

Business Insurance

Home near deal that could give it \$590 million and new chairman

NEW YORK—Home Holdings Inc. expects to receive a \$590 million boost this week primarily in the form of a preferred stock sale to an investment group headed by John J. Byrne.

Mr. Byrne, the former chairman of Fireman's Fund Inc. and GEICO Corp., also is expected to be named chairman of Home.

Terms of the deal were expected to include a \$420 million investment by: Mr. Byrne's Fund American Enterprises Holdings Inc. of Norwich, Vt.; investment fund Tri-

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Benefit costs up 8.6% in '93

Retiree health drives up costs

By JERRY GEISEL

WASHINGTON—Employers' efforts to trim their workforces to become more competitive are adding to their benefit costs.

Fueled by big increases in retiree health care and severance expenses, employers' overall benefit costs—which include medical, pension and other employee benefits—increased 8.6% in 1993 to an average of \$14,807 per employee from \$13,631 the year before, according to an annual survey by the U.S. Chamber of Commerce.

That increase pushed overall benefit costs as a percentage of payroll to a record 41.3% last year, up from 40.2% in 1992.

The rise in benefit costs was partly a byproduct of a restructuring of the workforce in which many companies last year pared down their employment rolls, according to Martin Lefkowitz, the Chamber's director of special projects.

To encourage workers to leave, many companies provide special early retiree incentive programs, which can include enriched health care and pension benefits and severance pay.

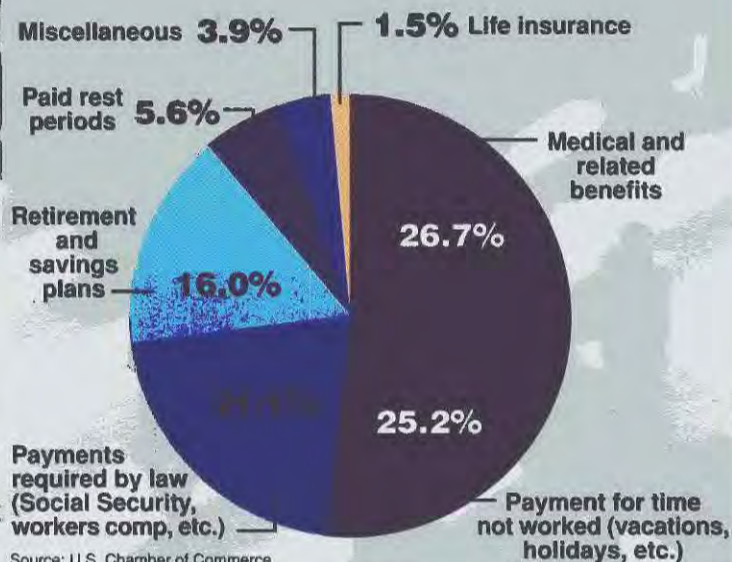
In the long run, reducing corporate payroll cuts costs. But, in the short run, special retiree incentive programs can cause certain benefit costs to spiral, Mr. Lefkowitz observed.

For example, retiree health care costs last year shot up 27.4% to an average of \$507 per employee from \$398 in 1992, while the cost of miscellaneous benefits, which includes severance pay, leaped 49.1% to an average of \$559 per

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Where the money goes

Portion of 1993 benefit costs, which averaged \$14,807 per employee.



Source: U.S. Chamber of Commerce

GRAPHIC BY JOHN HALL

Spotlight on International Benefits & Risk Management
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Directory of International Insurers & Benefit Networks
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Judge may order bond to cover liabilities for Lockerbie crash

By STACY SHAPIRO

UNIONDALE, N.Y.—A federal judge may require Pan American World Airways Inc.'s liability insurers to post a bond of up to \$750 million to cover potential damages to the victims of the 1988 Lockerbie disaster.

U.S. District Court Chief Judge Thomas C. Platt has ordered the insurers to show, at a Dec. 9 hearing, why he shouldn't require them to post a bond while damage litigation continues.

He has proposed that the insurers post up to the \$750 million limits of the airline's 1988 policy or the current insurance reserves of \$475 million and that they produce policy documents.

Pan Am's liability insurers say

they will fight attempts to get access to the money.

Judge Platt rejected a 1992 attempt by the victims' families to require insurers to post a bond, and there is no legal precedent for requiring insurers to do so, contends Russell Mirabile, senior vp/director of claims for U.S. Aviation Underwriters Inc., which manages Pan Am's leading aviation insurer, United States Aircraft Insurance Group.

Meanwhile, as the sixth anniversary of the Pan Am Flight 103 explosion approaches, plaintiffs' lawyers handling 225 damage cases and defense lawyers will meet for the first time to begin settlement negotiations on Dec. 9—just after the hearing with Judge

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Ray of hope for PBGC

Funding rules in GATT bill may shore up agency finances

By JERRY GEISEL

WASHINGTON—Legislation to significantly strengthen pension funding rules and shore up, perhaps once and for all, the financial base of the Pension Benefit Guaranty Corp. is on its way to President Clinton for his signature.

In a rare display of bipartisanship, Republicans and Democrats joined forces last week to overwhelmingly approve legislation to implement the General Agreement on Tariffs and Trade.

Almost overlooked amid the discussion of the pact's trade im-

plications are provisions in the legislation that include some of the most significant pension funding reforms since the enactment of the Employee Retirement Income Security Act 20 years ago.

The pension reform package is intended to improve plan funding and remove many of the gaps and loopholes in current law that have allowed employers to underfund their pension programs.

Indeed, the legislation's greatest impact will be felt by employers with underfunded pension plans. They will be required to accelerate contributions to their plans while the insurance premiums

they pay the Pension Benefit Guaranty Corp. will in many cases double.

Other changes will affect all employers with defined benefit plans. They will have to use a new mortality table when calculating liabilities that may not necessarily reflect the experience of their workforces.

The legislation also lowers the maximum interest rate employers can use in valuing plan liabilities, a change that could boost reported liabilities for some employers.

Other provisions take aim at

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High turnover among regulators

By SARA MARLEY

Many farewells could be said at this week's National Assn. of Insurance Commissioners meeting.

Up to one-third of the current slate of commissioners could be replaced by the time the NAIC next meets in March.

In addition to five newly elected commissioners (BI, Nov. 14), several others could be replaced by incoming governors. The fate of up to 10 regulators is in the hands of a new governor of a different political party. And, four other states will

have a new governor of the same party.

Even the outgoing NAIC president, Alaska Director of Insurance David J. Walsh, may not be exempt from the trend.

Twelve state commissioners are elected; the rest are appointees.

In New York, Gov.-elect George Pataki will likely replace Superintendent of Insurance Salvatore Curiale.

And in Texas, J. Robert Hunter, another high-profile commissioner whose benefactor was defeated, last week resigned from his post effective Dec. 11.

That decision was based on family rea-

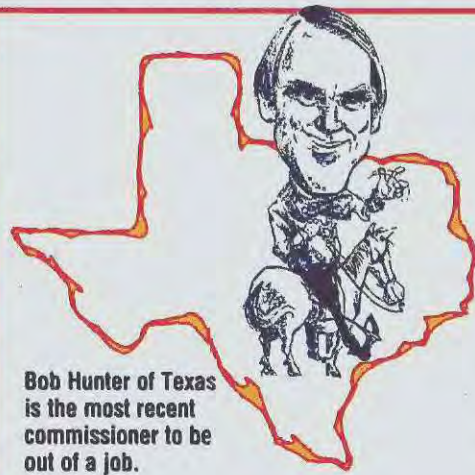
sons, he said in a statement, not the defeat of Gov. Ann Richards by George W. Bush, son of former President George Bush.

Mr. Hunter's family decided before the election that his son should return to a school in the Washington, D.C., area that better serves his special needs.

Mr. Hunter had declined Gov. Richards' first offer of a job as head of the Texas Department of Insurance because he feared the family could not find an appropriate school.

"I long, with all my heart, to be here as

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Bob Hunter of Texas is the most recent commissioner to be out of a job.

Updates

Home sees \$590 million boost

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dent Partnership L.P., which is run by Marsh & McLennan Cos. and J.P. Morgan & Co.; and San Francisco investment firm Hellman & Friedman.

Additionally, Home's majority shareholder, Trygg-Hansa A.B. of Stockholm, Sweden, will forgive a \$170 million loan to Home in exchange for equity.

"This will confirm Home's status as a stainless steel, blue chip company," said Mr. Byrne.

Peter Wade, associate director at Standard & Poor's Corp. in New York, was far less optimistic. Long-tail liability problems will still force the insurer to substantially increase its loss reserves, he said. "We are not going to see a AAA-type entity emerge from this. The question is whether it will be a secure investment grade company or a non-investment grade company."

After Home reported poor third-quarter and nine-month results (BI, Nov. 14), S&P downgraded The Home Insurance Cos.' claims-paying ability to BBB- from A- and lowered its rating of Home Holdings' senior debt to BB- from BBB-.

New capital for Charman

LONDON—Two U.S. investors are providing the majority of the 88 million pounds (\$137.5 million) of capital for a Lloyd's of London corporate syndicate being launched by Charman Group Ltd.

Backing the venture is John Head's Insurance Partners L.P. of New York, which also is investing up to 3 million pounds (\$4.7 million) in Kiln Capital P.L.C., another venture planned for 1995. The other investor in Charman is Harvard Private Capital Group Inc., a subsidiary of Harvard Management Company Inc., which manages about \$7 billion in the Harvard University endowment fund.

John Charman and other shareholder members of the agency's management also will invest in the corporate syndicate, which will be numbered 2488. It will parallel Charman syndicate 488, which is Lloyd's second largest this year with 390 million pounds of underwriting capacity (\$577 million).

Insurance Partners and Harvard Private Capital also have taken a separate 25% stake in the managing agency.

High court to hear forum issue

WASHINGTON—The Supreme Court will decide whether a federal court should delay hearing a declaratory judgment action while a related action is heard in a state court.

The Supreme Court's decision could have significant bearing on forum shopping by policyholders and insurers in coverage disputes.

The underlying case is *Wilton vs. Seven Falls*, in which underwriters at Lloyd's of London and the Institute of London Underwriters are disputing a \$110 million liability claim in Texas by members of the Hill family and oil and gas companies controlled by the Hills.

After the claim was filed in 1992, the insurers sought a declaratory judgment from a federal court in Houston that they were not liable.

The policyholders subsequently sued the insurers for \$110 million in state court in Austin, Texas, and asked a federal judge to delay the declaratory judgment until the state case had been heard.

The federal judge agreed to delay the federal action and his decision was upheld by the 5th U.S. Circuit Court of Appeals.

The case will have significant consequences for future insurance-related litigation, said Werner A. Powers, a partner at Haynes & Boone L.L.P. in Dallas, who represents the policyholders.

"A policyholder would prefer to have his choice of forum in litigation with carriers who are often foreign entities. If he can beat the carrier to court, he will have that choice of forum," he said.

In another case, *Vimar Seguros y Reaseguros vs. M/V Sky Reefer*, the justices will review whether U.S. businesses must arbitrate disputes in other nations when the disagreements stem from damage to the shipment of goods on the high seas.

In other action, the high court let stand a ruling expanding attorney liability to a client's customers. At issue were opinion letters in which Chicago law firm Arvey, Hodes, Costello & Burman advised a client that a certain tax-shelter could be used to seek deductions for investors. When the Internal Revenue Service judged otherwise, investors sued the law firm for securities fraud. The 3rd U.S. Circuit Court of Appeals ruled that the law firm can be sued for such matters.

Insurers to meet on Superfund

WASHINGTON—Representatives of major property/casualty trade groups will meet Dec. 14 to discuss setting a common strategy for Superfund reauthorization before the 104th Congress convenes.

The National Assn. of Mutual Insurance Cos. in Washington is hosting the meeting. Other groups expected to attend are the Alliance of American Insurers, the American Insurance Assn., the Council of Insurance Agents & Brokers, the National Assn. of Independent Insurers and the Reinsurance Assn. of America. The groups agree on the desirability of eliminating Superfund's retroactive liability for cleanup but not on how to pay for cleanups if retroactive liability is abolished.

Although the Risk & Insurance Management Society Inc. has not been invited to the meeting, RIMS has been informally discussing Superfund reform with insurer trade groups, said Paul Brown, director of government affairs for the New York-based organization.

Updates continued on page 62

Errors & omissions

A figure in a Nov. 28 article on corporate-owned life insurance was misstated due to a typographical error. The article should say that interest on the first \$50,000 borrowed from each policy is deductible.

Rejections lead Vermont to end accreditation bid

By RODD ZOLKOS

MONTPELIER, Vt.—Having learned that a National Assn. of Insurance Commissioners accreditation team had once again graded their state short of the mark, Vermont officials plan to withdraw their accreditation bid this week at the NAIC meeting in New Orleans.

This most recent failure to win accreditation may make a court battle between the state and the NAIC inevitable.

"We're going to exhaust the appeals process at the NAIC first," said Vermont Gov. Howard Dean. "That's the appropriate thing to do."

Gov. Dean said he is also pushing for changes to the NAIC accreditation program at the National Governors Assn., which he chairs.

"We're not going to wait forever," Gov. Dean said.

"If this isn't pretty well settled by the (NGA's late January) meeting, I think we'll take additional

steps at that time."

Vermont's 1993 bid to be accredited foundered because it regulates risk retention groups like captive insurers, not like traditional insurers as required under an NAIC model law. Vermont officials had hoped changes made to state laws earlier this year would resolve that problem (BI, July 11).

The dispute goes beyond Vermont's accreditation to a fundamental states' rights question, Gov. Dean said. "The issue is the

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P/C stocks' performance lacking luster

By JUDY GREENWALD

Although rising interest rates and poor industry fundamentals continue to put a damper on property/casualty insurers' stock market performance, the prospects for a few stocks might actually improve.



panies as a single group.

As a result, while mainstays such as General Re Corp., American International Group Inc. and Chubb Corp. continue to be analyst favorites, a wide range of other companies are appearing on their recommended lists as well, particularly companies that are successfully operating within market niches. They include several reinsurers and Bermuda-based insurers, among others (see story, page 57).

Overall, though, property/casualty stocks' recent market performance remains lackluster. The *Business Insurance* Index, which tracks the stocks of P/C insurers as well as life/health insurers, brokers and

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Edith Lichota dies at age 65

Edith F. Lichota, vp-administration for Bankers Insurance Co. Ltd. and an independent risk management consultant, died last week after suffering a sudden heart attack Nov. 21.

In her 28-year risk management career, Mrs. Lichota was recognized as an innovator in the growing discipline of risk management and was a frequent lecturer and lobbyist. She was 65.

A lawyer by training, Mrs. Lichota's first brush with risk management was as a lawyer in the mid-1960s with a small company in western Ohio, where she tackled product liability problems. In 1967, she joined Work Wear Corp. in Cleveland as an assistant secretary with the responsibilities of an in-house counsel, including insurance, personnel and benefits.



Edith Lichota

In the 1970s, when she was assistant treasurer in charge of risk management at Carborundum Corp. in Niagara Falls, N.Y., she served as vp for governmental affairs for the Risk & Insurance Management Society Inc. She also was one of the Committee of 13 that drafted the bylaws of the New York Insurance Exchange.

From 1980 to 1983, she served as vp-government affairs with the then Insurance Co. of

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Scams net \$28 million

By DOUGLAS McLEOD

Trio indicted on bribery, fraud charges

KANSAS CITY, Mo.—A Kansas City insurance entrepreneur and two associates are facing charges that they bilked policyholders of more than \$28 million in a series of scams that involved bribery and attempted bribery of insurance regulators in two states.

Named in a 16-count federal racketeering, fraud and bribery indictment last month were Ferrell Travis Riley, operator of M&M Management Co. of Kansas

City; Cheryl S. Coon, an M&M official; and Jack L. Brown, an official with an M&M-affiliated company in Mississippi. M&M Management is not related to Marsh & McLennan Cos. Inc.

They are accused of using now-defunct Meadowlark Insurance Co., a Meadowlark successor company and other firms to defraud insurance buyers, including members of an Arizona-based multiple employer welfare arrangement.

Mr. Riley and Ms. Coon also tried to bribe a former Missouri insurance commissioner to license Meadowlark, and bribed a former Wyoming commissioner and others to impede federal investigations of the alleged schemes, prosecutors charge.

The three defendants have been released on bond after pleading not guilty to the charges.

The 16 counts against Mr. Riley

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Inside

• The growing interest in risk management around the world is a trend that will bring global benefits, one of this week's editorials says. **PAGE 8**

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• The British government is changing its policy of taxing D&O liability insurance premiums. **PAGE 55**

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International Benefits & Risk Management

Global firms the winners in network competition

By RODD ZOLKOS

With the use of international benefits networks becoming routine, many multinational companies are concentrating on using the networks more efficiently.

Taking advantage of competition for their business, many multinational employers are turning a sharp eye toward networks' cost and their ability to provide services in all areas where the employers anticipate needing them.

Multinationals that use captives to fund their property/casualty risks also are increasingly looking for ways to cover international benefits via their captives.

"Multinational pooling is very definitely being used as a tool for helping to manage the cost of international employee benefits or simply managing employee benefits," said Paul Shimer, managing consultant with Foster Higgins International in Hartford, Conn.

More than 90% of companies with "significant" exposures abroad participate in some sort of pooling arrangement, he estimated.

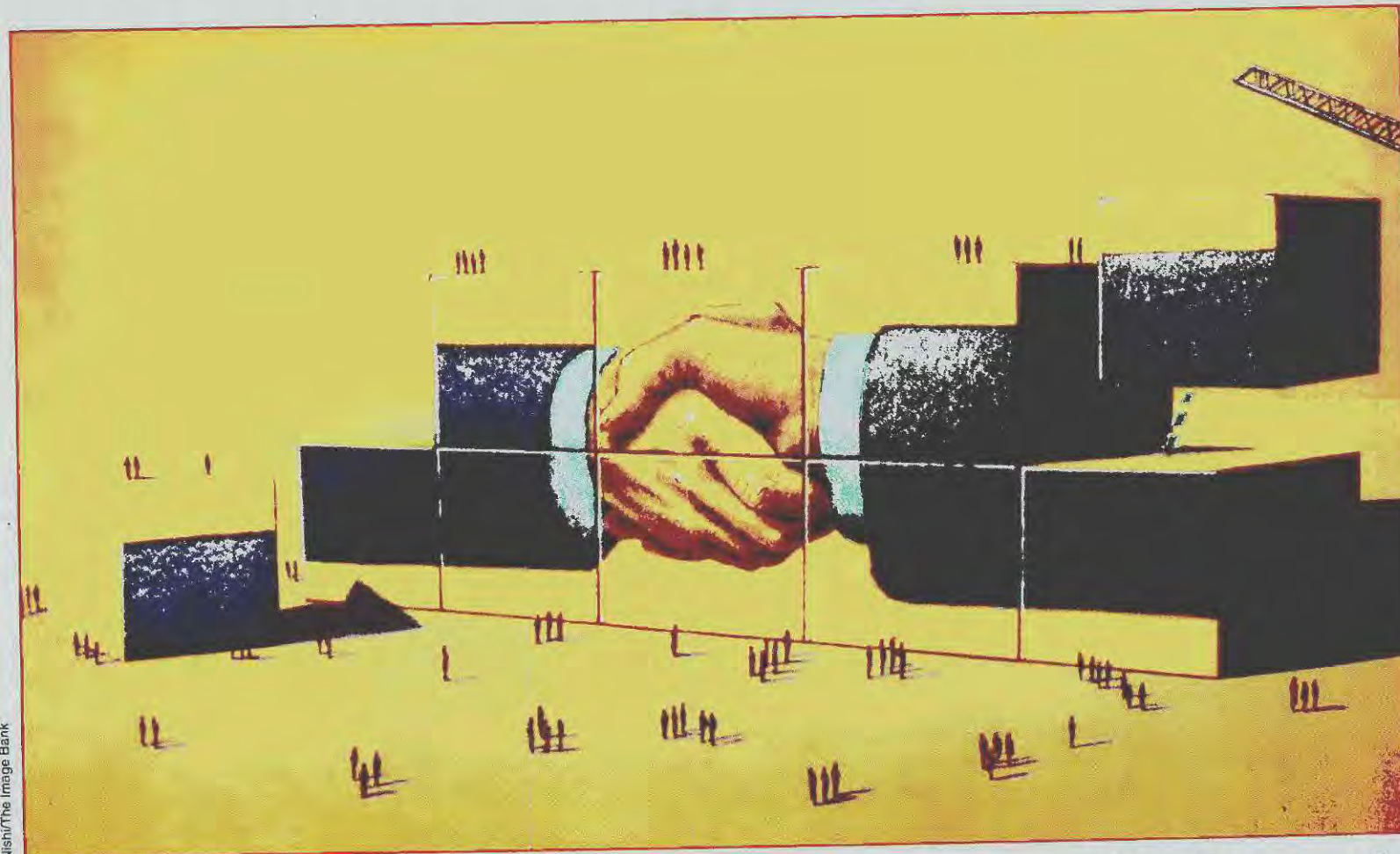
Using a network does not mean that a company has only one individual benefits arrangement. What it does mean is that a company can lower its benefit costs by spreading claims risks throughout its units and by producing economies of scale, said Gareth Williams, a principal in the international consulting unit of William M. Mercer Inc. in New York.

Companies are looking for every possible way to save money, and multinational benefit networks are one way to do it.

"I think a lot of the multinational companies are looking at international benefits as an important expense," said Erik Kapelke, director of international marketing for Aetna International, a member of the Aetna/Generali network in Hartford, Conn. "The bottom line is companies are trying to control their expenses, and that's one of the ways of doing it."

It's the fact that nearly all large multinationals are utilizing international networks that has put them at a competitive advantage in dealing with the networks.

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Adventures in risk management abroad

Communication, diplomacy go long way in overseas joint ventures

By DAVE LENCKUS

The local property insurer for RJR Nabisco Inc.'s joint venture in China would not budge from its initial offer to cede only 20% of the risk to Nabisco's U.S. insurance company, which in turn had agreed to retrocede all of that risk to Nabisco's captive insurer, recalls a former risk manager for the giant food products company.

After extensive efforts to electronically negotiate with the Chinese insurer, a Nabisco risk management team traveled to China to make its case to the insurer's executives face to face in a two-day bargaining session.

The result: The insurer agreed to cede nearly 80% of the coverage, slashing Nabisco's insurance costs for the joint venture project,

said Michael Vogler, who led Nabisco's team as the company's international insurance manager and is now with Coopers & Lybrand in Atlanta.

For U.S. risk managers whose companies are entering into their first overseas joint venture, risk managers and consultants point to a variety of issues that top their checklists for designing an effective risk management program.

But underlying all other issues is the importance of effective communication—not just what is said but how one's overseas partners are approached and how a message is delivered.

Understanding that, U.S. risk managers have a better chance of reaching an agreement that not only makes them feel comfortable but, more importantly, also will be implemented according to their

expectations.

"So when I say a foot, I know they'll know I mean 12 inches," said Michael Bryant, director of insurance for Westinghouse Electric Corp. of Pittsburgh.

Of course, the U.S. partner in a joint venture will not have to cajole as much if it is the majority partner or retains operational authority over the venture.

But even from such seemingly strong positions, U.S. risk managers should take certain communication tactics to avoid appearing obnoxious, which could undermine risk management efforts, experts advise. This is especially important since companies often bring risk managers into the process only after the joint venture deal has been signed.

In Mr. Vogler's case, the solution to an impasse was the cost of

an airplane ticket to deal with the Chinese insurance executives face to face.

Mr. Vogler, now the national director of the risk management consulting practice at Coopers & Lybrand, also stressed avoiding appearing dogmatic rather than informative when a partner's ideas on risk management are not in sync with one's own.

U.S. risk managers may have to pick and choose among, for example, some loss controls they must have while being patient about implementing others on an incremental basis, he said.

"Don't throw around platitudes and talk about how great we are. You won't do yourself a great favor by doing that," he advised.

Risk managers also should tap local brokers, who are "quite

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Sick pay benefit changes are bitter medicine

By ADRIAN LADBURY

British employers will soon face yet another big decision on how to cope with government plans to slash social spending and pass the buck on to the private sector.

The latest target is sickness and invalidity benefits, which reimburse employers for wages paid to employees who are sick or otherwise unable to work.

Under the Social Security (Incapacity for Work) Bill, which will become law in April 1995, sick or

U.K. government cutbacks shift more costs to employers

disabled workers will be thoroughly tested by physicians to see whether they are capable of work of any kind, employees will be taxed on these benefits for the first time, and supplementary benefits for spouses and children of disabled workers will be more closely managed.

The reasons for the changes are pretty clear: the number of workers receiving the invalidity benefit has tripled in the past 15 years, and government spending to reim-

burse employers has more than doubled since 1984, according to the U.K. Department of Social Security.

It is estimated the new rules will save the government as much as 1.5 billion pounds (\$2.34 billion) in employer reimbursement a year.

Nicholas Scott, minister of state for Social Security, said earlier this year that the legislation will "focus help on those who are genuinely incapable of work." The

government expects that the tough new rules will force employers to cut absenteeism and improve claims management.

Consultants and employer groups acknowledge that sickness claims management should be improved. But they argue that business is being expected to shoulder an unfair financial burden if the government limits its reimbursement of these benefits.

Sickness benefits are paid by

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Ventures

Continued from previous page helpful," to communicate with non-U.S. partners and local insurers, especially about technical matters, said William Mather, director of risk management for The Gillette Co. of Boston.

"We communicate our philosophy and leave it in the hands of the local broker and consultants to work it out," Mr. Mather said.

Understanding at the outset that people in many cultures are not as decisive and as quick to act as Americans like to believe they are will also serve risk managers well, said Westinghouse's Mr. Bryant. Often, when a foreign counterpart says he or she will do something, "it means, 'I'll consider it and talk to you about it next year.'"

The Chinese are "notoriously

slow" to act, said H. Felix Kloman, a retired principal with the Tillinghast division of Towers Perrin and the editor and publisher of the Risk Management Reports newsletter in Lyme, Conn.

But U.S. companies would benefit by showing a similar degree of patience and thoroughly understanding what a joint venture's risks are rather than rushing into a project, he said.

Risk managers and consultants say this attention to effective communication is essential to ensure that a misunderstanding does not snowball into a risk management breakdown and result in a huge loss that could harm the joint venture partners as well as bury the project.

Such a misunderstanding is a genuine concern because risk managers abroad often do not measure risk the same as their U.S. peers do and typically do not buy as much insurance,

experts said.

"Their paradigms for handling risk can be a lot different," Mr. Bryant said.

"Non-U.S. operations tend to look at the way we do things as overkill," Mr. Vogler added.

Regardless of who oversees the joint venture's risk management program, U.S. risk managers should step forward to ensure that certain risks that may be of less concern to foreign risk managers are still protected, experts agreed.

One that should be of particular concern to U.S. risk managers is directors and officers liability, experts said.

The coverage probably is "one of the least understood" for joint ventures because of the difficulty in fashioning a policy that accurately mirrors a joint venture's exposure, said Kathleen Sevier, a vp with the financial services group of Chicago-

based Rollins Hudig Hall Group Inc.

Another part of the challenge of arranging adequate D&O coverage is that the concept is relatively new overseas.

In some countries, though, D&O risks are a growing concern. In the United Kingdom, for example, new laws on pollution, workplace safety and fire protection hold directors personally liable for violations, pointed out Ms. Sevier.

Indeed, some countries extend such liabilities to employees whom D&O insurers typically do not consider corporate officials, as Germany does in environmental pollution cases (*BI*, Jan. 24).

Elsewhere, "the insurance market is playing catch-up to the legal market," said John F. Roskopf, a senior vp and risk management consultant with Rollins Hudig Hall of Illinois Inc. in Chicago. He noted, for example, that Japan "is a problem still"

because of a lack of D&O coverage as D&O liability expands.

The biggest question for risk managers is who is going to pay any D&O claims in countries where coverage is unavailable and when joint ventures lack the capital to pay, Mr. Roskopf said.

That question should be resolved in the joint venture's bylaws. But risk managers often are not involved in such projects until much later.

"It's up to the risk manager to thrust himself or herself into it. They should be one of the first people involved in it," Ms. Sevier said.

Business interruption coverage is readily available overseas, though it is not as widely purchased there as it is stateside.

There are some decisions a U.S. partner in a foreign joint venture will have to make when buying the coverage, Mr. Roskopf said.

Risk managers will have to decide whether the joint venture should buy the coverage or whether each partner will protect itself.

In the latter case, the risk manager's main challenge will be obtaining adequate information to calculate his or her company's individual risk.

"As easy as that may sound, it often is very difficult," Mr. Roskopf said.

For example, some countries consider data to be privileged information and prohibit transporting it across their borders, Mr. Kloman noted.

Many risk managers' best hope would be networking with whomever they can in their companies to secure as much information as possible, Mr. Roskopf said.

Another coverage that could pose problems for risk managers if it is not coordinated well is kidnap and ransom insurance.

"Who is responsible if there is an extortion demand?" is a question that should be resolved before, not during or after, an incident, said RHH's Ms. Sevier.

A lack of foresight could result in a lack of coverage. For example, kidnapers take hostage an executive with a joint venture established in part by a highly visible U.S. company and demand a ransom from the joint venture. The U.S. company's K&R insurer may not respond—even if the executive is a U.S. employee and the kidnapers' ultimate target was the U.S. firm—because the demand was made against the joint venture and not the U.S. company, Mr. Roskopf said.

Ms. Sevier suggested that either one partner should take responsibility for covering the venture's K&R risk, or the venture should purchase its own K&R policy. The decision will be a function of several factors, including whether the venture is only a so-called "paper company" and whether it is staffed with indigenous workers or employees of one of the partners, she said.

Risk managers also will have to weigh their political risks. Demand has wrung out the market's capacity for some coverages in certain areas, like Mexico and China, as underwriters reach their per country aggregate limits (*BI*, Nov. 28).

When determining how to finance their joint venture's risks, risk managers may have fewer options than they do stateside.

For example, many foreign countries require insurance buyers to use only admitted markets. "In some countries, what that really means is that you're in a market that's more or less a cartel market," which means underwriters there will be less flexible than they are in the United States, said Westinghouse's Mr. Bryant.

And, frequently joint ventures are

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A Global Perspective...



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Service Beyond the Treaty

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San Francisco

Philadelphia

New York

Stamford

Ventures

Continued from page 4

not large enough to make retrospectively rated programs attractive, he said. Such programs are not common overseas anyway, he pointed out.

Self-insurance overseas also is much rarer than it is stateside, largely because the key elements of U.S. self-insurance programs are not significant risk management concerns abroad. Workers compensation is handled through social programs in many countries, and less litigious foreign societies do not pose near the product liability and auto liability risks that U.S. society poses, Mr. Bryant said.

But the easing of many countries' regulations against using captive insurers has given risk managers of joint ventures several options in using their own captives or the venture's captive to finance risk.

The best option—at least for U.S. companies looking for unrelated business for their captives for tax purposes—is setting up a separate captive for the joint venture that then cedes as much risk as possible to the joint venture partners' captives, said Hugh Rosenbaum, a principal with Towers Perrin's Tillinghast in Stamford, Conn.

Protecting against losses to the joint venture in the first place also is not a straightforward proposition. Indeed, it can raise some sensitive economic, social, legal and moral questions, Mr. Kloman said. Risk managers will have to ask themselves whether they should adhere to the same high standards overseas that they follow in the United States, even though the cost of such standards could hurt the joint venture competitively.

Mr. Kloman suggests companies may be able to “fudge” on protecting property, but not on protecting people.

On the flip side, risk managers also have to question whether U.S. standards are too high and “what right do we have to impose our standards on other people?”

The answer may be not doing business where it cannot be done safely and profitably, he said.

But such reflections, in some cases, may be moot. Some foreign infrastructures are inadequate to support some preferred U.S. loss control measures, like sprinkler systems.

“With the inadequacy of the water supply in some areas, it may be difficult to get a sprinkler system put in,” Mr. Kloman said.

And shipping in some types of loss control equipment may be prohibitively costly or even barred by law, Gillette's Mr. Mather said.

Risk managers also may face some societal issues in trying to control losses from theft.

Those controls must reflect local conditions, Mr. Kloman said. “It could be a standard level of business to have inventory flow out of the door in return for very low wages,” he said. “Is it right? Maybe not, but it may be the way of doing business there.”

Loss settlement procedures also should be worked out in advance, Tillinghast's Mr. Rosenbaum recommended. For example, U.S. companies are accustomed to business interruption coverage ending when the involved facility is operating again. But, Europeans are used to coverage that ends when business at that facility returns to pre-accident levels, he said.

The non-managing partners in joint ventures in the European

Union, though, can more easily avoid some losses today than they had been able to in recent years through increasingly popular hold-harmless agreements, Coopers & Lybrand's Mr. Vogler said.

A non-managing partner can use a hold-harmless agreement to protect itself, for example, if a claim is uninsured because the operating partner purchased named-peril property coverage instead of all-risk coverage.

Risk managers also should plan for the day when their companies pull out of the joint venture—either according to plan or for unforeseen reasons—leaving the joint venture with “residual liability-type risks” while revenue is flowing out of the venture to its partners, Mr. Rosenbaum said.

He advised pre-funding those risks when the venture's revenue-making ability has peaked. **EI**

IFRIMA welcomes newest member

By KATE TILLEY

The Taiwan Risk Management Assn. is the newest member of the International Federation of Risk & Insurance Management Assns.

Membership for the Taiwan association was confirmed at an IFRIMA board meeting held in Sydney, Australia, coinciding with the national conference of the Australasian Risk & Insurance Management Assn., held Nov. 13-16.

It was only the second time in the 10-year history of IFRIMA that the board has met in the Southern Hemisphere; the first time was in Brisbane, Australia, in 1988.

Hugh R. Loader, a founder and

Taiwan joins risk management group

past president, said IFRIMA was established as a formal clearinghouse for risk management ideas. Previously, there had been only informal contacts between national associations and members.

IFRIMA simplified the learning process for risk managers globally, as they could share resources easily, said Mr. Loader, managing director and group insurance manager for Essex, England-based Tetra Laval Insurance Services Ltd.

Kevin W. Knight, re-elected this year to his second two-year term as chairman of IFRIMA, said education is a key role for the risk management organization.

A model risk management syllabus developed by IFRIMA is now being used by schools in Europe, Australia, South Africa, New Zealand and Japan.

IFRIMA currently is developing a strategic plan for its future and has asked its member associations—which span six continents—to provide a person who could make a long-term commitment to developing the plan, Mr. Loader said.

“You can't build rapport quickly in an international federation,” he said. “You must overcome cultural and language differences first, and then build a rapport.”

But the diversity of its member

Continued on next page

Protect

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Continued from previous page
organizations is IFRIMA's strength, he said.

Mr. Knight, who also is risk management consultant to the Education Department in Brisbane, Australia, said a draft strategic plan had been prepared over the past year, but a committee with long-term commitment is needed to take it further. The plan aims to improve IFRIMA's work in risk manager education and communication, and the development of international networks.

IFRIMA's working parties, which examine issues like reinsurance and environmental liabilities, are important areas for global information swapping, according to Mr. Loader.

Guy Lamand, current IFRIMA president and corporate risk manager for French government-owned energy company Fram-

'We're furthering the interest of risk management as a concept,' says IFRIMA's Hugh Loader.

atome, said IFRIMA needs to reinforce its professionalism by establishing an international definition of risk management, creating a set of basic skills and developing formal methods of risk analysis.

By focusing on such large-scale projects, IFRIMA leaders say they aim to serve a different purpose than the Risk & Insurance Management Society Inc. in New York, which is the largest risk management group and which still handles the administrative

work of IFRIMA.

The U.S. group is only one member with only one vote on the board, said Mr. Knight. For their part, RIMS leaders have said they are reducing their role in IFRIMA and other international ventures.

IFRIMA also differs from the older, more established groups in its membership composition. Its members include risk management associations, as opposed to individual commercial organizations, said Mr. Loader. "The employer profile is lower; we're furthering the interest of risk management as a concept."

IFRIMA's other members are in: Argentina, Belgium, Brazil, Canada, Finland, France, India, Japan, Malaysia, Mexico, Nigeria, the Philippines, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, the United Kingdom, and Venezuela. **BI**

Risk management enthusiasm knows no boundaries as group flourishes in Latin America

By GAVIN SOUTER

An integrated association of risk management organizations throughout most of Latin America is a dream that may soon be realized.

