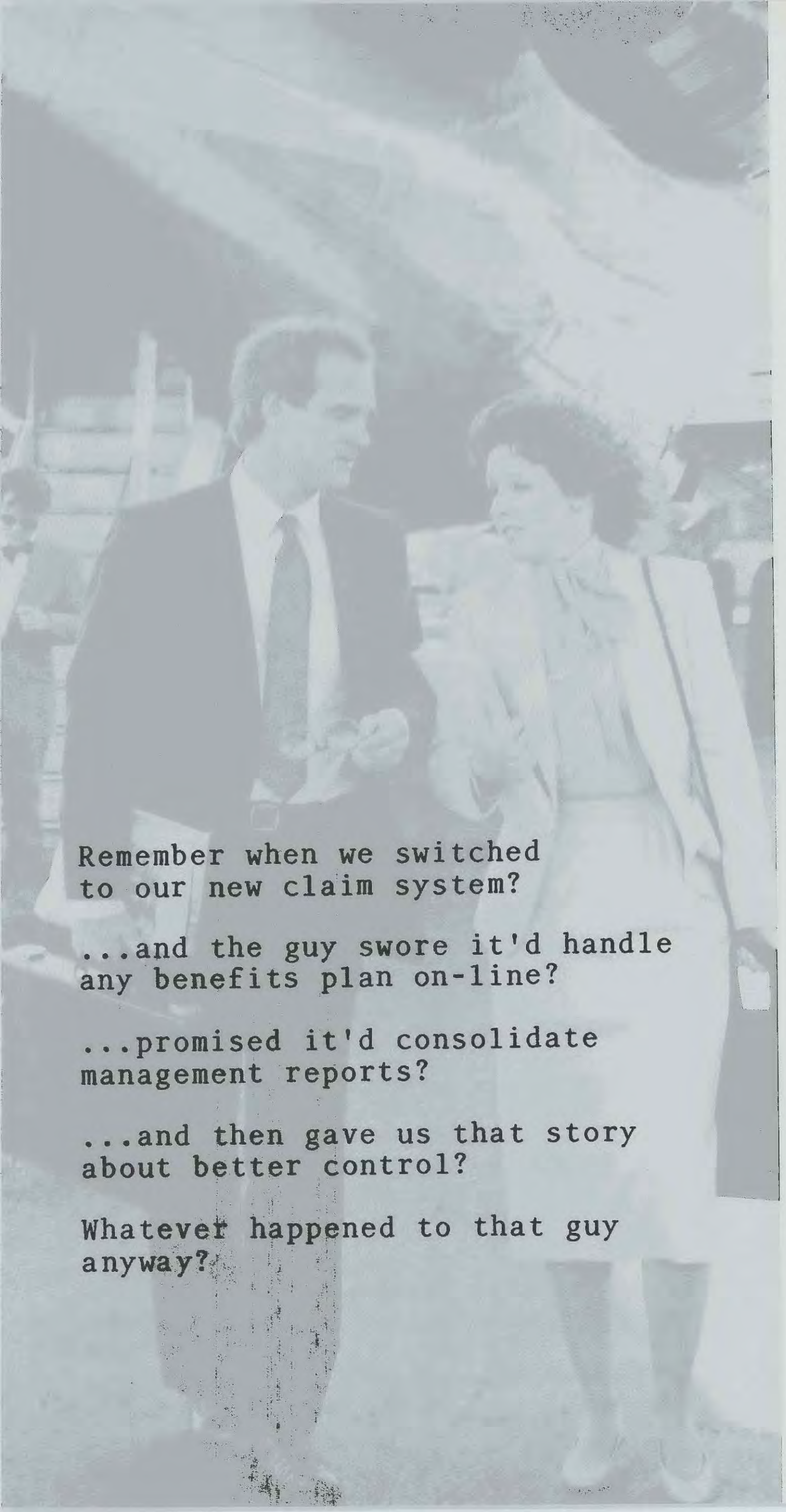
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Libel policy covers author in lawsuit: Court

By JUDY GREENWALD

Mr. MacDonald's fraud allegations are 'grounded in an alleged libel,' while the suit's allegations of breach of contract fall under the category of libel, with the exception of the issue involving the television adaptation, says Judge Sweet.

NEW YORK—Even though the word "libel" is not used in a lawsuit against author Joe McGinniss, the complaint is, indeed, a libel suit and therefore should be covered under a publisher's libel policy, a federal court judge ruled last month.

As a result, Employers Reinsurance Corp., which had written a libel policy for Mr. McGinniss' publisher, must pay at least part of the defense costs and of any eventual judgment stemming from the suit, said Judge Robert W. Sweet of the U.S. District Court in New York.

The decision may be appealed.

However, if it is affirmed, authors sued by the subjects of their books will find it easier to seek coverage under their publishers' libel insurance, even if a suit doesn't specifically use the term "libel," according to Mr. McGinniss.

"I think this is a very important decision for anyone who writes about real people," he added. "It says you must look past labels to the essence of something."

Mr. McGinniss is the author of "Fatal Vision," the 1983 book published by G.P. Putnam's Sons about the 1979 murder of former Green Beret doctor Jeffrey MacDonald's wife and two children, which was later adapted for television.

Mr. MacDonald is now serving three consecutive life sentences in a federal prison outside Phoenix, Ariz., for the murders.

Mr. MacDonald had invited Mr. McGinniss to write a book about his case while Mr. MacDonald was still facing trial. Under their agreement, Mr. MacDonald was to receive a share of the book's profits.

Mr. MacDonald filed suit against Mr. McGinniss in August 1984 in U.S. District Court in Los Angeles, seeking damages of $15 million for fraud, breach of the covenant of good faith and fair dealing, intentional infliction of emotional distress and breach of contract. The suit also requested an accounting of the funds involved.

Putnam is not named in the suit.

Mr. McGinniss, who is covered under Putnam's 1982 Employers Re libel policy, asked the insurer for coverage of defense costs and any potential judgment in the case. But Employers Re refused, stating that the suit filed by Mr. MacDonald was not a libel action (*BI*, Nov. 17).

Mr. McGinniss then sued Employers Re for coverage for the fraud, breach of covenant and emotional distress causes of action in the suit.

Mr. McGinniss also requested damages against Employers Re.

Judge Sweet turned down Mr. McGinniss' request for damages and ruled that the author was not covered by the Employers Re coverage for the portion of the breach of covenant charge in Mr. MacDonald's suit that related to Mr. McGinniss' proceeds from the television adaptation of the book.

But, the judge ruled that Mr. McGinniss was entitled to coverage for the other charges contained in Mr. MacDonald's suit.

"In determining whether MacDonald's claims arise out of any of the policy's enumerated torts, the court must look past the labels placed on MacDonald's causes of action to the facts alleged in the complaint," said Judge Sweet in his decision.

"In order to assure the First Amendment protections and statutory restrictions are not circumvented by denominating a libel action as some other tort, courts have closely scrutinized the facts alleged in complaints to determine whether the claim is in fact based on the contents and veracity of a publication."

Mr. MacDonald's fraud allegations are "grounded in an alleged libel," Judge Sweet concluded, while the suit's allegations of breach of contract fall under the category of libel, with the exception of the issue involving the television adaptation.

The same is true of Mr. MacDonald's claim of infliction of emotional distress, he said. Mr. MacDonald "alleges injury to reputation, which together with falsity form the core of a libel action."

"Obviously, I'm pleased," said Mr. McGinniss. 'I'm just sorry it took 27 months to get that affirmed."

Mr. McGinniss said defense of the MacDonald suit has cost him about $175,000 in legal costs to date.

Putnam, he said, gave him $25,000 toward defense costs about the time the suit was filed in return for his agreement that he would not sue the publisher for inadequate insurance coverage. Subsequently, while negotiating with Putnam for the publication of another book, Putnam committed another $25,000 to the author's defense costs.

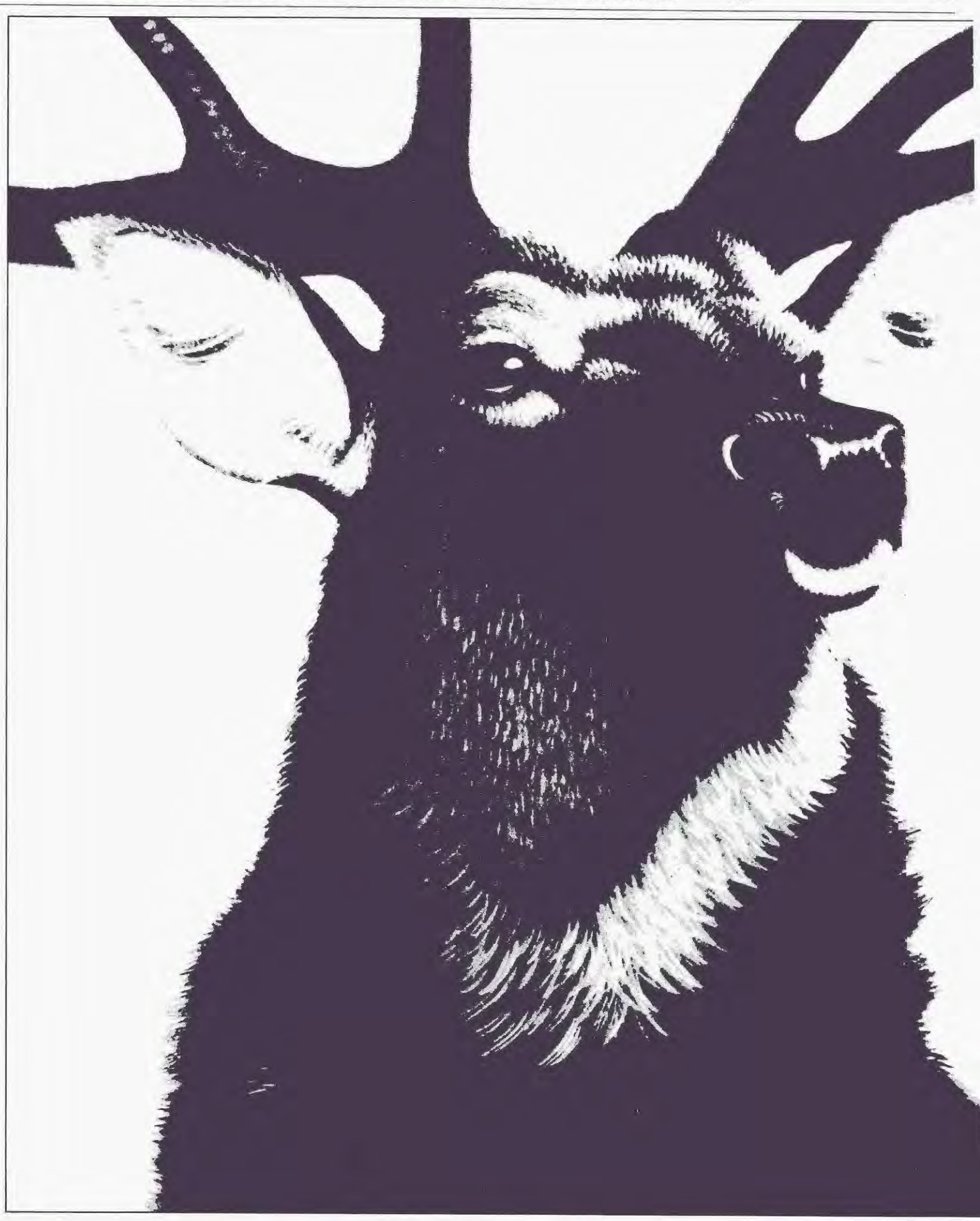
Alan Kramer of Lanzone & Kramer, the New York-based law firm representing Employer's Re, said that the libel policy written by Employers Re for Putnam had a $1 million limit that included defense costs and a $25,000 deductible.

"We are considering an appeal," said Mr. Kramer, adding. "We disagree with the court's interpretation."

It is uncertain how to determine precisely what proportion of the costs associated with the case Employers Re would pay, said Mr. Kramer, noting Mr. McGinniss did not sue the insurer for coverage relating to the breach of contract and accounting causes of action in the MacDonald suit.

The judge's decision was "very unclear" on that point, Mr. Kramer said.

According to Mr. McGinniss' attorney, Marian E. Lindberg of Kornstein, Veisz & Wexler in New York, the bulk of the defense thus far has focused on the claims covered by the Employers Re policy. ■



COBRA compliance nears for more firms

By JERRY GEISEL

washington

WASHINGTON—Employers with calendar-year health care plans soon will have to extend their group health care programs to former employees and employees' widowed and divorced spouses.

The health care continuation provisions of the Consolidated Omnibus Budget Reconciliation Act, signed into law earlier this year, apply to plan years beginning after June 30.

For example, if an employer's year started on Oct. 1, extended coverage would have to begin on that date.

Many employers have plan years that begin Jan. 1. Those companies soon will join the ranks of other employers attempting to comply with a vague law for which there are no regulations.

However, in the case of a plan that is offered as part of a collective bargaining agreement, coverage would have to be extended by Jan. 1, 1987, or the date the collective bargaining agreement expires, whichever is later.

Companies with fewer than 20 employees are exempt from COBRA's health care continuation provisions.

Under COBRA, health care coverage must be offered to employees' divorced, widowed or separated spouses and to former employees, except when employment is terminated because of gross employee misconduct.

In the case of spouses, coverage must be offered for up to three years, while former employees can obtain coverage for 18 months after employment ceases.

Employers can charge spouses and former employees 102% of the cost of coverage, including any costs that were formerly paid by the employer.

Work injuries up

The number of workplace accidents and deaths is increasing, according to federal government statistics.

Last year, there were 5.5 million workplace accidents and injuries, up from 5.4 million in 1984 and 4.74 million in 1983, according to an annual Bureau of Labor Statistics survey.

In addition, the BLS, whose survey covers employers with more than 10 employees, reports that there were 3,750 work-related deaths in 1985, up from 3,740 in 1984 and 3,100 in 1983.

However, because of an increase in employment, the accident and illness rate in 1985 declined to 7.9 per 100 workers, down from eight per 100 workers in 1984.

Federal safety officials are encouraged that the accident rate declined a bit.

"The figures announced. . .by the Bureau of Labor Statistics give us reason to feel encouraged about the course we have mapped out for ensuring job safety and health in this country," said John Pendergrass, chief of the Occupational Safety and Health Administration.

"The statistics show that the on-the-job illness and injury rate declined slightly during 1985, despite a significant increase in the number of people employed, as well as the number of hours worked," Mr. Pendergrass added.

Other findings in the BLS survey include:

- Some 45.2 million lost workdays resulted from work-related injuries in 1985, up from 43 million in 1984.
- Insurance, finance and real estate had the lowest occupational and illness rate: two per 100 workers, up from 1.9 in 1984.
- The construction industry had the highest injury and illness rate: 15.2 per 100 workers, down from 15.5 in 1984.

Pension assets

Private and public pension plans now have close to $1.8 trillion in assets, and are rapidly headed to the $2 trillion mark, a benefit research organization says.

The Employee Benefit Research Institute in Washington says private pension plans now have $1.3 trillion in assets, while state and local government plans have $432 billion in assets.

Pension plans are the largest source of non-bank institutional investment funds in the United States, according to EBRI. Pension plans hold 18% of all equities in the U.S. economy, 16% of all government and corporate bonds and 6% of all cash.

Pension plan assets include equities, such as stocks of publicly traded companies, $534.3 billion; bonds, $477.4 billion; and cash, $87.2 billion.

Other assets, including real estate, mortgages and bank pooled funds, total $346.4 billion.

AIA makes move

The American Insurance Assn. has made it official: Its headquarters now are in Washington.

The 178-member trade association at its annual meeting late last week approved a change in its bylaws formalizing the headquarters switch to Washington from New York.

Even before the bylaw change, the AIA had been moving its senior staff to its existing Washington office on Connecticut Avenue in an effort to win more clout for property/casualty insurers in the nation's capital. Earlier in the year, AIA President Robert E. Vagley said influencing legislative and regulatory activities would be difficult unless the AIA's top officials were in Washington (*BI*, July 14).

Pension guarantee

The Pension Benefit Guaranty Assn. next year will boost the maximum pension benefit it will guarantee participants of terminated single-employer plans. For plans that are terminated in 1987, the new monthly maximum guarantee per participant will be $1,857.95, up from $1,789.77.

The maximum guaranteed amount is adjusted annually according to a formula prescribed by law and is based on data from the Social Security Administration.

The PBGC pays benefits to workers and retirees whose pension plans terminate with insufficient assets to pay guaranteed vested benefits.

The agency pays a monthly average benefit of about $230 to participants of terminated pension plans. ■

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*Source: Based on *Employee Benefit Plan Review*, April, 1986.



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Seafirst Corp., auditor settle shareholder suit

By MEG FLETCHER

SEATTLE—Under a tentative agreement, Seafirst Corp. and its former auditor, Arthur Andersen & Co., will pay a total of $13.6 million to settle a class-action lawsuit filed on behalf of as many as 8,000 Seafirst shareholders.

However, the agreement may fuel an existing legal dispute between the Seattle-based bank holding company and its excess directors and officers liability insurer, National Union Fire Insurance Co. of Pittsburgh, an American International Group Inc. unit.

Seafirst, which paid for its own defense in the class-action lawsuit, expects to pay the "bulk" of the $13.6 million settlement, a Seafirst spokesman said.

Another Seafirst spokesman declined to comment on whether the company plans to try to collect on the National Union D&O coverage in the class-action case.

National Union did not agree to the appropriateness of Seafirst's share of the proposed $13.6 million settlement, noted George D'Amato, National Union's attorney and a senior partner in the New York law firm of D'Amato & Lynch.

Seafirst already had exhausted the limits of its primary D&O policy from CNA Insurance Cos.

Between 6,000 and 8,000 shareholders who purchased Seafirst stock between Feb. 16, 1981, and July 13, 1982, are eligible to receive the $13.6 million settlement, which will be reduced by plaintiffs' attorneys' fees.

Shareholders had alleged that the bank and Big Eight accounting firm Arthur Andersen misled investors about losses the bank suffered on energy-related loans, which led to the bank's 1983 takeover by BankAmerica Corp.

A Seafirst spokesman said the bank is pleased to settle the case without admitting any wrongdoing and does not expect the settlement will have a material impact on fourth-quarter earnings, because the bank had previously set aside reserves to pay damages stemming from the suit.

In a prepared statement, Arthur Andersen said: "The trial judge recently dismissed all claims pertaining to financial statements, rendering our firm's involvement peripheral. This reaffirms our position that our audits conformed to professional standards."

However, for various business reasons, including the cost and risk associated with a lengthy trial, Arthur Andersen agreed to settle the case, a spokesman said.

The spokesman refused to comment on the accounting firm's professional liability coverage. In 1970-71, Andersen had $50 million in professional liability coverage and in 1974-75 it had $101 million. Lloyd's of London underwriters were the primary insurers during those periods (*BI*, April 1, 1985).

Because some former Seafirst officers were co-defendants in the class-action lawsuit, Seafirst has filed a notice of claim with National Union, according to Mr. D'Amato. If Seafirst pursues the claim, National Union is expected to reject it, as it rejected paying any portion of a settlement reached this summer in a related case.

In that litigation, Seafirst had sued five of its former officers for $110 million in an attempt to recoup from its D&O insurers 1982 losses stemming from energy-related loans for which the officers were responsible (*BI*, July 14).

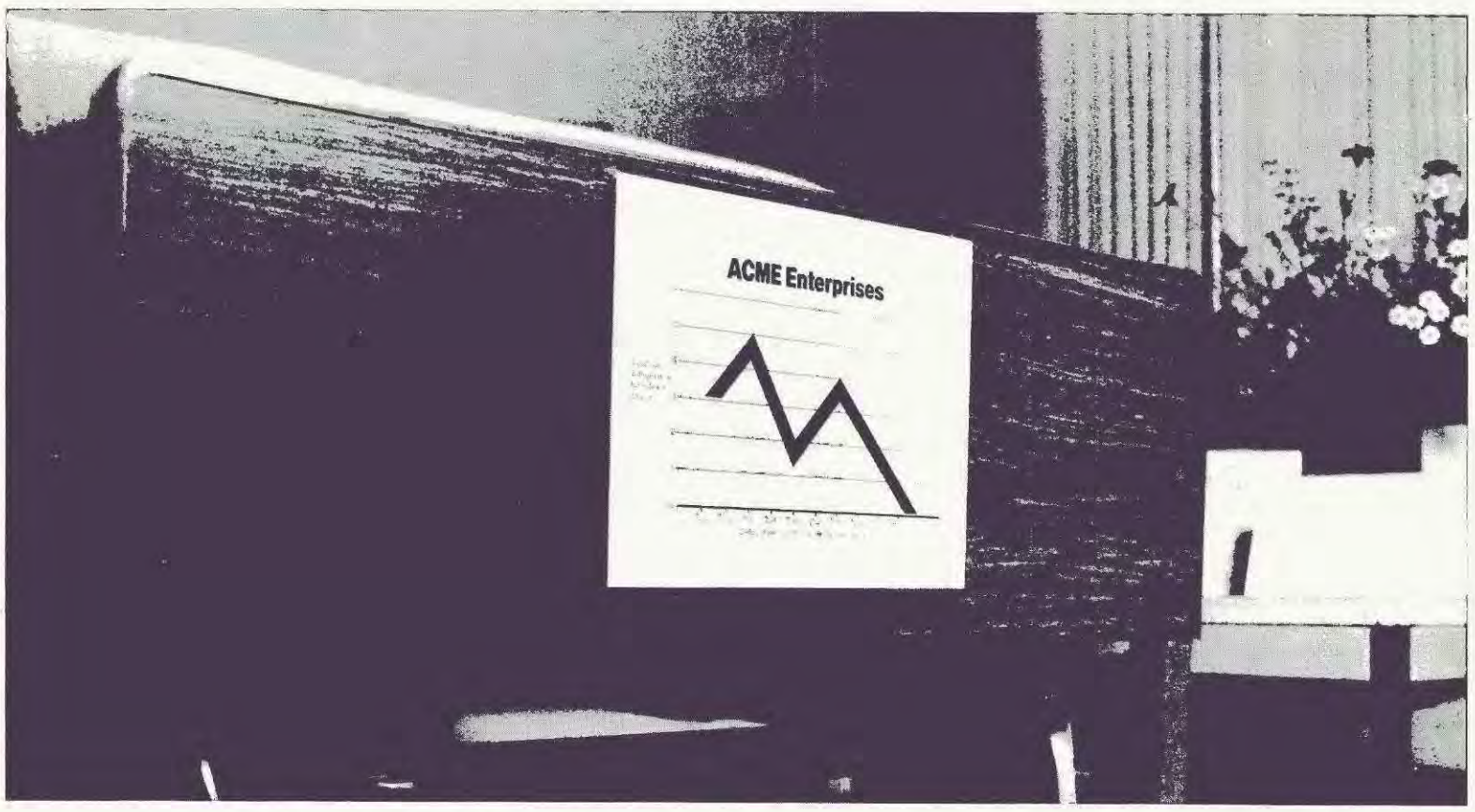
In return for its stipulated judgment, Seafirst agreed to limit its recovery to the approximately $70 million in remaining limits from its excess and primary D&O policies.

