

# Business Insurance

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\$4

## Lloyd's ups its estimate of retained Sept. 11 losses

By SARAH VEYSEY

LONDON—Lloyd's of London last week upped its Sept. 11 net loss forecast to £1.9 billion (\$2.68 billion), while the new projections of Lloyd's exposure to the terrorist attacks have prompted questions about the market's reinsurance arrangements.

While Lloyd's increased its predicted net loss by around 45%, it raised its estimated gross loss by just 6%, to \$5.7 billion (\$8.04 billion).

Lloyd's said in a statement that the primary source of the increase is new property claims and increasing reinsurance exposures as other primary insurers have revised their loss estimates upwards.

"The increase in Lloyd's (World Trade Center) loss figure is consistent with the adjustments made by a

number of Lloyd's managing agents and other insurance companies, over the last eight weeks. In addition, it includes provision for reinsurance failure," Lloyd's Chairman Sax Riley said in the statement.

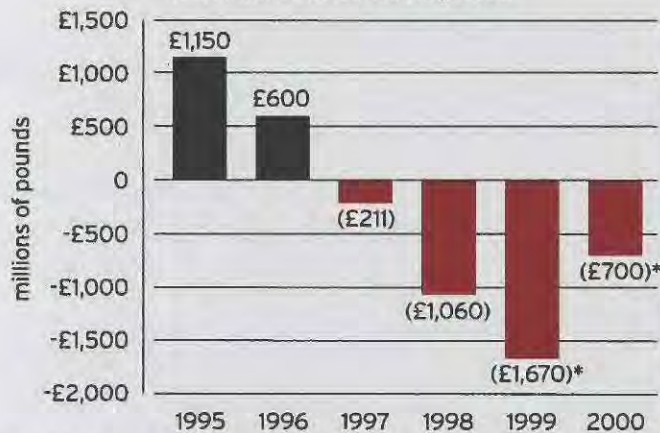
In addition, Lloyd's has increased its projected marketwide losses for 1999 and 2000 to £1.67 billion (\$2.69 billion) and £1.49 billion (\$2.22 billion), respectively. Previously, Lloyd's had projected losses of £1.39 billion (\$2.24 billion) for 1999 and £700 million (\$1.04 billion) for 2000. Some of the Sept. 11 losses will fall on the 2000 year because policies were written in that year.

Following Lloyd's announcement, Standard & Poor's Corp. said its A rating of Lloyd's would remain on CreditWatch with negative implications,

See **LOYD'S**/page 27

### LOSS PROJECTIONS DETERIORATE

Lloyd's of London estimates that 1999 and 2000 losses will be worse than expected.



\* Projected losses  
SOURCE: LLOYD'S OF LONDON

GRAPHIC BY JOHN HALL

## Terror bill draws praise, criticism

Insurance industry seeks changes

By MARK A. HOFMANN and RODD ZOLKOS

WASHINGTON—The House of Representatives' passage last week of a terrorism insurance bill adds pressure on the Senate to follow suit, say industry observers who've been closely following the legislation.

But while they are pleased with the significant step forward that Thursday's 227-193 vote indicates, those representing insurance industry and risk management interests hope for several changes to the House bill in any final measure.

The centerpiece of the Terrorism Risk Protection Act, H.R. 3210, is a loan program for insurers that would take effect once terrorism-related losses had hit one of two triggers. The White House

See **TERRORISM**/page 6

## Mellon to enlarge benefit consulting

Acquisition of Unifi would boost Buck's scale

By MICHAEL PRINCE

PITTSBURGH—Buck Consultants Inc. would dramatically boost its outsourcing capabilities with its parent company's purchase of the Unifi Network.

In a long-anticipated deal, Pittsburgh-based Mellon Financial Corp. announced last week it would buy the Unifi Network, the benefit consulting unit of PricewaterhouseCoopers L.L.P., for \$275 million in cash. The deal is scheduled to close early next year.

The enlarged Buck Consultants would have about \$830 million in revenue, which would make it the fourth-largest benefits consulting firm in the world, according to rankings compiled annually by *Business Insurance*. Currently,

Buck is the seventh-largest benefits consulting firm, with \$489 million in revenue for 2001. Reed Keller, Unifi's current global business leader, would not join Buck Consultants.

Mellon said it plans to divide Unifi's consulting and outsourcing businesses. The consulting business—consisting of 400 consultants generating about \$100 million in revenue this year—would join the 3,000 employees at Buck Consultants, Mellon's New York-based consulting unit.

But the heart of the deal is Unifi's outsourcing business, consisting of 2,100 employees and about \$250 million in revenue this year. That operation would be combined with Mellon's existing outsourcing unit, Mellon Employee Benefit Solutions.

See **BUCK**/page 29

## Late News

### Employer strictly liable for harassment: Court

Taking corrective measures does not protect California employers from strict liability for sexual harassment by managers, a state appeals court ruled last week. The unanimous decision by the 3rd Appellate District in Sacramento strips employers of a defense available to them under federal law, which holds that employers can avoid strict liability if they take corrective measures to end harassment. But in *Department of Health Services vs. The Superior Court of Sacramento County*, the appeals court in Sacramento ruled that employers cannot use the defense in lawsuits brought under the state's Fair Employment and Housing Act. The decision will apply to all harassment cases brought in state trial courts, because no other state appeals court has ruled on the issue.

### Conference committee to consider parity bill

A congressional conference committee is expected to begin meeting this week to determine the fate of mental health care benefits parity legislation. The conferees will attempt to iron out differences in measures separately passed by the House and Senate that appropriate funds for the departments of Labor and Health and Human Services. The Senate bill includes an amendment by Sens. Pete Domenici, R-N.M., and Paul Wellstone, D-Minn., that would require employers with at least 50 employees to offer the same coverage in their group health plans for mental health care services as they do for other medical and surgical services, starting in 2003. The House bill lacks a comparable provision. Business groups have opposed the Domenici-Wellstone amendment, arguing that it would take from employers the flexibility they need to design health plans, while increasing plan costs. Advocates of parity, though, say that the cost impact would be modest.

### SCOR forming Irish reinsurer

French reinsurer SCOR S.A. plans to set up a Dublin, Ireland-based

Continued on next page

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## Inside

### Civil rights punitive damages

A ruling by the 2nd U.S. Circuit Court of Appeals exposes employers in cases alleging civil rights discrimination to punitive damages even if courts refuse to award plaintiffs compensatory or nominal damages. **Page 4**

### The physics of insurance

Editor Paul D. Winston applies Newton's Third Law of Motion to the insurance industry and finds that when push comes to shove, insurers always take their knocks. **Page 6**

### Government relief needed

Last week's upward revision of Lloyd's of London's net Sept. 11 losses underscores the unprecedented scale of the catastrophe, the breadth of the coverage at risk and the need for government relief for the insurance industry, this week's editorial says. **Page 8**

### Accident prevention pays off

A study of 22 European safety programs finds that promoting accident prevention on a broad scale can help companies lower the frequency of accidents and boost returns on safety investments. **Page 25**

### Crossair crash probed

Swissair unit Crossair is investigating a Nov. 24 crash near Zurich in which 24 people were killed. **Page 25**

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reinsurance company, Irish Reinsurance Partners Ltd. SCOR aims to take advantage of firmer

# SCOR

market conditions for year-end renewals. IRP will be set up in association with private equity investors to reinsure some of Paris-based SCOR's nonlife business. IRP's capitalization was not disclosed. In a statement, SCOR Chairman and CEO Jacques Blondeau said, "IRP will enable us to benefit to the full from the positive market conditions we foresee for year end."

### Japanese market's Sept. 11 loss quadruples

Mounting reinsurance claims have prompted Japanese insurers and reinsurers to more than quadruple to 132.8 billion yen (\$1.06 billion) their estimate of liability from the Sept. 11 terrorist attacks in the United States. The Marine & Fire Insurance Assn. of Japan said last week that its October estimate of claims of 30.4 billion yen (\$244.5 million) to be paid by 29 companies has ballooned mainly because of reinsurance claims filed with Taisei Fire & Marine Insurance Co. Ltd., Nissan Fire & Marine Insurance Co. Ltd. and Aioi Insurance Co. Ltd. Those three companies are responsible for 104.3 billion yen (\$838.8 million) of the 132.8 billion yen in estimated claims on the Japanese market related to the attacks. Taisei filed for bankruptcy protection because of the claims. The heavy losses also prompted Taisei, Nissan and Yasuda Fire & Marine Insurance Co. Ltd. to postpone a planned merger.

### Large companies boosting liability limits

A new study by Marsh Inc. suggests that larger companies are increasing

# Late News

their liability insurance limits, while smaller companies are reducing their coverage. The study of 2,400 companies found that those with annual revenues of greater than \$5 billion increased liability limits at their most recent renewal by an average of 5.4%. Meanwhile, businesses with revenues of \$500 million to \$5 billion maintained current limits, and those with less than \$500 million in revenues actually reduced liability limits by 8.8%. The survey, conducted before Sept. 11, examined buying trends for primary liability insurance as well as umbrella and excess liability. In addition, businesses surveyed that had suffered a liability loss of \$5 million or more in the past five years purchased an average of \$193 million in excess liability limits, while those without such a loss purchased an average of \$93 million in excess liability coverage.

### Chubb details exposure to Enron bonds

Chubb Corp. is reviewing surety bonds related to troubled Enron Corp. and says it has a \$143 million maximum net aftertax exposure related to Enron commitments. The Warren, N.J.-based insurer said its maximum pretax exposure would be \$220 million. Chubb said that it is currently unable to estimate the actual amount it might have to pay due to various contingencies,



PHOTO: GETTY

### Financial woes of Enron Corp. could trigger losses for Chubb Corp. and other companies.

including the actions of other parties, possible judicial rulings and amounts that Chubb might recover under the surety bond documents. With the collapse of its business, executives of Houston-based energy trading company Enron are said to be looking for ways to restructure the company, which is expected to file for bankruptcy protection.

### Health insurer CEOs facing challenges

Fewer than a third of health insurance company executives say that their companies are well prepared to meet near-term challenges facing the industry, according to a recent survey by Tillinghast-Towers Perrin. Among the challenges identified as being the most daunting were: medical management, including prescription drugs; provider relations; changing

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All the material in the Late News column, as well as other content in this week's issue, is generated from Daily News postings that appeared on the Web site in the previous week.

market and consumer demands; legislative and regulatory issues; and technology management. The survey polled 88 chief executive officers representing the four primary health insurance industry segments: health maintenance organizations, Blue Cross & Blue Shield plans, health insurance companies with significant group business, and preferred provider organizations.

### Cayman Islands, U.S. to share tax info

The governments of the Cayman Islands and the United States have agreed to exchange information, upon request, on Cayman-domiciled financial institutions, to help U.S. investigators track down tax evaders. The tax-information exchange arrangement conforms to the Cayman Islands' agreement with the Organization for Economic Cooperation and Development, reached in May 2000. The world's second-largest captive domicile last year avoided inclusion on the OECD's list of jurisdictions deemed to have "harmful" tax practices, by agreeing to take any necessary remedial measures outlined by the Paris-based OECD.

### Briefly noted

John L. Van Osdell has been elected chairman of the Council of Insurance Agents & Brokers. Mr. Van Osdell is senior vp of the Houston office of San Francisco-based USI Insurance Services Corp....**Francis Joseph Mulderig**, a founder of Mutual Risk Management Inc., died last Thursday of a cerebral hemorrhage at age 79. His son, Robert, currently is chief executive officer of MRM.... A.M. Best Co. has downgraded TIG Insurance Co. to B++ from A-. Best said the downgrade of TIG, which is an Irving, Texas-based subsidiary of Fairfax Financial Holdings Ltd. in Toronto, reflects the rating agency's belief that the insurer faces a protracted turnaround.

## Sept. 11 losses worsen already-bad numbers

# Big drops in income posted

By JUDY GREENWALD

It wasn't just Sept. 11. Even if the attacks hadn't occurred, commercial property/casualty insurers' nine-month results would not have been good, though they clearly would not have been nearly as bad. Also contributing to poor results were reserve deficiencies and a delay in rate hikes reaching the bottom line, analysts say.

The 15 major commercial property/casualty insurers that report net income in the *Business Insurance* survey of nine-month results posted an 80.6% drop in net income for the period ended Sept. 30, to \$1.91 billion. This compares to the 42.2% drop reported by the same insurers for the six months that ended June 30.

Next year, though, should be the start of better returns for insurers, as

rate hikes begin to boost results.

"We certainly think that, post-Sept. 11, a dramatic ratcheting up in the hard-market environment will produce stronger results starting in 2002," said Michael Lewis, senior insurance analyst with Warburg Dillon Read in New York.

Ron Frank, an analyst with Salomon Smith Barney in New York, said: "Everything we're seeing and hearing leads us to think that the industry, which had already resolved to begin seriously underwriting its business, is again doing that even more seriously as a result of 9-11."

"There's scarcely a line of business anywhere that isn't seeing sig-

nificant price increases," Mr. Frank said. Reinsurance had begun to drive the increases before Sept. 11, he said but "it's happening in earnest now that the reinsurers took a big blow from 9-11 and they are clearly acting to recover their losses."

The industry "will begin much more carefully

underwriting its risks, reducing or eliminating embedded giveaway coverages within policies and reinsurance contracts. Underwriters are underwriting again," Mr. Frank said.

Michael Paisan, an analyst with Williams Capital Group in New York, said insurers' outlook for 2002 is good and is even better for 2003.

He cited the rate hikes the industry has been getting since last year, which have accelerated since Sept. 11. "I think we should see earnings growth in 2002 and 2003 unlike what we've seen in quite some time," he said.

Todd Bault, a research analyst at Sanford Bernstein & Co. in New York, said that price increases and reserve adjustments during the past 18 months are setting the industry up for "pretty decent results for the next three years."

"We think it's pretty likely that pricing is going to remain firm beyond 2003, perhaps into 2004. It's going to take quite some time for the industry to recover" from the attacks, said Judy Blades, executive vp for business insurance at The Hartford Financial Services Group Inc. in Hartford, Conn.

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### REPORTING WEEKLY ON CORPORATE RISK, EMPLOYEE BENEFIT AND MANAGED HEALTH CARE NEWS

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Most 401(k) plan sponsors intend to implement new feature in 2002, survey shows

# Employers eager to offer catch-ups

By JERRY GEISEL

Most employers with 401(k) plans will add a "catch-up" feature to their plans next year, according to a new survey.

That feature, permitted under tax legislation Congress passed earlier this year, will allow, beginning in 2002, employees 50 years and older to add an extra \$1,000 to 401(k) plans as well as to 403(b) and 457 plans. The maximum allowable catch-up contribution under the new law—known as the Economic Growth and Tax Relief Reconciliation Act of 2001—will increase annually in \$1,000 increments until it reaches \$5,000 in 2006.

Seventy-five percent of 179 employers that

responded to a recent William M. Mercer Inc. survey said they are amending their plans to allow catch-up contributions. Among employers with between 5,000 and 9,999 employees, 85% say they are adding a catch-up provision, compared with 77% of employers with fewer than 5,000 employees and 67% of companies with at least 10,000 employees.

And of employers adding the feature to their plans, nearly all—92%—intend to do so sometime in 2002, according to the survey.

"The overall tone of the law is to increase employees' ability to save for retirement and employers, through adding catch-up to their plans, are responding appropriately," said Amy Reynolds, a consultant in Mercer's office in

Richmond, Va.

Indeed, some employers are moving very quickly to amend their plans quickly to allow employees to make catch-up contributions.

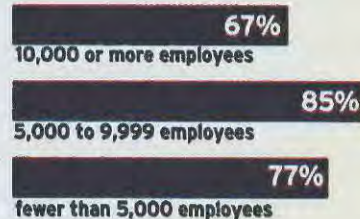
"We intend to implement this Jan. 1. This is a great opportunity for our employee population to save and we did not want to waste any time in putting it in," said Kevin Wilcox, director of employee benefits at Allergan Inc., an Irvine, Calif.-based prescription drug maker.

"We plan to add it on Jan. 1. That was a pretty easy decision to make," said John Clifford, vp of compensation and benefits at The St. Paul Cos. in St. Paul, Minn.

Other employers say they intend to add a  
See CATCH-UP/page 31

## CATCH-UP CATCHING ON

Percent of employers, by employee size, adding a catch-up provision to their savings plans



Source: William M. Mercer Inc.

## AIG, Chubb, Goldman form Bermuda insurer

By GAVIN SOUTER

**PEMBROKE, Bermuda**—American International Group Inc., Chubb Corp. and a Goldman, Sachs & Co. unit have formed a \$1.5 billion insurer and reinsurer in Bermuda.

The company, Allied World Assurance Co. Ltd., will write commercial property/casualty insurance and reinsurance, as well as some specialty lines.

Michael I.D. Morrison, a for-



Mr. Greenberg

mand for a number of coverages, without which businesses cannot operate prudently. AWAC will supplement existing market capabilities and capacity," AIG Chairman and CEO Maurice R. Greenberg said in a statement. Mr. Greenberg will be chairman of AWAC and Dean O'Hare, chairman and chief executive officer of Chubb, will be deputy chairman.

The main focus of AWAC, which is already accepting business, will be primary and excess insurance, said Mr. Morrison said.

IPC Reinsurance Co. Ltd., a Bermuda-based property catastrophe reinsurer in which AIG has a significant stake, will underwrite AWAC's property cat book, he said.

AIG's office in Bermuda will provide administrative services to AWAC, Mr. Morrison said.

The formation of AWAC, which had been rumored for several weeks, follows the formation of several other insurers and reinsurers seeking to take advantage of the rapidly tightening insurance market since the Sept. 11 terrorist attacks in the United States.



Mr. O'Hare

mer AIG executive, will come out of retirement to serve as president and chief executive officer of the joint venture, which will be based in Pembroke, Bermuda.

AIG has contributed \$291 million to AWAC's holding company, Allied World Assurance Holdings Ltd. Chubb and GS Capital Partners 2000 L.P., an investment fund managed by Goldman Sachs, each contributed \$250 million; the remaining amount of capital was contributed by outside investors.

"Insurance markets have experienced unprecedented de-

## Intentional torts covered under CGL policies, court finds

### Washington high court sides with policyholder

By MICHAEL BRADFORD

Policyholders have scored a victory in a Washington Supreme Court ruling that public policy in the state does not preclude insurance coverage for intentional torts and for punitive damages under commercial general liability policies.

The case is important because it is the first to clarify the state's stand on public policy with regard to coverage of intentional torts. Washington joins more than 20 other states that allow coverage in such cases.

The Nov. 22 coverage ruling stems from a California jury's award of \$2 million in compensatory damages and \$4 million in punitive damages against Fluke Corp. of Everett, Wash. Fluke, a manufacturer of electrical equipment, had lost a patent infringement suit it had filed

in federal court in California against Talon Instruments and its president, Robert Corby. Following

**'It's the first case in Washington that's directly addressed the public policy issue that could arise' in intentional tort cases.**

G. Val Tollefson  
Danielson, Harrigan & Tollefson

that 1992 trial, Talon and Mr. Corby filed a malicious prosecution lawsuit against Fluke in Los Angeles County Superior Court in 1993.

Court papers say Fluke tendered defense of the case to Hartford Acci-

dent & Indemnity Co. The insurer wrote primary limits of \$1 million per occurrence with a \$2 million aggregate for Fluke and umbrella liability coverage with limits of \$9 million.

According to court papers, Hartford advised Fluke that its policy covered claims related to malicious prosecution.

"However, in February 1996, Hartford sent Fluke a letter disavowing coverage," the court papers note. Consequently, Fluke sought a declaratory judgment against the insurer in Snohomish County Superior Court in Washington, seeking a determination of coverage.

Robert M. Horkovich, a policyholder attorney with Anderson Kill & Olick P.C. in New York—who was not involved in the case but fol-

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## Industry facing challenge in making coverage affordable

By MICHAEL PRINCE

**NEW YORK**—Providing sufficient coverage at reasonable rates is the real challenge facing the insurance industry in the wake of the Sept. 11 terrorist attacks, New York's top insurance regulator says.

For insurers, paying the \$40 billion to \$50 billion in claims stemming from the attacks "is the easy part," Gregory Serio, superintendent of the New York State Insurance Department, told attendees at the recent 12th Annual PricewaterhouseCoopers Executive Conference for the Property/Casualty Industry in New York.

Mr. Serio said that he was impressed by insurers' statements after the attacks that they would cover claims, and he was confident that the insurers would fulfill their promises.

But since then, insurers have



Mr. Serio

backed away from covering terrorism losses, rates have risen sharply and coverage for some risks has become hard to obtain. These trends are hampering efforts to rebuild lower Manhattan and keep business

operating smoothly throughout the country.

For years, insurers have wanted to play a vital role in the business community, and now the industry needs to respond, he said.

"This is not just a terrorism issue," Mr. Serio said. The real issue is "the integrity of the insurance industry in the U.S." and if it can meet the demands placed on it, he added.

Mr. Serio supports a federal "backstop" for covering terrorism losses, but he said that insurers need to come up with new and innovative ways to provide the necessary insurance coverage at a reasonable price.

While Mr. Serio said he does not expect insurance companies to cover the acts of a "madman," they need to use more creativity or Congress may eventually step in to regulate the industry.

PHOTO: AP WIDE WORLD

# Punitive damages not linked to compensatory: Court

By DAVE LENCKUS

**NEW YORK**—New York, Connecticut and Vermont employers that are named defendants in federal civil rights discrimination lawsuits could face punitive damages even if courts refuse to award plaintiffs compensatory or nominal damages.

A Nov. 16 ruling by a 2nd U.S. Circuit Court of Appeals panel in a hostile work environment case establishes the legal hazard, which two other federal appellate courts previously had adopted but three more had rejected.

While the 2nd Circuit panel's unanimous ruling underscores the division among federal appeals courts on the issue, a U.S. Supreme Court review of the case to reconcile the courts is unlikely, according to a law professor.

The defendant—Adchem Corp. of Riverhead, N.Y.—has not decided whether to appeal, said defense attorney Ira G. Rosenstein, a partner with Orrick, Herrington & Sutcliffe L.L.P. of New York.

