DECEMBER 1, 1997

Business Insurance®

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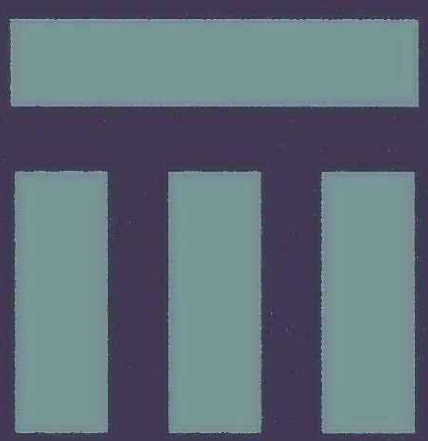

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Updates

N.Y. court extends the time keyboard claimants have to sue

ALBANY, N.Y.—Plaintiffs will have three years from the time symptoms appear or the last time they used a keyboard they allege caused injuries to sue equipment manufacturers, New York's highest court has decided.

Last week's ruling overturns a lower court determination that lawsuits had to be filed within three years of when a person first used the allegedly offending keyboard.

The clock now will begin running from the time a claimant's symptoms appear or from the last time the claimant used

See **Updates** *on next page*

OSHA compliance plan criticized by employers

By DAVE LENCKUS

WASHINGTON—A new federal initiative that targets the nation's unsafest workplaces but also would give most of them a chance to eliminate hazards and avoid comprehensive inspections is fraught with potential problems, employer representatives assert.

Under the Cooperative Compliance Program, which federal safety officials unveiled last week, employers on a priority workplace inspection list could avoid comprehensive inspections by making a top-down commitment to safeguarding their workers. Among other things, those employers would have to agree to implement formal safety and health plans.

The Occupational Safety and Health Administration does not have regulatory authority to impose that requirement on employers, though the agency is working on developing such a standard.

Employer representatives say the CCP, modeled after OSHA's Maine 200 program (*BI*, Oct. 9, 1995), unfairly focuses on employers that have a high frequency of injuries, rather than on those with injury severity problems.

In addition, contrary to the principle underlying the Clinton administration's approach to reinventing government, the CCP is largely a coercive plan, not a partnership between business and government, critics say.

An OSHA spokeswoman agreed that the targeting criteria may not be the best, but she said it is far better than the approach used in pilot programs OSHA has launched in several states.

She also stressed that the program offers employers facing an inspection a good chance of avoiding that headache.

Employers also will be working toward safer worksites and lower workers comp claims, she said. "What have you got to lose? You know you're going to get an inspection otherwise."

Labor, which has criticized the state pilot programs, supports the

See **OSHA** *on page 55*

Transit battles conflict claim

Reinsurer cites judge's wife's ties to insurer's lawyer

JEFFERSON CITY, Mo.—Transit Casualty Co. is locked in a bitter dispute with one of its reinsurers over charges that the longtime supervising judge in the Transit receivership has a conflict of interest that raises questions about his impartiality.

Winterthur Swiss Insurance Co. earlier this month sought to disqualify Cole County, Mo., Circuit Judge Byron L. Kinder from hearing any Transit-related litigation after discovering that Judge Kinder's wife works for a lobbying firm headed by Transit's chief lawyer.

"Winterthur has just cause to believe that it cannot have a fair and impartial trial" in Cole County, the reinsurer's filings say. "Would not any reasonable person . . .find palpable impropriety in being compelled to have his dispute adjudicated by (Transit's) supervising judge when the judge's wife is a lobbying 'affiliate' of his opposing counsel?"

In addition to the disqualification, Winterthur asked that its case be moved to another county, arguing that the only other circuit judge in Cole County is a close friend of Judge Kinder's, raising more questions about impartiality.

Transit lawyers countered that Judge Kinder himself disclosed the "potential conflict" in 1989, and turned over review of the Transit general counsel's legal bills to the other circuit judge, Thomas J. Brown III.

At a hearing last week, Judge Brown took over the Winterthur case himself without addressing the disqualification arguments. He also denied Winterthur's request for a change of venue.

J. Burleigh Arnold, Transit's special deputy receiver, attacked the Winterthur filings as "character assassination."

"In a small town, sons practice (law) in front of their fathers," said James C. Owen, a partner with McCarthy, Leonard, Kaemmerer, Owen, Lamkin & McGovern, Transit's general counsel. "In small towns, people know the judge.

"If you made that a problem in Missouri, in most small circuits in this country you are going to have a problem."

See **Transit** *on page 58*

Rent-a-captives may grow

New interest seen in alternative facilities, experts say

By RODD ZOLKOS

AVENTURA, Fla.—Rent-a-captives may be poised to take on new prominence among risk financing options, if the amount of conversation about the facilities during the World Captive and Alternative Risk Financing Forum is any indication.

While policyholders might be growing more aware of the attractive risk transfer opportunities that rent-a-captives may offer, there's also potential new interest from captive insurance domiciles, with Vermont examining the possibility of allowing rent-a-captives to form there.

Although the rent-a-captive concept has been around since at least the 1970s, "I believe there's remarkable potential for creative uses of this vehicle," said Michael J. Burns, an attorney with Appleby, Spurling & Kemp in Hamilton, Bermuda, who participated in the rent-a-captive panel at the Nov. 16-19 conference in Aventura, Fla.

7th World Captive and Risk Financing Forum
Conference coverage continues on page 45

"The quiet years are over, and the fun is now ready to begin," Mr. Burns said. "The rent-a-captive concept has been in something of an evolutionary stage. But it has been used in specialized situations for almost as long as the captive concept has been around."

Another panelist, Michael Maglaras, principal at Michael Maglaras & Co. in Stamford, Conn., dispelled what he said may be some common notions about rent-a-captives, among them that rent-a-captives are only for smaller risks.

See **Rent** *on page 45*

Home shares change hands in latest restructuring

By GAVIN SOUTER

NEW YORK—Trygg-Hansa SPP Group has transferred its majority stake in Home Holdings Inc. to a bank trust, a prelude to a restructuring of Home Holdings and its debt.

Trygg-Hansa's common and preferred stock in Home Holdings late last month was placed in a trust with Citizens Bank New Hampshire as trustee for the benefit of Trygg-Hansa stockholders.

This transfer of 80% of Home's shares to a trust excludes the Home Holdings shares from the purchase of the Stockholm, Sweden-based insurer by Skandinaviska Enskilda Banken (*BI*, Oct. 13). The transfer, however, was contemplated before SE Banken made its bid for Trygg-Hansa.

The transfer of shares to a trust is intended to maximize tax advantages for Home Holdings and is the first part of a planned restructuring of the insurer and its debt, said David Nichols, the examiner appointed by the New Hampshire Insurance Department to oversee the run-off of The Home Insurance Co., the main operating unit of Home Holdings.

Zurich Insurance Group took over the profitable business of The Home in a controversial deal approved by regulators in June 1995.

A Zurich unit, Risk Enterprise Management Inc., manages the runoff of The Home's long-tail liabilities, and Zurich provided a $1.59 billion reinsurance contract for The Home. Although it owns about 15% of the holding company shares, Zurich did not assume the liabilities of The Home.

The restructuring is intended to benefit policyholders and bondholders, said Louis Feldman, vp at New York-based Zurich Centre Resource, part of Zurich Insurance Group.

The restructuring should be completed by the end of December, he said.

Home Holdings has a deadline of Dec. 15 to pay $11.6 million in interest payment to its bondholders. Home Holdings made a similar $11.6 million payment to bondholders in July one month after its due date.

Richard H. Hershman, treasurer of Home Holdings, said he could not say whether it would pay its bondholders on time.

Zurich has provided Home Holdings with $290 million in reinsurance specifically to cover payments to bondholders.

See **Home** *on page 58*

Trygg-Hansa may exit Home

February 1991: Trygg-Hansa SPP Group takes a majority stake in Home Holdings Inc., the holding company for The Home Insurance Co. The stake was to become the centerpiece of its international expansion plans.

November 1994: The Home is downgraded by rating agencies because of long-tail liability problems.

March 1997: The Home is placed under formal state supervision after falling short of risk-based capital requirements.

June 1995: Regulators approve Zurich Insurance Group's controversial deal to take over the profitable business of The Home while placing the rest of the insurer in run-off.

November 1997: Trygg-Hansa places its shares of Home in a bank trust as the first part of a proposed restructuring program of the defunct insurer.

GRAPHIC BY JOHN HALL

Updates

N.Y. sets RSI suit deadline

Continued from previous page
an allegedly injury-causing keyboard, whichever is earlier, according to a unanimous ruling by the New York Court of Appeals.

Both rulings are in connection with the New York County Data Entry Worker Product Liability Litigation, a consolidation of more than 90 suits in state Supreme Court in Manhattan. The suits were filed against the nation's leading computer equipment makers: International Business Machines Corp., Apple Computer Inc., Unisys Corp., Honeywell Inc., Digital Equipment Corp., Compaq Computer Corp., Dell Computer Corp. and KeyTronic Corp.

Judge Richard Wesley, writing for the Court of Appeals, said it is unrealistic to use that first-use standard.

"It would be absurd to argue that a person who simply touches a keyboard sustains the type of trauma that will eventually lead to RSI," he wrote.

The appellate court also disagreed with the plaintiffs' argument that the state's "toxic torts" law, which extends the statute of limitations for suing for past exposure to toxic substances, should apply to keyboard injury suits.

"A keyboard is obviously not an inherently toxic or dangerous substance, and exposure to a keyboard is not a 'wrongful invasion' in the same sense as is exposure to a toxic substance," the court said.

The ruling sends the case back to the Supreme Court for trial.

Utah hurts PacifiCare results

SANTA ANA, Calif.—PacifiCare Health Systems Inc. says it will report a fourth quarter loss because of losses in Utah and a restructuring.

Expected 1997 losses of $40 million to $50 million in Utah, where PacifiCare acquired operations through its acquisition of FHP International Corp. earlier this year, will mean fourth-quarter earnings of 30 cents to 40 cents per share, compared with analysts' estimate of 69 cents per share.

In addition, the company will take a pretax charge to earnings of $115 million to $145 million, or $2.25 to $2.80 per share, to write off good will and restructure the company's operations.

Including the charge, the company is expected to report a fourth-quarter loss of $85 million to $115 million.

PacifiCare reported $92.3 million in net income for the nine-month period, including $44 million in pretax charges.

A spokeswoman said Santa Ana, Calif.-based PacifiCare's problems in Utah included the closing or downsizing of four hospitals, which forced PacifiCare to use hospitals that charged higher per-diem rates; computer problems related to PacifiCare's change in how it tracked its 186,000 Utah members; difficulty in persuading doctors to accept its capitation rates; and competition from Salt Lake City, Utah-based Intermountain Health Care Corp., which dominates that market. As a result, it will sell its Utah operations.

PacifiCare operates in 11 states and Guam, serving about 3.8 million members. The company said that while it also has unprofitable operations in Washington, Ohio, Nevada and Oregon, it thinks it can still successfully compete in those markets.

Reinsurers' numbers improve

WASHINGTON—Reinsurers' combined ratios continued to improve during the first nine months of this year, according to a report released in late November by the Reinsurance Assn. of America.

A group of 43 reinsurers posted an average combined ratio of 101.3% during the first three quarters of this year, an improvement of nearly two percentage points from the 103.1% combined ratio reported by a similar group of reinsurers for the first nine months of 1996, the RAA said.

Reinsurers' net written premium increased 6.7% to $15.07 billion for the first nine months of this year compared with $14.12 billion during the same period of 1996.

Lloyd's bans two brokers

LONDON—Lloyd's of London last week permanently banned two brokers formerly employed by Bain Hogg Group for receiving more than $30,000 each as inducements to show favor to a third party.

Derek Hedgecock, a Lloyd's broker for 43 years, and Michael McPhilimey, a Lloyd's broker for 20 years, each admitted their offense. They were fined £10,000 ($6,670) each and ordered to pay costs to Lloyd's of £5,000 ($3,389).

Mr. Hedgecock admitted that in February 1996, when he was an executive director of Bain Hogg's reinsurance division, he received $35,000 from an agent for a third party to a proposed reinsurance deal.

Mr. McPhilimey, who was then an executive director in Bain Hogg's credit and political risk division, admitted accepting $33,333 from the agent.

Neither had told his employer of receiving the payments, and Bain Hogg had dismissed them both after its own internal investigation.

The permanent Lloyd's bans were decided after a hearing of the cases by Lloyd's Disciplinary Board, which has been taking a firm line on the regulation of brokers and intermediaries.

See **Updates** *on page 58*

Errors & omissions

- Kemper Insurance Cos. was incorrectly identified by its previous name, Kemper National Insurance Cos., in a Nov. 24 article.

Generali to raise funds

Insurer may boost bid for AGF or seek other targets: Analysts

By MARIA KIELMAS

TRIESTE, Italy—The board of Assicurazioni Generali S.p.A. has approved raising more than $12 billion to make acquisitions, which may translate into more funds behind its hostile takeover bid for French insurer Assurances Generales de France.

The news that Generali is bolstering its resources has triggered expectations of a bidding war for the French insurer, whose management already has rejected the Generali offer in favor of a friendly takeover bid from Allianz A.G. Holding (*BI*, Nov. 24). The bids ultimately must win the support of shareholders and the French government.

Generali's move to raise funds has also sparked speculation that the Italian insurer already may be looking at other acquisition targets in the event its AGF bid fails.

Generali will decide whether to raise or withdraw its bid for AGF once the French Finance Ministry rules on the acceptability of Generali's first bid, which was made in mid-October.

"We haven't received any decision on the validity of our bid (from the Finance Ministry) so the counteroffer from Allianz legally doesn't exist," said Benito Pagnanelli, deputy general manager of Generali in Trieste.

The French Finance Ministry is expected to issue a decision on Generali's offer perhaps as early as this week.

Generali's board of directors voted Nov. 22 to seek shareholder

See **AGF** *on page 59*

Weather 'hedges' clip climate risks

By MICHAEL BRADFORD

NEW YORK—Businesses that stand to lose money because of bad weather can hedge that risk with a contract from a newly formed company.

Worldwide Weather Trading Co. recently began offering "weather hedges" that are triggered when certain weather conditions occur. In a twist on the trend that has seen capital markets securitize weather-related exposures, the ultimate risk-bearer for these new hedges is the insurance market.

Worldwide Weather pays the contracts as they are triggered and is indemnified by insurers.

"The capital markets have been coming in to take business away from the insurance industry, but we're having insurers come in and take money from the capital markets," said Harold C. Mollin, managing director and CEO of Worldwide Weather. "We're doing insurance-ization instead of securitization."

A consortium of global insurers and reinsurers is in place to provide the security behind Worldwide Weather, according to Mr. Mollin. Among the insurers is Legion Insurance Co., a unit of Bermuda-based Mutual Risk Management Ltd.

See **Weather** *on page 55*

Broker earnings strong following acquisition mania

By SALLY ROBERTS and SARAH GODDARD

Brokers that have taken part in the consolidation frenzy over the past year are reaping the benefits, while acquisition rumors continue to swirl around the industry.

Four out of five of the world's largest publicly held brokers surveyed by *Business Insurance* reported revenue and profit gains in U.S. dollars for the first nine months of 1997, compared with the same period in 1996. Chicago-based Aon Group Inc. led the way with an acquisition-fueled 95.3% increase in revenues to $2.8 billion. Willis Corroon Group P.L.C. was the only firm to report lower revenues and profits: Revenues dropped 6.1% to $835.9 million, and profits fell 25.1% to $65.1 million.

BROKERS RESULTS 9 Months

For the first time, *BI* is profiling the quarterly results of the publicly held among the world's Top 10 brokers. Previously, the quarterly rankings comprised only the largest U.S.-based publicly held brokers.

See **Brokers** *on page 53*

CIGNA sees flu prevention payoff

PHILADELPHIA—CIGNA Corp. is expanding its voluntary fall flu shot program to all 37,000 employees nationwide, after previous experience demonstrated its effectiveness.

The program has helped the company be more productive because employees who have been vaccinated are less likely to get the flu and to need time off work to recuperate from the respiratory infection, according to Vicky Dickson, director of the insurance company's Working Well Department, which provides health services to employees.

In addition, the employer "found that people experience fewer colds and flu-like symptoms," according to Ms. Dickson, a nurse practitioner.

Influenza symptoms include chill and fever higher than 103 degrees Fahrenheit, muscle aches, weakness and fatigue, headache and eye pain, a dry cough and a sore throat.

For the past four flu seasons, CIGNA's clinical staff has administered flu shots to employees at CIGNA's main offices in four cities and studied a variety of measures to determine their effectiveness, according to a report from Philadelphia-based CIGNA.

During the 1995-1996 flu season, nearly 3,000 employees were vaccinated. Only 10% of those employees reported having flu-like symptoms, compared with 30% the year before among unvaccinated employees.

The company also saw a significant decrease in lost time due to colds and flu during that period: Employees who received the flu

See **Flu shots** *on page 55*

Inside

- Three recent sexual harassment cases should focus employer attention on the issue, and we think the U.S. Supreme Court should limit employers' liability for supervisor actions, this week's editorial says. **PAGE 8**
- Japan's largest non-life insurer has bought $90 million in fully collateralized earthquake coverage. **PAGE 49**
- States, not the federal government, should continue to regulate insurers, the president of the National Assn. of Independent Insurers says. **PAGE 60**

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Risk managers get caught in the World Wide Web

By DEBORAH SHALOWITZ COWANS

Many risk managers say their most valuable tool on the Internet is a risk and insurance bulletin board called RISKWeb.

Other useful World Wide Web sites include those provided by state governments and federal agencies, sites offered by organizations or universities, and sites maintained by news providers, according to risk managers.

Risk managers also like the Risk & Insurance Management Society Inc.'s home page, which is undergoing enhancements (see story, page 17). Few risk managers said vendor-provided Web sites are useful.

RISKWeb is an electronic bulletin board that allows people around the world to discuss risk and insurance issues by posting electronic mail messages to each other.

Discussion topics range from corporate risk management to underwriting to insurance solvency and regulation. Online submissions to RISKWeb are posted on the Web site and also redistributed to subscribers.

As of late November, RISKWeb had about 2,300 subscribers around the world. People interested in joining RISKWeb can send a message saying "join riskweb" to list@riskweb.com. or access the Web site at http://www.riskweb.com.

RISKWeb is a free service offered by InsWeb Corp., a technology company in San Mateo, Calif.

RISKWeb is "the place to go to get the most recent, the most professional, the most useful information," stated Dale Adams, supervisor of risk analysis for Staffing Resources Inc., an Irving, Texas, temporary staffing company.

"I've been to just about every risk management-related site out there, and 99% of them I haven't been back to a second time because there's just nothing there of interest," Mr. Adams said.

Janna Maxey, risk manager for the Baptist Foundation of Arizona in Phoenix, agreed that RISKWeb is her favorite risk management-related Web site.

"It's really been invaluable," she said. "I'm just finding all kinds of people I can go to to ask advice. I'm actually learning new things on a daily basis."

RISKWeb is "like having a reference library but with real people to talk to," commented Heidi M. Vulcano, director of risk management and employee benefits for New York-based Alper Holdings USA Inc., a privately held holding company.

Ms. Vulcano also cited RISKWeb as her favorite risk management-related site on the Web.

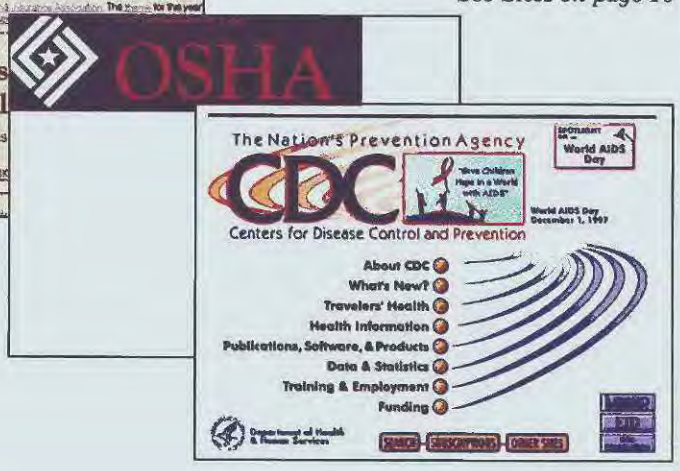
"It's really amazing when you can put that many heads together and see all the different sides of an issue," she said.

RISKWeb is "sort of like a support group for risk managers," Ms. Vulcano commented.

Several risk managers also have high praise for government-sponsored Web sites.

Federal government Web sites that risk managers said are particularly helpful include those provided by the Occupational Safety and Health Administration (http://www.osha.gov) and the Centers for

See **Sites** *on page 16*



Among risk managers' favorite Web sites are RISKWeb (above), the Occupational Safety and Health Administration home page (right), and the Centers for Disease Control site (far right).

Data integrity problem is creating converts

Several trends cause a switch to new systems

By DAVE LENCKUS

During its problem-riddled conversion of data to a new risk management information system two years ago, the Board of Risk and Insurance Management for the State of West Virginia discovered nearly $2 million of reserving reconciliation problems.

About 80% of the error eventually was traced to claims data mistakes by the board's outgoing third-party administrator, which only grudgingly assisted the board's new RMIS vendor during the transition period, according to Robert L. Ayers, chief financial officer of the board.

Most notably, the TPA, which was owned by the insurer that wrote the state's retrospectively rated coverage, had added to the state's account data from other policyholders' claims, Mr. Ayers said. In addition, the TPA had posted some legitimate claims to the wrong policy years, he said.

In the end, however, the underreserving totaled less than $300,000.

Under the agreement with his current vendor, there is far more up-front checking of data validity.

The agreement also assures Mr. Ayers of a smoother and less costly conversion in the future if he decides to change RMIS vendors.

At Memphis, Tenn.-based Mueller Industries Inc., claims data mistakes have led to a $2.3 million error in incurred claims totals for the company, said Risk Manager Millicent W. Workman. Most of the problem at Mueller involves workers compensation claims in Ohio, where the company self-insures that risk.

Ms. Workman said the problem occurred because Mueller's TPA, which also is the company's insurer and RMIS vendor, has not been capturing all of Mueller's excess insurance recoveries for the past two years. Mueller, it turns out, had not given the TPA the information necessary to properly capture the information.

Even as the current vendor is working on fixing the problem, Ms. Workman is shopping for a new system, though not because of those problems. She is looking for an in-house system.

But, referring to incurred claims, Ms. Workman emphasized, "Believe me, next time around we're going to know how that's picked up."

RMIS consultants and vendors warn that those cases illustrate how even risk

See **Data** *on page 10*

Data mining strikes gold for business decisions

By JOANNE WOJCIK

Risk managers always have known crunching numbers can help them spot business problems, but not everyone realizes it is now much easier to do.

Technological advancements are making it possible for risk managers to analyze data culled from numerous sources—inside and outside their companies.

Extracting meaningful information from numerous databases and cross-referencing it to find patterns, trends and correlations that might otherwise be overlooked is called "data mining." Assembling the information in one place is called "data warehousing." The objective is to analyze the information to make informed business decisions.

By definition, data mining usually focuses on legacy, or historic, data that is mostly transactional and financial, such as claims figures and reserves established.

"Opportunities are growing for data mining," said Chad Karls, an associate actuary in the Milwaukee office consultants of Milliman & Robertson Inc.

Unfortunately, few risk managers seem to be aware of data mining opportunities, other experts point out.

"If you asked risk managers what their investment is in data mining and data warehousing, they'd say not much," said Mark Dorn, president of DORN Technology Group Inc. in Livonia, Mich.

Yet many risk management solutions already are "holistic," derived by assembling information from numerous internal and external sources, he pointed out.

For example, employers can eliminate redundant disability expenses by cross-referencing health and workers compensation claims data.

The MEDSTAT Group helped one employer client do this shortly after the employer started cracking down on short-term disability claims.

"We found a lot of their workers did have claims in both (the STD and workers compensation) programs at the same time, and the ones that were overlap claims had a higher incidence of attorney involvement and much higher cost," said I. Jeff Turshen, consulting manager in Stamford, Conn.

MEDSTAT is conducting similar studies for other employer clients on the impact health promotion programs are having not

See **Mining** *on next page*

Inside:

Risk & Insurance Management Society upgrades its home page — page 17

More companies putting risk management manuals online via Intranets — page 17

Microsoft aims to share information on risk and risk solutions companywide — page 22

Annual directory of risk management information system vendors — page 28

Spotlight Editor: Dave Lenckus

Mining

Continued from previous page

only on health claims, but workers compensation claims, absence and turnover rates as well, according to Mr. Turshen.

The sources of information risk managers and their consultants can tap for data mining purposes are increasing constantly with the growth of the Internet and personal computing technology, experts say.

Information can be downloaded from the Internet or transferred directly via phone line from an external source, such as an insurance company database. Numerous database files also are available on disk, tape, cartridge and CD-ROM from government and private industry sources.

For example, "OSHA is a good source of data on injuries and incidence rates," Mr. Dorn said.

Other sources of pertinent external information available in a variety of formats include: third-party claims administrators, insurers, the Bureau of Labor Statistics, the National Council on Compensation Insurance, the American Compensation Assn. and the National Committee for Quality Assurance.

"A lot more data is readily available," observed Tim Beck, a principal at Buck Consultants Inc. in Los Angeles who specializes in health risk management.

Rick Betterley, managing director of Betterley-Donoghue, a Boston-based risk management consulting firm, said he recently conducted an employment practices liability exposure study for a client using information obtained from the Internet.

"The information was literally sitting there so that anyone could download it with a few mouse clicks," he said.

But Mr. Karls of Milliman & Robertson recommends that risk managers who pull information from the Internet take the time to verify its authenticity.

"Internet information integrity is in question," he said.

Still, he acknowledges there are benefits to using Internet data: It will be updated throughout the year, while information from government databases or other statistical gathering organizations such as A.M. Best Co. usually is updated annually.

Internally, risk managers usually have access to data on claims, payments, reserves, exposures, litigation and incidents.

While this information sometimes is assembled on a risk management information system, it often is being tracked separately.

"In a typical risk management office, there's a lot of information. But it's not always in one place," Mr. Dorn said.

Most data mining projects can be easily completed by inputting information from multiple databases into a single database program, such as Microsoft Access. The data miner then can test various assumptions by sorting the data in various ways in a spreadsheet program.

It's become easier for users to assemble information from numerous databases because most new database software programs adhere to the Open Database Connectivity Standard, according to Mr. Dorn.

Some such easily transferable "data fields"—which Mr. Dorn defined as types of information—are dates, ages, birthdates, ZIP codes, and financial information, such as payroll, sales and claims data.

By assembling the numerous data fields into a single database, risk managers can spot hidden patterns, trends and correlations.

"You also do come up with some surprises," said Mr. Turshen, who recently worked on a project involving Kentucky Fried Chicken's workers compensation claims experience.

The project, which required assembling data from human resources as well as risk management and other corporate sources, was highlighted at the recent *Business Insurance* Workers Compensation Conference in Santa Monica (*BI*, Nov. 10).

"One of the surprises at KFC was the inner-city stores had a fairly good track record, and then, as we dug deeper, we found that the reason was that the managers there tend to stay longer," Mr. Turshen recalled. "So you do have the impact of multiple variables on each other."

Another MEDSTAT study produced similarly surprising results, according to Patricia Insley, marketing manager in Ann Arbor, Mich.

In studying the relationship between supervisor feedback and employee absence rates, researchers found that greater feedback actually resulted in higher absence rates, not lower, as was assumed.

The findings caused the researchers to question the data, because "this was very counter-intuitive," she said.

But, after further examination, "what we found out was that the kinds of feedback that supervisors gave was productivity-based. . .so people saw this as a very painful experience rather than as a very encouraging experience," Ms. Insley said.

Risk managers should establish specific objectives before assembling a data warehouse from which to mine information, experts advise.

"If you ask risk managers how much data they want moved, they'll all say, 'All of it,'" Mr. Dorn quipped. But all of it may not be pertinent, he said.

"They need a plan."

Mr. Beck concurred.

"You need the right set of assumptions, or you'll end up with a flawed result," he said.

Often the data mining objective will depend on a risk manager's background.

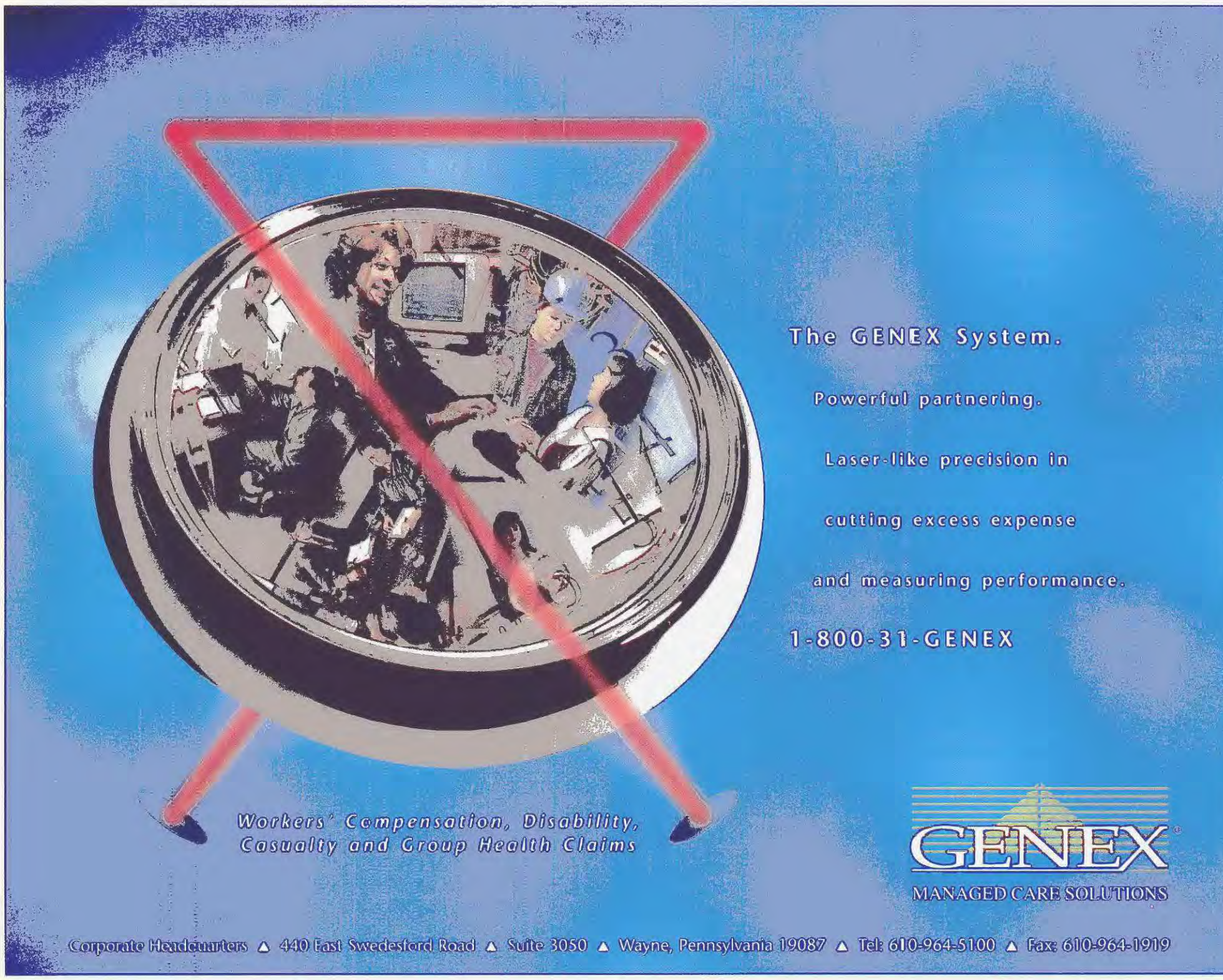
For example, a risk manager with a claims background may want to drill for information that will help him or her set more precise reserves, Mr. Dorn suggested.

But a risk manager with a more business-oriented background may want to use the data to forecast future claims frequency and/or severity using numerous growth scenarios.

Other risk managers may want to use the data to do benchmarking, comparing their companies' experience with industry performance standards.

Perhaps a risk manager will want to use the data to conduct a special study, such as the frequency of back-injury claims among workers over 40.

"You need to be clear which of these areas you want to focus on before starting," Mr. Dorn said. BI



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Opinions

Limit to employers' liability

EMPLOYERS SHOULD BE watching closely three sexual harassment cases currently in the spotlight for clues on how to minimize their own exposure to such claims.

The most visible of the three, all of which were reported in last week's issue, may be Smith Barney Inc.'s proposed multimillion-dollar settlement of sexual harassment and discrimination claims brought by a class that ultimately could include 20,000 present and former employees. However, while perhaps overshadowed by those numbers, the other two cases could have a far greater impact on employers, as their outcome will be determined by the court system and could set precedent for other employers.

In particular, a case involving the city of Boca Raton, Fla., that the U.S. Supreme Court has agreed to hear could provide employers with some much-needed limits on their liability for actions beyond their control—or could leave them more exposed.

In the case, *Faragher vs. the City of Boca Raton*, a former lifeguard is seeking to hold the city vicariously liable for the actions of supervisors who subjected her to unwanted sexual advances, comments and gestures.

The majority appellate opinion found that the city was neither directly nor indirectly liable for the actions of its supervisors, observing that the city had not been made aware of the harassment by the claimant and that the harassment did not fall within the scope of the supervisors' employment.

In a dissenting opinion, however, one appellate judge noted that "generally, the ultimate head of governing board does not have actual knowledge of the action. The very point of ascribing knowledge on a constructive basis is to recognize that liability can be imputed even when the employer has not been 'told. . . .' "

We would hope that the Supreme Court will agree that an employer should not be held liable for actions beyond the scope of its knowledge.

That said, it is incumbent upon employers to assure that a clear channel exists for employees to report claims to upper management, with alternate routes of communication in the event upper managers themselves are guilty of harassment. If employers have made good-faith and effective efforts to assure they are aware of problems in the workplace, then they should be immune from claims that are not brought to their attention, as was the case in *Faragher*.

But even employers that take extra steps to protect workers from harassment are not immune from lawsuits, as a claim brought against brewer Adolph Coors Co. shows.

In that case, a female employee sued Coors, alleging the company was negligent for allowing sexual harassment in the workplace and for failing to move quickly enough to eradicate it.

The suit was filed, however, after Coors had fired workers for alleged misconduct, installed security devices and personnel at the claimant's home and provided her with paid disability leave and other benefits because she feared for her safety in the workplace.

Coors contends it responded in a quick and decisive manner to her complaints and therefore should not be liable for her claims of negligence.

The question of how timely an employer's response is to sexual harassment threats in the workplace will be for the court to decide, and perhaps this will vary on a case-by-case basis.

Ultimately, we think the most an employer can do is have a clear sexual harassment policy, with easily available channels for reporting violations. Once it is made aware of a problem, an employer should act swiftly to protect the claimant and identify and discipline the violators in accordance with its policy.

Beyond that, should an employer be liable for the unauthorized actions of its employees? We think not, and we hope the courts will agree.

Letters

Support for fees on RRGs draws criticism

To the editor: Robert C. Quigley is off the mark in his Nov. 3 letter to the editor contending that regulation costs justify risk retention group fees. First, Mr. Quigley asserts that RRGs should be thought of as "a loose confederation of insureds with joint and several relationships which are only as strong as their weakest links." The fact is that few, if any, RRGs have joint and several liability among their members; and, the capital and surplus requirements needed to form a RRG are set by the RRG's domiciliary state regulator, who bases his or her judgment on, among other things, an independent actuarial report. Second, whether or not a non-domiciliary state can justify fees it attempts to impose on a RRG is irrelevant. The federal Liability Risk Retention Act clearly pre-empts the authority of non-domiciliary states to impose such fees.

Jon Harkavy
Vp and General Counsel
USA Risk Services Inc.
Arlington, Va.

* * *

To the editor: This letter is sent to you in reply to Robert C. Quigley's letter to the editor that appeared in your Nov. 3 issue. Mr. Quigley took issue with your Oct. 6 opinion concerning non-domiciliary regulation of risk retention groups. He thinks the fees charged risk retention groups by regulators in states in which the risk retention group is not domiciled are justified. He states: "In fact, risk retention groups continue to demand a disproportionate amount of time of state regulators' attention on matters of financial solvency." This is simply not true! The federal Risk Retention Act pre-empts state regulation, except for certain prescribed issues. The federal law imposes regulation on the state of domicile. If the non-domiciliary regulator is concerned about solvency, the federal law provides for injunctive relief if that regulator thinks the risk retention group is operating in a hazardous financial condition.

The truth is that these excessive fees are being charged to harass risk retention groups. Too many regulators still are resentful that the Risk Retention Act was passed in the first place. I think Mr. Quigley has another agenda in mind. Perhaps he has lost business to a risk retention group.

Donn P. McVeigh
Managing Director
CRC International
Oakland, Calif.

Letters to the Editor

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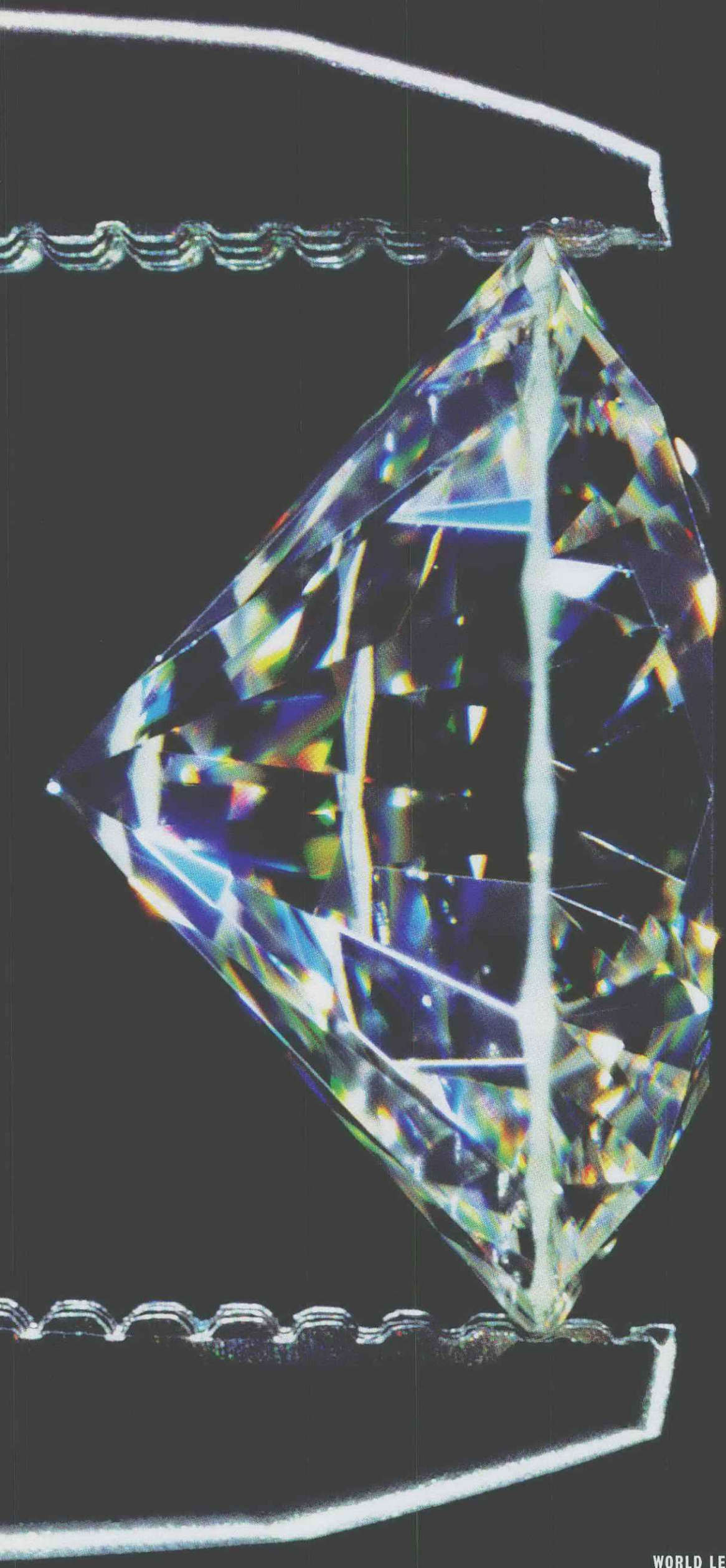

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Data

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managers who do not face the much-publicized Year 2000 computer problem likely are exposed to other information system dangers that are potentially more perilous and even more pressing: a lack of data integrity, or accuracy.

Data integrity is a problem risk managers must dispatch immediately, experts say.

Several trends are beginning to push risk managers to convert their data to new systems. That provides an opportune time to evaluate data integrity, experts say.

But, because of the absence of data standards—or a consistent method in how data sources collect, maintain and interpret data—risk managers will have to invest a lot of time in the conversion process to ensure that the converted data is interpreted and laid out in a way that will make the new system an effective tool.

At the same time, risk managers have to be careful they do not set themselves up for problems in future conversions.

While business has a couple years to fix the Year 2000 problem, bad data is coursing through many risk managers' information systems today. As a result, risk managers and their top management may be relying on erroneous information when they make decisions affecting their organizations' future.