CNA agreed to contribute to the judgment against Seafirst's former officers the $15 million remaining from a $20 million D&O policy it wrote for the bank in 1982.

In return, CNA was released from responsibility for future attorneys' fees or judgments. At the same time, Seafirst agreed to indemnify its former officers.

But, National Union is continuing to press a 20-month-old suit that seeks recision of a $55 million excess D&O policy it wrote for Seafirst in 1982. National Union alleges that the bank withheld information and gave untrue guarantees when it bought the policy.

The case is scheduled for trial in October 1987. ■



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Corroon & Black names risk manager

comings & goings: buyers

Henry J. Ehrlich, 40, has been named assistant vp and director of professional standards and risk management at Corroon & Black Corp. in New York. In this newly created position, he will be responsible for the management of C&B's corporate insurance program as well as the development, implementation and monitoring of a professional standards program for C&B subsidiary offices. Mr. Ehrlich reports to Richard M. Miller, chief executive officer of the publicly held insurance brokerage. Previously, Mr. Ehrlich served as vp of Corroon & Black Co. of New York Inc., where he was responsible for development of alternative risk-financing plans for industrial and commercial clients. He joined Corroon & Black of New York in 1976 as an account manager. Mr. Ehrlich holds a bachelor of arts degree in political science from Rutgers University in New Brunswick, N.J.

* * *

Lynn Schenck, 33, has been named vp-compensation and benefits in the personnel-administration department at The Travelers Corp. in Hartford, Conn. She will be responsible for management of compensation and benefits programs. Ms. Schenck reports to Harold E. Johnson, senior vp. Previously, she was with William M. Mercer-Meidinger Inc. in Washington, and prior to that was vp for compensation and benefits at Federated Department Stores in Cincinnati. Earlier she served as director of human resources at Baldwin-United Corp. in Cincinnati. Ms. Schenck received a bachelor of arts degree in personnel and industrial relations from Indiana University in Bloomington.

* * *

James R. Albertson has been named risk and insurance manager of Commercial Shearing Inc. in Youngstown, Ohio. In this position he will be responsible for property/casualty insurance, employee benefits and loss control and prevention programs for the manufacturing company. He replaces **Michael R. Keating**, who has left the company, and reports to James G. Meimaris, director of taxes and risk management at Commercial Shearing. Previously, Mr. Albertson was an account executive with Independent Insurance Service Corp. in Canton, Ohio. He received a bachelor of business administration degree from the University of Akron in Ohio and holds the Associate in Risk Management designation. In addition, Mr. Albertson is a Chartered Property Casualty Underwriter.



Mr. Albertson

* * *

Robert J. Annetti, 50, has been promoted to vp-special group/risk management at North American Co. for Life & Health Insurance in Chicago. In this position, he will be responsible for corporate risk management as well as management of special employee and association group life/health business. Previously, Mr. Annetti served as second vp-direct group credit insurance at North American. Prior to joining North American in 1967, he was a group administrator for Zurich American Insurance Co. in Schaumburg, Ill. Mr. Annetti attended Chicago City College.

* * *

Robert German has been named risk manager for the city of Carlsbad, a coastal community in Southern California. Mr. German, 39, was previously corporate claims manager for Wrather Corp. in Beverly Hills. In this newly created post, he assumes responsibility for Carlsbad's self-insured workers compensation and general liability programs and its commercially insured property program. He is also responsible for safety and loss control functions. Mr. German reports to Ray Patchett, assistant city manager. Mr. German received his bachelor of arts degree in political science from California Polytechnical State University in Pomona and his law degree from Western State University in Fullerton, Calif.

* * *

Dave Fisher, 42, has been named risk and benefits manager at Mitsubishi Electric America Inc. in Torrance, Calif. Mr. Fisher will be responsible for the company's day-to-day property/casualty insurance and workers compensation programs. He also will purchase benefit-related insurance for the company and coordinate the benefit plans of its divisions. The company's concerns include consumer electronics, semiconductor manufacturing, computer sales and computer distribution. He replaces **Diane K. Good**, who left the company to join Beverly Hills, Calif.-based Wrather Corp. as director of risk management. He reports to John Lawler, executive vp. Mr. Fisher had been employed by Hartford Insurance Group for 17 years, most recently as executive underwriter in the marine department at Hartford Fire Insurance Co. in Diamond Bar, Calif. He received a bachelor of science degree from Oklahoma State University in Stillwater, and holds the Chartered Property Casualty Underwriter designation. ■

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AAMGA

comings & goings: industry

Countryman appointed CEO at Liberty Mutual

Gary L. Countryman, president and chief operating officer of Liberty Mutual Insurance Cos., will succeed **Melvin B. Bradshaw** as chief executive officer of the Boston-based insurer.



Mr. Countryman

Mr. Bradshaw, who is retiring as CEO at age 64, will continue to serve as chairman of the board and be a member of the executive and investment committees until November 1987.

Mr. Countryman, 47, joined Liberty Mutual in 1963 in an underwriting and actuarial capacity in San Francisco. He was elected president in 1981.

In other insurer changes:

Herbert E. Lister named chairman of Allstate Life Insurance Co., effective Jan. 1. Mr. Lister, who formerly was president of Allstate Life, will be succeeded by **Robert L. Roberts**, who had been serving as executive vp. Mr. Roberts also will serve on the Allstate Insurance Co. board of directors.

Frederic W. Parker appointed senior vp and director of national accounts at Associated Aviation Underwriters in New York. A former commercial pilot, Mr. Parker was vp and manager of the airline department since 1980.

Leo E. Denlea Jr. named chairman and chief executive officer of Farmers Group Inc., a Los Angeles-based insurance management and holding company. Elected vps were: **Michael P. Bigley**, south Texas regional manager; **L. Donald DeWolfe**, Merced (California) regional manager; and **Donald D. Raney**, Overland Park (Kansas) regional manager.

David N. Ladd promoted to executive vp of field operations of The Home Insurance Co. in New York. Mr. Ladd joined The Home in 1982 as senior vp in charge of the Western Region, headquartered in Glendale, Calif. He will relocate to the East Coast for his new position.



Mr. Ladd

Clyde Harris named vp-field operations, at Golden Eagle Insurance Co. in San Diego. He previously was manager of the San Diego Premium Audit Department of Industrial Indemnity Insurance Group.

Reinsurance

Haddon S. Fraser has joined

Continued on next page

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Continued from previous page
O'Connor Associates Ltd. in Saddle Brook, N.J., as president and chief operating officer, and **Joseph A. O'Connor**, founder and former president, has become chairman and chief executive officer. Mr. Fraser formerly served as vp-treaty underwriting at American Re-Insurance Co. in New York.

HMOs

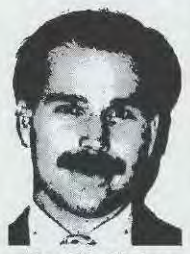

Dr. Stocker

Dr. Michael A. Stocker named president of U.S. Healthcare Inc. in New York and Connecticut. Previously, Dr. Stocker served as vp and medical director of U.S. Healthcare Inc. in the greater metropolitan New York area.

Agents/brokers


Mr. J.B. Blaine

Vp **James N. Blaine** has been chosen to succeed his father, the late James B. Blaine, as president of Blaine-Braswell & Associates Inc. The elder Mr. Blaine, who was the company's founder, died Sept. 20.


Mr. J.N. Blaine

Peter Cleyn named senior vp, member of the management committee and branch manager of the Toronto office of Dale-Parizeau Inc. Mr. Cleyn had been risk and insurance manager for Alcan Aluminium Ltd. in Montreal for the past four years.

Philip Prass named president and chief executive officer and **Vincent J. Donohoe** promoted to executive vp and chief operating officer of Rollins Burdick Hunter of Wisconsin Inc., a unit of Chicago-based Rollins Burdick Hunter Co.

Daniel D. Dolan promoted to vp of the Financial Services Division of Corroon & Black of Illinois Inc. Mr. Dolan previously was assistant vp of the largest division of insurance broker Corroon & Black Corp.

Richard I. Citron appointed manager of the employee benefits division of Corroon & Black Corp.'s Brokerage Services Group. Mr. Citron, 42, also will be a vp of BSG. Mr. Citron previously was executive vp/northeast area manager for Frank B. Hall Consulting Co.

Also at Corroon & Black, **John M. Garrett** named vp of the New York-based brokerage's Washington D.C. subsidiary. Mr. Garrett most recently was vp in charge of managing the national bond operations for Commercial Union, a multiline insurer headquartered in Boston.

John E. Doerr joined Fred S. James & Co.'s Chicago office as senior vp. Previously, Mr. Doerr was president of Doerr, Burns & Associates, an employee benefits consulting firm serving Fortune 1,000 companies.

Also at Fred S. James, **Ronald L. Collins** named senior vp and **Robert L. Schultz** and **John S. Duke** appointed vps of Fred S. James & Co. of Georgia Inc. Mr. Collins was named a Fred S. James of Georgia vp in 1983 and now directs and administers all activities of the brokerage's employee benefits area. Prior to joining the brokerage in 1981, Mr. Schultz held positions with both the Factory Mutual System and Protection Mutual Insurance Cos. Mr. Duke joined James of Georgia in 1983 as assistant vp and account executive, having previously held a similar position with broker Marsh & McLennan Cos. Inc.

Johnny Cowart, formerly of Humana Health Insurance Co. of Florida, has joined Cecil W. Powell & Co. in Jacksonville, Fla., as vp of the firm's employee benefits department.

Excess/surplus

David E. Gebhardt has joined International Placement Services Inc., a St. Louis-based wholesaler, as senior vp. Previously, Mr. Gebhardt had served as a resident vp and branch manager with Sayre & Toso Inc.

Other suppliers

David B. Walker appointed to manage A.S. Hansen Inc.'s new St. Louis office. Mr. Walker had been a consulting principal in the benefit consultant's Deerfield, Ill., office.

Cecil Mathews named president of Ringler Associates Inc., a structured settlement firm with offices in 26 cities nationwide. Mr. Mathews formerly was a partner in charge of Midwest operations at Ringler.


Mr. Mathews


Mr. Walker

Lois J. Stulpin appointed manager of the Group Benefits Department of Pension Consultants Inc., an employee benefits consulting firm in West Hartford, Conn. Previously, Ms. Stulpin was a senior consultant for group sales, national accounts and flexible benefits at the Hartford Insurance Group. ■

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Follow through with marketing plans: Expert

By LINDA J. COLLINS

HONOLULU—Agency principals should put their agency marketing plans in writing and share their goals and objectives with their staffs, an expert says.

"Don't try to carry your marketing plan in your head. That's very dangerous," warns Kimberly Paterson, founder and president of Creative Insurance Marketing in Shrewsbury Park, N.J., an advertising and public relations firm specializing in insurance accounts.

Ms. Paterson and William M. Rue, president of Rue Insurance Agency in Trenton, N.J., conducted a seminar at the National Assn. of Professional Insurance Agents' annual convention in Honolulu on how agencies can use advertising effectively in their overall marketing program.

Ms. Paterson warned agency principals they must make a commitment to follow through with their marketing plans if they expect them to work.

If agents are not firmly committed to their marketing plans, they can find "a million reasons" to abandon them, she said. When this happens, the agency loses the time and money spent formulating and implementing the marketing plan and begins to operate on a reactionary basis, she added.

According to Ms. Paterson, the components of an effective marketing plan include:

- An analysis of the agency's strengths and weaknesses.
- An analysis of the agency's current customer base.
- An analysis of the agency's competition.
- The agency's present market position and potential markets.
- Marketing/sales objectives.
- An advertising/marketing strategy.
- A budget.

Agency principals also must make certain their agency's name and image are consistent with their marketing objectives, she cautions.

"You need to sit back and take a look at the agency's image. You may need to change your image to reach your objective," Ms. Paterson said.

An agency's image is affected by many factors, including the appearance and location of the office, the way employees answer the phone, the appearance of its salespeople, its name and its logo, according to Ms. Paterson.

"Does your name reflect who you are today and where you are going? Does it reflect confidence?"

Agencies "need a name that is simple, easy to say, memorable and reflects what you do," she explained.

And once an agency decides on an appropriate name and logo, it should emphasize them in all of its contacts with clients and prospects. "That's how you build image," she said.

The name and logo should be displayed distinctively on letterhead, envelopes, business cards, mailers, etc., Ms. Paterson explained.

When the name of the agency or its logo design no longer fits the image the agency wants to project, it should be modified, Ms. Paterson observed.

"Agency logos are sort of like ties. What works from a design standpoint one year might not work five years later," she explained.

The next "essential" component in an agency's marketing plan is an agency brochure, which should "tell who you are, what makes you different and why I should buy from you," she said.

Agency brochures are extremely effective in face-to-face presentations, she noted. They are also a good tool to use with existing clients because they expose them to other services the agency offers that they might not have been aware of and they serve as a "good starting point for conversation."

Agencies should design their brochures to convey a message that both attracts and informs the audience they are trying to reach, Ms. Paterson said.

She explained that photos can enhance a brochure because they "demand attention"—especially action photos. But whatever design the agency uses, the brochure should reflect its personality.

In designing a brochure, agencies need to:

- Consider their audience.

'You may need to change your image to reach your objective,' Ms. Paterson observes.

"Make sure the brochure is in sync with the market you are wanting to sell," she said.

- Convey a benefit. "The question, 'What's in it for me?' should be answered in any materials you provide to a client."
- Really build an image.

"People skim read. The look and feel of a piece has to carry it because they seldom read carefully," she said. The image has to be evident.

- Never skimp on quality.

"I urge you, don't skimp on quality. You defeat your own purposes," she said, because the brochures may be used for several years.

- Plan the use of the brochure.

"If you don't know how you're going to use the brochure, you are wasting your money," she stressed.

Ms. Paterson also discussed the various types of mass media advertising available to agencies and ways in which each can be used effectively.

"Media advertising is extremely important to any marketing program. . . .Once people know who you are, you can start right in on the sales process," Ms. Paterson said.

Media advertising increases an agency's name awareness, builds an image with new customers and reinforces its image with existing customers, she explained.

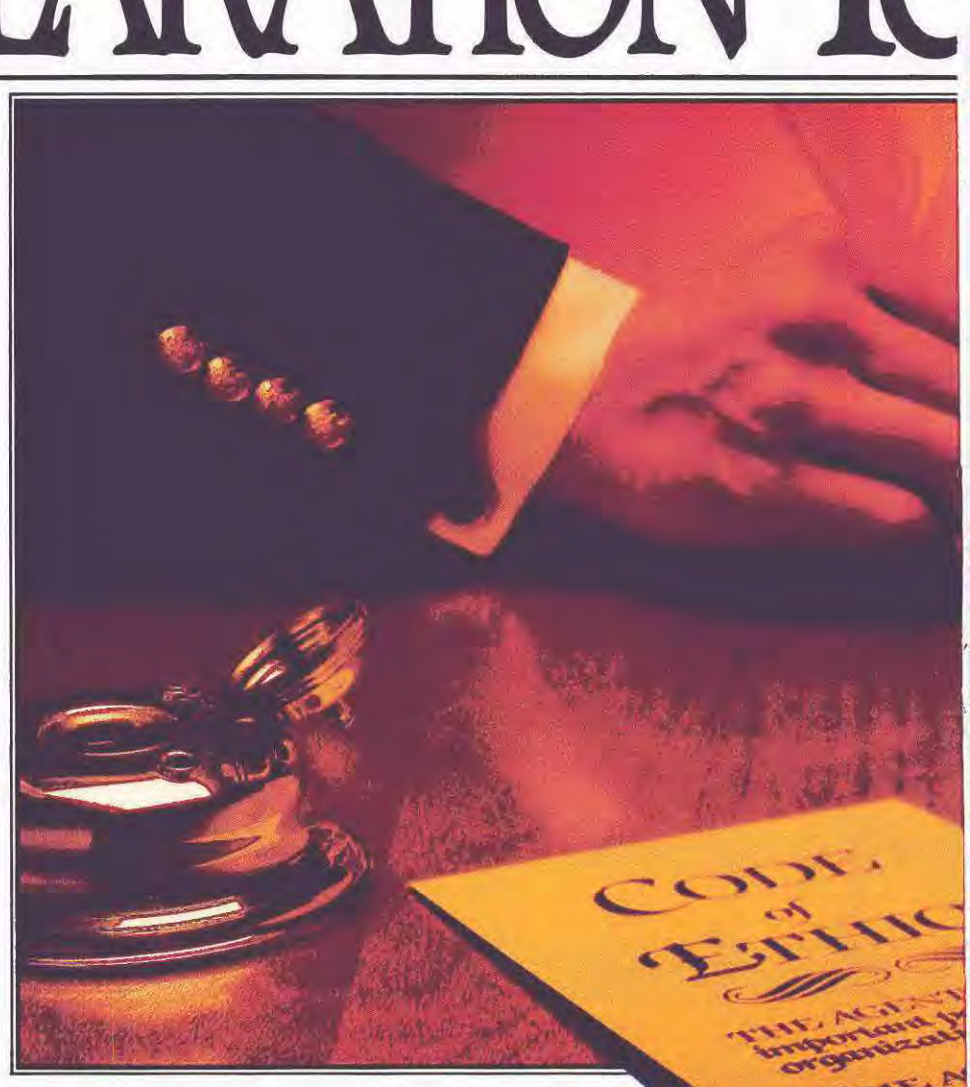
Reinforcing the agency's image with its existing customers is very important because it lets customers feel that they have made the right decision, said Ms. Paterson.

"You always want to use two types of media to reinforce your message," she said, adding: "It's important to have a total campaign" rather than to advertise on a piecemeal basis.

According to Ms. Paterson, an agency should get a "good, solid" campaign going and adhere to it for at least one year. "Make a com-

Continued on next page

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Continued from previous page

mitment and stick with it," she urged.

"Advertising campaigns take time to catch on."

The type of media advertising used by an agency "depends on who you want to reach and what marketing area you are in," Ms. Paterson said. For example, newspaper or television ads can be cost-prohibitive if the advertisements do not reach a large enough prospect base, she explained.

A print ad "has to be large enough to command attention" if it is to be effective, Ms. Paterson explained. The agency should engage professional help in designing the ad, and the ad should incorporate sufficient white space to attract the reader's eye on the printed page. Advertising in the Yellow Pages may or may not be effective, depending on the agency and the audience it wants to reach, she pointed out.

'You always want to use two types of media to reinforce your message,' points out Kimberly Paterson, adding: 'It's important to have a total campaign' rather than to advertise on a piecemeal basis.

If the agency does not mind handling a lot of call-ins and if it already has established name recognition in the community, Yellow Pages advertising can be useful, she said.

But to be effective, these ads have to be distinctive, Ms. Paterson cautioned. "The look of the ad is everything. Don't let them design the ad for you or it will look like everyone else's."

Direct mail ads can be useful for an agency if it is designed to sell specific products, she said. But Ms. Paterson pointed out that a 2% return is considered a very good response to a direct-mail campaign, unless mailings are followed up with a phone call.

Ms. Paterson suggested that agencies either send out large quantities of direct mail at one time or establish a telemarketing campaign to correspond with the mailing if a direct mail campaign is to pay off.

Telemarketing can "easily double your response," Ms. Paterson explained.

"Radio can be an extremely good advertising medium for selling both personal and commercial lines of insurance," she said. Radio ads, which must be distinctive enough to command the listener's attention, are very effective in promoting specific products or services or in publicizing an agency name change.

Outdoor billboard advertising "can be an extremely cost-effective way to increase an agency's name recognition, because they create a physical presence," Ms. Paterson said.

They can be particularly useful if the agency wants to generate name recognition in an area before opening an office there, she pointed out.

Ms. Paterson suggested that agencies investigate to see if "rotary billboard" advertising is available in their marketing area. These arrangements provide for the ad to be moved from one billboard to another in a marketing area "every month or every 60 days.

This is a real budget-stretcher, because it makes you look like you are advertising in more areas than you really are," she said.

Agencies should keep their billboard messages very simple, with a minimal amount of words and with the agency name prominently displayed, Ms Paterson said.

"People are reading it at 55 mph," she said.

If possible, the message should be limited to seven words or less "as a rule of thumb," Ms. Paterson added. If no rotary arrangement is available, the agency should change the billboard's message regularly to keep the ad effective.

But the most important thing to remember is that agencies must keep getting their message across to clients and prospects.

"You can't think that people are automatically going to stay with you because you are nice. You have to give them a reason to stay with you," she said.

While Ms. Paterson explained that the standard agency ad budget is somewhere between 2% to 5% of its gross commissions, she stressed: "Base your budget on your objectives. What stands to come back to you as a result of that program?

"Start out small and let your program grow."

Many insurance companies provide advertising support to agencies that represent them, Ms. Paterson said, adding that agencies should investigate this option to see what is available.

Mr. Rue described how his agency's advertising campaign has increased the agency's market share over the past 10 years.

In 1976, the agency decided to focus on increasing sales, a message that it continues to preach to employees, he explained.

"We decided to go out and bring in new insurers and hire new sales people. We also felt we needed to create a marketing image and help our image sell," he said, explaining that he agency hired Ms. Paterson's firm to help it create that image.

After examining marketing studies that showed that the general public does not really perceive the difference between independent and captive insurance agents, the agency began to refer to itself as a brokerage, Mr. Rue said.

"It's how the public looks at you that will or will not sell the product," Mr. Rue explained.

The agency uses direct mail, print, billboard and radio advertising to take its message to the public. An agency brochure was designed to use in mailings, target market calls and as a "point-of-sale piece" to reinforce the agency's image, he added.

"Billboard advertising is fantastic for name recognition when moving into a new territory," Mr. Rue said, noting that when he felt that billboards were no longer effective, positive feedback from salesmen and clients prompted the agency to resume their use.

But Mr. Rue stressed that "radio advertising is the key to our advertising campaign. That's what makes the telephone ring. We have written a lot of insurance because of our radio ads." The agency has its own musical jingle that is used on each radio ad, he said.

The most important thing to remember when launching an advertising/marketing campaign is that a campaign does not offer an immediate payoff.

"These programs have to be built over a long period of time," Mr. Rue said, stressing that agencies have to be committed to them.