In the case, a federal district court jury found that an Adchem employee suffered no actual harm dur-

ing the 15 months she endured a supervisor's harassing treatment. The jury ordered the company, however, to pay the plaintiff \$100,000 of punitive damages for allowing a hostile work environment to exist. Under federal statute, the award was the largest judgment for total compensatory and punitive damages that employers of Adchem's size can be ordered to pay in such cases.

Before the 2nd Circuit's decision, five other federal appellate courts had disagreed on the availability of punitive damages in federal civil

rights discrimination cases under Title VII and an analogous provision of the Fair Housing Act. After the 2nd Circuit's ruling, the courts are evenly split on the issue.

The disagreement among the courts stems from the absence of any guidance in either Title VII or the Fair Housing Act.

Adchem argued that the 2nd Circuit should adopt the 1st Circuit's reasoning. After evaluating common law involving all types of complaints against defendants, the 1st Circuit decided that a common law rule bars punitive damages absent

compensatory or nominal damages.

The 2nd Circuit panel, however, rejected that finding, citing several cases supporting its conclusion.

The court noted that, unlike courts with which it disagrees on the issue, it is not concerned that awarding punitive damages absent compensatory damages would open the door to unreasonable jury verdicts. The caps on Title VII awards eliminate those concerns, the 2nd Circuit reasoned.

"Furthermore, the objectives of punitive damages by definition differ from the objectives of compensatory damages," the 2nd Circuit explained. "There is some unseemliness for a defendant who engages in malicious or reckless violations of legal duty to escape either the punitive or deterrent goal of punitive damages merely because either good fortune or a plaintiff's unusual strength or resilience protected the plaintiff from suffering harm."

Mr. Rosenstein said the 2nd Circuit's ruling "is really making, in some respects, social policy."

He said the court ignored the vast majority of common law that bars punitive damages absent compensatory damages. The majority of courts have ruled that way, "because you don't want people bringing lawsuits who have not been damaged in any way," he said.

If Adchem decides to appeal, persuading the U.S. Supreme Court to review the case "is not out of the question," Mr. Rosenstein said. Though the nation's highest court reviews relatively few cases and "there's no way of predicting" which cases it will review, "I'd say a split among the circuits is something the court gives weight to," he said.

But James A. Kushner, a law professor at Southwestern University in Los Angeles, disagrees.

A few issues tend to grab the attention of Supreme Court justices: clerks, who largely are responsible for selecting several dozen cases among thousands for the court to review each term, Mr. Kushner said.

The clerks tend to focus on cases involving constitutional issues, he said. They especially gravitate to cases that have drawn a large number of amicus briefs and that demonstrate a "compelling lack of equity in lower courts' results," he said.

Attorney Charmaine M. Stewart, who represented the plaintiff in the Adchem case, could not be reached.

*Tonia L. Cush-Crawford vs. Adchem Corp., 2nd U.S. Court of Appeals, Nov. 16; Docket Nos. 00-761, 00-7745.*

## Errors & Omissions

• Incorrect contact information was supplied for Universal Re-Insurance Co. Ltd. and Universal International Reinsurance Co. Ltd. in the Nov. 12 directory of rent-a-captives. The correct contact is Hal Forkus, president; [hforkush@ibl.bm](mailto:hforkush@ibl.bm)

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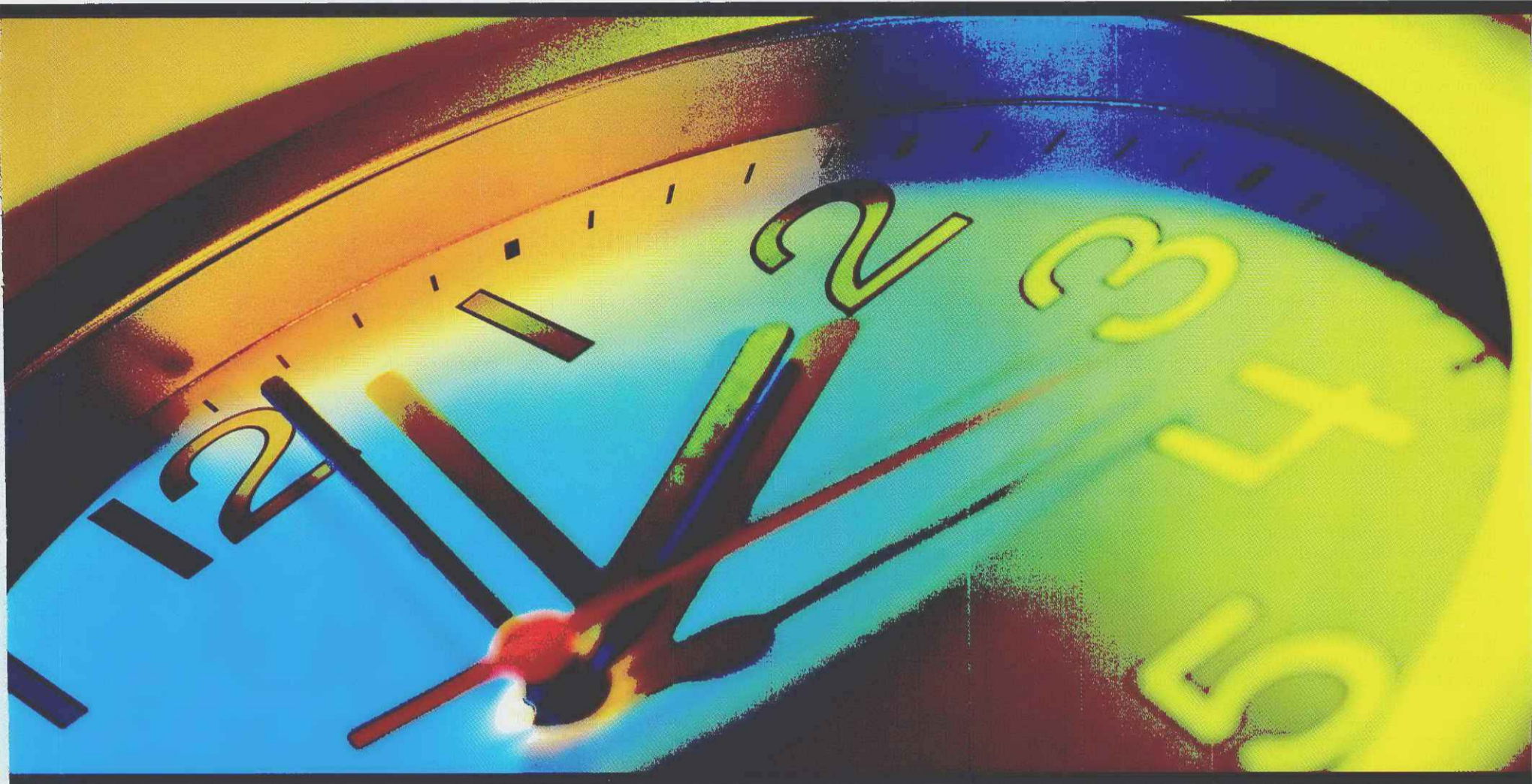
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# Terrorism: Bill response mixed

Continued from page 1

has backed a loss-sharing system with a higher trigger that is advocated by leaders of the Senate Banking Committee, but such a bill had yet to be introduced late last week.

The House bill would allow insurers to borrow from the federal government to pay terrorism-related losses if industrywide losses were to exceed \$1 billion or if the industry-wide loss were to exceed \$100 million and some part of those losses were to exceed 10% of the capital surplus and 10% of the net premium of an individual commercial insurer.

Once the trigger had been met, the government would lend 90% of the funds needed to cover the losses. Insurers that did not provide commercial insurance before Sept. 11 would not be covered except under specified circumstances.

Insurers would have to repay any government loans received. If covered losses were to exceed \$20 billion, insurers could recoup part of their costs through a premium surcharge of up to 3% on commercial policyholders.

Among the House bill's positives, said Julie Rochman, senior vp at the American Insurance Assn. in Washington, are the per-company retention and tort reform provisions. On the negative side, though, "the assessment mechanism is very complex," Ms. Rochman said.

A White House-backed provision in the bill would ban punitive damage awards from being levied on defendants that were not involved in

terrorist acts. Most Democrats opposed the provision, which also would limit defendants' liability for noneconomic damages to their portion of responsibility.

The Risk & Insurance Management Society Inc. offered a similarly mixed view.

**'The main thing, of course, is that if they're going to pass a bill, pass one that works.'**

Julie Rochman  
American Insurance Assn.

"While we are pleased to see the House pass terrorism reinsurance legislation, we are hopeful that a compromise is reached with the Senate that will more closely match RIMS' principles," said Michael Phillipus, RIMS vp-external affairs and manager-risk management for Pennzoil-Quaker State Co. in Houston.

RIMS has called for a five- to six-year time frame for government involvement in any terrorism insurance plan, saying the longer period is needed to allow private markets to recover. The measure passed by the House would sunset at the end of 2002 or, if extended, no later than the end of 2004.

While the Alliance of American Insurers was pleased to see progress, David Farmer, senior vp of government affairs at the Alliance, said, "The House legislation, at a mini-

mum, needs a change in retention levels, which are too high."

And Ms. Rochman added that, "as a pure loan program, it doesn't really address the question of availability; it addresses liquidity." The AIA favors a co-insurance arrangement. "The whole idea is, you want to get underwriters back to underwriting," she said.

The Senate Banking Committee has considered sharing the cost of terrorism-related losses with insurers if industry aggregate losses were to exceed \$10 billion. Insurers would not be required to repay the government's share. And late Thursday afternoon, Sen. John McCain, R-Ariz., announced the introduction of legislation calling for a combination of government loans and outright aid in the event of large terrorism-related losses.

Joel Wood, senior vp of the Council of Insurance Agents & Brokers in Washington, expects the House and Senate to move to a "virtual" conference sometime this week. "I think it's highly unlikely the Senate will pass some version of the bill. Rather, they will move straight to negotiations with the House based on where we are with the clock," Mr. Wood said.

"The main thing, of course, is that if they're going to pass a bill, pass one that works," said Ms. Rochman, who expects a bipartisan Senate measure to emerge this week. "If, at the end of the day, they come up with something that wouldn't solve the problem, we will oppose it."

## Commentary

# Damned if you do, don't or waffle

Pity the poor insurance industry.

No matter what it does, it can't get a break. Every move it makes to appease some segment of its constituency is just as likely to turn off another. Every step it takes to please policyholders is likely to annoy shareholders, and vice versa. Efforts to placate analysts may rile regulators, and so on.

The events of Sept. 11 have amplified this tension, and they provide excellent examples of this phenomenon, which is almost like a law of physics in regard to how constantly it occurs. In fact, I have paraphrased Newton's Third Law of Motion—for every action there is an equal, and sometimes greatly exaggerated, opposite reaction—to show the sorry state that insurers find themselves in today.

When one considers the enormous strain this situation must put on insurers, it is no wonder that, as a group, they seem indecisive, slow to act and lacking creativity.

**Action:** The insurance industry seeks federal intervention to limit its terrorism exposures.

**Reaction:** The federal government takes a new interest in insurance and assumes oversight of the industry, to the horror of many insurers.

**Action:** The insurance industry does not seek federal assistance for terrorism risk.

**Reaction:** The insurance industry remains exposed to unpredictable catastrophic exposures, or it stops writing business.

**Action:** Insurers raise rates across the board to boost profitability.

**Reaction:** Customers become angered and alienated, and many seek alternatives to insurance.

**Action:** Insurers keep rate increases reasonable to retain clients at the expense of profit margins.

**Reaction:** Stockholders become angered and alienated, and many seek alternatives to insurance.

**Action:** Insurers promptly pay claims from the Sept. 11 attacks, foregoing their usual deliberate scrutiny, in order to boost their public image as responsive and reliable corporate citizens.

**Reaction:** Insurers' claims toll is boosted by overstated claims, improper claims and fraudulent claims.

**Action:** Insurers take their time in paying claims, to make sure they are valid and correctly calculated.

**Reaction:** Industry is accused of foot-dragging, drawing the ire of

consumers and regulators and fostering public mistrust.

**Action:** Insurers narrowly focus on one or a few lines of business.

**Reaction:** Rating agencies penalize the insurers for having all their eggs in one basket and for lacking diversification.

**Action:** Insurers write multiple lines to diversify the risks in their portfolio.

**Reaction:** The Sept. 11 loss produces an unforeseen aggregation of losses as claims hit property/casualty, workers comp, life and health lines.

**Action:** Insurer declines to invest in e-commerce system, because it assumes no one would purchase coverage online.

**Reaction:** Company is called a dinosaur and is criticized as likely to lag behind competitors.

**Action:** Insurer invests in a sophisticated e-commerce system to attract clients who want to buy insurance online.

**Reaction:** No one buys insurance online.

**Action:** Insurers boost reserves.

**Reaction:** Shareholders, analysts and rating agencies criticize companies for not having a better handle on their liabilities.

**Action:** Insurers don't boost reserves.

**Reaction:** Shareholders, analysts and rating agencies criticize companies for not owning up to reserving shortfalls.

**Action:** Insurers report estimates of staggering losses from the Sept. 11 attacks.

**Reaction:** Companies are accused of not keeping track of their underwriting exposure.

**Action:** Insurers report estimates of limited losses from the Sept. 11 attacks.

**Reaction:** Companies are accused of not coming clean with their losses.

**Action:** Insurer executives decide that enough is enough and retire from the industry.

**Reaction:** As soon as things heat up, they are called back from retirement because no one else has experience with operating in a crisis.



Paul D. Winston

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## Editorial

## Sept. 11 loss increases likely

THAT LLOYD'S OF LONDON is sharply increasing its estimate of insured losses from the Sept. 11 terrorist attacks should not surprise industry observers.

Indeed, the estimate of Lloyd's exposure to losses from the catastrophe is likely to increase again in the months to come, because underwriters at Lloyd's, just like other insurers and reinsurers in the world, are unlikely to have a full grasp—or are unwilling to make a full disclosure—of their eventual losses.

Lloyd's last week raised its estimate of net losses from the attacks by 45%, to £1.9 billion (\$2.67 billion). Many other insurance and reinsurance companies are likely to follow, especially those that have not yet stepped forward with tallies of their projected losses.

It is the nature of insurer accounting after a catastrophe to make conservative loss estimates. This is, in part, so as to not shock policyholders, investors and regulators with the magnitude of a loss. Conservative estimates are also

made because it is difficult to foresee all of the claims that are likely to emerge. This is true regardless of the efforts of insurers and reinsurers have made in using technology to model their exposures and those of regulators to require these companies to make material disclosures to their investors.

The Sept. 11 catastrophe is unprecedented in its scale and the breadth of the coverage at risk.

It is unlikely that any insurer or reinsurer can fully predict where and when some of these losses will emerge. Not only are countless property policies obviously at risk but so also are casualty policies—including workers compensation—and life and health coverage. Also, while much of the focus has been on the World Trade Center itself, many other buildings suffered catastrophic losses, and there are likely to be thousands more thorny business interruption claims to be resolved.

Furthermore, it is likely that initial estimates fail to take fully into

account the many contested claims that will wind up in court, setting, in some cases, new precedents for coverage. While one coverage dispute—the litigation between a unit of Swiss Reinsurance Co. and Silverstein Partners Ltd.—has garnered much attention, there are bound to be many other disputes settled in court before a full accounting is made.

Turning to the courts also frequently invites the social engineering of insurance policies, requiring insurers to cover risks faced by societies that were never contemplated when the coverage was written and premiums were set. The wave of bodily injury claims in the 1980s is one the more-notorious example of this phenomenon.

Finally, the losses are likely to drive some insurers and reinsurers into insolvency, leaving other companies with uncollectible coverage and, therefore, a greater-than-anticipated share of the loss. Already some companies, such as Reliance Insurance Co. and Taisei Fire

& Marine Insurance Co. Ltd., have cited Sept. 11 losses in their decisions to shut down operations.

So it will likely be years before a full picture of the scale of the Sept. 11 insurance losses can be known by insurers, reinsurers and the public.

Because of such uncertainty, if the insurance industry is to face this sort of exposure in the post-Sept. 11 world, it needs some sort of government relief. The United States is currently grappling with this need as are other governments around the world.

We have said repeatedly that such assistance is needed if businesses are to obtain coverage for the risks they face in the future with any semblance of reasonable pricing or capacity. The sooner the governments agree to this and outline the form that such relief will take, the sooner insurance companies can help policyholders get on with their business.

With year-end renewals under way, that relief is needed now.

## 401(k) opportunity not lost

CONGRESS HAS GIVEN employers the opportunity to amend their 401(k) retirement savings plans to allow older employees to put more money into the plans, and we're glad to see that employers are taking advantage of that opportunity.

As we report in this week's issue, 75% of the employers responding to a recent William M. Mercer Inc. survey said they intend to amend their 401(k), 403(b) or 457 plans to permit eligible employees to make catch-up contributions. Of those employers that said they intend to add this feature to their plans, nearly all—92%—report they will do so next year, the first year such contributions are permitted under a tax-cut measure Congress passed earlier this year.

As we have written before, the rationale behind catch-up contributions is sound.

The beauty of 401(k) and similar savings plans is that relatively small contributions made early in an employee's career can grow substantially through the compounding of the tax-deferred interest earned on those contributions.

Unfortunately, though, many employees either can't or don't make significant contributions at the start of their careers. Some simply may not be able to afford to, while others—such as many women who take time out to raise families—are out of the workforce for extended periods in the early part of their adult lives.

To make up, at least partially, for

those years in which employees didn't contribute—or didn't contribute much—to savings plans, the tax law allows older employees, such as women who have returned to the workforce after a long absence, to make extra contributions beyond the amounts tax law otherwise would have allowed.

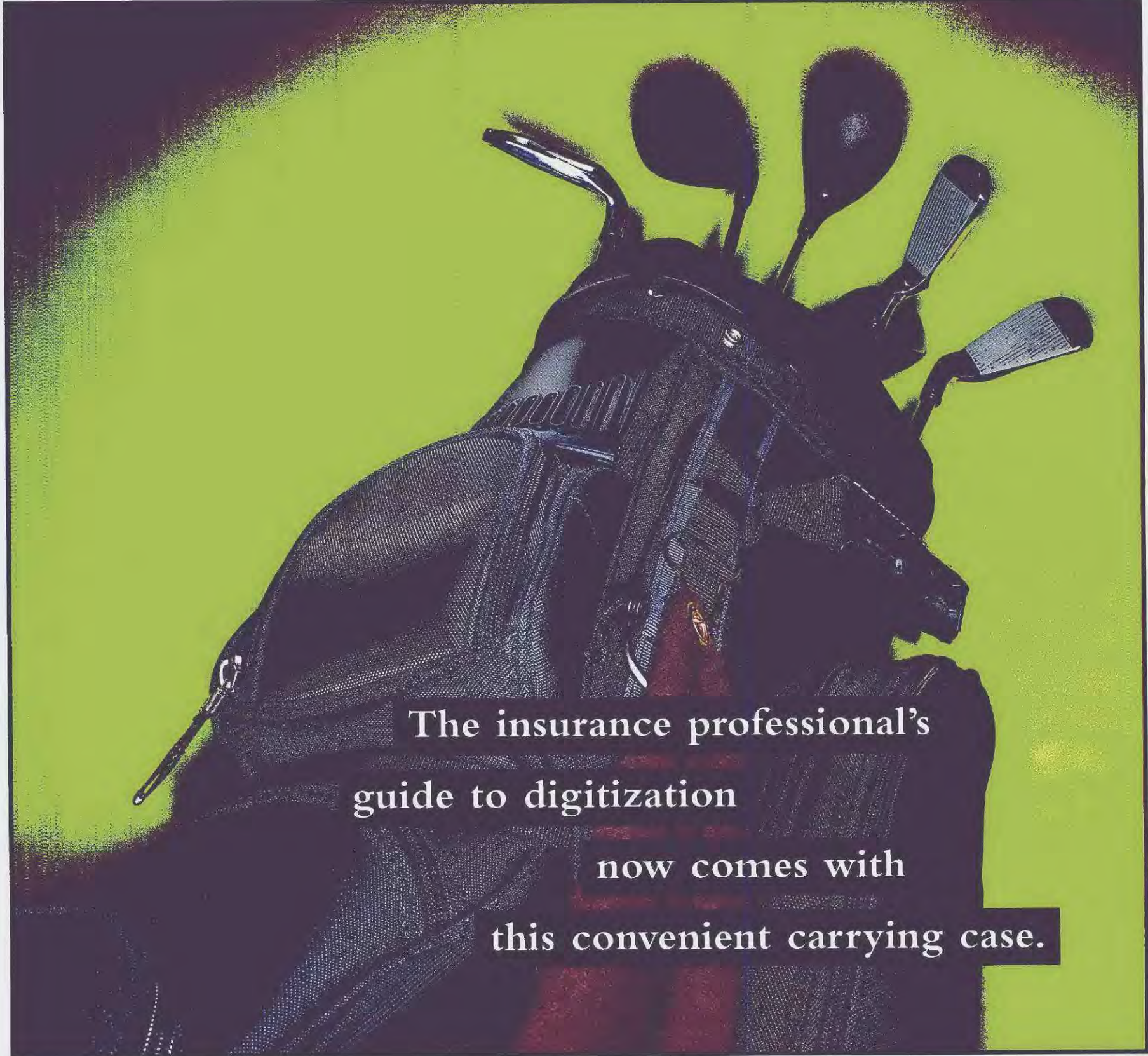
To be sure, the catch-up contributions permitted under the new law aren't very much—only \$1,000 next year, with the maximum allowable annual catch-up increasing by \$1,000 each year until it totals \$5,000 in 2006. But, in the aggregate, the contributions may make the difference as to whether an em-

ployee has sufficient savings to draw upon in retirement.

That crucial factor is something employers clearly recognize as the move quickly to add this feature to their retirement savings plans and to communicate to employees the additional opportunity to save for the future.

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# Risk Management:

## New Technology & Online Solutions

[Spotlight Editor: Meg Fletcher]

### Threats keep pace with technology

By JOANNE WOJCIK

With the growing spread of debilitating computer viruses and increasing incidents of hackers attacking corporate Web sites, businesses around the globe are becoming increasingly concerned about the liabilities they face if outsiders should break into their computer networks via the Internet.