A spokesman for the Self-Insurance Institute of America Inc. rejected the notion that the TPA industry may have a widespread problem with ensuring data integrity. As in any other industry, the lower service levels that some individual companies provide should not indict the entire industry, he said.

'You can have a great product, but if you're not getting the data in accurately, it's not doing you any good,' says Aon Risk Management Information's Kathy Burns.

Information system experts, though, contend the data integrity problem is extensive, regardless of the source.

"The only question is how high of a percentage rate of error there is in data, not whether there is" an error problem, said Mark Dorn, president of RMIS vendor DORN Technology Group Inc. of Livonia, Mich.

Mr. Dorn estimates there is an 8% to 20% error rate in data, spiking as high as 80% in some cases.

The problem is serious, concurs Paul Steinman, sales and product manager of risk management technology for New York-based J&H Marsh & McLennan Inc., which offers RMIS and data auditing products and services.

"One-third of every claim we touch—a location, a name spelling, the cause of loss—is incorrect," Mr. Steinman said.

Experts point the finger of blame at risk managers as much as at any other entity—TPA, insurer, broker, RMIS vendor—that is handling data.

Many risk managers, after making large investments in systems, fail to take the lead in ensuring the system is working with quality data.

"Risk managers are not providing any level of requirements for that data and are not auditing against any standard. That's not a reasonable way to do business," Mr. Dorn said.

"You can have a great product, but if you're not getting the data in accurately, it's not doing you any good," said Kathy Burns, senior vp with Aon Risk Management Information, a unit of Aon Worldwide Resources in Chicago.

The windows of opportunity for errors to enter data are wide open, and the screens against such infiltrations often have gaping holes, according to experts.

Keystroke errors occur when data is input. TPAs may make mistakes while transferring over data from insurers, especially because different systems code and interpret the same kinds of data differently. TPAs also may introduce the kind of errors that Mr. Ayers uncovered in his system. A file server system crash during data entry may corrupt data. A system bug may introduce additional errors. A vendor that performed an earlier conversion may not have done a good job of squaring—or mapping—data fields and data interpretations in the new system with those in the old system.

There may be no more opportune time for the risk management community to tackle the problem en masse, because so many risk managers are likely to convert data to new or upgraded systems soon.

The results of an Internet survey that Deloitte & Touche L.L.P.-Risk Management Consulting Services conducted between April and October show that at least 60% of 130 respondents are planning a system conversion, said David P. Duden, national RMIS practice leader in Hartford, Conn.

Mr. Duden acknowledged the survey's results may be skewed to risk managers who are "visiting the issue." But, he said anecdotal information supports those findings.

Many risk managers will be forced to convert their data soon because technical support is disappearing for their current systems. That is occurring because of the age of those systems and the consolidation in the RMIS vendor industry.

Risk managers can take one of many data auditing approaches, but there is no consensus among information systems experts about which is best.

Some RMIS vendors perform audits.

But, Bob Morrell, vp-research and development, and Jim Gibson, manager-client services for vendor Risk Laboratories L.L.C. of Roswell, Ga., recommends using vendors just to spot logic problems, such as duplicate claims or out-of-sequence dates in a claim's history.

Risk managers and their staffs should be auditing the data to make sure "whether something could possibly happen," like 14 workers comp claims at a two-

See **Data** *on page 14*

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Data

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person sales office in one month, Mr. Gibson said.

J&H/Marsh & McLennan's Mr. Steinman recommended a third-party audit. That approach assures the same objectivity companies seek when they use outside firms to audit their financial statements, he said.

John Raezor, managing director of research and development for client-based technology at Aon Worldwide Resources in New York and Trevose, Pa., cautioned against using the same company to perform a data audit and a conversion.

"I would never have the person doing the audit also doing the conversion," Mr. Raezor said. The conversion firm should follow the data acceptance testing that the auditor establishes, he explained.

Even after a data audit, risk managers still should plan to spend a lot more time looking at their data to complete the data conversion to the new system, experts said.

Risk managers have to be an integral part of the process of mapping the data fields in the older system to those in the new system, experts say. Data interpretation—determining, for example, whether reserves reflect paid claims—also is crucial.

Data mapping is necessary because few systems identify and interpret data in the same way. Converting data without mapping could create even more data problems for risk managers. Without mapping, some data may not be captured in the new system. Mapping also should ensure that captured data is treated similarly from system to system.

An abundance of time—not computer literacy—is the prerequisite for risk managers to help map data, information systems experts say. Data conversions consume a total of 80 to 160 hours of a risk manager's time, Mr. Dorn said.

'I would never have the person doing the audit also doing the conversion,' says John Raezor of Aon.

An industrywide data standard would largely eliminate the need for data mapping, experts said. Systems experts hope that day is approaching. Several initiatives to create a data standard are under way.

Among those heading initiatives are the Data Standards Task Force of the Risk & Insurance Management Society Inc.; Mr. Dorn, who has developed a standard and offers it free on his Web site at www.dorn.com or on computer disk for the cost of shipping; and the Public Entity Risk Data Project, which was created with proceeds from the settlement of the antitrust suit that many state attorneys general filed against the property/casualty insurance industry (*BI*, Aug. 19, 1996).

Risk managers also could use a healthy dose of good fortune during the conversion. Without it, they could have trouble retrieving some or all of their data from their older systems.

Risk managers with very old systems are most at risk. There is a greater chance that the program language or—far more important—the database in those older systems is proprietary, or non-standard. A program language allows the risk manager to create programs and business logic rules and talk to databases. A database format is how data is stored, and documentation on the format allows risk managers to understand and interpret their data even if the program language documentation is missing.

Understanding or getting to that data may be difficult at best—and perhaps impossible—if the original programmers cannot be traced and consulted or if they did not leave behind any documentation to help the current programmers understand how the data has been stored and interpreted.

Risk managers going through conversions now can take some protective measures to ensure future conversions go smoother and are less expensive. These include:

- Making sure the vendor uses a non-proprietary program language and database format.
- As part of the conversion contract, obtaining documentation that will help programmers in future conversions.

Some experts, such as Deloitte & Touche's Mr. Duden, suggest that risk managers insist on obtaining the source codes to the program language used in the mapping process. "You at least have a road map of how that data was converted and the assumptions that were made. Not enough people ask for that."

Source codes are the commands that make the system work.

But, many vendors will refuse to provide that.

"Software companies may ask, 'What protection do I have that you'll use it and not come back to me, or use it incorrectly, introduce a problem and then blame it on me?' " observed Aon Worldwide's Mr. Raezor. "That's a legitimate concern on their part."

Some vendors, though, will escrow the codes.

Other experts said the data mapping document, without the source codes, would be sufficient protection for risk managers. The data mapping document is all West Virginia's Mr. Ayers obtained from his new vendor.

Risk Laboratories' Mr. Gibson said risk managers should obtain from their data conversion vendors a file layout, which shows where each piece of data is stored and if it is in date, numeric or text form; a data dictionary for defining each data item; and translation tables, which interpret data codes used for items such as body parts and causes of loss.

- Planning an exit strategy with your current vendor. A new vendor, happy to have won a risk manager's business, likely will agree in writing how it will assist the risk manager in a future conversion with a different vendor, experts say.

Mr. Ayers, for example, extracted guarantees from his current vendor that it will provide a prescribed level of customer support if he decides to switch to another vendor. That support will cost a fraction of what Mr. Ayers had paid his former vendor during his most recent conversion.

While the data problem is a significant one, risk managers can fix it if they follow two pieces of advice, according to experts: Take the lead in fixing data problems and assess the overall cost of ownership when purchasing a system—including the cost of bad decisions based on bad data.

"Extravagance is always buying the cheapest thing," Mr. Raezor observed. BI

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Sites

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Disease Control and Prevention (http://www.cdc.gov).

Both sites offer statistical information that can be useful in benchmarking and for comparison purposes.

An easy way to access federal government Web sites is through a free service called the Federal Web Locator, offered by the Villanova University's Center for Information Law and Policy.

The Federal Web Locator (http://www.law.vill.edu/fed-agency/fedwebloc.html) bills itself as "one-stop shopping for federal government information on the World Wide Web."

The Federal Web Locator home page offers links to every branch of the federal government, all federal agencies and departments and numerous other government and quasi-government sources.

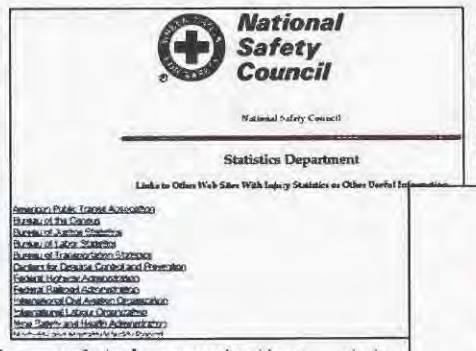
Risk managers said state-sponsored Web sites also are quite useful. These Web sites generally offer summaries of legislation that has been passed and legal decisions in the state.

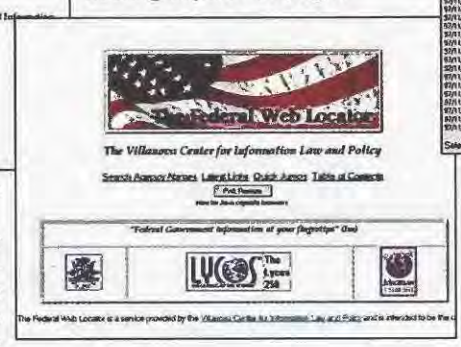
The quality of state-sponsored Web sites varies, risk managers agreed. "You have to be willing to explore the Web site" for a while to find the information you need, Ms. Vulcano advised.

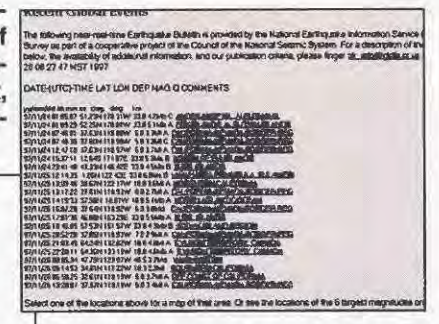
An easy way to access state government Web sites is through a free service offered by the Library of Congress. This site (http:lcweb.loc. gov/global/state/) offers meta-indexes for state and local government information, including links to numerous state-related organizations, state maps and each state.

Clicking on a particular state leads to more information, such as the state's home page and links to each branch and department in the state government.

Two state-sponsored Web sites risk managers mentioned as particularly helpful are those of California and Texas.







Risk managers find useful information from the Internet sites of organizations such as the National Safety Council, shown at left, and Carleton University's engineering department, right.

Risk managers also seem to like Web sites sponsored by organizations.

For example, the National Safety Council's Web site (http:www.nsc.org/lrs/statinfo/statlink.htm) is useful and has extensive links to other sites that provide injury statistics, noted James R. Brittle, risk manager for LaRoche Industries Inc., a chemical manufacturer based in Atlanta. Mr. Brittle said he uses statistics gleaned from these sources for benchmarking purposes and statistical comparisons.

University-sponsored Web sites also can be good sources of specialized information, risk managers said.

For example, Tampere University of Technology in Finland has a site called OSHWEB (http://turva.me.tut fi/~oshweb/) has valuable information for risk managers with multinational operations, Mr. Brittle said. This site provides global coverage of safety issues for many industries, he said.

The civil engineering department of Canada's Carleton University offers a Web site (http://civeng.carleton.ca/cgi-bin2/quakes) that has nearly real-time information on earthquakes around the world, Ms. Vulcano pointed out.

Web sites sponsored by trade publications also offer useful information, several risk managers said. In addition to articles, often these sites have links to other useful sites, according to risk managers.

Web sites also are a good way to get ideas from peers, one risk manager noted.

Betsy R. Kutska, executive director of the Park District Risk Management Agency, an insurance pool based in Wheaton, Ill., said she looks at Web sites provided by other intergovernmental pools for ideas and to find out what they are doing.

"I could spend all day on (the Internet), but I have to get work done, too," Ms. Kutska commented. BI

BI home page links to more than 150 insurance Web sites

Business Insurance's home page on the World Wide Web contains more than 150 links to insurance industry-related Web sites.

Located at http://www.businessinsurance.com/links/index.html, the links at this regularly updated page is broken down into 10 categories: agents/brokers, associations, educational, employee benefits, governmental, insurers/reinsurers, Internet, risk management, other Crain publications and services.

Each listing contains a hyperlink to the Web page and a brief description of its major features.

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Improved RIMS site goes online this week

Group also assembling council to increase access to technology, promote standards

By MARK A. HOFMANN

Risk managers surfing the Internet this week will find there's been a major renovation at www.rims.org.

The Risk & Insurance Management Society Inc. has taken another step in enhancing the cyber community of risk managers by significantly upgrading its World Wide Web site. The improved home page debuts this week.

"In general, the overall architecture of the site is a lot more menu-driven, which supports all the content that we've added," said Kathryn West, RIMS director of communications and chair of the staff task force that oversaw the upgrade.

She noted that in addition to tapping into RIMS' own resources, members will be able to use hot links to access other risk management resources.

The site reflects the "idea of cyber community" among risk managers, said Ms. West. RIMS already has a very solid foundation of networking through committees, chapters, conferences and the like, and the new home page is an effort to "enhance this community," she said.

Meanwhile, the society is forming a Technology Advisory Council of members and non-members in an effort to increase risk managers' access to technology and promote standards in the insurance industry, said Scott K. Lange, director-risk management for Redmond, Wash.-based Microsoft Corp. and *Business Insurance*'s Risk Manager of the Year in 1995.

Mr. Lange, who is assembling the council, makes clear that the new group should be more than an online chat room.

"The profile that I would like to see for people who are members of the Council is people who are technologically savvy, but not necessarily technology technicians. I would like to see people who have a reputation for getting things done. We have an aggressive agenda; we don't want to get together and have meetings and feel good about having meetings; we want to get things done," said Mr. Lange.

"We've been observers; we haven't been active participants to changes. The intent of the council is we want this council to stand up and be heard," said Mr. Lange.

"On both the Web site and the Technology Advisory Council, what's driving those two initiatives is the feeling that we wanted to look at technology and how it could be used to advance what risk managers are doing in their jobs. We knew the technology was there; it was a question of finding the best way of using it," said Linda Lamel, RIMS executive director.

'We have an aggressive agenda; we don't want to get together and have meetings and feel good about having meetings; we want to get things done,' says Scott K. Lange.

Louis J. Drapeau, who was RIMS president when the home page was first rolled out at RIMS' 1996 conference in Toronto, noted that the society has had a long commitment to using technology to help members professionally (*BI*, April 29, 1996).

The society created RIMSNET, a pre-Internet online service whose offerings include a news service, legislative updates and information on RIMS, about a decade ago, making RIMS one of the first associations to have such a site for its members, said Mr. Drapeau, manager-risk management for The Budd Co. in Troy, Mich. He credited former RIMS Executive Director Ron Judd with emphasizing the importance of the new technology.

Although "RIMS was at the cutting edge of technology at that time," most of the membership wasn't ready for it, said Mr. Drapeau. "We had this advanced technology that nobody could access." Most members didn't even have computers on their desks, much less electronic links to cyberspace, he said.

But as risk managers embraced the new technology, attitudes changed and members began wondering when RIMS would set up its own home page. The new forum was an immediate success, said Mr. Drapeau.

"I was amazed—we were getting 12,000 hits a month," he said.

Ms. West noted that the society began contemplating changes to the site during the summer. RIMS' previous home page operated much like "that of many businesses', serving to establish a presence on the Web," she said.

"It was in many ways like a billboard—very much a one-way communication vehicle," said Ms. West.

The new home page was designed by Information Inc. of Bethesda, Md., with the intent of being "very user-oriented," said Ms. West.

The cost of improving the home page was incorporated in existing fees so that the upgrades did not require an enormous supplemental expenditure, said Ms. Lamel.

The improved home page takes considerable advantage of interactive technology, she said. All RIMS committees will have a presence on the site, and the site will allow RIMS industry groups and committees to talk online. In addition, portions of the site will be partitioned for membership access only, she said.

This is "where only members can exchange ideas through clearly defined ports." Any member will have access to any port, she said. The result is "creating more of a map for members to reach out to other members."

One of the more significant features of the improved home page is its creation of a bank of hot links whereby members can access other selected bases, "making it the gateway to the relevant resources that are out there," said Ms. West. These resources include educational and library research references—".orgs, not .coms," she said.

Other features of the home page include an electronic index for articles in RIMS' Risk Management magazine; an "Ask RIMS" feature, where members can ask staff questions electronically; and access to RIMSNET, which is being moved into the home page as a premium service.

Ms. West said the RIMSNET fee structure will remain the same for now.

In addition to the application of technology embodied by the improved home page, RIMS is seeking to more effectively tackle general questions arising from increased dependence on electronic communication through its new Technology Advisory Council.

Mr. Lange said the Technology Advisory Council will probably consist of about 10 members, maybe six risk managers and four non-RIMS members, divided into five or so task groups charged with overseeing particular areas, such as the promotion of electronic commerce standards. The concept arose earlier this year, and the group is being called a "council" to reflect that its members will include non-RIMS members, he said.

The group will pursue several missions, said Mr. Lange.

It will act as advisory group in respect to RIMS' own technology, to see how the RIMS staff is setting up and using technology in New York, he said.

The council also will "review and prioritize projects" suggested by RIMS committees and staff, he said. This would include "orderly implementation of new products and services" such as online conference registration, virtual industry groups or discussion rooms, he said. The council will help "to guide the construction of a whole suite of services that will be valuable to our members."

The council also will push for changes within the insurance industry, such as creating data standards (see story, page 3). "Obviously, markets right now try to make their data standards proprietary," said Mr. Lange.

"We've really had enough, and we can come up with strategies to do something about this problem. We want to give the industry an assist in places where technology can bring efficiencies to the entire marketplace for companies and their customers," he said.

Commercial buyers must drive data standardization, said Ms. Lamel. Buyers have the added tool of being able to talk to regulators, underwriters and brokers as they pursue that goal.

The council also will see what RIMS members are doing internally with their systems, he said. It plans to set up a technology sharing forum "to facilitate the adoption of greater technology tools by professionals in the risk management ranks."

Mr. Lange said "one of the responsibilities will be in helping assure that risk managers have access" to such things as the Internet and e-mail, and may talk to vendors about group rates to access such technology for RIMS members.

"Sometimes you have to get to the nuts and bolts to get your members to use technology." BI

Bringing risk management to the desktop

An Intranet site can allow employees to get answers, conduct simple transactions

By MICHAEL PRINCE

Creating their own Intranet sites can let risk management departments focus on strategic thinking and let the site help handle routine questions and insurance tasks.

Also, an online system can easily be updated, unlike a widely distributed printed risk management manual, and a link to a broker can even allow employees to perform insurance transactions without involving the risk management department.

Creating an online risk management site provides a number of advantages over a printed manual, consultants said.

The sites also provide challenges, such as the ever-present need for updating information and making sure some information does not get into the wrong hands.

Perhaps the most important benefit is the ease with which information can be sent to numerous people in an organization, said Dave Tweedy, president of Tweedy Risk Consulting Inc. in Barrington, R.I.

"You can get out the maximum amount of information in a short amount of time," he said.

Providing information to employees reduces the number of calls made to the risk management department. About 80% of all questions put to the risk management department could be answered with an online manual, estimates Ellen Walker, vp of interactive client services at J&H Marsh & McLennan in New York.

But a system also can generate an increase in other types of calls, Mr. Tweedy said. As employees read the online manual, they might think of risks they previously hadn't considered, leading to more calls to the risk management department. But, he said, this could be a good thing, since the risk manager's role is to generate awareness among employees of potential risks.

An online manual also is cheaper to update compared to printing new manuals or supplying printed updates, consultants said. In addition, sites can be searched electronically, unlike a printed manual.

"The Intranet provides solutions to current limitations of data and sharing it with other people," said Mark Dorn, president of DORN Technology Group Inc. in Livonia, Mich.

An Intranet site can be a valuable tool helping risk managers achieve their strategic goals, Mr. Dorn said. "It needs to be part of a technological strategy you are implementing in the risk management department," he said.

'The Intranet provides solutions to current limitations of data and sharing it with other people,' Mark Dorn says.

Online manuals also can include video clips, sound and pictures as well as links to Internet sites on related topics. "The printed manual is very one-dimensional. The most it can provide is a picture," Mr. Dorn said.

Also, a site can increase the visibility of the risk management department within an organization, Mr. Tweedy said.

Online systems can be upgraded to permit insurance transactions. By linking a system to the insurance broker's or insurer's computer system, employees can apply for certificates of insurance through the sites. This eliminates the need for the broker or insurer to re-enter the data, and that decreases inputting errors. "The fewer mistakes, the fewer headaches," Ms. Walker said.

As the information is sent to the broker or insurer, it also is sent to the risk management department, where it can be accumulated and analyzed.

One company has had great success with its risk management site on an internal Intranet.

FMR Corp. opened the site on the company's Intranet in November 1996, and the results have exceeded expectations, said Judy Lindenmayer, vp-Fidelity insurance and risk management for the Boston-based company better known as Fidelity Investments.

"We didn't dream it would be so widely used as it is," said Ms. Lindenmayer, the 1997 *Business Insurance* Risk Manager of the Year.

The site is part of FMR's companywide Intranet available to all its employees. It contains the company's risk management manual and general information that informs every employee of insurance policies and procedures. Also, the site lists people to contact in the risk management department to answer specific questions.

But knowing who to call doesn't mean they have to call. Because of the site, calls to the risk management department are down 75%, Ms. Lindenmayer said, freeing up the risk management personnel. "It empowers our people to do their jobs in a more efficient manner," she said.

The site also allows employees to receive certificates of insurance directly from the broker by completing an online application.

In developing the site, the company was concerned that providing too much information would take important insurance decisions out of the hands of the risk management professionals, said Tom

See **Manual** *on next page*

Manual

Continued from previous page
Wronski, FMR's risk manager.

The company wanted a system that could answer routine questions, "but we didn't want to get into super detail for fear that someone will make their own coverage decisions," Mr. Wronski said.

But that's not a major concern and certainly is easily outweighed by the advantages of an online site, said Ms. Walker of J&H Marsh & McLennan. She added that any person who made a coverage decision on his or her own probably would have done it even if he or she didn't refer to an online manual.

Another company has created two Intranet sites for its risk management department.

In April, E.I. Du Pont de Nemours & Co. put its risk management manual on the company's Intranet.

At the same time, it created a second site accessible only by the company's risk management professionals, said Bruce Evancho, manager-corporate insurance and risk management for the Wilmington, Del.-based chemical maker.

'A risk manager is really on the hot seat to make sure to make sure the manual's accurate, timely and addresses a specific need,' says Dave Tweedy.

This two-tiered system gives all the company's employees access to important risk management information while also allowing the risk management professionals, scattered in offices around the world, to share technical information.

"It's our way of creating an electronic file cabinet for the global operations," Mr. Evancho said.

Like the Fidelity site, Du Pont's regular site allows employees to obtain certificates of insurance, eliminating the involvement of the risk management department, Mr. Evancho said. The previous method required the employee to call the risk management department and provide the necessary information; then the information went to the broker, who issued the certificate.

But the Intranet is linked directly to the broker, J&H Marsh & McLennan. The broker automatically approves requests for standard certificates, about 90% of all requests. For the remaining requests, the broker has standing orders to call the risk management department for review, Mr. Evancho explained.

Both sites were set up in about a month using Microsoft Frontpage software costing about $150, said David Baca, senior insurance adviser for Du Pont. He did the work himself. Also, other software allows documents on a company computer to be linked to the Intranet. So, Mr. Baca explained, if a linked document gets changed, it automatically gets updated on the Intranet, eliminating the need for time-consuming changes on the site.

The site has meant the department receives fewer calls, and simple insurance tasks now are completed without contacting the risk management department.

"Now they can go to the Intranet and educate themselves," Mr. Baca said.

Also, with the second, technically oriented site, risk management professionals can pool information. For example, when someone makes a presentation, it can be put on this site, and others can view it or borrow ideas for their own presentations, Mr. Evancho said.

But obtaining certificates of insurance through the Intranet still is not the utmost use of the technology. Fully interactive use of the site, even beyond requesting certificates of insurance, is possible, consultants said.

A more advanced system would put the company's RMIS system on the intranet for all to use, said Allen Monroe, chief executive officer of RiskINFO in Larkspur, Calif.

Such a system would combine the insurance information with data collection and analysis tools, essentially creating a new risk management system, Mr. Dorn said.

Online systems, however, are not free of concerns, consultants said.

Because an online manual is expected to be up-to-date, risk managers must constantly maintain it. "A risk manager is really on the hot seat to make sure it's accurate, timely and addresses a specific need," Mr. Tweedy, the risk consultant, said.

Security also is an issue. With sometimes sensitive information on an Intranet, it needs to be secure. This is accomplished by allowing access only to those with passwords or encrypting the data and limiting more sensitive data to certain employees.

At Du Pont, for example, an extra password is needed to access the technical site. Only risk management personnel get that password. Another password is needed to go from their system to their brokers' Intranet, providing an additional layer of security.

Another means of security is limiting the information on the site. Neither the Fidelity nor Du Pont sites contains confidential legal information or detailed claims information that might be damaging or embarrassing in the wrong hands.

One important difficulty in establishing a system is persuading people to use it. In companies with employees familiar with a computer and the Internet, such as Fidelity, this is easy. But other companies might face a tougher transition to the new system, consultants said.

"Getting people over the hump in breaking the habit of calling the risk management department is the hard part," Ms. Walker said.

She recommends a public relations campaign to tell employees of the system's existence. Next, the printed manual should no longer be published. If that fails, she says, the risk management department should simply stop answering questions over the phone if the point is covered by the site. BI

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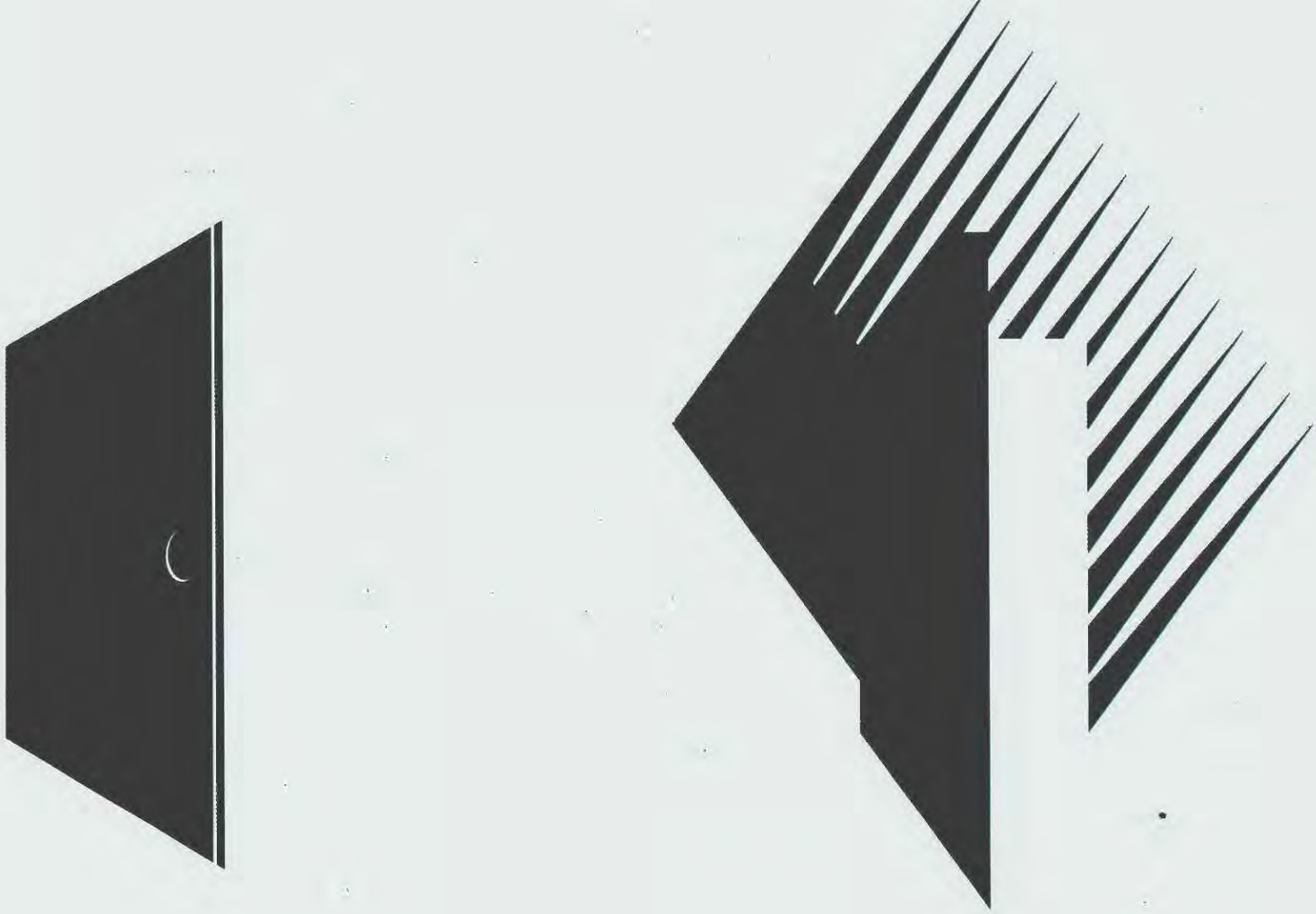

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Spotlight report

Sharing, integrating risk management information made even easier with companywide Intranet

By ROBERTO CENICEROS

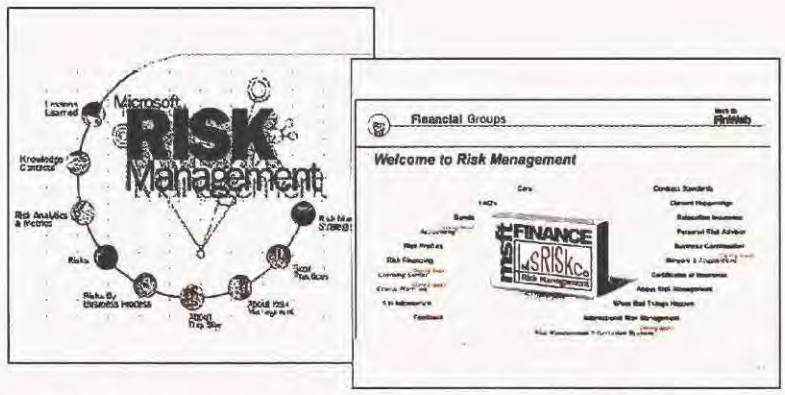
It is fitting that the director of risk management for Microsoft Corp. is borrowing aspects of the Internet to help spread risk management information throughout the company.

The approach fits not only because Microsoft is working to become nearly synonymous with the Internet, but also because the risk manager's project follows a philosophy of Microsoft founder Bill Gates that key knowledge must flow efficiently to decision-makers.

Scott K. Lange, director-risk management for Microsoft in Redmond, Wash., aims to integrate all Microsoft units' understanding of their risks, and then disseminate that information through a companywide Intranet.

Mr. Lange and his risk management department are perfecting a prototype site on the Microsoft Intranet that will guide anyone within the organization through information on the risks associated with business activities. This online tool is called "Risk Information System for Knowledge Sharing."

It's more than just a risk management manual, Mr. Lange said. It is based on a very broad, integrated risk management approach that will give business unit managers ready access to quantitative and anecdotal information on the risks inherent in a variety of processes they may want to pursue.



Microsoft managers will be able to pull a wealth of risk management-related information from the company's Intranet.

With the click of a mouse, managers also will be able to access everyone within the company who in some form manages risks, be they in the legal department, human resources department or in the auditing unit.

That fits with a corporate philosophy that front-line managers should be responsible for managing their unit's risk, and the risk information system will give them the tools to do so, according to Mr. Lange.

"It goes way beyond the traditional definition of risk management," he recently said. "This is the enterprise-wide, holistic, integrated risk management concept, because you are trying to link together all of the different organizations that provide risk management support and knowledge and you are applying it across all the units in the company."

One icon on the site will link users to "Anecdotal Information" that managers can visit to review histories of past blunders. In that way they can learn from the mistakes other company managers have made when launching a new idea, product or process. The information can be embarrassing, but it can have more impact in teaching a lesson than statistics, Mr. Lange said.

"For many companies, their past disasters, failures or problems come at a huge expense and yet the inclination is to bury them and make sure that the light of day never sees these," he said. "And, in fact, the organization paid dearly for them."

Once the site is fully implemented, it will show the company's managers the downside of risk assessment, such as the dangers signing certain contracts might present. Then they can leave themselves additional exit strategies or add suggested contract language to improve their positions.

The site also will introduce the upside of risk assessment, Mr. Lange said. When managers can get an improved grasp of their project's risks in relationship to Microsoft's appetite for risk they will make better decisions. That in turn will allow Microsoft to capture more revenue that might now be flowing to competitors.

Often managers make business decisions based on their personal risk appetite, or on their perception of how a risk decision might impact their career, Mr. Lange explained.

But an icon on the site for "Risk Analysis and Metrics" is key to one of the site's major goals of helping employees make decisions based on the corporation's risk philosophy, not their own. Managers will then be able to prioritize their risk decisions by capturing quantitative information from the site to assess those risks.

The risk information site already has been built at a cost of $15,000 and was built by an outside vendor using input from Mr. Lange's risk management staff. Microsoft's executive managers are reviewing the prototype risk information system for adoption as a companywide plan for improving the execution of business decisions.

The greatest financial cost, and the biggest hurdle to full imple-

See **Intranet** *on page 24*

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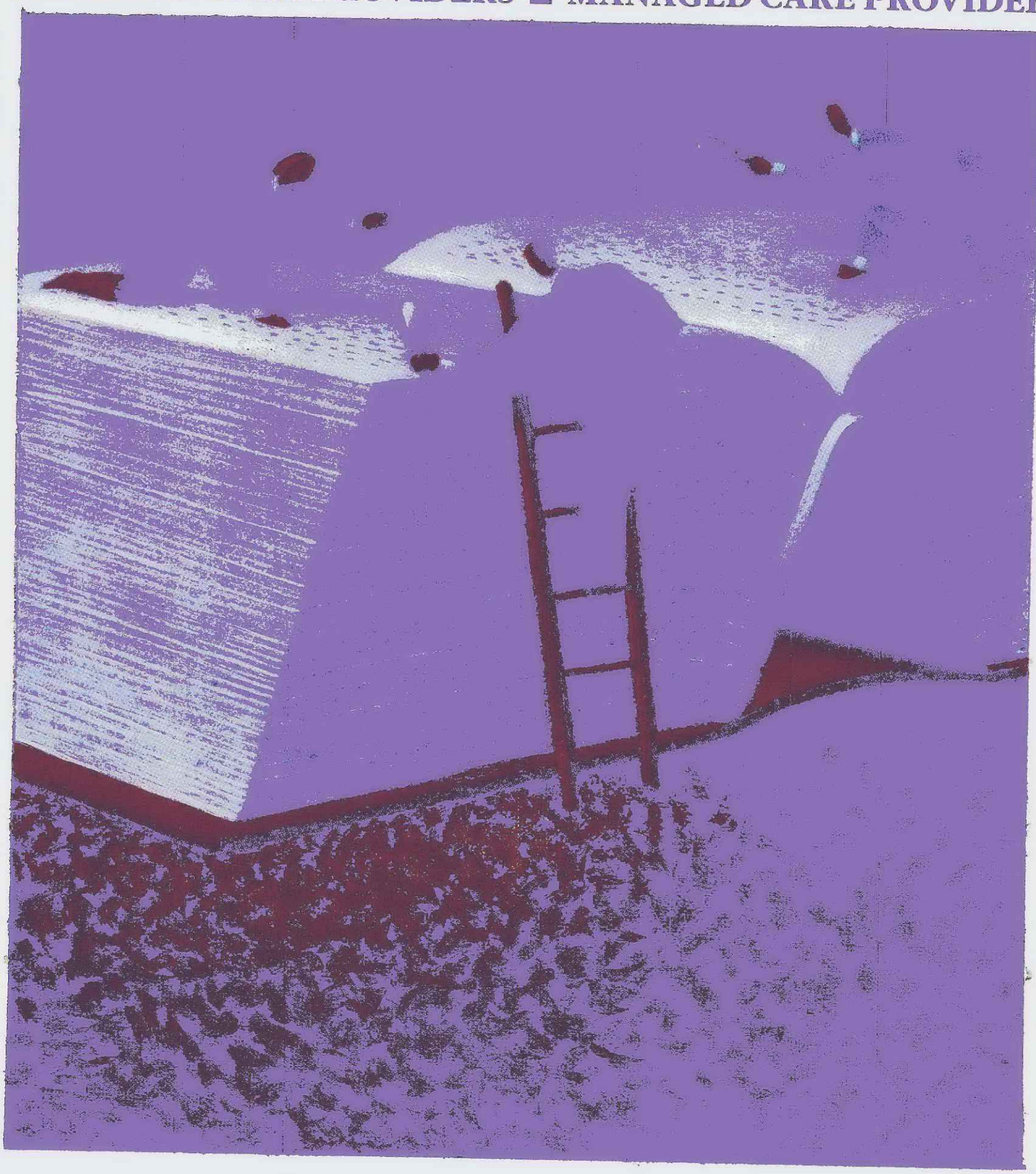

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Intranet

Continued from page 22

mentation, will be in obtaining the necessary content, Mr. Lange said. Because it is an integrated project, the risk management department will not generate the content; operating units will need to supply information on business risks, past mistakes and other data.

Obtaining content will be a "fairly considerable" task that could generate fears by some units of turf invasion, which can hinder risk management, Mr. Lange said. But he said he is confident the Intranet project will work, and the main challenge now is to design and promote the project so it gets off the ground.

The initial content will likely be in the form of generic business process models. But over time, as more business units accept the idea of sharing information about risk and see its growing success, they will want to participate and contribute more in-depth content, Mr. Lange said.

"You have to hit this critical mass point before it takes hold," he said. "It's getting people over the hurdle of thinking risk management is trying to take over the company. It's very much about dealing with lack of integration that comes with vertical silos within a company."

Already one unit has partnered with the risk management department and has provided content for the site. In fact, the idea was born when that unit came to risk management for help solving an "extraordinarily complex set of risks associated with their business," Mr. Lange said.

Risk management was able to help the unit address those risks. But along the way it became apparent that the traditional method for imparting knowledge within the company could produce differing results. So risk management went to work developing computer tools that would produce more consistent results.

The site works in part by addressing what Mr. Lange calls "the staff group slowdown syndrome." That refers to the delays business unit managers typically encounter when they seek corporate help in implementing a new business processes.

To get the necessary input, they often must go to numerous departments within Microsoft repeatedly explaining their goals to numerous managers. Responses vary with unit managers getting assistance from some manager and none from others. The process can often be frustrating, and the need to involve everyone with information ultimately slows down the introduction of new business ideas, Mr. Lange said.

Addressing that slowdown and capturing the revenue resulting from understanding the upside of risks can be particularly valuable to a company such as Microsoft that generates revenue by quickly delivering cutting-edge products that have never been tested in the marketplace, Mr. Lange said.

Microsoft hopes a site on its Intranet will lead to more sharing of risk information.

The risk management site will help Microsoft managers in other ways. By clicking on an icon for "Best Practices in Process Designs" they will be able to look up things such as how to set up a successful credit card billing system for product orders. Or they can click on "Tactical Strategies" to track the company's efforts to address such risks as intellectual property infringement.

Hyperlinks to other elements of the Intranet site will allow the user to easily go from one area to another in one-stop-shopping fashion.

In addition to the inherent challenges of promoting the project within the organization, another problem confronting risk managers who may want to implement a similar program is developing infrastructure, Mr. Lange said. For example, the Microsoft site will require company accounting systems to capture risk costs associated with certain actions. But accounting systems are not currently set up to do that.

Therefore, it could be three years before the infrastructure is fully in place, the content is available, the data is mature, and the project is fully implemented, Mr. Lange estimates.

For now, Mr. Lange is willing to talk about his project with other risk managers, even though it is in the prototype stage, so that other risk managers might benefit and get started on their own systems.

"We would hope that others find the system and its inherent concepts useful as a starting point for developing their own customized, Web-based, risk management knowledge system," he said.

Caroline Dorsa, vp and treasurer for Merck, has seen Microsoft's risk management Web site because the two companies share benchmarking data. Ms. Dorsa, who oversees risk management for the Whitehouse Station, N.J.-based drug manufacturer, would like to emulate Microsoft's innovative project, she said.