Mr. Rue said his agency increased its premium volume to $15 million this year from $2 million in 1976, and "outside of one acquisition, it has all been done through new business" because of its marketing campaign. ■

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People valuable agency asset: Davies

By LINDA J. COLLINS

HONOLULU—Agents have lost track of their most important asset, people, a top agent says.

While markets, product demand, a healthy regulatory environment, good agency/company relationships, automation, agency marketing/financial planning and continuing education are all "key ingredients" to maintaining a profitable agency, they are not enough, said James H. Davies, outgoing president of the National Assn. of Professional Insurance Agents.

"Our customers and our employees seem to have lost out to machines, capital, capacity and the rest," Mr. Davies told agents attending the 55th annual PIA convention in Honolulu.

This situation has become particularly evident "during the frantic pace we've maintained while trying to cope with the recent market conditions," stressed Mr. Davies, president of Davies & Associates Inc. of Murray Hill, N.J.



Mr. Davies

Agents need to recognize that to achieve any of their goals, they must positively interact with the public. And until agents "learn to solve our current people problems. . .we will not reach our potential," he warned.

Three of those "people problems" reflect the industry's current state, he explained.

"The first is our lack of credibility with insurance consumers. The second is the strained relationship between company people and agents. And lastly—the problem many agencies and companies have—is keeping and attracting good employees," said Mr. Davies.

While agents can point to increasing market availability and profits as indications that the industry is in great shape, "as long as insurance consumers perceive us as not carrying out our basic responsibility of assuming risk, is the state of this industry sound?" Mr. Davies asked.

Agents and others in the industry need to consider the "human factor" more carefully in making daily business decisions, he said. And the industry must learn to listen to consumers and allow them the opportunity to discuss their concerns and needs, rather than just giving consumers what the industry thinks they want, he added.

Mr. Davies said a major reason for the lack of understanding between buyers, insurers and agents is that "the structure of the agency system and the way it communicates is inverted."

At the top of the pyramid are insurer executives, "who have the greatest influence on the marketplace," he said. Just beneath them are insurer field representatives, followed by agency owners and principals, and agency sales forces.

Insurance consumers, "because they are at the bottom of the pyramid, have little voice or influence over the shape of the insurance product or the means by which it is used," he noted. "We need to turn this corporate structure upside down. Consumers should be at the top of our pyramid. . .and our industry should revolve around their needs."

Mr. Davies suggested that agency producers do more listening than talking in their dealings with buyers. Agency principals could then compile that information, forwarding it to insurers along with any additional insights they have gleaned from their own experiences.

Insurers have made some progress in this area by establishing agency councils and appointing more producers to boards of directors, but more needs to be accomplished, said Mr. Davies.

If the major communications flow were redirected, not only would it enhance consumer relations, but it also would give agency employees greater interest in their jobs and in the success of the agency, he added.

"They would have more pride knowing that the industry they are part of is responsive and vital to the American consumer and the entire economy," Mr. Davies said.

Agencies could better attract good employees if young people held a more positive perception of the insurance industry, he said.

"I wonder how many high school or college students or even graduates have crossed off insurance from their list of career options because of their negative perception of this industry," Mr. Davies commented.

The success independent agents have enjoyed is due to their community ties and relationships with their customers, he noted.

"We have succeeded because we are positioned closely to our buyers. Now we should take advantage of this proximity for greater growth and success in the future," Mr. Davies stressed.

He said that during the past year, he and other PIA executives met with several insurance company executives to emphasize "the need for greater communications among consumers, intermediaries and suppliers."

While he said "agents often feel they're boxed in between angry consumers and uncaring companies. . .from the company perspective, their lot in life isn't much better. They have angry agents on one side and demanding stockholders, reinsurers or a parent company on the other."

Agencies and insurers need to understand how these factors affect their different operations to respond "positively to the changes of our time," he added.

To creatively adapt to and manage changes, the industry needs to: regain public confidence; control market cycles; commit to computer interface; emphasize long-range planning; create a national sales school to better train producers; and implement new commercial general liability forms and "defense within limits in a way that is equitable to agents, companies and consumers," according to Mr. Davies.

And, agents also should explore "other product sources, such as self-insurance and captives and. . .fee-based compensation."

"And, above all, we must consider these changes along with their impact on the people we work with and those that depend on us for their financial survival," Mr. Davies concluded. ■

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"PROVIDING GENERATIONS OF SERVICE"

New PIA chief outlines ambitions for tenure

By LINDA J. COLLINS

HONOLULU—Consumers are beginning to question the insurance industry's practices and their faith in agents is beginning to erode, says the new president of the National Assn. of Professional Insurance Agents.

"I'm convinced the single biggest reason consumers are losing their trust in us is that agents and companies are losing that loyalty and trust in each other," commented Nicholas A. Verreos, who also is president of Nick Verreos & Co. Insurance Brokers Inc. in Brisbane, Calif.

Agents are losing their trust in insurers because "we've seen our markets pulled out from under us, we've seen policies canceled and we've seen companies drop many of us after we've given them years of good, profitable business," Mr. Verreos told the annual PIA convention in Honolulu last month.



Mr. Verreos

However, Mr. Verreos added that insurers are quick to point out that agents "aren't upholding their end of the bargain" either.

Insurers complain that "too many agents are content to sell policies instead of run a professional business. They say too many of us refuse to enhance our skills and knowledge, to modernize our agency plant, to manage risks effectively. They say many agents readily jump to new carriers at the slightest provocation," Mr. Verreos said.

Mr. Verreos vowed that his "No. 1 goal" as president of the agents' association "will be to bring companies and agents closer together."

"We must improve our technical skills, but we must also communicate with each other and have confidence in each other as we pursue our common goal," he said.

Mr. Verreos asked agents:

- "Do we see ourselves as professional business managers, or do we still cling to old notions that we're salesmen before everything else?"
- "Do we use modern management tools such as automation and long-range planning for agency growth, or do we simply deal with business as it comes through the door?"
- "Do we aggressively learn new and modern skills in sales, public relations and advertising, or do we curse market conditions and blame our companies and lawyers for everything that goes wrong?"

One tool through which agents should be able to enhance their professionalism is a national, all-industry sales, marketing and agency management school for agents proposed by the PIA, he said (*A/BT*, Nov. 3).

In addition to developing the national sales school, which should be available to agencies by the fall of 1987, the PIA is urging agents and insurers to work together to find solutions "to hot and cold market cycles," Mr. Verreos explained.

Toward that end, the PIA is urging insurers "to refocus on serving the long-term needs of consumers and the agency system instead of the short-term allure of profits"; to reconsider "some of their marketing strategies, in particular. . .requiring larger and larger premium volume from their agencies;" and to consider the quality of an agency, rather than simply its size, when evaluating agency/company relationships.

The PIA has committed itself to a major consumer awareness campaign to illustrate to the public how independent agents and insurers can serve them, Mr. Verreos said.

"Agents and companies can and will rekindle the trust and the loyalty that made us the best in the world. And when we do, consumers once again will know that the agency system is the swiftest and surest purveyor of insurance and the safest bet around," Mr. Verreos concluded. ■

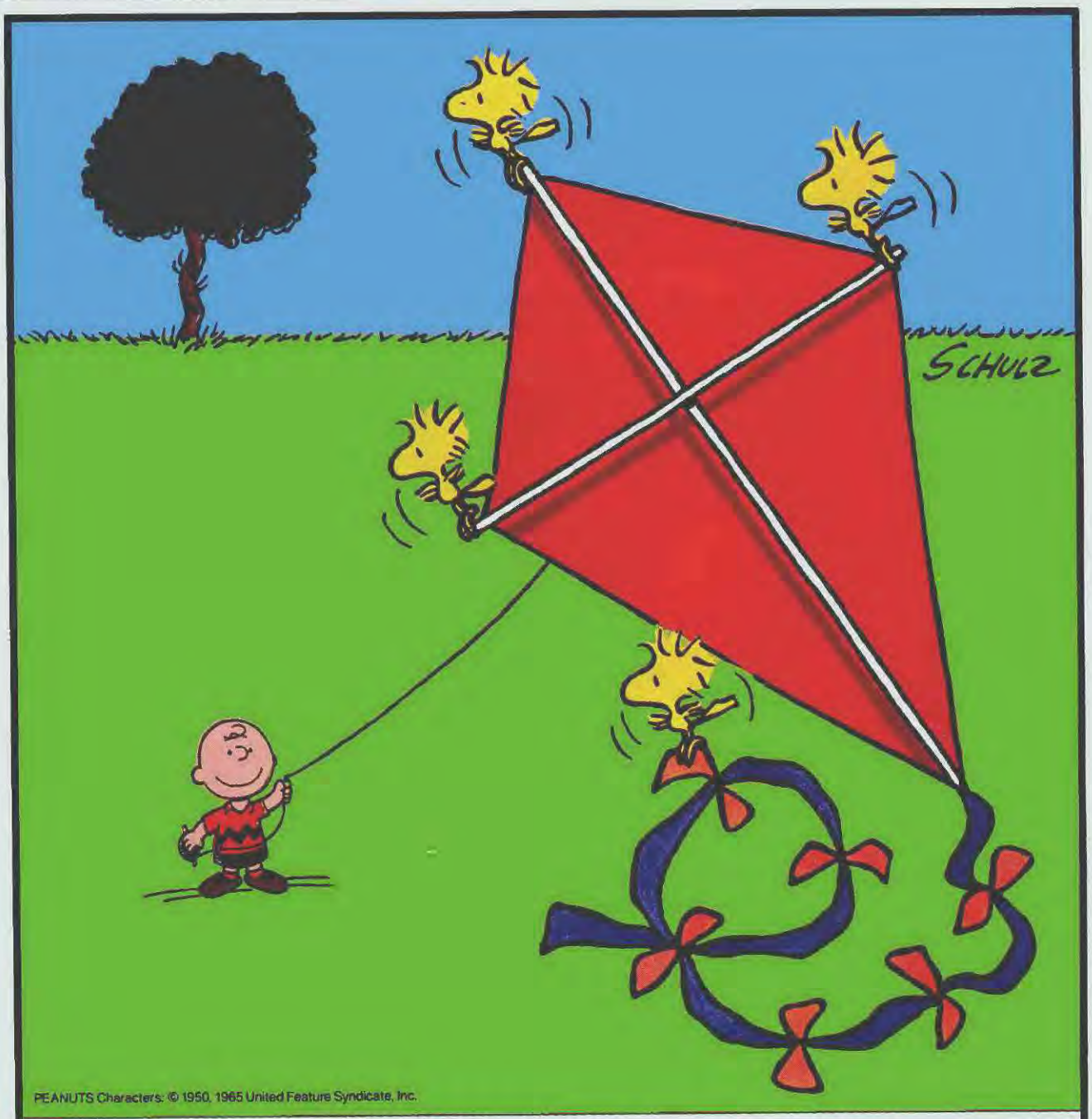
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Don't market coverage on price alone: Insurer

By LINDA J. COLLINS

HONOLULU—The insurance industry has placed too much emphasis on price and not enough on quality, says an insurance company executive.

"When we try too hard to sell on the basis of price alone, we create the impression with the buying public that what they are dealing with is a commodity, and commodities have cyclical prices," said John P. Mascotte, chairman and chief executive officer of Continental Insurance Cos. in New York.

That public perception, combined with cash-flow underwriting in the early 1980s and the rising costs of defending and settling long-tail liability claims. all contributed to the current problems plaguing the property/casualty industry, Mr. Mascotte said.

While the insurance industry is quick to lay the blame on the court system and trial lawyers and consumer advocates publicly condemn the actions of insurers, no one party is responsible for current capacity problems and high premiums, he told agents attending the National Assn. of Professional Insurance Agents' annual convention in Honolulu last month.

"Insurers held prices too low for too long. That inevitably burned up our capital and we've now tried to compress the solution into a very short time period," he said.

"The insurance industry spent too much time pointing its finger at the trial bar and consumer advocates instead of admitting that the industry itself was at least partially responsible for the creation of the liability insurance problems that we have today," Mr. Mascotte commented.

"Insurance companies got caught up in the notion that market share was more important than the financial strength of the institution," he said.

Mr. Mascotte explained that when a commodity business tries to gain market share, it does so at the peril of its profits. Because insurers were competing on the basis of price, they created such a scenario for themselves.

And agents contributed to the problem, he said.

"When agents go for a new piece of business solely on the basis that you can deliver cheaper, you are also contributing to the impression that this is a commodity business," Mr. Mascotte said.

To combat the current market situation, Mr. Mascotte said that the industry has to:

- Ask the American public how expensive a tort system it wants and fully explain what the current system costs.
- "Press state legislators to make sure the system the American public wants" is priced in a free market and not a regulated market. While a free market will continue to experience market cycles, it ultimately will cost consumers less than a regulated marketplace, he said.
- Explain to the public that even at current prices, liability insurance is still cheap and that market cycles will benefit consumers at times and cost them at other times.

The industry should tell consumers that "if we raise the ante of the tort system, the cycle is going to have a double kick," and "if we try to artificially suppress prices and let the government set rates, profits will dry up and the industry will no longer be able to provide the coverage," Mr. Mascotte stressed.

The public must accept insurance cycles as a way of life, he added. He warned agents that "the first client who leaves in the soft cycle will be the one you didn't explain the situation to in the hard market."

On a more positive note, Mr. Mascotte said that he is "seeing signs of new capacity and clearly seeing signs of a flattening out in the property side. We will see more in the liability area, particularly on short-tail lines."

But, Mr. Mascotte added, agents must justify the cycles and the hard market prices "in order to prepare your clients for the next time that you have some good news to deliver." ■

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Silver State to play host to 25th RIMS conference

NEW YORK—Las Vegas and its concomitant risks will be the setting for the 25th Annual Risk and Employee Benefits Conference sponsored by the Risk & Insurance Management Society.

The 1987 RIMS conference, "A Silver Date in the Silver State," will be held March 29-April 3.

As usual, the conference boasts a weeklong schedule filled with seminars, industry sessions, track programs, special interest groups and other events.

The conference's general session, to be held Wednesday, April 1, will examine "The Insurance Cycle: Is It Inevitable?" Among the panelists confirmed at this time are John J. Carey, president and chief executive officers of Allendale Mutual Insurance Co. in Johnston, R.I.; Robert Clements, president of Marsh & McLennan Cos. Inc. in New York; Stephen R. Merrett, chairman of Merrett Holdings P.L.C. in London; and John Washburn, director of the Illinois Insurance Department.

Norman B. Chanzis, director of risk management for American Standard Inc. in New York, will moderate the general session.

Another conference highlight will be a special half-day seminar on Monday, March 30, devoted to "Mandated Benefits: A Look into the Future." Already confirmed speakers for this session include: Phyllis C. Borzi, a pension counsel for the U.S. House of Representatives; Delaware Insurance Commissioner David Levinson; and Mark J. Ugoretz, executive director of the ERISA Industry Committee in Washington.

The benefits seminar will be moderated by Galt Grant, director of risk management for the Polaroid Corp. in Cambridge, Mass.

Two track programs—coordinated series of workshops and seminars that focus on specific risk management topics—also will be presented at the 1987 RIMS conference. They are:

- "Risk Management Basics."

"The risk manager of today must be creative in protecting against old risks and detecting new risks," explains Florence J. Larcamp, assistant vp-insurance at United Jersey Banks in Princeton, N.J., and coordinator of this track program.

"Preparing applications, comparing policies, negotiating, self-funding. . .all require basic skills which have generated dust in the previous soft market. The Risk Management Basics track is designed to accommodate those professionals who find their responsibilities broadening into all facets of risk management—insurance, employee benefits and finance," Ms. Larcamp said.

The sessions included in this track program will focus on: casualty insurance basics; employee benefits; loss control and security programs; property insurance basics; marketing strategies; and captive insurance companies.

- "Alternatives to the Traditional Insurance Market."

"Corporate America is undergoing a permanent revolutionary change in the way insurance is purchased. Risk management techniques are evolving at Warp 10," said Denis Julien, corporate risk manager at Florida Progress Corp. in St. Petersburg, Fla., and coordinator of this track program.

"Anathema to risk managers is the uncertainty about the economic climate and marketing climate. Our track program is designed to give an accurate update of where the new insurance facilities are, what the repercussions will be and where these changes will probably lead us," Mr. Julien said.

In addition to the track programs, several special interest groups will be offered at the conference. The SIGs, which were introduced at the 1986 RIMS conference in Toronto, are full-day or half-day, small group workshops focusing on a particular topic. The groups are limited to 30 participants and use a roundtable format with little—if any—formal presentations.

Among the SIGs scheduled for the Las Vegas conference include workshops on advanced captives; association captives; corporate aircraft exposures; employee benefits administration; international risk management; marine exposures; new risk managers; minority risk managers; risk manager/broker liaison; risk management at small and medium-sized companies; and women in risk management.

More than 40 industry session will be held, featuring discussions of problems facing risk managers in various industries.

Also, individual seminars—either panel discussions or workshops—will be presented on several levels of sophistication in the following areas:

- Employee benefits. Sessions will focus on the Consolidated Omnibus Budget Reconciliation Act of 1986; managing physician charges; short-term disability programs; catastrophic medical costs; and flexible benefits plans.
- General risk management. Seminars will examine errors and omissions; broker selection and evaluation; and balancing insurance needs against availability.
- Risk management information systems. Sessions will focus on electronic spreadsheets; RMIS design and utilization; and information systems and benefits.
- International risk management. Sessions will deal with international mergers and acquisitions; product liability exposures for multinationals; and global property/casualty insurance programs.
- General insurance. Seminars will discuss directors and officers liability insurance; claims-made policies; umbrella policies; insurer and reinsurer solvency; business interruption.
- Risk financing. Sessions will deal with loss reserve techniques for risk managers; financing environmental impairment liability risks; financing risk in a hard market; and making financial presentations.
- Loss control/safety. Seminars will examine vehicle accidents; managing carcinogenic risks in the work environment; and how to diffuse disasters through public relations.
- Law/legislation. Seminars will deal with contracts; unsafe premises; and risk management issues in labor and employment.
- Workers compensation. Sessions will discuss industrial back injuries; occupational injuries; disability prevention; and workers compensation cost control.
- Claims management. Sessions will focus on alternative dispute resolution; controlling defense costs; controlling costs through claims management; and dealing with adjusters.
- Exposures. Seminars will deal with managing professional liability claims; identifying risks inherent in employee benefit administration; and mergers and acquisitions.
- Personal and professional development. Sessions will focus on negotiating skills; managing organizational change; persuasive speaking skills; coping with the lack of coverage; risk retention groups and other pooling arrangements; and alternative markets for large liability exposures.

In addition, some 250 exhibitors will display and promote their products and services in the conference's exhibit area throughout the duration of the conference.

And, the conference will be kicked off on Sunday evening, March 29, with a gala anniversary party, "Where Were You in '62," to celebrate 25 years of RIMS conferences.

The headquarters for the 1987 RIMS conference will be the Las Vegas Hilton. Conference sessions will be held jointly in the Hilton, at the Riviera Hotel and at the nearby Las Vegas Convention Center.

Discounted registration fees are available prior to Jan. 30. The registration fee for those from RIMS member companies for the full week is $545. For a partial week—Monday through noon Wednesday or Wednesday through Friday—the registration fee for RIMS members is $425.

The registration fee for non-members is $595 for the full week and $475 for a partial week.

Registration fees increase by $100 after Jan. 30.

One-day registration also is available for both members and non-members for $195. There is no discount for one-day registration made before Jan. 30.

For more information on the conference or to register, contact RIMS Conference Department, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292. ■

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Most multinationals track benefit plan data: Survey

NEW YORK—The majority of representatives of multinational companies responding to a recent survey said their company keeps a central register of benefit plan costs and provisions for its operations around the world.

But, most also said that their company has never conducted a centralized actuarial review of its foreign benefit plans.

These were among the answers to a survey on international benefits given by benefit managers from 43 multinational companies who attended a recent conference on "Managing Employee Benefits in a Changing World," hosted by William M. Mercer-Meidinger Inc. in New York.

According to the survey, 55% of the respondents said their company keeps a central register of its worldwide benefit plans. Some 43% said their company has no such central register and 2% said they didn't know.

But, 63% said their company had never conducted a centralized actuarial review of its major foreign benefit plans. Thirty-two percent said they had conducted such an actuarial review and 5% said they did not know.

A clear majority—81% of the respondents—said all benefit changes need the approval of headquarters.

Nineteen percent said headquarters' approval is not needed for all benefit changes.

Some 86% of the respondents said their company had a policy on expatriate and third-country national compensation and benefits; 14% said they had no such company policy.

The multinational companies' representatives were not certain about the details of many of their international benefit plans. For example, although 58% said their company had material foreign pension plan obligations that would have to be reported under Financial Accounting Standards Board No. 87, but a full 30% said they did not know whether their company had such obligations.

Some 54% said they did not know whether their company will report foreign pension plan expenses for material foreign plans in 1987, and 56% said they did not know whether their company would report these expenses for 1988.

About one-third—33%—said their company would report these expenses for 1987, and 39% said they will report them for 1987.

And, 52% said they did not know whether their company would use Section 404(a) of the Internal Revenue Code for any of its foreign benefit plans.

Forty-one percent said their company would use Section 404(a), which regulates how foreign companies can treat their foreign deferred compensation plans for U.S. tax purposes.

The respondents also were not sure what effect the recently enacted Tax Reform Act of 1986 would have on their multinational benefit plans. Some 45% said they did not know whether the act would affect their company's long-term commitment to foreign operations.

Some 48% said it would not change their company's commitment to foreign operations, and 7% said it would have an effect.

Some 71% of the respondents said their company participates in at least one multinational benefit pool.