Already, the Latin American countries with the most developed risk management cultures have united under the umbrella of Asociacion Latinoamericana de Administradores de Riesgos y Seguros, or ALARYS, which is the Latin American Assn. of Risk & Insurance Managers, according to Jorge Luzzi, president of

ALARYS. Others are bound to sign up following the successful inaugural conference of the association, he added.

The enthusiasm of Latin American risk managers to establish risk management associations in their countries is a sign of the growing maturity of the discipline in the region, he said.

And that maturity will grow further if ALARYS meets its ultimate goal of establishing a Spanish-language risk management designation to help educate risk managers within Latin America, he said.

ALARYS was set up in 1993 during a meeting of the International Federation of Risk & Insurance Management Assns. in Orlando, Fla.

"The Latin American countries there decided to form an association that would share experiences and information on risk management in Spanish," said Mr. Luzzi, who is also president of Asociacion de Administradores de Riesgos de la Republica Argentina, or ADARA, the Argentine risk management association.

The founding member associations were from the Latin American countries with the most developed risk management cultures, he said. They include: ADARA in Argentina; Asociacion Venezolana de Administradores de Riesgos y Seguros (ASVARS) in Venezuela; Instituto Mexicano de Administradores de Riesgos, Asociacion Civil (IMARAC) in Mexico; and Associacao Brasileira de Gerencia de Risco (ABGR) in Brazil.

The total membership of the founding associations of ALARYS is about 400. While the membership systems vary, the membership of the country associations is usually corporate rather than individual, Mr. Luzzi said.

ALARYS's first major achievement was the First Latin American Conference of Risk & Insurance Management, which was held in Cancun, Mexico, Oct. 30-Nov. 3 (BI, Nov. 14).

The conference attracted about 100 risk managers from 20 countries in Latin America and 300 insurers, reinsurers, brokers and other service providers from numerous countries in Latin America, North America and Europe.

The Risk & Insurance Management Society Inc. in New York lent ALARYS funds to stage the conference.

"It was a complete success. We had speakers and exhibitors coming from many different countries," Mr. Luzzi said.

The conference will be held biennially, and the 1996 conference will be staged at Margarita Island off the coast of Venezuela.

One of the objectives of ALARYS is to bring insurance and risk management professionals who do not normally visit Latin America to speak to risk managers in the region, he said.

At the conference, APARYS, Panama's recently formed risk management association, joined ALARYS. Mr. Luzzi and other ALARYS directors also have contacted risk managers in several other Latin American countries who plan to set up their own associations, which will then join ALARYS, he said.

"We are making contact with
Continued on page 12

tion.



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Opinions

Risk managers expand reach

RISK MANAGEMENT is spreading across the globe like wildfire—but this is one blaze we're happy to see burning.

Risk management is spreading not only as multinational corporations extend their operations abroad but also as risk managers in an increasing number of countries form associations that further the profession.

As we report in this week's Spotlight Report, risk management associations are expanding throughout Latin America under the umbrella of ALARYS, the Latin American Assn. of Risk & Insurance Managers.

In addition, the International Federation of Risk & Insurance Management Assns. now boasts 23 member organizations, spanning six continents. Considering Antarctica is the world's seventh continent, that's a pretty respectable reach.

And a new umbrella organization has sprung up, the Federation of Asian Pacific & African Risk Management Organizations, to coordinate the activities of risk management groups in Australia, Japan, Malaysia, the Philippines, Singapore and South Africa.

We encourage this development because it benefits risk managers in all countries.

For risk managers with international operations, it means a higher and more consistent standard of risk management will be applied worldwide. One of the biggest hurdles for U.S. companies expanding abroad is conveying the importance of loss control and risk management principles to foreign partners and employees.

The expansion of risk management groups worldwide also benefits the risk manager whose operations reside in a single country.

Insurance by nature is a global business, and the underwriter or reinsurer of a factory in Ohio can be affected by a refinery fire in Germany or a tanker accident off Malaysia. To the extent that risk management standards in other areas of the world are improved and



"WOW! YOU'RE REALLY GETTING AROUND!"

strengthened, we expect similar improvement in loss statistics to follow.

As in the United States, which has the largest risk management organization in the world, the Risk & Insurance Management Society Inc., the primary goal of these international associations is education. More than anything else, education will help develop professionals throughout the world who are better able to minimize the risk of loss. They also will be more savvy insurance buyers, which will encourage free market competition in many of these countries.

Everyone benefits from this trend, as the standards of the profession are raised worldwide, and the increased exchange of ideas and information among risk managers of different countries leads to improved risk management solutions for all.

Market-driven reform cuts health costs

AMID THE BLIZZARD of statistics that have been flying back and forth during the intense national debate on health care reform, none are more revealing and perhaps more important than those just released by the Department of Health and Human Services.

As we reported Nov. 28, HHS says national health care expenditures in 1993 rose to \$884.2 billion, up 7.8% from 1992.

Not only is last year's 7.8% increase lower than the 1992 rise in costs of 8.6%, it also represents a huge drop from the late 1980s, when national health care costs were regularly climbing each year in the 11% range.

The signs are good that when the final tally is in, health care cost increases for 1994 will be even lower than they were a year ago.

For example, the federal government says premiums for the health care benefits it provides to 9 million employees, dependents and retirees—by far the nation's largest plan—will fall by an average of 3.4% next year.

At the same time, in many markets where health maintenance organizations compete, HMOs are freezing premiums or even cutting them to hold on to business.

The slowdown in health care cost increases is no fluke and certainly not the result of any "Hillary" factor—in which some administration officials contend, providers, insurers and others are only temporarily holding down prices to blunt the drive for health care reform.

Instead, the slowing of health care cost increases has been steady. It is a direct result of several factors. Thousands of employers, walloped by the huge cost increases of the mid- and late 1980s, have junked traditional indemnity plans and redesigned their benefits program to encourage employees to enroll in managed care plans.

Managed care vendors, in turn, have been able to wield their considerable clout to win better contract terms with hospitals and physicians.

In short, the health care market is making healthy strides in reforming itself.

Remembering a leader in risk management

THE WORLDWIDE risk management community lost one of its greatest leaders and innovators last week.

Edith Lichota, vp-administration of Bankers Insurance Co. Ltd. and an independent consultant at the time of her death, will long be remembered by her colleagues around the world for her integrity, clarity of thought, candor and quick wit.

Mrs. Lichota—her preference over Ms.—was a pioneer in the development of risk management as a corporate discipline and during a 28-year career helped define the role of the risk manager.

She was one of the first risk managers to become active in government affairs. She also was at the forefront

of developing alternative risk financing mechanisms. And she was one of the first women to rise to the top of the risk management profession.

A self-confessed workaholic, Mrs. Lichota always made time to share her knowledge and experience with colleagues, whether in personal conversation or as a frequent speaker at risk management forums around the United States and abroad.

When she was named *Business Insurance* Risk Manager of the Year in 1987, a plaque in her Irving Trust Corp. office read: "Do Something: Lead, Follow or Get Out of the Way."

Mrs. Lichota was always a leader.

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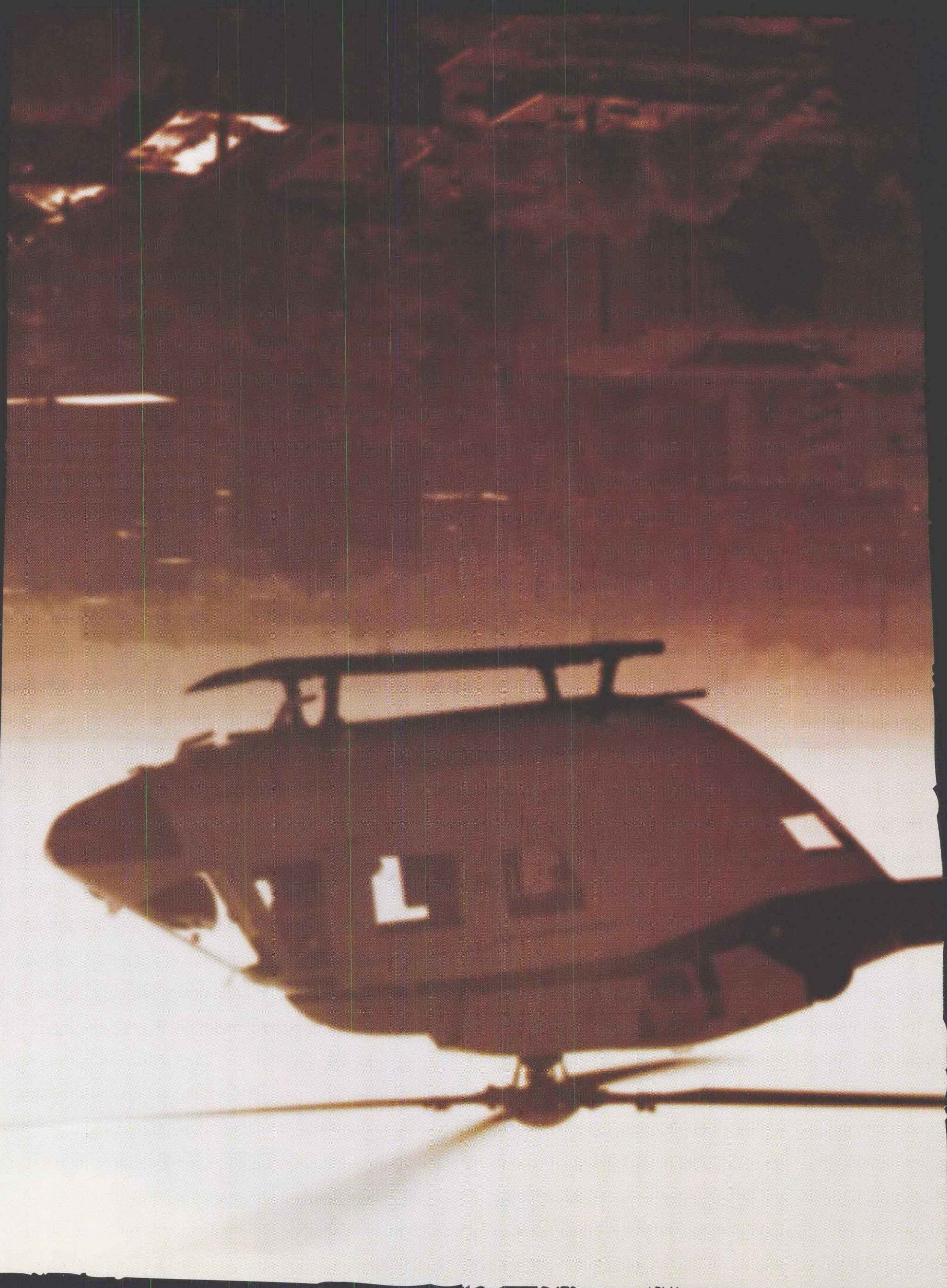
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Latin America

Continued from page 7

risk managers in other countries and we are hoping that there will soon be associations in Chile, Colombia, Peru, Guatemala, Costa Rica and Uruguay," Mr. Luzzi said.

One of the main objectives of ALARYS is to help educate risk managers, he said.

Many of the risk managers in Latin America do not attend international risk management meetings such as the annual RIMS convention because they do not speak English, Mr. Luzzi said.

One of ALARYS's long-term goals is to establish an education program in Spanish that will lead to a risk management designation comparable to the Associate of Risk Management designation in the United States, he said.

Risk management in Latin America varies from country to country and company to company, Mr. Luzzi said. "In Latin America, we have the past, present and future living together. We have risk managers who hold that title, we have insurance managers and we have people in the middle."

The sophisticated risk managers who work for multinational or large national companies in the region have been trained outside of Latin America. For example, Mr. Luzzi, the risk manager-Latin America for Pirelli Group S.p.A., was trained in Switzerland, and Jorge Luis Hernandez, president of ASVARS and risk manager for Lagoven S.A. in Caracas, Venezuela, was trained in the United States.

"At the moment, we are all sent overseas for training because there is no education program in Latin America," Mr. Luzzi said. **BI**

New risk management group aims to serve vast African-Asian region

By KATE TILLEY

A new African-Asian risk management association is up and running, following the adoption of a constitution and a new name.

The association, which will be called the Federation of Asian Pacific & African Risk Management Organizations, or FAPARMO, will include representatives from Australia, India, Japan, Malaysia, the Philippines, Singapore and South Africa.

Risk managers in each of those countries currently have their own risk management trade asso-

ciations, and all are also members of IFRIMA, the International Federation of Risk & Insurance Management Assns. (see story, page 6).

A decision on the name of the new federation was recently made by the regional IFRIMA representatives, who were in Sydney, Australia, last month for an IFRIMA board meeting held in conjunction with the annual conference of the Australasian Risk & Insurance Management Assn.

It is expected that Taiwan, which has just joined IFRIMA as its 23rd member association, may also affiliate with FAPARMO.

The new federation is planning its first conference for Kuala Lumpur, Malaysia, in October 1996.

Kevin W. Knight, IFRIMA chairman, wrote to the heads of the various regional risk management associations that make up FAPARMO in January, seeking support for a combined, regional umbrella association.

"If risk management in the countries of the Indian and Pacific Oceans region is to grow and prosper, there is a need for closer and more formal relationships to be developed, lest we waste scarce resources duplicating each other's efforts," he said.

Mr. Knight pointed out that risk managers in other regions of the world have their own associations, including: the Risk & Insurance Management Society Inc. in North America; Asociacion Latinoamericana de Administradores

'North American or European answers are not necessarily' right for regional questions, says Kevin Knight.

de Riesgos y Seguros, or ALARYS, in Latin America; and Assn. Europeenne des Assures de l'Industrie in Europe.

"It's a regional group which will address regional issues," Mr. Knight said of FAPARMO. "We've gone for a broad brush, geographically, because there are small organizations scattered across a large part of the world."

Mr. Knight said IFRIMA's role, by contrast, is to be "the United Nations of risk management," while FAPARMO would represent a specific geographic region.

"Each region has unique problems, and the North American or European answers are not necessarily the right answers to regional questions," he said.

According to its constitution, the new federation's objectives are:

- To promote and further the practice of risk management in countries in the Afro-Asian region.
- To encourage and assist the formation of risk management associations throughout the region.
- To promote and further the exchange of risk management materials and information among federation members.
- To promote educational activities and research that provide professional development of the science, art, attitudes and knowledge of risk management.
- To make known the needs and viewpoints of risk managers and to promote the free exchange of ideas.
- To cooperate with other professional societies and organizations.
- To assist in establishing and maintaining a competitive insurance market with adequate regulatory controls to ensure long-term stability.
- To do anything necessary and proper for the accomplishment of any of these objectives.

The draft constitution was based on the IFRIMA constitution. **BI**



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Offices: Claims	NA	NA
Underwriting	6	6
Employees	139	126
U.S.	2	2
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Int'l premiums	\$11.3 billion	\$11.1 billion
U.S.	17.7%	30.5%
Non-U.S.	82.3%	69.5%
Employees	32,080	33,643
U.S.	8,707	9,504
Non-U.S.	23,373	24,139
Foreign countries	50	47
Owned offices	30	29

Intl. P/C operations began: 1893.

Services: Captive programs; loss control services; statistics in support of international programs.

Licensed or accepted insurer in: Argentina (Colon Compania de Seguros Generales S.A., Compania Aseguradora Argentina S.A. de Seguros Generales, Plus Ultra Compania Argentina de Seguros S.A.), Austria (Anglo-Elementar Versicherungs-AG, Wiener Allianz Versicherungs-AG), Belgium (Allianz Versicherungs-AG), Brazil (Companhia Adriatica de Seguros Gerais), Canada (Allianz Insurance Co. of Canada, Cornhill Insurance Co. of Canada, Trafalgar Insurance Co. of Canada), Chile (Allianz Compania de Seguros S.A.), Czech Republic (Allianz Pojistovna A.S.), Denmark (Allianz Nordeuropa Forsikringsaktieselskabet), France (Allianz Via Assurances, Compagnie Generale de Prevoyance, Compagnie de Reassurances de Paris, Rhin et Moselle Assurances Francaise), Greece (Allianz General Insurance Co. S.A.), Hong Kong (Allianz Cornhill Insurance (Far East) Ltd.), Hungary (Hungaria Biztosito Rt.), Indonesia (P.T. Asuransi Allianz Utama Indonesia), Ireland (Cornhill Insurance P.L.C.), Italy (Allianz Pace Assicurazioni e Riassicurazioni, Allianz RAS Tutela Giudiziaria S.p.A., Riunione Adriatica di Sicurtà S.p.A.), Japan (Allianz Fire & Marine Insurance Japan Ltd.), Namibia (Allianz Insurance Namibia Ltd.), Netherlands (Allianz Nederland N.V. Schadeverzekeringsmaatschappij), Norway (Jac. O. Lyngaa & Co. A/S), Portugal (Portugal Previdente Companhia de Seguros), Russia (East-West Allianz Insurance Ltd.), Slovak Republic (Allianz Pojistovna A.S.), Singapore (Allianz Insurance (Singapore) Pte. Ltd.), South Africa (Allianz Insurance Ltd.), Spain (Allianz-Ercos S.A. de Seguros y Reaseguros, Allianz Industrial Compania de Seguros y Reaseguros S.A., Allianz RAS Seguros y Reaseguros S.A.), Sweden (Allianz Nordeuropa Forsakringsaktiebolaget), Switzerland (Allianz Continentale Allgemeine Versicherungs-AG, Allianz Versicherung (Schweiz) AG), United Arab Emirates (Allianz Versicherungs AG-Dubai Branch), United Kingdom (Allianz Cornhill International, Allianz Cornhill Legal Protection Insurance Co.

Ltd., Cornhill Insurance P.L.C.), United States (Allianz Insurance Co., Allianz Underwriters Insurance Co., Fireman's Fund Insurance Co., Jefferson Insurance Co. of New York), Venezuela (Adriatica Venezolana de Seguros C.A.).

Affiliates/fronting arrangements: Australia (MMI Insurance Group), Bulgaria, China, Egypt (Arab International Insurance Co.), Malaysia (Hong Leong Assurance Sdn. Bhd.), Mexico (Aseguradora Cuauhtemoc S.A.), New Zealand (MMI General Insurance NZ Ltd.), Peru (El Sol-Compania de Seguros Generales), Philippines, Taiwan (Fubon Insurance Co.), Thailand (The Navakij Public Insurance Co. Ltd.), Tunisia, Turkey (Sark Sigorta T.A.S.).

Officers: Henning Schulte-Noelle, chairman; Uwe Haasen, Herbert Hansmeyer, Diethart Breipohl, Detlev Bremkamp, Gerhard Rupprecht, Roberto Gavazzi.

U.S. contact: Wolfgang Schlink, chair-

man/president/CEO, Allianz Insurance Co., 818-972-8700.

American Excess Insurance Assn.

77 Hartland St., Suite 400, East Hartford, Conn. 06108; 203-528-2105; fax: 203-282-9393

	1993	1992
Int'l premiums	\$7,000,000	\$6,500,000
U.S.	50%	50%
Non-U.S.	50%	50%

Intl. P/C operations began: 1986.

Parent: Aetna Casualty & Surety, Continental Casualty, Continental Insurance, Employers Reinsurance, Federal Insurance, General Accident, General Reinsurance, Home Insurance, INA, Maryland Casualty, NAC Reinsurance, Travelers Indemnity, Zurich Insurance-U.S. branch.

Specialties: All third-party liability in excess of \$25 million.

Officers: John Kirby, president; Clinton C. Greene, vp; Norma C. Colgan, secretary/treasurer.

U.S. contact: William C. Hall, national marketing manager, 212-466-3447.

American International Underwriters

70 Pine St., New York, N.Y. 10270;
212-770-7000; fax: 212-742-6786

	1993	1992
Int'l premiums	\$4.65 billion	\$4 billion
Offices: Claims	154	158
Underwriting	205	278
Employees	8,240	8,271
U.S.	746	732
Non-U.S.	7,494	7,539
Foreign countries	67	68
Owned offices	59	60
Combined ratio	94.9%	95.7%

Intl. P/C operations began: 1919.

Parent: American International Group Inc.

Services: Captive programs, loss con-

trol services for all major lines, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Argentina, Australia, Austria, Belgium, Bermuda, Brazil, Canada, Chile, China, Colombia, Cyprus, Czech Republic, Denmark, Ecuador, Finland, France, Germany, Greece, Guam, Guatemala, Honduras, Hong Kong, Hungary, Indonesia, Ireland, Italy, Jamaica, Japan, Kenya, Korea, Latvia, Malaysia, Malta, Netherlands, Netherlands Antilles, New Zealand, Norway, Pakistan, Panama, Papua New Guinea, Paraguay, Philippines, Poland, Portugal, Puerto Rico, Romania, Saipan, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, Trinidad, Turkey, Uganda, United Kingdom, United States, Zimbabwe.

Affiliates/fronting arrangements: Bahrain, Bolivia, Egypt, Estonia, Mexico, Nigeria, Peru, Venezuela.

Continued on next page

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Continued from previous page

Officers: Robert Sandler, chairman; Evan Greenberg, president/CEO; William Freda, senior vp-claims; Nicholas Tyler, senior vp-technical services; Edward Cloonan, vp-external affairs; Thomas Kaiser, president-energy division; Kurt Schwamberger, president-personal lines division; Joseph Smetana, president-commercial lines division; Jeffrey Kestenbaum, president-accident/health division.
U.S. contact: Edward Cloonan, 212-770-6114.

Arkwright Mutual Insurance Co.

225 Wyman St., Waltham, Mass. 02254; 617-890-9300; fax: 617-890-0075

	1993	1992
Int'l premiums	\$86,444,000	\$94,360,000
U.S.	66%	57%
Non-U.S.	44%	43%
Offices: Claims	NA	NA
Underwriting	6	6
Employees	100	130
U.S.	36	36
Non-U.S.	64	94

Foreign countries	64	64
Owned offices	4	1
Combined ratio	90.7%	98.6%

Intl. P/C operations began: 1963.
Specialties: Commercial and industrial risks.

Services: Captive programs, loss control services for property risks, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Canada, United States.

Affiliates/fronting arrangements: Mexico and service through Factory Mutual International in other locations. See Factory Mutual International listing for specific countries.

Officers: William J. Poutsika, president/CEO; W. Glenn Yancey, executive vp; Robert J.M. O'Hare, senior vp/secretary/general counsel; Richard J. Roth, senior vp-underwriting; Wolfgang F. Friedel, senior vp-sales/marketing/international operations; Kenneth W. Davey, vp/manager-European operations.
U.S. contact: Wolfgang F. Friedel.



Chubb Group of Insurance Cos.

15 Mountain View Road, Warren, N.J. 07059; 908-903-2000; fax: 908-903-3402

	1993	1992
Int'l premiums	\$649,334,000	\$545,261,000
U.S.	25%	25%
Non-U.S. owned ..	75%	75%
Offices: Claims	26	26
Underwriting	26	26
Employees	1,048	1,048
U.S.	46	46
Non-U.S.	1,002	1,002
Foreign countries ..	27	27
Owned offices	25	25

Intl. P/C operations began: 1960.
Parent: The Chubb Corp.
Specialties: Financial institutions, manufacturers, electronics, printers,

food processors, exporters (all types), directors and officers, mining, law firms, museums and cultural institutions.

Services: Captive programs, loss control services.

Licensed or accepted insurer in: Australia (Chubb Insurance Co. of Australia), Belgium, Brazil (Chubb do Brasil Companhia de Seguros), Canada (Chubb Insurance Co. of Canada), Chile (Chubb de Chile Compania de Seguros Generales S.A.), Colombia (Chubb de Colombia Compania de Seguros S.A.), Denmark, France, Germany, Hong Kong, Ireland, Italy, Japan, Netherlands, Puerto Rico, Singapore (Chubb Pacific Underwriting Management Services (PTE) Ltd.), South Korea, Spain, Taiwan, Thailand (Chubb Insurance Co. (Thailand) Ltd.), United Kingdom (Chubb Insurance Co. of Europe), United States.

Affiliates/fronting arrangements: Mexico, Venezuela.

Officers: Dean R. O'Hare, chairman/CEO-Chubb Corp.

U.S. contact: Don Mergen, 908-903-3351 or Dennis Orio, 908-903-3808.

CIGNA International

2 Liberty Place, 1601 Chestnut St., Philadelphia, Pa. 19192; 215-761-4593; fax: 215-761-5584

	1993	1992
Int'l premiums	\$1.73 billion	\$1.78 billion
U.S.	7.4%	8.3%
Non-U.S. owned ..	92.6%	91.7%
Offices: Claims	197	211
Underwriting	197	211
Employees	3,630	4,102
U.S.	380	403
Non-U.S.	3,250	3,699
Foreign countries ..	47	63
Owned offices	39	59
Combined ratio	105.4%	112.9%

Intl. P/C operations began: 1792.
Parent: CIGNA Corp.

Specialties: Energy and technical lines; marine; accident and health; casualty, primary and excess; cross-border risk management programs.

Services: Captive programs, loss control services, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Argentina, Australia, Austria, Belgium, *Continued on next page*



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Sr. V.P., National Sales Director, Alexis, 17187 N. Laurel Park Drive, Livonia, MI 48152.

How to use this directory

The *Business Insurance* directory of global property/casualty insurers lists international insurers that responded to a BI questionnaire. The directory is published as an editorial service; there is no charge for companies to be listed.

If provided by the insurer, financial and operational information for 1993 and 1992 is listed. **Foreign gross premiums**, in U.S. dollars, for property and casualty risks (and the percent generated by foreign operations of U.S. employers vs. foreign operations of non-U.S. employers) are given. Also provided are the number of **foreign claims** and **underwriting offices**; the number of **employees** involved in foreign property/casualty services, including those in U.S. and non-U.S. locations; the number of **foreign countries represented**; and the number of countries in which the company owns offices (51% or more ownership). The insurer's **combined ratio** for foreign business may also be noted.

Business Insurance defines "foreign" as business in any country other than that in which the company is domiciled.

Next is the year the insurer's international operations began, its **parent company** and **risks** the company specializes in insuring. **Special services** provided that relate to international business follows.

Countries in which the company operates as a **licensed or accepted insurer** and where they participate through **fronting or affiliates** is listed next. If individual company or office names for each particular country were provided by the insurer, they are included in the listing only if significantly different from the parent company name. Finally, names and titles of the **principal officers** and a U.S.-based **contact person** are supplied.

To locate companies that do business in a specific country, refer to the **geographic index** following the directory. The index includes only the names of the property/casualty insurers listed in the directory. Information on subsidiaries and fronting arrangements are available in the directory listings.

Although every effort is made to obtain complete and accurate *Business Insurance* is unable to verify all information it receives.

Spotlight report

Continued from previous page

Brazil, Canada, Chile, Colombia, Denmark, Ecuador, France, Germany, Greece, Guam, Guatemala, Hong Kong, Indonesia, Ireland, Italy, Japan, Korea, Macao, Malaysia, Mexico, Netherlands, New Zealand, Norway, Panama, Philippines, Portugal, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, United States, Venezuela.

Officers: H.E. Hanway, president; David Wood, senior vp-finance; Gary Schmalz-reidt, senior vp-property/casualty; Bendt Themstrup, senior vp-accident/health; Alan May, senior vp-global risk management.

U.S. contact: Roger W. Davis, senior vp-marketing.

Commercial Union P.L.C.

St. Helen's, 1 Undershaft, London EC3P 3DQ, England; 44-71-283-7500; fax: 44-71-662-8182

	1993	1992
Int'l premiums	\$3.99 billion	\$4.26 billion
U.S.	46%	49%
Non-U.S.	54%	51%

Employees	9,783	10,032
U.S.	3,463	3,569
Non-U.S.	6,320	6,463
Combined ratio	109%	113%

Intl. P/C operations began: 1870.

Specialties: Marine.

Licensed or accepted insurer in: Australia, Belgium, Brazil, Canada, Colombia, Cyprus, France, Greece, Italy, Malaysia, Netherlands, Poland, Portugal, Spain, Thailand, Turkey, United Kingdom, United States, Zimbabwe.

Officers: John Carter, CEO; Tony Wyand, Peter Ward, executive directors; Peter Foster, finance director.

U.S. contact: K. Duffy, chairman/CEO-U.S., 617-725-7585.

The Continental Corp.

180 Maiden Lane, New York, N.Y. 10038; 212-440-3000; fax: 212-440-7130

	1993	1992
Int'l premiums	\$557,398,000	\$874,161,000
Offices: Claims	28	39
Underwriting	29	37
Employees	1,047	1,494
U.S.	82	124
Non-U.S.	965	1,370
Foreign countries	56	56

Owned offices 29 39

Intl. P/C operations began: 1964.

Specialties: Global programs, controlled master and property casualty programs, foreign package policies and exporters package policies.

Services: Loss control services for property and casualty, global and controlled master and property/casualty programs reporting.

Licensed or accepted insurer in: Argentina, Bahamas, Belgium, Bermuda (Continental Risk Services Ltd., East River Insurance Co.), Canada (The Continental Insurance Co. of Canada, Dominion Insurance Corp.), Cyprus, Denmark, France, Germany, Greece, Guadeloupe, Hong Kong (Lombard Insurance Co. Ltd.), Italy, Macao, Martinique, Netherlands, Puerto Rico (Continental Insurance Co. of Puerto Rico), Singapore, Taiwan, United Kingdom (Continental Insurance Europe), United States, Virgin Islands.

Affiliates/fronting arrangements: Australia, Austria, Brazil, Chile, China, Colombia, Dominican Republic, Egypt, Ecuador, Finland, Guam, Guatemala, Haiti, Hungary, Indonesia, Ireland, Ja-

maica, Japan, Malaysia, Mexico, New Zealand, Norway, Panama, Peru, Philippines, Portugal, Saudi Arabia, South Korea, Spain, Sweden, Switzerland, Trinidad, Venezuela, Yugoslavia.

Officers: John P. Mascotte, chairman/CEO/president/COO; Wayne H. Fisher, executive vp-The Continental Corp./president-Special Operations Group; Michael J. Marchesani, president-Continental International; Byron Messier, president/COO-Continental Canada.

U.S. contact: Michael J. Marchesani, 609-395-2476.

F

Factory Mutual International

Southside, 105 Victoria St., London, SW1E 6QT, England; 44-71-828-7799; fax: 44-71-630-5335

	1993*	1992*
Offices: Claims	4	4
Underwriting	1	4

Employees	420	320
Foreign countries	62	58
Owned offices	2	2

* Financial information reported in listings of parent companies (on an equity basis).

Intl. P/C operations began: 1963.

Parent: Allendale Insurance Co., Arkwright, Protection Mutual Insurance.

Specialties: Industrial and commercial property.

Services: Captive programs, loss control services for commercial property, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Australia, Belgium, Bermuda (non-admitted), Denmark, France, Germany, Hong Kong (non-admitted), Ireland, Italy, Luxembourg, Netherlands, New Zealand (non-admitted), Norway, Saudi Arabia (non-admitted), Sweden, United Kingdom.

Affiliates/fronting arrangements: Argentina, Austria, Bahamas, Botswana, Brazil, Chile, Colombia, Czech Republic, Dominican Republic, Ecuador, El Salvador, Egypt, Finland, Greece, Guatemala, Honduras, Hungary, India, Indonesia, Israel, Italy, Jamaica, Japan, Luxembourg, Malaysia, Norway, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Russia, Singapore, Slovak Republic, South Africa, South Korea, Spain, Sri Lanka, Switzerland, Taiwan, Thailand, Trinidad, Tunisia, Turkey, United Arab Emirates, Uruguay, Venezuela.

Officers: S.D. Simpson, managing director; S.S. Subramaniam, F.J. Bumpus, D.E. Johnson, directors.

U.K. contact: Jacky Sutherland, manager-public relations.

G

Assicurazioni Generali S.p.A.

Piazza Duca degli Abruzzi 2, Trieste, Italy 34132; 39-40-671111; fax: 39-40-671600

	1993	1992
Int'l premiums	\$7.28 billion	\$8.01 billion
Foreign countries	32	NA

Intl. P/C operations began: 1831.

Services: Captive programs, loss control services for industrial and technological risks, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Argentina, Australia, Austria, Belgium, Brazil, Canada, Colombia, Ecuador, France, Germany, Greece, Guatemala, Guernsey, Hungary, Ireland, Italy, Luxembourg, Mexico, Netherlands, Peru, Portugal, Romania, South Africa, Spain, Switzerland, Turkey, United Kingdom, United States.

Affiliates/fronting arrangements: Israel, Japan, Mexico, Nigeria, Tunisia.

Officers: Eugenio Coppola di Canzano, chairman/managing director; Antoine Bernheim, Francesco Cingano, vice chairmen; Gianfranco Gutty, managing director.

U.S. contact: Giorgio Balzer, U.S. representative, Generali branch, New York.

Gerling Insurance Group

Gereonshof, 50597 Cologne, Germany; 49-221-1441; fax: 49-221-144-3319

	1993	1992
Int'l premiums	\$499,000,000	\$432,000,000
Employees	8,927	9,065
Foreign countries	26	25
Owned offices	25	24

Intl. P/C operations began: 1955.

Parent: Gerling-Konzern Versicherungs-Beteiligungs-Aktiengesellschaft.

Specialties: Industrial and commercial risks.

Services: Captive programs, loss control services, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, France, Germany (Assumo Assekuranz Service & Management Organization GmbH, Deutscher Herold Rechtsschutz Versicherungs AG, Frankona Ruckversicherungs-AG, Geranta Vermögensanlagen GmbH, Megant Gesellschaft für Mehrwertdienste mbH, multiple operations under a Gerling name), Greece, Hungary, Ireland, Italy, Japan, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Portugal, South Africa, Spain (Gerling-Konzern Estudios de Riesgos Industriales S.A., Servicios Generales de Correduría de Reaseguros S.A.), Sweden, Switzerland, United Kingdom, United

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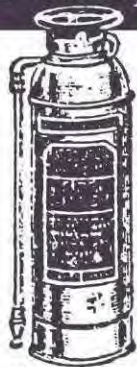
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States.
Affiliates/fronting arrangements: Austria (Gerling Pensionskasse fur die Industrie AG), Brazil (Gerling Sul America), Luxembourg (Lux-life S.A.).

Officers: Adolf Kracht, chairman; Jurgen Zech, deputy chairman; Jochen Aymanns, Uwe-Volker Bilitza, Norbert Strohschen, Frank Thomas, board members.

U.S. contact: Wolfgang Schlaeger, president-Gerling America Insurance Co., 212-752-7500.



Home Insurance Co.

59 Maiden Lane, New York, N.Y. 10038; 212-530-7071; fax: 212-530-3004

	1993	1992
Int'l premiums	\$111,000,000	\$58,000,000
U.S.	100%	100%

Combined ratio 95.0% 98.0%

Intl. P/C operations began: 1990.

Parent: Home Holdings Inc.

Specialties: Property and casualty industrial, commercial and specialty lines.

Services: Captive programs, loss control services for property and casualty, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Canada, Puerto Rico, United States, Virgin Islands.

Affiliates/fronting arrangements: Argentina, Australia, Austria, Bahrain, Belgium, Brazil, Canada, Chile, Colombia, Cyprus, Czech Republic, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Finland, France, Germany, Greece, Guam, Honduras, Hong Kong, Hungary, Indonesia, Ireland, Israel, Italy, Japan, Jordan, Kuwait, Latvia, Lebanon, Malaysia, Mexico, Morocco, Netherlands, New Zealand, Commonwealth of North Marianas Islands, Norway, Oman, Panama, Peru, Philippines, Poland, Portugal, Puerto Rico, Qatar, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Tu-

nisia, Turkey, United Arab Emirates, United Kingdom, Venezuela, Vietnam, Yemen.

Officers: Peter O'Connor, senior vp-international; Al Kappelmann, assistant vp-property; Diana Kollin, director-claims; Larry Marks, secretary-loss control (property); Bernard Mooney, assistant vp-home foreign; Wayne Osterman, secretary-systems/operations; Lucrecia Fernandez-Serrano, senior counsel-law/trade; James Walczak, assistant vp-casualty; Caj Weckstrom, assistant vp-reverse flow; Arthur Wilson, assistant vp-controller.