It could be a valuable tool for Merck because its managers worldwide need immediate, around-the-clock access to information as they develop new business ventures. Through such a Web site, they could receive constantly updated information and answers to questions about risks without having to search out company risk managers. Or conversely, the site could warn them when they do need assistance from risk professionals. BI

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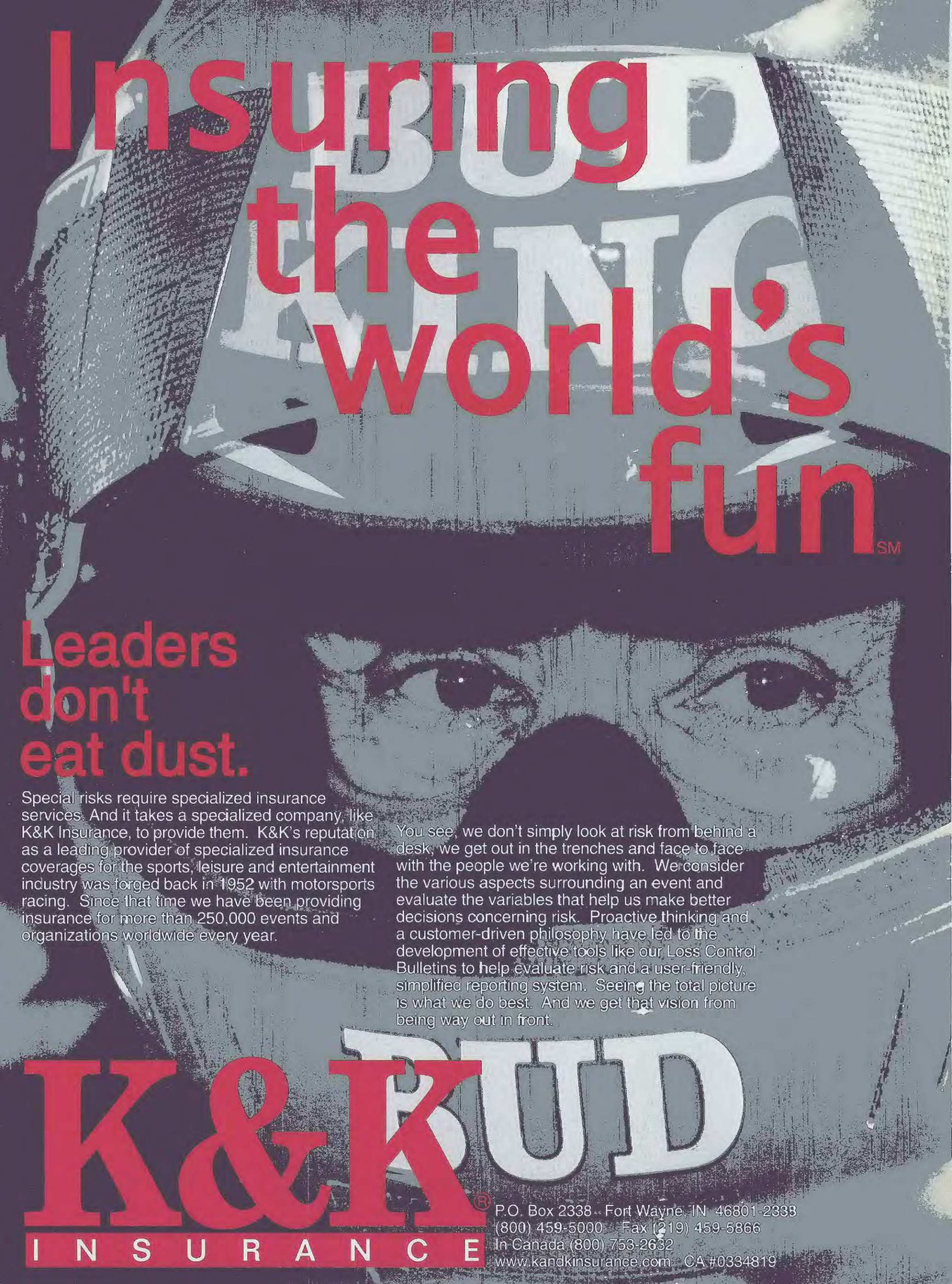

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Directory of risk management information systems

A

AIG Insurance Services Inc.

400 Interpace Parkway, Building A, Parsippany, N.J. 07054; 800-767-2524; fax: 201-402-2895

Risk management systems since: 1988.

Parent: American International Group Inc.

Software products:

■ Intellirisk.

Price: $12,000.

System requirements: IBM-compatible PC system; operates in Windows. Online system.

Customization optional.

First installation: 1994.

Total installations: 750; 500 in corporate risk management departments.

Claims/coverages managed: General liability, property, workers comp, auto.

Features: Real-time online access to claim information; payment analysis tool; adjuster's notes; point-in-time view; e-mail; standard and ad hoc reports; customization; claim/claimant/payment detail; user notes; quick search; continuous product development; help center with toll-free number; training (on-site); online help. Optional modules include certificate of insurance; cost of risk analysis and allocation; loss development and forecasting; self-administered claims; OSHA; user security.

User support: User groups/meetings*, onsite training*, telephone assistance 12 hours per day*.

Staff: 86 total, 82 professionals.

Clients: 661 total, including 452 corporate risk management departments. Sold systems to 308 clients in 1996.

Branch offices: Costa Mesa and Los Angeles, Calif.; Atlanta; Chicago; New York; Dallas; Seattle.

Officers: Robert Sandler, chairman; Anthony Galioto, president; Kevin Murray, vp-systems development; Alan Louison, director.

Contact: Alan Louison.

** Included in system price.*

AMI Risk Consultants Inc.

11410 N. Kendall Drive, Suite 208, Miami, Fla. 33176-1031; 305-273-1589; fax: 305-274-4706

Risk management systems since: 1995.

Software products:

■ ClaimSys.

Price: $12,000.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1995.

Total installations: Four; all in corporate risk management departments.

Claims/coverages managed: General liability, property, workers comp, auto.

Features: Three versions are available: workers comp, general/auto liability, dental/health. Claim file processing; management reports; first report of injury and other regulatory form requirements; integrated with scheduler; integrated notepad; mail merge/automatic letters; financial management reporting; safety management reporting; "as of" reporting; terminal security; loss development reporting (triangles); experience modification factor circulation. Optional modules include computer check generator; risk management cost allocation; policy tracking; litigation management reporting; vocational rehabilitation reporting.

User support: User groups/meetings*, onsite training*, telephone assistance nine hours per day*, software upgrades*.

Staff: Eight total, six professionals.

Clients: Two total, including two corporate risk management departments. Sold systems to one client in 1996.

Officers: Bob Ingco, president; Carie Ingco, vp.

Contact: Bob Ingco.

** Included in system price.*

American Technical Services Inc.

28050 U.S. Highway 19 N., Suite 400, Clearwater, Fla. 33761; 800-654-7611; fax: 813-799-9826

Risk management systems since: 1986.

Software products:

■ ATS Comp 4.01.

Price: $30,000 per module.

System requirements: IBM-compatible PC system; operates in Windows, Windows 95, Windows NT, Novell.

Customization optional.

First installation: 1987.

Total installations: 90, 55 in corporate risk management departments.

Claims/coverages managed: Workers comp, employers liability, Jones Act, Longshoremen's and Harbor Workers' Act, rejection or exempt, long- and short-term disability.

Features: Claims administration and management; integrated policy and exposure features; full payment; financial reserving; diary/note product; package supports safety, rehabilitation and adjudication management process; employee record file; standard report suite with 100 management reports, value "as of" reports, loss stratification, triangulation, X mod premium allocation, safety and exposure analysis and cost-of-risk allocation; automatic payment and scheduler; online and written documentation. Optional modules include support incident and claim reporting for state and federal regulatory requirements; HMO, PPO, MCO repricing; utilization review; case management and bill review; integrated cost containment; certificate issuance capabilities; accounting, payroll, human resource and document imaging interfaces; full data conversion utilities and services; integrates with ATS Disability for 24-hour management of disability and medical exposures.

■ ATS PAC 4.01.

Total installations: 60, 45 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, auto liability, D&O, E&O, medical malpractice, cargo, inland marine, crime.

Features: Claims administration and management with integrated policy and incident tracking; full payment; reserving; diary/note product; package supports safety, rehabilitation and adjudication management process; over 100 management reports, including value "as of" reports, loss stratification, triangulation, X mod premium allocation, safety and exposure analysis and cost of risk allocation reporting; ad hoc and incident reporting; user-defined data fields, scheduler, online and written documentation. Optional modules include

Continued on next page

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Continued from previous page

certificate issuance; common ACORD and user-defined forms.

■ ATS MED.

Claims/coverages managed: Medical benefits including dental, vision, accident/sickness, disability management.

Features: Claims tracking and administration of all medical benefit plans; integrated with ATS Comp for 24-hour coverage; identification of benefit duplication; management of multiple medical exposures; diary/calendar; standard suite of management and ad hoc reports; integrated HMO, MCO, PPO repricing. Optional modules include auto load from carrier/source compensation.

User support: User groups/meetings*, onsite training, telephone assistance 12 hours per day.

Staff: 20 total, 20 professionals.

Branch offices: San Francisco.

Officers: Cheryll Wing, president; Craig Zivolich, director-technology.

Contact: George Moore, Cory A. Wilkinson, sales representatives.

** Included in system price.*

Aon Risk Management Information

123 N. Wacker Drive,
Chicago, Ill. 60606;
312-704-4553; fax: 312-701-4564

Risk management systems since: 1970.

Parent: Aon Corp.

Software products:

■ Anistics Omega.

Price: $25,000.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1994.

Total installations: 50; 40 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Loss development; loss forecasting; loss prevention; policy tracking; reserve tracking; cost-of-risk allocation; risk analysis; diary/notes; report generation including more than 70 reports and loss triangle reports; online help; exposure tracking; multiple currency; password user privileges; data analysis; customized fields and codes. Optional modules include cost-of-risk allocation; bond tracking; certificate of insurance.

User support: Onsite training*, telephone assistance.

Staff: 29 total, 26 professionals.

Branch offices: San Francisco; Atlanta; Chicago; New York; Dallas.

Officers: Kathy Burns, senior vp; Steve Keogh, Terry Colburn, Tom Kane, Ann Gariti, vps.

Contact: Kathy Burns.

** Included in system price.*

B

Benefit Software Inc.

212 Cottage Grove Ave., Suite A,
Santa Barbara, Calif. 93101;
805-568-0240; fax: 805-568-0239

Risk management systems since: 1988.

Software products:

■ CompWatch.

System requirements: IBM-compatible PC system; operates in DOS, Windows.

Customization optional.

First installation: 1988.

Total installations: 1,160; 990 in corporate risk management departments.

Claims/coverages managed: Workers comp.

Features: Workers comp claims case management; first report of injury forms; OSHA 200 log; reports on injury occurrence and costs; loss analysis reports; OSHA injury/illness rates; work status (off-work, restricted duty, returned to work); repeaters and graphs; diary reminder system. Optional modules include claims import/export module; employee database module.

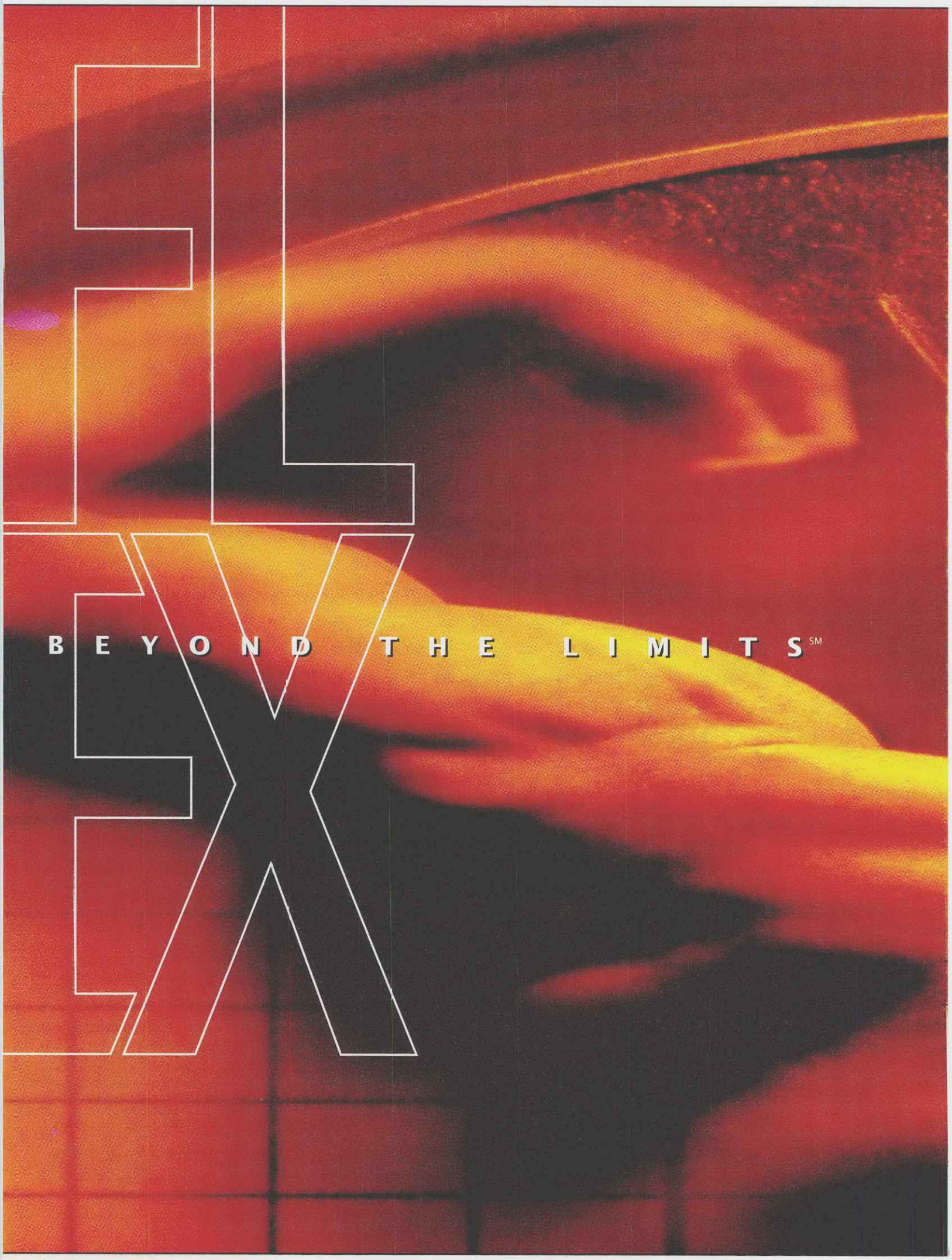
User support: Onsite training, telephone assistance eight hours per day*.

Staff: 17 total, eight professionals.

Clients: 778 total, including 550 corporate risk management departments. Sold systems to 150 clients in 1996.

Officers: Larry Du Bois, president; Kim Rajala-Blood, vp-technical support; Richard Diamond, vp-programming.

Continued on next page



Directory terminology explained

The 12th annual *Business Insurance* Directory of Risk Management Information Systems lists companies that produce and supply proprietary software products to corporations in response to their risk management needs.

BI's directory of RMIS vendors will be available soon on the World Wide Web at http://www.rmisweb.com.

To be listed in the directory, organizations must complete and return a *BI* directory questionnaire. The directory is published as an editorial service; there is no charge for companies to be listed.

The listings are organized by company and begin with the date the organization began offering risk management information systems and the parent company, if there is one.

Information on specific **software products** follows. Included in the description for each product is the average completely installed **price,** the **system requirements** (personal computer, local area network, mainframe or online system) and the operating system. **Customization** options are noted when applicable. Also included are the year of the **first installation**, the **total number of installations** to date since the product's introduction and the total number of installations in corporate risk management departments. Next are the types of **claims or coverages** managed by the products and their risk management **features.**

After the product summaries, information on continued **user support** and risk management system **staff** figures are provided. The **clients** section details the total number of risk management system clients in 1996, the number of those clients who are in risk management departments and the number of new clients who purchased systems in 1996. Next are 1996 **gross revenues** and names and titles of **principal officers**. The name of the person to **contact** at each organization for additional information completes each listing.

Every attempt is made to publish complete and accurate listings. However, *BI* is unable to verify all information supplied.

Continued from previous page

Contact: Bill Bertha, sales manager.
** Included in system price.*

Blackburn Group Inc.

23 Bremen Circle,
Penfield, N.Y. 14526;
716-586-4530; fax: 716-586-7479

Risk management systems since: 1991.

Software products:

■ Risk Pro.

Price: $4,995 to $10,995.

System requirements: IBM-compatible PC system; operates in Windows. Online system.

Customization optional.

First installation: 1991.

Total installations: 173; all in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, short- and long-term disability, health, life, employment practices liability.

Features: Claim module manages claim acministration, analysis and standardized reports; underwriting module manages administration of underwriting data; certificate administration module manages certificates of vendors/contractors and users; advanced management of documents, spreadsheets, databases, images. Optional modules include advanced network systems including intranet and Internet applications; advanced imaging systems; custom analysis; custom reporting.

User support: User groups/meetings*, onsite training*, telephone assistance eight hours per day*, system manual*.

Staff: Five total, five professionals.

Clients: 13 total, including 13 corporate risk management departments. Sold systems to 13 clients in 1996.

Branch offices: Rochester, N.Y.

Officers: Robert J. Blackburn, managing principal.

Contact: Robert J. Blackburn.
** Included in system price.*

Business Insurance's directory of RMIS vendors also will soon be available on the World Wide Web at http:/www.rmisweb.com.

CNA Risk Management

CNA Plaza, Chicago, Ill. 60685;
312-822-4857; fax: 312-817-1638

Risk management systems since: 1990.

Parent: CNA Financial Corp.

Software products:

■ Clearview.

Price: $6,000 to $12,000.

System requirements: IBM-compatible PC system; operates in Windows. Online system.

Customization optional.

First installation: 1996.

Total installations: 500, all in corporate risk management departments.

Claims/coverages managed: General liability, casualty, workers comp, auto.

Features: Claim management through real-time, online, secured access to claim/claimant/reserve, payment, managed care and return-to-work information; adjuster and case manager notes; user notes/diary/calendar; e-mail; customer-defined data; claim analysis through real-time, online, secured user-defined search/inquiry; standard and ad hoc reports; graphing; downloading and importing capabilities into Excel, Lotus, Access; advanced analysis including loss triangles, loss capping and loss stratification reports.

User support: User groups/meetings*, onsite training*, telephone assistance 2 hours per day*, annual onsite visit*.

Staff: 60 total, 50 professionals.

Clients: 2,500 total, including 2,500 corporate risk management departments. Sold systems to 75 clients in 1996.

Branch offices: San Francisco; Duluth, Ga.; Chicago; New York; Dallas.

Officers: Peter P. Conway, president; Stephen R. Bruce, senior vp/chief marketing officer; John C. Tieman, Gail Bingham, senior vps; John R. Glancy, executive vp.

Contact: Jack Tieman.
** Included in system price.*

Cantor & Co.

9100 Wilshire Blvd., Suite 445 E.,
Beverly Hills, Calif. 90212;
310-859-7277; fax: 310-859-7415

Risk management systems since: 1982.

Software products:

■ Riskmap Risk Financing.

Price: $2,195.

System requirements: IBM-compatible PC system; operates in DOS, Windows. Online system.

Customization optional.

First installation: 1983.

Total installations: 140; 90 in corporate risk management departments.

Claims/coverages managed: All risks, including general liability, property, casualty, workers comp, auto.

Features: Risk financing, discounted cash flow analysis, comparative analysis, fully integrated automated graphics. Optional modules to model plans available.

■ Riskmap Loss Forecasting.

Price: $2,195.

System requirements: IBM-compatible PC system; operates in DOS or Windows.

Customization optional.

First installation: 1984.

Total installations: 83.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Frequency and severity forecasting, cost of property/casualty and benefit plans overall and by line of coverage computations, confidence intervals for analysis, fully integrated automatic graphics, self-insured retention and deductible analysis, integrates with Riskmap Loss Develpment.

■ Riskmap Loss development.

Price: $1,795.

System requirements: IBM-compatible PC system; operates in DOS, Windows.

Customization optional.

First installation: 1989.

Total installations: 22.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Produces development factors for total loss reserves and payouts, generates graphics, includes fully integrated automated graphics, integrates with Riskmap Loss Forecasting.

■ Riskmap Captive Risk Financing.

Price: $1,995.

System requirements: IBM-compatible PC system; operates in DOS.

Customization optional.

First installation: 1984.

Total installations: Two.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Produces statements of income, equity and available cash; loss reporting and payment; discounted cash flow analysis; fully integrated automated graphics.

■ MQMS Plus Claims Management.

Price: $6,000 to $40,000

System requirements: IBM-compatible PC system; operates in DOS, Windows.

Customization optional.

First installation: 1987.

Total installations: 260.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, professional liability, public risk.

Features: Incident reporting; safety and loss control; quality management; critical pathways; policy management; risk management; concurrent review; custom reports library; trending analysis; integrated custom graphics, including control charts; statistical reports; custom forms and letters modules; automated internal and external correspondence; customizable data dictionaries; financial analysis and reporting. Optional modules include interface to external information systems, notebook, scanning, exposure base management, litigation tracking, data dictionary, entry screens, reports and graphs.

■ Hospital RIMS.

Price: $9,500 to $35,000.

System requirements: IBM-compatible PC system; operates in DOS, Windows.

Customization optional.

First installation: 1984.

Total installations: 13, all in corporate risk management departments.

Claims/coverages managed: General liability, professional liability.

Features: Claims management; financial analysis and reporting; transaction tracking, analysis and reporting; integrated automated actuarial analysis; reinsurance analysis; cost allocation.

User support: User groups/meetings*, onsite training*, telephone assistance eight hours per day*, training seminars on using computers in risk management.

Staff: Seven total, six professionals.

Clients: 265 total. Sold systems to 15

Continued on page 33

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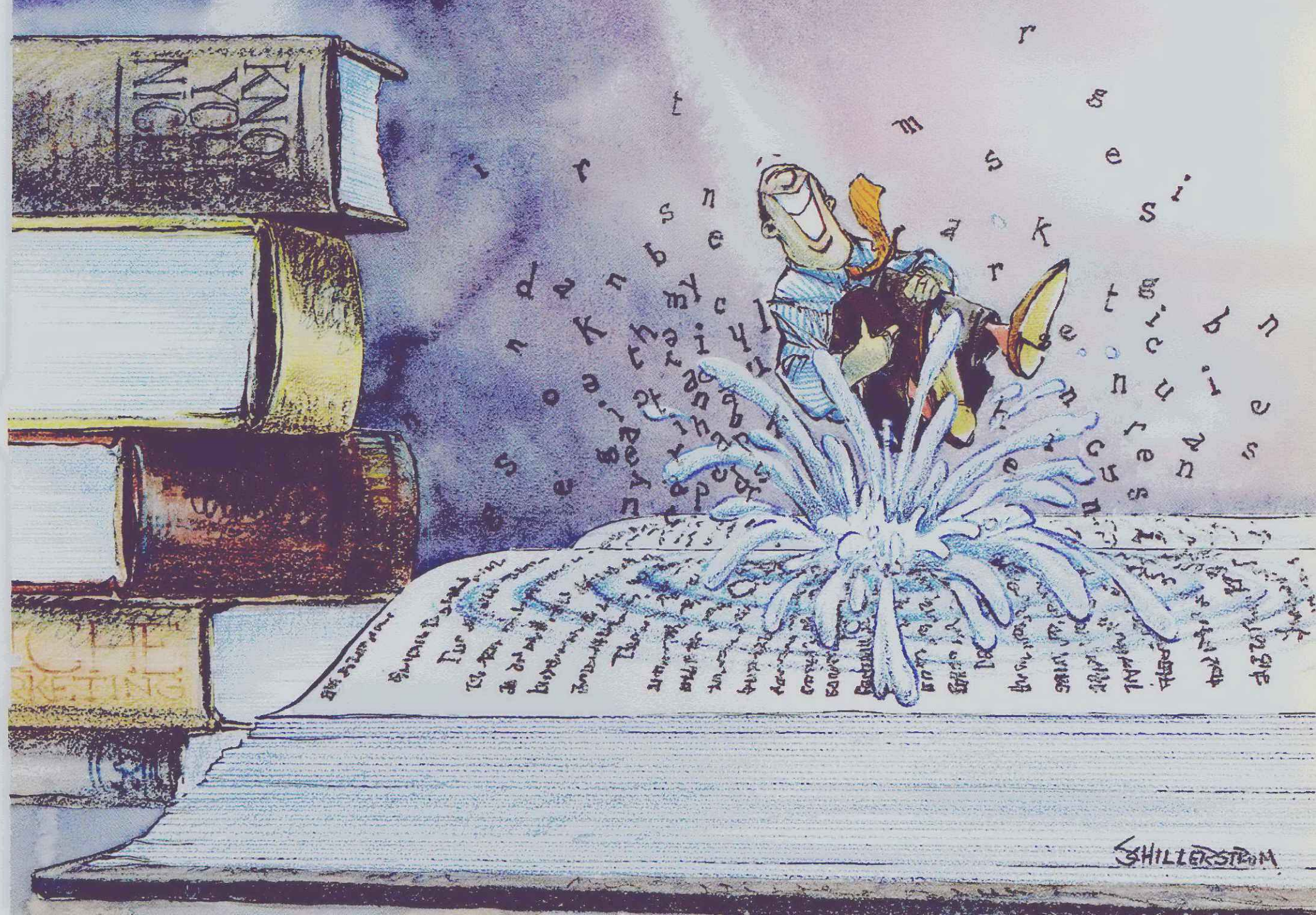

Know the nooks and crannies of niches

Agents advised to take time to build expertise in the fields their programs serve

By TODD J. BEHME

Chiseling out a niche amid all the firms focusing on specialty marketing takes patience and thick skin.

Insurance agents and insurers involved in niche business say developing successful programs—even in best-case scenarios—takes time and commitment. They also emphasize that to win over clients, producers must become experts in the businesses they're trying to insure.

Those producers also have to know the risks their clients face.

For example, a specialized book of yacht business made information about Hurricane Bob critical to an agency far from the Atlantic coast.

The Federau Group of Okemos, Mich., itself was in no danger, but clients' yachts might have been.

Using computers and ZIP code maps, the agency located insured yachts of its clients that might be in the 1991 storm's path through the mid-Atlantic region. The agency then called harbors it thought the storm would strike and got boats belonging to agency clients moved.

Because of its specialty in the business, the agency knew enough about yachts and the risks to which they are exposed—such as extreme weather—to make the calls.

The agency, in a suburb of Lansing, Mich., has annual premium volume of about $35 million. About one-third comes from its half a dozen or so programs and the rest from a general book, President Douglas Federau said.

Another one of its specialties is insuring facilities such as towers for broadcast and cellular telephone companies. Before PremierCom took off, however, the agency first contacted numerous insurers to try to sell them on developing products for the broadcasting niche.

"It was just an absolute nightmare" finding the right insurer partner with the right people, Mr. Federau says. Agents trying to sell underwriters on a new program need to make sure they speak with decision-makers, he advised, adding: "You've got to be really patient."

Mr. Federau noted there is a difference between policy and program niches and emphasized it's much more involved to get a program going, in part because setting up a program involves talking to multiple underwriters.

The agency made some mistakes along the way. For example, it learned quickly that broadcast companies owning multiple facilities would not go for the agency's original intent of covering only facilities in areas with the lowest exposure to weather-related losses.

"We just learned all kinds of lessons," he said, including the fact that broadcast companies wanted more than just their towers insured.

Mr. Federau said the agency's program business is growing faster than other business. "That's where we see our future."

He noted that niche marketing allows for better knowledge of the competition, more focused marketing and faster development of producers, because they can quickly learn the language of the client's business and quickly begin bringing in returns.

"Because he talks the language, he's going to have a much better success ratio, assuming he has sales aptitude," Mr. Federau said.

He and others emphasized the importance of understanding a client's business. "They want to talk to somebody who *knows*," he said, noting it will be clear to a customer after only the first few minutes of questions whether the producer is familiar with the client's business.

"Everybody has less time," he said.

But agents and brokers interested in specialty business must make time.

Articles about niche marketing make it sound easier than it is, says Raymond T. King Jr., a consultant based outside Philadelphia who worked for Insurance Co. of North America, now CIGNA Corp., andalso for Morefar Marketing Inc., a unit of American International Group Inc.

"You've got to recognize it's going to take time" and resources, including money, said Mr. King, who now works with E.W. Siver Insurance Consultants in St. Petersburg, Fla.

He recommends taking time for basic research on an area that might provide a niche.

To find ideas, one can look in one's community and decide if

See **Niche** *on page 30D*

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Research and Development Labs Product Te

umber Yards **Airports** Paper/Plastics

Dry Cleaners Landfills **Manufacturers** Petroleum Storage and Distribution

Textile Mill Nursing Homes A

exes **Land Development Firm**

Quarries **Commercial Real Estate** Recycling/Reclamation Centers

Property Management

Office Complexes Waste Transfer Station

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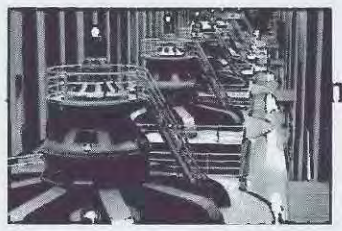

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Reaching into the (wine) cellar for business

Competitive market pressures spur insurance agents to create new niche products

By MICHAEL BRADFORD

A rain-soaked golfer is trying to calm his nerves in the country club restaurant with a glass of wine after a sudden downburst brought his tournament to an early end.

His first sip is bitter; the wine is spoiled.

Driving home, he spots a tanning salon and decides to dry out. Unfortunately, he falls asleep in the tanning booth while the operator takes a long lunch. Scorched and enraged, he walks stiff-legged to a pay phone next door to call his lawyer.

The electrical current running through the phone somehow short-circuits and the hapless golfer receives a jolt.

A bad day?

Not so bad for the country club, restaurant, tanning salon and telephone owner. Their insurance agents and brokers have made sure they are covered for such mishaps.

In the continuing competitive marketplace, agents and brokers are leaving no niche unturned. The scramble for business demands that they create new programs to offset the loss of others and the effect of dampened rates that existing coverages bring.

"We're always looking for little niches," said David Price, senior vp at Burns & Wilcox Ltd., a wholesale broker based in Farmington Hills, Mich.

Mr. Price stressed, however, that "we need a reason" to introduce a new program. There has to be a need for the coverage, and simply putting together a program to better a competitor's price isn't enough.

Other agents and brokers point out that a new program can be an entry into providing coverages for a policyholder's other risks.

That's one of the reasons for a program developed to protect restaurants against spoilage and other risks related to their wine cellars.

"Just to go in at a different angle," advised James Brooks, president of J. Edward Gay Jr. Agency Inc. in East Hampton, N.Y.

"A lot of people have programs for restaurants," he said. "We don't think enough attention has been paid to wine cellars."

"That's our niche," Mr. Brooks said, and by offering the coverage, the agency has found a way to discuss other coverage needs with restaurant owners. The agency began offering the coverage around six months ago.

The coverage, written by Chubb Corp., pays restaurant owners for wine cellar losses that include spoilage and breakage.

Marketing the program means pulling out the Zagat Survey of restaurants to identify the "white linen" establishments in the agency's area that are likely to serve wine, Mr. Brooks said.

Similarly, beer lovers may be interested to know that microbreweries have a new source of coverage through wholesaler K&K Insurance Group Inc. in Fort Wayne, Ind.

Product recall, spoilage and boiler and machinery coverages are written for microbreweries on an admitted basis by TIG Insurance Co. In addition, liability limits up to $26 million are available to microbreweries.

Product development was spurred by K&K personnel.

"One of our employees had an interest in the product," said Eric Taylor, director of marketing and new product development at K&K. "He did a lot of research over the Internet and worked with outside agents to gather pricing information. It took almost a year to put the program together."

Burns & Wilcox has found a niche within the restaurant business by targeting small, independent establishments as prospects for an insurance program that protects against food recalls and claims related to contaminated servings.

If a restaurant is closed because a worker or patron contracts hepatitis, for example, the coverage underwritten at Lloyd's of London would make up lost income to specified limits.

Mr. Price said independent restaurants are targeted because franchise operations generally purchase such coverage through their franchisers.

The country club where the hapless golfer was soaked could be protected from loss of revenue due to such weather under a policy provided by Fairway Underwriters Inc., a managing general agency in Lowell, Mass.

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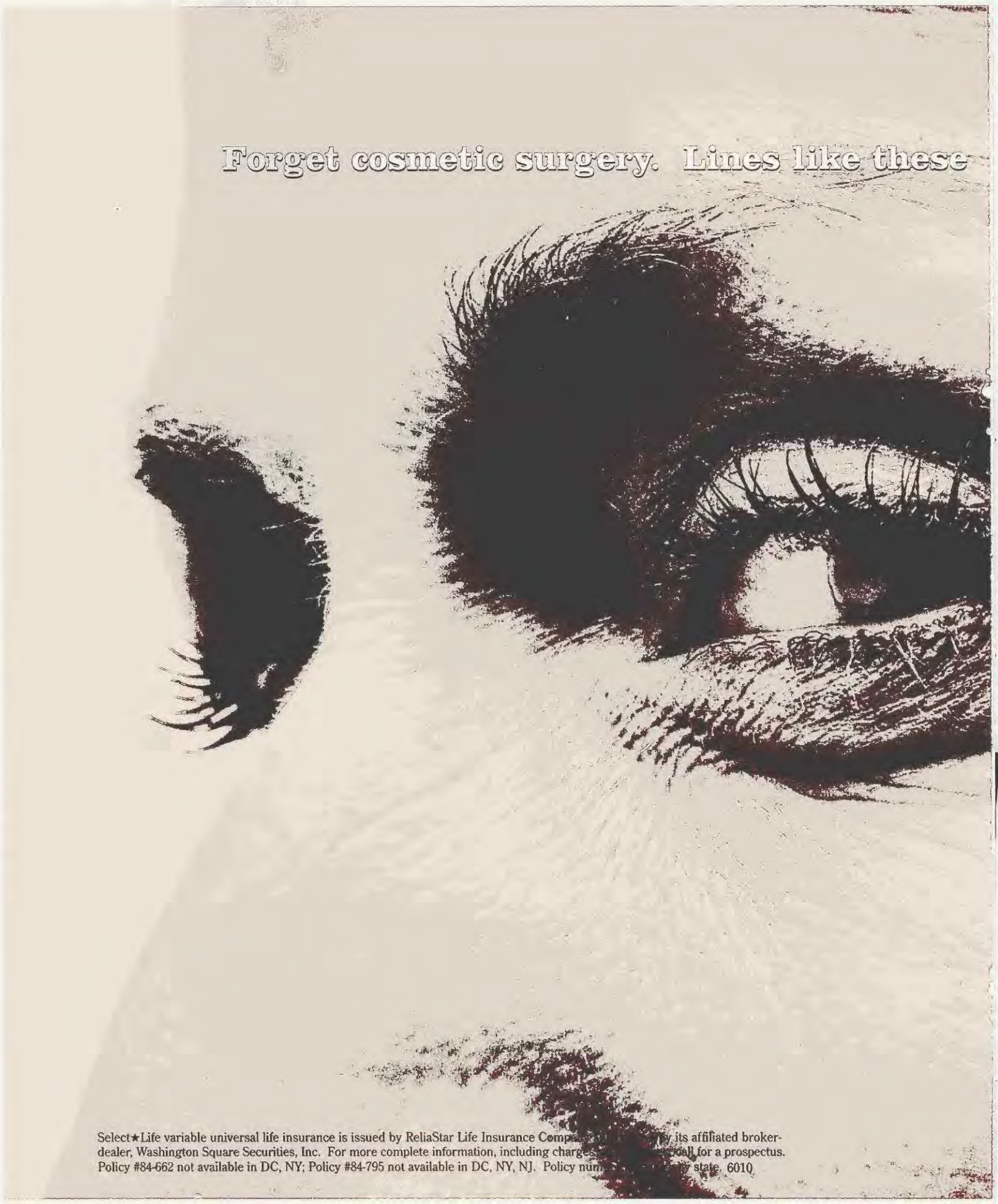

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'yes,'" he said.

Continued from previous page

The MGA's Rainguard product, which is underwritten by several insurers, covers losses related to events such as canceled tournaments or for entire seasons, explained Fran Coulter, president of the agency.

For event coverage, the policyholder "establishes the amount of insurance and chooses the amount of rain and time of day it would occur. If it rains over that amount, we cut them a check," Mr. Coulter explained.

To cover longer periods, a policyholder can specify from two to 365 days. Many course owners buy coverage for weekends when their losses would be greatest from a washout of play, Mr. Coulter noted.

Fairway Underwriters also has begun offering its clients coverage for hole-in-one contests. The tournament sponsor determines the value of the prize offered and buys coverage according to that amount.

"We don't like to do anything under 100 yards," Mr. Coulter said of insuring short par-three contests.

If the scorched golfer sought recompense for his extended stay in the tanning bed, the salon owner would be covered if a policy written by K&K were in force.

The claims-made liability coverage is written on a non-admitted basis for salons that offer tanning and other personal appearance or spa services like hair cutting, nail work, massages and body wraps that result in a claim.

Limits to $1 million are offered under the program, which covers general liability and professional liability risks.

Mr. Price said Burns & Wilcox offers coverage for tanning salons as well, also to $1 million limits but on an occurrence form. Union America Insurance Co. writes the coverage.

Occurrence-based coverage responds to bodily injury claims that occur during the policy period, regardless of when the file is claimed. For a tanning salon, coverage would be provided for claims related to patrons' medical disorders that could have been caused by the tanning equipment but develop after the policy period expires.

Tanning salons aren't the only personal appearance businesses with business risks.

It is possible that the hapless golfer, during such a calamitous day, might have come away with at least a clipped ear if he had let a barber straighten out his tangled mane.

Such nicks, though, have been covered for decades under policies provided by Hairdressers Agency Inc. in Jericho, N.Y., said Lyn White, underwriting assistant.

As grooming technology has progressed, the agency has begun offering coverage that protects electrologists from personal liability risks. Hairdressers Agency continues to provide traditional coverages for nail salons and beauticians.

A beautician's policy covers claims such as those related to inadvertent discoveries of new hair colors—"if a beautician dyed someone's hair brown but it came out purple," Ms. White explained.

The coverages are written by The Connecticut Indemnity Co.

If the fictitious golfer's day had been real, the electrifying phone call could have triggered coverage available from K&K.

The coverage, written by Great American Insurance Co. for independent providers of pay phones, pays up to $5 million on liability losses and covers the cost of replacing damaged phones. The liability portion also covers claims related to phone users who are injured by muggers, for example, while using a phone in an area that might be poorly lighted.

"An agent was doing it on a small scale in Texas," Mr. Taylor said of the phone coverage. "We tweaked it and took it on a national scale."

K&K has a lot of experience developing niche products, many related to sports and entertainment.

The wholesaler recently introduced coverage for concessionaires in fixed facilities at sporting events. The general liability coverage is written to limits of $26 million.

"We've done a lot writing coverage for teams and the buildings," said Mr. Taylor. "So the next step was to jump over and get the liability coverage for the concessionaires."

K&K also recently kicked off a martial arts program that provides coverage for schools that teach self-defense skills. Liability limits of $500,000 and $1 million are written for all martial arts except kickboxing, Thai boxing, savate and any styles that use weapons as classroom aids.

Even if agents aren't building new programs, they are looking for ways to improve existing offerings.

The American Agency Inc. in Overland Park, Kan., for example, is offering an automated loss control course for ambulance drivers as part of various coverages marketed to ambulance companies.

The CD-ROM-based program consists of 10 chapters that drivers must complete in a specified time. Emergency driving, intersection management, parking and infectious diseases are among the topics drivers must study.

"It's available to all our policyholders," said Howard Handler, president of The American Agency.

Policyholders buy various coverages, with liability limits generally written to $5 million by several insurers, Mr. Handler said.

Another coverage the unlucky golfer could have triggered would have involved the condition of his home and best friend had he left them in the care of a Pet Sitters of America member.

Burns & Wilcox provides the association with a coverage program that pays various pet- or sitter-related claims.

"If the dog escapes and gets run over," Mr. Price explained. "Or if burglars break in because the sitter forgot to lock the door."

All of which goes to show that it pays to check the front door. And the weather. BI

Agent/Broker Topics

Weather phenomenon brightening brokers' day

By MICHAEL BRADFORD

El Nino has been blamed for everything from early snowstorms to bad hair days, but the meteorological disturbance is helping agents and brokers with niche weather insurance products.

"Everybody is concerned about the amount of rain they are going to have, particularly on the West Coast," said Fran Coulter, president of Fairway Underwriters Inc. in Lowell, Mass.

Fairway Underwriters offers golf courses coverage that protects against losses from a single event to an entire golfing season. El Nino has blown some new business into the managing general agency's offices.

Mr. Coulter said calls have increased from West Coast golf course owners. "They really have picked up," he said of the inquiries from that part of the country.

In other areas, however, course owners seem to be taking their chances and retaining the risk. "It hasn't had much effect anywhere else," he remarked.

"We're seeing a lot of interest because of El Nino," echoed Harold P. Mollin, president of Customized Worldwide Weather Insurance Agency Inc. in Manhasset, N.Y.

The agency has placed business for filmmakers and producers of television commercials who are worried about the nasty weather El Nino could bring to the West Coast.

El Nino has given a boost to a new company that Mr. Mollin and other investors launched last month.

New York-based Worldwide Weather Trading Co. is offering "weather hedges" to businesses with revenues that are affected by weather. Companies establish coverage amounts and specify the weather conditions that will trigger payment on the hedges. The hedge contracts' cost is based on factors including the type of weather event.

For example, a heating oil company might want to protect against a loss of revenue due to a warm winter and lowered demand for its product. It could buy a hedge triggered if the temperature rises to a certain point for a specified period.

The hedges are not capital market products but are backed by insurance and reinsurance that Worldwide Weather Trading purchases. If the hedge is triggered, Worldwide Weather pays it and is indemnified by its insurer.