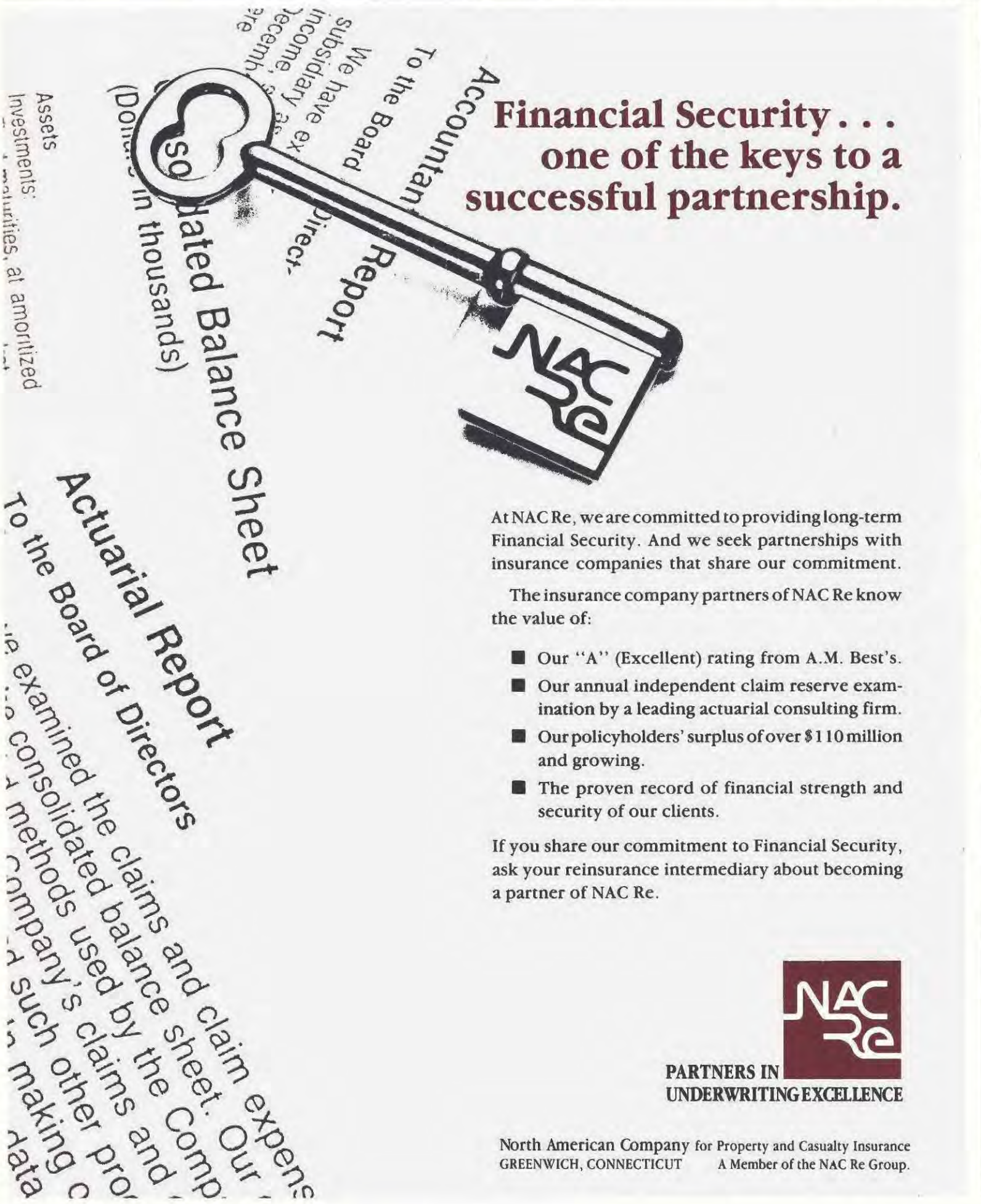
Twenty-nine of the respondents listed specific insurance networks used by their company. The most-frequently cited was John Hancock Mutual Life Insurance Co.'s International Group Program, named by 17 respondents.

Aetna/Generali International Benefit Network was named by 12 respondents, and Swiss Life Network was named by 11.

Other networks mentioned were American International Group Inc., named by nine respondents; Insurope, named by five respondents; and AIA, Gerling-Konzern, The Hartford Insurance Group, Provident Life & Accident Insurance Co., Prudential Insurance Co. of America, Travelers Corp. and Winterthur Swiss Insurance Co., each named by one respondent.

Finally, the respondents were asked to name what, in their opinion, are the most-important issues that will concern multinational companies during the next five years. The four issues most-often cited by the respondents were:

- Rising costs of international employee benefit and compensation programs.
- Compliance with global legislative, tax and accounting requirements.
- Design and funding of total compensation programs that attract the most-capable employees and allow the company to remain competitive in the current worldwide marketplace.
- Changing demographics in the global workforce. ■



info

• Two new publications are now available from Cornell University's New York State School of Industrial and Labor Relations. **"Strategies for Employee Assistance Programs: The Crucial Balance"** is the title of an 88-page paperback book that addresses questions often raised by employers and union leaders about job-based programs for helping alcoholic and other troubled employees. The book also discusses the importance of balance in program strategies and corporate union responsibilities and considers the role EAPs might play in arbitration and workers compensation cases. The cost of the book is $7. **"Inside an Emotional Health Program: A Field Study of Workplace Assistance for Troubled Employees"** is the title of another book from NYSSILR. The 196-page book is a study of workplace counseling that examines the internal workings of an employee assistance program and documents the progress of individual clients. Central to the analysis is an examination of the way such programs function as a form of social control. The book costs $10.95. To order either book or request a free catalog of labor-related publications, contact ILR Press, NYSSILR, Cornell University, Ithaca, N.Y. 14851-0952. There is a $2 charge on all orders not accompanied by full payment.

• A detailed examination of the federal **"right to know" law** has been published in the latest issue of Betterley Risk Management Commentary by D.A. Betterley Risk Consultants Inc. A review of the purpose behind the law, what the law says, hazard determination, requirements of a written hazard communication program and specific compliance requirements are discussed. In addition, practical suggestions are offered on material safety data sheets, employee training and the implication to risk managers. Other sections include an example of risk management applications and a state legislation status table. To order a copy, send $25 to D.A. Betterley Risk Consultants Inc., Department RTN, 446 Main St., Worcester Plaza, Worcester, Mass. 01608; 617-754-1704.

• The 1986-1987 edition of "Insurance Facts," the Insurance Information Institute's **statistical yearbook about the property/casualty insurance industry**, is now available. The new fact book features a detailed look at personal injury lawsuits and tort reform legislation. A two-page chart shows which states have adopted caps on recovery, frivolous lawsuits penalties and other steps toward tort reform. New to the fact book is a state-by-state progress report on seat belt laws. Other sections in the book discuss the industry's financial results; statistics on different lines of business; shared markets; and government insurance programs. Fully indexed, the book is available for $8 per copy, plus $1 for postage and handling. Contact the Insurance Information Institute, Publications Service Center, 110 William St., New York, N.Y. 10038.

• Audio cassettes of 29 **presentations made at the International Foundation of Employee Benefit Plans' 19th Annual Canadian Conference**, held Nov. 1-5, are now available. The conference featured Canadian pension and health and welfare experts discussing topics pertinent to those responsible for administering or advising Canadian employee benefit plans. Cassette presentations include: disability benefits, federal legislation, new trends in benefits, pre-retirement counseling, health care cost management and more. Cassettes cost $9.50 each for IFEBP members and $12.50 for non-members. One free storage case will be sent with each purchase of six cassettes. Requests for order forms may be obtained by writing or calling the Audiovisual Department, International Foundation of Employee Benefit Plan, 18700 Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

• Aspen Publications has just released a 90-page book entitled **"Employee Benefits: Cost Containment."** A wide variety of cost-containment approaches are included in the volume from a range of experts—all senior consultants with William M. Mercer-Meidinger Inc. The book examines such subjects as effective management of pension fund assets, pension plan terminations, retiree medical benefits, financial management of death and disability benefits and flexible compensation. Copies of the book are available at $20.75 each from Aspen Publications Inc. 16792 Oakmont Ave., Gaithersburg, Md. 20877.

• Custom-tailored **plan documents and summary plan descriptions for self-funded healthcare plans** are offered by Hunter & Associates, a writing and consulting firm. Samples of the plan documents and summary plan descriptions are available for $4.10. To order, write David H. Gluck, president, Hunter & Associates, 9842 Hibbert St., Suite 152, San Diego, Calif. 92131; 619-578-7461.

• The most frequent **consumer questions about health maintenance organizations** are answered in a new consumer guide issued by Florida Insurance Commissioner Bill Gunter. The guide was created to inform consumers about the increasingly popular health care alternative. The guide explains the differences between HMOs and traditional health insurance, how Medicare recipients can enroll in an HMO and compares the advantages and disadvantages of HMO membership. For a free copy of the guide call the Florida Insurance Consumer Hotline toll-free at 800-342-2762 or the state Insurance Consumer Service office at 904-488-6085.

• A new fact book published by the Inland Marine Underwriters Assn., **"Inland Marine Insurance: An Overview of Trends and Developments,"** examines premium growth, underwriting and loss trends in this line of insurance. The book also reviews important legal trends that inland marine insurers are closely monitoring, such as court rulings that continue to broaden the limits and scope of coverage contained in their policies. Premium volume, definitions of coverage, loss statistics and major causes of loss for the primary commercial and personal inland marine classes also are reviewed in the publication. Single copies of the book are available free by contacting the Inland Marine Underwriters Assn., 14 Wall St., New York, N.Y. 10005; 212-233-7958.

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datebook

DEC. 3. The Amended Risk Retention Act Briefing in San Francisco, sponsored by Tillinghast/TPF&C; free. **Also Dec. 4** in Minneapolis, and **Dec. 5** in Washington, D.C. Eileen Callahan, Conference Director, Tillinghast/TPF&C, 722 Post Road, Darien, Conn. 06820; 203-655-9791.

DEC. 3-4. Basics of Captives and Association Captives: Answer to the Insurance Crisis? seminar in Miami, sponsored by Tillinghast/TPF&C; $50 for Basics of Captives (Dec. 3); $250 for Association Captives (Dec. 4). Conference Director, Tillinghast/TPF&C, 722 Post Road, Darien, Conn. 06820; 203-655-9791.

DEC. 3-4. Computerized Plan Administration institute in Hollywood, Fla., sponsored by the International Foundation of Employee Benefit Plans; $450 for IFEBP members; $525 for non-members. International Foundation of Employee Benefit Plans, Registration Department, 18700 Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

DEC. 3-4. Understanding Risk Pooling conference in College Park, Ga., sponsored by the Risk Management Section of the Society of Chartered Property Casualty Underwriters; $200 for CPCU members; $250 for non-members. Mari Jennings, Society of CPCU, Kahler Hall, 720 Providence Road, CB#9, Malvern, Pa. 19355; 215-251-2741.

DEC. 3-5. Risk Management in Managed Health Care Systems conference in Washington, D.C., sponsored by the Group Health Foundation, an educational affiliate of the Group Health Assn. of America Inc., $345 for GHAA members, $420 for non-members. Group Health Foundation, Risk Management in Managed Health Care Systems, 1129 20th St. N.W., Washington, D.C. 20036.

DEC. 4-5. Sixth Annual Occupational Health Nursing Principles and Certification Review course in San Rafael, Calif., sponsored by the Occupational Health Consulting division of Fireman's Fund Risk Management Services Inc.; $275. Also **Jan.9-10** in Newark, N.J.; **Feb. 19-20** in Schaumburg, Ill.; **March 5-6** in Dallas; **March 19-20** in Philadelphia; **April 2-3** in Torrance, Calif. Annette B. Haag, Occupational Health Consulting, Fireman's Fund Risk Management Services Inc., P.O. Box 3890, San Rafael, Calif. 94911; 415-492-6646.

DEC. 4-5. Damages, New Settlement Techniques and Tax Consequences conference in San Francisco, sponsored by the American Bar Assn. Division for Professional Education, Section of Litigation; $375 for ABA members; $350 for ABA Litigation Section members; $250 for members of the government; $400 for non-members. American Bar Assn., Division for Professional Education, Department 441/442, 750 N. Lake Shore Drive, Chicago, Ill. 60611; 312-988-6200.

DEC. 4-5. Alternative Care Risk Management: New Delivery Systems, Liabilities and Responses seminar in Los Angeles, sponsored by the American Society for Healthcare Risk Management of the American Hospital Assn.; $230 for ASHRM members; $290 for non-members (eligible non-members may contribute $60 of fees toward ASHRM membership dues). David Meyers, American Society for Healthcare Risk Management, American Hospital Assn., Chicago, Ill. 60611; 312-280-6425.

DEC. 5. The Anatomy of a Soft Tissue Case: The Medical, Legal and Insurance Considerations seminar in Philadelphia, co-sponsored by the Temple University School of Law, Pennsylvania Defense Institute and the Insurance Society of Philadelphia; $150. Office of Continuing Legal Education, Temple University School of Law, 1719 N. Broad St., Philadelphia, Pa. 19122.

DEC. 8-9. Legal Issues in Home Health Care seminar in Washington, D.C., sponsored by the National Health Lawyers Assn.; $350 for NHLA members; $400 to non-members; $460 for attorneys and health professionals who wish to join NHLA. National Health Lawyers Assn., 522 21st St. N.W., Suite 120, Washington, D.C. 20006; 202-833-1100.

DEC. 8-9. The Impact of Environmental Regulations on Business Transactions: Real Property Transfers and Mergers and Acquisitions seminar in New York, sponsored by the Practising Law Institute; $390; $40 for course handbook only. **Also Jan. 26-27** in San Francisco. Practising Law Institute, Department 105-6D, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, ext. 286.

DEC. 8-12. Health Care Cost Containment Workshops in Chicago, sponsored by Health Research Institute; $495 for advanced health care cost containment sessions; $250 for health improvement/wellness sessions. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

DEC 9. Coping With COBRA workshop in Chicago, Chicago, sponsored by the Illinois State Chamber of Commerce; $45 for ISCC members; $70 for non-members. **Also Dec. 11** in Springfield. Carol Jensen, Illinois State Chamber of Commerce, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

DEC. 9. Forum on the 1986 Tax Reform Act in New York, sponsored by the International Foundation of Employee Benefit Plans; $150 for IFEBP members; $175 non-members. **Also Dec. 10** in Chicago, **Dec. 11** in San Francisco. International Foundation of Employee Benefit Plans, Registration department, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

DEC. 9. Benefits in Oceania (Orwell's Canada, United Kingdom and United States) conference in Cleveland, sponsored by Kwasha Lipton; $25. **Also Dec. 10** in Toronto and **Dec. 11** in New York. Barbara Hubert, Kwasha Lipton Seminars, P.O. Box 1400, Fort Lee, N.J. 07024.

DEC. 9. Claims-made Trial and Seminar in New York, sponsored by the Insurance Brokers' Assn. of the State of New York Inc.; $50 for IBA/NY members; $90 for non-members. Insurance Brokers' Assn. of the State of New York Inc., 217 Broadway, Suite 375, New York, N.Y. 10007; 212-962-7771.

DEC. 10. Personal Liability Risk Management workshop in Georgetown, Del., sponsored by the Insurance Society of Philadelphia; $105 for members; $120 for non-members. **Also Dec. 10** in Philadelphia. Insurance Society of Philadelphia, 737 Public Ledger Building, Philadelphia, Pa. 19106; 215-627-5306.

DEC. 10. Assessing Dramshop/Liquor Liability Risk seminar in Waltham, Mass., sponsored by the Responsible Hospitality Institute; $85. Responsible Hospitality Institute, 11 Pearl St., Suite 226, Springfield, Mass. 01105; 413-732-7780.

DEC. 10-12. Captive Insurance Companies course in London, sponsored by the Risk & Insurance Research Group Ltd.; £454.25 (approx. $650). Risk & Insurance Research Group Ltd., 4 Henrietta St., Covent Garden, London WC2E 8PS; 01-836-0614.

DEC. 11. Questions on the New CGL and CP Policies? Ask the Claims Department! workshop in Des Moines, Iowa, sponsored by the Society of Chartered Property & Casualty Underwriters; $110 for CPCU members; $140 for non-members. **Also Jan. 15** in Indianapolis. Mari Jennings, Society of CPCU, Kahler Hall, 720 Providence Road, CB#9, Malvern, Pa. 19355; 215-251-2741.

DEC. 11. Employee Benefits workshop in Dallas, sponsored by the Public Risk & Insurance Management Assn.; $110 for PRIMA members; $180 for non-members. Public Risk & Insurance Management Assn., 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

DEC. 11-12. Insurance and Reinsurance Company Disputes: Arbitration vs. Litigation seminar in New York, sponsored by Executive Enterprises Inc.; $795; $695 for additional registrants from the same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 in New York.

DEC. 12. Self-Insurance and Other Risk Financing Techniques workshop in Dallas, sponsored by the Public Risk & Insurance Management Assn.; $110 for PRIMA members; $180 for non-members. Public Risk & Insurance Management Assn., 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

DEC. 15-16. Market Hard-To-Place Accounts workshop in Chicago, sponsored by Crittenden Research Inc.; $395. Crittenden Research Inc., P.O. Box 1150, Novato, Calif. 94948; 415-382-2440.

DEC. 17. Philly I-Day: Professionalism in a Dynamic Marketplace conference in Philadelphia, co-sponsored by the Independent Insurance Agents of Philadelphia and Suburbs, The Insurance Society of Philadelphia, The Philadelphia Chapter of the Society of Chartered Property & Casualty Underwriters, and the Risk & Insurance Management Society's Delaware Valley Chapter; $40. Philly I-Day, 737 Pubic Ledger Building, Philadelphia, Pa. 19106.

DEC. 19. Managing and Controlling Asbestos Contamination/Exposure course in Los Angeles, sponsored by the Institute of Safety and Systems Management at the University of Southern California; cost is $150. University of Southern California, Institute of Safety and Systems Management, Office of Extensions and In-service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

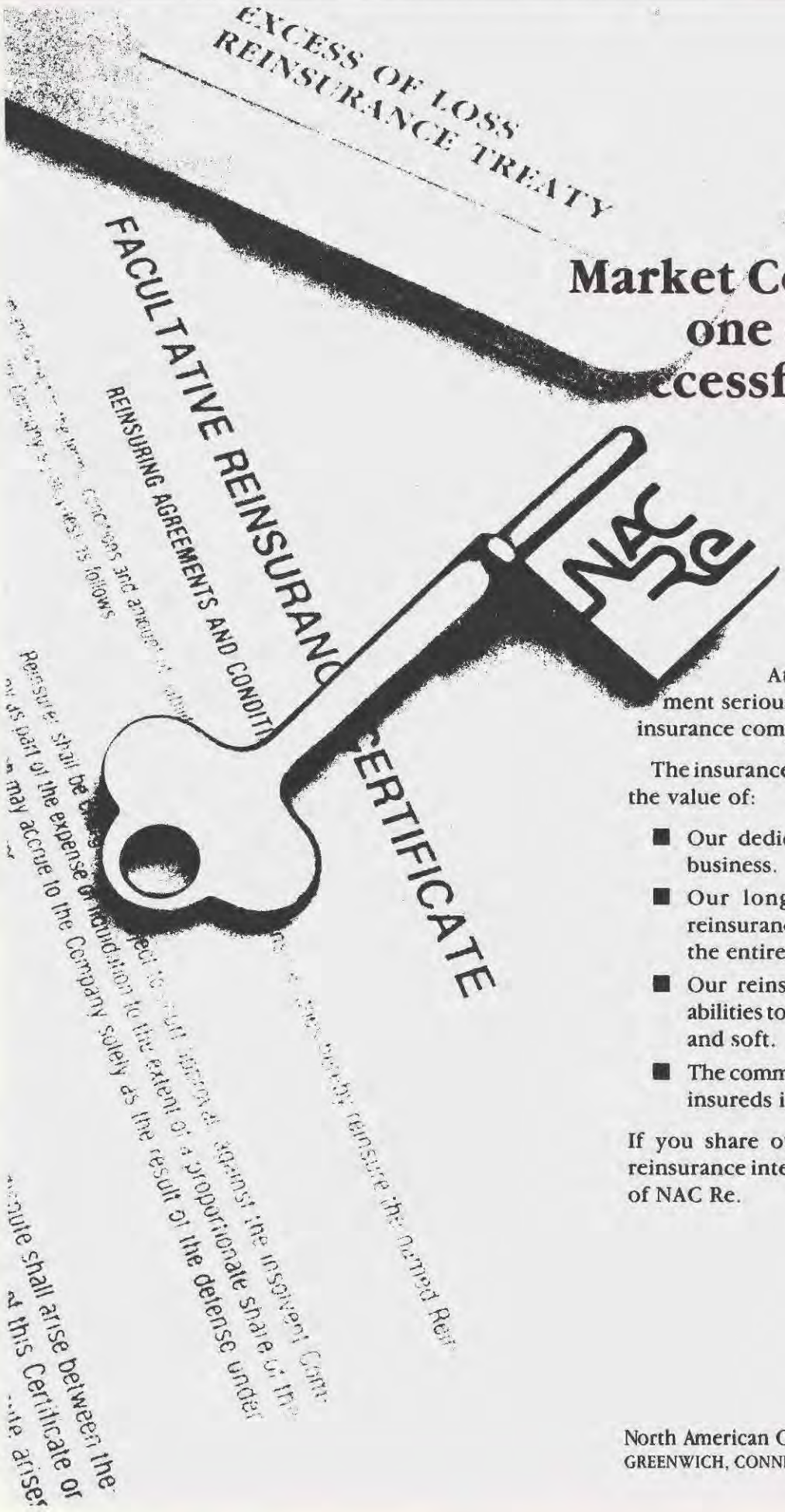
JAN. 6-7. Insurance Crisis Conference—Preparing For the Future in San Francisco, sponsored by Laventhol & Horwath; $575. **Also Feb. 2-3** in New York. Laventhol & Horwath, National Real Estate Department, 919 Third Ave. New York, N.Y. 10022.

JAN. 11-13. Tenth Annual HMO Policy Conference in Washington, D.C., sponsored by the Group Health Foundation, an educational affiliate of the Group Health Association of America Inc.; cost before Dec. 11: $295 for members, $350 for non-members; after Dec. 11: $345 for members, $400 for non-members. Group Health Foundation, Tenth Annual HMO Policy Conference, 1129 20th St. N.W., Washington, D.C. 20036.

JAN. 12-13. Medical Malpractice: The Birth Injured Infant defense practice seminar in Orlando, Fla., sponsored by the Defense Research Institute/Defense Research & Trial Lawyers Assn.; $370 for DRI members; $395 for non-members. Coursebook only: $35 for DRI members; $40 for non-members. Defense Research Institute, Medical Malpractice Seminar, 750 N. Lake Shore Drive, Suite 5000, Chicago, Ill. 60611; 312-944-0575.

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Yorktown cover

Continued from page 3

Yorktown covers both leased cabs, which are operated by more than three drivers, and owner-driven taxis. Leased cabs generally are considered to pose greater risks than owner-driven cabs.

Yorktown has applied with the New York department to raise rates for policies with limits of $100,000 for bodily injury to one person, $300,000 for injury to more than one person and $50,000 in property damage, which it currently writes, as well as rates for policies with limits of $10,000, $20,000 and $5,000, respectively. The lower limits are equal to the minimum coverage limits required of cab owners under New York regulations.

For leased cabs with a number of drivers, annual premiums for the higher limits, if approved, would rise to $9,000 from $5,000; rates for owner-driven vehicles would rise to $7,000 from $5,000, according to a Yorktown official.

The exact number of policies Yorktown will not renew will depend on what rates and limits are approved for Yorktown, the official said.

Yorktown currently is negotiating to obtain more capital through the addition of new partners, the Yorktown official said.

Yorktown also is working with regulators to identify the actual stockholders of the company, the Yorktown official and the Illinois department's Mr. Smith said.