Because "computer networks are the backbone of our global economy," they need to be protected, said Emily Freeman, senior vp and director of e-business risk management and consulting at Marsh Inc. in San Francisco.

Companies face not only third-party liability if hackers disclose private information—such as customers' financial or health information—but the potential of first-party property damage should viruses creep into their systems and corrupt data or disrupt access, Ms. Freeman said.

And as fast as technology experts fend off these at-

tacks, new threats are being unleashed every day—both inside and outside of organizations, cyber-risk experts say.

"It's one step forward, two steps back, as far as security goes," warned Duane Verzone, network security specialist for Tampa, Fla.-based Suncoast Schools Federal Credit Union. "For every new security patch, there's a hacker who can break into it."

The findings of the 2001 CSI/FBI Computer Crime Security Survey, which the Computer Security Institute conducts as a public service with participation by the Federal Bureau of Investigation's Computer Intrusion Squad in San Francisco, support this conclusion.

Of 538 computer security practitioners in U.S. corporations and government agencies that responded to the survey, 91% said they detected computer security breaches within the last 12 months; 64% acknowledged financial losses due to theft of proprietary information

See **THREATS**/page 15

#### ATTACKS ON THE RISE

Increase in computer network attacks by type

Type	2001	2000
System penetration from the outside	40%	25%
Denial-of-service attacks	36%	27%
Employee abuse of Internet access privileges	91%	79%
Computer viruses	94%	85%

SOURCE: 2001 CSI/FBI COMPUTER CRIME SECURITY SURVEY

### Agreement on standards to ease data sharing

#### Pact on XML expected to help risk managers

By MICHAEL BRADFORD

Risk managers have taken a big first step toward data standards that will make sharing information with their insurers and other service providers much easier.

The Risk & Insurance Management Society Inc. and the Assn. of Cooperative Operations Research & Development in November adopt-

Council and senior risk analyst at Southern Co. in Atlanta. "It's a great place to begin if you are going to standardize." The standards, she added, serve as the "first step to straight-through claims processing," a long-sought industry goal that would involve converting claims information to a single data format that could be read by all parties handling the information.

The first-notice-of-loss standard will be included in the next version of ACORD's XML specifications, which will be released by the end of the year. The loss-run standard is expected to be incorporated into the specifications after a pilot implementation ends next summer.

An XML data standard will cure some major headaches for risk managers and insurers. Lacking a standard, insurers and third-party administrators have defined data in various ways on their proprietary systems. Consequently, some risk managers historically have faced the cumbersome and expensive task of converting various claims data into a format that is compatible with their risk management information systems. Others have had to wait for their RMIS vendors to make the conversions.

The lack of a single standard has been a "huge problem" for many risk managers, said Christopher E. Mandel, assistant vp-enterprise

See **XML**/page 16

### Timely policy delivery still a concern of buyers

#### Technology not a panacea for complaints

By MARK A. HOFMANN

For risk managers, the phrase "the policy's on its way" can ring about as true as "the check's in the mail."

In fact, insurers' failure to deliver policy papers on time is a constant complaint of risk managers—particularly given the impact of electronic communications in other aspects of life. Fortunately, there appears to be some evidence that technology may finally be catching up with the needs of risk managers where policy management, claims data and other functions are concerned.

Underwriters caution, however, that there are limits to what technology can accomplish.

For some observers, anything would be an improvement over the way policy papers have traditionally been delivered.

"It is frustrating, because it often takes three months after the inception of the policy before you get the actual policy forms, particularly when it's a new policy as opposed to a renewal," said Jim Green, an independent risk management consultant who acts as risk manager for Acme Building Brands Inc. and Justin Brands Inc., both of Fort Worth, Texas.

"Since 1975, I've never seen anybody receive a policy on time," said Susan Meltzer, assistant vp-insurance and risk management for Sun Life Financial in Toronto. "I don't

care if they're electronic or paper, I just want them on time and accurate. You can focus a lot on time, but you need to focus on accuracy as well."

During her 1999-2000 tenure as president of the Risk & Insurance Management Society Inc., Ms. Meltzer said that she was able to "solve the problem for the most part," albeit through somewhat drastic measures.

"I said I wasn't going to pay for policies until I got them," she said. The tactic worked too. "It got fairly good fairly quickly, because people really didn't want to get me upset," she basically dared them to send me a cancellation notice for nonpayment," she said.

Ms. Meltzer noted that some insurers are now using technology that allows risk managers to track the status of their policies. "Anything that facilitates the provision of documents and gets the stuff to me is what I care about," she said.

Other systems are making it easier for risk managers to access policy information.

"I have heard of some of the large carrier developing programs where individual policyholders can go online password-protected and access their policy file themselves. That is coming quickly, but it is not across the board yet. It will be a big help in getting policies to the policyholders much quicker when the major carriers complete that process," Ms.

See **DELIVERY**/page 17



ed standards that will allow first notices of loss and loss-run data to be transmitted in extensible markup language, known as XML. New York-based RIMS and ACORD of Pearl River, N.Y., plan to continue working together to develop standards for other transactions.

The standards adopted last month "are like the door-opener," said Benita Gayton, program manager, commercial and specialty lines at ACORD. "We expect it will snowball."

"It's exciting," agreed Elizabeth Morrell, vice chair of the RIMS Technology Advisory

#### Inside:

Risk managers are seeking new ways of using risk data / page 12

Directory of risk information management systems / page 18

# THE STRENGTH TO LEAD



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# Delivery: Policy systems better

Continued from page 10  
Green said.

New York-based American International Group Inc. is one of the insurers that has turned to technology to speed the policy-issuance process, said Neil Faulkner, executive vp and chief operations officer of AIG's domestic brokerage group. He said that the insurance company has created a system for customers to actually see transactions, "including a preview of the finished product." The system was devised in collaboration with large clients and brokers.

He noted, however, that "fundamentally, the largest single issue is the coverages that are most important to our risk managers are more complex," which limits how effectively technology can be used to speed the policy-issuance process. Some policies require "an awful lot of hand-crafting," which doesn't lend itself to a technological solution, he said.

But AIG identified lines of coverage that could be easily automated, such as excess casualty and the low end of workers compensation, he said. AIG talked to risk managers

and brokers about what was feasible and then developed technology to meet customers' needs. As a result, AIG has been able to get policies out very quickly, with customers receiving quotes online, Mr. Faulkner said.

Paul Fruett, vp and e-business manager in the strategic development division of Chubb & Son Inc. in Warren, N.J., said that initial expectations about the benefits of technology might have been overly optimistic.

"I believe risk managers thought that the advent of the Internet

would replace the agent, but I believe that you can't put something as complex as placement on the Web," he said.

Further complicating the situation is that most large risk management accounts involve multiple insurers and brokers.

"We do have policies online; we can show claims information online," he said. But he added that underwriters would need input from buyers. "The quest for efficiency is really more of a buyer-driven initiative," he said.

The issue goes beyond policy issuance, said Mr. Fruett.

Risk managers would "love to have one place to look at all their claims information from all of their

carriers." Insurers are devising an extensible markup language, or XML, dictionary for claims, "so that we can all agree what 'loss' means," he said.

The drive toward more effective technology in all aspects of the insurance industry requires a collaborative effort, said Christopher E. Mandel, assistant vp-enterprise risk management at USAA Group in San Antonio, who is also first vp of RIMS.

All property/casualty insurers "need to support the RIMS/ACORD data standards initiative that will drive XML as the common data standard and allow greater portability of claim data for provider/user to provider," he said (see story, page 10).

Mr. Mandel also called on insurers to "get on board" with the RIMS quality improvement process being worked on by the society's Quality Committee.

"It will measure key areas of performance of carriers, TPAs, brokers and consultants. Policy turnaround is, of course, one of our pet peeves that we would hope this type of measure would facilitate," Mr. Mandel said.

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## Business reviews its RMIS wish list

Delivery of good data, customization in demand

By ROBERTO CENICEROS

Risk managers facing a hardening insurance market say that, now more than ever, they need computer information systems that will help them hold down their costs.

These risk managers also want computer applications that are customized to meet their unique needs, and they are seeking true Web-based systems that facilitate the sharing of loss information and reports with managers in remote locations.

In the current market, risk managers are demanding the ability to pluck credible data from their information systems, said George Netherton, the chairman of Risk Laboratories in Marietta, Ga. Risk managers say they need good data to get their underwriters' attention and to convince the insurer that they should receive the best possible pricing.

If an underwriter senses that the data indicating a good loss history aren't credible, the argument grows more difficult, Mr. Netherton said.

High-quality data is a big plus in negotiations with underwriters, agreed Bill Buchan, executive director for risk finance, loss control and business continuity planning at AT&T Broadband in Denver.

Mr. Buchan's company is a customer of Risk Laboratories, and he

See **SYSTEMS**/page 14



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# Systems: Greater access to data in demand

Continued from page 12

worked closely with that vendor to develop a system that allows him to calculate his insurance purchasing budget for 2002. He dubbed the system "CORA," short for "cost of risk allocation."

CORA, he said, will also help him allocate insurance and loss costs to AT&T Broadband managers in several markets, something he couldn't do in the past.

Mr. Buchan, along with Risk Laboratories, also developed a "Monte Carlo" simulation system that generates random results. With the Monte Carlo system, he can measure and review his casualty program in the same way that an insurer looking over its book of business would.

Mr. Buchan said this system permits him to determine what would constitute fair rates for his insurance purchases and, consequently, what profit margins insurers have built into their quotes for his business. That, he said, is a big help in negotiations.

"I can show up with sheets of paper they don't want to show me," he said.

**Weyerhaeuser wants to 'benefit from all the learning the vendors have discovered from their customer base.... But at the same time we want to tweak it.'**

*John Lambdin  
Weyerhaeuser Co.*

Mr. Buchan said that after seeing his casualty costs skyrocket, he decided to use his risk management information system to independently review third-party administration fees and claims payments. Using data in those ways will help weather a hardening market, he said.

"We will probably be glad that we have done the work in the last 12 to 14 months," Mr. Buchan said. "We own the data now."

Currently, customers are also demanding systems that customize information and produce reports unique to their company's business realm, said Tom Drake, chief information officer for Berkley Risk Administrators in Minneapolis. Customers, he said, are increasingly dissatisfied with "plain vanilla," off-the-shelf programs.

School risk managers, for example, now are not satisfied with loss codes that indicate only that an accident on their property resulted in a leg injury. They want codes that provide greater detail, such as the specific location on their property the accident occurred. If, for example, the accident happened on a certain piece of playground equipment, they want that information in their codes.

"That is where we are seeing this evolve," Mr. Drake said. "Into a much higher level of customization than it had before."

Just as they are seeking out more

specific information about their own businesses, risk managers also want to benefit from the data that computer system vendors have collected from helping other risk managers in similar industries, Mr. Drake said. These risk managers want to be able to benchmark, and they do not want to recreate work already done by others.

John Lambdin, insurance manager and office administration manager for the insurance department of Weyerhaeuser Co. in Federal Way, Wash., is one of those demanding such information. Currently, Mr.

Lambdin said, he is assessing his department's need for a new risk management information system. One goal of a new system, he said, would be to benefit from improvements that vendors have made in meeting other clients' needs.

"We want to find that middle road where we can benefit from all the learning the vendors have discovered from their customer base," Mr. Lambdin said. "But at the same time we want to tweak it so that we have some modules and customization for our processes that work better than what is available on the

market."

Another top goal is to purchase a system that permits business unit managers and plant managers to access their loss histories directly through the Internet.

"Rather than having them call us and generating a report, then e-mailing it to them, we are considering the new technology where (the manager) has a password and they can go in and see their loss history," Mr. Lambdin said.

Many risk managers now seek to remedy the problems inherent in disseminating loss information to

facilities located throughout the nation or in other countries, said Ron Watts, vp-customer relations for Risk Technologies Inc. in Mansfield, Texas.

Risk managers no longer are content to retrieve data only through client/server system computers that vendors have loaded with files, he said.

"That is not true Web-based technology," Mr. Watts said. Customers now want to access their data at any time, from any place, directly through Internet service providers such as America Online.

"The big buzz going around the industry is Web access so you can have access to your claims no matter where you are," he said.

# THE NEWEST STAR



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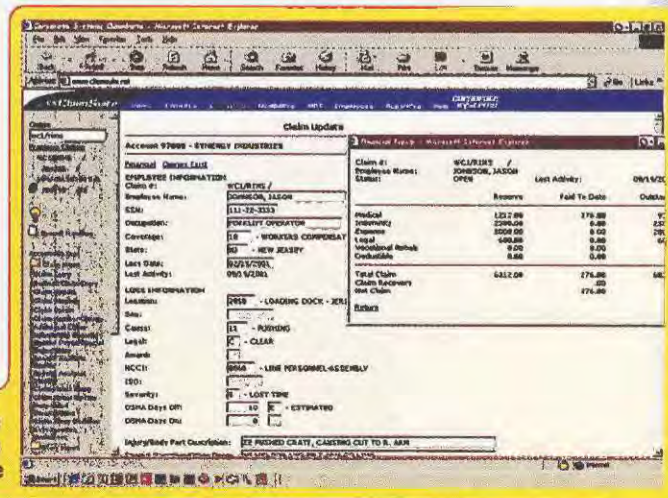
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Claim Update screen within CS ClaimSuite

# Threat: Online exposures grow

Continued from page 10

and/or fraud; and 35% were willing and/or able to quantify their financial losses.

And the magnitude of these losses is growing. Among those who quantified their losses, the losses totaled \$377,838,700, up from a total of \$265,589,940 in the 2000 survey.

For the fourth year in a row, more respondents—70%—cited their Internet connection as a frequent point of attack, up from 59% in 2000.

While these attacks seem to be increasing in frequency and have re-

sulted in significant financial losses to the organizations involved, only 36% of respondents said they reported the intrusions to law enforcement.

They are reporting these occurrences to their insurers, though, said Ty Sagalow, executive vp and chief operating officer of AIG eBusiness Risk Solutions, a division of American International Group Inc. in New York.

"We have had claims and paid out millions of dollars since January 2000," when AIG first introduced its new suite of cyber-risk insurance

products, Mr. Sagalow said. Currently, AIG has approximately 1,200 policies in force with limits "in the billions," he said. And submissions are up nearly 50% since the Sept. 11 terrorist attacks, he said.

"Companies were down days or weeks, depending on how they were connected to the grid. The event that caused the downtime may not have been foreseen, but it still caused a significant impact on companies' operations," said Jerry Ferguson, a partner at the New York law firm of Thacher Proffitt & Wood.

But risk transfer cannot be the only solution to the problem, especially since capacity is limited, said Joshua Gold, a partner at Anderson Kill & Olick P.C. in New York.

"The new cyber-policy limits are insufficient," particularly for large corporations with significant exposures, Mr. Gold said. "If you're a traditional policyholder trying to Web-enable your business, the limits are not adequate for catastrophic loss. They need limits in the billions," he said.

The highest limits currently available from AIG are \$25 million, though up to \$50 million can be assembled through the use of facultative reinsurance, Mr. Sagalow said. But brokers may be able to assemble

as much as \$100 million by using more than one insurer, he added.

Mr. Sagalow said that AIG, recognizing that buying insurance is not enough, provides risk mitigation services as part of the coverage that comes with its cyber-risk policies.

eShel Underwriting Managers, a unit of Aon Corp.'s Sherwood Insurance Services Inc., also is providing risk management services as part of its CNANetProtect and eComprehensive CyberRisk insurance programs, said Phil Pierson, founder of the Irvine, Calif.-based managing general agency. The services are also available on an unbundled basis to non-policyholders, he said.

"When we underwrite, we want to make sure the companies are focused on network security, especially if they have a lot of consumer information on their networks," Mr. Pierson said.

**'If you're a traditional policyholder trying to Web-enable your business, the limits are not adequate for catastrophic loss. They need limits in the billions.'**

*Joshua Gold  
Anderson Kill & Olick P.C.*

Regardless of whether they purchase insurance, organizations increasingly are hiring "ethical hackers" to test the vulnerability of their computer systems.

Suncoast uses the services of San Antonio-based Digital Defense Inc. to conduct at least one external "penetration" test per quarter, Mr. Verzone said. Under the Gramm-Leach-Bliley Act, financial institutions are required to conduct at least one such penetration test annually, he explained.

"Our home banking product is out there and available on the Internet," which makes it vulnerable to attack, Mr. Verzone said.

Mr. Verzone said he was surprised by how easily the technicians from Digital Defense could penetrate the system the first time the test was run. Since that time, though, the credit union has added an intrusion detection system, he said.

And the use of such systems has been increasing steadily, according to the CSI/FBI survey, which found that 61% of respondents used them in 2001, up from 50% in 2000, 42% in 1999 and 35% in 1998.

Suncoast also is preparing to upgrade to Digital Defense's newest software, which will allow the credit union to conduct penetration tests more frequently on its own.

With the new software, "companies could run a scan almost every day, just as they run virus scans," said John Turner, a developer and co-founder of Digital Defense.

Unfortunately, even with penetration testing and an intrusion detection system, "no network will ever be 100% secure," warned Joe Cooper, president and chief executive officer of Digital Defense. This is partly because the risk, many times, is internal. "Disgruntled employees are the largest sources of unauthorized access," he said.

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# XML: Standards effort making progress

Continued from page 10

risk management with USAA Group in San Antonio. For insurance buyers who use several insurers or who move their programs, the conversion of data "became a nightmare," he noted.

A single data standard is most useful to midsize and large companies that rely on traditional insurance coverage and that use more than one insurer. Large, self-insured risks that administer their own claims or that rely on just a few service providers don't have as much need for transmitting or receiving

data in a single format.

XML is particularly useful to risk managers that have put together their own risk management information systems and must convert data sent directly from insurers or service providers. Insurance buyers who depend on a RMIS vendor to provide their systems are not likely to see much change when XML standards are implemented. That's because the vendor will communicate with insurers and other service providers in XML, but will convert that data to its own proprietary standard before sending it on to the

risk manager.

A single standard has long been sought by agents and brokers, who have worked for years to secure a single-entry data system that would eliminate the need to convert data from various insurers. Implementing XML standards is an important step that would improve the service insurance buyers receive from their intermediaries and insurers, producers say.

"Just like agents, buyers will find (XML standards) very useful," said Jeff Yates, executive director of the Agents Council for Technology, an

industry group that is part of the Independent Insurance Agents of America Inc. in Alexandria, Va. "One of the things that we see is that more and more buyers want to deal electronically with the agent and company. XML will facilitate that. Whether it's risk managers or the financial guy at a company, it just makes it easier to improve service."

A single standard moves intermediaries closer to "real-time processing, which allows the industry to be more responsive to risk managers and other clients," Mr. Yates said.

Risk managers began their aggressive pursuit of a common standard last year by partnering with ACORD. In March of this year, four organizations—RIMS, ACORD, the Insurance Data Management Assn. and the Insurance Services Office Inc.—agreed on the first-notice-of-loss standard and began to tackle the more complicated loss-run standard before voting to adopt both last month.

Now that the groups have settled on a standard, it's time for insurers to step up to the plate and implement it, advocates of XML say.

"Implementation depends on the insurance companies and third-party administrators," said Ms. Morrell, noting that the standard will become widespread only if those groups agree to put it in place.

**'Some leading risk managers are speaking up to their carriers and saying, "You need to use XML."'**

Benita Gayton  
ACORD

Ms. Gayton of ACORD said that "some leading risk managers are speaking up to their carriers and saying, 'You need to use XML,'" as a way to spur implementation.

Doug Johnson, executive vp with systems vendor Applied Systems Inc. in University Park, Ill., said it could take some time for the XML standard to be widely used among insurance buyers. Agents and insurers are slowly embracing XML and need to become comfortable with the format before it is extended to the consumer, he said.

"Once it gets working smoothly within the industry, it will be extremely easy to extend that out to the buyer," Mr. Johnson said. "The work going on today is very important" as a first step toward a widely used standard, he added.

Ms. Morrell pointed out that risk managers who begin using the standard needn't worry about scrapping their current systems and making a large investment in reprogramming.

While some conversion will be necessary at those companies that operate their own risk management information systems, it does not have to be an expensive overhaul, Ms. Morrell said. And for risk managers who rely on an RMIS vendor the conversion should be transparent, she said.

"The nice thing about the XML format is that you can continue to track claims in your legacy system," Ms. Morrell said. "Carriers and TPA don't have to spend millions to replace the technology they have, as long as they can pull claims information from those systems into an XML file."

She suggested that risk managers with in-house risk management information systems should find out whether the company's technology staff can make adjustments that will allow the system to read the XML format. Otherwise, some outside help may be needed.

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# AGENT/BROKER TOPICS

A MONTHLY EDITORIAL SECTION SENT EXCLUSIVELY TO AGENTS, BROKERS AND CONSULTANTS

## New Business



# Urban markets offer opportunities, but industry must understand setting

By MEG FLETCHER

**A**s the nation's urban population increases, insurers and agents have new opportunities to write coverages that meet the needs of this growing marketplace, experts say.

"Urban markets offer excellent business opportunities" for the insurance industry, said Madelynne Brown, assistant director of the Illinois Insurance Department.

To compete effectively, however, insurers and agents must understand the inner-urban marketplace, which is characterized by the need for affordable housing and services.

To further that goal, the Urban Insurance Partners Institute recently hosted a two-day, national workshop in Chicago titled "Writing Business Successfully in Urban Areas." The Chicago-based organization is the only insurance industry organization devoted solely to educating the insurance

industry and consumers about urban insurance issues and model programs, said Suzanne Reade, president of UIPI.

The workshop, which featured more than two dozen speakers, was co-sponsored by the Local Initiatives Support Corp., a nonprofit organization dedicated to rebuilding communities. About 70 people attended.

Population shifts that have resulted in eight out of every 10 people living in metropolitan areas mean that urban markets are growing, said Michael A. Yeager, president and chief executive officer of Lehigh Mutual Insurance Co. in Allentown, Pa. When the former farm mutual insurer began losing clients, he realized that "this country boy had to become a city slicker," Mr. Yeager said.

His company's success in finding business in city settings means "I'm well aware there is good business to be found in urban markets," said Mr. Yeager, the institute's chairman.

An information gap exists, however, about urban consumers' spending potential, said Paul Sill, director of corporate consulting for Urban Logic, an affiliate of

Shorebank Corp. Chicago-based Shorebank, the nation's first and largest community development bank, has invested \$1 billion in so-called "underserved" communities since 1973.