Gas and electric utilities, heating oil suppliers, agricultural companies and others are wondering what effect this year's weather phenomenon will have on their businesses, Mr. Mollin said.

That made the timing right for Worldwide Weather Trading, which already has sold some contracts. "El Nino has made it more viable," he said. BI

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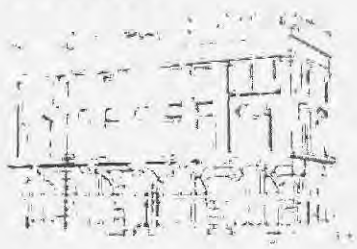

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Hobbs Group employees buy out brokerage

By SALLY ROBERTS

C.E. Heath P.L.C. did it. Acordia Inc. did it. Now, Hobbs Group P.L.C. is the latest big insurance broker to undergo a buyout.

For the past 43 years, Hobbs Group was a wholly owned subsidiary of Arkwright Mutual Insurance Co. But after the Waltham, Mass.-based mutual insurer decided to sell the broker so it could deploy that capital elsewhere, a group of Hobbs employees decided to buy out the equity and assets from Arkwright for an undisclosed amount.

Hobbs' president and chief executive officer, Thomas A. Golub, contends that becoming an independent broker means an end to any speculation about its future and the start of a foray into an aggressive acquisition growth strategy.

"There is no outside force to cause us to sell. Our people see that as an enormous advantage. It creates stability....That comes down to our customers," he said.

Furthermore, the company's finances were structured to allow Hobbs to embark on its acquisition game plan.

"We're either a buyer or we're not in the field of play," he said.

Hobbs, which generated gross revenues of $26.1 million in 1996, intends to broaden its capabilities in its three specialties—construction wrap-up, complex property programs and workers compensation, Mr. Golub said.

The Hobbs Group buyout, which was effective Oct. 24, comes on the heels of London-based C.E. Heath's management buyout for approximately $163.2 million and Indianapolis-based Acordia's management buyout of its predominantly property/casualty business from Anthem Insurance Cos. Inc. for $320 million.

The recent spate of buyouts among retail brokerages, while fundamentally different, illustrates a few trends in the market, observers say.

In some instances, the buyouts reflect a general trend in corporate America to concentrate capital on core competencies and sell unrelated subsidiaries.

In the case of Arkwright, for example, Hobbs Group traditionally played a role of finding property insurance from other insurers for portions of Arkwright clients' programs not underwritten by Arkwright.

"Although Hobbs Group will continue to be an important source of production for Arkwright, this role is now performed by other brokers as well as Hobbs Group. As such, we do not need to capitalize an entity to have this function performed," William J. Poutsiaka, Arkwright's president and CEO, said in a statement.

Similarly, Anthem Insurance decided its Acordia subsidiary's property/casualty brokerage business did not fit in with its desire to concentrate on health care business. The mutual insurer put Acordia's P/C business on the block last February, and Acordia's management, backed by outside investors, bought the business in August (*BI*, July 21).

See **Hobbs** *on next page*

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Hobbs

Continued from page 30H

At C.E. Heath, after it failed to merge with another broker, a management buyout proposal went to shareholders in late June.

Executives at Heath, the world's eighth-largest broker based on 1996 revenues, said going private halts damaging speculation over its future as an independent company and allows it to use equity to lock in key staff and undertake costly long-term restructuring (*BI*, July 21).

Venture capital and investment companies are more willing today to invest in new enterprises, including buyouts of retail brokerage firms.

"The economy is good now," noted Donald Weber, president of consulting firm Shoemaker-Weber Inc. in Pismo Beach, Calif.

"Money is chasing opportunities; that's why this is possible," he said.

While three major retail brokerage buyouts have occurred in the past six months, some observers are hesitant to call it a trend.

The three recent buyouts are "reflective of a shift in parents' strategy and desire to get out of the retail brokerage business," said Timothy J. Cunningham, a principal at Insight Management Consulting Group in Westchester, Ill. They are more of an "anomaly in the business" than a trend, he said.

Larry Marsh, president of consulting firm Marsh, Berry & Co. in Concord, Ohio, concurred. "I do not think there is a trend toward management buyouts," he said.

"These are events that can and do occur. If there is a trend, the trend is toward the formation of a larger broker and going public," Mr. Marsh said.

Without speaking about any specific company, Mr. Marsh said he sees the biggest reason for taking a publicly traded firm private is that it isn't performing up to public expectations.

"The public wants to see quality," according to Mr. Marsh. "When the public does not see quality, one of the most viable alternatives for a public entity is to cease being public."

Mark S. Lefenfeld, managing director of insurance investment bank Russell Miller Inc. in Austin, Texas, on the other hand, said the recent deals are not "aberrational."

"The rush of management buyouts is planting the seeds with lots of other folks," he said. "I think we will see more of it in the foreseeable future than in the distant past."

Specifically, Mr. Lefenfeld said he sees buyouts occurring with brokers that are part of a larger vertical infrastructure, which may restrict the brokerage's growth.

Other deals also could occur in brokerages where the management is "really potent in generating strong results" but does not have a large equitable ownership in the company, Mr. Lefenfeld said. BI

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Greater investment in IT brings returns

By John Trustman

A/BT Perspective

IN THE PAST DECADE, we have seen rapid expansion in the use of information technology in most areas of the financial services industries.

Banks and securities brokerages are now spending upwards of 12% to 15% of revenues on IT and 15% to 20% of revenues on back-office processing. This approach has been largely responsible for success, and even survival, in these industries. In sharp contrast, agents and brokers typically spend an average of 1% of revenues on improving effectiveness through appropriate use of technology, with a whopping 30% allocated to less effective, more expensive back-office processing.

There appears to be a two-stage profitability impact from investing in technology. In stage one, the "value" stage, we see a two percentage-point contribution to profit margins for each percentage point increase in technology spending, as innovative companies capitalize on their investments. In stage two, the "required" stage, margins shrink as innovations are widely adopted and become a cost of doing business. The second-stage investments are no less critical, but there is a major reduction in return on investment.

The obvious objective is to maximize ROI during the first stage of any significant IT investment. This depends on getting a clear picture of the real cost of the technology under consideration.

Following the road map of peers in the financial services sector, it is clear that investment in IT follows a highly predictable, six-step cycle:

- Basic bookkeeping automation.
- Operational automation.
- Management information systems.
- Direct supplier linkages.
- Marketing information.
- Direct customer linkages.

Bear in mind that while the average commercial bank or

See **Technology** *on page 30L*

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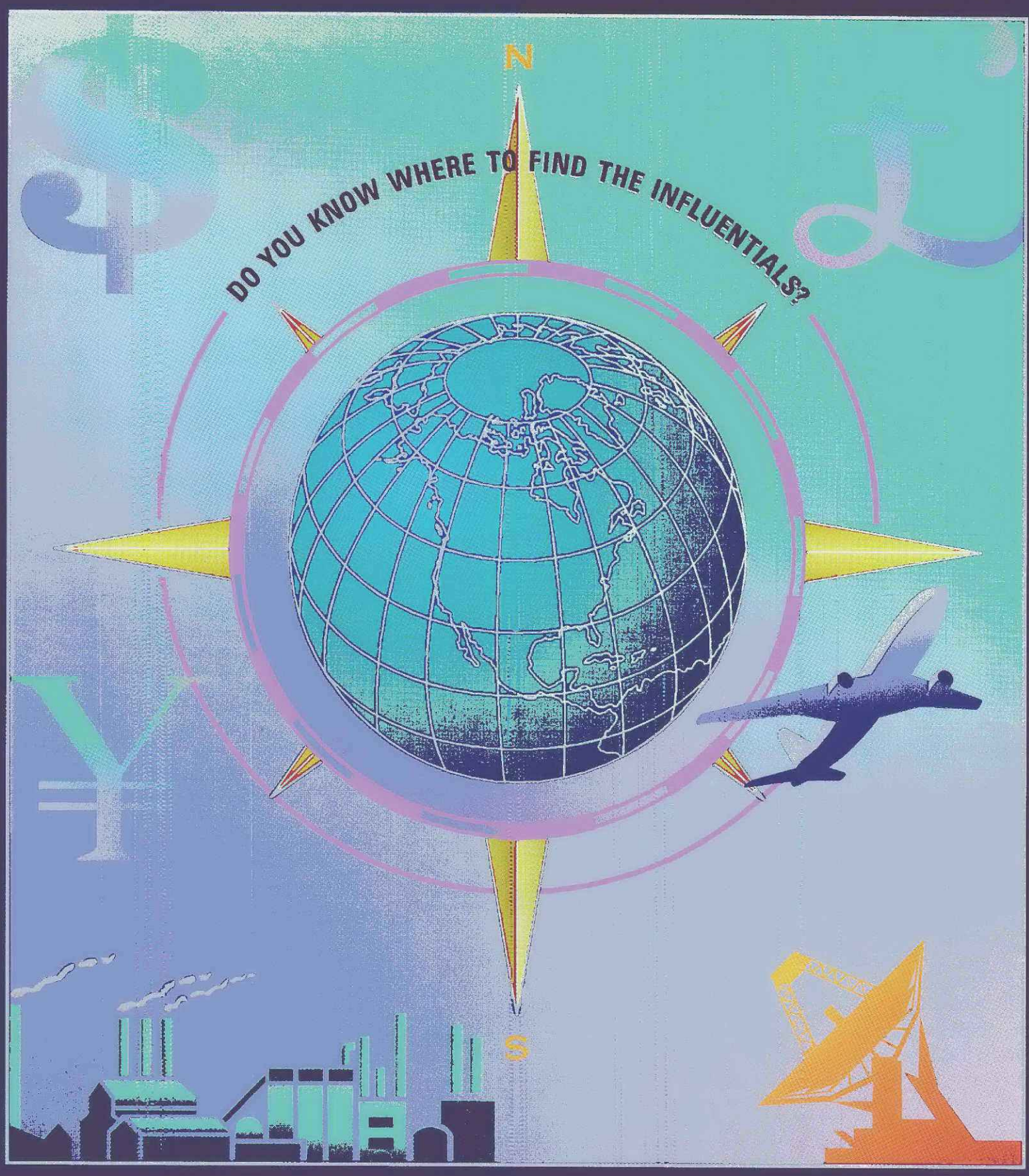

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Technology

Continued from page 30J

securities broker is between steps five and six, the average insurance agent or broker still is between steps one and two. The bad news is there's a lot to do; the good news is there's significant profitability in achieving these changes.

Basic bookkeeping automation involves computerizing key account, customer, and transactional data. For brokers and agents, this involves general ledger, accounts payable, and accounts receivable that run on large, central computers hooked up with terminals or stand-alone PCs. This is easy to implement, relatively inexpensive to acquire and requires minimal operational changes. But, it does little to improve the business and has a low payback.

Operational automation addresses the processes required to run the back office. For agents and brokers, critical functions include automating policy issuance and maintenance, claims reporting and recording, and standard forms production. Good operational automation systems also deliver integrated workflow software. Workflow tools make it easier to standardize procedures and policies. This leads to reduced training and operating costs.

Agents and brokers that are effectively using management information are moving to the third evolutionary stage, where issues ranging from customer and branch profitability reporting and analysis to risk assessment and management, are addressed. Technology choices in this stage fall into two groups. One includes products based on proprietary databases, while the other includes open reporting and analysis products that work with industry-standard relational databases. To deliver value, the technology should allow for sophisticated reporting and analysis. Management information systems enable agents to better understand their business and manage it.

The fourth stage of the IT evolution focuses on eliminating paper submissions to insurers. Success during this phase also means eliminating the requirement to enter data into any system other than the internal agency management system. This requires direct connection with insurers in virtually all operations, from submitting marketing folders through policy issuance and claims and endorsements. The key is to rely on technology that provides standard interfaces and security mechanisms. Proprietary connections drive costs up.

The ability to exchange unstructured, complex data, like that encountered in commercial lines marketing folders or in complex claims, is essential. But, existing "standards" are not always the best answer. The problem is that second "s" in "standards." For example, there are three "standards" for the Internet. The first was determined by the IETF, an official, non-profit group. The second are de facto standards set by a wide group of vendors, including International Business Machines Corp., Sun Microsystems Inc. and others. The third, based on economic value, is favored by Microsoft Corp. On the Web, this third value-based standards set is behind most of the visual appeal that has led to worldwide Internet usage. To get the highest payback from the technology that enables linkage with insurers, the third approach makes the most economic sense.

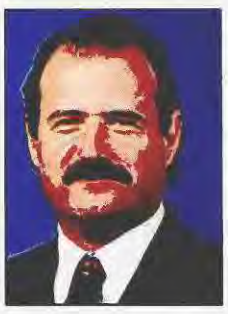
The fifth stage in technology evolution is use of systems for marketing. This is rare for agents, but an example from the securities brokerage/mutual fund industry shows the ROI possible. Fidelity Investments, the world's largest independent investment manager, has a data warehouse and information tools that provide answers to real-world, complex questions such as "How many customers worth more than $1 million do we have in Texas that own one or more tax-free mutual funds whose first Fidelity investment was a municipal bond?" The system makes it possible to match customer needs against products and beat the competition by weeks or months.

Success here depends on relatively sophisticated software products, a partnering relationship with an experienced vendor and the vision and market sense to ask the right questions of the system.

The final stage in the evolution is direct linkages with customers. The ability to interact with a customer over the Internet is a first step.

Eventually, this will no longer require involvement by anyone in the agency or brokerage. By using technology in this type of linkage, costs are cut and human resources are freed up to work where they can add the most value. Twenty years ago, banks introduced ATMs. Today, the vast majority of banking transactions are managed without human involvement. Profit margins have also increased, largely due to the fact that personnel focus on creating and selling highly profitable new banking products.

Over the next three or four years, direct application of customer technology to all phases of the business—including marketing and prospecting, rating and quoting—will become the norm. Costs will drop and value will increase. It is no longer a question of whether but rather how fast and how effectively IT adoption occurs. BI



John Trustman is president and chief executive officer of Delphi Information Systems Inc. in Rolling Meadows, Ill.

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Continued from page 30

clients in 1996.

Officers: Alan B. Cantor, president; Judith J. Szarka, vp.

** Included in system price.*

CertainCert L.L.C.

8500 N. Mopac, Suite 604,
Austin, Texas 78759;
888-321-2378; fax: 512-346-7593

Risk management systems since: 1995.

Software products:

■ CertainCert.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1995.

Total installations: 100.

Claims/coverages managed: Certificates of insurance.

Features: Assists in managing and issuing certificates of insurance. Optional modules include incoming certificate management, outgoing certificate issuance and combination package.

User support: Onsite training, telephone assistance eight hours per day, free for first 60 days.

Staff: 13 total, 10 professionals.

Branch offices: Worthington, Ohio.

Officers: James W. Smith, president/CEO; Wes Herczeg, vp-sales.

Contact: Kimberly Sylvan.

CommCore Consulting Group

888 17th St. N.W., Suite 1200,
Washington, D.C. 20006;
800-659-4177; fax: 202-331-0679

Risk management systems since: 1995.

Software products:

■ Crisis Plan wRiter (CPR)

Price: $1,200.

System requirements: IBM-compatible/network compatible PC system; operates in Windows.

Customization optional.

First installation: 1995.

Total installations: 100.

Claims/coverages managed: External/internal communications.

Features: Crisis plan creation, including identification, forms and crisis manuals. Optional modules include crisis simulations, crisis media training, issue monitoring.

User support: Onsite training, telephone assistance 24 hours per day*.

Officers: Andrew D. Gilman, president.

Contact: Emily Cohen, 212-213-7603.

** Included in system price.*

Control Software Group Inc.

5918 Sharon Woods Blvd., Suite 230, Columbus, Ohio 43229;
800-336-7475; fax: 614-882-5570

Risk management systems since: 1986.

Software products:

■ Risk-Control Plus.

Price: $595.

System requirements: IBM-compatible PC system; operates in DOS, Windows.

Customization optional.

First installation: 1988.

Total installations: 197.

Claims/coverages managed: Multiple database applications to track various risk exposures.

Features: Safety management software tracks risk exposures and customizes databases for exposures tracked; user-defined custom reports; statistical and budget reports; OSHA 200 Log and 101 reports; data uploads and downloads from remote sites. Optional modules include workers comp first reports of injury.

User support: Onsite training, telephone assistance (first 90 days free), training seminars*.

■ OSHA Control Plus.

Price: $139.

System requirements: IBM-compatible PC system; operates in DOS, Windows.

First installation: 1993.

Total installations: 192.

Features: Safety management software; incident report and tracking system for OSHA compliance, reporting and record keeping; unlimited notefields; OSHA 200 Log and 101 reports; management reports; tracking of OSHA recordable and non-recordable incidents.

User support: Onsite training, telephone assistance (first 90 days free), training seminars*.

Staff: Six total, five professionals.

Officers: John P. Nipps, president.

** Included in system price.*

Coopers & Lybrand L.L.P.

1155 Peachtree St., Suite 1100,
Atlanta, Ga. 30309; 800-404-2276;
fax: 404-870-1335

Risk management systems since: 1984.

Parent: Coopers & Lybrand L.L.P.

Software products:

■ ReservePro.

Price: $9,600.

System requirements: IBM-compatible PC system; operates in Windows, Windows 95, Windows NT.

Customization optional.

First installation: 1984.

Total installations: 387; 25 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Estimates aggregate loss reserves; monitors loss experience; evaluates insurance programs; translates individual claim data; 40 actuarial methods; 200 exhibits and reports.

User support: Onsite training*, telephone assistance eight hours per day*.

Staff: Seven total, six professionals.

Clients: 25 total, including 25 corporate risk management departments. Sold systems to one client in 1996.

Branch offices: Los Angeles; San Francisco; Chicago; Boston; Parsippany, N.J.; New York; Philadelphia; Dallas; Seattle; Toronto; London.

Officers: Michael Vogler, Cathy McKeon, Michael Flaharty, principals.

Contact: Stephen Urbrock, 404-870-1401.

** Included in system price.*

Corporate Systems Inc.

1200 Corporate Systems Center,
Amarillo, Texas 79102;
806-376-4223; fax: 806-376-4077

Risk management systems since: 1967.

Software products:

■ CS+Managed Care.

System requirements: Mainframe. Online system.

Customization optional.

First installation: 1989.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Analyzes quality, quantity, necessity and cost of medical service; adjudicates physician, hospital, pharmacy and anesthesia bills for workers comp and auto claims; automated application of appropriate state fee schedules; electronic transmission of medical bills for managed care, PPOs and claims payment systems.

■ CS Online.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Administers and tracks claims for property/casualty lines, including workers comp, auto liability, general liability, property and crime; user access to modules, screens and data elements through client defined networks.

■ CS Knowledge-Patriot.

System requirements: IBM-compatible PC system; operates in Windows, Windows NT, Windows 95.

Customization optional.

First installation: 1994.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Accesses claim and bill repricing information; querying, reporting and drill analysis; relational risk database with regularly updated data; analysis of summary and detail data in the same report; analysis of two data elements against a third set of criteria; custom designed reports and graphics; multi-dimensional analysis by drilling up, down and across data; saves files with an HTML extension.

■ CS TeleClaim.

System requirements: Mainframe. Online system.

Customization optional.

First installation: 1984.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Captures information for various types of loss reporting; 24-hour bilingual operator service; online or standalone systems; state form production for all states; ACORD-like or custom report production for property, liability and crime claims; customer-specific account design/setup; user-defined questions and codes; employee and vehicle demographic interface capabilities; single point reporting; catastrophic loss protocols. Optional modules include interface with employee census and location coding database.

■ CS Property.

System requirements: IBM-compatible PC system; operates in Windows.

First installation: 1995.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Manages and tracks property and fixed asset information by unit, subunit, location and property; lists equipment and machinery, including estimated life and depreciation methods for each property; records property improvements with value of improvement; traces inspections and ratings by date, recommendation and inspection type; pre-designed or ad hoc reporting capabilities.

■ CS PRISM for Windows.

System requirements: IBM-compatible PC system; operates in Windows. Mainframe, AS/400.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Administers and tracks claims for workers comp, auto, general liability, property, crime and other property/casualty lines of coverage; custom defined criteria; check processing; notes/diaries; claim file management; vocational rehabilitation tracking; word processing; interface and policy management.

User support: User groups/meetings, onsite training, telephone assistance eight hours per day*.

Staff: 444 total, 250 professionals.

Clients: 269 total.

Branch offices: Lisle, Ill.

1996 revenues: $41 million total. $41 million from risk management information systems sales and service, 100% from software sales.

Officers: Johnny Mize, president/CEO; John Champlin, vp/COO; Scott Gilmour, vp-sales/marketing; Marc Sollosy, vp/chief information officer; Mike Unruh, vp/CFO.

Contact: Carolena Cogdill, marketing manager.

** Included in system price.*

Crawford RSG

1900 E. Golf Road, Suite 700,
Schaumburg, Ill. 60173;
847-619-2525; fax: 847-619-0534

Risk management systems since: 1978.

Parent: Crawford & Co.

Software products:

■ ParaRisk.

Price: $75,000.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1994.

Total installations: 35; all in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, all lines of coverage accommodated.

Features: Claims administration, including first report of injury, incident tracking, reserving, check writing, diary, standard reports and graphs, ad hoc reporting; word processing and spreadsheets; data consolidation and validity checking; multi-entry location structure. Optional modules include exposure/property management, certificates of insurance, 800 call intake.

User support: User groups/meetings*, onsite training*, telephone assistance eight hours per day*, Data Center Services.

Staff: 137 total, 105 professionals.

Clients: 35 total, including 35 corporate risk management departments. Sold systems to eight clients in 1996.

Branch offices: San Francisco; Atlanta; Chicago; Mahwah, N.J.

1996 revenues: $20 million total. $20 million from risk management information systems sales and service, 70% from software sales, 30% from software services.

■ Sigma for Windows.

Price: $50,000.

System requirements: IBM-compatible PC system; operates in Windows. Online system.

Customization optional.

First installation: 1978.

Total installations: 275; all in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, all lines of coverage accommodated.

Features: Claims tracking; data consolidation and validity checking; risk analysis; loss trending; loss development; loss triangles; all types of report generation; diary; adjuster notes; allocation of cost/premium; reserve tracking; claim entry and editing (not claims administration); Excel interface; point-in-time reporting. Optional modules include exposures; location management; allocation of cost/premium; report distribution.

User support: User groups/meetings*, onsite training*, telephone assistance eight hours per day*.

Clients: 275 total, including 275 corporate risk management departments. Sold systems to 12 clients in 1996.

Branch offices: San Francisco; Atlanta; Chicago; Minneapolis; Mahwah, N.J.; Dallas.

1996 revenues: $20 million total. $20 million from risk management information systems sales and service, 10% from software sales, 90% from software services.

Officers: Michael Saladino, managing director/senior vp.

Contact: Kenneth C. Ancona.

** Included in system price.*

D

Dorn Technology Group Inc.

38705 Seven Mile Road, Suite 450,
Livonia, Mich. 48152; 313-462-5800;
fax: 313-462-5807

Risk management systems since: 1982.

Software products:

■ RiskMaster/Win.

Price: $25,000-$80,000.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1982.

Total installations: 700; 450 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Workers compensation; general claims; vehicle accident; claims administration; loss development; loss forecasting; policy management; funds management; reserve tracking; safety and loss control; OSHA; adjuster file; first report of injury; Medwatch reporting; bill review system; data import/export; data consolidation; ad hoc reporting; graphics; html output; virtual file; processing for scanned images; voice and video; actuarial reporting; incident reporting; check processing; litigation management; diary management; medical case management; 1099s; Internet compatible.

User support: User groups/meetings, onsite training*, telephone assistance 12 hours per day*, Internet access for support*.

Staff: 55 total, 35 professionals.

Clients: 600 total. Sold systems to 150 clients in 1996.

Branch offices: Phoenix; Tampa, Fla.

Officers: Mark Dorn, CEO; Steven Dorn, marketing.

Contact: Steven Dorn.

** Included in system price.*

E

Effisoft USA

250 Boylston St.,
Boston, Mass. 02116;
617-437-0660; fax: 617-437-0812

Risk management systems since: 1989.

Parent: Effisoft S.A.R.L.

Software products:

■ Gestrisk.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1989.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, crime, bankers blanket bond, marine-ocean cargo.

Features: Exposure-driven; manages exposures; loss control; engineering recommendations; policies; premiums; losses including incidents and below deductible or SIR; cost of risk and allocating premiums at multiple exposure levels; querying and reporting tools for analysis of risk management programs for all lines of coverages; handles multiple languages and currencies; provides screen label customizations.

■ WEBRISK.

System requirements: IBM-compatible PC system, client/server; operates in Windows, Internet browser. Online system optional.

Customization optional.

First installation: 1997.

Total installations: One; one in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, marine, crime, bankers blanket bond.

Features: Exposure-driven; net application; worldwide access via Internet browser; data consolidation from multiple sources; unlimited users or connections; limiting access based on log-on; imaging; exposure management; loss control; engineering recommendations; policies; premiums; company hierarchy; losses incidents anc below deductible or SIR; cost of risk and allocating premiums at multiple exposure levels; querying and reporting tools including graphs for analysis of risk management programs for all lines of coverages; handles multiple languages and currencies; provides screen label customizations.

User support: User groups/meetings*, onsite training, telephone assistance 14 hours per day*, remote access to data via communication package.

Staff: 30 total, 25 professionals.

Branch offices: Boston; London; Paris; Amsterdam, Netherlands.

1996 revenues: $2 million total. $1.2 million from risk management information systems sales and service, 30% from software sales, 70% from software services.

Officers: Olivier Adler, CEO.

Contact: Cynthia Carroll, director-operations.

** Included in system price.*

ERIC Systems

12828 Northup Way,
Bellevue, Wash. 98005;
800-283-3742; fax: 425-883-9178

Software products:

■ ERIC Risk Manager.

Price: $9,995.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1984.

Total installations: 100; 25 in corporate risk management departments.

Claims/coverages managed: General liability, workers comp.

Features: Claims administration; loss developing; loss prevention; reserve tracking; allocation of premium; safety and loss control; incident reporting; report generation; data analysis; check processing; diary; litigation management; multiple employees and multiple jurisdictions; prints first report of accident; automatically generates government-mandated reports and forms; diary/notes functions; user-defined check layouts/check bundling; automatic check generation for scheduled payments; more than 45 report titles; litigation tracking; audit trail; date, time operator id stamp on transaction records; security privileges; one year free tech support. Optional modules include ADJUSTER - automatically adjusts provider invoices to state published maximums or usual and customary fees.

User support: Onsite training*, telephone assistance 10 hours per day*.

Clients: 20 total. Sold systems to five clients in 1996.

Officers: Frank Dee Jr., Douglas Peterson, Keith O'Daniel, Karen Vanwinkle, David Burnett.

Contact: Keith O'Daniel, product manager.

** Included in system price.*

ESIS Inc.

1601 Chestnut St., TL32G,
Philadelphia, Pa. 19192-2325;
215-761-6779; fax: 215-761-5476

Parent: INA Financial Services Corp.

Software products:

■ Risk Advantage.

System requirements: IBM-compatible PC system; operates in Windows. Online system.

Customization optional.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Manages both domestic and international claims; performs inquiries

Continued on next page

Spotlight stories begin on page 3.

Continued from previous page

utilizing selection criteria; results provide full claim detail and adjusters notes (optional); more than 20 canned reports with flexible selection critera and full sorting capabilities; loss forecasting; as-of reporting. Optional modules include custom programming; cost-of-risk modeling.

User support: User groups/meetings, onsite training* (optional), telephone assistance 12 hours per day*.

Staff: 60 total, 54 professionals.

Clients: 1,400 total. Sold systems to 100 clients in 1996.

Branch offices: Los Angeles; San Francisco; Atlanta; Chicago; Boston; New York; Philadelphia; Dallas; Houston.

Officers: Raymond Hafner, president; Brian O'Hara, vp/CFO; Sharon Simpson, vp-sales operations; Lawrence Keough, vp-information products/services.

Contact: Lawrence Keough, 215-761-6767.

** Included in system price.*

G

GAB Robbins North America Inc.

9 Campus Drive, Suite 7, P.O. Box 316, Parsippany, N.J. 07054-0316; 800-422-4436; fax: 973-993-9579

Risk management systems since: 1988.

Parent: SGS, Societe Generale de Surveillance.

Software products:

■ ClienTell.

Price: Platinum: $8,000 annual fee/$1,000 one-time set up fee; Gold: $5,000 annual fee/$1,000 one-time set up fee; Silver: $3,000 annual fee/$500 one-time set up fee.

System requirements: IBM-compatible PC system; Online system (ClienTell Silver).

Customization optional.

First installation: 1995.

Total installations: 148.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Claims administration and management for all lines of business. Optional modules include customized data capture; customized cause codes; customer specific hierarchy; customized product enhancements and interfaces.

User support: User groups/meetings, onsite training*, telephone assistance 8.5 hours per day*, 24-hour paging service*, e-mail via Internet*.

Staff: Nine professionals.

Clients: 148 total.

Branch offices: Parsippany, N.J.

1996 revenues: $500,000 from risk management information systems sales and service, 75% from software sales, 25% from software services.

Officers: Antony M. Czura, chairman; David W.J. McGirr, president/CEO; Al Shahade, executive vp-risk management services; James McGee, executive vp-insurance company services.

Contact: David J. Iannotte, marketing systems manager, 973-993-3219.

** Included in system price.*

Gallagher Bassett Services Inc.

The Gallagher Centre, 2 Pierce Place, Itasca, Ill. 60143-3141; 630-773-3800; fax: 630-285-4000

Risk management systems since: 1983.

Parent: Arthur J. Gallagher & Co.

Software products:

■ RISX-FACS.

System requirements: IBM-compatible PC system; operates in Windows. Online system.

Customization optional.

First installation: 1983.

Total installations: 1,175; 12 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Claims administration; loss forecasting and trending; reserve tracking (MIRA); loss trending; incident reporting; check processing; diary; litigation management; claim notes; claim payment; recoveries tracking; reports: summary loss, loss & claim experiences, specific excess, activity summary, claim activity, claim register, accident loss analysis, claim loss analysis. Optional modules include MICRO-FACS and RISC-FACS for Windows 95.

■ MICRO-FACS.

System requirements: IBM-compatible PC system; operates in DOS. Online system.

First installation: 1986.

Total installations: 190.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Online access to workers comp, property, and casualty claim information; RISX-FACS inquiry including: total payments, recoveries, reserves and expenses by category; type, source, nature, part of body; handling adjuster; listing of check payments; history of changes in total reserves; reported date; accident date and time; location and description of loss; client location and who the claim has been assigned to; claim notes; SELEX-FACS; build-a-record. Optional modules include GB mail.

■ RISX-FACS for Windows 95.

System requirements: IBM-compatible PC system; operates in Windows, Windows NT. Online system.

First installation: 1996.

Total installations: 154.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Online access to workers' compensation, property and casualty claim information; RISX-FACS inquiry including: total payments, recoveries, reserves and expenses by category; type, source, nature, part of body; handling adjuster; listing of check payments; history of changes in total reserves; reported data; accident date and time; location and description of loss; client location and who the claim has been assigned to; claim notes; SELEX-FACS; build-a-record. Optional modules include GB mail

User support: Onsite training*, telephone assistance 24 hours per day*, manuals*.

Staff: 112 total, 105 professionals.

Clients: 1,144 total. Sold systems to 13 clients in 1996.

1996 revenues: $145.2 million total. $8 million from risk management information systems sales and service,

Officers: Peter J. Durkalski, president; John G. Campbell, chairman; Richard McKenna, Wally Gawaluch, Michael Billings, executive vps.

Contact: Tracy D. Mock, vp-marketing services, 630-285-3593.

** Included in system price.*

GatesMcDonald

3455 Mill Run Drive, Hilliard, Ohio 43026; 800-336-4733; fax: 614-777-3355

Risk management systems since: 1989.

Parent: Nationwide Insurance.

Software products:

■ Cascade.

Price: $5,500 per year for first installation, $2,595 per year for additional installations.

System requirements: IBM-compatible PC system; operates in Windows. Online system.

Customization optional.

First installation: 1995.

Total installations: Nine, all in corporate risk management departments.

Claims/coverages managed: Workers comp.

Features: Online access to account; claim, payment and reserve information; standard and ad hoc reporting; 13 standard reports with 60 variations, including claim and payment activity logs; loss triangles and summary reports; four standard graphs with 13 variations; custom reports library; electronic mail; claims administration and tracking; loss development and forecasting; risk and trending analysis; online help. Optional module allows users to store claims data on their PCs; claims data updated monthly and sent to user on CD-ROM.

User support: Onsite training*, telephone assistance eight hours per day*, travel expenses for training.

Staff: Eight total, six professionals.

Clients: Nine total, all corporate risk management departments. Sold systems to six clients in 1996.

Branch offices: Columbus, Ohio.

Officers: David Hollingsworth, president/COO; Dave Brown, vp-corporate marketing/business development; Gerry Sheldon, vp-risk management services; Peg Bainbridge, vp-state fund; Peter Barr, vp-health care management services plus; Rich Hoyt, vp-unemployment compensation; Kelly Hamilton, vp-finance.

Contact: Dave Brown.

** Included in system price.*

GenSource Corp.*

25572 Ave. Stanford, Valencia, Calif. 91355; 805-294-1300; fax: 805-294-1310

Risk management systems since: 1977.

Parent: Incomnet Inc.

Software products:

■ GenIRIS—Integrated Risk Information System.

System requirements: IBM-compatible PC system; operates in Windows, Windows NT or mainframe, IBM RS/6000.

Customization optional.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, group medical, risk management.

Features: Twenty-four-hour claims administration system providing fully integrated processing of workers' compensation, property and casualty, disability management and group medical claims; modules for managed care and risk analysis; customized for specific client needs; available on multiple platforms, including AIX on IBM's RS/6000, Windows NT and other UNIX platforms. Optional models include additional third-party products.

■ GenCOMP—Workers' Compensation Claims Administration.

System requirements: IBM-compatible PC system; operates in Windows, Windows NT or mainframe, IBM/RS 6000.

Customization optional.

Claims/coverages managed: Workers comp.

Features: Claims management system; integration with GenSource's other claims management systems to provide a 24-hour claims system; claims adjudication; reserve analysis; bill re-pricing; PPO discounts; state reporting; claims notes; diary/calendar; online ad hoc access to all claims information; variety of standard and custom management reports; archival and retrieval system (GenARS) for scanning, storing and retrieving documents stored via optical disks. Optional modules include additional third-party products.

■ GenRISK—Risk Analysis and Reporting System.

System requirements: IBM-compatible PC system; operates in Windows, Windows NT or mainframe, IBM/RS 6000.

Customization optional.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, risk management.

Features: Analyzes and controls total risk exposure; serves as a central data storage system for claims processed by an in-company system, an insurance company and/or a third-party administrator; accepts data from multiple sources; builds loss triangles using any combination of user-specified parameters. Optional modules include additional third-party products.

■ GenDIS—Non-occupational Disability Claims System.

System requirements: IBM-compatible PC system; operates in Windows, Windows NT or mainframe, IBM/RS 6000.

Customization optional.

First installation: 1997.

Total installations: Three.

Claims/coverages managed: Non-occupational disability.

Features: Aadjudicates all non-occupational disabilities; by teaming with GenCOMP, is an integrated lost time management system that combines occupational and non-occupational claims administration to permit consolidated management of disabilities; facilitates use of common treatment protocols and return-to-work disciplines; local check issuance/voucher interface; automated tax withholding; specific and aggregate reinsurance tracking; flexible benefit plan set-up; treatment and back-to work programs; optional payroll/HR; W-2 and actuarial system interfaces. Optional modules include additional third-party products.

■ GenPAC.

System requirements: IBM-compatible PC system; operates in Windows, Windows NT or mainframe, IBM/RS 6000.

Customization optional.

Claims/coverages managed: General liability, property, casualty.

Features: Property and casualty claims administration system; multiple lines of coverage, including general liability and automotive; controls reserve practices; assists in setting reserves; calculates and verifies payments; eliminates duplicate payments with online payment history; tracking and reporting on reinsurance levels by policy period; tracking subrogation information, including recoveries; automatically produces Form 1099 reports in both hard copy and tape form. Optional modules include additional third-party products.

User support: User groups/meetings**, onsite training**, telephone assistance nine hours per day**.

Staff: 40 total, 35 professionals.

Clients: 300 total. Sold systems to 20 clients in 1996.

Branch offices: Cocoa Beach, Fla.

1996 revenues: 5% from hardware sales, 45% from software sales, 50% from software services.

Officers: Eric Hoffberg, president; Michael Ewing, vp-sales/marketing; Nora Kenner, vp-consulting services.

Contact: John M. Carolan, regional account executive.

** Formerly California Interactive Computing (CIC).*

*** Included in system price.*

H

Health Management Technologies Inc.

3687 Mount Diablo Drive, Suite 200, Lafayette, Calif. 94549; 800-647-7007 or 510-299-700; fax: 510-299-7010

Risk management systems since: 1988.

Software products:

■ Return for Managed Care.

System requirements: IBM-compatible PC system; operates in Windows.

First installation: 1994.

Total installations: 200.

Claims/coverages managed: Workers comp, auto medical, managed care, short- and long-term disability, health.

Features: Medical case management; utilization review; provider network management; safety and loss control; incident reporting; report generation; data analysis, including case outcome analysis; provider performance; network and case manager performance; ad hoc reporting; diary of events; direct medical treatment data input.

User support: User groups/meetings, onsite training*, telephone assistance ten hours per day*.

Staff: 23 total, 13 professionals.

Branch offices: Silver Springs, Md.; San Antonio; Layton, Utah.

Officers: K.J. Wolfe, president; James W. Wolfe, chief marketing officer; Eric Wolfe, senior vp-technical services; Michael White, vp-sales/training; Stanley J. Pence, vp-client services.

Contact: James Wolfe or Stan Pence.

** Included in system price.*

I

ITT Specialty Risk Services Inc.

Goodwin Square, 16th Floor, 225 Asylum St., Hartford, Conn. 06103; 860-520-2500; fax: 860-520-2503

Risk management systems since: 1992.

Parent: ITT Hartford Group.

Software products:

■ LASER (Loss Analysis System to Evaluate Risk).

Price: $0 to 25,000.

System requirements: IBM-compatible PC system; operates in Windows. Online system.

Customization optional.

First installation: 1992.

Total installations: 250, all in corporate risk management departments.

Claims/coverages managed: General liability, property, workers comp, auto, product liability.

Features: Claim management and risk analysis via online inquiry; access to adjuster's notes; e-mail; formatted and ad hoc report generation; as-of reporting. Optional modules include formatted and ad hoc risk financing (triangles and development factors); benchmarking; data conversion/consolidation (current and historical); customer/vendor data interfaces.

User support: User groups/meetings*, onsite training*, telephone assistance 10 hours per day*, self-contained tutorial*.

Staff: 29 total, 19 professionals.

Clients: 120 total, all corporate risk management departments. Sold systems to 80 clients in 1996.

Branch offices: Los Angeles; Hartford, Conn.; Chicago; New York; Dallas.

1996 revenues: $4 million total. $4 million from risk management information systems sales and service, 100% from software services.

Officers: Dennis Replogle, president; Stephen Holcomb, senior vp; Jim Leonard, vp-account managment; Annette Sanchez, vp-sales/product development; Patsy Baumgartner, vp-field operations.

Contact: Ruth Grande, assistant vp-risk management information services, 860-520-2528.

** Included in system price.*

Insurance Data Services

27127 Calle Arroyo, Suite 1924, San Juan Capistrano, Calif. 92675; 714-487-1612; fax: 714-487-1613

Risk management systems since: 1994.

Parent: Jenquest Inc.

Software products:

■ Insurance Certificate Tracking Service/System.

Price: Varies.

System requirements: IBM-compatible PC system. Online system.

Customization optional.

First installation: 1995.

Total installations: 30; 20 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, professional liability, garage liability, pollution liability, motor cargo, liquor liability.

Features: Comprehensive service to track incoming certificates of insurance, including: full and partial outsourcing options, document imaging, custom applications, automated tracking, automated deficiency follow-up, remote online access, customized reports, A.M. Best guide monitoring, continuous tracking. Optional modules include tracking of contracts, licenses, indemnity agreements

User support: Onsite training*, telephone assistance 18 hours per day*, user manuals*.

Staff: 20 total, five professionals.

Clients: 30 total, including 20 corporate risk management departments. Sold systems to 25 clients in 1996.

Officers: Robert M. Ward, president; Thomas H. Wickes, H. Lee Roth, vps.

Contact: H. Lee Roth, 800-996-9964 ext. 109.

** Included in system price.*

J

J&H Marsh & McLennan Inc.

125 Broad St., New York, N.Y. 10004; 212-574-7000; fax: 212-574-7099

Risk management systems since: 1990.

Parent: Marsh & McLennan Cos. Inc.

Software products:

■ STARS.

Price: $50,000.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1990.

Total installations: 1,000, all in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, hospital professional liability, employers liability, E&O, D&O, products liability, incident tracking.

Features: Data conversion and consolidation; executive reporting; risk analysis; safety and loss control; financial/actuarial reporting; loss triangulations; policy management; total cost of risk allocations; diary functionality; litigation management; graphical reporting; client/server architecture; Internet connectivity; online help; object linking and embedding; scanning functionality.