Of the 11 stockholders now listed by Yorktown, "it's pretty clear some have said they're not (shareholders) and don't want to be" and were never issued stock, Mr. Smith said.

The company is managed by William Langsman, Yorktown's president, and Eugene Haber, the insurer's secretary, he said.

The insurer was purchased last year by S.I.R. Management Corp. of New York from American Commercial Liability Insurance Co. of Grand Rapids, Mich. Yorktown, which began writing cab coverage in January, reported no gross or net premiums in 1985.

Meanwhile, insurance rates for all New York taxis are expected to rise an average of 25% to 30% next year, the New York department spokesman said.

Several insurers writing taxi coverage—including Eagle Insurance Co. and American Transit Insurance Co.—have filed for rate increases, the spokesman added, although no decision has been made yet on whether the rate hikes will be approved.

The department is continuing efforts to have other insurers issuing cab coverage in New York assume any coverage dropped by Yorktown, the spokesman added, although two New York cab insurers, Eagle and Empire Mutual Insurance Co., have said they were not interested in doing so.

If cab owners who are not renewed are forced into an assigned-risk pool, their annual premiums would be at least $10,000, according to Jack Brennan, general counsel for the New York City Taxi & Limousine Commission.

The New York department also is working to see if a more affordable assigned-risk pool can be developed, the department spokesman said. ■

Texas appeal

Continued from page 3

firm of Spivey, Grigg, Kelly & Knisely, which is representing the woman in the appeal.

However, Mr. Jenkins was issued a license by the Fort Worth Police Department, defendant's attorney Royal Brin Jr. of Strasburger & Price in Dallas said. The department, he said, is responsible for conducting background checks on prospective cab drivers.

The cab company "did not know of the driver's criminal record," said Mr. Brin, adding that the company "relied on a procedure set out by a Fort Worth city ordinance" that makes the city responsible for issuing taxi drivers' licenses and checking applicants' backgrounds.

Mr. Brin also noted that Mr. Jenkins' previous arrests would not have been grounds for denying employment.

The jury awarded $2 million in actual damages to the woman, $750,000 to the oldest daughter and $450,000 to the youngest. Each of the three was awarded $500,000 in punitive damages.

The lawsuit alleged that the rape had caused the woman's husband to abandon the family. But in ordering the new trial, the court of appeals said there was insufficient evidence to support the testimony of a psychologist concerning the effect of the crime on the family. ■

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Lawrence Group prepares $7.8 million stock offering

The Lawrence Group Inc. is taking its underwriting business public with an initial stock offering of 600,000 shares to raise about $7.8 million, the Schenectady, N.Y.-based company announced.

The offering, slated for mid-December, is being managed by First Albany Corp. at a price of between $11 and $13 per share.

The stock offering is being used to raise capital for The Lawrence Insurance Group Inc., which was formed this year by the Lawrence Group Inc. Agency subsidiaries of the Lawrence Group Inc. are not part of the public offering.

Lawrence A. Shore has been appointed chief executive officer and director of the new company. He will retain his position as president of United Community Insurance Co., a Lawrence subsidiary.

Albert W. Lawrence, chairman of both the parent company and the underwriting subsidiary, hopes that employees and customers are the first to purchase the stock, followed by business people, because "they have made the company what it is today," a company spokeswoman said.

The Lawrence Group, which currently employs more than 500 people, has grown "a minimum of 25% per year for each of the last 30 years," the spokeswoman noted.

New York-based Lawrence Insurance Group, which writes commercial property and casualty insurance, is made up of United Community Insurance Co., which writes personal and commercial lines of property and casualty insurance; Senate Insurance Co. Inc., which writes accident and health insurance; and Senate Syndicate Inc., a syndicate on the New York Insurance Exchange that writes property reinsurance.

The underwriting subsidiaries are licensed to write property/casualty insurance in 25 states and have applications pending in nine other states.

Proceeds from the initial stock offering will be used to support underwriting in states where the company has recently received licenses, including Oklahoma, Rhode Island, Texas and California, the spokeswoman said.

Lawrence Insurance Group's operating income for the first nine months of 1986 totaled $7.5 million, up 581% from the $1.1 million produced by the three underwriting subsidiaries during the comparable 1985 period. Net income for the first three quarters of 1986 totaled $4.3 million, a gain from $962,000 for the same period in 1985.

The company reported net premiums earned of $40.9 million for the first nine months of 1986, a 116% increase from $18.9 million during the same period in 1985.

Its combined ratio for the first nine months of 1986 was 87.3%, an improvement from 101% for the comparable 1985 period.

Investment income totaled $2.3 million for the first nine months of 1986, a 64% increase from $1.4 million for the same period last year.

financial briefs

NYIE

Despite a decline in premium volume, the New York Insurance Exchange posted improved operating results in the first nine months of 1986.

Gross written premiums for all exchange syndicates amounted to $201.9 million for the first nine months of 1986, down 15% from the comparable period in 1985.

The exchange's underwriting loss, however, narrowed to $42.8 million for the first nine months of this year from $78.3 million for the year-earlier period. Investment income jumped 24% to $40.2 million for the first three quarters of this year from $32.3 million during the year-earlier period.

The exchange posted aggregate net income of $4.3 million as of Sept. 30, compared with a net loss of $35.9 million for the first nine months of 1985.

Results of the exchange's 38 active syndicates were better. The active syndicates wrote gross premiums of $172.6 million in the first nine months, up 32% from $130.4 million during the same period last year.

The combined ratio for the active syndicates was 119.2% at Sept. 30 compared with 137.6% at year-end 1985.

Policyholders surplus for the exchange as a whole amounted to $191.4 million at Sept. 30, up 7.5% from $178.1 million at the end of 1985's third quarter. Surplus of the active syndicates stood at $150.7 million as of Sept. 30, up 16.8% from $129 million at the end of the same period last year.

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Pennsylvania OKs limits on directors' liability

HARRISBURG, Pa.—Pennsylvania legislation awaiting Gov. Dick Thornburgh's signature will limit corporate directors' legal liability if corporations amend their bylaws to reflect the law.

Gov. Thornburgh is expected to sign the bill, which was approved by the Legislature late last month.

House Bill 2072 will amend state statutes to shield directors of corporations, including banking and not-for-profit institutions, from personal liability for any action or failure to act on behalf of the corporation unless such a failure was "willful misconduct or recklessness," explained David Atkinson, director of communications for the state Senate.

"It insulates directors from purely negligent conduct," said Rep. Michael E. Bortner, D-York County, who sponsored the original version of H.B. 2072.

However, before the law can apply to an individual director, each corporation must amend its bylaws to reflect the wording of the law, Mr. Atkinson said.

The legislators, especially in the state House, were concerned about balancing the shareholders' rights as well, Mr. Atkinson said. Consequently, the state's House added the provision requiring each corporation's bylaws to reflect the new law for it to be effective and eliminated a Senate-sponsored provision that would have extended the protection of the new law to corporate officers as well as to directors.

"It was felt that it was appropriate to have a different standard apply to officers, than to directors who aren't involved with the day-to-day operations of the company," Mr. Bortner explained.

Depending upon when the Legislature adjourns, Gov. Thornburgh has between 10 and 30 days to decide whether to sign the measure. Observers note that legislators in both houses overwhelmingly supported it.

The bill was introduced to protect directors from being sued—especially by shareholders—for poor business judgment, Mr. Bortner said. It also is hoped the bill will make more persons willing to serve on corporate boards, Mr. Atkinson said.

If signed, the bill becomes law 60 days later. It will not apply retroactively.

Florida comp hike

TALLAHASSEE, Fla.—Florida workers compensation insurers will not challenge a 3% cap placed on workers compensation rate increases, a spokesman for the National Council on Compensation Insurance says.

Insurers in Florida met late last month to decide whether to appeal the Nov. 19 decision by Commissioner Bill Gunter to approve only an average 3% increase in workers compensation rates next year, rather than a requested average increase of 20.2%.

"While we're very disappointed in the commissioner's decision, we decided not to appeal," said Jim Nau, director of government, consumer and industry affairs for the NCCI, which made the rate filing on behalf of its member insurers (*BI*, Nov. 10).

Factors considered were the expense and time required for an appeal and "the need for rate relief now," he explained.

The commissioner's decision was "extremely unfortunate," said Robert L. Hilton, NCCI senior vp, prior to last month's meeting of insurers.'

Insurers were "quite upset" by the slash in the rate filing, said Anthony J. Grippa, another NCCI senior vp.

In setting the limit on workers compensation rate increases, Commissioner Gunter said "the workers compensation industry did not provide adequate data to justify a 20.2% rate increase." A daylong hearing on the proposed 20.2% increase was held Nov. 14.

"When I saw the size of the industry's request, I expected to hear about deficiencies in the workers compensation law. Instead, I found deficiencies in the industry's rate-making formula," he added.

Losses accounted for about one-third of the requested average 20.2% rate increase, said the NCCI's Mr. Hilton. The rest of the increase represented miscellaneous costs, including a trend factor and a profit and contingency factor.

That trend factor, a projection of future trends that are expected to increase losses, was not substantiated by the insurance industry, according to Commissioner Gunter.

And, he said the filing proposed to increase allowances for production and general expenses, even though industry averages showed these expenses have decreased as a percent of premium.

The filing also did not take "full consideration" of the insurance industry's anticipated investment earnings, Mr. Gunter said.

around the states

New York JUA

NEW YORK—Problem insurance markets in New York, including coverage for winter recreational activities, will be the focus of a public hearing to determine whether to activate a joint underwriting association.

Other tight markets to be considered include coverages for small-business activities and liquor law liability, according to Superintendent of Insurance James P. Corcoran.

The hearing is slated for 10 a.m. today in the Insurance Department's hearing room at 160 W. Broadway, 22nd floor, in New York City.

"The department has under active development market assistance programs specially designed to address small-business insurance needs and also liquor law liability for restaurants, taverns and similar establishments in New York state," the superintendent said.

"I believe that, with the cooperation of responsible insurance carriers and producers, the MAP approach can be effective in these areas."

If not, it may be necessary to establish joint underwriting associations "to ensure availability of coverage," Mr. Corcoran said.

"Based upon current information, however, it appears that in connection with winter recreational activities, such as skiing and skating, the voluntary insurance market may be inadequate and a MAP approach not viable," Mr.

Continued on next page

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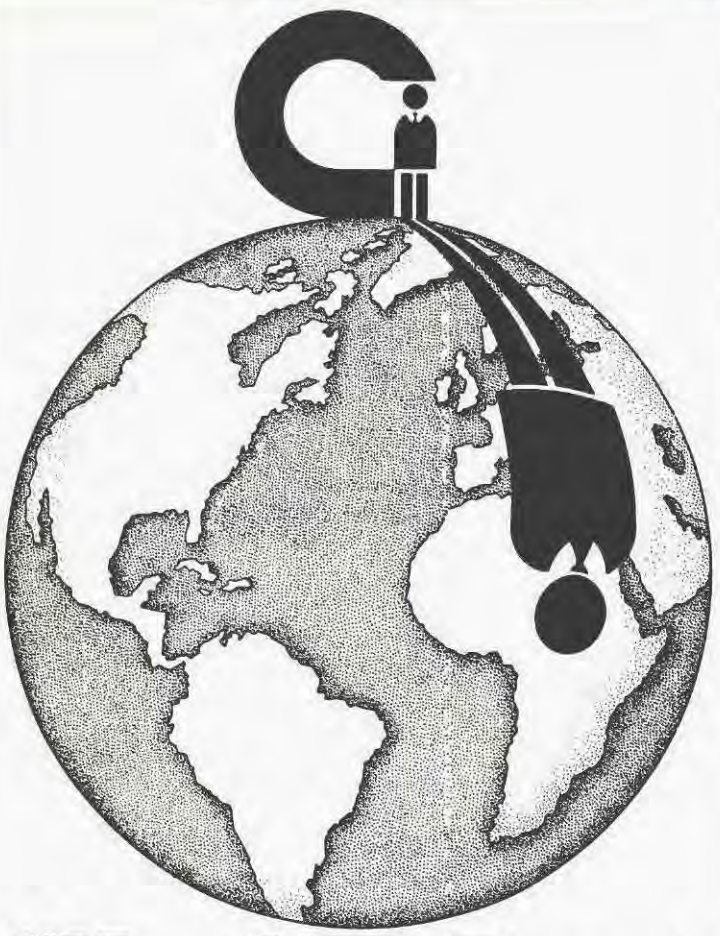
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around the states

Continued from previous page

Corcoran said.

"Winter will soon arrive, and these activities play an important part in New York's economy," he added.

Authority to create a JUA was given to the superintendent of insurance under recently enacted omnibus legislation.

Virginia regulator retires

RICHMOND, Va.—Virginia Insurance Commissioner James M. Thomson is retiring at year-end. His replacement has not yet been named.

Mr. Thomson, 62, has been the state's insurance commissioner since his December 1981 appointment. For several years immediately prior to that, he worked in his private law practice.

He also served in the Virginia General Assembly from 1956 to 1978.

Kansas market assistance plan

TOPEKA, Kan.—The 11-month-old Kansas Insurance Assistance Plan is continuing to receive inquiries and applications for hard-to-find insurance coverages.

Since the Jan. 1 implementation of the Kansas market assistance program, 342 "initial contact" applications have been received (*BI*, Jan. 13). Of those, 282 files are closed, 35 have been received and not acted on and 25 are under review, said Raymond E. Rathert, supervisor of the Insurance Department's fire and casualty division.

A "closed" case is one that the plan was able to refer to a market that could provide a valid quotation of coverage, Mr. Rathert explained, adding he did not know how many policies were written from those referrals.

But Mr. Rathert emphasized that those 342 applications are the "paper files," and he estimated that just as many inquiries have been handled by department examiners over the telephone, with no written files kept.

General and professional liability insurance continue to be the most frequently sought forms of insurance through the MAP, a department spokeswoman said.

Commercial businesses remain the most-common applicant. However, professionals and governmental entities—particularly lawyers, directors and officers, school boards, cities and counties—are encountering the greatest difficulties in locating markets, the spokeswoman said.

New Texas regulator

AUSTIN, Texas—The chief of staff for Gov. Mark White is the newest member of the Texas State Board of Insurance.

Gov. White, who lost his bid for re-election earlier this month, appointed James L. Nelson to the three-member Insurance Board on Oct. 31. Mr. Nelson's term expires Jan. 31, 1989.

Mr. Nelson, 40, replaces Catherine Brown Fryer, who resigned to pursue a private legal career. She was appointed to the board in April (*BI*, May 12).

Mr. Nelson says there are at least a dozen issues that will come before the board in the next year. Most notable, he says, are the issues of how investment credits are treated and the availability of accident and health insurance.

Mr. Nelson said his interest in insurance stemmed from his dealings with business and the financial sector.

Before being appointed Gov. White's chief of staff, Mr. Nelson served as the state's deputy executive assistant for programs. Prior to that, Mr. Nelson was the administrative assistant attorney general when Gov. White was attorney general.

Mr. Nelson also served as general counsel for the Texas secretary of state when when Gov. White held that post during the mid-1970s.

Mr. Nelson, a Houston native, has an undergraduate degree in government and history and a law degree from Baylor University in Waco, Texas. ■

Sullivan Payne

Continued from page 3

made while working for Sullivan, Mr. Taylor will be "far more effective" in competing for the business of Sullivan Payne accounts than would another broker, Mr. Jolly says.

Mr. Taylor's actions have been "extremely disruptive" to Sullivan Payne, since its employees are now in direct competition with their former president and chairman on certain accounts, according to Mr. Jolly.

Also, if solicited by Mr. Taylor, some accounts may choose to give their business to a third broker rather than choose between Taylor Re and Sullivan Payne, Mr. Jolly speculates.

Although Sullivan Payne heard in early September that Mr. Taylor planned to open his own agency in Seattle, it didn't learn that Taylor Re was soliciting and receiving business from its accounts until early October, explained Lewis Hale, Sullivan Payne senior vp and chief operating officer, in his affidavit. The lawsuit was filed after "fruitless" efforts to resolve its dispute with Mr. Taylor, Sullivan Payne says.

Mr. Taylor allegedly has hired several of Sullivan Payne's other employees, like Jeffrey L. Day, to work with him in soliciting accounts from the broker, and has wrongfully utilized its books, records and papers in that effort, the company says.

Mr. Day is now vp at Taylor Re.

Before Mr. Taylor resigned, Sullivan Payne says it attempted to retain him as a full-time employee or as a consultant, but was unable to do so.

According to court papers, Mr. Taylor received $220,000 in annual compensation last year and was given a $350,000 bonus earlier this year.

James A. Lyon, president of California Re, told *Business Insurance* that Taylor Re "was asked to make part of California Re's catastrophe retrocessional placement simply because Gene Taylor and Jeff Day. . .were the only personnel there completely familiar with our account."

The issues raised in this case are similar to those raised in other recent disputes over alleged violations of non-compete agreements in the retail brokerage business.

Among these are: a dispute between Jardine Emett & Chandler Los Angeles Insurance Brokers Inc. and former Emett & Chandler Los Angeles executives who have formed Oland International Insurance Brokers Inc. (*BI*, Oct. 27); and a dispute between North Hollywood, Calif., retail broker McCord & Holdren, former employee William W. Holdren, and E.H. Crump Cos. subsidiary Kindler & Laucci, Mr. Holdren's subsequent employer (*BI*, March 26, 1984).

In addition to enforcement of the employment contract provisions, Sullivan Payne also seeks damages to be determined at trial, interest and attorneys' fees.

Since Washington is a community-property state, the action also names Mr. Taylor's wife, Gloria Taylor. ■

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Market capacity

Continued from page 3

highly protected risk property field. HPR insurers are "cooling off" after the "panic" that led to the latest tight market, he noted, explaining that insurers weeded out substandard risks and often made loss control a condition of coverage.

"It's our belief that price levels today are generally adequate." However, "relatively higher price levels should be anticipated" for problem risks, he said.

IRI's capacity for named perils coverage will be up by about 10% as of Dec. 1, Mr. Norstrom said.

IRI's maximum gross limit for less hazardous, well-protected risks is now $850 million, while the limit for risks falling into the most hazardous, least well-protected, category is $10 million including facultative support, he said.

However, the market for earthquake coverage "will continue to be very, very restrictive and very, very expensive." IRI's limit for a large policyholder in an earthquake-prone area like California is $5 million, Mr. Norstrom said. In other areas, maximum capacity is $10 million to $25 million.

The maximum limit for flood coverage in areas that have a 1% to 10% chance of flooding during a storm is $5 million, he added. In other, less flood-prone areas, maximum flood capacity ranges up to $25 million per flood.

Meanwhile, IRI is revising its all-risks policy to simplify exclusionary language, Mr. Norstrom said. The new form excludes coverage for pollution damages except those caused by named perils spelled out in the policy. A separate limit—typically $25,000—has been added to cover expenses of extracting pollutants from land or water. Coverage of expenses for debris removal also have been limited to a percentage—typically 25%—of direct damages, he said.

The non-HPR property market also is improving, observed Norman Barham, senior vp with J&H in New York. "We have not only turned that corner but have entered, not a soft market, but at least a stable market," he said.

Non-HPR property rates may actually drop slightly for some risks in 1987, although "we are not going to see anything rash" in the way of competition, he predicted.

"Capacity in 1987 will be substantially better than it was in 1986," he added.

Mr. Barham noted that of the two principal markets for non-HPR property business—London and the U.S.—the U.S. market is the more competitive.

While the London market has stabilized, risks being placed in London for the first time are likely to have more difficulties than those that have longstanding relationships with London insurers.

U.S. markets, on the other hand, have more capacity and are more inclined to use it, Mr. Barham said.

While U.S. insurers' rates for some property risks may decline 10% to 12% next year, London markets probably will renew business at expiring rates, he added.

Mr. Barham noted that the "theme" for the remainder of 1986 and 1987 will be an easing of market conditions for good property risks and continuing difficulties for poor risks.

He concurred that earthquake coverage will remain scarce.

The tight property market also brought a problem more common to casualty coverages—non-concurrence among the various forms covering a risk—to the property market, and Mr. Barham predicted that the easing of the market will not eliminate this problem.

He added that he also expects to see more layering in property programs.

One factor contributing to the property market improvement, he noted, is that 1986 has produced few catastrophic losses. Along with some easing in price and capacity, this may lead to improvement of other conditions, such as lower deductibles, he said.

Casualty insurance prices, meanwhile, are not likely to soften much in the next year, and when they do drop, they will not fall as precipitously as in the last market cycle, predicted Mr. Friedberg.

He cited several factors that could extend the tight market for another year or more, including the fact that interest rates are well below the levels that prevailed at the height of the soft market, thus reducing insurer investment income. "Without the lure of high interest rates. . .the extent to which prices can now fall is substantially limited," he explained.

Despite recent increases in the return on equity reported by property/casualty companies, rates of return in 1986 are likely to range between 8% and 12%, he added.

For a cyclical industry that is supposed to be in one of its best years, those rates aren't very impressive, he said.

Another factor discouraging rate competition is the property/casualty industry's need to rebuild its capital base, seriously eroded by the strengthening of reserves for prior years' losses.

The recent tax reform act, which will increase insurers' tax burdens, probably won't have much impact on casualty rates, "but it's certainly not something that's going to help," Mr. Friedberg added.

Tort reform measures, on the other hand, may begin to fuel some competition by 1988, he predicted.

Mr. Friedberg added that the claims-made general liability form isn't likely to improve the market. "Claims-made has not made that many unacceptable risks suddenly acceptable to primary carriers."

Like the primary casualty market, the umbrella market has stabilized but is not likely to become competitive in the near future, according to J. Phillip Griffin, senior executive vp for Hartford Casualty Insurance Co., a unit of the Hartford Insurance Group.

"You will not see any (price) decreases, but you will not see the mountainous increases or cutbacks in coverage that you saw last year," Mr. Griffin said.

Since last year, underwriters have decided what coverages they are willing to write and at what level, and this has led to a relative degree of stability in the market, Mr. Griffin explained.

Within the overall casualty market, the market for directors and officers liability coverage has not improved, said Joseph DeAlessandro, president of National Union Fire Insurance Co. of Pittsburgh, Pa., a unit of American International Group Inc. in New York.