"There is opportunity in the inner city despite lower incomes and common misperceptions," Mr. Sill said. For example, census data tend to understate the buying power of urban consumers, who are more concentrated than in many other neighborhoods and who tend to use cash rather than credit to make purchases, he said.

"Using unique data and metrics can help during the initial identification of gap areas," he said. Urban Logic uses supplemental information, including building permits, school enrollments and property-related data.

Such data can help insurers and agents by identifying geographic areas of highly concentrated buying power as well as high "float," where consumers are buying outside their own area, Mr. Sill said. "Float and concentrated buying power can be customized for the insurance industry to

See URBAN/page 16B

## AGENT/BROKER TOPICS

# Urban: Marketplace seen as growth area for insurance

Continued from page 16A

highlight pockets of missed opportunity," he said.

"After pockets are identified, insurance companies must review their policy guidelines for inadvertent barriers," he said. For example, one insurer's underwriting guidelines prohibited insuring a roofing material that is common in urban neighborhoods, though further analysis showed the prohibition was unwarranted.

In addition, "insurers must research and evaluate the insurance needs of these consumers through

focus groups and survey research," he said. "You must adapt your business to fit (consumers') needs, or someone else eventually will," Mr. Sill said. "The urban market is the final frontier for large-scale, domestic market-share acquisition for all business, including insurance," he said.

Another model urban information program is available through the Cook County Assessor's Office, said Marco Duque, the office's Webmaster. By next summer, the office expects to

have completed putting photographs of all buildings in Cook County on its Web site, [www.cookcountyassessor.com](http://www.cookcountyassessor.com).

He said the unique feature of the free program is the additional data provided, including details about type of construction, number of floors, square footage and the existence of attics or garages. Such information allows properties to be compared with others, regardless of the underwriter's location.

Insurers and agents wanting to explore urban markets should be

encouraged by banks' experience, speakers said. Banks often partner with politically savvy organizations that encourage development of low- and moderate-income housing and businesses.

The primary motivation for banks has been the federal Community Reinvestment Act, which requires that banks invest in urban communities.

That requirement does not apply to insurers at this time, though federal and state lawmakers have periodically discussed including

insurers. Most recently, some members of Congress reportedly have discussed imposing such a requirement as part of the terrorism reinsurance legislation that the insurance industry is seeking, said a spokeswoman for the Washington-based American Insurance Assn.

Insurance commissioners also have considered the general topic. For example, California's top insurance regulator asked insurers this year to identify their urban-related investments. Meanwhile, though, Illinois Insurance Director Nat Shapo told the group that while insurers' investing in urban areas makes "good political sense,"

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**'The urban market is the final frontier for large-scale, domestic market-share acquisition for all business, including insurance.'**

Paul Sill  
Urban Logic

he does not favor a mandate.

The primary problem with imposing a CRA-type requirement on insurers is regulatory restrictions on the investments insurers can make, said Charles M. Chamness, vp-public affairs for the National Assn. of Mutual Insurance Cos. in Indianapolis. He said that insurers already support urban communities through the payment of losses and participation in community organizations such as the institute, which NAMIC helped establish.

Urban investments offer advantages. "The recently enacted federal tax credit law offers insurance companies greater opportunities to use investments as an overall business strategy," Andrew Mooney, LISC senior program director, said in a statement.

Overall, "there are opportunities out there that meet traditional business standards that can have a huge impact," said Robert S. Grossinger, senior vp with La Salle Bank in Chicago. He found that some of his colleagues made CRA-acceptable investments simply to generate profits and that they were "do-gooders...by accident."

Other speakers said that several national and community groups are available to work with investors, including the Community Development Trust Inc., National Equity Fund Inc. and Neighborhood Housing Services of Chicago Inc. In addition, other groups specialize in redeveloping brownfields and in helping to prevent environmental pollution.

Such groups may be able to help insurers or agents offering cost-effective programs to link up with commercial and personal lines customers, workshop speakers said.

For additional information about urban insurance issues, contact Urban Insurance Partners Institute at 773-880-8780 or visit the UIPI Web site, [www.uiipi.org](http://www.uiipi.org).

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## AGENT/BROKER TOPICS

# Agency experience aids family's insurance venture

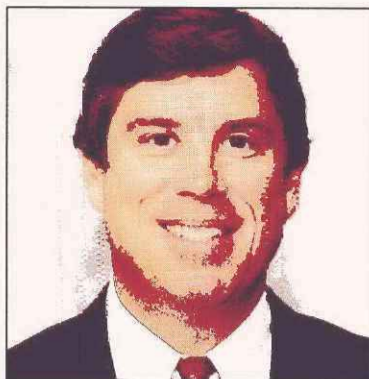
By MARK A. HOFMANN

It wasn't the kind of opportunity just anyone would grab.

After Hurricane Andrew wreaked havoc in 1992, the state of Florida wanted to shrink the joint underwriting association it had created following the disaster. The state was willing to pay new insurers up to \$100 per policy—plus a few other incentives—to take the business off its hands.

The arrangement was called a "takeout" because the new companies could literally "take out" the business from the JUA. When the takeout began, the JUA had in force about 1.5 million policies, making it the second-largest homeowners' insurer in the state, noted Bill Poe Jr. Mr. Poe and his father, Bill Poe Sr., lead Tampa, Fla.-based Southern Family Insurance Co.

Still, taking out JUA policies was risky business in more ways than one. The younger Mr. Poe admitted



Bill Poe Jr.

that some individuals may have questioned the wisdom of the family in getting involved with the insurance company end of the business in the aftermath of Hurricane Andrew, "but they didn't say it to our face," he said.

Nonetheless, the takeout represented an opportunity the Poe family couldn't pass up. Bill Poe Sr. had started with what had been a one-man insurance agency in 1956 and built it into Tampa-based Poe & Associates—one of the largest brokerages in the country—before

merging it with Brown & Brown Inc. of Daytona Beach, Fla., to create Poe & Brown Inc. in 1993. He left about a year later, soon followed by his son. The younger Mr. Poe pointed out that the family had liquidated its assets in Poe & Brown, and the JUA opportunity came up just as the family was seeking ways to invest its assets.

"When we got down to brass tacks, we decided to do the takeout," he said. That was the genesis of Southern Family Insurance, which started operating in 1996.

Bill Poe Jr., chief operating officer of Southern Family, said the Poes were not totally unprepared for the challenge. Both Poe & Associates and Poe & Brown did wholesale and retail brokerage business, and the elder Mr. Poe had built a national specialty dentists' property program from the ground up, acting as a managing general agent first for Chubb Corp. and then for CNA Financial Corp.

**'It really was a big change going from an agency hybrid into straight underwriting. I won't say we were running in the dark; it was very much a learning experience.'**

Bill Poe Jr.  
Southern Family Insurance Co.

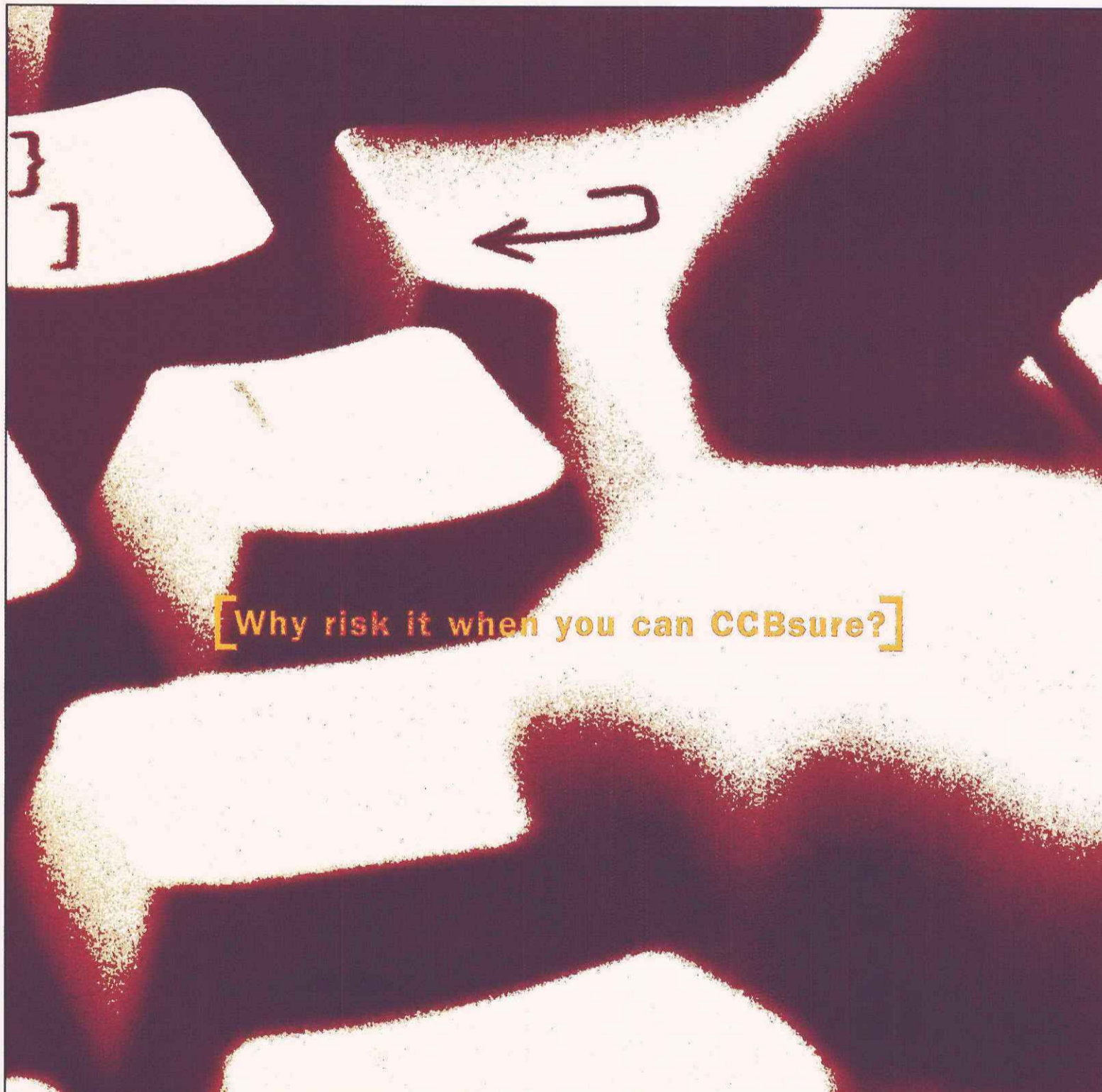
"We were a bit of hybrid," said the younger Mr. Poe. As an MGA, Poe & Associates had "acted like an insurance company," except it did not have its own actuaries, he said. In fact, it even paid some claims.

"But it really was a big change going from agency hybrid into straight underwriting," said the younger Mr. Poe. "I won't say we were running in the dark; it was very much a learning experience."

Southern Family agreed to take the JUA policies on "assumption" rather than upon renewal. That meant that the new company would be flooded with policies. On Dec. 1, 1996, "we kind of just flipped the switch and we were in business with 35,000 policies and another 35,000 soon," said the younger Mr. Poe.

The company had a staff of about 12, mostly in customer service. Southern Family focused on customer service because its managers knew that area best from their previous experience on the agency/brokerage side of the business. "From the agency, we knew that you had to have excellent customer service. Those had to be top notch," said the younger Mr. Poe.

Initially, information technology and even claims handling had to be outsourced, the younger Mr. Poe said. Those functions were brought in-house "within a very short period of time," he said. "We knew it would be hard work and a lot to learn."

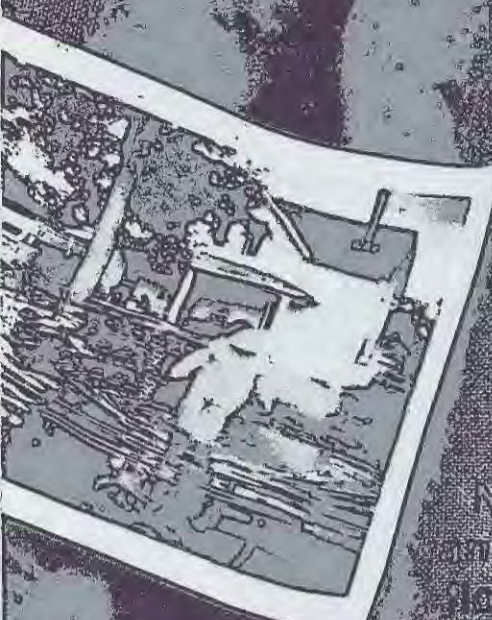


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## AGENT/BROKER TOPICS

# Poe: Agency experience helps family's insurance venture

Continued from page 16D

Southern Family is part of the Poe Financial Services Group, which is also in Tampa. The company writes both personal and commercial insurance through independent agents and has about 110 employees.

One of the more significant segments of its commercial insurance business is commercial habitation, which covers condominium associations.

Earlier this year, Poe Financial Services Group's insurance operations grew through its acquisition of Orlando, Fla.-based Atlantic Preferred Insurance Co. Atlantic Preferred's book of business is very similar to that of Southern Family, though much smaller, said Bill Poe Jr.

Atlantic Preferred, like Southern Family, is a takeout company. A spokeswoman for the group said that, as of mid-November, the

insurance companies had in force 106,000 personal lines policies, which generate \$52 million in premium, and 1,070 commercial lines policies, which generate \$25 million in premium.

The elder Mr. Poe is chairman of the holding company, while the younger Mr. Poe is president of the holding company and COO of the insurer. Jim Wurdeman, a longtime business associate of the elder Mr. Poe, is executive vp of the group.

The younger Mr. Poe said that his father remains "very, very active" with the group. "Frankly, we couldn't do this without him," he said. "His advice, ideas and counsel are invaluable."

Florida has seen no big storms in the past five years, though smaller storms have produced lots of smaller claims. The lack of significant storm loss has allowed Southern Family to build up its capital base as it prepares for the

future, the younger Mr. Poe said.

"Our intent is to build an insurance organization in this state—and maybe regionally—and build a name that people recognize as providing quality service, both in the customer service and claims area, both to our agents and our retail customers," he said. "We'd like to become regional, but we're taking baby steps. We want to do it the right way. We'd like to be around for the long haul."

# Growth opportunities exist among current clients

By SALLY ROBERTS

Agents and brokers have long been told that the key to success in the insurance business lies in the relationships they have with their clients. It is the existing clients that, either through purchasing additional coverage or by referring the agency to others, offer the greatest opportunity for new business development.

With the onset of a hard pricing environment, which was hastened by the Sept. 11 terrorist attacks, it is time for agents and brokers to sit down with existing customers, educate them about the changing market conditions, listen to their needs and review their insurance programs for any inadequacies, consultants say.

This will go a long way in retaining existing clients, consultants say, noting that during hard market cycles, customers have a tendency to shop around for other intermediaries to see if they

can get better pricing.

"If I was an agent, I'd put a lot of focus on educating my existing customer base about the current market cycle," said Larry Neilson, president of National Marketing Services in Laguna Hills, Calif. "This creates trust, makes you the expert and hard to replace."

In addition to educating clients about current market conditions, agents also should sit down with the customers, listen to their needs and conduct a thorough review of their entire insurance program, consultants say.

The events of Sept. 11 have "scared people to say, 'Who is it that I trust in order to open my heart and talk about my fears?'" said Bob Nelson, president of the National Assn. of Insurance & Financial Advisors in Washington.

"There is an increased appreciation for the role of the professional adviser," he said, noting the importance of listening. "There are a lot more people today interested in making informed decisions through dialogue, not a calculator," Mr. Nelson said. "The

human element has been injected back into it."

And as Emily Huling, president of Selling Strategies Inc. in Terrell, N.C., warns: "If agents do not take care of and listen to and be more familiar with the needs of their existing clients, then the opportunity for new business is for

**'If agents do not take care of...the needs of their existing clients, then the opportunity for new business is for the competition to scoop up.'**

Emily Huling  
Selling Strategies Inc.

the competition to scoop up."

Grace Bauer, owner of The Grace Bauer Group Inc. in Fort Myers, Fla., advises agents to take the time to conduct a policy review of all their clients, no matter the size of the account.

"This is the time when we need to help each other and to pay attention to all of our people," she said, referring to the terrorist attacks. She noted that while it may not be feasible to conduct annual policy reviews in person with every client, agents should at least send out a letter focusing on any changes to the customer's policy and ask questions that pertain to that client's needs.

By sitting down with clients and conducting a thorough review of their entire insurance program,

agents will most likely find coverage shortfalls, consultants say.

One line of insurance that has been thrust into the spotlight for many people since Sept. 11 is life insurance.

People are coming back and re-addressing the issue of life insurance with the feeling of "It could have been me," said NAIFA's Mr. Nelson, who runs the life and estate planning division of Grace Mayer Insurance Agency in Omaha, Neb.

"Property/casualty agents have been preached to for years by consultants to do more in the life/health area," noted Bill Wilson, director of the Independent Insurance Agents of America Inc.'s Virtual University, who works from his home in Hendersonville, Tenn. "That's one tremendous opportunity for agents because people have seen quite well how that can come in handy," he said.

Consultants note that key person insurance, which provides coverage to a business should a key executive die, also has come to the forefront for businesses.

Another issue that has been highlighted by recent events is ensuring property items are insured to correct value, consultants say.

"Sept. 11 brought a real sense of making sure that (property) values are correct," said J. Alan Johnson, owner of The Johnson Agency based in Madisonville, Tenn.

He noted a 1995 IIAA study that found 75% of the businesses damaged by Hurricane Andrew in 1992 were underinsured.

It's normal, Mr. Johnson said, to insure only a percentage of a property's valued replacement cost. No one thinks that his or her entire property could be destroyed in one event, he said. He also noted that, in many cases, property values increase and insurance policies are never updated to reflect current values.

In addition to property values, Mr. Johnson said agents need to work with insurers to "get back to true underwriting."

Each individual risk should be looked at and a premium should be set commensurate with the risk, Mr. Johnson said. Due to soft market conditions, however, many risks have been bundled into low-priced package policies, he said.

In a traditional business owners policy, or BOP, for example, "there is coverage in there that people either don't need or don't want, but it's priced so attractively, they got it without really even knowing," Mr. Johnson said. "Business interruption coverage is a perfect example," he said. While it's included in all BOPs, "there are a lot of little businesses out there that have the coverage but might not want or need it."

Now with a tightening market, insurers are taking a second look at their coverages and they may start charging more for certain lines of coverage in the package policy or take other lines out all together.

Agents need to communicate this to clients "and look very carefully at the coverage companies are renewing," he said.

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AGENT/BROKER TOPICS

Technology use grows: IIAA survey

ALEXANDRIA, Va.—The Independent Insurance Agents of America Inc. recently released its 2001 Best Practices Study, which found that technology is playing an ever-expanding and critical role in the success of top agents and brokers.

The 2001 Best Practices Study, conducted with the Atlanta-based consulting firm Reagan & Associates, provides financial and operational benchmarks of the leading U.S. independent insurance agents and brokers.

Among the findings, the study found that the average total number of employees at the top intermediaries has dropped since the last study was conducted in 1998.

The drop, according to the IIAA, seems to be influenced by the improved use of technology. Most of the agents and brokers interviewed in the study indicated that the biggest payback on their technology investments has been their ability to handle significantly greater volumes of business with the same number of—or fewer—staff members, the IIAA said.

The study also found that productivity—as measured by revenue per employee—has “increased significantly” since the 1998 study, the IIAA said.

“The revenue growth and

A/BT briefs

productivity trends among best-practices agencies and brokerages point to a future that is far from bleak,” Madelyn H. Flannagan, IIAA vp-research and education, said in a statement. “Based on the results of the 2001 Best Practices Study, the opportunities are tremendous for independent agencies and brokerages willing to meet the challenges of increased competition and expanded technology,” Ms. Flannagan said.

The 2001 Best Practices Study, conducted every three years, is organized according to the annual revenues received by agents and brokers, ranging from less than \$1.25 million to more than \$10 million.

The study is available electronically and in hard-copy format. The electronic edition, which provides only the numeric results of the study, can be obtained by clicking the “Best Practices” icon at [www.independentagent.com](http://www.independentagent.com). The hard-copy version, which provides both the numeric results of the study and an analysis of the business practices used by the top agents and brokers, is available for \$59.95 per copy. To order, call 800-261-4422.

California bank buys agency

SAN FRANCISCO—Union Bank of California N.A., a subsidiary of UnionBanCal Corp., recently signed a definitive agreement to acquire the Fullerton, Calif.-based agency Armstrong/Robitaille Business & Insurance Services.

The acquisition “is the first of several we hope to complete over the next few years, as we enhance our product offerings and simplify our delivery system,” Richard C. Hartnack, vice chairman of San Francisco-based Union Bank of California, said in a statement.

“Supplementing the bank’s financial services with our insurance and risk management offerings will provide customers with a full array of complementary products,” Frank Robitaille, president of Armstrong/Robitaille, said in the statement.

Executive Vp Fred Armstrong added that the agency had “numerous invitations to join other companies, but only Union Bank of California made sense to us and for our customers. The bank’s size and strength in the West Coast marketplace, along with their similar corporate culture, made them an ideal partner for us.”

Armstrong/Robitaille will retain its name and will continue to operate from five offices in Northern and Southern California and in Portland, Ore.

Fiduciary liability policy online

HARTFORD, Conn.—The Hartford Financial Services Group Inc. recently introduced a new fiduciary liability small-business insurance policy, which is available in most states and can be accessed via the Internet at [www.1stepsurety.com](http://www.1stepsurety.com).

“It’s important for agents to realize the vulnerability of their small-business owners and to help them protect their personal assets as well as the business’s assets,” Susan Healey, vp-fidelity and fiduciary liability at The Hartford Fidelity & Bonding, said in a release.

Small-business owners that offer employees pension plans, medical insurance or life insurance may face personal liability if they breach any of their fiduciary responsibilities, obligations or duties as defined by the Employee Retirement Income Security Act, The Hartford said in the press release.