U.S. contact: Peter O'Connor, 212-530-7373.



Kemper International Corp.

1 Kemper Drive, Long Grove, Ill. 60049-0001; 708-320-3767; fax: 708-320-4271

	1993	1992
Int'l premiums	\$82,598,000	\$69,222,000
U.S.	30%	20%
Non-U.S.	70%	80%
Offices: Claims	16	16
Underwriting	16	16
Employees	142	150
U.S.	30	30
Non-U.S.	112	120
Foreign countries	77	77
Owned offices	9	9
Combined ratio	138%	NA

Intl. P/C operations began: 1969.

Parent: Lumbermens Mutual Casualty Co.

Specialties: Specialized middle market packages; industrial property, including engineered loss prevention programs.

Services: Captive programs, loss control services, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Australia, Belgium, Bermuda (Seven Continents Insurance Co. Ltd.), France, Germany, Japan (Lumbermens Mutual Casualty Co.), Netherlands, Singapore, United Kingdom, United States.

Affiliates/fronting arrangements: Algeria, Antigua, Argentina, Austria, Bahamas, Bahrain, Barbados, Belgium, Brazil, British Virgin Islands, Brunei, Cameroon, Canada, Cayman, Central African Republic, Chile, China, Colombia, Comoros, Cook Island, Curacao, Cyprus, Denmark, Djibouti, Dominican Republic, Dubai, Ecuador, Egypt, El Salvador, Fiji, Finland, France (UAP/Kemper HPR Co.), French Guiana, French Polynesia, Gabon, Gibraltar, Greece, Guadeloupe, Guam, Guatemala, Haiti, Honduras, Hong Kong, Indonesia, Ireland, Israel, Italy, Ivory Coast, Jamaica, Jordan, Kenya, Kuwait, Liechtenstein, Luxembourg, Malaysia, Malta, Martinique, Mexico, Monaco, Morocco, New Caledonia, New Zealand, Niger, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Portugal, Qatar, Reunion, Rwanda, Saudi Arabia, Senegal, Solomon Islands, South Korea, Spain, Sudan, Surinam, Sweden, Switzerland, Tahiti, Taiwan, Thailand, Togo, Tonga, Trinidad & Tobago, Tunisia, Turkey, U.S. Virgin Islands, United Arab Emirates, Uruguay, Vanuatu, Venezuela, Western Samoa, Yemen.

Officers: J.S. Kemper III, chairman; R.L. Smialek, CEO; T.J. Hoeh, president; M.R. Del Rosso, W.L. Halvorsen, W.E. Simmons, W.L. White, vps.

U.S. contact: Theodore J. Hoeh, 708-320-3767.



Protection Mutual Insurance Co.

300 S. Northwest Highway, Park Ridge, Ill. 60068; 708-825-4474; fax: 708-825-1936

	1993	1992
Int'l premiums	\$53,300,000	\$44,000,000
U.S.	35%	55%
Non-U.S.	65%	45%
Offices: Claims	4	4
Underwriting	5	4
Employees	51	48
U.S.	9	9
Non-U.S.	42	39

Continued on page 22

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When it comes to employee benefits, decision-makers turn to *Business Insurance* for the complete picture.

Beyond compliance with the Family & Medical Leave Act and uncertainty over the president's health care initiatives, corporate decision-makers are left pondering the future of employee benefits. As they seek information on trends and developments that will shape future employee benefit programs, these executives turn to *Business Insurance* for the complete benefits picture.



Whether they're evaluating health care programs, concerned about work and family issues, retirement planning, or negotiating terms for international benefit networks, *BI's* corporate readers rely on the perspective they receive from our employee benefits coverage each week. In fact, 84% say they take action after reading our articles or ads. And they'll turn with even greater interest to our upcoming spotlight reports and reference directories that deliver in-depth reporting on specialized topics.

To reach the benefits decision-makers in the leading companies — many of which have offices around the world — you'll want to display your sales message in *Business Insurance*. Our average corporate reader represents a company with 3,400 employees and 44% have operations in both the U.S. and abroad. And because they all review their programs at least annually (23% review them even more frequently), the benefits of advertising to these executives come into sharp focus. If you're an agent or broker, the picture gets even clearer: two-thirds of these decision-makers utilize agent/broker services when conducting their reviews.



If you're interested in reaching the brokers of insurance and benefits programs, *BI* captures them as well. Seventy percent of the agents and brokers reading *Business Insurance* place group health insurance and other employee benefits. And many of them also provide additional services like benefit plan design consulting, administration and employee benefits information systems.

When you're looking to create a lasting impression on either the buyers or the sellers of employee benefits programs, the best place to develop your image is in *Business Insurance*. Take a look at the list of benefits issues coming up and then call your district sales manager to reserve space today. You won't want to be left out of the picture.

All statistics from the *Business Insurance* Audience Profile, 1993, Erdos & Morgan/MPG.



Upcoming Benefits Issues:

Work & Family
Directory: Dependent Care Resource & Referral Services

Communicating with Employees
Directory: Benefit Communication Systems

Pensions/Retirement Plans
Directory: 401(k) Plan Administrators

EBC Award Profiles

International Benefits & Risk Mgmt
Directory: Int'l Insurers & Benefit Networks

Market Report
Directory: Benefit Consultants

Publishing: Closing:

July 25	July 13
August 15	August 3
September 5	August 24
November 7	October 26
December 5	November 23
December 19	December 7

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 220 East 42nd Street
 NY 10017-5806
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 Fax: (212) 210-0704

Chicago:
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 IL 60611-2590
 (312) 649-5276
 Fax: (312) 649-7799

Los Angeles:
 6500 Wilshire Blvd
 CA 90048-4947
 (213) 651-3710
 Fax: (213) 655-8157

Business Insurance
 Coverage Guaranteed

Continued from page 20

Foreign countries	58	58
Owned offices	2	2
Combined ratio	101.6%	102.0%

Intl. P/C operations began: 1963.

Specialties: Industrial and commercial property.

Services: Captive programs, loss control services for property, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Canada, United States.

Affiliates/fronting arrangements: Mexico and service through Factory Mutual International in other locations. See Factory Mutual International listing for specific countries.

Officers: D.E. Johnson, president/CEO; D.M. Anderson, vp-engineering; J.W. Black, vp-regional operations; J.A. Burchill, A.M. Grant, vps-planning; W.R. Linhares, vp-underwriting; J.M. Os-kandy, vp-corporate affairs; A.B. Lange, vp/treasurer; R.H. Matthias Jr., secretary/general counsel.

U.S. contact: Chris Johnson, vp-international operations.

R

Royal Insurance Group

Royal Global, 34 Lime St., London EC3M 7JE, England; 44-71-283-9000; fax: 44-71-220-6804

	1993	1992
Intl' premiums	NA	NA
U.S.	31.4%	27%
Non-U.S.	68.6%	73%
Offices: Claims	800	800
Underwriting	800	800
Employees	9,350	9,800
U.S.	4,450	4,900
Non-U.S.	4,900	4,900
Foreign countries	90	86
Owned offices	29	29

Intl. P/C operations began: 1845.

Parent: Royal Insurance Holdings P.L.C.

Specialties: Industrial and commercial multiline programs.

Services: Captive programs, loss con-

trol services for industrial and commercial multinational clients, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Bahamas (Bahamas First General Insurance Co. Ltd.), Barbados (United Insurance Co. Ltd.), Bermuda, Canada (Compagnie d'Assurance du Quebec, Roins Holding Ltd., Royal Insurance Co. of Canada, Western Assurance Co.), Channel Islands (Insurance Corp. of the Channel Islands Ltd., Royal Insurance Service Co. (Guernsey) Ltd.), Chile (Compania de Seguros la Republica S.A.), Hong Kong (Taikoo Royal Insurance Co. Ltd.), Indonesia (PT Asuransi Royal Indrapura), Isle of Man (Tower Insurance Co. Ltd., Royal Insurance Service Co. (Isle of Man) Ltd.), Italy (Lloyd Italiano Assicurazioni S.p.A.), Kenya, Puerto Rico, Spain (Compania de Seguros y Reaseguros, Royal Insurance Espana S.A., Royal Life Compania Espanola de Seguros y Re Vida S.A., Regal Insurance Club Compania Espanola de Seguros S.A.), United Kingdom (BE Inspection

Ltd., British Engine Insurance Ltd., The British & Foreign Marine Insurance Co. Ltd., The CareAssist Group Ltd., The Globe Insurance Co. Ltd., The Insurance Service P.L.C., Malaysia (Royal Insurance (Malaysia) Sdn. Bhd.), The Marine Insurance Co. Ltd., multiple operations under a Royal name), United States (American & Foreign Insurance Co., Globe Indemnity Co., Newark Insurance Co., Safeguard Insurance Co. and multiple operations under a Royal name), Uruguay (London & Lancashire Cia Anglo-Oriental de Seguros S.A.), Venezuela (CA de Seguros Royal Caribe de Venezuela).

Affiliates/fronting arrangements: Antigua, Argentina, Australia (Sun Alliance & Royal Insurance Australia Holdings Ltd.), Austria, Belgium, Bolivia, Brazil, Brunei, China, Colombia (Cia de Seguros La Andina S.A.), Curacao, Cyprus, Czech Republic, Denmark, Dominica, Dubai, Ecuador, Egypt, Estonia, Falkland Islands, Finland, France, Germany, Gibraltar, Greece, Grenada, Guadeloupe, Hungary, Iceland, India, Ireland, Ivory Coast, Jamaica, Japan, Latvia, Luxembourg (EPIC European Partners

for Insurance Cooperations S.A.), Macao, Malawi, Malta, Martinique, Mauritius, Mexico, Montserrat, Morocco, Namibia, Netherlands, New Zealand, Nigeria, Norway, Oman, Pakistan, Peru, Philippines, Poland, Portugal, Russia, St. Lucia, St. Vincent, Saudi Arabia, Senegal, Singapore, Slovak Republic, South Africa (Mutual & Federal Investments Ltd.), South Korea, Sweden, Switzerland, Taiwan, Thailand, Trinidad & Tobago, Turkey, Turks & Caicos, United Kingdom (British Aviation Insurance Co. Ltd., Nissan Insurance Co. (Europe) Ltd.), Virgin Islands, Zimbabwe.

Officers: T.J. Brown, managing director; R.O. Hudson, operations director; L.N. Campbell, marine; S.A. Atkins, re-insurance; G.A. Richards, finance.

U.S. contact: A. Driscoll, vp, New York.

W

Winterthur Swiss Insurance Co. Ltd.-International Division

Rudolfstrasse 1, P.O. Box 286, Winterthur, Switzerland; 41-52-261-1111; fax: 41-52-212-1629

	1993	1992
Intl' premiums	\$2.8 billion	\$2.6 billion
U.S.	30%	30%
Non-U.S.	70%	70%
Employees	400	400
U.S.	50	50
Non-U.S.	350	350
Foreign countries	50	50
Owned offices	50	50

Intl. P/C operations began: 1875.

Parent: Winterthur Swiss Insurance Co. Ltd.

Specialties: Casualty, property, life, accident and health, motor, marine.

Services: Captive programs; loss control services for casualty and property lines; retrospectively rated programs; statistics in support of international programs.

Licensed or accepted insurer in: Australia (CIC Insurance), Austria, Belgium (Starlife, Winterthur-Europe Assurances, Winterthur Vie), Bermuda, Canada (The Citadel General, Winterthur Life), Cayman Islands (Commonwealth Insurance), China, Denmark, France, Germany (DBV Versicherungen, Telecon, Transatlantische, Winterthur Garantie, Winterthur Leben, Winterthur Versicherungen), Hong Kong, Indonesia, Italy (Intercontinentale Assicurazioni, Sapa Assicurazioni, Veneta Assicurazioni, Veneta Vita, Winterthur Assicurazioni, Winterthur Vita), Japan, Luxembourg, Netherlands, Portugal (Europeia Seguros), Singapore, Spain, Switzerland (The Federal, Neuchatel General, Neuchatel Life, Vitodurum Insurance, Winterthur Insurance, Winterthur Legal Assistance, Winterthur Life), Taiwan, United Kingdom (Churchill Insurance, Provident Life, Winterthur International), United States (General Casualty, Republic Financial Services, Southern Guaranty, Unigard, Winterthur Life Re, Insurance, Winterthur Re of America).

Affiliates/fronting arrangements: Brazil, Japan (The Chiyoda Fire & Marine Insurance Co. Ltd.)

Officers: Peter Spalti, chairman/CEO; Willi E. Schurpf, executive vp; Willi Suter, senior vp.

U.S. contact: George Keller, vp-international department, 214-559-1457. **EI**



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The directory of international benefit networks begins on page 46.

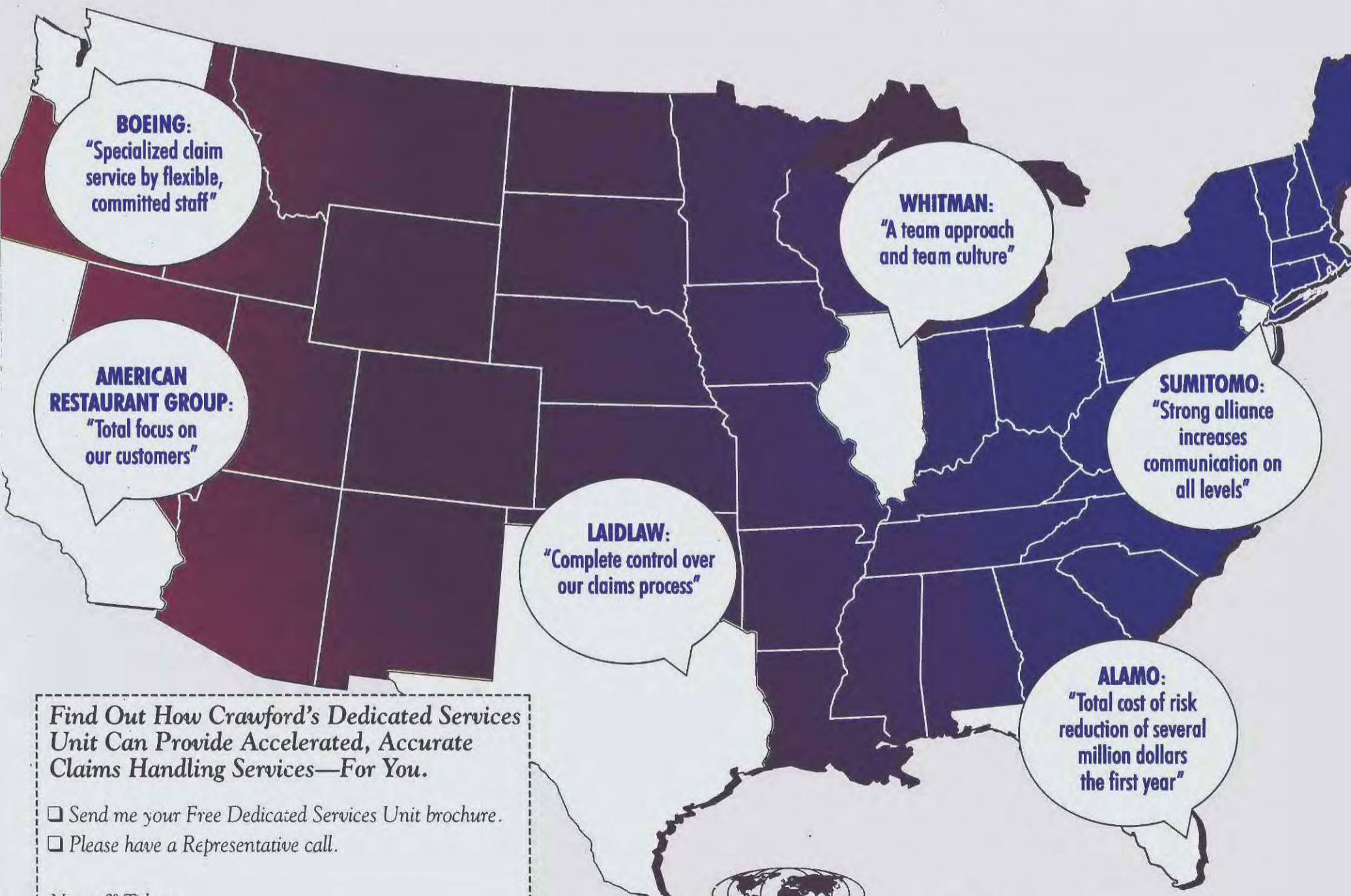
If your organization conducts property/casualty insurance business or benefit network business in countries other than which you are based and would like receive a questionnaire to be listed in either of these annual directories, send requests to: Kathy Welyki, Directory Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; fax: 312-649-7801.

Please include the name of your company, a contact person's name along with their title, phone number, fax number and mailing address in your request.

Questionnaires will be mailed a couple of months prior to the directories' publication date.

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International property/casualty insurers by nation

Algeria

Kemper International Corp.

Antigua

Kemper International Corp.

Argentina

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Allianz AG Holding
American International Underwriters
Arkwright Mutual Insurance Co.
CIGNA International
The Continental Corp.
Factory Mutual International
Generali
The Home Insurance Co.

Kemper International Corp.
Protection Mutual Insurance Co.
Royal Insurance Group
Zurich Insurance Group

Australia

Allendale Insurance
Allianz AG Holding
American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA International
Commercial Union P.L.C.
The Continental Corp.
Factory Mutual International
Generali
Gerling Insurance Group
The Home Insurance Co.
Kemper International Corp.

Protection Mutual Insurance Co.
Winterthur Swiss Insurance Co. Ltd.
Zurich Insurance Group

Austria

Allendale Insurance
Allianz AG Holding
American International Underwriters
Arkwright Mutual Insurance Co.
CIGNA International
The Continental Corp.
Factory Mutual International
Generali
Gerling Insurance Group
The Home Insurance Co.
Kemper International Corp.
Protection Mutual Insurance Co.
Royal Insurance Group
Winterthur Swiss Insurance Co. Ltd.
Zurich Insurance Group

Bahamas

Allendale Insurance
Arkwright Mutual Insurance Co.
The Continental Corp.
Factory Mutual International
Kemper International Corp.
Protection Mutual Insurance Co.
Royal Insurance Group
Zurich Insurance Group

Bahrain

American International Underwriters
The Home Insurance Co.
Kemper International Corp.
Zurich Insurance Group

Barbados

Kemper International Corp.
Royal Insurance Group
Zurich Insurance Group

Belgium

Allendale Insurance
Allianz AG Holding
American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA International
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The Continental Corp.
Factory Mutual International
Generali
Gerling Insurance Group
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Royal Insurance Group
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Zurich Insurance Group

Bermuda

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Factory Mutual International
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Protection Mutual Insurance Co.
Royal Insurance Group
Winterthur Swiss Insurance Co. Ltd.
Zurich Insurance Group

Bolivia

American International Underwriters
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Zurich Insurance Group

Botswana

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Factory Mutual International
Protection Mutual Insurance Co.

Brazil

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Kemper International Corp.
Protection Mutual Insurance Co.
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British Virgin Islands

Kemper International Corp.


Brunei

Kemper International Corp.
Royal Insurance Group

Bulgaria

Allianz AG Holding

Continued on page 26




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Spotlight report

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Continued from previous page

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Zurich Insurance Group

Japan

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Zurich Insurance Group

Jordan

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Zurich Insurance Group

Kenya

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Zurich Insurance Group

Kuwait

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Home Insurance Co.

Libya

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Malta

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Mauritius

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Continued on page 32



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Risk Management.**

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history, we've worked to understand the effects of fire through our partnership with Factory Mutual Engineering & Research.

NO ONE REALLY KNOWS AT WHAT

WHILE BEST RECOGNIZED FOR LARGE-scale fire testing, we have also worked for

precise point fire was first discovered. But for the sake of argument, we'll assume it didn't take much



well over a century developing new technologies to control fire and help our cus-

longer to discover how destructive it can be.

tomers reduce its damaging effects.

GENERATIONS HAVE BEEN TRYING TO understand fire, to control its potential, and to minimize the damage it can cause to property. Which is why, throughout our

A CASE IN POINT: FOR CLOSE TO TWO decades our scientists have developed sophisticated computer models that create simulated fires in a given environment.

These models analyze a range of solutions tailored to each particular business.

probabilities, determining the likelihood of

AT ALLENDALE, WE'RE PIONEERING

a particular event occurring, and the

technology to help protect our policy-

impact of the available protection

holders' property from potential

alternatives. They also evaluate

losses. We've been in business for

potential routes the fire may take and the

over 150 years. Instead of looking back, we

effects of heat and smoke. All on a comput-

look forward to anticipate the ever-chang-

er screen no larger than this page. All

ing needs of our policyholders.

without ever having to ignite a fire.

WE BELIEVE AN INSURANCE COMPANY

OBVIOUSLY, THIS EFFORT HAS HELPED US

should do more than just insure your

better evaluate fires. More important, the

property. Indeed, we do everything in our

process has helped us further understand each

power to help you prevent losses, minimize

of our customers. This, in turn, allows

damage from them, and eliminate the

us to create cost-effective

disruptions they can cause.



Spotlight report

Continued from page 28

Monaco

Kemper International Corp.

Montserrat

Royal Insurance Group

Morocco

Home Insurance Co.
Kemper International Corp.
Royal Insurance Group
Zurich Insurance Group

Namibia

Allianz AG Holding
Royal Insurance Group

Netherlands

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Zurich Insurance Group

Netherlands Antilles

American International Underwriters

New Caledonia

Kemper International Corp.

New Zealand

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Zurich Insurance Group

Nigeria

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Zurich Insurance Group

North Marianas Islands

Home Insurance Co.

Norway

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Oman

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Royal Insurance Group
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Pakistan

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Panama

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Zurich Insurance Group

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Kemper International Corp.

Paraguay

American International Underwriters
Kemper International Corp.

Peru

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Protection Mutual Insurance Co.
Royal Insurance Group
Zurich Insurance Group

Philippines

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Protection Mutual Insurance Co.
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Zurich Insurance Group

Poland

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Home Insurance Co.
Protection Mutual Insurance Co.
Royal Insurance Group

Portugal

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Kemper International Corp.
Protection Mutual Insurance Co.
Royal Insurance Group
Winterthur Swiss Insurance Co. Ltd.
Zurich Insurance Group

Puerto Rico

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Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

Agency growth is a principal goal

Owners play a pivotal role

By SALLY ROBERTS

Agency owners who want to maximize their growth potential should consider passing existing accounts on to account executives, and focus instead on winning new business, experts say.

Because 90% of the growth generated in an insurance agency is attributable to its owners, agencies should look at hiring account executives to service existing accounts at lower commissions, which would free up principals for selling.

"The longevity of the agency lies with the owners," said Paul A. Whiting, president of John H. Jaques Inc., an agency consulting firm in Petaluma, Calif.

Today's owners, he said, need to ask themselves: What am I willing to give up to bring in new business?

Turning account servicing over to account executives—who have no pressure to sell—can lower costs and keep customer service at the same level, Mr. Whiting said.

ing the recent National Assn. of

Professional Insurance Agents conference in Las Vegas.

However, agencies looking for growth potential should think twice before investing in outside managers and hiring new, inexperienced producers, he warned.

As a rule of thumb, owners should not pass on management responsibilities until the firm is generating between \$2.5 million and \$3 million in revenues, Mr. Whiting said.

And, if average commercial lines commission is less than \$250,000 per producer, agencies should concentrate on achieving this level rather than hiring new producers, he said.

"Of the eight producers I have, I've delivered the message to them that their book of business should be adjusted up to \$250,000," said Joseph J. Proto, vp and sales manager for Rue Insurance Agency in Trenton, N.J.

Mr. Proto said he then works with producers to determine what is needed to maintain that level of revenues, taking into account new business and attrition levels.

Indeed, "more new business will be written through improved systems, procedures, staff education, staff training, staff upgrades and marketing activities, rather than through adding new producers," Mr. Proto said.

Continued on page 32D

Tips to boost value of agency

By SALLY ROBERTS

Because every independent insurance agency at some point will be sold, agencies must strive to regain the market share and rebuild the values that have deteriorated in recent years, an insurer says.

"Your loss of market share happened on my watch," said Thomas S. Carpenter, retired vp-field operations at Aetna Life & Casualty Co. "It's not a pretty picture."

Agencies are losing market share in personal lines and small commercial lines, and the value of the typical independent agency has dropped by 50% over the past couple of years, he said.

In addition, direct writers are "doing great"; states continue to grant banks the right to sell insurance; and national brokers, which have already won the Fortune 500 accounts, are now targeting the middle market.

Independent agents now dominate the middle market. "You own it, and you must not lose it," he stressed.

Mr. Carpenter suggested 17

"steps to success" for independent agents at the Independent Insurance Agents of America Inc.'s annual conference, which was held in Orlando, Fla. They included:

- Do not sell the agency until there's a demand for it.
- "Acquire the other guy's agency... ASAP."

- Start benchmarking the agency against the most successful agencies and strive to become one of the best. "Benchmarking is not new; it's an

old strategy and it's okay to copy the most successful people," Mr. Carpenter added.

- Strengthen the agency's balance sheet. "This may not be a big issue now, but it will be when you go to sell, and every agency will be sold whether it's to family, a friend, a competitor, etc."

- As an owner, "fire yourself as a manager and hire yourself as a producer," Mr. Carpenter suggests, adding that owners are typically the best producers.

- Give a sense of urgency to productivity within the agency. Nothing else counts except revenues per employee, he said. "If the revenue per employee is not at \$100,000 or if there is no plan in place to get him or her there, your agency is worth less than what you think."

- Deal with agency principals that are not contributing. Re-engineering is being done everywhere in America to increase productivity, he said. Independent agencies should consider raising productivity by writing more quality business with fewer employees.

- Establish a compensation plan that is tailored to increase productivity. Mr. Carpenter suggests commissions be set at 35% for new business and 25% for renewals. For producers that have never written

Continued on page 32G



SHILLERSTROM

Independent agents find clout in clusters

By SALLY ROBERTS

Just as many of the old mom-and-pop supermarkets and gas stations have been assimilated into larger conglomerates, independent agencies are following a similar evolution, a panel of insurance executives agrees.

Whether it is for geographic, economic or competitive reasons, more and more independent agents are banding together to increase their clout and expand their markets. But, unlike the mom-and-pop stores swallowed up by big chains, the agencies are remaining independent entities.

In a type of network called a cluster, a group of independent agencies join forces to share resources and form a large regional—or even national—organization. This cluster organization is contractually forged to help smaller independent agencies gain clout in the insurance marketplace as well as open new market opportunities. A core entity is generally formed to manage the cluster's business, and a core manager is responsible for overseeing the activities of the core as well as building and developing insurer relationships, which are available to all of the cluster's members.

According to a study by Morrison Associates Inc., a Boston-based

management consulting firm, more than 250 active agency cluster or network organizations exist in the United States today—using the broadest definition of the terms. It



is also estimated that two clusters are formed every month, while multistate clusters are growing at a rate of 10% to 15% a year.

But, while the popularity of forming agency clusters is booming, insurance companies have yet to em-

brace the trend and rush to do business with the clusters.

Insurers' general attitude toward agency clusters is "ambivalence bordering on benign neglect" because they are seen as bringing greater benefit to agencies rather than to insurers, said Richard J. Morrison, president of Morrison Associates.

But, the long-term success of the cluster movement "ultimately depends on the active support of insurance carriers," he said.

If properly organized, cluster groups can help insurers increase their national market penetration, improve their client retentions, increase profitability and expand their niche marketing, Mr. Morrison told

attendees at a session during the recent National Assn. of Professional Insurance Agents annual conference held in Las Vegas.

And for agents, clusters bring "markets, markets, markets," said William A. Branch, president of Iroquois Insurance Group, a network of agencies based in Olean, N.Y.

Indeed, the panelists agreed that in addition to insurer support, the linchpin holding successful clusters together is how they are organized.

Clusters that are organized with the goal to use their size as the basis for getting improved commissions, more lenient underwriting treatment and special concessions from insurers will fail, Mr. Morrison warned.

At the same time, cluster members that fail to relinquish sufficient power to the core and the core manager will tear the core apart, he said.

Likewise, if a cluster comes together for all the right reasons, but each agency has a hidden agenda to eventually own all the books of business, it will also fail, he added.

Clusters should not be formed as an easy answer to solve poor management issues. They should be put together to gain markets and economies of scale, said Lee Maus, assistant vp-marketing for Hanover Insurance in Worcester, Mass., who was also a panelist.

And if the cluster is unbalanced, it will fall apart, Mr. Freeman said.

Clusters are not a fad, but their impact on the distribution system will be determined by how many have "staying power," said Leonard Freeman, a principal at Consolidated Orange County Insurance Agencies Inc., a six-agency cluster organization in Tustin, Calif.

Clusters need to be seen as a wedding of agencies. "Hopefully, most don't meet Friday night and get married Saturday morning," he said.

In addition to gaining insurer attention, the biggest challenge for clusters is how to maintain quality of business, contends Dane O. Leavitt, chairman and chief executive officer of The Leavitt Group, a network of agencies based in Cedar City, Utah. Technology comes to the rescue in some instances, but "the long-run survival hinges on cluster members being in charge of the quality of their membership."

Insurers and other members need to be able to excise that problem if it arises, he said. Indeed, panel members agreed that if one member strays from the group's strategies and goals, that agency needs to be removed from the organization.

"We have clear, unequivocal guidelines from insurers and all our members must adhere to those guidelines," said Mr. Branch of Iroquois Insurance. "We are very, very ferocious about quality standards. Adverse selection will kill us." Therefore, "you need to throw out the bad actors, because without that, there are no quality control standards," he said.

The panelists also suggested that cluster organizations develop a clear exit strategy for independent agencies that want out of the organization or out of the business altogether and are willing to sell.

"Before you exchange any financial statements, know the character of who you are dealing with," advises Mr. Freeman of Consolidated Orange County Insurance Agencies. "If you do this, it will make it easier to work out problems later on."

Charles T. Deering, president of Deering & Associates Inc., a Durham, N.C.-based managing general agency, also participated in the panel discussion. **BI**

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PIA weathers storm, says ex-skipper

By SALLY ROBERTS

Charles E. Crowley Jr., outgoing president of The National Assn. of Professional Insurance Agents, used the group's recent annual convention to tell independent agents the PIA "is in great shape" despite a rather turbulent year.

During a luncheon address, Mr. Crowley said he made every effort to streamline the organization, to cut operating costs and to make the national PIA headquarters more responsive to its members.

This was in response to the withdrawal of five state associations from the PIA during 1993, as well as the

resignation of three top executives in the spring of 1994, including president-elect Daniel J. Kraft.

Mr. Crowley told PIA members that four out of five of those state associations—Kansas, Michigan, Minnesota and Oklahoma—recently renewed their ties with the national association after withdrawing their membership last year (A/BT, Nov. 7). PIA of Texas remains the only association that has not re-established ties with the national organization.

"To me, this is dramatic evidence that we are on the right track," he said.

In addition, the association is reorganizing its efforts to focus on five major areas, including:

- Affiliate services.

- Communications and timely publication.

- Creating and maintaining an industry database.

- Government and industry affairs.



- Markets.

Also during the conference, Carl J. Frilling, president of the Insurance Exchange Inc. in Albuquerque, N.M., was inaugurated as the 1994-1995 PIA president.

During Mr. Frilling's inaugural ad-

dress, he reaffirmed the PIA's commitment to fight congressional reform of the McCarran-Ferguson Act.

"We will continue to fight any attempt to destroy the market advantages of McCarran-Ferguson, in whatever form it appears, whether attached to a health care bill or some other legislation or if it is proposed as a stand-alone piece of legislation.

"The bottom line on McCarran is PIA's bottom line on any stand it takes, on any program it institutes: If it is bad for agents, we are opposed to it and will fight it without ceasing and forever. If it is good for agents, we will support it with equal fervor and for an equally long time," he said.

The 63rd annual PIA conference attracted more than 800 independent agents to Las Vegas Oct. 9-11.

Agents attended sessions on such

topics as marketing and sales, new technology, workers compensation, tax practices and health care reform.

Among the many awards given at the convention:

- Abbie C. McDowell, a property/casualty insurance agent with Sheridan-Geiger-McDowell in Coral Gables, Fla., was named the Professional Agent of the Year.

- B.R. "Bob" Partin, regional sales manager for Grange Casualty Co. in Lexington, Ky., was named the Company Representative of the Year.

- Great American Insurance Group of Cincinnati received the 1994 Company Award of Excellence.

Next year's PIA's national conference will be held Aug. 17-19 in Boston.

For more information, contact the PIA at 400 N. Washington St., Alexandria, Va. 22314; 703-836-9340. **BI**

Tips on making telemarketing work for agents

By SALLY ROBERTS

Telemarketing is the most effective, least expensive and quickest way to open markets, but the degree of its success is tied to the degree of involvement, says an agency consultant.

Agencies need to make a 12- to 18-month commitment to a telemarketing campaign, said Edward D. Curry, president of Target Marketing Consulting in Atlanta. He gave some tips to agents recently at the National Assn. of Professional Insurance



Agents conference in Las Vegas.

One telemarketer working 13 hours a week can produce 65 policy expiration dates a week, which means 65 prospects, Mr. Curry said. This translates to 260 "X-dates" a month and 3,120 a year.

Some of the best telemarketers come from high schools, Mr. Curry contends. Today, many students can earn credit for marketing and related classes if they work a certain number of hours. Agencies should talk to the teachers at the local high schools to see if they have such programs and if they will furnish some students.

Teen-agers make good telemarketers because they tend to have more energy and to take rejection better, he said, adding they should clearly understand that telemarketing is not a sales job.

If the teens do not come from a school marketing program, Mr. Curry recommends screening them by talking to them over the phone and listening for high energy. Also, agencies should get recommendations from the candidates.

Mr. Curry also suggests paying the telemarketers \$5 an hour and tracking the X-dates they produce. Roughly 10% of all X-dates produced should be called on within one week, he added.

Another hint for successful prospecting with telemarketers is with answering machines. Telemarketers can have success with leaving messages if they just leave their name and number, Mr. Curry said. "People are curious, so they will call you back. And if they call you back, they will most likely listen because it was their nickel," he said. **BI**

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European explorers were stunned by the wild beauty of Washington State's San Juan Islands and Puget Sound.

Quality benchmarks show path to survival

By SALLY ROBERTS

Agents know only too well the competitive marketplace they are in and the bleak future some forecasters see for them.

Reinforcing those grim predictions are shopworn statistics such as the fact that about 80 agencies are sold or go out of business every week, and the value of the typical independent insurance agency has fallen 25% over the past three to six years.

The Independent Insurance Agents of America Inc. is seeking to help independent agencies, including its members, to avoid becoming one of these statistics by using quality measurement techniques.

Two years ago, the Alexandria, Va.-based trade group established the Presidential Commission to Enhance Agency Values to identify new ways for agencies to grow, increase profitability and stability, and perpetuate their ownership and operations.

Last year, the commission, along with the Atlanta offices of agency consulting firm Hales & Associates, published the results of its first best practices survey, which was designed to reveal the secrets of the nation's most successful agencies and establish benchmarks against which independent insurance agencies could measure their own performance (*A/BT*, Oct. 4, 1993).

At the IIAA's recent national conference in Orlando, IIAA and Hales put out the second annual "Best Practices of the Leading Independent Insurance Agencies in the United States." About 180 independent agencies were surveyed.

The new best practices guide gives benchmarks for independent insurance agencies generating less than \$1.25 million in annual revenue, between \$1.25 million and \$2.5 million, between \$2.5 million and \$5 million, and agencies generating more than \$5 million in annual revenues.

IIAA best practices guide reveals strategies of successful agency

The guide also breaks out the best practices of the leading independent agencies by commercial lines, personal lines, property/casualty insurance and life/health insurance.



According to the best practices survey, the average agency generating revenues of more than \$5 million makes \$6.3 million in revenues. The average agency of this size also has 69 employees working out of 3.1 offices.

None of the largest agencies has main office locations in cities with fewer than 50,000 people.

Nearly 40% of these firms reported having made at least one agency acquisition in the last year, with the average agency acquisition representing \$961,981 in commission revenues.

According to the best practices guide, agency growth, productivity and pretax profits for the leading firms declined in the past year.