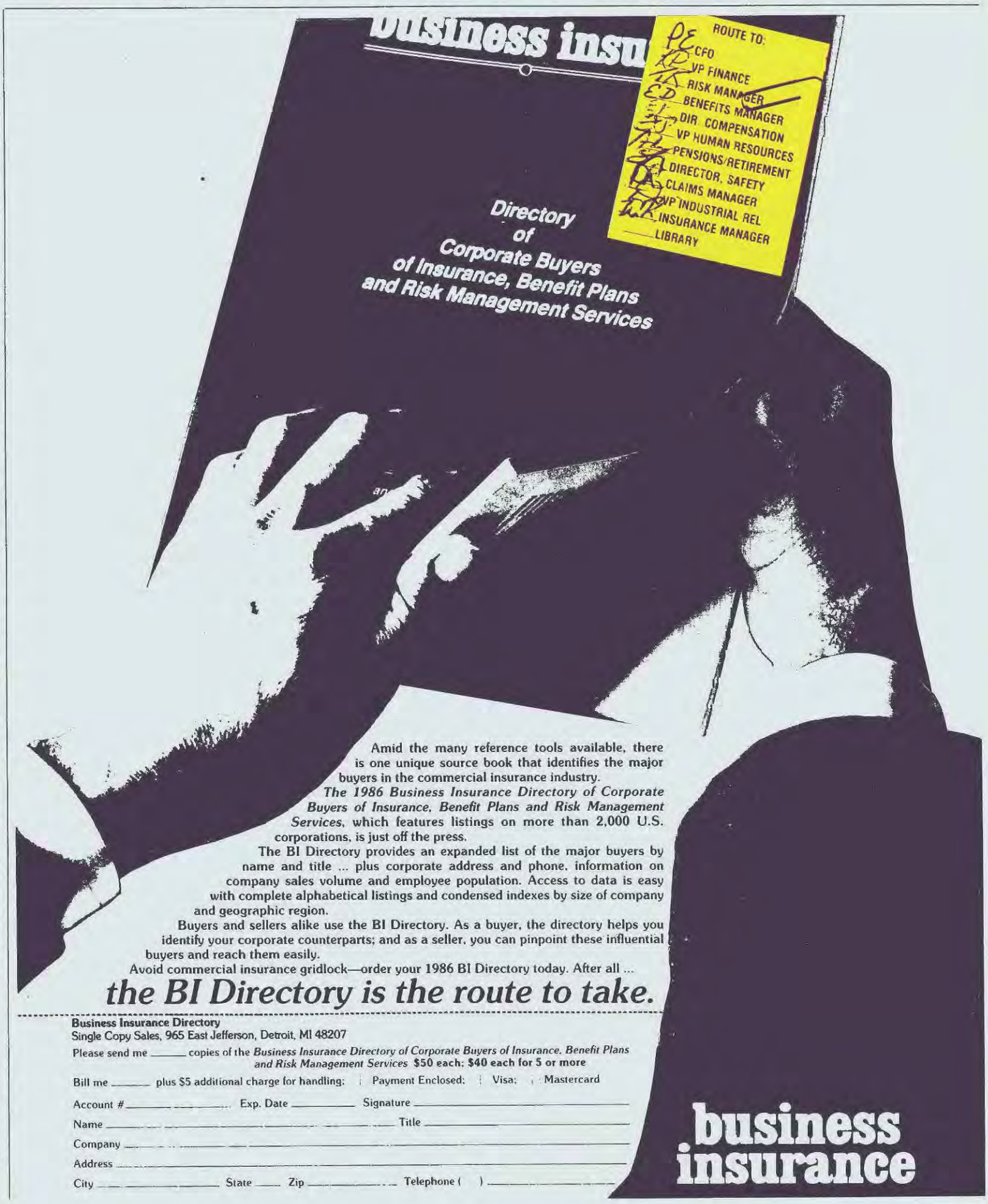
"I see nothing on the horizon in D&O liability for me to say that the market has topped out, everything is fixed, your limits will be increased and your premiums will go down," Mr. DeAlessandro said.

If the pricing and forms used for D&O coverage were adequate, "I should be able to look over my shoulder and see 20 insurers running to compete with me. . . .I don't see any," he observed.

The reason, he noted, is a continuing flow of claims—including some "megabucks" defense claims—stemming from corporate directors' handling of takeover attempts, mergers and acquisitions and other actions.

When the D&O market improves, he added, it will be because claims experience has begun to improve and not because a particular point has been reached in the general property/casualty industry cycle.

Other speakers at the seminar included Christopher London, executive director of Willis Faber & Dumas, a London-based brokerage correspondent of J&H; and Craig C. Perry, a J&H vp. ■



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business insurance

New laws trouble benefit experts: Survey

By PAUL D. WINSTON

BROOKFIELD, Wis.—Almost three-quarters of employee benefit experts would like the tax deductions for contributions to Individual Retirement Accounts by all taxpayers restored, according to a recent survey.

Of 106 individuals surveyed by the International Foundation of Employee Benefit Plans—including employee benefit fund trustees, administrators, advisers and consultants—74% said they would like to see the tax deduction restored to the tax code.

Only 24% did not feel deductions should be restored and 2% didn't know or didn't answer.

The National Opinion Panel survey by the IFEBP measured respondents' opinions on recent federal legislation affecting benefit plans, including the Tax Reform Act of 1986 and the Consolidated Omnibus Budget Reconciliation Act.

Under the new tax law, the current $2,000 IRA deduction is preserved only for persons covered by employer-sponsored retirement plans whose adjusted gross income falls below $40,000 for married couples and $25,000 for single individuals.

For joint filers with an adjusted gross income of between $40,000 and $50,000, and single filers with adjusted gross income of between $25,000 and $35,000, the IRA deduction is decreased as income increases, with no deduction allowed after the upper end of the income limit is reached (*BI*, Aug. 25).

In addition, the IRA deduction is unavailable to a married person filing a separate return where the individual is covered by a qualified retirement plan and adjusted gross income exceeds $10,000.

Forty-two percent of the panelists agree with a statement made by a member of the Senate Finance Committee that loss of tax deductions for Individual Retirement Account contributions for many workers eligible for employer-sponsored pensions is a "small price to pay" for tax reform.

However, 54% of the respondents do not agree that the trade-off is insignificant, and 4% were not sure or did not answer.

Fifty-nine percent of the respondents said that they would support a measure that allowed IRA tax deductions for all individuals whose earnings do not exceed a specified income level. Some 34% of the respondents do not support such a measure and 7% don't know or didn't answer.

An alternative option permitting IRA tax deductions for persons covered by—but not vested in—an employer-sponsored pension plan was marginally rejected, with 51% of the respondents indicating that it was not "administratively feasible," according to the IFEBP.

Some 46% felt that such a provision would have been worthwhile, and 3% were unsure or didn't answer.

The survey respondents were also asked a series of questions about the Consolidated Omnibus Budget Reconciliation Act, which became effective July 1, 1936.

This law requires employers with more than 20 employees to extend health insurance coverage to terminated employees for up to 18 months and to employees' widowed and divorced spouses and their dependent children for up to three years. The law does stipulate, however, that employers can charge those receiving extended coverage up to 102% of the cost of the coverage to help defray administrative costs (*BI*, June 2).

An impressive 87% of the respondents feel that COBRA will set a precedent inviting Congress to pass further legislation affecting employer-sponsored benefit plans, with only 3% suggesting that it will not invite further congressional intervention and 10% uncertain or not replying.

The IFEBP then polled panelists on areas that would likely be affected by future legislation:

- Some 59% predicted Congress will pass legislation establishing health insurance pools for the uninsured. Eighteen percent did not think this type of legislation would be passed, while 23% don't know or didn't respond.

The House approved such legislation this year, but the measure died in a conference committee.

- 82% said Congress would pass rules governing vesting for retiree health benefits. Nine percent do not think such rules will be passed, while 9% weren't sure or did not answer.
- 61% expect future mandates pertaining to long-term care. Eighteen percent do not, and 21% weren't sure or didn't answer.
- 68% expect new congressional rules on parental/medical leaves of absence, while 13% do not and 19% weren't sure or didn't answer.

In fact, 74% of those surveyed by the IFEBP are more concerned about COBRA's status as a broad-based federal law mandating health benefits than with the law's specific requirements. Nineteen percent of the respondents are not so concerned and 7% weren't sure or didn't answer the question.

According to 68% of the respondents, only a slight percentage of their benefit plan participants will be composed of those receiving benefits under COBRA provisions. However, 21% said their plans would serve a significant percentage of COBRA beneficiaries, while 11% weren't sure or didn't answer.

The respondents' approval of extending benefits to certain categories of covered beneficiaries under COBRA varied:

- 52% felt employees terminated for gross negligence are entitled to coverage, while 45% did not and 3% weren't sure or didn't answer.
- 84% said surviving spouses should have a right to extended benefits, while 3% said they did not and 10% were unsure or not responding.
- 43% said divorced spouses should be entitled to extended coverage, while 52% did not. Five percent weren't sure or did not answer.
- 60% thought dependent children should be eligible for extended coverage, while 37% disagreed. Three percent don't know or didn't answer.
- 41% said coverage should be extended to beneficiaries that lose coverage when they become eligible for Medicare benefits, while 52% do not believe these people should receive coverage and 7% don't know or didn't answer.

Seventy-six percent of the respondents said they believed the employer's responsibility under COBRA to track the whereabouts of eligible beneficiaries to inform them of their right to continued health coverage will become an excessive administrative burden. Some 15%, however, said they are not wary of the task and 9% don't know or didn't answer.

According to 80% of the respondents, employers can expect to be sued for not sending notification of eligibility to potential beneficiaries. Six percent do not anticipate the development of such lawsuits and 14% were unsure or didn't answer.

In light of this prospect, nearly three-quarters—74%—of the panelists expect Congress to limit an employer's liability under COBRA based on a clear definition of what constitutes "sufficient effort" to make proper notification to covered beneficiaries. Only 8% do not anticipate such a clarification while 18% weren't sure or didn't answer.

Almost one-third—30%—of the respondents have attempted to gauge the overall costs of complying with COBRA, yet 61% replied that no effort to calculate estimated costs has been made. Nine percent didn't know or didn't answer.

Despite the number of panelists that have not actually estimated additional costs under COBRA, 72% of the respondents feel that the 2% additional premium that employers may charge covered beneficiaries is not high enough to cover employers' administrative costs.

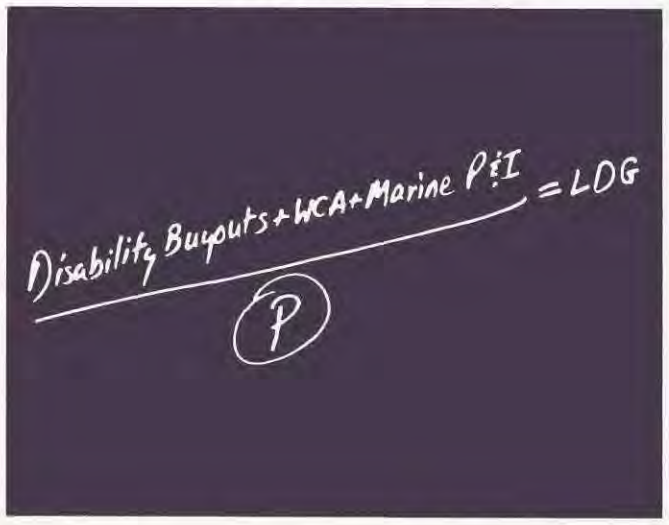
Sixteen percent feel that the 2% charge will be adequate and 12% don't know or didn't answer.

●

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Challenge #2

On asking Steve Lockwood, LDG's president, to pinpoint the common denominator running throughout all his firm's products and capabilities, he jotted down this unusual formula. "What does it mean, Steve?"



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Insurers plan to step up fight for tort reform

By LINDA J. COLLINS

HONOLULU—The insurance industry will lobby harder for specific tort reforms next year, an industry trade group leader says.

The No. 1 tort reform target is abolishing joint and several liability, according to David J. Brummond, assistant vp and general counsel for the National Assn. of Independent Insurers in Des Plaines, Ill., which represents 500 insurance companies.

No. 2 is a "true and effective cap on non-economic damages at a level that would really have some impact."

Mr. Brummond said the NAII selected $250,000 as an appropriate cap that balances "the need for compensation and the ability to reduce insurance costs."

In addition, the NAII will lobby for limitations on punitive damages in states where they are a problem, such as California.

Mr. Brummond outlined the NAII's tort reform targets in an interview, expanding on points he made during a panel discussion at the National Assn. of Professional Insurance Agents' annual convention in Honolulu last month.

A lot of the tort reforms enacted in various states in 1986 won't have much impact on insurance costs or availability because they are simply "too broad and unfocused," Mr. Brummond commented at the PIA meeting.

Specifically, Mr. Brummond said later, caps adopted for non-economic awards were so high that they would apply only in 0.01% of the cases, or were worded so broadly that the plaintiffs can avoid the effect of the limitation.

Caps enacted in 1986 ranged from $250,000 to $1 million (*BI*, Aug. 18).

Mr. Brummond noted later that he counts among significant reforms those directed specifically at medical malpractice, liquor liability and municipal liability.

Insurers also will employ a new strategy in lobbying for tort reform, Mr. Brummond said. The insurance industry plans to "let the people who pay the bills" describe the market situation to legislators in the next legislative sessions.

"It's a much more effective argument" for the client to explain his problems than for the insurance industry to describe the problems to legislators, he added.

The NAII works with the American Tort Reform Assn., a consortium of trade associations, Mr. Brummond said. And, the NAII has established a clearinghouse to maintain ties with state-based tort reform organizations.

He said during the panel discussion that the insurance industry is supposed to assess risks and pass on the costs "to the people responsible for the types of conduct our contract insures against."

Current insurance pricing and availability problems stem from the fact that it is difficult to put a price on many risks, and in some cases the costs are "much greater than what we believe society is willing to pay," Mr. Brummond said. Tort reform is needed to "put parameters" on those costs.

Looking ahead, he said, "In the several states that have already dealt with the issue, I don't see much activity. The second-tier of states that haven't dealt with tort reform. . .will be dealing more exactly with the issues we dealt with this year."

Panel moderator Patricia A. Borowski, vp of government and industry affairs for the PIA, observed that the insurance industry made a crucial mistake in its crusade for tort reform in 1986 because it "made it look like the tort problem was across the board."

"I see 1987 as being a much more focused, sophisticated approach" by the insurance industry, Ms. Borowski said.

Panelist Marianna Smith, the executive director of the Assn. of Trial Lawyers of America, agreed that the current civil justice system is not perfect, but she argued that "with all of its warts and ulcers, it's still the best system that the world has ever created for the purpose of compensating victims."

Ms. Smith said that ATLA is "violently opposed to anything that takes away the rights of the people who get hurt."

Ms. Smith also suggested that the insurance industry's focus on million-dollar awards as one reason for availability problems is unwarranted. In 1985 there were only 400 jury judgments in the United States of $1 million or more, she said. "That's not very many. That's not where the problem is."

"The problem is in a much different group of cases. The problem is in cases that are settled that shouldn't be and filed that shouldn't be," said Ms. Smith.

She said something has to be done to deter the public from filing frivolous suits; lawyers from repeatedly delaying hearings; and adjusters from fighting legitimate claims. The transaction costs the insurance industry is paying because of those factors "are outrageous," Ms. Smith said.

But, only a small segment of the commercial liability insurance market is really unpredictable, she said. "Ten percent of the industry's business is what we are talking about, and probably only 2% of that are lines that are really in trouble."

Ms. Smith suggested, "Maybe those are uninsurable risks . . .Maybe there are indeed some things in this country that can't be insured against."

But C. Sue Kempler, a partner with the New York law firm of LeBoeuf, Lamb, Leiby & MacRae, warned that while only a narrow portion of the market is experiencing insurance availability problems, "it isn't narrow in the sense that the policies that create the greatest exposure are commercial general liability occurrence policies. . .That's not a narrow exposure, it's a huge exposure."

She added judges share the blame for tort abuses. She said that she has observed judges "time and time again" put a cash value figure on cases in which it has clearly been shown that "there is no liability," just to settle the case.

Illinois Director of Insurance John E. Washburn said society needs to reconcile the two different views of the tort system: the plaintiffs' bar's view that the system is designed to compensate victims and the insurance industry's view that the system should determine fault and allocate payment.

"I think some major structural changes are going to have to be made because I am not quite sure minor changes are going to necessarily change what is going on out there," he said later.

It's much to early to predict how well tort reforms enacted to date will hold up when they are tested in courts, Mr. Washburn said. He predicted the tort reforms will have a relatively "short shelf life," because they will be altered when tested in court in specific cases.

"When the victim is in front of the jury or the judge, they will interpret the law the way they wish to do so," he said.

In the meantime, insurers can't predict the effect of state tort reform measures on their bottom line, he said. Insurers "aren't going to know for several years" what their ultimate costs will be under the new legislation, he explained.



Photo: Jim Quiggle

Patricia Borowski of the National Assn. of Professional Insurance Agents and David Brummond of the National Assn. of Independent Insurers served on a tort reform panel during the PIA convention.

The regulator predicted that as long as insurers must do business in an environment where the exposure to losses is so unpredictable, insurance capacity will remain restricted or unavailable in difficult liability lines.

"And until we examine the basic structure" of the tort system and "determine what we're going to do with it, we will have further problems for the next several years," he said.

While most tort reform measures passed by the states may provide only limited relief to insurers, getting any tort reform measures through the state legislatures is no easy task, Mr. Washburn said.

"No one is able to say with any degree of certainty what the particular tort reform is going to do, and since it is immeasurable," it is very difficult for politicians to reach a compromise, he explained.

Hawaii state Sen. Steve Cobb, D-Honolulu, explained that one reason it is so difficult to enact state tort reform measures is that "the legislative process is not designed to pass bills. It is designed to kill them, and we do that with remarkable efficiency."

But he added that there is "a damned good reason" that the system is designed this way: If too many legislative changes occurred in every session, there would be no consistency to state laws.

When Hawaii's tort reform package, which was adopted earlier this year, was introduced, "one group wanted to do everything and one group wanted to do absolutely nothing. What emerged was a series of compromises," he said.

Among the provisions of Hawaii's tort reform law were: a $375,000 cap on non-economic damages; allowing municipalities to pay awards exceeding $1 million over a period of up to five years; abolition of joint and several liability with four exceptions; and a mandatory court-annexed arbitration program for civil actions with probable jury award values of $150,000 or less (*BI*, Aug. 18).

According to Sen. Cobb, the state expects about 90% of those cases to be successfully settled without going to trial. This should substantially reduce settlement costs in those cases, he said. ■

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Lloyd's suit

Continued from page 3

It also seeks an undetermined amount representing profits made by the defendant through use of the Lloyd's name, and damages for infringement of the service mark and unfair competition.

Lloyd's of London further argues that because of the alleged willful nature of the infringement and unfair competitive practices, damages should be trebled.

In addition, the Corporation of Lloyd's is asking for an unnamed amount of punitive damages and reimbursement for legal costs from the U.S. company.

Lloyd's U.S. had net written premiums of $4.1 million for the first half of this year, said a spokesman who would not say what lines of insurance were written.

During 1985, Lloyd's U.S. had gross writings of $821,265, approximately $546,000 of which were related to automobile liability coverages, the spokesman said. Lloyd's U.S. reported $708,486 in net premiums in 1985, he added.

Lloyd's U.S. wrote very little business in 1984, the spokesman said.

Attorneys for Lloyd's U.S. argue that the term "Lloyd's" is generic, signifying the type of services provided by the company.

They also point out that Texas law requires that companies structured like the Dallas-based operation include "Lloyd's" in their official identities.

Lloyd's U.S., which operates solely as an admitted insurer in Texas, was developed according to regulations outlined under Chapter 18 of the Texas Insurance Code. The code allows the formation of "Lloyd's plan operations" in the state.

Under a Lloyd's plan company in Texas, individual underwriters share risks, similar to the way insurance exchanges operate in New York, Illinois and Florida.

But, Ira M. Goodrich, an attorney with the Texas Board of Insurance, explained that underwriters with a Lloyd's plan company also share profits as well as risks.

However, there are no underwriting management agencies at a Texas Lloyd's operation, as there are at the exchanges. Instead, contracts issued by members of a Lloyd's plan operation are bound by a common attorney-in-fact, which Lloyd's U.S. initially called the Corporation of Lloyd's.

Mr. Goodrich said Texas law requires that Lloyd's plan operations use the name Lloyd's because their operations have resembled "or followed the Lloyd's operation out of London."

The biggest difference between a Texas Lloyd's company and a Lloyd's of London syndicate "is in the liability structure," Mr. Goodrich explained. "In London, underwriters have unlimited liability. Here, they are limited to what they put into the company."

Attorneys for Lloyd's of London would not comment on specifics of the case, but attorneys representing Lloyd's U.S. are calling the suit a case of "Goliath vs. David," and are saying the real reasons for the suit have not surfaced.

"I don't know if they're making a systematic attack on a state statute or if they're disturbed about this particular company using the name," said J. Hampton Skelton, an attorney with the Austin firm of Akin, Gump, Strauss, Hauer & Feld, one of the firms representing Lloyd's U.S. in the litigation.

Lloyd's of London is essentially asking that the Dallas company "not comply with state law," he contends.

And, noting that other companies in Texas and in other states are using the Lloyd's name, Mr. Skelton said he cannot explain why the London marketplace chose to challenge Lloyd's U.S. with a service mark infringement suit.

"I think it's kind of flattering to Lloyd's U.S. that Lloyd's of London feels the need to stifle this competition in the United States," Mr. Skelton said.

Although he deferred legal questions to attorneys for Lloyd's U.S., Robert E. Davis, secretary and treasurer for Lloyd's U.S., echoed Mr. Skelton's remarks in a news release: "We were shocked" that the London marketplace filed the suit, Mr. Davis said in the release.

"The Lloyd's structure has been used in Texas since the 1920s and is recognized in half the United States," he continued.

In response to Lloyd's of London's charges of service mark infringement, Lloyd's U.S. charges that the the London Corporation of Lloyd's filed a fraudulent application with the U.S. Patent and Trademark Office in 1979 to protect the Lloyd's name.

In the court papers, Lloyd's U.S. says the London corporation filed a sworn declaration with the federal office that concealed the fact that the plaintiff knew or should have known that other U.S. insurance companies were using the name Lloyd's.

In a brief filed in the case, Lloyd's U.S. attorneys claim at least 10 states "have by statute (some for as long as 50 years) legislatively constituted Lloyd's a generic term to describe the activity of insurance underwriting services offered by an unincorporated association of underwriters rather than by a single named corporate insurer."

Because Lloyd's of London concealed the fact that it knew "Lloyd's" was being used in a generic sense, the service mark registration should be canceled, Lloyd's U.S. argues.

Lloyd's U.S. is demanding a jury trial to hear its plea for a judgment to cancel the registration and declare that "Lloyd's" is a generic term when used in connection with insurance or insurance related-services.

Lloyd's U.S. also seeks an undetermined amount of compensatory and punitive damages and reimbursement of legal and other costs associated with the action.