Tool gives agents online resource

WINDSOR, Conn.—TowerStreet, an insurance software and services division of AMS Services Inc., recently introduced QuoteNETWorks Direct, an online premium comparison system that offers the same functionality of TowerStreet’s QuoteNETWorks

product without the requirement of the company’s desktop rating system.

Insurance agents can now provide online premium comparison shopping for visitors to their Web sites and generate qualified sales leads regardless of which rating system they currently use, TowerStreet said in a statement.

Through its relationship with a variety of insurers, QuoteNetWork enables agencies to return accurate and up-to-date quotes from several personal auto, homeowner and business insurers, the company said.

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Distinguished Programs	.....16B
FEMA	.....16E
ISG International Inc.	.....16D



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ISSUE: DECEMBER 24/31 • AD CLOSE: DECEMBER 12

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- Aviation industry rocked by soaring premiums
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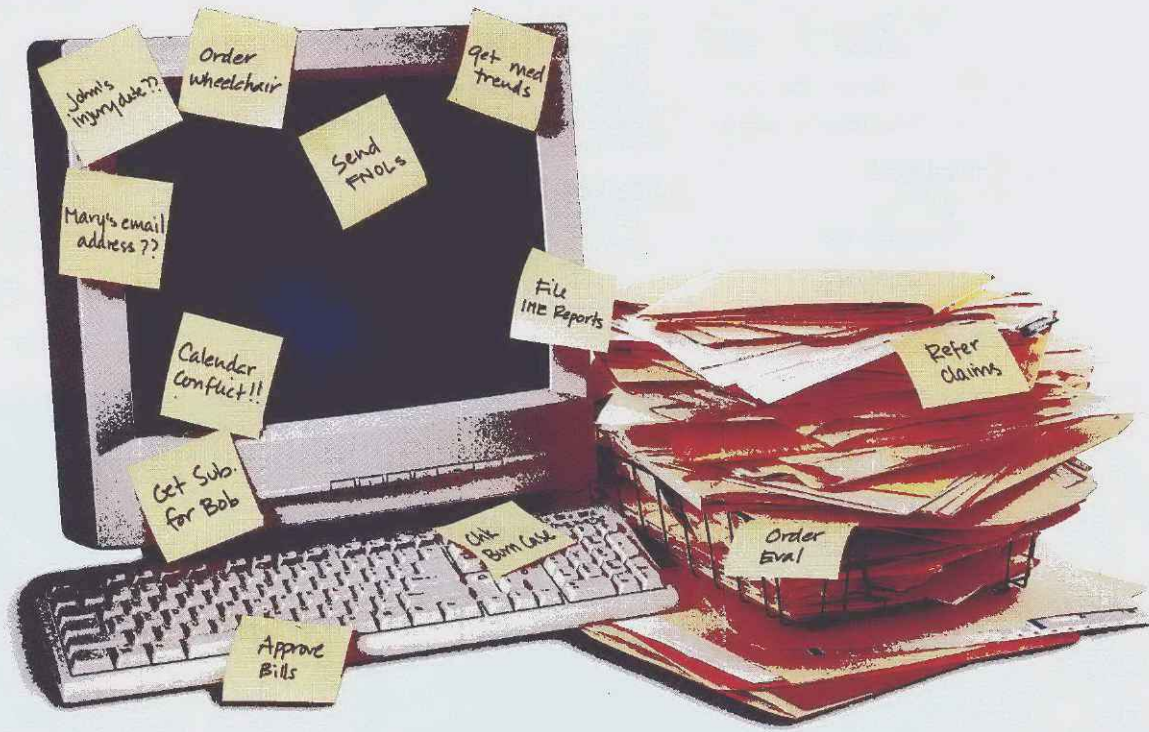
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# BI directory of risk management information systems

**AIG Insurance Services Inc.**  
400 Interpace Parkway, Building A,  
Parsippany, N.J. 07054;  
800-767-2524; fax: 973-402-2895  
www.intellirisk.com  
Parent: American International Group Inc.  
■ **IntelliRisk NetSource**  
Price: \$12,000.  
System requirements: IBM-compatible computer,  
Internet platform.  
Online system.  
First installation: 1998.  
Total installations: 1,928, 1,259 in corporate risk  
management departments.  
Claims/coverage managed: general liability, work-  
ers compensation, property, auto, casualty.  
Features: claims administration, charting/graphing,  
diary, incident reporting, litigation management, loss  
prevention, report generation, reserve tracking, safety  
and loss control, profiling, alerts, adjuster activity

notes access, online risk management reference man-  
ual, integrated disability management.  
Staff: 55 total, 50 professionals.  
Clients\*: 452, 308 in corporate risk management  
departments, 294 new systems in 2000.  
Officers: Robert Sandler, chairman; Anthony  
Galioto, CEO; Steven Iler, president; Kevin Murray, se-  
nior vp/chief information officer; Alan Louison, vp-e-  
Services; Marian Manganello, director-multinational  
business solutions.  
Contact: RMIS Help Center; 800-767-2524;  
rmishc@aig.com.  
\*Includes conversion from client-server application.

## Aces Technologies

206 Waterman St.,  
Providence, R.I. 02906;  
401-351-5511; fax: 401-355-6522  
www.aces technologies.com  
Parent: Industrial Health Strategies.  
■ **ACES**  
Online system.  
First installation: 1999.

Claims/coverage managed: workers compensation,  
auto.  
Features: claims administration, charting/graphing,  
diary, first report of injury, incident reporting, loss de-  
velopment, loss forecasting, loss prevention, loss  
trending, OSHA recordkeeping/reporting, safety and  
loss control, predictive modeling and workflow man-  
agement.  
Staff: 7 total, 5 professionals.  
Clients: 10.  
Officers: William F. Cesare, president; Steven Lucci,  
vp-operations.  
Contact: Roseann Robinson; rrobinson@aces tech-  
nologies.com.

## American Technical Services Inc.

180 Alternate 19 N., Suite A,  
Palm Harbor, Fla. 34683-5306;  
800-893-1944; fax: 727-431-0150  
www.atrsmis.com  
■ **ATS for Windows**  
System requirements: IBM-compatible computer,

Windows, Novell, Macintosh.  
Online system.  
First installation: 1990.  
Total installations: 180, 120 in corporate risk man-  
agement departments.  
Claims/coverage managed: general liability, work-  
ers compensation, property, auto, casualty, group  
health and disability.  
Features: allocation of premiums, certificate is-  
surance, certificate tracking, check processing/writing,  
claims administration, charting/graphing, diary, expo-  
sure analysis, first report of injury, incident reporting,  
litigation management, loss development, loss fore-  
casting, loss prevention, loss trending, OSHA record-  
keeping/reporting, policy tracking, property appraisal,  
report generation, quotation data fact sheet of cover-  
age perils/terms, reserve tracking, risk analysis, safety  
and loss control, self-insurance comparisons and ana-  
lysis, workers compensation experience rate modifica-  
tion calculation, EDI, medical fees, I099s, magnetic im-  
age character recognition checks, state forms, access  
to ISO (Index Bureau) and Central Data Warehouse.  
Staff: 25 total, 17 professionals.  
Clients: 180, 120 in corporate risk management de-

partments, 10 new systems in 2000.  
Officers: Cheryl Wing, president/CEO; Craig A.  
Zivolich, vp.  
Contact: George A. Moore, gmoore@atrsmis.com.

## Aon Risk Services

200 E. Randolph St.,  
Chicago, Ill. 60606;  
312-381-2482; fax: 312-381-0142  
www.aon.com  
Parent: Aon Corp.  
■ **AonLine Suite**  
System requirements: IBM-compatible computer,  
Internet browser.  
First installation: 1995.  
Total installations: 995, 868 in corporate risk man-  
agement departments.  
Claims/coverage managed: general liability, work-  
ers compensation, property, auto, casualty.  
Features: allocation of premiums, certificate track-  
ing, charting/graphing, diary, exposure analysis, inci-  
dent reporting, litigation management, loss develop-  
ment, loss prevention, loss trending, OSHA record-  
keeping/reporting, policy tracking, report generation,  
reserve tracking, risk analysis, safety and loss control,  
multilingual and multicurrency options.  
Staff: 99 total, 93 professionals.  
Clients: 983, 831 in corporate risk management de-  
partments, 214 new systems in 2000.  
Officers: Kathy Burns, global product manager; Nick  
Meaney, director-marketing and sales-AonLine Interna-  
tional; Neil Harrison, director-sales-AonLine Americas.  
Contact: kathy\_burns@ars.aon.com.

## @Global Inc.

13949 W. Colfax Ave., Suite 220,  
Golden, Colo. 80401;  
303-232-5193; fax: 303-232-5199  
www.atglobal.com  
■ **Allegro**  
Price: \$4,000 per workstation.  
System requirements: IBM-compatible computer  
Windows.  
First installation: 1998.  
Total installations: 10, 3 in corporate risk manage-  
ment departments.  
Claims/coverage managed: general liability, work-  
ers compensation, property, auto, casualty.  
Features: check processing/writing, claims adminis-  
tration, diary, first report of injury, incident reporting  
litigation management, policy tracking, report genera-  
tion, reserve tracking, medical case management  
medical bill review (user configurable rules engine, fee  
schedule, UCR and PPO re-pricing), state forms, Mi-  
crosoft Office, user configurable data extracts, docu-  
ment imaging, e-mail and fax integration.  
Staff: 21 total, 15 professionals.  
Clients: 10, 3 in corporate risk management depart-  
ments, 6 new systems in 2000.  
2000 revenues: \$2,000,000 total; \$2,000,000  
from risk management information systems; 80%  
software; 20% services.  
Officers: Steve Graham, president/chief technology  
officer; Kirk Gillis, COO.  
Contact: Rick Gilbertson, sales and marketing direc-  
tor, 303-232-5193, ext. 12.

## B

### BIP L.L.C.

4126 Lien Road, Suite 105,  
Madison, Wis. 53704;  
608-249-3220; fax: 608-249-3636  
www.wrms-bip.com  
Parent: Wiese Risk Management Services Inc.  
■ **Business Insurance Profiler**  
Price: \$280.  
System requirements: IBM-compatible computer.  
Customization not available.  
Claims/coverage managed: general liability, work-  
ers compensation, property, auto, casualty.  
Features: step-by-step preparation of insurance bi-  
specifications.  
Staff: 8 total, 2 professionals.  
Clients: 14, 14 new systems in 2000.  
Officers: Paul Wiese, president; Greg Nienaber, vp.  
Contact: riskman@wrms-bip.com.

### Blackburn Group Inc.

P.O. Box 23463,  
Rochester, N.Y. 14692;  
716-586-4530; fax: 716-586-7479  
www.blackburngroup.com  
■ **RiskPro**  
Price: \$25,000.  
System requirements: IBM-compatible compute  
Windows.  
Online system.  
First installation: 1985.  
Total installations: 300, 250 in corporate risk man-  
agement departments.  
Claims/coverage managed: general liability, work-  
ers compensation, property, auto, casualty.  
Features: allocation of premiums, certificate is-  
surance, certificate tracking, check processing/writin  
claims administration, charting/graphing, diary, expo-  
sure analysis, first report of injury, incident reportin  
litigation management, loss development, loss fore-  
casting, loss prevention, loss trending, OSHA recor-  
keeping/reporting, policy tracking, property appraisal:  
report generation, quotation data fact sheet of cove-  
rage perils/terms, reserve tracking, risk analysis, safel  
and loss control, self-insurance comparisons and ana-  
lysis, workers compensation experience rate modifi-  
cation calculation, specialty lines risks modules.  
Staff: 14 total, 14 professionals.  
Clients: 300, 250 in corporate risk management d  
partments, 20 new systems in 2000.  
Contact: Robert J. Blackburn, managing principa  
rblackburn@blackburngroup.com.



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## CSC Financial Services

9500 Arboretum Blvd.,  
Austin, Texas 78759;  
800-345-7672; fax: 803-333-6980  
www.csc-fs.com/cc2

Parent: Computer Science Corp.

■ RISKMASTER

Price: \$75,000.

System requirements: IBM-compatible computer,  
Windows.

First installation: 1982.

Total installations: 450, 300 in corporate risk management departments.

Claims/coverage managed: general liability, workers compensation, property, auto, casualty, professional liability.

Features: allocation of premiums, certificate tracking, check processing/writing, claims administration, charting/graphing, diary, exposure analysis, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, policy tracking, report generation, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, workers compensation experience rate modification calculation, browser-based interface, FROI & FNOL forms, report distribution.

Staff: 68,000 total.

Clients\*: 450, 300 in corporate risk management departments, 50 new systems in 2000.

2000 revenues: \$10,200,000,000 total.

Contact: 800-345-7672; info@csc-fs.com.  
\*Estimated.

## Chubb Group of Insurance Cos.

15 Mountain View Road, P.O. Box 1615,  
Warren, N.J. 07061-3012;  
800-715-7475; fax: 908-903-3012  
www.chubb.com/business/rmis

■ Chubb RMIS Suite

Price: \$1,000 to \$20,000.

System requirements: IBM-compatible computer,  
Windows.

Online system.

First installation: 1994.

Total installations: 2,472, 1,227 in corporate risk management departments.

Claims/coverage managed: general liability, workers compensation, property, auto, casualty, boiler and machinery, inland marine, ocean cargo.

Features: allocation of premiums, charting/graphing, diary, exposure analysis, litigation management, loss development, loss forecasting, loss prevention, loss trending, policy tracking, report generation, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, alerts and triggers, data mining, report scheduling.

Staff: 23 total, 23 professionals.

Clients: 2,207, 900 in corporate risk management

departments, 500 new systems in 2000.

2000 revenues: 100% software.

Officers: Michele Fincher, vp-large account services; Richard Kaiser, assistant vp-RM S services; Jodie Lomas, RMIS team manager.

Contact: RMIS Support; rmisupport@chubb.com.

## Corporate Systems Inc.

1200 Corporate Systems Center,  
Amarillo, Texas 79102;  
800-927-3343; fax: 806-345-2703  
www.csedge.com

■ CS ClaimSuite

System requirements: IBM-compatible computer,  
Windows.

Online system.

First installation: 1989.

Total installations: 400, 240 in corporate risk management departments.

Claims/coverage managed: general liability, workers compensation, property, auto, casualty, disability.

Features: allocation of premiums, certificate tracking, check processing/writing, claims administration, charting/graphing, diary, exposure analysis, first report of injury, incident reporting, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, policy tracking, report generation, reserve tracking, risk analysis, safety and loss control.

Staff: 600 total, 250 professionals.

Clients: 450, 240 in corporate risk management departments, 25 new systems in 2000.

2000 revenues: \$54,000,000 total; \$50,000,000 from risk management information systems; 100% services.

Officers: Johnny Mize, president/CEO; John Champin, vp/COO; Mike Unruh, vp/CFD.

Contact: info@csedge.com.

## Cunningham Lindsey

405 Hwy 121 Bypass Bldg A, Suite 200,  
Lewisville, Texas 75067;  
214-488-5139; fax: 214-488-6750  
www.cunninghamlindsey.com

Parent: Lindsey Morden Group Inc.

■ Flex System/Elflex

System requirements: IBM-compatible computer,  
Windows.

Online system.

First installation: 1988.

Total installations: 300, 100 in corporate risk management departments.

Claims/coverage managed: general liability, workers compensation, property, auto, casualty.

Features: check processing/writing, claims administration, charting/graphing, diary, first report of injury, incident reporting, litigation management, loss forecasting, loss prevention, loss trending, policy tracking,

report generation, reserve tracking, safety and loss control, self-insurance comparisons and analysis.

Staff: 4,000 total, 2,900 professionals.

Clients\*: 300, 175 in corporate risk management departments.

2000 revenues: \$350,000,000 total.

Officers: Farid Nagji, president/COO, Don Guin, executive vp/corporate secretary/chief legal officer.

Contact: Tonna Cowan, manager-client services; 214-488-6710; tcowan@na.cunninghamlindsey.com.

\*Estimated.

## Delphi Technology Inc.

201 Broadway,  
Cambridge, Mass. 02130;  
617-494-8361; fax: 617-494-1845  
www.delphi-tech.com

■ OASIS Claims System

System requirements: IBM-compatible computer,  
DOS, Windows.

First installation: 1997.

Claims/coverage managed: general liability, workers compensation, property, auto, casualty, professional liability.

Features: check processing/writing, claims adminis-

Continued on next page

## Directory terms explained

The 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 also will be available online at [www.rmweb.com](http://www.rmweb.com), as well as to subscribers of BI's online article archive at [www.businessinsurance.com](http://www.businessinsurance.com).

Directory listings are based on each company's response to a BI questionnaire. The directory is published as an editorial service; there is no charge for companies to be listed.

The listings are organized by company. Each begins with the company's address, phone/fax numbers and Web site address, if provided. Also included is the organization's parent company.

Information on specific software products follows. Included are the average completely installed price, operating system and hardware system requirements, whether the product is an online system and whether customization is available. The year of each product's first installation, the total number of installations since the product's introduction and the total number of installations in corporate risk management departments are also provided. Listed next are the types of claims/coverages managed and product features.

The number of employees devoted to risk management information systems is noted under staff. The clients section details the total number of risk management system clients in 2000, the number of those clients in risk management departments and the number of new clients who purchased systems in 2000. Also listed are the company's gross revenues for 2000 and names and titles of principal officers. The name of contact person completes each listing.

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

If you would like to be included in next year's directory of RMIS vendors, please contact the BI directory department at 312-649-5279 or [bidirectory@crain.com](mailto:bidirectory@crain.com).



Continued from previous page  
 eration, diary, first report of injury, incident reporting, litigation management, loss prevention, OSHA record-keeping/reporting, policy tracking, report generation, reserve tracking, safety and loss control, self-insurance comparisons and analysis.

■ **OASIS RAMS-Risk Management Reporting**  
 System requirements: IBM-compatible computer, DOS, Windows.

First installation: 1997.  
 Claims/coverage managed: general liability, workers compensation, property, auto, casualty, professional liability.

Features: charting/graphing, exposure analysis, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, report generation, risk analysis, safety and loss control, self-insurance comparisons and analysis, workers compensation experience rate modification calculation, fully integrated with OASIS Claims, fully Web-enabled.

■ **OASIS Internet Incident Reporting**  
 System requirements: IBM-compatible computer, DOS, Windows.

First installation: 1997.  
 Claims/coverage managed: general liability, workers compensation, property, auto, casualty, professional liability.

Features: incident reporting, OSHA recordkeeping/reporting, report generation, safety and loss control, self-insurance comparisons and analysis, fully integrated with OASIS Claims, standard Accord forms and all 50-state first reports of injury automatically completed.

Staff: 130 total, 110 professionals.  
 Officers: Sam Fang, president; Christopher Mears, vp-development; John Dove, executive vp-product and services.

Contact: Patty Morey Walker, director-sales and marketing operations; 617-494-8361 ext. 2011 or 2057; pwalker@delphi-tech.com.

**E**

**ESIS**

1601 Chestnut St., Philadelphia, Pa. 19103; 215-640-1946; fax: 215-640-5538 www.riskadvantage.com

Parent: ACE USA.  
 ■ **RiskAdvantage Loss Management**  
 Price: \$5,000 to \$10,000.  
 System requirements: IBM-compatible computer, Windows, Internet, Macintosh.

Online system.  
 First installation: 1997.  
 Total installations: 800, 400 in corporate risk management departments.

Claims/coverage managed: general liability, workers

compensation, property, auto, casualty, international.

Features: diary, loss development, loss trending, report generation, reserve tracking, safety and loss control, self-insurance comparisons and analysis, daily claim updates, real-time access to claim adjuster notes, red flags module.

Staff: 20 total, 16 professionals.  
 Clients: 400, 350 in corporate risk management departments, 75 new systems in 2000.

2000 revenues: \$167,000,000 total; \$11,000,000 from risk management information systems; 80% software; 20% services.

Officers: Chris Barnes, John Cummings, Gene Fazzie.  
 Contact: debbie.johnson@esis.com.

**eAutoclaims**

2708 Alt 19N., Suite 505, Palm Harbor, Fla. 34683; 727-781-0414; fax: 727-781-8425 www.eautoclaims.com

■ **Bricks2Clicks**  
 System requirements: IBM-compatible computer, Windows, Internet Explorer.

Online system.  
 First installation: 1999.

Total installations: 65, 65 in corporate risk management departments.

Claims/coverage managed: auto.  
 Features: claims administration, incident reporting,

report generation, auto repair estimation.

■ **eJusters Suite**  
 System requirements: IBM-compatible computer, Windows, Internet Explorer.

Online system.  
 First installation: 2001.  
 Claims/coverage managed: auto.

Features: claims administration, incident reporting, report generation, auto repair estimation.

Staff: 11 total, 20 professionals.  
 Clients: 26, 26 in corporate risk management departments, 14 new systems in 2000.

2000 revenues\*: \$20,100,000 total; \$18,000,000 from risk management information systems; 100% services.

Officers: Eric Seidel, president/CEO; Scott Moore, CFO; Randy Wright, chief development officer; Gaver Powers, chief information officer.

Contact: Eric Seidel; Sydney Ward, vp-sales and marketing.  
 \*Fiscal year ending 7/31/01.

**Effisoft USA**

266 Beacon St., Boston, Mass. 02116; 617-437-9600; fax: 617-437-9601 www.effisoft.com

Parent: Effisoft S.A.R.L.

■ **Webrisk**  
 Price: \$40,000 to \$60,000 year one, \$15,000 per year thereafter.

System requirements: IBM-compatible computer, Windows.

Online system.  
 First installation: 1998.

Total installations: 400, 150 in corporate risk management departments.

Claims/coverage managed: general liability, workers compensation, property, auto, casualty, bonds, managed health care, mortgages.

Features: allocation of premiums, certificate issuance, certificate tracking, claims administration, charting/graphing, diary, exposure analysis, incident reporting, loss development, loss forecasting, loss prevention, loss trending, policy tracking, report generation, quotation data fact sheet of coverage perils/terms, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis.

Staff: 50 total, 49 professionals.  
 Clients: 50, 49 in corporate risk management departments, 10 new systems in 2000.

2000 revenues: \$4,000,000 total; \$2,000,000 from risk management information systems; 25% software; 75% services.

Officers: William Warren, president/CEO-Effisoft USA; Pascal Stopnicki, director-Effisoft S.A.R.L.; Oliver Adler, director-Effisoft Consulting; Marc Accos, director-Effisoft S.A.R.L.