The average firm grew only 6.3% in fiscal 1994, compared with 10.9% in fiscal 1993.

The average firm's productivity—revenue per employee—fell about 2% to \$90,876 from \$92,873 in 1993. And pretax profit growth fell to 4.5% from 7.6%.

Among the top 25% of agencies, ranked by profitability, productivity remained considerably higher, though: \$99,082 in revenue per employee.

On average, producers at the commercial lines property/casualty agencies surveyed generated \$43,431 in new commissions each year and had an average total book of business worth \$295,125.

The firms' very best commercial lines producers averaged \$79,578 in new commissions each year and

had a total book of business worth \$702,563.

The annual commercial line property/casualty producer's commission and bonus, averaged \$104,474 among the firms in this category.

The average producer in this group spends 57.6% of his or her time servicing existing business; 30.6% soliciting new business; 6% in personal training and education; and 5.8% doing management and administration duties.

Other key best practices cited for independent agencies producing at least \$5 million in annual revenue include:

- For boosting productivity for medium-sized to large commercial lines business: improving automation; establishing service teams; using sales or telemarketing centers; emphasizing education and professional development for producers and customer service representatives; and hiring and retaining highly professional employees.

- For recruiting and hiring new employees: offering attractive compensation and benefit practices to employees; developing employee referral programs; using profes-

sional testing services; attracting potential hires with solid reputations; and conducting multiple interviews with prospective employees.

- For retaining and developing employees: encouraging and funding all training and education; pro-

Agency growth, productivity and pretax profits for the leading firms declined in the past year.

viding attractive, incentive-based compensation; offering career growth opportunities and career paths; conducting regular employee evaluations with employees' involvement; and promoting from within.

- For preparing for agency perpetuation: establishing employee stock ownership plans; establishing and regularly reviewing a written perpetuation plan; hiring and grooming employees for potential

Growth

Continued from page 32A

However, for no other reason than internal perpetuation, agency owners at times do "need to bite the bullet and hire young producers," Mr. Whiting said.

And while it can be risky to hire inexperienced, young producers—since they may not be able to generate big commissions for several years—"most agency owners fail to have successful producers because they don't manage them well," he continued.

For instance, many owners fail to set realistic expectations for new producers. To start them out, new

producers should have existing accounts assigned to them, Mr. Whiting advises. Owners need to "give producers every opportunity to fail or succeed."

Another way to better manage producers and keep on top of the agency is through regular goal setting and internal management reports, Messrs. Whiting and Proto agreed. First, agency owners need to evaluate whether they can divide their book of business into specific business segments, including: large commercial lines; standard commercial lines; small commercial lines; VIP personal lines; standard personal lines; group/employee benefits; life/disability; and an optional segment which could be program or

ownership; employing outside consultants to assist; and emphasizing the importance of profitability.

- For effectively managing sales: establishing and regularly monitoring sales goals; holding regular sales meetings; employing a dedicated sales manager; leading generation by sales or telemarketing centers; and providing technical training and professional development.

- For motivating and assisting producers: providing compensation based on production incentives; providing excellent support with automation and service staff; providing technical training and professional development; recognizing good performance; and providing solid and aggressive markets.

- For minimizing errors and omissions exposure: establishing a well-trained and motivated staff with emphasis on professional development; automating work flows wherever possible; performing internal audits to measure procedural compliance; establishing written procedures; and holding mandatory in-house E&O workshops.

For more information about the best practices guide, contact Shirley Lukens at the Independent Insurance Agents of America Inc., 127 S. Peyton St., Alexandria, Va. 22314. The IIAA can also be reached by calling 800-221-7917.

mass-marketed products.

If the business segments are there, agency owners need to develop business plans that specifically focus on each of those segments, Mr. Whiting continued.

Owners should also measure agency growth in terms of increasing client count—rather than premiums—in each of the business segments, he said, adding that premiums are based on the marketplace while client count measures how large a firm is growing.

Mr. Whiting suggests that agencies should focus on increasing client count by 5% in each business segment each year.

In addition, owners should set commission and client-base growth goals with each of the producers for each of the business segments, Mr. Proto added.

Internal marketing reports should also be completed by producers every week for each of the agency's business segments, Mr. Proto said.

Internal marketing can help establish future strategies by using existing books of business, he added. "It's key to understanding what is going on internally."

The most critical management report is a weekly listing of lost accounts. This report should include such information as the name, type of industry, the insurer, premium, commission, specific reason for leaving and the amount of time the client has been with the agency, Mr. Proto explained.

Producers should also fill out a weekly listing of new accounts written, he said. Producers need to be sure to include the source of the quote opportunity as well as the reason for writing the account, he said.

Mr. Proto suggests having producers also fill out weekly accounts quoted but not written. This report focuses on reasons for not writing the account.

To be effective, all of these reports should be looked at "religiously," Mr. Proto said. They can help identify trends occurring week to week with specific insurers, producers and account size. It also gives agencies the opportunity to correct any problems identified, he said. **BI**

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IIAA draws 2,000 agents to 99th annual convention

By SALLY ROBERTS

Walt Disney World played host to about 2,000 independent insurance agents for the 99th annual Independent Insurance Agents of America Inc. conven-



tion, held here Oct. 22-26.

Highlights of the conference included a glimpse of Cable News Network's political roundtable, the "Capital Gang." Several of the program's regular participants—syndicated columnists Robert Novak and Mona Charen as well as Michael Kinsley, senior editor of The New Republic—joined IIAA's senior vp of government affairs, Paul Equale, for a spirited political debate.

Agents were also entertained by humorist Art Buchwald and country music singer Faith Hill.

In addition to the entertainment, agents attended four days of workshops and general sessions, which ran the gamut from flood insurance to tax concerns to emerging legal issues.

Also at the conference, C. Courtney Wood, outgoing president of the IIAA, reaffirmed the association's position that its support for the McCarran-Ferguson compromise legislation proposed by Rep. Jack Brooks "was the absolute best decision given the political climate at the time."

Mr. Wood said that despite a possible reprieve with the defeat of Rep. Brooks and a more "right-minded" Congress, a single major market crisis "could easily trigger widespread disdain for the insurance industry, and McCarran will be in trouble once again."

Mr. Wood therefore called on agents, insurers, regulators and employers to find a way to dispel the "massive misperception" that insurance executives secretly make the rules, rates and forms the rest of the society must live with.

"Until we remove this perception, McCarran-Ferguson will be continually in jeopardy," he said.

"Now is our moment, let's seize upon it and take these actions. Then we'll be an industry deserving of McCarran-Ferguson protection," he said.

Harlan Miller, president of Hamman, Miller, Beauchamp, Deeble Inc. in Long Beach, Calif., was inaugurated as the 1994-1995 IIAA president, succeeding Mr. Wood, who is president of Courtney Wood & Associates in Edmond, Okla.

In his inaugural address, Mr. Miller cited two other 1995 priorities for the IIAA: lobbying for enactment of a natural disaster protection bill and fighting new regulatory proposals for allowing banks to sell insurance.

Also during the conference, R.C. Riley, president and chief executive officer of Peel & Holland Inc. of Benton, Ky., and president of IIAA in 1991, was honored with the Woodworth Memorial Award, the association's highest honor.

The Independent Insurance Agents of Connecticut won the Maurice G. Herndon Award for ex-

cellence in government affairs by a state association.

David F. "Bud" Wilson of Wilson-Cox Insurance Agency in Chula Vista, Calif., was awarded the Sidney O. Smith National Award given to the individual agent who exhibits total commitment and dedication to furthering the interests of independent agents in government affairs.

The IIAA will hold its centennial convention Sept. 17-21, 1995, in Las Vegas.

For more information, contact the IIAA at 127 S. Peyton St., Alexandria, Va. 22314; or call 703-683-4422. **BI**

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Avoiding potential employment discrimination lawsuits

Focusing on employee rights is the first step for agency owners

By SALLY ROBERTS

Looking to hire an underwriter trainee, an agency runs an ad in the local paper that reads: "Help Wanted—Underwriting trainee with good, solid company. Must be outgoing and a self-starter and be able to bring a modern and energetic approach to the job. Recent college graduate preferred."

Could this agency be held liable for discrimination based upon this ad?

Yes, contends David VanDelinder, director of education and assistant executive director of the Texas Assn. of Insurance Agents in Austin.

By implying that only young people will be hired, the ad might be discriminating against older people, he said.

And, if it had said that recent graduates were "required," rather than simply "preferred," the agency could also potentially be liable for discriminating against minorities, Mr. VanDelinder said during a session at the annual Independent Insurance Agents of America Inc.'s annual conference, which was held recently in Orlando, Fla.

With heightened media exposure and new anti-discrimination

laws like the Americans with Disabilities Act and Civil Rights Act of 1991, all employers—including insurance agency owners—must be more careful than ever to avoid job discrimination.



"Anything that may give rise to favoritism, including promotions, terminations and post-employment references, is under scrutiny today," Mr. VanDelinder said.

Company policies that appear neutral but actually disproportionately hurt a specific segment of employees, such as minorities or disabled workers, are referred to by courts as having a "disparate impact," and it is liability for this type of discrimination that most concerns businesses today.

Policies or practices that are blatantly discriminatory are considered to have a "disparate treatment," and lawsuits are less frequent in this area than they used to be.

Agency owners could be exposed to disparate impact liability not only from job advertisements but also through pre-employment testing, promotions, terminations and

referrals, Mr. VanDelinder explained.

Employment practices liability suits are increasingly hitting Corporate America.

In April 1994 alone, for example, 4,864 new claims alleging disability discrimination under the ADA were reported to the Equal Employment Opportunity Commission, bringing the total number of claims reported to 26,302 since July 1992, when employers with 25 or more employees became covered by the ADA.

Similarly, the number of sexual harassment complaints by employees have almost doubled—to 12,537 in 1993 from 6,892 in 1991—following the controversial confirmation hearings of Clarence Thomas' nomination to the Supreme Court, according to the EEOC.

In addition, there were 302,914 trial verdicts based on age bias from 1988 through 1992; 255,734 trial verdicts based on sex bias; 176,578 verdicts based on race bias; and 151,421 verdicts based on disability bias, according to Jury Verdict Research Inc. of Horsham, Pa.

If an agency owner "just focuses on basic employees' rights, he or she will eliminate 90% of the potential litigation," Mr. VanDelinder said.

"For the other 10%, make sure you have insurance, because you will always have crazy court decisions," he added.

First, agency owners should annually update job descriptions for each position at their firms.

Without an accurate job description, "you won't have a defense if you refuse to hire a 'protected category' applicant," he said, referring, for example, to racial and ethnic

'Make sure you have insurance, because you will always have crazy court decisions,' says David VanDelinder.

minorities, women, people over age 40 and people covered by the ADA.

Job descriptions can include non-essential job functions, but at minimum employers need to include the essential functions for the position, Mr. VanDelinder advised.

Agency owners should also develop a hiring guidebook that includes guidelines on how to write job advertisements without bias and have legal counsel review all advertisements.

The hiring guidebook should

also include EEOC-approved job applications as well as interview guidelines so that no potentially discriminating questions will be asked of employment candidates, he added.

It is also important that agency owners develop an employee handbook, Mr. VanDelinder said.

He warned, however, that employee handbooks may be construed to be a contract between an employee and employer, which opens up potential liability if the employee is terminated. Agency owners should make sure there is a contractual disclaimer in the employee handbook describing it as a guidebook only and not a contract.

Employers should also include information describing disciplinary procedures as well as grievance procedures.

"In larger agencies, middle management, in particular, need to have some way to get to (the owner)," Mr. VanDelinder said.

Sexual harassment policies should be included in the employee handbooks and sexual harassment training programs should accompany the employment policies.

Handbooks should also spell out on what grounds employees can be terminated, said Mr. VanDelinder, adding, though, that this approach does carry risks. If "embezzlement," for example, isn't on the list of activities resulting in termination, "you will have a hard time getting rid of that person," he said.

Companies that choose not to list grounds for termination in detail should at least include a statement that says the employer may terminate an employee for any reason, he said.

In addition to a hiring guidebook and an employee handbook, agency owners must annually evaluate employees' job performances.

"You can't terminate someone for poor performance if you have no track record of any performance evaluations," Mr. VanDelinder said. He cautioned, however, that agency owners need to make sure they evaluate an employee's work, not evaluate the person in general terms.

"What is a good attitude?" he asked rhetorically.

Agency owners should also develop a termination checklist, Mr. VanDelinder said. This is just a handout that allows agency owners to "self-check" themselves to avoid liability from an employee termination.

Even after a termination, agency owners still need to guard against liability from any recommendations they or other company officials give.

Mr. VanDelinder suggested that employers make sure they do not give any personal descriptions about a past employee for a job recommendation, whether the employee was terminated or left the position voluntarily.

If two prior employees go to the same job and the same employer gives only one a glowing recommendation, the other could sue for defamation. "Creative plaintiffs attorneys can do anything," he said.

Instead of sending a letter of recommendation with a personal description and job performance evaluation, employers should only give the past employee's length of employment and description of job duties. **BI**

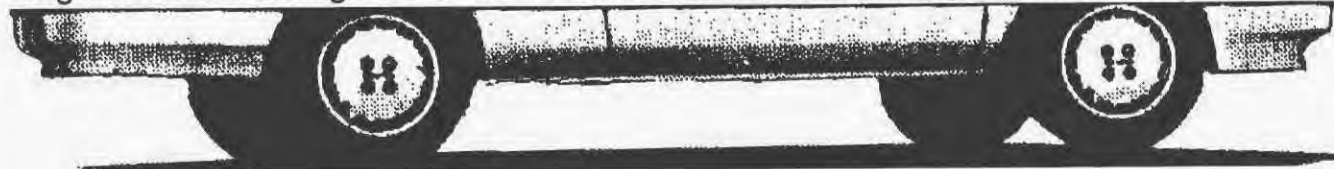
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Success

Continued from page 32A

more than \$75,000 a year, agency owners should change the commission to this scheme for the first \$100,000 in annual commissions and then offer 100% commission for any business over that amount, he suggests.

"You ask, 'How can I afford that?' How can you not?" he said.

- Establish a sales center.

Mr. Carpenter reminded agency executives that sales centers cost at least \$50,000 to set up and that commitment from top management is essential.

- Recommit to the insurance agency profession and professional training.

Back in the 1950s and 1960s, what is now the Society of CPCU was dominated by independent agents, according to Mr. Carpenter.

Today, 10% of all CPCUs in insurance work for State Farm Group—"your toughest competitor," he said. "Independent agents need to step back up to the plate."

- Sign up with insurance company service centers in order to reduce redundancy.

"You are up against a wall," Mr. Carpenter said. "I believe you owe it to yourself and to your families to try to do business with at least one company sales center."

- Hire more women and minorities.

"For the 32 years I spent with Aetna, 30 to 40 men left to go to agencies and at no time did any independent agency hire a woman or minority to go to work. The world has changed. Independent agents are missing out on its greatest asset—women and minorities," he said.

- Commit to the small business market.

Small business owners want independent agents and are willing to pay more to do business with them, Mr. Carpenter said.

Agents can make the small business market profitable with a few small steps and cooperation from insurers.

- Automate the agency.

"It's time to have systems that upload and download," he said.

- Begin to identify tough casualty accounts.

"I happen to know that the market will turn because the industry can't tolerate poor returns," Mr.

'Agents are missing out on (the world's) greatest asset—women and minorities,' says Thomas Carpenter.

Carpenter said.

Agents should start to look at prospect lists in this area, he advised.

- Become more politically active.

"Your future success may be determined by what goes on legislatively," he said.

There are too many good agents that have not taken action and "declared their availability to agency associations."

- Gear up to sell new insurance products.

"Change in the health care system will come and your role may change," Mr. Carpenter told the agents.

Agents therefore should look for new business opportunities in such areas as individual retirement accounts, annuities, variable annuities and long-term disability insurance, he said. **BI**

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A/BT Briefs

Regulator honored

NEW YORK—Salvatore R. Curiale, superintendent of the New York Insurance Department, is the winner of the 1994 Free Enterprise Award given by the Insurance Federation of New York.

Before being appointed the state's top regulator in 1990, Mr. Curiale had been executive director of the State Insurance Fund. The IFNY award is given annually to individuals who demonstrate superior achievement and understanding of the free enterprise system.

The federation was founded in 1913 to promote free enterprise, service and integrity in the insurance industry. Represented on its board are property/casualty and life/health companies, reinsurers, brokers, agents and law and accounting firms. For more information or to join, call the Insurance Federation of New York at 1-800-951-2020.

NAHU rethinks name

WASHINGTON—The National Assn. of Health Underwriters says it has outgrown its name and is looking for a new one.

The Washington-based trade association, which represents more than 12,000 health and disability insurance professionals, says it is searching for a name to better describe its

work and relationship to clients. About 70% of its members are agents, brokers or consultants.

An informal survey of NAHU members showed that 90% believe a new name would benefit the organization.

For more information, contact NAHU, 1000 Connecticut Ave. N.W., Suite 1111, Washington, D.C. 20036; 202-223-5533.

Florida lobbying

The Florida Insurance Council and Florida Assn. of Domestic Insurance Cos. have merged to form a single lobbying group that will present the views of the insurance industry before the Florida Legislature.

The organization will be known as the Florida Insurance Council.

In addition, the Florida Insurance News Service will be reorganized into the FIC Office of Communications and Public Affairs effective Dec. 13.

FADIC's members are primarily small-to-medium-sized insurers headquartered in Florida, while FIC has represented domestic and large foreign insurers.

The merged organization will represent approximately 250 insurers writing \$12 billion in annual premiums in Florida.

"This is probably as big as it gets on the state level in terms of market share, premium volume and the breadth of membership," said Chairman William A. Vainisi, who is assistant counsel for Allstate Insurance Cos. in Northbrook, Ill.

L.E. "Gene" Caruthers is president of the new council, Gary D. Pullen is senior vp and Paul Sanford, Gary Guzzo and Mark Trafton will serve as legislative representatives.

Agent honored

ATLANTA—John F. Ellis, vp of Sedgwick Peek Inc. in Atlanta, a unit of brokerage Sedgwick Group P.L.C., was honored recently by the Society of Certified Insurance Counselors for his contributions to continuing education.

The Society of Certified Insurance Counselors, an Austin, Texas-based organization that promotes education for property, casualty and life insurance professionals and offers the Certified Insurance Counselor designation, cited Mr. Ellis for his 10 years of "steadfast commitment to continuing education."

Mr. Ellis, who has dealt in the agency/broker area in property, liability and employee benefits accounts for 26 years, specializes in the design and implementation of property/casualty risk management

programs for large commercial and industrial clients.

Insurance chair

TERRE HAUTE, Ind.—Larry D. Coleman is the new chairman of the Department of Insurance and Risk Management at Indiana State University.

Mr. Coleman, a professor of management at ISU's School of Business, has coordinated the insurance programs since ISU established that area of study in 1989. Mr. Coleman received a bachelor's degree in business administration and a master of business administration from Southwest Texas State University. He received a doctorate in business education in 1968 from the University of Oklahoma. He has taught at ISU since 1971.

The Department of Insurance and Risk Management also named George Nordhaus, chairman and chief executive officer of Insurance Marketing & Management Services in Santa Monica, Calif., distinguished insurance executive-in-residence.

CNA chief honored

CHICAGO—Philip L. Engel, president of Chicago-based CNA Insurance Cos., is the winner of the 1994 Spirit of Life Award from the City of

Hope National Medical Center.

The award recognizes professional and civic leadership.

The City of Hope National Medical Center and Beckman Research Institute was founded in Duarte, Calif., in 1913. It is renowned for advanced research and treatment of cancer, diabetes, AIDS, Alzheimer's disease and other illnesses.

For more information about the City of Hope, call 708-699-0100.

Broker wins award

NEW YORK—Gerard M. Kelly, senior vp of Johnson & Higgins in New York, recently received the 1994 Eugene A. Toale Educators Award from the CPCU Society of New York.

Presented annually in memory of Eugene A. Toale, an insurance instructor and professional dedicated to insurance education, the award honors members of the industry who demonstrate commitment to education.

In addition to his duties at J&H, Mr. Kelly teaches property insurance to undergraduate and graduate students at The College of Insurance in New York. He also conducts lunch-time tutoring programs at J&H and serves as an education consultant to various insurance companies. **BI**

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advantage of **Helmsman's loss prevention**

department. And now Jack doesn't

tumble down anymore hills. And Jill never

comes tumbling after.



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Pensions

Continued from page 3

employers to those unable to work due to illness but who are ineligible for government-provided sick pay. Invalidation benefits are paid to those eligible for either sickness benefits or government sick pay beyond 28 weeks and up to five years after the workers' retirement age.

Private health insurance is likely to pick up some of the slack, but many companies are expected to balk at paying the anticipated high cost of these premiums.

Pharmaceutical firm SmithKline Beecham P.L.C., for instance, will most likely self-insure the risk.

"I am certain that we will not be insuring this risk because for an employer the size of us the risk is simply not that great and it will probably be cheaper to self-insure it," said Rob Collinge, compensation and benefits manager in Brentford. "It will probably have much more of an impact for smaller companies. Also, less than 20% of our employees are U.K.-based and so we would rarely insure anything like that."

Other companies have not decided how to handle the exposure.

"I'm not really in a position to say what we are going to do at the moment," said Brian Gandy, corporate secretary and employee benefits manager at food maker and distributor Dalgety P.L.C. in London.

"We have just sent our consultants a whole list of questions and hope to address it fully soon," said Mr. Gandy. "We need to know what will be the impact overall and also what will be the impact on the pension fund, because the pension has invalidity benefits built in."

Cutbacks in invalidity benefits are part of a whole range of social spending cuts in the United King-

dom.

Until recently, most attention had been focused on the reorganization of the National Health Service, the country's socialized medical system. The government, it was expected, would effectively privatize the NHS and encourage individuals and employers to instead buy private medical insurance coverage.

So far, this has not happened. Per capita spending by the NHS is actually increasing and the biggest changes in the system have been organizational, according to a recent report by U.K. market research firm Mintel International Group Ltd.

Private health insurance is on the upswing—13% of the population is covered now and an estimated 20% will be by the year 2000—but insurers attribute that growth to fear and perceptions of government cutbacks, not actual NHS cuts.

Instead, it is the Department of Social Security—which provides non-medical social benefits, such as state pensions, maternity support and industrial disability benefits—that appears to be embarking on a program of privatization that has many employers concerned.

The reason for the slimming of the department's costs is simple. In fiscal 1992-1993, Social Security expenses were about 74 billion pounds (\$109.5 billion), or 30.8% of all government spending and 12.3% of gross domestic product. In 1949-1950, for example, Social Security was only 4.7% of GDP.

Until recently, the Department of Social Security focused primarily on pension reforms. Since the late 1980s, millions of workers have been encouraged to opt out of the state system and invest in privately run and funded pensions instead.

More recently, the government has been looking elsewhere, including employers' pockets.

Under the Statutory Sick Pay Act, introduced in February, the government withdrew its 80% reimbursement to larger companies for sick pay paid to ill workers. To help compensate the firms, those employers' national insurance contributions—the tax companies pay to support social welfare programs—were cut by 0.2%.

Overall, though, the Social Security Department estimated that the bill would shift about 750 million pounds (\$1.17 billion) of annual costs from the government to the private sector.

The Trades Union Congress, the U.K. association of trade unions, and the Confederation of British Industry, the country's biggest employer association, both opposed the government's proposals.

"The proposal is an enormous burden on business. It will cost British industry 500 million pounds (\$780 million) a year, and it will cost jobs. Established occupational sick pay schemes are threatened, and workers in the lowest-paid jobs could lose out on support during illness altogether," the labor group said.

"As a matter of principle, the CBI opposes loading those costs onto employers," stated the less voluble but equally angry employer group.

Recently, the government has looked to employers to also pick up some of the invalidity benefit tab.

Stricter rules could make more than one-third of sick employees previously eligible for state support ineligible, the Trades Union Congress says.

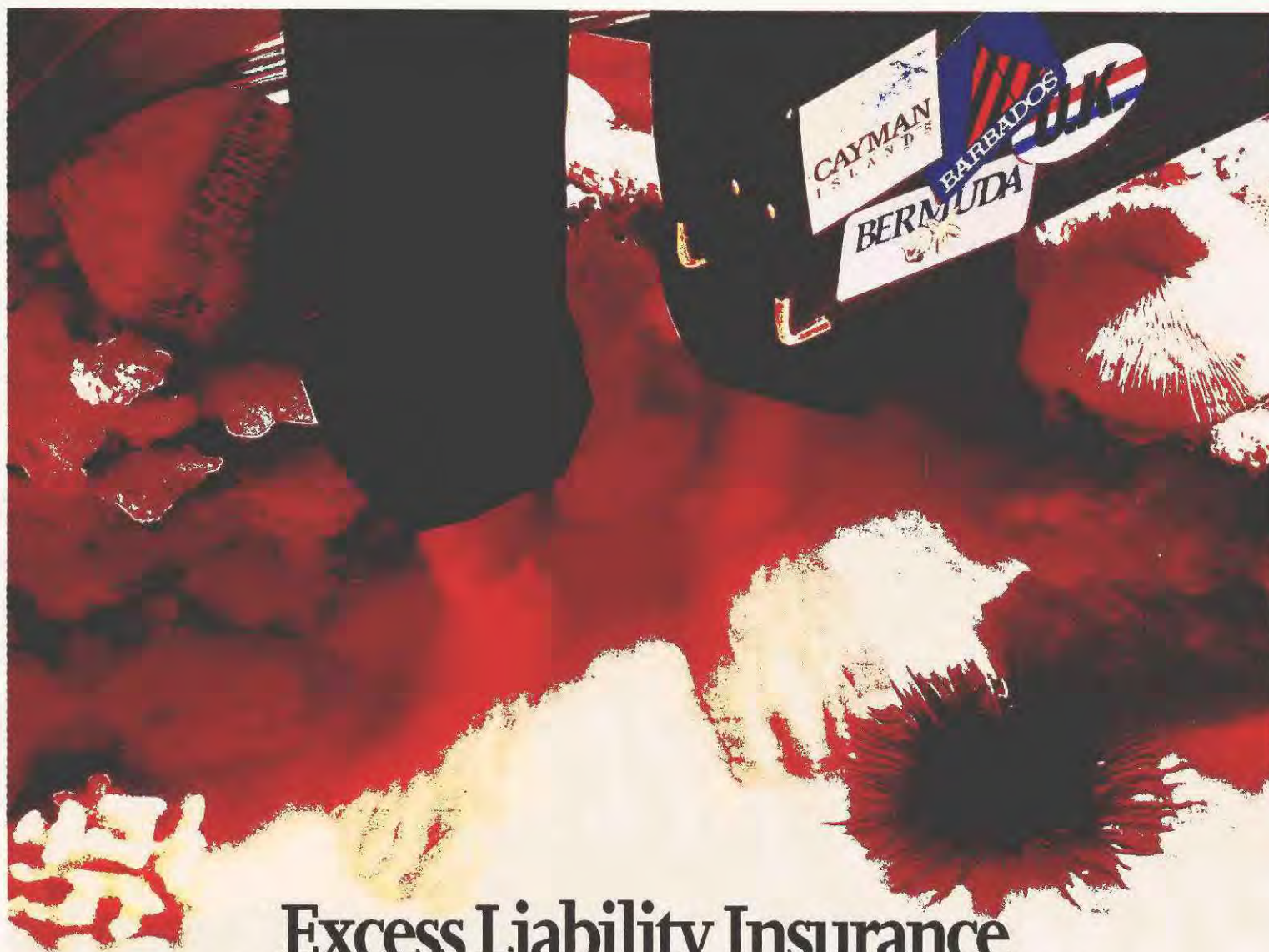
With the state subsidy reduced by that much, employers that offer long-term disability benefits could see their insurance costs for those benefits increase up to 90%, according to some consultants.

An estimated 6% to 7% of the U.K. workforce is covered by private long-term disability coverage.

Susan Anderson, director of the CBI's health and benefits division, said the new law presents employers with a simple but difficult choice.

"I think it's fair to say that a lot of employers are unaware of the implications of these changes at the moment and will wake up fairly soon to discover that their employees are worse off. If they offer a scheme which is integrated with state benefits, then they will be expected to pick up the difference if employees cannot claim the benefit," said Ms. Anderson.

"It's probably too early to say
Continued on next page



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Engendering equality in pension benefits

European rulings lead U.K. employers to examine their pension plans

By CAROLYN ALDRED

British employers are reviewing their corporate pension plans in the wake of a string of recent European Court decisions requiring gender equity in pension benefits.

While many British companies already have standardized the age at which male and female employ-

ees are eligible for pension benefits, they now are examining the small print of their plans in light of the recent rulings to see if further change is required.

The retirement age for women in Europe traditionally has been below that of men. In Britain, for example, the law currently sets the retirement age for women has been age 60, compared with the

male retirement age of 65.

The European Court of Justice overruled this tradition in May 1990 in the landmark *Barber vs. Guardian Royal Exchange Assurance Group* case. In that case, the European court decided that pension benefits are the same as pay and therefore must be non-discriminatory under Article 119 of the Treaty of Rome, which is the

European Union's founding charter (*BI*, Oct. 10).

Six other Court of Justice rulings, all announced this September, closed some of the loopholes in the *Barber* judgment, paving the way for E.U. member states to introduce legislation based on the court's rulings.

Proposed legislation that would

Continued on page 40

Continued from previous page
what most employers will do. If they have a flexible benefits system, they could pass the extra cost on to employees. But, for most employers, it will be a simple choice between employees bearing the cost or the employer," she added.

Most employers that already offer LTD benefits will feel morally obliged to pay the extra premiums, predicted Dudley Lusted, director of Healthcare Ltd., a unit of benefit consultant Sedgwick Noble Lowndes.

"Employers will be worse off because they will be expected to take on the burden. They are not obliged to... but there is the moral question. Some... will simply say, 'It's not my problem.' Others, especially those which already provide long-term disability and permanent health insurance, will face increased insurance premium costs of between 60% and 100%," he said.

With government subsidies cut back, employer-provided LTD benefits will be much higher on labor groups' "hit list," which will pressure employers to make up the difference, predicted Paul Belok, director of risk benefits at Alexander Clay & Partners in London, the U.K. and Irish benefit consulting arm of Alexander & Alexander Services Inc.

"Certainly the government hopes that employers will pick up the slack but to what extent they will I do not know," he said.

Both companies and individuals in the United Kingdom have traditionally shied away from private LTD coverage, but insurers hope it will be an easier sell under the new law.

Shortly after details of the social security law were released, UNUM Ltd., which writes about one-third of the U.K. LTD insurance market, calculated the new cost of coverage for its group policyholders, sent them new quotes and reported a positive response.

"Under the new regime, it will be much harder to qualify for state benefits and so the cost of the insurance will be the same, but employers will need to buy more to retain the level of benefits," said Diane Costello, marketing manager for UNUM Ltd. in London, a unit of Portland, Maine-based UNUM Corp.

"We outlined two options to our customers, which were basically either to retain benefits and pay an increased premium or keep the cost the same and change the structure of the scheme, perhaps to a gross rather than net pay basis.

"We have been delighted with the number of clients which have said they will pay the extra because the net pay basis is the best and this is across a whole range of clients from 30 to 500 employees," Ms. Costello said.

Other market observers, though, caution that employers can take on only a certain amount of new obligations and that government cut-backs that are too sharp will ultimately leave employees uncovered.

Benefit consultants and the opposition Labour Party have recently speculated that the Department of Social Security may be preparing to scrap its industrial disablement benefit, which supports workers disabled in industrial injuries and which cost the government 596 million pounds (\$882.1 million) in fiscal 1992-1993.

This could lead to further increases in employers liability insurance costs at a time when those coverage costs already are a huge problem, they say.

However, a spokesman for the department denied it is preparing to scrap the benefit.

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Equality

Continued from page 37

equalize pension benefits is due to be debated in the British Parliament this session. The pension bill would raise the age at which women are eligible to receive state pension payments to 65 and would require employers to offer equal pension benefits to men and women.

Many of the questions regarding whether the *Barber* judgment was retroactive were clarified in two cases, *Coloroll Pension Trustees Ltd. vs. Coloroll Group P.L.C.* and *Smith vs. Avdel Systems*.

Under the new rules, unequal benefits are permitted through May 17, 1990, the date of the *Barber* judgment. Between May 17, 1990, and the date at which a pension plan is equalized, the benefits must be equalized upward to the level of

employees receiving a higher benefit. After the date of equalization, higher benefits may be reduced provided they are then equal to other benefits.

Meanwhile, two court rulings involving Dutch cases, *Fischer vs. Hengelo et al.* and *Vroege vs. NCTV et al.*, also are causing concern among European employers. Both rulings required the inclusion of part-time workers in pension plans.

These two cases could "potentially result in high costs for employers; create more administrative muddle; (and) raise more questions which will probably have to be answered in further referrals to the European Court of Justice," wrote the National Assn. of Pension Funds Ltd. in a commentary sent to members in October.

In these cases, the European Court held that neither part-time employees nor married women can

be excluded from employer-sponsored pension plans and are entitled to retroactive benefits.

According to the NAPF, British and Dutch employers are the most likely to be affected by these rulings because they are the only member states with both large numbers of employer-funded pension plans and part-time workers, most of whom are women.

"Certainly in the U.K., 86% of part-timers are women," wrote the NAPF.

However, many British companies aren't waiting for national legislation before changing their pension benefit structures.

Most companies have already equalized retirement ages or taken steps to do so, said Richard Malone, European policy director of Sedgwick Noble Lowndes, the Croydon, England-based benefit consulting subsidiary of Sedgwick Group

P.L.C.

According to a survey published by the NAPF in April, 63% of all pension plans that have already equalized benefits for men and women do so at age 65; 26% at 60; 5% at 63; and 6% at 62.

The NAPF could not estimate how many British pension plans so far have failed to implement a common retirement age, but a spokeswoman stressed that until the law is changed, such changes are voluntary.

A straw poll of companies conducted by *Business Insurance* indicated that many larger British companies moved well in advance of European or national legislation to address the issue of gender equality in pensions and, thus, will be unaffected by the recent rulings.

For example, IBM U.K. Ltd., the British subsidiary of the U.S. computer giant, equalized the male/female

retirement age at 63 in 1983 when it set up a new pension plan, said Kevin Waller, pensions practices and services manager for IBM U.K. Pensions Trust.

In addition, the new plan admitted part-time workers.

The company set up the new plan to "offer employees better benefits," said Mr. Waller. The IBM pension plan has a total of 25,000 members, of which 10,500 are current employees and 7,000 are retirees. The other members deferred their pension.

The pension plan administered for employees of Marks & Spencer P.L.C., one of Britain's largest retailing groups, also is unaffected by the new rulings, said John Peachey, a group pensions manager.

Marks & Spencer has always treated its male and female employees on the same basis within its pension plan, which was introduced in the 1930s, he said.

The store group's retirement age for all employees is 60, and the pension plan even uses a standard unisex mortality rate when employees choose to exchange their pension benefits for cash, said Mr. Peachey.

The Marks & Spencer Pension Scheme, which is entirely employer-funded, was enhanced in 1975, at which point part-time workers were admitted into the plan, he said.

The plan has 46,500 members who are current employees, 20,000 retired members and 25,000 members who have deferred their pension rights.

J. Sainsbury P.L.C., one of the largest U.K. supermarket chains, also will be unaffected by the recent court rulings, said Geof Pearson, pensions manager.

Sainsbury's employee pension plan is "equalized in all respects and fully consistent with Article 119 of the Treaty of Rome," Mr. Pearson said.

Sainsbury has a formal retirement age for all staff of 65, although both male and female employees can retire at any age between 60 and 65 without any actuarial discount in benefits by gender, he said.

The flexible retirement policy was introduced in 1989, the same year part-time workers were allowed into the pension plan, according to Mr. Pearson. The formal retirement age of 65 was set in 1992.

The J. Sainsbury Pension and Death Benefit Scheme has 46,000 staff members, 7,000 pensioners and 12,000 members with deferred rights. And, the plan provides a small death-in-service benefit for 45,000 employees who are not pension members.

Midland Bank P.L.C., one of Britain's main national banks, also moved ahead of the European Court in equalizing its pension arrangements.