Before the Lloyd's of London lawsuit was filed, Lloyd's U.S. did agree to stop using the title "Corporation of Lloyd's" in its dealings, according to another attorney for the company.

Lloyd's U.S. had used the title to identify its attorney-in-fact, the party responsible for certifying the insurer's contracts, the attorney said.

An attorney with the firm Milgrim Thomajan Jacobs & Lee in New York, which also is representing Lloyd's U.S., confirmed that the company agreed to stop using "Corporation of Lloyd's" as a "question of accommodation" when asked by the London marketplace to stop using the title.

But, legally, Lloyd's U.S. could have retained the title "Corporation of Lloyd's" because it is not used by Lloyd's of London in the United States, the attorney said.

The attorney-in-fact at Lloyd's U.S. is now known as Lloyd's U.S. Corp.

But Lloyd's of London is charging in its suit that "Corporation of Lloyd's" was used by the American company to "create further confusion or mistake."

In London, the Corporation of Lloyd's provides administrative services for the unincorporated association of individual underwriters who are collectively known as Lloyd's of London.

"The name of this Texas corporation is, of course, identical to that of the Plaintiff Corporation," the Lloyd's of London suit states, referring to the "Corporation of Lloyd's" title that Lloyd's U.S. used.

The Lloyd's of London suit charges that "the purpose of this Texas corporation is to provide administrative support services to Lloyd's U.S. just as the true Corporation of Lloyd's provides administrative support services to the Lloyd's of London insurance market."

The Lloyd's of London suit also charges that the defendants used "Committee of Lloyd's" in its operation, "such designation being identical to that long used by plaintiffs in governing and overseeing the operations of the Lloyd's of London insurance market."

In its counterclaim to Lloyd's of London's original filing, Lloyd's U.S. charges that the London marketplace is operating in Texas without obtaining authority from the state's superintendent of insurance.

(Under Texas insurance law, Lloyd's of London is permitted to act as a non-admitted insurer through surplus lines agents in the state. The state requires agents to make a "diligent effort" to place the business in the admitted market first, an Insurance Department spokesman said.)

Lloyd's U.S. further charges that Lloyd's of London in its capacity as a non-admitted insurer is accepting business that has not been first rejected by admitted insurers in the state, a violation of state law.

Lloyd's U.S. also charges that "plaintiffs have wrongfully coerced and intimidated insurance brokers, underwriters and others into discontinuing and refraining from engaging in business relations with defendants."

That action was taken with the purpose of "injuring defendants and impairing their ability to lawfully engage in the insurance business as effective competitors," Lloyd's U.S. charges.

Traditionally, the advantage of a Lloyd's plan operation in Texas has been its ability to avoid property insurance rate regulation, according to Mr. Goodrich.

The capital structure of a Texas Lloyd's company is set up much like a traditional insurance company, Mr. Goodrich said. For example, Lloyd's U.S. met the $300,000 initial capital requirement, the minimum required under Texas law, when the company was formed in 1983, he noted.

As of June 30, Lloyd's U.S. had $3 million in policyholder surplus, down two-thirds from year-end 1985, when the company reported policyholder surplus of around $9 million, according to Texas Board of Insurance figures.

But a Board of Insurance spokesman said the insurer was forced to delete $8.3 million in securities from its surplus because the holdings did not meet state requirements for the quality of such investments.

The predecessor to Lloyd's U.S. was named Centre Corporation Lloyds, attorneys for Lloyd's U.S. said. It was only a shell when bought in 1983 by the developers of Lloyd's U.S.

The buyers of the shell operation hired Alan Teale, former president of the Insurance Exchange of the Americas in Miami, as a consultant to help structure the new company.

Mr. Teale's contract has since expired with Lloyd's U.S.

As the new company was being developed, Mr. Teale said it would be the first member of an organization he called a "bourse" (*BI*, Sept. 2, 1985). His plan was to have several underwriting members under one roof, sharing risks and utilizing common administrative services.

Mr. Davis said Lloyd's U.S. never had any plans to become part of such a marketplace. ■

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EC directive

Continued from page 2

Britain competitive in world trade markets.

The bill, which is supported by Mr. Channon, will be debated in the House of Lords and the House of Commons. The government hopes the bill will be passed in the spring.

The bill implements the EC product liability directive, which all member countries must incorporate into their national laws by mid-1988.

The product liability directive was passed in July 1985 after almost a decade of debate by the 12 EC countries: the United Kingdom, Belgium, the Netherlands, Ireland, Luxembourg, France, Italy, Denmark, Greece, West Germany, Spain and Portugal (*BI*, Aug. 5, 1985; Oct. 21, 1985).

Under strict liability, an injured party does not have to prove that a manufacturer was negligent to recover damages. Under current British law, a consumer must prove a manufacturer is negligent before collecting damages.

Under the British legislation, a producer, importer and/or "own brander" shall be strictly liable for any damage caused wholly or partly by a defect in a product.

All the consumer will have to prove to collect damages under the new bill is that he has been injured by a product, said Michael Howard, parliamentary undersecretary of state for corporate and consumer affairs.

The bill defines a product as a finished product and the components and raw materials of a finished product; gas, water and electricity services; and processed food. However, the bill specifically excludes other utilities, professional services or primary agricultural products.

The producer is considered to be the manufacturer or the person who mined or obtained the raw materials. Retailers are not liable under the bill unless they do not identify their own suppliers.

An importer is defined as the entity that imports the defective product into an EC member country. For example, if a radio is imported from Taiwan into West Germany and then sold in the United Kingdom, liability under the bill and directive falls on the German importer, not the subsequent importer into the United Kingdom.

"U.K. producers, for example, will be liable for their goods wherever they are sold in the Community," said a guide to the bill printed by the British Department of Trade and Industry.

An "own brander" is an entity that has both put its own name or mark on the product and considers itself to be the producer of the product.

A product is considered defective if the safety of the product is not up to the standard that the public expects, the bill states. The courts will be asked to take into account, however, how the product is marketed, the time the product was supplied by its producer and the use of instructions or warnings on the product.

While the British government has refused to cap damages under the bill, the legislation would only apply to cases of death, personal injury and any loss or damage to any private property that exceeds 275 pounds ($387.75). Capping awards, said Mr. Howard, "leads to practical difficulties and is not fair to the consumer."

However, the bill does allow use of the state-of-the-art defense, which is called the "development risks defense" in the bill.

Under this defense, the defendant is not held liable if he can show that "the state of scientific and technical knowledge at the relevant time was not such that a producer of products of the same description as the product in question might be expected to have discovered the defect if it had existed in his products while they were under his control."

Mr. Howard says there was opposition to including the state-of-the-art defense in the legislation but, "We are trying to protect consumers without choking off innovation."

Without the defense, British manufacturers might be wary about developing new products, he said. Mr. Howard also said the bill will only apply to cases that are introduced into court after the bill becomes law and will not apply to cases that are already in court.

In addition to the section implementing the EC directive, the bill also makes it a criminal offense to sell goods that do not comply with general safety requirements and introduces rules to improve the legal protection against misleading pricing. ■

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Lloyd's may cut football disability cover

By STACY SHAPIRO and MEG FLETCHER

LONDON—Lloyd's of London underwriters may stop writing permanent disability insurance for National Football League players following an illegal hit last week on Chicago Bears quarterback Jim McMahon, a U.S. agent says.

"The Lloyd's market is already nervous about football. . .so they might pull out," said Brian Burns, president of Pro-Financial Services in Chicago.

"Football—out of all sports—collects the most claims. Underwriters can calculate injuries in play. What they cannot calculate are intentional injuries, and that could be the point that makes underwriters pull out of football," Mr. Burns says.

"But, the decision is the underwriters'," he added. "In my opinion, they are still in business. They are writing business right now."

Sources at Lloyd's say that for 1983, the last year for which figures are available, pro football permanent disability claims at Lloyd's have totaled about $10 million, compared with only $3 million to $4 million in premium volume.

Under a permanent disability insurance policy for football players, a claim is paid when a player is declared permanently disabled, which usually must be at least one year after the injury that caused the disability took place.

Coverage can be bought either by the player or his team, depending on whether the contract is guaranteed by the club.

A guaranteed contract means the club must pay the player his full salary over the length of the contract, even if he is permanently disabled.

The Bears announced last week that Mr. McMahon, who has had shoulder problems for almost all of the 1986 season, would require shoulder surgery and be sidelined the remainder of the season. However, he is expected to be ready to play next year.

The hit on Mr. McMahon was made by Charles Martin, a defensive lineman for the Green Bay Packers. Mr. Martin was given a two-game suspension without pay by the NFL for the illegal hit, and Mr. Burns said he believes that the sanctions against Mr. Martin may help persuade underwriters to continue writing disability coverage for pro football players.

Mr. McMahon's disability coverage is led by the A.J. Stratton syndicate at Lloyd's and brokered by Pro-Financial and Lloyd's broker S.W. Taylor & Co. Dennis Johnson, underwriter for the Stratton syndicate, could not be reached for comment last week.

Jerry Vanisi, general manager of the Bears, said the coverage would pay at least 60% of Mr. McMahon's contract if he is permanently disabled. Mr. McMahon's contract, which runs through 1989, is worth $850,000 to $900,000 a year, plus incentives, Mr. Vanisi said, adding that Mr. McMahon, not the Bears, paid for the coverage.

Mr. McMahon met with Lloyd's underwriters this past summer when the Bears played an exhibition game in London.

Lloyd's underwriters decided earlier this year to cover only 60% of a player's contract, noted Jack Bagwell, deputy chairman of S.W. Taylor.

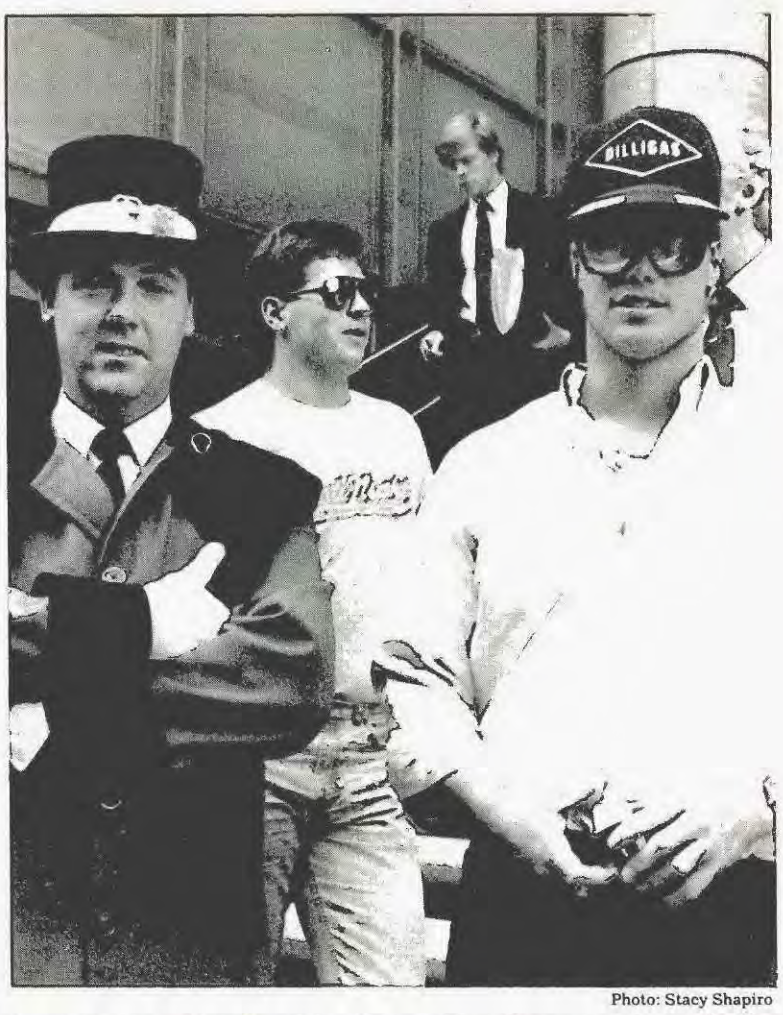


Photo: Stacy Shapiro

A doorman at Lloyd's of London guides Bears quarterback Jim McMahon (right) and kicker Kevin Butler during a visit last summer.

In addition, rates for the disability coverage have risen as much as 250% to 300% this year for older players, Mr. Burns said.

Lloyd's is currently the only market for pro football permanent disability coverage, after State Mutual Life Insurance Co. of America stopped writing the coverage in late October. State Mutual continues to write disability coverage for other types of athletes.

"We are pulling out now so that we can rethink how to write the coverage," said Steven Kurlansky, director of group special projects for the Worcester, Mass.-based insurer.

"There was no particular incident that sparked this decision. But, on the whole, over the last year there has been an unprecedented number of career-ending injuries."

Mr. Kurlansky would not comment on State Mutual's claims experience for football disability coverage except to say the insurer has paid millions of dollars in claims. ■



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update

128 dioxin claimants settle

Continued from page 2

defendants Independent Petrochemical Corp. (IPC), Northeastern Pharmaceutical & Chemical Co. and Syntex Agribusiness Inc., a unit of Syntex Corp. of Palo Alto, Calif.

Syntex agreed to pay $4.75 million and IPC agreed to pay slightly less than $12 million. Also included is a $2 million payment agreed to last spring by The Charter Co., IPC's ultimate parent. The remainder will be paid by Northeastern.

Syntex said in a statement its share of the settlement will be funded by its insurers, which it did not identify.

Some of IPC's insurers have agreed to participate in the settlement, an attorney for the company said, but he could not elaborate.

IPC purchased about $1.1 billion in liability coverage between 1971 and 1983. Its primary insurers include Aetna Casualty & Surety Co., Continental Insurance Co., Insurance Co. of North American, Travelers Indemnity Co. and Hartford Accident & Indemnity Co. (*BI*, March 24).

The Charter Co., IPC's ultimate parent, filed for Chapter 11 reorganization in 1984. A bankruptcy court hearing on whether to approve the IPC payment is set for Friday.

The settlement came approximately two weeks before a state court trial of six representative plaintiffs.

Briefly noted

Manville Corp. says preliminary voting on its proposed reorganization plan indicate it has been "overwhelmingly accepted" by asbestos health and property damage claimants, unsecured creditors and preferred shareholders, but opposed by common shareholders. . . .Karl Rubinstein has been retained by the California Insurance Department as special deputy commissioner to help handle the **Mission Insurance Co. insolvency.** Mr. Rubinstein, a Dallas insurance attorney with Freytag, Perry, LaForce, Rubinstein & Teofan, has worked for the Texas Insurance Department's liquidation bureau, but is perhaps best known for his work on behalf of Arkansas regulators in the Baldwin-United Corp. reorganization.



Photo: Index/Stone International, Inc.

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Sub-total 20,892

Associations 477
Government, Unions and Educational Institutions 1,357

Commercial Consumers

Sub-total 22,726

Insurance Agents and Brokers 10,795
Insurance Companies 7,168
Financial Institutions 897
Actuaries, Attorneys, Adjusters, Appraisers and Consultants 4,536
Others Allied to the Field 1,505
TOTAL 47,627

* Source Business/Occupational breakdown of qualified circulation, May 26, 1986 issue, as submitted to BPA for June 1986 BPA Publisher's Statement.

Dallas is likely to appeal if large jury award stands

By MICHAEL BRADFORD

DALLAS—The city of Dallas will likely appeal any large judgment following a federal court jury's decision to award $4.45 million to a cable television company the jury ruled was driven from the local market by the city and New York-based Warner Amex Cable Communications Inc.

The jury ruled last month that the city and Warner Amex had unfairly squeezed Video International Productions Inc. from the cable television market in Dallas through contract interference, civil rights and antitrust violations.

U.S. District Judge Sid Fitzwater last week had not yet signed a judgment in the case. However, Dave LaBrec, first assistant to the city attorney in Dallas, said he felt "it is a foregone conclusion" that any large judgment would be appealed. Mr. LaBrec said the jury verdict awarded Video International $200,000 in actual damages and $2.5 million in punitive damages for civil rights violations and $1.25 million in actual damages for contract interference. In addition, a punitive award for contract interference amounted to $250,000 both against the city and Warner Amex, he said.

The verdict does not specify how any of the award should be divided. Mr. LaBrec noted, however, that by law the city cannot be held liable for punitive damages.

The Dallas attorney that represented the city in the case, Joseph G. Werner of the firm of Haynes & Boone, said the city had no commercial liability coverage during the time of the alleged violations.

Mr. LaBrec said the city's self-insurance fund would cover any awards or settlements that might be reached in the case, but pointed out that the city first would seek to recover any damages assessed against it from Warner Amex.

A spokesman for Warner Amex said the company was "taken aback by the decision," but could not comment more specifically until the judgment had been finalized and reviewed by officials at the communications firm.

At the heart of Video International's charges, originally filed in 1981, were allegations that the city and Warner Amex conspired "to accuse VIP of zoning violations" when it installed cables, according to VIP's attorney in the case, Brian Butler of Madison, Wis.

"They did not have zoning policy in mind in doing that. What they had in mind was damaging the competition," Mr. Butler said. He added it was never determined in the jury trial whether zoning violations had occurred.

Mr. Butler said VIP sold its assets in 1981 and is now an inoperative Texas corporation called WPW Video Inc. Currently, he added, its only asset is the lawsuit, he said. ■

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HHS report

Continued from page 1

catastrophic benefit option, the recommendation does not define how high a bill would have to be to be considered catastrophic or whether health care expenses would be limited to just physician and hospital services.

That vagueness concerns benefit lobbyists, who worry that the 50 states could define catastrophic expenses in dozens of different ways, causing an administrative nightmare for nationwide employers.

"You would have a patchwork of mandated benefit rules," complains Mark Ugoretz, executive director of the ERISA Industry Committee, a Washington-based benefits lobbying organization.

But employers are encouraged by the Bowen recommendations to restore tax incentives to employers that prefund certain post-retirement health care expenses.

That recommendation would partially reverse a provision in the Deficit Reduction Act of 1984 that taxed investment income earned on reserves held by tax-exempt Voluntary Employee Beneficiary Assns., also known as 501(c)(9) trusts, to pay for post-retirement health care expenses.

However, the Bowen recommendation only would exempt from federal taxes investment income on VEBA reserves to pay for long-term post retirement expenses—such as nursing home care—and not basic hospital and medical expenses.

Still, benefit lobbyists are encouraged that Dr. Bowen recommended at least a partial restoration of the tax incentive to prefund post-retirement health care expenses.

That recommendation is bound to increase congressional interest in the funding issue, notes Willis Goldbeck, president of the Washington Business Group on Health.

Even prior to the Bowen recommendation, "more members of Congress were realizing that there ought to be more incentives to prefund post-retirement health care benefits," Mr. Goldbeck added.

"At least the door is being opened. The recommendation will stimulate debate on the prefunding issue," said Philip Briggs, vice chairman at Metropolitan Life Insurance Co. in New York.

There is some ambivalence, though, about the recommendation to expand Medicare.

Currently, the Medicare program is structured so that the elderly are vulnerable to catastrophic health care bills.

For example, under Part A of Medicare, which covers hospital bills, the elderly now have to pay a deductible of $492 for the first 60 days of hospital care. For hospital stays of between 61 and 90 days, the coinsurance is $123 a day, and that coinsurance rises to $246 per day for additional days. After a lifetime reserve is exhausted, Medicare coverage ceases for long-term hospitalization.

Part B of Medicare covers only 80% of the cost of physician services for inpatient hospital stays, and no coverage is provided for non-hospital prescription drugs.

Under the Bowen plan, the Medicare Part B premium—now $15.50 a month and scheduled to increase to $17.90 in January—would be hiked by $4.92 a month.

The HHS secretary says this additional premium would be sufficient to expand Medicare so that a beneficiary's out-of-pocket expenses for covered services would not exceed $2,000 a year. And, this annual limit of $2,000 would be adjusted for inflation in future years.

This expansion of Medicare would take pressure off employers to provide supplemental Medicare plans. Although such plans vary considerably in design, a common plan is coordinated with Medicare so that the plan picks up coinsurance and deductibles not covered by Medicare.

As a result, if Medicare provided more, employer supplemental plans presumably would have to pay less.

But experts question if this $4.92 hike in monthly Medicare premiums really would cover the cost of expanding the program.

"How did they (HHS) come up with this number?" asks William J. Arnone, a benefit consultant in the Los Angeles office of Buck Consultants Inc. "My sense is that it could be a severe underestimate."

If the premium hike is inadequate, as some feel is likely, employers might be hit with increased payroll taxes to make up the difference, says Sharon Canner, director of employee benefits at the National Assn. of Manufacturers in Washington.

Under the recommendation to establish Individual Medical Accounts, individuals would be allowed to deposit a certain amount of money annually—the report cites $1,000 as an example—into an IMA.

Interest would accumulate tax-free, and withdrawals would not be taxed as long as they were used for nursing care expenses. In addition, the tax code would be overhauled so individuals with Individual Retirement Accounts could withdraw funds tax-free and without penalty from their IRAs for any long-term health care expense.

Now, IRA funds withdrawn before retirement, usually age 59½, are taxed and usually are hit with a special 10% excise tax.

Benefit experts are enthused about giving individuals tax incentives to prefund some of their health care expenses.

"Anything that makes it possible for individuals to save on their own is a good idea," said Mr. Ugoretz of the ERISA Industry Committee.

"Medical IRAs might reduce the need for employers to offer post-retirement health care plans," adds Linda Havlin, a consultant with Hewitt Associates in Lincolnshire, Ill.

But there is widespread skepticism about the chances that an IMA-type proposal could ever gain congressional approval.

"Medical IRAs have the least chance of being adopted," said EBRI's Ms. Chollet, noting that Congress would be unlikely to make such a major change to the tax code so soon after enacting the Tax Reform Act of 1986 during the last session.

But experts say that changes in the health care delivery market almost make it certain that health care issues—specifically how to extend coverage to the uninsured or underinsured—will dominate the 100th Congress, which convenes in January.

Hospitals are finding it difficult to pass on the costs of the uninsured to other payers because of cutbacks in what Medicare will pay and because employers and insurers are bargaining to obtain preferred rates.

As a result, those without health insurance face new difficulties of being treated by hospitals as charity cases.

"We need to make it possible for individuals. . .regardless of their condition to obtain insurance," said Metropolitan's Mr. Briggs.

The big question, which Congress will be hammering out in the coming months, is who will pay for the costs of uncompensated care, experts say.