User support: User groups/meetings*, onsite training*, telephone assistance 12 hours per day*, dial-up support/training*, e-mail*.

Staff: 120 total, 100 professionals.

Clients: 500 total, all corporate risk management departments. Sold systems to 70 clients in 1996.

Branch offices: Los Angeles; San Francisco; Stamford, Conn.; Atlanta; Chicago; Detroit; Minneapolis; Cleveland; Philadelphia; Pittsburgh; Nashville, Tenn.; Dallas; Toronto; London.

Officers: Robert G. Petrie III, Dave Undis, senior vps; Paul Steinman, Patrick O'Neill, Jeff Markowitz, vps.

Contact: Patrick O'Neill, U.S. sales man-

Continued on page 36

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ager, 404-586-8340; Jeff Markowitz, European sales manager, 44-171-945-7820; Paul Steinman, manager-client systems, 212-574-8199.

** Included in system price.*

Jury Verdict Research

747 Dresher Road, P.O. Box 980, Horsham, Pa. 19044-0980; 215-784-0941; fax: 215-784-9639

Risk management systems since: 1991.

Parent: LRP Publications.

Software products:

■ Jury Verdict Research Case Evaluation Software.

Price: $599.

System requirements: IBM-compatible PC system; operates in DOS, Windows.

First installation: 1988.

Claims/coverages managed: General liability, casualty.

Features: Claims administration; value determination; loss forecasting and development; comparisons; claim reserving. Optional modules include Basic Settlement Module; Case Evaluation Software.

User support: Onsite training, telephone assistance nine hours per day*, initial training available by a product representative*.

Branch offices: West Palm Beach, Fla., Horsham, Pa.

Officers: Kenneth F. Kahn, president/CEO.

Contact: Gary Bagin, 215-784-0941 ext. 370.

** Included in system price.*

L

Lindsey Morden Claims Management Inc.

P.O. Box 6030, Tyler, Texas 75711; 903-561-6700; fax: 903-561-9407

Risk management systems since: 1990.

Parent: Lindsey Morden Inc.

Software products:

■ Flex.

System requirements: IBM-compatible PC system; operates in DOS, Windows. Online system.

Customization optional.

First installation: 1990.

Total installations: 120; all in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Claims administration for workers comp, casualty, property; reporting; summary of loss runs; loss runs by location; fund recap; monthly check register; accident-injury analysis; litigation data; unit stat information; aggregate monitors.

User support: User groups/meetings*, onsite training*, telephone assistance 10 hours per day*.

Staff: 1,200 total; 310 professionals.

Clients: 390 total. Sold systems to 95 clients in 1996.

1996 revenues: $170 million total. $33 million from risk management information systems sales and service.

Officers: Ken Polley, chairman; Don Smith, president; Don Guin, corporate counsel; Paul Maggi, senior vp; Robert Morris, vp-sales/marketing.

Contact: Jody Jernigan.

** Included in system price.*

Lumtron Technologies Inc.

P.O. Box 309, Woodstock, Ill. 60098; 815-568-2602; fax: 815-568-2604

Risk management systems since: 1984.

Software products:

■ Claims Master.

Price: $10,000.

System requirements: IBM-compatible PC system; operates in Windows 95, Windows NT. Online service available.

Customization optional.

First installation: 1984.

Total installations: 300; 90 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Claims processing/reporting; integrated diary system; transaction log for history of each claim; integrated work processing; industry standard and user-defined claim category codes; ad hoc reporting; actuarial forecasting and analysis; spreadsheets and graphics supports; monitors claim payments and reserves. Optional modules include interface with actuarial system and service; remote reporting and risk analysis; workers compensation medical cost analysis.

User support: User groups/meetings, onsite training, telephone assistance eight hours per day.

Staff: 10 total; 10 professionals.

Clients: 200 total, including 100 corporate risk management departments.

1996 revenues: From risk management information systems sales and service, 40% from hardware sales, 20% from software sales, 40% from software services.

Officers: Janine M. Jozwiak, CEO; Daniel S. DeSerto, president.

Contact: Daniel S. DeSerto, ext. 4046.

M

MBA Inc.

36 Midvale Road, Suite 1G, Mountain Lakes, N.J. 07046-1330; 973-335-6423; fax: 973-335-9665

Risk management systems since: 1988.

Software products:

■ Customized systems.

System requirements: IBM-compatible PC system; operates in DOS, Windows.

Customized system.

First installation: 1988.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, ocean marine, inland marine.

Features: Customized systems including loss transaction database management, loss development triangle production, IBNR projections, future lost cost projections, workers compensation long-term disability and survivors' benefits, experience rating plan testing and development; management reports.

User support: Onsite training, telephone assistance eight hours per day.

Staff: Five total; five professionals.

1996 revenues: From risk management information systems sales and service, 75% from software sales, 25% from software services.

Officers: Charles Cook, president.

Contact: Peter Bennett.

MountainView Software Corp.

1133 N. Main St., Suite 103, Layton, Utah 84041; 801-544-2446; fax: 801-544-3138

Risk management systems since: 1996.

Software products:

■ Workers Companion.

Price: $595.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1996.

Total installations: 1,500; 200 in corporate risk management departments.

Claims/coverages managed: Workers comp.

Features: Claims administration; workers comp claims; first report of injury; OSHA 200 reports; loss/run reports; financial tracking; accident reporting; audit report; claim status tracking; management reports; ad hoc reporting.

User support: Onsite training, telephone assistance eight hours per day*.

Staff: Three total; two professionals.

Clients: Five total. Sold systems to five clients in 1996.

1996 revenues: $200,000 total; $5,000 from risk management information systems sales and service, 100% from software sales.

Officers: Steve Schmutz, president; Terry Preece, vp.

Contact: Steve Schmutz.

** Included in system price.*

N

Envision/Near North Risk Technologies Inc.

875 N. Michigan Ave., Chicago, Ill. 60611; 800-994-9440; fax: 312-915-4691

Risk management systems since: 1996.

Parent: Near North National Group.

Continued on next page

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our sights

on new

horizons

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Third-Party Administration • Risk and Safety Management Services

PHICO℠
Healthcare Risk Management Solutions

Continued from previous page

Software products:

■ Certificate Management Services.

System requirements: IBM-compatible PC system; operates in Windows. Online system.

Customization optional.

First installation: 1995.

Total installations: 35; all in corporate risk management departments.

Claims/coverages managed: General liability, property, workers comp, auto, excess liability, boiler and machinery.

Features: Tracks information and correspondence related to certificates of insurance; ensures coverage, limit, insurer compliance; generates renewal notices, cancellation letters, non-compliance letters, custom and standard reports; archives documents; historical conversion available.

User support: Onsite training*, telephone assistance*.

Staff: Nine total, nine professionals.

Clients: 15 total, including 15 corporate risk management departments. Sold systems to 15 clients in 1996.

■ CompVision.

Price: $3,995.

System requirements: IBM-compatible PC system; operates in Windows.

First installation: 1994.

Total installations: 88 users.

Claims/coverages managed: Workers comp.

Features: Claims administration; policy tracking; data analysis; loss trending; loss control; first report of injury (all 50 states); OSHA 100 and 200 reporting; report generation; diary function; notes function; to-do function.

User support: Onsite training, telephone assistance*.

■ HealthVision.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1995.

Total installations: Nine companies; 90 users.

Claims/coverages managed: General liability, workers comp, auto, professional liability.

Features: Claim administration; policy tracking; experience rating; reserve tracking; premium allocation; risk analysis; self-insurance comparisons; diary; loss trending; safety and loss control; incident reporting; report generation (standard and custom); data analysis; check processing; litigation management; work flow management. Option of purchasing each of five modules modules individually.

User support: Onsite training, telephone assistance nine hours per day*.

■ RiskEnvision.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1994.

Total installations: 20 companies; 196 users.

Claims/coverages managed: General liability, workers comp, auto.

Features: Claims administration; policy tracking; experience rating; reserve tracking; premium allocation; risk analysis; self-insurance comparisons; diary; safety and loss control; incident reporting; report generation (standard and custom); data analysis; check processing; litigation management; work flow management; loss trending. Option to purchase each module individually, including a professional liability module.

User support: Onsite training, telephone assistance nine hours per day*.

Staff: 17 total; 15 professionals.

Branch offices: Sandy, Utah.

Officers: Michael Segal, chairman/CEO Near North Insurance Brokerage; Steve Coleman, group executive vp/managing director-NNIB; Eileen Oswald, COO-Near North Risk Technologies; Scott Harper, managing director-Envision Enterprises L.L.C.

Near North Insurance Brokerage Inc.

875 N. Michigan Ave.,
Chicago, Ill. 60611;
312-280-5600; fax: 312-280-5602

■ WorldLink.

Price: $475 per Web subscription; group subscriptions available.

System requirements: IBM-compatible PC system; operates in Windows, DOS, Macintosh, Web, Netscape. Online system.

Customization optional.

First installation: 1996.

Total installations: 300 online users; 20 in corporate risk management departments.

Features: Information on more than 180 countries; information country by country on insurance changes, general insurance, property and casualty regulations, bonding and marine regulations, captive domiciles, social security legislation; customized reports.

User support: Telephone assistance eight hours per day*, e-mail assistance*.

Staff: 11 total; 11 professionals.

Clients: 26 total, including 25 corporate risk management departments. Sold systems to 26 clients in 1996.

■ Easy Actuary.

System requirements: IBM-compatible PC system; operates in Windows.

Claims/coverages managed: General liability, property, workers comp, auto.

Features: Casualty loss analysis, including forecasts and liability accruals; analyze alternative retentions on deductible levels and identify loss trends; loss triangulation capabilities for company-specific loss development factors for incurred and paid losses and number of claims.

User support: 30-day support, telephone assistance eight hours per day*.

Staff: Three total, three professionals.

Officers: Michael Segal, chairman/CEO; Bill Bartholomay, president-Near North National Group; Steve Coleman, Ruth Tave, Bill Hines, Sheila Kelly, Matt Walsh, group executive vps/managing directors.

Contact: Kristen Restivo, 312-280-7243.

** Included in system price.*

Nichols TXEN

6360 I-55 North, Suite 300,
Jackson, Miss. 39211;
601-957-7400 ext. 7000;
fax: 601-957-9492

Risk management systems since: 1982.

Parent: Nichols Research Corp.

Software products:

■ PACCASSO.

Price: $80,000.

System requirements: IBM-compatible PC system; operates in Windows. Mainframe AS 400. Online system optional.

Customization optional.

First installation: 1982.

Total installations: 65; 15 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, marine and cargo.

Features: Claims administration; loss development; loss forecasting; loss prevention; policy tracking; experience rating; reserve tracking; allocation of premium; risk analysis; self-insurance comparisons and analysis; loss trending; safety and loss control; incident reporting; report generation; data analysis; check processing; diary; litigation management; utilization review; fee schedules; deferred billing; cost-of-risk allocation; NCCI reporting; EDI reporting. Optional modules include IAIABC EDI submission; UR; incoming EDI submission.

User support: User groups/meetings, onsite training, telephone assistance nine hours per day.

Staff: 25 total; 20 professionals.

Contact: Ira Harvel.

Continued on next page

Directory terms and methodology are explained on page 29.

Continued from previous page

P

Per Datum Inc.

4098 Main St., Hilliard, Ohio 43026;
614-777-4636; fax: 614-777-4650

Risk management systems since: 1995.

Software products:

■ PROGNOS-MCO version 2.0.

System requirements: IBM-compatible PC system; ODBC compliant, client/server application.

First installation: 1995.

Claims/coverages managed: Workers comp, OSHA compliance, case management, occupational health and employee wellness.

Features: Manages information for workers comp managed care organizations; claims administration; case management; fee bill recording and processing; recording and tracking of diagnostic data and allowed conditions; treatment plans; provider profiling; online ICD-9; CPT & HCPCS code databases; customized reports; first reports of injury; employer/provider/employee databases; diary and notification systems. Optional modules include state-specific first reports of injury; employee health; nurses' log; treatment planning; check writing; fee bill repricing; EDI for first reports of injury and fee bills.

■ PROGNOS-Administrator version 2.0.

System requirements: IBM-compatible PC system; ODBC compliant, client/server application.

Features: Manages information for safety, workers comp and occupational health programs; claims administration; case management; loss development; forecasting and prevention; safety and loss control; itemized cost allocation; reserve tracking; recording and tracking of diagnostic data and allowed conditions; treatment plans; provider profiling; online ICD-9, CPT & HCPCS code databases; customized reports; first reports of injury; OSHA reporting; frequency and severity rates; employer/facility/provider databases; diary and notification systems. Optional modules include state-specific first reports of injury; employee health; nurses' log; training management; treatment planning; check writing; fee bil repricing; EDI for first reports of injury and cost information.

■ PROGNOS-Professional version 2.0.

System requirements: IBM-compatible PC system; ODBC compliant, client/server application.

Features: Manages information for safety, workers comp, and occupational health programs; claims administration; case management; loss development; forecasting and prevention; safety and loss control; summary cost recording and reserve tracking; customized reports; first reports of injury; OSHA reporting; frequency and severity rates; employee/facility/provider databases; diary and notification systems. Optional modules include state-specific first reports of injury; employee health; nurses' log; training management; EDI for first reports of injury.

■ PROGNOS-Compliance version 2.0.

System requirements: IBM-compatible PC system; ODBC compliant, client/server application.

Features: Records incident data and creates OSHA compliance reports, including forms 101, 200, 300, 310 and the National Standard First Report of Injury. Optional modules include state-specific first reports of injury.

User support: Onsite training, telephone assistance 10 hours per day.

Staff: Eight total, seven professionals.

Officers: Mark S. Tochtenhagen, president; Leo Renner, CFO; Mike K. Hedge, chief engineer; Mark VerMeulen, vp-marketing.

Contact: Mark VerMeulen.

Pyramid Services Inc.

39 Old Ridgebury Road,
Corporate Center, Suite B-2,
Danbury, Conn. 06810;
203-743-6000; fax: 203-743-6003

Risk management systems since: 1987.

Parent: Aon Corp.

Software products:

■ Pyramid.

Price: $25,000.

System requirements: IBM-compatible PC system; operates in DOS, Windows.

Customization optional.

First installation: 1988.

Total installations: 380; 140 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, professional liability, disability, medical case management.

Features: Claims administration; first report of injury; medical cost containment; medical bill review; health care information management and non-occupational disability management; loss control; reserve tracking; check processing; diary/notes; litigation management; cost allocation; actuarial statistics; policy issuing; billing standard and ad hoc report generation.

User support: User groups/meetings, onsite training, telephone assistance*, upgrades and future releases*.

Staff: 75 total, 70 professionals.

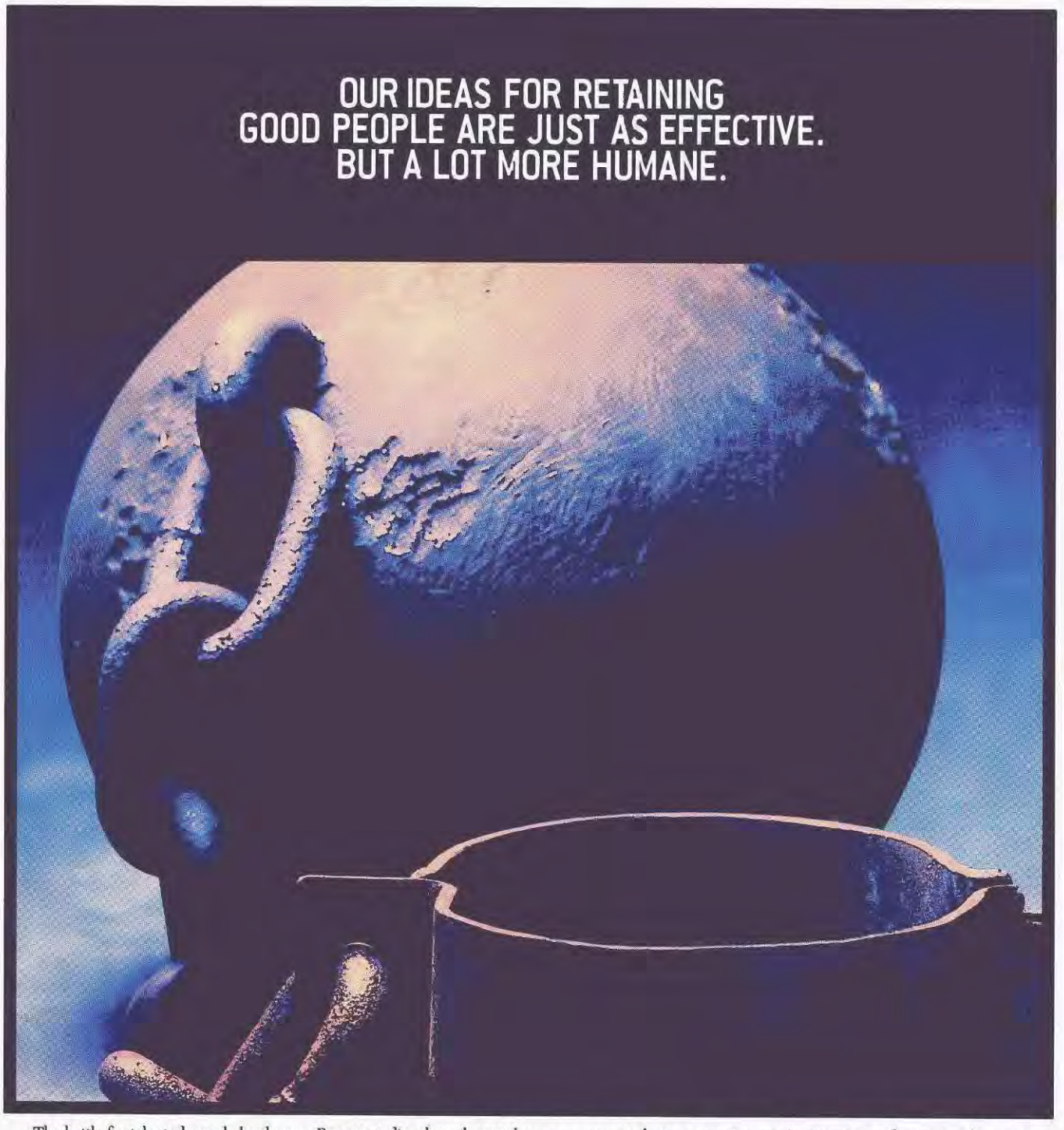
Clients: 140 total. Sold systems to 21 clients in 1996.

1996 revenues: $6 million total; $4.1 million from risk management information systems sales and service, 60% from software sales, 40% from software services.

Officers: Bill Kuebler, chairman/CEO; James Hatch, president/COO; Joyce Ingalls, senior vp; Larry Winnick, chief sales officer; Dave Horton, chief technology officer.

Contact: Denise Carson, marketing director, 203-743-6000 ext. 262.

** Included in system price.*



The battle for talented people has begun. Recent studies show that total compensation is playing a growing role in attracting and retaining the most talented. But it can do even more than that. When aligned with your business strategy, a well-designed combination of benefits and pay can be a powerful motivational tool spurring the growth of both your people and your company. And think how much your company would save if it could reduce turnover by just a few percentage points. In the battle for talented people, you already have the tools you need to win. We can show you how to make them work for your company. To learn more about designing compensation programs that can increase your company's return on its investment in human capital, call your local Watson Wyatt office or 1-800-851-4346, or visit our web site at www.watsonwyatt.com.

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R

Risk Enterprise Management Ltd.

59 Maiden Lane,
New York, N.Y. 10038;
800-347-2599; fax: 800-634-0425

Risk management systems since: 1991.

Software products:

■ Risk Options.

System requirements: IBM-compatible PC system. Online system.

Customization optional.

First installation: 1991.

Total installations: 200; 40 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, specialty lines.

Features: Loss development; loss trending; report generation; data analysis; allocation of losses; downloading of databases; exports data to other PC formats. Optional modules include consolidation of data from multiple insurers, can be bundled with REMNET to add adjusters' notes and claim financial inquiry.

User support: Onsite training*, telephone assistance 12 hours per day*, client services staff*.

■ REMNET.

System requirements: IBM-compatible PC system; operates in DOS. Online system.

Customization optional.

First installation: 1991.

Total installations: 200; 75 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, specialty lines.

Features: Claims administration; payments; reserves; recoveries; interactive adjusters' notes and diary. Optional modules can be bundled with Risk Options to add loss analysis and ad hoc report generation.

User support: User groups/meetings, onsite training*, telephone assistance 12 hours per day*, client services center.

Clients: 475 total.

Branch offices: Brea, Calif.; Maitland, Fla.; Atlanta; Chicago; Florham Park, N.J.; New York; Syracuse, N.Y.; Philadelphia; Nashville, Tenn.; Dallas.

1996 revenues: $ 1.4 million total.

Officers: Peter Johnson, chairman/CEO; Charles Callahan, president/COO; Joseph Campbell, executive vp; Michael Riney, executive vp; Richard Herschman, executive vp/CFO; Matt Craig, vp.

Contact: Bill Cassidy, client services center.

** Included in system price.*

Risk Laboratories L.L.C.

1144 Canton St., Suite 103,
Roswell, Ga. 30067;
770-642-1109; fax: 770-643-9908

Risk management systems since: 1994.

Software products:

■ RiskFolio 3.1.

System requirements: IBM-compatible PC system; operates in Windows 95 or

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■ JANUARY ■ FEBRUARY ■ MARCH ■ APRIL ■ MAY ■ JUNE ■ JULY ■ AUGUST ■ SEPTEMBER ■ OCTOBER ■ NOVEMBER ■ DECEMBER ■

YEAR—IN—REVIEW

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Windows NT 32-bit.

Customization optional.

First installation: 1994.

Total installations: Fewer than 100; fewer than 90 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, accommodates all claim and coverage types.

Features: Ad hoc reporting; standard report library; claims triangulation; loss development; trending and forecasting; premium allocation; budgeting; aggregate analysis of limits and retentions; program/TPA monitoring; cost of risk analysis; loss stratification; loss analysis; acquisition and divestiture analysis; program options analysis; self-insurance comparisons and analysis; contract and renewal negotiating; international program analysis; reinsurance cession analysis; frequency and severity analysis; "value as of" analysis; executive information system; policy tracking and management; exposure tracking and management; incoming/outgoing insurance certificate processing and management; claims management for property, casualty and all industry-specific coverages; claims reporting; workers comp first report of injury; litigation management; reserve and values history; notes/diary; scheduling; task creation; distribution and management; safety audit tracking; OSHA record keeping and reporting; data archiving; data integration, import, export, consolidation; EDI.

User support: User groups/meetings*, onsite training*, telephone assistance nine hours per day*, upgrades*, project teams include individuals with risk management experience.

Staff: 16 total, 14 professionals.

Officers: George B. Netherton, president; Robert C. Morrell, vp-research/development; T. Casey Schmidt, vp.

Contact: T. Casey Schmidt, 770-642-0109 ext. 305.

** Included in system price.*

Risk Technologies Inc.

2480 Highway 287 North, Suite 400,
Mansfield, Texas 76063;
817-477-2197; fax: 817-473-7610

Risk management systems since: 1988.

Software products:

■ RiskVision.

Price: $25,000-$125,000.

System requirements: IBM-compatible PC system; operates in DOS, Windows 3.1, Windows for WorkGroups, Windows NT Client/Server, Windows 95, UNIX, Novell. Online system.

Customization optional.

First installation: 1988.

Total installations: 184; 180 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, Longshoremen's and Harbor Workers Act, medical malpractice.

Features: Claims administration; check processing; custom claim input screens; laser check writing; vendor management; electronic transmission of 1099 information to IRS; electronic bank reconciliation transmissions; custom reports; ad hoc report generation; reserve worksheets; notes/diary routines; exposure information management; premium management; policy management; cost allocation; loss development; loss control and OSHA reporting/record keeping; state fee schedule verification and payment discounting; form letter generator.

■ RiskVision TPA.

Price: $25,000-$150,000.

System requirements: IBM-compatible PC system, operates in DOS, Windows 3.1, Windows for WorkGroups, Windows NT Client/Server, Windows 95, UNIX, Novell. Online system.

Customization optional.

First installation: 1988.

Total installations: 35; 15 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, Longshoremen's and Harbor Workers Act, medical malpractice.

Features: Claims administration; check processing; custom claim input screens; laser check writing; vendor management; electronic transmission of 1099 information to IRS; integrated time and billing; invoicing and accounting; TPA office management; generation of state-required forms and reports; state fee schedules or integration medical cost management service providers; electronic bank reconciliation transmissions; custom reports; ad hoc report generation; remote client access; reserve worksheets; diary/calendar functions; exposure information management; premium management; policy management; cost allocation; loss development; loss control and OSHA reporting/record keeping; form letter generator.

User support: User groups/meetings, onsite training*, telephone assistance 11 hours per day*.

Staff: 15 total, 11 professionals.

Clients: 255 total. Sold systems to 22 clients in 1996.

1996 revenues: 95% of revenues from risk management information systems sales and service, with 15% of that from hardware sales, 60% from software sales, 25% from software services.

Officers: Chuck Allen, president; R.J. Mallette, vp-product development/marketing; Ron Watts, vp-customer services.

Contact: R.J. Mallette.

** Included in system price.*

RISKTRAC Inc.

225 Borthwick Ave.,
Portsmouth. N.H. 03801;
800-294-3316; fax: 603-431-2071

Risk management systems since: 1982.

Parent: Liberty Mutual Group.

Software products:

■ Risktrac Links.

System requirements: IBM-compatible PC system. Online system.

Customization optional.

First installation: 1987.

Total installations: 1,150.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, group short- and long-term disability.

Features: Claim inquiry; real-time access to adjuster notes; daily updates of claims and payment information; access to managed care rehabilitation nurse information; reserve changes and calculations; customized data capture with unlimited user-defined fields; data consolidation; 36 standard reports; report scheduler; ad hoc reports. Optional modules include Risktrac COV, available March 1998.

User support: User groups/meetings, onsite training, telephone assistance 13 hours per day, online help system.

■ Risktrac SA.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1996.

Total installations: 125.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Claim inquiry; data consolidation; 26 standard reports; report scheduler; ad hoc reports; customized data capture with unlimited user-defined fields; reminders; link and store documents associated with claims supports U.S. and worldwide currencies. Optional modules include Risktrac COV, available March 1998.

User support: User groups/meetings, onsite training, telephone assistance 13 hours per day, online help system.

Contact: Alicia Rawnsley.

SAC3 Star Advanced Communications Concepts Corp.

3322 Memorial Parkway, Suite 42,
Huntsville, Ala. 35801;
205-382-1610; fax: 205-882-1810

Risk management systems since: 1993.

Software products:

■ National Industrial Injury Data System.

Price: $7,145 (software only).

System requirements: IBM-compatible PC system; operates in Windows. Extranet system.

Customization optional.

First installation: 1994.

Total installations: 150 in corporate risk management departments.

Claims/coverages managed: Workers comp, HCFA 1500, UB 92.

Features: Provides employers, providers, TPAs and payers with the electronic data interchange link to the state or multiple states' jurisdictions; speeds process for first reports of injury, subsequent reports of injury, medical bills and premium audits; integrates with most risk management systems. Additional modules activated based on clients' needs.

User support: Onsite training*, telephone assistance eight hours per day*, one-time license fee, system upgrades.

Staff: 30 professionals.

Clients: 15 total.

Continued on next page

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Officers: Ancel R. Sherrad, president/CEO; Thomas Watkins, chairman; Roger Pruett, vp; D. Scott Lund, vp-marketing.

Contact: John Limperis.

** Included in system price.*

The SSI Group Inc.

19321A U.S. Highway 19 N.,
Suite 130, Clearwater, Fla. 34624;
800-881-2739; fax: 813-535-0007

Risk management systems since: 1992.

Software products:

■ Careware.

System requirements: IBM-compatible PC system; operates in Windows. Online system.

Customization optional.

First installation: 1992.

Claims/coverages managed: Workers comp, group health, long- and short-term disability, behavioral.

Features: Case management software for workers comp; group health; long- and short-term disability; behavioral, includes all disability managements; monitors all episodes of care and return-to-work activities; access to national medical guidelines; provider channeling; provider profiling; diary and notepad; e-mail; optical document management; medical bill review; billing for case management functions; pathway management; disease state management; UM and UR services support. Optional modules include electronic notice of first injury.

User support: User groups/meetings*, onsite training*, telephone assistance 24 hours per day*.

Staff: 300 total.

Branch offices: Mobile, Ala.; Clearwater, Tampa, Fla.; Chicago.

Officers: Bobbie Smith, president; Rich Pizzolato, executive vp.

Contact: Gregory H. Colgan, senior sales representative, 773-525-7653.

** Included in system price.*

Sedgwick Information Systems

1000 Ridgeway Loop Road,
Memphis, Tenn. 38120;
901-761-1550; fax: 901-761-0408

Risk management systems since: 1979.

Parent: Sedgwick Group P.L.C.

Software products:

■ Inform for Windows.

System requirements: IBM-compatible PC system; operates in Windows 95, Windows NT. Online system.

Customization optional.

First installation: 1979.

Total installations: 200; all in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, crime.

Features: Client/server risk management information system; color graphics; claims management; premium allocations management; actuarial loss forecasting; exposure tracking; customized and ad hoc reports; risk finance; risk control. Custom modules available.

User support: User groups/meetings, onsite training*, telephone assistance eight hours a day*.

Staff: 15 total, 13 professionals.

Clients: 150 total, including 25 corporate risk management departments. Sold systems to five clients in 1996.

Branch offices: Melville and New York, N.Y.; 73 distribution offices.

1996 revenues: $1.24 billion total**. Percentage from risk management information systems sales and service NA, but of RMIS total, 40% from software sales, 60% from software services.

Officers: Jane Hill Fleming, managing director-information systems; Alan Josefsek, executive vp; John Siers, vp; Frank Fantigrossi, senior vp.

Contact: Jane Hill Fleming, 615-298-1414; Alan Josefsek, 516-421-1100.

** Included in system price.*

*** Reflects parent company statistics.*

Seligman Information Systems

234 Garden St.,
Roslyn Heights, N.Y. 11577;
516-484-5177; fax: 516-621-2154

Risk management systems since: 1985.

Software products:

■ CTRACK-Certificates of Insurance Tracking.

Price: $695.

System requirements: IBM-compatible PC system or network; operates in DOS, Windows. Versions for Windows 3.1, Windows 95 and Windows NT to be released in 1998.

Customization optional.

First installation: 1988.

Total installations: 150; 120 in corporate risk management departments.

Features: Tracks certificates received by businesses; follows up for renewal certificates as policies expire; can mark certificates that do not meet requirements; requests corrections; management reports for tracking past, current and future activity; data entry service available.

■ Advanced CTRACK-Certificates of Insurance Tracking.

Price: $1,195.

System requirements: IBM-compatible PC system or local network; operates in DOS, Windows. Versions for Windows 3.1, Windows 95 and Windows NT to be released in 1998.

Customization optional.

First installation: 1989.

Total installations: 90; 80 in corporate risk management departments.

Features: Includes basic features of CTRACK; automatically checks certificates for compliance requirements; coverage clauses and policy limits checked and recorded for future use; corrections requested for unacceptable certificates; ratings available for property and casualty insurance companies; can be customized to track and verify any type of form, such as OSHA safe-

Continued on next page

Ironically, some of the business practices that are designed to save you money can actually put your bottom line at risk. For example, outsourcing can lead you to use vendors that may not be integrated into your loss prevention program. Consolidation has eliminated redundancy, and for those utilizing Just In Time Production, there's no inventory if your manufacturing system shuts down. And where does that leave your product? Off the shelves.

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ty forms or drug testing forms; single-and multiuser versions available; data entry services available.

■ ACCESS—The Claims Information System.

Price: $5,000.

System requirements: IBM-compatible PC system, local network; operates in DOS, Windows. Versions for Windows 3.*, Windows 95 and Windows NT to be released in 1998.

Customization optional.

First installation: 1986.

Total installations: 19; seven in corporate risk management departments.

Features: Services accounts that are insured, have claims handled by third-party administrators or are self-administered; financial and safety reporting systems; check/voucher writing system available for those who issue payments; data entry services available.

■ CERTS—Certificates of Insurance Issuing.

Price: $900.

System requirements: IBM-compatible PC system or local network; operates in DOS, Windows. Versions for Windows 3.1, Windows 95 and Windows NT to be released in 1998.

Customization optional.

First installation: 1987.

Total installations: 17; 12 in corporate risk management departments.

Features: Issues large volumes of certificates of insurance forms 25, 25S and custom forms and letters; full audit trail maintained of all certificates issued; management reports to help control issuing process; data entry services available.

User support: Training and consulting support, telephone assistance 12 hours per day.

Clients: 275 total.

Officers: Thomas Seligman.

Specific Software Solutions L.L.C.

P.O. Box 1007,
Brentwood, Tenn. 37024-1007;
800-929-4052; fax: 615-376-5117

Risk management systems since: 1990.

Software products:

■ Loss Forecaster II.

Price: $699.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1996.

Total installations: 800; 140 in corporate risk management departments.

Claims/coverages managed: General liability, workers comp, auto.

Features: Forecast losses; perform reserve analysis; uses actuarial techniques; database of loss development factors, trending data; benefit level change factors; computes incurred losses including IBNR; reports; graphs.

User support: User groups/meetings*, onsite training, telephone assistance eight hours per day*.

■ Modmaster 2000.

Price: $550.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1991.

Total installations: 2,000; 200 in corporate risk management departments.

Claims/coverages managed: Workers comp.

Features: Computes, analyzes and presents workers compensation experience rating factor; computes mods for all states; multistate mods; reports; graphs; sensitivity analysis; color; what-if analysis.

User support: Telephone assistance eight hours per day*.

Staff: Six total, five professionals.

1996 revenues: 100% of revenues from risk management information systems sales and service, 80% from software sales, 20% from software services.

Officers: Timothy L. Coomer, president; Al Rhodes, senior actuary.

Contact: Timothy L. Coomer.

** Included in system price.*

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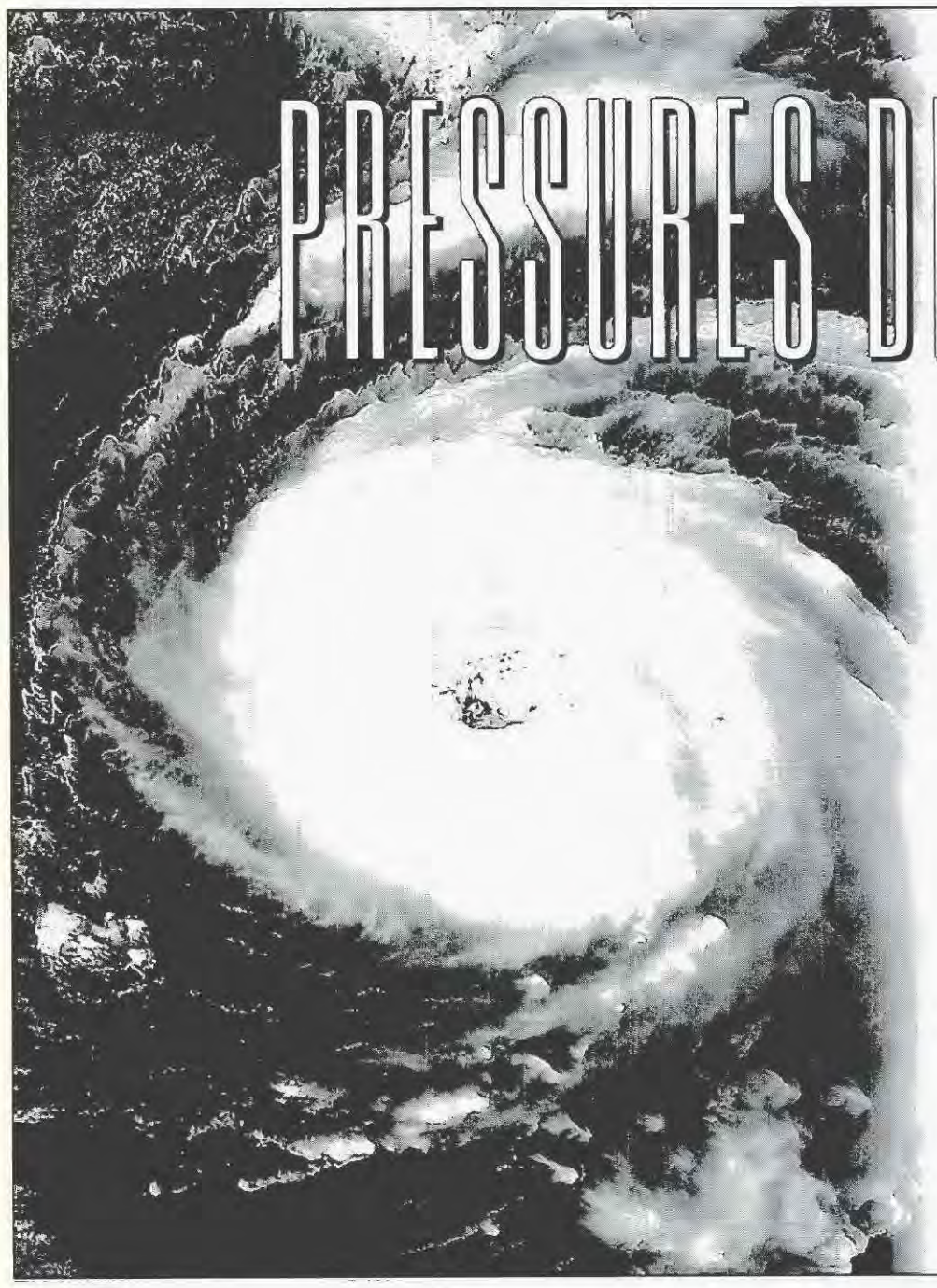

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E-mail: info@bcoe.bm

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Continued from previous page

StarTech Software

26555 Evergreen Road, Suite 1250, Southfield, Mich. 48076; 248-350-9664; fax: 248-350-2223

Risk management systems since: 1997.

Parent: FDI Group.

Software products:

■ CompStar.

Price: $45,000.

System requirements: IBM-compatible PC system; operates in DOS, Windows 95, Windows NT.

Customization optional.

First installation: 1985.

Total installations: 50 in corporate risk management departments.

Claims/coverages managed: Workers comp.

Features: Reinsurance tracking; automated indemnity; payment capabilities; enhanced security; claim adjudication; state-specific fee schedule integration; PPO; reserve tracking; OSHA reporting; first notice of injury.

■ MediStar.

System requirements: IBM-compatible PC system; operates in DOS.

Customization optional.

First installation: 1985.

Total installations: 30.

Claims/coverages managed: Workers comp.

Features: Fully automated PPO repricing; electronic filing; state-specific for schedule validation; medical bill history; dupe checking; ad hoc reporting; security; flexible account setup; invoicing. Optional modules include pharmacy.

User support: User groups/meetings*, onsite training*, telephone assistance 10 hours per day*.

Staff: 11 total, 11 professionals.

Branch offices: Tampa, Fla.; Novi, Southfield, Mich.

1996 revenues: 80% from software sales, 20% from software services.

Officers: Mark Churella, president/CEO; Scott Settle, COO; Dana Larkin, Chief Information Officer; Suzanne Bernardo, director-operations; John Roach, director-marketing/sales.

Contact: John Roach.

** Included in system price.*

Synergistic Solution Technologies Inc.

2301 W. Anderson Lane, Suite 100, Austin, Texas 78757; 512-467-2100; fax: 512-452-3002

Risk management systems since: 1990.

Software products:

■ RISKSMART.

Price: $60,000.

System requirements: IBM-compatible PC system; operates in Windows, Windows NT.

Customization optional.

First installation: 1996.

Total installations: Four.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, all lines.

Features: Data warehouse for multidimensional analysis and reporting; loss development; loss forecasting; experience rating; allocation of premium; risks analysis; self-insurance comparison and analysis; loss trending; report generation for regulatory reporting; relationships displayed graphically.

User support: Onsite training*, telephone assistance 10 hours per day.

Staff: Six total, Six professionals.

Clients: Four total. Sold systems to three clients in 1996.

1996 revenues: $500,000 total. $500,000 from risk management information systems sales and service, 20% from software sales, 80% from software services.

Officers: John Sederberg, president; Steve Lowell, treasurer; Jim Ronay, vp; Dan Williams, manager; Peter Lessels, database administrator.

Contact: John Sederberg, 512-467-2100 ext. 15.

** Included in system price.*

TecnoRisk L.L.C.

1319 Dexter Ave. N., Suite 300, Seattle, Wash. 98109; 206-282-6077; fax: 206-282-5939

Risk management systems since: 1996.

Parent: Risk Management Services Inc.

Software products:

■ TECNO Claims P&I Plus.

Price: $10,000-$35,000.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1996.

Total installations: 10; eight in corporate risk management departments.

Claims/coverages managed: General liability, vessel crew injury, passenger injury, other protection and indemnity claims.