The bank equalized pension benefits and set a standard retirement age of 60 in 1986, said a spokesman. Part-time employees who worked more than 14 hours a week were admitted into the plan in 1989 and all part-timers were accepted in 1992, he said.

"Midland Bank is recognized as having enlightened employment policies, providing child care facilities and offering equal opportunities for all staff," the spokesman said, adding that the banking sector "in particular is the forefront of more enlightened employment policies" in the United Kingdom.

At year-end 1992, the last year for which figures are available, the Midland Bank Pension Scheme had 39,000 active staff members, 13,000 pensioners, 4,000 spouses of staff or pensioners and 31,000 deferred members, he said.

Even though most British companies have implemented a common

Continued on next page

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Parental leave benefits custom-made

By DEBORAH
SHALOWITZ COWANS

Firms with workers overseas defer to local practices

When in Rome, do as the Romans do.

That seems to be the philosophy multinational companies follow when providing parental leave benefits to local employees in Western Europe.

American workers living abroad may be subject either to local parental leave laws or U.S. law, de-

pending on the circumstances, experts say. The decision depends on a variety of factors, such as corporate policy and how long an American expatriate has been living and working in a foreign country.

Many workers in Western Europe take advantage of parental leave allowances, especially in countries that require employers

to provide paid parental leave.

Faced with a myriad of parental leave laws around the world, multinationals most often ease the burden by letting local ventures handle benefits administration.

Parental leave allowances are "very much a local decision" driven by "local minimum requirements," said Bob Wesselkamper, principal and vp-multi-

national division of Sedgwick Noble Lowndes in Chicago.

Because local practices vary so widely, companies haven't yet tried setting parental leave allowances uniformly throughout Europe, agreed John Swabey, a senior consultant for The Wyatt Co. in Brussels, Belgium.

Collective bargaining agree-
Continued on page 44

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age of retirement, many companies have done so recently and have to address the question of retroactive implementation.

"Most U.K. companies have adopted the age of 65 as a common pension age for men and women, which means that women in their employment may have to work longer to qualify for a pension," said a spokesman for the Confederation of British Industry.

"However, some of these companies have allowed women who are already near retirement to retire between 60 and 65 on full pension. These companies will need to reconsider their position in the light of recent cases in the European Court of Justice, if they have not provided early retirement to men on the same terms," he said.

"The most important aspect is how companies manage the transition period," said Sedgwick Noble Lowndes' Mr. Malone.

According to Mr. Malone, many companies are allowing women employees currently approaching age 60 the option of continuing to age 65, in which case they would receive a pension based on the higher salary that would ultimately be earned.

Some companies also are guaranteeing existing employees, both men and women, the right to retire at 60, Mr. Malone said.

Those companies that have equalized retirement ages since the *Barber* judgment must apply different criteria when determining benefits during the period between the May 1990 ruling and the date they implemented a common retirement age, pointed out Peter Timberlake, marketing manager for Legal & General Assurance Society Ltd., which manages corporate pension plans.

For example, for existing employees who have not yet reached retirement age, most companies assess the years worked between the *Barber* judgment and the implementation of a common retirement age based on the previous female retirement age and the years worked thereafter based on the new common retirement age, in most cases 65.

"Setting a common retirement age is simple," said a spokesman for the Prudential Corp. P.L.C. in London, adding that coping with it retroactively is more complex.

Prudential, which manages some 1,100 pension plans for U.K. companies, will be talking to its clients during the coming months to address the issues and complexities created by the retroactive judgments, the spokesman said.

Meanwhile, many in the industry believe that the issue of part-time workers will not be as problematic or as costly as early reports suggested.

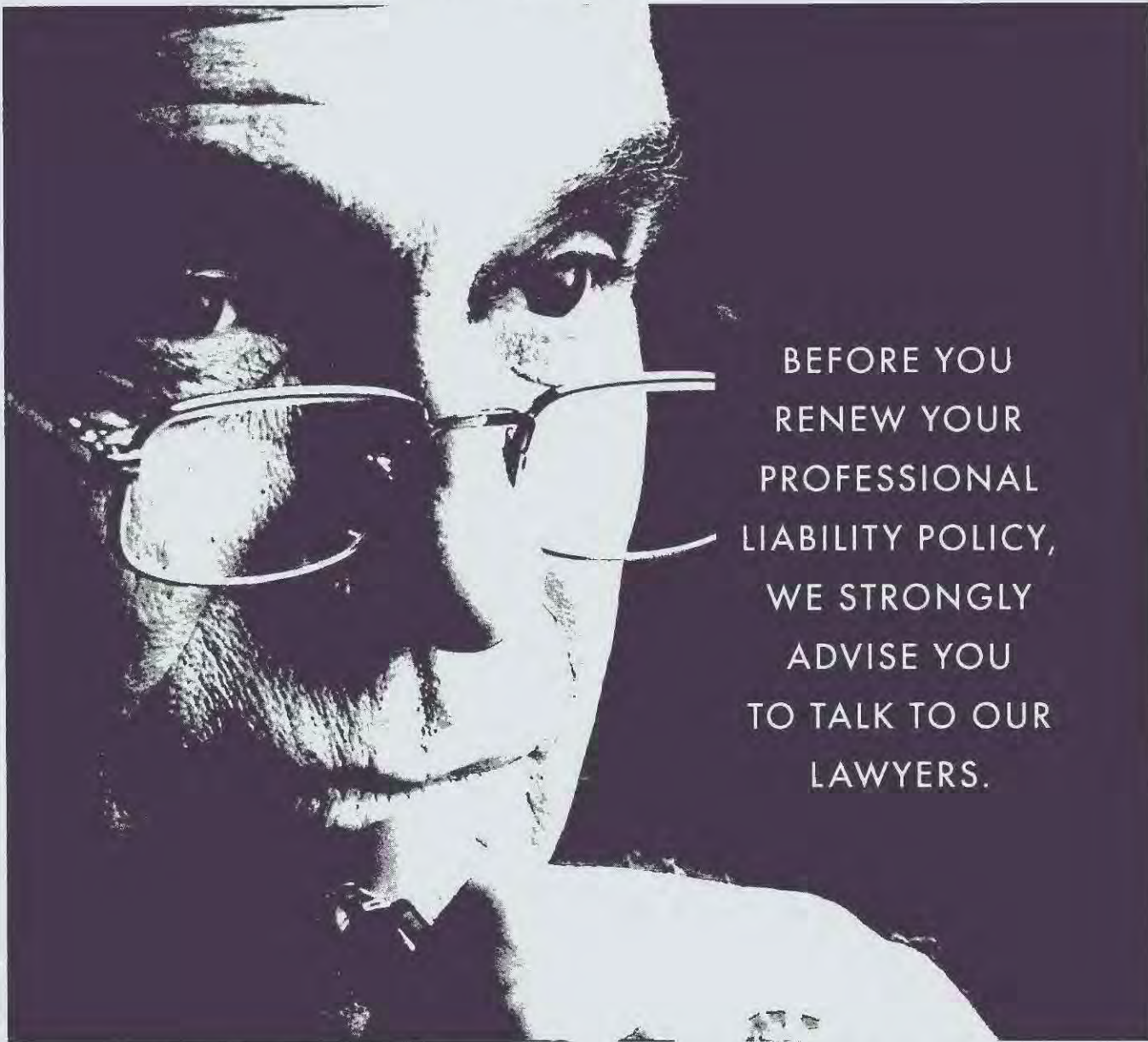
Immediately after the judgments, leading business representatives estimated that the cost of admitting part-time employees into pension plans retroactive to 1976 would cost British industry between 7 billion and 10 billion pounds (\$10.94 billion and \$15.63 billion at the current exchange rate).

But, "the part-timers' judgments will not be a bonanza for part-timers," said Mr. Malone, who noted that part-time employees must prove in court that they were excluded from their company pension plan because of discrimination.

Even if an employee wins the case and is put into the plan retrospectively, if the pension plan required contributions from employees, the plaintiff would have to make back payments to the plan, something many workers could not afford to do, Mr. Timberlake said. More than three-quarters of all U.K. company plans require contributions from employees, he said. **BI**

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Spotlight report

Leave

Continued from page 41

ments, social security law and labor law—all of which are “highly localized”—affect parental leave requirements, Mr. Swabey said.

General Electric Co. lets its business units craft leave policies for its operations in about 50 countries.

Different GE business units are told only to comply with local laws, follow local customs and remain competitive, said David Koonce, manager of international benefits and executive compensation for Fairfield, Conn.-based GE.

It is a mistake to “try to transport practices from one country to another country,” said Mr. Koonce.

Chrysler Corp. follows a similar strategy.

All decisions regarding parental leave at its joint ventures abroad are made locally and in deference to local law, said Richard Brown, manager of international benefits and special benefit projects in Highland Park, Mich.

American workers living abroad may or may not be subject to local parental leave laws.

Because most parental leave benefits abroad are provided by Social Security-type national institutions, there are residency and contribution requirements to receive benefits, said Mr. Wesselkamper.

If an American employee living abroad has met these requirements, he or she does tend to take advantage of local parental leave laws, especially if they are more generous than the U.S. Family and Medical Leave Act, Mr. Wesselkamper said.

But, if an American expatriate is not eligible for local parental leave, most employers do not offer American expatriates paid parental leave beyond what they are entitled to under the FMLA, he said.

In some cases, the differences between what the FMLA mandates and local leave entitlements in Europe are quite significant.

For example, in Sweden, parents with a newborn baby are entitled to share 360 days off at 90% of their respective previous salaries and an additional 90 days off at a lesser benefit level, Mr. Wesselkamper said. Swedish parents generally take advantage of the leave allowance, he said.

Such generous leave is not a problem because companies in Sweden have grown accustomed to such absences and “other people do step to the plate,” he said.

While Sweden’s maternity leave allowance is particularly generous, other European countries also offer paid maternity leaves of varying duration.

And, 11 members of the European Union recently agreed to enact a directive giving fathers the right to claim up to three months of unpaid leave following the birth of a baby (BI, Oct. 3). It may be two years before all member countries actually adopt the directive. Many of the countries already have a paternity leave law on the books.

Administering differing parental leave laws throughout Europe generally is not a problem for multinational employers, experts agree.

Administering the differing parental leave entitlements is handled like the administration of differing paid vacation and paid holiday entitlements, Mr. Swabey said. Some multinational companies let a local human resource manager handle leave allowances, while others have a payroll department process the information, he said.

“Administration is left up to the local national human resources manager,” Mr. Wesselkamper said. “I am not aware of any U.S. employer that actively manages” the use of parental leave allowances in Europe. **BI**

Networks

Continued from page 3

“It’s a fairly mature market and the issue we’re seeing is competitiveness,” Mr. Williams said.

As multinational employers examine various networks for the best deal, they’re looking not only at cost but also at the level of service the networks can provide and where those services will be available.

“Cost is a slippery slope,” Mr. Shimer said. “Cost is not always something we can put our finger on and say, ‘They’re the lowest cost network.’” There are benchmarks, however, that can be used to determine whether a network is competitive both in terms of cost and quality, he said.

In weighing networks, “service has a lot to do with it. Who can provide the best service for cheapest,” agreed David Koonce, manager of international benefits and executive compensation for General Electric Co. in Fairfield, Conn.

Beyond cost and quality, networks’ reach is clearly a factor considered by multinational employers, particularly as they expand into emerging markets.

“We’re seeing companies now looking at the competitiveness of these pools with regard to where they might want to locate offices,” Mr. Shimer said. “Not all the pooling networks are able to provide service in every country in the world.”

“A lot of companies are going into Eastern Europe and Latin America and China and some of the networks don’t have facilities in those areas,” he said. “If I’m in network A and network A doesn’t have reach in the area in which I’m interested, then maybe I’ll look at networks B and C and D and see if they do.”

As the largest companies become increasingly multinational, many now have more than one multinational benefit pool. Yet some of those companies are considering whether it might not be more efficient to have just one. “That’s driving a lot of the activity in re-marketing pooling arrangements,” Mr. Shimer said.

GE, for which Mr. Koonce believes “it wouldn’t make sense not to” take advantage of multinational networks, is an example of a company with multiple pools.

GE has a network in the Far East, another global network and a couple of regional networks, Mr. Koonce said. As GE acquires companies, it frequently inherits network arrangements already in place.

“About every three or four years, we reduce it to a small number,” he said. “We sort of wring it out every once in a while.”

Mr. Koonce said he thinks there could be an advantage to large companies maintaining more than one network, “just because competition tends to give you a lot of leverage.”

One would probably be appro- *Continued on next page*

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 - Actry/Conslt
 - Attorney
 - Adj/Apprs
 - TPA
 - Health care
 - Inst
 - Other
- Number of employees:
 - 150 or less
 - 1,000 - 4,999
 - 151 - 499
 - 5,000 or more
 - 500 - 999
 - Unknown
- My title is best defined as:
 - Administrative Mgt
 - Financial Mgt
 - Risk Mgt
 - Benefits Mgt
 - Loss Prevention Mgt
 - Other
- My purchasing involvement for the requested products is to:
 - recommend only
 - specify
 - approve
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Networks

Continued from previous page

appropriate for a smaller company, he believes.

The networks are clearly aware of the competitive environment they face.

"I think every one of the networks is quite aware of what they need to do to be more competitive in terms of their expense retentions—their administrative expenses and risk expenses," Foster Higgins' Mr. Shimer said.

With the largest companies' business all tapped, the networks are beginning to look for new markets.

"I think the pooling networks themselves, in recognition of the fact that the market is saturated, are starting to look at small group pools," he said.

The networks, which by all accounts have done well demonstrating to larger multinationals

take risk in the multinational pool, reinsuring the pool as it were."

"If the competitive strategy is to look at managing corporate risk and you're using a captive to do that, then you're going to look at the captive in terms of any possible way of using it and certainly international employee benefits would be one way of doing it," he said.

That approach has a particular appeal to some U.S. employers because they are not allowed to self-insure employee benefits through their captives for domestic employees, Mr. Shimer said.

"The network can, if they will, even transfer some claims reserves to the captive," he said.

An employer can find a particular financial advantage in increasing its investment return when large reserves are transferred back to its captive.

Though many insurers will credit client companies for invest-

Many networks are looking toward emerging markets, trying to anticipate employers' needs there and provide appropriate products.

the advantages of pooling arrangements, are now trying to show smaller employers—"emerging multinationals," as Mr. Shimer calls them—that they, too, can find opportunities in multinational pooling.

Mercer's Mr. Williams agrees that the networks are "probably focusing a bit on the new multinationals, which tend to be fairly small."

"I'm working on one at the moment which only has 100 employees, but they're spread over 15 countries," he said.

But, Mr. Williams noted, it's difficult to achieve cost-effectiveness with that small an operation. The issue becomes one of going with a worldwide policy, which might be the easiest option but not cost-effective locally, or many small insurance contracts.

Aetna International's Mr. Kapelke said market competition is a factor affecting international network business with all multinational companies.

"We're seeing a lot of activity in the small to medium companies and renewed interest in the larger companies as to whether what they have is appropriate and, if they can, to squeeze another buck out somewhere," Mr. Kapelke noted.

Many networks are looking toward emerging markets, trying to anticipate employers' needs there and be the first to provide the appropriate products. Aetna is among those taking that approach.

"We've tried to be flexible," Mr. Kapelke said. "We've tried to look at emerging markets and try to develop products that may be first and suit the companies that are moving into those markets."

The involvement of captives by the largest employers in their multinational benefit pooling arrangements remains a major international network trend.

Another way some networks are responding to the competitive environment is by demonstrating a willingness to work with multinational companies' captives.

"We're seeing a lot more interest in that," Mr. Shimer said. "Particularly by having the cap-

ment income, they are more conservative about investing those funds than the client companies might be.

Involving captives with the networks is "probably the biggest issue that's out there at the moment," Mr. Williams said.

"What our clients are looking for is greater risk sharing with the insurer networks and that may be by means of reinsuring back to the captive insurers," Mr. Williams said. "The risk charges for a big company tend to be profit for the insurance company, so by minimizing the risk charges it can produce a lower cost for the company."

He noted, though, "It's a big-company issue. Anything outside the Fortune 50 probably doesn't add up to enough to make the management worthwhile."

"The networks themselves typically won't want to be involved with captives unless there's some very large number of employees," Mr. Shimer said. It's costlier for the networks to work with clients' captives. What's more, if a client is going to take on risk, the networks want to see that risk spread over a large number of benefit participants.

"So the threshold for getting a captive involved in multinational pooling is pretty high," Mr. Shimer said. "I know one group that won't talk to you unless you've got 3,000 people."

The desire to involve captives isn't always based on reducing international benefit costs, however. Tax considerations also can come into play, Mr. Williams said.

With employee benefit business treated as third-party business for captives, and captives realizing tax advantages for doing third-party business, "sometimes it can be more of a captive issue and getting something for the property/casualty business they normally write than really an attempt to reduce benefit costs," Mr. Williams said.

Though the international benefits network market may be saturated, it continues to grow in the number of lives covered. "I would say that the numbers certainly are increasing as companies continue

Multinational benefit networks defined

A multinational benefit network is a working arrangement among different insurers through which companies with employees in more than one foreign country can obtain various employee benefit coverages.

The multinational benefit network provides coverage for one or more foreign sites through one master contract. The network pools the claims experience of all of the employees of the participating foreign subsidiaries, and favorable loss experience is rewarded with an "international dividend."

Benefits covered through multinational pooling arrangements often include medical, life, accidental death and dismemberment, short- and long-term disability, travel insurance and pensions.

Networks vary in structure. Some are formed by a single insurer with units in many foreign countries. Others are formed by two large life insurance companies—usually one U.S. company and an overseas partner—that operate under a cooperative arrangement. The third most common type of network consists of several independent foreign insurers.

Most networks' master contracts include two agreements.

The first agreement is between the multinational company's local subsidiary and the local insurer that is a member of the network. Under this contract, the local insurer charges a premium plus a risk charge that covers losses that exceed the income from the master contract, catastrophe coverage and costs involved if the contract is canceled. In this case, the premium is usually paid by the local unit of the parent company.

On the local level, a dividend may be paid to the subsidiary if the local insurer's income exceeds costs. However, local insurance practices and the subsidiary's size may determine the amount of the local dividend.

The second agreement, which is between the network and the parent company's headquarters, provides for pooling experience among all local contracts. The experience of all the local units is combined to see if the parent corporation will receive an international dividend.

When determining an international dividend,

the benefit network first tallies all paid premiums, investment income and reserves at the start of the year compared with claims, commissions, risk and expense charges, local dividends and year-end reserves. If a dividend is warranted, the parent company then chooses whether to send the dividend to corporate headquarters or to share it locally.

Pooling is advantageous because it allows multinational employers to spread their risk. Through such arrangements, a firm's unfavorable claims experience in one country may be offset by more favorable performance in other countries.

However, if on a worldwide basis an international pool produces a loss, the network may treat it by using one of three common procedures:

- Stop-loss system.

An employer's losses are fully underwritten by the network insurers in that year with no loss carried forward. The risk charge for this type of arrangement is significantly higher than other methods.

- Loss carry-forward system.

All losses are charged to the current account and any negative balance is carried forward to the next experience year. The risk charge under this system is reduced to covering catastrophic losses and cancellation of a master contract with a deficit.

- Loss carry-forward system with contingency fund.

All losses and negative balances are treated as they would be under a standard loss carry-forward system. To reduce the risk charge for loss carry-forward, however, a contingency fund is established and maintained with an annual allocation to offset future losses.

In years of unfavorable loss experience, the contingency fund is first drawn upon to cover losses, after which any negative balance is carried forward.

The contingency fund accrues interest and, if a client cancels a contract with the network, that client's portion of the fund is refunded, less any amount that was used.

This type of fund is not being used as much as it once was because of low investment yields generated by the funds.

to expand overseas," Mr. Shimer said. "I have clients where the pools keep getting bigger."

He sees a possible shrinkage in the number of networks, however, as consolidation between insurers occurs in Europe and Latin America.

Some of that consolidation might be aimed at creating networks with truly global reach, Mr. Shimer said, citing the AIG/Winterthur network as an example. "AIG had excellent facilities around the world but was a little weak in Europe," he said. "Winterthur was strong in Europe."

Companies that manage their pools' and subsidiaries' arrangements with networks' local insurers stand to reap the greatest savings from using multinational net-

works. "Those who are managing their pooling relationships I believe are getting excellent value," Mr. Shimer said.

Many multinational companies still approach their insurance operations in a decentralized fashion, however, with the parent exerting little control over the local subsidiary.

"An awful lot of the companies that have multinational pooling arrangements don't manage them," Mr. Shimer said. They're accustomed to decentralized insurance relations with overseas subsidiaries, and "don't want to rock the boat."

"What we're seeing is corporate management in the United States needs a fairly big incentive to go and tell their local management

that they've got to shift insurers," Mr. Williams said.

That's beginning to change, however.

"As companies say that they're becoming global there is a tendency toward a global strategy both in terms of design and financing of benefits and that requires centralized control," he said.

Of course, many companies don't want to step on local managers' toes, "so it's getting the right balance, which is probably going to vary from company to company," Mr. Williams said.

Consequently, he sees many companies setting insurance guidelines for local managers rather than imposing strict controls. **BI**

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Annual directory of international benefit networks

A

AGRI Benefits Network

Waaistraat 6, Leuven B-3000,
Belgium; 32-16-24-3300;
fax: 32-16-24-3024

	1993	1992
Foreign countries.....	17	10
Offices.....	1	1

Formed: 1987.

Member companies: ABB, Belgium; Argosz, Hungary; Agrotiki Life, Greece; Assimoco Vita, Italy; Groupama Assurances, France; Groupama Iberica, Spain; Interpolis, Netherlands; Irish Life, Ireland; La Luxembourgeoise Vie, Luxembourg; Lansforsakringar, Sweden; NFU Mutual, United Kingdom; RGA Seguros, Spain; R&V Versicherung, Germany; Raiffeisen-Versicherung, Austria; Tapiola, Finland; Vaudoise/Waad, Switzerland.

Minimum requirements: 250 life-years, two countries.

International dividends: Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

Officers: Tom Meeus, secretary general; Herman Jacobs, secretary.

AIGWIN

80 Pine St., 13th Floor, New York,
N.Y. 10005; 212-770-2200;
fax: 212-785-0687

	1993	1992
Int'l premiums.....	\$659,000,000	\$612,000,000
U.S.	43%	48%
Non-U.S.	57%	43%
Pension funds.....	\$2.928 billion	\$1.971 billion
Employees.....	468	435
U.S.	73	75
Non-U.S.	468	435
Lives covered.....	799,000	728,450
Master contracts.....	677	636
Foreign countries.....	144	144
Offices.....	108	102

Formed: 1991.

Member companies: ALA, Australia; AI Life, American Samoa; A.I.A., Guam, Hong Kong, Malaysia, Saipan, Singapore and Thailand; AIG Life/AI Life, United States and Puerto Rico; AIU, Ecuador, Honduras and Pakistan; AIU/AI Clark, Egypt; AJIA, Indonesia; ALGICO, Trinidad and Tobago; ALICO, Antigua, Argentina, Aruba, Bahamas, Bahrain, Bangladesh, Barbados, Belize, Bermuda, Cameroon, Cayman Islands, Channel Islands, Curacao, Cyprus, Dominican Republic, Dominica, El Salvador, Gibraltar, Greece, Grenada, Hungary, Ivory Coast, Jamaica, Japan, Jordan, Kenya, Kuwait, Lebanon, Liberia, Malta, Montserrat, Oman, Panama, Portugal, Qatar, St. Kitts, St. Lucia, St. Marten, St. Vincent, Saudi Arabia, Senegal, South Korea, Suriname, Turkey, United Arab Emirates, United Kingdom and Yemen; ALICO (Nigeria) Ltd., Nigeria; ALICO/Winterthur, Italy and Spain; American Home, Paraguay; AMCICO, Czech Republic; American International Assurance Co., China; Amplico Life, Poland; CAH, Haiti; Chiyoda, Japan; El Pacifico, Peru; Europia, Portugal; First American Czech, Czech Republic; First American Life, Poland; First Hungarian American, Hungary; Great West Life, Canada; Gjensidige, Norway; Instituto Nacional de Seguros de Costa Rica, Costa Rica; Interamericana, Brazil and Mexico; Itau Winterthur, Brazil; La Interamericana, Chile and Colombia; La Meridional, Argentina; La Seguridad, Guatemala; London Life, Canada; MLC, Australia; Nan Shan, Taiwan; New Ireland Life, Ireland; Norwich Life, New Zealand and South Africa; Philam Life, Philippines; Pohjola, Finland; Provident Life, United Kingdom; Seguros Venezuela, Venezuela; Skandia International, Sweden; Tapiola, Finland; Trys, Denmark; Uganda/American, Uganda; Unity, Zimbabwe; Winterthur, Austria, Belgium, France, Germany, Italy, Luxembourg, Netherlands, Spain and Switzerland.

Minimum requirements: Two countries, \$100,000 of annual premiums and 100 lives.

Business: 27% medical, 30% life, 5% accidental death, 3% short-term disability, 7% long-term disability, 28% other.

International dividends: Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

Officers: Willi Suter, executive vp-international division-Winterthur Swiss Insurance Co.; Robert J. O'Connell, president/CEO-AIG Domestic Life Cos.,

Gregory A. Arms, senior vp/director-AIG Group Management Division; Urs Zwicky, Winterthur Insurance International Division.

U.S. contact: Gregory A. Arms, 212-770-2200 or George G. Smyth, 212-416-5790.

Aetna/Generali

1 Liberty Plaza, New York,
N.Y. 10006; 212-602-7634;
fax: 212-587-9539

	1993	1992
Int'l premiums.....	\$240,000,000	\$230,000,000
U.S.	65%	65%
Non-U.S.	35%	35%
Pension funds.....	\$850,000,000	\$950,000,000
Employees.....	88	88
U.S.	28	28
Non-U.S.	60	60
Master contracts.....	125	122
Foreign countries.....	45	45
Offices.....	8	8

Formed: 1966.

Member companies: A/P Pensions, Denmark; Aetna Canada, Canada; Aetna Chile Vida S.A., Chile; Aetna Health New Zealand Ltd., New Zealand; Aetna Life & Casualty, Bermuda; Aetna Life & Casualty/Aetna Health Plans, United States; Aetna Life Insurance Co. of America, Taiwan; Aetna Universal Insurance Co., Malaysia; Aseguradora General S.A., Guatemala; Assicurazioni Generali, Argentina, Italy, Spain and Guernsey; Blue Cross (Asia-Pacific) Insurance Ltd., Hong Kong; Cia. Granadina de Seguros, Colombia; Cia. Internacional de Seguros de Vida S.A., Panama; Clerical Medical Investment Group, United Kingdom; Danamon Life Insurance Co., Indonesia; Dongbu Aetna Life Insurance Co. Ltd., Korea; East Asia Aetna Insurance Co. Ltd., Hong Kong; Erste-Allgemeine, Czech Republic; Familia-Leben Versicherung, Switzerland; Generali-Allgemeine Lebensversicherung AG, Austria; Generali Belgium S.A., Belgium; Generali do Brasil,

Brazil; Generali France S.A., France; Generali Budapest Insurance Co., Hungary; Generali Lebensversicherung AG, Germany; Generali Levensverzekering Mij., Netherlands; Generali Life A.E., Greece; Generali Peru S.A., Peru; Generali Sigorta, Turkey; Geneva Life Insurance Co., Switzerland; Gjensidige Forsikring, Norway; Insular Life Assurance Co., Philippines; Insurance Corp. of Singapore, Singapore; Irish Life Assurance Co., Ireland; La Nacional, Cia. de Seguros, Ecuador; Le Foyer, Luxembourg; London Assicurazioni Generali, United Kingdom; Migdal Insurance Co., Israel; Misr Insurance Co., Egypt; Mitsui Mutual Life Insurance Co., Japan; The Prudential Assurance Co. Ltd., Australia and New Zealand; Seguros America S.A., Mexico; Seguros Nuevo Mundo S.A., Venezuela; Siam Life Insurance Co. Ltd., Thailand; Skandia International Insurance Co., Sweden; Standard Generali Insurance Co., South Africa; Tapiola Insurance Group, Finland;

Tranquilidade Seguros E.P., Portugal.

Minimum requirements: One country for network business; two countries and 100 lives for international pooling.

Business: 15% medical, 25% life, 2% accidental death, 10% short-term disability, 10% long-term disability, 38% other.

International dividends: Stop-loss system, loss carryforward system.

Officers: Elaine McDonald, vp; Gianni Ban, executive vp.

U.S. contact: Barry Y. Slocum, vp-U.S. region, 212-602-7627.

Area Benefits Network

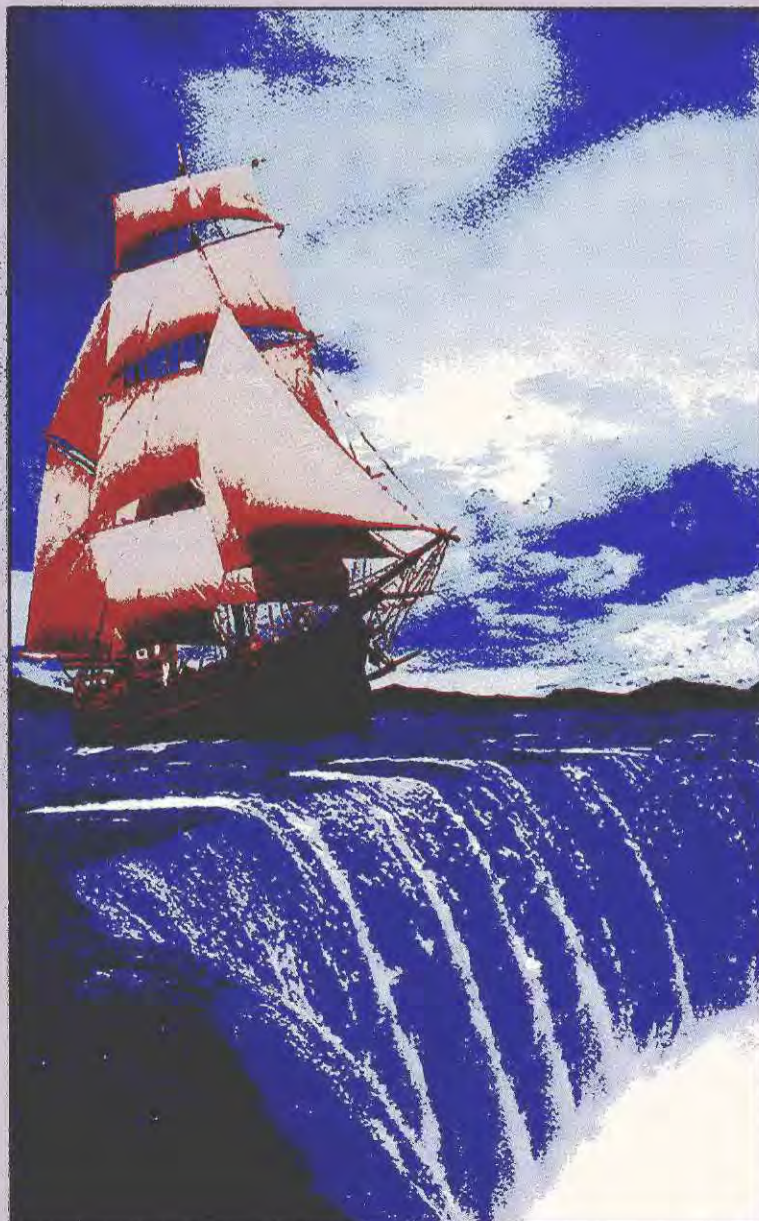
Avenue de Beaulieu 25, box 7,
Brussels 1160, Belgium,
32-2-672-2279; fax: 32-2-660-0356

	1993	1992
Int'l premiums.....	NA	NA
U.S.	10%	10%
Non-U.S.	90%	90%

Continued on next page

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Continued from previous page

Employees.....	6	6
Non-U.S.....	6	6
Lives covered.....	87,000	73,000
Master contracts.....	95	92
Foreign countries.....	42	38
Offices.....	1	1

Formed: 1979.

Member companies: African Alliance, Nigeria; Al-Nisr Al-Arabi, Jordan; Alliance Insurance, Bahrain, Kuwait, Oman, Qatar and United Arab Emirates; Allianz Leben, Germany; Allianz Pace, Italy; Amev Levensverzekering, Netherlands; Aseguradora Cuauhtemoc, Mexico; Ayalda Life, Philippines; Bradesco Seguros, Brazil; Eagle Star, Hong Kong and Ireland; Eagle Star International Financial Services, Isle of Man; Eagle Star Life, United Kingdom; Fidelidade, Portugal; Fubon Life Assurance, Taiwan; Gjensidige Liv, Norway; Interamerican Life, Greece; Kansa Life, Finland; Keppel Insurance, Singapore; La Luxembourgeoise Vie, Luxembourg; Malaysia National, Malaysia; The Meiji Mutual Life, Japan; Metropolitana, Panama; Oyak Sigorta, Turkey; Panin

Life, Indonesia; Pax Versicherungen, Liechtenstein and Switzerland; Plus Ultra, Argentina; Royale Belge, Belgium; Siam Commercial Life Assurance, Thailand; Skandia, Sweden; Societe Nationale D'Assurances, Lebanon; Tong Yang Benefit Life, South Korea; Tryg Pension, Denmark; UAP, France; UAP Iberica, Spain; Wiener Allianz Leben, Austria.

Minimum requirements: Own pooling: 100 lives and two countries; participation in multiemployer pool: 25 lives, two countries (within three years) and a minimum of \$10,000 in premiums.

Business: 2% medical, 39% life, 1% accidental death, 5% short-term disability, 5% long-term disability, 48% other.

International dividends: Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

Officers: A.J.H. Diemel, president-AREA Benefits Network/general manager-AMEV Levensverzekering, Netherlands; Hugo Clemeur, secretary general/managing director.



CIGNA International

2 Liberty Place, 1601 Chestnut St., Philadelphia, Pa. 19192; 215-761-5339; 215-761-5584

	1993	1992
Int'l premiums.....	\$874,300,000	\$735,000,000
U.S. owned.....	2.2%	2.1%
Non-U.S. owned.....	97.8%	97.9%
Employees.....	1,695	1,731
U.S.....	89	108
Non-U.S.....	1,606	1,623
Foreign countries.....	60	60
Offices.....	18	18

Formed: 1982.

Member companies: CIGNA, Argentina, Bahamas, Brazil, Canada, Chile, Colombia, Greece, Guatemala, Hong Kong, Indonesia, Japan, Mexico, New Zealand, South Korea, Spain, Taiwan, United Kingdom and United States; CIGNA International Property & Casualty Division ("CIGNA Worldwide") has limited employee benefit capabilities in over

60 countries.

Minimum requirements: Two countries, each pool inquiry is evaluated to assess potential to generate multinational dividends.

International dividends: Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

Officers: H.E. Hanway, president; David Wood, senior vp-finance; Bendt Themstrup, senior vp-individual life; Fazri Dato, senior vp-group/employee benefits.

U.S. contact: Peter Greskoff, assistant vp-group/employee benefits, 215-761-3646.



GAIN

24 Avenue des Arts, Brussels 1040, Belgium; 32-2-230-3385; fax: 32-2-230-3492

	1993	1992
Int'l premiums.....	NA	NA
U.S.....	25.2%	24.5%
Non-U.S.....	74.8%	75.5%
Employees.....	8	7
U.S.....	4	2
Non-U.S.....	4	5
Foreign countries.....	27	22
Offices.....	3	2

Formed: 1976.

Member companies: AB AEGON Al-talanos Biztosito, Hungary; AEGON Verzekeringen, Netherlands; AGF Garanti Sigorta, Turkey; AGF Kosmos Vie S.A., Greece; AGF Seguros, Spain; Aachener & Munchener Lebensversicherung AG, Germany; Assubel Vie S.A., Belgium; Assurances Generales de France, France; Brazil Companhia de Seguros Gerais, Brazil; Colonia Lebensversicherung AG, Germany; Fidelity Life Assurance of Zimbabwe, Zimbabwe; First Life Insurance, Korea; The First Life Insurance Co., Taiwan; HSBC Life (International) Ltd., Hong Kong; Irish Life Assurance P.L.C., Ireland; Keppel Insurance pte Ltd., Singapore; Legal & General Life of Australia, Australia; London & Manchester

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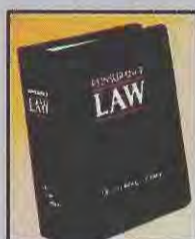


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Global network directory guide

The *Business Insurance* directory of international benefit networks lists networks that responded to a BI questionnaire.