"Employers have to realize that there will be a resolution of the problem. . .and employers have to be active participants in the debate to protect their interests," said Mr. Arnone of Buck Consultants. ■

Insurer results

Continued from page 1

- Boosted by continuing rate hikes, net premiums written for 25 major property/casualty insurers surveyed by *Business Insurance* increased 29.4% to $58.5 billion in the first nine months of 1986. This rise is only slightly less than the 30.7% increase reported by major insurers during the first half of the year.
- Thanks to increased cash flow, the insurers' investment income increased 17.9% to $6.9 billion, a slight increase from the 17.8% increase reported for the first half.
- Underwriting losses among the surveyed companies declined by 33.9% to $4.8 billion, an improvement over the 30.7% decline in underwriting losses reported for the first half.
- Policyholder surplus increased 31.7% to $32.1 billion, or about on a par with the 32% boost reported during the first half.
- The insurers' aggregate combined ratio continued to improve, declining to 108.4% for the first nine months of 1986 from 116.9% during the comparable period a year ago. During the first half, major property/casualty insurers reported a 109.7% combined ratio, compared with a ratio of 118.5% in the first half of 1985.

Still, despite these favorable results, only two companies posted nine-month combined ratios below 100%: The Hartford Steam Boiler Inspection & Insurance Co. and Chubb. Both companies also report combined ratios below 100% in the first half.

Hartford Steam Boiler posted a combined ratio of 85.8% during the first nine months of this year, compared with a 94.8% combined ratio for the comparable period of 1985, while Chubb's 99.2% for the first nine months of 1986 is an improvement over 111.5% last year.

A Chubb spokesman noted that even though its combined ratio was below 100%, Chubb reported a $23.9 million pretax underwriting loss for the first nine months of 1986 because of differences in when expenses and premiums are recognized.

Only two companies reported operating losses for the nine-month period.

Reliance Insurance Group, which took a $100 million charge for reserve additions during the first half, reduced its $88.8 million first-half loss to $80.1 million as of Sept. 30. But Mission Insurance Group Inc.'s operating loss grew to $16.7 million after nine months from $12.7 million in the first half. However, the nine-month loss is still an improvement from a $65.1 million loss during the first nine months of 1985.

Because of the restructuring of Mission's operations following its placement in conservation by the California Insurance Department last year, Mission's property/casualty operations for 1985 are not meaningful and those results are not included in the aggregate totals of the *BI* survey.

Despite the insurers' recovery, industry observers are still keeping an eye on insurers' reserves.

"By and large, we think that reserves will be in pretty fair shape by the end of the year," said Alex. Brown's Mr. Stradtner.

Other observers, however, believe additional reserving still may be required.

"I still think there's some problems out there that haven't been taken care of," said Gloria L. Vogel, vp with Legg Mason Wood Walker in New York.

"I think the companies, on balance, are short on loss reserves because the social inflation in this country is still a problem," said Gerald E. Lewinsohn, vp and analyst at Merrill Lynch Capital Markets/Securities Research Division in New York.

First Boston's Mr. Seifer estimates the industry is probably underreserved by "10% or less, and coming down. At least it's going in the right direction."

Companies that have increased their reserves recently include American International Group Inc., which added $577.6 million to its reserves for current business during the third quarter, said an AIG spokesman. The boost "represents a conservative posture toward current business," he said.

Reserve additions will be "leaked gradually" from earnings rather than added all at once, observed Shearson Lehman's Mr. Weinhoff. Others say that while reserve additions have been ongoing, the fourth quarter is the traditional time for particularly large reserve boosts.

However, CIGNA's $1.2 billion charge against its fourth-quarter 1985 earnings is expected to remain a record addition to reserves (*BI*, Feb. 10).

Observers also said that as insurers' profits improve, insurers may no longer find it necessary to go to market to raise equity capital to boost their reserves. In any case, referring to recent price declines in property/casualty stocks, they note the market now is not as hospitable to them as it was earlier in the year (*BI*, Nov. 10).

From the investor's standpoint, the market decline "certainly puts the capital and capacity question on hold for a while," said First Boston's Mr. Seifer.

Insurers' reluctance to raise new capital through equity issues because of the weak stock market will induce them to maintain high rates for a longer period than they would have otherwise to generate the funds they need through increased earnings, he said.

Also, "Most of the big companies have probably done the bulk of their financings" through the market in any case, said David Anthony, an analyst with Smith Barney Harris Upham & Co. in New York.

"I think they raised a lot of the money they were going to raise in the equity market," agreed Ms. Vogel.

Some observers also note that the Wall Street insider trading scandal involving arbitrager Ivan F. Boesky could affect insurers' investment portfolios. The scandal involved both the markets for certain common stocks, as well as for junk bonds, which are high-yield, low-quality securities.

Ms. Vogel, for instance, said she suspected insurers' equity portfolios may have been hurt by the Boesky affair, which sent stock and bond prices temporarily downward.

Insurers' investments in junk bonds "depends on the company," noted Myron M. Picoult, senior vp and senior insurance analyst with Oppenheimer & Co. in New York. "You can't make a broad brush type of statement," he said. "You've got to look at it company by company, and you have to look at each company's portfolio."

Tim Holt, portfolio manager for Aetna Life & Casualty Co.'s property/casualty operations, said less than 4% of the insurer's property/casualty reserves are invested in common stocks. He added the insurer uses hedging techniques to minimize losses on those stocks.

Mr. Holt noted that, in any case, the market recovered from losses instigated by the revelation of the Boesky scandal in several days.

As for junk bonds, Mr. Holt said "We have a very, very small percentage—less than 1%—of our assets in junk bonds. We did notice some decline in prices the first few days, but nothing major, and we're obviously concerned about that segment of our holdings, but it's very small."

Mr. Holt said that while "there's a lingering concern about the junk bond market," he does not anticipate Aetna will sell the bonds it holds. "We thought about it, but I don't think we will."

A spokesman for The Home Group Inc. noted that The Home sold all but a little more than $50 million of its $400 million to $500 million investment in equities this summer. "We're pretty much out of the market," he said.

However, about $650 million of The Home's $3.6 billion bond portfolio are invested in bonds of grade Baa or below, although the spokesman said he objected to the term "junk" being applied to these bonds and said they include investments in corporations including Union Carbide Corp., Colt Industries, Occidental Petroleum Corp. and Phillips Petroleum Co.

"We're not worried about anything in our portfolio," said the spokesman, who said The Home has not suffered any financial loss because of the Boesky affair.

In fact, he said, "we probably were helped" by it. The spokesman noted Mr. Boesky, who may have considered The Home a takeover

Continued on next page

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Summary of major property/casualty insurers' nine-month results

(All amounts in thousands of dollars)

(Ranked by change in aftertax operating income)

		Corporate			Property/casualty operations									
Rank 1986		Consolidated revenues 1986	Aftertax[1] operating income 1986	Percent increase (decline) 1985-1986	Combined[1] ratio 1986	Combined[1] ratio 1985	Net premiums written 1986	Percent increase (decrease) 1985-1986	Pretax underwriting income (loss) 1986	Percent increase (decline) 1985-1986	Pretax investment income 1986	Percent increase (decrease) 1985-1986	Policyholders surplus 1986	Percent increase (decrease) 1985-1986
1	Royal Group (U.S. subs.)[2]	N/A	149,000	6,672.7	102.3[3]	114.8[3]	1,600,000	33.3	(75,800)	61.2	178,800	17.6	N/A	N/A
2	The St. Paul Cos. Inc.	2,338,647	98,423	5,720.4	111.4[2]	121.8[2]	1,889,188	15.1	(219,144)	31.4	322,317	17.6	864,440	25.8
3	Sentry Insurance Cos.[2]	407,034	26,976	225.9	107.2	118.4	606,080	(9.0)	(46,601)	61.8	69,265	(8.0)	325,332	127.8
4	Kemper Corp.	2,465,805	100,323	176.5	107.1	115.3	559,049	4.2	(42,998)	46.1	57,171	3.7	354,586	17.9
5	Fireman's Fund Ins. Cos.	2,677,800	114,400	168.2	108.8	126.4	2,575,400	16.9	(205,000)	63.6	343,800	(1.2)	1,249,300	18.3
6	Crum & Forster Inc.	2,295,900	55,500	150.6	111.2	123.0	2,192,700	28.5	(273,600)	35.9	324,400	18.7	1,116,900	143.1
7	Continental Corp.	4,377,000	145,600	155.4	106.3[2]	114.6[2]	2,695,400	21.4	(139,500)	55.0	254,618	(1.7)	1,336,000	47.6
8	Chubb Corp.	2,325,200	159,400	152.2	99.2[2]	111.5[2]	1,870,100	36.9	(23,900)	84.3	170,000	19.6	920,100	38.3
9	Hartford Insurance Group	6,196,535	213,027	138.4	105.3	113.6	4,364,637	38.6	(246,536)	39.5	422,475	25.5	2,180,577	50.1
10	Fremont General Corp.	68,324	2,128	135.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
11	The Home Group Inc.	1,619,600	22,800	116.9	115.2	138.7	1,501,100	15.6	(200,900)	57.3	278,800	17.3	797,000	13.1
12	USF&G Corp.	3,159,338	173,746	116.5	109.6	119.0	2,741,372	21.5	(282,357)	35.0	414,484	64.4	1,126,400	35.1
13	CIGNA Corp.	12,554,200	329,400	112.8	110.6	123.1	4,141,800	18.5	(411,400)	45.6	531,600	12.9	1,510,000	13.0
14	Ohio Casualty Corp.	1,035,768	45,006	92.1	105.2	110.2	978,737	21.1	(54,658)	32.1	103,733	17.0	440,772	26.6
15	Aetna Life & Casualty Co.	14,833,000	498,300	85.5	107.5	116.1	4,609,100	27.8	(344,100)	30.4	542,800	26.2	5,937,611	27.2
16	Mission Ins. Group Inc.	96,479	(16,744)	74.3	109.8	N/A	100,057	N/A	(8,326)	N/A	5,189	N/A	31,170	N/A
17	Hartford Steam Boiler	286,328	33,110	72.3	85.8	94.8	210,357	18.5	28,095	267.4	21,181	18.0	199,584	49.0
18	General Re Corp.	2,248,602	178,387	72.2	104.1[2]	112.7[2]	1,806,889	63.7	(78,687)	34.5	282,366	37.6	1,603,672	58.9
19	American International Group	6,241,457	454,005	71.2	101.3	106.1	4,684,260	57.4	(85,568)	52.8	375,012	36.8	4,576,850[4]	34.6
20	CNA Financial Corp.	4,527,000	196,300	60.4	116.5	123.8	3,047,000[2]	53.2	(491,100)[2]	3.4	494,400[2]	22.3	1,618,000	40.1
21	SAFECO Corp.	2,046,632	122,771	41.3	105.3	111.2	1,032,030	17.9	(50,227)	44.1	111,031	19.8	571,103	30.8
22	American General Corp.	4,382,000	391,000	22.6	105.9[2]	111.9[2]	1,124,000	26.9	(53,000)	36.9	113,000	15.3	859,000	41.1
23	Travelers Corp.	12,085,700	284,500	19.7	107.6	114.5	3,856,100	22.7	(287,000)	36.0	337,700	13.5	1,660,500	24.0
24	Old Republic Int'l (incl. life)[3]	841,900	45,300	2.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	Reliance Ins. Co. & subs.	1,991,854	(80,080)	(321.4)	120.8[2]	113.5[2]	1,143,325	8.7	(226,203)	(113.6)	108,289	(18.8)	369,200	(5.2)
—	Nationwide Mutual Ins. Co.[2]	N/A	N/A	N/A	112.1	112.7	4,337,367	40.6	(499,009)	(39.1)	405,453	14.3	2,004,784	2.5
—	Liberty Mutual Ins. Co.[2]	N/A	N/A	N/A	111.9	116.2	4,159,609	38.3	(373,992)	4.7	505,707	14.4	N/A	N/A
—	Commercial Union Ins.[2]	N/A	N/A	N/A	113.7	122.5	767,000	6.7	(113,600)	27.7	113,500	(7.5)	450,000	23.4
	Cumulative	91,102,103	3,742,578	171.0	108.4	116.9	58,492,600	29.4	(4,796,785)	33.9	6,881,902	17.9	32,071,711	31.7

[1] After dividends. [2] Statutory. [3] Before dividends. [4] GAAP. N/A—Company did not provide data

Continued from previous page

target, in mid-November sold 350,000 shares of company stock and its stock price subsequently rose $1.

Meanwhile, investors say insurers' investment income is expected to grow, despite stagnant interest rates, because of the increased cash flow generated by their rising premium volumes.

"I think that since the cash flows are so much greater than had been anticipated, I think we've got much greater investment income than anyone has suspected," said First Boston's Mr. Seifer.

A new factor on the horizon that may affect insurers' bottom lines is the Tax Reform Act of 1986, but observers say the new tax law should not present most insurers with any immediate earnings concerns.

"Near term, it's not going to mean too much for reported earnings for most companies," said Shearson Lehman's Mr. Weinhoff.

Most of the tax changes relate to timing differences, so there will be no immediate impact on reported earnings, said June I. Hoffer, a securities analyst with Prudential/Bache Securities in New York.

Mr. Seifer noted, however, that "there are still some parts of the law that have to be worked out or reworded."

Some observers also expressed concern about the impact of increasing competition in group health insurance lines, spurred by the development of health maintenance organizations and preferred provider organizations, on the operating earnings of large, multiline insurers.

Mr. Lewinsohn said the group health business is one negative element in the insurers' nine-month results. Multiline insurers "are experiencing greater competition in their business," particularly from HMOs, he said.

"The scenario doesn't look real good for multiline carriers," said Rudolph A. Martin, a securities analyst with Dean Witter Reynolds in New York. ■

BI Industry Stock Report

November 26, 1986 11/20/86 thru 11/26/86

Brokers		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
Alexander & Alexander svcs	NYSE	28.13	6.1	401.8	1.00	3.6	28.13	27.50	783.4
Baldwin & Lyons Inc	OTC	22.00	-8.3	17.9	0.20	0.9	25.00	22.00	0.7
Corroon & Black Corp	NYSE	36.00	8.3	16.3	0.65	1.8	36.13	34.38	118.9
Crump E H Cos Inc	OTC	32.75	0.0	31.5	0.25	0.8	0.00	0.00	0.0
Gallagher Arthur J & Co	OTC	28.75	3.6	21.0	0.20	0.7	28.75	27.75	73.9
Hall Frank B & Co Inc	NYSE	16.25	-4.4	0.0	0.00	0.0	16.88	15.88*	257.3
Marsh & Mclennan Cos Inc	NYSE	62.25	7.1	19.9	1.90	3.1	62.25	60.88	482.1
Poe & Assoc Inc	OTC	11.75	0.0	14.9	0.32	2.7	11.75	11.75	1.2
AGENTS/BROKERS	AVERAGE			22.5		2.0			
Conglomerates & Holding Cos.									
American Express(Fireman's Fd)	NYSE	57.50	5.0	10.5	1.36	2.4	57.75	56.13	3,576.1
Anderson Clayton(Ranger/PanAm)	NYSE	65.63	0.0	47.9	0.00	0.0	0.00	0.00	0.0
Armco Inc	NYSE	5.25	20.0	0.0	0.00	0.0	5.25	4.38	1,545.6
Berkley W R Corp	OTC	24.75	4.2	13.7	0.24	1.0	25.00	23.50	206.0
Berkshire Hathaway Inc Del	OTC	2765.00	-1.6	160.4	0.00	0.0	2800.00	2765.00	0.6
CIGNA Corp	NYSE	54.38	5.8	0.0	2.60	4.8	54.88	53.50	1,531.9
CNA Finl Corp (CNA)	NYSE	53.63	7.3	13.5	0.00	0.0	53.63	50.88	336.7
General Re Corp	NYSE	53.13	4.7	22.9	0.88	1.7	53.88	52.13	1,318.2
ITT (Hartford Group)	NYSE	55.00	5.8	26.1	1.00	1.8	55.00	53.00	1,958.3
Sears Roebuck & Co. (Allstate)	NYSE	43.50	5.8	11.9	1.76	4.0	43.75	42.50	4,332.4
Teledyne Inc (Argonaut)	NYSE	320.50	4.1	12.9	0.00	0.0	320.50	311.88	130.2
Transamerica Corp (Occidental)	NYSE	34.75	1.1	10.0	1.76	5.1	35.25	34.75	541.0
CONGLOMERATES/HOLDING COS.	AVERAGE			52.5		0.2			
Insurers									
Aetna Life & Cas Co	NYSE	57.50	8.0	10.0	2.64	4.6	57.50	54.50	2,179.9
American General Corp	NYSE	38.75	6.2	10.6	1.12	2.9	38.88	37.63	1,436.9
Amern Heritage Life Invt Co	NYSE	39.13	0.0	14.0	1.32	3.4	39.19	39.13	2.3
American Indty Finl Corp	OTC	19.00	2.7	0.0	1.12	5.9	19.00	18.50	8.3
American Intl Group Inc	NYSE	59.00	4.4	16.9	0.25	0.4	59.75	58.63	1,623.3
Aneco Reins Ltd	OTC	2.13	-5.6	0.0	0.00	0.0	2.25	2.13	136.5
Avemco Corp	NYSE	28.00	-2.6	13.7	0.50	1.8	28.63	28.00	13.9
Business Mens Assurn Co Amer	OTC	26.25	1.0	0.0	1.10	4.2	26.63	26.25	52.7
Chubb Corp	NYSE	61.63	7.4	24.7	1.56	2.5	61.63	59.63	1,089.9
Combined Intl Corp	NYSE	54.88	2.1	10.3	2.24	4.1	55.25	54.25	294.9
Continental Corp	NYSE	46.25	5.4	220.2	2.40	5.2	46.25	44.88	343.0
Crown Life Ins Co	OTC	360.00	0.0	12.4	6.40	1.8	360.00	360.00	0.4
Durham Corp	OTC	40.50	-1.2	12.4	1.36	3.4	41.00	40.50	27.6
Farmers Group Inc	OTC	40.50	8.0	13.5	1.00	2.5	40.50	38.25	533.4
Fairmont Finl Inc	AMEX	15.88	-0.8	12.7	0.00	0.0	16.00	15.88	67.8
Fireman Fd Corp	NYSE	34.00	4.6	0.0	0.30	0.9	34.50	32.75	1,225.4
Fremont Gen Corp	OTC	17.00	2.3	0.0	0.48	2.8	17.25	16.88	159.3
Great West Life Assurn Co	OTC	740.00	0.0	15.2	18.00	2.4	740.00	740.00	0.0
Home Group Inc	AMEX	18.13	4.3	29.2	0.00	0.0	18.50	17.50	473.8
Hanover Ins Co	OTC	61.25	-1.4	13.0	0.56	0.9	61.50	61.25	18.1
Hartford Steam Boiler Insptn	OTC	47.50	4.4	12.1	1.20	2.5	47.50	45.25	170.5
Kans City Life Ins	OTC	27.00	-2.7	11.3	0.87	3.2	27.00	25.75*	24.6
Kemper Corp	OTC	24.75	3.1	9.9	0.60	2.4	25.00	24.00	713.1
Liberty Corp S C	NYSE	37.00	-1.3	12.5	0.72	1.9	38.50	36.75	17.3
Lincoln Natl Corp Ind	NYSE	49.25	5.1	11.3	2.16	4.4	49.25	47.00	395.8
Mission Ins Group Inc	PAC	1.88	0.0	0.0	0.00	0.0	4.38	1.75	21.0
Monumental Corp	OTC	55.63	0.0	18.8	0.00	0.0	55.63	55.63	1.1
Nac Re Corp	OTC	27.00	0.0	0.0	0.00	0.0	27.00	26.25*	192.5
Nobel Ins Ltd	OTC	15.00	-1.6	11.3	0.37	2.5	15.00	14.50	30.4
Northwestern Natl Life Ins	OTC	31.25	1.2	10.4	0.86	2.8	31.25	31.00	144.7
Ohio Cas Corp	OTC	78.00	3.3	14.7	3.00	3.8	78.00	76.25	73.0
Old Rep Intl Corp	OTC	29.88	0.0	11.6	0.78	2.6	30.50	29.88	279.6
Orion Cap Corp	NYSE	28.00	4.7	0.0	0.76	2.7	28.00	27.13	80.6
Protective Corp	OTC	19.25	0.0	10.6	0.70	3.6	19.25	19.00*	41.3
Provident Life & Acc Ins Co	OTC	24.75	2.1	9.4	0.84	3.4	24.75	23.88	195.3
St Paul Cos Inc	OTC	38.00	2.7	11.7	1.50	3.9	38.00	38.00	705.7
SAFECO Corp	OTC	54.75	2.3	12.0	1.70	3.1	54.75	53.50	343.3
Seibels Bruce Group Inc	OTC	15.00	1.7	0.0	0.80	5.3	15.00	14.75	29.0
Selective Ins Group Inc	OTC	22.25	3.5	43.6	0.92	4.1	22.25	21.75	51.3
Statesman Group Inc	OTC	5.13	0.0	0.0	0.05	1.0	5.13	5.13	54.2
Tokio Marine & Fire Ins Co	OTC	493.00	6.0	55.5	1.66	0.3	493.00	464.25	5.4
Torchmark Corp	NYSE	28.50	0.9	10.9	0.80	2.8	28.63	28.13	750.3
Travelers Corp	NYSE	45.50	5.8	10.9	2.16	4.7	45.50	43.38	1,301.7
Tremwick Group Inc	OTC	16.25	8.3	125.0	0.00	0.0	16.25	15.00	27.6
United Fire & Cas Co	OTC	28.00	3.7	13.1	0.80	2.9	28.00	27.00	3.5
United States Fid & Gty Co	NYSE	38.38	3.7	44.1	2.32	6.0	38.50	38.38	1,354.7
Uslife Corp	NYSE	47.13	3.3	12.2	1.20	2.5	47.38	46.25	178.6
Washington Natl Corp	NYSE	31.88	-0.4	14.5	1.08	3.4	32.25	31.88	167.4
Zenith Natl Ins Corp	OTC	22.75	4.6	27.4	0.80	3.5	23.25	22.75	345.6
INSURANCE COMPANIES	AVERAGE			16.1		2.2			

System design: Altman Information Systems

BI Insurance Index



The *Business Insurance* index rebounded last week, closing at 478.8 points on Nov. 25, a 11.5-point surge from 467.3 points on Nov. 19. Thirty-eight stocks posted gains, 10 posted losses and 13 remained unchanged. Leading gainers were: Trenwick Group Inc. and Corroon & Black Corp., both up 8.3%; and Farmers Group Inc. and Aetna Life & Casualty Co., both up 8.0%. Stocks posting the biggest losses were: Aneco Reinsurance Ltd., down 5.6%; Frank B. Hall & Co. Inc., down 4.4%; and Kansas City Life Insurance Co., down 2.7%. Leading stock market indicators outpaced the *BI* index, which averaged a 2.5% gain. The NYSE composite closed up 4.0%; S&P's 500 index leaped 4.4%; and the Dow Jones 30 industrials average surged 4.7%.

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