Features: Claims administration; policy management; funds management; check writing; reserve tracking; incident reporting; marine index bureau reporting; claims statistics, including as-if retention levels; diary management; litigation management; graphical accident/incident analysis; safety and loss control, including accident, incident and hazardous conditions follow-up; OSHA 101 and 200 reporting. Optional modules include cargo claims; hull/equipment claims; safety department follow-up on accidents; incidents and non-conformities with safety manage-

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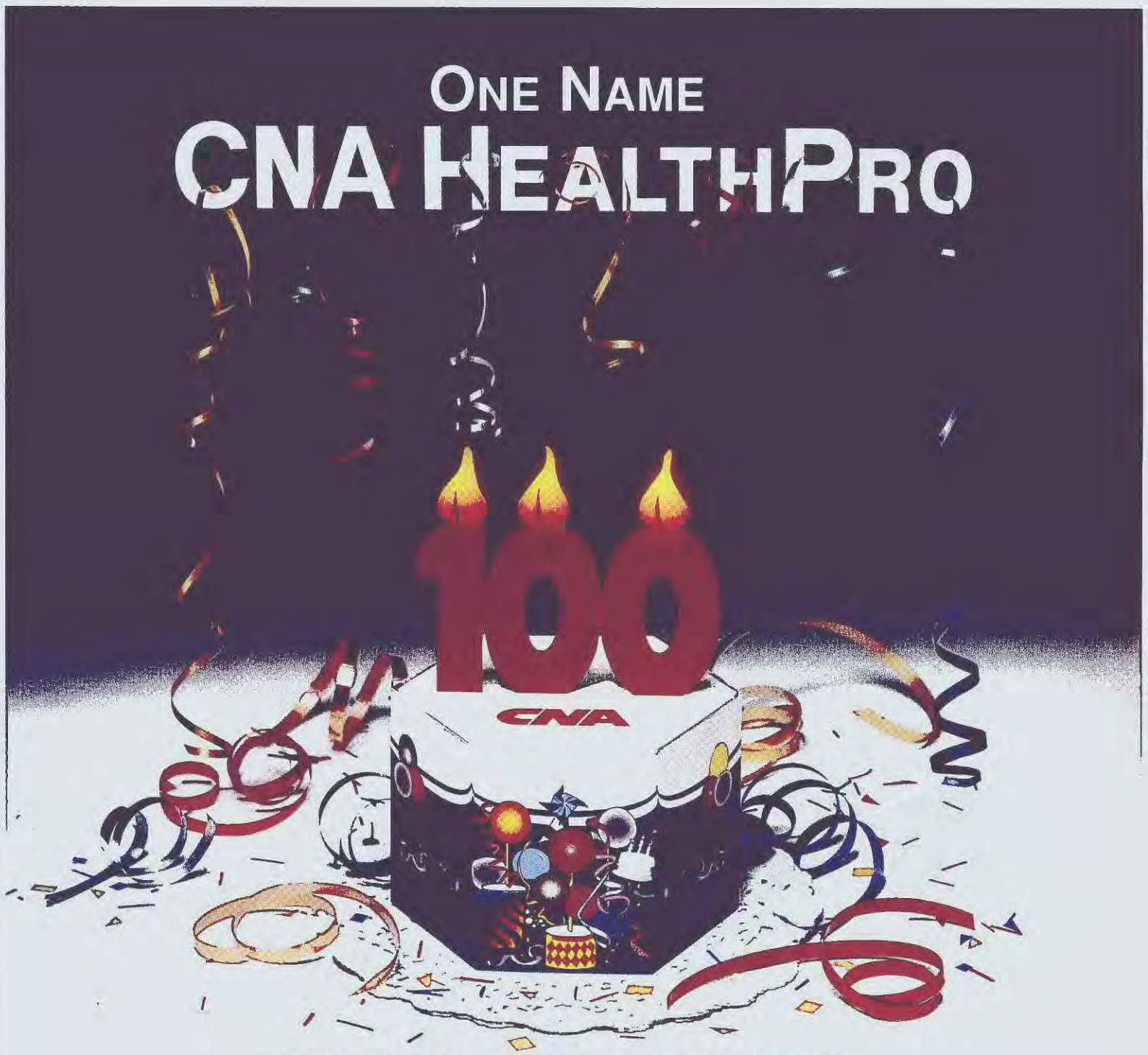

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Continued from previous page

ment system.

■ Incident & Safety Management System.

Price: $1,250-$5,000.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

Claims/coverages managed: Incidents, accidents and hazardous conditions on board vessels.

Features: Incident reporting and investigation; U.S. Coast Guard 2692 and 2692B reports; follow-up module; automated reporting to TECNO claims system. Optional modules include follow-up tracking requirements of International Ship Management Code Section 9.

User support: Onsite training*, telephone assistance 10 hours per day*, quarterly risk management review*.

Staff: Seven total, six professionals.

Clients: Seven total, including five corporate risk management departments. Sold systems to seven clients in 1996.

Officers: Roger Phillips, president; Michael Wilt, vp; Elizabeth Seymour, vp.

Contact: Elizabeth Seymour.

** Included in system price.*

The Travelers

1 Tower Square, 5CR,
Hartford, Conn. 06183;
860-277-2770; fax: 860-277-2876

Risk management systems since: 1983.

Parent: The Travelers Group Inc.

Software products:

■ CARMA/CARMA On-Line.

System requirements: IBM-compatible PC system; operates in DOS, Windows 3.1, Windows 95, Windows NT, OS2. Online system.

Customization optional.

First installation: 1983.

Total installations: CARMA: 793, CARMA On-Line: 1,168; in corporate risk management departments: CARMA: 160, CARMA On-Line: 722.

Claims/coverages managed: General liability, property, casualty, workers comp, auto.

Features: Claims manager/loss analysis including adjuster's notes; workers comp lost time analysis, managed care and integrated disability analysis, loss development and forecasting. loss prevention, reserve tracking, premium allocation, risk analysis, self-insurance comparisons and analysis, loss trending and safety/loss control; ad hoc reporting; utilize data from other sources (prior insurer/TPA/self-administered data, including loss information and disability information); employee benefits; short-term disability; benchmarking and drill-down analysis; insurance and risk management analysis available through actuarial, loss control/safety, claim and underwriting staff, all accessing same information source as client and broker. Optional modules include exposure; OSHA.

User support: User groups/meetings*, onsite training*, telephone assistance 13 hours per day*, newsletter*, individual account information representative for all accounts*.

Staff: 112 total, 75 professionals.

Clients: 1,961 total, including 882 corporate risk management departments. Sold systems to 248 clients in 1996.

Branch offices: Los Angeles.

Contact: Matt Carden, second vp-RMIS.

** Included in system price.*

Trinity Risk Systems

300 First St.,
Waxahachie, Texas 75165;
972-938-3900; fax: 972-938-7099

Risk management systems since: 1994.

Software products:

■ Trinity Risk System.

Price: $35,000.

System requirements: IBM-compatible PC system; operates in Windows.

Customization optional.

First installation: 1994.

Total installations: 21; 11 in corporate risk management departments.

Claims/coverages managed: General liability, property, casualty, workers comp, auto, medical malpractice.

Features: Workers comp; auto liability; general liability; first party; product liability; medical malpractice; checkbook (claim payments); set reserves (reserve transactions); OSHA information (lost time); automatic payables; notes/diary (input); diary (review by date); litigation/mediation information; print claim abstract; daily diary; policy and treaty module; standard reporting package: underwriting; certificate tracking; human resources link; finance/accounting link; automated first report of injury; management reporting package. Optional modules include human resources link; finance/accounting interface; TPA interface; certificate processing and underwriting.

User support: Onsite training*, telephone assistance.

Staff: Eight total, four professionals.

Clients: 18 total, including 11 corporate risk management departments. Sold systems to five clients in 1996.

Contact: Jane Gares.

** Included in system price.*

WLT Software of Florida Inc.

831 N. Hercules Ave.,
Clearwater, Fla. 33765;
813-442-9296; fax: 813-443-4936

Risk management systems since: 1984.

Software products:

■ CompClaims.

Price: Varies.

System requirements: IBM-compatible PC system; operates in DOS, Windows.

Customization optional.

First installation: 1984.

Claims/coverages managed: Workers comp.

Features: Reinsurance and reserve tracking; accounting; fee schedule and PPO processing; billing; check processing; diary; attorney tracking; management; administrative; government; incident, safety and loss control reporting; ad hoc reporting; bill review; 24-hour coverage; litigation management; loss prevention; loss development; policy tracking; risk analysis; interfaces with MediClaims and ChekClaims.

User support: User groups/meetings*, onsite training*, telephone assistance 10 hours per day*, newsletter*, hotline*, modem assistance*, Internet* and bulletin board support*.

Officers: William L. Tiner, president; Ann M. Tiner, executive vp; Thomas P. Brooks, vp-sales.

Contact: Christine Branchfield, marketing assistant.

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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
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Risk managers must change with the tools

Decision-making role could grow: Panel

By RODD ZOLKOS

AVENTURA, Fla.—Continued growth and change in the alternative risk transfer market will force risk managers to change as well if they are to take full advantage of the opportunities in that market, experts say.

7th World Captive and Risk Financing Forum

Coupled with the factors driving the ART market's current growth—even in the face of a soft market for traditional coverage—new concerns, such as maintaining shareholder value and a more holistic approach to risk management, will make captives ever more important to their parents.

A recent survey by Watson Wyatt Worldwide offers evidence of this growing role for captives, says Mitchell J. Cole, regional director of the Northeast risk management practice at Watson Wyatt in New York.

The survey found that companies plan to use their captives to underwrite more risks, write controlled unrelated business and move into employee benefits, said Mr. Cole, who spoke on a far-ranging and forward-looking panel discussion at the World Captive and Alternative Risk Financing Forum last month in Aventura, Fla.

Risk "diseconomies," or what Mr. Cole termed "crunchiness"—the growth of organizational risk dis-

See **Future** *on next page*

Rent

Continued from page 1

"Why?" he asked. "Is that written in stone somewhere?"

He also disputed suggestions that they are only useful for workers compensation and liability lines, suggesting rent-a-captives can be used for any kind of coverage.

"I don't know why a rent-a-captive owner wouldn't talk seriously to you about any kind of program you were willing to securitize," Mr. Maglaras said.

"The risk that you put into that rent-a-captive is between you and the owner of that rent-a-captive," he said.

He disagrees with the notion that rent-a-captive users are unsophisticated buyers. "Well, I know that's not the case," Mr. Maglaras said. "Smaller and smaller and smaller insureds are getting more and more and more sophisticated."

A rent-a-captive can be a cost-effective and flexible alternative risk management solution compared with commercial insurance, Mr. Burns noted, and can offer participants many of the advantages of a wholly owned captive but without the higher start-up and ongoing operational costs.

A rent-a-captive also might offer secure coverage for specific risks not otherwise insurable or for which coverage would be too expensive in the traditional market.

"A lot of people who are in equity captives all very easily fit into a rent-a-captive scenario," Mr. Maglaras said.

But a rent-a-captive decision requires as much thoughtful planning as an equity captive decision, Mr. Maglaras noted.

"Before you enter a rent-a-captive, you probably need as much feasibility analysis as you do before you enter an equity scenario," he said. Among the things to examine are the means, degree and method of risk financing.

"The feasibility analysis always discusses, 'Is this a necessary part of the evolution of my risk financing program?' " Mr. Maglaras said. It also must study the nature of the risk, the location of the rent-a-captive, its governance structure, and legal and tax implications.

Among the questions a company must answer is: how much is it willing to pay for the complete control over its risk financing vehicle that a wholly owned captive would provide; and how much control over the captive does the company really need?

"It could be that I need less than I think I do, in which event a rent-a-captive makes a lot of sense," Mr. Maglaras said.

Although rent-a-captive participants might not enjoy the same sort of control they would over an equity captive, they can achieve certain levels of control in key areas.

For example, Mr. Burns said, rent-a-captive policyholders may by negotiation maintain significant control over the way the rent-a-captive's reserves are invested and the rate of the flow of the funds through the captive.

Direct access to reinsurers is another key concern, he noted. In a rent-a-captive, the insured company doesn't own the captive, so it wouldn't enter into reinsurance contracts. Consequently, if sitting down at the meetings with the reinsurers is critical to the insured, forming an equity captive might be the way for that company to go, he added.

For now and for some time, Bermuda has had the preponderance of rent-a-captive formations.

"I think we can acknowledge that the rent-a-captive is the product of the offshore industry," said Mr. Burns.

"The good news about Bermuda is you can shop 'til you drop," Mr. Maglaras said. "There are plenty of rent-a-captives available."

"As things stand now, you can't go to Vermont and rent a captive. You can't go to Colorado and rent a captive," he said. "I think over time that's going to change a little bit. But for now, Bermuda is still where you go for a rent-a-captive."

Consequently, one of the questions a company must ask itself when considering a rent-a-captive is whether its program could benefit from being onshore. If so, for now at least, it's probably excluded itself from using a rent-a-captive.

Nicholas Dove, president of Skandia International Risk Management in Hamilton, Bermuda, and the session's moderator, noted that sometimes using a rent-a-captive can be an educational step for a company's management before making the full-fledged leap into an equity captive. BI

Future

Continued from page 45

proportionately to the organization's ability to finance it—will be an important factor behind the continued growth of captive insurance markets, predicted Mr. Cole.

"When small things have major consequences for corporations, they're 'crunchy,' " he said. "Shareholders don't like to own stock in crunchy companies."

In the future, captives increasingly will be a fronting tool for risk securitization and capital market products and may also provide their parents with a vehicle for swapping risks with other companies, predicted P. Richard Hackenburg, chief executive officer of the risk management services national practice group at Willis Corroon Corp. in Nashville, Tenn.

Captives also will provide capital efficient risk retention, will fit within the framework of organizations' holistic risk management approaches and will be used to embed non-traditional risks, such as foreign exchange risk, in companies' insurance programs, Mr. Hackenburg suggested.

Captive sponsors also will see a benefit in gaining greater direct access to reinsurance.

"The reinsurance industry is a prime driver in this area. . .looking for ways as they change to get themselves involved" with the ultimate buyer, Mr. Hackenburg said.

As a company's risk financing programs become more complex, the risk manager is likely to evolve into a "chief risk officer," who is more involved in corporate decision-making and helping his or her employer meet its goal of greater control over risk transfer, the panelists agreed.

But, along with increased prominence, new skills will be required as risk managers increasingly use complex financial products to transfer risk and face an increased emphasis on risk assessment and strategy, said Mr. Cole of Watson Wyatt.

"If you're managing to maximize shareholder value and you're keeping larger retentions, you'd better be pretty good at analyzing the sums," he said.

'The invaders are smart, so therefore we need to make friends with them,' says P. Richard Hackenburg.

If there's a real breakthrough in risk financing, it will be in the area of risk identification analysis and quantification, Mr. Hackenburg suggested. Risk managers will need to reinvent themselves and improve their skills in those areas, he predicted.

In recent years, the spectrum of corporate risk has been redefined and broadened, Mr. Hackenburg noted. "In order for an organization to truly manage its risks, it has to understand the correlation—positive and negative correlation—of these risks acting upon each other."

This holistic approach to risk management "takes a look at virtually all the different exposures that an organization operates under," he said.

Integrating the concepts and tools from financial risk management with those used by traditional property-casualty risk managers will help organizations adapt to these changes in the risk financing universe.

"And change is not going to come easy, because in most organizations there are natural barriers that have been erected over a number of years," Mr. Hackenburg said.

Along with the move toward developing an enterprise-wide risk focus comes a broadening array of capital markets risk transfer products and players.

"We haven't seen the beginning of this," Mr. Cole said. "When Goldman Sachs and Morgan Stanley appoint partners and managing directors in this area whose compensation is tied to doing deals. . . ."

In addition, Mr. Hackenburg said, if companies can do their risk management analysis accurately and properly, transferring risk into the capital markets might be the ideal way to go in many cases.

"It's going to happen," he said. "No more arguing about 'exclusion M' of the general liability policy."

Risk managers must embrace the "new invaders" in the alternative risk financing industry: the banks and capital markets, Mr. Hackenburg said.

"The invaders are smart, so therefore we need to make friends with them," he said. "They want to meet you just like AIG or CIGNA. If your broker or consultant doesn't take you to them, ask them to take you to them."

For now, however, because insurance is so cheap, "capital-efficient sources of risk transfer still reside in the insurance industry," Mr. Hackenburg conceded.

Re-regulation of financial services will play a significant role in promoting the continued growth of captives as banks and money centers enter the business "in a big way," Mr. Cole said. "They're a formidable group of competitors."

Changes in the insurance and reinsurance markets also will help shape the future of alternative risk transfer as reinsurers attempt to move ever closer to the actual risks they're covering, Mr. Cole said, adding, "We see the intermediary market disappearing over the next 10 years."

Mr. Hackenburg also predicted the future will bring a declining emphasis on offshore domiciles for single-parent captives. "Maybe offshore is no longer the need as regulatory authorities and governments decide, 'You can't beat 'em so you might as well join 'em,' " he said.

The session's moderator, Nicholas Dove, president of Skandia International Risk Management in Bermuda, noted, "While the future's always changing. . .it behooves us as business people to try to figure out where the future is going to be."

While getting ready for change won't be easy, it does point the way toward a bright future for the risk manager in companies, said Watson Wyatt's Mr. Cole.

"Walking through that door is not going to be easy," he said. Risk managers will need to rethink their role in the enterprise "and try to separate our own personal future from the future of risk management. That's a very difficult thing to do." BI

Forum brings about 325

AVENTURA, Fla.—The Seventh Annual World Captive and Alternative Risk Financing Forum drew about 325 attendees Nov. 16-19 to the Turnberry Isle Resort & Club in Aventura, Fla.

The truly international gathering drew representatives from 14 countries, of whom about

7th World Captive and Risk Financing Forum

20% were risk managers or captive sponsors, 20% represented insurance companies, 11% brokers, 10% consultants, 7% captive managers, 7% regulators and the remainder coming from other related businesses.

Conference sessions examined such topics as domicile selection, tax and regulatory issues, Latin American captive developments, reinsurance, rent-a-captives, group health care, multiyear/multiline programs, fronting and workers compensation, the future of alternative risk, and fraud.

Next year's Eighth World Captive and Alternative Risk Financing Forum will be held Nov. 15-18, 1998, at the Doral Golf Resort & Spa in Miami. For more information, call the World Captive Forum at 612-928-4659.

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What it takes to 'walk the walk' for clients

Service providers need to take an all-encompassing view of buyers' needs

By DOUGLAS McLEOD

AVENTURA, Fla.—The roles of brokers, underwriters and other financial service providers are overlapping as they battle to provide increasingly complex services to increasingly sophisticated risk managers, two industry leaders agree.

"The 'Leave it to Beaver' world where everyone had a nice, white picket fence around their own yard and everyone knew where their yard ended" has changed, said Heidi Hutter, chairman, chief executive officer and president of Swiss Reinsurance America Corp. in New York. "Those fences are coming down."

The largest insurance brokers are no longer just in the brokerage business but are in "a broad range of service businesses," noted Patrick G. Ryan, chairman, CEO and president of Aon Corp. in Chicago.

Ms. Hutter and Mr. Ryan delivered keynote addresses at the 7th World Captive and Alternative Risk Financing Forum in Aventura, Fla., late last month.

Like risk managers themselves, service providers need to take an all-encompassing view of buyers' needs—from loss control to coping with balance sheet risks—and possible solutions from self-insurance to capital markets products, the two executives said.

This "holistic" view of risk has generated a lot of discussion without always changing the way business is done, Ms. Hutter observed, "People are still talking the talk but not walking the walk," she said.

Still, reinsurers have to deal with heightened expectations on a number of fronts, she added.

Reinsurer shareholders, for example, are demanding greater returns from an industry that has traditionally underperformed other segments of the market. Regulators expect greater financial security while they also try to ensure availability and affordability of coverage, and rating agencies have pushed for higher levels of reinsurer capitalization, she said.

Reinsurers' clients also have higher expectations than in earlier years, when the "risk transfer food chain" consisted of a policyholder buying insurance, the insurer ceding reinsurance and the reinsurer buying retrocessional coverage, assisted by brokers at each step, she said.

"This really is a thing of the past, certainly for commercial lines business," Ms. Hutter said.

Commercial clients, such as corporations with captives, now expect:

- Comprehensive knowledge of the clients' exposures, financial structure, shareholder expectations and short- and long-term corporate goals.
- Responsiveness. "When you have a problem to solve, you need it solved quickly," she said. "The answer you get sooner is better than the answer you get later."

"I think the insurance industry for a long time almost took pride in being slow and deliberate," Ms. Hutter said.

- Financial strength. "There was a time when you could get a cash advance on your Visa and set up an insurance company," she joked. High levels of capital are now a requirement for doing business.
- Professional advice, including strong technical expertise in risk management, underwriting and claims handling, as well as creative product development and presence in a broad array of domiciles.

7th World Captive and Risk Financing Forum

- Clear communication. "Very often, we tend to heap jargon words into our communication," she noted.
- Accessible staff with decision-making authority. "The days of dealing with someone who went to the home office to get a decision I think are behind us," she said, explaining that clients shouldn't be in the position of having deals they've negotiated overruled by a "faceless committee" at an insurer's or reinsurer's headquarters.

Good examples of the changed face of risk management, Ms. Hutter noted, are Union Carbide Corp. and Honeywell Inc., which have negotiated sophisticated multiyear programs spanning multiple lines of coverage. In Honeywell's case, the program packaged foreign exchange risk with property, liability and directors and officers coverage (*BI*, Oct. 20; Feb. 26, 1996).

Brokers, likewise, must have a deeper understanding of clients' exposures and their impact on clients' earnings and balance sheets, said Aon's Mr. Ryan.

The "complete insurance broker" must be able to identify and define risks and find the most efficient way of dealing with them, whether it be insurance, reinsurance, captive coverage, capital markets products or other alternative financing vehicles, he observed.

Brokers are also called on to provide an array of non-brokerage services, including administrative, claims and information management, actuarial support and engineering and loss control services.

To do this, "the complete broker must have an owned network of offices with a common culture" and "superior intellectual capabilities," with experts in different product lines who can be brought in on a given project anywhere in the world, he said.

Like insurers and reinsurers, brokers now must be strongly capitalized themselves, he added.

"We are in a service business. Mistakes get made," Mr. Ryan observed, noting that brokers can be held liable for those mistakes and that their exposure has grown as their business has become more complex. "In today's world, the broker can become the insurer quite quickly because of mistakes made.

"The days of thinly capitalized brokers are over. Brokers today need a lot of capital," he said.

See **Roles** *on next page*

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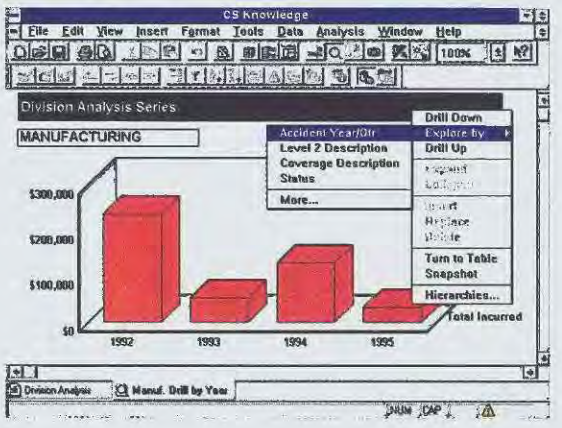

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Roles

Continued from previous page

Brokers should see themselves as advocates for their clients, doing as much for clients as possible in negotiating over policy wording, exclusions and pricing.

Mr. Ryan added, though, that advocacy doesn't mean taking advantage of insurers: "There's no future for the client, the broker or anyone if you force a product into the market that's going to create a loss on one side," he said.

He conceded that the array of services available to large and middle-market clients may not be available to small commercial clients with less than $50,000 in annual premiums.

Products for these clients, he said, tend to be more commoditized.

Both Mr. Ryan and Ms. Hutter also urged risk managers who are dissatisfied with the level of service they receive to "speak up."

"Let us know," Mr. Ryan said adding that Aon solicits comments as part of a stewardship review process.

"The burden shouldn't be on the client to tell us we screwed up," he said.

A new breed of financially sophisticated risk manager is adapting well to the changing marketplace, Mr. Ryan added.

"Many are already seizing the opportunity to play a much larger role in their corporations" than just buying insurance, he said. "There will be some who don't get it or do not want to get it, and unfortunately they will fall by the wayside."

The session was moderated by Kathryn J. McIntyre, publisher and editorial director of *Business Insurance*. BI

Datebook

DECEMBER

DEC. 8-9. Integrated Approaches to Risk Measurement in the Financial Services Industry conference in Atlanta, sponsored by the Society of Actuaries; $650 for members of actuarial organizations; $700 for non-members. The Society of Actuaries, Continuing Education Department, 475 N. Martingale Road, Suite 300, Schaumburg, Ill. 60173; 847-706-3566.

DEC. 8-10. Health Care Sponsored Captives: Strategic Risk Financing Vehicles for Capitation, Integration and Reinsurance conference in Grand Cayman, sponsored by IBC Group P.L.C.; $1,595 for the conference and workshop, $1,195 for the conference only, $695 for the workshop only. IBC USA Conferences Inc., 225 Turnpike Road, Southborough, Mass. 01772-1749; 508-481-6400.

DEC. 10-12. Managed Dental Care '97 conference in St. Petersburg Beach, Fla., sponsored by IBC Group P.L.C.; Commercial rate: $1,795 for main conference plus both workshops; employee benefit managers/government rate: $1,195 for main conference plus both workshops. IBC USA Conferences Inc , 225 Turnpike Road, Southborough, Mass. 01772-1749; 508-481-6400.

DEC. 11-12. Fourteenth Annual Insurance Coverage and Practice Symposium in New York, sponsored by Defense Research Institute Inc.; $540 for members, $590 for non-members. The Defense Research & Trial Lawyers Assn., 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

DEC. 11-12. Litigation Strategies & Risk Management seminar in San Francisco, sponsored by Litigation Risk Management Institute; $695, $985 for two-day seminars. Seminar Coordinator, Litigation Risk Management Institute, 145 Forest Ave., Palo Alto, Calif. 94301; 650-327-3372.

DEC. 15-16. Running Your Own Insurance Agency seminar in New York, sponsored by the College of Insurance; $595. The College of Insurance Center for Professional Education, 101 Murray St., Room 426, New York, N.Y. 10007; 212-815-9201.

DEC. 18. Great Expectations: Rethinking Customer Service conference in Boston, sponsored by the New England Employee Benefits Council. $195 for members, $250 for non-members. NEEBC, 62 Walnut St., Wellesley, Mass. 02181; 617-239-1767.

JANUARY

JAN. 11-12. Forum on Global Business: Risks, Rewards and Realities in Washington, sponsored by Liberty Mutual Group. No registration fee. Lori Zetlin, Liberty Mutual Group, 175 Berkeley St., Sixth Floor, Boston, Mass. 02117; 617-574-5657.

JAN. 13-14. Property/Casualty Insurance Joint Industry Forum in New York, sponsored by nine insurance associations. $595. Diane Portantiere, Insurance Information Institute, 110 William St., New York, N.Y. 10038; 212-669-9203.

JAN. 14-15. Designing & Implementing Internal Web Sites for Benefits conference in Atlanta, sponsored by Coopers & Lybrand L.L.P., The Kwasha Lipton Group and Logical Design Solutions Inc.; $1,295 for conference attendance only, $1,695 for conference plus one workshop, $1,995 for conference plus two workshops, $2,195 for conference plus three workshops. International Quality & Productivity Center, 150 Clove Road, P.O. Box 401, Little Falls, N.J. 07424-0401; 800-882-8684 or 973-256-0211.

JAN. 17. CPCU Exam Review Day for parts 1-10 in Schaumburg, Ill., sponsored by Northwest Suburban and West Suburban CPCU Chapters. Before Jan. 2: $50; after Jan. 2: $70. Judy Smith, Farmers Insurance Group, 2245 Sequoia Drive, Aurora, Ill. 60506; 630-907-3279.

JAN. 21-22. Performance Measurements for Strategic Planning in Insurance Companies conference in New York, sponsored by Price Waterhouse and the International Quality & Productivity Center; $1,295 for the conference only, $1,695 for the conference plus one workshop, $1,995 for the conference plus two workshops. International Quality & Productivity Center, 150 Clove Road, P.O. Box 401, Little Falls, N.J. 07424-0401; 800-882-8684.

JAN. 21-24. Self-Insurance Institute of America Inc. Employer Executive Forum in Palm Springs, Calif., sponsored by the SIIA; $1,395 for first attendee, $1,195 for second attendee, $1,595 for non-members. SIIA, 17300 Redhill Ave., Suite 100, Irvine, Calif. 92714; 800-851-7789.

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INTERNATIONAL

Global Briefs

David Margrett, chief executive of broker **Lambert Fenchurch Group P.L.C.**, formed by the February merger of Lowndes Lambert Group Holdings P.L.C. and Fenchurch P.L.C., said he does not foresee any hardening of rates this year. Despite the soft market pressures, Mr. Margrett said the enlarged broker has added new specialist staff and attracted "significant new business, which largely offsets these difficult market conditions." He was speaking as the broker reported its six-month results as of Sept. 30. Pretax profits were £7.1 million ($11.5 million), up 42% from the Lowndes Lambert's six-month results a year earlier. Gross revenues were £57.7 million ($93.4 million), also up 42% over the same period a year earlier. Mr. Margrett also said expense reduction from the merger would exceed the £5 million ($8.5 million) originally estimated. . . .Broker **Jardine Lloyd Thompson Group P.L.C.** is acquiring London-based Colburn French & Keen Holdings Ltd. and its subsidiaries, including specialist marine insurance broker Colburn French & Keen Ltd. It is paying £5.25 million ($8.9 million) for CF&K, which generates gross revenues of about £2.5 million ($4.2 million) annually. JLT said there is "excellent potential synergy" between its marine portfolio and CF&K's mainly retail business. . . .Finland is considering creating a **new financial supervision authority** to oversee its banking, insurance and financial services industries. This comes after the Finnish finance ministry commissioned a four-month study that recommended a central financial regulator to prevent "uncovered blackspots in supervision" as well as deregulation of the insurance and pension industry. . . .Lloyd's of London broker **Windsor P.L.C.** has acquired Rasmarine P&I Ltd., a newly formed protection and indemnity insurance broker formed by Robin Laurence, who recently left Lambert Fenchurch Group P.L.C. The price paid by Windsor will depend on Rasmarine's profitability over two years, but will be less than £1 million ($1.7 million). Rasmarine will be renamed Windsor Protection & Indemnity Ltd. . . .**Aon Corp.** has the most commercial clients among insurance brokers in the United Kingdom, according to a new study by consultant Datamonitor P.L.C. Aon has 621 commercial clients, well ahead of second-place Willis Corroon Group P.L.C., which has 279 clients. J&H Marsh & McLennan Inc. has 238 clients, and Sedgwick Group P.L.C. has 235. Datamonitor analyst Justin Bates predicted that consolidation will continue as "brokers will endeavor to maximize the potential for further cost reduction." . . .The founding members of the **WIN computer network** for insurance transactions—Aon Group Inc., J&H Marsh & McLennan Inc., Sedgwick Group P.L.C. and Willis Corroon Group P.L.C.—each have committed to having 30,000 directory entries within WIN's WINconnect electronic mail system during 1998. The directory entries contain company listings, names of individuals and contact numbers. The founding members have also committed to collectively connecting more than 1,200 offices located in more than 80 countries. Some of the founding members will be channeling all lines of business through WINconnect, while others initially will use the network only for specific lines. . . .Neil Smith has been appointed president and CEO of **CIGNA Insurance Co. of Canada** and **CIGNA Life Insurance Co. of Canada**. He will relocate to Toronto in January, and in his new role he will have executive management responsibility for all of CIGNA's insurance operations in Canada. Mr. Smith succeeds Samuel B. Cupp, formerly the president of the CIGNA companies in Canada, who recently was appointed senior vp of the North America region of CIGNA International.

Tokio Marine issues Japanese quake bond

$90 million in coverage provided via deal

By MARIA KIELMAS

TOKYO—Tokio Marine & Fire Insurance Co. Ltd., Japan's largest non-life insurer and the world's second largest, has developed the first securitization of Japanese earthquake risk.

The company has purchased a fully collateralized earthquake risk coverage of $90 million through a 10-year, $100 million catastrophe bond issue by Parametric Re Ltd., a Cayman Islands-based special-purpose reinsurer owned by a charitable trust.

Goldman Sachs & Co. in New York and Swiss Re Capital Markets Corp., a subsidiary of Swiss Reinsurance Co., led the underwriting of the transaction. Earthquake risk analysis was provided by San Francisco-based EQE International Inc.

In contrast to Swiss Re's previous catastrophe bond for California earthquake risk, the present transaction is tied to the occurrence of an earthquake within a defined area around greater Tokyo rather than the insurance losses accrued, said Jorg Stoll, director of the Zurich-based Swiss Re subsidiary, Swiss Re Capital Markets.

The total $100 million bond deal was issued in two tranches:

See **Cat bond** *on next page*

Rock group's tour Down Under canceled after singer's death

By KATE TILLEY

SYDNEY, Australia—The promoter of a tour by rock band INXS that was canceled after the death of the band's lead singer is not commenting on whether it had purchased cancellation insurance for the tour.

If it did, a coroner's report and policy wording will determine whether insurance will indemnify the promoter.

PHOTO: ARCHIVE PHOTOS

Mr. Hutchence

The lead singer of the popular Australian band, Michael Hutchence, 37, was found hanging from the door-closing mechanism in Room 524 of Sydney's exclusive Ritz-Carlton Hotel about noon on Nov. 22, only four days before the band was to start an 11-venue nationwide concert tour.

His death forced the Melbourne-based promoters, Frontier Touring Co. Ltd., to cancel the tour, scheduled to start in Woollongong, an industrial city south of Sydney, on Nov. 26, and to finish on Dec. 15.

A spokeswoman for Frontier would not comment on any insurance arrangements or the company's potential losses. "I'm not going to talk about costs at all," she said. She said refunds will be made to all ticketholders, though she would not say how many tickets had been sold.

Nor would owners of the scheduled tour venues comment on ticket sales. INXS was scheduled to perform in Brisbane Dec. 13, but a Brisbane City Council parks and gardens spokesman said only that Frontier had "put a media embargo on all comment."

Tour promoters commonly purchase a cancellation and abandonment policy to cover revenue losses when an event is canceled, industry sources point out.

Australian underwriters and brokers say Frontier would not have embarked on a tour without such cover, which they say probably was placed in London.

John Silcock, a director at Robertson Taylor Insurance Brokers in London, which places entertainment industry risks, said it is "not standard" for rock groups to take out such coverage, but when they do, it commonly is placed in the London market. He would not comment on whether Robertson Taylor placed coverage for INXS.

Whether a claim will be paid depends on

See **Death** *on page 51*

7 syndicates to close

Personal accident spiral adds uncertainty for others

By SARAH GODDARD

LONDON—Lloyd's of London names that have been unable to close their accounts and leave the market now have a glimmer of hope.

Speaking at last month's meeting of names reinsured into Equitas Ltd., Equitas Chief Executive Officer Michael Crall told the names on 44 syndicates left open from the 1993 year of account onward that seven of these syndicates have been reinsured by other syndicates within the Lloyd's market. In addition, Lloyd's syndicates have issued reinsurance quotes to another 11 so-called orphan syndicates and quotes are being developed for 19 more.

Equitas is the runoff reinsurer for all Lloyd's pre-1993 liabilities and was an essential part of the market's reconstruction and renewal program.

Equitas also agreed to provide quotations on reinsurance-to-close for syndicates with years of account left open from the 1993 year of account onward, but only after the syndicates had been open for a period of 60 months.

Many of these orphan syndicates were left open because the syndicate stopped trading the year following the poor underwriting account, so there was no successor syndicate to reinsure the liabilities.

Many of these have since received what Mr. Crall described as "commercial, and in some cases rather aggressively competitive" quotes from other syndicates within the market.

However, four syndicates representing five years of account have not been able to close their books because of uncertainty over personal accident excess-of-loss business they wrote in 1993 and 1994, which is part of a retrocessional spiral. Those syndicates are: 103, 256, and 687 with the 1993 year open and 718 for with the 1993 and 1994 years of account open.

The underwriting report for one of these syndicates, aviation syndicate 256, now being run off by the Eastgate Group Ltd., explains how the problems arose.

For 1993, the last year of account the syndicate wrote, syndicate 256 had £5.6 million ($8.3 million) in capacity.

According to the report, 96% of the syndicate's premium volume came from personal accident business; of that, 20% came from London market excess-of-loss business, commonly known as LMX.

At the time the report was prepared at the end of last year, the syndicate estimated that it was facing losses equal to

See **Lloyd's** *on page 51*

Unbundling insurance services grows in Germany

By DON LEWIS KIRK

BONN, Germany—German risk managers are reducing their tax burdens while getting a clearer picture of the true cost of the insurance coverage they purchase.

Many commercial insurance buyers are attempting to reduce their gross premiums, which are heavily taxed in Germany, by moving to compensate brokers with fees rather than commissions and unbundling the services that insurers and brokers now provide.

"Commissions are a murky business," said Alois Markmeier, risk manager of Gutersloh-based media giant Bertelsmann A.G. "The problem is the hidden costs. What we need is a way to bring every step, every service out in the open."

That complaint among risk managers is common. Premiums in Germany normally contain a 15% broker commission, but other insurer-provided services and expenses are not well documented. Critics contend these unspecified auxiliary services can inflate actual premiums for financing a risk by as much 50%.

"I want to know the cost of claims handling, I want to know the administration costs, and I want to know how my risks are assessed," said Stefan Sigulla, risk manager of Munich-based electronics heavyweight Siemens A.G. "Then I can judge if I need them or not," he said, referring to services provided by insurers and brokers.

To gain more clarity, more and more German companies are asking insurers to take commissions out of premiums by a process known as "net pricing." Buyers then pay their brokers as well as insurers fees for additional services they require .

"The trend is apparent," said Wilfred Pehler, an account manager with Aon Jauch & Huebener in Muehlheim. "Clients want to know the cost of services, and I personally think it's a good thing. Our role is documented. Clients get the added value and know what we do for them."

Supporters say commission-free premiums allow buyers to cut their costs—especially tax burdens. By eliminating commissions, German insurance buyers reduce their taxable premiums.

The ploy is no small issue in Germany, where the general levy on premiums is 15%. Germany's "damn insurance tax," as one U.S. insurance executive put it, has so increased the cost of insurance that for many it's more expensive than it's worth.

"At some point it just doesn't pay to have insurance," agreed Mr. Sigulla of Siemens. "Because of the high additional costs, especially the insurance tax, we are forced to look at alternatives. Net quotes allow companies not only to reduce insurance tax, but also to reduce sales taxes on commission."

"Brokers are exempt from sales taxes," said Mr. Pehler. "By taking commissions out, companies have a means to cut costs."

Some are not convinced that "net pricing" is so beneficial to buyers, however.

Small brokers contend the savings potential is only 2% to 3% of premium, reflecting a 15% tax on the 15% of premiums that are brokerage commissions. While a broker such as Aon has the size and willingness to work on a fee basis, some smaller brokers—particularly some companies' captive brokers—fear a loss of standing.

"It creates a new relationship to the parent company," explained Guenter Schlicht, managing director of Bonn, Germany-based Deutscher Versicherung-Schutzverband, Germany's largest risk manager association. "The captive broker no longer receives commissions but must lay down what it does for the parent company. Some

See **Germany** *on page 52*

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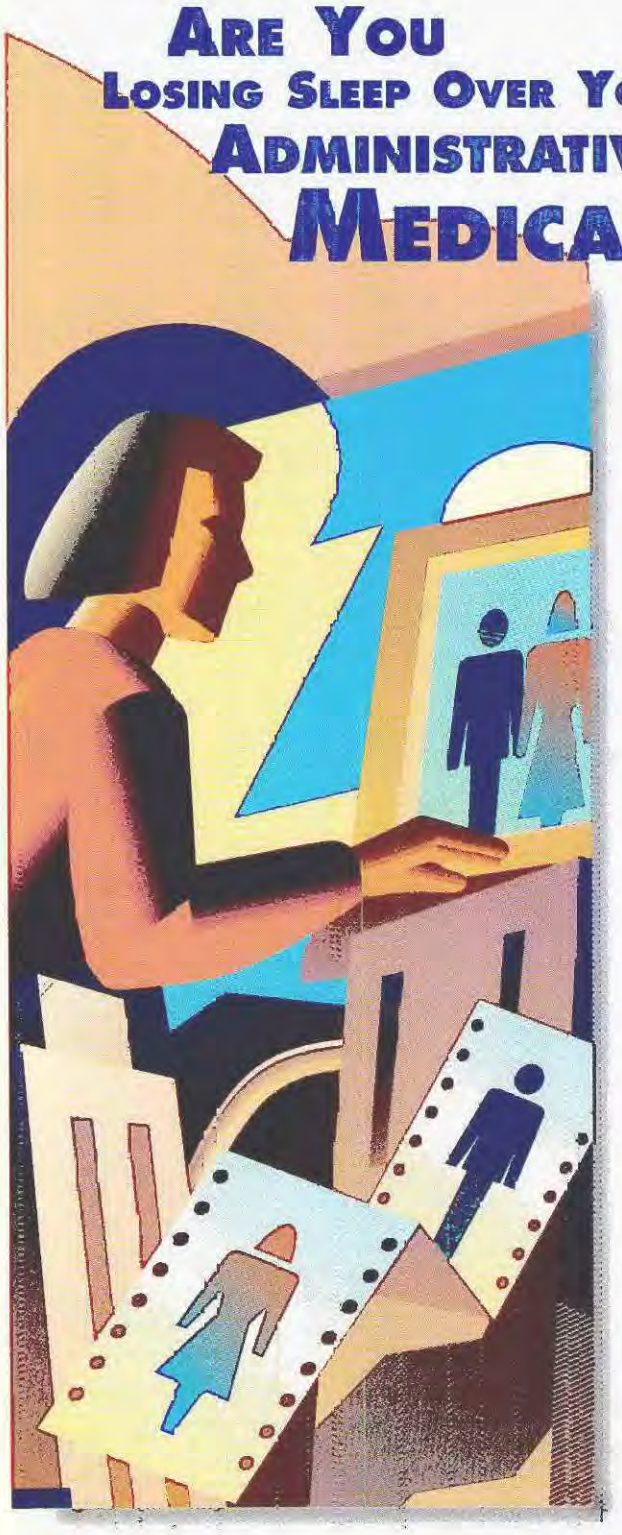

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INTERNATIONAL

Cat bond

Continued from previous page

• $80 million in notes rated Ba2 and BB by Moody's Investors Services and Duff & Phelps Credit rating Co., respectively.