Networks are listed as an editorial service; there is no charge for inclusion in the directory.

Listings begin with the network name, address, phone and facsimile numbers.

If supplied by the network, the following financial and operational information for 1993 and 1992 is given: **Foreign gross premiums** in U.S. dollars (includes medical, life, accidental death and short- and long-term disability insurance) and the percent generated by foreign operations of U.S. employers vs. non-U.S. employers; **funds under management** for foreign pension plans of network clients; total **network employees** including those in U.S. and non-U.S. locations; and number of **foreign lives covered**. Also, the number of **master contracts**, the number of **foreign countries represented** and the number of actual **network offices** are given.

Business Insurance defines "foreign" as business in any country other than that of the parent or headquarters group. Statistics reflect only contracts which participate in pooling arrangements for which a signed application, master contract or similar formal written arrangement exists.

Provided also are the year the network was formed, names of insurers or offices participating in the network and **minimum requirements** for employers' participation in the network.

A percentage breakdown of business the network conducts is given, as are methods in which the network handles **worldwide losses** in determining international dividends.

Names and titles of principal officers and the name of a U.S.-based contact person complete the listings.

Please refer to the **geographic index** following the directory to locate networks by country. The index includes the network name under countries in which they have branch offices, subsidiaries and affiliated companies participating in the network. Please refer to individual listing for the specific names of the office or company in a particular country.

Listings are based on each network's response to the questionnaire. Although every effort is made to obtain complete and accurate information, *Business Insurance* is unable to verify all data.

Spotlight report

Continued from previous page

(Pensions) Ltd., United Kingdom; MBA Life Assurance Sdn Bhd, Malaysia; Mutual Life of Canada, Canada; The Principal Financial Group, United States; Siam Commercial Life Assurance Co. Ltd., Thailand; Sociedade Portuguesa de Seguros, Portugal; Toho Mutual Life Insurance, Japan; Tryg Forsikring A/S, Denmark; Vaudoise Assurances, Switzerland; coverage provided in additional countries through members listed above.

Minimum requirements: 25 lives, and a further per country participation minimum of the lowest common denominator specified by insuring companies (often 10 lives per country).

Business: 16% medical, 20% life, 1% accidental death, 63% long-term disability.

International dividends: Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

Officers: Marc Dierckx, chairman; Eric Janssen, managing director; Rich O'Brien, sales director-North America; Rob Heiligers, sales/marketing manager-Europe; Cathy O'Bright, actuary.

U.S. contact: Eric Janssen, 415-394-8677; Rich O'Brien, 708-916-2916.

Gerling Pooling Instrument (COMP through GPI)

Gerling Institut Pro Betriebliche Altersversorgung und Vorsorge-Management GmbH, Cologne 50597, Germany; 49-221-144-3817; fax: 49-221-144-5818 or 49-221-144-3461

	1993	1992
Int'l premiums	\$15,000,000	\$13,600,000
U.S.	12%	15%
Non-U.S.	88%	85%
Employees	21	21
U.S.	5	5
Non-U.S.	16	16
Lives covered	17,000	16,100
Master contracts	21	19
Foreign countries	36	34

Formed: 1982.

Member companies: Over 40 insurers worldwide. Gerling pooling instrument is used to set up individual pools for multinational organizations.

Minimum requirements: 250 insureds in two countries for COMP (Company's Own Multinational/Benefit Insurer

Pool); 10 lives per country in two countries for CMP (Collective Multinational Pool).

Business: 7% medical, 22% life, 25% accidental death, 19% long-term disability, 27% other.

International dividends: Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

Officers: Dr. Joachim Lutz, managing director; Michael Ehlers, Heinrich Salmen, directors-international employee benefits division.

U.S. contact: Wolfgang Schlaeger, president, 212-752-8900.



John Hancock International Group Program
P.O. Box 111, Boston, Mass. 02117;
617-572-8625; fax: 617-572-8628

Formed: 1967.

Member companies: AB-AEGON Altalanos Biztosito Rt., Hungary; AG Group, Belgium and Luxembourg; AMEV Levensverzekering N.V., Netherlands; AXA, France; Aetna Universal Insurance Sdn. Bhd., Malaysia; Australian Mutual Provident Society, Australia and New Zealand; Ceska Pojistovna, Czech Republic; Consorcio Nacional de Seguros S.A., Chile; Dai-ichi Mutual Life Insurance Co., Japan; Ethniki Hellenic General Insurance Co., Greece; Halk Yasam Sigorta A.S., Turkey; Insular Life Assurance Co. Ltd., Philippines; Insurance Corp. of Singapore Ltd., Singapore; Irish Life Assurance P.L.C., Ireland; John Hancock Mutual Life Insurance Co., United States; La Suisse, Societe d'Assurance sur la Vie, Switzerland; Maritime Life Assurance Co., Canada; Muang Thai Life Assurance Co. Ltd., Thailand; National Mutual Insurance Co. Ltd., Hong Kong; Old Mutual, Zimbabwe; PFA Pension, Denmark; P.T. Asuransi Pensiun Bumiputera John Hancock, Indonesia; Pan American de Colombia, Compania de Seguros de Vida S.A., Colombia; Pan American Life In-

urance Co., Dominican Republic, Ecuador and Puerto Rico; Pictet & Cie, Switzerland; Private Patients Plan, United Kingdom; Sampo Pensions Insurance Co. Ltd., Finland; Samsung Life Insurance Co. Ltd., Korea; Seguros La Seguridad C.A., Venezuela; Seguros Monterrey S.A., Mexico; Shin Kong Life Insurance Co. Ltd., Taiwan; Societa Assicuratrice Industriale, Italy; South African Mutual Life Assurance Society, South Africa; Sud America Compania de Seguros de Vida y Patrimoniales S.A., Argentina; Sud America Vida y Pensiones, Spain; Sul America Companhia Nacional de Seguros, Brazil; Sun Alliance Life, United Kingdom; UNI Storebrand AS, Norway; Victoria Lebensversicherung AG, Germany; Victoria Seguros, Portugal; Victoria-Volksbanken Versicherungs AG, Austria.

Officers: Michael J. Allan, vp.
Contact: Michael J. Allan.



Insurope Secretariat

Boulevard Bischoffsheim 39, Box 18,
B-1000, Brussels, Belgium;
322-217-8163

	1993	1992
Int'l premiums	NA	NA
U.S.	50%	50%
Non-U.S.	50%	50%
Employees	17	17
U.S.	6	6
Non-U.S.	11	11
Foreign countries	42	40
Offices	3	3

Member companies: AG 1824, Belgium; A.G. Luxembourg, Luxembourg; Al Wataniya, Morocco; Alte Leipziger, Germany; Asahi Mutual, Japan; BUPA, United Kingdom; Baloo Life, Liechtenstein and Switzerland; Basak Sigorta, Turkey; Bradesco Seguros, Brazil; Bundeslander, Austria; China Life, Taiwan; Confederation, United Kingdom; British-American, Antigua, Aruba, Bahamas, Barbados, Cayman Islands, Cyprus, Grenada, Guyana, Haiti, Kenya, Malta, Mauritius, Nigeria, Panama, St. Kitts/Nevis/Anguilla, Surinam, Trinidad & Tobago, Turks & Caicos Islands, Uruguay and Virgin Islands; CRP, Czech Republic; CIGNA, Chile, Columbia, Greece and United States; Commercial Union, Poland; Danica, Denmark; Delta Lloyd, Netherlands; Dong Ah, South Korea; Ecuatoriana-Suiza, Ecuador; El Pacifico-Peruano Suiza, Peru; Equitativa del Plata, Argentina; Espana, Spain; Europa-Gan Biztosito, Hungary; Grupo Nacional Provincial, Mexico; Fondiaria, Italy; Fortis Benefits, United States; GAN, France; G.A.T., Tunisia; Great Eastern, Malaysia and Singapore; Jamaica Mutual, Jamaica; Jiwasraya, Indonesia; Manulife, Hong Kong; National Mutual, Australia and New Zealand; Nippon Dantai, Japan; Otcina, Slovakia; Pension-Varna, Finland; Philippine Life, Philippines; Phoenix Home Life, United States; Provident Life, United States; Prudential, United States; Sanlam, South Africa; Siam Commercial Life, Thailand; Standard Life, Canada and Ireland; Tranquilidade, Portugal; SPP, Sweden; UNI Storebrand, Norway; UNUM, United States.

Minimum requirements: Two countries for multi-company pool.

International dividends: Stop-loss system, loss carryforward system.

Officers: Frank Smolar, network manager; Jim Wallace, network actuary; Hugh Gallagher, sales/marketing manager.

U.S. contact: Bob Pickrell, president; Michael Stapleton, director or Rodney Hampton, director-Western region.

International Medical Group Inc.

135 N. Pennsylvania, Suite 1700,
Indianapolis, Ind. 46204;
800-628-4664; fax: 317-687-9272

	1993	1992
Int'l premiums	NA	NA
U.S.	60%	90%
Non-U.S.	40%	10%
Employees	25	15
U.S.	1	1
Lives covered	50,000	40,000

Member companies: INCO Center, Russian Republic; Ingostrakh, Russian Republic; Seguros SUCRE S.A., Ecuador; Wasa International (U.K.) Insurance Co. Ltd., United Kingdom.

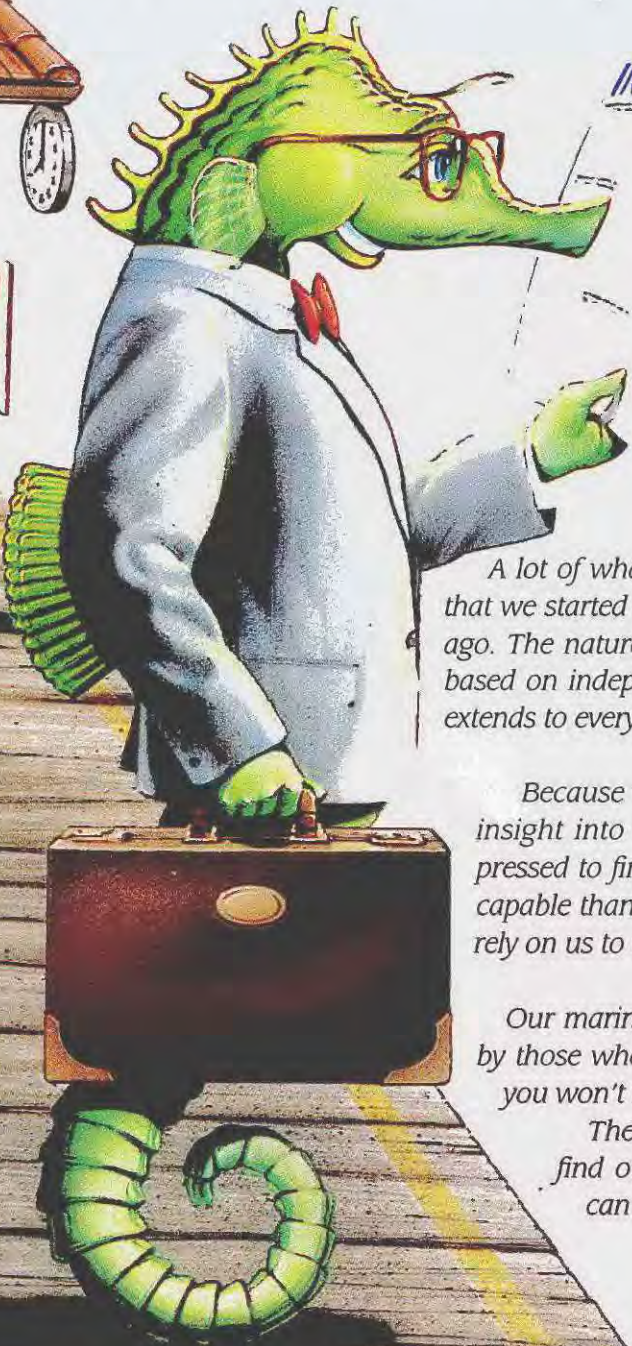
Business: 80% medical, 10% life, 10% other.

Officers: Jeff Brougher, CEO/president; Joe Brougher, Bill Atkins, vps.

U.S. contact: Marketing Department, 800-628-4664.

Continued on next page

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OFFICES IN THE US AND CANADA
CORRESPONDENTS THROUGHOUT THE WORLD

Continued from previous page

M

Multinational Insurance Arrangement

The Travelers Cos.-International Operations, 1 Tower Square, Hartford, Conn. 06183-7040; 203-277-2395; fax: 203-277-6508

	1993	1992
Int'l premiums	\$36,400,000	\$31,189,000
U.S.	64%	56%
Non-U.S.	36%	44%
Pension funds	\$83,200,000	\$78,000,000
Employees	23	27
U.S.	15	19
Non-U.S.	8	8
Lives covered	174,000	146,000
Master contracts	107	110
Foreign countries	54	54
Offices	3	3

Formed: 1968.

Member companies: Adriatica Venezolana de Seguros C.A., Venezuela; Allianz Life, Greece; Allianz-RAS Seguros, Spain; Bumi Asih Jaya, Indonesia; Caledonian Insurance Co., Ireland; Carlingford Medical Insurance, Hong Kong; Cathay Life Insurance Co. Ltd., Taiwan; Companhia Adriatica de Seguros, Brazil; Compania la Buenos Aires, Argentina; Compania Internacional de Seguros de Vida, Panama; Compania Nacional de Seguros C. por A., Dominican Republic; Crown Life Insurance Co., Canada; El Sol, Compania de Seguros Generales, Peru; Gothaer Life Insurance Co., Germany; Great Eastern Life Assurance Co., Malaysia and Singapore; Great Pacific Life Assurance Co., Philippines; Grupo Nacional Provincial, Mexico; Guardian Assurance P.L.C., Hong Kong and New Zealand; Guardian Financial Services, United Kingdom; Interunfall RAS, Austria; L'Union des Assurances de Paris, France; La Construcción S.A., Chile; Le Foyer S.A., Luxembourg; Liberty Life Association of Africa Ltd., South Africa; Mercantile Mutual Life Insurance Co., Australia; Nationale-Nederlanden Levensverzekering Maatschappij N.V., Netherlands; Nippon Life Insurance Co., Japan; NOVA Life Insurance Co., Finland; Orion Healthcare, United Kingdom; Patriotic S.A., Belgium; Portugal Previdente Companhia de Seguros, Portugal; Riunione Adriatica di Sicurtà, Italy; Sark Hyat Sigorta A.S., Turkey; Skandia de Colombia, Colombia; Societe Malakoff, France; The South East Insurance Co. Ltd., Thailand; The Travelers Insurance Cos., Bahamas, Bermuda and the United States; Tryg Forsikring, Denmark; Zurich Life Insurance Co. Ltd., Switzerland.

Minimum requirements: 50 lives in two countries.

Business: 9% medical, 17% life, 5% long-term disability, 69% other.

International dividends: Stop-loss system, loss carryforward system.

Officers: Bruce MacMillian, chairman-MIA executive committee; Ann Yan Biesebroek, general manager-MIA office Europe.

U.S. contact: Bruce MacMillian.

S

The Swiss Life Network

General Guisan-Quai 40, 8022 Zurich, Switzerland; 411-284-3797 or 201-670-1515 (U.S.); fax: 411-284-3997 or 201-670-0709 (U.S.)

	1993	1992
Int'l premiums	\$8,717,000	\$7,855,000
U.S.	50%	50%
Non-U.S.	50%	50%
Employees	103	100
U.S.	10	10
Non-U.S.	90	90
Foreign countries	43	42
Offices	50	49

Formed: 1960.

Member companies: Aseguradora Mundial de Panama, Panama; Bangkok Life, Thailand; Canada Life, Canada; Colonial, Australia and New Zealand; Danica, Denmark; Ceska Kooperativa, Czech Republic; Euroamerica Seguros, Chile; General Life Insurance Co. of Poland, Poland; Gloria Biztosito, Hungary; The Guardian, United States; Ilmarinen, Finland; Imperio, Portugal; International Health Insurance, Denmark; Iochpe Seguradora S.A., Brazil; Irish Life, Ireland; Jardine CMG Life, Hong Kong and Philippines; Kooperativa, Slovakia; Korea Life, South Korea; Kuo Hua Life, Taiwan; La Nationale, Israel; La Suisse, Switzerland; Laiki Life, Greece; Lippo

Life, Indonesia; MassMutual, United States; Meiji Life, Japan; NTUC Income, Singapore; PFA Pension, Denmark; Rosgosstrakh, Russian Republic; Schweizerische Rentenanstalt (Swiss Life), Germany; Seguros Commercial America, Mexico; Seguros Bolivar, Colombia; Seguros Los Andes, Argentina; Seguros de Occidente, Guatemala; Seguros de Orinoco, Venezuela; Societe Suisse (Swiss Life), France; Southern Life, South Africa; Suomi-Salama, Finland; Swiss Life, Belgium, Italy, Luxembourg, Spain, Switzerland and United Kingdom; Swiss Life North American Services Inc., United States; Swiss Mobiliar, Switzerland; Vital Forsikring A.S., Norway; Wiener Stadtische, Austria; Yasuda Life, Japan; ZwitserLeven, Netherlands.

Minimum requirements: 100 lives and two countries.

Business: 7% medical, 16% life, 2% accidental death, 7% short-term disability, 10% long-term disability, 58% other.

International dividends: Stop-loss system, loss carryforward system.

Officers: Manfred Zobl, president/CEO; Adolf Scheiwiller, Ernst Schnee

Continued on next page

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Spotlight report

Continued from previous page
 beli, Markus Weisskopf, co-presidents; Josef Kupper, Hannes Anton Meyer, Karl Muehlebach, deputy co-presidents.

U.S. contact: Philipp Frei, president-Swiss Life North American Services.



Zurich Life Insurance Co. Ltd.

Austrasse 46, P.O. Box 8080, Zurich 8036, Switzerland; 411-465-6565; 411-465-6772

	1993	1992
Int'l premiums.....	\$30,100,000	\$31,860,000
Non-U.S.	100%	100%
Employees.....	3	3
Non-U.S.	3	3
Lives covered.....	23,900	16,700
Foreign countries.....	24	22
Offices.....	1	1

Formed: 1976.

Member companies: African Interna-

tional Insurances Ltd., Kenya; Agrippina Lebensversicherung Aktiengesellschaft, Germany; Compania de Seguros de Vida, Chile; Compania de Seguros sobre la Vida, Spain; DA Deutsche Allgemeine Leben Versicherung Aktiengesellschaft, Germany; Genevoise Assurances, Switzerland; La Garantie Generale Marocaine, Morocco; Minerva VITA Assicurazioni S.p.A., Italy; Union Iberoamericana Compania Anonima de Seguros y Reaseguros, Spain; Universal Underwriters Life Insurance Co., United States; Zurich Compagnia di Assicurazioni sulla Vita, Italy; Zurich Compagnie d'Assurances sur la Vie, Belgium, France and Luxembourg; Zurich Lebensversicherung-Gesellschaft, Germany; Zurich Levensverzekering-Maatschappij, Netherlands; Zurich Life Insurance Co. Ltd., Hong Kong, Portugal and United Arab Emirates; Zurich Livsforsikring, Denmark; Zurich Life Insurance Co. of America, Taiwan and United States; Zurich-Anglo Seguradora S.A., Brazil; Zurich Australian Life Insurance Ltd., Australia; Zurich Iguazu Compania de Seguros de Retiro S.A., Argentina; Zurich International (Bermuda) Ltd., Bermuda;

Zurich Kosmos Versicherungen AG, Austria; Zurich Life Assurance Co. Ltd., United Kingdom; Zurich Life Insurance Co. of Canada, Canada; Zurich Vie, France.

Minimum requirements: Two countries and 300 lives; pooling on a two-year basis for 100 lives to 299 lives.

Business: 20% life, 5% accidental death, 15% long-term disability, 60% other.

International dividends: Stop-loss system, loss carry-forward system, loss carry-forward system with contingency fund.

Officers: R. Kellenberger, vp; R.N. Balsiger, E. Hufschmid, assistant vps; S. Balsiger-Signer, K. Klaus, senior consultants. **■**

Methodology for the directory of multinational benefit networks is explained on page 47; methodology for the directory of international property/casualty insurers is explained on page 17.

Global benefit networks listed by individual country

American Samoa

AIG/WIN

Antigua

AIG/WIN

Insurope Secretariat

Argentina

AIG/WIN

Aetna/Generali
 Area Benefits Network
 CIGNA International
 Insurope Secretariat
 John Hancock International Group Program
 Multinational Insurance Arrangement
 The Swiss Life Network
 Zurich Life Insurance Co. Ltd.

Aruba

AIG/WIN

Insurope Secretariat

Australia

AIG/WIN

Aetna/Generali
 GAIN
 Insurope Secretariat
 John Hancock International Group Program
 Multinational Insurance Arrangement
 The Swiss Life Network
 Zurich Life Insurance Co. Ltd.

Austria

AGRI Benefits Network

AIG/WIN
 Aetna/Generali
 Area Benefits Network
 Insurope Secretariat
 John Hancock International Group Program
 Multinational Insurance Arrangement
 The Swiss Life Network
 Zurich Life Insurance Co. Ltd.

Bahamas

AIG/WIN

CIGNA International
 Insurope Secretariat
 Multinational Insurance Arrangement

Bahrain

AIG/WIN

Area Benefits Network

Bangladesh

AIG/WIN

Barbados

AIG/WIN

Insurope Secretariat

Belgium

AGRI Benefits Network

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Belize

AIG/WIN

Bermuda

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Brazil

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Cameroon

AIG/WIN

Canada

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S P E C I A L T Y R I S K S E R V I C E S



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supportive, positive environment for your employees. Not to mention lowered costs for you.

As part of the ITT Hartford family, SRS offers financial stability as well as nearly two hundred years of expertise in risk management. Yet we always welcome input from the experts. Namely, you.

If you'd like to know more, contact Joanne Larson, Vice President, ITT Specialty Risk Services, 55 Farmington Avenue, Hartford, CT 06105, or call her at 203-520-2575.

JOANNE D. LARSON, ARM
 Vice President



Continued from previous page

Cayman Islands

AIG/WIN

Channel Islands

AIG/WIN

Chile

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China

AIG/WIN

Colombia

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Costa Rica

AIG/WIN

Curacao

AIG/WIN

Cyprus

AIG/WIN
Insurope Secretariat

Czech Republic

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Denmark

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Dominica

AIG/WIN

Dominican Republic

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Ecuador

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International Medical Group Inc.
John Hancock International
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Egypt

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Aetna/Generali

El Salvador

AIG/WIN

Finland

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France

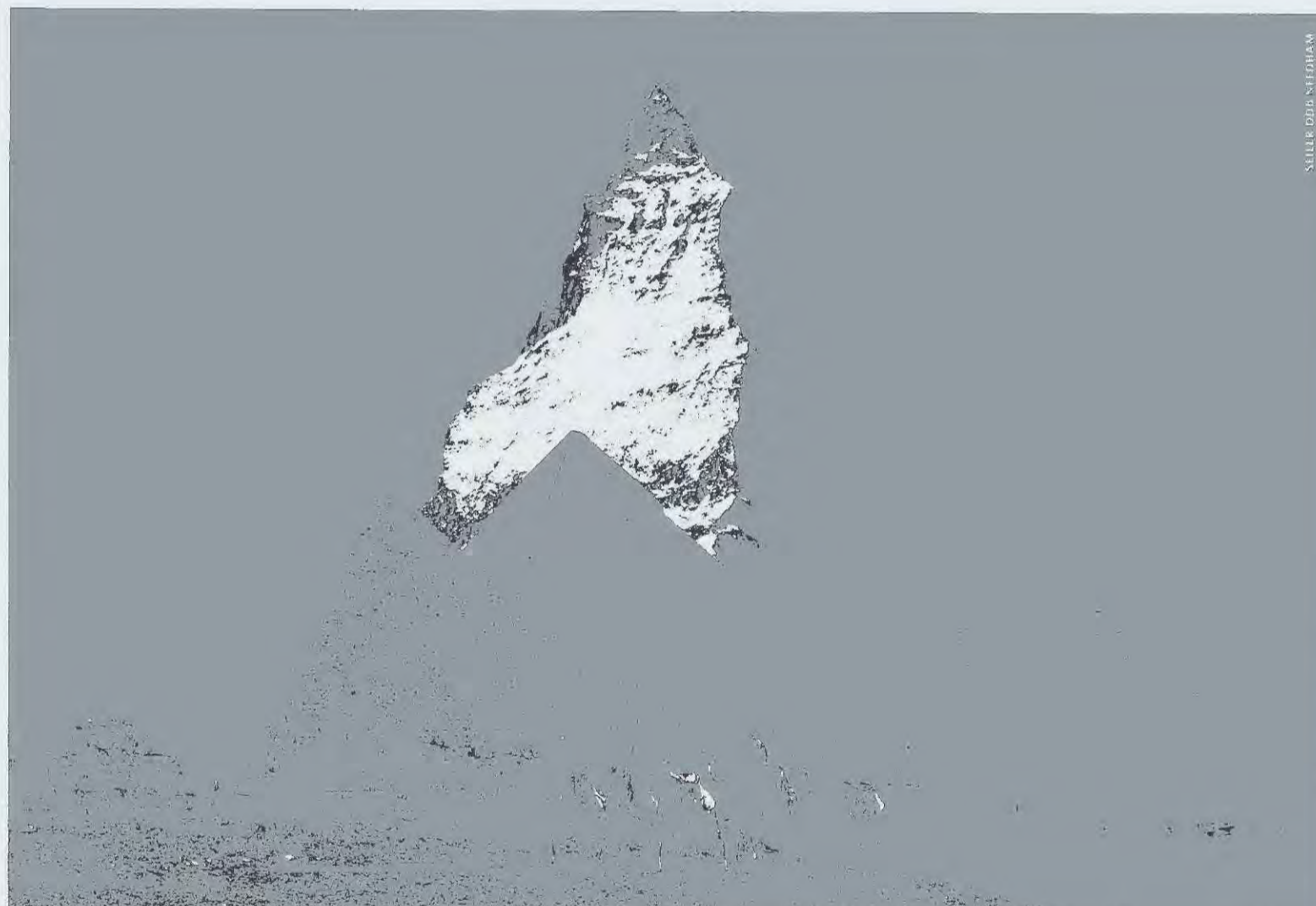
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Germany

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"If I'm paying for risk management services, why can't I buy them my way?"



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Spotlight report

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Gibraltar

AIG/WIN

Greece

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Grenada

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Insurope Secretariat

Guam

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Guatemala

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CIGNA International
The Swiss Life Network

Guernsey

Aetna/Generali

Guyana

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Haiti

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Honduras

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Indonesia

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Isle of Man

Area Benefits Network

Israel

The Swiss Life Network
Aetna/Generali

Italy

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Jamaica

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Japan

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CIGNA International
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Group Program
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Jordan

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Area Benefits Network

Kenya

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Insurope Secretariat
Zurich Life Insurance Co. Ltd.

Kuwait

AIG/WIN
Area Benefits Network

Lebanon

AIG/WIN
Area Benefits Network

Liberia

AIG/WIN

Liechtenstein

Area Benefits Network
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This Fraud Control Expert Made the Business Award Finals Three Years Running. Want to Know Why?



For the past three years InPhoto's Bill Kizorek has been chosen as a finalist in the Merrill Lynch/Ernst & Young "Entrepreneur of the Year" contest. With tens of thousands of businesses eligible for the award, how did a claims detective make it to the "final four" for the past three years? One philosophical guideline: "under-promise and over-deliver." This is not a simple task when the service is covert surveillance and investigation of claimants.

Although Bill has defined the industry standards with his six books (the latest, *SIU 101*, has over a thousand fraud flags and interview procedures), TV appearances, and magazine articles, there are some real nitty gritty reasons why InPhoto has become the agency of choice for over 7,000 clients. Here are some:

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The directory of international property/casualty insurers begins on page 16. The directory of multinational benefit networks begins on page 46. Geographical indexes immediately follow each directory.

Survey

Continued from page 1
 employee from \$375.

The costs of retiree health care benefits—perhaps more than any other benefit tracked in the survey—varied enormously by industry.

The highest retiree health care costs were racked up by the public utility industry, where costs last year averaged \$1,299 per employee. That high cost figure is not surprising given that retiree health care programs are nearly universal in the utility industry.

On the other hand, retiree health care expenses averaged just \$10 per employee among hospitals responding to the survey. Retiree health care programs are relatively rare among hospitals. Also, hospitals often have young workforces and, thus, low retiree health care expenses.

These findings are included in the Chamber's survey of 1,057 employers, including 315 firms with fewer than 100 employees and 88 organizations with at least 5,000 employees. The surveyed companies, collectively, employ 2.6 million workers.

Rising retiree health care and severance pay expenses weren't the only factors pushing up employers' benefit costs. An increase in medical and dental care expenses for active employees also played a role.

In 1993, employers' medical and dental care expenses averaged \$3,044 per employee, up 10.5% from \$2,754 in 1992.

That increase is somewhat higher than the rise in health care expenses reported in other surveys. For example, benefit consultant A. Foster Higgins & Co. Inc. reported that group health care costs increased an average of 8% in 1993 (BI, Feb. 14).

The Chamber's Mr. Lefkowitz says part of the cost increase may be due to changes in the sample of employers surveyed. Even in a survey this large—involving more than 1,000 companies—results can be affected by the fact that there is some turnover each year in employers that respond. For example, average health care costs for a particular industry could shoot up if more firms with rich benefit plans responded than companies with less generous plans.

Mr. Lefkowitz said health care costs also may have jumped more than expected because companies in 1993 may have held off on making plan design changes to hold down expenses while waiting to see if Congress would pass reform legislation.

As the prospects for health care reform diminished this year, more employers overhauled their plans to make them more cost-effective, such as adding or expanding managed care options, Mr. Lefkowitz said.

As a result, next year's Chamber survey is likely to find smaller increases in employers' health care costs, he predicted.

Industries with the highest medical and dental care expenses in 1993 include electrical machinery, where per employee costs in 1993 averaged \$4,603, up 13.7% from \$4,048; public utilities, \$4,112, down slightly from \$4,122; and transportation equipment manufacturers, \$4,073, up 3.5% from \$3,934.

Industries with the lowest medical and dental care expenses in 1993 include: department stores, where costs averaged \$969 per employee, up 18.6% from \$817; textile products and apparel, \$1,841, down 10.2% from \$2,050; and banks, trusts and finance companies, \$1,966, up 4.4% from \$1,884.

Other survey findings include:

- Employers' retirement and savings plan expenses increased last year to an average of \$2,372 per employee, up 14.6% from \$2,069.

- The cost of legally required benefits, including Social Security payroll taxes and workers compensation premiums, increased to an average of \$3,130 per employee, up slightly from \$3,106.

Separately, the Chamber estimates that employers spent \$1.22 trillion on employee benefits last year, up from \$1.16 trillion in 1992, a 5.2% increase.

Copies of "Employee Benefits: 1994 Edition," will be available later this month from the U.S. Chamber of Commerce, Publications Fulfillment (RKVL), 1615 H St. N.W., Washington, D.C. 20062; 800-638-6582 or, in Maryland only, 800-352-1450. Pre-paid cost is \$29, sales tax should be included for deliveries in California and the District of Columbia.

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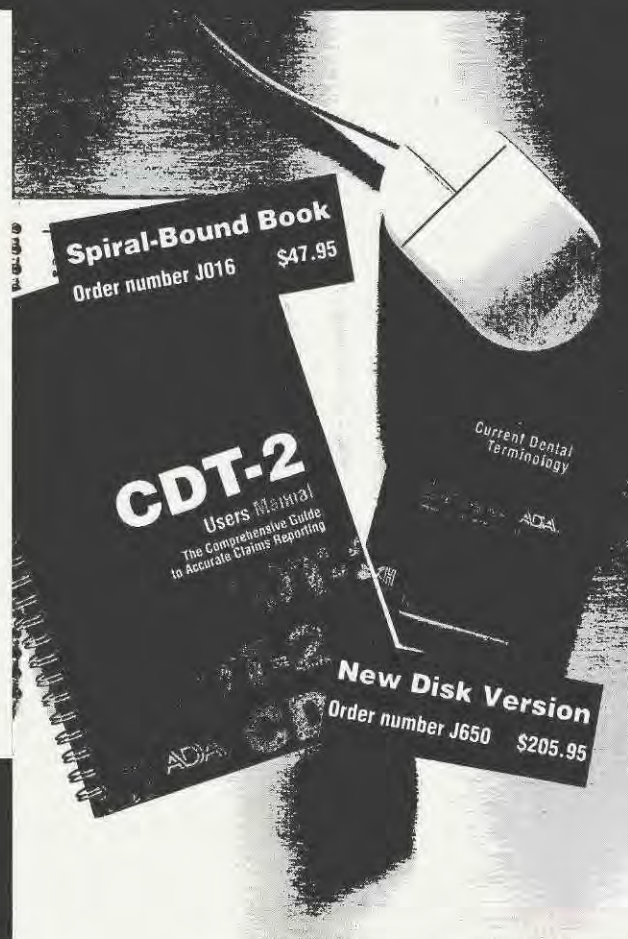
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Per employee benefit costs by industry

	1993	% change	% of payroll
Public utilities	\$21,388	13.3%	46.0%
Chemicals and allied products	19,000	14.1	44.9
Petroleum industry	18,978	3.7	40.9
Transportation equipment	18,933	2.5	43.8
Electrical machinery & supplies	16,944	2.6	39.7
Rubber, leather & plastics products	16,167	-12.0	42.6
Machinery (excluding electrical)	14,964	-1.4	38.8
Insurance companies	14,678	12.2	41.4
Instruments & miscellaneous manufacturing	14,279	18.8	36.7
Primary metals industries	14,103	0.4	40.7
Fabricated metal products	13,912	-5.1	41.8
Miscellaneous non-manufacturing industries	13,718	0.6	41.6
Pulp, paper, lumber & furniture	13,692	6.9	39.6
Printing & publishing	13,231	3.8	40.0
Food, beverages and tobacco	12,744	-16.5	35.1
Hospitals	11,816	36.1	37.9
Stone, clay & glass products	11,463	2.7	37.1
Banks, finance companies & trust companies	11,153	1.7	32.6
Trade (wholesale & retail)	9,620	15.7	42.5
Textile products & apparel	7,994	16.6	33.8
Department stores	5,981	1.3	30.2

Source: U.S. Chamber of Commerce

INTERNATIONAL

U.K. ruling focuses attention to job stress

By CAROLYN ALDRED

LONDON—A recent High Court ruling favoring an employee who claimed an excessive workload damaged his health is focusing U.K. employers' and insurers' attention on workplace stress levels.

Former social worker John Walker, 57, won a lawsuit filed against his former employer, the Northumberland County Council, when the U.K. High Court ruled that the local government authority had breached its duty of care to Mr. Walker, who had suffered two nervous breakdowns allegedly caused by a heavy workload. Mr. Walker is seeking more than 200,000 pounds (\$312,400) in damages.

Northumberland County Council of Morpeth, England, and its liability insurer, Zurich Municipal, a division of unit of Switzerland's Zurich Insurance Group, are considering whether to appeal the court award.

Meanwhile, the local council "is considering very carefully the implications of this case," said a spokesman. "The county council views its responsibilities toward the mental and physical health of its employees very seriously."

It has been tackling the issue on a number of fronts, he said. For example, "stress management courses are run to help senior managers identify signs of stress and initiate procedures to reduce it," he explained. In addition, a welfare officer has been appointed to provide counseling for people with stress-related

problems and to give advice to their managers.

The Northumberland Council also is acquiring the services of an occupational health nurse who will advise and train management and staff on illness at work, said the spokesman.

These are the sort of measures many companies are adopting as stress-related injury claims become increasingly recognized as a growing liability for employers, said Dr. Mike Goldsmith, chief medical officer and director of Minerva Health Management. Minerva is the occupational health arm of Croydon, England-based benefit consultant Sedgwick Noble Lowndes Ltd.