Contact: William Warren; will@effisoft.com.

**Envision Technology Solutions**

6975 Union Park Center, Suite 120, Midvale, Utah 84047; 801-568-1818; fax: 801-568-5179 www.envision-ts.com

Parent: CNA Financial Corp., Near North National Group.

■ **RiskEnvision**  
 System requirements: IBM-compatible computer, Windows.

Online system.  
 First installation: 1994.

Claims/coverage managed: general liability, workers compensation, property, auto, product liability, medical malpractice.

Features: allocation of premiums, check processing/writing, claims administration, charting/graphing, diary, exposure analysis, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, policy tracking, property appraisal, report generation, reserve tracking, risk analysis, safety and loss control.

Staff: 37 total, 30 professionals.  
 Officers: Scott Harper, COO; David Warwick.  
 Contact: Scott Harper; sharper@envision-ts.com.

**EZClaims**

37000 Grand River Ave, Suite 200, Farmington Hills, Mich. 48335; 248-648-1484; fax: 248-648-1421 www.ezclaims.com

■ **EzClaims**  
 Price: \$35,000.

System requirements: IBM-compatible computer, Windows, Web Browser based.

Online system.  
 First installation: 2000.

Total installations: 1.  
 Claims/coverage managed: short-term and long-term disability claims administration.

Features: check processing/writing, claims administration, diary, first report of injury, incident reporting, litigation management, OSHA recordkeeping/reporting, report generation, reserve tracking, short-term and long-term disability claims administration.

Staff: 6 total, 4 professionals.  
 Clients: 2, 1 in corporate risk management departments.

2000 revenues: \$40,000 total; \$40,000 from risk management information systems; 100% services.  
 Officers: Sukhpal Dhillon; Jas Sokhal; Charles Ross.  
 Contact: Sayeed Merchant; infor@ezclaims.com.

**G**

**Gallagher Bassett Services Inc.**

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

Parent: Arthur J. Gallagher & Co.  
 ■ **risxfacs.com**

System requirements: IBM-compatible computer, internet browser, Macintosh.

Online system.  
 First installation: 1983.

Total installations: 3,300.  
 Claims/coverage managed: general liability, workers compensation, property, auto, casualty.

Features: check processing/writing, claims administration, diary, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, policy tracking, report generation, reserve tracking, safety and loss control, self-insurance comparisons and analysis.

Staff: 100 total, 97 professionals.  
 Clients: 500.  
 2000 revenues: \$204,000,000 total; 100% software.

Officers: Richard McKenna, president; Emil Bravo, Wally Gawaluch, executive vps.

Contact: Colleen Saurbier; 630-285-4019; colleen\_saurbier@gbtpa.com.

**GatesMcDonald**

3455 Mill Run Drive, Hilliard, Ohio 43026; 800-336-4733 www.gatesmcdonald.com

Parent: Nationwide.  
 ■ **Cascade**

System requirements: IBM-compatible computer, Windows.

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**Online system.**

First installation: 1995.

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

**Claims/coverage managed:** general liability, workers compensation, property, auto, casualty, absence management.**Features:** claims administration, diary, first report of injury, litigation management, loss trending, OSHA recordkeeping/reporting, report generation, reserve tracking, risk analysis.

Staff: 1,400 total.

Clients: 25, 25 in corporate risk management departments, 15 new systems in 2000.

2000 revenues: \$120,000,000 total.

Officers: Danny Fullerton, president/COO; Diane Reed, vp-finance; Jim Bryant, vp-sales.

Contact: Jim Bryant-vp-sales; 800-336-4733 ext. 3009.

**GenSource Corp.**

25572 Ave. Stanford, Valencia, Calif. 91355; 661-294-1300; fax: 661-294-1310 www.gensourcecorp.com

■ **GenCOMP for Windows**

Price: \$60,000 to \$85,000.

System requirements: IBM-compatible computer,

Windows, IBM RS/6000.

First installation: 1977.

Total installations: 50, 50 in corporate risk management departments.

**Claims/coverage managed:** workers compensation.**Features:** check processing/writing, claims administration, charting/graphing, diary, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, policy tracking, report generation, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, workers compensation experience rate modification calculation.■ **GenPAC for Windows**

Price: \$60,000 to \$85,000.

System requirements: IBM-compatible computer, Windows, IBM RS/6000.

First installation: 1979.

Total installations: 40, 40 in corporate risk management departments.

**Claims/coverage managed:** general liability, property, auto, casualty.**Features:** check processing/writing, claims administration, charting/graphing, diary, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, policy tracking, report generation, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and

analysis.

Staff: 30 total, 25 professionals.

Clients: 500, 200 in corporate risk management departments, 6 new systems in 2000.

2000 revenues: 10% hardware; 45% software; 45% services.

Officers: Jerry C. Buckley, chairman; Eric Hoffberg, president/CEO; Nora Kenner, vp-consulting services.

Contact: John M. Carolan, assistant vp-sales and marketing; sales@gensourcecorp.com.

**Inform Applications Inc.**

888 Veterans Memorial Highway, Hauppauge, N.Y. 11788; 631-851-0222; fax: 631-851-1769 www.informapplications.com

Parent: Information Builders Inc.

■ **Inform 5**

Price: \$25,000.

System requirements: IBM-compatible computer, Windows.

First installation: 2000.

Total installations: 3,000, 1,000 in corporate risk management departments.

**Features:** allocation of premiums, claims administration, charting/graphing, exposure analysis, first re-

port of injury, incident reporting, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, policy tracking, report generation, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis.

Staff: 18 total, 12 professionals.

Clients: 25, 25 in corporate risk management departments, 5 new systems in 2000.

2000 revenues: 100% services.

Officers: Alan Josefsek, president; Frank Fantigrassi, vp.

Contact: Alan Josefsek, 631-851-0222, ext. 11; Frank Fantigrassi, 631-851-0222, ext. 12.

**Insurance Data Services**

151 N. Lyon Ave., Hemet, Calif. 92343; 909-658-4000; fax: 909-658-4001 www.certsonline.com

Parent: JenQuest Inc.

■ **Insurance Certificate Tracking System**

System requirements: IBM-compatible computer, Windows.

Online system.

First installation: 1990.

Total installations: 100, 100 in corporate risk management departments.

**Features:** certificate tracking.

Staff: 50 total, 8 professionals.

Clients: 100, 100 in corporate risk management departments, 25 new systems in 2000.

2000 revenues: 100% services.

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

Contact: Lee Roth; 800-996-9964; lroth@certsonline.com.

**Lumtron Technologies Inc.**

P.O. Box 309, Woodstock, Ill. 60098; 815-337-8090; fax: 815-337-7167 www.lumtron.com

■ **Claims Master**

System requirements: IBM-compatible computer, Windows.

First installation: 1984.

Total installations: 320, 98 in corporate risk management departments.

**Claims/coverage managed:** general liability, workers compensation, property, auto, casualty.**Features:** check processing/writing, claims administration, charting/graphing, diary, first report of injury, incident reporting, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping, reporting, policy tracking, report generation, reserve tracking.

Staff: 15 total, 10 professionals.

Officers: Daniel DeSerto, president; Janine M. Jozwiak, CEO.

Contact: Mary McKenzie, vp-operations; mckenziem@lumtron.com.

**Marsh USA Inc.**

230 W. Monroe St., 23rd Floor, Chicago, Ill. 60606; 312-627-6000; fax: 312-627-6590 www.starsinfo.com; www.marsh.com

Parent: Marsh &amp; McLennan Cos. Inc.

■ **STARS**

Price: \$65,000.

System requirements: IBM-compatible computer, Windows.

Online system.

First installation: 1990.

Total installations: 2,000, 2,000 in corporate risk management departments.

**Claims/coverage managed:** general liability, workers compensation, property, auto, casualty, professional liability, employers liability, E&O, D&O, product liability, aviation, marine.**Features:** allocation of premiums, certificate issuance, certificate tracking, check processing/writing, claims administration, charting/graphing, diary, exposure analysis, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, policy tracking, property appraisal, report generation, quotation data fact sheet of coverage perils/terms, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, workers compensation experience rate modification calculation, Internet connectivity, data warehousing via STARS ASP, object linking/embedding, scanning functionality.■ **STARS Web**

Price: \$35,000.

System requirements: IBM-compatible computer, Windows, Internet/intranet.

Online system.

First installation: 1998.

Total installations: 75, 75 in corporate risk management departments.

**Claims/coverage managed:** general liability, workers compensation, property, auto, casualty, professional liability, employers liability, E&O, D&O, product liability, aviation, marine.**Features:** allocation of premiums, certificate issuance, certificate tracking, check processing/writing, claims administration, charting/graphing, diary, exposure analysis, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, policy tracking, property appraisal, report generation, quotation data fact sheet of coverage perils/terms, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, workers compensation experience rate modification calculation, Web access to existing STARS information, electronic distribution of STARS reports, data warehousing, recommendation management, proper value, loss control data collection.

Staff: 195 total, 160 professionals.

Clients: 540, 540 in corporate risk management departments, 90 new systems in 2000.

2000 revenues: 35% software; 65% services.

Officers: Robert G. Petrie III, practice manager Marsh Risk Technologies; Jeffrey R. Markowil Patrick J. O'Neill, managing directors/co-manager STARS.

Contact: William Diaz, U.S. sales manager, 312-627-6809; Barry Bernasconi, European sales manager, 4207-357-1410.

**Mitratech**

3539 Motor Ave., Los Angeles, Calif. 90034; 310-280-0660; fax: 310-280-0752 www.mitratech.com

■ **TeamConnect Enterprise**

System requirements: Web based.

First installation: 1997.

Total installations: 45, 6 in corporate risk management departments.

**Claims/coverage managed:** general liability, workers compensation, property, auto, casualty.**Features:** allocation of premiums, certificate issuance, certificate tracking, claims administration, exposure analysis, first report of injury, incident reporting, litigation management, loss forecasting, loss prevention, loss trending, policy tracking, report generation, quotation data fact sheet of coverage perils/terms, reserve tracking.

Staff: 55 total, 17 professionals.

Clients: 4.

Contact: sales@mitratech.com.

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**Near North National Group**

875 N. Michigan Ave., Suite 1900, Chicago, Ill. 60611; 800-859-6719; fax: 312-280-5606 www.nnng.com  
 ■ **Certificate Issuance and Tracking**  
 Price: \$3,000.  
 System requirements: IBM-compatible computer, Internet Access, Microsoft Explorer 5.0 or higher, Macintosh.  
 Online system.  
 First installation: 1995.  
 Claims/coverage managed: general liability, workers compensation, property, auto, casualty.  
 Features: certificate issuance, certificate tracking, diary, loss prevention, report generation, safety and loss control, self-insurance comparisons and analysis.

■ **OCIP Master**  
 Price: \$75,000.  
 System requirements: IBM-compatible computer, Internet browser.  
 Online system.  
 First installation: 2000.

Total installations: 8, 8 in corporate risk management departments.  
 Claims/coverage managed: general liability, workers compensation, property.  
 Features: certificate tracking, exposure analysis, policy tracking, report generation.

■ **Property Management Database**  
 Price: \$20,000 to \$50,000.  
 System requirements: IBM-compatible computer, Windows.

Online system.  
 First installation: 1998.  
 Total installations: 5, 3 in corporate risk management departments.

Claims/coverage managed: property, casualty.  
 Features: exposure analysis, property appraisal, safety and loss control, self-insurance comparisons and analysis.

Staff: 877 total, 194 professionals.  
 Officers: Leanne Fleck, vp/general manager-Certificate Management Solutions; Terry Ries, vp-loss control.  
 Contact: Sheila Mulvaney, integrated marketing manager; smulvane@nnng.com.

**PerDatum Inc.**

4098 Main St., Hilliard, Ohio 43026; 614-777-4636; fax: 614-777-4650 www.perdatum.com  
 ■ **PROGNOS**  
 Price: \$25,000.  
 System requirements: IBM-compatible computer, Windows.

First installation: 1994.  
 Total installations: 1,000.  
 Claims/coverage managed: workers compensation, safety management, loss control and prevention.

Features: check processing/writing, claims administration, charting/graphing, diary, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, report generation, reserve tracking, safety and loss control, self-insurance comparisons and analysis, workers compensation experience rate modification calculation.

Staff: 11 total, 11 professionals.  
 2000 revenues: 75% software; 25% services.  
 Officers: Mark Tochtenhagen, president; Leo Renner, CFO; Michael Hedge, chief technical officer; Mark VerMeulen, vp-sales and marketing.  
 Contact: Mark VerMeulen.

**Risk Laboratories L.L.C.**

531 Roselane St., Suite 800, Marietta, Ga. 30060-6979; 678-784-4600; fax: 678-784-4700 www.risklabs.com  
 ■ **RiskFolio 4.0**  
 Price: \$10,000 to \$1,000,000 a year.  
 System requirements: IBM-compatible computer, Windows.  
 Online system.

First installation: 1994.  
 Total installations: 2,000, 1,500 in corporate risk management departments.

Claims/coverage managed: general liability, workers compensation, property, auto, casualty.

Features: allocation of premiums, certificate tracking, check processing/writing, claims administration, charting/graphing, diary, exposure analysis, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, policy tracking, property appraisal, report generation, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis.

■ **RiskConsole**  
 Price: \$1,000 to \$25,000 a month.  
 System requirements: IBM-compatible computer, Windows, Internet access.  
 Online system.

First installation: 2001.  
 Total installations: 150, 150 in corporate risk management departments.

Claims/coverage managed: general liability, workers compensation, property, auto, casualty.

Features: allocation of premiums, charting/graphing, diary, exposure analysis, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, policy tracking, property appraisal, report generation, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis.

Staff: 60 total, 50 professionals.  
 Clients: 2,000, 1,500 in corporate risk management departments, 1,000 new systems in 2000.  
 2000 revenues: 40% software; 60% services.  
 Officers: George B. Netherton, chairman; Scott Saf-

ron, COO/interim CEO; Robert C. Morrell, chief technology officer; Paul Bildsoe, vp-business development.  
 Contact: business development team; 877-755-7475; info@risklabs.com.  
 \*Estimated.

**Risk Sciences Group**

1900 E. Golf Road, Suite 700, Schaumburg, Ill. 60173; 800-619-0224; fax: 847-619-3079 www.risksciencesgroup.com

Parent: Crawford & Co.  
 ■ **Sigma and Sigma Encore Suite**  
 Price: \$125,000.  
 System requirements: IBM-compatible computer, Windows.

Online system.  
 First installation: 1978.

Total installations: 510, 500 in corporate risk management departments.

Claims/coverage managed: general liability, workers compensation, property, auto, casualty.

Features: certificate issuance, certificate tracking, check processing/writing, claims administration, charting/graphing, diary, exposure analysis, first report of injury, incident reporting, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, policy tracking, property appraisal, report generation, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, application service provider, auto-report scheduling and distribution, e-mail messaging, electronic file attachments, loss triangles.

Staff: 110 total, 95 professionals.  
 Clients: 510, 500 in corporate risk management departments, 27 new systems in 2000.

2000 revenues: \$17,250,000 total; \$17,250,000 from risk management information systems; 5% soft-

ware; 95% services.  
 Officers: Michael E. Saladino, managing director.  
 Contact: Kenneth C. Ancona, marketing and sales manager; ken\_ancona@us.crewco.com.

**Risk Technologies Inc.**

2480 Highway 287 N., Suite 400, Mansfield, Texas 76063; 817-477-2197; fax: 817-473-7610 www.riskvision.com

■ **RiskVision**  
 Price: \$75,000 to \$250,000.  
 System requirements: IBM-compatible computer, Windows.

First installation: 1988.  
 Total installations: 200, 150 in corporate risk management departments.

Claims/coverage managed: general liability, work-

ers compensation, property, auto, casualty, accident and health, hospital incidents, injury benefits, medical malpractice, U.S. Longshoremen and Harbors.

Features: allocation of premiums, certificate issuance, certificate tracking, check processing/writing, claims administration, charting/graphing, diary, exposure analysis, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, report generation, quotation data fact sheet of coverage perils/terms, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, workers compensation experience rate modification calculation, asset management, cost containment/bill reduction, data export, EDI, electronic bank reconciliation, form letter generation, interfaces with accounting and human resources packages.

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www.aic-allianz.com

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■ **RiskVision TPA**  
**Price:** \$150,000 to \$500,000.  
**System requirements:** Windows.  
**First installation:** 1988.  
**Total installations:** 7.  
**Claims/coverage managed:** general liability, workers compensation, property, auto, casualty, accident and health, hospital incidents, injury benefits, medical malpractice, U.S. Longshoremen and Harbors.  
**Features:** allocation of premiums, certificate issuance, certificate tracking, check processing/writing, claims administration, charting/graphing, diary, exposure analysis, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA record-keeping/reporting, policy tracking, property appraisal, report generation, quotation data fact sheet of coverage perils/terms, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, asset management, cost containment/bill reduction, data export, EDI, electronic bank reconciliation, form letter generation, interfaces with accounting and human resources packages.

■ **RiskVision Net**  
**Price:** \$75,000 to \$250,000.  
**System requirements:** IBM-compatible computer, Windows.

**Online system.**  
**First installation:** 2000.  
**Total installations:** 6, 5 in corporate risk management departments.

**Claims/coverage managed:** general liability, workers compensation, property, auto, casualty, accident and health, hospital incidents, injury benefits, medical malpractice, U.S. Longshoremen and Harbors.

**Features:** allocation of premiums, certificate issuance, certificate tracking, check processing/writing, claims administration, charting/graphing, diary, exposure analysis, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA record-keeping/reporting, policy tracking, property appraisal, report generation, quotation data fact sheet of coverage perils/terms, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, workers compensation experience rate modification calculation, asset management, cost containment/bill reduction, data export, EDI, electronic bank reconciliation, form letter generation, interfaces with accounting and human resources packages.  
**Staff:** 19 total, 16 professionals.  
**Clients:** 250, 150 in corporate risk management departments, 5 new systems in 2000.  
**2000 revenues:** 65% software; 35% services.  
**Officers:** Chuck Allen, president; Mickey Mikesell, senior vp-western United States; Ron Watts, vp-client services.  
**Contact:** Mickey Mikesell; 619-522-7007; mikesell@riskvision.com.  
*\*Estimated.*

report generation, quotation data fact sheet of coverage perils/terms, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, workers compensation experience rate modification calculation, asset management, cost containment/bill reduction, data export, EDI, electronic bank reconciliation, form letter generation, interfaces with accounting and human resources packages.

■ **RiskVision Net**  
**Price:** \$25,000 to \$250,000.  
**System requirements:** IBM-compatible computer, Windows.

**First installation:** 2001.  
**Total installations:** 2.  
**Claims/coverage managed:** general liability, workers compensation, property, auto, casualty, accident and health, hospital incidents, injury benefits, medical malpractice, U.S. Longshoremen and Harbors.

**Features:** allocation of premiums, certificate issuance, certificate tracking, check processing/writing, claims administration, charting/graphing, diary, exposure analysis, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA record-keeping/reporting, policy tracking, property appraisal, report generation, quotation data fact sheet of coverage perils/terms, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, workers compensation experience rate modification calculation, asset management, cost containment/bill reduction, data export, EDI, electronic bank reconciliation, form letter generation, interfaces with accounting and human resources packages.  
**Staff:** 19 total, 16 professionals.  
**Clients:** 250, 150 in corporate risk management departments, 5 new systems in 2000.  
**2000 revenues:** 65% software; 35% services.  
**Officers:** Chuck Allen, president; Mickey Mikesell, senior vp-western United States; Ron Watts, vp-client services.  
**Contact:** Mickey Mikesell; 619-522-7007; mikesell@riskvision.com.  
*\*Estimated.*

### RISKTRAC Inc.

230 Commerce Way,  
 Portsmouth, N.H. 03801;  
 603-422-0444; fax: 603-433-4676  
 www.risktrac.com

Parent: Liberty Mutual Insurance Co.

■ **RISKTRAC.nxt**  
**System requirements:** IBM-compatible computer, Windows.

**Online system.**  
**First installation:** 1999.  
**Total installations:** 2,300, 2,100 in corporate risk management departments.

**Claims/coverage managed:** general liability, workers compensation, property, auto, casualty, group disability, integrated disability management.

**Features:** claims administration, charting/graphing, exposure analysis, incident reporting, loss forecasting, loss trending, OSHA recordkeeping/reporting, policy tracking, report generation, reserve tracking, risk analysis, safety and loss control.

**Staff:** 85 total, 75 professionals.  
**Clients:** 820, 780 in corporate risk management departments.

**Contact:** Alicia Rawsley, director-marketing; alicia.rawsley@libertymutual.com.

### Specialty e-Business

Hartford Plaza (T22),  
 Hartford, Conn. 06115;  
 888.346.3119; fax: 860-547-6472  
 www.hartford-specialty.com

Parent: The Hartford Financial Services Group.

■ **@venture**  
**Price:** \$5,000.  
**System requirements:** IBM-compatible computer, Windows.

**Online system.**  
**First installation:** 1999.

**Total installations:** 3,500, 1,000 in corporate risk management departments.

**Claims/coverage managed:** general liability, workers compensation, auto, casualty.

**Features:** claims administration, charting/graphing, diary, first report of injury, incident reporting, litigation management, loss prevention, policy tracking, report generation, quotation data fact sheet of coverage perils/terms, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, administrative services, e-mail alerts, invoices, executive dashboard, stewardship reports.

**Staff:** 30 total, 16 professionals.  
**Clients:** 1,000, 1,000 in corporate risk management departments, 500 new systems in 2000.

**2000 revenues:** \$13,000,000,000 total; \$10,000,000 from risk management information systems; 70% software; 30% services.

**Officers:** Mark Stergio, vp; Samir Srivastava, assistant vp.

### TECNORisk L.L.C.

1323 120th Ave. N.E.,  
 Bellevue, Wash. 98005;  
 425-453-1855; fax: 425-453-8737  
 www.tecnorisk.com

■ **TECNORisk 6.1**  
**Price:** \$30,000 to \$50,000.  
**System requirements:** IBM-compatible computer, Windows.