• $20 million in units rated Baa2 and BBB- by the same agencies.

Investors have indirectly assumed a portion of Tokio Marine's insurance exposure to earthquake in the Tokyo area. The notes offer a high coupon rate which is the six-month London Interbank Offered Rate plus 430 basis points to compensate investors for the risk of principal loss, Tokio Marine said in a statement.

LIBOR, the rate at which prime banks operating in the London Eurocurrency market offer Eurodollar deposits to other prime banks, is frequently used as a standard in pricing bond deals.

The units consist of one part notes and one part certificates that put 50% of investors' principal at risk or, at the investors' choice, provide full repayment of principal, though over an extended period. The coupon rate on the units is the six-month LIBOR plus 206 basis points, Mr. Stoll said.

Loss payments are triggered by the occurrence of an earthquake of 7.1 magnitude, as determined by the Japan Meteorological Agency. The earthquake must be located within an area defined by geographical coordinates and depth around greater Tokyo.

Liability is graduated according to the magnitude of the earthquake, ranging from 25% for a 7.1 magnitude event to 100% for a 7.7 magnitude event, Mr. Stoll explained. Multiple events are covered in the transaction, but there is a limit of one event per 30-day period. "This is to prevent losses from immediate aftershocks," Mr. Stoll explained.

When the capital falls below 25% of the $90 million of coverage, the bond issue will be closed. "It will not be worth running after that," Mr. Stoll said.

Despite the turmoil in the Asian capital markets, the issue was more than four times oversubscribed, Mr. Stoll said. "Payment is guaranteed by Tokio Marine and Swiss Re, which are triple-A rated companies. The money is in the Cayman Islands. This has nothing to do with the (Asian) economy. Even if everything goes bust in Asia, nothing affects this bond," he added.

But there was concern about investor reaction prior to the issue. "We have been somewhat anxious to see how investors would react," said Yuichi Takeda, deputy manager, non-marine underwriting department at Tokio Marine's head office in Tokyo.

During the book-building period, investors were interested in opportunities in diversifying risk, he said. Eventually more than 50 institutional investors from the United States, Canada, the United Kingdom and Germany subscribed, he said.

Tokio Marine's earthquake exposure concerns industrial risk. Residential risks are 85% covered under a government-sponsored plan. The company's future earthquake exposure in various construction types over the 10-year period of the bond has been worked out using an in-house model.

But the bond represents only a small proportion of Tokio Marine's total earthquake exposure, itself only a fraction of total fire exposure. Total industrial fire policies with earthquake coverage have an aggregate exposure of units of hundreds of billions of yen, Mr. Takeda said. By comparison, fire policies in the South Kanto area have an aggregate exposure of 123 trillion yen.

The development of the earthquake bond is part of Tokio Marine's strategy to meet new client demand expected after the deregulation of the Japanese financial market next year. Existing government controls on tariffs and types of services will be abolished, Mr. Takeda noted.

The complete opening of the financial sector is slated for the year 2001 and has been dubbed the "Big Bang." Both foreign and national banks will then be able to get into the Japanese insurance sector. BI

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Death

Continued from page 49

whether the coroner's inquiry rules Mr. Hutchence's death was a suicide. New South Wales police investigating the death have refused to confirm suicide as the cause of death.

Policy wording also will determine whether a claim is paid. While some policies exclude suicide, others do cover it.

Merv Cross, manager of North Sydney-based Sentinel Underwriting Agencies Pty. Ltd., a cancellation and abandonment specialist underwriter that was not involved in covering the tour, said his company's standard policy wording specifically excludes cancellations caused by suicide, but he said he is aware of many policies that do not exclude it.

"It will depend on the operative clause; generally the cancellation or abandonment must be a result of an insured peril and must be beyond the control of the insured person," he noted.

While the singer's death was "beyond the control" of the promoter, Mr. Cross said it is unclear whether it was "beyond the control of the insured," if INXS band members were named on the policy.

On some policies, performers are named because they would receive a percentage of the tour's profits, he said.

Some policies exclude pre-existing medical or psychological conditions that have not been disclosed to the insurer, and some exclude cancellation due to the performers' use of illegal drugs, he noted.

Mr. Cross said while insurers probably do not intend to cover suicide, many policy wordings are very broad.

"Insurers wouldn't be jumping over themselves to pay a claim, but it will depend on the wording," he said.

Frank Fowler, account manager with FPE Insurance Brokers Pty. Ltd., a North Sydney-based broker that specializes in entertainment industry risks, said the policy for a tour the size of the INXS 20th anniversary tour likely would be tailored to promoters' specific requirements.

For example, the policy limit for a tour of that size likely would have been $4 million to $5 million Australian ($2.7 million to $3.4 million), which would carry a premium of $60,000 to $70,000 Australian ($41,172 to $48,034), Mr. Fowler said.

If an insurer does pay an INXS claim, other insurers may tighten policy wordings, he said.

A spokesman for Sydney-based underwriter HIH Winterthur Ltd., a unit of C.E. Heath International Holdings Ltd., said HIH has not written any coverage for the INXS tour but said HIH's policy covers cancellation or abandonment of any scheduled performance "due to any cause beyond the control of the insured or the participants therein."

Indemnity of INXS' tour may hinge on whether band members were considered "participants therein," the spokesman said.

INXS has been one of Australia's most enduring rock bands. Its self-titled first album was released in 1980. In 1985, the album "Listen Like Thieves" made it to the British and American charts and the next album, "Kick," helped make Mr. Hutchence one of the world's most popular rock singers. BI

Lloyd's

Continued from page 49

31% of its capacity before expenses were taken into account.

"The underlying reason for the deterioration and current cash flow problems is the participation of syndicate 256 in the so-called 'personal accident spiral' for 1993," states the report. "The fact that the syndicate did not participate at the lower end of the spiral is the major reason for the full impact becoming apparent only at a relatively late stage."

The report goes on to explain that the syndicates and London market companies involved in the business bought reinsurance protection on an excess-of-loss basis, generally above $5,000, though syndicate 256 bought excess of $10,000.

"All of this is standard insurance practice, but in this instance the direct insurers tended to reinsure each other, particularly at the lower layers of reinsurance protection," says the report, adding that the reinsurance had unlimited free reinstatements.

'Maybe this should be the sort of thing reinsured into Equitas,' says Michael Crall of the orphan syndicates.

According to London market sources, the business currently winding round this personal accident retrocessional spiral originally came into the market from two North American life insurers: a unit of Manulife Financial Group and Sun Life Insurance Co. of America.

Although the book of business includes some big claims—including the personal accident claim for Formula One driver Ayrton Senna, who died in a race crash in 1994—many of the losses are small, but of high frequency, and as a result are very expensive to administer.

Equitas' figures show that the four Lloyd's syndicates' reserves for the excess-of-loss personal accident reinsurance for these five years of account totaled £20.9 million ($35.8 million) at the end of last year.

Accountants Ernst & Young L.L.P. have been contracted by a Lloyd's working party to look into the situation to come up with a reinsurance progression model to try and identify how the personal accident spiral operates—and as a result possibly determine how to collapse it and close the open syndicates.

The administration costs on this type of low loss but high-frequency business, along with uncertainty over the reinsurance modeling process, have generally made the conventional Lloyd's reinsurance market for orphan syndicates back away, said Equitas' Mr. Crall. It is "likely (the syndicates) will end up being reinsured by Equitas," he said, adding that "maybe this should be the sort of thing reinsured into Equitas."

The U.K. Department of Trade and Industry would first have to approve Equitas' assumption of the risks. BI

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Germany

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captive brokers have trouble doing that."

The insurance tax has so greatly burdened the commercial sector that Mr. Schlicht thinks companies will do anything to lower costs.

"I can't say often enough: It's an unreasonable burden."

For Mr. Schlicht, the writing is on the wall. "The move to reduce taxes and gain clarity goes hand in hand with changes in risk management attitudes. The cost factor is transforming the market."

The issue of commissions vs. fees opens old wounds. Independent brokers often criticize captive colleagues for commission skimming—in effect, cashing in on insurance commissions without offering real services—and see "net pricing" as a means of "separating the wheat from the chaff," said Mr. Pehler. "A good broker can prove he's a good broker."

Equally vulnerable are insurance companies, many of which, Mr. Pehler said, are nowhere near ready to calculate premiums on a net basis. "The software, the whole system, is based on gross premiums," he said. "It shakes up their statistics."

While supporting "any solution that helps our clients," Manfred Illner, a member of the Executive Board of Munich-based Allianz A.G. Holding, admits he's wary of net quotes for legal reasons, such as the government interpreting "net pricing" as tax evasion.

Also, in Germany, insurers must first pay the premium tax and then recoup it from the client. Because the tax evasion statute of limitations is four years for insurers, as opposed to two years for buyers, insurers theoretically could end up paying taxes for "net pricing" corporate clients that later are found to have improperly evaded them. "Legal considerations will finally determine if it's an acceptable instrument or not. As long as the issue is unclear with tax authorities, I counsel caution," Mr. Illner said.

Germany's Finance Ministry, however, says it is clear. "As long as buyers talk insurers into taking commission out of the premium and paying the broker directly, we have no objections," said Hans Koch, head of the division that oversees insurance in the Finance Ministry in Bonn. "We don't particularly like losing tax revenues, but it is legal."

If all commissions were removed from commercial insurance premiums, the government could stand to lose up to 450 million deutsche marks ($257.1 million) a year, brokers estimate.

"There's no question about separating commissions from premiums" potentially violating tax law, according to Mr. Koch.

That is good news for some buyers, but not good enough for others. The search for alternatives to Germany's heavily taxed insurance system has persuaded Lothar Riedle, captive broker director and risk manager of VEBA A.G., one of Germany's largest international corporations, to initiate one of the largest self-insurance plans in German history.

'In essence, we're becoming a loss adjusting company; that's all that's left,' says Lothar Riedle.

"The issue is not just taxes," said Mr. Riedle. "It is total frictional costs."

Mr. Riedle has an alternative risk financing plan that he said will allow his Dusseldorf-based company to maintain a 100 million deutsche mark ($57.5 million) to 150 million deutsche mark ($86.3 million) aggregate retention, depending on the risk, and shave 30% off its current insurance premium.

"It's only possible if our captive broker works for a service fee and not a commission," he said. "We will massively reduce the amount of our insurance."

This type of internally funded alternative risk financing solution is a radical departure for most German insurance buyers.

"If you look at a VEBA business report, you'll see we have an incredible cash flow, and it's no problem from a liquidity standpoint to pay for claims out of our own pocket," Mr. Riedle said.

With 122,110 employees and 74 billion deutsche marks ($47.9 billion) in 1996 revenues, VEBA A.G. is in a position to make changes few other corporations can, he acknowledged. "It means every claim, except the most catastrophic, is paid out of our own pocket. It's VEBA money, which gives new meaning to loss control and safety management."

Mr. Riedle plans to also self-insure types of risks that have been previously uninsurable, including exchange rate risks and hedging risks.

"We are in the process of examining two of our corporations, putting together a risk mapping study that includes financial risks," he said.

Cost factors play a key role in the decision to self-insure. "I know our claims will average 100 deutsche marks to 150 million deutsche marks next year, and it's a base load we can carry. If I insure them, I'm tacking on 40% auxiliary costs I don't need to pay."

Not only will VEBA save 15% from taxes on premiums and other taxes, including German property insurance tax, the company also will reduce administration costs and costs of broker services such as documentation and loss inspection that it can do itself, saving 30% overall.

As a logical consequence, Mr. Riedle's self-insurance plans do not include a captive.

"There will be a fund manager—hopefully us (the captive broker) and an excess-of-loss insurance consortium. A captive replaces one evil with another. There is still a damn cost structure attached to it, i.e., fire protection tax, premium tax and the frictional costs from the administrator and the reinsurance company. We want an aggregate basket that cuts those costs."

Mr. Riedle admits the little things are his biggest worry.

"How do you apply a mechanism like this to 800 factories worldwide?" he asked rhetorically.

Mr. Riedle said he recognizes that his views are radical in the German market. "With this, you kill the captive broker as it exists today," he said. "In essence, we're becoming a loss adjusting company; that's all that's left."

For the first time in history, companies, not insurers, are designing the products, said Mr. Riedle. "All the insurer provides is the capacity, and it makes no difference if it comes from the insurer, the reinsurer or a bank."

Germany's ultra-soft market has no affect on his view.

"Nothing beats cheap insurance, I know. But the question is, what is cheap? Is a service I buy for 40% added cost still cheap? We also want to be prepared for the day when the market is not soft. Eventually reinsurers will strike back. All the market needs is one or two large claims. If we have one policy worldwide, imagine the cost we can save." BI

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Brokers

Continued from page 2

Results from Indianapolis-based Acordia Inc., London-based C.E. Heath P.L.C. and Neuilly-sur-Seine, France-based Gras Savoye S.A. are not included because they are privately held firms.

Jardine Lloyd Thompson Group P.L.C., as well as other publicly held U.K. brokers, are required only to report year-end results.

Johannesburg, South Africa-based Forbes Group Ltd., which jumped into the Top 10 earlier this year after it acquired London broker Nelson Hurst P.L.C., reports its earnings on a fiscal year ending March 31. It reported six-month results earlier this month (see sidebar).

Willis Corroon's lackluster results have prompted continued speculation about its future.

Earlier this month, a London daily newspaper reported that Aon Group had signaled a bid for Willis Corroon or Sedgwick Group P.L.C. and that Marsh & McLennan Cos. Inc. was likely to counter such a bid. It further speculated that the most likely merger was an Aon/Willis combination.

At the time, Patrick G. Ryan, chairman and chief executive officer of Aon Group, said he was "shocked" by the reports and described them as "unfounded."

Rumors have surfaced for years that Aon was going to acquire Willis or Sedgwick, or that Sedgwick and Willis were going to merge, or that M&M was going to acquire Sedgwick, he said. "People seem to have nothing to do but to dream of the future."

At the moment, Mr. Ryan said Aon is not looking to make another major acquisition but will continue to acquire smaller "boutique" companies.

But the garrulous London market continues its speculation, the latest being that Willis will team up with Jardine Lloyd Thompson Group P.L.C., and that investment bank Goldman Sachs is aiming to merge with Aon. Spokesmen for both Willis and Aon said it was not company policy to comment on market rumors.

Sedgwick has "made no secret of the fact we would like to be larger. . .if we can find the right partner which meets strategic needs," said Rob White-Cooper, chief executive of Sedgwick. This could take the form of a joint venture, merger or acquisition, as long as it is "in accordance with our strategy," he said.

For Willis Corroon, the ongoing speculation has had a downside.

"There is no question that it does unsettle people and can make it hard to recruit people," said Tom Colraine, group finance director at Willis Corroon, though he added the broker has recruited several individuals and teams as a result of fallout from the megamergers. He said clients can feel unsettled as well with all the rumors, though Willis also has picked up new clients that chose to leave the combined J&H Marsh & McLennan Inc.

Despite all the rumors, the third quarter was relatively quiet in terms of acquisitions.

During the third quarter, M&M agreed to acquire Danish broker Bonnor & Co. A/S and Mexican broker Brockman & Schuh Group for undisclosed sums. Earlier this month, it announced it would acquire Swedish broker AB Max Matthiessen. The three brokers were former partners of J&H in the UNISON network.

Sedgwick announced a joint venture with Milan, Italy-based Gruppo Nikols to expand its southern European and Latin American business.

Overall, soft market conditions continue to concern the publicly held brokers.

"The industry conditions are tough, there is no question about it, and there is no sign that it is going to get any easier," said Willis' Mr. Colraine. There has been a "pretty benign loss environment," combined with a lot of capacity, he said, adding that conditions won't improve any time soon.

The market is "quite tough" and property/casualty rating levels are weak, said Mr. White-Cooper of Sedgwick. "There is a lot of capital and capacity in the market."

While hikes in reinsurance brokerage revenues are generally down due to the soft market, many brokers received a boost from consulting units.

M&M's revenues from its consulting practices, for example, grew 15.8% to $999 million in the first nine months. Even excluding revenues from the acquisition of A. Foster Higgins & Co. Inc., consulting revenues were up 12%, noted J. Michael Bischoff, vp-corporate development for M&M. He attributes the growth to strong economic activity and to a strengthening of the broker's individual practice groups.

In addition to M&M, Sedgwick's employee benefit consulting operations, Sedgwick Noble Lowndes, recorded "double-digit profit growth," taking currency fluctuations into account, said Sedgwick Chairman Sax Riley. He added that Sedgwick will continue to grow its proportion of fee-based revenue, as well as its consulting operations.

Individual profiles of the world's largest publicly held brokers follow:

Marsh & McLennan

Gross revenue for the first nine months of 1997 increased 33% to $4.13 billion, and net income improved by 24.5% to $449.4 million at the world's largest brokerage.

Results received a nice boost from the addition of Compagnie Europeenne de Courtage d'Assurances & de Reassurances and Johnson & Higgins, which M&M acquired in January and March, respectively.

See **Brokers** *on next page*

Broker results

Nine-month results for the world's largest publicly held brokers
(in millions of dollars)

	Gross revenues	% change from 1996	Net income	% change from 1996
Marsh & McLennan	$4,131.3	33%	$449.4	24.5%
Aon Group [1]	2,770.4	95.3	213.9	21.7
Sedgwick Group [2]	1,147.7	1.3	92.9	10.1
Willis Corroon [2]	835.1	(6.1)	65.1	(25.1)
Arthur J. Gallagher [3]	358.5	5.1	40.6	22.2

[1] Pretax [2] British pound=$1.6185 (1997), $1.565 (1996) [3] 1996 figures have been restated
Source: *BI* survey

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Program offers EPL cover, risk management

By DEBORAH SHALOWITZ COWANS

Products & Services

NEW YORK—Midsize companies may purchase employment practices liability insurance at reduced rates and risk management services to reduce employment practices risks under a new program from broker J&H Marsh & McLennan Inc. and law firm Littler Mendelson.

The program, Leaders Preferred, targets employers with 250 to 3,500 employees.

The EPL coverage is written by National Union Fire Insurance Co. of Pittsburgh, Pa., and other American International Group Inc. companies; Executive Risk Inc.; and Zurich-American Insurance Group.

Under the program, attorneys from Littler Mendelson audit a business' human resources policies and practices and provide specific strategies to reduce employment-related risk at no additional cost. The audit covers a company's employment documents, practices and policies, as well as compliance with state and federal employment-related laws. An audit report points out deficiencies in the company's current practices and suggests strategies for avoiding common mistakes that lead to liability.

The Leaders Preferred program generally provides broad coverage for workplace discrimination, wrongful termination, sexual harassment and other employment-related claims. The policy covers current and former employees, and in most instances third-party vendors, clients and customers seeking damages or injunctive relief.

The coverage includes prior acts of acquisitions, punitive damages, third-party claims and independent contractors as employees.

For information, contact Peter Foster, employment practices liability specialist with J&H Marsh & McLennan, 617-960-5804; or William Pratt, vp at J&H Marsh & McLennan, 408-467-5633.

Payroll deductions

HARTFORD, Conn.—A new payroll deduction plan allowing employees to deduct as little as $25 per pay period for personal investing is now available from CIGNA Financial Services, a discount stockbrokerage unit of CIGNA Corp.

Payroll deductions can be invested in more than 4,000 mutual funds, including more than 300 no-load transaction funds from approximately 70 fund families, as well as stocks and bonds.

The program, called CIGNASaver, is targeted at employers with more than 1,000 employees. CIGNASaver is free to employers and employees.

For information, contact Charles Herbert, director of CIGNA Financial Services, 860-534-3091.

Carpal tunnel testing

JACKSON, Tenn.—IPS Physician Services, a workers compensation medical management and cost containment company, is offering a carpal tunnel syndrome prevention and detection program.

The program, called Wrist Watch, tests newly hired workers for carpal tunnel syndrome before they begin work.

According to the company, an average of 15% of new hires have compression of the median nerve at the wrist—which leads to carpal tunnel syndrome—before their employment begins.

The Wrist Watch program involves three steps: training and supervising a plant nurse or another health professional about carpal tunnel syndrome detection and treatment; studying all the workstations at a facility and ranking jobs by degree of hand and wrist intensity; and testing all new hires and currently employed workers, if desired. If an employee is deemed at risk for carpal tunnel syndrome, an IPS physician would make recommendations about job restrictions.

For information, contact D. Patterson Adams Jr., president of IPS Physician Services, 901-664-9412.

Net services coverage

NEW YORK—Professional liability coverage for providers of Internet-related services is now available from American International Group Inc.

AIG's policy protects against errors and omissions, claims of copyright or trademark infringement, computer virus, unauthorized access and personal injury for corporations, partnerships, their subsidiaries or individuals providing services on the Internet.

The policy also covers: Internet access provider services; Web site design and construction; e-mail; development and/or installation of encryption software; and maintenance of chat rooms and online bulletin boards. The policy also covers computer services related to setting up a home page, including programming, design, installation and consulting services. Additionally, coverage is available for Internet-related advertising, broadcasting and electronic publishing services.

The coverage is contingent upon compliance with minimum safeguarding procedures set forth by AIG. The policy covers defense costs for claims, even if allegations are groundless, false or fraudulent. Coverage is on a claims-made basis with limits of up to $25 million.

For information, contact Jill Salmon or Tim McAuliffe, 212-458-1127, or http://access.aig.com.

Food processing risks

DETROIT—A new program combining food processing industry consulting services and specialty insurance protection is now available from Aon Risk Services Inc. of Michigan. The program is designed to help the food processing industry focus on increased regulatory and potential liability issues.

Aon is offering a combined product recall/business income protection policy that covers traditional exposures from a recall and also provides product incident loss-of-income coverage. Coverage details still are being negotiated.

In addition, Aon is cooperating with NSF International to help food processing companies with Hazard Analysis and Critical Control Point compliance.

Ann Arbor, Mich.-based NSF International is an independent, non-profit organization that develops food processing industry standards.

Aon has designed risk management services to help clients qualify for NSF's HACCP-9000 certification, which brings them into full compliance with HACCP and food hygiene practices integrated with ISO 9000.

The federal Food and Drug Administration and other federal and state regulatory agencies have recommended the HACCP technique to evaluate a food company's ability to produce safe, quality products. HACCP also is being incorporated into the FDA's legal requirements for the food industry.

For information, contact George K. Peters, vp at Aon Risk Services Inc. of Michigan, 313-259-7225. BI

TRINITY INSURANCE COMPANY LIMITED
NOTICE OF PERMANENT INJUNCTION

YOU ARE HEREBY NOTIFIED THAT ON NOVEMBER 13, 1997, THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK ENTERED AN INJUNCTION PURSUANT TO THE APPLICATION OF THE SCHEME ADMINISTRATOR OF TRINITY INSURANCE COMPANY LIMITED ("TRINITY"), CASE NO. 92B-43498(JLG), PERMANENTLY ENJOINING AND RESTRAINING ALL PERSONS FROM, AMONG OTHER THINGS:

(1) RELINQUISHING OR DISPOSING OF ANY PROPERTY OF TRINITY IN THE UNITED STATES, OR THE PROCEEDS OF SUCH PROPERTY, TO THIRD PARTIES;

(2) INSOFAR AS IT RELATES TO TRINITY, COMMENCING OR CONTINUING ANY JUDICIAL, ADMINISTRATIVE OR REGULATORY ACTION OR PROCEEDING OR ANY ARBITRATION PROCEEDING INVOLVING TRINITY OR ANY OF ITS PROPERTY, EXCEPT AS PROVIDED IN (A) THE SCHEME OF ARRANGEMENT BETWEEN TRINITY AND ITS CREDITORS AS SANCTIONED BY ORDER OF THE HIGH COURT OF JUSTICE IN LONDON, ENGLAND ("SCHEME OF ARRANGEMENT") AND (B) THE CLAIMS RESOLUTION PROCEDURES ("PROCEDURES"); OR

(3) ENFORCING ANY JUDICIAL, ADMINISTRATIVE, OR REGULATORY JUDGMENT, ASSESSMENT OR ORDER OR ANY ARBITRATION AWARD OR DECISION OR COMMENCING OR CONTINUING ANY ACT OR ANY JUDICIAL, ADMINISTRATIVE, ARBITRATION OR REGULATORY PROCEEDING TO CREATE, PERFECT OR ENFORCE ANY LIEN, SET-OFF OR OTHER CLAIM AGAINST TRINITY OR ANY OF ITS PROPERTY, EXCEPT AS EXPRESSLY PERMITTED IN THE SCHEME OF ARRANGEMENT AND THE PROCEDURES.

A COPY OF THE PERMANENT INJUNCTION MAY BE OBTAINED, FREE OF CHARGE, BY SENDING A WRITTEN REQUEST TO THE ADDRESS BELOW.

David B. Stratton, Esquire
Pepper, Hamilton & Scheetz LLP
1202 Market Street, Suite 1600
Wilmington, Delaware 19801
(302) 656-8865 (Fax)
(302) 777-6500 (Telephone)

PINE TOP INSURANCE COMPANY LIMITED
NOTICE OF APPLICATION FOR PERMANENT INJUNCTION

YOU ARE HEREBY NOTIFIED THAT ON DECEMBER 10, 1997, THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK WILL HEAR THE APPLICATION OF THE PROVISIONAL LIQUIDATORS OF PINE TOP INSURANCE COMPANY LIMITED ("PINE TOP"), CASE NO. 94B-41928(JLG), FOR A PERMANENT INJUNCTION ENJOINING AND RESTRAINING ALL PERSONS FROM, AMONG OTHER THINGS:

(1) RELINQUISHING OR DISPOSING OF ANY PROPERTY OF PINE TOP IN THE UNITED STATES, OR THE PROCEEDS OF SUCH PROPERTY, TO THIRD PARTIES;

(2) INSOFAR AS IT RELATES TO PINE TOP, COMMENCING OR CONTINUING ANY JUDICIAL, ADMINISTRATIVE OR REGULATORY ACTION OR PROCEEDING OR ANY ARBITRATION PROCEEDING INVOLVING PINE TOP OR ANY OF ITS PROPERTY, EXCEPT AS PROVIDED IN THE SCHEME OF ARRANGEMENT BETWEEN PINE TOP AND ITS CREDITORS ("SCHEME OF ARRANGEMENT"); OR

(3) ENFORCING ANY JUDICIAL, ADMINISTRATIVE, OR REGULATORY JUDGMENT, ASSESSMENT OR ORDER OR ANY ARBITRATION AWARD OR DECISION OR COMMENCING OR CONTINUING ANY ACT OR ANY JUDICIAL, ADMINISTRATIVE, ARBITRATION OR REGULATORY PROCEEDING TO CREATE, PERFECT OR ENFORCE ANY LIEN, SET-OFF OR OTHER CLAIM AGAINST PINE TOP OR ANY OF ITS PROPERTY, EXCEPT AS EXPRESSLY PERMITTED IN THE SCHEME OF ARRANGEMENT.

IF YOU BELIEVE THAT YOU MAY BE AFFECTED BY THE APPLICATION FOR PERMANENT INJUNCTION, YOU SHOULD REVIEW THE PROPOSED FORM OF ORDER. A COPY OF THE PERMANENT INJUNCTION PLEADINGS MAY BE OBTAINED, FREE OF CHARGE, BY SENDING A WRITTEN REQUEST TO THE ADDRESS BELOW.

David B. Stratton, Esquire
Pepper, Hamilton & Scheetz LLP
1202 Market Street, Suite 1600
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Insider Trading

American International Group Inc.: M. Bernard Aidinoff, director, purchased 112 shares of common at $94.94 each on Sept. 2 and now directly and indirectly holds 13,129 common.

Barbara B. Conable, director, purchased 112 shares of common at $94.94 each on Sept. 2 and now directly and indirectly holds 8,270 common.

Martin S. Feldstein, director, purchased 112 shares of common at $94.94 each on Sept. 2 and now directly and indirectly holds 19,022 common.

Lloyd Bentsen, director, purchased 112 shares of common at $94.94 each on Sept. 2 and now directly holds 3,898 common.

Pei Yuan Chia, director, purchased 112 shares of common at $94.94 each on Sept. 2 and now directly holds 3,844 common.

Marshall Cohen, director, purchased 112 shares of common at $94.94 each on Sept. 2 and now directly holds 7,090 common.

Carla Anderson Hills, director, purchased 112 shares of common at $94.94 each on Sept. 2 and now directly and indirectly holds 5,136 common.

Frank J. Hoenemeyer, director, purchased 112 shares of common at $94.94 each on Sept. 2 and now directly holds 19,411 common.

Dean P. Phypers, director, purchased 112 shares of common at $94.94 each on Sept. 2 and now directly holds 14,561 common.

AIG stock closed at $105.81 a share Nov. 21.

CIGNA Corp.: Donald M. Levinson, vp, exercised an option for 26,127 shares of common between $118.56 and $157.25 each on Sept. 2. To cover expenses of the transaction, Mr. Levinson turned in 16,979 of them for $186 each on Sept. 2 and now directly holds 57,383 common.

Gary A. Swords, shareholder, exercised an option for 312 shares of common at $154.13 each on Sept. 2. To cover expenses of the transaction, Mr. Swords turned in 259 of them for $186 each on Sept. 27 and now directly and indirectly holds 4,120 common.

CIGNA stock closed at $168.50 a share Nov. 21.

Arthur J. Gallagher & Co.: John D. Stancik, vp, exercised an option for 9,000 shares of common between $16.25 and $20 each on Sept. 3 and sold 7,500 shares at $36 each on Sept. 3 and now directly holds 34,332 common.

Arthur J. Gallagher's stock closed at $35.31 a share Nov. 21.

Humana Inc.: Carol J. McCall, officer, purchased 5,400 shares of common at $24.00 each on Sept. 12 and now directly and indirectly holds 5,690 common.

Humana stock closed at $22.19 a share Nov. 21.

Marsh & McLennan Cos. Inc.: Lawrence J. Lasser, director, exercised an option for 30,000 shares of common between $39.28 and $46.81 each on Sept. 23 and sold them at $78.09 each on Sept. 23 and no longer holds shares in the company.

M&M stock closed at $74.56 a share Nov. 21.

Old Republic International Corp.: Paul D. Adams, vp, exercised an option for 8,000 shares of common between $7.18 and $8.41 each on Sept. 9 and sold them at $37.75 each on Sept. 9 and now directly and indirectly holds 30,087 common.

William A. Simpson, officer and director, sold 25,000 shares of common at $37.62 each on Sept. 9 and now directly and indirectly holds 126,920 common.

Old Republic stock closed at $36.50 a share Nov. 21.

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Insider Trading, compiled by Invest/Net Trading Group Inc. of Fort Lauderdale, Fla., from reports filed with the Securities and Exchange Commission, tracks stock sales and purchases by insurance industry directors and officers. The column is distributed by Tribune Media Services Inc.

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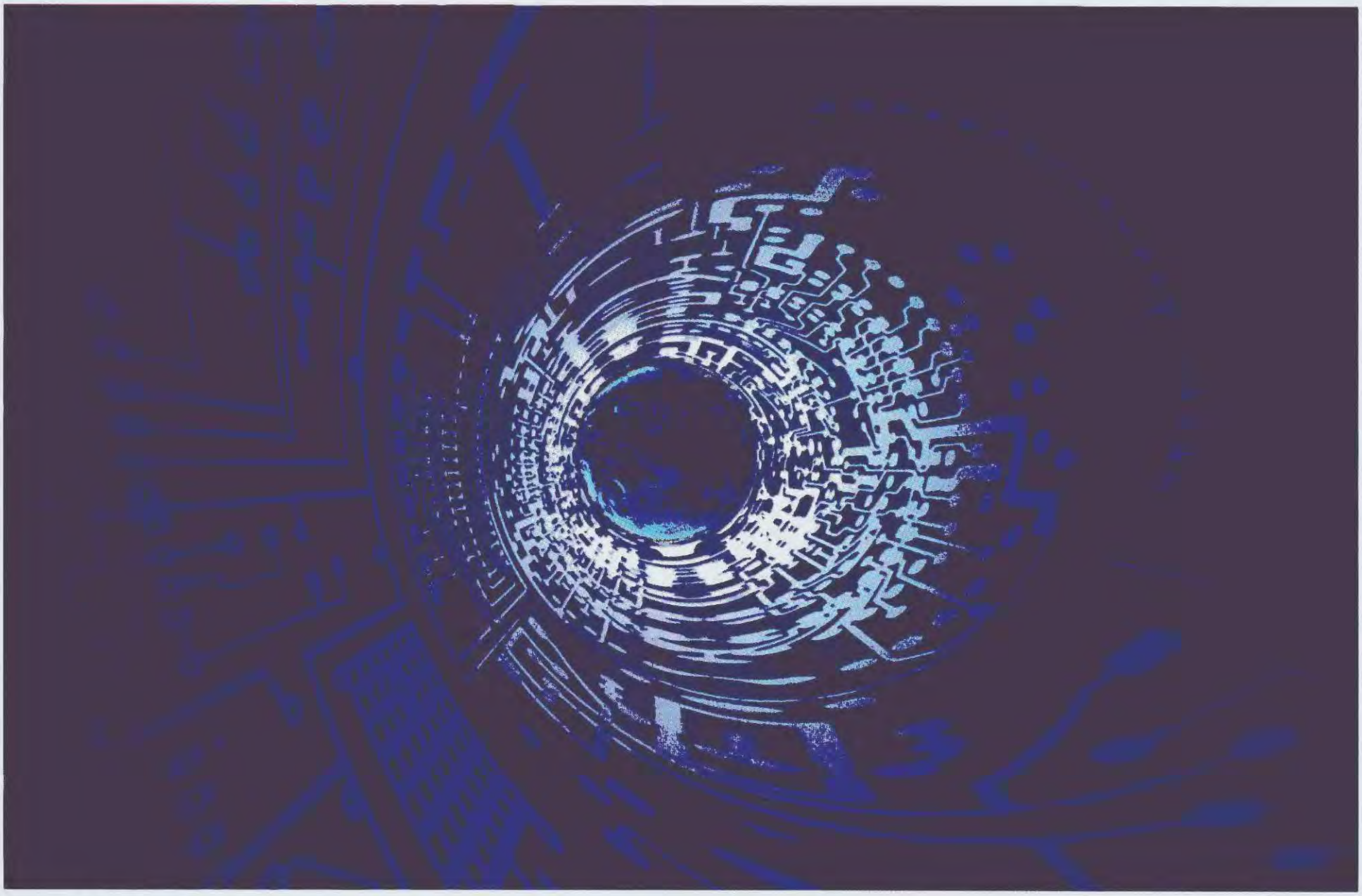

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Home

Continued from page 1

The full details of the restructuring of Home Holdings and its debt will not be released until regulators approve them, said Mr. Feldman.

"The restructuring that is being contemplated and negotiated is designed to be, and believed to be, in the best interests of the policyholders of The Home," Mr. Feldman said.

The main purpose of the transfer of Trygg-Hansa stock to a trust is to allow Home Holdings to obtain future tax advantages from its net operating losses, said Mr. Nichols of New Hampshire.

Since the original deal with Zurich was approved in 1995, Home Holdings has run into several problems. In June 1996, it stopped paying rent on its offices in an effort to stem the greater-than-expected erosion in its assets. Then in March 1997, The Home was placed under formal regulatory supervision after it published worse-than-expected financial results.

The restructuring is 'believed to be in the best interests' of The Home's policyholders, says Louis Feldman.

On the positive side, Home Holdings has reached an agreement in principle with its landlords to pay a lower rent, and The Home has negotiated lower payments to some of its creditors, including the residual pool managed by the National Council on Compensation Insurance.

The settlement with the NCCI pool has improved The Home's surplus. According to its 1997 nine-month financial results, the surplus has increased to $101 million from $55 million at December 31 1996.

Trygg-Hansa was the majority partner in an investment group which in 1991 formed a holding company to buy The Home from AmBase Corp. for about $541 million in cash as well as taking on nearly $220 million in AmBase's debt (*BI*, Feb. 18, 1991).

While its stock is now in a trust for the benefit shareholders, Trygg-Hansa remains a Home Holdings creditor with an outstanding loan to the company of about $40 million. BI

Transit

Continued from page 1

However, John M. Wulfers, a lawyer with Lord, Bissell & Brook in Chicago, representing Winterthur, defended the reinsurer's action.

"All we want for our client is for them to reasonably believe they can get a fair hearing on this in the Missouri courts," Mr. Wulfers said.

Transit, a Missouri-domiciled company that operated from Los Angeles, collapsed in 1985 in one of the largest property/casualty insurer company failures in U.S. history.

The company assumed large books of high-risk casualty insurance business through several managing general agents, reinsuring the business with scores of reinsurance companies, many of which subsequently became insolvent themselves.

Transit's failure became one focus of House Oversight and Investigations subcommittee hearings on the adequacy of state insurance regulation.

Mr. Arnold said that the size of Transit's insolvency is still estimated at approximately $4 billion and that the estate has so far amassed about $960 million in assets, the bulk of it reinsurance recoveries.

The receivership estimated at year-end 1996 that it may collect up to another $400 million from about 200 reinsurers, including Lloyd's of London underwriters, Munich Reinsurance Co., a number of Asian reinsurance companies and the estates of numerous insolvent companies such as the KWELM companies and Bermuda Fire & Marine Insurance Co. Ltd., said Mr. Arnold.

By the end of this year, the Transit estate will have paid about $220 million to policyholders and state guaranty funds, and the Missouri court has set aside another $400 million for additional distributions over the next two to three years, according to Mr. Arnold.

When the receivership is closed, he said, Transit expects to have paid about 50 cents on the dollar on approved claims.

While the receivership has commuted reinsurance agreements with more than half of Transit's reinsurers, it is litigating disputes with half a dozen other reinsurance companies, including Winterthur.

Transit's receivers filed two separate actions against Winterthur in Cole County Circuit Court in June. The estate is seeking to force Winterthur to post security covering about $2.4 million in paid losses and $12.1 million in reserves for unpaid claims, Mr. Owen said.

The litigation took an unexpected turn earlier this month, though, when Winterthur filed motions seeking to disqualify Judge Kinder.

According to the filings, Winterthur's lawyers discovered on Nov. 4 that Thomas W. McCarthy—Transit's general counsel and lead partner with McCarthy, Leonard—employs Ellen Kinder, Judge Kinder's wife, at The McCarthy Group, a Jefferson City lobbying and public relations firm.

Winterthur Swiss Insurance Co. 'believes the entire bench of this venue may be unduly influenced by the matters recited in this motion,' court filings say.

In a lobbyist registration statement filed with the Missouri Ethics Commission last month, Mr. McCarthy reported employing Ms. Kinder and listed Transit Casualty and McCarthy, Leonard as "principals" for which Mr. McCarthy worked.

In a similar filing in 1995, Ms. Kinder reported working as a lobbyist for The McCarthy Group but did not list Transit as a principal, documents show.

Judge Kinder, meanwhile, filed a judicial financial disclosure statement earlier this year in which he described his wife as a "self-employed" government relations specialist.

Mr. McCarthy, a former state senator and Republican minority leader, had previously employed Ms. Kinder as an administrative assistant, according to court filings.

"This is not the case of a judge being related to a junior associate in a huge metropolitan law firm who has no involvement in a case that other lawyers in his firm might argue before the judge," Winterthur argued.

"Every person involved here has a significant role. The general counsel of (Transit) has reported that he employs the judge's spouse for lobbying purposes where they are acting on behalf of (Transit) as their principal."

Along with removing Judge Kinder, Winterthur also asked for the case to be moved out of the county: "There are only two circuit judges in Cole County and Judge Kinder is the presiding judge. . . .It would be extremely difficult for a junior judge to review prior decisions of the presiding judge in the same circuit court," the reinsurer argued.

Winterthur "believes the entire bench of this venue may be unduly influenced by the matters recited in this motion," according to court filings.

Transit's lawyers rejected these claims. In affidavits, Mr. McCarthy, Ms. Kinder and Mr. Arnold said that Ms. Kinder has never lobbied on behalf of Transit or McCarthy, Leonard and that she had never received payments from either.

Mr. McCarthy and Ms. Kinder also denied she is an employee of The McCarthy Group, explaining instead that she is an "independent contractor."

Mr. McCarthy said that he has performed lobbying work for Transit on a pro bono basis as part of his work as Transit's general counsel.