"In the last few years, we've seen a considerable increase in those companies considering practical measures to address stress-related work problems. In the future, this approach may no longer be voluntary—the insurance companies will insist on proper procedures to minimize the risk," said Dr. Goldsmith.

"It is not good enough to say that stress-related illness is an employee problem. In terms of liabilities, there is now a serious risk for employers, too," he said in a statement on the issue that was released after the court verdict.

"Up to now, companies have tended to measure stress-related illness through poor performance and the cost of lost production. The possibility of compensation claims against them could significantly increase their exposure in the future," he predicted.

According to the Health and Safety Executive, the U.K. gov-
Continued on next page

EL coverage crunch prompts special talks

LONDON—British insurers and government officials are holding urgent talks to ensure that British companies will be able to obtain sufficient employers liability coverage at year-end renewals.

British insurers earlier this year announced plans to cap EL policies from Jan. 1, 1995, after reinsurers ceased providing unlimited liability protection for EL. The move follows years of losses on EL accounts (*BI*, Sept. 12).

A spokesman from the Assn. of British Insurers said most future EL policies will provide a standard limit of 10 million pounds (\$15.6 million) for any one occurrence. Brokers and insurers also estimate that between 25 million and 50 million pounds (\$39 million and \$78.1 million) of excess EL capacity is readily available in the market for large companies requiring additional coverage.

But, British law requires that every employer have a minimum of 2 million pounds (\$3.1 million) of EL cover.

Continued on next page

Achille Lauro fire claims two lives, totals cruise liner

By ADRIAN LADBURY

LONDON—Hull losses for the seemingly jinxed cruise liner Achille Lauro will exceed \$15 million.

The Italian ship, which was the center of an international incident when hijacked by Palestinian terrorists in 1985, was finally lost last week after 52 eventful years at sea.

The 24,000-ton vessel in 1971 had rammed and killed a Neopolitan fisherman, a year later caught fire while being refitted in Genoa, Italy, and in 1981 caught fire again, this time while moored off the Canary Islands. Two passengers leaped to their deaths in fear.

The vessel caught fire again last Tuesday night as it sailed off the coast of Somalia, having successfully traversed the Suez Canal en route to South Africa. Crew were unable to put out the blaze and the ship was listing heavily late last week.

Liability losses are not expected to be big because there were only two fatalities reported. The hull and machinery loss will exceed \$15 million.

Primary hull and ma-

chinery coverage worth 28 billion lire (\$17.3 million) is placed mainly in the Italian market and led by Assicurazioni Generali S.p.A. unit Unione Mediterranea di Sicurtà S.p.A. of Naples.

Roughly a third of that coverage is reinsured in the London market and placed by numerous brokers, said a spokesman for Willis Faber & Dumas Ltd., which placed about 10% of the program. He would not say which underwriters lead the reinsurance coverage.

There were 572 passengers and 400 crew on board. But after a remarkably successful rescue operation, which involved three other vessels, only two passengers were reported dead. One, a Briton, died af-

Continued on next page



GRAPHIC BY JOHN HALL



D&O premiums escape U.K. taxes

By ADRIAN LADBURY

LONDON—Bowing to pressure from risk managers and insurers, the British government's Inland Revenue department is changing its policy of taxing directors and officers liability insurance premiums.

Kenneth Clarke, the chancellor of the exchequer, announced the change last week as part of the government's annual taxation and spending package.

The chancellor said the government has decided to:

- Exclude the costs of liability insurance from taxable income for directors and other corporate officers.

Previously, the costs of directors and officers insurance coverage were considered more of a personal benefit than an expense "incurred wholly, exclusively and necessarily in the performance of the duties of the employment," as required by U.K. tax law.

- Grant employees tax relief for the expense of purchasing their own D&O coverage and for any uninsured job-related liabilities,

such as legal costs, if those liabilities could have been insured against. Liabilities for criminal acts, for example, will be excluded.

The Inland Revenue levied a 40% tax on D&O premiums for those earning more than 23,700 pounds (\$36,270) annually and a 25% tax for lower wage earners as long as they earn more than 8,500 pounds (\$13,009).

The income tax was assessed on individuals, regardless of whether the employees or their employers
Continued on next page

LONDON

E&O details irrelevant

LONDON—Errors and omissions underwriters are not required to disclose the limits and amounts of coverage available for Lloyd's of London agents being sued by some 3,000 members, the U.K. Court of Appeal has ruled.

Finding the information irrelevant to the litigation at hand, the court overruled Lord Justice Phillips of the High Court, who had ordered that full details of the E&O cover be disclosed before a Dec. 12 hearing on coverage disputes between Gooda Walker Action Group members and E&O underwriters (*BI*, Nov. 21).

Clyde & Co., the law firm that

represents the E&O underwriters, will not say how much cover is available for Gooda Walker members. But it does say that it is less than the 504 million pounds (\$787.2 million) the action group hopes eventually will be awarded.

The law firm stated last week that the figure "appears to be considerably overstated" and includes claims for underwriting years for which no coverage is available.

Michael Payton, a Clyde & Co. lawyer, has said that the group's maximum claim is 393 million pounds (\$613.9 million), the amount the Gooda Walker Action Group believes is its minimum claim. Last week, Mr. Payton said the "insurance response would be no more

than 35% of total policy limits."

Better news for litigating members came from the Lord Chancellor's Office.

Days before the Court of Appeal ruling, Justice Macpherson ruled that loss reviews of loss-making syndicates, which are conducted by Lloyd's and have proved invaluable to action groups preparing cases, should not be suspended even if the syndicates under review are subject to legal action.

The judge rejected an application by John Macmillan and Stuart Thompson, underwriters on syndicates 80 and 843 respectively, managed by Macmillan Underwriting Agents Ltd., to suspend the loss review on
Continued on next page

GLOBAL BRIEFS

Plant explosion

BURGHAUSEN, Germany—An explosion and fire at a German chemical factory killed one worker and injured 13 others.

The Nov. 27 blast destroyed an emulsion paint production facility owned by Wacker-Chemie GmbH, a chemical company in Burghausen, Germany.

A spokesman for Allianz A.G. Holding, Wacker-Chemie's property insurer, said insured damages, including business interruption and property damage, are expected to exceed 45 million deutsche marks (\$28.65 million).

A Wacker-Chemie spokesman said the explosion occurred at an

acrylic acid tank and the fire spread from there.

The factory, which employs 5,000 workers, produced emulsion paint for glues used in the construction and glue industries. However, business interruption losses should be contained since other plants produce the same product.

The injured and families of the killed workers will receive compensation through the German Berufsgenossenschaft—a employer-funded trade cooperative financed.

—By Don Lewis Kirk

Storebrand unit in runoff

LONDON—UNI Storebrand is putting its U.K. subsidiary, UNI

Storebrand U.K., into runoff.

The London-based subsidiary stopped writing new business in March, as part of the decision to run off UNI Storebrand International Insurance AS (Norway) (*BI*, March 14).

The subsidiary last year posted gross written premiums of 42.7 million pounds (\$63.2 million), a spokesman at the London office said.

"We didn't go into runoff (in March) because we were endeavoring to increase the capital base. We held various discussions with a view to increasing the capital base but these discussions haven't been successful," the spokesman added.

—By Maria Kielmas

INTERNATIONAL

Stress

Continued from previous page
 ernment agency responsible for monitoring safety at work, more than half the employees who suffer stress in the workplace attribute it directly to their work.

This means that every year 100,000 people in the United Kingdom suffer from job-related stress. Currently, more than 1.5 million workdays are lost each year through work-related stress problems, according to the HSE.

"Stress is the second-largest work-related illness and officially accounts for 17% of all work-related absence," said Dr. Goldsmith, adding that in Minerva's experience "nearly a third of all sickness and absence cases are related to stress in some way or other and the problem is growing."

Stress may be manifested as depression, nervous breakdown or long-term fatigue, he said. But, other physical conditions, such as coronary disease and peptic ulcers, may also be linked to stress.

The most common causes of stress

"seeking to clarify it," said an ABI spokesman.

Talks aimed at resolving the situation continued last week between the government's Department of Employment, the Assn. of Insurance & Risk Managers in Industry & Commerce and the Health and Safety Executive.

"From Jan. 1, the (coverage) available for some groups of industry may be inconsistent with the requirements of the 1969 Employers Liability Act," said a Department of Employment spokeswoman.

In addition to meeting with insurance industry officials, the Department has "been consulting informally with the HSE, which enforces the legislation," she said.

—By Carolyn Aldred

in the workplace tend to be excessive workloads, lack of control over the working environment, poor internal communications, lack of recognition or participation in decision-making and poor management in general, Dr. Goldsmith said.

"We are currently conducting a wide range of stress audits in different sectors of the industry and public sectors," he said. "So far, we have found that stress levels in the public sector often tend to be higher than in private industry. This has much to do with the fact that public-sector management systems are generally more poorly equipped to recognize and deal with problems as they arise."

"The county council, like other local authorities, faces the problem of delivering more and more services with less and less resources and this inevitably puts a strain on the organization," the Northumberland County Council said in a statement released directly after the ruling.

However, the council's Social Services Department has been restructured and "therefore the management arrangements which were in place when Mr. Walker was in post no longer exist," the council noted.

The Nov. 16 award is a record for stress-related illnesses and has raised employers' and the public's awareness of the problems of stress.

"We shall be studying the judgment with interest," the Confederation of British Industries said in a statement released after the ruling. "Employers already have a legal duty to look after the health, safety and welfare of their employees in the workplace, and consequently we have been urging employers that are not already aware of the problem to ensure that they do not put workers

into unreasonably stressful situations."

Insurance companies will also watch the situation carefully.

Insurers are "concerned about the case and are watching it closely because of the ramifications," said a spokeswoman for Zurich Municipal.

As a result, the company—which was known as the Municipal Mutual Insurance Ltd., before its acquisition last year by the Zurich Insurance Group (BI, March 15, 1993)—is "looking at the judgment and studying it" before deciding whether to appeal, she said.

She added, however, that Zurich Municipal, which is Britain's leading insurer of municipal and local government authorities, does not yet perceive stress claims to be a major problem for insurers.

"This (ruling) hasn't opened the floodgates," she said, because the ruling was based on the employer allegedly breaching its duty of care, as opposed to Mr. Walker simply working in a stressful environment.

Mr. Walker had a prior nervous breakdown after his workload grew because of a rising number of child abuse cases in his area. At that time, he had no history of mental illness and a psychiatrist had said that Mr. Walker's stress was due to work pressures. When he returned to work four months later, help that the head office had promised was withdrawn and he suffered another nervous breakdown, resulting in his dismissal because of ill health.

Indeed, the wide publicity the case has received in the United Kingdom may "in the long term make employers more aware" of the issue of work-related stress and may ease the situation, the Zurich Municipal spokesman noted, saying it

was too early to comment on whether the case will lead to higher employers liability premiums.

A spokesman for the Assn. of British Insurers agreed. "Insurers have identified stress some time ago but have not seen any major claims until now," he said.

Stress is becoming more of an issue as workplace practices change and employees become more aware of their rights.

Even though insurers are aware of the potential of stress claims increasing in the future, the present level of claims is not sufficient to affect premiums, he said.

James Hopper, casualty broking director of Sedgwick U.K. Ltd., said he believes the problem of stress is "being hyped up."

"I don't know how big a problem it is going to be. It is a question of management being responsible in what they ask employees to do," he said.

He did acknowledge, however, that many work-related injuries, such as upper limb disorders suffered by secretaries, could be partly stress-related. And, he admitted that "insurers are worried about it and could use it as an excuse to put up premiums further."

Employers liability insurance rates already have increased substantially during the last few years in the United Kingdom, said Mr. Hopper, who predicted that further rate increases averaging 15% to 20% for January 1995 renewals.

This is being exacerbated by the insurance industry's decision to withdraw unlimited EL insurance as of Jan. 1, 1995, forcing many larger companies to purchase excess-of-loss cover, he said (see related story). **BI**

EL cover

Continued from previous page
 Insurers' decision to limit their exposure to 10 million pounds in standard policies is causing considerable concern among large companies that may have several or even dozens of separate subsidiaries.

Companies and insurers are unclear whether in this situation each subsidiary would be required to purchase the minimum amount of cover, which could mean large companies would be unable to obtain sufficient cover to meet the legal requirements.

"We have had differing legal opinions on the wording and interpretation" of the legislation and are



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Continued from previous page
 ter banging his head while boarding a life raft.

P&I club Liverpool & London Steamship Protection & Indemnity Assn. Ltd. provides liability coverage for the ship's owner, StarLauro Cruises of Naples.

Directors

Continued from previous page
 bought the coverage.

Risk managers had argued that the cost of D&O coverage is incurred as part of the job and not as a personal benefit and that it is unfair to tax some directors and officers for protecting themselves but not others. For example, professional liability coverage is not taxable income to professionals.

Insurers also argued that the tax unfairly restrained the growth of D&O market.

Most of the comments that Inland Revenue received about the D&O coverage taxes called for lifting the taxes (BI, Aug. 1).

In last week's budget announcement, the chancellor of the exchequer appears to have made a full U-turn on the issue.

"The chancellor's intention is to remove a possible obstacle to the provision of liability insurance by employers for their employees and to payments by employers for employees' work-related liabilities which could have been insured against. The proposal would put employees who meet their own liability insurance costs of uninsured liabilities on the same footing as employees whose costs are borne by their employer," stated the Inland Revenue. **BI**

A Liverpool & London spokeswoman said that no reserve had been set yet and also said that it was too early to predict the size of the loss. She said that the owners were busy bringing passengers home on other ships but could not say whether they were covered for those or other business interruption costs.

Italy is not a signatory of the Athens convention, the international shipping convention that limits lia-

bility losses, but Achille Lauro passengers' tickets had similar limits, said the spokeswoman. The Athens limits are 46,666 special drawing rights (\$67,980) for loss of life or personal injury plus 833 special drawing rights (\$1,213) for cabin luggage and 1,200 special drawing rights (\$1,748) for other effects.

The fire started in the engine room but as of late last week no cause had been determined. **BI**

LONDON

Continued from previous page
 the syndicates managed by the agency until the legal action Macmillan members plan is done.
 By Adrian Ladbury

Merrett appeals

LONDON—Next week the U.K. Court of Appeal will hear an appeal brought by the Merrett 418 (1985) Names Assn. of a High Court ruling that barred about half the claimants from the group's litigation.

On Oct. 14, Lord Justice Gatehouse ruled that up to 1,000 of the 1,950 Merrett members should be barred from bringing action against Merrett Underwriting Agency Ltd. and members agents because they did not bring their claims in time.

Under U.K. law, negligence claims must be brought within six years of when the negligence occurred. The suit charges that the managing agent negligently closed syndicate 418's 1982 underwriting year of account.

The members argued that their claims were valid under the Latent Damages Act, which begins a limitation period only after damage is manifest rather than when negligence occurs. Justice Gatehouse rejected the argument, saying members had ample opportunity to take ac-

tion within the standard limit.
 By Adrian Ladbury

Howden merges

LONDON—Alexander Howden Group Ltd. will consolidate its wholesale and reinsurance units on Jan. 1 in a move that it says reflects reduced client demand for separate teams and services.

Business now handled by Alexander Howden Ltd. and Alexander Howden Reinsurance Brokers Ltd. will instead come under the Alexander Howden Group Ltd. name.

The move closes a reorganization the Alexander & Alexander Services Inc. unit began in 1992.

The wholesale operation grew rapidly in the late 1980s, but as London wholesale business eroded it followed suit.

Some jobs will be cut, though Howden said the impact would not be great as the operation had been cutting staff gradually.

No board changes will accompany the move. Ron Iles remains chairman of Alexander Howden Group and Alexander Howden Reinsurance, and Dennis Mahoney, chairman of Alexander Howden Ltd., will remain deputy chairman of the group.
 By Adrian Ladbury

Stocks

Continued from page 2

health maintenance organizations, was 940.2 on Nov. 23, just a slight increase from 935.8 on July 1. This compares with the Standard & Poor's 500 index increase to 449.9 from 446.2 over the same period.

But, the BI Index had been 29 points higher, at 969.2, on Nov. 18. During the same week, the Standard & Poor's 500 fell 2.5%, for reasons that remain unclear.

"The stocks just about performed in line with the market," said Gordon Luce, an analyst with Brown Bros. Harriman in New York, discussing the stock market activity of two weeks ago.

Peter M. Mahon Jr., an analyst with Piper Jaffray Inc. in Minneapolis, who tracks about 100 insurers, noted the stocks as a group have not done well this year.

The stocks of "large cap names," or highly capitalized insurers, were down 19% for the year as of Nov. 23, compared with an S&P 500 drop of less than 2%. Small cap names were down 12% year-to-date, while reinsurers and specialty insurers were each down about 15%.

"Interestingly, there seems to be some at least tacit awareness of the return on equity differences among these four groups, because the groups that are down the worst are those that are turning in the lower ROEs, so that shows me some awareness and sense in the market," said Mr. Mahon.

"The P/C stocks have given back a lot of the run up that they enjoyed in '93. The reason... is the market

got overheated with initial public offerings on the expectation of improved pricing," he said. He noted that while pricing improved on the property side, it didn't on the casualty and personal lines side.

However, Mr. Luce said, "I'm a little encouraged to see names like Gen Re and AIG bouncing off their lows. They're the ones with good earnings reports and no surprises. But other good companies like Chubb, which have been doing very well in the property/casualty sector, had a few negative surprises in other areas, and they're just barely off their lows. We see others, like most of the Bermuda companies, are still pretty much on their lows and are worried about prices coming down in some of the lines of business they write," Mr. Luce added.

High interest rates and poor industry fundamentals are seen as the primary reasons behind the industry's lackluster performance in the stock market.

Insurer stocks typically do poorly in a rising interest rate environment, though it can be argued that insurers may actually benefit overall from higher interest rates because it means higher investment income and better cash flow.

"There's no question that (interest) rates have been a burden," said Ron Frank, an analyst with Smith Barney Inc. in New York. "Between the end of third-quarter '93 until or through third-quarter '94, the 30-year Treasury yield is up about 30%, while an aggregate index (of insurance stocks) that we track over the same period has fallen about 17%."

One theory explaining this is the

stock market's perception that higher rates negatively impact insurers' bond portfolios.

Some observers also say if the economy is heating up then other, more economically sensitive stocks may be more attractive.

"Usually in a higher interest rate environment, you're in a better economy, and there are other sectors of the market people want to own where there's more economic sensitivity, and in order to buy those securities, you need to sell something," said Ira Malis, an analyst with Alex. Brown & Sons in Baltimore.

The industry's own performance has also hurt it, as the property/casualty market has failed to turn.

The prospects, though, remain positive, for some companies.

"I think some of the haves are doing better than the have-nots," said Gloria Vogel, an analyst with Ladenburg, Thalmann & Co. in New York. "It's pretty clear that some of the weaker companies are under pressure," not only because of the bond market, but also pressure to strengthen reserves due to environmental losses and from rating agencies, she said.

Brown Bros.' Mr. Luce said there are a "few rays of hope, I guess, in the quality names. I would think investors are finally discriminating among companies in the group in

the absence of any signs of a cyclical turn that would help everybody."

Analysts say this might also be a good time to find some bargains.

"Any time property/casualty stocks have been this cheap, measured either in relation to book value or earnings, it has historically been a good time to enter the group," said Weston Hicks, an analyst with Sanford C. Bernstein & Co. in New York.

"I think the outlook is probably one of patience at this point," said Carol Manning, an analyst with Prudential Securities Research in New York. "The stocks are selling at close to their 12-month lows, and many of those that have dividends have fairly respectable yields," she said, adding that there will come a point when "valuation" investors, who look at companies with "fundamentally good stories," will begin to look more intently at these stocks.

Assuming the bond market is stable, "the well-run, the better-quality companies are going to be the only place to find growth in this industry, and I suspect that at some point the market will find that growth well worth paying for," said Mr. Frank of Smith Barney.

"If the interest rate increase slows the economy, and selective industrial stock groups begin to lose their earnings momentum, then some of

these property/casualty stocks could start to do better," said David Seifer, vp with Donaldson Lufkin & Jenrette Securities Corp. in New York.

However, one of three things are needed for this to occur, he said: "We need an admission by one of the major commercial casualty competitors that their pricing, underwriting standards and reserves have been incorrect"; lower interest rates, which would help financial services and insurance stocks; or "some event or series of circumstances which would impact the commercial casualty marketplace."

But Charles Ronson, an analyst with New York-based Balestra Capital, was not optimistic about property/casualty stocks. "I can't see much of a positive prognosis for this group," he said, adding that its fundamentals are "not compelling," pricing is not going up and the group's access to the equity markets has been cut off.

"The bottom line is that it's a highly competitive, commoditized business, and the insurers are losing market share to self-insurance," he said. "There are some well-run companies out there, but personally, I can't see why you'd want to own even a well-run company in a poor group. I'd rather own a well-run company in a good group." ■

Stock analysts' short lists include well-managed property/casualty firms

Well-run specialty insurers and reinsurers are beginning to take their places on stock analysts' buy lists alongside perennial favorites like American International Group Inc., General Re Corp. and Chubb Corp.

Among larger property/casualty insurers, stock analysts are recommending Old Republic International Corp., The St. Paul Cos. Inc., TIG Holdings Inc. and USF&G Corp.

Old Republic is a good example of a company selling at a material discount to its book value, said Peter M. Mahon Jr. of Piper Jaffray Inc. in Minneapolis, citing solid book value and a demonstrated "discipline to restrain writings."

TIG has a "credible plan to improve the company's profit and returns on equity," said Weston Hicks of Sanford C. Bernstein & Co. in New York.

St. Paul, he said, is "among the most strongly reserved companies in the industry and is making fundamental progress in improving the quality of its businesses."

USF&G "could ultimately be one of the true winners in the property/casualty field, and we see tremendous earnings growth from their own actions over the next several years," said Steven A. Gaviros of Kidder, Peabody & Co. in New York.

Among smaller property/casualty insurers, Orion Capital Corp. and Executive Risk Inc. are both cited.

Positive earnings trends, a steadily declining combined ratio, and "very decisive strategic moves," such as leaving the California workers compensation market at the right time, earned Orion the praise of Robert Branche, of Branche Research Group in Morrisville, Pa.

Mr. Branche described Execu-

tive Risk, which is primarily a directors and officers liability insurer, as a tough underwriter. "I think as it becomes better known, the stock will do very well."

Reinsurers are also on many buy lists.

"We like the property catastrophe reinsurers. Even though rates are not going to get higher, we think they're going to stay fairly high, and the stocks are uniformly trading at five to six times expected earnings," said Ira Malis of Alex. Brown & Sons in Baltimore, whose recommendations include Transnational Re Corp. and PXRE Corp., formerly Phoenix Re Corp.

Michael Smith of Lehman Bros. in New York said he was "recommending reinsurance companies almost across the board, but focusing most on the large direct writers," including American Re Corp., National Re Corp. and General Re.

Looking for companies with some insulation or protection from the market cycle, Mr. Smith also recommends shares of financial guarantee insurer MBIA Inc., which he said have been "severely depressed" this year.

Mr. Malis also recommends MBIA, as well as Capital Re Corp., AMBAC Inc. and Capital Guaranty Corp., all financial guarantee companies. "These companies, we think, are growing their core earnings by 12% to 15% a year, and the stocks are trading at eight times earnings and 20% discount to what their liquidation values are," he said.

Other stocks analysts recommended included SAFECO Corp., Lincoln National Corp., ACE Ltd., X.L. Insurance Co. Ltd., Aon Corp., Marsh & McLennan Cos. Inc., Vesta Insurance Group Inc., Aetna Life & Casualty Co. and CIGNA Corp.

—By Judy Greenwald

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Fraud

Continued from page 2

carry sentences ranging from three years to 20 years. Ms. Coon, named in 13 counts, faces sentences ranging from five years to 20 years if convicted, while Mr. Brown, named in four counts, faces sentences ranging from five years to 20 years.

None of the defendants could be reached.

James Wyrsh, a Kansas City lawyer representing Mr. Riley, said, "We intend to vigorously defend these charges."

Though not mentioned in the indictment, Mr. Riley and M&M Management were involved last year in placing an ill-fated U.S. Virgin Islands property insurance program for Chase Manhattan Corp. (BI, Jan. 31).

Chase has recovered unearned commissions from some brokers involved in the placement—in-

cluding lead broker Rollins Hudig Hall—but last week filed suit against a Bolivian insurer, Mr. Riley and others to recover most of the \$751,339 in unearned premiums it says it is still owed after the program was canceled (see story, page 60).

Even before last month's indictment, Mr. Riley and his companies have encountered regulatory trouble: In 1989, Texas revoked his agent's licenses on a variety of charges, including misrepresent-

ing himself as an agent of a now-defunct Texas insurer and pocketing premiums on policies he issued for other licensed insurers.

Meadowlark, based in the Turks & Caicos Islands and later in the Dominican Republic, was hit with cease and desist orders in several states.

Meadowlark's successor, Commercial Indemnity Assurance Co. of the Dominican Republic, was barred by California regulators last year for having unverifiable

assets.

The indictment, filed Nov. 16 in U.S. District Court in Kansas City, levels a variety of charges against Mr. Riley, Ms. Coon and Mr. Brown for a series of alleged scams between 1988 and 1992.

Between 1988 and 1991, for example, Mr. Riley and Ms. Coon are charged with duping regulators in several states by reporting assets they knew to be non-existent or overvalued in Meadowlark's stat-

Continued on next page

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Excess & Surplus Lines Underwriter in Chicago Loop looking for experienced policy typist/rater. Must be computer literate. Please fax resume to 312-431-1766.

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Midwest insurance company is seeking a senior qualified property underwriter. Position requires several years experience underwriting both monoline and package. Remuneration and incentive will be based on experience. Please send resume to: Business Insurance, Box 2893, 740 N. Rush, Chicago, IL 60611.

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NOTICE

INVITATION TO BID

The Public Housing Agency of the City of Saint Paul is issuing an Invitation For Bids (IFB) for **Comprehensive General Liability** insurance to be effective on February 15, 1995 for a term of three years. For purposes of comparison, all bids will be evaluated on an annual cost basis regardless of term.

All requests for additional information should be directed to Junella C. Pichelman, telephone number 612-298-5665 extension 3061.

A complete set of bid documents may be obtained by calling the above telephone number. Bids will be opened at 4:00 p.m. February 6, 1995.

The PHA reserves the right to reject any or all bids or to waive any informalities in the bidding.

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REQUEST FOR PROPOSAL CONSULTING SERVICES RISK MANAGEMENT

Sealed proposals will be received by the Insurance Coverage Office, Room 175, Townsend Building, until 1:00 pm, December 30, 1994 for the provision of consulting services to the State of Delaware on its self-insured program. At this time, the proposals will be publicly opened for inspection by any interested party.

The contract will be awarded by January 20, 1995 to be effective February 1, 1995 for a period not to exceed 4 months.

The State reserves the right to reject any and all proposals.

All bidders must not be involved in the sale or provision of insurance as a broker, agent or insurer.

Specifications may be obtained from the Insurance Coverage Office by contacting Debra Lawhead, Insurance Coverage Officer or Keith Barron, State Risk Manager, at the address above or by phone: (302) 739-3651 or fax (302) 739-3000.

LEGAL NOTICE

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS COUNTY DEPARTMENT, CHANCERY DIVISION

PEOPLE OF THE STATE OF ILLINOIS, ex rel.
JAMES W. SCHACHT, ACTING DIRECTOR OF
INSURANCE OF THE STATE OF ILLINOIS,

Plaintiffs,

v.

PRESTIGE CASUALTY COMPANY, an Illinois
Domestic Stock, Property and Casualty
Insurance Company

Defendant

NO. 94 CH 3504

NOTICE OF CLAIM FILING DEADLINE AND PROCEDURES

PLEASE TAKE NOTICE, that on July 26, 1994, the Circuit Court of Cook County, Illinois entered an Order of Liquidation With a Finding of Insolvency against Prestige Casualty Company ("Prestige"). James W. Schacht, Acting Director of Insurance of the State of Illinois, is the statutory and court affirmed Liquidator of Prestige ("Liquidator").

TAKE FURTHER NOTICE, that on September 7, 1994, the Circuit Court of Cook County, Illinois, entered an Order Fixing Rights and Liabilities and Providing for the Filing of Claims and Claim Filing Deadlines ("Fixing Order"). Pursuant to the Fixing Order, all rights and liabilities of Prestige and its policyholders, creditors and stockholders, and all other persons interested in its assets, are fixed as of July 26, 1994, unless otherwise provided in a subsequent order of the Court.

TAKE FURTHER NOTICE, that all persons and entities, who have or may have, claims against Prestige, or its property or assets, shall have the right to present and file with the Liquidator, proper proofs of claim on or before 4:30 p.m., C.S.T., on July 26, 1995.

TAKE FURTHER NOTICE, that any insured under an insurance policy issued by Prestige shall have the right to present and file with the Liquidator a proper proof of claim setting forth a contingent claim on or before 4:30 p.m., C.S.T., on July 26, 1995. No contingent claim shall be allowed for purposes of participating in any distribution of estate assets that may be made at the third priority level, 215 ILCS 5/205(1)(c), unless such claim has been liquidated and the insured claimant has presented and filed evidence of payment of such claim to the Liquidator on or before 4:30 p.m., C.S.T., on July 26, 1996. Any contingent claim for which a proper proof of claim is filed on or before 4:30 p.m., C.S.T., on July 26, 1995, but which is not liquidated on or before 4:30 p.m., C.S.T., on July 26, 1996, may be estimated pursuant to 215 ILCS 5/209(4)(b) for purposes of participating in any distribution of estate assets that may be made at the fourth priority level, 215 ILCS 5/205(1)(d), unless otherwise directed by the court.

TAKE FURTHER NOTICE, that the form of, and required contents of, all proofs of claim are described in 215 ILCS 5/209. Proofs of claim, together with supporting documents, if any, are to be filed with, and may be obtained from, the Liquidator of Prestige, at 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654. A proof of claim shall be deemed "filed" with the Liquidator upon the Liquidator's receipt thereof. The Liquidator reserves the right to require such additional information with respect to any claim filed with him as he may deem necessary. The Liquidator further reserves any and all defenses available to Prestige upon all filed claims. All proofs of claim must be duly sworn to before an Officer authorized to take oaths.

THE LAST DATE FOR THE FILING OF PROOFS OF CLAIM WITH THE LIQUIDATOR IS SET FORTH ABOVE. NO PERSONS OR ENTITIES HAVING OR CLAIMING TO HAVE ANY CLAIMS AGAINST PRESTIGE, OR ITS POLICYHOLDERS, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY, UNLESS SUCH CLAIMS ARE PROPERLY FILED WITH THE LIQUIDATOR ON OR BEFORE JULY 26, 1995 AT 4:30 P.M., C.S.T.

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Business Insurance Circulation Breakdown

Commercial Consumers

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Vice Presidents, General Managers and Other Administrative Personnel 4,118

Financial:

Chief Financial Officers and Vice Presidents of Finance 2,171
Secretaries, Treasurers, controllers and other Financial Personnel 3,335

Risk/Employee Benefits:

Vice Presidents, Directors, Managers, and other related department personnel of insurance, risk employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations 16,157

Sub-total 28,309
Associations 369
Government, Unions and Educational Institutions 974

Commercial Consumers

Sub-total 29,652
Insurance Agents and Brokers 8,408
Insurance Companies 8,181
Accountants, Actuaries, Attorneys & Consultants 3,611
Managers & Health Care Providers 1,903
Others Allied to the Field 849

TOTAL 52,604

★ Source Business/Occupational breakdown of qualified circulation, May 30, 1994 Issue, as submitted to BPA for June 1994 BPA Publisher's Statement

Continued from previous page
utory financial statements.

That and other false information given to regulators in Wyoming, New Mexico, Missouri, Kansas, Nebraska and South Dakota, was designed to make Meadowlark appear to meet capital and surplus requirements, prosecutors allege.

Mr. Brown aided the scheme by preparing phony documents related to Meadowlark assets, including fraudulent deeds of trust on non-existent condominium units, and an inflated appraisal on other Texas real estate, according to the indictment.

Through their network of companies—including Meadowlark, Commercial Indemnity, M&M Management and Magnolia Acceptance Corp., a premium finance unit—the defendants took in more than \$28 million in premiums and fees, prosecutors allege.

They used a large portion of the money to buy real estate, cars and other property for themselves and to invest in other companies, the indictment charges.

Prosecutors also allege that Mr. Riley and Ms. Coon defrauded an Arizona-based MEWA and its third-party administrator—themselves the subject of separate fraud and negligence allegations—by diverting premium trust funds to their own use.

Through M&M Management, the two defendants falsely represented that they had bound coverage for Western Businessmen's Assn., a MEWA for small businesses, with Commercial Acceptance Insurance Co., an insurer for which they had no underwriting authority, prosecutors say.

In an August 1991 administration contract, M&M Management agreed to oversee a trust account for WBA premiums while Benefit Data Administrators Inc., a Novato, Calif., TPA, agreed to handle claims.

Over the next five months, about \$1.1 million in premiums went into the trust account and Mr. Riley and Ms. Coon allegedly transferred out \$649,091 for purposes other than paying WBA health claims. As a result, many WBA participants were left with unpaid or partially paid claims, the indictment says.

A massive 1993 policyholder class action suit charged WBA's founder, Arthur Alvin Haney, with operating the association as a health insurance scam (BI, Oct. 3).

The suit also leveled negligence charges against Benefit Data Administrators, which was originally a unit of Occupational Health Services Inc. of Larkspur, Calif., but which was later sold to a company controlled by Mr. Haney, lawyers familiar with the case say.

Benefit Data Administrators and Occupational Health Services have agreed to settle the class action, as has Meadowlark, which was also named as a defendant, said Robert L. Brace, a Santa Barbara, Calif., lawyer representing the plaintiffs.

Meanwhile, the indictment also charges that Mr. Riley and Ms. Coon:

- Tried to buy the troubled Town & Country Fire & Casualty Insurance Co. of Hutchinson, Kan., in 1991, using a fraudulent \$315,000 mortgage note and \$250,000 from the WBA premium trust account.

- Paid more than \$36,000 to former Wyoming Insurance Commissioner Gordon W. Taylor Jr. to keep him from cooperating with federal investigators.

Mr. Taylor pleaded guilty to an unrelated bribery charge and was sentenced to 15 months in prison in 1991 (BI, March 11, 1991; April 16, 1990).

- Conspired to pay \$290,000 in bribes to the Missouri insurance commissioner in 1991 to get a Missouri license for Meadowlark.

Mr. Riley and Ms. Coon allegedly
Continued on next page

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Fraud

Continued from previous page

planned to funnel the bribe through two lawyers, but became victims of a scam themselves when the two lawyers pocketed the money. The lawyers, Kevin M. Hare and Raymond W. Sermon, were convicted on charges connected with the scheme and were sentenced to prison earlier this year.

- Paid \$25,000 in bribes to James R. Wining to keep him from cooperating with FBI and other investigators. Mr. Wining, a former associate of the defendants, separately pleaded guilty in 1992 to charges of diverting more than \$20 million in premiums from Omaha Indemnity Co. (BI, March 23, 1992).

- Diverted \$201,500 from a premium trust account for the International Associations Coalition, a podiatrists group that bought medical malpractice coverage from Commercial Indemnity.

The indictment levels numerous charges against Mr. Riley and Ms. Coon, including racketeering, mail fraud, conspiracy and money laundering. **BI**

Chase alleges fraud in suit against brokers, insurers

DETROIT—A group of brokers and alien insurers duped Chase Manhattan Bank into paying \$1.7 million for property coverage with a Bolivian insurer by falsely claiming it was reinsured by Lloyd's of London underwriters, the bank charges.

Chase filed claims in U.S. District Court in Detroit last week against several individuals and companies involved in an ill-fated property insurance program covering Chase's mortgagee interest in about \$90 million in property in the U.S. Virgin Islands.

While Chase was initially led to believe that La Fenix Boliviana de Seguros y Reaseguros S.A. of Bolivia was backed by Lloyd's, reinsurers later proposed for the program included several unacceptable companies, among them Provident Capital Indemnity Co. Ltd., a Costa Rican reinsurer capitalized with allegedly bogus certificates of deposit, court papers say.