**First installation:** 1996.  
**Total installations:** 25, 24 in corporate risk management departments.

**Claims/coverage managed:** general liability, property, auto.

**Features:** allocation of premiums, certificate tracking, check processing/writing, claims administration, charting/graphing, diary, exposure analysis, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss trending, OSHA recordkeeping/reporting, policy tracking, report generation, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, workers compensation experience rate modification calculation, asset management, cost containment/bill reduction, data export, EDI, electronic bank reconciliation, form letter generation, interfaces with accounting and human resources packages.

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policy tracking, report generation, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, workers compensation experience rate modification calculation, automated claims assignment, cargo subrogation, claims management including protection and incident and accident administration, workflow process management.

**Staff:** 5 total, 4 professionals.

**Officers:** Roger G. Phillips, president; Elizabeth A. Seymour, vp.

**Contact:** Elizabeth A. Seymour; elizabethseymour@tecnorisk.com.

### Travelers Insurance

1 Tower Square, 5CR,  
 Hartford, Conn. 06183;  
 860-277-2770; fax: 860-277-2876  
 www.travelerspc.com/commercial/rmis

Parent: Citigroup Inc.

■ **e-CARMA**

**System requirements:** IBM-compatible computer, Windows, Internet browsers.

**Online system.**

**First installation:** 1983.

**Total installations:** 7,967, 1,073 in corporate risk management departments.

**Claims/coverage managed:** general liability, workers compensation, property, auto, casualty.

**Features:** allocation of premiums, charting/graphing, exposure analysis, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, report generation, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, benchmarking analysis, integrated disability report: and analysis, managed care reports.

**Staff:** 105 total, 80 professionals.

**Clients:** 1,073, 1,073 in corporate risk management departments.

**Officers:** Matthew L. Carden, vp; Michael J. Strietmeier, director.

**Contact:** Matt Carden; mcarden@travelers.com.

### Valley Oak Systems Inc.

3189 Danville Blvd., Suite 100,  
 Alamo, Calif. 94507;  
 925-552-1650; fax: 925-552-1656  
 www.valleyoak.com

■ **VOS Portal**

**System requirements:** Windows, Macintosh.

**Online system.**

**First installation:** 1995.

**Total installations:** 47, 35 in corporate risk management departments.

**Claims/coverage managed:** general liability, workers compensation, property, auto, casualty, medical malpractice.

**Features:** certificate issuance, check processing/writing, claims administration, charting/graphing, diary, exposure analysis, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, policy tracking, report generation, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis.

**Staff:** 25 total, 20 professionals.

**Officers:** Randy Wheeler, president/CEO; David Turner, vp-development; Ritza Vaughn, vp-client services; Brian Mack, vp-sales and marketing.

**Contact:** Brian Mack; bmack@valleyoak.com.

### WLT Software

831 N. Hercules Ave.,  
 Clearwater, Fla. 33715;  
 877-807-4730; fax: 727-443-4936  
 www.wltsoftware.com

■ **COMPLAIDS**

**System requirements:** IBM-compatible computer, Windows.

**First installation:** 1984.

**Claims/coverage managed:** workers compensation

**Features:** allocation of premiums, check processing/writing, claims administration, diary, exposure analysis, first report of injury, incident reporting, litigation management, loss development, loss forecasting, loss prevention, loss trending, OSHA recordkeeping/reporting, policy tracking, report generation, reserve tracking, risk analysis, safety and loss control, self-insurance comparisons and analysis, workers compensation experience rate modification calculation.

**Officers:** William L. Tiner Jr., president; Ann M. Tiner, executive vp; Tom Brooks, vp-sales.

**Contact:** Tom Brooks; tbrooks@wltsoftware.com.

### Zurich IC<sup>2</sup>

2 International Place, Suite 17,  
 Boston, Mass. 02110;  
 617-295-1122; fax: 617-295-4797  
 www.ic2.zurich.com

Parent: Zurich Financial Services.

■ **Zurich IC<sup>2</sup> First Database**

**Price:** \$38,000.

**System requirements:** IBM-compatible computer, Windows, Macintosh.

**Online system.**

**First installation:** 2000.

**Total installations:** 7, 5 in corporate risk management departments.

**Features:** incident reporting, report generation, risk analysis, operational risk loss case studies and scenarios.

**Staff:** 22 total, 6 professionals.

**Clients:** 5, 2 in corporate risk management departments.

**2000 revenues:** 50% software; 50% services.

**Officers:** Wolfgang F. Friedel, president/CEO; Rene Manser, head-financial service consulting service Penny Cagan, head-research.

**Contact:** Penny Cagan, penny.cagan@ic2.zurich.com; Rene Manser, rene.manser@ic2.zurich.com.

# Large French buyers face cover crunch as P/C insurers seek terror relief

By EDWIN UNSWORTH

**PARIS**—French insurers and risk managers are expecting a decision soon from the French government that would help make coverage available for terrorism risks.

Since the Sept. 11 terrorist attacks, French commercial lines insurers, led by Paris-based AXA S.A., have refused automatic renewals of large property/casualty risks. French law requires insurers to provide terrorism coverage for clients that want it.

A key problem with the law is that insurers writing commercial coverages must provide terrorism coverage in the same amount, said Luc Malatre, general manager of Paris-based broker Gras Savoye Re. For example, an insurer providing 100 million francs of property coverage for a commercial building would also have to offer equal limits for terrorism losses. The problem for insurers is compounded by the

fact that reinsurers are under no such obligation to provide terrorism coverage.

Insurers' decision not to renew major corporate risks is seen not only as a protective measure but also as a tool to increase pressure on the government during ongoing negotiations to find a solution to the terrorism insurance issue, industry observers say.

AXA Corporate Solutions, the commercial insurance arm of France's largest insurer, has stopped accepting new business or renewing existing large commercial policies. A spokesman said such policies are defined as those for companies with more than 1,000 employees.

An AXA spokesman said that other insurers were doing the same, and Paris-based insurer Groupama-GAN S.A. has acknowledged that it is following the same policy. Both insurers stressed, however, that large corporate risks represent only a small proportion of their overall

portfolios.

While creating some renewal problems for large corporations, the practice does at least seem to be adding impetus to find a quick solution to the terrorism issue.

Thierry van Santen, corporate risk manager of Groupe Danone, the giant French foods group, said the decision by French insurers not to renew large corporate policies does not worry him, because "a solution will be found."

Mr. van Santen, who is also president of the Federation of European Risk Management Assns., said that if a solution is not found, there will be huge insurance problems for major French companies, "and I don't see the French government taking that risk."

With Jan. 1 renewals pending, he expects a solution to be found within the next week or two.

The most pressing problem resulting from insurers not renewing large corporate risks, Mr. van San-

ten said, is that it comes at a time when insurance rates are rising "drastically" but insurers are not giving any price indications. So, even if a solution is found soon, there will be little time before the year end to discuss prices and risks, he said.

Bertrand du Moulin, managing director heading the risk management department of broker Marsh S.A. in Paris, agrees that a solution will be found because "there's so much at stake."

He said Marsh is attempting to resolve the problem before January renewals by asking insurers to split their quotes between terrorism and other risks. Mr. du Moulin said he has found insurers prepared to do so.

Similarly, Mr. Malatre said: "We have been able to work with the insurers on many, many other issues that are at stake in this renewal.... We have been in discussions and

See FRANCE/page 26

## World Updates

### Copenhagen Re closes its doors

Struggling reinsurer Copenhagen Reinsurance Group has shut down operations. The Danish reinsurer said it will cease writing reinsurance and lay off two-thirds of its staff of 150. The company, a subsidiary of Copenhagen-based financial group Alm Brand A/S, said it had insufficient capital to continue. In September, Copenhagen Re suspended underwriting while it analyzed its exposure to the Sept. 11 attacks. Earlier this month, the reinsurer estimated that its Sept. 11 losses would be between 150 million and 350 million Danish kroner (\$17.7 million and \$41.3 million).

### Munich Re profits down 95% to Sept. 30

Profits for Munich Reinsurance Co. plunged 95%, to 85 million euros (\$75.5 million) in the first nine months of 2001, compared with 1.75 billion euros (\$1.55 billion) in the same period last year, largely due to World Trade Center losses. The Munich, Germany-based reinsurer has not changed its 2.1 billion euro (\$1.87 billion) loss estimate for the WTC loss and expects to close 2001 with a profit. Premium volume for the nine-month period increased 14.7%, to 25.8 billion euros (\$22.92 billion).

### E.C. recommending continued airline relief

The European Commission plans to recommend prolonging government aid to help airlines cover their insurance costs. Several member states granted emergency aid packages to airlines after a huge rise in insurance premiums in the wake of the Sept. 11 terrorist attacks. European Transport Commissioner Loyola de Palacio said the commission would recommend an extension of emergency aid programs until March 2002.

### XL restructures Lloyd's operations

XL Capital Ltd. is realigning its Lloyd's of London managing agency, XL Brockbank Ltd., and closing two of its syndicates. Hamilton, Bermuda-based XL said that, beginning Jan. 1, 2002, the name of the managing agency will be XL London Market Ltd. XL said it will supply all of the capital backing syndicates 1209 and 990. Composite syndicates 588 and 861, which were backed entirely by third-party capital for the 2001 year of account, will be closed, XL said. For 2002, syndicate 1209 will have £360 million (\$509.5 million) of capacity, up 32% from 2001, and focus on specialty marine lines, specie, bloodstock, war and political risks and aviation, as well

Continued on page 26

## Broad safety efforts reduce accidents

### 22 European programs studied

By CAROLYN ALDRED

Promoting accident prevention on a broad scale—such as at the national industrywide level—can help companies lower the frequency of accidents and can boost returns from investments in safety, according to a new study of European safety programs.

The study, conducted by the Bilbao, Spain-based European Agency for Safety & Health at Work, analyzed 22 successful broad-based accident-prevention programs, including national and regional programs as well as efforts focused on industry sectors, specific companies or projects.

"Deaths and injuries at work could be dramatically reduced if organizations systemically monitored accidents and carried out preventive programs based on the involvement of all key stakeholders, including employees," the European agency's report concludes.

Although the agency's stated aim is to reduce workplace injuries by providing examples of successful accident-prevention programs, it did not endorse any particular approach.

"Many of the lessons learned from these case studies can be transferred to other companies, sectors and countries, and so act as a source of inspiration and motivation to continue preventive efforts in this important area," Hans-Horst Konkolewsky, director of the EASHW, said in the report.

The agency's analysis of the 22 programs found that, in general, one key to success was direct con-

tact between those responsible for safety and the target employee group. "The closer the contact, the better the results," the report states. It also cited the importance of developing a system for monitoring risks and losses, of forging partnerships among relevant stakeholders and of involving workers in accident prevention programs.

The European accident-prevention programs described in the report include:

- A national safety awareness campaign by the Austrian Accident Insurance Institution, which led to a 10% reduction in falls in the workplace.

- An effort by Spain's Programa Aragon, a regional safety authority, to increase its contact with high-risk companies. That work led to a 25% drop in accident rates.

- A construction industry campaign in Germany that cut the frequency of falls from heights by 30%.

- A U.K. safety awareness campaign to reduce accidents in the food and drink industry, especially injuries from slips and falls.

- A Portuguese campaign to increase safety awareness and improve loss prevention efforts in the textile and clothing industry.

- A Finnish program, called Tut-tava, designed to promote safe behavior in the workplace.

Copies of the EASHW report "How to Reduce Workplace Accidents" can be printed at no cost from the agency's Web site at [agency.osha.eu.int/publications/reports/workaccidents/](http://agency.osha.eu.int/publications/reports/workaccidents/)



PHOTO: AFP

Crossair is investigating the crash of a flight near Zurich Airport, in which 24 people were killed.

## Swiss airline probes crash near Zurich

**ZURICH, Switzerland**—With the Nov. 24 crash of one of its planes still under investigation, Swissair subsidiary Crossair said it has checked its other planes of the same make and has found no defects.

The 5-year-old RJ-100 Avro Jumbolino, which was built by Farnborough, Hampshire-based BAE Systems, crashed while attempting to land at Zurich Airport en route from Berlin. Twenty-four of the 33 passengers and crew on board were killed.

Basel, Switzerland-based Crossair's hull, war risk and liability coverages are written under a master policy covering Swissair's flight subsidiaries. The policy, known as Qualifier Leisure Plus, is brokered by Marsh U.K. Ltd. Coverage is led by ACE Global Markets Ltd. but is widely spread in London and other major aviation markets, insurance sources said. Reinsurance is placed internationally, sources said.

The hull of the plane was insured for about 29 million Swiss francs (\$17.4 million), according to insurance sources.

In a statement, Crossair said it and its insurers will "ensure that all the survivors and all the bereaved are compensated as fairly as possible." In the meantime, the company has offered each surviving passenger and the families of those who died initial financial assistance of 30,000 Swiss francs (\$18,000) and said further payments would be made over the next few weeks.

—By Edwin Unsworth

# France: Corporate buyers face coverage crunch

Continued from previous page these will continue."

Steve Dreyer, head of insurance ratings for Standard & Poor's Corp. in New York, believes that "certain dynamics" are at play in the insurers' decision not to renew corporate

policies.

While the French situation is special because of the compulsory element of terrorism coverage, the problem of obtaining such cover is certainly not confined to France, Mr. Dreyer said. Many companies

worldwide are finding it difficult to purchase terrorism cover, and governments are under pressure to step in. This is certainly true in the United States, where the government is currently trying to find a way to help.

Mr. Dreyer said that S&P, in its rating of insurers, is taking the view that they will not be shouldering the burden of providing terrorism cover alone.

With everyone involved in renewals confident that governments

will unveil assistance soon, the key question is what form this will take.

The most likely outcome in France is that the government-owned reinsurer, Caisse Centrale de Reassurances, will start offering terrorism cover, Mr. van Santen said.

The CCR already provides reinsurance for most forms of compulsory insurance and even used to offer terrorism cover, but stopped offering it a number of years ago because of insufficient demand.

Mr. Malatre says the favored solution, which he believes could be announced at any moment, would be government-backed reinsurance via CCR in a setup similar to Britain's Pool Re.

A less favored solution would be for the government to allow insurers to provide sublimits on terrorism cover. This, however, would leave large companies underinsured for terrorist risks, he pointed out.

Neither the Federation Francaise des Societes d'Assurances, which represents French insurers, nor the Assn. pour le Management des Risques et des Assurances de l'Entreprise, the French risk management association, are willing to comment on the decision by French insurers not to quote on large corporate risks.

Both say this is because they are involved in the current negotiations with the government to find a solution.

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NOTICE IS HEREBY GIVEN THAT ON NOVEMBER 20, 2001, THE BANKRUPTCY COURT ENTERED AN ORDER (THE "ORDER") CONTINUING THE PRELIMINARY INJUNCT. ON ORDER PURSUANT TO 11 U.S.C. § 304 ORIGINALLY ENTERED IN THIS CASE ON NOVEMBER 4, 1998. THE ORDER SHALL REMAIN IN EFFECT PENDING A HEARING TO CONSIDER WHETHER IT SHALL BE CONTINUED, WHICH HEARING IS SCHEDULED TO BE HELD ON MAY 22, 2002 AT 9:45 A.M. (THE "RETURN DATE") BEFORE THE HONORABLE ROBERT E. GERBER, IN ROOM 621 OF THE ALEXANDER HAMILTON CUSTOM HOUSE, ONE BOWLING GREEN, NEW YORK, NEW YORK. ALL PAPERS SUBMITTED FOR THE PURPOSE OF OPPOSING CONTINUATION OF THE ORDER AFTER THE RETURN DATE SHALL BE FILED WITH THE COURT, WITH A COPY TO THE CHAMBERS OF THE HONORABLE ROBERT E. GERBER AND SERVED ON COUNSEL FOR THE PETITIONERS LISTED BELOW, SO AS TO BE RECEIVED AT LEAST FOURTEEN (14) DAYS PRIOR TO THE RETURN DATE. ANY PERSON WISHING TO OBTAIN A COPY OF THE ORDER SHOULD CONTACT COUNSEL TO THE PETITIONERS.

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## World Updates

Continued from previous page as selected nonmarine lines, such as professional liability and property. Syndicate 990 will have £80 million (\$113.2 million) of capacity, up 20% from 2001, and will write general nonmarine risks with an emphasis on long-term business, XL said.

### Goshawk to fund new Bermuda unit

London-based insurer Goshawk Insurance Holdings P.L.C. plans to raise about £100 million (\$141.0 million) to form a new reinsurance subsidiary in Bermuda. Goshawk said the new unit, Goshawk Re, will be underwriting by 2002 and will aim to write more than \$150 million in premiums in its first year. The new subsidiary will write marine excess of loss, nonmarine catastrophe, marine retrocession, aviation excess of loss and finite reinsurance business. In addition, Goshawk said that it will increase the capacity of its Lloyd's of London marine syndicate 102 for the 2002 year of account to £185 million (\$260.9 million), up 23.3% over 2001. It said that the increased capacity would be funded without raising additional capital.

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# Lloyd's: Market issues new Sept. 11 loss estimates

Continued from page 1

and A.M. Best Co. said that its A-rating of Lloyd's would remain under review.

The marked disparity between the revisions for net losses and gross losses is raising questions about Lloyd's syndicates' reinsurance arrangements.

A Lloyd's spokeswoman explained that difference could be attributed to a change in the nature of claims being received. For example, aviation claims from the Pennsylvania and Pentagon air crashes are now less than previously expected, and reinsurance of those claims would not be exhausted, she explained. At the same time, there has been an increase in property claims—which are less heavily reinsured than the aviation claims—which may lead to the exhaustion of some reinsurance, she said.

The increased loss estimates are the result of greater accuracy in calculating claims, said Miles Trotter, insurance analyst at A.M. Best in London. Underwriters are able to make better estimates of exposure because loss adjusters have access to the WTC site, he said.

**'Clearly, it is a big loss, and it will have an impact on the insurance and reinsurance industry. There will be some companies that fail as a result.'**

Miles Trotter  
A.M. Best Co.

But Christopher Stockwell, chairman of the Lloyd's Names Assn. in London, said he considered Lloyd's explanation to be "very, very implausible." The LNA represents the interests of the individual investors who back syndicates.

"We are just not being told the full story," Mr. Stockwell said. He called on Lloyd's to provide details of every syndicate's gross and net loss estimates, as well as information on intersyndicate reinsurance.

"There is no doubt at all that there is substantial intersyndicate reinsurance. But how big it is, we have no idea, because Lloyd's has only been reporting (estimated) losses net of intersyndicate reinsurance," Mr. Stockwell said. "There is anxiety that what happened in the 1990s will happen again," he said, referring to the London market's excess-of-loss spiral.

The specter of reinsurer failure has also been raised in the past month.

Although Fitch IBCA in London maintained a watch on its A-rating of Lloyd's in the wake of the revised loss estimates, it said it would be monitoring Lloyd's position with regard to reinsurance recoveries.

"Lloyd's has indicated that it has examined the quantity and the quality of reinsurance arrangements in reaching its estimate for the terrorist attack loss net of reinsurance recoveries," it said in a statement. "Fitch takes comfort

from this review but, given the magnitude of the loss and the likelihood that the bulk of the loss will be concentrated among reinsurers, it believes it is inappropriate to rule out reinsurer failure."

Best's Mr. Trotter said, though, that syndicates appear to be using highly rated reinsurers, giving the market a certain amount of security from any reinsurance failures. But he noted that if there are difficulties recovering reinsurance, they would not be known for some time.

"Clearly, it is a big loss, and it will have an impact on the insurance

and reinsurance industry," Mr. Trotter said. "There will be some companies that fail as a result," he said. Earlier this month, Japanese reinsurer Taisei Fire & Marine Insurance Co. Ltd. collapsed because of its Sept. 11 losses, he noted.

News of Taisei's collapse was followed last week by the announcement that Danish reinsurer Copenhagen Reinsurance Group was closing its doors (see story, page 25).

Fitch also expressed concerns about unrecoverable reinsurance.

"The pure-year estimates assume that Lloyd's syndicates will not in-

cur significant bad debts in respect of reinsurance and retrocessional recoveries. Should reinsurance collectibility become an issue for the Lloyd's market, Fitch will make further adjustments."

Mr. Stockwell of the LNA also expressed concerns that the market's Central Fund would be hard hit by the Sept. 11 losses.

"There is a series of syndicates whose parents cannot support them, so that will fall upon the Central Fund. So far as I can see, the Central Fund is facing complete wipeout," he said.

The Central Fund is backed by a reinsurance policy provided by six major reinsurers. If more than £100 million (\$141.3 million) is claimed on the Central Fund in any one year, the reinsurance policy will make available £350 million (\$494.6 million) to meet claims. This policy will likely be tapped "in the next couple of years," the Lloyd's spokeswoman said.

Swiss Reinsurance Co., which is the lead property insurer on the World Trade Center insurance program, is the lead reinsurer on the Lloyd's program, with a 32.5% line.

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# Results: Property/casualty insurers post heavy losses

Continued from page 2

Alan Murray, vp and senior credit officer at Moody's Investors Service Inc. in New York, said it is hard to predict what will happen beyond 2003, though. "It's really a wait and see" situation, he said. Mr. Murray noted that there has been a resurgence in the alternative markets, and "that puts something of a damper on the magnitude of the re-

bound of the (traditional) markets."

Matthew Coyle, director at Standard & Poor's Corp. in New York, said the industry still must deal with the issue of reserves. In the fourth quarter, several companies may increase reserves for prior accident-year losses, he said.

Other results from the BI survey of 18 property/casualty insurers include:

- Net premiums written increased 8.3%, to \$70.28 billion.

- The combined ratio deteriorated to 116.7% from 105.4% for the comparable period.

- The policyholder surplus of the 17 insurers that reported this data fell 11.2%, to \$51.89 billion.

"I'd be surprised if this year wasn't viewed as the floor on a lot of fronts," said John L. Ward, of the

Cincinnati-based Ward Financial Group.

Michael Smith, an analyst with Bear Stearns & Co. in New York, said, "Obviously, the World Trade Center had a lot to do with the numbers," he said, noting that attack losses turned out to be higher than was initially anticipated. "But in a number of cases, when you peel away the World Trade Center

losses, results were still short of what was anticipated, and that is typical of this stage of the underwriting cycle, where companies are just staggering to the finish line, and the ugly goo that they put on their balance sheet over the past decade continues to surface," he said.