Transit also pointed out that Judge Kinder in 1989 had disclosed his wife's work as an assistant to then-Sen. McCarthy and had recused himself from handling Transit-related legal bills from Mr. McCarthy's firm, then providing litigation support.

Winterthur countered, however, that the relationships "changed dramatically" after 1989, when Mr. McCarthy took over as Transit general counsel and Judge Kinder assumed much broader powers over the receivership under amendments to Missouri's liquidation law.

Regardless of the actual relationships, Winterthur also argued that even an appearance of a conflict required Judge Kinder to remove himself from the case.

In a hearing last week, though, Judge Brown refused to hear the disqualification arguments.

Instead, he accepted Transit's contention that under a Missouri procedural rule, the timing of Winterthur's motion required him to treat the motion as a request for a new judge and to disregard the conflict of interest charges.

Judge Brown said he would take over the Winterthur case himself, and denied the reinsurer's request for a change of venue. BI

Updates

School to offer partner benefits

OAKLAND, Calif.—Despite the lobbying efforts of Gov. Pete Wilson, the University of California Board of Regents voted 13-12 to extend health care benefits to same-sex domestic partners of university employees.

UC President Richard C. Atkinson proposed last July to offer medical, dental and vision benefits to same-sex domestic couples. He said it was necessary for the university system to compete with other universities that offer the benefits to their faculty and staff.

The UC system does not have the means to determine how many of its 126,000 employees receiving employer-provided health benefits will apply, according to a university spokesman. But based on the experience of other institutions and business, it expects its costs will range from $1.9 million to $5.6 million annually. It now spends about $400 million annually on employee benefits.

Gov. Wilson urged regents to vote against the measure and appointed a regent to the panel in the days before the Nov. 21 vote. He argued the measure would cost more than UC estimates because it will bring lawsuits from unmarried heterosexual couples wanting equal treatment. The governor also said the measure devalues the institutions of marriage and family.

Under the adopted plan, partners must file an affidavit with the university declaring they have shared a residence for 12 consecutive months, and they must provide proof of mutual financial support. A special enrollment period will be held in mid-to-late spring, the spokesman said.

Home operator to appeal verdict

HENDERSON, Texas—Beverly Enterprises Inc. will appeal an $83 million Texas state court jury's verdict in a suit claiming the nursing home operator's negligence caused the death of an 84- year-old resident.

The verdict awarded to the family of Ruth Waites, who died in 1994 at a nursing home in Borger, Texas, consisted of $13 million in compensatory damages and $70 million in punitive damages.

Ms. Waites' family argued that the nursing home, then owned by Beverly, was understaffed and that staff members were insufficiently trained. As a result, Ms. Waites suffered from bed sores, dehydration, infections and eventually died, said David Marks, the plaintiffs' attorney. Also, plaintiffs claimed the company ignored numerous warnings from state regulators and the company's own consultants about the nursing home's poor conditions.

Mr. Marks, of The Marks Firm in Houston, said the jury found fraud. The large punitive damage award stemmed from that finding along with the nature of the injury and the warnings the lawyer said the company chose to ignore.

A spokesman for the Fort Smith, Ark.-based company said it will appeal, and that the verdict is not warranted by the facts.

The company spokesman would not say whether insurance covered any of the judgment, but he did say the company "has made provisions for this judgment and it will not have a material impact on Beverly's financial position."

A hearing to enter the judgment is scheduled for Dec. 4, at which time the verdict amount could be reduced, Mr. Marks said. A Texas statute could cap compensatory damages to $2.4 million in this case if the judge rules the law applies to this case. Mr. Marks added that a Texas statutory cap on punitive damages does not apply to this case because the jury found that Beverly acted intentionally.

Carbon monoxide not excluded

LOWELL, Mass.—For the second time in less than a month, a state supreme court has ruled that the absolute pollution exclusion does not bar coverage for carbon monoxide poisoning claims.

In a unanimous decision, the Massachusetts Supreme Court on Nov. 10 overturned a Superior Court's summary judgment that Western Alliance Insurance Co. had no duty to defend or indemnify the owners of an Indian restaurant facing a carbon monoxide-related claim. A restaurant patron suffered brain damage after the restaurant's improperly ventilated kitchen caused the eatery's clay ovens to emit carbon monoxide.

The Illinois Supreme Court on Oct. 17 was the first state high court to rule the exclusion does not bar coverage for carbon monoxide claims (*BI*, Nov. 10).

Referring to passages in the absolute pollution exclusion, Associate Justice John M. Greaney wrote for the Massachusetts high court: "The exclusion should not reflexively be applied to accidents arising during the course of normal business activities simply because they involve a 'discharge, dispersal, release or escape' of an 'irritant or contaminant.'"

The exclusion is written in a fashion that "brings to mind" industrial operations that cause environmental contamination, and the exclusion must be "interpreted and applied in a common sense manner," Justice Greaney wrote.

Referring to the Illinois court's decision, Justice Greaney also wrote that the exclusion's drafting history indicates that insurers devised it to avoid covering environmental cleanup costs.

But, insurer attorneys said the Illinois court relied only on policyholders' version of the exclusion's drafting history.

Briefly noted

A federal judge last week dismissed all but one allegation brought by a group of former **Pan American World Airways** employees who sought to remove the Pension Benefit Guaranty Corp. as trustee of the airline's underfunded pension plan. The three pension plans, which were underfunded by nearly $1 billion, represented the biggest termination handled by the PBGC. The only allegation U.S. District Court Judge Loretta Preska of the Southern District of New York left open concerns the timeliness of PBGC's notice of benefits to participants.

AGF

Continued from page 2

approval to issue 300 million new shares. The issue price of the new shares will be 25,000 lire ($14.68), compared with a Nov. 21 trading price of 38,700 lire ($22.72) per share, confirmed Mr. Pagnanelli. At that price, the offering would raise 7.50 trillion lire ($4.40 billion).

In addition, the Generali board approved asking shareholders for power to issue up to 3 trillion lire of debentures, making nearly 10 trillion lire ($5.87 billion) in new capital.

Funds in addition to existing resources of 4 trillion lire ($2.35 billion) set aside for the AGF acquisition can be raised from credit lines and bank borrowing, ultimately making more than 21 trillion lire ($12.34 billion) available to Generali for acquisitions, the insurer said.

"It's obvious that the more money you have, the stronger you are. This could not just be for buying AGF. There are other companies" that Generali also may be interested in acquiring, said Mr. Pagnanelli.

He would not identify any other potential targets.

Some stock market analysts, though, believe that Generali may seek to strengthen its position in Eastern Europe as well as Western Europe.

"They want something big in Eastern Europe. Their whole history is linked to Eastern Europe," said Michael Lindsay, insurance analyst at investment bank Lehman Brothers in London.

Generali currently has a stake in six companies in Eastern Europe together writing $185 million in premiums, according to the insurer. Its largest presence in that region is in Hungary, where a joint venture with insurer Allami Biztosito has an 18% share of the market.

The size of Generali's planned capital increase, however, has some analysts questioning the strength of Generali's bid vs. Allianz.

"Generali has almost a mythic status in Italy," according to Tim Dawson, insurance analyst at London stockbroker Barclay de Zoete Wedd. But investor interest in Generali, even in Italy, is beginning to decline as opportunities more attractive than insurance arise in newly privatized industries, he said.

"People always assume that the position of the Italians (in the bid for AGF) is stronger than it seems. This will end up as a head-to-head battle, but my sense is that Allianz is the more credible bidder," said Mr. Dawson.

A lack of information from Generali about its intentions in light of the Allianz offer also has left some stock analysts unimpressed. Both Allianz and AGF have made presentations to investment analysts in London and Paris, while Generali has not.

"You can't say to shareholders we want more money from you but then still be secretive," said Mr. Lindsay.

At the same time, some analysts say it would not take much for Generali to close the gap with Allianz's bid.

"I don't think there's much difference between the two. Generali is offering 300 French francs per share ($51.57) for 100% of AGF, and Allianz is offering 320 francs ($55) for 51% with a guarantee of 360 francs ($61.88) in June 2000. There's not much difference in today's money. I would find it ridiculous if Generali didn't come back," Mr. Lindsay said.

Some analysts also said they were surprised that Allianz will raise part of the funds it needs through a rights issue, since the company is widely regarded as cash-rich.

But an Allianz spokesman in Munich cautioned against the assumption. "We are constantly overestimated," he said.

Allianz will raise 9.2 billion deutsche marks ($5.29 billion) for its acquisition in two ways, the spokesman explained. About 4.2 billion deutsche marks ($2.42 billion) will come from internal funds, 3 billion deutsche marks ($1.73 billion) from a rights issue and 2 billion deutsche marks in an exchangeable bond issued by the insurer and/or a warrant.

Mr. Lindsay noted that there is a trend in the European insurance market for larger companies to acquire a 51% controlling stake in a smaller group and allow the subsidiary certain autonomy.

"This substantially reduces up-front costs," he said.

However, Mr. Lindsay said he believes that Generali could win the battle for AGF by offering a much larger share price for 75% of AGF's stock. If Allianz really wanted to buy AGF, he said, it would have bid a higher price from the outset, as that has been the company's acquisition strategy to date, he contends.

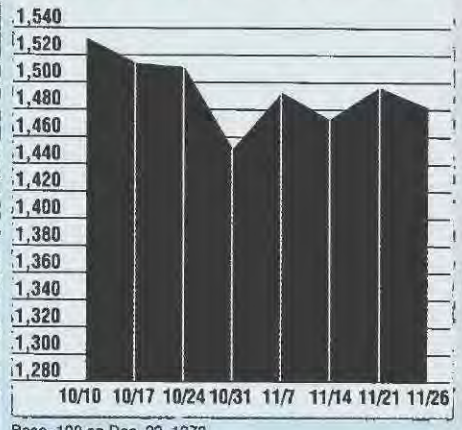
Meanwhile, all three companies have rebutted rumors that they might agree to have Generali acquire shares now held by Allianz and AGF in German insurer Aachener & Munchener Beteiligungs.

Discounting any pending deal on AMB, Generali's Mr. Pagnanelli said that "there will be a long, long negotiation. All options are open. The situation could evolve in a way that no one could expect."

The Allianz spokesman said that under French law only the two parties involved in a takeover could discuss such a deal. Talks on ceding shares in AMB to a third party like Generali would, therefore, not be possible, he said. "The two parties cannot make that sort of a contract" until after a takeover is completed, the spokesman said.

AGF Chairman Antoine Jeancourt-Galignani said in an interview with a German newspaper that AGF is prepared to sell its 33% stake in AMB. Allianz noted in its Nov. 17 bid announcement that AMB was not a strategic asset. BI

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc.

PCS catastrophe options

As of Nov. 26

Call spread	Price bid/ask
National Annual 1997	
60/80	—/1.5
National Annual 1998	
40/60	11.5/13.0
60/80	7.0/8.3
80/100	6.0/7.0
National December 1997	
5/15	1.5/6.0
5/25	1.7/6.0
Southeast September 1998	
40/60	2.0/4.0
60/80	1.5/2.5
California Annual 1998	
40/60	1.7/2.3
Western Annual 1998	
40/60	1.9/2.5
70/90	—/2.3
Eastern September 1998	
40/60	3.2/4.2

Total volume: 250 Total open interest: 16,758

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

Companies	Price pence	P/E	Div. pence	Yield %	52-week high—low
Comml Union	818	12.2	35.8	4.5	910—630
Genl Accident	1004	6.6	35.4	4.5	1158—686
Gdn Royal Exch	304	4.3	12.2	4.0	350—252
Legal & Gen	512	13.5	11.6	2.8	540—347
Royal & Sun	540	19.7	19.7	4.7	651—421
Brokers					
Lmbrt Fenchurch	115	7.9	8.4	9.4	138—101
Lloyd Thmpson	153	12.7	10.8	8.8	206—153
Sedgwick Grp	125	10.1	7.4	5.9	144—115
Willis Corroon	123	13.9	6.6	6.8	165—116

Note: Prices are Nov. 26 closings for all except Lambert Fenchurch and Jardine Lloyd Thompson, which are from Nov. 25. All other numbers from Nov. 25.

Source: Nordby International Inc.

Chase to appeal in transaction case

SAN ANTONIO—Chase Manhattan Corp. will seek dismissal of a federal jury verdict against it for $151 million in punitive and actual damages for its role in allegedly bungling a stock transaction for a Texas discount retailer.

The San Antonio-based retailer, 50-Off Stores Inc., claims it was forced in to bankruptcy in 1996 partly as a result of the botched deal. It subsequently reorganized and renamed itself Lotsoff Corp.

The stock transaction dates back to 1994, when 50-Off was seeking to raise $5.5 million through a private share placement to buy merchandise for the Christmas shopping season, said Barry Chasnoff, a senior partner at Akin, Gump, Strauss, Hauer & Feld in San Antonio who represented Lotsoff.

Chase Manhattan, which acted for 50-Off, transferred the shares to two international purchasers of the shares before it received payment, Mr. Chasnoff said. The two purchasers then disappeared. One is now in prison in Canada for unrelated tax offenses, and the whereabouts of the other is unknown, he said.

The retailer reached an undisclosed settlement with another bank involved in the transaction, Banque Paribas Switzerland, and it is separately suing the brokerage involved, Jefferies Group Inc.

In the Chase case, the jury awarded $13 million in actual damages and $138 million in punitive damages.

A Chase spokesman said the bank will seek to have the verdict thrown out.

—By Gavin Souter

BI Industry Stock Report NOV. 24, 1997, THROUGH NOV. 26, 1997

BROKERS		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)
Aon Corp.	NYS	52.75	0.48	27.36	58.44	37.88	575
E.W. Blanch Holdings Inc.	NYS	34.13	-1.44	69.57	35.63	18.63	204
Gallagher Arthur J. & Co.	NYS	35.50	0.53	14.52	38.25	29.38	24
Hilb, Rogal & Hamilton	NYS	19.19	3.37	44.81	19.63	12.50	66
Kaye Group Inc.	NDQ	6.63	-5.36	26.19	9.00	4.38	18
Marsh & McLennan	NYS	74.38	-0.25	43.03	80.00	50.88	581
Poe & Brown	NDQ	41.00	0.00	54.72	42.75	25.50	2
Sedgwick Group PLC	NYS	10.44	-1.18	0.60	10.88	9.38	6
Willis Corroon Corp.	NYS	10.56	-3.98	-8.15	13.50	9.75	125
BROKERS	AVERAGE		-1.04	30.66			
INSURERS/REINSURERS							
ACE Ltd.	NYS	99.50	1.21	65.49	101.06	55.75	403
Acceptance Insurance Cos.	NYS	24.31	2.10	23.10	28.63	17.75	45
AEGON N.V.	NYS	83.94	-0.96	32.71	87.13	54.13	194
Aetna Life & Casualty	NYS	74.88	-3.70	-6.41	118.13	68.00	1334
AFLAC Inc.	NYS	45.25	-1.09	5.85	57.88	37.50	1209
Allied Group Inc.	NYS	40.31	-4.02	23.56	53.63	27.38	204
Allstate Corp.	NYS	84.88	-1.24	46.65	86.63	54.88	2404
AMBAC Indemnity Corp.	NYS	41.19	-1.93	24.11	47.56	31.00	462
American Bankers Ins.	NDQ	40.75	0.00	59.41	41.13	23.75	133
American Financial Group	NYS	36.50	-2.34	-3.31	49.25	32.38	150
American General	NYS	53.38	-1.04	30.58	56.06	36.50	809
American Heritage Life Ins.	NYS	36.44	-2.83	38.81	40.50	21.75	45
American Indemnity/Fin'l	NDQ	12.50	-1.96	21.95	15.50	9.88	10
American International	NYS	101.06	-4.49	40.04	112.56	70.63	3145
Argonaut Group	NDQ	32.56	-3.87	5.89	38.13	26.75	50
AXA-UAP Group	NYS	35.56	-1.22	12.90	36.50	28.25	67
Baldwin & Lyons Inc.	NDQ	25.00	17.30	36.05	25.00	17.38	10
Berkley W.R. Corp.	NDQ	42.06	-0.74	24.32	46.38	28.88	73
Berkshire Hathaway Inc.	NYS	44500.00	0.00	30.50	48600.00	30000.00	0
Capital RE Corporation	NYS	56.00	-0.88	20.11	62.63	38.25	63
Capitol Transamerica Corp.	NAS	23.75	-1.04	15.85	28.13	17.25	21
CapMac Holdings Ltd.	NYS	33.88	-0.18	2.26	36.00	22.50	361
Capsure Holdings Corp.	NYS	15.00	0.00	30.43	15.38	8.50	#N/A
Centris Group Inc.	NYS	21.25	-0.58	8.28	23.56	17.88	67
Chartwell Re	NYS	33.69	0.56	25.93	36.25	24.50	20
Chubb Corp.	NYS	70.44	0.36	31.05	76.31	51.13	736
CIGNA Corp.	NYS	166.56	-1.15	21.91	200.75	130.75	691
CNA Financial Corp.	NYS	123.25	-0.15	15.19	132.25	96.38	86
CNA Surety	NYS	14.44	-2.12	-3.75	16.50	12.88	16
EMC Insurance Group Inc.	NDQ	13.50	4.85	12.50	15.00	10.75	7
Enhance Financial Services	NYS	56.88	0.00	55.82	59.25	33.56	38
Everest Reinsurance	NYS	37.69	-4.44	31.09	43.00	25.38	139
Executive Risk Inc.	NYS	64.81	-1.05	75.17	72.75	33.88	103
EXEL Ltd.	NYS	60.94	-2.69	60.89	64.19	36.50	308
Fremont General Corp.	NYS	46.06	1.66	48.59	49.50	26.38	99
Frontier Insurance Group	NYS	24.00	2.13	25.49	39.25	18.13	1077
Gainsco Inc.	NYS	8.25	1.54	-14.29	10.19	8.00	63
General RE Corp.	NYS	200.38	-0.56	27.02	208.88	151.00	430
Gryphon Holdings	NDQ	16.25	0.00	15.04	17.75	12.50	28
Guaranty National Corp.	NYS	35.88	-0.17	114.18	36.13	15.63	13
Harleysville Group	NDQ	22.75	-3.70	49.18	27.50	14.38	58
Hartford Steam Boiler	NYS	51.56	-0.36	11.19	56.69	44.00	76
HCC Insurance Holdings	NYS	19.00	-3.18	-20.83	32.69	18.13	728
ING Groep N.V.	NYS	40.19	-3.89	14.01	53.00	38.88	293
IPC Holdings Ltd.	NDQ	30.25	-3.20	35.20	31.88	21.88	81
Hartford Financial Services	NYS	83.88	-1.83	24.26	90.31	63.38	879
LaSalle Re Ltd.	NDQ	33.13	-0.38	13.25	36.13	24.50	39
Life Re Corp.	NYS	56.63	-2.48	46.60	59.38	35.88	62
Lincoln National	NYS	71.06	-0.52	35.36	73.63	48.63	220
MAIC Holdings Inc.	NYS	28.06	-1.54	65.68	30.50	15.13	12
Markel Corp.	NYS	155.00	-0.40	72.22	161.13	83.00	3
MBIA Insurance Group	NYS	63.19	-0.98	24.81	67.25	45.50	544
Meadowbrook Insur. Group	NYS	23.44	0.27	11.61	26.63	20.25	25
Mid Ocean Ltd.	NYS	61.89	-1.00	17.50	66.75	44.13	37
MMI Cos. Inc.	NYS	24.25	-0.51	-24.81	32.75	20.75	22
Mutual Risk Mgmt. Ltd.	NYS	27.69	-2.21	49.66	29.75	15.00	110
NAC Re Corp.	NYS	44.75	-0.83	32.10	52.88	32.63	106
Navigators Group	NDQ	19.00	-0.98	4.11	22.50	15.75	40
Nobel Insurance Ltd.	NDQ	13.63	5.83	8.46	15.38	11.38	2
NYMagic Inc.	NYS	25.50	-3.32	41.67	29.81	17.63	7
Ohio Casualty Corp.	NDQ	46.00	-1.08	29.58	51.00	32.75	235
Old Republic Int'l	NYS	36.31	-0.51	35.75	40.19	24.63	314
Orion Capital Corp.	NYS	45.13	-1.90	47.65	51.00	29.50	193
Partner Re Ltd.	NYS	43.19	0.29	27.02	44.94	30.75	126
Penn-America Group Inc.	NDQ	18.38	0.68	70.93	21.75	10.38	19
Philadelphia Cons. Holding	NDQ	16.88	-5.59	45.16	23.25	11.13	72
PXRE Corp.	NYS	30.63	-1.41	23.74	33.63	23.25	29
Reliance Group Holdings	NYS	12.88	0.49	41.10	15.13	8.50	457
Reliastar Financial Corp.	NYS	36.63	1.91	26.84	40.75	27.00	470
RenaissanceRe Holdings Ltd.	NYS	41.94	0.45	27.08	50.00	31.75	221
Risk Capital Holdings	NDQ	22.25	-3.26	14.84	23.38	15.88	13
RLI Corp.	NYS	44.00	2.62	31.84	46.25	29.38	41
St. Paul Companies	NYS	80.00	-1.84	36.46	85.50	56.38	306
SCOR	NYS	43.25	-1.42	25.82	47.25	34.00	5
SAFECO Corp.	NDQ	48.75	0.78	23.61	55.38	36.50	1037
Seibels Bruce Group	NDQ	7.69	0.82	-6.82	9.75	5.88	172
Selective Ins. Group	NDQ	50.13	-3.37	31.91	55.75	33.50	53
Sphere Drake Holdings	NYS	8.19	0.00	-7.75	10.50	8.13	161
Terra Nova Insurance Co. Ltd.	NYS	26.63	1.43	23.84	30.00	18.00	8
TIG Holdings	NYS	32.31	-1.90	-4.61	38.00	26.38	262
Titan Holdings, Inc.	NYS	21.13	0.00	28.03	25.00	14.25	61
Tokio Marine & Fire	NDQ	44.63	-1.65	-4.29	66.00	41.25	137
Torchmark Corp.	NYS	40.50	-1.22	60.40	41.75	24.63	532
Transatlantic Holdings	NYS	71.44	1.60	33.11	76.56	50.13	79
Travelers Prop/Casualty	NYS	39.63	-0.94	12.01	43.56	31.38	782
Travelers Corp.	NYS	49.06	-2.73	62.19	51.50	27.38	6957
Trenwick Group Inc.	NDQ	34.88	0.00	13.11	39.63	30.75	3
Unico American Corp.	NDQ	12.50	-4.76	14.94	14.13	9.13	8
Unionamerica Holdings	NYS	19.81	-0.94	11.62	22.75	14.75	8
United Fire & Casualty	NDQ	44.50	5.95	26.24	45.38	29.75	11
Unitrin	NDQ	61.50	-0.40	10.31	68.50	48.50	37
UNUM Corp.	NYS	47.81	-3.29	32.35	51.31	33.63	1029
USF&G Corp.	NYS	20.19	-2.42	-3.29	25.50	15.63	1172
Vesta Insurance Co.	NYS	55.94	-1.97	78.29	64.50	30.50	177
Washington National	NYS	33.13	0.38	20.45	33.13	27.13	48
Zenith National Ins.	NYS	26.44	-3.42	-3.42	28.75	24.63	24
INSURERS/REINSURERS	AVERAGE		-0.77	25.98			
HEALTH MAINTENANCE ORGANIZATIONS							
Humana Inc.	NYS	22.06	-0.56	16.12	25.31	17.38	784
Oxford Health Plans	NDQ	23.44	2.18	-59.98	89.00	22.38	5756
Pacificare Health Sys.	NDQ	51.38	-22.45	-36.77	86.25	48.13	695
Safeguard Health Enter.	NDQ	12.81	-0.49	-26.79	20.75	9.63	22
Sierra Health Services	NYS	36.25	-3.01	47.21	41.63	23.75	342
United Healthcare Corp.	NYS	51.69	-2.82	14.86	60.13	42.38	3065
Wellpoint Health Networks	NYS	46.25	1.09	34.55	61.13	29.75	1137
HMOs	AVERAGE		-3.72	-1.54			
ALL COMPANIES	AVERAGE		-1.84	18.37			

Top advancing issues: Baldwin & Lyons Inc., United Fire & Casualty, Nobel Insurance Ltd. Leading decliners: PacifiCare Health Systems, Philadelphia Cons. Holding, Kaye Group Inc. Most active issue: Travelers Corp. The *BI* Index dropped 1.0%; the Dow Jones 30 Industrials dropped 1.1%; the S&P 500 decreased 1.2% and the NYSE Composite decreased 1.1%. Average P/E: Brokers, 26.3; Insurers/reinsurers, 35.8; HMOs, 20.3.

System design: Nordby International Inc.

State oversight preferable: Ramirez

Some in the insurance industry do support federal regulation, leader concedes

By MICHAEL BRADFORD

SAN ANTONIO—Insurers should be the first to realize that endorsing state regulation is good risk management. And asking for federal oversight is not, according to Jack Ramirez, president of the National Assn. of Independent Insurers.

"State regulation isn't perfect; it can be frustrating at times. But it does do one thing for us," Mr. Ramirez said during an address at the 52nd NAII Annual Meeting in San Antonio. "It spreads the exposure of the industry to the risk of a bad regulatory climate.

"State regulation reduces the chance that an exceptionally bad regulatory climate in a single national jurisdiction will do permanent damage to your business."

Of all industries, "we should understand the need to realistically assess this risk," Mr. Ramirez said.

The NAII continues its fight to preserve state regulation of the insurance industry, fearing federal oversight could put insurers at the mercy of a single, unfriendly agency.

"Is there a risk of bad federal regulation?" Mr. Ramirez asked. "I think most of us would have to say, 'Yes, there is.' "

Despite the NAII's concern, Mr. Ramirez conceded that some insurers have joined the bandwagon for federal oversight. "There's been a push for federal regulation within the industry" based on several premises, he noted.

Some argue that states can't adequately regulate an industry globalizing rapidly, Mr. Ramirez remarked. "The question is not whether we are entering that era; the question is whether we need the federal government to help us do it."

The same holds true for the argument of some that the spreading technology of the Internet and its application to the insurance industry can only be regulated by a federal body, Mr. Ramirez said. "The question is, do we need the federal government and the federal regulation of insurance to make us realize the benefits of the global economy and of global electronic communications?"

"It's also argued that we lose battles in Washington because we don't have a federal regulator who's an advocate for the industry," as do industries such as banking and securities, he added.

'Federal regulation is likely to add another layer on top of what we already have, creating two levels to overcome instead of one,' says Jack Ramirez of the NAII.

But advocates for those industries are fighting different battles than insurers face, Mr. Ramirez emphasized. "Banking and securities are not insurance."

Some argue that the federal government's encroachment into areas of insurance regulation through existing agencies indicates federal regulation is inevitable and "we might as well let it happen," Mr. Ramirez noted.

"Federal regulators, notably the OCC and HUD, and federal courts, have engineered encroachments on state regulation that would not have otherwise been possible through legislation," said Mr. Ramirez. "Moreover, the Republican Congress has demonstrated a penchant of considering legislation that could lead to federal regulation of at least a portion of our business."

Some argue that "we can have the best of both worlds" if a system is created that allows insurers to choose state or federal regulation, he said.

"I think there's a very distinct lack of hard evidence to support these arguments," he said. "On the contrary, I think a great deal is being assumed by the proponents of these arguments."

State regulation is a safer bet because insurers know what they are dealing with, he emphasized. "State regulation exists. It's a reality. We know all about it."

It's uncertain, on the other hand, what federal oversight would bring, he said.

Even if a regulatory scheme favorable to the industry was put into place, there would be no guarantee it would remain, Mr. Ramirez said. "As you know, government goes in cycles," and regulators and regulatory structures are apt to be replaced, he added.

"My question is whether the industry should put all its regulatory eggs in one basket," Mr. Ramirez noted. The ramifications could be severe if a regulator antagonistic to the industry was appointed as a federal insurance regulator, he said.

Federal oversight could just add regulation, Mr. Ramirez suggested. Congress would be unlikely to completely eliminate state regulation, and state regulators could be expected to fight hard to retain some authority.

"Federal regulation is likely to simply add another layer on top of what we already have, creating two levels to overcome instead of one," Mr. Ramirez said.

The insurance industry is in some ways hurting its own cause by industry infighting over regulatory issues, Mr. Ramirez said.

"To a great extent," he remarked, "this debate is a great weakness to the industry. . .As we waste time, energy and resources on what essentially is a civil war," the forces of "unreasonable regulation are making advances." BI

Capital markets will change risk managers' roles: Blanch

By MICHAEL BRADFORD

SAN ANTONIO—The merging of capital markets with insurance and reinsurance markets is influencing the evolving role of the risk manager, the head of a major reinsurance intermediary says.

"Capital markets will join with insurance and reinsurance markets to provide financial capacity, and that will change the landscape of risk management," said E.W. Blanch Jr., chairman of E.W. Blanch Holdings Inc. in Minneapolis.

"When one looks at the number—over 15—of publicly disclosed risk management transactions executed by the capital markets this year, one must conclude that the capital markets have a place in risk management," he said during a panel discussion at the 52nd Annual Meeting of the National Assn. of Independent Insurers in San Antonio last month.

'Capital markets will join with insurance and reinsurance markets to provide financial capacity, and that will change the landscape of risk management,' says E.W. Blanch Jr.

Risk managers' roles are expanding, Mr. Blanch said, and the capital markets are playing a part.

"Our vision in our company is that organizations will embrace an enterprise view of risk management, characterized by a focus on economic value and balance sheet protection," Mr. Blanch remarked.

The result, he added, will be an "improved understanding of overall business risks faced by the organization, be it an insurance company or an insured."

Mr. Blanch emphasized that the "movement toward enterprise risk management is leading to the convergence of reinsurance and capital markets—a movement toward integrated risk management solutions to complex problems and the acceleration of the evolutionary process of risk management organizations."

"Structured solutions will be tailored to the organization's unique combination of insurance and financial risks," Mr. Blanch explained.

Capital markets "will play a major role in the development of integrated risk management solutions," he noted, referring to a deal structured by United Services Automobile Assn. to fund hurricane catastrophe risks as an example of such solutions.

USAA found tremendous investor interest in its $477 million catastrophe bond issue that provides the insurer with a high-level reinsurance layer for East Coast hurricane risks (*BI*, June 23).

The bonds were issued by Residential Reinsurance Ltd., a Cayman Islands reinsurer USAA created to manage the funds raised through the issue and administer a reinsurance contract it provides to USAA.

"Reinsurance is a form of capital. Debt, equity and derivatives are forms of capital," Mr. Blanch pointed out. "Risk financing and risk transfer solutions often require multiple forms of capital. Thus, the convergence of capital and reinsurance markets will be necessary to efficiently solve risk management problems."

That convergence "will happen," he stressed, and "the result will be more responsive balance sheet protection for insurers and insureds alike."

Efficient methods of transferring risk will continue to be arranged through capital markets for risks related to asset valuation, credit, currency, commodity pricing and other exposures, Mr. Blanch said.

Not all the major players are convinced, however, that the impact of the capital markets on the insurance landscape will be as sweeping as some predict.

"I don't doubt that there is a high level of interest" in securitization of risks following the USAA offering and other transactions, said James E. Gustafson, chairman and chief executive officer of General Reinsurance Corp. in Stamford, Conn.

However, he added, "I'm a little bit of a skeptic about how much of an impact this is going to have across the rest of the industry."

Because of the "time and complexity" of transactions like the USAA offering, "I think personally the uses are going to be very limited," Mr. Gustafson suggested.

But, he added, "I do think there's a place for securitization," and transactions will continue to take place.

In the case of the California Earthquake Authority, the capital markets lost out to traditional reinsurance.

After investigating the capital markets, the CEA chose instead to purchase $1.5 billion in reinsurance coverage from Berkshire Hathaway Inc., explained Gregory Butler, chief executive officer of the CEA.

Price and predictability were among the reasons the CEA went the traditional route.

"Premium, at the end of the day, was a big question, because there was no guaranteed price we could plan on" when financing the coverage through the capital markets, he explained.

"We save somewhere between $20 million and $30 million a year for the CEA by going with reinsurance as opposed to where the capital market folks were telling us where we were going to be," Mr. Butler said.

Activity in the capital markets is continuing on the heels of the successful USAA offering.

"The pipeline of transactions for 1998 is encouraging," said Andrew J. Kaiser, chairman of Goldman Sachs Risk Advisors, the insurance and reinsurance brokerage unit of Goldman Sachs & Co.

There is a "continuation of new risks being introduced to the capital markets, which allows investors to diversify their portfolios among different risks" based on geographic location and type of peril, he said.

The USAA offering stands as an example of how a successful offering can be accomplished, Mr. Kaiser added.

That offering worked because it was highly rated, offered investors a healthy return and was "a clear and understandable risk," being a single-event hurricane bond, he explained.

And, USAA "committed its resources, its strategic vision and its intellectual capital to make the transaction happen," Mr. Kaiser said.

Robert W. Pike, chairman of the NAII and senior vp, secretary and general counsel with Allstate Insurance Co. in Northbrook, Ill., moderated the panel discussion. BI

Reinsurers seek deals at meeting

SAN ANTONIO—A quick look at the attendee list for the 52nd Annual Meeting of the National Assn. of Independent Insurers confirms that reinsurers still are hungry for business.

Of about 1,500 registrants at the conference Nov. 9-12 in San Antonio, about 800 represented reinsurance companies, brokers or others in the reinsurance industry. London brokers were well represented, many of them seeking contacts with U.S. managing general agents with program business to reinsure. About 450 of the attendees were with NAII insurance company members.

During three days of unseasonably cold and wet weather, the lobby of the Marriott Rivercenter Hotel was buzzing as reinsurance dealmakers melded with insurers to scout for renewal opportunities.

While deals were discussed, talks by a diverse roster of morning speakers were held in the ballroom. Speakers included former U.S. Senator Bill Bradley; Randy Tate, executive director of the Christian Coalition; Mark Shields of the Cable News Network; syndicated columnist Tony Snow; Texas Insurance Commissioner Elton Bomer; and a panel of experts who discussed the impact of the capital markets on the insurance industry.

The 1998 meeting will be held Nov. 8-11 in Boston. More information is available from the NAII at 2600 River Road, Des Plaines, Ill. 60018; 847-297-7800; fax: 847-297-5064.

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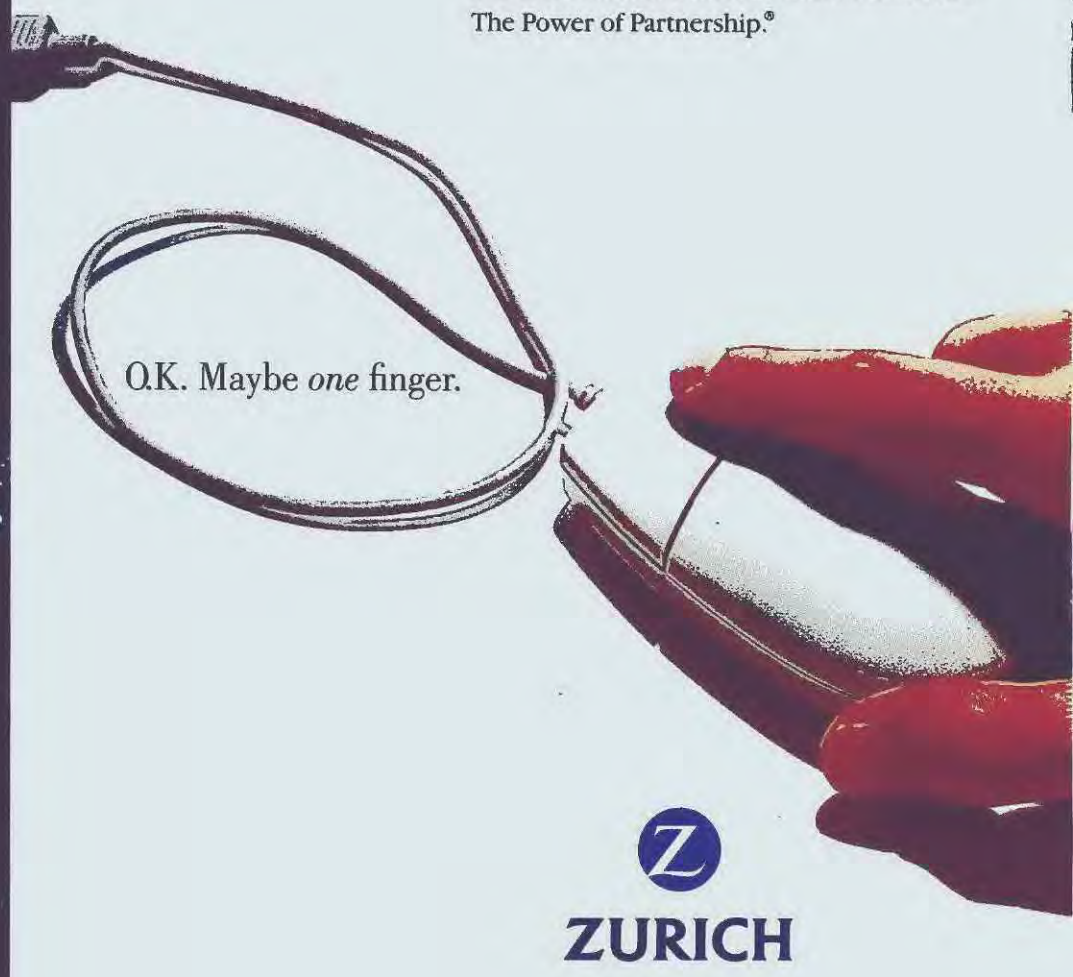

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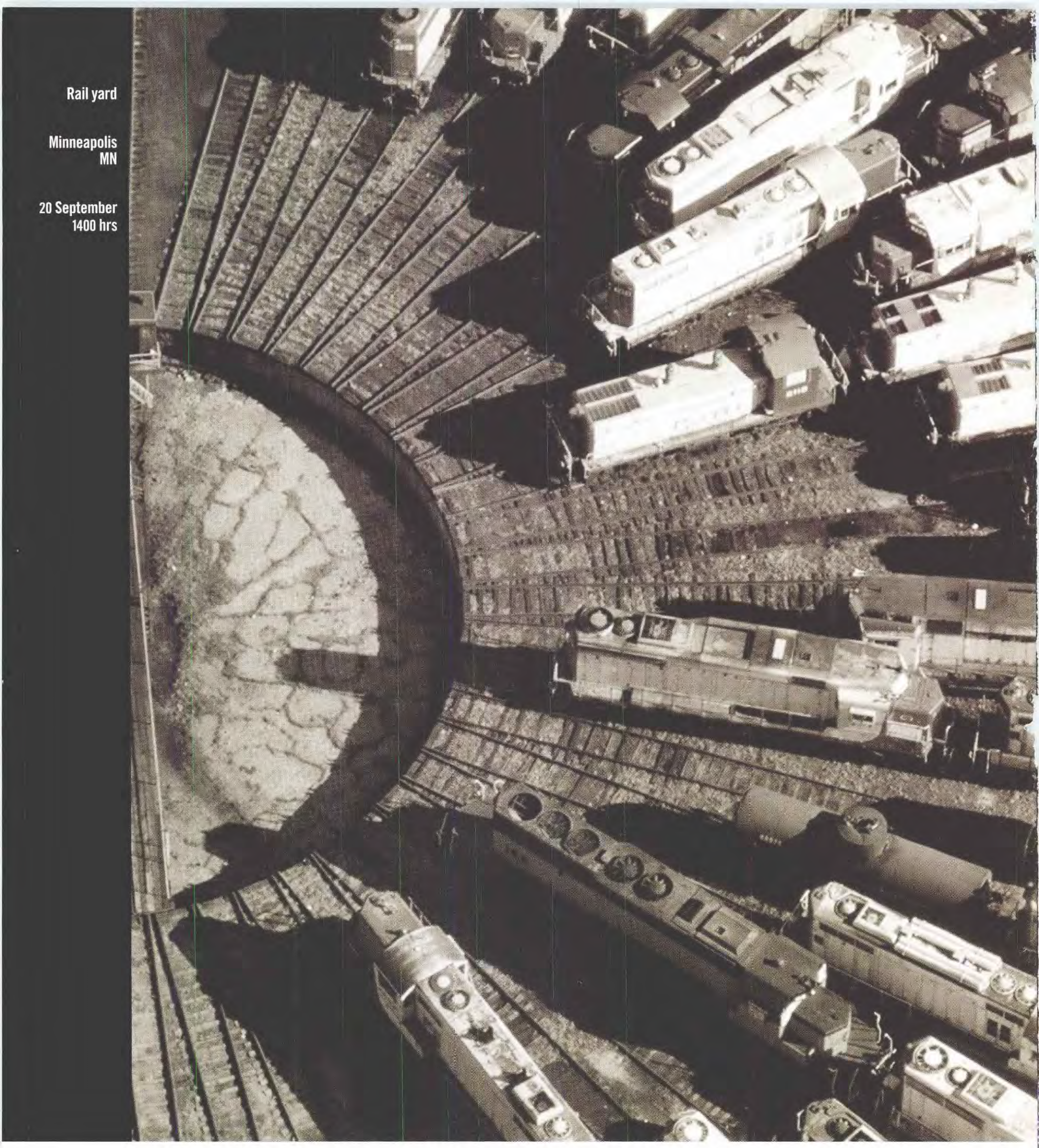

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