The bank canceled the program last December after it was rejected by U.S.V.I. regulators and has since lined up replacement coverage (BI,

Jan. 31).

The Chase action names: La Fenix; M&M Management Corp., the insurer's Kansas City, Mo.-based representative; Ferrell Travis Riley and two other M&M Management officials; Gaelic Union Reinsurance Co. of Ireland, 40.5% owner and reinsurer of La Fenix; Dominique Testu, an officer or director of Gaelic Union and La Fenix; Various Markets Inc., a Warren, Mich., surplus lines broker involved in the placement; and Mark W. Dupuis, VMI's president.

Mr. Riley was indicted last month on unrelated racketeering, fraud and bribery charges (see related story).

Chase's complaint came in response to a defamation suit filed against the bank earlier this year by VMI and Mr. Dupuis.

In its counterclaim and third-party claims, Chase says it was initially offered coverage from La Fenix and Commercial Indemnity Assurance Co. of the Dominican Republic, another insurer operated by Messrs. Riley and Testu that the

bank later learned was a successor to the allegedly fraudulent Meadowlark Insurance Co.

Chase rejected Commercial Indemnity but accepted La Fenix only with VMI's assurance that Lloyd's underwriters led by D.P. Mann Underwriting Agency Ltd. would reinsure 75% of the risk, the bank claims.

Despite repeated requests, though, VMI never provided confirmation of the reinsurance coverage and threatened that D.P. Mann would withdraw if Chase did not wire the entire annual premium of \$1.7 million to the broker by Aug. 9, 1993, Chase charges. The bank wired the money but learned a few weeks later that D.P. Mann had never been on the program.

Over the following weeks, the brokers—including Chase's lead broker, Chicago-based Rollins Hudig Hall Group Inc., and The Donnelly Corp. of Mercer Island, Wash.—scrambled to find replacement reinsurance. Among the reinsurers proposed were PCI and Dai Ichi Kyoto Reinsurance Co., Chase charges.

U.S.V.I. regulators rejected these proposals and Chase canceled the program, demanding a return of unearned premiums it calculated at \$751,339. In April, VMI returned \$171,559, but La Fenix then issued a unilateral policy endorsement saying an earlier agreement to return unearned premiums no longer applied, Chase alleges.

The complaint, seeking return of the unearned premium and other damages, charges VMI and Mr. Dupuis with breach of contract, fraud and conversion of Chase's funds, among other things. La Fenix, M&M Management, Mr. Riley and others are charged with conspiring in the scheme to mislead Chase.

Some brokers involved in the placement, including RHH and Donnelly, have returned unearned commissions on the program, said a Chase official, who added the bank does not know who is now holding its unearned premium.

Mr. Dupuis dismissed the charges as harassment.

Mr. Riley could not be reached.

—By Douglas McLeod

New faces

Continued from page 1

TDI makes continued progress toward the goal of being the best consumer-oriented, but fair to the industry, department of insurance in the nation," Mr. Hunter wrote in a Nov. 28 letter to Gov. Richards. "Years ago I made a fundamental decision about my life's priorities: God first, family second and work after that."

The day after he submitted his resignation, Mr. Hunter released an 82-point legislative agenda to the oversight subcommittee that sets the Legislature's schedule. Mr. Hunter generated five of the proposals, while the remainder came from the TDI staff, industry and consumer organizations and out of a public hearing.

On Nov. 4, Mr. Hunter issued controversial anti-discrimination

regulations and had scheduled a hearing on them for Dec. 16. After the election, he agreed to delay consideration of the rules until after the first of the year at Gov.-elect Bush's request.

Mr. Hunter said he met with the Bush transition team and was told that he was a leading candidate to continue as insurance commissioner.

Other names that have been mentioned as possibilities are Kay Doughty, an attorney who was Massachusetts commissioner until 1993, and Robert E. Davis, an attorney who is former chairman of the Texas House Insurance Committee.

"We wish the commissioner well in his future endeavors and thank him for his service to Texas," said Jerry Johns, president of the Southwest Insurance Information Service, an industry-sponsored group. "On the other hand, insur-

ers and many policyholders often found his proposed rules to be costly to consumers and bureaucratic nightmares to administer. Insurers firmly believe that competition is the best regulator of insurance prices, yet the commissioner seemed to believe that overregulation and micromanagement of insurers was the cure-all for consumers."

With Republican governors replacing Democrats in several states, a "hands off" approach to regulation could emerge elsewhere.

"I foresee in general less regulation and a willingness to let market competition act as more of an implied regulator than the Democrats have up to now been willing to do," said Richard Liskov, an attorney with Chadbourne & Parke who was deputy superintendent of the New York Department of Insurance from 1989 to 1992.

New York state Sen. Guy Veleva, R-Bronx/Westchester, chairman of the insurance committee and a vocal critic of the NAIC, will probably help Gov.-elect Pataki choose a successor.

In addition to Alaska, New York and Texas, new commissioners may also be appointed by the governors-elect in Alabama, Connecticut, Hawaii, Idaho, Pennsylvania and Tennessee.

Such turnover is not unprecedented in the NAIC.

"I'm one of the old-timers," said Fabian Chavez, superintendent of insurance in New Mexico, who said there were eight new commissioners when he was appointed in 1988. "The average tenure is about two years."

"There is a very solid group in the second and third level of the staff at each insurance department," Mr. Chavez pointed out. "No matter who the commissioner is, there is always continuity. Most governors, even though they change the commissioner, they don't touch the professional staff."

In addition to Mr. Hunter, other commissioners—such as Lawrence Reifurth of Hawaii—have already stepped down. Some have also submitted resignations as requested by the current governors but plan to continue to serve until asked to step down by the incoming administration.

Wyoming Commissioner John P. McBride submitted his resignation but told Gov.-elect Jim Ger-

inger's transition team that he was interested in continuing.

Mr. McBride has worked with the incoming governor before and is hopeful about keeping his post.

In some other states, the government's organizational structure is sparing commissioners from looking for a new job.

Although Maine elected a new governor, Superintendent Brian

K. Atchinson will serve out his term through June 1998. His boss, a cabinet member who oversees banking as well as insurance, will be replaced.

Mr. Chavez of New Mexico serves at the pleasure of a three-member state corporation commission, so he will not be affected by the election of a new, Republican governor. **BI**

Comings & Goings: Industry

Kenyon next head of Kemper

David B. Mathis, who was to have become chairman of Kemper National Insurance Cos. as of March 1, 1995, will instead remain chairman of Kemper Corp. after the recent collapse of a Conseco Inc. bid to buy the financial services holding company.

Taking over for retiring Kemper National Chairman Gerald L. Maatman will instead be Alfred K. Kenyon, the current president and chief operating officer, who had planned to take early retirement Jan. 1.

In other insurer changes:

William A. Simpson named president and CEO of USLIFE Corp. in New York, succeeding Gordon E. Crosby Jr., who will continue as chairman.

William Zuza Jr. joined The Home Insurance Co. as vp-financial management in the specialty lines group in New York. He had been a member of Sienna Ltd., an insurance consulting firm. Also at Home, Robert E. Haberle named vp-specialty lines claims.

James J. Westervelt named senior vp and group controller of ITT Hartford Group Inc. in Hartford, Conn.

Stephen LoRusso, Ted Brezinski, Charles Dudek, Kirk Goeldner and Dennis Barger named senior vps in the commercial insurance division of Zurich-American Insurance Group in Schaumburg, Ill.

Agents/brokers

J. Hyatt Brown, CEO of Poe & Brown Inc., named to the additional post of chairman, succeeding William F. Poe, who announced his retirement earlier this year.

Michael J. McKeon named se-

nior vp and chief information officer for Alexander & Alexander Services Inc. in New York. Also at A&A, Richard P. Sneider Jr. named corporate controller.

Sue T. Rye named vp of the newly formed workers compensation consulting division of Near North Insurance Brokerage Inc. in Chicago. Previously, Ms. Rye was director of risk management at the Walt Disney World Co.

Bob Gorman, Terry Mottley and Steve Pahl named vps-production in the global national division of Arthur J. Gallagher & Co. in Itasca, Ill.

Randall B. Jones joined Willis Corroon as senior vp and will head the newly formed claims management consulting services practice in Los Angeles. Mr. Jones previously was a vp with Johnson & Higgins in charge of its Western region workers compensation consulting practice.

Reinsurance

Gilbert R. Crouse named vp at American Re-Insurance Co. responsible for the underwriting property program and treaty business in Princeton, N.J.

Thomas L. Forsyth joined North American Reinsurance Corp. as senior vp and general counsel in New York. Previously, Mr. Forsyth was deputy general counsel for the Travelers Insurance Cos.

Dennis D. Braziel named senior vp and treasurer of the Reassurance Co. of Hannover, the Orlando, Fla.-based life and health reinsurance subsidiary of Hannover Re.

William M. Jewett named senior vp-underwriting and business development at Centre Reinsurance Co. of New York. **BI**

Hunter reached out, reorganized

AUSTIN, Texas—It wasn't as bad as they expected.

That's the consensus of most insurance industry observers on life under J. Robert Hunter, the outspoken consumer advocate who resigned last week after a year as Texas insurance commissioner.

Before taking the Texas job last November, Mr. Hunter was the president of the National Insurance Consumers Organization.

"A lot of people groaned and moaned when his name first surfaced," said Wayne Stratton, vp of the southwestern region of the Alliance of American Insurers. "He was certainly approachable and willing to listen. He didn't always agree, but that's life."

"The initial perception that the head of NICO was coming here was not good," said Bob Huxel, director of government affairs for the Texas Assn. of Insurance Agents in Austin. "But over the year, he's been extremely accessible and very fair."

"He had to do a delicate balancing act and he did a pretty good job," said Pam Beachley, president and general counsel of the Texas Business Insurance Consumers Assn. in Austin. "His philosophy is to allow competitive forces to regulate the insurance marketplace."

Mr. Hunter is also praised for his handling of the Texas Department of Insurance, which had a reputation as overly bureaucratic. Creation of the appointed commissioner's post to replace the three-person Board of Insurance also is credited with helping improve department operations (BI, Oct. 18, 1993).

Like other years before it, however, 1994 was not free of controversy.

He was quoted in Newsweek saying the biggest surprise of his job was "state legislators who also make a living as insurance agents, and who keep trying to tell me what to do."

And one agent wrote to Mr. Hunter contesting his view that life insurance on single people and children is usually unnecessary.

Mr. Hunter responded: "The death of a child, while the most emotionally wrenching of all tragedies, is an economic plus to a family. Think of the reduction in future costs for food, shelter, education, clothing and so on." Those statements were also reported in the press.

During the year, Mr. Hunter focused on personal lines issues. He levied record fines against several insurers for illegal sales practices and discrimination, including \$1.2 million against Metropolitan Life Insurance Co. and \$850,000 against Allstate Corp.

—By Sara Marley

Lockerbie

Continued from page 1

Platt. The disaster killed 259 U.S. citizens.

Separately, Pan Am is seeking U.S. Supreme Court review of a 2nd U.S. Circuit Court of Appeals ruling that Pan Am received a fair trial in the underlying damage suits (*BI*, Oct. 3; Feb. 7). In July 1992, a federal jury found the airline guilty of "willful misconduct," a finding which meant the Warsaw Convention liability limit of \$75,000 per passenger would not apply.

Aviation lawyers do not expect the Supreme Court to take the case.

It will be six years on Dec. 21 since a terrorist bomb blew up Flight 103, killing everyone on board and 11 people on the ground. At the time, USAIG set up a reserve of \$60 million in accordance with the Warsaw Convention limit.

Four years later, the jury found Pan Am guilty of willful misconduct because it did not hand search unaccompanied baggage on Flight 103. The insurance reserve was then increased to \$475 million (*BI*, July 20, 1992; July 13, 1992).

In its Supreme Court petition, Pan Am argues that it was denied a fair trial when Judge Platt refused to admit evidence that the airline believed it was following federal security rules when it X-rayed rather than hand-searched the baggage.

The latest round of litigation began last month during two days of hearings to decide whether to continue with some damage cases while the petition is pending.

During the hearings, Judge Platt questioned whether USAIG and its former chairman and chief executive officer, John Brennan, have stalled in paying compensation.

The insurer said the cases would be settled within 30 days after the jury verdict, said Judge Platt on Nov. 9. "That was two and a half years ago, and nothing happened. Then I was told that everything would fall into place when Mr. Brennan was relieved of his responsibility. He was promptly relieved of his responsibility and nothing happened." Mr. Brennan retired in June.

"Then I was told (that after) the 2nd Circuit made a decision, which took them two years to do, that everything would fall into place. And now you are telling me that something is going to fall into place after the United States Supreme Court does something," said the judge.

While all this is going on, the insurers are sitting on a "limited fund" and earning interest, said Judge Platt. "There's only a certain amount of money here. And these fellows aren't playing the ball game the way I think the game ought to be played," he told plaintiffs' attorneys.

Judge Platt called the insurers' behavior "unpardonable." He told Pan Am's lawyer, Richard Sharp, a partner with Shea & Gardner in Washington, "Don't you understand there are widows and people out there who have been suffering for five or six years while you guys have been doing this?"

"I understand," said Mr. Sharp.

"Does that give you no pause at all?" asked the judge, to which Mr. Sharp answered it did.

"I don't think it's given you one sleepless night," Judge Platt said. "I don't know why it's given me sleepless nights, but if it was a relative of yours in this mess, you would feel differently. I think it's shocking. I don't mind putting it on the record."

Judge Platt has expressed his concern that, even if the Supreme Court decides not to take the case, the insurers will request that all the damage cases be heard before they are required to pay. The judge said he would like to see the families receive

money within his lifetime.

While victims' families wait, Judge Platt noted, the insurance pot is shrinking as some insurers on Pan Am's policy are already insolvent and others could become insolvent soon. "The problem is the equitable distribution of whatever is available. And if it were within my power... I would order the carrier to put up the (insurance) money in escrow."

At least three insurers on Pan Am's 1988 coverage are insolvent: Orion Insurance Co. P.L.C., English & American Insurance Co. Ltd., and Andrew Weir Insurance Co. Ltd.

If these companies together only had a 3% share of the Lockerbie coverage, their portion of the loss—which plaintiffs would have to recover as creditors—would total \$22.5 million, said the lead lawyer for the victims' families, Lee S. Kreindler of Kreindler & Kreindler in New York.

These three insolvent insurers are part of the London market placement, which comprises 25% of the policy amount and is led by Lloyd's of London's Ariel syndicate. Other Lloyd's aviation syndicates that are no longer underwriting also may be on the coverage, underwriters say.

During the Nov. 9 hearing, Pan Am's attorney Mr. Sharp told the judge that he did not agree with the

"doomsday scenarios" the judge was painting. "Mr. Sharp, I don't believe a word of that," responded Judge Platt. "I have been duped too many times by these carriers... There's been nothing put up by way of good faith money. Nothing. To me, it's shocking."

"The carrier's position has been that liability needs to be resolved," said Mr. Sharp.

"Oh, come on," said the judge, who then commanded all the insurers be in court on Nov. 14. "I just cannot believe that six years later we are sitting here with a carrier with a limited fund, and he's saying it's not going to be put up in escrow and be available to at least earn interest for others than themselves."

But USAIG's Mr. Mirabile did not appear on Nov. 14, citing an urgent meeting in Paris that only he could attend for his company. Judge Platt said he'd never been treated this way in his 20-plus years on the bench. He suggested the insurers' refusal to begin settlement negotiations could be construed as "bad faith," which might mean additional damages.

"It's been one misrepresentation after the other by the insurance carriers," said the judge. "And to me, it's become self-evident why. It's in their own self-interest."

Pan Am insurer suing ex-claims manager over comments

By STACY SHAPIRO

LONDON—Pan American World Airway's lead insurer is suing its former claims manager for defamation for saying publicly why he thought Lockerbie claims should have been paid three months after the 1988 disaster.

On Nov. 11, United States Aviation Underwriters Inc.—which manages United States Aircraft Insurance Group—and USAIU's former chairman and chief executive officer, John Brennan, filed a defamation suit in the U.K. High Court against the ex-claims manager, Robert A. Alpert.

USAIU, which did not specify damages, claims that at a June seminar hosted by the law firm Beaumont Garnault in London, Mr. Alpert "falsely and maliciously" spoke about USAIG's handling of two separate airline disasters.

According to court papers, Mr. Alpert said that USAIU and Mr.

Brennan had decided it was in the insurer's interest to have the airline blamed for a murder-suicide that caused a 1987 crash of a Pacific Southwest Airlines flight that killed 43 people (*BI*, Dec. 14, 1987). That way, the airline's insurers would be fully reinsured for the loss, Mr. Alpert allegedly said.

The former claims manager also said that when Pan Am Flight 103 blew up, Mr. Brennan stuck to Warsaw Convention liability limitations of \$75,000 per passenger without discussion and set up a reserve along those lines, according to court papers.

"It was my view at that time and still remains that it was an obligation and responsibility of the insurance industry to step forward and pay fair and reasonable compensation to each of the families who had members aboard the aircraft," Mr. Alpert allegedly said. "And yet for 5½ years the industry has stood by and let a

Judge Platt observed that the court had no apparent jurisdiction over the insurers because they were not party to the plaintiffs' suits. The actual defendants are Pan Am and its unit, Alert Management Systems Inc., which are both in bankruptcy.

However, with the judge's encouragement, the plaintiffs' committee argued in a memo that the federal court had authority under federal and state law to order USAIU, its co-insurers and reinsurers to place the proceeds in escrow.

As Pan Am and Alert no longer exist as viable economic entities, "the real parties in interest here are the insurers," the committee argued. "The court is empowered, therefore, to take appropriate steps against the insurers to preserve plaintiffs' damage remedies."

Following the filing of the plaintiff's memo and related motions, Judge Platt ordered insurers to show cause why he shouldn't:

- Require underwriters to post a surety bond totaling \$750 million—the airline's liability insurance limit—and promise to pay 100% of all damage judgments from the 225 cases still pending.

- Alternatively, require underwriters to file a bond totaling \$475 million, which is the current liability re-

serve for the crash.

- Request the judge overseeing Pan Am's bankruptcy proceedings to direct insurers to deposit all funds and proceeds pertaining to all insurance, reinsurance and co-insurance policies available that cover Pan Am for the Lockerbie disaster.

- Compel insurers to produce all policies of insurance, coinsurance and reinsurance pertaining to the Lockerbie disaster, and identify all relevant underwriters. The judge said he also wants information pertaining to the underwriters' solvency.

The order, filed in the U.S. District Court on Nov. 18, was served Nov. 22 to USAIG; Associated Aviation Underwriters in Short Hills, N.J.; Lloyd's of London underwriters led by the Ariel syndicate; and French insurers La Reunion Aeriennne and CAMAT, Compagnie d'Assurances Maritimes, Aeriennes et Terrestres.

The insurers had until last Thursday to file an answer to the order, but no details were available.

Mr. Mirabile said in an interview last week that there is no legal precedent for insurance policy limits being placed in escrow before damage cases are decided. A bond of \$20 million was filed with the court for the three damage claims decided in July 1992, he added. **BI**

single individual (Mr. Brennan) dictate how that accident will be handled."

According to the complaint, Mr. Alpert attributed USAIU's actions in the Lockerbie crash to the structure of USAIG's reinsurance program and to the fact that losses had to be reported if they exceeded the original reserve.

As of June, Mr. Alpert estimated that liability losses will exceed \$500 million, or about 2½ times what he thinks the case could have been settled for in 1989.

Ron Smith, claims manager for Lloyd's of London's Ariel syndicate, the leading London insurer for Pan Am, disagreed with Mr. Alpert at the meeting, court documents show. And, according to the complaint, Mr. Smith said he felt that it was wrong for Mr. Alpert to "vilify one group of insurers" in a public forum, especially when Mr. Brennan wasn't there.

In their lawsuit, USAIG and Mr. Brennan claim that Mr. Alpert

implied that Mr. Brennan and USAIG "had dishonestly and improperly ignored advice" from him and imposed liability for the Pacific Southwest Airlines crash on PSA; established a reserve for Lockerbie "to conceal the true losses made by USAIG and, as a result, falsified USAIG's accounts"; and were "incompetent and unprofessional."

In response to the defamation lawsuit, Mr. Alpert said in an interview that the insurers do not claim "that what I said was untrue."

He called the action "a malicious prosecution" filed to stop him from speaking about the facts of the Lockerbie case. "This is another effort to engage in a public relations smokescreen."

Mr. Alpert already has testified to a federal grand jury in Brooklyn investigating whether Pan Am and its insurers suborned perjury in the Lockerbie civil actions (*BI*, Oct. 11, 1993). **BI**

Pensions

Continued from page 1

some of the worst abuses of the Pension Benefit Guaranty Corp.'s insurance program. Employers, for example, no longer will be able to increase pension benefits while in bankruptcy, an action some financially distressed companies—under union pressure—have taken in recent years.

Some changes, though, could decrease pension contributions for employers with pension plans that are nearly 100% funded and already use conservative mortality and interest rate assumptions.

Those employers will benefit from a provision that exempts employers that are at least 90% funded from making accelerated contributions to their pension plans. Currently, plans generally must be at least 100% funded to escape faster funding requirements.

But the biggest impact on employers with well-funded plans will occur if the intent of the legislation—significantly improving plan funding—is realized. That will mean the PBGC will have a much smaller financial exposure when companies terminate their

pension plans and could lead to a more stable or even lower basic premium—now \$19 per plan participant—that employers pay the agency.

"Businesses with well-funded plans will no longer carry more than their fair share of the insurance cost," said Labor Secretary Robert Reich.

"With better funding, promises will be kept and the PBGC will grow stronger. As pensions become better funded, the whole pension system is strengthened," added PBGC Executive Director Martin Slate.

In fact, PBGC officials project that the reforms in the legislation could wipe out within 10 years the agency's current \$2.9 billion deficit in its insurance program, which guarantees benefits to participants of employer-sponsored plans that terminate without adequately funding promised benefits.

The legislation generally will take effect in 1995, with transition periods for some of the changes.

"With improved funding, there is less exposure to the PBGC and that is a good thing for the agency," said Marge Martin, a vp with Sedgwick Noble Lowndes

who is based in Roseland, N.J.

While an exact estimate isn't available, the legislation is expected to increase employer contributions to underfunded pension plans by several billion dollars over the next five years.

In addition, the PBGC is expected to collect an additional \$2 billion in premiums over the next five years from employers with underfunded plans, according to a Congressional Budget Office estimate.

Some employers with underfunded plans expect to take a big hit under the reforms.

Bethlehem Steel Corp., whose pension program as of Sept. 30 had \$1.28 billion in unfunded liabilities, estimates that its total PBGC premiums could increase in 1997 to \$17 million from the current \$8 million. That increase will be triggered by the elimination of a \$53 per participant maximum on the surcharge that employers with underfunded pension plans pay the PBGC.

But some employers that received national attention when they landed on the PBGC's Top 50—a list of the 50 largest underfunded corporate pension plans—expect the legislation to have only minimal impact on the

contributions that they make to their pension plans.

For example, Chrysler Corp., which had more than \$2 billion in unfunded pension liabilities at the end of 1993, expects that its pension program—thanks to massive company contributions this year—will be fully funded by the end of the year.

"We will do whatever it takes to become fully funded," said Sam Messina, Chrysler's manager of investor relations.

Because it already decided to "aggressively" fund its pension plans, Navistar International Corp. said it doesn't believe the legislation will increase the amount of contributions it had expected to make, a spokeswoman said. As of Oct. 31, 1993, Chicago-based Navistar had \$569 million in unfunded pension liabilities.

The burden of the tougher rules on some employers also will be eased by certain elective transition rules.

Under one transition rule, over the next five years, employers would not have to make contributions that will improve their plans' funded ratio beyond three percentage points each year. In

Continued on next page

Pensions

Continued from previous page
the next two years after that, employers would have to make contributions to boost their plans' funded ratio by no more than four percentage points each year.

For employers with well-funded plans, the direct impact of the legislation should be minimal.

"This should be perceived as almost a non-event," said Larry Sher, a partner with Kwasha Lipton in Fort Lee, N.J.

"For our clients, the impact should be minimal because in general they have well-funded plans," said Chris Bone, chief actuary at Actuarial Sciences Associates Inc. in Somerset, N.J.

While the legislation's impact will directly relate to how well-funded their pension plans are, all employers will have to navigate through a thicket of complicated new rules, noted Michael Johnston, a consultant with Hewitt Associates L.L.C. in Lincolnshire, Ill.

Those new rules include:

- **PBGC premiums.** The flat annual rate of \$19 per participant that all employers pay is unchanged. In addition, the formula—\$9 per participant per \$1,000 of underfunding—to determine the surcharge or variable rate premium remains in place. But over the next three years, the current \$53 per participant cap on the variable rate premium will be phased out.

Currently, 5,900 employers out of about 54,000 pay a variable-rate premium above the \$19 flat rate

and, of those, 5,300 firms pay the \$53 maximum, according to the PBGC. Typically, firms whose variable rate premium is now capped at \$53 will see—barring major increases in plan funding—their premiums double when the cap is completely removed in 1997.

- **Tighten funding rules.** In general, employers whose plans were less than 90% funded would be subjected to faster funding rules than current law requires.

For example, a special rapid-funding rule that now requires plans that are less than 35% funded to amortize new liabilities over roughly five years would be extended to plans that are less than 60%.

- **Liquidity test.** Plans would be required to maintain minimum liquid assets equal to at least three years of benefit payments.

That provision is intended to stop a current problem in which lump-sum payments can quickly drain a pension plan of its assets.

- **Mortality assumptions.** Employers would be required to use a conservative mortality table—known as GAM 83—in calculating life expectancies of plan participants. The Treasury Department would be charged with developing a new mortality table—based on independent studies and plan experience—to be used beginning in 2000. GAM 83 is now used by roughly 20% to 30% of employers. The Treasury Department would be required to review the tables at least every five years and adjust them as necessary.

In addition, beginning in 1996, pension plans could use special tables to calculate mortality rates for employees who retire on disability.

Mandated mortality assumptions, PBGC officials earlier said, are necessary to stop abuses in which employers have grossly underestimated the life expectancies of employees and thus minimized plan liabilities.

- **Interest rate assumptions.** In valuing plan liabilities and determining how much they must contribute, employers currently are required to use an interest rate that is in the range of 90% to 110% of a four-year weighted average of the rate for the 30-year Treasury bonds.

Under the legislation, the 110% ceiling would be lowered by one percentage point each year, beginning in 1995, until it is reduced to 105% in 1999.

Using these interest rate assumptions, employers whose pension plans are less than 90% funded for current liabilities will have to make special payments to their plans. Depending on a plan's funding level, these payments—known as the deficit reduction contribution—must be made over five to 13 years rather than over 30 years, like other contributions.

But, if a plan is at least 90% funded for two consecutive years, then no DRC would be due in ei-

Lawyers charged with comp violations

LOS ANGELES—Two lawyers are being charged with plotting to sell the names of thousands of their clients in personal injury suits against Texaco Oil Co. to a man they believed represented doctors.

The Los Angeles District Attorney's Office charges that the men planned to receive kickbacks for selling the names of people suing Texaco over an October 1992 explosion at a Wilmington, Calif., refinery (BI, Oct. 12, 1992).

Harold Blaisch, 62, and Charles Buchanan, 44, were charged Nov. 28 with conspiracy to violate state insurance law, which prohibits

Other benefits affected by GATT

WASHINGTON—While the Retirement Protection Act attached to the GATT bill will strengthen pension funding, it also will slightly hurt higher-paid employees.

One provision, designed to generate nearly \$400 million in new revenues over five years, will slightly reduce their future pension benefits, contributions and 401(k) deferrals.

Currently, the maximum annual benefit employers can fund through defined benefit plans, the maximum annual contributions that can be made to a defined contribution plan and the maximum deferral highly paid employees can make to 401(k) plans all automatically rise along with the Consumer Price Index.

Instead, beginning next year, maximum benefit and contribution limits will be increased in \$5,000 increments, rounded down to the nearest \$5,000.

For example, if inflation produced a \$7,000 increase in the maximum benefit and contribution limits, with rounding the actual increase would be lowered to \$5,000.

In the case of 401(k) plans, the maximum annual deferral limit will increase in \$500 increments, rounded down to the nearest \$500.

Through this change in rounding, the maximum benefit that can be funded through a defined benefit plan is expected to rise to \$120,000 from \$118,800, while the maximum contribution to a defined contribution plan will remain at \$30,000 per employee. The maximum employee salary deferral to a 401(k) plan will stay at \$9,240.

—By Jerry Geisel

ther of the next two years so long as the plan was at least 80% funded in those years.

Passage of the legislation caps a drive that was originally launched by the Bush administration and continued with some modifications by the Clinton administration.

The legislation's chances of gaining approval seemed dim until it was attached this summer to the GATT measure.

The decision to attach the PBGC legislation to GATT "pulled it out of the ashes. It would not have passed on its own," said Frank McArdle, a Hewitt Associates consultant in Washington.

Under special "fast-track" rules, the GATT legislation could not be amended after it was formally introduced. The Senate approved the legislation by 76-24. The House vote approved it 288-146. ■

such referrals. Additionally, Mr. Blaisch is charged with unlawful referral of patients. He is accused of selling a list of names for \$5,000 to an undercover investigator who posed as a physician's agent.

Messrs. Blaisch and Buchanan declined to comment. Neither has entered a plea, said Deputy District Attorney Cliff Klein.

The charges against the two men were filed as felonies, although the specific violations allow sentences to be handed down as either misdemeanors or a felonies.

—By Roberto Cenicerros

Updates

Fraud trial set for insurer exec

LEXINGTON, Ky.—A fugitive executive has turned himself in to federal authorities in Kentucky and is facing charges that he used a bogus offshore insurer to sell worthless insurance in several states.

Grahame P. Sanders pleaded not guilty to multiple fraud and conspiracy charges related to his operation of the now-defunct Griffin Insurance & Reinsurance Co. Ltd. of Anguilla. He was released last month on \$100,000 cash bond. Trial is set for Jan. 9.

Mr. Sanders fled to Costa Rica last year after Florida regulators filed criminal charges against him and several others involved in operating Provident Capital Indemnity Ltd., which was capitalized with allegedly phony certificates of deposit (BI, Jan. 31).

Mr. Sanders' \$100,000 bail in the Griffin case was posted by Lloyd D. Hutchinson, who identified himself as a PCI "limited partner" based in Peterborough, Ontario, according to Frances Catron, assistant U.S. attorney in Lexington.

Two other defendants in the Griffin case—Gary L. White and Thomas Reid Methvin—have pleaded guilty to conspiracy charges and agreed to cooperate with prosecutors, Ms. Catron said. Each faces a maximum sentence of five years; both are to be sentenced on Feb. 10.

A fourth defendant, Gene J. Lambert, was acquitted Nov. 21.

EPA expands toxic list

WASHINGTON—Under expansion of a government program to notify the public about the release of possibly toxic substances, businesses will have to track and report to the Environmental Protection Agency the release of an additional 286 chemicals.

The EPA last week expanded to 654 from 368 the substances in its Toxic Release Inventory, which requires businesses to report the amounts released each year into the ground, air and water.

The EPA attempted to lessen the impact of the regulations, which cover more than 23,000 plants, by letting firms that release fewer than 500 pounds of a substance use a much shorter reporting form.

EPA Administrator Carol M. Browner last week also renewed her push for Superfund reauthorization by promising that the agency would use "all means at our disposal" to keep the program working.

Ms. Browner also praised the "strong bipartisan support" that reform legislation garnered. "Now we have a very different Congress to work with. But Superfund is not a partisan issue."

Westinghouse pension charge

PITTSBURGH—Westinghouse Electric Corp. expects to take a pre-tax non-cash charge of up to \$250 million in the fourth quarter due to cash distributions from a defined benefit plan exceeding projections.

Westinghouse attributed the higher costs to workers opting for lump-sum payments when retiring as part of a companywide restructuring. About 2,600 jobs have been cut since Sept. 30.

The company expects the charge to bring it into compliance with Financial Accounting Standard 88, which governs accounting in certain cases where a pension obligation is settled or a plan curtailed.

Briefly noted

McDonald's Corp. reached an undisclosed settlement with Stella Liebeck, who was awarded \$2.9 million in a lawsuit over burns from McDonald's coffee. In September, a New Mexico state judge reduced the original \$2.7 million punitive damage award to \$480,000 (BI, Sept. 19).

Lloyd's of London will seek a hearing in a commercial court of two members' claims that the market's structure violates European Union competition rules (BI, Nov. 14).

Washington state officials said there will be no general rate increase for 1995 workers comp premiums.

Standard & Poor's Insurance Rating Services has raised Baltica-Forsikring A/S's claims-paying ability rating to BBB from BBB-

Aon Corp. has completed the acquisition of Lloyd's broker Jenner Fenton Slade Group Ltd. (BI, Nov. 14). Terms were not disclosed.

Indianapolis-based The Associated Group and Cincinnati-based Community Mutual Insurance Co. are discussing a merger, which would merge Blue Cross/Blue Shield plans in Indiana, Kentucky and Ohio.

In a lawsuit filed Nov. 18, the Resolution Trust Corp. is seeking \$112 million from Coopers & Lybrand related to the 1987 audits of failed Caprock Savings & Loan Assn.

The Pension Benefit Guaranty Corp. will pay a maximum annual benefit of \$30,886.32 to participants in underfunded plans it takes over next year. The 1994 cap is \$30,681.84.

Tony Habib, former head of the now-defunct Financial Services Insurance Ltd. of Bermuda, will be sentenced Jan. 25 after pleading guilty to defrauding policyholders of about \$7 million (BI, April 19, 1993).

Marsh & McLennan Inc. last week withdrew a lawsuit against Minet Inc. alleging that four former M&M brokers removed confidential information about M&M clients prior to joining Minet (BI, Oct. 31).

Michael J. Kevany is stepping down as an executive of EXEL Ltd., the holding company of X.L. Ltd. in Bermuda. He will remain non-executive chairman.

A federal judge has approved the distribution of \$54 million from the total \$98 million settlement between Alyeska Pipeline Service Co. and thousands of fisherman, Alaskan natives and others harmed by the 1989 Exxon Valdez oil spill. The rest is expected to be distributed early next year.

The state of Florida has settled a suit over statements Insurance Commissioner Tom Gallagher made about Golden Rule Insurance Co. in a 1990 campaign commercial. The state has reimbursed the health insurer \$125,000 for legal costs and Mr. Gallagher acknowledged his statements were inaccurate and affirmed the financial strength and marketing integrity of Golden Rule.

HOW Insurance Co. will start paying 40% of direct claims under an order signed by the Virginia insurance commissioner Nov. 29. Payment of indirect claims, such as extra-contractual obligations and non-economic damages, remains suspended.

Chubb Corp. President Richard Smith, 66, is retiring Dec. 31. His position will be assumed by chairman and CEO Dean O'Hare.

GATT vote leaves insurance out

WASHINGTON—Last week's Congressional approval of legislation to implement the General Agreement on Tariffs and Trade does not open doors immediately in insurance and other financial services.

That's because financial services rules were left out of the final agreement last year when the 117 countries in the Uruguay Round of GATT talks could not come to terms (BI, Dec. 20, 1993).

Services were mentioned in the final agreement, which liberalized some aspects of trade and ensured consideration of services in future multilateral negotiations.

Services are to be governed by the General Agreement on Trade in Services, or GATS, which is still being negotiated. At its center are three goals. They include: transparent laws and regulations; open access to markets; and equal treatment of foreign and domestic companies.

Disputes in the service industries can be taken to the World Trade Organization, which will enforce the GATT trade rules.

Under GATS, rules for each service sector, such as insurance or banking, are being negotiated separately.

All of the countries involved in the Uruguay Round of GATT have accepted the GATS goal of transparent laws and regulations, except those related to economic integration, and recognition of licenses and professional qualifications.

Negotiations are still continuing in the two other areas: open access to markets and equal treatment of foreign and domestic companies.

—By Sara Marley

The snowshoe rabbit changes color with the season, adopting a white coat in winter and a brown coat in summer. This change, which is governed by the shortening length of day, enables the rabbit to blend into its background for protection.



The Ability To Adapt To The Environment Is Necessary For Survival In Nature. And In Benefits Management.

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