**'Even if you back out the Sept. 11 event, it was still a pretty bad year for the insurance industry. I think we're already moving into a hard market.'**

Cliff Gallant  
Keefe, Bruyette & Woods

"Going beyond the World Trade Center disaster, it was still a very difficult quarter for the industry," agreed Mr. Lewis. "While it was a light catastrophe quarter in the U.S., it was a significant catastrophe quarter outside the U.S.," he said. In addition, the industry "continued to be hit by inadequate rates, rising jury awards, a weakened economic environment and reserve deficiencies, as well as escalating loss costs in a number of coverages that continued to impact the industry."

"Even if you back out the Sept. 11 event, it was still a pretty bad year for the insurance industry," said Cliff Gallant, an analyst with Keefe Bruyette & Woods in New York. "I think we're already moving into a hard market, and this just accelerated the process exponentially."

## PROPERTY/CASUALTY INSURERS' 2001 NINE-MONTH RESULTS

Ranked by change in net income. All amounts in thousands of dollars

	Corporate		Property/Casualty operations						
	Net Income 2001	Percent increase (decrease) 2000-2001	Consolidated Revenues 2001	Combined Ratio 2001 <sup>1</sup>	Combined Ratio 2000 <sup>1</sup>	Net Premiums Written 2001	Percent increase (decrease) 2000-2001	Policyholder Surplus 2001	Percent increase (decrease) 2000-2001
Ohio Casualty Corp.	\$56,784	182.7 %	\$1,416,930	113.5 <sup>2</sup>	119.9 <sup>2</sup>	\$1,128,558 <sup>2</sup>	(2.7)%	\$766,845	(9.7)%
Argonaut Group Inc.	12,537	121.2	130,897	139.8 <sup>2</sup>	260.8 <sup>2</sup>	96,184 <sup>2</sup>	20.6	241,275	(45.3)
Old Republic International	257,980	25.9	1,736,396	101.5 <sup>2</sup>	107.2 <sup>2</sup>	811,332	24.1	1,472,696	7.6
RLI Corp.	23,237	11.3	227,036	97.4	94.6	234,437	15.1	263,586	(10.8)
American International Group Inc.	3,496,900	(27.7)	45,996,800	101.1 <sup>2</sup>	96.0 <sup>2</sup>	14,903,200 <sup>2</sup>	14.4	N/A	N/A
Cincinnati Financial Corp.	157,321	(1.5)	1,907,143	104.0 <sup>2</sup>	105.3 <sup>2</sup>	1,632,365 <sup>2</sup>	12.9	2,556,200	(11.3)
Travelers P/C Corp.	807,000	(26.7)	9,044,000	110.5 <sup>2</sup>	102.2 <sup>2</sup>	7,252,200 <sup>2</sup>	9.9	7,465,400	(1.9)
Hartford Financial Services Group Inc.	363,000	(48.2)	11,291,000	115.2	102.8	5,812,000	9.7	5,134,000	(8.4)
Chubb Corp.	82,800	(84.8)	5,762,300	114.0	99.0	5,140,000	8.7	3,048,200	(10.5)
The St. Paul Cos.	(352,300)	(144.0)	6,550,000	124.0 <sup>2</sup>	105.0 <sup>2</sup>	5,725,700	30.6	5,048,300	(18.5)
ACE Ltd.	(192,679)	(144.9)	4,684,684	112.5	95.6	4,510,830	16.6	5,017,580	(4.3)
American Financial Group	(46,300)	(219.0)	2,980,300	106.4	108.8	1,980,000	0.5	1,589,800	0.7
CNA Financial Corp.	(1,620,000)	(258.8)	9,500,000	175.2 <sup>2</sup>	114.3 <sup>2</sup>	5,740,000 <sup>2</sup>	(8.3)	5,970,000	(26.5)
SAFECO Corp.	(997,800)	(1,055.7)	5,201,600	121.2	110.9	3,386,600	(2.8)	2,219,700	(9.1)
Royal & SunAlliance USA	(143,000)	(7,250.0)	N/A	120.7	107.8	2,557,000	10.8	2,928,000	(8.0)
Kemper Insurance Cos.	N/A	N/A	2,559,438	109.0 <sup>2</sup>	110.0 <sup>2</sup>	2,022,588 <sup>2</sup>	(2.2)	2,019,117	(5.2)
Liberty Mutual Insurance Co. <sup>2</sup>	N/A	N/A	N/A	114.6	113.6	7,112,000	8.4	6,011,000	(12.5)
Fremont Compensation Insurance Group	N/A	N/A	327,811	129.9	166.1	236,163	(70.0)	140,260	(36.8)
<b>Cumulative</b>	<b>\$1,905,480</b>	<b>(80.6)%</b>	<b>\$109,316,335</b>	<b>116.7</b>	<b>105.4</b>	<b>\$70,281,157</b>	<b>8.3%</b>	<b>\$51,891,959</b>	<b>(11.2)%</b>

<sup>1</sup> After Dividends; <sup>2</sup> Statutory; N/A-Company did not provide data.

SOURCE: BI SURVEY

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# Buck: Unifi buy boosts outsourcing capabilities

Continued from page 1

The deal would fulfill Buck's goal of attaining a stronger presence in the benefits and human resources outsourcing field. Buck's outsourcing operations have not grown in recent years as quickly as have those of its competitors, said Joseph LoCicero, Buck's chairman and chief executive officer. "We really needed to make a bigger commitment to the outsourcing business," Mr. LoCicero said.

This purchase, combined with other smaller acquisitions earlier this year, would strengthen the capabilities of Buck and Mellon in the growing field of total human resource outsourcing. "Ours is just beginning, and theirs is really developed," Mr. LoCicero said.

**'It's an indication of the recognition by both companies they need a lot more to flourish in this environment.'**

*Helen Darling  
Washington Business Group  
on Health*

The purchase gives Buck a strong presence in the outsourcing field, where demand is expected to surge, said Alisa Plazonja, a consultant in the Boston office of Hager Strategic Inc., a human resources vendor consulting firm.

"I really think this has the potential to be a very powerful merger," he said.

Helen Darling, president of the Washington Business Group on Health, said she was not surprised by the purchase, because large size is becoming increasingly important for consulting firms to succeed.

"It's an indication of the recognition by both companies they need a lot more to flourish in this environment," Ms. Darling said.

A director at Fort Lee, N.J.-based Unifi who asked not to be identified said the purchase is crucial for Buck, because it has lost clients and some top consultants in recent years.

"Mellon needs it desperately," the director said. "Buck needs its client base."

Unifi selected Mellon because they share a desire to expand into total human resources outsourcing and because Mellon offers an array of services that Unifi can use for its clients, said Anthony Martin, Unifi's outsourcing business leader at Fort Lee. Both Mr. Martin and Mr. LoCicero expressed confidence that they would succeed in cross-selling many services.

Earlier this year, New York-based PwC announced it was looking for ways to either sell or spin off Unifi from the rest of its organization (BI, April 2). Securities and Exchange Commission rules prevent Unifi from conducting human resources outsourcing for PwC's audit clients, impeding Unifi's growth, Mr. Martin said. Furthermore, he said, SEC rules prevent Unifi from entering into joint ventures with PwC audit clients.

The sale would bring to an end a short and somewhat tortuous

existence of Unifi. Created in May 2000, Unifi has at its core the well-known consulting firm of Kwasha Lipton, which was purchased by Coopers & Lybrand in 1997 and merged with its benefits consulting unit. The entire operation then became part of PricewaterhouseCoopers following the 1998 merger of Coopers and Price Waterhouse. With the sale comes the abandonment of the Unifi name, which Buck won't use after the deal closes.

Mr. Martin said the sale would energize Unifi's employees, who, he said, have felt adrift as attempts at a

sale dragged on. Many potential clients also became restless, turning to Unifi's competitors for outsourcing services, because they did not want to commit to long-term agreements without knowing the company's ultimate fate.

"These negotiations with Mellon, they've taken so long it paralyzed everybody," said Donn Bleau, managing director in the San Diego office of the recruiting firm of Solomon-Page Group.

Mr. Bleau said he has heard from many consultants at Unifi who are unhappy with the deal and who

want to leave the firm. In fact, the Unifi director plans to leave the firm because of the merger.

The director added that PwC partners would be getting shares of the sale proceeds only if they sign a contract stating that they won't work for competitors if they leave Buck within the next two years.

Buck's Mr. LoCicero said the Unifi partners are delighted with the deal, particularly because they are joining a consulting firm with a well-known reputation. Mr. LoCicero said he is confident, moreover, that the misgivings among Unifi's

employees will vanish once he explains the operation of the new organization.

"To the extent there is any unrest, we, hopefully, will take care of it in the next few weeks," he said. "They don't know who we are yet."

This year, PwC reported an estimated \$940 million in worldwide benefits revenue, with Unifi accounting for about \$350 million. The remaining revenue comes from operations outside the United States and benefits-related tax consulting operations in the United States that will remain with PwC.

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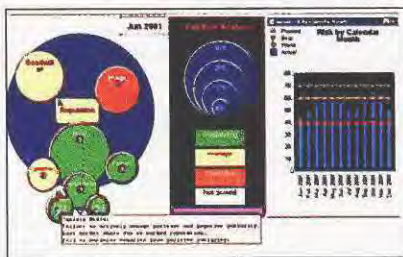
# Products & Services

## Enterprise risk tool released

**EDINA, Minn.**—CorVu Corp. has unveiled a Web-based enterprise risk management application.

CorRisk allows risk managers to integrate all corporate data related to protecting tangible and

intangible corporate assets. "By helping managers to align performance data, strategic plans and risk management, CorRisk sheds light on both corporate risks and opportunities," Kenneth Sorensen, director of Edina, Minn.-based CorVu, said in a statement. CorRisk's offerings include:



standard performance reports and color-coded views that allow users to analyze risk exposure and loss control performance by company, business unit or other drivers; a library for risk management policies, procedures and definitions; the use of key-risk indicators; and control reports designed to show how effectively the organization is accomplishing its goals.

More information is available at [www.corvu.com](http://www.corvu.com).

## Device aims to reduce risk of hijacking

**MOONACHIE, N.J.**—Fears of terrorist hijackings of commercial trucks are bringing new attention to a hijacking-prevention device produced by BABACO Alarm Systems.

Since its introduction in 1996, the BABACO Anti-Hijack module has been outfitted in hundreds of trucks carrying electronic components, garments, tobacco products and liquor. BABACO Executive Vp Bill Seide said the company lately has received "many inquiries from companies that haul flammable chemicals and gasoline."

The system is activated when a vehicle is reported stolen or a driver fails to check in with a dispatcher at a predetermined time or location. Once the system is activated, the truck's horn blows, hazard lights flash and a siren sounds. If the truck's engine is turned off, it will not restart. The vehicle ignition lock also can be controlled by calling a 24-hour monitoring station.

The BABACO Anti Hijack module can be installed in about three hours and costs \$300 per truck plus an annual operating fee based on the number of vehicles under contract.

Information is available from BABACO, 110 W. Commercial Ave., Moonachie, N.J. 07074; 800-283-2222 or 201-804-6300; e-mail: [sales@babaco.com](mailto:sales@babaco.com).

## Acordia launches quoting software

**CHICAGO**—Acordia Inc. is rolling out new Web-based insurance quoting and binding application software to all of its 176 U.S. offices.

The software, from New York-based CoverageConnect Inc., will allow Acordia's brokers to provide more cost-efficient consultative services to its small-commercial clients by quoting and binding accounts directly online with selected property/casualty insurance companies.

Charles L. Ruoff, Acordia's chief marketing officer, explained in a statement that Acordia plans to connect online with more insurers in the coming months. Once the rollout to the brokerage's small-commercial business is complete, the technology will be expanded to middle-market business, he said.

"Discussions have begun with a number of Acordia's middle-market carriers, including some of the carriers already working on the small-commercial accounts, in anticipation of the middle-market rollout to follow," Mr. Ruoff said.

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# Tort: Intentional torts covered

Continued from page 3

lowed it closely—said Fluke filed its action in Washington because the company is based there and because its "insurance policy was sold and delivered in Washington." That state, unlike California, has no statute barring insurability of punitive damages or intentional torts.

In fact, court papers state that Hartford argued California law should apply to the coverage dispute because that state's law "precludes coverage both for intentional acts (including malicious prosecution) and for punitive damages...." A California court where Hartford filed its own declaratory judgment action decided that Washington law should apply.

After the malicious prosecution verdict was handed down, a Washington trial court found that the coverage for malicious prosecution did not contravene public policy but that only compensatory damages against Fluke should be covered. An appeals court held that both types of damages were cov-

ered, and the high court agreed.

The state Supreme Court said in its unanimous decision that Hartford's policy "expressly insures Fluke against liability for malicious prosecution" and policy language states that the insurer "will pay those sums that the insured becomes legally obligated to pay as damages" because of an injury arising out of malicious prosecution.

Hartford in a statement said it is "disappointed in the decision. We still believe we are correct, but obviously the state Supreme Court did not see it our way."

The case is significant, attorneys say.

"It's the first case in Washington that's directly addressed the public policy issue that could arise" in intentional tort cases, said G. Val Tollefson, Fluke's attorney, who is with the Seattle firm Danielson, Harrigan & Tollefson. The decision "reaffirms what is firmly a part of Washington law, and that is: If insurers don't want to cover something, they should say so clearly in

their policies," he said.

Mr. Horkovich said the decision should encourage policyholders to closely examine their coverage in cases involving intentional torts such as malicious prosecution, wrongful arrest, defamation, slander and others. He said around half of the states allow coverage of punitive damages and intentional torts despite what insurers may argue in denying such coverage.

*Fluke Corp. vs. The Hartford Accident & Indemnity Co., Washington Supreme Court, Nov. 21, 2001; Case No. 70159-4.*

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# FTR

[Week of 11/26-11/30]

This roundup of news from the previous week is generated by BI's daily news reporting. To get breaking news as it occurs, log on to [www.businessinsurance.com](http://www.businessinsurance.com), or sign up online for free BI Daily News by e-mail.

## PGBC gets new executive director

Investment banker and economist Steven Kandarian is the new executive director of the Pension Benefit Guaranty Corp. Mr. Kandarian was managing director and founder of Orion Partners L.P. in Wellesley, Mass., where he managed a private equity fund specializing in acquisitions and venture capital. Mr. Kandarian, whose appointment does not require congressional confirmation, fills a position that has been vacant since the resignation in January of Clinton administration appointee David Strauss. Separately, the PBGC last week took over and terminated the pension plan of Payless Cashways Inc. The Payless plan, which has about 6,500 participants, has liabilities of \$87 million and assets of \$54 million, according to the PBGC.

## ING, Zurich form Canadian alliance

ING Canada and Zurich North America Canada have formed a strategic alliance. Under the agreement, ING Canada, part of Amsterdam, Netherlands-based ING Groep N.V., would acquire Zurich's Canadian personal and group program property/casualty operations. Meanwhile, Toronto-

based Zurich North America Canada, a subsidiary of Switzerland-based Zurich Financial Services Group Inc., would renew the large commercial lines policies underwritten by both companies, while ING would assume all other corporate risks. Each company plans to offer its complete product line to the other's distributors and customers. Under the deal, ING would gain about \$600 million in premiums, Zurich would gain \$80 million in premiums, and about 1,000 Zurich employees would become ING employees.

## Reinsurer losses worsen: RAA

The impact of the Sept. 11 terrorist attacks is dramatically reflected in reinsurer results, with U.S. reinsurers reporting a 139.5% combined ratio for the nine months ended Sept. 30, according to the Reinsurance Assn. of America. This compares with the 112.2% combined ratio reported by a similar group for the comparable period a year ago, the RAA said. This year's combined ratio reflects a 109.5% loss ratio and a 30% expense ratio. The 30 reinsurers that participate in the RAA survey reported \$19.48 billion in net premiums written, up 5.2% from a comparable group a year ago.

## Willis to raise stake in German brokerage

Willis Group Holdings Ltd. plans to take a majority stake in German

brokerage Jaspers Wuppesahl Industrie Assekuranz GmbH & Co. K.G. London-based Willis will increase its stake in the Frankfurt-based brokerage to 66.6% from 44.6%. The transaction is expected to close in January 2002. JWA expects gross revenues of about \$50 million for 2001, a Willis spokesman said.



PHOTO: AP/WIDE WORLD

A fire forced the shutdown of the Crown Petroleum Refinery.

## Texas refinery closed after fire

A Pasadena, Texas, refinery operated by Crown Central Petroleum Corp. remained shut down last week following a Nov. 23 explosion and fire that heavily damaged a portion of the plant. The fire was started by an explosion that occurred when liquefied petroleum gas leaked from a hose as it was being pumped to a tank, a Crown Central spokesman said. He would not comment on Crown's insurance coverage and could not say when the refinery would reopen. Oil Casualty Insurance Ltd. and Oil Insurance Ltd., Bermuda-based policyholder-owned insurers, both list Crown as a member. OCIL writes general liability coverage with minimum limits of \$50 million and a minimum attachment point of \$50 million. OIL offers property coverage with limits up to \$250 million and a \$10 million minimum deductible.

## Briefly noted

The Health Insurance Assn. of America named Dr. Donald Young as president of the Washington-based trade group. Dr. Young, who had been the organization's chief operating officer, succeeds Charles Kahn, who left the HIAA to head the Federation of American Hospitals... Dan R. Osterhout has joined Aon Corp. as a senior vp of the company's Aon Group Inc. brokerage and consulting subsidiary. Among other duties, he will serve on the board of

Aon's global captive management operation. Mr. Osterhout, who will be based in New York, previously was managing principal of Swiss Re New Markets Corp. in New York... The House of on Friday approved a tentative agreement that would impose strict inspection and safety standards on long-haul truckers that engage in cross-border traffic between the United States and Mexico under the North American Free Trade Agreement. The U.S. Senate is expected to consider the measure next week.

## BI Stock Index [11/26 - 11/30]

Up-to-the-minute data for all 87 companies that comprise the BI Stock Index can be found at [www.businessinsurance.com](http://www.businessinsurance.com)

### Percentage change of BI Stock Index vs. key indicators



### Largest gains

Sierra Health Services	21.60
ESG Re Limited	16.78
SCPIE Holdings Inc.	12.64
Baldwin & Lyons Inc.	10.68
PXRE Corp.	8.86

### Largest losses

Meadowbrook Ins. Group	-13.64
Unico American Corp.	-13.20
Vesta Insurance Co.	-7.44
ProAssurance	-5.73
Health Net Inc.	-5.35

### Weekly change by market segment

Brokers	1.93
Insurers/Reinsurers	1.26
Managed Care Organizations	2.19

Source: CNET Investor ([investor.cnet.com](http://investor.cnet.com))

# Health care costs to rise 15%: Poll

By SALLY ROBERTS

Many employers will face health care cost increases in excess of 15% in 2002, due to the economic recession and claims associated with the Sept. 11 terrorist attacks, according to Watson Wyatt Worldwide.

Prior to Sept. 11, employers were bracing for a 13.6% increase in health care premiums, a survey by Washington-based Watson Wyatt shows. But the terrorist attacks have exacerbated employers' health care cost problems, Watson Wyatt said in a statement.

New York-area employers will be hit hardest, with health care costs in that metropolitan region increasing by an additional 3% to 5% over previous estimates, Watson Wyatt said.

Employers nationwide will

also see health insurance premiums rise, on average, by an additional 1% to 2%.

The additional increases can be attributed to an upswing in the use of behavioral health and employee assistance plan services, as well as to a rise in anti-anxiety and anti-depressant prescription drug expenses, Watson Wyatt said.

Layoffs also are hitting benefits costs, as claims increase when unemployed workers continue health care coverage through the Consolidated Omnibus Budget Reconciliation Act, or COBRA, Watson Wyatt said.

"Employees moving to COBRA typically incur costs at least 50% greater than active employees," Mark White, a senior health care consultant for Watson Wyatt, said in the statement.

# Catch-up: Plans to offer feature

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catch-up provision, though they probably won't do so until later in the year, because the Internal Revenue Service didn't issue guidance on implementing the provision until last month (*BI*, Oct. 29).

"The IRS was so late in coming out with guidance that there wasn't enough time to review everything," said Nina Falci, senior benefits analyst at Atlantic Research Corp., a Gainesville, Va.-based designer and manufacturer of propulsion systems and automotive airbags.

"Still, this is something we definitely want to do in 2002, unless there is something that makes it too difficult for us to do it in mid-year," Ms. Falci added.

Employers have no doubt that employees will jump at the opportunity to add to their savings plans.

"Our employees do pay attention to changes in opportunities to save," said Douglas Terp, associate vp for administration at Colby College in Waterville, Maine.

"We have a very well-educated workforce and they are aware of the change in law permitting

catch-ups, added Allergan's Mr. Wilcox.

Still, while employers generally are eager to amend their plans to add a catch-up feature, Mercer warns that so doing with complicated plan administration.

"The practical reality is that they will be complicated to administer, and, in many cases, they will require significant changes to both the employer's payroll system and the plan's recordkeeping system," the survey notes.

To make a catch-up contribution to a plan, aside from being at least age 50, eligible employees must make the maximum deferral allowed that year—\$11,000 in 2002.

In addition, the law allows employees to make catch-up contributions if limits imposed by their plans, such as those that enable plans to pass nondiscrimination tests, prevent employees from making the maximum elective deferral.

Benefit managers say they are aware of the hassles, but that isn't going to deter their companies from giving employees the chance to make catch-up contributions.

"We are going to make it available to employees, even if there is a little pain in the beginning. It is the right thing to do," said Cindy Stolber, benefits administrator with Lear Corp., a Southfield, Mich.-based manufacturer of automotive interiors.

While employers, overwhelmingly, will be adding catch-up provisions to their 401(k) plans, only a small percentage—20% of them—will match those contributions, according to the Mercer survey.

"That result is not surprising since many employers may be concerned about the additional cost in matching catch-up contributions and still others may be concerned about providing employees age 50 or over with higher matching contributions than similarly situated younger employees," the survey said.

Free single copies of the William M. Mercer Inc. survey, "EGTRRA and Your 401(k) Plan," are available via e-mail from [shirley.butler@uswm-mercer.com](mailto:shirley.butler@uswm-mercer.com).

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